OFFICIAL STATEMENT DATED NOVEMBER 7, 2017

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: **Fitch: AAA**
Moody's: Aaa
Standard & Poor's: AAA
See "Ratings" herein

Interest on the Bonds is not excludable from gross income for federal tax purposes under existing law. See "Certain United States Federal Income Tax Considerations" herein.

$302,640,000
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
Permanent University Fund Bonds, Taxable Series 2017A

Dated: November 1, 2017
Interest Accrual: Date of Delivery **Due: July 1, 2047**

The Board of Regents of The University of Texas System Permanent University Fund Bonds, Taxable Series 2017A (the "Bonds") will constitute valid and legally binding special obligations of the Board of Regents (the "Board") of The University of Texas System (the "System"), secured by and payable from a first lien on and pledge of the "Interest of the System" in the "Available University Fund" (as defined herein) on a parity with the "Outstanding PUF Bonds" (as defined herein). The Board has reserved the right to issue additional bonds on a parity with the Bonds. **THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE SYSTEM, THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION OF THE STATE OF TEXAS. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS**. See "Security for the Bonds."

Proceeds from the sale of the Bonds, together with other available moneys of the Board, if any, will be used for the purpose of refunding certain short-term obligations of the Board in order to achieve long-term financing and for the purpose of paying the costs of issuance of the Bonds. See "Plan of Financing."

The Bonds will bear interest from their initial date of delivery to the initial purchasers (the "Underwriters") and such interest will be payable on January 1 and July 1 of each year, commencing January 1, 2018, until maturity or prior redemption, calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will mature on July 1 in each of the years, in the amounts and will bear interest at the per annum rates as shown on the inside front cover.

The Bonds are subject to redemption prior to maturity as described herein. See "Description of the Bonds — Redemption" herein.

MATURITY SCHEDULE
(See Inside Front Cover)

The Depository Trust Company, New York, New York ("DTC"), initially will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical delivery of bond certificates except as described herein. Principal or the redemption price of and interest on the Bonds will be paid by U.S. Bank National Association, Houston, Texas, the initial Paying Agent/Registrar, in immediately available funds, as described herein. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book entry at DTC, or any other securities depository for the Bonds, the Paying Agent/Registrar will make payments on the Bonds to DTC, such other securities depository, or DTC's or such other securities depository's nominee in accordance with arrangement between the Board and DTC or such other securities depository. See "Description of the Bonds — Clearing Systems."

The Bonds are offered when, as, and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State of Texas and the approving opinion of Bracewell LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Andrews Kurth Kenyon LLP, Austin, Texas. The Bonds are expected to be available for delivery through DTC on or about November 14, 2017.

J.P. MORGAN

BLAYLOCK VAN, LLC **CITIGROUP** **DREXEL HAMILTON** **GEORGE K. BAUM & COMPANY**

HILLTOPSECURITIES **RAYMOND JAMES** **STIFEL, NICOLAUS & COMPANY, INCORPORATED**

$302,640,000[1]
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND BONDS, TAXABLE SERIES 2017A

$302,640,000 3.376% Term Bond Due July 1, 2047, Priced to Yield 3.376%, CUSIP Number 915115 8F9[2]

(Interest accrues on the Bonds from the Date of Delivery)

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(1) The Bonds are subject to redemption prior to stated maturity. See "Description of the Bonds – Redemption" herein.

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the purchasers of the Bonds. Neither the Board nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM OFFICERS

Sara Martinez Tucker, Chairman
R. Steven Hicks, Vice-Chairman
Jeffery D. Hildebrand, Vice-Chairman

Francie A. Frederick, General Counsel to the Board

MEMBERS

Term Expires May 31, 2018

Jaciel Castro [1] .... San Antonio

Terms Expire February 1, 2019[2]

Paul L. Foster .... El Paso
Ernest Aliseda .... McAllen
Jeffery D. Hildebrand .... Houston

Terms Expire February 1, 2021[2]

R. Steven Hicks .... Austin
David J. Beck .... Houston
Sara Martinez Tucker .... Dallas

Terms Expire February 1, 2023[2]

Kevin P. Eltife .... Tyler
Janiece Longoria. .... Houston
James C. Weaver .... San Antonio

SYSTEM ADMINISTRATION

William H. McRaven, Chancellor
Dr. David E. Daniel, Deputy Chancellor
Dr. Steven Leslie, Executive Vice Chancellor for Academic Affairs
Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs
Dr. Raymond S. Greenberg, Executive Vice Chancellor for Health Affairs
Amy Shaw Thomas, Vice Chancellor and Counsel for Health Affairs
Dan Sharphorn, Vice Chancellor and General Counsel
Dr. Randa S. Safady, Vice Chancellor for External Relations
William H. Shute, Vice Chancellor for Federal Relations
Barry McBee, Vice Chancellor for Governmental Relations
Dr. David L. Lakey, Vice Chancellor for Health Affairs and Chief Medical Officer
Dr. Stephanie Bond Huie, Vice Chancellor for Strategic Initiatives
Terry A. Hull, Associate Vice Chancellor for Finance

CHIEF ADMINISTRATIVE OFFICERS OF UNIVERSITY SYSTEM INSTITUTIONS

Dr. Vistasp M. Karbhari, President, The University of Texas at Arlington
Dr. Gregory L. Fenves, President, The University of Texas at Austin
Dr. Richard Benson, President, The University of Texas at Dallas
Dr. Diana S. Natalicio, President, The University of Texas at El Paso
Dr. Sandra Woodley, President, The University of Texas of the Permian Basin
Dr. Guy Bailey, President, The University of Texas Rio Grande Valley
Dr. Taylor Eighmy, President, The University of Texas at San Antonio
Dr. Michael V. Tidwell, President, The University of Texas at Tyler
Daniel K. Podolsky, M.D., President, The University of Texas Southwestern Medical Center at Dallas
David L. Callender, M.D., President, The University of Texas Medical Branch at Galveston
Giuseppe N. Colasurdo, M.D., President, The University of Texas Health Science Center at Houston
William L. Henrich, M.D., President, The University of Texas Health Science Center at San Antonio
Peter W.T. Pisters, M.D., President, The University of Texas M.D. Anderson Cancer Center at Houston
Kirk A. Calhoun, M.D., President, The University of Texas Health Science Center at Tyler

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(1) Student Regent. State law does not allow a Student Regent to vote on any matter before the Board.
(2) The expiration date of the term in lieu of an appointed successor is the last day of the first regular session of the State Legislature that begins after the expiration of such term.

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Board to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board. 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 the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 Board since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and in no instance may this Official Statement be reproduced or used for any other purpose.

Certain information set forth in this Official Statement has been furnished by the Board and other sources that are believed to be reliable, but such information is not to be construed as a representation by the Underwriters. CUSIP numbers have been assigned to this issue by the CUSIP Global Services for the convenience of the owners of the Bonds. Neither the Board nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE BOARD HAS NOT PROVIDED ANY OF, AND MAKES NO REPRESENTATION AS TO THE ACCURACY, ADEQUACY OR COMPLETENESS OF, (I) THE INFORMATION UNDER THE CAPTIONS "DESCRIPTION OF THE BONDS – CLEARING SYSTEMS" AND "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES" OR (II) THE INFORMATION PROVIDED BY THE UNDERWRITERS UNDER THE CAPTION "UNDERWRITING."

Market Price

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for the registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

The statements contained in this Official Statement, and in other information provided by the Board, that are not purely historical are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES IN THIS SECTION TO THE "ISSUER" MEAN THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM AND REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA ("EEA")

THIS OFFICIAL STATEMENT IS NOT A PROSPECTUS FOR THE PURPOSES OF EUROPEAN COMMISSION REGULATION 809/2004 OR EUROPEAN COMMISSION DIRECTIVE 2003/71/EC (AS AMENDED, INCLUDING BY EUROPEAN COMMISSION DIRECTIVE 2010/73/EU, AS APPLICABLE) (THE "PROSPECTUS DIRECTIVE"). IT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EEA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR SUCH OFFERS. THIS OFFICIAL STATEMENT IS ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EEA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EEA ("QUALIFIED INVESTORS"). THIS OFFICIAL STATEMENT MUST NOT BE ACTED ON OR RELIED ON IN ANY SUCH MEMBER STATE OF THE EEA BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO QUALIFIED INVESTORS IN ANY MEMBER STATE OF THE EEA AND WILL NOT BE ENGAGED IN WITH ANY OTHER PERSONS.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER''), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS, INCLUDING IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA APPLIES TO THE BOARD. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT READ, ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

THE BONDS (EXCEPT FOR BONDS WHICH ARE A "STRUCTURED PRODUCT" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) ("SECURITIES AND FUTURES ORDINANCE")) MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) ("COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE") OR (II) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL

INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER.

NOTICE TO INVESTORS IN CANADA

THIS OFFICIAL STATEMENT CONSTITUTES AN "EXEMPT OFFERING DOCUMENT" AS DEFINED IN AND FOR THE PURPOSES OF APPLICABLE CANADIAN SECURITIES LAWS. NO PROSPECTUS HAS BEEN FILED WITH ANY SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY IN CANADA IN CONNECTION WITH THE OFFERING OF THE BONDS. NO SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THIS OFFICIAL STATEMENT OR THE MERITS OF THE BONDS AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING OF THE BONDS IN CANADA.

THE OFFER AND SALE OF THE BONDS IN CANADA IS BEING MADE ON A PRIVATE PLACEMENT BASIS ONLY AND IS EXEMPT FROM THE REQUIREMENT THAT THE BOARD PREPARES AND FILES A PROSPECTUS UNDER APPLICABLE CANADIAN SECURITIES LAWS. ANY RESALE OF THE BONDS ACQUIRED BY A CANADIAN INVESTOR IN THIS OFFERING MUST BE MADE IN ACCORDANCE WITH APPLICABLE CANADIAN SECURITIES LAWS, WHICH MAY VARY DEPENDING ON THE RELEVANT JURISDICTION, AND WHICH MAY REQUIRE RESALES TO BE MADE IN ACCORDANCE WITH CANADIAN PROSPECTUS REQUIREMENTS, A STATUTORY EXEMPTION FROM THE PROSPECTUS REQUIREMENTS, IN A TRANSACTION EXEMPT FROM THE PROSPECTUS REQUIREMENTS OR OTHERWISE UNDER A DISCRETIONARY EXEMPTION FROM THE PROSPECTUS REQUIREMENTS GRANTED BY THE APPLICABLE LOCAL CANADIAN SECURITIES REGULATORY AUTHORITY. THESE RESALE RESTRICTIONS MAY UNDER CERTAIN CIRCUMSTANCES APPLY TO RESALES OF THE BONDS OUTSIDE OF CANADA.

THE BONDS MAY BE SOLD IN CANADA ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFICIAL STATEMENT (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

CANADIAN INVESTORS ARE ADVISED THAT THIS DOCUMENT HAS BEEN PREPARED IN RELIANCE ON SECTION 3A.3 OF NATIONAL INSTRUMENT 33-105 UNDERWRITING CONFLICTS ("NI 33-105"). PURSUANT TO SECTION 3A.3 OF NI 33-105, THIS DOCUMENT IS EXEMPT FROM THE REQUIREMENT THAT THE BOARD AND THE UNDERWRITERS IN THE OFFERING PROVIDE CANADIAN INVESTORS WITH CERTAIN CONFLICTS OF INTEREST DISCLOSURE PERTAINING TO "CONNECTED ISSUER" AND/OR "RELATED ISSUER" RELATIONSHIPS AS WOULD OTHERWISE BE REQUIRED PURSUANT TO SUBSECTION 2.1(1) OF NI 33-105.

ANY DISCUSSION OF TAXATION AND RELATED MATTERS CONTAINED IN THIS DOCUMENT DOES NOT PURPORT TO BE A COMPREHENSIVE DESCRIPTION OF ALL OF THE TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A CANADIAN INVESTOR WHEN DECIDING TO PURCHASE THE BONDS AND, IN PARTICULAR, DOES NOT ADDRESS ANY CANADIAN TAX CONSIDERATIONS. NO REPRESENTATION OR WARRANTY IS HEREBY MADE AS TO THE TAX CONSEQUENCES TO A RESIDENT, OR DEEMED RESIDENT, OF CANADA OF AN INVESTMENT IN THE BONDS OR WITH RESPECT TO THE ELIGIBILITY OF THE BONDS FOR INVESTMENT BY SUCH INVESTOR UNDER RELEVANT CANADIAN FEDERAL AND PROVINCIAL LEGISLATION AND REGULATIONS.

UPON RECEIPT OF THIS DOCUMENT, EACH CANADIAN INVESTOR HEREBY CONFIRMS THAT IT HAS EXPRESSLY REQUESTED THAT ALL DOCUMENTS EVIDENCING OR RELATING IN ANY WAY TO THE SALE OF THE BONDS (INCLUDING FOR GREATER CERTAINTY ANY PURCHASE CONFIRMATION OR ANY NOTICE) BE DRAWN UP IN THE ENGLISH LANGUAGE ONLY. PAR LA RÉCEPTION DE CE DOCUMENT, CHAQUE INVESTISSEUR CANADIEN CONFIRME PAR LES PRESENTES QU'IL A EXPRESSEMENT EXIGE QUE TOUS LES DOCUMENTS FAISANT FOI OU SE RAPPORTANT DE QUELQUE MANIERE QUE CE SOIT A LA VENTE DES VALEURS MOBILIERES DECRITES AUX PRESENTES (INCLUANT, POUR PLUS DE CERTITUDE, TOUTE CONFIRMATION D'ACHAT OU TOUT AVIS) SOIENT REDIGES EN ANGLAIS SEULEMENT.

NOTICE TO INVESTORS IN KOREA

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA FOR PUBLIC OFFERING IN KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY THE "FSCMA''). THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR REOFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER THE APPLICABLE LAWS AND REGULATIONS OF KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FETL"). WITHOUT PREJUDICE TO THE FOREGOING, THE NUMBER OF BONDS OFFERED IN KOREA OR TO A RESIDENT IN KOREA SHALL BE LESS THAN FIFTY AND FOR A PERIOD OF ONE YEAR FROM THE ISSUE DATE OF THE BONDS, NONE OF THE BONDS MAY BE DIVIDED RESULTING IN AN INCREASED NUMBER OF THE BONDS. FURTHERMORE, THE BONDS MAY NOT BE RESOLD TO KOREAN RESIDENTS UNLESS THE PURCHASER OF THE BONDS COMPLIES WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO GOVERNMENT REPORTING REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE BONDS.

NOTICE TO INVESTORS IN SWITZERLAND

THE BONDS MAY NOT BE PUBLICLY OFFERED IN SWITZERLAND AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE ("SIX") OR ON ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. THIS OFFICIAL STATEMENT HAS BEEN PREPARED WITHOUT REGARD TO THE DISCLOSURE STANDARDS FOR ISSUANCE PROSPECTUSES UNDER ART. 652A OR ART. 1156 OF THE SWISS CODE OF OBLIGATIONS OR THE DISCLOSURE STANDARDS FOR LISTING PROSPECTUSES UNDER ART. 27 FF. OF THE SIX LISTING RULES OR THE LISTING RULES OF ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS OR THE OFFERING MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

NONE OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, THE BOARD OR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. IN PARTICULAR, THIS OFFICIAL STATEMENT WILL NOT BE FILED WITH, AND THE OFFER OF THE BONDS WILL NOT BE SUPERVISED BY, THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY ("FINMA"), AND THE OFFER OF BONDS HAS NOT BEEN AND WILL NOT BE AUTHORIZED UNDER THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES ("CISA"). ACCORDINGLY, INVESTORS DO NOT HAVE THE BENEFIT OF THE SPECIFIC INVESTOR PROTECTION PROVIDED UNDER THE CISA.

NOTICE TO INVESTORS IN SINGAPORE

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN OFFICIAL STATEMENT WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL USED IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR AS DEFINED IN SECTION 4A OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) (THE "SFA")) PURSUANT TO SECTION 274 OF THE SFA, (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275; OF THE SFA OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA. WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON THAT IS: (A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR (B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY IS AN ACCREDITED INVESTOR, THEN SECURITIES(AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE SECURITIES UNDER SECTION 275 OF THE SFA EXCEPT: (I) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA; (II) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; (III) WHERE THE TRANSFER IS BY OPERATION OF LAW.; (IV) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR (V) AS SPECIFIED IN REGULATION 32 OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATIONS 2005 OF SINGAPORE.

NOTICE TO INVESTORS IN TAIWAN

EACH UNDERWRITER HAS REPRESENTED AND AGREED THAT THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS AND MAY NOT BE SOLD, ISSUED OR OFFERED WITHIN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTES AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES A REGISTRATION OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. NO PERSON OR ENTITY IN TAIWAN HAS BEEN AUTHORIZED TO OFFER, SELL, GIVE ADVICE REGARDING OR OTHERWISE INTERMEDIATE THE OFFERING AND SALE OF THE BONDS IN TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE BOARD OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE BOARD OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

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OFFICIAL STATEMENT

relating to

$302,640,000
Board of Regents of The University of Texas System
Permanent University Fund Bonds, Taxable Series 2017A

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of Regents (the "Board") of The University of Texas System (the "System") of its bonds entitled "Board of Regents of The University of Texas System Permanent University Fund Bonds, Taxable Series 2017A" (the "Bonds"). Capitalized terms used in this Official Statement and not otherwise defined have the same meanings assigned to such terms in the resolution (the "Bond Resolution") adopted by the Board on August 24, 2017 and the award certificate ("Award Certificate") to be executed by an authorized representative of the System authorizing the issuance of the Bonds. The Bond Resolution and the Award Certificate are referred to herein collectively as the "Resolution."

The Board is created by law and is the constitutionally recognized governing board of the System. Members of the Board are officers of the State of Texas and are appointed by the Governor with the advice and consent of the Texas Senate. The Board is charged with administration of the Permanent University Fund for the benefit of certain institutions named in the Texas Constitution.

The System presently consists of 14 State-supported general academic and health-related education and research institutions, including The University of Texas at Austin, all as listed on page ii of this Official Statement. Preliminary enrollment for the System for the Fall 2017 semester was 234,287 students.

The Resolution provides that the Bonds and the interest thereon are secured by a first lien on and pledge of the Interest of the System in the Available University Fund (as defined herein) on a parity with the Outstanding PUF Bonds (as defined herein) and any additional bonds and notes hereafter issued on parity with such bonds ("Additional Parity Bonds and Notes"). See "Security for the Bonds — Pledge Under the Resolution."

The Available University Fund is defined by the Texas Constitution to consist of distributions from the investment income of the Permanent University Fund. The Permanent University Fund is a constitutional fund and public endowment created in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The Permanent University Fund consists of a portfolio of investments with a book value of approximately $16.503 billion as of September 30, 2017 in addition to 2,109,190 acres located in 24 North and West Texas counties. See "Interest of the System in the Available University Fund."

As of the date of this Official Statement, the Board has outstanding $284,065,000 of Permanent University Fund Refunding Bonds, Series 2006B; $364,365,000 of Permanent University Fund Bonds, Series 2008A; $250,000,000 of Permanent University Fund Taxable Bonds, Series 2009A; $240,340,000 of Permanent University Fund Bonds, Series 2014A; $205,200,000 of Permanent University Fund Bonds, Series 2014B; $161,710,000 of Permanent University Fund Refunding Bonds, Series 2015A; $204,445,000 of Permanent University Fund Bonds, Series 2015B; $126,020,000 of Permanent University Fund Bonds, Taxable Series 2015C; $113,390,000 of Permanent University Fund Bonds, Series 2016A; and $264,500,000 of Permanent University Fund Bonds, Series 2016B (collectively, the "Outstanding PUF Bonds") which, together with any Additional Parity Bonds and Notes, are equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University. See "Security for the Bonds — Future Financings" and "Interest of the System in the Available University Fund — Available University Fund."

Pursuant to a resolution adopted by the Board on August 14, 2008, as amended on February 6, 2014, the Board is authorized to issue, from time to time, its Permanent University Fund Commercial Paper Notes, Series A (the "Tax-Exempt CP Notes") and its Permanent University Fund Taxable Commercial Paper Notes, Series B (the

"Taxable CP Notes" and, together with the Tax-Exempt CP Notes, the "Commercial Paper Notes"); provided, that the combined aggregate principal amount of the Commercial Paper Notes outstanding at any one time may not exceed $750,000,000. The Commercial Paper Notes are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund, which lien and pledge are junior and subordinate to the lien on and pledge thereof securing the payment of the Bonds, the Outstanding PUF Bonds and any Additional Parity Bonds and Notes. See "Security for the Bonds — Commercial Paper Notes." As of the date of this Official Statement, $400,000,000 in aggregate principal amount of Taxable CP Notes and $81,000,000 in aggregate principal amount of Tax-Exempt CP Notes are outstanding. As described in "Plan of Financing," $301,000,000 in aggregate principal amount of the Commercial Paper Notes will be refinanced with a portion of the proceeds of the Bonds.

Included in this Official Statement are brief descriptions and summaries of the Bonds, the Permanent University Fund, the Available University Fund, the Interest of the System in the Available University Fund and the Resolution. Such descriptions and summaries do not purport to be complete and are subject to and qualified by reference to the provisions of the Resolution, copies of which are available from the Board upon request at the Office of Finance, 210 West Seventh Street, Austin, Texas 78701.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State of Texas, including particularly Article VII, Section 18 of the Texas Constitution (the "Constitutional Provision"), Chapters 1207 and 1371, Texas Government Code, and Section 65.46, Texas Education Code (collectively, the "Applicable Law"), and pursuant to the terms of the Resolution.

Purpose for Issuance of the Bonds

Proceeds from the sale of the Bonds, together with other available moneys of the Board, if any, will be used for the purpose of refunding $81,000,000 in aggregate principal amount of the Tax-Exempt CP Notes and $220,000,000 in aggregate principal amount of the Taxable CP Notes that are outstanding as of the date of this Official Statement (collectively, the "Refunded Notes") and to pay costs of issuance of the Bonds. The issuance of the Bonds will permit the Board to replace the short-term financing provided by the Refunded Notes with long-term financing and provide capacity for the Board to issue additional Commercial Paper Notes (see "Appendix B — Combined Debt Service Requirements on Outstanding PUF Bonds").

