NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
Moody's: "Aa2"
S&P: "AA"
Fitch: "AA"

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to The Regents, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Series AO Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the 2015 Series AO Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the 2015 Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the 2015 Series AP Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2015 Bonds. See "TAX MATTERS" herein.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA GENERAL REVENUE BONDS

$797,020,000 2015 SERIES AO
$381,785,000 2015 SERIES AP (TAXABLE)

Dated: Date of Delivery **Due: As shown on inside cover**

The Regents of the University of California General Revenue Bonds, 2015 Series AO (the "2015 Series AO Bonds") and the 2015 Series AP (Taxable) (the "2015 Series AP Bonds" and together with the 2015 Series AO Bonds, the "2015 Bonds") will be issued in fully registered form in denominations of $5,000 each or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the 2015 Bonds. Individual purchases will be made in book-entry form only, in principal amounts of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in the 2015 Bonds purchased.

The Regents will use the proceeds of the sale of the 2015 Bonds to finance or refinance the acquisition and construction of all or a portion of certain facilities of the University of California (the "University").

Interest on the 2015 Bonds is payable on November 15, 2015 and semiannually thereafter on May 15 and November 15 of each year. The interest, principal or redemption price of the 2015 Bonds are payable by The Bank of New York Mellon Trust Company, N.A. as successor trustee, to DTC. DTC is required to remit such principal or redemption price and interest to its Participants for subsequent disbursement to the Beneficial Owners of the 2015 Bonds, as described herein. The 2015 Bonds are subject to redemption prior to their stated maturities, as described herein.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

MATURITIES, AMOUNTS, INTEREST RATES, AND PRICES OR YIELDS
SEE INSIDE COVER

The 2015 Bonds are limited obligations of The Regents, payable solely from General Revenues, the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture (excluding the Rebate Fund), as described herein. The 2015 Bonds and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture, as hereinafter described. The Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on General Revenues senior in priority, or on a parity, or subordinate in priority with the pledge and lien of the Indenture, as described herein. The 2015 Bonds will not constitute a liability of or a lien upon the funds or property of the State of California or of The Regents, except to the extent of the aforementioned pledge and lien of the Indenture. The Regents has no taxing power.

The 2015 Bonds are offered when, as and if issued, subject to the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to The Regents. Certain legal matters will be passed upon for The Regents by its Office of General Counsel and certain legal matters will be passed upon for the Underwriters by O'Melveny & Myers LLP, counsel to the Underwriters, and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to The Regents. It is anticipated that the 2015 Bonds will be available for delivery to DTC in New York, New York, on or about March 25, 2015.

Barclays **Stifel**

Alamo Capital
Cabrera Capital Markets, LLC
FTN Financial Capital Markets
Loop Capital Markets
Ramirez & Co., Inc.
Siebert Brandford Shank & Co., L.L.C.
Backstrom McCarley Berry & Co., LLC
CastleOak Securities, L.P.
Goldman, Sachs & Co.
Morgan Stanley
Raymond James
Sutter Securities Incorporated
The Williams Capital Group, L.P.
BNY Mellon Capital Markets LLC
Fidelity Capital Markets
J.P. Morgan
Prager & Co., LLC
RBC Capital Markets
Wells Fargo Securities

Dated: March 13, 2015

MATURITY SCHEDULE

2015 SERIES AO BONDS

Maturity (May 15)	Amount	Interest Rate	Yield	CUSIP*	Maturity (May 15)	Amount	Interest Rate	Yield	CUSIP*
2016	$22,000,000	3.000%	0.200%	91412GVJ1	2024	$37,830,000	5.000%	2.310%	91412GWN1
2017	2,435,000	2.000	0.620	91412GVK8	2025	3,920,000	4.000	2.410	91412GVT9
2017	26,460,000	5.000	0.620	91412GWG6	2025	36,395,000	5.000	2.410	91412GWP6
2018	6,950,000	3.000	1.030	91412GVL6	2026	43,950,000	5.000	2.560**	91412GVU6
2018	30,980,000	5.000	1.030	91412GWH4	2027	45,870,000	5.000	2.690**	91412GVV4
2019	10,000,000	4.000	1.310	91412GVM4	2028	44,085,000	5.000	2.820**	91412GVW2
2019	29,635,000	5.000	1.310	91412GWJ0	2029	39,465,000	3.250	3.300	91412GVX0
2020	5,985,000	2.000	1.540	91412GVN2	2030	33,445,000	3.250	3.360	91412GVY8
2020	40,015,000	5.000	1.540	91412GWK7	2031	32,045,000	5.000	2.990**	91412GVZ5
2021	5,085,000	3.000	1.750	91412GVP7	2032	27,130,000	5.000	3.030**	91412GWA9
2021	53,725,000	5.000	1.750	91412GWL5	2033	14,960,000	5.000	3.090**	91412GWB7
2022	8,690,000	4.000	2.000	91412GVQ5	2034	5,060,000	4.000	3.550**	91412GWC5
2022	50,950,000	5.000	2.000	91412GWM3	2034	8,995,000	5.000	3.130**	91412GWQ4
2023	55,295,000	5.000	2.140	91412GVR3	2035	14,045,000	3.500	3.600	91412GWD3
2024	5,515,000	4.000	2.310	91412GVS1					

$23,915,000	4.000%	Term Bond due May 15, 2040	Yield: 3.680%**	CUSIP* 91412GWR2
$23,415,000	5.000%	Term Bond due May 15, 2040	Yield: 3.260%**	CUSIP* 91412GWE1
$8,775,000	3.625%	Term Bond due May 15, 2042	Yield: 3.780%	CUSIP* 91412GWF8

2015 SERIES AP BONDS (TAXABLE)

Maturity (May 15)	Amount	Interest Rate	Price	CUSIP*	Maturity (May 15)	Amount	Interest Rate	Price	CUSIP*
2016	$3,380,000	0.540%	100%	91412GWS0	2022	$ 8,770,000	2.826%	100%	91412GWY7
2017	3,000,000	0.934	100	91412GWT8	2023	16,285,000	2.909	100	91412GWZ4
2018	3,045,000	1.418	100	91412GWU5	2024	21,020,000	3.059	100	91412GXA8
2019	3,085,000	2.003	100	91412GWV3	2025	23,560,000	3.159	100	91412GXB6
2020	7,395,000	2.253	100	91412GWW1	2026	12,725,000	3.309	100	91412GXC4
2021	6,685,000	2.526	100	91412GWX9	2027	8,235,000	3.409	100	91412GXD2

$264,600,000	3.931%	Term Bond due May 15, 2045	Price: 100%	CUSIP* 91412GXE0

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* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of The Regents, the Underwriters or their agents or counsel assume responsibility for the use or accuracy of such numbers.

** Priced to May 15, 2025 par call date.

Summaries of provisions of the Indenture relating to the 2015 Bonds and the Continuing Disclosure Agreement contained herein do not purport to be complete descriptions of the provisions thereof, and such summaries are qualified by reference to the Indenture and the Continuing Disclosure Agreement for full particulars of the 2015 Bonds, the Indenture and the Continuing Disclosure Agreement, respectively. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of The Regents since the date hereof.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by The Regents.

This Official Statement contains statements which, to the extent they are not recitations of historical facts, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. A number of important factors, including factors affecting The Regents' financial condition and factors which are otherwise unrelated thereto, could cause actual results to differ materially from those stated in such forward-looking statements.

The references to internet websites shown in this Official Statement are shown for reference and convenience only; the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

TABLE OF CONTENTS

OFFICIAL STATEMENT

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
GENERAL REVENUE BONDS

$797,020,000 2015 SERIES AO
$381,785,000 2015 SERIES AP (TAXABLE)

INTRODUCTION

The purpose of this Official Statement (the "Official Statement") is to set forth certain information concerning The Regents of the University of California General Revenue Bonds, 2015 Series AO issued in the aggregate principal amount of $797,020,000 (the "2015 Series AO Bonds") and The Regents of the University of California General Revenue Bonds, 2015 Series AP (Taxable) issued in the aggregate principal amount of $381,785,000 (the "2015 Series AP Bonds" and together with the 2015 Series AO Bonds, the "2015 Bonds").

The 2015 Bonds are authorized to be issued pursuant to the powers and authority of The Regents of the University of California ("The Regents") contained in Article IX, Section 9 of the Constitution of the State of California. The 2015 Series AO Bonds are issued in accordance with the provisions of an indenture dated as of September 1, 2003 (the "General Revenue Bond Indenture") as previously amended and supplemented and as further supplemented by the Forty-First Supplemental Indenture, dated as of March 1, 2015 and the 2015 Series AP Bonds are issued in accordance with the provisions of the General Revenue Bond Indenture as previously amended and supplemented and as further supplemented by the Forty-Second Supplemental Indenture, dated as of March 1, 2015 (as so amended and supplemented, the "Indenture"), by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee (the "Trustee").

Prior to the issuance of the 2015 Bonds, The Regents has issued under the Indenture, and there remain Outstanding, Bonds as shown in Table 1 below:

Table 1
General Revenue Bonds as of December 31, 2014
(dollars in thousands)

Series	**Amount Outstanding[(1)]**
2005 Series E	$ 11,475
2007 Series J	986,350
2007 Series K	171,070
2008 Series L	196,155
2008 Series M	24,605
2008 Series N	1,320
2009 Series O	682,765
2009 Series P	15,255
2009 Series Q	285,030
2009 Series R	1,022,275
2010 Series S	75,395
2010 Series T	10,100
2010 Series U	135,900
2011 Series W	3,065
2010 Series X	48,700
2011 Series Y	500,000
2011 Series Z	150,000
2011 Series AB	321,245
2011 Series AC	41,055
2012 Series AD	860,000
2012 Series AE	1,990
2013 Series AF	764,595
2013 Series AG	481,550
2013 Series AH	286,515
2013 Series AI	546,235
2013 Series AJ	679,590
2013 Series AK	600,000
2013 Series AL	600,000
2014 Series AM	559,150
2014 Series AN	411,210
Total	**$ 10,472,595**

(1) A portion of the proceeds of the 2015 Bonds will be applied to refund $972,180,513.58 aggregate principal amount of 2007 Series J, 2007 Series K, 2008 Series L, 2008 Series M, 2009 Series O and 2009 Series Q.

The 2005 Series E Bonds, the 2007 Series J Bonds, the 2007 Series K Bonds, the 2008 Series L Bonds, the 2008 Series M Bonds, the 2008 Series N Bonds, the 2009 Series O Bonds, the 2009 Series P Bonds, the 2009 Series Q Bonds, the 2009 Series R Bonds, the 2010 Series S Bonds, the 2010 Series T Bonds, the 2010 Series U Bonds, the 2011 Series W Bonds, the 2010 Series X Bonds, the 2011 Series Y Bonds, the 2011 Series Z Bonds, the 2011 Series AB Bonds, the 2011 Series AC Bonds, the 2012 Series AD Bonds, the 2012 Series AE Bonds, the 2013 Series AF Bonds, the 2013 Series AG Bonds, the 2013 Series AH Notes, the 2013 Series AI Bonds, the 2013 Series AJ Bonds, the 2013 Series AK Bonds, the 2013 Series AL Bonds, the 2014 Series AM Bonds, the 2014 Series AN Bonds, the 2015 Series AO Bonds and the 2015 Series AP Bonds and any additional Bonds to be issued under the Indenture from time to time are collectively referred to herein as the "Bonds."

The University of California (the "University"), established in 1868, is the public institution of higher education designated by the State of California in its master plan for higher education for the training of individuals for the professions, for the awarding of doctoral degrees in all fields of human knowledge, and for the conduct of research. The Constitution of the State of California provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control as may be necessary to ensure the security of its funds and compliance with endowments of the University and such competitive bidding procedures as may be made applicable to the University by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods and services.

Proceeds of the 2015 Bonds will be used to finance or refinance the acquisition and construction of all or a portion of certain facilities of the University. See "PLAN OF FINANCE."

The 2015 Bonds are limited obligations of The Regents, payable solely from General Revenues, the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture (excluding the Rebate Fund), as hereinafter described. The 2015 Bonds and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture, as hereinafter described. The Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on General Revenues senior in priority, on a parity, or subordinate in priority with the pledge and lien of the Indenture, as described herein. See "SECURITY FOR THE BONDS," and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE – Pledge." The Bonds do not constitute a liability of or a lien or charge upon the funds or property of the State of California or of The Regents, except to the extent of the aforementioned pledge and lien of the Indenture. The Regents has no taxing power.

The Regents has covenanted for the benefit of the registered owners and Beneficial Holders of the 2015 Bonds to provide certain financial information and operating data relating to the 2015 Bonds (the "Annual Report") not later than seven (7) months after the end of The Regents' Fiscal Year (which Fiscal Year currently ends June 30), commencing with the report for the Fiscal Year ending June 30, 2015, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed with the

Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) System. The specific nature of the information to be contained in the Annual Report and in the notices of events is summarized in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the underwriters of the 2015 Bonds listed on the cover of this Official Statement (collectively, the "Underwriters") in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

This Official Statement contains brief descriptions of the 2015 Bonds, security for the Bonds, The Regents, the Continuing Disclosure Agreement and the Indenture. General information concerning the University is contained in Appendix A. The audited Annual Financial Report of the University for the year ended June 30, 2014 is contained in Appendix B. The information contained in Appendix B describes funds and other assets of The Regents that are not pledged as security for the Bonds.

Unless otherwise expressly stated, all financial and other data included herein have been provided by The Regents. The summaries of the Indenture and the Continuing Disclosure Agreement contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Indenture and the Continuing Disclosure Agreement. Copies of the Indenture and the Continuing Disclosure Agreement may be obtained from the Trustee or The Regents. See "MISCELLANEOUS."

Capitalized terms used herein which are not otherwise defined have the meanings set forth under the heading "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE – Definitions."

THE 2015 BONDS

General

The 2015 Bonds are issued in fully registered form in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations"). Each 2015 Bond shall bear interest from the Interest Payment Date next preceding the date of registration thereof unless such date of registration is an Interest Payment Date, in which event it shall bear interest from the date of registration thereof, or unless it is registered on or before the first Interest Payment Date, in which event it shall bear interest from the date of original delivery, and the 2015 Bonds shall mature on the dates and in the principal amounts set forth on the inside cover page hereof, subject to the rights of prior redemption described hereinafter.

Interest on the 2015 Bonds is payable on November 15, 2015 and semiannually thereafter on May 15 and November 15 of each year to each registered owner of the 2015 Bonds as of the close of business on the first day of the month in which an Interest Payment Date occurs. The principal or redemption price of the 2015 Bonds is payable at the corporate trust office of the Trustee in San Francisco, California. See " — Book-Entry Only System."

Redemption

Optional Redemption. The 2015 Series AO Bonds maturing on or before May 15, 2025 are not subject to redemption prior to their respective stated maturities. The 2015 Series AO Bonds maturing on or after May 15, 2026 are subject to redemption prior to their respective stated maturities, at the option of The Regents from lawfully available funds deposited in the 2015 Series AO Bonds Optional Redemption Subaccount of the Optional Redemption Account as a whole or in part on any date on or after May 15, 2025 (in such order of maturity as shall be selected by the Trustee upon direction by The Regents and by lot within a maturity), at a redemption price equal to the principal amount of the 2015 Series AO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The 2015 Series AP Bonds are subject to redemption prior to their stated maturities at the option of The Regents, in whole or in part and if in part among maturities to be designated by The Regents (and pro rata within a maturity), on any date at a redemption price equal to the greater of:

(1) 100% of the principal amount of the 2015 Series AP Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2015 Series AP Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2015 Series AP Bonds are to be redeemed, discounted to the date on which such 2015 Series AP Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus (i) 5 basis points for 2015 Series AP Bonds maturing on May 15, 2016 and May 15, 2017, (ii) 10 basis points for 2015 Series AP Bonds maturing from May 15, 2018 to and including May 15, 2020, (iii) 20 basis points for 2015 Series AP Bonds maturing from May 15, 2021 to and including May 15, 2027, or (iv) 25 basis points for 2015 Series AP Bonds maturing on May 15, 2045,

plus, in each case, accrued interest on such 2015 Series AP Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular 2015 Series AP Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2015 Series AP Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Sinking Account Redemption. The 2015 Series AO Bonds maturing on May 15, 2040 with an interest rate of 4.00% are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2036 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2015 Series AO Bonds Maturing May 15, 2040

Redemption Date (May 15)	Principal Amount
2036	$9,870,000
2037	5,810,000
2038	2,650,000
2039	2,755,000
2040*	2,830,000

*Maturity

The 2015 Series AO Bonds maturing on May 15, 2040 with an interest rate of 5.00% are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2036 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2015 Series AO Bonds Maturing May 15, 2040

Redemption Date (May 15)	Principal Amount
2036	$4,150,000
2037	4,465,000
2038	4,690,000
2039	4,925,000
2040*	5,185,000

*Maturity

The 2015 Series AO Bonds maturing on May 15, 2042 are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2041 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2015 Series AO Bonds Maturing May 15, 2042

Redemption Date (May 15)	Principal Amount
2041	$8,395,000
2042*	380,000

*Maturity

The 2015 Series AP Bonds maturing on May 15, 2045 are subject to redemption prior to maturity in part, pro rata, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2028 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2015 Series AP Bonds Maturing May 15, 2045

Redemption Date (May 15)	Principal Amount
2028	$12,240,000
2029	18,585,000
2030	24,705,000
2031	22,960,000
2032	23,975,000
2033	29,020,000
2034	27,415,000
2035	17,345,000
2036	5,280,000
2037	9,570,000
2038	13,185,000
2039	13,215,000
2040	10,200,000
2042	8,325,000
2043	9,145,000
2044	9,525,000
2045*	9,910,000

*Maturity

Notice of Redemption. Notice of any redemption shall be mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each 2015 Bond to be redeemed, in whole or in part, at the address shown on the registration books maintained by the Trustee. Failure to give such notice by mail or any defect in such notice to any 2015 Bondholder shall not affect the validity of any proceedings for the redemption of any other 2015 Bond.

If DTC or its nominee is the registered owner of any 2015 Bond to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such 2015 Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2015 Bond to be redeemed shall not affect the validity of the redemption of such 2015 Bond.

Partial Redemption. Upon surrender of any 2015 Bond redeemed in part only, The Regents shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, at the expense of The Regents, a new 2015 Bond or 2015 Bonds of Authorized Denominations and of the same series and maturity, equal in aggregate principal amount to the unredeemed portion of the 2015 Bond surrendered. 2015 Bonds shall be redeemed only in Authorized Denominations.

Pursuant to the Indenture, if less than all of the 2015 Series AP Bonds of a maturity shall be called for redemption, such 2015 Series AP Bonds of a maturity shall be redeemed in part, on a pro rata basis; provided that, so long as the 2015 Series AP Bonds are held in book-entry-only form, the selection for redemption of such 2015 Series AP Bonds of a maturity shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata basis, the 2015 Series AP Bonds will be selected for redemption in accordance with DTC procedures, by lot or in such other manner as is in accordance with applicable DTC operational arrangements. Neither The Regents nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate partial redemptions among beneficial owners of the 2015 Series AP Bonds of a maturity on a pro rata basis. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" for a description of DTC and the Book-Entry Only System.

Effect of Redemption. The Indenture provides that if notice of redemption has been duly given and money for payment of the principal, premium, if any, and interest accrued to the redemption date of the 2015 Bonds (or portions thereof) called for redemption has been transferred to the Trustee, then on the redemption date designated in such notice, the 2015 Bonds so called for redemption will become due and payable and from and after the redemption date, interest on the 2015 Bonds (or portions thereof) so called for redemption will cease to accrue and the Holders of such 2015 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Rescission or Cancellation of Redemption. The Indenture provides that the Trustee shall rescind any redemption by notice of rescission if directed to do so by The Regents prior to the date of redemption, and that the Trustee shall give notice of rescission by the same means as for the giving of a notice of redemption. The redemption shall be deemed canceled once the Trustee has given notice of rescission. Under the Indenture neither the rescission nor the failure of funds being made available in part or in whole on or before a redemption date shall constitute an Event of Default.

Purchase of Bonds. The Indenture provides that at any time prior to giving notice of any redemption, the Trustee shall apply amounts in the applicable Optional Redemption Account, Special Redemption Account, or Sinking Account to the purchase of 2015 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by The Regents.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2015 Bonds. The ownership of one fully registered 2015 Bond for each maturity of each Series set forth on the inside cover page hereof, in the aggregate principal amount of the 2015 Bonds of such Series maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" for a description of DTC and the Book-Entry Only System.

Additional Bonds

Additional bonds secured equally and ratably by the lien of the Indenture on General Revenues ("Additional Bonds") may be issued by The Regents under and pursuant to the Indenture and subject to the conditions set forth therein. In addition, The Regents may incur other additional Indebtedness secured by a Senior Lien or a Parity Lien or a Subordinate Lien on General Revenues subject to the conditions set forth in the Indenture. See "SECURITY FOR THE BONDS."

PLAN OF FINANCE

General

The 2015 Bonds are being issued for the purpose of financing capital projects at the University, as well as refunding certain outstanding General Revenue Bonds.

In addition to the 2015 Bonds, The Regents expects to issue The Regents of the University of California Limited Project Revenue Bonds, 2015 Series I and 2015 Series J (Taxable) (the "2015 Limited Project Revenue Bonds") in the aggregate principal amount of $1,671,485,000 on or about March 25, 2015. The 2015 Limited Project Revenue Bonds will be issued for the purpose of financing and refinancing the acquisition, construction, improvement, and renovation of certain athletic, parking, recreational, dining and student and faculty housing facilities of the University, including the refunding of certain General Revenue Bonds. Issuance of the 2015 Bonds is not contingent on issuance of the 2015 Limited Project Revenue Bonds, and the 2015 Bonds and 2015 Limited Project Bonds may or may not be issued concurrently.

Financing for New Projects

A portion of the proceeds of the 2015 Bonds in the approximate amount of $251,000,000 will be used to finance or refinance all or a portion of projects on certain campuses of the University of California. Pursuant to the Indenture, The Regents may use proceeds of the 2015 Bonds to finance or refinance all or a portion of additional projects authorized at any time by The Regents.

Refunding Refunded Bonds

The Regents expects to apply a portion of the proceeds of the 2015 Bonds in the approximate amount of $458,600,000 to current refund a portion of the following Series of General Revenue Bonds (collectively, the "Current Refunded Bonds"). Proceeds of the 2015 Bonds to be applied to current refund the Current Refunded Bonds will be held by The Regents and applied to redeem the Current Refunded Bonds on or about May 15, 2015.

Name of Issue	Principal Amount to be Refunded(1)
General Revenue Bonds, 2007 Series J	$394,165,253.79
General Revenue Bonds, 2007 Series K	49,685,259.79

(1) In addition, in the event The Regents issues 2015 Limited Project Revenue Bonds, it is expected that $559,799,746.21 2007 Series J and $109,534,740.21 2007 Series K will be refunded with the proceeds of the 2015 Limited Project Revenue Bonds.

In addition, The Regents expects to apply a portion of the proceeds of the 2015 Bonds in the approximate amount of $594,400,000 to advance refund all or a portion of the following Series of General Revenue Bonds (collectively, the "Advance Refunded Bonds" and, together with the Current Refunded Bonds, the "Refunded Bonds"):

Name of Issue	Principal Amount to be Refunded(1)
General Revenue Bonds, 2008 Series L	$163,830,000
General Revenue Bonds, 2008 Series M	19,860,000
General Revenue Bonds, 2009 Series O	168,145,000
General Revenue Bonds, 2009 Series Q	176,495,000

(1) In addition, in the event The Regents issues 2015 Limited Project Revenue Bonds, it is expected that $24,760,000 2008 Series L, $262,865,000 2009 Series O and $85,205,000 2009 Series Q will be refunded with the proceeds of the 2015 Limited Project Revenue Bonds.

Upon the issuance and delivery of the 2015 Bonds, the portion of the proceeds thereof to be applied to refund the Advance Refunded Bonds will be used to purchase certain direct obligations of, or guaranteed by, the United States of America or obligations of certain federal agencies (the "Escrow Securities"). The Escrow Securities, together with any initial cash deposit, will be deposited into one or more irrevocable escrow accounts (each, an "Escrow Account") held by the trustee of the Advance Refunded Bonds as escrow agent (the "Escrow Agent") pursuant to an escrow agreement, dated as of March 1, 2015, by and between The Regents and the Escrow Agent (the "Escrow Agreement"). The Escrow Agreement will require that the Escrow Agent apply the principal of, premium, if any, and interest on the Escrow Securities or cash to pay the redemption prices of the Advance Refunded Bonds on their respective dates of redemption and to pay the principal of and interest on the respective Advance Refunded Bonds to and including such dates of redemption.

For information on the mathematical verification of the sufficiency of scheduled payments with respect to the Escrow Securities and other funds held in each Escrow Account for the Advance Refunded Bonds, see "VERIFICATION OF MATHEMATICAL ACCURACY."

At the time of issuance of the 2015 Bonds, the 2005 Series E Bonds, the 2007 Series J Bonds, the 2007 Series K Bonds, the 2008 Series L Bonds, the 2008 Series M Bonds, the 2008 Series N Bonds, the 2009 Series O Bonds, the 2009 Series P Bonds, the 2009 Series Q Bonds, the 2009 Series R Bonds, the 2010 Series S Bonds, the 2010 Series T Bonds, the 2010 Series U Bonds, the 2011 Series W Bonds, the 2010 Series X Bonds, the 2011 Series Y Bonds, the 2011 Series Z Bonds, the 2011 Series AB Bonds, the 2011 Series AC Bonds, the 2012 Series AD Bonds, the 2012 Series AE Bonds, the 2013 Series AF Bonds, the 2013 Series AG Bonds, the 2013 Series AH Bonds, the 2013 Series AI Bonds, the 2013 Series AJ Bonds, the 2013 Series AK Bonds, the 2013 Series AL Bonds, the 2014 Series AM Bonds, and the 2014 Series AN Bonds secured by the lien of the Indenture, and additional Indebtedness secured by a Subordinate Lien on General Revenues, will remain Outstanding. See "SECURITY FOR THE BONDS – Indebtedness" and "APPENDIX A – THE UNIVERSITY OF CALIFORNIA – Indebtedness of The Regents."

SECURITY FOR THE BONDS

Pledge; Definition of General Revenues. The Bonds are secured by a pledge of General Revenues, the proceeds of the Bonds and any other amounts held in any fund or account (excluding the Rebate Fund) established pursuant to the Indenture. As defined in the Indenture, General Revenues consist of certain operating and non-operating revenues of the University as reported in the University's Annual Financial Report, including (i) gross student tuition and fees; (ii) facilities and administrative cost recovery from contracts and grants; (iii) net sales and service revenues from educational and auxiliary enterprise activities; (iv) other net operating revenues; (v) certain other non-operating revenues, including unrestricted investment income; and (vi) any other revenues as may be designated as General Revenues from time to time by a Certificate of The Regents delivered to the Trustee, but excluding (a) appropriations from the State of California (except as permitted under Section 28 of the State Budget Act or other legislative action); (b) moneys which are restricted as to expenditure by a granting agency or donor; (c) gross revenues of the University Medical Centers; (d) management fees resulting from the contracts for management of the United States Department of Energy Laboratories; and (e) any revenues which may be excluded from General Revenues from time to time by a Certificate of The Regents delivered to the Trustee. See "APPENDIX C – SUMMARY OF

CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE – Definitions."

Pursuant to provisions of the 2013-14 State Budget and related legislation (the "2013-14 State Budget Legislation"), and clause (vi) of the definition of General Revenues, The Regents designated as General Revenues a portion of the annual General Fund support appropriation, when, as and if received from the State, less (a) the amount of that appropriation that is required to fund general obligation bond payments for general obligation bonds issued by the State for the benefit of The Regents, and (b) the State Public Works Board rental payments made for the benefit of The Regents (the "Pledged General Fund Support Appropriation").

Pursuant to the 2013-14 State Budget Legislation, the State covenanted with the Holders of the Bonds that, so long as any of Bonds remain Outstanding, the State will not impair or restrict the ability of The Regents to pledge any Pledged General Fund Support Appropriation. However, the State is not required to, and there can be no assurance that the State will in the future, appropriate the Pledged General Fund Support Appropriation. As a result, there can be no assurance that the Pledged General Fund Support Appropriation will be available as General Revenues to secure the Bonds in any given year.

Amount of General Revenues. The following table sets forth the approximate amount of General Revenues pledged under the Indenture as security for the Bonds for each of the indicated Fiscal Years:

Table 2
General Revenues

Fiscal Year	General Revenues (dollars in billions)
2009-2010	$ 7.7
2010-2011	8.7
2011-2012	9.7
2012-2013	10.1
2013-2014	13.0

The amount of General Revenues in each Fiscal Year will change based upon various factors affecting the operations of the University, including but not limited to its enrollment, research grants and contracts, auxiliary enterprises, gifts and fundraising, investment results and certain State support for capital projects. For a discussion of the University's financial performance, see "APPENDIX B – THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2013-2014 – Management's Discussion and Analysis."

Pursuant to the Indenture, the amounts that constitute General Revenues may be changed from time to time by The Regents to include other revenues or exclude portions of the General Revenues. Any amounts that are so excluded would no longer be pledged under the Indenture as security for the Bonds.

General Revenue Covenant. Under the Indenture, so long as the Bonds are Outstanding, The Regents shall set rates, charges, and fees in each Fiscal Year so as to cause General Revenues deposited in the General Revenue Fund to be in an amount sufficient to pay the principal of and interest on the Bonds and amounts due and payable on Ancillary Obligations for the then-current Fiscal Year (the "General Revenue Covenant").

Unless an Event of Default has occurred and is continuing, however, The Regents may withdraw and use any or all amounts deposited in the General Revenue Fund pursuant to the General Revenue Covenant at any time for any lawful purpose, including for purposes other than paying debt service on the Bonds. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE – Flow of Funds – General Revenues."

No Reserve Account. There is no debt service reserve account established under the Indenture.

Indebtedness

Additional Indebtedness. The Regents may issue Additional Bonds, upon certain terms and conditions set forth in the Indenture, to provide moneys for any lawful purpose of The Regents, and may issue taxable or tax-exempt, fixed or variable interest rate or other types of Additional Bonds. See "INTRODUCTION" for a listing of Bonds issued under and secured by the lien of the Indenture.

In addition, the Indenture provides that, so long as an Event of Default has not occurred and is continuing, The Regents may at any time incur any Indebtedness or other obligations payable from General Revenues, including, but not limited to, Indebtedness or other obligations secured by a Senior Lien, Parity Lien or Subordinate Lien.

In addition to the currently outstanding Bonds and the 2015 Bonds, The Regents may authorize at its meeting in March, 2015, the issuance of up to $500 million of General Revenue Bonds for the purpose of funding strategic, high priority needs on campuses, such as deferred maintenance and capital renewal, among other uses.

Senior Lien Indebtedness. At the time of issuance of the 2015 Bonds, no Indebtedness secured by a Senior Lien will be outstanding.

Parity Lien Indebtedness. As of December 31, 2014, Indebtedness of The Regents secured by a Parity Lien consists of (i) revolving credit facilities provided by various financial institutions with commitments totaling $1,145,000,000 and outstanding advances totaling $262 million, and (ii) an interest rate swap in a notional amount of $500 million with a scheduled termination date of July 1, 2015, as well as interest rate swaps in an aggregate notional amount of $600 million with a scheduled termination date of October 1, 2023, each of which constitutes Financial Products Agreements with one or more Qualified Providers. Payments due under such credit facilities and Financial Products Agreements (including without limitation, regularly scheduled payments and payments due upon early termination) are secured by a Parity Lien. Interest rate swap agreements, including the Financial Products Agreements, entail certain risks.

For example, a party may be required to make significant payments to its swap counterparty in the event of an early termination, which could occur due to a default by either party or the occurrence of a termination event. For additional information concerning the University's swaps, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2013-2014—Note 4."

Bonds issued under and secured by the lien of the Indenture that will be Outstanding at the time of issuance of the 2015 Bonds are described under "- Additional Indebtedness" above.

Subordinate Lien Indebtedness. As of December 31, 2014, Indebtedness of The Regents secured by a Subordinate Lien consists of (i) Indebtedness outstanding under the Indenture, dated as of October 1, 2004, as supplemented, by and between The Regents and The Bank of New York Mellon Trust Company, N.A., as successor trustee to J.P. Morgan Trust Company, National Association, securing The Regents of the University of California Limited Project Revenue Bonds 2007 Series D, 2010 Series E, 2010 Series F, 2012 Series G and 2012 Series H, and (ii) Indebtedness outstanding under the Indenture, dated as of November 1, 2008, as supplemented, by and between The Regents and U.S. Bank, National Association, securing The Regents of the University of California Commercial Paper Notes, Series A (Tax Exempt) and Series B (Taxable).

For a description of additional Limited Project Revenue Bonds, see "PLAN OF FINANCE– General."

Other Indebtedness. For a description of other indebtedness of The Regents, see "APPENDIX A – THE UNIVERSITY OF CALIFORNIA – Indebtedness of The Regents."

The 2015 Bonds are limited obligations of The Regents, payable solely from General Revenues, the proceeds of the Bonds and any other amounts held in any fund or account (excluding the Rebate Fund) established pursuant to the Indenture. The 2015 Bonds and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture, as hereinafter described. The Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on General Revenues senior in priority, on a parity, or subordinate in priority with the pledge and lien of the Indenture. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – The Indenture – Pledge." The 2015 Bonds will not constitute a liability of or a lien upon the funds or property of the State of California or of The Regents, except to the extent of the aforementioned pledge and lien of the Indenture. The Regents has no taxing power.

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ESTIMATED SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds in connection with the 2015 Series AO Bonds:

SOURCES

Principal Amount of 2015 Series AO Bonds	$ 797,020,000.00
Net Original Issue Premium	116,148,608.55
Other Sources of Funds	16,797,071.92
Total Sources of Funds	$ 929,965,680.47

USES

Refunding of Refunded Bonds	$ 725,092,068.79
Project Costs	199,554,157.05
Costs of Issuance[(1)]	3,173,406.98
Other Fund Deposits[(2)]	2,146,047.65
Total Use of Funds	$ 929,965,680.47

(1) Includes underwriters' discount and other costs of issuance.
(2) Includes capitalized interest.

The following are the estimated sources and uses of funds in connection with the 2015 Series AP Bonds:

SOURCES

Principal Amount of 2015 Series AP Bonds	$ 381,785,000.00
Other Sources of Funds	198,366.40
Total Sources of Funds	$ 381,983,366.40

USES

Refunding of Refunded Bonds	$ 327,913,545.52
Project Costs	51,630,529.08
Costs of Issuance[(1)]	1,922,005.37
Other Fund Deposits[(2)]	517,286.43
Total Use of Funds	$ 381,983,366.40

(1) Includes underwriters' discount and other costs of issuance.
(2) Includes capitalized interest.

TAX MATTERS

2015 Series AO Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to The Regents ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Series AO Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2015 Series AO Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D – "PROPOSED FORM OF BOND COUNSEL OPINION FOR 2015 BONDS."

To the extent the issue price of any maturity of the 2015 Series AO Bonds is less than the amount to be paid at maturity of such 2015 Series AO Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2015 Series AO Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2015 Series AO Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2015 Series AO Bonds is the first price at which a substantial amount of such maturity of the 2015 Series AO Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2015 Series AO Bonds accrues daily over the term to maturity of such 2015 Series AO Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2015 Series AO Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2015 Series AO Bonds. Owners of the 2015 Series AO Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Series AO Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2015 Series AO Bonds in the original offering to the public at the first price at which a substantial amount of such 2015 Series AO Bonds is sold to the public.

2015 Series AO Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2015 Series AO Bonds. The Regents has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2015 Series AO Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2015 Series AO Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2015 Series AO Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2015 Series AO Bonds may adversely affect the value of, or the tax status of interest on, the 2015 Series AO Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2015 Series AO Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2015 Series AO Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2015 Series AO Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the 2015 Series AO Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2015 Series AO Bonds. Prospective purchasers of the 2015 Series AO Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2015 Series AO Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of The Regents, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Regents has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2015 Series AO Bonds ends with the issuance of the 2015 Series AO Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend The Regents or the beneficial owners regarding the tax exempt status of the 2015 Series AO Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than The Regents and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which The Regents legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the 2015 Series AO Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the 2015 Series AO Bonds, and may cause The Regents or the beneficial owners to incur significant expense.

2015 Series AP Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2015 Series AP Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that interest on the 2015 Series AP Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2015 Series AP Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix D hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the 2015 Series AP Bonds that acquire their 2015 Series AP Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2015 Series AP Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the 2015 Series AP Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their 2015 Series AP Bonds pursuant to this offering for the issue price that is applicable to such 2015 Series AP Bonds (i.e., the price at which a substantial amount of the

2015 Series AP Bonds are sold to the public) and who will hold their 2015 Series AP Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a 2015 Series AP Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a 2015 Series AP Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds 2015 Series AP Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2015 Series AP Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2015 Series AP Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the 2015 Series AP Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the 2015 Series AP Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the 2015 Series AP Bonds is less than the amount to be paid at maturity of such 2015 Series AP Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2015 Series AP Bonds), the difference may constitute original issue discount ("OID"). U.S. Holders of 2015 Series AP Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

2015 Series AP Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a 2015 Series AP Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such 2015 Series AP Bond.

Sale or Other Taxable Disposition of the 2015 Series AP Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by The Regents) or other disposition of a 2015 Series AP Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2015 Series AP Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2015 Series AP Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the 2015 Series AP Bond (generally, the purchase price paid by the U.S. Holder for the 2015 Series AP Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such 2015 Series AP Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the 2015 Series AP Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the 2015 Series AP Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments on the 2015 Series AP Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the 2015 Series AP Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the 2015 Series AP Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2015 Series AP Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," payments of principal of, and interest on, any 2015 Series AP Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to The Regents through stock ownership and (2) a bank which acquires such 2015 Series AP Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the 2015 Series AP Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the 2015 Series AP Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by The Regents) or other disposition of a 2015 Series AP Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by The Regents) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A 2015 Series AP Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such 2015 Series AP Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any 2015 Series AP Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the 2015 Series AP Bond or a financial institution holding the 2015 Series AP Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 28%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders. Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2015 Series AP Bonds and sales proceeds of 2015 Series AP Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (ii) certain "pass-thru" payments no earlier than January 1, 2017. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of 2015 Series AP Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of 2015 Series AP Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery by The Regents of the 2015 Bonds and with regard to the tax-exempt status of interest on the 2015 Series AO Bonds under existing laws are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to The Regents. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. The form of opinion Bond Counsel proposes to render is attached as Appendix D hereto. In addition, certain legal matters will be passed upon for The Regents by its Office of General Counsel and certain legal matters will be passed upon for the Underwriters by O'Melveny & Myers LLP, counsel to the Underwriters and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to The Regents.

LITIGATION

There is no litigation of any nature pending or, to the knowledge of the Office of General Counsel, threatened, against The Regents as of the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the 2015 Bonds or in any way contesting or affecting the validity of the 2015 Bonds or the security thereof, or any proceedings of The Regents taken with respect to the issuance or sale thereof. At the time of delivery of the 2015 Bonds, The Regents will furnish a certificate to the effect that no such litigation is then pending.

At all times, including the date of this Official Statement, there are certain other claims and disputes, including those currently in litigation, that arise in the normal course of the University's activities. Such matters could, if determined adversely to The Regents, affect expenditures by The Regents, and in some cases, its revenues. University management and the Office of General Counsel are of the opinion that no pending actions are likely to have a material adverse effect on The Regents' ability to pay the principal of, premium, if any, and interest on the 2015 Bonds when due.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2015 Bonds, Causey Demgen & Moore P.C. (the "Verification Agent") will deliver a report stating that it has reviewed and confirmed (a) the mathematical accuracy of certain computations relating to the receipts of principal and interest on the Escrow

Securities to pay when due the payments of principal and interest to redeem or pay at maturity the Refunded Bonds, and (b) the computation of the yields on the Refunded Bonds and the Escrow Securities which support the conclusion of Bond Counsel that the interest on the 2015 Series AO Bonds is excluded from gross income for federal tax purposes. Such examination will be based solely upon the assumptions and the information supplied by the underwriters on behalf of The Regents. The Verification Agent will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information upon which the computations are based, and accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

RATINGS

The 2015 Series AO Bonds and the 2015 Series AP Bonds have been assigned ratings of "Aa2" by Moody's Investors Service, "AA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business and "AA" by Fitch Ratings. An explanation of the significance of the rating must be obtained from the respective rating agency. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies circumstances so warrant. A downward revision or withdrawal of any such credit ratings may have an adverse effect on the market price of the 2015 Bonds.

MUNICIPAL ADVISOR

Swap Financial Group, LLC, is serving as Municipal Advisor to The Regents in connection with the sale of the 2015 Bonds.

UNDERWRITING

Pursuant to a bond purchase contract for the 2015 Series AO Bonds (the "2015 Series AO Purchase Contract") among Barclays Capital Inc., as representatives of the underwriters of the 2015 Series AO Bonds (the "2015 Series AO Underwriters"), The Regents and the State Treasurer, the 2015 Series AO Underwriters have agreed to purchase the 2015 Series AO Bonds at a purchase price of $910,472,084.31 (representing the aggregate principal amount of the 2015 Series AO Bonds, plus a net original issue premium of $116,148,608.55 , less an underwriters' discount of $2,696,524.24). The public offering prices of the 2015 Series AO Bonds may be changed from time to time by the 2015 Series AO Underwriters. The 2015 Series AO Purchase Contract provides that the 2015 Series AO Underwriters will purchase all the 2015 Series AO Bonds if any are purchased and that the obligations to make such purchases are subject to certain terms and conditions set forth in the 2015 Series AO Purchase Contract including, among other things, the approval of certain legal matters by their counsel.

Pursuant to a bond purchase contract for the 2015 Series AP Bonds (the "2015 Series AP Purchase Contract") among Barclays Capital Inc., as representatives of the underwriters of the 2015 Series AP Bonds (the "2015 Series AP Underwriters"), The Regents and the State Treasurer, the 2015 Series AP Underwriters have agreed to purchase the 2015 Series AP Bonds at a purchase price of $380,370,164.42 (representing the aggregate principal amount of the 2015

Series AP Bonds, less an underwriters' discount of $1,414,835.58). The public offering prices of the 2015 Series AP Bonds may be changed from time to time by the 2015 Series AP Underwriters. The 2015 Series AP Purchase Contract provides that the 2015 Series AP Underwriters will purchase all the 2015 Series AP Bonds if any are purchased and that the obligations to make such purchases are subject to certain terms and conditions set forth in the 2015 Series AP Purchase Contract including, among other things, the approval of certain legal matters by their counsel.

Several of the Underwriters have provided letters to The Regents and the State Treasurer's Office relating to their distribution practices or other affiliations for inclusion in this Official Statement, which are set forth in Appendix F. Neither The Regents nor the State Treasurer's Office guarantee the accuracy or completeness of the information contained in such letters and the information therein is not to be construed as a representation of The Regents, the State Treasurer's Office, or any Underwriter other than the Underwriter providing such representation.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof and which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture and the Continuing Disclosure Agreement are available upon request from the Trustee or The Regents of the University of California, Attention: Office of Capital Markets Finance, 1111 Franklin, Oakland, California 94607-9828.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between The Regents and the purchasers or holders of any of the 2015 Bonds.

The execution and delivery of this Official Statement has been duly authorized by The Regents.

THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA

/S/ NATHAN BROSTROM
EXECUTIVE VICE PRESIDENT – CHIEF FINANCIAL
OFFICER, UNIVERSITY OF CALIFORNIA

APPENDIX A

THE UNIVERSITY OF CALIFORNIA

GENERAL

The University of California (the "University") is the public institution of higher education designated by the State of California (the "State") in its Master Plan for Higher Education for the training of individuals for the professions, for the awarding of doctoral degrees in all fields of human knowledge, and for the conduct of research. Since it was chartered in 1868, the University has conferred approximately 2,180,000 higher education degrees, as of June 30, 2014. The University's administrative offices are located in Oakland, California.

