NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to The Regents, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2013 Series AF Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the 2013 Series AF Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is of the opinion that interest on the 2013 Securities is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the 2013 Series AG Bonds and the 2013 Series AH Notes is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Securities. See "TAX MATTERS" herein.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
GENERAL REVENUE BONDS

$805,905,000 2013 SERIES AF
$501,170,000 2013 SERIES AG (TAXABLE)
$286,515,000 2013 SERIES AH (TAXABLE FIXED RATE NOTES)

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

The Regents of the University of California General Revenue Bonds, 2013 Series AF (the "2013 Series AF Bonds"), The Regents of the University of California General Revenue Bonds, 2013 Series AG (Taxable) (the "2013 Series AG Bonds" and together with the 2013 Series AF Bonds, the "2013 Bonds") and The Regents of the University of California General Revenue Bonds, 2013 Series AH (Taxable Fixed Rate Notes) (the "2013 Series AH Notes" and together with the 2013 Bonds, the "2013 Securities") will be issued in fully registered form in Authorized Denominations, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the 2013 Securities. Individual purchases will be made in book-entry form only, in Authorized Denominations. Purchasers will not receive certificates representing their interests in the 2013 Securities purchased.

The Regents will use the proceeds of the sale of the 2013 Series AF Bonds and the 2013 Series AG Bonds to refinance the acquisition and construction of all or a portion of certain facilities of the University of California (the "University") and will use the proceeds of the sale of the 2013 Series AH Notes to pay The Regents of the University of California General Revenue Bonds, 2011 Series AA-2 (Taxable Fixed Rate Notes) on their maturity date of July 1, 2013.

Interest on the 2013 Bonds is payable on November 15, 2013 and semiannually thereafter on May 15 and November 15 of each year. Interest on the 2013 Series AH Notes is payable on January 1 and July 1 in each year, commencing July 1, 2013 and on their maturity date.

The interest, principal or redemption price of the 2013 Securities are payable by The Bank of New York Mellon Trust Company, N.A. as successor trustee, to DTC. DTC is required to remit such principal or redemption price and interest to its participants for subsequent disbursement to the Beneficial Owners of the 2013 Securities, as described herein.

The 2013 Bonds are subject to redemption prior to their stated maturities, as described herein. The 2013 Series AH Notes are not subject to redemption prior to maturity.

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

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

The 2013 Securities are limited obligations of The Regents, payable solely from General Revenues, the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture (excluding the Rebate Fund), as described herein. The 2013 Securities and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture, as hereinafter described. The Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on General Revenues senior in priority, or on a parity, or subordinate in priority with the pledge and lien of the Indenture, as described herein. The 2013 Securities will not constitute a liability of or a lien upon the funds or property of the State of California or of The Regents, except to the extent of the aforementioned pledge and lien of the Indenture. The Regents has no taxing power.

The 2013 Securities are offered when, as and if issued, subject to the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to The Regents. Certain legal matters will be passed upon for The Regents by its Office of General Counsel and certain legal matters will be passed upon for the Underwriters by O'Melveny & Myers LLP, counsel to the Underwriters, and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to The Regents. It is anticipated that the 2013 Securities will be available for delivery to DTC in New York, New York, on or about March 14, 2013.

Underwriters for 2013 Series AF Bonds and 2013 Series AG Bonds (Taxable)

J.P. Morgan **Wells Fargo Securities**

De La Rosa & Co. **Stone & Youngberg, a Division of Stifel Nicolaus** **US Bancorp**

Alamo Capital **Backstrom McCarley Berry & Co., LLC** **Barclays**
BMO Capital Markets **Citigroup** **Fidelity Capital Markets**
Goldman, Sachs & Co. **Jefferies** **Loop Capital Markets**
BofA Merrill Lynch **Morgan Stanley** **Prager & Co., LLC**
Raymond James **RBC Capital Markets** **SL Hare Capital, Inc.**
Sutter Securities Incorporated

Underwriters for 2013 Series AH Notes (Taxable Fixed Rate Notes)

BofA Merrill Lynch

Alamo Capital **Backstrom McCarley Berry & Co., LLC** **Barclays**
Citigroup **J.P. Morgan** **Jefferies**
Prager & Co., LLC **Raymond James** **RBC Capital Markets**
Wells Fargo Securities

Dated: March 5, 2013

MATURITY SCHEDULE

2013 SERIES AF BONDS

Maturity (May 15)	Amount	Interest Rate	Yield	CUSIP**	Maturity (May 15)	Amount	Interest Rate	Yield	CUSIP**
2014	$41,310,000	2.000%	0.170%	91412GQN8	2023	$ 1,225,000	4.000%	2.100%	91412GQX6
2015	7,270,000	3.000	0.370	91412GQP3	2023	33,575,000	5.000	2.100	91412GRU1
2015	36,505,000	5.000	0.370	91412GRL1	2024	615,000	4.000	2.300*	91412GQY4
2016	3,535,000	3.000	0.540	91412GQQ1	2024	26,750,000	5.000	2.250*	91412GRV9
2016	42,100,000	5.000	0.540	91412GRM9	2025	1,700,000	3.000	2.550*	91412GQZ1
2017	6,510,000	3.000	0.680	91412GQR9	2025	26,605,000	5.000	2.370*	91412GRY3
2017	39,690,000	5.000	0.680	91412GRN7	2026	35,680,000	5.000	2.500*	91412GRA5
2018	4,125,000	4.000	0.900	91412GQS7	2027	37,455,000	5.000	2.580*	91412GRB3
2018	25,830,000	5.000	0.900	91412GRP2	2028	3,560,000	3.000	3.110	91412GRC1
2019	10,000,000	4.000	1.170	91412GQT5	2028	35,745,000	5.000	2.660*	91412GRW7
2019	21,255,000	5.000	1.170	91412GRQ0	2029	31,610,000	5.000	2.720*	91412GRD9
2020	1,905,000	4.000	1.420	91412GQU2	2030	28,890,000	5.000	2.770*	91412GRE7
2020	25,530,000	5.000	1.420	91412GRR8	2031	30,330,000	4.000	3.150*	91412GRF4
2021	3,205,000	4.000	1.680	91412GQV0	2032	31,540,000	4.000	3.200*	91412GRG2
2021	27,135,000	5.000	1.680	91412GRS6	2033	6,615,000	4.000	3.220*	91412GRH0
2022	530,000	4.000	1.900	91412GQW8	2033	26,190,000	5.000	2.900*	91412GRX5
2022	33,980,000	5.000	1.900	91412GRT4	2036	3,055,000	3.500	3.580	91412GRJ6

$25,000,000 4.000% Term Bond due May 15, 2036 Yield: 3.400%* CUSIP** 91412GSA4
$49,690,000 5.000% Term Bond due May 15, 2036 Yield: 3.080%* CUSIP** 91412GRZ0
$39,660,000 5.000% Term Bond due May 15, 2039 Yield: 3.230%* CUSIP** 91412GRK3

2013 SERIES AG BONDS (TAXABLE)

Maturity (May 15)	Amount	Interest Rate	Price	CUSIP**	Maturity (May 15)	Amount	Interest Rate	Price	CUSIP**
2014	$19,620,000	0.180%	100%	91412GPV1	2022	$20,950,000	2.570%	100%	91412GQD0
2015	20,350,000	0.392	100	91412GPW9	2023	20,415,000	2.750	100	91412GQE8
2016	20,365,000	0.659	100	91412GPX7	2024	17,340,000	2.900	100	91412GQF5
2017	20,000,000	0.966	100	91412GPY5	2025	17,730,000	3.050	100	91412GQG3
2018	21,350,000	1.296	100	91412GPZ2	2026	22,250,000	3.180	100	91412GQH1
2019	21,840,000	1.745	100	91412GQA6	2027	22,950,000	3.280	100	91412GQJ7
2020	21,090,000	1.995	100	91412GQB4	2028	23,695,000	3.380	100	91412GQK4
2021	22,325,000	2.300	100	91412GQC2					

$111,415,000 4.062% Term Bond due May 15, 2033 Price: 100% CUSIP** 91412GQL2
$77,485,000 4.262% Term Bond due May 15, 2039 Price: 100% CUSIP** 91412GQM0

2013 SERIES AH NOTES (TAXABLE FIXED RATE NOTES)

Maturity (July 1)	Amount	Interest Rate	Price	CUSIP**
2019	$286,515,000	1.796%	100%	91412GSB2

* Priced to the May 15, 2023 par call date.
** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither The Regents nor the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

Summaries of provisions of the Indenture relating to the 2013 Securities and the Continuing Disclosure Agreement contained herein do not purport to be complete descriptions of the provisions thereof, and such summaries are qualified by reference to the Indenture and the Continuing Disclosure Agreement for full particulars of the 2013 Securities, the Indenture and the Continuing Disclosure Agreement, respectively. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of The Regents since the date hereof.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of 2013 Securities by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by The Regents.

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

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

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

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In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2013 Securities at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

OFFICIAL STATEMENT

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

GENERAL REVENUE BONDS

$805,905,000 2013 SERIES AF
$501,170,000 2013 SERIES AG (TAXABLE)
$286,515,000 2013 SERIES AH (TAXABLE FIXED RATE NOTES)

INTRODUCTION

The purpose of this Official Statement (the "Official Statement") is to set forth certain information concerning The Regents of the University of California General Revenue Bonds, 2013 Series AF issued in the aggregate principal amount of $805,905,000 (the "2013 Series AF Bonds"), The Regents of the University of California General Revenue Bonds, 2013 Series AG (Taxable) issued in the aggregate principal amount of $501,170,000 (the "2013 Series AG Bonds") and The Regents of the University of California General Revenue Bonds, 2013 Series AH (Taxable Fixed Rate Notes) issued in the aggregate principal amount of $286,515,000 (the "2013 Series AH Notes" and collectively with the 2013 Series AF Bonds and the 2013 Series AG Bonds, the "2013 Securities").

The 2013 Securities are authorized to be issued pursuant to the powers and authority of The Regents of the University of California ("The Regents") contained in Article IX, Section 9 of the Constitution of the State of California. The 2013 Series AF Bonds are issued in accordance with the provisions of an indenture dated as of September 1, 2003 (the "General Revenue Bond Indenture") as previously amended and supplemented and as further supplemented by the Thirty-Second Supplemental Indenture, dated as of March 1, 2013, the 2013 Series AG Bonds are issued in accordance with the provisions of the General Revenue Bond Indenture as previously amended and supplemented and as further supplemented by the Thirty-Third Supplemental Indenture, dated as of March 1, 2013 and the 2013 Series AH Notes are issued in accordance with the provisions of the General Revenue Bond Indenture as previously amended and supplemented and as further supplemented by the Thirty-Fourth Supplemental Indenture, dated as of March 1, 2013 (as so amended and supplemented, the "Indenture"), by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee (the "Trustee").

Prior to the issuance of the 2013 Securities, The Regents has issued under the Indenture, and there remain Outstanding, Bonds as shown in Table 1 below:

Table 1
General Revenue Bonds as of January 1, 2013
(dollars in thousands)

Series	**Amount Outstanding**
2003 Series A	$ 527,835
2003 Series B	236,055
2005 Series C	165,390
2005 Series D	4,565
2005 Series E	38,165
2005 Series F	375,830
2005 Series G	206,605
2005 Series H	1,400
2005 Series I	4,690
2007 Series J	1,036,375
2007 Series K	193,175
2008 Series L	202,290
2008 Series M	29,085
2008 Series N	2,550
2009 Series O	708,185
2009 Series P	35,735
2009 Series Q	295,620
2009 Series R	1,022,275
2010 Series S	75,395
2010 Series T	10,100
2010 Series U	142,530
2010 Series V	200,000
2011 Series W	3,510
2010 Series X	48,700
2011 Series Y	500,000
2011 Series Z	150,000
2011 Series AA-2	286,515
2011 Series AB	352,830
2011 Series AC	43,665
2012 Series AD	860,000
2012 Series AE	2,385
Total	**$7,761,455**

The 2003 Series A Bonds, the 2003 Series B Bonds, the 2005 Series C Bonds, the 2005 Series D Bonds, the 2005 Series E Bonds, the 2005 Series F Bonds, the 2005 Series G Bonds, the 2005 Series H Bonds, the 2005 Series I Bonds, the 2007 Series J Bonds, the 2007 Series K Bonds, the 2008 Series L Bonds, the 2008 Series M Bonds, the 2008 Series N Bonds, the 2009 Series O Bonds, the 2009 Series P Bonds, the 2009 Series Q Bonds, the 2009 Series R Bonds, the 2010 Series S Bonds, the 2010 Series T Bonds, the 2010 Series U Bonds, the 2010 Series V

Bonds, the 2011 Series W Bonds, the 2010 Series X Bonds, the 2011 Series Y Bonds, the 2011 Series Z Bonds, the 2011 Series AA-2 Notes, the 2011 Series AB Bonds, the 2011 Series AC Bonds, the 2012 Series AD Bonds, the 2012 Series AE Bonds, the 2013 Series AF Bonds, the 2013 Series AG Bonds and the 2013 Series AH Notes and any additional Bonds to be issued under the Indenture from time to time are collectively referred to herein as the "Bonds."

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

Proceeds of the 2013 Bonds will be used to refinance the acquisition and construction of all or a portion of certain facilities of the University. Proceeds of the 2013 Series AH Notes will be used to pay The Regents of the University of California General Revenue Bonds, 2011 Series AA-2 (Taxable Fixed Rate Notes) on their maturity date of July 1, 2013. See "REFUNDING PLAN."

The 2013 Securities are limited obligations of The Regents, payable solely from General Revenues, the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture (excluding the Rebate Fund), as hereinafter described. The 2013 Securities and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture, as hereinafter described. The Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on General Revenues senior in priority, on a parity, or subordinate in priority with the pledge and lien of the Indenture, as described herein. See "SECURITY FOR THE BONDS," and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE – Pledge." The Bonds do not constitute a liability of or a lien or charge upon the funds or property of the State of California or of The Regents, except to the extent of the aforementioned pledge and lien of the Indenture. The Regents has no taxing power.

The Regents has covenanted for the benefit of the registered owners and Beneficial Holders of the 2013 Securities to provide certain financial information and operating data relating to the 2013 Securities (the "Annual Report") not later than seven (7) months after the end of The Regents' Fiscal Year (which Fiscal Year currently ends June 30), commencing with the report for the Fiscal Year ending June 30, 2013, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) System. The specific nature of the information to be contained in the Annual Report and in the notice of events is summarized in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters of the 2013 Securities in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Regents has not failed to comply in all material respects with any previous undertaking with regard to the Rule to provide annual reports or notices of enumerated events in the last five years.

This Official Statement contains brief descriptions of the 2013 Securities, security for the Bonds, The Regents, the Continuing Disclosure Agreement and the Indenture. General information concerning the University is contained in Appendix A. The audited Annual Financial Report of the University for the year ended June 30, 2012 is contained in Appendix B. The information contained in Appendix B describes funds and other assets of The Regents that are not pledged as security for the Bonds.

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

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

THE 2013 SECURITIES

General

The 2013 Securities are issued in fully registered form in Authorized Denominations. “Authorized Denominations” means denominations of $5,000 or any integral multiple thereof.

The principal or redemption price of the 2013 Securities is payable at the corporate trust office of the Trustee in Los Angeles, California. See “ — Book-Entry Only System.”

2013 Bonds. Each 2013 Bond shall bear interest from the Interest Payment Date next preceding the date of registration thereof unless such date of registration is an Interest Payment Date, in which event it shall bear interest from the date of registration thereof, or unless it is registered on or before the first interest payment date, in which event it shall bear interest from the date of original delivery, and the 2013 Bonds shall mature on the dates and in the principal amounts set forth on the inside cover page hereof, subject to the rights of prior redemption described hereinafter.

Interest on the 2013 Bonds is payable on November 15, 2013 and semiannually thereafter on May 15 and November 15 of each year to each registered owner of the 2013 Bonds as of the close of business on the first day of the month in which an Interest Payment Date occurs. Interest on the 2013 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

2013 Series AH Notes. The 2013 Series AH Notes will mature on July 1, 2019 and will bear interest at a fixed interest rate of 1.796%. Interest on the 2013 Series AH Notes is payable on January 1 and July 1 in each year, commencing July 1, 2013, and on their maturity date. Interest on the 2013 Series AH Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Additional Bonds

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

Redemption

2013 Series AH Notes. The 2013 Series AH Notes are not subject to redemption prior to maturity.

2013 Bonds.

Optional Redemption.

The 2013 Series AF Bonds maturing on or before May 15, 2023 are not subject to redemption prior to their respective stated maturities. The 2013 Series AF Bonds maturing on or after May 15, 2024 are subject to redemption prior to their respective stated maturities, at the option of The Regents from lawfully available funds deposited in the 2013 Series AF Bonds Optional Redemption Subaccount of the Optional Redemption Account as a whole or in part on any date on or after May 15, 2023 (in such order of maturity as shall be selected by the Trustee upon direction by The Regents and by lot within a maturity), at a redemption price equal to the principal amount of the 2013 Series AF Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The 2013 Series AG Bonds maturing on May 15, 2033 and May 15, 2039 are subject to redemption prior to their respective stated maturities, at the option of The Regents from lawfully available funds deposited in the 2013 Series AG Bonds Optional Redemption Subaccount of the Optional Redemption Account as a whole or in part on any date on or after May 15, 2023 (in such order of maturity as shall be selected by the Trustee upon direction by The Regents and pro rata within a maturity), at a redemption price equal to the principal amount of the 2013 Series AG Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The 2013 Series AG Bonds maturing from May 15, 2014 through May 15, 2028 are subject to redemption prior to their stated maturities at the option of The Regents, in whole or in part and if in part among maturities to be designated by The Regents (and pro rata within a maturity), on any date at a redemption price equal to the greater of:

(1) 100% of the principal amount of the 2013 Series AG Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2013 Series AG Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2013 Series AG Bonds are to be redeemed, discounted to the date on which such 2013 Series AG Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 25 basis points,

plus, in each case, accrued interest on such 2013 Series AG Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular 2013 Series AG Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2013 Series AG Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Sinking Account Redemption. The 2013 Series AF Bonds maturing on May 15, 2036 with an interest rate of 4.00% are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2034 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2013 Series AF Bonds Maturing May 15, 2036
(Interest Rate of 4.00%)

Redemption Date (May 15)	**Principal Amount**
2034	$8,660,000
2035	8,885,000
2036*	7,455,000

*Maturity

The 2013 Series AF Bonds maturing on May 15, 2036 with an interest rate of 5.00% are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2034 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2013 Series AF Bonds Maturing May 15, 2036
(Interest Rate of 5.00%)

Redemption Date (May 15)	Principal Amount
2034	$17,275,000
2035	17,650,000
2036*	14,765,000

*Maturity

The 2013 Series AF Bonds maturing on May 15, 2039 are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2037 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2013 Series AF Bonds Maturing May 15, 2039

Redemption Date (May 15)	Principal Amount
2037	$18,230,000
2038	10,455,000
2039*	10,975,000

*Maturity

The 2013 Series AG Bonds maturing on May 15, 2033 are subject to redemption prior to maturity in part, pro rata, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2029 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2013 Series AG Bonds Maturing May 15, 2033

Redemption Date (May 15)	Principal Amount
2029	$22,030,000
2030	21,035,000
2031	21,885,000
2032	22,770,000
2033*	23,695,000

*Maturity

The 2013 Series AG Bonds maturing on May 15, 2039 are subject to redemption prior to maturity in part, pro rata, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from mandatory sinking account payments in the following amounts, commencing on May 15, 2034 according to the following schedule:

Schedule of Mandatory Sinking Account Payments
2013 Series AG Bonds Maturing May 15, 2039

Redemption Date (May 15)	Principal Amount
2034	$17,770,000
2035	18,365,000
2036	15,255,000
2037	12,225,000
2038	6,790,000
2039*	7,080,000

*Maturity

Notice of Redemption. Notice of any redemption shall be mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each 2013 Bond to be redeemed, in whole or in part, at the address shown on the registration books maintained by the Trustee. Failure to give such notice by mail or any defect in such notice to any Holder of 2013 Bonds shall not affect the validity of any proceedings for the redemption of any other 2013 Bond.

If DTC or its nominee is the registered owner of any 2013 Bond to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such 2013 Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2013 Bond to be redeemed shall not affect the validity of the redemption of such 2013 Bond.

Partial Redemption. Upon surrender of any 2013 Bond redeemed in part only, The Regents shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, at the expense of The Regents, a new 2013 Bond or 2013 Bonds of Authorized Denominations and of the same series and maturity, equal in aggregate principal amount to the unredeemed portion of the 2013 Bond surrendered. 2013 Bonds shall be redeemed only in Authorized Denominations.

Pursuant to the Indenture, if less than all of the 2013 Series AG Bonds of a maturity shall be called for redemption, such 2013 Series AG Bonds of a maturity shall be redeemed in part, on a pro rata basis; provided that, so long as the 2013 Series AG Bonds are held in book-entry only form, the selection for redemption of such 2013 Series AG Bonds of a maturity shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata basis, the 2013 Series AG Bonds will be selected for redemption in accordance with DTC procedures, by lot or in such other manner as is in accordance with applicable DTC operational arrangements. Neither The Regents nor the

Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate partial redemptions among beneficial owners of the 2013 Series AG Bonds of a maturity on a pro rata basis. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" for a description of DTC and the Book-Entry Only System.

Effect of Redemption. The Indenture provides that if notice of redemption has been duly given and money for payment of the principal, premium, if any, and interest accrued to the redemption date of the 2013 Bonds (or portions thereof) called for redemption has been transferred to the Trustee, then on the redemption date designated in such notice, the 2013 Bonds so called for redemption will become due and payable and from and after the redemption date, interest on the 2013 Bonds (or portions thereof) so called for redemption will cease to accrue and the Holders of such 2013 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

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

Purchase of Bonds. The Indenture provides that at any time prior to giving notice of any redemption, the Trustee shall apply amounts in the applicable Optional Redemption Account, Special Redemption Account, or Sinking Account to the purchase of 2013 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by The Regents.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2013 Securities. The ownership of one fully registered 2013 Security for each maturity of each Series set forth on the inside cover page hereof, in the aggregate principal amount of the 2013 Securities of such Series maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" for a description of DTC and the Book-Entry Only System.

REFUNDING PLAN

A portion of the proceeds of the 2013 Bonds will refund a portion of each of the following Bonds (the "Prior Bonds"):

Name of Issue

General Revenue Bonds, 2003 Series A

General Revenue Bonds, 2003 Series B

General Revenue Bonds, 2005 Series C

General Revenue Bonds, 2005 Series D

General Revenue Bonds, 2005 Series F

General Revenue Bonds, 2005 Series G

The proceeds of the 2013 Series AH Notes will be applied to pay The Regents of the University of California General Revenue Bonds, 2011 Series AA-2 (Taxable Fixed Rate Notes) (together with the Prior Bonds, the "Refunded Bonds") on their maturity date of July 1, 2013.

SECURITY FOR THE BONDS

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

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

Table 2
General Revenues

Fiscal Year	General Revenues (dollars in billions)
2007-2008	$6.72
2008-2009	7.05
2009-2010	7.66
2010-2011	8.73
2011-2012	9.67

The amount of General Revenues in each Fiscal Year will change based upon various factors affecting the operations of the University, including but not limited to its enrollment, research grants and contracts, auxiliary enterprises, gifts and fundraising, investment results and certain State support for capital projects. For a discussion of the University's financial performance, see "APPENDIX B – THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2011-2012 – Management's Discussion and Analysis."

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

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

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

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

Indebtedness

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

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

Senior Lien Indebtedness. At the time of issuance of the 2013 Securities, no Indebtedness secured by a Senior Lien will be outstanding.

Parity Lien Indebtedness. At the time of issuance of the 2013 Securities, Indebtedness of The Regents secured by a Parity Lien will consist of (i) three revolving credit facilities provided by various financial institutions with commitments totaling $615 million and outstanding advances totaling $262 million as of January 1, 2013, and (ii) an interest rate swap in a notional amount of $500 million with a scheduled termination date of April 25, 2013 and an interest rate swap in a notional amount of $500 million with a scheduled termination date of July 1, 2015, both of which constitute Financial Products Agreements with one or more Qualified Providers. Payments due under such credit facilities and Financial Products Agreements (including without limitation, regularly scheduled payments and payments due upon early termination) are secured by a Parity Lien. Interest rate swap agreements, including the Financial Products Agreements, entail certain risks. For example, a party may be required to make significant payments to its swap counterparty in the event of an early termination, which could occur due to a default by either party or the occurrence of a termination event.

Bonds issued under and secured by the lien of the Indenture that will be Outstanding at the time of issuance of the 2013 Securities are described under "- Additional Indebtedness" above.

Subordinate Lien Indebtedness. At the time of issuance of the 2013 Securities, Indebtedness of The Regents secured by a Subordinate Lien will consist of (i) Indebtedness outstanding under the Indenture, dated as of October 1, 2004, as supplemented, by and between The Regents and The Bank of New York Mellon Trust Company, N.A., as successor trustee to J.P. Morgan Trust Company, National Association, securing The Regents of the University of California Limited Project Revenue Bonds 2005 Series B, 2007 Series D, 2010 Series E, 2010 Series F, 2012 Series G and 2012 Series H, and (ii) Indebtedness outstanding under the Indenture, dated as of November 1, 2008, as supplemented, by and between The Regents and Deutsche Bank National Trust Company, securing The Regents of the University of California Commercial Paper Notes, Series A (Tax Exempt) and Series B (Taxable).

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

The 2013 Securities are limited obligations of The Regents, payable solely from General Revenues, the proceeds of the Bonds and any other amounts held in any fund or account (excluding the Rebate Fund) established pursuant to the Indenture. The 2013 Securities and all other Bonds issued pursuant to the Indenture are entitled to the equal benefit, protection and security of the pledge and covenants and agreements of the Indenture, as hereinafter described. The Indenture permits The Regents to incur additional Indebtedness secured by a pledge and lien on General Revenues senior in priority, on a parity, or subordinate in priority with the pledge and lien of the Indenture. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – The Indenture – Pledge." The 2013 Securities will not constitute a liability of or a lien upon the funds or property of the State of California or of The Regents, except to the extent of the aforementioned pledge and lien of the Indenture. The Regents has no taxing power.

ESTIMATED SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds in connection with the 2013 Series AF Bonds:

SOURCES – 2013 Series AF Bonds

Principal Amount of 2013 Series AF Bonds	$805,905,000.00
Net Original Issue Premium	136,960,907.25
Total Sources of Funds	$942,865,907.25

USES – 2013 Series AF Bonds

Refunding of Refunded Bonds	$938,608,375.21
Costs of Issuance[1]	3,693,620.95
Capitalized Interest[2]	563,911.09
Total Use of Funds	$942,865,907.25

(1) Includes underwriters' discount and other costs of issuance.
(2) To be applied to pay a portion of interest coming due on November 15, 2013.

The following are the estimated sources and uses of funds in connection with the 2013 Series AG Bonds:

SOURCES – 2013 Series AG Bonds

Principal Amount of 2013 Series AG Bonds	$501,170,000.00
Funds of The Regents	38,054,027.33
Total Sources of Funds	$539,224,027.33

USES – 2013 Series AG Bonds

Refunding of Refunded Bonds	$536,913,732.81
Costs of Issuance[(1)]	2,310,294.52
Total Use of Funds	$539,224,027.33

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

The following are the estimated sources and uses of funds in connection with the 2013 Series AH Notes:

SOURCES – 2013 Series AH Notes

Principal Amount of 2013 Series AH Notes	$286,515,000.00
Funds of The Regents	646,102.65
Total Sources of Funds	$287,161,102.65

USES – 2013 Series AH Notes

Refunding of Refunded Bonds	$286,515,000.00
Costs of Issuance[(1)]	646,102.65
Total Use of Funds	$287,161,102.65

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

TAX MATTERS

2013 Series AF Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to The Regents ("Bond Counsel"), based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2013 Series AF Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2013 Series AF Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D – "PROPOSED FORM OF BOND COUNSEL OPINION FOR 2013 SECURITIES."

To the extent the issue price of any maturity of the 2013 Series AF Bonds is less than the amount to be paid at maturity of such 2013 Series AF Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2013 Series AF Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2013 Series AF Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2013 Series AF Bonds is the first price at which a substantial amount of such maturity of the 2013 Series AF Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2013 Series AF Bonds accrues daily over the term to maturity of such 2013 Series AF Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2013 Series AF Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2013 Series AF Bonds. Owners of the 2013 Series AF Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2013 Series AF Bonds with original issue discount, including the treatment of owners who do not purchase such 2013 Series AF Bonds in the original offering to the public at the first price at which a substantial amount of such 2013 Series AF Bonds is sold to the public.

2013 Series AF Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such owner. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2013 Series AF Bonds. The Regents has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2013 Series AF Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2013

Series AF Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2013 Series AF Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2013 Series AF Bonds may adversely affect the value of, or the tax status of interest on, the 2013 Series AF Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2013 Series AF Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Series AF Bonds may otherwise affect a owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2013 Series AF Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2013 Series AF Bonds. Prospective purchasers of the 2013 Series AF Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2013 Series AF Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of The Regents, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Regents has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2013 Series AF Bonds ends with the issuance of the 2013 Series AF Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend The Regents or the owners regarding the tax-exempt status of the 2013 Series AF Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than The Regents and its appointed counsel, including the owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which The Regents legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2013 Series AF Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2013 Series AF Bonds, and may cause The Regents or owners to incur significant expense.

2013 Series AG Bonds and 2013 Series AH Notes

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the 2013 Series AG Bonds and the 2013 Series AH Notes (together, the "2013 Taxable Securities") is exempt from State of California personal income taxes. Interest on the 2013 Taxable Securities is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the 2013 Taxable Securities. The proposed form of opinion of Bond Counsel is contained in Appendix D hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the 2013 Taxable Securities that acquire their 2013 Taxable Securities in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their 2013 Taxable Securities as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their 2013 Taxable Securities pursuant to this offering for the issue price that is applicable to such 2013 Taxable Securities (i.e., the price at which a substantial amount of the 2013 Taxable Securities are sold to the public) and who will hold their 2013 Taxable Securities as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a 2013 Taxable Security that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a 2013 Taxable Security (other than a partnership) that is not a U.S. Holder. If a partnership holds 2013 Taxable Securities, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding 2013 Taxable Securities, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the 2013 Taxable Securities (including their status as U.S. Holders or Non-U.S. Holders).

For U.S. Holders

The 2013 Taxable Securities are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the 2013 Taxable Securities is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the 2013 Taxable Securities for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the 2013 Taxable Securities.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement (including pursuant to an offer by The Regents) or other disposition of a 2013 Taxable Security, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a 2013 Taxable Security will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the 2013 Taxable Security which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted tax basis in the 2013 Taxable Security (generally, the purchase price paid by the U.S. Holder for the 2013 Taxable Security, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the 2013 Taxable Securities, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the 2013 Taxable Securities exceeds one year. The deductibility of capital losses is subject to limitations.

For Non-U.S. Holders

Interest. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," payments of principal of, and interest on, any 2013 Taxable Security to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to The Regents through stock ownership and (2) a bank which acquires such 2013 Taxable Security in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the 2013 Taxable Security provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussion below under the heading "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by The Regents) or other disposition of a 2013 Taxable Security generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by The Regents) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A 2013 Taxable Security that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such 2013 Taxable Security would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. U.S. information reporting and "backup withholding" requirements apply to certain payments of principal of, and interest on the 2013 Taxable Securities, and to proceeds of the sale, exchange, redemption, retirement (including pursuant to an offer by The Regents) or other disposition of a 2013 Taxable Security, to certain noncorporate holders of 2013 Taxable Securities that are United States persons. Under current U.S. Treasury Regulations, payments of principal and interest on any 2013 Taxable Securities to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the 2013 Taxable Security or a financial institution holding the 2013 Taxable Security on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the 2013 Taxable Securities that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

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

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury Regulations pays the proceeds of the sale of a Bond to the seller of the 2013 Taxable Security, backup withholding and information reporting requirements will not apply to such payment provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) who, in the aggregate hold more than 50% of the income or capital interest in the partnership or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a 2013 Taxable Security, will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. office of a broker of the proceeds of a sale of a 2013 Taxable Security, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Circular 230

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

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

ii. any such advice is written to support the promotion or marketing of the 2013 Taxable Securities and the transactions described herein; and

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

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery by The Regents of the 2013 Securities and with regard to the tax-exempt status of interest on the 2013 Securities under existing laws are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to The Regents. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. The form of opinion Bond Counsel proposes to render is attached as Appendix D hereto. In addition, certain legal matters will be passed upon for The Regents by its Office of General Counsel and certain legal matters will be passed upon for the Underwriters by O'Melveny & Myers LLP, counsel to the Underwriters and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to The Regents.

LITIGATION

There is no litigation of any nature pending or, to the knowledge of the Office of General Counsel, threatened, against The Regents as of the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the 2013 Securities or in any way contesting or affecting the validity of the 2013 Securities or the security thereof, or any proceedings of The Regents taken with respect to the issuance or sale thereof. At the time of delivery of the 2013 Securities, The Regents will furnish a certificate to the effect that no such litigation is then pending.

At all times, including the date of this Official Statement, there are certain other claims and disputes, including those currently in litigation, that arise in the normal course of the University's activities. Such matters could, if determined adversely to The Regents, affect expenditures by The Regents, and in some cases, its revenues. University management and the Office of General Counsel are of the opinion that no pending actions are likely to have a material adverse effect on The Regents' ability to pay the principal of, premium, if any, and interest on the 2013 Securities when due.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2013 Bonds, Grant Thornton LLP (the "Verification Agent") will deliver a report stating that it has reviewed and confirmed the mathematical accuracy of certain computations relating to the receipts of principal and interest on the escrow securities to pay when due the payments of principal and interest to redeem or pay at maturity the Prior Bonds. Such examination will be based solely upon the assumptions and the information supplied by the Underwriters on behalf of The Regents. The Verification Agent will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information upon which the computations are based, and accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

RATINGS

The 2013 Securities have been assigned ratings of "AA" by Standard & Poor's Ratings Services, a division of Standard & Poor's Financial Services LLC, "Aa1" by Moody's Investors Service and "AA+" by Fitch Ratings. The rating reflects only the view of the respective rating agency. An explanation of the significance of the rating must be obtained from the respective rating agency. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies circumstances so warrant. A downward revision or withdrawal of any such credit ratings may have an adverse effect on the market price of the 2013 Securities.

PRICING ADVISOR

Swap Financial Group, LLC, is serving as Pricing Advisor to The Regents in connection with the sale of the 2013 Securities.

UNDERWRITING

Pursuant to a bond purchase contract for the 2013 Series AF Bonds (the "2013 Series AF Purchase Contract") among J.P. Morgan Securities LLC, as representative of the underwriters of the 2013 Series AF Bonds listed on the cover of this Official Statement (the "2013 Series AF Underwriters"), The Regents and the Treasurer of the State of California (the "State Treasurer"), the 2013 Series AF Underwriters have agreed to purchase the 2013 Series AF Bonds at a purchase price of $939,699,180.35 (representing the aggregate principal amount of the 2013 Series AF Bonds, plus a net original issue premium of $136,960,907.25, less an underwriters' discount of $3,166,726.90). The public offering prices of the 2013 Series AF Bonds may be changed from time to time by the 2013 Series AF Underwriters. The 2013 Series AF Purchase Contract provides that the 2013 Series AF Underwriters will purchase all the 2013 Series AF Bonds if any are purchased and that the obligations to make such purchases are subject to certain terms and conditions set forth in the 2013 Series AF Purchase Contract including, among other things, the approval of certain legal matters by their counsel.

Pursuant to a bond purchase contract for the 2013 Series AG Bonds (the "2013 Series AG Purchase Contract") among J.P. Morgan Securities LLC, as representative of the underwriters of the 2013 Series AG Bonds listed on the cover of this Official Statement (the "2013 Series AG Underwriters), The Regents and the State Treasurer, the 2013 Series AG Underwriters have agreed to purchase the 2013 Series AG Bonds at a purchase price of $499,145,622.75 (representing the aggregate principal amount of the 2013 Series AG Bonds, less an underwriters' discount of $2,024,377.25). The public offering prices of the 2013 Series AG Bonds may be changed from time to time by the 2013 Series AG Underwriters. The 2013 Series AG Purchase Contract provides that the 2013 Series AG Underwriters will purchase all the 2013 Series AG Bonds if any are purchased and that the obligations to make such purchases are subject to certain terms and conditions set forth in the 2013 Series AG Purchase Contract including, among other things, the approval of certain legal matters by their counsel.

Pursuant to a bond purchase contract for the 2013 Series AH Notes (the "2013 Series AH Purchase Contract") among Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters of the 2013 Series AH Notes listed on the cover of this Official Statement (the "2013 Series AH Underwriters" and collectively with the 2013 Series AF Underwriters and the 2013 Series AG Underwriters, the "Underwriters"), The Regents and the State Treasurer, the 2013 Series AH Underwriters have agreed to purchase the 2013 Series AH Notes at a purchase price of $286,515,000 (representing the aggregate principal amount of the 2013 Series AH Notes). The public offering prices of the 2013 Series AH Notes may be changed from time to time by the 2013 Series AH Underwriters. The 2013 Series AH Underwriters expect to be paid a fee in the amount of $398,481.02 in connection with the offering and sale of the 2013 Series AH Notes. The 2013 Series AH Purchase Contract provides that the 2013 Series AH Underwriters will purchase all the 2013 Series AH Notes if any are purchased and that the obligations to make such purchases are subject to certain terms and conditions set forth in the 2013 Series AH Purchase Contract including, among other things, the approval of certain legal matters by their counsel.

Backstrom McCarley Berry & Co., LLC ("BMcB"), one of the underwriters of the 2013 Securities, has entered into a Broker/Dealer Agreement with Crowell, Weedon & Co. and a non-exclusive Master Selling Group Agreement with Mitsubishi UFJ Securities (USA), Inc., for the purpose of selling and distribution of certain securities offerings. Pursuant to BMcB's distribution agreement, Crowell, Weedon & Co. and Mitsubishi UFJ Securities (USA), Inc. may purchase 2013 Securities offered during the retail order period from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any 2013 Securities that such firm sells.

