

**FILE COPY**

***The University of Texas Investment  
Management Company***



***Presentation Materials  
Board of Directors Meeting***

*September 29, 2004*

**Notice of Open Meeting of the  
Board of Directors of  
The University of Texas Investment  
Management Company**

**September 29, 2004**

Hotel Crescent Court  
400 Crescent Court  
Dallas, Texas

**Convene at 10:00 a.m.**

**Open Session:**

Call to Order/Consideration of Minutes of September 15, 2004 Meeting\*

Discussion and Consideration of Proposed Investments (if necessary):

- Report from Liquidity Committee
- Non-Marketable Alternative Investments\*
- Marketable Alternative Investments\*
- Public Markets Investments\*

Endowment and Operating Funds Update:

- Asset Allocation, Risk and Performance
- Liquidity Profile
- Report of Derivative Applications
- Report from Cambridge Associates Annual University Conference
- Competitiveness: Asset Allocation Policy

UTIMCO Board Meeting Plan for 2004-2005

Consideration of External Board Service\*

Presentation on Public Markets Investments

**Lunch**

Customer Satisfaction Survey Results

Discussion and Consideration of Proposed Changes to Corporate Documents:

- Delegation of Authority Policy\*
- Liquidity Policy\*( \*\*) and Charter of the Liquidity Committee\*
- Bylaws\*, Investment Management Services Agreement\*

Discussion and Consideration of Rebate of UTIMCO Cash Reserves\*

Report from Compensation Committee:

**Executive Session**

Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to consider the compensation committee report.

**Reconvene into Open Session**

- Consideration of Compensation Committee Recommendation\*

Discussion and Consideration of Committee Assignments\*( \*\*)

Website Demonstration

Adjournment

\* Action by resolution required

**\*\*Resolution requires further approval from the U. T. System Board of Regents**

*Posted: September 24, 2004*

*By: The University of Texas Investment Management Company*

**TAB 1**



**Resolution No. 1**

RESOLVED, that the minutes of the meeting of the Board of Directors held on **September 15, 2004** be, and is hereby, approved.

**MINUTES OF THE MEETING OF  
THE BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 3:00 p.m. on the **15th day of September 2004**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Town Lake Conference Room, 221 West 6th Street, Austin, Texas, 78701, said meeting having been called by the Chairman, Woody L. Hunt, with notice provided to each member in accordance with the Bylaws. The audio portion of the open meeting was electronically recorded.

Participating in the meeting were the following members of the Board:

Woody L. Hunt, Chairman  
J. Luther King, Jr., Vice-Chairman  
Mark G. Yudof, Vice-Chairman for Policy  
John W. Barnhill, Jr.  
Susan M. Byrne  
Rita C. Clements  
J. Philip Ferguson  
I. Craig Hester

thus, constituting a majority and quorum of the Board. Director R. H. (Steve) Stevens, Jr. was not present at the meeting. Also, attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Bill Edwards, Managing Director of Information Technology; Trey Thompson, Co-Managing Director – Non-Marketable Alternative Investments; Jerry Turner, legal counsel for the Corporation; Philip Aldridge, Charlie Chaffin, Brandon Duck, and Michael Warden of U. T. System Administration; Bruce Myers of Cambridge Associates; and Greg Smith of Mercer Human Resource Consulting. Mr. Hunt called the meeting to order at 3:00 p.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

**Minutes**

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on July 15, 2004. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on  
**July 15, 2004** be, and is hereby, approved.

Chairman Hunt explained reasons for delay in providing materials for the meeting, and gave an update on the selection process for the new Director positions.

## UTIMCO Compensation Program

Mr. Hunt called for a report of the Compensation Committee. Mr. King delegated the reporting to Ms. Byrne, a member of the Compensation Committee. Ms. Byrne reported that the Compensation Committee met on Monday, September 13, 2004. The Committee approved the minutes of the Compensation Committee meeting of July 14, 2004 and approved the UTIMCO Compensation Program as presented today.

Mr. Hunt then gave an overview of the changes to the proposed plan and the philosophy behind the changes and specifically spoke to the change to peer group comparison versus benchmark. He also noted the proposed effective date of September 1, 2003. Mr. Hunt explained why the plan proposed a past effective date, which was primarily due to the fact that passage was contingent upon the process of developing a new asset allocation which was delayed by more than twelve months and not finalized until December 2003. The Compensation Committee approved a new compensation plan, as soon as it was allowed to do so, also in December 2003, and the Board approved the plan at its next meeting in January 2004. However, the plan could not get on the agenda for subsequent Board of Regents meetings and was never placed into effect. A question was raised during discussion of the proposed plan regarding the fact that some participants were in an administrative capacity rather than investment professionals. Mr. Hunt supported the participants of the proposed plan citing the fact that all are an important part of creating a more competitive environment. Mr. Boldt also added the fact that to maintain top competitiveness, the Corporation is managing a much more diverse, more sophisticated portfolio. For the upper management to do well in investment matters, it is critical that they have correct data and smooth back office support. The administrative responsibilities must remain at a top level as well as the investment management. Mr. Yudof asked if there was data to support including administrative staff in the plan. Mr. Smith of Mercer Human Resource Consulting said that it was a common practice at premier endowments. Mr. Hester concurred as well, speaking as an independent director and owner of an investment firm. At this time, Mr. Ferguson stated that he felt very strongly that the September 1, 2003 effective date should be used. He stated his belief that the Compensation Committee and the Board did their job and approved a new plan as soon as they were allowed to do so in January 2004. If this date is not used, for any reason, he saw it as a serious breach of corporate governance. Mr. King and Ms. Byrne at this time spoke up and said that what Mr. Ferguson set forth in a direct way was the feeling of all members of the Compensation Committee. They felt that due process has been denied, and to be fair to the Staff and to the entire Board, the effective date of the plan needs to be September 1, 2003. (Mr. Ferguson, Mr. King and Ms. Byrne are all independent board members and all members of the Compensation Committee members.) Mr. Hunt thanked the Directors for their participation in the call and the evident importance all Board members have placed on finalizing the process. Mr. Hunt and Mr. Boldt answered the Directors' final questions. Upon motion duly made and seconded, giving Chairman Hunt flexibility to make editorial changes to the plan as necessary, the following resolution was unanimously adopted:

RESOLVED, that UTIMCO Compensation Program, as recommended by the Compensation Committee be, and is hereby, approved in the form as presented to the Board, provided that the Chairman of the Board is granted the authority to make such non-substantive editorial changes as he deems necessary and appropriate.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:55 p.m.

Secretary: \_\_\_\_\_  
Joan Moeller

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Woody L. Hunt  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company

TAB 2

Resolutions to be handed out at the meeting if action is required.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

**Agenda Item:** Presentation of a proposed commitment to Knightsbridge Venture Capital VI, L.P.

**Developed By:** McMahan

**Presented By:** McMahan

**Type of Item:** Possible Action Item during Open Session

**Description:** Knightsbridge Venture Capital VI is a venture capital fund-of-funds managed by a firm with a twenty-one year history of successful venture capital partnership investing.

**Recommendation:** UTIMCO Staff recommends a \$25,000,000 commitment to Knightsbridge Venture Capital VI, L.P.

**Discussion:** The staff supports making this commitment as it will allow the endowments to increase its exposure to early-stage venture capital firms with a consistent history of top-quartile performance.

**Reference:** Delegation of Authority Policy; Investment Memorandum

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

**Agenda Item:** Presentation of a proposed commitment to Union Square Ventures, L.P.

**Developed By:** McMahan

**Presented By:** McMahan

**Type of Item:** Possible Action Item during Open Session

**Description:** Union Square Ventures, L.P. is an early-stage venture capital fund.

**Recommendation:** UTIMCO Staff recommends a \$25,000,000 commitment to Union Square Ventures, L.P.

**Discussion:** The staff supports making this commitment as it will allow the endowments to invest with a proven manager that will take advantage of a unique opportunity in early-stage venture capital.

**Reference:** Delegation of Authority Policy; Investment Memorandum



**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Presentation of a proposed capital allocation to Blue Ridge Offshore LP.
- Developed By:** Cathy Iberg
- Presented By:** Cathy Iberg
- Type of Item:** Possible Action Item during Open Session
- Description:** Blue Ridge, a current UTIMCO investment, is a well-regarded and successful investment manager in the hedge fund industry that invests in global long/short equity securities. Blue Ridge was founded by John Griffin in 1996 subsequent to his departure from Tiger Management where he served as President. Blue Ridge is characterized by a stable asset base, which is comprised of mainly endowments, foundations, and family/friends.
- Recommendation:** UTIMCO Staff recommends an additional investment of up to \$75,000,000 in Blue Ridge Offshore LP.
- Discussion:** The staff supports an allocation to Blue Ridge Offshore LP, as Blue Ridge offers superior risk-adjusted returns and enhanced diversification to the Marketable Alternatives portfolio. Blue Ridge remains closed to outside investors but selectively opens the fund to current investors from time to time. More recently, Blue Ridge indicated additional capital may be made available to current investors due to tax-related and rebalancing issues at the end of the year. By taking advantage of the additional capacity, UTIMCO would be positioning Blue Ridge as a core investment in the Marketable Alternatives portfolio.
- Reference:** Delegation of Authority Policy; Investment Memorandum

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Presentation of a proposed capital allocation to K Capital (US Dollar) Ltd.
- Developed By:** Cathy Iberg
- Presented By:** Cathy Iberg
- Type of Item:** Possible Action Item during Open Session
- Description:** K Capital is an established investment manager that focuses primarily on European event driven equity and fixed income securities. The Fund invests primarily in the European region but also in the US across various strategies: merger arbitrage, spin-offs/de-mergers, special situations, liquidations, "stub" arbitrage, capital structure arbitrage, privatizations, and restructurings. K Capital was founded in 1999 by Abner Kurtin and Thomas Knott, both of whom had previously been employed at The Baupost Group, a successful Boston-based hedge fund. The firm currently manages approximately \$3.1 billion in assets.
- Recommendation:** UTIMCO Staff recommends an investment of up to \$50,000,000 in K Capital (US Dollar) Ltd.
- Discussion:** The staff supports an allocation to the K Capital Fund, as K capital provides increased exposure to European special situations in the Marketable Alternatives program which is currently lacking. K Capital finds the opportunity set within the European market attractive and seeks to capitalize on the opportunities through its intensive and fundamental research process. As part of the investment process for a particular investment, K Capital focuses on the intrinsic value, growth of the intrinsic value, a catalyst that will unlock that value, and the timing of the catalyst realization. K Capital is managed by Abner Kurtin and a team of investment professionals, all of whom have deep experience in European and event driven investing.
- Reference:** Delegation of Authority Policy; Investment Memorandum

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Presentation of a proposed capital allocation to Millgate International, Ltd.
- Developed By:** Cathy Iberg
- Presented By:** Cathy Iberg
- Type of Item:** Possible Action Item during Open Session
- Description:** Millgate International is a global (ex US) long/short equity fund that utilizes a cash-flow driven and contact-intensive approach as its investment methodology. James Lyle, the portfolio manager and co-founder of Millgate, is an experienced and established portfolio manager having previously held positions at both Tiger Management and Fidelity. Millgate Capital was founded in 1997 and manages approximately \$1.1 billion in assets today.
- Recommendation:** UTIMCO Staff recommends an investment of up to \$50,000,000 in Millgate International, Ltd.
- Discussion:** The staff supports an allocation to Millgate International, as Millgate provides the Marketable Alternatives program with global (ex US) equity exposure through a disciplined and fundamentally-driven investment process. The portfolio manager of Millgate, James Lyle, has extensive experience in the investment management field, and, as such, has developed numerous contacts that aid in the research process. The objective of the Fund is long-term capital appreciation and preservation.
- Reference:** Delegation of Authority Policy; Investment Memorandum

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Presentation of a proposed capital allocation to Steadfast International, Ltd.
- Developed By:** Cathy Iberg
- Presented By:** Cathy Iberg
- Type of Item:** Possible Action Item during Open Session
- Description:** Steadfast Capital is a value-based long/short equity fund that specializes in the financial, bank, restaurant, and insurance sectors while also covering the energy, healthcare, technology, and business services sectors. The firm was founded in 1997 by Robert Pitts, previously a Managing Director at Tiger Management, and has approximately \$385 million in assets under management today.
- Recommendation:** UTIMCO Staff recommends an investment of up to \$50,000,000 capital in Steadfast International, Ltd.
- Discussion:** The staff supports an allocation to Steadfast Capital, as Steadfast is an established investment manager with a research-intensive investment discipline. Particularly attractive are the relatively small and stable asset base of Steadfast and the expertise of the portfolio manager in the financial sector. Steadfast strives to generate attractive rates of return over long periods of time and places an importance on the preservation of capital.
- Reference:** Delegation of Authority Policy; Investment Memorandum

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Executive Review of Westport Asset Management Small Cap Fund
- Developed By:** Goldsmith
- Presented By:** Goldsmith
- Type of Item:** Option to Review Election
- Description:** Westport Asset Management is a small, bottom-up oriented stock picking firm located in Westport, CT. They invest strictly in small capitalization equities, with a value orientation. They are independently owned and the two lead portfolio managers have over 60 years of combined investment experience. Westport currently manages approximately \$2.6 billion for 32 institutional clients (23 Endowments/Foundations, including Harvard) and \$1.4 billion in 2 publicly traded mutual funds that mirror the institutional client investment process.
- Westport has an excellent long term track record, outperforming the Russell 2000 benchmark by 525 basis points per annum over the past 16 years, taking on a lower risk profile even while managing a concentrated 30-50 stock portfolio. Their clients have remained extremely loyal, losing only two accounts over the past 4 years. Westport's enviable client list includes other such blue-chip accounts as Doris Duke, Emory and Georgetown.
- UTIMCO has engaged Westport to diversify the domestic small cap equity space and believes that their contrarian, value-oriented approach will be an excellent complement to the existing small cap roster.
- Recommendation:** No action required.
- Discussion:** Westport possesses all of the classical attributes that UTIMCO wishes to see in an active manager, including:
- 1) They are independently owned and operated.
  - 2) They are dedicated to a singular product and investment style.
  - 3) They have a long-term track record of success against benchmarks and peers.
  - 4) They are comfortable partnering on performance-based terms with UTIMCO.
  - 5) While their long-term numbers are outstanding, the last several years have been more difficult. Staff, as a rule, prefers to engage talented managers, hopefully, at the end of a near term down cycle in their results.
- Reference:** PUF and GEF Investment Policies; Delegation of Authority Policy

**Westport Asset Management – Small Cap Fund  
Investment Recommendation  
Executive Summary**

UTIMCO Responsibility	Investment Description	Asset Category	Current/Pro Forma Exposure in Asset Category	Liquidity Profile	Existing Exposure	Proposed Investment	Total Proposed + Existing Exposure	Actual/Pro Forma Total Illiquidity
Public Markets	Small Cap	Domestic Equities	22.7%/22.7%	Liquid	\$0	\$125,000,000	\$125,000,000	NA

### **INVESTMENT SUMMARY**

- UTIMCO staff has been diligently searching for active equity managers who possess the organizational strength, investment skill, and portfolio composition to outperform passive indices over longer-term time frames.
- Within the Domestic Equity asset class, small cap investing remains a stock selection universe with strong PVA opportunity.
- Westport Asset Management represents a fortuitous opportunity to invest with a long-standing, highly regarded, small cap manager who has been previously “closed” to new business for an extended period of time.
- Westport Asset Management’s Value-Added Advantages:
  - Andy Knuth and Ed Nicklin bring over 64 years of combined dedicated investment experience to the small cap investment space. All Westport invests in are small cap stocks, having managed this investment process for over 20 years from the same small office in Westport, Connecticut.
  - Westport manages a concentrated portfolio of 30 stocks that takes a contrarian, value-oriented approach that seeks to buy stocks forecasted to gain 50-100% in return over the next 18-24 months.
  - Over the last 5 and 10 year periods, respectively, Westport has added 419 and 624 basis points, respectively per annum, over the Russell 2000 benchmark for a blue chip client list that includes Harvard’s Endowment. Their assets currently total \$2.6 billion.
  - Westport has been closed for the last 3 years and has a singular opening due to a client’s reduction of assets below Westport’s minimum threshold. Westport will close again given an investment by the UT Endowments.

### **RECOMMENDATION**

- UTIMCO staff recommends an initial \$125 million commitment to Westport Asset Management. As of August 2004, this total commitment would have represented approximately 13.1% of the current small cap equity allocation and 4.5% of the total endowment allocation to Domestic Equities.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

**Agenda Item:** Executive Review of PIMCO TIPS Investment

**Developed By:** Goldsmith

**Presented By:** Goldsmith

**Type of Item:** Follow-up to Option to Review Election

**Description:** PIMCO is respected as a world leader in effective fixed income management. They have been successfully investing in Treasury Inflation Protection Securities (TIPS) portfolios since the securities' U.S inception in 1997. During that period of time, they have compiled an impressive track record, outperforming their benchmark – the Lehman U.S. TIPS Index by 109 bps and 67 bps per annum over the last 5 and 3 years, respectively.

UTIMCO has engaged PIMCO to diversify the nearly \$600 million in TIPS assets on behalf of the UT Endowments with internal fixed income staff.

**Recommendation:** No action required.

**Discussion:** PIMCO has over \$20 billion in TIPS assets under management - including the largest real return bond mutual fund at \$11.3 billion. Their years of experience, expertise, and effectiveness across all available fixed income assets (among the longest and most respected), make them a prime candidate to diversify the \$600 million in TIPS assets invested in by the UT Endowments.

Current internal staff, while highly capable to manage these assets, does not have either the market reach or the depth of tools available to match PIMCO's capabilities and it is staff's perspective that a diversification of efforts will be additive to the long term PVA interests of the UT Endowments.

Additionally, staff secured this contract with PIMCO under highly favorable terms which include a 100% rebate of any annual fees should they underperform their benchmark.

**Reference:** PUF and LTF Investment Policies; Delegation of Authority Policy

**PIMCO – TIPS Portfolio  
Investment Recommendation**

UTIMCO Responsibility	Investment Description	Asset Category	Current/Pro Forma Exposure in Asset Category*	Liquidity Profile	Existing Exposure	Proposed Investment	Total Proposed + Existing Exposure	Actual/Pro Forma Total Illiquidity
Public Markets	TIPS	Inflation Hedged	11.9%/15.1%	Liquid	\$0	\$300,000,000	\$300,000,000	N/A

**Investment Manager:**

- Pacific Investment Management Company (PIMCO) is respected as a world-wide leader in effective fixed income management. PIMCO has been successfully investing in Treasury Inflation Protection Securities (TIPS) portfolios since the securities' U.S inception in 1997. During that period of time, they have compiled an impressive track record, outperforming their benchmark – the Lehman U.S. TIPS Index by 109 bps and 67 bps per annum over the last 5 and 3 years, respectively.
- PIMCO has over \$20 billion in TIPS assets under management - including the largest real return bond mutual fund at \$11.3 billion. Their years of experience, expertise, and effectiveness across all available fixed income assets (among the longest and most respected), make them a prime candidate to diversify the proposed \$600 million in TIPS assets to be invested in by the UT Endowments

**Investment Rationale:**

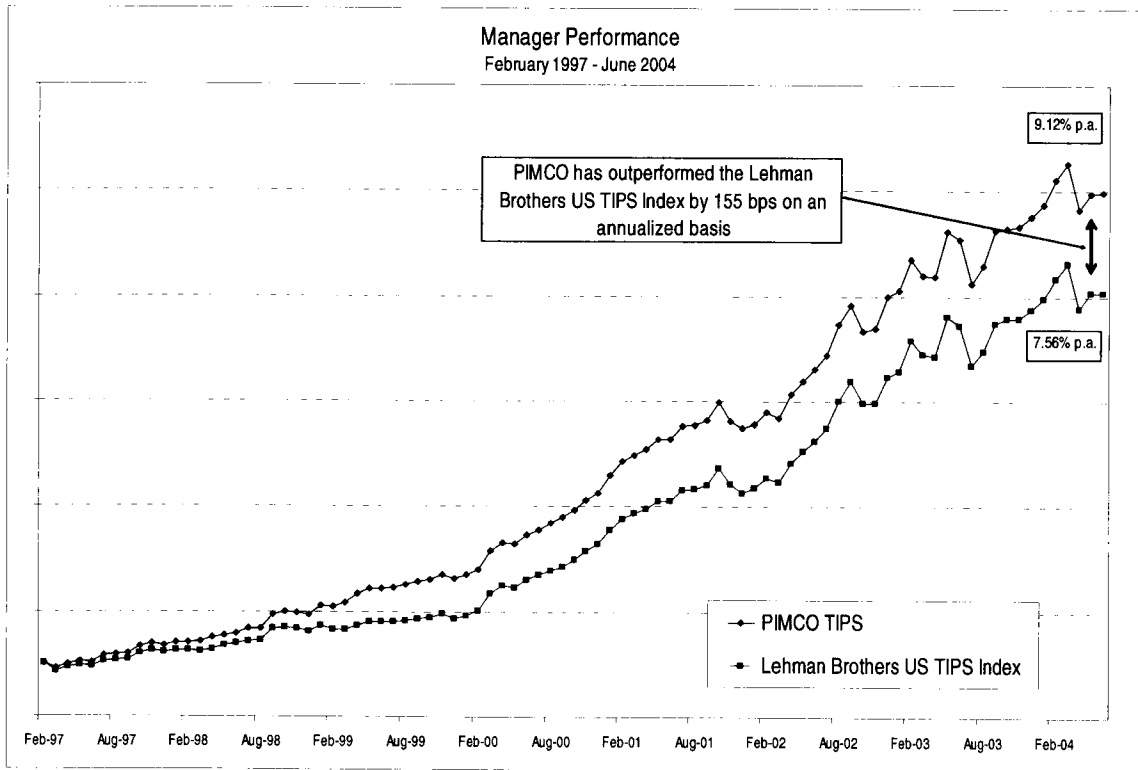
1. UTIMCO is actively engaged in building a \$600 million TIPS portfolio in order to reach the 5% policy allocation for this asset category. As of August 4, 2004, UTIMCO has purchased nearly \$400 million in TIPS that are currently being managed by internal staff.
2. The Internal fixed income staff at UTIMCO, while extremely capable, does not have the resources or experience to opportunistically deploy TIPS in the same fashion as PIMCO:
  - a. Significant presence in the marketplace, both in and out of Treasury auctions, to wield constructive pricing power on behalf of its clientele.
  - b. Ability to evaluate and deploy International TIPS constructively within the portfolio.
  - c. A constructive use of non-TIPS instruments to enhance and diversify the portfolio.
3. The UT endowments would benefit from a multiple manager approach to TIPS that has heretofore worked successfully in the traditional fixed income portfolio area.

**THE INFORMATION CONTAINED IN THIS DRAFT DOCUMENT IS COMMERCIAL OR FINANCIAL INFORMATION THE DISCLOSURE OF WHICH WOULD CAUSE SUBSTANTIAL COMPETITIVE HARM TO UTIMCO AND/OR TO THE PERSON OR ENTITY FROM WHOM THE INFORMATION WAS OBTAINED.**

\*Inflation Hedged Assets includes REITs, Commodities and TIPS. Pro forma exposure includes a full policy weighting for TIPS and Commodities as the Endowments are currently purchasing assets in order to reach a full policy weighting.



4. UTIMCO staff has negotiated an attractive annual fee arrangement which aligns the interests of the portfolio manager with that of the Endowments. The agreed upon base fee is less than half of PIMCO's standard fee, and the Endowments would pay nothing if PIMCO were to underperform the benchmark. In return, UTIMCO and PIMCO would share equally in the profits once the return exceeds 35 bps. over the benchmark.
  
5. While PIMCO has been able to outperform the Lehman Brothers US TIPS Index by 155 bps on an annualized basis, it has also done so with a low tracking error (.77%) and a beta exposure equivalent to that of the benchmark. PIMCO's high information ratio of 2.0 provides further evidence that they have historically added alpha through security selection over the benchmark.



**Management Fee Structure:**

UTIMCO staff has negotiated an attractive fee arrangement which aligns the interests of the portfolio manager with that of the Endowments. PIMCO has agreed to the following arrangements, to be evaluated and paid (if necessary) on an annual basis:

- A reduced flat annual fee..... from a traditional 25 bps. to 10bps.
- A reimbursement of the 10 bps. should their portfolio underperform their benchmark.
- No additional fee earned for value-added from 10 bps. to 35 bps. in excess of the TIPS benchmark.
- A 50% share of the profits on returns in excess of 35 bps. per annum.

UTIMCO staff feels that the TIPS Universe is modestly efficient. There are a limited number of securities (14 in the U.S. TIPS Index, compared to the typical Lehman Aggregate Universe of 5,000+ securities) and the expectation for high value-added is small and will most likely be relegated to curve positioning, international exposure, and in the opportunistic use of non-TIPS instruments (PIMCO-only).

Given these facts, the perceived end of the 20 year declining rate cycle in the U.S., and the relative uncertainty of the inflation environment going forward, we believe the value-added task versus the TIPS benchmark going forward will be more challenging than it has been so far since 1997. In other words, the days of the 1%+ per annum outperformance results generated by PIMCO historically are likely a thing of the past.

It is with this understanding that Staff feels that the negotiated fee arrangement is a more attractive arrangement for the UT Endowments going forward than PIMCO's standard flat fee. PIMCO understands UTIMCO's advantage of having highly skilled internal fixed income personnel and the fee arrangement above respects that if they can't perform, they will not be paid.

**CONCLUSION/RECOMMENDATION**

UTIMCO staff recommends a \$300 million commitment to PIMCO for a defined TIPS mandate. This will currently split the policy mandate for TIPS equally between internal staff and external management. PIMCO continues to represent leadership in the fixed income space and staff believes that extending their management capabilities to the TIPS space greatly improves the value-added potential of investing in this sub-asset class.

Staff encourages the approval of the proposed investment recommendation.

<b>Approved:</b>	
Bob Boldt	_____
Larry Goldsmith	_____

TAB 3

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

**Agenda Item:** Reports on Asset Allocation, Risk, and Performance

**Developed By:** Moeller, Hill

**Presented By:** Boldt

**Type of Item:** Information Item

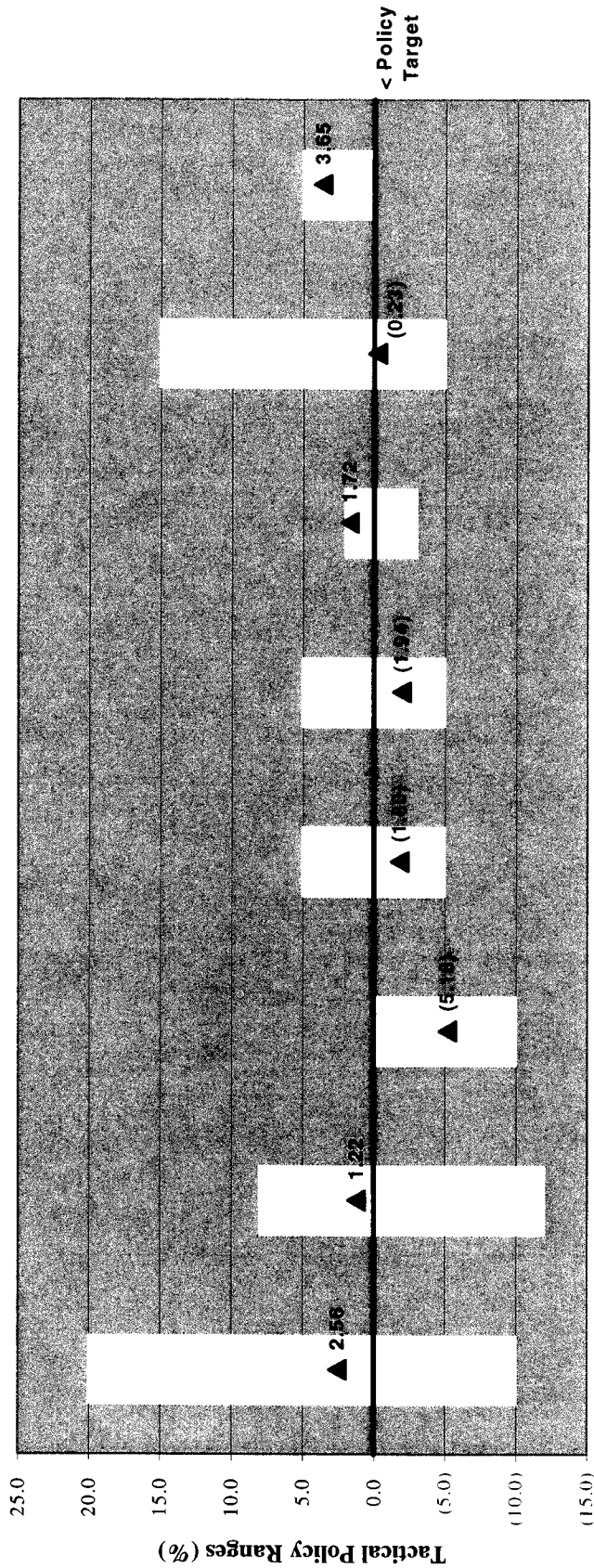
**Description:** The reports presented are for the periods ended August 31, 2004. (Except as noted)

**Recommendation:** No action required.

**Reference:** Market Exposure; Relative Risk Analysis; UTIMCO Performance Summary; Cumulative Value Added in Endowment Funds; Cumulative Value Added in Marketable Securities; Cumulative Value Added in Non-Marketable Securities; UTIMCO Endowment Funds vs. Cambridge Associates College and University Universe; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Greater Than One Billion Dollars; Performance Attribution; Public Markets Managers Investment Performance Detail

**Permanent University Fund  
Market Exposure  
August 31, 2004**

**Deviations From Policy Targets Within Tactical Policy Ranges**



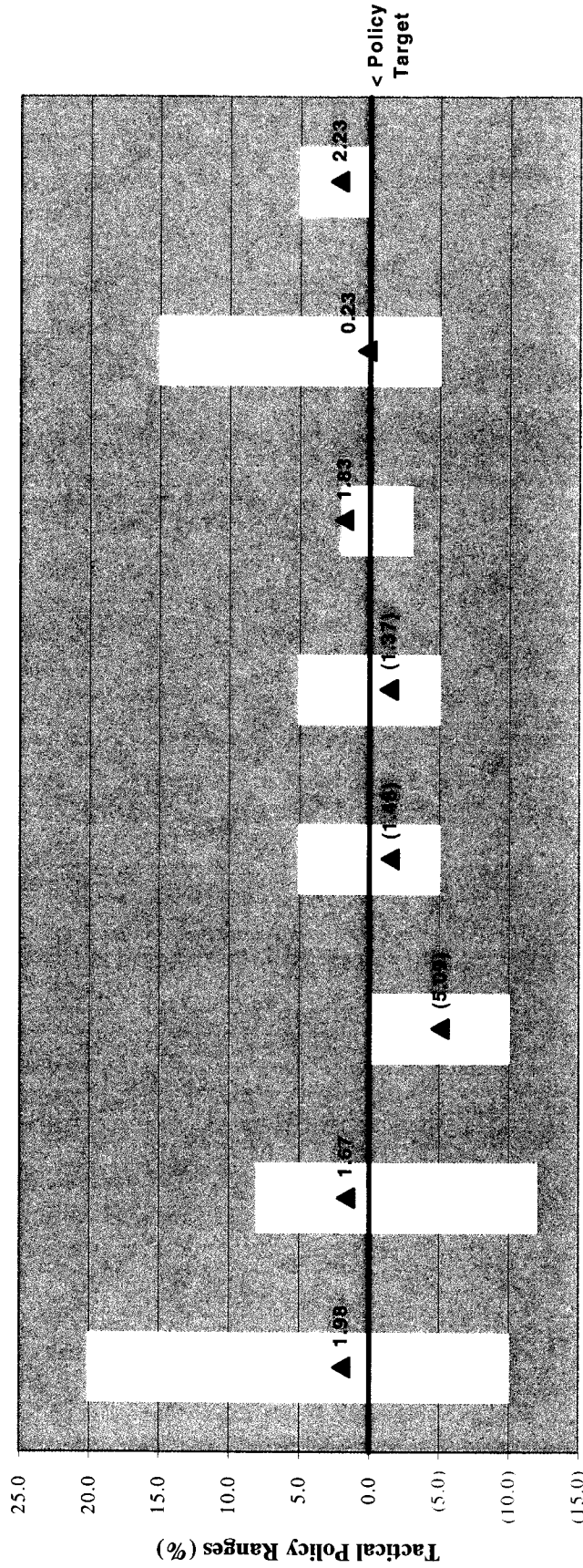
	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Absolute Return Hedge Funds	Commodities	Fixed Income	Cash
<b>Actual</b>	27.56%	18.22%	9.82%	8.20%	13.06%	4.72%	14.77%	3.65%
<b>Policy Target</b>	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
<b>Deviation</b>	2.56%	1.22%	-5.18%	-1.80%	-1.94%	1.72%	-0.23%	3.65%

<b>Deviation in Dollars (\$m)</b>	207.05	98.67	(418.95)	(145.58)	(156.90)	139.11	(18.60)	295.20
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**General Endowment Fund  
Market Exposure  
August 31, 2004**

**Deviations From Policy Targets Within Tactical Policy Ranges**

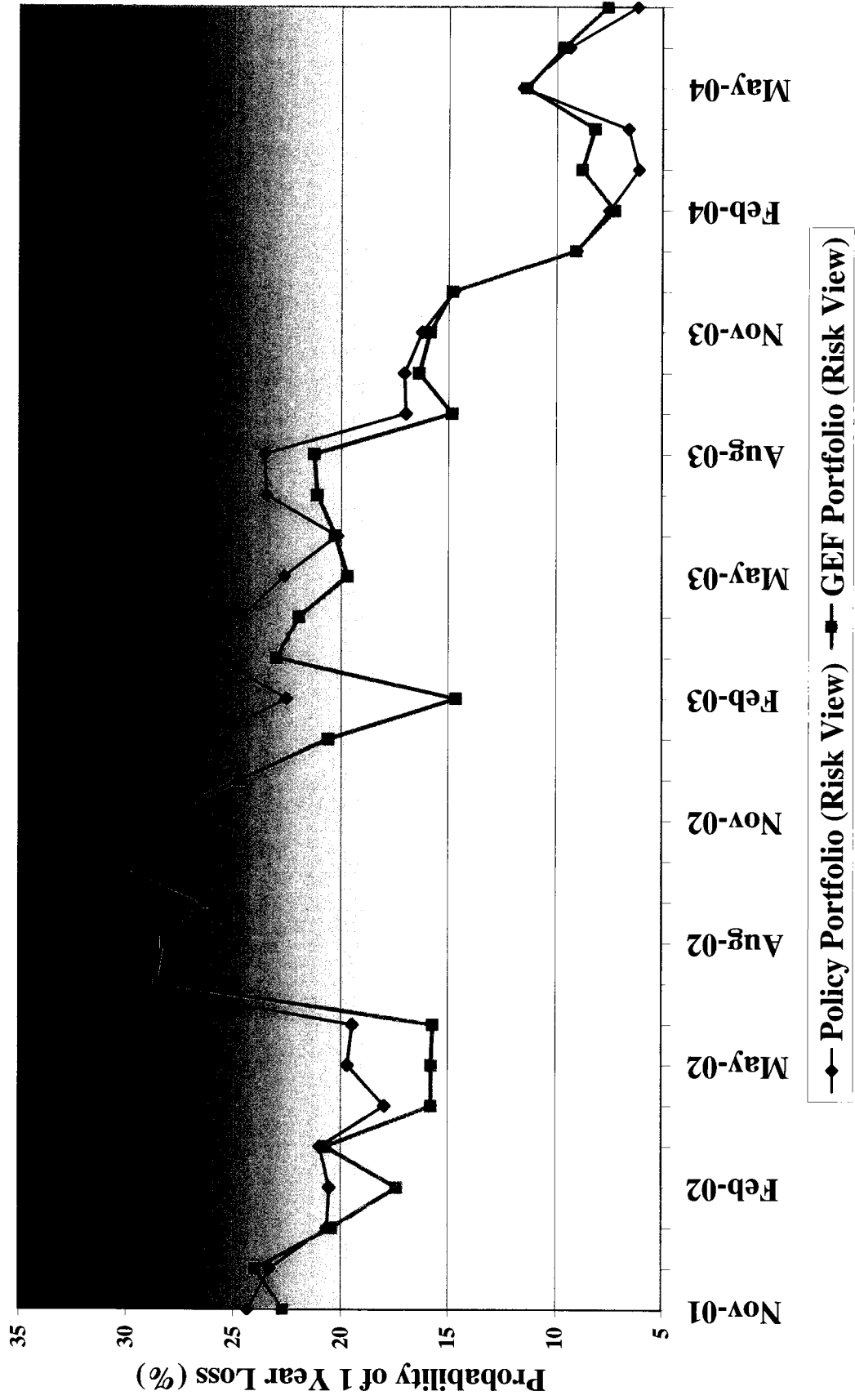


	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Absolute Return Hedge Funds	Commodities	Fixed Income	Cash
<b>Actual</b>	26.98%	18.67%	9.91%	8.52%	13.63%	4.83%	15.23%	2.23%
<b>Policy Target</b>	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
<b>Deviation</b>	1.98%	1.67%	-5.09%	-1.48%	-1.37%	1.83%	0.23%	2.23%

	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Absolute Return Hedge Funds	Commodities	Fixed Income	Cash
<b>Deviation in Dollars (\$m)</b>	83.31	70.27	(214.17)	(62.27)	(57.64)	77.00	9.68	93.82



## Relative Risk Analysis 1 Year Horizon



**UTIMCO Performance Summary**  
August 31, 2004

Net Asset Value 8/31/2004 (in Millions)	Periods Ended August 31, 2004 (Returns for Periods Longer Than One Year are Annualized)										
	One Month	Three Months	Six Months	Calendar Year To Date	Fiscal Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
<b>ENDOWMENT FUNDS</b>											
Permanent University Fund	0.68	0.75	(0.65)	3.99	14.73	14.73	13.37	5.99	2.13	4.86	9.55
General Endowment Fund	0.59	0.65	(0.73)	3.75	14.77	14.77	13.78	6.40	N/A	N/A	N/A
Permanent Health Fund	0.58	0.68	(0.74)	3.70	14.60	14.60	13.63	6.27	2.16	4.80	N/A
Long Term Fund	0.58	0.68	(0.74)	3.70	14.59	14.59	13.68	6.33	2.33	5.74	10.24
Separately Invested Funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Endowment Funds</b>	<b>12,523.2</b>										
<b>OPERATING FUNDS</b>											
Short Term Fund	0.12	0.31	0.56	0.72	1.06	1.06	1.20	1.56	2.56	3.25	4.40
Short Intermediate Term Fund	0.55	1.18	0.39	1.16	2.49	2.49	2.07	2.63	4.18	4.51	5.43
Institutional Index Funds:											
BGI US Bond Index Fund	1.91	3.52	1.16	3.10	6.18	6.18	5.44	6.29	7.80	7.75	N/A
BGI Equity Index Fund	0.40	(1.01)	(2.71)	0.45	11.48	11.48	11.80	0.84	(6.16)	(2.03)	N/A
<b>Total Operating Funds</b>	<b>3,641.4</b>										
<b>Total Investments</b>	<b>\$ 16,164.6</b>										
<b>BENCHMARKS (1)</b>											
Permanent University Fund: Policy Portfolio	1.03	1.43	2.14	4.90	13.22	13.22	9.97	4.08	0.53	4.48	10.65
General Endowment Fund: Policy Portfolio	1.03	1.43	2.14	4.90	13.22	13.22	9.97	4.08	0.48	4.34	10.55
Short Term Fund: 90 Day Treasury Bills Average Yield	0.12	0.31	0.56	0.72	1.08	1.08	1.23	1.57	2.55	3.18	4.26
Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04)	0.69	1.20	0.32	1.09	2.31	2.31	2.41	3.79	5.17	5.32	5.74
Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index	1.91	3.50	1.16	3.07	6.13	6.13	5.24	6.19	7.70	7.67	7.47
Institutional Equity Index Fund: Standard & Poor's 500 Index (S&P 500)	0.40	(1.03)	(2.74)	0.42	11.46	11.46	11.76	0.80	(6.19)	(2.07)	10.69
<b>VALUE ADDED (2)</b>											
Permanent University Fund	(0.35)	(0.69)	(2.79)	(0.91)							(1.09)
General Endowment Fund	(0.44)	(0.78)	(2.87)	(1.15)					N/A	N/A	N/A
Permanent Health Fund	(0.45)	(0.75)	(2.88)	(1.20)							N/A
Long Term Fund	(0.45)	(0.75)	(2.88)	(1.20)							(0.32)
Short Term Fund	(0.01)	0.00	(0.01)	0.00	(0.02)	(0.02)	(0.03)	(0.01)	0.00		(0.31)
Short Intermediate Term Fund	(0.15)	(0.02)					(0.34)	(1.16)	(0.99)	(0.81)	(0.31)
Institutional Bond Index Fund	0.00										N/A
Institutional Equity Index Fund	0.00										N/A

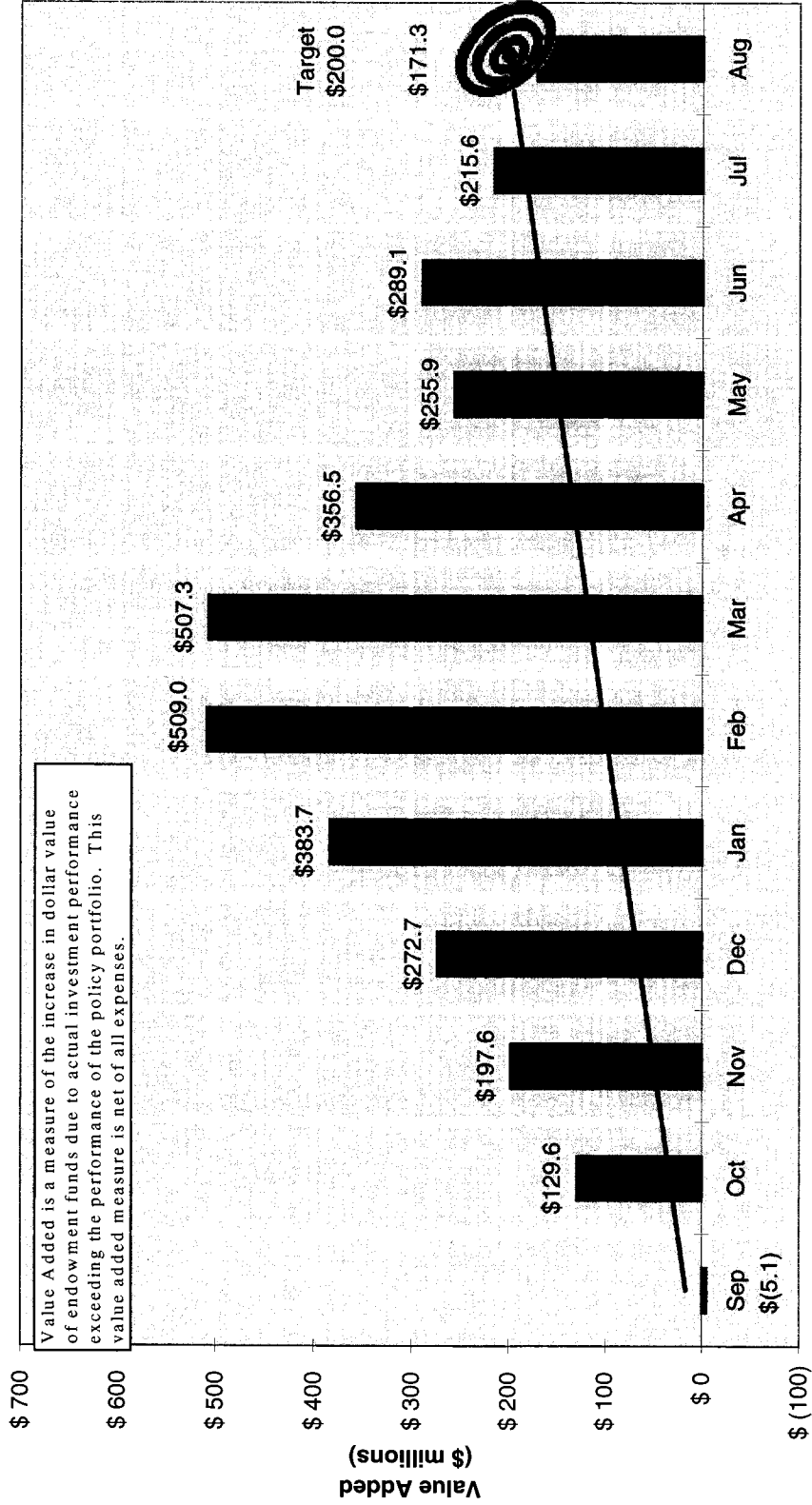
(1) - Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.

(2) - Value added is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown. Value added is a result of the active management decisions made by the UTIMCO staff and external managers.

