NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
Moody's: "Aa2"
S&P: "AA-"
Fitch: "AA"
(See "RATINGS" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, 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 2012 Series G 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 2012 Bonds is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2012 Series G 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 observes that interest on the 2012 Series H 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 accrual or receipt of interest on, the 2012 Bonds. See "TAX MATTERS" herein.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA LIMITED PROJECT REVENUE BONDS

$899,275,000 2012 SERIES G
$100,420,000 2012 SERIES H (TAXABLE)

Dated: Date of Delivery **Due: May 15, as shown on inside cover**

The Regents will use the proceeds of the sale of the 2012 Series G Bonds and 2012 Series H Bonds to finance and refinance the acquisition, construction, improvement and renovation of certain athletic, parking, dining and student and faculty housing facilities of the University of California (the "University").

The Regents of the University of California Limited Project Revenue Bonds, 2012 Series G (the "2012 Series G Bonds") and 2012 Series H (Taxable) (the "2012 Series H Bonds" and together with the 2012 Series G Bonds, the "2012 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 2012 Bonds. Individual purchases will be made in book-entry form only, in principal amounts of $5,000 or any integral multiples thereof. Purchasers will not receive certificates representing their interests in the 2012 Bonds purchased.

Interest on the 2012 Bonds, payable on November 15, 2012 and semiannually thereafter on May 15 and November 15 of each year, and principal or redemption price of the 2012 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 2012 Bonds, as described herein. The 2012 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 2012 Bonds are limited obligations of The Regents, payable solely from Pledged 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. See "SECURITY FOR THE BONDS – General – Pledge; Definition of Pledged Revenues." The 2012 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 described herein. Under the Indenture the pledge and lien on Pledged Revenues, however, are junior to the pledge and lien of certain other Indebtedness of The Regents, and the Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on Pledged Revenues senior in priority, on a parity, or subordinate in priority with the pledge and lien of the Indenture, as described herein. The 2012 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 2012 Bonds are offered when, as and if issued, subject to the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for The Regents by its Office of the 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 2012 Bonds will be available for delivery to DTC in New York, New York, on or about August 9, 2012.

Barclays

J.P. Morgan **Stone & Youngberg, a Division of Stifel Nicolaus**

Academy Securities, Inc. **Alamo Capital** **Backstrom McCarley Berry & Co., LLC**
BofA Merrill Lynch **Citigroup** **Edward Jones**
Goldman, Sachs & Co. **Great Pacific Securities** **Greencoast Capital Partners LLC**
Morgan Stanley **Prager & Co., LLC** **Raymond James | Morgan Keegan**
RBC Capital Markets **US Bancorp** **Wells Fargo Securities**
The Williams Capital Group, L.P.

Dated: July 26, 2012

MATURITY SCHEDULE

2012 SERIES G BONDS

Maturity (May 15)	Amount	Interest Rate	Price or Yield
2013	$ 8,605,000	2.000%	0.190%
2014	7,230,000	0.360	100
2014	3,455,000	3.000	0.360
2015	10,845,000	4.000	0.480
2016	4,290,000	4.000	0.550
2017	3,445,000	4.000	0.730
2018	11,285,000	4.000	1.030
2019	12,040,000	5.000	1.300
2020	12,345,000	4.000	1.590
2021	12,855,000	4.000	1.840
2022	10,000,000	4.000	1.970
2022	20,770,000	5.000	1.970
2023	6,225,000	4.000	2.160*
2023	36,710,000	5.000	2.160*
2024	3,990,000	4.000	2.250*
2024	31,510,000	5.000	2.250*
2025	35,865,000	5.000	2.340*
2026	37,660,000	5.000	2.430*
2027	1,760,000	3.000	100
2027	37,860,000	5.000	2.540*
2028	39,015,000	5.000	2.610*
2029	25,650,000	4.000	2.930*
2029	15,000,000	5.000	2.680*
2030	42,430,000	5.000	2.750*
2031	44,555,000	5.000	2.820*
2032	4,755,000	3.250	3.350
2032	42,020,000	5.000	2.890*

$255,515,000	5.000%	Term Bond due May 15, 2037	Yield: 3.110%*
$29,165,000	3.500%	Term Bond due May 15, 2037	Yield: 3.650%
$92,425,000	5.000%	Term Bond due May 15, 2042	Yield: 3.170%*

2012 SERIES H BONDS (TAXABLE)

$100,420,000	4.053%	Term Bond due May 15, 2041	Price: 100%

* Priced to the May 15, 2022 par call date.

Summaries of provisions of the Indenture relating to the 2012 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 2012 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 2012 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.

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In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2012 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

OFFICIAL STATEMENT

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

LIMITED PROJECT REVENUE BONDS

\$899,275,000 2012 Series G
\$100,420,000 2012 Series H (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 Limited Project Revenue Bonds, 2012 Series G issued in the aggregate principal amount of \$899,275,000 (the "2012 Series G Bonds") and The Regents of the University of California Limited Project Revenue Bonds, 2012 Series H (Taxable) issued in the aggregate principal amount of \$100,420,000 (the "2012 Series H Bonds" and collectively with the 2012 Series G Bonds, the "2012 Bonds").

The 2012 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 2012 Bonds are issued in accordance with the provisions of an indenture dated as of October 1, 2004, as previously amended and supplemented and as further supplemented by the Seventh Supplemental Indenture and the Eighth Supplemental Indenture, each dated as of August 1, 2012 (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 2012 Bonds, The Regents has issued under the Indenture, and there remain Outstanding, Bonds (as defined below) in the aggregate principal amount of \$1,810,360,000 as shown in Table 1 below:

Table 1
Limited Project Revenue Bonds as of July 1, 2012

Series	**Amount Outstanding[(1)]**
2004 Series A	$ 240,335,000
2005 Series B	483,245,000
2007 Series D	408,840,000
2010 Series E	191,810,000
2010 Series F	486,130,000
TOTAL	$1,810,360,000

(1) A portion of the proceeds of the 2012 Bonds will be applied to refund $240,335,000 aggregate principal amount of Limited Project Revenue Bonds, 2004 Series A, $474,915,000 aggregate principal amount of Limited Project Revenue Bonds, 2005 Series B and $72,520,000 aggregate principal amount of Limited Project Revenue Bonds, 2007 Series D.

The 2004 Series A Bonds, the 2005 Series B Bonds, the 2007 Series D Bonds, the 2010 Series E Bonds, the 2010 Series F Bonds, the 2012 Series G Bonds, the 2012 Series H Bonds and any additional bonds to be issued from time to time under the Indenture, as it may be supplemented in accordance with its terms, are equally secured on a parity basis under the Indenture and 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 2012 Bonds will be used to finance and refinance the acquisition, construction, improvement and renovation of certain athletic, parking, dining and student and faculty housing facilities of the University (together with other facilities financed or refinanced with the proceeds of the 2004 Series A Bonds, 2005 Series B Bonds, 2007 Series D Bonds, 2010 Series E Bonds and 2010 Series F Bonds and any additional facilities to be financed or refinanced with the proceeds of additional Bonds, the "Projects"). See "THE PROJECTS."

The 2012 Bonds are limited obligations of The Regents, payable solely from Pledged 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 2012 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. Under the Indenture the pledge and lien of Pledged Revenues, however, are junior to the pledge and lien of certain other Indebtedness of The Regents, and the Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on Pledged 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 Owners of the 2012 Bonds to provide certain financial information and operating data relating to the 2012 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, 2012, 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 notice 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 2012 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Regents has not failed to comply in all material respects with any previous undertaking with regard to the Rule to provide annual reports or notices of material events in the last five years.

This Official Statement contains brief descriptions of the 2012 Bonds, security for the Bonds, The Regents, the Projects, 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, 2011 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 2012 BONDS

General

The 2012 Bonds are issued in fully registered form in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations"). Each 2012 Bond shall bear interest, based on a 360-day year of twelve 30-day months, 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 November 15, 2012, in which event it shall bear interest from the date of original delivery. The 2012 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 2012 Bonds is payable on November 15, 2012 and semiannually thereafter on May 15 and November 15 of each year (each, an "Interest Payment Date") to each registered owner of the 2012 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 2012 Bonds is payable at the corporate trust office of the Trustee in San Francisco, California. See "– Book-Entry Only System."

Additional Bonds and Indebtedness

Additional bonds secured equally and ratably by the lien of the Indenture on Pledged 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 Pledged Revenues. See "SECURITY FOR THE BONDS - Indebtedness."

Redemption

Optional Redemption.

The 2012 Series G Bonds maturing on or before May 15, 2022 are not subject to redemption prior to their respective stated maturities. The 2012 Series G Bonds maturing on or after May 15, 2023 are subject to redemption prior to their respective stated maturities, at the option of The Regents from lawfully available funds deposited in the 2012 Series G Optional Redemption Subaccount of the Optional Redemption Account as a whole or in part (in such order of maturities as shall be designated by The Regents and by lot within a maturity) on any date on or after May 15, 2022 at the redemption price of 100% of the principal amount of the 2012 Series G Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The 2012 Series H 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 2012 Series H 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 2012 Series H Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2012 Series H Bonds are to be redeemed, discounted to the date on which such 2012 Series H 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 30 basis points,

plus, in each case, accrued interest on such 2012 Series H Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular 2012 Series H 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 2012 Series H 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 2012 Series G Bonds maturing on May 15, 2037 with a 5.00% coupon 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, 2033 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2012 Series G Bonds Maturing May 15, 2037 (5.00% Coupon)

Redemption Date (May 15)	Principal Amount
2033	$ 45,875,000
2034	48,345,000
2035	50,970,000
2036	53,715,000
2037*	56,610,000

* Maturity

The 2012 Series G Bonds maturing on May 15, 2037 with a 3.50% coupon 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, 2033 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2012 Series G Bonds Maturing May 15, 2037 (3.50% coupon)

Redemption Date (May 15)	Principal Amount
2033	$ 5,805,000
2034	5,840,000
2035	5,840,000
2036	5,840,000
2037*	5,840,000

* Maturity

The 2012 Series G 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, 2038 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2012 Series G Bonds Maturing May 15, 2042

Redemption Date (May 15)	Principal Amount
2038	$ 44,230,000
2039	11,180,000
2040	11,745,000
2041	12,330,000
2042*	12,940,000

* Maturity

The 2012 Series H Bonds maturing on May 15, 2041 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, 2022 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2012 Series H Bonds Maturing May 15, 2041

Redemption Date (May 15)	Principal Amount
2022	$ 315,000
2023	330,000
2024	345,000
2025	360,000
2026	370,000
2027	385,000
2028	405,000
2029	420,000
2030	435,000
2031	455,000
2032	2,220,000
2033	2,315,000
2034	2,415,000
2035	2,520,000
2036	4,675,000
2037	4,915,000
2038	7,095,000
2039	18,350,000
2040	22,475,000
2041*	29,620,000

* Maturity

Verification of Redemption Price of the 2012 Series H Bonds. Pursuant to the Indenture, at the request of The Regents or the Trustee, the optional redemption price of the 2012 Series H Bonds to be redeemed at the option of The Regents will be determined by an independent accounting firm, investment banking firm or financial advisor retained by The Regents at The Regents' expense to calculate such redemption price. The Regents and the Trustee may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Selection of 2012 Bonds for Redemption. Upon surrender of any 2012 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 2012 Bond or 2012 Bonds of Authorized Denominations and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the 2012 Bond surrendered. The 2012 Bonds shall be redeemed only in Authorized Denominations.

Pursuant to the Indenture, if less than all of the 2012 Series H Bonds of a maturity shall be called for redemption, such 2012 Series H Bonds of a maturity shall be redeemed in part, on a pro rata basis; provided that, so long as the 2012 Series H Bonds are held in book-entry-only form, the selection for redemption of such 2012 Series H 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 2012 Series H 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 2012 Series H Bonds of a maturity on a pro rata basis. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" for a description of DTC and the Book-Entry Only System.

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 2012 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 2012 Bondholder shall not affect the validity of any proceedings for the redemption of any other 2012 Bond.

If DTC or its nominee is the registered owner of any 2012 Bond to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such 2012 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 2012 Bond to be redeemed shall not affect the validity of the redemption of such 2012 Bond.

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 2012 Bonds (or portions thereof) called for redemption has been transferred to the Trustee, then on the redemption date designated in such notice, the 2012 Bonds so called for redemption will become due and payable and from and after the redemption date, interest on the 2012 Bonds (or portions thereof) so called for redemption will cease to accrue and the Holders of such 2012 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 or Sinking Account to the purchase of 2012 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 2012 Bonds. The ownership of one fully registered 2012 Bond for each maturity of each Series set forth on the cover page hereof, in the aggregate principal amount of the 2012 Bonds of such Series maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" for a description of DTC and the Book-Entry Only System.

PLAN OF FINANCE

Financing for New Projects

A portion of the proceeds of the 2012 Series G Bonds will be used to finance or refinance all or a portion of twelve projects on six campuses of the University of California. A list of the anticipated 2012 Projects is set forth in "APPENDIX D – TABLE OF PROJECTS".

Refunding Prior Bonds

A portion of the proceeds of the 2012 Series G Bonds will be used to refund certain series of Limited Project Revenue Bonds and proceeds of the 2012 Series H Bonds will be used to refund certain series of Limited Project Revenue Bonds and certain series of General Revenue Bonds that financed housing facilities on the Berkeley campus (collectively, the "Refunded Bonds") as set forth below.

Upon the issuance and delivery of the 2012 Bonds, a portion of the proceeds thereof will be applied to the purchase of certain direct obligations of, or guaranteed by, the United States of America and certain federal agencies, or receipts representing direct interests in such obligations (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, as escrow agent (the "Escrow Agent"), pursuant to escrow agreements, dated as of August 1, 2012, by and between The Regents and the Escrow Agent (each, an "Escrow Agreement"). The Escrow Agreement will require that the Escrow Agent apply the principal of, premium, if any, and interest on the Escrow Securities to pay the redemption prices of the Refunded Bonds on their respective dates of redemption and to pay the principal of and interest on the respective 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, see "VERIFICATION OF MATHEMATICAL ACCURACY."

A portion of the proceeds of the 2012 Bonds will refund all or a portion of each of the following Refunded Bonds:

2012 Series G Bonds

Name of Issue	**Principal Amount to be Refunded**
Limited Project Revenue Bonds, 2004 Series A	$ 240,180,000
Limited Project Revenue Bonds, 2005 Series B	466,800,000
Limited Project Revenue Bonds, 2007 Series D	63,745,000

2012 Series H Bonds

Name of Issue	**Principal Amount to be Refunded**
Limited Project Revenue Bonds, 2004 Series A	$ 155,000
Limited Project Revenue Bonds, 2005 Series B	8,115,000
Limited Project Revenue Bonds, 2007 Series D	8,775,000
General Revenue Bonds, 2003 Series A	25,145,000
General Revenue Bonds, 2003 Series B	9,900,000
General Revenue Bonds, 2005 Series F	7,945,000
General Revenue Bonds, 2007 Series J	14,905,000
General Revenue Bonds, 2007 Series K	6,700,000
General Revenue Bonds, 2009 Series O	1,570,000

In connection with the refunding of the General Revenue Bonds identified above, certain projects financed with such General Revenue Bonds will be added as Projects under the Indenture.

SECURITY FOR THE BONDS

General

Pledge; Definition of Pledged Revenues. The Bonds are secured by a pledge of Pledged 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, Pledged Revenues consist of the sum of Gross Revenues of a Limited Project for all Projects. "Gross Revenues of a Limited Project" means for each Project (i) all income, rentals, fees, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived by The Regents from the ownership or operation of the Project, but excluding any refundable deposits, fines or forfeitures, and (ii) any other revenues, receipts, income or other moneys from time to time designated by The Regents for the payment of principal of and interest on the Bonds, in each case subject to the provisions of the Security Documents governing any Indebtedness or other obligation secured by a Senior Lien.

The Projects and the Pledged Revenues may be changed from time to time at the discretion of The Regents. In addition, certain Pledged Revenues are dependent upon completion of the Projects funded from the proceeds of the 2012 Bonds. See "THE PROJECTS."

The pledge under the Indenture of Pledged Revenues is subordinate to present and future Indebtedness secured by a Senior Lien. See "SECURITY FOR THE BONDS – Indebtedness" below. In addition, under the Indenture amounts due pursuant to Ancillary Obligations, if any, are secured by a Parity Lien on Pledged Revenues. At the time of issuance of the 2012 Bonds, there are no Ancillary Obligations. Ancillary Obligations are defined in the Indenture and include but are not limited to credit facilities and interest rate swaps. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE – Definitions."

Subject to the terms and conditions of the Indenture, after the requirements set forth in the Security Documents evidencing a Senior Lien have been met, Pledged Revenues shall be deposited by The Regents into the Pledged Revenue Fund held by The Regents. On or before an Interest Payment Date on the Bonds, amounts required to pay Debt Service on the Bonds shall be transferred by The Regents to the Trustee for deposit into the Debt Service Fund held by the Trustee. Unless an Event of Default has occurred and is continuing, The Regents may withdraw and use any or all amounts deposited in the Pledged Revenue Fund pursuant to the Indenture at any time for any lawful purpose, including for purposes other than paying Debt Service on the Bonds. For additional information concerning the application of Pledged Revenues under the Indenture, including the use of Pledged Revenues to pay Indebtedness secured by a Parity Lien and Ancillary Obligations, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE – Flow of Funds – Pledged Revenues."

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

Table 2
Pledged Revenues

Fiscal Year	Pledged Revenues (dollars in millions)	Historic Maximum Annual Debt Service Coverage on Limited Project Revenue Bonds[(1)]
2005-2006	$258.6	4.1x
2006-2007	302.0	4.8x
2007-2008	337.2	3.7x
2008-2009	349.6	3.9x
2009-2010	352.9	3.9x
2010-2011	477.0[(2)]	3.7x

(1) Based upon maximum annual debt service for Limited Project Revenue Bonds outstanding as of the end of each fiscal year; does not include debt service on Senior Lien Indebtedness, as described below.

(2) The University of California Annual Financial Report 2010-2011 reported $433.6 million of Pledged Revenues for the year ended June 30, 2011. This amount did not include $43.4 million of Berkeley Campus Athletic Department revenues which are included as Pledged Revenues.

The amount of Pledged Revenues in each year will change based upon various factors affecting the Projects and the other income constituting Pledged Revenues, including usage, occupancy levels and the rates, fees and charges attributable to the Projects and the other activities producing income constituting Pledged Revenues. Maximum annual debt service on the Bonds outstanding as of July 1, 2012 is approximately $129 million, and occurs in the Fiscal Year ending June 30, 2021.

In the Indenture The Regents covenants to furnish to the Trustee not later than seven months after the end of each Fiscal Year, the annual financial report of the University of California, including the audit opinion from an Independent Certified Public Accountant, and such financial report shall include the amount of Pledged Revenues for such Fiscal Year. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT" and see "APPENDIX B – THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2010-2011".

Pledged Revenue Rate 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 Pledged Revenues to be in an amount not less than 1.10 times the Aggregate Debt Service for the then-current Fiscal Year on all Indebtedness secured by a Parity Lien. Under the Indenture Ancillary Obligations might not constitute Indebtedness and there is no rate covenant in the Indenture concerning such Ancillary Obligations.

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

Indebtedness

Additional Indebtedness. The Regents may at any time incur Indebtedness secured by a pledge and lien on Pledged Revenues which is senior in priority, or on a parity with, or subordinate to, the pledge and lien of the Indenture.

The Regents may also issue Additional Bonds, upon certain terms and conditions set forth in the Indenture, for any lawful purpose, including but not limited to (1) providing moneys needed to acquire, implement, install, construct or complete a Project, including reimbursements of any sums advanced by The Regents for such purposes, (2) refunding all or part of the Bonds of any one or more Series then outstanding, or (3) providing moneys needed to refund all or part of any other Indebtedness, by depositing with the Trustee funds in the necessary amount to pay or otherwise provide for the payment of principal, interest and premium with respect to such Indebtedness in accordance with the terms thereof.

Senior Lien Indebtedness. The Regents may at any time incur Indebtedness secured by a pledge and lien on Pledged Revenues senior in priority to the pledge and lien of the Indenture. At the time of issuance of the 2012 Bonds, Indebtedness of The Regents secured by a Senior Lien will consist of (a) General Revenue Bonds (the "General Revenue Bonds"), issued pursuant to 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 in interest to BNY Western Trust Company), as trustee, as such may be amended or supplemented from time to time (the "General Revenue Indenture"), (b) a $215 million revolving credit facility provided by financial institutions, and (c) an interest rate swap in a notional amount of $500 million with a scheduled termination date of April 25, 2013 and an interest rate swap in a notional amount of $500 million with a scheduled termination date of July 1, 2015, both of which constitute Financial Products Agreements with one or more Qualified Providers under the General Revenue Indenture. Payments due under such credit facility and Financial Products Agreements (including without limitation, regularly scheduled payments and payments due upon early termination) are secured by a Senior 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.

At the time of issuance of the 2012 Bonds, approximately $7.8 billion aggregate principal amount of General Revenue Bonds will be outstanding. See "APPENDIX A – THE UNIVERSITY OF CALIFORNIA – INDEBTEDNESS OF THE REGENTS." General Revenue Bonds may be issued by The Regents for any lawful purpose. To date, General Revenue Bonds have been issued to finance or refinance the acquisition and construction of certain facilities of the University, including, but not limited to student housing, faculty housing, parking facilities, student centers, recreation and events facilities, research facilities, bookstores, certain seismic retrofitting improvements and certain academic, administrative and other facilities of the University.

The amounts constituting General Revenues that are pledged under the General Revenue Indenture as security for the General Revenue Bonds were $6.11 billion for the year ended June 30, 2007, $6.72 billion for the year ended June 30, 2008, $7.05 billion for the year ended

June 30, 2009, $7.66 billion for the year ended June 30, 2010 and $8.73 billion for the year ended June 30, 2011. At the time of the issuance of the 2012 Bonds, maximum annual debt service on the General Revenue Bonds is approximately $1.019 billion[(1)] and occurs in the Fiscal Year ending June 30, 2015.

Pursuant to the General Revenue 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 General Revenue Indenture as security for the General Revenue Bonds. **Except for the General Revenues that also constitute Pledged Revenues, the General Revenues are not pledged as security for the Bonds**.

Parity Lien Indebtedness. As of July 1, 2012, $1,810,360,000 aggregate principal amount of Bonds will be Outstanding and payable on a parity with the 2012 Bonds under the Indenture; however, no other Indebtedness secured by a Parity Lien will be outstanding. See "APPENDIX A – THE UNIVERSITY OF CALIFORNIA – INDEBTEDNESS OF THE REGENTS."

Subordinate Lien Indebtedness. At the time of issuance of the 2012 Bonds, Indebtedness of The Regents secured by a Subordinate Lien will consist of Indebtedness: (a) outstanding under the Indenture, dated as of November 1, 2008, by and between The Regents and Deutsche Bank National Trust Company, securing The Regents of the University of California Commercial Paper Notes, Series A (Tax Exempt) and Series B (Taxable) and (b) outstanding under credit facilities, if any, provided by banks or other financial institutions relating to such commercial paper notes. See "APPENDIX A – THE UNIVERSITY OF CALIFORNIA – INDEBTEDNESS OF THE REGENTS."

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

Limited Obligations

The 2012 Bonds are limited obligations of The Regents, payable solely from Pledged 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 2012 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. Under the Indenture, the pledge and lien on Pledged Revenues, however, are junior to the pledge and lien of certain other Indebtedness of The Regents, and the Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on Pledged 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

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(1) Assumes (i) a principal payment of $500 million on July 1, 2014 (the scheduled mandatory tender date) for the General Revenue Bonds, 2011 Series Y (Taxable Floating Rate Notes) (the "2011 Series Y Bonds") and (ii) General Revenue Bonds, 2011 Series Z (Taxable Variable Rate Demand Bonds) bear interest at 2% per annum. The University's current intent is to remarket the 2011 Series Y Bonds on or prior to their July 1, 2014 tender date.

DISCLOSURE AGREEMENT – THE INDENTURE – Pledge." The 2012 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.

ESTIMATED SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds in connection with the 2012 Series G Bonds:

SOURCES – 2012 Series G Bonds

Principal Amount of 2012 Series G Bonds	$899,275,000.00
Net Original Issue Premium	152,748,117.90
Total Sources of Funds	$1,052,023,117.90

USES – 2012 Series G Bonds

Project Costs [(1)]	$231,202,476.08
Refunding of Refunded Bonds	815,703,942.77
Costs of Issuance [(2)]	5,116,699.05
Total Use of Funds	$1,052,023,117.90

(1) Includes interest on a portion of the 2012 Series G Bonds for a period up to approximately six months following the expected completion dates of certain of the 2012 Projects.

(2) Includes underwriters' discount and fees and other costs of issuance.

The following are the estimated sources and uses of funds in connection with the 2012 Series H Bonds:

SOURCES – 2012 Series H Bonds

Principal Amount of 2012 Series H Bonds	$100,420,000.00
Total Sources of Funds	$100,420,000.00

USES – 2012 Series H Bonds

Refunding of Refunded Bonds	$ 99,813,798.40
Costs of Issuance [(1)]	606,201.60
Total Use of Funds	$100,420,000.00

(1) Includes underwriters' discount and fees and other costs of issuance.

THE PROJECTS

General Description. The Projects currently include student housing, faculty housing, athletic facilities, parking facilities, dining/food services facilities and other leased facilities. The Projects are currently located at ten campuses of the University of California. The Projects are generally described as follows:

> **Student and Faculty Housing**: Residence halls or apartments for single students, student families or faculty, including purchases of apartment units in the community, and renovations of existing housing facilities;
>
> **Parking**: Parking structures to accommodate students, faculty, staff and visitors, new and/or expanded roads, bikeways, and other access routes, and renovations and/or upgrades of existing parking facilities; and
>
> **Other Facilities**: Dining/food services facilities, public safety infrastructure, including seismic improvements, athletic facilities and other leased facilities.

A list of the anticipated 2012 Projects is set forth in "APPENDIX D – TABLE OF PROJECTS". The Projects are subject to change at the discretion of The Regents for any reason, including without limitation, changes in capital budgets or capital planning, project design or project feasibility, project priorities or delays caused by litigation, claims or disputes. In addition, under the Indenture The Regents may designate Projects as Excluded Facilities and the revenues derived therefrom would not constitute Pledged Revenues. See "SECURITY FOR THE BONDS – Indebtedness." At the time of issuance of the 2012 Bonds, there are no Excluded Facilities.

Project Completion. The 2012 Projects are expected to be completed by December 2012. Interest on a portion of the 2012 Series G Bonds is capitalized for a period up to approximately six months following the expected completion dates for certain of the 2012 Projects.

Approval Procedures. Projects are usually conceived at the campus level and reviewed through a coordination process by the campus with the following University offices: the Office of the President (through the Office of the Vice President for Budget and Capital Resources for capital budgeting, cost estimates, resource allocation, design review and environmental documentation review and the Executive Vice President/Chief Financial Officer for financial feasibility) and the Office of the General Counsel for compliance with all legal processes, including environmental review.

Acquisition and Construction of the Projects. The campuses of the University at which the Projects are located are responsible for supervising the timely completion of the Projects within their capital budgets as approved by The Regents. Campus staffs are assisted by professional staff at the Office of the President, as well as private engineers, architects, contractors, consultants and others who may be employed in the design, acquisition and construction of a particular project.

Operation and Maintenance of the Projects. Once acquired or constructed, the Projects are generally operated and maintained by The Regents through the various administrative staffs of the campuses of the University. Generally, expenses of operation and maintenance for the Projects are paid by The Regents by charging fees and rates for use of the Projects. The authority to establish housing, parking and other rates, fees and charges is vested in The Regents. The Regents has delegated such authority to the University administration and has directed the University administration to establish such rates, fees, and charges as are sufficient to operate and maintain the Projects and to meet the rate covenant under the Indenture. See "SECURITY FOR THE BONDS—General—Pledged Revenue Rate Covenant."

TAX MATTERS

2012 Series G 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 2012 Series G Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and interest on the 2012 Series G Bonds is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2012 Series G 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the 2012 Series G Bonds is less than the amount to be paid at maturity of such 2012 Series G Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2012 Series G Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2012 Series G 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 2012 Series G Bonds is the first price at which a substantial amount of such maturity of the 2012 Series G 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 2012 Series G Bonds accrues daily over the term to maturity of such 2012 Series G 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 2012 Series G Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2012 Series G Bonds. Beneficial Owners of the 2012 Series G Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2012 Series G Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2012 Series G Bonds in the original offering to the public at the first price at which a substantial amount of such 2012 Series G Bonds is sold to the public.

2012 Series G 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 Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owners. Beneficial 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 tax purposes of interest on obligations such as the 2012 Series G Bonds. The Regents has made certain representations and has covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2012 Series G 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 2012 Series G Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2012 Series G 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 2012 Series G Bonds may adversely affect the value of, or the tax status of interest on, the 2012 Series G 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 2012 Series G Bonds is excluded from gross income for federal income tax purposes and that the interest on the 2012 Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2012 Series G 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 2012 Series G Bonds to be subject, directly or indirectly, 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. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the 2012 Series G Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2012 Series G Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the 2012 Series G Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses 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 2012 Series G 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 Bonds ends with the issuance of the 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 2012 Series G Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than The Regents and their 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 IRS, including but not limited to selection of the 2012 Series G 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 2012 Series G Bonds, and may cause The Regents or the Beneficial Owners to incur significant expense.

2012 Series H Bonds (Taxable)

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the 2012 Series H Bonds that acquire their 2012 Series H 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 income 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 all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons 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 2012 Series H 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 or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their 2012 Series H Bonds pursuant to this offering for the issue price that is applicable to such 2012 Series H Bonds (i.e., the price at which a substantial amount of the 2012 Series H Bonds are sold to the public) and who will hold their 2012 Series H 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 2012 Series H 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 2012 Series H Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds 2012 Series H 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 2012 Series H Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2012 Series H Bonds (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the 2012 Series H Bonds is exempt from State of California personal income taxes. Interest on the 2012 Series H Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the 2012 Series H Bonds.

The 2012 Series H Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the 2012 Series H Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the 2012 Series H Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the 2012 Series H Bonds.

Disposition of the 2012 Series H Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by The Regents) or other disposition of a 2012 Series H Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2012 Series H 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 2012 Series H Bond which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the 2012 Series H Bond (generally, the purchase price paid by the U.S. Holder for the 2012 Series H Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the 2012 Series H 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 2012 Series H Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any 2012 Series H 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 2012 Series H 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. withholding tax provided that the beneficial owner of the 2012 Series H 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 2012 Series H Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," 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 2012 Series H 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 2012 Series H 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 2012 Series H 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. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the 2012 Series H Bonds, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by The Regents) or other disposition of a 2012 Series H Bond, to certain noncorporate holders of 2012 Series H Bonds that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any 2012 Series H 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 2012 Series H Bond or a financial institution holding the 2012

Series H 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. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the 2012 Series H Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28% (subject to future adjustment).

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the 2012 Series H Bond, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a 2012 Series H Bond, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a 2012 Series H Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

CIRCULAR 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), The Regents and its tax advisors are (or may be) required to inform prospective investors that:

i. any advice contained herein is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;

ii. any such advice is written to support the promotion or marketing of the 2012 Series H Bonds and the transactions described herein; and

iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery by The Regents of the 2012 Bonds and with regard to the tax-exempt status of interest on the 2012 Bonds under existing laws are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. 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 E hereto. In addition, certain legal matters will be passed upon for The Regents by its Office of the 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 2012 Bonds or in any way contesting or affecting the validity of the 2012 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 2012 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 2012 Bonds when due.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2012 Bonds, The Arbitrage Group, Inc. (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 2012 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 2012 Bonds have been assigned ratings of "Aa2" by Moody's Investors Service ("Moody's"), "AA-" by Standard & Poor's Ratings Group ("S&P") and "AA" by Fitch Ratings ("Fitch"). The rating reflects only the view of the respective rating agency. 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 2012 Bonds.

PRICING ADVISOR

Swap Financial Group, LLC, is serving as Pricing Advisor to The Regents in connection with the sale of the 2012 Bonds.

UNDERWRITING

Pursuant to a bond purchase contract for the 2012 Series G Bonds (the "2012 Series G Purchase Contract") among Barclays Capital Inc., as representative (the "Representative") of the underwriters listed on the cover of this Official Statement (the "Underwriters"), The Regents and the Treasurer of the State of California (the "State Treasurer") , the Underwriters have agreed to purchase the 2012 Series G Bonds at a purchase price of $1,047,586,225.92 (representing the aggregate principal amount of the 2012 Series G Bonds, plus a net original issue premium of $152,748,117.90, less an underwriters' discount of $4,436,891.98). Pursuant to a bond purchase contract for the 2012 Series H Bonds among the Representative, The Regents and the State Treasurer (the "2012 Series H Purchase Contract" and collectively with the 2012 Series G Purchase Contract, the "2012 Purchase Contract"), the Underwriters have agreed to purchase the 2012 Series H Bonds at a purchase price of $99,901,339.96 (representing the aggregate principal amount of the 2012 Series H Bonds, less an underwriters' discount of $518,660.04). The public offering prices of the 2012 Bonds may be changed from time to time by the Underwriters. The 2012 Purchase Contract provides that the Underwriters will purchase all the 2012 Bonds if any are purchased and that the obligations to make such purchases are subject to certain terms and conditions set forth in the 2012 Purchase Contract including, among other things, the approval of certain legal matters by their counsel.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2012 Bonds, has entered into a negotiated dealer agreement ("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 2012 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2012 Bonds that CS&Co. sells.

Academy Securities, Inc., an Underwriter of the 2012 Bonds, intends to enter into distribution agreements (the "Academy Distribution Agreements") with UBS Financial Services Inc. ("UBSFS"), Wedbush Securities Inc. ("Wedbush"), Sutter Securities Inc. ("Sutter"), and Legent Clearing LLC ("Legent") for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to these Academy Distribution Agreements (if applicable for this transaction), Academy Securities, Inc. may share a portion of its underwriting compensation with UBSFS, Wedbush, Sutter, and/or Legent.