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, each an underwriter of the 2013 Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC, in addition to other retail distribution channels. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of 2013 Bonds.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the 2013 Series AH Notes, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. distributes municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Citigroup Global Markets Inc. may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2013 Series AH Notes.

De La Rosa & Co., one of the underwriters of the 2013 Bonds, has entered into separate agreements with Credit Suisse Securities USA LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreements, if applicable to the 2013 Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the 2013 Bonds, with Credit Suisse Securities USA LLC or City National Securities, Inc.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the 2013 Securities, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the 2013 Securities, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase 2013 Securities from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2013 Securities that such firm sells.

Prager & Co., LLC, one of the underwriters of the 2013 Securities, has entered into a distribution agreement (the "Prager Distribution Agreement") with HSBC Securities (USA) Inc. for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Prager Distribution Agreement, Prager & Co., LLC may share a portion of its underwriting compensation with respect to the 2013 Securities with HSBC Securities (USA) Inc.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as one of the underwriters of the 2013 Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”).

WFBNA, one of the underwriters of the 2013 Securities, has entered into an agreement (the “WFBNA Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the 2013 Securities. Pursuant to the WFBNA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2013 Securities with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the 2013 Securities. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

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

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof and which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture and the Continuing Disclosure Agreement are available upon request from the Trustee or The Regents of the University of California, Attention: Office of Capital Markets Finance, 1111 Franklin, 10th Floor, Oakland, California 94607-9828.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between The Regents and the purchasers or holders of any of the 2013 Securities.

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

THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA

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

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APPENDIX A

THE UNIVERSITY OF CALIFORNIA

GENERAL

The University of California (the "University") is the public institution of higher education designated by the State of California (the "State") in its Master Plan for Higher Education for the training of individuals for the professions, for the awarding of doctoral degrees in all fields of human knowledge, and for the conduct of research. Since it was chartered in 1868, the University has conferred over 2,055,094 higher education degrees, as of June 30, 2012. The University's administrative offices are located in Oakland, California.

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

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

The University is engaged in numerous sponsored research projects, in addition to operating one major laboratory and being a member in a joint venture that manages two other laboratories for the United States Department of Energy, which conduct broad and diverse basic and applied research in nuclear science, energy production, national defense, and in environmental and health areas. The University operates a cooperative extension program reaching into nearly every area of the State and numerous public service programs. In connection with the University's five medical schools and other health science disciplines, the University operates five academic medical centers with a total of 3,159 licensed beds and 3,017 available beds as of June 30, 2012.

The University has a pre-eminent regular teaching faculty of approximately 10,000 members. Fifty-nine researchers affiliated with the University have been awarded 60 Nobel Prizes, the pinnacle of achievement for groundbreaking research; 27 of the Nobel Prizes have been won since 1995. No U.S. public university has won more Nobel Prizes than the University. University affiliated researchers have received 60 National Medals of Science – about 12 percent of the medals presented – since Congress created the award in 1959. 358 current University affiliated researchers are members of the prestigious National Academy of Sciences. The University has more members of the National Academy of Sciences than any other college or university. Since the first MacArthur Fellowships were bestowed in 1981, approximately 84 faculty, researchers, artists and others affiliated with the University have been awarded these prestigious $500,000 grants. Also, more Guggenheim fellowships, 1,494, have been awarded to University faculty than to any other university or college.

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

During the year ended June 30, 2012, the University provided instruction to approximately 237,000 full time equivalent undergraduate and graduate students. The following table shows enrollments (computed on the basis of full-time equivalents) of the University by campus for the general campus and for health science students across campuses for fiscal years 2008 to 2012. Further information on University enrollment can be found at http://www.ucop.edu/operating-budget/fees-and-enrollments/fte-student-enrollments/index.html.

UNIVERSITY OF CALIFORNIA
FULL-TIME EQUIVALENT ENROLLMENTS [1] FOR FISCAL YEARS 2008 TO 2012

	2007-08	2008-09	2009-10	2010-11	2011-12
Berkeley	34,229	34,732	35,362	35,510	36,075
Davis	28,199	29,021	29,363	29,469	29,726
Irvine	26,924	27,763	26,864	26,797	27,153
Los Angeles	34,290	34,945	35,157	34,765	35,805
Merced	1,903	2,775	3,472	4,488	5,317
Riverside	17,238	18,028	19,185	20,240	20,327
San Diego	26,641	27,487	28,375	28,667	28,147
Santa Barbara	21,919	22,589	23,250	22,920	22,298
Santa Cruz	16,012	16,809	17,160	17,437	17,583
Total General Campus	**207,355**	**214,149**	**218,188**	**220,293**	**222,431**
Health Sciences [2]	13,958	14,176	14,425	14,579	14,626
Total University	**221,313**	**228,325**	**232,613**	**234,872**	**237,057**

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

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

INDEBTEDNESS OF THE REGENTS

The Regents of the University of California ("The Regents") has outstanding various revenue bonds, as listed below, maturing from 2012 through 2050 (excluding the final maturity of 2112 for the General Revenue Bonds, 2012 Series AD). These revenue bonds are secured by and payable from revenues of the facilities financed, investment income, student fees, rental payments and other revenues. The following table lists the public indebtedness issued by The Regents outstanding as of January 1, 2013.

BONDS ISSUED AND OUTSTANDING[(1)]
As of January 1, 2013 (dollars in thousands)

	Amount Issued	Amount Outstanding
General Revenue Bonds		
2003 Series A	$ 914,270	$ 527,835
2003 Series B	385,835	236,055
2005 Series C	252,270	165,390
2005 Series D	31,160	4,565
2005 Series E	111,610	38,165
2005 Series F	446,815	375,830
2005 Series G	308,450	206,605
2005 Series H	23,830	1,400
2005 Series I	20,540	4,690
2007 Series J	1,123,935	1,036,375
2007 Series K	241,600	193,175
2008 Series L	208,025	202,290
2008 Series M	36,845	29,085
2008 Series N	3,990	2,550
2009 Series O	732,630	708,185
2009 Series P	61,590	35,735
2009 Series Q	300,620	295,620
2009 Series R	1,022,275	1,022,275
2010 Series S	75,395	75,395
2010 Series T	10,100	10,100
2010 Series U	144,025	142,530
2010 Series V	200,000	200,000
2011 Series W	3,725	3,510
2010 Series X	48,700	48,700
2011 Series Y	500,000	500,000
2011 Series Z	150,000	150,000
2011 Series AA-2	286,515	286,515
2011 Series AB	354,875	352,830
2011 Series AC	44,840	43,665
2012 Series AD	860,000	860,000
2012 Series AE	2,385	2,385
SUBTOTAL	**$8,906,850**	**$7,761,455**

Limited Project Revenue Bonds		
2005 Series B	$ 600,480	$ 8,330
2007 Series D	415,355	336,320
2010 Series E	195,675	191,810
2010 Series F	486,130	486,130
2012 Series G	899,275	899,275
2012 Series H	100,420	100,420
SUBTOTAL	**$2,697,335**	**$2,022,285**
Hospital Revenue Bonds		
UCLA Medical Center, Series 2004 A	$ 165,000	$ 57,660
UCLA Medical Center, Series 2004 B	91,165	23,135
SUBTOTAL	**$ 256,165**	**$ 80,795**
Medical Center Pooled Revenue Bonds		
2007 Series A	$ 441,170	$ 429,940
2007 Series B	96,155	83,115
2007 Series C-1	7,255	7,255
2007 Series C-2	189,775	149,025
2008 Series D	322,980	266,530
2009 Series E	94,755	88,960
2009 Series F	429,150	429,150
2010 Series G	48,140	42,995
2010 Series H	700,000	700,000
2010 Series I	9,175	8,345
SUBTOTAL	**$ 2,338,555**	**$ 2,205,315**
Total	$14,198,905	$12,069,850

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

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

Commercial Paper. The Regents has established a commercial paper program in an authorized amount of up to $2 billion. As of January 1, 2013, approximately $1,156,000,000 of commercial paper was outstanding.

Bank Loans/Capital Leases. The Regents has entered into loan agreements, including revolving credit agreements, with various financial institutions. As of January 1, 2013, the commitments under the agreements totaled $636.2 million and the outstanding principal amounts, including advances under the revolving credit agreements, totaled $280.2 million. From time to time, The Regents may enter into additional loan and revolving credit agreements. In addition, capital leases of The Regents, typically for equipment, totaled approximately $90.2 million as of June 30, 2012.

Conduit Issuer Bonds. The California Infrastructure and Economic Development Bank (the "Infrastructure Bank") issued bonds to finance capital improvements for the University. These bonds include revenue bonds issued in the aggregate principal amount of $207,670,000 ($207,670,000 outstanding as of January 1, 2013) to finance the costs of Neurosciences Building 19A for the San Francisco campus. Through a capital lease, The Regents is required to make base rent payments that equal the debt service on those bonds. In addition, the Infrastructure Bank issued revenue bonds in the aggregate principal amount of $62,000,000 ($60,915,000 outstanding as of January 1, 2013) to finance the costs of a stem cell research facility for a consortium of institutions conducting stem cell research, including the San Diego campus. Through a debt service payment agreement, The Regents is required to pay any debt service shortfall on these bonds.

The California Statewide Communities Development Authority issued bonds in an aggregate principal amount of $524,495,000 ($419,910,000 outstanding as of January 1, 2013) to finance the costs of certain student housing projects for the Irvine campus. The Regents leased the site on which the student housing projects are situated to a special purpose, limited liability company that owns the projects and applies project revenues to repay these revenue bonds.

State Public Works Board Bonds. The State Public Works Board of the State of California (the "SPWB") has issued various lease revenue bonds, maturing from 2013 through 2037, for the purpose of financing or refinancing various facilities for the University. In connection with these lease revenue bonds of the SPWB, The Regents has leased the financed facilities from the SPWB pursuant to facility leases, which require The Regents to pay rental payments in amounts sufficient to pay the principal of and interest on such lease revenue bonds. Such lease rental payments are appropriated annually by the State as a line item for the University's operating budget. The Regents has appropriated and paid in a timely manner all rental payments due pursuant to its leases with the SPWB, including during periods when adoption of the State Budget was substantially delayed. The following table sets forth the outstanding lease revenue bonds of the SPWB which were issued for the purpose of financing facilities at various campuses of the University as of January 1, 2013:

State Public Works Board of the State of California	Amount Outstanding (in 000s)
Lease Revenue Bonds:	
1993 Series B (Various University of California Projects)	$ 11,065
2003 Series A (UC Davis MIND Institute)	24,755
2004 Series A (UC Davis Medical Center Tower II)	12,115
2004 Series F (Various University of California Projects)	109,930
2005 Series C (Various University of California Institute Projects)	105,945
2005 Series D (Various University of California Projects)	290,175
2005 Series L (Various University of California Projects)	132,330
2006 Series E (University of California Research Project)	73,225
2008 Series A (UC Irvine Medical Center Replacement Hospital)	241,920
2008 Series B (San Francisco Moffitt and Long Hospital Seismic Upgrade)	23,430
2008 Series C (Natural Sciences Unit 2 - McGaugh Hall Expansion)	11,725
2009 Series E (Various University of California Projects)	153,705
2009 Series F (UC San Diego Medical Center – Hillcrest Seismic)	37,845
2010 Series C (Various University of California Projects)	
Subseries C-1 (Tax-Exempt Bonds)	70,385
Subseries C-2 (Federally Taxable Build America Bonds)	149,620
2010 Series D (Helios Energy Research Facility Project)	50,485
2011 Series G (Various University of California Projects)	295,200
2012 Series B (Business Unit at the Irvine Campus)	42,050
Lease Revenue Refunding Bonds:	
1993 Series A (Various University of California Projects)	45,765
1997 Series A (Various University of California Projects)	73,825
1997 Series B (Various University of California Projects)	13,580
1998 Series B (Various University of California Projects)	10,955
1998 Series C (Various University of California Projects)	4,180
2001 Series A (Various University of California Projects)	16,900
2007 Series A (Various University of California Projects)	166,125
2007 Series B (Various University of California Projects)	49,850
2007 Series C (Various University of California Projects)	85,140
2012 Series F (Various University of California Projects)	91,715
Total Outstanding	**$2,393,940**

Source: UCOP, Capital Markets Finance

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

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

The Constitution of the State of California provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government subject only to such legislative control as may be necessary to ensure compliance with the terms of the endowments of the University and the security of its funds and such competitive bidding procedures as may be applicable to the

University by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods and services. The Regents is a board composed of both ex officio members and members appointed by the Governor and approved by the Senate.

The members of the Board of Regents and the Officers of The Regents as of January 1, 2013 are listed below. There are currently 3 vacancies on the Board. Additional information and a current list of Regents can be obtained at http://regents.universityofcalifornia.edu/contact.html.

Appointed Regents:

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

(1) Appointed by the Board of Regents.

Ex Officio Regents:	**The Officers of The Regents:**
Jerry Brown Governor of California	President Jerry Brown Governor of California
Gavin Newsom Lieutenant Governor	Chairman Sherry L. Lansing
John A. Pérez Speaker of the Assembly	Vice Chair Bruce D. Varner
Tom Torlakson State Superintendent of Public Instruction	Acting Treasurer Marie N. Berggren
Ron Rubenstein Alumni Regent (President of the Alumni Associations of the University of California)	General Counsel Charles F. Robinson
Alan Mendelson Alumni Regent (Vice President of the Alumni Associations of the University of California)	Secretary and Chief of Staff Marsha Kelman
Mark G. Yudof[1] President of the University of California	Chief Compliance and Audit Officer Sheryl Vacca

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FINANCIAL INFORMATION

Financial information for the University is set forth in the University's Annual Financial Report for the fiscal year ended June 30, 2012. See "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2011-2012."

[1] The President of the University has announced his resignation effective August 31, 2013.

INVESTMENTS

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

	Market Value (in 000's)(1)	Investment Return(1)
Short Term Investment Pool(2)	$ 9,858,526	1.21%
Total Return Investment Pool	4,504,809	6.04%
General Endowment Pool	6,827,331	6.58%
University of California Retirement Plan	43,723,002	7.30%

(1) Fiscal Year to date return; not annualized.
(2) Includes a $1.1 billion internal receivable from campuses and medical centers for funds transferred to the Retirement Plan in April 2011. Also includes loans in the total amount of approximately $187 million in the University's Mortgage Origination Program.

Source: University of California Office of the President

For additional information concerning the investments of the University, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2011-2012—Note 2."

Senate Bill No. 79 ("SB 79"), which became effective on August 1, 2011, provides for the establishment of a State Agency Investment Fund (the "SAIF") in the State of California Treasury. SB 79 allows the University to deposit not less than $500 million into the SAIF, to receive an investment return equal to the State's Pooled Money Investment Account rate of return plus an enhancement amount to be determined by the State Director of Finance and with such other terms and conditions as may be agreed upon by the University and the Director of Finance in consultation with the State Treasurer. On September 26, 2011 the University invested $1 billion of eligible University funds in the SAIF and on February 29, 2012 the University invested an additional $200 million in the SAIF. The $200 million February 2012 University investment was repaid to the University on April 16, 2012. The $1 billion September 2011 University investment is expected to be repaid to the University in April 2013.

AUDITS AND COMPLIANCE REVIEWS

At all times, there are audits and compliance reviews that arise in the normal course of the University's activities. Such audits and compliance reviews may relate to any activity at the University, and may be conducted by persons within or outside the University, including but not limited to the Senior Vice President—Chief Compliance and Audit Officer of the University, the California Bureau of State Audits and a variety of other federal and state governmental agencies. Such reviews could identify improper actions by University personnel or others affecting expenditures by The Regents, and in some cases, its revenues. University management is not aware of any pending audit or review concerning matters that are likely to have a material adverse effect on The Regents' ability to pay the principal of, premium, if any, and interest on the 2013 Securities when due.

BUDGETARY PROCESS

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

Budget Consultation: Administrators from the Office of the President meet regularly with faculty and student groups to keep them informed of budget developments and seek their input on budget issues. Further, there is a budget discussion at the monthly meeting of the Council of Chancellors, and budget discussions at the monthly meetings of the Council of Executive Vice Chancellors, at the quarterly meetings of campus Vice Chancellors for Planning and Budget, and with various other groups within the University.

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

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

For the most part, the State Budget Act appropriates funds for the operating budget of the University in a lump sum, although amounts for a few programs of particular interest to the State are appropriated by line item. Operating funds received from the State are allocated by the President of the University to the campuses and to the Office of the President after consultation with the Chancellors, Vice Presidents, and faculty groups.

Capital Budget: Annually, the University prepares a multi-year State and non-State funded capital plan. Development of the capital plan is an interactive process with the campuses. After compilation and review of campus submittals by the Office of the President, discussions are held with campus representatives regarding project need, justification, priority and likelihood of funding. A line-item capital budget request is submitted annually to the State for approval, along with a 10-year State and non-State funded capital plan for context. Major capital projects that are State funded are approved by the State on a line-item basis; any funds requested for minor capital projects are approved on a lump-sum basis.

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

Recent State Support for the University: The State's support for the University during the past six fiscal years has been inconsistent, with substantial budget cuts in recent years exceeding modest funding increases in earlier years. The following table sets forth State appropriations for Fiscal Year 2007-08 through Fiscal Year 2012-13.

STATE APPROPRIATIONS

Fiscal Year	**State Appropriations To University***
2007-08	$3.257 billion(1)
2008-09	2.687 billion(2)
2009-10	3.039 billion(3)
2010-11	3.017 billion(4)
2011-12	2.272 billion(5)
2012-13	2.378 billion(6)

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

(1) Included additional amounts to fund nursing and medical school enrollment growth.
(2) Included $115.5 million net reduction, plus one-time assistance of approximately $268.5 million from federal economic stimulus funds.
(3) Included $637 million net reduction (when compared against the State Budget Act adopted in September 2008 for Fiscal Year 2008-09), plus one-time assistance of approximately $448.0 million from federal economic stimulus funds.
(4) Included restoration of $199 million of prior cuts on a permanent basis; $106.6 million on a one-time basis through federal economic stimulus fund; and $65.4 million on a permanent basis to support economic growth and retiree health care benefits.
(5) Included $650 million in cuts included in the 2011 Budget Act plus an additional $100 million reduction triggered in mid-year when the State did not realize revenue estimates assumed in the budget.
(6) Includes augmentations of $89.1 million for State's share of employer contribution to the University's retirement plan, $5.2 million for annuitant health benefit and $11.6 million for lease revenue bond debt service.

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

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

An initiative launched in July 2010, called Working Smarter, seeks to achieve $500 million of positive fiscal impact through efficiencies, savings, cost avoidance, and revenue raising measures in a wide variety of areas over a five-year period. This initiative had a positive impact of approximately $132 million in its second year of implementation, and more than $289 million cumulatively to date.

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

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

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

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

State Budget for the University for FY 2012-13: For the University, the 2012-13 budget included no further cuts to the base budget and provided an augmentation of $89.1 million toward the State's share of the employer contribution to the University's retirement plan. The budget also included an augmentation of $5.2 million for annuitant health benefits and $11.6 million for lease revenue bond debt service. The new State funding base for the University in 2012-13 is $2.378 billion, up from $2.272 billion in 2011-12.

The State Budget also provided the University an additional $125.4 million in the 2013-14 budget, which was contingent upon passage of the Governor's revenue-raising initiative in November 2012 and no implementation of a 6 percent tuition increase the University had planned in 2012-13. Tuition did not increase in 2012-13.

The funding levels adopted in the State Budget were dependent on the passage of the Governor's revenue-raising initiative in the November election. If the Governor's revenue-raising initiative had not passed or was superseded by a competing initiative, the budget called for a reduction of $250 million to the University's budget. However, the Governor's revenue-raising initiative was successfully passed, so no trigger reduction occurred.

Governor's Proposed Budget for the University for 2013-14: The Governor released his budget proposal for 2013-14 on January 10, 2013. The budget proposed by the Governor includes an increase of $266.7 million for the University, including the $125.4 million buy-out of the 2012-13 tuition increase promised in the 2012-13 budget, a $125.1 million base budget adjustment, $6.4 million for annuitant health benefit increases and $10.1 million for lease revenue bond debt service. In addition, the budget proposal includes $201.7 million for the transfer of general obligation bond debt service, for a total of $2.845 billion for the University. The Governor also calls for no tuition increase in 2013-14.

Included in the budget proposal was a proposal to restructure state lease revenue bonds issued for projects for the University of California under one of the University's revenue debt credits. In addition, the Governor has proposed that general obligation debt service be included in the University's base budget for purposes of calculating future base budget adjustments. The budget proposal now proceeds to the Legislature for consideration throughout the spring.

EMPLOYER–EMPLOYEE RELATIONS

The Higher Education Employee Relations Act (HEERA), the law that provides for collective bargaining in higher education, became effective July 1, 1979. Currently, the University negotiates with seven unions representing twelve systemwide bargaining units and with nine unions representing fourteen local bargaining units over terms and conditions of employment for approximately 67,000 of the University's employees, excluding student employees who are primarily employed during the academic year.

The following table shows the membership of each systemwide employee bargaining unit as of October 2012 and the date the current labor contract expires as of January 2013:

University of California
Systemwide Employee Organizations[1]

Union	Bargaining Unit	Head Count	Contract Expiration
CUE-Teamsters Coalition of University Employees	CX - Clerical & Allied Services	12,173	11/30/16
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	EX - Patient Care Technical	12,777	9/30/12[2]
UPTE University Professional & Technical Employees, CWA, Local 9119	HX - Residual Health Care Professionals	3,361	2/17/12[2]
UC-AFT American Federation of Teachers	IX – Non Senate Instructional	3,045	9/30/14
UC – AFT American Federation of Teachers	LX – Professional Librarians	353	8/31/13
CNA California Nurses Association	NX – Registered Nurses	11,906	6/30/13
FUPOA Federated University Police Officers Association	PA – Police Officers	258	9/30/12[2]
UAW Local 5810 International Union, United Automobile, Aerospace and Agricultural Implement Workers of America	PX – Post Doctoral Scholars	6,105	9/30/15
UPTE University Professional & Technical Employees, CWA, Local 9119	RX – Research Support Professionals	4,880	6/30/13
AFSCME American Federation of State, County and Municipal Employees, AFL-CIO Local 3299	SX – Service	8,372	1/31/13[2]
UPTE University Professional & Technical Employees, CWA, Local 9119	TX – Technical	3,790	6/30/13

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

Source: University of California Department of Labor Relations

It is always difficult to determine with assurance the future course of employer–employee relations. Nevertheless, at the present time, The Regents does not anticipate that the future labor relations climate within the University will have a material adverse impact upon the ability of The Regents to make payment on its outstanding indebtedness.

RETIREMENT PLAN FUNDS

Administration: The Regents maintains the University of California Retirement Plan (the "Retirement Plan"), a governmental defined benefit pension plan, which provides lifetime retirement income, disability protection, death benefits, and pre-retirement survivor benefits to eligible employees of the University. The Retirement Plan includes four membership classifications: members with Social Security, members without Social Security, Safety members (police and firefighters), and Tier Two members.

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

Membership: The following table shows the membership in the Retirement Plan for each Fiscal Year from July 1, 2008 through July 1, 2012:

RETIREMENT PLAN MEMBERSHIP

July 1	Active Vested Members	Active Nonvested Members	Terminated Vested Members[1]	Retired Members	Ratio of Retirees to Actives
2008	64,027	50,215	64,566	50,171	0.44
2009	65,805	49,940	54,883	51,653	0.45
2010	67,587	47,341	55,037	53,902	0.47
2011	69,979	45,589	60,903	56,296	0.49
2012	72,596	44,292	67,318	58,934	0.50

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

Funding Policy: The Retirement Plan's independent actuary annually prepares an actuarial valuation of the Retirement Plan. The purpose of the annual actuarial valuation is to disclose the Retirement Plan's funded position as of the beginning of the current Fiscal Year, analyze the preceding Fiscal Year's experience and determine the total funding policy contribution rates for the following Fiscal Year. The actuarial valuation includes economic assumptions based on the experience of the Retirement Plan. As of July 1, 2012, these economic assumptions include a long-term investment earnings assumption of 7.50% per year, projected salary increases ranging from 4.30-6.75% per year and projected inflation of 3.5% per year.

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

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

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

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

While the independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements. As of June 30, 2012, the University had a liability for unfunded policy contributions of $1.9 billion.

Funding Status: The unfunded liability for the campuses and medical centers as of July 1, 2012 and 2011 actuarial valuation was $11.0 and $7.7 billion, respectively, or 78.1 and 82.1 percent funded, respectively. The decrease is primarily a result of recognizing investment losses from prior years that were less than the assumed annual rate of return of 7.5% and actual contributions that were less than the total funding policy contributions for previous years. The UAAL will likely continue to increase, and the funded ratio of the Retirement Plan will likely continue to decrease, in future fiscal years due in part to the multi-year strategy under which University and employee contributions increase gradually over time and in part to the recognition of investment losses from the recent years when the Retirement Plan's actual investment returns were less than the assumed rate of return.

The total funding policy contributions related to campuses and medical centers in the July 1, 2010 actuarial valuation (effective for fiscal year 2011-12) and the July 1, 2011 actuarial valuation (effective for fiscal year 2012-13) are $1.7 billion and $1.9 billion, respectively. The total funding policy contributions in the July 1, 2010 and July 1, 2011 actuarial valuations represent 23.25 percent and 26.35 percent of covered compensation, respectively. Employer contributions for fiscal year 2011-12 and 2010-11 were approximately $1.5 billion and $1.4 billion, respectively, for the campuses and the medical centers. Contributions by members were increased to 5 percent of covered compensation in July 2012 and contributions by the University were increased to 10 percent of covered compensation in July 2012. At its November 2011 meeting, The Regents approved an increase in the employee and employer contribution rates to the Retirement Plan to 6.5 percent and 12 percent, respectively, effective July 2013.

The Regents also approved a new tier of pension benefits applicable to employees hired on or after July 1, 2013, which would increase the early retirement age from 50 to 55, but retain many of the current features of the Retirement Plan. The new tier would not offer lump sum cash outs, inactive member Cost of Living Adjustments (COLAs), or subsidized survivor annuities for spouses and domestic partners. These changes are subject to collective bargaining for union-represented employees.

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

Additionally, shared employer and employee contributions to the Retirement Plan at Lawrence Berkeley National Laboratory resumed at the same rates and on the same timetable as the University's campus and medical center contributions, subject to the terms of the University's contract with the U.S. Department of Energy and subject to collective bargaining, if applicable, for represented members at Lawrence Berkeley National Laboratory. Based upon a contractual agreement, the U.S. Department of Energy is required to make required contractual contributions to the Retirement Plan on behalf of Los Alamos National Laboratory and Lawrence Livermore National Laboratory retirees as determined by the annual actuarial valuation of each National Laboratory segment. Effective with the July 1, 2011 actuarial valuations of the Los Alamos National Laboratory and Lawrence Livermore National Laboratory Retirement Plan segments, approximately $108 million and $198 million, respectively, in contractual contributions are required to be made.

The table below shows the fair market value of assets held in trust for payment of pension benefits; the value of assets held in trust adjusted according to the Retirement Plan's actuarial methods as summarized above; the actuarial accrued liability of the Retirement Plan; the funded ratio on an actuarial and market value basis; the annual covered member payroll and the unfunded accrual actuarial liability or surplus as a percentage of covered payroll as of July 1, 2008 through July 1, 2012.

Retirement Plan Funding[1]
(dollars in millions)

Actuarial Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial (Deficit) Surplus	Funded Ratio (Actuarial Basis)	Funded Ratio (Market Basis)	Annual Covered Payroll	Actuarial (Deficit) Surplus of Annual Covered Payroll
July 1, 2008	42,023.2	43,840.3	42,576.8	1,263.5	103.0%	98.7%	7,468.9	16.9%
July 1, 2009	32,258.5	42,798.8	45,160.5	(2,361.7)	94.8%	71.4%	7,873.7	(30.0%)
July 1, 2010	34,574.5	41,195.3	47,504.3	(6,309.0)	86.7%	72.8%	7,995.4	(78.9%)
July 1, 2011	41,872.7	42,757.3	51,831.3	(9,074.0)	82.5%	80.8%.	8,163.0	(111.2%)
July 1, 2012	41,806.5	42,965.0	54,619.6	(11,654.6)	78.7%	76.5%	8,598.1	(135.5%)

(1) Includes campuses, medical centers and laboratories.

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

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

Over the past ten years, the asset allocation targets have been adjusted periodically to increase the diversification of the assets over multiple asset classes, investing styles and strategies, and investment organizations. The net result has been a movement away from a single, concentrated source of risk (primarily U.S. equities) toward a balance across global assets, risk factors less correlated with global growth, and the premium derived from holding illiquid or less liquid assets (e.g., private equity, real estate, and hedge funds). Currently, the assets of the Retirement Plan are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Retirement Plan holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships.

For more information on the University's pension plan funds, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2011-2012", including – "Management's Discussion and Analysis – The University of California Retirement System (UCRS)" and – "Required Supplementary Information."

RETIREE HEALTH PLAN FUNDS

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

The University implemented a new eligibility formula for the Retiree Health Plan for all employees hired on or after July 1, 2013, and non-grandfathered members, that is based on a graduated formula using both a member's age and years of Retirement Plan service credit upon retirement, subject to collective bargaining for represented members.

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

On July 1, 2007, The Regents established the University of California Retiree Health Benefit Trust (the "Trust"). While the University does not currently pre-fund retiree health benefits, if pre-funding occurs in the future, the Trust will be used as the funding vehicle. As of June 30, 2012, the balance in the Trust was $90 million.

The actuarial methods and assumptions used in the most recent actuarial valuation (as of July 1, 2010) include the entry age normal actuarial cost method; a 5.50% discount rate (investment return assumption); health care cost trend rate ranging from 10-12% initially, depending on the type of plan, reduced by increments to an ultimate rate of 5% over twelve years; amortization of the initial UAAL and any UAAL due to assumption changes over 30 years; and amortization of any UAAL due to gains or losses, including changes due to contributions different from the ARC and experience different from expected, over 15 years.

Funding Status: As of July 1, 2011 and July 1, 2012, the Retiree Health Plan's independent actuary reported that the UAAL of the Retiree Health Plan for campuses and medical centers was approximately $14.6 billion and $14.5 billion, respectively. The following table sets forth the ARC; ARC as a percentage of payroll; UAAL; Pay-as-you-go-costs; and Net OPEB Obligation as of July 1, 2011 and July 1, 2012:

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

Valuation Date	**July 1, 2012**	**July 1, 2011**
Actuarial Valuation Results		
1. Annual Required Contribution (ARC)(1)		
a. Normal Cost	$ 547	$ 562
b. Amortization Cost	1,201	1,195
c. Total	$ 1,748	$ 1,757
2. ARC as % of Payroll		
a. Normal Cost	6.6%	7.1%
b. Amortization Cost	14.4%	15.2%
c. Total	21.0%	22.3%
3. Unfunded Accrued Actuarial Liability (UAAL)	$14,462	$14,615
4. Pay-As-You-Go Cash Costs(2)	$ 293	$ 260
5. Net OPEB Obligation		
a. Beginning of the Year	$ 6,263	$ 5,099
b. End of the Year	$ 7,326	$ 6,263

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

The Regents approved a new eligibility formula for the Retiree Health Plan for all employees hired on or after July 1, 2013, and non-grandfathered members, that is based on a graduated formula using both a member's age and years of Retirement Plan service credit upon retirement, subject to collective bargaining for represented members.

For more information on the Retiree Health Plan and Trust, see "APPENDIX B - THE UNIVERSITY OF CALIFORNIA ANNUAL FINANCIAL REPORT 2011-2012 – Management's Discussion and Analysis – The University of California Retiree Health Benefit Trust (UCRHBT)."

APPENDIX B

THE UNIVERSITY OF CALIFORNIA
ANNUAL FINANCIAL REPORT 2011-2012

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UNIVERSITY
OF
CALIFORNIA

Annual Financial Report

11/12

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

10
Extraordinary Campuses

3
Discovery-driven National Laboratories

5
Quality-defining Medical Centers

236,000
Motivated Students

191,000
Dedicated Faculty and Staff

1,600,000
Living Alumni

144
Years of Teaching, Research and Public Service

UNIVERSITY OF CALIFORNIA

11/12 Annual Financial Report

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Letter from the President

Quality, once lost, is difficult to restore. I'm reminded of this basic truth every day as the University of California struggles with the financial blows the state's economic crisis has inflicted.

Last fiscal year the state sliced $750 million from the University's core budget. California now funds UC at the same level it did in 1997 when the University enrolled 75,000 fewer students.

This cutback in public support came on the heels of decades of chronic state disinvestment. Since the late 1980s, the University's share of the state general fund has gone from 5 percent to 2.7 percent, leaving UC with ongoing and enormous financial challenges to overcome.

Yet it is not the enormity but rather the complexity of the challenge that must drive UC's recovery strategies. The University is a 10-campus institution with five medical centers, three national laboratories and hundreds of research centers and field stations, whose game-changing innovations reach far beyond our state's boundaries.

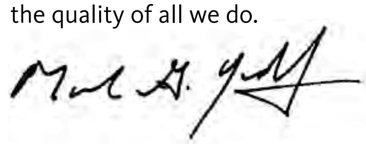
From its inception, UC dedicated itself to a three-part mission of education, research and public service. These three interdependent enterprises are what define UC as a great public research university. To sacrifice the quality of one enterprise to shore up the others would be both foolish and shortsighted.

The opportunity for students to work alongside and learn from faculty researchers world-famous in their fields is one of the greatest benefits of attending a UC campus. The University's research discoveries and creative endeavors serve the public with new products, economic benefits and the cultural riches that so define California.

The truth is there are no simple solutions. Our challenge at the University of California has been to find a way to honor all three of our hallmarks — access, affordability and excellence — and to adjust, recalibrate and re-examine everything we do in order to maintain the balance among them.

I am confident we can do that by applying UC's knack for innovation and research-based problem solving to our own operations. We are aggressively pursuing administrative efficiencies, new ways of delivering courses, money-saving energy innovations, strategies to maximize assets and scores of other smart ideas.

As we search for a more stable pathway forward, the University of California remains committed to preserving the quality of all we do.



MARK G. YUDOF
PRESIDENT
UNIVERSITY OF CALIFORNIA

Letter from the Executive Vice President, CFO

Doing more with less. Stated simply, that is the challenge the University of California system has been given as a result of the financial crisis facing the state of California. UC today relies on the same absolute level of state funding as in 1997 even though it educates 75,000 more students. That is the equivalent of adding an additional UC Berkeley and an additional UCLA, without any increase in state resources.

Despite this difficult financial reality, the University is dedicated now more than ever to upholding its mission to provide a quality, affordable education to all qualified California students. It is maintaining the three pillars that make UC unique — access, affordability and excellence — that makes the task of doing more with less that much harder.

UC has maintained its high degree of accessibility, with enrollment at an all-time high, by enrolling more low-income and first-generation students than any other leading research university. It is a fact of which we are justifiably proud; UC remains virtually the only option for many of California's highly qualified low-income students to get an education at a research university. Similarly, affordability has been maintained: The inflation-adjusted net cost for lower-middle-income students has been almost flat during the last six years, and tuition for in-state students at UC, while substantially higher than five years ago, remains less than ¼th the cost of similarly ranked private research universities.

For right or wrong, in times of fiscal crisis, cutbacks tend to be focused on longer-term infrastructure investments that don't result in short-term savings. To make sure that we are keeping pace with investments needed to maintain our long-term excellence, in the past two years we have undertaken the Working Smarter Initiative, a strategy that we believe will put UC on a stronger long-term foothold by funneling investment from administration to academics.

The Working Smarter Initiative is UC's answer to doing more with less. Working Smarter aims to save the University $500 million over five years through a series of efficiency projects that will bring a higher standard of excellence to the University's administrative and operational divisions. Through its 34 projects, Working Smarter invests in systems and processes that allow the University to lower operating costs while increasing capabilities, quality and service. For instance, the University's enterprise risk management

program has demonstrated significant incremental reductions in UC's overall cost of risk, most notably in the workers' compensation program that resulted in an additional savings of $51 million in 2012.

Another example of cross campus collaboration to support the Working Smarter Initiative is focused on new programs, technology and processes for procurement to save $200 million. This new program, called "P200," has pooled our collective talents, resources and insights into one central procurement organization which will install one contract, supplier information source and analytics platform; streamline our procurement processes; and negotiate standardized contracts for use across the campuses. P200, a five-year initiative, began in March 2012.

Working Smarter contributed $132 million in savings across ten projects in 2012. The prior year, Working Smarter generated $157 million of positive financial impact, for a cumulative total of $290 million in savings towards our goal of $500 million in just two years. The initiative has continued to show promise for the future. With the majority of projects still in early implementation and development, the full positive fiscal impact of Working Smarter is not expected for another year or more. Because the program is integrated across the administrative areas of the University, Working Smarter has great potential for achieving permanent, substantial and transformative changes.

Looking forward, the University will continue to explore efficiency innovations with a goal of our administrative operations reaching a level of excellence equal to that of UC's academic and research enterprises. Our commitment to the people of California demands nothing less.

