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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 8/24/2016

Board Meeting: 8/25/2016
Austin, Texas

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

		Committee Meeting	Board Meeting	Page
7.	**U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds and authorization to complete all related transactions**	*10:18 a.m.* **Action** *Dr. Kelley*	**Action**	**221**
8.	**U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt, including ratification of U. T. System Interest Rate Swap Policy**	*10:21 a.m.* **Action** *Dr. Kelley*	**Action**	**223**
9.	**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**	*10:24 a.m.* **Action** *Dr. Kelley*	**Action**	**247**
10.	**U. T. System Board of Regents: Equipment financing authorization for Fiscal Year 2017 and resolution regarding parity debt**	*10:27 a.m.* **Action** *Dr. Kelley*	**Action**	**251**
Adjourn		*10:30 a.m.*		

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

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book. Consent Agenda items assigned to this Committee are on Pages 326 - 334.

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 148 - 155, and the June Monthly Financial Report on Pages 156 - 180. 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 2012 through May 2016. Ratios requiring balance sheet data are provided for Fiscal Year 2011 through Fiscal Year 2015.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

MAY 2016

U. T. System Office of the Controller

August 2016

KEY

■ Actual Annual Amounts
(SOURCE: Annual Financial Reports)

■ Projected Amounts based on the average change of the previous three years of data

■ Monthly Financial Report Year-to-Date Amounts

■ Annual and Quarterly Average of FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

■ Year-to-Date Margin
(SOURCE: Monthly Financial Report)

■ Projected Amounts based on Monthly Financial Report

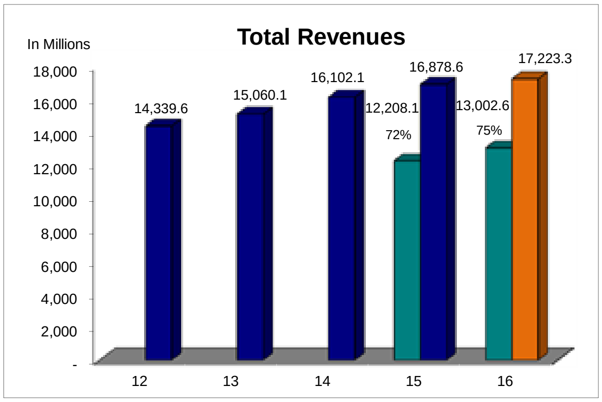
◆—◆ Year-to-Date Margin
(SOURCE: Monthly Financial Report)

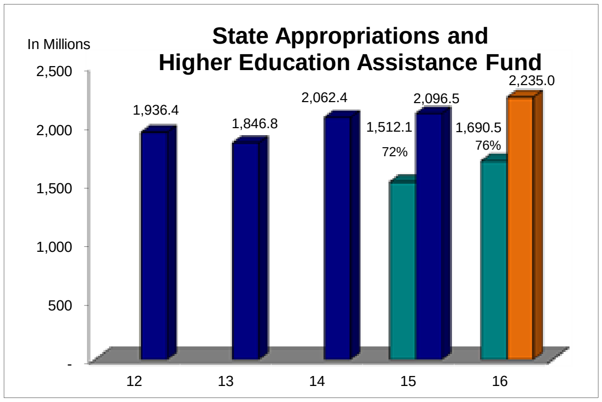
●—● Target Normalized Rates

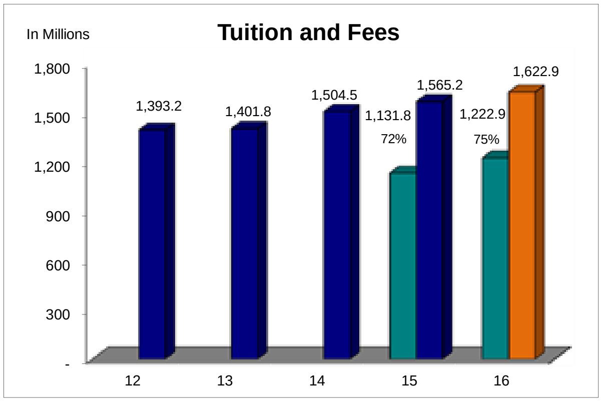
◆—◆ Aaa Median
(SOURCE: Moody's)

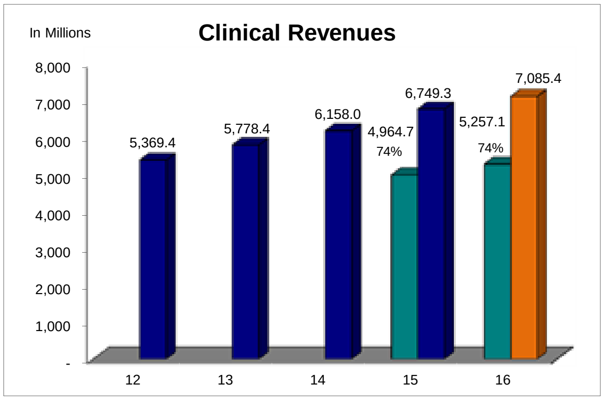
●—● A2 Median
(SOURCE: Moody's)

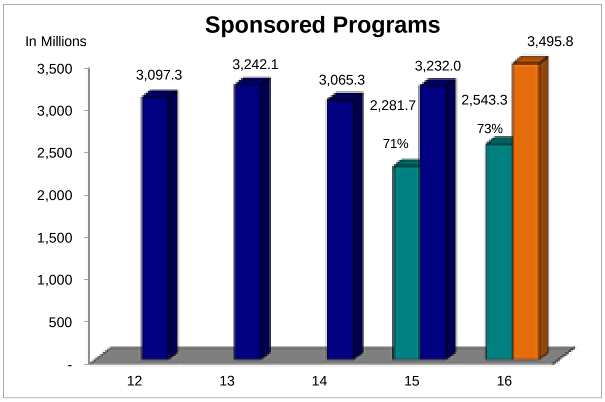
KEY INDICATORS OF REVENUES
ACTUAL 2012 THROUGH 2015
PROJECTED 2016
YEAR-TO-DATE 2015 AND 2016 FROM MAY MONTHLY FINANCIAL REPORT

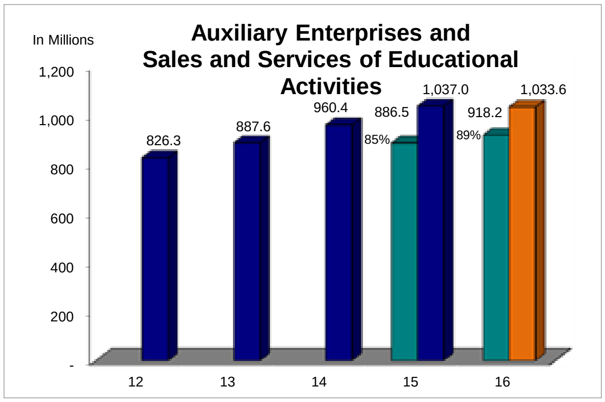

Total Revenues

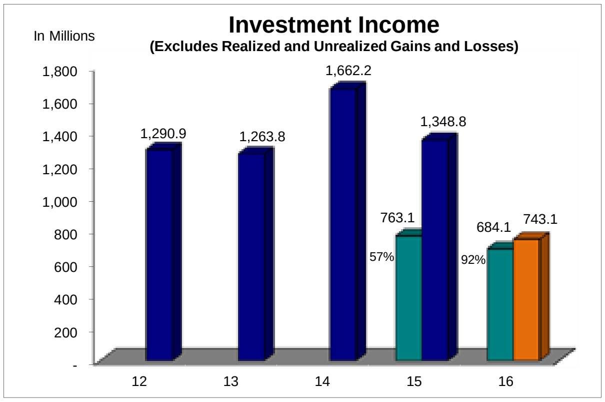

State Appropriations and Higher Education Assistance Fund

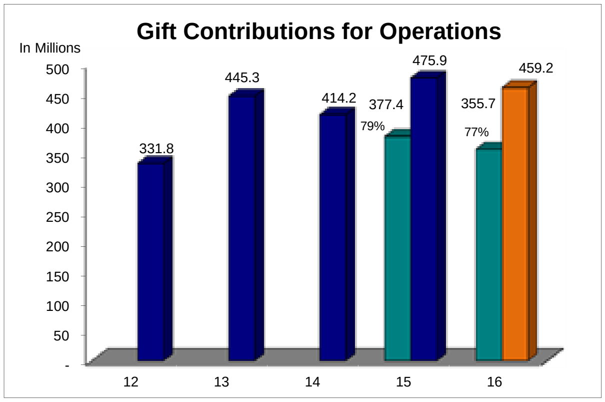

Tuition and Fees


Clinical Revenues

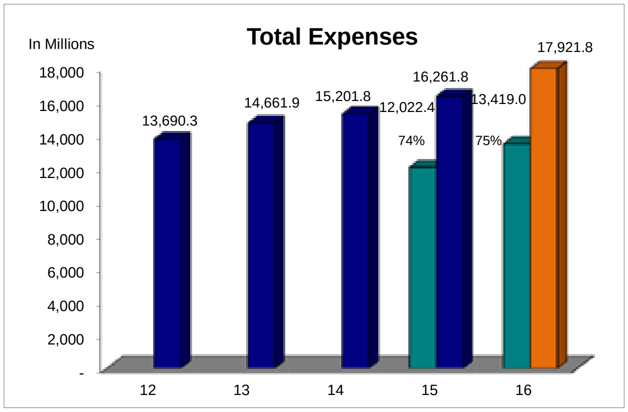

Sponsored Programs

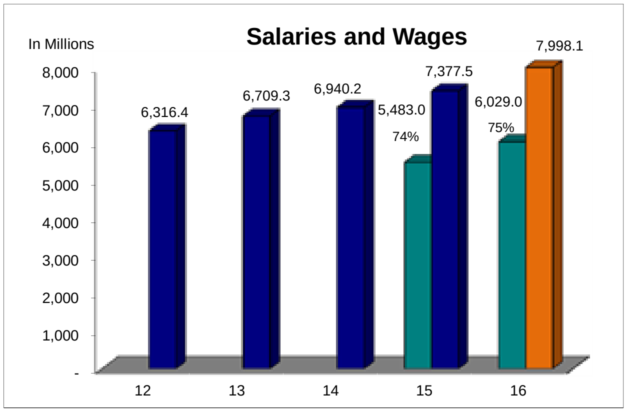

Auxiliary Enterprises and Sales and Services of Educational Activities

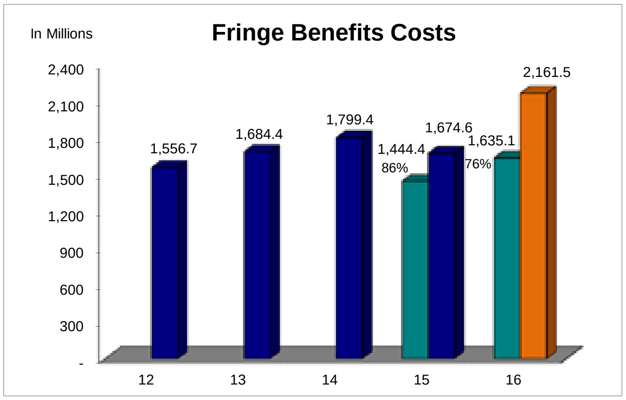

Investment Income
(Excludes Realized and Unrealized Gains and Losses)

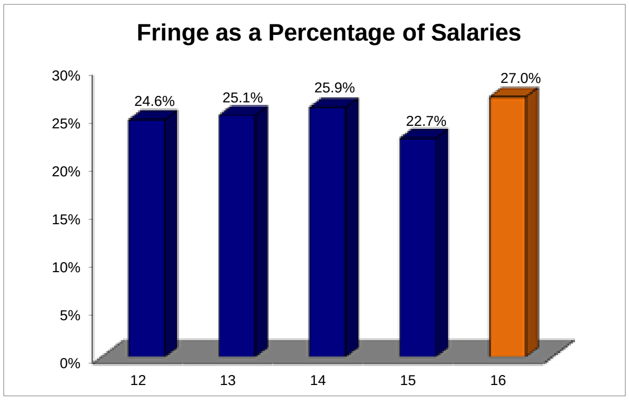

Gift Contributions for Operations

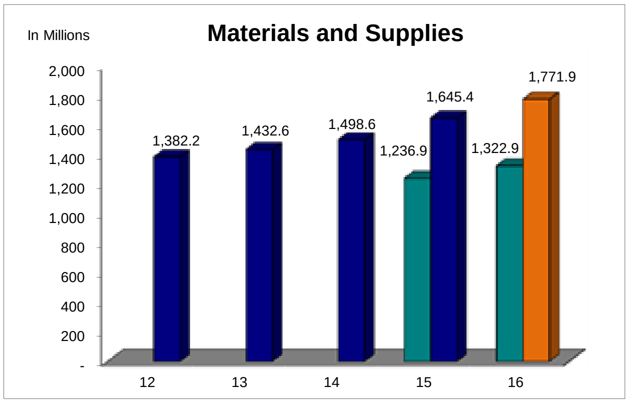
KEY INDICATORS OF EXPENSES
ACTUAL 2012 THROUGH 2015
PROJECTED 2016
YEAR-TO-DATE 2015 AND 2016 FROM MAY MONTHLY FINANCIAL REPORT

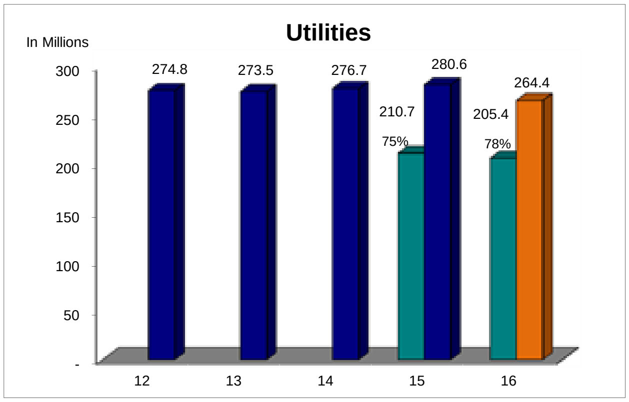

Total Expenses

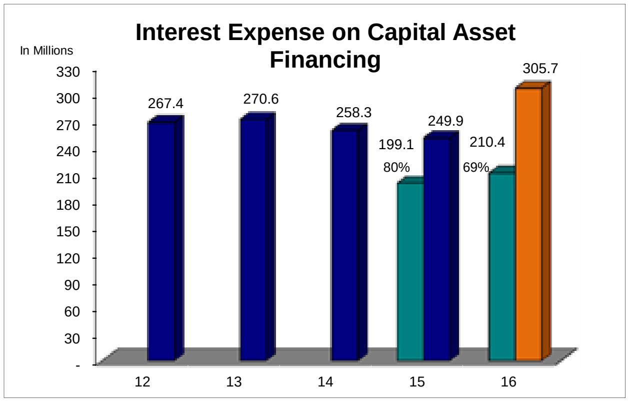

Salaries and Wages

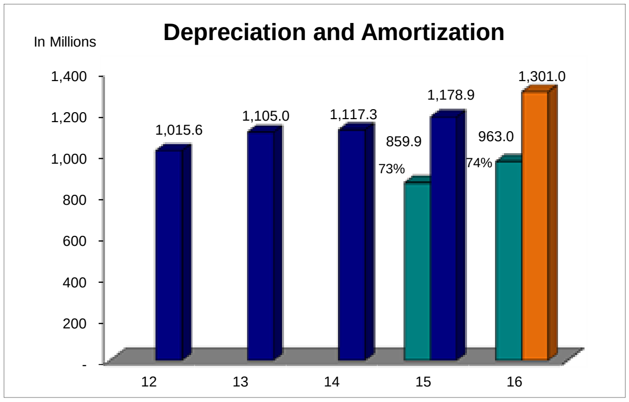

Fringe Benefits Costs


Fringe as a Percentage of Salaries

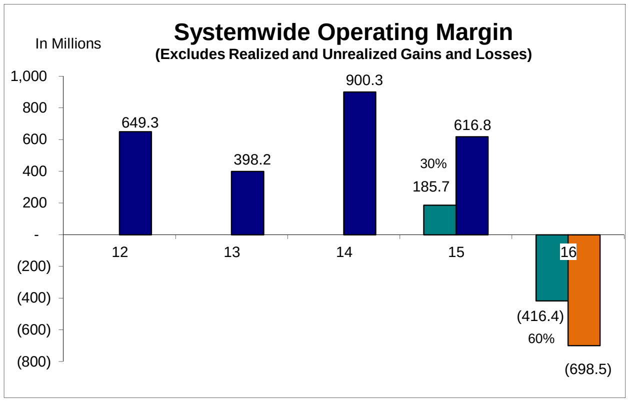

Materials and Supplies

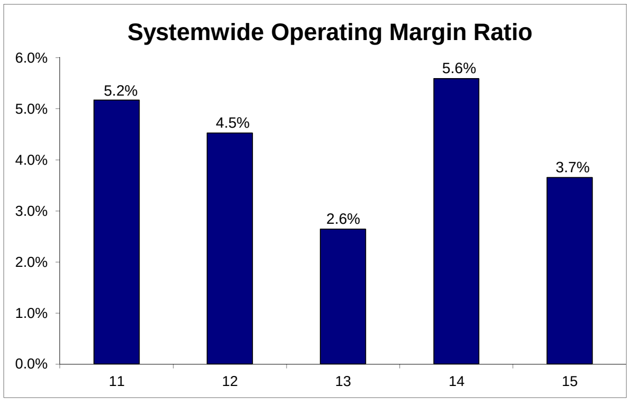

Utilities

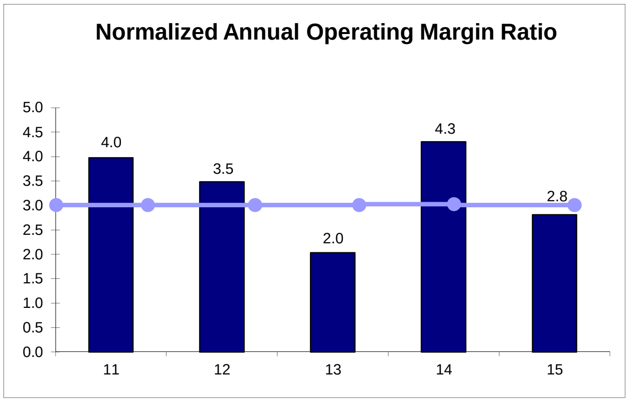

Interest Expense on Capital Asset Financing

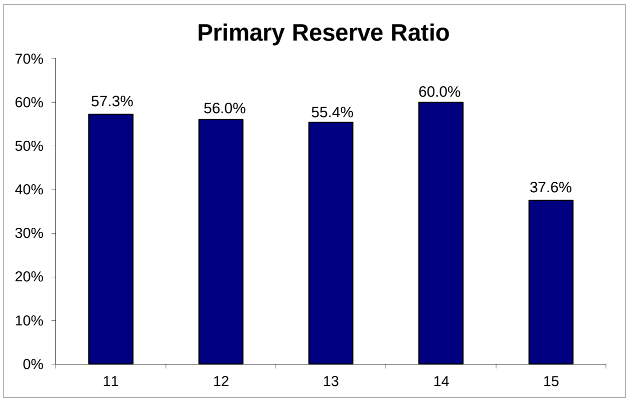

Depreciation and Amortization

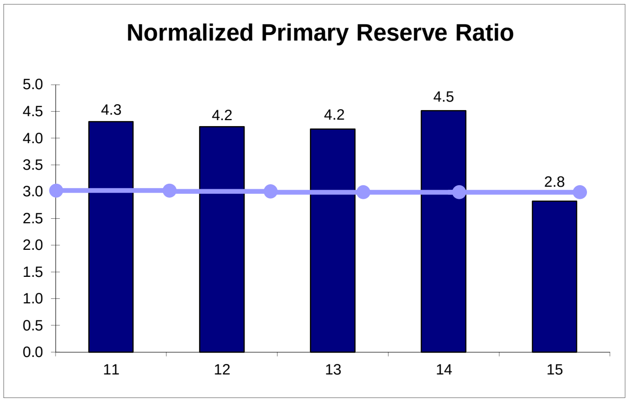
KEY INDICATORS OF RESERVES
ACTUAL 2011 THROUGH 2015
PROJECTED 2016
YEAR-TO-DATE 2015 AND 2016 FROM MAY MONTHLY FINANCIAL REPORT

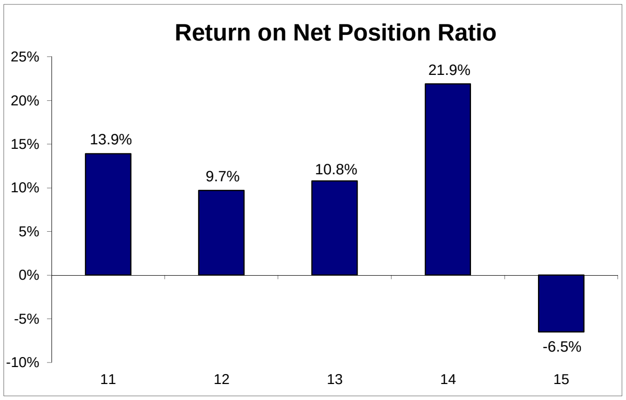

Systemwide Operating Margin
(Excludes Realized and Unrealized Gains and Losses)

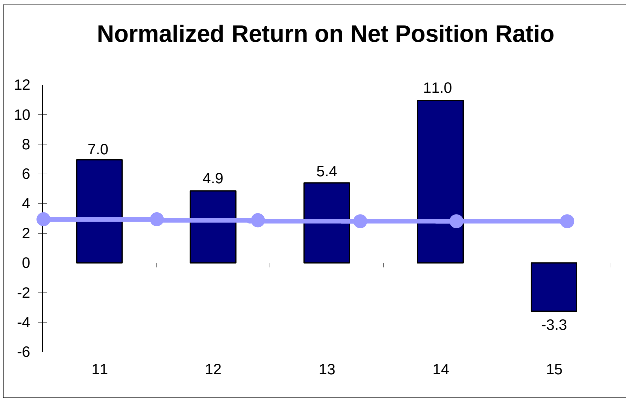

Systemwide Operating Margin Ratio


Normalized Annual Operating Margin Ratio

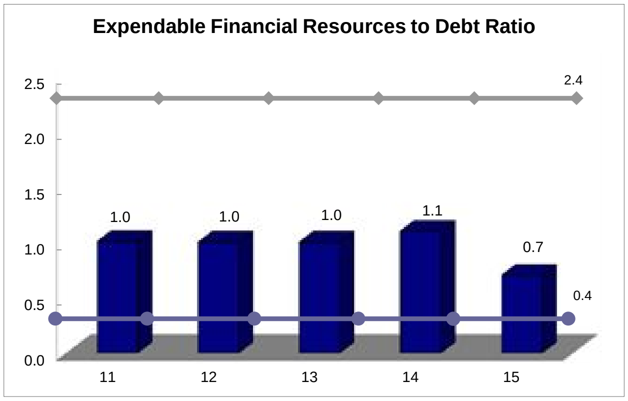

Primary Reserve Ratio


Normalized Primary Reserve Ratio

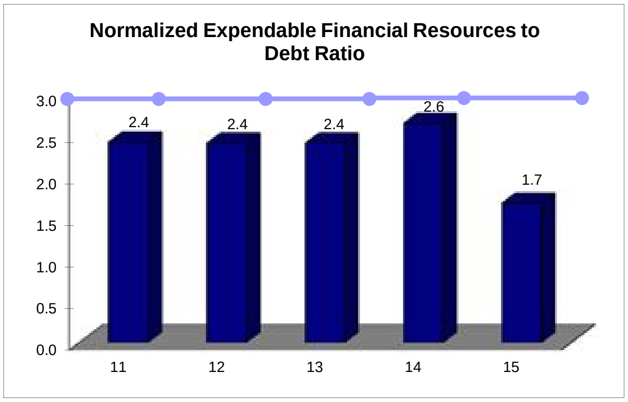

Return on Net Position Ratio


Normalized Return on Net Position Ratio

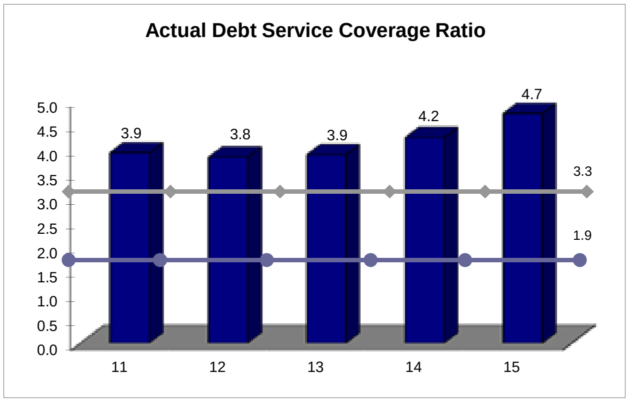
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2011 THROUGH 2015