The Refunded Notes

The Resolution provides that from the proceeds of the sale of the Bonds and other available funds, the Board will deposit with U.S. Bank National Association, in its capacity as issuing and paying agent for the Refunded Notes (the "Refunded Notes Paying Agent"), the amount necessary to accomplish the discharge, defeasance and final payment of the Refunded Notes. Thereafter, the Refunded Notes, together with interest due thereon, will be paid on the scheduled maturity dates therefor, from the amounts deposited with the Refunded Notes Paying Agent. The amounts so deposited with the Refunded Notes Paying Agent will be in the form of cash and will be sufficient to provide for payment of the principal of and interest on the Refunded Notes when due, as evidenced by a certificate of sufficiency executed by the Refunded Notes Paying Agent.

By the deposit of cash with the Refunded Notes Paying Agent, the Board will have effected the defeasance of the Refunded Notes in accordance with applicable laws and pursuant to the terms of the resolution authorizing their issuance. As a result of such defeasance, the Refunded Notes will no longer be payable from the Interest of the System in the Available University Fund but will be payable solely from the cash held for such purpose by the Refunded Notes Paying Agent and the Refunded Notes will not be considered to be indebtedness of the Board for any other purpose.

Parity Bonds

The Bonds will be issued on parity with the Outstanding PUF Bonds and any Additional Parity Bonds and Notes. The Outstanding PUF Bonds, the Bonds and all Additional Parity Bonds and Notes are referred to collectively herein as the "PUF Bonds." The debt service requirements for the Bonds, combined with the debt service requirements for the Outstanding PUF Bonds are set forth in "Appendix B — Combined Debt Service Requirements on Outstanding PUF Bonds."

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of Bonds	$302,640,000.00
Total Sources of Funds	$302,640,000.00
Application of Funds	
Deposit to Refunded Notes Paying Agent	$301,416,451.40
Costs of Issuance(1)	1,223,548.60
Total Application of Funds	$302,640,000.00

(1) Includes Underwriters' discount and rounding amount. See "Underwriting" herein.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000, and will accrue interest from their initial date of delivery to the Underwriters. Further, the Bonds will mature on the dates and will bear interest at the per annum rates shown on the inside front cover page of this Official Statement. Interest on the Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2018, and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds are initially issuable in book-entry only form. Initially, Cede & Co., the nominee of DTC (hereinafter defined), will be the registered owner and references herein to the Bondholders, holders, holders of the Bonds or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. See "Description of the Bonds — Clearing Systems."

In the event the date for payment of the principal of or interest on the Bonds is not a Business Day, then the date for such payment shall be the next succeeding Business Day. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due. "Business Day" is defined in the Resolution to mean any day that is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City of New York, New York or in the city where the corporate trust office of the Paying Agent/Registrar are authorized by law or executive order to close.

If any Bond is not presented for payment when the principal price therefor becomes due, or any check representing payment of interest on the Bonds is not presented for payment, and if money sufficient to pay such Bond or such interest, as applicable, has been deposited under the Resolution, all liability of the Board to the owner thereof for the payment of such Bonds or such interest, as applicable, will be completely discharged, and thereupon it shall be the duty of the Paying Agent/Registrar to hold such money, without liability for interest thereupon, for the benefit of the owner of the applicable Bond, who will thereafter be restricted exclusively to such money for any claim on his part under the Resolution with respect to such principal and/or interest.

Redemption

Optional Redemption at Par. On or after the Par Call Date (as defined below), the Bonds will be subject to optional redemption prior to maturity, in whole or in part, at the direction of the Board (and, if in part, in authorized denominations and on a pro rata basis, subject to the provisions described below under "Selection of Bonds for Redemption"), on any Business Day, at the Redemption Price. "Redemption Price" means 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest on such Bonds to, but excluding, the redemption date. "Par Call Date" means January 1, 2047 (six months prior to the maturity date of the Bonds).

Optional Redemption at Make-Whole Redemption Price. Prior to the Par Call Date, the Bonds will be subject to optional redemption prior to maturity, in whole or in part, at the direction of the Board (and, if in part, in authorized denominations and on a pro rata basis, subject to the provisions described below under "Selection of Bonds for Redemption"), on any Business Day, at the Make-Whole Redemption Price. The Board shall retain an independent accounting firm or an independent financial advisor to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Paying Agent/Registrar and the Board may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and its determination of, the Make-Whole Redemption Price, and neither the Board nor the Paying Agent/Registrar will have any liability for such reliance. The determination of the Make-Whole Redemption Price by such accounting firm or financial advisor shall be conclusive and binding on the Board, the Paying Agent Registrar and the holders of the Bonds. For purposes of this paragraph,

"Make-Whole Redemption Price" means the greater of (i) 100% of the principal amount of the Bonds to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed (not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed), discounted to the date on which such Bonds are to be redeemed on a semi-annual basis assuming a 360-day year consisting of twelve 30-day months at the adjusted Treasury Rate plus ten (10) basis points, plus, in each case, accrued and unpaid interest on such Bonds to, but excluding, the redemption date; and

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to (i) the semiannual equivalent yield to maturity, or (ii) if no such semiannual equivalent yield to maturity is available, the interpolated yield to maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

As used in connection with the above definition of "Treasury Rate" the following capitalized terms have the following meanings:

"Comparable Treasury Issue" means the United States Treasury security or securities selected by a Designated Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Bonds to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Bonds.

"Comparable Treasury Price" means, with respect to any redemption date, the average of the Primary Treasury Dealer Quotations for such redemption date or, if the Designated Investment Banker obtains only one Primary Treasury Dealer Quotation, such Primary Treasury Dealer Quotation.

"Designated Investment Banker" means a Primary Treasury Dealer appointed by the Board.

"Primary Treasury Dealer" means one or more entities appointed by the Board, which, in each case, is a primary U.S. Government securities dealer in the City of New York, New York, and its or their respective successors.

"Primary Treasury Dealer Quotations" means, with respect to each Primary Treasury Dealer and any redemption date, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Primary Treasury Dealer at 3:30 p.m. New York time at least five Business Days preceding such redemption date.

"Business Day" means any day other than (A) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close or (B) a day on which the New York Stock Exchange is closed.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption prior to their scheduled maturity and shall be redeemed by the Board, in part, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, on the dates and in the principal amounts set forth in the following schedule:

Redemption Date (July 1)	Principal Amount ($)
2046	148,800,000
2047 (final maturity)	153,840,000

The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Board, by the principal amount of any Bonds, which, at least 15 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been acquired and canceled by such Paying Agent/Registrar at the direction of the Board, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. During any period in which ownership of the Bonds to be redeemed is determined by a book entry at a securities depository for such Bonds, if fewer than all of such Bonds are to be redeemed, the particular Bonds shall be selected in accordance with the arrangements between the Board and the securities depository. See "Description of the Bonds — Clearing Systems."

Notice of Redemption. Not less than 30 days prior to a redemption date, a notice of redemption will be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, to each registered owner of a Bond to be redeemed at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 35th day prior to such redemption date, and to each registered securities depository and to any national information service that disseminates redemption notices. Failure to receive such notice, or any defect therein, will not affect the validity or effectiveness of the proceedings for the redemption of any Bond. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the registered owners of the Bonds to be redeemed at least 30 days but not more than 90 days prior to the actual redemption date. The Paying Agent/Registrar shall also send a notice of redemption to the registered owner of any Bond who has not sent the Bonds in for redemption 60 days after the redemption date.

If at the time of mailing of notice of any optional redemption in connection with a refunding of the Bonds the Board shall not have deposited with the Paying Agent/Registrar or an eligible institution moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the proceeds of refunding bonds with the Paying Agent/Registrar or any eligible institution not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Selection of Bonds for Redemption. If fewer than all of the Bonds are to be redeemed while the Bonds are in a book entry system, the particular Bonds to be redeemed shall be selected prior to the redemption date by the Paying Agent/Registrar, from the outstanding Bonds not previously called for redemption (i) on a pro-rata pass-through distribution of principal basis pursuant to the procedures and operational arrangements of the securities depository or (2) if the securities depository's procedures or operational arrangement at such time do not allow for redemption on a pro-rata pass-through distribution of principal basis, by such method as may be acceptable to the Paying Agent/Registrar and to the securities depository in accordance with its operating procedures in effect at such time.

If fewer than all of the Bonds are to be redeemed while the Bonds are not in a book entry system, the particular Bonds to be redeemed shall be allocated and selected by the Paying Agent/Registrar among the holders of the Bonds as nearly as practicable to the principal amount of the Bonds owned by each holder. In such case, the principal amount of Bonds to be redeemed from each holder shall be calculated in the following manner: (principal amount of Bonds to be redeemed) x (principal amount of Bonds owned by the registered owner)/(principal amount of Bonds outstanding).

Reservation of Right to Redeem with Bondholder Consent; Purchase for Cancellation. Pursuant to the Resolution, the Board has (i) reserved the right, with the consent of the holder of any Bond, to redeem such Bond at such time and on such terms as may be agreed to by an authorized representative of the Board and the holder of such Bond, and (ii) reserved the right to purchase Bonds for cancellation in the open market with lawfully available funds of the Board at a price to be determined by an authorized representative of the Board; provided, that upon purchase for either purpose described in clause (i) or (ii), such Bonds shall be treated as delivered to the Paying Agent/Registrar for cancellation. Bonds purchased for cancellation pursuant to clause (ii) of the preceding sentence that are subject to mandatory sinking fund redemption, if applicable, may be credited as directed by an authorized representative of the Board against future mandatory sinking fund redemption payments for such Bonds.

Paying Agent/Registrar

In the Resolution, the Board reserves the right to replace the Paying Agent/Registrar for the Bonds. The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Houston, Texas. The Board covenants to maintain and provide a Paying Agent/Registrar for the Bonds at all times while such Bonds are outstanding, and any successor Paying Agent/Registrar for the Bonds shall be a competent and legally qualified bank, trust company, financial institution or other agency. In the event that the entity at any time acting as Paying Agent/Registrar should resign or otherwise cease to act as such, the Board covenants promptly to appoint a competent and legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar, as applicable. Upon any change in the Paying Agent/Registrar for the Bonds, the Board agrees promptly to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar, as applicable.

Record Date

The record date for determining the person to whom interest is payable on any interest payment date with respect to the Bonds (the "Record Date") is defined in the Resolution to mean the close of business on the Business Day immediately preceding an interest payment date. Interest on the Bonds shall be payable by the Paying Agent/Registrar on each interest payment date, by check dated as of such interest payment date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears on the Record Date preceding each such interest payment date. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar requested by, at the risk and expense of, the respective registered owners of the Bonds. Any accrued interest due upon the redemption of any Bond prior to maturity as provided in the Resolution shall be payable to the registered owner thereof at the designated office for payment of the Paying Agent/Registrar upon presentation and surrender thereof for redemption and payment at such principal office for payment. Notwithstanding the foregoing, any payment to Cede & Co., as nominee of DTC, or its registered assigns, shall be made in accordance with existing arrangements between the Board and DTC. See "Description of the Bonds – Clearing Systems."

Clearing Systems

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name.

The information in this section concerning DTC, Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream, société anonyme, Luxembourg ("Clearstream") (DTC, Euroclear and Clearstream together, the "Clearing Systems"), and DTC's book-entry-only system has been provided by DTC, Euroclear and Clearstream for use in disclosure documents such as this Official Statement.

DTC will act as the initial securities depository for the Bonds. Euroclear and Clearstream are participants of DTC and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and the Board expressly disclaims any responsibility to update this Official Statement to reflect any such changes. The information herein concerning the Clearing Systems has been obtained from sources that the Board believes to be reliable, but neither the Board nor the Underwriters take any responsibility for the accuracy or completeness of the information set forth herein. Investors wishing to use *the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Board will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

The Board cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to participants of the Clearing Systems ("Participants") (2) Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC or the other Clearing Systems will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the U.S. Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

<u>DTC Book-Entry-Only System</u>. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other nominee as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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, as amended. 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 of 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*.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee as may be requested by an authorized representative of DTC do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 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 Paying Agent/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 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed, unless other arrangements are made between DTC and the Board.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the 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 Board or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participants and not of DTC nor its nominee, the Paying Agent/Registrar, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent/Registrar, 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 Bonds at any time by giving reasonable notice to the Board or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry-only system is discontinued by DTC or the Board, the following provisions will be applicable to the Bonds: Bonds may be exchanged for an equal aggregate principal amount of Bonds in authorized denominations and of the same maturity upon surrender thereof at the corporate trust office of the Paying Agent/Registrar. The transfer of any Bond may be registered on the books maintained by the Paying Agent/Registrar for such purpose only upon the surrender of such Bond to the Paying Agent/Registrar with a duly executed assignment in form satisfactory to the Paying Agent/Registrar. For every exchange or transfer of registration of Bonds, the Paying Agent/Registrar and the Board may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Board shall pay the fee, if any, charged by the Paying Agent/Registrar for the transfer or exchange. The Paying Agent/Registrar will not be required to transfer or exchange any Bond after its selection for redemption. The Board and the Paying Agent/Registrar may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of, and interest on, such Bond.

Euroclear and Clearsteam Banking. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream. If the investors are participants in Clearstream and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories. In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Board will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement. Interests in the Bonds will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Board on the date of delivery of the Bonds.

Secondary Market Trading. Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Amendment of Terms

The owners of PUF Bonds aggregating 51% of the aggregate principal amount of the then outstanding PUF Bonds have the right under the Resolution to approve any amendment to the Resolution or any other resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; *provided, however*, that the owners of all of the outstanding PUF Bonds must approve the amendment of the terms and conditions in any PUF Bond, the Resolution or such other resolutions so as to (a) make any change in the maturity of the outstanding PUF Bonds; (b) reduce the rate of interest borne by any of the outstanding PUF Bonds; (c) reduce the amount of the principal payable on the outstanding PUF Bonds; (d) modify the terms of payment of principal of or interest on the outstanding PUF Bonds, or impose any conditions with respect to such payment; (e) affect the rights of the owners of less than all of the PUF Bonds then outstanding; or (f) change the minimum percentage of the principal amount of PUF Bonds necessary for consent to such amendment.

If at any time the Board shall desire to amend the Resolution or any other resolution authorizing the issuance of PUF Bonds as aforesaid, the Board shall cause written notice of the proposed amendment to be sent by United States mail, first-class postage prepaid, to each registered owner of the PUF Bonds then outstanding. Such notice shall set forth briefly the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each paying agent/registrar for the PUF Bonds for inspection by all owners of PUF Bonds.

Notwithstanding the foregoing and subject to the requirements of the resolutions authorizing the outstanding PUF Bonds, the Resolution and the rights and obligations of the Board and of the owners of the Bonds may, to the extent permitted by law, be modified or amended at any time by a supplemental resolution, without notice to or the consent of any owners of the Bonds, to cure any ambiguity, or to cure or correct any defective provision contained in the Resolution, upon receipt by the Board of an approving opinion of Bond Counsel that the same is needed for such purpose and will more clearly express the intent of the Resolution.

Defeasance

The Resolution makes the following provisions for the defeasance of the Bonds:

(a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer, outstanding within the meaning of the Resolution (a "Defeased Bond") except to the extent provided in paragraph (c) below, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, or (2) Government Obligations (as defined below) that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of their services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding under the Resolution. See "Security for the Bonds." Under current State law, after firm banking and financial arrangements for the discharge and final payment or redemption of Defeased Bonds have been made, as described above, all rights of the Board to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; *provided, however*, that the right to call such Defeased Bonds for redemption is not extinguished if the Board: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar also may be invested at the written direction of the Board in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board.

(c) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform its services as Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by the Resolution.

(d) Notwithstanding the foregoing, the Board may provide for the irrevocable deposit required by the Resolution, as described above, to be made with the Paying Agent/Registrar or with any other eligible bank or trust company then authorized by State law. For purposes of these provisions, "Government Obligations" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves any proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves any proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iv) any other then authorized securities or obligations under applicable State law in existence on the date the Board adopts or approves any proceedings authorizing the issuance of refunding bonds that may be used to defease obligations such as the Bonds.

SECURITY FOR THE BONDS

Pledge Under the Resolution

Pursuant to the Applicable Law, the Resolution provides that the Bonds and the interest thereon are equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund on a parity with the Outstanding PUF Bonds. See "Interest of the System in the Available University Fund." Additionally, the Board in the Resolution has reserved the right to issue Additional Parity Bonds and Notes on a parity with the Bonds and the Outstanding PUF Bonds, subject to the constitutional limitation that the aggregate amount of bonds and notes payable from the Interest of the System in the Available University Fund cannot at the time of issuance exceed 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate. See "Interest of the System in the Available University Fund — Constitutional Debt Authority, Debt Limitations."

The Bonds do not constitute general obligations of the Board, the System, the State of Texas, or any political subdivision of the State of Texas. The Board has no taxing power, and neither the credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged as security for the Bonds.

General Covenants

The resolutions authorizing the Outstanding PUF Bonds and the Resolution require the State Comptroller to maintain in the State Treasury an Interest and Sinking Fund for the PUF Bonds. Such resolutions collectively require the Board and the officers of the System to cause the State Comptroller, on or before the date on which principal or interest is due on the PUF Bonds, to transfer from the Interest and Sinking Fund to the paying agents for such bonds amounts sufficient to pay such principal and interest.

The Board additionally covenants and agrees:

(a) that while any PUF Bonds are outstanding and unpaid, the Board will maintain and invest and keep invested the Permanent University Fund in accordance with the standards required by State law;

(b) that the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;

(c) that the Board will duly and punctually pay or cause to be paid the principal of every PUF Bond, and the interest thereon, from the sources, on the days, at the places and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity all PUF Bonds that by their terms are required to be redeemed mandatorily prior to maturity, when and as so required, and that it will faithfully do and perform and at all times fully observe all covenants, undertakings and provisions contained in the Resolution and in the aforesaid obligations; and

(d) that, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obligations payable from such Interest of the System in the Available University Fund is specifically reserved by the Board; and that the lien created by the Resolution will not be impaired in any manner as a result of any action or non-action on the part of the Board or officers of the System, and the Board will continuously administer the Permanent University Fund and each and every part thereof in accordance with the Constitutional Provision.

Additional Parity Bonds and Notes

The Board reserves the right, exercisable at any time and from time to time, to issue and deliver Additional Parity Bonds and Notes, in as many separate installments or series as deemed advisable by the Board, but only for constitutionally permitted (including refunding) purposes. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Bonds and the Outstanding PUF Bonds. It is further covenanted in certain of the Board's resolutions authorizing the issuance of the Outstanding PUF Bonds and in the Resolution (as the case may be), however, that no installment or series of Additional Parity Bonds and Notes shall be issued and delivered unless an authorized officer of the System executes:

(a) a certificate to the effect that for the Fiscal Year immediately preceding the date of said certificate, the amount of the Interest of the System in the Available University Fund was at least 1.5 times the average annual Principal and Interest Requirements (as defined below) of the installment or series of Additional Parity Bonds and Notes then proposed to be issued and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of such proposed installment or series; and

(b) a certificate to the effect that the total principal amount of (i) all PUF Bonds and (ii) except as described below, all other obligations of the Board that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund that will be outstanding after the issuance and delivery of the installment or series of Additional Parity Bonds and Notes then proposed to be issued will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of the PUF Land, as hereinafter defined) at the time the proposed series or installment of Additional Parity Bonds and Notes is issued.

The covenant described in paragraph (a) above is contained only in the resolution of the Board authorizing the issuance of the Series 2006B Bonds (the "Series 2006B Resolution"). Accordingly, at such time when the Series 2006B Bonds are no longer outstanding pursuant to the terms of the Series 2006B Resolution, the Board will no longer be required to comply with the covenant described in paragraph (a) above. See "Interest of the System in the Available University Fund — Available University Fund." For purposes of the calculation required by paragraph (a) above, "Principal and Interest Requirements" means, with respect to any Fiscal Year of the System, the amounts of principal of and interest on all PUF Bonds scheduled to be paid in such Fiscal Year from the Interest of the System in the Available University Fund. If the rate of interest to be borne by any PUF Bonds is not fixed, but is variable or adjustable by any formula, agreement or otherwise, and therefore cannot be calculated as actually being scheduled to be paid in a particular amount for any particular period, then for the purposes of the previous sentence such PUF Bonds shall be deemed to bear interest at all times to their maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in such PUF Bonds.

For purposes of the calculation required by paragraph (b) above and for other purposes of the Resolution, any obligation of the Board that is payable from amounts appropriated, pursuant to the Constitutional Provision, including any amendment hereafter made to said Constitutional Provision, for the support and maintenance of The University of Texas at Austin or System administration (including, without limitation, any amounts payable by the Board under an interest rate swap agreement), does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund. See "Swap Agreements" and "Interest of the System in the Available University Fund — Available University Fund." Pursuant to the Bond Resolution, "Fiscal Year" is defined to mean the fiscal year of the State of Texas, which currently ends on August 31 of each calendar year.

Remedies

Any owner of any Outstanding PUF Bonds, Bonds or Additional Parity Bonds and Notes shall, in the event of default in connection with any covenant contained in the Resolution or default in the payment of any amount due with respect to such obligations, have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys pledged under the Resolution or for enforcing any such covenant. The Resolution does not establish other remedies or specifically enumerate the events of default with respect to the Bonds. The Resolution does not provide for a trustee to enforce the covenants and obligations of the Board. In no event will registered owners have the right to have the maturity of the Bonds accelerated as a remedy. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Resolution would be successful.

The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors and by general principles of equity that permit the exercise of judicial discretion. See Appendix C.

Commercial Paper Notes

Pursuant to a resolution adopted by the Board on August 14, 2008, as amended on February 6, 2014, the Board is authorized to issue, from time to time, the Tax-Exempt CP Notes and the Taxable CP Notes (collectively, the "Commercial Paper Notes"); provided, that the combined aggregate principal amount of the Commercial Paper Notes outstanding at any one time may not exceed $750,000,000. The Commercial Paper Notes are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund, which lien and pledge are junior and subordinate to the lien on and pledge thereof securing the payment of the Bonds, the Outstanding PUF Bonds and any Additional Parity Bonds and Notes. As of the date of this Official Statement, $400,000,000 in aggregate principal amount of Taxable CP Notes and $81,000,000 in aggregate principal amount of Tax-Exempt CP Notes are outstanding. As described in "Plan of Financing," $301,000,000 in aggregate principal amount of the outstanding Commercial Paper Notes will be refinanced with a portion of the proceeds of the Bonds. See "Interest of the System in the Available University Fund — Constitutional Debt Authority, Debt Limitations."