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

Facts in Brief *(Unaudited)*

	2012	2011	2010	2009	2008
STUDENTS					
Undergraduate fall enrollment	184,562	179,581	177,788	173,078	167,693
Graduate fall enrollment	52,129	54,883	54,065	52,962	52,341
Total fall enrollment	**236,691**	**234,464**	**231,853**	**226,040**	**220,034**
University Extension enrollment	321,582	302,179	309,818	307,781	291,631
FACULTY AND STAFF *(full-time equivalents)*	**137,546**	**136,145**	**134,644**	**134,912**	**131,568**

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

UNIVERSITY OF CALIFORNIA	2012	2011	2010	2009	2008
PRIMARY REVENUE SOURCES					
Student tuition and fees, net[1]	$ 3,237,126	$ 2,811,121	$ 2,401,323	$ 2,096,817	$ 1,921,918
Grants and contracts, net	5,240,289	5,249,094	4,939,155	4,506,157	4,344,401
Medical centers, educational activities and auxiliary enterprises, net	10,067,147	9,406,993	8,551,817	8,100,207	7,415,491
State educational, financing and capital appropriations	2,303,330	3,042,795	3,088,905	2,889,563	3,532,333
Federal Pell grants	359,408	352,469	298,584	201,427	170,465
Private gifts, net	804,691	816,291	794,244	664,103	733,966
Capital gifts and grants, net	198,023	247,259	189,617	154,998	245,305
Department of Energy laboratories	1,014,199	976,294	910,194	667,983	1,048,580
OPERATING EXPENSES BY FUNCTION					
Instruction	5,145,750	4,925,863	4,677,830	4,266,250	4,126,929
Research	4,325,458	4,249,411	4,143,448	3,740,604	3,495,821
Public service	590,581	582,868	545,544	491,121	482,487
Academic support	1,909,994	1,716,006	1,574,329	1,492,017	1,451,004
Student services	780,001	701,800	660,779	614,093	601,896
Institutional support	1,117,631	1,242,786	1,084,967	1,054,529	1,076,854
Operation and maintenance of plant	586,642	582,315	602,425	564,781	568,585
Student financial aid[2]	600,534	600,713	544,280	458,474	425,985
Medical centers	6,690,711	6,078,510	5,827,790	5,225,712	4,757,958
Auxiliary enterprises	1,089,195	1,012,309	985,639	969,652	955,701
Depreciation and amortization	1,477,281	1,404,837	1,267,134	1,197,404	1,093,620
Impairment of capital assets			22,803		
Department of Energy laboratories	1,007,804	970,054	903,926	661,863	1,039,330
Other	92,573	86,252	87,665	105,276	78,866
INCREASE (DECREASE) IN NET POSITION	(1,896,188)	413,693	(524,584)	(2,252,036)	(234,664)
FINANCIAL POSITION					
Investments, at fair value	18,292,398	18,258,665	15,952,930	13,403,572	14,828,023
Capital assets, at net book value	25,183,718	23,710,277	22,463,051	21,276,915	19,593,214
Outstanding debt, including capital leases	16,012,137	13,577,911	12,534,930	10,323,945	10,024,982
Obligations for pension and retiree health benefits	8,366,998	6,982,866	5,381,625	2,445,824	1,118,754
Net position	17,868,584	19,764,772	19,351,079	19,875,663	22,127,699

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

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

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

	2012	2011	2010	2009	2008
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for participant information)*					
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
PRIMARY REVENUE SOURCES					
Private gifts, net	$ 596,242	$ 880,889	$ 422,643	$ 372,908	$ 533,548
PRIMARY EXPENSES					
Grants to campuses	559,301	496,704	565,952	444,730	527,572
INCREASE (DECREASE) IN NET POSITION	125,506	1,226,285	353,332	(640,513)	99,336
FINANCIAL POSITION					
Investments, at fair value	5,161,217	5,151,869	4,037,367	3,524,622	4,158,911
Pledges receivable, net	641,134	553,900	386,910	401,771	420,745
Net position	5,535,441	5,409,935	4,183,650	3,830,318	4,470,831
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
PLAN PARTICIPATION					
Plan membership	232,767	223,867	221,852	228,550	225,225
Retirees and beneficiaries currently receiving payments	56,296	53,902	51,531	50,051	47,575
PRIMARY REVENUE SOURCES					
Contributions[3]	$ 3,101,629	$ 2,693,892	$ 1,106,774	$ 928,984	$ 1,037,898
Interest, dividends and other investment income, net	907,739	1,316,306	1,187,713	1,506,855	1,881,884
Net appreciation (depreciation) in the fair value of investments	(597,030)	8,541,574	4,243,820	(11,324,769)	(4,979,955)
PRIMARY EXPENSES					
Benefit payments	2,278,442	2,047,747	1,905,939	1,755,211	1,797,103
Participant and member withdrawals	940,367	939,338	711,380	709,683	1,007,055
INCREASE (DECREASE) IN NET POSITION	249,762	9,529,389	3,887,875	(11,385,008)	(6,461,435)
FINANCIAL POSITION					
Investments, at fair value	54,408,678	54,218,018	45,855,690	42,352,723	52,532,169
Members' defined benefit pension plan benefits	41,868,728	41,940,183	34,633,878	32,315,482	42,099,498
Participants' defined contribution plan benefits	16,596,832	16,275,615	14,052,531	12,483,052	14,084,044
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	42,757,271	41,195,318	42,685,564	43,727,521	43,328,050
Actuarial accrued liability	51,831,306	47,504,309	45,041,066	42,467,742	41,335,935
UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST					
PLAN PARTICIPATION					
Plan membership	148,704	146,524	146,588	144,556	141,230
Retirees and beneficiaries currently receiving benefits	34,559	33,530	32,278	31,473	31,247
PRIMARY REVENUE SOURCES					
Contributions	$ 329,529	$ 287,842	$ 254,037	$ 251,010	$ 243,144
Interest, dividends and other investment income, net	14	84	97	528	691
PRIMARY EXPENSES					
Insurance premiums	311,297	284,010	257,605	225,967	191,192
INCREASE (DECREASE) IN NET POSITION	18,246	1,919	(5,016)	23,566	50,804
FINANCIAL POSITION					
Investments, at fair value	65,053	27,795	32,509	38,384	19,773
Net position for retiree health benefits	89,519	71,273	69,354	74,370	50,804
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	77,907	74,450	76,893	51,221	
Actuarial accrued liability — campuses and medical centers	14,726,665	15,493,742	14,541,529	13,302,506	12,074,689

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

Campus Facts in Brief *(Unaudited)*

	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED	RIVERSIDE
STUDENTS						
Undergraduate fall enrollment	25,885	25,177	22,106	27,201	4,938	18,574
Graduate fall enrollment	10,257	7,476	5,783	13,474	260	2,381
Total fall enrollment	**36,142**	**32,653**	**27,889**	**40,675**	**5,198**	**20,955**
University Extension enrollment	35,179	52,231	32,056	106,707		25,347
DEGREES CONFERRED[1]						
Bachelor	7,466	6,511	6,298	7,546	401	3,464
Advanced	3,403	1,843	1,580	4,388	27	692
Cumulative	581,958	231,515	151,688	504,537	1,235	87,801
FACULTY AND STAFF *(full-time equivalents)*	13,693	21,602	13,024	30,658	1,332	4,800
LIBRARY COLLECTIONS[2] *(volumes)*	11,379,353	4,247,381	3,359,630	10,343,886	804,218	3,214,420
CAMPUS LAND AREA *(in acres)*	6,679	7,309	1,526	420	7,045	1,931
CAMPUS FINANCIAL FACTS[3] *(in thousands of dollars)*						
OPERATING EXPENSES BY FUNCTION						
Instruction	$ 605,804	$ 602,100	$ 469,580	$1,388,195	$ 33,786	$197,792
Research	549,949	508,167	245,966	738,806	15,862	99,023
Public service	66,759	63,394	19,952	99,938	3,942	5,959
Academic support	124,868	164,275	158,901	427,683	14,686	28,559
Student services	128,300	97,706	55,727	106,104	14,220	56,864
Institutional support	154,176	146,708	62,068	153,505	34,435	44,403
Operation & maintenance of plant	70,379	94,588	37,427	77,486	14,718	31,734
Student financial aid	140,513	55,805	81,341	44,224	9,498	51,873
Medical centers		1,216,812	636,827	1,450,865		
Auxiliary enterprises	128,591	95,825	123,764	276,478	13,617	61,759
Depreciation & amortization	169,917	222,336	167,027	293,764	20,865	56,804
Other[4]	29,151	8,978	8,286	23,202	4,689	4,361
Total	**$2,168,407**	**$3,276,694**	**$2,066,866**	**$5,080,250**	**$180,318**	**$639,131**
GRANTS AND CONTRACTS REVENUE						
Federal government	$408,202	$387,443	$231,806	$636,799	$15,245	$ 66,754
State government	95,334	106,555	26,394	75,801	18,501	13,651
Local government	4,491	8,319	3,495	40,523		2,009
Private	171,385	142,982	59,873	191,545	1,281	20,198
Total	**$679,412**	**$645,299**	**$321,568**	**$ 944,668**	**$35,027**	**$102,612**
UNIVERSITY ENDOWMENTS						
Endowments	$1,905,074	$502,124	$57,805	$1,204,862	$21,130	$43,560
Annual income distribution	74,684	20,566	2,575	33,051	1,284	1,840
CAMPUS FOUNDATIONS' ENDOWMENTS						
Endowments	$1,254,517	$234,530	$236,536	$1,222,823	$5,777	$99,002
CAPITAL ASSETS						
Capital assets, at net book value	$3,486,490	$3,121,736	$2,653,904	$5,230,343	$441,174	$1,006,488
Capital expenditures	462,644	270,227	257,828	680,635	46,381	61,315

[1] *As of academic year 2010 –11.*
[2] *As of June 30, 2011.*
[3] *Excludes DOE laboratories.*
[4] *Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expense for loans.*

	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[9]
STUDENTS					
Undergraduate fall enrollment	23,046	3,054	18,636	15,945	
Graduate fall enrollment	6,278	1,662	3,049	1,509	
Total fall enrollment	**29,324**	**4,716**	**21,685**	**17,454**	
University Extension enrollment	56,597		3,470	9,995	
DEGREES CONFERRED[5]					
Bachelor	6,336		5,212	3,701	
Advanced	2,020	864	938	459	
Cumulative	154,634	49,216	200,230	92,280	
FACULTY AND STAFF *(full-time equivalents)*	20,140	19,434	6,014	4,400	2,449
LIBRARY COLLECTIONS[6] *(volumes)*	3,672,547	642,639	2,974,162	2,166,936	
CAMPUS LAND AREA *(in acres)*	2,141	255	1,055	6,088	16

CAMPUS FINANCIAL FACTS[7] *(in thousands of dollars)*

	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[9]
OPERATING EXPENSES BY FUNCTION					
Instruction	$ 601,272	$ 247,798	$218,124	$132,786	$ 648,513
Research	738,309	744,900	169,307	112,266	402,903
Public service	20,658	127,770	7,754	14,660	159,795
Academic support	291,777	319,170	53,160	28,130	298,785
Student services	89,354	21,560	67,312	52,844	90,010
Institutional support	105,252	173,826	35,139	38,637	169,482
Operation & maintenance of plant	60,290	66,599	37,725	27,019	68,677
Student financial aid	64,111	17,863	97,057	37,870	379
Medical centers	911,126	1,802,655			672,426
Auxiliary enterprises	123,563	28,694	83,438	77,494	75,972
Depreciation & amortization	210,886	194,007	73,124	55,779	12,772
Other[8]	3,912	412	10,710	1,615	(2,743)
Total	**$3,220,510**	**$3,745,254**	**$852,850**	**$579,100**	**$2,596,971**
GRANTS AND CONTRACTS REVENUE					
Federal government	$698,895	$ 641,612	$141,132	$102,120	$17,632
State government	63,691	65,967	10,957	12,375	57,605
Local government	12,599	149,644	1,966	71	4,569
Private	211,622	239,620	40,831	25,142	13,653
Total	**$986,807**	**$1,096,843**	**$194,886**	**$139,708**	**$93,459**
UNIVERSITY ENDOWMENTS					
Endowments	$186,219	$871,210	$93,362	$60,844	$1,044,387
Annual income distribution	6,404	34,772	3,736	2,607	35,952
CAMPUS FOUNDATIONS' ENDOWMENTS					
Endowments	$402,836	$655,924	$115,034	$57,323	
CAPITAL ASSETS					
Capital assets, at net book value	$3,305,326	$3,541,671	$1,193,810	$1,022,120	$180,656
Capital expenditures	526,738	609,343	53,395	43,555	34,199

[5] *As of academic year 2010–11.*
[6] *As of June 30, 2011.*
[7] *Excludes DOE laboratories.*
[8] *Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expense for loans.*
[9] *Includes expenses for systemwide education and research programs, systemwide support services and administration.*
Full-time equivalents count, as of fall 2011, includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.

Management's Discussion and Analysis *(Unaudited)*

The objective of Management's Discussion and Analysis is to help readers of the University of California's financial statements better understand the financial position and operating activities for the year ended June 30, 2012, with selected comparative information for the years ended June 30, 2011 and 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated years (2010, 2011, 2012, 2013, etc.) in this discussion refer to the fiscal years ended June 30.

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

THE UNIVERSITY OF CALIFORNIA

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University has annual resources of nearly $24.0 billion and encompasses ten campuses, five medical schools and medical centers, four law schools and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE).

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

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

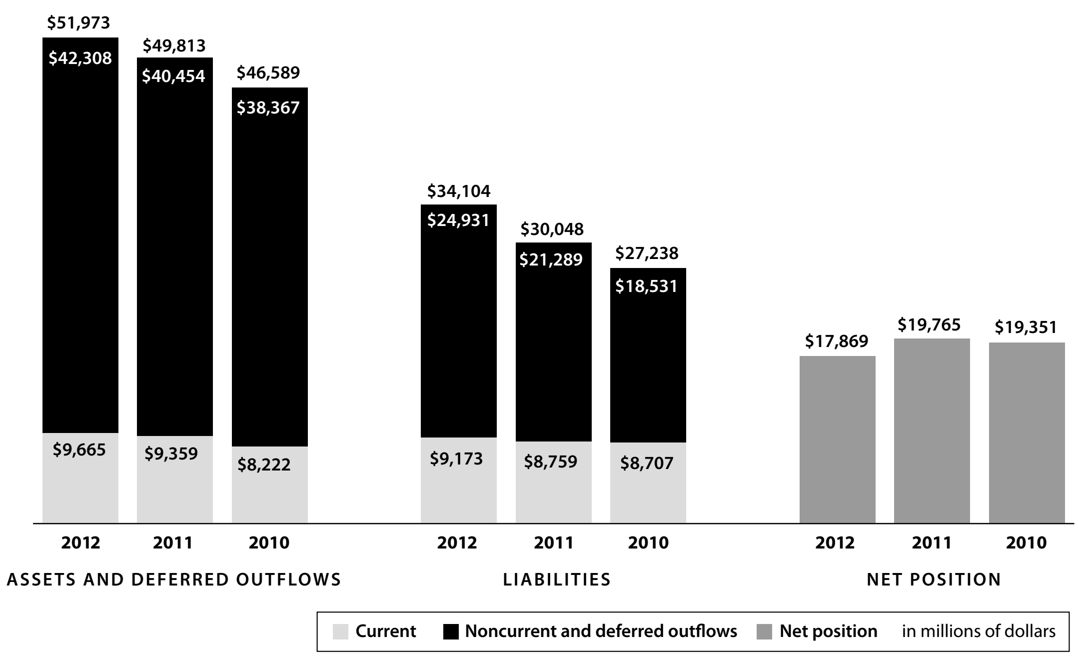
Law schools. The University has law schools at Berkeley, Davis, Irvine and Los Angeles. Also, the Hastings College of the Law in San Francisco is affiliated with the University, although not included in the financial reporting entity.

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

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

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

The University's Financial Position



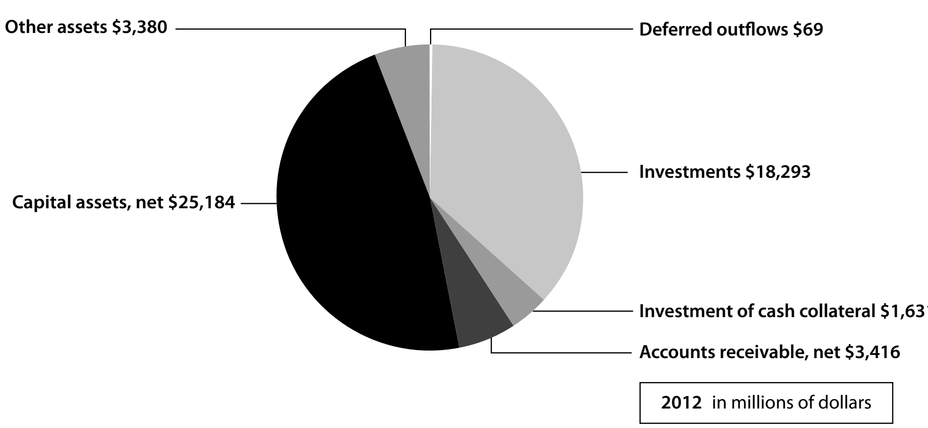
The statement of net position presents the financial position of the University at the end of each year. It displays all of the University's assets, deferred outflows and liabilities. The difference between assets, deferred outflows and liabilities is net position.

The major components of the assets, liabilities and net position as of 2012, 2011 and 2010 are as follows:

(in millions of dollars)

	2012	2011	2010
ASSETS			
Investments	$18,293	$18,259	$15,953
Investment of cash collateral	1,631	2,043	2,538
Accounts receivable, net	3,416	2,990	3,043
Capital assets, net	25,184	23,710	22,463
Other assets	3,380	2,764	2,592
Total assets	**51,904**	**49,766**	**46,589**
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows from interest rate swap agreements	69	47	64
Total deferred outflow of resources	**69**	**47**	**64**
LIABILITIES			
Debt, including commercial paper	17,335	14,378	12,943
Securities lending collateral	1,631	2,043	2,539
Obligation to UCRP	1,919	1,725	1,608
Obligations for retiree health benefits	6,448	5,257	3,774
Other liabilities	6,771	6,645	6,374
Total liabilities	**34,104**	**30,048**	**27,238**
NET POSITION			
Invested in capital assets, net of related debt	11,360	11,162	10,794
Reserved for minority interests	47	31	19
Restricted:			
Nonexpendable	1,057	1,035	997
Expendable	5,505	5,944	5,024
Unrestricted	(100)	1,593	2,517
Total net position	**$17,869**	**$19,765**	**$19,351**

The University's Assets and Deferred Outflows



The University's total assets have grown to $51.9 billion in 2012, compared to $49.8 billion in 2011 and $46.6 billion in 2010. Generally, over the past two years, capital assets have increased while investments have fluctuated consistent with market performance.

Investments

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

The Regents of the University of California (The Regents) utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. The GEP portfolio return was a negative return of 0.7 percent in 2012 and a positive return of 20.2 percent in 2011. TRIP had positive returns of 6.7 percent in 2012 and 11.2 percent in 2011. STIP had positive returns of 2.4 percent and 2.5 percent in 2012 and 2011, respectively.

Investment of cash collateral

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

Capital assets, net

Capital spending continues at a brisk pace in order to provide the facilities necessary to support the University's teaching, research and public service mission and for patient care. These facilities include core academic buildings, libraries, student services, housing and auxiliary enterprises, health science centers, utility plants and infrastructure, and remote centers for educational outreach, research and public service. Total additions of capital assets were $3.0 billion in 2012 as compared to $2.7 billion in 2011 and $2.5 billion in 2010.

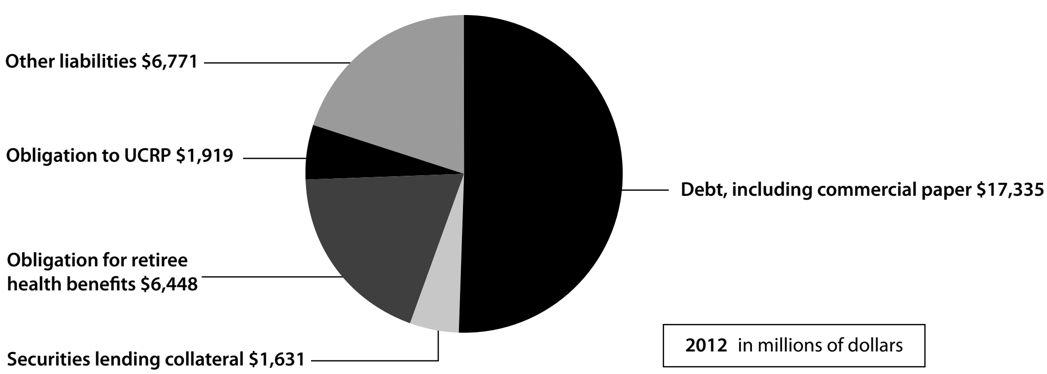
Other assets

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

Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives are reported as deferred outflows of resources.

The University's Liabilities



The University's liabilities grew to $34.1 billion in 2012, compared to $30.0 billion in 2011 and $27.2 billion in 2010, due to the issuance of additional debt and increases in the obligations for retiree pensions and health benefits.

Debt, including commercial paper

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

Outstanding debt increased by $3.0 billion in 2012 and $1.4 billion in 2011. A summary of the activity follows:

(in millions of dollars)

	2012	2011
ADDITIONS TO OUTSTANDING DEBT		
General Revenue Bonds	$2,460	$ 396
Medical Center Pooled Revenue Bonds		757
Limited Project Revenue Bonds		682
Capital leases	427	40
Other borrowings	205	32
Blended Component Unit Revenue Bonds	110	
Commercial Paper	523	392
Bond premium, net	48	45
Additions to outstanding debt	**3,773**	**2,344**
REDUCTIONS TO OUTSTANDING DEBT		
Refinancing and prepayments	(277)	(413)
Scheduled principal payments	(444)	(370)
Payments on other borrowings	(71)	(86)
Other, including deferred financing costs, net	(24)	(40)
Reductions to outstanding debt	**(816)**	**(909)**
Net increase in outstanding debt	**$2,957**	**$1,435**

The University's debt, which is used to finance capital assets, includes $1.3 billion of commercial paper outstanding at the end of 2012, $800 million of commercial paper outstanding at the end of 2011 and $408 million at the end of 2010. Total debt outstanding grew to $17.3 billion at the end of 2012, compared to $14.4 billion at the end of 2011 and $12.9 billion at the end of 2010.

In 2012, $3.8 billion of debt was issued. In July 2011, the University issued General Revenue Bonds totaling $1.2 billion to finance pension contributions to UCRP and operating costs on an interim basis. Due to favorable interest rates, the University elected to issue taxable bonds for $935 million to make additional contributions to UCRP. Funding additional UCRP contributions reduces the future growth of UCRP's unfunded liability and allows the University to lower future employer contributions. The University used $263 million of tax-exempt bonds as an interim financing vehicle for operations. State appropriations of $500 million due in the first quarter was deferred until the end of 2012. The University repaid the tax-exempt bonds of $263 million on July 1, 2012.

In 2012, the University also issued General Revenue Bonds of $1.3 billion to finance and refinance certain facilities and projects of the University. Reductions to outstanding debt in 2012 were $816 million, including $277 million for one-time principal payments for the refinancing or refunding of previously outstanding debt. The refinancing and refunding of previously outstanding debt resulted in gross savings of $20.5 million.

In 2011, $2.3 billion of debt was issued. General Revenue Bonds of $396 million, Limited Project Revenue Bonds of $682 million and Medical Center Pooled Revenue Bonds of $757 million were issued to finance and refinance certain facilities and projects of the University. Reductions to outstanding debt in 2012 were $909 million, including $413 million for one-time principal payments for the refinancing or refunding of previously outstanding debt. The refinancing and refunding of previously outstanding debt resulted in gross savings of $19.1 million.

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

Commercial paper borrowings increased by $523 million at June 30, 2012 and increased by $392 million at June 30, 2011. Commercial paper has been used as interim financing for construction projects and equipment financing. In 2012 and 2011, commercial paper was used for operations during the period the state deferred appropriation payments to the University. In February 2012, the University entered into a $215 million revolving credit agreement with a major financial institution for the purpose of providing additional liquidity.

Securities lending collateral

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

Obligations to UCRP and for retiree health benefits

The University has a financial responsibility for pension benefits associated with its defined benefit plan and for retiree health benefits. LBNL participates in the University's defined benefit pension plan, although the DOE has an ongoing financial responsibility to reimburse the University for LBNL's share of the obligation to UCRP. In addition, under certain circumstances the University makes contributions to UCRP for LANL and LLNL retirees and, based upon contractual arrangements with the DOE, is reimbursed by the DOE.

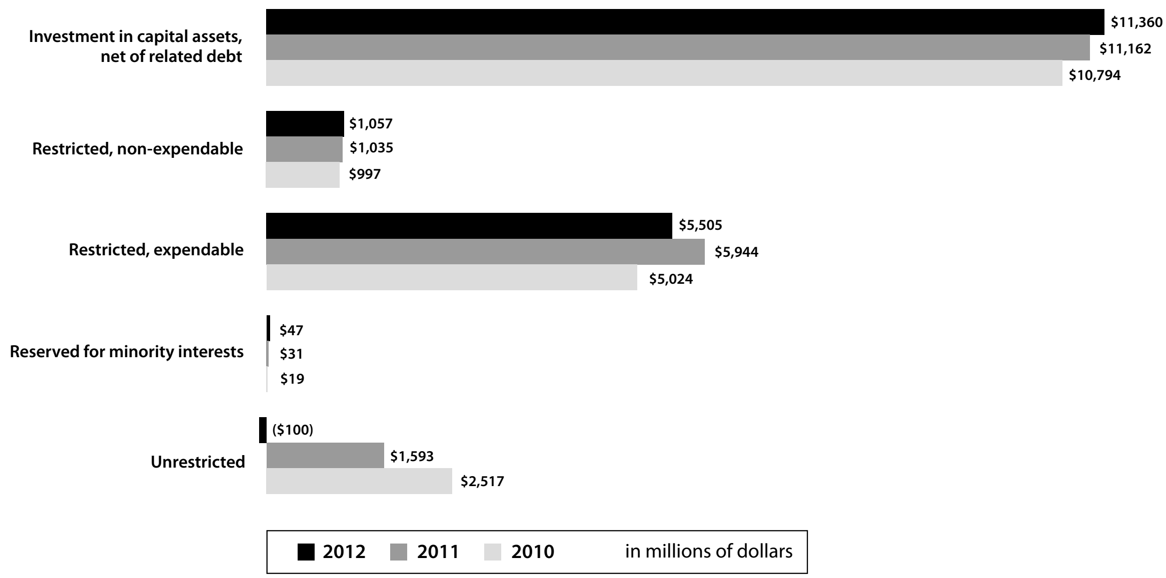
The University's obligation to UCRP represents the unfunded portion of the actuarial determined annual required contributions under the University's funding policy. The funding policy contributions for 2012 were $2.2 billion, which represents 26.35 percent of covered compensation. The funding policy contributions for 2011 were $1.9 billion, which represents 23.3 percent of covered compensation. Total contributions to UCRP for 2012 and 2011 were $1.5 billion and $1.4 billion, respectively.

The University's obligation for retiree health benefits is based upon an actuarial determination of the annual retiree health benefit expense. The University funds the retiree health expense through UCRHBT based upon a projection of benefits on a pay-as-you-go basis. The increase of $1.2 billion and $1.5 billion in both 2012 and 2011, respectively, in the obligation for retiree health benefits is due to the impact of amortizing the University's unfunded obligation. The unfunded liability for the campuses and medical centers as of the July 1, 2011 actuarial valuation was $14.6 billion.

Other liabilities

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

The University's Net Position



Net position represents the residual interest in the University's assets and deferred outflows after all liabilities are deducted. The University's net position is $17.8 billion in 2012, compared to $19.8 billion in 2011 and $19.4 billion in 2010. Net position is reported in the following categories: invested in capital assets, net of related debt; reserved for minority interests; restricted, nonexpendable; restricted, expendable; and unrestricted.

Invested in capital assets, net of related debt

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, is $11.4 billion in 2012, compared to $11.2 billion in 2011 and $10.8 billion in 2010. The University continues to invest in its physical facilities.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of the University's permanent endowments and the estimated fair value of certain planned giving arrangements. In 2012 and 2011, the increases in nonexpendable net position were principally due to investment performance in excess of the income distribution.

Restricted, expendable

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

Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the net position is allocated for academic and research initiatives or programs and for capital and other purposes. As of June 30, 2012, unrestricted net position is in a deficit position. The decreases in both 2012 and 2011 are due to pension plan funding requirements and increases in the obligation for retiree health benefits.

The University's Results of Operations

The statement of revenues, expenses and changes in net position is a presentation of the University's operating results. It indicates whether the financial condition has improved or deteriorated. In accordance with Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. A summarized comparison of the operating results for 2012, 2011 and 2010, arranged in a format that matches the revenue supporting the core activities of the University with the expenses associated with core activities, is as follows:

(in millions of dollars)

	2012			2011			2010		
	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL
REVENUES									
Student tuition and fees, net	$ 3,237		$ 3,237	$ 2,811		$ 2,811	$ 2,401		$ 2,401
State educational appropriations		$1,964	1,964		$2,651	2,651		$ 2,782	2,782
Pell grants		359	359		352	352		298	298
Grants and contracts, net	5,240		5,240	5,249		5,249	4,939		4,939
Medical centers, educational activities and auxiliary enterprises, net	10,067	9	10,076	9,407	144	9,551	8,552		8,552
Department of Energy laboratories	1,014		1,014	977		977	910		910
Private gifts, net		805	805		816	816		794	794
Investment income, net		422	422		407	407		392	392
Other revenues	650	281	931	596	263	859	524	171	695
Revenues supporting core activities	**20,208**	**3,840**	**24,048**	**19,040**	**4,633**	**23,673**	**17,326**	**4,437**	**21,763**
EXPENSES									
Salaries and benefits	16,617		16,617	15,764		15,764	15,003		15,003
Scholarships and fellowships	599		599	597		597	531		531
Utilities	280		280	281		281	285		285
Supplies and materials	2,382		2,382	2,108		2,108	2,186		2,186
Depreciation and amortization	1,477		1,477	1,405		1,405	1,267		1,267
Department of Energy laboratories	1,008		1,008	970		970	904		904
Interest expense		632	632		572	572		460	460
Other expenses	3,051	93	3,144	3,029	68	3,097	2,752	31	2,783
Expenses associated with core activities	**25,414**	**725**	**26,139**	**24,154**	**640**	**24,794**	**22,928**	**491**	**23,419**
Income (loss) from core activities	**$ (5,206)**	**$3,115**	**(2,091)**	**$ (5,114)**	**$3,993**	**(1,121)**	**$ (5,602)**	**$ 3,946**	**(1,656)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			(155)			1,082			771
Income before other changes in net assets			**(2,246)**			**(39)**			**(885)**
OTHER CHANGES IN NET POSITION									
State capital appropriations			140			190			160
Capital gifts and grants, net			198			247			189
Permanent endowments			12			16			11
Increase (decrease) in net position			**(1,896)**			**414**			**(525)**
NET POSITION									
Beginning of year			19,765			19,351			19,876
End of year			**$17,869**			**$19,765**			**$ 19,351**

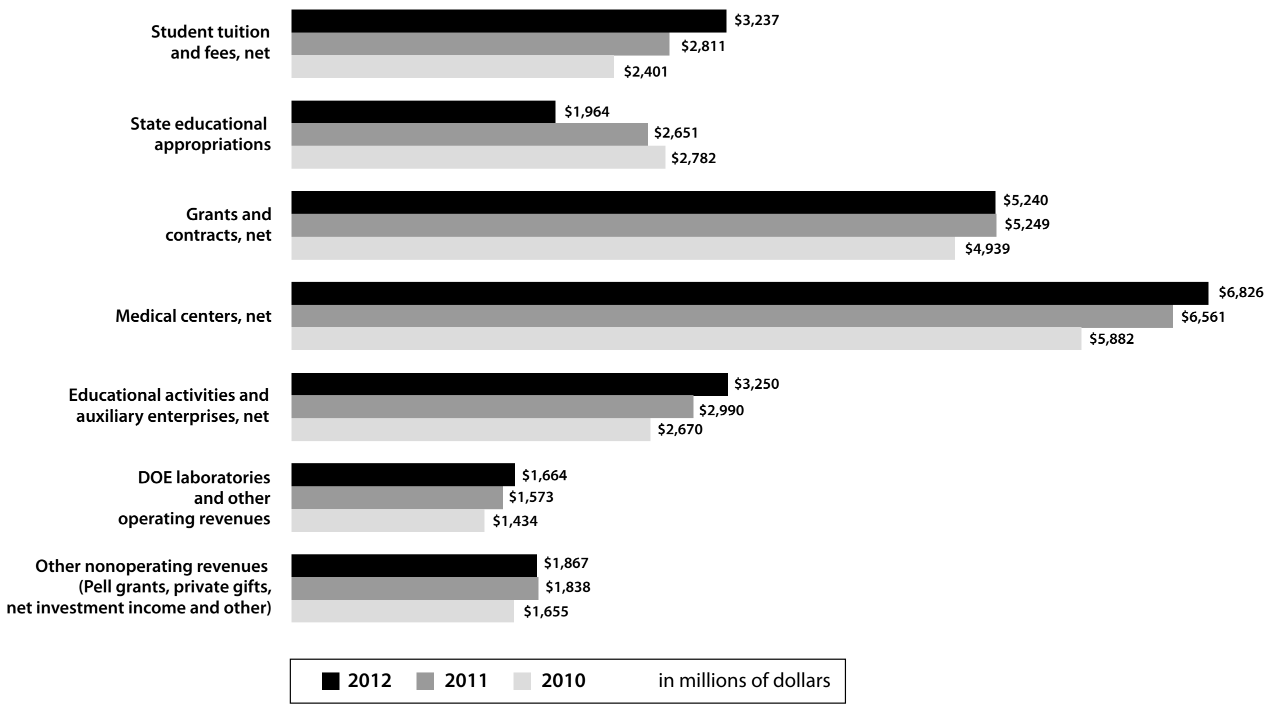
Revenues Supporting Core Activities

Revenues to support the University's core activities, including those classified as nonoperating revenues, were $24.0 billion, $23.7 billion and $21.8 billion in 2012, 2011 and 2010, respectively. These diversified sources of revenue increased by $0.3 billion in 2012 and by $1.9 billion in 2011.

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

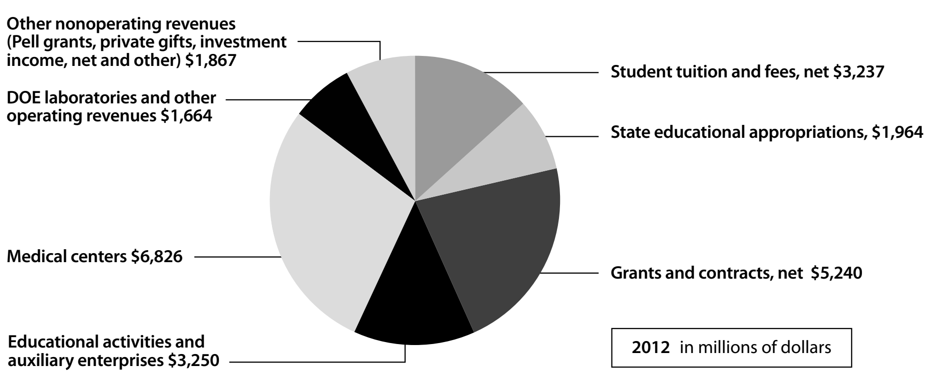
Gifts to the University allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from medical centers, educational activities and auxiliary enterprises such as student housing, food service operations and parking.

Revenues in the various categories have increased and decreased over the last three years as follows:



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

Categories of both operating and nonoperating revenue that supported the University's core activities in 2012 are as follows:



Student tuition and fees, net

Net student tuition and fees were $3,237 million, $2,811 million and $2,401 million in 2012, 2011 and 2010, respectively. Student tuition and fees, net of scholarship allowances, increased by $426 million and $410 million in 2012 and 2011, respectively. Scholarship allowances were $979 million in 2012, $830 million in 2011 and $666 million in 2010. The increases in student tuition and fees over the past several years have been necessitated by the decline in state educational appropriations. Consistent with past practices, approximately one-third of the revenue generated from these fee increases was used for financial aid to mitigate the impact on low-income students.

In 2012 and 2011, enrollment grew by 0.9 percent and 1.1 percent, respectively. Mandatory tuition and fees for resident undergraduates were not changed in 2012. Mandatory tuition and fees for resident undergraduates were increased 8.0 percent and 15.0 percent effective summer 2011 and 2010, respectively. Additional mid-year increases in tuition of 9.6 percent effective fall 2011 and 15.0 percent effective winter 2010 were approved in response to reductions in state educational appropriations. Nonresident undergraduates and both resident and nonresident graduate students also experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline, although most programs increased supplemental tuition levels in 2012 and 2011.

State educational appropriations

Educational appropriations from the state of California were $2.0 billion, $2.7 billion and $2.8 billion in 2012, 2011 and 2010, respectively. State educational appropriations decreased in 2012 by $687 million and $132 million in 2011 as the state continues to address its fiscal challenges and due to the expiration of federal stimulus programs. Federal stimulus funds of $107 million and $448 million were received in 2011 and 2010, respectively. State resources for enrollment growth, faculty and staff increases, and other inflationary cost increases were not available, leading to increases in student tuition and fees in 2011 and 2010.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts — including an overall facilities and administration cost recovery of $998 million, $992 million and $921 million in 2012, 2011 and 2010, respectively — were $5,240 million in 2012, $5,249 million in 2011 and $4,939 million in 2010.