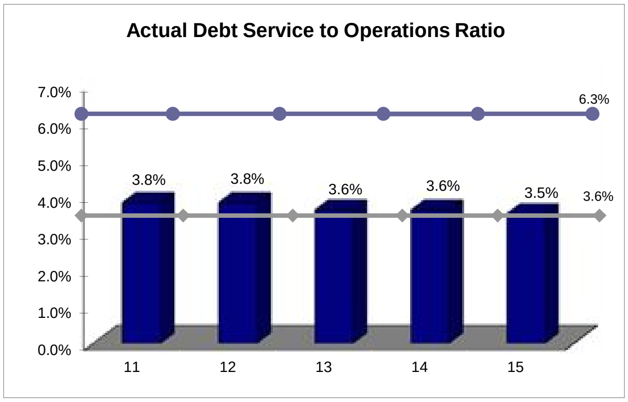
Expendable Financial Resources to Debt Ratio



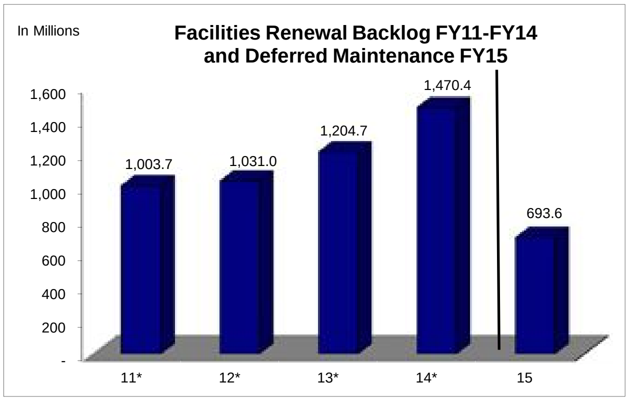
Normalized Expendable Financial Resources to Debt Ratio



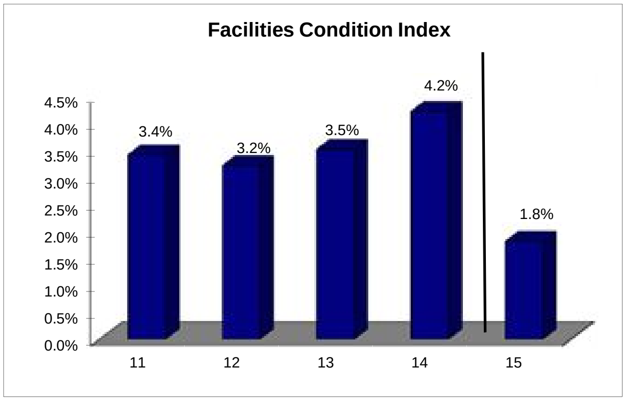
Actual Debt Service Coverage Ratio



Actual Debt Service to Operations Ratio



Facilities Renewal Backlog FY11-FY14 and Deferred Maintenance FY15



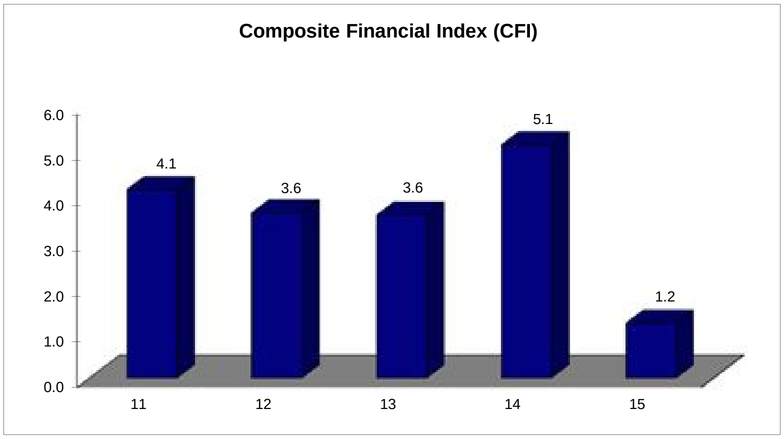
Facilities Condition Index

*For FY 2011 through 2014 the source of backlog data is the Facilities' Renewal Model (FRRM) and those systems that have exceeded their Life Cycle Age. Beginning in FY 2015, the deferred maintenance data is taken from the new annual BOR Campus Condition Report and the facilities' executives assessment of those systems that have failed or will fail within the current budget cycle (within one year).

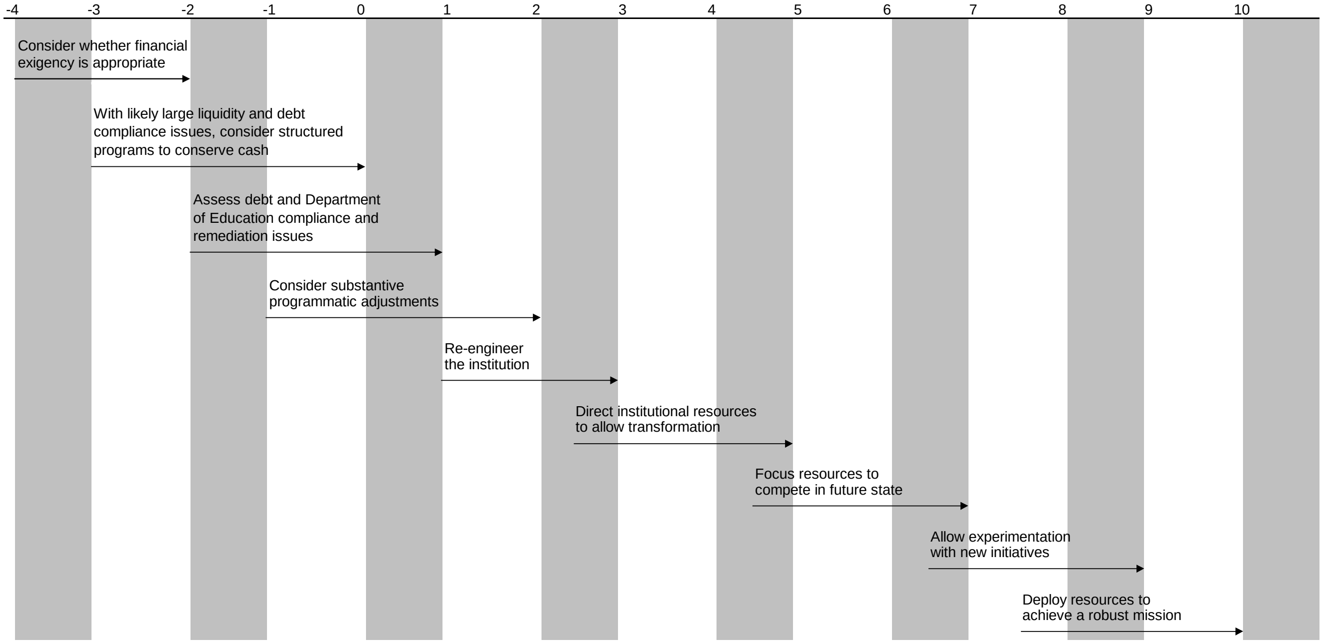
Note: Line between FY 2014 and 2015 indicates a change in the source data.

Note: Line between FY 2014 and 2015 indicates a change in the source data.

KEY INDICATORS OF FINANCIAL HEALTH
2011 THROUGH 2015



Scale for Charting CFI Performance



Consider whether financial exigency is appropriate

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

Assess debt and Department of Education compliance and remediation issues

Consider substantive programmatic adjustments

Re-engineer the institution

Direct institutional resources to allow transformation

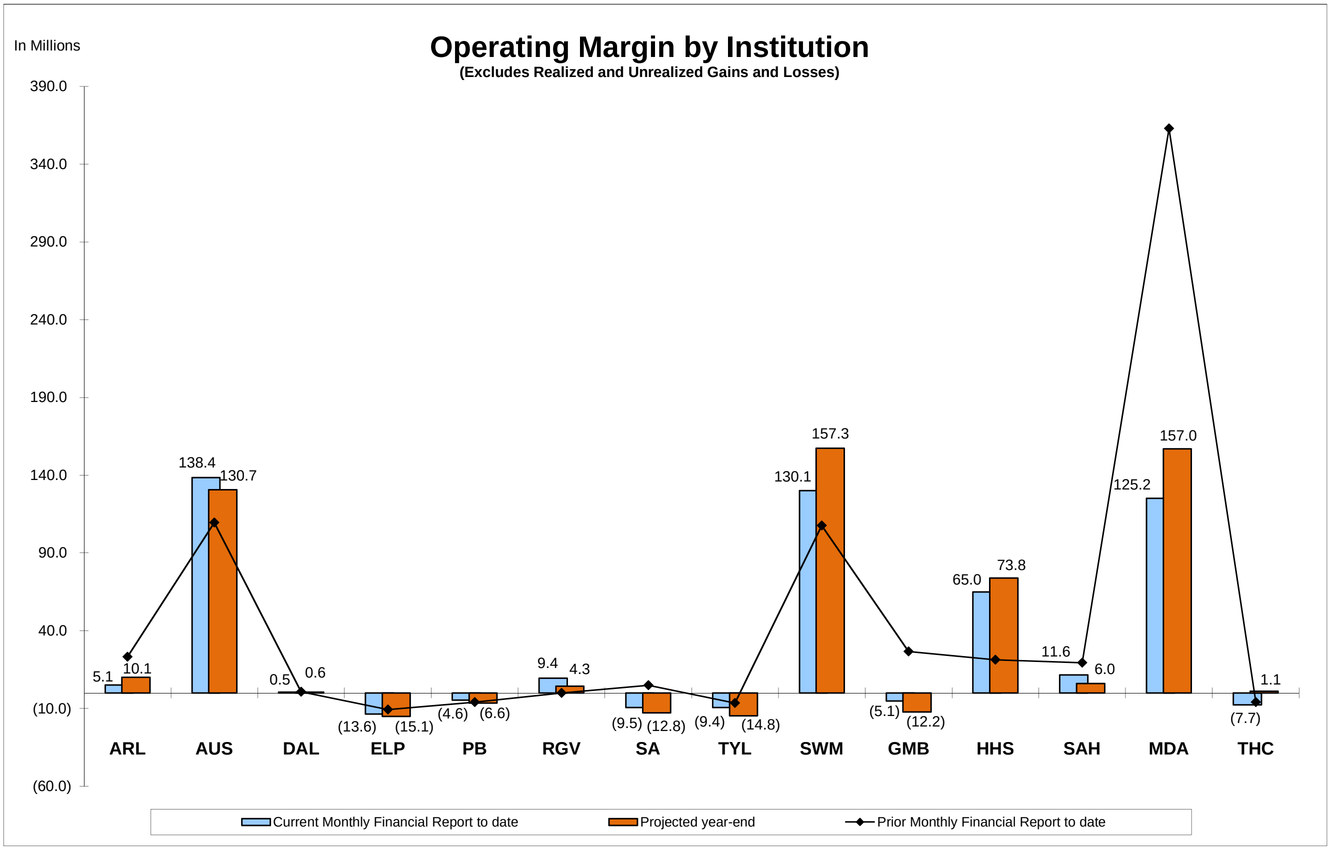
Focus resources to compete in future state

Allow experimentation with new initiatives

Deploy resources to achieve a robust mission

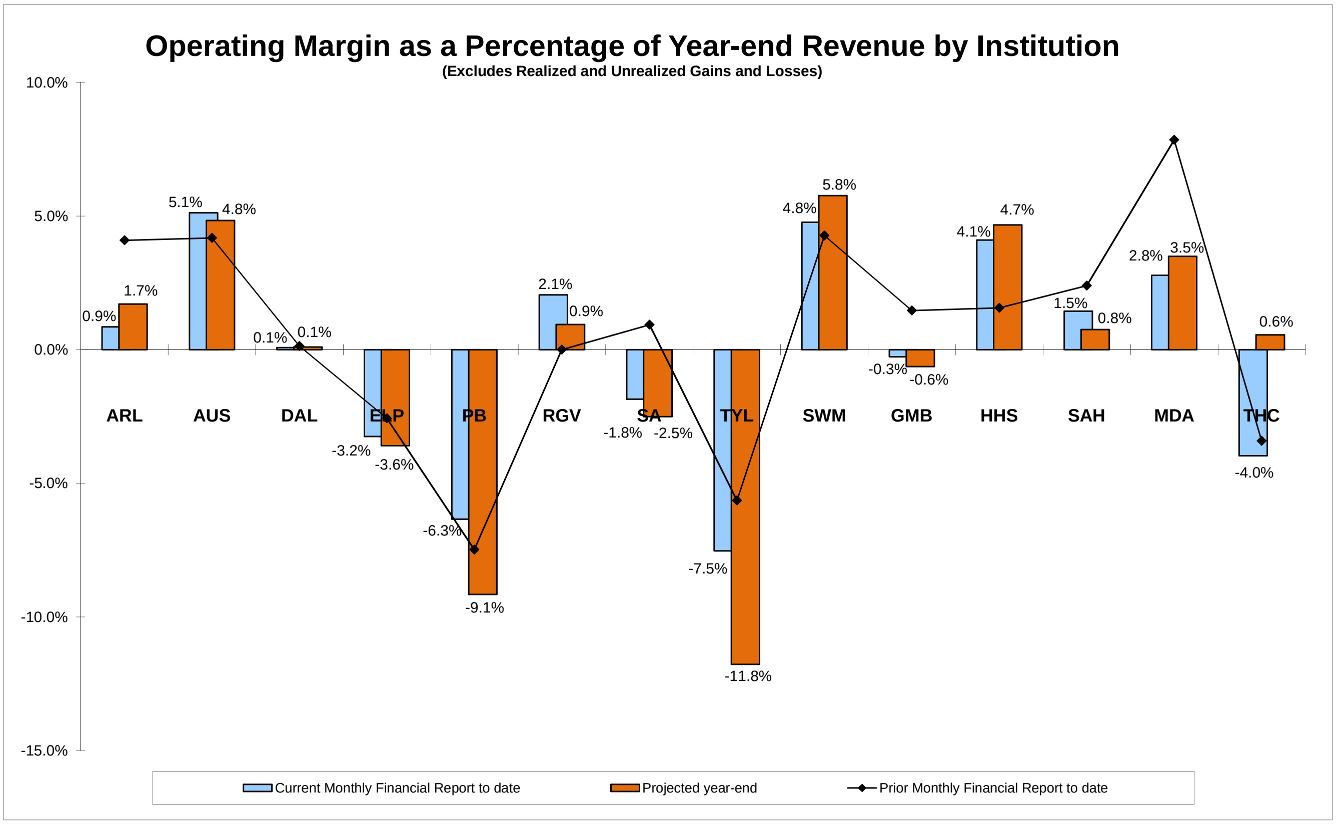
Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2015 AND 2016 FROM MAY MONTHLY FINANCIAL REPORT
PROJECTED 2016 YEAR-END MARGIN



Operating Margin by Institution

(Excludes Realized and Unrealized Gains and Losses)



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

(Excludes Realized and Unrealized Gains and Losses)

THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

JUNE 2016

201 Seventh Street, ASH 5th Floor
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE TEN MONTHS ENDING
June 30, 2016

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, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	1,356,845,711.60	1,253,513,636.19	103,332,075.41	8.2%
Sponsored Programs	2,561,729,464.35	2,327,903,625.23	233,825,839.12	10.0%
Net Sales and Services of Educational Activities	520,643,813.52	488,014,881.93	32,628,931.59	6.7%
Net Sales and Services of Hospitals	4,470,720,114.49	4,332,705,446.81	138,014,667.68	3.2%
Net Professional Fees	1,384,778,958.24	1,218,984,853.17	165,794,105.07	13.6%
Net Auxiliary Enterprises	513,083,389.50	479,832,559.33	33,250,830.17	6.9%
Other Operating Revenues	408,514,421.54	332,251,375.94	76,263,045.60	23.0%
Total Operating Revenues	**11,216,315,873.24**	**10,433,206,378.60**	**783,109,494.64**	**7.5%**
Operating Expenses				
Salaries and Wages	6,692,063,670.09	6,102,590,298.32	589,473,371.77	9.7%
Payroll Related Costs	1,817,549,048.28	1,598,024,317.16	219,524,731.12	13.7%
Cost of Goods Sold	123,228,672.13	108,829,871.91	14,398,800.22	13.2%
Professional Fees and Services	451,624,465.13	346,242,063.73	105,382,401.40	30.4%
Other Contracted Services	680,303,051.13	623,542,145.54	56,760,905.59	9.1%
Travel	120,900,101.41	112,579,771.30	8,320,330.11	7.4%
Materials and Supplies	1,473,783,285.78	1,385,827,203.69	87,956,082.09	6.3%
Utilities	232,256,917.98	235,750,700.62	(3,493,782.64)	-1.5%
Communications	93,937,600.05	94,076,645.98	(139,045.93)	-0.1%
Repairs and Maintenance	267,176,479.50	241,747,009.85	25,429,469.65	10.5%
Rentals and Leases	140,944,790.11	131,203,107.26	9,741,682.85	7.4%
Printing and Reproduction	31,058,697.67	29,038,545.24	2,020,152.43	7.0%
Bad Debt Expense	859,986.97	778,398.46	81,588.51	10.5%
Claims and Losses	9,787,714.72	28,332,354.10	(18,544,639.38)	-65.5%
Increase in Net OPEB Obligation	555,702,212.50	466,558,504.17	89,143,708.33	19.1%
Pension Expense	177,412,306.22	-	177,412,306.22	100.0%
Scholarships and Fellowships	307,502,856.84	290,688,407.07	16,814,449.77	5.8%
Depreciation and Amortization	1,076,331,756.69	956,740,393.01	119,591,363.68	12.5%
Federal Sponsored Program Pass-Through to Other State Agencies	23,606,679.35	18,108,438.58	5,498,240.77	30.4%
State Sponsored Program Pass-Through to Other State Agencies	12,429,968.98	2,743,220.23	9,686,748.75	353.1%
Other Operating Expenses	366,708,758.65	354,095,360.23	12,613,398.42	3.6%
Impairment of Capital Assets	-	1,083,705.17	(1,083,705.17)	-100.0%
Total Operating Expenses	**14,655,169,020.18**	**13,128,580,461.62**	**1,526,588,558.56**	**11.6%**
Operating Loss	**(3,438,853,146.94)**	**(2,695,374,083.02)**	**(743,479,063.92)**	**-27.6%**
Other Nonoperating Adjustments				
State Appropriations	1,871,539,990.28	1,674,635,267.70	196,904,722.58	11.8%
Nonexchange Sponsored Programs	270,763,894.86	212,883,737.88	57,880,156.98	27.2%
Gift Contributions for Operations	375,958,723.60	403,537,770.62	(27,579,047.02)	-6.8%
Net Investment Income	783,400,339.05	971,990,776.10	(188,590,437.05)	-19.4%
Interest Expense on Capital Asset Financings	(226,728,889.70)	(222,262,008.39)	(4,466,881.31)	-2.0%
Net Other Nonoperating Adjustments	**3,074,934,058.09**	**3,040,785,543.91**	**34,148,514.18**	**1.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(363,919,088.85)**	**345,411,460.89**	**(709,330,549.74)**	**-205.4%**
Adjusted Margin % including Depreciation & Amortization	**-2.5%**	**2.5%**		
Investment Gain (Losses)	(531,198,486.89)	297,130,788.90	(828,329,275.79)	-278.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(895,117,575.74)**	**642,542,249.79**	**(1,537,659,825.53)**	**-239.3%**
Adj. Margin % with Investment Gains (Losses)	**-6.4%**	**4.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**712,412,667.84**	**1,302,151,853.90**	**(589,739,186.06)**	**-45.3%**
Adjusted Margin % excluding Depreciation & Amortization	**4.9%**	**9.5%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Ten Months Ending June 30, 2016

	Including Depreciation and Amortization Expense			
	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
U. T. System Administration	$ (595,482,163.16)	$ (230,871,955.11)	(364,610,208.05) (1)	-157.9%
U. T. Arlington	19,222,351.13	21,130,009.48	(1,907,658.35)	-9.0%
U. T. Austin	144,059,867.85	110,709,191.36	33,350,676.49 (2)	30.1%
U. T. Brownsville	(1,115,973.70)	(7,562,339.26)	6,446,365.56	85.2%
U. T. Dallas	2,435,976.57	(6,566,636.61)	9,002,613.18 (3)	137.1%
U. T. El Paso	(12,283,031.32) (4)	(11,969,498.45)	(313,532.87)	-2.6%
U. T. Permian Basin	(3,655,484.29)	(6,982,120.86)	3,326,636.57 (5)	47.6%
U. T. Rio Grande Valley	14,043,876.70	-	14,043,876.70	100.0%
U. T. San Antonio	(12,216,400.11)	6,905,517.88	(19,121,917.99) (6)	-276.9%
U. T. Tyler	(8,105,141.33)	(4,884,009.45)	(3,221,131.88) (7)	-66.0%
U. T. Southwestern Medical Center	155,885,188.76	121,320,043.42	34,565,145.34 (8)	28.5%
U. T. Medical Branch - Galveston	(7,593,221.53)	18,199,587.21	(25,792,808.74) (9)	-141.7%
U. T. Health Science Center - Houston	72,325,869.22	20,534,253.28	51,791,615.94 (10)	252.2%
U. T. Health Science Center - San Antonio	9,244,313.15	20,783,557.91	(11,539,244.76) (11)	-55.5%
U. T. M. D. Anderson Cancer Center	121,828,790.13	526,835,489.22	(405,006,699.09) (12)	-76.9%
U. T. Health Science Center - Tyler	(7,477,217.75) (13)	(8,467,827.37)	990,609.62	11.7%
Elimination of AUF Transfer	(255,036,689.17)	(223,701,801.76)	(31,334,887.41)	-14.0%
Total Adjusted Income (Loss)	(363,919,088.85)	345,411,460.89	(709,330,549.74)	-205.4%
Investment Gains (Losses)	(531,198,486.89)	297,130,788.90	(828,329,275.79)	-278.8%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ (895,117,575.74)**	**$ 642,542,249.79**	**$ (1,537,659,825.53)**	**-239.3%**

	Excluding Depreciation and Amortization Expense			
	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
U. T. System Administration	$ (580,634,729.96)	$ (217,424,289.32)	(363,210,440.64)	-167.1%
U. T. Arlington	57,394,811.17	58,471,519.75	(1,076,708.58)	-1.8%
U. T. Austin	350,309,867.85	310,709,191.36	39,600,676.49	12.7%
U. T. Brownsville	(554,855.81)	(503,319.80)	(51,536.01)	-10.2%
U. T. Dallas	55,420,976.57	41,450,994.99	13,969,981.58	33.7%
U. T. El Paso	13,790,640.48	12,693,383.88	1,097,256.60	8.6%
U. T. Permian Basin	7,982,015.71	3,876,709.76	4,105,305.95	105.9%
U. T. Rio Grande Valley	45,483,442.89	-	45,483,442.89	100.0%
U. T. San Antonio	27,600,322.06	47,384,444.03	(19,784,121.97)	-41.8%
U. T. Tyler	3,982,977.61	5,151,967.42	(1,168,989.81)	-22.7%
U. T. Southwestern Medical Center	287,914,047.91	250,989,220.67	36,924,827.24	14.7%
U. T. Medical Branch - Galveston	95,814,199.46	103,216,090.64	(7,401,891.18)	-7.2%
U. T. Health Science Center - Houston	123,739,740.19	70,175,810.92	53,563,929.27	76.3%
U. T. Health Science Center - San Antonio	53,410,979.82	64,533,557.91	(11,122,578.09)	-17.2%
U. T. M. D. Anderson Cancer Center	424,241,434.35	774,179,942.10	(349,938,507.75)	-45.2%
U. T. Health Science Center - Tyler	1,553,486.71	948,431.35	605,055.36	63.8%
Elimination of AUF Transfer	(255,036,689.17)	(223,701,801.76)	(31,334,887.41)	-14.0%
Total Adjusted Income (Loss)	712,412,667.84	1,302,151,853.90	(589,739,186.06)	-45.3%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 712,412,667.84**	**$ 1,302,151,853.90**	**$ (589,739,186.06)**	**-45.3%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Ten Months Ending June 30, 2016

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 $364.6 million (157.9%) increase in adjusted loss over the same period last year was primarily due to a decrease in oil and gas royalties, which are a component of net investment income. Additionally, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, became effective in 2015. *U. T. System Administration* recognized an accrual of $177.4 million for the entire *U. T. System* for the first ten months of 2016; however, in 2015 the pension expense was not recognized until July. Also contributing to the increase in the adjusted loss was an increase of $89.1 million in the accrual for Other Postemployment Benefits (OPEB) expense for the entire *U. T. System*. Finally, in 2015, *U. T. System Administration* recognized $42.3 million of gifts for operations for *U. T. Rio Grande Valley* with no comparable gifts in 2016. As a result of these factors, *U. T. System Administration* incurred a year-to-date loss of $595.5 million. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted loss was $580.6 million or -151.2% of revenues. *U. T. System Administration* anticipates ending the year with a $751.6 million loss, -177.3% of projected revenues, which includes $17.8 million of depreciation and amortization expense, as well as a $666.8 million accrual for OPEB and a $212.9 million accrual for pension expense.

