The University of Texas Investment Management Company

Presentation Materials

Board of Directors Meeting

September 14, 2005

UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
September 14, 2005

Four Seasons Hotel
1300 Lamar
Houston, Texas

Time Begin	Time End	Item #	Agenda Item
			Open Session:
9:30 a.m.	9:35 a.m.	1	Call to Order/Consideration of Minutes of July 21, 2005 Meeting* - Corporate Resolution- Appointment of UTIMCO Board Officers*
9:35 a.m.	9:45 a.m.	2	Report from Audit and Ethics Committee: - Consideration of Audit and Ethics Committee Report*
9:45 a.m.	10:05 a.m.	3	Endowment and Operating Funds Update: - Asset Allocation, Risk and Performance - Liquidity Profile - Report of Derivative Applications - Report on Actions Taken Under Delegation of Authority
10:05 a.m.	10:20 a.m.	4	Discussion on Investing Affiliated Foundation Funds
10:20 a.m.	10:35 a.m.	5	Public Markets Update: Derivative Application*
10:35 a.m.	10:55 a.m.	6	Discussion and Consideration of Pooling Hedge Funds*
10:55 a.m.	11:10 a.m.		Break
11:10 a.m.	11:55 a.m.	7	Discussion of Leverage
11:55 a.m.	1:00 p.m.		**Lunch**
1:00 p.m.	1:45 p.m.	8	Non-Marketable Alternative Investments Program Presentation
1:45 p.m.	2:15 p.m.	9	Discussion of Investment Environment and Opportunities
2:15 p.m.	2:30 p.m.	10	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 Report*
2:30 p.m.	3:15 p.m.	11	Discussion and Consideration of Proposed Changes to Corporate Documents: - Investment Policy Statements*, ** - Delegation of Authority* - Derivative Policy*,** - Liquidity Policy*, ** - Charter of the Risk Committee* - Investment Management Services Agreement*, **
3:15 p.m.			Adjournment

* Action by resolution required

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

Members of the Committee may attend the meeting by telephone conference call pursuant to Tex. Educ. Code Ann. § 66.08(h)(2)(B). The telephone conference will be audible to the public at the meeting location specified in this notice during each part of the meeting that is required to be open to the public.

Next Scheduled Meeting: November 16, 2005

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **July 21, 2005,** be, and are 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 9:50 a.m. on the **21st day of July 2005**, at the offices of the Corporation, Suite 1700, 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 meeting was electronically recorded.

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

Woody L. Hunt, Chairman
H. Scott Caven, Jr., Vice Chairman
J. Philip Ferguson
Erle Nye
Charles W. Tate
Mark G. Yudof

thus, constituting a majority and quorum of the Board. Director Nye attended the meeting by telephone conference call which was audible to the public at the meeting location during each part of the meeting that was required to be open to the public. Directors Clint D. Carlson and Robert B. Rowling were not present at the meeting. Also attending the meeting were Bob Boldt, President, Chief Executive Officer and Chief Investment Officer 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; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Sara McMahon and Trey Thompson, Co-Managing Directors – Non-Marketable Alternative Investments of the Corporation; several staff members of the Corporation including Gary Hill, Greg Lee, and Glenn Stotts; Bill Volk, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Amy Barrett, Charlie Chaffin, Cathy Swain, and Michael Warden of UT System Administration; Bruce Myers and Hamilton Lee of Cambridge Associates; and Michael Sebastian of EnnisKnupp. Mr. Hunt called the meeting to order at 9:50 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Committee Assignment

The first item to come before the Board was a resolution to designate a new committee chair for the Risk Committee. Action on the proposed resolutions regarding corporation officers will be deferred. Mr. Hunt gave an overview of the governance structure and the importance of the committees. He requested that Director Tate be designated as Chair of the Risk Committee with no change in membership of the Risk Committee, and that Directors Carlson, Ferguson and Rowling be designated as members of the Compensation Committee, with Director Ferguson remaining as Chair. Upon motion duly made and seconded, the following resolution was unanimously adopted:

BE IT RESOLVED, that Charles W. Tate is hereby designated as the Chair of the Risk Committee and shall preside at its meetings and that H. Scott Caven, Jr., Woody L. Hunt and Charles W. Tate shall continue to serve as members of the Risk Committee to serve until the expiration of their terms, or until their successors have been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Clint D. Carlson, J. Philip Ferguson and Robert B. Rowling are hereby designated as the Compensation Committee to serve until the expiration of their terms, or until their successors have been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that J. Philip Ferguson is hereby designated the Chair of the Compensation Committee and shall preside at its meetings.

Minutes

The next matter to come before the Board was approval of the minutes of the meetings of the Board of Directors held on June 16, 2005 and July 8, 2005. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meetings of the Board of Directors held on June 16, 2005 and July 8, 2005, be, and are hereby, approved.

Asset Allocation, Risk and Performance

Mr. Hunt asked Mr. Boldt to report on the Corporation's asset allocation, risk and performance. Mr. Boldt began by discussing portfolio policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. He continued by discussing relative risk analysis, the peer universe and value added. Mr. Boldt reported Cumulative Value Added under the Corporation's management for periods ended May 31, 2005. Current performance information was also presented. The net performance for the one-month period ended May 31, 2005, for the PUF was 1.73% and for the GEF was 1.72%, versus benchmark returns of 1.84% for each fund. The net performance for the one-year period ended May 31, 2005, for the PUF and GEF were 13.41% and 13.38%, respectively, versus benchmark returns of 11.98% for each fund. The Short Intermediate Term Fund's (SITF) performance was 0.43% versus its benchmark return of 0.38% for the one-month period, and was 2.93% versus its benchmark return of 1.82% for the one-year period ended May 31, 2005. Performance for the Short Term Fund (STF) was 0.25% versus 0.26% for its benchmark for the one-month period, and was 1.97% versus a benchmark return of 1.99% for the one-year period ended May 31, 2005. Also presented was performance attribution, manager history performance summary, statistics on liquidity, and total derivatives by type and application. Following a discussion of private equity targets and ranges, Ms. McMahon and Mr. Thompson were asked to bring a report on the Non-Marketable Alternative Investment program to the Board at their next meeting. Mr. Boldt, Mr. Goldsmith, Ms. McMahon, and Mr. Thompson answered the Directors' questions.

Operating Funds Update

Mr. Hunt stated that the UT System Board of Regents approved a new centralization process for managing the operating funds of the UT System. He gave a short history of the process and applauded those involved in bringing it to fruition. Mr. Boldt continued by giving a current status of the process, and presented staff recommendations for the creation of several new funds for the management of operating and endowment fund reserves and collateral for derivatives position. There was discussion of the asset allocation policy for the new Reserve Plus Fund, specifically of the recommended targets for US Equities, Developed International Equities and Emerging Markets Equities. Ms. Reed ran the risk and return calculations for several recommendations. The final decision, which will be adopted as part of the investment policy approval later in the meeting, was adjusted to be 15% US Equities, 5% Developed International Equities and 5% Emerging Markets Equities. Mr. Boldt, Dr. Kelley, Mr. Myers, Ms. Iberg and Mr. Goldsmith answered the Directors' questions.

Budget and Fee Schedule (9/1/05 – 8/31/06)

Mr. Boldt asked Mr. Greg Lee to present the recommended Operating Budget and Fee Schedule for the 2005-2006 fiscal year. Analyses of historical and projected cash reserves as well as a comprehensive overview of all operating, capital and investment expenses were included in the material provided to the Board, along with summary results from the most recent Cambridge Associates cost study. A complete analysis of all elements of the budget and the reasons for all changes were included in the analysis. Mr. Boldt, Mr. Lee, Mr. Goldsmith, Mr. Thompson, and Mr. Aldridge answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the Corporation's Operating Budget and Fee Schedule for the period September 1, 2005 through August 31, 2006 be, and is hereby approved, subject to approval by the U. T. System Board of Regents.

The meeting was recessed at 12:10 p.m. Mr. Nye left the meeting at this time.

The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:10 p.m.

GlobeFlex Capital

Mr. Hunt asked Mr. Goldsmith to present the next item. Mr. Goldsmith presented a proposed international microcap investment and investment ceiling increase. The Staff recommended a $50 million commitment to GlobeFlex Capital's Microcap mandate and an allocation ceiling increase to $450 million across all GlobeFlex mandates. Mr. Boldt, Mr. Goldsmith and Mr. Myers answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a $50 million combined institutional investment interest (the "Investment") in **GlobeFlex**

Capital's Microcap mandate and to increase the approved total investment allocation to GlobeFlex capital up to $450 million; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated July 14, 2005 for **GlobeFlex Capital's Microcap mandate**, including an increase in the approved total investment allocation to GlobeFlex Capital, be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **GlobeFlex Capital's Microcap mandate**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Benchmark Report

Mr. Hunt asked Mr. Bruce Myers of Cambridge Associates to present an analysis of benchmark alternatives for the Absolute Return Hedge Fund, Directional Hedge Fund, Commodities, and Fixed Income asset categories of the UTIMCO Policy Portfolio. Although Mr. Carlson was unable to attend the meeting, he had asked Mr. Boldt to share his comments regarding the hedge fund benchmarks. Mr. Hunt then asked Mr. Sebastian to provide EnnisKnupp's viewpoint on the issue. After a lengthy discussion, the decision was made to accept Cambridge Associate's recommendation for commodities and hedge funds, with no changes to the Fixed Income benchmark. No action was taken at this time, as the benchmarks will be accepted as part of the investment policy statements to be approved later in the meeting. The West Texas Lands Integration discussion was deferred.

Code of Ethics Policy

Mr. Hunt asked Mr. Boldt to present each of the policies and corporate documents and summarize proposed changes. Mr. Boldt asked Ms. Moeller to give an overview of the Code of Ethics. During discussion, Chancellor Yudof recommended modifications of the policy as presented and asked that Barry Burgdorf, UT System General Counsel, draft new language for Section III. Prohibited Transactions and Interest and edit the document. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the amendments to the Code of Ethics as presented be, with modifications as requested by the Chancellor, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Permanent University Fund and General Endowment Fund Policies

Mr. Boldt next presented proposed changes to the Permanent University Fund (PUF) Investment Policy Statement noting that the suggested benchmark changes by Cambridge Associates would be reflected in Exhibit A on page 16. During discussion on the policy, questions regarding risk reporting were raised and Mr. Boldt, Mr. Myers and Ms. Reed answered the Directors' questions. At the Directors' request, a report on risk management will be presented to the Board at the September meeting. Mr. Boldt then proposed the same changes be made to the General Endowment Fund. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, and the General Endowment Fund, subject to revision as requested by the Board be, and are hereby, approved, subject to approval by the U. T. System Board of Regents; and be it further
>
> RESOLVED, that the foregoing resolution supersedes so much of the resolution of the Board, adopted on January 18, 2005, that approved amendments to the Investment Policy Statement of the General Endowment Fund are rescinded.

The revised Exhibit A is attached. Mr. Hunt requested that all policies related to the centralization of funds be deferred until the next meeting of the Board.

Risk Committee Report

Mr. Hunt and Director Caven, Chairman of the Risk Committee, reported that the Risk Committee had met prior to the Board meeting that morning. The Committee recommended that the Board approve the proposed changes in the Liquidity Policy to be consistent with the new asset allocation, including changing the illiquid trigger zone and maximum allowable range. Mr. Boldt and Mr. Myers answered the Directors' questions. The Directors agreed to accept the Liquidity Policy as proposed, changing the illiquid trigger zone to 30% - 35% and capping the maximum allowable range for illiquidity at 35%. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Liquidity Policy for the Endowment Funds, subject to revision as requested by the Board be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Discussion of the Risk Charter was deferred.

Derivative Policy

Mr. Boldt summarized the proposed changes to the Derivative Policy. There was discussion and agreement that Exchange Traded Funds (ETF's) do not qualify as a derivative instrument. The Board also agreed that the total gross value (without netting counter positions) of all internal derivatives positions shall not exceed 45% of the net asset value of the Funds. Mr. Boldt, Mr. Goldsmith and Dr. Brown answered the Directors' questions. Upon motion duly made and seconded; the following resolution was unanimously adopted:

RESOLVED, that amendments to the Derivative Investment Policy be, and are hereby, approved in the form submitted to the Corporation's Board of Directors; and be it further

RESOLVED, that the resolution of the Board adopted on January 18, 2005, is rescinded for the Derivative Investment Policy.

The Investment Management Services Agreement will be taken to the UT System Board of Regents meeting in August for approval and tendered to the Corporation Board at their next meeting.

Compensation Committee Report

Mr. Hunt asked for a report from the Compensation Committee. Director Ferguson, Chairman, reported that the Compensation Committee met that morning, prior to the Board meeting. The President and CEO's Qualitative Goals for the period ending June 30, 2006, were discussed but deferred at this time. The Committee approved a resolution regarding employee salary matters.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:25 p.m.

Secretary: ________________________
Joan Moeller

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

EXHIBIT A

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

	Percent of Portfolio (%)		
Asset Category	Policy Targets	Policy Ranges	Benchmarks
US Equities	**20.0**	**10 to 30**	Russell 3000 Index
Global ex US Equities	**17.0**	**10 to 30**	
Non-US Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25.0**	**15 to 30**	
Directional Hedge Funds	10.0	5 to 15	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	15.0	10 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Private Capital	**15.0**	**5 to 20**	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	**13.0**	**5 to 20**	
REITS	5.0	0 to 10	Wilshire Associates Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	**10.0**	**5 to 15**	Lehman Brothers Aggregate Bond Index
Cash	**0.0**	**0 to 10**	90 Day T-Bills

Expected Annual Return (%)	**8.34**
Downside Deviation (%)	**7.6**
Standard Deviation (%)	**10.8**

TAB 2

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Report from the Audit and Ethics Committee

Developed By: Moeller

Presented By: Nye

Type of Item: Information Item

Description: The Audit and Ethics Committee (the "Committee") has a meeting scheduled for September 13, 2005. Mr. Nye will update the UTIMCO Board of actions occurring at this meeting.

Recommendation: No recommendation is necessary.

Discussion: The agenda for the Committee meeting included the presentation of unaudited financial statements for the nine months ended May 31, 2005 for the PUF, GEF, PHF, LTF, SITF, and UTIMCO; update on Sarbanes-Oxley ("SOX") Implementation; and an update of UTIMCO's Compliance, Reporting and Audit Issues.

UTIMCO is voluntarily complying with relevant provisions of the SOX. As approved by the Committee in a prior meeting, Ernst & Young's attestation for the year ended August 31, 2005 will include the Permanent University Fund and UTIMCO corporate operations. UTIMCO staff has completed the documentation of the major processes for UTIMCO and the PUF. These processes have been reviewed and tested by UT System Internal Auditors and their report has been issued.

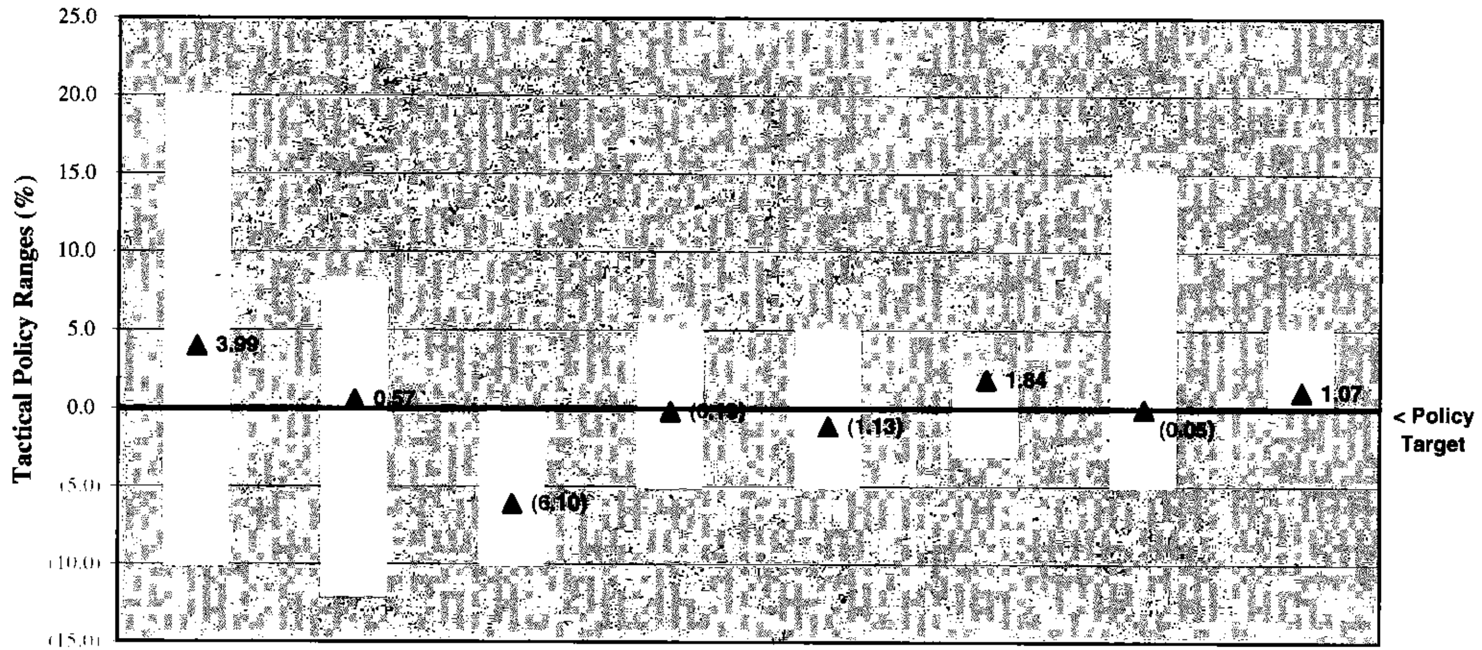
The update of UTIMCO's Compliance, Reporting and Audit Issues included approving the UT System Audit Offices audit plan related to UTIMCO and discussion related to implementing plan to review and/or request proposals related to UTIMCO's consultant and professional service providers.

Reference: None

TAB 3

Permanent University Fund
Market Exposure
July 31, 2005

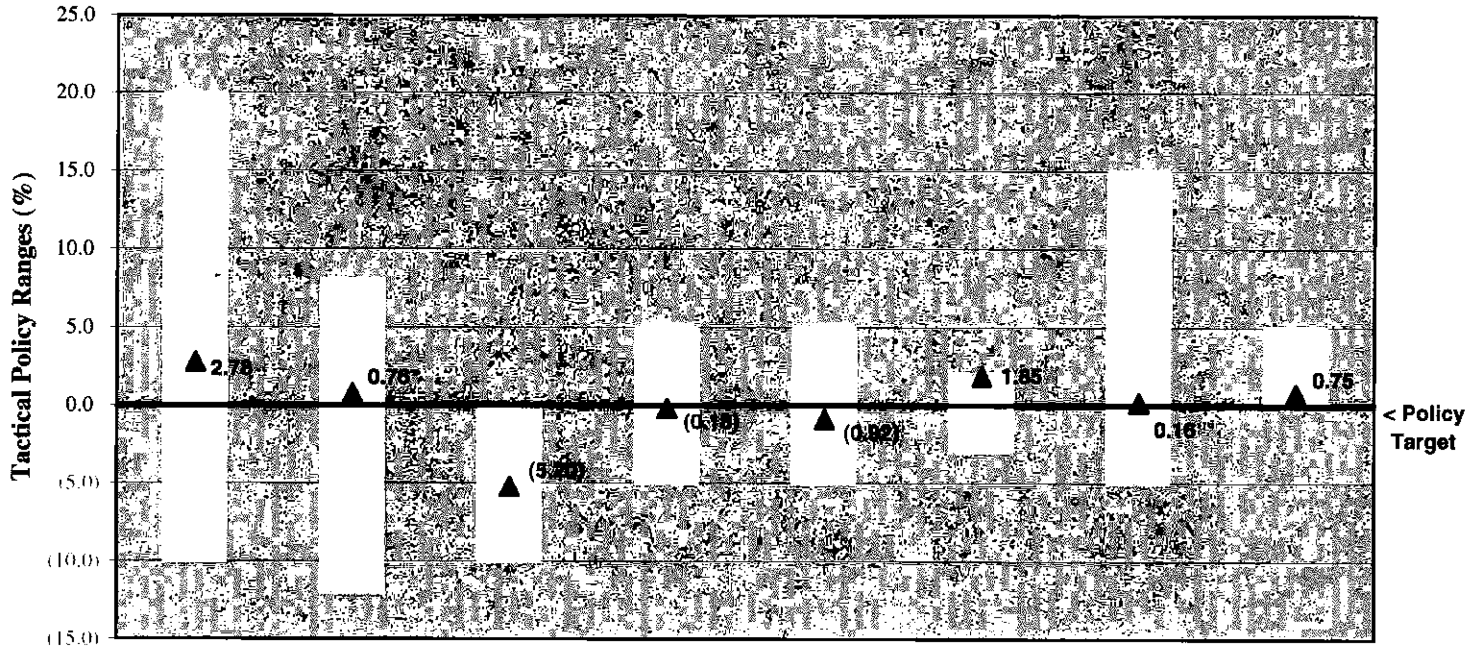
Deviations From Policy Targets Within Tactical Policy Ranges



	US Public Equity	International Public Equity	Private Capital	Equity Hedge Funds	Absolute Return Hedge Funds	Commodities	Fixed Income	Cash
Actual	28.99%	17.57%	8.90%	9.81%	13.87%	4.84%	14.95%	1.07%
Policy Target	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
Deviation	3.99%	0.57%	-6.10%	-0.19%	-1.13%	1.84%	-0.05%	1.07%
Deviation in Dollars ($m)	369.21	52.74	(564.45)	(17.58)	(104.56)	170.26	(4.63)	99.01

General Endowment Fund
Market Exposure
July 31, 2005

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
Actual	27.78%	17.76%	9.80%	9.82%	14.08%	4.85%	15.16%	0.75%
Policy Target	25.00%	17.00%	15.00%	10.00%	15.00%	3.00%	15.00%	0.00%
Deviation	2.78%	0.76%	-5.20%	-0.18%	-0.92%	1.85%	0.16%	0.75%
Deviation in Dollars ($m)	136.11	37.21	(254.59)	(8.81)	(45.04)	90.58	7.83	36.71

UTIMCO Performance Summary

July 31, 2005

ENDOWMENT FUNDS	Net Asset Value 7/31/2005 (in Millions)	Periods Ended July 31, 2005 (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
Permanent University Fund	$ 9,253.3	2.29	5.52	7.13	6.31	16.76	17.56	17.07	14.62	8.09	5.82	9.85
General Endowment Fund		2.23	5.48	7.04	6.21	16.80	17.49	17.04	14.93	8.43	N/A	N/A
Permanent Health Fund	913.3	2.23	5.45	6.97	6.13	16.66	17.34	16.91	14.79	8.30	5.79	N/A
Long Term Fund	3,948.3	2.23	5.45	6.96	6.12	16.66	17.34	16.88	14.82	8.34	5.97	10.50
Separately Invested Funds	175.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	**14,289.9**											
OPERATING FUNDS												
Short Term Fund	2,291.4	0.27	0.78	1.40	1.59	2.19	2.31	1.67	1.58	1.80	2.60	4.10
Short Intermediate Term Fund	1,211.1	(0.34)	0.37	0.87	1.03	1.68	2.24	2.08	1.98	2.50	3.88	4.99
Institutional Index Funds:												
BGI US Bond Index Fund	-	(0.89)	0.75	0.98	1.61	2.87	4.84	4.85	5.12	5.72	7.10	N/A
BGI Equity Index Fund	175.5	3.72	7.19	5.48	2.92	13.66	14.11	13.66	12.66	2.24	(1.31)	N/A
Total Operating Funds	**3,678.0**											
Total Investments	**$ 17,967.9**											
BENCHMARKS (1)												
Permanent University Fund: Policy Portfolio		2.00	5.10	6.93	6.07	13.95	15.12	14.32	11.47	5.92	3.89	10.50
General Endowment Fund: Policy Portfolio		2.00	5.10	6.93	6.07	13.95	15.12	14.32	11.47	5.92	3.81	10.33
Short Term Fund: 90 Day Treasury Bills Average Yield		0.23	0.73	1.36	1.53	2.15	2.27	1.65	1.58	1.80	2.58	3.94
Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04-current)		(0.28)	0.29	0.63	0.59	0.52	1.22	1.46	1.96	3.11	4.39	5.09
Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index		(0.91)	0.71	0.95	1.58	2.83	4.79	4.81	5.02	5.64	7.01	6.75
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)		3.72	7.17	5.45	2.88	13.59	14.05	13.61	12.61	2.19	(1.35)	9.98
VALUE ADDED (2)												
Permanent University Fund		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(0.66)
General Endowment Fund		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	N/A	N/A
Permanent Health Fund		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	N/A
Long Term Fund		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Short Term Fund		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.00	0.00	[illegible]	[illegible]
Short Intermediate Term Fund		(0.05)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(0.61)	(0.52)	(0.10)
Institutional Bond Index Fund		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	N/A
Institutional Equity Index Fund		0.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	N/A

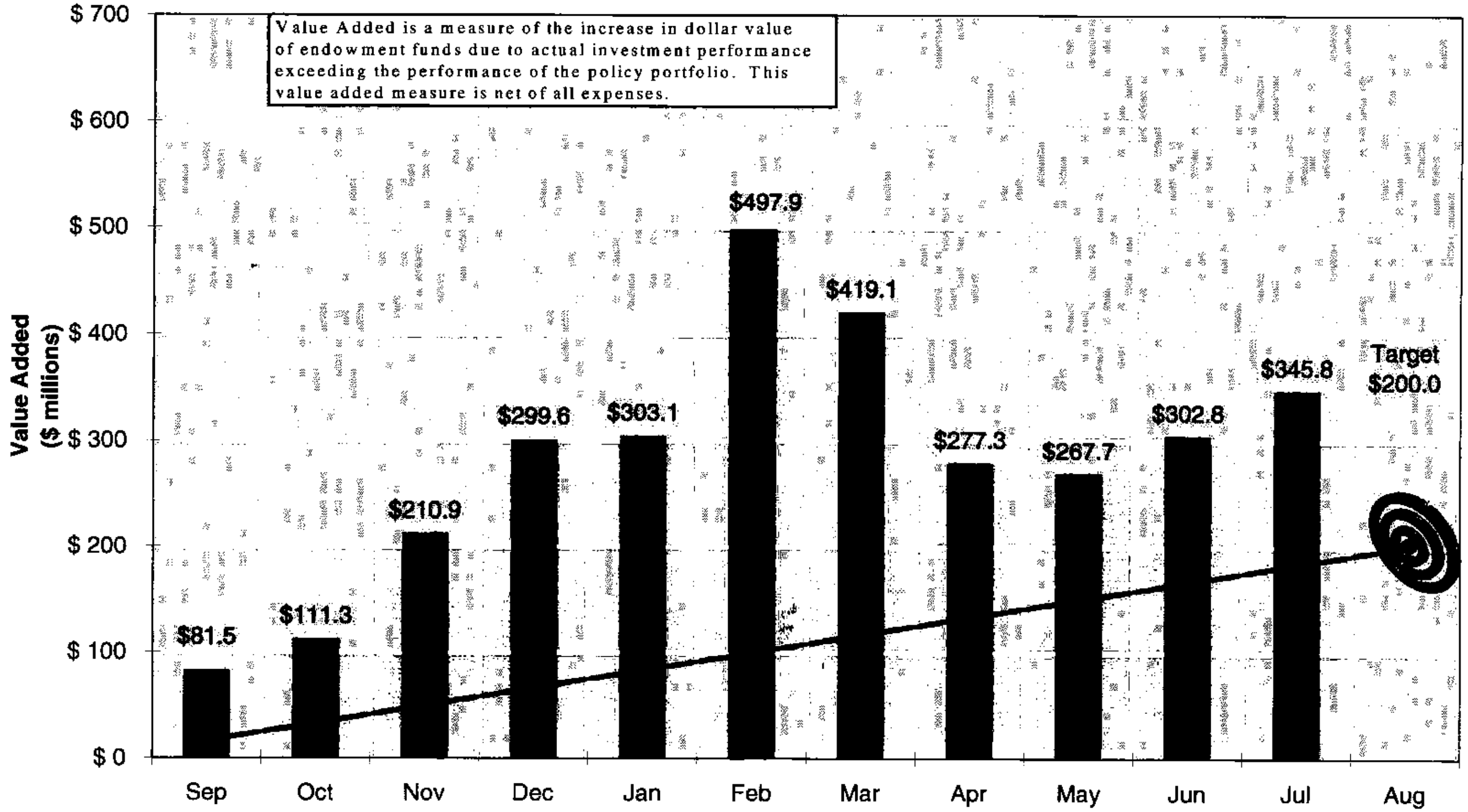
(1) - Effective May 6, 2004, benchmark returns for the PUF policy portfolio have been restated for prior periods beginning June 1, 1993 through September 30, 2000 and for the GEF/LTF policy portfolio for prior periods beginning June 1, 1993 through September 30, 2001 to correct the following technical errors in benchmark construction and calculation: (a) to reflect actual asset class target allocations which were in place, or the practical implementation of changes to those policy allocations, and (b) to distinguish between PUF and GEF/LTF historical investment objectives and distribution policies by accurately representing actual asset class allocations during those periods.

Benchmark returns for the PUF and GEF/LTF policy portfolios were also restated for all prior period beginning June 1, 1993 through December 31, 2003 to replace various benchmark returns reported previously for the Private Capital asset class. Specifically, the Wilshire 5000 + 4%, the benchmark in place immediately prior to the current policy, was replaced with the Venture Economics Periodic IRR Index, a more appropriate benchmark measure for the actual Private Capital portfolio.

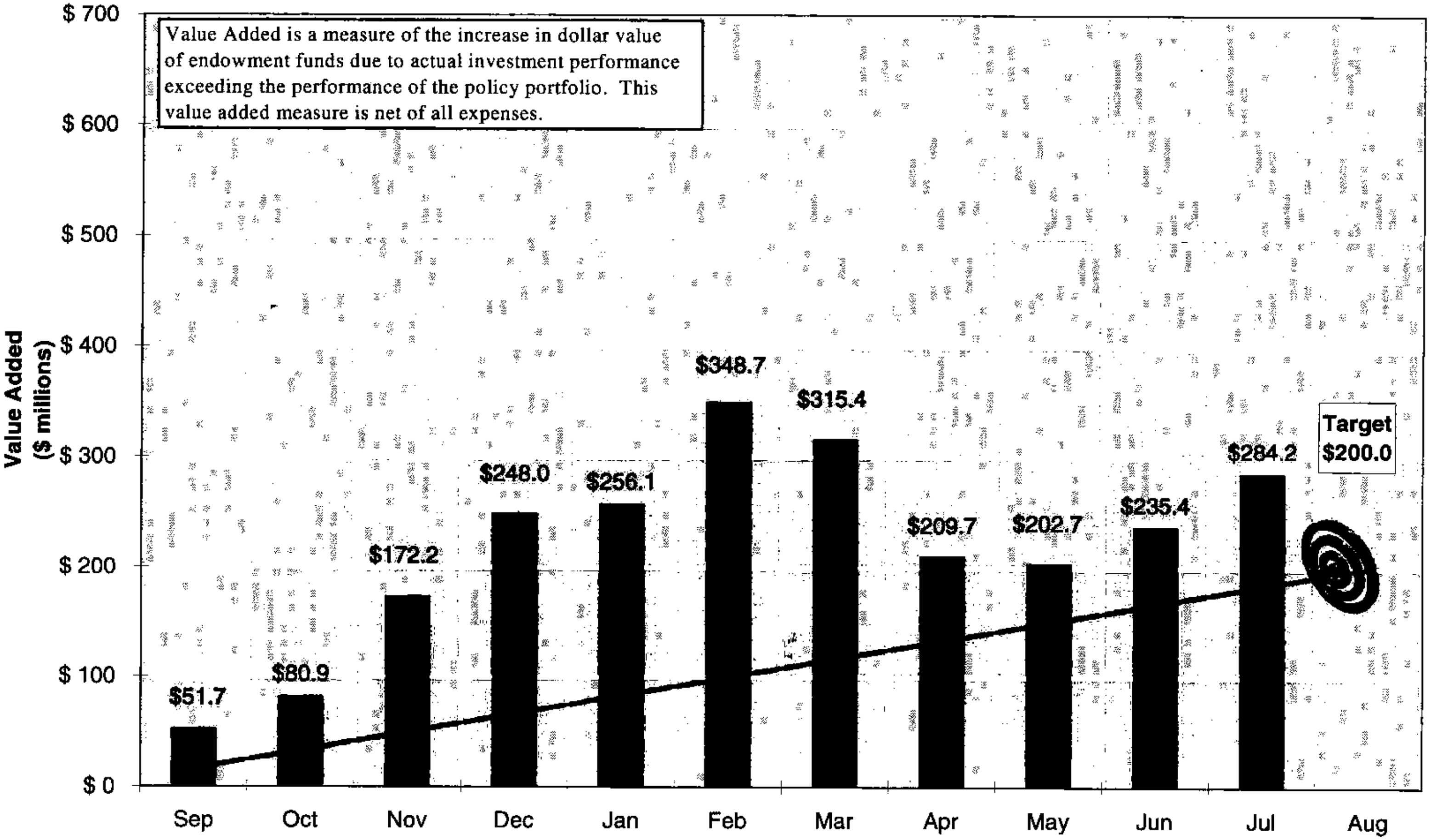
Complete details of the restatement and previous policy portfolio benchmark history are documented on the UTIMCO website at www.UTIMCO.org or are available upon request.

(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 UTIMCO staff and external managers.