Future Financings

The Constitutional Provision provides that member institutions of the System may not receive any funds from the general revenues of the State of Texas for acquiring land, with or without improvements, for constructing or equipping buildings or other permanent improvements, or for major repairs or rehabilitations of buildings or other permanent improvements, except in the case of fire or other natural disaster (when the Texas State Legislature may appropriate amounts to replace uninsured losses) or in the case of demonstrated need, as statutorily expressed in an appropriations act adopted by a two-thirds vote of both houses of the Texas State Legislature. Accordingly, the needs of the System for capital funds through the issuance of bonds or notes payable from the Interest of the System in the Available University Fund are on-going. On a quarterly basis, the Board revises the capital improvement program of the System, which provides for the use over a six-year period of the proceeds of bonds or notes payable from the Interest of the System in the Available University Fund.

The Bond Resolution authorizes the sale of Additional Parity Bonds and Notes in an aggregate principal amount not to exceed $600 million prior to August 31, 2018, which includes the Bonds. Following the issuance of the Bonds, the Board does not currently expect to issue any Additional Parity Bonds and Notes pursuant to the Bond Resolution, however, the Board has the legal authority to adopt additional resolutions which provide similar authorization in the future, and the Board may issue additional Commercial Paper Notes prior to the end of the Fiscal Year ending August 31, 2018. The Board routinely authorizes financing for the purchase of capital equipment, library materials, and repair and rehabilitation projects. Potential purchasers of the Bonds are advised that the Board reserves the right, subject to constitutional limitations, to issue additional bonds and notes secured by and payable from a lien on the Interest of the System in the Available University Fund, which lien may be on a parity with, or inferior to, the lien securing the Bonds. See "Interest of the System in the Available University Fund — Constitutional Debt Authority, Debt Limitations." The Board may also enter into bond enhancement agreements relating to bonds or notes issued pursuant to the Constitutional Provision and is authorized to pay amounts due thereunder from the Residual AUF (as defined herein). See "Swap Agreements" and "Interest of the System in the Available University Fund — Available University Fund."

SWAP AGREEMENTS

General

Pursuant to Section 65.461 of the Texas Education Code ("Section 65.461"), enacted by the State Legislature during the 80th Legislature, Regular Session, 2007, and other provisions of State law, the Board is authorized to enter into bond enhancement agreements (*e.g.*, interest rate swap agreements and other types of credit agreements) that the Board determines to be necessary or appropriate to place the obligation of the Board, as represented by the bonds and notes authorized by the Constitutional Provision issued or to be issued, in whole or in part, on the interest rate, currency, cash flow or other basis desired by the Board. Section 65.461 further provides that payments due from the Board under a bond enhancement agreement relating to bonds or notes issued by the Board pursuant to the Constitutional Provision payable from the Interest of the System in the Available University Fund ("PUF Obligations") are deemed to be for the support and maintenance of System administration and may be paid from the Available University Fund. Pursuant to a resolution adopted by the Board August 24, 2017 (the "BEA Resolution"), the Board authorized the System to enter into bond enhancement agreements relating to PUF Obligations and authorized the amounts payable thereunder to be paid from the Residual AUF as a cost of the support and maintenance of System administration or from any other source that is legally available to make such payments, which may include the proceeds of PUF Obligations. See "— Board's Obligations Under Swap Agreements" and "Interest of the System in the Available University Fund — Available University Fund."

Outstanding Swap Agreements

In anticipation of the issuance of Additional Parity Bonds and Notes, in September of 2008 the Board entered into two separate interest rate swap agreements (collectively, the "2008 Swap Agreements") with Morgan Stanley Capital Services LLC (formerly Morgan Stanley Capital Services, Inc.) ("MSCS") and Royal Bank of Canada. Effective June 2, 2016, the interest of MSCS in the 2008 Swap Agreements to which it was a party was novated to Wells Fargo Bank, N.A. Effective June 1, 2017, the interest of Royal Bank of Canada in the 2008 Swap Agreements to which it was a party was novated to Citibank, N.A. (together with Wells Fargo Bank, N.A., the "2008 Swap Providers"). The 2008 Swap Agreements have a current aggregate notional amount of $364,365,000 which is divided equally between the 2008 Swap Providers. The 2008 Swap Agreements became effective on November 3, 2008. Pursuant to the terms of the 2008 Swap Agreements, the Board is obligated to make payments to Wells Fargo Bank, N.A. based upon the notional amount specified therein at a fixed rate of 3.696% per annum and to make payments to Citibank, N.A. based upon the notional amount specified therein at a fixed rate of 3.6575% per annum. The Board's obligation to make such payments under the 2008 Swap Agreements began on January 1, 2009 and such payments are payable each July 1 and January 1 thereafter until July 1, 2038. In exchange for receiving the fixed rate payments from the Board, the 2008 Swap Providers have agreed to make payments to the Board based upon the applicable notional amount at a variable rate equal to the Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index on the first calendar day of each month, which began on December 1, 2008, through the term of the 2008 Swap Agreements.

In connection with the Board's Permanent University Fund Refunding Bonds, Series 2006B, the Board entered into an interest rate swap agreement (the "2006B Swap Agreement") with Bank of America, N.A. (the

"2006B Swap Provider") with a current notional amount of $284,065,000. The 2006B Swap Agreement became effective on January 1, 2009. Pursuant to the terms of the 2006B Swap Agreement, the Board is obligated to make payments to the 2006B Swap Provider based upon the notional amount specified therein at a variable rate equal to the SIFMA Municipal Swap Index, and the 2006B Swap Provider is obligated to make payments to the Board based upon such notional amount at a variable rate equal to 82.04% of the one-month London Interbank Offered Rate, in each case on the first calendar day of each month commencing February 1, 2009 until July 1, 2035.

In connection with a portion of the Board's Permanent University Fund Bonds, Series 2008A, on October 25, 2011 the Board entered into an interest rate swap agreement (the "2008A Swap Agreement") with Deutsche Bank AG, with a current notional amount of $182,182,500. The 2008A Swap Agreement became effective on November 1, 2011, and effective June 2, 2016, Deutsche Bank AG's interest in the 2008A Swap Agreement was novated to Wells Fargo Bank, N.A. (the "2008A Swap Provider"). Pursuant to the terms of the 2008A Swap Agreement, the Board is obligated to make payments to the 2008A Swap Provider based upon the notional amount specified therein at a variable rate equal to the SIFMA Municipal Swap Index, and the 2008A Swap Provider is obligated to make payments to the Board based upon such notional amount at a variable rate equal to 93.40% of the three-month London Interbank Offered Rate, in each case on the first calendar day of each calendar quarter commencing January 1, 2012 until July 1, 2038.

The 2008 Swap Agreements, the 2006B Swap Agreement and the 2008A Swap Agreement are referred to herein collectively as the "Swap Agreements." The 2008 Swap Providers, the 2006B Swap Provider, and the 2008A Swap Provider are referred to herein collectively as the "Swap Providers."

Board's Obligations Under Swap Agreements

The Board's obligations under the Swap Agreements are secured by and payable from a pledge of and lien on the Residual AUF as a cost of support and maintenance of System administration; provided, that such lien and pledge is junior and subordinate in all respect to the liens, pledges and covenants in respect of the PUF Bonds, the Commercial Paper Notes and any other PUF Obligations hereafter issued. Pursuant to the BEA Resolution, any payments received by the Board under the Swap Agreements may be applied for any lawful purpose. To the extent the Board receives any payments under the Swap Agreements from the Swap Providers, the Board presently intends to use such payments for the purpose of paying the principal of and interest on the PUF Bonds to which such Swap Agreements relate. Any payments received by the Board under the Swap Agreements, however, will not constitute any part of the Available University Fund and, therefore, have not been pledged as security for the payment of the principal of and interest on the Bonds or any other PUF Obligations now outstanding or hereafter issued. The arrangements made in respect of the Swap Agreements do not alter the Board's obligations to pay the principal of and interest on the applicable series of bonds from the Interest of the System in the Available University Fund. See "Security for the Bonds" and "Interest of the System in the Available University Fund." Copies of the Swap Agreements are available from the Office of Finance of the System.

If either party to a Swap Agreement commits an event of default, suffers a reduction in credit worthiness, or in certain other circumstances, such Swap Agreement may be terminated at the option of the other party. Accordingly, no assurance can be given that the Swap Agreements will continue in existence until the maturity of the applicable bonds. If a Swap Agreement is terminated under certain market conditions, the Board may owe a termination payment or may receive a termination payment. Such termination payment generally would be based on the market value of the Swap Agreement on the date of termination, and could be substantial. In addition, a Swap Agreement could be terminated in whole or in part to the extent any applicable bonds are redeemed pursuant to the Board exercising its right to effect an optional redemption of such bonds. If such optional redemption were to occur, termination payments related to the portion of the Swap Agreement to be terminated will be owed by either the Board or the applicable Swap Provider, depending on then existing market conditions. The obligation of the Board to pay a termination payment could result in the Board utilizing moneys in the Residual AUF or issuing PUF Obligations to enable the Board to make such a termination payment.

Additional Derivative Transactions

The Board has the authority under State law to enter into additional derivative transactions with respect to currently outstanding PUF Obligations (including the Bonds) or PUF Obligations that are anticipated to be issued in the future, and under such transactions the Board may incur additional obligations secured by and payable from the

Residual AUF, similar to the Swap Agreements. Currently, the Board has entered into ISDA Master Agreements with multiple counterparties, including the Swap Providers, pursuant to which the Board has the ability to enter into additional derivative transactions. The BEA Resolution authorizes certain representatives of the System to enter into such additional derivative transactions under certain conditions and to execute additional ISDA Master Agreements with other counterparties through September 1, 2018, and the Board has the legal authority to adopt additional resolutions which provide similar authorizations in the future. The Board expects to continue to utilize interest rate swaps to manage its interest rate risk with respect to PUF Obligations going forward.

INTEREST OF THE SYSTEM IN THE AVAILABLE UNIVERSITY FUND

Available University Fund

The Available University Fund is defined by the Constitutional Provision to consist of distributions from the investment income of the Permanent University Fund. The Available University Fund distributions are from the "total return" on all investment assets of the Permanent University Fund, including the net income attributable to the surface of PUF Land (as defined herein), in the amounts determined by the Board. See "Interest of the System in the Available University Fund — Permanent University Fund Spending Policy." The Constitutional Provision contains the following restrictions on the Board when determining distributions to the Available University Fund:

- The amount of any distribution to the Available University Fund must be determined by the Board in a manner intended to provide the Available University Fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of Permanent University Fund investment assets and annual distributions to the Available University Fund;

- The amount distributed to the Available University Fund in a Fiscal Year must be not less than the amount needed to pay the principal and interest due and owing in that Fiscal Year on bonds and notes payable from the Available University Fund;

- If the purchasing power of Permanent University Fund investments for any rolling ten-year period is not preserved, the Board may not increase annual distributions to the Available University Fund until the purchasing power of Permanent University Fund investment assets is restored, except as necessary to pay the principal and interest due and owing on bonds and notes payable from the Available University Fund; and

- An annual distribution made by the Board to the Available University Fund during any Fiscal Year may not exceed an amount equal to 7% of the average net fair market value of Permanent University Fund investment assets as determined by the Board, except as necessary to pay any principal and interest due and owing on bonds and notes payable from the Available University Fund.

Two-thirds of the amounts attributable to the Available University Fund are constitutionally appropriated to the System to be used for constitutionally prescribed purposes. This two-thirds share is referred to herein and in the Resolution as the "Interest of the System in the Available University Fund." The remaining one-third of the amounts attributable to the Available University Fund is constitutionally appropriated to The Texas A&M University System (the "A&M System"). This one-third share is referred to herein as the "Interest of the A&M System in the Available University Fund."

After the payment of annual debt service on all bonds and notes payable from the Interest of the System in the Available University Fund, the Constitutional Provision appropriates the remaining amount attributable to the Interest of the System in the Available University Fund (the "Residual AUF") to the Board for the support and maintenance of The University of Texas at Austin and for the administration of the System. The Board may also enter into bond enhancement agreements relating to PUF Obligations and is authorized to pay amounts due thereunder from the Residual AUF. Moneys received by the Board under the Swap Agreements from the Swap Providers do not constitute any part of the Available University Fund. See " Swap Agreements."

Money credited to the Available University Fund is administered by the Comptroller of Texas and, along with other funds of the State of Texas, is invested in accordance with Texas State law. Earnings on that portion of the Available University Fund appropriated to the System accrue to and become a part of the Interest of the System in the Available University Fund.

Permanent University Fund

The Permanent University Fund is a constitutional fund and public endowment created in the Texas Constitution of 1876. The Constitution of 1876 established the Permanent University Fund through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the Permanent University Fund were completed in 1883 with the contribution of another one million acres. Today, the Permanent University Fund contains 2,109,190 acres located in 24 North and West Texas counties (collectively, the "PUF Land"). The assets and earnings of the Permanent University Fund are dedicated to the uses and purposes of the institutions of the System and institutions of the A&M System, other than Texas A&M University—Corpus Christi, Texas A&M International University, Texas A&M University—Kingsville, West Texas A&M University, Texas A&M University—Commerce, Texas A&M University—Texarkana and Texas A&M Veterinary Medical Diagnostic Laboratory. See "Interest of the System in the Available University Fund — Available University Fund."

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A graphic summary and analysis of the relationship among the Permanent University Fund, the Available University Fund, the System and the A&M System is set forth below. Said summary and analysis is qualified in its entirety by reference to the full text of this Official Statement and to the documents, laws and constitutional provisions referred to herein.

PERMANENT UNIVERSITY FUND (PUF)

PUF Land
(2,109,190 acres)

→ Mineral Receipts →

Investments
Cost value of all PUF assets
(excluding PUF Land)

↓

Available University Fund (AUF)

↓

2/3 to System

↓

Security for PUF obligations:

1. Can only issue bonds and notes of the System up to 20% of cost value of PUF (excluding real estate).
2. PUF Bonds payable from first lien on the Interest of the System in the AUF.
3. Commercial Paper Notes payable after obligations listed in 2 above.
4. Subject to 1 above, the Board reserves the right to issue Additional Parity Bonds and Notes and other obligations on parity with Commercial Paper Notes, or with a junior lien and pledge thereto.

↓

Residual AUF
Residual AUF constitutionally appropriated for the support and maintenance of The University of Texas at Austin and the System Administration.

↓

1/3 to A&M System

↓

Security for A&M System PUF bonds and notes:

1. Can only issue bonds and notes of the A&M System up to 10% of cost value of PUF (excluding real estate).
2. PUF bonds payable from the first lien on the interest of the A&M System in the AUF.
3. Subordinate lien notes of the A&M System payable after obligations listed in 2 above.
4. Subject to 1 above, the Board of Regents of the A&M System reserves the right to issue additional obligations on parity with PUF bonds or subordinate lien notes, or with a junior lien and pledge thereto.

↓

Residual AUF
Residual AUF constitutionally appropriated to the Board of Regents of the A&M System for the support and maintenance of the A&M System administration, Texas A&M University, and Prairie View A&M University.

Management of the Permanent University Fund

Article VII, Section 11b of the Texas Constitution imposes upon the Board a "prudent investor" standard in connection with its management of the Permanent University Fund. As described above, the Constitutional Provision provides for distributions to the Available University Fund to be made from the "total return" on Permanent University Fund investments, including capital gains (realized and unrealized) as well as current income. The "prudent investor" standard is consistent with this investment approach. Under the "prudent investor" standard, the Board is authorized to make such investments as a prudent investor "exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment."

Pursuant to the Constitutional Provision, expenses of managing the PUF Land and Permanent University Fund investments are payable from the Permanent University Fund.

Permanent University Fund Spending Policy

Under the Permanent University Fund Investment Policy Statement (the "Investment Policy Statement") approved by the Board, and pursuant to the Constitutional Provision, the Board is required to determine the annual amount to be distributed from the total return on Permanent University Fund investments to the Available University Fund each Fiscal Year. Current Board rules require the Board, in May of each year, to determine the amount to be distributed from the Permanent University Fund to the Available University Fund during the next Fiscal Year, and such rules provide that the annual distribution amount shall be equal to 4.75% of the trailing twelve quarter average of the Permanent University Fund investments unless the average annual rate of return of the Permanent University Fund investments over the trailing twelve quarters exceeds the expected return or benchmark return set out in the Investment Policy Statement by 0.25% or more, in which case the distribution shall be 5.0% of the trailing twelve quarter average. Notwithstanding the foregoing, the Board may approve an annual distribution amount in any Fiscal Year that is greater than or less than the distribution amount prescribed by Board rules, subject to the restrictions contained in the Constitutional Provision. See "Interest of the System in the Available University Fund — Available University Fund." Under the Investment Policy Statement, distributions from the Permanent University Fund to the Available University Fund may be made quarterly or annually at the discretion of The University of Texas/Texas A&M Investment Management Company ("UTIMCO"), a Texas nonprofit corporation. Each year, the distribution amount is used to prepare the budget for the upcoming Fiscal Year.

At its meeting on August 24, 2017, the Board approved the distribution amount of $887,250,000 for Fiscal Year 2018. The total distribution amount approved by the Board, as a percentage of the applicable trailing twelve quarter average of Permanent University Fund investments, was 5.0% for Fiscal Year 2018. Pursuant to the Constitutional Provision, an annual distribution made to the Available University Fund during any Fiscal Year may not exceed an amount equal to 7% of the average net fair market value of Permanent University Fund investment assets as determined by the Board, except as necessary to pay any principal and interest due and owing on bonds and notes payable from the Available University Fund. For a description of additional restrictions on the Board, as contained in the Constitutional Provision, when determining distributions to the Available University Fund, see "Interest of the System in the Available University Fund — Available University Fund." The distribution amounts approved by the Board are exclusive of any net income attributable to the surface of PUF Land.

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Historical Available University Fund, Debt Service Requirements and Coverage

Table I below sets forth historical distributions (in the amounts approved by the Board, plus net income attributable to the surface of PUF Land) to the Available University Fund, together with the System debt service payable from the Available University Fund and the coverage thereof.

Table I
Historical Available University Fund[(1)]
(In Thousands)

Fiscal Year Ending August 31	Available University Fund[(2)]	Interest of the System in the Available University Fund	Interest Income	Total Distributions Available to the System to Pay Debt Service	Total System Debt Service Payable from the Available University Fund[(3)]	Coverage[(4)]
2013	$670,053	$446,702	$2,353	$449,055	$88,054	5.10x
2014	907,202	604,801	2,131	606,932	97,159	6.25x
2015	813,155	542,103	2,173	544,276	101,972	5.34x
2016	817,728	545,152	4,337	549,489	129,019	4.26x
2017	898,376	598,917	6,641	605,558	151,960	3.98x

(1) The amounts are unaudited amounts reflected on the books of the System.
(2) Includes distribution amount approved by the Board, plus net income attributable to the surface of PUF Land. Amount shown for Fiscal Year 2014 includes a special, supplemental distribution amount approved by the Board in August 2014 in the amount of $188,008,674. See "Interest of the System in the Available University Fund — Permanent University Fund Spending Policy."
(3) Includes debt service on Outstanding PUF Bonds and Commercial Paper Notes, excluding cash defeasance transactions.
(4) Represents Total Distributions Available to Pay Debt Service divided by Total Debt Service Payable from the Available University Fund.

Constitutional Debt Authority, Debt Limitations

The discretion to direct the use of the Interest of the System in the Available University Fund for constitutionally authorized purposes is vested in the Board. The discretion to direct the use of the Interest of the A&M System in the Available University Fund is vested in the Board of Regents of the A&M System (the "A&M Board").

The Constitutional Provision authorizes the Board to issue bonds and notes, payable from all or any part of the Interest of the System in the Available University Fund for the purpose of (a) acquiring land, with or without permanent improvements, (b) constructing and equipping buildings or other permanent improvements, (c) making major repair and rehabilitation of buildings and other permanent improvements, (d) acquiring capital equipment, library books and library materials, and (e) refunding bonds or notes issued under such Constitutional Provision or prior law at or for System administration and certain component institutions of the System. The pledge and security interest made and granted in the Resolution is accomplished pursuant to that Constitutional Provision.

As described above, the Constitutional Provision limits the aggregate amount of bonds and notes secured by the Interest of the System in the Available University Fund that may be issued by the Board to amounts not exceeding, at the time of issuance, 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of the PUF Land. As of September 30, 2017, the unaudited cost value of the Permanent University Fund, exclusive of PUF Land, was approximately $16.503 billion. As of September 30, 2017, outstanding bonds and notes secured by the Interest of the System in the Available University Fund totaled approximately $2.695 billion. Accordingly, using the September 30, 2017 valuation number and the September 30, 2017 outstanding indebtedness number, the Board is authorized to issue an additional $605 million of bonds or notes secured by the Interest of the System in the Available University Fund. For the purpose of making these calculations, "cost value" and "book value" are treated as equivalent terms.

Table II shows the historical constitutional debt limits of the Permanent University Fund for Fiscal Years 2013 through 2017 and the amount of outstanding bonds and notes secured by the respective interests in the Available University Fund for each of such years for both the System and the A&M System.

Table II
Historical Availability and Outstanding Bonds and Notes
(In Thousands)

		The System		The A&M System	
Fiscal Year Ending August 31	**Book Value of Fund[(1)]**	**Constitutional Debt Limit**	**Debt Outstanding**	**Constitutional Debt Limit**	**Debt Outstanding**
2013	$12,542,049	$2,508,410	$1,816,750	$1,254,205	$707,905
2014	13,775,408	2,755,082	1,960,470	1,377,541	810,430
2015	14,773,099	2,954,620	2,169,085	1,477,310	953,145
2016	15,170,775	3,034,155	2,615,155	1,517,078	968,675
2017	16,345,254	3,269,051	2,695,035	1,634,525	932,850

(1) Excludes PUF Land.