(2) *U. T. Austin* - The $33.4 million (30.1%) increase in adjusted income over the same period last year was primarily attributable to the following: an increase in state appropriations; an increase in funding from the Available University Fund primarily for operations and the new medical school; and an increase in gift contributions for operations due to eight new large pledged gifts in 2016. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $350.3 million or 14.7% of revenues.

(3) *U. T. Dallas* - The $9.0 million (137.1%) increase in adjusted income as compared to adjusted loss over the same period last year was primarily attributable to an increase in nonexchange sponsored programs as a result of increased Texas Research Incentive Program funds received in 2016. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $55.4 million or 11.2% of revenues.

(4) *U. T. El Paso* incurred a year-to-date loss of $12.3 million as a result of the following: an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs; an increase in salaries and wages and payroll related costs due to merit increases implemented in 2016; and an increase in depreciation expense over the last five years as a result of the rapid growth of buildings and research infrastructure on campus. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $13.8 million or 4.1% of revenues. *U. T. El Paso* anticipates ending the year with a $13.4 million loss, -3.2% of projected revenues, which includes $32.0 million of depreciation and amortization expense. *U. T. El Paso* is implementing measures to reduce spending, including a hiring freeze on positions that are not mission critical, utility savings efforts, and other cost savings measures.

(5) *U. T. Permian Basin* - The $3.3 million (47.6%) decrease in adjusted loss over the same period last year was primarily attributable to an increase in state appropriations due to new funding for the Rural Digital University, as well as increased enrollment. Additionally, there was a decrease in scholarships and fellowships expense as a result of the PeopleSoft implementation of the student services system which delayed financial aid awards. Despite these factors, *U. T. Permian Basin* still incurred a year-to-date loss of $3.7 million as a result of increased salaries and wages and payroll related costs driven by merit increases and additional faculty to accommodate the increased enrollment; an increase in payroll related costs attributable to increased premium sharing rates; and a decrease in gift contributions for operations as a result of large contributions for the football program received in 2015 with no comparable gifts received in 2016. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $8.0 million or 11.9% of revenues. *U. T. Permian Basin* anticipates ending the year with a $3.8 million loss, -4.8% of projected revenues, which includes $14.0 million of depreciation and amortization expense.

(6) *U. T. San Antonio* - The $19.1 million (276.9%) increase in adjusted loss as compared to adjusted income over the same period last year was primarily due to increases in salaries and wages and payroll related costs as a result of merit increases. Additionally, the monthly amount for retiree premium sharing was not recorded in the prior year, which also contributed to the increase in payroll related costs. Gift contributions for operations also decreased due to the ending of a capital campaign that had been conducted over several years, as well as an adjustment made in 2016 related to a prior year gift. As a result, *U. T. San Antonio* incurred a year-to-date loss of $12.2 million. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $27.6 million or 6.6% of revenues. *U. T. San Antonio* anticipates ending the year with a $15.1 million loss, -3.0% of projected revenues, which includes $47.8 million of depreciation and amortization expense.

(7) *U. T. Tyler* - The $3.2 million (66.0%) increase in adjusted loss over the same period last year was largely due to an increase in salaries and wages and payroll related costs driven by merit and market increases. The number of full-time equivalents also increased as a result of the new College of Pharmacy and the implementation of PeopleSoft. As a result of these factors, combined with an increase in depreciation and amortization expense for the new Pharmacy Building, *U. T. Tyler* incurred a year-to-date

loss of $8.1 million. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $4.0 million or 3.8% of revenues. *U. T. Tyler* anticipates ending the year with a $13.9 million loss, -11.0% of projected revenues, which includes $14.5 million of depreciation and amortization expense.

(8) *U. T. Southwestern Medical Center* - The $34.6 million (28.5%) increase in adjusted income over the same period last year was primarily attributable to an increase in net sales and services of hospitals as a result of increased outpatient and inpatient revenue and an increase in net professional fees attributable to an increase in volume in managed care, Medicare, uncompensated care collections and charity care. Other operating revenues also increased primarily due to increases in revenue from the Network Access Improvement Program, U. T. Southwestern Health Systems, and other patient revenue. These increases in revenue were partially offset by increases in salaries and wages and payroll related costs as a result of additional employees, a 3% merit increase and increased premium sharing rates. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $287.9 million or 12.6% of revenues.

(9) *U. T. Medical Branch - Galveston* - The $25.8 million (141.7%) increase in adjusted loss as compared to adjusted income over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs due to merit increases, clinical recruitment efforts, and additional staff hired for the acquisition of four clinics and to address volume growth, as well as in preparation for the opening of Jennie Sealy and League City Hospitals. Payroll related costs also increased as a result of increased premium sharing rates. Other operating revenues also decreased primarily due to decreased revenue from the Delivery System Reform Incentive Payments (DSRIP) and Meaningful Use revenues. As a result of these factors, *UTMB* incurred a year-to-date loss of $7.6 million. Excluding depreciation and amortization, *UTMB's* adjusted income was $95.8 million or 6.0% of revenues. *UTMB* anticipates ending the year with a $10.9 million loss which represents -0.6% of projected revenues and includes $132.9 million of depreciation and amortization expense.

(10) *U. T. Health Science Center - Houston* - The $51.8 million (252.2%) increase in adjusted income as compared to the same period last year was primarily attributable to an increase in sponsored program revenue related to growth of the physician practice plan. Net professional fees also increased due to an increase in gross charges as a result of faculty recruitments and the planned expansion and growth of the physician practice plan, as well as an increase in uncompensated care revenue. Additionally, other operating revenues increased as a result of an increase in DSRIP. These revenue increases were partially offset by increased salaries and wages and payroll related costs as a result of the ongoing recruitment efforts related to the planned expansion and growth of the physician practice plan. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $123.7 million or 9.5% of revenues.

(11) *U. T. Health Science Center - San Antonio* - The $11.5 million (55.5%) decrease in adjusted income over the same period last year was primarily due to a decrease in state appropriations and increases in materials and supplies and other contracted services. Materials and supplies increased as a result of the following: increases in drug and medication supplies at the Cancer Therapy and Research Center Pharmacy and UT Medicine clinics due to increases in clinical volumes; costs related to the new Center for Oral Health Care & Research building, which was placed into service in July 2015; and increased clinical and research laboratory supplies. Other contracted services increased due to increases in service agreements associated with the South Texas DSRIP programs. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $53.4 million or 8.0% of revenues.

(12) *U. T. M. D. Anderson Cancer Center* - The $405.0 million (76.9%) decrease in adjusted income over the same period last year was primarily attributable to an increase in expenses combined with a decrease in patient revenues as a result of the implementation of the new EPIC Electronic Health Record system (EHR). Expenses increased due to the following: salaries and wages and payroll related costs increased due to an increase in full-time employees, salary increases and increased premium sharing rates; depreciation and amortization expense increased as a result of the completion of several large projects such as the Zayed Building, which was placed into service in February 2015, and the EPIC EHR system, which was placed into service in March 2016, as well as various other facility management and software projects; and professional fees and services increased as a result of increased consulting expenses primarily related to the EPIC EHR project. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $424.2 million or 11.4% of revenues. *M. D. Anderson* anticipated a material impact to revenues and expenses as a result of the EPIC EHR implementation. The post implementation strategy will focus on clinical productivity and operational efficiencies to return to normalized operations by year-end.

(13) *U. T. Health Science Center - Tyler* incurred a year-to-date loss of $7.5 million due to increased salaries and wages and payroll related costs as a result of the hiring of 66 behavioral health employees due to the dissolution of the main psychiatric subcontractor, as well as the addition of new employees for the new Population/Community Health Program and for the opening of the clinic in Lindale. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted income was $1.6 million or 1.0% of revenues. *UTHSC-Tyler* anticipates ending the year with a positive margin of $0.3 million as a result of adjustments to the workforce size currently underway, a 3% institution-wide expense reduction initiative implemented for the second half of 2016, and anticipated growth in clinical services with a corresponding increase in net patient revenue. This projection represents 0.1% of projected revenues and includes $10.8 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).

PENSION EXPENSE – An estimate of year-end expense which will be allocated from the Texas Comptroller's Office based upon prior year amounts.

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

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

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.

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, 2016

	June Year-to-Date FY 2016	**June Year-to-Date FY 2015**	**Variance**	**Fluctuation Percentage**
Operating Revenues				
Sponsored Programs	20,149,437.60	11,562,183.54	8,587,254.06	74.3%
Net Sales and Services of Educational Activities	38,130,169.32	24,968,789.28	13,161,380.04	52.7%
Other Operating Revenues	48,101,389.10	17,854,904.80	30,246,484.30	169.4%
Total Operating Revenues	**106,380,996.02**	**54,385,877.62**	**51,995,118.40**	**95.6%**
Operating Expenses				
Salaries and Wages	53,991,652.99	48,622,264.37	5,369,388.62	11.0%
Payroll Related Costs	12,376,886.27	11,879,118.37	497,767.90	4.2%
Professional Fees and Services	11,846,312.14	10,967,303.49	879,008.65	8.0%
Other Contracted Services	22,224,778.93	19,876,638.60	2,348,140.33	11.8%
Travel	1,375,859.17	1,276,481.69	99,377.48	7.8%
Materials and Supplies	13,800,061.26	6,516,750.63	7,283,310.63	111.8%
Utilities	309,586.53	360,160.72	(50,574.19)	-14.0%
Communications	6,341,504.95	6,031,268.25	310,236.70	5.1%
Repairs and Maintenance	21,373,774.51	7,620,435.20	13,753,339.31	180.5%
Rentals and Leases	4,791,446.42	3,175,462.73	1,615,983.69	50.9%
Printing and Reproduction	1,139,031.02	411,558.02	727,473.00	176.8%
Claims and Losses	9,787,714.72	28,332,354.10	(18,544,639.38)	-65.5%
Increase in Net OPEB Obligation	555,702,212.50	466,558,504.17	89,143,708.33	19.1%
Pension Expense	177,412,306.22	-	177,412,306.22	100.0%
Scholarships and Fellowships	841,212.97	709,084.94	132,128.03	18.6%
Depreciation and Amortization	14,847,433.20	13,447,665.79	1,399,767.41	10.4%
State Sponsored Program Pass-Through to Other State Agencies	1,951,830.12	1,935,024.35	16,805.77	0.9%
Other Operating Expenses	19,855,457.54	18,659,070.45	1,196,387.09	6.4%
Total Operating Expenses	**929,969,061.46**	**646,379,145.87**	**283,589,915.59**	**43.9%**
Operating Loss	**(823,588,065.44)**	**(591,993,268.25)**	**(231,594,797.19)**	**-39.1%**
Other Nonoperating Adjustments				
State Appropriations	2,279,901.11	1,360,850.39	919,050.72	67.5%
Nonexchange Sponsored Programs	15,857,960.30	15,804,542.49	53,417.81	0.3%
Gift Contributions for Operations	1,703,314.57	43,667,059.58	(41,963,745.01)	-96.1%
Net Investment Income	171,810,247.85	256,039,935.27	(84,229,687.42)	-32.9%
Interest Expense on Capital Asset Financings	(49,594,912.38)	(51,600,216.23)	2,005,303.85	3.9%
Net Other Nonoperating Adjustments	**142,056,511.45**	**265,272,171.50**	**(123,215,660.05)**	**-46.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**(681,531,553.99)**	**(326,721,096.75)**	**(354,810,457.24)**	**-108.6%**
Adjusted Margin % including Depreciation & Amortization	**-228.7%**	**-88.0%**		
Available University Fund Transfer	86,049,390.83	95,849,141.64	(9,799,750.81)	-10.2%
Adjusted Income (Loss) with AUF Transfer	**(595,482,163.16)**	**(230,871,955.11)**	**(364,610,208.05)**	**-157.9%**
Adjusted Margin % with AUF Transfer	**-155.0%**	**-49.4%**		
Investment Gain (Losses)	(136,003,354.36)	455,370,225.46	(591,373,579.82)	-129.9%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**(731,485,517.52)**	**$224,498,270.35**	**(955,983,787.87)**	**-425.8%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**-294.9%**	**24.3%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(580,634,729.96)**	**(217,424,289.32)**	**(363,210,440.64)**	**-167.1%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-151.2%**	**-46.5%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	204,320,488.30	190,136,576.95	14,183,911.35	7.5%
Sponsored Programs	56,898,535.96	53,369,250.46	3,529,285.50	6.6%
Net Sales and Services of Educational Activities	16,887,160.11	17,868,220.70	(981,060.59)	-5.5%
Net Auxiliary Enterprises	35,123,398.55	31,603,270.06	3,520,128.49	11.1%
Other Operating Revenues	8,435,353.06	8,013,831.85	421,521.21	5.3%
Total Operating Revenues	**321,664,935.98**	**300,991,150.02**	**20,673,785.96**	**6.9%**
Operating Expenses				
Salaries and Wages	218,643,723.19	202,189,842.28	16,453,880.91	8.1%
Payroll Related Costs	57,578,116.98	47,038,042.59	10,540,074.39	22.4%
Cost of Goods Sold	5,556.16	9,209.21	(3,653.05)	-39.7%
Professional Fees and Services	9,541,027.99	7,393,465.46	2,147,562.53	29.0%
Other Contracted Services	44,720,746.63	39,650,638.06	5,070,108.57	12.8%
Travel	6,449,269.43	5,959,453.80	489,815.63	8.2%
Materials and Supplies	19,886,056.65	19,913,993.95	(27,937.30)	-0.1%
Utilities	8,333,267.33	7,309,896.10	1,023,371.23	14.0%
Communications	6,041,706.28	6,957,051.13	(915,344.85)	-13.2%
Repairs and Maintenance	6,915,296.80	10,748,898.99	(3,833,602.19)	-35.7%
Rentals and Leases	3,121,319.19	3,409,375.08	(288,055.89)	-8.4%
Printing and Reproduction	2,254,209.92	2,322,896.81	(68,686.89)	-3.0%
Bad Debt Expense	219,709.58	515,226.50	(295,516.92)	-57.4%
Scholarships and Fellowships	27,328,264.27	25,073,972.55	2,254,291.72	9.0%
Depreciation and Amortization	38,172,460.04	37,341,510.27	830,949.77	2.2%
Federal Sponsored Program Pass-Through to Other State Agencies	4,602,433.77	3,074,985.92	1,527,447.85	49.7%
State Sponsored Program Pass-Through to Other State Agencies	131,401.79	169,117.81	(37,716.02)	-22.3%
Other Operating Expenses	10,879,175.54	10,818,731.99	60,443.55	0.6%
Total Operating Expenses	**464,823,741.54**	**429,896,308.50**	**34,927,433.04**	**8.1%**
Operating Loss	**(143,158,805.56)**	**(128,905,158.48)**	**(14,253,647.08)**	**-11.1%**
Other Nonoperating Adjustments				
State Appropriations	109,569,159.17	99,688,570.83	9,880,588.34	9.9%
Nonexchange Sponsored Programs	48,508,192.83	41,128,822.76	7,379,370.07	17.9%
Gift Contributions for Operations	3,779,596.76	8,994,606.72	(5,215,009.96)	-58.0%
Net Investment Income	10,259,907.03	10,713,926.15	(454,019.12)	-4.2%
Interest Expense on Capital Asset Financings	(9,735,699.10)	(10,490,758.50)	755,059.40	7.2%
Net Other Nonoperating Adjustments	**162,381,156.69**	**150,035,167.96**	**12,345,988.73**	**8.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**19,222,351.13**	**21,130,009.48**	**(1,907,658.35)**	**-9.0%**
Adjusted Margin % including Depreciation & Amortization	**3.9%**	**4.6%**		
Investment Gain (Losses)	(9,442,283.67)	(3,811,375.15)	(5,630,908.52)	-147.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**9,780,067.46**	**17,318,634.33**	**(7,538,566.87)**	**-43.5%**
Adj. Margin % with Investment Gains (Losses)	**2.0%**	**3.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**57,394,811.17**	**58,471,519.75**	**(1,076,708.58)**	**-1.8%**
Adjusted Margin % excluding Depreciation & Amortization	**11.6%**	**12.7%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	401,666,666.67	404,166,666.67	(2,500,000.00)	-0.6%
Sponsored Programs	460,394,126.24	452,609,473.14	7,784,653.10	1.7%
Net Sales and Services of Educational Activities	343,410,136.49	337,540,610.18	5,869,526.31	1.7%
Net Auxiliary Enterprises	276,044,284.43	254,294,374.63	21,749,909.80	8.6%
Other Operating Revenues	6,744,297.65	5,840,955.88	903,341.77	15.5%
Total Operating Revenues	**1,488,259,511.48**	**1,454,452,080.50**	**33,807,430.98**	**2.3%**
Operating Expenses				
Salaries and Wages	989,001,658.97	946,208,862.58	42,792,796.39	4.5%
Payroll Related Costs	284,007,297.33	261,267,918.84	22,739,378.49	8.7%
Cost of Goods Sold	21,811,887.87	21,237,421.58	574,466.29	2.7%
Professional Fees and Services	32,261,629.77	29,890,362.34	2,371,267.43	7.9%
Other Contracted Services	135,900,060.69	128,702,091.75	7,197,968.94	5.6%
Travel	35,124,267.94	35,137,875.55	(13,607.61)	-
Materials and Supplies	108,482,713.40	119,496,387.92	(11,013,674.52)	-9.2%
Utilities	72,775,705.20	75,414,172.07	(2,638,466.87)	-3.5%
Communications	31,390,468.17	35,134,489.41	(3,744,021.24)	-10.7%
Repairs and Maintenance	55,101,357.17	52,445,148.15	2,656,209.02	5.1%
Rentals and Leases	17,452,732.91	14,572,884.68	2,879,848.23	19.8%
Printing and Reproduction	7,308,997.23	7,687,051.96	(378,054.73)	-4.9%
Bad Debt Expense	466,476.20	234,005.29	232,470.91	99.3%
Scholarships and Fellowships	100,000,000.00	100,000,000.00	-	-
Depreciation and Amortization	206,250,000.00	200,000,000.00	6,250,000.00	3.1%
Federal Sponsored Program Pass-Through to Other State Agencies	2,925,196.28	3,387,811.69	(462,615.41)	-13.7%
State Sponsored Program Pass-Through to Other State Agencies	9,396,811.61	-	9,396,811.61	100.0%
Other Operating Expenses	100,034,556.91	95,656,527.11	4,378,029.80	4.6%
Total Operating Expenses	**2,209,691,817.65**	**2,126,473,010.92**	**83,218,806.73**	**3.9%**
Operating Loss	**(721,432,306.17)**	**(672,020,930.42)**	**(49,411,375.75)**	**-7.4%**
Other Nonoperating Adjustments				
State Appropriations	301,554,670.64	262,756,240.19	38,798,430.45	14.8%
Nonexchange Sponsored Programs	36,666,666.67	39,666,666.67	(3,000,000.00)	-7.6%
Gift Contributions for Operations	122,036,294.25	108,468,231.40	13,568,062.85	12.5%
Net Investment Income	187,589,170.99	188,106,729.66	(517,558.67)	-0.3%
Interest Expense on Capital Asset Financings	(37,391,317.70)	(39,969,547.90)	2,578,230.20	6.5%
Net Other Nonoperating Adjustments	**610,455,484.85**	**559,028,320.02**	**51,427,164.83**	**9.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**(110,976,821.32)**	**(112,992,610.40)**	**2,015,789.08**	**1.8%**
Adjusted Margin % including Depreciation & Amortization	**-5.2%**	**-5.5%**		
Available University Fund Transfer	255,036,689.17	223,701,801.76	31,334,887.41	14.0%
Adjusted Income (Loss) with AUF Transfer	**144,059,867.85**	**110,709,191.36**	**33,350,676.49**	**30.1%**
Adjusted Margin % with AUF Transfer	**6.0%**	**4.9%**		
Investment Gain (Losses)	(153,404,257.83)	(85,996,996.05)	(67,407,261.78)	-78.4%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**(9,344,389.98)**	**$24,712,195.31**	**(34,056,585.29)**	**-137.8%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**-0.4%**	**1.1%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**350,309,867.85**	**310,709,191.36**	**39,600,676.49**	**12.7%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**14.7%**	**13.6%**		