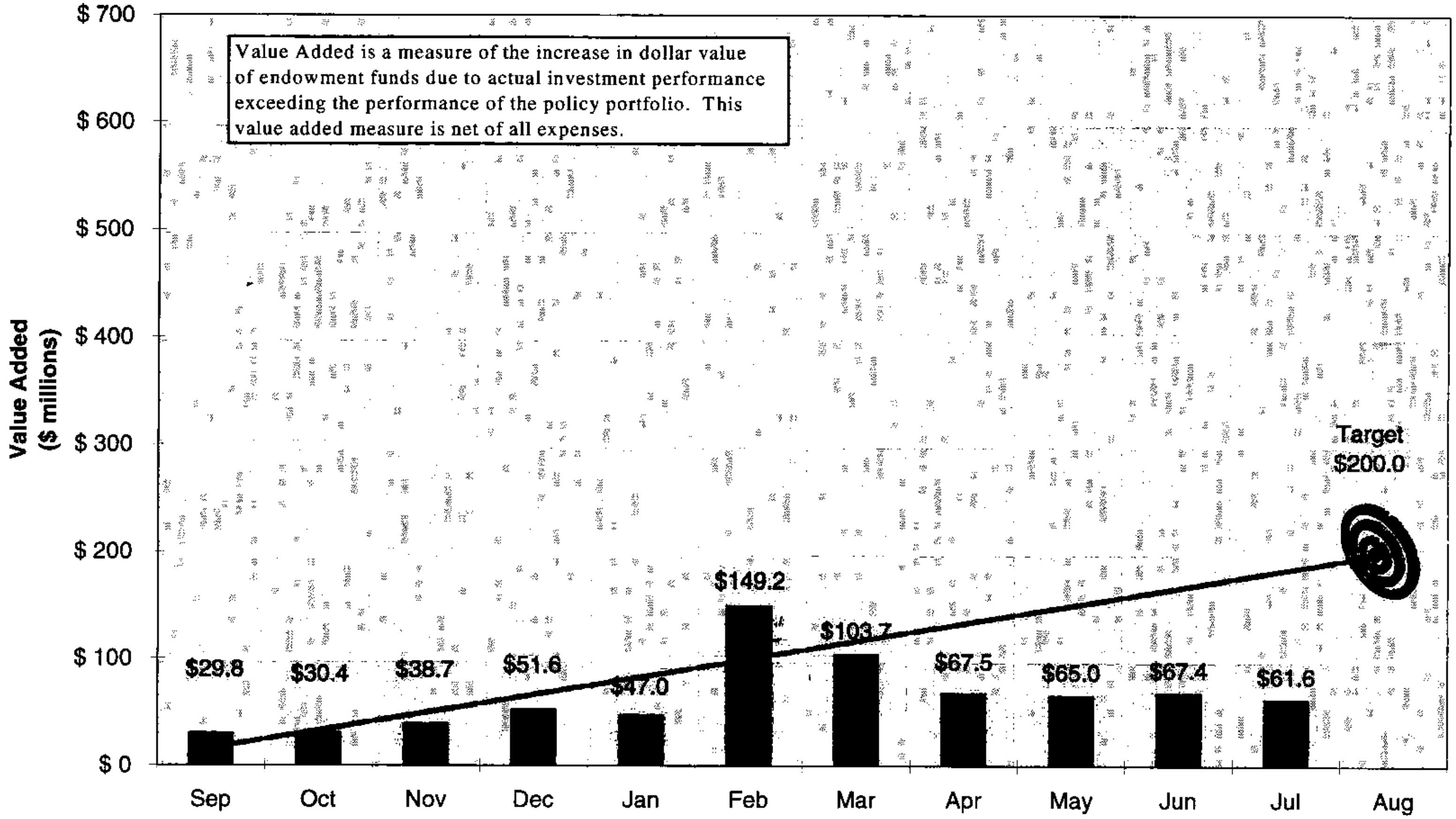
Cumulative Value Added In Endowment Funds
2004-2005 Fiscal Year



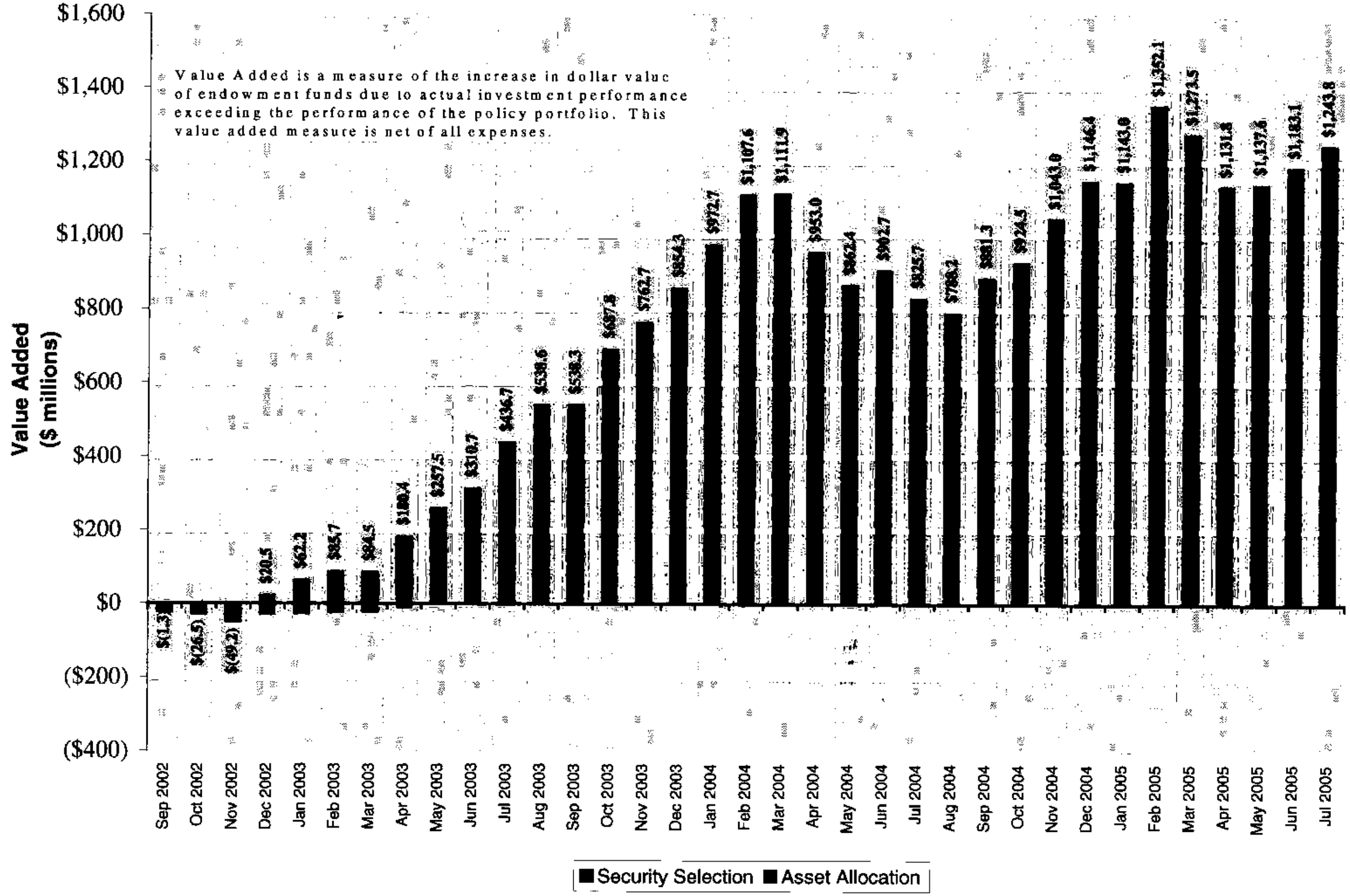
Cumulative Value Added in Marketable Securities in Endowment Funds
2004-2005 Fiscal Year



Cumulative Value Added In Non-Marketable Securities In Endowment Funds
2004-2005 Fiscal Year



VALUE ADDED: ENDOWMENT FUNDS
SINCE SEPTEMBER 1, 2002



Permanent University Fund
Performance Attribution

	Asset Allocation			Return				
	July 31, 2005			One Month Ended July 31, 2005				
		Asset	Market			Asset Allocation	Security Selection	Total
	Neutral	Allocations	Exposure	Benchmark	PUF	Effect	Effect	Attribution (1)
Cash and Cash Equivalents	0.0%	1.1%	1.1%	0.23%	0.27%	-0.02%	0.00%	-0.02%
U.S. Equities	25.0%	29.0%	29.0%	4.78%	4.21%	0.06%	-0.14%	-0.08%
Global Equities	17.0%	17.6%	17.6%	3.67%	3.60%	-0.01%	-0.01%	-0.02%
Equity Hedge Funds	10.0%	19.8%	19.8%	0.57%	1.58%	0.00%	0.10%	0.10%
Absolute Return Hedge Funds	15.0%	13.9%	13.9%	0.48%	2.06%	0.00%	0.24%	0.24%
Commodities	3.0%	4.8%	4.8%	5.42%	4.27%	0.04%	-0.03%	0.01%
Fixed Income	15.0%	14.9%	14.9%	-1.31%	-1.01%	-0.02%	0.04%	0.02%
Total Marketable Securities	85.0%	91.1%	91.1%	2.25%	2.51%	0.03%	0.22%	0.25%
Private Capital	15.0%	[illegible]	8.9%	0.56%	0.10%	0.11%	-0.07%	0.04%
Total Fund	100.0%	100.0%	100.0%	2.00% (2)	2.29%	0.16%	0.13%	0.29%

(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: Three Months Ended July 31, 2005		
	[redacted]	Benchmark	PUF	[redacted]
Cash and Cash Equivalents	[redacted]	0.73%	0.78%	[redacted]
U.S. Equities	[redacted]	10.42%	9.94%	[redacted]
Global Equities	[redacted]	6.14%	6.76%	[redacted]
Equity Hedge Funds	[redacted]	1.73%	4.05%	[redacted]
Absolute Return Hedge Funds	[redacted]	1.48%	3.90%	[redacted]
Commodities	[redacted]	10.55%	7.98%	[redacted]
Fixed Income	[redacted]	0.13%	-0.20%	[redacted]
Total Marketable Securities	[redacted]	5.11%	5.63%	[redacted]
Private Capital	[redacted]	4.99%	4.35%	[redacted]
Total Fund	[redacted]	5.10% (2)	5.52%	[redacted]

(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				
	July 31, 2005			Calendar Year to Date July 31, 2005				
	Neutral	Asset Allocation	Market Exposure	Benchmark	PUF	Asset Allocation Effect	Security Selection Effect	Total Attribution (1)
Cash and Cash Equivalents	0.0%	[illegible]	1.1%	1.53%	1.59%	[illegible]	0.00%	[illegible]
U.S. Equities	[illegible]	29.0%	29.0%	6.25%	6.19%	0.05%	[illegible]	[illegible]
Global Equities	17.0%	17.6%	17.6%	3.68%	6.31%	[illegible]	[illegible]	[illegible]
Equity Hedge Funds	10.0%	9.8%	9.8%	3.92%	4.94%	[illegible]	[illegible]	[illegible]
Absolute Return Hedge Funds	15.0%	[illegible]	13.9%	3.32%	5.18%	[illegible]	[illegible]	[illegible]
Commodities	[illegible]	[illegible]	[illegible]	22.14%	17.86%	[illegible]	[illegible]	[illegible]
Fixed Income	15.0%	[illegible]	14.9%	1.24%	1.09%	[illegible]	[illegible]	[illegible]
Total Marketable Securities	85.0%	[illegible]	[illegible]	4.70%	5.46%	[illegible]	[illegible]	[illegible]
Private Capital	15.0%	[illegible]	[illegible]	13.92%	14.27%	[illegible]	[illegible]	[illegible]
Total Fund	100.0%	100.0%	100.0%	6.07% (2)	6.31%	-0.46%	0.70%	0.24%

(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				
	July 31, 2005			Fiscal Year to Date July 31, 2005				
	Neutral	Asset Allocation	Market Exposure	Benchmark	PUF	Asset Allocation Effect	Security Selection Effect	Total Attribution (1)
Cash and Cash Equivalents	0.0%	1.1%	1.1%	2.15%	2.19%	-0.12%	0.00%	-0.12%
U.S. Equities	25.0%	29.0%	29.0%	19.78%	20.26%	0.21%	0.12%	0.33%
Global Equities	17.0%	17.6%	17.6%	23.44%	23.34%	0.24%	-0.03%	0.21%
Equity Hedge Funds	10.0%	9.8%	9.8%	5.95%	11.95%	-0.01%	0.63%	0.62%
Absolute Return Hedge Funds	15.0%	13.9%	13.9%	4.99%	13.27%	-0.01%	1.30%	1.29%
Commodities	3.0%	4.8%	4.8%	22.30%	19.84%	0.04%	-0.11%	-0.07%
Fixed Income	15.0%	14.9%	14.9%	2.98%	4.81%	-0.02%	0.29%	0.27%
Total Marketable Securities	85.0%	91.1%	91.1%	13.36%	16.16%	0.33%	2.20%	2.53%
Private Capital	15.0%	8.9%	8.9%	17.04%	22.11%	-0.45%	0.73%	0.28%
Total Fund	100.0%	100.0%	100.0%	13.95% (2)	16.76%	-0.12%	2.93%	2.81%

(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				
	July 31, 2005			Year Ended July 31, 2005				
	Neutral	Asset Allocation	Market Exposure	Benchmark	PUF	Asset Allocation Effect	Security Selection Effect	Total Attribution (1)
Cash and Cash Equivalents	0.0%	1.1%	1.1%	2.28%	2.31%	0.14%	0.00%	0.14%
U.S. Equities	25.0%	29.0%	29.0%	22.04%	21.47%	0.22%	0.14%	0.08%
Global Equities	17.0%	17.6%	17.6%	24.39%	23.96%	0.21%	0.08%	0.13%
Equity Hedge Funds	10.0%	9.8%	9.8%	6.43%	11.90%	0.01%	0.58%	0.59%
Absolute Return Hedge Funds	15.0%	13.9%	13.9%	5.38%	13.98%	0.00%	1.35%	1.35%
Commodities	[illegible]	4.8%	4.8%	17.45%	16.73%	0.00%	0.06%	0.06%
Fixed Income	15.0%	14.9%	14.9%	5.21%	6.82%	0.03%	0.25%	0.22%
Total Marketable Securities	85.0%	91.1%	91.1%	14.58%	16.98%	0.27%	1.90%	2.17%
Private Capital	15.0%	8.9%	8.9%	17.93%	22.72%	-0.42%	0.69%	0.27%
Total Fund	100.0%	100.0%	100.0%	15.12% (2)	17.56%	-0.15%	2.59%	2.44%

(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				
	July 31, 2005			One Month Ended July 31, 2005				
		Asset	Market			Asset Allocation	Security Selection	Total
	Neutral	Allocation	Exposure	Benchmark	GEF	Effect	Effect	Attribution (1)
Cash and Cash Equivalents	0.0%	0.7%	0.7%	0.23%	0.27%	-0.02%	0.00%	-0.02%
U.S. Equities	25.0%	27.8%	27.8%	4.78%	4.16%	0.04%	-0.15%	-0.11%
Global Equities	17.0%	17.8%	17.8%	3.67%	3.62%	-0.01%	-0.01%	-0.02%
Equity Hedge Funds	10.0%	9.8%	9.8%	0.57%	1.54%	0.00%	0.10%	0.10%
Absolute Return Hedge Funds	15.0%	14.1%	14.1%	0.48%	2.08%	-0.01%	0.24%	0.23%
Commodities	3.0%	4.8%	4.8%	5.42%	4.26%	0.04%	-0.03%	0.01%
Fixed Income	15.0%	15.2%	15.2%	-1.31%	-1.01%	-0.03%	0.05%	0.02%
Total Marketable Securities	85.0%	90.2%	90.2%	2.25%	2.47%	0.01%	0.20%	0.21%
Private Capital	15.0%	9.8%	9.8%	0.56%	0.10%	0.09%	-0.07%	0.02%
Total Fund	100.0%	100.0%	100.0%	2.00% (2)	2.23%	0.10%	0.13%	0.23%

(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				
	July 31, 2005			Three Months Ended July 31, 2005				
	Neutrals	Asset Allocation	Market Exposure	Benchmark	GEF	Asset Allocation Effect	Security Selection Effect	Total Attribution (1)
Cash and Cash Equivalents	0.0%	0.7%	0.7%	0.73%	0.78%	-0.04%	0.00%	-0.04%
U.S. Equities	25.0%	27.8%	27.8%	10.42%	9.91%	0.05%	-0.12%	-0.07%
Global Equities	17.0%	17.8%	17.8%	6.14%	6.88%	-0.03%	0.12%	0.09%
Equity Hedge Funds	10.0%	9.8%	9.8%	1.73%	4.03%	0.00%	0.23%	0.23%
Absolute Return Hedge Funds	15.0%	14.1%	14.1%	1.48%	3.95%	0.00%	0.38%	0.38%
Commodities	3.0%	4.8%	4.8%	10.55%	8.03%	0.05%	-0.08%	-0.03%
Fixed Income	15.0%	15.2%	15.2%	0.13%	-0.22%	-0.04%	-0.06%	-0.10%
Total Marketable Securities	85.0%	90.2%	90.2%	5.11%	5.62%	-0.01%	0.47%	0.46%
Private Capital	15.0%	9.8%	9.8%	4.99%	4.16%	0.05%	-0.13%	-0.08%
Total Fund	100.0%	100.0%	100.0%	5.10% (2)	5.48%	0.04%	0.34%	0.38%

(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				
	July 31, 2005			Calendar Year to Date July 31, 2005				
	Neutral	Asset Allocation	Market Exposure	Benchmark	GEF	Asset Allocation Effect	Security Selection Effect	Total Attribution (1)
Cash and Cash Equivalents	0.0%	0.7%	0.7%	1.53%	1.59%	-0.04%	0.00%	-0.04%
U.S. Equities	25.0%	27.8%	27.8%	6.25%	6.14%	0.01%	-0.03%	-0.02%
Global Equities	17.0%	17.8%	17.8%	3.68%	6.40%	-0.08%	0.47%	0.39%
Equity Hedge Funds	10.0%	9.8%	9.8%	3.92%	4.85%	-0.02%	0.09%	0.07%
Absolute Return Hedge Funds	15.0%	14.1%	14.1%	3.32%	5.23%	-0.02%	0.29%	0.27%
Commodities	3.0%	4.8%	4.8%	22.14%	17.99%	0.17%	-0.13%	0.04%
Fixed Income	15.0%	15.2%	15.2%	1.24%	1.02%	-0.05%	-0.04%	-0.09%
Total Marketable Securities	85.0%	90.2%	90.2%	4.70%	5.44%	-0.03%	0.65%	0.62%
Private Capital	15.0%	9.8%	9.8%	13.92%	13.31%	-0.39%	-0.09%	-0.48%
Total Fund	100.0%	100.0%	100.0%	6.07% (2)	6.21%	-0.42%	0.56%	0.14%

(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				
	July 31, 2005			Fiscal Year to Date July 31, 2005				
	Neutral	Asset Allocation	Market Exposure	Benchmark	GEF	Asset Allocation Effect	Security Selection Effect	Total Attribution (1)
Cash and Cash Equivalents	0.0%	0.7%	0.7%	2.15%	2.19%	-0.10%	0.00%	-0.10%
U.S. Equities	25.0%	27.8%	27.8%	19.78%	20.25%	-0.10%	0.31%	0.21%
Global Equities	17.0%	17.8%	17.8%	23.44%	23.87%	0.26%	0.06%	0.32%
Equity Hedge Funds	10.0%	9.8%	9.8%	5.95%	11.91%	0.01%	0.63%	0.64%
Absolute Return Hedge Funds	15.0%	14.1%	14.1%	4.99%	13.43%	-0.01%	1.32%	1.31%
Commodities	3.0%	4.8%	4.8%	22.30%	19.95%	0.04%	-0.10%	-0.06%
Fixed Income	15.0%	15.2%	15.2%	2.98%	4.84%	-0.03%	0.30%	0.27%
Total Marketable Securities	85.0%	90.2%	90.2%	13.36%	16.24%	0.27%	2.32%	2.59%
Private Capital	15.0%	9.8%	9.8%	17.04%	21.77%	-0.41%	0.67%	0.26%
Total Fund	100.0%	100.0%	100.0%	13.95% (2)	16.80%	-0.14%	2.99%	2.85%

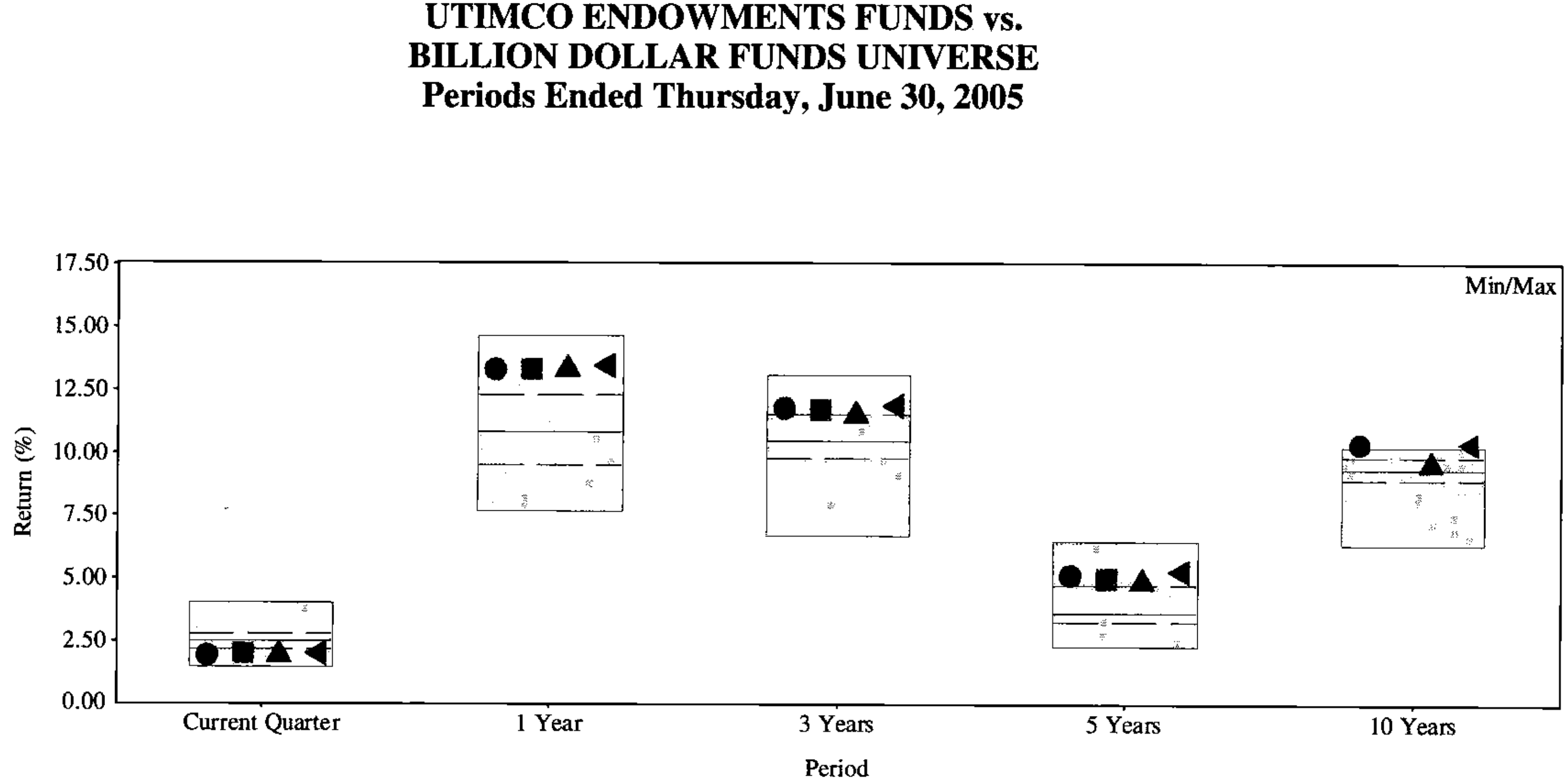
(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.
(2) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum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

General Endowment Fund
Performance Attribution

	Asset Allocation			Return				
	July 31, 2005			Year Ended July 31, 2005				
	Neutral	Asset Allocation	Market Exposure	Benchmark	GEF	Asset Allocation Effect	Security Selection Effect	Total Attribution (1)
Cash and Cash Equivalents	0.0%	0.7%	0.7%	2.28%	2.31%	-0.12%	0.00%	-0.12%
U.S. Equities	25.0%	27.8%	27.8%	22.04%	21.41%	0.11%	-0.15%	-0.04%
Global Equities	17.0%	17.8%	17.8%	24.39%	24.49%	0.24%	0.01%	0.25%
Equity Hedge Funds	10.0%	9.8%	9.8%	6.43%	11.81%	0.02%	0.57%	0.59%
Absolute Return Hedge Funds	15.0%	14.1%	14.1%	5.38%	14.15%	0.00%	1.38%	1.38%
Commodities	3.0%	4.8%	4.8%	17.45%	16.77%	-0.01%	-0.06%	-0.07%
Fixed Income	15.0%	15.2%	15.2%	5.21%	6.72%	-0.04%	0.24%	0.20%
Total Marketable Securities	85.0%	90.2%	90.2%	14.58%	17.01%	0.20%	1.99%	2.19%
Private Capital	15.0%	9.8%	9.8%	17.93%	21.66%	-0.35%	0.53%	0.18%
Total Fund	100.0%	100.0%	100.0%	15.12% (2)	17.49%	-0.15%	2.52%	2.37%

(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.

UTIMCO ENDOWMENTS FUNDS vs.
BILLION DOLLAR FUNDS UNIVERSE
Periods Ended Thursday, June 30, 2005

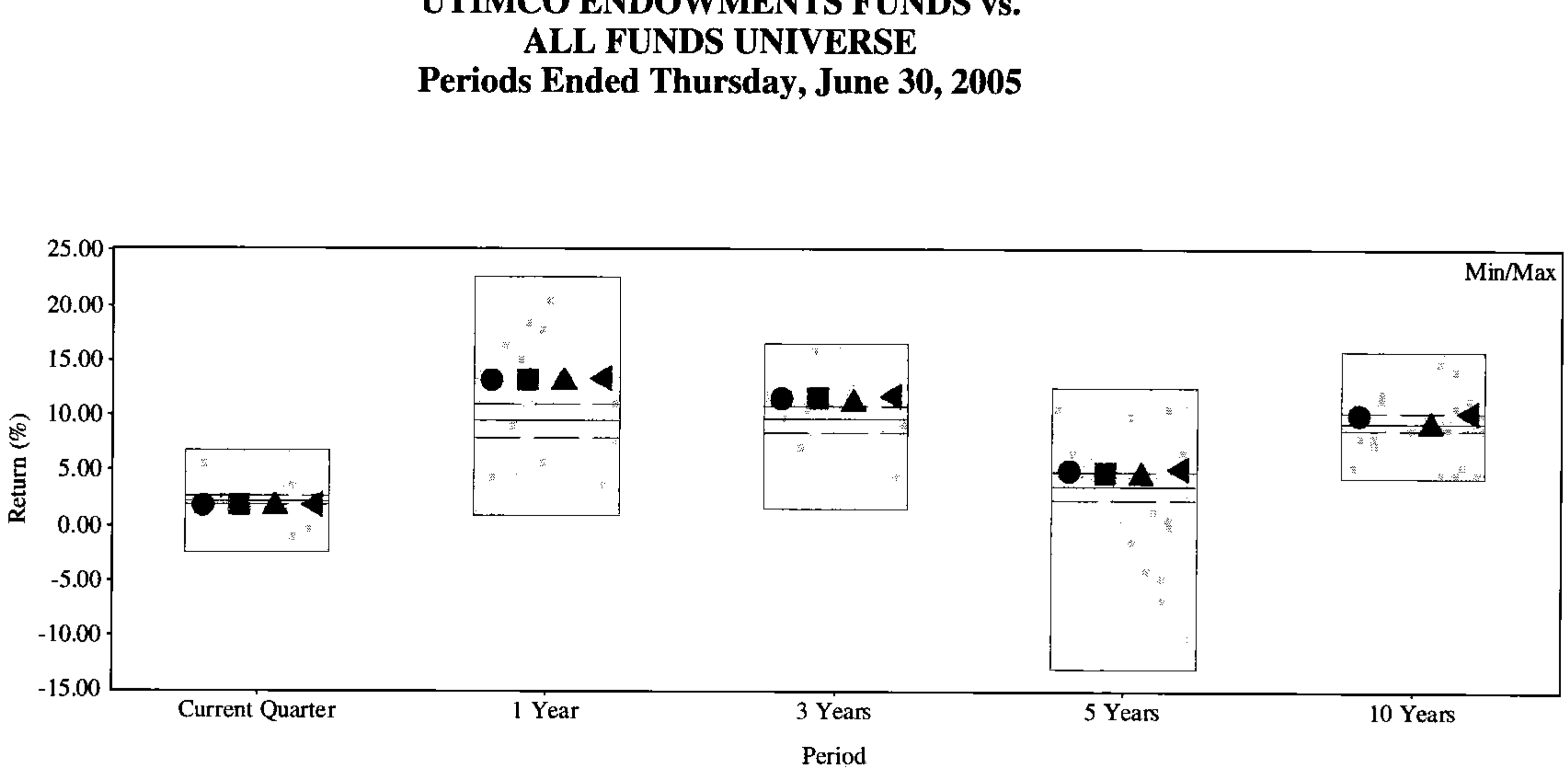


	Current Quarter Return	(% tile)	1 Year Return	(% tile)	3 Years Return	(% tile)	5 Years Return	(% tile)	10 Years Return	(% tile)
Maximum	4.03		14.66		13.13		6.44		10.24	
25th Percentile	2.79		12.31		11.48		4.70		9.83	
Median	2.49		10.82		10.49		3.61		9.38	
75th Percentile	2.12		9.48		9.79		3.28		8.93	
Minimum	1.54		7.71		6.75		2.33		6.43	
# of Portfolios	46		43		42		39		27	
● **UTIMCO LTF-Net of Fees**	2.03	83	13.43	7	11.85	14	5.25	20	10.44	1
■ **UTIMCO PHF-Net of Fees**	2.03	83	13.43	7	11.82	17	5.07	23	---	---
▲ **UTIMCO PUF-Net of Fees**	2.13	75	13.52	7	11.71	21	5.10	23	9.75	33
◀ **UTIMCO GEF-Net of Fees**	2.07	83	13.58	5	11.96	14	5.32	18	10.48	1

Universe Source: (c) Russell/Mellon Analytical Services

The Billion Dollar Fund Universe consists of all assets of public plans of Russell/Mellon clients with at least one billion dollars in assets. The number of funds in the universe as of June 30, 2005 was 46.

UTIMCO ENDOWMENTS FUNDS vs.
ALL FUNDS UNIVERSE
Periods Ended Thursday, June 30, 2005



	Current Quarter Return	(% tile)	1 Year Return	(% tile)	3 Years Return	(% tile)	5 Years Return	(% tile)	10 Years Return	(% tile)
Maximum	6.78		22.64		16.64		12.61		15.95	
25th Percentile	2.63		11.07		10.78		4.88		10.31	
Median	2.23		9.48		9.66		3.62		9.43	
75th Percentile	1.83		7.97		8.48		2.41		8.75	
Minimum	- 2.32		1.14		1.74		- 12.83		4.56	
# of Portfolios	538		497		468		416		290	
● **UTIMCO LTF-Net of Fees**	2.03	65	13.43	8	11.85	10	5.25	20	10.44	22
■ **UTIMCO PHF-Net of Fees**	2.03	65	13.43	8	11.82	11	5.07	23	---	---
▲ **UTIMCO PUF-Net of Fees**	2.13	59	13.52	8	11.71	12	5.10	23	9.75	43
◀ **UTIMCO GEF-Net of Fees**	2.07	63	13.58	7	11.96	9	5.32	18	10.48	21

Universe Source: (c) Russell/Mellon Analytical Services

The All Funds Universe consists of all corporate, foundation and endowment, and public plans of Russell/Mellon clients. The number of funds in this universe as of June 30, 2005 was 538.

Public Markets Managers
Investment Performance Detail Summary
July 31, 2005

Key for Manager Status:
Concern
Significant Concern; Watch List
Near Termination
Terminated

Key For Areas of Concern:
1) Performance
2) Personnel Changes
3) Strategy Drift
4) Operational or Administrative Issues
5) No Longer Fit UTIMCO Strategy

Areas of Concern		Assets Under Management ($ Millions)	Periods Ended July 31, 2005 (Returns for Periods Longer Than One Year are Annualized) One Month	Three Months	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	NET OF FEES PERFORMANCE:												
	Public Equities:												
	Domestic Equities:												
	Passive Management:												
	BGI S&P 500	**73.9**	3.72	7.19	5.48	13.66	14.10	12.64	(1.32)	3.06	10.10	N/A	February 1993
	vs. S&P 500 Index		0.00	0.01	0.03	0.06	0.05	0.03	0.03				
	BGI S&P 400 Midcap	**47.3**	5.25	14.31	12.30	26.55	26.18	19.18	9.37	12.40	14.76	N/A	December 1992
	vs. S&P 400 Midcap Index		0.00					0.10	0.10	0.08	0.09		
	S&P 100 Index Exchange Traded Funds	**51.4**	2.66	4.20	2.46	9.16	9.86	-	-	-	-	9.16	August 2004
	vs. S&P 100 Index		(0.08)	0.07	0.01			-	-	-	-		
	S&P 400 Midcap Index Futures (Funded July 2005)	**6.3**	-	-	-	-	-	-	-	-	-	-	July 2005
	vs. S&P 400 Midcap Index		-	-	-	-	-	-	-	-	-	-	
	S&P 500 Index Futures	**438.5**	3.68	7.07	5.42	13.54	13.91	12.19	-	-	-	0.98	March 2001
	vs. S&P 500 Index		(0.04)	(0.10)	(0.03)	(0.06)	(0.14)	(0.43)	-	-	-	(0.58)	
	Large Cap Technology Exchange Traded Funds	**0.7**	7.81	13.93	5.34	16.51	13.56	-	-	-	-	7.82	June 2004
	vs. Russell 3000				(1.60)	0.08	(3.35)	-	-	-	-	(4.68)	
	Dow Jones - Exchange Traded Funds and Futures	**64.6**	3.95	5.69	3.28	7.46	7.89	-	-	-	-	6.94	November 2003
	vs. Dow Jones Industrial Average							-	-	-	-	(0.13)	
	Global 100 Index Exchange Traded Funds	**78.5**	3.07	4.80	3.94	-	-	-	-	-	-	5.08	November 2004
	vs. Russell 3000		(1.03)	(4.00)	(3.01)	-	-	-	-	-	-	(2.73)	
	Health Care Exchange Traded Funds	**24.4**	(0.76)	(2.29)	-	-	-	-	-	-	-	(2.29)	April 2005
	vs. Russell 3000		(4.86)	(11.09)	-	-	-	-	-	-	-	(11.09)	
	Small Cap Exchange Traded Funds and Futures	**60.8**	4.41	16.81	10.10	28.02	27.20	-	-	-	-	15.60	February 2004
	vs. Russell 2000		(1.92)	(0.85)				-	-	-	-		
	Active Management:												
	BGI Russell 2000 Alpha Tilt	**216.0**	7.14	17.59	9.61	26.45	25.29	21.28	-	-	-	12.92	February 2002
	vs. Russell 2000			(0.07)	0.04			(0.32)	-	-	-		
	BGI Russell 3000 Alpha Tilt	**300.5**	3.92	9.17	7.74	19.16	19.23	-	-	-	-	15.15	August 2003
	vs. Russell 3000		(0.18)					-	-	-	-		
Terminated, 2	**Davis Hamilton Jackson**	**55.0**	**6.17**	**14.46**	**8.86**	**23.70**	**22.45**	**11.07**	**(2.84)**	**3.71**	**10.31**	**9.89**	**January 1994**
	vs. Russell Mid Cap Effective 8/04 (S&P 500 1/94 - 7/04)				**(3.31)**	**(4.67)**	**(6.48)**	**(6.24)**	**(3.94)**	**(1.04)**	**(1.03)**	**(2.03)**	
1,5	GSAM- Large Cap	**106.1**	4.15	7.55	4.71	12.58	12.82	12.67	(0.83)	2.58	-	2.72	April 1998
	vs. S&P 500 Index				(0.74)	(1.01)	(1.23)	0.05		(0.35)	-	(0.38)	
1,5	GSAM - Small Cap	**77.5**	6.75	14.35	9.57	24.58	23.70	19.93	9.93	8.96	-	7.18	April 1998
	vs. Russell 2000			(3.32)	(0.00)	(0.84)	(1.08)	(1.68)			-		
	John Levin & Co.	**152.3**	2.19	3.77	2.21	-	-	-	-	-	-	10.11	September 2004
	vs. Russell 1000		(1.69)	(4.24)	(4.48)	-	-	-	-	-	-	(4.08)	
	MBA Investments	**0.7**	4.61	7.20	6.62	16.05	15.65	10.53	(7.61)	(1.75)	-	3.69	November 1995
	vs. S&P 500 Index			0.03				(2.08)	(6.27)	(4.68)	-	(5.98)	
	Forstmann Leff - Mid Cap	**128.3**	6.36	16.96	14.46	35.95	-	-	-	-	-	35.95	August 2004
	vs. Russell Mid Cap						-	-	-	-	-		

Public Markets Managers
Investment Performance Detail Summary
July 31, 2005

Key for Manager Status:
- Concern
- Significant Concern; Watch List
- Near Termination
- Terminated

Key For Areas of Concern:
1) Performance
2) Personnel Changes
3) Strategy Drift
4) Operational or Administrative Issues
5) No Longer Fit UTIMCO Strategy