The University is governed by a 26-member Board of Regents, 18 of whom are appointed by the Governor and approved by a majority vote of the State Senate (currently for a 12-year term), one student Regent, who is appointed by the board to a one-year term, and seven ex officio Regents who are members of the board by virtue of their elective or appointed positions. The ex officio Regents are the Governor of the State, Lieutenant Governor of the State, Speaker of the Assembly, State Superintendent of Public Instruction, President of the Alumni Associations of the University, Vice President of the Alumni Associations of the University, and the President of the University.

Classes began at Berkeley in 1873 and the University currently operates general campuses located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, Santa Barbara and Santa Cruz; a health science campus located in San Francisco; and more than 200 laboratories, research stations and institutes, affiliated schools, activity locations, and a statewide Division of Agriculture and Natural Resources. The Education Abroad Program of the University is offered at many different host institutions around the world.

The University is engaged in numerous sponsored research projects, in addition to operating one major laboratory and being a member in a joint venture that manages two other laboratories for the United States Department of Energy, which conduct broad and diverse basic and applied research in nuclear science, energy production, national defense, and in environmental and health areas. The University operates a cooperative extension program reaching into nearly every area of the State and numerous public service programs. The University has six medical schools. In connection with five of the University's medical schools and other health science disciplines, the University operates five academic medical centers (and Children's Hospital & Research Center Oakland, which is affiliated with the University of California, San Francisco Medical Center) with a total of 3,312 licensed beds and 3,187 available beds as of September 30, 2014.

The University has a pre-eminent regular teaching faculty of approximately 10,300 members. Sixty-one researchers affiliated with the University have been awarded 62 Nobel Prizes, the pinnacle of achievement for groundbreaking research. No U.S. public university has won more Nobel Prizes than the University. University affiliated researchers have received 67 National Medals of Science – about 13 percent of the medals presented – since Congress created the award in 1959. The University has more members of the National Academy of Sciences than any other college or university. Since the first MacArthur Fellowships were bestowed in 1981, approximately 85 faculty, researchers, artists and others affiliated with the University have been awarded these prestigious $500,000 grants. Also, more Guggenheim fellowships, 1,632, have been awarded to University faculty than to any other university or college.

As of October 2014, in addition to the teaching faculty, the University employed, on a full-time and part-time basis, approximately 49,800 other academic personnel and approximately 140,000 staff and management personnel.

During the year ended June 30, 2014, the University provided instruction to approximately 242,000 full time equivalent undergraduate and graduate students. The following table shows enrollments (computed on the basis of full-time equivalents) of the University by campus for the general campus and for health science students across campuses for Fiscal Years 2010 to 2014. Further information on University enrollment can be found at http://www.ucop.edu/operating-budget/fees-and-enrollments/fte-student-enrollments/index.html.

UNIVERSITY OF CALIFORNIA
FULL-TIME EQUIVALENT ENROLLMENTS[(1)] FOR FISCAL YEARS 2010 TO 2014

	2009-10	2010-11	2011-12	2012-13	2013-14
Berkeley	36,167	36,315	36,824	36,383	36,755
Davis	31,613	31,710	32,017	32,566	33,005
Irvine	28,302	28,265	28,624	28,802	30,432
Los Angeles	39,033	38,678	39,707	40,207	40,967
Merced	3,472	4,488	5,317	5,939	5,931
Riverside	19,239	20,295	20,382	20,338	20,501
San Diego	30,091	30,401	29,859	29,622	30,560
San Francisco	4,286	4,363	4,446	4,451	4,259
Santa Barbara	23,250	22,920	22,298	22,326	22,635
Santa Cruz	17,160	17,437	17,583	17,522	17,201
Total University	**232,613**	**234,872**	**237,057**	**238,156**	**242,246**

(1) Does not include students in self-supporting programs. Includes graduate and undergraduate students, and summer enrollment (which for 2013-14 was 15,921).

Source: University of California Office of the President ("UCOP"), Budget Analysis and Planning.

INDEBTEDNESS OF THE REGENTS

The Regents of the University of California ("The Regents") has outstanding various revenue bonds, as listed in the following table, maturing from 2015 through 2050 (excluding the final maturity of 2112 for the General Revenue Bonds, 2012 Series AD). These revenue bonds are secured by and payable from revenues of the facilities financed, investment income, student fees, rental payments, a portion of the annual General Fund support appropriation the University receives from the State and other revenues. The following table lists the public indebtedness issued by The Regents outstanding as of December 31, 2014.

REVENUE BONDS ISSUED AND OUTSTANDING[1]
As of December 31, 2014 (dollars in thousands)

	Amount Issued	Amount Outstanding
General Revenue Bonds		
2005 Series E	$ 111,610	$ 11,475
2007 Series J	1,123,935	986,350
2007 Series K	241,600	171,070
2008 Series L	208,025	196,155
2008 Series M	36,845	24,605
2008 Series N	3,990	1,320
2009 Series O	732,630	682,765
2009 Series P	61,590	15,255
2009 Series Q	300,620	285,030
2009 Series R	1,022,275	1,022,275
2010 Series S	75,395	75,395
2010 Series T	10,100	10,100
2010 Series U	144,025	135,900
2011 Series W	3,725	3,065
2010 Series X	48,700	48,700
2011 Series Y[2]	500,000	500,000
2011 Series Z[3]	150,000	150,000
2011 Series AB	354,875	321,245
2011 Series AC	44,840	41,055
2012 Series AD	860,000	860,000
2012 Series AE	2,385	1,990
2013 Series AF	805,905	764,595
2013 Series AG	501,170	481,550
2013 Series AH	286,515	286,515
2013 Series AI[4]	546,235	546,235
2013 Series AJ[4]	712,315	679,590
2013 Series AK[4]	600,000	600,000
2013 Series AL[4]	600,000	600,000
2014 Series AM	559,150	559,150
2014 Series AN	411,210	411,210
SUBTOTAL	**$ 11,059,665**	**$ 10,472,595**

Limited Project Revenue Bonds		
2007 Series D	$ 415,355	$ 324,185
2010 Series E	195,675	175,930
2010 Series F	486,130	486,130
2012 Series G	899,275	879,985
2012 Series H	100,420	100,420
SUBTOTAL	**$ 2,096,855**	**$ 1,966,650**
Hospital Revenue Bonds		
UCLA Medical Center, Series 2004 A	$ 165,000	$ 28,365
UCLA Medical Center, Series 2004 B	91,165	18,900
SUBTOTAL	**$ 256,165**	**$ 47,265**
Medical Center Pooled Revenue Bonds		
2007 Series A	$ 441,170	$ 419,495
2007 Series B(5)	96,155	77,220
2007 Series C-1	7,255	6,485
2007 Series C-2(5)	189,775	149,025
2008 Series D	322,980	236,545
2009 Series E	94,755	76,695
2009 Series F	429,150	429,150
2010 Series G	48,140	33,525
2010 Series H	700,000	700,000
2010 Series I	9,175	7,340
2013 Series J	618,630	613,965
2013 Series K(5)	31,300	31,300
SUBTOTAL	**$ 2,988,485**	**$ 2,780,745**
Total	**$16,401,170**	**$15,267,255**

(1) Does not include commercial paper notes, capital leases, bank loans and indebtedness issued by conduit public entities.

(2) The 2011 Series Y Bonds bear interest at a Term Rate and the Term Rate Period for the 2011 Series Y Bonds is currently scheduled to end on July 1, 2017. In connection with the issuance of the 2011 Series Y Bonds, The Regents entered into an interest rate swap in a notional amount of $500 million with a scheduled termination date of July 1, 2015.

(3) The 2011 Series Z Bonds bear interest at a Weekly Rate and mature on July 1, 2041.

(4) The 2013 Series AI Bonds, the 2013 Series AJ Bonds, the 2013 Series AK Bonds and the 2013 Series AL Bonds were issued to refund all of the outstanding State Public Works Board of the State of California bonds issued on behalf of The Regents. The 2013 Series AK Bonds bear interest at a Term Rate and the initial Term Rate Period for the 2013 Series AK Bonds ends on May 14, 2023. The 2013 Series AL Bonds bear interest at a Weekly Rate and mature on May 15, 2048. In connection with the issuance of the 2013 Series AL Bonds, The Regents entered into several interest rate swaps in a total notional amount equal to the outstanding principal amount of the 2013 Series AL Bonds with a scheduled termination date of October 1, 2023.

(5) The 2007 Series B Bonds, the 2007 Series C-2 Bonds and the 2013 Series K Bonds currently bear interest at variable rates. In connection with the issuance of the 2007 Series B Bonds, the 2007 Series C-2 Bonds and the 2013 Series K Bonds, The Regents entered into interest rate swaps in notional amounts equal to all or a portion of the outstanding principal amount of the 2007 Series B Bonds, the 2007 Series C-2 Bonds and the 2013 Series K Bonds, respectively.

For additional information concerning interest rate swaps, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2013-2014—Note 4."

Source: UCOP, Capital Markets Finance

In addition to revenue bonds, there are also outstanding commercial paper notes, capital leases, bank loans, and indebtedness issued by conduit public entities. These other obligations are described below.

Commercial Paper. The Regents has established a commercial paper program in an authorized amount of up to $2 billion. As of December 31, 2014, approximately $1,324,142,000 of commercial paper was outstanding. Commercial paper is secured by a pledge of certain revenues that is subordinate to the pledge securing General Revenue Bonds. See "SECURITY FOR THE BONDS – Indebtedness – Subordinate Lien Indebtedness" in the forepart of this Official Statement.

Bank Loans and Credit Agreements. The Regents has entered into loan agreements, including revolving credit agreements, with various financial institutions. As of December 31, 2014, the commitments under the agreements totaled $1,148,000,000 (of which $1,145,000,000 is secured by a pledge of General Revenues on a parity with the pledge securing General Revenue Bonds, including $700,000,000 providing hybrid liquidity for obligations of The Regents) and the outstanding principal amounts, including advances under the revolving credit agreements, totaled $262,000,000 (all of which are secured by a pledge of General Revenues on a parity with the pledge securing General Revenue Bonds). See "SECURITY FOR THE BONDS – Indebtedness – Parity Lien Indebtedness" in the forepart of this Official Statement. From time to time, The Regents may enter into additional loan and revolving credit agreements.

Conduit Issuer Bonds. The California Infrastructure and Economic Development Bank (the "Infrastructure Bank") has issued bonds to finance capital improvements for the University. These bonds include revenue bonds issued in the aggregate principal amount of $207,670,000 (all of which is outstanding as of December 31, 2014) to finance the costs of Neurosciences Building 19A for the San Francisco campus. Through a capital lease, The Regents is required to make base rent payments that equal the debt service on those bonds. In addition, the Infrastructure Bank issued revenue bonds in the aggregate principal amount of $62,000,000 ($58,650,000 outstanding as of December 31, 2014) to finance the costs of a stem cell research facility for a consortium of institutions conducting stem cell research, including the San Diego campus. Through a debt service payment agreement, The Regents is required to pay any debt service shortfall on these bonds.

The California Statewide Communities Development Authority issued bonds in an aggregate principal amount of $524,495,000 ($410,505,000 outstanding as of December 31, 2014) to finance the costs of certain student housing projects for the Irvine campus. The Regents leased the site on which the student housing projects are situated to a special purpose, limited liability company that owns the projects and applies project revenues to repay these revenue bonds.

The Regents has never defaulted in the payment of principal of or interest on any of its loans, bonds, notes, or certificates or in the payment of rental due under capital leases of its facilities.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

The Constitution of the State of California provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government subject only to such legislative control as may be necessary to ensure compliance with the terms of the endowments of the University and the security of its funds and such competitive bidding procedures as may be applicable to the University by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods and services. The Regents is a board composed of both seven ex officio members and 18 members appointed by the Governor and confirmed by the Senate, and one student Regent, who is appointed by the Board, each of whom are voting members of the board.

The members of the Board of Regents and the Officers of The Regents as of January 2, 2015 are listed below. Under the Bylaws of The Regents, nine Regents constitute a quorum for transaction of business at regular meetings of the Board, twelve Regents constitute a quorum for the transaction of business at special meetings of the Board, and a majority of such quorums are sufficient to approve most actions. As of January 2, 2015, there are no vacancies on the Board. Vacancies with respect to such appointed members must be filled by appointment by the Governor and approved by a majority vote of the State Senate, but such appointed members may serve for up to 365 days prior to Senate confirmation. Additional information and a current list of Regents can be obtained at http://regents.universityofcalifornia.edu/index.html.

Appointed Regents:

Richard C. Blum

William De La Peña, M.D.

Gareth Elliott

Russell S. Gould

Eddie Island

George Kieffer

Sherry L. Lansing

Monica Lozano

Hadi Makarechian

Eloy Ortiz Oakley

Norman J. Pattiz

John A. Pérez

Bonnie Reiss

Frederick Ruiz

Richard Sherman

Bruce D. Varner

Paul Wachter

Charlene Zettel

Sadia Saifuddin[1]

[1] Student Regent appointed by the Board of Regents.

Ex Officio Regents:	**The Officers of The Regents:**
Jerry Brown Governor of California	President Jerry Brown Governor of California
Gavin Newsom Lieutenant Governor	Chairman Bruce D. Varner
Toni Atkins Speaker of the Assembly	Vice Chair Frederick Ruiz
Tom Torlakson State Superintendent of Public Instruction	Chief Investment Officer Jagdeep Bachher
Sheldon Engelhorn Alumni Regent (President of the Alumni Associations of the University of California)	General Counsel Charles F. Robinson
Karen Leong Clancy Alumni Regent (Vice President of the Alumni Associations of the University of California)	Secretary and Chief of Staff Anne L. Shaw
Janet Napolitano President of the University of California	Chief Compliance and Audit Officer Sheryl Vacca

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FINANCIAL INFORMATION

Financial information for the University is set forth in the University's Annual Financial Report for the fiscal year ended June 30, 2014. See "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2013-2014."

INVESTMENTS

As of the most recent period ended December 31, 2014, the market values and investment returns for the fiscal year are as follows:

(UNAUDITED)

	Market Value (in 000's)	Investment Return[1]
Short Term Investment Pool[2]	$ 10,632,437	0.75%
Total Return Investment Pool	7,429,079	0.19%
General Endowment Pool	8,272,669	2.36%
University of California Retirement Plan[3]	52,722,036	0.78%

(1) Fiscal Year to date return; not annualized.
(2) Includes: (a) $1.8 billion internal receivable from campuses and medical centers for funds transferred to the Retirement Plan, and (b) loans in the total amount of approximately $71.7 million in the University's Mortgage Origination Program.
(3) Includes approximately $1.7 billion invested in the Short Term Investment Pool.
Source: University of California Office of the President

For additional information concerning the investments of the University, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2013-2014—Note 2."

AUDITS AND COMPLIANCE REVIEWS

At all times, there are audits and compliance reviews that arise in the normal course of the University's activities. Such audits and compliance reviews may relate to any activity at the University, and may be conducted by persons within or outside the University, including but not limited to the Senior Vice President—Chief Compliance and Audit Officer of the University, the California State Auditor and a variety of other federal and state governmental agencies. Such reviews could identify improper actions by University personnel or others affecting expenditures by The Regents, and in some cases, its revenues. University management is not aware of any pending audit or review concerning matters that are likely to have a material adverse effect on The Regents' ability to pay the principal of, premium, if any, and interest on the 2015 Bonds when due.

BUDGETARY PROCESS

The following is a description of the budgetary process for the University. Because the process for developing, negotiating and allocating the capital budget differs from the operating budget, the capital budget is described below under "—Capital Budget".

Budget Consultation: Administrators from the Office of the President meet regularly with faculty and student groups to keep them informed of budget developments and seek their input on budget issues. Further, there are budget discussions at meetings of the Council of

Chancellors, meetings of the Council of Executive Vice Chancellors, meetings of campus Vice Chancellors for Planning and Budget, and with various other groups within the University.

The Regents' Budget: The Regents' Budget is the annual budget statement for the ten-campus system. It provides a description of the existing budget, including income and expenditures from all fund sources, and serves as the budget request to the State for the next fiscal year, describing in some detail the need for additional funds from State appropriations. The budget is presented to the Board of Regents each year for approval.

State Budget: The Governor's proposed budget is released each year around the 10th of January and then revised in early May. Each February, the Legislative Analyst publishes an analysis of, and recommendations for legislative actions on, the Governor's proposed budget. The Governor's proposed budget is debated during legislative hearings and subsequently the Legislature sends its own recommended budget back to the Governor. Following the Governor's approval of the Legislature's recommended budget, it becomes final as the "State Budget Act."

For the most part, the State Budget Act appropriates funds for the operating budget of the University in a lump sum. Operating funds received from the State are allocated by the President of the University to the campuses according to a formula intended to achieve equitable State dollars provided per weighted student.

Capital Budget: Annually, the University prepares a multi-year State and non-State funded capital plan. After compilation and review of campus submittals by the Office of the President, discussions are held with campus representatives regarding project need, justification, priority and likelihood of funding. With regard to non-State funds, the University uses external financing, gift funds, certain fees and reserves, and other funds available to The Regents for capital projects. State funds for capital projects take the form of (1) proceeds of State-issued general obligation bonds, (2) the pledge of a portion of the University's annual State general fund support appropriation to secure general revenue bonds and commercial paper issued to finance capital projects, and (3) a portion of the University's annual State general fund support appropriation to fund pay-as-you-go capital outlay projects. With respect to State funds for capital projects that take the form of proceeds of State-issued general obligation bonds, a line-item capital budget request is submitted annually to the State for approval, along with a 10-year State and non-State funded capital plan for context. Major capital projects that are State funded are approved by the State on a line-item basis; any funds requested for minor capital projects are approved on a lump-sum basis.

Commencing with the passage of Assembly Bill No. 94, Chapter 50, Section 8 ("AB 94") in 2013, the process to apply State funds for capital projects in the form of (1) the pledge of a portion of the University's annual State general fund support appropriation to secure general revenue bonds and commercial paper issued to finance capital projects, and (2) a portion of the University's annual State general fund support appropriation to fund pay-as-you-go capital outlay projects is as follows. Under AB 94, the University may apply such State funding sources so long as it adheres to the following process: 1) the University submits on or before the September 1 prior to such subsequent fiscal year, a report to the committees in each house of the Legislature that consider the annual state budget, the budget subcommittees in each house of the Legislature that consider appropriations for the University, and the Department of Finance, 2) the

Department of Finance reviews the report and submits, by February 1, a list of preliminarily approved projects to the committees in each house of the Legislature that consider the annual state budget and the budget subcommittees in each house of the Legislature that consider appropriations for the University, and 3) Department of Finance submits a final list of approved projects to the University no earlier than the following April 1.

Recent State Support for the University: The State's support for the University during the past eight fiscal years has been inconsistent, with substantial budget cuts in earlier years followed by modest funding increases in more recent years. The following table sets forth State appropriations for Fiscal Year 2010-11 through Fiscal Year 2014-15.

STATE APPROPRIATIONS

Fiscal Year	**State Appropriations To University***
2010-11	$3.017 billion[(1)]
2011-12	2.272 billion[(2)]
2012-13	2.378 billion[(3)]
2013-14	2.844 billion[(4)]
2014-15	2.991 billion[(5)]

*Includes certain federal economic stimulus fund pass-through payments as described further below. Includes appropriations for lease purchase payments, state grants and direct payments to the Retirement Plan for pledges from 1990.

(1) Included restoration of $199 million of prior cuts on a permanent basis; $106.6 million on a one-time basis through federal economic stimulus fund; and $65.4 million on a permanent basis to support economic growth and retiree health care benefits.
(2) Included $650 million in cuts included in the 2011 Budget Act plus an additional $100 million reduction triggered in mid-year when the State did not realize revenue estimates assumed in the budget.
(3) Included augmentations of $89.1 million for State's share of employer contribution to the University's retirement plan, $5.2 million for annuitant health benefit and $11.6 million for lease revenue bond debt service.
(4) Included $125 million for a deferred 2012-13 tuition and fee buyout and $200.4 million for a shift of general obligation bond debt service to the University base budget, as well as budget augmentations of $125.1 million for a 5% base budget adjustment, $6.4 million for increase in annuitant health benefit costs, and $10.2 million for increase in lease revenue bond debt service.
(5) Includes budget augmentations of $142.2 million for a 5% base budget adjustment (which includes $2 million directed to the Labor Centers at the Berkeley and Los Angeles campuses), $193.7 million for a shift of general obligation bond debt service to the University base budget, $2 million in additional one-time funds for the Labor Centers and $2 million in one-time funds for the Cal-BRAIN program at the San Diego campus.

State Budget for the University for 2013-14: The Governor signed the 2013-14 Budget Act on June 27, 2013. The budget included an increase in operating funds of $266.7 million for the University, including the $125 million buy-out of the 2012-13 tuition increase promised in the 2012-13 budget, a $125.1 million base budget adjustment, $6.4 million for annuitant health benefit increases and $10.2 million for lease revenue bond debt service. The University agreed to direct $10 million of the new funding for online education, $15 million for the new School of

Medicine at the Riverside campus, and $3.6 million for debt service for construction of a classroom and office building at the Merced campus. In addition, the budget shifted $200.4 million associated with State general obligation bond debt service to the University's base budget, for a total of $2.844 billion for the University. The budget also called for no tuition increase in 2013-14. For Fiscal Year 2013-14, the University's July, August and September State payments totaling $500 million were initially deferred but were paid in February 2014.

The final budget included a provision allowing the University to restructure SPWB Bonds issued for projects for the University into the University's general revenue bond credit. Under this provision, the University will continue to receive State support in the amount of the previously scheduled debt service payments on the restructured SPWB Bonds. The University successfully restructured the debt service on former SPWB Bonds to achieve cash flow savings in the near term. See "INDEBTEDNESS OF THE REGENTS" above. The cash flow savings will act as a budgetary offset to a portion of the University's employer contribution to the retirement fund.

State Budget for the University for 2014-15: The Governor signed the 2014-15 Budget Act on June 20, 2014. The budget provided a 5% base budget adjustment to the University, increasing the University's State General Fund support by $142.2 million. Of this amount, $2 million was directed to the Labor Centers at the Berkeley and Los Angeles campuses. The final budget also included $2 million in additional one-time funding for the Labor Centers and $2 million in one-time funding for the Cal-BRAIN program at the San Diego campus. In addition, the budget shifted $193.7 million associated with State general obligation bond debt service to the University's base budget, for a total of $2.991 billion for the University. The budget also provided $50 million for competitive innovative awards to incentivize both the University and the California State University to assist in easing transfer from California Community Colleges, increase bachelor degree completion and assist students in obtaining bachelor degrees within 4 years of entering the California higher education system. Consistent with the Governor's request, the University did not raise tuition in 2014-15.

State Budget for the University for 2015-16: On January 9, 2015, the Governor released his 2015-16 budget proposal. Consistent with his multi-year funding plan for higher education, the proposal provides a 4% base budget adjustment, totaling $119.5 million, for the University. This funding is contingent on no tuition and fee increases in 2015-16, no increase in nonresident enrollment and the University taking action to constrain costs. State funds allocated to the University would total approximately $3.106 billion, which includes a shifting of $193.7 million associated with State general obligation bond debt service to the University's base budget. The University's 2015-16 budget plan approved by the Board of Regents authorizes up to a 5% increase in tuition (depending on whether additional State funding is made available) and in nonresident tuition, increases in Professional Degree Supplemental Tuition for certain programs, and growth in resident and nonresident student enrollment. In addition, the Legislature has indicated its interest in providing additional support to the University; the Assembly and Senate have each put forward alternative funding proposals. Both proposals call for additional funding from the State and other sources to support the University, including the raising of nonresident tuition beyond what has been provided. The University is in budget discussions with the Governor and the State Legislature for 2015-16.

EMPLOYER–EMPLOYEE RELATIONS

The Higher Education Employee Relations Act (HEERA), the law that provides for collective bargaining in higher education, became effective July 1, 1979. Currently, the University negotiates with eight unions representing thirteen systemwide bargaining units and with nine unions representing fourteen local bargaining units over terms and conditions of employment for approximately 66,000 of the University's employees, excluding student employees who are primarily employed during the academic year.

The following table shows the membership of each systemwide employee bargaining unit as of October 2014 and the expiration dates of the applicable current labor contracts as of January 2015:

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University of California
Systemwide Employee Organizations[1]

Union	Bargaining Unit	Head Count	Contract Expiration
International Brotherhood of Teamsters 2010	CX - Clerical & Allied Services	11,365	11/30/16
UAPD Union of American Physicians & Dentists	DX –Student Health Center Physicians and Dentists	170	To be determined[2]
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	EX - Patient Care Technical	13,017	12/31/17
UPTE University Professional & Technical Employees, CWA, Local 9119	HX - Residual Health Care Professionals	3,571	10/31/17[3]
UC-AFT American Federation of Teachers	IX – Non Senate Instructional	3,117	6/1/15
UC – AFT American Federation of Teachers	LX – Professional Librarians	342	9/30/18
CNA California Nurses Association	NX – Registered Nurses	12,201	7/31/17[3]
FUPOA Federated University Police Officers Association	PA – Police Officers	256	12/31/16
UAW Local 5810 International Union, United Automobile, Aerospace and Agricultural Implement Workers of America	PX – Post Doctoral Scholars	5,457	9/30/15
UPTE University Professional & Technical Employees, CWA, Local 9119	RX – Research Support Professionals	4,757	9/30/17[3]
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	SX – Service	8,410	6/30/17[3]
UPTE University Professional & Technical Employees, CWA, Local 9119	TX – Technical	3,398	9/30/17[3]

(1) Excludes the collective bargaining unit for student employees. The number of student employees varies greatly during the academic calendar year.
(2) Contract negotiations are currently in process.
(3) The unions representing certain bargaining units have negotiated higher employee contribution rates to the Retirement Plan effective calendar year 2014 that apply to employees hired on and after July 2013 as part of contract negotiations with the University that differ from the contribution rate that applies to employees more generally (see "RETIREMENT PLANS – Funding Policy" below). Instead of the 7.0% or 8.0% employee contribution rate that applies more generally to University employees, members of the HX, RX, TX, NX, EX and SX bargaining units are subject to a 9.0% contribution rate.

Source: University of California Department of Labor Relations

It is always difficult to determine with assurance the future course of employer–employee relations. Nevertheless, at the present time, The Regents does not anticipate that the future labor relations climate within the University will have a material adverse impact upon the ability of The Regents to pay the principal of, premium, if any, and interest on the 2015 Bonds when due.

RETIREMENT PLAN FUNDS

Administration: The Regents maintains the University of California Retirement Plan (the "Retirement Plan"), a governmental defined benefit pension plan, which provides lifetime retirement income, disability protection, death benefits, and pre-retirement survivor benefits to eligible employees of the University. The Retirement Plan includes five membership categories: members of the 1976 Tier, members of the 2013 Tier, members of the Modified 2013 Tier, Safety members (police and firefighters), and Tier Two members.* The Safety members service is not coordinated with Social Security. The 1976 and 2013 Tier's, and Tier Two include some members whose service is not coordinated with Social Security.

The Regents is the trustee of the Retirement Plan, and the President of the University is the Administrator of the Retirement Plan. The University of California Human Resources and Benefits Department is responsible for the day-to-day management and operation of the Retirement Plan.

Membership: The following table shows the membership in the Retirement Plan for each Fiscal Year from July 1, 2010 through July 1, 2014:

RETIREMENT PLAN MEMBERSHIP

July 1	Active Vested Members	Active Nonvested Members	Terminated Vested Members(1)	Retired Members	Ratio of Retirees to Actives
2010	67,587	47,341	55,037	53,902	0.47
2011	69,979	45,589	60,903	56,296	0.49
2012	72,596	44,292	67,318	58,934	0.50
2013	75,091	43,230	73,589	61,715	0.52
2014	75,948	44,620	78,229	64,191	0.53

(1) Inactive members entitled to, but not yet receiving, benefits.

Funding Policy: The Retirement Plan's independent actuary annually prepares an actuarial valuation of the Retirement Plan. The purpose of the annual actuarial valuation is to disclose the Retirement Plan's funded position as of the beginning of the current fiscal year, analyze the preceding fiscal year's experience and determine the total funding policy contribution rates for the following fiscal year. The actuarial valuation includes economic assumptions based on the experience of the Retirement Plan. As of July 1, 2014, these economic assumptions include a long-term investment earnings assumption of 7.50% per year, projected salary increases ranging from 4.30-6.75% per year and projected inflation rate of 3.50% per year.

The independent actuary annually determines the total funding policy contribution rate based upon methods selected by the University as follows:

* Prior to 2013, the Retirement Plan recognized four membership classifications: members with Social Security, members without Social Security, Safety members (police and firefighters), and Tier Two members.

First, the normal cost (the "Normal Cost") is established for the Retirement Plan. The Normal Cost represents the portion of the actuarial present value of the benefits that the Retirement Plan will be expected to fund that is attributable to the current year's employment. The Retirement Plan uses the entry age normal cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund benefits as a level percentage of compensation over the working lifetime of the Retirement Plan's active members.

Second, the contribution calculation takes into account the amortization of a portion of the amount by which the actuarial value of the Retirement Plan liabilities exceeds the actuarial value of the Retirement Plan assets (the "UAAL"). If the actuarial value of the assets exceeds the actuarial value of liabilities, this surplus is amortized as a level dollar amount over 30 years pursuant to The Regents' funding policy.

There are a number of assumptions and calculation methods that impact the UAAL. The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in UAAL due to actuarial experience gains or losses after July 1, 2010 are separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions will be separately amortized over a fixed (closed) 15-year period. The market value of assets less unrecognized returns in each of the last five years is used to calculate the actuarial value of the retirement plan assets. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.

While the independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

Recent GASB Statements. For prior years the University's liability to the Retirement Plan was shown in terms of unfunded policy contributions. However, the University recently implemented both GASB Statement Nos. 67 and 68 for the fiscal year ended June 30, 2014. GASB 68 requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. As a result, the University will no longer be reporting its liability for unfunded contribution to the Retirement Plan, but rather its net pension liability to the Retirement Plan. As of June 30, 2014, the University reported a net pension liability to the Retirement Plan of $7.7 billion. For a further description of the impact of the implementation of GASB 67 and GASB 68, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2013-2014", including – "Management's Discussion and Analysis – The University of California Retirement System (UCRS)" and – "Required Supplementary Information."

Funding Status: The unfunded liability for the campuses and medical centers as of July 1, 2014 and 2013 actuarial valuation was $10.7 and $11.7 billion, respectively, or 79.2% and 75.7% funded, respectively. This increase in funded ratio is mainly a result of the investment gain on the actuarial value of assets.

The total funding policy contributions related to campuses and medical centers in the July 1, 2012 actuarial valuation (effective for Fiscal Year 2013-14) and the July 1, 2013 actuarial valuation (effective for Fiscal Year 2014-15) are $2.5 billion and $2.7 billion, respectively. Employer contributions for Fiscal Years 2013-14 and 2012-13 were approximately $1.1 billion and $861.4 million, respectively, for the campuses and the medical centers. The total funding policy contributions in the July 1, 2012 and July 1, 2013 actuarial valuations represent 28.6% and 30.3% of covered compensation, respectively.

Member and employer contributions increased to 8.0% (for most members) and 14.0%, respectively, of covered compensation in July 2014. Member contributions for the employees in the new benefit tier (2013 Tier and Modified 2013 Tier) described below are 7.0%-9.0%, and the employer rate is uniform across all members. These contribution rates are below the Retirement Plan's total policy funding requirements. The Regents approved the new 2013 Tier of pension benefits applicable to employees hired on or after July 1, 2013, which increased the early retirement age from 50 to 55, but retained many of the current features of the Retirement Plan. The 2013 Tier does not offer lump sum cash outs, inactive member Cost of Living Adjustments or subsidized survivor annuities for spouses and domestic partners. These changes were subject to collective bargaining for union-represented employees and the University has agreed to some variations of the new tier keeping the University's costs fixed.(1)

In addition to the approved employer/employee contributions to the Retirement Plan, The Regents delegated to the President of the University the authority and discretion to fully fund the unfunded portion of the Normal Cost and interest on the UAAL (the "modified ARC") through a combination of transfers from the Short Term Investment Pool, sale of long-term debt and restructuring of existing debt. In March 2011, The Regents approved a $2.1 billion funding plan for the Retirement Plan and in April 2011, $1.1 billion from the Short Term Investment Pool was transferred to the Retirement Plan. On July 27, 2011, The Regents issued $1.2 billion of General Revenue Bonds, 2011 Series Y, 2011 Series Z and 2011 Series AA and approximately $935 million of the proceeds of those bonds were applied to fund a portion of the annual required contribution (the "ARC"). In July 2014, The Regents authorized additional contributions of $700 million to the Retirement Plan to improve the Plan's funded status, and the contributions were made to the Retirement Plan from the University's Short Term Investment Pool on August 1, 2014.

Additionally, shared employer and employee contributions to the Retirement Plan at Lawrence Berkeley National Laboratory resumed at the same rates and on the same timetable as the University's campus and medical center contributions, subject to the terms of the University's contract with the U.S. Department of Energy (the "DOE") and subject to collective bargaining, if applicable, for represented members at Lawrence Berkeley National Laboratory ("LBNL"). Based upon a contractual agreement, the U.S. Department of Energy is required to make required contractual contributions to the Retirement Plan on behalf of Los Alamos National Laboratory ("LANL") and Lawrence Livermore National Laboratory ("LLNL") retirees as determined by the annual actuarial valuation of each National Laboratory segment.

(1) In addition, members of certain bargaining units have negotiated new pension benefit tiers as part of recent contract negotiations. Generally, these pension benefit tiers use the same age factors as the current 1976 Tier and allow lump sum cash outs, but have higher member contribution rates for all active members. See "EMPLOYER-EMPLOYEE RELATIONS" above for certain information about these bargaining units.

The table below shows the fair market value of assets held in trust for payment of pension benefits; the value of assets held in trust adjusted according to the Retirement Plan's actuarial methods as summarized above; the actuarial accrued liability of the Retirement Plan; the actuarial (deficit) surplus, the funded ratio on an actuarial and market value basis; the annual covered member payroll and the unfunded accrual actuarial liability or surplus as a percentage of covered payroll as of July 1, 2010 through July 1, 2014.

Retirement Plan Funding[1]
(dollars in millions)

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial (Deficit) Surplus	Funded Ratio (Actuarial Basis)	Funded Ratio (Market Basis)	Annual Covered Payroll	Actuarial (Deficit) Surplus of Annual Covered Payroll
July 1, 2010	34,574.5	41,195.3	47,504.3	(6,309.0)	86.7%	72.8%	7,995.4	(78.9%)
July 1, 2011	41,872.7	42,757.3	51,831.3	(9,074.0)	82.5%	80.8%.	8,163.0	(111.2%)
July 1, 2012	41,806.5	42,965.0	54,619.6	(11,654.6)	78.7%	76.5%	8,598.1	(135.5%)
July 1, 2013	45,340.7	43,572.4	57,381.0	(13,808.6)	75.9%	79.0%	8,836.5	(156.3%)
July 1, 2014	52,783.9	48,328.0	60,417.2	(12,089.2)	80.0%	87.4%	9,299.8	(130.0%)

[1] Includes campuses, medical centers and laboratories.

Source: University of California Office of the President, University of California Retirement Plan Annual Financial Report and the University of California Retirement Plan Actuarial Valuation Report.

Asset Management Plan: The Regents, as the governing board and as trustee, are responsible for the oversight of the Retirement Plan's investments and establishes investment policy, which is carried out by the Office of the Chief Investment Officer of The Regents. The Office of the Chief Investment Officer has primary responsibility for investing the Retirement Plan's assets consistent with the policies established by The Regents.

Over the past ten years, our asset allocation targets have been adjusted periodically to diversify the assets over multiple asset classes, investment styles and strategies. The result has been a movement away from a single, concentrated source of risk (primarily U.S. equities) toward a balanced and diversified portfolio across global assets and risk factors that are less correlated with markets. Currently, the assets of the Retirement Plan are invested across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Retirement Plan also holds international equities, global sovereign and corporate debt, global public and private real estate, and an array of alternative investments including private equity, venture capital, real estate, and real assets.

For more information on the University's pension plan funds, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2013-2014", including –

"Management's Discussion and Analysis – The University of California Retirement System (UCRS)" and – "Required Supplementary Information."

RETIREE HEALTH PLAN FUNDS

Description: The University administers the Retiree Health Benefit Program (the "Retiree Health Plan"). The Retiree Health Plan is a single-employer health and welfare plan to provide health and welfare benefits (primarily medical, dental and vision) to eligible retirees and their families and survivors (retirees) of the University and its affiliates. Membership in the Retirement Plan is required to become eligible for retiree health benefits. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the University after 1989 and prior to July 1, 2013 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service. Retirees employed by the University on or after July 1, 2013 are subject to graduated eligibility provisions based on both a member's age and years of Retirement Plan service credit upon retirement(1). Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the University's maximum contribution.(1)

Funding Policy: The contribution requirements of the University and eligible retirees are established and may be amended by the University. The contribution requirements are based upon projected pay-as-you-go financing. Contributions toward medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees.

On July 1, 2007, The Regents established the University of California Retiree Health Benefit Trust (the "Trust"). While the University does not currently pre-fund retiree health benefits, if pre-funding occurs in the future, the Trust will be used as the funding vehicle. As of June 30, 2014, the balance in the Trust was $65 million.

The actuarial methods and assumptions used in the most recent actuarial valuation (as of July 1, 2014) include the entry age normal actuarial cost method; a 5.50% discount rate (investment return assumption); health care cost trend rate ranging from 7-10% initially, depending on the type of plan, reduced by increments to an ultimate rate of 5% over fifteen years; amortization of the initial UAAL and any UAAL due to assumption or provision changes

(1) In addition, members of the HX, NX, RX, EX, SX and TX bargaining units negotiated the effective date of revised eligibility rules for Retiree Health Plan benefits as part of recent contract negotiations. See "EMPLOYER-EMPLOYEE RELATIONS" above for certain information about these bargaining units. Generally, new employees hired after the negotiated effective date of revised eligibility rules must retire at 65 and have worked at least 20 years in order to receive the maximum employer contribution to the retiree health premium.

over 30 years; and amortization of any UAAL due to gains or losses, including changes due to contributions different from the ARC and experience different from expected, over 15 years.

Funding Status: As of July 1, 2013 and July 1, 2014, the Retiree Health Plan's independent actuary reported that the UAAL of the Retiree Health Plan for campuses and medical centers was approximately $13.2 billion and $14.0 billion, respectively. The following table sets forth the ARC; ARC as a percentage of payroll; UAAL; Pay-as-you-go costs; and Net OPEB Obligation as of July 1, 2013 and July 1, 2014:

Retiree Health Plan
Actuarial Valuation Highlights
Campuses and Medical Centers[(1)]
(Dollars in Millions)

Valuation Date	**July 1, 2014**	**July 1, 2013[(4)]**
Actuarial Valuation Results		
1. Annual Required Contribution (ARC)[(2)]		
a. Normal Cost	$ 507	$ 493
b. Amortization Cost	1,269	1,146
c. Total	$ 1,776	$ 1,639
2. ARC as % of Payroll		
a. Normal Cost	5.6%	5.8%
b. Amortization Cost	14.0%	13.4%
c. Total	19.6%	19.2%
3. Unfunded Accrued Actuarial Liability (UAAL)	$ 14,029	$13,209
4. Pay-As-You-Go Cash Costs[(3)]	$ 276	$ 271
5. Net OPEB Obligation		
a. Beginning of the Year	$ 8,197	$ 7,361
b. End of the Year	$ 9,105	$ 8,197

(1) LBNL participates in the University's retiree health plans. The University directly pays health care insurers and administraters amounts currently due under the University's retiree health benefit plans for retirees who previously worked at LBNL, and is reimbursed by the DOE. The University does not have any obligation for LANL or LLNL retiree health benefit costs because they do not participate in the University's retiree health plans.

(2) The ARC and its components are expressed as of the end of the fiscal year.

(3) Historical cash costs are actual amounts paid; current year cash costs are projected.

(4) Data for July 1, 2013 was subsequently restated in the Spring of 2014 to reflect the University's decision to rescind eligibility based on grandfathering of employees. The above data represents a revised valuation in August 2014.

For more information on the Retiree Health Plan and Trust, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2013-2014 – Management's Discussion and Analysis – The University of California Retiree Health Benefit Trust (UCRHBT)."

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APPENDIX B
THE UNIVERSITY OF CALIFORNIA
ANNUAL FINANCIAL REPORT 2013-2014

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UNIVERSITY OF CALIFORNIA

Annual Financial Report

13/14

“The University of California is preeminent in educating the state’s young people, in enhancing research and scholarship in every discipline, in fostering economic growth, medicine, the arts, its athletic and other programs. Simply put, UC is the gold standard.”

PRESIDENT JANET NAPOLITANO

UNIVERSITY OF CALIFORNIA

13/14 Annual Financial Report

TABLE OF CONTENTS

Letter from the President

I marked the end of my first year as President of the University of California with a heightened commitment to enhance our University's ability to educate, discover and serve the public.

In the last year, UC has launched initiatives to maximize alternative funding streams and expand the University's reach on issues from environmental sustainability to global hunger.

Looking ahead, we need to build on this important work, while continuing to focus on the fundamentals that make UC the world-renowned institution that it is — academic excellence and access.

UC is California's university, and that means California needs to commit to UC as well.

Sadly, funding remains constrained for public higher education in California, despite an American economy that slowly grows more robust. UC today enrolls more than 6,000 California resident undergraduates for whom it has never received additional state dollars.

Public higher education is a necessity — not a private luxury. This country's public universities and colleges foster an active, informed citizenry. They enhance public spirit. They educate — and more importantly, elevate — vast numbers of young people. These institutions are public goods that benefit all of us, and not just the students who attend them.

Public research universities like the University of California support innovation and scholarship that creates new, transformative knowledge. For nearly a century and a half, UC discoveries have delivered public benefits throughout California and to communities far beyond our state's borders.

As an engine of social mobility, UC leads our nation's universities in providing educational access. Of the university's more than 180,000 undergraduates, forty-two percent are first-generation college students. Thirty percent are transfer students from California community colleges. Forty-two percent of our undergraduates receive federal Pell Grants, meaning that they come from very low-income families. Within five years of graduating from UC, those students as individuals are earning salaries that are higher than what their families' combined incomes were before they went to college. They contribute to their communities and to the statewide economy.

As former UC President Clark Kerr famously declared: "The best investment that any society makes is in the education of its young people." For UC — and California — to succeed, we all must make investing in public higher education a top priority.

JANET NAPOLITANO
PRESIDENT, UNIVERSITY OF CALIFORNIA

Letter from the Executive Vice President, CFO

The University of California had a busy 2013-2014. It was a year of change and growth as we welcomed a new president, added to our ranks of Nobel laureates and made significant progress on improving operational efficiency at the Office of the President.

It was also a year of change here in the office of the Chief Financial Officer as we said goodbye to Peter Taylor, my predecessor as CFO. Peter's tireless commitment, vision and innovation over the past five years were instrumental in guiding UC through one of the worst financial crises in our history. Even as the university weathered an economic downturn of historic proportions and a dramatic decline in state funding, Peter and his team launched several key initiatives that left UC in much better financial shape today than when he assumed his role.

They modernized UC's management of operating capital, resulting in large increases in discretionary revenue for our campuses, and they successfully issued a Century Bond, the largest of its kind for a public university at over $800 million. They used the strength of our balance sheet to shore up UC's retirement plan and launched several longer-term projects that will help UC dramatically reduce future costs and administrative complexities. Two examples are the P200 plan that leverages the university's buying power for procurement savings and UC Path, which will modernize and consolidate UC's disparate and archaic payroll and HR systems.

I'm honored to take over the job from someone who did so much to secure UC's financial future. The transition has offered us the opportunity to reexamine our approach and reinvigorate our commitment to UC's core missions of teaching, research and public service so that we can go even further along the trajectory on which Peter and the CFO team launched the university.