Backstrom McCarley Berry & Co., LLC ("BMcB"), an Underwriter of the 2012 Bonds, has entered into a non-exclusive Master Selling Group Agreement with Mitsubishi UFJ Securities (USA), Inc., and a Broker/Dealer Agreement with Stern Brothers & Co., and Crowell, Weedon & Co., for the distribution of certain securities offerings, including the 2012 Bonds, at the original issue price. Pursuant to their distribution agreements Mitsubishi UFJ Securities (USA), Inc., Stern Brothers & Co., and Crowell, Weedon & Co., may purchase 2012 Bonds from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any 2012 Bonds that such firm sells.

Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC have informed The Regents that Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, each an Underwriter of the 2012 Bonds, entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of 2012 Bonds.

Greencoast Capital Partners LLC ("Greencoast"), one of the Underwriters of the 2012 Bonds, has entered into a Master Selling Agent Agreement (the "Agreement") with D.A. Davidson & Co. ("Davidson") for the distribution of certain municipal securities offerings, including the 2012 Bonds, underwritten by Greencoast. Under the Agreement, Davidson will purchase the 2012 Bonds at the initial public offering price less a negotiated portion of the selling concession applicable to any 2012 Bonds that such firm sells.

Prager & Co., LLC, one of the Underwriters of the 2012 Bonds, has entered into a distribution agreement (the "Prager Distribution Agreement") with HSBC Securities (USA) Inc. for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Prager Distribution Agreement (if applicable for this transaction), Prager & Co., LLC may share a portion of its underwriting compensation with respect to the 2012 Bonds with HSBC Securities (USA) Inc.

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of Morgan Keegan & Company, Inc. from Regions Financial Corporation. Raymond James and Morgan Keegan are each registered broker-dealers. Both Raymond James and Morgan Keegan are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James | Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined. Raymond James has entered into a distribution arrangement with Morgan Keegan for the distribution of the 2012 Bonds at the original issue prices. Such arrangement generally provides that Raymond James will share a portion of its underwriting compensation or selling concession with Morgan Keegan.

Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the 2012 Bonds, has entered into an agreement (the "WFBNA Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the 2012 Bonds. Pursuant to the WFBNA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2012 Bonds. WFBNA and WFA are both subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as one of the Underwriters of the 2012 Bonds.

In the ordinary course of their business, the Underwriters have engaged, and the Underwriters may in the future engage, in investment banking and commercial banking transactions with the University.

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, 10th Floor, 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 2012 Bonds.

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

THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA

/s/ MARSHA KELMAN
SECRETARY AND CHIEF OF STAFF

/s/ PETER J. TAYLOR
EXECUTIVE VICE PRESIDENT – CHIEF FINANCIAL
OFFICER, UNIVERSITY OF CALIFORNIA

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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 over 1,991,945 higher education degrees, as of June 30, 2011. 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. In connection with the University's five medical schools and other health science disciplines, the University operates five academic medical centers with a total of 3,220 licensed beds and 3,038 available beds as of March 31, 2012.

The University has a pre-eminent regular teaching faculty of approximately 10,000 members. Fifty-seven researchers affiliated with the University have been awarded 58 Nobel Prizes, the pinnacle of achievement for groundbreaking research; 25 of the Nobel Prizes have been won since 1995. Current faculty includes 25 Nobel laureates. No U.S. public university has won more Nobel Prizes than the University. University affiliated researchers have received 63 National Medals of Science – about 13 percent of the medals presented – since Congress created the award in 1959. More than 360 current University researchers are members of the prestigious National Academy of Sciences. 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 82 faculty, researchers, artists and others affiliated with the University have been awarded these prestigious $500,000 grants. Also, more Guggenheim fellowships, approximately 1,494, have been awarded to University faculty than to any other university or college.

As of April 2012, in addition to the teaching faculty, the University employed, on a full-time and part-time basis, approximately 47,000 other academic personnel and approximately 133,000 staff and management personnel.

During the year ended June 30, 2011, the University provided instruction to approximately 235,000 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 2007 to 2011. Further information on University enrollment can be found at http://budget.ucop.edu/enroll.html.

UNIVERSITY OF CALIFORNIA
FULL-TIME EQUIVALENT ENROLLMENTS [1] FOR FISCAL YEARS 2007 TO 2011

	2006-07	2007-08	2008-09	2009-10	2010-11
Berkeley	32,875	34,229	34,732	35,362	35,510
Davis	27,311	28,199	29,021	29,363	29,469
Irvine	25,586	26,924	27,763	26,864	26,797
Los Angeles	33,592	34,290	34,945	35,157	34,765
Merced	1,276	1,903	2,775	3,472	4,488
Riverside	16,349	17,238	18,028	19,185	20,240
San Diego	25,760	26,641	27,487	28,375	28,667
Santa Barbara	21,516	21,919	22,589	23,250	22,920
Santa Cruz	15,583	16,012	16,809	17,160	17,437
Total General Campus	**199,848**	**207,355**	**214,149**	**218,188**	**220,293**
Health Sciences [2]	13,798	13,958	14,176	14,425	14,579
Total University	**213,646**	**221,313**	**228,325**	**232,613**	**234,872**

(1) Does not include students in self-supporting programs. Includes graduate and undergraduate students, and State supported summer enrollment.
(2) Includes San Francisco campus enrollment.

Source: University of California Office of the President (“UCOP”), Budget Office.

INDEBTEDNESS OF THE REGENTS

The Regents of the University of California ("The Regents") has outstanding various revenue bonds, as listed below, maturing from 2012 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 and other revenues. The following table lists the public indebtedness issued by The Regents outstanding as of July 1, 2012.

BONDS ISSUED AND OUTSTANDING[1]
As of July 1, 2012 (dollars in thousands)

	Amount Issued	Amount Outstanding
General Revenue Bonds		
2003 Series A	$ 914,270	$ 552,980
2003 Series B	385,835	245,955
2005 Series C	252,270	165,390
2005 Series D	31,160	4,565
2005 Series E	111,610	38,165
2005 Series F	446,815	383,775
2005 Series G	308,450	206,605
2005 Series H	23,830	1,400
2005 Series I	20,540	4,690
2007 Series J	1,123,935	1,051,280
2007 Series K	241,600	199,875
2008 Series L	208,025	202,290
2008 Series M	36,845	29,085
2008 Series N	3,990	2,550
2009 Series O	732,630	709,755
2009 Series P	61,590	35,735
2009 Series Q	300,620	295,620
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	142,530
2010 Series V	200,000	200,000
2011 Series W	3,725	3,510
2010 Series X	48,700	48,700
2011 Series Y	500,000	500,000
2011 Series Z	150,000	150,000
2011 Series AA-2	286,515	286,515
2011 Series AB	354,875	352,830
2011 Series AC	44,840	43,665
2012 Series AD	860,000	860,000
SUBTOTAL	**$8,904,465**	**$7,825,235**

Limited Project Revenue Bonds		
2004 Series A	$ 371,590	$ 240,335
2005 Series B	600,480	483,245
2007 Series D	415,355	408,840
2010 Series E	195,675	191,810
2010 Series F	486,130	486,130
SUBTOTAL	**$2,069,230**	**$1,810,360**
Hospital Revenue Bonds		
UCLA Medical Center, Series 2004 A	$ 165,000	$ 57,660
UCLA Medical Center, Series 2004 B	91,165	23,135
SUBTOTAL	**$ 256,165**	**$ 80,795**
Medical Center Pooled Revenue Bonds		
2007 Series A	$ 441,170	$ 429,940
2007 Series B	96,155	83,115
2007 Series C-1	7,255	7,255
2007 Series C-2	189,775	149,025
2008 Series D	322,980	266,530
2009 Series E	94,755	88,960
2009 Series F	429,150	429,150
2010 Series G	48,140	42,995
2010 Series H	700,000	700,000
2010 Series I	9,175	8,345
SUBTOTAL	**$ 2,338,555**	**$ 2,205,315**
Total	$13,568,415	$11,921,705

(1) Does not include commercial paper notes, capital leases, bank loans and indebtedness issued by conduit public entities.
Source: UCOP, Capital Markets Finance

In addition to revenue bonds, there is 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 July 1, 2012, approximately $1,323,000,000 of commercial paper was outstanding.

Bank Loans/Capital Leases. The Regents had outstanding principal on loans and private placements with various financial institutions of approximately $168 million as of July 1, 2012, which includes a draw on a $215 million revolving credit agreement with a syndicate of lenders. In addition, capital leases of The Regents, typically for equipment, totaled approximately $39.7 million as of June 30, 2011.

Conduit Issuer Bonds. The California Infrastructure and Economic Development Bank (the "Infrastructure Bank") issued bonds to finance capital improvements for the University.

These bonds include revenue bonds issued in the aggregate principal amount of $207,670,000 ($207,670,000 outstanding as of July 1, 2012) 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 ($60,915,000 outstanding as of July 1, 2012) 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 ($419,910,000 outstanding as of July 1, 2012) 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.

State Public Works Board Bonds. The State Public Works Board of the State of California (the "SPWB") has issued various lease revenue bonds, maturing from 2012 through 2037, for the purpose of financing or refinancing various facilities for the University. In connection with these lease revenue bonds of the SPWB, The Regents has leased the financed facilities from the SPWB pursuant to facility leases, which require The Regents to pay rental payments in amounts sufficient to pay the principal of and interest on such lease revenue bonds. Such lease rental payments are appropriated annually by the State as a line item for the University's operating budget. The Regents has appropriated and paid in a timely manner all rental payments due pursuant to its leases with the SPWB, including during periods when adoption of the State Budget was substantially delayed. The following table sets forth the outstanding lease revenue bonds of the SPWB which were issued for the purpose of financing facilities at various campuses of the University as of July 1, 2012:

State Public Works Board of the State of California	Amount Outstanding (in 000s)
Lease Revenue Bonds:	
1993 Series B (Various University of California Projects)	$ 11,065
2002 Series A (UCLA Replacement Hospital)	114,350
2003 Series A (UC Davis MIND Institute)	24,755
2004 Series A (UC Davis Medical Center Tower II)	12,880
2004 Series F (Various University of California Projects)	113,940
2005 Series C (Various University of California Institute Projects)	105,945
2005 Series D (Various University of California Projects)	290,175
2005 Series L (Various University of California Projects)	136,685
2006 Series E (University of California Research Project)	75,520
2008 Series A (UC Irvine Medical Center Replacement Hospital)	241,920
2008 Series B (San Francisco Moffitt and Long Hospital Seismic Upgrade)	23,430
2008 Series C (Natural Sciences Unit 2 - McGaugh Hall Expansion)	11,725
2009 Series E (Various University of California Projects)	153,705
2009 Series F (UC San Diego Medical Center – Hillcrest Seismic)	37,845
2010 Series C (Various University of California Projects)	
Subseries C-1 (Tax-Exempt Bonds)	70,385
Subseries C-2 (Federally Taxable Build America Bonds)	149,620
2010 Series D (Helios Energy Research Facility Project)	50,485
2011 Series G (Various University of California Projects)	295,200
2012 Series B (Business Unit at the Irvine Campus)	42,050
Lease Revenue Refunding Bonds:	
1993 Series A (Various University of California Projects)	45,765
1997 Series A (Various University of California Projects)	89,975
1997 Series B (Various University of California Projects)	13,680
1998 Series B (Various University of California Projects)	16,015
1998 Series C (Various University of California Projects)	6,120
2001 Series A (Various University of California Projects)	16,900
2007 Series A (Various University of California Projects)	166,125
2007 Series B (Various University of California Projects)	49,850
2007 Series C (Various University of California Projects)	91,700
Total Outstanding	**$2,457,810**

Source: UCOP, Capital Markets Finance

The Regents has never defaulted in the payment of maturing 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 ex officio members and members appointed by the Governor and approved by the Senate.

The members of the Board of Regents and the Officers of The Regents as of July 1, 2012 are listed below. There are currently 3 vacancies on the Board. Additional information and a current list of Regents can be obtained at http://www.universityofcalifornia.edu/regents/contact.html.

Appointed Regents:

Richard C. Blum	Norman J. Pattiz
William De La Peña, M.D.	Bonnie Reiss
Russell S. Gould	Frederick Ruiz
Eddie Island	Leslie Tang Schilling
George Kieffer	Jonathan Stein[(1)]
Sherry L. Lansing	Bruce D. Varner
Monica C. Lozano	Paul Wachter
Hadi Makarechian	Charlene Zettel

[(1)] Appointed by the Board of Regents.

Ex Officio Regents:

Jerry Brown
Governor of California

Gavin Newsom
Lieutenant Governor

John A. Pérez
Speaker of the Assembly

Tom Torlakson
State Superintendent of
Public Instruction

Ron Rubenstein
Alumni Regent
(President of the
Alumni Associations of the
University of California)

Alan Mendelson
Alumni Regent
(Vice President of the
Alumni Associations of the
University of California)

Mark G. Yudof
President of the
University of California

The Officers of The Regents:

President
Jerry Brown
Governor of California

Chairman
Sherry L. Lansing

Vice Chair
Bruce D. Varner

Acting Treasurer
Marie N. Berggren

General Counsel
Charles F. Robinson

Secretary and Chief of Staff
Marsha Kelman

Chief Compliance and Audit Officer
Sheryl Vacca

FINANCIAL INFORMATION

Financial information for the University is set forth in the University's Annual Financial Report for the fiscal year ended June 30, 2011. See "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2010-2011."

INVESTMENTS

As of the most recent period ended March 31, 2012, the market values and investment returns for the fiscal year are as follows:

	Market Value (in 000's)	Investment Return[1]
Short Term Investment Pool[2]	$ 10,738,243	1.80%
Total Return Investment Pool[3]	3,839,970	5.98%
General Endowment Pool[3]	6,682,049	1.18%
University of California Retirement Plan[3]	42,542,675	2.22%

(1) Year-to-date return rate; not annualized.
(2) Also includes loans in the total amount of approximately $620 million in the University's Mortgage Origination Program.
(3) Includes certain amounts in the aggregate amount of approximately $380 million 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 2010-2011—Note 2."

Senate Bill No. 79 ("SB 79"), which became effective on August 1, 2011, provides for the establishment of a State Agency Investment Fund (the "SAIF") in the State of California Treasury. SB 79 allows the University to deposit not less than $500 million into the SAIF, to receive an investment return equal to the State's Pooled Money Investment Account rate of return plus an enhancement amount to be determined by the State Director of Finance and with such other terms and conditions as may be agreed upon by the University and the Director of Finance in consultation with the State Treasurer. On September 26, 2011 the University invested $1 billion of eligible University funds in the SAIF and on February 29, 2012 the University invested an additional $200 million in the SAIF. The $200 million February 2012 University investment was repaid to the University on April 16, 2012.

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 Bureau of State Audits 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 2012 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 is a budget discussion at the monthly meeting of the Council of Chancellors, and budget discussions at the monthly meetings of the Council of Executive Vice Chancellors, at the quarterly 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, although amounts for a few programs of particular interest to the State are appropriated by line item. Operating funds received from the State are allocated by the President of the University to the campuses and to the Office of the President after consultation with the Chancellors, Vice Presidents, and faculty groups.

Capital Budget: Annually, the University prepares a multi-year State and non-State funded capital plan. Development of the capital plan is an interactive process with the campuses. 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 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 (over $750,000) that are State funded are approved by the State on a line-item basis; any funds requested for minor capital projects (under $750,000) are approved on a lump-sum basis.

In addition to State funds, the University also uses gift funds, certain fees and reserves, and other funds available to The Regents for capital projects. Non-State funded capital projects are advanced to The Regents for approval based on project schedules, or they are approved by the Chancellor of the campus consistent with delegated approval authority.

Recent State Support for the University: The State's support for the University during the past six fiscal years has been inconsistent, with substantial budget cuts in recent years exceeding modest funding increases in earlier years. The following table sets forth State appropriations for Fiscal Year 2006-07 through Fiscal Year 2011-12.

STATE APPROPRIATIONS

Fiscal Year	**State Appropriations To University***
2006-07	$3.069 billion[(1)]
2007-08	3.257 billion[(2)]
2008-09	2.687 billion[(3)]
2009-10	3.039 billion[(4)]
2010-11	3.017 billion[(5)]
2011-12	2.272 billion[(6)]

*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 additional amounts to fund nursing and math/science teachers initiatives.
(2) Included additional amounts to fund nursing and medical school enrollment growth.
(3) Included $115.5 million net reduction, plus one-time assistance of approximately $268.5 million from federal economic stimulus funds.
(4) Included $637 million net reduction (when compared against the State Budget Act adopted in September 2008 for Fiscal Year 2008-09), plus one-time assistance of approximately $448.0 million from federal economic stimulus funds.
(5) 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.
(6) 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.

As provided by legislation (AB 5 (8X)), for Fiscal Year 2010-11, the State deferred its July, August and September payments to the University totaling $500 million to June 2011. An additional $352 million was deferred for its September and October payments to December 2010. The University's $188 million Cal Grant funding from the State, normally paid in August and September, was deferred until December 2010. For Fiscal Year 2011-12, the University's July, August and September State payments totaling $500 million were deferred in accordance with AB 5 (8X). In addition, for Fiscal Year 2012-13, the University's July, August and September State payments totaling $500 million will be deferred to June 2013.

University's Response to Reduced State Support and Unfunded Mandatory Cost Increases: In response to reduced State support and the increase in unfunded mandatory costs in such areas as purchased utilities, faculty merits, collective bargaining agreements, enrollment growth, etc. The Regents has implemented a number of measures. Tuition and fees have increased in recent years as follows: 8.1% in Fiscal Year 2007-08; 7.4% in Fiscal Year 2008-09; 25.7% in Fiscal Year 2009-10; 15% in Fiscal Year 2010-11; and 18.3% in Fiscal Year 2011-12 (percentage increases represent year over year comparisons for annual fees, although some increases were implemented mid-year or in two stages). The Regents approved a declaration of fiscal emergency effective September 1, 2009 to August 31, 2010, during which the University implemented a furlough/salary reduction plan which reduced salaries on a sliding scale from 4% to 10% for most employees. In addition, the fiscal crisis has led to campus and systemwide layoffs, programmatic reductions, other systemwide savings such as debt restructuring, program consolidated, elimination of low demand programs, and delayed faculty hiring and equipment purchases. The University also began a multi-year plan to curtail new student enrollment growth. While the goal was to reduce California resident freshmen by 3,800 (FTE) to be offset somewhat by an increase in California Community College transfers of 1,000 (FTE), campuses only reached a portion of the goal, with a curtailment of 2,300 (FTE) freshmen and an increase of 1,500 (FTE) California Community College transfers. Campuses are expecting enrollment of California residents to remain somewhat flat between 2011-12 and 2012-13.

An initiative launched in July 2010, called Working Smarter, seeks to achieve $500 million of positive fiscal impact through efficiencies, savings, cost avoidance, and revenue raising measures in a wide variety of areas over a five-year period. This initiative is well underway with expected positive impact of over $132 million in its second year of implementation.

State Budget for the University for FY 2011-12: While some of the earlier cuts in State support imposed on the University in 2008-09 and 2009-10 were restored in 2010-11, the University continued to face significant mandatory cost increases and a significant budget shortfall for 2011-12. In November 2010, in addition to requesting further restoration of support, support for contributions to the Retirement Plan, and funding to cover the costs of unfunded enrollments from the State, the University implemented an 8% student tuition and fee increase for 2011-12.

Despite the University's request for an increase in funding, in January 2011, the Governor proposed a $500 million reduction in State support for the University and in spring 2011 the Legislature approved this reduction to the University's budget for 2011-12. On June 28, 2011 the Legislature adopted a second budget package for 2011-12 that included additional targeted reductions for many State programs, including $150 million in additional reductions to the University and California State University budgets, and a trigger mechanism for more cuts mid-year if certain revenue projections were not realized. The revenue projections were not realized, and the University was cut an additional $100 million in December 2011.

With the additional trigger cut, the University's State support was cut by a total of $750 million for 2011-12. This represents a decrease from a high of $3.25 billion in 2007-08 to $2.27 billion in 2011-12. Between 2010-11 and 2011-12, state support to the University (excluding Federal ARRA funds) decreased 21.8%. The University also faced $362.5 million in unfunded mandatory costs, bringing the University's total budget gap for 2011-12 to more than $1.1 billion.

In addition to the 8% tuition and fee increase approved at the November 2010 meeting mentioned above, at its July 2011 meeting, The Regents approved another increase in mandatory systemwide charges of 9.6% to offset the additional reduction in State support of $150 million proposed at the end of the budget process. The revenue from both increases offset about 26% of the University's $1.1 billion budget shortfall (leaving a shortfall of approximately $846.7 million).

State Budget for the University for FY 2012-13: For the University, the 2012-13 budget includes no further cuts to the base budget and provides an augmentation of $89.1 million toward the State's share of the employer contribution to the University's retirement plan. The Governor had proposed $90 million in his January budget recommendations (including $89.1 million for the University and $900,000 for Hastings), but he lowered the number to $52 million in the May Revise with a promise that the remaining $38 million would be provided to the University in 2013-14. The final budget adopted by the Legislature includes the full $89.1 million, however. The budget also includes an augmentation of $5.2 million for annuitant health benefits and $11.6 million for lease revenue bond debt service. The new State funding base for the University in 2012-13 will be $2.378 billion, up from $2.272 billion in 2011-12.

The State Budget also provides the University an additional $125.4 million in the 2013-14 budget if the Governor's revenue-raising initiative passes in November 2012 and if the University does not implement the 6 percent tuition increase the University had expected to implement in 2012-13.

The funding levels adopted in the State Budget are dependent on the passage of the Governor's revenue-raising initiative in the November election. If the Governor's revenue-raising initiative does not pass or is superseded by a competing initiative, the budget calls for a reduction of $250 million to the University's budget. This trigger budget reduction would lower the University's State-funded budget to $2.128 billion in 2012-13, down $1.129 billion from a high of $3.257 billion in 2007-08.

The University has been engaged in discussions with the Governor about a possible multi-year funding agreement. Such an agreement would provide greater funding stability to the University's budget over the next several years. Provisions in the agreement under discussion include, among others, (i) specified annual increases to the prior year base budget for FY 2013-2014 through 2016-2017 conditioned upon passage of the revenue-raising initiative in November 2012; (ii) the manner in which capital projects are funded and debt service paid: and (iii) tuition increases and projected enrollment levels. Any agreement reached by the Governor and the University would be subject to future implementation by the Legislature through the budget act.

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 seven unions representing twelve systemwide bargaining units and with nine unions representing fourteen local bargaining units over terms and conditions of employment for approximately 65,000 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 June 2012 and the date the current labor contract expires as of May 2012:

University of California
Systemwide Employee Organizations[1]

Union	Bargaining Unit	Head Count	Contract Expiration
CUE-Teamsters Coalition of University Employees	CX - Clerical & Allied Services	12,382	11/30/16
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	EX - Patient Care Technical	12,359	9/30/12
UPTE University Professional & Technical Employees, CWA, Local 9119	HX - Residual Health Care Professionals	3,293	2/17/12[2]
UC-AFT American Federation of Teachers	IX – Non Senate Instructional	2,565	9/30/14
UC – AFT American Federation of Teachers	LX – Professional Librarians	348	9/30/12
CNA California Nurses Association	NX – Registered Nurses	11,513	6/30/13
FUPOA Federated University Police Officers Association	PA – Police Officers	256	9/30/12
UAW Local 5810 International Union, United Automobile, Aerospace and Agricultural Implement Workers of America	PX – Post Doctoral Scholars	5,907	9/30/15
UPTE University Professional & Technical Employees, CWA, Local 9119	RX – Research Support Professionals	4,966	6/30/13
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	SX – Service	8,116	1/31/13
UPTE University Professional & Technical Employees, CWA, Local 9119	TX – Technical	3,640	6/30/13

(1) Excludes the collective bargaining unit for student employees. The number of student employees varies greatly during the academic calendar year.
(2) Contract negotiations currently in process.

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 make payment on its outstanding indebtedness.

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 four membership classifications: members with Social Security, members without Social Security, Safety members (police and firefighters), and Tier Two members.

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, 2007 through July 1, 2011:

RETIREMENT PLAN MEMBERSHIP

July 1	Active Vested Members	Active Nonvested Members	Terminated Vested Members[1]	Retired Members	Ratio of Retirees to Actives
2007	67,966	50,919	59,056	47,682	0.40
2008	64,027	50,215	64,566	50,171	0.44
2009	65,805	49,940	54,883	51,653	0.45
2010	67,587	47,341	55,037	53,902	0.47
2011	69,979	45,589	60,903	56,296	0.49

(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, 2011, 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 of 3.5% per year.

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

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 over the average life of the Retirement Plan 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. On the asset side, the actuarial value of the Retirement Plan assets is calculated using a five-year smoothing technique, so that the difference between actual and expected returns on a market value basis is recognized over a five-year period. The technique will result in "smoothed" assets which are lower or higher than the market value of assets depending upon whether the aggregate remaining amount to be smoothed is either a net gain or a net loss. In calculating the pension benefit liability, certain assumptions are made about future costs of pension benefits to generate an overall liability amount. If the Retirement Plan's results are better or worse than assumed, the result is an actuarial gain or loss. Pursuant to an amendment to The Regents' funding policy effective July 1, 2010, the amortization period for any such gain or loss was increased from 15 years to 30 years in order to establish a funding policy that is more closely aligned with a realistically attainable actual contribution rate. If the estimated liabilities change due to changes in assumptions or the asset smoothing method, the effect of such changes is amortized over 15 years pursuant to The Regents' funding policy.

The terms of the Retirement Plan provide for periodic experience studies to compare the expected experience under the Retirement Plan to actual experience. The independent actuary has completed an experience study covering the period from July 1, 2006 through June 30, 2010 and issued recommendations regarding the Retirement Plan's actuarial assumptions. At its July 2011 meeting, The Regents adopted the actuary's recommendations for the July 1, 2011 actuarial valuation (effective for contributions in fiscal year 2012-13). The recommendations included, among other things, a change in mortality assumptions. The net financial impact of the changes in assumptions modeled on the most recent actuarial valuation included (i) an increase of 1% ($14 million) in the Normal Cost; (ii) an increase of 3.7% ($1.77 billion) in the actuarial accrued liability; and (iii) an increase in the total funding policy contribution rate from 23.25% to 25.50% of covered payroll.

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.

Funding Status: Prior to April 2010, University and member contributions to the Retirement Plan had generally not been required since November 1, 1990 for most membership classifications. Member pretax contributions otherwise made to the Retirement Plan were redirected to the University of California Defined Contribution Plan on a mandatory basis.

The total funding policy contributions related to campuses and medical centers in the July 1, 2009 actuarial valuation (effective for fiscal year 2010-11) and the July 1, 2010 actuarial valuation (effective for fiscal year 2011-12) are $1.6 billion and $1.9 billion, respectively. The total funding policy contributions in the July 1, 2009 and July 1, 2010 actuarial valuations represent 20.40 percent and 23.25 percent of covered compensation, respectively. Effective

April 15, 2010, the University started contributing 4 percent and employees started contributing 2 percent of covered compensation to the Retirement Plan. Employer contributions for fiscal year 2010-11 and 2009-10 were approximately $1.4 billion and $65 million, respectively, for the campuses and the medical centers. Employer contributions of $1.4 billion include $1.1 billion funded at the discretion of the President of the University, discussed below.

At its September 2010 meeting, The Regents approved increasing the employer and employee contribution rates to the Retirement Plan. Contributions by members were increased to 3.5 percent of covered compensation in July 2011 and will be increased to 5 percent in July 2012 and contributions by the University were increased to 7 percent of covered compensation in July 2011 and will be increased to 10 percent in July 2012. The Regents also approved a new tier of pension benefits applicable to employees hired on or after July 1, 2013, which would increase the early retirement age from 50 to 55, but retain many of the current features of the Retirement Plan. The new tier would not offer lump sum cashouts, inactive member Cost of Living Adjustments (COLAs), or subsidized survivor annuities for spouses and domestic partners. These changes are subject to collective bargaining for union-represented employees. At its November 2011 meeting, The Regents approved an increase in the employee and employer contribution rates to the Retirement Plan to 6.5 percent and 12 percent, respectively, effective July 2013.

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”).

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 and subject to collective bargaining, if applicable, for represented members at Lawrence Berkeley National Laboratory. 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 and Lawrence Livermore National Laboratory retirees as determined by the annual actuarial valuation of each National Laboratory segment. Effective with the July 1, 2010 actuarial valuations of the Los Alamos National Laboratory and Lawrence Livermore National Laboratory Retirement Plan segments, approximately $70 million and $154 million, respectively, in contractual contributions are required to be made.

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 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, 2007 through July 1, 2011.

Retirement Plan Funding
(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, 2007	$48,105.3	$43,434.0	$ 41,436.6	$1,997.4	104.8%	116.1%	$7,612.7	26.2%
July 1, 2008	42,023.2	43,840.3	42,576.8	1,263.5	103.0%	98.7%	7,468.9	16.9%
July 1, 2009	32,258.5	42,798.8	45,160.5	(2,361.7)	94.8%	71.4%	7,873.7	(30.0%)
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%)

Source: University of California Office of the President and University of California Retirement Plan Annual Financial Report

The funded ratio of the Retirement Plan (actuarial value of assets divided by actuarial accrued liability) decreased from 86.7% as of July 1, 2010 to 82.5% as of July 1, 2011 primarily as a result of recognizing investment losses from prior years that were less than the assumed annual rate of return of 7.5% and actual contributions that were less than the total funding policy contributions for the year ending June 30, 2010. The UAAL will likely continue to increase, and the funded ratio of the Retirement Plan will likely continue to decrease, in future fiscal years due in part to the multi-year strategy under which University and employee contributions increase gradually over time and in part to the recognition of investment losses from the recent years when the Retirement Plan's actual investment returns were less than the assumed rate of return.

Asset Management Plan: The Regents, as the governing board and as trustee, is responsible for the oversight of the Retirement Plan's investments and establishes investment policy, which is carried out by the Chief Investment Officer. 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, the asset allocation targets have been adjusted periodically to increase the diversification of the assets over multiple asset classes, investing styles and strategies, and investment organizations. The net result has been a movement away from a single, concentrated source of risk (primarily U.S. equities) toward a balance across global assets, risk factors less correlated with global growth, and the premium derived from holding illiquid or less liquid assets (e.g., private equity, real estate, and hedge funds). Currently, the assets of the Retirement Plan are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Retirement Plan holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships.

For more information on the University's pension plan funds, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2010-2011", 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. The contribution requirements of the University and eligible retirees are established and may be amended by the University.

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 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 maximum contribution.

The University implemented 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.

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, 2011, the balance in the Trust was $71 million.

The actuarial methods and assumptions used in the most recent actuarial valuation (as of July 1, 2010) include the entry age normal actuarial cost method; a 5.50% discount rate (investment return assumption); health care cost trend rate ranging from 10-12% initially, depending on the type of plan, reduced by increments to an ultimate rate of 5% over nine years;

amortization of the initial UAAL and any UAAL due to assumption changes 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, 2010 and July 1, 2011, the Retiree Health Plan's independent actuary reported that the UAAL of the Retiree Health Plan for campuses and medical centers was approximately $15.4 billion and $14.6 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, 2010 and July 1, 2011:

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

Valuation Date	**July 1, 2010**	**July 1, 2011**
Actuarial Valuation Results		
1. Annual Required Contribution (ARC)[1]		
a. Normal Cost	$ 685	$ 562
b. Amortization Cost	1,238	1,195
c. Total	$ 1,923	$ 1,757
2. ARC as % of Payroll		
a. Normal Cost	8.9%	7.1%
b. Amortization Cost	16.0%	15.2%
c. Total	24.9%	22.3%
3. Unfunded Accrued Actuarial Liability (UAAL)	$15,383	$14,615
4. Pay-As-You-Go Cash Costs[2]	$ 255	$ 260
5. Net OPEB Obligation		
a. Beginning of the Year	$ 3,669	$ 5,099
b. End of the Year	$ 5,099	$ 6,282

(1) The ARC and its components are expressed as of the end of the fiscal year.
(2) Historical cash costs are actual amounts paid; current year cash costs are projected.

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.

For more information on the Retiree Health Plan and Trust, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2010-2011 – Management's Discussion and Analysis – The University of California Retiree Health Benefit Trust (UCRHBT)."

APPENDIX B

THE UNIVERSITY OF CALIFORNIA

ANNUAL FINANCIAL REPORT
2010-2011

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UNIVERSITY
OF
CALIFORNIA

Annual Financial Report

10/11

The world's premier public research university system, working for the people of California.

10
Extraordinary Campuses

3
Discovery-driven National Laboratories

5
Quality-defining Medical Centers

234,000
Motivated Students

208,000
Dedicated Faculty and Staff

1,600,000
Living Alumni

143
Years of Teaching, Research and Public Service

UNIVERSITY OF CALIFORNIA

10/11 Annual Financial Report

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Strawberry

Letter from the President

In 1869, the University of California opened its doors to 38 undergraduate scholars and 10 professors on the eastern shores of the San Francisco Bay. Today, a student body of 234,000 is educated by a faculty of more than 18,000 at 10 campuses spread across California. The University's reach extends far beyond the classroom as well, providing access to medical care to millions of underserved Californians through its five medical centers and conducting nearly $5 billion in critical research at 800 centers, institutes, laboratories and programs around the state and globe.

Since its beginnings 143 years ago, UC has confronted countless challenges. Few have tested this great institution more than the current epoch of year-upon-year severe state funding cuts. Sadly, the fall of 2011 will mark the first time in University history that students will bear a larger share of their educational costs than the state.

Indeed, the University has changed.

One thing, however, has not changed: an unflinching commitment to excellence.

Our university has always grown in a steady state of evolution. It continues to do so, despite the stubborn fiscal strains. We are the world leader among public research universities. We add volumes to the body of human knowledge and discovery that will spawn the ideas of tomorrow. We care for and protect thousands who entrust in us their health and well-being. And we will never, ever, sacrifice excellence.