Areas of Concern	Assets Under Management ($ Millions)	Periods Ended July 31, 2005 (Returns for Periods Longer Than One Year are Annualized)										
		One Month	Three Months	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
NET OF FEES PERFORMANCE (continued)												
Forstmann Leff - Small Cap	277.0	7.67	18.18	14.95	35.47	34.14	27.21	12.96	11.96	13.82	13.37	January 1994
vs. Russell 2000			[illegible]		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Relational Investors	320.0	4.22	10.87	11.85	-	-	-	-	-	-	19.89	September 2004
vs. S&P 500 Index			[illegible]	[illegible]	-	-	-	-	-	-	[illegible]	
Ironbridge	51.2	10.85	18.86	(0.47)	-	-	-	-	-	-	(2.36)	November 2004
vs. Russell 2000		[illegible]	[illegible]	(10.04)	-	-	-	-	-	-	(10.47)	
Blackrock Hedge	55.4	12.42	24.66	20.36	59.14	55.19	-	-	-	-	55.19	July 2004
vs. Russell 2000		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-		
Blackrock Small Cap	49.7	11.56	25.89	29.07	68.90	62.44	-	-	-	-	61.91	June 2004
vs. Russell 2000		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	[illegible]	
TCW MultiCap	153.3	6.40	15.43	10.12	25.21	23.26	-	-	-	-	6.95	February 2004
vs. Russell 3000		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	(2.27)	
TCW Mid Value	27.8	4.42	9.66	7.21	19.75	17.21	-	-	-	-	11.01	April 2004
vs. Russell Mid Cap		(0.85)	(3.62)	(4.96)	(8.62)	(11.72)	-	-	-	-	(12.22)	
TCW Small Value	38.3	7.18	18.10	8.86	19.80	15.64	-	-	-	-	8.59	April 2004
vs. Russell 2000		[illegible]	[illegible]	(0.72)	(5.63)	(9.14)	-	-	-	-	(9.58)	
Value Act Capital	217.2	2.55	15.04	13.15	21.91	26.00	-	-	-	-	18.60	August 2003
vs. Russell 2000		(3.79)	(2.63)		(3.52)	[illegible]	-	-	-	-	(2.26)	
Westport Small Cap Value	169.4	2.80	10.80	8.39	-	-	-	-	-	-	16.00	October 2004
vs. Russell 2000		(3.53)	(6.86)	(1.19)	-	-	-	-	-	-	(1.49)	
REITS:												
REITS - Greg Cox	818.4	8.45	17.26	26.34	37.91	47.68	30.70	22.59	17.46	19.08	16.59	April 1993
vs. Dow Jones Wilshire Real Estate Securities		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			
International Equities:												
Passive Management:												
BGI EAFE International Fund	287.4	2.98	4.45	3.86	20.65	21.18	17.40	1.27	3.02	5.77	7.27	April 1993
vs. MSCI EAFE Net		(0.09)	(0.04)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(0.24)	[illegible]	[illegible]	
BGI Emerging Markets Structured Fund	102.6	7.18	14.39	13.20	40.47	45.82	31.17	-	-	-	22.10	February 2002
vs. MSCI Emerging Markets with Net Dividends			(0.08)	0.08	(0.15)	(0.64)	[illegible]	-	-	-	(0.04)	
Emerging Proxy (Funded July 2005)	101.1	-	-	-	-	-	-	-	-	-	-	July 2005
vs. MSCI Emerging Markets with Net Dividends		-	-	-	-	-	-	-	-	-	-	
Active Management:												
BGI International Alpha Tilts	303.0	3.00	5.77	6.32	23.82	24.67	-	-	-	-	24.42	August 2003
vs. MSCI EAFE Net		(0.06)				[illegible]	-	-	-	-	[illegible]	
BGI Unequitized Global Markets	30.6	0.73	1.97	-	-	-	-	-	-	-	1.97	May 2005
vs. 90 Day Treasury Bills Average Yield + 3%				-	-	-	-	-	-	-		
Blakeney Management	66.4	1.98	8.52	19.71	-	-	-	-	-	-	34.86	October 2004
vs. MSCI Emerging Markets with Net Dividends		(5.01)	(5.96)		-	-	-	-	-	-	[illegible]	
Bridgewater Currency Overlay	-2.4	(0.22)	(0.69)	(0.47)	-	-	-	-	-	-	(0.47)	January 2005
Currency Overlay Strategy		-	-	-	-	-	-	-	-	-	-	

Public Markets Managers
Investment Performance Detail Summary
July 31, 2005

Key for Manager Status:
- Concern
- Significant Concern; Watch List
- Near Termination
- Terminated

Key For Areas of Concern:
1) Performance
2) Personnel Changes
3) Strategy Drift
4) Operational or Administrative Issues
5) No Longer Fit UTIMCO Strategy

NET OF FEES PERFORMANCE (continued)

Areas of Concern		Assets Under Management ($ Millions)	Periods Ended July 31, 2005 (Returns for Periods Longer Than One Year are Annualized) One Month	Three Months	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	Cundill Canada	25.4	3.76	9.33	1.22	-	-	-	-	-	-	1.22	January 2005
	vs. S&P/TSX Capped Composite Index		(1.46)	(5.05)	(14.46)	-	-	-	-	-	-	(14.46)	
	Cundill EAFE	69.6	(0.08)	0.66	(0.50)	-	-	-	-	-	-	(0.50)	January 2005
	vs. MSCI EAFE Net		(3.15)	(3.83)	(4.26)	-	-	-	-	-	-	(4.26)	
	Cundill Japan	63.9	(0.67)	(1.77)	(1.31)	-	-	-	-	-	-	(1.31)	January 2005
	vs. TOPIX		(1.86)	(1.70)		-	-	-	-	-	-		
	Dalton Japan	50.9	1.66	-	-	-	-	-	-	-	-	0.62	May 2005
	vs. TOPIX			-	-	-	-	-	-	-	-	(0.73)	
	International Futures and Exchange Traded Funds	322.3	2.49	4.72	4.34	13.95	14.18	-	-	-	-	16.50	November 2003
	vs. MSCI EAFE Net		(0.57)			(6.58)	(6.88)	-	-	-	-	(1.65)	
	Globeflex	224.0	5.75	10.39	11.40	35.25	39.18	-	-	-	-	34.89	October 2003
	vs. Citigroup Extended Market Index World ex U.S.							-	-	-	-		
	Globeflex Canadian	51.9	6.21	14.22	11.45	47.83	48.13	-	-	-	-	26.44	March 2004
	vs. Nesbitt Burns Small Cap Canada							-	-	-	-		
	Globeflex Japan	90.5	2.49	1.86	2.94	13.12	15.53	-	-	-	-	7.06	March 2004
	vs. Russell/Nomura Mid-Small Cap Index							-	-	-	-		
1,5	GSAM - Structured International Equity	251.6	3.22	5.80	4.65	21.55	22.54	17.47	0.37	3.25	-	3.48	April 1998
	vs. MSCI EAFE Net								(0.55)	(0.01)	-	0.08	
	Franklin Templeton	166.6	5.71	13.52	12.81	36.71	41.27	29.81	12.21	12.22	-	6.29	January 1996
	vs. MSCI Emerging Markets with Net Dividends		(1.28)	(0.96)	(0.31)	(3.91)	(5.19)	(0.46)			-		
	JMBO Fund	30.5	1.16	2.15	-	-	-	-	-	-	-	2.15	April 2005
	vs. MSCI Japan				-	-	-	-	-	-	-		
	Korea Exchange Traded Funds (Funded July 2005)	10.7	-	-	-	-	-	-	-	-	-	-	July 2005
	vs. MSCI Emerging Markets Net		-	-	-	-	-	-	-	-	-	-	
	Singapore Exchange Traded Funds (Funded July 2005)	26.5	-	-	-	-	-	-	-	-	-	-	July 2005
	vs. MSCI EAFE Net		-	-	-	-	-	-	-	-	-	-	
	Blackrock Global	102.8	9.59	24.06	32.43	-	-	-	-	-	-	36.16	November 2004
	vs. MSCI All Country World ex U.S. with Net Dividends					-	-	-	-	-	-		
	Taiwan Exchange Traded Funds (Funded July 2005)	19.7	-	-	-	-	-	-	-	-	-	-	July 2005
	vs. MSCI Emerging Markets Net		-	-	-	-	-	-	-	-	-	-	
	Hedge Funds:												
	Blue Ridge	195.0	2.87	4.17	7.25	13.10	17.70	-	-	-	-	14.95	January 2004
	vs. 90 Day Treasury Bills Average Yield + 4%							-	-	-	-		
	Brahman II	53.2	0.13	1.15	2.03	9.46	10.25	-	-	-	-	10.25	August 2004
	vs. 90 Day Treasury Bills Average Yield + 4%		(0.44)	(0.58)	(1.37)			-	-	-	-		
	Eminence	93.0	4.13	5.91	6.84	19.30	20.63	-	-	-	-	15.32	July 2003
	vs. 90 Day Treasury Bills Average Yield + 4%							-	-	-	-		

Public Markets Managers
Investment Performance Detail Summary
July 31, 2005

Key for Manager Status:
- Concern
- Significant Concern; Watch List
- Near Termination
- Terminated

Key For Areas of Concern:
1) Performance
2) Personnel Changes
3) Strategy Drift
4) Operational or Administrative Issues
5) No Longer Fit UTIMCO Strategy

Periods Ended July 31, 2005 (Returns for Periods Longer Than One Year are Annualized)

Areas of Concern		Assets Under Management ($ Millions)	One Month	Three Months	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	NET OF FEES PERFORMANCE (continued)												
	Everglades	**40.8**	2.06	3.45	3.28	-	-	-	-	-	-	2.01	January 2005
	vs. 90 Day Treasury Bills Average Yield + 4%				(0.12)	-	-	-	-	-	-	(1.91)	
	Indus Asia Pacific	**30.9**	3.84	7.36	5.45	21.00	20.56	-	-	-	-	13.49	December 2003
	vs. 90 Day Treasury Bills Average Yield + 4%							-	-	-	-		
	Indus Japan	**24.9**	2.30	2.49	6.85	11.80	11.40	-	-	-	-	14.03	December 2003
	vs. 90 Day Treasury Bills Average Yield + 4%							-	-	-	-		
	Maverick Fund	**517.9**	0.94	4.07	3.62	11.91	10.77	9.60	10.21	11.43	-	11.43	August 1998
	vs. 90 Day Treasury Bills Average Yield + 4%										-		
	Millgate International	**39.0**	(1.26)	(5.46)	(6.32)	-	-	-	-	-	-	(1.66)	October 2004
	vs. 90 Day Treasury Bills Average Yield + 4%		(1.83)	(7.19)	(9.72)	-	-	-	-	-	-	(7.12)	
	Moon Capital	**80.0**	(0.42)	0.06	-	-	-	-	-	-	-	(0.04)	April 2005
	vs. 90 Day Treasury Bills Average Yield + 4%		(0.99)	(1.67)	-	-	-	-	-	-	-	(2.34)	
	OCM Emerging Markets Fund	**85.2**	(0.03)	0.75	(0.70)	2.31	3.68	7.22	-	-	-	7.78	January 2002
	vs. 90 Day Treasury Bills Average Yield + 4%		(0.60)	(0.98)	(4.10)	(3.64)	(2.75)		-	-	-		
	SG Partners	**51.7**	4.72	13.35	5.99	10.15	6.71	-	-	-	-	1.73	September 2003
	vs. 90 Day Treasury Bills Average Yield + 4%							-	-	-	-	(4.10)	
1	**Sirios Overseas**	**41.2**	3.20	7.70	5.86	12.27	12.49	-	-	-	-	7.77	**May 2003**
	vs. 90 Day Treasury Bills Average Yield + 4%							-	-	-	-		
2	**Standard Pacific Capital Offshore Fund**	**52.3**	(1.88)	(2.70)	(0.76)	5.89	6.55	-	-	-	-	**1.82**	**February 2003**
	vs. 90 Day Treasury Bills Average Yield + 4%		(2.45)	(4.44)	(4.16)	(0.06)		-	-	-	-	(3.88)	
	Steadfast	**82.9**	3.94	11.50	13.62	-	-	-	-	-	-	24.10	November 2004
	vs. 90 Day Treasury Bills Average Yield + 4%					-	-	-	-	-	-		
	Absolute Return:												
	AQR Offshore	**41.4**	1.53	3.74	3.64	7.55	7.17	-	-	-	-	2.53	March 2004
	vs. 90 Day Treasury Bills Average Yield + 3%							-	-	-	-	(2.48)	
	BGI Unequitized Global Markets	**234.8**	0.73	1.71	2.37	4.68	4.76	-	-	-	-	5.09	May 2004
	vs. 90 Day Treasury Bills Average Yield + 3%				(0.52)	(0.30)	(0.62)	-	-	-	-	**(0.04)**	
	Bridgewater Pure Alpha	**99.0**	(0.87)	(0.84)	1.37	14.41	16.79	-	-	-	-	12.83	March 2004
	vs. 90 Day Treasury Bills Average Yield + 3%		(1.35)	(2.32)	(1.52)			-	-	-	-		
	Farallon Capital Offshore Investors	**427.1**	1.01	3.54	5.08	16.90	18.32	17.21	13.72	13.96	-	13.96	August 1998
	vs. 90 Day Treasury Bills Average Yield + 3%										-		
	Indus Event Driven	**48.2**	0.48	0.85	2.75	4.34	5.04	-	-	-	-	8.79	December 2003
	vs. 90 Day Treasury Bills Average Yield + 3%		(0.01)	(0.63)	(0.13)	(0.65)	(0.34)	-	-	-	-		
	K Capital	**34.8**	(2.86)	(7.46)	(5.32)	-	-	-	-	-	-	(0.60)	November 2004
	vs. 90 Day Treasury Bills Average Yield + 3%		(3.35)	(8.94)	(8.21)	-	-	-	-	-	-	(4.80)	
	OZ Europe	**5.3**	4.41	6.08	-	-	-	-	-	-	-	5.17	April 2005
	vs. 90 Day Treasury Bills Average Yield + 3%				-	-	-	-	-	-	-		
	OZ Overseas Fund	**113.0**	2.03	3.71	4.92	12.06	13.00	-	-	-	-	13.00	August 2004
	vs. 90 Day Treasury Bills Average Yield + 3%							-	-	-	-		

Public Markets Managers
Investment Performance Detail Summary
July 31, 2005

Key for Manager Status:
- Concern
- Significant Concern; Watch List
- Near Termination
- Terminated

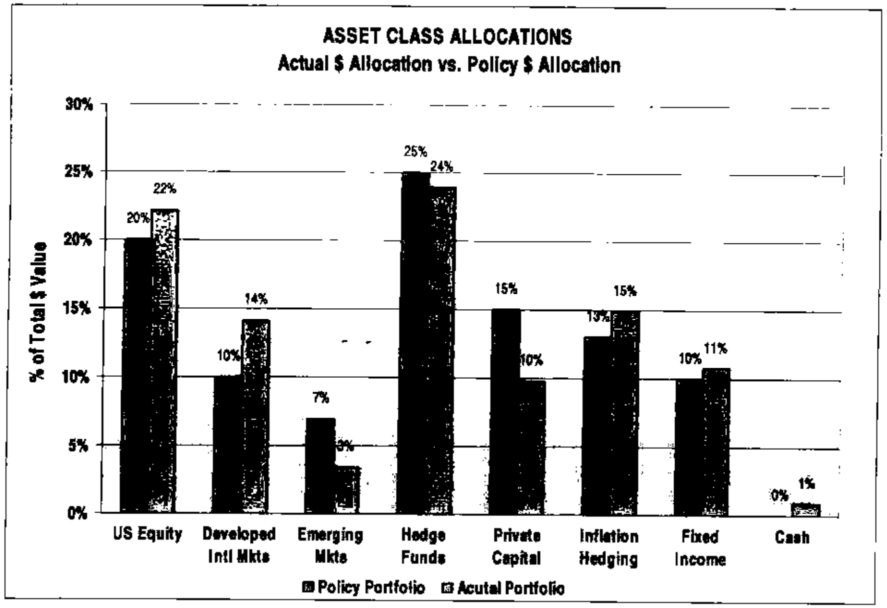
Key For Areas of Concern:
1) Performance
2) Personnel Changes
3) Strategy Drift
4) Operational or Administrative Issues
5) No Longer Fit UTIMCO Strategy

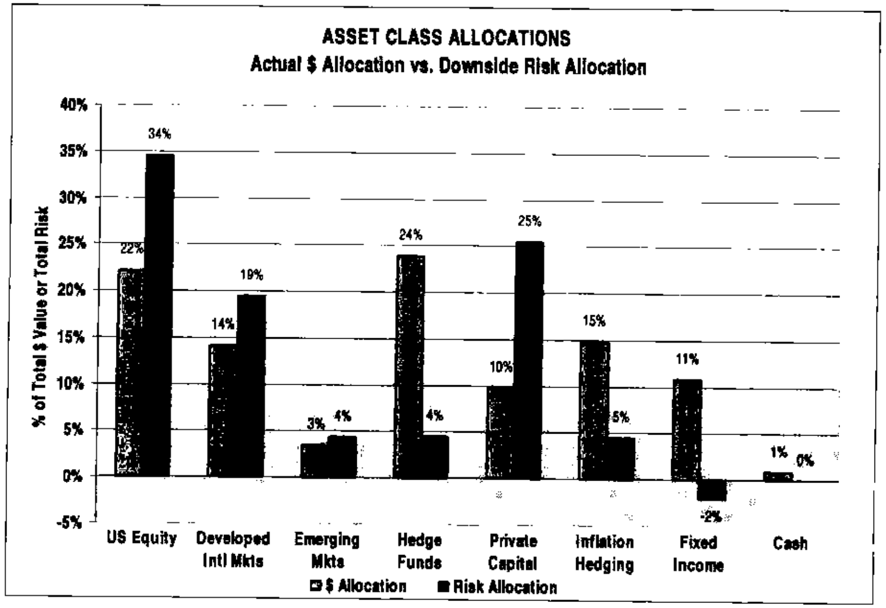
Periods Ended July 31, 2005
(Returns for Periods Longer Than One Year are Annualized)

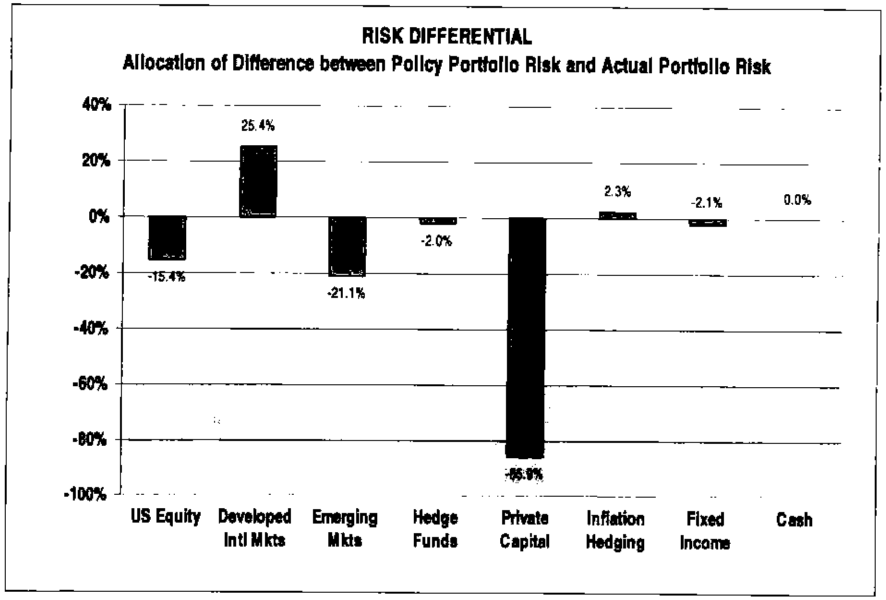
Areas of Concern		Assets Under Management ($ Millions)	One Month	Three Months	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
	NET OF FEES PERFORMANCE (continued)												
	Perry Fund	30.4	1.86	-	-	-	-	-	-	-	-	1.45	June 2005
	vs. 90 Day Treasury Bills Average Yield + 3%		[illegible]	-	-	-	-	-	-	-	-	[illegible]	
	Perry Partners International	476.5	4.68	6.39	7.87	21.56	21.76	18.99	15.23	14.82	-	14.82	August 1998
	vs. 90 Day Treasury Bills Average Yield + 3%		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	
	Protégé Partners Fund	213.8	1.91	4.28	4.19	8.96	9.29	-	-	-	-	10.45	February 2003
	vs. 90 Day Treasury Bills Average Yield + 3%		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	[illegible]	
	Satellite Fund	194.5	2.33	5.87	4.58	10.62	11.80	17.95	-	-	-	7.58	September 2000
	vs. 90 Day Treasury Bills Average Yield + 3%		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	[illegible]	
	TPG-Axon	53.2	4.12	7.83	5.80	-	-	-	-	-	-	5.80	February 2005
	vs. 90 Day Treasury Bills Average Yield + 3%			[illegible]		-	-	-	-	-	-	[illegible]	
	Commodities:												
	Goldman Sachs Commodity Index	443.7	4.98	10.31	15.12	24.00	19.66	26.21	-	-	-	26.30	June 2002
	vs. Goldman Sachs Commodity Index - 100 bps		(0.43)	(0.24)	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	[illegible]	
	PIMCO Real Return	241.3	2.93	3.98	9.12	12.92	12.74	-	-	-	-	14.82	January 2004
	vs. Dow Jones AIG + 1-10 Year TIPS				0.05	(0.38)	(0.41)	-	-	-	-	(0.24)	
	Fixed Income:												
	Internal - Harland Doak	141.6	(1.17)	0.69	1.13	3.35	5.24	6.80	-	-	-	6.19	February 2001
	vs. Credit Related Composite Index		(0.15)	(0.36)	[illegible]	[illegible]	(0.23)	(0.23)	-	-	-	(0.89)	
	Internal - Russ Kampfe	376.8	(0.97)	0.44	1.10	2.71	3.82	3.36	5.64	-	-	6.17	February 2000
	vs. Lehman Brothers Aggregate Bond Index		(0.06)	(0.27)		(0.12)	(0.97)	(1.65)	(1.37)	-	-	(1.18)	
	Total Internally Managed Fixed Income	518.4	(1.02)	0.48	1.05	2.94	4.42	4.94	6.35	-	-	6.82	
	vs. Lehman Brothers Aggregate Bond Index		(0.11)	(0.23)	[illegible]	[illegible]	(0.37)	(0.08)	(0.66)	-	-	(0.54)	
	GMO Emerging Debt Fund	33.1	0.53	6.55	7.43	19.62	25.64	-	-	-	-	26.92	May 2004
	vs. JP Morgan Emerging Bond Index Global		[illegible]	[illegible]		[illegible]	[illegible]	-	-	-	-	[illegible]	
	PIMCO Fixed Income	761.3	(0.50)	(0.69)	0.46	6.40	8.06	9.78	9.52	7.79	-	7.61	March 1998
	vs. PIMCO Composite Benchmark			(0.04)		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	
	Reams Core Plus	199.4	(0.56)	-	-	-	-	-	-	-	-	(0.28)	May 2005
	vs. Lehman Brothers Aggregate Bond Index			-	-	-	-	-	-	-	-	[illegible]	
	Treasury Inflation Protection Securities (TIPS):												
	Internal TIPS	224.2	(2.04)	(1.03)	0.42	3.22	6.03	-	-	-	-	5.83	July 2004
	vs. Lehman Brothers US TIPS Index		0.06	(0.02)	(0.12)	(0.06)	(0.02)	-	-	-	-	[illegible]	
	PIMCO TIPS	289.4	(1.85)	(0.86)	0.93	3.81	-	-	-	-	-	3.81	August 2004
	vs. Lehman Brothers US TIPS Index						-	-	-	-	-		
	Reams TIPS	99.3	(1.46)	-	-	-	-	-	-	-	-	(0.89)	May 2005
	vs. Lehman Brothers US TIPS Index		[illegible]	-	-	-	-	-	-	-	-		

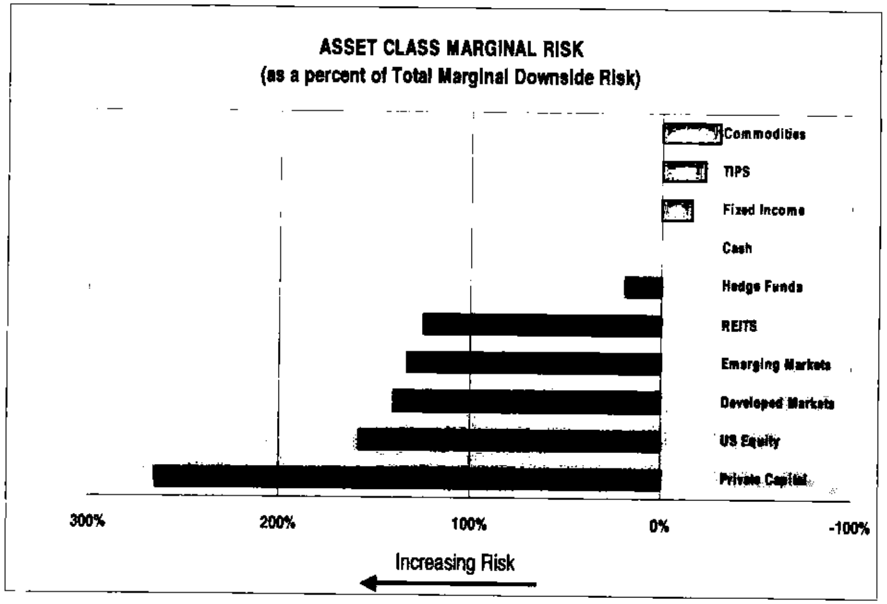
$ and Risk Allocations

July 31, 2005



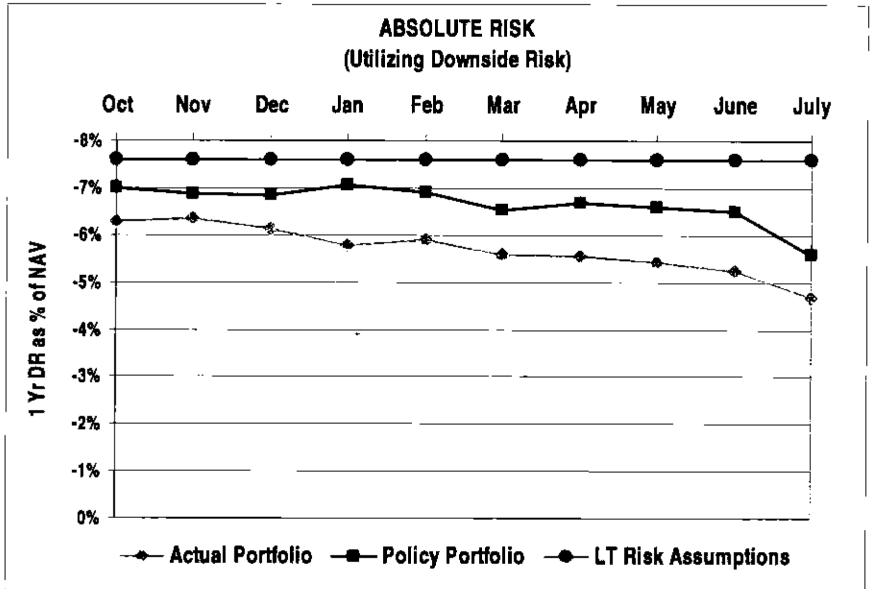


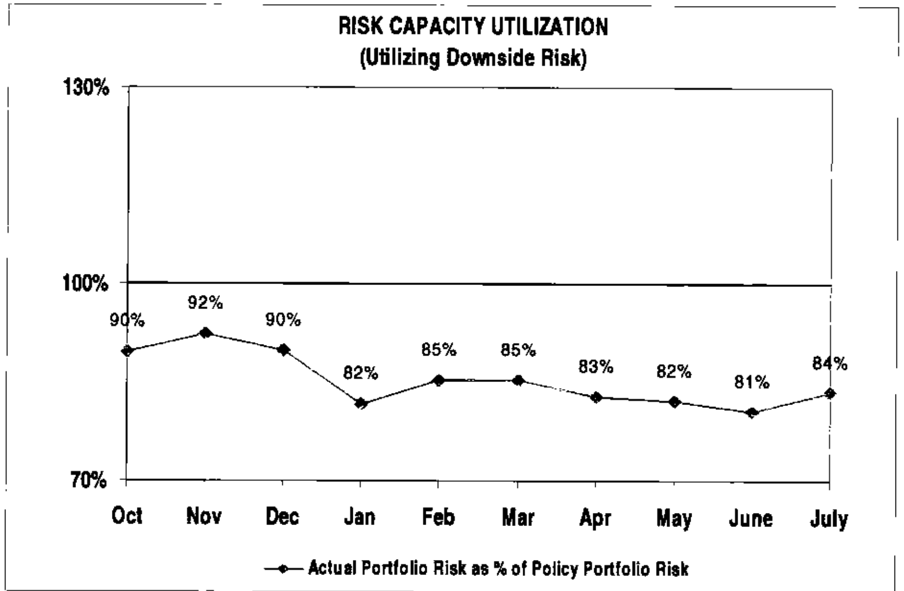


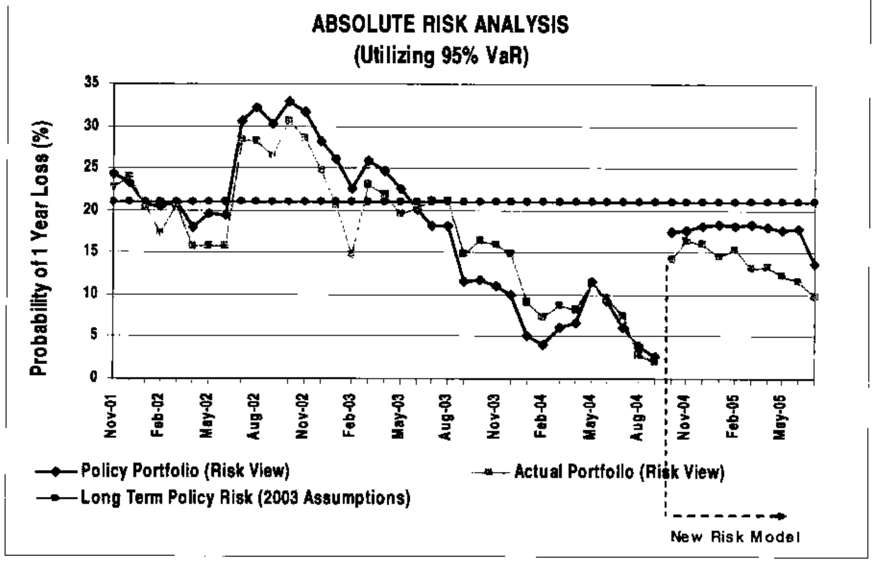


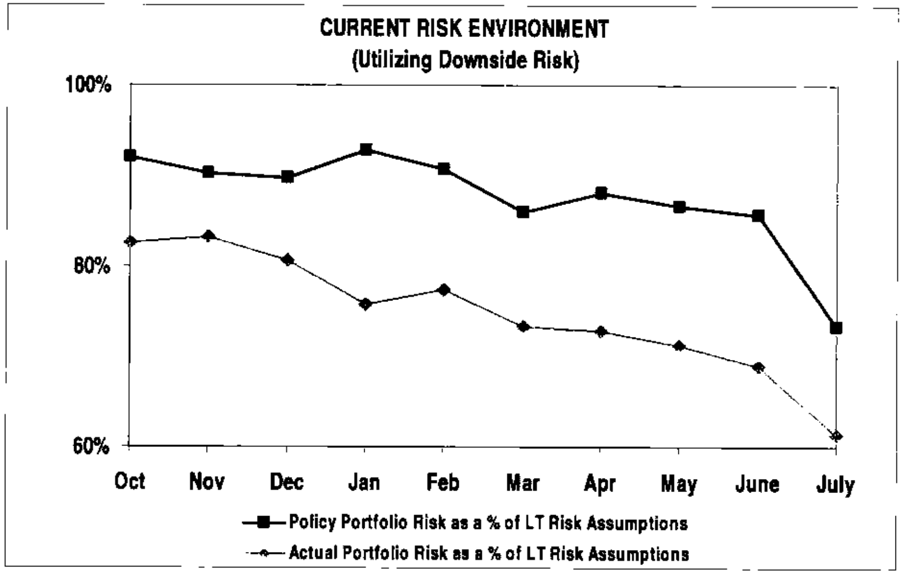
Risk over Time

July 31, 2005









Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Liquidity Profile Reports

Developed By: Moeller, Childers

Presented By: Boldt

Type of Item: Information Item

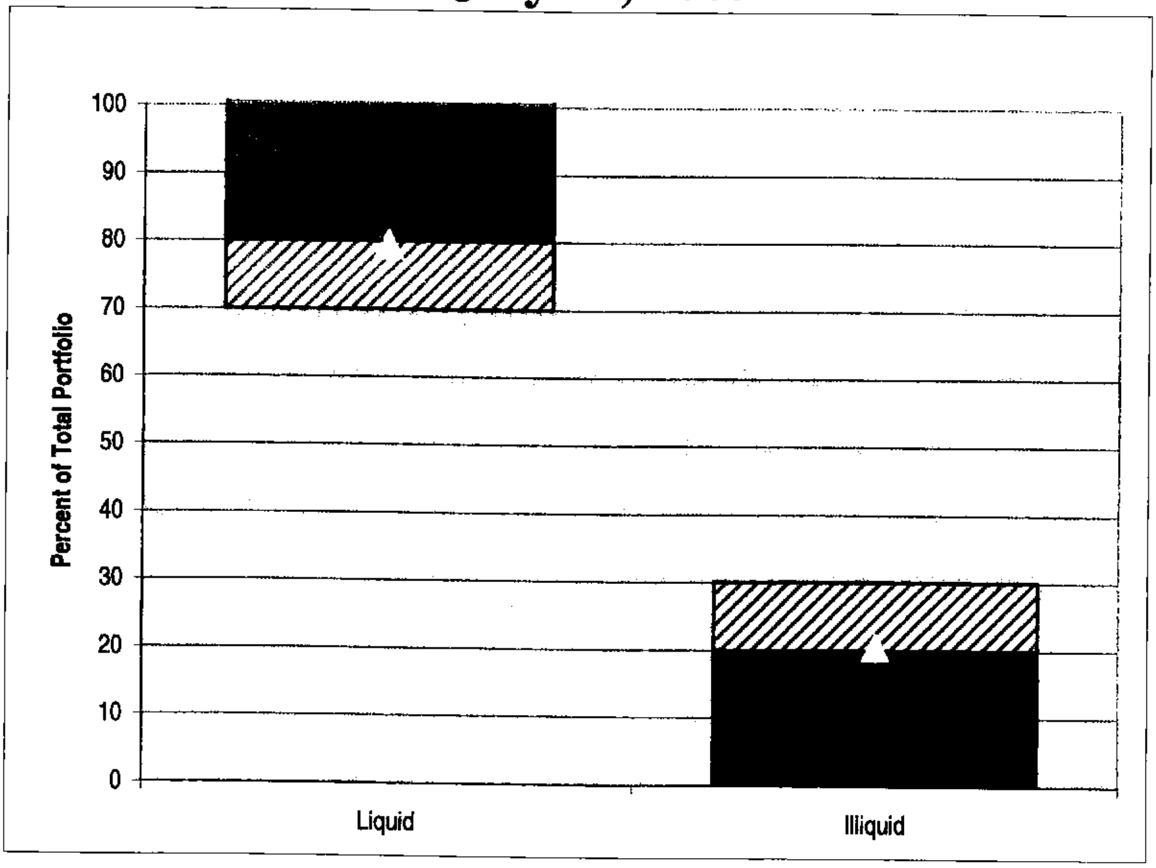
Description: The reports presented are for the period ended July 31, 2005.

Discussion: As of July 31, 2005 endowment fund assets classified as liquid were 79.6% of the total assets, and those classified as illiquid were 20.4% of total assets.

Recommendation: No action required.