To that end, we will take a comprehensive approach to budget and finance across the university, considering all of our revenue sources and all of our assets as we try to build a strong and sustainable financial model for UC. We will keep the pressure on expenditures, using the size and scale of the UC system to drive down costs. We will explore new areas of revenue generation, supporting our campuses in their efforts and evaluating systemwide synergies. We will focus on more closely integrating asset management in the operating budget, looking at both our financial assets and our real assets. We will develop debt strategies to make up for the decline in state funding and the constraints on our borrowing capacity. Finally, we will address the ongoing challenges posed by unfunded liabilities in the UC Retirement Plan, retiree health and deferred maintenance on our campuses.

Improving the university's financial performance while maintaining its commitment to both affordability and excellence is a challenging goal. But a sound financial future is crucial to UC remaining a driver of economic prosperity and social mobility for California, as it has been from its founding right up to the present day: Of UC's more than 188,000 undergraduate students, 42 percent are the first in their families to attend college and 77,000 are low-income recipients of federal Pell Grants. I've been working hard to maintain UC's accessibility and affordability ever since I came the university and I'm looking forward to another chapter in this effort as UC's new CFO.

NATHAN BROSTROM
EXECUTIVE VICE PRESIDENT, CFO
UNIVERSITY OF CALIFORNIA

Facts in Brief *(Unaudited)*

	2014*	2013*	2012*	2011**	2010**
STUDENTS					
Undergraduate fall enrollment	191,369	183,498	184,562	179,581	177,788
Graduate fall enrollment	52,757	55,188	52,129	54,883	54,065
Total fall enrollment	**244,126**	**238,686**	**236,691**	**234,464**	**231,853**
University Extension enrollment[1]	452,649	343,758	321,582	302,179	309,818
FACULTY AND STAFF[2] *(full-time equivalents)*	**139,553**	**139,965**	**137,546**	**136,145**	**134,644**
SUMMARY FINANCIAL INFORMATION[3] *(in thousands of dollars, except for retirement plan participation)*					
UNIVERSITY OF CALIFORNIA					
PRIMARY REVENUE SOURCES					
Student tuition and fees, net[4]	$ 3,585,859	$ 3,402,946	$ 3,237,126	$ 2,811,121	$ 2,401,323
Grants and contracts, net	5,068,233	5,078,750	5,240,289	5,249,094	4,939,155
Medical centers, educational activities and auxiliary enterprises, net	11,750,586	10,890,244	10,067,147	9,406,993	8,551,817
State educational, financing and capital appropriations	2,683,315	2,484,877	2,303,330	3,042,795	3,088,905
Federal Pell Grants	316,064	345,910	359,408	352,469	298,584
Private gifts, net	881,648	801,940	804,691	816,291	794,244
Capital gifts and grants, net	431,836	256,670	198,023	247,259	189,617
Department of Energy laboratories	1,250,820	1,032,350	1,014,199	976,294	910,194
OPERATING EXPENSES BY FUNCTION					
Instruction	5,477,857	5,477,776	5,509,027	4,925,863	4,677,830
Research	3,837,361	4,287,561	4,533,125	4,249,411	4,143,448
Public service	581,069	554,231	620,884	582,868	545,544
Academic support	1,835,476	2,008,866	2,003,770	1,716,006	1,574,329
Student services	923,284	819,209	814,340	701,800	660,779
Institutional support	1,463,248	1,361,439	1,207,733	1,242,786	1,084,967
Operation and maintenance of plant	618,030	640,712	610,968	582,315	602,425
Student financial aid[5]	580,807	603,805	600,655	600,713	544,280
Medical centers	7,481,938	7,201,528	6,984,842	6,078,510	5,827,790
Auxiliary enterprises	1,104,050	1,153,775	1,124,704	1,012,309	985,639
Depreciation and amortization	1,709,672	1,555,254	1,478,254	1,404,837	1,267,134
Impairment of capital assets	11,201	31,441			22,803
Department of Energy laboratories	1,244,335	1,026,088	1,007,804	970,054	903,926
Other	81,061	123,513	104,576	86,252	87,665
INCREASE (DECREASE) IN NET POSITION	1,369,113	(1,334,155)	(3,086,015)	413,693	(524,584)
FINANCIAL POSITION					
Investments, at fair value	21,541,053	18,942,008	18,292,398	18,258,665	15,952,930
Capital assets, at net book value	27,361,525	26,179,885	25,216,265	23,743,797	22,497,543
Other assets and deferred outflows	11,565,457	14, 808,621	16,447,696	7,843,699	8,173,541
Outstanding debt, including capital leases	(18,030,749)	(17,236,225)	(17,459,934)	(13,577,911)	(12,534,930)
Obligations for pension and retiree health benefits	(16,154,166)	(19,915,231)	(22,738,325)	(6,982,866)	(5,381,625)
Other liabilities and deferred inflows	(15,001,261)	(12,866,107)	(8,387,164)	(9,520,612)	(9,356,380)
Net position	11,281,859	9,912,951	11,370,936	19,764,772	19,351,079

*Certain revisions in classifications, or restatements, have been made to prior year information in order to conform to current year presentation.

**Amounts have not been restated or revised to conform to current year presentation.

[1] *For academic year 2013-14.*

[2] *As of October 2013.*

[3] *As of June 30, 2014.*

[4] *Scholarship allowances, including both financial aid and fee waivers that are not paid directly to students, are recorded primarily as a reduction of student tuition and fees in the statement of revenues, expenses and changes in net position.*

[5] *Includes only financial aid paid directly to students. The state-administered California grant awards are not included as expenses since the government determines grantees. College work study expenses are shown in the programs in which the student worked.*

	2014	2013	2012	2011	2010
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for participant information)*					
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
PRIMARY REVENUE SOURCES					
Private gifts, net	$ 789,573	$ 711,363	$ 596,242	$ 880,889	$ 422,643
PRIMARY EXPENSES					
Grants to campuses	958,873	632,132	559,301	496,704	565,952
INCREASE IN NET POSITION	849,091	746,263	125,506	1,226,285	353,332
FINANCIAL POSITION					
Investments, at fair value	6,496,649	5,799,788	5,161,217	5,151,869	4,037,367
Pledges receivable, net	861,005	713,710	641,134	553,900	386,910
Net position	7,094,913	6,245,822	5,535,441	5,409,935	4,183,650
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
PLAN PARTICIPATION					
Plan membership	262,988	243,140	232,767	223,867	221,852
Retirees and beneficiaries currently receiving payments	64,191	58,934	56,296	53,902	51,531
PRIMARY REVENUE SOURCES					
Contributions[6]	$ 3,215,712	$ 2,175,983	$ 3,101,629	$ 2,693,892	$ 1,106,774
Interest, dividends and other investment income, net	1,344,731	1,254,981	907,739	1,316,306	1,187,713
Net appreciation (depreciation) in the fair value of investments	9,137,618	5,106,081	(597,030)	8,541,574	4,243,820
PRIMARY EXPENSES					
Benefit payments	2,583,223	2,396,577	2,184,450	2,047,747	1,905,939
Participant and member withdrawals	1,369,641	1,364,304	940,367	939,338	711,380
INCREASE IN NET POSITION	9,701,107	4,731,316	249,762	9,529,389	3,887,875
FINANCIAL POSITION					
Investments, at fair value	68,747,604	60,104,811	54,408,678	54,218,018	45,855,690
Members' defined benefit pension plan benefits	52,853,829	45,404,828	41,868,728	41,940,183	34,633,878
Participants' defined contribution plan benefits	20,044,154	17,792,048	16,596,832	16,275,615	14,052,531
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	43,572,353	42,965,028	42,757,271	41,195,318	42,685,564
Actuarial accrued liability	57,380,961	54,619,620	51,831,306	47,504,309	45,041,066
UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST					
PLAN PARTICIPATION					
Plan membership	154,930	151,458	148,704	146,524	146,588
Retirees and beneficiaries currently receiving benefits	37,207	35,872	34,559	33,530	32,278
PRIMARY REVENUE SOURCES					
Contributions	$ 343,395	$ 267,886	$ 329,529	$ 287,842	$ 254,037
Interest, dividends and other investment income, net	13		14	84	97
PRIMARY EXPENSES					
Insurance premiums	318,490	313,105	311,297	284,010	257,605
INCREASE (DECREASE) IN NET POSITION	20,884	(45,219)	18,246	1,919	(5,016)
FINANCIAL POSITION					
Investments, at fair value	37,125	7,750	65,053	27,795	32,509
Net position for retiree health benefits	65,184	44,300	89,519	71,273	69,354
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	44,301	97,435	77,907	74,450	76,893
Actuarial accrued liability — campuses and medical centers	13,253,215	14,559,017	14,726,665	15,493,742	14,541,529

[6] *Total contributions to the University of California Retirement Plan and the University of California Retirement Savings Plan.*

Campus Facts in Brief *(Unaudited)*

	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED	RIVERSIDE
STUDENTS						
Undergraduate fall enrollment	25,951	26,693	23,605	28,674	5,837	18,658
Graduate fall enrollment	10,253	7,462	5,983	13,516	358	2,639
Total fall enrollment	**36,204**	**34,155**	**29,588**	**42,190**	**6,195**	**21,297**
University Extension enrollment[1]	36,344	62,686	34,238	119,021		28,666
DEGREES CONFERRED[2]						
Bachelor	7,775	7,015	5,963	7,329	858	4,402
Advanced	3,503	2,064	1,877	4,373	36	690
Cumulative	604,190	249,325	167,583	527,954	2,812	97,663
FACULTY AND STAFF[3] *(full-time equivalents)*	14,389	22,442	13,663	31,889	1,648	4,901
LIBRARY COLLECTIONS[4] *(volumes)*	11,742,250	4,391,849	3,390,364	9,854,492	1,122,014	3,283,097
CAMPUS LAND AREA *(in acres)*	6,679	7,309	1,526	420	7,045	2,149
CAMPUS FINANCIAL FACTS[5] *(in thousands of dollars)*						
OPERATING EXPENSES BY FUNCTION						
Instruction	$ 682,452	$ 695,233	$ 545,353	$ 1,612,953	$ 43,522	$212,339
Research	559,876	517,462	246,363	688,013	17,858	99,017
Public service	71,595	96,345	9,201	108,982	3,947	6,759
Academic support	135,793	188,540	176,345	541,154	19,265	37,574
Student services	177,962	123,282	78,684	132,280	20,440	64,239
Institutional support	242,054	121,619	71,404	196,009	45,085	52,646
Operation and maintenance of plant	83,556	98,951	43,260	88,787	15,423	38,225
Student financial aid	135,120	56,136	93,150	30,059	8,912	54,039
Medical centers		1,484,220	762,359	1,677,691		
Auxiliary enterprises	125,901	96,544	121,743	308,900	18,085	68,132
Depreciation and amortization	192,914	228,453	174,307	333,971	22,386	59,223
Other[6]	23,837	6,953	10,574	24,044	2,830	5,897
Total	**$2,431,060**	**$3,713,738**	**$2,332,743**	**$5,742,843**	**$217,753**	**$698,090**
GRANTS AND CONTRACTS REVENUE						
Federal government	$373,625	$385,116	$248,427	$558,592	$14,274	$61,691
State government	92,866	134,052	21,698	46,621	638	9,478
Local government	7,338	11,422	3,768	51,815	60	2,309
Private	188,325	142,558	62,357	200,231	2,727	23,451
Total	**$662,154**	**$673,148**	**$336,250**	**$857,259**	**$17,699**	**$96,929**
UNIVERSITY ENDOWMENTS						
Endowments	$2,370,049	$ 642,109	$ 73,822	$1,485,454	$ 27,582	$ 47,789
Annual income distribution	77,873	22,278	2,759	36,150	1,357	1,926
CAMPUS FOUNDATIONS' ENDOWMENTS						
Endowments	$1,671,939	$ 320,745	$ 310,163	$1,616,045	$ 8,162	$ 136,003
CAPITAL ASSETS						
Capital assets, at net book value	$3,746,185	$ 3,136,895	$ 2,643,705	$5,757,043	$541,322	$1,129,607
Capital expenditures	328,923	228,091	138,020	649,071	57,543	162,688

[1] *For academic year 2013-14.*
[2] *As of academic year 2012-13.*
[3] *As of October 2013.*
[4] *Excludes DOE laboratories.*
[5] *As of June 30, 2014.*
[6] *Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expense for loans.*

	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[7]
STUDENTS					
Undergraduate fall enrollment	23,805	3,079	19,372	15,695	
Graduate fall enrollment	6,505	1,680	2,853	1,508	
Total fall enrollment	**30,310**	**4,759**	**22,225**	**17,203**	
University Extension enrollment[1]	148,654		6,799	16,241	
DEGREES CONFERRED[2]					
Bachelor	6,344	273	5,222	4,038	
Advanced	1,882	571	971	431	
Cumulative	171,209	50,950	212,751	101,512	
FACULTY AND STAFF[3] *(full-time equivalents)*	20,532	19,424	6,179	4,486	
LIBRARY COLLECTIONS[4] *(volumes)*	3,936,007	1,096,541	3,111,320	2,284,006	
CAMPUS LAND AREA *(in acres)*	2,141	198	1,063	6,088	

CAMPUS FINANCIAL FACTS[5] *(in thousands of dollars)*

	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[7]
OPERATING EXPENSES BY FUNCTION					
Instruction	$ 721,086	$ 474,297	$244,577	$141,070	$ 104,975
Research	741,718	601,768	166,843	110,600	87,843
Public service	19,826	110,295	7,842	14,068	132,209
Academic support	294,063	242,805	49,906	30,337	119,694
Student services	104,350	21,774	76,808	61,077	62,388
Institutional support	125,608	170,070	45,921	42,949	349,883
Operation and maintenance of plant	81,440	78,382	44,053	32,155	13,798
Student financial aid	73,784	9,421	83,238	36,186	762
Medical centers	1,095,128	2,237,276			225,264
Auxiliary enterprises	137,210	25,795	93,098	87,298	21,344
Depreciation and amortization	240,473	317,351	73,755	54,366	12,473
Other[6]	1,420	5,019	7,522	4,492	(651)
Total	**$3,636,106**	**$4,294,253**	**$893,563**	**$614,598**	**$1,129,982**
GRANTS AND CONTRACTS REVENUE					
Federal government	$643,812	$ 648,682	$124,555	$ 96,702	$21,426
State government	43,131	64,745	6,101	4,471	36,739
Local government	11,743	156,087	1,077	555	3,750
Private	221,518	256,153	45,454	26,831	11,262
Total	**$920,204**	**$1,125,667**	**$177,187**	**$128,559**	**$73,177**
UNIVERSITY ENDOWMENTS					
Endowments	$ 236,472	$1,097,774	$ 118,380	$ 73,523	$1,240,755
Annual income distribution	6,820	37,088	3,941	2,606	35,905
CAMPUS FOUNDATIONS' ENDOWMENTS					
Endowments	$ 534,912	$ 912,957	$ 144,379	$ 80,262	
CAPITAL ASSETS					
Capital assets, at net book value	$3,760,216	$4,017,561	$1,277,510	$1,028,893	$ 322,588
Capital expenditures	530,124	515,493	132,310	99,510	77,811

[1] For academic year 2013-14.
[2] As of academic year 2012-13.
[3] As of October 2013.
[4] Excludes DOE laboratories.
[5] As of June 30, 2014.
[6] Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expense for loans.
[7] Includes expenses for systemwide education and research programs, systemwide support services and administration. Full-time equivalents counts, as of fall 2013, includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.

Management's Discussion and Analysis *(Unaudited)*

The objective of Management's Discussion and Analysis is to help readers of the University of California's financial statements better understand the financial position and operating activities for the year ended June 30, 2014, with selected comparative information for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2013, 2014, 2015, etc.) in this discussion refer to the fiscal years ended June 30.

The University of California's financial report communicates financial information for the University of California (the University), its discretely presented component units (component units), the University of California Retirement System (UCRS) and the University of California Retiree Health Benefit Trust (UCRHBT) through five primary financial statements and notes to the financial statements. Three of the primary statements, the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows, present the financial position, changes in financial position and cash flows for the University and its discretely presented component units. The financial statements for the campus foundations and the Children's Hospital and Research Center Oakland are presented discretely from the University. Two of the primary statements, the statements of plans' and trust's fiduciary net position and the statements of changes in plans' and trust's fiduciary net position, present the financial position and operating activities for UCRS and UCRHBT. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

THE UNIVERSITY OF CALIFORNIA

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University has annual resources of nearly $26.6 billion and encompasses ten campuses, five medical schools and medical centers, four law schools and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE).

Campuses. The ten campuses are located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara and Santa Cruz. All of the campuses, except San Francisco, offer undergraduate, graduate and professional education; the San Francisco campus is devoted exclusively to graduate and professional education in health sciences.

Health sciences. The University operates one of the nation's largest health science and medical training programs. The instructional program is conducted in 16 health professional schools on six campuses. Our health programs include five medical centers, two dental schools, three nursing schools, two public health schools and two pharmacy schools, in addition to a school of optometry and a school of veterinary medicine. The University's medical schools play a leading role in the development of health services and advancement of medical science and research.

Law schools. The University has law schools at Berkeley, Davis, Irvine and Los Angeles. Also, the Hastings College of the Law in San Francisco is affiliated with the University, although not included in the financial reporting entity.

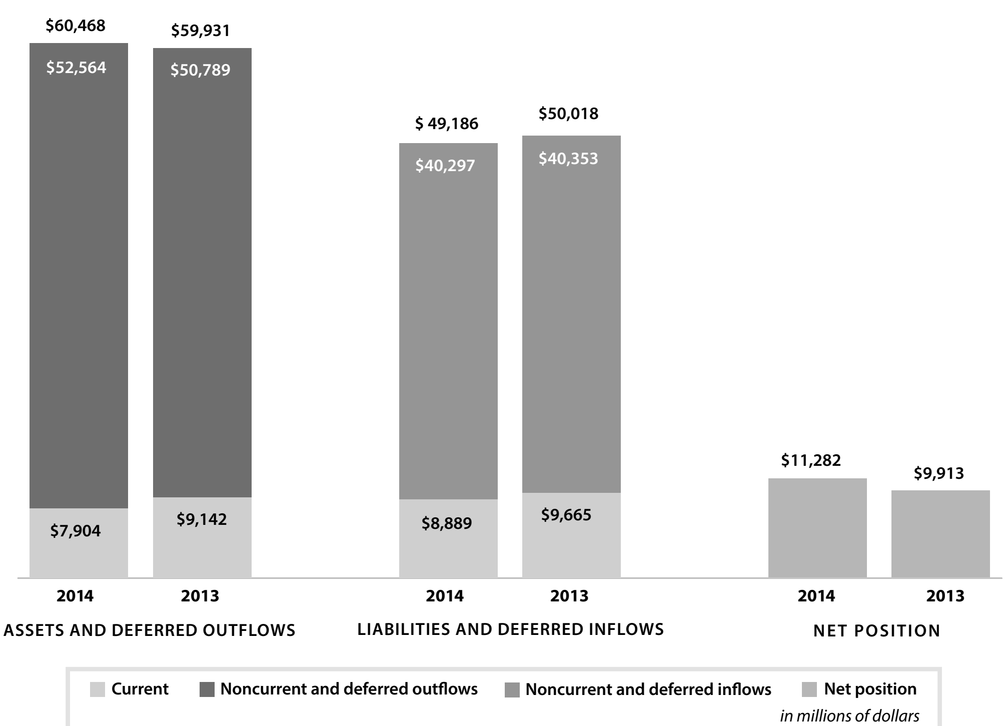
Agriculture and Natural Resources. The Division of Agriculture and Natural Resources is a statewide research and public service organization that serves a large and diverse agricultural community. The division conducts studies on the Berkeley, Davis and Riverside campuses, at nine research and extension centers and on private land in cooperation with California producers. In addition, research and educational programs are conducted in each of the state's 58 counties.

University Extension. The foremost continuing education program of its kind in size, scope and quality of instruction, University Extension offers almost 20,000 self-supporting courses statewide and in several foreign countries.

National laboratories. Under contract with the DOE, the University operates and manages the Ernest Orlando Lawrence Berkeley National Laboratory (LBNL) in California. The University is also a member in two separate joint ventures, Los Alamos National Security, LLC (LANS) and Lawrence Livermore National Security, LLC (LLNS) that operate and manage the Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE. The laboratories conduct broad and diverse basic and applied research in nuclear science, energy production, national defense and environmental and health areas.

THE UNIVERSITY'S FINANCIAL POSITION

The University changed its accounting policies with the implementation of new accounting standards. Changes in accounting policies for pensions are designed to improve transparency regarding pension obligations by requiring recognition of a liability equal to the net pension liability for the University's defined benefit plans. This standard requires recognition of pension expense using a systematic method, designed to match the cost of pension benefits with service periods for eligible employees. These accounting policy changes do not impact the University's funding requirements for the pension plans. The University also adopted accounting changes for reporting deferred inflows and outflows, which required the write-off of unamortized bond issuance costs. Financial information for 2013 has been restated to retroactively apply these new accounting policies.



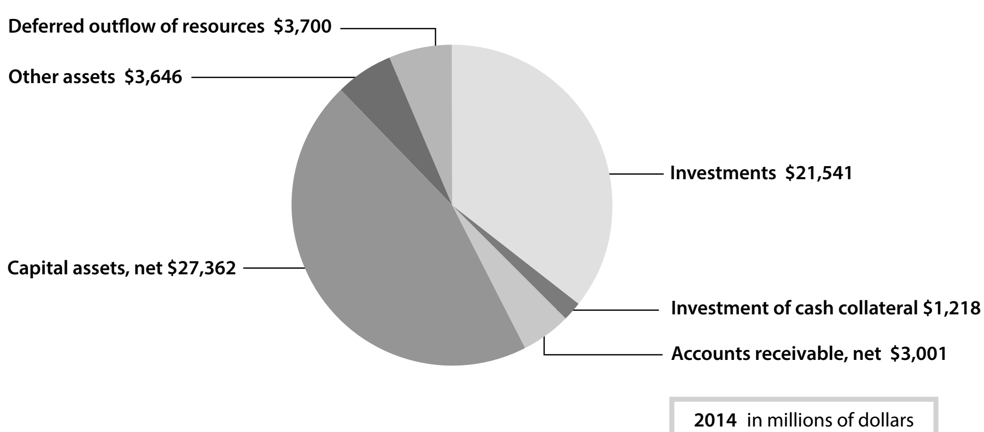
The statement of net position presents the financial position of the University at the end of each year. It displays all of the University's assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position.

The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2014 and 2013 are as follows:

(in millions of dollars)

	2014	2013
ASSETS		
Investments	$21,541	$ 18,942
Investment of cash collateral	1,218	1,403
Accounts receivable, net	3,001	3,744
Capital assets, net	27,362	26,180
Other assets	3,646	4,895
Total assets	**56,768**	**55,164**
DEFERRED OUTFLOWS OF RESOURCES	3,700	4,767
LIABILITIES		
Debt, including commercial paper	18,031	17,236
Securities lending collateral	1,218	1,403
Pension obligations	7,714	12,338
Obligations for retiree health benefits	8,440	7,577
Other liabilities	6,705	7,246
Total liabilities	**42,108**	**45,800**
DEFERRED INFLOWS OF RESOURCES	7,078	4,218
NET POSITION		
Net investment in capital assets	11,884	11,856
Restricted:		
Nonexpendable	1,164	1,134
Expendable	6,837	5,729
Unrestricted	(8,603)	(8,806)
Total net position	**$11,282**	**$ 9,913**

The University's Assets and Deferred Outflows



The University's total assets and deferred outflows of resources have grown to $60.6 billion in 2014, compared to $59.9 billion in 2013. Capital assets have increased due to continued investments in facilities and investments increased due to financial market returns.

Investments

Investments held by the University are principally carried in three investment pools, the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP) and the General Endowment Pool (GEP). Cash for operations and bond proceeds for construction expenditures are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP allows campuses the opportunity to maximize the return on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. As a result of continued low interest rates, the University increased its use of TRIP to enhance investment returns, while still maintaining sufficient funds in STIP to meet operational liquidity needs. The GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California (The Regents) utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. The GEP portfolio return was a positive return of 19.0 percent in 2014, and a positive return of 12.0 percent in 2013. TRIP had positive returns of 14.7 percent in 2014 and 8.3 percent in 2013. STIP had positive returns of 1.6 percent and 2.1 percent in 2014 and 2013, respectively.

Investment of cash collateral

The University participates in a securities lending program incorporating securities owned by both the University and UCRS as a means to augment income. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities based upon the University's asset allocation mix.

Accounts receivable, net

Receivables fluctuate based on the timing of collections and investment sales activity. Receivables from investment sales decreased by $742.6 million in 2014 as compared to 2013.

Capital assets, net

Capital spending continues at a brisk pace in order to provide the facilities necessary to support the University's teaching, research and public service mission and for patient care. These facilities include core academic buildings, libraries, student services, housing and auxiliary enterprises, health science centers, utility plants and infrastructure and remote centers for educational outreach, research and public service. Total additions of capital assets were $2.9 billion in 2014 as compared to $2.6 billion in 2013.

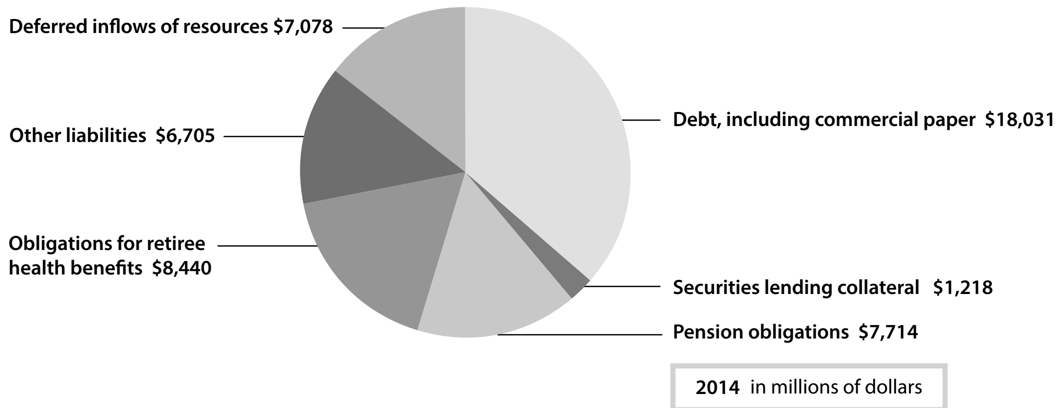
Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, inventories and a receivable from the DOE. Investments held by trustees decreased by $626.2 million in 2014 related to the refinancing of debt issued by the state of California. The noncurrent receivable from the DOE, which fluctuates with the pension obligations due to the DOE's continuing responsibility to contribute for retired and terminated vested members of LLNS and LANL, decreased by $615.8 million in 2014 as compared to 2013.

Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings and changes in the net pension liability are reported as deferred outflows of resources. The decrease of $1.1 billion in deferred outflows of resources in 2014 is primarily related to the recognition of changes in the net pension liability.

The University's Liabilities and Deferred Inflows



The University's liabilities and deferred inflows of resources decreased to $49.2 billion in 2014, compared to $50.0 billion in 2013. The decrease in 2014 was primarily related to the reduction in pension obligations offset by issuance of debt to finance capital projects and the increase in the liability for retiree health benefits.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including University equity contributions, federal and state support, revenue bonds, bank loans, leases or structures that involve separate legal entities. Commercial paper and bank loans provide interim financing for capital assets during the construction period.

Outstanding debt increased by $795.0 million in 2014. A summary of the activity follows:

(in millions of dollars)

	2014
ADDITIONS TO OUTSTANDING DEBT	
General Revenue Bonds	$ 3,429
Medical Center Pooled Revenue Bonds	650
Capital leases	36
Other borrowings	14
Bond premium, net	186
Additions to outstanding debt	**4,315**
REDUCTIONS TO OUTSTANDING DEBT	
Refinancing and prepayments	(2,433)
Scheduled principal payments	(687)
Payments on other borrowings	(31)
Commercial paper	(326)
Other[1]	(43)
Reductions to outstanding debt	**(3,520)**
Net increase in outstanding debt	**$ 795**

[1] *Amortization of bond premium*

The University's debt, which is used to finance capital assets, includes $993.7 million of commercial paper outstanding at the end of 2014 and $1.3 billion of commercial paper outstanding at the end of 2013. Total debt outstanding was $18.0 billion at the end of 2014, compared to $17.2 billion at the end of 2013.

In August 2013, the University issued Medical Center Pooled Revenue Bonds totaling $650.0 million to finance and refinance certain facilities and projects. In October 2013, the University issued General Revenue Bonds of $2.5 billion to restructure Lease Revenue Bonds issued by the State Public Works Board of the state of California, reported as lease-purchase agreements by the University. General Revenues, as defined in the Indenture, have been amended to include certain state appropriations as to secure payment of the General Revenue Bonds.

In April 2014, General Revenue Bonds totaling $970.4 million were issued to finance and refinance certain facilities and projects of the University. Reductions to debt in 2014 were $3.5 billion. In April 2014, the University remarketed General Revenue Bonds totaling $500 million with a scheduled mandatory tender for purchase on July 1, 2017. In 2014, the University's General Revenue Bond ratings were changed by Moody's Investors Service from Aa1 to Aa2 and by Fitch Ratings from AA+ to AA. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds were changed by Moody's Investors Service from Aa2 to Aa3 and by Fitch Ratings from AA to AA-.

Commercial paper borrowings decreased by $326.4 million in 2014 compared to June 30, 2013. Commercial paper is primarily used as interim financing for construction projects and equipment financing. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term Revenue Bonds. The University has various revolving credit agreements totaling $1.1 billion with major financial institutions for the purpose of providing additional liquidity for bonds, commercial paper and other liquidity needs.

Securities lending collateral

Under the securities lending program, the University records a liability to the borrower for cash collateral received and held by the University for securities on loan at the end of the year. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of the securities lent. The amount of the securities lending collateral liability fluctuates directly with securities lending opportunities and the investment of cash collateral.

Pension obligations and retiree health benefits

The University has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. The University's 2013 financial statements have been restated for new accounting standards, and accordingly, the University's pension obligation was $7.7 billion and $12.3 billion in 2014 and 2013, respectively. The change in net pension liability has been primarily driven by the investment performance of the UCRP investment portfolio. UCRP's total investment rate of return was 17.4 percent in 2014 and 11.7 percent in 2013. The discount rate used to estimate the net pension liability for both June 30, 2014 and 2013 was 7.5 percent.

LBNL participates in the University's defined benefit pension plan, although the DOE has an ongoing financial responsibility to reimburse the University for LBNL's share of the obligation to UCRP. In addition, under certain circumstances the University makes contributions to UCRP for LANL and LLNL retirees and, based upon contractual arrangements with the DOE, is reimbursed by the DOE. The University recorded receivables from the DOE of $1.2 billion and $1.8 billion for 2014 and 2013, respectively, representing the DOE's share of the net pension liability.

The University's obligation for retiree health benefits is based upon an actuarial determination of the annual retiree health benefit expense. The University funds the retiree health expense through UCRHBT based upon a projection of benefits on a pay-as-you-go basis. The increase of $863.0 million in 2014 in the obligation for retiree health benefits is due to the impact of amortizing the University's unfunded obligation. The unfunded liability for the campuses and medical centers as of the July 1, 2013 actuarial valuation was $13.2 billion.

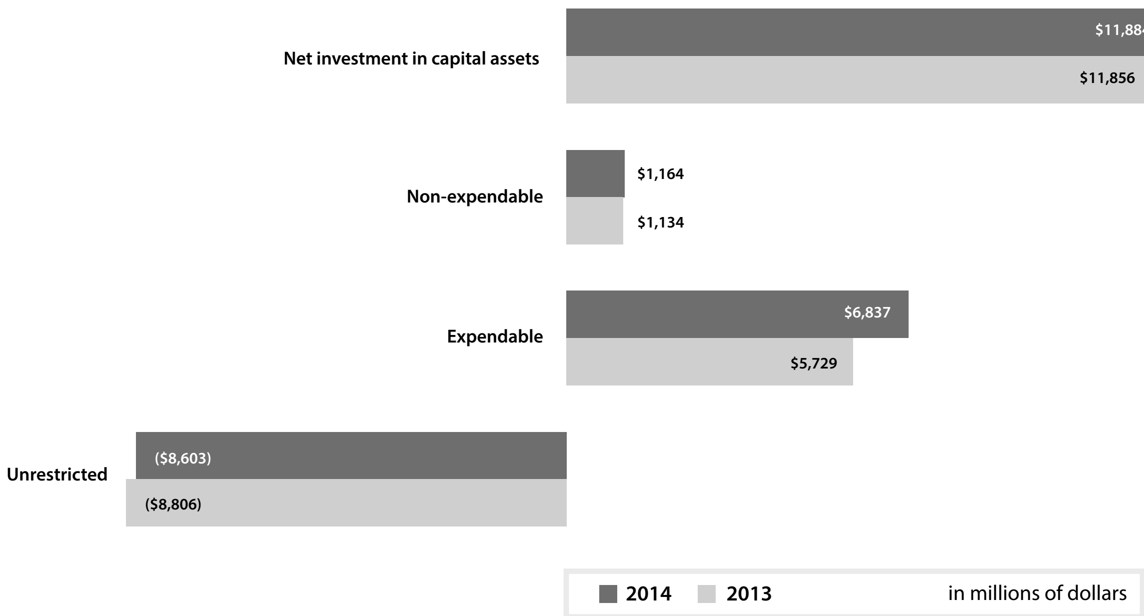
Other liabilities

Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, funds held for others, DOE laboratories' liabilities, federal refundable loans, self-insurance and obligations under life income agreements.

Deferred inflows of resources

Deferred inflows of resources are related to the University's service concession arrangements, gains on debt refundings and changes in the net pension liability. Deferred inflows of resources in 2014 increased by $2.8 billion due to higher than expected earnings on pension investments.

The University's Net Position



Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. The University's net position is $11.4 billion in 2014, compared to $9.9 billion in 2013. Net position was restated for 2013 as a result of adopting new accounting rules. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.

Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, is $11.9 billion in 2014 and 2013. The University continues to invest in its physical facilities.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of the University's permanent endowments and the estimated fair value of certain planned giving arrangements. In 2014 the increase in restricted nonexpendable net position was principally due to the receipt of new gifts.

Restricted, expendable

Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital projects; trustee held investments; or other third-party receipts. The increases or decreases in restricted, expendable funds are principally due to unrealized appreciation or depreciation respectively in the fair value of investments related to restricted gifts and funds functioning as endowments.

Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due to obligations for pension and retiree health benefits exceeding University reserves. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the University's reserves are allocated for academic and research initiatives or programs and for capital and other purposes. As of June 30, 2014, unrestricted net position is in a deficit position. The decrease in the deficit is due to changes in the net pension obligation related to strong financial market performance.

The University's Results of Operations

The statement of revenues, expenses and changes in net position is a presentation of the University's operating results. It indicates whether the financial condition has improved or deteriorated. In accordance with the Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. A summarized comparison of the operating results for 2014 and 2013, arranged in a format that matches the revenue supporting the core activities of the University with the expenses associated with core activities, is as follows:

(in millions of dollars)

	2014			2013		
	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL
REVENUES						
Student tuition and fees, net	$ 3,586		$ 3,586	$ 3,403		$ 3,403
State educational appropriations		$ 2,638	2,638		$2,154	2,154
Pell Grants		316	316		346	346
Grants and contracts, net	5,068		5,068	5,079		5,079
Medical centers, educational activities and auxiliary enterprises, net	11,751	2	11,753	10,890	3	10,893
Department of Energy laboratories	1,251		1,251	1,032		1,032
Private gifts, net		882	882		802	802
Investment income, net		313	313		366	366
Other revenues	712	92	804	696	294	990
Revenues supporting core activities	**22,368**	**4,243**	**26,611**	**21,100**	**3,965**	**25,065**
EXPENSES						
Salaries and benefits	16,976		16,976	17,532		17,532
Scholarships and fellowships	577		577	592		592
Utilities	290		290	281		281
Supplies and materials	2,543		2,543	2,465		2,465
Depreciation and amortization	1,710		1,710	1,555		1,555
Department of Energy laboratories	1,244		1,244	1,026		1,026
Interest expense		616	616		666	666
Other expenses	3,609	2	3,611	3,394	15	3,409
Expenses associated with core activities	**26,949**	**618**	**27,567**	**26,845**	**681**	**27,526**
Income (loss) from core activities	**$ (4,581)**	**$3,625**	**$ (956)**	**$ (5,745)**	**$3,284**	**$ (2,461)**
OTHER NONOPERATING ACTIVITIES						
Net appreciation in fair value of investments			1,828			727
Income before other changes in net position			**872**			**(1,734)**
OTHER CHANGES IN NET POSITION						
State capital appropriations			45			120
Capital gifts and grants, net			432			257
Permanent endowments			20			23
Increase (decrease) in net position			**1,369**			**(1,334)**
NET POSITION						
Beginning of year, as previously reported			9,913			17,745
Cumulative effect of accounting changes						(6,498)
Beginning of year, as restated			9,913			11,247
End of year			**$11,282**			**$ 9,913**

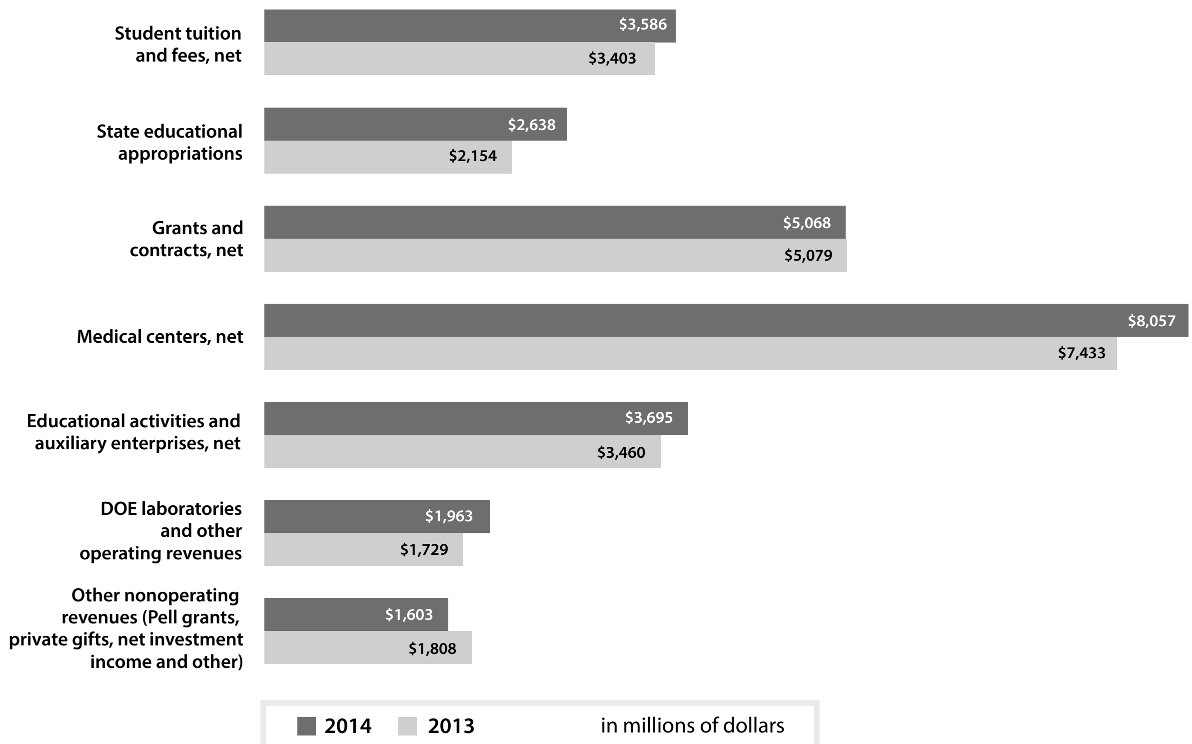
Revenues Supporting Core Activities

Revenues to support the University's core activities, including those classified as nonoperating revenues, were $26.6 billion and $25.1 billion in 2014 and 2013, respectively. These diversified sources of revenue increased by $1.5 billion in 2014.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of the University. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

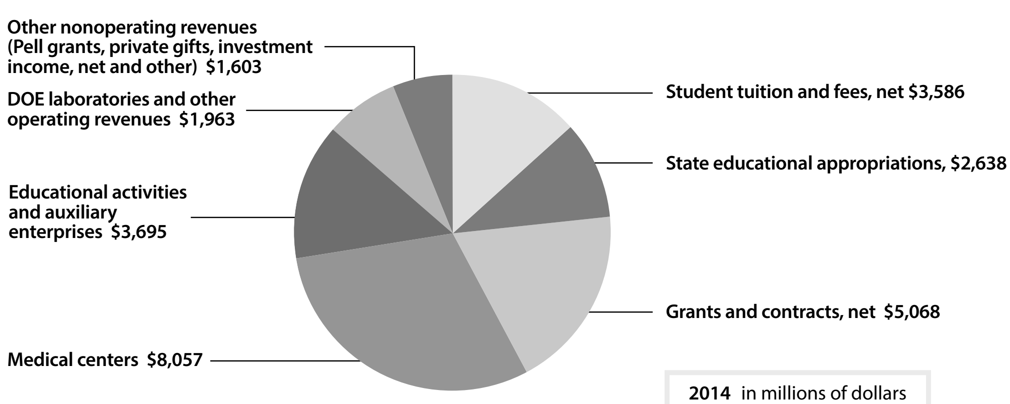
Gifts to the University allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from medical centers, educational activities and auxiliary enterprises such as student housing, food service operations and parking.

Revenues in the various categories have increased and decreased as follows:



A major financial strength of the University includes a diverse source of revenues, including those from student fees, federally sponsored grants and contracts, medical centers, the state of California, private support and self-supporting enterprises. The variety of fund sources has become increasingly important over the past several years given the effects of the state's financial crisis that required reductions in both instructional and non-instructional programs.

Categories of both operating and nonoperating revenue that supported the University's core activities in 2014 are as follows:



Student tuition and fees, net

Net student tuition and fees were $3.6 billion and $3.4 billion in 2014 and 2013, respectively. Student tuition and fees, net of scholarship allowances, increased by $182.9 million in 2014. Scholarship allowances were $1.1 billion in 2014 and $1.0 billion in 2013. Scholarship allowances are reported as an offset to revenue, not as an operating expense.

In 2014, enrollment grew by 2.3 percent. Mandatory tuition and fees for resident undergraduates were not changed in 2014. Certain nonresident undergraduates and resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline and some programs increased supplemental tuition levels in 2014.

State educational appropriations

Educational appropriations from the state of California were $2.6 billion and $2.2 billion in 2014 and 2013, respectively. State educational appropriations increased in 2014 by $483.4 million, as a result of tax initiatives approved by the voters of California in November 2012. In connection with the passage of these tax initiatives, the University did not raise tuition in 2013. Additionally, the state of California agreed to increase state educational appropriations in exchange for the reduction in state financing appropriations, which decreased with the refinancing of the Lease Revenue Bonds issued by the State Public Works Board of the state of California.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts — including an overall facilities and administration cost recovery of $978.4 million and $990.5 million in 2014 and 2013, respectively — were $5.1 billion in 2014 and 2013.