UNAUDITED

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	-	26,820,538.61	(26,820,538.61)	-100.0%
Sponsored Programs	-	17,171,881.86	(17,171,881.86)	-100.0%
Net Sales and Services of Educational Activities	-	1,809,166.20	(1,809,166.20)	-100.0%
Net Auxiliary Enterprises	-	1,622,074.11	(1,622,074.11)	-100.0%
Other Operating Revenues	-	56,792.63	(56,792.63)	-100.0%
Total Operating Revenues	**-**	**47,480,453.41**	**(47,480,453.41)**	**-100.0%**
Operating Expenses				
Salaries and Wages	-	42,770,117.07	(42,770,117.07)	-100.0%
Payroll Related Costs	-	12,537,833.64	(12,537,833.64)	-100.0%
Professional Fees and Services	232.40	953,467.28	(953,234.88)	-100.0%
Other Contracted Services	-	688,874.57	(688,874.57)	-100.0%
Travel	-	1,217,904.51	(1,217,904.51)	-100.0%
Materials and Supplies	74,001.70	5,394,552.54	(5,320,550.84)	-98.6%
Utilities	-	1,522,422.01	(1,522,422.01)	-100.0%
Communications	-	205,985.44	(205,985.44)	-100.0%
Repairs and Maintenance	9,894.88	1,176,390.39	(1,166,495.51)	-99.2%
Rentals and Leases	-	3,277,412.43	(3,277,412.43)	-100.0%
Printing and Reproduction	-	214,254.16	(214,254.16)	-100.0%
Scholarships and Fellowships	-	18,743,348.37	(18,743,348.37)	-100.0%
Depreciation and Amortization	561,117.89	7,059,019.46	(6,497,901.57)	-92.1%
Federal Sponsored Program Pass-Through to Other State Agencies	-	121,017.91	(121,017.91)	-100.0%
Other Operating Expenses	470,726.83	3,739,980.49	(3,269,253.66)	-87.4%
Total Operating Expenses	**1,115,973.70**	**99,622,580.27**	**(98,506,606.57)**	**-98.9%**
Operating Loss	**(1,115,973.70)**	**(52,142,126.86)**	**51,026,153.16**	**97.9%**
Other Nonoperating Adjustments				
State Appropriations	-	34,473,823.39	(34,473,823.39)	-100.0%
Nonexchange Sponsored Programs	-	9,938,010.59	(9,938,010.59)	-100.0%
Gift Contributions for Operations	-	309,557.54	(309,557.54)	-100.0%
Net Investment Income	-	2,187,773.17	(2,187,773.17)	-100.0%
Interest Expense on Capital Asset Financings	-	(2,329,377.09)	2,329,377.09	100.0%
Net Other Nonoperating Adjustments	**-**	**44,579,787.60**	**(44,579,787.60)**	**-100.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,115,973.70)**	**(7,562,339.26)**	**6,446,365.56**	**85.2%**
Adjusted Margin % including Depreciation & Amortization	**N/A**	**-8.0%**		
Investment Gain (Losses)	-	(1,892,438.44)	1,892,438.44	100.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(1,115,973.70)**	**(9,454,777.70)**	**8,338,804.00**	**88.2%**
Adj. Margin % with Investment Gains (Losses)	**N/A**	**-10.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(554,855.81)**	**(503,319.80)**	**(51,536.01)**	**-10.2%**
Adjusted Margin % excluding Depreciation & Amortization	**N/A**	**-0.5%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	235,596,327.92	220,079,434.14	15,516,893.78	7.1%
Sponsored Programs	48,242,239.87	46,624,141.56	1,618,098.31	3.5%
Net Sales and Services of Educational Activities	15,653,006.84	13,865,507.98	1,787,498.86	12.9%
Net Auxiliary Enterprises	23,869,070.21	21,447,737.43	2,421,332.78	11.3%
Other Operating Revenues	3,877,926.79	3,959,382.80	(81,456.01)	-2.1%
Total Operating Revenues	**327,238,571.63**	**305,976,203.91**	**21,262,367.72**	**6.9%**
Operating Expenses				
Salaries and Wages	236,974,525.63	219,300,637.73	17,673,887.90	8.1%
Payroll Related Costs	55,501,637.81	50,781,642.44	4,719,995.37	9.3%
Professional Fees and Services	8,191,943.95	9,175,106.23	(983,162.28)	-10.7%
Other Contracted Services	12,145,863.31	11,479,748.29	666,115.02	5.8%
Travel	5,951,959.16	4,943,608.46	1,008,350.70	20.4%
Materials and Supplies	25,975,019.01	26,736,101.90	(761,082.89)	-2.8%
Utilities	8,976,847.88	9,877,874.45	(901,026.57)	-9.1%
Communications	1,524,448.38	316,153.92	1,208,294.46	382.2%
Repairs and Maintenance	5,559,538.86	4,373,446.77	1,186,092.09	27.1%
Rentals and Leases	6,416,669.51	5,559,257.53	857,411.98	15.4%
Printing and Reproduction	1,753,918.85	1,598,464.06	155,454.79	9.7%
Scholarships and Fellowships	34,263,352.70	33,784,401.34	478,951.36	1.4%
Depreciation and Amortization	52,985,000.00	48,017,631.60	4,967,368.40	10.3%
Federal Sponsored Program Pass-Through to Other State Agencies	62,504.49	46,196.28	16,308.21	35.3%
State Sponsored Program Pass-Through to Other State Agencies	332,403.39	322,916.38	9,487.01	2.9%
Other Operating Expenses	18,722,302.32	17,536,132.45	1,186,169.87	6.8%
Total Operating Expenses	**475,337,935.25**	**443,849,319.83**	**31,488,615.42**	**7.1%**
Operating Loss	**(148,099,363.62)**	**(137,873,115.92)**	**(10,226,247.70)**	**-7.4%**
Other Nonoperating Adjustments				
State Appropriations	92,185,406.82	98,137,992.97	(5,952,586.15)	-6.1%
Nonexchange Sponsored Programs	44,999,951.67	19,792,375.83	25,207,575.84	127.4%
Gift Contributions for Operations	10,833,333.33	7,949,666.03	2,883,667.30	36.3%
Net Investment Income	19,799,129.27	18,345,427.88	1,453,701.39	7.9%
Interest Expense on Capital Asset Financings	(17,282,480.90)	(12,918,983.40)	(4,363,497.50)	-33.8%
Net Other Nonoperating Adjustments	**150,535,340.19**	**131,306,479.31**	**19,228,860.88**	**14.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,435,976.57**	**(6,566,636.61)**	**9,002,613.18**	**137.1%**
Adjusted Margin % including Depreciation & Amortization	**0.5%**	**-1.5%**		
Investment Gain (Losses)	(10,859,750.31)	1,605,779.13	(12,465,529.44)	-776.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(8,423,773.74)**	**(4,960,857.48)**	**(3,462,916.26)**	**-69.8%**
Adj. Margin % with Investment Gains (Losses)	**-1.7%**	**-1.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**55,420,976.57**	**41,450,994.99**	**13,969,981.58**	**33.7%**
Adjusted Margin % excluding Depreciation & Amortization	**11.2%**	**9.2%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	95,484,695.95	91,936,885.21	3,547,810.74	3.9%
Sponsored Programs	70,921,977.57	67,044,073.49	3,877,904.08	5.8%
Net Sales and Services of Educational Activities	6,903,844.86	5,684,997.87	1,218,846.99	21.4%
Net Auxiliary Enterprises	27,063,921.82	32,631,886.95	(5,567,965.13)	-17.1%
Other Operating Revenues	20,242.82	(5,701,836.85)	5,722,079.67	100.4%
Total Operating Revenues	**200,394,683.02**	**191,596,006.67**	**8,798,676.35**	**4.6%**
Operating Expenses				
Salaries and Wages	154,956,786.89	142,540,748.49	12,416,038.40	8.7%
Payroll Related Costs	42,409,287.19	39,443,075.41	2,966,211.78	7.5%
Professional Fees and Services	9,233,273.63	4,606,513.26	4,626,760.37	100.4%
Other Contracted Services	9,515,406.41	22,457,605.73	(12,942,199.32)	-57.6%
Travel	7,108,470.55	7,270,287.29	(161,816.74)	-2.2%
Materials and Supplies	16,140,483.89	15,198,230.35	942,253.54	6.2%
Utilities	7,064,339.13	7,021,103.27	43,235.86	0.6%
Communications	686,139.01	757,687.50	(71,548.49)	-9.4%
Repairs and Maintenance	5,194,018.86	3,735,507.54	1,458,511.32	39.0%
Rentals and Leases	2,544,803.03	2,842,099.22	(297,296.19)	-10.5%
Printing and Reproduction	1,024,766.35	1,003,387.63	21,378.72	2.1%
Scholarships and Fellowships	46,329,552.65	45,734,559.37	594,993.28	1.3%
Depreciation and Amortization	26,073,671.80	24,662,882.33	1,410,789.47	5.7%
Federal Sponsored Program Pass-Through to Other State Agencies	4,657,733.12	448,207.68	4,209,525.44	939.2%
State Sponsored Program Pass-Through to Other State Agencies	1,936.30	47,022.69	(45,086.39)	-95.9%
Other Operating Expenses	10,215,081.77	8,876,446.84	1,338,634.93	15.1%
Total Operating Expenses	**343,155,750.58**	**326,645,364.60**	**16,510,385.98**	**5.1%**
Operating Loss	**(142,761,067.56)**	**(135,049,357.93)**	**(7,711,709.63)**	**-5.7%**
Other Nonoperating Adjustments				
State Appropriations	92,157,304.67	83,574,840.33	8,582,464.34	10.3%
Nonexchange Sponsored Programs	28,643,370.45	30,390,012.75	(1,746,642.30)	-5.7%
Gift Contributions for Operations	5,352,157.82	4,945,010.15	407,147.67	8.2%
Net Investment Income	10,309,691.80	10,651,776.25	(342,084.45)	-3.2%
Interest Expense on Capital Asset Financings	(5,984,488.50)	(6,481,780.00)	497,291.50	7.7%
Net Other Nonoperating Adjustments	**130,478,036.24**	**123,079,859.48**	**7,398,176.76**	**6.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(12,283,031.32)**	**(11,969,498.45)**	**(313,532.87)**	**-2.6%**
Adjusted Margin % including Depreciation & Amortization	**-3.6%**	**-3.7%**		
Investment Gain (Losses)	(9,209,314.30)	(4,878,231.14)	(4,331,083.16)	-88.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(21,492,345.62)**	**(16,847,729.59)**	**(4,644,616.03)**	**-27.6%**
Adj. Margin % with Investment Gains (Losses)	**-6.6%**	**-5.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**13,790,640.48**	**12,693,383.88**	**1,097,256.60**	**8.6%**
Adjusted Margin % excluding Depreciation & Amortization	**4.1%**	**4.0%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	15,296,149.03	14,931,096.78	365,052.25	2.4%
Sponsored Programs	7,151,822.61	5,333,239.38	1,818,583.23	34.1%
Net Sales and Services of Educational Activities	1,603,851.80	2,210,942.75	(607,090.95)	-27.5%
Net Auxiliary Enterprises	4,553,988.91	2,162,108.13	2,391,880.78	110.6%
Other Operating Revenues	362,745.38	452,777.23	(90,031.85)	-19.9%
Total Operating Revenues	**28,968,557.73**	**25,090,164.27**	**3,878,393.46**	**15.5%**
Operating Expenses				
Salaries and Wages	27,514,046.93	23,158,838.87	4,355,208.06	18.8%
Payroll Related Costs	7,277,950.61	5,449,351.47	1,828,599.14	33.6%
Cost of Goods Sold	6,576.34	7,588.37	(1,012.03)	-13.3%
Professional Fees and Services	2,475,395.46	3,235,184.83	(759,789.37)	-23.5%
Other Contracted Services	2,792,513.76	3,374,765.80	(582,252.04)	-17.3%
Travel	1,259,939.38	1,342,375.08	(82,435.70)	-6.1%
Materials and Supplies	4,025,356.39	3,052,478.94	972,877.45	31.9%
Utilities	1,879,362.57	2,348,949.70	(469,587.13)	-20.0%
Communications	574,551.94	533,512.94	41,039.00	7.7%
Repairs and Maintenance	82,149.34	809,357.16	(727,207.82)	-89.9%
Rentals and Leases	524,927.12	441,294.77	83,632.35	19.0%
Printing and Reproduction	143,037.02	54,987.26	88,049.76	160.1%
Scholarships and Fellowships	4,707,043.96	7,139,052.78	(2,432,008.82)	-34.1%
Depreciation and Amortization	11,637,500.00	10,858,830.62	778,669.38	7.2%
Federal Sponsored Program Pass-Through to Other State Agencies	(32,102.71)	-	(32,102.71)	100.0%
Other Operating Expenses	1,206,061.55	977,574.66	228,486.89	23.4%
Total Operating Expenses	**66,074,309.66**	**62,784,143.25**	**3,290,166.41**	**5.2%**
Operating Loss	**(37,105,751.93)**	**(37,693,978.98)**	**588,227.05**	**1.6%**
Other Nonoperating Adjustments				
State Appropriations	28,395,616.29	24,302,324.30	4,093,291.99	16.8%
Nonexchange Sponsored Programs	4,366,583.01	3,760,338.21	606,244.80	16.1%
Gift Contributions for Operations	2,246,454.13	5,704,797.87	(3,458,343.74)	-60.6%
Net Investment Income	2,959,683.11	1,699,514.34	1,260,168.77	74.1%
Interest Expense on Capital Asset Financings	(4,518,068.90)	(4,755,116.60)	237,047.70	5.0%
Net Other Nonoperating Adjustments	**33,450,267.64**	**30,711,858.12**	**2,738,409.52**	**8.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(3,655,484.29)**	**(6,982,120.86)**	**3,326,636.57**	**47.6%**
Adjusted Margin % including Depreciation & Amortization	**-5.5%**	**-11.5%**		
Investment Gain (Losses)	(1,943,630.98)	(738,571.08)	(1,205,059.90)	-163.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(5,599,115.27)**	**(7,720,691.94)**	**2,121,576.67**	**27.5%**
Adj. Margin % with Investment Gains (Losses)	**-8.6%**	**-12.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,982,015.71**	**3,876,709.76**	**4,105,305.95**	**105.9%**
Adjusted Margin % excluding Depreciation & Amortization	**11.9%**	**6.4%**		

UNAUDITED

The University of Texas Rio Grande Valley
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	90,759,370.29	-	90,759,370.29	100.0%
Sponsored Programs	71,491,495.83	-	71,491,495.83	100.0%
Net Sales and Services of Educational Activities	4,467,469.85	-	4,467,469.85	100.0%
Net Professional Fees	409,100.28	-	409,100.28	100.0%
Net Auxiliary Enterprises	8,646,767.91	-	8,646,767.91	100.0%
Other Operating Revenues	10,853,151.12	-	10,853,151.12	100.0%
Total Operating Revenues	**186,627,355.28**	**-**	**186,627,355.28**	**100.0%**
Operating Expenses				
Salaries and Wages	167,752,763.88	-	167,752,763.88	100.0%
Payroll Related Costs	49,012,402.35	-	49,012,402.35	100.0%
Cost of Goods Sold	280,032.83	-	280,032.83	100.0%
Professional Fees and Services	4,510,904.58	-	4,510,904.58	100.0%
Other Contracted Services	8,409,612.45	-	8,409,612.45	100.0%
Travel	5,625,235.96	-	5,625,235.96	100.0%
Materials and Supplies	13,543,824.90	-	13,543,824.90	100.0%
Utilities	6,475,305.02	-	6,475,305.02	100.0%
Communications	677,703.82	-	677,703.82	100.0%
Repairs and Maintenance	4,157,204.24	-	4,157,204.24	100.0%
Rentals and Leases	4,114,202.59	-	4,114,202.59	100.0%
Printing and Reproduction	631,528.26	-	631,528.26	100.0%
Bad Debt Expense	4,700.38	-	4,700.38	100.0%
Scholarships and Fellowships	35,126,868.38	-	35,126,868.38	100.0%
Depreciation and Amortization	31,439,566.19	-	31,439,566.19	100.0%
Federal Sponsored Program Pass-Through to Other State Agencies	278,927.38	-	278,927.38	100.0%
Other Operating Expenses	8,300,486.47	-	8,300,486.47	100.0%
Total Operating Expenses	**340,341,269.68**	**-**	**340,341,269.68**	**100.0%**
Operating Loss	**(153,713,914.40)**	**-**	**(153,713,914.40)**	**100.0%**
Other Nonoperating Adjustments				
State Appropriations	125,581,504.17	-	125,581,504.17	100.0%
Nonexchange Sponsored Programs	35,887,955.49	-	35,887,955.49	100.0%
Gift Contributions for Operations	4,562,768.10	-	4,562,768.10	100.0%
Net Investment Income	6,990,433.14	-	6,990,433.14	100.0%
Interest Expense on Capital Asset Financings	(5,264,869.80)	-	(5,264,869.80)	100.0%
Net Other Nonoperating Adjustments	**167,757,791.10**	**-**	**167,757,791.10**	**100.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**14,043,876.70**	**-**	**14,043,876.70**	**100.0%**
Adjusted Margin % including Depreciation & Amortization	**3.9%**			
Investment Gain (Losses)	(1,215,513.66)	-	(1,215,513.66)	100.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**12,828,363.04**	**-**	**12,828,363.04**	**100.0%**
Adj. Margin % with Investment Gains (Losses)	**3.6%**			
Adjusted Income (Loss) excluding Depreciation & Amortization	**45,483,442.89**	**-**	**45,483,442.89**	**100.0%**
Adjusted Margin % excluding Depreciation & Amortization	**12.6%**			