Reference: Combined Liquidity Profile, PUF Liquidity Profile, GEF Liquidity Profile, Certification of GEF and PUF Liquidity Profiles, Illiquid Investments Approved/Delegated or Funded from Last Report to UTIMCO Board, UT Endowments Actual Liquidity Classification, Domestic Equities, International Equities and Fixed Income Actual Liquidity Classifications, Marketable Alternatives Actual Liquidity Classification, Non-Marketable Alternatives Actual Liquidity Classification, and Inflation Hedging Actual Liquidity Classification

Combined Liquidity Profile
July 31, 2005



Current:

	7/31/2005 Market Value	Percent	6/30/2005 Market Value	Percent
Liquid	11,464,723,661.14	79.6	11,130,702,088.44	78.8
Illiquid	2,947,247,311.60	20.4	2,986,011,479.98	21.2
	14,411,970,972.74	100.0	14,116,713,568.42	100.0

Approved but not yet invested illiquid marketable investments:

	7/31/2005 Market Value	Percent	6/30/2005 Market Value	Percent
Liquid	11,439,723,661.14	79.4	11,130,702,088.44	78.8
Illiquid	2,972,247,311.60	20.6	2,986,011,479.98	21.2
	14,411,970,972.74	100.0	14,116,713,568.42	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.

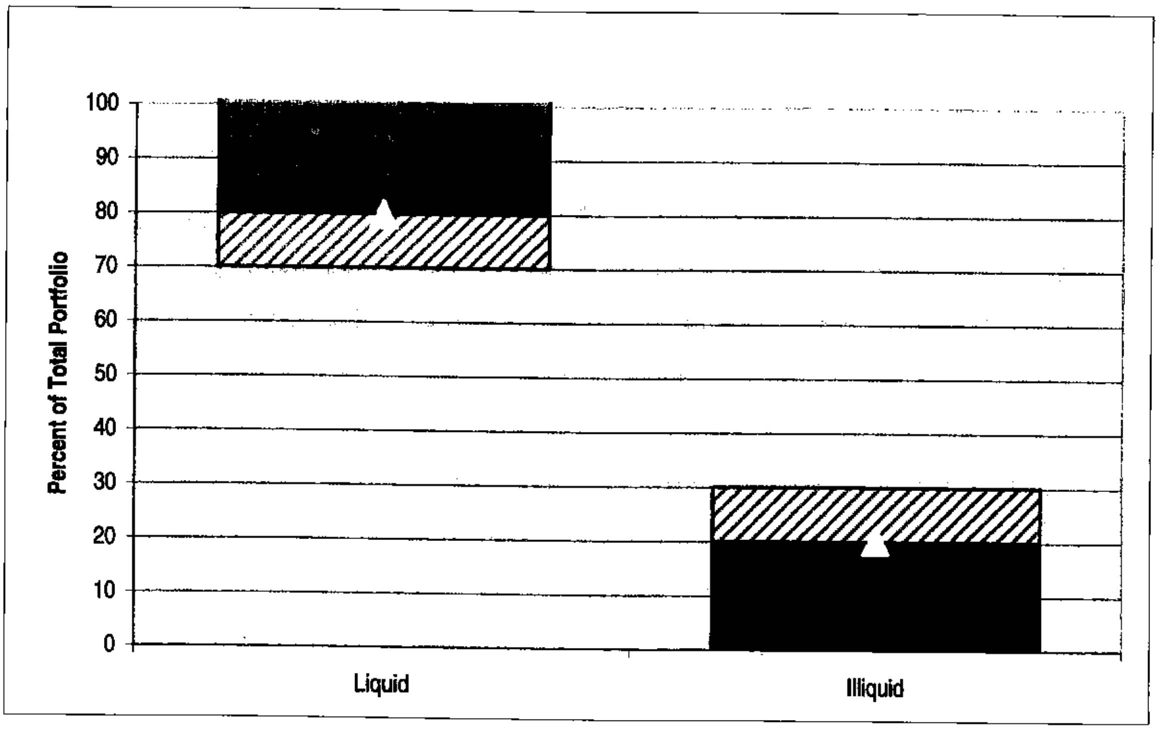
Illiquid: Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

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

I, ____________, 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.

PUF Liquidity Profile
July 31, 2005



Current:

	7/31/2005 Market Value	Percent	6/30/2005 Market Value	Percent
Liquid	7,526,504,875.76	79.9	7,297,697,932.10	79.1
Illiquid	1,896,323,698.91	20.1	1,925,845,054.56	20.9
	9,422,828,574.67	100.0	9,223,542,986.66	100.0

Approved but not yet invested illiquid marketable investments:

	7/31/2005 Market Value	Percent	6/30/2005 Market Value	Percent
Liquid	7,510,254,875.76	79.7	7,297,697,932.10	79.1
Illiquid	1,912,573,698.91	20.3	1,925,845,054.56	20.9
	9,422,828,574.67	100.0	9,223,542,986.66	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.

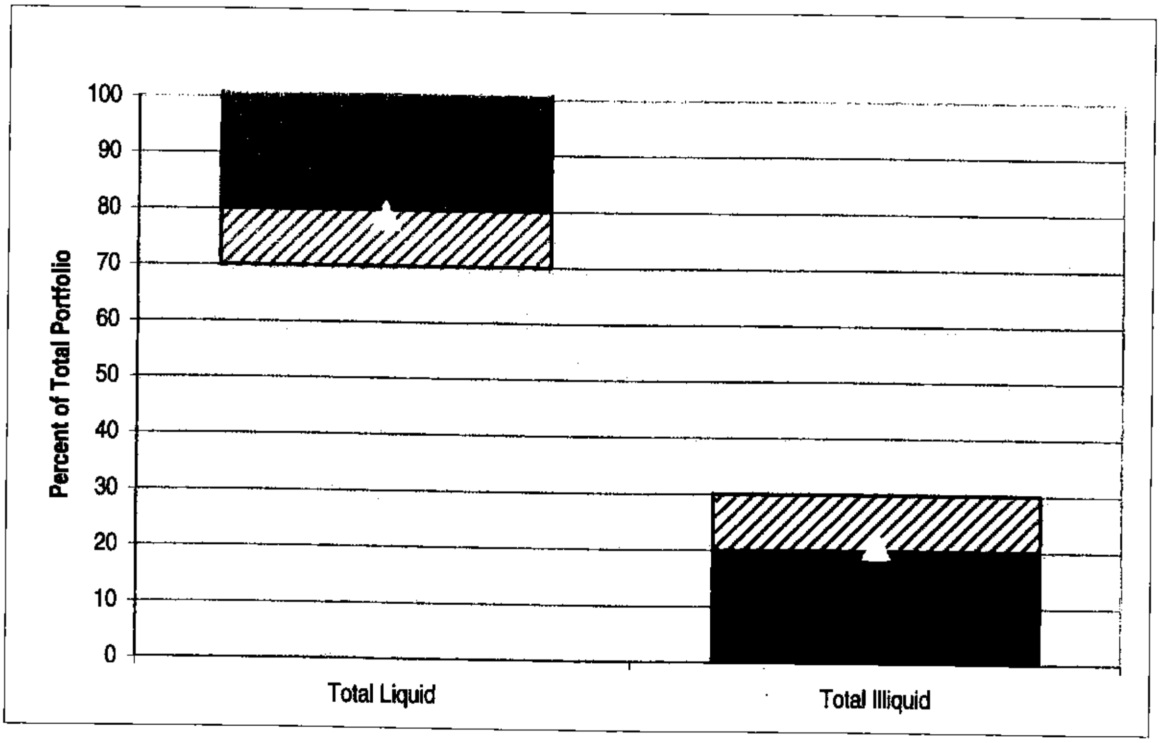
Illiquid: Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

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

I, ____________, 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, 2005



Current:

	7/31/2005 Market Value	7/31/2005 Percent	6/30/2005 Market Value	6/30/2005 Percent
Liquid	3,938,218,785.38	78.9	3,833,004,156.34	78.3
Illiquid	1,050,923,612.69	21.1	1,060,166,425.42	21.7
	4,989,142,398.07	100.0	4,893,170,581.76	100.0

Approved but not yet invested illiquid marketable investments:

	7/31/2005 Market Value	7/31/2005 Percent	6/30/2005 Market Value	6/30/2005 Percent
Liquid	3,929,468,785.38	78.8	3,833,004,156.34	78.3
Illiquid	1,059,673,612.69	21.2	1,060,166,425.42	21.7
	4,989,142,398.07	100.0	4,893,170,581.76	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 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, ______________, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, ______________, 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.

Liquidity Profile for GEF and PUF

July 31, 2005

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

8/30/05 Date

Cathy Iberg, Managing Director - Marketable Alternatives

8/30/05 Date

Sara J. McMahon Sara McMahon, Managing Director - Non-Marketable Alternatives

8/30/05 Date

Trey Thompson Trey Thompson, Managing Director - Non-Marketable Alternatives

8-29-05 Date

Illiquid investments approved/delegated or funded from last report to UTIMCO Board through current report date
June 1, 2005 through July 31, 2005

Private Equity investments	Board Approved/ Delegated	Committed Amount		Funded Amount	
		PUF	GEF	PUF	GEF
CVC European Equity Partners IV (C) LP	July 2005	$ 25,458,300.00	$ 10,910,700.00	$ -	$ -
Lake Capital Partners II LP	July 2005	$ 28,000,000.00	$ 12,000,000.00	$ -	$ -
SCF-VI, L.P.	July 2005	$ 24,500,000.00	$ 10,500,000.00	$ -	$ -
Candover 2005 Fund US No. 1 Limited Partnership	July 2005	$ 25,458,300.00	$ 10,910,700.00	$ -	$ -

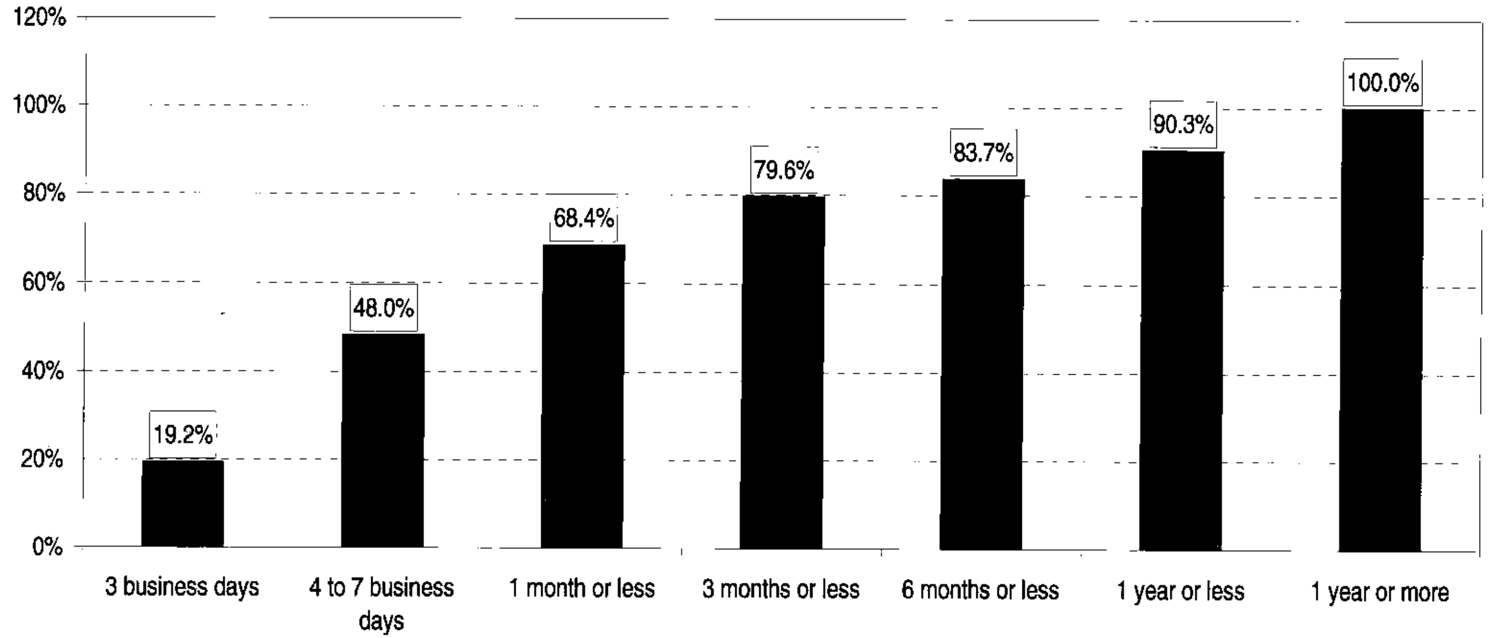
Marketable Alternative investments					
OCM High Yield	July 2005	$ 16,250,000.00	$ 8,750,000.00	$ -	$ -

Public Markets

Change in investment's liquidity classification

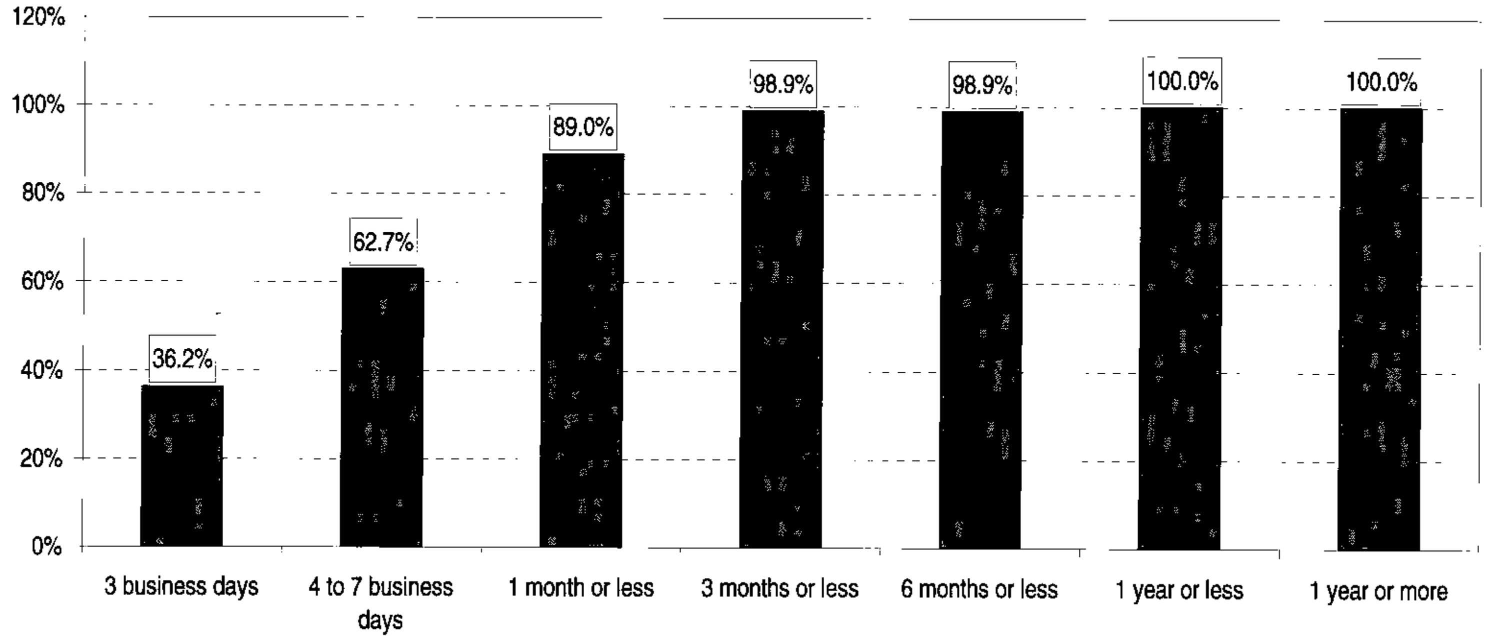
None

UT Endowments (PUF & GEF) Actual Liquidity Classification
as of July 31, 2005



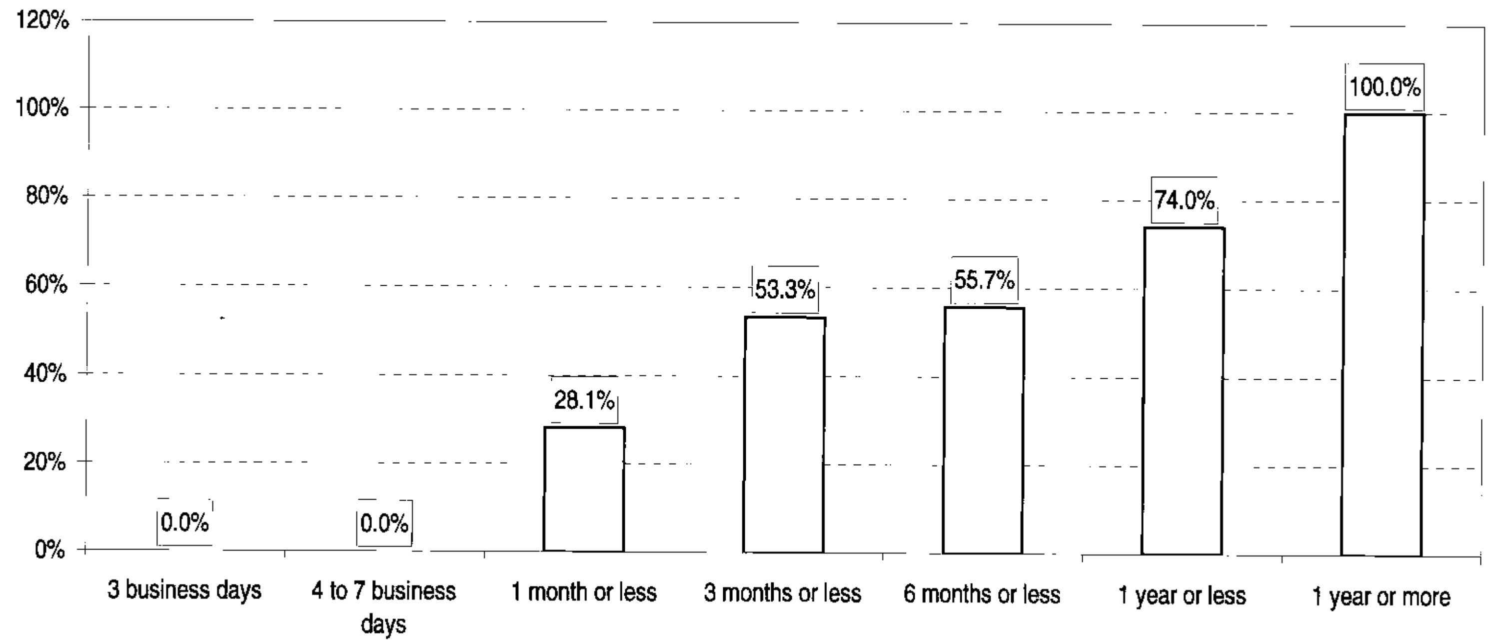
	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	2,762,068,023	19.2%	2,762,068,023	19.2%
	4 to 7 business days	4,158,490,980	28.9%	6,920,559,003	48.0%
	1 month or less	2,943,424,830	20.4%	9,863,983,833	68.4%
	3 months or less	1,600,739,828	11.1%	11,464,723,661	79.6%
Illiquid:	6 months or less	592,596,147	4.1%	12,057,319,808	83.7%
	1 year or less	954,111,779	6.6%	13,011,431,588	90.3%
	1 year or more	1,400,539,385	9.7%	14,411,970,973	100.0%
		14,411,970,973	100.0%		

Domestic Equities, International Equities and Fixed Income Actual Liquidity Classification
as of July 31, 2005

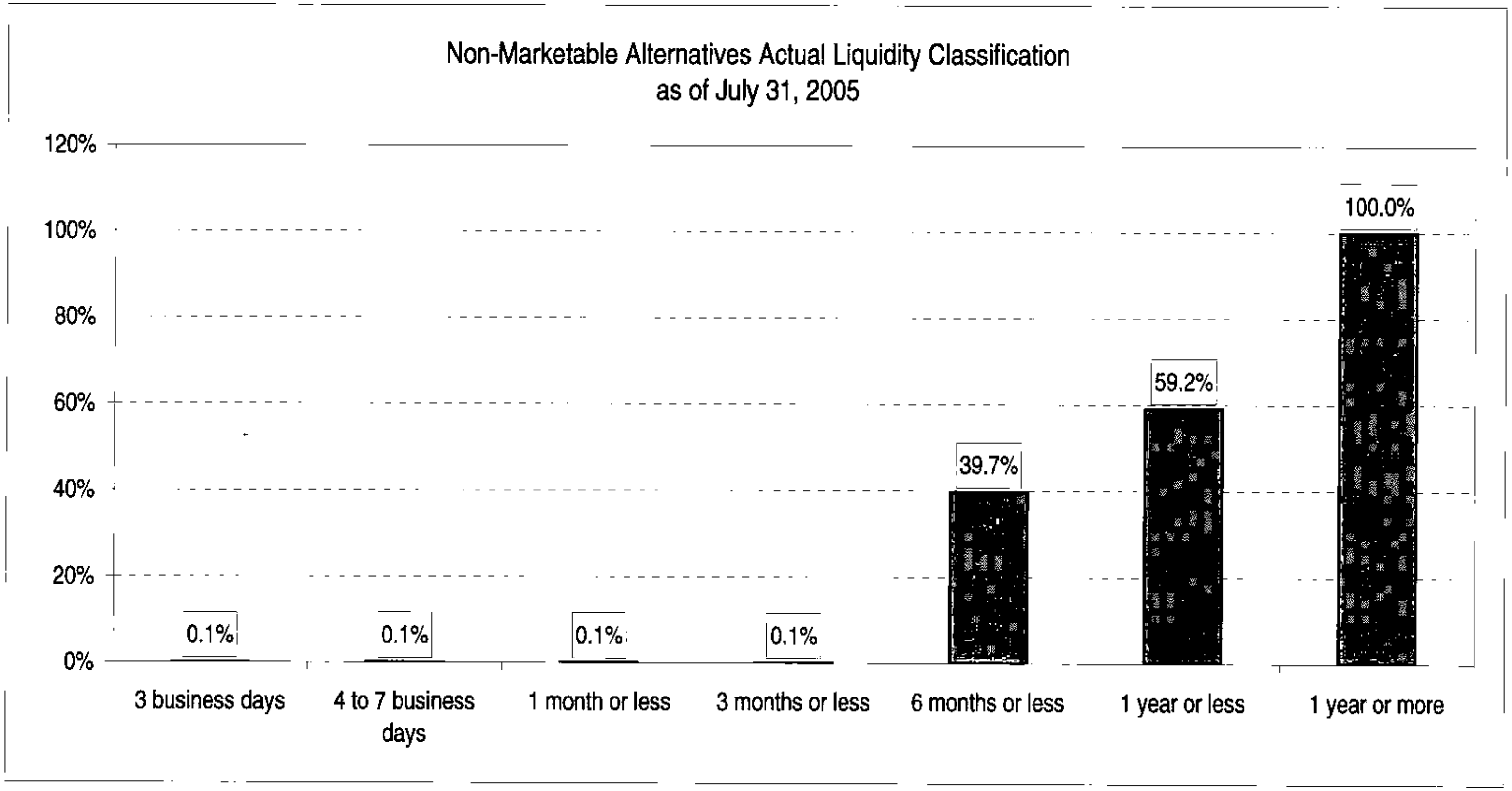


	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	2,761,243,226	36.2%	2,761,243,226	36.2%
	4 to 7 business days	2,021,942,534	26.5%	4,783,185,760	62.7%
	1 month or less	1,998,609,890	26.2%	6,781,795,650	89.0%
	3 months or less	755,644,679	9.9%	7,537,440,329	98.9%
Illiquid:	6 months or less	0	0.0%	7,537,440,329	98.9%
	1 year or less	85,902,871	1.1%	7,623,343,199	100.0%
	1 year or more	0	0.0%	7,623,343,199	100.0%
		7,623,343,199	100.0%		

Marketable Alternatives Actual Liquidity Classification
as of July 31, 2005

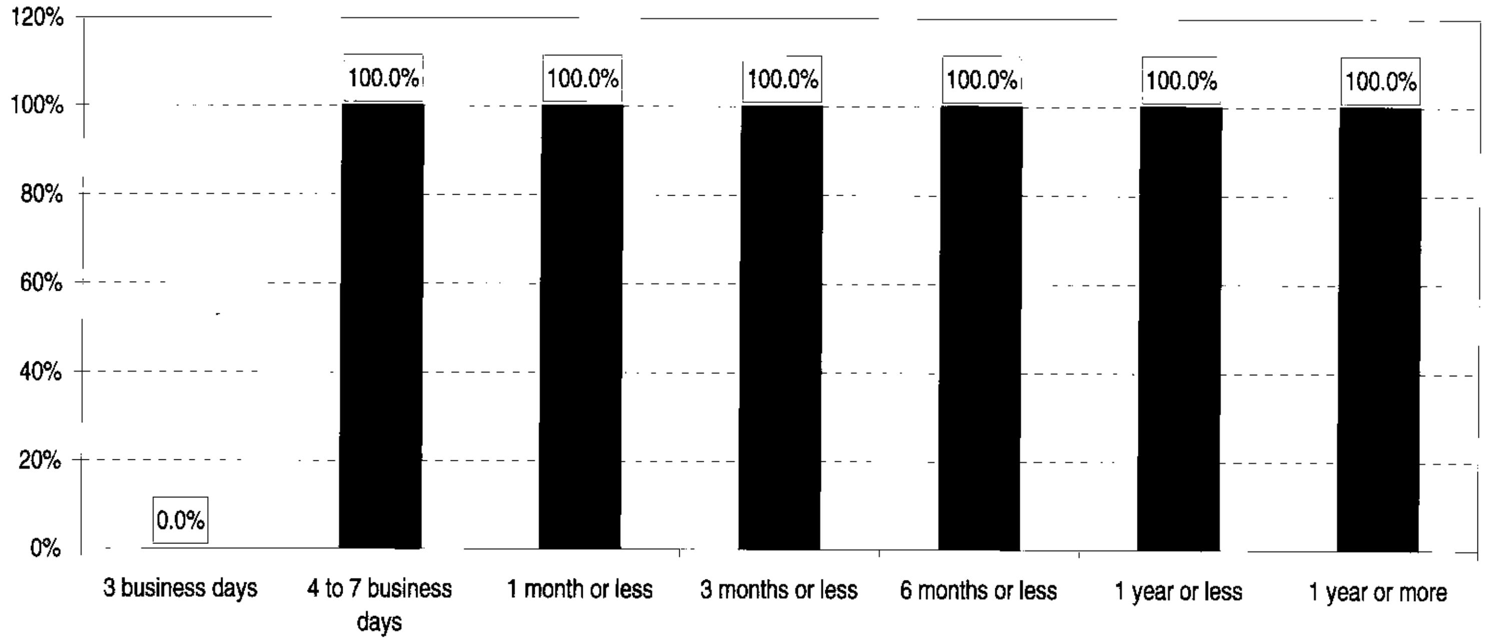


	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	0	0.0%	0	0.0%
	4 to 7 business days	0	0.0%	0	0.0%
	1 month or less	944,814,940	28.1%	944,814,940	28.1%
	3 months or less	845,095,150	25.2%	1,789,910,089	53.3%
Illiquid:	6 months or less	80,021,685	2.4%	1,869,931,775	55.7%
	1 year or less	616,310,258	18.3%	2,486,242,033	74.0%
	1 year or more	873,235,842	26.0%	3,359,477,874	100.0%
		3,359,477,874	100.0%		



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	824,797	0.1%	824,797	0.1%
	4 to 7 business days	0	0.0%	824,797	0.1%
	1 month or less	0	0.0%	824,797	0.1%
	3 months or less	0	0.0%	824,797	0.1%
Illiquid:	6 months or less	512,574,462	39.7%	513,399,259	39.7%
	1 year or less	251,898,651	19.5%	765,297,910	59.2%
	1 year or more	527,303,544	40.8%	1,292,601,454	100.0%
		1,292,601,454	100.0%		

Inflation Hedging Actual Liquidity Classification
as of July 31, 2005



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	0	0.0%	0	0.0%
	4 to 7 business days	2,136,548,446	100.0%	2,136,548,446	100.0%
	1 month or less	0	0.0%	2,136,548,446	100.0%
	3 months or less	0	0.0%	2,136,548,446	100.0%
Illiquid:	6 months or less	0	0.0%	2,136,548,446	100.0%
	1 year or less	0	0.0%	2,136,548,446	100.0%
	1 year or more	0	0.0%	2,136,548,446	100.0%
		2,136,548,446	100.0%		

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Reports on Derivative Applications

Developed By: Goldsmith, Shah, Childers

Presented By: Boldt

Type of Item: Information Item

Description: The reports presented are for the period ended July 31, 2005 for internally managed derivatives and for the period ended July 31, 2005 for external managers using derivatives.

Discussion: Gross exposure for internally managed derivatives as a percentage of the total endowment funds is 38.85% as of July 31, 2005. Internally managed derivative exposure by type is 58.4% futures, 6.6% forwards, and 35.0% options on a gross exposure basis.

Recommendation: No action required.

Reference: Total Internal Derivatives by Type; External Managers using Derivatives

TOTAL INTERNAL DERIVATIVES (FUTURES, FORWARDS, and OPTIONS) BY TYPE as of July 31, 2005

	Gross Exposure	Net Exposure	Gross Exposure % of Endowment Funds	Comment
S&P 500 Futures	1,341,618,800	1,341,618,800	9.48%	Large cap exposure
Dow Jones Futures	64,489,080	64,489,080	0.46%	Large cap exposure (w/ minimal Financials)
MidCap 400 EMini Futures	6,287,490		0.04%	Mid cap exposure
MidCap 400 EMini Futures (Short)	84,122,280	(77,834,790)	0.59%	Reduce mid cap exposure
Russell 2000 Mini Index Futures (Short)	848,179,260	(848,179,260)	5.99%	Reduce small cap exposure
Euro Stoxx Futures	122,159,974	122,159,974	0.86%	Eurozone large cap equity exposure
Euro currency Forwards	115,590,406	115,590,406	0.82%	Euro currency exposure
FTSE 100 Futures	204,143,331	204,143,331	1.44%	United Kingdom large cap equity exposure
British Pound Forwards	179,386,391	179,386,391	1.27%	British Pound currency exposure
Canadian Dollar Forwards	7,982,987	(7,982,987)	0.06%	Canadian Dollar currency exposure
Japanese Yen Forwards	5,766,905	5,766,905	0.04%	Japanese Yen currency exposure
Singapore Futures	11,741,461	11,741,461	0.08%	Futures Basket to proxy Emerging Markets
Singapore Dollar Forwards	11,679,328	11,679,328	0.08%	SGD currecny exposure
Taiwan Futures	29,567,840	29,567,840	0.21%	Futures Basket to proxy Emerging Markets
Taiwan Dollar Forwards	30,204,004	30,204,004	0.21%	TWD currency exposure
South African Futures	23,791,285	23,791,285	0.17%	Futures Basket to proxy Emerging Markets
South African Rand Forwards	5,792,072	5,792,072	0.04%	ZAR Currency exposure
Hang Seng Futures	6,892,159	6,892,159	0.05%	Futures Basket to proxy Emerging Markets
Hong Kong Dollar Forwards	6,885,630	6,885,630	0.05%	HKD Currency exposure
S&P 500 Futures	28,446,400	28,446,400	0.20%	Futures Basket to proxy Emerging Markets
GSCI Futures	442,012,200	442,012,200	3.12%	Commodity exposure
Nikkei 225 - OTM put options (Short)	25,000,000	(25,000,000)	0.18%	Increase Japanese large cap equity exposure
Nikkei 225 - OTM call options (Short)	25,000,000	(25,000,000)	0.18%	Reduce Japanese large cap equity exposure
Russell 2000 Options - OTM call options (Short)	50,000,000	(50,000,000)	0.35%	Reduce small cap exposure
Oil Service HOLDRs - OTM call options (Short)	10,000,000	(10,000,000)	0.07%	Reduce large cap oil service industry exposure
US Financial Sector - ATM call options (Short)	3,056,000	(3,056,000)	0.02%	US large cap financials exposure
GSCI Excess Return Index - OTM call options (Short)	200,000,000	(200,000,000)	1.41%	Reduce commodity exposure
Large Cap Tech Basket - ATM call spread	10,000,000	10,000,000	0.07%	US large cap technology exposure
Costless Put Spread Collar - Total Notional Exposure Value	1,600,000,000	1,600,000,000	11.31%	Hedge Domestic Equity Portfolio exposure
Total	**5,499,795,283**	**2,993,114,229**	**38.85%** Less than 45% of Endowment Funds	

Exposure by Type	**Gross Exposure**		**Net Exposure**	
Futures	3,213,451,560	*58.4%*	1,348,848,480	*45.1%*
Forwards	363,287,723	*6.6%*	347,321,749	*11.6%*
Options	1,923,056,000	*35.0%*	1,296,944,000	*43.3%*
Total	**5,499,795,283**	*100.0%*	**2,993,114,229**	*100.0%*

TOTAL INTERNAL DERIVATIVES (FUTURES, FORWARDS, and OPTIONS) BY TYPE as of July 31, 2005

	Gross Exposure	Net Exposure	Gross Exposure % of Endowment Funds	Comment
US EQUITY DERIVATIVES				
1) Index Exposure				
S&P 500 Futures	423,294,800	423,294,800	2.99%	Large cap exposure
MidCap 400 EMini Futures	6,287,490	6,287,490	0.04%	Mid cap exposure
Dow Jones Futures	64,489,080	64,489,080	0.46%	Large cap exposure (w/ minimal Financials)
GSCI Futures	442,012,200	442,012,200	3.12%	Commodity exposure
Total Index Exposure	**936,083,570**	**936,083,570**	**6.61%**	
2) Active Tilts				
US Financial Sector - ATM call options (Short)	3,056,000	(3,056,000)	0.02%	Reduce US large cap financials exposure
Large Cap Tech Basket - ATM call spread	10,000,000	10,000,000	0.07%	Large cap technology exposure
Total Active Tilts	**13,056,000**	**6,944,000**	**0.09%**	
3) Hedging / Risk Reduction				
S&P 500 Futures	918,324,000	918,324,000	6.49%	Increase large cap exposure [1]
MidCap 400 EMini Futures (Short)	84,122,280	(84,122,280)	0.59%	Reduce mid cap exposure [1]
Russell 2000 Mini Index Futures (Short)	848,179,260	(848,179,260)	5.99%	Reduce small cap exposure [1]
Russell 2000 Options - OTM call options (Short)	50,000,000	(50,000,000)	0.35%	Reduce small cap exposure
GSCI Excess Return Index - OTM call options (Short)	200,000,000	(200,000,000)	1.41%	Reduce commodity exposure
Costless Put Spread Collar - Total Notional Exposure Value	1,600,000,000	1,600,000,000	11.31%	Hedge Domestic Equity Portfolio exposure
Total Hedging / Risk Reduction	**3,700,625,540**	**1,336,022,460**	**26.14%**	
TOTAL US DERIVATIVES	**4,649,765,110**	**2,279,050,030**	**32.84%**	
INTERNATIONAL EQUITY DERIVATIVES				
1) Index Exposure				
S&P 500 Futures	28,446,400.00	28,446,400	0.20%	Futures Basket to proxy Emerging Markets
Hang Seng Futures	6,892,159.00	6,892,159	0.05%	Futures Basket to proxy Emerging Markets
Hong Kong Dollar Forwards	6,885,630	6,885,630	0.05%	Hong Kong Dollar currency exposure
Taiwan Index Futures	29,567,840.00	29,567,840	0.21%	Futures Basket to proxy Emerging Markets
Taiwan Dollar Forwards	30,204,004	30,204,004	0.21%	Taiwan Dollar currency exposure
Singapore Futures	11,741,461.00	11,741,461	0.08%	Futures Basket to proxy Emerging Markets
Singapore Dollar Forwards	11,679,328	11,679,328	0.08%	Singapore Dollar currency exposure
FTSE/JSE Top 40 Futures	23,791,285.00	23,791,285	0.17%	Futures Basket to proxy Emerging Markets
South African Rand Forwards	5,792,072	5,792,072	0.04%	South African Rand currency exposure
Euro currency Forwards	5,770,938	5,770,938	0.04%	Euro currency exposure to hedge ZAR
Japanese Yen Forwards	5,766,905	5,766,905	0.04%	Yen currency exposure to hedge ZAR
Total Index Exposure	**166,538,022**	**166,538,022**	**1.17%**	
2) Active Tilts		-	-	
3) Hedging / Risk Reduction - neutralizing country/region underweightings				
Oil Service HOLDRs - OTM call options (Short)	10,000,000	(10,000,000)	0.07%	Reduce large cap oil service Industry exposure
Nikkei 225 - OTM put options (Short)	25,000,000	(25,000,000)	0.18%	Increase Japanese large cap equity exposure
Nikkei 225 - OTM call options (Short)	25,000,000	(25,000,000)	0.18%	Reduce Japanese large cap equity exposure
Euro Stoxx Futures	122,159,974	122,159,974	0.86%	Eurozone large cap equity exposure
Euro currency Forwards	109,819,468	109,819,468	0.78%	Euro currency exposure
FTSE 100 Futures	204,143,331	204,143,331	1.44%	United Kingdom large cap equity exposure
British Pound Forwards	179,386,391	179,386,391	1.27%	British Pound currency exposure
Canadian Dollar Forwards	7,982,987	(7,982,987)	0.06%	Canadian Dollar currency exposure
Total Hedging / Risk Reduction	**683,492,151**	**547,526,177**	**4.84%**	
TOTAL INTERNATIONAL DERIVATIVES	**850,030,173**	**714,064,199**	**6.01%**	
Total	**5,499,795,283**	**2,993,114,229**	**38.85%** Less than 45% of Endowment Funds	

1) Components of the Spread Trade

External Managers

External Managers using Derivatives as of July 31, 2005

Public Markets Managers	Primary Use of Derivatives
Blackrock (formerly State Street Research)	Short sales limited to 5%, able to use stock and index options, buy and sell puts/calls, forwards, futures (within our max loss provision)
Blakeney	May use derivatives to achieve its investment objectives
Bridgewater	Permitted to use currency spot and forward contracts, currency futures, options on currency forwards or futures (within our max loss provision)
Cundill	Futures, currency forwards are allowed up to 5% short sales (within our max loss provision) Write covered calls; sell puts to gain better entry points
Dalton	Ability to short, protective puts, futures and forwards are allowed within our max loss provision Up to 2x leverage
GMO	May (but is not obligated to) use a wide variety of OTC derivative instruments, including options, futures, and swap contracts (including credit default swaps)
Goldman Sachs Asset Management	May invest in index futures for equitizing cash positions, short sales of futures for temporary outflows of cash
IronBridge	Covered calls or short puts not to exceed 5% (within our max loss provision) to gain better entry points
John Levin	Use of puts and calls not to exceed 5% of the account, opportunistic shorting (within our max loss provision)
PIMCO Global Bonds	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates among foreign currencies and between
PIMCO Real Return	May use forward purchase and sale contracts, futures (including Commodity Futures, Commodity Index Futures, and Exchange Traded Swaps Futures), and Options (including commodity options)
PIMCO TIPS	May use forward purchase and sale contracts, futures (including Commodity Futures, Commodity Index Futures, and Exchange Traded Swaps Futures), and Options (including commodity options)
Reams	Securities linked to foreign interest rates
Relational	Call writing
ValueAct	May engage in short selling and options

External Managers using Derivatives as of July 31, 2005

Marketable Alternative Managers	Primary Use of Derivatives
AQR	Used extensively to obtain market exposure and to hedge market risk
BGI Global Neutral	Futures and options: Temporary substitute for investment in securities, for liquidity, or to equitize dividends and other cash flows, may be used as part of an arbitrage strategy
BlueRidge	Occasional use of stock options for hedging purposes and hedging of foreign currency exposure
Brahman	Occasional use of stock options for hedging purposes
Bridgewater	Used extensively to obtain market exposure and to hedge market risk
Eminence	Occasional use of stock options for hedging purposes
Everglades	Occasional use of stock options for hedging purposes
Farallon	Primary use of derivatives is for hedging purposes
Indus	Primary use of derivatives is for hedging purposes
K Capital	Primary use of derivatives is for hedging purposes
Maverick	Occasional use of stock options for hedging purposes and hedging of foreign currency exposure
Millgate	Occasional use of stock options for hedging purposes
Moon Capital	Use basket of securities for hedging purposes and hedging of foreign currency exposure
OCM	Use basket of securities for hedging purposes and hedging of foreign currency exposure
OZ Europe	Primary use of derivatives is for hedging purposes
OZ Overseas	Primary use of derivatives is for hedging purposes
Perry Partners	Primary use of derivatives is for hedging purposes
Protégé	Primary use of derivatives is for hedging purposes
Satellite	Primary use of derivatives is for hedging purposes
SG Partners	Occasional use of stock options for hedging purposes
Sirios	Occasional use of stock options for hedging purposes
Standard Pacific	Primary use of derivatives is for hedging purposes
Steadfast	Occasional use of stock options for hedging purposes
TPG-Axon	Primary use of derivatives is for hedging purposes

Note: The private placement memorandum for Marketable Alternative managers discloses the use of derivatives. In general, these managers have very broad mandates and their permitted use of derivatives includes, among other items, selling or writing options, entering into different types of swap agreements, futures and forward contracts and options on futures and forward contracts. Noted above is the investment manager's primary use of derivatives. These managers also engage in short sales of securities, buy securities on margin and may borrow money pledging securities within the account as collateral.