Note: Debt limits are based on the Permanent University Fund's book value which includes investments, receivables and payables.

Arbitrage Exemption

Pursuant to a federal statutory exception for certain perpetual trust funds (the "Arbitrage Exemption"), investments held in the Permanent University Fund allocable to tax-exempt bonds and notes issued pursuant to the Constitutional Provision by the Board and the A&M Board ("PUF Debt"), are exempt from the yield restriction and rebate requirements otherwise imposed on tax-exempt obligations under the Internal Revenue Code of 1986 (the "Code"). The Arbitrage Exemption applies to tax-exempt PUF Debt that does not exceed 20 percent of the cost value of the investments and other assets of the Permanent University Fund (exclusive of the PUF Land) (the "20-Percent Limit"). The System and the A&M System, however, are permitted by the Constitutional Provision to issue PUF Debt in an aggregate amount that does not exceed 30 percent of the cost value of the investments and other assets of the Permanent University Fund (exclusive of the PUF Land) at the time of issuance thereof, as described above.

The outstanding principal amount of tax-exempt PUF Debt for the System and the A&M System has at various times exceeded, and is anticipated to exceed from time to time in the future, the 20-Percent Limit. To the extent the outstanding principal amount of tax-exempt PUF Debt exceeds the 20-Percent Limit, the yields of an allocable portion of the investments in the Permanent University Fund will be required to be restricted to yields that do not exceed the respective yields on such excess portion of tax-exempt PUF Debt. The imposition of this yield restriction may reduce the earnings of the Permanent University Fund; however, System officials anticipate that certain actions may be taken to mitigate the effect of imposing such yield restriction.

Investment Responsibility

The fiduciary responsibility for managing and investing the Permanent University Fund is constitutionally assigned to the Board. The Board for Lease of University Lands, composed of representatives of the System, the A&M System and the Texas State Land Commissioner, is responsible for the approval of oil, gas and other mineral leases of PUF Land.

Investment Governance and Management Structure

The Board has contracted with UTIMCO for the investment management of all funds under the control and management of the Board, subject to the limitations and restrictions in the Board's investment policy statements. UTIMCO is prohibited from engaging in any business other than investing funds designated by the Board in its contract with UTIMCO. Pursuant to its by-laws and consistent with State law, UTIMCO is governed by a nine-member board of directors, consisting of (i) seven members appointed by the Board, of whom at least three must be members of the Board, three must have substantial background and expertise in investments, and one must be a qualified individual as determined by the Board, which may include the Chancellor of the System, and (ii) two members appointed by the A&M Board, at least one of whom must have substantial background and expertise in investments. The Board pays UTIMCO an annual fee for its investment management services. UTIMCO has received a determination from the Internal Revenue Service (the "Service") that it constitutes a tax-exempt organization described in Section 501(c)(3) of the Code.

Investment Management Firms

UTIMCO may hire unaffiliated investment managers from time to time in order to provide the Permanent University Fund with increased diversity through their unique style and approach to investing, as well as to improve the Permanent University Fund's return and risk characteristics. The external managers are screened and evaluated on the basis of investment philosophy and historical performance. Investment managers are monitored periodically for performance and adherence to investment discipline. UTIMCO reviews the composition of managers from time to time and may add or terminate managers in order to optimize portfolio returns. As of September 30, 2017, approximately 5.9% of Permanent University Fund investments (primarily fixed income, ETFs, futures contracts and other derivatives) was managed internally with the remaining approximately 94.1% managed externally by unaffiliated investment managers.

Eligible Investments and Investment Policies

Pursuant to the Constitutional Provision, the Board is authorized, subject to procedures and restrictions it establishes, to invest the Permanent University Fund in any kind of investments and in amounts it considers appropriate; provided that it adheres to the prudent investor standard. See "Interest of the System in the Available University Fund — Management of the Permanent University Fund."

On August 25, 2016, the Board approved revisions to the Investment Policy Statement for the Permanent University Fund, which took effect September 1, 2016. The amendments increase the target allocation for the Endowment Funds for private investments and investment grade fixed income, decrease the target allocations for hedge funds, and eliminate target allocations to commodity futures, natural resource public equities, and REITs. The Board's Investment Policy Statement currently provides that the primary investment objective of the Permanent University Fund is to preserve the purchasing power of Permanent University Fund assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of the Permanent University Fund after all expenses. The current target distribution rate of the Permanent University Fund for the fiscal year ending August 31, 2018 is 5.00%. The target distribution rate is subject to adjustment from time to time consistent with the primary investment objectives for the Permanent University Fund and the restrictions contained in the Constitutional Provision. See "Interest of the System in the Available University Fund — Available University Fund" and "— Permanent University Fund Spending Policy." Investment returns are expressed net of all investment-related expenses. Investments must be within the asset class and investment type ranges, prudently diversified, and within approved policy risk bounds regarding one-year downside deviation, as defined in the Investment Policy Statement, and measured at least monthly by UTIMCO. Liquidity of the Permanent University Fund will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board. UTIMCO reviews the Permanent University Fund Investment Policy Statement and other related investment policies on a periodic basis. In connection with its most recent review, the UTIMCO Board approved proposed changes to the Permanent University Fund Investment Policy Statement on September 11, 2017, which proposed changes are subject to approval by the Board. The Board is expected to consider the proposed changes at its meeting scheduled for November 9, 2017. The proposed changes would decrease target allocations for developed country equity and hedge funds, increase target allocations to natural resources, emerging markets equity, and private investments, lower the minimum range for hedge funds, and increase the maximum range for private investments. If approved, the proposed changes would become effective December 1, 2017 and will include the asset class and investment type targets and ranges for the Fiscal Year ending August 31, 2018. Future reviews may result in UTIMCO proposing to the Board a material change in the asset allocation ranges, investment type ranges, liquidity, and benchmarks for the Permanent University Fund.

The Investment Policy Statement recognizes that asset class and investment type allocation is the primary determinant of the volatility of investment return. Under the current Investment Policy Statement, Permanent

University Fund assets are allocated among the following broad asset classes and investment types based upon their individual return/risk characteristics and relationships to other asset classes and investment types:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments, including real and nominal, U.S. and non-U.S., and across all maturities that are rated investment grade, including cash.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, U.S. and non-U.S., and across all maturities that are rated below investment grade.

Natural Resources – Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock and timber.

Real Estate – Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

Investment Types:

More Correlated & Constrained Investments – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single asset class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities and are less likely to entail lock-ups.

Less Correlated & Constrained Investments – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across asset classes, may have higher levels of short exposure and leverage, may not have underlying security transparency, are more likely to be in publicly traded securities and may entail lock-ups.

Private Investments – Mandates that invest primarily in non-public securities and typically entail capital commitments, calls and distributions.

All mandates must be categorized at inception and on an ongoing basis by asset class and investment type according to a mandate categorization procedure approved by the board of directors of UTIMCO and then in effect.

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Table III sets forth (i) the percentage allocation (as of September 30, 2017) of Permanent University Fund investments by asset class and investment type under the Investment Policy Statement for the Permanent University Fund and (ii) the asset class and investment type targets and ranges under such Investment Policy Statement for the Fiscal Year ending August 31, 2017. While specific asset class and investment type allocation positions may be changed by UTIMCO within the ranges specified in Table III based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval by the Board. The Board may, from time to time, implement further revisions to the Investment Policy Statement for the Permanent University Fund.

Table III
Permanent University Fund
Asset Class and Investment Type Targets and Ranges

POLICY PORTFOLIO	Percentage Allocation (as of September 30, 2017)	FYE 2017		
		Min	Target	Max
Asset Classes				
Investment Grade Fixed Income	11.39%	3.0%	9.5%	25.0%
Credit-Related Fixed Income	6.02%	0.0%	7.5%	30.0%
Real Estate	7.37%	0.0%	7.0%	12.5%
Natural Resources	16.04%	2.5%	11.5%	20.0%
Developed Country Equity	41.38%	30.0%	48.5%	65.0%
Emerging Markets Equity	17.80%	8.0%	16.0%	25.0%
Investment Types				
More Correlated & Constrained	39.69%	30.0%	39.0%	60.0%
Less Correlated & Constrained	21.12%	20.0%	25.0%	37.5%
Private Investments	39.19%	20.0%	36.0%	45.0%

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

The target and range percentages are as of fiscal year end. The percentage allocation for a particular asset class may occasionally fall outside of the stated range during the fiscal year.

See "Interest of the System in the Available University Fund – Eligible Investments and Investment Policies" for a description of proposed changes to the foregoing target allocations that will be considered by the Board for approval at its meeting on November 9, 2017, which will include the asset class and investment type targets and ranges for the Fiscal Year ending August 31, 2018.

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Table IV shows the historical annual growth in the market value of the Permanent University Fund for Fiscal Years 2013 through 2017, net of distributions to the Available University Fund. Distributions to the Available University Fund are made in the amounts determined by the Board from the total return on all Permanent University Fund investment assets, including capital gains (realized and unrealized) as well as current income. See "Interest of the System in the Available University Fund — Available University Fund" and "Interest of the System in the Available University Fund — Permanent University Fund Spending Policy."

Table IV
Annual Permanent University Fund Growth
(in Millions)

Fiscal Year Ending August 31	Beginning Market Value	PUF Mineral Receipts	Net Investment Return	Distributions to the Available University Fund[(1)]	Ending Market Value
2013	$13,470.3	$856.5	$1,170.0	$(644.3)	$14,852.5
2014	14,852.5	1,129.7	2,260.1	(877.4)	17,364.9
2015	17,364.9	806.7	82.0	(763.6)	17,490.0
2016	17,490.0	512.3	650.7	(772.9)	17,880.1
2017	17,880.1	688.7	2,183.4	(839.4)	19,912.8

(1) Represents the distribution amount approved by the Board, which is exclusive of any net income attributable to the surface of PUF Land. Amount shown for Fiscal Year 2014 includes a special, supplemental distribution amount approved by the Board in August 2014 in the amount of $188,008,674. See "— Permanent University Fund Spending Policy."

As of September 30, 2017, the Permanent University Fund (exclusive of PUF Land) had an unaudited market value of approximately $20.049 billion. Neither the Board nor UTIMCO make any representation as to the future performance of the Permanent University Fund. See "Other Matters."

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Table V shows a summary comparison of the fiduciary net position of the Permanent University Fund, excluding the PUF Land, for Fiscal Years ended August 31, 2016 and 2017.

Table V[(1)]
Permanent University Fund
Comparison Summary of Fiduciary Net Position
August 31, 2016 and August 31, 2017
(In Thousands)

	August 31, 2016		August 31, 2017	
Equity Securities	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Domestic Common Stock	$689,588	$733,608	$541,987	$579,453
Foreign Common Stock	1,277,674	1,365,704	1,367,345	1,625,371
Other	24,560	25,131	30,864	35,208
Total Equity Securities	1,991,822	2,124,443	1,940,196	2,240,032
Preferred Stocks				
Domestic Preferred Stock	520	618	50	110
Foreign Preferred Stock	48,757	50,732	45,758	53,463
Total Preferred Stocks	49,277	51,350	45,808	53,573
Debt Securities				
U.S. Govt. Obligations	149,253	153,316	285,701	288,717
Foreign Govt. and Provincial Obligations	580,665	565,986	678,843	693,067
Corporate Obligations	297,905	303,622	378,010	385,408
Other	3,036	3,674	3,701	4,218
Total Debt Securities	1,030,859	1,026,598	1,346,255	1,371,410
Purchased Options	6,447	2,640	3,952	5,571
Convertible Securities	460	579	464	882
Investment Funds				
Marketable Alternative	3,598,896	4,680,318	3,221,676	4,196,536
Private Markets	5,819,204	6,483,672	6,744,069	7,863,025
Developed Country Equity	932,964	1,624,155	1,160,898	2,021,348
Emerging Markets Equity	661,543	850,225	676,075	1,013,821
Fixed Income	24,777	19,941	28,353	21,579
Real Estate	945	0	8,689	0
Natural Resources	2,237	0	14,561	234
Total Investment Funds	11,040,566	13,658,311	11,854,321	15,116,543
Investment in Physical Commodities	419,102	392,854	490,844	473,781
Cash and Cash Equivalents[(2)]				
Money Markets & Cash Held at State Treasury	665,398	665,234	622,376	622,545
Total Cash and Cash Equivalents	665,398	665,234	622,376	622,545
Total Investments in Securities	15,203,931	17,922,009	16,304,216	19,884,337
Net Trade Receivables	(55,394)	(54,554)	14,124	12,057
Deposit with Brokers for Derivative Contracts	24,951	24,942	30,578	30,563
Payable to Brokers for Collateral Held	(2,501)	(2,501)	(4,708)	(4,708)
Net Swap Assets (Liabilities)	(1,610)	(3,460)	(313)	(1,942)
Options Written	(1,372)	(3,009)	(1,362)	(1,554)
Net Futures Assets (Liabilities)	1,628	1,628	1,191	1,191
Other Net Assets (Liabilities)	1,142	(4,904)	1,528	(7,125)
Value of Fund	$15,170,775	$17,880,151[(3)]	$16,345,254	$19,912,819[(3)]

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(1) The information contained in this Table V was derived from the books and records of UTIMCO and certain supplemental schedules contained in the audited financial statements of the Permanent University Fund attached hereto as Appendix A. None of the Board, the A&M Board or UTIMCO makes any representation as to the future performance of the Permanent University Fund.

(2) Cash and Cash Equivalents includes amounts allocated to various investment managers for the Permanent University Fund. For asset allocation purposes (as set forth in Table III) such amounts are considered to be invested in the asset class for which a manager invests.

(3) The Fair Value of the Permanent University Fund Investments does not include the Fair Value of Permanent University Fund Land, which was approximately $6,185,785,106 as of August 31, 2016 and $6,123,722,598 as of August 31, 2017.

Financial Information

The State of Texas issues audited financial statements, prepared in accordance with generally accepted accounting principles, for the Texas State government as a whole. The statements are prepared by the State Comptroller and are audited by the State Auditor's office. The State Auditor expresses an opinion on the financial statements of the State of Texas but does not express an opinion on the financial statements of individual component units, including those of the System and the Permanent University Fund.

The scope of the State Auditor's audit includes tests for compliance with the covenants of bond issues of the State of Texas or its component agencies and institutions. In addition, supplementary schedules are included in the State of Texas financial statements, providing for each bond issue information related to pledged revenues and expenditures, coverage of debt service requirements, restricted account balances and/or other relevant information which may feasibly be incorporated. The State Auditor expresses an opinion on such schedules in relation to the basic financial statements taken as a whole. Any material compliance exceptions related to bond covenants are disclosed in the notes to the financial statements and all compliance exceptions related to bond covenants are addressed in the overall management letter for the Texas State audit.

Beginning with the Fiscal Year ended August 31, 1996, the Board has commissioned annual audits of the financial statements (in conformity with accounting principles generally accepted in the United States of America) of the Permanent University Fund. The annual audited financial statements for the Fiscal Years ended August 31, 2017 and August 31, 2016 for the Permanent University Fund are attached hereto as Appendix A and contain the report of the independent auditors, Deloitte & Touche LLP, with respect thereto. Deloitte & Touche LLP, has not reviewed, commented on or approved, and is not associated with, this Official Statement. Deloitte & Touche LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the Permanent University Fund, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or to otherwise be associated, with this Official Statement.

THE BOARD'S LIQUIDITY OBLIGATIONS

The Board provides self-liquidity by using lawfully available funds for its short-term indebtedness and its long term indebtedness which is subject to tender for purchase. To manage this self-liquidity obligation, the Board has adopted resolutions (collectively, the "Board's Liquidity Resolution") and has entered into a Security Purchase Agreement (the "Security Purchase Agreement") with UTIMCO. Pursuant to its investment management contract with the Board, UTIMCO manages the investment of all funds under the control of the Board, which includes the Permanent University Fund. See "Interest of the System in the Available University Fund — Investment Governance and Management Structure."

Pursuant to the Security Purchase Agreement, UTIMCO has agreed that it will, on the terms and conditions and subject to the limitations set forth therein, purchase such indebtedness as investments for certain funds of the Board managed by UTIMCO. A failure of UTIMCO to purchase such indebtedness under such circumstances or to provide funds to the Board for such purposes will not relieve the Board of its obligation to the owners of such indebtedness.

The Security Purchase Agreement provides liquidity support for (i) the Commercial Paper Notes currently authorized to be outstanding in the aggregate principal amount not to exceed $750 million, (ii) the Series 2008A Bonds currently outstanding in the aggregate principal amount of $364,365,000, (iii) the Board's Revenue Financing System Commercial Paper Notes, Series A and Revenue Financing System Taxable Commercial Paper Notes, Series B currently authorized to be outstanding in the combined aggregate principal amount not to exceed $1,250,000,000, (iv) the Board's Revenue Financing System Refunding Bonds, Series 2007B currently outstanding in the aggregate principal amount of $327,685,000, (v) the Board's Revenue Financing System Bonds, Series 2008B currently outstanding in the aggregate principal amount of $489,450,000 and (vi) the Board's Revenue Financing System Bonds, Taxable Series 2016G currently outstanding in the aggregate principal amount of $250,000,000. As of the date of this Official Statement, there is $215,813,000 of Revenue Financing System Commercial Paper Notes, Series A outstanding and $243,336,000 of Revenue Financing System Taxable Commercial Paper Notes, Series B outstanding. Following the delivery of the Bonds, there will be $180,000,000 of Permanent University Fund Commercial Paper Notes outstanding.

The Board may provide self-liquidity for additional obligations to be issued in the future, including through future amendments to the Security Purchase Agreement.

In addition, UTIMCO has entered into Note Purchase Agreements with the A&M Board under which UTIMCO has agreed to purchase up to $125 million of notes of the A&M System as investments for the Permanent University Fund, in the event such notes are not able to be renewed or refunded. As of September 30, 2017, there were $125 million in aggregate principal amount of such notes outstanding.

ABSENCE OF LITIGATION

Neither the Board nor the System is a party to any litigation or other proceeding pending or, to their knowledge, threatened, in any court, agency, or other administrative body (either state or federal) which, if decided adversely to either such party, would have a material adverse effect on its financial condition, the Permanent University Fund or the Interest of the System in the Available University Fund, and no litigation of any nature has been filed or, to their knowledge, threatened which seeks to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security, or which in any manner questions the validity of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Bracewell LLP, Bond Counsel, whose approving opinion is expected to be in the form attached hereto as Appendix C. Bond Counsel was not requested to participate in, and did not take part in, the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds and the Resolution contained in this Official Statement under the captions "Introduction," "Plan of Financing," "Description of the Bonds" (other than the information under the subcaption "—Clearing Systems"), "Security for the Bonds," "Legal Matters," "Certain United States Federal Income Tax Considerations," "Legal Investments in Texas" and "Continuing Disclosure of Information," and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown therein and, insofar as such information relates to matters of law, is true and correct. The payment of legal fees to Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery thereof. Certain legal matters will be passed upon for the Underwriters by Andrews Kurth Kenyon LLP, Austin, Texas. The fee of Underwriters' Counsel is contingent upon the delivery of the Bonds.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

INTEREST ON THE BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW. INVESTORS CONSIDERING THE PURCHASE OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY. THE FOLLOWING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE.

General

The following discussion summarizes certain U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the Bonds by an initial holder (as described below). This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither the Board nor Bond Counsel offers any assurance that the Service will not challenge one or more of the tax consequences described in this discussion, and neither of the Board nor Bond Counsel has obtained, nor do the Board or Bond Counsel intend to obtain, a ruling from the Service or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Bonds.

This discussion is limited to holders who purchase the Bonds in this initial offering for a price equal to the issue price of the Bonds (*i.e.*, the first price at which a substantial amount of the Bonds is sold for cash other than to bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, the "Issue Price") and who hold the Bonds as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder's circumstances or to certain categories of investors that may be subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that have elected the mark-to-market method of accounting for their securities;
- U.S. Bondholders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Bonds as part of a hedge, straddle, conversion or other "synthetic security" or integrated transaction;
- certain U.S. expatriates;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- entities that are tax-exempt for U.S. federal income tax purposes; and
- partnerships and other pass-through entities and holders of interests therein.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Bonds, the tax treatment of such partnership or a partner of such partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships acquiring Bonds and partners of partnerships acquiring the Bonds should consult their own tax advisors about the U.S. federal income tax consequences of acquiring, holding and disposing of the Bonds.

In certain circumstances (see "DESCRIPTION OF THE BONDS—Redemption") the Board may be obligated to pay amounts on the Bonds that are in excess of stated interest or principal on the Bonds. The Board does not intend to treat the possibility of paying such additional amounts as (i) affecting the determination of the yield to maturity of the Bonds, (ii) giving rise to original issue discount or recognition of ordinary income on the sale, exchange or redemption of the Bonds or (iii) resulting in the Bonds being treated as contingent payment debt instruments under the applicable U.S. Treasury Regulations. The Board's treatment will be binding on all bondholders, except a bondholder that discloses its differing treatment in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which the Bond was acquired. The Board's position is not, however, binding on the Service, and if the Service were to successfully challenge this position, a bondholder might be required to accrue interest income at a higher rate than the stated interest rate on the Bonds, and to treat as ordinary interest income any gain realized on the taxable disposition of Bonds. The remainder of this discussion assumes that the Bonds will not be treated as contingent payment debt instruments. Bondholders should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the Bonds.

Tax Consequences to U.S. Bondholders

As used herein "U.S. Bondholder" means a beneficial owner of a Bond and who or that is, for U.S. federal income tax purposes:

- an individual who is a U.S. citizen or U.S. resident alien;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or

- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Interest on the Bonds

A U.S. Bondholder will be required to include any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes. If a U.S. Bondholder is a cash method taxpayer, such holder must report interest on the Bonds as ordinary income when it is received. If a U.S. Bondholder is an accrual method taxpayer, such holder must report the interest on the Bonds as ordinary income as it accrues.

Original Issue Discount

If the Issue Price of the Bonds of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Bonds at maturity over its Issue Price, and the amount of the original issue discount on such Bonds will be amortized over the life of the Bonds using the "constant yield method" provided in the U.S. Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Bonds that exceeds actual cash interest payments to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on such Bonds each taxable year will be reported annually to the Service and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds such Bonds will increase the adjusted tax basis of such Bonds in the hands of such beneficial owner.