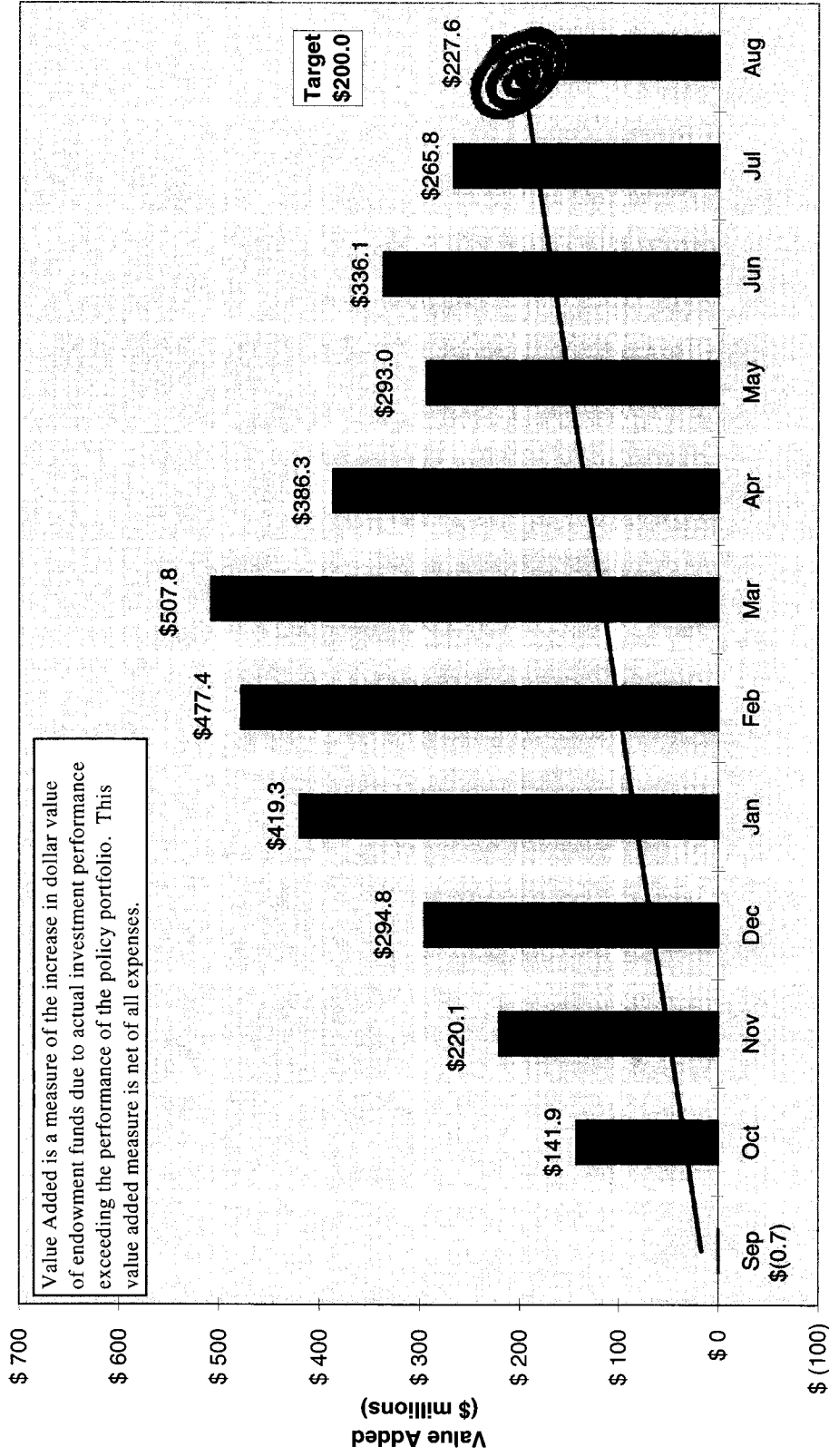




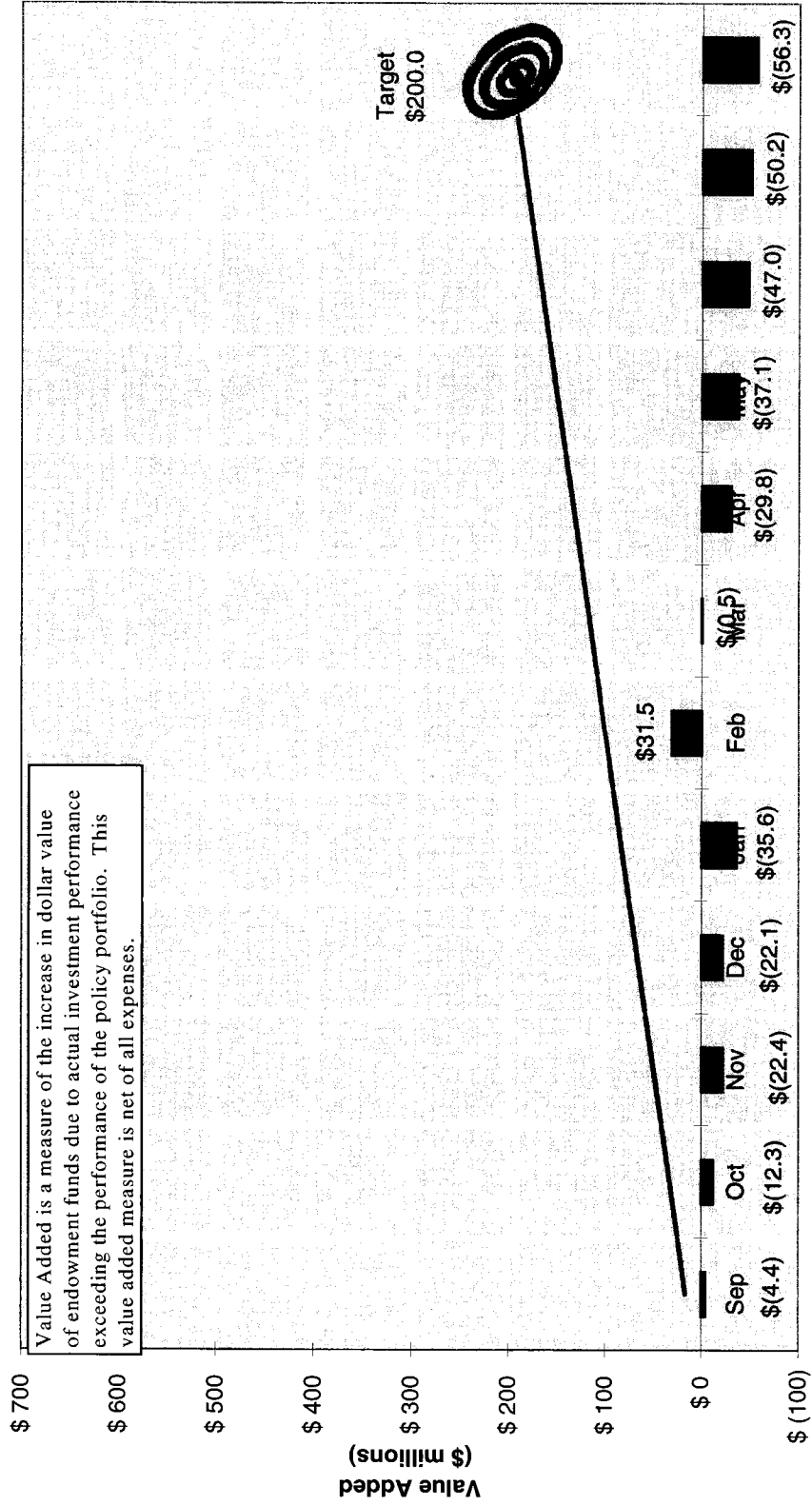
## Cumulative Value Added In Endowment Funds 2003-2004 Fiscal Year



## Cumulative Value Added in Marketable Securities in Endowment Funds 2003-2004 Fiscal Year

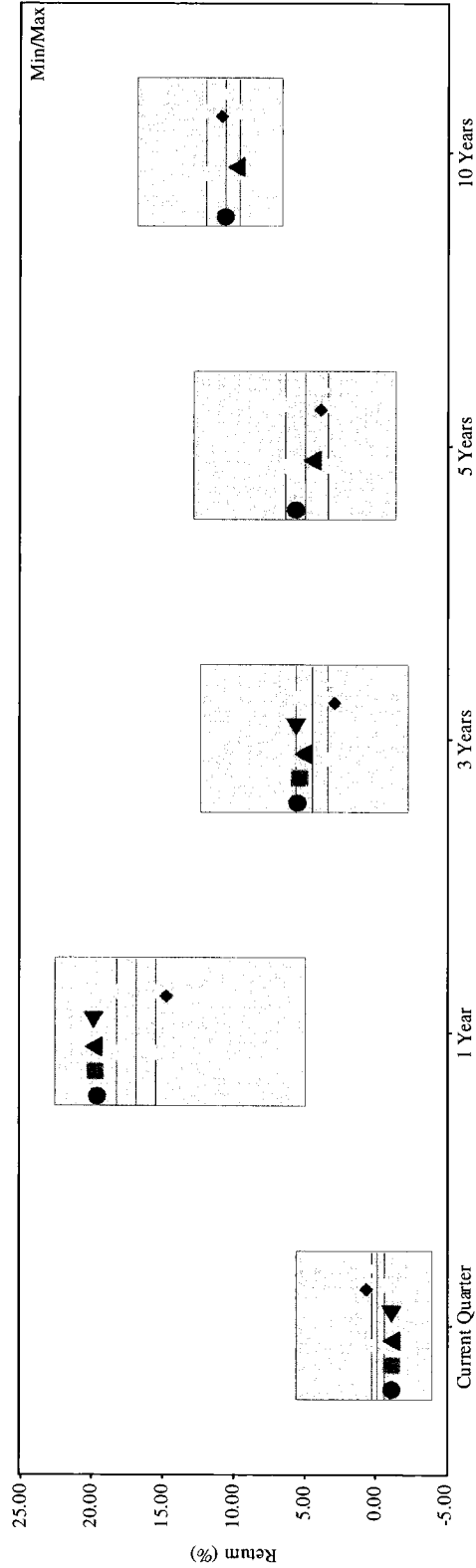


## Cumulative Value Added In Non-Marketable Securities In Endowment Funds 2003-2004 Fiscal Year





# UTIMCO ENDOWMENT FUNDS vs. Total Cambridge Universe Periods Ended June 30, 2004 Quartile



	Current Quarter	1 Year	3 Years	5 Years	10 Years
<b>Return</b>	5.71	22.66	12.50	12.90	16.96
<b>(% tile)</b>					
<b>Return</b>	0.34	18.33	5.67	6.42	12.04
<b>(% tile)</b>					
<b>Return</b>	- 0.10	16.90	4.54	5.12	10.64
<b>(% tile)</b>					
<b>Return</b>	- 0.57	15.51	3.50	3.42	9.71
<b>(% tile)</b>					
<b>Return</b>	- 3.77	5.22	- 2.12	- 1.14	6.78
<b>(% tile)</b>					
<b># of Portfolios</b>	129	127	126	123	96
<b>UTIMCO LTF-Net of Fees</b>	- 0.91	19.87	5.68	5.82	10.77
<b>UTIMCO PHF-Net of Fees</b>	- 0.91	19.93	5.62	---	---
<b>UTIMCO PUF-Net of Fees</b>	- 0.93	20.05	5.33	4.72	10.05
<b>UTIMCO GEF-Net of Fees</b>	- 0.94	20.07	5.75	---	---
<b>Policy Portfolio GEF</b>	0.86	14.95	3.01	4.07	11.02
<b>Policy Portfolio PUF</b>	0.86	14.95	3.02	4.07	11.07

The Cambridge Universe consists of all College and Universities that report quarterly returns to Cambridge Associates, Inc. The number of Colleges and Universities reporting as of June 30, 2004 was 129.

**Permanent University Fund  
Performance Attribution**

	Asset Allocation		Return		
	August 31, 2004		One Month Ended August 31, 2004		Total Attribution (1)
	Neutral	Asset Allocation	Benchmark	PUF	
		Market Exposure			
<b>Cash and Cash Equivalents</b>	0.0%	1.5%	3.7%	0.12%	0.12%
<b>U.S. Equities</b>	25.0%	27.5%	27.5%	1.89%	1.01%
<b>Global Equities</b>	17.0%	20.4%	18.2%	0.80%	0.50%
<b>Equity Hedge Funds</b>	10.0%	8.2%	8.2%	0.46%	-0.04%
<b>Absolute Return Hedge Funds</b>	15.0%	13.1%	13.1%	0.37%	0.62%
<b>Commodities</b>	3.0%	4.7%	4.7%	-3.97%	-2.59%
<b>Fixed Income</b>	15.0%	14.8%	14.8%	2.16%	1.92%
<b>Total Marketable Securities</b>	85.0%	90.2%	90.2%	1.08%	0.70%
<b>Private Capital</b>	15.0%	9.8%	9.8%	0.76%	0.50%
<b>Total Fund</b>	100.0%	100.0%	100.0%	1.03% (2)	0.68%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**Permanent University Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	August 31, 2004		Three Months Ended August 31, 2004		
	Neutral	Market Exposure	Benchmark	PUF	
<b>Cash and Cash Equivalents</b>	0.0%	3.7%	0.31%	0.31%	-0.05%
<b>U.S. Equities</b>	25.0%	27.5%	1.11%	0.62%	-0.16%
<b>Global Equities</b>	17.0%	18.2%	-0.02%	0.05%	-0.04%
<b>Equity Hedge Funds</b>	10.0%	8.2%	1.31%	0.63%	-0.06%
<b>Absolute Return Hedge Funds</b>	15.0%	13.1%	1.06%	0.95%	-0.01%
<b>Commodities</b>	3.0%	4.7%	-1.55%	-2.20%	-0.08%
<b>Fixed Income</b>	15.0%	14.8%	3.56%	2.91%	-0.11%
<b>Total Marketable Securities</b>	85.0%	90.2%	1.28%	0.72%	-0.51%
<b>Private Capital</b>	15.0%	9.8%	2.30%	1.04%	-0.17%
<b>Total Fund</b>	100.0%	100.0%	1.43% (2)	0.75%	-0.68%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.

(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**Permanent University Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	August 31, 2004		Calendar Year to Date		
	Neutral	Market Exposure	Benchmark	PUF	
<b>Cash and Cash Equivalents</b>	0.0%	3.7%	0.72%	0.72%	-0.07%
<b>U.S. Equities</b>	25.0%	27.5%	3.37%	3.08%	-0.18%
<b>Global Equities</b>	17.0%	18.2%	1.88%	1.14%	-0.33%
<b>Equity Hedge Funds</b>	10.0%	8.2%	3.43%	4.29%	0.13%
<b>Absolute Return Hedge Funds</b>	15.0%	13.1%	2.75%	5.34%	0.35%
<b>Commodities</b>	3.0%	4.7%	15.98%	10.11%	-0.21%
<b>Fixed Income</b>	15.0%	14.8%	3.92%	3.06%	-0.02%
<b>Total Marketable Securities</b>	85.0%	90.2%	3.58%	3.28%	-0.33%
<b>Private Capital</b>	15.0%	9.8%	12.55%	10.28%	-0.58%
<b>Total Fund</b>	100.0%	100.0%	4.90% (2)	3.99%	-0.91%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.

(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.





**Permanent University Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	August 31, 2004		Fiscal Year to Date August 31, 2004		
	Neutral	Asset Allocation	Benchmark	PUF	
<b>Cash and Cash Equivalents</b>	0.0%	1.5%	1.08%	1.06%	-0.06%
<b>U.S. Equities</b>	25.0%	27.5%	14.92%	13.65%	-0.04%
<b>Global Equities</b>	17.0%	20.4%	22.65%	19.49%	-0.03%
<b>Equity Hedge Funds</b>	10.0%	8.2%	5.19%	7.97%	0.52%
<b>Absolute Return Hedge Funds</b>	15.0%	13.1%	4.49%	13.01%	0.96%
<b>Commodities</b>	3.0%	4.7%	23.87%	24.15%	0.31%
<b>Fixed Income</b>	15.0%	14.8%	6.75%	9.56%	0.60%
<b>Total Marketable Securities</b>	85.0%	90.2%	12.42%	15.01%	2.26%
<b>Private Capital</b>	15.0%	9.8%	17.63%	13.03%	-0.75%
<b>Total Fund</b>	100.0%	100.0%	13.22% (2) (3)	14.73%	1.51%

- (1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.
- (2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.
- (3) Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.



**General Endowment Fund  
Performance Attribution**

	Asset Allocation		Return		
	August 31, 2004		One Month Ended August 31, 2004		Total Attribution (1)
	Neutral	Market Exposure	Benchmark	GEF	
<b>Cash and Cash Equivalents</b>	0.0%	0.1%	0.12%	0.12%	-0.02%
<b>U.S. Equities</b>	25.0%	27.0%	1.89%	0.97%	-0.23%
<b>Global Equities</b>	17.0%	20.9%	0.80%	0.50%	-0.07%
<b>Equity Hedge Funds</b>	10.0%	8.5%	0.46%	-0.08%	-0.03%
<b>Absolute Return Hedge Funds</b>	15.0%	13.6%	0.37%	0.63%	0.05%
<b>Commodities</b>	3.0%	4.8%	-3.97%	-2.65%	-0.01%
<b>Fixed Income</b>	15.0%	15.2%	2.16%	1.80%	-0.05%
<b>Total Marketable Securities</b>	85.0%	90.1%	1.08%	0.66%	-0.36%
<b>Private Capital</b>	15.0%	9.9%	0.76%	-0.09%	-0.08%
<b>Total Fund</b>	100.0%	100.0%	1.03% (2)	0.59%	-0.44%

- (1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**General Endowment Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	August 31, 2004		Three Months Ended August 31, 2004		
	Neutral	Market Exposure	Benchmark	GEF	
<b>Cash and Cash Equivalents</b>	0.0%	0.1%	0.31%	0.31%	-0.05%
<b>U.S. Equities</b>	25.0%	27.0%	1.11%	0.53%	-0.15%
<b>Global Equities</b>	17.0%	20.9%	-0.02%	0.05%	-0.05%
<b>Equity Hedge Funds</b>	10.0%	8.5%	1.31%	0.61%	-0.06%
<b>Absolute Return Hedge Funds</b>	15.0%	13.6%	1.06%	0.95%	-0.01%
<b>Commodities</b>	3.0%	4.8%	-1.55%	-2.18%	-0.09%
<b>Fixed Income</b>	15.0%	15.2%	3.56%	2.74%	-0.13%
<b>Total Marketable Securities</b>	85.0%	90.1%	1.28%	0.68%	-0.54%
<b>Private Capital</b>	15.0%	9.9%	2.30%	0.42%	-0.24%
<b>Total Fund</b>	100.0%	100.0%	1.43% (2)	0.65%	-0.78%

- (1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**General Endowment Fund  
Performance Attribution**

	Asset Allocation		Return		
	August 31, 2004		Calendar Year to Date		Total
	Neutral	Market Exposure	Benchmark	GEF	
<b>Cash and Cash Equivalents</b>	0.0%	2.3%	0.72%	0.72%	-0.05%
<b>U.S. Equities</b>	25.0%	27.0%	3.37%	2.87%	-0.19%
<b>Global Equities</b>	17.0%	18.7%	1.88%	1.08%	-0.30%
<b>Equity Hedge Funds</b>	10.0%	8.5%	3.43%	4.35%	0.10%
<b>Absolute Return Hedge Funds</b>	15.0%	13.6%	2.75%	5.33%	0.33%
<b>Commodities</b>	3.0%	4.8%	15.98%	10.34%	-0.22%
<b>Fixed Income</b>	15.0%	15.2%	3.92%	2.94%	-0.03%
<b>Total Marketable Securities</b>	85.0%	90.1%	3.58%	3.21%	-0.36%
<b>Private Capital</b>	15.0%	9.9%	12.55%	8.72%	-0.79%
<b>Total Fund</b>	100.0%	100.0%	4.90% (2)	3.75%	-1.15%

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.

(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.



**General Endowment Fund  
Performance Attribution**

	Asset Allocation		Return		Total Attribution (1)
	August 31, 2004		Fiscal Year to Date August 31, 2004		
	Neutral	Market Exposure	Benchmark	GEF	
<b>Cash and Cash Equivalents</b>	0.0%	0.1%	1.08%	1.06%	-0.05%
<b>U.S. Equities</b>	25.0%	27.0%	14.92%	13.29%	0.03%
<b>Global Equities</b>	17.0%	20.9%	22.65%	19.62%	0.08%
<b>Equity Hedge Funds</b>	10.0%	8.5%	5.19%	8.02%	0.49%
<b>Absolute Return Hedge Funds</b>	15.0%	13.6%	4.49%	13.02%	0.96%
<b>Commodities</b>	3.0%	4.8%	23.87%	24.35%	0.29%
<b>Fixed Income</b>	15.0%	15.2%	6.74%	9.61%	0.59%
<b>Total Marketable Securities</b>	85.0%	90.1%	12.42%	15.07%	2.39%
<b>Private Capital</b>	15.0%	9.9%	17.63%	12.14%	-0.84%
<b>Total Fund</b>	100.0%	100.0%	13.22% (2) (3)	14.77%	1.55%

- (1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.  
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.  
(3) Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.





**Public Markets Managers  
Investment Performance Detail Summary  
August 31, 2004**

**UTIMCO Manager Rating:**

positive
neutral to slightly positive
neutral (strategy to be reviewed)
neutral to slightly negative
negative

From Inception to August 31, 2004  
(Returns for Periods Longer Than  
One Year are Annualized)

Periods Ended August 31, 2004  
(Returns for Periods Longer Than  
One Year are Annualized)

Assets Under  
Management  
(\$ Millions)

	One Month	Three Months	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Manager	Inception Date
<b>NET OF FEES PERFORMANCE:</b>											
<b>Domestic Equities:</b>											
<b>Passive Management:</b>											
BGI S&P 500	0.39	(1.05)	(2.76)	11.42	11.42	0.82	(2.04)	4.63	10.81	N/A	February 1993
vs. S&P 500 Index	(0.01)	(0.02)	(0.02)	(0.03)	(0.03)	-	-	-	-		
BGI S&P 400 Midcap	(0.29)	(2.76)	(3.57)	12.45	12.45	6.54	9.23	10.38	14.03	N/A	December 1992
vs. S&P 400 Midcap Index	(0.02)	(0.01)	-	-	-	-	-	-	-		
S&P 100 Index Exchange Traded Funds (Funded 8/04)	-	-	-	-	-	-	-	-	-	-	August 2004
vs. S&P 100 Index	-	-	-	-	-	-	-	-	-		
S&P 500 Index Futures	0.33	(0.96)	(2.80)	10.47	10.47	0.04	-	-	-	(2.36)	March 2001
vs. S&P 500 Index	(0.08)	-	(0.07)	(0.98)	(0.98)	(0.76)	-	-	-	(0.69)	
Nasdaq 100	(2.53)	-	-	-	-	-	-	-	-	(6.29)	June 2004
vs. Russell 3000	(2.94)	-	-	-	-	-	-	-	-	(4.83)	
Semiconductor Index Funds	(10.68)	(24.49)	-	-	-	-	-	-	-	(16.47)	April 2004
vs. Russell 3000	(11.09)	(23.02)	-	-	-	-	-	-	-	(16.43)	
Energy Sector Index - Exchange Traded Funds (Funded 8/04)	-	-	-	-	-	-	-	-	-	-	August 2004
vs. Russell 3000	-	-	-	-	-	-	-	-	-		
Dow Jones - Exchange Traded Funds and Futures	0.40	0.17	(2.96)	-	-	-	-	-	-	4.66	November 2003
vs. Dow Jones Industrial Average	(0.18)	(0.21)	(0.06)	-	-	-	-	-	-	(1.01)	
Dow Jones Select Dividend - Exchange Traded Funds (Funded 8/04)	-	-	-	-	-	-	-	-	-	-	August 2004
vs. Russell 3000	-	-	-	-	-	-	-	-	-		
<b>Active Management:</b>											
BGI Russell 2000 Alpha Tilt	(0.91)	(3.22)	(6.79)	11.09	11.09	-	-	-	-	7.66	February 2002
vs. Russell 2000	(0.40)	-	(0.88)	(0.27)	(0.27)	-	-	-	-		
BGI Russell 3000 Alpha Tilt	0.05	(2.30)	(4.87)	9.97	9.97	-	-	-	-	9.97	August 2003
vs. Russell 3000	(0.36)	(0.84)	(1.00)	(1.33)	(1.33)	-	-	-	-	(1.33)	
Cordillera	(2.22)	(5.73)	(10.91)	(2.25)	(2.25)	(5.14)	2.46	4.66	9.48	8.60	January 1994
vs. Russell 2000 Growth	(0.07)	-	(0.47)	(5.62)	(5.62)	(6.18)	-	-	-		
Cordillera Consumer Cyclical	(1.23)	0.21	(2.49)	-	-	-	-	-	-	17.55	October 2003
vs. Russell 2000	(0.72)	-	-	-	-	-	-	-	-		
Cordillera Consumer Cyclical II (Funded 8/04)	-	-	-	-	-	-	-	-	-	-	August 2004
vs. Russell 2000	-	-	-	-	-	-	-	-	-		
Davis Hamilton Jackson	(1.01)	(4.12)	(6.70)	0.32	0.32	(2.10)	(3.31)	4.34	9.35	8.59	January 1994
vs. Russell Mid Cap Effective 8/04 (S&P 500 1/94 - 7/04)	(1.44)	(3.11)	(3.99)	(1.17)	(1.17)	(2.91)	(1.25)	(0.17)	(1.34)	(1.79)	
GSAM - Large Cap	0.21	(3.33)	(4.41)	11.82	11.82	1.53	(1.66)	-	-	1.18	April 1998
vs. S&P 500 Index	(0.19)	(2.90)	(1.67)	-	-	-	(0.34)	-	-		
GSAM - Small Cap	(0.19)	(3.24)	(8.91)	11.22	11.22	8.45	8.20	-	-	4.43	April 1998
vs. Russell 2000	-	-	(3.00)	(0.14)	(0.14)	-	-	-	-		
MBA Investments	(0.34)	(4.46)	(5.01)	4.15	4.15	(0.38)	(7.54)	(2.35)	-	2.34	November 1995
vs. S&P 500 Index	(0.75)	(3.43)	(2.27)	(7.30)	(7.30)	(1.18)	(5.47)	(6.85)	-	(6.80)	
Forsmann Leff - Mid Cap (Funded 8/04)	-	-	-	-	-	-	-	-	-	-	August 2004
vs. Russell Mid Cap	-	-	-	-	-	-	-	-	-		
Forsmann Leff - Small Cap	(0.98)	0.34	0.64	21.49	21.49	5.95	10.87	6.44	11.85	11.38	January 1994
vs. Russell 2000	(0.47)	-	-	-	-	(0.77)	-	-	-		
State Street Research Hedge	(2.48)	-	-	-	-	-	-	-	-	(2.48)	July 2004
vs. Russell 2000	(1.97)	-	-	-	-	-	-	-	-	(1.97)	
State Street Research Small Cap	(3.83)	-	-	-	-	-	-	-	-	(0.21)	June 2004
vs. Russell 2000	(3.31)	-	-	-	-	-	-	-	-		
TCW MultiCap	(1.97)	(0.67)	(12.68)	-	-	-	-	-	-	(11.67)	February 2004
vs. Russell 3000	(1.97)	(9.20)	(9.42)	-	-	-	-	-	-	(9.71)	
TCW Mid Value	(2.12)	(8.32)	-	-	-	-	-	-	-	(4.84)	April 2004
vs. Russell Mid Cap	(2.55)	(7.02)	-	-	-	-	-	-	-	(5.99)	
TCW Small Value	(3.47)	(9.93)	-	-	-	-	-	-	-	(7.47)	April 2004
vs. Russell 2000	(2.95)	(6.62)	-	-	-	-	-	-	-	(5.70)	
Value Act Capital	3.36	3.95	6.70	11.33	11.33	-	-	-	-	14.12	August 2003
vs. Russell 2000	-	-	-	(0.03)	(0.03)	-	-	-	-	(0.99)	

Public Markets Managers  
Investment Performance Detail Summary  
August 31, 2004



UTIMCO Manager Rating:

positive
neutral to slightly positive
neutral (strategy to be reviewed)
neutral to slightly negative
negative

From Inception to August 31, 2004  
(Returns for Periods Longer Than  
One Year are Annualized)

Assets Under Management (\$ Millions)	Periods Ended August 31, 2004 (Returns for Periods Longer Than One Year are Annualized)						Ten Years	Manager	Inception Date		
	One Month	Three Months	Six Months	Fiscal Year To Date	One Year	Three Years				Five Years	Seven Years
672.3	7.08 (0.71)	13.08	11.57	33.93	33.93	20.66	19.20	12.31	15.89	14.76	April 1993
-	(0.27)	(2.32)	(5.04)	-	-	-	-	-	-	(5.79)	January 2004
-	0.58	2.75	5.94	-	-	-	-	-	-	7.53	January 2004
90.9	(0.64)	(2.00)	-	-	-	-	-	-	-	(7.55)	February 2004
474.4	0.44	(0.66)	(1.98)	22.83	22.83	4.88	(0.84)	2.95	4.19	6.12	April 1993
129.4	3.81	2.99	(6.57)	21.04	21.04	-	-	-	-	14.90	February 2002
251.6	0.69	(0.48)	(1.76)	22.77	22.77	-	-	-	-	22.77	August 2003
131.0	0.16	(0.38)	1.56	28.45	28.45	11.32	0.61	1.34	-	2.19	December 1996
514.7	0.21	(0.21)	2.22	(0.23)	(0.23)	(1.52)	(4.01)	(4.17)	-	7.92	November 2003
174.6	2.91	3.37	4.32	-	-	-	-	-	-	24.83	October 2003
49.8	0.21	1.79	-	-	-	-	-	-	-	(7.51)	March 2004
51.1	2.13	3.29	-	-	-	-	-	-	-	(3.18)	March 2004
256.0	0.82	(2.05)	(4.40)	23.94	23.94	4.27	(1.52)	-	-	0.87	April 1998
294.0	3.34	3.85	(3.28)	26.69	26.69	17.42	5.18	0.66	-	3.19	January 1996
109.5	(0.87)	(2.59)	(3.85)	18.42	18.42	3.22	-	-	-	(6.26)	August 2000
-0.3	(1.31)	(1.90)	(1.79)	(4.22)	(4.22)	(1.19)	-	-	-	(2.87)	August 2000
94.6	0.12	0.30	-	-	-	-	-	-	-	(2.52)	May 2004
35.6	0.43	1.53	(2.04)	1.90	1.90	-	-	-	-	0.30	May 2004
99.2	4.07	7.16	9.48	(3.31)	(3.31)	-	-	-	-	(8.81)	May 2003
25.2	0.72	-	-	-	-	-	-	-	-	(14.01)	January 2004
55.5	1.11	2.24	4.09	15.04	15.04	-	-	-	-	10.23	January 2004
25.5	(0.37)	1.73	(3.67)	-	-	-	-	-	-	-	August 2004
22.3	(0.37)	3.06	8.61	-	-	-	-	-	-	10.87	July 2003
508.5	(1.48)	(1.32)	(1.21)	9.49	9.49	3.66	12.34	-	-	2.04	December 2003
83.3	1.34	2.31	3.25	11.08	11.08	(2.05)	-	-	-	(1.85)	December 2003
46.9	(3.12)	(8.42)	(12.42)	(6.19)	(6.19)	-	-	-	-	11.18	August 1998
71.1	(3.58)	(9.73)	(15.01)	(11.39)	(11.39)	-	-	-	-	9.65	January 2002
49.4	0.62	0.39	(0.93)	5.95	5.95	-	-	-	-	(6.19)	September 2003
-	-	-	(3.06)	(3.45)	(3.45)	-	-	-	-	(11.37)	September 2003
-	-	-	(5.42)	(2.83)	(2.83)	-	-	-	-	4.02	May 2003
-	-	-	(6.47)	(3.45)	(3.45)	-	-	-	-	(1.20)	May 2003
-	-	-	(0.93)	(4.45)	(4.45)	-	-	-	-	(0.77)	February 2003
-	-	-	(0.93)	(3.06)	(3.06)	-	-	-	-	(6.01)	February 2003

NET OF FEES PERFORMANCE (continued)

REITS:	NET OF FEES PERFORMANCE (continued)
REITS - Greg Cox vs. Dow Jones Wilshire Real Estate Securities	
Domestic Equities Spread Trades:	
Long Large Cap (\$869.6 Million In Notional)	
Short Small Cap (\$-859.7 Million In Notional)	
Russell 2000 Exchange Traded Funds and Futures	
International Equities:	
Passive Management:	
BGI EAFE International Fund vs. MSCI EAFE Net	
BGI Emerging Markets Structured Fund vs. MSCI Emerging Markets Free	
Active Management:	
BGI International Alpha Tilts vs. MSCI EAFE Net	
Capital Guardian Trust Small Cap International vs. Citigroup Extended Market Index World ex U.S.	
International Futures and Exchange Traded Funds vs. MSCI EAFE Net	
Globeflex vs. Citigroup Extended Market Index World ex U.S.	
Globeflex Canadian vs. Nesbitt Burns Small Cap Canada	
Globeflex Japan vs. Russell/Nomura Mid-Small Cap Index	
GSAM - Structured International Equity vs. MSCI EAFE Net	
Franklin Templeton vs. MSCI Emerging Markets Free	
Oechsle vs. MSCI EAFE Net	
International Emerging Futures (\$-272.7 Notional Value) vs. 90 Day Treasury Bills Average Yield	
International Liquidity vs. 90 Day Treasury Bills Average Yield	
Hedge Funds:	
Arrowstreet Capital vs. 90 Day Treasury Bills Average Yield + 4%	
Blue Ridge vs. 90 Day Treasury Bills Average Yield + 4%	
Brahman II vs. 90 Day Treasury Bills Average Yield + 4%	
Eminence vs. 90 Day Treasury Bills Average Yield + 4%	
Indus Asia Pacific vs. 90 Day Treasury Bills Average Yield + 4%	
Indus Japan vs. 90 Day Treasury Bills Average Yield + 4%	
Maverick Fund vs. 90 Day Treasury Bills Average Yield + 4%	
OCM Emerging Markets Fund vs. 90 Day Treasury Bills Average Yield + 4%	
SG Partners vs. 90 Day Treasury Bills Average Yield + 4%	
Siroos Overseas vs. 90 Day Treasury Bills Average Yield + 4%	
Standard Pacific Capital Offshore Fund vs. 90 Day Treasury Bills Average Yield + 4%	



Public Markets Managers  
Investment Performance Detail Summary  
August 31, 2004



UTIMCO Manager Rating:

positive
neutral to slightly positive
neutral (strategies to be reviewed)
neutral to slightly negative
negative

From Inception to August 31, 2004  
(Returns for Periods Longer Than  
One Year are Annualized)

Periods Ended August 31, 2004  
(Returns for Periods Longer Than  
One Year are Annualized)

Assets Under Management (\$ Millions)	One Month	Three Months	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Manager	Inception Date
<b>NET OF FEES PERFORMANCE (continued)</b>											
<b>Absolute Return:</b>											
AQR Offshore	(0.35)	0.58	(3.67)	-	-	-	-	-	-	(3.67)	March 2004
vs. 90 Day Treasury Bills Average Yield + 3%	(0.73)	(0.48)	(5.75)	-	-	-	-	-	-	(5.75)	
BGI Unequitized Global Markets	0.07	1.31	-	-	-	-	-	-	-	1.64	May 2004
vs. 90 Day Treasury Bills Average Yield + 3%	(0.30)	-	-	-	-	-	-	-	-	-	
Bridgewater Pure Alpha	2.08	2.43	3.70	-	-	-	-	-	-	3.70	March 2004
vs. 90 Day Treasury Bills Average Yield + 3%	-	-	-	-	-	-	-	-	-	-	
Firestone Capital Offshore Investors	1.22	0.54	1.79	13.14	13.14	12.29	13.34	-	-	13.29	August 1998
vs. 90 Day Treasury Bills Average Yield + 3%	(0.52)	(0.52)	(0.28)	13.14	13.14	12.29	13.34	-	-	13.29	
Indus Event Driven	0.67	2.54	8.13	-	-	-	-	-	-	10.29	December 2003
vs. 90 Day Treasury Bills Average Yield + 3%	-	-	-	-	-	-	-	-	-	-	
OZ Overseas Fund (Funded 8/04)	0.84	-	-	-	-	-	-	-	-	-	August 2004
vs. 90 Day Treasury Bills Average Yield + 3%	-	-	-	-	-	-	-	-	-	-	
Perry Partners International	0.16	1.42	3.32	16.69	16.69	12.24	14.50	-	-	13.53	August 1998
vs. 90 Day Treasury Bills Average Yield + 3%	(0.21)	1.27	3.22	16.69	16.69	12.24	14.50	-	-	13.53	
Protégé Partners Fund	0.31	0.42	(0.05)	8.05	8.05	-	-	-	-	10.72	February 2003
vs. 90 Day Treasury Bills Average Yield + 3%	(0.07)	(0.64)	(2.13)	8.05	8.05	-	-	-	-	10.72	
Sacelite Fund	1.07	0.49	0.47	10.20	10.20	3.96	-	-	-	6.67	September 2000
vs. 90 Day Treasury Bills Average Yield + 3%	-	(0.57)	(1.60)	10.20	10.20	(0.71)	-	-	-	6.67	
<b>Commodities:</b>											
Goldman Sachs Commodity Index	(3.50)	(1.14)	8.93	25.89	25.89	-	-	-	-	26.24	June 2002
vs. Goldman Sachs Commodity Index - 100 bps	-	-	-	-	-	-	-	-	-	-	
PIMCO Real Return	(0.16)	(1.46)	0.32	-	-	-	-	-	-	8.96	January 2004
vs. Dow Jones AIG + 1-10 Year TIPS	(0.02)	-	-	-	-	-	-	-	-	-	
<b>Fixed Income:</b>											
Internal - Harland Deak	1.82	3.36	0.79	7.21	7.21	5.98	-	-	-	6.85	February 2001
vs. Credit Related Composite Index	(0.49)	(0.56)	(0.25)	(0.01)	(0.01)	(1.39)	-	-	-	(1.20)	
Internal - Russ Knapfe	1.08	2.31	0.92	4.67	4.67	4.32	-	-	-	6.83	February 2000
vs. Lehman Brothers Aggregate Bond Index	(0.83)	(1.19)	(0.23)	(1.46)	(1.46)	(1.87)	-	-	-	(1.40)	
<b>Total Internally Managed Fixed Income</b>	1.44	2.82	0.83	5.93	5.93	5.22	-	-	-	7.55	
vs. Lehman Brothers Aggregate Bond Index	(0.47)	(0.68)	(0.32)	(0.20)	(0.20)	(0.97)	-	-	-	(0.67)	
GMO Emerging Debt Fund	5.03	10.40	-	-	-	-	-	-	-	10.40	May 2004
vs. JP Morgan Emerging Bond Index Global	-	-	-	-	-	-	-	-	-	-	
PIMCO Fixed Income	1.57	2.18	1.07	11.76	11.76	9.88	8.87	-	-	7.69	March 1998
vs. Lehman Brothers Global Aggregate Index	(0.62)	(0.29)	-	-	-	-	-	-	-	-	
<b>Treasury Inflation Protection Securities (TIPS):</b>											
Internal TIPS	2.72	-	-	-	-	-	-	-	-	3.02	July 2004
vs. Lehman Brothers US TIPS Index	-	-	-	-	-	-	-	-	-	-	
PIMCO TIPS (Funded 8/04)	-	-	-	-	-	-	-	-	-	-	August 2004
vs. Lehman Brothers US TIPS Index	-	-	-	-	-	-	-	-	-	-	

(1) The purpose of this report is to retain manager performance history after the LTF contributed its securities to the General Endowment Fund (GEF). Beginning March 1, 2001, the manager history reported is that of the GEF. Before March 1, 2001, history was obtained from either the LTF or the PUF depending upon the fund with the longest history for each manager. The P (PUF) or L (LTF) notations above indicate which fund the history was obtained.

(2) Inception of REIT portfolio for performance purposes is March 1993. Prior to December 1999 the REIT portfolio was classified as part of the Large Cap asset class. The history shown here combines all returns from March 1993 to the present for the periods reported.



**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

**Agenda Item:** Reports on PUF and GEF Liquidity Profiles

**Developed By:** Moeller

**Presented By:** Boldt

**Type of Item:** Information Item

**Description:** The reports presented are for the periods ended July 31, 2004. Pursuant to the Liquidity Policy, the actual Liquidity Profile of the Funds and compliance with the Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. The Funds are in compliance with the policy.

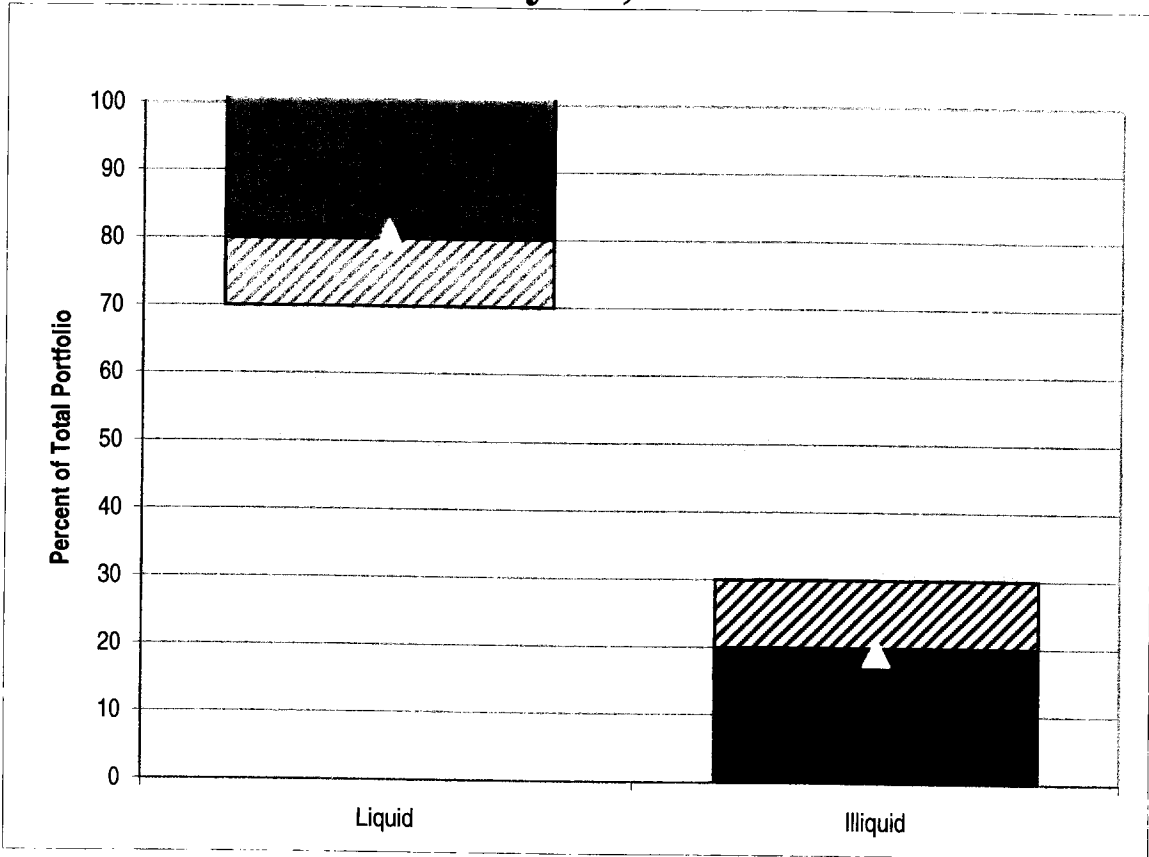
**Recommendation:** No action required.

**Discussion:** The Liquidity Committee reviewed the reports at its September 21, 2004 committee meeting.

**Reference:** Combined Portfolio Liquidity Profile  
PUF Liquidity Profile  
GEF Liquidity Profile  
Liquidity Policy

# Combined Liquidity Profile

## July 31, 2004



Current:

	7/31/2004		6/30/2004	
	Market Value	Percent	Market Value	Percent
Liquid	9,853,896,695.62	80.7	10,063,600,553.35	81.1
Illiquid	2,358,247,718.41	19.3	2,343,274,693.45	18.9
	<u>12,212,144,414.03</u>	<u>100.0</u>	<u>12,406,875,246.80</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	7/31/2004		6/30/2004	
	Market Value	Percent	Market Value	Percent
Liquid	9,628,896,695.62	78.8	9,863,600,553.35	79.5
Illiquid	2,583,247,718.41	21.2	2,543,274,693.45	20.5
	<u>12,212,144,414.03</u>	<u>100.0</u>	<u>12,406,875,246.80</u>	<u>100.0</u>

**Liquid:** Investments that could be converted to cash within a period of 1 day to 3 months in an orderly market at a discount of 10% or less.

**Illiquid:** Investments that could be converted to cash in an orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

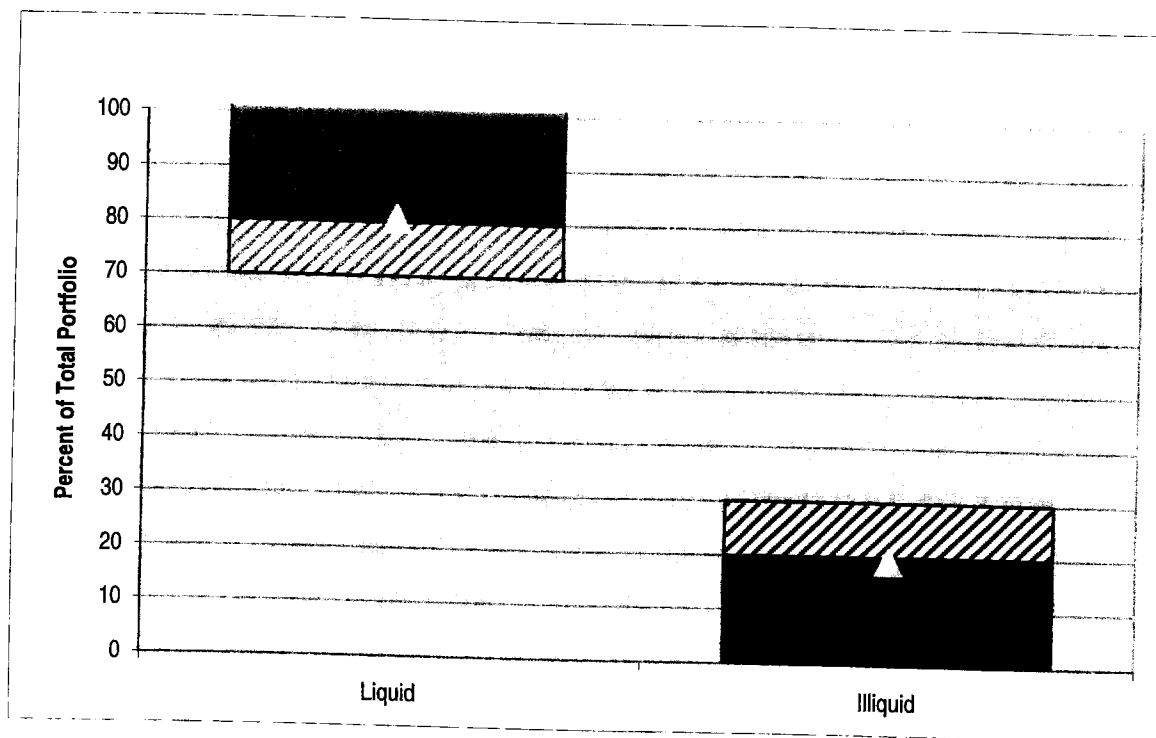
I, John V. Reed, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Joan Malle, as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

I, Greg Abner, as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

# PUF Liquidity Profile

## July 31, 2004



Current

	7/31/2004		6/30/2004	
	Market Value	Percent	Market Value	Percent
Liquid	6,443,306,042.45	80.7	6,567,908,404.08	81.0
Illiquid	1,543,491,266.19	19.3	1,536,891,248.74	19.0
	<u>7,986,797,308.64</u>	<u>100.0</u>	<u>8,104,799,652.82</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	7/31/2004		6/30/2004	
	Market Value	Percent	Market Value	Percent
Liquid	6,297,056,042.45	78.8	6,437,908,404.08	79.4
Illiquid	1,689,741,266.19	21.2	1,666,891,248.74	20.6
	<u>7,986,797,308.64</u>	<u>100.0</u>	<u>8,104,799,652.82</u>	<u>100.0</u>

**Liquid:** Investments that could be converted to cash within a period of 1 day to 3 months in an orderly market at a discount of 10% or less.