Thank you for your ongoing support of the University of California. With deep appreciation, I am

Sincerely yours,

MARK G. YUDOF
PRESIDENT
UNIVERSITY OF CALIFORNIA

Letter from the Executive Vice President, CFO

A year ago, amid the third-straight year of extraordinarily harsh budget cuts, amid the third-straight year of sacrifices in every corner of the University, this 143-year-old institution changed course. There simply was no other choice. To deal with such severe budget trauma, the University embarked upon one of the biggest, gutsiest, thorniest, most complex and painstaking initiatives conceivable: The University began to change its culture, while maintaining its core values.

It started with a simple commitment. Last year, we promised to start applying the same standard of excellence to our business that we have always applied to our teaching and research. But there was also a catch: We promised to not let it be a one-time fix. We said we would take a long-term stand on this issue, that we would make excellence a permanent fixture of UC business. We said that we would set operational excellence on a path toward becoming an immovable pillar of UC culture, the way that academic and research excellence already are. We have begun to make good on that promise.

In the last 12 months, buoyed by invaluable support from across the UC community including students, faculty, staff, alumni, donors and parents, and bolstered by strong leadership from our Chancellors and Regents, we were collectively able see our business in a new light. We started questioning our methods, our policies, our procedures, our day-to-day activities, the things we do when we walk in the door each morning. We started questioning everything. We began looking at our business differently, peeling back each layer and asking, "Is it effective? Is it relevant? Is it appropriate? Is it serving us well? Is it sufficiently flexible and nimble? Does it make the same sense today that it made in the past? Is it the highest and best use of University resources? Is it the highest and best use of University talent? Are our core values and goals being compromised in any way? Fundamentally, is it the best possible way that we could be doing it?"

Suddenly we were looking at our business in full color, and it unleashed a flood of positive momentum and opportunity in the administrative, financial and operational areas of the University, both at the campus level and the system level. That subtle shift in the University's approach enabled the creation and launch of *Working Smarter*, the wide-ranging systemwide efficiency initiative that pledges to redirect $500 million of positive fiscal impact to UC's core missions by fiscal year 2013-14. In its inaugural year just-ended, *Working Smarter* generated $157 million of demonstrable positive fiscal impact, derived primarily from superior

Enterprise Risk Management programs (about $90 million) as well as new asset management practices (about $40 million). In sum, the initiative's first year equates to a total of $157 million in efficiency gains that will help protect and sustain the University's teaching and research missions going forward.

These kinds of results make UC's full-color perspective on business more vivid, helping to connect the dots between operational excellence and the success that UC experiences in its unparalleled, unbeatable academic, research and healthcare enterprises. Eight of our campuses still rank among the top public schools in the United States. Six of our campuses still rank among the top 50 of all research-oriented public and private institutions nationwide. Our researchers still conduct over $5 billion in cutting-edge research annually, making discoveries and advances that benefit the state, country and world. Our medical professionals still deliver outstanding care to thousands of patients every year, creating a standard of healthcare access and quality in California that is not enjoyed in many other places on the planet. This is why a culture of operational excellence matters. This is the legacy — the gift — that we have the privilege to enjoy and the responsibility to preserve.

On the business side of the house, we will do everything in our power to preserve that legacy; shifting culture is part of the formula. Looking back on the last year, I believe we are making good on that aim, but it's not over. Achieving excellence is no quick task, and the work we have ahead of us is not insignificant. I am convinced we will not only meet our challenges, but we will conquer them. I remain 100 percent committed to working together in furthering our achievements, and I am looking forward to sharing more positive news in the coming year.

Thank you for your interest in the University of California.

Fiat lux,

PETER J. TAYLOR
EXECUTIVE VICE PRESIDENT, CFO
UNIVERSITY OF CALIFORNIA

Facts in Brief

	2011	2010	2009	2008	2007
STUDENTS					
Undergraduate fall enrollment	179,581	177,788	173,078	167,693	163,302
Graduate fall enrollment	54,883	54,065	52,962	52,341	50,996
Total fall enrollment	**234,464**	**231,853**	**226,040**	**220,034**	**214,298**
University Extension enrollment	302,179	309,818	307,781	291,631	294,976
FACULTY AND STAFF *(full-time equivalents)*	**136,145**	**134,644**	**134,912**	**131,568**	**127,368**

SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for participant information)*

UNIVERSITY OF CALIFORNIA	2011	2010	2009	2008	2007
PRIMARY REVENUE SOURCES					
Student tuition and fees, net[1]	$ 2,811,121	$ 2,401,323	$ 2,096,817	$ 1,921,918	$ 1,737,597
Grants and contracts, net	5,249,094	4,939,155	4,506,157	4,344,401	4,167,076
Medical centers, educational activities and auxiliary enterprises, net	9,406,993	8,551,817	8,100,207	7,415,491	6,788,289
State educational, financing and capital appropriations	3,042,795	3,088,905	2,889,563	3,532,333	3,243,492
Federal Pell grants	352,469	298,584	201,427	170,465	148,519
Private gifts, net	816,291	794,244	664,103	733,966	681,277
Capital gifts and grants, net	247,259	189,617	154,998	245,305	216,783
Department of Energy laboratories	976,294	910,194	667,983	1,048,580	2,188,475
OPERATING EXPENSES BY FUNCTION					
Instruction	4,925,863	4,677,830	4,266,250	4,126,929	3,520,435
Research	4,249,411	4,143,448	3,740,604	3,495,821	3,156,541
Public service	582,868	545,544	491,121	482,487	420,760
Academic support	1,716,006	1,574,329	1,492,017	1,451,004	1,188,204
Student services	701,800	660,779	614,093	601,896	499,791
Institutional support	1,242,786	1,084,967	1,054,529	1,076,854	857,733
Operation and maintenance of plant	582,315	602,425	564,781	568,585	475,638
Student financial aid[2]	600,713	544,280	458,474	425,985	406,520
Medical centers	6,078,510	5,827,790	5,225,712	4,757,958	4,085,642
Auxiliary enterprises	1,012,309	985,639	969,652	955,701	807,271
Depreciation and amortization	1,404,837	1,267,134	1,197,404	1,093,620	1,049,008
Impairment of capital assets		22,803			
Department of Energy laboratories	970,054	903,926	661,863	1,039,330	2,169,750
Other	86,252	87,665	105,276	78,866	86,416
INCREASE (DECREASE) IN NET ASSETS	413,693	(524,584)	(2,252,036)	(234,664)	2,004,157
FINANCIAL POSITION					
Investments, at fair value	18,258,665	15,952,930	13,403,572	14,828,023	14,210,035
Capital assets, at net book value	23,710,277	22,463,051	21,276,915	19,593,214	18,105,332
Outstanding debt, including capital leases	13,577,911	12,534,930	10,323,945	10,024,982	9,363,730
Obligations for pension and retiree health benefits	6,982,866	5,381,625	2,445,824	1,118,754	
Net assets	19,764,772	19,351,079	19,875,663	22,127,699	22,404,180

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

[1] *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 assets.*

[2] *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.*

	2011	2010	2009	2008	2007
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for participant information)*					
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
PRIMARY REVENUE SOURCES					
Private gifts, net	$ 880,889	$ 422,643	$ 372,908	$ 533,548	$ 457,814
PRIMARY EXPENSES					
Grants to campuses	496,704	565,952	444,730	527,572	451,290
INCREASE (DECREASE) IN NET ASSETS	1,226,285	353,332	(640,513)	99,336	696,626
FINANCIAL POSITION					
Investments, at fair value	5,151,869	4,037,367	3,524,622	4,158,911	4,036,489
Pledges receivable, net	553,900	386,910	401,771	420,745	450,342
Net assets	5,409,935	4,183,650	3,830,318	4,470,831	4,371,495
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
PLAN PARTICIPATION					
Plan membership	223,867	221,852	228,550	225,225	225,623
Retirees and beneficiaries currently receiving payments	53,902	51,531	50,051	47,575	47,682
PRIMARY REVENUE SOURCES					
Contributions[3]	$ 2,693,892	$ 1,106,774	$ 928,984	$ 1,037,898	$ 1,061,968
Interest, dividends and other investment income, net	1,316,306	1,187,713	1,506,855	1,881,884	1,860,845
Net appreciation (depreciation) in the fair value of investments	8,541,574	4,243,820	(11,324,769)	(4,979,955)	7,863,875
PRIMARY EXPENSES					
Benefit payments	2,047,747	1,905,939	1,755,211	1,797,103	1,630,244
Participant and member withdrawals	939,338	711,380	709,683	1,007,055	939,768
INCREASE (DECREASE) IN NET ASSETS	9,529,389	3,887,875	(11,385,008)	(6,461,435)	6,732,403
FINANCIAL POSITION					
Investments, at fair value	54,218,018	45,855,690	42,352,723	52,532,169	59,685,467
Members' defined benefit pension plan benefits	41,940,183	34,633,878	32,315,482	42,099,498	48,191,497
Participants' defined contribution plan benefits	16,275,615	14,052,531	12,483,052	14,084,044	14,453,480
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	41,195,318	42,685,564	43,727,521	43,328,050	41,872,844
Actuarial accrued liability	47,504,309	45,041,066	42,467,742	41,335,935	40,207,322
UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST					
PLAN PARTICIPATION					
Plan membership	146,524	146,588	144,556	141,230	
Retirees and beneficiaries currently receiving benefits	33,530	32,278	31,473	31,247	
PRIMARY REVENUE SOURCES					
Contributions	$ 287,842	$ 254,037	$ 251,010	$ 243,144	
Interest, dividends and other investment income, net	84	97	528	691	
PRIMARY EXPENSES					
Insurance premiums	284,010	257,605	225,967	191,192	
INCREASE (DECREASE) IN NET ASSETS	1,919	(5,016)	23,566	50,804	
FINANCIAL POSITION					
Investments, at fair value	27,795	32,509	38,384	19,773	
Net assets for retiree health benefits	71,273	69,354	74,370	50,804	
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	74,450	76,893	51,221		
Actuarial accrued liability—campuses and medical centers	15,493,742	14,541,529	13,302,506	12,074,689	

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

Campus Facts in Brief

	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED	RIVERSIDE
STUDENTS						
Undergraduate fall enrollment	25,540	24,847	22,071	26,162	4,138	18,293
Graduate fall enrollment	10,298	7,443	5,605	13,431	243	2,453
Total fall enrollment	**35,838**	**32,290**	**27,676**	**39,593**	**4,381**	**20,746**
University Extension enrollment	30,540	48,600	28,495	100,769		23,592
DEGREES CONFERRED[1]						
Bachelor	7,092	6,369	5,962	7,543	350	3,190
Advanced	3,291	1,756	1,604	4,394	35	633
Cumulative	571,089	223,161	143,810	492,603	807	83,645
FACULTY AND STAFF *(full-time equivalents)*	13,873	21,330	12,809	29,856	1,207	4,880
LIBRARY COLLECTIONS[2] *(volumes)*	11,545,418	4,175,047	3,223,679	9,210,939	726,868	3,066,630
CAMPUS LAND AREA *(in acres)*	6,679	7,309	1,526	419	7,045	1,931

CAMPUS FINANCIAL FACTS[3] *(in thousands of dollars)*	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED	RIVERSIDE
OPERATING EXPENSES BY FUNCTION						
Instruction	$ 565,944	$ 564,234	$ 456,856	$1,240,220	$ 28,389	$177,457
Research	533,340	510,754	238,685	702,469	15,048	97,165
Public service	60,122	58,466	19,047	100,161	5,001	5,983
Academic support	137,238	147,116	129,980	348,284	12,013	28,788
Student services	119,254	83,355	66,348	68,902	9,540	45,531
Institutional support	134,754	87,719	41,987	137,720	27,955	42,583
Operation & maintenance of plant	65,687	92,802	39,630	78,931	12,863	30,147
Student financial aid	115,447	65,576	85,694	59,277	9,784	58,717
Medical centers		1,104,892	568,937	1,284,846		
Auxiliary enterprises	119,126	86,455	105,101	252,277	11,752	56,961
Depreciation & amortization	153,714	217,380	159,499	270,561	19,552	57,125
Other[4]	21,713	4,462	8,551	19,687	742	3,141
Total	**2,026,339**	**3,023,211**	**1,920,315**	**4,563,335**	**152,639**	**603,598**
GRANTS AND CONTRACTS REVENUE						
Federal government	$405,165	$394,215	$235,513	$659,594	$14,489	$77,665
State government	104,333	107,126	23,854	70,180	22,540	14,165
Local government	3,956	10,578	4,068	38,344	(1)	3,364
Private	177,389	137,454	60,260	182,833	2,098	19,394
Total	**690,843**	**649,373**	**323,695**	**950,951**	**39,126**	**114,588**
UNIVERSITY ENDOWMENTS						
Endowments	$1,991,932	$523,502	$58,985	$1,309,302	$21,717	$43,884
Annual income distribution	75,385	20,323	2,624	32,265	1,290	1,648
CAMPUS FOUNDATIONS' ENDOWMENTS						
Endowments	$945,318	$182,481	$191,839	$1,110,981	$5,087	$76,887
CAPITAL ASSETS						
Capital assets, at net book value	$3,193,078	$3,096,709	$2,585,567	$4,873,361	$417,308	$1,007,038
Capital expenditures	434,774	296,816	177,602	520,792	44,267	55,049

[1] As of academic year 2009 –10.
[2] As of June 30, 2010.
[3] Excludes DOE laboratories.
[4] 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[5]
STUDENTS					
Undergraduate fall enrollment	23,663		19,199	15,668	
Graduate fall enrollment	6,236	4,636	3,019	1,519	
Total fall enrollment	**29,899**	**4,636**	**22,218**	**17,187**	
University Extension enrollment	55,292		3,557	11,334	
DEGREES CONFERRED[1]					
Bachelor	5,857		5,005	3,488	
Advanced	1,929	851	902	421	
Cumulative	146,278	48,352	194,080	88,120	
FACULTY AND STAFF *(full-time equivalents)*	19,887	19,211	6,030	4,510	2,552
LIBRARY COLLECTIONS[2] *(volumes)*	3,832,417	637,503	3,004,471	2,115,882	
CAMPUS LAND AREA *(in acres)*	2,141	255	1,055	6,088	16

CAMPUS FINANCIAL FACTS[3] *(in thousands of dollars)*

	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[5]
OPERATING EXPENSES BY FUNCTION					
Instruction	$ 561,284	$ 239,542	$198,489	$123,884	$ 769,564
Research	700,292	698,020	161,680	108,225	483,733
Public service	20,664	104,568	7,479	12,521	188,856
Academic support	236,464	295,213	39,090	27,711	314,109
Student services	75,855	19,475	68,348	50,420	94,772
Institutional support	85,663	107,217	34,882	36,293	506,013
Operation & maintenance of plant	62,855	62,501	33,115	27,394	76,390
Student financial aid	82,651	16,903	74,865	31,158	641
Medical centers	793,331	1,631,346			695,158
Auxiliary enterprises	112,199	31,112	73,011	80,674	83,641
Depreciation & amortization	195,303	190,130	72,049	53,123	16,401
Other[4]	3,048	8,563	9,583	8,205	(1,443)
Total	**2,929,609**	**3,404,590**	**772,591**	**559,608**	**3,227,835**
GRANTS AND CONTRACTS REVENUE					
Federal government	$692,035	$ 636,733	$142,737	$108,975	$20,963
State government	50,682	74,161	11,706	10,160	39,636
Local government	13,145	131,756	1,612	227	4,272
Private	204,003	263,359	40,752	20,390	13,214
Total	**959,865**	**1,106,009**	**196,807**	**139,752**	**78,085**
UNIVERSITY ENDOWMENTS					
Endowments	$187,145	$906,148	$93,227	$63,250	$1,143,125
Annual income distribution	6,221	34,054	3,612	2,674	37,263
CAMPUS FOUNDATIONS' ENDOWMENTS					
Endowments	$340,694	$492,755	$107,990	$46,856	
CAPITAL ASSETS					
Capital assets, at net book value	$3,009,587	$3,131,499	$1,214,742	$1,035,123	$146,265
Capital expenditures	530,618	470,275	57,435	97,893	39,392

[1] *As of academic year 2009 –10.*
[2] *As of June 30, 2010.*
[3] *Excludes DOE laboratories.*
[4] *Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expense for loans.*
[5] *Includes expenses for Systemwide education and research programs, Systemwide support services and administration. Full-time equivalents count, as of fall 2010 includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.*


UCSF Orthopaedics
SFGH Trauma

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, 2011, with selected comparative information for the years ended June 30, 2010 and 2009. 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 (2009, 2010, 2011, 2012, 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), the University of California campus foundations (campus foundations), 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 assets, the statements of revenues, expenses and changes in net assets and the statements of cash flows, present the financial position, changes in financial position and cash flows for the University and the affiliated campus foundations. The financial statements for the campus foundations are presented discretely from the University. Two of the primary statements, the statements of plans' and trust's fiduciary net assets and the statements of changes in plans' and trust's fiduciary net assets, 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 $23.7 billion and encompasses ten campuses, five medical schools and medical centers, three 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.

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.

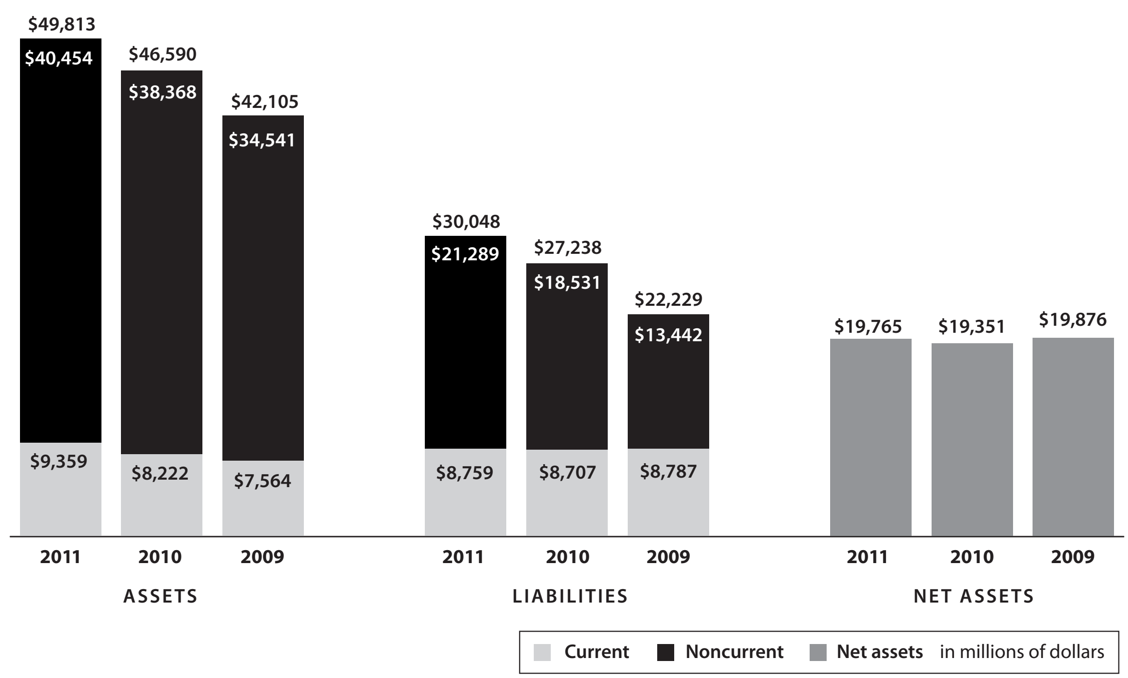
Law schools. The University has law schools at Berkeley, Davis and Los Angeles. Also, the Hastings College of the Law in San Francisco is affiliated with the University, although not included in the financial reporting entity.

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 U.S. Department of Energy (DOE), the University operates and manages the Ernest Orlando Lawrence Berkeley National Laboratory (LBNL) in California. 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 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



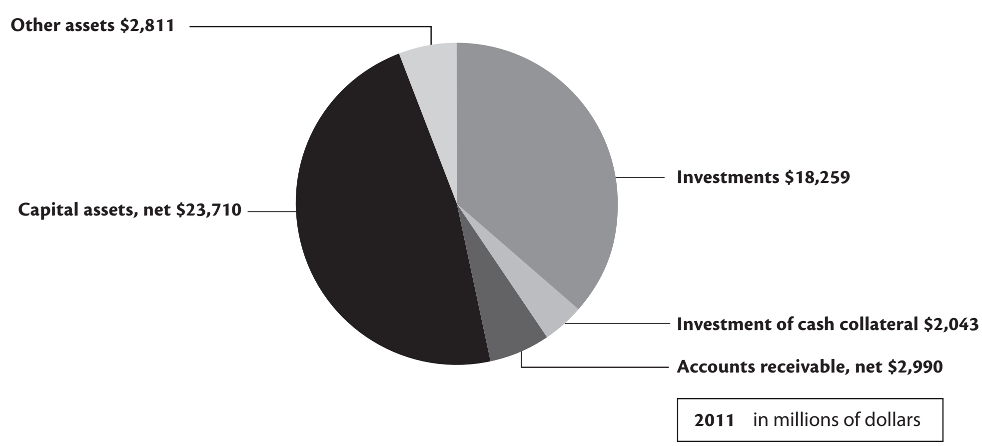
The statement of net assets presents the financial position of the University at the end of each year. It displays all of the University's assets and liabilities. The difference between assets and liabilities is net assets.

The major components of the assets, liabilities and net assets as of 2011, 2010 and 2009 are as follows:

(in millions of dollars)

	2011	2010	2009
ASSETS			
Investments	$18,259	$ 15,953	$ 13,404
Investment of cash collateral	2,043	2,538	2,191
Accounts receivable, net	2,990	3,043	2,682
Capital assets, net	23,710	22,463	21,277
Other assets	2,811	2,593	2,551
Total assets	**49,813**	**46,590**	**42,105**
LIABILITIES			
Debt, including commercial paper	14,378	12,943	10,989
Securities lending collateral	2,043	2,539	2,199
Obligation to UCRP	1,725	1,608	69
Obligations for retiree health benefits	5,257	3,774	2,377
Other liabilities	6,645	6,374	6,595
Total liabilities	**30,048**	**27,238**	**22,229**
NET ASSETS			
Invested in capital assets, net of related debt	11,162	10,794	10,822
Reserved for minority interests	31	19	
Restricted:			
Nonexpendable	1,035	997	947
Expendable	5,944	5,024	4,558
Unrestricted	1,593	2,517	3,549
Total net assets	**$19,765**	**$19,351**	**$19,876**

The University's Assets



The University's total assets have grown to $49.8 billion in 2011, compared to $46.6 billion in 2010 and $42.1 billion in 2009. Generally, over the past two years, capital assets have increased while investments have fluctuated consistent with market performance.

Investments

Investments classified as current assets are generally fixed or variable income securities in the Short Term Investment Pool (STIP) and Total Return Investment Pool (TRIP) with a maturity date within one year. Noncurrent investments include securities in the General Endowment Pool (GEP) or other pools, in addition to fixed or variable income securities in STIP and TRIP with a maturity date beyond one year. The TRIP, established in 2009, is managed to a total return objective and is intended to supplement STIP. Cash for operations and construction expenditures is invested in STIP.

The financial markets, both domestically and internationally, have been volatile in recent years and have affected the valuation of investments. The Regents of the University of California (The Regents) utilizes 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 20.2 percent in 2011 and 11.3 percent in 2010. TRIP had a positive return of 11.2 percent in 2011 and 14.0 percent in 2010. STIP had positive returns of 2.5 percent and 2.7 percent in 2011 and 2010, respectively. The University uses STIP to meet operational liquidity needs.

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. It is managed as a single program. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities based upon the University's asset allocation mix.

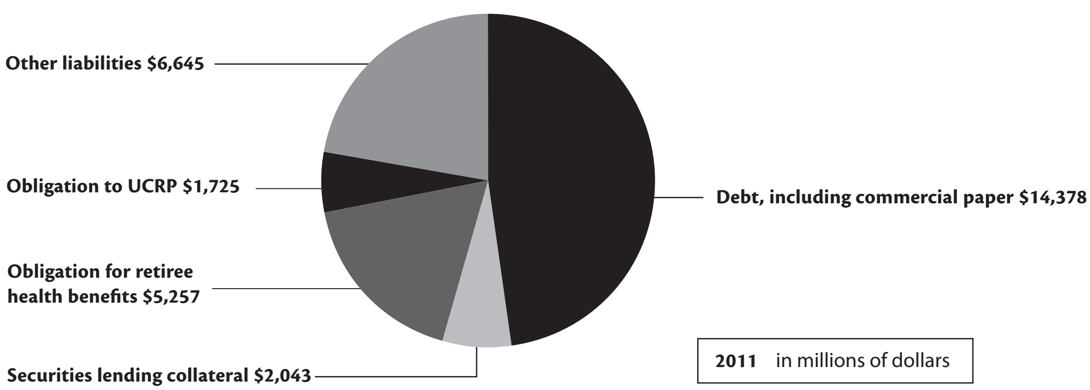
Capital assets, net

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 $2.7 billion in 2011 as compared to $2.5 billion in 2010 and $2.9 billion in 2009.

Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, inventories and a receivable from the DOE.

The University's Liabilities



The University's liabilities grew to $30.0 billion in 2011, compared to $27.2 billion in 2010 and $22.2 billion in 2009, principally as a result of debt issued to finance capital expenditures and increases in the obligations for retiree pensions and 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.

Outstanding debt increased by $1.4 billion in 2011 and $2.0 billion in 2010. A summary of the activity follows:

(in millions of dollars)

	2011	2010
ADDITIONS TO OUTSTANDING DEBT		
General Revenue Bonds	$ 396	$ 1,408
Medical Center Pooled Revenue Bonds	757	523
Limited Project Revenue Bonds	682	
Capital leases	40	330
Other borrowings	32	197
Blended Component Unit Revenue Bonds		270
Commercial Paper	392	
Bond premium, net	45	36
Additions to outstanding debt	**2,344**	**2,764**
REDUCTIONS TO OUTSTANDING DEBT		
Refinancing and prepayments	(413)	(167)
Scheduled principal payments	(370)	(339)
Commercial paper		(258)
Payments on other borrowings	(86)	(40)
Other, including deferred financing costs, net	(40)	(6)
Reductions to outstanding debt	**(909)**	**(810)**
Net increase in outstanding debt	**$1,435**	**$1,954**

The University's debt, which is used to finance capital assets, includes $800 million of commercial paper outstanding at the end of 2011, $408 million of commercial paper outstanding at the end of 2010 and $666 million at the end of 2009, and grew to $14.4 billion at the end of 2011, compared to $12.9 billion at the end of 2010 and $11.0 billion at the end of 2009.

In 2011, $2.3 billion of debt was issued. General Revenue Bonds of $396 million, Limited Project Revenue Bonds of $682 million and Medical Center Pooled Revenue Bonds of $757 million were issued to finance and refinance certain facilities and projects of the University. Reductions to outstanding debt in 2011 were $909 million, including $413 million for one-time principal payments for the refinancing or refunding of previously outstanding debt. Commercial paper borrowings increased by $392 million in 2011 and decreased by $258 million in 2010. The refinancing and refunding of previously outstanding debt resulted in gross savings of $19.1 million. Commercial paper fluctuates as funds are used for interim financing on capital projects. In July 2011, subsequent to year-end, the University issued General Revenue Bonds totaling $1.3 billion to finance pension contributions to UCRP and operating costs on an interim basis.

In 2010, $2.8 billion of debt was issued. General Revenue Bonds of $1.4 billion and Medical Center Pooled Revenue Bonds of $523 million were issued to finance and refinance certain facilities and projects of the University. The University issued tax-exempt bonds and taxable "Build America Bonds" which include an expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. Other borrowings included $271 million under a lease-purchase agreement with the state, $59 million in equipment leases, $197 million in interim financing loans and $270 million issued by two legally separate, non-profit corporations for the construction of research facilities. Reductions to outstanding debt in 2010 were $810 million, including $167 million for one-time principal payments for refinancing and refunding of previously outstanding debt. Commercial paper borrowings decreased by $258 million due to the favorable interest rate market in 2010 and the opportunity to refinance commercial paper borrowings with long-term revenue bonds.

The University's General Revenue Bond ratings are currently affirmed at Aa1 with a stable outlook by Moody's Investors Service, AA+ by Fitch with a stable outlook and AA by Standard & Poor's with a stable outlook. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa2 with a stable outlook by Moody's Investors Service and AA- by Standard & Poor's with a stable outlook.

Commercial paper is classified as a current liability. Commercial paper has been used as interim financing for construction projects and equipment financing. In 2011 and 2010, commercial paper was used for operations during the period the state deferred appropriation payments to the University. In April 2010, the University entered into a $250 million revolving credit agreement with a major financial institution for the purpose of providing additional liquidity support for the commercial paper program.

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.

Obligations to UCRP and for retiree health benefits

The University has financial responsibility to UCRP for pension benefits associated with its defined benefit plan and for retiree health benefits. 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 on behalf of LANL and LLNL retirees based upon contractual arrangements with the DOE, and is reimbursed by the DOE.

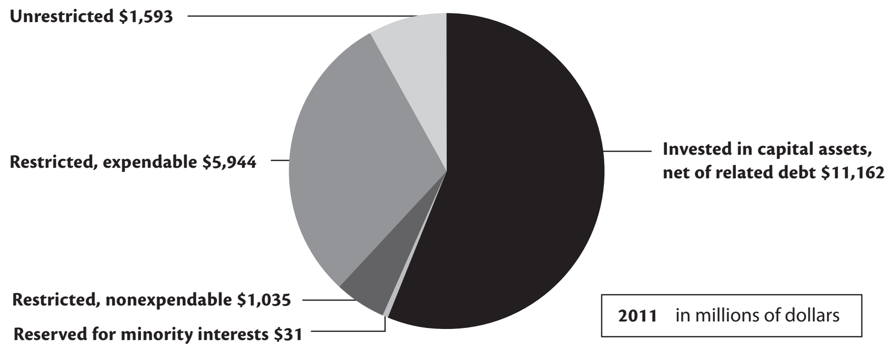
The University's obligation to UCRP represents the unfunded portion of the actuarial determined annual required contributions under the University's funding policy. The University did not have any obligations to UCRP for pension benefits prior to 2009. The funding policy contributions for 2011 were $1.9 billion, which represents 23.3 percent of covered compensation. The funding policy contributions for 2010 were $1.6 billion, which represents 20.4 percent of covered compensation. Effective April 15, 2010, the University reinstated contributions to UCRP, with the University contributing 4 percent and employees contributing 2 percent of covered compensation. In 2011, the University contributed an additional $1.1 billion to UCRP. Total contributions to UCRP for 2011 and 2010 were $1.4 billion and $65 million, respectively. Since the 2010 contributions were below the required contributions under the University's funding policy, the obligation for pension benefits increased by $1.5 billion in 2010.

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 $1.5 billion and $1.4 billion in both 2011 and 2010, respectively, 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, 2010 actuarial valuation was $15.4 billion.

Other liabilities

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

The University's Net Assets



Net assets represent the residual interest in the University's assets after all liabilities are deducted. The University's net assets are $19.8 billion in 2011, compared to $19.4 billion in 2010 and $19.9 billion in 2009. Net assets are reported in the following categories: invested in capital assets, net of related debt; reserved for minority interests; restricted, nonexpendable; restricted, expendable; and unrestricted.

Invested in capital assets, net of related debt

The portion of net assets 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 $11.2 billion in 2011, compared to $10.8 billion in 2010 and $10.8 billion in 2009. The University continues to invest in its physical facilities.

Restricted, nonexpendable

Restricted, nonexpendable net assets include the corpus of the University's permanent endowments and the estimated fair value of certain planned giving arrangements. In 2011 and 2010, the increases in nonexpendable net assets were principally due to investment performance in excess of the income distribution.

Restricted, expendable

Restricted, expendable net assets are subject to externally imposed restrictions governing their use. These net assets 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. In 2011 and 2010, the increases in restricted, expendable funds are principally due to unrealized appreciation in the fair value of investments related to restricted gifts and funds functioning as endowments.

Unrestricted

Under generally accepted accounting principles, net assets that are not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of these net assets are allocated for academic and research initiatives or programs and for capital and other purposes. Unrestricted net assets decreased in 2011 due to pension plan contributions and an increase in the obligation for retiree health benefits. Unrestricted net assets decreased in 2010 principally due to the increases in the obligations for pension and retiree health benefits.