Agenda Item
UTIMCO Board Meeting
September 14, 2005

Agenda Item: Report on Actions taken under the Delegation of Authority Policy

Developed by: Moeller

Presented by: Boldt, Moeller

Type of Item: Information item

Description: Staff is proposing changes to the Delegation of Authority to change the way certain actions taken under the Delegation of Authority Policy are reported. At its May 19, 2005, the UTIMCO staff prepared a list of existing contracts, leases and other commercial arrangements. UTIMCO staff proposed to report new agreements and renewals to the UTIMCO Board on a quarterly basis. Instead, we will report activity at each regular scheduled Board meeting to cover a period from the last Board date. The attach Report on Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements is for the period of May 19, 2005 through September 7, 2005.

UTIMCO staff is also proposing to report Manager activity taken under the Delegation of Authority Policy in a regular report. The Delegation of Authority was adopted November 15, 2004. Included in the language related to manager activity was a provision that the CEO will promptly notify the UTIMCO Board regarding all decisions made under this delegated authority. When UTIMCO staff drafted the document, it was not the intent to notify the Board of every single increase and decrease in a manager (which has to occur in the normal course of business) and staff has not been doing this. However, under the literal reading of the Delegation of Authority Policy, notification should have been sent each time a transfer was made. Staff does not believe this would be beneficial and is proposing to report at each regular Board meeting the activity in a more meaningful way.

Recommendation: None

Discussion: Staff has prepared the reports to update the UTIMCO Board on (1) new and renewal of existing contracts, leases and other commercial arrangements, and (2) Manager activity.

Reference: Delegation of Authority Policy; Manager Activity Taken Under the Delegation of Authority; New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements

Report on

New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements

For Period May 19, 2005 through September 7, 2005

(Total Obligation per Agreement less than $1 million)

Agreement	Purpose	Contract Term	Annual Amount
Factset Research Systems	Analytical tool for performance	6/1/2004 to 6/1/2005 Automatic renewal monthly	$205,650
Investment Technology	Asset Allocation Program	Renewed for 8/12/2005 to 8/11/2006	$8,000
Tremont TASS	Hedge Fund Database and Capital Flows Report	Renewed for 7/05 to 6/06	$5,330
Bloomberg	Portfolio Order Management System	6/1/2005 – 9/1/2008 Fee is not effective until 9/1/2005, but by signing early, initial 6-month period fee is waived. Therefore, no payment is required until 9/1/2006.	$80,000

Report on Manager Activity

Report on Manager Activity
Taken Under the Delegation of Authority
July 19, 2005 through September 6, 2005

	Date	Amounts PUF	GEF	Total		Description
US Equities						
BGI Russell 3000 Alpha Tilts	7/29/2005	9,100,000.00	4,900,000.00	14,000,000.00		Additional contribution to existing manager; proceeds from GSAM Intl withdrawal
Davis Hamilton Jackson	8/5/2005	(20,901,187.54)	(10,359,130.28)	(31,260,317.82)		Withdraw ETFs from manager
TCW	8/9/2005	17,747,469.05	9,555,451.56	27,302,920.61		Combine Midcap with Small Cap account
Davis Hamilton Jackson	8/11/2005	(15,166,000.00)	(7,516,000.00)	(22,682,000.00)		Terminate manager; proceeds used towards quarterly distribution and manager fundings
Blackrock Small Cap	8/29/2005	16,250,000.00	8,750,000.00	25,000,000.00		Additional contribution to existing manager
S&P 500 Futures	8/29/2005	(16,250,000.00)	(8,750,000.00)	(25,000,000.00)	2	Sell futures contracts to fund Blackrock Small Cap
No Cost Collar trade	8/29/2005	32,500,000.00	17,500,000.00	50,000,000.00	1, 2	Increase collar on US Equities portfolio
ForstmannLeff Small Cap	8/31/2005	(16,000,000.00)	-	(16,000,000.00)		Withdrawal to fund quarterly distribution & manager fundings
ValueAct	9/1/2005	32,500,000.00	17,500,000.00	50,000,000.00		Additional contribution to existing manager
Global ex US Equities						
Non-US Developed Equity						
Globeflex Canada	7/25/2005	(6,500,000.00)	(3,500,000.00)	(10,000,000.00)		Withdrawal from manager to reduce exposure to Canada
BGI Intl Alpha Tilts	7/29/2005	21,450,000.00	11,550,000.00	33,000,000.00		Additional contribution to exsiting manager; proceeds from GSAM Intl withdrawal
GSAM Intl	8/2/2005	(30,550,000.00)	(16,450,000.00)	(47,000,000.00)		Withdrawal to fund BGI Tilts investments
Capital Guardian Small Cap	Various Aug dates	(9,750,000.00)	(5,250,000.00)	(15,000,000.00)		Withdrawal to fund quarterly distribution & manager fundings
BGI EAFE Index	8/31/2005	(65,000,000.00)	(35,000,000.00)	(100,000,000.00)		Withdrawal to fund quarterly distribution & manager fundings
Globeflex Canada	8/31/2005	(5,200,000.00)	(2,800,000.00)	(8,000,000.00)		Withdrawal to fund quarterly distribution & manager fundings
Blackrock Global Ex US	8/31/2005	(4,550,000.00)	(2,450,000.00)	(7,000,000.00)		Withdrawal to fund quarterly distribution & manager fundings
Canada No Cost Collar	8/31/2005	32,500,000.00	17,500,000.00	50,000,000.00	1, 2	Initial collar on Canada portion of Global ex US Equities
Globeflex Microcap	9/1/2005	32,500,000.00	17,500,000.00	50,000,000.00		Initial funding to existing manager's new mandate
BGI Global Market Neutral	9/1/2005	22,750,000.00	12,250,000.00	35,000,000.00		Allocation from Hedge Funds to use as overlay
Emerging Markets Equity						
Internal Emerging Proxy trade	Various	132,000,000.00	71,100,000.00	203,100,000.00		Implemented new Emerging Proxy to increase Emerging Markets equity exposure
Internal ADRE Emerging Markets ETFs	Various	65,000,000.00	35,000,000.00	100,000,000.00		Purchase ETFs to increase Emerging Markets equity exposure
Templeton	8/31/2005	40,000,000.00	-	40,000,000.00		Additional investment to increase Emerging exposure
Inflation Linked						
Internal REITs	Various Aug dates	(33,000,000.00)	(17,000,000.00)	(50,000,000.00)		Withdrawal to fund quarterly distribution & manager fundings
Fixed Income						
Internal Fixed Income	8/2/2005	660,000.00	340,000.00	1,000,000.00		Reallocate between internally managed Fixed Income accounts

Report on Manager Activity
Taken Under the Delegation of Authority
July 19, 2005 through September 6, 2005

	Date	Amounts			Description
		PUF	**GEF**	**Total**	
Hedge Funds					
Sirios	7/1/2005	$ (24,400,000.00)	$ (13,100,000.00)	(37,500,000.00)	Partial redemption to rebalance hedge fund
OCM High Yield	8/1/2005	6,500,000.00	2,500,000.00	9,000,000.00	Initial funding to existing relationship; new fund
OZ Europe	9/1/2005	29,250,000.00	15,750,000.00	45,000,000.00	Additional contribution to existing manager
Indus Japan	9/1/2005	16,250,000.00	8,750,000.00	25,000,000.00	Additional contribution to existing manager
BGI Global Market Neutral	9/1/2005	(22,750,000.00)	(12,250,000.00)	(35,000,000.00)	Transfer a portion to Global ex US Equities to use as overlay

		Committed Amount		
Private Capital		**PUF**	**GEF**	**Total**
CVC European Equity Partners IV	July 2005	$ 25,458,300.00	$ 10,910,700.00	36,369,000.00
Lake Capital Partners II LP	July 2005	28,000,000.00	12,000,000.00	40,000,000.00
SCF-VI, L.P.	July 2005	24,500,000.00	10,500,000.00	35,000,000.00
Candover 2005 Fund US No. 1 LP	July 2005	25,458,300.00	10,910,700.00	36,369,000.00
OCM Opportunities VI, L.P.	August 05	17,500,000.00	7,500,000.00	25,000,000.00
Warburg Pincus Private Equity IX, LP	August 05	35,000,000.00	15,000,000.00	50,000,000.00

1 Amounts shown from No Cost Collar trades represent Notional Value; trade involved no cash flow.
2 Trades fall under the Derivative Investment Policy.

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Discussion of Investing Affiliated Foundation Funds

Developed By: Boldt

Presented By: Boldt

Type of Item: Information Item

Description: This agenda item will provide Board members with an update on actions being taken to allow UTIMCO to manage funds held by foundations and associations established to benefit UT System Institutions.

Recommendation: None

Discussion: Several associations and foundations have expressed interest in UTIMCO managing the funds under their control. Each of these funds benefits a UT System Institution. UTIMCO, by State statute, can only invest funds under the "control" of the UT Board of Regents. The UT System Office of General Counsel is developing a standardized contract that could be used to allow UTIMCO to manage these "affiliated funds." The contract would be between each particular foundation or association and the Board of Regents. The Board of Regents would then delegate the management of the funds to UTIMCO. Ownership of each fund's assets would remain with the fund's trustees, and the assets could be withdrawn at any time under the contract with the Board of Regents. However, the Board of Regents would have full discretion to set all investment, administrative, and distribution policies for the funds under the contract with each fund's trustees.

These arrangements would allow UTIMCO to provide a low cost, higher return potential alternative to the fund's trustees, thus allowing affiliated funds to make larger contributions to UT System beneficiary institutions. Current endowments managed by UTIMCO would benefit from lower fees as fixed management expenses are spread across a larger asset base.

Reference: Investment Management Services Agreement

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Approval of Derivative Application

Developed By: Boldt/Reed/Hill/Goldsmith

Presented By: Boldt

Type of Item: Action Required by UTIMCO Board

Description: The recommended derivative application will allow for UTIMCO staff to use structured notes and swaps as instruments to gain direct or overlay-related investment exposure on behalf of the UT Endowments or Operating Funds Investments.

Recommendation: UTIMCO staff recommends approval of the Derivative Application as presented.

Discussion: The Derivative Application presented for approval will allow UTIMCO staff to gain investment exposure through the use of structured notes or swaps. As a structured note, principal will be directly exchanged for specific investment terms. As a structured swap, periodic payments (typically interest-related) will be exchanged for the specific investment terms. When implemented in swap form, the intended investment will be engaged as an overlay on existing investments.

All structured notes and swaps will be engaged to conform to approved exposure limits as outlined in the Derivatives Policy.

Reference: Structured Note/Swap Derivative Application; Derivatives Policy; Delegation of Authority Policy.

RESOLUTION RELATED TO DERIVATIVE APPLICATION

RESOLVED, that the Structured Note/Swap Derivative Application be, and is hereby, approved in the form as presented to the Board.

UTIMCO
Structured Note/Swap Application
Derivative Investment Policy Documentation

Presented to the UTIMCO Board for approval on: September 14, 2005

Background

On July 21, 2005, the Board of Directors approved a Derivative Investment Policy for the internal management of derivatives by UTIMCO. In accordance with such policy any new proposed derivative application must be approved by the Board of Directors prior to its implementation. Derivative Investment Policy Documentation and Control provisions are as follows:

- ### Documentation and Controls

  Prior to the implementation of a new derivative application, UTIMCO shall document the purpose, justification, baseline portfolio, derivative application portfolio, risks (including at a minimum modeling, pricing, liquidity and legal risks), the expected increase or reduction in systematic and specific risk resulting from the application, the acceptable criteria for counterparties in over-the-counter derivative applications, and the procedures in place to monitor and manage the derivative exposure. Internal control procedures to properly account and value the Funds' exposure to the derivative application shall be fully documented. UTIMCO shall establish an appropriate risk management procedure to monitor compliance and will take corrective action if necessary. UTIMCO shall make a comprehensive report of all derivative applications to the UTIMCO Board on a quarterly basis.

Purpose of Derivative Application

The purpose of the Structured Note Derivative Application is to use derivatives and cash to obtain exposure to a desired market index, while protecting the principal. A Structured Note is designed in a way that assures its value will never fall below its initial value, while providing potential upside.

The purpose of the Structured Swap Derivative Application is to use derivatives to obtain exposure to a desired market index, but instead of using cash as collateral (as the Structured Note), the collateral for the application will be the underlying portfolio. Similar to the Structured Note, the Structured Swap is designed in a way to limit the risk of loss. However, in the case of the Structured Swap there is the added risk that returns from the underlying portfolio will fall below cash returns.

Justification

Exposure to an market index is expected to provide favorable long-term returns to UTIMCO's funds. However, obtaining this exposure through direct investment and/or through the use of futures exposes UTIMCO to a considerable downside risk. The use of a Structure Note has the benefit of principal protection – i.e., that terminal value is guaranteed to be at least as high as the original investment. This allows a more aggressive pursuit of the upside.

The first intended use of this derivate application is to obtain an exposure to the TOPIX equity index, without incurring any foreign currency exposure. In this specific case, a 5-year note gives UTIMCO a 155% exposure to the upside of the TOPIX, while fully protecting the principal. Thus, if the TOPIX would increase by 20% over the next 5 years, UTIMCO will earn 31%. Should the TOPIX decline by 20% over these 5 years, UTIMCO's loss will be zero.

Alternatively, using the Structured Swap Derivative Application is justified by the high confidence that UTIMCO can earn, in the long run, returns that are more favorable than the returns on cash.

Baseline Portfolio

The baseline portfolio for this strategy will be determined on a case by case. The baseline portfolio depends on the selected market index and on the asset classes being used as the underlying collateral. The baseline portfolio will be constructed so that the economic exposure risk of the derivative application, as defined below, must be equal to or less than 120% of the baseline portfolio economic exposure

Derivative Application Portfolio

The derivative application portfolio shall include investments in swaps, cash, and traditional assets such as stocks and bonds. The cash and the traditional assets will be such that there is a high confidence they will earn, in the long run, returns that are more favorable than the returns on cash. The economic exposure of this application shall be measured as the product of the dollar value of the application's exposure and the market risk level of the exposure. Economic exposure risk is then the difference between the economic exposure of the baseline portfolio and the derivative application portfolio. Economic exposure risk of the derivative application must be equal to or less than 120% of the baseline portfolio economic exposure.

Risks

Market Risk – Medium

The Structure Note/Swap will earn money only if the selected market index appreciates. This implies a strong exposure to the market. However, the Note provides principal protection, meaning that there is no exposure to the selected equity index should that index decline. In the case of the Structure Swap, there is the additional market risk that the underlying portfolio will not earn cash returns.

Counterparty Risk and Legal Risk– Low

UTIMCO will select only highly reputable counterparties for these Over-The-Counter instruments. The intent is to utilize Goldman Sachs to implement the initial derivative application for the TOPIX Structured Note/Swap.

Liquidity Risk – Medium

Although the securities which are used to build the Structured Notes/Swap are highly liquid, the actual investments are Over-The-Counter instruments, and do not have an immediate secondary market. If there is a need to liquidate, UTIMCO must rely on the counterparty Goldman Sachs in the case of the TOPIX Structure Note/Swap to make a market for the instruments it created.

Modeling Risk - Low

The principal is protected independent of any modeling assumptions (or any other assumptions) made by UTIMCO.

Monitoring Derivative Exposure:

Daily – UTIMCO's risk manager will assume primary responsibility in monitoring the risk of this strategy. The Chief Investment Officer and the Managing Director for Public Markets Investments manage the application.

Monthly – All the above.

Quarterly – Board reporting package as prepared by Accounting.

Internal Controls

Internal controls, as documented, will be followed to appropriately value and reconcile UTIMCO's exposure. Authorization by the Chief Investment Officer is required in order to execute this strategy.

Approvals Required:	**Signature and Date**
Approved by Chief Investment Officer:	
Approved by UTIMCO Board	

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Topix Note / Swap

Developed By: Goldsmith

Presented By: Goldsmith

Type of Item: Information Item as Part of Proposed Structured Note / Swap Derivative Application

Description: The Topix Note / Swap is an example of a structured note / swap derivative application. In particular, the proposed swap implementation enables the investor to receive a (leveraged upside / principal-protected downside) potential return on the price appreciation of the Japanese Topix Equity Index.

Recommendation: Not applicable.

Discussion: The Topix Note / Swap is a high PVA investment structure that takes advantage of the prevailing differentials in U.S. versus Japanese interest rates and equity volatilities to enable:

1. a leveraged upside exposure (1.55x) on the Japanese Topix Equity Index over a five year fixed term

2. Downside principal protection.

As a structured Swap, UTIMCO would exchange LIBOR interest payments and engage this Swap as an overlay on existing investments. As a Note, UTIMCO would purchase an investment instrument with the terms as listed above as an alternative to a typical Japanese Topix long-only exposure.

Reference: Structured Note/Swap Derivative Application; Derivatives Policy; Delegation of Authority Policy.

The University of Texas Investment Management Company

UTIMCO Public Markets Investments

The TOPIX Note / Swap

September 2005

What is the TOPIX?

The TOPIX – also known as the Tokyo Stock Price Index is a capitalization weighed index of all companies listed on the First Section of the Tokyo Stock Exchange (largest public capitalization securities)

- 1,647 individual securities from 33 industry groups
- Implemented by the Tokyo Stock Exchange in July 1969

The TOPIX represents one of the primary ways to engage Index exposure to the Japanese equity markets.

Exposure to the TOPIX

Investors typically achieve exposure to the TOPIX via:

- Exchange-Traded Funds (ETFs) or Passive Funds – which offer a return that includes the total return of the index, the effects of the Yen's appreciation/depreciation vs. the USD, and for ETFs, the impact of a premium/discount to NAV of the underlying index exposure.

- Futures Contracts – comparable to the S&P 500 Futures contract - offer the price return on the index, but do not include dividends or appreciation in the Yen vs. the USD. The total return of the Futures contract does include the return of LIBOR which is the implied typical earnings of the collateral backing the contracts purchased.

- Active Management – via an active approach to try and outperform TOPIX as a passive benchmark.

Exposure to the TOPIX

Alternatively, investors can gain exposure to the TOPIX via a structured note or a swap agreement.

The terms of the note / swap are determined by:

- Maturity / Term
- Implied volatility of the Topix Index
- Interest rate differentials (between the US and Japan)
- US interest rates

What is the TOPIX Structured Note / Swap?

TOPIX Structured Note

- <u>At maturity, the Note provides</u>:
  - Leveraged exposure to the increase in the TOPIX index
  - Principal protection if TOPIX price declines from the initial value

TOPIX Structured Swap

<u>The Swap is a synthetic form of the Note</u>:

- Instead of paying cash upfront for the Note, cash can be invested in a range of assets that can potentially earn Libor plus a spread
- In the Swap:
  - Pay Libor flat financing
  - Receive total return of the "Note" at maturity

Sample Terms of a TOPIX Structured Swap

Structure Summary (Indicative terms as of August 2005)

- 5 Year USD Denominated Swap
- No FX exposure to JPY
- Quarterly funding: UTIMCO pays USD 3-month Libor flat
- **Upside at maturity is approximately 1.55 to 1 with percentage rise in the TOPIX Index**
- **No downside exposure at maturity to the TOPIX Index**

Hypothetical Final Payment at Maturity

% Gain / (Loss) in Topix Index Level at Maturity	Final Payment % UTIMCO Receives / (Pays)
120%	186.00%
100%	155.00%
70%	108.50%
50%	77.50%
30%	46.50%
20%	31.00%
10%	15.50%
0%	**0.00%**
(10%)	0.00%
(20%)	0.00%
(30%)	0.00%
(50%)	0.00%
(70%)	0.00%
(100%)	0.00%

Advantages of a TOPIX Structured Swap / Note

Increasing exposure to the TOPIX via a structured swap or note can be advantageous relative to investing in Futures, ETFs or passive funds:

- **Principal protection** – At maturity, the Swap / Note will have 0% exposure to the downside of the TOPIX, whereas a direct investment will have 100% downside exposure
- **Levered upside** – At maturity, the 5-year Swap / Note will have approximately 155% exposure to the upside of the TOPIX, whereas a direct investment will have 100% upside exposure
- **No foreign currency exposure** – Return of the Swap / Note is independent of the appreciation / depreciation of the Yen vs. the USD (this can also be a disadvantage)

Risks / Considerations

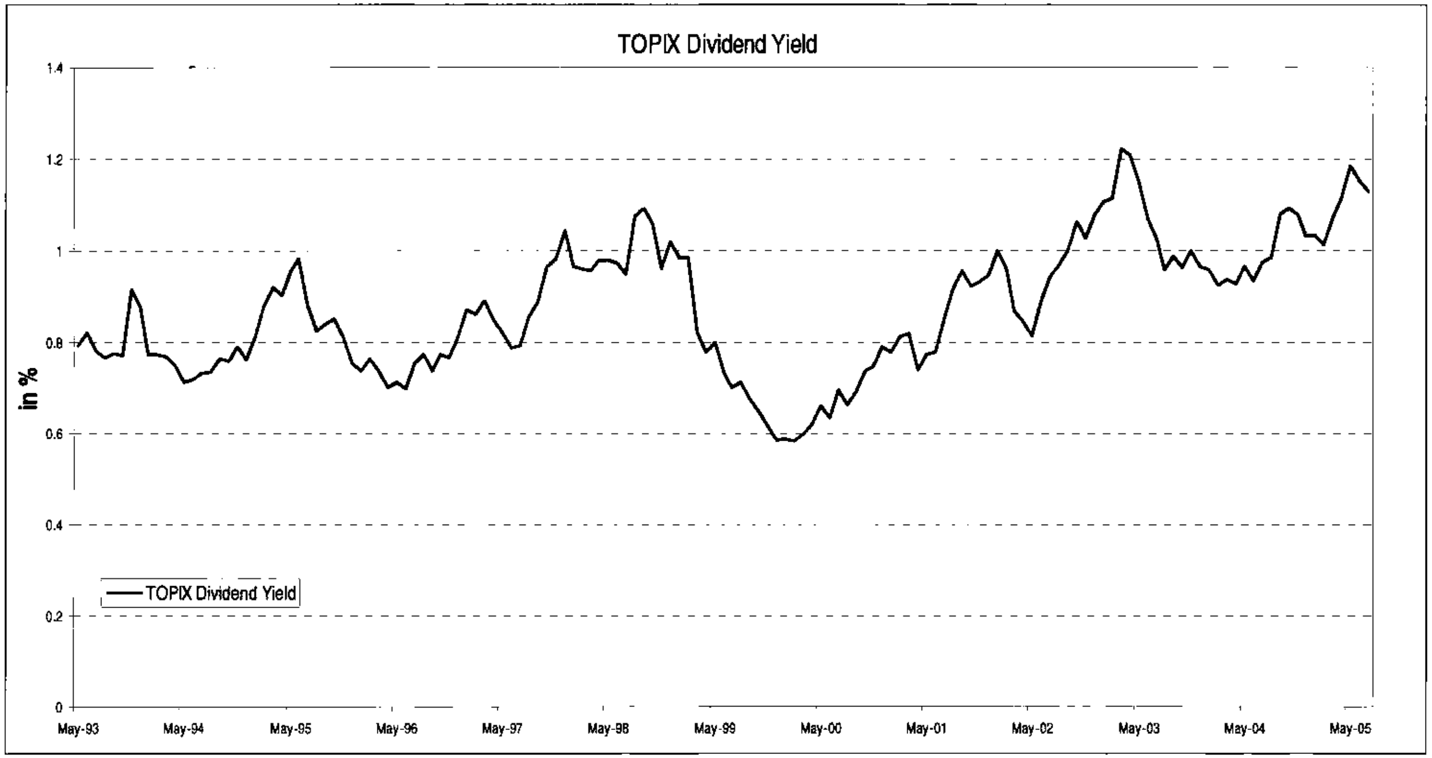
- Dividends

- Currency Exposure

- Marked-to-Market Sensitivity Prior to Maturity

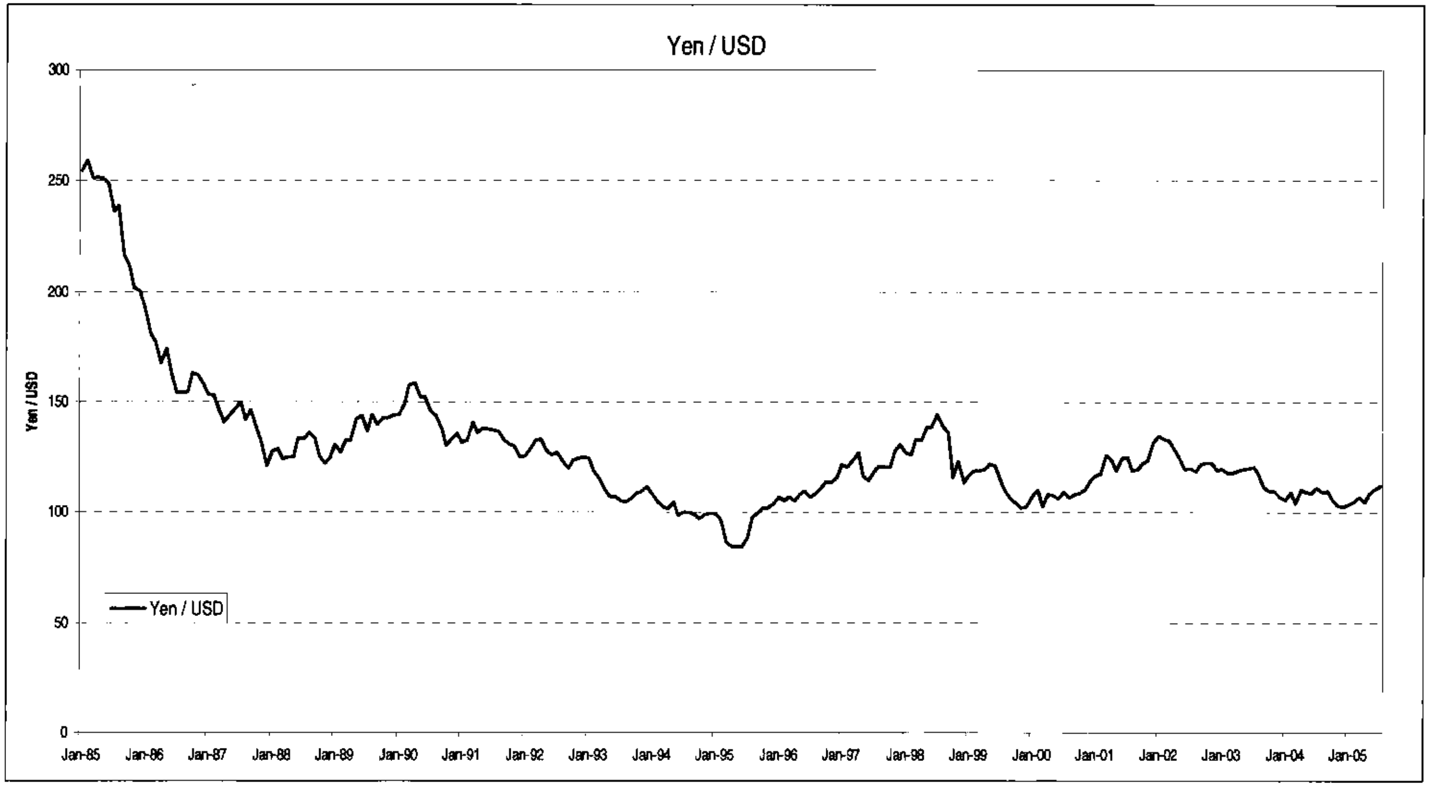
Risks / Considerations

- Dividends: Payment of the structured swap is indexed to the price return of the Topix Index. It excludes dividends which would be included in a direct investment. The current TOPIX dividend yield is about 1.1%.



Risks / Considerations

- <u>Currency Exposure</u>: The structured swap does not have Yen exposure. It would underperform a direct Japanese index investment if the Yen were to appreciate (relative to the U.S. Dollar), and would outperform if the Yen were to depreciate.



Risks / Considerations

- Marked-to-Market Sensitivity Prior to Maturity:
  - While the swap value is sensitive only to the level of the Topix Index at maturity, it is sensitive to other factors prior to maturity, including but not limited to the level and the implied volatility of the Topix Index and US and Japanese swap rates

What Not Buy Call Options Instead?

TOPIX Swap

- For each $100 m notional, using a 4.49% 5 year Libor swap curve, UTIMCO will have an obligation of $4.49 m per year to pay for this investment opportunity. Total NPV of $19.72 million.

5 Year Call Option

- For each $155 m notional (to equate to the levered opportunity of the 5 year swap), using a 4.49% 5 year Libor swap curve, UTIMCO will have an immediate premium obligation of $19.95 million

- <u>While roughly equal in total obligation, by retaining collateral internally, UTIMCO has the opportunity to out earn the Libor obligation through the overlayed assets.</u>

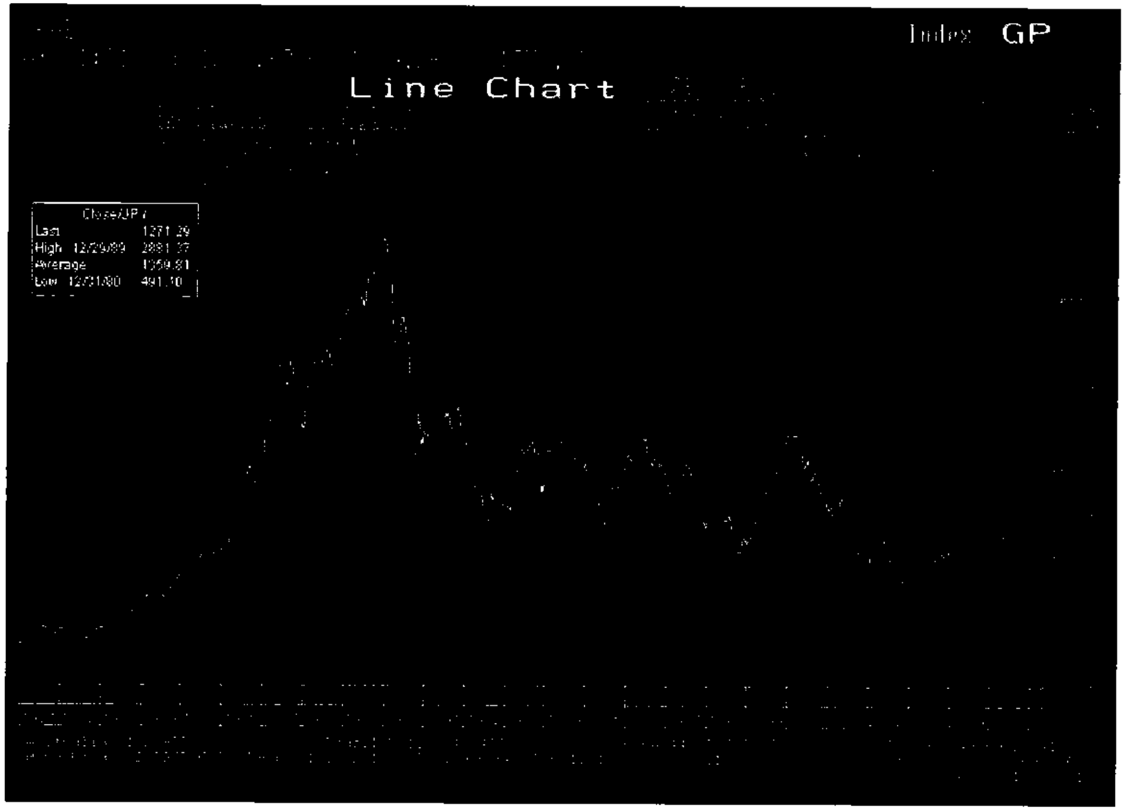
Three Concluding Questions to Ask:

- Would you pay a cash rate (Libor) to get a (levered upside / principal protected downside) to an attractive equity index?