**Illiquid:** Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

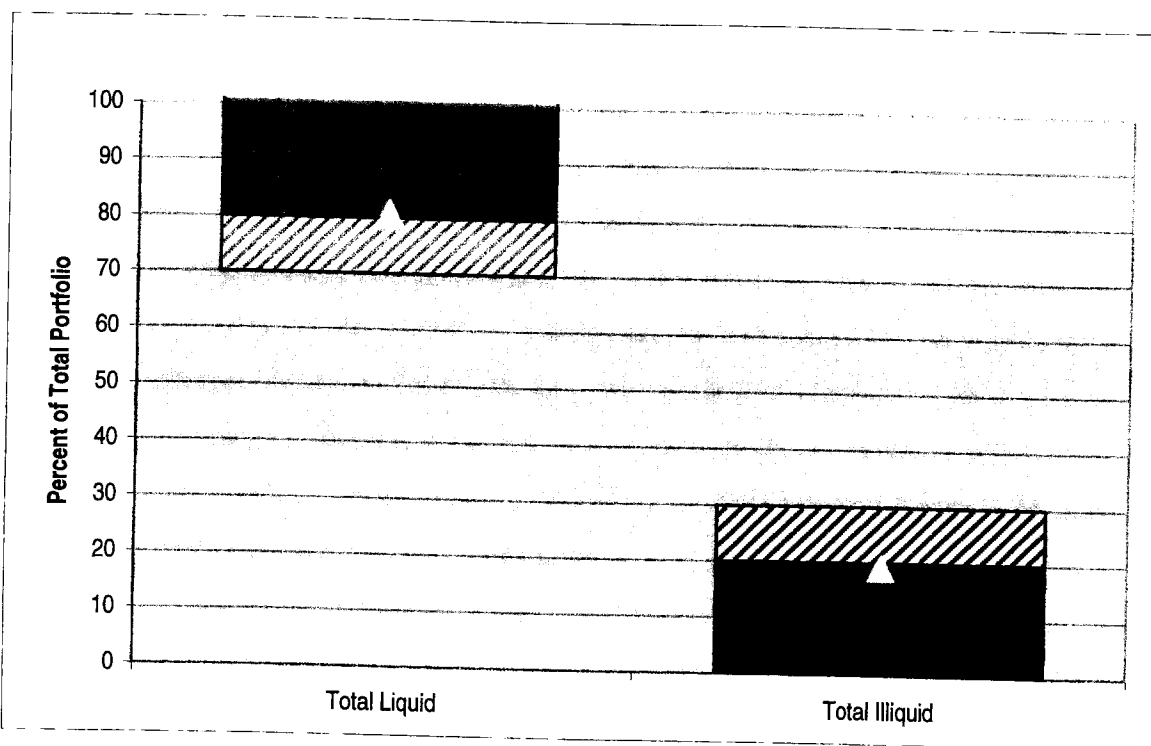
I, Bob R. R..., as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Jan M..., as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

I, ..., as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

# GEF Liquidity Profile

## July 31, 2004



Current

	7/31/2004		6/30/2004	
	Market Value	Percent	Market Value	Percent
Liquid	3,410,590,653.17	80.7	3,495,692,149.27	81.3
Illiquid	814,756,452.22	19.3	806,383,444.71	18.7
	4,225,347,105.39	100.0	4,302,075,593.98	100.0

Approved but not yet invested illiquid marketable investments:

	7/31/2004		6/30/2004	
	Market Value	Percent	Market Value	Percent
Liquid	3,331,840,653.17	78.9	3,425,692,149.27	79.6
Illiquid	893,506,452.22	21.1	876,383,444.71	20.4
	4,225,347,105.39	100.0	4,302,075,593.98	100.0

**Liquid:** Investments that could be converted to cash within a period of 1 day to 3 months in an orderly market at a discount of 10% or less.

**Illiquid:** Investments that could be converted to cash in an orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

I, Carl R. Reed, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

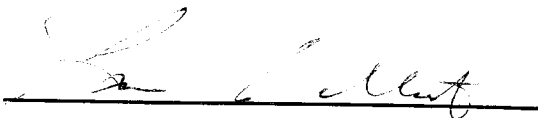
I, Jan Malle, as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

I, Bob Stice, as President of UTIMCO, certify that I have reviewed the liquidity categories, classifications by Managing Directors and the method of calculating statistics presented in this report and concur with the information presented.

**Liquidity Profile for GEF and PUF**

**July 31, 2004**

I certify that I have reviewed the report and supporting documentation covered by the period listed above and concur with the liquidity classifications of the investments that I have for which I have responsibility.

 Larry Goldsmith, Managing Director - Public Markets

August 27, 2004 Date

 Cathy Iberg, Managing Director - Marketable Alternatives

8/20/04 Date

 Sara McMahon, Managing Director - Non-Marketable Alternatives

8/23/04 Date

 Trey Thompson, Managing Director - Non-Marketable Alternatives

8/23/04 Date

**Illiquid investments approved/delegated or funded from last report to UTIMCO Board  
through current report date  
May 31, 2004 through July 31, 2004**

<u>Private Equity investments</u>	Board Approved/ Delegated	Committed Amount		Funded Amount	
		PUF	GEF	PUF	GEF
OCM Opportunities Fund V	July 2004	\$ 13,750,000	\$ 11,250,000	\$ -	\$ -
EOS Capital Partners III	July 2004	13,750,000	11,250,000	-	-
Fisher Lynch Venture Partnership	June 2004	22,000,000	18,000,000	440,000	360,000
DDJ Total Return Fund	July 2004	13,750,000	11,250,000	-	-
Tejas Ventures	July 2004	13,750,000	11,250,000	-	-

Marketable Alternative investments

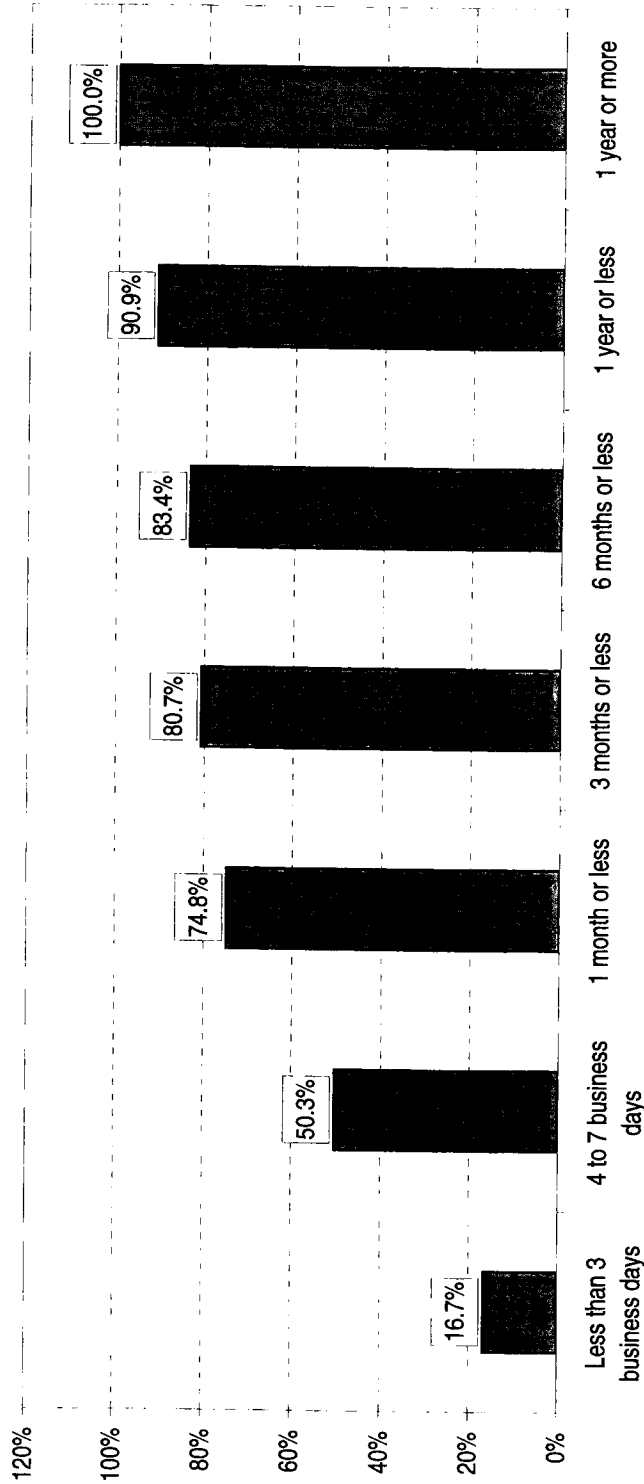
None

**Change in investment's liquidity classification**

Public Market investments

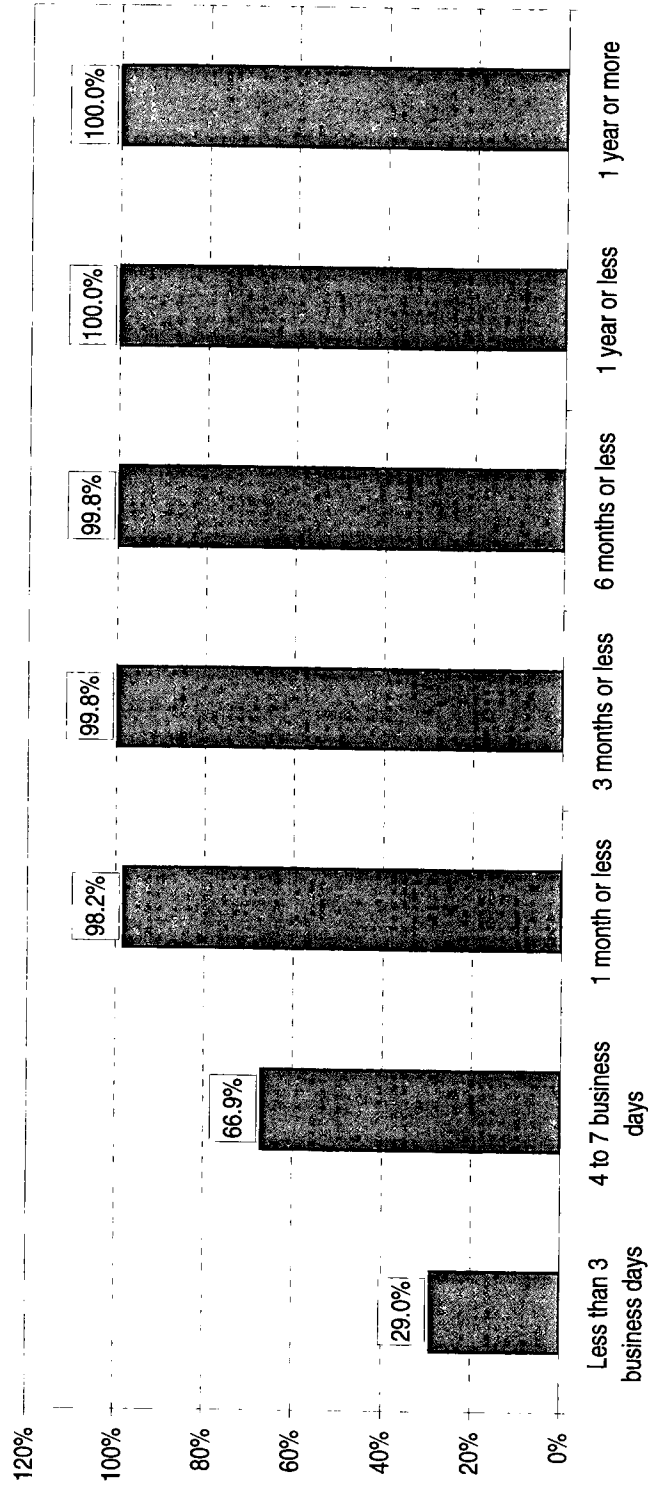
State Street Research Hedge Fund	July 2004	\$ 24,375,000	\$ 13,125,000	\$ 8,125,000	\$ 4,375,000
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**UT Endowments (PUF & GEF) Actual Liquidity Classification**  
as of July 31, 2004



Classification Period	Assets	%	Cumulative Assets	%
<b>Liquid:</b>				
Less than 3 business days	2,034,275,157	16.7%	2,034,275,157	16.7%
4 to 7 business days	4,109,547,037	33.7%	6,143,822,194	50.3%
1 month or less	2,989,203,521	24.5%	9,133,025,715	74.8%
3 months or less	720,870,980	5.9%	9,853,896,695	80.7%
<b>Illiquid:</b>				
6 months or less	334,879,917	2.7%	10,188,776,612	83.4%
1 year or less	917,916,812	7.5%	11,106,693,425	90.9%
1 year or more	<u>1,105,450,975</u>	9.1%	<u>12,212,144,399</u>	100.0%
	12,212,144,399	100.0%		

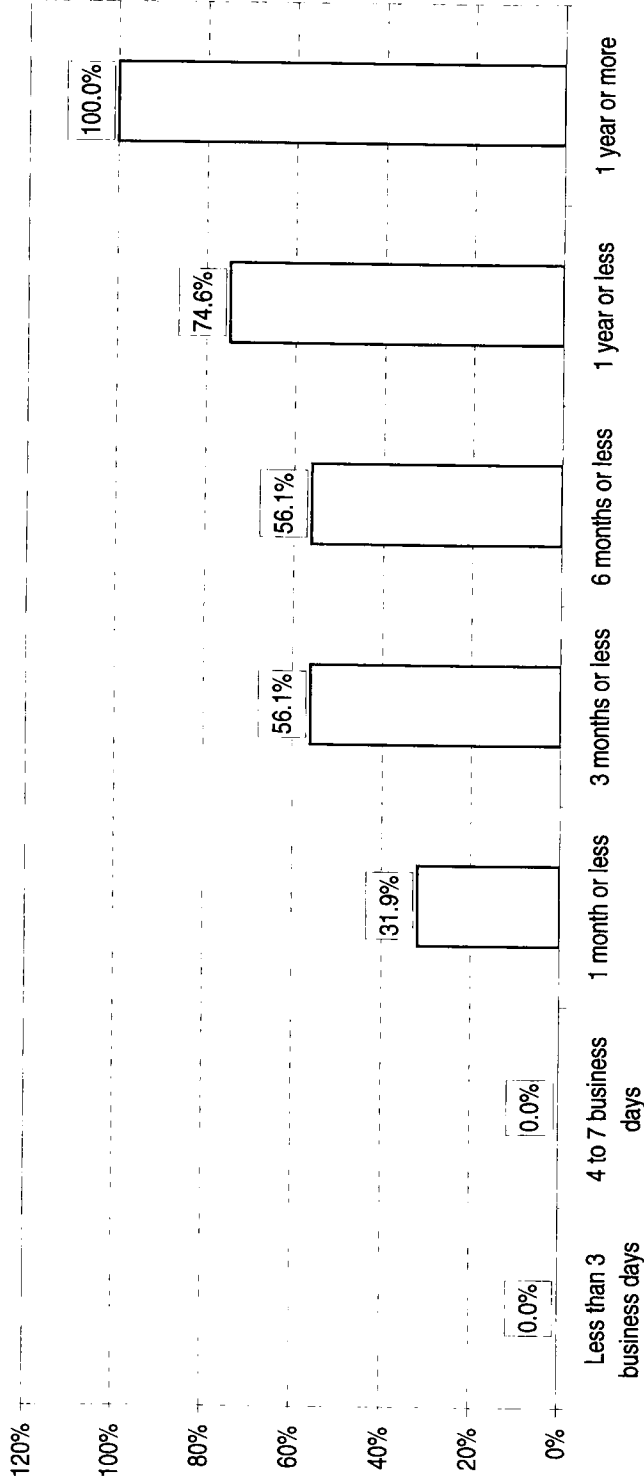
Domestic Equities, International Equities and Fixed Income Actual Liquidity Classification  
as of July 31, 2004



Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
Less than 3 business days	2,031,127,992	29.0%	2,031,127,992	29.0%
4 to 7 business days	2,649,686,927	37.9%	4,680,814,919	66.9%
1 month or less	2,186,181,277	31.3%	6,866,996,196	98.2%
3 months or less	112,596,261	1.6%	6,979,592,457	99.8%
Illiquid:				
6 months or less	0	0.0%	6,979,592,457	99.8%
1 year or less	12,500,000	0.2%	6,992,092,457	100.0%
1 year or more	0	0.0%	6,992,092,457	100.0%
	6,992,092,457	100.0%		

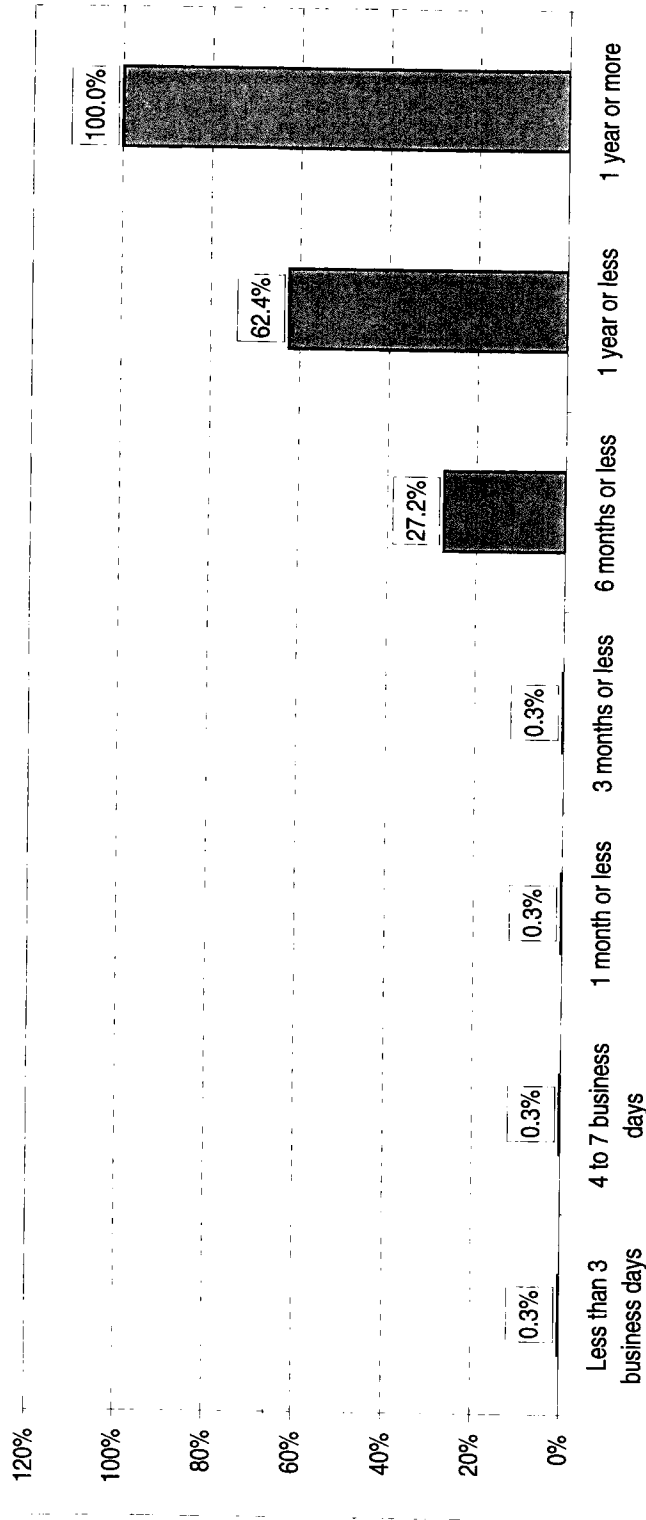


**Marketable Alternatives Actual Liquidity Classification**  
as of July 31, 2004



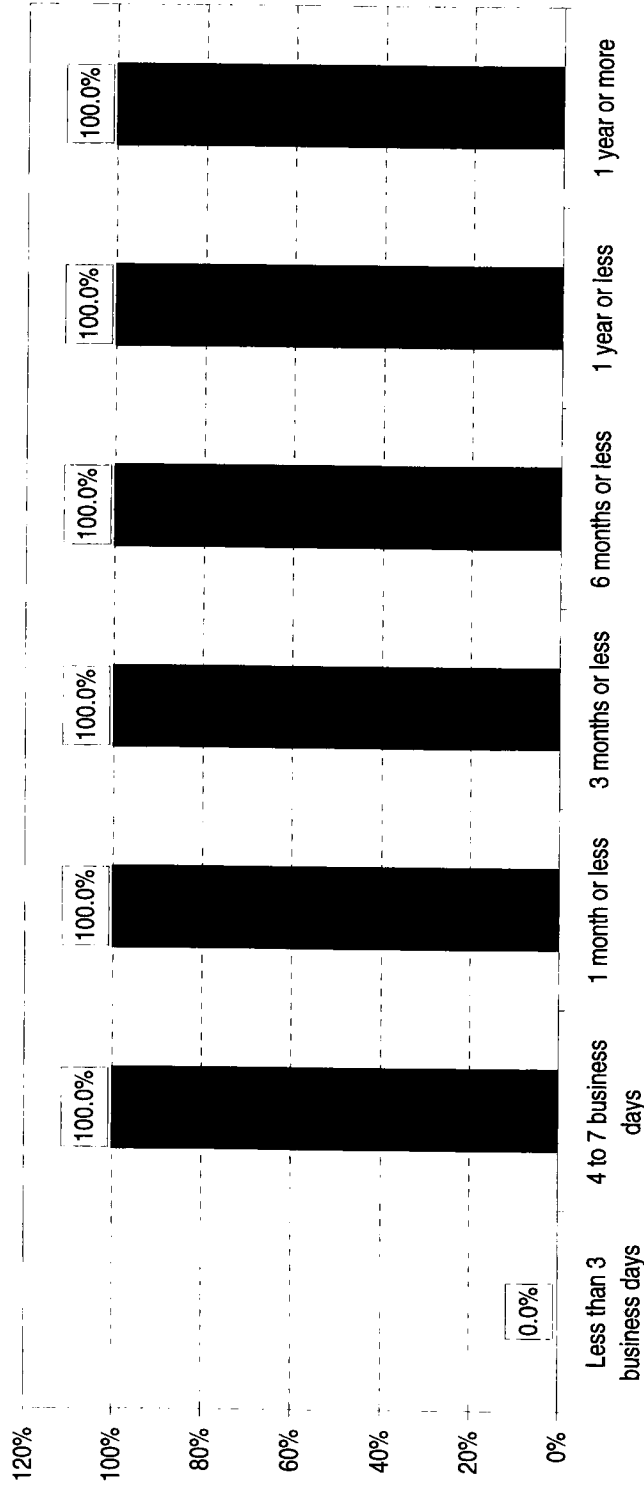
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
Less than 3 business days	0	0.0%	0	0.0%
4 to 7 business days	0	0.0%	0	0.0%
1 month or less	803,022,244	31.9%	803,022,244	31.9%
3 months or less	608,274,719	24.2%	1,411,296,963	56.1%
6 months or less	0	0.0%	1,411,296,963	56.1%
1 year or less	467,742,398	18.6%	1,879,039,361	74.6%
1 year or more	<u>638,462,681</u>	25.4%	<u>2,517,502,042</u>	100.0%
	2,517,502,042	100.0%		
Illiquid:				

**Non-Marketable Alternatives Actual Liquidity Classification**  
as of July 31, 2004



Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
Less than 3 business days	3,147,165	0.3%	3,147,165	0.3%
4 to 7 business days	0	0.0%	3,147,165	0.3%
1 month or less	0	0.0%	3,147,165	0.3%
3 months or less	0	0.0%	3,147,165	0.3%
Illiquid:				
6 months or less	334,879,917	26.9%	338,027,082	27.2%
1 year or less	437,674,414	35.2%	775,701,496	62.4%
1 year or more	<u>466,988,294</u>	37.6%	<u>1,242,689,790</u>	100.0%
	1,242,689,790	100.0%		

**Inflation Hedging Actual Liquidity Classification**  
as of July 31, 2004



	<b>Classification Period</b>	<b>Assets</b>	<b>%</b>	<b>Cumulative Assets</b>	<b>%</b>
Liquid:	Less than 3 business days	0	0.0%	0	0.0%
	4 to 7 business days	1,459,860,110	100.0%	1,459,860,110	100.0%
	1 month or less	0	0.0%	1,459,860,110	100.0%
	3 months or less	0	0.0%	1,459,860,110	100.0%
Illiquid:	6 months or less	0	0.0%	1,459,860,110	100.0%
	1 year or less	0	0.0%	1,459,860,110	100.0%
	1 year or more	0	0.0%	<u>1,459,860,110</u>	100.0%
		1,459,860,110	100.0%		

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

**Agenda Item:** Report on Derivative Applications

**Developed By:** Goldsmith, Shah

**Presented By:** Boldt

**Type of Item:** Information Item

**Description:** The report presented is for the period ended August 31, 2004. Pursuant to the Derivative Investment Policy, UTIMCO staff will make a comprehensive report of all internal derivative applications to the UTIMCO Board on at least a quarterly basis.

**Recommendation:** No action required.

**Discussion:** The format of this report has been improved to provide additional information based on questions being asked by UTIMCO Board members. The PUF and GEF have total internal futures and exchange traded funds gross exposure (without netting long and short positions) of \$3,825.6 million or 31.11% of the endowment funds.

**Reference:** Report on Derivative Applications  
Derivative Investment Policy

**TOTAL INTERNAL DERIVATIVES (FUTURES AND ETFs) BY TYPE as of August 31, 2004**

	<u>Gross Exposure</u>	<u>Net Exposure</u>	<u>Gross Exposure % of Endowment Funds</u>	<u>Comment</u>
S & P 500 Index Futures (Long)	\$ 809,305,300.00		6.58%	Large cap exposure
S & P 500 Index Futures (Short)	(76,734,950.00)	\$ 732,570,350.00	0.62%	Large cap exposure
Dow Jones Futures (Long)	428,486,760.00		3.48%	Large cap exposure (w/ minimal Financials)
Dow Jones Select Dividend (Long)	12,270,162.90		0.10%	Large cap exposure
Diamond ETFs (Dow Jones)	62,063,134.91	502,820,057.81	0.50%	Large cap exposure (w/ minimal Financials)
GSCI Futures (Long)	371,155,050.00	371,155,050.00	3.02%	Commodity exposure
S&P 100 ETFs	249,087,741.00	249,087,741.00	2.03%	Large cap exposure
FTSE 100 INDEX Futures (Long)	193,888,420.41	193,888,420.41	1.58%	United Kingdom large cap exposure
NASDAQ 100 Index Futures (Long)	134,211,000.00	134,211,000.00	1.09%	Large cap technology exposure
TOPIX Index Futures (Long)	92,772,329.96	92,772,329.96	0.75%	Japanese large cap exposure
S & P/TSE 60 INDEX FUT (Long)	71,193,442.72	71,193,442.72	0.58%	Canadian market exposure
NIKKEI 225 Index Futures (Long)	65,136,449.42	65,136,449.42	0.53%	Japanese large cap exposure
Euro Stoxx 50 Futures (Long)	61,883,076.00	61,883,076.00	0.50%	Eurozone large cap exposure
Semiconductor Holders ETFs	13,613,050.22	13,613,050.22	0.11%	Large cap technology exposure
Global Energy ETFs	11,611,053.00	11,611,053.00	0.09%	Large cap global energy exposure
MSCI Singapore ETFs	10,734,893.25	10,734,893.25	0.09%	Singapore market exposure
MSCI Hong Kong ETFs	7,113,395.86	7,113,395.86	0.06%	Hong Kong market exposure
Select Energy ETFs (Long)	2,067,260.85	2,067,260.85	0.02%	Large cap energy exposure
Hang Seng Futures (Short)	(43,302,110.90)	(43,302,110.90)	0.35%	Hong Kong market exposure
MSCI Taiwan ETFs	5,930,161.44		0.05%	Taiwan market exposure
Taiwan Index Futures (Short)	(74,713,080.00)	(68,782,918.56)	0.61%	Taiwan market exposure
South Africa Index Futures (Short)	(77,916,737.02)	(77,916,737.02)	0.63%	South African market exposure
MidCap 400 EMini Futures (Short)	(149,200,160.00)	(149,200,160.00)	1.21%	Mid cap exposure
Russell 2000 ETFs	42,855,787.59		0.35%	Small cap exposure
Russell 2000 Mini Index Futures (Long)	47,958,750.00		0.39%	Small cap exposure
Russell 2000 Mini Index Futures (Short)	(710,447,220.00)	(619,632,682.41)	5.78%	Small cap exposure
<b>Net total</b>	<b>\$ 3,925,651,477.45</b>	<b>\$ 1,561,022,961.61</b>	<b>31.11%</b>	
				Less than 50% of Endowment Funds

## TOTAL INTERNAL DERIVATIVES (FUTURES AND ETFs) BY APPLICATION as of August 31, 2004

### US EQUITY DERIVATIVES

1) Index Exposure	Gross Exposure	Net Exposure	Comment
S & P 500 Index Futures (Long)	\$ 252,562,875.00		Large cap exposure
Dow Jones Futures (Long)	248,628,120.00		Large cap exposure (w/ minimal Financials)
GSCI Futures (Long)	371,155,050.00		Commodity exposure
Russell 2000 Futures (Long)	47,958,750.00		Small cap exposure
Russell 2000 ETFs	42,855,787.59		Small cap exposure
NASDAQ 100 Index Futures (Long)	1,232,550.00	\$ 964,393,132.59	Large cap technology exposure
<b>2) Active Tilts</b>			
Dow Jones Select Dividend (Long)	12,270,162.90		Large cap exposure
Diamond ETFs (Dow Jones)	62,063,134.91		Large cap exposure (w/ minimal Financials)
Global Energy ETFs	11,611,053.00		Large cap energy exposure
Select Sector Energy ETFs	2,067,260.85		Large cap energy exposure
Semiconductor Holders ETFs	13,613,050.22	101,624,661.88	Large cap technology exposure
<b>3) Hedging / Risk Reduction - Spread Trade</b>			
S & P 500 Index Futures (Long)	556,742,425.00		Large cap exposure
S & P 100 ETFs	249,087,741.00		Large cap exposure
NASDAQ 100 Index Futures (Long)	132,978,450.00		Large cap technology exposure
Dow Jones Futures (Long)	179,858,640.00		Large cap exposure (w/ minimal Financials)
Russell 2000 Mini Index Futures (Short)	(710,447,220.00)		Small cap exposure
MidCap 400 EMini Futures (Short)	(149,200,160.00)	259,019,876.00	Mid cap exposure
		\$ 1,325,037,670.47	

### TOTAL US EQUITY DERIVATIVES

### INTERNATIONAL EQUITY DERIVATIVES

<b>1) Index Exposure</b>			
<b>2) Active Tilts</b>			
MSCI Singapore ETFs	10,734,893.25		Singapore market exposure
MSCI Hong Kong ETFs	7,113,395.86		Hong Kong market exposure
MSCI Taiwan ETFs	5,930,161.44		Taiwan market exposure
		\$ 23,778,450.55	
<b>3) Hedging / Risk Reduction - Emerging Short Proxy</b>			
S & P 500 Index Futures (Short)	(76,734,950.00)		Large cap exposure
Taiwan Index Futures (Short)	(74,713,080.00)		Taiwan market exposure
South Africa Index Futures (Short)	(77,916,737.02)		South African market exposure
Hang Seng Futures (Short)	(43,302,110.90)	(272,666,877.92)	Hong Kong market exposure
<b>Hedging / Risk Reduction - neutralizing country/region underweightings</b>			
FTSE 100 INDEX Futures (Long)	193,888,420.41		United Kingdom large cap exposure
TOPIX Index Futures (Long)	92,772,329.96		Japanese large cap exposure
NIKKEI 225 Index Futures (Long)	65,136,449.42		Japanese large cap exposure
Euro Stoxx 50 Futures (Long)	61,883,076.00		Eurozone large cap exposure
S & P/P/FTSE 60 Index Futures (Long)	71,193,442.72		Canadian exposure
		484,873,718.51	
		\$ 235,985,291.14	
		\$ 1,561,022,961.61	

### TOTAL INTERNATIONAL EQUITY DERIVATIVES

### TOTAL EQUITY DERIVATIVES

\$ 3,825,651,477.45

**Report from Cambridge Associates  
Annual University Conference**

TO BE  
PRESENTED AT THE MEETING

# **Competiveness: Asset Allocation Policy**

TO BE  
PRESENTED AT THE MEETING



TAB 4

**Agenda Item**  
UTIMCO Compensation Committee Meeting  
September 29, 2004

**Agenda Item:** UTIMCO Board Meeting Plan for 2004-2005

**Developed By:** Boldt

**Presented By:** Boldt

**Type of Item:** Information item; no action required

**Description:** This agenda item presents the proposed UTIMCO Board Meeting Plan for 2004-2005 for UTIMCO Board review and comment

**Recommendation:** None

**Discussion:** The objective of this agenda item is to provide a broad outline of the major topics to be considered at UTIMCO Board meeting over the ensuing 12 months. Specific agendas for each meeting will be developed in coordination with the UTIMCO Chairman and Vice-Chairman, Policy as is the current practice.

**Reference:** None

**UTIMCO**  
**Board of Directors Meeting Plan**  
**2004 – 2005**

DATE	AGENDA ITEMS	COMMENTS
November 5, 2004	<ul style="list-style-type: none"> <li>• Approval of Funds Financial Statements</li> <li>• Approval of Performance Compensation Plan Items               <ul style="list-style-type: none"> <li>○ Award for CEO</li> <li>○ Awards for Plan Participants</li> <li>○ Eligible Employees</li> <li>○ Amend or Approve Plan</li> </ul> </li> <li>• Public Markets Presentation Part II</li> <li>• UTIMCO Competitiveness Report</li> </ul>	
January 18, 2005	<ul style="list-style-type: none"> <li>• Core Fund Approval</li> <li>• Presentation of UTIMCO Annual Report</li> <li>• Approval of UTIMCO Financial Statements</li> <li>• Risk Budgeting Presentation</li> <li>• Consideration of a New Asset Allocation Framework</li> </ul>	
March 31, 2005 (Annual Meeting)	<ul style="list-style-type: none"> <li>• Corporate Resolutions               <ul style="list-style-type: none"> <li>○ Appointment of Officers</li> <li>○ Designation of Key Employees</li> </ul> </li> <li>• Annual Report on External Consultant</li> <li>• Annual Report on External Counsel</li> <li>• Approval of Auditor Engagement Letter</li> <li>• Approval of PUF Distribution</li> <li>• Approval of PHF and LTF Distribution Rates</li> <li>• Discussion of Capital Markets Projections for Asset Allocation Policy Review</li> <li>• Selection of Appropriate Decision Factors</li> <li>• Marketable Alternatives Presentation</li> </ul>	The key discussions at this meeting will center on preparations for the Asset Allocation Policy discussions at the joint meeting with the Board of Regents
May 19, 2005	<ul style="list-style-type: none"> <li>• UTIMCO Competitiveness Report</li> <li>• Consideration of Asset Allocation Policy</li> </ul>	Joint meeting with Board of Regents
July 21, 2005	<ul style="list-style-type: none"> <li>• Approval of UTIMCO Budget</li> <li>• Approval of CEO Salary</li> <li>• Approval of Compensation Committee Recommendations on Salary Changes</li> <li>• Inflation Hedge Presentation</li> </ul>	Also a possibility for the joint meeting with the Board of Regents
September 22, 2005	<ul style="list-style-type: none"> <li>• Non-Marketable Alternatives Presentation</li> </ul>	

# TAB 5

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Approval of External Board Service
- Developed By:** Boldt
- Presented By:** Boldt
- Type of Item:** Action Required by UTIMCO Board
- Description:** My verbal agreement with the UTIMCO Board and the UTIMCO Ethics Policy require that I get UTIMCO Board approval to serve on a for-profit entity board for compensation. The purpose of this agenda item is to get UTIMCO Board approval to serve on the board of directors of The Endowment Fund, L.P., a registered investment company (under The Investment Company Act of 1940), that offers investment services to individuals and smaller institutions.
- Recommendation:** Approval recommended.
- Discussion:** My verbal agreement with the UTIMCO Board during recruitment was that I would be allowed to serve on external boards with approval from the UTIMCO Board. The UTIMCO Ethics Policy, in the sections highlighted below, sets forth several general ethical principles which must be met in connection with this recommendation:
- IA(2) Directors and employees may not: accept other employment or engage in a business or professional activity that the director or employee might reasonably expect would require or induce the director or employee to disclose confidential information acquired by reason of his or her position at UTIMCO
  - IA(3) Directors and employees may not: accept other employment or compensation that could reasonably be expected to impair the director's or employee's independence of judgment in the performance of his or her duties for UTIMCO.
  - D. .... Directors and employees should avoid personal, employment, or business relationships that create conflicts of interest.
  - E. Directors and employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of UTIMCO as a reference or the communication to others of the fact that a relationship with UTIMCO exists, provided that no misrepresentation is involved.
  - III A(1) UTIMCO and UTIMCO entities may not enter into an agreement or transaction with a director or employee acting in other than an official capacity on behalf of UTIMCO.
  - III A(2) UTIMCO and UTIMCO entities may not enter into an agreement or transaction with a director entity, employee entity or business entity (including

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

an investment fund) in which a director or employee has any pecuniary interest.

III A(4) UTIMCO and UTIMCO entities may not enter into an agreement or transaction with an investment fund or account managed by a director, director entity, employee, or employee entity as a fiduciary or agent for compensation.

D (1) No employee or employee entity may engage in outside employment, business, or other activities which detract from the ability to fulfill the full-time responsibilities to UTIMCO. .... Any outside employment by the President must be approved in advance by the Board.

I have been asked to serve on the Board of Directors of The Endowment Fund, L.P. (TEF), an investment vehicle created to deliver the same type of expertise and sophistication of major university endowments to wealthy individuals and smaller institutions. TEF was formed in April 2003 by Salient Partners, a Houston, Texas based investment advisory firm with approximately \$1.2 billion in assets under management, and MWY Consulting, an organization owned by Mark Yusko, the former CEO of the University of North Carolina Investment Management Company. In May, 2003, Sanders Morris Harris Group, Inc., the largest independent investment banking and brokerage firm in the southwest, acquired a 50% interest in Salient Partners. TEF currently has approximately \$125 million under management from wealthy individual investors. Other individuals to be included on the Board are Scott Wise, Vice President for Investments at Rice University, Mark Yusko, and Scott Schwinger, Senior Vice President and CFO of the Houston Texans.

I would have no investment or marketing responsibilities as a member of the TEF Board, and no personal contact with clients. All Board activity would be conducted on personal time, and will consist primarily of four Board meetings per year in Houston, Texas. My compensation will include an annual fee of \$15,000 plus \$500 for each Board meeting attended, plus reimbursement of all expenses.

UTIMCO has never had any business relationship with Salient Partners, MWY Consulting, or Sanders Morris Harris Group, Inc. Any future business relationship would be precluded by my TEF Board membership.

This Board service meets all of the requirements for external, for-compensation board service set forth in the Code of Ethics and the Investment Management Services Agreement. All activities will take place on personal time, and there are no conflicts of interest. My contact with Mark Yusko and Scott Wise will enhance my knowledge of the activities of other major endowment funds, which should be of additional benefit to UTIMCO.

**Reference:** UTIMCO Ethics Policy; Investment Management Services Agreement

## **Resolution No. 2**

RESOLVED, that the Board of Directors hereby approves External Board Service for Mr. Bob L. Boldt, President of the Corporation, on the Board of Directors of The Endowment Fund, L.P.; and be it

FURTHER RESOLVED, that all External Board activity will be on personal time, with no investment or marketing responsibilities as a member of the External Board and will not give rise to conflicts of interest; and be it

FINALLY RESOLVED, that this External Board Service will meet all requirements of the Code of Ethics Policy and the Investment Management Services Agreement for the Corporation applicable to external, for-compensation board service.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Presentation on the Public Markets Investments program
- Developed By:** Goldsmith, Shah, and Zaheer
- Presented By:** Goldsmith
- Type of Item:** Information Item
- Description:** This agenda item presents an overview of the current status of the Public Markets Investments program
- Recommendation:** No action required
- Discussion:** The Public Markets Investments program currently includes approximately \$7,046 million in Endowment assets, which is approximately 57% of the total Endowment assets, as well as an additional \$3,825 million of internally managed derivatives positions.
- The Public Markets group is responsible for investments in Domestic Equities, International Equities, Domestic and International Fixed Income, and presently oversees TIPs and Commodities.
- Our focus in the Public Markets area is on defining and locating high PVA investment opportunities and structuring effective relationships in those opportunities. Our primary activities include:
- the active management of 'beta' (or size, style, region, country,... positioning),
  - the hiring and oversight of active managers that staff believes have the ability to provide significant 'alpha' over stated benchmarks over time,
  - the development of highly favorable performance-based fee arrangements,
  - and the implementation of revenue sharing arrangements whenever the Endowments' leadership position can be constructively compensated.
- Staff remains intently focused on these areas and believes they represent the cornerstones for future success and peer leadership in the Endowment investment world.
- Reference:** None



TAB 6



**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

# **UTMCO Public Markets Investments**

**Board Presentation**

**September 2004**



# Agenda

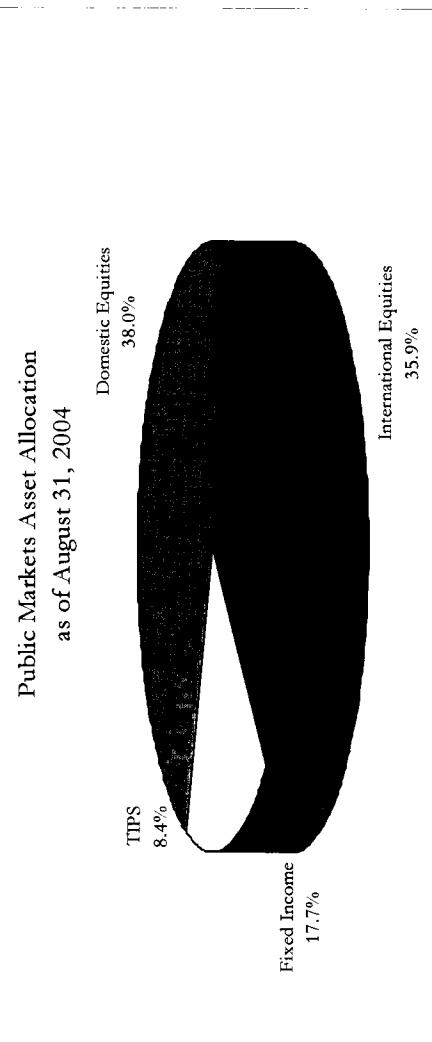
1. Areas of Responsibility
2. Staff
3. Philosophy
4. Asset Allocation
5. Domestic Equities Spread Trade
6. International Equities Short Proxy
7. Analytical Tools
8. Conclusion



# 1. Areas of Responsibility

Asset Class	Amount Invested	% of Public Markets	% of Total Endowment
Domestic Equities	2,680,168,937	38.0%	21.8%
International Equities	2,530,375,725	35.9%	20.6%
Fixed Income	1,244,852,670	17.7%	10.1%
TIPS	590,849,079	8.4%	4.8%
<b>Total Public Markets</b>	<b>7,046,246,411</b>	<b>100.0%</b>	<b>57.3%</b>
<b>Total Endowment</b>	<b>12,295,521,764</b>		<b>100.0%</b>

as of August 31, 2004





## 2. Staff

- Larry Goldsmith, Managing Director of Public Markets Investments
- Russell Kampfe, Senior Portfolio Manager
  - Fixed Income Investments
- Harland Doak, Portfolio Manager
  - Fixed Income Investments
- Tushar Shah, Analyst
- Maria Zaheer, Intern

**TRIMCO Board**

**President, CEO & CIO**

**MD Public Markets Investments**

**Russell Kampfe  
Harland Doak**

*Please see Board book for complete Staff bios*



### 3. Philosophy

- Staff believes there are four ways to add value in Public Markets Investments:
  1. Actively managing/controlling the “beta” positioning
    - “beta” being a catch-all for “size, sector, country, currency, capital/PVA shifts etc.”
  2. Building/securing high PVA “alpha” (security selection) investment structures
  3. Constructing advantageous performance fee arrangements
  4. Structuring value-added revenue share agreements
  
- Simply overseeing outside managers is not adequate to achieve goals
  
- Must excel at all of the above components to outperform our peers
  
- Investment decisions are made in a risk-based and oriented framework



## Peer's Activities

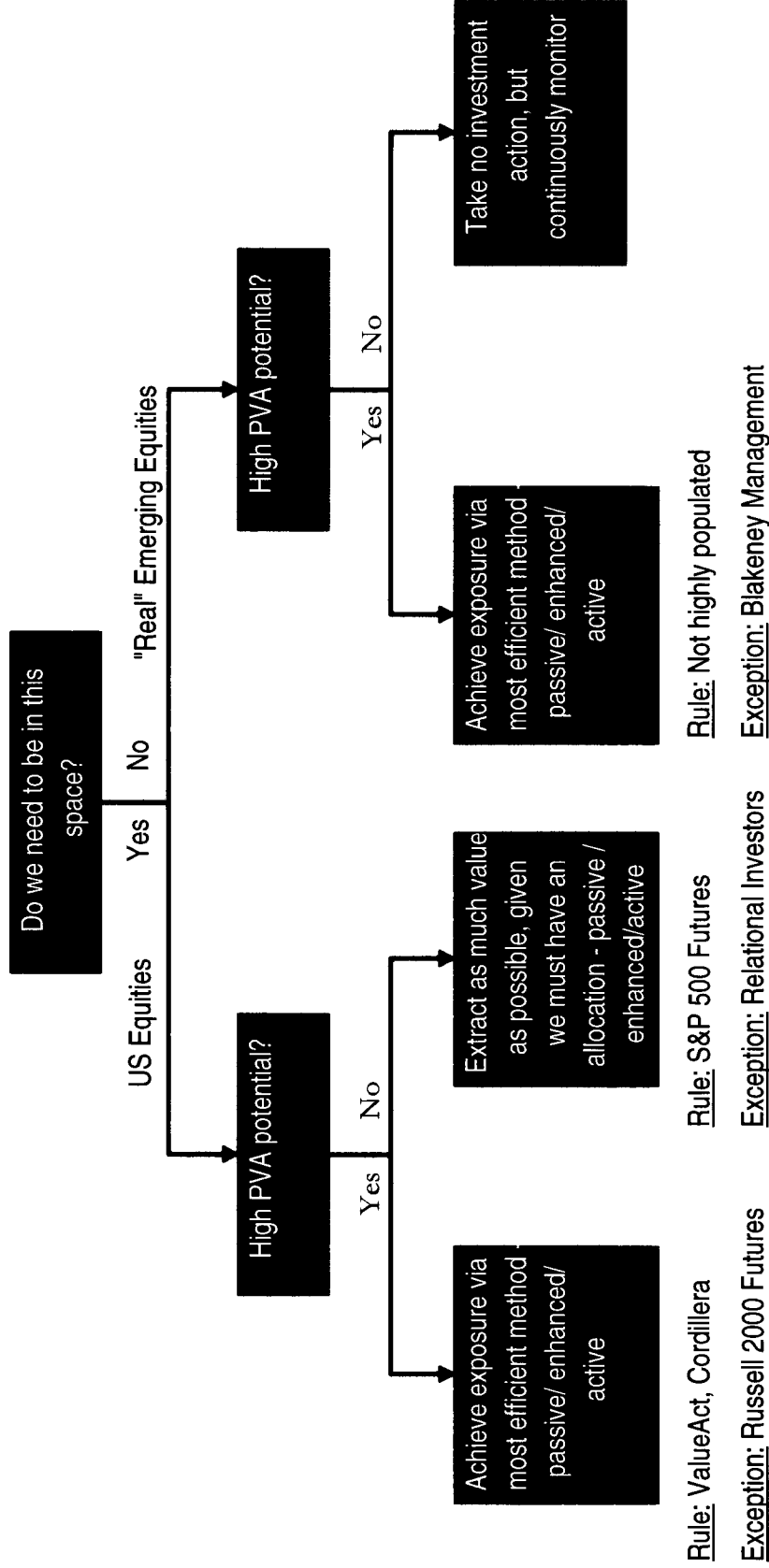
Staff believes that every available tool must be utilized....