In 2012, federal grants and contracts revenue, including the federal facilities and administration cost recovery of $749 million, were down slightly compared to 2011. This revenue is from a variety of federal agencies as indicated below:

(in millions of dollars)

	2012	2011	2010
Department of Health and Human Services	$2,000	$2,100	$ 1,917
National Science Foundation	512	504	462
Department of Education	70	108	122
Department of Defense	253	235	227
National Aeronautics and Space Administration	97	96	90
Department of Energy (excluding national laboratories)	110	103	89
Other federal agencies	305	242	229
Federal grants and contracts net revenue	**$3,347**	**$3,388**	**$3,136**

Medical centers, educational activities and auxiliary enterprises, net

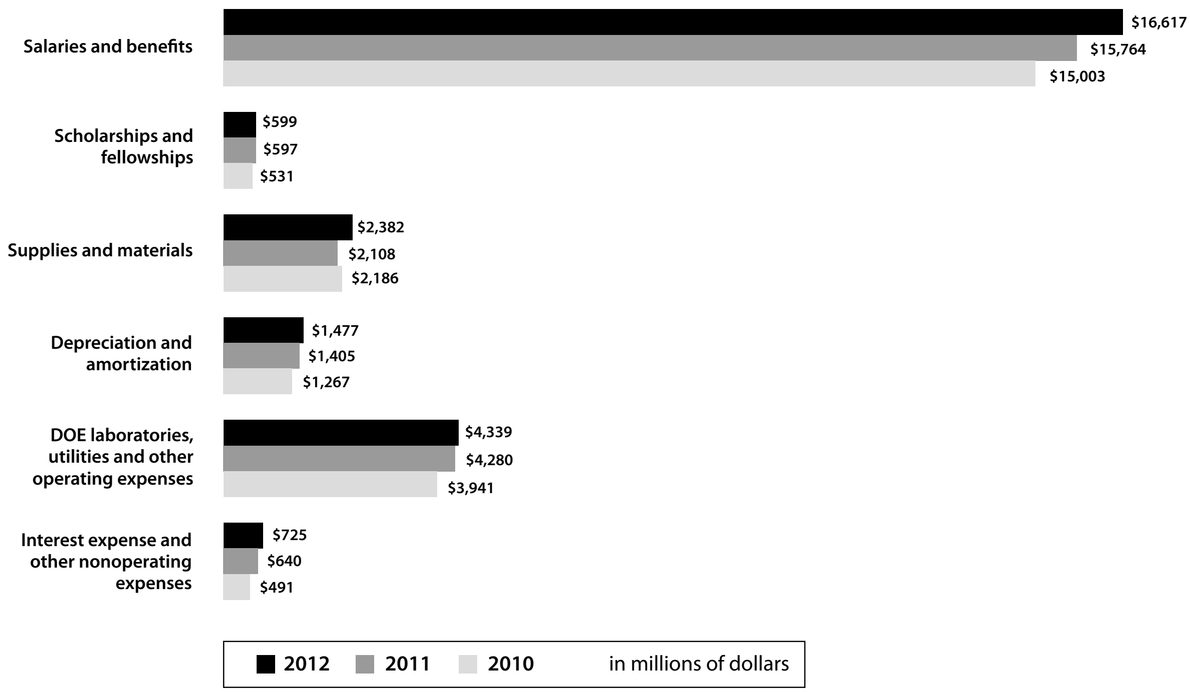
Medical center revenues, net of allowances, increased $265 million and $679 million in 2012 and 2011, respectively. The revenue growth in both years is primarily due to improved reimbursement rates from third-party payors and modest increases in outpatient volumes. During 2011, the medical centers received additional reimbursements related to the Federal Medicaid Assistance Percentage contained in the American Reinvestment and Recovery Act for poor and indigent patients.

Revenue from education activities, primarily physicians' professional fees, net of allowances, grew by $156 million and $310 million in 2012 and 2011, respectively. The growth is generally associated with an expanded patient base and higher rates from third-party payors.

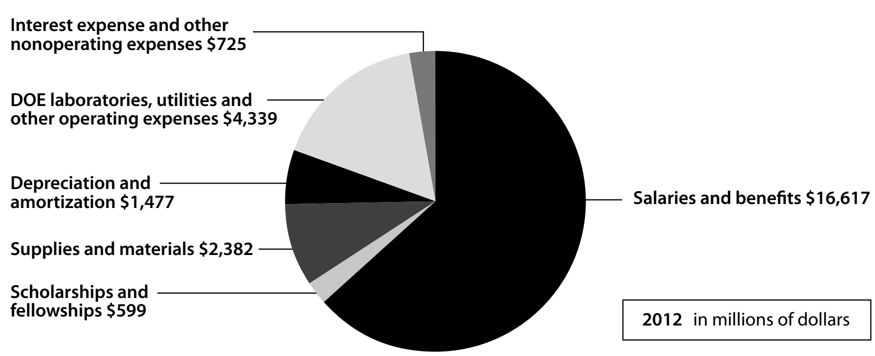
Expenses Associated with Core Activities

Expenses associated with the University's core activities, including those classified as nonoperating expenses, were $26.1 billion, $24.8 billion and $23.4 billion in 2012, 2011 and 2010, respectively. Expenses increased in 2012 by $1.3 billion, primarily due to higher salaries and benefits and increased supplies and materials costs. Expenses increased in 2011 by $1.4 billion, due to higher salaries and benefits.

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



Categories of both operating and nonoperating expenses related to the University's core activities in 2012 are as follows:



Salaries and benefits

Over 63 percent of the University's expenses are related to salaries and benefits. There are over 137,500 full-time equivalent (FTE) employees in the University in 2012, excluding employees who are associated with LBNL whose salaries and benefits are included as laboratory expenses. The number of employees in 2012 increased 1.0 percent from 2011. In 2012, salaries and wages increased 1.0 percent due to an increase in the number of FTEs and 6.0 percent increase in the average salary per FTE. Benefits increased by 7.4 percent due to higher health insurance and workers' compensation costs. In 2011, salaries and wages increased 4.3 percent due to scheduled salary increases for academic and union-represented employees. Benefits increased by 6.5 percent due to higher health insurance costs.

Scholarships and fellowships

The University places a high priority on student financial aid as part of its commitment to affordability. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense, were flat as compared to 2011, and were higher by $66 million in 2011 than in 2010, an increase of 12.4 percent. In addition, scholarship allowances, representing financial aid and fee waivers awarded by the University, are also forms of scholarship and fellowship costs that increased in 2012 by $136 million, or 13.1 percent, to $1.2 billion and increased in 2011 by 22.0 percent to $1.0 billion. However, scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms grew to $1.8 billion in 2012 from $1.6 billion in 2011 and $1.4 billion in 2010, an increase of $391 million over the past two years, or 28.3 percent.

Supplies and materials

During 2012, overall supplies and materials costs increased by $274 million, or 13.0 percent, and decreased in 2011 by $78 million, or 3.6 percent. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded research activity and increased medical patient volumes. The University continues to find opportunities to manage the costs of supplies and materials in light of reduced state appropriations.

Other expenses

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

Operating Losses

In accordance with the GASB's reporting standards, operating losses were $5.2 billion in 2012, $5.1 billion in 2011 and $5.6 billion in 2010. The operating loss in 2012 was partially offset by $3.1 billion of net revenue that is required by the GASB to be classified as nonoperating, but clearly supports core operating activities of the University. Expenses associated with core activities in 2012 exceeded revenue available to support core activities by $2.1 billion.

The operating loss in 2011 was partially offset by $4.0 billion of net revenue that is required by the GASB to be classified as nonoperating, but clearly supports core operating activities of the University. Expenses associated with core activities in 2011 exceeded revenue available to support core activities by $1.1 billion.

Other Nonoperating Activities

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

Net appreciation (depreciation) in fair value of investments

In 2012, the University recognized net depreciation in the fair value of investments of $155 million compared to net appreciation of $1.1 billion during 2011 and net appreciation of $771 million during 2010. Equity markets showed strong performance in both 2011 and 2010.

Other Changes in Net Position

Similar to other nonoperating activities discussed above, other changes in net position are also not available to support the University's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program.

The University's enrollment growth requires new facilities, in addition to continuing needs for renewal, modernization and seismic correction of existing facilities. Capital appropriations from the state of California decreased by $50 million in 2012, increased by $30 million in 2011 and decreased by $153 million in 2010. Capital appropriations are from bond measures approved by the California voters.

The University's Cash Flows

The statement of cash flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2012, 2011 and 2010 is as follows:

(in millions of dollars)

	2012	2011	2010
Cash received from operations	$ 18,878	$ 17,966	$ 16,160
Cash payments for operations	(21,736)	(19,955)	(17,703)
Net cash used by operating activities	**(2,858)**	**(1,989)**	**(1,543)**
Net cash provided by noncapital financing activities	4,878	3,922	3,225
Net cash provided by operating and noncapital financing activities	**2,020**	**1,933**	**1,682**
Net cash used by capital and related financing activities	(2,291)	(1,111)	(760)
Net cash provided (used) by investing activities	223	(789)	(1,262)
Net increase (decrease) in cash	**(48)**	**33**	**(340)**
Cash, beginning of year	181	148	488
Cash, end of year	**$ 133**	**$ 181**	**$ 148**

Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis. Due to the state's financial crisis, some payments to the University were deferred in 2012 and 2011. For 2012 and 2011, $500 million due in the first quarter of 2012 was deferred until the end of the year.

Cash provided by operating and noncapital financing activities ranged between $1.7 billion and $2.0 billion over the last three years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the University are reported as noncapital financing activities, including state educational appropriations, private gifts and grants, investment income and proceeds from debt and commercial paper issuance to finance pension contributions to UCRP and operating costs on an interim basis. As state appropriations decline and contribution rates for UCRP are increased to meet funding requirements, financing has been used by the University to fund pension contributions to UCRP and operations on an interim basis.

Net cash of $2.3 billion, $1.1 billion and $0.8 billion was used in 2012, 2011 and 2010, respectively, for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include new external financing, state and federal capital appropriations and gifts for capital purposes.

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

THE UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS

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

The Campus Foundations' Financial Position

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

The major components of the combined assets, liabilities and net position of the campus foundations at 2012, 2011 and 2010 are as follows:

(in millions of dollars)

	2012	2011	2010
ASSETS			
Investments	$5,161	$5,152	$4,037
Investment of cash collateral	65	125	182
Pledges receivable, net	641	554	387
Other assets	153	149	139
Total assets	**6,020**	**5,980**	**4,745**
LIABILITIES			
Securities lending collateral	65	125	182
Obligations under life income agreements	166	169	165
Other liabilities	254	276	214
Total liabilities	**485**	**570**	**561**
NET POSITION			
Restricted:			
Nonexpendable	2,586	2,441	2,107
Expendable	2,802	2,763	2,063
Unrestricted	147	206	14
Total net position	**$5,535**	**$5,410**	**$4,184**

Investments remained flat in 2012 and increased by $1.1 billion in 2011 due to recovery of the equity markets. The Board of Trustees for each campus foundation is responsible for its specific investment policy, although asset allocation guidelines are recommended to campus foundations by the Investment Committee of The Regents. The Boards of Trustees may determine that all or a portion of their investments will be managed by the University's Chief Investment Officer. The Chief Investment Officer managed $1.1 billion, $1.1 billion and $1.0 billion of the campus foundations' investments at the end of 2012, 2011 and 2010, respectively.

Restricted, nonexpendable net position includes the corpus of the campus foundations' permanent endowments and the estimated fair value of certain planned giving arrangements. Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and investment gains, subject to each individual campus foundation's spending policy; support received from gifts; trustee held investments; or other third-party receipts. New gifts and net appreciation in the fair value of investments were the primary reasons for the changes in value in 2012 and 2011.

The Campus Foundations' Results of Operations

The campus foundations' combined statement of revenues, expenses and changes in net position is a presentation of their operating results for the year. It indicates whether their financial condition has improved or deteriorated during the year. A summarized comparison of the operating results for 2012, 2011 and 2010 is as follows:

(in millions of dollars)

	2012	2011	2010
OPERATING REVENUES			
Private gifts and other revenues	$ 601	$ 884	$ 427
Total operating revenues	**601**	**884**	**427**
OPERATING EXPENSES			
Grants to campuses and other expenses	618	513	595
Total operating expenses	**618**	**513**	**595**
Operating income (loss)	**(17)**	**371**	**(168)**
NONOPERATING REVENUES (EXPENSES)			
Investment income	53	69	67
Net appreciation (depreciation) in fair value of investments	(95)	551	290
Other nonoperating revenues (expenses)	(9)	17	3
Income (loss) before other changes in net position	**(68)**	**1,008**	**192**
OTHER CHANGES IN NET POSITION			
Permanent endowments	193	218	162
Increase (decrease) in net position	**125**	**1,226**	**354**
NET POSITION			
Beginning of year	5,410	4,184	3,830
End of year	**$5,535**	**$5,410**	**$4,184**

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

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

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

The Campus Foundations' Cash Flows

The campus foundations' combined statement of cash flows presents the significant sources and uses of cash and cash equivalents. A summary comparison of cash flows for 2012, 2011 and 2010 is as follows:

(in millions of dollars)

	2012	2011	2010
Net cash provided (used) by operating activities	$(170)	$ 51	$(191)
Net cash provided by noncapital financing activities	174	187	141
Net cash used by investing activities	(7)	(232)	(35)
Net increase (decrease) in cash and cash equivalents	**(3)**	**6**	**(85)**
Cash and cash equivalents, beginning of year	104	98	183
Cash and cash equivalents, end of year	**$ 101**	**$ 104**	**$ 98**

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

THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

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

UCRS' Financial Position and Result of Operations

The statement of plans' fiduciary net position presents the financial position of UCRS at the end of the fiscal year. It displays all of the retirement system's assets, liabilities and net position. The difference between assets and liabilities are the net position held in trust for pension benefits. These represent amounts available to provide pension benefits to members of UCRP and participants in the defined contribution plans and PERS-VERIP. At June 30, 2012, the UCRS' assets were $67.9 billion, liabilities $9.5 billion and net position held in trust for pension benefits $58.4 billion, an increase of $0.2 billion from 2011. Net position increased in 2011 by $9.5 billion from 2010.

The major components of the assets, liabilities and net position available for pension benefits for 2012, 2011 and 2010 are as follows:

(in millions of dollars)

	2012	2011	2010
ASSETS			
Investments	$54,409	$54,218	$45,856
Participants' interests in mutual funds	4,427	4,488	3,462
Investment of cash collateral	7,545	7,729	10,112
Other assets	1,565	648	449
Total assets	**67,946**	**67,083**	**59,879**
LIABILITIES			
Securities lending collateral	7,543	7,729	10,117
Other liabilities	1,938	1,138	1,076
Total liabilities	**9,481**	**8,867**	**11,193**
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Members' defined benefit plan benefits	41,869	41,940	34,634
Participants' defined contribution plan benefits	16,597	16,276	14,052
Total net position held in trust for pension benefits	**$58,466**	**$58,216**	**$48,686**

The statement of changes in the plans' fiduciary net position is a presentation of the UCRS' operating results. It indicates whether the financial condition has improved or deteriorated during the year. A summarized comparison of the operating results for 2012, 2011 and 2010 is as follows:

(in millions of dollars)

	2012	2011	2010
ADDITIONS (REDUCTIONS)			
Contributions	$3,102	$ 2,694	$ 1,107
Net appreciation (depreciation) in fair value of investments	(978)	8,542	4,244
Investment and other income, net	1,292	1,320	1,192
Total additions (reductions)	**3,416**	**12,556**	**6,543**
DEDUCTIONS			
Benefit payments and participant withdrawals	3,125	2,987	2,618
Plan expenses	41	39	38
Total deductions	**3,166**	**3,026**	**2,656**
Increase in net position held in trust for pension benefits	**$ 250**	**$ 9,530**	**$3,887**

The Regents utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. The overall investment gain based upon unit values for UCRS was 0.8 percent in 2012 compared to an investment gain of 20.5 percent in 2011 and 11.8 percent in 2010.

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

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

Contributions to UCRP in 2012 and 2011 were $2.1 and $1.8 billion, respectively, due to increased employer and employee contribution rates and the additional deposits of $935 million and $1.1 billion made by the University to UCRP in 2012 and 2011, respectively.

Benefit payments and participant withdrawals were $138 million more in 2012 than in 2011 and $369 million more in 2011 than in 2010. Payments from UCRP increase each year due to a growing number of retirees receiving payments and cost-of-living adjustments. Benefit payments from UCRSP fluctuate based upon member withdrawals. At the beginning of 2012, there were 56,300 retirees and beneficiaries receiving payments from UCRS as compared to 54,000 at the beginning of 2011 and 51,500 at the beginning of 2010.

As of July 1, 2011, the date of the most recent actuarial report, UCRP's overall funded ratio was 82.5 percent compared to 86.7 percent as of July 1, 2010. The change in the funded status ratio for 2011 is attributable to updating the mortality tables to reflect longer expected lives of retirees and recognition of investment losses from previous years. The decline in the funded status for 2010 ratio is primarily attributable to the investment performance and the lack of employer and employee contributions prior to April 2011.

Additional information on the retirement plans can be obtained from the 2012 annual reports of the University of California Retirement System by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

THE UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)

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

UCRHBT's Financial Position and Result of Operations

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

The major components of the assets, liabilities and net position available for retiree health benefits for 2012, 2011 and 2010 are as follows:

(in millions of dollars)

	2012	2011	2010
ASSETS			
Investments	$65	$28	$32
Other assets	30	46	39
Total assets	**95**	**74**	**71**
LIABILITIES			
Total liabilities	**5**	**3**	**2**
NET POSITION HELD IN TRUST FOR RETIREE HEALTH BENEFITS			
Total net position held in trust for retiree health benefits	**$90**	**$71**	**$69**

The statement of changes in trust's fiduciary net position is a presentation of the UCRHBT's operating results. It indicates whether the financial condition has improved or deteriorated during the year. Summarized operating results for 2012, 2011 and 2010 are as follows:

(in millions of dollars)

	2012	2011	2010
ADDITIONS			
Contributions	$330	$288	$254
Total additions	**330**	**288**	**254**
DEDUCTIONS			
Insurance premiums and payments	309	284	257
Plan expenses	3	2	2
Total deductions	**312**	**286**	**259**
Increase (decrease) in net position held in trust for retiree health benefits	**$ 18**	**$ 2**	**$ (5)**

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

The retiree health benefits provided under the University's plan and any liabilities related to the future funding requirements for the retiree health benefits are reported by the University. The unfunded actuarial accrued liability for eligible participants as of July 1, 2011, the date of the latest actuarial valuation, was $15.2 billion.

LOOKING FORWARD

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

The University's state-funded budget for 2013 is $2.378 billion, up slightly from $2.272 billion for 2012. In May, the governor identified a budget gap of $15.7 billion for the state of California. The budget package adopted by the governor and the Legislature resolves about $8 billion of the gap through budget cuts. The 2013 state budget assumes adoption of the governor's revenue raising initiative (The Schools and Local Public Safety Protection Act of 2012 - Attorney General reference number 12-0009) on the November ballot, which would address about $5.6 billion of the gap. In the event that the governor's revenue raising initiative on the November ballot is not approved by the voters, the University's state-funded budget for 2013 will be reduced by $250 million. In addition, the University would lose a $125.4 million base budget adjustment in 2014 to cover the delayed buy-out of 2013 tuition. The total $375.4 million budget reduction would lower the University's state-funded budget to $2.128 billion, down $1.129 billion from a high of $3.257 billion in 2008. In addition to the above, over the course of 2013, the state will be deferring some payments to the University; $500 million due in the first quarter of 2013 will be deferred until the end of 2013. Other deferrals are also possible.

The University remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over two-thirds of the University's federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. Other agencies that figure prominently in the University's awards are the Department of Education, Department of Defense, the National Aeronautics and Space Administration and the Department of Energy. While the federal government works through its own financial constraints, there is a bipartisan effort underway to focus on innovation and competitiveness for the nation. In 2012, the University received approximately $163 million in funding from federal economic stimulus funds made available by the American Recovery and Reinvestment Act (ARRA), representing approximately 4.8 percent of the University's federal grants and contract revenues in 2012. ARRA funds are expected to be fully expended by 2014. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

The University's private support is a testament to its distinction as a leader in philanthropy among the nation's colleges and universities and the high regard in which its alumni, corporations, foundations and other supporters hold the University. The level of private support underscores the continued confidence among donors in the quality of the University's programs and the importance of its mission. At the same time, private support in 2013 will likely continue to reflect the changes in the economy and financial markets, the effect of which is not determinable at this time.

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

Currently, the University does not pre-fund retiree health benefits and provides for benefits on a pay-as-you-go basis. The unfunded liability for the campuses and medical centers as of the July 1, 2011 actuarial valuation was $14.7 billion. The Regents approved a new eligibility formula for the Retiree Health Plan for all employees hired on or after July 1, 2013, and non-grandfathered members, that is based on a graduated formula using both a member's age and years of Retirement Plan service credit upon retirement, subject to collective bargaining for represented members.

UCRP costs are funded by a combination of investment earnings, employee member and employer contributions. The unfunded liability for the campuses and medical centers as of July 1, 2011 actuarial valuation was $7.7 billion or 82.1 percent funded. As of July 1, 2012, the funded ratio is expected to decrease to approximately 78 percent. The total funding policy contributions in the July 1, 2011 actuarial valuations represent 26.4 percent of covered compensation. Member and employer contributions increased to 5 percent and 10 percent, respectively, of covered compensation in July 2012. The Regents approved increasing employee member and employer contributions to 6.5 percent and 12 percent, respectively, in July 2013. These contribution rates are below UCRP's total funding requirements. The Regents also approved a new tier of pension benefits applicable to employees hired on or after July 1, 2013, which would increase the early retirement age from 50 to 55, but retain many of the current features of UCRP. The new tier would not offer lump sum cash outs, inactive member Cost of Living

Adjustments (COLAs) or subsidized survivor annuities for spouses and domestic partners. These changes are subject to collective bargaining for union-represented employees.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, effective for the University's fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the University to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. As of June 30, 2012, the University reported an obligation to UCRP of $1.9 billion, representing unfunded contributions to UCRP based upon the University's funding policy. Under GASB No. 68, the University's obligation to UCRP is expected to increase.

The University's medical centers have demonstrated very positive financial results, although they continue to face financial and competitive challenges in their regional markets, along with the added costs and responsibilities related to their function as academic institutions. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, the University's medical centers also face additional costs associated with new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. Over the last few years, Medicare margins have declined as a result of payment reductions. Changes to the Medi-Cal program will likely limit or reduce the rates of payment growth to the medical centers in future years. Also, as a result of state legislation, the medical centers face capital requirements to ensure that facilities can maintain uninterrupted operations following a major earthquake. While the state has provided additional capital to meet these requirements, the level of support provided will not cover the full cost to the University. Other sources of capital are required.

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

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. On March 30, 2010 the Health Care and Education Reconciliation Act of 2011 was signed, amending the PPACA (collectively the "Affordable Care Act"). On June 29, 2012, the Supreme Court upheld the constitutionality of much of the Affordable Care Act. The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of health care coverage. The coverage expansion is accomplished primarily through incentives for individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the health care delivery system. Some provisions of the health care reform legislation were effective immediately; others are being phased in through 2014. The medical centers will likely be affected by the coverage expansion provisions that go into effect in 2014, the effect of which is not determinable at this time.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

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


ERSKINE CHILDERS
THE RIDDLE OF THE SANDS
A CLASSIC SPY THRILLER
JULES VERNE
FAMILLE SANS NOM

Report of Independent Auditors

To The Regents of the University of California:

In our opinion, based upon our audits and the report of other auditors, the financial statements listed in the accompanying table of contents which collectively comprise the financial statements of the University of California (the "University"), a component unit of the State of California, present fairly, in all material respects, the respective financial position and plans' and trust's fiduciary net position of the University, its aggregate discretely presented component units, and the University of California Retirement System (the "Plans") and the University of California Retiree Health Benefit Trust (the "Trust"), respectively, at June 30, 2012 and 2011, and the respective changes in financial position and cash flows of the University and its component units, and the changes in the Plans' and the Trust's fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the UC Berkeley Foundation, which represents 24 and 23 percent of the assets, 24 and 23 percent of the net position, and 19 and 19 percent of the operating revenues of the University of California campus foundations as of and for the years ended June 30, 2012 and 2011, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the UC Berkeley Foundation included in the aggregate discretely presented component units, is based upon the report of the other auditor. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

The accompanying Required Supplementary Information ("RSI") on page 103 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

SAN FRANCISCO, CALIFORNIA
OCTOBER 11, 2012

UNIVERSITY OF CALIFORNIA

STATEMENTS OF NET POSITION

At June 30, 2012 and 2011 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2012	**2011**	**2012**	**2011**
ASSETS				
Cash and cash equivalents	$ 133,264	$ 181,130	$ 101,296	$ 104,220
Short-term investments	3,557,341	3,710,307	334,818	362,884
Investment of cash collateral	1,388,262	1,603,647	55,863	103,194
Investments held by trustees	305,721	74,949		
Accounts receivable, net	3,416,380	2,989,589	23,062	20,273
Pledges receivable, net	48,829	54,101	141,644	133,562
Current portion of notes and mortgages receivable, net	34,827	32,359	10	10
Inventories	180,592	170,358		
Department of Energy receivable	367,112	360,962		
Other current assets	232,944	181,462	2,752	2,377
Current assets	**9,665,272**	**9,358,864**	**659,445**	**726,520**
Investments	14,735,057	14,548,358	4,826,399	4,788,985
Investment of cash collateral	242,914	439,616	9,260	22,038
Investments held by trustees	1,275,336	947,900		
Pledges receivable, net	59,981	68,371	499,490	420,338
Notes and mortgages receivable, net	316,509	315,554	1,394	978
Department of Energy receivable	184,996	147,349		
Capital assets, net	25,183,718	23,710,277		
Other noncurrent assets	239,624	229,260	24,608	21,632
Noncurrent assets	**42,238,135**	**40,406,685**	**5,361,151**	**5,253,971**
Total assets	**51,903,407**	**49,765,549**	**6,020,596**	**5,980,491**
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows from interest rate swap agreements	69,495	47,092		
Total deferred outflow of resources	**69,495**	**47,092**		
LIABILITIES				
Accounts payable	1,981,981	1,732,988	6,683	7,746
Accrued salaries	468,274	843,056		
Employee benefits	598,670	552,716		
Unearned revenue	874,163	889,573	25,188	45,228
Collateral held for securities lending	1,630,554	2,043,253	65,123	125,232
Commercial paper	1,322,810	799,810		
Current portion of long-term debt	923,635	529,038		
Funds held for others	262,984	258,437	196,734	205,110
Department of Energy laboratories' liabilities	46,505	121,919		
Other current liabilities	1,063,698	987,691	26,594	22,662
Current liabilities	**9,173,274**	**8,758,481**	**320,322**	**405,978**
Federal refundable loans	234,786	231,223		
Self-insurance	421,602	430,300		
Obligations under life income agreements	24,706	26,856	146,175	147,332
Long-term debt	15,088,502	13,048,873		
Obligation to UCRP	1,919,320	1,725,444		
Obligations for retiree health benefits	6,447,678	5,257,422		
Department of Energy laboratories' liabilities	283,104	115,164		
Other noncurrent liabilities	511,346	454,106	18,658	17,246
Noncurrent liabilities	**24,931,044**	**21,289,388**	**164,833**	**164,578**
Total liabilities	**34,104,318**	**30,047,869**	**485,155**	**570,556**
NET POSITION				
Invested in capital assets, net of related debt	11,359,688	11,161,810		
Reserved for minority interests	46,875	31,418		
Restricted:				
Nonexpendable:				
Endowments and gifts	1,057,187	1,034,662	2,586,490	2,440,564
Expendable:				
Endowments and gifts	5,066,296	5,320,752	2,801,855	2,763,020
Other, including debt service, loans, capital projects and appropriations	438,077	622,974		
Unrestricted	(99,539)	1,593,156	147,096	206,351
Total net position	**$17,868,584**	**$19,764,772**	**$5,535,441**	**$5,409,935**

See accompanying Notes to Financial Statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2012 and 2011 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2012	2011	2012	2011
OPERATING REVENUES				
Student tuition and fees, net	$ 3,237,126	$ 2,811,121		
Grants and contracts, net				
Federal	3,347,640	3,388,084		
State	546,831	528,543		
Private	1,118,132	1,121,146		
Local	227,686	211,321		
Medical centers, net	6,817,495	6,417,015		
Educational activities, net	2,028,495	1,872,008		
Auxiliary enterprises, net	1,221,157	1,117,970		
Department of Energy laboratories	1,014,199	976,294		
Campus foundation private gifts			$ 596,242	$ 880,889
Other operating revenues, net	649,577	596,261	4,513	3,585
Total operating revenues	**20,208,338**	**19,039,763**	**600,755**	**884,474**
OPERATING EXPENSES				
Salaries and wages	10,994,319	10,269,912		
UCRP benefits	1,885,003	1,681,138		
Retiree health benefits	1,498,962	1,754,620		
Other employee benefits	2,238,582	2,058,115		
Scholarships and fellowships	598,943	597,350		
Utilities	279,795	280,995		
Supplies and materials	2,381,963	2,107,881		
Depreciation and amortization	1,477,281	1,404,837		
Department of Energy laboratories	1,007,804	970,054		
Campus foundation grants			559,301	496,704
Other operating expenses	3,051,504	3,028,822	58,562	16,548
Total operating expenses	**25,414,156**	**24,153,724**	**617,863**	**513,252**
Operating income (loss)	**(5,205,818)**	**(5,113,961)**	**(17,108)**	**371,222**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	1,963,578	2,650,545		
State financing appropriations	200,123	202,241		
State hospital fee grants	8,619	143,983		
Build America Bonds federal interest subsidies	65,095	52,216		
Federal Pell grants	359,408	352,469		
Private gifts, net	804,691	816,291		
Investment income:				
Short Term Investment Pool and other, net	308,972	286,935		
Endowment, net	103,158	107,760		
Securities lending, net	10,368	11,995	681	723
Campus foundations			52,501	68,574
Net (depreciation) appreciation in fair value of investments	(154,828)	1,082,277	(95,308)	550,849
Interest expense	(631,619)	(572,412)		
Loss on disposal of capital assets	(93,189)	(67,812)		
Other nonoperating revenues, net	16,030	7,743	(8,873)	16,608
Net nonoperating revenues	**2,960,406**	**5,074,231**	**(50,999)**	**636,754**
Income (loss) before other changes in net position	**(2,245,412)**	**(39,730)**	**(68,107)**	**1,007,976**
OTHER CHANGES IN NET POSITION				
State capital appropriations	139,629	190,009		
Capital gifts and grants, net	198,023	247,259		
Permanent endowments	11,572	16,155	193,613	218,309
Increase (decrease) in net position	**(1,896,188)**	**413,693**	**125,506**	**1,226,285**
NET POSITION				
Beginning of year	19,764,772	19,351,079	5,409,935	4,183,650
End of year	**$17,868,584**	**$19,764,772**	**$5,535,441**	**$ 5,409,935**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2012	UNIVERSITY OF CALIFORNIA 2011	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2012	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$ 3,245,460	$ 2,808,412		
Grants and contracts	5,134,107	5,358,454		
Medical centers	6,683,988	6,362,731		
Educational activities	1,974,070	1,855,650		
Auxiliary enterprises	1,224,355	1,123,930		
Collection of loans from students and employees	54,566	53,955		
Campus foundation private gifts			$ 437,414	$ 564,720
Payments to employees	(11,365,432)	(10,224,701)		
Payments to suppliers and utilities	(5,558,906)	(5,321,258)		
Payments for UCRP benefits	(1,537,354)	(1,441,054)		
Payments for retiree health benefits	(319,634)	(270,003)		
Payments for other employee benefits	(2,296,067)	(2,041,528)		
Payments for scholarships and fellowships	(599,433)	(598,578)		
Loans issued to students and employees	(58,928)	(57,482)		
Payments to campuses and beneficiaries			(561,344)	(509,573)
Other receipts (payments)	561,090	402,306	(46,453)	(4,284)
Net cash provided (used) by operating activities	**(2,858,118)**	**(1,989,166)**	**(170,383)**	**50,863**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	1,971,482	2,650,619		
Federal Pell grants	363,851	351,664		
State hospital fee grants	8,619	143,983		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	12,677	11,516	171,082	185,894
Other private gifts	776,512	759,352		
Receipt of retiree health contributions from UCRP	33,794	26,254		
Payment of retiree health contributions to UCRHBT	(36,288)	(25,451)		
Receipts from UCRHBT	309,583	288,929		
Payments for retiree health benefits made on behalf of UCRHBT	(310,239)	(289,573)		
Student direct lending receipts	993,679	956,941		
Student direct lending payments	(993,677)	(956,941)		
Proceeds from debt issuance	1,200,000			
Commercial paper financing:				
Proceeds from issuance	740,530	19,888		
Payments of principal	(236,795)	(16,250)		
Interest paid on debt	(8,241)			
Other receipts	52,999	1,351	3,362	1,884
Net cash provided by noncapital financing activities	**4,878,486**	**3,922,282**	**174,444**	**187,778**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	130,265	590,431		
Payments of principal	(111,000)	(202,069)		
Interest paid	(1,419)	(1,472)		
State capital appropriations	180,389	131,114		
State financing appropriations	11,355	2,977		
Build America Bonds federal interest subsidies	63,843	50,763		
Capital gifts and grants	174,898	149,571		
Proceeds from debt issuance	1,765,934	1,984,722		
Proceeds from the sale of capital assets	1,306	3,962		
Proceeds from insurance recoveries		4,013		
Purchase of capital assets	(2,929,630)	(2,491,186)		
Refinancing or prepayment of outstanding debt	(276,893)	(412,875)		
Scheduled principal paid on debt and capital leases	(434,601)	(356,788)		
Interest paid on debt and capital leases	(857,923)	(564,890)		
Collateral paid under interest rate swap	(7,230)			
Net cash used by capital and related financing activities	**(2,290,706)**	**(1,111,727)**		

See accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS *continued*

Years ended June 30, 2012 and 2011 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2012	**2011**	**2012**	**2011**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	61,716,393	60,743,229	1,098,009	1,265,141
Purchase of investments	(61,914,030)	(61,938,621)	(1,157,991)	(1,566,293)
Investment income, net of investment expenses	420,109	406,783	52,997	69,250
Net cash provided (used) by investing activities	**222,472**	**(788,609)**	**(6,985)**	**(231,902)**
Net increase (decrease) in cash and cash equivalents	**(47,866)**	**32,780**	**(2,924)**	**6,739**
Cash and cash equivalents, beginning of year	181,130	148,350	104,220	97,481
Cash and cash equivalents, end of year	**$ 133,264**	**$ 181,130**	**$ 101,296**	**$104,220**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating income (loss)	$ (5,205,818)	$(5,113,961)	$ (17,108)	$ 371,222
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	1,477,281	1,404,837		
Noncash gifts			(49,251)	(153,406)
Expense for doubtful accounts	322,978	279,131	(9,554)	45,511
Change in assets and liabilities:				
Investments			(825)	(793)
Accounts receivable	(637,346)	(442,201)	(180)	4,346
Pledges receivable			(77,766)	(212,569)
Investments held by trustees	(33,971)	(67,243)		
Inventories	(10,234)	175		
Other assets	(55,500)	(43,631)	(7,664)	(750)
Accounts payable	80,635	(89,398)	1,712	(93)
Accrued salaries	(374,782)	79,806		
Employee benefits	47,827	219,963		
Unearned revenue	(14,995)	(11,119)	1,367	2,360
Self-insurance	10,100	3,121		
Obligations to life beneficiaries			(8,319)	(10,543)
Obligation to UCRP	193,876	124,048		
Obligations for retiree health benefits	1,190,256	1,483,618		
Other liabilities	151,525	183,688	(2,795)	5,578
Net cash provided (used) by operating activities	**$ (2,858,118)**	**$ (1,989,166)**	**$ (170,383)**	**$ 50,863**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$ 80,466	$ 39,723		
Capital assets acquired with a liability at year-end	57,152	86,997		
Change in fair value of interest rate swaps classified as hedging derivatives	(22,404)	16,990		
Gifts of capital assets	58,152	78,364	$ 145	$ 105
Other noncash gifts	29,894	38,749	71,367	230,634
Proceeds from lease revenue bonds issued	337,250			
Debt service for, or refinancing of, lease revenue bonds				
Principal paid	(104,200)	(98,890)		
Interest paid	(119,648)	(114,892)		
Interest added to principal			905	373
Beneficial interest in charitable remainder trust			3,249	1,679

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF PLANS' AND TRUST'S FIDUCIARY NET POSITION

At June 30, 2012 and 2011 (in thousands of dollars)

	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
ASSETS						
Investments	$ 54,408,678	$ 54,218,018	$ 65,053	$ 27,795	$ 54,473,731	$ 54,245,813
Participants' interests in mutual funds	4,426,842	4,488,491			4,426,842	4,488,491
Investment of cash collateral	7,545,438	7,729,073			7,545,438	7,729,073
Participant 403(b) loans	146,055	139,424			146,055	139,424
Accounts receivable:						
Contributions from University and affiliates	355,045	301,070	4,196	20,782	359,241	321,852
Investment income	95,747	95,301		5	95,747	95,306
Securities sales and other	968,561	111,617	2,287	3,418	970,848	115,035
Prepaid insurance premiums			23,037	21,919	23,037	21,919
Total assets	**67,946,366**	**67,082,994**	**94,573**	**73,919**	**68,040,939**	**67,156,913**
LIABILITIES						
Payable to University			5,054	2,646	5,054	2,646
Payable for securities purchased	1,893,585	920,248			1,893,585	920,248
Member withdrawals, refunds and other payables	44,557	217,910			44,557	217,910
Collateral held for securities lending	7,542,664	7,729,038			7,542,664	7,729,038
Total liabilities	**9,480,806**	**8,867,196**	**5,054**	**2,646**	**9,485,860**	**8,869,842**
NET POSITION HELD IN TRUST						
Members' defined benefit plan benefits	41,868,728	41,940,183			41,868,728	41,940,183
Participants' defined contribution plan benefits	16,596,832	16,275,615			16,596,832	16,275,615
Retiree health benefits			89,519	71,273	89,519	71,273
Total net position held in trust	**$58,465,560**	**$58,215,798**	**$89,519**	**$71,273**	**$58,555,079**	**$58,287,071**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

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

Years ended June 30, 2012 and 2011 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2012	2011	2012	2011	2012	2011
ADDITIONS (REDUCTIONS)						
Contributions:						
Members and employees	$ 1,243,918	$ 1,010,260			$ 1,243,918	$ 1,010,260
Retirees			$ 36,428	$ 28,085	36,428	28,085
University	1,857,711	1,683,632	293,101	259,757	2,150,812	1,943,389
Total contributions	**3,101,629**	**2,693,892**	**329,529**	**287,842**	**3,431,158**	**2,981,734**
Investment income (expense), net:						
Net (depreciation) appreciation in fair value of investments	(977,490)	8,541,574			(977,490)	8,541,574
Interest, dividends and other investment income	1,235,940	1,267,034	14	84	1,235,954	1,267,118
Securities lending income	64,352	72,042			64,352	72,042
Securities lending fees and rebates	(12,093)	(22,770)			(12,093)	(22,770)
Total investment income, net	**310,709**	**9,857,880**	**14**	**84**	**310,723**	**9,857,964**
Interest income from contributions receivable	3,652	4,226			3,652	4,226
Total additions	**3,415,990**	**12,555,998**	**329,543**	**287,926**	**3,745,533**	**12,843,924**
DEDUCTIONS						
Benefit payments:						
Retirement payments	1,607,010	1,486,546			1,607,010	1,486,546
Member withdrawals	93,992	78,776			93,992	78,776
Cost-of-living adjustments	307,190	279,937			307,190	279,937
Lump sum cashouts	187,799	200,907			187,799	200,907
Preretirement surivor payments	38,545	35,931			38,545	35,931
Disability payments	35,189	35,298			35,189	35,298
Death payments	8,717	9,128			8,717	9,128
Participant withdrawals	846,375	860,562			846,375	860,562
Total benefit payments	**3,124,817**	**2,987,085**			**3,124,817**	**2,987,085**
Insurance premiums:						
Insured plans			259,393	234,204	259,393	234,204
Self-insured plans			30,500	28,781	30,500	28,781
Medicare Part B reimbursements			18,759	21,025	18,759	21,025
Total insurance premiums, net			**308,652**	**284,010**	**308,652**	**284,010**
Expenses:						
Plan administration	35,993	35,427	2,645	1,997	38,638	37,424
Other	5,418	4,097			5,418	4,097
Total expenses	**41,411**	**39,524**	**2,645**	**1,997**	**44,056**	**41,521**
Total deductions	**3,166,228**	**3,026,609**	**311,297**	**286,007**	**3,477,525**	**3,312,616**
Increase in net position held in trust	**249,762**	**9,529,389**	**18,246**	**1,919**	**268,008**	**9,531,308**
NET POSITION HELD IN TRUST						
Beginning of year	58,215,798	48,686,409	71,273	69,354	58,287,071	48,755,763
End of year	**$58,465,560**	**$58,215,798**	**$ 89,519**	**$ 71,273**	**$58,555,079**	**$58,287,071**

See accompanying Notes to Financial Statements

Notes to Financial Statements

Years ended June 30, 2012 and 2011

ORGANIZATION

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

FINANCIAL REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The University has ten legally separate, tax-exempt, affiliated campus foundations. The combined financial statements of the University of California campus foundations (campus foundations) are presented discretely in the University's financial statements because of the nature and significance of their relationship with the University, including their ongoing financial support of the University. Campus foundations may invest all or a portion of their investments in University-managed investment pools. Securities in these investment pools are included in the University's securities lending program. Accordingly, the campus foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and displayed in the campus foundations' column.