Premium

If the Issue Price of the Bonds of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such Bond with "amortizable Bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of such Bond and may offset interest otherwise required to be included in respect of such Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on such Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of such Bond. However, if such Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the U.S. Treasury Regulations which could result in a deferral of the amortization of some Bond premium until later in the term of such Bond. Any election to amortize Bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

Disposition of the Bonds

A U.S. Bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a Bond. This gain or loss will equal the difference between the U.S. Bondholder's adjusted tax basis in the Bond and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such bondholder has not previously included such amounts in income) by such bondholder. A U.S. Bondholder's adjusted tax basis in the Bonds will generally equal the amount the U.S. Bondholder paid for the Bonds increased by any original issue discount previously included in such U.S. Bondholder's income and decreased by the amount of the Bond premium that has been previously amortized. The gain or loss generally will be long-term capital gain or loss if the U.S. Bondholder held the Bonds for more than one year at the time of the sale, redemption, exchange, retirement or other taxable disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Additional Tax on Investment Income

An additional 3.8% net investment income tax, or the "NIIT," is imposed on the "net investment income" of certain U.S. Bondholders who are individuals and on the undistributed "net investment income" of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, "net investment income" would generally include interest income and net gain from the disposition of property, such as the Bonds, less certain deductions. U.S. Bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.

Tax Consequences to Non-U.S. Bondholders

As used herein, a "non-U.S. Bondholder" means a beneficial owner of Bonds that is an individual, corporation, estate or trust that is not a U.S. Bondholder.

Interest on the Bonds-Portfolio Interest

Subject to the discussions below under the headings "Information Reporting and Backup Withholding – Non-U.S. Bondholders and "Foreign Account Tax Compliance," payments to a non-U.S. Bondholder of interest on the Bonds generally will be exempt from withholding of U.S. federal tax under the "portfolio interest" exemption if the non-U.S. Bondholder properly certifies as to the non-U.S. Bondholder's foreign status as described below, and:

- the non-U.S. Bondholder does not own, actually or constructively, 10% or more of the Board's voting stock (if any);
- the non-U.S. Bondholder is not a "controlled foreign corporation" for U.S. federal income tax purposes that is related to the Board (actually or constructively); and
- the non-U.S. Bondholder is not a bank whose receipt of interest on the Bonds is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such non-U.S. Bondholder's trade or business.

The foregoing exemption from withholding tax will not apply unless (i) the non-U.S. Bondholder provides his, her or its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (ii) a financial institution holding the Bonds on a non-U.S. Bondholder's behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) from such holder and provides the Paying Agent/Registrar with a copy, or (iii) the non-U.S. Bondholder holds their Bonds directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. Bondholder.

If a non-U.S. Bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. Bondholder provides the Paying Agent/Registrar with a properly executed (a) IRS Form W-8BEN or IRS Form W-8-BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (b) IRS Form W-8ECI (or successor form) stating that interest paid on the Bonds is not subject to withholding tax because it is effectively connected with such non-U.S. Bondholder's conduct of a trade or business in the United States.

If a non-U.S. Bondholder is engaged in an active trade or business in the United States and interest on the Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. Bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. Bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. Bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Bonds, that is effectively connected with the active conduct by such non-U.S. Bondholder of a trade or business in the United States.

Disposition of the Bonds

Subject to the discussion below under the headings "Information Reporting and Backup Withholding – Non-U.S. Bondholders and "Foreign Account Tax Compliance," a non-U.S. Bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a Bond unless:

- the gain is effectively connected with the conduct by the non-U.S. Bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the bondholder in the United States);
- the non-U.S. Bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met; or
- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. Bondholder is described in the first bullet point above, the non-U.S. Bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. Bondholder. If a non-U.S. Bondholder is described in the second bullet point above, the bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% or lower applicable treaty rate on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

Information Reporting and Backup Withholding

U.S. Bondholders

Information reporting will apply to payments of principal and interest made by the Board on, or the proceeds of the sale or other disposition of, the Bonds with respect to U.S. Bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding, currently at a rate of 28%, may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Non-U.S. Bondholders

Payments to non-U.S. Bondholders of interest on their Bonds and any amounts withheld from such payments generally will be reported to the Service and such holder. Backup withholding will not apply to payments of principal and interest on the Bonds if the non-U.S. Bondholder certifies as to his, her or its non-U.S. Bondholder status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S. Bondholder otherwise qualifies for an exemption (provided that neither the Board nor its agent, if any, know or have reason to know that such bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Bonds to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. Bondholder provides the certification described above or such bondholder otherwise qualifies for an exemption. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the non-U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the non-U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Foreign Account Tax Compliance

Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition (including payments of principal) of, Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the Service to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future U.S. Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition of, Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any "substantial United States owners" or (b) provides certain information regarding the entity's "substantial United States owners," which will be provided to the Service, as required. Prospective bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the Bonds.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE BONDS, INCLUDING THE EFFECT AND APPLICABILITY OF (I) U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, (II) GIFT AND ESTATE TAX LAWS, AND (III) ANY INCOME TAX TREATY.

LEGAL INVESTMENTS IN TEXAS

The Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are eligible to secure deposits of public funds of the State of Texas, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Board has been made of the laws in any other jurisdiction to determine whether the Bonds are legal investments for various institutions in those juridictions.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc., and S&P Global Ratings have assigned ratings of AAA, Aaa and AAA to the Bonds, respectively. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Board has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Board is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public at no charge using the MSRB's Electronic Municipal Market Access System via the MSRB's internet website, *www.emma.msrb.org*.

Annual Reports

The Board will provide updated financial information and operating data of the type hereinafter described which is included in this Official Statement to the MSRB, in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Permanent University Fund and the Interest of the System in the Available University Fund of the general type included in this Official Statement under the heading "Interest of the System in the Available University Fund" and in Appendices A and B to this Official Statement. The Board will update and provide this information within six months after the end of each Fiscal Year ending after the sale of the Bonds.

The Board may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 ("Rule 15c2-12"). The updated information will include annual financial statements with respect to the Permanent University Fund provided on an accrual basis, or such other basis as the Board may be required to employ from time to time pursuant to State law or regulation, and will be audited, if the Board commissions an audit of such financial statements and the audit is completed during the period during which they must be provided. If audited financial statements with respect to the Permanent University Fund are not so provided within the required period, then the Board shall provide unaudited financial statements with respect to the Permanent University Fund for the applicable Fiscal Year to the MSRB, and shall file audited financial statements with respect to the Permanent University Fund when and if audited financial statements become available. If audited financial statements with respect to the Permanent University Fund are not prepared for any Fiscal Year, and audited financial statements are prepared with respect to the State for such Fiscal Year, the Board shall provide, or cause to be provided, the audited financial statements of the State for the applicable Fiscal Year. Any such financial statements of the State shall be provided within six months after the end of such Fiscal Year or as soon thereafter as such audited financial statements of the State become available from the State Auditor. Any such financial statements of the State shall be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with State law.

The State's current Fiscal Year end is August 31. Accordingly, the Board must provide updated information by the last day of February in each year, unless the State changes its Fiscal Year. If the State changes its Fiscal Year, the Board will notify the MSRB of the change.

Event Notices

The Board will provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;

7. modifications to rights of the holders of the Bonds, if material;

8. bond calls, if material, and tender offers;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the Bonds, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership or similar event of the Board;

For the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board 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 Board, or if such jurisdiction has been assumed by leaving the existing governing 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 Board.

13. the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, 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, if material; and

14. appointment of successor or additional trustee or the change of name of a trustee, if material.

In addition, the Board will provide timely notice to the MSRB, in an electronic format as prescribed by the MSRB, of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under "— Annual Reports." All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Limitations and Amendments

The Board has agreed to file updated information and to provide notices of certain events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Board disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The continuing disclosure agreement may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the Permanent University Fund, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of such Bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of 51% in aggregate principal amount of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Board and the Permanent University Fund (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Board may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

UNDERWRITING

The Underwriters of the Bonds, for which J.P. Morgan Securities LLC is acting as representative, have agreed, subject to certain customary conditions, to purchase the Bonds from the Board at an aggregate purchase price of $301,681,000.00, which represents the aggregate principal amount of the Bonds less an underwriting discount of $959,000.00. The purchase obligations of the Underwriters are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Underwriters have provided the following paragraphs for inclusion in this Official Statement, and the Board takes no responsibility for the accuracy thereof.

J.P. Morgan Securities LLC ("JPMS"), of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

An affiliate of Citigroup Global Markets Inc., one of the Underwriters of the Bonds, is party to one of the 2008 Swap Agreements with the Board, which agreement is described under "Swap Agreements — Outstanding Swap Agreements.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Board and to persons and entities with relationships with the Board, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Board (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Board. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

OTHER MATTERS

The financial data and other information contained herein have been obtained from the Board's records, financial statements, and other sources which are believed to be reliable. All of the summaries of the statutes and documents contained in this Official Statement are made subject to all of the provisions of such statutes and documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The statements contained in this Official Statement, and in other information provided by the Board, that are not purely historical are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements. Historical financial information in this Official Statement with respect to the performance of investments in the Permanent University Fund and the Available University Fund does not represent a guarantee of future results for such investments.

/s/ Terry A. Hull

Associate Vice Chancellor for Finance

APPENDIX A

AUDITED FINANCIAL STATEMENTS
OF THE PERMANENT UNIVERSITY FUND

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Financial Statements
and Independent Auditors' Report
Permanent University Fund
Years Ended August 31, 2017 and 2016

Permanent University Fund

Financial Statements

Years Ended August 31, 2017 and 2016

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of The University of Texas System
To the Board of Directors of The University of Texas/Texas A&M Investment Management Company

Report on the Financial Statements

We have audited the accompanying financial statements of the Permanent University Fund (the "PUF"), which comprise the statements of fiduciary net position, as of August 31, 2017 and 2016, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The University of Texas/Texas A&M Investment Management Company ("UTIMCO" or "management") is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Permanent University Fund as of August 31, 2017 and 2016, and the changes in its fiduciary net position thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the PUF are intended only to present the fiduciary net position of the PUF as of August 31, 2017 and 2016, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the consolidated net position of The University of Texas System, as of August 31, 2017 or 2016, or the changes in their consolidated net positions for the years then ended.

Also, the financial statements of the PUF include the investment-related assets and liabilities and changes therein which are being managed by UTIMCO and do not include the 2.1 million acres of land discussed in Note 1.

Our opinion is not modified with respect to these matters.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Schedule

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This schedule is the responsibility of PUF's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such schedule has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

October 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)

Our discussion and analysis of the Permanent University Fund's (PUF) financial performance provides an overview of its activities for the years ended August 31, 2017 and 2016. This discussion was prepared by The University of Texas/TexasA&M Investment Management Company (UTIMCO) and should be read in conjunction with the PUF's financial statements and notes. The PUF is a public endowment contributing to the support of 18 institutions and 6 agencies in The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The Texas Constitution and various state statutes designate The University of Texas System Board of Regents (UT Board) as the fiduciary for the management of certain public endowment and operating funds. The UT Board has entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the PUF's financial statements based upon currently known facts, decisions and conditions.

Financial Highlights

The PUF's net fiduciary position after distributions increased by $2,032.7 million from $17,880.1 million to $19,912.8 million, or approximately 11.37% for the year ended August 31, 2017, compared to an increase of $390.1 million or approximately 2.23% for the year ended August 31, 2016. The change in net fiduciary position from year to year is mainly attributable to the following:

1. The PUF posted a net investment return of 12.23%, calculated using the Modified Dietz Method as described by the CFA Institute, for the year ended August 31, 2017. Investments in emerging markets and developed country equities and private investments were the biggest contributors to the 2017 return. For the year ended August 31, 2016, the PUF posted a net investment return of 3.94%. Investments in private investments, emerging markets equities, and real estate equities were the biggest contributors to the 2016 returns.

2. Fiscal year 2017 contributions of PUF Lands mineral income increased by 34.44% from $512.3 million to $688.7 million and represented 3.63% of the average value of the PUF investments during the year, compared to fiscal year 2016 contributions which decreased by 36.49%, from $806.7 million to $512.3 million and represented 2.93% of the average value of the PUF investments during the year. PUF Lands expenses were $15.7 million and $22.1 million for the years ended August 31, 2017 and 2016, respectively. PUF Lands consist of more than 2.1 million acres in 19 counties primarily in West Texas.

3. The PUF's annual distribution to the Available University Fund (AUF) increased by 8.61% in fiscal year 2017, compared to an increase of 1.22% in fiscal year 2016.

Use of Financial Statements and Notes

The PUF's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). PUF's activities are accounted for as a fiduciary fund, therefore two financial statements are typically required under GASB: the statement of fiduciary net position and the statement of changes in fiduciary net position.

In compliance with the reporting requirements of Section 66.05 of the Texas Education Code, we have included as supplementary information a schedule of changes in cost of investments and investment income.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Statements of Fiduciary Net Position

The statements of fiduciary net position present assets, liabilities, and the net position of the PUF under UTIMCO management as of the end of the fiscal year. These statements, along with all of the PUF's financial statements, are prepared using the accrual basis of accounting, whereby PUF investment income is recognized when earned and PUF expenses are recognized when incurred.

The PUF invests in a broad mix of investments and is actively managed to its benchmark, the Endowment Policy Portfolio. The Endowment Policy Portfolio is the index or benchmark for the endowment funds that UTIMCO manages. The return of the Endowment Policy Portfolio is the sum of the weighted benchmark returns for each asset class. UTIMCO allocates PUF investment assets to internally and externally managed portfolios in accordance with approved asset allocation policies, and attempts to supplement the endowment corpus by increasing purchasing power over time. In doing so, UTIMCO increases the PUF resources available to fund the debt service on bonds issued by the UT Board and the TAMU System Board of Regents to fund capital expenditures and to fund academic excellence programs at The University of Texas at Austin, Texas A&M University, and Prairie View A&M.

The following summarizes the statements of fiduciary net position (in millions):

	2017	2016	2015
Assets			
Investments, at Fair Value	$ 19,884.3	$ 17,922.0	$ 17,539.7
Other Assets	547.0	551.0	454.0
Total Assets	20,431.3	18,473.0	17,993.7
Total Liabilities	518.5	592.9	503.7
Net Position Held in Trust	$ 19,912.8	$ 17,880.1	$ 17,490.0

Statements of Changes in Fiduciary Net Position

Changes in fiduciary net position as presented on the statements of changes in fiduciary net position are based on activity of the PUF investments. The purpose of these statements is to present additions to the PUF resulting from net investment income and contributions from PUF Lands mineral income and to present deductions from the PUF resulting from distributions to the AUF and administrative and investment expenses.

The net increase in fair value of investments of the PUF was $2,018.3 million during the year compared to a net increase in fair value of investments of $530.2 million for the year ended August 31, 2016. Investment expenses totaled $54.9 million, $47.4 million, and $40.8 million, respectively, for the years ended August 31, 2017, 2016, and 2015.

The PUF's objectives are:

- Provide a predictable, stable stream of distributions over time,
- Provide that the inflation adjusted value of distributions is maintained over the long-term, and
- Provide that the inflation adjusted value of the PUF's net position after distributions is maintained over rolling 10-year periods.

Distributions to the AUF increased by $66.5 million, from $772.9 million in fiscal year 2016 to $839.4 million, in fiscal year 2017. The fiscal year 2016 distribution amount increased by $9.3 million from the fiscal year 2015 distribution of $763.6 million. PUF distributions are determined by the UT Board as provided in the Texas Constitution, which directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted distributions to the AUF and preserves the real value of the PUF investments over the long term. The annual distributions are calculated based on the trailing twelve-quarter average net position of the PUF as of February 28 of each year. For the years ended August 31, 2017 and 2016, distributions were 5.00% of the trailing twelve-quarter average net position. Distributions to the AUF are made at the discretion of the UT Board subject to the following overriding conditions of the Texas Constitution:

1. Distributions must be at least equal to the amount needed to pay debt service on PUF Bonds;
2. Distributions may not increase from the preceding year (except as necessary to pay debt service on PUF Bonds) unless the purchasing power of PUF Investments for any rolling 10-year period has been preserved;
3. Distributions may not exceed 7% of the average net fair market value of PUF investments in any fiscal year, except as necessary to pay debt service on PUF Bonds.

The following table summarizes the statements of changes in fiduciary net position (in millions):

	2017	2016	2015
Investment Income	$ 2,254.2	$ 720.3	$ 136.0
Less Investment Expenses	54.9	47.4	40.8
PUF Lands Contributions	688.7	512.3	806.6
Total Additions	2,888.0	1,185.2	901.8
Administrative Expenses			
PUF Lands Expenses	15.7	22.1	13.0
UT System Oversight Fee	0.2	0.1	0.1
Distributions to AUF	839.4	772.9	763.6
Total Deductions	855.3	795.1	776.7
Change in Fiduciary Net Position	2,032.7	390.1	125.1
Net Position Held in Trust, Beginning of Year	17,880.1	17,490.0	17,364.9
Net Position Held in Trust, End of Year	$19,912.8	$17,880.1	$17,490.0

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the PUF's investment results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

Statements of Fiduciary Net Position
August 31, 2017 and 2016
(in thousands)

Assets	**2017**	**2016**
Investments, at Fair Value:		
Equity Securities	$ 2,240,031	$ 2,124,443
Preferred Stock	53,573	51,350
Debt Securities	1,371,411	1,026,598
Investment Funds	15,116,543	13,658,312
Convertible Securities	882	579
Purchased Options	5,571	2,640
Physical Commodities	473,781	392,854
Cash and Cash Equivalents	622,545	665,233
Total Investments	19,884,337	17,922,009
Collateral for Securities Loaned, at Fair Value	228,334	329,471
Deposits with Brokers for Derivative Contracts	30,564	24,942
Unrealized Gains on Foreign Exchange Contracts	10,984	8,848
Futures Contracts, at Fair Value	1,637	5,790
Swaps, at Fair Value	27,130	42,732
Receivables:		
Investment Securities Sold	234,127	127,613
Accrued Income	14,146	11,524
Other	93	92
Total Receivables	248,366	139,229
Total Assets	20,431,352	18,473,021
Liabilities		
Payable Upon Return of Securities Loaned	228,334	329,471
Payable to Brokers for Collateral Held	4,709	2,500
Unrealized Losses on Foreign Exchange Contracts	19,636	14,894
Futures Contracts, at Fair Value	446	4,163
Swaps, at Fair Value	29,072	46,192
Options Written, at Fair Value	1,554	3,009
Payables:		
Investment Securities Purchased	222,070	182,168
Other	12,712	10,473
Total Payables	234,782	192,641
Total Liabilities	518,533	592,870
Net Position Held in Trust	**$19,912,819**	**$17,880,151**

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Fiduciary Net Position
Years Ended August 31, 2017 and 2016
(in thousands)

	2017	2016
Additions		
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	$ 2,018,268	$ 530,228
Interest	39,642	34,024
Dividends	55,027	48,860
Income Distributions from Private Investment Funds	138,940	104,001
Securities Lending Income	2,295	2,488
Other Income	-	757
Total Investment Income	2,254,172	720,358
Less Investment Expenses:		
Investment Management Fees	34,018	26,922
UTIMCO Management Fee	17,619	16,913
Custodial Fees and Expenses	2,237	2,381
Analytical and Risk Measurement Fees	364	379
Accounting Fees	312	308
Consulting Fees	152	185
Background Check Fees	122	148
Legal Fees	54	93
Foreign Tax Consulting and Filing Fees	25	102
Other Expenses	8	10
Total Investment Expenses	54,911	47,441
Net Investment Income	2,199,261	672,917
Contributions from PUF Lands	688,734	512,315
Total Additions	2,887,995	1,185,232
Deductions		
Administrative Expenses:		
PUF Lands Expenses	15,726	22,085
UT System Oversight Fee	160	160
Total Administrative Expenses	15,886	22,245
Distributions to Available University Fund	839,441	772,877
Total Deductions	855,327	795,122
Change in Fiduciary Net Position	2,032,668	390,110
Net Position Held in Trust, Beginning of Year	17,880,151	17,490,041
Net Position Held in Trust, End of Year	**$ 19,912,819**	**$17,880,151**

The accompanying notes are an integral part of these financial statements.

Note 1 – Organization and Basis of Presentation

(A) The Permanent University Fund (PUF) is a state endowment contributing to the support of eligible institutions of The University of Texas System (UT System) and The Texas A&M University System (TAMU System). The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas, as well as an additional one million acres. Additional land grants to the PUF were completed in 1883 with the contribution of another one million acres. Today, the PUF contains over 2.1 million acres of land located primarily in 19 counties in West Texas (PUF Lands).

PUF Lands are managed by UT System administration and produce two streams of income: mineral and surface. UT System administration remits mineral income to the PUF, and distributes surface income to the Available University Fund (AUF). The mineral income retained by the PUF is invested and managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO).

(B) The accompanying financial statements report the investment in securities of the PUF, including the assets, liabilities, mineral contributions of the PUF Lands and investment income. Expenses related to the PUF's security investments and PUF Lands, as well as distributions from the PUF to the AUF, are also included. The PUF Lands value is not included in the accompanying financial statements because the statements are only intended to include the investment assets which are managed by UTIMCO.

The activities of the PUF are accounted for as a fiduciary fund. The financial statements of the PUF use an economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of cash flows. The financial statements of the PUF are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The Supplemental Schedule of Changes in Cost of Investments and Investment Income has been prepared for the purpose of complying with the reporting requirements of Section 66.05 of the Texas Education Code.

The annual consolidated financial statements of UT System are prepared in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and include information related to the PUF. The accompanying financial statements of the PUF may differ in presentation from the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements.

(C) Management has evaluated subsequent events through October 27, 2017, the date the financial statements were available to be issued. No subsequent events requiring adjustment to, or disclosure in, the financial statements were identified as a result of this evaluation.

Note 2 – Significant Accounting Policies

(A) ***Fair Value Measurements*** -- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

Investments with readily determinable fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Debt securities, including corporate obligations and government and provincial obligations, held directly by the PUF are fair valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt securities valued based on multiple quotations or models utilizing observable market inputs are categorized as Level 2; otherwise they would be categorized as Level 3.