- Given UTIMCO's prior commitment to guarantee (Libor +) for the Core Fund (levered GEF version), doesn't it make sense to use the swap (vs. note) as the instrument of choice? Note: Outperforming Libor would potentially be a second source of alpha.

- Does Japan (via the Topix) look like an attractive equity opportunity over the next five years....especially versus Libor?

The Topix Index 1981 - 2005:



TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Discussion and Consideration of Pooling Hedge Fund Investments

Developed By: Iberg

Presented By: Iberg

Type of Item: Action Required by UTIMCO Board

Description: UTIMCO is proposing to pool for investment purposes the PUF and GEF's Hedge Fund investments as further defined in the investment policies as Directional Hedge Funds and Absolute Return Hedge Funds. The PUF and GEF's investment policies state that investments in Directional Hedge Funds and Absolute Return Hedge Funds may be held in an internally managed commingled funds. Furthermore, the University of Texas System Intermediate Term Fund (the "ITF") investment policy statement also provides that investments in Directional Hedge Funds and Absolute Return Hedge Funds may be held in an internally managed commingled fund. The ITF is slated to begin operations in February of 2006 and will become a participant in the internally managed commingled hedge fund pools. UTIMCO is proposing to establish three internally managed commingled funds for the purpose of holding hedge fund investments. Two of the funds shall be utilized as the investment vehicle for all Board of Regent hedge fund investments that have an allocation to the Hedge Fund asset class. The third fund shall be solely dedicated for the benefit of the PUF and GEF. The ownership of such assets within the internally managed commingled funds shall at all times be vested in the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

Recommendation: UTIMCO staff recommends approval to create up to three internally managed commingled funds for the purpose of holding the existing PUF and GEF's hedge fund investments and for the purpose of making additional hedge fund investments or redeeming existing hedge fund investments. UTIMCO staff further recommends that the three pools created for this purpose shall be named as follows: The University of Texas System Directional Hedge Fund Pool, The University of Texas System Absolute Return Hedge Fund Pool and The University of Texas System Special Investments Hedge Fund Pool.

Discussion: Commingling the hedge fund investments by creating internally managed commingled hedge fund pools will streamline the recordkeeping, reporting and administrative functions associated with hedge fund investments for the PUF and other Board of Regent's investment funds. UTIMCO anticipates pooling the hedge fund investments on November 1, 2005 for the PUF and GEF hedge fund holdings. The ITF's investment policy statement is expected to be approved by the Board of Regents at their November 2005 meeting with the ITF to begin operations in February of 2006. The ITF's investment in hedge funds shall be made by investing in these newly created internally managed commingled hedge fund vehicles coinciding with the addition of hedge fund investments. Vinson and Elkins, legal counsel for UTIMCO, recommended that staff seek approval from the UTIMCO Board to create internally managed commingled funds for the purpose of pooling the existing hedge fund investments, and for the purpose of making additional hedge fund investments and redemptions. In conjunction with such approval the UTIMCO Board is acknowledging that prior hedge fund investments were approved by or presented to the Board as an initial capital amount of a named hedge fund investment of the PUF and GEF, and is further waiving the stated amounts and percentages previously authorized for investment by the PUF and GEF coinciding with the creation of the internally managed commingled hedge fund pools.

In addition to the above, UTIMCO is disclosing to the Board that the pooling of the existing hedge fund investments into an internally managed commingled fund may confer a benefit to future investors in the pool, like the ITF, if future hedge fund investments do not deliver the same economic benefit to the PUF and GEF as they did prior to their investment in such investment pools. More specifically, as additional hedge fund investments are made by the pool, these investments will have different investment characteristics and fee structures and may earn returns that are greater than or less than the collective investments of the PUF and GEF prior to pooling. As the ITF or other UT System funds invest in the pooled hedge fund vehicles coinciding with additional investments made by the hedge fund pools, each participant shall have an undivided ownership interest in all the hedge fund investments within the pool, thereby changing the underlying ownership characteristics of the PUF and GEF's investment in hedge funds. These pools may also be utilized in a structured active derivative application as previously approved by the Board on September 12, 2003 for up to 5% of the PUF and GEF assets.

The PUF and GEF own shares in non-public investments with certain hedge fund managers in addition to a revenue sharing arrangement with Protégé Partners LLC. These investments shall be contributed to a Special Investment Hedge Fund Pool that is owned by the PUF and GEF based on their respective ownership interests prior to the pooling of these investments, so that the economic benefit of these investments will confer only to the PUF and GEF. In addition any future non-public investments made by any investment manager within the newly created pools via the issuance of separate shares to the Directional Hedge Fund Pool or the Absolute Return Fund Pool shall be transferred to the Special Investment Hedge Fund Pool for the benefit of the PUF and GEF by exchanging units of ownership in the Directional Hedge Fund Pool or the Absolute Return Fund Pool as the case may be at fair value.

Reference: Investment Policy Statements for the ITF and GEF and PUF, September 12, 2003 Minutes of the Board of Directors

RESOLUTION RELATED TO POOLING OF HEDGE FUNDS

RESOLVED, that the Corporation Board approves creation of three internally-managed commingled funds for the purpose of pooling existing hedge fund investments, currently held by the Permanent University Fund (PUF) and the General Endowment Fund (GEF), and for the purpose of making additional hedge fund investments or redeeming hedge fund investments; and, be it further

RESOLVED, that one of such funds shall be designated "The University of Texas System Directional Hedge Fund Pool," which shall be used for pooling existing and future directional hedge fund investments; and, be it further

RESOLVED, that one of such funds shall be designated "The University of Texas System Absolute Return Hedge Fund Pool," which shall be used for pooling existing and future absolute return hedge fund investments; and, be it further

RESOLVED, that one of such funds shall be designated "The University of Texas System Special Investments Hedge Fund Pool," which shall be used for pooling existing PUF and GEF non-public investments with certain hedge fund managers and a revenue sharing arrangement with Protégé Partners LLC; and, be it further

RESOLVED, that the foregoing resolutions shall be implemented in accordance with the recommendation of the Corporation staff submitted to the Corporation Board and shall supersede all prior resolutions of the Corporation Board to the extent any such resolutions authorized an existing hedge fund investment for only the PUF or the GEF or prescribed a stated amount or percentage of a hedge fund investment for the PUF or the GEF.

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: A Discussion of Leverage

Developed By: Reed/Yoeli

Presented By: Reed

Type of Item: Information Item

Description: A presentation on the concepts of leverage; various definitions of leverage; various accounting-based and risk-based measures of leverage; a discussion on the role of leverage in the UT Endowment Portfolios.

Recommendation: No recommendation is necessary.

Discussion: The presentation discusses both the advantages and disadvantages of leverage in an investment portfolio. If leverage is applied prudently, it serves to enhance returns without disproportionately increasing risk. Accounting-based measures devised to assess the risk created by leverage, however, are unsatisfactory in many ways in their ability to accurately capture the economic impact of leverage. Today, more direct, and hence more accurate, measures of risk exist. In particular, UTIMCO has implemented a risk measurement system that calculates risk at the portfolio level. The benefit of such a system is that it enables UTIMCO to capture equally risk associated with on-balance sheet and off-balance sheet investments. We are also able to differentiate between bets that increase risk and hedges (those that reduce risk).

Reference: None

UTIMCO

The University of Texas Investment Management Company

A Discussion of Leverage:

What is it?

What is its role in the UT Endowment Portfolios?

September 14, 2005

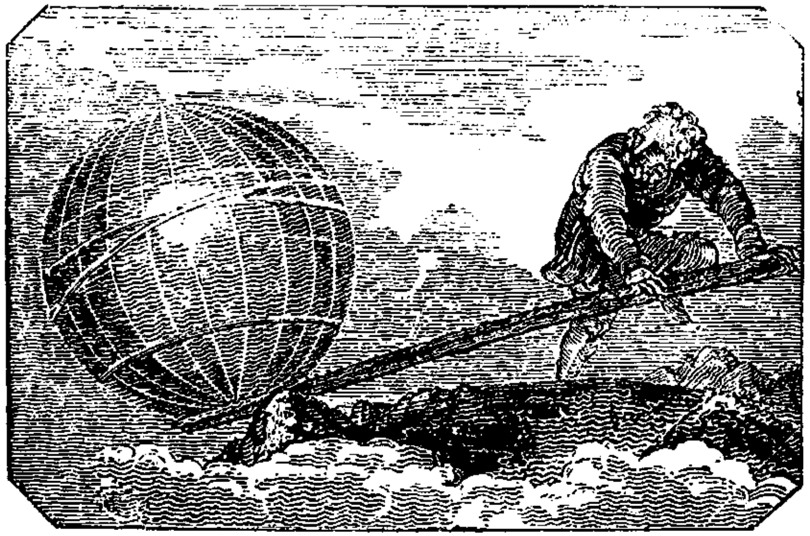
Discussion Topics

- A Simple Example
- Balance Sheet Treatment of Various Investment Instruments
- Calculations of Leverage
  - → Accounting-Based
  - → Risk-Based
- Leverage Calculated for the UTIMCO Portfolio
  - → Leverage Calculation Details and Assumptions
  - → Role of "Limited Liability" investments
  - → Portfolio Leverage

The concept of leverage has been around for a long, long time...

"Give me a lever long enough
and a fulcrum on which to place it, and I shall move the world."

Archimedes, 300 B.C.



Engraving from
Mechanics Magazine
London, 1824

Simple Example: Buying a House

- Market Value of house: $200,000
- Down payment: $50,000 (25%)
- Mortgage: $150,000
- Asset Value to Equity = 4x

Advantages

- Enjoy a better house
  - → Investment equivalent: larger dividend stream
- When prices move up, you capture the full increase in value of the better house
  - → $20,000 (10% on $200,000) vs. $5,000 (10% on $50,000)
  - → In the long run, prices move up a lot more than they move down
  - → Investment equivalent: higher expected returns, because more money is invested, especially with a long-term investment horizon

Disadvantages

- When prices decline, you suffer the loss on the "better" house
  - → $-20,000 (-10% on $200,000) vs. $-5,000 (-10% on $50,000)
  - → Prices can move down due to market conditions, adverse changes (such as mold, fire), or if you paid too much in the first place
  - → <u>Investment equivalent</u>: leverage exacerbates losses caused by such risks as market risk or operating risk
- Prices may decline so drastically, that the house is now worth only $100,000, but you owe the mortgage company $150,000.
  - → Your loss now stands at $100,000 because you have to pay $50,000 out of pocket to the mortgage company, plus you lost your original $50,000 equity investment.
  - → You seriously contemplate just handing over your house to the mortgage company in order to limit your loss to just $50,000.
  - → <u>Investment equivalent</u>: Leverage may lead to losses greater than the original investment. These circumstances lead to an increase in counterparty/default risk.

Disadvantages (Cont'd)

- You lose your job and are forced to sell your house because you no longer can pay the mortgage payments
  - → This happens at the same time the housing market declines
  - → Investment equivalent: correlations increase during bad times and leverage forces sales at the worst time (liquidity risk)
- You want to buy a boat (a big boat) and need to borrow additional funds to make the purchase.
  - → You find that interest rates on the boat loan are higher, or you can not borrow as much $, than if you were not already in debt with your house.
  - → Investment equivalent: The credit spreads increase as leverage increases. The capital markets require a higher return to compensate for higher risk of the borrower (credit risk).

Balance Sheet Treatment of Various Investment Instruments

- Cash
  - → Treatment: On-balance sheet as an asset
  - → Held for collateral and to meet liquidity needs
  - → Serves to reduce risk in the portfolio
- Borrowed cash (loans, repos, etc.)
  - → Treatment: on-balance sheet as a liability
  - → Investor obligated to repay borrowed amount plus interest
- Stocks and Bonds
  - → Treatment: On-balance sheet as assets
  - → Maximum possible loss: size of the original investment

Balance Sheet Treatment of Various Investment Instruments (Cont'd)

- Futures
  - → Treatment: Off-balance sheet; zero NPV
  - → Investing in futures, while holding only the minimum margin requirement in cash, is equivalent to borrowing money and buying the underlying
  - → Serve to increase or decrease risk depending on how they are used in the portfolio
  - → Investor fully exposed to the underlying: market exposure = 100% notional value
- Short Security Sales
  - → Treatment: On-balance sheet → short sale as a liability, cash received as an asset
  - → Effectively selling something (that you don't have) and receiving cash in return
  - → Serve to reduce risk in the portfolio when applied as a hedging tool
  - → "Naked" shorts (selling without the underlying) have potentially unlimited liability

Balance Sheet Treatment of Various Investment Instruments (Cont'd)

- Swaps
  - → Treatment: Off Balance sheet except for net mark-to-market value
  - → Investor receives the underlying from long leg and pays out the underlying of the short leg
  - → Investor is fully exposed to the underlying of each leg
    - 100% of notional value of long leg less 100% of notional value of short leg
- Options: Calls and Puts
  - → Treatment: Off Balance sheet except for net mark-to-market value
  - → An investor's exposure to the underlying is typically less than the notional value of the option (referred to as delta equivalent notional)
    - When buying a call or put, or selling a "covered" call, an investor has less than 100% notional exposure to the underlying
    - The exposure of selling a put is limited to the value of the underlying falling to $0
    - When selling a "naked" call, an investor has potentially unlimited liability

Accounting-Based Leverage Measures

- Net Balance Sheet Assets to Equity
  - → NAV / Equity
- Gross Balance Sheet Assets to Equity
  - → (NAV + Security Sales) / Equity
- Net Investment Leverage
  - → (NAV – Collateral Cash + Borrowed Cash + Net off-balance sheet notional) / Equity
- Gross Investment Leverage
  - → (NAV + Security Sales – Collateral Cash + Borrowed Cash + Gross off-balance sheet notional) / Equity

Risk-Based Leverage Measures

- Risk / Equity
  - → $ VaR / Equity
  - → $ Downside Risk / Equity
- Policy Risk Differential
  - → Portfolio Risk (VaR, Downside)
  - → Policy Risk (VaR, Downside)
  - → Allocation of Differential
- Derivative Application Leverage
  - → Similar in concept to Policy Risk Differential, but applicable to individual strategies
  - → Derivative Application Risk / Baseline Portfolio Risk
  - → UTIMCO's Derivative Application Policy limits Derivative Application Risk to 1.2x baseline risk

Leverage Calculation Examples

(Handout to be provided during presentation)

Leverage Calculations:	Unlevered Cash	Collateralized Futures	Levered Cash	Partially Collateralized Futures	Unlevered High Risk	L/S Cash	L/S Futures	L/S Cash & Futures	Matched Swap	NCC Options	Spread Trade	Structured Active
Portfolio	1	2	3	4	5	6	7	8	9	10	11	12
Assets												
Large Cap (R3K)	100		120			120		120		100.0	62	
Small Cap (R2K)											38	
Small Cap Growth (R2K Growth)					100							
Hedge Fund												91
Fixed Income Investment									100			
NCC Options										-0.7		
Short Large Cap (R3K)												
Short Small Cap (R2K)						-60						
Total Investments	100	0	120	0	100	60	0	120	100	99.3	100.0	91
Cash	0	90	10	88	0	10	82	4	0	0.7	0	0
Short Sales Margin (50%)	0	0	0	0	0	30	0	0	0	0	0	0
Futures Margin (10%)	0	10	0	12	0	0	18	6	0	0	5	9
NAV	100	100	130	100	100	100	100	130	100	100.0	105	100
Borrowed Cash (Outright or Repo)			30					30				
Equity Capital:	100	100	100	100	100	100	100	100	100	100.0	105.0	100.0
Derivative Notional (Off B/S)												
Futures Large Cap (R3K) (Long)		100		120			120				26	92
Futures Large Cap (R3K) (Short)												
Futures Small Cap (R2K) (Long)												
Futures Small Cap (R2K) (Short)							-60	-60			-26	
Swap (Long)									100			
Swap (Short)									-100			
Options (Long)										100		
Options (Short)										-200		
Investment Risk (Downside Risk)	-3.15	-3.15	-3.78	-3.78	-4.28	-1.90	-1.90	-1.90	-0.99	-2.46	-3.30	-3.15
Baseline Risk (Downside Risk)	-3.15	-3.15	-3.15	-3.15	-3.15	-3.15	-3.15	-3.15	-1.00	-3.15	-3.47	-3.15
Baseline Definition	$100 R3000		$100 R3000		$100 R2000G	$100 Russell 3000			$100 LB Agg	$100 R3000	$100 Orig Port	$100 R3000
Leverage Measures:												
Accounting Based:												
Balance Sheet Leverage	1.0	1.0	1.3	1.0	1.0	1.0	1.0	1.3	1.0	1.00	1.00	1.00
Gross B/S Leverage	1.0	1.0	1.3	1.0	1.0	1.6	1.0	1.3	1.0	1.00	1.00	1.00
Net Investment Leverage	1.0	1.0	1.5	1.2	1.0	0.6	0.6	0.9	1.0	-0.01	1.0	1.8
Gross Investment Leverage	1.0	1.0	1.5	1.2	1.0	1.8	1.8	2.1	1.0	3.99	1.45	1.8
Risk Based:												
Risk/ Equity Capital	-3.15%	-3.15%	-3.78%	-3.78%	-4.28%	-1.90%	-1.90%	-1.90%	-0.99%	-2.46%	-3.15%	-3.15%
Derivative Application / Baseline	1.00	1.00	1.20	1.20	1.36	0.60	0.60	0.60	1.0	0.78	0.95	1.00

Leverage Calculations: Benefits and Issues

- Gross Balance Sheet Assets to Equity
  - → Futures and other off-balance sheet instruments not captured
  - → Hedges, duration adjustments and portfolio correlations that may decrease risk are not recognized
- Net Balance Sheet Assets to Equity
  - → Futures and other off-balance-sheet instruments not captured
  - → Principal value of hedges recognized, but other hedging benefits not captured
- Gross Investment Leverage
  - → Includes off-balance sheet instruments
  - → On and off-balance sheet hedges, duration adjustments and portfolio correlations not recognized
- Net Investment Leverage
  - → Includes off-balance sheet instruments
  - → Principal and notional value of hedges recognized, but other hedging benefits not captured
- Risk-Based Measures
  - → Capture equally risk associated with on-balance sheet and off-balance sheet investments
  - → Differentiate between bets that increase risk and those that reduce risk (hedges)
  - → Provide better information and offer more effective control than accounting-based leverage targets
  - → Calculating risk requires sophisticated analytical systems and extensive data collection. Potential exists for modeling and data collection/interpretation errors.

UTIMCO Portfolio

- Leverage and risk calculations based on GEF
- Investment Leverage Calculations:
  - → Data collected from Mellon (UTIMCO's custodian)
  - → Derivative exposures included for Internal Derivative Accounts and Separate Account Managers
    - Net and gross notional exposure for futures
    - Net exposure for matched swaps
    - Intrinsic value (NPV) for options
  - → Limited Liability Accounts carried at NAV
- Risk Calculations:
  - → Risk calculated by IFS risk system (truView)
  - → Underlying holdings
    - Internal Derivatives
    - Separate Accounts
    - Certain Limited Liability Accounts
    - Proxies applied to Hedge Funds and Private Capital

Limited Liability Investments

- Investment Management
  - → Internal Investment Management
  - → External Investment Management
    - Separate Accounts
    - Limited liability investments
      - Commingled funds, hedge funds, private capital investment partnerships
- Similar to buying equity in a levered firm
  - → Maximum exposure is size of investment
  - → Mortgage example: An individual with a $50,000 equity investment in a house
    - If the house value drops to $0, the equity owner is obligated to repay the $150,000 mortgage and loses her $50,000 equity investment for a total maximum loss of $200,000.
  - → Company example: An individual purchases $50,000 in common stock
    - The company owns $200,000 in assets (the house) and has a $150,000 non-recourse loan that it used along with the equity investment to purchase the house.
    - In this case, if the house value drops to $0, the equity owner faces a maximum loss of $50,000.

Limited Liability Investments (Cont’d)

- Treatment in Leverage calculations:
  - → Traditional approach – include entire investment as one asset
    - Issue: Fails to capture risk of the investment
  - → Alternative approach - include underlying holdings
    - Issue: May overstate risk, because loss is limited to size of investment
- UTIMCO approach
  - → Include underlying holdings of large, low risk funds such as BGI in portfolio risk model
  - → Use a proxy to capture risk characteristics of hedge funds and private capital
  - → Assess hedge fund risk by calculating risk of underlying holdings on a fund by fund basis. Revise proxy as appropriate.

UTIMCO Investment Leverage in GEF

($000 in thousands)

Asset Class	GEF NAV	Long Exposure	Short Exposure	Net Exposure	Gross Exposure
Cash and Cash Equivalents	$42,879	$42,879	$0	$42,879	$42,879
Cash and Cash Equivalents	**42,879**	**42,879**	**0**	**42,879**	**42,879**
Emerging Markets	11,577	11,577	0	11,577	11,577
Fixed Income	517,274	603,333	15,094	588,239	618,427
Fixed Income	**528,851**	**614,910**	**15,094**	**599,816**	**630,004**
Developed Markets	691,138	702,076	22,838	679,238	724,914
Emerging Markets	169,042	168,788	0	168,788	168,788
Global Equity x US	**860,180**	**870,864**	**22,838**	**848,025**	**893,702**
Absolute Return Hedge Funds	689,422	689,422	0	689,422	689,422
Equity Hedge Funds	481,006	481,006	0	481,006	481,006
Hedge Funds	**1,170,428**	**1,170,428**	**0**	**1,170,428**	**1,170,428**
Commodities	237,271	238,709	1,887	236,823	240,596
REITS	279,379	279,379	0	279,379	279,379
TIPS	212,899	218,444	888	217,556	219,332
Inflation Hedging	**729,548**	**736,532**	**2,775**	**733,757**	**739,306**
Private Equity	382,363	382,363	0	382,363	382,363
Venture Capital	97,283	97,283	0	97,283	97,283
Private Capital	**479,646**	**479,646**	**0**	**479,646**	**479,646**
Large/Medium Cap	958,913	985,306	29,197	956,109	1,014,503
Small Cap	125,592	411,187	288,434	122,753	699,621
US Equity	**1,084,505**	**1,396,493**	**317,631**	**1,078,861**	**1,714,124**
TOTAL	**$4,853,157**	**$5,311,751**	**$358,338**	**$4,953,413**	**$5,670,089**
Investment Leverage				**102%**	**117%**

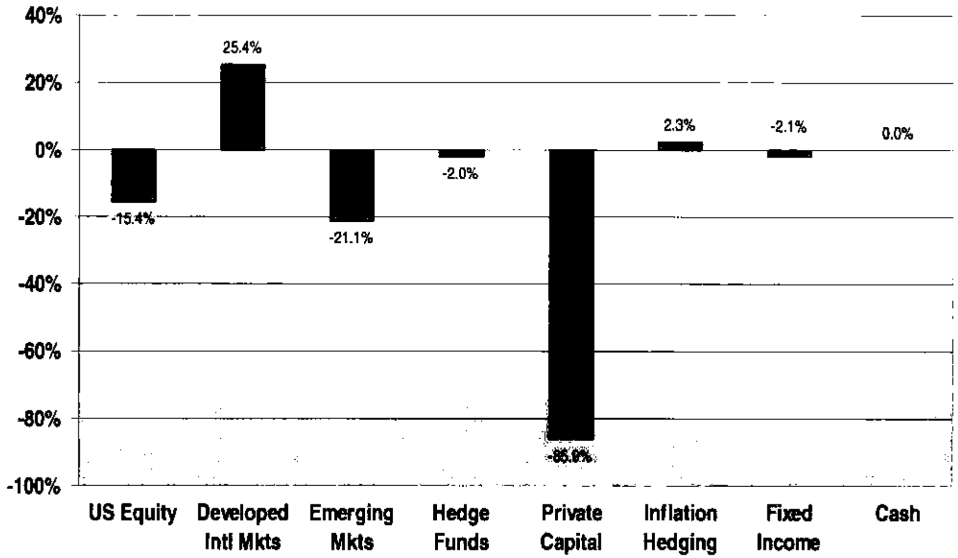
- Net Investment Leverage = Net Exposure / NAV
- Gross Investment Leverage = Gross Exposure / NAV

* Fixed income futures are not duration adjusted.

UTIMCO Leverage Calculations (Cont'd)

• Policy Risk	-1.62%	(1 month Downside Risk)
• Portfolio Risk	-1.35%	(1 month Downside Risk)
• Risk Differential	-.27%	

RISK DIFFERENTIAL
Allocation of Difference between Policy Portfolio Risk and Actual Portfolio Risk



Conclusions

- Traditional accounting-based leverage calculations are potentially misleading methods for assessing risk, particularly those which do not include off-balance sheet exposure.
- Risk-based measures provide better information and offer more effective control.
- From an accounting-based leverage measure perspective, the UTIMCO portfolio has a Net Investment Leverage of ~ 1x, indicating that the portfolio is not levered.
- Gross leverage pf 1.17x reflects the role of futures used by one manager in particular, PIMCO. This leverage calculation is misleading from an economic risk standpoint because it is not adjusted for duration.
  - → For example, if PIMCO sells a 5 year Treasury future and purchases the equivalent duration exposure of Eurodollar futures, they would need to buy 15x the number of Eurodollar futures versus the 5 year they've sold.
- From a risk perspective, the UTIMCO portfolio is 16% less risky than the policy risk allocation. This primarily reflects the underweight in our Private Capital portfolio.

UTIMCO

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Discussion of UTIMCO's Exposure to Private Equity Versus the 15% Target

Developed By: McMahon and Thompson

Presented By: McMahon and Thompson

Type of Item: No Action Required

Description: The Staff will discuss the endowments' current exposure to private equity and explain why the endowments are under-allocated to the asset class relative to the 15% target.

Discussion: UTIMCO has a 15% target to private equity investments and has maintained that target for several years. In each of the past 4 years, the Staff has prepared a commitment budget to help determine the amount that UTIMCO should commit to private equity funds to reach this 15% target over a two-year period. In recent years, the Staff has made commitments that actually exceeded budgeted amounts due to the attractiveness of the investment opportunities. Nonetheless, the PUF and the GEF remain under-allocated to Non-Marketable Alternatives. This presentation will discuss the reasons behind this under-allocation. In particular, over the past two years, UTIMCO's general partners have made significant distributions to the PUF and the GEF, thereby decreasing the endowments' exposure to private equity investments. Furthermore, the total value of the endowments (the denominator in the equation) has increased more than the 8.36% forecasted in the 2003 asset allocation study. The Staff will share its plan for increasing the endowments' exposure to the 15% target.

UTIMCO

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

UTIMCO's Non-Marketable Alternative Investments Program

Presentation for the UTIMCO Board of Directors
September 14, 2005

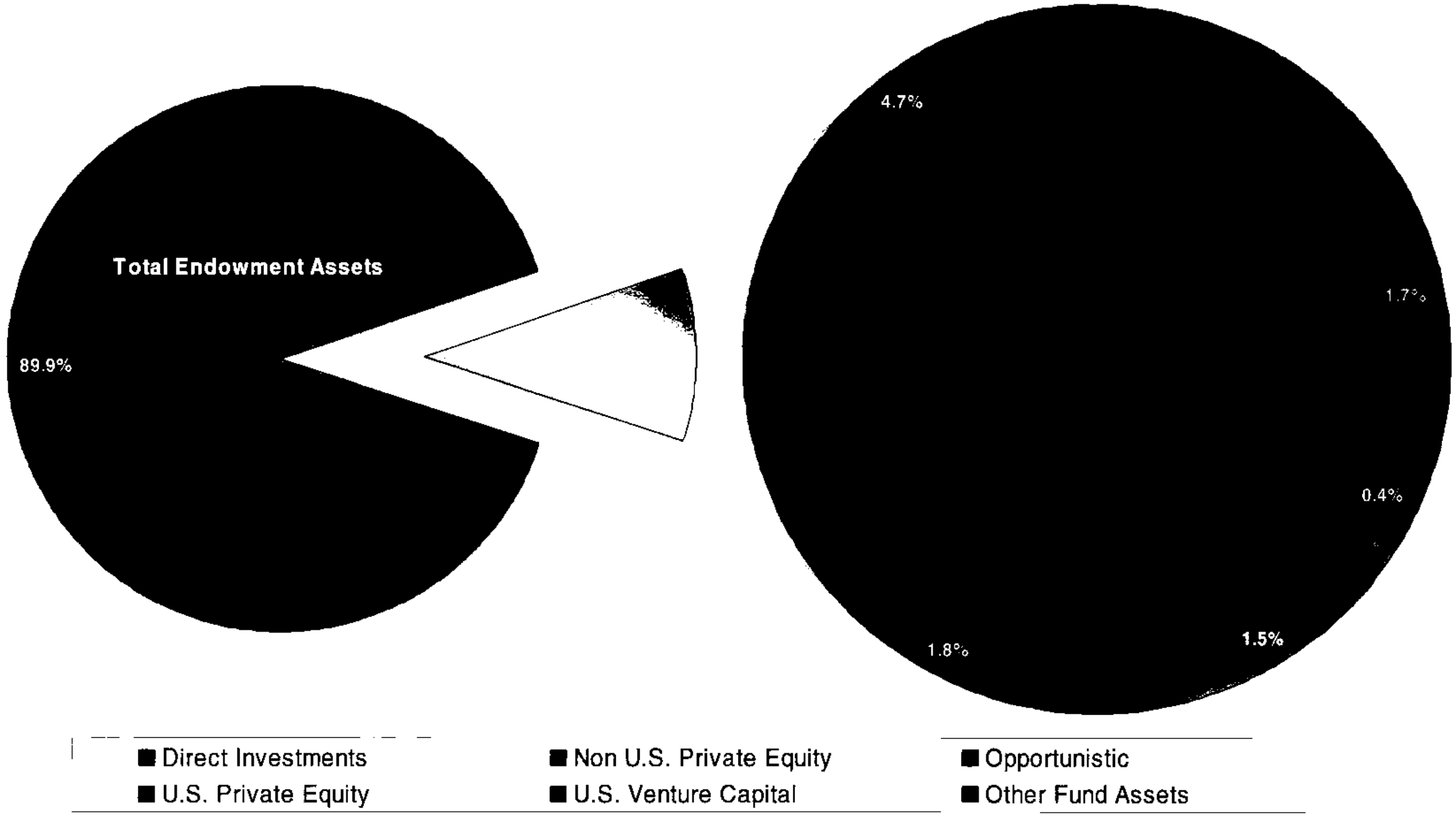
Presentation Overview

- Overview of Non-Marketable Alternatives Investment Program
- Current Allocation Issue
- 2003 Plan to Reach Target – What Happened?
- How We Get There From Here?
- Conclusion

Program Overview

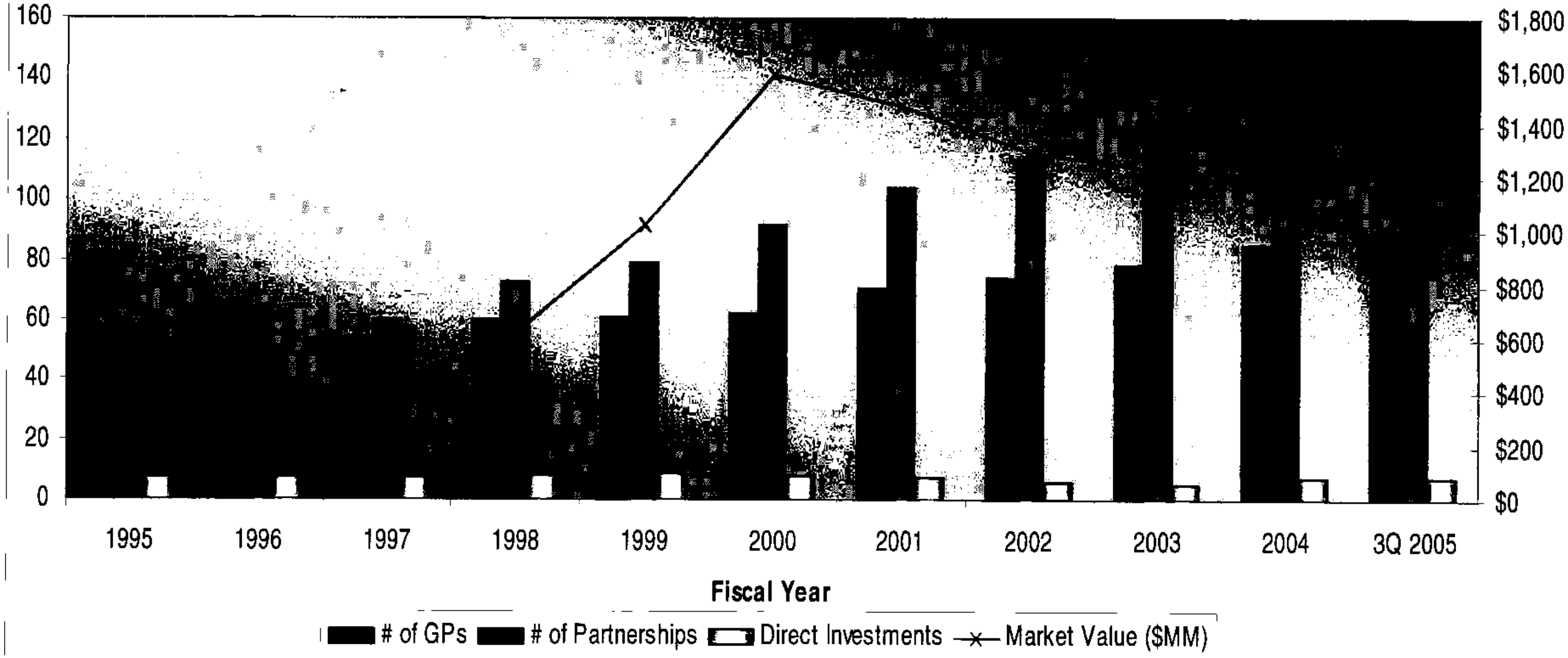
Current Breakdown

as of 5/31/05



Program Overview

Non-Marketable Alternative Program Growth



Program Overview
Performance

- Aggregate Portfolio
  - 11.37% net since inception IRR (as of 5/31/05)
  - Outperformed "Public Market Equivalent" (PME) benchmarks since inception
    - Russell 3000 by 582 basis points
    - S&P 500 by 371 basis points
    - Wilshire 5000 by 577 basis points
- Current Staff
  - 16.06% net since inception IRR (as of 5/31/05)
  - PME performance:
    - Russell 3000 by 587 basis points
    - S&P 500 by 525 basis points
    - Wilshire 5000 by 535 basis points

Program Overview

NMA Team Structure

Co-Managing Director- Trey Thompson
- AB History, Princeton; MBA Finance, UT Austin
- CFA Charterholder
- Goldman Sachs, AT Kearney, Prudential Capital
- 3.5 years at UTIMCO

Co-Managing Director
-BA Finance,
- CFA Charterholder
-Prudential Capital
- 4.5 years at UTIMCO

Investment Analyst- Scott Bigham
-BA Accounting, UT Austin
-MPA Accounting, UT Austin
Level III CFA Candidate
USAA
UTIMCO