In 2014, federal grants and contracts revenue, including the federal facilities and administrative cost recovery of $709.6 million, decreased $22.1 million, or 0.3 percent as compared to 2013. Expiring federal grants and contracts funded from federal economic stimulus funds made available by the American Recovery and Reinvestment Act (ARRA) and federal budget cuts have slowed the University's growth in federal grants and contracts. Grant and contract revenue is from a variety of federal agencies as indicated below:

(in millions of dollars)

	2014	2013
Department of Health and Human Services	$1,902	$1,967
National Science Foundation	469	478
Department of Education	124	75
Department of Defense	256	271
National Aeronautics and Space Administration	102	94
Department of Energy (excluding national laboratories)	109	111
Other federal agencies	215	249
Federal grants and contracts net revenue	**$3,177**	**$3,245**

Medical centers, educational activities and auxiliary enterprises, net

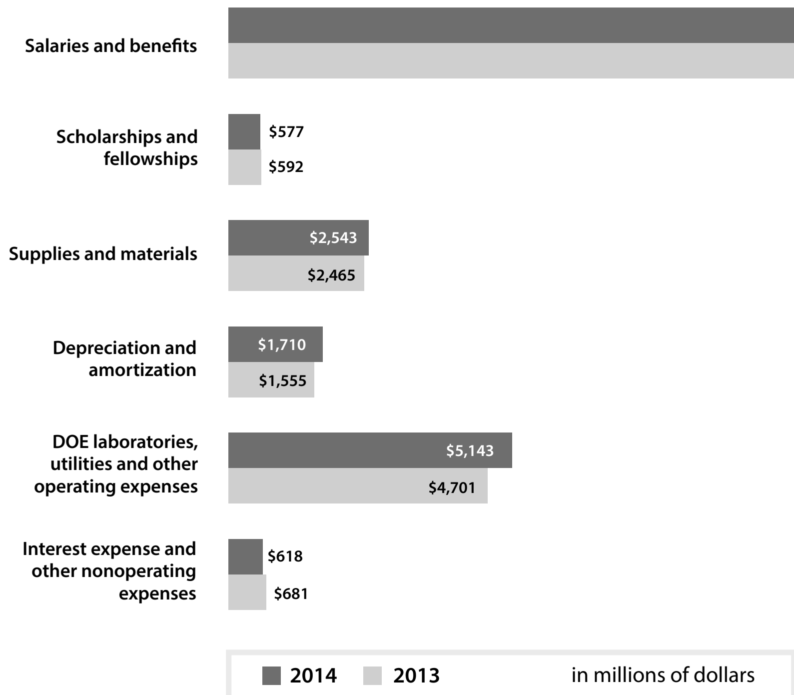
Medical center revenues, including state hospital fee grants and net of allowances, increased $624.1 million in 2014, or 8.4 percent. Revenues increased in 2014 due to higher patient volumes, a continuing increase in the complexity of cases, slight improvements in payor mix and higher reimbursement rates. In response to health care reform and increasing pension contributions, the medical centers continue to invest in expanding services and achieving efficiencies to maintain operating margins.

Revenue from education activities, primarily medical professional fees, net of allowances, grew by $189.2 million, or 8.4 percent in 2014. The growth is generally associated with an expanded patient base and higher rates from third-party payors.

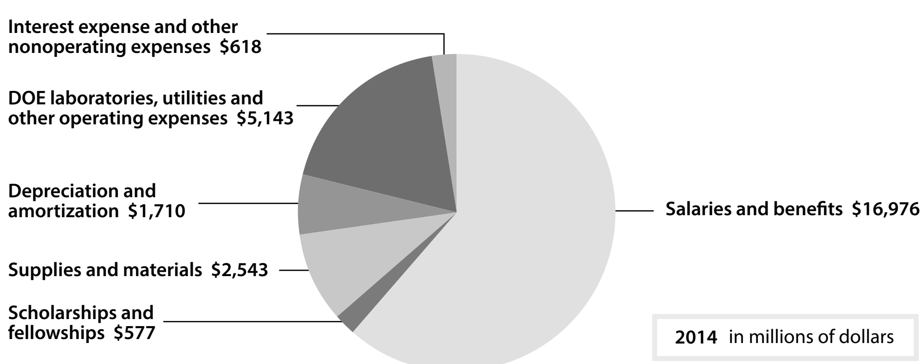
Expenses Associated with Core Activities

Expenses associated with the University's core activities, including those classified as nonoperating expenses, were $27.5 billion and $27.5 billion in 2014 and 2013, respectively. Expenses decreased by $61.0 million, primarily due to pension expenses which were offset by an increase in other operating expenses.

Expenses in the various categories are as follows:



Categories of both operating and nonoperating expenses related to the University's core activities in 2014 are as follows:



Salaries and benefits

Over 63 percent of the University's expenses were related to salaries and benefits. There were 142,000 full-time equivalent (FTE) employees in the University in 2014, excluding employees who were associated with LBNL whose salaries and benefits were included as laboratory expenses. Salaries and benefits decreased 1.9 percent in 2014 due to lower pension expense. In 2014, salaries increased 5.4 percent, 1.6 percent due to an increase in the number of FTEs and 3.8 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and post retirement health care benefits, increased by 4.3 percent in 2014, due to higher health insurance costs. Pension expense is lower due to investment gains on plan assets in excess of expected returns.

Scholarships and fellowships

The University places a high priority on student financial aid as part of its commitment to affordability. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense, decreased $14.4 million in 2014 as compared to the prior year.

Scholarship allowances, representing financial aid and fee waivers awarded by the University, were $1.9 billion and $1.8 billion in 2014 and 2013, respectively. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms increased by $47.8 million, or 2.6 percent in 2014.

Supplies and materials

During 2014, overall supplies and materials costs increased by $78.2 million, or 3.2 percent. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded research activity and increased medical patient volumes. The University continues to find opportunities to manage the costs of supplies and materials.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements and repairs and maintenance, plus any gain or loss on disposals of capital assets and other nonoperating expenses.

Operating Losses

In accordance with the GASB's reporting standards, operating losses were $4.6 billion in 2014 and $5.7 billion in 2013. The operating loss in 2014 was partially offset by $3.6 billion of net revenue that is required by the GASB to be classified as nonoperating, but clearly supports core operating activities of the University. Expenses associated with core activities in 2014 exceeded revenue available to support core activities by $1.0 billion.

Other Nonoperating Activities

The University's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses.

Net appreciation (depreciation) in fair value of investments

In 2014, the University recognized net appreciation in the fair value of investments of $1.8 billion compared to net $727.0 million during 2013. The University's portfolio showed positive performance in 2014 due to strong returns in both the equity and bond markets.

Other Changes in Net Position

Similar to other nonoperating activities discussed above, other changes in net position are also not available to support the University's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program. The University's enrollment growth requires new facilities, in addition to continuing needs for renewal, modernization and seismic correction of existing facilities. Capital appropriations from the state of California decreased by $74.7 million in 2014. Capital appropriations are from bond measures approved by the California voters.

THE UNIVERSITY OF CALIFORNIA DISCRETELY PRESENTED COMPONENT UNITS

Separate foundations at each individual campus provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern each of the foundations, they are affiliated with, and their assets are dedicated for, the benefit of the University of California.

In 2014, The Regents became the sole corporate member of Children's Hospital and Research Center Oakland (CHRCO), an existing 501(c)(3) corporation. CHRCO is considered a discretely presented component unit of the University, therefore, financial information for the discretely presented component units has been restated for 2013 for this change in reporting entity.

The Discretely Presented Component Units' Financial Position

The discretely presented component units' statement of net position presents their combined financial position at the end of the year. It displays all of the discretely presented component units' assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets, deferred outflows, liabilities, and deferred inflows is net position, representing a measure of the current financial condition of the discretely presented component units.

The major components of the combined assets, liabilities and net position of the discretely presented component units at June 30, 2014 and 2013 are as follows:

(in millions of dollars)

	2014	2013
ASSETS		
Investments	$6,704	$6,005
Investment of cash collateral	51	66
Accounts receivable, net	103	155
Pledges receivable, net	865	718
Capital assets, net	284	242
Other assets	245	233
Total assets	**8,252**	**7,419**
DEFERRED OUTFLOW OF RESOURCES	**5**	**4**
LIABILITIES		
Accounts payable and other current liabilities	158	158
Securities lending collateral	51	66
Obligation under life income agreements and funds held for others	383	368
Other noncurrent liabilities	109	155
Total liabilities	**701**	**747**
DEFERRED INFLOWS OF RESOURCES	**30**	**11**
NET POSITION		
Net investment in capital assets	282	176
Restricted:		
Nonexpendable	3,180	2,854
Expendable	3,851	3,350
Unrestricted	213	285
Total net position	**$7,526**	**$6,665**

Investments increased in 2014 due to the strong performance of the equity markets. The Board of Trustees for each campus foundation is responsible for its specific investment policy, although asset allocation guidelines are recommended to campus foundations by the Investment Committee of The Regents. The Boards of Trustees may determine that all or a portion of their investments will be managed by the University's Chief Investment Officer. The Chief Investment Officer managed $1.4 billion and $1.2 billion of the campus foundations' investments at the end of 2014 and 2013, respectively.

Restricted, nonexpendable net position includes the corpus of the campus foundations' permanent endowments and the estimated fair value of certain planned giving arrangements. Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and investment gains, subject to each individual campus foundation's spending policy; support received from gifts; trustee held investments; or other third-party receipts. New gifts and net appreciation in the fair value of investments were the primary reasons for the changes in value in 2014.

CHRCO operates a 190-bed inpatient acute care hospital, and outpatient facilities and clinics throughout the San Francisco Bay Area, as well as a pediatric research institute. CHRCO's assets consist primarily of patient receivables and capital assets. In 2014, capital assets increased due primarily to investments in an electronic medical record system. Liabilities include long-term debt, outstanding in 2013, which was refinanced in 2014 with $58.1 million of the University's commercial paper and pension liabilities for CHRCO's defined benefit retirement plan. CHRCO net position increased $12.3 million in 2014.

The Discretely Presented Component Units' Results of Operations

The discretely presented component units' combined statement of revenues, expenses and changes in net position is a presentation of their operating results for the year. It indicates whether their financial condition has improved or deteriorated during the year.

A summarized comparison of the operating results for 2014 and 2013 is as follows:

(in millions of dollars)

	2014	2013
OPERATING REVENUES		
Medical centers, net	$ 358	$ 405
Grants and contracts, net	50	56
Private gifts and other revenues	814	737
Total operating revenues	**1,222**	**1,198**
OPERATING EXPENSES		
Salaries and benefits	291	272
Supplies and materials	42	38
Depreciation and amortization	30	22
Grants to campuses and other expenses	1,101	826
Total operating expenses	**1,464**	**1,158**
Operating income (loss)	**(242)**	**40**
NONOPERATING REVENUES (EXPENSES)		
Investment income	94	68
Net appreciation in fair value of investments	677	484
Other nonoperating revenues	17	11
Income before other changes in net position	**546**	**603**
OTHER CHANGES IN NET POSITION		
Capital gifts and grants, net	41	37
Permanent endowments	274	185
Increase in net position	**861**	**825**
NET POSITION		
Beginning of year, as previously reported	6,665	5,500
Cumulative effect of accounting and reporting entity changes		340
Beginning of year, as restated	6,665	5,840
End of year	**$7,526**	**$ 6,665**

Operating revenues generally consist of current-use gifts, including pledges and income from other fundraising activities, although they do not include additions to permanent endowments and endowment income. Operating revenues fluctuate based upon fundraising campaigns conducted by the campus foundations during the year.

Operating expenses generally consist of grants to University campuses, comprised of current-use gifts and endowment income and other expenses, including gift fees. Grants to campuses typically follow the pattern indicated by private gift revenue; however, the campuses' programmatic needs are also taken into consideration, subject to abiding by the restricted purposes of gifts to the endowment and the amounts available for grants in any particular year.

Grants to the campuses can only be made when the cash is received and, in addition, also include endowment investment income, classified as nonoperating income. Therefore, operating losses can occur when grants distributed to the campuses in any particular year exceed private gift revenue.

CHRCO's operating loss for 2014 was $55.8 million as compared to operating income of $18.4 million in 2013. The operating loss is a result of declining revenues due to the expiration in 2013 of supplemental state health care reimbursement programs in addition to cost increases due to inflation. The operating loss is offset by gifts and investment returns.

THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

UCRS is a valuable component of the comprehensive benefits package offered to employees of the University. UCRS consists of the University of California Retirement Plan (UCRP), a defined benefit plan for members; the University of California Retirement Savings Program (UCRSP) that includes four defined contribution plans (Defined Contribution Plan, Supplemental Defined Contribution Plan, 403(b) Plan and 457(b) Plan) to complement the defined benefit plan, with several investment portfolio options for participants' elective and non-elective contributions; and the California Public Employees Retirement System (PERS) Voluntary Early Retirement Incentive Plan (PERS-VERIP) for certain University employees that were members of PERS who elected early retirement.

UCRS' Financial Position and Result of Operations

The statement of plans' fiduciary net position presents the financial position of UCRS at the end of the fiscal year. It displays all of the retirement system's assets, liabilities and net position. The difference between assets and liabilities is the net position held in trust for pension benefits. These represent amounts available to provide pension benefits to members of UCRP and participants in the defined contribution plans and PERS-VERIP. At June 30, 2014, the UCRS' assets were $80.8 billion, liabilities $7.9 billion and net position held in trust for pension benefits $72.9 billion, an increase of $9.7 billion from 2013.

The major components of the assets, liabilities and net position available for pension benefits for 2014 and 2013 are as follows:

(in millions of dollars)

	2014	2013
ASSETS		
Investments	$68,748	$60,105
Participants' interests in mutual funds	5,044	3,739
Investment of cash collateral	6,563	6,540
Other assets	464	438
Total assets	**80,819**	**70,822**
LIABILITIES		
Securities lending collateral	6,562	6,540
Other liabilities	1,359	1,085
Total liabilities	**7,921**	**7,625**
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Members' defined benefit plan benefits	52,854	45,405
Participants' defined contribution plan benefits	20,044	17,792
Total net position held in trust for pension benefits	**$72,898**	**$63,197**

The statement of changes in the plans' fiduciary net position is a presentation of the UCRS' operating results. It indicates whether the financial condition has improved or deteriorated during the year. A summarized comparison of the operating results for 2014 and 2013 is as follows:

(in millions of dollars)

	2014	2013
ADDITIONS (REDUCTIONS)		
Contributions	$ 3,216	$2,176
Net appreciation (depreciation) in fair value of investments	9,137	5,106
Investment and other income, net	1,347	1,255
Total additions (reductions)	**13,700**	**8,537**
DEDUCTIONS		
Benefit payments and participant withdrawals	3,953	3,761
Plan expenses	46	45
Total deductions	**3,999**	**3,806**
Increase in net position held in trust for pension benefits	**$ 9,701**	**$4,731**

The Regents utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. The overall investment gain based upon unit values for UCRS was 14.0 percent in 2014 compared to an investment gain of 11.0 percent in 2013.

The participants' interests in mutual funds, representing defined contribution plan contributions to certain mutual funds on a custodial plan basis, fluctuate based upon market performance of the mutual funds and participant investment elections.

UCRS participates in the University's securities lending program as a means to augment income. All borrowers are required to provide collateral and the University records a liability to the borrower for cash collateral received and held by the University for securities on loan at the end of the year. Investments in cash collateral and the securities lending collateral liability fluctuate in response to changes in demand from borrowers and the availability of securities based upon the UCRS asset allocation mix.

Contributions to UCRP in 2014 and 2013 were $3.2 and $2.2 billion, respectively, due to increased employer and employee contribution rates. Additional deposits of $700 million were made by the University to UCRP in July 2014, subsequent to year-end.

Benefit payments and participant withdrawals were $192.0 million more in 2014 than in 2013. Payments from UCRP increase each year due to a growing number of retirees receiving payments and cost-of-living adjustments. Benefit payments from UCRSP fluctuate based upon member withdrawals. At the beginning of 2014, there were 64,200 retirees and beneficiaries receiving payments from UCRS as compared to 58,900 at the beginning of 2013.

As of July 1, 2013, the date of the most recent actuarial report, UCRP's overall funded ratio was 76.0 percent compared to 79.0 percent as of July 1, 2012. The decrease in the funded status ratio for 2013 is primarily attributable to recognition of investment losses from previous years and actual contribution less than expected.

Additional information on the retirement plans can be obtained from the 2014 annual reports of the University of California Retirement System by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

THE UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)

The UCRHBT was established on July 1, 2007 to allow certain University locations — primarily campuses and medical centers — that share the risks, rewards and costs of providing for retiree health benefits to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The University contributes toward retiree medical and dental benefits, although it does not contribute toward the cost of other benefits available to retirees. The DOE laboratories do not participate in the UCRHBT, therefore the DOE has no interest in the trust's assets.

UCRHBT's Financial Position and Result of Operations

The statement of trust's fiduciary net position presents the financial position of the UCRHBT at the end of the fiscal year. It displays all of the UCRHBT's assets, liabilities and net position. The difference between assets and liabilities is the net position held in trust for retiree health benefits. This represents amounts available to provide retiree health benefits to participants.

The major components of the assets, liabilities and net position available for retiree health benefits for 2014 and 2013 are as follows:

(in millions of dollars)

	2014	2013
ASSETS		
Investments	$37	$ 8
Other assets	39	40
Total assets	**76**	**48**
LIABILITIES		
Total liabilities	**11**	**4**
NET POSITION HELD IN TRUST FOR RETIREE HEALTH BENEFITS		
Total net position held in trust for retiree health benefits	**$65**	**$44**

The statement of changes in trust's fiduciary net position is a presentation of the UCRHBT's operating results. It indicates whether the financial condition has improved or deteriorated during the year. Summarized operating results for 2014 and 2013 are as follows:

(in millions of dollars)

	2014	2013
ADDITIONS		
Contributions	$343	$268
Total additions	**343**	**268**
DEDUCTIONS		
Insurance premiums and payments	318	310
Plan expenses	4	3
Total deductions	**322**	**313**
Increase (decrease) in net position held in trust for retiree health benefits	**$ 21**	**$ (45)**

Contributions for retiree health benefits are made by the campuses and medical centers based upon projected pay-as-you-go financing. The University acts as a third-party administrative agent on behalf of the UCRHBT to pay health care insurers and administrators amounts currently due.

The retiree health benefits provided under the University's plan and any liabilities related to the future funding requirements for the retiree health benefits are reported by the University. The unfunded actuarial accrued liability for eligible participants as of July 1, 2013, the date of the latest actuarial valuation, was $13.3 billion.

LOOKING FORWARD

The University of California is a world center of learning, known for generating a steady stream of talent, knowledge and social benefits, and has always been at the center of California's capacity to innovate. The excellence of its programs attracts the best students, leverages hundreds of millions of dollars in state, federal and private funding and promotes discovery of new knowledge that fuels economic growth.

The University's variety of funding sources has become increasingly important over the past several years given the effects of the state financial crisis. In June 2013, the Legislature approved the governor's 2014 budget recommendation for a multi-year funding plan that will provide an annual base budget increase beginning with 5 percent in 2014, another 5 percent in 2015, 4 percent in 2016 and another 4 percent in 2017. This multi-year funding plan is intended to provide the University with fiscal stability after five years of severe reductions in state educational appropriations. In exchange for this long-term stability, the University commits to focus its resources to address long-term accountability goals for accessibility, student fees, financial aid and performance outcome measures.

The University remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over two-thirds of the University's federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. Other agencies that figure prominently in the University's awards are the Department of Education, Department of Defense, the National Aeronautics and Space Administration and the Department of Energy. While the federal government works through its own financial constraints, there is a bipartisan effort underway to focus on innovation and competitiveness for the nation. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

Currently, the University does not pre-fund retiree health benefits and provides for benefits on a pay-as-you-go basis. The unfunded liability for the campuses and medical centers as of the July 1, 2013 actuarial valuation was $13.2 billion. The Regents approved a new eligibility formula for the Retiree Health Plan for all employees hired on or after July 1, 2013, and non-grandfathered members, that is based on a graduated formula using both a member's age and years of Retirement Plan service credit upon retirement, subject to collective bargaining for represented members.

UCRP costs are funded by a combination of investment earnings, employee member and employer contributions. The unfunded liability for the campuses and medical centers as of the July 1, 2014 actuarial valuation was $7.6 billion or 80.0 percent funded. Total funding policy contributions in the July 1, 2014 actuarial valuation represents 29.0 percent of covered compensation in July 2013. Member contributions for the employees in the new benefit tier are 7.0 percent, and the employer rate is uniform across all members. On July 1, 2014 employer contributions increased to 14.0 percent and employee contributions to 8.0 percent. In July 2014, The Regents authorized additional contributions of $700 million to UCRP, representing the difference between the contribution rates and the funding requirements, to improve the Plan's funded status. The additional $700 million contribution to UCRP is projected to result in a 95.0 percent funded status by July 1, 2042.

The University's medical centers have demonstrated very positive financial results, although they continue to face financial and competitive challenges in their regional markets, along with the added costs and responsibilities related to their function as academic institutions. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, the University's medical centers also face additional costs associated with new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the medical centers.

The University must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess its long-term capital requirements. The support for the University's capital program will be provided from a combination of sources, including the state of California, external financing, gifts and other sources.

Additional budget information can be found at http://universityofcalifornia.edu/news/budget/welcome.html. Additional information concerning state budget matters and the state's financial condition may be found on the website of the state of California Department of Finance at http://www.dof.ca.gov.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the University, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the University expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The University does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Independent Auditors' Report

THE BOARD OF REGENTS
UNIVERSITY OF CALIFORNIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the University of California (the University), a component unit of the State of California, its aggregate discretely component units, the University of California Retirement System, and the University of California Retiree Health Benefit Trust, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, listed in the table of contents as pages 38 through 99.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of California San Francisco Foundation, which represent 16% and 20% of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of California San Francisco Foundation, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University, its aggregate discretely presented component units, the University of California Retirement System, and the University of California Retiree Health Benefit Trust as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Adoption of New Accounting Pronouncements

As discussed in the significant accounting policies Note to the financial statements, in 2014, the University of California adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Change in Reporting Entity

As discussed in the financial reporting entity Note to the financial statements, in 2014, the University of California changed its reporting entity to include the Children's Hospital and Research Center Oakland as a discretely presented component unit. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 16 through 33, and the schedules of changes in net pension liability, net pension liability, employers' contributions and funding progress on pages 100 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

ORANGE COUNTY, CALIFORNIA
NOVEMBER 5, 2014

UNIVERSITY OF CALIFORNIA

STATEMENTS OF NET POSITION

At June 30, 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
ASSETS		
Cash and cash equivalents	$ 140,429	$ 182,282
Short-term investments	3,334,675	473,756
Investment of cash collateral	848,436	35,695
Investments held by trustees	24,619	
Accounts receivable, net	3,000,773	103,053
Pledges receivable, net	26,833	222,531
Current portion of notes and mortgages receivable, net	43,497	5
Inventories	189,758	4,857
Department of Energy receivable	97,342	
Other current assets	197,358	11,316
Current assets	**7,903,720**	**1,033,495**
Investments	18,206,378	6,230,614
Investment of cash collateral	369,718	15,554
Investments held by trustees	864,148	
Pledges receivable, net	34,780	642,337
Notes and mortgages receivable, net	321,665	1,296
Department of Energy receivable	1,488,634	
Capital assets, net	27,361,525	283,632
Other noncurrent assets	217,453	44,868
Noncurrent assets	**48,864,301**	**7,218,301**
Total assets	**56,768,021**	**8,251,796**
DEFERRED OUTFLOWS OF RESOURCES	**3,700,014**	**5,445**
LIABILITIES		
Accounts payable	1,357,675	44,319
Accrued salaries	990,371	6,894
Employee benefits	439,902	3,033
Unearned revenue	1,028,673	32,804
Collateral held for securities lending	1,217,834	51,249
Commercial paper	993,650	
Current portion of long-term debt	1,186,884	
Funds held for others	319,324	241,685
Department of Energy laboratories' liabilities	81,305	
Other current liabilities	1,273,403	70,739
Current liabilities	**8,889,021**	**450,723**
Federal refundable loans	232,878	
Self-insurance	443,040	16,091
Obligations under life income agreements	28,700	140,818
Long-term debt	15,850,215	
Pension obligations	7,713,863	11,212
Obligations for retiree health benefits	8,440,303	
Other noncurrent liabilities	510,247	81,677
Noncurrent liabilities	**33,219,246**	**249,798**
Total liabilities	**42,108,267**	**700,521**
DEFERRED INFLOWS OF RESOURCES	**7,077,909**	**30,653**
NET POSITION		
Net investment in capital assets	11,884,373	282,434
Restricted:		
Nonexpendable: Endowments and gifts	1,120,368	3,179,940
Nonexpendable: Reserved for minority interests	43,343	
Expendable: Endowments and gifts	6,055,394	3,848,154
Expendable: Other, including debt service, loans, capital projects and appropriations	781,710	2,284
Unrestricted	(8,603,329)	213,255
Total net position	**$11,281,859**	**$7,526,067**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
OPERATING REVENUES		
Student tuition and fees, net	$ 3,585,859	
Grants and contracts, net:		
Federal	3,176,902	$ 20,364
State	460,540	416
Private	1,180,867	27,038
Local	249,924	1,685
Medical centers, net	8,055,683	357,823
Educational activities, net	2,378,484	
Auxiliary enterprises, net	1,316,419	
Department of Energy laboratories	1,250,820	
Campus foundation private gifts		789,573
Other operating revenues, net	712,141	24,759
Total operating revenues	**22,367,639**	**1,221,658**
OPERATING EXPENSES		
Salaries and wages	12,034,140	228,001
Pension benefits	1,285,997	5,703
Retiree health benefits	1,216,648	296
Other employee benefits	2,439,123	57,655
Supplies and materials	2,543,340	41,628
Depreciation and amortization	1,709,672	29,940
Department of Energy laboratories	1,244,335	
Scholarships and fellowships	577,212	
Utilities	290,444	
Campus foundation grants		958,873
Other operating expenses	3,608,153	142,016
Total operating expenses	**26,949,064**	**1,464,112**
Operating loss	**(4,581,425)**	**(242,454)**
NONOPERATING REVENUES (EXPENSES)		
State educational appropriations	2,637,896	
State financing appropriations	458	
State hospital fee grants	1,558	
Build America Bonds federal interest subsidies	59,327	
Federal Pell Grants	316,064	
Private gifts, net	881,648	8,966
Investment income:		
Short Term Investment Pool and other, net	230,019	
Endowment, net	76,226	
Securities lending, net	6,949	363
Discretely presented component units		94,343
Net appreciation in fair value of investments	1,827,628	677,302
Interest expense	(615,556)	(1,444)
Loss on disposal of capital assets	(2,152)	
Other nonoperating revenues, net	33,440	9,156
Net nonoperating revenues	**5,453,505**	**788,686**
Income before other changes in net position	**872,080**	**546,232**
OTHER CHANGES IN NET POSITION		
Capital gifts and grants, net	431,836	41,628
State capital appropriations	44,961	
Permanent endowments	20,236	273,503
Increase in net position	**1,369,113**	**861,363**
NET POSITION		
Beginning of year, as previously reported	16,649,672	6,245,822
Cumulative effect of accounting and reporting entity changes	(6,736,926)	418,882
Beginning of year, as restated	9,912,746	6,664,704
End of year	**$11,281,859**	**$7,526,067**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CASH FLOWS

Year ended June 30, 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 3,567,031	
Grants and contracts	5,556,286	
Medical centers	8,053,684	$ 375,273
Educational activities	2,387,096	
Auxiliary enterprises	1,320,755	
Collection of loans from students and employees	65,731	
Campus foundation private gifts		539,013
Payments to employees	(11,933,305)	(196,996)
Payments to suppliers and utilities	(6,122,274)	(171,868)
Payments for pension benefits	(1,578,009)	(14,500)
Payments for retiree health benefits	(298,594)	(250)
Payments for other employee benefits	(2,486,814)	(83,132)
Payments for scholarships and fellowships	(576,989)	
Loans issued to students and employees	(75,060)	
Payments to campuses and beneficiaries		(972,923)
Other receipts	470,717	87,793
Net cash used by operating activities	**(1,649,745)**	**(437,590)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State educational appropriations	2,641,928	
Federal Pell Grants	315,887	
State hospital fee grants	1,558	
Gifts received for other than capital purposes:		
Private gifts for endowment purposes	21,527	236,969
Other private gifts	867,765	8,731
Receipt of retiree health contributions from UCRP	44,114	
Payment of retiree health contributions to UCRHBT	(43,695)	
Receipts from UCRHBT	304,565	
Payments for retiree health benefits made on behalf of UCRHBT	(306,114)	
Student direct lending receipts	908,900	
Student direct lending payments	(908,875)	
Commercial paper financing:		
Proceeds from issuance	15,893	
Payments of principal	(304,277)	
Interest paid on debt	(10,972)	
Other receipts (payments)	32,778	(9,668)
Net cash provided by noncapital financing activities	**3,580,982**	**236,032**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Commercial paper financing:		
Proceeds from issuance	699,999	
Payments of principal	(1,024,480)	
Interest paid	(1,715)	
State capital appropriations	55,544	
State financing appropriations	1,832	
Build America Bonds federal interest subsidies	56,708	
Capital gifts and grants	358,061	43,475
Proceeds from debt issuance	1,891,948	58,120
Proceeds from the sale of capital assets	14,568	232
Purchase of capital assets	(2,323,307)	(70,411)
Refinancing or prepayment of outstanding debt	(43,843)	(59,207)
Scheduled principal paid on debt and capital leases	(413,044)	(7,444)
Interest paid on debt and capital leases	(787,427)	(2,988)
Advances from the University for prepayment of outstanding debt		
Net cash used by capital and related financing activities	**$(1,515,156)**	**$ (38,223)**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CASH FLOWS *continued*

Year ended June 30, 2014 *(in thousands of dollars)*	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 67,865,326	$ 1,557,669
Purchase of investments	(68,658,229)	(1,374,549)
Investment income, net of investment expenses	323,030	65,804
Net cash provided (used) by investing activities	**(469,873)**	**248,924**
Net increase (decrease) in cash and cash equivalents	**(53,792)**	**9,143**
Cash and cash equivalents, beginning of year	194,221	173,139
Cash and cash equivalents, end of year	**$ 140,429**	**$ 182,282**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating (loss)	$ (4,581,425)	$ (242,454)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	1,709,672	29,940
Noncash gifts		(77,175)
Allowance for doubtful accounts	348,037	21,049
Loss on impairment of capital assets	11,202	
Change in assets and liabilities:		
Accounts receivable	(451,523)	6,218
Pledges receivable		(159,793)
Investments held by trustees	(33,948)	
Inventories	(3,767)	(390)
Other assets	(6,093)	(371)
Accounts payable	62,006	2,262
Accrued salaries	64,570	51
Employee benefits	43,999	
Unearned revenue	78,580	2,125
Self-insurance	12,779	2,618
Obligations to life beneficiaries		(15,139)
Pension obligations	(446,924)	(9,704)
Obligations for retiree health benefits	862,938	
Department of Energy	615,859	
Other liabilities	64,293	3,173
Net cash used by operating activities	**$ (1,649,745)**	**$ (437,590)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION		
Capital assets acquired through capital leases	$ 36,470	
Capital assets acquired with a liability at year-end	82,625	
Change in fair value of interest rate swaps classified as hedging derivatives	(29,481)	
Gifts of capital assets	69,115	
Other noncash gifts	27,136	$ 105,779
Other borrowings from conversion of interest rate swap to hedging derivative	14,025	
Debt service for, or refinancing of, lease revenue bonds:		
Principal paid	(2,406,740)	
Interest paid	(14,000)	
Proceeds from general revenue bonds used to refinance lease revenue bonds:		
Principal received	2,389,830	
Bond premium received	185,534	
Investments held by trustee used to refinance lease revenue bonds	180,303	
Interest added to principal		27,917
Beneficial interest in charitable remainder trust		91

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF PLANS' AND TRUST'S FIDUCIARY NET POSITION

At June 30, 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)	UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)	TOTAL UCRS AND UCRHBT
ASSETS			
Investments	$68,747,604	$37,125	$68,784,729
Participants' interests in mutual funds	5,044,424		5,044,424
Investment of cash collateral	6,563,272		6,563,272
Participant 403(b) loans	170,215		170,215
Accounts receivable:			
Contributions from University and affiliates	135,279	22,961	158,240
Investment income	85,911		85,911
Securities sales and other	72,006	3	72,009
Prepaid insurance premiums		16,390	16,390
Total assets	**80,818,711**	**76,479**	**80,895,190**
LIABILITIES			
Payable to University		11,295	11,295
Payable for securities purchased	1,083,699		1,083,699
Member withdrawals, refunds and other payables	275,415		275,415
Collateral held for securities lending	6,561,614		6,561,614
Total liabilities	**7,920,728**	**11,295**	**7,932,023**
NET POSITION HELD IN TRUST			
Members' defined benefit plan benefits	52,853,829		52,853,829
Participants' defined contribution plan benefits	20,044,154		20,044,154
Retiree health benefits		65,184	65,184
Total net position held in trust	**$72,897,983**	**$65,184**	**$72,963,167**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF CHANGES IN PLANS' AND TRUST'S FIDUCIARY NET POSITION

Year ended June 30, 2014 *(in thousands of dollars)*	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)	UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)	TOTAL UCRS AND UCRHBT
ADDITIONS (REDUCTIONS)			
Contributions:			
Members and employees	$ 1,628,638		$ 1,628,638
Retirees		$ 47,722	47,722
University	1,587,074	295,673	1,882,747
Total contributions	**3,215,712**	**343,395**	**3,559,107**
Investment income (expense), net:			
Net appreciation in fair value of investments	9,137,618		9,137,618
Interest, dividends and other investment income	1,304,521	13	1,304,534
Securities lending income	47,664		47,664
Securities lending fees and rebates	(7,454)		(7,454)
Total investment income, net	**10,482,349**	**13**	**10,482,362**
Interest income from contributions receivable	2,361		2,361
Total additions	**13,700,422**	**343,408**	**14,043,830**
DEDUCTIONS			
Benefit payments:			
Retirement payments	1,875,734		1,875,734
Member withdrawals	109,486		109,486
Cost-of-living adjustments	370,000		370,000
Lump sum cash outs	253,807		253,807
Preretirement survivor payments	41,995		41,995
Disability payments	33,411		33,411
Death payments	8,276		8,276
Participant withdrawals	1,260,155		1,260,155
Total benefit payments	**3,952,864**		**3,952,864**
Insurance premiums:			
Insured plans		244,461	244,461
Self-insured plans		60,702	60,702
Medicare Part B reimbursements		13,327	13,327
Total insurance premiums, net		**318,490**	**318,490**
Other deductions:			
Plan administration	42,374	4,034	46,408
Other	4,077		4,077
Total other deductions	**46,451**	**4,034**	**50,485**
Total deductions	**3,999,315**	**322,524**	**4,321,839**
Increase in net position held in trust	**9,701,107**	**20,884**	**9,721,991**
NET POSITION HELD IN TRUST			
Beginning of year	63,196,876	44,300	63,241,176
End of year	**$ 72,897,983**	**$ 65,184**	**$72,963,167**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

Notes to Financial Statements

Year ended June 30, 2014

ORGANIZATION

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's general purpose financial statements as a component unit.

FINANCIAL REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The University's financial statements include the accounts of ten campuses, five medical centers, a statewide agricultural extension program and the operations of most student government or associated student organizations as part of the primary financial reporting entity because The Regents has certain fiduciary responsibility for these organizations. In addition, the financial position and operating results of certain other legally separate organizations are included in the University's financial reporting entity on a blended basis if The Regents is determined to be financially accountable for the organization. Organizations that are not significant or for which the University is not financially accountable, such as booster and alumni organizations are not included in the reporting entity. However, cash invested with the University by these organizations, along with the related liability, is included in the statement of net position. The statement of revenues, expenses and changes in net position excludes the activities associated with these organizations.

The University has ten legally separate, tax-exempt, affiliated campus foundations. The economic resources received or held by the foundations are entirely for the benefit of the campuses. Because of the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under GASB requirements as discretely presented component units of the University. On January 1, 2014, The Regents became the sole corporate and voting member of CHRCO, an existing legally separate 501(c)(3) corporation. A Board of Directors comprised primarily of independent directors serves as the governing body of CHRCO. Certain corporate powers are reserved to The Regents, including the power to appoint and remove directors and to approve CHRCO's strategic plan and budget. Children's Hospital & Research Center Foundation, a nonprofit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. San Francisco provides certain management services for CHRCO. Since the University has the ability to impose its will on CHRCO, under GASB requirements, CHRCO, combined with its foundation, is a discretely presented component unit of the University. Financial information for CHRCO is presented to retroactively apply this change in accounting entity. The ten campus foundations and CHRCO combined are reported as discretely presented component units in financial statements.

Specific assets and liabilities and all revenues and expenses associated with the Lawrence Berkeley National Laboratory (LBNL), a major United States Department of Energy (DOE) national laboratory operated and managed by the University under contract directly with the DOE, are included in the financial statements.

The Regents has fiduciary responsibility for the University of California Retirement System (UCRS) that includes two defined benefit plans, the University of California Retirement Plan (UCRP) and the University of California Public Employees' Retirement System (PERS) Voluntary Early Retirement Incentive Plan (PERS–VERIP), and four defined contribution plans in the University of California Retirement Savings Program (UCRSP), consisting of the Defined Contribution Plan (DC Plan), the Supplemental Defined Contribution Plan (SDC Plan), the Tax-Deferred 403(b) Plan (403(b) Plan) and the 457(b) Deferred Compensation Plan (457(b) Plan). As a result, the UCRS statements of plans' fiduciary net position and changes in plans' fiduciary net position are shown as a fiduciary fund in the University's financial statements.

The Regents also has fiduciary responsibility for the University of California Retiree Health Benefit Trust (UCRHBT). The UCRHBT statements of trust's fiduciary net position and changes in trust's fiduciary net position are shown separately in the University's financial statements. UCRHBT allows certain University locations and affiliates, primarily campuses and medical centers that share the risks, rewards and costs of providing for retiree health benefits, to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the Trust.

Significant Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the Governmental Accounting Standards Board (GASB).

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective for the University's fiscal year beginning July 1, 2013. This Statement reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as expenses, certain items that were previously reported as assets and liabilities.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, effective for the University's fiscal year beginning July 1, 2013. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, effective for the University's fiscal year beginning July 1, 2013. This Statement revises existing standards for financial reporting for pension plans by changing the approach to measuring the net pension liability. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Statement No. 67 affects the information presented in the footnotes to the financial statements and required supplementary information for UCRP.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the University's fiscal year beginning July 1, 2014. The University has elected to early implement this Statement, effective July 1, 2013. This Statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by the University to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* effective for the University's fiscal year beginning July 1, 2014. This Statement establishes standards for accounting and financial reporting of government combinations and disposals of government operations. Government combinations include mergers, acquisitions and transfers of operations of government or nongovernment entities to a continuing government. The Statement includes guidance for measuring the assets and liabilities that are acquired in a combination, either with or without consideration. The provisions of this Statement are applicable on a prospective basis to combinations that occur after the effective date.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the University's fiscal year beginning July 1, 2013. This Statement establishes standards for recording a liability when a government extends a nonexchange financial guarantee for the obligations of another government, a not-for-profit organization, a private entity or an individual without receiving equal or nearly equal value in exchange. As part of the nonexchange financial guarantee, the government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. This standard requires the government that extends a nonexchange financial guarantee to record a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for the University concurrently with the implementation of GASB Statement No. 68. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that Statement by employers and nonemployer contributing entities.

Implementation of Statements Nos. 66, 67, 69, 70 and 71 had no effect on the University's beginning net position. The adoption of Statements Nos. 65 and 68 did not result in any adjustments to the financial statements for the discretely presented component units, UCRS or UCRHBT. To implement Statement No. 65, the University reclassified losses on debt refundings to deferred outflows of resources and wrote-off unamortized bond issuance costs as of July 1, 2013. To implement Statement No. 68, the University recorded the net pension liabilities for its defined benefit plans. The CHRCO financial data is presented in accordance with the new accounting standards described above. The impact on the University's net position as of June 30, 2013 of adopting Statements Nos. 65 and 68, as well as the change in reporting entity related to CHRCO, was as follows:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
Cumulative effect on net position of:		
Adoption of Statement No. 65	$ (97,992)	
Adoption of Statement No. 68	(6,638,934)	
Change in reporting entity		$418,882
Total	**$(6,736,926)**	**$418,882**

The significant accounting policies of the University are as follows:

Cash and cash equivalents. The University and the discretely presented component units consider all balances in demand deposit accounts to be cash. The University classifies all other highly liquid cash equivalents with original maturities less than one year, as short-term investments. Certain campus foundations classify their deposits in the University's Short Term Investment Pool as a cash equivalent.

Investments. Investments are recorded at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds and real estate. Private equities include venture capital partnerships, buyout and international funds. Fair values for interests in private equity, absolute value partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. Interests in certain direct investments in real estate are estimated based upon independent appraisals. Because the private equity, real estate and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investment existed.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the University's statement of revenues, expenses and changes in net position.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded at estimated fair value at the date of donation.

Campus foundations may invest all or a portion of their investments in University-managed investment pools. Securities in these investment pools are included in the University's security lending program. Accordingly, the campus foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and displayed in the discretely presented component units' column.

Funds held by trustees. The University and its discretely presented component units have been named the irrevocable beneficiary for several charitable remainder trusts for which the University and its discretely presented component units are not the trustee. Upon maturity of each trust, the remainder of the trust corpus will be transferred to the University or the campus foundation. These funds cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. The University and its discretely presented component units are also an income beneficiary of certain trusts where the assets are invested and administered by outside trustees.

Consistent with the University's and its discretely presented component units recognition policy for pledges of endowment, receivables and contribution revenue associated with these trusts are not reflected in the accompanying financial statements. The University and its discretely presented component units recognize contribution revenue when all eligibility requirements have been met.

Derivative financial instruments. Derivative instruments are recorded at estimated fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options and swaptions are valued at the last sales price on the last day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows.

The University has entered into interest rate swap agreements to limit the exposure of its variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Derivatives are recorded at estimated fair value as either assets or liabilities in the statement of net position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation in fair value of investments in the statement of revenues, expenses and changes in net position.

Participants' interests in mutual funds. Participants in the University's defined contribution retirement plans may invest their account balances in funds managed by the University's Chief Investment Officer or in certain mutual funds.

Accounts receivable, net. Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts, educational activities and amounts due from students, employees and faculty for services.

Pledges receivable, net. Unconditional pledges of private gifts to the University or to the discretely presented component units, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the net present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met. Receivables and contribution revenue associated with externally held investment trusts are not reflected in the accompanying financial statements. The University recognizes contribution revenue when all eligibility requirements have been met.

Notes and mortgages receivable, net. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short Term Investment Pool and from other University sources. Mortgage loans provided by the Short Term Investment Pool are classified as investments and loans provided by other sources are classified as mortgages receivable in the statement of net position.

Inventories. Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value.

DOE national laboratories. The University operates and manages LBNL under a contract directly with the DOE. Specific assets and liabilities and all revenues and expenses associated with LBNL are included in the financial statements. Other assets, such as cash, property and equipment and other liabilities of LBNL are owned by the United States government rather than the University and, therefore, are not included in the statement of net position. The statement of cash flows excludes the cash flows associated with LBNL other than reimbursements, primarily related to pension and health benefits, since all other cash transactions are recorded in bank accounts owned by the DOE.

The University is a member in two separate joint ventures, Los Alamos National Security, LLC (LANS), and Lawrence Livermore National Security, LLC (LLNS), that operate and manage two other DOE laboratories, Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE. The University's investment in LANS and LLNS is accounted for using the equity method. Accordingly, the University's statement of net position includes its equity interest in LANS and LLNS, adjusted for the equity in undistributed earnings or losses and the statement of revenues, expenses and changes in net position includes its equity in the current earnings or losses of LANS and LLNS.

The DOE is financially responsible for substantially all of the current and future costs incurred at any of the national laboratories, including pension and retiree health benefit costs. Accordingly, to the extent there is a liability on the University's statement of net position for pension or retiree health obligations related to these laboratories, the University records a receivable from the DOE.

Capital assets, net. Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections and special collections are recorded at cost at the date of acquisition, or estimated fair value at the date of donation in the case of gifts. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents and other similar arrangements. Capital leases are recorded at the estimated present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

	YEARS
Infrastructure	25
Buildings and improvements	15–33
Equipment	2–20
Computer software	3–7
Intangible assets	2 – indefinite
Library books and collections	15

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets, such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project related borrowings.

Service concession arrangements. The University has entered into service concession arrangements with third parties for student housing and certain other faculty and student services. Under these arrangements, the University enters into ground leases with third parties at minimal or no cost, and gives the third party the right to construct, operate and maintain a facility, primarily for the benefit of students and faculty at competitive rates. Rate increases for use of the facilities are subject to certain constraints and ownership of the facilities reverts to the University upon expiration of the ground lease. The facilities are reported as capital assets by the University when placed in service, and a corresponding deferred inflow of resources is reported. The University has not provided guarantees on financing obtained by the third parties under these arrangements.