The University's Results of Operations

The statement of revenues, expenses and changes in net assets is a presentation of the University's operating results. It indicates whether the financial condition has improved or deteriorated. In accordance with 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 2011, 2010 and 2009, 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)

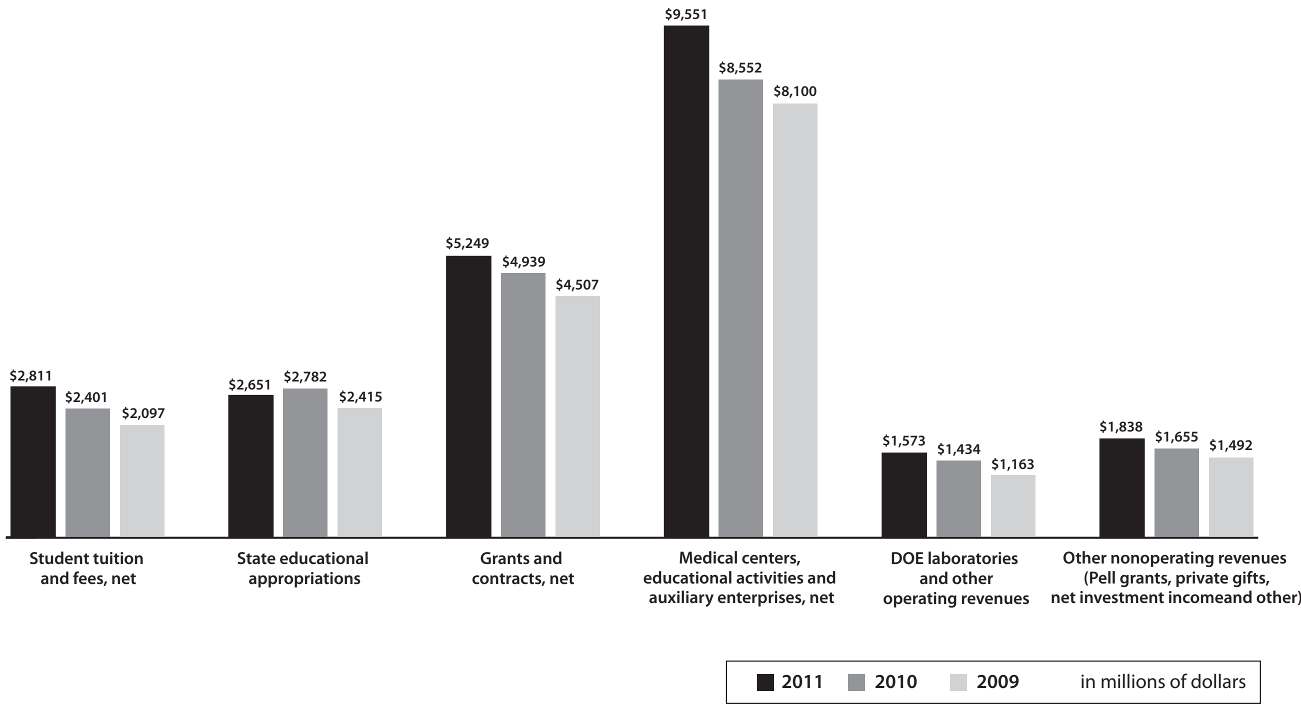
	2011			2010			2009		
	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL
REVENUES									
Student tuition and fees, net	$ 2,811		$ 2,811	$ 2,401		$ 2,401	$ 2,097		$ 2,097
State educational appropriations		$2,651	2,651		$ 2,782	2,782		$ 2,415	2,415
Pell grants		352	352		298	298		201	201
Grants and contracts, net	5,249		5,249	4,939		4,939	4,507		4,507
Medical centers, educational activities and auxiliary enterprises, net	9,407	144	9,551	8,552		8,552	8,100		8,100
Department of Energy laboratories	977		977	910		910	668		668
Private gifts, net		816	816		794	794		664	664
Investment income, net		407	407		392	392		466	466
Other revenues	596	263	859	524	171	695	495	161	656
Revenues supporting core activities	**19,040**	**4,633**	**23,673**	**17,326**	**4,437**	**21,763**	**15,867**	**3,907**	**19,774**
EXPENSES									
Salaries and benefits	15,764		15,764	15,003		15,003	13,212		13,212
Scholarships and fellowships	597		597	531		531	451		451
Utilities	281		281	285		285	310		310
Supplies and materials	2,108		2,108	2,186		2,186	2,210		2,210
Depreciation and amortization	1,405		1,405	1,267		1,267	1,198		1,198
Department of Energy laboratories	970		970	904		904	662		662
Interest expense		572	572		460	460		356	356
Other expenses	3,029	68	3,097	2,752	31	2,783	2,799	29	2,828
Expenses associated with core activities	**24,154**	**640**	**24,794**	**22,928**	**491**	**23,419**	**20,842**	**385**	**21,227**
Income (loss) from core activities	**$ (5,114)**	**$3,993**	**(1,121)**	**$ (5,602)**	**$ 3,946**	**(1,656)**	**$(4,975)**	**$ 3,522**	**(1,453)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			1,082			771			(1,278)
Loss before other changes in net assets			**(39)**			**(885)**			**(2,731)**
OTHER CHANGES IN NET ASSETS									
State capital appropriations			190			160			313
Capital gifts and grants, net			247			189			155
Permanent endowments			16			11			11
Increase (decrease) in net assets			**414**			**(525)**			**(2,252)**
NET ASSETS									
Beginning of year			19,351			19,876			22,128
End of year			**$19,765**			**$ 19,351**			**$ 19,876**

Revenues Supporting Core Activities

Revenues to support the University's core activities, including those classified as nonoperating revenues, were $23.7 billion, $21.8 billion and $19.8 billion in 2011, 2010 and 2009, respectively. These diversified sources of revenue increased by $1.9 billion in 2011 and by $2.0 billion in 2010.

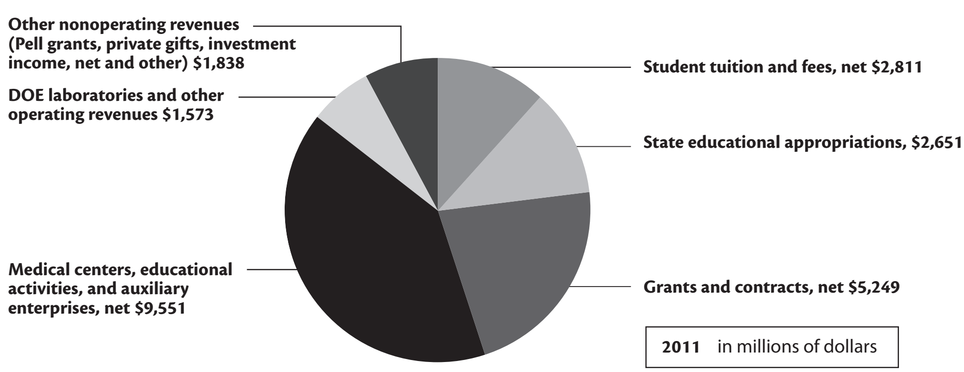
State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of the University. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside 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 over the last three years as follows:



A major financial strength of the University includes a diverse source of revenues, including those from the state of California, student fees, federally sponsored grants and contracts, medical centers, 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 2011 are as follows:



Student tuition and fees, net

Student tuition and fees revenue, net of scholarship allowances, increased by $410 million and $304 million in 2011 and 2010, respectively. Scholarship allowances were $830 million in 2011, $666 million in 2010 and $566 million in 2009. The increases in student tuition and fees over the past several years have generally been necessitated by growth in the demand for resources that has outpaced state educational appropriations. Consistent with past practices, approximately one-third of the revenue generated from these fee increases was used for financial aid to mitigate the impact on low-income students.

In 2011 and 2010, enrollment grew by 1.1 percent and 2.6 percent, respectively. Mandatory tuition and fees for resident undergraduates were increased 8.0 percent, 15.0 percent and 9.3 percent effective summer 2011, 2010 and 2009, respectively. Additional mid-year increases in tuition of 9.6 percent effective fall 2011 and 15.0 percent effective winter 2010 were approved in response to reductions in state educational appropriations. Nonresident undergraduates and both resident and nonresident graduate students also experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline, although most programs increased supplemental tuition levels in 2011 and 2010.

State educational appropriations

Educational appropriations from the state of California were $2.7 billion, $2.8 billion and $2.4 billion in 2011, 2010 and 2009, respectively. State educational appropriations decreased in 2011 by $132 million and increased by $367 million in 2010. State educational appropriations from the state of California include general fund allocations and federal pass-through funds as follows:

(in millions of dollars)

	2011	2010	2009
State general support	$2,544	$ 2,334	$ 2,147
Federal pass-through stimulus funds	107	448	268
State educational appropriations	**$2,651**	**$2,782**	**$2,415**

The state's fiscal crisis in 2010 and 2009 necessitated budget reductions, both one-time and permanent, over the last few years. In 2008, the University received state general support of $3.0 billion. Although partially offset by federal pass-through stimulus funds, permanent and one-time cuts to the University's budget for 2010 totaled $637.1 million and $814.1 million for 2009 (when compared to the level of state funding in 2008), essentially erasing the gains made over the previous years. In 2011, the University received $371 million as partial restoration of 2010 cuts and for enrollment growth of 5,000 students. State resources for enrollment growth, faculty and staff increases, and other inflationary cost increases were not available, leading to an increase in student tuition and fees.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts—including an overall facilities and administration cost recovery of $992 million, $921 million and $825 million in 2011, 2010 and 2009, respectively—increased in both 2011 and 2010.

In 2011, federal grants and contracts revenue, including the federal facilities and administration cost recovery of $752 million, grew by $252 million, or 8.0 percent. This revenue is from a variety of federal agencies as indicated below:

(in millions of dollars)

	2011	2010	2009
Department of Health and Human Services	$2,100	$ 1,917	$ 1,728
National Science Foundation	504	462	421
Department of Education	108	122	102
Department of Defense	235	227	197
National Aeronautics and Space Administration	96	90	86
Department of Energy (excluding national laboratories)	103	89	77
Other federal agencies	242	229	170
Federal grants and contracts net revenue	**$3,388**	**$3,136**	**$2,781**

Medical Centers, educational activities and auxiliary enterprises, net

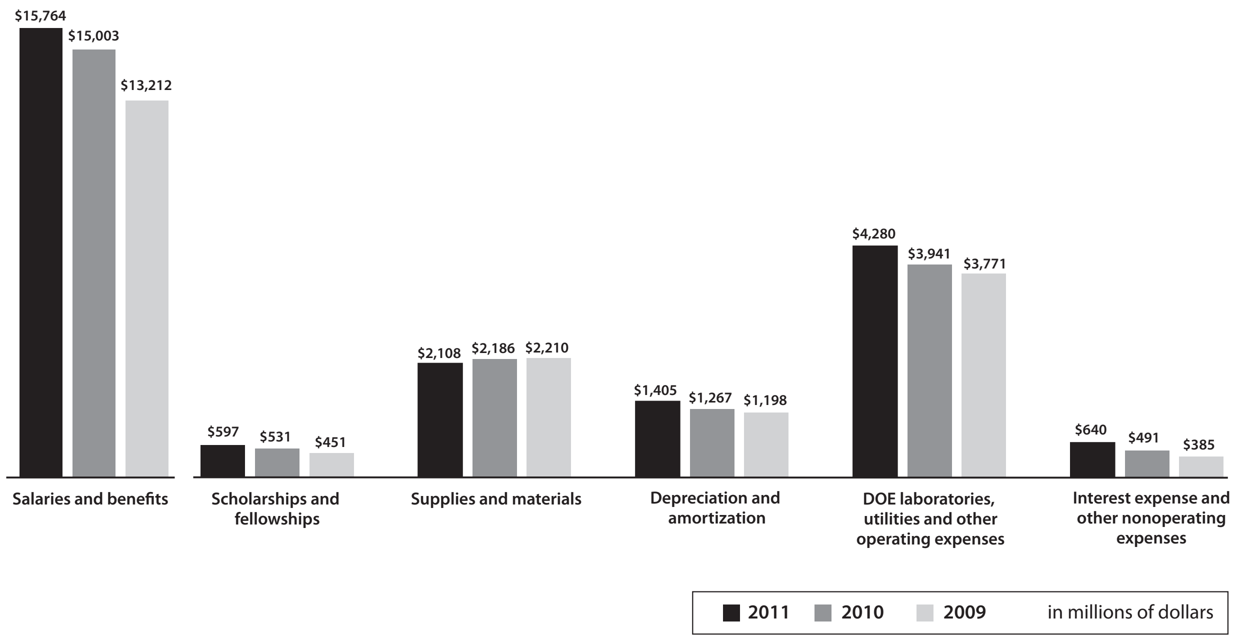
Medical center revenues, net of allowances, increased $535 million and $386 million in 2011 and 2010, respectively. The revenue growth in both years is primarily due to improved reimbursement rates and modest increases in outpatient volumes. During both 2011 and 2010, the medical centers received additional reimbursements related to the Federal Medicaid Assistance Percentage contained in the American Reinvestment and Recovery Act.

Revenue from education activities, primarily physicians' professional fees, net of allowances, grew by $310 million and $102 million in 2011 and 2010, respectively. The growth is generally associated with an expanded patient base and higher rates.

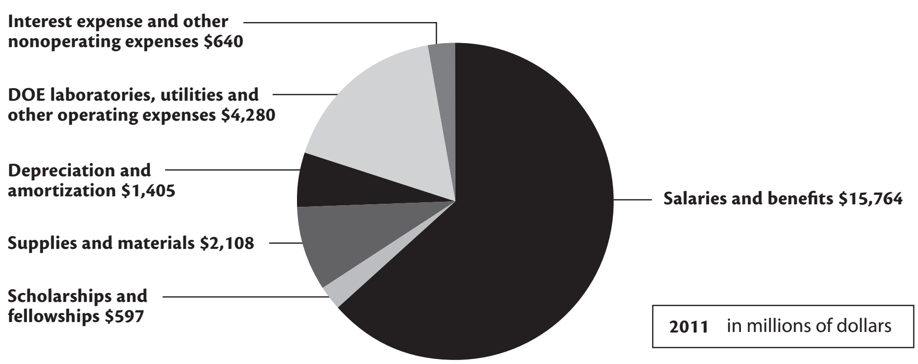
Expenses Associated with Core Activities

Expenses associated with the University's core activities, including those classified as nonoperating expenses, were $24.8 billion, $23.4 billion and $21.2 billion in 2011, 2010 and 2009, respectively. Expenses increased in 2011 by $1.4 billion, primarily due to higher salaries and benefits. Expenses increased in 2010 by $2.2 billion, due primarily to recognition of expense for the unfunded pension obligation.

Expenses in the various categories over the last three years are as follows:



Categories of both operating and nonoperating expenses related to the University's core activities in 2011 are as follows:



Salaries and benefits

Over 64 percent of the University's expenses are related to salaries and benefits. There are over 136,000 full time equivalent (FTE) employees in the University in 2011, excluding employees who are associated with LBNL whose salaries and benefits are included as laboratory expenses. The number of employees in 2011 increased 1 percent from 2010. In 2011, salaries and wages increased 4.3 percent due to more employees and scheduled salary increases for union and academic personnel. Benefits increased by 6.5 percent due to higher health insurance costs. In 2010, salaries and wages remained flat from 2009 due to the scheduled salary increases for union and academic personnel offset by savings from the implementation of a furlough program that commenced in September 2009. Benefits increased primarily due to the increase in annual contributions of $1.5 billion required for pension benefits.

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, were higher by $66 million in 2011 than in 2010, an increase of 12.4 percent, and were higher by $80 million in 2010 than in 2009, an increase of 17.7 percent. In addition, scholarship allowances, representing financial aid and fee waivers awarded by the University, are also forms of scholarship and fellowship costs that increased in 2011 by $187 million, or 22.0 percent, to $1.0 billion and increased in 2010 by 18.7 percent to $849 million. However, scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms grew to $1.6 billion in 2011 from $1.4 billion in 2010 and $1.2 billion in 2009, an increase of $467 million over the past two years, or 40.0 percent.

Supplies and materials

During 2011, overall supplies and materials costs decreased by $78 million, or 3.6 percent, and decreased in 2010 by $24 million, or 1.1 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 student enrollment. The University continues to find opportunities to manage expenses in light of reduced state appropriations.

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 $5.1 billion in 2011, $5.6 billion in 2010 and $5.0 billion in 2009. The operating loss in 2011 was partially offset by $4.0 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 2011 exceeded revenue available to support core activities by $1.1 billion.

The operating loss in 2010 was partially offset by $3.9 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 2010 exceeded revenue available to support core activities by $1.7 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 2011, the University recognized net appreciation in the fair value of investments of $1.1 billion compared to net appreciation of $771 million during 2010 and net depreciation of $1.3 billion during 2009. Equity markets recovered in both 2011 and 2010, offsetting losses incurred in 2009.

Other Changes in Net Assets

Similar to other nonoperating activities discussed above, other changes in net assets 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 increased by $30 million in 2011 and decreased by $153 million in 2010. Capital appropriations are from bond measures approved by the California voters.

The University's Cash Flows

The statement of cash flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2011, 2010 and 2009 is as follows:

(in millions of dollars)

	2011	2010	2009
Cash received from operations	$ 17,966	$ 16,160	$ 15,151
Cash payments for operations	(19,955)	(17,703)	(17,616)
Net cash used by operating activities	**(1,989)**	**(1,543)**	**(2,465)**
Net cash provided by noncapital financing activities	3,922	3,225	4,022
Net cash provided by operating and noncapital financing activities	**1,933**	**1,682**	**1,557**
Net cash used by capital and related financing activities	(1,111)	(760)	(1,800)
Net cash provided (used) by investing activities	(789)	(1,262)	623
Net increase (decrease) in cash	33	**(340)**	**380**
Cash, beginning of year	148	488	108
Cash, end of year	**$ 181**	**$ 148**	**$ 488**

Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis, although a $345 million deposit from the state at the end of 2009 was not invested in STIP until the following day.

Cash used for operating activities ranged between $1.5 billion and $2.5 billion over the last three years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the University are reported as noncapital financing activities, including state educational appropriations, private gifts and grants and investment income. Cash provided by noncapital financing activities has ranged between $3.2 billion and $3.9 billion over the same three years. Cash flows from noncapital financing activities exceeded cash flows required for operating purposes by $1.9 billion in 2011, $1.7 billion in 2010 and $1.6 billion in 2009.

Due to the state's financial crisis, some payments to the University were deferred in 2011 and 2010. For 2011, $500 million due in the first quarter of 2011 was deferred until the end of 2011. For 2010, $250 million due in July 2009 was deferred until October 2009, and $500 million was deferred until the end of 2010. The University used commercial paper to finance its operations during the 2010 deferral periods.

Net cash of $1.1 billion, $0.8 billion and $1.8 billion was used in 2011, 2010 and 2009, respectively, for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include new external financing, state and federal capital appropriations and gifts for capital purposes.

The year-to-year changes in cash provided (used) by investing activities is largely the result of the routine timing of investment purchases, sales and, to a lesser extent, investment income.

THE UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS

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 these ten foundations, they are affiliated with, and their assets are dedicated for, the benefit of the University of California.

The Campus Foundations' Financial Position

The campus foundations' statement of net assets presents their combined financial position at the end of the year. It displays all of the campus foundations' assets, liabilities and net assets. The difference between assets and liabilities are net assets, representing a measure of the current financial condition of the campus foundations.

The major components of the combined assets, liabilities and net assets of the campus foundations at 2011, 2010 and 2009 are as follows:

(in millions of dollars)

	2011	2010	2009
ASSETS			
Investments	$5,152	$ 4,037	$ 3,525
Investment of cash collateral	125	182	189
Pledges receivable, net	554	387	402
Other assets	149	139	213
Total assets	**5,980**	**4,745**	**4,329**
LIABILITIES			
Securities lending collateral	125	182	189
Obligations under life income agreements	169	165	162
Other liabilities	276	214	148
Total liabilities	**570**	**561**	**499**
NET ASSETS			
Restricted:			
Nonexpendable	2,441	2,107	1,867
Expendable	2,763	2,063	1,951
Unrestricted	206	14	12
Total net assets	**$5,410**	**$4,184**	**$3,830**

Investments in 2011 increased by $1.1 billion and by $512 million in 2010 due to recovery of the equity markets in 2011 and 2010 from the losses suffered in 2009. 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 $1.1 billion, $1.0 billion and $922 million of the campus foundations' investments at the end of 2011, 2010 and 2009, respectively.

Restricted, nonexpendable net assets include the corpus of the campus foundations' permanent endowments and the estimated fair value of certain planned giving arrangements. Restricted, expendable net assets are subject to externally imposed restrictions governing their use. These net assets 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 2011 and 2010.

The Campus Foundations' Results of Operations

The campus foundations' combined statement of revenues, expenses and changes in net assets 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 2011, 2010 and 2009 is as follows:

(in millions of dollars)

	2011	2010	2009
OPERATING REVENUES			
Private gifts and other revenues	$ 884	$ 427	$ 376
Total operating revenues	**884**	**427**	**376**
OPERATING EXPENSES			
Grants to campuses and other expenses	513	595	458
Total operating expenses	**513**	**595**	**458**
Operating income (loss)	**371**	**(168)**	**(82)**
NONOPERATING REVENUES (EXPENSES)			
Investment income	69	67	64
Net appreciation (depreciation) in fair value of investments	551	290	(743)
Other nonoperating revenues (expenses)	17	3	(34)
Income (loss) before other changes in net assets	**1,008**	**192**	**(795)**
OTHER CHANGES IN NET ASSETS			
Permanent endowments	218	162	154
Increase (decrease) in net assets	**1,226**	**354**	**(641)**
NET ASSETS			
Beginning of year	4,184	3,830	4,471
End of year	**$5,410**	**$ 4,184**	**$ 3,830**

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 campus' 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.

The Campus Foundations' Cash Flows

The campus foundations' combined statement of cash flows presents the significant sources and uses of cash and cash equivalents. A summary comparison of cash flows for 2011, 2010 and 2009 is as follows:

(in millions of dollars)

	2011	2010	2009
Net cash provided (used) by operating activities	$ 51	$(191)	$ (91)
Net cash provided by noncapital financing activities	187	141	147
Net cash used by investing activities	(232)	(35)	(24)
Net increase (decrease) in cash and cash equivalents	**6**	**(85)**	**32**
Cash and cash equivalents, beginning of year	98	183	151
Cash and cash equivalents, end of year	**$ 104**	**$ 98**	**$183**

Cash payments for grants are an operating activity, but these payments also include investment income which is an investing activity. In addition, while the trend is for grants to campuses to coincide with contributions revenue, the timing may not always occur in the same year.

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 (DC 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 assets 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 assets. The difference between assets and liabilities are the net assets 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, 2011, the UCRS' assets were $67.1 billion, liabilities $8.9 billion and net assets held in trust for pension benefits $58.2 billion, an increase of $9.5 billion from 2010. Net assets increased in 2010 by $3.9 billion from 2009.

The major components of the assets, liabilities and net assets available for pension benefits for 2011, 2010 and 2009 are as follows:

(in millions of dollars)

	2011	2010	2009
ASSETS			
Investments	$54,218	$ 45,856	$ 42,353
Participants' interest in mutual funds	4,488	3,462	2,924
Investment of cash collateral	7,729	10,112	10,350
Other assets	648	449	963
Total assets	**67,083**	**59,879**	**56,590**
LIABILITIES			
Securities lending collateral	7,729	10,117	10,387
Other liabilities	1,138	1,076	1,404
Total liabilities	**8,867**	**11,193**	**11,791**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Members' defined benefit plan benefits	41,940	34,634	32,316
Participants' defined contribution plan benefits	16,276	14,052	12,483
Total net assets held in trust for pension benefits	**$58,216**	**$48,686**	**$44,799**

The statement of changes in the plans' fiduciary net assets 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 2011, 2010 and 2009 is as follows:

(in millions of dollars)

	2011	2010	2009
ADDITIONS (REDUCTIONS)			
Contributions	$2,694	$ 1,107	$ 929
Net appreciation (depreciation) in fair value of investments	8,542	4,244	(11,325)
Investment and other income, net	1,320	1,192	1,512
Total additions (reductions)	**12,556**	**6,543**	**(8,884)**
DEDUCTIONS			
Benefit payments and participant withdrawals	2,987	2,618	2,465
Plan expenses	39	38	36
Total deductions	**3,026**	**2,656**	**2,501**
Increase (decrease) in net assets held in trust for pension benefits	**$9,530**	**$3,887**	**$ (11,385)**

In 2011 and 2010 the equity markets recovered from the losses suffered in 2009. The Regents utilizes 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 20.5 percent in 2011 compared to an investment gain of 11.8 percent in 2010 and an investment loss of (16.6) percent in 2009.

The participants' interest in mutual funds, representing defined contribution plan contributions to certain mutual funds on a custodial plan basis, fluctuates 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 in 2011 increased by $1.6 billion primarily due to increased employer and employee contributions and the additional deposit of $1.1 billion made by the University to UCRP. The University's contributions to UCRP for 2011 were $1.7 billion. Contributions in 2010 increased by $178 million primarily due to the restart of contributions by the University to UCRP effective April 15, 2010 and contributions of $83 million receivable from the DOE for a portion of the unfunded liability related to former employees of LLNL and LANL.

Benefit payments and participant withdrawals were $369 million more in 2011 than in 2010 and $153 million more in 2010 than in 2009. 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 2011, there were 54,000 retirees and beneficiaries receiving payments from UCRS as compared to 51,500 at the beginning of 2010 and 50,100 at the beginning of 2009.

As of July 1, 2010, the date of the most recent actuarial report, the UCRP's overall funded ratio was 86.7 percent compared to 94.8 percent as of July 1, 2009. The decline in the funded status ratio is primarily attributable to the investment performance and the lack of employer and employee contributions prior to April 2010.

Additional information on the retirement plans can be obtained from the 2011 annual reports of the University of California Retirement Plan, the University of California Retirement Savings Plans and the University of California PERS-VERIP 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)

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

The major components of the assets, liabilities and net assets available for retiree health benefits for 2011, 2010 and 2009 are as follows:

(in millions of dollars)

	2011	2010	2009
ASSETS			
Investments	$28	$32	$38
Other assets	46	39	38
Total assets	**74**	**71**	**76**
LIABILITIES			
Total liabilities	**3**	**2**	**2**
NET ASSETS HELD IN TRUST FOR RETIREE HEALTH BENEFITS			
Total net assets held in trust for retiree health benefits	**$71**	**$69**	**$74**

The statement of changes in trust's fiduciary net assets 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 2011, 2010 and 2009 are as follows:

(in millions of dollars)

	2011	2010	2009
ADDITIONS			
Contributions	$288	$254	$251
Investment income, net			1
Total additions	**288**	**254**	**252**
DEDUCTIONS			
Insurance premiums and payments	284	257	226
Plan expenses	2	2	2
Total deductions	**286**	**259**	**228**
Increase (decrease) in net assets held in trust for retiree health benefits	**$ 2**	**$ (5)**	**$ 24**

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 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, 2010, the date of the latest actuarial valuation, was $15.4 billion.

Additional information on the retiree health benefit plan can be obtained from the 2011 annual reports of the University of California Health and Welfare Plan by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

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.

For the last 15 years, the University's budgetary planning has been guided by an agreement about funding and accountability reached with each Governor. These funding agreements were a comprehensive statement of the minimum resources needed for the University to accommodate enrollment growth and sustain the quality of the institution. These agreements were intended to provide the University with base budget adjustments to fund compensation, non-salary cost increases, and other programmatic needs related to its basic operations, enrollment funding, and funding for initiatives mutually agreed upon by the University and the state. These agreements were honored and often exceeded in years in which the state's fiscal situation was healthy. However, in years in which the state was in the midst of fiscal crisis, the agreements were either only partially honored or suspended. Most recently, for 2006 through 2008, state funding increased by more than $550 million, allowing the University to continue enrollment growth, provide compensation increases for faculty and staff and avoid a student fee increase in 2007. However, for 2009 through 2012, the University has experienced major budget reductions and received funding for enrollment growth only in 2011.

Permanent and one-time cuts to the University's budget for 2009 totaled $814.1 million, although these reductions were partially offset by State Fiscal Stabilization Funds authorized by the federal economic stimulus act. For 2010, permanent and one-time cuts in state funding totaled $637.1 million (from the level of state funding in 2008), essentially erasing the gains made over the previous years. In 2011, the University received $371 million as partial restoration of 2010 cuts and for enrollment growth of 5,000 students. However, this restoration was erased and additional cuts added with the budget for 2012, which cut the University's state funds by another $650 million. The budget also includes a provision that will trigger another $100 million in cuts if certain revenue assumptions are not realized by the state. With the budget for 2012, state funds allocated for UC total $2.37 billion. This total is more than $1.5 billion less than it would have been under the most recent agreement with the Governor and nearly $900 million less than the support provided through 2008, before the latest fiscal crisis began. The fiscal problems associated with the inability of the state to honor Governor Schwarzenegger's agreement with the University—including its inability to fund enrollment growth of more than 11,000 students—and subsequent state funding reductions are compounded by unfunded cost increases for academic merit increases, collective bargaining agreements, health benefits costs and costs for purchased utilities. When these unfunded mandatory cost increases are considered, the University is addressing a total shortfall of over $1 billion in 2012.

In addition to the above, over the course of 2012, the state will be deferring some payments to the University; $500 million due in the first quarter of 2012 will be deferred until the end of 2012. Other deferrals are also possible.

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. In 2011, the University received approximately $285.0 million under research funding from federal economic stimulus funds made available by the American Recovery and Reinvestment Act (ARRA), representing approximately 8.4 percent of the University's federal grants and contact revenues in 2011. ARRA funds are expected to be fully expended by 2014. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

The University's private support is a testament to its distinction as a leader in philanthropy among the nation's colleges and universities and the high regard in which its alumni, corporations, foundations and other supporters hold the University. The level of private support underscores the continued confidence among donors in the quality of the University's programs and the importance of its mission. At the same time, private support in 2012 will likely continue to reflect the changes in the economy and financial markets, the effect of which is not determinable at this time.

Additional, affordable and accessible student housing continues to be required in order to satisfy demand. Most campus residence halls are occupied at design capacity. The University is responding to increased demand by building student housing in the traditional manner, with housing fees set to generate sufficient revenue to cover direct and indirect operating costs and debt service and by seeking development opportunities for privately owned housing on University campuses.

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, 2010 actuarial valuation was $15.4 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 July 1, 2010 actuarial valuation was $5.4 billion or 86.2 percent funded. The total funding policy contributions in the July 1, 2010 actuarial valuations represent 22.5 percent of covered compensation. As of July 1, 2011, the funded ratio is expected to decrease to approximately 82.5 percent. At its September 2010 meeting, The Regents approved increasing the employer and employee contribution rates to UCRP. Contributions by members will be increased to 3.5 percent of covered compensation in July 2011 and 5 percent in July 2012 and contributions by the University will be increased to 7 percent of covered compensation in July 2011 and 10 percent in July 2012. These contribution rates are below UCRP's total funding contributions. The Regents also approved a new tier of pension benefits applicable to employees hired on or after July 1, 2013, which would increase the early retirement age from 50 to 55, but retain many of the current features of UCRP. The new tier would not offer lump sum cashouts, inactive member Cost of Living Adjustments (COLAs), or subsidized survivor annuities for spouses and domestic partners. These changes are subject to collective bargaining for union-represented employees.

On August 8, 2011, Standard & Poor's downgraded the credit ratings of certain long-term debt instruments issued by Fannie Mae and Freddie Mac and other U.S. government agencies linked to long-term U.S. debt. These actions initially had an adverse effect on financial markets and we are unable to predict the longer-term impact on such markets. These downgrades could adversely affect the market value of such instruments and the credit risk associated with our investments in U.S. Treasury securities held as investments by the University. These downgrades could also adversely impact the University's ability to obtain financing, as well as affecting the pricing of that financing when it is available, our credit ratings as well as the credit ratings of our counterparties.

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. Over the last few years, Medicare margins have declined as a result of payment reductions. Changes to the Medi-Cal program will likely limit or reduce the rates of payment growth to the medical centers in future years. Also, as a result of state legislation, the medical centers face capital requirements to ensure that facilities can maintain uninterrupted operations following a major earthquake. While the state has provided additional capital to meet these requirements, the level of support provided will not cover the full cost to the University. Other sources of capital are required.

The continuing financial success of the medical centers is predicated on a multifaceted strategy, which includes competing in commercial markets and offering high quality regional services. Positive results in commercial contracts have helped address the lack of support for medical education and care for the poor. Further, the medical centers remain competitive in their respective markets by reducing costs through improved efficiencies, making strategic investments and by expanding their presence in the market through stronger links with other providers and payers. Payment strategies must recognize the need to maintain an operating margin sufficient to cover debt, provide working capital, purchase state-of-the-art equipment and invest in infrastructure and program expansion.

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. On March 30, 2010 the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of healthcare coverage. The coverage expansion is accomplished primarily through incentives for individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordability Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the health care reform legislation are effective immediately; others will be phased in through 2014. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect the medical centers, the effect of the changes that will be required in future years are not determinable at this time.

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.