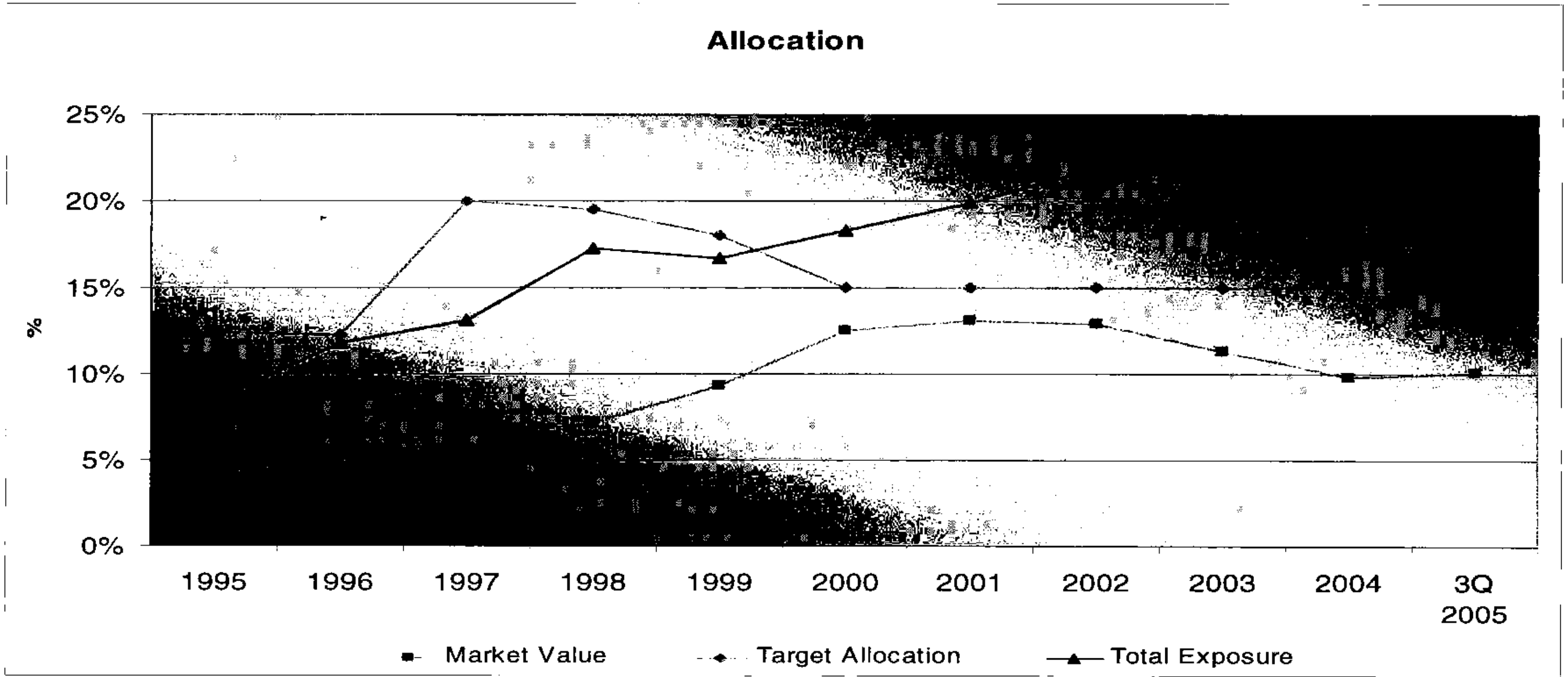
Investment Associate- Lindel Eakman
-BA Accounting/Finance, TCU
-MBA Finance, UT Austin
-CFA Charterholder, CPA
-KPMG, Stephens
-2.5 years at UTIMCO

Investment Associate
Open

Administrative Assistant-
Claire Makins
-4 years at UTIMCO

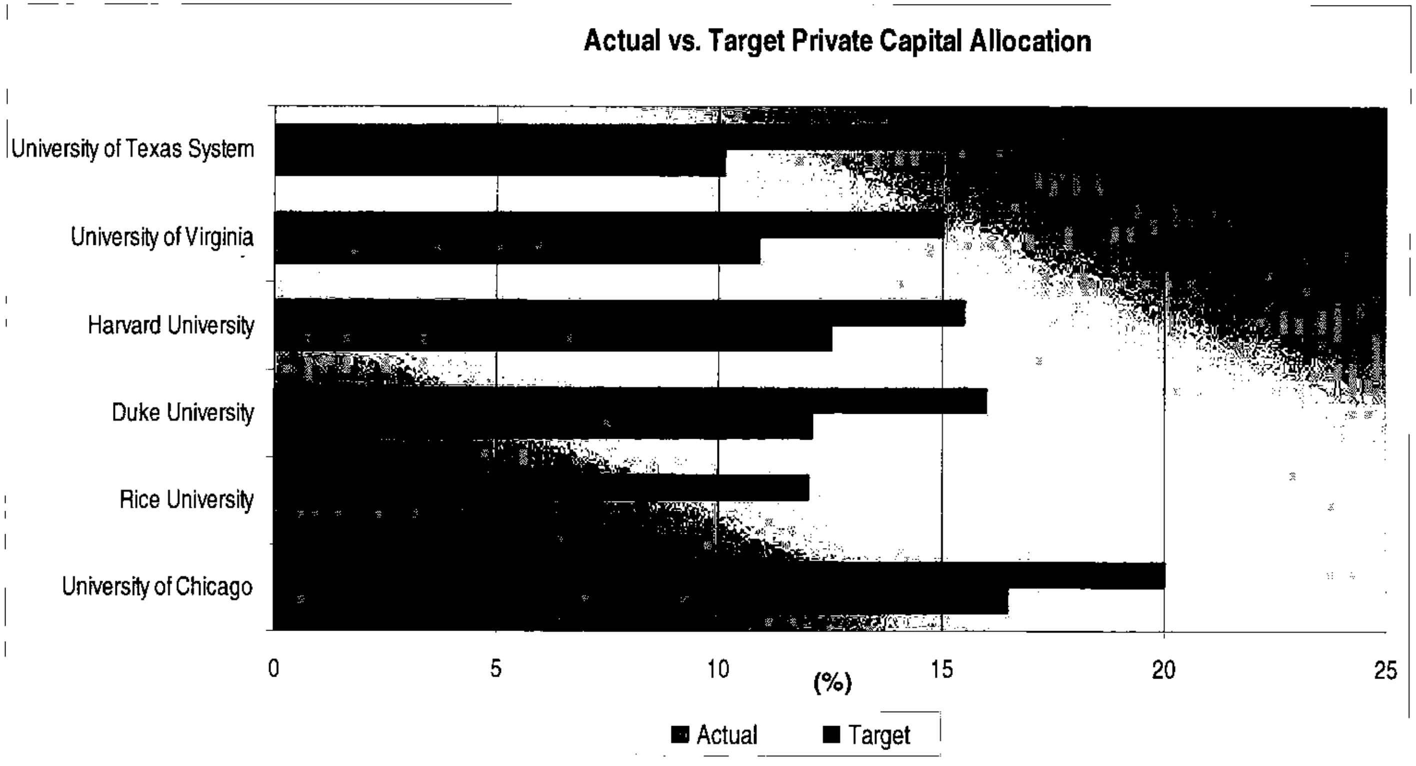
Consultant
Cambridge Associates

Issue: Portfolio Below Target Allocation



- 10% actual vs. 15% target
- Difficult to manage exposure precisely

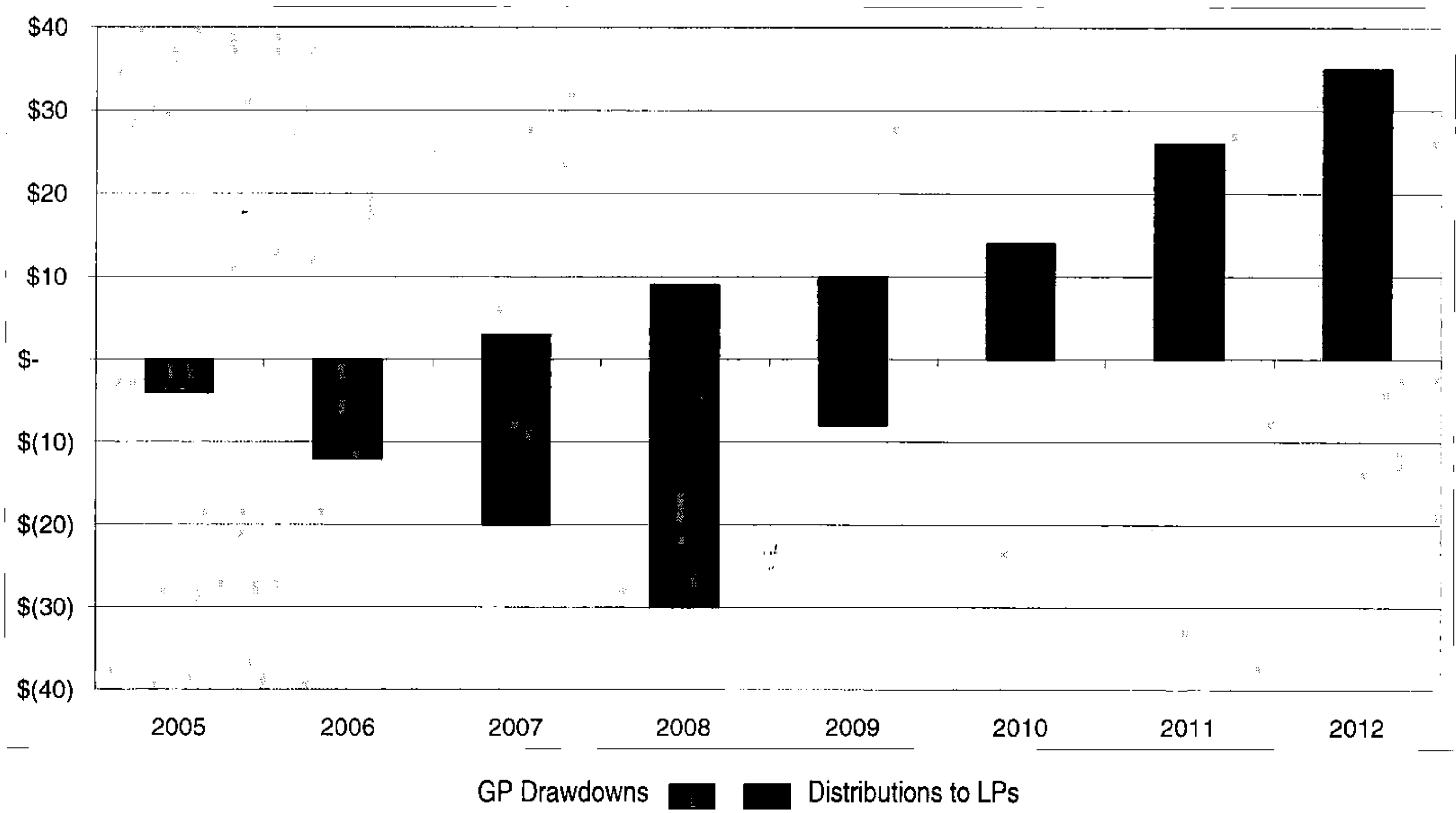
Problem Not Unique To UTIMCO



Source: Cambridge Associates

- According to a recent Cambridge survey of 18 endowments, 2/3rds were below their target allocations to Private Capital

Typical Lifecycle of a Private Equity Fund



- Private equity cash flows are not controlled by UTIMCO

Consequences of Being Under-Allocated

- Missing out on high long-term expected returns
- Under-utilization of risk allocation
  - As of 7/31/05, the endowments were taking 16.4% less risk than the policy portfolio
  - 86% of that is attributable to the underweight in private capital
- Forced to allocate capital to other asset classes
  - May or may not be attractive depending upon current market views

In 2003, We Developed a Plan to Reach 15% Target

- 11.36% Allocation as of 8/31/03
  - 9.74% Private Equity
  - 1.62% Venture Capital
- Staff developed a detailed forecasting model
  - Determine commitments needed to reach 15% target within two years
  - Assumptions
    - Drawdown / Distribution Pace
    - Market Value Changes
    - Growth of Overall Endowment

8/31/03 Commitment Budget Forecast

Base Assumptions (as of 8/31/03)			
Target Allocation	15%		
Endowment Growth	8.36%		
	Drawdown Pace	Distribution Pace	Qtr Mkt Value Changes
Non-US PE	12 Quarters	2.5x	1.0%
Opportunistic	8 Quarters	2.5x	3.0%
US PE	12 Quarters	2.5x	2.0%
US VC	12 Quarters	2.5x	5.0%
		% of Total Endowments	
NMA Market Value	$1,230,175,744	11.36%	
NMA Exposure	$2,083,046,528	19.23%	
	Base Scenario		
Private Equity	$246,309,821		
Venture Capital	$164,206,548		
Total Commitments	**$410,516,369**		

Commitment Activity FY 2004

Closing Date	Committed and Closed	Venture Capital	Private Equity	Opportunistic	Non US	Direct	Total
9/29/03	MatlinPatterson Global Opportunities Partners II, L.P.			$30.00			$30.00
10/9/03	PTV Sciences, L.P.	$25.00					$25.00
11/20/03	ArcLight Energy Partners Fund II, L.P.			$50.00			$50.00
11/20/03	TPG Partners IV, L.P.		$20.00				$20.00
12/10/03	TCV V, L.P.	$30.00					$30.00
3/1/04	Arch Venture Fund VI, L.P.	$30.00					$30.00
3/31/04	PTV Sciences, L.P.	$5.00					$5.00
5/21/04	Songbird					$0.96	$0.96
7/1/04	Fisher Lynch Venture Partnership, L.P.	$40.00					$40.00
7/16/04	Eos Partners III, L.P.		$25.00				$25.00
8/1/04	OCM Opportunities Fund V, L.P.			$25.00			$25.00
	Total Activity	**$130.00**	**$45.00**	**$105.00**	**$0.00**	**$0.96**	**$280.96**

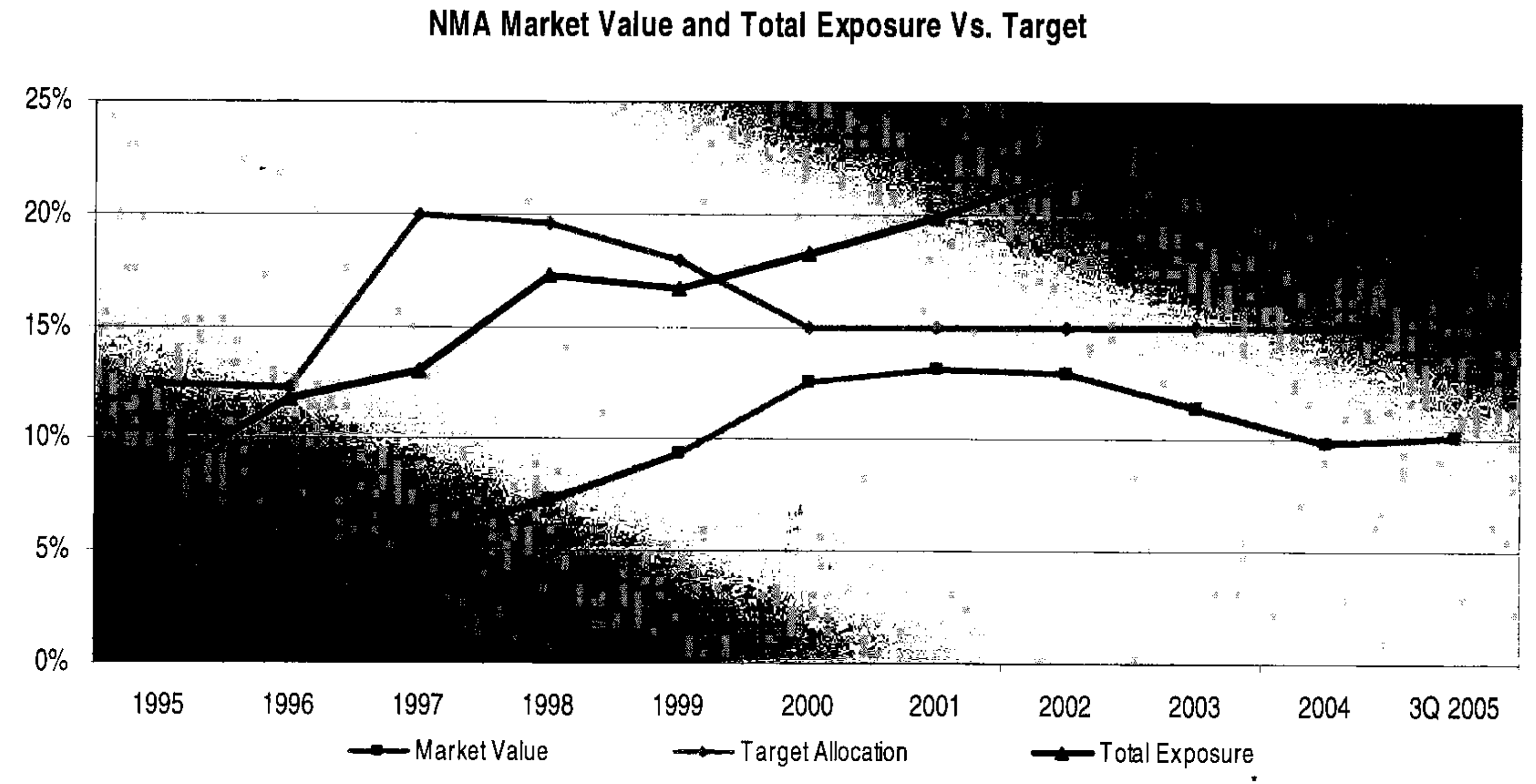
In 2004, We Updated our Budget

Base Assumptions (as of 8/31/04)			
Target Allocation	15%		
Endowment Growth	8.36%		
	Drawdown Pace	Distribution Pace	Qtr Mkt Value Changes
Non-US PE	12 Quarters	2.5x	1.0%
Opportunistic	8 Quarters	2.5x	3.0%
US PE	12 Quarters	2.5x	2.0%
US VC	12 Quarters	2.5x	5.0%
		% of Total Endowments	
NMA Market Value	$1,206,698,440	9.81%	
NMA Exposure	$2,139,397,598	17.40%	
	Base Scenario		
Private Equity	$454,942,556		
Venture Capital	$303,295,038		
Total Commitments	**$758,237,594**		

Commitment Activity FY 2005

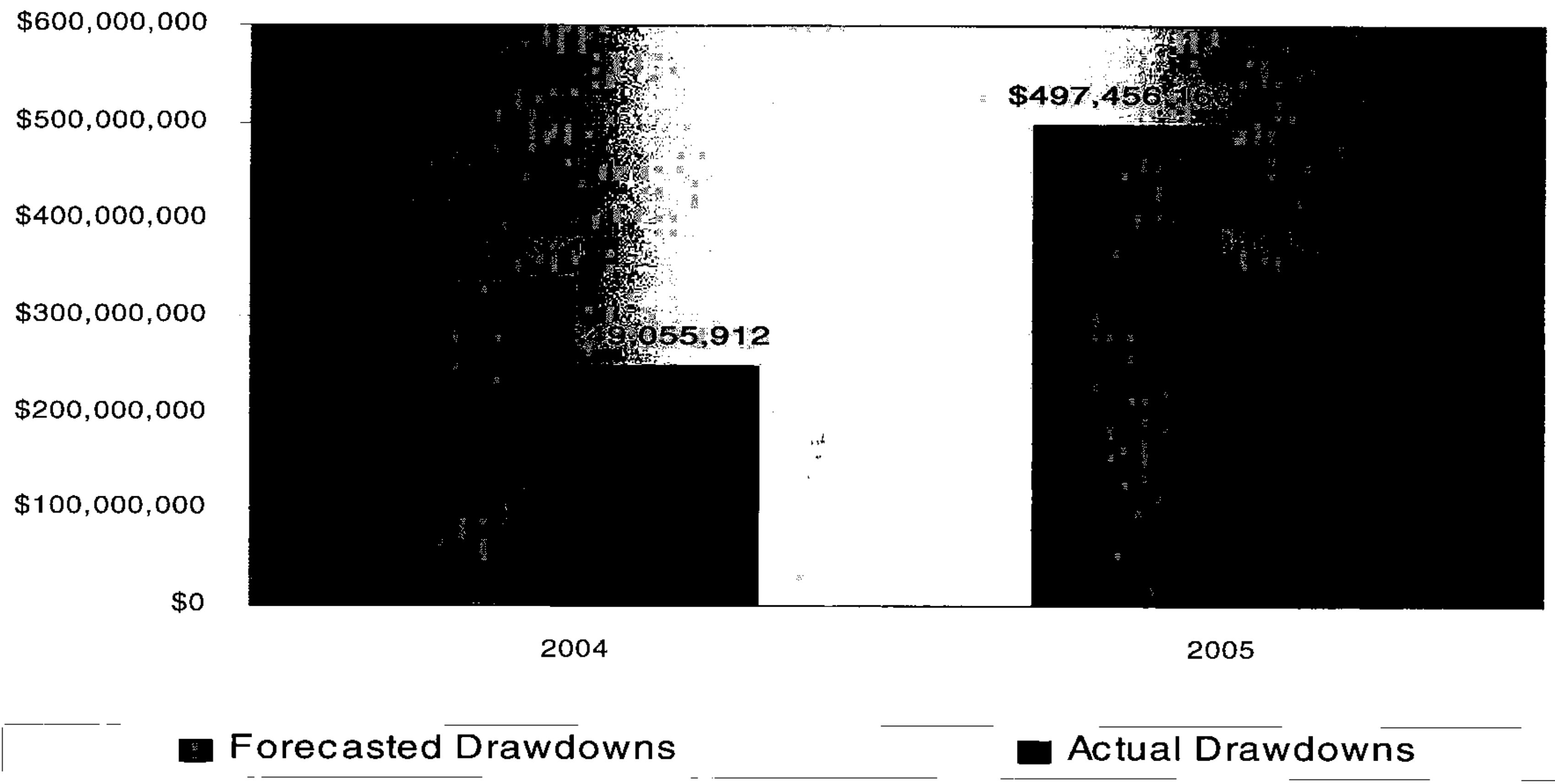
Closing Date	Committed and Closed	Venture Capital	Private Equity	Opportunistic	Non US	Direct	Total
10/29/04	Knightsbridge Venture Capital VI	$25.00					$15.00
10/29/04	Doughty Hanson & Co. IV				$31.85		$31.85
11/1/04	DDJ Total Return Loan Fund			$25.00			$25.00
11/2/04	Union Square Ventures	$25.00					$25.00
12/24/04	Carlyle Partners IV		$40.00				$40.00
12/27/04	Doughty Hanson & Co. IV				$13.00		$13.00
2/15/05	Pomona Capital VI			$40.00			$40.00
2/28/05	GFI/OCM Power Opportunities Fund II			$30.00			$30.00
3/15/05	Prism Venture Partners V	$25.00					$25.00
4/5/05	Knightsbridge Venture Completion 2005	$25.00					$25.00
4/26/05	Morgenthaler VII, L.P.	$1.60					$1.60
5/3/05	Escalate Capital, L.P.	$25.00					$25.00
6/7/05	Morgenthaler VIII, L.P.	$20.00					$20.00
7/7/05	CVC European Equity Partners IV, L.P.				$37.30		$37.30
7/12/05	SCF-VI, L.P.		$35.00				$35.00
7/25/05	Lake Capital Partners II, L.P.		$40.00				$40.00
7/29/05	Candover 2005 Fund				$37.30		$37.30
8/15/05	Warburg Pincus IX, L.P.		$50.00				$50.00
8/26/05	OCM Opportunities Fund VI, L.P.			$25.00			$25.00
	Total Activity	**$151.60**	**$165.00**	**$120.00**	**$119.45**	**$0.00**	**$556.05**

Despite our Efforts, We Are Still Below Our Target

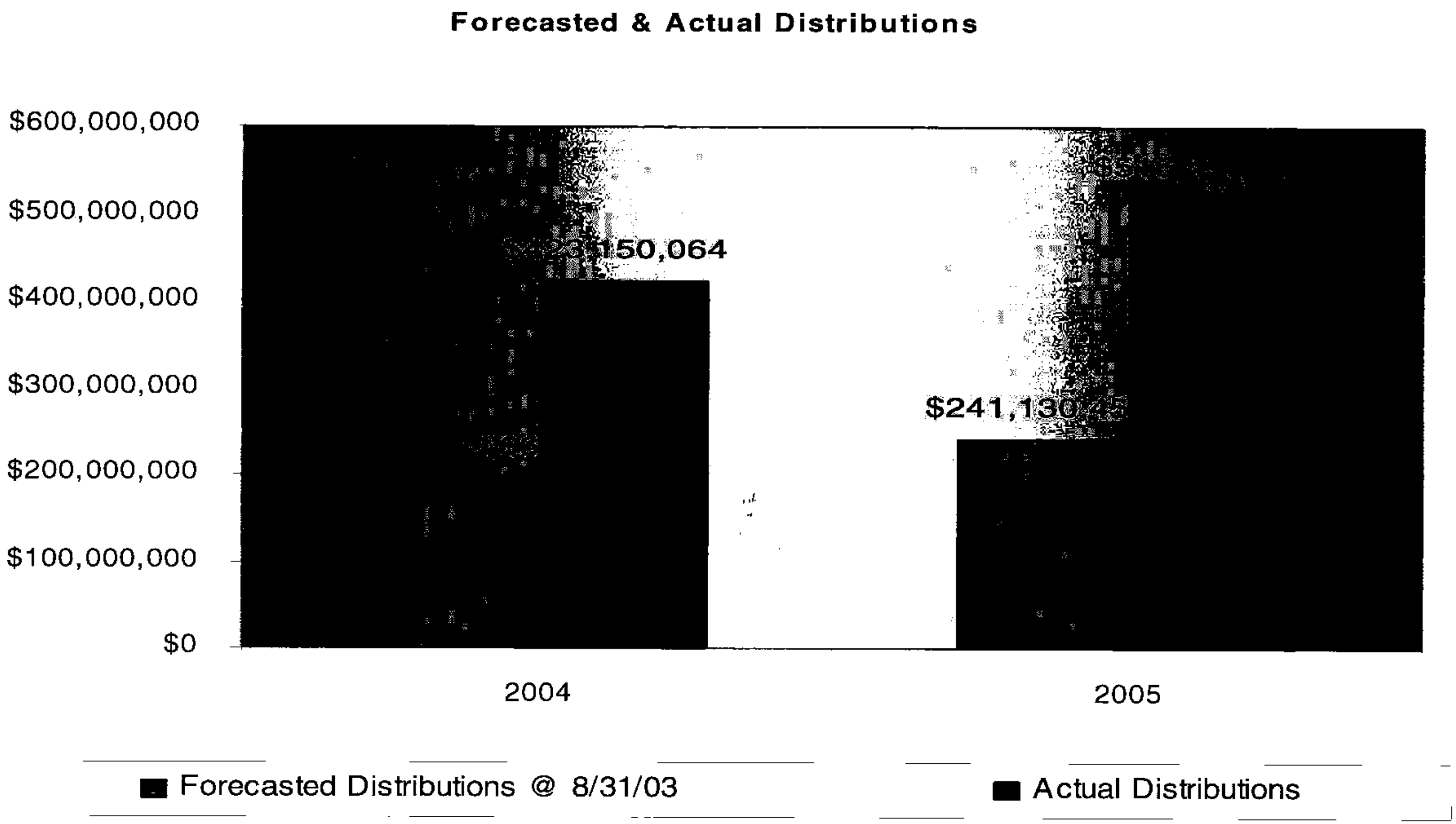


*Equals market value plus undrawn commitments

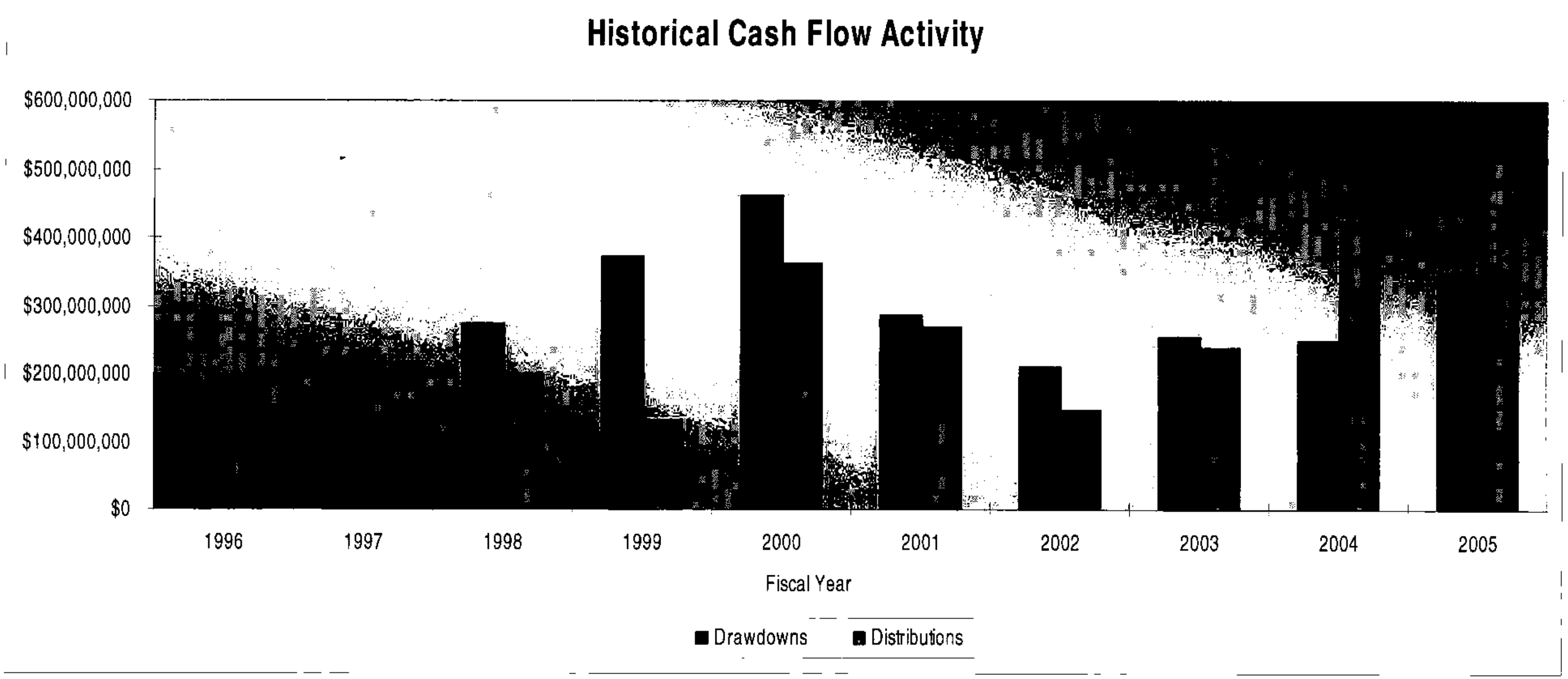
Projections Made in 2003 Proved Conservative



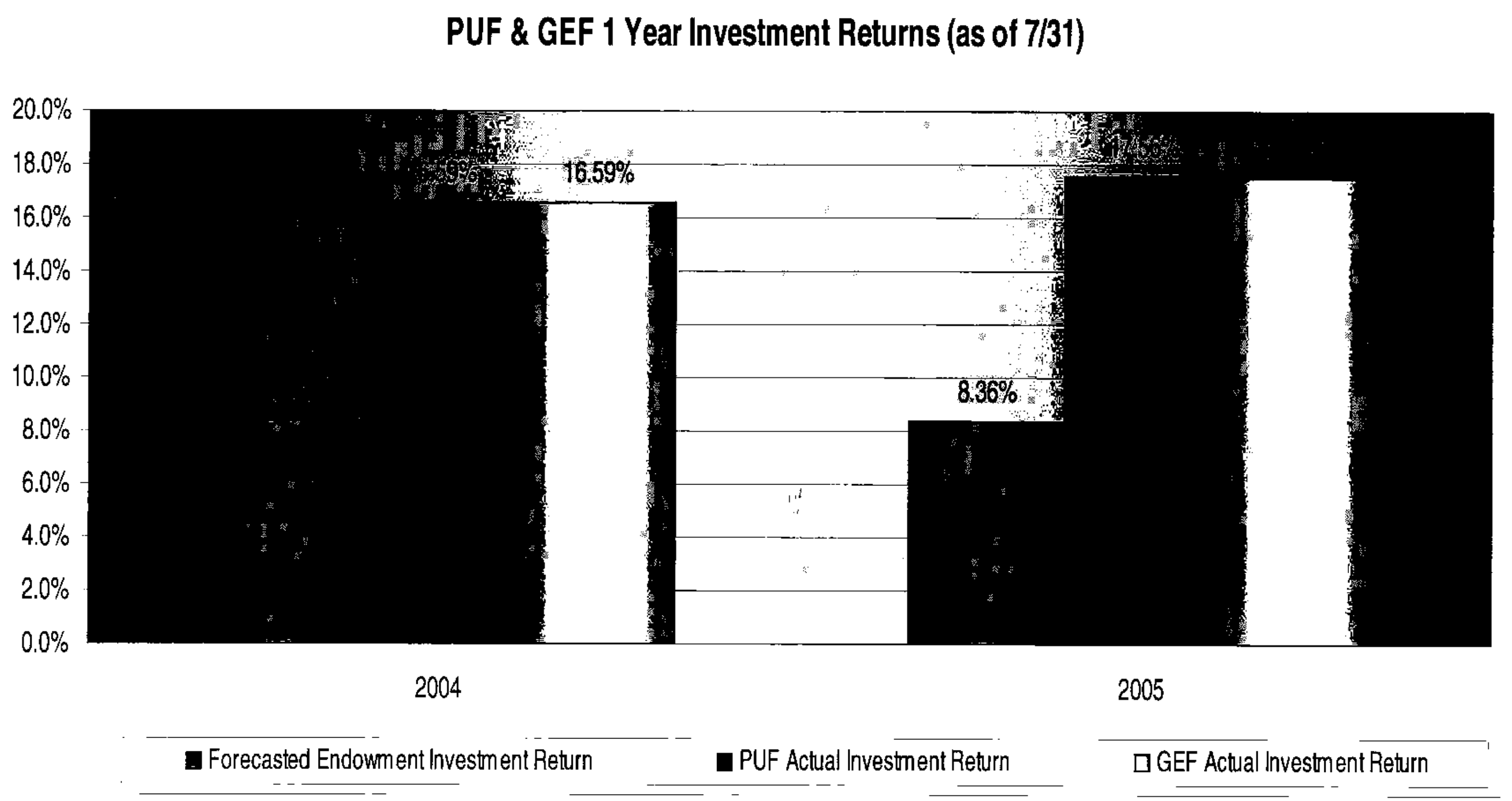
Projections Made in 2003 Proved Conservative