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

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

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

Significant Accounting Policies

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

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, effective for the University's fiscal year beginning July 1, 2011. This Statement modifies the existing requirements for the assessment of component units that should be included in the financial statements of the University. Implementation of Statement No. 61 had no effect on the University's net position or changes in net position for the years ended June 30, 2012 and 2011.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the University's fiscal year beginning July 1, 2012; however, the University early adopted this Statement effective for the fiscal year beginning July 1, 2011. This Statement modifies the presentation of deferred inflows and deferred outflows in the financial statements. The effect of the changes from the implementation of Statement No. 63 on the University's financial statements for the year ended June 30, 2011 was as follows:

(in thousands of dollars)

	2011 Previously Issued	Change	2011 As Revised
Other noncurrent assets	$ 276,352	$ (47,092)	$ 229,260
Noncurrent assets	**40,453,777**	**(47,092)**	**40,406,685**
Total assets	**$ 49,812,641**	**(47,092)**	**49,765,549**
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows from interest rate swap agreements		47,092	47,092
Total deferred outflow of resources		**$ 47,092**	**$ 47,092**

The adoption of Statement No. 63 did not result in any adjustments to the financial statements for the campus foundations, UCRS or UCRHBT.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for the University's fiscal year beginning July 1, 2012; however, the University early adopted this Statement effective for the fiscal year beginning July 1, 2011. This Statement clarifies the existing requirements for the termination of hedge accounting. Implementation of Statement No. 64 had no effect on the University's net position or changes in net position for the years ended June 30, 2012 and 2011.

The significant accounting policies of the University are as follows:

Cash and cash equivalents. The University and campus foundations consider all balances in demand deposit accounts to be cash. The University classifies all other highly liquid cash equivalents as short-term investments. Certain campus foundations classify their deposits in the University's Short Term Investment Pool as a cash equivalent.

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

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

Investments also include private equities, absolute return funds, real estate, real asset and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyout and international funds. Interests in private equity and real estate partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Investments in absolute return partnerships are valued as of May 31, adjusted for cash receipts and cash disbursements through June 30. Interests in certain direct investments in real estate are estimated based upon independent appraisals. The University believes the carrying amount of these financial instruments and real estate is a reasonable estimate of fair value at June 30. Because the private equity, real estate and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed.

Deposits with the state of California are valued at contract value, which the University believes approximates fair value.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value. Estimates of the fair value of interests in externally held irrevocable trusts where the University is the beneficiary of either the income or the remainder that will not become a permanent endowment upon distribution to the University are based upon the present value of the expected future income or, if available, the University's proportional interest in the fair value of the trust assets.

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

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

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

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

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

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

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

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

Pledges receivable, net. Unconditional pledges of private gifts to the University or to the campus foundations in the future, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

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

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

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

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

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

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

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

Estimated economic lives are generally as follows:

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

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

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

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

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

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

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

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

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

Pollution remediation obligations. Upon an obligating event, the University estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that the University is among the responsible parties. The liabilities are revalued annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2012 and 2011 reducing the pollution remediation liability.

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

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

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

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

*Nonexpendable.*The net position subject to externally-imposed restrictions, which must be retained in perpetuity by the University or the campus foundations, is classified as nonexpendable net position. This includes the University and campus foundation permanent endowment funds.

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

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

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

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

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

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

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

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

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

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

Scholarship allowances are netted in the statement of revenues, expenses and changes in net position for the years ended June 30, 2012 and 2011 as follows:

(in thousands of dollars)

	2012	2011
Student tuition and fees	$ 979,394	$ 830,497
Auxiliary enterprises	171,663	185,079
Other operating revenues	21,014	20,652
Scholarship allowances	**$1,172,071**	**$ 1,036,228**

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

Grant and contract revenue. The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with the University's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2012, the facilities and administrative cost recovery totaled $997.8 million, $748.5 million from federally sponsored programs and $249.3 million from other sponsors. For the year ended June 30, 2011, the facilities and administrative cost recovery totaled $992.0 million, $752.0 million from federally sponsored programs and $240.0 million from other sponsors.

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

UCRP benefits and obligation to UCRP. The University's cost for campus and medical center UCRP benefits expense is based upon the annual required contribution to UCRP, as actuarially determined. Contributions to UCRP are made based upon rates or amounts determined by The Regents, and reduce the University's obligation to UCRP in the statement of net position.

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees and is reimbursed by the DOE based upon rates that are identical to those authorized by The Regents for campus and medical center employees. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP at the time the joint ventures were formed. The annual required contribution for the LANL and LLNL is actuarially determined based upon a contractual arrangement with the DOE that incorporates a formula targeted to maintain the LANL and LLNL segments within UCRP at a 100 percent funded level. The University is reimbursed by the DOE for these contributions. These contributions and reimbursements from the DOE are included as DOE laboratory expense and revenue, respectively in the statement of revenues, expenses and changes in net position.

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

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

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

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

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

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

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

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

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

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

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

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

New accounting pronouncements. In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the University's fiscal year beginning July 1, 2012. This Statement requires the University to report the activities for certain public-private partnerships as service concession arrangements in the financial statements. Service concession arrangements are recorded when the arrangements meet certain criteria which include building and operating a facility, obtaining the right to collect fees from third parties, and transferring ownership of the facility to the University at the end of the arrangement. The University is evaluating the effect that Statement No. 60 will have on its financial statements.

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

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

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the University's fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the University to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. As of June 30, 2012, the University reported an obligation to UCRP of $1.9 billion, representing unfunded contributions to UCRP based upon the University's funding policy. Under Statement No. 68, The University's obligation to UCRP is expected to increase. The University is evaluating the effect that Statement No. 68 will have on its financial statements.

1. CASH AND CASH EQUIVALENTS

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

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. In 2012, ratings for one of the University's banks were lowered below these thresholds. The University approved a temporary exception for this institution and continues to monitor the institution's financial condition. At June 30, 2012 and 2011, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $133.3 million and $181.1 million, respectively, compared to bank balances of $99.0 million and $135.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Bank balances in excess of the Federal Deposit Insurance Corporation (FDIC) limits are collateralized by U.S. government securities held in the name of the bank.

The University does not have significant exposure to foreign currency risk in demand deposit accounts. Accounts held in foreign countries maintain minimum operating balances with the intent to reduce potential foreign exchange risk while providing an adequate level of liquidity to meet the obligations of the academic programs established abroad. The equivalent U.S. dollar balances required to support research groups and education abroad programs in foreign countries was $2.7 million at June 30, 2012 and 2011.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2012 and 2011 was $101.3 million and $104.2 million, respectively, compared to bank balances of $67.2 million and $74.4 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Included in bank balances are deposits in the University's Short Term Investment Pool of $31.7 million and $28.9 million at June 30, 2012 and 2011, respectively, with the remaining uncollateralized bank balances insured by the FDIC. The campus foundations do not have exposure to foreign currency risk in their cash and cash equivalents.

2. INVESTMENTS

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

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

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

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

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

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements, or represent the University's estimated interest in externally held irrevocable trusts.

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

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

The Regents has also authorized certain employee account balances in defined contribution plans included as part of UCRS' investments to be invested in mutual funds. The participants' interests in mutual funds is not managed by the Chief Investment Officer and totaled \$4.4 billion and \$4.5 billion at June 30, 2012 and 2011, respectively.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of 49 days. The fair value of UCRHBT's investment in this portfolio was \$65.1 million and \$27.8 million at June 30, 2012 and 2011, respectively.

The University has deposits of \$1 billion in the State Agency Investment Fund (SAIF). SAIF was created under California Government Code §16330. The deposit to SAIF bears interest at 2.0 percent annually, payable quarterly. The agreement expires on October 25, 2012 and can be extended for additional six month periods by agreement with the state. The University is permitted to withdraw funds on the maturity date of April 25, 2013, prior to the maturity date, the ability to withdraw funds is limited.

The composition of investments, by investment type at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Equity securities:						
Domestic	$ 1,588,587	$ 1,679,253	$ 165,363	$ 220,178	$ 12,350,104	$ 13,490,824
Foreign	1,566,010	1,598,342	7,691	66,143	8,123,100	9,497,591
Equity securities	**3,154,597**	**3,277,595**	**173,054**	**286,321**	**20,473,204**	**22,988,415**
Fixed- or variable-income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	556,927	1,351,366	203,761	222,691	1,909,978	2,356,266
U.S. Treasury strips	152,259	102,041	183	115	627,474	473,794
U.S. TIPS	202,814	225,994			3,540,623	3,512,877
U.S. government-backed securities			9,520	3,071	14,062	14,617
U.S. government-backed–asset-backed securities			589	145		
U.S. government guaranteed	**912,000**	**1,679,401**	**214,053**	**226,022**	**6,092,137**	**6,357,554**
Other U.S. dollar denominated:						
Corporate bonds	6,092,133	5,012,475	93,026	80,190	2,322,593	2,027,233
Commercial paper	799,493	2,517,403				
U.S. agencies	1,332,192	981,541	5,534	10,594	3,100,944	2,996,583
U.S. agencies–asset-backed securities	259,768	238,328	73,208	74,020	2,230,842	1,678,543
Corporate–asset-backed securities	111,893	100,994	31,299	6,510	714,276	1,061,912
Supranational/foreign	1,630,399	1,263,165	1,467	745	1,349,467	1,317,034
Other	5,862	221,836	17,903	11,960	15,317	11,849
Other U.S. dollar denominated	**10,231,740**	**10,335,742**	**222,437**	**184,019**	**9,733,439**	**9,093,154**
Foreign currency denominated:						
Corporate	33,558	18,060			199,159	103,967
Foreign currency denominated	**33,558**	**18,060**			**199,159**	**103,967**
Commingled funds:						
Absolute return funds	1,701,748	1,631,766	838,215	866,167	3,013,658	2,836,255
Balanced funds	5,892		800,283	810,675	33,577	
U.S. equity funds	155,439	156,686	522,168	499,183	1,247,806	1,248,291
Non-U.S. equity funds	498,040	489,792	689,010	643,018	3,491,197	2,923,089
U.S. bond funds	51,586	81,410	295,978	318,165	892,330	477,456
Non-U.S. bond funds	18,683		68,628	50,741	105,870	
Real estate investment trusts	225,258	159,123	80,424	82,718	102,247	90,864
Money market funds	420,369	257,403	459,308	436,960	2,087,161	2,053,697
Commingled funds	**3,077,015**	**2,776,180**	**3,754,014**	**3,707,627**	**10,973,846**	**9,629,652**
Investment derivatives	(26,284)	(1,740)	278	(1,081)	47,038	15,661
State of California deposit agreement	1,000,000					
Private equity	654,164	531,949	459,421	410,307	3,582,591	3,085,296
Mortgage loans	562,539	705,548	267	422		
Insurance contracts					514,147	630,091
Real assets	116,732	73,677			532,659	327,721
Real estate	466,055	398,128	133,990	118,923	2,260,458	1,986,507
Externally held irrevocable trusts	123,830	234,305	34,896	31,376		
Other investments	13,180	10,195	168,807	187,933		
Campus foundations' investments with the University	(1,059,918)	(1,064,408)				
UCRS investment in STIP	(966,810)	(715,967)				
Total investments	**18,292,398**	**18,258,665**	**5,161,217**	**5,151,869**	**$54,408,678**	**$54,218,018**
Less: Current portion	(3,557,341)	(3,710,307)	(334,818)	(362,884)		
Noncurrent portion	**$14,735,057**	**$14,548,358**	**$4,826,399**	**$4,788,985**		

Investment Risk Factors

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

Credit Risk

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

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

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

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

SAIF deposits are invested by the state in their pooled investment program. SAIF deposits are unrated and represent general credits of the state of California. In the event the credit ratings for the state's general obligation bonds is lower than BBB-, all SAIF deposits are required to be returned to the University. The state's general obligation bonds are rated A- by Fitch, A-1 by Moody's and A- by S&P.

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

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

Fixed-income benchmarks for TRIP include the Barclays Capital Aggregate Credit Index, Barclays Capital Aggregate Securitized Index, the Merrill Lynch High-Yield Cash Pay Index and the Barclays Capital Aggregate Government Index. The TRIP fixed-income benchmark is comprised of 69.2 percent high grade corporate bonds, 7.7 percent mortgage/asset-backed securities and 15.4 percent below investment grade securities, all of which carry some degree of credit risk. The remaining 7.7 percent is government-issued bonds.

The fixed-income benchmarks for UCRS and GEP, Barclays Capital U.S. Aggregate Bond Index, is comprised of 25.9 percent high grade corporate bonds and 33.0 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 41.1 percent is government-issued bonds.

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

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

The credit risk profile for fixed- or variable-income securities at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Fixed- or variable-income securities:						
U.S. government guaranteed	$ 912,000	$ 1,679,401	$214,053	$226,022	$ 6,092,137	$6,357,554
Other U.S. dollar denominated:						
AAA	555,097	1,415,993	93,765	91,411	5,295,237	4,990,811
AA	2,314,961	1,041,691	19,725	25,033	493,306	205,378
A	3,462,215	2,979,781	63,417	44,964	912,975	995,155
BBB	2,347,054	1,772,536	21,142	15,363	1,257,821	1,116,362
BB	328,300	272,787	7,281	4,595	451,650	454,870
B	314,004	275,042	3,126	2,632	1,077,664	994,472
CC or below	61,496	59,730	11,728		220,007	332,921
A-1 / P-1/ F-1	847,992	2,517,437		21	22,801	906
Not rated	621	745	2,253		1,978	2,279
Foreign currency denominated:						
A	31,763				187,263	
BBB		15,611				88,462
B	1,795	2,449			11,896	15,505
Investment Derivatives:						
AAA	(6,458)					
AA	(572)					
A	(25,849)				1,718	
Commingled funds:						
U.S. bond funds: Not rated	51,586	81,410	295,978	318,165	892,330	477,456
Non-U.S. bond funds: Not rated	18,683		68,628	50,741	105,870	
Money market funds: Not rated	420,369	257,403	459,308	436,960	2,087,161	2,053,697
Mortgage loans: Not rated	562,539	705,548	267	422		
State of California deposit agreement:						
A-	1,000,000					
Insurance contracts: Not rated					514,147	630,091

Custodial Credit Risk

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

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

Concentration of Credit Risk

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

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

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

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

The University's SAIF deposit represents 4.9 percent of investments. Investments in issuers other than U.S. government guaranteed securities and SAIF that represent 5 percent or more of investments held at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011
Federal National Mortgage Association	$1,047,825		$3,177,880	

Interest Rate Risk

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

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

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

The effective durations for fixed- or variable-income securities at June 30, 2012 and 2011 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Fixed- or variable-income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	1.3	1.1	2.6	3.1	1.7	1.6
U.S. Treasury strips	8.4	8.0			8.7	6.9
U.S. TIPS	4.0	4.5			4.7	4.5
U.S. government-backed securities			3.4	3.7	5.2	5.5
U.S. government-backed–asset-backed securities			22.6	2.3		
Other U.S. dollar denominated:						
Corporate bonds	3.6	3.4	3.6	3.6	5.8	5.4
Commercial paper	0.1	0.1				
U.S. agencies	2.0	2.1	3.8	3.0	2.6	2.6
U.S. agencies–asset-backed securities	4.0	4.5	1.5	1.7	3.8	4.4
Corporate–asset-backed securities	4.6	4.5	0.6	0.2	3.7	3.5
Supranational / foreign	4.4	4.6	1.5	4.2	6.4	6.3
Other	14.4	0.3	4.3	5.2	14.5	13.0
Foreign currency denominated:						
Corporate	2.1	2.1			2.1	4.1
Commingled funds:						
U.S. bond funds	5.0	5.0	4.9	4.5	5.2	5.2
Non-U.S. bond funds			5.0	5.8		
Money market funds	0.0	0.0	1.8	1.4	1.5	1.5
Investment derivatives	2.7					
State of California deposit agreement	0.3					
Insurance contracts					0.0	0.0

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

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

At June 30, 2012 and 2011, the fair values of such investments are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Mortgage-backed securities	$ 287,416	$ 203,249	$ 71,999	$ 63,422	$2,521,787	$1,828,295
Collateralized mortgage obligations	31,300	15,133	15,013	2,833	375,655	112,077
Other asset-backed securities		16,369	16,043	6,510	47,940	295,185
Structured notes	219				1,622	
Variable-rate securities	124,876	140,479			124,660	523,426
Callable bonds	1,461,061	1,150,143	793	458	2,802,075	1,850,704
Convertible bonds	663	1,198			4,439	7,184
Total	**$1,905,535**	**$1,526,571**	**$103,848**	**$ 73,223**	**$5,878,178**	**$4,616,871**

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

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

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

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

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

At June 30, 2012 and 2011, the effective durations for these securities are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Mortgage-backed securities	4.2	4.9	1.4	1.6	4.0	5.0
Collateralized mortgage obligations	2.4	3.8	0.5	2.8	2.3	3.1
Other asset-backed securities		0.5	1.2	0.2	1.0	1.0
Structured notes	1.0				1.0	
Variable-rate securities	3.2	3.5			5.5	4.7
Callable bonds	2.9	3.3	2.3	4.2	3.1	3.5
Convertible bonds	3.8	9.1			3.7	9.0

Foreign Currency Risk

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

At June 30, 2012 and 2011, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Equity securities:						
Euro	$ 381,317	$ 462,714	$ 369	$ 13,513	$ 1,977,615	$ 2,741,927
British Pound	317,006	295,343	2,879	14,644	1,643,976	1,752,873
Japanese Yen	305,130	291,471	130	10,036	1,583,116	1,729,404
Canadian Dollar	147,304	142,184	781	1,721	764,893	869,330
Swiss Franc	119,003	121,599	2,862	9,344	617,370	720,923
Australian Dollar	117,138	115,927	109	3,679	608,258	696,350
Hong Kong Dollar	48,875	45,873		8,066	253,353	266,497
Swedish Krona	40,787	45,286		1,307	211,190	269,294
Singapore Dollar	28,469	26,139		478	147,852	153,473
Danish Krone	16,895	14,834		801	87,620	88,369
Norwegian Krone	16,322	13,788		1,251	84,382	81,401
Other	27,764	23,184	561	1,303	143,475	127,750
Subtotal	**1,566,010**	**1,598,342**	**7,691**	**66,143**	**8,123,100**	**9,497,591**
Fixed-income securities:						
Brazilian Real	4,027	2,855			23,740	16,176
Mexican Peso	4,378	2,256			25,814	12,786
Malaysian Ringgit	3,835	2,207			22,611	12,509
Euro	1,695	2,177			11,174	13,781
South African Rand	4,038	2,153			23,804	12,200
Indonesian Rupiah	2,528	2,023			14,903	11,465
Polish Zloty	3,573	1,515			21,064	8,584
Turkish Lira	3,752	1,191			22,121	6,748
New Russian Ruble	2,152				12,690	
Other	3,580	1,683			21,238	9,718
Subtotal	**33,558**	**18,060**			**199,159**	**103,967**
Commingled funds (various currency denominations):						
Balanced funds			154,561	205,850		
Non-U.S. equity funds	498,040	489,792	563,585	550,193	3,491,197	2,923,089
U.S. bond funds			13,751	4,691		
Non-U.S. bond funds	18,683		49,817	36,509	105,870	
Real estate investment trusts			9,890	12,840		
Absolute Return funds			11,275	26,400		
Subtotal	**516,723**	**489,792**	**802,879**	**836,483**	**3,597,067**	**2,923,089**
Investment derivatives:						
Swedish Krona	(269)	(514)			1,182	(1,337)
Australian Dollar	(1,502)	(892)			(1,016)	(592)
Canadian Dollar	(644)	(778)			37	76
British Pound	(733)	(320)			1,080	482
Euro	(1,937)	(2,919)			3,183	980
Other	(627)	558			632	760
Subtotal	**(5,712)**	**(4,865)**			**5,098**	**369**
Private equity:						
Euro	13,832	5,195	6,839	179	76,190	61,508
Other	2,237	451	7,547		11,786	9,984
Real estate:						
Hong Kong Dollar	1,575	4,399			7,353	30,438
Australian Dollar	1,141	3,345			5,324	23,143
Japanese Yen	1,106	2,820			5,163	19,511
Euro	883	2,571			4,120	17,789
British Pound	717	1,799			3,346	12,445
Singapore Dollar	827	1,702			3,859	11,775
Other	1,619	2,599			7,554	17,985
Subtotal	**23,937**	**24,881**	**14,386**	**179**	**124,695**	**204,578**
Total exposure to foreign currency risk	**$2,134,516**	**$ 2,126,210**	**$824,956**	**$ 902,805**	**$12,049,119**	**$12,729,594**

Liquidity Risks

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

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

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

The University's portfolio includes the following investments subject to liquidity risk as of June 30, 2012 and 2011:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Absolute return funds	$1,701,748	$ 1,631,766	$ 838,215	$ 866,167	$3,013,658	$ 2,836,255
Private equity funds	654,164	531,949	459,421	410,307	3,582,591	3,085,296
Real estate funds	466,055	398,128	133,979	118,923	2,260,458	1,986,507
Real assets funds	116,732	73,677			532,659	327,721
Corporate–asset-backed securities		26,731	31,299	6,510		273,010
State of California deposit agreement	1,000,000					
Total	**$3,938,699**	**$2,662,251**	**$1,462,914**	**$1,401,907**	**$9,389,366**	**$ 8,508,789**

The University's Investment Pools

The composition of the University's investments at June 30, 2012, by investment pool, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$ 608,758	$ 905,192	$ 74,637	$ 1,588,587
Foreign		665,612	877,690	22,708	1,566,010
Fixed- or variable-income securities:					
U.S. government guaranteed	$ 524,615	143,456	237,116	6,813	912,000
Other U.S. dollar denominated	6,985,203	2,580,707	641,010	24,820	10,231,740
Foreign currency denominated			33,558		33,558
Commingled funds	12,195	338,588	2,657,237	68,995	3,077,015
Investment derivatives		(4,659)	11,502	(33,127)	(26,284)
State of California deposit agreement	500,000			500,000	1,000,000
Private equity			631,255	22,909	654,164
Mortgage loans	562,539				562,539
Real assets			116,732		116,732
Real estate			443,726	22,329	466,055
Externally held irrevocable trusts				123,830	123,830
Other investments				13,180	13,180
Subtotal	**8,584,552**	**4,332,462**	**6,555,018**	**847,094**	**20,319,126**
Campus foundations' investments with the University	(465,470)		(470,033)	(124,415)	(1,059,918)
UCRS investment in STIP	(966,810)				(966,810)
Total investments	**$7,152,272**	**$4,332,462**	**$6,084,985**	**$722,679**	**$18,292,398**

The total investment return based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2012 was 6.7 percent for TRIP, negative 0.7 percent for GEP and 0.8 percent for UCRS. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same period, was 2.4 percent. Other investments consist of numerous, small portfolios of investments, or individual securities, each with its individual rate of return.

Related Party Relationships with the University

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

The campus foundations may purchase or redeem shares in GEP or other investment pools at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to the campus foundations based upon the number of shares held.

UCRS

UCRS had $966.8 million and $716.0 million invested in STIP at June 30, 2012 and 2011, respectively. These investments are excluded from the University's statement of net position and are included in UCRS' statement of plans' fiduciary net position. They are categorized as commingled money market funds in the composition of investments for UCRS. STIP investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, UCRS totaling $21.3 million and $13.1 million for the years ended June 30, 2012 and 2011, respectively.

Campus Foundations

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

The fair value of the campus foundations' cash and cash equivalents and investments that are invested with the University, by investment pool at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	2012	2011
STIP	$ 465,470	$ 407,273
GEP	470,033	476,481
Other investment pools	124,415	180,654
Campus foundations' investments with the University	**1,059,918**	**1,064,408**
Classified as cash and cash equivalents by campus foundations	(31,857)	(25,927)
Classified as investments by campus foundations	**$1,028,061**	**$1,038,481**

Endowment investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, the campus foundations totaling $19.4 million and $20.7 million for the years ended June 30, 2012 and 2011, respectively.

Agency Relationships with the University

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

The fair value of these investments in each investment pool and the related liability associated with these organizations that are included in the University's statement of net position at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012	2011
Short-term investments:		
STIP	$ 86,088	$ 78,399
GEP	161,616	164,149
Other investment pools	15,280	15,889
Total agency assets	**$262,984**	**$258,437**
Funds held for others	**$262,984**	**$258,437**

The composition of the net position at June 30, 2012 and 2011 for STIP and GEP is as follows:

(in thousands of dollars)

	STIP		GEP	
	2012	2011	2012	2011
Investments	$ 8,584,552	$ 9,517,840	$6,555,018	$ 6,718,777
Investment of cash collateral	316,259	981,044	546,983	613,618
Securities lending collateral	(316,143)	(981,039)	(546,782)	(613,615)
Other assets (liabilities), net	1,209,493	1,155,441	(154,955)	(71,655)
Net position	**$9,794,161**	**$10,673,286**	**$6,400,264**	**$6,647,125**

The changes in net position for STIP and GEP for the years ending June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	STIP		GEP	
	2012	2011	2012	2011
Net position, beginning of year	$10,673,286	$ 9,143,437	$6,647,125	$ 5,611,455
Investment income	239,260	231,349	106,019	112,136
Net appreciation (depreciation) in fair value of investments	(19,574)	(43,594)	(143,769)	1,041,536
Transfer to TRIP	(1,158,000)	(1,154,383)		
Participant contributions (withdrawals), net	59,189	2,496,477	(209,111)	(118,002)
Net position, end of year	**$ 9,794,161**	**$ 10,673,286**	**$6,400,264**	**$ 6,647,125**

3. SECURITIES LENDING

The University and UCRS jointly participate in a securities lending program as a means to augment income. The Campus foundations' cash and cash equivalents and investments that are invested with the University and managed by the Chief Investment Officer are included in the University's investment pools that participate in the securities lending program. The campus foundations' allocated share of the program's cash collateral received, investment of cash collateral and collateral held for securities lending is determined based upon their equity in the investment pools. The Board of Trustees for each campus foundation may also authorize participation in a direct securities lending program.

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

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

Cash collateral received from the borrower is invested by lending agents, as agents for the University, in investment pools in the name of the University, with guidelines approved by the University. These investments are shown as investment of cash collateral in the statement of net position. At June 30, 2012 and 2011, the securities in these pools had a weighted average maturity of 26 and 17 days, respectively. The University records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net position. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2012, the University had insignificant exposure to borrowers because the amounts the University owed the borrowers were substantially the same as the amounts the borrowers owed the University. The University is indemnified by its lending agents against any losses incurred as a result of borrower default.

The composition of the securities lending programs at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$ 505,311	$ 371,742	$ 2,873	$ 13,599	$3,201,270	$ 2,152,833
Foreign	114,280	136,197		8,425	589,520	810,944
Fixed-income securities:						
U.S. government guaranteed	112,855	733,304			2,494,838	3,208,305
Other U.S. dollar denominated	936,288	860,907			1,167,566	1,397,135
Campus foundations' share	(62,178)	(102,429)	62,178	102,429		
Lent for cash collateral	**1,606,556**	**1,999,721**	**65,051**	**124,453**	**7,453,194**	**7,569,217**
For securities collateral:						
Equity securities:						
Domestic	33,462	25,911			238,015	189,301
Foreign	242,726	246,011			1,256,606	1,448,031
Fixed-income securities:						
U.S. government guaranteed	5,392	750,211			948,138	1,982,260
Other U.S. dollar denominated	4,570	207,065			3,092	952,308
Foreign currency denominated		3,485				3,434
Lent for securities collateral	**286,150**	**1,232,683**			**2,445,851**	**4,575,334**
Total securities lent	**$1,892,706**	**$3,232,404**	**$65,051**	**$124,453**	**$9,899,045**	**$12,144,551**
COLLATERAL RECEIVED						
Cash	$1,692,732	$ 2,145,682	$ 2,945	$ 22,803	$ 7,542,665	$ 7,729,038
Campus foundations' share	(62,178)	(102,429)	62,178	102,429		
Total cash collateral received	**1,630,554**	**2,043,253**	**65,123**	**125,232**	**7,542,665**	**7,729,038**
Securities	310,269	1,279,314			2,652,016	4,748,412
Total collateral received	**$1,940,823**	**$3,322,567**	**$65,123**	**$125,232**	**$10,194,681**	**$12,477,450**
INVESTMENT OF CASH COLLATERAL						
Fixed-income securities:						
Other U.S. dollar denominated:						
Corporate bonds	$ 120,005	$ 194,601			$ 534,734	$ 700,977
Commercial paper	18,116	76,052			80,722	273,948
U.S. agencies		108,655				391,391
Repurchase agreements	889,171	1,151,179	$ 2,945	$ 22,803	3,962,069	4,146,701
Corporate asset-backed securities	282,589	124,761			1,259,192	449,407
Certificates of deposit/time deposits	296,053	192,111			1,319,184	692,009
Supranational/foreign	108,411	297,876			483,070	1,072,992
Other assets (liabilities), net*	(20,991)	457			(93,533)	1,648
Campus foundations' share	(62,178)	(102,429)	62,178	102,429		
Investment of cash collateral	**1,631,176**	**2,043,263**	**65,123**	**125,232**	**$7,545,438**	**$ 7,729,073**
Less: Current portion	(1,388,262)	(1,603,647)	(55,863)	(103,194)		
Noncurrent portion	**$ 242,914**	**$ 439,616**	**$ 9,260**	**$ 22,038**		

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

The University earns interest and dividends on the collateral held during the loan period, as well as a fee from the brokerage firm, and is obligated to pay a fee and rebate to the borrower. The University receives the net investment income. The securities lending income and fees and rebates for the years ended June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Securities lending income	$12,768	$17,537	$881	$1,051	$64,352	$ 72,042
Securities lending fees and rebates	(2,400)	(5,542)	(200)	(328)	(12,093)	(22,770)
Securities lending investment income, net	**$10,368**	**$11,995**	**$681**	**$ 723**	**$52,259**	**$ 49,272**

Investment Risk Factors

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

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

Credit Risk

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

The credit risk profile for fixed- or variable-income securities associated with the investment of cash collateral at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Fixed- or variable-income securities:						
Other U.S. dollar denominated:						
AAA	$ 271,846	$ 285,604			$1,211,320	$1,028,784
AA+	79,090	21,820			352,419	78,600
AA		294,676				1,061,461
AA-	135,902	97,738			605,565	352,064
A+	40,915	26,056			182,315	93,858
A-1 / P-1 / F-1	1,186,592	1,419,341			5,287,352	5,112,658
Not rated			$ 2,945	$ 22,803		
Other assets (liabilities), net* : Not rated	(20,991)	457			(93,533)	1,648
Campus foundations' share	(62,178)	(102,429)	62,178	102,429		

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Investments in issuers other than U.S. government guaranteed securities that represent 5 percent or more of the total investment of cash collateral held by individual foundations at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2012	2011
HSBC	$700	$5,416
Merrill D (Agency MBS)	700	
Citibank	699	5,416
Mizuho D (Agency MBS)	699	
UBS D (Agency MBS)	147	
JP Morgan Chase		5,416
Royal Bank of Canada		5,416
Deutsche Bank Securities		1,140

Interest Rate Risk

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

The weighted average maturity expressed in days for fixed- or variable-income securities associated with the investment of cash collateral at June 30, 2012 and 2011 is as follows:

(in days)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Fixed- or variable-income securities:						
Other U.S. dollar denominated:						
Corporate bonds	48	23			48	23
Commercial paper	28	31			28	31
Repurchase agreements	14	8	3	1	14	8
U.S. agencies		15				15
Corporate asset-backed securities	23	15			23	15
Certificates of deposit/time deposits	45	26			45	26
Supranational/foreign	53	38			53	38
Commingled funds:						
Money market funds		1				1

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

At June 30, 2012 and 2011, the fair value of investments that are considered to be highly sensitive to changes in interest rates is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2012	2011	2012	2011	2012	2011
Other asset-backed securities	$282,589	$124,761			$1,259,192	$ 449,407
Variable-rate investments	120,006	492,477			534,734	1,773,969
Campus foundations' share	(28,998)	(39,141)	$28,998	$39,141		
Total	**$373,597**	**$578,097**	**$28,998**	**$39,141**	**$1,793,926**	**$2,223,376**

At June 30, 2012 and 2011, the weighted average maturity expressed in days for asset-backed securities was 17 days and 15 days, respectively, and for variable-rate investments was 48 days and 32 days, respectively.

Foreign Currency Risk

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

4. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

As a means to lower the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain of its variable-rate Medical Center Pooled Revenue Bonds. The University has determined that certain of its interest rate swaps are derivative instruments that meet the criteria for an effective hedge. Certain of the interest rate swaps are considered hybrid instruments since, at the time of execution, the fixed rate on each of the swaps was off-market and the University received an up-front payment. As such, these swaps are comprised of a derivative instrument, an at-the-market swap that is an effective hedge, and a companion instrument, a borrowing represented by the up-front payment. The unamortized amount of the borrowing under the companion instrument was $29.6 million and $30.1 million at June 30, 2012 and 2011, respectively. In August 2011, the University retired $25.8 million of variable-rate Medical Center Pooled Revenue Bonds and discontinued hedge accounting for the related interest rate swaps which are classified for fiscal year ended June 30, 2012 as investment derivatives. The University discontinued hedge accounting on an interest rate swap with a notional value of 50.0 million. The University recognized $26.1 million on the statement of revenues, expenses and changes in net position as a decrease upon hedge termination.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012 and 2011, categorized by type, and the changes in fair value of such derivatives for the years then ended are as follows:

University of California

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2012	2011	CLASSIFICATION	2012	2011	CLASSIFICATION	2012	2011
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	371,221	238,874	Investments	$ 9,524	$ 1,725	Net appreciation (depreciation)	$12,294	$45,109
Short positions	(2,578)		Investments	(62)		Net appreciation (depreciation)	(60)	(303)
Foreign equity futures:								
Long positions	43,766	33,368	Investments	877	397	Net appreciation (depreciation)	11,639	3,267
Short positions	(6,252)	(9,524)	Investments	(57)	(130)	Net appreciation (depreciation)	729	(883)
Futures contracts, net				**10,282**	**1,992**		**24,602**	**47,190**
Foreign currency exchange contracts, net:								
Long positions	24,541	37,705	Investments	270	(127)	Net appreciation (depreciation)	16,054	40,678
Short positions	(674,570)	(486,844)	Investments	(6,978)	(5,005)	Net appreciation (depreciation)	9,779	(78,301)
Futures currency exchange contracts, net				**(6,708)**	**(5,132)**		**25,833**	**(37,623)**
Swaps:								
Fixed interest rate swaps	1,050,000		Investments	(32,879)		Net appreciation (depreciation)	(32,803)	
Total return swaps equity	7		Investments	(19)		Net appreciation (depreciation)	32	
Swaps, net				**(32,898)**			**(32,771)**	
Stock rights/warrants	458		Investments	2,746	1,400	Net appreciation (depreciation)	(969)	498
Options/swaptions	34,778		Investments	294		Net appreciation (depreciation)	(2)	
Total investment derivatives				**$(26,284)**	**$ (1,740)**		**$16,693**	**$10,065**
CASH FLOW HEDGES								
Interest rate swaps:								
Pay fixed, receive variable	207,890	260,690	Other assets (liabilities)	$(69,495)	$(47,092)	Deferred (inflows) outflows	$(22,404)	$16,990

University of California Campus Foundations

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2012	2011	CLASSIFICATION	2012	2011	CLASSIFICATION	2012	2011
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic commodity futures:								
Long positions	9,208	20,095	Investments	$396	$ (946)	Net appreciation (depreciation)	$(2,991)	$2,150
Short positions	(3,372)	(1,856)	Investments	(118)	(135)	Net appreciation (depreciation)	142	(135)
Futures contracts, net				**$278**	**$(1,081)**		**$(2,849)**	**$2,015**

University of California Retirement System

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2012	2011	CLASSIFICATION	2012	2011	CLASSIFICATION	2012	2011
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	1,070,259	1,049,748	Investments	$27,258	$ 8,947	Net appreciation (depreciation)	$35,284	$169,147
Short positions	(17,452)		Investments	(422)		Net appreciation (depreciation)	(430)	(2,586)
Foreign equity futures:								
Long positions	255,703	226,551	Investments	5,352	2,764	Net appreciation (depreciation)	29,307	23,806
Short positions	(44,444)	(75,766)	Investments	(436)	(1,033)	Net appreciation (depreciation)	6,429	(7,043)
Futures contracts, net				**31,752**	**10,678**		**70,590**	**183,324**
Foreign currency exchange contracts, net:								
Long positions	169,471	194,006	Investments	2,098	(939)	Net appreciation (depreciation)	(26,176)	34,949
Short positions	(189,242)	(226,053)	Investments	(2,886)	(437)	Net appreciation (depreciation)	21,636	(35,399)
Foreign currency exchange contracts, net				**(788)**	**(1,376)**		**(4,540)**	**(450)**
Swaps:								
Fixed interest rate swaps			Investments	1,718		Net appreciation (depreciation)	2,182	
Total return swaps equity	40		Investments	(109)		Net appreciation (depreciation)	182	
Swaps, net				**1,609**			**2,364**	
Stock rights/warrants	2,289		Investments	12,679	6,359	Net appreciation (depreciation)	(4,222)	2,218
Options/swaptions	211,740		Investments	1,786			(13)	
Total investment derivatives				**$47,038**	**$15,661**		**$64,179**	**$185,092**

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, 2012 and 2011, along with the credit rating of the associated counterparty, are as follows:

(in thousands of dollars)

TYPE	OBJECTIVE	NOTIONAL AMOUNT 2012	NOTIONAL AMOUNT 2011	EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	TERMS	COUNTERPARTY CREDIT RATING	FAIR VALUE 2012	FAIR VALUE 2011
UNIVERSITY OF CALIFORNIA										
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	83,115	85,915	2007	2032	None	Pay fixed 3.5897%; receive 58% of 1-Month LIBOR* plus 0.48%	A2/A	$ (16,743)	$ (9,133)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	124,775	174,775	2008	2030 through 2043	None	Pay fixed 4.6359%; receive 67% of 3-Month LIBOR* plus 0.69%**	A2/A+	(52,752)	(37,959)
									$(69,495)	**$(47,092)**

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

Hedging Derivative Financial Instrument Risk Factors

Credit Risk

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

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

There are no collateral requirements related to the interest rate swap with the $83.1 million notional amount. Depending on the fair value related to the swap with the $124.8 million notional amount, the University may be entitled to receive collateral from the counterparty to the extent the positive fair value exceeds $35.0 million, or be obligated to provide collateral to the counterparty if the negative fair value of the swap exceeds $75.0 million or the cash and investments held by the medical centers fall below $250.0 million. As of June 30, 2012, collateral of $7.2 million was required. No collateral was required as of June 30, 2011.