Equity securities, including common and preferred stock, and publicly traded mutual fund fair values are based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used). When these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1. In the event that a stock is not actively traded or a closing price is unavailable on a national or international exchange, the last available price per the exchange would be utilized and the security would be categorized as Level 2.

Physical commodities, specifically gold, are fair valued using the composite closing price from Bloomberg for the XAU currency code which represents the standard for one troy ounce of gold, and are categorized as Level 1.

Generally accepted accounting principles permit management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy.

The fair value of private investment funds, which consist of non-regulated investment funds and various other investment vehicles, are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and distributions subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources.

Hedge funds, developed country equity, emerging markets equity, fixed income, real estate, and natural resources investment funds and certain other private placements are fair valued by management based on net asset value information provided by the investment managers as well as other relevant factors as indicated above.

(B) ***Foreign Currency Translation*** -- The accounting records of the PUF are maintained in U.S. dollars. Investments in securities are fair valued at the daily rates of exchange on the valuation date. Purchases and sales of securities of foreign entities and the related income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions. The PUF does not isolate that portion of the results of the change in fiduciary net position resulting from changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held on the statements of changes in fiduciary net position. Such fluctuations are included with the net increase (decrease) in fair value of investments on the statements of changes in fiduciary net position.

(C) ***Investment Income and Investment Expenses*** -- Interest income is accrued as earned. Dividend income is recorded on the ex-dividend date. Dividend and interest income are recorded net of foreign taxes where recovery of such taxes is not assured. For the years ended August 31, 2017 and 2016, interest and dividend withholding in the amounts of $3,226,039 and $2,594,401, respectively, have been netted against dividend and interest income. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates on dividend and interest transactions. Investment expenses are recorded on the accrual basis as incurred.

(D) ***Security Transactions*** -- Security transactions are recorded on a trade date basis. Gains and losses on securities sold are determined on the basis of average cost.

(E) ***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 income and expenses during the reporting period. Actual results could differ materially from these estimates.

(F) ***Derivative Instruments*** **--** Derivatives are financial instruments whose fair value is derived, in whole or part, from the fair value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities, or currencies. The PUF from time to time uses various derivative instruments, as allowed under The University of Texas System Board of Regents (UT Board) approved derivative investment policy guidelines. Derivative instruments included under these policies include futures, forwards, swaps and various forms of options. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. Futures contracts actively traded are categorized as Level 1 and foreign exchange contracts are not actively traded and therefore categorized as Level 2. Options and swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Purchased options actively traded are categorized as Level 1, otherwise options and swaps are generally categorized as Level 2. Derivative instruments in the PUF are used to achieve the following objectives:

- implement investment strategies in a low cost and efficient manner,
- alter the PUF's market (systematic) exposure without trading the underlying cash market securities, through purchases or short sales, or both, of appropriate derivatives,

- construct portfolios with risk and return characteristics that could not be created with cash market securities,
- hedge and control risks, or
- facilitate transition trading.

Through the use of derivative instruments, the complex risks that are bound together in traditional investments can be separated and managed independently. The primary intent of the PUF's investment in derivative instruments is to manage and implement investment strategies more effectively and at a lower cost than would be possible in the cash market. All of the PUF's derivative instruments are considered investment derivatives, and therefore do not qualify for hedge accounting; all changes in fair value are included in the net increase (decrease) in fair value of investments in the statements of changes in fiduciary net position.

Options Written -- When the PUF writes an option, an amount equal to the premium received by the PUF is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the PUF on the expiration date as realized gains from investments and are included in the net increase (decrease) in fair value of investments in the statements of changes in fiduciary net position. The difference between the premium and the amount paid on effecting a closing transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing transaction, as a realized loss and are included in the net increase (decrease) in fair value of investments in the statements of changes in fiduciary net position. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the PUF has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the PUF.

The PUF as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. Written options are marked to market on a daily basis, and are included as a liability on the statements of fiduciary net position.

Swaps -- The PUF invests in certain types of swaps to increase or decrease its exposure to long-term interest rates, certain commodity orequity sector returns, market events, and currency fluctuations. Swaps are agreements between two parties to exchange periodic payments on the notional value of the contract multiplied by a stated fixed interest rate versus a stated floating interest rate, or on a commodity or equity sector return versus a specified cost per contract. Swaps are marked to market on a daily basis, and are included, at fair value, on the statements of fiduciary net position. Cash flows may occur when a swap is opened, when it resets, if or when it is prematurely terminated by both parties to the agreement, and when it reaches maturity. The frequency of the resets is defined by the term sheet of the particular swap agreement, and varies based on instruments and counterparty. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

Futures Contracts -- The PUF enters into futures contracts to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. Upon entering into a futures contract, initial margin deposit requirements are satisfied by the segregation of specific securities as collateral for the account of the broker (the PUF's agent in acquiring the futures position). During the period the futures positions are open, the contracts are marked to market daily; that is, they are fair valued at the close of business each day, and a gain or loss is recorded between the fair value of the contracts that day and on the previous day. The daily gain or loss is referred to as the daily variation margin which is settled in cash with the broker each morning for the amount of the previous day's mark to market. The amount that is settled in cash with the broker each morning is the fair value of the futures contracts, and is included on the statements of fiduciary net position. The PUF executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers' various trading and credit monitoring techniques.

Foreign Exchange Contracts -- The PUF enters into forward foreign exchange contracts to hedge against foreign exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a foreign exchange contract, the PUF agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are fair valued daily and the PUF's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statements of fiduciary net position. Realized and unrealized gains and losses are included in the net increase (decrease) in fair value of investments in the statements of changes in fiduciary net position. These instruments involve market and/or credit risk in excess of the amount recognized in the statements of fiduciary net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities fair values and interest rates.

(G) ***Cash and Cash Equivalents*** -- Cash and cash equivalents consist of money market investments, cash held at the State Treasury, foreign currencies and other overnight funds. Cash and cash equivalents are an integral part of the PUF's investment activities, and as such are included in the investments balance on the statements of fiduciary net position. Investments in public money market funds are categorized as Level 1.

(H) ***Contributions from PUF Lands*** -- The mineral income earned from PUF Lands is recorded as remitted by UT System administration and presented on the accompanying statements of changes in fiduciary net position as an addition to fiduciary net position.

Note 3 – Investments and Investment Derivatives

The following tables reflect fair value measurements of investments and investment derivatives as of August 31, 2017 and 2016, respectively, as categorized by level of the fair value hierarchy:

		Fair Value Measurements Using		
	Fair Value as of August 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	$ 579,452,795	$ 579,452,795	$ -	$ -
Foreign Common Stock	1,625,370,227	1,625,354,633	15,594	-
Other Equities	35,208,284	35,066,504	141,780	-
Total Equity Securities	2,240,031,306	2,239,873,932	157,374	-
Preferred Stock:				
Domestic Preferred Stock	110,220	110,220	-	-
Foreign Preferred Stock	53,462,511	53,462,511	-	-
Total Preferred Stock	53,572,731	53,572,731	-	-
Debt Securities:				
U.S.Government Obligations	288,716,642	236,524,210	52,192,432	-
Foreign Government and Provincial Obligations	693,067,238	-	693,067,238	-
Corporate Obligations	385,408,496	-	385,408,496	-
Other	4,218,442	-	4,218,442	-
Total Debt Securities	1,371,410,818	236,524,210	1,134,886,608	-
Purchased Options	5,570,818	4,909,052	661,766	-
Convertible Securities	881,662	-	881,662	-
Investment Funds:				
Private Investments	241,817,008	-	-	241,817,008
Fixed Income	21,578,518	21,578,518	-	-
Natural Resources	234,268	234,268	-	-
Total Investment Funds	263,629,794	21,812,786	-	241,817,008
Physical Commodities - Gold	473,781,273	473,781,273	-	-
Cash Equivalents	601,284,006	601,284,006	-	-
Total Investments by Fair Value Level	5,010,162,408	$ 3,631,757,990	$ 1,136,587,410	$ 241,817,008
Cash	21,261,152			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	4,196,535,921			
Private Investments	7,621,207,928			
Public Markets	3,035,169,436			
Investments Funds Fair Valued Using Practical Expedient	14,852,913,285			
Total Investments, at Fair Value	$ 19,884,336,845			

		Fair Value Measurements Using		
Investment Derivatives	Fair Value as of August 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign Exchange Contracts	$ (8,652,235)	$ -	$ (8,652,235)	$ -
Futures Contracts	1,191,436	1,191,436	-	-
Swaps	(1,942,232)	-	(1,942,232)	-
Written Options	(1,553,852)	-	(1,553,852)	-
Investment Derivatives	$ (10,956,883)	$ 1,191,436	$ (12,148,319)	$ -

	Fair Value as of August 31, 2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities:				
Domestic Common Stock	$ 733,608,157	$ 733,608,157	$ -	$ -
Foreign Common Stock	1,365,703,611	1,365,687,876	15,735	-
Other Equities	25,130,925	25,130,925	-	-
Total Equity Securities	2,124,442,693	2,124,426,958	15,735	-
Preferred Stock:				
Domestic Preferred Stock	618,030	109,120	508,910	-
Foreign Preferred Stock	50,731,929	50,731,929	-	-
Total Preferred Stock	51,349,959	50,841,049	508,910	-
Debt Securities:				
U.S.Government Obligations	153,315,455	104,140,898	49,174,557	-
Foreign Government and Provincial Obligations	565,985,891	-	565,985,891	-
Corporate Obligations	303,622,348	-	303,622,348	-
Other	3,674,411	-	3,674,411	-
Total Debt Securities	1,026,598,105	104,140,898	922,457,207	-
Purchased Options	2,639,950	2,264,286	375,664	-
Convertible Securities	579,190	-	579,190	-
Investment Funds:				
Private Investments	143,150,173	-	-	143,150,173
Emerging Markets Equity	15,210	15,210	-	-
Fixed Income	19,941,261	19,941,261	-	-
Total Investment Funds	163,106,644	19,956,471	-	143,150,173
Physical Commodities - Gold	392,854,065	392,854,065	-	-
Cash Equivalents	631,959,959	631,959,959	-	-
Total Investments by Fair Value Level	4,393,530,565	$ 3,326,443,686	$ 923,936,706	$ 143,150,173
Cash	33,273,542			
Investments Funds Fair Valued Using Practical Expedient:				
Hedge Funds	4,680,318,346			
Private Investments	6,340,521,841			
Public Markets	2,474,365,042			
Investments Funds Fair Valued Using Practical Expedient	13,495,205,229			
Total Investments, at Fair Value	$ 17,922,009,336			

Investment Derivatives	Fair Value as of August 31, 2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign Exchange Contracts	$ (6,045,679)	$ -	$ (6,045,679)	$ -
Futures Contracts	1,627,582	1,627,582	-	-
Swaps	(3,459,866)	-	(3,459,866)	-
Written Options	(3,008,770)	-	(3,008,770)	-
Investment Derivatives	$ (10,886,733)	$ 1,627,582	$ (12,514,315)	$ -

See Note 5 for fair value categorization of collateral for securities loaned.

Investment funds fair valued at net asset value per share or based on the PUF's ownership interest in partners' capital include externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds that are fair valued using a practical expedient at August 31, 2017 and 2016 is summarized in the tables below as they are included within the asset mix of the PUF.

Investment Funds:	Fair Value as of August 31, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Developed Country Equity				
Redeemable Within One Year	$ 1,504,377,144	$ -	Monthly to Annually	30 - 95 Days
Redeemable Beyond One Year	1,085,738,474	-	Quarterly to Annually	45 - 90 Days
Nonredeemable	96,541,130	206,948,382	Not Applicable	Not Applicable
Total Developed Country Equity	2,686,656,748	206,948,382		
Credit-Related Fixed Income				
Redeemable Within One Year	332,163,267	-	Quarterly to Annually	90 Days
Redeemable Beyond One Year	88,966,559	-	Quarterly to Annually	90 - 120 Days
Nonredeemable	199,441,053	115,565,002	Not Applicable	Not Applicable
Total Credit-Related Fixed Income	620,570,879	115,565,002		
Investment Grade Fixed Income				
Redeemable Within One Year	480,205,267	-	Monthly to Annually	5 - 75 Days
Redeemable Beyond One Year	83,386,822	31,581,518	Quarterly to Annually	65 - 75 Days
Total Investment Grade Fixed Income	563,592,089	31,581,518		
Emerging Market Equity				
Redeemable Within One Year	76,634,658	-	Annually	60 - 90 Days
Redeemable Beyond One Year	224,577,425	-	Annually	60 - 90 Days
Nonredeemable	23,974,069	-	Not Applicable	Not Applicable
Total Emerging Markets Equity	325,186,152	-		
Natural Resources				
Redeemable Beyond One Year	530,053	-	Not Applicable	Not Applicable
Total Natural Resources	530,053	-		
Total Hedge Funds	4,196,535,921	354,094,902		
Private Investments (Nonredeemable):				
Developed Country Equity	2,303,673,737	981,559,545	Not Applicable	Not Applicable
Credit-Related Fixed Income	583,534,861	163,624,996	Not Applicable	Not Applicable
Natural Resources	2,317,807,274	976,525,089	Not Applicable	Not Applicable
Emerging Market Equity	967,730,517	327,955,038	Not Applicable	Not Applicable
Real Estate	1,448,461,539	924,845,538	Not Applicable	Not Applicable
Total Private Investments	7,621,207,928	3,374,510,206		
Public Markets:				
Developed Country Equity				
Redeemable Within One Year	1,499,426,030	-	Monthly to Annually	1 - 90 Days
Redeemable Beyond One Year	521,922,365	81,105,000	Quarterly to Annually	1 - 184 Days
Total Developed Country Equity	2,021,348,395	81,105,000		
Emerging Market Equity				
Redeemable Within One Year	762,069,783	-	Daily to Semi-Annually	1 - 90 Days
Redeemable Beyond One Year	231,272,962	-	Monthly to Quarterly	45 - 60 Days
Nonredeemable	20,478,296	65,739,266	Not Applicable	Not Applicable
Total Emerging Markets Equity	1,013,821,041	65,739,266		
Total Public Markets	3,035,169,436	146,844,266		
Total Investment Funds	$ 14,852,913,285	$ 3,875,449,374		

Investment Funds:	Fair Value as of August 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Developed Country Equity				
Redeemable Within One Year	$ 2,112,393,197	$ -	Quarterly to Annually	15 - 95 Days
Redeemable Beyond One Year	980,106,691	-	Monthly to Annually	45 - 90 Days
Nonredeemable	92,458,555	53,643,903	Not Applicable	Not Applicable
Total Developed Country Equity	3,184,958,443	53,643,903		
Credit-Related Fixed Income				
Redeemable Within One Year	429,263,468	-	Quarterly to Annually	90 Days
Redeemable Beyond One Year	116,876,607	-	Quarterly/Annually	90 - 120 Days
Nonredeemable	170,417,382	124,708,271	Not Applicable	Not Applicable
Total Credit-Related Fixed Income	716,557,457	124,708,271		
Investment Grade Fixed Income				
Redeemable Within One Year	319,745,852	-	Monthly to Annually	5 - 75 Days
Redeemable Beyond One Year	123,774,370	34,154,435	Monthly to Annually	60 - 75 Days
Total Investment Grade Fixed Income	443,520,222	34,154,435		
Emerging Market Equity				
Redeemable Within One Year	101,656,741	-	Annually	60 - 90 Days
Redeemable Beyond One Year	208,232,827	-	Annually	60 - 90 Days
Nonredeemable	24,852,613	-	Not Applicable	Not Applicable
Total Emerging Markets Equity	334,742,181	-		
Natural Resources				
Redeemable Within One Year	391,712	-	Daily	Not Applicable
Nonredeemable	148,331	-	Not Applicable	Not Applicable
Total Natural Resources	540,043	-		
Total Hedge Funds	4,680,318,346	212,506,609		
Private Investments (Nonredeemable):				
Developed Country Equity	2,090,616,766	1,122,018,361	Not Applicable	Not Applicable
Credit-Related Fixed Income	649,561,588	223,133,070	Not Applicable	Not Applicable
Natural Resources	1,687,003,556	1,269,059,240	Not Applicable	Not Applicable
Emerging Market Equity	759,545,277	491,913,495	Not Applicable	Not Applicable
Real Estate	1,153,794,654	998,099,473	Not Applicable	Not Applicable
Total Private Investments	6,340,521,841	4,104,223,639		
Public Markets:				
Developed Country Equity				
Redeemable Within One Year	1,220,354,502	-	Monthly to Annually	1 - 90 Days
Redeemable Beyond One Year	403,800,968	-	Quarterly to Annually	1 - 184 Days
Total Developed Country Equity	1,624,155,470	-		
Emerging Market Equity				
Redeemable Within One Year	769,804,807	-	Daily to Annually	1 - 90 Days
Redeemable Beyond One Year	44,424,015	-	Quarterly	45 - 60 Days
Nonredeemable	35,980,750	20,939,266	Not Applicable	Not Applicable
Total Emerging Markets Equity	850,209,572	20,939,266		
Total Public Markets	2,474,365,042	20,939,266		
Total Investment Funds	$ 13,495,205,229	$ 4,337,669,514		

The PUF invests in hedge funds through unit interests in investment pools established in the name of the UT Board. Amounts presented in the PUF's financial statements and related note disclosures represent the PUF's pro-rata share of these investment pool assets. The hedge fund pools are invested in private funds with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed $852,092,970 of future funding to various hedge fund investments as of August 31, 2017 of which the PUF's pro-rata portion is $354,094,902.

The PUF invests in private investments in investment pools created in the name of the UT Board. Amounts presented in the PUF's financial statements and related note disclosures for the years ended August 31, 2017 and 2016, represent the PUF's pro-rata share of these investment pool assets. The private investment pools are generally invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments are domestic and international, are illiquid, and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over seven to ten years after initial investment. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk, and investment manager risk. Certain of these investments are held through limited liability companies, of which UTIMCO is the manager of the limited liability companies. The private investment pools have committed $4,969,823,573 of future funding to various private market investments as of August 31, 2017 of which the PUF's pro-rata portion is $3,374,510,206.

Public market funds are invested in exchange traded funds, index funds, and private placements with external investment managers who invest in equity and fixed income securities, including related derivatives, of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the PUF. Some of these investment managers may invest in both long and short securities and may utilize leverage in their portfolios. Certain funds are subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the investment manager without significant penalty. The amounts shown as nonredeemable are considered to be illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the manager of the limited liability companies. There are certain risks associated with these investments, some of which are investment manager risk, market risk, and liquidity risk, as well as the risk of utilizing leverage in the portfolios. Future fundings in the amount of $267,113,198, of which the PUF's pro-rata portion is $146,844,266, have been committed to certain public market funds as of August 31, 2017.

Hedge funds, private investments, and public market funds include investments in private placement vehicles that are subject to risk which could result in the loss of invested capital. The risks include the following:

- *Key personnel risk* -- The success of certain funds is substantially dependent on key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* -- Many of the PUF's investment funds may impose lock-up periods which would cause the PUF to incur penalties to redeem its units or prevent the PUF from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* -- As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.

- *Investment strategy risk* -- These funds often employ sophisticated investment strategies and may use leverage which could result in the loss of invested capital.

Investments in hedge funds, private investments, and public market funds are also subject to the investment risks discussed in Note 4. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

Note 4 – Investment Risk

The investment risk disclosure that follows relates to the PUF's investments before securities lending transactions and the investment of cash collateral. Disclosures relating to securities lending are provided in Note 5. Risk disclosures relating to the PUF's investments in hedge funds, private investments, and public market funds are discussed in Note 3.

(A) *Credit Risk*

Article VII, Section 11b of the Texas Constitution authorizes the UT Board, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the UT Board, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the PUF rather than a single investment.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The PUF's investment policy does not provide specific requirements or limitations with regards to investment ratings. Per GASB Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk. The following table presents each applicable investment type grouped by rating at August 31, 2017 and 2016:

Investment Type	August 31, 2017	August 31, 2016	Rating
Investments:			
U.S. Government Guaranteed	$ 240,737,257	$ 111,761,485	AA
U.S. Government Non-Guaranteed:			
U.S. Agency	3,793,953	1,899,212	AA
U.S. Agency Asset Backed	42,712,085	39,654,758	AA
U.S. Agency Asset Backed	436,410	-	BAA/BBB
U.S. Agency Asset Backed	677,625	-	B
U.S. Agency Asset Backed	359,312	-	Not Rated
Total U.S. Government Non-Guaranteed	47,979,385	41,553,970	
Total U.S. Government	288,716,642	153,315,455	
Corporate Obligations:			
Domestic	16,364,825	13,100,302	AAA
Domestic	20,069,602	18,730,907	AA
Domestic	91,145,965	75,327,316	A
Domestic	98,839,737	62,479,056	BAA/BBB
Domestic	6,043,924	9,802,523	BA/BB
Domestic	1,044,368	1,497,844	B
Domestic	1,232,143	1,862,528	CAA/CCC
Domestic	401,564	415,009	CA/CC
Domestic	1,476,923	1,179,100	D
Domestic	-	295,700	Not Rated
Foreign	55,338,038	22,377,108	AAA
Foreign	21,419,800	35,002,592	AA
Foreign	27,481,132	19,118,080	A
Foreign	31,527,499	30,150,680	BAA/BBB
Foreign	3,291,616	6,635,437	BA/BB
Foreign	2,679,584	4,893,924	B
Foreign	624,606	753,707	CAA/CCC
Foreign	6,427,170	535	Not Rated
Total Corporate Obligations	385,408,496	303,622,348	
Foreign Government and Provincial Obligations	140,117,020	86,994,177	AAA
Foreign Government and Provincial Obligations	108,030,108	122,704,674	AA
Foreign Government and Provincial Obligations	190,795,130	148,783,682	A
Foreign Government and Provincial Obligations	144,802,004	136,868,295	BAA/BBB
Foreign Government and Provincial Obligations	103,505,428	70,051,761	BA/BB
Foreign Government and Provincial Obligations	622,320	583,302	B
Foreign Government and Provincial Obligations	5,195,228	-	Not Rated
Total Foreign Government and Provincial Obligations	693,067,238	565,985,891	
Other Debt Securities	1,069,536	310,485	AAA
Other Debt Securities	191,834	300,119	AA
Other Debt Securities	2,578,402	2,886,985	A
Other Debt Securities	221,798	-	BAA/BBB
Other Debt Securities	156,872	176,822	BA/BB
Total Other Debt Securities	4,218,442	3,674,411	
Total Debt Securities	$ 1,371,410,818	$ 1,026,598,105	
Convertible Securities	$ 881,662	$ 579,190	Not Rated
Other Investment Funds - Debt	$ 21,578,518	$ 19,941,261	BA/BB
Cash Equivalents - Money Market Funds	$ 601,284,006	$ 631,959,959	AAA
Cash	21,261,152	33,273,542	Not Rated
Total Cash and Cash Equivalents	$ 622,545,158	$ 665,233,501	
Net Deposit with Brokers for Derivative Contracts:			
U.S. Government Guaranteed	$ 1,530,950	$ 2,550,604	AA
Cash	24,323,922	19,890,890	Not Rated
Total Net Deposit with Brokers for Derivative Contracts	$ 25,854,872	$ 22,441,494	

(B) *Concentrations of Credit Risk*

The PUF's investment policy statement contains the limitation that no more than 5% of the market value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2017 and 2016, the PUF does not hold any direct investments in any one issuer of corporate or municipal bonds that is 5% or more of the market value of the PUF's fixed income investments.