Unearned revenue. Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

Funds held for others. Funds held for others result from the University or the discretely presented component units acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to the University or the discretely presented component units.

Federal refundable loans. Certain loans to students are administered by the University with funding primarily supported by the federal government. The University's statement of net position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Self-insurance programs. The University is self-insured or insured through a wholly owned captive insurance company for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Settlements did not exceed insurance coverage for each of the past three fiscal years.

Obligations under life income agreements. Obligations under life income agreements represent trusts with living income beneficiaries where the University has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of any income beneficiary interest is reported as a liability in the statement of net position. Gifts subject to such agreements are recorded as revenue, net of the income beneficiary share, at the date of the gift. Actuarial gains and losses are included in other nonoperating income (expense) in the statement of revenues, expenses and changes in net position. Resources that are expendable upon maturity are classified as restricted, expendable net position; all others are classified as restricted, nonexpendable net position.

Pollution remediation obligations. Upon an obligating event, the University estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that the University is among the responsible parties. The liabilities are revalued annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2014 reducing the pollution remediation liability.

Deferred outflows of resources and deferred inflows of resources. The University classifies gains on retirement of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

The University classifies an increase in the fair value of the hedging derivatives as deferred inflows of resources, and a decrease as deferred outflows of resources. Payments received or to be received by the University from service concession arrangements are reported as deferred inflows of resources.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net position. Net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets. This category includes all of the University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted. The University and the discretely presented component units classify the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by the University or the discretely presented component units, are classified as nonexpendable net position. This includes the University and campus foundation permanent endowment funds.

Also included in nonexpendable net position are minority interests, which includes the net position of legally separate organizations attributable to other participants.

Expendable. The net position whose use by the University or the discretely presented component units are subject to externally imposed restrictions that can be fulfilled by actions of the University or the discretely presented component units pursuant to those restrictions or that expire by the passage of time are classified as expendable net position.

Unrestricted. The net position that is neither reserved, restricted nor invested in capital assets, net of related debt, are classified as unrestricted net position. The University's unrestricted net position may be designated for specific purposes by management or The Regents. The discretely presented component units' unrestricted net position may be designated for specific purposes by their Boards of Trustees. Substantially, all of the University's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Expenses are charged to either restricted or unrestricted net position based upon a variety of factors, including consideration of prior and future revenue sources, the type of expense incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

Revenues and expenses. Operating revenues of the University include receipts from student tuition and fees, grants and contracts for specific operating activities and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the University are presented in the statement of revenues, expenses and changes in net position as operating activities. The University's equity in current earnings or losses of LANS and LLNS is also an operating transaction.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since the GASB does not consider them to be related to the principal operating activities of the University.

Campus foundations are established to financially support the University. Private gifts to campus foundations are recognized as operating revenues since, in contrast to the University, such contributions are fundamental to the core mission of the campus foundations. Foundation grants to the University are recognized as operating expenses by the foundations. Private gift or capital gift revenues associated with campus foundation grants to the University are recorded by the University as gifts when the foundations transfer the gifts to the University.

Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, state hospital fee grants, Build America Bonds federal interest subsidies, federal Pell Grants, private gifts for other than capital purposes, investment income, net appreciation in the fair value of investments, interest expense and the loss on the disposal of capital assets.

State capital appropriations, capital gifts and grants and gifts for endowment purposes are classified as other changes in net position.

Student tuition and fees. Substantially, all student tuition and fees provide for the current operations of the University. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers.

The University recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the statement of revenues, expenses and changes in net position for the year ended June 30, 2014 as follows:

(in thousands of dollars)

	2014
Student tuition and fees	$1,075,948
Auxiliary enterprises	205,340
Other operating revenues	28,836
Scholarship allowances	**$1,310,124**

State appropriations. The state of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational or other specific operating purposes are reported as operating expenses. State financing appropriations provide for principal and interest payments associated with lease-purchase agreements with the State Public Works Board and are also reported as nonoperating revenue. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant operating revenue.

Grant and contract revenue. The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with the University's federal cognizant agency, the U.S. Department of Health and Human Services.

For the year ended June 30, 2014, the facilities and administrative cost recovery totaled $982.5 million, $712.6 million from federally sponsored programs and $269.9 million from other sponsors.

Medical center revenue. Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payors, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement, or as additional information becomes available.

Pension obligations. The University records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees and is reimbursed by the DOE based upon rates that are identical to those authorized by The Regents for campus and medical center employees. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP at the time the joint ventures were formed. The University records a receivable for the net pension liability that is expected to be collected from the DOE. The University deposits funds in UCRP when the DOE makes payments for these contributions. The contributions from the DOE and deposits into UCRP on behalf of DOE are included as DOE laboratory expense and revenue, respectively, in the statement of revenues, expenses and changes in net position.

Retiree health benefits and obligations for retiree health benefits. The University's cost for campus and medical center retiree health benefits expense is based upon the annual required contribution to the retiree health plan, as actuarially determined. Campus and medical center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT and reduce the obligation for retiree health benefits in the statement of net position.

LBNL participates in the University's retiree health plans. The annual required contribution for LBNL is actuarially determined independently from the University's campuses and medical centers, and is included with the DOE laboratory expense in the statement of revenues, expenses and changes in net position. The University directly pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at LBNL, and is reimbursed by the DOE. These contributions, in the form of direct payments, also reduce the University's obligation for retiree health benefits in the statement of net position. The reimbursement from the DOE is included as DOE laboratory revenue in the statement of revenues, expenses and changes in net position.

The University records a receivable from the DOE for the DOE's portion of the University's obligation for retiree health benefits attributable to LBNL. The University does not have any obligation for LANL or LLNL retiree health benefit costs since they do not participate in the University's retiree health plans.

Campus and medical center contributions toward retiree health costs made to UCRHBT, the University's LBNL-related payments made directly to health care insurers and administrators and the corresponding reimbursements from the DOE are operating activities in the statement of cash flows. Cash flows resulting from retiree health contributions from retirees are shown as noncapital financing activities in the statement of cash flows.

University of California Retiree Health Benefit Trust. UCRHBT receives the University's contributions toward retiree health benefits from campuses, medical centers and University affiliates. The University receives retiree health contributions from University affiliates and campus and medical center retirees that are deducted from their UCRP benefit payments. The University also remits these retiree contributions to UCRHBT.

The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at a campus or medical center. UCRHBT reimburses the University for these amounts.

LBNL does not participate in UCRHBT; therefore, the DOE has no interest in the Trust's assets.

Compensated absences. The University accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of University programs.

Tax exemption. The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). Because the University is a state institution, related income received by the University is also exempt from federal tax under IRC Section 115(a). In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. UCRS plans are qualified under IRC Section 401(a) and the related trusts are tax-exempt under Section 501(c)(3). The campus foundations are exempt under Section 501(c)(3). CHRCO and its component unit, the Children's Hospital and Research Center Foundation, are exempt under Section 501(c)(3). Income received by UCRHBT is tax-exempt under Section 115(a).

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

1. CASH AND CASH EQUIVALENTS

The University maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis.

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. In 2012, ratings for one of the University's banks were lowered below these thresholds. The University approved an exception for this institution and continues to monitor the institution's financial condition. At June 30, 2014, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $140.4 million compared to bank balances of $110.3 million. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized.

The University does not have significant exposure to foreign currency risk in demand deposit accounts. Accounts held in foreign countries maintain minimum operating balances with the intent to reduce potential foreign exchange risk while providing an adequate level of liquidity to meet the obligations of the academic programs established abroad. The equivalent U.S. dollar balances required to support research groups and education abroad programs in foreign countries was $4.2 million at June 30, 2014.

The carrying amount of the discretely presented component units' cash and cash equivalents at June 30, 2014 was $182.3 million compared to bank balances of $142.6 million. Deposits in transit and cash awaiting investment are the primary differences. Included in bank balances are deposits in the University's Short Term Investment Pool of $28.7 million at June 30, 2014, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC). Bank balances include $2.7 million in excess of the FDIC limits and were not collateralized at June 30, 2014. The discretely presented component units do not have exposure to foreign currency risk in their cash and cash equivalents.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's, UCRS' and UCRHBT's investments and establishes investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), General Endowment Pool (GEP), UCRS, UCRHBT and other investment pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset allocation guidelines are provided to the campus foundations by the Investment Committee of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for campuses and medical centers is invested in STIP. The available cash in UCRS or endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of five and one-half years. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms up to 40 years.

TRIP allows participant campuses the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity and fixed-income securities.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

Investments authorized by The Regents for GEP, UCRS, other investment pools and separate investments include equity securities, fixed-income securities and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with a modest exposure to private equities. The University's investment portfolios may include foreign currency denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for both GEP and UCRS. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for GEP and UCRS.

Derivative instruments, including futures, forward contracts, options and swap contracts are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of UCRS' investments to be invested in mutual funds. The participants' interests in mutual funds is not managed by the Chief Investment Officer and totaled $5.0 billion at June 30, 2014.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high-quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of 41 days at June 30, 2014. The fair value of UCRHBT's investment in this portfolio was $37.1 million at June 30, 2014.

The composition of investments, by investment type at June 30, 2014, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Equity securities:			
Domestic	$ 1,996,677	$ 266,321	$ 15,013,705
Foreign	1,661,853	20,507	9,105,760
Equity securities	**3,658,530**	**286,828**	**24,119,465**
Fixed- or variable-income securities:			
U.S. government guaranteed:			
U.S. Treasury bills, notes and bonds	673,558	217,439	2,602,611
U.S. Treasury strips	90,350	172	562,694
U.S. TIPS	154,120		3,484,007
U.S. government-backed securities		939	11,288
U.S. government-backed–asset-backed securities		710	
U.S. government guaranteed	**918,028**	**219,260**	**6,660,600**
Other U.S. dollar denominated:			
Corporate bonds	5,500,224	85,929	3,070,552
Commercial paper	1,932,764		
U.S. agencies	1,058,009	3,999	2,886,644
U.S. agencies–asset-backed securities	88,096	80,374	2,258,922
Corporate–asset-backed securities	35,014	90,562	1,119,923
Supranational/foreign	1,906,414	12,005	1,754,917
Other	12,740	10,358	24,846
Other U.S. dollar denominated	**10,533,261**	**283,227**	**11,115,804**
Foreign currency denominated:			
Corporate	2,174		17,840
Foreign currency denominated	**2,174**		**17,840**
Commingled funds:			
Absolute return funds	3,094,059	1,618,057	3,457,058
Non-U.S. equity funds	1,976,805	943,892	6,475,644
Private equity	918,186	501,079	3,791,134
Money market funds	692,512	583,660	3,768,742
U.S. equity funds	849,020	647,610	3,118,198
Real estate investment trusts	290,589	58,479	451,697
Real assets	240,773		1,377,695
U.S. bond funds	188,223	115,058	1,126,897
Non-U.S. bond funds	28,415	57,683	158,339
Balanced funds		1,065,668	
Commingled funds	**8,278,582**	**5,591,186**	**23,725,404**
Investment derivatives	13,044	(3,369)	41,036
Publicly traded real estate investment trusts	342,674	1,218	104,867
Mortgage loans	133,556	91	
Insurance contracts			119,797
Real estate	653,449	127,163	2,842,791
Other investments	13,145	198,766	
Discretely presented component units' investments with the University	(1,352,725)		
UCRS investment in STIP	(1,652,665)		
Total investments	**21,541,053**	**6,704,370**	**$68,747,604**
Less: Current portion	(3,334,675)	(473,756)	
Noncurrent portion	**$18,206,378**	**$6,230,614**	

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates. Alternative investment strategies and their underlying assets and rights are subject to an array of economic and market vagaries that can limit or erode value.

Credit Risk

Fixed-income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies, for example Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed-income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk.

Asset-backed securities are debt obligations that represent claims to the cash flows from pools of commercial, mortgage, credit card or student loans. Mortgage-backed securities issued by Ginnie Mae are backed by the full faith and credit of the U.S. government. Effective September 2008, Fannie Mae and Freddie Mac were placed under the conservatorship of the Federal Housing Finance Agency. At the same time, the U.S. Treasury put in place a set of financing agreements to ensure Fannie Mae and Freddie Mac have the ability to fulfill their obligations to holders of bonds that they have issued or guaranteed.

The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark (the benchmark for STIP is the two-year Treasury). No more than 5 percent of the total market value of the STIP portfolio may be invested in securities rated below investment grade (BB, Ba or lower). The average credit quality of STIP must be A or better and commercial paper must be rated at least A-1, P-1 or F-1.

The University recognizes that credit risk is appropriate in balanced investment pools such as TRIP, UCRS and GEP by virtue of the benchmarks chosen for the fixed-income portion of those pools.

Fixed-income benchmarks for TRIP include the Barclays Capital Aggregate Credit Index, the JP Morgan Emerging Markets Bond Index Global Diversified, the Merrill Lynch High-Yield Cash Pay Index and the Barclays Capital Aggregate Government Index. The TRIP fixed-income benchmark is comprised of 66.1 percent high grade corporate bonds and government bonds, and 16.9 percent below investment grade securities, all of which carry some degree of credit risk. The remaining 17.0 percent is emerging market debt.

The fixed-income benchmark for UCRS and GEP, Barclays Capital U.S. Aggregate Bond Index, is comprised of 29.4 percent high grade corporate bonds and 31.4 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 39.2 percent is government-issued bonds.

Credit risk in TRIP, UCRS and GEP is managed primarily by diversifying across issuers. In addition, portfolio guidelines for UCRS and GEP mandate that no more than 10 percent of the market value of fixed-income securities may be invested in issues with credit ratings below investment grade. Further, the weighted average credit rating must be A or higher.

In addition, the investment policy for both UCRP and GEP allows for dedicated allocations to non-investment grade and emerging market bonds, an investment which entails credit, default and/or sovereign risk.

The credit risk profile for fixed- or variable-income securities at June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Fixed- or variable-income securities:			
U.S. government guaranteed	$ 918,028	$219,260	$6,660,600
Other U.S. dollar denominated:			
AAA	1,262,960	49,549	6,017,280
AA	1,068,822	99,622	261,055
A	3,047,350	35,412	922,851
BBB	2,462,057	37,891	1,855,949
BB	438,244	9,474	937,227
B	221,338	1,680	668,780
CC or below	82,203	29,404	424,520
A-1 / P-1/ F-1	1,932,764		
Not rated	17,523	20,195	28,142
Foreign currency denominated:			
BB	20		166
B	1,153		9,463
C or below	1,001		8,211
Investment Derivatives:			
AAA	(3,615)		
Commingled funds:			
U.S. bond funds: Not rated	188,223	115,058	1,126,897
Non-U.S. bond funds: Not rated	28,415	57,683	158,339
Money market funds: Not rated	692,512	583,660	3,768,742
Mortgage loans: Not rated	133,556	91	
Insurance contracts: Not rated			119,797

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned.

Substantially all of the University's, the discretely presented component units' and UCRS' securities are registered in the University's name by the custodial bank as an agent for the University. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk for such investments is remote.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

The U.S. and non-U.S. equity portions of the University and UCRS portfolios may be managed either passively or actively. For the portions managed passively, the concentration of individual securities is exactly equal to their concentration in the benchmark. While some securities have a larger representation in the benchmark than others, the University considers that passive management results in an absence of concentration of credit risk. For the portions managed actively, asset class guidelines do not specifically address concentration risk, but do state that the U.S. equity asset class, in the aggregate, will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the asset class benchmark (including concentration of credit risk). Concentration risk for individual portfolios is monitored relative to their individual benchmarks and agreed-upon risk parameters in their guidelines.

Investment guidelines addressing concentration of credit risk related to the investment grade fixed-income portion of the University and UCRS portfolios include a limit of no more than 3 percent of each portfolio's market value to be invested in any single issuer (except for securities issued by the U.S. government or its agencies). These same guidelines apply to STIP. For high-yield and emerging market debt, the corresponding limit is 5 percent.

Each discretely presented component unit may have its own individual investment policy designed to limit exposure to a concentration of credit risk. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, other investment pools or investments that are invested by the University for the discretely presented component units are not subject to concentration of credit risk. Most of the discretely presented component units that hold other types of investments have policies to limit the exposure to an individual issuer.

Investments in issuers other than U.S. government guaranteed securities that represent 5 percent or more of investments held at June 30, 2014 are as follows:

(in thousands of dollars)

	DISCRETELY PRESENTED COMPONENT UNITS
Silchester International Value Equity Trust	$56,700

Interest Rate Risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time.

Interest rate risk for STIP is managed by constraining the maturity of all individual securities to be less than five and one-half years. There is no restriction on weighted average maturity of the portfolio as it is managed relative to the liquidity demands of the investors. The nature and maturity of individual securities in STIP allow for the use of weighted average maturity as an effective risk management tool, rather than the more complex measure, effective duration.

Portfolio guidelines for the fixed-income portion of TRIP limit weighted average effective duration to the effective duration of the benchmarks (Barclays Capital Aggregate Credit Index, JP Morgan Emerging Markets Bond Index Global Diversified, the Merrill Lynch High-Yield Cash Pay Index and Barclays Capital Aggregate Government Index), plus or minus 10 percent. Similarly, portfolio guidelines for the fixed-income portion of UCRS and GEP limit weighted average effective duration to the effective duration of their benchmarks (Citigroup Large Pension Fund Index and Barclay's Capital US Aggregate Index), plus or minus 20 percent. These portfolio guidelines constrain the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. There are similar restrictions for the high-yield and emerging market debt portfolios relative to their benchmarks.

The effective durations for fixed- or variable-income securities at June 30, 2014 are as follows:

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Fixed- or variable-income securities:			
U.S. government guaranteed:			
U.S. Treasury bills, notes and bonds	1.4	2.9	1.5
U.S. Treasury strips	8.8		8.3
U.S. TIPS	6.7		5.9
U.S. government-backed securities		2.9	4.4
U.S. government-backed–asset-backed securities		3.4	
Other U.S. dollar denominated:			
Corporate bonds	3.2	4.2	5.0
Commercial paper	0.0		
U.S. agencies	2.1	4.2	2.5
U.S. agencies-asset-backed securities	3.7	3.6	4.1
Corporate-asset-backed securities	2.0	0.9	2.8
Supranational/foreign	4.3	1.7	6.2
Other	17.5	6.3	16.7
Foreign currency denominated:			
Corporate	1.5		1.5
Commingled funds:			
U.S. bond funds*	4.4	5.0	5.3
Non-U.S. bond funds		5.3	
Money market funds**	0.0	2.2	2.2
Investment derivatives	0.9		
Insurance contracts			0.0

** University considers the modified durations for commingled funds*
*** Foundation and UCRS investment in STIP*

The University considers the effective durations for commercial paper, mortgage loans, insurance contracts and money market funds to be zero. The terms of the mortgage loans include variable interest rates. Insurance contracts can be liquidated without loss of principal and money market funds consist of underlying securities that are of a short-term, liquid nature.

Investments also include various mortgage-backed securities, collateralized mortgage obligations, structured notes, variable-rate securities and callable bonds that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features, although the effective durations of these securities may be low.

At June 30, 2014, the fair values of such investments are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Mortgage-backed securities	$ 93,052	$ 53,782	$2,613,162
Collateralized mortgage obligations		49,728	214,735
Other asset-backed securities	30,186	40,386	490,351
Variable-rate securities	52,608		131,005
Callable bonds	1,599,256	12,740	3,487,903
Convertible bonds	706		5,413
Total	**$1,775,808**	**$156,636**	**$6,942,569**

Mortgage-Backed Securities. These securities are issued primarily by Fannie Mae, Ginnie Mae and Freddie Mac, and various commercial entities and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized Mortgage Obligations. Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In rising interest rate environments, the opposite is true.

Other Asset-Backed Securities. Other asset-backed securities also generate a return based upon either the payment of interest or principal on obligations in an underlying pool, generally associated with auto loans or credit cards. As with CMOs, the relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates.

Variable-Rate Securities. These securities are investments with terms that provide for the adjustment of their interest rates on set dates and are expected to have fair values that will be relatively unaffected by interest rate changes. Variable-rate securities may have limits on how high or low the interest rate may change. These constraints may affect the market value of the security.

Callable Bonds. Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The University must then replace the called bond with a bond that may have a lower yield than the original. The call feature causes the fair value to be highly sensitive to changes in interest rates.

At June 30, 2014, the effective durations for these securities are as follows:

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Mortgage-backed securities	3.8	2.4	4.1
Collateralized mortgage obligations		1.1	3.1
Other asset-backed securities	1.7	1.3	1.5
Variable-rate securities	4.5		4.8
Callable bonds	3.7	2.4	3.3
Convertible bonds	6.7		7.0

Foreign Currency Risk

The University's strategic asset allocation policy for TRIP, UCRS and GEP includes allocations to non-U.S. equities and non-dollar denominated bonds. The benchmarks for these investments are not hedged; therefore foreign currency risk is an essential part of the investment strategies. Portfolio guidelines for U.S. investment-grade fixed-income securities also allow exposure to non-U.S. dollar denominated bonds up to 10 percent of the total portfolio market value. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the University's investment policies, such instruments are not permitted for speculative use or to create leverage. Similar limits on foreign exchange exposure apply to the high-yield debt and emerging market debt portfolios (10 percent and 20 percent, respectively).

At June 30, 2014, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Equity securities:			
Euro	$ 468,620		$ 2,674,506
British pound	298,175	$ 1,858	1,769,937
Japanese yen	284,806		1,577,457
Canadian dollar	104,600	546	651,190
Swiss franc	128,303	4,326	792,002
Australian dollar	79,876		499,441
Hong Kong dollar	103,754		314,471
Swedish krona	41,289		239,421
Singapore dollar	33,735		165,002
Danish krone	16,949		104,944
Norwegian krone	16,561		82,108
South Korean won	11,676		42,059
Brazilian real	21,860		44,096
Other	51,649	13,777	149,126
Subtotal	**1,661,853**	**20,507**	**9,105,760**
Fixed-income securities:			
Euro	1,772		14,168
Other	402		3,672
Subtotal	**2,174**		**17,840**
Commingled funds (various currency denominations):			
Non-U.S. equity funds	1,976,805	687,937	6,475,644
Balanced funds		229,473	
U.S. bond funds		8,788	
Non-U.S. bond funds	28,415	43,788	158,339
Real estate investment trusts		10,889	
Absolute Return funds		64,971	
Subtotal	**2,005,220**	**1,045,846**	**6,633,983**
Investment derivatives:			
Australian dollar	(14)		(359)
Canadian dollar	175		278
British pound	112		(29)
Japanese yen	319		809
Hong Kong dollar	165		143
Other	(101)		(33)
Subtotal	**656**		**809**
Private equity:			
Euro	18,602	10,468	105,329
Other	3,491	3,697	19,780
Publicly traded real estate investment trusts			
Australian dollar	44,190		13,489
Euro	22,680		6,924
British pound	18,558		5,665
Japanese yen	10,279		3,138
South African rand	8,250		2,519
Singapore dollar	6,580		2,009
Canadian dollar	5,046		
Mexican peso	4,209		1,285
Other	5,224		3,135
Subtotal	**147,109**	**14,165**	**163,273**
Total exposure to foreign currency risk	**$3,817,012**	**$1,080,518**	**$15,921,665**

Liquidity Risks

Alternative investments are subject to liquidity risk. Alternative investments include hedge funds, limited partnerships, private equity, venture capital funds, real estate and real assets funds. Additionally, certain asset-backed securities are thinly traded and subject to liquidity risk.

Alternative investments include ownership interests in a wide variety of vehicles including partnerships and corporations that may be domiciled in the United States or offshore. Generally, there is little or no regulation of these investment vehicles by the Securities and Exchange Commission or the applicable state agencies. Managers of these investments employ a wide variety of strategies and have areas of concentration including absolute return, venture capital or early stage investing, private equity or later stage investing and the underlying investments may be leveraged to enhance the total investment return. Each asset class has guidelines and policies regarding the use of leverage. Such underlying investments may include financial assets such as marketable securities, non-marketable securities, derivatives and other synthetic and structured investments as well as tangible and intangible assets.

Alternative investments do not have a ready market and ownership interests in these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities and fixed-income instruments with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

The University's portfolio includes the following investments subject to liquidity risk as of June 30, 2014:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Absolute return funds	$3,094,059	$1,618,057	$ 3,457,058
Private equity funds	918,186	501,079	3,791,134
Real estate funds	653,449	127,163	2,842,791
Real assets funds	240,773		1,377,695
Total	**$4,906,467**	**$2,246,299**	**$11,468,678**

The University's Investment Pools

The composition of the University's investments at June 30, 2014, by investment pool, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$ 1,057,374	$ 841,524	$ 97,779	$ 1,996,677
Foreign		809,780	817,068	35,005	1,661,853
Fixed- or variable-income securities:					
U.S. government guaranteed	$ 326,297	344,209	238,629	8,893	918,028
Other U.S. dollar denominated	7,919,885	2,016,480	572,019	24,877	10,533,261
Foreign currency denominated			2,174		2,174
Commingled funds	1,690	2,997,569	4,055,380	64,984	7,119,623
Investment derivatives		9,813	6,828	(3,597)	13,044
Publicly traded real estate investment trusts		328,320	14,354		342,674
Private equity		791	899,617	17,778	918,186
Mortgage loans	76,888			56,668	133,556
Real assets			240,773		240,773
Real estate			625,668	27,781	653,449
Other investments				13,145	13,145
Subtotal	**8,324,760**	**7,564,336**	**8,314,034**	**343,313**	**24,546,443**
Discretely presented component units' investments with the University	(554,053)	(10,109)	(648,621)	(139,942)	(1,352,725)
UCRS investment in STIP	(1,652,665)				(1,652,665)
Total investments	**$6,118,042**	**$7,554,227**	**$7,665,413**	**$203,371**	**$21,541,053**

The total investment return based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2014, was 14.7 percent for TRIP, 19.0 percent for GEP and 16.7 percent for UCRS. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same period, was 1.6 percent. Other investments consist of numerous, small portfolios of investments or individual securities, each with its individual rate of return.

Related Party Relationships with the University

UCRS and the discretely presented component units may invest available cash in STIP. Shares are purchased or redeemed in STIP at a constant value of $1 per share. Actual income earned, including any realized gains or losses on the sale of STIP investments, is allocated to UCRS and the discretely presented component units based upon the number of shares held. Unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP are recorded by the University as the manager of the pool. The net asset value for STIP is held at a constant value of $1 and is not adjusted for unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP.

The discretely presented component units may purchase or redeem shares in GEP, TRIP or other investment pools at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to the discretely presented component units based upon the number of shares held.

UCRS

UCRS had $1.7 billion invested in STIP at June 30, 2014. These investments are excluded from the University's statement of net position and are included in UCRS' statement of plans' fiduciary net position. They are categorized as commingled money market funds in the composition of investments for UCRS. STIP investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, UCRS totaling $23.5 million for the year ended June 30, 2014.

Discretely Presented Component Units

The discretely presented component units' cash and cash equivalents and investments that are invested with the University and managed by the Chief Investment Officer are excluded from the University's statement of net position and included in the discretely presented component units' statement of net position. Under the accounting policies elected by each discretely presented component unit, certain component units classify all or a portion of their investment in STIP and TRIP as cash and cash equivalents, rather than investments. Substantially, all of the discretely presented component units' investments managed by the Chief Investment Officer are categorized as commingled funds or commingled money market funds by the discretely presented component units in the composition of investments.

The fair value of the discretely presented component units' cash and cash equivalents and investments that are invested with the University, by investment pool at June 30, 2014 is as follows:

(in thousands of dollars)	**2014**
STIP	$ 554,053
TRIP	10,109
GEP	648,621
Other investment pools	139,942
Discretely presented component units' investments with the University	**1,352,725**
Classified as cash and cash equivalents by discretely presented component units	(27,776)
Classified as investments by discretely presently component units	**$1,324,949**

Endowment investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, the discretely presented component units totaling $17.6 million for the year ended June 30, 2014.

Agency Relationships with the University

STIP and GEP are external investment pools and include investments on behalf of external organizations that are associated with the University, although not financially accountable to the University. These organizations are not required to invest in these pools. Participants purchase or redeem shares in STIP at a constant value of $1 per share and purchase or redeem shares in GEP at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to participants based upon the number of shares held.

The fair value of these investments in each investment pool and the related liability associated with these organizations that are included in the University's statement of net position at June 30, 2014 are as follows:

(in thousands of dollars)	**2014**
Short-term investments:	
STIP	$ 84,411
GEP	216,964
Other investment pools	17,949
Total agency assets	**$319,324**
Funds held for others	**$319,324**

The composition of the net position at June 30, 2014 for STIP and GEP is as follows:

(in thousands of dollars)

	STIP	**GEP**
Investments	$ 8,324,760	$8,314,034
Investment of cash collateral	218,971	381,673
Securities lending collateral	(218,916)	(381,576)
Other assets (liabilities), net	1,162,560	(130,747)
Net position	**$9,487,375**	**$8,183,384**

Other assets include amounts receivable for pension benefits from the campuses and medical centers at $1.1 billion as of June 30, 2014.

The changes in net position for STIP and GEP for the years ending June 30, 2014 are as follows:

(in thousands of dollars)

	STIP	**GEP**
Net position, beginning of year	$10,608,027	$6,999,293
Investment income	159,607	80,525
Net appreciation (depreciation) in fair value of investments	(128,857)	1,255,060
Transfer to TRIP	(2,226,959)	
Participant contributions (withdrawals), net	1,075,557	(151,494)
Net position, end of year	**$9,487,375**	**$8,183,384**

3. SECURITIES LENDING

The University and UCRS jointly participate in a securities lending program as a means to augment income. The discretely presented component units' investments that are invested with the University and managed by the Chief Investment Officer are included in the University's investment pools that participate in the securities lending program.

The campus foundations' allocated share of the program's cash collateral received, investment of cash collateral and collateral held for securities lending is determined based upon their equity in the investment pools. The Board of Trustees for each campus foundation may also authorize participation in a direct securities lending program.

Securities are lent to selected brokerage firms for which collateral received equals or exceeds the fair value of such investments lent during the period of the loan. Securities loans immediately terminate upon notice by either the University or the borrower. Collateral may be cash or securities issued by the U.S. government or its agencies, or the sovereign or provincial debt of foreign countries. Securities collateral cannot be pledged or sold by the University unless the borrower defaults.

Loans of domestic equities and all fixed-income securities are initially collateralized at 102 percent of the fair value of securities lent. Loans of foreign equities are initially collateralized at 105 percent. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of securities lent.

Cash collateral received from the borrower is invested by lending agents, as agents for the University, in investment pools in the name of the University, with guidelines approved by the University. These investments are shown as investment of cash collateral in the statement of net position. At June 30, 2014, the securities in these pools had a weighted average maturity of 30 days and 44 days, respectively. The University records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net position. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2014, the University had insignificant exposure to borrowers because the amounts the University owed the borrowers were substantially the same as the amounts the borrowers owed the University. The University is indemnified by its lending agents against any losses incurred as a result of borrower default.

The composition of the securities lending programs at June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNIT	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
SECURITIES LENT			
For cash collateral:			
Equity securities:			
Domestic	$ 403,073		$ 1,890,525
Foreign	126,557		656,426
Fixed-income securities:			
U.S. government guaranteed	67,567		2,112,140
Other U.S. dollar denominated	642,358		1,754,525
Discretely presented component unit	(51,249)	$51,249	
Lent for cash collateral	**1,188,306**	**51,249**	**6,413,616**
For securities collateral:			
Equity securities:			
Domestic	188,486		1,209,300
Foreign	186,121		954,801
Fixed-income securities:			
U.S. government guaranteed	117,036		3,694,573
Other U.S. dollar denominated	12,722		17,246
Lent for securities collateral	**504,365**		**5,875,920**
Total securities lent	**$1,692,671**	**$51,249**	**$12,289,536**
COLLATERAL RECEIVED			
Cash	$1,269,083		$ 6,561,614
Discretely presented component units' share	(51,249)	$51,249	
Total cash collateral received	**1,217,834**	**51,249**	**6,561,614**
Securities	544,981		6,349,117
Total collateral received	**$1,762,815**	**$51,249**	**$12,910,731**
INVESTMENT OF CASH COLLATERAL			
Fixed-income securities:			
Other U.S. dollar denominated:			
Corporate bonds	$ 141,554		$ 731,891
Commercial paper	102,751		531,262
Repurchase agreements	380,043		1,964,957
Corporate-asset-backed securities	280,122		1,448,330
Certificates of deposit/time deposits	106,966		553,052
Supranational/foreign	252,637		1,306,222
Other assets (liabilities), net*	5,330		27,558
Discretely presented component units' share	(51,249)	$51,249	
Investment of cash collateral	**1,218,154**	**51,249**	**$6,563,272**
Less: Current portion	(848,436)	(35,695)	
Noncurrent portion	**$ 369,718**	**$15,554**	

** Other assets (liabilities), net is comprised of pending settlements of cash collateral investments.*

The University earns interest and dividends on the collateral held during the loan period, as well as a fee from the brokerage firm, and is obligated to pay a fee and rebate to the borrower. The University receives the net investment income. The securities lending income and fees and rebates for the year ended June 30, 2014 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Securities lending income	$8,237	$431	$47,664
Securities lending fees and rebates	(1,288)	(68)	(7,454)
Securities lending investment income, net	**$6,949**	**$363**	**$40,210**

Investment Risk Factors

There are a variety of potential risk factors involved in a securities lending program. Risks associated with the investment of cash collateral may include the credit risk from fixed-income securities, concentration of credit risk, interest rate risk and foreign currency risk. In addition, there may be custodial credit risk associated with both cash and securities received as collateral for securities lent.

The University's and UCRS' investment policies and other information related to each of these risks are summarized below. Discretely presented component units that participate in a securities lending program may have their own individual investment policies designed to limit the same risks.

Credit Risk

The University's and UCRS' investment policies for the investment of cash collateral maintained in separately managed collateral pools restrict the credit rating of issuers to no less than A-1, P-1 or F-1 for short-term securities and no less than A2/A for long-term securities. Asset-backed securities must have a rating of AAA.

The credit risk profile for fixed- or variable-income securities associated with the investment of cash collateral at June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Fixed- or variable-income securities:			
Other U.S. dollar denominated:			
AAA	$285,038		$1,473,753
AA+	24,358		125,939
AA	5,346		27,639
AA-	192,176		993,620
A+	85,278		440,918
A	66,443		343,534
A-1 / P-1 / F-1	605,434		3,130,311
Commingled funds:			
Money market funds: Not rated			
Other assets (liabilities), net* : Not rated	5,330		27,558
Discretely presented component units' share	(51,249)	$51,249	

** Other assets (liabilities), net is comprised of pending settlements of cash collateral investments.*

Custodial Credit Risk

Cash collateral received for securities lent is invested in pools by the University's lending agents. The University and UCRS securities related to the investment of cash collateral are registered in the University's name by the lending agents. Securities collateral received for securities lent are held in investment pools by the University's lending agents. As a result, custodial credit risk is remote.

Concentration of Credit Risk

The University's and UCRS' investment policy with respect to the concentration of credit risk associated with the investment of cash collateral in the separately managed collateral pools restricts investments in any single issuer of corporate debt securities, time deposits, certificates of deposit, bankers acceptances and money market funds to no more than 5 percent of the portfolio value at the time of purchase. Discretely presented component units that directly participate in a securities lending program do not have specific investment policies related to concentration of credit risk, although the lending agreements with the agents establish restrictions for the type of investments and minimum credit ratings.

Investments in issuers other than U.S. government guaranteed securities that represent 5 percent or more of the total investment of cash collateral held by individual component units at June 30, 2014 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Citibank	$91,499	$473,081

Interest Rate Risk

The nature of individual securities in the collateral pools allows for the use of weighted average maturity as an effective risk management measure. The University's and UCRS' investment policy with respect to the interest rate risk associated with the investment of cash collateral in the separately managed collateral pools requires the weighted average maturity of the entire collateral pool to be less than 120 days. The maturity of securities issued by the U.S. government and asset-backed securities must be less than five years, corporate debt obligations must be less than two years and time deposits must be less than 190 days. Floating rate debt may be used, but it is limited to 65 percent of the market value of the portfolio.

The weighted average maturity expressed in days for fixed- or variable-income securities associated with the investment of cash collateral at June 30, 2014 is as follows:

(in days)

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Fixed- or variable-income securities:		
Other U.S. dollar denominated:		
Corporate bonds	37	37
Commercial paper	29	29
Repurchase agreements	7	7
Corporate-asset-backed securities	20	20
Certificates of deposit/time deposits	87	87
Supranational/foreign	51	51

Investment of cash collateral may include various asset-backed securities, structured notes and variable-rate securities that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features, although the weighted average maturity may be short.

At June 30, 2014, the fair value of investments that are considered to be highly sensitive to changes in interest rates is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
Other asset-backed securities	$297,469		$1,538,022
Variable-rate investments	141,555		731,891
Discretely presented component units' share	(17,965)	$17,965	
Total	**$421,059**	**$17,965**	**$2,269,913**

At June 30, 2014, the weighted average maturity expressed in days for asset-backed securities was 19 days and for variable-rate investments was 37 days.

Foreign Currency Risk

The University's and UCRS' investment policy with respect to the foreign currency risk associated with the investment of cash collateral maintained in separate collateral pools restricts investments to U.S. dollar denominated securities. Therefore, there is no foreign currency risk.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The University may use derivatives including futures, forward contracts, options and interest rate swap contracts as a substitute for investment in equity and fixed-income securities, to reduce the effect of fluctuating foreign currencies on foreign currency-denominated investments, or to limit its exposure of variable-rate bonds to changes in market interest rates. The Board of Trustees for each campus foundation may also authorize derivatives in its investment policy.

The University enters into futures contracts for the purpose of acting as a substitute for investment in equity and fixed-income securities. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Upon entering into such a contract, the University is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, the University agrees to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are settled on a daily basis, with the resulting realized gain or loss included in the statement of revenues, expenses and changes in net position. The settlement amount at the end of each day for each of the contracts, or variation margin, is included in investments and represents the fair value of the contracts.

Forward contracts are similar to futures contracts, although they are not exchange-traded. Foreign currency exchange contracts are forward contracts used to hedge against foreign currency exchange rate risks on non-U.S. dollar denominated investment securities and to increase or decrease exposure to various foreign currencies.

An option contract gives the University the right, but not the obligation, to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the “premium”). The maximum loss to the University is limited to the premium originally paid for covered options. The University initially records premiums paid for the purchase of these options in the statement of net position as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statement of revenues, expenses and changes in net position.

Rights and warrants provide the holder with the right, but not the obligation, to buy a stock at a predetermined price for a finite period of time. Warrants usually have a longer time period to expiration. The holder of a right or warrant is permitted to buy at a price that may be below the actual market price for that stock. Warrants and rights cease to exist and become worthless if not used by their expiration date.

A swap is a contractual agreement entered into between the University and a counterparty under which each agrees to exchange periodic fixed or variable payments for an agreed period of time based upon a notional amount of principal or value of the underlying contract. The payments correspond to an equity index, an interest rate or to currency. The University considers its futures, forward contracts, options, rights, warrants and certain interest rate swaps to be investment derivatives.

As a means to lower the University’s borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain of its variable-rate Medical Center Pooled Revenue Bonds and General Revenue Bonds. The University has determined that certain of its interest rate swaps are derivative instruments that meet the criteria for an effective hedge. Certain of the interest rate swaps are considered hybrid instruments since, at the time of execution, the fixed rate on each of the swaps was off-market and the University received an up-front payment. As such, these swaps are comprised of a derivative instrument, an at-the-market swap that is an effective hedge, and a companion instrument, a borrowing represented by the up-front payment. The unamortized amount of the borrowing under the companion instruments was $42.1 million at June 30, 2014.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, categorized by type, and the changes in fair value of such derivatives for the years then ended are as follows:

University of California

(in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE–POSITIVE (NEGATIVE) 2014	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES IN FAIR VALUE 2014
INVESTMENT DERIVATIVES					
Futures contracts:					
Domestic equity futures:					
Long positions	705,119	Investments	$ 765	Net appreciation (depreciation)	$148,657
Short positions	(463)	Investments	(7)	Net appreciation (depreciation)	(79)
Foreign futures:					
Long positions	68,905	Investments	91	Net appreciation (depreciation)	10,484
Futures contracts, net			**849**		**159,062**
Foreign currency exchange contracts, net:					
Long positions	1,021,285	Investments	456	Net appreciation (depreciation)	(1,921)
Short positions	(28,599)	Investments	(158)	Net appreciation (depreciation)	(8,435)
Foreign currency exchange contracts, net			**298**		**(10,356)**
Swaps:					
Fixed interest rate swaps	500,000	Investments	(3,505)	Net appreciation (depreciation)	2,066
Total return swaps equity	6,382	Investments	(5)	Net appreciation (depreciation)	(66)
Swaps, net			**(3,510)**		**2,000**
Stock rights/warrants	1,772	Investments	11,353	Net appreciation (depreciation)	2,565
Options/swaptions	11,046	Investments	4,054	Net appreciation (depreciation)	1,923
Total investment derivatives			**$13,044**		**$155,194**
CASH FLOW HEDGES					
Effective interest rate swaps:					
Pay fixed, receive variable	851,995	Other assets (liabilities)	$(75,240)	Deferred (inflows) outflows	$ (29,481)

University of California Discretely Presented Component Units

(in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT	FAIR VALUE–POSITIVE (NEGATIVE)		CHANGES IN FAIR VALUE	
		CLASSIFICATION	2014	CLASSIFICATION	2014
INVESTMENT DERIVATIVES					
Futures contracts:					
Domestic commodity futures:					
Short positions	(2,800)	Investments	$(3,603)	Net appreciation (depreciation)	$ (8)
Foreign equity futures:					
Long positions		Investments		Net appreciation/ (depreciation)	(1,118)
Short positions		Investments		Net appreciation/ (depreciation)	(2,974)
Futures contracts, net			**(3,603)**		**(4,100)**
Options/swaptions	19,950	Investments	234	Net appreciation/ (depreciation)	(1,234)
Total investment derivatives			**$(3,369)**		**$(5,334)**

University of California Retirement System

(in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT	FAIR VALUE–POSITIVE (NEGATIVE)		CHANGES IN FAIR VALUE	
		CLASSIFICATION	2014	CLASSIFICATION	2014
INVESTMENT DERIVATIVES					
Futures contracts:					
Domestic equity futures:					
Long positions	1,548,947	Investments	$ 1,647	Net appreciation (depreciation)	$311,241
Short positions	(1,807)	Investments	(12)	Net appreciation (depreciation)	(118)
Foreign equity futures:					
Long positions	175,412	Investments	315	Net appreciation (depreciation)	26,328
Futures contracts, net			**1,950**		**337,451**
Foreign currency exchange contracts, net:					
Long positions	2,574,058	Investments	619	Net appreciation (depreciation)	4,809
Short positions	(190,984)	Investments	(1,019)	Net appreciation (depreciation)	(7,170)
Foreign currency exchange contracts, net			**(400)**		**(2,361)**
Swaps:					
Fixed interest rate swaps		Investments	1,194	Net appreciation (depreciation)	673
Total return swaps equity	7,818	Investments	(6)	Net appreciation (depreciation)	(81)
Swaps, net			**1,188**		**592**
Stock rights/warrants	4,550	Investments	33,332	Net appreciation (depreciation)	7,215
Options/swaptions	13,534	Investments	4,966		2,355
Total investment derivatives			**$41,036**		**$345,252**

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, 2014, along with the credit rating of the associated counterparty, are as follows:

(in thousands of dollars)

TYPE	OBJECTIVE	NOTIONAL AMOUNT	EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	TERMS	COUNTERPARTY CREDIT RATING	FAIR VALUE
UNIVERSITY OF CALIFORNIA								
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	77,220	2007	2032	None	Pay fixed 3.5897%; receive 58% of 1-Month LIBOR* plus 0.48%	A2/A	$(10,862)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	124,775	2008	2030 through 2043	None	Pay fixed |4.6359%;** receive 67% of 3-Month LIBOR* plus 0.69%**	A2/A	(35,966)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	24,250	2013	2045	None	Pay fixed 4.741 percent; receive 67 percent of 3-Month LIBOR* + 0.79 percent	A2/A	(8,400)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	25,750	2013	2047	None	Pay fixed 4.741 percent; receive 67 percent of 3-Month LIBOR* + 0.79 percent	A2/A	(9,156)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	400,000	2013	2023	None	Pay fixed 1.8982%; receive 70% of 1-Month LIBOR*	Aa2/AA-	(7,196)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	2013	2023	None	Pay fixed 1.9057%; receive 70% of 1-Month LIBOR*	Aa2/AA-	(1,863)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	2013	2023	None	Pay fixed 1.8980%; receive 70% of 1-Month LIBOR*	Aa3/AA-	(1,797)
Interest rate swaps, net		**851,995**						**$(75,240)**

** London Interbank Offered Rate (LIBOR)*
***Weighted average spread*

Hedging Derivative Financial Instrument Risk Factors

Credit Risk

The University could be exposed to credit risk if the interest rate swap counterparties to the contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value, less any collateral held by the University provided by the counterparty. Contracts with negative fair values are not exposed to credit risk.