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	154,058,526.17	156,270,512.95	(2,211,986.78)	-1.4%
Sponsored Programs	52,375,225.68	48,697,872.13	3,677,353.55	7.6%
Net Sales and Services of Educational Activities	11,820,005.80	11,243,524.77	576,481.03	5.1%
Net Auxiliary Enterprises	35,522,553.72	35,909,336.00	(386,782.28)	-1.1%
Other Operating Revenues	3,507,002.89	3,711,941.98	(204,939.09)	-5.5%
Total Operating Revenues	**257,283,314.26**	**255,833,187.83**	**1,450,126.43**	**0.6%**
Operating Expenses				
Salaries and Wages	200,021,895.31	187,415,236.52	12,606,658.79	6.7%
Payroll Related Costs	54,230,915.81	50,320,162.28	3,910,753.53	7.8%
Cost of Goods Sold	81,531.14	304,290.51	(222,759.37)	-73.2%
Professional Fees and Services	5,672,276.21	4,725,196.47	947,079.74	20.0%
Other Contracted Services	13,268,000.74	14,023,132.60	(755,131.86)	-5.4%
Travel	8,938,849.78	7,601,523.69	1,337,326.09	17.6%
Materials and Supplies	23,986,550.69	24,184,362.08	(197,811.39)	-0.8%
Utilities	9,144,103.11	11,083,333.33	(1,939,230.22)	-17.5%
Communications	3,189,693.77	2,842,885.55	346,808.22	12.2%
Repairs and Maintenance	6,329,386.22	6,777,771.92	(448,385.70)	-6.6%
Rentals and Leases	1,856,857.82	2,392,891.53	(536,033.71)	-22.4%
Printing and Reproduction	1,040,953.82	1,091,768.08	(50,814.26)	-4.7%
Bad Debt Expense	169,100.81	29,166.67	139,934.14	479.8%
Scholarships and Fellowships	36,873,226.67	31,789,078.88	5,084,147.79	16.0%
Depreciation and Amortization	39,816,722.17	40,478,926.15	(662,203.98)	-1.6%
Federal Sponsored Program Pass-Through to Other State Agencies	1,326,532.49	1,509,614.61	(183,082.12)	-12.1%
Other Operating Expenses	14,103,547.73	13,358,092.06	745,455.67	5.6%
Total Operating Expenses	**420,050,144.29**	**399,927,432.93**	**20,122,711.36**	**5.0%**
Operating Loss	**(162,766,830.03)**	**(144,094,245.10)**	**(18,672,584.93)**	**-13.0%**
Other Nonoperating Adjustments				
State Appropriations	103,477,227.50	101,905,754.97	1,571,472.53	1.5%
Nonexchange Sponsored Programs	43,541,620.83	39,055,120.83	4,486,500.00	11.5%
Gift Contributions for Operations	1,785,494.01	9,081,044.98	(7,295,550.97)	-80.3%
Net Investment Income	14,352,051.08	13,568,000.53	784,050.55	5.8%
Interest Expense on Capital Asset Financings	(12,605,963.50)	(12,610,158.33)	4,194.83	-
Net Other Nonoperating Adjustments	**150,550,429.92**	**150,999,762.98**	**(449,333.06)**	**-0.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(12,216,400.11)**	**6,905,517.88**	**(19,121,917.99)**	**-276.9%**
Adjusted Margin % including Depreciation & Amortization	**-2.9%**	**1.6%**		
Investment Gain (Losses)	(8,909,058.04)	28,238,405.45	(37,147,463.49)	-131.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(21,125,458.15)**	**35,143,923.33**	**(56,269,381.48)**	**-160.1%**
Adj. Margin % with Investment Gains (Losses)	**-5.1%**	**7.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**27,600,322.06**	**47,384,444.03**	**(19,784,121.97)**	**-41.8%**
Adjusted Margin % excluding Depreciation & Amortization	**6.6%**	**11.3%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	34,173,183.33	31,846,097.83	2,327,085.50	7.3%
Sponsored Programs	11,220,650.68	12,020,879.34	(800,228.66)	-6.7%
Net Sales and Services of Educational Activities	5,509,688.56	2,438,560.30	3,071,128.26	125.9%
Net Auxiliary Enterprises	7,063,480.00	5,999,710.00	1,063,770.00	17.7%
Other Operating Revenues	317,396.38	143,606.73	173,789.65	121.0%
Total Operating Revenues	**58,284,398.95**	**52,448,854.20**	**5,835,544.75**	**11.1%**
Operating Expenses				
Salaries and Wages	55,191,315.86	48,062,477.81	7,128,838.05	14.8%
Payroll Related Costs	15,083,149.48	12,215,418.68	2,867,730.80	23.5%
Cost of Goods Sold	37,890.67	21,496.36	16,394.31	76.3%
Professional Fees and Services	2,351,798.88	2,751,706.77	(399,907.89)	-14.5%
Other Contracted Services	5,370,200.93	4,969,728.26	400,472.67	8.1%
Travel	1,762,927.62	1,650,860.48	112,067.14	6.8%
Materials and Supplies	6,953,888.90	6,132,667.96	821,220.94	13.4%
Utilities	2,013,744.49	1,870,142.80	143,601.69	7.7%
Communications	879,593.67	790,313.17	89,280.50	11.3%
Repairs and Maintenance	1,986,604.75	2,222,990.11	(236,385.36)	-10.6%
Rentals and Leases	597,758.19	333,106.44	264,651.75	79.4%
Printing and Reproduction	1,063,683.15	960,110.27	103,572.88	10.8%
Scholarships and Fellowships	2,284,200.17	5,296,170.37	(3,011,970.20)	-56.9%
Depreciation and Amortization	12,088,118.94	10,035,976.87	2,052,142.07	20.4%
Federal Sponsored Program Pass-Through to Other State Agencies	-	23,303.00	(23,303.00)	-100.0%
Other Operating Expenses	2,989,061.22	2,306,984.18	682,077.04	29.6%
Total Operating Expenses	**110,653,936.92**	**99,643,453.53**	**11,010,483.39**	**11.0%**
Operating Loss	**(52,369,537.97)**	**(47,194,599.33)**	**(5,174,938.64)**	**-11.0%**
Other Nonoperating Adjustments				
State Appropriations	33,308,700.00	30,404,780.00	2,903,920.00	9.6%
Nonexchange Sponsored Programs	8,169,320.00	8,121,130.00	48,190.00	0.6%
Gift Contributions for Operations	1,596,733.43	3,336,028.05	(1,739,294.62)	-52.1%
Net Investment Income	3,918,531.61	3,954,210.03	(35,678.42)	-0.9%
Interest Expense on Capital Asset Financings	(2,728,888.40)	(3,505,558.20)	776,669.80	22.2%
Net Other Nonoperating Adjustments	**44,264,396.64**	**42,310,589.88**	**1,953,806.76**	**4.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(8,105,141.33)**	**(4,884,009.45)**	**(3,221,131.88)**	**-66.0%**
Adjusted Margin % including Depreciation & Amortization	**-7.7%**	**-5.0%**		
Investment Gain (Losses)	(3,201,541.84)	(1,576,248.55)	(1,625,293.29)	-103.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(11,306,683.17)**	**(6,460,258.00)**	**(4,846,425.17)**	**-75.0%**
Adj. Margin % with Investment Gains (Losses)	**-11.1%**	**-6.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**3,982,977.61**	**5,151,967.42**	**(1,168,989.81)**	**-22.7%**
Adjusted Margin % excluding Depreciation & Amortization	**3.8%**	**5.2%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	18,939,429.33	18,541,730.82	397,698.51	2.1%
Sponsored Programs	476,495,567.42	453,590,225.04	22,905,342.38	5.0%
Net Sales and Services of Educational Activities	11,070,814.69	9,230,511.87	1,840,302.82	19.9%
Net Sales and Services of Hospitals	888,843,435.88	778,071,158.53	110,772,277.35	14.2%
Net Professional Fees	459,344,660.48	379,754,408.62	79,590,251.86	21.0%
Net Auxiliary Enterprises	22,785,417.15	21,052,476.68	1,732,940.47	8.2%
Other Operating Revenues	93,095,228.87	77,977,754.10	15,117,474.77	19.4%
Total Operating Revenues	**1,970,574,553.82**	**1,738,218,265.66**	**232,356,288.16**	**13.4%**
Operating Expenses				
Salaries and Wages	1,074,227,747.15	971,514,441.60	102,713,305.55	10.6%
Payroll Related Costs	275,659,477.58	227,630,468.83	48,029,008.75	21.1%
Cost of Goods Sold	5,142,491.00	4,591,740.26	550,750.74	12.0%
Professional Fees and Services	71,878,582.21	51,897,840.37	19,980,741.84	38.5%
Other Contracted Services	93,732,436.10	97,166,831.76	(3,434,395.66)	-3.5%
Travel	10,803,627.02	9,702,706.65	1,100,920.37	11.3%
Materials and Supplies	325,488,588.80	293,276,734.13	32,211,854.67	11.0%
Utilities	17,276,667.41	21,687,719.56	(4,411,052.15)	-20.3%
Communications	9,455,057.99	9,026,012.48	429,045.51	4.8%
Repairs and Maintenance	12,822,926.52	10,608,836.62	2,214,089.90	20.9%
Rentals and Leases	7,192,924.74	5,938,419.56	1,254,505.18	21.1%
Printing and Reproduction	2,204,459.90	2,695,990.00	(491,530.10)	-18.2%
Scholarships and Fellowships	1,137,966.87	2,118,726.67	(980,759.80)	-46.3%
Depreciation and Amortization	132,028,859.15	129,669,177.25	2,359,681.90	1.8%
Federal Sponsored Program Pass-Through to Other State Agencies	2,019,640.05	1,422,751.93	596,888.12	42.0%
Other Operating Expenses	54,167,112.77	53,128,606.98	1,038,505.79	2.0%
Total Operating Expenses	**2,095,238,565.26**	**1,892,077,004.65**	**203,161,560.61**	**10.7%**
Operating Loss	**(124,664,011.44)**	**(153,858,738.99)**	**29,194,727.55**	**19.0%**
Other Nonoperating Adjustments				
State Appropriations	154,791,500.00	142,234,045.76	12,557,454.24	8.8%
Gift Contributions for Operations	68,855,096.02	81,555,209.29	(12,700,113.27)	-15.6%
Net Investment Income	82,364,283.78	75,356,359.96	7,007,923.82	9.3%
Interest Expense on Capital Asset Financings	(25,461,679.60)	(23,966,832.60)	(1,494,847.00)	-6.2%
Net Other Nonoperating Adjustments	**280,549,200.20**	**275,178,782.41**	**5,370,417.79**	**2.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**155,885,188.76**	**121,320,043.42**	**34,565,145.34**	**28.5%**
Adjusted Margin % including Depreciation & Amortization	**6.8%**	**6.0%**		
Investment Gain (Losses)	(66,665,006.18)	(53,888,393.06)	(12,776,613.12)	-23.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**89,220,182.58**	**67,431,650.36**	**21,788,532.22**	**32.3%**
Adj. Margin % with Investment Gains (Losses)	**4.0%**	**3.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**287,914,047.91**	**250,989,220.67**	**36,924,827.24**	**14.7%**
Adjusted Margin % excluding Depreciation & Amortization	**12.6%**	**12.3%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending June 30, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	29,888,600.17	29,648,068.80	240,531.37	0.8%
Sponsored Programs	163,048,036.06	153,694,815.01	9,353,221.05	6.1%
Net Sales and Services of Educational Activities	14,796,546.94	16,652,110.97	(1,855,564.03)	-11.1%
Net Sales and Services of Hospitals	846,275,230.95	787,450,584.90	58,824,646.05	7.5%
Net Professional Fees	147,635,896.39	123,168,377.30	24,467,519.09	19.9%
Net Auxiliary Enterprises	8,336,154.34	7,657,540.94	678,613.40	8.9%
Other Operating Revenues	45,523,298.97	51,410,040.36	(5,886,741.39)	-11.5%
Total Operating Revenues	**1,255,503,763.82**	**1,169,681,538.28**	**85,822,225.54**	**7.3%**
Operating Expenses				
Salaries and Wages	804,325,076.65	745,168,335.52	59,156,741.13	7.9%
Payroll Related Costs	219,119,864.40	200,712,747.00	18,407,117.40	9.2%
Cost of Goods Sold	74,616,384.09	63,294,498.40	11,321,885.69	17.9%
Professional Fees and Services	32,835,848.13	27,611,842.61	5,224,005.52	18.9%
Other Contracted Services	98,447,434.57	86,351,480.86	12,095,953.71	14.0%
Travel	6,371,859.24	6,498,332.47	(126,473.23)	-1.9%
Materials and Supplies	131,376,305.99	127,049,067.44	4,327,238.55	3.4%
Utilities	29,627,638.30	27,903,903.42	1,723,734.88	6.2%
Communications	8,190,690.61	7,726,299.23	464,391.38	6.0%
Repairs and Maintenance	38,203,321.52	37,938,776.47	264,545.05	0.7%
Rentals and Leases	21,287,397.48	22,331,554.55	(1,044,157.07)	-4.7%
Printing and Reproduction	1,370,360.39	1,332,257.61	38,102.78	2.9%
Scholarships and Fellowships	5,899,946.15	6,509,950.38	(610,004.23)	-9.4%
Depreciation and Amortization	103,407,420.99	85,016,503.43	18,390,917.56	21.6%
Federal Sponsored Program Pass-Through to Other State Agencies	729,722.16	1,229,781.45	(500,059.29)	-40.7%
Other Operating Expenses	27,683,707.34	30,019,956.47	(2,336,249.13)	-7.8%
Impairment of Capital Assets	-	1,083,705.17	(1,083,705.17)	-100.0%
Total Operating Expenses	**1,603,492,978.01**	**1,477,778,992.48**	**125,713,985.53**	**8.5%**
Operating Loss	**(347,989,214.19)**	**(308,097,454.20)**	**(39,891,759.99)**	**-12.9%**
Other Nonoperating Adjustments				
State Appropriations	302,963,788.55	289,402,967.94	13,560,820.61	4.7%
Nonexchange Sponsored Programs	918,121.40	951,837.00	(33,715.60)	-3.5%
Gift Contributions for Operations	8,193,663.35	6,063,890.83	2,129,772.52	35.1%
Net Investment Income	39,195,793.38	35,397,059.18	3,798,734.20	10.7%
Interest Expense on Capital Asset Financings	(10,875,374.02)	(5,518,713.54)	(5,356,660.48)	-97.1%
Net Other Nonoperating Adjustments	**340,395,992.66**	**326,297,041.41**	**14,098,951.25**	**4.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(7,593,221.53)**	**18,199,587.21**	**(25,792,808.74)**	**-141.7%**
Adjusted Margin % including Depreciation & Amortization	**-0.5%**	**1.2%**		
Investment Gain (Losses)	(26,342,239.08)	(9,699,094.07)	(16,643,145.01)	-171.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(33,935,460.61)**	**8,500,493.14**	**(42,435,953.75)**	**-499.2%**
Adj. Margin % with Investment Gains (Losses)	**-2.1%**	**0.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**95,814,199.46**	**103,216,090.64**	**(7,401,891.18)**	**-7.2%**
Adjusted Margin % excluding Depreciation & Amortization	**6.0%**	**6.9%**		

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, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	42,846,774.56	37,817,012.97	5,029,761.59	13.3%
Sponsored Programs	591,321,052.83	499,125,755.38	92,195,297.45	18.5%
Net Sales and Services of Educational Activities	32,025,552.06	26,873,575.33	5,151,976.73	19.2%
Net Sales and Services of Hospitals	62,171,034.01	55,368,239.41	6,802,794.60	12.3%
Net Professional Fees	276,113,641.23	235,962,352.21	40,151,289.02	17.0%
Net Auxiliary Enterprises	23,898,200.10	22,720,716.67	1,177,483.43	5.2%
Other Operating Revenues	52,034,482.12	34,494,038.72	17,540,443.40	50.9%
Total Operating Revenues	**1,080,410,736.91**	**912,361,690.69**	**168,049,046.22**	**18.4%**
Operating Expenses				
Salaries and Wages	695,952,913.11	628,980,537.57	66,972,375.54	10.6%
Payroll Related Costs	161,483,021.23	136,826,209.77	24,656,811.46	18.0%
Cost of Goods Sold	19,305,693.26	15,388,202.84	3,917,490.42	25.5%
Professional Fees and Services	57,620,112.67	44,052,447.85	13,567,664.82	30.8%
Other Contracted Services	65,014,968.58	62,162,287.87	2,852,680.71	4.6%
Travel	9,086,645.65	8,398,064.34	688,581.31	8.2%
Materials and Supplies	51,445,391.32	45,948,998.08	5,496,393.24	12.0%
Utilities	13,596,223.66	13,949,538.04	(353,314.38)	-2.5%
Communications	4,813,081.45	4,291,718.23	521,363.22	12.1%
Repairs and Maintenance	10,311,344.01	10,410,732.33	(99,388.32)	-1.0%
Rentals and Leases	27,679,902.33	25,938,360.34	1,741,541.99	6.7%
Printing and Reproduction	5,446,233.71	4,464,659.14	981,574.57	22.0%
Scholarships and Fellowships	4,190,304.11	4,988,313.13	(798,009.02)	-16.0%
Depreciation and Amortization	51,413,870.97	49,641,557.64	1,772,313.33	3.6%
Federal Sponsored Program Pass-Through to Other State Agencies	5,060,516.05	5,943,682.90	(883,166.85)	-14.9%
Other Operating Expenses	35,705,591.90	37,054,787.52	(1,349,195.62)	-3.6%
Total Operating Expenses	**1,218,125,814.01**	**1,098,440,097.59**	**119,685,716.42**	**10.9%**
Operating Loss	**(137,715,077.10)**	**(186,078,406.90)**	**48,363,329.80**	**26.0%**
Other Nonoperating Adjustments				
State Appropriations	171,967,947.26	167,811,308.16	4,156,639.10	2.5%
Nonexchange Sponsored Programs	339,112.00	359,383.29	(20,271.29)	-5.6%
Gift Contributions for Operations	16,777,826.42	21,517,182.33	(4,739,355.91)	-22.0%
Net Investment Income	30,030,588.74	26,615,985.00	3,414,603.74	12.8%
Interest Expense on Capital Asset Financings	(9,074,528.10)	(9,691,198.60)	616,670.50	6.4%
Net Other Nonoperating Adjustments	**210,040,946.32**	**206,612,660.18**	**3,428,286.14**	**1.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**72,325,869.22**	**20,534,253.28**	**51,791,615.94**	**252.2%**
Adjusted Margin % including Depreciation & Amortization	**5.6%**	**1.8%**		
Investment Gain (Losses)	(19,286,835.74)	(11,026,112.31)	(8,260,723.43)	-74.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**53,039,033.48**	**9,508,140.97**	**43,530,892.51**	**457.8%**
Adj. Margin % with Investment Gains (Losses)	**4.1%**	**0.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**123,739,740.19**	**70,175,810.92**	**53,563,929.27**	**76.3%**
Adjusted Margin % excluding Depreciation & Amortization	**9.5%**	**6.2%**		

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, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	32,097,314.17	29,837,055.83	2,260,258.34	7.6%
Sponsored Programs	246,775,649.00	254,590,195.51	(7,814,546.51)	-3.1%
Net Sales and Services of Educational Activities	14,965,458.18	14,642,727.21	322,730.97	2.2%
Net Professional Fees	156,031,278.71	141,261,887.53	14,769,391.18	10.5%
Net Auxiliary Enterprises	5,004,593.17	5,167,548.30	(162,955.13)	-3.2%
Other Operating Revenues	28,601,093.55	31,114,912.52	(2,513,818.97)	-8.1%
Total Operating Revenues	**483,475,386.78**	**476,614,326.90**	**6,861,059.88**	**1.4%**
Operating Expenses				
Salaries and Wages	348,090,199.76	350,393,942.78	(2,303,743.02)	-0.7%
Payroll Related Costs	98,757,229.58	94,516,966.76	4,240,262.82	4.5%
Professional Fees and Services	17,457,476.70	16,251,923.12	1,205,553.58	7.4%
Other Contracted Services	24,909,408.48	22,748,153.29	2,161,255.19	9.5%
Travel	4,193,686.64	4,351,247.05	(157,560.41)	-3.6%
Materials and Supplies	39,374,793.98	34,267,278.60	5,107,515.38	14.9%
Utilities	15,497,140.00	14,583,333.33	913,806.67	6.3%
Communications	9,849,068.79	10,551,873.72	(702,804.93)	-6.7%
Repairs and Maintenance	4,552,661.65	4,203,168.19	349,493.46	8.3%
Rentals and Leases	5,396,666.68	4,453,726.56	942,940.12	21.2%
Printing and Reproduction	1,571,023.26	1,440,372.79	130,650.47	9.1%
Scholarships and Fellowships	5,759,616.56	5,734,512.58	25,103.98	0.4%
Depreciation and Amortization	44,166,666.67	43,750,000.00	416,666.67	1.0%
Federal Sponsored Program Pass-Through to Other State Agencies	1,291,666.67	1,250,000.00	41,666.67	3.3%
Other Operating Expenses	31,148,610.02	31,672,611.58	(524,001.56)	-1.7%
Total Operating Expenses	**652,015,915.44**	**640,169,110.35**	**11,846,805.09**	**1.9%**
Operating Loss	**(168,540,528.66)**	**(163,554,783.45)**	**(4,985,745.21)**	**-3.0%**
Other Nonoperating Adjustments				
State Appropriations	140,515,948.33	146,862,539.17	(6,346,590.84)	-4.3%
Nonexchange Sponsored Programs	1,083,333.33	1,041,666.67	41,666.66	4.0%
Gift Contributions for Operations	11,924,582.56	13,617,609.37	(1,693,026.81)	-12.4%
Net Investment Income	31,054,939.99	30,151,234.05	903,705.94	3.0%
Interest Expense on Capital Asset Financings	(6,793,962.40)	(7,334,707.90)	540,745.50	7.4%
Net Other Nonoperating Adjustments	**177,784,841.81**	**184,338,341.36**	**(6,553,499.55)**	**-3.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**9,244,313.15**	**20,783,557.91**	**(11,539,244.76)**	**-55.5%**
Adjusted Margin % including Depreciation & Amortization	**1.4%**	**3.1%**		
Investment Gain (Losses)	(24,553,170.65)	(16,116,347.24)	(8,436,823.41)	-52.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(15,308,857.50)**	**4,667,210.67**	**(19,976,068.17)**	**-428.0%**
Adj. Margin % with Investment Gains (Losses)	**-2.4%**	**0.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**53,410,979.82**	**64,533,557.91**	**(11,122,578.09)**	**-17.2%**
Adjusted Margin % excluding Depreciation & Amortization	**8.0%**	**9.7%**		

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, 2016

	June Year-to-Date FY 2016	June Year-to-Date FY 2015	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	1,615,567.82	1,380,192.87	235,374.95	17.1%
Sponsored Programs	262,859,249.99	239,099,520.06	23,759,729.93	9.9%
Net Sales and Services of Educational Activities	1,664,901.67	1,633,484.40	31,417.27	1.9%
Net Sales and Services of Hospitals	2,625,831,796.30	2,661,730,137.97	(35,898,341.67)	-1.3%
Net Professional Fees	331,715,148.76	329,205,259.69	2,509,889.07	0.8%
Net Auxiliary Enterprises	34,984,092.24	37,389,744.04	(2,405,651.80)	-6.4%
Other Operating Revenues	85,377,055.53	82,666,942.67	2,710,112.86	3.3%
Total Operating Revenues	**3,344,047,812.31**	**3,353,105,281.70**	**(9,057,469.39)**	**-0.3%**
Operating Expenses				
Salaries and Wages	1,587,441,886.02	1,480,423,599.59	107,018,286.43	7.2%
Payroll Related Costs	461,258,045.23	426,987,533.03	34,270,512.20	8.0%
Cost of Goods Sold	1,834,391.87	3,882,045.20	(2,047,653.33)	-52.7%
Professional Fees and Services	176,042,878.47	125,290,237.35	50,752,641.12	40.5%
Other Contracted Services	133,606,881.83	99,428,513.61	34,178,368.22	34.4%
Travel	16,247,380.66	16,679,999.22	(432,618.56)	-2.6%
Materials and Supplies	673,988,149.27	641,753,716.49	32,234,432.78	5.0%
Utilities	37,696,365.30	39,008,002.19	(1,311,636.89)	-3.4%
Communications	9,382,374.59	8,158,018.05	1,224,356.54	15.0%
Repairs and Maintenance	89,728,835.93	84,105,782.03	5,623,053.90	6.7%
Rentals and Leases	36,906,224.97	35,295,363.51	1,610,861.46	4.6%
Printing and Reproduction	4,050,816.89	3,697,963.99	352,852.90	9.5%
Scholarships and Fellowships	2,649,366.88	2,979,130.79	(329,763.91)	-11.1%
Depreciation and Amortization	302,412,644.22	247,344,452.88	55,068,191.34	22.3%
Federal Sponsored Program Pass-Through to Other State Agencies	517,233.01	(598,946.12)	1,116,179.13	186.4%
State Sponsored Program Pass-Through to Other State Agencies	615,585.77	269,139.00	346,446.77	128.7%
Other Operating Expenses	28,361,995.58	27,373,457.87	988,537.71	3.6%
Total Operating Expenses	**3,562,741,056.49**	**3,242,078,008.68**	**320,663,047.81**	**9.9%**
Operating Loss	**(218,693,244.18)**	**111,027,273.02**	**(329,720,517.20)**	**-297.0%**
Other Nonoperating Adjustments				
State Appropriations	167,865,027.50	155,671,366.52	12,193,660.98	7.8%
Nonexchange Sponsored Programs	1,781,706.88	2,873,830.79	(1,092,123.91)	-38.0%
Gift Contributions for Operations	115,883,087.28	87,322,350.97	28,560,736.31	32.7%
Net Investment Income	83,305,790.95	199,828,524.32	(116,522,733.37)	-58.3%
Interest Expense on Capital Asset Financings	(28,313,578.30)	(29,887,856.40)	1,574,278.10	5.3%
Net Other Nonoperating Adjustments	**340,522,034.31**	**415,808,216.20**	**(75,286,181.89)**	**-18.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**121,828,790.13**	**526,835,489.22**	**(405,006,699.09)**	**-76.9%**
Adjusted Margin % including Depreciation & Amortization	**3.3%**	**13.9%**		
Investment Gain (Losses)	(58,163,682.01)	2,762,465.45	(60,926,147.46)	-2,205.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**63,665,108.12**	**529,597,954.67**	**(465,932,846.55)**	**-88.0%**
Adj. Margin % with Investment Gains (Losses)	**1.7%**	**13.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**424,241,434.35**	**774,179,942.10**	**(349,938,507.75)**	**-45.2%**
Adjusted Margin % excluding Depreciation & Amortization	**11.4%**	**20.4%**		

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, 2016

	June Year-to-Date FY 2016	**June Year-to-Date FY 2015**	**Variance**	**Fluctuation Percentage**
Operating Revenues				
Net Student Tuition and Fees	102,617.89	101,765.76	852.13	0.8%
Sponsored Programs	22,384,397.01	13,370,119.33	9,014,277.68	67.4%
Net Sales and Services of Educational Activities	1,735,206.35	1,352,152.12	383,054.23	28.3%
Net Sales and Services of Hospitals	47,598,617.35	50,085,326.00	(2,486,708.65)	-5.0%
Net Professional Fees	13,529,232.39	9,632,567.82	3,896,664.57	40.5%
Net Auxiliary Enterprises	187,466.95	174,035.39	13,431.56	7.7%
Other Operating Revenues	21,663,757.31	20,255,330.52	1,408,426.79	7.0%
Total Operating Revenues	**107,201,295.25**	**94,971,296.94**	**12,229,998.31**	**12.9%**
Operating Expenses				
Salaries and Wages	77,977,477.75	65,840,415.54	12,137,062.21	18.4%
Payroll Related Costs	23,793,766.43	20,417,828.05	3,375,938.38	16.5%
Cost of Goods Sold	106,236.90	93,379.18	12,857.72	13.8%
Professional Fees and Services	9,704,771.94	7,439,466.30	2,265,305.64	30.4%
Other Contracted Services	10,244,737.72	10,461,654.49	(216,916.77)	-2.1%
Travel	600,123.21	549,051.02	51,072.19	9.3%
Materials and Supplies	19,242,099.63	16,905,882.68	2,336,216.95	13.8%
Utilities	1,590,622.05	1,810,149.63	(219,527.58)	-12.1%
Communications	941,516.63	753,376.96	188,139.67	25.0%
Repairs and Maintenance	4,848,164.24	4,569,767.98	278,396.26	6.1%
Rentals and Leases	1,060,957.13	1,241,898.33	(180,941.20)	-14.6%
Printing and Reproduction	55,677.90	62,823.46	(7,145.56)	-11.4%
Scholarships and Fellowships	111,934.50	88,104.92	23,829.58	27.0%
Depreciation and Amortization	9,030,704.46	9,416,258.72	(385,554.26)	-4.1%
Federal Sponsored Program Pass-Through to Other State Agencies	166,676.59	250,031.33	(83,354.74)	-33.3%
Other Operating Expenses	2,865,283.16	2,916,399.58	(51,116.42)	-1.8%
Total Operating Expenses	**162,340,750.24**	**142,816,488.17**	**19,524,262.07**	**13.7%**
Operating Loss	**(55,139,454.99)**	**(47,845,191.23)**	**(7,294,263.76)**	**-15.2%**
Other Nonoperating Adjustments				
State Appropriations	44,926,288.27	36,047,862.78	8,878,425.49	24.6%
Gift Contributions for Operations	428,321.57	1,005,525.51	(577,203.94)	-57.4%
Net Investment Income	3,410,705.50	3,525,178.67	(114,473.17)	-3.2%
Interest Expense on Capital Asset Financings	(1,103,078.10)	(1,201,203.10)	98,125.00	8.2%
Net Other Nonoperating Adjustments	**47,662,237.24**	**39,377,363.86**	**8,284,873.38**	**21.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(7,477,217.75)**	**(8,467,827.37)**	**990,609.62**	**11.7%**
Adjusted Margin % including Depreciation & Amortization	**-4.8%**	**-6.2%**		
Investment Gain (Losses)	(1,998,848.24)	(1,222,279.50)	(776,568.74)	-63.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(9,476,065.99)**	**(9,690,106.87)**	**214,040.88**	**2.2%**
Adj. Margin % with Investment Gains (Losses)	**-6.2%**	**-7.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**1,553,486.71**	**948,431.35**	**605,055.36**	**63.8%**
Adjusted Margin % excluding Depreciation & Amortization	**1.0%**	**0.7%**		

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, 2016

REPORT

The May 31, 2016 UTIMCO Performance Summary Report is set forth on Page 182.