UCLA

Report of Independent Auditors

To The Regents of the University of California:

In our opinion, based upon our audits and the report of other auditors, the financial statements listed in the accompanying table of contents on page 1, which collectively comprise the financial statements of the University of California (the "University"), a component unit of the State of California, present fairly, in all material respects, the respective financial position and plans' and trust's fiduciary net assets of the University, its aggregate discretely presented component units, and the University of California Retirement System (the "Plans") and the University of California Retiree Health Benefit Trust (the "Trust"), respectively, at June 30, 2011 and 2010, and the respective changes in financial position and cash flows of the University and its component units, and the changes in the Plans' and the Trust's fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the UC Berkeley Foundation, which represents 23 percent, 24 percent, and 19 percent of the assets, net assets, and operating revenues, respectively, of the University of California foundations as of and for the year ended June 30, 2011. 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 UC Berkeley Foundation component unit, is based upon the report of the other auditor. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

The Required Supplementary Information ("RSI") on page 100 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the RSI. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

SAN FRANCISCO, CALIFORNIA
OCTOBER 12, 2011

UNIVERSITY OF CALIFORNIA

STATEMENTS OF NET ASSETS

At June 30, 2011 and 2010 (in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2011	2010	2011	2010
ASSETS				
Cash and cash equivalents	$ 181,130	$ 148,350	$ 104,220	$ 97,481
Short-term investments	3,710,307	2,329,965	362,884	327,089
Investment of cash collateral	1,603,647	2,054,994	103,194	151,085
Investments held by trustees	74,949	38,077		
Accounts receivable, net	2,989,589	3,042,882	20,273	6,669
Pledges receivable, net	54,101	37,771	133,562	129,238
Current portion of notes and mortgages receivable, net	32,359	34,996	10	9
Inventories	170,358	170,532		
Department of Energy receivable	360,962	197,729		
Other current assets	181,462	166,040	2,377	1,749
Current assets	**9,358,864**	**8,221,336**	**726,520**	**713,320**
Investments	14,548,358	13,622,965	4,788,985	3,710,278
Investment of cash collateral	439,616	483,281	22,038	30,513
Investments held by trustees	947,900	1,076,669		
Pledges receivable, net	68,371	39,651	420,338	257,672
Notes and mortgages receivable, net	315,554	308,941	978	501
Department of Energy receivable	147,349	110,853		
Capital assets, net	23,710,277	22,463,051		
Other noncurrent assets	276,352	262,775	21,632	32,428
Noncurrent assets	**40,453,777**	**38,368,186**	**5,253,971**	**4,031,392**
Total assets	**49,812,641**	**46,589,522**	**5,980,491**	**4,744,712**
LIABILITIES				
Accounts payable	1,732,988	1,919,479	7,746	7,348
Accrued salaries	843,056	763,250		
Employee benefits	552,716	331,376		
Deferred revenue	889,573	933,186	45,228	13,647
Collateral held for securities lending	2,043,253	2,539,504	125,232	181,598
Commercial paper	799,810	407,810		
Current portion of long-term debt	529,038	587,598		
Funds held for others	258,437	217,598	205,110	179,648
Department of Energy laboratories' liabilities	121,919	100,523		
Other current liabilities	987,691	907,236	22,662	21,012
Current liabilities	**8,758,481**	**8,707,560**	**405,978**	**403,253**
Federal refundable loans	231,223	223,149		
Self-insurance	430,300	431,071		
Obligations under life income agreements	26,856	26,981	147,332	143,737
Long-term debt	13,048,873	11,947,332		
Obligation to UCRP	1,725,444	1,607,821		
Obligations for retiree health benefits	5,257,422	3,773,804		
Department of Energy laboratories' liabilities	115,164			
Other noncurrent liabilities	454,106	520,725	17,246	14,072
Noncurrent liabilities	**21,289,388**	**18,530,883**	**164,578**	**157,809**
Total liabilities	**30,047,869**	**27,238,443**	**570,556**	**561,062**
NET ASSETS				
Invested in capital assets, net of related debt	11,161,810	10,793,554		
Reserved for minority interests	31,418	19,277		
Restricted:				
Nonexpendable:				
Endowments and gifts	1,034,662	996,606	2,440,564	2,107,264
Expendable:				
Endowments and gifts	5,320,752	4,573,003	2,763,020	2,062,623
Other, including debt service, loans, capital projects and appropriations	622,974	451,242		
Unrestricted	1,593,156	2,517,397	206,351	13,763
Total net assets	**$ 19,764,772**	**$19,351,079**	**$ 5,409,935**	**$ 4,183,650**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended June 30, 2011 and 2010 (in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2011	2010	2011	2010
OPERATING REVENUES				
Student tuition and fees, net	$ 2,811,121	$ 2,401,323		
Grants and contracts, net				
Federal	3,388,084	3,136,216		
State	528,543	537,628		
Private	1,121,146	1,079,358		
Local	211,321	185,953		
Medical centers, net	6,417,015	5,882,111		
Educational activities, net	1,872,008	1,562,287		
Auxiliary enterprises, net	1,117,970	1,107,419		
Department of Energy laboratories	976,294	910,194		
Campus foundation private gifts			$ 880,889	$ 422,643
Other operating revenues, net	596,261	523,914	3,585	4,707
Total operating revenues	**19,039,763**	**17,326,403**	**884,474**	**427,350**
OPERATING EXPENSES				
Salaries and wages	10,269,912	9,846,671		
UCRP benefits	1,681,138	1,597,534		
Retiree health benefits	1,754,620	1,642,202		
Other employee benefits	2,058,115	1,916,553		
Scholarships and fellowships	597,350	531,314		
Utilities	280,995	284,709		
Supplies and materials	2,107,881	2,186,316		
Depreciation and amortization	1,404,837	1,267,134		
Department of Energy laboratories	970,054	903,926		
Campus foundation grants			496,704	565,952
Other operating expenses	3,028,822	2,752,200	16,548	29,013
Total operating expenses	**24,153,724**	**22,928,559**	**513,252**	**594,965**
Operating income (loss)	**(5,113,961)**	**(5,602,156)**	**371,222**	**(167,615)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	2,650,545	2,782,626		
State financing appropriations	202,241	146,502		
State hospital fee grants	143,983			
Build America Bonds federal interest subsidies	52,216	24,187		
Federal Pell grants	352,469	298,584		
Private gifts, net	816,291	794,244		
Investment income:				
Short Term Investment Pool and other, net	286,935	283,849		
Endowment, net	107,760	96,917		
Securities lending, net	11,995	10,842	723	788
Campus foundations			68,574	65,218
Net appreciation in fair value of investments	1,082,277	771,152	550,849	290,227
Interest expense	(572,412)	(460,474)		
Loss on disposal of capital assets	(67,812)	(31,491)		
Other nonoperating revenues, net	7,743	60	16,608	3,163
Net nonoperating revenues	**5,074,231**	**4,716,998**	**636,754**	**359,396**
Income (loss) before other changes in net assets	**(39,730)**	**(885,158)**	**1,007,976**	**191,781**
OTHER CHANGES IN NET ASSETS				
State capital appropriations	190,009	159,777		
Capital gifts and grants, net	247,259	189,617		
Permanent endowments	16,155	11,180	218,309	161,551
Increase (decrease) in net assets	**413,693**	**(524,584)**	**1,226,285**	**353,332**
NET ASSETS				
Beginning of year	19,351,079	19,875,663	4,183,650	3,830,318
End of year	**$19,764,772**	**$19,351,079**	**$ 5,409,935**	**$ 4,183,650**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010 (in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$ 2,808,412	$ 2,382,458		
Grants and contracts	5,358,454	4,807,331		
Medical centers	6,362,731	5,785,772		
Educational activities	1,855,650	1,566,380		
Auxiliary enterprises	1,123,930	1,112,742		
Collection of loans from students and employees	53,955	49,853		
Campus foundation private gifts			$ 564,720	$ 391,275
Payments to employees	(10,224,701)	(9,715,290)		
Payments to suppliers and utilities	(5,321,258)	(5,142,595)		
Payments for UCRP benefits	(1,441,054)	(45,709)		
Payments for retiree health benefits	(270,003)	(244,582)		
Payments for other employee benefits	(2,041,528)	(1,959,413)		
Payments for scholarships and fellowships	(598,578)	(531,000)		
Loans issued to students and and employees	(57,482)	(64,916)		
Payments to campuses and beneficiaries			(509,573)	(584,274)
Other receipts (payments)	402,306	455,562	(4,284)	1,719
Net cash provided (used) by operating activities	**(1,989,166)**	**(1,543,407)**	**50,863**	**(191,280)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	2,650,619	2,789,740		
Refunds of state educational appropriations		(795,000)		
Federal Pell grants	351,664	294,862		
State hospital fee grants	143,983			
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	11,516	12,076	185,894	138,323
Other private gifts	759,352	793,012		
Receipt of retiree health contributions from UCRP	26,254	18,129		
Payment of retiree health contributions to UCRHBT	(25,451)	(17,514)		
Receipts from UCRHBT	288,929	260,398		
Payments for retiree health benefits made on behalf of UCRHBT	(289,573)	(260,473)		
Student direct lending receipts	956,941	675,177		
Student direct lending payments	(956,941)	(675,177)		
Commercial paper financing:				
Proceeds from issuance	19,888	639,475		
Payments of principal	(16,250)	(500,000)		
Other receipts (payments)	1,351	(9,391)	1,884	2,332
Net cash provided by noncapital financing activities	**3,922,282**	**3,225,314**	**187,778**	**140,655**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	590,431	189,194		
Payments of principal	(202,069)	(586,384)		
Interest paid	(1,472)	(2,514)		
State capital appropriations	131,114	183,857		
State financing appropriations	2,977	10,026		
Build America Bonds federal interest subsidies	50,763	19,181		
Capital gifts and grants	149,571	135,764		
Proceeds from debt issuance	1,984,722	2,473,681		
Proceeds from the sale of capital assets	3,962	1,243		
Proceeds from insurance recoveries	4,013	1,500		
Purchase of capital assets	(2,491,186)	(2,279,641)		
Refinancing or prepayment of outstanding debt	(412,875)	(167,318)		
Scheduled principal paid on debt and capital leases	(356,788)	(286,126)		
Interest paid on debt and capital leases	(564,890)	(452,267)		
Net cash used by capital and related financing activities	**(1,111,727)**	**(759,804)**		

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CASH FLOWS *continued*

Years ended June 30, 2011 and 2010 (in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2011	2010	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	$ 60,743,229	$ 54,025,091	$1,265,141	$ 571,109
Purchase of investments	(61,938,621)	(55,669,584)	(1,566,293)	(671,245)
Investment income, net of investment expenses	406,783	382,797	69,250	65,026
Net cash used by investing activities	**(788,609)**	**(1,261,696)**	**(231,902)**	**(35,110)**
Net increase (decrease) in cash and cash equivalents	**32,780**	**(339,593)**	**6,739**	**(85,735)**
Cash and cash equivalents, beginning of year	148,350	487,943	97,481	183,216
Cash and cash equivalents, end of year	**$ 181,130**	**$ 148,350**	**$104,220**	**$ 97,481**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating income (loss)	$ (5,113,961)	$ (5,602,156)	$ 371,222	$ (167,615)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	1,404,837	1,267,134		
Noncash gifts			(153,406)	(26,482)
Allowance for doubtful accounts	279,131	218,684	45,511	21,061
Loss on impairment of capital assets		22,803		
Change in assets and liabilities:				
Investments			(793)	(942)
Accounts receivable	(442,201)	(600,931)	4,346	2,359
Pledges receivable			(212,569)	(6,221)
Investments held by trustees	(67,243)	(12,299)		
Inventories	175	(4,303)		
Other assets	(43,631)	(29,061)	(750)	(2,738)
Accounts payable	(89,398)	(1,034)	(93)	1,957
Accrued salaries	79,806	58,724		
Employee benefits	219,963	117,564		
Deferred revenue	(11,119)	(25,794)	2,360	(98)
Self-insurance	3,121	(12,059)		
Obligations to life beneficiaries			(10,543)	(13,238)
Obligation to UCRP	124,048	1,532,701		
Obligations for retiree health benefits	1,483,618	1,396,676		
Other liabilities	183,688	129,944	5,578	677
Net cash provided (used) by operating activities	**$(1,989,166)**	**$(1,543,407)**	**$ 50,863**	**$ (191,280)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$ 39,723	$ 58,828		
Capital assets acquired with a liability at year-end	86,997	101,516		
Change in fair value of interest rate swaps classified as hedging derivatives	16,990	(15,978)		
Gifts of capital assets	78,364	52,080	$ 105	$ 508
Other noncash gifts	38,749	18,432	230,634	62,093
Proceeds from lease revenue bonds issued		271,059		
Debt service for, or refinancing of, lease revenue bonds				
Principal paid	(98,890)	(93,275)		
Interest paid	(114,892)	(103,632)		
Interest added to principal			373	655
Beneficial interest in charitable remainder trust			1,679	4,867

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF PLANS' AND TRUST'S FIDUCIARY NET ASSETS

At June 30, 2011 and 2010 (in thousands of dollars)

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
ASSETS						
Investments	$ 54,218,018	$ 45,855,690	$ 27,795	$ 32,509	$ 54,245,813	$ 45,888,199
Participants' interest in mutual funds	4,488,491	3,461,615			4,488,491	3,461,615
Investment of cash collateral	7,729,073	10,112,188			7,729,073	10,112,188
Participant 403(b) loans	139,424	126,694			139,424	126,694
Accounts receivable:						
Contributions from University and affiliates	301,070	163,236	20,782	18,183	321,852	181,419
Investment income	95,301	105,433	5	7	95,306	105,440
Securities sales and other	111,617	54,190	3,418	1,078	115,035	55,268
Prepaid insurance premiums			21,919	19,763	21,919	19,763
Total assets	**67,082,994**	**59,879,046**	**73,919**	**71,540**	**67,156,913**	**59,950,586**
LIABILITIES						
Payable to University			2,646	2,186	2,646	2,186
Payable for securities purchased	920,248	868,642			920,248	868,642
Member withdrawals, refunds and other payables	217,910	207,200			217,910	207,200
Collateral held for securities lending	7,729,038	10,116,795			7,729,038	10,116,795
Total liabilities	**8,867,196**	**11,192,637**	**2,646**	**2,186**	**8,869,842**	**11,194,823**
NET ASSETS HELD IN TRUST						
Members' defined benefit plan benefits	41,940,183	34,633,878			41,940,183	34,633,878
Participants' defined contribution plan benefits	16,275,615	14,052,531			16,275,615	14,052,531
Retiree health benefits			71,273	69,354	71,273	69,354
Total net assets held in trust	**$ 58,215,798**	**$ 48,686,409**	**$ 71,273**	**$ 69,354**	**$ 58,287,071**	**$ 48,755,763**

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 ASSETS

Years ended June 30, 2011 and 2010 (in thousands of dollars)

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2011	2010	2011	2010	2011	2010
ADDITIONS (REDUCTIONS)						
Contributions:						
Members and employees	$ 1,010,260	$ 951,025			$ 1,010,260	$ 951,025
Retirees			$ 28,085	$ 19,345	28,085	19,345
University	1,683,632	155,749	259,757	234,692	1,943,389	390,441
Total contributions	**2,693,892**	**1,106,774**	**287,842**	**254,037**	**2,981,734**	**1,360,811**
Investment income (expense), net:						
Net appreciation in fair value of investments	8,541,574	4,243,820			8,541,574	4,243,820
Interest, dividends and other investment income	1,267,034	1,135,923	84	97	1,267,118	1,136,020
Securities lending income	72,042	74,831			72,042	74,831
Securities lending fees and rebates	(22,770)	(23,041)			(22,770)	(23,041)
Total investment income, net	**9,857,880**	**5,431,533**	**84**	**97**	**9,857,964**	**5,431,630**
Interest income from contributions receivable	4,226	4,756			4,226	4,756
Total additions	**12,555,998**	**6,543,063**	**287,926**	**254,134**	**12,843,924**	**6,797,197**
DEDUCTIONS						
Benefit payments:						
Retirement payments	1,486,546	1,382,587			1,486,546	1,382,587
Member withdrawals	78,776	76,485			78,776	76,485
Cost-of-living adjustments	279,937	256,400			279,937	256,400
Lump sum cashouts	200,907	190,492			200,907	190,492
Preretirement surivor payments	35,931	34,752			35,931	34,752
Disability payments	35,298	35,331			35,298	35,331
Death payments	9,128	6,377			9,128	6,377
Participant withdrawals	860,562	634,895			860,562	634,895
Total benefit payments	**2,987,085**	**2,617,319**			**2,987,085**	**2,617,319**
Insurance premiums:						
Insured plans			234,204	205,924	234,204	205,924
Self-insured plans			28,781	28,161	28,781	28,161
Medicare Part B reimbursements			21,025	23,520	21,025	23,520
Total insurance premiums, net			**284,010**	**257,605**	**284,010**	**257,605**
Expenses:						
Plan administration	35,427	36,246	1,997	1,545	37,424	37,791
Other	4,097	1,623			4,097	1,623
Total expenses	**39,524**	**37,869**	**1,997**	**1,545**	**41,521**	**39,414**
Total deductions	**3,026,609**	**2,655,188**	**286,007**	**259,150**	**3,312,616**	**2,914,338**
Increase (decrease) in net assets held in trust	**9,529,389**	**3,887,875**	**1,919**	**(5,016)**	**9,531,308**	**3,882,859**
NET ASSETS HELD IN TRUST						
Beginning of year	48,686,409	44,798,534	69,354	74,370	48,755,763	44,872,904
End of year	**$58,215,798**	**$48,686,409**	**$71,273**	**$ 69,354**	**$58,287,071**	**$48,755,763**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA

Notes to Financial Statements

Years ended June 30, 2011 and 2010

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 financially accountable to the University, 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 assets. The statement of revenues, expenses and changes in net assets excludes the activities associated with these organizations.

The University has ten legally separate, tax-exempt, affiliated campus foundations. The combined financial statements of the University of California campus foundations (campus foundations) are presented discretely in the University's financial statements because of the nature and significance of their relationship with the University, including their ongoing financial support of the University. 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 securities 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 campus foundations' column.

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 assets and changes in plans' fiduciary net assets are shown separately 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 assets and changes in trust's fiduciary net assets 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 Government Accounting Standards Board (GASB).

GASB Statement No. 59, *Financial Instruments Omnibus*, was adopted by the University during the year ended June 30, 2011. This Statement updates existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Implementation of Statement No. 59 had no effect on the University's net assets or changes in net assets for the years ended June 30, 2011 and 2010.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was adopted by the University during the year ended June 30, 2011. This Statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures that were issued on or before November 30, 1989. Implementation of Statement No. 62 had no effect on the University's net assets or changes in net assets for the years ended June 30, 2011 and 2010.

The significant accounting policies of the University are as follows:

Cash and cash equivalents. The University and campus foundations consider all balances in demand deposit accounts to be cash. The University classifies all other highly liquid cash equivalents 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 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.

As a result of inactive or illiquid markets, certain investments in non-agency mortgage-backed fixed income securities are valued on the basis of their estimated future principal and interest payments using appropriate risk-adjusted discount rates. The University believes this approximates the fair value of these investments.

Investments also include private equities, absolute return funds and real estate. Private equities include venture capital partnerships, buyout and international funds. Interests in private equity and real estate partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Investments in absolute return partnerships are valued as of May 31, adjusted for cash receipts and cash disbursements through June 30. Interests in certain direct investments in real estate are estimated based upon independent appraisals. The University believes the carrying amount of these financial instruments and real estate is a reasonable estimate of fair value at June 30. 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 investments 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, discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value. Estimates of the fair value of interests in externally held irrevocable trusts where the University is the beneficiary of either the income or the remainder that will not become a permanent endowment upon distribution to the University are based upon the present value of the expected future income or, if available, the University's proportional interest in the fair value of the trust assets.

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 assets.

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 based on fair value at the date of donation.

Derivative financial instruments. Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants are valued at the last sales price on the last day of the fiscal year, as quoted on a recognized exchange or an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate 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 fair value as either assets or liabilities in the statement of net assets. 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). Deferred inflows are included with other liabilities and deferred outflows with other assets in the statement of net assets.

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

Participants' interest 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, includes 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 campus foundations in the future, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the 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.

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 assets.

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 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 assets. 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), formed June 1, 2006, and Lawrence Livermore National Security, LLC (LLNS), formed October 1, 2007, that operate and manage two other DOE laboratories. LANS and LLNS operate and manage Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE.

The University has an ongoing financial interest and financial responsibility in these separate entities, along with the other members, and the organizations are jointly controlled by the University and another member. The assets and liabilities and revenues and expenses of these joint ventures are not included in the University's financial statements. The University's investment in LANS and LLNS is accounted for using the equity method. Accordingly, the University's statement of net assets 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 assets 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 assets for pension or retiree health obligations related to these laboratories, the University records a receivable from the DOE. The University's statement of cash flows includes the cash flows related to DOE reimbursements for pension and/or health benefits attributable to any of these laboratories.

Capital assets. 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 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. 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 years

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.

Deferred revenue. Deferred 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 and fees for housing and dining services.

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

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 assets 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 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.

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 their fair value. The discounted present value of any income beneficiary interest is reported as a liability in the statement of net assets. 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 assets. Resources that are expendable upon maturity are classified as restricted, expendable net assets; all others are classified as restricted, nonexpendable net assets.

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 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, 2011 and 2010 reducing the pollution remediation liability.

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

Invested in capital assets, net of related debt. 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.

Reserved for minority interests. This category includes net assets of legally separate organizations attributable to other participants.

Restricted. The University and campus foundations classify net assets resulting from transactions with purpose restrictions as restricted net assets until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. Net assets subject to externally-imposed restrictions, which must be retained in perpetuity by the University or the campus foundations, are classified as nonexpendable net assets. Such assets include the University and campus foundation permanent endowment funds.

Expendable. Net assets whose use by the University or the campus foundations is subject to externally-imposed restrictions that can be fulfilled by actions of the University or campus foundations pursuant to those restrictions or that expire by the passage of time are classified as expendable net assets.

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

Expenses are charged to either restricted or unrestricted net assets 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 assets 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 unrealized appreciation or depreciation in the fair value of investments, interest expense and gain or 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 assets.

Student tuition and fees. Substantially all of the student tuition and fees provide for 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 in the statement of revenues, expenses and changes in net assets for the years ended June 30, 2011 and 2010 as follows:

(in thousands of dollars)

	2011	2010
Student tuition and fees	$ 830,497	$ 666,242
Auxiliary enterprises	185,079	174,304
Other operating revenues	20,652	8,410
Scholarship allowances	**$ 1,036,228**	**$ 848,956**

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 are incurred to support either educational operations or other specific operating purposes. 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 assets 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, 2011, the facilities and administrative cost recovery totaled $992.0 million, $752.0 million from federally-sponsored programs and $240.0 million from other sponsors. For the year ended June 30, 2010, the facilities and administrative cost recovery totaled $920.6 million, $701.0 million from federally-sponsored programs and $219.6 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.

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

Both current employees and retirees at LBNL participate in UCRP. Current employees at both LANL and LLNL are no longer accruing benefits in UCRP. However, UCRP retains the obligation for retirees and terminated vested members at these locations as of the date these contracts were terminated. The annual required contribution for the combined DOE laboratories is actuarially determined, independently from the campuses and medical centers, and included with the DOE laboratory expense in the statement of revenues, expenses and changes in net assets.

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, based upon a contractual arrangement with the DOE that incorporates a formula targeted to maintain the LANL and LLNL segments within UCRP for these retirees and terminated vested members at the time the joint ventures were formed at a 100 percent funded level. These University contributions are also reimbursed by the DOE. The reimbursement from the DOE is included as DOE laboratory revenue in the statement of revenues, expenses and changes in net assets.

The University records a receivable or payable from the DOE for the amounts that are due under the DOE contracts for pension benefits attributable to the DOE laboratories.

Campus and medical center contributions to UCRP, University contributions to UCRP for the DOE national laboratories, and the corresponding reimbursements from the DOE are operating activities in the statement of cash flows.

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 assets.

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 included with the DOE laboratory expense in the statement of revenues, expenses and changes in net assets. 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 assets. The reimbursement from the DOE is included as DOE laboratory revenue in the statement of revenues, expenses and changes in net assets.

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). 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.

New accounting pronouncements. In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the University's fiscal year beginning July 1, 2011. This Statement requires the University to report the activities for certain public-private partnerships as service concession arrangements in the financial statements. Service concession arrangements are recorded when the arrangements meet certain criteria which include building and operating a facility, obtaining the right to collect fees from third parties, and transferring ownership of the facility to the University at the end of the arrangement. The University is evaluating the effect that Statement No. 60 will have on its financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, effective for the University's fiscal year beginning July 1, 2011. This Statement modifies the existing requirements for the assessment of component units that should be included in the financial statements of the University. The University is evaluating the effect that Statement No. 61 will have on its financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the University's fiscal year beginning July 1, 2012. This Statement modifies the presentation of deferred inflows and deferred outflows in the financial statements. The University is evaluating the effect that Statement No. 63 will have on its financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for the University's fiscal year beginning July 1, 2012. This Statement clarifies the existing requirements for the termination of hedge accounting. The University is evaluating the effect that Statement No. 64 will have on its financial statements.

Comparative information. In connection with the preparation of the June 30, 2011 financial statements, the University concluded that $126.2 million and $870.9 million of forward contracts on a to-be-announced basis held by the University and the Plans' should not be reported as derivatives. The effect on the prior period financial statements is not material. However, management elected to make the revisions in classification to the University's 2010 presentation. This revision in classification resulted in a decrease in investment derivatives and an increase in fixed or variable income securities in the notes to the financial statements. This revision had no effect on the statement of net assets, statement of revenues, expenses and changes in net assets, statement of cash flows, statement of Plans' fiduciary net assets or statement of changes in the Plans' fiduciary net assets.

Additionally, the University determined that certain cash flows for accounts receivable and doubtful accounts were being reported on a net basis. Management elected to revise the cash flows reported for changes in accounts receivable and allowance for doubtful accounts by $174.7 million to report the cash flows on a gross basis. This revision had no effect on the statement of net assets, statement of revenues, expenses and changes in net assets and cash used by operating activities.

1. CASH AND CASH EQUIVALENTS

The University maintains centralized management for substantially all of its cash. 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. At June 30, 2011 and 2010, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $181.1 million and $148.4 million, respectively, compared to bank balances of $135.7 million and $119.0 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Bank balances in excess of the Federal Deposit Insurance Corporation (FDIC) limits are collateralized by U.S. government securities held in the name of the bank.

The University does not have a 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 were $2.7 million and $2.4 million at June 30, 2011 and 2010, respectively.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2011 and 2010 was $104.2 million and $97.5 million, respectively, compared to bank balances of $74.4 million and $67.5 million, respectively. 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 $28.9 million and $29.4 million at June 30, 2011 and 2010, respectively, with the remaining uncollateralized bank balances insured by the FDIC. The campus foundations 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, 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, or represent the University's estimated interest in externally held irrevocable trusts.

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 the UCRS. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for the 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. They are not used for speculative purposes.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of the UCRS' investments to be invested in mutual funds. The participants' interest in mutual funds is not managed by the Chief Investment Officer and totaled $4.5 billion and $3.5 billion at June 30, 2011 and 2010, respectively.

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 33 days. The fair value of UCRHBT's investment in this portfolio was $27.8 million and $32.5 million at June 30, 2011 and 2010, respectively.

As of June 30, 2011, the University holds $25.0 million of Medical Center Pooled Revenue Bonds in its investment portfolio.

Subsequent Event

In September 2011, the University executed an agreement with the state to deposit $1 billion into the State Agency Investment Fund (SAIF). SAIF was created under California Government Code §16330. The deposit to SAIF bears interest at 2.0 percent annually, payable quarterly. The agreement expires on April 25, 2013 and can be extended for additional six month periods by agreement of the parties. The University is permitted to withdraw funds on the maturity date or prior to the maturity date by giving ten days notice to the state. The University deposited the funds to SAIF on September 26, 2011, financed from STIP and commercial paper.

The composition of investments, by investment type at June 30, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Equity securities:						
Domestic	$ 1,679,253	$ 1,264,707	$ 220,178	$ 173,667	$ 13,490,824	$ 12,164,910
Foreign	1,598,342	1,075,116	66,143	64,137	9,497,591	7,496,642
Equity securities	**3,277,595**	**2,339,823**	**286,321**	**237,804**	**22,988,415**	**19,661,552**
Fixed or variable income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	1,351,366	1,317,700	222,691	125,867	2,356,266	2,109,853
U.S. Treasury strips	102,041	87,620	115		473,794	169,169
U.S. TIPS	225,994	234,746			3,512,877	3,180,776
U.S. government-backed securities			3,071	2,772	14,617	16,061
U.S. government-backed–asset-backed securities			145	193		
U.S. government guaranteed	**1,679,401**	**1,640,066**	**226,022**	**128,832**	**6,357,554**	**5,475,859**
Other U.S. dollar denominated:						
Corporate bonds	5,012,475	4,371,756	80,190	74,365	2,027,233	2,389,096
Commercial paper	2,517,403	1,746,836				
U.S. agencies	981,541	1,569,144	10,594	10,005	2,996,583	2,901,805
U.S. agencies–asset-backed securities	238,328	228,948	74,020	70,902	1,678,543	1,351,183
Corporate–asset-backed securities	100,994	177,035	6,510	6,101	1,061,912	1,624,338
Supranational/foreign	1,263,165	937,762	745	723	1,317,034	1,468,289
Other	221,836	205,136	11,960	2,868	11,849	12,108
Other U.S. dollar denominated	**10,335,742**	**9,236,617**	**184,019**	**164,964**	**9,093,154**	**9,746,819**
Foreign currency denominated:						
Corporate	18,060	3,201			103,967	18,766
Foreign currency denominated	**18,060**	**3,201**			**103,967**	**18,766**
Commingled funds:						
Absolute return funds	1,631,766	1,515,715	866,167	648,205	2,836,255	2,344,270
Balanced funds			810,675	694,110		
U.S. equity funds	156,686	129,642	499,183	352,198	1,248,291	1,041,972
Non-U.S. equity funds	489,792	390,513	643,018	463,154	2,923,089	1,959,563
U.S. bond funds	81,410	48,770	318,165	282,082	477,456	4,437
Non-U.S. bond funds			50,741	52,510		
Real estate investment trusts	159,123	69	82,718	57,394	90,864	81,241
Money market funds	257,403	253,899	436,960	388,656	2,053,697	1,002,554
Commingled funds	**2,776,180**	**2,338,608**	**3,707,627**	**2,938,309**	**9,629,652**	**6,434,037**
Investment derivatives	(1,740)	(3,583)	(1,081)		15,661	(7,659)
Private equity	531,949	425,450	410,307	338,768	3,085,296	2,510,618
Mortgage loans	705,548	799,395	422	527		
Insurance contracts					630,091	904,028
Real assets	73,677	28,428			327,721	161,392
Real estate	398,128	207,158	118,923	109,221	1,986,507	950,278
Externally held irrevocable trusts	234,305	215,937	31,376	17,447		
Other investments	10,195	6,993	187,933	101,495		
Campus foundations' investments with the University	(1,064,408)	(1,025,675)				
UCRS investment in STIP	(715,967)	(259,488)				
Total investments	**18,258,665**	**15,952,930**	**5,151,869**	**4,037,367**	**$ 54,218,018**	**$ 45,855,690**
Less: Current portion	(3,710,307)	(2,329,965)	(362,884)	(327,089)		
Noncurrent portion	**$ 14,548,358**	**$ 13,622,965**	**$ 4,788,985**	**$ 3,710,278**		

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 not considered to have credit risk. On August 8, 2011, S&P downgraded the credit ratings of certain long-term debt instruments issued by Fannie Mae and Freddie Mac and other U.S. government agencies linked to long-term U.S. debt. These downgrades could adversely affect the market value of such instruments and the credit risk associated with U.S. Treasury securities held as investments by the University.

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, the two-year Treasury note, has no credit risk). 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, Barclays Capital Aggregate Securitized Index, the Merrill Lynch High-Yield Cash Pay Index and the Barclays Capital Aggregate Government Index. The TRIP fixed income benchmark is comprised of 69 percent high grade corporate bonds, 8 percent mortgage/asset-backed securities, and 15 percent below investment grade securities, all of which carry some degree of credit risk. The remaining 8 percent is government-issued bonds.

The fixed income benchmarks for UCRS and GEP, Barclays Capital U.S. Aggregate Bond Index, is comprised of 25 percent high grade corporate bonds and 36 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 39 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 rating 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, investment in which entails credit, default and/or sovereign risk.