Interest Rate Risk

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

Basis Risk

There is a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds. This exposes the University to basis risk whenever the interest rates on the bonds are reset. The interest rate on the bonds is a tax-exempt interest rate, while the basis of the variable receipt on the interest rate swaps is taxable. Tax-exempt interest rates can change without a corresponding change in the LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market. However, there is no basis or tax risk related to the swap with the $124.8 million notional amount since the variable-rate the University pays to the bond holders matches the variable-rate payments received from the swap counterparty and the interest rates are reset at the same intervals.

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of non-performance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. In addition, depending on the agreement, certain interest rate swaps may be terminated if the swap counterparty's credit quality rating, as issued by Moody's or Standard & Poor's, falls below certain thresholds. For the interest rate swap with the $83.1 million notional amount, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swap with the $124.8 million notional amount, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa1/BBB, or the interest rate swap counterparty's rating falls below Baa1/BBB+. At termination, the University may also owe a termination payment if there is a realized loss based on the fair value of the interest rate swap.

5. INVESTMENTS HELD BY TRUSTEES

The University has entered into agreements with trustees to maintain trusts for the University's self-insurance programs, long-term debt requirements, capital projects and certain other requirements. In addition, the state of California retains on deposit certain proceeds from the sale of lease-revenue bonds to be used for capital projects. The combined fair value of all of the investments and deposits held by trustees was $1.6 billion and $1.0 billion at June 30, 2012 and 2011, respectively.

Self-Insurance Programs

Investments held by trustees for self-insurance programs include separate trusts for the workers' compensation and professional medical and hospital liability programs. Securities are held by the trustees in the name of the University. The trust agreements permit the trustees to invest in U.S. and state government or agency obligations, corporate debt securities, commercial paper or certificates of deposit.

The composition of cash and investments and the effective durations associated with fixed-income securities for self-insurance programs at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	INVESTMENTS AT FAIR VALUE		EFFECTIVE DURATION	
	2012	2011	2012	2011
Cash	$ (6,135)	$ (844)		
Commingled funds:				
U.S. bond funds	575,782	514,561		0.0
Money market funds	39,811	61,850		
U.S. equity funds	104,870	97,426		
Total	**$714,328**	**$ 672,993**		

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

Long-Term Debt

Investments held by trustees for future payment of principal and interest in accordance with various indenture and other long-term debt requirements totaled $325.6 million and $57.4 million at June 30, 2012 and 2011, respectively.

The state financing appropriations to the University are deposited in commingled U.S. bond funds managed by the state of California Treasurer's Office, as trustee, and used to satisfy the annual lease requirements under lease-purchase agreements with the state of California. The fair value of these deposits was $52.9 million and $52.5 million at June 30, 2012 and 2011, respectively.

In addition, other securities held by trustees are held in the name of the University. These trust agreements permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements. The fair value of these investments was $272.7 million and $4.9 million at June 30, 2012 and 2011, respectively.

Capital Projects

Investments held by trustees to be used for capital projects totaled $539.9 million and $283.8 million at June 30, 2012 and 2011, respectively.

Proceeds from the sale of the state of California's lease revenue bonds to be used for financing certain University capital projects are deposited in a commingled U.S. bond fund managed by the state of California Treasurer's Office, as trustee, and distributed to the University as the projects are constructed. The fair value of these deposits was $486.1 million and $236.5 million at June 30, 2012 and 2011, respectively.

In addition, proceeds from the sale of bonds and certain University funds are held by trustees to be used for financing other capital projects. The fair value of these investments was $53.8 million and $47.3 million at June 30, 2012 and 2011, respectively. Substantially all of these investments are of a highly liquid, short-term nature.

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

6. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for doubtful accounts at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA					UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
	STATE AND FEDERAL GOVERNMENT	MEDICAL CENTERS	INVESTMENT INCOME	OTHER	TOTAL	
At June 30, 2012						
Accounts receivable	$577,037	$1,564,165	$97,852	$1,508,890	$3,747,944	$23,062
Allowance for doubtful accounts	(3,240)	(266,352)		(61,972)	(331,564)	
Accounts receivable, net	**$573,797**	**$1,297,813**	**$97,852**	**$1,446,918**	**$3,416,380**	**$23,062**
At June 30, 2011						
Accounts receivable	$ 576,100	$ 1,431,697	$ 97,042	$ 1,210,919	$ 3,315,758	$ 20,273
Allowance for doubtful accounts	(2,265)	(280,811)		(43,093)	(326,169)	
Accounts receivable, net	**$ 573,835**	**$1,150,886**	**$97,042**	**$1,167,826**	**$2,989,589**	**$20,273**

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

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

The expense for doubtful accounts have either increased or (decreased) the following revenues for the years ended June 30, 2012 and 2011:

(in thousands of dollars)

	2012	2011
Student tuition and fees	$ (3,558)	$ (1,112)
Grants and contracts:		
Federal	(1,221)	(834)
State	69	611
Private	(1,650)	338
Local	80	(309)
Medical centers	(303,792)	(266,413)
Educational activities	(10,459)	(9,650)
Auxiliary enterprises	(982)	(735)
Other operating revenues	(1,465)	(1,027)
Expense for doubtful accounts	**$(322,978)**	**$(279,131)**

Retirement System Contribution

The state of California agreed to make contributions related to certain prior years to the University for UCRP in annual installments over 30 years. During the years ended June 30, 2012 and 2011, under the terms of these agreements, the state of California contributed $11.3 million, respectively, including interest at rates ranging from 8.0 percent to 8.5 percent. At June 30, 2012 and 2011, the remaining amounts owed to UCRP by the state were $36.6 million and $43.8 million, respectively. These amounts are recorded in the University's statement of net position as a receivable from the state of California and as a liability owed to UCRP.

7. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2012 and 2011 is summarized as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2012	2011	2012	2011
Total pledges receivable outstanding	$128,127	$139,618	$ 861,253	$ 777,172
Less: Unamortized discount to present value	(4,823)	(6,072)	(141,437)	(133,873)
Allowance for uncollectible pledges	(14,494)	(11,074)	(78,682)	(89,399)
Total pledges receivable, net	**108,810**	**122,472**	**641,134**	**553,900**
Less: Current portion of pledges receivable	(48,829)	(54,101)	(141,644)	(133,562)
Noncurrent portion of pledges receivable	**$ 59,981**	**$ 68,371**	**$499,490**	**$420,338**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2012 and thereafter are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS
Year Ending June 30		
2013	$ 60,928	$176,272
2014	30,978	88,311
2015	17,379	115,555
2016	8,017	54,493
2017	4,850	36,336
2018-2021	2,771	213,000
Beyond 2021	3,204	177,286
Total payments on pledges receivable	**$128,127**	**$861,253**

Adjustments to the allowance for uncollectible pledges for the University have decreased the following revenues for the years ended June 30, 2012 and 2011:

(in thousands of dollars)

	2012	2011
Private gifts	$ (545)	$ (821)
Capital gifts and grants	(3,275)	(1,186)

8. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2012 and 2011, along with the allowance for uncollectible amounts, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		
		NONCURRENT					
	CURRENT	NOTES	MORTGAGES	TOTAL	CURRENT	NONCURRENT	TOTAL
At June 30, 2012							
Notes and mortgages receivable	$40,222	$309,423	$25,043	$334,466	$10	$1,394	$1,404
Allowance for uncollectible amounts	(5,395)	(17,816)	(141)	(17,957)			
Notes and mortgages receivable, net	**$34,827**	**$291,607**	**$24,902**	**$316,509**	**$10**	**$1,394**	**$1,404**
At June 30, 2011							
Notes and mortgages receivable	$37,241	$304,601	$26,894	$331,495	$10	$978	$988
Allowance for uncollectible amounts	(4,882)	(15,799)	(142)	(15,941)			
Notes and mortgages receivable, net	**$32,359**	**$288,802**	**$26,752**	**$315,554**	**$10**	**$978**	**$988**

9. DOE NATIONAL LABORATORY CONTRACTS

Los Alamos National Security, LLC (LANS)

LANS operates and manages the DOE's LANL. LANS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50 percent membership interest in LANS, its equity in the current earnings or losses is subject to certain limitations and special allocations of both the fees and costs. As a result, the University's equity in the current earnings or losses may range from 17.0 to 50.0 percent. For the years ended June 30, 2012 and 2011, the University recorded $17.7 million and $17.1 million, respectively, as its equity in the current earnings of LANS and received $18.2 million and $21.1 million in cash distributions in 2012 and 2011, respectively.

Lawrence Livermore National Security, LLC (LLNS)

LLNS manages and operates the DOE's LLNL. LLNS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50 percent membership interest in LLNS, its equity in the current earnings or losses is 36.3 percent. For the years ended June 30, 2012 and 2011, the University recorded $14.7 million and $14.6 million, respectively, as its equity in the current earnings of LLNS and received $15.0 million and $14.2 million in cash distributions, respectively.

10. CAPITAL ASSETS

The University's capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	2010	ADDITIONS	DISPOSALS	2011	ADDITIONS	DISPOSALS	2012
ORIGINAL COST							
Land	$ 717,734	$ 25,435	$ (1,148)	$ 742,021	$ 38,100	$ (39)	$ 780,082
Infrastructure	517,025	38,663	(295)	555,393	20,411		575,804
Buildings and improvements	23,876,616	1,875,653	(48,846)	25,703,423	2,273,723	(41,271)	27,935,875
Equipment, software and intangibles	5,134,545	554,103	(246,247)	5,442,401	729,593	(274,061)	5,897,933
Libraries and collections	3,442,154	120,905	(12,370)	3,550,689	121,103	(59,344)	3,612,448
Special collections	319,337	12,061	(4,890)	326,508	19,137	(1,194)	344,451
Construction in progress	2,843,556	98,086		2,941,642	(155,807)		2,785,835
Capital assets, at original cost	**$36,850,967**	**$2,724,906**	**$(313,796)**	**$39,262,077**	**$3,046,260**	**$(375,909)**	**$41,932,428**

	2010	DEPRECIATION AND AMORTIZATION	DISPOSALS	2011	DEPRECIATION AND AMORTIZATION	DISPOSALS	2012
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$ 227,724	$ 19,055	$ (115)	$ 246,664	$ 18,165		$ 264,829
Buildings and improvements	8,351,975	837,961	(26,773)	9,163,163	873,896	$ (15,818)	10,021,241
Equipment, software and intangibles	3,378,587	430,126	(206,315)	3,602,398	465,262	(226,623)	3,841,037
Libraries and collections	2,429,630	117,696	(7,751)	2,539,575	119,958	(37,930)	2,621,603
Accumulated depreciation and amortization	**$14,387,916**	**$1,404,838**	**$(240,954)**	**$15,551,800**	**$1,477,281**	**$(280,371)**	**$16,748,710**
Capital assets, net	**$22,463,051**			**$23,710,277**			**$25,183,718**

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

The University's self-insurance and other liabilities at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	2012		2011		2012		2011	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Self-insurance programs	$ 177,574	$421,602	$158,776	$430,300				
Obligations under life income agreements	898	$ 24,706	863	$ 26,856	$20,877	$146,175	$21,486	$147,332
Other liabilities:								
Compensated absences	425,007	258,300	433,465	$239,462				
UCRP*		27,934		36,161				
Accrued interest	100,518		82,327					
Fair value of interest rate swaps		69,495		47,092				
Other	359,701	155,617	312,260	131,391	5,717	18,658	1,176	17,246
Total	**$1,063,698**	**$511,346**	**$987,691**	**$454,106**	**$26,594**	**$ 18,658**	**$22,662**	**$ 17,246**

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

Self-Insurance Programs

Changes in self-insurance liabilities for the years ended June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE & STUDENT HEALTH CARE	GENERAL LIABILITY	TOTAL
Year Ended June 30, 2012					
Liabilities at June 30, 2011	$193,592	$301,759	$ 5,560	$88,165	$589,076
Claims incurred and changes in estimates	27,633	66,651	233,956	19,091	347,331
Claim payments	(42,936)	(69,217)	(204,640)	(20,438)	(337,231)
Liabilities at June 30, 2012	**$178,289**	**$299,193**	**$ 34,876**	**$86,818**	**$599,176**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	
Year Ended June 30, 2011					
Liabilities at June 30, 2010	$ 184,521	$308,833	$ 7,184	$85,417	$585,955
Claims incurred and changes in estimates	44,331	59,080	39,642	20,138	163,191
Claim payments	(35,260)	(66,154)	(41,266)	(17,390)	(160,070)
Liabilities at June 30, 2011	**$193,592**	**$301,759**	**$ 5,560**	**$88,165**	**$589,076**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	

Obligations Under Life Income Agreements

Changes in current and noncurrent obligations under life income agreements for the years ended June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	ANNUITIES	LIFE BENEFICIARIES	ANNUITIES	LIFE BENEFICIARIES
Year Ended June 30, 2012				
Balance at June 30, 2011	$12,137	$15,582	$50,424	$118,394
New obligations to beneficiaries and change in liability, net	1,745	(547)	12,538	6,093
Payments to beneficiaries	(1,933)	(1,380)	(7,117)	(13,280)
Obligations under life income agreements at June 30, 2012	**11,949**	**13,655**	**55,845**	**111,207**
Less: Current portion	(472)	(426)	(7,250)	(13,627)
Noncurrent portion at June 30, 2012	**$11,477**	**$13,229**	**$48,595**	**$ 97,580**
Year Ended June 30, 2011				
Balance at June 30, 2010	$ 11,518	$ 16,275	$56,061	$107,954
New obligations to beneficiaries and change in liability, net	2,347	805	2,058	22,527
Payments to beneficiaries	(1,728)	(1,498)	(7,695)	(12,087)
Obligations under life income agreements at June 30, 2011	**12,137**	**15,582**	**50,424**	**118,394**
Less: Current portion	(397)	(466)	(6,960)	(14,526)
Noncurrent portion at June 30, 2011	**$11,740**	**$15,116**	**$43,464**	**$103,868**

12. DEBT

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

The University's outstanding debt at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2012	2011
INTERIM FINANCING:					
Commercial paper		0.1 - 0.4%	2012	$ 1,322,810	$ 799,810
LONG-TERM FINANCING:					
University of California General Revenue Bonds	4.3%	0.3 - 7.5%	2013-2112	8,088,720	5,955,242
University of California Limited Project Revenue Bonds	5.2%	2.0 - 6.3%	2013-2050	1,810,360	1,832,070
University of California Multiple Purpose Projects Revenue Bonds					87,830
University of California Medical Center Pooled Revenue Bonds	5.6%	2.9 - 6.6%	2013-2049	2,205,315	2,264,185
University of California Medical Center Revenue Bonds	5.2%	4.0 - 5.5%	2013-2039	80,795	83,720
Adjusted by: Unamortized deferred financing costs				(120,411)	(119,675)
Unamortized bond premium				255,550	231,266
University of California revenue bonds	**4.7%**			**12,320,329**	**10,334,638**
Capital lease obligations		0.0 - 10.0%	2012-2042	2,666,503	2,443,256
Other University borrowings		Various	2012-2047	318,518	197,415
Blended component unit revenue bonds, net	5.7%	3.0 - 6.5%	2013-2049	706,787	602,602
Total outstanding debt				**17,334,947**	**14,377,721**
Less: Commercial paper				(1,322,810)	(799,810)
Current portion of outstanding debt				(923,635)	(529,038)
Noncurrent portion of outstanding debt				**$15,088,502**	**$13,048,873**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2012 and 2011 was $708.3 million and $636.4 million, respectively. Interest expense, net of investment income, totaling $76.7 million and $64.0 million was capitalized during the years ended June 30, 2012 and 2011, respectively. The remaining $631.6 million in 2012 and $572.4 million in 2011 is reported as interest expense in the statement of revenues, expenses and changes in net position.

Outstanding Debt Activity

The activity with respect to the University's current and noncurrent debt, including the revenue bonds associated with blended component units, for the years ended June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY REVENUE BONDS	CAPITAL LEASE OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL
Year Ended June 30, 2012					
Long-term debt and capital leases at June 30, 2011	$10,334,638	$2,443,256	$197,415	$602,602	$13,577,911
New obligations	2,459,715	427,432	205,005	109,735	3,201,887
Bond premium	47,604			995	48,599
Deferred financing costs	(13,451)				(13,451)
Refinancing or prepayment of outstanding debt	(254,040)	(9,715)	(13,138)		(276,893)
Scheduled principal payments	(243,530)	(194,470)	(70,764)	(6,454)	(515,218)
Amortization of bond premium	(23,322)			(354)	(23,676)
Amortization of deferred financing costs	12,715			263	12,978
Long-term debt and capital leases at June 30, 2012	**12,320,329**	**2,666,503**	**318,518**	**706,787**	**16,012,137**
Less: Current portion	(702,287)	(161,951)	(54,006)	(5,391)	(923,635)
Noncurrent portion at June 30, 2012	**$11,618,042**	**$2,504,552**	**$264,512**	**$701,396**	**$15,088,502**
Year Ended June 30, 2011					
Long-term debt and capital leases at June 30, 2010	$ 9,120,329	$2,558,305	$252,106	$604,190	$12,534,930
New obligations	1,835,571	39,723	31,714		1,907,008
Bond premium	44,808				44,808
Deferred financing costs	(31,342)				(31,342)
Refinancing or prepayment of outstanding debt	(412,875)				(412,875)
Scheduled principal payments	(213,635)	(154,772)	(86,405)	(1,360)	(456,172)
Amortization of bond premium	(19,541)			(491)	(20,032)
Amortization of deferred financing costs	11,323			263	11,586
Long-term debt and capital leases at June 30, 2011	**10,334,638**	**2,443,256**	**197,415**	**602,602**	**13,577,911**
Less: Current portion	(278,339)	(169,918)	(75,629)	(5,152)	(529,038)
Noncurrent portion at June 30, 2011	**$10,056,299**	**$2,273,338**	**$121,786**	**$597,450**	**$13,048,873**

Commercial Paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial Paper may be issued for interim/permanent financing for capital projects, interim financing of equipment, financing of working capital for the medical centers and other working capital needs, standby or interim financing for gift financed projects and working capital for the University.

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

Commercial paper outstanding, including interest rates, at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	2012		2011	
	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
Tax-exempt	0.1 - 0.2%	$ 235,300	0.1–0.3%	$ 246,300
Taxable	0.1 - 0.4%	1,087,510	0.1–0.4%	553,510
Total outstanding		**$1,322,810**		**$ 799,810**

University of California Revenue Bonds

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

General Revenue Bonds are collateralized solely by General Revenues as defined in the Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. General Revenues for the years ended June 30, 2012 and 2011 were $9.7 billion and $8.7 billion, respectively.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The Indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other financial covenants. Pledged revenues for the years ended June 30, 2012 and 2011 were $509.0 million and $477.0 million, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledge of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges and fees each year sufficient for the medical center gross revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. Gross revenues of the medical centers for the years ended June 30, 2012 and 2011 were $6.9 billion and $6.5 billion, respectively.

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

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

Medical Center gross revenues are not pledged for any purpose other than under the Indentures for the Medical Center Pooled Revenue Bonds, interest rate swap agreements and specific Medical Center Revenue Bonds. The pledge of medical center revenues under Medical Center Pooled Revenue Bonds is subordinate to the specific Medical Center Revenue Bonds. The pledge of medical center revenues for interest rate swap agreements may be at parity with or subordinate to specific Medical Center Revenue Bonds and Medical Center Pooled Revenue Bonds.

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

2012 Activity

In July 2011, General Revenue Bonds totaling $1.2 billion, including $550.0 million taxable fixed-rate notes, $500.0 million taxable floating-rate notes and $150.0 million taxable variable-rate demand bonds, were issued to finance pension contributions to UCRP, operating costs (on an interim basis) and issuance costs. The taxable fixed-rate notes have a stated interest rate of 0.5 percent for $263.5 million, maturing in 2012, and 0.9 percent for $286.5 million, maturing in 2013. The taxable floating-rate notes and taxable variable-rate demand bonds mature at various dates through 2041. The interest rates on the variable-rate demand bonds reset weekly, and, in the event of a failed remarketing, can be put back to The Regents for tender. In March and April 2012, the University amended the interest rate terms of the taxable floating-rate notes. The taxable floating-rate notes bear interest based on the one-month London Interbank Offer Rate (LIBOR) plus 0.54 percent.

In August 2011, General Revenue Bonds totaling $399.8 million, including $354.9 million tax-exempt bonds and $44.9 million taxable bonds, were issued to finance and refinance certain facilities and projects of the University. Proceeds, including a bond premium of $48.0 million, were used to pay for project construction and issuance costs and refund $150.7 million of outstanding General Revenue Bonds and $77.6 million of Multiple Purpose Project Revenue Bonds. The bonds mature at various dates through 2041. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The taxable bonds have a stated weighted average interest rate of 4.7 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In February 2012, General Revenue Bonds totaling $860.0 million were issued to finance or refinance capital projects of the University or for such other purposes as authorized by The Regents. The bonds have a stated interest rate of 4.9 percent, maturing in 2112.

Subsequent Event

In July 2012, Limited Project Revenue Bonds totaling $999.7 million, including $899.3 million in tax-exempt and $100.4 million in taxable bonds, were issued. Proceeds, including a bond premium of $152.8 million, were used to finance certain facilities and projects of the University and refund $853.9 million of outstanding Limited Project Revenue Bonds and outstanding General Revenue Bonds. The bonds mature at various dates through 2042. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The taxable bonds have a stated weighted average interest rate of 4.1 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

2011 Activity

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

In September 2010, Limited Project Revenue Bonds totaling $681.8 million, including $486.1 million of taxable "Build America Bonds" and $195.7 million of tax-exempt bonds, were issued to finance and re-finance certain facilities and projects of the University. Proceeds, including a bond premium of $22.9 million, were used to pay for project construction and issuance costs and repay interim financing incurred prior to the issuance of the bonds, including commercial paper of $18.2 million. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

The bonds mature at various dates through 2050. The taxable bonds have a stated weighted average interest rate of 6.0 percent and a net weighted average interest rate of 3.9 percent after the expected cash subsidy payment from the United States Treasury equal to 35.0 percent of the interest payable on the taxable bonds. The tax-exempt bonds have a stated weighted average interest rate of 4.5 percent.

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

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

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

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

Capital Leases

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

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

The University entered into lease-purchase agreements with the state totaling $337.2 million during the year ended June 30, 2012, to finance the construction of various University projects. No agreements were entered into for the year ended June 30, 2011.

The state of California financing appropriation to the University under the terms of the lease-purchase agreements, recorded as nonoperating revenue, for the years ended June 30, 2012 and 2011 was $200.1 million and $202.2 million, respectively. The scheduled principal and interest, including accrued interest, reported in the University's financial statements for the years ended June 30, 2012 and 2011 contain amounts related to these lease-purchase agreements with the state of California as follows:

(in thousands of dollars)

	2012	2011
Capital lease principal	$104,200	$ 98,890
Capital lease interest	118,191	111,436
Total	**$222,391**	**$ 210,326**

Associated with these lease-purchase agreements, in September 2012, the State Public Works Board (SPWB) of the State of California issued $91.7 million in Lease Revenue Refunding Bonds (The Regents of the University of California) 2012 Series F in order to refund and defease all of the outstanding SPWB of the State of California Lease Revenue Bonds (The Regents of the University of California) 2002 Series A bonds.

Capital leases entered into with other lessors, typically for equipment, totaled $90.2 million and $39.7 million for the years ended June 30, 2012 and 2011, respectively.

Other University Borrowings

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

The University may use uncollateralized bank lines of credit with commercial banks to supplement commercial paper and to provide interim financing for buildings and equipment. The University may also enter into revolving lines of credit for general corporate purposes. Line of credit commitments, with various expiration dates through January 28, 2014, totaled $319.7 million at June 30, 2012. Outstanding borrowings under these bank lines totaled $168.1 million and $55.7 million at June 30, 2012 and 2011, respectively.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was $29.6 million and $30.1 million at June 30, 2012 and 2011, respectively.

Blended Component Unit Revenue Bonds

Student Housing

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

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

In December 2011, the LLC, through its conduit issuer, issued Student Housing LLC Revenue Bonds totaling $94.5 million. Proceeds, including a bond premium of $1.2 million, were used to refinance the debt of a third party to purchase a student housing project and pay issuance costs. Further, the remaining proceeds, with $22.7 million in previously restricted bond funds, were used to refund $103.1 million of outstanding Student Housing LLC Revenue Bonds.

At June 30, 2012, the LLC, through its conduit issuer, has outstanding Student Housing LLC Revenue Bonds totaling $419.9 million. Proceeds, including a bond premium of $1.7 million, were used to finance the construction of student housing projects and related amenities and improvements. The bonds mature at various dates through 2040 and have a weighted average interest rate of 5.5 percent.

Research Facilities

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

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

The corporation, through a conduit issuer, has outstanding tax-exempt revenue bonds totaling $19.7 million and taxable revenue bonds totaling $188.0 million. Proceeds, including a bond premium of $1.8 million, are principally to finance the construction of the research building. The tax-exempt revenue bonds mature at various dates from 2021 through 2025 and have a weighted average interest rate of 5.0 percent. They generally have annual serial maturities, semi-annual interest payments and optional redemption provisions. The taxable bonds mature in 2049 and have an interest rate of 6.5 percent. The taxable bonds were issued as "Build America Bonds," under which the U.S. Treasury is expected to send the non-profit corporation 35.0 percent of the semi-annual interest cost on the taxable bonds, making the net interest rate 4.2 percent post-subsidy. The bonds have a term maturity with various certain annual sinking fund requirements, semi-annual interest payments and optional redemption provisions.

In addition, the University has entered into a ground lease with a legally separate, non-profit corporation (the Consortium). The Consortium entered into an agreement with a developer to develop and own a research laboratory facility designed to expand collaborative work in stem cell research and facilitate its translation into tools and techniques to diagnose and treat degenerative diseases and other ailments. The developer is responsible for designing and constructing the research laboratory facility. All costs associated with the ownership, operation and management of the laboratory research facility are the obligation of the Consortium. The University, along with the other collaborative research partners, will lease space in the building. Under GASB requirements, the financial position and operating results of this legally separate organization are incorporated into the University's financial reporting entity.

The Consortium, through its conduit issuer, has outstanding revenue bonds totaling $60.9 million. Proceeds, including a bond premium of $3.1 million, are available to finance the construction of the research laboratory facility. The bonds mature at various dates through 2040 and have a weighted average interest rate of 4.9 percent. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. Lease payments from the occupants of the building are pledged as collateral on the bonds. To the extent the lease payments are not sufficient to pay the debt service, the University is obligated to pay the shortfall.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for the University's fixed- and variable-rate debt and net receipts or payments on associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2012 and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the hedging derivative interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the hedging derivative interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net hedging derivative interest rate swap payments will vary.

(in thousands of dollars)

	COMMERCIAL PAPER	UNIVERSITY REVENUE BONDS	CAPITAL LEASES		OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
			STATE	OTHER					
Year Ending June 30									
2013	$1,323,483	$ 1,088,601	$ 237,606	$ 55,961	$ 56,557	$ 45,338	$ 2,807,546	$ 2,056,793	$ 750,753
2014		1,111,294	238,555	70,768	183,606	46,308	1,650,531	922,098	728,433
2015		813,863	237,634	23,117	25,155	47,219	1,146,988	440,509	706,479
2016		824,978	220,798	13,830	17,251	48,129	1,124,986	438,480	686,506
2017		799,777	220,756	8,207	10,701	62,758	1,102,199	435,820	666,379
2018-2022		3,933,522	1,064,559	20,777	9,451	248,207	5,276,516	2,255,582	3,020,934
2023-2027		3,697,739	802,879	23,210	4,965	259,043	4,787,836	2,348,043	2,439,793
2028-2032		3,306,168	638,936	28,239	5,243	257,282	4,235,868	2,404,683	1,831,185
2033-2037		2,889,968	133,984	34,357	5,262	253,857	3,317,428	2,090,809	1,226,619
2038-2042		2,468,759		38,711	4,679	150,548	2,662,697	1,951,450	711,247
2043-2047		993,275			2,204	69,308	1,064,787	632,439	432,348
2048-2112		3,963,241				26,022	3,989,263	1,224,553	2,764,710
Total future debt service	**1,323,483**	**25,891,185**	**3,795,707**	**317,177**	**325,074**	**1,514,019**	**33,166,645**	**$17,201,259**	**$15,965,386**
Less: Interest component of future payments	(673)	(13,705,995)	(1,337,897)	(103,907)	(6,556)	(810,358)	(15,965,386)		
Principal portion of future payments	**1,322,810**	**12,185,190**	**2,457,810**	**213,270**	**318,518**	**703,661**	**17,201,259**		
Adjusted by:									
Unamortized deferred financing costs		(120,411)				(4,576)	(124,987)		
Unamortized bond premium		255,550				7,702	263,252		
Present value of net minimum leases included in long-term debt				(4,577)			(4,577)		
Total debt	**$1,322,810**	**$12,320,329**	**$2,457,810**	**$208,693**	**$318,518**	**$ 706,787**	**$17,334,947**		

Long-term debt does not include $465.2 million and $754.2 million of defeased liabilities at June 30, 2012 and 2011, respectively. Investments that have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the University's statement of net position.

Medical Center Pooled Revenue bonds of $83.1 million are variable-rate demand notes which give the debt holders the ability to tender the bonds back to the University upon demand. The University has entered into a bank standby bond purchase agreement to provide funds for the purchase of the bonds that have been tendered and not remarketed. The standby bond purchase agreement is scheduled to terminate on January 28, 2014. The University is required to repurchase any bonds held by the bank on the termination date of the agreement. The University has classified $31.2 million and $32.2 million of these bonds as current liabilities as of June 30, 2012 and 2011, respectively.

General Revenue bonds of $150.0 million are variable-rate demand bonds which reset weekly, and, in the event of a failed remarketing, can be put back to the Regents for tender. The University has classified $150.0 million of these bonds, issued in July 2011, as current liabilities as of June 30, 2012.

As rates vary, variable-rate bond interest payments and net swap payments will vary. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2012, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

(in thousands of dollars)

	VARIABLE-RATE BONDS		INTEREST RATE SWAP, NET	TOTAL PAYMENTS
	PRINCIPAL	INTEREST		
Year Ending June 30				
2013	$ 2,895	$ 5,482	$ 7,004	$ 15,381
2014	3,000	5,448	6,915	15,363
2015	3,110	5,444	6,826	15,380
2016	3,230	5,460	6,734	15,424
2017	3,340	5,445	6,638	15,423
2018-2022	18,635	27,166	31,623	77,424
2023-2027	40,695	26,707	27,369	94,771
2028-2032	49,650	25,621	20,149	95,420
2033-2037	28,840	24,278	13,166	66,284
2038-2042	698,755	13,760	6,961	719,476
2043-2047	29,990	557	209	30,756
Total	**$882,140**	**$145,368**	**$133,594**	**$1,161,102**

13. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

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

Condensed financial information related to each plan in UCRS for the years ended June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN		UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM		UNIVERSITY OF CALIFORNIA PERS–VOLUNTARY EARLY RETIREMENT INCENTIVE PLAN		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
CONDENSED STATEMENT OF PLANS' FIDUCIARY NET POSITION								
Investments at fair value	$42,066,296	$ 42,273,447	$12,279,193	$ 11,875,709	$63,189	$68,862	$54,408,678	$54,218,018
Participants' interests in mutual funds			4,426,842	4,488,491			4,426,842	4,488,491
Investment of cash collateral	5,409,671	5,099,459	2,127,626	2,621,324	8,141	8,290	7,545,438	7,729,073
Other assets	1,125,409	482,147	438,858	165,060	1,141	205	1,565,408	647,412
Total assets	**48,601,376**	**47,855,053**	**19,272,519**	**19,150,584**	**72,471**	**77,357**	**67,946,366**	**67,082,994**
Collateral held for securities lending	5,407,683	5,099,436	2,126,843	2,621,312	8,138	8,290	7,542,664	7,729,038
Other liabilities	1,387,208	882,962	548,844	253,657	2,090	1,539	1,938,142	1,138,158
Total liabilities	**6,794,891**	**5,982,398**	**2,675,687**	**2,874,969**	**10,228**	**9,829**	**9,480,806**	**8,867,196**
Net position held in trust	**$41,806,485**	**$41,872,655**	**$16,596,832**	**$16,275,615**	**$62,243**	**$67,528**	**$58,465,560**	**$58,215,798**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION								
Contributions	$ 2,123,880	$ 1,821,182	$ 977,749	$ 872,710			$ 3,101,629	$ 2,693,892
Net (depreciation) appreciation in fair value of investments	(783,531)	6,687,112	(192,647)	1,843,033	$ (1,312)	$ 11,429	(977,490)	8,541,574
Investment and other income, net	899,392	942,615	391,056	376,332	1,403	1,585	1,291,851	1,320,532
Total additions	**2,239,741**	**9,450,909**	**1,176,158**	**3,092,075**	**91**	**13,014**	**3,415,990**	**12,555,998**
Benefit payment and participant withdrawals	2,273,073	2,121,620	846,375	860,562	5,369	4,903	3,124,817	2,987,085
Plan expense	32,838	31,088	8,566	8,429	7	7	41,411	39,524
Total deductions	**2,305,911**	**2,152,708**	**854,941**	**868,991**	**5,376**	**4,910**	**3,166,228**	**3,026,609**
Increase in net position held in trust	**(66,170)**	**7,298,201**	**321,217**	**2,223,084**	**(5,285)**	**8,104**	**249,762**	**9,529,389**
Net position held in trust								
Beginning of year	41,872,655	34,574,454	16,275,615	14,052,531	67,528	59,424	58,215,798	48,686,409
End of year	**$41,806,485**	**$41,872,655**	**$16,596,832**	**$16,275,615**	**$62,243**	**$67,528**	**$58,465,560**	**$58,215,798**

Additional information on the retirement plans can be obtained from the 2011-2012 annual report of the University of California Retirement System.

University of California Retirement Plan

The University of California Retirement Plan (UCRP) provides lifetime retirement income, disability protection, death benefits and pre-retirement survivor benefits to eligible employees of the University of California and its affiliates. Membership in the retirement plan is required for all employees appointed to work at least 50 percent time for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours of service within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of the pension benefit is determined by salary rate, age and years of service credit with certain cost-of-living adjustments. The maximum monthly benefit is 100 percent of the employee's highest average compensation over a consecutive 36-month period, subject to certain limits imposed under the Internal Revenue Code.

The University's membership in UCRP consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	43,729	12,567	56,296
Inactive members entitled to, but not yet receiving benefits	47,858	13,045	60,903
Active members:			
Vested	68,193	1,786	69,979
Nonvested	44,637	952	45,589
Total active members	**112,830**	**2,738**	**115,568**
Total membership	**204,417**	**28,350**	**232,767**

Contribution Policy

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

The total funding policy contribution rates as of July 1, 2011 are based on all of the Plan data, the actuarial assumptions and the Plan provisions adopted at the time of preparation of the actuarial valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions. Employee contributions by represented employees are subject to collective bargaining agreements. University and employee contributions were $1.9 billion and $272.4 million, respectively, during the year ended June 30, 2012. University and employee contributions were $1.7 billion and $143.3 million, respectively, during the year ended June 30, 2011.