The Investment Reports for the quarter ended May 31, 2016, are set forth on Pages 183 - 186.

Item I on Page 183 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 4.40% versus its composite benchmark return of 4.61%. The PUF's net asset value increased by $454 million during the quarter to $17,432 million. The increase was due to $103 million PUF Lands receipts, plus a net investment return of $738 million, and less a $387 million distribution made to the Available University Fund (AUF) during the quarter.

Item II on Page 184 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 4.49% versus its composite benchmark return of 4.61%. The GEF's net asset value increased by $372 million during the quarter to $8,192 million.

Item III on Page 185 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 4.64% versus its composite benchmark return of 4.07%. The net asset value increased during the quarter to $7,504 million due to net contributions of $91 million, plus net investment return of $334 million and less distributions of $55 million.

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

Item IV on Page 186 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 $236 million to $2,279 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: $78 million versus $85 million at the beginning of the period; and other investments: $5 million versus $1 million at the beginning of the period.

UTIMCO Performance Summary

May 31, 2016

	Net Asset Value 5/31/2016 (in Millions)	Periods Ended May 31, 2016 (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
ENDOWMENT FUNDS									
Permanent University Fund	$ 17,432	0.09%	4.40%	(0.10%)	1.27%	(2.89%)	4.89%	4.76%	5.25%
Permanent Health Fund	1,036								
Long Term Fund	7,156								
General Endowment Fund	8,192	0.11%	4.49%	(0.08%)	1.29%	(2.88%)	5.02%	4.88%	5.37%
Separately Invested Funds	208								
Total Endowment Funds	25,832								
OPERATING FUNDS									
Intermediate Term Fund	7,504	(0.06%)	4.64%	0.18%	1.66%	(3.92%)	1.96%	2.48%	4.15%
Short Term Fund and Debt Proceeds Fund	2,176								
Total Operating Funds	9,680								
Total Assets Under Management	$ 35,512								
VALUE ADDED (Percent)									
Permanent University Fund		0.41%	(0.21%)	(1.63%)	(1.38%)	(1.25%)	0.34%	0.63%	1.51%
General Endowment Fund		0.43%	(0.12%)	(1.61%)	(1.36%)	(1.24%)	0.47%	0.75%	1.63%
Intermediate Term Fund		0.35%	0.57%	(0.94%)	(0.54%)	(0.81%)	0.64%	1.28%	1.89%
VALUE ADDED ($ IN MILLIONS)									
Permanent University Fund		$72	($36)	($289)	($242)	($227)	$171	$507	$2,219
General Endowment Fund		36	(10)	(134)	(111)	(105)	114	312	1,315
Intermediate Term Fund		26	41	(67)	(38)	(60)	119	354	907
Total Value Added		$134	($5)	($490)	($391)	($392)	$404	$1,173	$4,441

Footnote available upon request.

UTIMCO 7/6/2016

I. PERMANENT UNIVERSITY FUND

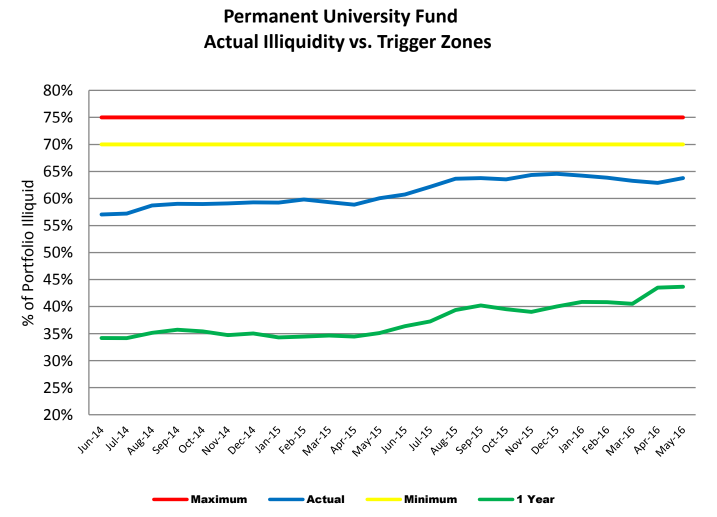
Investment Reports for Periods Ended May 31, 2016

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
More Correlated and Constrained:							
Investment Grade	7.76%	6.50%	1.58%	5.42%	-0.03%	-0.24%	-0.27%
Credit-Related	0.10%	0.00%	7.43%	4.43%	0.00%	0.00%	0.00%
Real Estate	2.26%	2.50%	1.77%	10.72%	-0.03%	-0.21%	-0.24%
Natural Resources	6.11%	7.50%	-0.81%	1.64%	-0.09%	-0.13%	-0.22%
Developed Country	12.60%	14.00%	-2.35%	3.43%	-0.02%	-0.79%	-0.81%
Emerging Markets	9.04%	9.50%	3.75%	-0.10%	-0.06%	0.34%	0.28%
Total More Correlated and Constrained	**37.87%**	**40.00%**	**0.20%**	**3.26%**	**-0.23%**	**-1.03%**	**-1.26%**
Less Correlated and Constrained	**27.73%**	**29.00%**	**-2.27%**	**-3.04%**	**-0.07%**	**0.34%**	**0.27%**
Private Investments	**34.40%**	**31.00%**	**1.35%**	**3.34%**	**-0.07%**	**-0.57%**	**-0.64%**
Total	**100.00%**	**100.00%**	**-0.10%**	**1.53%**	**-0.37%**	**-1.26%**	**-1.63%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2015	Quarter Ended May 31, 2016	Fiscal Year to Date August 31, 2016
Beginning Net Assets	$17,365	$16,978	$17,490
PUF Lands Receipts	807	103	362
Investment Return (Net of Expenses)	82	738	(33)
Distributions to AUF	(764)	(387)	(387)
Ending Net Assets	$17,490	$17,432	$17,432



II. GENERAL ENDOWMENT FUND

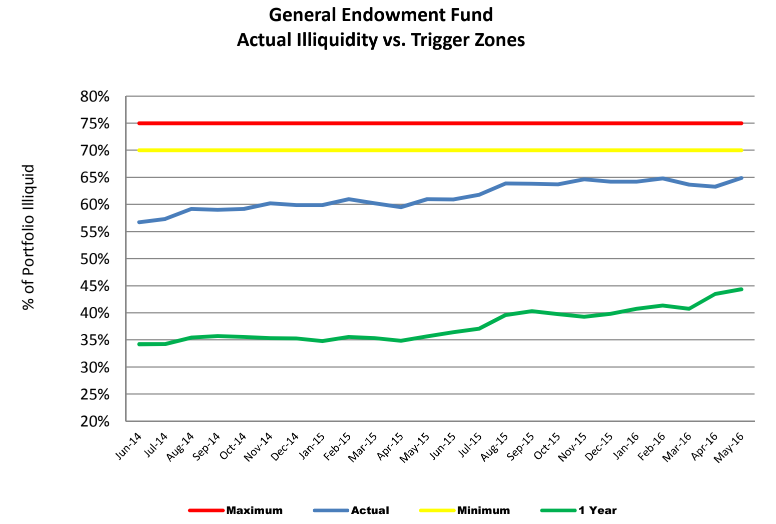
Investment Reports for Periods Ended May 31, 2016

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**
More Correlated and Constrained:							
Investment Grade	6.2%	6.5%	2.81%	5.42%	0.01%	-0.16%	-0.15%
Credit-Related	0.1%	0.0%	7.43%	4.43%	0.00%	0.00%	0.00%
Real Estate	2.3%	2.5%	1.81%	10.72%	-0.01%	-0.21%	-0.22%
Natural Resources	6.1%	7.5%	-0.78%	1.64%	-0.09%	-0.14%	-0.23%
Developed Country	12.8%	14.0%	-2.16%	3.43%	-0.05%	-0.74%	-0.79%
Emerging Markets	9.4%	9.5%	2.84%	-0.10%	-0.04%	0.24%	0.20%
Total More Correlated and Constrained	**36.9%**	**40.0%**	**0.33%**	**3.26%**	**-0.18%**	**-1.01%**	**-1.19%**
Less Correlated and Constrained	**28.1%**	**29.0%**	**-2.27%**	**-3.04%**	**-0.08%**	**0.32%**	**0.24%**
Private Investments	**35.0%**	**31.0%**	**1.34%**	**3.34%**	**-0.08%**	**-0.58%**	**-0.66%**
Total	**100.0%**	**100.0%**	**-0.08%**	**1.53%**	**-0.34%**	**-1.27%**	**-1.61%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2015	Quarter Ended May 31, 2016	Fiscal Year to Date August 31, 2016
Beginning Net Assets	$8,325	$7,820	$8,237
Contributions	230	125	275
Withdrawals	(43)	(5)	(9)
Distributions	(366)	(104)	(307)
Investment Return (Net of Expenses)	91	356	(4)
Ending Net Assets	$8,237	$8,192	$8,192



General Endowment Fund
Actual Illiquidity vs. Trigger Zones

UTIMCO 7/6/16

III. INTERMEDIATE TERM FUND

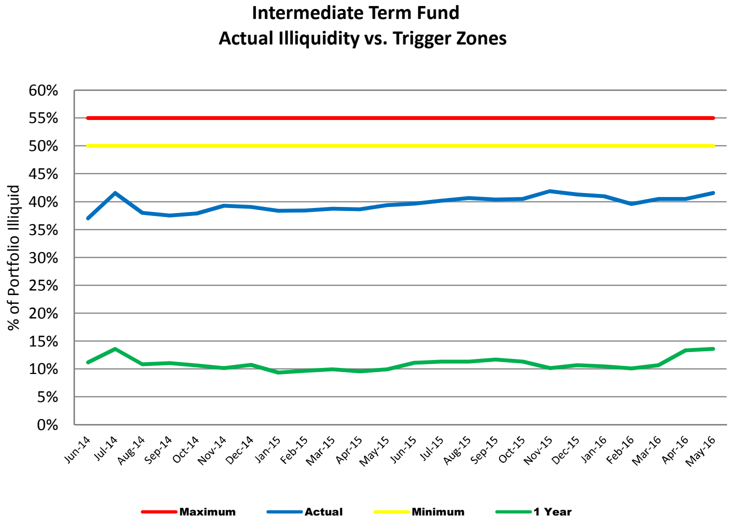
Investment Reports for Periods Ended May 31, 2016

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
More Correlated and Constrained:							
Investment Grade	30.0%	30.0%	3.69%	5.42%	0.06%	-0.52%	-0.46%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	2.6%	3.0%	1.85%	10.72%	0.00%	-0.23%	-0.23%
Natural Resources	5.3%	7.0%	-0.75%	1.64%	-0.09%	-0.14%	-0.23%
Developed Country	9.5%	9.0%	-2.23%	3.43%	0.03%	-0.52%	-0.49%
Emerging Markets	6.3%	6.0%	3.04%	-0.10%	0.01%	0.16%	0.17%
Total More Correlated and Constrained	**53.7%**	**55.0%**	**2.24%**	**4.54%**	**0.01%**	**-1.25%**	**-1.24%**
Less Correlated and Constrained	**46.3%**	**45.0%**	**-2.30%**	**-3.04%**	**-0.25%**	**0.55%**	**0.30%**
Private Investments	**0.0%**	**0.0%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**100.0%**	**100.0%**	**0.18%**	**1.12%**	**-0.24%**	**-0.70%**	**-0.94%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2015	Quarter Ended May 31, 2016	Fiscal Year to Date August 31, 2016
Beginning Net Assets	$6,665	$7,134	$7,037
Contributions	1,448	126	833
Withdrawals	(627)	(35)	(231)
Distributions	(210)	(55)	(162)
Investment Return (Net of Expenses)	(239)	334	27
Ending Net Assets	$7,037	$7,504	$7,504


Intermediate Term Fund
Actual Illiquidity vs. Trigger Zones

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2016

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

($ thousands)

FUND TYPE

	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND)		TOTAL	
	DESIGNATED		RESTRICTED													
ASSET TYPES	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:																
Beginning value 02/29/16	1	1	1,602	1,603	97,670	97,670	1,598	1,598	1,220	1,220	102,091	102,092	2,412,605	2,412,605	2,514,696	2,514,697
Increase/(Decrease)	-	-	10,579	10,578	(34,586)	(34,586)	(170)	(170)	(129)	(129)	(24,306)	(24,307)	(211,181)	(211,181)	(235,487)	(235,488)
Ending value 05/31/16	1	1	12,181	12,181	63,084	63,084	1,428	1,428	1,091	1,091	77,785	77,785	2,201,424	2,201,424	2,279,209	2,279,209
Debt Securities:																
Beginning value 02/29/16	-	-	7	6	11,217	11,282	9,196	8,667	-	-	20,420	19,955	-	-	20,420	19,955
Increase/(Decrease)	-	-	-	-	224	404	(46)	70	-	-	178	474	-	-	178	474
Ending value 05/31/16	-	-	7	6	11,441	11,686	9,150	8,737	-	-	20,598	20,429	-	-	20,598	20,429
Equity Securities:																
Beginning value 02/29/16	3,956	10,948	534	544	41,965	62,709	12,534	11,141	-	-	58,989	85,342	-	-	58,989	85,342
Increase/(Decrease)	219	3,629	75	70	(90)	(12,465)	(15)	1,188	-	-	189	(7,578)	-	-	189	(7,578)
Ending value 05/31/16	4,175	14,577	609	614	41,875	50,244	12,519	12,329	-	-	59,178	77,764	-	-	59,178	77,764
Other:																
Beginning value 02/29/16	-	-	814	814	-	-	5	5	452	452	1,271	1,271	-	-	1,271	1,271
Increase/(Decrease)	-	-	4,081	4,083	-	-	-	-	(76)	(76)	4,005	4,007	-	-	4,005	4,007
Ending value 05/31/16	-	-	4,895	4,897	-	-	5	5	376	376	5,276	5,278	-	-	5,276	5,278
Total Assets:																
Beginning value 02/29/16	3,957	10,949	2,957	2,967	150,852	171,661	23,333	21,411	1,672	1,672	182,771	208,660	2,412,605	2,412,605	2,595,376	2,621,265
Increase/(Decrease)	219	3,629	14,735	14,731	(34,452)	(46,647)	(231)	1,088	(205)	(205)	(19,934)	(27,404)	(211,181)	(211,181)	(231,115)	(238,585)
Ending value 05/31/16	4,176	14,578	17,692	17,698	116,400	125,014	23,102	22,499	1,467	1,467	162,837	181,256	2,201,424	2,201,424	2,364,261	2,382,680

Details of individual assets by account furnished upon request.

UTIMCO 6/17/16

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

RECOMMENDATION

The Chancellor, the Deputy Chancellor, and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve the proposed amendments to the following Investment Policy Statements, including asset allocation, as set forth in congressional style on the referenced pages, to be effective September 1, 2016. Proposed amendments to the Derivative Investment Policy, as set forth in congressional style on the referenced pages, are to be effective August 25, 2016.

a. Permanent University Fund (PUF) (See Pages 189 - 190)

b. General Endowment Fund (GEF) (See Pages 189 - 190)

c. Permanent Health Fund (PHF) (See Pages 189 - 190)

d. Long Term Fund (LTF) (See Pages 189 - 190)

e. Intermediate Term Fund (ITF) (See Pages 191 - 192)

f. Short Term Fund (STF) (See Pages 193 - 198)

g. Derivative Investment Policy (See Pages 199 - 204)

BACKGROUND INFORMATION

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

The PUF, GEF, PHF, LTF and ITF Investment Policy Statements and the Derivative Investment Policy were approved by the UTIMCO Board on July 21, 2016. The STF Investment Policy Statement was approved at the May 5, 2016 UTIMCO Board meeting. The Separately Invested Funds Investment Policy Statement and the Liquidity Policy were reviewed but no changes were recommended.

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF (see Attachment 1) and ITF (see Attachment 2) have been amended to reflect the following changes:

- Revise Policy Portfolio Asset Class and Investment Type Targets and Ranges for Fiscal Year Ending (FYE) 2017;

- Revise Policy Benchmarks and Expected 10-year Annual Real Return (Benchmark) target for FYE 2017 to reflect revised Asset Class and Investment Type targets for FYE 2017; and

- Adjust the One-Year Downside Volatility based on the revised Asset Class and Investment Type targets for FYE 2017.

The STF Investment Policy Statement was amended to accommodate changes in the Securities and Exchange Commission (SEC) rules governing money market funds. In July 2014, the SEC adopted new rules requiring a floating net asset value (NAV) for institutional prime money market funds, which allows the daily share prices of these funds to fluctuate along with changes in the market-based value of fund assets. The new rules also provide the boards of these money market funds with tools -- liquidity fees and redemption gates -- to address runs on the fund. The final rules provided a two-year transition period and become effective October 14, 2016.

To mitigate the impact of the SEC rule changes on U. T. System institutions, the U. T. System is proposing that the STF maintain a portion of its investments in a government money market fund that has a constant NAV, is not subject to redemption fees and gates, provides additional diversification, and a later trading window. The balance of the STF would remain invested in institutional prime money market funds, currently the Dreyfus Institutional Preferred Money Market Fund. The STF Investment Policy Statement has proposed amendments to remove language stating that each account invested in the STF has an undivided interest in the STF. The U. T. System plans to absorb the floating NAV risk versus having U. T. System institutions generate realized and unrealized gains and losses on STF transactions. The U. T. System would manage the System's overall liquidity and would receive the incremental returns on the portion of the STF invested in the institutional preferred money market funds in exchange for absorbing the floating NAV risk.

The Derivative Investment Policy changed to clarify staff's delegated authority with respect to derivative investments consistent with the Delegation of Authority Policy.

ATTACHMENT 1
EXHIBIT A for PUF and GEF, EXHIBIT B for PHF and LTF
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~DECEMBER 1, 2015~~ SEPTEMBER 1, 2016

POLICY PORTFOLIO	FYE ~~2016~~ 2017		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	3.0%	~~8.75%~~9.5%	25.0%
Credit-Related Fixed Income	0.0%	~~7.75%~~7.5%	30.0%
Real Estate	0.0%	~~8.50%~~7.0%	12.5%
Natural Resources	~~5.0%~~2.5%	~~15.00%~~11.5%	~~25.0%~~20.0%
Developed Country Equity	30.0%	~~45.00%~~48.5%	~~60.0%~~65.0%
Emerging Markets Equity	8.0%	~~15.00%~~16.0%	25.0%
Investment Types			
More Correlated & Constrained	30.0%	~~40.0%~~39.0%	60.0%
Less Correlated & Constrained	~~25.0%~~20.0%	~~29.0%~~25.0%	37.5%
Private Investments	20.0%	~~31.0%~~36.0%	~~40.0%~~45.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2016~~ 2017
Barclays Capital Global Aggregate Index	~~6.5%~~7.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	~~2.5%~~0.0%
~~33.4%~~ 0.0% Bloomberg Commodity Total Return Index, ~~33.3%~~ 0.0% MSCI World Natural Resources Index and ~~33.3%~~ 100.0% Gold Spot price (XAU) *	~~7.5%~~2.5%
MSCI World Index with net dividends	~~14.0%~~19.0%
MSCI Emerging Markets with net dividends	~~9.5%~~10.0%
Hedge Fund Research Indices Fund of Funds Composite Index	~~29.0%~~25.0%
Custom Cambridge Fund of Funds Benchmark	~~31.0%~~36.0%

POLICY/TARGET RETURN/RISKS/DISTRIBUTION RATE	FYE ~~2016~~ 2017
Expected 10-Year Annual Real Return (Benchmark)	~~3.9%~~ 3.95%
One Year Downside Volatility	~~10.0%~~ 10.41%
Risk Bounds	
Lower: 1 Year Downside Volatility	75%
Upper: 1 Year Downside Volatility	115%

*** Bloomberg Commodity Total Return Index and MSCI World Natural Resources Index will be phased out monthly during FY 2017.**

ATTACHMENT 1
EXHIBIT A for PUF and GEF, EXHIBIT B for PHF and LTF
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~DECEMBER 1, 2015~~ SEPTEMBER 1, 2016

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2016~~ 2017

FYE ~~2016~~ 2017		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	**Investment Grade**	**Barclays Capital Global Aggregate Index** (~~6.5%~~7.5%)	~~2.25%~~2.0%	0.0%	~~8.75%~~9.5%
	Credit-Related	0.00%	~~4.25%~~4.0%	3.5%	~~7.75%~~7.5%
Real Assets	**Real Estate**	**FTSE EPRA/NAREIT Developed Index Net TRI USD** (~~2.5%~~0.0%)	~~0.5%~~0.0%	~~5.5%~~7.0%	~~8.5%~~7.0%
	Natural Resources	~~33.4%~~ 0.0% **Bloomberg Commodity Total Return Index,** ~~33.3%~~ 0.0% **MSCI World Natural Resources Index and** ~~33.3%~~ 100.0% **Gold Spot price (XAU)** (~~7.5%~~2.5%) *	0.0%	~~7.5%~~9.0%	~~15.0%~~11.5%
Equity	**Developed Country**	**MSCI World Index with Net Dividends** (~~14.0%~~19.0%)	~~20.0%~~17.0%	~~11.0%~~12.5%	~~45.0%~~48.5%
	Emerging Markets	**MSCI EM Index with Net Dividends** (~~9.5%~~10.0%)	2.0%	~~3.5%~~4.0%	~~15.0%~~16.0%
Total		~~40%~~39%	~~29.0%~~25.0%	~~31.0%~~36.0%	**100.0%**

🟨 Hedge Fund Research Indices Fund of Funds Composite Index

🟦 Custom Cambridge Fund of Funds Benchmark

* Bloomberg Commodity Total Return Index and MSCI World Natural Resources Index will be phased out monthly during FY 2017.