Although the University has entered into the interest rate swaps with creditworthy financial institutions to hedge its variable-rate debt, there is credit risk for losses in the event of non-performance by counterparties or unfavorable interest rate movements.

There are no collateral requirements related to the interest rate swap with the $77.2 million notional amount. Depending on the fair value related to the swap with the $174.8 million notional amount, the University may be entitled to receive collateral from the counterparty to the extent the positive fair value exceeds $15.0 million, or be obligated to provide collateral to the counterparty if the negative fair value of the swap exceeds $125.0 million or the cash and investments held by the medical centers fall below $250.0 million.

Depending on the fair value related to the swaps with the counterparty that is currently rated Aa2/AA- with combined notional amount of 500.0 million and the swap with the counterparty that is currently rated Aa3/AA- with a notional amount of 100.0 million, the University may be entitled to receive collateral from each counterparty to the extent the positive fair value of the swap or swaps with each counterparty swap exceeds $30.0 million. As of June 30, 2014, there was no collateral required.

Interest Rate Risk

There is a risk the value of the interest rate swaps will decline because of changing interest rates. The values of the interest rate swaps with longer maturities tend to be more sensitive to changing interest rates and, therefore, more volatile than those with shorter maturities.

Basis Risk

There is a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds. This exposes the University to basis risk whenever the interest rates on the bonds are reset. The interest rate on the bonds is a tax-exempt interest rate, while the basis of the variable receipt on the interest rate swaps is taxable. Tax-exempt interest rates can change without a corresponding change in the LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market. However, there is no basis or tax risk related to the swap with the 149.1 million notional amount since the variable rate the University pays to the bond holders matches the variable-rate payments received from the swap counterparty and the interest rates are reset at the same intervals.

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of non-performance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. In addition, depending on the agreement, certain interest rate swaps may be terminated if a counterparty's credit quality rating, as issued by Moody's or Standard & Poor's, falls below certain thresholds. For the interest rate swap with the 77.2 million notional amount, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swap with the 174.8 million notional amount, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB.

For the swaps with notional amounts of 400.0 million and 100.0 million with the counterparty that is currently rated Aa2/AA-, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. For the swap with a notional amount of $100 million with the counterparty that is currently rated Aa3/AA-, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. Upon termination, the University may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

Rollover Risk

The University is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the University will be re-exposed to the risks being hedged by the hedging derivative instruments. The University is exposed to rollover risk on the interest rate swaps that mature in October 2023 because the hedged debt is scheduled to mature in May 2048.

5. INVESTMENTS HELD BY TRUSTEES

The University has entered into agreements with trustees to maintain trusts for the University's self-insurance programs, long-term debt requirements, capital projects and certain other requirements. In addition, the state of California retained on deposit certain proceeds from the sale of lease-revenue bonds to be used for capital projects.

Self-Insurance Programs

Investments held by trustees for self-insurance programs include separate trusts for the workers' compensation and professional medical and hospital liability programs. Securities are held by the trustees in the name of the University. The trust agreements permit the trustees to invest in equity securities, long-term and short-term debt securities, commercial paper and other securities including any common or commingled trust funds.

The composition of cash and investments and the modified duration associated with fixed-income securities for self-insurance programs at June 30, 2014 are as follows:

(in thousands of dollars)

	INVESTMENTS AT FAIR VALUE	MODIFIED DURATION
Cash	$ (368)	
Commingled funds:		
U.S. bond funds	535,515	6.0
Money market funds	71,289	
U.S. equity funds	103,898	
Total	**$710,334**	

Self-insurance investments are held in externally-managed commingled funds with underlying credit ratings ranging from B to AAA, where applicable.

Long-Term Debt

Investments held by trustees for future payment of principal and interest in accordance with various Indenture and other long-term debt requirements totaled $2.9 million at June 30, 2014. Securities held by trustees are held in the name of the University and these trust agreements permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Capital Projects

Proceeds from the sale of the state of California's lease revenue bonds to be used for financing certain University capital projects were deposited in a commingled U.S. bond fund managed by the state of California Treasurer's Office, as trustee, and distributed to the University as the projects are constructed. The fair value of these deposits was $109.2 million at June 30, 2014.

In addition, proceeds from the sale of bonds and certain University funds are held by trustees to be used for financing and operating third-party capital projects. The fair value of these investments was $63.1 million at June 30, 2014. Substantially, all of these investments are of a highly liquid, short-term nature.

6. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for doubtful accounts at June 30, 2014 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA							
	STATE AND FEDERAL GOVERNMENT	MEDICAL CENTERS	INVESTMENT INCOME	PRIVATE GRANTS AND CONTRACTS	MEDICAL PROFESSIONAL FEES	OTHER	TOTAL	DISCRETELY PRESENTED COMPONENT UNITS
Accounts receivable	$577,852	$ 1,753,698	$63,320	$297,441	$279,510	$351,697	$ 3,323,518	$115,755
Allowance for doubtful accounts	(2,333)	(251,066)		(5,605)	(37,272)	(26,469)	(322,745)	(12,702)
Accounts receivable, net	**$575,519**	**$1,502,632**	**$63,320**	**$291,836**	**$242,238**	**$325,228**	**$ 3,000,773**	**$103,053**

The University's other accounts receivable are primarily related to investment sales, tuition and fees, auxiliary enterprises, insurance rebates and legal settlements. Other receivables includes $58.1 million loaned by the University to CHRCO.

The campus foundations' accounts receivable are primarily related to investment income. CHRCO's receivables primarily include patient receivables.

The expense for doubtful accounts have either increased (decreased) the following revenues for the year ended June 30, 2014:

(in thousands of dollars)

Student tuition and fees	$ (2,257)
Grants and contracts:	
Federal	(208)
State	342
Private	(1,113)
Local	7
Medical centers	(309,085)
Educational activities	(8,595)
Auxiliary enterprises	(501)
Other operating revenues	(1,960)
Expense for doubtful accounts	**$ (323,370)**

Retirement System Contribution

The state of California agreed to make contributions related to certain prior years to the University for UCRP in annual installments over 30 years. During the year ended June 30, 2014, under the terms of these agreements, the state of California contributed $6.1 million, including interest at rates ranging from 8.0 percent to 8.5 percent. At June 30, 2014, the remaining amount owed to UCRP by the state was $24.3 million. These amounts are recorded in the University's statement of net position as a receivable from the state of California and as a liability owed to UCRP.

7. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2014 is summarized as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
Total pledges receivable outstanding	$85,542	$1,064,170
Less: Unamortized discount to present value	(2,754)	(112,116)
Allowance for uncollectible pledges	(21,175)	(87,186)
Total pledges receivable, net	**61,613**	**864,868**
Less: Current portion of pledges receivable	(26,833)	(222,531)
Noncurrent portion of pledges receivable	**$34,780**	**$ 642,337**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2014 and thereafter are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
Year Ending June 30		
2015	$40,993	$ 250,222
2016	26,385	119,586
2017	8,834	153,698
2018	4,693	72,119
2019	1,037	59,232
2020 - 2024	2,350	258,093
Beyond 2024	1,250	151,220
Total payments on pledges receivable	**$85,542**	**$1,064,170**

Adjustments to the allowance for uncollectible pledges for the University have increased (decreased) the following revenues for the year ended June 30, 2014:

(in thousands of dollars)

Private gifts	$(11,526)
Capital gifts and grants	353

8. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2014, along with the allowance for uncollectible amounts, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				DISCRETELY PRESENTED COMPONENT UNITS	
		NONCURRENT				
	CURRENT	NOTES	MORTGAGES	TOTAL	CURRENT	NONCURRENT
Notes and mortgages receivable	$49,986	$317,930	$24,713	$342,643	$5	$1,296
Allowance for uncollectible amounts	(6,489)	(20,838)	(140)	(20,978)		
Notes and mortgages receivable, net	**$43,497**	**$297,092**	**$24,573**	**$321,665**	**$5**	**$1,296**

9. DOE NATIONAL LABORATORY CONTRACTS

Los Alamos National Security, LLC (LANS)

LANS operates and manages the DOE's LANL. LANS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50 percent membership interest in LANS, its equity in the current earnings or losses is subject to certain limitations and special allocations of both the fees and costs. As a result, the University's equity in the current earnings or losses may range from 17.0 to 50.0 percent. For the year ended June 30, 2014, the University recorded $12.7 million, as its equity in the current earnings of LANS and received $13.3 million in cash distributions in 2014.

Lawrence Livermore National Security, LLC (LLNS)

LLNS manages and operates the DOE's LLNL. LLNS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50 percent membership interest in LLNS, its equity in the current earnings or losses is 36.3 percent as of June 30, 2014. For the year ended June 30, 2014, the University recorded $12.4 million, as its equity in the current earnings of LLNS and received $12.0 million in cash distributions.

10. CAPITAL ASSETS

The University's capital asset activity for the year ended June 30, 2014 is as follows:

(in thousands of dollars)

	2013	ADDITIONS	DISPOSALS	2014
ORIGINAL COST				
Land	$ 840,050	$ 11,825	$ (4,710)	$ 847,165
Infrastructure	585,270	18,349	(51)	603,568
Buildings and improvements	29,514,691	1,509,912	(27,254)	30,997,349
Equipment, software and intangibles	6,237,146	494,632	(337,050)	6,394,728
Libraries and collections	3,699,125	138,486	(20,178)	3,817,433
Special collections	354,109	28,304	(136)	382,277
Construction in progress	2,898,206	718,076		3,616,282
Capital assets, at original cost	**$44,128,597**	**$2,919,584**	**$(389,379)**	**$46,658,802**
	2013	**DEPRECIATION AND AMORTIZATION**	**DISPOSALS**	**2014**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Infrastructure	$ 284,911	$ 20,454	$ (22)	$ 305,343
Buildings and improvements	10,958,368	1,099,747	(13,615)	12,044,500
Equipment, software and intangibles	4,007,422	463,231	(297,079)	4,173,574
Libraries and collections	2,698,011	126,240	(50,391)	2,773,860
Accumulated depreciation and amortization	**$17,948,712**	**$1,709,672**	**$(361,107)**	**$19,297,277**
Capital assets, net	**$26,179,885**			**$27,361,525**

Service concession arrangements, reported as buildings and improvements, are $48.3 million of original cost and $17.6 million of accumulated depreciation at June 30, 2014.

The discretely presented component units' capital asset activity for the year ended June 30, 2014 is as follows:

(in thousands of dollars)

	2013	ADDITIONS	DISPOSALS	2014
ORIGINAL COST				
Land	$ 16,290			$ 16,290
Buildings and improvements	255,317	$ 15,320	$ (70)	270,567
Equipment, software and intangibles	141,973	104,947	(4,191)	242,729
Construction in progress	74,215	64,032	(112,364)	25,883
Capital assets, at original cost	**$487,795**	**$184,299**	**$(116,625)**	**$555,469**
	2013	**DEPRECIATION AND AMORTIZATION**	**DISPOSALS**	**2014**
ACCUMULATED DEPRECIATION AND AMORTIZATION				
Buildings and improvements	$142,483	$ 7,940	$ (50)	$150,373
Equipment, software and intangibles	103,439	22,000	(3,975)	121,464
Accumulated depreciation and amortization	**$245,922**	**$29,940**	**$ (4,025)**	**$271,837**
Capital assets, net	**$241,873**			**$283,632**

11. SELF-INSURANCE, OBLIGATIONS UNDER LIFE INCOME AGREEMENTS AND OTHER LIABILITIES

The University's self-insurance and other liabilities at June 30, 2014 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Self-insurance programs	$ 201,538	$443,040		$ 16,091
Obligations under life income agreements	1,010	$ 28,700	$20,710	$140,818
Other liabilities:				
Compensated absences	485,105	262,593	21,149	
UCRP*	3,258	20,925		
Accrued interest	92,142			
Fair value of interest rate swaps		75,239		
Payable to University			2,205	55,915
Other	490,350	151,490	26,675	25,762
Total	**$1,273,403**	**$510,247**	**$70,739**	**$ 81,677**

** UCRP has an equivalent amount recorded as a contribution receivable from the University in its statement of fiduciary net position.*

CHRCO's long-term debts were defeased or retired with advances from the University's commercial paper program in June 2014.

Self-Insurance Programs

Changes in liabilities for self-insurance or insured through a wholly-owned captive insurance company changed as follow for the year ended June 30, 2014:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE & STUDENT HEALTH CARE	GENERAL LIABILITY	TOTAL
Year Ended June 30, 2014					
Liabilities at June 30, 2013	$190,594	$311,581	$ 39,685	$89,938	$631,798
Claims incurred and changes in estimates	41,522	74,114	329,892	21,663	467,191
Claim payments	(55,411)	(73,981)	(301,195)	(23,824)	(454,411)
Liabilities at June 30, 2014	**$176,705**	**$311,714**	**$ 68,382**	**$87,777**	**$644,578**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE & STUDENT HEALTH CARE	GENERAL LIABILITY	TOTAL
Year Ended June 30, 2013					
Liabilities at June 30, 2012	$178,289	$299,193	$ 34,876	$86,818	$599,176
Claims incurred and changes in estimates	63,767	87,378	250,270	20,417	421,832
Claim payments	(51,462)	(74,990)	(245,461)	(17,297)	(389,210)
Liabilities at June 30, 2013	**$190,594**	**$311,581**	**$ 39,685**	**$89,938**	**$631,798**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	

Changes in self-insurance or insured liabilities for the discretely presented component units for the year ended June 30, 2014 are as follows:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE HEALTH CARE	TOTAL
Year Ended June 30, 2014				
Liabilities at June 30, 2013	$4,078	$7,523	$ 1,872	$13,473
Claims incurred and changes in estimates	700	4,113	10,247	15,060
Claim payments	(159)	(2,295)	(9,988)	(12,442)
Liabilities at June 30, 2014	**$4,619**	**$9,341**	**$ 2,131**	**$16,091**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	
Year Ended June 30, 2013				
Liabilities at June 30, 2012	$4,050	$5,229	$ 2,077	$11,356
Claims incurred and changes in estimates	244	4,993	9,919	15,156
Claim payments	(216)	(2,699)	(10,124)	(13,039)
Liabilities at June 30, 2013	**$4,078**	**$7,523**	**$ 1,872**	**$13,473**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	

Obligations Under Life Income Agreements

Changes in current and noncurrent obligations under life income agreements for the year ended June 30, 2014 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS	
	ANNUITIES	LIFE BENEFICIARIES	ANNUITIES	LIFE BENEFICIARIES
Year Ended June 30, 2014				
Balance at June 30, 2013	$14,271	$15,530	$53,388	$116,379
New obligations to beneficiaries and change in liability, net	1,265	3,097	5,491	4,862
Payments to beneficiaries	(1,978)	(2,475)	(6,907)	(11,685)
Obligations under life income agreements at June 30, 2014	**13,558**	**16,152**	**51,972**	**109,556**
Less: Current portion	(540)	(470)	(7,050)	(13,660)
Noncurrent portion at June 30, 2014	**$13,018**	**$15,682**	**$44,922**	**$95,896**

12. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment, or for such other purposes as are authorized by The Regents through the issuance of debt obligations or indirectly through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide for interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

The University's outstanding debt at June 30, 2014 is as follows:

(in thousands of dollars)

	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2014
INTERIM FINANCING:				
Commercial paper		0.1 - 0.2%	2014	$ 993,650
LONG-TERM FINANCING:				
University of California General Revenue Bonds				
Fixed Rate	4.4%	0.2 - 7.6%	2015-2112	9,222,595
Variable Rate	0.3%	0.0 - 0.7%	2037-2048	1,250,000
University of California Limited Project Revenue Bonds	5.0%	3.0 - 6.3%	2015-2050	1,966,650
University of California Medical Center Pooled Revenue Bonds				
Fixed Rate	5.6%	2.0 - 6.6%	2015-2049	2,523,200
Variable Rate	0.5%	0.0 - 1.0%	2015-2047	257,545
University of California Medical Center Revenue Bonds	5.2%	4.0 - 5.0%	2015-2039	47,265
Adjusted by: Unamortized bond premium				595,728
University of California revenue bonds	**4.3%**			**15,862,983**
Capital lease obligations		0.0 - 7.8%	2014-2042	113,224
Other University borrowings		Various	2014-2049	362,823
Blended component unit revenue bonds, net	5.7%	4.0 - 6.5%	2015-2049	698,069
Total outstanding debt				**18,030,749**
Less: Commercial paper				(993,650)
Current portion of outstanding debt				(1,186,884)
Noncurrent portion of outstanding debt				**$ 15,850,215**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the year ended June 30, 2014 was $692.4 million. Interest expense, net of investment income, totaling $76.8 million was capitalized during the year ended June 30, 2014. The remaining $615.6 million in 2014 is reported as interest expense in the statement of revenues, expenses and changes in net position.

Outstanding Debt Activity

The activity with respect to the University's current and noncurrent debt, including the revenue bonds associated with blended component units, for the year ended June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY REVENUE BONDS	CAPITAL LEASE OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL
Year Ended June 30, 2014					
Long-term debt and capital leases at June 30, 2013	$12,233,122	$2,582,411	$395,279	$705,413	$15,916,225
New obligations	4,078,840	36,470	13,904		4,129,214
Bond premium	185,534				185,534
Refinancing or prepayment of outstanding debt	(28,295)	(2,389,830)	(15,383)		(2,433,508)
Scheduled principal payments	(564,085)	(115,827)	(30,977)	(6,706)	(717,595)
Amortization of bond premium	(42,133)			(638)	(42,771)
Long-term debt and capital leases at June 30, 2014	**15,862,983**	**113,224**	**362,823**	**698,069**	**17,037,099**
Less: Current portion	(1,128,456)	(24,602)	(25,738)	(8,088)	(1,186,884)
Noncurrent portion at June 30, 2014	**$14,734,527**	**$ 88,622**	**$337,085**	**$689,981**	**$15,850,215**

Commercial Paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim/permanent financing for capital projects, interim financing of equipment, financing of working capital for the medical centers, standby or interim financing for gift financed projects and working capital for the University. Proceeds from commercial paper of $58.1 million were loaned to CHRCO by the University as of June 30, 2014.

The program's liquidity is supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitute limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper and the paper does not constitute general obligations of the University.

Commercial paper outstanding, including interest rates, at June 30, 2014 is as follows:

(in thousands of dollars)

	INTEREST RATES	OUTSTANDING
Taxable	0.08-0.2%	$993,650
Total outstanding		**$993,650**

The expectation is that the University will continue to utilize available investments for liquidity support for the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2014, the University has two revolving credit agreements totaling $700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2014. In August 2014, the University amended its existing revolving credit agreement totaling $400.0 million that provides additional liquidity support to the University's commercial paper program to extend the termination date to December 7, 2016.

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the University. They generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require the University to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes.

General Revenue Bonds are collateralized solely by General Revenues as defined in the Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. General Revenues, as defined in the Indenture, have been amended to include certain state appropriations as to secure payment of the General Revenue Bonds. General Revenues for the year ended June 30, 2014 were $13.0 billion. The pledge of General Revenues for interest rate swap agreements is on a parity basis with the University's General Revenue Bonds.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The Indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other financial covenants. Pledged revenues for the year ended June 30, 2014 were $729.8 million.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledge of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical center gross revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. Gross revenues of the medical centers for the year ended June 30, 2014 was $8.6 billion.

Medical Center Revenue Bonds have also financed certain facilities of one of the University's five medical centers and are collateralized by a pledge of the specific gross revenues associated with the medical center. The Medical Center Revenue Bond Indenture requires one medical center to achieve debt service coverage of 1.1 times, set limitations on encumbrances, indebtedness, disposition of assets and transfer services, as well as maintain certain other financial covenants.

The pledge of revenues under Limited Project Revenue Bonds is subordinate to the pledge of revenues associated with General Revenue Bonds, but senior to pledges under commercial paper agreements or bank loans.

Medical center gross revenues are pledged under the Indentures for the Medical Center Pooled Revenue Bonds and the UCLA Medical Center Revenue Bonds and certain interest rate swap agreements. The pledge of medical center revenues under Medical Center Pooled Revenue Bonds is subordinate to the specific Medical Center Revenue Bonds.

The pledge of medical center revenues for interest rate swap agreements may be at parity with or subordinate to specific Medical Center Revenue Bonds and Medical Center Pooled Revenue Bonds.

All Indentures permit the University to issue additional bonds as long as certain conditions are met.

2014 Activity

In August 2013, tax-exempt Medical Center Pooled Revenue Bonds totaling $649.9 million, including $618.6 million of fixed-rate bonds and $31.3 million of variable-rate demand bonds, were issued to finance and refinance certain facilities and projects of the medical centers. Proceeds, including a bond premium of $6.3 million, were used to pay for project construction, issuance costs and refund $28.3 million of outstanding Medical Center Revenue Bonds. The fixed-rate bonds mature at various dates through 2048 and the variable-rate bonds mature in 2047. The interest rates on the variable-rate demand bonds reset weekly and an interest rate swap, previously classified as an investment derivative, is being used to limit exposure to changes in market interest rates. In the event of a failed remarketing, the variable-rate demand bonds can be put back to The Regents for tender. The tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding Medical Center Revenue Bonds resulted in cash flow savings of $5.1 million and an economic gain of $3.6 million.

In October 2013, General Revenue Bonds totaling $2.5 billion, including $1.1 billion tax-exempt bonds, $712.3 million taxable bonds, and $600.0 million tax-exempt variable-rate demand bonds, were used to refinance debt issued by the state of California or for such other purposes as authorized by The Regents. Proceeds, including a bond premium of $124.9 million, were used to pay $2.4 billion in Lease Revenue Bonds issued by the State Public Works Board of the state of California, which are reported as lease-purchase agreements by the University and bond issuance costs. The fixed-rate bonds mature at various dates through 2048 and the variable-rate demand bonds mature at 2048. The tax-exempt bonds have a stated weighted average interest rate of 3.5 percent. The taxable bonds have a stated weighted average interest rate of 4.3 percent. The interest rates on the variable-rate demand bonds reset weekly and, in the event of a failed remarketing, can be put back to The Regents for tender. Interest rate swap agreements were executed to limit exposure to changes in market interest rates. General Revenues, as defined in the Indenture, have been amended to include certain state appropriations to secure payment of the General Revenue Bonds. The refunding resulted in a loss of $253.5 million, recorded as a deferred inflow of resources, that will be amortized as interest expense over the remaining life of the refunded bonds. The refinancing and refunding of previously outstanding Lease Revenue Bonds issued by the State Public Works Board of the state of California resulted in additional cash flow requirements of $1.0 billion and an economic gain of $27.7 million. Bonds were issued to achieve estimated annual cash flow savings of $17.6 million to $100.0 million between 2014 and 2030.

In April 2014, General Revenue Bonds totaling $970.4 million, including $559.2 million tax-exempt bonds and $411.2 taxable bonds, were used to finance and refinance certain facilities and projects of the University. The bonds mature at various dates through 2049. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The taxable bonds have a stated weighted average interest rate of 3.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In April 2014, the University remarketed General Revenue Bonds totaling $500.0 million of taxable bonds which were used to finance pension contributions to UCRP and operating costs on an interim basis. The scheduled mandatory tender for purchase is on July 1, 2017. The University pays an interest rate equal to 1-month LIBOR plus of 0.50% on these remarketed bonds starting on May 1, 2014.

Capital Leases

The University entered into lease-purchase agreements with the state of California that were recorded as capital leases. The state sold lease revenue bonds to finance construction of certain state-owned buildings to be used by the University. At the conclusion of the lease term, ownership transferred to the University.

In October 2013, the University refinanced all the lease revenue bonds issued by the state of California with University General Revenue Bonds and ownership of all the properties transferred to the University.

The state of California financing appropriation to the University under the terms of the lease-purchase agreements, recorded as nonoperating revenue, for the year ended June 30, 2014 was $0.5 million. The scheduled principal and interest, including accrued interest, reported in the University's financial statements for the year ended June 30, 2014 contain amounts related to these lease-purchase agreements with the state of California as follows:

(in thousands of dollars)	
Capital lease principal	$16,910
Capital lease interest	7,942
Total	**$24,852**

Capital leases entered into with other lessors, typically for equipment, totaled $36.5 million for the year ended June 30, 2014.

Other University Borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivative instrument.

The University may use uncollateralized revolving lines of credit with commercial banks for general corporate purposes and to provide interim financing for buildings and equipment. Lines of credit commitments for general corporate purposes, with various expiration dates through February 15, 2017, totaled $345.0 million at June 30, 2014. Outstanding borrowings under these bank lines totaled $262.0 million at June 30, 2014. Lines of credit that provide interim financing for buildings and equipment, with various expiration dates through April 30, 2016, totaled $3.0 million. There were no outstanding borrowings under these bank lines at June 30, 2014.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was $42.1 million at June 30, 2014.

Blended Component Unit Revenue Bonds

Student Housing

The University has entered into ground leases with a legally separate, non-profit corporation that develops and owns student housing projects and related amenities and improvements on a University campus through the use of a single-project limited liability corporation (LLC). The LLC manages the premises. The University's reversionary interest in the land is not subordinated. All costs associated with the ownership, operation and management of the improvements are the obligation of the LLC. Student rental rates are established in order to provide for operating expenses and maintain the required debt service coverage ratios. The University is not responsible for any payments related to the ownership, operation or financing of the student housing. However, under GASB requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

The LLC, through its conduit issuer, has outstanding Student Housing LLC Revenue Bonds to finance the construction of the student housing facilities. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. They are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues of the student housing projects, and do not constitute general obligations of The Regents.

At June 30, 2014, the LLC, through its conduit issuer, has outstanding Student Housing LLC Revenue Bonds totaling $410.5 million. The bonds mature at various dates through 2040 and have a weighted average interest rate of 5.5 percent.

Research Facilities

The University has a public/private partnership, for the purpose of developing, constructing and managing a neuroscience research laboratory building with a legally separate, non-profit corporation. In connection with the research laboratory building, the University entered into a ground lease with the corporation. The corporation has entered into a sub-ground lease with a developer to construct, own and manage the building. The University agreed to lease all of the space in the building from the developer. The University's base rent payments are equal to the principal and interest payments on the bonds issued by the corporation to finance the construction of the building. As security on the bonds, the developer has assigned all payments received from the University for the space lease to the bond trustee.

All of the board members of the non-profit corporation are appointed by the University and the University has the authority to determine the budget for the corporation. Under GASB requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

The corporation, through a conduit issuer, has outstanding tax-exempt revenue bonds totaling $19.7 million and taxable revenue bonds totaling $188.0 million. The tax-exempt revenue bonds mature at various dates from 2021 through 2025 and have a weighted average interest rate of 5.0 percent. They generally have annual serial maturities, semi-annual interest payments and optional redemption provisions. The taxable bonds mature in 2049 and have an interest rate of 6.5 percent. The taxable bonds were issued as Build America Bonds, under which the U.S. Treasury is expected to send the non-profit corporation 35.0 percent of the semi-annual interest cost on the taxable bonds, making the net interest rate 4.2 percent post-subsidy. The bonds have a term maturity with various certain annual sinking fund requirements, semi-annual interest payments and optional redemption provisions.

In addition, the University entered into a ground lease with a legally separate, non-profit corporation (the Consortium). The Consortium entered into an agreement with a developer to develop and own a research laboratory facility designed to expand collaborative work in stem cell research and facilitate its translation into tools and techniques to diagnose and treat degenerative diseases and other ailments. The developer constructed the research laboratory facility. All costs associated with the ownership, operation and management of the laboratory research facility are the obligation of the Consortium. The University, along with the other collaborative research partners, will lease space in the building.

Under GASB requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

The Consortium, through its conduit issuer, has outstanding revenue bonds totaling $58.7 million. The bonds mature at various dates through 2040 and have a weighted average interest rate of 4.9 percent. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. Lease payments from the occupants of the building are pledged as collateral on the bonds. To the extent the lease payments are not sufficient to pay the debt service, the University is obligated to pay the shortfall.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for the University's fixed- and variable-rate debt and net receipts or payments on associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2014, and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the hedging derivative interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the hedging derivative interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net hedging derivative interest rate swap payments will vary.

(in thousands of dollars)

	COMMERCIAL PAPER	UNIVERSITY REVENUE BONDS	CAPITAL LEASES	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year Ending June 30								
2015	$993,949	$ 1,010,992	$ 28,517	$ 26,821	$ 47,209	$ 2,107,488	$ 1,354,174	$ 753,314
2016		1,003,850	18,933	280,969	48,122	1,351,874	618,672	733,202
2017		984,069	12,065	12,403	62,752	1,071,289	351,497	719,792
2018		971,795	6,995	4,109	48,209	1,031,108	324,945	706,163
2019		972,149	4,284	3,469	48,210	1,028,112	335,277	692,835
2020-2024		5,131,037	20,624	7,633	255,276	5,414,570	2,235,999	3,178,571
2025-2029		4,598,977	24,687	7,226	258,561	4,889,451	2,323,474	2,565,977
2030-2034		4,219,740	30,036	7,414	255,994	4,513,184	2,552,944	1,960,240
2035-2039		3,812,376	36,543	7,282	237,770	4,093,971	2,818,450	1,275,521
2040-2044		2,992,474	22,291	6,064	93,047	3,113,876	2,460,920	652,956
2045-2049		1,426,220		1,846	66,923	1,494,989	1,174,951	320,038
2050-2112		3,513,779				3,513,779	880,430	2,633,349
Total future debt service	**993,949**	**30,637,458**	**204,975**	**365,236**	**1,422,073**	**33,623,691**	**$17,431,733**	**$16,191,958**
Less: Interest component of future payments	(299)	(15,370,203)	(88,591)	(2,413)	(730,452)	(16,191,958)		
Principal portion of future payments	**993,650**	**15,267,255**	**116,384**	**362,823**	**691,621**	**17,431,733**		
Adjusted by:								
Unamortized bond premium		595,728			6,448	602,176		
Present value of net minimum leases included in long-term debt			(3,160)			(3,160)		
Total debt	**$993,650**	**$15,862,983**	**$113,224**	**$362,823**	**$698,069**	**$18,030,749**		

Long-term debt does not include $2.3 billion of defeased liabilities at June 30, 2014. Investments that have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the University's statement of net position.

Medical Center Pooled Revenue Bonds of $108.5 million are variable-rate demand bonds which give the debt holders the ability to tender the bonds back to the University upon demand. In connection with $77.2 million of these outstanding variable-rate demand bonds, the University has entered into a bank standby bond purchase agreement to provide funds for the purchase of the bonds that have been tendered and not remarketed. The standby bond purchase agreement is scheduled to terminate on June 30, 2015. The University is required to repurchase any bonds held by the bank on the termination date of the agreement. The University has classified $31.3 million of these bonds as current liabilities as of June 30, 2014.

General Revenue Bonds of $750.0 million are variable-rate demand bonds which reset weekly and, in the event of a failed remarketing, can be put back to The Regents for tender. The University has classified $750.0 million of these bonds as current liabilities as of June 30, 2014.

As rates vary, variable-rate bond interest payments and net swap payments will vary. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2014, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

(in thousands of dollars)

	VARIABLE-RATE BONDS		INTEREST RATE SWAP, NET	TOTAL PAYMENTS
	PRINCIPAL	INTEREST		
Year Ending June 30				
2015	$ 3,110	$ 1,385	$ 19,688	$ 24,183
2016	3,230	1,384	19,594	24,208
2017	3,340	1,384	19,496	24,220
2018	3,465	1,384	19,395	24,244
2019	3,590	1,383	19,290	24,263
2020-2024	26,895	6,887	87,441	121,223
2025-2029	44,065	6,345	34,992	85,402
2030-2034	41,725	5,755	27,202	74,682
2035-2039	31,580	4,791	20,993	57,364
2040-2044	163,910	3,063	12,815	179,788
2045-2049	532,635	534	1,669	534,838
Total	**$857,545**	**$34,295**	**$282,575**	**$1,174,415**

13. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30, 2014 is summarized as follows:

(in thousands of dollars)

	SERVICE CONCESSION ARRANGEMENTS	NET PENSION LIABILITY	LOSS ON DEBT REFUNDING	INTEREST RATE SWAP AGREEMENTS	TOTAL
At June 30, 2014					
Deferred outflows of resources		$3,285,031	$339,743	$75,240	$3,700,014
Deferred inflows of resources	$ 30,701	7,047,208			7,077,909

The deferred inflows and outflows of resources for the discretely presented component units are related to the net pension liability for the CHRCO pension plan.

14. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most University employees participate in UCRS. UCRS consists of UCRP, a defined benefit plan funded with University and employee contributions; UCRSP that includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions; PERS-VERIP, a defined benefit plan for University employees who were members of PERS and who elected early retirement; and the Children's Hospital & Research Center at Oakland (CHRCO) Pension Plan, a defined benefit plan fully funded with CHRCO contributions. The Regents has the authority to establish and amend the benefit plans except for the CHRCO Pension Plan. Administration authority with respect to UCRS plans is vested with the President of the University as plan administrator and the President has redelegated that authority within UCRS to the Vice President – Human Resources. CHRCO administers the CHRCO Pension Plan as the Sponsor and plan assets are held by Union Bank, N.A. (the Trustee).

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP, PERS-VERIP, and the CHRCO Pension Plan for the year ended June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA					DISCRETELY PRESENTED COMPONENT UNITS
	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA PERS-VERIP	SUBTOTAL	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL	CHILDREN'S HOSPITAL & RESEARCH CENTER AT OAKLAND PENSION PLAN
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION						
Investments at fair value	$53,515,771	$ 71,288	$53,587,059	$15,160,545	$68,747,604	$320,064
Participants' interests in mutual funds				5,044,424	5,044,424	
Investment of cash collateral	4,162,452	5,564	4,168,016	2,395,256	6,563,272	
Other assets	261,451	87	261,538	201,873	463,411	
Total assets	**57,939,674**	**76,939**	**58,016,613**	**22,802,098**	**80,818,711**	**320,064**
Collateral held for securities lending	4,161,400	5,563	4,166,963	2,394,651	6,561,614	
Other liabilities	994,407	1,414	995,821	363,293	1,359,114	
Total liabilities	**5,155,807**	**6,977**	**5,162,784**	**2,757,944**	**7,920,728**	
Net position held in trust	**$52,783,867**	**$ 69,962**	**$52,853,829**	**$20,044,154**	**$72,897,983**	**$320,064**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION						
Contributions	$ 2,158,342		$ 2,158,342	$ 1,057,370	$ 3,215,712	$ 14,500
Net appreciation (depreciation) in fair value of investments	7,170,667	$ 9,874	7,180,541	1,957,077	9,137,618	
Investment and other income, net	839,313	1,161	840,474	506,618	1,347,092	48,704
Total additions	**10,168,322**	**11,035**	**10,179,357**	**3,521,065**	**13,700,422**	**63,204**
Benefit payment and participant withdrawals	2,687,540	5,169	2,692,709	1,260,155	3,952,864	6,994
Other deductions	37,641	6	37,647	8,804	46,451	718
Total deductions	**2,725,181**	**5,175**	**2,730,356**	**1,268,959**	**3,999,315**	**7,712**
Increase in net position held in trust	**7,443,141**	**5,860**	**7,449,001**	**2,252,106**	**9,701,107**	**55,492**
Net position held in trust						
Beginning of year	45,340,726	64,102	45,404,828	17,792,048	63,196,876	264,572
End of year	**$52,783,867**	**$ 69,962**	**$52,853,829**	**$20,044,154**	**$72,897,983**	**$320,064**
CHANGES IN TOTAL PENSION LIABILITY						
Service cost	$ 1,519,183		$ 1,519,183			$ 9,274
Interest	4,316,728	$ 2,857	4,319,585			22,453
Difference between expected and actual experience	(320,624)	(436)	(321,060)			2,487
Changes of benefit terms						142
Benefits paid, including refunds of employee contributions	(2,687,540)	(5,169)	(2,692,709)			(6,994)
Net change in total pension liability	**2,827,747**	**(2,748)**	**2,824,999**			**27,362**
Total pension liability						
Beginning of year	57,701,585	41,108	57,742,693			303,914
End of year	**$60,529,332**	**$ 38,360**	**$60,567,692**			**$331,276**
Net pension liability (asset), end of year	**$ 7,745,465**	**$(31,602)**	**$ 7,713,863**			**$ 11,212**

Additional information on the retirement plans can be obtained from the 2013-2014 annual reports of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu/.

University of California Retirement Plan

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University, and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code. Annual cost-of-living adjustments (COLAs) are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

The University's membership in UCRP consisted of the following at June 30, 2014:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	51,249	12,942	64,191
Inactive members entitled to , but not receiving benefits	66,424	11,805	78,229
Active members:			
Vested	74,276	1,672	75,948
Nonvested	43,661	959	44,620
Total active members	**117,937**	**2,631**	**120,568**
Total membership	**235,610**	**27,378**	**262,988**

Contributions

Contributions to UCRP are based upon rates determined by The Regents. The Regents' funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Effective July 1, 2013, employee member and employer contributions were 6.5 percent and 12 percent, respectively. Member contributions for the employees in the new benefit tier applicable to employees hired on or after July 1, 2013 are 7.0 percent, and the employer rate is uniform across all members. Effective July 1, 2014, employee member and employer contributions were 8.0 percent and 14.0 percent, respectively.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or a lump sum equal to the present value of their accrued benefits.

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees and is reimbursed by the DOE based upon rates that are identical to those authorized by The Regents for campus and medical center employees. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP at the time the joint ventures were formed. The contributions for the LANL and LLNL are actuarially determined based upon a contractual arrangement with the DOE that incorporates a formula targeted to maintain the LANL and LLNL segments within UCRP at a 100 percent funded level. The University is reimbursed by the DOE for these contributions. To the extent the University has recorded a net pension liability, deferred inflows of resources and deferred outflows of resources that will be reimbursed under DOE contracts, a receivable from the DOE is recorded. As of June 30, 2014, the University reported $1.2 billion as other non-current Department of Energy receivables for pension liabilities.

Net Pension Liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP as of June 30, 2014 was as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
UCRP net position	$ 44,484,494	$8,299,373	$ 52,783,867
Total pension liability	51,509,640	9,019,692	60,529,332
Net pension liability	**$ 7,025,146**	**$ 720,319**	**$ 7,745,465**

The University's net pension liability was measured as of June 30, 2014 based upon rolling forward the results of the actuarial valuations as of July 1, 2013. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. The University's net pension liability was calculated using the following methods and assumptions:

Inflation	3.5 %
Investment rate of return	7.5
Projected salary increases	4.3 - 6.8
Cost-of-living adjustments	2.0

For active members, inactive members and healthy retirees, the RP-2000 Combined Healthy Mortality Table, projected with scale AA to 2025, with ages set back two years is used. For disabled members, rates are based on the RP-2000 Disabled Retiree Mortality Table, projected with Scale AA to 2025, with ages set back two years for males.

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the July 1, 2013 valuations are based upon the results of an experience study conducted for the period of July 1, 2006 through June 30, 2010.

The long-term expected investment rate of return assumption for UCRP was determined based on a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation adopted by The Regents and by adding expected inflation. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are as follows:

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class		
U.S. Equity	23.0%	6.8%
Developed International Equity	24.0	6.9
Emerging Market Equity	5.0	9.3
Core Fixed Income	12.0	1.5
High Yield Bonds	2.5	3.7
Emerging Market Debt	2.5	4.0
TIPS	8.0	1.3
Real Estate	7.0	5.4
Private Equity	6.0	10.4
Absolute Return/Hedge Funds/Real Assets	10.0	4.1
Total	**100.0 %**	

Discount rate

The discount rate used to estimate the net pension liability as of June 30, 2014 was 7.5 percent. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRS has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2014.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the University calculated using the current-period discount rate assumption of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (6.5%)	CURRENT DISCOUNT (7.5%)	1% INCREASE (8.5%)
UCRP	$15,123,395	$7,745,465	$1,540,576
PERS-VERIP	(29,387)	(31,602)	(33,590)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources for the year ended June 30, 2014:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	PERS-VERIP	TOTAL
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience		$ 3,418	$ 3,418		$ 3,418
Changes of assumptions or other inputs	$2,072,600		2,072,600		2,072,600
Net difference between projected and actual earnings on pension plan investments	995,092	212,012	1,207,104	$1,909	1,209,013
Total	**$3,067,692**	**$215,430**	**$3,283,122**	**$1,909**	**$3,285,031**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$ 407,640		$ 407,640		$ 407,640
Changes of assumptions or other inputs	1,874,132		1,874,132		1,874,132
Net difference between projected and actual earnings on pension plan investments	4,018,023	$ 740,671	4,758,694	$6,742	4,765,436
Total	**$6,299,795**	**$740,671**	**$7,040,466**	**$6,742**	**$7,047,208**

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	PERS-VERIP	TOTAL
2015	$ (480,867)	$ (89,152)	$ (570,019)	$ (865)	$ (570,884)
2016	(480,867)	(92,570)	(573,437)	(865)	(574,302)
2017	(998,780)	(198,578)	(1,197,358)	(1,819)	(1,199,177)
2018	(1,236,612)	(144,941)	(1,381,553)	(1,284)	(1,382,837)
2019	(34,977)		(34,977)		(34,977)
Total	**$(3,232,103)**	**$(525,241)**	**$(3,757,344)**	**$(4,833)**	**$(3,762,177)**

Defined Contribution Plan

The University makes DC Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes. The contribution rate is 7.0 percent of eligible salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis. The University may also contribute on behalf of eligible senior managers. Employer contributions to the DC Plan was $4.7 million for the year ended June 30, 2014.

The DC Plan Pretax Account also includes mandatory contributions from part-time, seasonal and temporary employees at the University who are not currently participating in UCRP or another defined benefit plan to which the University contributes (Safe Harbor participants). Safe Harbor participation includes certain University student employees and resident aliens with F-1 and J-1 visa status. Safe Harbor participants contribute 7.5 percent of their gross salary (up to the Social Security wage base) to the Plan in lieu of deductions for Social Security taxes.

All University employees, except students who normally work fewer than 20 hours per week, are eligible to make voluntary contributions to the DC Plan After-Tax Account and defer taxation on the earnings until the accumulations are withdrawn. The maximum amount participants may contribute annually to the After-Tax Account is determined by the IRC §415(c) limit. The University may also make DC Plan contributions on behalf of eligible senior managers.

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions in behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. There were no assets or employer contributions to the SDC Plan for the year ended June 30, 2014.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. Employer contributions to the 403(b) Plan were $1.5 million for the year ended June 30, 2014.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. There were no employer contributions to the 457(b) Plan for the year ended June 30, 2014.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the Chief Investment Officer. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the statement of plans' fiduciary net position.