	UTIMCO	Yale
Beta	✓	
Alpha	✓	✓
Fees	✓	
Revenue Share	✓	

.... Otherwise PVA is being left on the table



# Investment Thought Process

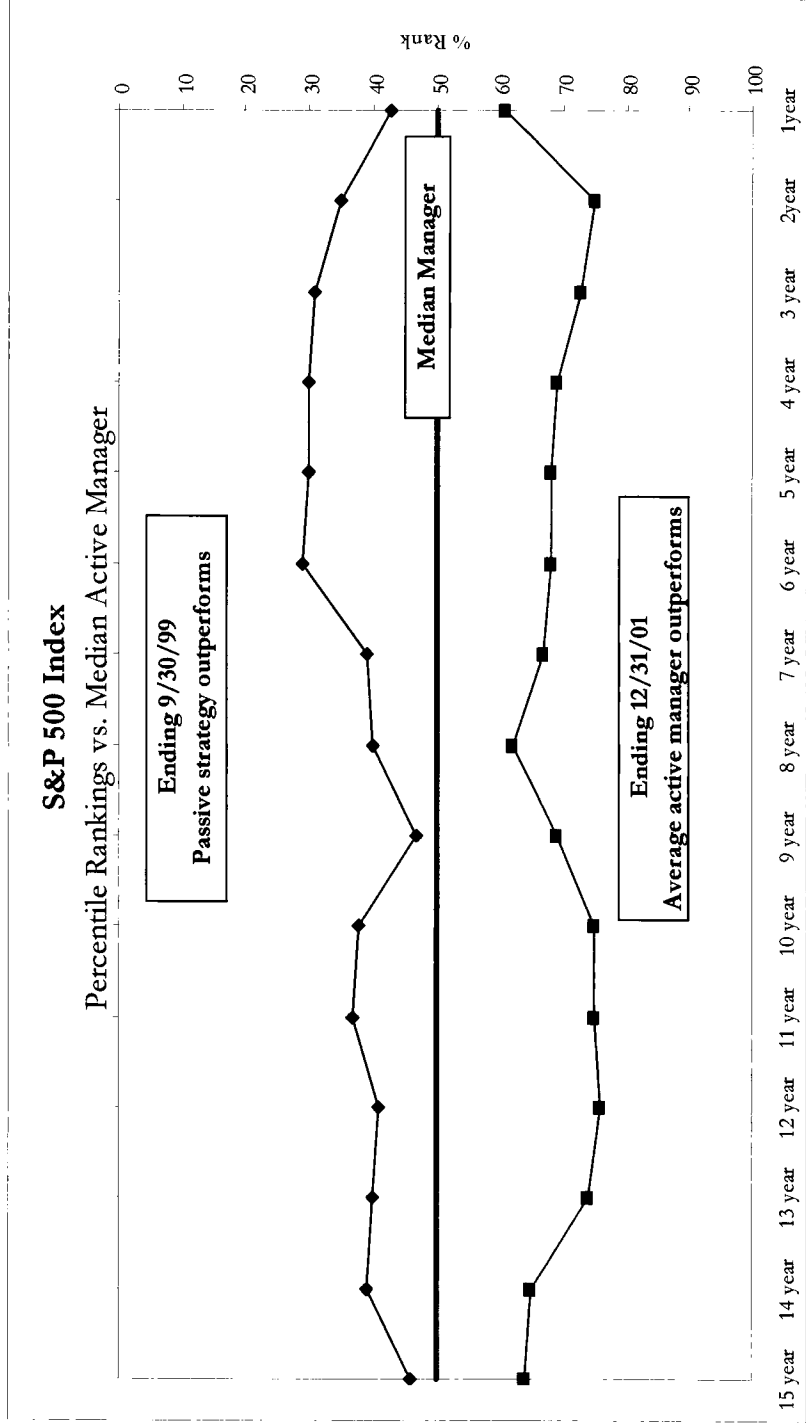






# Passive vs. Active Management

Perspective is often endpoint specific...



S&P 500 Performance Comparison Percentile Ranking vs. Russell Market-Oriented Accounts Universe  
Source: Frank Russell institutional manager database.



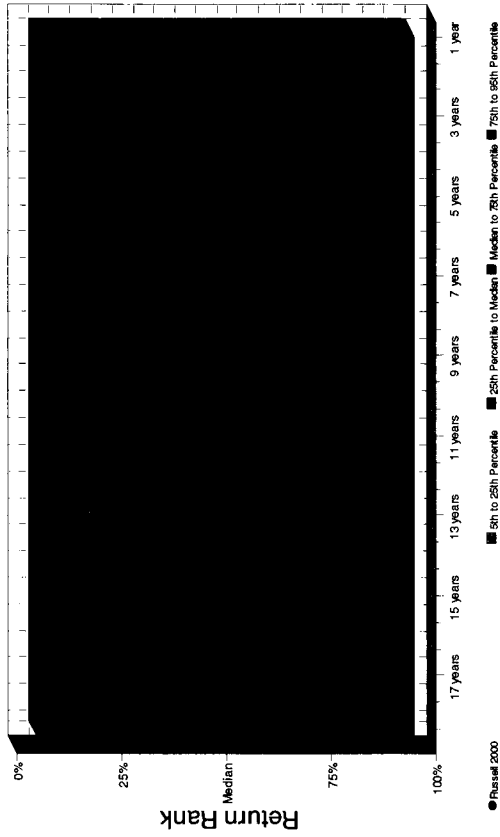
# Actively Managing/Controlling the "Beta" Passive vs. Active Management

Passive investments were winners as of recent... witness the Russell 2000 Index

## Manager vs Universe: Return Rank through July 2004

(not annualized if less than 1 year)

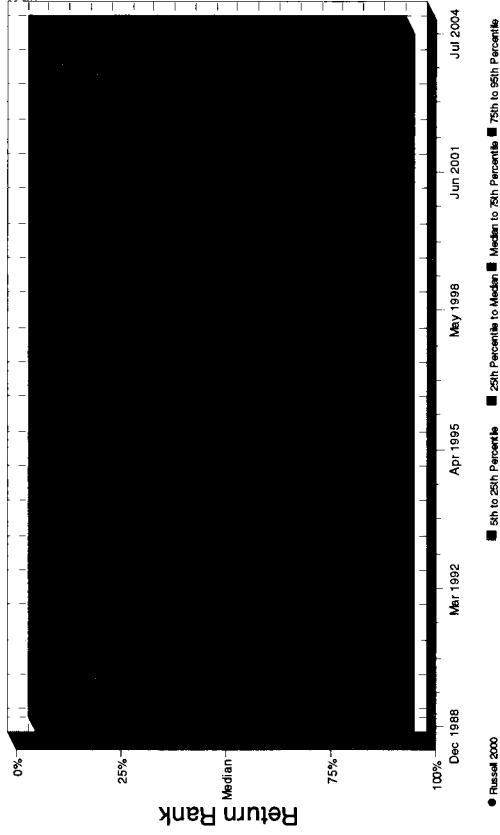
All Small Cap Managers (Morningstar)



## Manager vs Universe: Return Rank

36-Month Moving Windows, Computed Monthly

All Small Cap Managers (Morningstar)



...But beta is very cyclical...



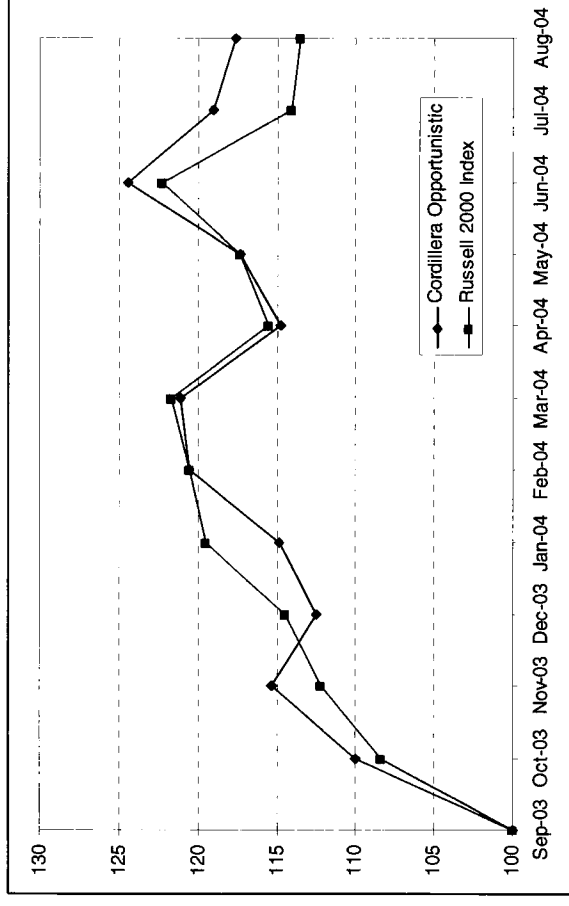
## Securing High “Alpha” Opportunities

- Staff funded a portfolio opportunity for a talented small cap sector analyst with an existing Investment Manager to manage an opportunistic consumer cyclicals account exclusively for UTIMCO.

- *Staff believes that the analyst has both the analytical skills needed to pick stocks along with the discipline and judgment skills needed to be a Portfolio Manager.*

- *Since inception, this account has added 410 bps of excess return.*

- *Manager is only compensated when the return is greater than the benchmark return + 250 bps per annum*





# Constructing Performance Fee Arrangements Domestic Small Cap Manager Example

**Fixed Fees:**

Annual management fee (bps): 90\*  
Performance Fee (bps): 0

**Performance-Based Fees:**

Annual management fee (bps): 25  
between 25 bps of excess return to 250 bps of excess return 10% of excess  
above 250 bps of excess return 20% of excess

**When UTIMCO Fee is equivalent to industry standard fee (in bps):**

Base Fee	Excess Return	Performance Fee	Total Fee	Fee Savings**
25	0	0	25	651,000
25	25	0	25	651,000
25	50	3	28	626,000
25	75	5	30	601,000
25	100	8	33	576,000
25	125	10	35	551,000
25	150	13	38	526,000
25	175	15	40	501,000
25	200	18	43	476,000
25	225	20	45	451,000
25	250	23	48	426,000
25	275	28	53	376,000
25	300	33	58	326,000
25	325	38	63	276,000
25	350	43	68	226,000
25	375	48	73	176,000
25	400	53	78	126,000
25	425	58	83	76,000
25	450	63	88	26,000
<b>25</b>	<b>463</b>	<b>65</b>	<b>90</b>	<b>0</b>
25	500	73	98	(74,000)
25	525	78	103	(124,000)
25	550	83	108	(174,000)

\*Source: Cambridge Associates, L.L.C. estimate for US small cap managers with a minimum of \$50 million of assets under management

\*\* Based on a \$100 million investment



# Impact of a Performance Hurdle – Russell 2000

- In evaluating the 12 most recent discrete 3 year periods, a small cap manager outperforming a hurdle of 250 bps over the Russell 2000 Index would have ranked 1st or 2nd quartile in 9 discrete periods.

- *vs. 6 periods for the Russell 2000 Index*

Universe: Small Core (Morningstar)  
3 year returns (annualized)

	1990 - 1992	1991 - 1993	1992 - 1994	1993 - 1995	1994 - 1996	1995 - 1997	1996 - 1998	1997 - 1999	1998 - 2000	1999 - 2001	2000 - 2002	2001 - 2003
5th Percentile	17.13%	31.82%	13.68%	16.63%	21.61%	32.35%	23.55%	24.67%	22.39%	24.49%	7.89%	16.84%
25th Percentile	11.85%	25.02%	10.51%	14.96%	17.49%	29.08%	16.36%	16.35%	10.31%	15.60%	1.41%	9.06%
Median	11.27%	23.34%	7.75%	13.80%	14.20%	25.20%	13.35%	12.57%	7.14%	9.10%	-3.01%	6.13%
75th Percentile	10.50%	22.76%	6.37%	12.84%	12.63%	22.23%	11.21%	10.22%	4.17%	6.86%	-6.83%	4.37%
95th Percentile	8.48%	16.72%	5.17%	10.73%	10.94%	17.85%	7.17%	4.68%	-0.24%	3.34%	-9.77%	-2.82%
Russell 2000	11.66%	27.17%	11.40%	14.46%	13.68%	22.34%	11.58%	13.08%	4.65%	6.42%	-7.54%	6.27%
Russell 2000 + 250 bps p.a.	14.15%	29.67%	13.90%	16.96%	16.18%	24.83%	14.08%	15.58%	7.15%	8.92%	-5.04%	8.77%
<i>Quartile</i>	2	1	1	2	3	3	3	2	3	3	4	2
<i>Quartile</i>	1	1	1	1	2	3	2	2	2	3	3	2

Source: Zephyr Associates



# Impact of a Performance Hurdle – Russell 2000

- A small cap manager adding 463 bps per year (the excess return required to make the Performance fee equivalent to the standard Fixed fee), would have ranked:
  - As 1st or 2nd quartile in 12 out of 12 periods
  - vs. 6 periods for the Index
  - As 1st quartile in 7 out of 12 periods
  - vs. 2 periods for the Index
- Net of fees, the manager would have ranked as above median in 11 out of the 12 periods.

Universe: Small Core (Morningstar)  
3 year returns (annualized)

	1990 - 1992	1991 - 1993	1992 - 1994	1993 - 1995	1994 - 1996	1995 - 1997	1996 - 1998	1997 - 1999	1998 - 2000	1999 - 2001	2000 - 2002	2001 - 2003
5th Percentile	17.13%	31.82%	13.68%	16.63%	21.61%	32.35%	23.55%	24.67%	22.39%	24.49%	7.89%	16.84%
25th Percentile	11.85%	25.02%	10.51%	14.96%	17.49%	29.08%	16.36%	16.35%	10.31%	15.60%	1.41%	9.06%
Median	11.27%	23.34%	7.75%	13.80%	14.20%	25.20%	13.35%	12.57%	7.14%	9.10%	-3.01%	6.13%
75th Percentile	10.50%	22.76%	6.37%	12.84%	12.63%	22.23%	11.21%	10.22%	4.17%	6.86%	-6.83%	4.37%
95th Percentile	8.48%	16.72%	5.17%	10.73%	10.94%	17.85%	7.17%	4.68%	-0.24%	3.34%	-9.77%	-2.82%
Russell 2000	11.66%	27.17%	11.40%	14.46%	13.68%	22.34%	11.58%	13.08%	4.65%	6.42%	-7.54%	6.27%
Quartile	2	1	1	2	3	3	3	2	3	3	4	2
Russell 2000 + 463 bps p.a.	16.29%	31.80%	16.03%	19.09%	18.31%	26.97%	16.21%	17.71%	9.28%	11.05%	-2.91%	10.90%
Quartile	1	1	1	1	1	2	2	1	2	2	2	1

Source: Zephyr Associates



# Impact of a Performance Hurdle – S&P 500

- Using the S&P 500 as the benchmark, managers outperforming the performance hurdle would have qualified as top quartile in 11 out of 12 periods
- *vs. 5 periods for the Index.*

Universe: Large Core (Morningstar)  
3 year returns (annualized)

	1990 - 1992	1991 - 1993	1992 - 1994	1993 - 1995	1994 - 1996	1995 - 1997	1996 - 1998	1997 - 1999	1998 - 2000	1999 - 2001	2000 - 2002	2001 - 2003
5th Percentile	15.83%	25.83%	12.24%	18.62%	20.67%	32.12%	30.32%	30.50%	19.10%	6.20%	-8.20%	-0.16%
25th Percentile	12.83%	18.56%	7.03%	15.02%	19.18%	30.68%	27.88%	27.24%	13.38%	0.64%	-12.79%	-3.60%
Median	10.59%	15.43%	5.89%	14.20%	17.71%	28.62%	26.20%	25.25%	11.90%	-1.12%	-14.66%	-4.46%
75th Percentile	9.28%	13.89%	4.64%	12.00%	15.25%	25.89%	22.85%	22.04%	10.09%	-1.91%	-15.32%	-5.73%
95th Percentile	7.34%	11.59%	0.15%	8.56%	10.58%	19.52%	16.87%	16.64%	5.74%	-4.92%	-18.29%	-9.00%
S&P 500 Index	10.81%	15.62%	6.28%	15.34%	19.68%	31.15%	28.23%	27.56%	12.26%	-1.03%	-14.55%	-4.05%
Quartile	2	2	2	1	1	1	1	1	2	2	2	2
S&P 500 Index + 250 bps p.a.	13.31%	18.12%	8.78%	17.84%	22.18%	33.65%	30.73%	30.06%	14.76%	1.47%	-12.05%	-1.55%
Quartile	1	2	1	1	1	1	1	1	1	1	1	1

Source: Zephyr Associates



# Impact of a Performance Hurdle – Russell 3000

- Using the Russell 3000 Index as the benchmark, a large cap manager outperforming the performance hurdle was top quartile each 3 year period.
- *vs. 0 periods for the Index.*

Universe: Large Core (Morningstar)

	1990 - 1992	1991 - 1993	1992 - 1994	1993 - 1995	1994 - 1996	1995 - 1997	1996 - 1998	1997 - 1999	1998 - 2000	1999 - 2001	2000 - 2002	2001 - 2003
5th Percentile	15.83%	25.83%	12.24%	18.62%	20.67%	32.12%	30.32%	30.50%	19.10%	6.20%	-8.20%	-0.16%
25th Percentile	12.83%	18.56%	7.03%	15.02%	19.18%	30.68%	27.88%	27.24%	13.38%	0.64%	-12.79%	-3.60%
Median	10.59%	15.43%	5.89%	14.20%	17.71%	28.62%	26.20%	25.25%	11.90%	-1.12%	-14.66%	-4.46%
75th Percentile	9.28%	13.89%	4.64%	12.00%	15.25%	25.89%	22.85%	22.04%	10.09%	-1.91%	-15.32%	-5.73%
95th Percentile	7.34%	11.59%	0.15%	8.56%	10.58%	19.52%	16.87%	16.64%	5.74%	-4.92%	-18.29%	-9.00%
Russell 3000	11.65%	17.57%	6.80%	14.97%	18.63%	29.98%	25.84%	25.53%	11.57%	-0.31%	-13.69%	-3.08%
Quartile	2	2	2	2	2	2	3	2	3	2	2	2
Russell 3000 + 250 bps p.a.	14.15%	20.07%	9.30%	17.47%	21.13%	32.49%	28.34%	28.02%	14.07%	2.19%	-11.19%	-0.58%
Quartile	1	1	1	1	1	1	1	1	1	1	1	1

Source: Zephyr Associates





## Exchange Traded Fund (ETF) Fees

Ticker	Index	Expense Ratio
IWV	Russell 3000 Index	0.20%
IVV	S&P 500	0.09%
RSP	S&P 500 Equal Weighted	0.40%
IWM	Russell 2000 Index	0.20%



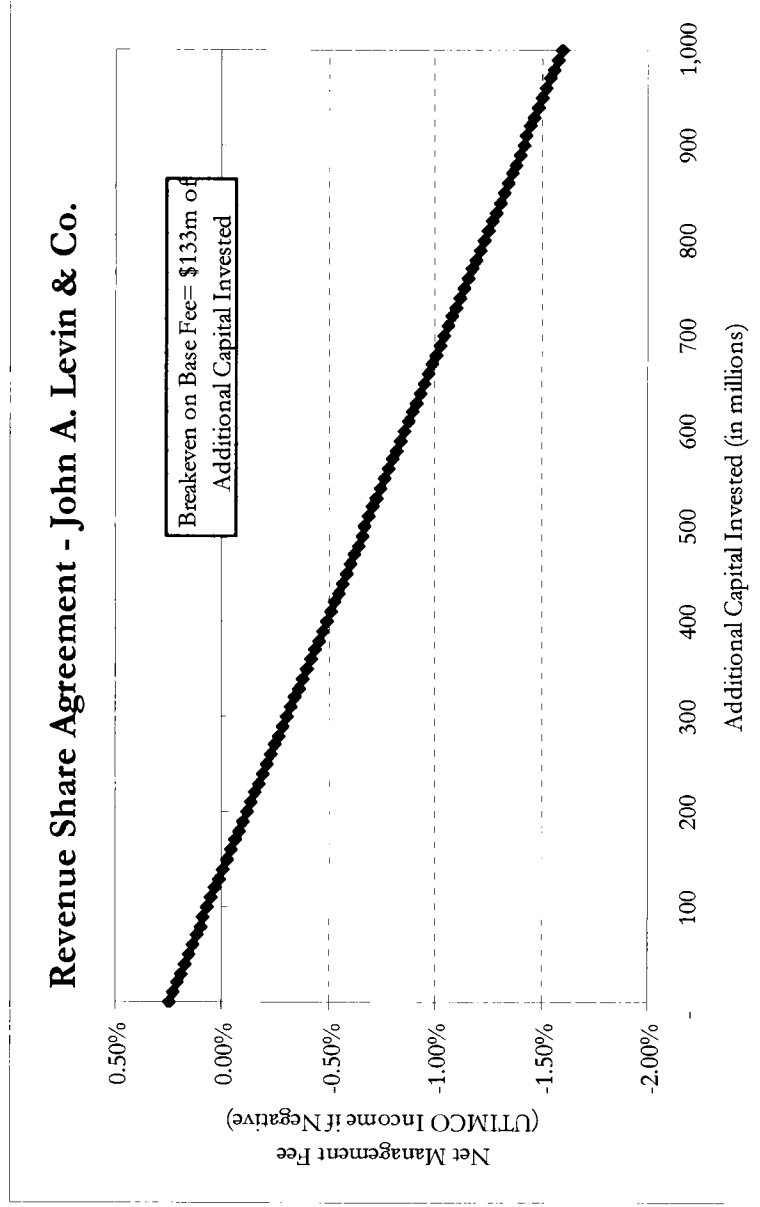
# Estimated Fee Savings

As of July 31, 2004	Index/Fund/ Performance Fee	AUM	UTIMCO Fee (Base)	Average Fee*	UTIMCO Fee \$	Average Fee \$	UTIMCO Savings
<b>Domestic Equities:</b>							
BGI S&P 500	I	237,100,000	0.013%	0.080%	30,823	213,390	182,567
BGI S&P 400 Midcap	I	265,100,000	0.010%	0.090%	26,510	238,590	212,080
BGI Russell 2000 Alpha Tilt	P	250,300,000	0.15%	0.25%	375,450	625,750	250,300
BGI Russell 3000 Alpha Tilt	P	285,600,000	0.14%	0.25%	399,840	714,000	314,160
Cordillera	P	107,500,000	0.25%	0.78%	268,750	838,500	569,750
Cordillera Opportunistic	P	29,800,000	0.00%	0.78%	0	232,440	232,440
Davis Hamilton Jackson	P	38,900,000	0.25%	0.52%	97,250	202,280	105,030
GSAM - Large Cap	P	227,500,000	0.175%	0.45%	388,125	1,023,750	625,625
GSAM - Small Cap	P	147,600,000	0.150%	0.50%	221,400	738,000	516,600
Forsmann Leff	P	279,700,000	0.25%	0.78%	699,250	2,181,660	1,482,410
SSR Hedge	P	12,500,000	1.00%	1.00%	125,000	125,000	0
SSR Small Cap	F	26,200,000	0.83%	1.00%	217,460	282,000	44,540
TOW MultiCap	P	89,700,000	0.00%	0.52%	0	466,440	466,440
TOW Mid Value	P	23,600,000	0.50%	0.78%	118,000	184,080	66,080
TOW Small Value	P	23,100,000	0.55%	0.78%	127,050	180,180	53,130
Value Act Capital	P	86,400,000	1.00%	1.00%	864,000	864,000	0
<b>International Equities:</b>							
BGI EAFE International Fund	I	487,600,000	0.07%	0.45%	348,320	2,239,200	1,890,880
BGI Emerging Markets Structured Fund	I	124,300,000	0.45%	1.00%	559,350	1,243,000	683,650
BGI International Alpha Tilts	P	249,800,000	0.15%	0.45%	374,700	1,124,100	749,400
Capital Guardian Small Cap International	P	155,500,000	0.558%	0.62%	867,690	964,100	96,410
Globellex	P	169,700,000	0.25%	0.62%	424,250	1,052,140	627,890
Globellex Canadian	P	44,800,000	0.25%	0.62%	111,500	276,520	165,020
Globellex Japan	P	48,000,000	0.25%	0.62%	120,000	297,600	177,600
GSAM - Structured International Equity	P	253,500,000	0.125%	0.45%	316,875	1,140,750	823,875
Franklin Templeton	F	309,500,000	1.25%	1.00%	3,868,750	3,095,000	773,750
Ceclise	P	110,400,000	0.30%	0.45%	331,200	496,800	165,600
<b>Fixed Income:</b>							
PIMCO Fixed Income	P	791,100,000	0.28%	0.46%	2,056,860	3,639,060	1,582,200
GMO Emerging Debt Fund	F	28,300,000	0.57%	0.46%	149,910	120,980	28,930
<b>AUM:</b>		4,910,900,000			13,498,313	24,779,310	11,280,997
<b>Total Fees</b>					0.27%	0.50%	0.23%

\*Average Fees are from Cambridge Associates 2002 Investment Manager fee study and are based on a \$100mm institutional account, with the exception of Emerging Markets and Global Bonds, which are based on a \$25mm institutional account.



# Advantageous Revenue Share Agreements



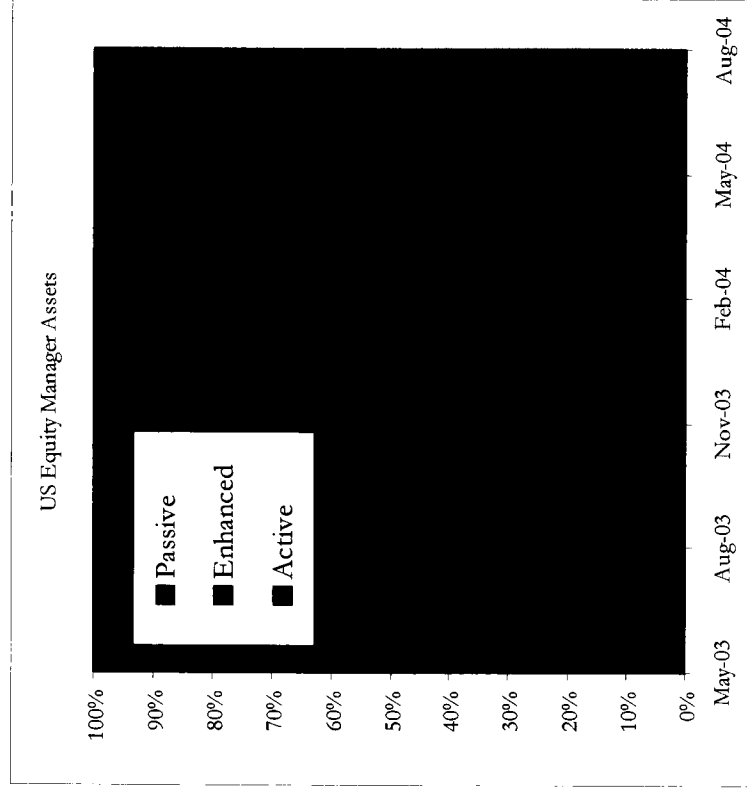
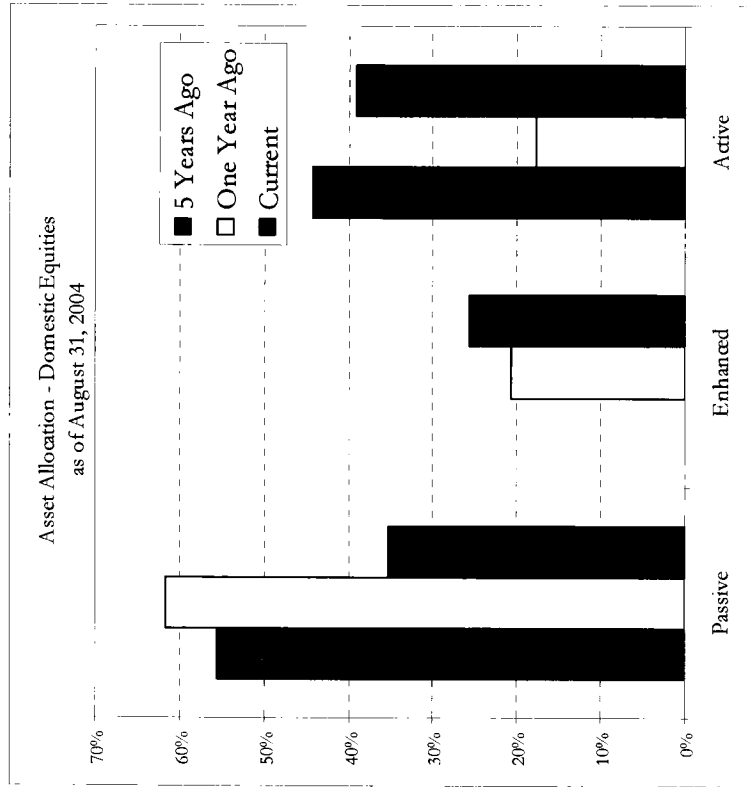
•UTIMCO effectively pays 0 base fee when Levin raises an additional \$133m into this mandate

---If Levin raises an additional \$400m into this mandate, UTIMCO would effectively earn \$500,000 per annum

Note: This one revenue share arrangement will potentially pay the salary of Public Markets Investments staff for the next 5 years...



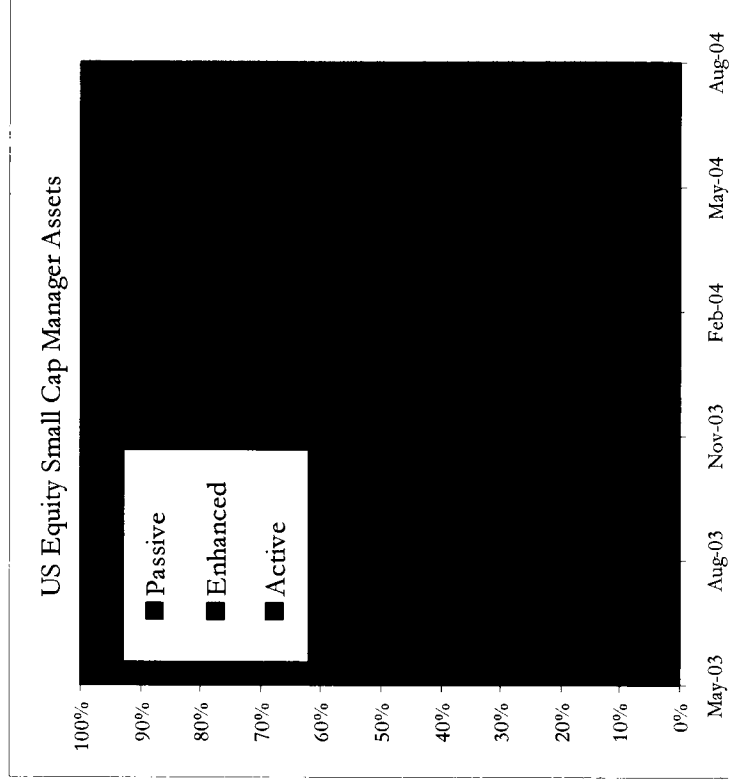
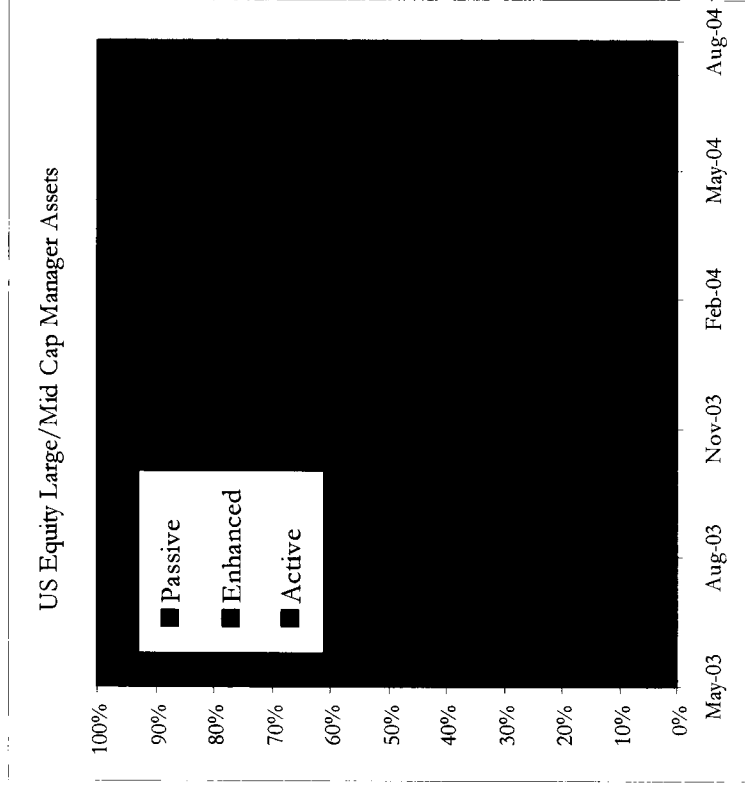
# 4. Asset Allocation – Domestic Equities



Added:	Terminated
BGI Russell 3000 Tilts	TCW Small Value
Cordillera Opportunistic	ValueAct
State Street Research Energy (2)	Relational Investors
TCW Mid Value	Levin Concentrated Value
TCW Multicap	Forstmann Leff Mid Cap
	Fortaleza



# Evolution of Asset Shifts – Domestic Equities



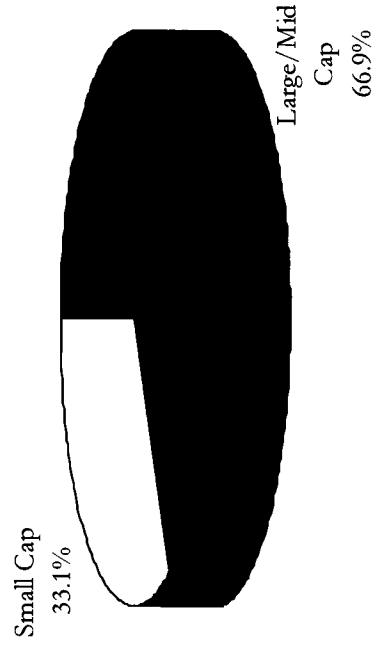
• Greater active exposure in the small cap space is reflective of staff's view that opportunities for higher PVA exist in less efficient spaces.



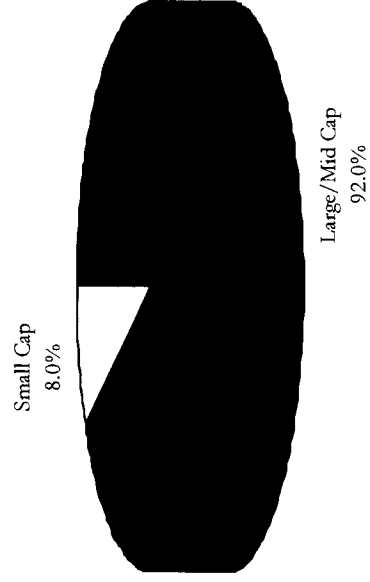
# Results – Domestic Equities

	Fiscal Year to Date	Calendar Year to Date
<b>as of July 31, 2004</b>		
Large/Mid Cap Equities	10.2%	-0.9%
Benchmark: S&P 500	11.0%	0.0%
Out/Underperformance	-0.8%	-1.0%
Small Cap Equities	13.4%	2.3%
Benchmark: Russell 2000	11.9%	-0.4%
Out/Underperformance	1.5%	2.8%
Total Domestic Equities	11.5%	0.3%
Benchmark: Russell 3000	10.9%	-0.3%
Out/Underperformance	0.7%	0.7%

**Domestic Equity Portfolio - Pre Spread Trade**  
Asset Allocation - as of July 31, 2004

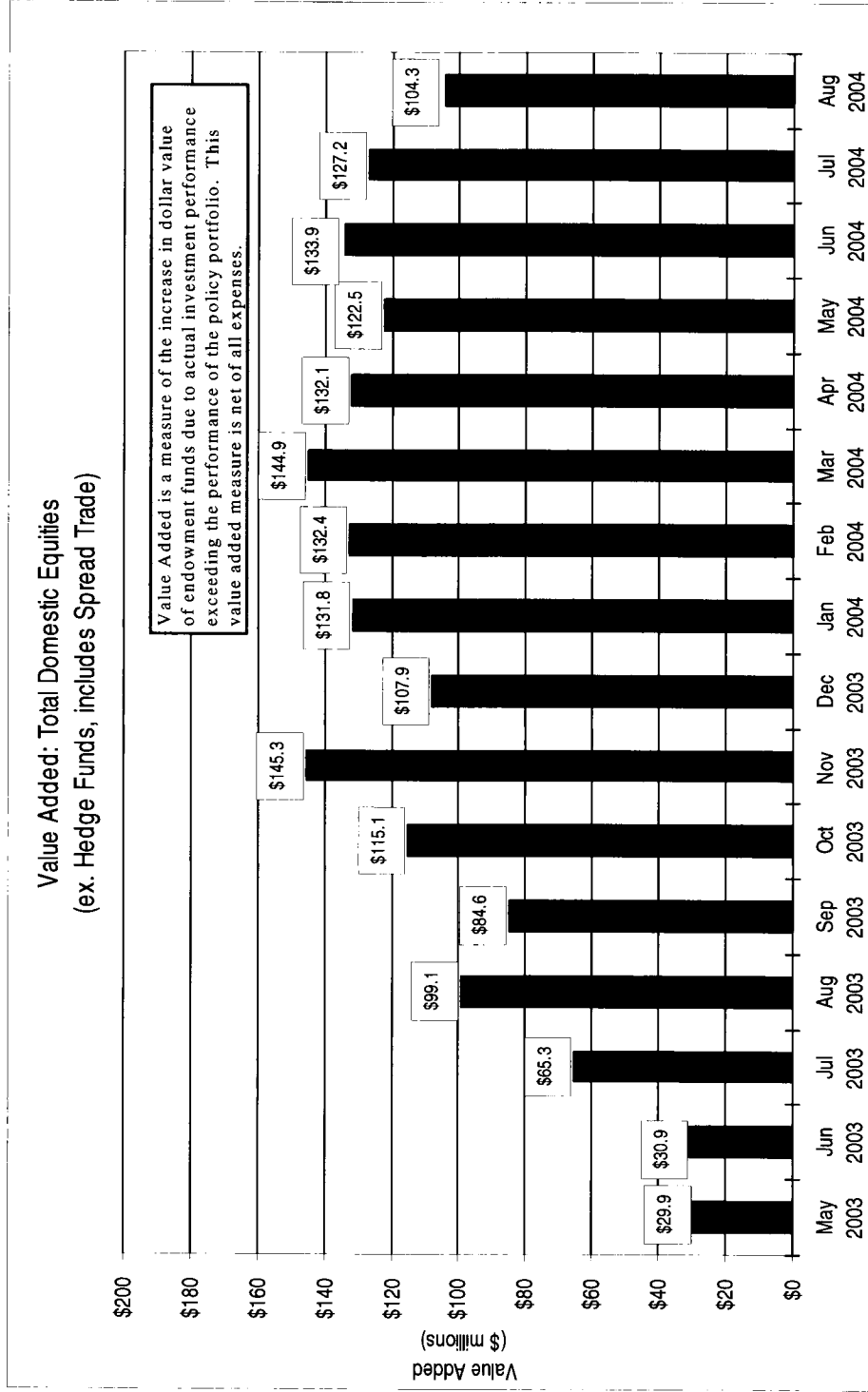


**Domestic Equity Portfolio - Post Spread Trade**  
Asset Allocation - as of July 31, 2004



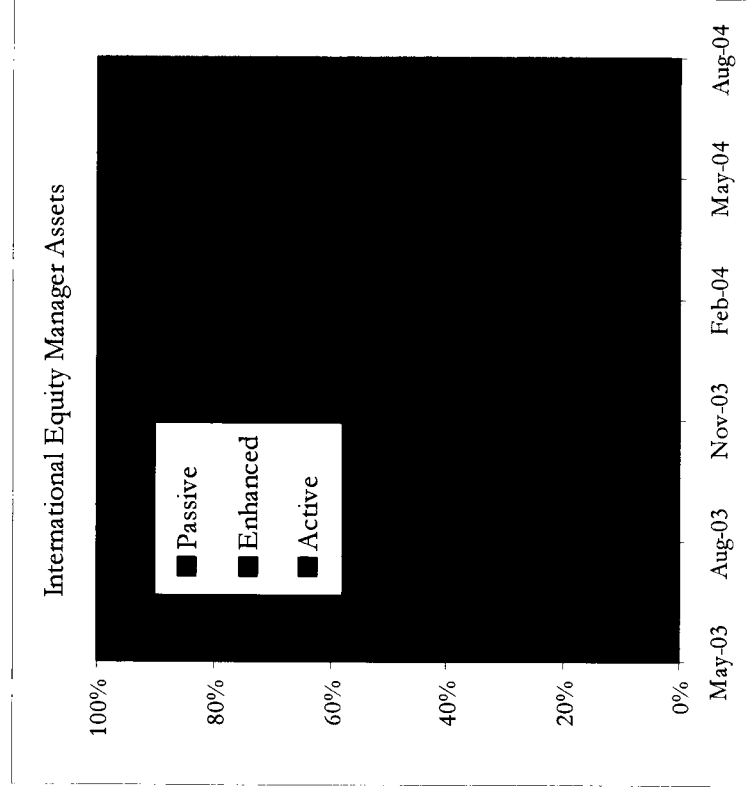
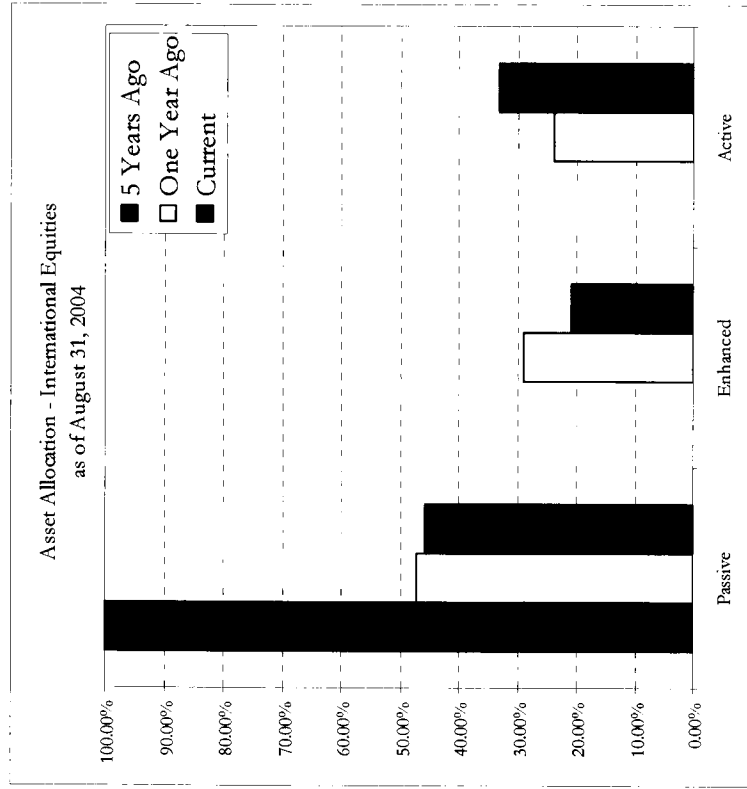


# Value Added – Domestic Equities





# Asset Allocation – International Equities

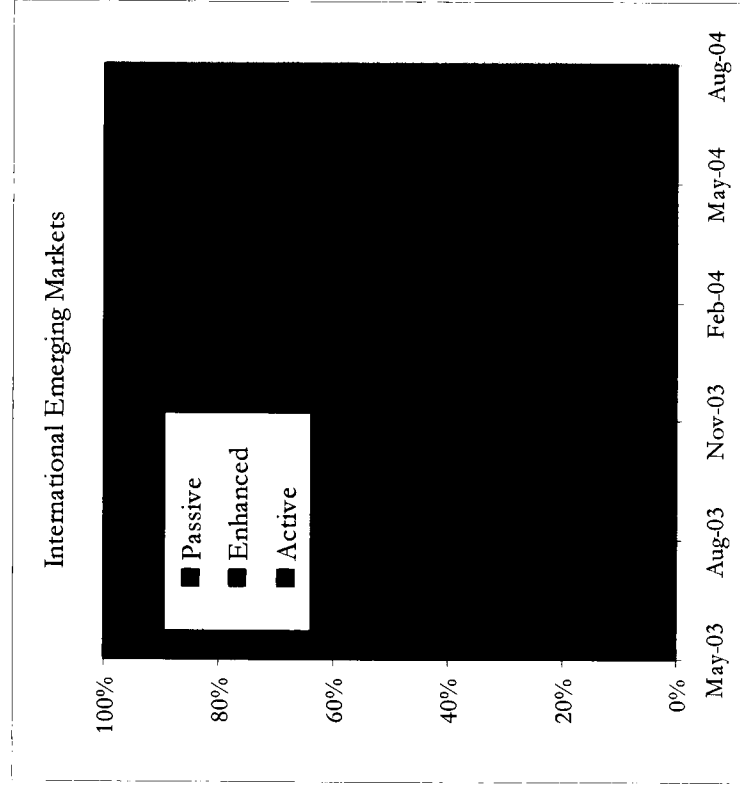
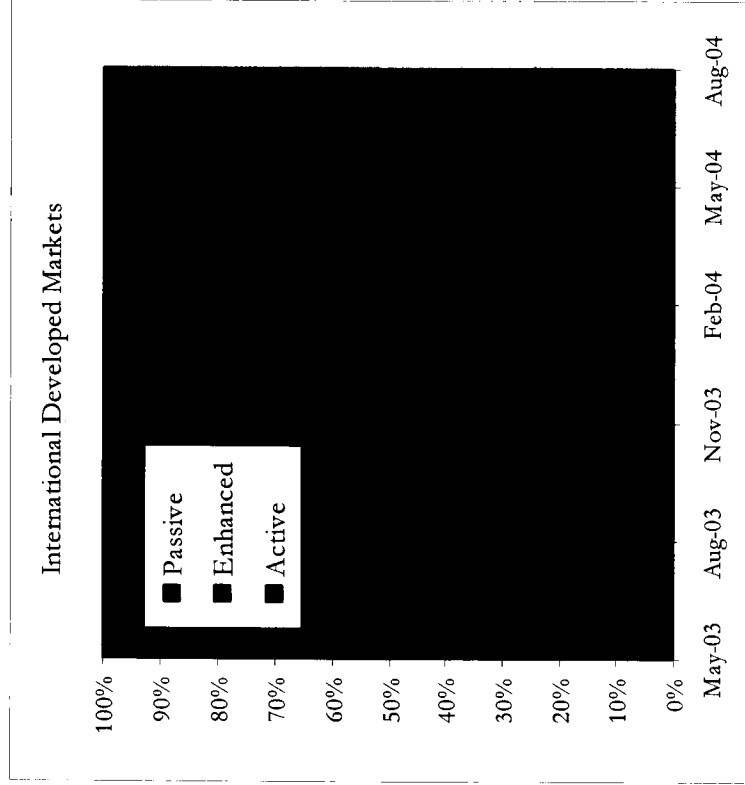