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

REVISED 8/24/2016

ATTACHMENT 1
EXHIBIT A for PUF and GEF, EXHIBIT B for PHF and LTF
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~DECEMBER 1, 2015~~ SEPTEMBER 1, 2016

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2016~~ 2017

FYE ~~2016~~ 2017		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	**Barclays Capital Global Aggregate Index** (~~6.5%~~7.5%)	~~2.25%~~2.0%	0.0%	~~8.75%~~9.5%
	Credit-Related	0.00%	~~4.25%~~4.0%	3.5%	~~7.75%~~7.5%
Real Assets	Real Estate	**FTSE EPRA/NAREIT Developed Index Net TRI USD** (~~2.5%~~0.0%)	~~0.5%~~0.0%	~~5.5%~~7.0%	~~8.5%~~7.0%
	Natural Resources	~~8.50%~~7.0%	0.0%	~~7.5%~~9.0%	~~15.0%~~11.5%
Equity	Developed Country	**MSCI World Index with Net Dividends** (~~14.0%~~19.0%)	~~20.0%~~17.0%	~~11.0%~~12.5%	~~45.0%~~48.5%
	Emerging Markets	**MSCI EM Index with Net Dividends** (~~9.5%~~10.0%)	2.0%	~~3.5%~~4.0%	~~15.0%~~16.0%
Total		~~40%~~39%	~~29.0%~~25.0%	~~31.0%~~36.0%	100.0%

🟨	Hedge Fund Research Indices Fund of Funds Composite Index
🟦	Custom Cambridge Fund of Funds Benchmark

* Bloomberg Commodity Total Return Index and MSCI World Natural Resources Index will be phased out monthly during FY 2017.

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

ATTACHMENT 2
EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~DECEMBER 1, 2015~~ SEPTEMBER 1, 2016

POLICY PORTFOLIO		FYE ~~2016~~ 2017	
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	20.0%	34.5%	50.0%
Credit-Related Fixed Income	0.0%	7.5%	12.0%
Real Estate	0.0%	~~4.0%~~0.0%	10.0%
Natural Resources	~~2.5%~~0.0%	~~7.0%~~2.5%	~~20.0%~~10.0%
Developed Country Equity	20.0%	~~38.0%~~44.0%	~~50.0%~~60.0%
Emerging Markets Equity	2.5%	~~9.0%~~11.5%	~~17.5%~~20.0%
Investment Types			
More Correlated & Constrained	45.0%	55.0%	65.0%
Less Correlated & Constrained	35.0%	45.0%	55.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2016~~ 2017
Barclays Capital Global Aggregate Index	30.0%
FTSE EPRA/NAREIT Developed Index Net TRI USD	~~3.0%~~0.0%
~~33.4%~~ 0.0% Bloomberg Commodity Total Return Index, ~~33.3%~~ 0.0% MSCI World Natural Resources Index and ~~33.3%~~ 100.0% Gold Spot price (XAU) *	~~7.0%~~2.5%
MSCI World Index with net dividends	~~9.0%~~15.0%
MSCI Emerging Markets with net dividends	~~6.0%~~7.5%
Hedge Fund Research Indices Fund of Funds Composite Index	45.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2016~~ 2017
Expected 10-Year Annual Real Return (Benchmark)	~~2.4%~~ 1.60%
One Year Downside Volatility	~~6.1%~~ 6.44%
Risk Bounds	
Lower: 1 Year Downside Volatility	70.0%
Upper: 1 Year Downside Volatility	115.0%

* Bloomberg Commodity Total Return Index and MSCI World Natural Resources Index will be phased out monthly during FY 2017.

ATTACHMENT 2
EXHIBIT A - INTERMEDIATE TERM FUND
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~DECEMBER 1, 2015~~ SEPTEMBER 1, 2016

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2016~~ 2017

FYE ~~2016~~ 2017		More Correlated & Constrained	Less Correlated & Constrained	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (30.0%)	4.5%	34.5%
	Credit-Related	(0.0%)	7.5%	7.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (~~3.0%~~0.0%)	~~1.0%~~0.0%	~~4.0%~~0.0%
	Natural Resources	~~33.4%~~ 0.0% Bloomberg Commodity Total Return Index, ~~33.3%~~ 0.0% MSCI World Natural Resources Index and ~~33.3%~~ 100% Gold Spot price (XAU) (~~7.0%~~2.5%)*	0.0%	~~7.0%~~2.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~9.0%~~15.0%)	29.0%	~~38.0%~~44.0%
	Emerging Markets	MSCI EM Index with Net Dividends (~~6.0%~~7.5%)	~~3.0%~~4.0%	~~9.0%~~11.5%
Total		55.0%	45.0%	100.0%

🟨 Hedge Fund Research Indices Fund of Funds Composite Index

* Bloomberg Commodity Total Return Index and MSCI World Natural Resources Index will be phased out monthly during FY 2017.

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

THE UNIVERSITY OF TEXAS SYSTEM
SHORT TERM FUND
INVESTMENT POLICY STATEMENT

Purpose

The Short Term Fund (the "STF") was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of operating funds and other short and intermediate term funds held by U. T. System institutions and System Administration with an investment horizon of less than one year.

STF Organization

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

STF Management

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

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

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

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board, as amended. Managers shall be monitored for performance and adherence to investment disciplines.

STF Administration

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

Funds Eligible to Purchase STF Units

No account shall be eligible to purchase units of the STF unless it is under the sole control, with full discretion as to investments, by the Board of Regents and/or UTIMCO.

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

The funds of a foundation structured as a supporting organization described in Section 509(a) of the *Internal Revenue Code of 1986*, which supports the activities of the U. T. System and its institutions, may purchase units in the STF provided that a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the STF.

STF Investment Objectives

The primary investment objective shall be to maximize current income consistent with the ~~absolute~~ preservation of capital and maintenance of adequate STF liquidity. The STF shall seek to maintain a net asset value of $1.00.

Achievement of this objective shall be defined as a fund return in excess of the average gross return of the median manager of an approved universe of institutional only money market funds.

Asset Class Allocation and Policy

Asset Class allocation is the primary determinant of investment performance and subject to the Asset Class allocation ranges specified herein is the responsibility of UTIMCO. Specific Asset Class allocation targets may be changed from time to time based on the economic and investment outlook.

STF assets shall be allocated to the following broad Asset Class:

Cash and Cash Equivalents – Short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

Performance Measurement

The investment performance of the STF will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the performance benchmarks of the STF. Such measurement will occur at least quarterly.

Investment Guidelines

The STF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- All investments will be U.S. dollar denominated assets.
- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of STF assets in such investments.
- No securities may be purchased or held which jeopardize the STF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.

- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- unaffiliated liquid (Money Market Funds) investment funds, subject to Rule 2a-7 of the Investment Company Act of 1940 as amended from time to time, rated AAA_M by Standard & Poor's Corporation or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO),
- securities of the U.S. Treasury and U.S. Agencies and their instrumentalities with maturities of 397 days or less,
- separately managed accounts with investment guidelines equivalent to, or more stringent than, unaffiliated liquid investment funds, subject to Rule 2a-7 of the Investment Company Act of 1940 as amended from time to time, rated AAA_M by Standard & Poor's Corporation or the equivalent by a NRSRO,
- the Custodian's late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody's Investor Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps,
- floating rate securities, if they meet the single security duration criteria and are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment: inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent:

    - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master repurchase agreement with UTIMCO.

    - Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.

- The maturity for a repurchase agreement may be from one day to two weeks.

- The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.

- All collateral shall be delivered to the STF custodian bank. Tri-party collateral arrangements are not permitted.

- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the STF's total assets.

- Overnight repurchase agreements may not exceed 50% of the STF's total assets.

Compliance

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

STF Distributions

Distributions of income from the STF to the unitholders shall be made as soon as practicable on or after the last day of each month.

STF Accounting

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

Valuation of Assets

Institutional prime money market funds are valued using a floating net asset value. ~~All i~~Investments other than institutional prime money market funds are stated at amortized cost, which in most cases approximates the market value of securities. The objective of the fund is to maintain a stable $1.00 net asset value; however, the $1.00 net asset value is neither guaranteed nor insured by UTIMCO.

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

Purchase of STF Units

Purchase of STF units may be made on each business day upon payment of cash to the STF or contribution of assets approved by UTIMCO's Chief Investment Officer~~, at the net asset value per unit of the STF as of the most recent valuation date~~.

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

Redemption of STF Units

Redemption of units may be made on each business~~-~~day~~ at the net asset value per unit~~.

Securities Lending

The STF may not participate in a securities lending contract with a bank or nonbank security lending agent.

Investor Responsibility

The UTIMCO Board shall discharge its fiduciary duties with respect to the STF solely in the interest of STF unitholders and shall not invest the STF so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be September 1, 2016~~2~~.

The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: ~~November 5, 2015~~August 25, 2016
Date Approved by U. T. System Board of Regents: ~~November 5, 2015~~August 25, 2016
Date Approved by UTIMCO Board: ~~October 15, 2015~~July 21, 2016
Supersedes: Derivative Investment Policy approved ~~August 21, 2014~~November 5, 2015

Purpose:

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

Objective:

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

Scope:

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

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

External Managers:

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

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

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments but shall not include a broader range of securities, such as mortgage backed securities, structured notes (including participation notes), convertible bonds, exchange traded funds (ETFs), and Bona Fide Spot Foreign Exchange Transactions. Derivatives may be purchased through a national or international exchange or through an OTC direct arrangement with a Counterparty. Refer to the attached Exhibit A for a glossary of terms. If it is unclear whether a particular financial instrument meets the definition of Derivative Investment, the Risk Manager and Chief Compliance Officer, in consultation with the Chief Investment

Officer, will determine whether the financial instrument is a Derivative Investment. The Chief Investment Officer will report such determinations to the Chairman of the Risk Committee.

Permitted Derivative Applications:

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

Permitted Derivative Applications are Derivative Investments used:

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

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

Risk and Investment Policy Controls:

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

Documentation and Controls:

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

Additional Limitations:

Leverage: Leverage is inherent in many derivatives. In Cash Markets, in most cases, the cash outlay is equal to the market exposure acquired. By contrast, Derivative Investments offer the possibility of establishing – for the same cash outlay – substantially larger market exposure. Therefore, risk management and control processes must focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of uncollateralized derivative exposure that can be utilized by the Funds whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105%

(100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.

Counterparty Risks: Rigorous Counterparty selection criteria and netting agreements shall be required to minimize Counterparty risk for Over the Counter (OTC) derivatives. Any Counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivatives, with the exception of Bona Fide Spot Foreign Exchange Transactions, must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds. In limited circumstances, the August 2012 DF Protocol Agreement, as published on August 13, 2012 (the "August Protocol Agreement") and the 2002 ISDA Master Agreement with a Schedule (an "ISDA March 2013 DF Protocol Master Agreement"), developed in connection with ISDA's Dodd-Frank Documentation Initiative to implement and comply with the regulatory requirements imposed under Title VII of the Dodd–Frank Wall Street Reform and Consumer Protection Act, may be used in place of an ISDA Netting Agreement or on a temporary basis until an ISDA Netting Agreement with the Counterparty has been executed. In the event a Counterparty is downgraded below the minimum credit rating requirements stated above, UTIMCO staff will take appropriate action to protect the interests of the Funds, including availing itself of all potential remedies contained in the ISDA agreements. The net market value, net of collateral postings, of all OTC derivatives for any individual Counterparty may not exceed 1% of the total market value of the Funds.

Risk Management and Compliance:

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

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

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

Reporting:

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

The University of Texas Investment Management Company
Derivative Investment Policy

Derivative Investment Policy Exhibit A
Glossary of Terms

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

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

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

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

Counterparty - The offsetting party in an exchange agreement.

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

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

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

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

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

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

The University of Texas Investment Management Company
Derivative Investment Policy

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

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

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

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

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

Derivative Investment Policy Exhibit B
Delegated Derivative Investments

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

Delegated Derivative Investments:

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

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

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

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

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

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

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

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

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

5. U. T. System Board of Regents: Approval of the Annual Budget for FY 2017, including the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)

RECOMMENDATION

The Chancellor, the Deputy Chancellor, and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve the proposed Annual Budget for the year ending August 31, 2017, as set forth on Page 206, which includes the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule as set forth on Page 207.

BACKGROUND INFORMATION

The proposed Total Budgeted Costs consist of $32.3 million for UTIMCO services (2.5% increase over FY 2016 budget), and $8.7 million (2.9% increase from FY 2016 budget) for external non-investment manager services such as custodial, legal, audit, and consulting services. These Total Budgeted Costs represent only a portion of total investment costs as they exclude external manager fees. The proposed Total Budgeted Costs was approved by the UTIMCO Board on July 21, 2016.

The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds in total. UTIMCO expenses are 8.9 basis points of forecasted assets under management at August 31, 2017. The fees are to be paid quarterly.

The proposed capital expenditures budget totaling $0.1 million is included in the total Annual Budget.

The U. T. System Office of Business Affairs will not direct UTIMCO to return any surplus cash reserves to the U. T. System funds per the Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO. The U. T. System Office of Business Affairs and UTIMCO expect that any surplus cash reserves will be utilized in FY 2017 in connection with the new lease space in the new U. T. System office building. These potential costs have not been determined yet and the capital budget will be brought forth to the UTIMCO Board and the U. T. System Board of Regents at future meetings for approval.

The U. T. System Office of Business Affairs has prepared a memorandum for the purpose of reviewing budgeted expenses, which is included as a part of this Agenda Item on Pages 208 - 218.

UTIMCO ANNUAL BUDGET

$ in thousands	FY 2016	FY 2017	FY 2017 Budget v FY 2016 Budget	
	Budget	**Budget**	**$**	**%**
Salaries, Benefits & Taxes	$14,186	$15,274	$1,088	7.7%
Incentive Compensation	10,441	9,006	(1,435)	-13.7%
Total Compensation	24,627	24,280	(347)	-1.4%
Other Expenses	6,883	8,015	1,132	16.4%
Total UTIMCO	**$31,510**	**$32,295**	**$785**	**2.5%**
Other Investment-related Expenses Charged to the Funds	**$8,502**	**$8,747**	**$245**	**2.9%**

Prepared by: UTIMCO
Date: July 21, 2016

UTIMCO Management Fee and Direct Budgeted Investment Expenses

Annual Fee and Allocation Schedule

For the fiscal year ending August 31, 2017

Proposed Budget	Fund Name						Separate Funds	Debt Proceeds	Total
	PUF	PHF	LTF	GEF PHF LTF	ITF	STF			
Forecasted Market Value 8/31/17 ($ millions)	**18,092**	**1,054**	**7,495**	**8,549**	**7,443**	**1,805**	**208**	**371**	**36,468**
UTIMCO Management Fee									
Dollars (thousands)	17,619	1,291	7,905		5,480				32,295
Basis Points	**9.7**	**12.3**	**10.5**	**0**	**7.4**	**0**	**0**	**0**	**8.9**
Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund									
Dollars (thousands)	3,843	25	26	2,214	2,639				8,747
Basis Points	2.1	0.2	0.0	2.6	3.5	0	0	0	2.4

Fiscal Year 2017

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

The University of Texas System
Office of Finance

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

July 28, 2016

Based on UTIMCO Board approval on July 21, 2016

Fiscal Year 2017
Review of UTIMCO Services Budget and Other Direct Costs to Funds Excluding External Investment Manager Fees

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Executive Summary

This report reviews the UTIMCO Services budget and other budgeted investment management expenses ("Direct Costs to Funds") for fiscal year 2017 that the UTIMCO Board approved on July 21, 2016 and the U. T. System Board of Regents will consider at its August 25, 2016 meeting. The "UTIMCO Services Budget" includes corporate expenses paid directly by UTIMCO, and the "Direct Costs to Funds" budget includes costs related to custody, consulting, corporate legal, audit, and risk measurement. The proposed budget for FY17 is:

	FY17 ($ millions)
• UTIMCO Services Budget	32.3
• Direct Costs to Funds: Other Costs	8.7
Total Budgeted Costs (excludes external manager fees)	$ 41.0

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

Highlights:

- **Total Budgeted Costs for FY17**: The FY17 budget is $41.0 million, a 2.3% increase from the FY16 budget.
- **Total Forecast Costs for FY16**: Total costs for FY16 are forecast at $34.0 million, which is -15% or $6 million under the FY16 budget. The decrease is due primarily to lower performance compensation due to negative value added to invested funds and unfilled and departed staffing.
- **The UTIMCO Services Budget:** The FY17 budget is $32.3 million for the "operating" budget of UTIMCO, a 2.5% increase from the FY16 budget. The increase is mostly attributable to increased salaries, higher lease expenses and the implementation of new investment management software, and is largely offset by large decreases in performance compensation expenses.
- **The Total Direct Costs to Funds budget (excluding external investment manager fees)**: The FY17 budget of $8.7 million for direct fund costs is up a 2.9% from the FY16 budget.
- **Personnel-Related Expenses:** Employee-related expenses represent approximately 75% of the UTIMCO Services Budget. Aggregate salaries including performance compensation for FY17 are budgeted to be down 2.6% from the FY16 budget due primarily to revisions to the incentive plan.
- **UTIMCO Reserves:** Although UTIMCO staff projects that there will be some cash reserves available at fiscal year-end 2016, we concur with UTIMCO staff in recommending that no distribution of reserves be made at this time.

Budget Analysis and Trends

UTIMCO proposes Total Budgeted Costs for FY17 of $41.0 million. Table 1 shows the Total Budgeted Costs (Direct Costs to Funds and UTIMCO Services Budget excluding external manager fees) as a percent of average Assets Under Management ("AUM") since FY12.

Table 1: Total Budgeted Costs Trend FY12-FY17

($ millions)

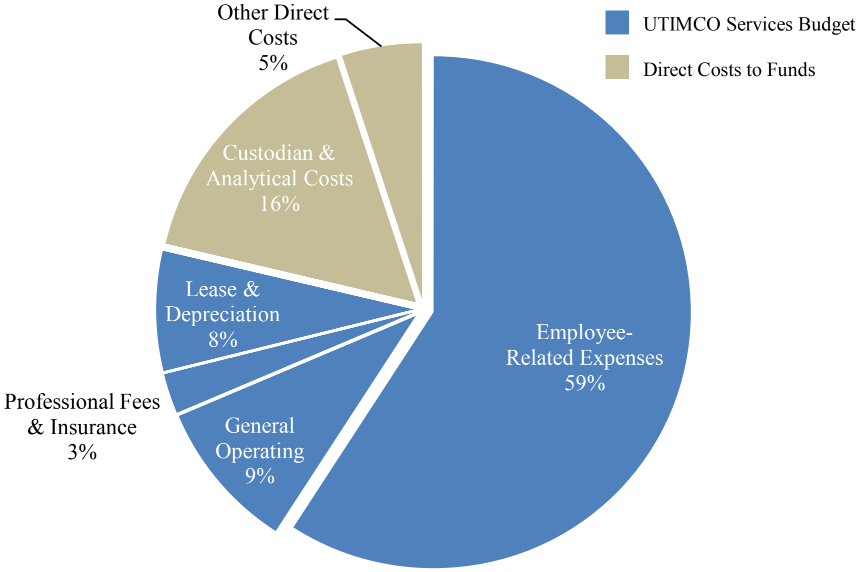
	FY12	FY13	FY14	FY15	Forecast FY16	Budget FY17
Average Total AUM[1]	27,235	28,886	32,363	34,957	35,344	35,983
% Change in AUM	10%	6%	12%	8%	9%	3%
Direct Costs to Funds	7.3	7.2	7.1	8.1	8.0	8.7
% Change in Direct Costs to Funds	-5.4%	-2.2%	-1.6%	14.0%	-0.6%	9.3%
Direct Costs to Funds % of AUM	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%
UTIMCO Services Budget	15.9	26.2	24.1	25.0	26.0	32.3
% Change in UTIMCO Services Budget	-12.3%	64.6%	-8.2%	3.6%	4.2%	24.2%
UTIMCO Services Budget % of AUM	0.06%	0.09%	0.07%	0.07%	0.07%	0.09%
Total Budgeted Costs	23.3	33.4	31.2	33.0	34.0	41.0
% Change in Total Budgeted Costs	-10.2%	43.5%	-6.8%	6.0%	3.0%	20.7%
Total Budgeted Costs % of AUM	0.09%	0.12%	0.10%	0.09%	0.10%	0.11%

[1] FY17 Average Total AUM assumes projected FY16 balances based on moderate returns, projected West Texas Land and gift income, and projected distributions.

FY 17 Total Budgeted Costs

(Excluding external manager fees)

$41.0 million



The pie chart above shows the breakdown of Total Budgeted Costs. The UTIMCO Services Budget represents 79% of the total budget, with employee-related expenses being the largest component at 59%. Direct Costs to Funds include Custodian & Analytical Costs (16%) and Other Direct Costs (5%).

Management fees and performance fees paid to external investment managers, which are either paid directly by UTIMCO or netted against asset values by the external managers, are not included in these amounts. UTIMCO retains external managers for approximately 95.7% of the AUM, with UTIMCO staff directly managing approximately 4.3% of assets as well as an internal derivatives portfolio.

Table 2 compares the Total Budgeted Costs for FY16 and FY17. Refer to Exhibits A and B for a detailed budget comparison for FY16-FY17 and budget trend for FY12-FY17.

Table 2: FY16 Forecast and FY17 Budget Overview

($ millions)

	FY16 Forecast				FY17 Budget			
	$ Budget	$ Projected	$ Change vs FY16 Budget	% Change vs FY16 Budget	$ Budget	$ Change vs FY16 Projected	% Change vs FY16 Projected	% Change vs FY16 Budget
UTIMCO Services	31.5	26.0	-5.5	-17.4%	32.3	6.3	24.2%	2.5%
Direct Costs to Funds	8.5	8.0	-0.5	-5.9%	8.7	0.7	9.3%	2.9%
Total Budgeted Costs	40.0	34.0	-6.0	-15.0%	41.0	7.0	20.7%	2.6%

UTIMCO Services Budget

For FY17, total personnel-related expenses including employee benefits account for 76% of the UTIMCO Services budget (60% of Total Budgeted Costs). Trends in staffing and total compensation in relation to assets under management are shown in Table 3 and Table 3a below. Table 3a adjusts for a one-time deferral of incentive compensation, decreasing FY13 performance compensation by $3.6 million and increasing FY12 performance compensation by the same amount. Highlights from these tables include:

- Staffing had been very steady through FY13 at 58 positions but has increased in recent years to 69 positions by the end of FY16 with 85 positions budgeted for FY17.
- Average AUM per employee has grown approximately 2.2% annually from FY12 to FY16 but is projected to fall given additional budgeted staff in FY17.
- Total Compensation for FY17 is forecast to be 68% above FY12 levels, which equates to a 13.9% growth rate on an average annual basis.
- Since FY12, Total Compensation per employee has increased 1.1% (annualized) from $238k to $248k forecast in FY16 (after adjusting for one-time deferral of incentive compensation).

