FINANCIAL UPDATE

Marquette University Financial Update
Questions and Answers
October 13, 2008

Given the current financial market situation, how is Marquette University’s financial health?

Marquette's finances are in good condition because the university budgets conservatively, plans for changes during budget cycles, and has strong operating and capital budgeting controls. Academic operations are stable and financial reserves are sufficiently liquid to fund operations. Recently, Moody’s, a major credit rating agency, reviewed Marquette’s financial situation and gave the university an A2 rating. Only four other Catholic universities have a higher rating than Marquette.

Are the university's current cash reserves safe?

Yes. Marquette’s operating funds are widely diversified and invested only in AAA securities. Of the monies invested, there are three funds used by Marquette that have been significantly impacted by the turmoil of the credit markets. Earlier this year, the university was informed that BlackRock Money Market fund was being dissolved. Marquette will receive a full redemption of its investment by October 2009. The university has also invested in state auction rate securities through UBS. Under an agreement with the Securities Exchange Commission, the securities will be redeemable in January 2009. Although Marquette has used the Common Fund in the past, we currently maintain only a minimum balance.

With the problems of the credit markets, can the university borrow funds if/when it needs to?

Recently, Marquette’s solid financial rating was affirmed in the credit market by a recent successful sale of $37 million in bonds. The proceeds will be used to fund the construction of the new Eckstein Hall. A second borrowing for Eckstein Hall and renovation of the recently acquired Marquette Apartments into a residence hall will occur later this year.

What is our exposure to companies that have failed or are at risk, such as Lehman Brothers, AIG, etc.?

The university’s exposure has been minimal since we have had no direct involvement with Merrill Lynch, Bear Stearns, Washington Mutual, AIG, Wachovia (other than through our minimum balance in the Common Fund, where Wachovia served as a trustee) and Goldman Sachs. The university has had a relationship with Lehman Brothers in the past as a co-lead
underwriter for bond issues. With the dissolution of Lehman Brothers, our other co-lead underwriter, Robert W. Baird & Co., has assumed the primary role for the sale of the 2008 bonds.

How do you assess our investment performance over the past two years?

As of August 31, 2008, Marquette University’s two-year annualized endowment return of 5.2%, net of fees, represents an outperformance of 2.1% when compared to the Broad Policy Return of 3.1%.

What is our current and long term investment strategy, given the effects of the financial crisis?

In periods of significant financial challenge, it is imperative to focus on the long-term return objective and to remain steadfast about asset class diversification. The investment strategy for Marquette’s endowment has been to make a 5 percent annual return available for university spending, and to achieve market value appreciation large enough to offset the negative effects of inflation and investment manager expenses. This investment strategy will not change. In the long term, the current crisis will create opportunities for prudent investors, such as Marquette.

Are employee retirement funds secure?

Faculty and staff participate in the university's Defined Contribution Plan, which directs university funds and their own savings each payroll to TIAA-CREF. These funds, held in separate accounts for each participant, are invested at the participant's direction in a multitude of investment vehicles.

TIAA-CREF has extended its hours for telephone counseling, and employees are encouraged to contact TIAA-CREF directly at 1-800-842-2252 or 1-800-842-2776, or to consult with their financial planner or investment adviser as to the best retirement investment strategy. TIAA-CREF has also posted a Frequently Asked Questions page on its web site.

How do these events affect students?

Marquette participates in the Federal Direct Student Loan Program, which has the full backing and support of the United States Government. The biggest challenge for students and their families will be accessing private, alternative loan programs to supplement grants and scholarships provided by federal, state and institutional sources for tuition and living expenses. Marquette will continue to work with students and families in order to try to best assist them in obtaining resources to meet their financial needs.
Does the crisis have an impact on the present budget?

Our FY 2009 budget should not be affected significantly. As a general rule, Marquette budgets conservatively and builds flexibility and contingencies into the annual budget plan. We also have strong operating and capital budget controls, which allow us to closely monitor revenue and expenses throughout the year.

Given the current economic crisis, will Marquette be able to raise funds?

Marquette completed the two most successful fund raising years in its history in FY2008 and 2007, raising $130 million and $102 million respectively. The current economic downturn may affect some donors’ ability to support the university in FY2009; a contingency plan has been made for this year’s budget.

University Advancement continues to work closely with donors at all levels, with emphasis on raising money for scholarships and for the completion of the Law and Engineering campaigns.

Will the university stop any capital projects (e.g. construction and renovations) because of the difficult financial markets?

Funding for the construction of Eckstein Hall and Zilber Hall and for the renovation of the Marquette Apartments was secured through the tax-exempt proceeds of the 2007 and 2008 bonds, or through the approved 2008 capital budget. These and other approved projects will continue through their conclusion. Capital for future major building projects will be dependent upon donor contributions and available bridge financing through the credit markets. The university will continue to prioritize and fund its structured deferred maintenance program, technology and vehicle replacements through the annual capital budget process.