Added	Terminated
BGI International Alpha Tilts	Capital Guardian EAFE
Globeflex	Capital Guardian Emerging
Globeflex Canada	GSAM Developed Markets
Globeflex Japan	GSAM Emerging Markets
GSAM Quantitative Developed	



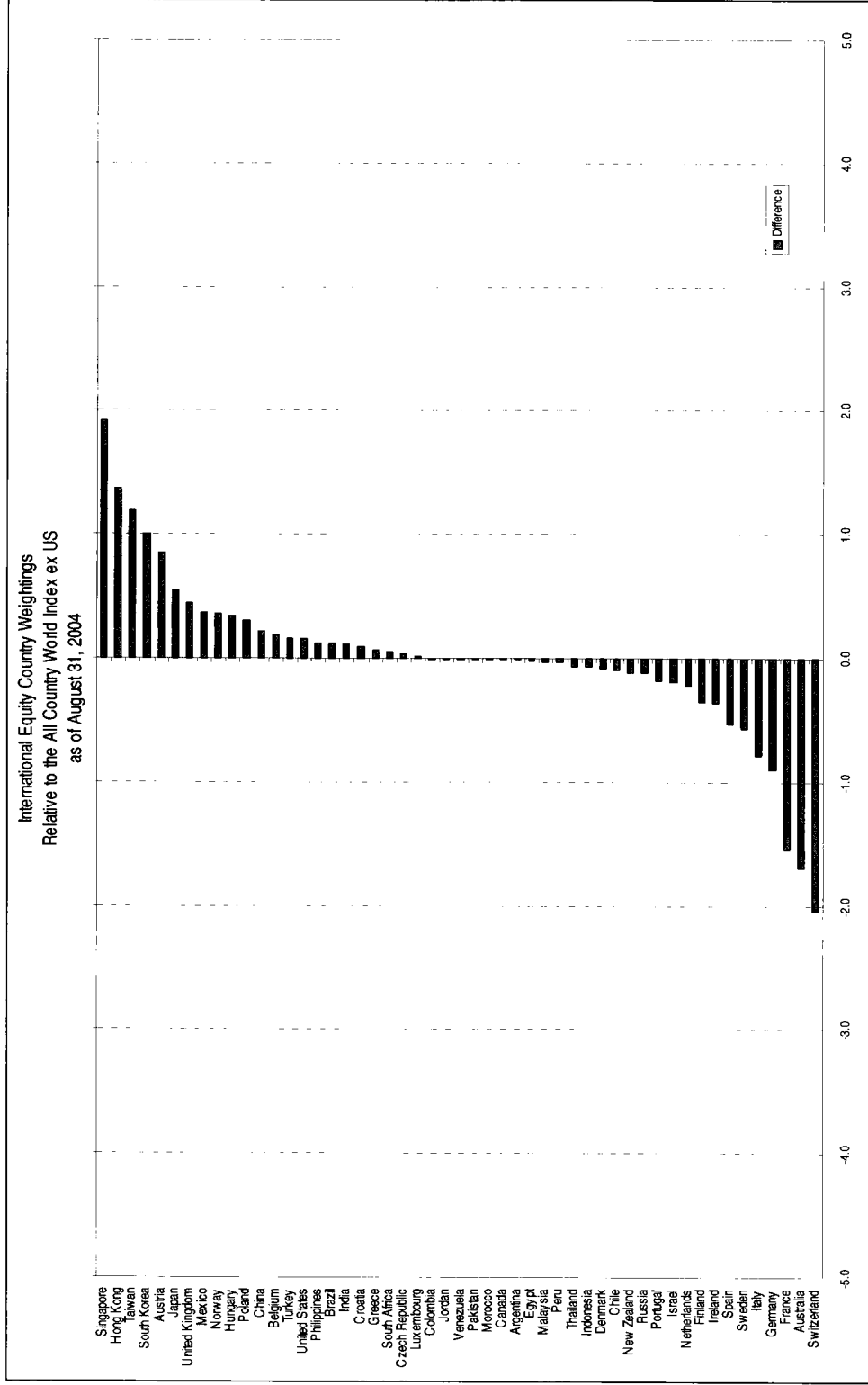


# Evolution of Asset Shifts – International Equities





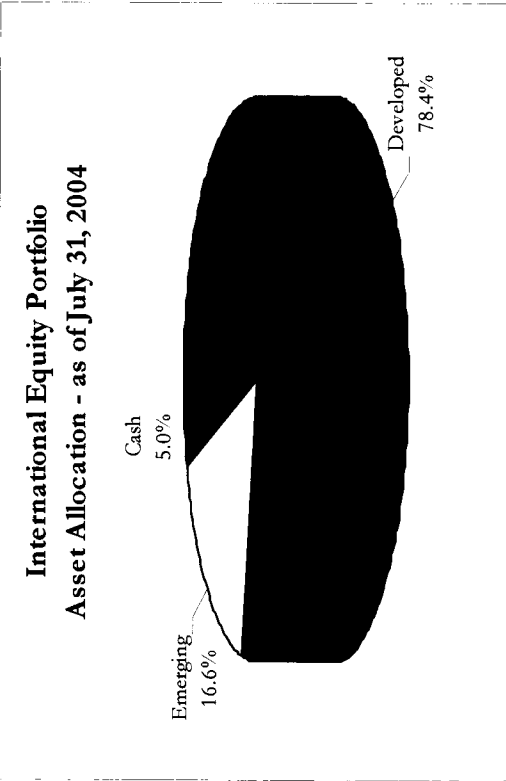
# Country Exposure – International Equities





# Results – International Equities

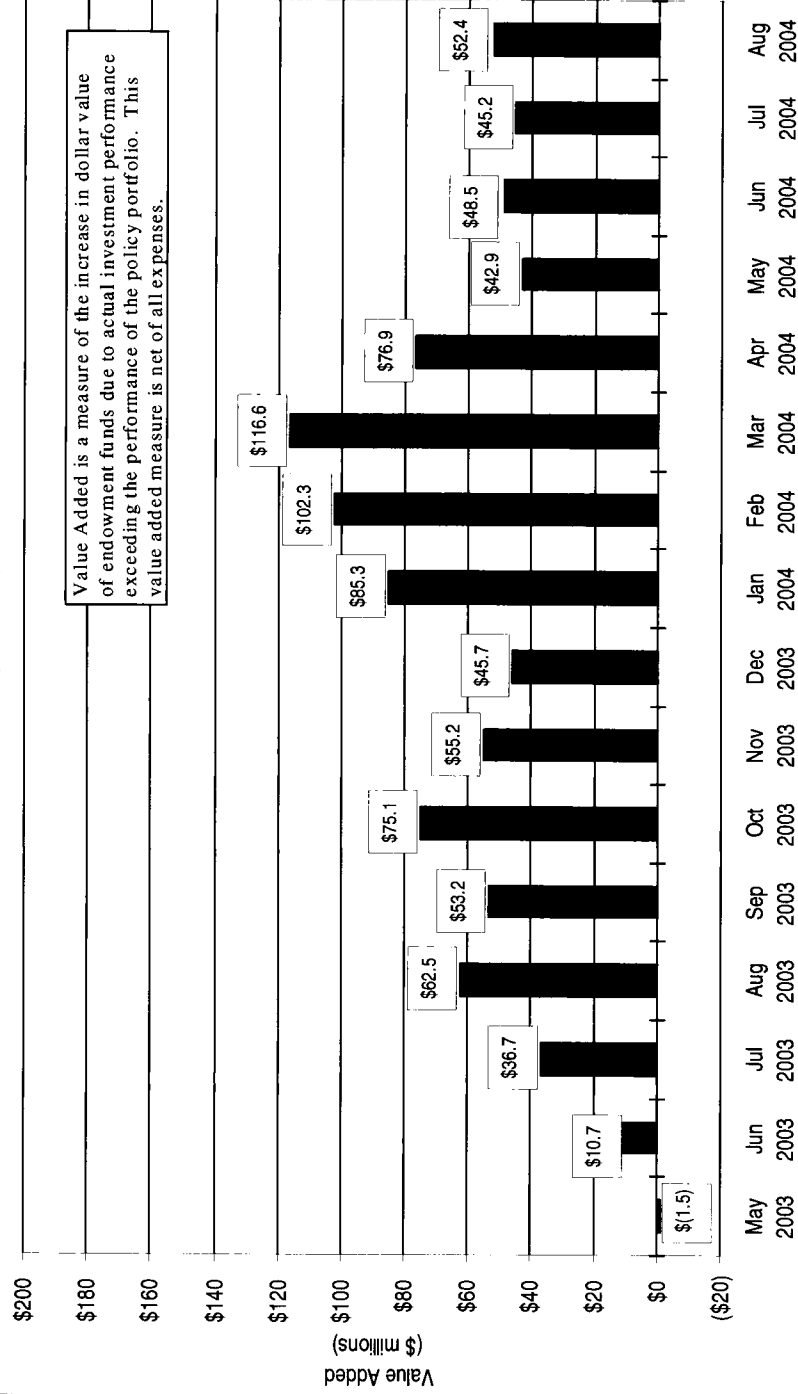
	Fiscal Year to Date	Calendar Year to Date
<b>as of July 31, 2004</b>		
Developed Country Equities	22.2%	2.7%
Benchmark: EAFE	22.1%	1.2%
Out/Underperformance	0.1%	1.5%
Emerging Country Equities	18.2%	-0.7%
Benchmark: MSCI EM	15.7%	-2.5%
Out/Underperformance	2.5%	1.9%
Total International Equities	19.7%	0.6%
Benchmark: MSCI ACW ex US	21.7%	1.1%
Out/Underperformance	-2.0%	-0.4%





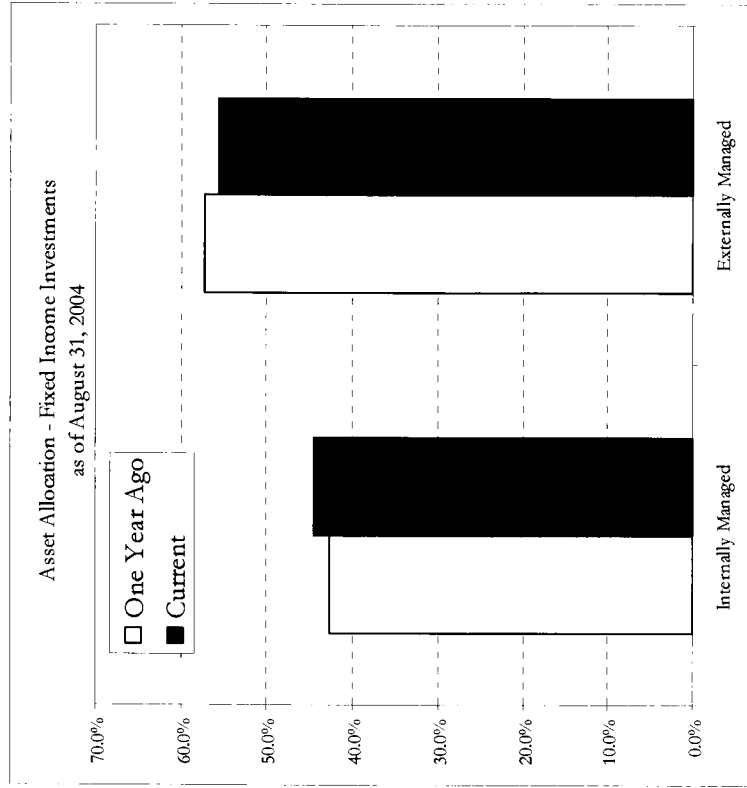
# Value Added – International Equities

Value Added: Total International Equities  
(ex. Hedge Funds)





# Asset Allocation – Fixed Income



Managers/Mandates	
Added	Terminated
PIMCO Global	PIMCO Domestic
GMO Emerging Market Debt	PIMCO International

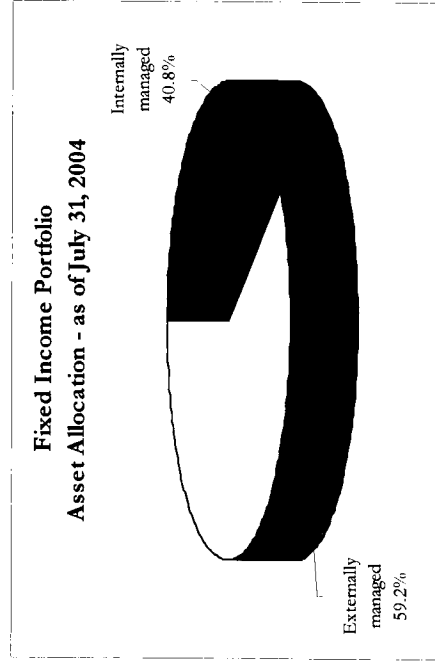
  

Managers/Mandates	
Added	Terminated
Internal TIPs	
PIMCO TIPs	



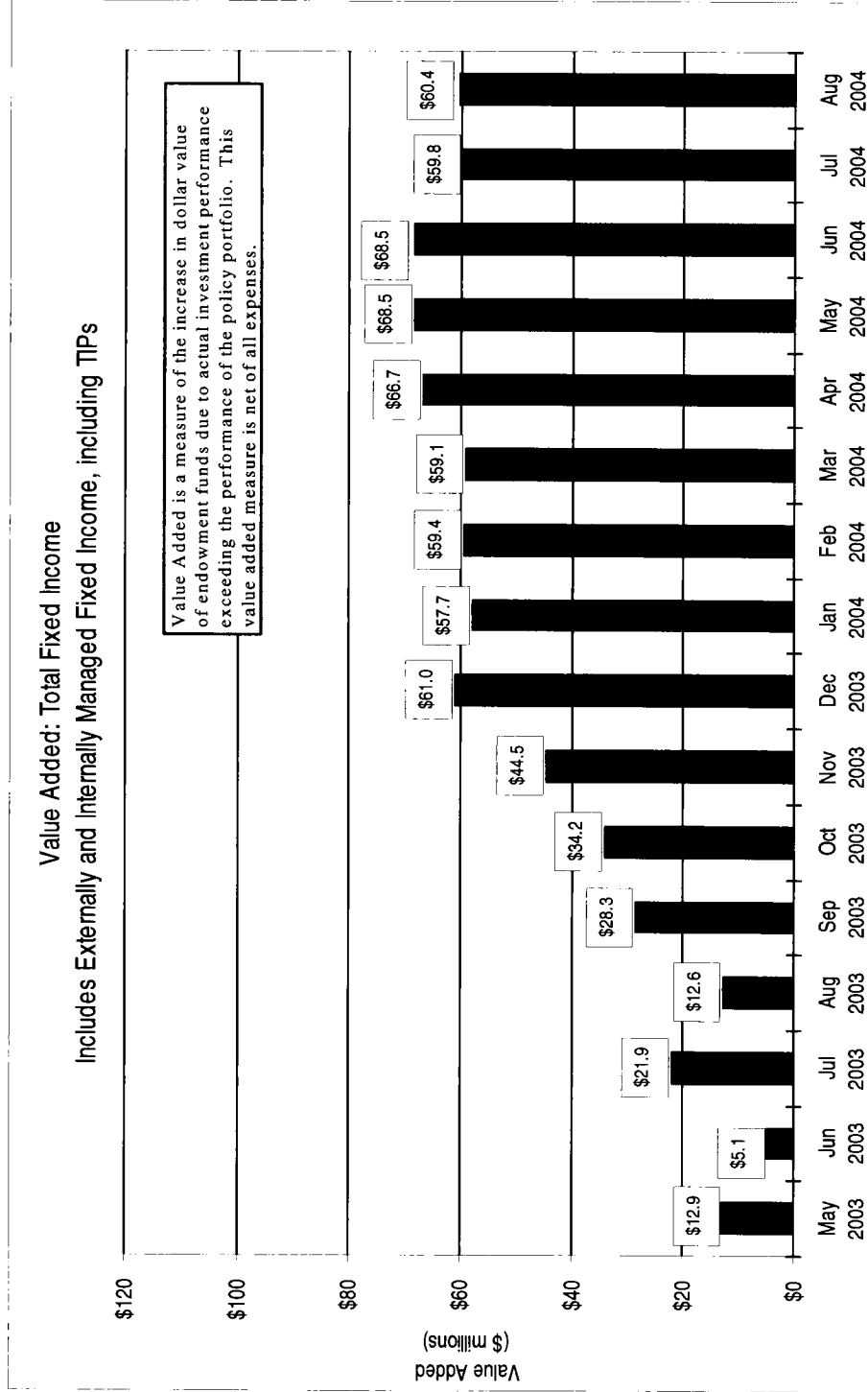
# Results – Fixed Income

as of July 31, 2004		Fiscal Year to Date	Calendar Year to Date
Internally Managed		4.5%	1.2%
Benchmark: LB Aggregate		4.2%	1.1%
Out/Underperformance		0.39 <sup>0</sup> / <sub>0</sub>	0.08 <sup>0</sup> / <sub>0</sub>
<b>PIMCO</b>			
		10.0%	1.0%
Benchmark: LB Global Bond		8.0%	-1.0%
Out/Underperformance		2.02 <sup>0</sup> / <sub>0</sub>	1.92 <sup>0</sup> / <sub>0</sub>
<b>Total Fixed Income</b>			
		7.5%	1.1%
Benchmark: LB Aggregate		4.2%	1.1%
Out/Underperformance		3.35 <sup>0</sup> / <sub>0</sub>	-0.02 <sup>0</sup> / <sub>0</sub>





# Value Added – Fixed Income





## 5. Domestic Equities Spread Trade

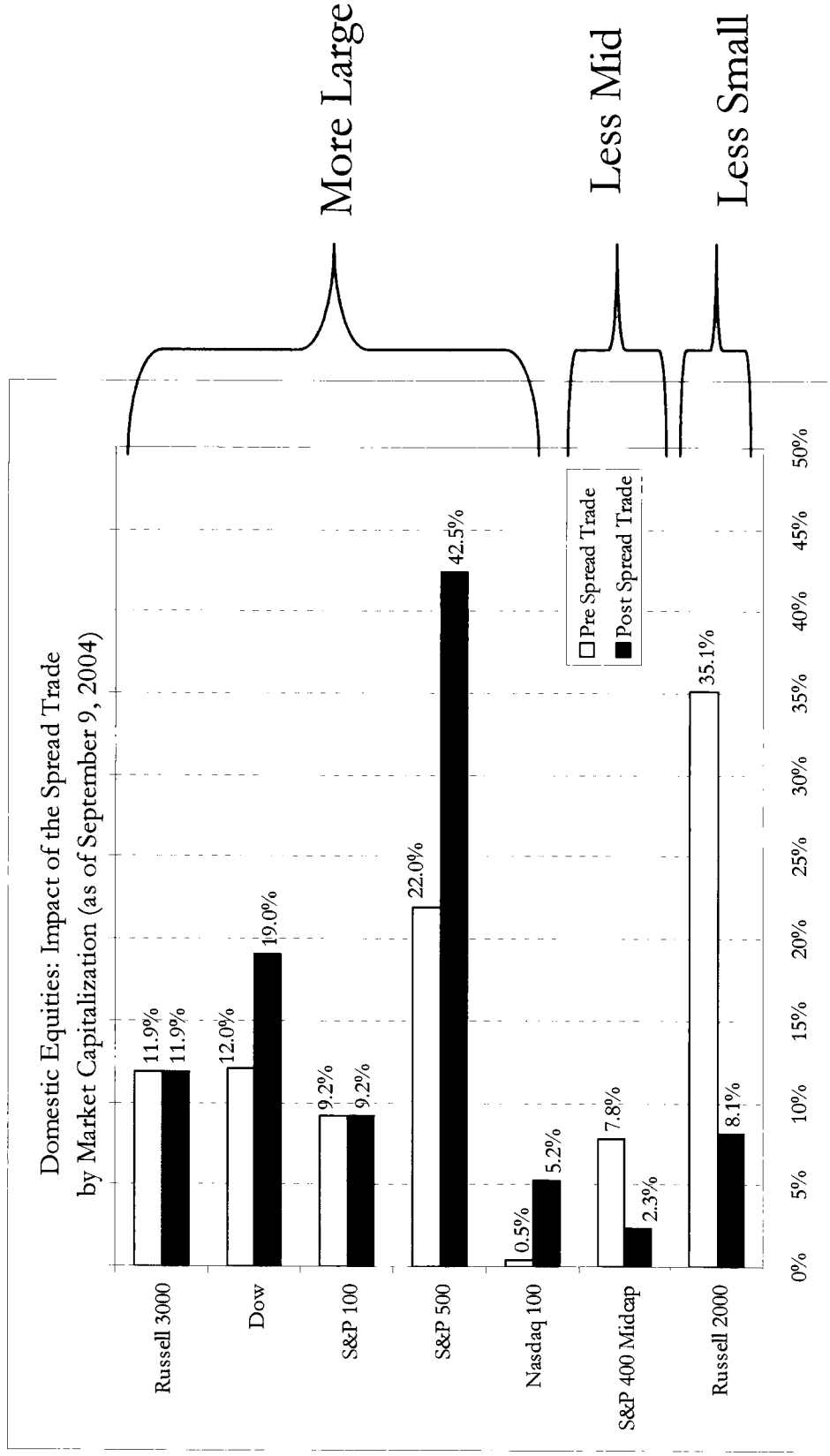
The implementation of the Domestic Equities Spread Trade has enabled three simultaneous positive outcomes:

1. The neutralization of market cap exposure, and
2. Repositioning of desired sector tilts, while
3. Reducing factor risk exposure and tracking error.



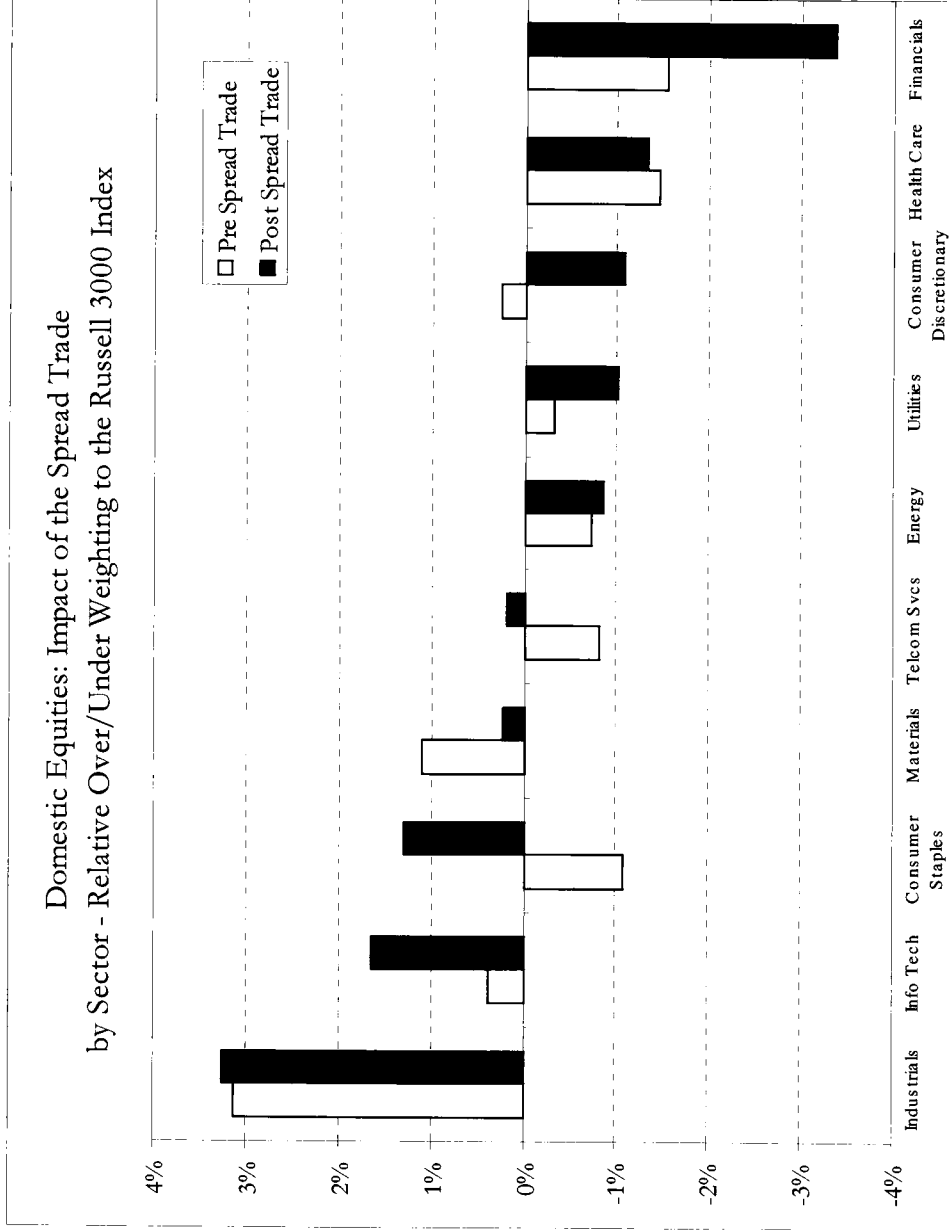


# Neutralization of Market Cap Exposure





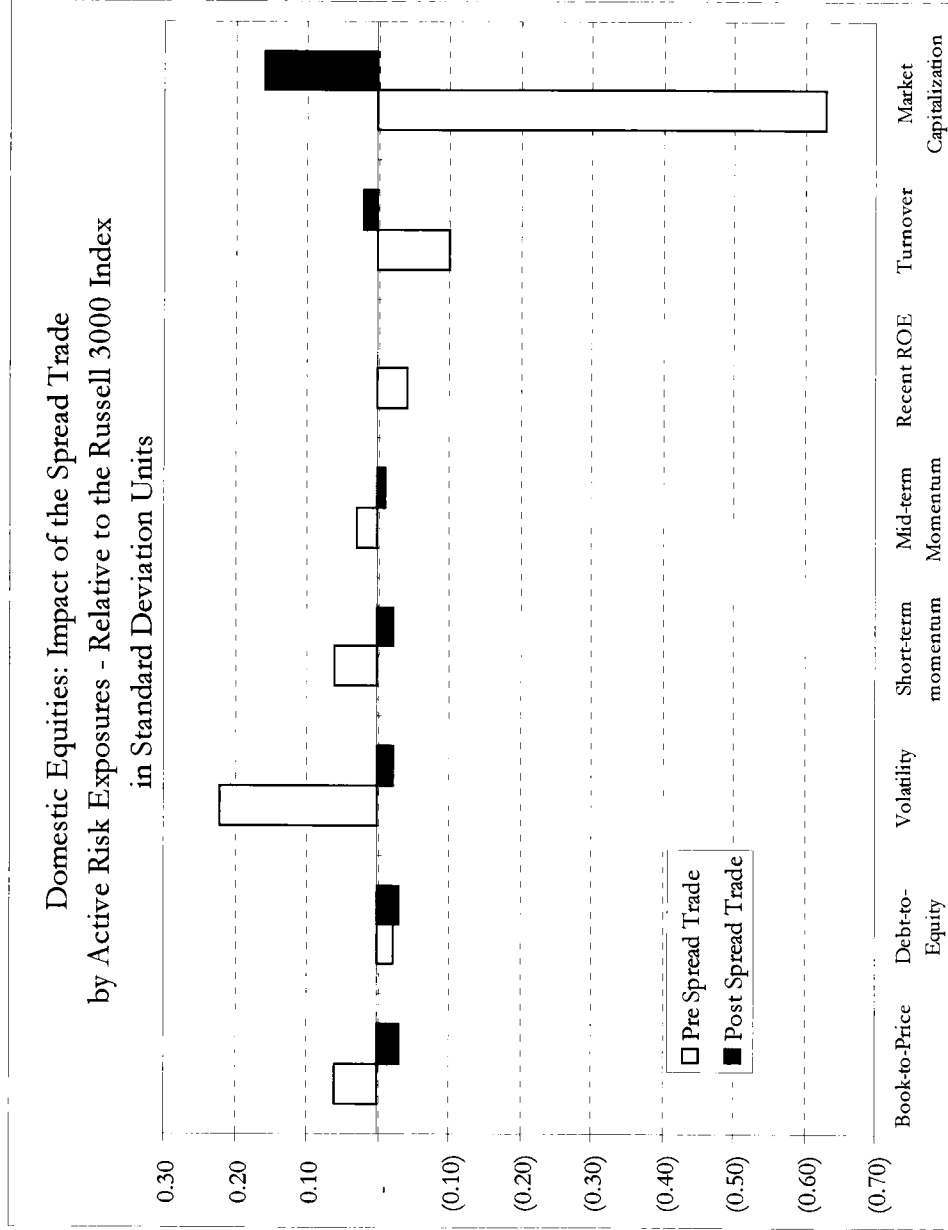
# Repositioning of Desired Sector Tilt



Source: Goldman Sachs PACE system as of September 9, 2004



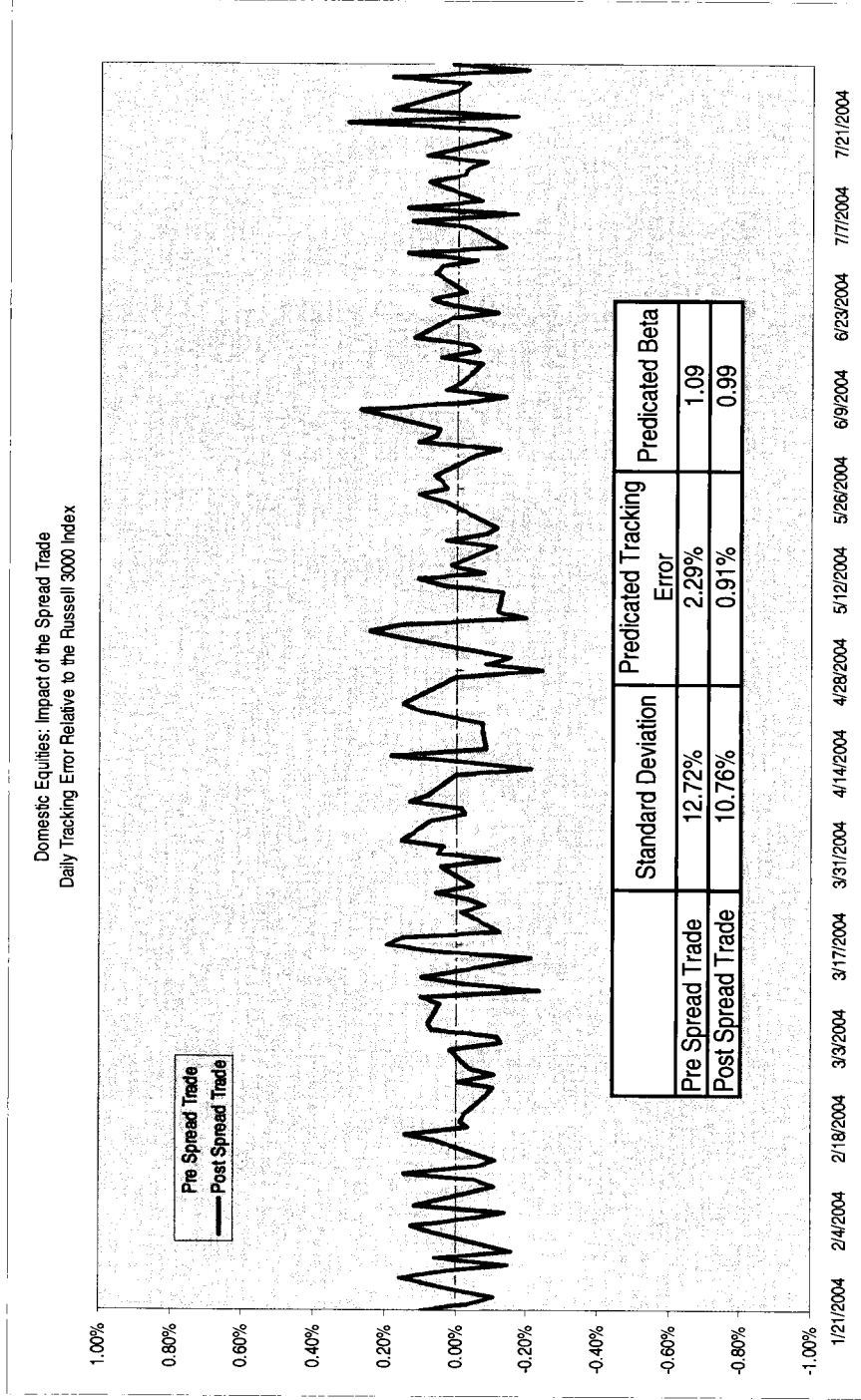
# Reduction of Factor Risks



Source: Goldman Sachs PACE system as of September 9, 2004



# Reduction of Tracking Error



Note: Based on current pre and post spread trade allocations  
Source: Goldman Sachs PACE system as of September 9, 2004



# Cost Effective

Actual Costs	PUF	GEF	Total Costs	bps
<b>Domestic spread trade:</b>				
Initial trading of contracts	\$126,540	\$67,410		
Rolling contracts	<u>\$217,395</u>	<u>\$111,795</u>		
Actual Costs:	\$343,935	\$179,205	\$523,140	2.6
<b>Estimated Costs*</b>				
	PUF	GEF	Total	bps
Commissions	\$1,889,483	\$984,502		
Market Impact	<u>\$1,071,712</u>	<u>\$558,408</u>		
Estimated Costs:	\$2,961,195	\$1,542,910	\$4,504,105	22.5

**Estimated Savings** **\$3,980,965** **19.9**

Domestic Small Cap Equity								
	Feb	March	April	May	June	July	August*	6 Month Period
UTIMCO Small Cap Equity Performance	1.12%	1.16%	-4.51%	0.72%	4.24%	-4.90%	-1.01%	<b>-3.46%</b>
Russell 2000	0.90%	0.93%	-5.10%	1.59%	4.21%	-6.73%	-0.51%	<b>-5.06%</b>
Active Return	0.22% <sup>o</sup>	0.23% <sup>o</sup>	0.59% <sup>o</sup>	-0.87% <sup>o</sup>	0.03% <sup>o</sup>	1.83% <sup>o</sup>	-0.50% <sup>o</sup>	1.60% <sup>o</sup>

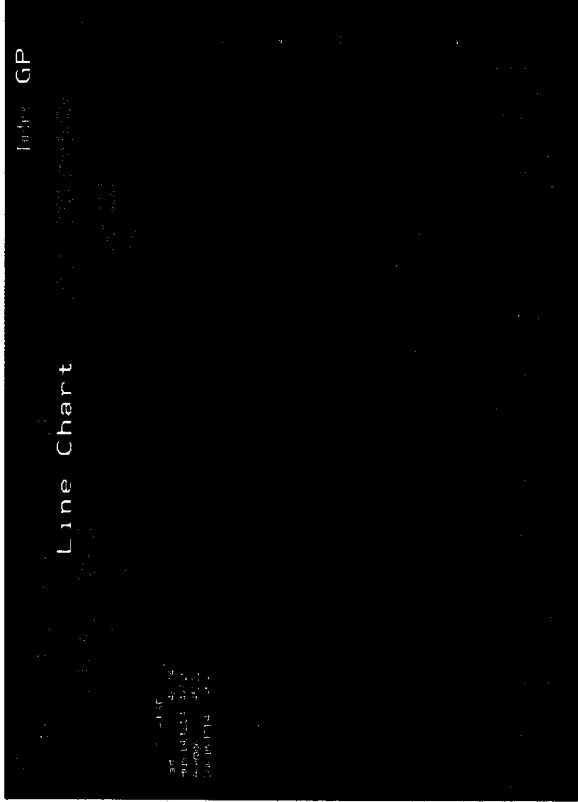
\* Preliminary Results

***With an average short position of 26% on the Russell 2000 Index (resulting in an average of \$808m of small cap asset sold short), the Spread Trade generated approximately \$13mm of "portable alpha"***

\*Estimated Costs – From ElkinsMcSherry, a trading cost analysis firm. The commissions and market impact costs shown are the actual results of a large institution trading \$2.4B worth of securities from 4/1/02 - 6/30/02. While the breakdown of securities traded differ from UTIMCO's portfolio, it is believed that the costs incurred are representative for these purposes.



## 6. Emerging Markets Short Trade



- An Emerging Markets hedge was desired following the dramatic price decline during May 2004.
- Putting on a short trade directly is not possible due to the inability to borrow shares in the underlying markets.
- By utilizing a basket of futures, which could be sold short, a proxy hedge was created which is estimated to track the Emerging Markets Index within a tracking error of 10%.



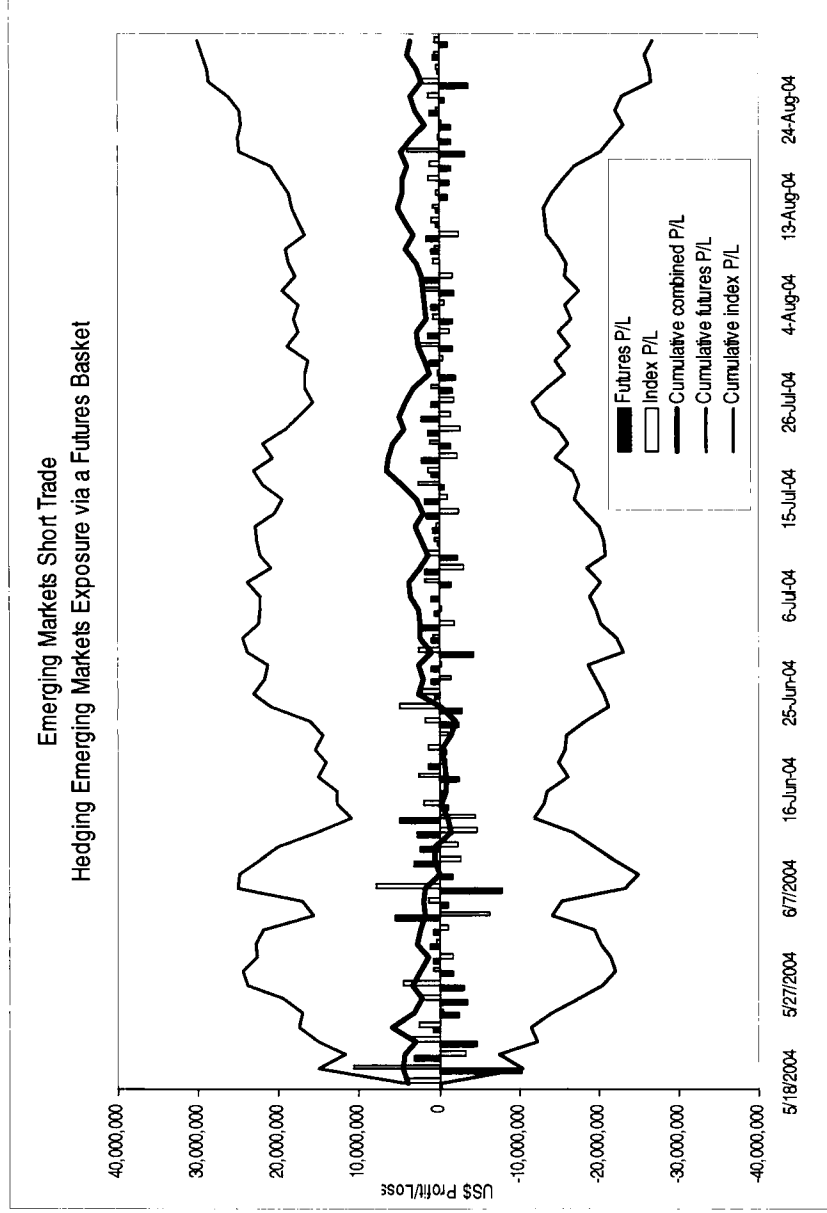
## Rationale

The implementation of the Emerging Markets proxy hedge enables UTIMCO to:

1. Maintain exposure to a high PVA area's "alpha" .... *which we are currently comfortable with,*
2. Reduce exposure to a high PVA area's "beta" ... *which we are not currently comfortable with, and*
3. Effect a reduction in the over-allocation of Endowment assets in International vs. Policy weights.



# Results



• Since implementation through the end of August, the short basket has performed within expectations. Over this time period, the Emerging Markets Index has gained 9.65%, while the short basket has declined by 9.11%, providing a net return of 55 bps.





## 7. Tools

- Internal Tools:
  - Bloomberg
  - FactSet
  - Zephyr Associates Style Advisor
- Outside Vendors
  - PACE – Goldman Sachs proprietary Portfolio Analysis and Construction Environment platform
  - Cambridge Associates
  - Mellon Client Reporting



## 8. Conclusion

- Focused intently on “Being the Best”:
  - Which means...
    - Utilizing all tools that are at our disposal to build PVA:
      - Actively managing/controlling the “beta” positioning
      - Building/securing high PVA “alpha” investment structures
      - Constructing advantageous performance fee arrangements
      - Structuring value-added revenue share agreements

## LAWRENCE M. GOLDSMITH

2112 Wimberly Lane

Austin, Texas 78735

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### EDUCATION

#### **THE WHARTON SCHOOL, University of Pennsylvania**

M.B.A. - Finance and Management, B.S. Finance and Economics

1989, 1985

Wharton School Finance Instructor

1987, 1988

NASD Series 7 & Series 63 Licenses

2000

### EXPERIENCE

#### **UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO) Austin, TX 2003 -**

*MANAGING DIRECTOR – PUBLIC MARKETS INVESTMENTS*

- **Responsible for all equity and fixed income investments, managers and funds totaling in excess of \$6 B.**
- **Oversee in-house staff/management of fixed income assets and futures and derivatives instruments.**

#### **COMMONFUND**

Wilton, CT

1999 -

*MANAGING DIRECTOR – FUND MANAGER / GLOBAL PRODUCT SPECIALIST*

- **Successfully managed multiple equity products totaling assets in excess of \$1.5 B.**
- **Heavily responsible for the presentation/communication/development of investment products.**
- **Member of select 3 person Asset Allocation Team – headed by Commonfund CIO.**

#### **FLUOR CORPORATION**

Irvine, CA

1994 - 1999

*DIRECTOR - TRUST INVESTMENTS*

- **Directed the investment of \$2.5 billion in U.S. retirement plan assets.**
- **Responsible for non-U.S. pension plan assets - (Australia/Germany/Netherlands/Philippines/U.K.)**
- **Directed the investment of VEBA, deferred compensation plan, and Fluor Foundation.**
- Responsible for a unitized Master Trust structure which included:
  - 13 separate defined benefit and contribution plans.
  - 25 active managers including global assets and venture capital/private equity and real estate.
- Responsibilities included the asset allocation, research, creation and recommendation of investments.
- Reduced fee structure by 20% through aggressive cost-cutting and performance-fee arrangements.
- Created, designed and composed communication and education publications.
- Three year management of in-house \$125 million stock portfolio - significantly outperforming benchmarks.

#### **THE J. PAUL GETTY TRUST**

Santa Monica, CA

1997 - 1998

*MANAGER OF INVESTMENTS*

- **Responsible for building a 15% allocation (\$600 million) in alternative investments.**

#### **TOYOTA MOTOR SALES, U.S.A., INC.**

Torrance, CA

1989 - 1994

*MANAGER OF TREASURY INVESTMENTS*

- **Responsible for analysis of all major corporate finance issues and \$500 million retirement plan.**

#### **RAYTHEON COMPANY**

Andover, MA

1985 - 1987

*FINANCIAL MANAGEMENT DEVELOPMENT PROGRAM*

### ACCOMPLISHMENTS - Personal

- High school valedictorian, completed undergraduate major in MBA program, and was Wharton's first-ever non-Ph.D. student to instruct both undergraduate and graduate curriculum as a teaching assistant.
- Created 20-bit digital studio for the scoring and recording of original music compositions.

# J. Russell Kampfe

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Round Rock, TX 78664

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E-mail: Jkampfe@austin.rr.com (H) Rkampfe@utimco.org (W)

## EXPERIENCE

### UTIMCO/Office of Asset Management, University of Texas System, Austin TX.

#### *Sr. Portfolio Manager-Fixed Income/Investment Officer* 1993-Present

Manages, trades, and sets fixed income portfolio strategy for internally-managed portions of major endowments since 1998. Portfolio manager and trader for the Short/Intermediate Term Fund (S/ITF) from its inception in March 1993. The S/ITF is a government-agency style fixed income mutual fund for component institutions within the System with a current market value of \$1.2 Billion. Performs trading and oversight of domestic and international equity and GSCI futures programs. Provides technical analysis of fixed income, equity, and commodity markets. Supervises portfolio manager of credit-related portions of endowments from February 2000 to present. Advises upper management on fixed income policy and tactical asset allocation. Assisted in management and trading of fixed income portions of endowment portfolios from 1993 through 1997. Made presentations to Board of Regents of the University of Texas System and UTIMCO Board.

#### *Assistant Investment Officer* 1990-1993

Assisted Senior Investment Officer with management and trading of fixed income portions of endowment portfolios. Advised component institutions on security purchases for separate portfolios. Experience with corporate, mortgage-backed, and government sectors.

#### *Financial Analyst* 1988-1990

Performed performance analysis of internal and external investment managers and projections of major portfolios. Also analyzed securities lending and proposed trust structures. Presented performance results to Board of Regents of the University of Texas System.

### University of Texas, Finance Dept., Austin, TX.

#### *Teaching Assistant* 1986-1988

Advised students and graded exams for undergraduate investments course.

### Continental Bank, Bond Dept., Chicago, Ill.

#### *Intern* 1986-1987

Assisted Sales and Trading desk (1986) and Interest Rate Products desk (1987) with futures and options analysis, yield curve analysis, and security sales.

## EDUCATION and PROFESSIONAL AFFILIATIONS

University of Texas Graduate School of Business, Austin, TX, MBA-Finance 1988, Specialization in Investments

University of Texas, Austin, TX, BBA-Finance 1986

Proficient with Bloomberg, TradeWeb, CMS Bondedge, Microsoft Excel, Microsoft Word, Morningstar

### Austin Investment Association

President 1999, Board of Directors 1995-Present, Member 1989-Present

### Austin Society of Financial Analysts

Member 1992-Present

## PERSONAL and INTERESTS

Married; wife Teresa, 3 children

Enjoys all sports and games, particularly tennis and golf

## **Harland Bristow Doak, Jr., CFA**

3922 Knollwood Dr.  
Austin, Texas 78731  
(512) 338-1472 (H)

221 W. 6<sup>th</sup> Street, Suite 1700  
Austin, Texas 78701  
(512) 225-1614 (W)

### **Work experience**

2001 - Present **University of Texas Investment Management Company (UTIMCO)**  
*Austin, Texas*

**PORTFOLIO MANAGER – Corporate Bonds, ABS, and CMBS**

Responsible for the credit-related portions of the internally managed fixed income portfolios benchmarked against the Corporate, ABS and CMBS portions of the Lehman Aggregate Index on a total return basis. Responsibilities include the execution of investment strategies designed to achieve the total return investment objectives of the internal endowments fixed income portfolios. Additional responsibilities include commodity futures trading and management, sourcing new and alternative external fixed income managers, leveraging sector and company information to assist in targeting opportunistic value-added trades, and provide key backup support for the senior internal fixed income portfolio manager.