Table 3: UTIMCO Compensation and Headcount FY12-FY17

	FY12	FY13	FY14	FY15	Forecast FY16	% Change Since FY12 (annual)	Budget FY17	% Change From FY16
Employees (as of year end)	58	58	64	72	69	4.4%	85	23.2%
Average Total AUM ($ millions)	27,235	28,886	32,363	34,957	35,344	6.7%	35,983	1.8%
Average AUM/Employee ($ millions)	470	498	506	486	512	2.2%	423	-17.4%
Salaries and Wages ($ millions)	6.9	7.6	8.7	9.4	10.5	11.1%	12.3	16.6%
Performance Compensation ($ millions)	3.3	12.5	9.4	8.5	6.6	19.2%	9.0	36.6%
Total Compensation ($ millions)	10.2	20.1	18.1	17.9	17.1	13.9%	21.3	24.3%
Total Compensation per Employee ($)	175,328	346,573	283,135	248,920	248,146	9.1%	250,348	0.9%
Perf. Comp. as % of Salaries and Wages	47%	165%	109%	91%	63%		73%	
Perf. Comp. as % of Total Compensation	32%	62%	52%	48%	38%		42%	

Table 3a: UTIMCO Compensation and Headcount FY12-FY17

(Adjusted for Extraordinary Event Impacting FY12 – FY13)

	FY12	FY13	FY14	FY15	Forecast FY16	% Change Since FY12 (annual)	Budget FY17	% Change From FY16
Employees (as of year end)	58	58	64	72	69	4.4%	85	23.2%
Average Total AUM ($ millions)	27,235	28,886	32,363	34,957	35,344	6.7%	35,983	1.8%
Average AUM/Employee ($ millions)	470	498	506	486	512	2.2%	423	-17.4%
Salaries and Wages ($)	6.9	7.6	8.7	9.4	10.5	11.1%	12.3	16.6%
Performance Compensation ($)	6.9	8.9	9.4	8.5	6.6	-1.1%	9.0	36.6%
Total Compensation ($)	13.8	16.5	18.1	17.9	17.1	5.5%	21.3	24.3%
Total Compensation per Employee ($)	237,954	283,947	283,135	248,920	248,146	1.1%	250,348	0.9%
Perf. Comp. as % of Salaries and Wages	100%	117%	109%	91%	63%		73%	
Perf. Comp. as % of Total Compensation	50%	54%	52%	48%	38%		42%	

Staffing: The FY16 budget was based on staffing of 84 employees; actual FY16 staffing is forecast at 69 employees due to unfilled and vacated positions. UTIMCO staff expects to focus on hiring in FY17, primarily in the investment professional area.

Personnel-Related Expenses:

- **Salaries and Wages** are forecast to be $10.4 million in FY16, which is 7.9% below budget due to unfilled and vacated positions. Salaries and wages are budgeted at $12.1 million in FY17, an increase of 7.6% compared to the FY16 budget. Most of the increase comes from a 5.1% increase for existing staff, excluding promotions, and 3 new employees (2 investment professionals and 1 support/control staff). Including promotions, salary increases for existing staff average 5.6%. Budgeted salaries for FY17 are based on 85 positions, up from 69 staff forecast at Aug. 31, 2016.
- **Performance Compensation** for FY16 is projected to be significantly under budget due to underperformance compared to the policy portfolio, and the FY17 budget is lower than the FY16 budget

by 13.7% due to revisions to the incentive plan that reduced the incentive awards primarily for support and control staff.

- **Employee Benefits** are budgeted to increase 14.1% from $1.65 million in FY15 to $1.88 million in FY16. The budget reflects a 10.3% increase in 403(b) contributions and the implementation of a reimbursement plan for personnel IT purchases.

Investment staff compensation increases in recent years are a result of a peer benchmarking study conducted in 2013 and again in 2015 that detailed UTIMCO's staff compensation to be lower than the compensation plans' objective of paying staff at median levels compared to peers. A new compensation study is being budgeted for FY17.

Lease Expenses: Lease expenses are budgeted to increase 64% compared to FY16 amounts, due primarily to increased property lease expenses associated with the expiration of the prior lease. The city of Austin has seen tremendous growth since the lease was last executed, and rent rates have increased accordingly.

Table 4: UTIMCO Lease Expenses FY12-FY17

	FY12	FY13	FY14	FY15	Forecast FY16	Budget FY17
Property Lease	$518,373	$518,373	$518,373	$518,373	$518,373	$1,136,800
Operating Lease	$513,894	$554,516	$606,703	$632,036	$661,948	$728,384
Parking Expenses	$114,677	$124,666	$146,272	$149,819	$156,781	$166,800
Other Expenses	$7,334	$7,966	$8,102	$7,050	$8,375	$8,100
Amortization (Deferred Rent Credit)	($170,344)	($170,344)	($170,344)	($170,344)	($170,344)	($108,267)
Total Lease Expenses (net)	$983,934	$1,035,177	$1,109,106	$1,136,934	$1,175,133	$1,931,817

Other General Operating Expenses (non-employee) including office expenses, insurance, travel and accounting fees are forecast to be in line with budget in FY16 at $4.39 million versus a budget of $4.32 million. General operating expenses for FY16 are budgeted to increase 16.9% to $5.1 million. The budgeted increase primarily relates to increased executive coaching and a cost increase related to services used for private investments ($209k), search firm fees for five new positions ($171k), and higher travel expenses related to staff additions and travel expenses ($135k).

Direct Costs to Funds

Direct Costs to Funds for FY17, excluding external manager fees, are budgeted at $8.7 million, a 2.6% increase from FY16 budget.

Custodian and Analytical Costs: Custodian and analytical costs for FY16 are forecast at $6.4 million, 4.1% lower than budgeted for FY16, and are budgeted flat from FY16 to FY17 at $6.7 million. Given the complexity in how these fees are calculated, the resulting differences are minimal.

Consultant Fees, Legal Fees, and Background Searches: Consultant Fees for FY17 is budgeted higher than FY16 budget by $266k to provide more analytical data for the Less Correlated and Constrained ("LCC") portfolio and for peer performance data. Savings in legal fees due to the hiring of internal legal counsel have continued, resulting in $168k (56.1%) of savings forecast in FY16 compared to FY16 budget of $300k and have been lowered by $50k (16.7%) to $250k for the FY17 budget. Background searches expenses were lower in FY16 due to lower than expected increases in staffing, but staff expects hiring activity to increase in FY17.

UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY12-FY17 is summarized in Table 5 below. The Chief Technology Officer, hired in March 2012, identified several key initiatives including document management, disaster recovery efforts, and upgrading video conferencing and phone systems, all of which significantly increased capital expenditures in FY13 compared to preceding years and continued through FY16. The FY17 budget reflects a return to "normalized" levels with the termination of the GlobeArc Project document management system. UTIMCO will be moving to Dynamo, which is a portfolio and investment activity management system that also incorporates relationship management (this fee is captured under UTIMCO non-employee expenses).

Table 5: UTIMCO Capital Expenditures FY12-FY17

	FY12	FY13	FY14	FY15	Forecast FY16	Budget FY17
Ongoing: Technology and Software Upgrades	$121,416	$89,146	$46,623	$107,810	$218,000	$100,000
Ongoing: Office Equipment and Fixtures	$20,021	$105,290	-	$107,135	$4,000	-
Expansion: Technology Initiatives / Video Conferencing	-	$612,482	$1,035,190	$1,076,643	$92,000	-
Expansion: Leasehold	-	-	-	$150,085	-	-
Total Capital Expenditures (net)	$141,437	$806,918	$1,081,813	$1,441,673	$314,000	$100,000

EXHIBIT A

Total Budgeted Costs FY16-FY17

	FY16	FY16	Change from FY16 Budget		FY17	Change from FY16 Forecast		Change from FY16 Budget
	Budget	Forecast	$	%	Budget	$	%	%
UTIMCO Services								
Salaries and Wages + Vacation	11,415,599	10,530,272	-885,327	-7.8%	12,273,517	1,743,245	16.6%	7.5%
Performance Compensation + Earnings	10,441,456	6,591,797	-3,849,659	-36.9%	9,006,037	2,414,240	36.6%	-13.7%
Total Compensation	21,857,055	17,122,069	-4,734,986	-21.7%	21,279,553	4,157,484	24.3%	-2.6%
Total Payroll taxes	889,925	709,035	-180,890	-20.3%	835,762	126,726	17.9%	-6.1%
403(b) Contributions	867,051	764,010	-103,041	-11.9%	937,543	173,533	22.7%	8.1%
Insurance & Cell Phone	1,013,439	903,622	-109,817	-10.8%	1,226,998	323,376	35.8%	21.1%
Employee Benefits	1,880,490	1,667,632	-212,858	-11.3%	2,164,541	496,909	29.8%	15.1%
Recruiting and Relocation Expenses	132,000	44,200	-87,800	-66.5%	132,000	87,800	198.6%	0.0%
Employee Education	76,200	163,953	87,753	115.2%	78,672	-85,281	-52.0%	3.2%
Other Employee Related Expenses	208,200	208,154	-46	-0.0%	210,672	2,518	1.2%	1.2%
Total Employee Related Expenses	24,835,670	19,706,890	-5,128,780	-20.7%	24,490,528	4,783,638	24.3%	-1.4%
On-Line Data & Contract Services	1,540,944	1,588,150	47,206	3.1%	2,175,328	587,178	37.0%	41.2%
Travel & Meetings, Including BOD	848,500	665,098	-183,402	-21.6%	1,057,704	392,606	59.0%	24.7%
Phone and Telecommunications	47,340	37,785	-9,555	-20.2%	40,440	2,655	7.0%	-14.6%
Computer & Office Supplies	59,760	55,211	-4,549	-7.6%	59,664	4,453	8.1%	-0.2%
Repairs/Maintenance	335,268	266,318	-68,950	-20.6%	341,960	75,642	28.4%	2.0%
Other Office Expenses	123,636	152,372	28,736	23.2%	121,992	-30,380	-19.9%	-1.3%
Total Office Expense	566,004	511,686	-54,318	-9.6%	564,056	52,370	10.2%	-0.3%
Total Lease Expense	1,177,464	1,175,133	-2,331	-0.2%	1,931,817	756,684	64.4%	64.1%
Board, Comp., & Hiring Consultants	400,500	403,126	2,626	0.7%	466,500	63,374	15.7%	16.5%
Legal Expenses	120,000	164,456	44,456	37.0%	165,000	545	0.3%	37.5%
Accounting fees	57,804	53,350	-4,454	-7.7%	60,600	7,250	13.6%	4.8%
Total Professional Fees	578,304	620,931	42,627	7.4%	692,100	71,169	11.5%	19.7%
Total Insurance	212,880	204,428	-8,452	-4.0%	212,880	8,452	4.1%	0.0%
Depreciation of Equipment	1,750,000	1,540,733	-209,267	-12.0%	1,170,879	-369,853	-24.0%	-33.1%
Total Non-Employee Related Expenses	6,674,096	6,306,158	-367,938	-5.5%	7,804,765	1,498,606	23.8%	16.9%
Total UTIMCO Services	31,509,766	26,013,048	-5,496,718	-17.4%	32,295,292	6,282,244	24.2%	2.5%
Direct Costs to Funds								
Custodian Fees and Other Direct Costs	5,462,258	5,292,690	-169,568	-3.1%	5,444,186	151,496	2.9%	-0.3%
Performance Measurement	484,668	393,307	-91,361	-18.9%	488,584	95,277	24.2%	0.8%
Analytical Tools	407,338	412,135	4,797	1.2%	423,922	11,787	2.9%	4.1%
Risk Measurement	324,000	307,000	-17,000	-5.2%	323,000	16,000	5.2%	-0.3%
Custodian and Analytical Costs	6,678,264	6,405,132	-273,132	-4.1%	6,679,692	274,560	4.3%	0.0%
Consultant Fees	300,000	324,041	24,041	8.0%	566,125	242,084	74.7%	88.7%
Auditing	760,000	759,873	-127	-0.0%	770,000	10,127	1.3%	1.3%
Legal Fees	300,000	131,736	-168,264	-56.1%	250,000	118,264	89.8%	-16.7%
Background Searches & Other	463,336	381,921	-81,415	-17.6%	480,836	98,915	25.9%	3.8%
Other Direct Costs Total	1,823,336	1,597,571	-225,765	-12.4%	2,066,961	469,390	29.4%	13.4%
Total Direct Costs to Funds	8,501,600	8,002,704	-498,897	-5.9%	8,746,653	743,949	9.3%	2.9%
Total Budgeted Costs	40,011,366	34,015,752	-5,995,615	-15.0%	41,041,945	7,026,193	20.7%	2.6%

EXHIBIT B

Total Budgeted Costs FY12-FY17

	FY12	FY13	FY14	FY15	FY16	FY17
	Actual	Actual	Actual	Actual	Forecast	Budget
UTIMCO Services						
Salaries and Wages + Vacation	6,903,383	7,587,688	8,670,689	9,394,865	10,530,272	12,273,517
Performance Compensation + Earnings	3,265,622	12,513,544	9,449,922	8,527,380	6,591,797	9,006,037
Total Compensation	10,169,005	20,101,232	18,120,611	17,922,244	17,122,069	21,279,553
Total Payroll taxes	472,196	641,091	674,824	690,884	709,035	835,762
403(b) Contributions	515,669	566,262	650,111	696,658	764,010	937,543
Insurance & Cell Phone	619,546	701,259	853,864	861,002	903,622	1,226,998
Employee Benefits	1,135,215	1,267,521	1,503,975	1,557,659	1,667,632	2,164,541
Recruiting and Relocation Expenses	49,522	25,979	39,886	65,609	44,200	132,000
Employee Education	36,287	55,349	43,996	62,452	163,953	78,672
Other Employee-Related Expenses	85,809	81,328	83,883	128,061	208,154	210,672
Total Employee Related Expenses	11,862,225	22,091,173	20,383,292	20,298,848	19,706,890	24,490,528
On-Line Data & Contract Services	1,038,036	1,164,419	1,097,399	1,272,828	1,588,150	2,175,328
Travel & Meetings, Including BOD	588,240	536,748	531,618	706,348	665,098	1,057,704
Phone and Telecommunications	32,976	36,781	51,757	44,263	37,785	40,440
Computer & Office Supplies	49,748	50,392	41,156	57,751	55,211	59,664
Repairs/Maintenance	160,071	191,971	253,734	262,642	266,318	341,960
Other Office Expenses	105,966	92,250	114,622	110,075	152,372	121,992
Total Office Expense	348,762	371,394	461,269	474,732	511,686	564,056
Total Lease Expense	983,934	1,035,176	1,109,105	1,136,934	1,175,133	1,931,817
Board, Compensation, & Hiring Consultants	211,000	165,341	285,917	295,519	403,126	466,500
Legal Expenses	106,483	88,279	77,795	100,462	164,456	165,000
Accounting fees	51,975	49,268	51,934	60,045	53,350	60,600
Total Professional Fees	369,458	302,888	415,646	456,027	620,931	692,100
Total Insurance	208,729	207,103	219,163	213,576	204,428	212,880
Depreciation of Equipment	533,872	518,707	676,524	1,129,717	1,540,733	1,170,879
Total Non-Employee Related Expenses	4,071,032	4,136,434	4,510,724	5,390,160	6,306,158	7,804,765
Total UTIMCO Services	15,933,256	26,227,607	24,894,016	25,689,009	26,013,048	32,295,292
Direct Costs to Funds						
Custodian Fees and Other Direct Costs	4,200,390	4,160,625	4,450,469	5,392,899	5,292,690	5,444,186
Performance Measurement	429,584	401,220	346,414	373,975	393,307	488,584
Analytical Tools	358,697	390,371	395,504	395,581	412,135	423,922
Risk Measurement	292,000	292,000	292,000	292,000	307,000	323,000
Custodian and Analytical Costs	5,280,671	5,244,216	5,484,387	6,454,455	6,405,132	6,679,692
Consultant Fees	415,375	403,304	353,500	292,193	324,041	566,125
Auditing	371,779	465,410	526,865	718,663	759,873	770,000
Legal Fees	786,122	659,516	272,735	229,987	131,736	250,000
Background Searches & Other	484,991	406,479	427,044	357,264	381,921	480,836
Other Direct Costs Total	2,058,267	1,934,709	1,580,144	1,598,107	1,597,571	2,066,961
Total Direct Costs to Funds	7,338,938	7,178,925	7,064,531	8,052,562	8,002,704	8,746,653
Total Budgeted Costs	23,272,194	33,406,532	31,958,547	33,741,571	34,015,752	41,041,945

EXHIBIT C

UTIMCO Reserve Analysis for August 31, 2016

Projected Cash Reserves at August 31, 2016		
Cash		$ 14,625,000
Prepaid Expenses		650,000
Less: Accounts Payable (Includes incentive compensation & earnings payable)		(5,859,459)
Expected Cash Reserves at August 31, 2016		$ 9,415,541
FY17 Proposed Operating Budget	32,295,292	
Applicable Percentage	25%	8,073,823
FY17 Proposed Capital Expenditures	100,000	100,000
Required Cash Reserves at August 31, 2016		$ 8,173,823
Balance Available for Distribution		$ 1,241,718
Recommended Distribution		$ -

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

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor and 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 20, 2015, the Board of Regents adopted a resolution authorizing the issuance of PUF Bonds in an amount not to exceed $600 million for Fiscal Year 2016. Adoption of this Resolution would provide a similar authorized amount and purposes for Fiscal Year 2017.

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 U. T. 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 https://www.utsystem.edu/board-of-regents/meetings/board-meeting-2016-08-24.

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

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor and 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 $975 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 May 12, 2016, the Board of Regents adopted the 30th Supplemental Resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed $925 million. A portion of this authority was utilized to issue $213,180,000 of Revenue Financing System Bonds, Series 2016D on July 1, 2016; $196,215,000 of Revenue Financing System Bonds, Series 2016E on August 22, 2016; and $376,030,000 of Revenue Financing System Bonds, Series 2016F scheduled to close on September 1, 2016. Adoption of this 31st Supplemental Resolution would provide additional capacity to finance additional projects, including tuition revenue bond projects, under the same provisions 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-2016-08-24.

8. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt, including ratification of U. T. System Interest Rate Swap Policy

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor and 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 20, 2015, the Board approved bond enhancement agreement resolutions for FY 2016. 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 2017 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 25, 2016

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, 2017.

(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 or refinanced by such anticipated issuance of debt and the amount of such debt to be issued or the Board's other approval of such projects for financing 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.

[Remainder of page intentionally left blank]

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 25, 2016

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, 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, 2017.

(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]

9. 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 Deputy Chancellor and 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 $1.25 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 Deputy Chancellor and 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 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 $1.75 billion, to meet the financing needs of the U. T. System.

Adoption of this Resolution would decrease Program authorization from $1.75 billion to $1.25 billion. The Program capacity was increased from $1.25 billion to $1.75 billion on August 20, 2015, to accommodate the new tuition revenue bond (TRB) authorization; however, given historically low long-term interest rates, the majority of authorized TRB projects have since been permanently financed with long-term bonds so the additional commercial paper capacity is no longer needed.

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

SECOND 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 "2008 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, on August 20, 2015, the Board adopted a resolution amending the First Supplement (the "First Amending Resolution," and collectively with the 2008 First Supplement, 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; and

WHEREAS, the Board hereby deems it necessary to further amend the First Supplement by the adoption of this resolution (this "Second Amending Resolution") to decrease the aggregate principal amount of Notes which may be outstanding under such interim financing program from $1,750,000,000 to $1,250,000,000.

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 Two Hundred Fifty Million Dollars ($1,250,000,000)" in place of "One Billion Seven Hundred Fifty Million Dollars ($1,750,000,000)" in such section. Section 4.01 and the fifth recital of the First Supplement are hereby amended by substituting the amount "$1,250,000,000" in place of "$1,750,000,000" 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 Second Amending 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, the Assistant Vice Chancellor for Finance and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Second Amending Resolution, any technical amendments to this Second Amending 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 Second Amending Resolution or to correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Second Amending Resolution.

Section 3. After the receipt of the approval of the Attorney General of this Second Amending Resolution, the amendment to the First Supplement shall take effect immediately pursuant to Section 5.01(a)(i) of the First Supplement since it reduces the amount of Notes that Board currently has the right to issue pursuant to Section 4.01 of the First Supplement.

Section 4. Nothing in this Second Amending Resolution shall be construed so as to prevent the Board from adopting any future amendment to the First Supplement that provides for an increase the amount of Notes that may Outstanding as currently contemplated by the provisions of the First Supplement, including particularly Sections 4.01 and 5.01(a)(v) thereof.

Section 5. In addition, the statements, findings, representations, and determinations set forth in the recitals to this Second Amending Resolution are hereby incorporated into and made a part of this Second Amending Resolution for all purposes.

Section 6. 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 Second Amending Resolution was adopted, and that this Second Amending 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.

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10. U. T. System Board of Regents: Equipment financing authorization for Fiscal Year 2017 and resolution regarding parity debt

RECOMMENDATION

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

a. approve an aggregate amount of $249,293,000 of Revenue Financing System Equipment Financing for FY 2017 as allocated to those U. T. System institutions listed on Page 253; 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 $249,293,000 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 $249,293,000 for equipment financing for Fiscal Year 2017. On August 20, 2015, the U. T. System Board of Regents approved a total of $213,200,000 of equipment financing for Fiscal Year 2016. On November 4, 2015, the U. T. System Board of Regents approved an additional $4,000,000 of equipment financing for Fiscal Year 2016. Through August 1, 2016, $105,479,000 of equipment financing has been utilized for Fiscal Year 2016.

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 2017

Institution	$ Amount of Request	Description of Expected Capital Equipment	DSC*
U. T. Arlington	$2,000,000	Technology equipment: computers, servers, routers	3.2x
U. T. Austin	11,900,000	Ambulatory surgery center, Clinical/Patient services, Vivarium and lab floor	4.2x
U. T. Dallas	10,000,000	General purpose equipment supporting instruction, research & business operations	1.7x
U. T. El Paso	1,800,000	Vehicle purchases, Law enforcement equipment	1.6x
U. T. Rio Grande Valley	6,618,000	IT equipment for network system, facilities and grounds maintenance equipment, classroom and lab equipment, vehicles, furniture and fixtures	2.5x
U. T. San Antonio	270,000	Baseball/softball/football locker rooms, video board for Convocation Center, life safety renovations	2.6x
U. T. Southwestern Medical Center	35,000,000	Information resources projects; clinical and hospital equipment	4.2x
U. T. Medical Branch - Galveston	40,000,000	Clinical, IT infrastructure, research related, and facility related	2.0x
U. T. Health Science Center - Houston	20,000,000	Electronic health record system implementation; clinic/laboratory equipment	3.3x
U. T. Health Science Center - San Antonio	30,000,000	Core research, clinical and/or infrastructure equipment	3.8x
U. T. M. D. Anderson Cancer Center	70,000,000	Medical, diagnostic, and research equipment, IT systems	10.5x
U. T. Health Science Center - Tyler	16,705,000	Clinical/Laboratory and IT equipment	2.7x
U. T. System Administration	5,000,000	IT equipment	NA

Total	$249,293,000

* Debt Service Coverage ("DSC") ratios based on FY2015 Analysis of Financial Condition (Feb 2016). DSC for UT RGV is based on FY17-FY22 forecasts.

U. T. System Office of Finance, August 1, 2016