The credit risk profile for fixed or variable income securities at June 30, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
Fixed or variable income securities:						
U.S. government guaranteed	$ 1,679,401	$1,640,066	$ 226,022	$ 128,832	$ 6,357,554	$5,475,859
Other U.S. dollar denominated:						
AAA	1,415,993	2,149,462	91,411	87,283	4,990,811	5,716,677
AA	1,041,691	953,573	25,033	13,735	205,378	264,986
A	2,979,781	2,481,039	44,964	21,041	995,155	679,068
BBB	1,772,536	1,413,946	15,363	17,825	1,116,362	1,195,347
BB	272,787	207,797	4,595	7,178	454,870	563,462
B	275,042	211,592	2,632	14,528	994,472	888,949
CC or below	59,730	54,782		1,960	332,921	417,275
A-1 / P-1/ F-1	2,517,437	1,746,836	21	1,018	906	16,288
Not rated	745	17,591		395	2,279	4,767
Foreign currency denominated:						
BBB	15,611				88,462	
B	2,449	3,201			15,505	18,766
Commingled funds:						
U.S. bond funds: Not rated	81,410	48,770	318,165	282,082	477,456	4,437
Non-U.S. bond funds: Not rated			50,741	52,510		
Money market funds: Not rated	257,403	253,899	436,960	388,656	2,053,697	1,002,554
Mortgage loans: Not rated	705,548	799,395	422	527		
Insurance contracts: Not rated					630,091	904,028

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, campus foundations' 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 portion 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 portion 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 the 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 campus foundation 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 foundations are not subject to concentration of credit risk. Most of the foundations 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 by an individual foundation at June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2011	**2010**
Fannie Mae	$ 49,185	$ 60,423
Baupost Bermuda Value Partners-IV		35,661

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, Barclays Capital Aggregate Securitized Index, 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 Lehman 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, 2011 and 2010 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
Fixed or variable income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	1.1	1.9	3.1	3.3	1.6	1.7
U.S. Treasury strips	8.0	9.9			6.9	11.1
U.S. TIPS	4.5	3.6			4.5	3.8
U.S. government-backed securities			3.7	3.2	5.5	5.8
U.S. government-backed–asset-backed securities			2.3	2.1		
Other U.S. dollar denominated:						
Corporate bonds	3.4	3.0	3.6	3.7	5.4	5.1
Commercial paper	0.1	0.0				
U.S. agencies	2.1	1.3	3.0	3.4	2.6	2.5
U.S. agencies–asset-backed securities	4.5	2.6	1.7	1.7	4.4	3.1
Corporate–asset-backed securities	4.5	4.1	0.2	0.3	3.5	3.4
Supranational / foreign	4.6	5.0	4.2	5.2	6.3	6.0
Other	0.3	0.4	5.2	9.2	13.0	14.2
Foreign currency denominated:						
Corporate	2.1	4.2			4.1	4.2
Commingled funds:						
U.S. bond funds	5.0	4.3	4.5	4.3	5.2	
Non-U.S. bond funds			5.8	6.8		
Money market funds	0.0	0.0	1.4	1.4	1.5	1.6
Insurance contracts: Not rated					0.0	0.0

The University considers the effective durations for commercial paper, mortgage loans, insurance contracts and money market funds, with the exception of STIP, 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 may 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, 2011 and 2010, the fair values of such investments are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
Mortgage-backed securities	$ 203,249	$ 354,260	$ 63,422	$ 65,295	$1,828,295	$ 2,308,717
Collateralized mortgage obligations	15,133	19,975	2,833	4,970	112,077	198,261
Other asset-backed securities	16,369	28,820	6,510	4,270	295,185	464,024
Variable rate securities	140,479	169,391			523,426	11,793
Callable bonds	1,150,143	1,010,098	458	267	1,850,704	2,113,830
Convertible bonds	1,198	743			7,184	4,511
Total	**$1,526,571**	**$1,583,287**	**$ 73,223**	**$ 74,802**	**$4,616,871**	**$5,101,136**

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 a rising interest rate environment, 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, 2011 and 2010, the effective durations for these securities are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Mortgage-backed securities	4.9	3.5	1.6	1.7	5.0	3.9
Collateralized mortgage obligations	3.8	2.7	2.8	1.6	3.1	2.4
Other asset-backed securities	0.5	0.8	0.2	3.7	1.0	0.8
Variable rate securities	3.5	0.2			4.7	2.4
Callable bonds	3.3	1.8	4.2	8.7	3.5	2.4
Convertible bonds	9.1	4.4			9.0	4.4

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, 2011 and 2010, 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		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Equity securities:						
Euro	$ 462,714	$ 301,065	$ 13,513	$ 12,647	$ 2,741,927	$ 2,075,324
British Pound	295,343	197,673	14,644	12,646	1,752,873	1,373,841
Japanese Yen	291,471	221,071	10,036	10,321	1,729,404	1,552,663
Canadian Dollar	142,184	91,422	1,721	1,354	869,330	678,245
Swiss Franc	121,599	85,015	9,344	6,818	720,923	577,801
Australian Dollar	115,927	68,119	3,679	3,451	696,350	497,688
Hong Kong Dollar	45,873	31,931	8,066	8,058	266,497	208,805
Swedish Krona	45,286	24,265	1,307	1,447	269,294	176,436
Singapore Dollar	26,139	18,680	478	490	153,473	125,588
Danish Krone	14,834	10,436	801	896	88,369	71,132
Norwegian Krone	13,788	6,332	1,251	437	81,401	45,621
Israeli Shekel	7,772	5,662			48,552	45,592
Other	15,412	13,445	1,303	5,572	79,198	67,906
Subtotal	**1,598,342**	**1,075,116**	**66,143**	**64,137**	**9,497,591**	**7,496,642**
Fixed income securities:						
Brazilian Real	2,855				16,176	
Mexican Peso	2,256				12,786	
Malaysian Ringgit	2,207				12,509	
Euro	2,177	3,069			13,781	17,995
South African Rand	2,153				12,200	
Indonesian Rupiah	2,023				11,465	
Polish Zloty	1,515				8,584	
Turkish Lira	1,191				6,748	
Other	1,683	132			9,718	771
Subtotal	**18,060**	**3,201**			**103,967**	**18,766**
Commingled funds (various currency denominations):						
Balanced funds			205,850	152,118		
Non-U.S. equity funds	489,792	390,513	528,049	420,496	2,923,089	1,959,563
U.S. bond funds			4,691	4,877		
Non-U.S. bond funds			36,509	35,202		
Real estate investment trusts			12,840	20,916		
Subtotal	**489,792**	**390,513**	**787,939**	**633,609**	**2,923,089**	**1,959,563**
Investment derivatives:						
Swedish Krona	(514)	(10)			(1,337)	(44)
Australian Dollar	(892)	(383)			(592)	(213)
Canadian Dollar	(778)	65			76	411
British Pound	(320)	(1,163)			482	321
Japanese Yen	435	(737)			494	(366)
Euro	(2,919)	937			980	731
Other	123	(789)			266	131
Subtotal	**(4,865)**	**(2,080)**			**369**	**971**
Private equity:						
Euro	5,195	693	179	4,066	61,508	14,030
Other	451	146		1,897	9,984	3,237
Real estate:						
Hong Kong Dollar	4,399	902			30,438	8,637
Australian Dollar	3,345				23,143	
Japanese Yen	2,820	638			19,511	6,103
Euro	2,571				17,789	
British Pound	1,799				12,445	
Singapore Dollar	1,702				11,775	
Other	2,599	2,058			17,985	19,704
Subtotal	**24,881**	**4,437**	**179**	**5,963**	**204,578**	**51,711**
Total exposure to foreign currency risk	**$ 2,126,210**	**$1,471,187**	**$ 854,261**	**$703,709**	**$12,729,594**	**$ 9,527,653**

Liquidity Risks

Alternative investments are subject to liquidity risk. Alternative investments are defined as marketable alternatives (hedge funds), limited partnerships, private equity and venture capital 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 off-shore. 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.

These securities 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 alternative investments as of June 30, 2011 and 2010:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Absolute return funds	$ 1,631,766	$ 1,515,715	$ 866,167	$ 648,205	$ 2,836,255	$ 2,344,270
Private equity	531,949	425,450	410,307	338,768	3,085,296	2,510,618
Real estate	398,128	207,158	118,923	109,221	1,986,507	950,278
Real assets	73,677	28,428			327,721	161,392
Corporate–asset-backed securities	26,731	102,455	6,510	6,101	273,010	974,372
Total	**$2,662,251**	**$2,279,206**	**$1,401,907**	**$1,102,295**	**$ 8,508,789**	**$6,940,930**

The University's Investment Pools

The composition of the University's investments at June 30, 2011, by investment pool, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$ 463,360	$ 1,116,317	$ 99,576	$ 1,679,253
Foreign		450,399	1,118,970	28,973	1,598,342
Fixed or variable income securities:					
U.S. government guaranteed	$1,272,135	89,130	303,307	14,829	1,679,401
Other U.S. dollar denominated	7,540,157	1,834,361	704,113	257,111	10,335,742
Foreign currency denominated			18,060		18,060
Commingled funds		212,866	2,489,717	73,597	2,776,180
Investment derivatives		(4,775)	3,021	14	(1,740)
Private equity			512,064	19,885	531,949
Mortgage loans	705,548				705,548
Real estate			73,677		73,677
Real assets			379,531	18,597	398,128
Externally held irrevocable trusts				234,305	234,305
Other investments				10,195	10,195
Subtotal	**9,517,840**	**3,045,341**	**6,718,777**	**757,082**	**20,039,040**
Campus foundations' investments with the University	(407,273)		(476,481)	(180,654)	(1,064,408)
UCRS investment in STIP	(715,967)				(715,967)
Total investments	**$ 8,394,600**	**$ 3,045,341**	**$ 6,242,296**	**$ 576,428**	**$18,258,665**

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, 2011 was 11.2 percent for TRIP, 20.2 percent for GEP and 20.5 percent for UCRS. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same period, was 2.5 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 campus foundations 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 campus foundations 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 campus foundations may purchase or redeem shares in GEP 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 campus foundations based upon the number of shares held.

UCRS

UCRS had $716.0 million and $259.5 million invested in STIP at June 30, 2011 and 2010, respectively. These investments are excluded from the University's statement of net assets and are included in the UCRS' statement of plans' fiduciary net assets. 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 assets is net of income earned by, and distributed to, UCRS totaling $13.1 million and $7.1 million for the years ended June 30, 2011 and 2010, respectively.

Campus Foundations

Campus foundations' 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 assets and included in the campus foundations' statement of net assets. Under the accounting policies elected by each separate foundation, certain foundations classify all or a portion of their investment in STIP as cash and cash equivalents, rather than investments. Substantially all of the campus foundations' investments managed by the Chief Investment Officer are categorized as commingled funds or commingled money market funds by the campus foundations in the composition of investments.

The fair value of the campus foundations' cash and cash equivalents and investments that are invested with the University, by investment pool at June 30, 2011 and 2010 is as follows:

(in thousands of dollars)

	2011	2010
STIP	$ 407,273	$ 407,269
GEP	476,481	506,536
Other investment pools	180,654	111,870
Campus foundations' investments with the University	**1,064,408**	**1,025,675**
Classified as cash and cash equivalents by campus foundations	(25,927)	(28,801)
Classified as investments by campus foundations	**$1,038,481**	**$ 996,874**

Endowment investment income in the University's statement of revenues, expenses and changes in net assets is net of income earned by, and distributed to, the campus foundations totaling $20.7 million and $20.0 million for the years ended June 30, 2011 and 2010, respectively.

Agency Relationships with the University

STIP and GEP are external investment pools and include investments in 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 assets at June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	2011	2010
Short-term investments:		
STIP	$ 78,399	$ 72,746
GEP	164,149	130,914
Other investment pools	15,889	13,938
Total agency assets	**$258,437**	**$217,598**
Funds held for others	**$258,437**	**$217,598**

The composition of the net assets at June 30, 2011 and 2010 for STIP and GEP is as follows:

(in thousands of dollars)

	STIP		GEP	
	2011	2010	2011	2010
Investments	$ 9,517,840	$ 9,027,276	$ 6,718,777	$ 5,711,000
Investment of cash collateral	981,044	1,725,766	613,618	675,907
Securities lending collateral	(981,039)	(1,726,553)	(613,615)	(676,214)
Other assets (liabilities), net	1,155,441	116,948	(71,655)	(99,238)
Net assets	**$10,673,286**	**$9,143,437**	**$6,647,125**	**$5,611,455**

The changes in net assets for STIP and GEP for the years ending June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	STIP		GEP	
	2011	2010	2011	2010
Net assets, beginning of year	$ 9,143,437	$ 8,019,759	$ 5,611,455	$ 5,076,701
Investment income	231,349	239,986	112,136	99,416
Net appreciation (depreciation) in fair value of investments	(43,594)	143,305	1,041,536	478,481
Transfer to TRIP	(1,154,383)	(150,000)		
Participant contributions (withdrawals), net	2,496,477	890,387	(118,002)	(43,143)
Net assets, end of year	**$ 10,673,286**	**$ 9,143,437**	**$ 6,647,125**	**$ 5,611,455**

3. SECURITIES LENDING

The University and UCRS jointly participate in a securities lending program as a means to augment income. Campus foundations' cash and cash equivalents and 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 assets. At June 30, 2011 and 2010, the securities in these pools had a weighted average maturity of 17 and 32 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 assets. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2011, 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, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$ 371,742	$ 272,952	$ 13,599	$ 20,588	$ 2,152,833	$ 2,489,610
Foreign	136,197	108,821	8,425		810,944	775,789
Fixed income securities:						
U.S. government guaranteed	733,304	1,115,759			3,208,305	4,361,438
Other U.S. dollar denominated	860,907	1,139,324			1,397,135	2,212,812
Campus foundations' share	(102,429)	(160,262)	102,429	160,262		
Lent for cash collateral	**1,999,721**	**2,476,594**	**124,453**	**180,850**	**7,569,217**	**9,839,649**
For securities collateral:						
Equity securities:						
Domestic	25,911	33,952			189,301	246,872
Foreign	246,011	89,175			1,448,031	580,818
Fixed income securities:						
U.S. government guaranteed	750,211	274,539			1,982,260	450,538
Other U.S. dollar denominated	207,065	475,648			952,308	1,262,857
Foreign currency denominated	3,485	3,823			3,434	3,624
Lent for securities collateral	**1,232,683**	**877,137**			**4,575,334**	**2,544,709**
Total securities lent	**$3,232,404**	**$ 3,353,731**	**$124,453**	**$ 180,850**	**$ 12,144,551**	**$12,384,358**
COLLATERAL RECEIVED						
Cash	$ 2,145,682	$ 2,699,766	$ 22,803	$ 21,336	$ 7,729,038	$ 10,116,795
Campus foundations' share	(102,429)	(160,262)	102,429	160,262		
Total cash collateral received	**2,043,253**	**2,539,504**	**125,232**	**181,598**	**7,729,038**	**10,116,795**
Securities	1,279,314	907,857			4,748,412	2,633,837
Total collateral received	**$3,322,567**	**$3,447,361**	**$125,232**	**$ 181,598**	**$ 12,477,450**	**$12,750,632**
INVESTMENT OF CASH COLLATERAL						
Fixed income securities:						
Other U.S. dollar denominated:						
Corporate bonds	$ 194,601	$ 156,457			$ 700,977	$ 586,292
Commercial paper	76,052	172,272			273,948	645,551
U.S. agencies	108,655	105,282			391,391	394,522
Repurchase agreements	1,151,179	827,908	$ 22,803	$ 17,836	4,146,701	3,102,407
Corporate–asset-backed securities	124,761	217,591		2,000	449,407	815,376
Certificates of deposit/time deposits	192,111	907,605			692,009	3,401,056
Supranational/foreign	297,876	292,061			1,072,992	1,094,435
Other				1,500		
Commingled funds–money market funds		20,472				76,714
Other assets (liabilities), net*	457	(1,111)			1,648	(4,165)
Campus foundations' share	(102,429)	(160,262)	102,429	160,262		
Investment of cash collateral	**2,043,263**	**2,538,275**	**125,232**	**181,598**	**$ 7,729,073**	**$10,112,188**
Less: Current portion	(1,603,647)	(2,054,994)	(103,194)	(151,085)		
Noncurrent portion	**$ 439,616**	**$ 483,281**	**$ 22,038**	**$ 30,513**		

** 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 years ended June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
Securities lending income	$ 17,537	$ 15,666	$1,051	$1,136	$ 72,042	$ 74,831
Securities lending fees and rebates	(5,542)	(4,824)	(328)	(348)	(22,770)	(23,041)
Securities lending investment income, net	**$11,995**	**$10,842**	**$ 723**	**$ 788**	**$ 49,272**	**$ 51,790**

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. Campus foundations 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, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
Fixed or variable income securities:						
Other U.S. dollar denominated:						
AAA	$285,604	$ 337,463		$ 2,000	$1,028,784	$ 1,264,571
AA+	21,820				78,600	
AA	294,676	231,189			1,061,461	866,330
AA-	97,738	52,868		1,500	352,064	198,114
A+	26,056	109,395			93,858	409,935
BBB		828				3,102
A-1 / P-1 / F-1	1,419,341	1,947,433			5,112,658	7,297,587
Not rated			$ 22,803	17,836		
Commingled funds:						
Money market funds: Not rated		20,472				76,714
Other assets (liabilities), net* : Not rated	457	(1,111)			1,648	(4,165)
Campus foundations' share	(102,429)	(160,262)	102,429	160,262		

** 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 the 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. Campus foundations 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 at June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
JP Morgan Chase			$ 5,416	$ 1,500		
Bank of America		$354,785		19,836		$1,329,481
BNP Paribas		191,365				717,098
ING Bank		147,447				552,526
Morgan Stanley		157,985				592,015
Deutsche Bank Securities			1,140			
HSBC			5,416			
Royal Bank of Canada			5,416			
Citibank			5,415			
Campus foundations' share		(56,330)		56,330		

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, 2011 and 2010 is as follows:

(in days)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
Fixed or variable income securities:						
Other U.S. dollar denominated:						
Corporate bonds	23	37			23	37
Commercial paper	31	12			31	12
Repurchase agreements	8	51	1	1	8	51
U.S. agencies	15				15	
Corporate–asset-backed securities	15	15		15	15	15
Certificates of deposit/time deposits	26	25			26	25
Supranational/foreign	38	27			38	27
Other				86		
Commingled funds:						
Money market funds	1	1			1	1

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, 2011 and 2010, 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		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2011	2010	2011	2010	2011	2010
Other asset-backed securities	$ 124,761	$ 217,591		$ 2,000	$ 449,407	$ 815,376
Variable rate investments	492,477	448,518			1,773,969	1,680,726
Campus foundations' share	(39,141)	(44,062)	$ 39,141	44,062		
Total	**$578,097**	**$ 622,047**	**$39,141**	**$46,062**	**$ 2,223,376**	**$2,496,102**

At June 30, 2011 and 2010, the weighted average maturity expressed in days for asset-backed securities was 15 days and 15 days, respectively, and for variable rate investments was 32 days and 30 days, respectively.

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 assets. 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 assets 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 assets. Neither the University nor UCRS held any option contracts at June 30, 2011 or 2010.

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.

The University considers its futures, forward contracts, options, rights and warrants to be investment derivatives.

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, interest rate or currency. 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.

The University has determined that 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 instrument was $30.1 million and $30.6 million at June 30, 2011 and 2010, respectively.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011 and 2010, 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)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2011	2010	CLASSIFICATION	2011	2010	CLASSIFICATION	2011	2010
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	238,874	129,817	Investments	$ 1,725	$ (1,517)	Net appreciation (depreciation)	$ 45,109	$ (7,856)
Short positions		(1,511)	Investments		13	Net appreciation (depreciation)	(303)	(309)
Foreign equity futures:								
Long positions	33,368	22,126	Investments	397	(78)	Net appreciation (depreciation)	3,267	4,348
Short positions	(9,524)	(4,774)	Investments	(130)	54	Net apprecivation (depreciation)	(883)	(344)
Futures contracts, net				**1,992**	**(1,528)**		**47,190**	**(4,161)**
Foreign currency exchange contracts, net:								
Long positions	37,705	207,687	Investments	(127)	229	Net appreciation (depreciation)	40,678	(4,457)
Short positions	(486,844)	(376,502)	Investments	(5,005)	(2,285)	Net appreciation (depreciation)	(78,301)	10,429
Futures currency exchange contracts, net				**(5,132)**	**(2,056)**		**(37,623)**	**5,972**
Other investment derivatives:								
Stock rights/warrants			Investments	1,400		Net appreciation (depreciation)	498	
Total investment derivatives				**$ (1,740)**	**$ (3,584)**		**$ 10,065**	**$ 1,811**
CASH FLOW HEDGES								
Interest rate swaps:								
Pay fixed, receive variable	260,690	278,385	Other assets (liabilities)	$(47,092)	$(64,082)	Deferred (inflows) outflows	$ 16,990	$(15,978)

University of California Campus Foundations

(in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT 2011	NOTIONAL AMOUNT 2010	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE 2011	FAIR VALUE 2010	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES 2011	CHANGES 2010
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic commodity futures:								
Long positions	20,095		Investments	$ (946)		Net appreciation (depreciation)	$2,150	
Short positions	(1,856)		Investments	(135)		Net appreciation (depreciation)	(135)	
Futures contracts, net				**(1,081)**			**2,015**	
Total investment derivatives				**$(1,081)**			**$2,015**	

University of California Retirement System

(in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT 2011	NOTIONAL AMOUNT 2010	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE 2011	FAIR VALUE 2010	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES 2011	CHANGES 2010
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	1,049,748	597,440	Investments	$ 8,947	$ (8,729)	Net appreciation (depreciation)	$ 169,147	$ 208,024
Short positions		(11,732)	Investments		99	Net appreciation (depreciation)	(2,586)	(2,395)
Foreign equity futures:								
Long positions	226,551	175,338	Investments	2,764	(624)	Net appreciation (depreciation)	23,806	24,952
Short positions	(75,766)	(37,065)	Investments	(1,033)	422	Net appreciation (depreciation)	(7,043)	(2,673)
Futures contracts, net				**10,678**	**(8,832)**		**183,324**	**227,908**
Foreign currency exchange contracts, net:								
Long positions	194,006	143,949	Investments	(939)	1,544	Net appreciation (depreciation)	34,949	7,133
Short positions	(226,053)	(160,253)	Investments	(437)	(371)	Net appreciation (depreciation)	(35,399)	(1,938)
Foreign currency exchange contracts, net				**(1,376)**	**1,173**		**(450)**	**5,195**
Other investment derivatives:								
Stock rights/warrants			Investments	6,359		Net appreciation (depreciation)	2,218	
Total investment derivatives				**$15,661**	**$ (7,659)**		**$185,092**	**$ 233,103**

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, 2011 and 2010, 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	
		2011	2010						2011	2010
UNIVERSITY OF CALIFORNIA										
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable rate Medical Center Pooled Revenue Bonds	85,915	88,610	2007	2032	None	Pay fixed 3.5897%; receive 58% of 1-Month LIBOR* plus 0.48%	A2/A	$ (9,133)	$ (11,418)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable rate Medical Center Pooled Revenue Bonds	174,775	189,775	2008	2047	None	Pay fixed 4.6873%; receive 67% of 3-Month LIBOR* plus 0.73%**	Aa3/A+	(37,959)	(52,664)
									$(47,092)	**$(64,082)**

** 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 $85.9 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 $35.0 million, or be obligated to provide collateral to the counterparty if the negative fair value of the swap exceeds $75.0 million or the cash and investments held by the medical centers fall below $250.0 million. As of June 30, 2011, there was no collateral required. As of June 30, 2010, the University was obligated to provide collateral to the counterparty if the negative fair value of the swap exceeds $50.0 million. On July 1, 2010, the University deposited collateral of $1.9 million with the counterparty, and on July 2, 2010, additional collateral of $0.8 million was deposited by the University.

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 that 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 $174.8 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 the swap 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 $85.9 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 Baa1/BBB, or the interest rate swap counterparty's rating falls below Baa1/BBB+. At termination, the University may also owe a termination payment if there is a realized loss based on the fair value of the interest rate swap.

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 retains on deposit certain proceeds from the sale of lease-revenue bonds to be used for capital projects. The combined fair value of all of the investments and deposits held by trustees was $1.0 billion and $1.1 billion at June 30, 2011 and 2010, respectively.

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 U.S. and state government or agency obligations, corporate debt securities, commercial paper or certificates of deposit.

The composition of cash and investments and the effective durations associated with fixed income securities for self-insurance programs at June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	INVESTMENTS AT FAIR VALUE		EFFECTIVE DURATION	
	2011	2010	2011	2010
Cash	$ (844)	$ 740		
Commingled funds:				
U.S. bond funds	514,561	495,815	0.0	4.8
Money market funds	61,850	25,575		
U.S. equity funds	97,426	86,118		
Total	**$ 672,993**	**$ 608,248**		

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 $57.4 million and $60.5 million at June 30, 2011 and 2010, respectively.

The state financing appropriations to the University are deposited in commingled U.S. bond funds managed by the State of California Treasurer's Office, as trustee, and used to satisfy the annual lease requirements under lease-purchase agreements with the state. The fair value of these deposits was $52.5 million and $51.4 million at June 30, 2011 and 2010, respectively.

In addition, other securities held by trustees are held in the name of the University. 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. The fair value of these investments was $4.9 million and $9.1 million at June 30, 2011 and 2010, respectively.

Capital Projects

Investments held by trustees to be used for capital projects totaled $283.8 million and $439.8 million at June 30, 2011 and 2010, respectively.

Proceeds from the sale of the state's lease revenue bonds to be used for financing certain of the University's capital projects are 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 $236.5 million and $310.6 million at June 30, 2011 and 2010, respectively.

In addition, proceeds from the sale of bonds and certain University funds are held by trustees to be used for financing other capital projects. The fair value of these investments was $47.3 million and $129.2 million at June 30, 2011 and 2010, respectively. Substantially all of these investments are of a highly liquid, short term nature.

University deposits into the trusts, or receipts from the trusts, are classified as an operating activity in the University's statement of cash flows if related to the self-insurance programs, or a capital and related financing activity if related to long-term debt requirements or a capital project. Deposits directly into trusts by third parties, investment transactions initiated by trustees in conjunction with the management of trust assets and payments from trusts directly to third parties are not included in the University's statement of cash flows.

6. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible amounts at June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA					UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
	STATE AND FEDERAL GOVERNMENT	MEDICAL CENTERS	INVESTMENT INCOME	OTHER	TOTAL	
At June 30, 2011						
Accounts receivable	$ 576,100	$ 1,431,697	$ 97,042	$ 1,210,919	$ 3,315,758	$ 20,273
Allowance for doubtful accounts	(2,265)	(280,811)		(43,093)	(326,169)	
Accounts receivable, net	**$ 573,835**	**$1,150,886**	**$97,042**	**$1,167,826**	**$2,989,589**	**$20,273**
At June 30, 2010						
Accounts receivable	$ 652,704	$ 1,336,786	$ 99,292	$ 1,251,645	$ 3,340,427	$ 6,669
Allowance for doubtful accounts	(2,068)	(239,334)		(56,143)	(297,545)	
Accounts receivable, net	**$ 650,636**	**$1,097,452**	**$99,292**	**$1,195,502**	**$3,042,882**	**$ 6,669**

The University's other accounts receivable are primarily related to private grants and contracts, physicians' professional fees, investment sales, tuition and fees, auxiliary enterprises, insurance rebates and legal settlements.

The campus foundations' accounts receivable are primarily related to investment income.

Adjustments to the allowance for doubtful accounts have either increased or (decreased) the following revenues for the years ended June 30, 2011 and 2010:

(in thousands of dollars)

	2011	2010
Student tuition and fees	$ (1,112)	$ (392)
Grants and contracts:		
Federal	(834)	610
State	611	(189)
Private	338	862
Local	(309)	97
Medical centers	(266,413)	(210,873)
Educational activities	(9,650)	(6,650)
Auxiliary enterprises	(735)	(447)
Other operating revenues	(1,027)	(1,702)

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 years ended June 30, 2011 and 2010, under the terms of these agreements, the state of California contributed $11.3 million and $11.3 million, respectively, including interest at rates ranging from 8.0 percent to 8.5 percent. At June 30, 2011 and 2010, the remaining amounts owed to UCRP by the state were $43.8 million and $50.8 million, respectively. These amounts are recorded in the University's statement of net assets 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, 2011 and 2010 is summarized as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2011	2010	2011	2010
Total pledges receivable outstanding	$139,618	$90,105	$777,172	$529,078
Less: Unamortized discount to present value	(6,072)	(2,924)	(133,873)	(86,826)
Allowance for uncollectible pledges	(11,074)	(9,759)	(89,399)	(55,342)
Total pledges receivable, net	**122,472**	**77,422**	**553,900**	**386,910**
Less: Current portion of pledges receivable	(54,101)	(37,771)	(133,562)	(129,238)
Noncurrent portion of pledges receivable	**$ 68,371**	**$39,651**	**$420,338**	**$257,672**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2011 and thereafter are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
Year Ending June 30		
2012	$ 61,400	$ 180,292
2013	28,649	71,878
2014	23,268	64,762
2015	13,506	69,670
2016	5,185	41,624
2017-2021	4,859	219,675
Beyond 2021	2,751	129,271
Total payments on pledges receivable	**$139,618**	**$ 777,172**

Adjustments to the allowance for uncollectible pledges for the University have decreased the following revenues for the years ended June 30, 2011 and 2010:

(in thousands of dollars)

	2011	2010
Private gifts	$ (821)	$(3,566)
Capital gifts and grants	(1,186)	(3,250)

8. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2011 and 2010, along with the allowance for uncollectible amounts, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		
		NONCURRENT					
	CURRENT	NOTES	MORTGAGES	TOTAL	CURRENT	NONCURRENT	TOTAL
At June 30, 2011							
Notes and mortgages receivable	$ 37,241	$ 304,601	$ 26,894	$ 331,495	$ 10	$ 978	$ 988
Allowance for uncollectible amounts	(4,882)	(15,799)	(142)	(15,941)			
Notes and mortgages receivable, net	**$32,359**	**$ 288,802**	**$26,752**	**$315,554**	**$ 10**	**$ 978**	**$ 988**
At June 30, 2010							
Notes and mortgages receivable	$ 39,765	$ 296,298	$ 29,493	$ 325,791	$ 9	$ 501	$ 510
Allowance for uncollectible amounts	(4,769)	(16,705)	(145)	(16,850)			
Notes and mortgages receivable, net	**$34,996**	**$ 279,593**	**$29,348**	**$308,941**	**$ 9**	**$ 501**	**$ 510**

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 to 50 percent. For the years ended June 30, 2011 and 2010, the University recorded $17.1 million and $16.2 million, respectively, as its equity in the current earnings of LANS and received $21.1 million and $14.1 million in cash distributions in 2011 and 2010, respectively.

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. For the years ended June 30, 2011 and 2010, the University recorded $14.6 million and $14.5 million, respectively, as its equity in the current earnings of LLNS and received $14.2 million and $14.5 million in cash distributions, respectively.

10. CAPITAL ASSETS

The University's capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

(in thousands of dollars)

	2009	ADDITIONS	DISPOSALS	2010	ADDITIONS	DISPOSALS	2011
ORIGINAL COST							
Land	$ 695,640	$ 22,094		$ 717,734	$ 25,435	$ (1,148)	$ 742,021
Infrastructure	485,276	31,869	$ (120)	517,025	38,663	(295)	555,393
Buildings and improvements	22,085,307	1,840,680	(49,371)	23,876,616	1,875,653	(48,846)	25,703,423
Equipment, software and intangibles	4,930,937	484,596	(280,988)	5,134,545	554,103	(246,247)	5,442,401
Libraries and collections	3,307,699	150,813	(16,358)	3,442,154	120,905	(12,370)	3,550,689
Special collections	307,137	12,358	(158)	319,337	12,061	(4,890)	326,508
Construction in progress	2,874,883	(31,327)		2,843,556	98,086		2,941,642
Capital assets, at original cost	**$34,686,879**	**$ 2,511,083**	**$ (346,995)**	**$36,850,967**	**$2,724,906**	**$(313,796)**	**$39,262,077**

	2009	DEPRECIATION AND AMORTIZATION	DISPOSALS	2010	DEPRECIATION AND AMORTIZATION	DISPOSALS	2011
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$ 214,236	$ 13,564	$ (76)	$ 227,724	$ 19,055	$ (115)	$ 246,664
Buildings and improvements	7,642,049	729,238	(19,312)	8,351,975	837,961	(26,773)	9,163,163
Equipment, software and intangibles	3,225,652	410,494	(257,559)	3,378,587	430,126	(206,315)	3,602,398
Libraries and collections	2,328,027	113,838	(12,235)	2,429,630	117,696	(7,751)	2,539,575
Accumulated depreciation and amortization	**$13,409,964**	**$1,267,134**	**$ (289,182)**	**$14,387,916**	**$1,404,838**	**$(240,954)**	**$15,551,800**
Capital assets, net	**$21,276,915**			**$22,463,051**			**$23,710,277**

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

The University's self-insurance and other liabilities at June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	2011		2010		2011		2010	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Self-insurance programs	$158,776	$430,300	$154,884	$431,071				
Obligations under life income agreements	863	$ 26,856	812	$ 26,981	$21,486	$147,332	$20,278	$143,737
Other liabilities:								
Compensated absences	433,465	$239,462	427,490	$275,156				
UCRP*		36,161		43,768				
Accrued interest	82,327		84,375					
Fair value of interest rate swaps		47,092		64,082				
Other	312,260	131,391	239,675	137,719	1,176	17,246	734	14,072
Total	**$987,691**	**$454,106**	**$907,236**	**$520,725**	**$22,662**	**$ 17,246**	**$21,012**	**$ 14,072**

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

Self-Insurance Programs

Changes in self-insurance liabilities for the years ended June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE HEALTH CARE	GENERAL LIABILITY	TOTAL
Year Ended June 30, 2011					
Liabilities at June 30, 2010	$ 184,521	$ 308,833	$ 7,184	$ 85,417	$ 585,955
Claims incurred and changes in estimates	44,331	59,080	39,642	20,138	163,191
Claim payments	(35,260)	(66,154)	(41,266)	(17,390)	(160,070)
Liabilities at June 30, 2011	**$ 193,592**	**$301,759**	**$ 5,560**	**$88,165**	**$589,076**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	
Year Ended June 30, 2010					
Liabilities at June 30, 2009	$ 186,536	$ 308,319	$ 9,790	$ 93,369	$ 598,014
Claims incurred and changes in estimates	50,911	69,065	39,717	7,250	166,943
Claim payments	(52,926)	(68,551)	(42,323)	(15,202)	(179,002)
Liabilities at June 30, 2010	**$ 184,521**	**$308,833**	**$ 7,184**	**$85,417**	**$585,955**
Discount rate	**5.3%**	**5.0%**	**Undiscounted**	**3.5%**	

The University decreased the discount rates at June 30, 2011 and 2010 from those used in the previous fiscal years. The change increased the estimate for medical malpractice and general liability claims by $1.6 million and $3.1 million, respectively, for the year ending June 30, 2011. The change increased the estimate for medical malpractice and general liability claims by $1.5 million and $1.9 million, respectively, for the year ending June 30, 2010.

Obligations Under Life Income Agreements

Changes in current and noncurrent obligations under life income agreements for the years ended June 30, 2011 and 2010 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	ANNUITIES	LIFE BENEFICIARIES	ANNUITIES	LIFE BENEFICIARIES
Year Ended June 30, 2011				
Balance at June 30, 2010	$ 11,518	$ 16,275	$ 56,061	$ 107,954
New obligations to beneficiaries and change in liability, net	2,347	805	2,058	22,527
Payments to beneficiaries	(1,728)	(1,498)	(7,695)	(12,087)
Obligations under life income agreements at June 30, 2011	**12,137**	**15,582**	**50,424**	**118,394**
Less: Current portion	(397)	(466)	(6,960)	(14,526)
Noncurrent portion at June 30, 2011	**$11,740**	**$15,116**	**$43,464**	**$103,868**
Year Ended June 30, 2010				
Balance at June 30, 2009	$ 12,547	$ 16,688	$ 60,600	$ 100,628
New obligations to beneficiaries and change in liability, net	728	1,012	1,966	17,845
Payments to beneficiaries	(1,757)	(1,425)	(6,505)	(10,519)
Obligations under life income agreements at June 30, 2010	**11,518**	**16,275**	**56,061**	**107,954**
Less: Current portion	(402)	(410)	(7,354)	(12,924)
Noncurrent portion at June 30, 2010	**$ 11,116**	**$ 15,865**	**$48,707**	**$ 95,030**

12. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment 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, 2011 and 2010 is as follows:

(in thousands of dollars)

	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2011	2010
INTERIM FINANCING:					
Commercial paper		0.1 - 0.4%	2011	$ 799,810	$ 407,810
LONG-TERM FINANCING:					
University of California General Revenue Bonds	4.8%	2.0 – 7.6%	2012–2050	5,955,242	5,810,210
University of California Limited Project Revenue Bonds	5.1%	2.0 – 6.3%	2012–2050	1,832,070	1,363,905
University of California Multiple Purpose Projects Revenue Bonds	4.6%	4.0 – 5.0%	2011–2027	87,830	162,560
University of California Medical Center Pooled Revenue Bonds	5.5%	2.9 – 6.6%	2012–2049	2,264,185	1,546,275
University of California Medical Center Revenue Bonds	5.3%	3.6 – 5.5%	2011–2039	83,720	131,035
Adjusted by: Unamortized deferred financing costs				(119,675)	(99,656)
Unamortized bond premium				231,266	206,000
University of California revenue bonds	**5.0%**			**10,334,638**	**9,120,329**
Capital lease obligations		0.7 – 10.0%	2011–2035	2,443,256	2,558,305
Other University borrowings		Various	2011–2047	197,415	252,106
Blended component unit revenue bonds, net	5.7%	3.0 – 6.5%	2012–2049	602,602	604,190
Total outstanding debt				**14,377,721**	**12,942,740**
Less: Commercial paper				(799,810)	(407,810)
Current portion of outstanding debt				(529,038)	(587,598)
Noncurrent portion of outstanding debt				**$13,048,873**	**$11,947,332**

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 years ended June 30, 2011 and 2010 was $636.4 million and $554.2 million, respectively. Interest expense, net of investment income, totaling $64.0 million and $93.7 million was capitalized during the years ended June 30, 2011 and 2010, respectively. The remaining $572.4 million in 2011 and $460.5 million in 2010 is reported as interest expense in the statement of revenues, expenses and changes in net assets.