1995 – 2000 **Teacher Retirement System of Texas**  
*Austin, Texas*

**INVESTMENT OFFICER - Government and U.S. Agency Bonds**

Corporate Bonds (Electric Utilities)

TRS-Care (Self-funded Insurance Portfolio)

Responsible for the management of TRS's Fixed Income Portfolio's \$12.1 billion U.S. Treasury and Agency portfolio and the \$1.2 billion electric utility corporate bond portfolio and the \$125 million insurance portfolio. Responsibilities include security trading; several types of analysis including credit, economic, interest rate trends, yield, call protection and yield spread relationships. Additional duties include the preparation of quarterly reports and occasional presentations for the Director of Fixed Income and the Board of Trustees. Computer hardware and software utilized includes: Bloomberg, Telerate, Salomon Brother's Yield Book, PAM Accounting System and Microsoft Excel.

1991 - 1995 **PORTFOLIO MANAGER - Mortgage-Backed Securities**

Responsible for the co-management of TRS's Fixed Income Portfolio's \$8 billion mortgage-backed securities. Responsibilities included securities trading; several types of analysis including yield, prepayment, option-adjusted spread and scenario analysis (using vectors) of pass-throughs, collateralized mortgage obligations (CMO's), and project loans. Additional duties included the preparation of quarterly reports, performance attribution and occasional presentations for the Director of Fixed Income and the Board of Trustees. Computer hardware and software utilized included: Bloomberg (including CMO Passport), Telerate, First Boston's Mortgage system, and Microsoft Excel.

1987-1991

**Tracor, Inc.**

*Austin, Texas*

BUDGET ANALYST II - Tracor Applied Sciences

FINANCIAL ANALYST I - Tracor Aerospace

Responsibilities included analysis of cost performance data, budgetary planning, cash flow projections, revenue forecasts, variance analysis and cost and schedule analysis. Supported upper management in the preparation of an extensive assortment of financial reports. Designed and operated a variety of financial spreadsheets and decision models.

1984 - 1987

**Doak and Nelson Builders, Inc**

*Austin, Texas*

CONTROLLER AND OFFICE MANAGER

General financial responsibilities included working in the areas of general accounting, accounts payable, accounts receivable and payroll. Budgeted and tracked cost and schedule performance for residential housing units.

**Education**

1988 - 1990

**St. Edward's University**

*Austin, Texas*

MBA - Business Management

1980 - 1984

**The University of Texas at Austin**

*Austin, Texas*

BBA - Finance

**Accreditations**

Chartered Financial Analyst

**Professional memberships**

Austin Society of Financial Analysts, President; Director

President (1999-2000)

Program Chair (1998-99)

Educational Program Chair (1995-97)

## Tushar R. Shah, CFA

4837 Canyonbend Circle  
Austin, TX 78735  
(512) 791-9114  
tshah@utimco.org

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<b>Education</b>	<b>The University of Texas at Austin, McCombs School of Business</b>	May 2004
	Master of Business Administration	
	Concentration in Finance	GPA: 3.75/4.0 overall      GPA in Finance: 4.0/4.0
	<b>Chartered Financial Analyst (CFA)</b>	June 2000
	<b>The University of Tulsa</b>	May 1995
	Bachelor of Science in Business Administration	
	Major in Finance	
<b>Experience</b>		
1/04 – Present	<b>UTIMCO (The University of Texas Investment Management Company)</b> <i>Management company of the University of Texas and Texas A&amp;M System Endowment Funds</i> <i>Analyst – Public Markets Group</i>	Austin, TX
	<ul style="list-style-type: none"><li>Assisted in the monitoring and evaluation of assets totaling more than \$7.0 billion in the Public Markets Investments group, which is responsible for the management of domestic and international fixed income and equity securities</li><li>Conducted extensive analysis of existing external asset managers and evaluation of potential managers</li><li>Prepared investment recommendations for members of Senior Management and the Board of Directors</li><li>Effectively utilized investment research tools such as Bloomberg, FactSet and Zephyr Associates</li></ul>	
6/03 – 8/03	<b>AIM Investments – Summer Internship in Equity Research</b>	Houston, TX
	<ul style="list-style-type: none"><li>Member of the Balanced Fund team, a \$2.3B multi-cap fund which invests following a GARP discipline</li><li>Performed company valuations through market multiple, discounted cash flow, and quantitative models</li><li>Consulted with management teams and sell-side research analysts for potential equity investments</li><li>Presented investment recommendations to Senior Portfolio Managers</li></ul>	
12/02 – 3/04	<b>MBA Investment Fund, LLC – Portfolio Manager</b>	Austin, TX
	<ul style="list-style-type: none"><li>One of 20 students selected through a formal application and interview process to manage three equity and fixed income portfolios with total assets of over \$14 million</li><li>Responsibilities included quantitative research and analysis of potential investments, economic forecasting, and relationship development with over 60 investors</li></ul>	
01/02 – 08/02	<b>CallStreet (A division of FactSet)</b> <i>Associate</i>	Denver, CO
	<ul style="list-style-type: none"><li>Reviewed quarterly earnings summary reports compiled by staff writers for accuracy and completeness prior to dissemination to clients</li><li>Met client expectations to receive individual reports within 12 hours of a company's quarterly earnings call</li></ul>	
6/00 – 1/02	<b>Green, Manning &amp; Bunch (A boutique investment bank focused on middle market M&amp;A transactions)</b> <i>Senior Analyst</i>	Denver, CO
	<ul style="list-style-type: none"><li>Conducted strategic financial planning and assisted in capital financings for client companies with an enterprise value of \$10mm to \$250mm</li><li>Performed complex quantitative analyses, including extensive M&amp;A and leveraged buyout financial modeling</li><li>Conducted industry and market research, provided analytical support, and prepared confidential memoranda for distribution to prospective investors</li><li>Reviewed business plans to screen for potential clients, evaluated the market opportunities for clients, and presented clients to venture capital and private equity investors</li></ul>	
01/98 – 06/00	<b>Redwood Properties, LLC – Real Estate Investment Manager</b>	Denver, CO
	<ul style="list-style-type: none"><li>Coordinated and implemented an innovative approach to give European investors a vehicle for investing into U.S. real estate by creating an optimal corporate structure to maximize the return to the foreign investors in a tax efficient manner</li><li>Conducted analysis and screening of target real property acquisitions, performed due diligence, and coordinated bank financings for 6 transactions with a total market value of \$9mm</li><li>Managed a team of four property managers to oversee the operations of 126 multi-family and commercial units</li></ul>	
05/95 – 01/98	<b>S.T.A. Salmann Trust AG (A private asset management company with \$5B under management)</b> <i>On-site Company Representative (2/97 – 1/98 located in Newmarket, England)</i>	Vaduz, Liechtenstein
	<ul style="list-style-type: none"><li>Structured a new "family office" to control the investments of a high net worth individual with assets of over \$900mm</li><li>Monitored investment managers and performed overall asset structuring and portfolio evaluation <i>Assistant Portfolio Manager (05/95 – 2/97 located in Zurich, Switzerland and Vaduz, Liechtenstein)</i></li><li>Coordinated, marketed, and implemented a privately placed closed-end \$20 million fund to invest exclusively into privately held Japanese equities expecting to go public</li><li>Provided research and analysis support including portfolio asset evaluation and structuring, client reporting, and proposals for acquiring new clients</li></ul>	
<b>Activities</b>	<b>McCombs School of Business - Graduate Finance Association, Graduate Real Estate Society</b> <b>The Austin Society of Financial Analysts</b>	

# Maria A. Zaheer

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(832) 524-1171  
maria.z@mail.utexas.edu

**Permanent Address:**

4906 Oyster Loop Ct.  
Sugar Land, TX 77478  
(281) 565-7340

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**Education:** **The University of Texas at Austin** May 2005  
Bachelor of Business Administration  
Major: Finance  
Minor: Accounting  
Overall GPA: 3.82 Major GPA: 3.85

**Financial Analyst Program**

- 1 of 36 students chosen to research and evaluate the financial performance of various companies for MBA Investment Fund Managers

**Experience:**

Fall 2002- Fall 2003    McCombs School of Business – Office of Resource Development    Austin, TX  
*Student Assistant*

- Managed and updated alumni donor pledge accounts
- Paid office expense accounts through university mainframe
- Assisted in preparing the 2003-2004 budget

Summer 2003    Halliburton – Kellogg Brown & Root    Houston, TX  
*Accounting Intern*

- Prepared 2003 budget analysis for project in Monterrey, Mexico
- Compiled necessary costs through use of the internal database and billed clients
- Researched and compiled support needed for employee expense reports on overseas projects

Summer 2002    Nova Pension Valuations    Houston, TX  
*Intern*

- Projected the theoretical reserve and calculated pension contribution
- Processed loan applications for pension plan participants
- Created excel spreadsheets to forecast the future value of client pension accounts

**Activities & Honors:**

- Business Mentors Association – Peer Mentor (2004)
  - *Secretary*
- Volunteer tutor at Spring Oaks Elementary (2001-2004)
- Asian Business Students Association (2001-2004)
  - *Public Relations Director*
- Muslim Students Association (2001-2004)
- Fort Bend County Fair Scholarship (2000)
- University Honors (2001-2004)
- Texas Forensic League (1999-2004)

**Skills:**

**Computer-** MS Word, MS Excel, MS PowerPoint, MS Works, MS Access, Windows 98/2000/ME/XP, VB.Net, familiar with Bloomberg, Reuters, and StockVal

**Language-** Fluent in Urdu, proficient in Spanish



# Statement of First Principles – UTIMCO Public Markets Programs

## Investment Manager Selection / Retention

Superior investment manager selection and retention practices are critical to the success of UTIMCO's Public Markets investment programs. As such, premier investment manager research and measurement practices must operate as key components of that process. This working document sets out to pinpoint those key attributes that UTIMCO deems most necessary for the successful hire and retention of investment manager services on the Endowment's behalf. Its goal is to extend beyond the recently approved Delegation of Authority and to lay the foundation for current and future implementation of best practices and growth in this area.

In an effort to better differentiate those primary characteristics deemed most necessary for success, the following segmentation of manager services is outlined below. They are presented in order of perceived (least-to-most) risk based on their expected deviation from passive benchmark measures. Each outline that follows below builds upon the other by describing the additional expectations or requirements necessary for managing each successive mandate. These practices are considered mandatory.

1. **Passive Management** – Typically index fund management. However, this area could also include the use of managers to effect index-like exposure utilizing derivative-based instruments such as Futures, ETFs (Exchange Traded Funds), and swaps.
2. **Enhanced Management** – Typically, these managers represent more strict quantitatively-based approaches to investment management. Characteristics of these managers might include Barra-optimized and neutralized approaches to capitalization, sector weightings, and beta-positioning versus an active benchmark. In addition, strict tailoring of the expected tracking-error of such managers' portfolios is usually possible and standard practice as well.
3. **Active Management** – Typically, these managers construct portfolios by leveraging the research process of security selection by visiting and understanding company managements, their financial statements, and their prospective growth prospects in the context of their direct and indirect competition, specifically, and the related business landscape, in general.

As summarized below, UTIMCO will ultimately hire/retain investment managers based on their, and their organization's, ability to effectively execute their specific investment mandate in partnership with the hiring beliefs and practices of UTIMCO, the UTIMCO Board, and the Board of Regents. However, the determinants of hire/retention extend far beyond simple measurements to include such intangibles as ethics, policy, focus, client service, and best in class practices. Simply, UTIMCO's quest to be one of the premier endowments must be matched by its managers at all times, for all of the right reasons. Anything failing to meet this standard will be deemed unacceptable and require the immediate review, and potential termination of the manager in question.

## PASSIVE MANAGEMENT

### ORGANIZATION:

- Highly experienced business and investment structure geared towards the demands of managing the portfolio construction, security selection, expense framework and other related protocols present in state-of-the-art management of this area. This is a “big box” strategy area and UTIMCO will seek the most experienced, “best-in-class” practitioners of this style.
- The organization will be significantly resourced with accomplished and complementary personnel with extensive experience in managing the requirements for this space. This will include the areas of portfolio management, backoffice personnel, operations, trading and client service. The highest degrees of efficiency must be present to capitalize on the extremely low costs and precise trading implications of such management.
- The organization will have state-of-the-art portfolio management and risk-based systems consistent for a best-in-practice management of this mandate. This means goals of zero tracking error and minimal cost constructs for investment and trading.
- Independent organizations, while not mandatory, will be favored, along with significant investment and re-investment of corporate and employee – owned assets.
- The organization should have a game plan for asset development and client additions that will allow it to remain competitive, invigorated and focused on the management of UTIMCO’s mandate without distraction.
- For dollar amounts above \$50 million, the organization should be capable and willing to provide an institutional separate account for the management of these mandates.

### PHILOSOPHY AND PROCESS:

- The manager will demonstrate a thorough understanding and implementation of a “best practices” approach to this space. Areas of particular concern will be tracking error versus the stated benchmark, and low cost implementation of trades including the significant use of in-kind and crossing networks, where possible.
- Full portfolio replication techniques will be preferred, although other methods (such as stratified sampling) will be considered if tracking error metrics and other

“bets” reveal index-like characteristics. Determination of this assessment will be at UTIMCO’s discretion.

- Detailed reporting of performance on a daily basis to UTIMCO.

#### PERFORMANCE AND ATTRIBUTION:

- Performance will be consistent and track as closely as possible to the index under contract. For the following, or like, mandates, the acceptable tracking error is outlined below: *(Note: specialized mandates may vary tracking error acceptability)*
  - large capitalization U.S. equities < 5 bps. per annum
  - small capitalization U.S. equities < 10 bps. per annum
  - international developed equities < 40 bps. per annum
- Performance will be transparent and attribution will show no discernable active “bets” to capitalization, sectors, industries, or beta.

#### FEES:

- Annual fees will closely approximate the following amounts (or less where possible):
  - Large capitalization equity mandates = near zero basis points
  - Small capitalization equity mandates <= 10 basis points
  - EAFE – based mandates <= 20 basis points
  - Emerging Markets – based mandates <= 50 basis points

## ENHANCED MANAGEMENT

### ORGANIZATION:

- Highly resourced and engaged research, systems, portfolio management and trading personnel accomplished in delivering consistent alpha within prescribed tracking error mandates. Resources in excess of that of passive management will be expected.
- A minimum successful portfolio track record of five years for the mandate in question. If such a time frame doesn't exist for the proposed mandate in question, a successful five year track record in similar mandates can be substituted. Still, a minimum twelve month record for the proposed mandate will be required prior to investing. *(For purposes of this policy, similar will equate to an enhanced large cap portfolio proxying for an enhanced small cap portfolio, as long as key portfolio construction metrics remain equivalent.)*
- Redundant personnel will exist with the requisite experience to program and develop the current alpha generating system utilized by management. As detailed quantitative systems (such as neural networks) typically exist as the backbone of the alpha generation process, a thorough knowledge of the intricacies of such systems – their genesis and current and ongoing development – is mandatory.
- The organization will have specific growth targets for assets under management and detailed plans for current and prospective portfolio products or ancillary lines of business. UTIMCO will seek those managers who allow the value-added prospect of investment to continue unabated through the organization's development process. In other words, the Business process shall be subordinate to the Investment process at all times.
- The organization will fully disclose the proposed portfolio under management and provide UTIMCO with a history of data and statistics necessary to fully evaluate the potential value-add of the strategy. A manager unwilling to comply with the materials necessary for UTIMCO's research and due diligence process will be removed from consideration as a manager.
- For dollar amounts above \$20 million, the organization should be capable and willing to provide an institutional separate account for the management of these mandates.

## PHILOSOPHY AND PROCESS:

- The manager will demonstrate a thorough understanding and implementation of “best practices” approach to this space. Areas of particular focus will be:
  1. Robust model history and execution versus benchmarks or absolute return goals. Risk and return metrics will follow process standards.
  2. Buy/Sell disciplines will correspond with fundamental, financial and common-sense protocols. While models may be complex in nature and construction, the ability to effectively understand and communicate the underlying nature of the screening, asset selection and model deployment processes are fundamentally integral to the potential selection of the mandate by UTIMCO.
  3. Trading efforts will complement the security selection process by minimizing tracking error and market impact while maximizing market exposure.
- Quantitative disciplines, in the long-only space, are most often utilized in highly efficient market areas. However, since most long-only enhanced mandates begin life constructed around a standardized market benchmark, and, because of benchmark construction peculiarities that it may be at times difficult for active managers to outperform said index, a flexible approach to understanding the fit and necessity of enhanced management will be utilized in the evaluation process at UTIMCO.
- Detailed reporting of performance on a daily basis to UTIMCO.

## PERFORMANCE AND ATTRIBUTION:

- Targeted return for all enhanced managers will be a minimum of 1.5% per annum. An example of a typical engagement in this space would equate to an information ratio of .75 and a tracking error of 2.0% as a baseline starting point. It is understood that some quantitative spaces (International) may provide more opportunity for return than others (U.S. large cap equities).
- A basic measure/guideline for relative evaluation of managers will be as follows:

**Information Ratio**  $\times 1/R^2 \times 1/[|(1-B)|]$ , where [ ] brackets represent “absolute value”.

This will typically be evaluated over a 3 year period. The goal is to seek the highest information ratio managers, with the least correlated styles to the underlying asset class benchmark, with the greatest performance reliance related to active security selection (not general market movement (systematic risk) as represented by beta bets related to the benchmark index). Pursuit of this

measurement platform is meant to help secure the highest performing, complementary managers in the UTIMCO manager stable.

- Performance will track within either historical or prescribed metrics as consistent with the manager's stated process and the mandate as undertaken by UTIMCO. These measures may include tracking error, information or Sharpe ratios, and/or other relative or absolute return/risk statistics.
- Performance will at all times be transparent and attribution will show no discernable active "bets" to capitalization, sectors, industries, or beta when such factors are specified as neutralized by the manager's investment process.
- In the case of enhanced index management, successful regular execution of the mandate is key. Consistency of performance will be at all times of paramount importance regarding the retention of enhanced managers under contract with UTIMCO.

#### FEES:

- Annual fees will be performance-based and will depend on the mandate. *(The ultimate goal of all performance-based fee arrangements is to equitably incur/share the fee/performance of the underlying portfolio based on risks undertaken and UTIMCO's return expectations.)*
- Performance-based fee calculations will typically include a base fee, performance hurdle, and a performance-based fee for returns in excess of the prescribed hurdle.
- Fees, at present, for BGI's 2000 alpha tilts product is as follows:
  - 15 bps. Base fee + 20% of the excess performance over the Russell 2000 Index over a one year period.

## ACTIVE MANAGEMENT

### ORGANIZATION:

- Organization will encompass significant internal ownership of assets and/or significant investment of personal assets in the organization's core businesses and/or the funds under consideration for hire. UTIMCO seeks to partner with organizations who readily place the bulk of their personal capital at-risk in the same proposed investment mandate under consideration.
- Third party ownership of an investment management organization will be viewed negatively. If such an event occurs while the manager is under contract to UTIMCO, then potential termination is an immediate possibility due to the historic material negative consequences of such an event. Should a prospective manager already have a successful track record under such an arrangement, then such an ownership relationship shall not be necessarily considered to be a deterrent to hire but shall continue to be evaluated closely for any signs of organizational, philosophical, process or performance deterioration.
- The organization will be significantly resourced with accomplished and complementary personnel with extensive experience in managing the requirements for active management. This will include the areas of portfolio management, backoffice personnel, operations, trading and client service. The requirements for this space will vary by manager and by mandate. A baseline resource contingent will be considered to be the staffing at potential time of hire. Any diminution of resources or talent-level from this point will be considered sufficient cause for Watchlist status and/or potential termination.
- The organization will seek to preserve the ultimate potential of its stated and proven investment products. The organization will not undermine the potential of any product under consideration by either overextending its product reach (eg. adding a hedge fund mandate alongside a traditional long-only practice) or overleveraging its portfolio, research, trading or back-office personnel. These steps, if taken by management will be viewed negatively and will be the cause of potential dismissal.
- The organization should have a game plan for asset development and client additions that will allow it to remain competitive, invigorated and focused on the management of UTIMCO's mandate without distraction.
- The organization will have highly resourced and engaged research, systems, portfolio management and trading personnel accomplished in delivering high levels of return with a risk profile consistent with a well-defined philosophy and process.

- The manager will have a proven successful portfolio track record as an accomplished investment manager. In order to secure best-in-class performance, UTIMCO will seek to engage in mandates that will leverage the capabilities of each potential manager, their team, and the organization. In these cases, minimum prior results will be waived if UTIMCO staff can prove through their due diligence efforts that a successful transfer of capabilities can be made to this new portfolio.
- For dollar amounts above \$20 million, the organization should be capable and willing to provide an institutional separate account for the management of these mandates.

#### PHILOSOPHY AND PROCESS:

- The manager will demonstrate a thorough understanding, approach and implementation set of “best practices” to generate superior rates of return. In other words, the manager will know how to “make money”, both actively, and, over time. UTIMCO will show preference to those managers with an absolute sense of return generation versus a relative sense (benchmark orientation). To the extent a benchmark orientation is available, and represents a superior alternative to either passive, enhanced, hedge, or structured active approaches in said asset space, such a mandate will be given serious consideration.
- It will be expected that the manager will demonstrate a “competitive advantage” not only versus passive benchmarks, but also versus his/her peers, and that this will represent one or more of the prime capitalization points that UTIMCO bases its hiring/retention decision on.
- Detailed reporting of performance on a daily basis to UTIMCO.

#### PERFORMANCE AND ATTRIBUTION:

- Targeted return for all active managers will typically be a minimum of 3% per annum over a prescribed benchmark over a three year rolling period. It is understood that the cost of long-only active management is near term volatility in excess of typical enhanced, hedge or structured active approaches.
- Performance will be transparent and attribution will show active “bets” as typically consistent with the manager’s strategy. Particular focus will be on any structural change or event that potentially compromises the future success of the mandate to UTIMCO. Any deviation that potentially compromises UTIMCO’s return capability or investment position will be grounds for dismissal.



- As countless studies demonstrate, past performance is not indicative of future results – either for securities or investment managers. Since a level of cyclicity inevitably appears in the return patterns of even the most talented managers over time, UTIMCO will endeavor to select/engage superior active managers during trough periods of performance in order to better ensure a probability of “buying low” versus “buying high”.

#### MULTIPLE SOURCES OF RETURN:

In order to rise to the elite status of premier global endowments, UTIMCO must demonstrate leadership in its return generation process. The size, experience, and vibrant name recognition of UTIMCO and its staff must be leveraged to generate return opportunities beyond that generated by peers through either traditional or performance fee arrangements. Therefore, wherever possible, UTIMCO will seek out Multiple Sources of Return with each manager engagement. These sources of additional return, may include:

- Revenue sharing arrangements. UTIMCO earns a fee based on a percentage of assets raised by the manager in a similar or equivalent discipline as that managed on UTIMCO’s behalf.
- Alpha aggregation. An example here would be the overlaying of a “call write” strategy over an otherwise successful active large cap U.S. equity mandate, or, a currency overlay strategy across U.S.-based assets where an active bet against the dollar per-se would be in play.

#### FEEES:

Annual fees will be mandated specifically between UTIMCO and each investment manager per the nature and construct of the assignment in question. As a rule, UTIMCO will favor:

- Zero to very low base fees.
- Substantial return hurdles prior to profit sharing with manager.
- Mutually beneficial profit sharing which rewards outsized performance results.

A proposal template might be a three year agreement with the manager with a zero base fee and a 50% share of profits after returning 300 bps./annum over the prescribed benchmark.

TAB 7

**Agenda Item**  
UTIMCO Compensation Committee Meeting  
September 29, 2004

**Agenda Item:** Customer Satisfaction Survey Results

**Developed By:** Lee; Boldt

**Presented By:** Boldt

**Type of Item:** Information item; no action required

**Description:** This agenda item presents the results of the second UTIMCO Customer Satisfaction Survey

**Recommendation:** None

**Discussion:** The results of the second survey of UTIMCO clients are presented in this agenda item. The objective of the first survey conducted last year and the current survey conducted over the past several weeks has been to get valuable feedback from our clients in the UT and Texas A&M Systems. We included 665 individual clients in the survey, and 467 (70%) responded. A summary of the results will be presented. Complete results and a copy of the survey questions will also be available for Board members.

**Reference:** None



**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

# **Summary Results Client Satisfaction Survey**

**September 2004**



## Purpose of this Client Survey?

- Obtain Valuable feedback from Our Clients.
- Serve as a Comparative Benchmark for evaluation as we move forward as an organization.
- Help us provide our clients with the products, services, and information they need.



# Our Client Universe

Development Managers and Staff	188	28%
Finance and Accounting Specialist	119	18%
UT System Managers and Staff	84	13%
Deans and Educational Staff	146	22%
Component University Presidents	22	3%
UT Board of Regents and UTIMCO Board	15	2%
Component Chief Business Officers	19	3%
Other UTIMCO Clients	<u>72</u>	<u>11%</u>
	<b>665</b>	<b>100%</b>



# Summary of Responses

665 Clients

467 Responses (70%)

	<u>Responses</u>	<u>Response Rate %</u>
University Development Managers and Staff	149	79%
Finance and Accounting Specialist	77	65%
UT System Managers and Staff	71	85%
University Deans and Educational Staff	87	60%
Component University Presidents	11	50%
UT Board of Regents and UTIMCO Board	13	87%
Component Chief Business Officers	12	63%
Other UTIMCO Clients	<u>47</u>	<u>65%</u>
	<b>467</b>	<b>70%</b>



## Did we get a Good Response Rate?

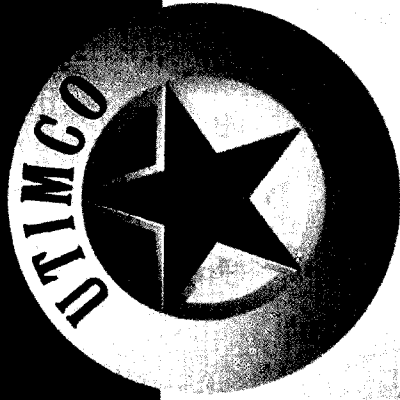
### 2003

- We asked 584 clients to participate in the survey
- 63% or 366 responded

### 2004

- We asked 665 clients to participate in the survey
- 70% or 467 clients responded





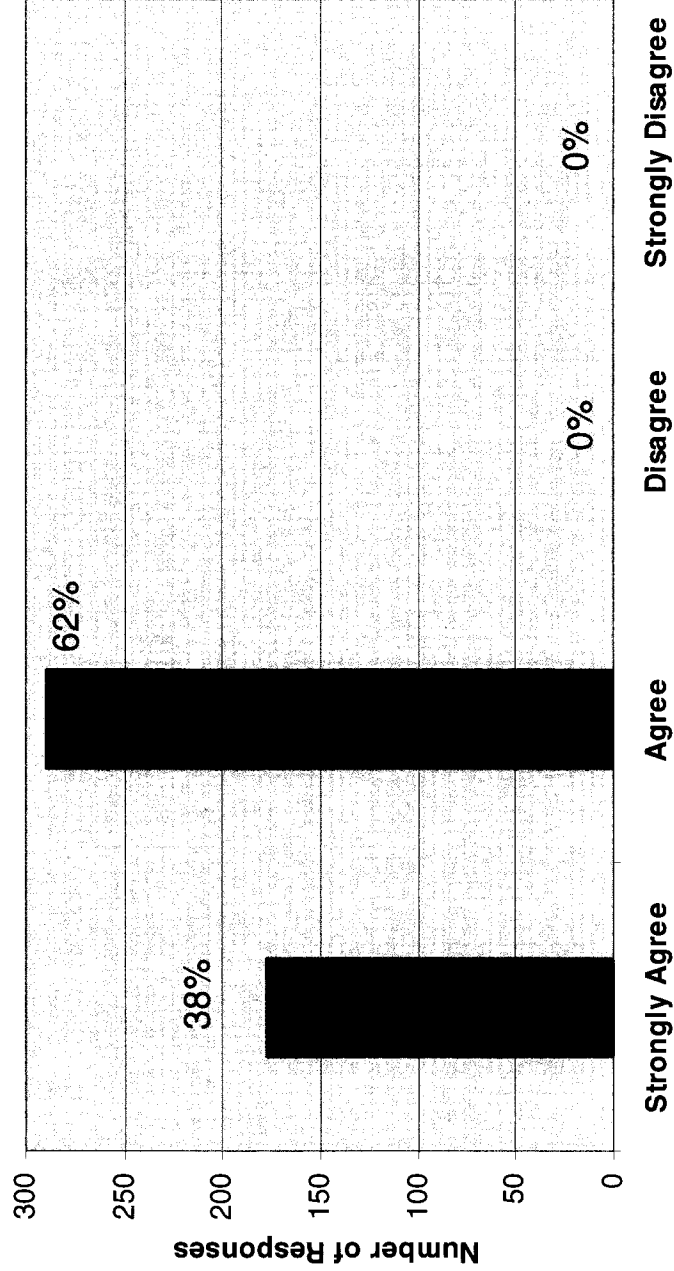
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## Survey Results

### “Bottom Line” Questions



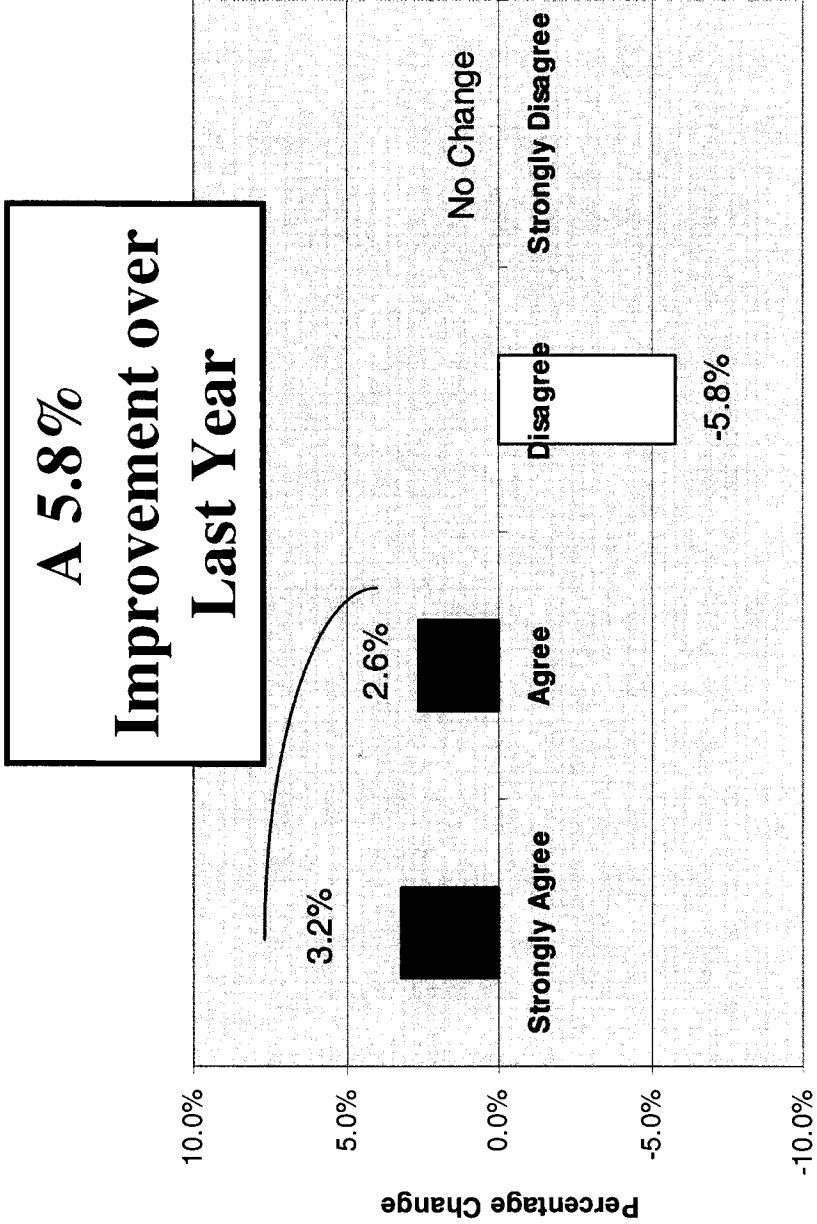
# Do you feel UTIMCO has a skilled, experienced, and effective investment staff?





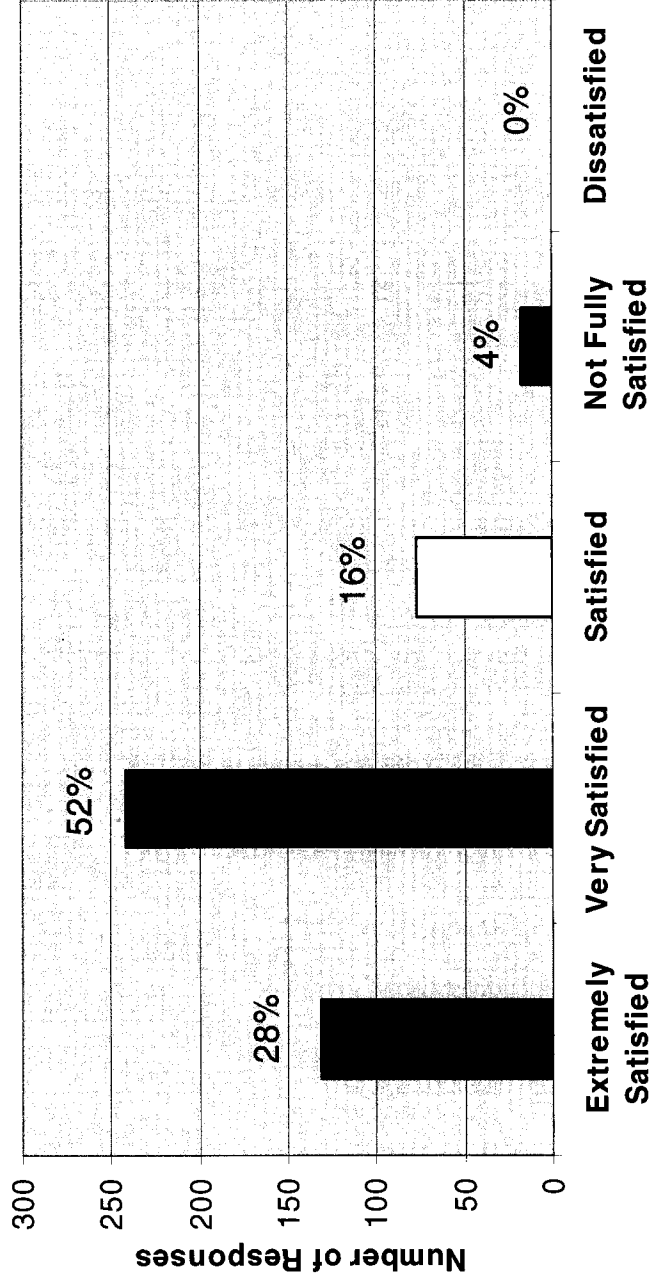
# Compared to Last Year.....

Do you feel UTIMCO has a skilled, experienced, and effective investment staff?



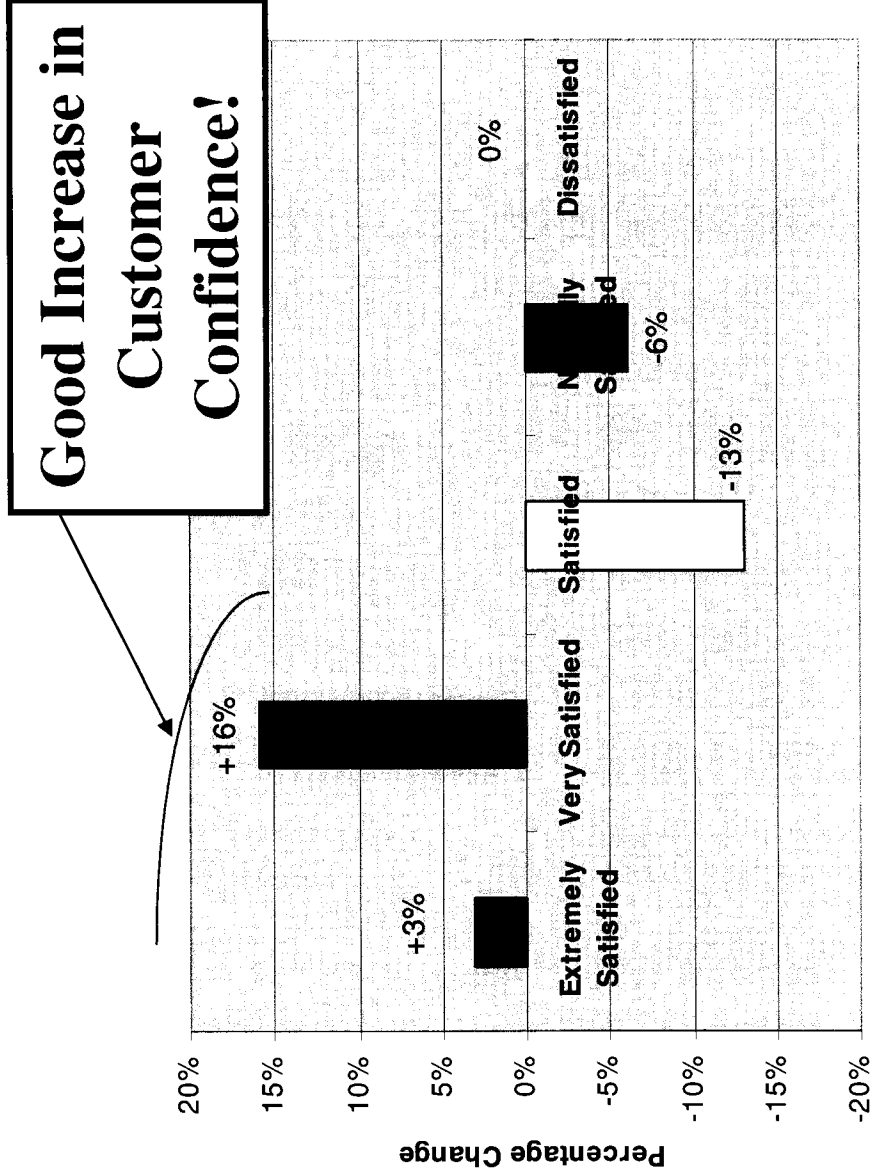


# Rate your Overall Satisfaction with UTIMCO.



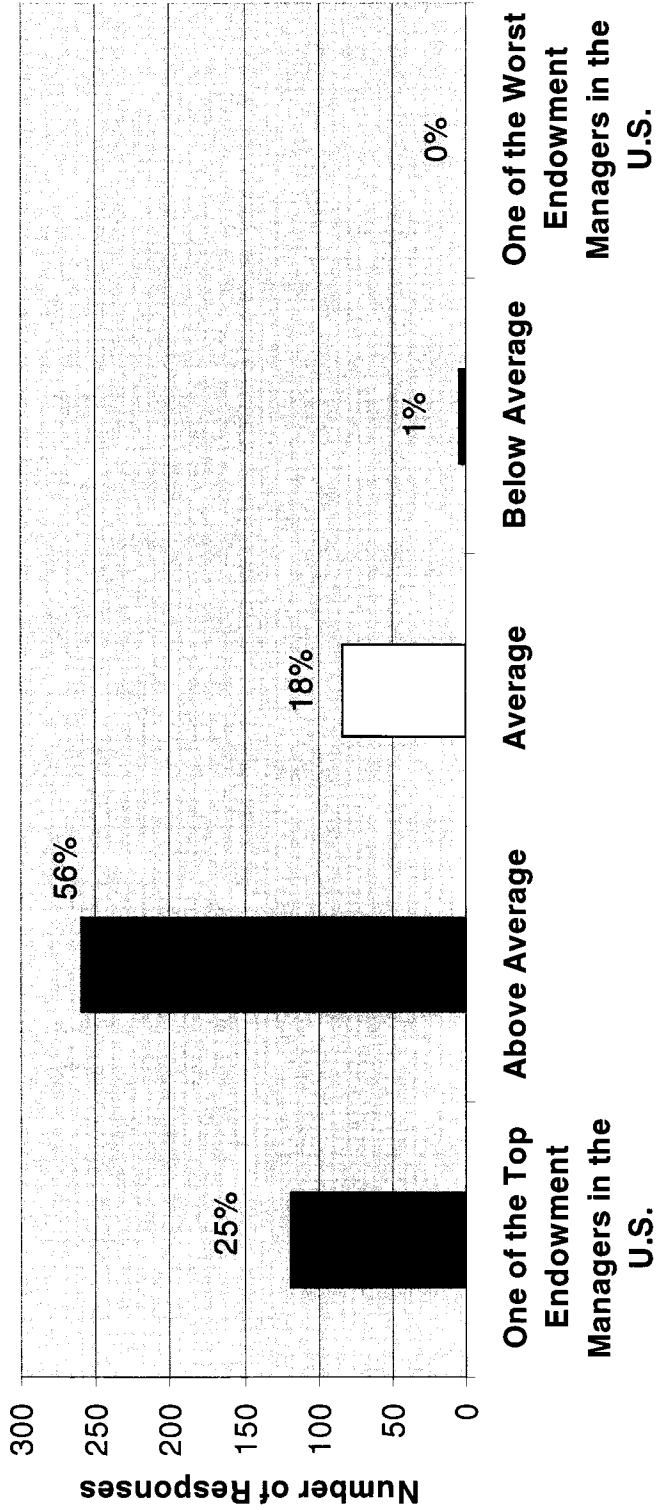


# Compared to Last Year..... Rate your Overall Satisfaction with UTIMCO.



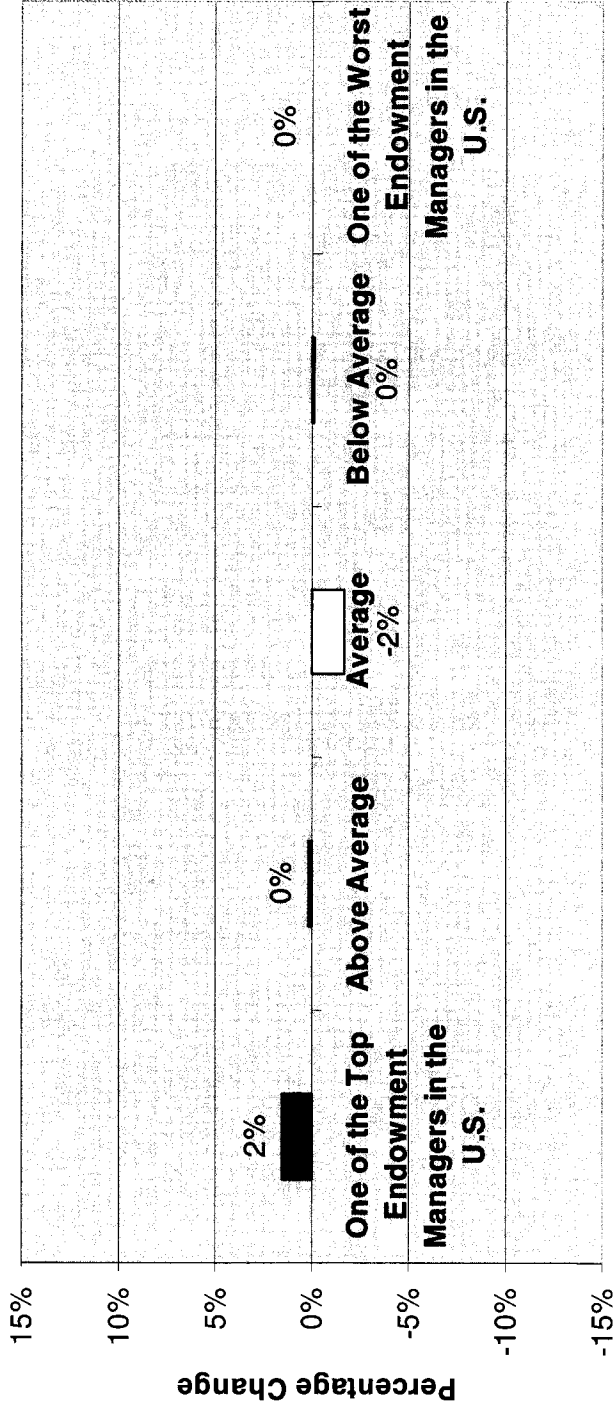


# Overall, I would rate UTIMCO as:





# Compared to Last Year.... I would you rate UTIMCO as:





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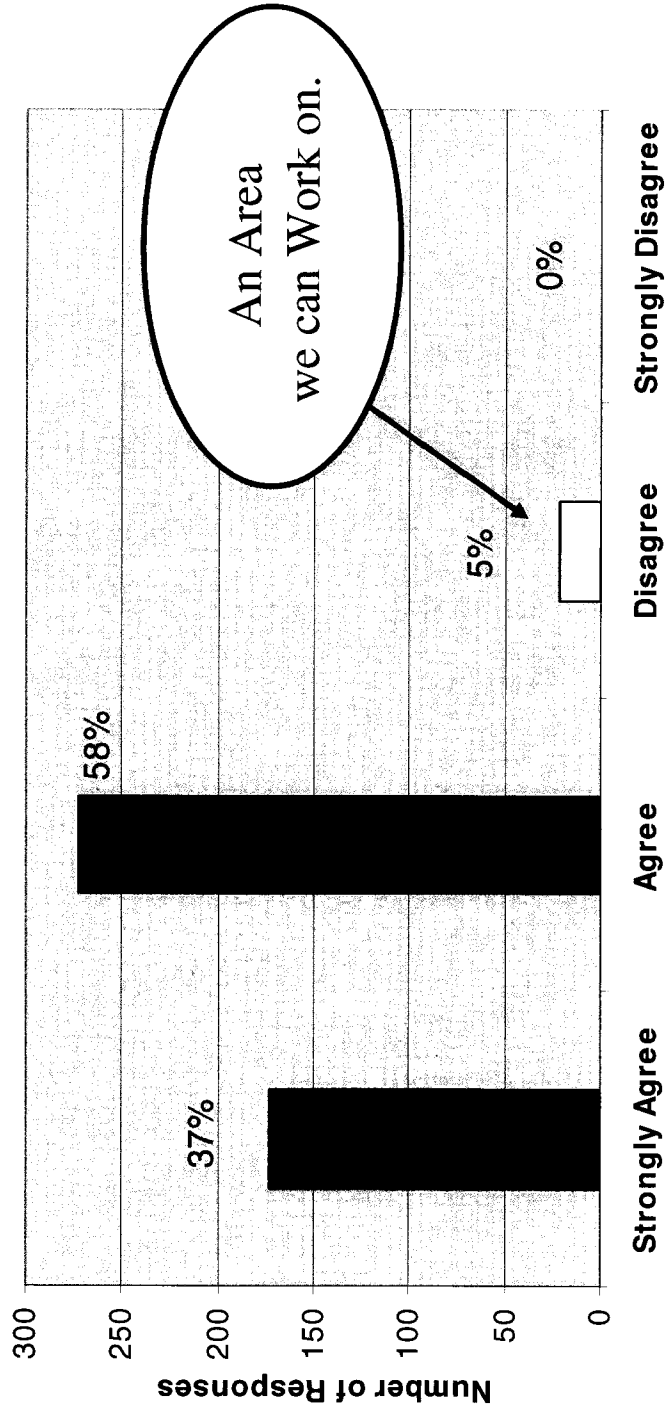
## Survey Results

More Detailed Questions



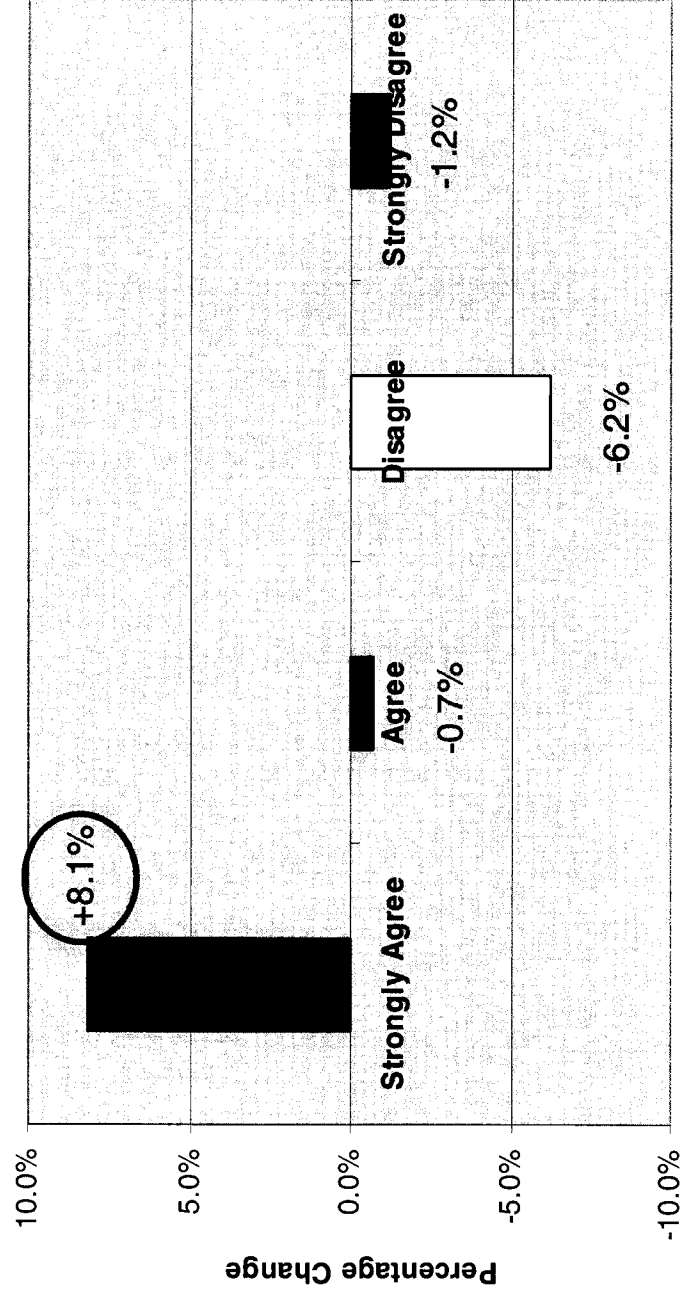


# Do you feel the UTIMCO Investment Staff has been responsive to the particular needs of your organization?



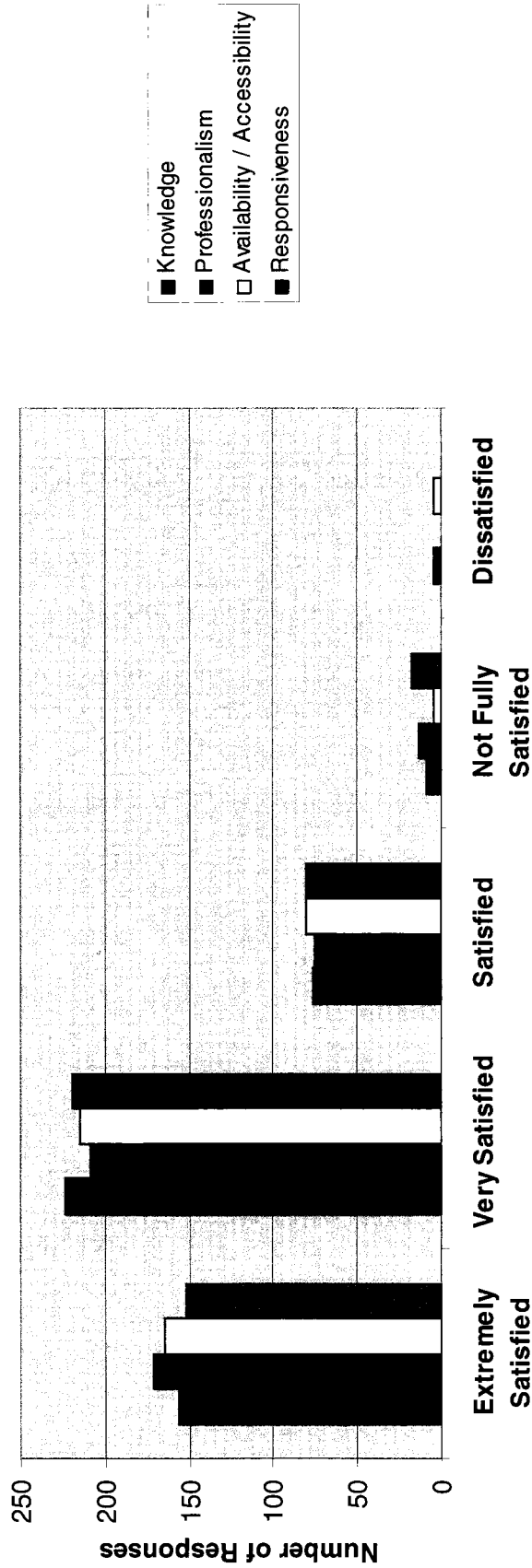


# Compared to Last Year..... Has the UTIMCO Investment Staff been responsive to the particular needs of your organization?