University of California PERS–VERIP

The University of California PERS–VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC–PERS members who elected early retirement under provisions of the plan. The University contributed to PERS on behalf of these UC–PERS members. As of July 1, 2014, there are 614 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the plan sufficient to maintain the promised benefits. The annual required contribution, net obligation to PERS–VERIP and any changes or adjustments to that obligation are all zero for the year ended June 30, 2014.

Children's Hospital and Research Center at Oakland Pension Plan

CHRCO has a noncontributory defined benefit plan subject to the single employer defined benefit under ERISA rules that substantially covers all full-time employees if they work 1,000 hours or more in a twelve-month eligibility period.

The net pension liability for the plan was calculated based upon the following assumptions: 3.0 percent inflation, 7.2 percent investment rate of return, 3.5 percent projected salary increases and no cost-of-living adjustments.

Membership in the CHRCO Plan consisted of the following at June 30, 2014:

Retirees and beneficiaries receiving benefits	671
Inactive members entitled to, but not yet receiving benefits	1,033
Active members:	
Vested	1,820
Nonvested	286
Total active members	2,106
Total membership	**3,810**

Contributions

Employer contributions are determined under IRC Section 430. Employees are not required or permitted to contribute to the plan.

Net Pension Liability

The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are as follows:

	PORTFOLIO PERCENTAGE	PROJECTED REAL RATE OF RETURN
Asset class		
U.S. Equity	58.5%	5.3%
Developed International Equity	9.4%	5.4%
Emerging Market Equity	8.5%	6.6%
Core Fixed Income	23.6%	2.4%
Total	**100.0%**	

Discount rate

The discount rate used to measure the total pension liability was 7.25%. To calculate the discount rate, the projection of cash flows into and out of the plan were used to determine whether there was sufficient cash available to make all projected future benefit payments of current active and inactive employees.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability calculated using the current-period discount rate assumption of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (6.25%)	CURRENT DISCOUNT (7.25%)	1% INCREASE (8.25%)
Net pension liability (asset)	$56,893	$11,212	$(26,643)

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2014, deferred outflows of resources of $5,445 represents the difference between expected and actual experience. Deferred inflows of resources for pensions of $30,653 represents changes in benefit terms and net difference between projected and actual earnings on pension plan investments.

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows:

(in thousands of dollars)	
Year Ending June 30	
2015	$(7,192)
2016	(7,192)
2017	(7,192)
2018	(4,508)
2019	806
Thereafter	70

15. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees and their eligible family members (retirees) of the University of California and its affiliates. The Regents has the authority to establish and amend the plans.

Membership in UCRP is required to become eligible for retiree health benefits. Participation in the retiree health benefit plans consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees who are currently receiving benefits	37,207	1,727	38,934
Employees who may receive benefits at retirement	117,723	3,312	121,035
Total membership	**154,930**	**5,039**	**159,969**

Contribution Policy

The contribution requirements of the University and eligible retirees are established and may be amended by the University. The contribution requirements are based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability.

Contributions toward medical and dental benefits are shared between the University and the retiree. Contributions toward wellness benefits are made by the University. The University does not contribute toward the cost of other benefits available to retirees. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service.

Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Retiree Health Benefit Expense and Obligation for Retiree Health Benefits

The University's retiree health benefit expense is independently calculated for the campuses and medical centers and LBNL based upon the actuarially determined annual required contribution. The annual required contribution represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize unfunded actuarial liabilities over a period of up to 30 years.

The University's annual retiree health benefit expense and related information for the year ended June 30, 2014, segregated between the University and the DOE responsibility, is as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Actuarial valuation date	July 1, 2013	July 1, 2013	July 1, 2013
Annual required contribution	$1,639,263	$ 55,310	$ 1,694,573
Interest on obligations for retiree health benefits	404,837	11,918	416,755
Adjustment to annual required contribution	(827,452)	(24,290)	(851,742)
Annual retiree health benefit cost	**1,216,648**	**42,938**	**1,259,586**
University contributions:			
To UCRHBT	(294,899)		(294,899)
To health care insurers and administrators		(12,643)	(12,643)
Implicit subsidy	(85,192)	(3,915)	(89,107)
Total contributions	**(380,091)**	**(16,558)**	**(396,649)**
Increase in obligations for retiree health benefits	**836,557**	**26,380**	**862,937**
Obligations for retiree health benefits			
Beginning of year	7,360,673	216,693	7,577,366
End of year	**$8,197,230**	**$243,073**	**$ 8,440,303**
Retiree health care reimbursement from the DOE during the year		**12,643**	**12,643**
DOE receivable for obligations for retiree health benefits			
Noncurrent		243,073	243,073
Total		**$243,073**	**$ 243,073**

The annual retiree health benefit cost, percentage of the annual retiree health benefit cost contributed to the retiree health benefit plan and the net obligation for retiree health benefits for the University for the year ended June 30, 2014, and the preceding years are as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Annual retiree health benefit cost:			
June 30, 2014	$1,216,648	$42,938	$1,259,586
June 30, 2013	1,409,198	48,644	1,457,842
June 30, 2012	1,498,962	53,301	1,552,263
Percentage of annual cost contributed:			
June 30, 2014	31.2%	38.6%	31.6%
June 30, 2013	22.1	34.8	22.6
June 30, 2012	23.2	29.4	23.4
Net obligation to the health benefit plan:			
June 30, 2014	$8,197,230	$243,073	$8,440,303
June 30, 2013	7,360,673	216,693	7,577,366
June 30, 2012	6,262,682	184,996	6,447,678

Funded Status

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment return and health care cost trends. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

The funded status of the plan as of July 1, 2013 was as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Actuarial value of plan assets	$ 44,301		$ 44,301
Actuarial accrued liability	(13,253,215)	$(472,033)	(13,725,248)
Unfunded actuarial accrued liability	**$(13,208,914)**	**$(472,033)**	**$(13,680,947)**
Value of the implicit subsidy included in the actuarial accrued liability	$ 2,571,587	$ 95,290	$ 2,666,877
Funded ratio	0.3%	0.0%	0.3%
Covered payroll	$ 8,569,794	$ 266,976	$ 8,836,770
Unfunded actuarial accrued liability as a percentage of covered payroll	(154.1%)	(176.8%)	(154.8%)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by the University and plan members, and include the types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were:

- assumed return on investment of 5.5 percent per year, representing the return on the University's assets expected to be used to finance benefits;
- market value of assets smoothed over a five-year period;
- health care cost trend rate ranging from 7.5 to 10.5 percent for non-Medicare and 6.8 to 8.5 percent for Medicare initially, depending on the type of plan, reduced by increments to an ultimate rate of 5 percent over 15 years;
- projected inflation at 3.5 percent;
- amortization of the initial unfunded actuarial accrued liability over 30 years as a flat dollar amount on a closed basis;
- amortization of future actuarial gains and losses over 15 years as a flat dollar amount on a closed basis;
- amortization of the effects of changes in the plan design, or changes in assumptions, over 30 years as a flat dollar amount on a closed basis;
- entry age normal level-dollar actuarial cost method;
- future life expectancy based upon recent group mortality experience; and
- assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations.

16. ENDOWMENTS AND GIFTS

Endowments and gifts are held and administered either by the University or by the discretely presented component units.

University of California

The value of endowments and gifts held and administered by the University, exclusive of income distributed to be used for operating purposes, at June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2014				
Endowments	$1,108,300	$2,551,694	$ 5,040	$3,665,034
Funds functioning as endowments		2,388,077	1,774,858	4,162,935
Annuity and life income	12,068	17,233		29,301
Gifts		1,098,390	25,188	1,123,578
University endowments and gifts	**$1,120,368**	**$6,055,394**	**$1,805,086**	**$8,980,848**

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The net appreciation available to meet future spending needs, subject to the approval of The Regents, amounted to $2.1 billion at June 30, 2014.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to the campuses from endowments held by the University was $228.7 million for the year ended June 30, 2014. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $197.8 million for the year ended June 30, 2014. Accumulated endowment income available for spending in the future, including the annual income distribution, was $527.4 million at June 30, 2014.

Discretely presented component units

The value of endowments and gifts held by the discretely presented component units and administered by each of their independent Board of Trustees at June 30, 2014 are as follows:

(in thousands of dollars)

	DISCRETELY PRESENTED COMPONENT UNITS			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2014				
Endowments	$3,081,899	$1,205,117		$4,287,016
Funds functioning as endowments		1,333,831		1,333,831
Annuity and life income	98,041	57,342		155,383
Gifts		1,251,864	$272,054	1,523,918
Discretely presented component units' endowments and gifts	**$3,179,940**	**$3,848,154**	**$272,054**	**$7,300,148**

17. SEGMENT INFORMATION

The University's significant identifiable activities for which revenue bonds may be outstanding where revenue is pledged in support of revenue bonds are related to the University's medical centers, including the discretely presented CHRCO. The medical centers' operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Condensed financial statement information related to each of the University's medical centers for the year ended June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS					DISCRETELY PRESENTED COMPONENT UNIT
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	CHRCO
Year Ended June 30, 2014						
Revenue bonds outstanding	$ 318,059	$ 281,310	$ 719,140	$ 668,847	$ 840,654	
Related debt service payments	$33,198	$23,885	$72,696	$33,413	$54,214	
Bonds due serially through	2047	2049	2049	2048	2049	
CONDENSED STATEMENT OF NET POSITION						
Current assets	609,403	460,431	1,230,184	588,347	894,050	$129,743
Capital assets, net	1,044,562	734,373	1,871,926	1,117,283	1,913,427	283,632
Other assets	20,638	3,232	45,603	231,812	16,703	217,857
Total assets	**1,674,603**	**1,198,036**	**3,147,713**	**1,937,442**	**2,824,180**	**631,232**
Total deferred outflows of resources	**251,415**	**124,238**	**329,765**	**139,639**	**256,587**	**5,445**
Current liabilities	259,435	231,659	308,007	167,397	283,370	82,943
Long-term debt	323,879	285,473	820,828	677,705	837,536	
Other noncurrent liabilities	600,375	301,596	787,976	353,201	681,826	91,927
Total liabilities	**1,183,689**	**818,728**	**1,916,811**	**1,198,303**	**1,802,732**	**174,870**
Total deferred inflows of resources	**418,123**	**214,356**	**457,905**	**262,977**	**495,366**	**30,653**
Net investment in capital assets	697,588	431,649	1,042,789	634,869	1,075,700	282,434
Restricted		3,232	12,670		9,959	55,216
Unrestricted	(373,382)	(145,691)	47,303	(19,068)	(302,990)	93,504
Total net position	**$ 324,206**	**$ 289,190**	**$1,102,762**	**$ 615,801**	**$ 782,669**	**$431,154**

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS					DISCRETELY PRESENTED COMPONENT UNIT
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	CHRCO
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Operating revenues	$ 1,585,658	$ 888,775	$ 1,988,037	$ 1,292,864	$ 2,390,273	$428,176
Operating expenses	(1,442,984)	(746,475)	(1,738,753)	(1,089,799)	(2,132,346)	(454,066)
Depreciation expense	(85,928)	(65,366)	(126,069)	(56,149)	(98,523)	(29,940)
Operating income (loss)	**56,746**	**76,934**	**123,215**	**146,916**	**159,404**	**(55,830)**
Nonoperating revenues (expenses), net	(9,761)	(10,940)	(20,098)	(2,810)	22,400	26,474
Income (loss) before other changes in net position	**46,985**	**65,994**	**103,117**	**144,106**	**181,804**	**(29,356)**
Health systems support	(38,256)	(60,386)	(117,082)	(57,007)	(61,279)	
Transfers from University, net	(5,077)	(546)		(8,530)		
Changes in allocation for pension payable to University	(29)	44	(4,759)	(645)	8,973	
Other, including donated assets	944	36,339	7,592	17,230	254,529	41,628
Increase (decrease) in net position	**4,567**	**41,445**	**(11,132)**	**95,154**	**384,027**	**12,272**
Net position – beginning of year						
Beginning of year, as previously reported	1,081,724	629,431	1,927,153	985,016	1,322,592	418,882
Cumulative effect of accounting change	(762,085)	(381,686)	(813,259)	(464,369)	(923,950)	
Beginning of year, as restated	319,639	247,745	1,113,894	520,647	398,642	418,882
Net position – June 30, 2014	**$ 324,206**	**$ 289,190**	**$ 1,102,762**	**$ 615,801**	**$ 782,669**	**$431,154**
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	$ 181,224	$ 223,315	$ 357,784	$ 196,541	$ 287,903	$ (15,152)
Noncapital financing activities	(50,406)	(60,923)	(116,865)	(65,537)	(61,279)	9,194
Capital and related financing activities	(101,334)	(70,113)	(135,114)	154,569	(170,831)	(38,223)
Investing activities	13,912	20,923	14,550	(216,465)	26,082	22,503
Net increase (decrease) in cash and cash equivalents	**43,396**	**113,202**	**120,355**	**69,108**	**81,875**	**(21,678)**
Cash and cash equivalents* – June 30, 2013	254,609	158,830	700,743	185,552	413,486	33,352
Cash and cash equivalents* – June 30, 2014	**$ 298,005**	**$ 272,032**	**$ 821,098**	**$ 254,660**	**$ 495,361**	**$ 11,674**

** Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool, except for CHRCO as of June 30, 2014*

Summarized financial information for each medical center is from their separately issued audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in the University's statement of revenues, expenses and changes in net position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be obtained from their audited financial statements which are available at http://reportingtransparency.universityofcalifornia.edu/.

Multiple purpose and housing system projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health service facilities and certain academic and administrative facilities) are also financed by revenue bonds; however, assets and liabilities are not required to be accounted for separately.

18. DISCRETELY PRESENTED COMPONENT UNIT INFORMATION

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

On January 1, 2014, The Regents became the sole corporate member of CHRCO, now known as UCSF Benioff Children's Hospital Oakland. CHRCO operates a 190-bed inpatient acute care hospital, a NICU at another medical facility, and outpatient facilities and clinics throughout the Bay Area, as well as a pediatric research institute. CHRCO serves as the primary safety net health care provider for children in Contra Costa and Alameda counties, and is one of only two pediatric trauma centers in the greater San Francisco Bay Area. Following its affiliation with UCSF, CHRCO has retained its separate corporate status, its federal and state tax exemptions, separate hospital licensure, and Medicare and Medi-Cal enrollment. San Francisco Medical Center also provides certain management services to CHRCO.

Condensed financial statement information related to the University's discretely presented component units, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					DISCRETELY PRESENTED COMPONENT UNIT	
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	SUBTOTAL	CHRCO	TOTAL
CONDENSED STATEMENT OF NET POSITION							
Current assets	$ 95,977	$ 194,935	$ 398,955	$ 213,885	$ 903,752	$ 129,743	$ 1,033,495
Noncurrent assets	1,767,054	1,107,410	2,157,731	1,684,617	6,716,812	501,489	7,218,301
Total assets	**1,863,031**	**1,302,345**	**2,556,686**	**1,898,502**	**7,620,564**	**631,232**	**8,251,796**
Total deferred outflows of resources						**5,445**	**5,445**
Current liabilities	15,823	65,550	227,458	58,949	367,780	82,943	450,723
Noncurrent liabilities	77,200	15,644	33,646	31,381	157,871	91,927	249,798
Total liabilities	**93,023**	**81,194**	**261,104**	**90,330**	**525,651**	**174,870**	**700,521**
Total deferred inflows of resources						**30,653**	**30,653**
Net investment of capital assets						282,434	282,434
Restricted	1,769,961	1,220,718	2,191,645	1,792,838	6,975,162	55,216	7,030,378
Unrestricted	47	433	103,937	15,334	119,751	93,504	213,255
Total net position	**$1,770,008**	**$1,221,151**	**$2,295,582**	**$1,808,172**	**$7,094,913**	**$431,154**	**$ 7,526,067**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION							
Operating revenues	$ 113,007	$ 283,049	$ 284,583	$ 112,843	$ 793,482	$ 428,176	$ 1,221,658
Operating expenses	(142,268)	(399,134)	(238,890)	(199,814)	(980,106)	(484,006)	(1,464,112)
Operating income (loss)	**(29,261)**	**(116,085)**	**45,693**	**(86,971)**	**(186,624)**	**(55,830)**	**(242,454)**
Nonoperating revenues	201,198	125,832	201,134	234,048	762,212	26,474	788,686
Income (loss) before other changes in net position	**171,937**	**9,747**	**246,827**	**147,077**	**575,588**	**(29,356)**	**546,232**
Permanent endowments	89,467	38,467	74,000	71,569	273,503		273,503
Other						41,628	41,628
Increase in net position	**261,404**	**48,214**	**320,827**	**218,646**	**849,091**	**12,272**	**861,363**
Net position – June 30, 2013	1,508,604	1,172,937	1,974,755	1,589,526	6,245,822	418,882	6,664,704
Net position – June 30, 2014	**$1,770,008**	**$1,221,151**	**$2,295,582**	**$1,808,172**	**$7,094,913**	**$431,154**	**$7,526,067**
CONDENSED STATEMENT OF CASH FLOWS							
Net cash provided (used) by:							
Operating activities	$ (40,660)	$ (222,490)	$ (85,375)	$ (73,913)	$ (422,438)	$(15,152)	$(437,590)
Noncapital financing activities	78,311	33,547	62,714	52,266	226,838	9,194	236,032
Capital and related financing activities						(38,223)	(38,223)
Investing activities	(38,690)	222,584	23,145	19,382	226,421	22,503	248,924
Net increase (decrease) in cash and cash equivalents	**(1,039)**	**33,641**	**484**	**(2,265)**	**30,821**	**(21,678)**	**9,143**
Cash and cash equivalents – June 30, 2013	2,743	99,099	2,131	35,814	139,787	33,352	173,139
Cash and cash equivalents – June 30, 2014	**$ 1,704**	**$ 132,740**	**$ 2,615**	**$ 33,549**	**$ 170,608**	**$11,674**	**$182,282**

Additional information on the foundations or CHRCO can be obtained from the annual reports, which can be obtained by contacting the individual foundation or CHRCO.

19. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $2.0 billion at June 30, 2014.

The University and UCRS have also made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments at June 30, 2014 totaled $3.6 billion: $0.7 billion and $2.9 billion for the University and UCRS, respectively.

The University leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the year ended June 30, 2014 were $242.1 million. The terms of operating leases extend through June 2047.

Future minimum payments on operating leases with an initial or remaining non-cancelable term in excess of one year are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
Year Ending June 30		
2015	$ 201,522	$ 4,111
2016	171,073	3,394
2017	143,710	2,953
2018	119,043	1,875
2019	97,091	1,223
2020-2024	241,749	13
2025-2029	105,492	
2030-2034	99,958	
2035-2039	100,563	
2040-2044	96,158	
2045-2049	54,145	
Total	**$1,430,504**	**$13,569**

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position.

The University and the discretely presented component units are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

As of June 30, 2014, CHRCO had no amounts outstanding under its revolving credit facility for $25.0 million. The interest rate on the credit is 1.4 percent as of June 30, 2014 and the facility expires on August 31, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

UCRP

The schedule of changes in net pension liability includes multi-year trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. The University's schedule of changes in the net pension liability for UCRP as of June 30 is:

(in thousands of dollars)	**2014**	**2013**	**2012**
TOTAL PENSION LIABILITY			
Service cost	$ 1,519,183	$ 1,456,761	$ 1,531,094
Interest on the total pension liability	4,316,728	4,112,461	3,871,146
Difference between expected and actual experience	(320,624)	(183,253)	(212,758)
Changes of assumptions or other inputs		(3,312,815)	4,923,778
Benefits paid, including refunds of employee contributions	(2,687,540)	(2,487,369)	(2,273,071)
Net change in total pension liability	**2,827,747**	**$ (414,215)**	**$7,840,189**
Total pension liability - beginning of year	57,701,585	58,115,800	50,275,611
Total pension liability - end of year	**60,529,332**	**57,701,585**	**58,115,800**
PLAN NET POSITION			
Contributions - employer	1,580,876	810,056	1,851,460
Contributions - member	577,466	415,641	272,420
Net investment income	8,009,980	4,833,339	115,863
Benefits paid, including refunds of employee contributions	(2,687,540)	(2,487,369)	(2,273,071)
Administrative expense	(37,641)	(37,427)	(32,839)
Other changes			
Net change in plan net position	**7,443,141**	**3,534,240**	**(66,167)**
Plan net position - beginning of year	45,340,726	41,806,486	41,872,653
Plan net position - end of year	**52,783,867**	**45,340,726**	**41,806,486**
Net pension liability - end of year	**$ 7,745,465**	**$12,360,859**	**$16,309,314**

The University's schedule of net pension liability for UCRP as of June 30 is:

(in thousands of dollars)	**2014**	**2013**	**2012**
Total pension liability	$60,529,332	$57,701,585	$58,115,800
Plan net position	52,783,867	45,340,726	41,806,486
Net pension liability	**$ 7,745,465**	**$12,360,859**	**$16,309,314**
Ratio of plan net position to total pension liability	87%	79%	72%
Covered-employee payroll	$9,372,583	$8,921,077	$8,594,147
Net pension liability as a percentage of covered-employee payroll	82.6%	138.6%	189.8%

The University's schedule of employer contributions for UCRP as of June 30 is:

(in thousands of dollars)

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to Actuarial Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$2,472,697	$1,580,876	$ 891,821	$9,372,583	17%
2013	2,062,022	810,056	1,251,966	8,921,077	9%
2012	1,806,205	1,851,460	(45,255)	8,594,147	22%
2011	1,695,137	1,677,921	17,216	8,140,629	21%
2010	454	148,445	(147,991)	7,973,921	2%
2009	2,657	454	2,203	7,468,809	0%
2008	23,934	2,657	21,277	7,612,726	0%
2007		23,934	(23,934)	8,258,985	0%
2006				8,149,640	0%
2005				7,835,249	0%

Notes to Schedule

Valuation date: Actuarially calculated contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level dollar, closed
Remaining amortization period	24.26 years The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in UAAL due to actuarial experience gains or losses after July 1, 2010 will be separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions will be separately amortized over a fixed (closed) 15-year period.
Asset valuation method	The market value of asset less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.
Inflation	3.50%
Investment rate of return	7.50%, net of investment expenses, includes inflation
Projected salary increases	4.30 - 6.75%, includes inflation
Cost-of-living adjustments	2.00%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table projected with scale AA to 2025, set back two years. Disabled: RP-2000 Disabled Retiree Mortality Table projected with scale AA to 2025. Ages are set back two years for males.
Other assumptions	Same as those used in the July 1, 2013 funding actuarial valuation and were also used in the July 1, 2012 funding actuarial valuation.

PERS - VERIP

The University's schedule of changes in net pension liability for PERS-PLUS 5 Plan as of June 30 is:

(in thousands of dollars)	2014	2013	2012
TOTAL PENSION LIABILITY			
Interest on the total pension liability	$ 2,857	$ 3,052	$ 3,227
Changes of benefit terms			11,186
Difference between expected and actual experience	(436)	(241)	172
Changes of assumptions or other inputs			1,267
Benefits paid, including refunds of employee contributions	(5,169)	(5,278)	(5,368)
Net change in total pension liability	**(2,748)**	**(2,467)**	**10,484**
Total pension liability - beginning of year	41,108	43,575	33,091
Total pension liability - end of year	**38,360**	**41,108**	**43,575**
PLAN NET POSITION			
Net investment income	11,035	7,144	90
Benefits paid, including refunds of employee contributions	(5,169)	(5,278)	(5,368)
Administrative expense	(6)	(7)	(7)
Net change in plan net position	**5,860**	**1,859**	**(5,285)**
Plan net position - beginning of year	64,102	62,243	67,528
Plan net position - end of year	**69,962**	**64,102**	**62,243**
Net pension liability (asset) - end of year	**$(31,602)**	**$(22,994)**	**$(18,668)**

The University's schedule of net pension liability (asset) for PERS-PLUS 5 Plan as of June 30 is:

(in thousands of dollars)	2014	2013	2012
Total pension liability	$ 38,360	$ 41,108	$ 43,575
Plan net position	69,962	64,102	62,243
Net pension liability (asset)	**$(31,602)**	**$(22,994)**	**$(18,668)**
Ratio of plan net position to total pension liability (asset)	182.4%	155.9%	142.8%

The University is not required to make contributions to the PERS-Plus 5 Plan due to its fully funded status.

CHRCO PENSION PLAN

The schedule of changes in the net pension liability for the CHRCO Pension Plan as of June 30, 2014 is:

(in thousands of dollars)	**JUNE 30, 2014**
TOTAL PENSION LIABILITY	
Service cost	$ 9,274
Interest on the total pension liability	22,453
Changes of benefit terms	142
Difference between expected and actual experience	2,487
Changes of assumptions or other inputs	
Benefits paid, including refunds of employee contributions	(6,994)
Other Changes	
Net change in total pension liability	**27,362**
Total pension liability - beginning of year	303,914
Total pension liability - end of year	**331,276**
PLAN NET POSITION	
Contributions - employer	14,500
Contributions - member	
Net investment income	48,704
Benefits paid, including refunds of employee contributions	(6,994)
Administrative expense	(718)
Other changes	
Net change in plan net position	**55,492**
Total plan net position - beginning of year	264,572
Total plan net position - end of year	**320,064**
Net pension liability - end of year	**$ 11,212**

The schedule of net pension liability for the CHRCO Pension Plan as of June 30, 2014 is:

(in thousands of dollars)	**JUNE 30, 2014**
Total pension liability	$331,276
Plan net position	320,064
Net pension liability	**$ 11,212**
Ratio of plan net position to total pension liability	96.6%
Covered-employee payroll	$175,189
Net pension liability as a percentage of covered-employee payroll	6.4%

The schedule of employer contributions for the CHRCO Pension Plan as of June 30, 2014 is:

(in thousands of dollars)	**JUNE 30, 2014**
Actuarially calculated employer contributions	$ 21,300
Contributions in relation to the actuarially calculated employer contribution	14,500
Annual contribution deficiency	**$ 6,800**
Covered-employee payroll	$175,189
Actual contributions as a percentage of covered-employee payroll	8.3%

Notes to Schedule

Valuation date:

Actuarially calculated contributions are calculated as of January 1 of the end of the fiscal year in which contributions are reported.

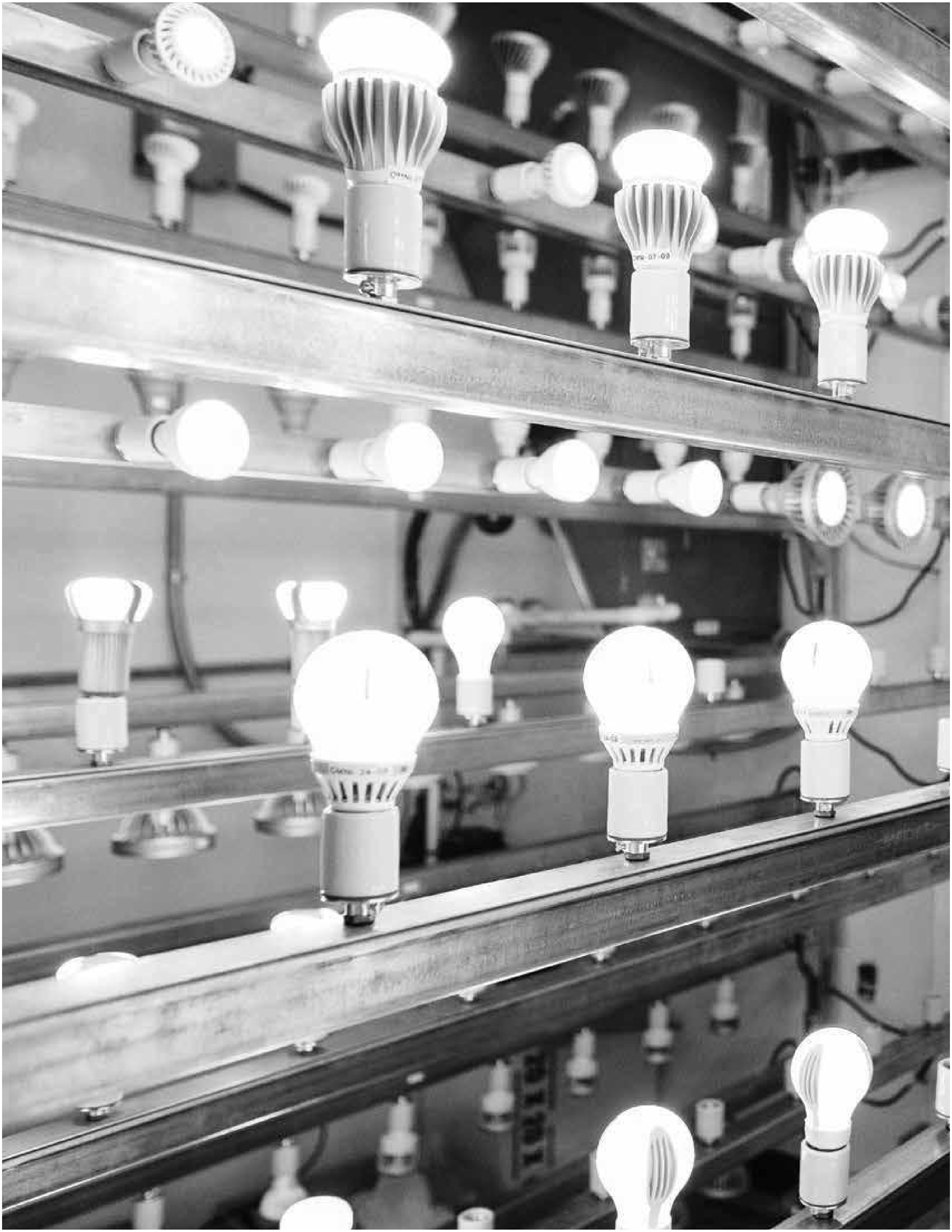
Methods and assumptions used to determine contribution rates:

Actuarially determined contribution	The Plan is subject to funding requirements under ERISA. The contribution shown is the IRC Section 430 minimum contribution prior to offset by credit balances. For 2014, the amount shown is the most recent contribution estimate since the valuation will be completed in September 2014; the amount has been prorated for the number of months in the fiscal year.
Contributions in relation to the actuarially determined contribution	The amount shown is equal to the contributions contributed to the Plan during the fiscal year shown.
Actuarial cost method	Unit Credit Actuarial Cost Method.
Amortization method	Level dollar, closed amortization.
Remaining amortization period	Seven years for changes in unfunded liabilities that occur each valuation date.
Asset valuation method	The actuarial value of assets is equal to the two-year average of Plan asset values as of the valuation date. The two-year average is the average of the two prior years' adjusted market value of assets and the current year's market value of assets. For this purpose, the prior years' market value of assets is adjusted to reflect benefit payments, administrative expenses, contributions and expected returns for the prior years. The resulting actuarial value of assets is adjusted to be within 10% of the market value of assets at the valuation date, as required by IRC Section 430.
Inflation	3.00%.
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation.
Projected salary increases	3.5%, including inflation.
Cost-of-living adjustments	N/A.
Mortality	RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with generational adjustments for mortality improvements based on Scale AA.

Retiree Health Plan

(in thousands of dollars)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	(DEFICIT)	FUNDED RATIO	COVERED PAYROLL	(DEFICIT) PAYROLL	IMPLICIT SUBSIDY INCLUDED IN ACTUARIAL ACCRUED LIABILITY
University of California							
July 1, 2013	$44,301	$13,725,248	$(13,680,947)	0.3%	$8,836,770	(154.8)%	$2,666,877
July 1, 2012	97,435	15,070,721	(14,973,286)	0.6%	8,598,114	(174.1)%	2,784,276
July 1, 2011	77,907	15,267,829	(15,189,922)	0.5%	8,163,021	(186.1)%	2,338,593
Campuses and Medical Centers							
July 1, 2013	$44,301	$13,253,215	$(13,208,914)	0.3%	$8,569,794	(154.1)%	$2,571,587
July 1, 2012	97,435	14,559,017	(14,461,582)	0.7%	8,333,654	(173.5)%	2,686,521
July 1, 2011	77,907	14,726,665	(14,648,758)	0.5%	7,899,551	(185.4)%	2,259,855
DOE National Laboratories							
July 1, 2013		$472,033	$(472,033)	0.0%	$266,976	(176.8)%	$95,290
July 1, 2012		511,704	(511,704)	0.0%	264,460	(193.5)%	97,755
July 1, 2011		541,164	(541,164)	0.0%	263,470	(205.4)%	78,738



UNIVERSITY OF CALIFORNIA

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Abraham (Avi) Oved, *Student Regent Designate*

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APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT

THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture in its entirety to which reference is made for the detailed provisions thereof.

Definitions

Ancillary Obligations means any Credit Facility, Liquidity Facility or Financial Products Agreement designated in a Supplemental Indenture as an Ancillary Obligation for purposes of the Indenture.

Annex means the Amended and Restated Multi-Modal Annex attached to the Twenty-Sixth Supplemental Indenture as Exhibit B, as further amended by the Thirty-Seventh Supplemental Indenture.

Beneficial Holder or Beneficial Owner means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond, including, without limitation, any Persons holding bonds through nominees or depositories.

Bond Counsel means any attorney at law or firm of attorneys selected by The Regents, of nationally recognized standing in matters pertaining to the validity of and federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

Bonds means any or all of The Regents of the University of California General Revenue Bonds authorized under and secured by the Indenture. Serial Bonds shall mean the Bonds, falling due by their terms in specified years, for which no Mandatory Sinking Account Payments are provided. Term Bonds shall mean the Bonds, if any, payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

Business Day means any day other than Saturday, Sunday or a day on which banking institutions in Los Angeles or San Francisco, California, or New York, New York, are authorized or required to be closed or a day on which the New York Stock Exchange is closed.

Certificate, Request, Requisition, Statement and Written Order mean, respectively, a written certificate, request, requisition, statement or order signed, in the case of The Regents, in the name of The Regents by the Chairman, the Treasurer or the Associate Treasurer of the Board of Regents, or the President, the Executive Vice President - Chief Financial Officer, the Vice President-Finance or the Executive Director-External Finance of the University of California or such other person as may be designated and authorized to sign for The Regents. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the provisions of the Indenture, each Certificate shall include the statements provided for in the Indenture.

Code means the Internal Revenue Code of 1986.

Continuing Disclosure Agreement means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance and delivery of such Series of Bonds, by and between The Regents and the Trustee and Dissemination Agent named therein, as originally executed and as the same may from time to time be amended or supplemented pursuant to its terms.

Costs of Issuance means the costs and expenses incurred by The Regents to effect the authorization, preparation, issuance, sale and delivery of the Bonds, including but not limited to any printing costs, rating agency fees, fees and disbursements of Bond Counsel, fees and expenses of The Regents incurred in connection with issuance of the Bonds, and initial fees and expenses of the Trustee, Liquidity Providers and Credit Providers.

CP Indenture means the Indenture, dated as of November 1, 2008, between The Regents and U.S. Bank, National Association, as it may be from time to time amended or supplemented in accordance with the terms thereof.

Credit Facility means a financial guaranty or municipal bond insurance policy, an irrevocable direct-pay letter of credit, a line of credit, a standby bond purchase agreement, a revolving credit agreement or other credit arrangement obtained by The Regents pursuant to which a Credit Provider provides credit support for all or a portion of a Series of Bonds, as the same may be amended from time to time pursuant to its terms, or any replacement therefor.

Credit Provider means the issuer or provider of a Credit Facility and any successor or successors to such issuer or provider.

Current Subordinate Lien Indebtedness means Indebtedness issued and secured pursuant to the Limited Project Indenture or CP Indenture.

Debt Service Fund means the fund by that name established pursuant to the Indenture.

Defeasance Obligations means (i) non-callable Investment Securities described in clause (1), (2) or (5) of the definition thereof, (ii) for a particular Series of Bonds, any Investment Securities approved as Defeasance Obligations by the Credit Provider for such Series of Bonds, or (iii) any other investment designated in a Supplemental Indenture as a Defeasance Obligation for purposes of defeasing a Series of Bonds authorized by such Supplemental Indenture.

DTC means The Depository Trust Company, New York, New York.

Event of Default means any of the events specified under the heading "Events of Default" below.

Financial Newspaper or Journal means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each business day and circulated in Los Angeles or San Francisco, California, and selected by the Trustee, in its sole discretion whose decision shall be final and conclusive.

Financial Products Agreement means an interest rate swap, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, however denominated, identified to the Trustee in a Certificate of The Regents as having been entered into with a Qualified Provider not for investment purposes but with respect to Indebtedness (which Indebtedness shall be specifically identified in the Certificate of The Regents) for the purpose of (1) reducing or otherwise managing the risk of interest rate changes or (2) effectively converting interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

Fiscal Year means the period beginning on July 1 of each year and ending on the succeeding June 30, or any other twelve-month period thereafter selected and designated as the official fiscal year of The Regents.

Floating Rate Notes Annex means the Floating Rate Notes Annex attached to the Twenty-Fifth Supplemental Indenture as Exhibit B.

Forty-First Supplemental Indenture means the Forty-First Supplemental Indenture, dated as of March 1, 2015, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee, providing for the issuance of The Regents of the University of California General Revenue Bonds, 2015 Series AO.

Forty-Second Supplemental Indenture means the Forty-Second Supplemental Indenture, dated as of March 1, 2015, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee, providing for the issuance of The Regents of the University of California General Revenue Bonds, 2015 Series AP (Taxable).

General Revenue Fund means the fund by that name established pursuant to the Indenture.

General Revenues means certain operating and non-operating revenues of the University of California as reported in the University's Financial Report, including (i) gross student tuition and fees; (ii) facilities and administrative cost recovery from contracts and grants; (iii) net sales and service revenues from educational and auxiliary enterprise activities; (iv) other net operating revenues (v) certain other non-operating revenues, including unrestricted investment income; and (vi) any other revenues as may be designated as General Revenues from time to time by a Certificate of The Regents delivered to the Trustee, but excluding (a) appropriations from the State of California (except as permitted under Section 28 of the State Budget Act or other legislative action); (b) moneys which are restricted as to expenditure by a granting agency or donor; (c) gross revenues of the University of California Medical Centers; (d) management fees resulting from the contracts for management of the United States Department of Energy

Laboratories; and (e) any revenues which may be excluded from General Revenues from time to time by a Certificate of The Regents delivered to the Trustee.

Holder or Bondholder means the person in whose name a Bond is registered.

Indebtedness means any indebtedness or obligation of The Regents which, in accordance with generally accepted accounting principles for colleges and universities, is classified as a liability on a balance sheet.

Indenture means the Indenture, dated as of September 1, 2003, by and between The Regents and The Bank of New York Mellon Trust Company, N.A., as successor trustee, as originally executed or as it may from time to time thereafter be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions thereof.

Independent Certified Public Accountant means any certified public accountant or firm of such accountants appointed and paid by The Regents, and who, or each of whom –

(1) is in fact independent, and not under control of The Regents;

(2) does not have any substantial interest, direct or indirect, with The Regents; and

(3) is not connected with The Regents as a member of The Regents, or as an official or employee of The Regents or of the University of California, but who may be regularly retained to make annual or similar audits of any of the books of The Regents.

Information Services means Financial Information, Inc., Daily Called Bond Service; Kenny Information Systems, Called Bond Department; Moody's Investors Service, Information Center; Standard & Poor's Rating Services, Called Bond Record; and any other information service providing information with respect to called bonds as The Regents may designate to the Trustee.

Interest Fund means the fund by that name established pursuant to the Indenture.

Interest Payment Date means with respect to any Series of Bonds the meaning set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Investment Securities means any of the following which at the time are legal investments under the laws of the State of California and the policies of The Regents as filed with the Trustee from time to time for moneys held under the Indenture and then proposed to be invested therein: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America or tax-exempt obligations which are rated in the highest rating category of each Rating Agency; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Home Loan Bank System, the Farm Credit System, or any other agency or instrumentality of the United States of America; (3) bonds of the State of California or of any county or city of the State of California for which each Rating Agency is maintaining a rating at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; (4) obligations the interest on which is excluded from gross income for federal income taxation pursuant to the Code and which are rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds, or in the highest short term rating category of each Rating Agency; (5) receipts representing direct interests in Investment Securities described in Clause (1) and (2) of this definition; (6) repurchase agreements with any financial institution which is rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds, or repurchase agreements fully secured by collateral security described in clauses (1) or (2) of this definition continuously having a market value at least equal to the amount so invested so long as such underlying obligations or securities are in the possession of the Trustee or the Securities Investors Protection Corporation; (7) interest bearing bankers acceptances and demand or time deposits (including certificates of deposit) in banks (including the Trustee), provided such deposits are either (a) secured at all times, in the manner and to the extent provided by law, by collateral security described in clauses (1) or (2) of this definition of a market value no less than the amount of moneys so invested; or (b) in banks (including the Trustee) having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000) and whose rating by each Rating Agency, or the rating of its parent holding company, is at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds or (c) fully insured by the Federal Deposit Insurance Corporation; (8) commercial paper rated in the highest rating category of each Rating Agency, and issued by corporations organized and operating within the United States and having total assets in excess of Five Hundred Million Dollars ($500,000,000); (9) collateralized investment agreements or other collateralized contractual arrangements with corporations, financial institutions or national associations within the United States fully secured by collateral security described in Clause (1) or (2) of this definition; or investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; (10) any money market fund or mutual fund that is comprised of investments described in clauses (1) through (9) of this definition and which fund or investments are continuously rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; and (11) the Short Term Investment Pool of The Regents.

Limited Project Indenture means the Indenture dated as of October 1, 2004 as amended and supplemented, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee to J.P. Morgan Trust Company, National Association, providing for the issuance of The Regents of the University of California Limited Project Revenue Bonds.

Liquidity Facility means an irrevocable direct-pay letter of credit, a line of credit, a standby bond purchase agreement, a revolving credit agreement or other liquidity arrangement obtained by The Regents pursuant to which a Liquidity Provider provides liquidity support with respect to all or a portion of a Series of Bonds, as the same may be amended from time to time pursuant to its terms, or any replacement therefor.

Liquidity Provider means the issuer or provider of a Liquidity Facility and any successor or successors to such issuer or provider.

Mandatory Sinking Account Payment shall mean, with respect to Bonds of any Series and maturity, the amount required by the Indenture or any Supplemental Indenture to be paid by The Regents on any single date for the retirement of Term Bonds of such Series and maturity.

Opinion of Counsel means a written opinion of counsel who is selected by The Regents (including counsel to The Regents) and who is acceptable to the Trustee. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

Optional Redemption Account means the account by that name established pursuant to the Indenture.

Outstanding when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of The Regents shall have been discharged in accordance with the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Parity Lien means any pledge, lien, security interest, encumbrance or charge of any kind on or in any General Revenues which is equal and ratable to the lien of the Indenture on or in such General Revenues.

Person shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

Principal Fund means the fund by that name established pursuant to the Indenture.

Qualified Provider means any financial institution or insurance company which is a party to a Financial Products Agreement.

Rating Agency means, on any given date, any nationally recognized rating agency designated by The Regents which then has outstanding a credit rating on the Bonds (or other obligations to which reference is made by the Indenture).

Rebate Fund means the fund by that name established pursuant to the Indenture.

Record Date means with respect to a Series of Bonds the meaning set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Redemption Fund means the fund by that name established pursuant to the Indenture.

Representation Letter means, with respect to any Series of Bonds, the Letter of Representations to The Depository Trust Company, New York, New York, from The Regents and the Trustee.

Responsible Officer of the Trustee means and includes the president, every vice president, every assistant vice president, every trust officer, and every officer and assistant officer of the Trustee other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

Securities Depositories means: The Depository Trust Company; Midwest Securities Trust Company, Capital Structures Call Notification; Philadelphia Depository Trust Company, Reorganization Division; or such other securities depositories as The Regents may designate.

Security Documents means all of the instruments, documents and agreements which, as of any date, have been executed and are then binding upon The Regents in connection with any Senior Lien, Parity Lien or Subordinate Lien, including without limitation any indenture, trust agreement, loan agreement, credit agreement or security agreement.

Senior Lien means any pledge, lien, security interest, encumbrance or charge of any kind on or in any General Revenues which is senior in priority and superior to the lien of the Indenture on or in such General Revenues.