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 years ended June 30, 2011 and 2010 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, 2011					
Long-term debt and capital leases at June 30, 2010	$ 9,120,329	$2,558,305	$252,106	$604,190	$12,534,930
New obligations	1,835,571	39,723	31,714		1,907,008
Bond premium	44,808				44,808
Deferred financing costs	(31,342)				(31,342)
Refinancing or prepayment of outstanding debt	(412,875)				(412,875)
Scheduled principal payments	(213,635)	(154,772)	(86,405)	(1,360)	(456,172)
Amortization of bond premium	(19,541)			(491)	(20,032)
Amortization of deferred financing costs	11,323			263	11,586
Long-term debt and capital leases at June 30, 2011	**10,334,638**	**2,443,256**	**197,415**	**602,602**	**13,577,911**
Less: Current portion	(278,339)	(169,918)	(75,629)	(5,152)	(529,038)
Noncurrent portion at June 30, 2011	**$10,056,299**	**$2,273,338**	**$121,786**	**$597,450**	**$13,048,873**
Year Ended June 30, 2010					
Long-term debt and capital leases at June 30, 2009	$7,355,507	$2,374,908	$262,988	$330,542	$10,323,945
New obligations	1,932,296	329,887	196,911	269,670	2,728,764
Bond premium	31,227			4,922	36,149
Refinancing or prepayment of outstanding debt			(167,318)		(167,318)
Scheduled principal payments	(191,814)	(146,490)	(40,475)	(1,090)	(379,869)
Amortization of bond premium	(15,341)			(117)	(15,458)
Amortization of deferred financing costs	8,454			263	8,717
Long-term debt and capital leases at June 30, 2010	**9,120,329**	**2,558,305**	**252,106**	**604,190**	**12,534,930**
Less: Current portion	(302,482)	(163,258)	(120,418)	(1,440)	(587,598)
Noncurrent portion at June 30, 2010	**$8,817,847**	**$2,395,047**	**$131,688**	**$602,750**	**$11,947,332**

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 and other working capital needs, standby or interim financing for gift financed projects and working capital for the University.

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, 2011 and 2010 is as follows:

(in thousands of dollars)

	2011		2010	
	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
Tax-exempt	0.1–0.3%	$ 246,300	0.3–0.3%	$ 71,300
Taxable	0.1–0.4%	553,510	0.2–0.5%	336,510
Total outstanding		**$ 799,810**		**$ 407,810**

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 a line of credit from an external bank. In April 2010, the University entered into a $250 million revolving credit agreement with a major financial institution for the purpose of providing additional liquidity support for the commercial paper program.

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 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 for the years ended June 30, 2011 and 2010 were $8.7 billion and $7.7 billion, respectively.

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 years ended June 30, 2011 and 2010 were $433.6 million and $352.9 million, respectively.

Multiple Purpose Projects Revenue Bonds are collateralized by a pledge of the net revenues generated by the enterprises. The Multiple Purpose Projects Revenue Bond indentures require the University to achieve net revenues after expenses and requirements for senior lien indentures equal to 1.25 times debt service and maintain certain other financial covenants. Pledged revenues for the years ended June 30, 2011 and 2010 were $148.4 million and $465.8 million, respectively.

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 years ended June 30, 2011 and 2010 were $6.5 billion and $5.9 billion, respectively.

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 indentures require 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 Multiple Purpose Projects Revenue Bonds, commercial paper agreements or bank loans. The pledge of net revenues associated with projects financed with Multiple Purpose Projects Revenue Bonds is subordinate to General Revenue Bonds and Limited Project Revenue Bonds, but senior to pledges under commercial paper agreements or bank loans.

Medical Center gross revenues are not pledged for any purpose other than under the indentures for the Medical Center Pooled Revenue Bonds, interest rate swap agreements and specific Medical Center Revenue Bonds. 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.

2011 Activity

In July 2010, General Revenue Bonds totaling $144.0 million were issued to refinance certain facilities and projects of the University. Proceeds, including a bond premium of $17.2 million, were also used to refund $58.3 million of outstanding Multiple Purpose Projects Revenue Bonds and $87.7 million of General Revenue Bonds. The bonds mature at various dates through 2024 and have a weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In September 2010, Limited Project Revenue Bonds totaling $681.8 million, including $486.1 million of taxable "Build America Bonds" and $195.7 million of tax-exempt bonds, were issued to finance and refinance certain facilities and projects of the University. Proceeds, including a bond premium of $22.9 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $18.2 million. The bonds mature at various dates through 2050. The taxable bonds have a stated weighted average interest rate of 6.0 percent and a net weighted average interest rate of 3.9 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. The tax-exempt bonds have a stated weighted average interest rate of 4.5 percent.

In November 2010, Medical Center Pooled Revenue Bonds totaling $757.3 million, including $700.0 million of taxable "Build America Bonds," $9.2 million of taxable bonds and $48.1 million of tax-exempt bonds, were issued to finance and refinance certain facilities and projects of the medical centers. Proceeds, including a bond premium of $5.3 million, were used to pay for project construction and issuance costs. The bonds mature at various dates through 2048. The taxable bonds have a stated weighted average interest rate of 6.5 percent and a net weighted average interest rate of 4.2 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. The taxable bonds have a weighted average interest rate of 5.2 percent. The tax-exempt bonds have a weighted average interest rate of 4.4 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In December 2010, General Revenue Bonds totaling $200.0 million of taxable "Building America Bonds" were issued to finance and refinance certain improvements and capital projects on various campuses. Proceeds are available to pay for project construction and issuance costs. The bonds were issued in an initial term rate mode and are subject to mandatory tender on March 1, 2013, upon which they are expected to be remarketed. The final maturity date is 2050. Through April 30, 2013, the taxable "Build America Bonds" have a stated interest rate of 2.0 percent and a net interest rate of 1.3 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the bonds.

In December 2010, California Statewide Communities Development Authority Recovery Zone Economic Development bonds totaling $48.7 million were issued to pay for project construction and issuance costs. The bonds mature in 2040. The bonds have a stated interest rate of 7.6 percent and a net interest rate of 4.2 percent after the expected cash subsidy payment from the United States Treasury equal to 45.0 percent of the interest payable on the bonds.

In January 2011, General Revenue Bonds totaling $3.7 million, consisting of "Taxable-Clean Renewable Energy Bonds", were issued to pay for project construction and issuance costs. The bonds mature in 2026 and have a stated interest rate of 5.8 percent and a net interest rate of 2.0 percent after the expected cash subsidy payment from the United States Treasury equal to 70.0 percent of the posted tax credit rate.

Subsequent Event

In July 2011, General Revenue Bonds totaling $1.2 billion, including $550.0 million taxable fixed rate notes, $500.0 million taxable floating rate notes, and $150.0 million taxable variable rate demand bonds, were issued to finance pension contributions to the UCRP, operating costs (on an interim basis), and issuance costs. The taxable fixed rate notes have a stated interest rate of 0.5 percent for $263.5 million, maturing in 2012, and 0.9 percent for $286.5 million, maturing in 2013. The taxable floating rate notes and taxable variable rate demand bonds mature at various dates through 2041. 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. The taxable floating rate notes bear interest based on the one-month London Interbank Offer Rate (LIBOR) plus 0.08 percent.

2010 Activity

In August 2009, General Revenue Bonds totaling $1.3 billion, including $1.0 billion of taxable "Build America Bonds" and $300.6 million of tax-exempt bonds, were issued to finance and refinance certain facilities and projects of the University. Proceeds, including a bond premium of $20.0 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $397.9 million. The bonds mature at various dates through 2043. The taxable bonds have a stated weighted average interest rate of 5.9 percent and a net weighted average interest rate of 3.8 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. The tax-exempt bonds have a weighted average interest rate of 5.1 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In December 2009, Medical Center Pooled Revenue Bonds totaling $523.9 million, including $429.1 million of taxable "Build America Bonds" and $94.8 million of tax-exempt bonds, were issued to finance and refinance certain facilities and projects of the medical centers. Proceeds, including a bond premium of $4.1 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $161.0 million. The bonds mature at various dates through 2049. The taxable bonds have a stated weighted average interest rate of 6.6 percent and a net weighted average interest rate of 4.3 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. The tax-exempt bonds have a weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In April 2010, General Revenue Bonds totaling $85.5 million, including $75.4 million of tax-exempt bonds and $10.1 million of taxable bonds, were issued to finance and refinance certain facilities and projects of the University. Proceeds, including a bond premium of $7.1 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $24.5 million. The bonds mature at various dates through 2040. The tax-exempt bonds have a weighted average interest rate of 4.9 percent and the taxable bonds have a weighted average interest rate of 5.8 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Capital Leases

The University has entered into lease-purchase agreements with the state of California that are recorded as capital leases. The state sells lease revenue bonds to finance construction of certain state-owned buildings to be used by the University. During the construction phase, the University acts as agent for the state. Bond proceeds remain on deposit with the state, as trustee, until the University is reimbursed as the project is constructed.

Upon completion, the buildings and equipment are leased to the University under terms and amounts that are sufficient to satisfy the state's lease revenue bond requirements with the understanding that the state will provide financing appropriations to the University to satisfy the annual lease requirements. At the conclusion of the lease term, ownership transfers to the University.

The University entered into lease-purchase agreements with the state totaling $271.1 million during the year ended June 30, 2010, to finance the construction of various University projects. No agreements were entered into for the year ended June 30, 2011.

The state of California financing appropriation to the University under the terms of the lease-purchase agreements, recorded as nonoperating revenue, for the years ended June 30, 2011 and 2010 was $200.0 million and $141.8 million, respectively. The scheduled principal and interest, including accrued interest, reported in the University's financial statements for the years ended June 30, 2011 and 2010 contain amounts related to these lease-purchase agreements with the state of California as follows:

(in thousands of dollars)

	2011	2010
Capital lease principal	$ 98,890	$ 93,275
Capital lease interest	111,436	110,728
Total	**$ 210,326**	**$204,003**

Capital leases entered into with other lessors, typically for equipment, totaled $39.7 million and $58.8 million for the years ended June 30, 2011 and 2010, respectively.

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 bank lines of credit with commercial banks to supplement commercial paper and to provide interim financing for buildings and equipment. Line of credit commitments, with various expiration dates through January 28, 2014, totaled $394.6 million at June 30, 2011. Outstanding borrowings under these bank lines totaled $55.7 million and $105.1 million at June 30, 2011 and 2010, respectively.

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 $30.1 million and $30.6 million at June 30, 2011 and 2010, respectively.

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 incorporated 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 facility. 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 project, and do not constitute general obligations of The Regents.

The LLC, through its conduit issuer, has outstanding Student Housing LLC Revenue Bonds totaling $220.9 million. Proceeds, including a bond premium of $500 thousand, are available to finance the construction of a new student housing project and related amenities and improvements. The bonds mature at various dates through 2040 and have a weighted average interest rate of 5.9 percent.

Research Facilities

In 2010, the University and a legally separate, non-profit corporation created a public/private partnership for the purpose of developing, constructing and managing a neuroscience 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 incorporated into the University's financial reporting entity.

In March 2010, the corporation, through a conduit issuer, issued tax-exempt revenue bonds totaling $19.7 million and taxable revenue bonds totaling $188.0 million. Proceeds, including a bond premium of $1.8 million, are principally to finance the construction of the research building. The tax-exempt revenue bonds mature at various dates from between 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 has 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 is responsible for designing and constructing 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 incorporated into the University's financial reporting entity.

In May 2010, the Consortium, through its conduit issuer, issued revenue bonds totaling $62.0 million. Proceeds, including a bond premium of $3.1 million, are available to finance the construction of the research laboratory facility. The bonds mature at various dates through 2040 and have a weighted average interest rate of 5.0 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, 2011 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
			STATE	OTHER					
Year Ending June 30									
2012	$800,078	$ 760,224	$ 216,649	$ 72,975	$ 79,567	$ 39,590	$ 1,969,083	$ 1,288,104	$ 680,979
2013		760,353	221,276	51,292	47,974	38,835	1,119,730	457,180	662,550
2014		770,523	222,411	81,827	23,255	39,529	1,137,545	487,412	650,133
2015		761,296	220,415	16,725	16,166	40,225	1,054,827	425,683	629,144
2016		765,877	192,151	7,631	5,891	40,882	1,012,432	402,731	609,701
2017–2021		3,631,920	938,240	5,469	10,711	209,812	4,796,152	2,030,839	2,765,313
2022–2026		3,514,622	714,393		4,859	224,187	4,458,061	2,227,604	2,230,457
2027–2031		3,131,509	551,957		5,203	223,047	3,911,716	2,247,713	1,664,003
2032–2036		2,746,007	183,251		5,287	219,771	3,154,316	2,066,088	1,088,228
2037–2041		1,859,707			4,915	172,573	2,037,195	1,462,490	574,705
2042–2046		894,440			2,852	70,430	967,722	697,287	270,435
2047		510,449			155	39,416	550,020	470,777	79,243
Total future debt service	**800,078**	**20,106,927**	**3,460,743**	**235,919**	**206,835**	**1,358,297**	**26,168,799**	**$14,263,908**	**$11,904,891**
Less: Interest component of future payments	(268)	(9,883,880)	(1,235,981)	(17,425)	(9,420)	(757,917)	(11,904,891)		
Principal portion of future payments	**799,810**	**10,223,047**	**2,224,762**	**218,494**	**197,415**	**600,380**	**14,263,908**		
Adjusted by:									
Unamortized deferred financing costs		(119,675)				(4,839)	(124,514)		
Unamortized bond premium		231,266				7,061	238,327		
Total debt	**$799,810**	**$10,334,638**	**$2,224,762**	**$218,494**	**$197,415**	**$ 602,602**	**$14,377,721**		

Long-term debt does not include $754.2 million and $744.4 million of defeased liabilities at June 30, 2011 and 2010, respectively. 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 assets.

Medical Center Pooled Revenue bonds of $85.9 million are variable rate demand notes which give the debt holders the ability to tender the bonds back to the University upon demand. 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 January 28, 2014. The University is required to repurchase any bonds held by the bank on the termination date of the agreement. The University has classified $32.2 million and $88.6 million of these bonds as current liabilities as of June 30, 2011 and 2010, respectively.

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, 2011, 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				
2012	$ 2,800	$ 1,602	$ 9,145	$ 13,547
2013	2,895	1,567	9,108	13,570
2014	3,000	1,566	9,021	13,587
2015	3,110	1,565	8,931	13,606
2016	3,230	1,564	8,837	13,631
2017–2021	17,980	7,802	42,660	68,442
2022–2026	35,890	7,607	38,967	82,464
2027–2031	47,710	6,844	31,970	86,524
2032–2036	33,275	5,828	24,376	63,479
2037–2041	42,765	4,499	18,330	65,594
2042–2046	67,550	2,005	8,001	77,556
2047	485	5	18	508
Total	**$260,690**	**$42,454**	**$209,364**	**$512,508**

13. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most University employees participate in UCRS. UCRS consists of the University of California Retirement Plan, a single employer, defined benefit plan funded with University and employee contributions; the University of California Retirement Savings Program that includes four defined contribution plans with options to participate in internally and externally managed investment portfolios generally funded with employee non-elective and elective contributions; and the California Public Employees' Retirement System (PERS) Voluntary Early Retirement Incentive Program (PERS–VERIP), a defined benefit plan for University employees who were members of PERS who elected early retirement. The Regents has the authority to establish and amend the benefit plans.

Condensed financial information related to each plan in UCRS for the years ended June 30, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN		UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM		UNIVERSITY OF CALIFORNIA PERS–VOLUNTARY EARLY RETIREMENT INCENTIVE PLAN		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
CONDENSED STATEMENT OF PLANS' FIDUCIARY NET ASSETS								
Investments at fair value	$ 42,273,447	$ 35,140,000	$ 11,875,709	$ 10,654,869	$68,862	$60,821	$54,218,018	$ 45,855,690
Participants' interest in mutual funds			4,488,491	3,461,615			4,488,491	3,461,615
Investment of cash collateral	5,099,459	6,363,777	2,621,324	3,737,426	8,290	10,985	7,729,073	10,112,188
Other assets	482,147	292,511	165,060	156,907	205	135	647,412	449,553
Total assets	**47,855,053**	**41,796,288**	**19,150,584**	**18,010,817**	**77,357**	**71,941**	**67,082,994**	**59,879,046**
Collateral held for securities lending	5,099,436	6,366,677	2,621,312	3,739,129	8,290	10,989	7,729,038	10,116,795
Other liabilities	882,962	855,157	253,657	219,157	1,539	1,528	1,138,158	1,075,842
Total liabilities	**5,982,398**	**7,221,834**	**2,874,969**	**3,958,286**	**9,829**	**12,517**	**8,867,196**	**11,192,637**
Net assets held in trust	**$41,872,655**	**$ 34,574,454**	**$16,275,615**	**$14,052,531**	**$ 67,528**	**$ 59,424**	**$58,215,798**	**$48,686,409**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET ASSETS								
Contributions	$ 1,821,182	$ 171,820	$ 872,710	$ 934,954			$ 2,693,892	$ 1,106,774
Net appreciation in fair value of investments	6,687,112	3,311,080	1,843,033	926,845	$ 11,429	$ 5,895	8,541,574	4,243,820
Investment and other income, net	942,615	843,217	376,332	347,784	1,585	1,468	1,320,532	1,192,469
Total additions	**9,450,909**	**4,326,117**	**3,092,075**	**2,209,583**	**13,014**	**7,363**	**12,555,998**	**6,543,063**
Benefit payment and participant withdrawals	2,121,620	1,977,550	860,562	634,896	4,903	4,873	2,987,085	2,617,319
Plan expense	31,088	32,655	8,429	5,207	7	7	39,524	37,869
Total deductions	**2,152,708**	**2,010,205**	**868,991**	**640,103**	**4,910**	**4,880**	**3,026,609**	**2,655,188**
Increase in net assets held in trust	**7,298,201**	**2,315,912**	**2,223,084**	**1,569,480**	**8,104**	**2,483**	**9,529,389**	**3,887,875**
Net assets held in trust								
Beginning of year	34,574,454	32,258,542	14,052,531	12,483,051	59,424	56,941	48,686,409	44,798,534
End of year	**$41,872,655**	**$34,574,454**	**$16,275,615**	**$14,052,531**	**$ 67,528**	**$ 59,424**	**$58,215,798**	**$48,686,409**

Additional information on the retirement plans can be obtained from the 2010-2011 annual reports of the University of California Retirement Plan, the University of California Retirement Savings Program and the University of California PERS–VERIP.

University of California Retirement Plan

The University of California Retirement Plan (UCRP) provides lifetime retirement income, disability protection, death benefits and pre-retirement survivor benefits to eligible employees of the University of California and its affiliates. Membership in the retirement plan is required for all employees appointed to work at least 50 percent time 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 of service within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of the pension benefit is determined by salary rate, age and years of service credit with certain cost of living adjustments. The maximum monthly benefit is 100 percent of the employee's highest average compensation over a consecutive 36-month period, subject to certain limits imposed under the Internal Revenue Code.

The University's membership in UCRP consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	41,469	12,433	53,902
Inactive members entitled to, but not yet receiving benefits	41,677	13,360	55,037
Active members:			
Vested	65,800	1,787	67,587
Nonvested	46,417	924	47,341
Total active members	**112,217**	**2,711**	**114,928**
Total membership	**195,363**	**28,504**	**223,867**

Contribution Policy

The Regents' contribution funding policy is based on a percentage of payroll using the entry age normal actuarial cost method. In determining the funding policy contribution all July 1, 2010 amortization bases were combined to a single amortization base and amortized over a thirty year period as a level dollar amount.

The total funding policy contribution rates as of July 1, 2010 are based on all of the Plan data, the actuarial assumptions, and the Plan provisions adopted at the time of preparation of the actuarial valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses, and changes in the actuarial assumptions. Employee contributions by represented employees are subject to collective bargaining agreements. University and employee contributions were $1.7 billion and $143.3 million, respectively, during the year ended June 30, 2011. University and employee contributions were $148.3 million and $23.3 million, respectively, during the year ended June 30, 2010.

LBNL is required to make employer and employee contributions in conformity with The Regents' contribution policy. In addition, under certain circumstances the University makes contributions to UCRP in behalf of LANL and LLNL retirees based upon a contractual arrangement with the DOE designed to maintain the 100 percent funded status of the LANL and LLNL segments within UCRP, and is reimbursed by the DOE.

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.

UCRP Benefits and Obligation to UCRP

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

The University's annual UCRP benefit expense for the year and related information for the years ended June 30, 2011 and 2010, segregated between the University and the DOE responsibility, is as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS		DOE NATIONAL LABORATORIES		UNIVERSITY OF CALIFORNIA	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Actuarial valuation date	July 1, 2010	July 1, 2009	July 1, 2010	July 1, 2009	July 1, 2010	July 1, 2009
Annual required contribution	$ 1,692,657	$ 1,600,164	$ 113,548	$ 89,845	$ 1,806,205	$ 1,690,009
Interest on obligation to UCRP	120,105	5,152	482		120,587	5,152
Adjustment to annual required contribution	(131,624)	(7,782)	(544)		(132,168)	(7,782)
Annual UCRP cost	**1,681,138**	**1,597,534**	**113,486**	**89,845**	**1,794,624**	**1,687,379**
University contributions to UCRP	(1,441,927)	(64,833)	(235,074)	(83,421)	(1,677,001)	(148,254)
Increase (decrease) in obligation to UCRP	239,211	1,532,701	(121,588)	6,424	117,623	1,539,125
Obligation to UCRP						
Beginning of year	1,601,397	68,696	6,424		1,607,821	68,696
End of year	**$1,840,608**	**$1,601,397**	**(115,164)**	**6,424**	**1,725,444**	**1,607,821**
University contribution reimbursable from the DOE			**235,074**	**83,421**	**235,074**	**83,421**
DOE receivable for obligation to UCRP:						
Current			224,055	81,231	224,055	81,231
Noncurrent				6,424		6,424
Total			**224,055**	**87,655**	**224,055**	**87,655**
DOE liability for obligation to UCRP:						
Noncurrent			115,164		115,164	
Total			**115,164**		**115,164**	
Net receivable for obligation to UCRP			**$ 108,891**	**$ 87,655**	**$ 108,891**	**$ 87,655**

The annual UCRP benefit cost, percentage of the annual UCRP benefit cost contributed to UCRP, and the net obligation to UCRP for the University for the year ended June 30, 2011 and the preceding years are as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Annual UCRP benefit cost:			
June 30, 2011	$1,681,138	$ 113,486	$ 1,794,624
June 30, 2010	1,597,534	89,845	1,687,379
June 30, 2009	69,138	12	69,150
Percentage of annual cost contributed:			
June 30, 2011	85.8%	207.1%	93.4%
June 30, 2010	4.1	92.9	8.8
June 30, 2009	0.6	100.0	0.7
Net obligation (benefit) to UCRP:			
June 30, 2011	$1,840,608	$ (115,165)	$ 1,725,444
June 30, 2010	1,601,397	6,424	1,607,821
June 30, 2009	68,696		68,696

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. 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 results are compared with past expectations and new estimates are made about the future.

All assets of UCRP 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 funded status of UCRP as of July 1, 2010 was as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Actuarial value of plan assets	$ 33,733,692	$ 7,461,626	$ 41,195,318
Actuarial accrued liability	(39,123,578)	(8,380,731)	(47,504,309)
Unfunded actuarial accrued liability	**$ (5,389,886)**	**$ (919,105)**	**$ (6,308,991)**
Funded ratio	86.2%	89.0%	86.7%
Covered payroll	$ 7,743,680	$ 251,741	$ 7,995,421
Unfunded actuarial accrued liability as a percentage of covered payroll	(69.6)%	(365.1)%	(78.9)%

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 included 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 7.5 percent per year;
- projected salary increases ranging from 4.35–7.0 percent per year;
- projected inflation at 3.5 percent;
- Entry Age Normal 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 for campuses, medical centers and LBNL.

The actuarial value of assets was determined by smoothing the effect of short-term volatility in the fair value of investments over a five-year period. The amortization period for the excess of actuarial accrued liability over the actuarial value of assets at July 1, 2010, for campuses and medical centers, the DOE national laboratories and total UCRP was 30 years for each.

University of California Retirement Savings Program

The University of California Retirement Savings Program includes four defined contribution plans providing retirement savings incentives that are generally available to all University employees. Participants' interests in the plans are fully and immediately vested and are distributable at retirement, termination of employment or death. Participants may also elect to defer distribution of the account until age 70 ½ or separation from service after age 70 ½, whichever is later, in accordance with Internal Revenue Code minimum distribution requirements. The plans also accept qualified rollover contributions.

Defined Contribution Plans

The Defined Contribution Plan (DC Plan) accepts both after-tax and pretax employee contributions that are fully vested. Pretax contributions are mandatory for all employees who are members of UCRP, as well as Safe Harbor participants—part-time, seasonal and temporary employees who are not covered by Social Security. For UCRP members, monthly employee contributions range from approximately 2.0 percent to 4.0 percent of covered wages depending upon whether wages are below or above the Social Security wage base. For Safe Harbor participants, monthly employee contributions are 7.5 percent of covered wages. In April 2010, pre-tax employee contributions were discontinued, subject to collective bargaining for represented employees.

The University has a provision for matching employer and employee contributions to the DC Plan for certain summer session teaching or research compensation for eligible academic employees. The University may also make contributions in behalf of certain members of management. Employer contributions to the DC Plan were $4.2 million and $5.3 million for the years ended June 30, 2011 and 2010, respectively.

The University established a Supplemental Defined Contribution Plan (SDC Plan) on January 1, 2009 to accept employer contributions in behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. Employer contributions to the SDC Plan were $47.6 thousand for the year ended June 30, 2010. No contributions were made for the year ended June 30, 2011.

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 and $2.0 million for the years ended June 30, 2011 and 2010, respectively.

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 years ended June 30, 2011 and 2010.

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' interest in mutual funds is shown separately in the statement of plans' fiduciary net assets.

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 in behalf of these UC–PERS members. At July 1, 2011 there are 679 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 years ending June 30, 2011, 2010 and 2009.

14. 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. Additional information can be obtained from the 2010–2011 annual report of the University of California Health and Welfare Program.

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, 2010, the date of the latest actuarial valuation:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees who are currently receiving benefits	33,530	1,664	35,194
Employees who may receive benefits at retirement	112,994	3,086	116,080
Total membership	146,524	4,750	151,274

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 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 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 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 years ended June 30, 2011 and 2010, segregated between the University and the DOE responsibility, is as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS		LBNL		UNIVERSITY OF CALIFORNIA	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Actuarial valuation date	July 1, 2010	July 1, 2009	July 1, 2010	July 1, 2009	July 1, 2010	July 1, 2009
Annual required contribution	$ 1,927,158	$ 1,750,666	$ 63,395	$ 55,750	$ 1,990,553	$ 1,806,416
Interest on obligations for retiree health benefits	202,253	127,058	5,744	3,654	207,997	130,712
Adjustment to annual required contribution	(374,791)	(235,522)	(10,854)	(6,759)	(385,645)	(242,281)
Annual retiree health benefit cost	**1,754,620**	**1,642,202**	**58,285**	**52,645**	**1,812,905**	**1,694,847**
University contributions:						
To UCRHBT	(258,995)	(233,991)			(258,995)	(233,991)
To healthcare insurers and administrators			(12,804)	(12,162)	(12,804)	(12,162)
Implicit subsidy	(54,927)	(49,526)	(2,561)	(2,492)	(57,488)	(52,018)
Total contributions	**(313,922)**	**(283,517)**	**(15,365)**	**(14,654)**	**(329,287)**	**(298,171)**
Increase in obligations for retiree health benefits	**1,440,698**	**1,358,685**	**42,920**	**37,991**	**1,483,618**	**1,396,676**
Obligations for retiree health benefits						
Beginning of year	3,669,375	2,310,690	104,429	66,438	3,773,804	2,377,128
End of year	**$ 5,110,073**	**$ 3,669,375**	**147,349**	**104,429**	**5,257,422**	**3,773,804**
Retiree health care reimbursement from the DOE during the year			**12,804**	**12,162**	**12,804**	**12,162**
DOE receivable for obligations for retiree health benefits						
Noncurrent			147,349	104,429	147,349	104,429
Total			**$ 147,349**	**$ 104,429**	**$ 147,349**	**$ 104,429**

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, 2011 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, 2011	$ 1,754,620	$ 58,285	$ 1,812,905
June 30, 2010	1,642,202	52,645	1,694,847
June 30, 2009	1,501,937	48,625	1,550,562
Percentage of annual cost contributed:			
June 30, 2011	17.9%	26.4%	18.2%
June 30, 2010	17.3	27.8	17.6
June 30, 2009	18.5	28.1	18.8
Net obligation to the health benefit plan:			
June 30, 2011	$ 5,110,073	$ 147,349	$ 5,257,422
June 30, 2010	3,669,375	104,429	3,773,804
June 30, 2009	2,310,690	66,438	2,377,128

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, 2010 was as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Actuarial value of plan assets	$ 74,450		$ 74,450
Actuarial accrued liability	(15,493,742)	$ (554,954)	(16,048,696)
Unfunded actuarial accrued liability	**$ (15,419,292)**	**$ (554,954)**	**$ (15,974,246)**
Value of the implicit subsidy included in the actuarial accrued liability	$ 2,309,189	$ 85,287	$ 2,394,476
Funded ratio	0.5%	0.0%	0.5%
Covered payroll	$ 7,743,680	$ 251,741	$ 7,995,421
Unfunded actuarial accrued liability as a percentage of covered payroll	(199.1)%	(220.4)%	(199.8)%

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 included 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, smoothing the effect of gains and losses over a five-year period;
- health care cost trend rate ranging from 10 to 12 percent initially, depending on the type of plan, reduced by increments to an ultimate rate of 5 percent over nine years;
- projected inflation at 3.0 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 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.

15. ENDOWMENTS AND GIFTS

Endowments and gifts are held and administered either by the University or by campus foundations.

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, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2011				
Endowments	$ 1,014,027	$ 1,639,809	$ 16,030	$ 2,669,866
Funds functioning as endowments		2,235,705	1,411,812	3,647,517
Annuity and life income	20,635	4,196		24,831
Gifts		988,637	11,260	999,897
University endowments and gifts	**$ 1,034,662**	**$ 4,868,347**	**$ 1,439,102**	**$ 7,342,111**
At June 30, 2010				
Endowments	$ 981,185	$ 1,302,389	$ 13,289	$ 2,296,863
Funds functioning as endowments		1,883,437	1,242,777	3,126,214
Annuity and life income	15,421	2,727		18,148
Gifts		934,641	12,567	947,208
University endowments and gifts	**$ 996,606**	**$ 4,123,194**	**$ 1,268,633**	**$ 6,388,433**

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 $1.6 billion and $1.3 billion at June 30, 2011 and 2010, respectively.

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 $217.4 million and $207.0 million for the years ended June 30, 2011 and 2010, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $152.5 million and $150.3 million for the years ended June 30, 2011 and 2010, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $537.3 million and $521.2 million at June 30, 2011 and 2010, respectively.

Campus Foundations

The value of endowments and gifts held by the campus foundations and administered by each of their independent Board of Trustees at June 30, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2011				
Endowments	$ 2,356,031	$ 723,922		$ 3,079,953
Funds functioning as endowments		1,090,782		1,090,782
Annuity and life income	84,533	71,472		156,005
Gifts		876,844	$ 206,351	1,083,195
Campus foundations' endowments and gifts	**$ 2,440,564**	**$ 2,763,020**	**$ 206,351**	**$ 5,409,935**
At June 30, 2010				
Endowments	$ 2,039,885	$ 473,566		$ 2,513,451
Funds functioning as endowments		856,771		856,771
Annuity and life income	67,379	63,287		130,666
Gifts		668,999	$ 13,763	682,762
Campus foundations' endowments and gifts	**$ 2,107,264**	**$ 2,062,623**	**$ 13,763**	**$ 4,183,650**

The campus foundations provided grants to the University's campuses totaling $496.7 million and $566.0 million during the years ended June 30, 2011 and 2010, respectively.