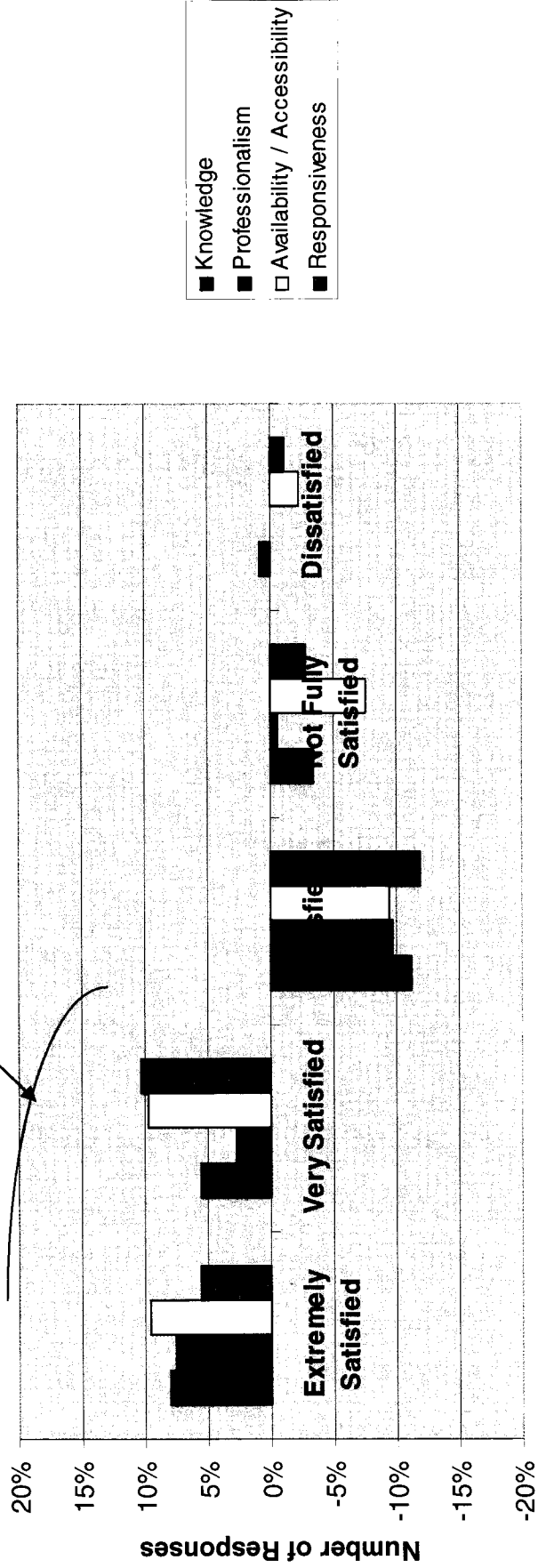
# Please rate your satisfaction with UTIMCO.....





# Compared to Last Year..... Rate your satisfaction with UTIMCO.....

Another Solid  
Improvement





## What are UTIMCO's Weaknesses?

### Still Areas for Improvement

- Lack of Representation – Need Person to Person Contact
- Poor Public Persona – Image
- Customer Service
- Sometime Hard to Educate All Customers or Users on Complex Investment Topics
- Need to work on not appearing arrogant and allowing as much openness as possible
- Need Simple, Brief, Easy-to-Understand Reports
- Need to Help Components Plan for the Future
- To Much Time and Money Spent on the Annual Report
- Operating Funds Management -- Meeting Projected Returns with Operating Funds
- Communications Could be Slightly more "lay person" Oriented
- Transparency and Timeliness of Data



**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

**September 2004**

# TAB 8

**Agenda Item**  
UTIMCO Compensation Committee Meeting  
September 29, 2004

**Agenda Item:** Discussion and Consideration of Proposed Changes to Delegation of Authority Policy

**Developed By:** Boldt

**Presented By:** Boldt

**Type of Item:** Action required by UTIMCO Board

**Description:** This agenda item seeks approval for changes to the Delegation of Authority Policy.

**Recommendation:** The UTIMCO staff recommends approval of the changes to the Delegation of Authority Policy as presented.

**Discussion:** The objective of the proposed changes to the Delegation of Authority Policy is to clearly define the limits of delegated authority of UTIMCO Management in order to enhance operational efficiency and timeliness in decision making, thereby enhancing competitiveness, as well as establishing a framework for the evaluation of UTIMCO Management.

**Reference:** Delegation of Authority Policy



### **Resolution No. 3**

RESOLVED, that the revised Delegation of Authority Policy be, and is hereby approved in the form as presented to the Board.

## The University of Texas Investment Management Company Delegation of Authority Policy

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Effective Date of Policy: September 29, 2004

Date Approved by UTIMCO Board: September 29, 2004

Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on April 25, 2003

### **Purpose:**

The purpose of the Delegation of Authority Policy is to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and the UTIMCO staff. UTIMCO provides various investment management services to the U. T. System Board of Regents as more fully described in the Investment Management Services Agreement by and between the U. T. Board of Regents and UTIMCO. Section 66.08 (d) of the Texas Education Code provides that UTIMCO's duties to the U. T. Board with respect to the management of investment funds shall be governed by a contract between the two parties. The UTIMCO Board is responsible for management and investment oversight of UTIMCO. The UTIMCO Board recommends amendments to the Investment Policies for approval by the U. T. Board of Regents. The UTIMCO Board is responsible for overseeing the investment process to execute the established Investment Policies. However, in order to enhance the competitiveness of the investment process, improve management and operational efficiency, and in order to define and concentrate accountability for performance, certain duties and responsibilities are delegated by the UTIMCO Board to UTIMCO Management. This Policy Statement defines the delegation of authority in the two primary areas of UTIMCO operation: Management, Operational, and Financial Authority; and Investment Authority.

### **Objective:**

By clearly defining the limits of delegated authority of UTIMCO Management, this Policy Statement enhances operational efficiency and timeliness in decision making, thereby enhancing competitiveness, as well as establishing a framework for the evaluation of UTIMCO Management in the assigned tasks.

### **Scope:**

This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy. Any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. Board of Regents.

### **Authority Delegated to UTIMCO Management:**

The primary functions of the UTIMCO Board are to formulate, revise, implement and conduct ongoing oversight of the policies it has established for UTIMCO. In order to more efficiently execute its responsibilities, the UTIMCO Board has delegated the authority to implement UTIMCO policies to UTIMCO Management in two primary areas: Management, Operational, and Financial Authority, and Investment Authority.

**Management, Operational, and Financial Authority:** All duties and responsibilities in the areas listed below, that are not expressly reserved for the UTIMCO Board in UTIMCO Bylaws, Articles of Incorporation, Subcommittee Charters, Investment Management Services Agreement, and other UTIMCO policies, are hereby granted to UTIMCO Management:

## The University of Texas Investment Management Company Delegation of Authority Policy

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- Administration, Accounting and Financial Management;
- Systems Technology Management;
- Personnel Management;
- Compliance;
- Client Relations and Reporting; and
- Public Relations.

In addition, the UTIMCO Board hereby delegates the following specific duties and responsibilities, which may be currently reserved, to UTIMCO Management:

- **Contracts:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts and partnership agreements) that will require payment of \$1 million or less per year by UTIMCO and are for a term of 10 years or less.
- **Personnel Management:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all personnel management decisions regarding positions included in approved UTIMCO operating budgets, and grants authority to the Chief Executive Officer to add non-budgeted positions as necessary on an emergency basis, subject to review in the following budget cycle.
- **Public Relations:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding public relations issues, except for those issues that are reserved for decisions by the UTIMCO Vice Chairman for Policy.

***Investment Authority:*** All duties and responsibilities in investment management, which are not specifically reserved for the UTIMCO Board in UTIMCO Bylaws, Articles of Incorporation, Subcommittee Charters, Investment Management Services Agreement, and other UTIMCO policies including Fund investment policies, are hereby granted to UTIMCO Management.

In addition, the UTIMCO Board hereby delegates the following specific duties and responsibilities, which may be currently reserved, to UTIMCO Management:

- **Tactical Asset Allocation:** Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policy Statements, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer as long as any decisions do not violate established Investment Policies.
- **New Investment Vehicle and Manager Selection:** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to commit UT System funds to new relationships with internal or external investment managers or to new mandates with internal or external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and

## The University of Texas Investment Management Company Delegation of Authority Policy

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execute agency and partnership agreements as necessary, subject only to the following limitations:

- Public Markets Investments: Any new commitments exceeding \$300 million will require approval under the process defined in Appendix A.
- Marketable Alternatives Investments: Any new commitments exceeding \$200 million will require approval under the process defined in Appendix A.
- Non-Marketable Alternatives Investments: Any new commitments exceeding \$100 million will require approval under the process defined in Appendix A.
- Other Investments: Any investments in asset categories not currently defined in the Policy Portfolio must receive specific UTIMCO Board approval regardless of size.
- Any commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
- The UTIMCO Chief Executive Officer will promptly notify the UTIMCO Board regarding all decisions made under this delegated authority.
- Manager and Partnership Monitoring and Termination: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to increase or decrease investments or commitments to existing internal or external investment managers, and the accompanying authority to renegotiate existing agency and partnership agreements as necessary, subject only to the following limitations:
  - Public Markets Investments: Any changes to existing funds under management exceeding \$300 million, or which increase the total assets managed to more than \$500 million with an individual manager or to more than \$500 million in a specific investment mandate at a manager responsible for more than one UTIMCO mandate, will require approval under the process defined in Appendix A.
  - Marketable Alternatives Investments: Any changes to existing funds under management exceeding \$200 million, or which increase the total assets managed to more than \$300 million with an individual manager or to more than \$300 million in a specific investment mandate at a manager responsible for more than one UTIMCO mandate, will require approval under the process defined in Appendix A.
  - Non-Marketable Alternatives Investments: Any changes to existing funds under management exceeding \$100 million in an existing partnership or direct investment, or which increase the total assets managed to more than \$150 million with an individual manager or to more than \$150 million in a specific investment mandate at a manager

## The University of Texas Investment Management Company Delegation of Authority Policy

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responsible for more than one UTIMCO mandate, will require approval under the process defined in Appendix A.

- Any change that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
- The UTIMCO Chief Executive Officer will promptly notify the UTIMCO Board regarding all decisions made under this delegated authority.
- Management of UTIMCO's External Investment Consultant: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the work product of the UTIMCO consultant.
- Management of UTIMCO's External Counsel: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the work product of the UTIMCO external counsel.

### **Documentation and Controls:**

All UTIMCO Management decisions made under this Delegation of Authority Policy will be monitored by UTIMCO's Chief Compliance Officer. Any exceptions to this Policy will be reported to the Chief Executive Officer immediately. The CEO will develop a remedy to the exception, if possible, and report the exception and the remedy to the UTIMCO Board promptly.

### **Reporting:**

The Chief Compliance Officer will provide a list of any exceptions to this policy on at least an annual basis to the Audit and Ethics Subcommittee of the UTIMCO Board.

**The University of Texas Investment Management Company  
Delegation of Authority Policy**

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**Appendix A  
Investment Vehicle and Manager Selection**

Except for the specific terms of delegation defined in this Policy, the UTIMCO Board shall be responsible for the selection of internal and external portfolio managers and partnerships to invest assets managed for the U.T. Board of Regents.

The process for new manager or partnership selection shall include the following steps:

1. Extensive due diligence by UTIMCO staff, and in some cases by the UTIMCO consultant, examining the factors listed below.
2. Preparation of a complete due diligence report that will be considered by the UTIMCO Management team. Changes or updates to the due diligence report as a result of the management team meeting will be made.
3. In the case of non-marketable alternative asset selections only, the UTIMCO consultant will prepare an independent due diligence report.
4. In cases in which the decision has been delegated to the UTIMCO Chief Executive Officer under this Policy, a Certificate of Compliance will be sent to each UTIMCO Board member with an executive summary of the due diligence report prepared by the UTIMCO Staff and Consultant (if necessary).
5. In cases in which delegation is not permitted under this Policy, a Certificate of Compliance will be sent to each UTIMCO Board member with the complete due diligence report prepared by the UTIMCO Staff and Consultant (if necessary). The Certificate of Compliance will have a checkbox to allow any UTIMCO Director to request a complete review of the investment at a subsequent Board meeting prior to making the investment, and two checkboxes to delegate the decision to UTIMCO Management, with or without a subsequent presentation of the investment at a future UTIMCO Board meeting.
  - a. If any Director has requested Board review, staff will provide a complete presentation, which may include a representative of the proposed manager or partnership, at the next UTIMCO Board meeting. If after hearing the presentation, a majority of Directors do not feel the investment is appropriate, the investment will not be made.
  - b. If no Director has requested a prior Board Review, the investment will be negotiated by staff and assets will be invested.

TAB 9

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Discussion and Approval of Liquidity Policy
- Developed By:** Boldt, Moeller
- Presented By:** Hester
- Type of Item:** Action Required by UTIMCO Board; Action required by U.T. Board of Regents
- Description:** The Liquidity Policy defines liquidity categories and sets asset weight limits for each category in order to control the aggregate amount of liquidity risk that can be assumed in the endowment portfolios.
- Recommendation:** The Liquidity Committee recommends approval of the Liquidity Policy as presented in this agenda item
- Discussion:** The amended Liquidity Policy was approved by the Liquidity Committee at its July 15, 2004 meeting. The Liquidity Policy is being amended for the following:
- Clarify that swaps, derivatives, or other third party arrangements may alter an investments liquidity status rather than create liquidity.
  - Clarify the responsibility that the Liquidity Committee has in reviewing new investments made in the 20% to 30% trigger zone. The Liquidity Committee will supplement, rather than replace, the procedures the UTIMCO Board has in place for the approval of new investments.
  - Require certification of the accuracy of the monthly liquidity reports by each managing director, risk manager, chief compliance officer, and president
  - Clarify that either the UTIMCO Board or Liquidity Committee can review and approve certain actions. This delegation is further documented in the Liquidity Charter
  - Proposal of new charts reporting liquidity to clarify the range for the liquid investments.
  - Minor editorial changes have been made.
- Reference:** Liquidity Policy



**Resolution No. 4**

RESOLVED, that the Liquidity Policy as presented be, and is hereby, approved, subject to approval by the U. T. System Board of Regents.

# The University of Texas Investment Management Company

## Liquidity Policy

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Original Effective Date of Policy: ~~August 7, 2003~~ December 19, 2003

Original Date Approved by UTIMCO Board: ~~June 26, 2003~~ December 4, 2003

Dates revised by UTIMCO Board: September 29, 2004 and December 4, 2003

### **Purpose:**

The purpose of ~~the~~this Liquidity Policy is to establish limits on the overall liquidity profile of investments in the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter referred to as the Funds. For the purposes of this policy, "liquidity" is defined as a measure of the ability of an investment position to be converted into a cash position. The established liquidity profile limits will act in conjunction with, but do not supercede, the Investment Policies ~~adopted~~established by The University of Texas Investment Management Company (UTIMCO) Board and approved by the U. T. Board of Regents.

### **Objective:**

The objective of ~~the~~this Liquidity Policy is to control the element of total risk exposure of the Funds stemming from the uncertainties associated with the ability to convert longer term investments to cash to meet immediate needs or to change investment strategy, and ~~to~~ the potential cost of that conversion. ~~This element of total risk is referred to as "Liquidity Risk" in this Policy.~~

### **Scope:**

This Liquidity Policy applies to all PUF and GEF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

### **Definition of Liquidity Risk:**

"Liquidity Risk" is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to cash (or cash equivalents). Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

### **Liquidity Risk Measurement-The Liquidity Profile:**

Capital market theory does not provide a precise technique to measure liquidity risk. For the purposes of this Liquidity Policy, potential liquidity risk will be ~~defined and~~ monitored by measuring the aggregate liquidity profile of the Funds. All individual investments within the Funds will be segregated into two categories:

- **Liquid:** Investments that could be converted to cash within a period of one day to three months in an orderly market at a discount of 10% or less.
- **Illiquid:** Investments that could be converted to cash in an orderly market over a period of more than three months or in a shorter period of time by accepting a discount of more than 10%.

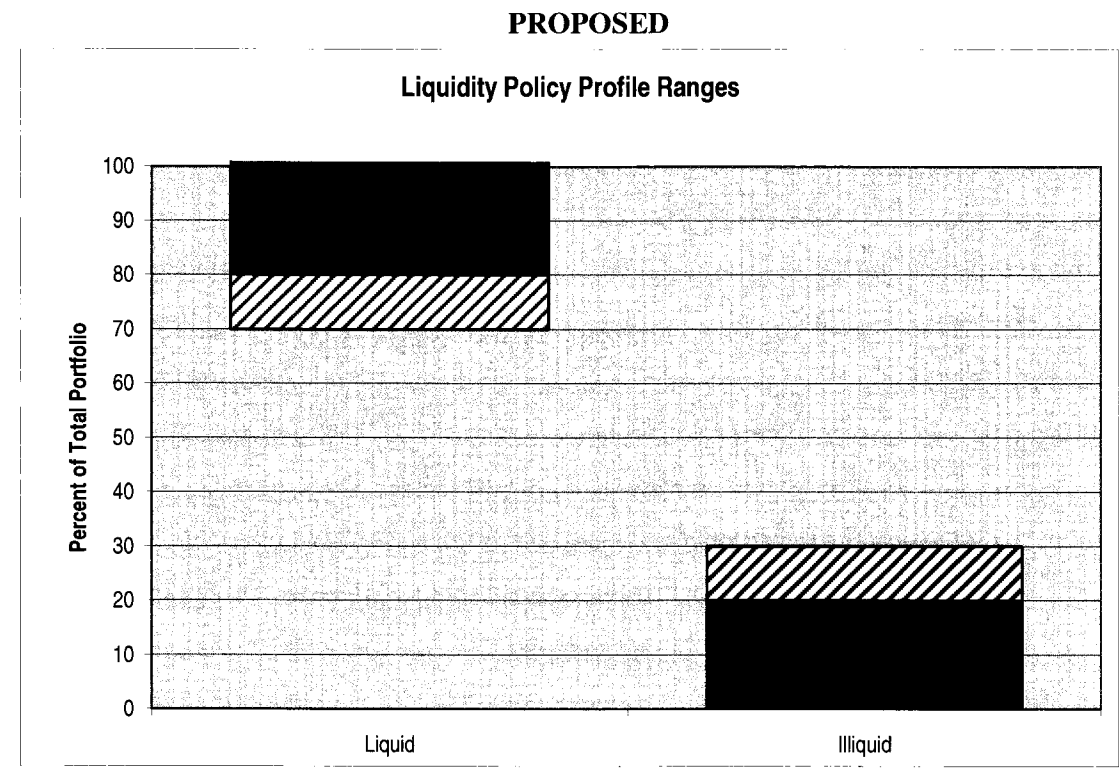
The measurements necessary to segregate all investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investments classified as illiquid create liquidity may be considered, with the approval of the UTIMCO Board or the Liquidity Committee, in determining the appropriate liquidity category for each investment, ~~upon approval of the UTIMCO Board or Board designated subcommittee.~~

# The University of Texas Investment Management Company Liquidity Policy

The result of this liquidity risk measurement process will be a liquidity profile for the Funds which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies “trigger zones” requiring special review by UTIMCO staff and Board, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

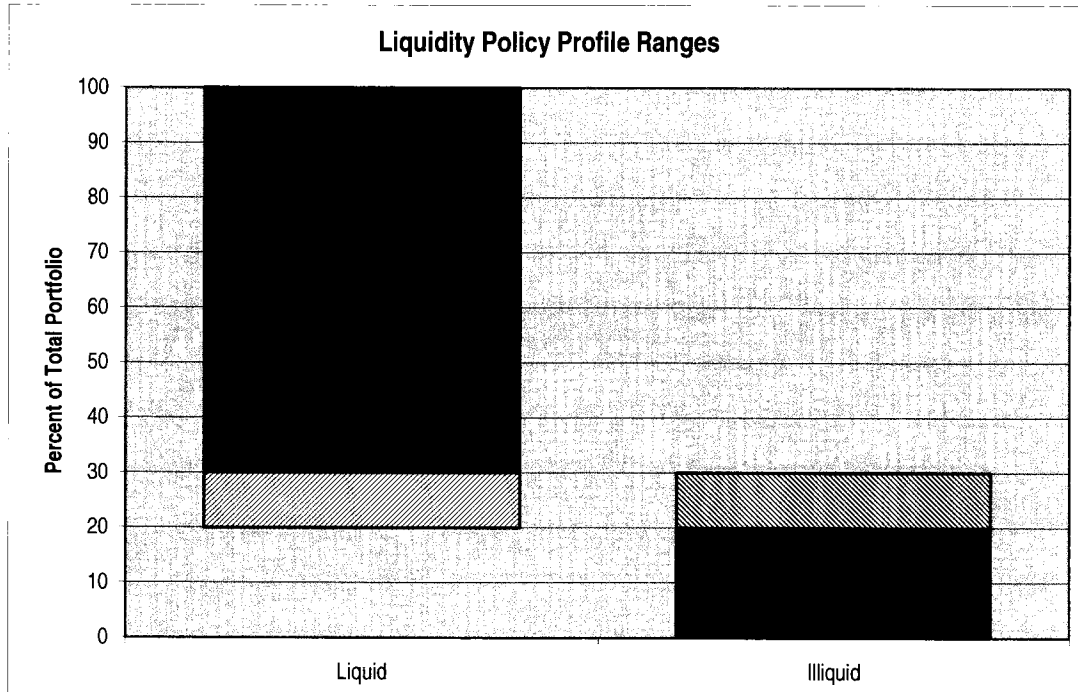
## Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones are defined by the chart below:



**The University of Texas Investment Management Company  
Liquidity Policy**

**CURRENT**



The green bar indicates the Policy range for investments categorized as “Liquid” by the definition presented earlier. The red bar indicates the Policy range for investments categorized as “Illiquid” by earlier definition. The shaded sections of the green and red bars indicate trigger zones requiring special action by the UTIMCO Board or the Liquidity Committee or Board designated subcommittee. For example, the allowable range for “Illiquid” investments is 0% to 30% of the total portfolio, however, any investments made in the 20% to 30% range of total portfolio assets require special prior approval by the UTIMCO Board or subcommittee. For example, the allowable range for illiquid investments is 0% to 30% of the total portfolio. However, any illiquid investments made in the 20% to 30% trigger zone requires prior approval by the Liquidity Committee or the UTIMCO Board. Liquidity Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

**Documentation and Controls:**

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that class. These classifications will be reviewed by the Risk Manager and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. The monthly liquidity reports will include certification by each Managing Director, the Risk Manager, the Chief Compliance Officer, and the President of UTIMCO, that all investments are properly categorized and reported. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity of the addition of the new investment must be an element of the due diligence process and will be a part of the recommendation reports to the UTIMCO Board.

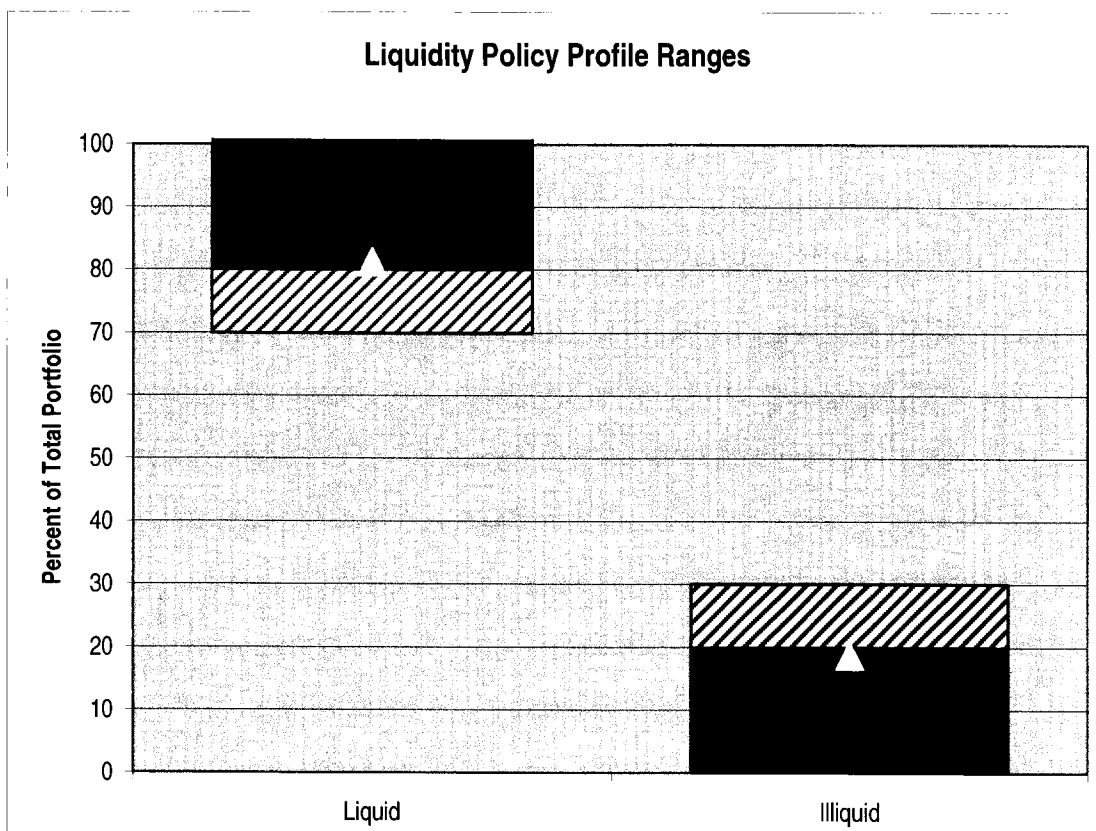
## The University of Texas Investment Management Company Liquidity Policy

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Liquidity Committee in the event any investment action would cause any liquidity measure the actual investment position in illiquid investments to enter any of the designated trigger zones, or in the event market actions caused measures the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would change any single liquidity category percentage increase the actual investment position in illiquid investments in either the PUF or the GEF by 10% or more of the total asset value of either Fund would also require UTIMCO Board review and action by the UTIMCO Board or the Liquidity Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Liquidity Committee the circumstances of the deviation from Policy and the remedy to the situation.

### Reporting:

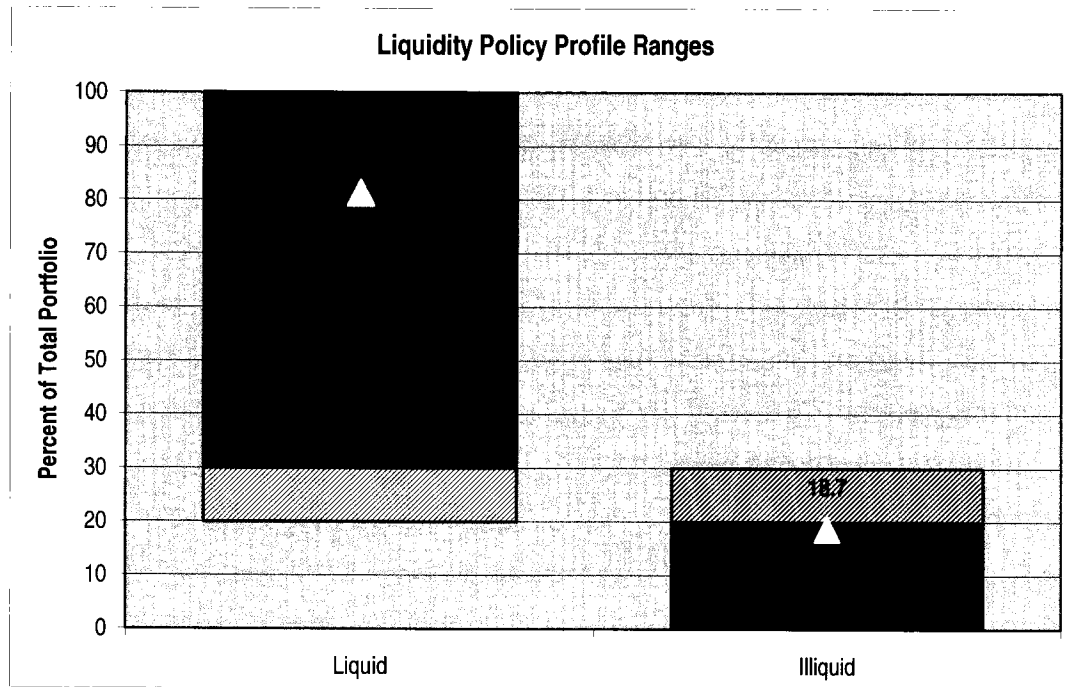
The actual Liquidity Profile of the Funds and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly. An example of the method of reporting is shown below where the yellow points and number labels indicate current actual exposure levels within each Liquidity Policy Range (numbers shown are examples only). For example, in this illustration the current exposure to "Liquid" investments is 81.3%, while exposure to "Illiquid" investments is 18.7% and both are within their respective allowable policy ranges and not in defined trigger zones.

### PROPOSED



The University of Texas Investment Management Company  
Liquidity Policy

CURRENT



**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Consideration of the Charter of the Liquidity Committee ("Committee")
- Developed By:** Boldt, Moeller
- Presented By:** Hester
- Type of Item:** Action Required by UTIMCO Board
- Description:** The Charter sets forth the functions, duties and responsibilities of the Committee in order for the Committee to assist the Board in providing oversight and monitoring the liquidity of the policy portfolio in accordance with the Liquidity Policy.
- Recommendation:** The Committee recommends approval of the Charter of the Liquidity Committee as presented in this agenda item.
- Discussion:** The Charter was adopted by the UTIMCO Board on April 8, 2004 to enumerate the responsibilities delegated to the Committee. The Committee was established on November 20, 2003 and held its first meeting on March 23, 2004. During the preceding months, questions arose concerning certain responsibilities delegated to the Committee by UTIMCO Board. Changes have been made to the Liquidity Policy to clarify the responsibility of the Committee. The amended Charter was approved by the Committee at its July 15, 2004 meeting. The Charter has been amended for the following:
- To clarify the responsibility that the Liquidity Committee has in reviewing new investments made in the 20% to 30% trigger zone. The Liquidity Committee will supplement, rather than replace, the procedures the UTIMCO Board has in place for the approval of new investments.
  - To enumerate that the Committee is delegated responsibility to approve changes in allocations among existing investments.
  - To clarify procedures when market actions cause actual investment positions to exceed the upper illiquidity limit or move into the illiquidity range.
  - To enumerate that the Committee is delegated responsibility to approve the use of swaps, derivatives, or other third party arrangements to alter the liquidity status of any investment.
- Reference:** Charter of the Liquidity Committee; Liquidity Policy

**Resolution No. 5**

RESOLVED, that the Charter of the Liquidity Committee be, and is hereby, approved in the form as presented to the Board.



# **The University of Texas Investment Management Company**

## **Charter of the Liquidity Committee**

### **Background**

The Board of Directors (the “Board”) of The University of Texas Investment Management Company (the “Corporation”) established a Liquidity Committee (the “Committee”) on November 20, 2003. This Charter, adopted by the Board on April 8, 2004, and revised on September 29, 2004, sets forth the responsibilities of the Committee.

### **Purpose**

The primary purpose of the Committee is to provide oversight and monitor liquidity of the policy portfolio in accordance with the Corporation’s Liquidity Policy, originally approved by the Board on June 26, 2003 ~~December 4, 2003~~, and originally effective August 7, 2003 ~~December 19, 2003~~. The Board has adopted a Liquidity Policy to establish limits on the overall liquidity profile of investments in the Permanent University Fund (PUF) and the General Endowment Fund (GEF). Liquidity is defined as a measure of the ability of an investment position to be converted into a cash position.

### **Composition**

The Committee shall be composed of at least three members of the Board appointed from time to time by a majority vote of the Board at a meeting at which a quorum is present. A member may be removed with or without cause at any time by a majority vote of the Board. Only members of the Board are eligible to serve on the Committee.

### **Meetings; Quorum; Etc.**

The Corporation’s Bylaws state that any committee created by the Board, including the Committee, shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of the Committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next succeeding meeting. At every meeting of the Committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the Committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or

more Directors as alternate members of the Committee, who may replace any absent or disqualified member of the Committee. In the absence or disqualification of a member of the Committee, the member or members present at any meeting of the Committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

## Duties and Responsibilities

The UTIMCO Board has delegated the following duties and responsibilities to the Liquidity Committee ~~[The Committee has the following duties and responsibilities]:~~

- The Committee must review and recommend for consideration to the UTIMCO board any new investment that would cause the allocation for illiquid investments in either the PUF or GEF to exceed the lower illiquidity limit specified in the Liquidity Policy for the respective Funds' total portfolio. ~~[The Committee must review and approve, before any such investment or series of investments are made, any investment or series of investments which would cause the allocation for illiquid investments in either the PUF or GEF to exceed 20% of the respective Fund's total portfolio. (Under the Liquidity Policy, the allowable allocation range for illiquid investments is 0% to 30% of a Fund's total portfolio.)]~~
- The Committee must review and approve, before any such action or actions are taken, any proposed changes in allocations among existing investments that would cause the allocation for illiquid investments in either the PUF or GEF to exceed the lower illiquidity limit specified in the liquidity policy for the respective funds total portfolio.
- The Committee must review and approve, before any such action or actions are taken, any proposed investment action or actions that [which] would increase the actual investment position in illiquid investments ~~[or decrease the overall allocation to any single liquidity category]~~ in either the PUF or GEF by 10% or more of a Fund's total asset value. ~~[of a Fund's total portfolio].~~
- In the event ~~[any]~~ that market actions cause actual investment positions in illiquid investments ~~[are outside the allocation ranges]~~ to exceed the upper illiquidity limit established by the Liquidity Policy ~~[(exceed 30% of a Fund's total portfolio)]~~ or to move into the are within "trigger zone[s]" ~~[for such allocation ranges (between 20% to 30% of a Fund's total portfolio),]~~ defined as the allocation range between the lower and upper illiquidity limits established by the Liquidity Policy, the Committee ~~[reviews]~~ must will review and approve the Chief Investment Officer's

proposed remedy or strategy for complying with the required allocation range for liquid and illiquid investments before any such actions are taken.

- The Committee must approve the use of swaps, derivatives, or other third party arrangements to alter the liquidity status of any investment classified as illiquid.

Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTMCO Board for the approval of new investments.

TAB 10

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Ratification of amended Bylaws of UTIMCO
- Developed By:** Boldt, Moeller
- Presented By:** Hunt
- Type of Item:** Action Required by UTIMCO Board to ratify amendments to Bylaws approved by the U.T. Board of Regents August 12, 2004.
- Description:** The Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the U.T. Board of Regents. Section 66.08 of the Texas Education Code requires that the U.T. Board of Regents approve the articles of incorporation and bylaws of the corporation and any amendment to the articles of incorporation or bylaws. The Bylaws of UTIMCO were initially approved by the Board of Regents on February 8, 1996, and amendments were approved in May 1997, November 1999, February 2000, November 2001, and August 2003.
- Recommendation:** Board of Regents recommends ratification of the amended Bylaws of UTIMCO.
- Discussion:** Amendments to the Bylaws were proposed to the Board of Regents in response to recommendations from the UTIMCO Working Group to the Board on April 29, 2004, in a report entitled "Report of the UTIMCO Working Group to the Board of Regents of The University of Texas System Regarding Certain Investment Management and Oversight Issues."
- Proposed amendments are as follows.
- Amend Article III, Sections 2 and 3 concerning the Board of Directors to be consistent with the authorizing legislation.
  - Delete reference in Article III, Section 5A, UTIMCO Nominating Committee, submitting the name of a nominee to fill a UTIMCO director's vacancy to the Board of Regents (general language on nominations is added to Article IV, Section 3).
  - Amend Article III, Section 7 to reference a joint annual meeting with the Board of Regents
  - Amend Article III, Section 8 to add a requirement that the UTIMCO President consult with the UTIMCO Chairman and Vice Chairman on the proposed agenda for regular UTIMCO Board meetings.
  - Amend Article IV, Section 1 to require the UTIMCO Board to fully review, discuss, and approve performance compensation.
  - Amend Article V, Section 9 to require posting of significant documents, policies, and meeting minutes on the UTIMCO website and to require that all open meetings are recorded.

**Agenda Item**

UTIMCO Board of Directors Meeting  
September 29, 2004

- Amend Article VIII to require that the UTIMCO Board schedule timely consideration of requests by the Board of Regents to alter, amend, or repeal Bylaws.

**Reference:** Bylaws of UTIMCO

**Resolution No. 6**

RESOLVED, that the amendments of the Bylaws be, and are hereby, ratified as approved by the UT System Board of Regents on August 12, 2004.

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**BYLAWS**  
**OF**  
**THE UNIVERSITY OF TEXAS INVESTMENT**  
**MANAGEMENT COMPANY**

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Restated to Include  
Amendments Adopted on

March 13, 1997

*(Approved by the Board of Regents on May 8, 1997)*

May 2, 1997

*(Approved by the Board of Regents on May 8, 1997)*

September 22, 1999

*(Approved by the Board of Regents on November 11, 1999)*

December 9, 1999

*(Approved by the Board of Regents on February 10, 2000)*

October 26, 2001

*(Approved by the Board of Regents on November 8, 2001)*

June 26, 2003

*(Approved by the Board of Regents on August 7, 2003)*



## TABLE OF CONTENTS

ARTICLE I STRUCTURE AND PURPOSES .....	1
Section 1.    Structure.....	1
Section 2.    Member.....	1
Section 3.    Purposes.....	1
Section 4.    Approval by System.....	1
Section 5.    Prohibited Transactions .....	2
Section 6.    Revolving Door.....	2
ARTICLE II OFFICES.....	2
Section 1.    Principal Place of Business.....	2
Section 2.    Registered Office and Registered Agent .....	2
ARTICLE III BOARD OF DIRECTORS .....	3
Section 1.    Powers.....	3
Section 2.    Number .....	3
Section 3.    Appointment and Term.....	3
Section 4.    Removal .....	3
Section 5.    Vacancies .....	4
Section 5A. <del>Nominations; Nominating Committee</del> .....	4
Section 6.    Meetings of Directors .....	4
Section 7.    Annual Meetings.....	4
Section 8.    Regular Meetings.....	4
Section 9.    Special Meetings.....	4
Section 10.   Notice of Meetings.....	4
Section 11.   Quorum .....	5
Section 12.   Voting .....	5
Section 13.   Conduct of Business .....	5
Section 14.   Compensation of Directors; Expenses .....	5
ARTICLE IV COMMITTEES .....	5
Section 1.    Board Committees .....	5
Section 2.    Procedures; Meetings; Quorum .....	6
Section 3.    Nominating Committee.....	6
ARTICLE V OFFICERS .....	6
Section 1.    Number, Titles, and Term of Office .....	6
Section 2.    Removal .....	7
Section 3.    Vacancies .....	7
Section 4.    Powers and Duties of the Chairman of the Board.....	7
Section 5.    Powers and Duties of the Vice Chairman of the Board .....	7
Section 7.    Powers and Duties of the President .....	7
Section 8.    Powers and Duties of the Treasurer.....	8
Section 9.    Powers and Duties of the Secretary .....	8
ARTICLE VI MISCELLANEOUS PROVISIONS .....	8
Section 1.    Fiscal Year .....	8

Section 2.	Seal.....	8
Section 3.	Notice and Waiver of Notice .....	9
Section 4.	Resignations.....	9
<del>Section 5.</del>	<del>Open Meetings.....</del>	<del>9</del>
ARTICLE VII INDEMNIFICATION OF DIRECTORS AND OFFICERS .....		9
Section 1.	Right to Indemnification.....	9
Section 2.	Advance Payment .....	10
Section 3.	Appearance as a Witness .....	10
Section 4.	Nonexclusivity of Rights .....	10
Section 5.	Insurance.....	10
Section 6.	Savings Clause.....	10
ARTICLE VIII AMENDMENTS .....		11
Section 1.	Amendment.....	11

BYLAWS  
OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

ARTICLE I  
STRUCTURE AND PURPOSES

Section 1.            Structure.    The University of Texas Investment Management Company (the “Corporation”) is a nonprofit corporation organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. Art. 1396 (the “Act”). The Articles of Incorporation of the Corporation (as amended from time to time, the “Articles of Incorporation”) were filed in the office of the Secretary of the State of Texas on November 15, 1995.

Section 2.            Member.    The Corporation shall have no members.

Section 3.            Purposes.    The Corporation is organized and will be operated exclusively for charitable and educational purposes. In accomplishment of such purposes, the Corporation will be administered solely for the purpose of aiding, assisting, supporting and acting on behalf of The University of Texas System (the “System”), an agency of the State of Texas, in the performance of its essential governmental function of providing higher education in accordance with the laws of the State of Texas authorizing and governing the System and the creation of the Corporation. The Corporation shall have, without limitation, the following purposes:

- (a)    To invest funds under the control and management of the Board of Regents of the System (the “Board of Regents”), including the permanent university fund, as designated by the Board of Regents in accordance with the laws of the State of Texas; and
- (b)    To perform such other activities or functions that the Board of Directors of the Corporation determines are necessary or appropriate for the accomplishment of the purposes of the Corporation, provided, however, that the Corporation may not engage in any business other than investing funds designated by the Board of Regents pursuant to a contract with the System for the investment of such funds.

Section 4.            Approval by System.    Notwithstanding the powers delegated to the Board of Directors of the Corporation, the Corporation may not contract with the Board of Regents to invest funds under the control and management of the Board of Regents, including the permanent university fund, unless and until the Board of Regents has approved (i) the Articles of Incorporation and Bylaws of the Corporation; (ii) the investment policies of the Corporation; (iii) the audit and ethics committee of the Corporation; and (iv) the code of ethics of the Corporation. Furthermore, the Board of Regents must approve (i) any amendments to the Articles of Incorporation and Bylaws of the Corporation; (ii) any changes to the investment policies of the Corporation; (iii) any changes in the audit and ethics committee of the

Corporation; and (iv) any changes in the code of ethics of the Corporation. The Corporation shall file reports with the Board of Regents quarterly, and at such other times as requested by the Board of Regents, concerning such matters as required by the Board of Regents.