(C) *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the PUF will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the PUF will not be able to recover the fair value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the PUF's investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2017 and 2016, the PUF does not have any deposits or investments that are exposed to custodial credit risk.

(D) *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the PUF is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the PUF's investments to changes in interest rates. The PUF has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the PUF's modified duration in years by investment type at August 31, 2017 and 2016:

Investment Type	August 31, 2017 Fair Value	2017 Modified Duration	2016 Fair Value	2016 Modified Duration
Investments:				
U.S. Government Guaranteed:				
U.S.Treasury Bonds and Notes	$ 228,552,463	6.67	$ 94,086,850	9.26
U.S. Treasury Inflation Protected	7,971,748	6.36	10,054,048	7.63
U.S. Agency Asset Backed	4,213,046	3.50	7,620,587	2.81
Total U.S. Government Guaranteed	240,737,257	6.61	111,761,485	8.67
U.S. Government Non-Guaranteed:				
U.S. Agency	3,793,953	0.06	1,899,212	0.13
U.S. Agency Asset Backed	44,185,432	5.39	39,654,758	3.91
Total U.S. Government Non-Guaranteed	47,979,385	4.96	41,553,970	3.73
Total U.S. Government	288,716,642	6.33	153,315,455	7.33
Corporate Obligations:				
Domestic	236,619,051	6.02	184,690,285	6.55
Foreign	148,789,445	6.64	118,932,063	6.11
Total Corporate Obligations	385,408,496	6.26	303,622,348	6.37
Foreign Government and Provincial Obligations	693,067,238	4.38	565,985,891	6.20
Other Debt Securities	4,218,442	15.80	3,674,411	11.63
Total Debt Securities	1,371,410,818	5.35	1,026,598,105	6.44
Convertible Securities	881,662	0.14	579,190	0.28
Other Investment Funds - Debt	21,578,518	6.80	19,941,261	7.00
Cash and Cash Equivalents	622,545,158	0.08	665,233,501	0.08
Total	$ 2,016,416,156	3.74	$ 1,712,352,057	3.96
Net Deposit with Brokers for Derivative Contracts:				
U.S. Government Guaranteed:				
U.S. Treasury Bills	$ 1,530,950	5.86	$ 2,550,604	6.92
Cash	24,323,922	-	19,890,890	-
Total Net Deposit with Brokers for Derivative Contracts	$ 25,854,872	0.35	$ 22,441,494	0.79

(E) *Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes*

The PUF may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The PUF also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped Treasury and Agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2017 and 2016, the PUF's investments include the following investments that are highly sensitive to interest rate changes:

> Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to $28,564,004 and $34,313,034 as of August 31, 2017 and 2016, respectively.
>
> Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. These securities amounted to $44,822,314 and $40,378,860 as of August 31, 2017 and 2016, respectively.
>
> Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. These securities amounted to $7,911,332 and $3,669,655 as of August 31, 2017 and 2016, respectively.

(F) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the PUF's non-U.S. dollar investments. There are no limitations on investments in non-U.S. dollar denominated bonds or common stocks in relation to the PUF's total fixed income and developed country equity exposures in the PUF's investment policy statement.

The classification of domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following table summarizes the PUF's non-U.S. dollar investments at August 31, 2017 and 2016:

Investment Type	August 31, 2017	August 31, 2016
Domestic Common Stock:		
Australian Dollar	$ 114,092	$ -
Hong Kong Dollar	-	117,145
Total Domestic Common Stock	114,092	117,145
Foreign Common Stock:		
Australian Dollar	19,710,064	34,191,972
Brazilian Real	214,439,467	165,209,013
Canadian Dollar	33,556,032	72,018,397
Chilean Peso	867,047	136,956
Chinese Yuan Renminbi	2,639,477	-
Colombian Peso	175,161	-
Czech Koruna	5,312,293	3,246,258
Egyptian Pound	10,353,733	9,506,009
Euro	156,598,960	91,078,329
Hong Kong Dollar	105,745,526	117,348,032
Hungarian Forint	841,683	-
Indian Rupee	48,469,776	49,143,846
Indonesian Rupiah	19,238,820	11,274,848
Japanese Yen	190,285,047	172,662,342
Malaysian Ringgit	18,901,210	11,344,261
Mexican Peso	70,649,923	58,560,360
Moroccan Dirham	1,910,913	1,539,221
Norwegian Krone	-	486,519
Philippine Peso	6,601,677	6,536,754
Polish Zloty	1,527,179	1,736,814
Qatari Riyal	3,305,709	5,447,686
Singapore Dollar	14,449,847	22,262,497
South African Rand	25,347,849	21,621,875
South Korean Won	226,433,088	154,858,719
Swedish Krona	8,296,080	6,190,090
Swiss Franc	9,586,082	6,317,435
Taiwan Dollar	78,154,706	46,078,225
Thai Baht	20,497,244	18,913,503
Turkish Lira	8,102,392	5,515,115
UK Pound	78,546,486	91,016,562
United Arab Emirates Dirham	25,187,874	16,278,518
Vietnamese Dong	5,817,227	10,340,538
Total Foreign Common Stock	1,411,548,572	1,210,860,694
Other Equity Securities:		
Canadian Dollar	-	802,743
Indian Rupee	-	4,521
Malaysian Ringgit	23,819	-
UK Pound	-	11,718
Total Other Equity Securities	23,819	818,982

Investment Type (continued):	August 31, 2017	2016
Foreign Preferred Stocks:		
Brazilian Real	$ 25,739,907	$ 30,247,607
Colombian Peso	40,257	35,841
Euro	2,558,552	4,496,116
South African Rand	69,593	28,172
South Korean Won	22,475,889	14,070,942
Total Foreign Preferred Stock	50,884,198	48,878,678
Foreign Government and Provincial Obligations:		
Australian Dollar	68,874,159	47,785,378
Brazilian Real	65,614,602	48,065,396
Canadian Dollar	16,521,972	14,119,454
Colombian Peso	9,222,497	5,485,525
Czech Koruna	458,304	997,625
Euro	107,238,899	70,766,238
Hungarian Forint	4,134,365	14,140,537
Indonesian Rupiah	16,038,146	12,004,756
Japanese Yen	73,839,971	84,029,753
Malaysian Ringgit	36,448,602	30,541,478
Mexican Peso	78,591,948	62,962,340
New Zealand Dollar	32,900,075	42,309,864
Norwegian Krone	8,791,674	14,706,137
Peruvian Nuevo Sol	8,446,160	-
Polish Zloty	52,027,648	18,705,100
Romania New Leu	1,637,880	1,142,756
Singapore Dollar	27,963,522	17,547,171
South African Rand	27,664,477	20,878,812
South Korean Won	-	3,174,085
Thai Baht	4,958,196	3,507,676
Turkish Lira	3,522,448	-
UK Pound	24,243,482	36,105,363
Total Foreign Government and Provincial Obligations	669,139,027	548,975,444
Corporate Obligations:		
Australian Dollar	2,374,289	7,679,343
Danish Krone	31,980,138	10,950,622
Euro	12,325,285	19,540,074
Indian Rupee	581	535
Swedish Krona	12,877,078	577,630
UK Pound	13,267,690	11,173,769
Total Corporate Obligations	72,825,061	49,921,973
Purchased Options:		
Australian Dollar	8,669	-
Brazilian Real	723,094	2,453,868
Euro	3,857,373	20,361
Japanese Yen	-	1,903
UK Pound	-	35,201
Total Purchased Options	4,589,136	2,511,333

Investment Type (continued):	August 31, 2017	2016
Private Investments:		
Australian Dollar	$ 35,536,870	$ 33,873,971
Canadian Dollar	183,421,406	121,593,428
Euro	272,225,989	216,739,117
UK Pound	40,763,778	46,004,679
Total Private Investments	531,948,043	418,211,195
Investment Funds-Emerging Markets:		
Brazilian Real	20,349,686	13,870,186
Convertible Securities		
Brazilian Real	880,970	579,190
Cash and Cash Equivalents:		
Australian Dollar	18,118	200,424
Brazilian Real	5,612,828	1,473,212
Canadian Dollar	98,666	94,472
Chilean Peso	4,690	2,483
Chinese Yuan Renminbi	114,286	(2,119,056)
Colombian Peso	748,537	605,833
Czech Koruna	191	28,547
Danish Krone	97	5,076,510
Egyptian Pound	1	(15,781)
Euro	1,706,212	3,549,948
Hong Kong Dollar	(372,273)	130,905
Hungarian Forint	1	1
Indian Rupee	640,768	571,520
Indonesian Rupiah	69,449	89,422
Israeli Shekel	217	206
Japanese Yen	3,089,311	7,669,375
Malaysian Ringgit	41,727	177,521
Mexican Peso	870,314	1,642,295
New Zealand Dollar	41,530	563
Norwegian Krone	101,430	61,169
Philippine Peso	18,982	7,402
Polish Zloty	425	117,073
Singapore Dollar	175	14,914
South African Rand	662,824	550,391
South Korean Won	5,750,675	3,915,776
Swedish Krona	87,227	96,477
Swiss Franc	690	(1,428,201)
Taiwan Dollar	43,388	2,248,893
Thai Baht	36,503	503,926
Turkish Lira	194	295,738
UK Pound	375,520	279,130
United Arab Emirates Dirham	(149)	-
Vietnamese Dong	-	197,141
Total Cash and Cash Equivalents	19,762,554	26,038,229

Investment Type (continued):	August 31, 2017	2016
Written Options:		
Australian Dollar	$ -	$ (2,786)
Brazilian Real	(999,357)	(2,711,267)
Canadian Dollar	(7,720)	-
Euro	(513,756)	(36,142)
Japanese Yen	-	(1,874)
UK Pound	-	(56,131)
Total Written Options	(1,520,833)	(2,808,200)
Swaps:		
Canadian Dollar	(38,514)	4,021,288
Euro	47,063	15,688,408
Japanese Yen	(270,288)	(6,372,943)
Mexican Peso	(12,191)	(15,095)
New Zealand Dollar	50,043	-
South African Rand	19,463	(120)
South Korean Won	(35,810)	-
Swedish Krona	(63,317)	10,680
UK Pound	22,547,548	11,841,820
Total Swaps	22,243,997	25,174,038
Futures:		
Australian Dollar	(2,995)	1,212
Canadian Dollar	(9,880)	(267)
Euro	(1,932)	(6,549)
Japanese Yen	-	(580)
UK Pound	-	1,513
Total Futures	(14,807)	(4,671)
Total	$ 2,802,773,515	$ 2,343,144,216

(G) *Counterparty (Credit) Risk*

The derivative instruments utilized by the PUF contain varying degrees of off-balance sheet risk whereby changes in the fair values of securities underlying the financial instruments may exceed the amounts recognized in the statements of fiduciary net position. The PUF manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

The PUF had gross counterparty exposure as of August 31, 2017 for options, swaps, and foreign exchange contracts shown in the following table:

	Notional		Fair Value		
	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Options	$ 64,367,556	$ 49,761,529	$ 62,275	$ 43,545	A
Swaps	4,281,222	1,000,000	571,120	33,913	AA
Swaps	62,143,551	76,690,238	29,195,979	26,919,692	A
Foreign Exchange Contracts	263,076,772	323,560,176	5,983,081	6,040,752	AA
Foreign Exchange Contracts	343,386,230	534,678,678	5,000,960	13,595,523	A
			$ 40,813,415	$ 46,633,425	

The PUF had gross counterparty exposure as of August 31, 2016 for options, swaps, and foreign exchange contracts shown in the following table:

	Notional		Fair Value		
	Assets	Liabilities	Assets	Liabilities	Counterparty Rating
Options	$ -	$ 300,000	$ -	$ 244	AA
Options	126,623,299	821,198,382	182,519	159,486	A
Swaps	533,516	535,127	533,605	535,127	AA
Swaps	80,119,949	78,945,167	41,177,829	41,403,291	A
Swaps	2,231,601	3,933,223	186,511	627,739	BBB
Foreign Exchange Contracts	71,000	369,519	684	2,518	AA
Foreign Exchange Contracts	537,449,899	542,860,261	8,847,786	14,891,631	A
			$ 50,928,934	$ 57,620,036	

As of August 31, 2017 and 2016, the PUF also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts, and exchange-cleared swaps expose the PUF to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees them against default. Therefore, they are not presented in the table above.

Counterparty risk for swaps, options and foreign exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the PUF and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the PUF to cover the PUF's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the PUF in one of its accounts at the PUF's custodian bank. As of August 31, 2017 and 2016, the PUF held $4,708,619 and $2,500,713 respectively, of collateral related to derivative instruments other than futures, and had on deposit with brokers $29,289,737 and $15,359,603, respectively, as collateral related to derivative instruments other than futures.

Note 5 – Securities Lending

In accordance with the prudent investor investment standards, the PUF loans securities to certain brokers who pay the PUF negotiated lenders' fees. These fees are included in investment income in the statements of changes in fiduciary net position. The PUF receives qualified securities and/or cash as collateral against the loaned securities. The collateral, when received, will have a market value of 102% of loaned securities of U.S. issuers and a market value of 105% for loaned securities of non-U.S. issuers. If the market value of the collateral held in connection with loans of securities of U.S. issuers is less than 100% at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102% of the market value. For non-U.S. issuers, the collateral should remain at 105% of the market value of the loaned securities at the close of any business day. If it falls below 105%, the borrower must deliver additional collateral by the close of the following business day. The fair value of securities loaned and the fair value of collateral held are as follows at August 31, 2017 and 2016:

Securities on Loan	2017 Fair Value	2016 Fair Value	Type of Collateral	2017 Fair Value of Collateral	2016 Fair Value of Collateral
U.S. Government	$ 10,923,278	$ 28,611,210	Cash	$ 11,152,187	$ 29,196,287
Foreign Government	1,848,116	-	Cash	1,891,000	-
Corporate Bonds	28,302,766	30,139,636	Cash	28,990,543	30,864,463
Common Stock	180,094,934	261,310,312	Cash	186,300,451	269,409,777
Total	$ 221,169,094	$ 320,061,158	**Total**	$ 228,334,181	$ 329,470,527
U.S. Government	$ 22,489,338	$ 10,350,230	Non-Cash	$ 23,020,176	$ 10,564,606
Corporate Bonds	501,535	-	Non-Cash	511,684	-
Common Stock	43,020,343	53,419,832	Non-Cash	44,896,898	54,991,191
Total	$ 66,011,216	$ 63,770,062	**Total**	$ 68,428,758	$ 65,555,797

Cash received as collateral for securities lending activities is invested and reinvested in a commingled pool managed exclusively for the benefit of the PUF, The University of Texas System General Endowment Fund (GEF), The University of Texas System Intermediate Term Fund (ITF) and other UT Board accounts that participate in securities lending activities by the securities lending agent. The pool is managed in accordance with investment guidelines established in the securities lending contract between the PUF and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar-weighted average maturity of 60 days and an overnight liquidity of 20%. Lending income is earned if the returns on those investments exceed the rebate paid to borrowers of the securities for interest on the cash collateral received. The income remaining after the borrower rebates is then shared by the PUF and the securities lending agent on a contractually negotiated split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, the payment of the shortfall to the borrower is made from the PUF and the securities lending agent in the same proportion as income is shared.

The PUF's pro-rata share of collateral pool investments, rating by NRSRO, and weighted average maturity at August 31, 2017 and 2016 is shown in the following table:

	August 31, 2017				August 31, 2016			
Description		Fair Value	Rating	Weighted Average Maturity In Days		Fair Value	Rating	Weighted Average Maturity In Days
Repurchase Agreements	$	77,542,096	No Rating Available	2	$	180,096,241	No Rating Available	1
Commercial Paper		56,332,451	P	39		22,704,579	P	53
Floating Rate Notes		52,094,221	AA			63,102,361	AA	
Floating Rate Notes		44,339,157	A			63,608,380	A	
Total Floating Rate Notes		96,433,378		22		126,710,741		29
Other Receivables/Payables		(1,973,744)	Not Rated	-		(41,034)	Not Rated	-
Total Collateral Pool Investment	$	228,334,181		19	$	329,470,527		16

The following tables reflect fair value measurements of collateral pool investments as of August 31, 2017 and 2016, respectively, as categorized by level of the fair value hierarchy:

		Fair Value Measurements Using		
	Fair Value as of August 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	$ 77,542,096	$ -	$ 77,542,096	$ -
Commercial Paper	56,332,451	-	56,332,451	-
Floating Rate Notes	96,433,378	-	96,433,378	-
Total by Fair Value Level	230,307,925	$ -	$ 230,307,925	$ -
Other Receivables/Payables	(1,973,744)			
Total Collateral Pool Investments	$ 228,334,181			

		Fair Value Measurements Using		
	Fair Value as of August 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	$ 180,096,241	$ -	$ 180,096,241	$ -
Commercial Paper	22,704,579	-	22,704,579	-
Floating Rate Notes	126,710,741	-	126,710,741	-
Total by Fair Value Level	329,511,561	$ -	$ 329,511,561	$ -
Other Receivables/Payables	(41,034)			
Total Collateral Pool Investments	$ 329,470,527			

Collateral pool investments are uninsured, and are held by the PUF's securities lending agent, in its name, on behalf of the PUF, except for the investments in repurchase agreements which are held in the securities lending agent's name by a third party custodian not affiliated with the PUF or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk because the pool investments are not held by counterparties to the lending transactions or the counterparties' trust department or agent.

Cash collateral is recorded as an asset with an equal and offsetting liability to return the collateral on the statements of fiduciary net position. Investments received as collateral for securities lending activities are not recorded as assets because the investments remain under the control of the transferor, except in the event of default.

In the event of default, where the borrower is unable to return the securities loaned, the PUF has authorized the securities lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the securities lending agent has indemnified the PUF from any loss due to borrower default.

As of August 31, 2017 and 2016, the PUF had no credit risk exposure to borrowers because the amounts the PUF owed to borrowers exceeded the amounts the borrowers owed the PUF.

There were no significant violations of legal or contractual provisions, no borrower or securities lending agent default losses, and no recoveries of prior period losses during the years ended August 31, 2017 and 2016.

Note 6 – Written Options

The following table discloses the fair values of the PUF's written call option contracts outstanding as of August 31, 2017 and 2016:

	Fair Value at August 31, 2017		Fair Value at August 31, 2016	
Type	Assets	Liabilities	Assets	Liabilities
Equity	$ -	$ 1,087,761	$ -	$ 2,708,060
Currency	-	399,891	-	38,542
Futures	-	5,700	-	-
Interest Rate Swap	-	-	-	16,125
Credit Default Swap	-	-	-	1,377
	$ -	$ 1,493,352	$ -	$ 2,764,104

The fair values are included on the statements of fiduciary net position as options written, at fair value. The changes in fair value of open call options for the years ended August 31, 2017 and 2016 were decreases in the amounts of $373,106 and $1,739,049, respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in fiduciary net position.

The following table discloses the fair values of the PUF's written put option contracts as of August 31, 2017 and 2016:

	Fair Value at August 31, 2017		Fair Value at August 31, 2016	
Type	Assets	Liabilities	Assets	Liabilities
Currency	$ -	$ 30,743	$ -	$ 103,116
Equity	-	24,858	-	3,207
Commodity	-	4,896	-	136,395
Other	-	2	-	74
Interest Rate Swap	-	-	-	1,873
	$ -	$ 60,499	$ -	$ 244,665

The fair values are included on the statements of fiduciary net position as options written, at fair value. The changes in fair value of open put options for the years ended August 31, 2017 and 2016 were an increase and a decrease in the amounts of $150,652 and $41,415, respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in fiduciary net position.

Note 7 – Swaps

The following table discloses the notional amounts and the fair values of the types of outstanding swap contracts as of August 31, 2017:

		Fair Value at August 31, 2017	
Type	**USD Notional Value**	**Assets**	**Liabilities**
Interest Rate	$ 502,859,490	$ 1,184,022	$ 2,432,896
Credit Default	44,777,800	740,163	293,027
Commodity	2,686,014	49,044	131,832
Currency	48,953,470	24,991,573	23,955,600
Equity	49,351,770	165,048	2,258,727
Total		$ 27,129,850	$ 29,072,082

The change in fair value of open swap positions for the year ended August 31, 2017 was a decrease in the amount of $723,863, which is included in the net increase (decrease) in fair value of investments on the statements of changes in fiduciary net position.

The following table discloses the notional amount and the fair values of the types of outstanding swap contracts as of August 31, 2016:

		Fair Value at August 31, 2016	
Type	**USD Notional Value**	**Assets**	**Liabilities**
Interest Rate	$ 182,328,256	$ 1,972,950	$ 4,699,789
Credit Default	66,816,875	758,134	298,877
Commodity	9,076,768	20,484	569,080
Currency	79,716,390	39,475,602	40,261,152
Equity	38,898,890	504,730	362,868
Total		$ 42,731,900	$ 46,191,766

The change in fair value of open swap positions for the year ended August 31, 2016 was a decrease in the amount of $2,730,425, which is included in the net increase (decrease) in fair value of investments on the statements of changes in fiduciary net position.