16. 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. 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 years ended June 30, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2011					
Revenue bonds outstanding	$ 345,264	$ 294,900	$ 685,784	$ 180,167	$ 850,599
Related debt service payments	$ 32,421	$ 17,608	$ 42,307	$ 52,042	$ 31,552
Bonds due serially through	2047	2049	2049	2049	2049
CONDENSED STATEMENT OF NET ASSETS					
Current assets	$ 400,977	$ 307,482	$ 914,491	$ 384,337	$ 737,099
Capital assets, net	1,111,322	712,025	1,728,111	687,612	957,406
Other assets	27,077	64,342	138,051	12,784	659,176
Total assets	1,539,376	1,083,849	2,780,653	1,084,733	2,353,681
Current liabilities	227,301	133,035	253,828	120,564	224,112
Long-term debt	365,928	330,625	698,744	212,957	946,642
Other noncurrent liabilities			112,959		59,423
Total liabilities	593,229	463,660	1,065,531	333,521	1,230,177
Invested in capital assets, net of debt	693,467	367,057	965,329	451,683	605,924
Restricted		61,995	88,970	610	13,491
Unrestricted	252,680	191,137	660,823	298,919	504,089
Total net assets	**$ 946,147**	**$ 620,189**	**$ 1,715,122**	**$ 751,212**	**$ 1,123,504**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	$ 1,259,997	$ 699,137	$ 1,720,390	$ 913,648	$ 1,889,204
Operating expenses	(1,092,519)	(568,014)	(1,357,449)	(762,941)	(1,633,322)
Depreciation expense	(77,760)	(52,850)	(89,277)	(35,437)	(81,474)
Operating income	89,718	78,273	273,664	115,270	174,408
Nonoperating revenues, net	27,911	6,881	15,879	27,950	32,559
Income before other changes in net assets	117,629	85,154	289,543	143,220	206,967
Health systems support	(41,066)	(48,147)	(85,548)	(55,905)	(42,395)
Transfers from University, net	17,569	1,022	24,854	2,024	
Other, including donated assets			3,481	15,851	27,003
Increase in net assets	94,132	38,029	232,330	105,190	191,575
Net assets–June 30, 2010	852,015	582,160	1,482,792	646,022	931,929
Net assets–June 30, 2011	**$ 946,147**	**$ 620,189**	**$ 1,715,122**	**$ 751,212**	**$ 1,123,504**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$ 138,755	$ 144,378	$ 363,300	$ 146,161	$ 275,957
Noncapital financing activities	(764)	(34,246)	(57,969)	(31,375)	(5,801)
Capital and related financing activities	(127,832)	(81,483)	(120,429)	(147,763)	469,347
Investing activities	3,606	44,395	7,127	37,588	(607,687)
Net increase in cash and cash equivalents	13,765	73,044	192,029	4,611	131,816
Cash and cash equivalents* – June 30, 2010	91,819	102,648	406,034	185,295	217,192
Cash and cash equivalents* – June 30, 2011	**$ 105,584**	**$ 175,692**	**$ 598,063**	**$ 189,906**	**$ 349,008**

** Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool.*

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2010					
Revenue bonds outstanding	$ 360,560	$ 295,810	$ 688,876	$ 187,480	$ 153,930
Related debt service payments	$ 31,798	$ 8,588	$ 31,394	$ 9,842	$ 8,021
Bonds due serially through	2047	2049	2049	2047	2049
CONDENSED STATEMENT OF NET ASSETS					
Current assets	$ 344,328	$ 230,522	$ 734,647	$ 376,246	$ 590,861
Capital assets, net	1,073,344	698,815	1,692,645	550,675	824,471
Other assets	23,507	105,780	144,446	45,504	28,933
Total assets	**1,441,179**	**1,035,117**	**2,571,738**	**972,425**	**1,444,265**
Current liabilities	203,714	122,402	249,216	116,497	198,794
Long-term debt	385,450	330,555	787,066	209,906	262,810
Other noncurrent liabilities			52,664		50,732
Total liabilities	**589,164**	**452,957**	**1,088,946**	**326,403**	**512,336**
Invested in capital assets, net of debt	645,225	352,012	916,943	321,699	531,091
Restricted	108	103,353	81,247	36,429	12,759
Unrestricted	206,682	126,795	484,602	287,894	388,079
Total net assets	**$ 852,015**	**$ 582,160**	**$1,482,792**	**$ 646,022**	**$ 931,929**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	$1,112,214	$ 613,642	$ 1,587,483	$ 834,289	$1,787,757
Operating expenses	(980,904)	(533,977)	(1,278,020)	(691,273)	(1,559,388)
Depreciation expense	(59,575)	(43,565)	(85,873)	(32,181)	(77,790)
Operating income	**71,735**	**36,100**	**223,590**	**110,835**	**150,579**
Nonoperating revenues (expenses), net	(2,765)	(2,470)	(11,508)	2,037	(1,474)
Income before other changes in net assets	**68,970**	**33,630**	**212,082**	**112,872**	**149,105**
State and federal capital appropriations			626		
Health systems support	(29,719)	(65,771)	(56,217)	(39,314)	(37,066)
Transfers (to) from University, net	18,819	(16,647)	(37,541)	1,958	
Other, including donated assets			14,299	1,614	59,132
Increase (decrease) in net assets	**58,070**	**(48,788)**	**133,249**	**77,130**	**171,171**
Net assets–June 30, 2009	793,945	630,948	1,349,543	568,892	760,758
Net assets–June 30, 2010	**$ 852,015**	**$ 582,160**	**$1,482,792**	**$ 646,022**	**$ 931,929**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$ 108,038	$ 76,527	$ 293,805	$ 140,770	$ 218,530
Noncapital financing activities	(27,189)	(65,771)	(59,140)	(39,314)	(37,066)
Capital and related financing activities	(119,164)	114,041	(2,479)	(32,835)	(97,151)
Investing activities	7,413	(95,502)	(45,756)	(34,115)	5,353
Net increase (decrease) in cash and cash equivalents	**(30,902)**	**29,295**	**186,430**	**34,506**	**89,666**
Cash and cash equivalents * –June 30, 2009	122,721	73,353	219,604	150,789	127,526
Cash and cash equivalents * –June 30, 2010	**$ 91,819**	**$ 102,648**	**$ 406,034**	**$ 185,295**	**$ 217,192**

* *Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool.*

Summarized financial information for each medical center is from their separately 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 assets. However, in the medical centers' separately audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue.

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.

Additional information on the individual University of California Medical Centers can be obtained from their separate June 30, 2011 audited financial statements.

17. CAMPUS FOUNDATION 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.

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the years ended June 30, 2011 and 2010 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS				
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	TOTAL
Year Ended June 30, 2011					
CONDENSED STATEMENT OF NET ASSETS					
Current assets	$ 98,265	$ 114,059	$ 261,244	$ 252,952	$ 726,520
Noncurrent assets	1,292,901	858,396	1,787,518	1,315,156	5,253,971
Total assets	**1,391,166**	**972,455**	**2,048,762**	**1,568,108**	**5,980,491**
Current liabilities	27,477	68,057	243,184	67,260	405,978
Noncurrent liabilities	74,225	13,823	35,550	40,980	164,578
Total liabilities	**101,702**	**81,880**	**278,734**	**108,240**	**570,556**
Restricted	1,288,409	890,340	1,574,301	1,450,534	5,203,584
Unrestricted	1,055	235	195,727	9,334	206,351
Total net assets	**$ 1,289,464**	**$ 890,575**	**$ 1,770,028**	**$ 1,459,868**	**$ 5,409,935**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	$ 168,439	$ 190,808	$ 351,611	$ 173,616	$ 884,474
Operating expenses	(102,487)	(118,454)	(152,315)	(139,996)	(513,252)
Operating income	**65,952**	**72,354**	**199,296**	**33,620**	**371,222**
Nonoperating revenues	170,971	95,781	171,142	198,860	636,754
Income before other changes in net assets	**236,923**	**168,135**	**370,438**	**232,480**	**1,007,976**
Permanent endowments	52,878	25,873	77,015	62,543	218,309
Increase in net assets	**289,801**	**194,008**	**447,453**	**295,023**	**1,226,285**
Net assets–June 30, 2010	999,663	696,567	1,322,575	1,164,845	4,183,650
Net assets–June 30, 2011	**$ 1,289,464**	**$ 890,575**	**$ 1,770,028**	**$ 1,459,868**	**$ 5,409,935**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$ (33,994)	$ 8,543	$ 108,784	$ (32,470)	$ 50,863
Noncapital financing activities	44,559	24,270	59,611	59,338	187,778
Investing activities	(11,036)	(27,973)	(167,559)	(25,334)	(231,902)
Net increase (decrease) in cash and cash equivalents	(471)	4,840	836	1,534	6,739
Cash and cash equivalents–June 30, 2010	3,440	63,091	633	30,317	97,481
Cash and cash equivalents–June 30, 2011	**$ 2,969**	**$ 67,931**	**$ 1,469**	**$ 31,851**	**$ 104,220**

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS				
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	TOTAL
Year Ended June 30, 2010					
CONDENSED STATEMENT OF NET ASSETS					
Current assets	$ 111,077	$104,682	$ 260,231	$ 237,330	$ 713,320
Noncurrent assets	1,007,649	635,213	1,334,642	1,053,888	4,031,392
Total assets	**1,118,726**	**739,895**	**1,594,873**	**1,291,218**	**4,744,712**
Current liabilities	50,089	30,275	234,366	88,523	403,253
Noncurrent liabilities	68,974	13,053	37,932	37,850	157,809
Total liabilities	**119,063**	**43,328**	**272,298**	**126,373**	**561,062**
Restricted	998,763	696,330	1,318,960	1,155,834	4,169,887
Unrestricted	900	237	3,615	9,011	13,763
Total net assets	**$ 999,663**	**$696,567**	**$1,322,575**	**$1,164,845**	**$ 4,183,650**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	$ 66,050	$107,973	$ 162,518	$ 90,809	$ 427,350
Operating expenses	(87,376)	(149,399)	(155,675)	(202,515)	(594,965)
Operating income	**(21,326)**	**(41,426)**	**6,843**	**(111,706)**	**(167,615)**
Nonoperating revenues	92,235	67,439	97,513	102,209	359,396
Income before other changes in net assets	**70,909**	**26,013**	**104,356**	**(9,497)**	**191,781**
Permanent endowments	46,671	15,923	53,353	45,604	161,551
Increase in net assets	**117,580**	**41,936**	**157,709**	**36,107**	**353,332**
Net assets–June 30, 2009	882,083	654,631	1,164,866	1,128,738	3,830,318
Net assets–June 30, 2010	**$ 999,663**	**$696,567**	**$1,322,575**	**$1,164,845**	**$ 4,183,650**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided by:					
Operating activities	$ (23,643)	$ (39,518)	$ (33,570)	$ (94,549)	$ (191,280)
Noncapital financing activities	39,857	14,263	43,097	43,438	140,655
Investing activities	(16,763)	(11,270)	(10,673)	3,596	(35,110)
Net increase (decrease) in cash and cash equivalents	**(549)**	**(36,525)**	**(1,146)**	**(47,515)**	**(85,735)**
Cash and cash equivalents–June 30, 2009	3,989	99,616	1,779	77,832	183,216
Cash and cash equivalents–June 30, 2010	**$ 3,440**	**$ 63,091**	**$ 633**	**$ 30,317**	**$ 97,481**

18. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $3.0 billion and $2.7 billion at June 30, 2011 and 2010, respectively.

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, 2011 totaled $3.2 billion: $367.8 million and $2.8 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 years ended June 30, 2011 and 2010 were $151.9 million and $112.2 million, respectively. The terms of operating leases extend through May 2039.

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)

	MINIMUM ANNUAL LEASE PAYMENTS
Year Ending June 30	
2012	$ 91,946
2013	74,137
2014	57,634
2015	43,240
2016	30,875
2017–2021	71,707
2022–2026	9,609
2027–2031	4,067
2032–2036	4,641
2037–2039	3,692
Total	**$391,548**

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 campus foundations 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.

REQUIRED SUPPLEMENTARY INFORMATION

The University's schedule of funding progress for UCRP and the retiree health plan is presented below.

UCRP

(in thousands of dollars)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	EXCESS (DEFICIT)	FUNDED RATIO	COVERED PAYROLL	EXCESS/(DEFICIT) COVERED PAYROLL
University of California						
July 1, 2010	$ 41,195,318	$ 47,504,309	$ (6,308,991)	86.7%	$ 7,995,421	(78.9)%
July 1, 2009	42,685,564	45,041,066	(2,355,502)	94.8	7,853,419	(30.0)
July 1, 2008	43,727,521	42,467,742	1,259,779	103.0	7,449,796	16.9
Campuses and Medical Centers						
July 1, 2010	33,733,692	39,123,578	(5,389,886)	86.2	7,743,680	(69.6)
July 1, 2009	34,835,572	36,758,962	(1,923,390)	94.8	7,637,064	(25.2)
July 1, 2008	35,496,354	34,340,516	1,155,838	103.4	7,245,447	16.0
DOE National Laboratories						
July 1, 2010	7,461,626	8,380,731	(919,105)	89.0	251,741	(365.1)
July 1, 2009	7,849,992	8,282,104	(432,112)	94.8	216,355	(199.7)
July 1, 2008	8,231,167	8,127,226	103,941	101.3	204,349	50.9

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 ACUTARIAL ACCRUED LIABILITY
University of California							
July 1, 2010	$ 74,450	$ 16,048,696	$ (15,974,246)	0.5%	$ 7,995,421	(199.8)%	$ 2,394,476
July 1, 2009	76,893	15,061,784	(14,984,891)	0.5	7,853,419	(190.8)	2,209,278
July 1, 2008	51,221	13,800,249	(13,749,028)	0.4	7,449,796	(184.6)	2,016,401
Campuses and Medical Centers							
July 1, 2010	74,450	15,493,742	(15,419,292)	0.5	7,743,680	(199.1)	2,309,189
July 1, 2009	76,893	14,541,529	(14,464,636)	0.5	7,637,064	(189.4)	2,129,031
July 1, 2008	51,221	13,302,506	(13,251,285)	0.4	7,245,447	(182.9)	1,940,306
LBNL							
July 1, 2010		554,954	(554,954)	0.0	251,741	(220.4)	85,287
July 1, 2009		520,255	(520,255)	0.0	216,355	(240.5)	80,247
July 1, 2008		497,743	(497,743)	0.0	204,349	(243.6)	76,095

UNIVERSITY OF CALIFORNIA

Regents and Officers

APPOINTED REGENTS

(In order of accession to the Board)

Sherry L. Lansing
Odessa P. Johnson
George M. Marcus
Monica C. Lozano
Norman J. Pattiz
Richard C. Blum
Frederick R. Ruiz
Paul D. Wachter
Eddie R. Island
Russell S. Gould
Leslie Tang Schilling
William C. De La Pena
Bruce D. Varner
Bonnie M. Reiss
Hadi Markarechian
George D. Kieffer
Charlene R. Zettel
David Crane
Alfredo Mireles Jr.

EX OFFICIO REGENTS

Jerry Brown, *Governor of California*
Gavin Newsom, *Lieutenant Governor of California*
John Perez, *Speaker of the Assembly*
Tom Torlakson, *State Superintendent of Public Instruction*
Bruce Hallett, *President, Alumni Associations of the University of California*
Lori Pelliccioni, *Vice President, Alumni Associations of the University of California*
Mark G. Yudof, *President of the University*

REGENTS DESIGNATE *(non-voting)*

Ron Rubenstein, *Secretary, Alumni Associations of the University of California*
Alan Mendelson, *Treasurer, Alumni Associations of the University of California*
Jonathon Stein, *Student Regent Designate*

FACULTY REPRESENTATIVES *(non-voting)*

Robert Anderson, *Chair, Academic Senate*
Robert Powell, *Vice Chair, Academic Senate*

OFFICERS OF THE REGENTS

Sheryl Vacca, *Chief Compliance and Audit Officer*
Marie N. Berggren, *Acting Treasurer*
Charles F. Robinson, *General Counsel*
Marsha Kelman, *Secretary and Chief of Staff*

OFFICE OF THE PRESIDENT

Mark G. Yudof, *President of University*
Lawrence Pitts, *Provost and Executive Vice President - Academic Affairs*
Nathan Brostrom, *Executive Vice President - Business Operations*
Bruce B. Darling, *Executive Vice President*
Peter J. Taylor, *Executive Vice President and Chief Financial Officer*
Daniel M. Dooley, *Senior Vice President- External Relations and Vice President - Agriculture and Natural Resources*
John D. "Jack" Stobo, M.D., *Senior Vice President - Health Sciences and Services*
Sheryl Vacca, *Senior Vice President and Chief Compliance and Audit Officer*
Marie N. Berggren, *Chief Investment Officer and Vice President for Investments*
Charles F. Robinson, *General Counsel and Vice President for Legal Affairs*
Steven V. W. Beckwith, *Vice President - Research and Graduate Studies*
Dwaine B. Duckett, *Vice President - Human Resources*
Patrick J. Lentz, *Vice President - Budget and Capital Resources*
Judy K. Sakaki, *Vice President - Student Affairs*

CHANCELLORS

Robert J. Birgeneau, *Berkeley*
Linda Katehi, *Davis*
Michael V. Drake, M.D., *Irvine*
Gene D. Block, *Los Angeles*
Dorothy Leland, *Merced*
Timothy P. White, *Riverside*
Marye Anne Fox, *San Diego*
Susan Desmond-Hellman, M.D., M.P.H., *San Francisco*
Henry T. Y. Yang, *Santa Barbara*
George R. Blumenthal, *Santa Cruz*

DIRECTOR OF DOE LABORATORY

A. Paul Alivisatos, *Ernest Orlando Lawrence Berkeley National Laboratory*

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

Aggregate Debt Service means, as of any date of calculation and with respect to any period, the sum of amounts of Debt Service for the Indebtedness specified in the Indenture for such period.

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.

Authorized Denominations means $5,000 or any integral multiple thereof with respect to 2012 Bonds.

Balloon Indebtedness means Indebtedness having an original maturity greater than one year or renewable at the option of The Regents for a period of greater than one year from the date of original incurrence or issuance thereof, 25% or more of the original principal of which becomes due (either by maturity or mandatory redemption) or may be tendered for purchase or payment at the option of the holder during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Indebtedness to be amortized below 25% by mandatory redemption prior to such date.

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 Limited Project 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, Treasurer, Associate Treasurer, Assistant Treasurer – External Finance, President or Senior Vice President – Administration 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 Indentures means The Regents Commercial Paper Issuance Certificate, dated as of October 1, 1996, as amended and supplemented from time to time and the Indenture, dated as of November 1, 2008, between The Regents and Deutsche Bank National Trust Company, 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 Senior Lien Indebtedness means Indebtedness (a) issued and secured pursuant to the General Revenue Indenture outstanding as of the date of issuance of the 2012 Bonds, (b) a $215 million revolving credit agreement dated February 16, 2012, and (c) an interest rate swap in a notional amount of $500 million with a scheduled termination date of April 25, 2013 and an interest rate swap in a notional amount of $500 million with a scheduled termination date of July 1, 2015.

Current Subordinate Lien Indebtedness means Indebtedness issued and secured pursuant to the CP Indenture, and under credit facilities provided by bank and other financial institutions relating to Indebtedness issued under the CP Indenture, outstanding as of the date of issuance of the 2012 Bonds.

Debt Service means, when used with respect to any Indebtedness, as of any date of calculation and with respect to any period, the sum of (1) the interest falling due on such Indebtedness during such period (except to the extent that such interest is payable from the proceeds of such Indebtedness or other moneys specifically set aside for such purpose), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Indebtedness during such period (except to the extent that such principal is payable from the proceeds of such Indebtedness or other moneys specifically set aside for such purpose); computed on the assumption that no portion of such Indebtedness shall cease to be Outstanding during such period except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation if any of the Indebtedness is Balloon Indebtedness, the computation of Debt Service shall, at the option of The Regents, assume that such Balloon Indebtedness is to be amortized over thirty (30) years beginning on the date of maturity of such Balloon Indebtedness or such earlier date as may be specified by The Regents, assuming level debt service and the rate of interest on such Balloon Indebtedness; and provided further that if interest on Indebtedness is payable pursuant to a variable interest rate formula, the interest rate on such Indebtedness for periods when the actual interest rate cannot be yet determined shall be assumed to be equal to the greater of (a) the current interest rate calculated pursuant to the provisions of such agreement or, (b) if available, the daily average interest rate on such Indebtedness during the preceding 36 months preceding the date of calculation or, (c) if such Indebtedness has not been Outstanding for such 36-month period, such daily average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by a nationally recognized bond rating agency with a rating similar to the rating on such Indebtedness; and provided further that if any such Indebtedness is bearing interest at other than a fixed rate and the payments received and made by The Regents under an Ancillary Obligation with respect to such Indebtedness is expected to produce a fixed rate to be paid by The Regents, then such Indebtedness shall be treated as bearing interest at such fixed rate.

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.

Eighth Supplemental Indenture means the Eighth Supplemental Indenture, as executed by The Regents and the Trustee in accordance with the Indenture, and which is supplemental to the Indenture.

Event of Default means any of the events specified under the heading "Events of Default" below.

Excluded Facilities means any facilities which may be designated from time to time by The Regents as Excluded Facilities in a Certificate of The Regents filed with the Trustee.

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 selected and designated as the official fiscal year of The Regents.

General Revenue Indenture means the Indenture, dated as of September 1, 2003, by and between The Regents and BNY Western Trust Company, as trustee, securing the University of California General Revenue Bonds, as such may be amended or supplemented from time to time.

Gross Revenues of a Limited Project means for each Project (i) all income, rentals, fees, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived by The Regents from the ownership or operation of the Project, but excluding any refundable deposits, fines or forfeitures, and (ii) any other revenues, receipts, income or other moneys from time to time designated by The Regents for the payment of principal of and interest on the Bonds, in each case subject to the provisions of the Security Documents governing any Indebtedness or other obligation secured by a Senior Lien.

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 October 1, 2004, 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 and its affiliates), 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 and its affiliates) 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.

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 means, 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 a portion of the 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 Pledged Revenues which is equal and ratable to the lien of the Indenture on or in such Pledged 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.

Pledged Revenue Fund means the fund by that name established pursuant to the Indenture.

Pledged Revenues means the sum of Gross Revenues of a Limited Project for all Projects.

Principal Fund means the fund by that name established pursuant to the Indenture.

Project means the personal property, equipment, real property or improvements thereon, financed or refinanced in whole or in part with the proceeds of a Series of Bonds, except in all cases the Excluded Facilities.

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 Pledged Revenues which is senior in priority and superior to the lien of the Indenture on or in such Pledged 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.

Seventh Supplemental Indenture means the Seventh Supplemental Indenture, as executed by The Regents and the Trustee in accordance with the Indenture, and which is supplemental to the Indenture.

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 Pledged Revenues which is subordinate to the lien of the Indenture on or in such Pledged 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., in San Francisco, California, as successor trustee or as authenticating agent or its successor as Trustee as provided in the Indenture.

2012 Bonds means collectively the 2012 Series G Bonds and the 2012 Series H Bonds.

2012 Series G Bonds means The Regents of the University of California Limited Project Revenue Bonds, 2012 Series G, authorized under and secured by the Indenture and the Seventh Supplemental Indenture.

2012 Series H Bonds means The Regents of the University of California Limited Project Revenue Bonds, 2012 Series H (Taxable), authorized under and secured by the Indenture and the Eighth Supplemental Indenture.

2012 Projects means the personal property, equipment, real property or improvements thereon, financed or refinanced in whole or in part with the proceeds of the 2012 Bonds, except in all cases the Excluded Facilities. A preliminary list of the 2012 Projects is contained in Appendix D.

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 Limited Project 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.

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 Pledged 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, including but not limited to: (1) to provide moneys needed to acquire, implement, install, construct or complete a Project, including reimbursements of any sums advanced by The Regents for such purposes, by depositing into the construction fund established for such Series of Bonds, the proceeds of such Series to be so applied, (2) to refund all or part of the Bonds of any one or more Series then outstanding, or (3) to provide moneys needed to refund all or part of any other Indebtedness, by depositing with the Trustee funds in the necessary amount to pay or otherwise provide for the payment of principal, interest and premium with respect to such Indebtedness in accordance with the terms thereof; such Supplemental Indenture may, but is not required to, provide for the payment of expenses incidental to such purposes, including the costs of issuance of such Series, interest on Bonds of such Series and, in the case of Bonds issued to refund other Bonds or Indebtedness, expenses incident to calling, redeeming, paying or otherwise discharging the Bonds or Indebtedness to be refunded;

(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 Mandatory Sinking Account 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, facsimile or electronic transmission, or overnight delivery service 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.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

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 Pledged 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 Pledged 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 Pledged Revenues set forth in this Section shall in all respects be (i) junior to any Current Senior Lien Indebtedness or 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 or The Regents, respectively, except for the Pledged Revenue Fund, which will be held by a Depository Bank: (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 for any Series of Bonds, if required by a Supplemental Indenture); (e) the Pledged Revenue Fund; (f) the Rebate Fund; (g) the 2012 Series G Construction Fund; (h) the 2012 Series G Costs of Issuance Fund and (i) the 2012 Series H Costs of Issuance Fund.

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.

2012 Series G Construction Fund. The Regents shall establish and maintain a fund designated as the "2012 Series G Construction Fund." Moneys in the 2012 Series G Construction Fund shall be used and withdrawn by The Regents to pay the cost of the acquisition, construction, improvement and/or renovation of the 2012 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 2012 Series G Bonds in such amounts and on such dates as determined by The Regents. Amounts in the 2012 Series G Construction Fund may be invested in Investment Securities. Upon completion of the 2012 Projects, any amounts remaining in the 2012 Series G Construction Fund shall be applied to pay the interest on the 2012 Series G Bonds or to pay other capital expenditures of The Regents.

2012 Series G Costs of Issuance Fund. The Regents shall establish and maintain a fund designated as the "2012 Series G Costs of Issuance Fund." Moneys in the 2012 Series G Costs of Issuance Fund shall be used to pay Costs of Issuance with respect to the 2012 Series G Bonds, and at the end of six months from the date of issuance of the 2012 Series G 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.

2012 Series H Costs of Issuance Fund. The Regents shall establish and maintain a fund designated as the "2012 Series H Costs of Issuance Fund." Moneys in the 2012 Series H Costs of Issuance Fund shall be used to pay Costs of Issuance with respect to the 2012 Series H Bonds, and at the end of six months from the date of issuance of the 2012 Series H 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.

Flow of Funds

Pledged Revenues. The Regents agrees that, so long as any of the Bonds remain Outstanding (i) all of the Pledged 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 Pledged Revenue Fund" (the "Pledged 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 Pledged Revenues encumbered by any Senior Lien (but not encumbered by any Parity Lien) shall be deposited in the Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged Revenues under the Indenture.

Amounts in the Pledged 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 Pledged Revenue Fund to the name and credit of the Trustee. All Pledged Revenues shall continue to be deposited by The Regents in the Pledged 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 Pledged Revenue Fund shall be returned to the name and credit of The Regents. During any period that the Pledged 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 Pledged Revenue Fund to the Trustee for deposit in a special fund designated as "The Regents of the University of California Pledged 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 Pledged 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 Pledged 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 Pledged Revenues and other assets pledged for such payment as provided in the Indenture.

No Extension of Payment of Principal and Interest on the Bonds. 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. The Regents may incur any Indebtedness or other obligations payable from Pledged Revenues, including, but not limited to, Indebtedness or other obligations secured by a Senior Lien, a Parity Lien or a 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 Pledged 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 the Fiscal Year ended on June 30, 2010, and not later than seven months after the end of each Fiscal Year thereafter, The Regents shall also furnish to the Trustee, the annual financial report of the University of California, including the audit opinion from an Independent Certified Public Accountant. Such financial report shall include the amount of Pledged Revenues for such Fiscal Year.

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 Pledged Revenues.

Pledged Revenue Rate Covenant. So long as the Bonds are Outstanding, The Regents shall set rates, charges, and fees in each Fiscal Year so as to cause Pledged Revenues to be in an amount not less than 1.10 times the Aggregate Debt Service for the then-current Fiscal Year on all Indebtedness secured by a Parity Lien.

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 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 Pledged 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 of the United States Securities Exchange Commission, 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 Pledged Revenues and secured by the pledge made under the Indenture.

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; or

(c) 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) or (b) 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.

(d) 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;

(e) 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

(f) 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 Pledged 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 Pledged 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 Pledged 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

If The Regents shall pay all Bonds Outstanding (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, and 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 Pledged 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.

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 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 successor trustee (the "Trustee"), in connection with the issuance of the 2012 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 the Trustee, acting in its capacity as Dissemination Agent under the Continuing Disclosure Agreement, 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, 2012, 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 Pledged 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 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(F) 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.

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APPENDIX D

TABLE OF PROJECTS

2004 Series A Projects

Campus	Project Name
Berkeley	Channing Bowditch Undergraduate Student Housing
Berkeley	Clark Kerr Undergraduate Student Housing and Dining Renovation
Irvine	Palo Verde Graduate Student Housing
Los Angeles	Hedrick Undergraduate Student Housing
Los Angeles	Kinross Avenue Extension
Los Angeles	Southwest Campus Graduate Student Housing
Los Angeles	Southwest Campus Resident Parking
Los Angeles	824 Hilgard Undergraduate Student Housing Acquisition
Los Angeles	720 Hilgard Undergraduate Student Housing Acquisition
Santa Barbara	Campus Parking Structure 2
Santa Barbara	Francisco Torres Undergraduate Student Housing, Seismic Correction and Renovation
Santa Cruz	Laureate Court Faculty Housing Acquisition
Santa Cruz	Cowell, Stevenson and Porter College Infill Student Housing Apartments

2005 Series B and 2005 Series C Projects

Campus	Project Name
Berkeley	Unit 1 and Unit 2, Infill Housing Projects
Berkeley	University Village Housing, Step 2, Phase 1
Berkeley	Unit 3 Dining Commons Renovation
Berkeley	Underhill Parking Structure
Davis	West Entry Parking
Davis	Tercero Housing
Irvine	Palo Verde Graduate Student Housing, Phase 2
Irvine	Parking Structure 4, Step 6
Los Angeles	Rieber Hall, North and West, Housing
Merced	Garden Suites Housing and Dining
San Diego	Hopkins Parking Structure
San Francisco	Mission Bay Parking Structure 23B
San Francisco	Mission Bay Block 20 Housing
San Francisco	145 Irving Housing Renovation
San Francisco	Fifth Avenue Housing Renovation
Santa Barbara	Parking Structure 3

2007 Series D Projects

Campus	Project Name
Berkeley	University Village Redevelopment, Step 2, Phase 2
Irvine	Arroyo Vista Housing Repairs
Merced	Sierra Terraces Housing
Merced	Valley Terraces Dining Expansion
Riverside	Arroyo Student Housing, Phase 1
Riverside	Highlander Ridge Apartments and Improvements
San Diego	East Campus Graduate Housing
Santa Barbara	San Clemente Student Housing
Santa Barbara	San Nicolas Housing Fire Safety and Repair

2010 Series E and 2010 Series F Projects

Campus	Project Name
Berkeley	California Memorial Stadium Seismic Corrections and West Program Improvements
Davis	Tercero South Student Housing, Phase II
Irvine	Middle Earth Phase 1 Student Housing Renovations
Los Angeles	Northwest Campus Student Housing Infill
	Weyburn Terrace Graduate Student Housing
San Francisco	UCSF Medical Center at Mission Bay Phase I Parking Structure
Santa Cruz	Porter College – House A Student Housing Seismic, Capital Renewal and Expansion

Preliminary 2012 Series G Projects

Pursuant to the Indenture, the preliminary 2012 Series G Projects may change at the discretion of The Regents.

Campus	Project Name
Berkeley	Anna Head West Student Housing
	Energy Efficiency Project
Davis	Segundo Services Center
	Tercero South Student Housing, Phase II
	Tahoe Environmental Science Center (Sierra Nevada College)
Irvine	Verano Unit 4 Replacement
	Mesa Court Units 1 & 2 Renewal
Los Angeles	Pauley Pavilion Renovation and Expansion
	Westwood Plaza, 924 Westwood Blvd.
San Diego	Revelle College Apartments
	Muir College Apartments
San Francisco	Mt. Zion Parking Structure

In addition to the preliminary 2012 Series G Projects, certain Projects located on the Berkeley Campus, funded with General Revenue Bonds refunded by 2012 Series H Bonds, will be added as 2012 Series H Projects.

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APPENDIX E

FORM OF BOND COUNSEL OPINION

[Closing Date]

The Regents of the University of California
Oakland, California

The Regents of the University of California
Limited Project Revenue Bonds
2012 Series G and 2012 Series H (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 of $899,275,000 aggregate principal amount of The Regents of the University of California Limited Project Revenue Bonds, 2012 Series G (the "2012 Series G Bonds") and $100,420,000 aggregate principal amount of The Regents of the University of California Limited Project Revenue Bonds, 2012 Series H (Taxable) (the "2012 Series H Bonds," and together with the 2012 Series G Bonds, the "Bonds") issued by The Regents pursuant to an Indenture, dated as of October 1, 2004, by and between The Regents and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as heretofore supplemented and as supplemented by the Seventh Supplemental Indenture and the Eighth Supplemental Indenture, each dated as of August 1, 2012, 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 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 opinion. 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 2012 Series G 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, 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, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, 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 related 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 Pledged 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 Pledged Revenues shall in all respects be junior to any present or 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 2012 Series G 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 2012 Series G

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 2012 Series H Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

2012 Series H Bonds Circular 230 Disclaimer.

To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties that may be imposed under the Code, or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

Introduction. The information set forth in this Appendix F 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 2012 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 2012 Bonds, as nominee of DTC, references in the Official Statement, including the Appendices thereto, to the Holders of the 2012 Bonds (other than as set forth under "Tax Matters") shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2012 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 2012 BONDS; (III) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE 2012 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 2012 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE 2012 BONDS; OR (VI) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS THE BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2012 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 2012 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 Limited Project Revenue Bonds, 2012 Series G (the "2012 Series G Bonds") and Limited Project Revenue Bonds, 2012 Series H (Taxable) (the "2012 Series H Bonds" and together with the 2012 Series G Bonds, the "2012 Bonds"). The 2012 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 the 2012 Bonds, in the aggregate principal amount of such 2012 Bonds, and will be deposited with DTC.

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 3.5 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 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012 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 2012 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 2012 Bonds, except in the event that use of the book-entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 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 2012 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 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 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 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, tenders, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of 2012 Bonds may wish to ascertain that the nominee holding 2012 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 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 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 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2012 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 2012 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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