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

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

UCRP Benefits and Obligation to UCRP

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

The University's annual UCRP benefit expense and related information for the years ended June 30, 2012 and 2011, segregated between the University and the DOE responsibility, is as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS		DOE NATIONAL LABORATORIES		UNIVERSITY OF CALIFORNIA	
	2012	2011	2012	2011	2012	2011
Actuarial valuation date	July 1, 2011	July 1, 2010	July 1, 2011	July 1, 2010	July 1, 2011	July 1, 2010
Annual required contribution	$1,904,435	$ 1,692,657	$ 157,587	$113,548	$2,062,022	$ 1,806,205
Interest on obligation to UCRP	138,046	120,105	(8,637)	482	129,409	120,587
Adjustment to annual required contribution	(157,478)	(131,624)	9,751	(544)	(147,727)	(132,168)
Annual UCRP cost	**1,885,003**	**1,681,138**	**158,701**	**113,486**	**2,043,704**	**1,794,624**
University contributions to UCRP	(1,523,187)	(1,441,927)	(326,641)	(235,074)	(1,849,828)	(1,677,001)
Increase (decrease) in obligation to UCRP	361,816	239,211	(167,940)	(121,588)	193,876	117,623
Obligation to UCRP						
Beginning of year	1,840,608	1,601,397	(115,164)	6,424	1,725,444	1,607,821
End of year	**$2,202,424**	**$1,840,608**	**$(283,104)**	**$(115,164)**	**$1,919,320**	**$1,725,444**
University contribution reimbursable from the DOE			**$ 326,640**	**$235,074**	**$326,640**	**$235,074**
DOE receivable for obligation to UCRP:						
Current			$ 306,723	$224,055	$ 306,723	$224,055
Total			**306,723**	**224,055**	**306,723**	**224,055**
DOE liability for obligation to UCRP:						
Noncurrent			283,104	115,164	283,104	115,164
Total			**283,104**	**115,164**	**283,104**	**115,164**
Net receivable for obligation to UCRP			**$ 23,619**	**$108,891**	**$ 23,619**	**$108,891**

The annual UCRP benefit cost, percentage of the annual UCRP benefit cost contributed to UCRP and the net obligation to UCRP for the University for the year ended June 30, 2012 and the preceding years are as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Annual UCRP benefit cost:			
June 30, 2012	$1,885,003	$158,701	$2,043,704
June 30, 2011	1,681,138	113,486	1,794,624
June 30, 2010	1,597,534	89,845	1,687,379
Percentage of annual cost contributed:			
June 30, 2012	80.8%	205.8%	90.5%
June 30, 2011	85.8	207.1	93.4
June 30, 2010	4.1	92.9	8.8
Net obligation (benefit) to UCRP:			
June 30, 2012	$2,202,423	$(283,104)	$1,919,320
June 30, 2011	1,840,608	(115,164)	1,725,444
June 30, 2010	1,601,397	6,424	1,607,821

Funded Status

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

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP.

The funded status of UCRP as of July 1, 2011 was as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Actuarial value of plan assets	$35,315,069	$ 7,442,202	$42,757,271
Actuarial accrued liability	(43,011,985)	(8,819,321)	(51,831,306)
Unfunded actuarial accrued liability	**$(7,696,916)**	**$(1,377,119)**	**$(9,074,035)**
Funded ratio	82.1%	84.4%	82.5%
Covered payroll	$7,899,551	$263,470	$8,163,021
Unfunded actuarial accrued liability as a percentage of covered payroll	(97.4)%	(522.7)%	(111.2)%

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

Actuarial Methods and Assumptions

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

Significant actuarial methods and assumptions used in the valuation were:

- assumed return on investment of 7.5 percent per year;
- projected salary increases ranging from 4.3 to 6.8 percent per year;
- projected inflation at 3.5 percent;
- Entry Age Normal actuarial cost method;
- future life expectancy based upon recent group mortality experience; and
- assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations for campuses, medical centers and LBNL.

The actuarial value of assets was determined by smoothing the effect of short-term volatility in the fair value of investments over a five-year period. The amortization period for the excess of actuarial accrued liability over the actuarial value of assets at July 1, 2011, for campuses and medical centers, the DOE national laboratories and total UCRP was 24 years for each.

University of California Retirement Savings Program

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

Defined Contribution Plans

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

The University has a provision for matching employer and employee contributions to the DC Plan for certain summer session teaching or research compensation for eligible academic employees. The University may also make contributions in behalf of certain members of management. Employer contributions to the DC Plan were $4.4 million and $4.2 million for the years ended June 30, 2012 and 2011, respectively.

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions in behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. There were no employer contributions to the SDC Plan for the years ended June 30, 2012 or 2011.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. Employer contributions to the 403(b) Plan were $1.6 million and $1.5 million for the years ended June 30, 2012 and 2011, respectively.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2012 and 2011.

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

University of California PERS–VERIP

The University of California PERS–VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC–PERS members who elected early retirement under provisions of the plan. The University contributed to PERS in behalf of these UC–PERS members. As of July 1, 2012 there are 659 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the plan sufficient to maintain the promised benefits. The annual required contribution, net obligation to PERS–VERIP and any changes or adjustments to that obligation are all zero for the years ending June 30, 2012 and 2011.

14. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees and their eligible family members (retirees) of the University of California and its affiliates. The Regents has the authority to establish and amend the plans. Additional information can be obtained from the 2011–2012 annual report of the University of California Retiree Health Benefit Trust.

Membership in UCRP is required to become eligible for retiree health benefits. Participation in the retiree health benefit plans consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees who are currently receiving benefits	34,559	1,675	36,234
Employees who may receive benefits at retirement	114,145	3,279	117,424
Total membership	**148,704**	**4,954**	**153,658**

Contribution Policy

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

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

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

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

Retiree Health Benefit Expense and Obligation for Retiree Health Benefits

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

The University's annual retiree health benefit expense and related information for the years ended June 30, 2012 and 2011, segregated between the University and the DOE responsibility, is as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS		LBNL		UNIVERSITY OF CALIFORNIA	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Actuarial valuation date	July 1, 2011	July 1, 2010	July 1, 2011	July 1, 2010	July 1, 2011	July 1, 2010
Annual required contribution	$1,761,348	$ 1,927,158	$ 60,835	$ 63,395	$1,822,183	$ 1,990,553
Interest on obligations for retiree health benefits	281,054	202,253	8,104	5,744	289,158	207,997
Adjustment to annual required contribution	(543,440)	(374,791)	(15,638)	(10,854)	(559,078)	(385,645)
Annual retiree health benefit cost	**1,498,962**	**1,754,620**	**53,301**	**58,285**	**1,552,263**	**1,812,905**
University contributions:						
To UCRHBT	(292,279)	(258,995)			(292,279)	(258,995)
To health care insurers and administrators			(13,257)	(12,804)	(13,257)	(12,804)
Implicit subsidy	(54,074)	(54,927)	(2,397)	(2,561)	(56,471)	(57,488)
Total contributions	**(346,353)**	**(313,922)**	**(15,654)**	**(15,365)**	**(362,007)**	**(329,287)**
Increase in obligations for retiree health benefits	**1,152,609**	**1,440,698**	**37,647**	**42,920**	**1,190,256**	**1,483,618**
Obligations for retiree health benefits						
Beginning of year	5,110,073	3,669,375	147,349	104,429	5,257,422	3,773,804
End of year	**$6,262,682**	**$5,110,073**	**184,996**	**147,349**	**6,447,678**	**5,257,422**
Retiree health care reimbursement from the DOE during the year			**13,257**	**12,804**	**13,257**	**12,804**
DOE receivable for obligations for retiree health benefits						
Noncurrent			184,996	147,349	184,996	147,349
Total			**$184,996**	**$ 147,349**	**$ 184,996**	**$ 147,349**

The annual retiree health benefit cost, percentage of the annual retiree health benefit cost contributed to the retiree health benefit plan and the net obligation for retiree health benefits for the University for the year ended June 30, 2012 and the preceding years are as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Annual retiree health benefit cost:			
June 30, 2012	$1,498,962	$53,301	$1,552,263
June 30, 2011	1,754,620	58,285	1,812,905
June 30, 2010	1,642,202	52,645	1,694,847
Percentage of annual cost contributed:			
June 30, 2012	23.2%	29.4%	23.4%
June 30, 2011	17.9	26.4	18.2
June 30, 2010	17.3	27.8	17.6
Net obligation to the health benefit plan:			
June 30, 2012	$6,262,682	$184,996	$6,447,678
June 30, 2011	5,110,073	147,349	5,257,422
June 30, 2010	3,669,375	104,429	3,773,804

Funded Status

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

The funded status of the plan as of July 1, 2011 was as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Actuarial value of plan assets	$ 77,907		$ 77,907
Actuarial accrued liability	(14,726,665)	$(541,164)	(15,267,829)
Unfunded actuarial accrued liability	**$(14,648,758)**	**$(541,164)**	**$(15,189,922)**
Value of the implicit subsidy included in the actuarial accrued liability	$ 2,259,855	$ 78,738	$ 2,338,593
Funded ratio	0.5%	0.0%	0.5%
Covered payroll	$ 7,899,551	$ 263,470	$ 8,163,021
Unfunded actuarial accrued liability as a percentage of covered payroll	(185.4)%	(205.4)%	(186.1)%

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

Actuarial Methods and Assumptions

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

Significant actuarial methods and assumptions used in the valuation were:

- assumed return on investment of 5.5 percent per year, representing the return on the University's assets expected to be used to finance benefits, smoothing the effect of gains and losses over a five-year period;
- health care cost trend rate ranging from 7.5 to 12.5 percent for non-Medicare and 7.5 to 20.0 percent for Medicare initially, depending on the type of plan, reduced by increments to an ultimate rate of 5 percent over nine years;
- projected inflation at 3.0 percent;
- amortization of the initial unfunded actuarial accrued liability over 30 years as a flat dollar amount on a closed basis;
- amortization of future actuarial gains and losses over 15 years as a flat dollar amount on a closed basis;
- amortization of the effects of changes in the plan design, or changes in assumptions, over 30 years as a flat dollar amount on a closed basis;
- Entry Age Normal actuarial cost method;
- future life expectancy based upon recent group mortality experience; and
- assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations.

15. ENDOWMENTS AND GIFTS

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

University of California

The value of endowments and gifts held and administered by the University, exclusive of income distributed to be used for operating purposes, at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2012				
Endowments	$1,033,800	$1,521,854	$ 3,822	$2,559,476
Funds functioning as endowments		2,038,194	1,365,236	3,403,430
Annuity and life income	23,387	4,284		27,671
Gifts		1,052,006	14,936	1,066,942
University endowments and gifts	**$1,057,187**	**$4,616,338**	**$1,383,994**	**$7,057,519**
At June 30, 2011				
Endowments	$ 1,014,027	$ 1,639,809	$ 16,030	$ 2,669,866
Funds functioning as endowments		2,235,705	1,411,812	3,647,517
Annuity and life income	20,635	4,196		24,831
Gifts		988,637	11,260	999,897
University endowments and gifts	**$1,034,662**	**$ 4,868,347**	**$1,439,102**	**$7,342,111**

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The net appreciation available to meet future spending needs, subject to the approval of The Regents, amounted to $1.5 billion and $1.6 billion at June 30, 2012 and 2011, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to the campuses from endowments held by the University was $217.5 million and $217.4 million for the years ended June 30, 2012 and 2011, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $157.1 million and $152.5 million for the years ended June 30, 2012 and 2011, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $534.7 million and $537.3 million at June 30, 2012 and 2011, respectively.

Campus Foundations

The value of endowments and gifts held by the campus foundations and administered by each of their independent Board of Trustees at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2012				
Endowments	$2,508,383	$ 613,063		$3,121,446
Funds functioning as endowments		1,019,664		1,019,664
Annuity and life income	78,107	67,566		145,673
Gifts		1,101,562	$ 147,096	1,248,658
Campus foundations' endowments and gifts	**$2,586,490**	**$2,801,855**	**$147,096**	**$5,535,441**
At June 30, 2011				
Endowments	$ 2,356,031	$ 723,922		$3,079,953
Funds functioning as endowments		1,090,782		1,090,782
Annuity and life income	84,533	71,472		156,005
Gifts		876,844	$ 206,351	1,083,195
Campus foundations' endowments and gifts	**$2,440,564**	**$2,763,020**	**$206,351**	**$5,409,935**

The campus foundations provided grants to the University's campuses totaling $548.8 million and $496.7 million during the years ended June 30, 2012 and 2011, respectively.

16. SEGMENT INFORMATION

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

Condensed financial statement information related to each of the University's medical centers for the years ended June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
	DAVIS	**IRVINE**	**LOS ANGELES**	**SAN DIEGO**	**SAN FRANCISCO**
Year Ended June 30, 2012					
Revenue bonds outstanding	$329,874	$288,495	$644,120	$176,387	$847,234
Related debt service payments	$31,880	$23,071	$41,471	$14,184	$54,187
Bonds due serially through	2047	2049	2049	2047	2049
CONDENSED STATEMENT OF NET POSITION					
Current assets	$ 422,067	$ 315,375	$1,063,967	$ 406,345	$ 677,524
Capital assets, net	1,122,623	726,428	1,862,415	796,358	1,297,071
Other assets	26,162	39,542	9,834	11,226	402,363
Total assets	**1,570,852**	**1,081,345**	**2,936,216**	**1,213,929**	**2,376,958**
Total deferred outflow of resources			**52,752**		**16,743**
Current liabilities	192,730	154,785	307,700	138,731	263,972
Long-term debt	355,776	316,147	722,614	214,371	889,407
Other noncurrent liabilities		5,000	153,884	2,077	71,162
Total liabilities	**548,506**	**475,932**	**1,184,198**	**355,179**	**1,224,541**
Invested in capital assets, net of debt	727,648	420,363	1,051,459	557,388	759,131
Restricted					16,970
Unrestricted	294,698	185,050	753,311	301,362	393,059
Total net position	**$1,022,346**	**$ 605,413**	**$1,804,770**	**$ 858,750**	**$1,169,160**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$1,337,229	$734,569	$1,798,681	$1,044,942	$1,977,134
Operating expenses	(1,207,599)	(628,497)	(1,485,601)	(903,947)	(1,791,290)
Depreciation expense	(84,821)	(48,414)	(104,124)	(45,110)	(90,259)
Operating income	**44,809**	**57,658**	**208,956**	**95,885**	**95,585**
Nonoperating revenues (expenses), net	(9,936)	(10,513)	(38,722)	220	5,161
Income before other changes in net position	**34,873**	**47,145**	**170,234**	**96,105**	**100,746**
Health systems support	(1,077)	(53,182)	(88,768)	(46,712)	(59,484)
Transfers (to) from University, net	42,403	(8,739)		46,746	
Other, including donated assets			8,182	11,399	4,394
Increase (decrease) in net position	**76,199**	**(14,776)**	**89,648**	**107,538**	**45,656**
Net position–June 30, 2011	946,147	620,189	1,715,122	751,212	1,123,504
Net position–June 30, 2012	**$1,022,346**	**$605,413**	**$1,804,770**	**$ 858,750**	**$1,169,160**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$141,721	$ 76,905	$334,627	$ 67,979	$203,221
Noncapital financing activities	4,476	(53,172)	(92,391)	(44,789)	(57,511)
Capital and related financing activities	(101,162)	(86,297)	(180,236)	(97,105)	(509,654)
Investing activities	7,584	28,207	85,032	4,368	271,860
Net increase (decrease) in cash and cash equivalents	**52,619**	**(34,357)**	**147,032**	**(69,547)**	**(92,084)**
Cash and cash equivalents * –June 30, 2011	105,584	175,692	598,063	189,906	349,008
Cash and cash equivalents * –June 30, 2012	**$158,203**	**$ 141,335**	**$745,095**	**$ 120,359**	**$256,924**

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

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS				
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO
Year Ended June 30, 2011					
Revenue bonds outstanding	$345,264	$294,900	$676,975	$180,167	$850,599
Related debt service payments	$32,421	$17,608	$42,307	$52,042	$31,552
Bonds due serially through	2047	2049	2049	2049	2049
CONDENSED STATEMENT OF NET POSITION					
Current assets	$ 367,458	$ 307,482	$ 907,111	$ 389,056	$ 756,924
Capital assets, net	1,111,322	712,025	1,728,111	687,612	957,406
Other assets	27,077	64,342	100,092	12,784	650,043
Total assets	**1,505,857**	**1,083,849**	**2,735,314**	**1,089,452**	**2,364,373**
Total deferred outflow of resources			**37,959**		**9,133**
Current liabilities	193,782	133,035	246,448	125,283	243,937
Long-term debt	365,928	325,625	698,744	212,957	946,642
Other noncurrent liabilities		5,000	112,959		59,423
Total liabilities	**559,710**	**463,660**	**1,058,151**	**338,240**	**1,250,002**
Invested in capital assets, net of debt	693,467	429,052	1,036,830	452,293	605,924
Restricted			17,469		13,491
Unrestricted	252,680	191,137	660,823	298,919	504,089
Total net position	**$ 946,147**	**$ 620,189**	**$ 1,715,122**	**$ 751,212**	**$ 1,123,504**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$ 1,259,997	$ 699,137	$ 1,718,814	$ 942,242	$ 1,889,204
Operating expenses	(1,092,519)	(568,014)	(1,357,449)	(791,535)	(1,633,322)
Depreciation expense	(77,760)	(52,850)	(89,277)	(35,437)	(81,474)
Operating income	**89,718**	**78,273**	**272,088**	**115,270**	**174,408**
Nonoperating revenues, net	27,911	6,881	17,455	27,950	32,559
Income before other changes in net position	**117,629**	**85,154**	**289,543**	**143,220**	**206,967**
State and federal capital appropriations					
Health systems support	(41,066)	(48,147)	(85,548)	(55,905)	(42,395)
Transfers from University, net	17,569	1,022	24,854	2,024	
Other, including donated assets			3,481	15,851	27,003
Increase in net position	**94,132**	**38,029**	**232,330**	**105,190**	**191,575**
Net position–June 30, 2010	852,015	582,160	1,482,792	646,022	931,929
Net position–June 30, 2011	**$ 946,147**	**$ 620,189**	**$ 1,715,122**	**$ 751,212**	**$ 1,123,504**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$138,755	$144,378	$404,572	$146,161	$252,739
Noncapital financing activities	(764)	(34,246)	(57,969)	(31,375)	(5,801)
Capital and related financing activities	(127,832)	(81,483)	(163,277)	(147,763)	492,565
Investing activities	3,606	44,395	8,703	37,588	(607,687)
Net increase in cash and cash equivalents	**13,765**	**73,044**	**192,029**	**4,611**	**131,816**
Cash and cash equivalents* – June 30, 2010	91,819	102,648	406,034	185,295	217,192
Cash and cash equivalents* – June 30, 2011	**$105,584**	**$175,692**	**$598,063**	**$189,906**	**$349,008**

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

Summarized financial information for each medical center is from their separately audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in the University's statement of revenues, expenses and changes in net position. However, in the medical centers' separately audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue.

Multiple purpose and housing system projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health service facilities and certain academic and administrative facilities) are also financed by revenue bonds; however, assets and liabilities are not required to be accounted for separately.

Additional information on the individual University of California Medical Centers can be obtained from their separate June 30, 2012 audited financial statements.

17. CAMPUS FOUNDATION INFORMATION

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

Condensed financial statement information related to the University's campus foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the years ended June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS				
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	TOTAL
Year Ended June 30, 2012					
CONDENSED STATEMENT OF NET POSITION					
Current assets	$ 103,960	$ 127,390	$ 228,065	$ 200,030	$ 659,445
Noncurrent assets	1,341,790	935,120	1,774,226	1,310,015	5,361,151
Total assets	**1,445,750**	**1,062,510**	**2,002,291**	**1,510,045**	**6,020,596**
Current liabilities	26,703	53,322	213,629	26,668	320,322
Noncurrent liabilities	74,962	14,861	35,268	39,742	164,833
Total liabilities	**101,665**	**68,183**	**248,897**	**66,410**	**485,155**
Restricted	1,344,056	993,839	1,614,108	1,436,342	5,388,345
Unrestricted	29	488	139,286	7,293	147,096
Total net position	**$1,344,085**	**$994,327**	**$1,753,394**	**$1,443,635**	**$5,535,441**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues	$ 113,734	$ 178,942	$ 186,206	$ 111,335	$ 590,217
Operating expenses	(114,862)	(104,897)	(226,653)	(160,913)	(607,325)
Operating income	**(1,128)**	**74,045**	**(40,447)**	**(49,578)**	**(17,108)**
Nonoperating revenues	(17,179)	(2,412)	(24,810)	(6,598)	(50,999)
Income before other changes in net position	**(18,307)**	**71,633**	**(65,257)**	**(56,176)**	**(68,107)**
Permanent endowments	72,928	32,119	48,623	39,943	193,613
Increase in net position	**54,621**	**103,752**	**(16,634)**	**(16,233)**	**125,506**
Net position–June 30, 2011	1,289,464	890,575	1,770,028	1,459,868	5,409,935
Net position–June 30, 2012	**$1,344,085**	**$994,327**	**$1,753,394**	**$1,443,635**	**$5,535,441**
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	$(43,781)	$47,177	$(118,106)	$(55,673)	$(170,383)
Noncapital financing activities	67,628	34,052	37,635	35,129	174,444
Investing activities	(24,333)	(86,891)	80,271	23,968	(6,985)
Net increase (decrease) in cash and cash equivalents	(486)	(5,662)	(200)	3,424	(2,924)
Cash and cash equivalents–June 30, 2011	2,969	67,931	1,469	31,851	104,220
Cash and cash equivalents–June 30, 2012	**$ 2,483**	**$62,269**	**$ 1,269**	**$35,275**	**$101,296**

(in thousands of dollars)

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

18. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $3.1 billion and $3.0 billion at June 30, 2012 and 2011, respectively.

The University and UCRS have also made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments at June 30, 2012 totaled $4.1 billion: $0.7 billion and $3.4 billion for the University and UCRS, respectively.

The University leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2012 and 2011 were $167.3 million and $151.9 million, respectively. The terms of operating leases extend through May 2039.

Future minimum payments on operating leases with an initial or remaining non-cancelable term in excess of one year are as follows:

(in thousands of dollars)

	MINIMUM ANNUAL LEASE PAYMENTS
Year Ending June 30	
2013	$102,110
2014	84,972
2015	67,256
2016	51,857
2017	37,080
2018-2022	103,483
2023-2027	9,816
2028-2032	4,215
2033-2037	4,753
2038-2039	2,694
Total	**$468,236**

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position.

The University and the campus foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

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

UCRP

(in thousands of dollars)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	EXCESS (DEFICIT)	FUNDED RATIO	COVERED PAYROLL	EXCESS/(DEFICIT) COVERED PAYROLL
University of California						
July 1, 2011	$42,757,271	$51,831,306	(9,074,035)	82.5%	$8,163,021	(111.2)%
July 1, 2010	41,195,318	47,504,309	(6,308,991)	86.7	7,995,421	(78.9)
July 1, 2009	42,685,564	45,041,066	(2,355,502)	94.8	7,853,419	(30.0)
Campuses and Medical Centers						
July 1, 2011	35,315,069	43,011,985	(7,696,916)	82.1	7,899,551	(97.4)
July 1, 2010	33,733,692	39,123,578	(5,389,886)	86.2	7,743,680	(69.6)
July 1, 2009	34,835,572	36,758,962	(1,923,390)	94.8	7,637,064	(25.2)
DOE National Laboratories						
July 1, 2011	7,442,202	8,819,321	(1,377,119)	84.4	263,470	(522.7)
July 1, 2010	7,461,626	8,380,731	(919,105)	89.0	251,741	(365.1)
July 1, 2009	7,849,992	8,282,104	(432,112)	94.8	216,355	(199.7)

Factors Significantly Affecting Trends

Based upon an actuarial experience study, The Regents approved changes to economic assumptions that decreased the range for salary increases to between 4.3 and 6.8 percent per year. Certain demographic assumptions were also modified, the most significant change being an increase in assumed life expectancies. These changes in assumptions increased the July 1, 2011 actuarial accrued liability as follows:

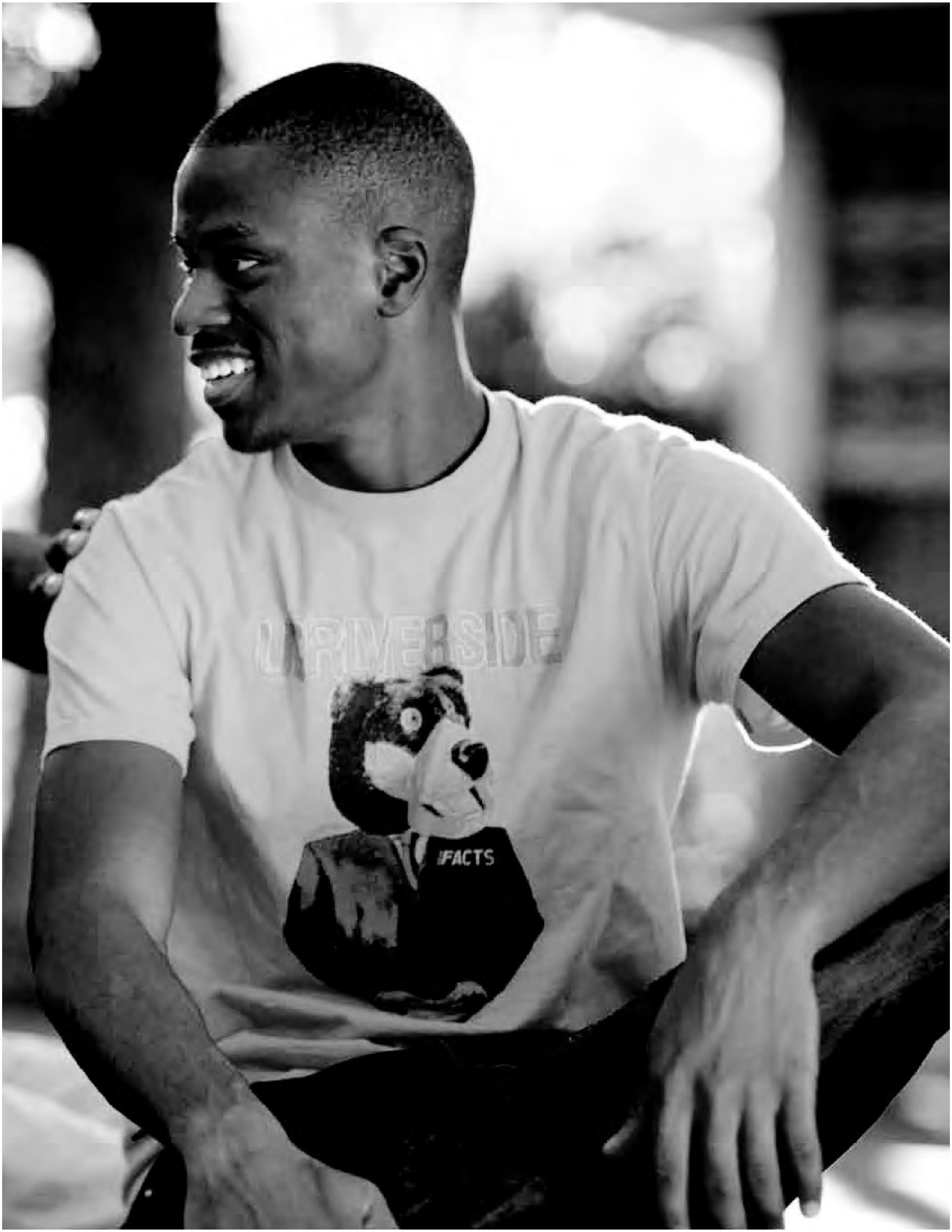
(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Actuarial accrued liability	$1,513,127	$312,280	$1,825,407

Retiree Health Plan

(in thousands of dollars)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	(DEFICIT)	FUNDED RATIO	COVERED PAYROLL	(DEFICIT) PAYROLL	IMPLICIT SUBSIDY INCLUDED IN ACUTARIAL ACCRUED LIABILITY
University of California							
July 1, 2011	$77,907	$15,267,829	$(15,189,922)	0.5%	$8,163,021	(186.1)%	$2,338,593
July 1, 2010	74,450	16,048,696	(15,974,246)	0.5	7,995,421	(199.8)	2,394,476
July 1, 2009	76,893	15,061,784	(14,984,891)	0.5	7,853,419	(190.8)	2,209,278
Campuses and Medical Centers							
July 1, 2011	77,907	14,726,665	(14,648,758)	0.5	7,899,551	(185.4)	2,259,855
July 1, 2010	74,450	15,493,742	(15,419,292)	0.5	7,743,680	(199.1)	2,309,189
July 1, 2009	76,893	14,541,529	(14,464,636)	0.5	7,637,064	(189.4)	2,129,031
DOE National Laboratories							
July 1, 2011		541,164	(541,164)	0.0	263,470	(205.4)	78,738
July 1, 2010		554,954	(554,954)	0.0	251,741	(220.4)	85,287
July 1, 2009		520,255	(520,255)	0.0	216,355	(240.5)	80,247


#FACTS

UNIVERSITY OF CALIFORNIA

Regents and Officers

APPOINTED REGENTS

(In order of accession to the Board)

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

EX OFFICIO REGENTS

Jerry Brown, *Governor of California*
Gavin Newsom, *Lieutenant Governor of California*
John A. Pérez, *Speaker of the Assembly*
Tom Torlakson, *State Superintendent of Public Instruction*
Ronald Rubenstein, *President, Alumni Associations of the University of California*
Alan Mendelson, *Vice President, Alumni Associations of the University of California*
Mark G. Yudof, *President of the University*

REGENTS DESIGNATE

Ken Feingold, *Secretary, Alumni Associations of the University of California*
Van Schultz, *Treasurer, Alumni Associations of the University of California*
Cinthia Flores, *Student Regent Designate*

FACULTY REPRESENTATIVES *(non-voting)*

Robert Powell, *Chair, Academic Senate*
William Jacob, *Vice Chair, Academic Senate*

OFFICERS OF THE REGENTS

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

OFFICE OF THE PRESIDENT

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

CHANCELLORS

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

DIRECTOR OF DOE LABORATORY

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

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT

THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture in its entirety to which reference is made for the detailed provisions thereof.

Definitions

Ancillary Obligations means any Credit Facility, Liquidity Facility or Financial Products Agreement designated in a Supplemental Indenture as an Ancillary Obligation for purposes of the Indenture.

Annex means the Amended and Restated Multi-Modal Annex attached to the Twenty-Sixth Supplemental Indenture as Exhibit B.

Beneficial Holder or Beneficial Owner means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond, including, without limitation, any Persons holding bonds through nominees or depositories.

Bond Counsel means any attorney at law or firm of attorneys selected by The Regents, of nationally recognized standing in matters pertaining to the validity of and federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

Bonds means any or all of The Regents of the University of California General Revenue Bonds authorized under and secured by the Indenture. Serial Bonds shall mean the Bonds, falling due by their terms in specified years, for which no Mandatory Sinking Account Payments are provided. Term Bonds shall mean the Bonds, if any, payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

Business Day means any day other than Saturday, Sunday or a day on which banking institutions in Los Angeles or San Francisco, California, or New York, New York, are authorized or required to be closed or a day on which the New York Stock Exchange is closed.

Certificate, Request, Requisition, Statement and Written Order mean, respectively, a written certificate, request, requisition, statement or order signed, in the case of The Regents, in the name of The Regents by the Chairman, the Treasurer or the Associate Treasurer of the Board of Regents, or the President, the Executive Vice President - Chief Financial Officer, the Vice President-Finance or the Executive Director-External Finance of the University of California or such other person as may be designated and authorized to sign for The Regents. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the provisions of the Indenture, each Certificate shall include the statements provided for in the Indenture.

Code means the Internal Revenue Code of 1986.

Continuing Disclosure Agreement means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance and delivery of such Series of Bonds, by and between The Regents and the Trustee and Dissemination Agent named therein, as originally executed and as the same may from time to time be amended or supplemented pursuant to its terms.

Costs of Issuance means the costs and expenses incurred by The Regents to effect the authorization, preparation, issuance, sale and delivery of the Bonds, including but not limited to any printing costs, rating agency fees, fees and disbursements of Bond Counsel, fees and expenses of The Regents incurred in connection with issuance of the Bonds, and initial fees and expenses of the Trustee, Liquidity Providers and Credit Providers.

CP Indenture means the Indenture, dated as of November 1, 2008, between The Regents and Deutsche Bank National Trust Company, as it may be from time to time amended or supplemented in accordance with the terms thereof.

Credit Facility means a financial guaranty or municipal bond insurance policy, an irrevocable direct-pay letter of credit, a line of credit, a standby bond purchase agreement, a revolving credit agreement or other credit arrangement obtained by The Regents pursuant to which a Credit Provider provides credit support for all or a portion of a Series of Bonds, as the same may be amended from time to time pursuant to its terms, or any replacement therefor.

Credit Provider means the issuer or provider of a Credit Facility and any successor or successors to such issuer or provider.

Current Subordinate Lien Indebtedness means Indebtedness issued and secured pursuant to the Limited Project Indenture or CP Indenture.

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

Defeasance Obligations means (i) non-callable Investment Securities described in clause (1), (2) or (5) of the definition thereof, (ii) for a particular Series of Bonds, any Investment Securities approved as Defeasance Obligations by the Credit Provider for such Series of Bonds, or (iii) any other investment designated in a Supplemental Indenture as a Defeasance Obligation for purposes of defeasing a Series of Bonds authorized by such Supplemental Indenture.

DTC means The Depository Trust Company, New York, New York.

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

Financial Newspaper or Journal means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each business day and circulated in Los Angeles or San Francisco, California, and selected by the Trustee, in its sole discretion whose decision shall be final and conclusive.

Financial Products Agreement means an interest rate swap, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, however denominated, identified to the Trustee in a Certificate of The Regents as having been entered into with a Qualified Provider not for investment purposes but with respect to Indebtedness (which Indebtedness shall be specifically identified in the Certificate of The Regents) for the purpose of (1) reducing or otherwise managing the risk of interest rate changes or (2) effectively converting interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure.

Fiscal Year means the period beginning on July 1 of each year and ending on the succeeding June 30, or any other twelve-month period thereafter selected and designated as the official fiscal year of The Regents.

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

General Revenues means certain operating and non-operating revenues of the University of California as reported in the University's Financial Report, including (i) gross student tuition and fees; (ii) facilities and administrative cost recovery from contracts and grants; (iii) net sales and service revenues from educational and auxiliary enterprise activities; (iv) other net operating revenues (v) certain other non-operating revenues, including unrestricted investment income; and (vi) any other revenues as may be designated as General Revenues from time to time by a Certificate of The Regents delivered to the Trustee, but excluding (a) appropriations from the State of California (except as permitted under Section 28 of the State Budget Act or other legislative action); (b) moneys which are restricted as to expenditure by a granting agency or donor; (c) gross revenues of the University of California Medical Centers; (d) management fees resulting from the contracts for management of the United States Department of Energy Laboratories; and (e) any revenues which may be excluded from General Revenues from time to time by a Certificate of The Regents delivered to the Trustee.

Holder or Bondholder means the person in whose name a Bond is registered.

Indebtedness means any indebtedness or obligation of The Regents which, in accordance with generally accepted accounting principles for colleges and universities, is classified as a liability on a balance sheet.

Indenture means the Indenture, dated as of September 1, 2003, by and between The Regents and The Bank of New York Mellon Trust Company, N.A., as successor trustee, as originally executed or as it may from time to time thereafter be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions thereof.

Independent Certified Public Accountant means any certified public accountant or firm of such accountants appointed and paid by The Regents, and who, or each of whom –

(1) is in fact independent, and not under control of The Regents;

(2) does not have any substantial interest, direct or indirect, with The Regents; and

(3) is not connected with The Regents as a member of The Regents, or as an official or employee of The Regents or of the University of California, but who may be regularly retained to make annual or similar audits of any of the books of The Regents.

Information Services means Financial Information, Inc., Daily Called Bond Service; Kenny Information Systems, Called Bond Department; Moody's Investors Service, Information Center; Standard & Poor's Rating Services, Called Bond Record; and any other information service providing information with respect to called bonds as The Regents may designate to the Trustee.

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

Interest Payment Date means with respect to any Series of Bonds the meaning set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Investment Securities means any of the following which at the time are legal investments under the laws of the State of California and the policies of The Regents as filed with the Trustee from time to time for moneys held under the Indenture and then proposed to be invested therein: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America or tax-exempt obligations which are rated in the highest rating category of each Rating Agency; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Home Loan Bank System, the Farm Credit System, or any other agency or instrumentality of the United States of America; (3) bonds of the State of California or of any county or city of the State of California for which each Rating Agency is maintaining a rating at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; (4) obligations the interest on which is excluded from gross income for federal income taxation pursuant to the Code and which are rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds, or in the highest short term rating category of each Rating Agency; (5) receipts representing direct interests in Investment Securities described in Clause (1) and (2) of this definition; (6) repurchase agreements with any financial institution which is rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds, or repurchase agreements fully secured by collateral security described in clauses (1) or (2) of this definition continuously having a market value at least equal to the amount so invested so long as such underlying obligations or securities are in the possession of the Trustee or the Securities Investors Protection Corporation;

(7) interest bearing bankers acceptances and demand or time deposits (including certificates of deposit) in banks (including the Trustee), provided such deposits are either (a) secured at all times, in the manner and to the extent provided by law, by collateral security described in clauses (1) or (2) of this definition of a market value no less than the amount of moneys so invested; or (b) in banks (including the Trustee) having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000) and whose rating by each Rating Agency, or the rating of its parent holding company, is at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds or (c) fully insured by the Federal Deposit Insurance Corporation; (8) commercial paper rated in the highest rating category of each Rating Agency, and issued by corporations organized and operating within the United States and having total assets in excess of Five Hundred Million Dollars ($500,000,000); (9) collateralized investment agreements or other collateralized contractual arrangements with corporations, financial institutions or national associations within the United States fully secured by collateral security described in Clause (1) or (2) of this definition; or investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; (10) any money market fund or mutual fund that is comprised of investments described in clauses (1) through (9) of this definition and which fund or investments are continuously rated by each Rating Agency in a rating category at least equal to the higher of "A" (or equivalent) or such Rating Agency's then current rating on the Bonds; and (11) the Short Term Investment Pool of The Regents.