Section 5. Prohibited Transactions. In addition to the prohibitions of the laws of the State of Texas, the Corporation may not enter into an agreement or transaction with a former director, officer, or employee of the Corporation, or a business entity in which a former director, officer, or employee of the Corporation has an interest, on or before the first anniversary of the date the person ceased to be a director, officer, or employee of the Corporation. For purposes of this section (i) a former director, officer, or employee of the Corporation has an interest in a business entity if such person owns (a) five percent or more of the voting stock or shares of the business entity or (b) five percent or more of the fair market value of the business entity, and (ii) a former director of the Corporation has an interest in a business entity if money received by such person from the business entity exceeds five percent of the person's gross income for the preceding calendar year. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

Section 6. Revolving Door. A former officer or employee of the Corporation may not make any communication to or appearance before a director, officer, or employee of the Corporation before the first anniversary of the date an individual ceased to be an officer or employee of the Corporation if the communication or appearance is made (a) with the intent to influence, and (b) on behalf of any person in connection with any matter on which the person seeks action by the Corporation. If a director of the Corporation knowingly communicates with a former officer or employee of the Corporation, whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director shall be subject to removal from serving as a director of the Corporation. If an officer or employee of the Corporation knowingly communicates with a former officer or employee of the Corporation whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such officer or employee shall be subject to disciplinary action. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

## ARTICLE II OFFICES

Section 1. Principal Place of Business. The principal place of business of the Corporation shall be located at 221 West 6th Street, Suite 1700, Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

Section 2. Registered Office and Registered Agent. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is the Corporation's registered office, as required by the Act. The registered office

may, but need not, be identical with the principal office of the Corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors in accordance with applicable law.

### ARTICLE III BOARD OF DIRECTORS

Section 1. Powers. The property, business, and affairs of the Corporation shall be managed and controlled by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws, the Board of Directors shall exercise all of the powers of the Corporation.

Section 2. Number. ~~The Board of Directors shall consist initially of the four (4) Directors named in the Articles of Incorporation of the Corporation initially filed with the Secretary of State of Texas. The number of Directors will automatically increase to nine (9) following appointment by the Board of Regents of nine (9) Directors consistent with Texas Education Code Section 66.08, to replace the four (4) Directors named in the Articles of Incorporation, provided that the Board of Regents may include any of the four (4) named Directors among the nine (9) appointed Directors. Thereafter, the number of Directors shall be determined by the Board of Regents in compliance with applicable law.~~

Section 3. Appointment and Term. ~~Except for those Directors named in the Articles of Incorporation.~~ Directors shall be appointed by the Board of Regents, pursuant to a process determined by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he or she remains Chancellor of the System. ~~Until otherwise changed by the Board of Regents in~~ In compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents (“Regental Directors”), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System (together with the Chancellor of the System and the Regental Directors, the “Affiliated Directors”). The three (3) Regental Directors shall serve for two-year terms that expire on the first day of April of each odd-numbered year. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year. No such Director (other than the Affiliated Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors. Each person serving as a Director shall serve until the expiration of such Director’s term, or until such Director’s successor has been chosen and qualified, or until such Director’s earlier death, resignation, or removal as provided in these Bylaws.

Section 4. Removal. Any Director may be removed from office at any time, with or without cause, by the Board of Regents. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a

resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

**Section 5. Vacancies.** Any vacancy occurring in the office of a Director, whether by death, resignation, removal, increase in the number of Directors, or otherwise, shall be filled by the Board of Regents.

~~Section 5A. Nominations: Nominating Committee. Upon the occurrence of a vacancy in the office of Director (other than in the office of an Affiliated Director), the Board of Directors shall submit to the Board of Regents the name of a nominee to fill such vacancy. The nominee so submitted shall be selected by the Board of Directors from a list of names compiled by the Chairman of the Board. Prior to selection of the nominee, a nominating committee shall screen the individuals on the list and recommend to the Board a nominee to fill such vacancy. The Chairman of the Board shall appoint three members of the Board to serve as the nominating committee and shall designate the chairman of the committee.~~

**Section 6. Meetings of Directors.** The Directors may hold meetings ~~maintain an office,~~ and keep the Corporation's books and records at such place or places within or without the State of Texas as the Board of Directors may from time to time determine; ~~provided, however, that in the absence of any such determination, such place shall be the Corporation's principal office in the State of Texas.~~

**Section 7. Annual Meetings.** The annual meeting of the Board of Directors ("Annual Meeting") shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors, or, if not so designated, on the third Thursday of the month of April of each year at the Corporation's principal office for the purpose of (i) electing officers for the ensuing year, and (ii) transacting such other business as may be properly brought before such Annual Meeting. Notice of Annual Meetings shall be required.

A joint annual meeting with the U. T. Board of Regents ("Joint Meeting") shall be held prior to August 1 of each year to discuss investment policies including asset allocation, investment performance, determination of risk, performance of the Corporation, organizational issues, proposed budget, and related issues. Notice of Joint Meetings shall be required.

**Section 8. Regular Meetings.** Regular meetings of the Board of Directors ("Regular Meetings") shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required. The UTIMCO President shall consult with the Chairman and the Vice Chairmen of the UTIMCO Board, including the Chancellor as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least two (2) weeks prior to each regular UTIMCO Board meeting.

**Section 9. Special Meetings.** Special meetings of the Board of Directors ("Special Meetings") shall be held at such times and places as shall be designated from time to time by the Chairman or, on the written request of any Director, by the Secretary or on the written request of the Board of Regents. Notice of Special Meetings shall be required.

**Section 10. Notice of Meetings.** The Secretary shall give notice of the time and place of each Annual, Regular and Special Meeting to each Director in person, or by mail,

electronic mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, such notice ~~only need be provided as required by the Texas Open Meetings Act at least two (2) hours before the meeting is convened.~~

Section 11. Quorum. A majority of the then acting Directors shall constitute a quorum for the consideration of any matters pertaining to the Corporation's purposes. If at any meeting of the Board of Directors there is less than a quorum present, ~~the Chairman a majority of those present~~ may adjourn the meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or these Bylaws.

Section 12. Voting. Directors must vote in person and proxy voting is prohibited.

Section 13. Conduct of Business. At meetings of the Board of Directors, matters pertaining to the Corporation's purposes shall be considered.

At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, the Vice Chairman of the Board ~~or the Vice Chairman for Policy~~ shall preside. In the absence of the Chairman of the Board and the Vice ~~Chairman~~ Chairman of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the ~~Cehairman~~ Chairman may appoint any person to act as secretary of the meeting.

The chairman of any meeting of the Board of Directors shall determine the order of business and the procedure at the meeting, including, without limitation, conduct of the discussion and the order of business pursuant to a duly posted agenda.

Section 14. Compensation of Directors; Expenses. Persons serving as Directors shall not receive any salary or compensation for their services as Directors. A Director shall be entitled to reimbursement for reasonable expenses incurred by ~~the Director him~~ the Director in carrying out ~~his~~ duties as a Director.

#### ARTICLE IV COMMITTEES

Section 1. Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; provided, however, that the Board of Regents must approve the audit and ethics committee of the Corporation as required by applicable law and further provided that the

full UTIMCO Board shall fully review, discuss, and approve performance compensation for UTIMCO officers and employees following careful consideration and due diligence. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

Other committees, not having and exercising the authority of the Board of Directors in the management of the Corporation, may be designated and members appointed by a resolution adopted by the Board of Directors. Membership of such committees may, but need not, be limited to Directors.

Any Director appointed to a committee designated by the Board of Directors shall cease to be a member of such committee when he or she is no longer serving as Director.

Section 2. Procedures; Meetings; Quorum. Any committee created by the Board of Directors or these Bylaws, unless otherwise expressly provided herein, shall (i) have a chairman designated by the Board of Directors, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board of Directors, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board of Directors at its next succeeding meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or these Bylaws or by the Board of Directors.

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. ~~In the absence or disqualification of a member of a committee, the member or members present at any meeting of such committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at that meeting in the place of the absent or disqualified member.~~

Section 3. Nominating Committee. The Chairman may appoint a Nominating Committee to make recommendations to him or her on positions as requested.

## ARTICLE V OFFICERS

Section 1. Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman for Policy, a Vice Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary and the offices of Chairman and Vice



Chairman. Except for those officers elected at the organizational meeting (the “Organization Meeting”), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 2.            Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

Section 3.            Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 4.            Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Chairman.

Section 5.            Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors and shall exercise the powers of the Chairman during that officer’s absence or inability to act. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman at the time such action was taken. The Vice Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Vice Chairman.

Section 6.            Powers and Duties of the Vice Chairman for Policy. The Chancellor of the System shall serve as Vice Chairman for Policy and shall coordinate those responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and System by the Rules and Regulations of the Board of Regents and the Investment Management Services Agreement ~~in order~~ to facilitate UTIMCO’s performance of its core investment duties.

Section 7.            Powers and Duties of the President. The President shall be the Chief Executive Officer of the Corporation. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation subject to the approval of the Board of Directors and the Executive Committee, if any; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such

officer from time to time by the Board of Directors pursuant to a duly approved Delegation of Authority Policy.

Section 8. Powers and Duties of the Treasurer. The Treasurer shall have custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed by the Board of Directors; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; whenever required by the Board of Directors, shall render or cause to be rendered a statement of the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors; and shall, if required by the Board of Directors, give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require.

Section 9. Powers and Duties of the Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; shall attend to the giving and serving of all notices; in furtherance of the Corporation's purposes and subject to the limitations contained in the Articles of Incorporation, may sign with the President in the name and on behalf of the Corporation and/or attest the signatures thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Corporation; shall have charge of the Corporation's books, records, documents, and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board of Directors may direct, all of which shall be open at reasonable times to the inspection of any Director upon application at the Corporation's office during business hours; and shall in general perform all duties incident to the office of Secretary subject to the control of the Board of Directors. The Secretary shall assure that current copies of the Corporation's Articles of Incorporation and Bylaws, Corporation Policies, Investment Policies approved by the U. T. Board of Regents, Committee Charters, and Minutes of all meetings of the Corporation and Committees are posted on the Corporation's website. The Secretary will assure that all open meetings of the Corporation are recorded and that recordings are available upon request.

## ARTICLE VI MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The Corporation's fiscal year shall be as determined from time to time by the Board of Directors.

Section 2. Seal. The Corporation's seal, if any, shall be such as may be approved from time to time by the Board of Directors.

Section 3.            Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed postpaid wrapper addressed to the person or Board of Regents entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the date of such mailing. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

~~Section 4.            Resignations. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.~~

~~Section 5:            Open Meetings. The Board of Directors shall conduct open meetings in accordance with Section 66.08(h), Texas Education Code. The Secretary President is required to provide public notice of such meetings in accordance with applicable law therewith.~~

## ARTICLE VII INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1.            Right to Indemnification. Subject to any limitations and conditions in these Bylaws, including, without limitation, this Article VII, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitative or investigative (a "Proceeding"), or any appeal of such a Proceeding or any inquiry or investigation that could lead to a Proceeding, by reason of the fact that he or a person of whom he is the legal representative, is or was a Director or officer of the Corporation, or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation to the fullest extent authorized by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with a Proceeding, but if the Proceeding was brought by or in behalf of the Corporation, the indemnification is limited to reasonable expenses actually incurred or suffered by such person in connection therewith, and indemnification under these Bylaws shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. In no case, however, shall the Corporation indemnify any person, or the legal representatives of any person, with respect to any matters as to which such person shall be finally adjudged in any such Proceeding to be liable on the basis that personal benefit resulted

from an action taken in such person's official capacity, or in which such person is found liable to the Corporation. Any person entitled to indemnification pursuant to this Article VII is sometimes referred to herein as an "Indemnified Person."

Section 2.            Advance Payment.    An Indemnified Person's right to indemnification conferred in this Article VII shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by an Indemnified Person who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding; provided, however, that the payment of such expenses incurred by an Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Corporation of a written affirmation by such Indemnified Person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VII and a written undertaking by or on behalf of such Indemnified Person to repay all amounts so advanced if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified under this Article VII or otherwise.

Section 3.            Appearance as a Witness.    Notwithstanding any other provision of this Article VII, the Corporation may pay or reimburse expenses incurred by an Indemnified Person in connection with his or her appearance as a witness or other participation in a Proceeding at a time when the Indemnified Person he is not a named defendant or respondent in the Proceeding.

Section 4.            Nonexclusivity of Rights.    The right to indemnification and the advancement and payment of expenses conferred in this Article VII shall not be exclusive of any other right which an Indemnified Person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, agreement, vote of disinterested Director or otherwise.

Section 5.            Insurance.    The Corporation may purchase and maintain insurance, at its expense, to protect itself or any Indemnified Person, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VII VIII.

Section 6.            Savings Clause.    If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Indemnified Person as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VIII  
AMENDMENTS

Section 1. Amendment. These Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the Board of Regents. A request by the Board of Regents to consider an alteration, amendment, or repeal of these Bylaws will be considered at the next regular meeting of the Corporation or at a special meeting called for that purpose.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Ratification of the Investment Management Services Agreement
- Developed By:** Boldt, Moeller
- Presented By:** Hunt
- Type of Item:** Action Required by UTIMCO Board to ratify agreement approved by U.T. Board of Regents effective August 12, 2004.
- Description:** The Investment Management Services Agreement is amending and restating the Second Amended and Restated Investment Management Services Agreement, effective November 16, 2000, as amended by a first amendment dated effective March 1, 2001, and a second amendment effective August 7, 2003. Ultimate responsibility for the accounts under UTIMCO's management rests with the U.T. Board of Regents. Section 66.08, Texas Education Code, authorizes the U.T. Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit Corporation to invest funds under the control and management of the U.T. Board of Regents.
- Recommendation:** Board of Regents recommends ratification of the Investment Management Services Agreement as presented.
- Discussion:** The amendments add and revise certain sections in the Second Amended and Restated Investment Management Services Agreement to address recommendations from the UTIMCO Working Group to the Board of Regents on April 29, 2004, in a report entitled "Report of the UTIMCO Working Group to the Board of Regents of The University of Texas System Regarding Certain Investment Management and Oversight Issues". Former Board Chairman Miller appointed a UTIMCO Working Group as announced on February 3, 2004, to review issues including Board oversight, contractual relationship, and the structure of UTIMCO.
- The substantive amendments to the Agreement are as follows:
- Amend Section 2 to require the UTIMCO President to consult on the agenda (consistent with proposed amendment to UTIMCO Bylaws at Article III, Section 8).
  - Amend Section 3(a) to require annual UTIMCO review of investment policies by June 1 of each year, including policies concerning Asset Allocation, Liquidity, and Derivatives.
  - Amend Section 3(e) to provide full audit access to any and all information concerning the operations of UTIMCO, including information necessary to review UTIMCO expenditures for compliance and reasonableness with the approved budget, to auditors representing the U.T. Board or the State Auditor.

### **Agenda Item**

UTIMCO Board of Directors Meeting

September 29, 2004

- Amend Section 4 to require UTIMCO to provide training and education to the UTIMCO Board of Directors.
- Amend Section 7 to require UTIMCO budget submission within the timeframe set for U.T. budget submissions and to allow the Board of Regents greater flexibility to modify a proposed budget item.
- Add a Section 7(e) covering definition of cash reserves and requiring a \$4 million distribution of surplus cash reserves within 90 days of the end of Fiscal Year 2004.
- Add new language to Section 21 concerning claims by and against the managed funds.
- Add new language on improved communications to Section 22.
- Add new language concerning authority to purchase, exchange, and sell securities (Section 23) and authority to assign and transfer securities (Section 24).

**Reference:**

Investment Management Services Agreement

**Resolution No. 7**

RESOLVED, that the amendments of the Investment Management Services Agreement be, and are hereby, ratified as approved by the UT System Board of Regents on August 12, 2004.



## ~~SECOND AMENDED AND RESTATED INVESTMENT MANAGEMENT SERVICES AGREEMENT~~

This ~~Second Amended and Restated~~ Investment Management Services Agreement (this "Agreement") by and between the Board of Regents (the "U. T. Board") of The University of Texas System (the "U. T. System") and The University of Texas Investment Management Company ("UTIMCO"), a Texas nonprofit corporation, is effective August ~~7, 2003~~ 12, 2004 (the "Effective Date"), and supersedes all earlier agreements ~~amends and restates that certain Amended and Restated Investment Management Agreement~~ by and between the U. T. Board and UTIMCO, effective November 16, 2000, ~~as amended by the first amendment effective March 1, 2001, which amended and restated that certain Investment Management Services Agreement by and between the U. T. Board and UTIMCO, effective March 1, 1996, as amended by the first amendment effective June 2, 1997, the second amendment effective November 12, 1998, and the third amendment effective September 1, 1999.~~

### RECITALS

WHEREAS, the U. T. Board, pursuant to the Constitution and statutes of the State of Texas, is responsible for the investment of the Permanent University Fund, the local and institutional funds of the U. T. System and the funds of various trusts and foundations for which it serves as trustee, all of which funds are under the control and management of the U. T. Board; ~~and~~

WHEREAS, Section 66.08, Texas Education Code, as amended, authorizes the U. T. Board, subject to certain conditions, to enter into a contract with a nonprofit corporation for the corporation to invest funds under the control and management of the U. T. Board, as designated by the U. T. Board; ~~and~~

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the Texas ~~Non-Profit Nonprofit~~ Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 et seq. ~~Article 1396-1.01 et seq., Vernon's Texas Civil Statutes~~, for the express purpose of investing funds under the control and management of the U. T. Board, as designated by the U. T. Board, in accordance with the laws of the State of Texas; ~~and~~

WHEREAS, the U. T. Board desires to continue an enter into this Agreement with UTIMCO ~~in order to provide~~ for UTIMCO to invest certain designated funds under the control and management of the U. T. Board; ~~and~~

WHEREAS, UTIMCO desires to enter into this Agreement with the U. T. Board and to invest certain designated funds under the control and management of the U. T. Board; ~~and~~

WHEREAS, all conditions precedent to the execution and delivery of this Agreement have been fully satisfied and fulfilled, including, without limitations, the conditions established by Section 66.08, Texas Education Code, as amended; ~~;~~

NOW THEREFORE, for and in consideration of the premises and the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## AGREEMENT

### **Section 1. Definitions.**

Accounts shall mean those funds for which the U. T. Board has responsibility, namely (a) the Permanent University Fund, excluding PUF Lands, (b) the Permanent Health Fund, (c) the U. T. Board Accounts and (d) the U. T. Board Trust Accounts.

Available University Fund or AUF shall mean the fund that consists of the distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of PUF Lands, all as provided by Article VII, Section 18 of the Texas Constitution.

Affiliate shall mean an entity directly or indirectly controlling, controlled by, or under common control with UTIMCO, including an entity with whom UTIMCO has an express or implied agreement regarding the direct or indirect purchase of investments by each from the other.

Cash Reserves shall mean cash on hand plus investments less accounts payable.

Claims shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action, or impleader) any Indemnified Party and all requests or demands for indemnification made by any third party upon any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action, other legal action or proceeding, request or demand is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part, the duties, activities, acts or omissions of any person arising under this Agreement.

Custodian or Custodians shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safekeep physical securities representing investment assets of any Account and to perform the other functions listed in Section 5 hereof. ~~The primary Custodian as of the effective date of this Agreement is Mellon Trust of Everett, Massachusetts. Substitute or additional Custodians may be appointed by UTIMCO from time to time.~~

General Endowment Fund or GEF shall mean the pooled fund for the collective investment of long-term funds under the control and management of the U. T. Board. The PUF, PHF, LTF or other long-term funds may invest in the GEF as authorized by the U. T. Board in each fund's investment policy statement.

**Indemnified Parties** shall mean UTIMCO and any of its officers, directors, employees and agents.

**Investment Policies** shall mean the written investment policies determined and approved by the U. T. Board relating to the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Separately Invested Funds, Short Intermediate Term Fund and the Short Term Fund. Amendments may be presented by UTIMCO to the U. T. Board for review and approval.

**Long Term Fund** or **LTF** shall mean the long-term pooled investment fund previously established by the U. T. Board for the collective investment of all endowment and other long-term funds of component institutions of the U. T. System.

**Losses** shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys', accountants' and other professionals' fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other person under any arrangement providing for indemnification of that person) directly or indirectly resulting from, arising out of or relating to one or more Claims.

**Permanent Health Fund** or **PHF** shall mean collectively the permanent funds for health-related institutions established pursuant to Chapter 63, Texas Education Code, for which the U. T. Board is an administrator.

**Permanent University Fund** or **PUF** shall mean the constitutional fund known by that name and established pursuant to Article VII, Section 11 of the Texas Constitution.

**Permanent University Fund Lands** or **PUF Lands** shall mean approximately 2.1 million acres of land located in 19 24 Texas counties, primarily in West Texas, and constituting a part of the Permanent University Fund.

**Separately Invested Funds** or **SIFs** shall mean U. T. System Funds or U. T. Board Trust accounts which, by election of the U. T. Board or by requirement of the trust indenture or donative instrument, are invested separately and apart from other U. T. System Funds and the PUF.

**Short Intermediate Term Fund** or **SITF** shall mean the short intermediate term pooled investment fund previously established by the U. T. Board for the collective investment of funds (other than endowment and other long-term funds, including the Permanent University Fund) of the component institutions of the U. T. System.

**Short Term Fund** or **STF** shall mean the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U. T. System Funds.

*U. T. Board Accounts* shall mean the investment assets of the General Endowment Fund and U. T. System Funds.

*U. T. Board Trust Accounts* shall mean the assets of charitable remainder trusts, foundations and other separately invested funds for which the U. T. Board serves as trustee on behalf of itself and other co-beneficiaries.

*U. T. System Funds* shall mean all funds under the control and management of the U. T. Board, other than the Permanent University Fund, the Permanent Health Fund and the U. T. Board Trust Accounts.

**Section 2. Delegation of Investment Authority; Retention of Policy Setting Authority.**

The U. T. Board hereby appoints UTIMCO as its investment manager with complete authority to act for the Board in the investment of the Accounts, subject, however, to such limitations and restrictions as are set forth in the Investment Policies. UTIMCO shall furnish the U. T. Board with continuous investment management services and shall invest and reinvest the assets of the Accounts in such ways and at such times as are consistent with the Investment Policies and Section 4 hereof. UTIMCO shall be responsible for overall management of the U. T. Board's investment affairs as covered by this Agreement and shall manage each Account as a discretionary account.

The U. T. Board, as ultimate fiduciary for the Accounts, retains policy setting authority. Unless otherwise provided in writing by the U. T. Board, UTIMCO ~~shall is authorized to~~ look to the Chancellor to provide primary oversight and management concerning matters other than the core investment duties delegated above, including relations with the media, legal issues (such as public disclosure of information), intergovernmental relations, and policy issues other than those associated with investment allocation and/or return. The Board of UTIMCO and the President of UTIMCO shall be responsible for implementing the investment policy of the U. T. Board and performing those core investment duties delegated above. It shall be the responsibility of the President of UTIMCO to inform the Chancellor of unresolved policy issues not governed by the Investment Policies immediately so that appropriate oversight and management can be provided by the Chancellor. UTIMCO hereby agrees to abide by such oversight and management decisions made by the Chancellor.

The UTIMCO President shall consult with the Chairman and the Vice Chairmen of the UTIMCO Board, including the Chancellor as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least two (2) weeks prior to each regular UTIMCO Board meeting.

### Section 3. Description of Investment Management Services.

During the term of this Agreement, UTIMCO shall provide the following services in conjunction with the investment of the Accounts:

a) **Investment Policies:**

UTIMCO shall review current investment policies for each Account, including policies concerning Asset Allocation, Liquidity, and Derivatives, at least annually by June 1 of each year. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, asset allocation targets and ranges for each eligible asset class, expected returns for each asset class and fund, and designated performance benchmarks for each asset class. After UTIMCO completes its assessment, it shall forward any recommended changes to U. T. System staff for review prior to being submitted to the U. T. Board for discussion during an annual Joint Meeting between the U. T. Board and the UTIMCO Board of Directors approval.

b) **Investment Management:**

UTIMCO shall oversee the investment management process. Such oversight shall include the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each asset class within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each asset class.

c) **Investment Performance:**

UTIMCO shall monitor and report on investment performance for the PUF, PHF and U. T. Board accounts. Such responsibilities shall include the calculation and evaluation of performance of asset classes and individual portfolios, against established benchmarks over various periods of time, the periodic review of performance benchmarks, the reporting of investment performance of Separately Invested Assets and U. T. Board Trust Accounts as requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.

d) **Operations:**

UTIMCO shall execute such operational responsibilities as the purchase and sale of investments, the settlement of all trades (to the extent such trades are not settled by the Custodian or brokers), the accounting for all transactions at the portfolio level in accordance with generally accepted accounting principles, the preparation and delivery of periodic financial reports on all funds, and the maintenance of complete books and records (internally or through contract with the designated Custodian for the assets under management) reflecting transactions and balances of the Accounts.

e) **Maintenance of and Access to Books and Records:**

UTIMCO shall maintain the books and records for each Account on the basis of a fiscal year ending August 31st (or such other fiscal year as the U. T. Board may establish from time to time), and shall keep full separate records of all transactions with respect to each Account.

The books and records of the Accounts and any and all records concerning UTIMCO and UTIMCO's operations shall be available during normal business hours for inspection by an authorized representative of U. T. System. UTIMCO shall provide full audit access to auditors representing the U. T. Board or the State Auditor, including access to any and all information concerning the operations of UTIMCO, including information necessary to review UTIMCO expenditures for compliance and reasonableness with the approved budget, to auditors representing the U. T. Board or the State Auditor.

f) **Reporting:**

In connection with the annual audited financial statements of UTIMCO, effective with the August 31, 2004 financial statements, the chief executive officer and the chief financial officer of UTIMCO shall provide certifications similar to those required by Section 302 of the Sarbanes-Oxley Act of 2002, Corporate Responsibility for Financial Reports. UTIMCO will follow ~~begin following~~ the U. T. System compliance guidelines as outlined in the Action Plan to Enhance Institutional Compliance, as may be amended, including providing the U. T. Board or its designee with quarterly compliance reports.

g) **Disclosure of Information:**

The U. T. Board is committed to a policy of full and fair disclosure to the public. As part of that commitment with respect to private investments in the Accounts, the following information shall be disclosed to the public with respect to such private investments ("private investment information"): the name and purpose of each private investment entity; the names of the individual principals managing such private investment; the amount invested by UTIMCO in such private investments; the investment returns for such private investment, including internal rates of return; and remaining value information. UTIMCO shall make no private investment with an entity unless the U. T. Board and UTIMCO has clear and unequivocal authority to disclose to the public the private investment information, described immediately above, relating to such investment.

Before UTIMCO declines to disclose any information it has collected, assembled or maintained in its role as investment manager for the U. T. Board that is requested under the Texas Public Information Act, the President of UTIMCO shall consult with the U. T. System Vice Chancellor and General Counsel. UTIMCO shall disclose the information unless the Vice Chancellor and General Counsel, after consultation with the Chancellor, approves a Public Information Act request to the Attorney General of Texas.

h) **Other Services:**

UTIMCO shall perform other investment management services including but not limited to ~~to include~~ 1) attending meetings of the U. T. Board and making such reports as the U. T. Board may request from time to time, 2) attending an annual Joint Meeting between the UTIMCO Board of Directors and the U. T. System Board of Regents as referenced in Article III Section 7 of the UTIMCO Bylaws, 3) rendering services to managers ~~promoters~~ of private equity investments in which UTIMCO has decided to invest, 4) attending meetings of governing bodies of companies in which UTIMCO's managed Accounts have invested, 5) voting of securities (or proxies with respect thereto) held as investments of the Accounts according to written policies of the U. T. Board; 6) providing U. T. System component institutions with annual endowment reports reflecting, among other things, changes in the investment value of such component's endowment and distributions made to such component to support the activities for which the endowment was established; 7) providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing funds to authorized beneficiaries on foundation accounts; 8) effecting distributions directly or through the Custodian to U. T. System component institutions or other named beneficiaries from the Accounts; 9) supporting and maintaining on-line account information system for endowment accounts; and 10) any other services necessary to provide investment management of the Accounts.

**Section 4. Investment Manager as Fiduciary; Training and Education.**

UTIMCO acknowledges that it will be acting as a fiduciary with respect to managing the investments of the Accounts subject to the Investment Policies and applicable law. The U. T. Board recognizes that all individual investment transactions involve a variety of significant potential risks, including, without limitation, market risk, liquidity risk, credit risk, cash flow risk, operational risk and counterparty risk, although taken as a whole these transactions are also expected to manage risk. The U. T. Board agrees that (i) UTIMCO will not be liable for any losses incurred in the Accounts as a result of investments made pursuant to the Investment Policies, and (ii) UTIMCO will not be liable for actions of co-fiduciaries. The U. T. Board also acknowledges that UTIMCO shall not be liable for, and, to the fullest extent authorized by the Constitution and laws of the State of Texas, agrees to hold UTIMCO harmless from the consequences of any action taken or omitted to be taken by the U. T. System or any of its employees or agents prior to March 1, 1996.

UTIMCO agrees to provide training and education to members of the UTIMCO Board of Directors to assure that all duties required of directors under the Texas Non-Profit Corporation Act and that matters related to legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully.

## **Section 5. Custody of Assets.**

UTIMCO shall use custodians for safekeeping, settlement of security purchases, sales, collection of income and other duties as more fully described in the existing custody agreement between UTIMCO and the Custodian, which agreement, together with the U. T. Board's rights, duties and obligations thereunder, has been assigned to UTIMCO. In addition, UTIMCO may from time to time use a brokerage firm to settle security sales on behalf of the U. T. Board and may invest in a regulated mutual fund, externally managed commingled funds, or other investments in which assets are held outside of the bank custody relationship. Any physical certificates not held in safekeeping with a Custodian shall be held in safekeeping at a local bank as designated by UTIMCO.

## **Section 6. Use of Unaffiliated Investment Managers.**

UTIMCO shall be entitled to use unaffiliated investment advisors to invest all or part of the Accounts and to perform other duties ~~as more fully described in existing investment advisory agreements between UTIMCO and such investment advisors, which agreements, together with the U. T. Board's rights, duties and obligations thereunder, have been assigned to UTIMCO.~~

## **Section 7. Investment Management Fees; Direct Expenses.**

For services performed hereunder, UTIMCO shall be compensated in the amounts and in the manner set forth below:

a) **Annual Budget and Management Fee:**

UTIMCO shall submit to the U. T. Board its proposed annual budget for the following fiscal year (an "Annual Budget") within the time frame specified by the U. T. Board for other annual budget submissions. The Annual Budget shall include all estimated expenses associated with the management of the Accounts. The Annual Budget shall also include an annual UTIMCO management fee (an "Annual UTIMCO Management Fee") which shall include all operating expenses associated with the general management of the Accounts, including, without limitation, reasonable salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services expenses, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations hereunder.

At the same time that UTIMCO submits its Annual Budget, it shall also submit to the U. T. Board an allocation formula for charging the Annual Budget to the Accounts. Items proposed in the The Annual Budget and the allocation formula may shall be approved, ~~or~~ disapproved, or approved with modification by the U. T. Board. Any such Budget item or formula allocation that is disapproved or approved with modification may shall be promptly reviewed and revised by UTIMCO and resubmitted to the U. T. Board for additional consideration approval.



On or before the first day of each fiscal quarter, UTIMCO shall be entitled to charge each Account with its allocable share (determined in accordance with the allocation formula then in effect) of one-fourth of the amount of the Annual UTIMCO Management Fee to pay UTIMCO's operating expenses for the succeeding fiscal quarter. UTIMCO ~~may shall be entitled~~, with the approval of the U. T. Board, to revise the Annual UTIMCO Management Fee and allocation formula at any time during a fiscal year. Any statements for partial quarters at the beginning or end of this Agreement shall be prorated to reflect the actual time services were rendered during such partial quarters.

UTIMCO is hereby authorized to pay from each Account direct expenses incurred for portfolio management, custodian, auditing, and other services which are performed by external vendors specifically for each Account.

b) **Directors Fees:**

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Account assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and considered a part of UTIMCO's fee income and reflected in the Budget. Furthermore, UTIMCO Board approval of UTIMCO management's services as directors of investee companies shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's services as directors of investee companies.

c) **Fees for Services Rendered:**

Members of UTIMCO management may perform services for which UTIMCO receives a fee ("Service Fees") from investment promoters or investee companies in consideration of the UTIMCO staff's private investment activities and/or investment origination activities. Such Service Fees shall be considered additional fee income to UTIMCO. UTIMCO may also receive commitment fees, standby fees and other similar fees ("Capital Fees") accruing or inuring to the capital invested on behalf of the Accounts managed by UTIMCO. Such Capital Fees shall be credited to the Accounts from which such investments are funded.

d) **Miscellaneous Fees:**

UTIMCO management may perform specialized services for accounts that are separately invested for which UTIMCO receives a fee from the account. These fees primarily relate to maintenance of computer programs for the separately invested accounts. Such Miscellaneous Fees shall be considered additional fee income to UTIMCO and reflected in the Budget.

e) **Cash Reserves:**

Surplus Cash Reserves are defined as Cash Reserves on the last day of the fiscal year in excess of ¼ of the upcoming fiscal year's projected operating budget. Within 90 days after the end of Fiscal Year 2004, UTIMCO will distribute \$4 million of the Surplus Cash Reserves back to the Accounts, which generated

the surplus in the same proportion that the Accounts contributed to the Cash Reserves. In future fiscal years, the U. T. Board may direct UTIMCO to make additional distributions to the Accounts from Surplus Cash Reserves.

**Section 8. Brokerage Commissions.**

The U. T. Board acknowledges and agrees that the investment management fees provided for in Section 7 6 are in addition to any compensation that may be due to a broker or dealer in effecting and executing transactions on behalf of UTIMCO. UTIMCO is hereby authorized and empowered, with full discretion, to issue instructions in accordance with the Investment Policies to such unaffiliated brokerage firms as may be selected by UTIMCO for the execution of orders for the purchase, sale, exchange and general investment of the Accounts; provided that UTIMCO shall not select a brokerage firm that is an Affiliate of UTIMCO. All orders for Account transactions shall be placed in such markets and through such brokers as UTIMCO determines will offer the most favorable price, execution and commission cost of each order. The U. T. Board acknowledges and agrees that UTIMCO, from time to time and in accordance with applicable law, may pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain from such brokers research and other services expected to enhance the long-term value of the Accounts.

**Section 9. Valuation of Account Assets.**

The valuation of the account shall be determined in accordance with the Investment Policies approved by the U. T. Board for the account.

**Section 10. Representations and Warranties of Parties.**

**U. T. Board.**

- A. The U. T. Board (a) is duly established and validly existing under the laws of the State of Texas and is an agency of the State of Texas, (b) has all power and authority and all material government licenses, authorizations, consents and approvals required to carry on its business as now conducted, and (c) has full power and authority to execute, deliver and perform this Agreement.
- B. The execution, delivery and performance by the U. T. Board of this Agreement have been duly authorized by all necessary action and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which the U. T. Board is a party or by which it or any of its property is bound.
- C. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by the U. T. Board of this Agreement.

- D. This Agreement constitutes a valid and binding agreement of the U. T. Board.
- E. There is no action, suit or proceeding pending or, to the knowledge of the U. T. Board, threatened against or affecting the U. T. Board or the U. T. System, or relating to this Agreement, in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the U. T. Board to enter into, and perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.
- F. The U. T. Board has approved:
  - (1) the Articles of Incorporation and Bylaws of UTIMCO;
  - (2) the Investment Policies;
  - (3) the Audit and Ethics committee of UTIMCO; and
  - (4) the Code of Ethics of UTIMCO.
- G. The U. T. Board has been provided with the opportunity to ask questions of, and it has received answers thereto satisfactory to it from, UTIMCO and its representatives regarding this Agreement and has obtained all additional information requested by it of UTIMCO and its representatives prior to entering into this Agreement.

#### **UTIMCO.**

- A. UTIMCO (a) is duly organized and validly existing as a Texas nonprofit corporation under the laws of the State of Texas, particularly the Texas Nonprofit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 et seq. ~~Article 1396 1.01 et seq., Vernon's Texas Civil Statutes~~, (b) has all corporate power and authority and all material government licenses, authorizations, consents and approvals required to carry on its business as now conducted, and (c) has full power and authority to execute, deliver and perform this Agreement.
- B. The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized by all necessary action by UTIMCO and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which UTIMCO is a party or by which it or any of its property is bound.
- C. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by UTIMCO of this Agreement.

- D. This Agreement constitutes a valid and binding agreement of UTIMCO.
- E. There is no action, suit or proceeding pending or, to the knowledge of UTIMCO, threatened against or affecting UTIMCO, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of UTIMCO to enter into, and to perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

**Section 11. Compliance with Bylaws, Policies, Regulations and Financial Disclosure Requirements ~~UTIMCO's Code of Ethics.~~**

In the performance of this Agreement ~~Consistent with the requirements of Section 66.08, Texas Education Code,~~ UTIMCO's Directors, Officers, and Employees shall abide by the following policies:

- a) UTIMCO's Code of Ethics as approved by the U. T. Board
- b) UTIMCO Bylaws as approved by the U. T. Board
- c) All UTIMCO policies
- d) Applicable portions of Regents' Rules and Regulations.

Financial advisors and service providers as defined in Texas Government Code Section 2263.002 shall comply with the disclosure requirements contained in Texas Government Code Section 2263.005.

**Section 12. UTIMCO's Open Meeting Policy.**

Except as otherwise provided in Section 66.08, Texas Education Code, UTIMCO shall comply with all applicable provisions of the Texas Open Meetings Act, Chapter 551 of the Texas Government Code.

**Section 13. Prohibition Against Service to Other Clients.**

In accordance with Section 66.08, Texas Education Code, UTIMCO shall not engage in any business other than managing the Accounts under this Agreement.

**Section 14. Investment Company Act and State Securities Act.**

The parties to this agreement acknowledge that UTIMCO shall not be required to register as an "investment company" under ~~Section 80a-8 of Title 15 of the United States Code~~ Section 80a-8 (the Investment Company Act of 1940), as amended, and Tex. Rev. Civ. Stat. Ann. art. 581-1 et seq. (The Securities Act).

**Section 15. Termination.**

The U. T. Board may terminate this Agreement at any time by written notice to UTIMCO, effective immediately upon receipt of such notice by UTIMCO, subject to reasonable allowance for settlement of pending trades. UTIMCO may terminate this Agreement upon ninety (90) days' written notice to the U. T. Board. There shall be no penalty for termination; however, UTIMCO shall be entitled to all management fees, compensation, and benefits earned prior to termination.

**Section 16. Amendments.**

No amendment hereto shall be effective unless executed in the same manner as this Agreement.

**Section 17. Notices.**

All notices or communications hereunder shall be in writing and shall not be effective until hand delivered and receipted to the other party, or sent by overnight delivery, or sent by United States Certified or Registered Mail, postage prepaid, to the addressed party. The following are the designated addresses for such notices or communications and may only be changed by communication in the manner required by this paragraph:

To U. T. Board:

Board of Regents of The University of Texas System  
Attn: Counsel and Secretary  
201 West Seventh Street, Suite 820  
Austin, Texas 78701  
Tel. (512) 499-4402  
Fax. (512) 499-4425

To UTIMCO:

The University of Texas Investment Management Company  
Attn: President and CEO  
221 West Sixth St., Suite 1700  
Austin, Texas 78701  
Tel. (512) 225-1600  
Fax. (512) 225-1660

**Section 18. Non-Assignability.**

No Assignment of this Agreement by UTIMCO shall be made without having obtained the prior written consent of the U. T. Board nor is the Agreement assignable by the U. T. Board.

**Section 19. No Waiver of Breach.**

A waiver of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of that provision or a breach of any provision hereof. Failure of either party to enforce at any time or from time to time any provision of this Agreement shall not be construed as a waiver thereof.

**Section 20. Indemnification.**

a) **Agreements to Indemnify:**

To the fullest extent authorized by the Constitution and laws of the State of Texas, the U. T. Board shall indemnify and hold harmless each of the Indemnified Parties against any and all Losses, including Losses resulting from the negligence of the Indemnified Party claiming indemnification; provided, however, the U. T. Board shall not be obligated to indemnify an Indemnified Party against Losses to the extent such Losses are caused by (i) an act or omission that involves intentional misconduct or a knowing violation of law by the Indemnified Party claiming indemnification, (ii) a transaction from which the Indemnified Party claiming indemnification received an improper benefit, (iii) an act or omission for which the liability of the Indemnified Party claiming indemnification is expressly provided by an applicable statute, or (iv) an act or omission constituting gross negligence by the Indemnified Party claiming indemnification; provided further that indemnification payments by the U. T. Board shall be paid from the same sources as the Annual Fee pursuant to Section 7.

b) **Reimbursement:**

Each Indemnified Party shall reimburse the U. T. Board for payments made by the U. T. Board pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any insurance with respect to any Loss. At the request and expense of the U. T. Board, each Indemnified Party shall have the duty to claim any such insurance proceeds and such Indemnified Party shall assign its rights to such proceeds, to the extent of such required reimbursement, to the U. T. Board.

c) **Notice:**

In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity may be sought against the U. T. Board, such Indemnified Party shall promptly notify the U. T. Board in writing; provided, however, that any failure so to notify shall not relieve the U. T. Board of its obligations under this Section.

d) **Defense:**

The U. T. Board shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of

such counsel has been specifically authorized by the U. T. Board, in writing, (ii) the U. T. Board has failed to assume the defense and to employ counsel, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Party and the U. T. Board, and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the U. T. Board (in which case, if such Indemnified Party notifies the U. T. Board in writing that it elects to employ separate counsel at the U. T. Board's expense, the U. T. Board shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that the U. T. Board shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by such Indemnified Parties).

e) **Cooperation; Settlement:**

Each Indemnified Party shall use reasonable efforts to cooperate with the U. T. Board in the defense of any action or Claim. The U. T. Board shall not be liable for any settlement of any action or Claim without its consent but, if any such action or Claim is settled with the consent of the U. T. Board or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the U. T. Board shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment as provided in Subsection (a) of this Section.

f) **Survival; Right to Enforce:**

The provisions of this Section shall survive the termination of this Agreement, and the obligations of the U. T. Board hereunder shall apply to Losses or Claims whether asserted prior to or after the termination of this Agreement. In the event of failure by the U. T. Board to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the U. T. Board under this Section.

**Section 21. Claims By and Against Managed Funds.**

UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the U. T. Board from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment.

The authority granted in this Section does not include the authority to institute litigation on behalf of the U. T. Board or to settle contested claims or litigation that may result in UTIMCO receiving less than full value for the claim or the payment of damages or

awards. The settlement of any contested claim or litigation for less than full value requires the prior approval of the U. T. System Vice Chancellor and General Counsel and appropriate System officials, as set out in the Regents' Rules and Regulations.

**Section 22. Communications.**

UTIMCO and U. T. System will assure that communications are clear and timely. UTIMCO will provide notice of actions taken in meetings of the UTIMCO Board and committees to members of the U. T. Board through the Office of the Board of Regents. U. T. will provide notice of actions taken by the U. T. Board related to UTIMCO issues to members of the UTIMCO Board of Directors through the President and CEO of UTIMCO.

**Section 23. Authority to Purchase, Exchange, and Sell Securities.**

UTIMCO may purchase, exchange, and sell, for and on behalf of the Permanent University Fund or the U. T. Board, any and all securities of any description whatever and from any source, including gifts and bequests, registered in the name of the PUF or the U. T. Board, or in any other form of registration of such securities held for the account of the PUF or the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, external investment managers appointed by UTIMCO may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO.

**Section 24. Authority to Assign and Transfer Securities.**

UTIMCO may assign and transfer any and all securities of any description whatever and from any source, including gifts and bequests, and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the PUF or the U. T. Board, or in any other form of registration of such securities held for the account of the PUF or the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, custodian banks appointed by UTIMCO may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the U. T. Board.

**Section 25. Governing Law.**

This Agreement and all matters arising under it shall be governed by the Constitution and laws of the State of Texas. Venue for any action brought by any party hereto concerning the subject matter of this Investment Management Services Agreement shall be in Travis County, Texas.



**BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM**

Date: \_\_\_\_\_

By \_\_\_\_\_  
James R. Huffines  
Chairman

**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

Date: \_\_\_\_\_

By \_\_\_\_\_  
Woody L. Hunt  
Chairman

**TAB 11**

**Agenda Item**  
UTIMCO Board of Directors Meeting  
September 29, 2004

- Agenda Item:** Discussion and Consideration of Rebate of UTIMCO Cash Reserves
- Developed By:** Boldt, Lee
- Presented By:** Hunt
- Type of Item:** Action Required by UTIMCO Board to ratify actions by the UT Board of Regents effective August 12, 2004.
- Description:** The Investment Management Services Agreement approved by the UT Board of Regents at their August 12<sup>th</sup> meeting contains new Section 7(e) which calls for UTIMCO to distribute \$4 million of its Cash Reserves back to the Permanent University Fund, Long Term Fund, Permanent Health Fund, and the Short Intermediate Term Fund in the same proportion that the funds contributed to the cash reserves.
- Recommendation:** None.
- Discussion:** The rebate of \$4 million (to be paid within the first 90 days of the fiscal year) will reduce UTIMCO Cash Reserves by 36% to approximately \$7.1 million. This reduces Cash Reserves to a level representing approximately 8 months of the 2005 UTIMCO Operating Budget, and is a significant departure from the prior policy of the board to maintain reserves at a level equivalent to 1 year's operating budget.
- For these purposes, Cash Reserves shall mean cash on hand plus investments less accounts payable.
- Reference:** Investment Management Services Agreement – Section 7 (e) - Attached

**Investment Management Services Agreement**  
**Section 7 (e) – Cash Reserves**

Surplus Cash Reserves are defined as Cash Reserves on the last day of the fiscal year in excess of  $\frac{1}{4}$  of the upcoming fiscal year's projected operating budget. Within 90 days after the end of Fiscal Year 2004, UTIMCO will distribute \$4 million of the Surplus Cash Reserves back to the Accounts, which generated the surplus in the same proportion that the Accounts contributed to the Cash Reserves. In future fiscal years, the U. T. Board may direct UTIMCO to make additional distributions to the Accounts from Surplus Cash Reserves.

TAB 12

Resolution to be handed out at the meeting if action is required.

TAB 13

Resolutions to be handed out at the meeting if action is required.



**Agenda Item**  
UTIMCO Compensation Committee Meeting  
September 29, 2004

**Agenda Item:** Website Demonstration

**Developed By:** Edwards

**Presented By:** Edwards

**Type of Item:** Information item; no action required

**Description:** This agenda item presents the UTIMCO home page and Board Room website.

**Recommendation:** None

**Discussion:** Staff will present a demonstration of the UTIMCO home page and the Board Room website. The purpose is to increase Board members' familiarity with these important sources of information regarding the endowment and operating funds. Staff will answer questions and solicit suggested changes or additions to the websites.

**Reference:** None

TAB 14