Note 8 – Futures Contracts

During the years ended August 31, 2017 and 2016, the asset classes that used futures include domestic and foreign debt, and commodities. The changes in fair value of open futures contracts for the years ended August 31, 2017 and 2016 were increases in the amounts of $2,673,521 and $8,256,468, respectively, which are included in the net increase (decrease) in fair value of investments on the statements of changes in fiduciary net position. The PUF had $1,273,755 and $9,582,604 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2017 and 2016, respectively. Short futures may be used by the PUF to hedge the PUF's interest rate or currency risk associated with security positions.

Futures contracts on commodities are traded on several different exchanges around the world. The daily cash settlements made by the investment manager for these open commodities contracts are made on a net basis to each respective exchange. The fair value, for August 31, 2017 and 2016, shown in the table below for these open contracts do not include amounts previously settled with the exchanges. Net cash settlements for these open commodities contracts amounted to $1,482,085 and $6,628,886 as of August 31, 2017 and 2016, respectively.

During the years ended August 31, 2017 and 2016, certain of the PUF's external investment managers trading in commodity futures on the London Metals Exchange (LME) closed out various long contract positions with offsetting short contract positions. For contracts traded and closed on the LME, cash settlement does not occur until the expiration date of the contract. The gross notional value of these long and short positions are shown below with the associated pending cash settlement amounts shown as the fair value as of August 31, 2017 and 2016.

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2017:

	Notional Value at August 31, 2017		Fair Value at August 31, 2017	
Contract	**Long**	**Short**	**Assets**	**Liabilities**
Commodities	$ 31,205,531	$ 7,650,570	$ 1,472,628	$ 414,715
Domestic Fixed Income	132,043,900	76,931,762	164,356	16,025
Foreign Fixed Income	124,392,069	829,971	-	14,808
Total	$ 287,641,500	$ 85,412,303	$ 1,636,984	$ 445,548

The following discloses the type, notional value, and fair values for futures contracts as of August 31, 2016:

	Notional Value at August 31, 2016		Fair Value at August 31, 2016	
Contract	**Long**	**Short**	**Assets**	**Liabilities**
Commodities	$ 158,303,121	$ 37,248,573	$ 5,756,999	$ 4,137,910
Domestic Fixed Income	67,805,219	20,771,600	15,078	1,913
Foreign Fixed Income	61,769,724	21,023,120	18,023	22,694
Total	$ 287,878,064	$ 79,043,293	$ 5,790,100	$ 4,162,517

Note 9 – Foreign Exchange Contracts

The tables below summarize by currency the contractual amounts of the PUF's foreign exchange contracts at August 31, 2017 and 2016. Foreign currency amounts are translated at exchange rates as of August 31, 2017 and 2016. The "Net Buy" amounts represent the U.S. dollar equivalent of net commitments to purchase foreign currencies, and the "Net Sell" amounts represent the U.S. dollar equivalent of net commitments to sell foreign currencies.

Currency	Net Buy August 31, 2017	Net Sell August 31, 2017	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2017	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2017
Australian Dollar	$ -	$ 31,436,952	$ 314,090	$ 913,622
Brazilian Real	-	16,795,638	73,028	779,847
Canadian Dollar	16,348,924	-	207,544	130,951
Chinese Yuan (Offshore)	-	94,589,280	-	5,403,557
Chinese Yuan Renminbi	32,538	-	47,493	78,803
Colombian Peso	9,230	-	25	-
Czech Koruna	-	259,839	8,953	53,708
Danish Krone	-	20,202,207	233,566	1,153,930
Euro	53,777,288	-	2,652,335	1,127,545
Hong Kong Dollar	-	8,481,856	88,533	125
Hungarian Forint	-	4,150,243	-	27,991
Indian Rupee	18,252,168	-	307,753	14,289
Indonesian Rupiah	1,247,851	-	6,859	-
Israeli Shekel	259,880	-	-	5,612
Japanese Yen	-	53,620,564	706,370	6,265,715
Malaysian Ringgit	1,551,920	-	7,588	11,461
Mexican Peso	-	611,251	27,427	94,529
New Taiwan Dollar	-	33,031,768	-	162,907
New Zealand Dollar	-	28,192,137	1,373,798	277,914
Norwegian Kroner	32,925,730	-	1,953,016	42,434
Peruvian Sol	616,564	-	2,505	-
Philippines Peso	8,139	-	-	8
Polish Zloty	-	23,345,166	103,341	855,911
Russian Ruble	1,591,394	-	59,461	9,531
Singapore Dollar	-	44,748,166	102,161	409,867
South African Rand	-	18,985,530	55,263	501,250
South Korean Won	-	6,206,142	69,711	39,093
Swedish Krona	15,968,721	-	1,684,050	366,914
Swiss Franc	1,978,510	-	9,437	6
Thai Baht	-	4,187,689	11,194	6,605
Turkish Lira	12,463,696	-	400,990	-
UK Pound	26,786,807	-	477,550	902,151
	$ 183,819,360	$ 388,844,428	$ 10,984,041	$ 19,636,276

The change in fair value of open foreign exchange contracts for the year ended August 31, 2017 was a decrease in the amount of $8,652,235, which is included in the net increase (decrease) in fair value of investments on the statements of changes in fiduciary net position.

Currency	Net Buy August 31, 2016	Net Sell August 31, 2016	Unrealized Gains on Foreign Currency Exchange Contracts August 31, 2016	Unrealized Losses on Foreign Currency Exchange Contracts August 31, 2016
Australian Dollar	$ -	24,809,486	$ 255,531	$ 430,969
Brazilian Real	-	12,076,143	20,550	345,489
Canadian Dollar	9,980,534	-	111,754	128,946
Chilean Peso	12,998,864	-	177,311	100,233
Chinese Yuan (Offshore)	-	90,552,707	1,447,293	-
Chinese Yuan Renminbi	-	8,611,546	344,499	282,405
Colombian Peso	-	3,629,955	74,321	115,691
Czech Koruna	-	884,448	20,346	-
Danish Krone	-	10,476,361	32,493	21,925
Euro	295,780	-	1,409,730	623,491
Hong Kong Dollar	-	11,947,023	1,676	31
Indian Rupee	12,127,138	-	36,174	351
Israeli Shekel	246,434	-	2,397	-
Japanese Yen	-	15,697,325	772,497	11,311,380
Malaysian Ringgit	-	6,588,464	10,137	4,945
Mexican Peso	-	7,068,792	1,199	73,427
New Zealand Dollar	-	41,067,574	5,453	272,990
Norwegian Kroner	16,327,425	-	153,129	55,296
Polish Zloty	-	3,081,869	6,023	-
Russian Ruble	1,645,509	-	45,328	1,666
Singapore Dollar	-	55,972,401	751,188	101,093
South African Rand	1,461,497	-	4,374	90,376
South Korean Won	-	7,095,276	160,337	13,828
Swedish Krona	24,390,258	-	21,014	139,832
Swiss Franc	1,261,207	-	-	9,336
Thai Baht	-	3,587,411	-	36,460
Turkish Lira	465,748	-	-	191
UK Pound	-	5,772,207	2,983,716	733,798
	$ 81,200,394	$ 308,918,988	$ 8,848,470	$ 14,894,149

The change in fair value of open foreign exchange contracts for the year ended August 31, 2016 was a decrease in the amount of $6,045,679 which is included in the net increase (decrease) in fair value of investments on the statements of changes in fiduciary net position.

Note 10 – Purchase Agreements

UTIMCO, as investment manager of the funds under the control and management of the UT Board, entered into a security purchase agreement with the UT Board. The agreement commits the funds under management, including the PUF, to purchase up to $3,457,675,000 in UT System flexible rate notes in the event of a failed remarketing of such notes. The individual funds under management are not committed to a specific amount, rather all of the funds may be required to provide for the amount noted.

The PUF also has an agreement with the TAMU System Board of Regents which commits the PUF to acquire up to $125,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes.

Note 11 – Distributions to the Available University Fund

The Texas Constitution allows for (a) distributions to the AUF from the "total return" on PUF investments, including income return as well as capital gains (realized and unrealized) and (b) the payment of PUF expenses from PUF assets. The Texas Constitution directs the UT Board to establish a distribution policy that provides stable, inflation-adjusted annual distributions to the AUF and preserves the real value of the PUF investments over the long term. Accordingly, distributions to the AUF in any given fiscal year are subject to the following: (1) A minimum amount equal to the amount needed to pay debt service on PUF bonds; (2) No increase from the preceding year (except as necessary to pay debt service on PUF bonds) unless the purchasing power of PUF investments for any rolling 10-year period has been preserved; (3) A maximum amount equal to seven percent of the average net fair market value of PUF's net position in any fiscal year, except as necessary to pay debt service on PUF bonds. Distributions from the PUF to the AUF for the years ended August 31, 2017 and 2016, were $839,441,000 and $772,876,690, respectively. The UT Board has approved an amount of $887,250,000 for the PUF distribution to the AUF for the year ended August 31, 2018.

Note 12 – Fees and Expenses

The PUF incurs investment management fees from various external managers of the PUF. The fees, generally assessed quarterly, are based on a percentage of the market value of investments held by each individual investment manager and currently range from 0.10% to 1.50%. In addition to quarterly investment management fees, the PUF may pay performance-based management fees for investment performance in excess of certain defined benchmarks as provided for in the managers' contracts. The investment management fees presented in the statements of changes in fiduciary net position represent only those paid directly from the PUF, and do not include fees incurred and charged by general partners in private investments, by mutual fund managers, and by hedge fund managers as these types of fees are netted directly against returns for those investments in accordance with standard industry practice. The investment management fees assessed by external managers and paid directly by the PUF for the years ended August 31, 2017 and 2016, were $34,017,953 and $26,922,039, respectively.

UTIMCO assesses the PUF a management fee to cover the costs of managing the PUF investments and providing day-to-day operations. These fees are based on a budget prepared by management and approved by the UT Board. The fees assessed for the years ended August 31, 2017 and 2016, were $17,618,775 and $16,912,692, respectively.

Custodial fees and expenses are assessed by the financial institution which holds the PUF's assets. Fees are based on the number of accounts, market value of the PUF, and transaction activity in accordance with the contractual agreement with the institution. Additional fees are assessed for performance measurement, risk measurement and on-line communication services per the contractual agreement. The fees assessed for the years ended August 31, 2017 and 2016, were $2,237,124 and $2,380,880, respectively.

Analytical and risk measurement fees, in the amounts of $363,824 and $379,271, were also incurred during the years ended August 31, 2017 and 2016, respectively, to maintain a sophisticated risk measurement system for the PUF.

Accounting fees, in the amounts of $312,260 and $308,281, were incurred by the PUF during the years ended August 31, 2017 and 2016, respectively, for external and UT System internal audit services.

Consulting fees, in the amounts of $152,345 and $185,082, respectively, for the years ended August 31, 2017 and 2016 were incurred for investment strategy and other investment consulting services.

Background check fees are incurred as part of the due diligence efforts undertaken as part of the hiring of investment managers. Fees in the amounts of $122,042 and $148,160 were incurred for the years ended August 31, 2017 and 2016, respectively.

Foreign tax consulting and filing fees are incurred by the PUF for investment managers domiciled in certain foreign countries and for those that invest in securities issued in certain foreign countries. Fees in the amounts of $24,586 and $101,713 were incurred for the years ended August 31, 2017 and 2016, respectively.

The PUF incurs legal fees associated with the review of new investment manager agreements and with due diligence efforts undertaken as part of the hiring of new investment managers. For the years ended August 31, 2017 and 2016, fees incurred were $54,122 and $93,710, respectively.

The PUF is assessed a fee by UT System to cover expenses related to the management of the PUF Lands. The fees assessed for the years ended August 31, 2017 and 2016, were $15,725,746 and $22,085,044, respectively. Fees are also assessed to cover costs associated with UT System personnel in their efforts to provide assistance to the UT Board and the Chancellor of the UT System in their oversight responsibilities of UTIMCO. Fees in the amounts of $160,140 and $160,290 were charged to the PUF for the years ended August 31, 2017 and 2016, respectively.

Schedule of Changes in Cost of Investments and Investment Income
Year Ended August 31, 2017
(in thousands)

	Beginning Cost	Purchases	Sales, Maturities & Redemptions	Gains (Losses)	Reclass	Effects of Pooled Account Rebalancing Activity ***	Ending Cost	Investment Income
Equity Securities								
Domestic Common Stock	$ 689,588	$ 669,326	$ (877,446)	$ 64,943	$ 1,644	$ (6,068)	$ 541,987	$ 9,345
Foreign Common Stock	1,277,674	1,306,081	(1,296,080)	82,116	5,878	(8,324)	1,367,345	39,381
Other	24,560	43,181	(40,564)	4,592	(905)	-	30,864	1,197
Total Equity Securities	1,991,822	2,018,588	(2,214,090)	151,651	6,617	(14,392)	1,940,196	49,923
Preferred Stock								
Domestic Preferred Stock	520	-	(455)	16	(31)	-	50	16
Foreign Preferred Stock	48,757	48,572	(47,892)	3,189	(6,807)	(61)	45,758	1,483
Total Preferred Stock	49,277	48,572	(48,347)	3,205	(6,838)	(61)	45,808	1,499
Debt Securities								
U. S. Government Obligations	149,253	1,946,794	(1,826,391)	(942)	-	16,987	285,701	3,720
Foreign Government and Provincial Obligations	580,665	678,416	(590,155)	(23,609)	-	33,526	678,843	21,694
Corporate Obligations	297,905	193,238	(128,376)	819	-	14,424	378,010	9,844
Other	3,036	1,099	(594)	18	-	142	3,701	182
Total Debt Securities	1,030,859	2,819,547	(2,545,516)	(23,714)	-	65,079	1,346,255	35,440
Purchased Options	6,447	6,656	(2,086)	(7,032)	-	(33)	3,952	-
Convertible Securities	460	-	4	-	-	-	464	41
Investment Funds								
Hedge Funds	3,598,896	536,369	(1,393,649)	480,060	-	-	3,221,676	-
Private Markets	5,819,204	1,690,659	(1,098,729)	332,935	-	-	6,744,069	138,940
Developed Country Equity	932,964	330,894	(239,543)	136,583	-	-	1,160,898	507
Emerging Markets Equity	661,543	171,055	(198,533)	42,010	-	-	676,075	118
Fixed Income	24,777	1,429	-	2,147	-	-	28,353	1,428
Real Estate	945	659	(659)	7,744	-	-	8,689	-
Natural Resources	2,237	-	(1)	12,104	221	-	14,561	-
Total Investment Funds	11,040,566	2,731,065	(2,931,114)	1,013,583	221	-	11,854,321	140,993
Physical Commodities								
Gold Bullion	419,102	71,805	-	-	-	(63)	490,844	-
Cash and Cash Equivalents								
Money Market Funds and Cash Held at State	665,398	-	(79,064) *	22,384 **	-	13,658	622,376	4,765
Other	-	-	-	-	-	-	-	3,243
Total Investment in Securities	$ 15,203,931	$ 7,696,233	$ (7,820,213)	$ 1,160,077	$ -	$ 64,188	$ 16,304,216	$ 235,904

* Net decrease in cash and money markets during the year.

** Includes net realized gains (losses) on futures contracts, written options, swaps and foreign currency contracts.

*** The amounts shown in this column represent the change in the PUF's pro-rata cost basis of the securities held in long-only public markets manager's accounts that are invested through separate investment pools created in the name of the UT Board. The PUF, GEF and ITF are the sole investors in these pools, and therefore, jointly own 100% of the assets of these separately managed accounts.

APPENDIX B

COMBINED DEBT SERVICE REQUIREMENTS ON OUTSTANDING PUF BONDS[1]

Fiscal Year Ending (8/31)	Principal and Interest on Outstanding PUF Bonds[2][3]	The Bonds Principal	The Bonds Interest	Total Annual Debt Service
2018	$150,059,458	--	$6,442,466	$156,501,924
2019	150,055,532	--	10,217,126	160,272,658
2020	150,058,188	--	10,217,126	160,275,314
2021	150,060,038	--	10,217,126	160,277,164
2022	150,058,731	--	10,217,126	160,275,857
2023	150,058,112	--	10,217,126	160,275,238
2024	150,057,722	--	10,217,126	160,274,848
2025	150,059,288	--	10,217,126	160,276,414
2026	150,058,094	--	10,217,126	160,275,220
2027	150,059,459	--	10,217,126	160,276,585
2028	150,056,949	--	10,217,126	160,274,075
2029	150,059,107	--	10,217,126	160,276,233
2030	150,059,093	--	10,217,126	160,276,219
2031	150,055,796	--	10,217,126	160,272,922
2032	150,058,888	--	10,217,126	160,276,014
2033	150,055,924	--	10,217,126	160,273,050
2034	150,058,641	--	10,217,126	160,275,767
2035	150,055,143	--	10,217,126	160,272,269
2036	150,056,279	--	10,217,126	160,273,405
2037	150,060,066	--	10,217,126	160,277,192
2038	150,057,672	--	10,217,126	160,274,798
2039	150,057,542	--	10,217,126	160,274,668
2040	150,055,356	--	10,217,126	160,272,482
2041	150,055,356	--	10,217,126	160,272,482
2042	4,763,556	--	10,217,126	14,980,682
2043	4,763,556	--	10,217,126	14,980,682
2044	4,763,556	--	10,217,126	14,980,682
2045	130,783,556	--	10,217,126	141,000,682
2046	--	$148,800,000	10,217,126	159,017,126
2047	--	153,840,000	5,193,638	159,033,638
TOTAL	$3,746,460,658	$302,640,000	$297,715,632	$4,346,816,290

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(1) Excludes debt service on the Commercial Paper Notes. See "Security for the Bonds — Commercial Paper Notes."

(2) For purposes of this table, the interest rate on $182,182,500 in principal amount of the Series 2008A Bonds is calculated based on the interest rate of 3.6960% and the interest rate on the remaining $182,182,500 in principal amount of the Series 2008A Bonds is calculated based on the interest rate of 3.6575%, each obtained as a result of the 2008A Swap Agreements. The arrangements made in respect of the 2008A Swap Agreements, however, do not alter the Board's obligation to pay the principal of and interest on the Series 2008A Bonds from the Interest of the System in the Available University Fund. See "Security for the Bonds" and "Swap Agreements." The Series 2008A Bonds currently bear interest at weekly rates. To the extent the weekly rates for the Series 2008A Bonds exceed the aforementioned interest rates, the amount of interest due on the Outstanding PUF Bonds will be higher than the amount shown herein.

(3) Excludes any cash subsidy payments ("Subsidy Payments") to be received by the Board from the United States Treasury as a result of the Board's designation of the Board's Permanent University Fund Taxable Bonds, Series 2009 (the "Series 2009 Bonds") as "Build America Bonds". Such Subsidy Payments are not pledged to the payment of the Bonds, and the designation of the Series 2009 Bonds as "Build America Bonds" does not alter the Board's obligation to pay the principal of and interest on such Bonds from the Interest of the System in the Available University Fund. See "Security for the Bonds." Reductions in federal spending associated with the recent sequestration measures enacted by the United States Congress (including reductions in Subsidy Payments) will not have any impact on the Board's ability to pay the principal of and interest on the Series 2009 Bonds.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

[Closing Date]

WE HAVE ACTED as Bond Counsel to the Board of Regents of The University of Texas System (the "Board") in connection with the issuance by the Board of bonds (the "Bonds") described as follows:

> BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND BONDS, TAXABLE SERIES 2017A, dated November 1, 2017, in the aggregate principal amount of $302,640,000. The Bonds bear interest, mature on the dates and are subject to redemption, all in accordance with the resolution adopted by the Board on August 24, 2017 (the "Bond Resolution"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Bond Resolution.

THE BONDS ARE BEING ISSUED pursuant to the Bond Resolution for the purpose, among others, of obtaining funds to refund certain outstanding obligations of the Board. The Bonds are secured equally and ratably, together with certain other outstanding obligations of the Board issued on a parity with the Bonds, by a first lien on and pledge of the Interest of the System in the Available University Fund. The Board has reserved the right to issue other obligations on a parity with the Bonds and the other bonds secured equally and ratably therewith, and to amend the Bond Resolution, subject to the restrictions stated therein.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas.

IN OUR CAPACITY AS BOND COUNSEL, we have examined applicable provisions of the Constitution and laws of the State of Texas and a transcript of certain materials pertaining to the Bonds and the obligations being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Board and U.S. Bank National Association (the "Refunded Notes Paying Agent"); a certificate of the Refunded Notes Paying Agent certifying as to the sufficiency of the deposit made therewith for defeasance and final payment of the obligations being refunded; customary certificates, affidavits and other documents executed by officers, agents and representatives of the Board, the State of Texas, the Refunded Notes Paying Agent and others; and other certified showings related to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded. We have also examined fully executed Bond No. T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT:

(a) The Bonds are issued and delivered pursuant to and in accordance with the Bond Resolution and the Constitution and laws of the State of Texas. The Bonds constitute legal, valid and binding special obligations of the Board secured, along with certain other obligations of the Board, by a first lien on and pledge of the Interest of the System in the Available University Fund; provided, however, that the enforceability of certain provisions of the Bonds and the Bond Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors and by general principles of equity that permit the exercise of judicial discretion. The Bonds are not and do not otherwise create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas.

(b) Firm banking and financial arrangements have been made for the discharge and final payment of the obligations being refunded pursuant to the resolution of the Board authorizing the issuance of such obligations, and, therefore, such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided to the Refunded Notes Paying Agent for such purpose.

IN PROVIDING SUCH OPINIONS, we have relied on representations of the Board, the Refunded Notes Paying Agent and the underwriters of the Bonds with respect to matters solely within the knowledge of the Board, the Refunded Notes Paying Agent and the underwriters of the Bonds, which we have not independently verified.

WE EXPRESS NO OPINION as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Prospective purchasers should consult their tax advisors with respect to such matters.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. Further, we have not been requested to examine, nor does the scope of our engagement as Bond Counsel extend to an investigation of, any records, data or other material relating to the financial condition or capabilities of the Board, the Permanent University Fund or the Available University Fund or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any change in law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions.

THIS OPINION speaks only as of its date and only in connection with the Bonds and may not be applied to any other transaction. Further, this opinion is specifically limited to the laws of the State of Texas.

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