Series, whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction pursuant to the Indenture or a Supplemental Indenture, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as therein provided.

Sinking Accounts means the accounts in the Principal Fund so designated and established pursuant to the Indenture.

Special Redemption Account means the account by that name established pursuant to the Indenture.

State means the State of California.

Subordinate Lien means any pledge, lien, security interest, encumbrance or charge of any kind on or in any General Revenues which is subordinate to the lien of the Indenture on or in such General Revenues.

Supplemental Indenture or Indenture supplemental thereto means any indenture thereafter duly authorized and entered into between The Regents and the Trustee in accordance with the provisions of the Indenture.

Tax Certificate means the certificate signed by The Regents on the date any Series of Bonds are issued relating to the requirements of the Code.

The Regents means The Regents of the University of California, a corporation organized and existing under and by virtue of Article IX, Section 9, of the Constitution of the State of California.

Trustee means The Bank of New York Mellon Trust Company, N.A. as successor in interest to BNY Western Trust Company, as trustee, in San Francisco, California, as trustee or as authenticating agent or its successor as Trustee as provided in the Indenture.

2015 Bonds means collectively, The Regents of the University of California General Revenue Bonds, 2015 Series AO authorized under and secured by the Indenture and the Forty-First Supplemental Indenture and The Regents of the University of California General Revenue Bonds, 2015 Series AP (Taxable) authorized under and secured by the Indenture and the Forty-Second Supplemental Indenture.

Authorization of Bonds

Bonds may be issued under the Indenture from time to time in order to obtain moneys to carry out any lawful purpose of The Regents. The maximum principal amount of Bonds which may be issued under the Indenture is not limited. The Bonds are designated generally as "The Regents of the University of California General Revenue Bonds" with such variations or additions as The Regents may deem appropriate with respect to any Series of Bonds. The Bonds may be issued in such Series as from time to time shall be established and authorized by The Regents, and the Indenture constitutes a continuing agreement with the owners of all the Bonds issued or to be issued and at any time outstanding to secure the full and final payment of the principal of and premium, if any, and the interest on all Bonds which may from time to time be executed and delivered thereunder; subject to the covenants, agreements, provisions and conditions therein contained.

Payment of the Bonds

Payment of the interest on any Bond shall be made to the person whose name appears on the bond registration books of the Trustee as the Holder thereof as of the Record Date preceding each Interest Payment Date, such interest to be paid by check mailed by first class mail on the applicable Interest Payment Date to the Holder at his address as it appears on such registration books; provided that such interest shall be paid by wire transfer to an account in the United States for any Holder of at least $1,000,000 in aggregate principal amount of Bonds of any Series if the Holder makes a written request to the Trustee on or prior to the close of business on the Record Date preceding any Interest Payment Date specifying the account address; provided further that with respect to the 2015 Bonds, written wire instructions for the payment of interest must be furnished to the Trustee at least five (5) days before the applicable Record Date.

Any such interest not so punctually paid or duly provided for with respect to any Bond shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the Person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof to be given to the Holders of such Bonds as set forth in the Supplemental Indenture establishing the terms and provisions of such Bonds or, if not provided therein, notice whereof to be given to the Holders of such Bonds not less than ten (10) days prior to such special record date.

Conditions Precedent to Issuance of Bonds

The Regents may by Supplemental Indenture establish one or more Series of Bonds, payable from General Revenues and secured by the pledge made under the Indenture. The Bonds shall be executed by The Regents for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to The Regents upon its order, but only upon receipt by the Trustee of the following:

(a) An original executed copy of the Supplemental Indenture authorizing such Bonds, which Supplemental Indenture shall specify:

(i) the purpose for which such Series of Bonds is being issued;

(ii) whether such Bonds shall bear interest at a fixed or variable rate, including, but not limited to, an interest rate determined pursuant to an auction procedure;

(iii) whether the interest on such Bonds shall be federally taxable or tax-exempt;

(iv) the Series of such Bonds, the date or dates, the Interest Payment Dates, the principal payment dates and the maturity date or dates of such Bonds;

(v) the manner of dating and numbering such Bonds;

(vi) the place or places of payment of the principal or redemption, tender or purchase price, and the manner of payment of interest on, such Bonds;

(vii) any redemption, tender or purchase provisions for such Bonds;

(viii) the amount and due date of each sinking fund payment, if any, for such Bonds;

(ix) the amounts to be deposited in the funds and accounts created and established by the Indenture and the Supplemental Indenture authorizing such Bonds;

(x) any other provisions deemed advisable by The Regents that are not in conflict with the provisions of the Indenture;

(b) An opinion of Bond Counsel, dated the date of delivery thereof, to the effect that: (i) such Supplemental Indenture is a valid and binding obligation of The Regents and (ii) upon the execution, authentication and delivery thereof, such Bonds will be valid and binding obligations of The Regents;

(c) A Written Order of The Regents as to the delivery of such Bonds; and

(d) A Certificate of The Regents stating that The Regents is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture.

Notice of Redemption

Except as otherwise provided in a Supplemental Indenture, notice of redemption shall be given by mail not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the respective registered owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption shall state the redemption date, the place or places of redemption, the maturities, and, if less than all of any such maturity, the distinctive numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof, in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Pledge

Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, The Regents pledges to the Trustee to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payment of all amounts due pursuant to Ancillary Obligations, all of the General Revenues, all of the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture, excluding the Rebate Fund. Said pledge shall constitute a lien on and security interest in all of the General Revenues, all of the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture, excluding the Rebate Fund, and shall attach and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act, against all parties having claims of any kind in tort, contract or otherwise against The Regents or the Trustee, irrespective of whether the parties have notice thereof; provided, however, that the pledge of General Revenues set forth in this Section shall in all respects be (i) junior to any future Indebtedness or other obligations secured by a Senior Lien, (ii) on a parity with any future Indebtedness or other obligations secured by a Parity Lien, and (iii) senior to any Current Subordinate Lien Indebtedness or any future Indebtedness or other obligations secured by a Subordinate Lien.

Funds and Accounts

The Indenture creates the following funds and accounts of The Regents which will be held by the Trustee, except for the General Revenue Fund, Cost of Issuance Funds, Construction Accounts and Program Accounts which will be held by The Regents: (a) the Debt Service Fund; (b) the Interest Fund; (c) the Principal Fund; (d) the Redemption Fund (including a separate

Optional Redemption Account and a separate Special Redemption Account); (e) the General Revenue Fund; (f) the Rebate Fund; (g) the 2015 Series AO Costs of Issuance Fund; (h) the 2015 Series AP Costs of Issuance Fund; (i) the 2015 Series AO Construction Account; and (j) the 2015 Series AP Construction Account.

Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture), and otherwise as provided in the Indenture.

Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of purchasing or redeeming or paying at maturity the Bonds as provided in this Section, and otherwise as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds, if any, of each Series and maturity, (the "Sinking Account"). On or before each date specified in a Supplemental Indenture, the Trustee shall transfer the amount deposited in the Principal Fund pursuant to the Indenture for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the Series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee shall apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by The Regents. All Bonds purchased or deposited pursuant to this subsection shall be cancelled and delivered by the Trustee to or upon the Written Request of The Regents. Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Debt Service Fund. Subject to a different allocation provided in a Supplemental Indenture for a Series of Bonds issued pursuant to such Supplemental Indenture, all Term Bonds purchased from a Sinking Account or deposited by The Regents with the Trustee shall be applied, to the extent of the full principal amount thereof, to reduce Mandatory Sinking Account Payments as follows: first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Bonds, then pro rata to the remaining Mandatory Sinking Account Payments required for such Series and maturity of Bonds in proportion to the amount of such Mandatory Sinking Account Payments.

Redemption Fund. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds outstanding, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by The Regents. Each Supplemental Indenture shall provide for the establishment of subaccounts within the Optional Redemption Account or the Special Redemption Account for the redemption or purchase of Bonds of particular Series from moneys allocable to such Series and required by a Supplemental Indenture to be deposited into such subaccount. Subject to a different allocation provided for such subaccounts by Supplemental Indentures, all Term Bonds of any Series purchased or redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments pro rata to the Mandatory Sinking Account Payments required for such Series and maturity of Bonds in proportion to the amount of such Mandatory Sinking Account Payments.

Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated the Rebate Fund. The Regents shall cause to be deposited in the Rebate Fund the rebate requirement as provided in the Tax Certificate for each Series of Bonds the interest on which is excluded from gross income for federal income tax purposes. Subject to the provisions of this section, moneys held in the Rebate Fund are pledged to secure payments to the United States government, and The Regents and the owners shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund in accordance with directions from The Regents.

Upon receipt of the rebate instructions required to be delivered to the Trustee by the Tax Certificate, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States government as so directed. In addition, if the rebate instructions so direct, the Trustee shall deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as the rebate instructions direct.

The Trustee shall conclusively be deemed to have complied with the provisions of this section if it follows the directions of The Regents set forth in the rebate instructions and shall not be required to take any actions thereunder in the absence of rebate instructions from The Regents.

Notwithstanding any provisions of this section, if The Regents shall provide to the Trustee any Opinion of Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion of interest on the Series of Bonds from gross income for federal income tax purposes, the Trustee and The Regents may conclusively rely on such opinion in complying with the requirements of this section, and the covenants under the Indenture shall be deemed to be modified to that extent.

2015 Series AO Construction Account. Moneys in the 2015 Series AO Construction Account shall be used and withdrawn by The Regents to pay the cost of the acquisition, construction, improvement and/or renovation of all or a portion of the 2015 Series AO Projects, including reimbursements of any sums advanced by The Regents for such purposes and refunding borrowings of The Regents incurred for such purposes, and to pay interest on the 2015 Series AO Bonds in such amounts and on such dates as determined by The Regents.

2015 Series AP Construction Account. Moneys in the 2015 Series AP Construction Account shall be used and withdrawn by The Regents to pay the cost of the acquisition, construction, improvement and/or renovation of all or a portion of the 2015 Series AP Projects, including reimbursements of any sums advanced by The Regents for such purposes and refunding borrowings of The Regents incurred for such purposes, and to pay interest on the 2015 Series AP Bonds in such amounts and on such dates as determined by The Regents.

2015 Series AO Costs of Issuance Fund. Moneys in the 2015 Series AO Costs of Issuance Fund shall be used to pay Costs of Issuance with respect to the 2015 Series AO Bonds, and at the end of six months from the date of issuance of the 2015 Series AO Bonds, or upon earlier determination by The Regents that the amounts in said fund are no longer required for payment of Costs of Issuance, said fund shall be terminated and any amounts then remaining in said fund shall be transferred to the Trustee for deposit in the Debt Service Fund or for any other lawful purpose of The Regents.

2015 Series AP Costs of Issuance Fund. Moneys in the 2015 Series AP Costs of Issuance Fund shall be used to pay Costs of Issuance with respect to the 2015 Series AP Bonds, and at the end of six months from the date of issuance of the 2015 Series AP Bonds, or upon earlier determination by The Regents that the amounts in said fund are no longer required for payment of Costs of Issuance, said fund shall be terminated and any amounts then remaining in said fund shall be transferred to the Trustee for deposit in the Debt Service Fund or applied for any other lawful purpose of The Regents.

Flow of Funds

General Revenues. The Regents agrees that, so long as any of the Bonds remain Outstanding (i) all of the General Revenues not encumbered by any Senior Lien or Parity Lien shall be deposited as soon as practicable upon receipt in a fund designated as “The Regents of the University of California General Revenue Fund” (the “General Revenue Fund”) which The Regents shall establish and maintain at such banking institution or institutions (which may include the Trustee) as The Regents shall from time to time designate for such purpose (the “Depository Banks”) and (ii) funds equal to General Revenues encumbered by any Senior Lien (but not encumbered by any Parity Lien) shall be deposited in the General Revenue Fund at the earliest practicable time and to the extent such funds are available pursuant to the terms of the Security Documents evidencing such Senior Lien. To the extent General Revenues are encumbered by Indebtedness (other than a Series of Bonds) or other obligations secured by a Parity Lien, The Regents agrees to allocate in a fair and equitable manner (i) amounts to be deposited in the General Revenue Fund and (ii) amounts to be transferred to the funds and accounts established pursuant to the Security Documents securing the Indebtedness or other obligations secured by a Parity Lien. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, The Regents grants a security interest to the Trustee in the General Revenue Fund to secure the payment of the principal of and interest on the Bonds Outstanding and the payment of all amounts due pursuant to Ancillary Obligations and the pledge of General Revenues under the Indenture.

Amounts in the General Revenue Fund may be used and withdrawn by The Regents at any time for any lawful purpose (including any use required by a Security Document), except as restricted in the Indenture. In the event of the occurrence of an Event of Default of which the Trustee has actual knowledge or has received written notice, the Trustee shall notify The Regents and the Depository Banks of such delinquency, and The Regents shall cause the Depository Banks to, and the Depository Banks shall, transfer the General Revenue Fund to the name and credit of the Trustee. All General Revenues shall continue to be deposited by The Regents in the General Revenue Fund as provided by the Indenture until all Events of Default known to the Trustee shall have been made good or cured or provision deemed by the Trustee to be adequate shall have been made therefor, whereupon the General Revenue Fund shall be returned to the name and credit of The Regents. During any period that the General Revenue Fund is held in the name and to the credit of the Trustee, the Trustee shall use and withdraw amounts in said fund first to pay fees, expenses and disbursements of the Trustee and its agents in the event such fees, disbursements or expenses have not otherwise been paid by The Regents, and second to make the transfers and deposits required by the Indenture. The Regents agrees to execute and deliver all instruments as may be required to implement this section. The Regents further agrees that a failure to comply with the terms of this section shall cause irreparable harm to the owners from time to time of the Bonds and shall entitle the Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of The Regents as provided in this section.

On or before any Interest Payment Date, and as long as any of the Bonds remain Outstanding, The Regents shall transfer from the General Revenue Fund to the Trustee for deposit in a special fund designated as "The Regents of the University of California General Revenue Debt Service Fund" (the "Debt Service Fund"), which the Trustee shall establish, maintain and hold in trust, such amount as is required by the Indenture to make the transfers and deposits required on such Interest Payment Date (or to replenish the amounts required to be on deposit in any fund under the Indenture). In addition, The Regents shall, pursuant to the terms and provisions of a Supplemental Indenture providing for Ancillary Obligations, transfer from the General Revenue Fund the amounts due and payable pursuant to such Ancillary Obligations. Each transfer by The Regents to the Trustee under the Indenture shall be in lawful money of the United States of America and paid to the Trustee at its corporate trust office in San Francisco, California. All such moneys shall be promptly deposited by the Trustee upon receipt thereof in the Debt Service Fund. All moneys deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. If The Regents fails to make timely payment of all amounts required to be made pursuant to this paragraph, The Regents shall promptly make such payments in full as soon as possible.

The Trustee shall transfer from the Debt Service Fund, and deposit into one or more of the following respective funds (each of which the Trustee shall establish and maintain and hold in trust, and each of which shall be disbursed and applied only as authorized by the Indenture), on or before each Interest Payment Date, the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of General Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

First: Into the Interest Fund, the amount, if any, needed to increase the amount in the Interest Fund to the aggregate amount of interest becoming due and payable on such Interest Payment Date upon all Bonds then Outstanding.

Second: Into the Principal Fund, the amount, if any, needed to increase the amount in the Principal Fund to the aggregate amount of principal and Mandatory Sinking Account Payments becoming due and payable on the Outstanding Bonds on such Interest Payment Date.

Any moneys remaining in the Debt Service Fund on each Interest Payment Date shall be transferred, free and clear of the lien of the Indenture, to, or upon the order of, The Regents to be applied for any lawful purpose of The Regents, and the Trustee shall have no obligation or duty to inquire or investigate how such moneys are being used.

Investment of Moneys in Funds

All moneys in any of the funds and accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee in Investment Securities as directed by The Regents.

Particular Covenants

Punctual Payments. The Regents shall pay or cause to be paid punctually the principal of, premium, if any, and interest due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of General Revenues and other assets pledged for such payment as provided in the Indenture.

No Extension of Payment of Principal and Interest on the Bonds. Except as otherwise expressly permitted under the Indenture with respect to Bonds issued pursuant to the Annex or the Floating Rate Notes Annex, The Regents shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and claims for interest thereon which shall not have been so extended. Nothing in this section shall be deemed to limit the right of The Regents to issue obligations for the purpose of refunding any outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Permitted Indebtedness, Obligations and Encumbrances. So long as an Event of Default has not occurred and is continuing under the Indenture, The Regents may incur any Indebtedness or other obligations payable from General Revenues, including, but not limited to, Indebtedness or other obligations secured by a Senior Lien, Parity Lien or Subordinate Lien.

Power to Issue Bonds and Make Pledge and Assignment. The Regents is duly authorized pursuant to law to issue the Bonds and to execute and deliver the Indenture and to pledge and assign the General Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding limited obligations of The Regents in accordance with their terms, and The Regents shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of General Revenues and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Payment of Taxes and Claims. The Regents or the Trustee shall, from time to time, but solely from General Revenues, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the General Revenues or other assets pledged or assigned under the Indenture, when the same shall become due, as well as any lawful claim which, if unpaid, might by law become a lien or charge upon the General Revenues or such other assets or which might impair the security of the Bonds.

Accounting Records and Financial Statements. The Regents shall cause the Trustee to keep proper books of record and account in which complete and accurate entries shall be made in accordance with industry standards of all transactions relating to the proceeds of Bonds, the General Revenues, and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by The Regents and by any Bondholder, or its agent or representative duly authorized in writing, during any Business Day at reasonable hours and under reasonable circumstances, including at least 24 hours notice.

Not later than seven months after the end of each Fiscal Year of The Regents, The Regents shall also furnish to the Trustee a certified report of audit, prepared by an Independent Certified Public Accountant, reflecting the financial condition and results of operation of The Regents.

Compliance with Indenture, Contracts, Laws and Regulations. The Regents shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture, shall not issue any Bonds in any manner other than in accordance with the Indenture, and shall not suffer or permit any default to occur under the Indenture, or do or permit to be done, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to the Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in the Indenture, The Regents and the Trustee shall comply with the terms, covenants and provisions of all contracts concerning or affecting the application of proceeds of Bonds or the General Revenues.

General Revenue Covenant. So long as the Bonds are Outstanding, The Regents shall set rates, charges, and fees in each Fiscal Year so as to cause General Revenues deposited in the General Revenue Fund to be in an amount sufficient to pay principal of and interest on the Bonds and amounts due and payable on Ancillary Obligations for the then-current Fiscal Year.

Waiver of Laws. The Regents shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time thereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by The Regents to the extent permitted by law (but only with respect to the application of General Revenues to pay the principal of and interest on the Bonds).

Further Assurances. The Regents will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, The Regents and the Trustee covenant and agree that The Regents will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds and applicable to them. Notwithstanding any other provision of the Indenture, failure of The Regents or the Trustee to comply with the provisions of any Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee at the written request of any Participating Underwriter or the Holders of at least 50% aggregate principal amount of any Series of Bonds then Outstanding, shall, but only to the extent it has been indemnified to its satisfaction from any loss, liability, cost, claim or expense whatsoever, including, without limitation, fees and expenses of its attorneys, or any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause The Regents or the Trustee, as the case may be, to comply with its obligations under this section.

Additional Bonds

The Regents may by Supplemental Indenture establish one or more Series of Bonds, payable from General Revenues and secured by the pledge made under the Indenture.

See "Conditions Precedent to Issuance of Bonds."

Events of Default

Pursuant to the Indenture, the following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if variable rate bonds of any Series have been remarketed without a Liquidity Facility in effect, failure to pay the purchase price of any variable rate bond required to be purchased pursuant to the Annex when due and payable;

(d) default by The Regents in the observance of any of the covenants, agreements or conditions on its part of the Indenture or in the Bonds contained, other than a default described in (a), (b) or (c) above, and continuance of such default for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to The Regents by the Trustee, or to The Regents and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;

(e) if The Regents files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(f) if a court of competent jurisdiction shall enter an order, judgment or decree declaring The Regents an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of The Regents, or approving a petition filed against The Regents seeking reorganization of The Regents under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of The Regents, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Acceleration. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding shall, upon notice in writing to The Regents, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. The Trustee shall immediately give notice of such declaration to Bondholders, in the same manner that notices of redemption are given, specifying the date of such declaration, that as of the Business Day immediately following such declaration the Bonds shall cease to bear interest; and that all principal of and interest on the Bonds to the Business Day immediately following such declaration of acceleration shall be payable upon the surrender thereof at the principal office of the Trustee.

Application of General Revenues and Other Funds After Default. If an Event of Default shall occur, then, and in every such case during the continuance of such Event of Default, all General Revenues and any other moneys then held or thereafter received by the Trustee under any of the provisions of the Indenture, shall be applied by the Trustee as follows and in the following order:

1. To the payment of any compensation and expenses as due to the Trustee under the Indenture;

2. To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, any stamping thereon of the payment if only partially paid or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

   (i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

   First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

   Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

   (ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over the principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds and the Indenture, as well as under applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its sole satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate suit, action, mandamus or other proceedings as it shall deem most effectual to protect or enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, or any law; and upon instituting such proceeding, the Trustee shall be entitled as a matter of right to the appointment of a receiver of the General Revenues and other assets pledged or assigned under the Indenture. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture. Nothing therein contained shall be deemed to require the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Bondholders' Direction of Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction and the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted by the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Holders of a majority of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under any law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Indenture on the rights of any other Holder of Bonds, or to enforce any right under the Indenture or applicable law with respect to the Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Modification without Consent of Bondholders

The Regents and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into an indenture or indentures supplemental thereto, which indenture or indentures thereafter shall form a part thereof, for any one or more or all of the following purposes --

(a) to add to the covenants and agreements of The Regents in the Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon The Regents by the Indenture;

(b) to evidence the succession of another corporation, whether public or private, to The Regents, or successive successions, and the assumption by a successor corporation of the covenants and obligations of The Regents in the Bonds and in the Indenture contained;

(c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to any matters or any questions arising under the Indenture, as The Regents may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the owners of the Bonds;

(d) to conform to the terms and conditions of the Security Documents evidencing a Senior Lien or Parity Lien, provided such modification shall not materially adversely affect the interests of the owners of the Bonds;

(e) to make any changes necessary or convenient to provide for the issuance of a Series of Bonds pursuant to the Indenture including any changes necessary or convenient in connection with the establishment of an interest rate mode, tender and purchase provisions;

(f) to permit, provide for or accommodate the delivery of a Credit Facility, Liquidity Facility or Financial Products Agreement for any Series of Bonds;

(g) to make any changes required by a Rating Agency in order to obtain or maintain a rating for any Series of Bonds;

(h) to modify, alter, amend or supplement the Indenture in any other respect desired by The Regents which is not materially adverse to the Holders.

Any Supplemental Indenture authorized by the provisions of this section may be executed by The Regents and the Trustee without the consent of the owners of any of the Bonds at the time outstanding but the Trustee shall not be obligated to enter into any such Supplemental

Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Modification with Consent of Bondholders

With the consent (evidenced as provided in the Indenture) of the owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, The Regents and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (1) extend the stated maturity of the Bonds or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Bond so affected, or (2) reduce the aforesaid percentage of owners of Bonds required to approve any such Supplemental Indenture, without the consent of the owners of all Bonds then outstanding.

Defeasance

Bonds may be paid by The Regents in any of the following ways: (1) by paying or causing to be paid the principal, and interest on Outstanding Bonds, as and when the same become due and payable; (2) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Outstanding Bonds; or (3) by delivering to the Trustee, for cancellation by it, Outstanding Bonds. If The Regents shall also pay or cause to be paid all other sums payable under the Indenture by The Regents, then and in that case, at the election of The Regents (evidenced by a Certificate of The Regents, filed with the Trustee, signifying the intention of The Regents to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of General Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of The Regents under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture and except for the obligation of The Regents to pay any amounts under and to otherwise satisfy all of its obligations to the Trustee under the Indenture. In such event, upon Request of The Regents, the Trustee shall cause an accounting for such period or periods as may be requested by The Regents to be prepared and filed with The Regents and shall execute and deliver to The Regents all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee and any paying agent shall pay over, transfer, assign or deliver to The Regents all moneys or securities or other property held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture then all liability of The Regents in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the owner thereof shall be entitled only to payment of the principal of and interest on such Bond by The Regents.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV of the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) Defeasance Obligations the principal of and interest on which when due will provide money sufficient to pay the principal, premium, if any, and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal, premium, if any, and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV of the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of The Regents) to apply such money to the payment of such principal and interest with respect to such Bonds.

Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or interest on any Bonds and remaining unclaimed for two years after such principal or interest on the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys deposited after said date when such principal or interest on the Bonds became due and payable, shall, upon Request of The Regents, be repaid to The Regents free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to The Regents as aforesaid, the Trustee, as the case may be, shall at the request of The Regents (at the cost of The Regents) first mail a notice, in such form as may be deemed appropriate by the Trustee, to the owners of the Bonds so payable and not presented and with respect to the provisions relating to the repayment to The Regents of the moneys held for the payment thereof.

THE CONTINUING DISCLOSURE AGREEMENT

The Continuing Disclosure Agreement sets forth the covenants of The Regents to provide certain financial information and operating data relating to the Bonds. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Continuing Disclosure Agreement.

The Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") is being executed and delivered by The Regents of the University of California ("The Regents") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in connection with the issuance of the 2015 Bonds, to be issued pursuant to the Indenture. Pursuant to the provisions of the Indenture, The Regents and the Trustee covenant and agree as follows:

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is being executed and delivered at closing by The Regents and the Trustee for the benefit of the Holders and Beneficial Holders (as such terms are defined in the Indenture) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in the Indenture (see "Definitions" above), which apply to any capitalized term used in the Continuing Disclosure Agreement unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

Annual Report shall mean any Annual Report provided by The Regents pursuant to, and as described in, Sections 3 and 4 of the Continuing Disclosure Agreement.

Disclosure Representative shall mean the Executive Vice President - Chief Financial Officer of the University of California or his designee, or such other officer or employee as The Regents shall designate in writing to the Trustee from time to time.

Dissemination Agent shall mean BLX Group LLC or any successor Dissemination Agent designated in writing by The Regents and which has filed with the Trustee a written acceptance of such designation.

Listed Events shall mean any of the events listed in Section 5(A) or (B) of the Continuing Disclosure Agreement.

Participating Underwriter shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repository shall mean the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

Rule shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SEC shall mean the Securities and Exchange Commission and any successor agency thereto.

State shall mean the State of California.

Provision of Annual Reports. (A) The Regents shall, or shall cause the Dissemination Agent to, not later than seven (7) months after the end of the Fiscal Year of The Regents (presently June 30), commencing with the Annual Report for the Fiscal Year ending June 30, 2015, provide to the Repository an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements relating to the Bonds may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such audited financial statements are not available by that date. If the Fiscal Year of The Regents changes, The Regents shall give notice of such change in the same manner as for a Listed Event under Section 5(E) of the Continuing Disclosure Agreement. If The Regents provides the Annual Report to the Repository, it shall notify the Dissemination Agent that it has done so.

(B) Not later than fifteen (15) Business Days prior to the date specified in subsection (A) for providing the Annual Report to the Repository, The Regents shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact The Regents and the Dissemination Agent to determine if The Regents is in compliance with the first sentence of this subsection (B).

(C) If the Trustee is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (A), the Trustee shall send a notice, in electronic format unless otherwise designated by the SEC, to the Repository in substantially the form attached as Exhibit A to the Continuing Disclosure Agreement.

(D) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository; and

(ii) file a report with The Regents and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to the Continuing Disclosure Agreement, stating the date it was provided to the Repository.

Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(A) The audited financial statements of The Regents for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to public colleges and universities. If such audited financial statements are not available by the time the

Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format that complies with current Generally Accepted Accounting Principles, and the audited financial statements shall be filed in the same manner as the Annual Report when such financial statements become available.

(B) The amount of General Revenues as of the end of the prior Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of The Regents, which have been filed with the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Regents shall clearly identify each such other document so included by reference.

Reporting of Significant Events.

(A) Pursuant to the provisions of Section 5 of the Continuing Disclosure Agreement, The Regents shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(B) The Regents shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph (A)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Holders;

3. Optional, contingent or unscheduled Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(C) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that The Regents promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (E).

(D) Whenever The Regents obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (B) or otherwise, The Regents shall as soon as possible determine if such event would be material under applicable federal securities laws.

(E) If The Regents learns of the occurrence of a Listed Event described in Section 5(A) of the Continuing Disclosure Agreement, or determines that knowledge of a Listed Event described in Section 5(B) of the Continuing Disclosure Agreement would be material under applicable federal securities laws, The Regents shall instruct the Trustee to file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB within ten business days of occurrence. If the Trustee has been instructed by The Regents to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository, with a copy to The Regents.

Notwithstanding the foregoing, notice of Listed Events described in subsections (A)(7) and (B)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

Termination of Reporting Obligation. The Regents' obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, The Regents shall give notice of such termination in the same manner as for a Listed Event under Section 5(E) of the Continuing Disclosure Agreement.

Dissemination Agent. The Regents may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by The Regents pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, The Regents and the Trustee may amend the Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by The Regents that does not adversely affect its rights or increase its duties under the Continuing Disclosure Agreement), and any provision of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(A) If the amendment or waiver relates to certain portions of the sections relating to the provision of annual reports, or the content of annual reports or the list of significant events, such amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(B) The Continuing Disclosure Agreement, as amended or taking into account the waiver proposed, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(C) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Holders of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, The Regents shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by The Regents. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(E) of the Continuing Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent The Regents from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If The Regents chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, The Regents shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of The Regents or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 50% aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to it, shall), or any Holder or Beneficial Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause The Regents or Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of The Regents or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is made applicable to the Continuing Disclosure Agreement as if the Continuing Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and The Regents agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Continuing Disclosure Agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of The Regents under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of The Regents, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Notices. All notices or communications to or among any of the parties to the Continuing Disclosure Agreement shall be given as provided in the Continuing Disclosure Agreement. Any person may, by written notice to the other persons listed in the Continuing Disclosure Agreement, designate a different address or telephone number(s) or fax number(s) to which subsequent notices or communications should be sent.

APPENDIX D
PROPOSED FORM OF BOND COUNSEL OPINION FOR 2015 BONDS

[Closing Date]

The Regents of the University of California
Oakland, California

The Regents of the University of California
General Revenue Bonds, 2015 Series AO and
2015 Series AP (Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to The Regents of the University of California ("The Regents") in connection with the issuance by The Regents of $797,020,000 aggregate principal amount of The Regents of the University of California General Revenue Bonds, 2015 Series AO (the "2015 Series AO Bonds") and $381,785,000 aggregate principal amount of The Regents of the University of California General Revenue Bonds, 2015 Series AP (Taxable) (the "2015 Series AP Bonds" and together with the 2015 Series AO Bonds, the "Bonds") pursuant to an Indenture, dated as of September 1, 2003, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor in interest to BNY Western Trust Company, as trustee (the "Trustee"), as heretofore supplemented and as supplemented by the Forty-First Supplemental Indenture and the Forty-Second Supplemental Indenture, each dated as of March 1, 2015, by and between The Regents and the Trustee (as so supplemented, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate with respect to the 2015 Series AO Bonds, dated the date hereof (the "Tax Certificate"), opinions of counsel to The Regents and the Trustee, certificates of The Regents, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than The Regents. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2015 Series AO Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public corporations in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of The Regents.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, The Regents. To the extent set forth in the Indenture, the Indenture creates a valid pledge to secure the payment of the principal of, and interest on, the Bonds, of the General Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture; provided, however, that the pledge of the General Revenues shall in all respects be junior to any future Indebtedness secured by a Senior Lien, as and to the extent provided in the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of The Regents except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

4. Interest on the 2015 Series AO Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and interest on the Bonds is exempt from State of California personal income taxes. Interest on the 2015 Series AO Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings

when calculating corporate alternative minimum taxable income. We observe that interest on the 2015 Series AP Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

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APPENDIX E
BOOK-ENTRY ONLY SYSTEM

Introduction. The information set forth in this Appendix E under the subheading "General" has been provided by The Depository Trust Company ("DTC"). Neither The Regents of the University of California ("The Regents") nor the Underwriters of the 2015 Bonds make any representation as to its accuracy or completeness. Capitalized terms used herein which are not otherwise defined herein shall have the meaning set forth in the front portion of the Official Statement or in APPENDIX C under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE - Definitions."

The Beneficial Owners should confirm the following information with DTC or the DTC Participants.

So long as Cede & Co. is the registered holder of the 2015 Bonds, as nominee of DTC, references in the Official Statement, including the Appendices thereto, to the Holders of the 2015 Bonds (other than as set forth under "Tax Matters") shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2015 Bonds.

THE REGENTS AND THE TRUSTEE SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER, WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL AND INTEREST DUE ON THE 2015 BONDS; (III) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE 2015 BONDS UNDER THE INDENTURE; (IV) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2015 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE 2015 BONDS; OR (VI) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS THE BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2015 BONDS, WILL SEND ANY NOTICE OF REDEMPTION AND ANY OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF 2015 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

General. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for The Regents of the University of California General Revenue Bonds 2015 Series AO (the "2015 Series AO Bonds") and General Revenue Bonds 2015 Series AP (Taxable) (the "2015 Series AP Bonds" and together with the 2015 Series AO Bonds, the "2015

Bonds"). The 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate for each maturity will be issued for each Series of the 2015 Bonds, in the aggregate principal amount of such Series, and will be deposited with DTC. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the front portion of the Official Statement or in APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT."

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information contained in such websites is not incorporated by reference herein.

Purchases of 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2015 Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of 2015 Bonds may wish to ascertain that the nominee holding 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds within a maturity are being redeemed, the amount of interest of each Direct Participant in such maturity to be redeemed shall be determined in accordance with DTC's practices.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to The Regents as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from The Regents or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or The Regents, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of The Regents or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to The Regents or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered in accordance with the provisions set forth in the Indenture.

The Regents may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered in accordance with the provisions set forth in the Indenture.

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APPENDIX F
LETTERS FROM UNDERWRITERS

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Backstrom McCarley Berry & Co., LLC

February 23, 2015

Mr. Blake Fowler
Deputy State Treasurer
Office of the Treasure of the State of California
915 Capitol Mall, Room 110
Sacramento, California 95814

RE: The Regents of the University of California General Revenue and Limited Project Revenue Bonds.

Dear Mr. Fowler:

Backstrom McCarley Berry & Co., LLC ("BMcB"), one of the Co-Manager on the Regents of the University of California Revenue Bonds and Limited Project Revenue Bonds, has entered into a Broker/Dealer Agreement with D.A. Davidson & Company (formally Crowell, Weedon & Co), and a non-exclusive Distribution Agreement with Wedbush Securities Inc., to augment both our institutional and retail marketing capabilities, for the distribution of certain securities offerings, including the University of California General Revenue and Limited Project Revenue Bonds at the original issue price. Pursuant to our distribution agreements D.A. Davidson & Company and Wedbush Securities Inc., may purchase bonds from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

We very much appreciate the opportunity to serve the California State Treasurer's Office and The Regents of the University of California on this transaction. We would be happy to discuss these agreements with you should you should have any questions.

Backstrom McCarley Berry & Co., LLC

Don Backstrom

By: Don Backstrom
Managing Director & Principal

Cc: Sandra.kim@ucop.edu
gwatkins@sto.ca.gov
jwang@orrick.com

115 Sansome Street, Mezzanine A San Francisco, CA 94104 Tel: 415-392-5505 Fax: 415-392-5276

BNY MELLON

BNY Mellon Capital Markets, LLC

March 2, 2015

Mr. Blake Fowler
Director of Public Finance Division
Office of the Treasurer of the State of California
State of California
915 Capitol Mall, Suite 110
Sacramento, California 95814

Re: Distribution Agreement relating to BNY Mellon Capital Markets, LLC's appointment as a Co-managing Underwriter for The Regents of the University of California Series 2015 General Revenue Bonds and limited Project Revenue Bonds (the "Bonds")

Dear Mr. Fowler:

BNY Mellon Capital Markets, LLC is providing the following language for inclusion in the Official Statement.

BNY Mellon Capital Markets, as a co-managing underwriter on the above referenced Bonds, and Pershing LLC, both direct or indirect subsidiaries of The Bank of New York Mellon Corporation, entered into a distribution agreement (the "BNYM Distribution Agreement") that enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to BNY Mellon Capital Markets, LLC, including the Bonds Under the BNYM Distribution Agreement, BNY Mellon Capital Markets will share with Pershing LLC a portion of the fee or commission paid to BNY Mellon Capital Markets, LLC.

Very truly yours,

BNY Mellon Capital Markets, LLC

BNY Mellon Center, Suite 475, Pittsburgh, PA 15258

FTN FINANCIAL

March 2, 2015

Blake Fowler
Director, Public Finance
State Treasurer's Office
915 Capitol Mall, Room 261
Sacramento, CA 95814

Re: UC Regents Distribution Agreement

Blake,

FTN Financial Capital Markets, a Division of First Tennessee Bank National Association, has no distribution agreement with outside firms. We do have an unwritten distribution agreement with FTB, a wholly-owned subsidiary of the Bank.

Sincerely,

Lester Graves Lennon
Senior Vice President,
Head of Western Region

CC: Sandra Kim, UC Regents

FTN Financial Group | US Bank Tower, 633 West 5th Street, Suite 2600, Los Angeles, CA 90071 | 213.223.2064 | www.ftnfinancial.com

J.P.Morgan

February 24, 2015

Mr. Blake Fowler
Director
Office of the Treasurer of the State of California
Public Finance Division, Room 261
915 Capitol Mall
Sacramento, California 95814

Re: The Regents of the University of California, General Revenue Bonds, 2015 Series AO and Series AP

The Regents of the University of California, Limited Project Revenue Bonds, 2015 Series I and Series J

Dear Mr. Fowler:

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

J.P. MORGAN SECURITIES LLC

cc: Sandra Kim, *The Regents of the University of California*

12100 Wilshire Blvd., Suite 430
Los Angeles, CA 90025
T 310.442.1200 F 310.442.1208
Toll Free 888.294.8898
www.loopcapital.com

February 26, 2015

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
915 Capitol Mall, Room 110
Sacramento, CA 95814

Re: **The Regents of the University of California**
General Revenue Bonds, 2015 Series AO (Tax-Exempt) and Series AP (Taxable) and Limited Project Revenue Bonds, 2015 Series I (Tax-Exempt) and Series J (Taxable) ("the Bonds")

Dear Mr. Fowler:

Loop Capital Markets, one of the Underwriters of the Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at their original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS and DBS will purchase Bonds from Loop Capital Markets at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that the firm sells.

Sincerely,

Loop Capital Markets LLC

CC: Ms. Sandra Kim
Executive Director, Capital Markets Finance
The Regents of the University of California
1111 Franklin Street
Oakland, CA 94607

Memorandum

Morgan Stanley

Public Finance
1585 Broadway
New York, New York 10036

To:	Mr. Blake Fowler, *State Treasurer's Office*	**Date:**	February 25, 2015
From:	Oliver Zlomislic (212) 761-9085 John Sheldon (415) 576-2083 Margie Backstrom (415) 576-2073 Brian Mathews (212) 761-9017	**cc:**	Ms. Sandra Kim, *University of California*
Subject:	Morgan Stanley Distribution Agreement		

Dear Mr. Fowler,

Please find the language below that details Morgan Stanley's distribution agreement with Morgan Stanley Smith Barney as it relates to our role as an underwriter in the upcoming Regents of the University of California General Revenue Bonds and Limited Project Revenue Bonds financing.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

We appreciate your consideration and please let us know if you should have any questions.

Siebert Brandford Shank & Co., L.L.C.

February 19, 2015

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
915 Capitol Mall, Room 110
Sacramento, CA 95814

Re: The Regents of the University of California
2015 General Revenue Bonds and Limited Project Revenue Bonds (the "Bonds")

Dear Mr. Fowler:

Siebert Brandford Shank & Co., L.L.C., one of the Underwriters of the Bonds, has entered into an agreement with Credit Suisse Securities (USA) (the "Agreement") for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to the Agreement (if applicable to the Bonds) Credit Suisse Securities (USA) will purchase Bonds from Siebert Brandford Shank & Co., L.L.C. at the original issue price less a portion of the selling concession with respect to any Bonds that Credit Suisse Securities USA LLC sells.

Sincerely,

Siebert Brandford Shank & Co., L.L.C.

Cc: Sandra Kim, University of California Office of the President

Government & Institutional Banking
Public Finance
150 East 42nd Street, 25th Floor
New York, NY 10017
Tel: 212-214-6770
Fax: 212-214-6666

WELLS FARGO SECURITIES

February 24, 2015

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
Public Finance Division, Room 261
915 Capitol Mall
Sacramento, CA 95814

Re: Distribution Agreement and Other Disclosures
The Regents of the University of California
General Revenue Bonds
2015 Series AO and 2015 Series AP (the "Bonds")

Dear Mr. Fowler:

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Certain subsidiaries of Wells Fargo & Company (parent company of Wells Fargo Bank, National Association, one of the underwriters for the Bonds) have provided, from time to time, investment banking services, commercial banking services or advisory services to The Regents of the University of California, for which they have received customary compensation. Wells Fargo & Company or its subsidiaries may, from time to time, engage in transactions with and perform services for The Regents of the University of California in the ordinary course of their respective businesses.

Sincerely,

Wells Fargo Securities

CC: Sandra Kim, The Regents of the University of California

Together we'll go far

Government & Institutional Banking
Public Finance
150 East 42nd Street, 25th Floor
New York, NY 10017
Tel: 212-214-6770
Fax: 212-214-6666

WELLS FARGO SECURITIES

February 24, 2015

Mr. Blake Fowler
Director, Public Finance Division
Office of the Treasurer of the State of California
Public Finance Division, Room 261
915 Capitol Mall
Sacramento, CA 95814

Re: Distribution Agreement and Other Disclosures
The Regents of the University of California
Limited Project Revenue Bonds
2015 Series I and 2015 Series J (the "Bonds")

Dear Mr. Fowler:

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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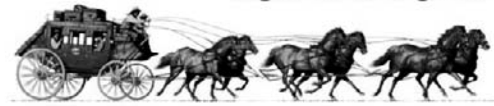
Certain subsidiaries of Wells Fargo & Company (parent company of Wells Fargo Bank, National Association, one of the underwriters for the Bonds) have provided, from time to time, investment banking services, commercial banking services or advisory services to The Regents of the University of California, for which they have received customary compensation. Wells Fargo & Company or its subsidiaries may, from time to time, engage in transactions with and perform services for The Regents of the University of California in the ordinary course of their respective businesses.

Sincerely,

Wells Fargo Securities

CC: Sandra Kim, The Regents of the University of California



THE WILLIAMS CAPITAL GROUP

February 20, 2015

Mr. Blake Fowler, Director of Public Finance
Office of the Treasurer of the State of California
Executive Office
915 Capitol Mall, Room 261
Sacramento, CA 95814

RE: The Regents of the University of California General Revenue Bonds and Limited Project Revenue Bonds

Dear Mr. Fowler:

The Williams Capital Group, L.P., a Co-Managing Underwriter on The Regents of the University of California General Revenue Bonds and Limited Project Revenue Bonds has entered into negotiated dealer agreements ("Dealer Agreements") with E*Trade Securities LLC and TD Ameritrade for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreements (if applicable to this transaction), E*Trade Securities LLC and TD Ameritrade may purchase bonds from Williams Capital at the original issue price less a negotiated portion of the selling concession applicable to any bonds that such firm sells.

The Williams Capital Group, L.P.

cc: Sandra Kim, University of California

THE WILLIAMS CAPITAL GROUP, L.P.
650 Fifth Avenue, 9th Floor, New York, NY 10019 Telephone 212.830.4500 Facsimile 212.830.4545

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THE REGENTS OF THE UNIVERSITY OF CALIFORNIA • GENERAL REVENUE BONDS, 2015 SERIES AO AND 2015 SERIES AP (TAXABLE)

THE UNIVERSITY OF CALIFORNIA
LET THERE BE LIGHT
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