Limited Project Indenture means the Indenture dated as of October 1, 2004 as amended and supplemented, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee to J.P. Morgan Trust Company, National Association, providing for the issuance of The Regents of the University of California Limited Project Revenue Bonds.

Liquidity Facility means an irrevocable direct-pay letter of credit, a line of credit, a standby bond purchase agreement, a revolving credit agreement or other liquidity arrangement obtained by The Regents pursuant to which a Liquidity Provider provides liquidity support with respect to all or a portion of a Series of Bonds, as the same may be amended from time to time pursuant to its terms, or any replacement therefor.

Liquidity Provider means the issuer or provider of a Liquidity Facility and any successor or successors to such issuer or provider.

Mandatory Sinking Account Payment shall mean, with respect to Bonds of any Series and maturity, the amount required by the Indenture or any Supplemental Indenture to be paid by The Regents on any single date for the retirement of Term Bonds of such Series and maturity.

Opinion of Counsel means a written opinion of counsel who is selected by The Regents (including counsel to The Regents) and who is acceptable to the Trustee. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

Optional Redemption Account means the account by that name established pursuant to the Indenture.

Outstanding when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of The Regents shall have been discharged in accordance with the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Parity Lien means any pledge, lien, security interest, encumbrance or charge of any kind on or in any General Revenues which is equal and ratable to the lien of the Indenture on or in such General Revenues.

Person shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

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

Qualified Provider means any financial institution or insurance company which is a party to a Financial Products Agreement.

Rating Agency means, on any given date, any nationally recognized rating agency designated by The Regents which then has outstanding a credit rating on the Bonds (or other obligations to which reference is made by the Indenture).

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

Record Date means with respect to a Series of Bonds the meaning set forth in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

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

Representation Letter means, with respect to any Series of Bonds, the Letter of Representations to The Depository Trust Company, New York, New York, from The Regents and the Trustee.

Responsible Officer of the Trustee means and includes the president, every vice president, every assistant vice president, every trust officer, and every officer and assistant officer of the Trustee other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

Securities Depositories means: The Depository Trust Company; Midwest Securities Trust Company, Capital Structures Call Notification; Philadelphia Depository Trust Company, Reorganization Division; or such other securities depositories as The Regents may designate.

Security Documents means all of the instruments, documents and agreements which, as of any date, have been executed and are then binding upon The Regents in connection with any Senior Lien, Parity Lien or Subordinate Lien, including without limitation any indenture, trust agreement, loan agreement, credit agreement or security agreement.

Senior Lien means any pledge, lien, security interest, encumbrance or charge of any kind on or in any General Revenues which is senior in priority and superior to the lien of the Indenture on or in such General Revenues.

Series, whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction pursuant to the Indenture or a Supplemental Indenture, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as therein provided.

Sinking Accounts means the accounts in the Principal Fund so designated and established pursuant to the Indenture.

Special Redemption Account means the account by that name established pursuant to the Indenture.

State means the State of California.

Subordinate Lien means any pledge, lien, security interest, encumbrance or charge of any kind on or in any General Revenues which is subordinate to the lien of the Indenture on or in such General Revenues.

Supplemental Indenture or Indenture supplemental thereto means any indenture thereafter duly authorized and entered into between The Regents and the Trustee in accordance with the provisions of the Indenture.

Tax Certificate means the certificate signed by The Regents on the date any Series of Bonds are issued relating to the requirements of the Code.

The Regents means The Regents of the University of California, a corporation organized and existing under and by virtue of Article IX, Section 9, of the Constitution of the State of California.

Thirty-Fourth Supplemental Indenture means the Thirty-Fourth Supplemental Indenture, dated as of March 1, 2013, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee, providing for the issuance of The Regents of the University of California General Revenue Bonds, 2013 Series AH (Taxable Fixed Rate Notes).

Thirty-Second Supplemental Indenture means the Thirty-Second Supplemental Indenture, dated as of March 1, 2013, by and between The Regents and The Bank of New York

Mellon Trust Company, N.A. as successor trustee, providing for the issuance of The Regents of the University of California General Revenue Bonds, 2013 Series AF.

Thirty-Third Supplemental Indenture means the Thirty-Third Supplemental Indenture, dated as of March 1, 2013, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee, providing for the issuance of The Regents of the University of California General Revenue Bonds, 2013 Series AG (Taxable).

Trustee means The Bank of New York Mellon Trust Company, N.A. as successor in interest to BNY Western Trust Company, as trustee, in San Francisco, California, as trustee or as authenticating agent or its successor as Trustee as provided in the Indenture.

Twenty-Sixth Supplemental Indenture means the Twenty-Sixth Supplemental Indenture, dated as of July 1, 2011, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor trustee, providing for the issuance of The Regents of the University of California General Revenue Bonds, 2011 Series Z.

2013 Bonds means collectively, The Regents of the University of California General Revenue Bonds, 2013 Series AF authorized under and secured by the Indenture and the Thirty-Second Supplemental Indenture and The Regents of the University of California General Revenue Bonds, 2013 Series AG (Taxable) authorized under and secured by the Indenture and the Thirty-Third Supplemental Indenture.

2013 Securities means collectively, the 2013 Bonds and The Regents of the University of California General Revenue Bonds, 2013 Series AH (Taxable Fixed Rate Notes) authorized under and secured by the Indenture and the Thirty-Fourth Supplemental Indenture.

Authorization of Bonds

Bonds may be issued under the Indenture from time to time in order to obtain moneys to carry out any lawful purpose of The Regents. The maximum principal amount of Bonds which may be issued under the Indenture is not limited. The Bonds are designated generally as "The Regents of the University of California General Revenue Bonds" with such variations or additions as The Regents may deem appropriate with respect to any Series of Bonds. The Bonds may be issued in such Series as from time to time shall be established and authorized by The Regents, and the Indenture constitutes a continuing agreement with the owners of all the Bonds issued or to be issued and at any time outstanding to secure the full and final payment of the principal of and premium, if any, and the interest on all Bonds which may from time to time be executed and delivered thereunder; subject to the covenants, agreements, provisions and conditions therein contained.

Payment of the Bonds

Payment of the interest on any Bond shall be made to the person whose name appears on the bond registration books of the Trustee as the Holder thereof as of the Record Date preceding each Interest Payment Date, such interest to be paid by check mailed by first class mail on the applicable Interest Payment Date to the Holder at his address as it appears on such registration books; provided that such interest shall be paid by wire transfer to an account in the United

States for any Holder of at least $1,000,000 in aggregate principal amount of Bonds of any Series if the Holder makes a written request to the Trustee on or prior to the close of business on the Record Date preceding any Interest Payment Date specifying the account address.

Any such interest not so punctually paid or duly provided for with respect to any Bond shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the Person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof to be given to the Holders of such Bonds as set forth in the Supplemental Indenture establishing the terms and provisions of such Bonds or, if not provided therein, notice whereof to be given to the Holders of such Bonds not less than ten (10) days prior to such special record date.

Conditions Precedent to Issuance of Bonds

The Regents may by Supplemental Indenture establish one or more Series of Bonds, payable from General Revenues and secured by the pledge made under the Indenture. The Bonds shall be executed by The Regents for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to The Regents upon its order, but only upon receipt by the Trustee of the following:

(a) An original executed copy of the Supplemental Indenture authorizing such Bonds, which Supplemental Indenture shall specify:

  (i) the purpose for which such Series of Bonds is being issued;

  (ii) whether such Bonds shall bear interest at a fixed or variable rate, including, but not limited to, an interest rate determined pursuant to an auction procedure;

  (iii) whether the interest on such Bonds shall be federally taxable or tax-exempt;

  (iv) the Series of such Bonds, the date or dates, the Interest Payment Dates, the principal payment dates and the maturity date or dates of such Bonds;

  (v) the manner of dating and numbering such Bonds;

  (vi) the place or places of payment of the principal or redemption, tender or purchase price, and the manner of payment of interest on, such Bonds;

  (vii) any redemption, tender or purchase provisions for such Bonds;

  (viii) the amount and due date of each sinking fund payment, if any, for such Bonds;

  (ix) the amounts to be deposited in the funds and accounts created and established by the Indenture and the Supplemental Indenture authorizing such Bonds;

(x) any other provisions deemed advisable by The Regents that are not in conflict with the provisions of the Indenture;

(b) An opinion of Bond Counsel, dated the date of delivery thereof, to the effect that: (i) such Supplemental Indenture is a valid and binding obligation of The Regents and (ii) upon the execution, authentication and delivery thereof, such Bonds will be valid and binding obligations of The Regents;

(c) A Written Order of The Regents as to the delivery of such Bonds; and

(d) A Certificate of The Regents stating that The Regents is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture.

Notice of Redemption

Except as otherwise provided in a Supplemental Indenture, notice of redemption shall be given by mail not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the respective registered owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption shall state the redemption date, the place or places of redemption, the maturities, and, if less than all of any such maturity, the distinctive numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Bonds the principal thereof or of said specified portion of the principal thereof, in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Pledge

Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, The Regents pledges to the Trustee to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payment of all amounts due pursuant to Ancillary Obligations, all of the General Revenues, all of the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture, excluding the Rebate Fund. Said pledge shall constitute a lien on and security interest in all of the General Revenues, all of the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture, excluding the Rebate Fund, and shall attach and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act, against all parties having claims of any kind in tort, contract or otherwise against The Regents or the Trustee, irrespective of whether the parties have notice thereof; provided, however, that the pledge of General Revenues set forth in this Section shall in all respects be (i) junior to any future Indebtedness or other obligations secured by a Senior Lien, (ii) on a parity with any future Indebtedness or other obligations secured by a Parity Lien, and

(iii) senior to any Current Subordinate Lien Indebtedness or any future Indebtedness or other obligations secured by a Subordinate Lien.

Funds and Accounts

The Indenture creates the following funds and accounts of The Regents which will be held by the Trustee, except for the General Revenue Fund, Cost of Issuance Funds and Construction Accounts which will be held by The Regents: (a) the Debt Service Fund; (b) the Interest Fund; (c) the Principal Fund; (d) the Redemption Fund (including a separate Optional Redemption Account and a separate Special Redemption Account); (e) the General Revenue Fund; (f) the Rebate Fund; (g) the 2013 Series AF Costs of Issuance Fund; (h) the 2013 Series AG Costs of Issuance Fund; and (i) the 2013 Series AH Costs of Issuance Fund.

Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture), and otherwise as provided in the Indenture.

Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of purchasing or redeeming or paying at maturity the Bonds as provided in this Section, and otherwise as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds, if any, of each Series and maturity, (the "Sinking Account"). On or before each date specified in a Supplemental Indenture, the Trustee shall transfer the amount deposited in the Principal Fund pursuant to the Indenture for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the Series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee shall apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by The Regents. All Bonds purchased or deposited pursuant to this subsection shall be cancelled and delivered by the Trustee to or upon the Written Request of The Regents. Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Debt Service Fund. Subject to a different allocation provided in a Supplemental Indenture for a Series of Bonds issued pursuant to such Supplemental Indenture, all Term Bonds purchased from a Sinking Account or deposited by The Regents with the Trustee shall be applied, to the extent of the full principal amount thereof, to reduce Mandatory Sinking Account Payments as follows: first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Bonds, then pro rata to the remaining Mandatory Sinking Account Payments required for such

Series and maturity of Bonds in proportion to the amount of such Mandatory Sinking Account Payments.

Redemption Fund. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds outstanding, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by The Regents. Each Supplemental Indenture shall provide for the establishment of subaccounts within the Optional Redemption Account or the Special Redemption Account for the redemption or purchase of Bonds of particular Series from moneys allocable to such Series and required by a Supplemental Indenture to be deposited into such subaccount. Subject to a different allocation provided for such subaccounts by Supplemental Indentures, all Term Bonds of any Series purchased or redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments pro rata to the Mandatory Sinking Account Payments required for such Series and maturity of Bonds in proportion to the amount of such Mandatory Sinking Account Payments.

Rebate Fund. The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated the Rebate Fund. The Regents shall cause to be deposited in the Rebate Fund the rebate requirement as provided in the Tax Certificate for each Series of Bonds the interest on which is excluded from gross income for federal income tax purposes. Subject to the provisions of this section, moneys held in the Rebate Fund are pledged to secure payments to the United States government, and The Regents and the owners shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund in accordance with directions from The Regents.

Upon receipt of the rebate instructions required to be delivered to the Trustee by the Tax Certificate, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States government as so directed. In addition, if the rebate instructions so direct, the Trustee shall deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as the rebate instructions direct.

The Trustee shall conclusively be deemed to have complied with the provisions of this section if it follows the directions of The Regents set forth in the rebate instructions and shall not be required to take any actions thereunder in the absence of rebate instructions from The Regents.

Notwithstanding any provisions of this section, if The Regents shall provide to the Trustee any Opinion of Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion of interest on the Series of Bonds from gross income for federal income tax purposes, the Trustee and The

Regents may conclusively rely on such opinion in complying with the requirements of this section, and the covenants under the Indenture shall be deemed to be modified to that extent.

2013 Series AF Costs of Issuance Fund. Moneys in the 2013 Series AF Costs of Issuance Fund shall be used to pay Costs of Issuance with respect to the 2013 Series AF Bonds, and at the end of six months from the date of issuance of the 2013 Series AF Bonds, or upon earlier determination by The Regents that the amounts in said fund are no longer required for payment of Costs of Issuance, said fund shall be terminated and any amounts then remaining in said fund shall be transferred to the Trustee for deposit in the Debt Service Fund.

2013 Series AG Costs of Issuance Fund. Moneys in the 2013 Series AG Costs of Issuance Fund shall be used to pay Costs of Issuance with respect to the 2013 Series AG Bonds, and at the end of six months from the date of issuance of the 2013 Series AG Bonds, or upon earlier determination by The Regents that the amounts in said fund are no longer required for payment of Costs of Issuance, said fund shall be terminated and any amounts then remaining in said fund shall be transferred to the Trustee for deposit in the Debt Service Fund.

2013 Series AH Costs of Issuance Fund. Moneys in the 2013 Series AH Costs of Issuance Fund shall be used to pay Costs of Issuance with respect to the 2013 Series AH Notes, and at the end of six months from the date of issuance of the 2013 Series AH Notes, or upon earlier determination by The Regents that the amounts in said fund are no longer required for payment of Costs of Issuance, said fund shall be terminated and any amounts then remaining in said fund shall be transferred to the Trustee for deposit in the Debt Service Fund.

Flow of Funds

General Revenues. The Regents agrees that, so long as any of the Bonds remain Outstanding (i) all of the General Revenues not encumbered by any Senior Lien or Parity Lien shall be deposited as soon as practicable upon receipt in a fund designated as "The Regents of the University of California General Revenue Fund" (the "General Revenue Fund") which The Regents shall establish and maintain at such banking institution or institutions (which may include the Trustee) as The Regents shall from time to time designate for such purpose (the "Depository Banks") and (ii) funds equal to General Revenues encumbered by any Senior Lien (but not encumbered by any Parity Lien) shall be deposited in the General Revenue Fund at the earliest practicable time and to the extent such funds are available pursuant to the terms of the Security Documents evidencing such Senior Lien. To the extent General Revenues are encumbered by Indebtedness (other than a Series of Bonds) or other obligations secured by a Parity Lien, The Regents agrees to allocate in a fair and equitable manner (i) amounts to be deposited in the General Revenue Fund and (ii) amounts to be transferred to the funds and accounts established pursuant to the Security Documents securing the Indebtedness or other obligations secured by a Parity Lien. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, The Regents grants a security interest to the Trustee in the General Revenue Fund to secure the payment of the principal of and interest on the Bonds Outstanding and the payment of all amounts due pursuant to Ancillary Obligations and the pledge of General Revenues under the Indenture.

Amounts in the General Revenue Fund may be used and withdrawn by The Regents at any time for any lawful purpose (including any use required by a Security Document), except as restricted in the Indenture. In the event of the occurrence of an Event of Default of which the Trustee has actual knowledge or has received written notice, the Trustee shall notify The Regents and the Depository Banks of such delinquency, and The Regents shall cause the Depository Banks to, and the Depository Banks shall, transfer the General Revenue Fund to the name and credit of the Trustee. All General Revenues shall continue to be deposited by The Regents in the General Revenue Fund as provided by the Indenture until all Events of Default known to the Trustee shall have been made good or cured or provision deemed by the Trustee to be adequate shall have been made therefor, whereupon the General Revenue Fund shall be returned to the name and credit of The Regents. During any period that the General Revenue Fund is held in the name and to the credit of the Trustee, the Trustee shall use and withdraw amounts in said fund first to pay fees, expenses and disbursements of the Trustee and its agents in the event such fees, disbursements or expenses have not otherwise been paid by The Regents, and second to make the transfers and deposits required by the Indenture. The Regents agrees to execute and deliver all instruments as may be required to implement this section. The Regents further agrees that a failure to comply with the terms of this section shall cause irreparable harm to the owners from time to time of the Bonds and shall entitle the Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of The Regents as provided in this section.

On or before any Interest Payment Date, and as long as any of the Bonds remain Outstanding, The Regents shall transfer from the General Revenue Fund to the Trustee for deposit in a special fund designated as "The Regents of the University of California General Revenue Debt Service Fund" (the "Debt Service Fund"), which the Trustee shall establish, maintain and hold in trust, such amount as is required by the Indenture to make the transfers and deposits required on such Interest Payment Date (or to replenish the amounts required to be on deposit in any fund under the Indenture). In addition, The Regents shall, pursuant to the terms and provisions of a Supplemental Indenture providing for Ancillary Obligations, transfer from the General Revenue Fund the amounts due and payable pursuant to such Ancillary Obligations. Each transfer by The Regents to the Trustee under the Indenture shall be in lawful money of the United States of America and paid to the Trustee at its corporate trust office in San Francisco, California. All such moneys shall be promptly deposited by the Trustee upon receipt thereof in the Debt Service Fund. All moneys deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. If The Regents fails to make timely payment of all amounts required to be made pursuant to this paragraph, The Regents shall promptly make such payments in full as soon as possible.

The Trustee shall transfer from the Debt Service Fund, and deposit into one or more of the following respective funds (each of which the Trustee shall establish and maintain and hold in trust, and each of which shall be disbursed and applied only as authorized by the Indenture), on or before each Interest Payment Date, the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of General Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

First: Into the Interest Fund, the amount, if any, needed to increase the amount in the Interest Fund to the aggregate amount of interest becoming due and payable on such Interest Payment Date upon all Bonds then Outstanding.

Second: Into the Principal Fund, the amount, if any, needed to increase the amount in the Principal Fund to the aggregate amount of principal and Mandatory Sinking Account Payments becoming due and payable on the Outstanding Bonds on such Interest Payment Date.

Any moneys remaining in the Debt Service Fund on each Interest Payment Date shall be transferred, free and clear of the lien of the Indenture, to, or upon the order of, The Regents to be applied for any lawful purpose of The Regents, and the Trustee shall have no obligation or duty to inquire or investigate how such moneys are being used.

Investment of Moneys in Funds

All moneys in any of the funds and accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee in Investment Securities as directed by The Regents.

Particular Covenants

Punctual Payments. The Regents shall pay or cause to be paid punctually the principal of, premium, if any, and interest due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of General Revenues and other assets pledged for such payment as provided in the Indenture.

No Extension of Payment of Principal and Interest on the Bonds. Except as otherwise expressly permitted under the Indenture with respect to Bonds issued pursuant to the Annex or the Floating Rate Notes Annex, The Regents shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and claims for interest thereon which shall not have been so extended. Nothing in this section shall be deemed to limit the right of The Regents to issue obligations for the purpose of refunding any outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Permitted Indebtedness, Obligations and Encumbrances. So long as an Event of Default has not occurred and is continuing under the Indenture, The Regents may incur any Indebtedness or other obligations payable from General Revenues, including, but not limited to, Indebtedness or other obligations secured by a Senior Lien, Parity Lien or Subordinate Lien.

Power to Issue Bonds and Make Pledge and Assignment. The Regents is duly authorized pursuant to law to issue the Bonds and to execute and deliver the Indenture and to pledge and assign the General Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding limited obligations of The Regents in accordance with their terms, and The Regents shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of General Revenues and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Payment of Taxes and Claims. The Regents or the Trustee shall, from time to time, but solely from General Revenues, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the General Revenues or other assets pledged or assigned under the Indenture, when the same shall become due, as well as any lawful claim which, if unpaid, might by law become a lien or charge upon the General Revenues or such other assets or which might impair the security of the Bonds.

Accounting Records and Financial Statements. The Regents shall cause the Trustee to keep proper books of record and account in which complete and accurate entries shall be made in accordance with industry standards of all transactions relating to the proceeds of Bonds, the General Revenues, and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by The Regents and by any Bondholder, or its agent or representative duly authorized in writing, during any Business Day at reasonable hours and under reasonable circumstances, including at least 24 hours notice.

Not later than seven months after the end of each Fiscal Year of The Regents, The Regents shall also furnish to the Trustee a certified report of audit, prepared by an Independent Certified Public Accountant, reflecting the financial condition and results of operation of The Regents.

Compliance with Indenture, Contracts, Laws and Regulations. The Regents shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture, shall not issue any Bonds in any manner other than in accordance with the Indenture, and shall not suffer or permit any default to occur under the Indenture, or do or permit to be done, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to the Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in the Indenture, The Regents and the Trustee shall comply with the terms, covenants and provisions of all contracts concerning or affecting the application of proceeds of Bonds or the General Revenues.

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

Waiver of Laws. The Regents shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time thereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by The

Regents to the extent permitted by law (but only with respect to the application of General Revenues to pay the principal of and interest on the Bonds).

Further Assurances. The Regents will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in the Indenture.

Continuing Disclosure. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Rule 15c2-12, The Regents and the Trustee covenant and agree that The Regents will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds and applicable to them. Notwithstanding any other provision of the Indenture, failure of The Regents or the Trustee to comply with the provisions of any Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee at the written request of any Participating Underwriter or the Holders of at least 50% aggregate principal amount of any Series of Bonds then Outstanding, shall, but only to the extent it has been indemnified to its satisfaction from any loss, liability, cost, claim or expense whatsoever, including, without limitation, fees and expenses of its attorneys, or any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause The Regents or the Trustee, as the case may be, to comply with its obligations under this section.

Additional Bonds

The Regents may by Supplemental Indenture establish one or more Series of Bonds, payable from General Revenues and secured by the pledge made under the Indenture.

See "Conditions Precedent to Issuance of Bonds."

Events of Default

Pursuant to the Indenture, the following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if variable rate bonds of any Series have been remarketed without a Liquidity Facility in effect, failure to pay the purchase price of any variable rate bond required to be purchased pursuant to the Annex when due and payable;

(d) default by The Regents in the observance of any of the covenants, agreements or conditions on its part of the Indenture or in the Bonds contained, other than a default described in (a), (b) or (c) above, and continuance of such default for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to The Regents by the Trustee, or to The Regents and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;

(e) if The Regents files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(f) if a court of competent jurisdiction shall enter an order, judgment or decree declaring The Regents an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of The Regents, or approving a petition filed against The Regents seeking reorganization of The Regents under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of The Regents, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Acceleration. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding shall, upon notice in writing to The Regents, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. The Trustee shall immediately give notice of such declaration to Bondholders, in the same manner that notices of redemption are given, specifying the date of such declaration, that as of the Business Day immediately following such declaration the Bonds shall cease to bear interest; and that all principal of and interest on the Bonds to the Business Day immediately following such declaration of acceleration shall be payable upon the surrender thereof at the principal office of the Trustee.

Application of General Revenues and Other Funds After Default. If an Event of Default shall occur, then, and in every such case during the continuance of such Event of Default, all General Revenues and any other moneys then held or thereafter received by the Trustee under any of the provisions of the Indenture, shall be applied by the Trustee as follows and in the following order:

1. To the payment of any compensation and expenses as due to the Trustee under the Indenture;

2. To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, any stamping thereon of the payment if only

partially paid or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over the principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds and the Indenture, as well as under applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its sole satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate suit, action, mandamus or other proceedings as it shall deem most effectual to protect or enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, or any law; and upon instituting such proceeding, the Trustee shall be entitled as a matter of right to the appointment of a receiver of the General Revenues and other assets pledged or assigned under the Indenture. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture. Nothing therein contained shall be deemed to require the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Bondholders' Direction of Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction and the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture or any applicable law with respect to such Bond, unless: (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted by the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Holders of a majority of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under any law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Indenture on the rights of any other Holder of Bonds, or to enforce any right under the Indenture or applicable law with respect to the Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Modification without Consent of Bondholders

The Regents and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into an indenture or indentures supplemental thereto, which indenture or indentures thereafter shall form a part thereof, for any one or more or all of the following purposes --

(a) to add to the covenants and agreements of The Regents in the Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon The Regents by the Indenture;

(b) to evidence the succession of another corporation, whether public or private, to The Regents, or successive successions, and the assumption by a successor corporation of the covenants and obligations of The Regents in the Bonds and in the Indenture contained;

(c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to any matters or any questions arising under the Indenture, as The Regents may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the owners of the Bonds;

(d) to conform to the terms and conditions of the Security Documents evidencing a Senior Lien or Parity Lien, provided such modification shall not materially adversely affect the interests of the owners of the Bonds;

(e) to make any changes necessary or convenient to provide for the issuance of a Series of Bonds pursuant to the Indenture including any changes necessary or convenient in connection with the establishment of an interest rate mode, tender and purchase provisions;

(f) to permit, provide for or accommodate the delivery of a Credit Facility, Liquidity Facility or Financial Products Agreement for any Series of Bonds;

(g) to make any changes required by a Rating Agency in order to obtain or maintain a rating for any Series of Bonds;

(h) to modify, alter, amend or supplement the Indenture in any other respect desired by The Regents which is not materially adverse to the Holders.

Any Supplemental Indenture authorized by the provisions of this section may be executed by The Regents and the Trustee without the consent of the owners of any of the Bonds at the time outstanding but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Modification with Consent of Bondholders

With the consent (evidenced as provided in the Indenture) of the owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, The Regents and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (1) extend the stated maturity of the Bonds or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Bond so affected, or (2) reduce the aforesaid percentage of owners of Bonds required to approve any such Supplemental Indenture, without the consent of the owners of all Bonds then outstanding.

Defeasance

Bonds may be paid by The Regents in any of the following ways: (1) by paying or causing to be paid the principal, and interest on Outstanding Bonds, as and when the same become due and payable; (2) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Outstanding Bonds; or (3) by delivering to the Trustee, for cancellation by it, Outstanding Bonds. If The Regents shall also pay or cause to be paid all other sums payable under the Indenture by The Regents, then and in that case, at the election of The Regents (evidenced by a Certificate of The Regents, filed with the Trustee, signifying the intention of The Regents to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of General Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of The Regents under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture and except for the obligation of The Regents to pay any amounts under and to otherwise satisfy all of its obligations to the Trustee under the Indenture. In such event, upon Request of The Regents, the Trustee shall cause an accounting for such period or periods as may be requested by The Regents to be prepared and filed with The Regents and shall execute and deliver to The Regents all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee and any paying agent shall pay over, transfer, assign or deliver to The Regents all moneys or securities or other property held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture then all liability of The Regents in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the owner thereof shall be entitled only to payment of the principal of and interest on such Bond by The Regents.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be--

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV of the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) Defeasance Obligations the principal of and interest on which when due will provide money sufficient to pay the principal, premium, if any, and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal, premium, if any, and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV of the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of The Regents) to apply such money to the payment of such principal and interest with respect to such Bonds.

Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or interest on any Bonds and remaining unclaimed for two years after such principal or interest on the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys deposited after said date when such principal or interest on the Bonds became due and payable, shall, upon Request of The Regents, be repaid to The Regents free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to The Regents as aforesaid, the Trustee, as the case may be, shall at the request of The Regents (at the cost of The Regents) first mail a notice, in such form as may be deemed appropriate by the Trustee, to the owners of the Bonds so payable and not presented and with respect to the provisions relating to the repayment to The Regents of the moneys held for the payment thereof.

THE CONTINUING DISCLOSURE AGREEMENT

The Continuing Disclosure Agreement sets forth the covenants of The Regents to provide certain financial information and operating data relating to the Bonds. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Continuing Disclosure Agreement.

The Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") is being executed and delivered by The Regents of the University of California ("The Regents") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in connection with the issuance of the 2013 Securities, to be issued pursuant to the Indenture. Pursuant to the provisions of the Indenture, The Regents and the Trustee covenant and agree as follows:

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is being executed and delivered at closing by The Regents and the Trustee for the benefit of the Holders and Beneficial Holders (as such terms are defined in the Indenture) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in the Indenture (see "Definitions" above), which apply to any capitalized term used in the Continuing Disclosure Agreement unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

Annual Report shall mean any Annual Report provided by The Regents pursuant to, and as described in, Sections 3 and 4 of the Continuing Disclosure Agreement.

Disclosure Representative shall mean the Executive Vice President - Chief Financial Officer of the University of California or his designee, or such other officer or employee as The Regents shall designate in writing to the Trustee from time to time.

Dissemination Agent shall mean the Trustee, acting in its capacity as Dissemination Agent under the Continuing Disclosure Agreement, or any successor Dissemination Agent designated in writing by The Regents and which has filed with the Trustee a written acceptance of such designation.

Listed Events shall mean any of the events listed in Section 5(A) or (B) of the Continuing Disclosure Agreement.

Participating Underwriter shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repository shall mean the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

Rule shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SEC shall mean the Securities and Exchange Commission and any successor agency thereto.

State shall mean the State of California.

Provision of Annual Reports. (A) The Regents shall, or shall cause the Dissemination Agent to, not later than seven (7) months after the end of the Fiscal Year of The Regents (presently June 30), commencing with the Annual Report for the Fiscal Year ending June 30, 2013, provide to the Repository an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements relating to the Bonds may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such audited financial statements are not available by that date. If the Fiscal Year of The Regents changes, The Regents shall give notice of such change in the same manner as for a Listed Event under Section 5(E) of the Continuing Disclosure Agreement. If The Regents provides the Annual Report to the Repository, it shall notify the Dissemination Agent that it has done so.

(B) Not later than fifteen (15) Business Days prior to the date specified in subsection (A) for providing the Annual Report to the Repository, The Regents shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact The Regents and the Dissemination Agent to determine if The Regents is in compliance with the first sentence of this subsection (B).

(C) If the Trustee is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (A), the Trustee shall send a notice, in electronic format unless otherwise designated by the SEC, to the Repository in substantially the form attached as Exhibit A to the Continuing Disclosure Agreement.

(D) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository; and

(ii) file a report with The Regents and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to the Continuing Disclosure Agreement, stating the date it was provided to the Repository.

Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(A) The audited financial statements of The Regents for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to public colleges and universities. If such audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format that complies with current Generally Accepted Accounting Principles, and the audited financial statements shall be filed in the same manner as the Annual Report when such financial statements become available.

(B) The amount of General Revenues as of the end of the prior Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of The Regents, which have been filed with the Repository or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Regents shall clearly identify each such other document so included by reference.

Reporting of Significant Events.

(A) Pursuant to the provisions of Section 5 of the Continuing Disclosure Agreement, The Regents shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(B) The Regents shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph (A)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Holders;

3. Optional, contingent or unscheduled Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(C) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that The Regents promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (E).

(D) Whenever The Regents obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (B) or otherwise, The Regents shall as soon as possible determine if such event would be material under applicable federal securities laws.

(E) If The Regents learns of the occurrence of a Listed Event described in Section 5(A) of the Continuing Disclosure Agreement, or determines that knowledge of a Listed Event described in Section 5(B) of the Continuing Disclosure Agreement would be material under applicable federal securities laws, The Regents shall instruct the Trustee to file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB within ten business days of occurrence. If the Trustee has been instructed by The Regents to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository, with a copy to The Regents. Notwithstanding the foregoing, notice of Listed Events described in subsections (A)(7) and

(B)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

Termination of Reporting Obligation. The Regents' obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, The Regents shall give notice of such termination in the same manner as for a Listed Event under Section 5(E) of the Continuing Disclosure Agreement.

Dissemination Agent. The Regents may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by The Regents pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, The Regents and the Trustee may amend the Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by The Regents that does not adversely affect its rights or increase its duties under the Continuing Disclosure Agreement), and any provision of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(A) If the amendment or waiver relates to certain portions of the sections relating to the provision of annual reports, or the content of annual reports or the list of significant events, such amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(B) The Continuing Disclosure Agreement, as amended or taking into account the waiver proposed, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(C) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Holders of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, The Regents shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by The Regents. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements,

(i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(E) of the Continuing Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent The Regents from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If The Regents chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, The Regents shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of The Regents or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 50% aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to it, shall), or any Holder or Beneficial Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause The Regents or Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of The Regents or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is made applicable to the Continuing Disclosure Agreement as if the Continuing Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and The Regents agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Continuing Disclosure Agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of The Regents under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of The Regents, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Notices. All notices or communications to or among any of the parties to the Continuing Disclosure Agreement shall be given as provided in the Continuing Disclosure Agreement. Any person may, by written notice to the other persons listed in the Continuing Disclosure Agreement, designate a different address or telephone number(s) or fax number(s) to which subsequent notices or communications should be sent.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION FOR 2013 SECURITIES

[Closing Date]

The Regents of the University of California
Oakland, California

The Regents of the University of California
General Revenue Bonds, 2013 Series AF, 2013 Series AG (Taxable)
and 2013 Series AH (Taxable Fixed Rate Notes)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to The Regents of the University of California ("The Regents") in connection with the issuance by The Regents of $805,905,000 aggregate principal amount of The Regents of the University of California General Revenue Bonds, 2013 Series AF (the "2013 Series AF Bonds"), $501,170,000 aggregate principal amount of The Regents of the University of California General Revenue Bonds, 2013 Series AG (Taxable) (the "2013 Series AG Bonds") and $286,515,000 aggregate principal amount of The Regents of the University of California General Revenue Bonds, 2013 Series AH (Taxable Fixed Rate Notes) (the "2013 Series AH Notes," and collectively with the 2013 Series AF Bonds and 2013 Series AG Bonds, the "Bonds") pursuant to an Indenture, dated as of September 1, 2003, by and between The Regents and The Bank of New York Mellon Trust Company, N.A. as successor in interest to BNY Western Trust Company, as trustee (the "Trustee"), as heretofore supplemented and as supplemented by the Thirty-Second Supplemental Indenture, the Thirty-Third Supplemental Indenture and the Thirty-Fourth Supplemental Indenture, each dated as of March 1, 2013, by and between The Regents and the Trustee (as so supplemented, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate with respect to the 2013 Series AF Bonds, dated the date hereof (the "Tax Certificate"), opinions of counsel to The Regents and the Trustee, certificates of The Regents, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than The Regents. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2013 Series AF Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public corporations in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of The Regents.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, The Regents. To the extent set forth in the Indenture, the Indenture creates a valid pledge to secure the payment of the principal of, and interest on, the Bonds, of the General Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture; provided, however, that the pledge of the General Revenues shall in all respects be junior to any future Indebtedness secured by a Senior Lien, as and to the extent provided in the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of The Regents except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

4. Interest on the 2013 Series AF Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and interest on the

Bonds is exempt from State of California personal income taxes. Interest on the 2013 Series AF Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We observe that interest on the 2013 Series AG Bonds and the 2013 Series AH Notes is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Per

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties that may be imposed under the Code, or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

Introduction. The information set forth in this Appendix E under the subheading "General" has been provided by The Depository Trust Company ("DTC"). Neither The Regents of the University of California ("The Regents") nor the Underwriters of the 2013 Securities make any representation as to its accuracy or completeness. Capitalized terms used herein which are not otherwise defined herein shall have the meaning set forth in the front portion of the Official Statement or in APPENDIX C under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT – THE INDENTURE - Definitions."

The Beneficial Owners should confirm the following information with DTC or the DTC Participants.

So long as Cede & Co. is the registered holder of the 2013 Securities, as nominee of DTC, references in the Official Statement, including the Appendices thereto, to the Holders of the 2013 Securities (other than as set forth under "Tax Matters") shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2013 Securities.

THE REGENTS AND THE TRUSTEE SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER, WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL AND INTEREST DUE ON THE 2013 SECURITIES; (III) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE 2013 SECURITIES UNDER THE INDENTURE; (IV) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2013 SECURITIES; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE 2013 SECURITIES; OR (VI) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS THE BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2013 SECURITIES, WILL SEND ANY NOTICE OF REDEMPTION AND ANY OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF 2013 SECURITIES CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

General. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for The Regents of the University of California General Revenue Bonds 2013 Series AF (the "2013 Series AF Bonds"), General Revenue Bonds 2013 Series AG

(Taxable) (the "2013 Series AG Bonds") and General Revenue Bonds 2013 Series AH (Taxable Fixed Rate Notes) (the "2013 Series AH Notes" and together with the 2013 Series AF Bonds and the 2013 Series AG Bonds, the "2013 Securities"). The 2013 Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate for each maturity will be issued for each Series of the 2013 Securities, in the aggregate principal amount of such Series, and will be deposited with DTC. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the front portion of the Official Statement or in APPENDIX C - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTINUING DISCLOSURE AGREEMENT."

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information contained in such websites is not incorporated by reference herein.

Purchases of 2013 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Securities on DTC's records. The ownership interest of each actual purchaser of each 2013 Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2013 Securities, except in the event that use of the book-entry system for the 2013 Securities is discontinued.

To facilitate subsequent transfers, all 2013 Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Securities 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 2013 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Securities, such as redemptions, tenders, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of 2013 Securities may wish to ascertain that the nominee holding 2013 Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2013 Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013 Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to The Regents as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2013 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2013 Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from The Regents or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or The Regents, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of The Regents or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2013 Securities at any time by giving reasonable notice to The Regents or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered in accordance with the provisions set forth in the Indenture.

The Regents may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered in accordance with the provisions set forth in the Indenture.

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THE REGENTS OF THE UNIVERSITY OF CALIFORNIA • GENERAL REVENUE BONDS, 2013 SERIES AF, 2013 SERIES AG AND 2013 SERIES AH

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