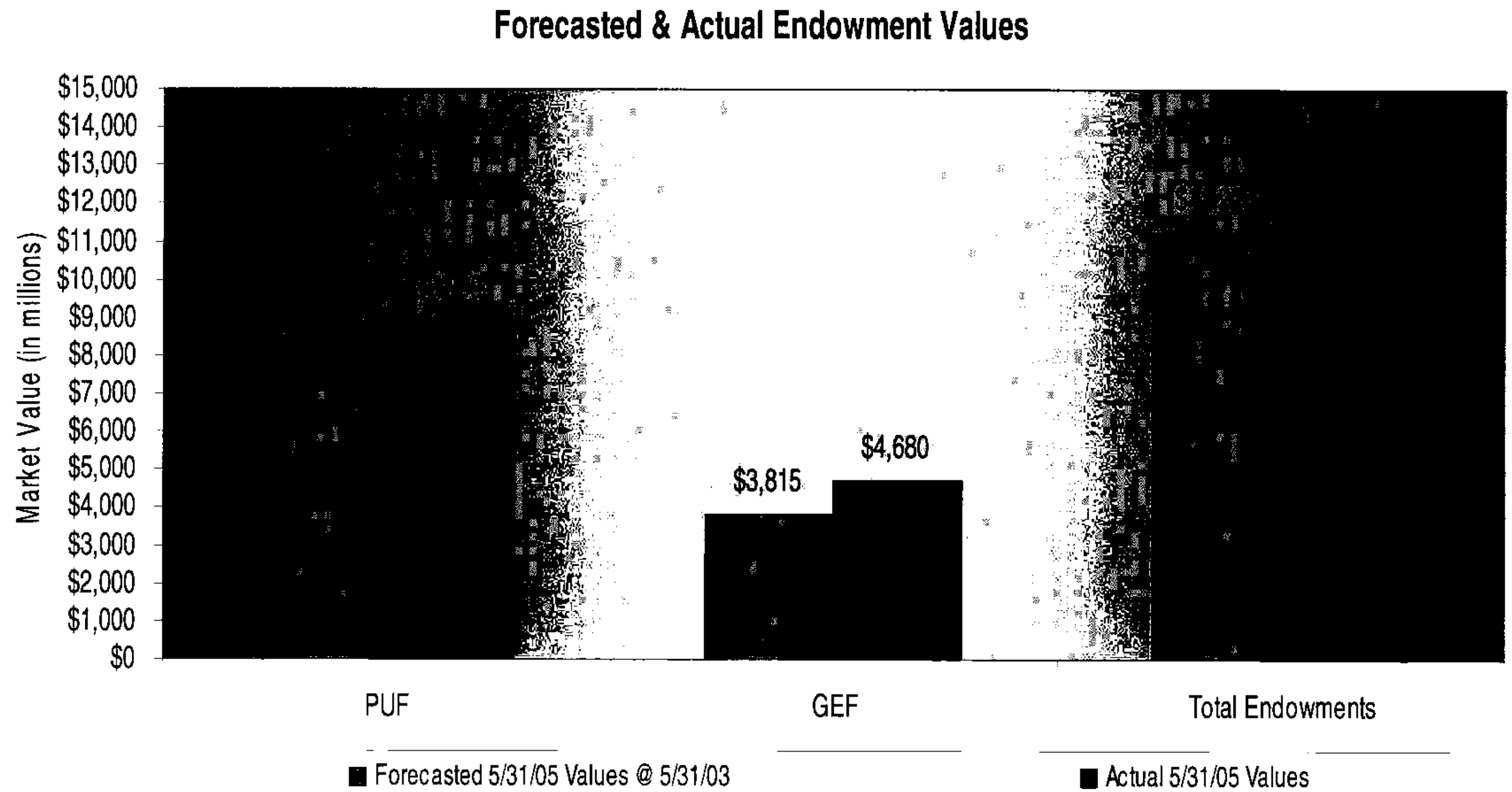
Unparalleled Distributions in 2004 and 2005



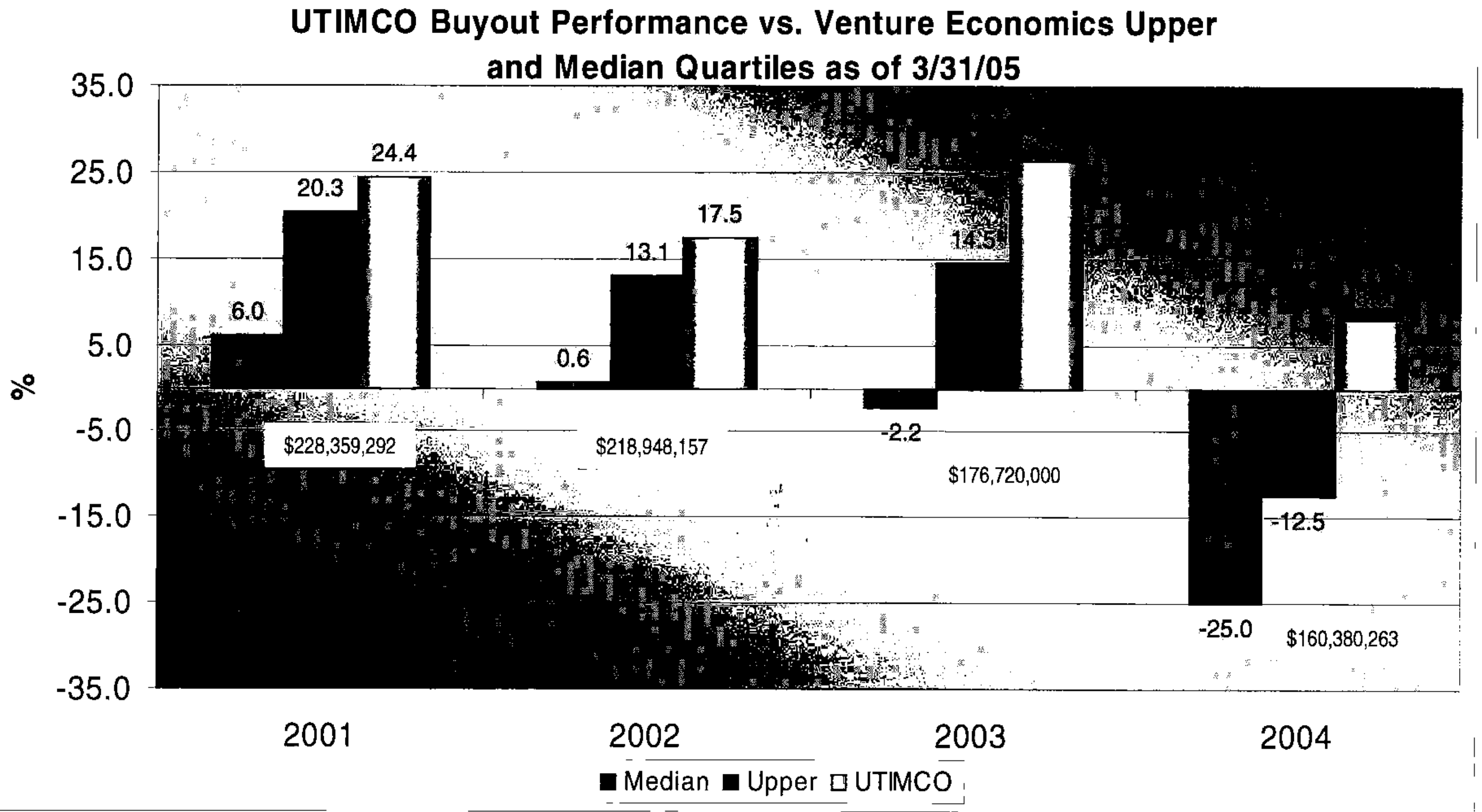
The Denominator Grew More than We Projected



The Denominator Grew More than We Projected



Continued Focus on Quality, Not Quantity



We Recently Updated our Budget for '06 and '07

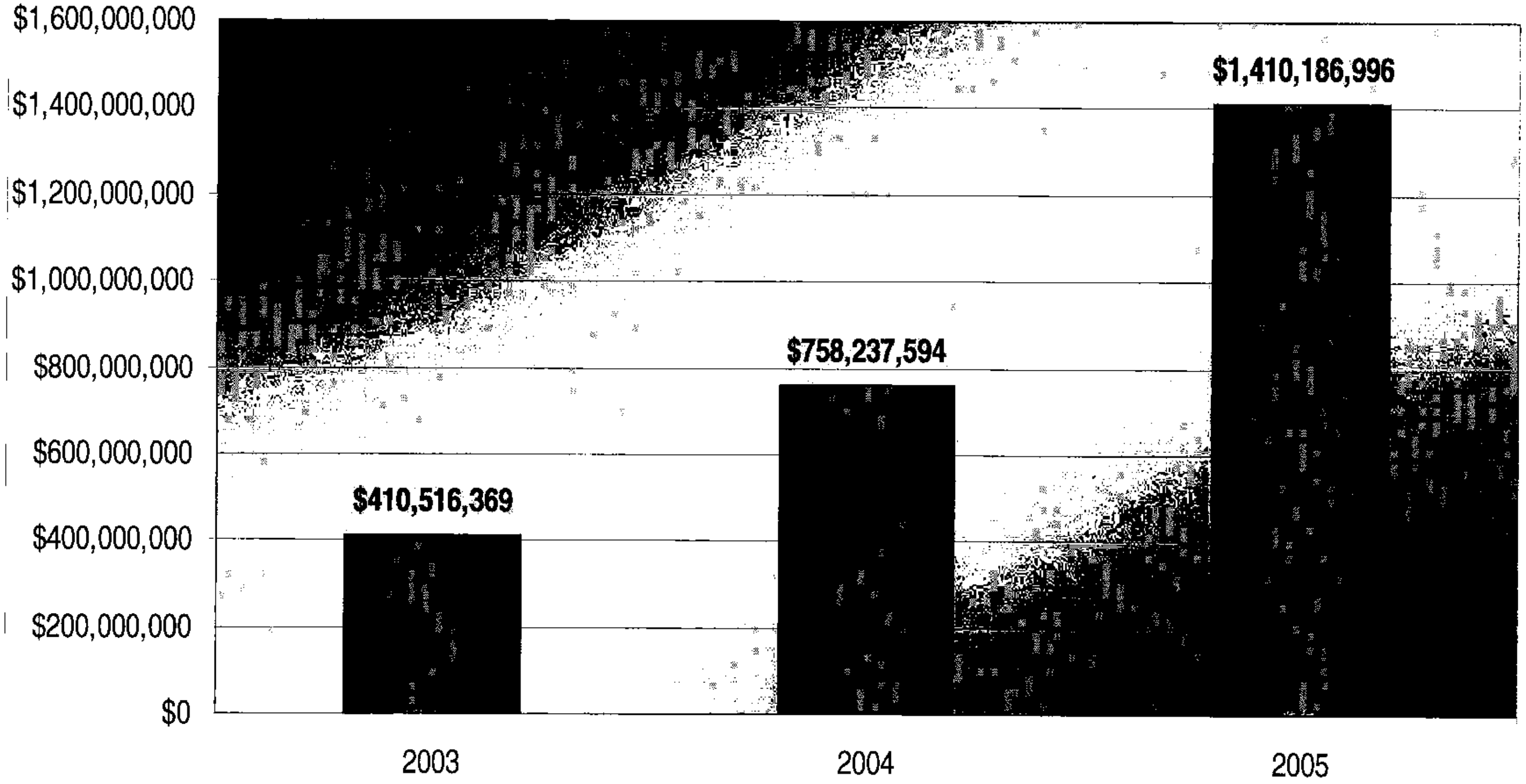
Base Assumptions

Target Allocation	15%
Endowment Growth Rate	Approx. 5%

	Drawdown Pace	Distribution Pace	Qtr Mkt Value Changes	Commitment Allocation
Non-US PE	16 Quarters	1.5x	3.0%	25.0%
Opportunistic	8 Quarters	1.5x	3.0%	15.0%
US PE	16 Quarters	1.5x	3.0%	35.0%
US VC	16 Quarters	1.5x	4.0%	25.0%

	Results		
Private Equity	$1,057,640,247		
Venture Capital	$352,546,749	**Commitments through 8/31**	**Balance through 5/31/07**
Total Commitments	$1,410,186,996	($225,000,000)	$1,185,186,996

Summary: Commitment Budget Has Increased



Forecasting Model Remains Sensitive to Inputs

Base Assumptions

Target Allocation	**15%**		
Endowment Growth Rate	**Approx. 5%**		
	Results		
Private Equity	$1,057,640,247		
Venture Capital	$352,546,749	**Commitments through 8/31**	**Balance through 5/31/07**
Total Commitments	**$1,410,186,996**	**($225,000,000)**	**$1,185,186,996**

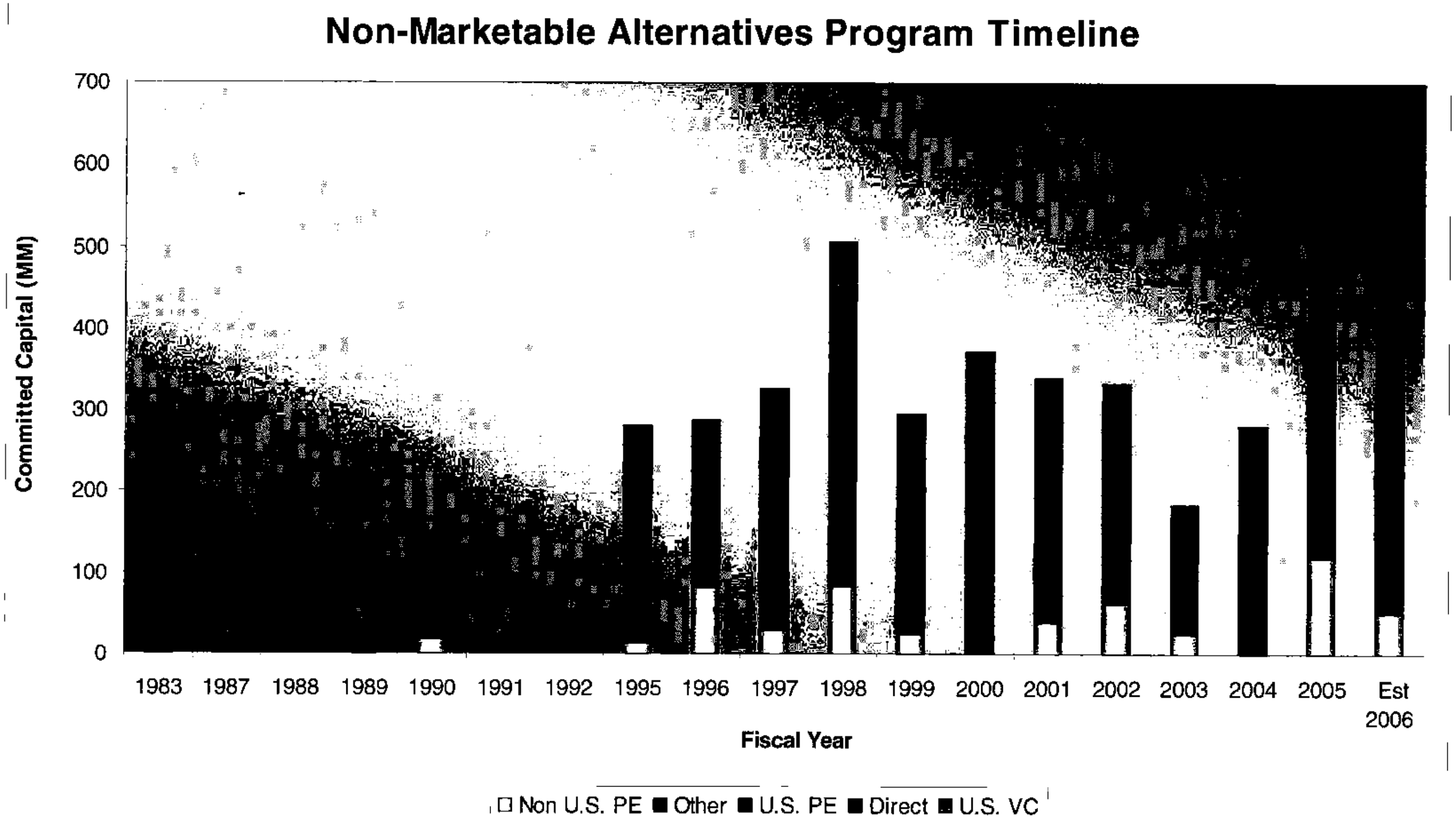
Sensitivity Analysis

	Net Endowment Growth		
	-5.0%	0.0%	10.0%
Private Equity	$214,643,153	$612,912,844	$1,521,503,453
Venture Capital	$71,547,718	$204,304,281	$507,167,818
Total Commitments	**$286,190,870**	**$817,217,125**	**$2,028,671,271**
Commitments through 8/31/05	**($225,000,000)**	**($225,000,000)**	**($225,000,000)**
Balance through 5/31/07	**$61,190,870**	**$592,217,125**	**$1,803,671,271**

Are There Structural Impediments to Reaching 15%?

- Disclosure is less of an issue today
- Streamlined delegation of authority
- Liquidity threshold increased
- Staffing levels are sufficient and expected to grow
  - Two managing directors
  - One associate, one more on the way
  - One analyst
  - One administrative assistant
- Deal flow remains robust
- Market trends will reverse in time
- Significant commitments in '05 and '06 will increase exposure

Record '05/'06 Commitments Will Increase Exposure over Time

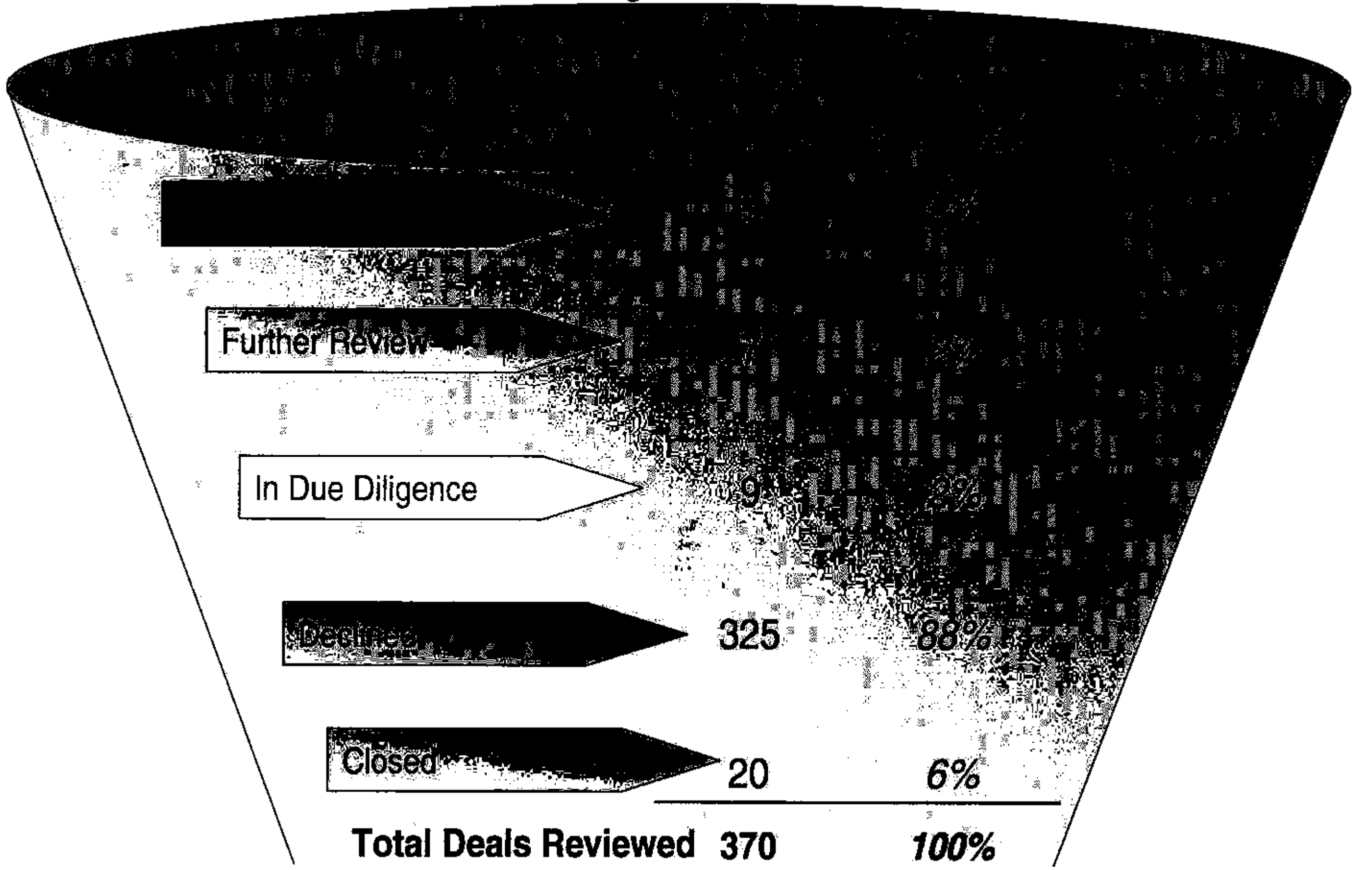


Note: The FY 2005 values include pending commitments. The estimate for FY 2006 only includes estimated values for current General Partners whom are expected to fundraise in 2006.

UTIMCO Continues to Have Excellent Deal Flow

Non-Marketable Alternatives Pipeline

As of August 31, 2005



What Happens if we reach the 15% Target?

- Increase cap to 20%, as originally proposed by UTIMCO's Board
- Use the secondary market to decrease exposure
  - Acceptable tactic if we get to 15% due to strong NMA performance
  - Problematic if we get to 15% due to significant drop in underlying portfolio
- Secondary market has grown significantly in the past three years
  - Numerous funds have raised billions in capital
  - Demand for product has resulted in premium pricing
    - UT competitor recently sold 20% of its portfolio at 108% of NAV
    - UTIMCO staff is assessing a similar sale to take advantage of pricing
      - Might generate good value for the endowments
      - Would right-size portfolio and provide greater staff focus

Conclusion

- Assess our exposure quarterly and make adjustments as needed
- Continue to shoot for 15% target
- Update budget quarterly, but acknowledge sensitivity to inputs
- Remain mindful of need for vintage year diversification
- Continue to focus on quality, not quantity
- Rebalance to take advantage of market opportunities or over-exposure problem, if necessary

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Discussion of Investment Environment and Opportunities

Developed By: Boldt

Presented By: Boldt

Type of Item: Information Item

Description: This agenda item is intended to provide an opportunity for an open-ended discussion on issues, expectations, and opportunities in the current investment environment.

Recommendation: None

Discussion: This will be a regular agenda item in future UTIMCO Board meetings. We hope to have an opportunity to get input from Board members on issues, concerns, and opportunities in the current investment environment. The conversation will be unstructured and open-ended. Staff will come prepared to initiate discussions on several topics, but we are far more interested in what Board members want to talk about. We would like to come away from each of these sessions with at least one "fat pitch" investment idea.

Reference: None

TAB 10

Agenda Item
UTIMCO Board Meeting
September 14, 2005

Agenda Item: Consideration of Amendments to the UTIMCO Compensation Program

Developed By: Boldt, Moeller

Presented By: Boldt

Type of Item: Action Required by UTIMCO Board

Description: The UTIMCO Compensation Program ("Plan") consists of two elements, base salary and an annual incentive award. UTIMCO's compensation program serves a number of objectives, the most important of which is attracting and retaining key investment and operations staff of outstanding competence and ability. In accordance with Section 7.2 of the Plan, the UTIMCO Board has the right in its discretion to amend the Plan or any portion thereof from time to time, to suspend it for a specified period, or to terminate it entirely or any portion thereof.

Recommendation: The Compensation Committee will have reviewed the proposed Amendments during its meeting held on Tuesday, September 13, 2005, and recommends the Amendments to the Plan for UTIMCO Board consideration and approval.

Discussion: The First Amendment to the Plan relates to the definition of the Peer Group in Section 8.14. The definition states that the Peer Group is a peer group of endowment funds maintained by the UTIMCO Board's external investment advisor that is composed of all endowment funds with assets greater than $1 billion at the beginning of each Performance Period. The UTIMCO Board interpreted this to mean that each member had to be a $1 billion at each period ending June 30, 2002, 2003, and 2004. At its March 31, 2005 meeting, the UTIMCO Board approved Appendix B, UTIMCO Peer Group based on this interpretation. The First Amendment clarifies this definition. Appendix B will need to be updated with the Peer Group for the 2005/2006 performance period when the Peer Group is available which is estimated to be late September or early October.

The Second Amendment to the Plan is amending four items:

- Section 5.3. Changing the length of time to confirm eligible positions to the first 90 ninety days of the performance period to coincide with the approval time of 90 days to approve the goals.
- Section 5.8 (b) This section has been updated to accommodate the new asset allocation approved by the UTIMCO Board and Board of Regents. The new asset allocation and benchmarks was effective September 1, 2005. Therefore, the 2005/2006 Plan is being amended to include the new asset allocation from September 1, 2005 to June 30, 2006. Bruce Myers of Cambridge Associates has reviewed the table and his report is included.
-

- Section 7.3. Changing the review of performance data and calculations from the external investment consultant to the external auditor.
- Appendix A is being amended to replace the word chart with table wherever it appears.

Reference: UTIMCO Compensation Program; First and Second Amendments; memo from Bruce Myers

RESOLUTIONS ADOPTING AMENDMENTS TO UTIMCO COMPENSATION PROGRAM

WHEREAS, Section 7.2 of the UTIMCO Compensation Program (the "Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, UTIMCO and the Board wish to amend the Plan in certain respects; and

WHEREAS, the Compensation Committee of the Board has reviewed the proposed amendments to the Plan and has recommended that such amendments be adopted by the Board;

NOW, THEREFORE, be it:

RESOLVED, that the "First Amendment to UTIMCO Compensation Program," a copy of which is attached hereto and which is directed to be marked for identification and filed with the records of UTIMCO, is hereby approved and adopted, effective as of September 1, 2004; and

RESOLVED, that the "Second Amendment to UTIMCO Compensation Program," a copy of which is attached hereto and which is directed to be marked for identification and filed with the records of UTIMCO, is hereby approved and adopted, effective as of the dates specified therein; and

RESOLVED, that the appropriate officers of UTIMCO be, and they hereby are, authorized and directed to do and perform all such acts and things, to execute all documents and instruments, and to take all other steps as they or any of them may deem necessary, advisable, convenient, or proper to effectuate the same and accomplish the purposes of the foregoing resolutions, and to comply with all applicable provisions of all related documents and all applicable law, and any and all such actions heretofore taken shall be, and they hereby are, ratified and approved.

FIRST AMENDMENT TO
UTIMCO COMPENSATION PROGRAM

WHEREAS, UTIMCO has adopted, effective September 1, 2000, and currently maintains the UTIMCO Compensation Program (the "Plan"); and

WHEREAS, the Plan was amended and restated, effective September 1, 2004; and

WHEREAS, pursuant to Section 7.2 of the Plan, UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, UTIMCO wishes to amend the Plan to clarify the requirements of the peer group of endowment funds, which is used for the purpose of establishing certain performance standards under the Plan;

NOW, THEREFORE, the Plan is hereby amended as follows, effective as of September 1, 2004:

1. The Plan is hereby amended by deleting Section 8.14 and substituting therefor a new Section 8.14 to read as follows:

"8.14 **Peer Group** is a peer group of endowment funds maintained by the Board's external investment advisor that is comprised of all endowment funds with assets greater than $1 billion on the last day of each of the three immediately preceding Performance Periods; provided, however, that Harvard University's endowment fund, Yale University's endowment fund, and Total Endowment Assets are excluded from the Peer Group. The Peer Group will be updated from time to time as deemed appropriate by the Board, and Appendix B will be amended accordingly."

2. As amended hereby, the Plan is specifically ratified and reaffirmed.

UTIMCO

By: ______________________________
Printed Name: ______________________

SECOND AMENDMENT TO UTIMCO COMPENSATION PROGRAM

WHEREAS, UTIMCO has adopted, effective September 1, 2000, and currently maintains the UTIMCO Compensation Program (the "Plan"); and

WHEREAS, the Plan was amended and restated, effective September 1, 2004; and

WHEREAS, pursuant to Section 7.2 of the Plan, UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, UTIMCO wishes to amend the Plan in certain respects;

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Effective as of July 1, 2005, Section 5.3(a) of the Plan is hereby amended by deleting the phrase "60 days" in such Section and substituting therefor the phrase "90 days."

2. Effective as of September 1, 2005, Section 5.8(b) of the Plan is hereby amended by adding to such Section the new table attached hereto as Exhibit 1, and such new table shall be used to identify the benchmarks for each asset class on and after September 1, 2005, while the prior table shall be used to identify the benchmarks for each asset class from July 1, 2002, through August 31, 2005.

3. Effective as of September 1, 2005, Section 7.3 of the Plan is hereby amended by deleting the phrase "investment consultant" in such Section and substituting therefor the word "auditor."

4. Effective as of September 1, 2005, Appendix A of the Plan is hereby amended by deleting the word "chart" wherever it appears in such Appendix A and substituting therefor the word "table."

5. As amended hereby, the Plan is specifically ratified and reaffirmed.

UTIMCO

By: ______________________________

Printed Name: ______________________

Exhibit 1

Asset Class	Benchmark	Policy Portfolio Weights (% of Portfolio)	Performance Standards: Threshold	Target	Maximum
Entity: Peer Group	Peer group (Endowments w/>$1 B assets)	n/a	40th %ile	60th %ile	75th %ile
US Public Equity	Russell 3000 Index	20%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index	10%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index	15%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	+0 bps	+0 bps	+0 bps
Short Intermediate Term Fund	SITF Policy Statement	--	+0 bps	+5 bps	+10 bps

C | A

CAMBRIDGE ASSOCIATES LLC

2001 Ross Avenue, Suite 3155
Dallas, Texas 75201
tel 214.468.2800 fax 214.468.2801
www.cambridgeassociates.com

MEMORANDUM

TO: Woody Hunt, Chairman
University of Texas Investment Management Company

FROM: Bruce Myers

DATE: September 6, 2005

RE: Revisions to Compensation Plan Benchmarks

The recent change in benchmarks for performance measurement triggers a need to review the details of the UTIMCO compensation plan. You will recall that the current plan was the product of several years work by the Compensation Committee, with major input from Mercer Consulting and some minor input from us. You will also recall that one the features of the current plan is that it specifies a target level of benchmark outperformance needed to trigger incentive compensation and a maximum level of benchmark performance at which incentive compensation is capped. It is this feature of the plan that needs to be reviewed.

Given the thoughtfulness and lengthy deliberations that went into the construction of the current plan, our starting point assumption was to recommend as little change as possible. Indeed, the only recommendations for change are in areas were change is necessitated by changes in benchmarks. There are two changes of note:

- Since separate benchmarks have been established for developed and emerging markets (replacing the former Global ex-US category) separate targets and maximums have been proposed for both non-US developed markets and emerging markets. The previous level of benchmark outperformance for the Global ex-US category has simply been allocated to the sub asset classes without materially changing the amount of outperformance subject to incentive compensation. [1]

- Additionally, since the benchmark for commodities was made more difficult, it seemed reasonable to adjust the target and maximum points for this asset class as well. Whereas the old benchmark had been GSCI less 100 basis points, the new benchmark is 2/3rds GSCI less 50 bps and 1/3rd DJ-AIG Index (flat). In keeping with the new benchmark we calculated a reduced amount of outperformance from the GSCI portion by reducing the target and maximum to 25 and 50 bps, respectively, versus the former target and maximum of 50 and 100 bps. This new target and maximum was then blended 2/3 – 1/3 with a modest assumption (comparable to TIPs) for the target and maximum for DJ-AIG benchmark outperformance. The modest level of DJ-AIG outperformance is reflective of the fact that the DJ-AIG exposure is essentially outsourced to PIMCO, with little value added possible by staff.

[1] Taking the products of the allocation to the asset class and the amount of benchmark outperformance subject to incentive compensation, the actual difference between the current and proposed plans is 15/100ths of a basis point.

Weighted by asset allocation, all of the outperformance targets sums to approximately 97 basis points, down slightly from the 99 basis points of the current plan. It had been the opinion of Mercer and the Compensation Committee that the individual asset class outperformance targets should be set in such a way so as to approximate the 100 basis points set for overall portfolio outperformance. The adjustments suggested above do not materially alter that relationship.

With the exception of these two adjustments in international equities and commodities, all other targets and maximums remain unchanged from the 2003 plan. The attached chart sets out the relevant targets and maximums.

UTIMCO 2005 PERFORMANCE TARGETS

Asset Class	2005 Benchmarks	2003 Policy Wts	2005 Policy Wts	2003 Plan		2005 Proposed	
				2003 Targets	2003 Maximum	2005 Target	2005 Maximum
US Public Equity	Russell 3000 Index	20%	20%	31bps	62 bps	31bps	62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	10%	52.5 bps	105 bps	37.5 bps	75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	7%	n/a	n/a	125 bps	250 bps
Directional Hedge Funds	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index	10%	10%	65 bps	130 bps	65 bps	130 bps
Absolute Return Hedge Funds	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index	15%	15%	50 bps	100 bps	50 bps	100 bps
Private Equity	Custom benchmark created from Venture Economics Database	9%	11%	100 bps	200 bps	100 bps	200 bps
Venture Capital	Custom benchmark created from Venture Economics Database	6%	4%	112.5 bps	225 bps	112.5 bps	225 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	5%	37.5 bps	75 bps	37.5 bps	75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	3%	50 bps	100 bps	17.5 bps	35 bps
TIPS	Lehman Brothers US TIPS Index	5%	5%	2.5 bps	5 bps	2.5 bps	5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	10%	12.5 bps	25 bps	12.5 bps	25 bps
Cash	90 day t-bills	0%	0%	0 bps	0 bps	0 bps	0 bps
		100%	100%				

Maximum Portfolio PVA Target:	99 bps	97 bps

Provided for Reference

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO
COMPENSATION PROGRAM

Table of Contents

1. PROGRAM STRUCTURE

The UTIMCO Compensation Program consists of two elements, base salary and an annual incentive plan (the "Performance Incentive Plan" or "Plan"):

Base Salary + Performance Incentive = Total Compensation

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO's Compensation Program serves a number of objectives:

- To attract and retain key investment and operations staff of outstanding competence and ability.
- To encourage key investment staff to develop a strong commitment to the performance of the assets for which UTIMCO has been delegated investment responsibility.
- To motivate key investment staff to focus on maximizing real, long-term returns for all funds managed by UTIMCO while assuming appropriate levels of risk.
- To facilitate teamwork so that members of UTIMCO operate as a cohesive group.

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY

UTIMCO aspires to attract and retain high caliber employees from nationally recognized peer institutions and the investment management community in general. UTIMCO strives to provide a total compensation program that is competitive nationally, with the elements of compensation evaluated relative to comparably sized University endowments, foundations, in-house managed pension funds and for-profit investment management firms with a similar investment philosophy (e.g., externally managed funds).

UTIMCO's total Compensation Program is positioned against the competitive market as follows:

- Base salaries are targeted at the market median (e.g., 50th percentile).
- Target total compensation (salary plus target Incentive Award Opportunity) is positioned at the market median.
- Maximum total compensation (salary plus maximum Incentive Award Opportunity) is targeted at the market 75th percentile if performance is outstanding. (For this purpose, 0 is the lowest point and 100 is the highest.)

Although base salaries as well as target and maximum total compensation have a targeted positioning relative to market, an individual employee's actual total compensation may vary from the targeted positioning based on the individual's experience, education, knowledge, skills and performance as well as UTIMCO's investment performance as described in this document. Except as provided in Section 5.8 for purposes of determining the length of historical performance, base salaries and Incentive Award Opportunities (as well as the actual Performance Incentive Awards) are not determined based on seniority at UTIMCO.

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

(a) Base salaries are administered through a Salary Structure as set forth in this Section 4.1. Each position has its own salary range, with the midpoint set approximately equal to the market median base salary for positions with similar job content and level of responsibility. In most cases, the salary range will be from 20% below the midpoint to 20% above the midpoint.

(b) The salary range midpoints will be determined by the Compensation Committee based on consultation with an outside compensation consultant and with UTIMCO management. Salary range midpoints for key management, investment and operations positions will be updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. In years in which the Compensation Committee does not commission a formal salary survey, the base salary midpoints may be adjusted at the Compensation Committee's discretion based on expected annual salary structure adjustments as reported in one or more published compensation planning surveys.

4.2. Salary Adjustments

(a) Individual employees' base salaries are determined by the Board. Base salaries will be set within the salary range for each position. An individual's base salary within the range may be higher or lower than the salary range midpoint based on his or her level of experience, education, knowledge, skills and performance. On an exception basis, the Board may set individual base salaries outside of the salary range if an individual either substantially exceeds or does not meet all of the market criteria for a particular position (e.g., recent promotion).

(b) Individuals may receive an annual adjustment (increase or decrease) of their base salaries at the discretion of the Board. Base salary adjustments, if any, will be determined based on each Participant's experience, education, knowledge, skills and performance. Employees are not guaranteed an annual salary increase.

5. PERFORMANCE INCENTIVE PLAN

5.1. Purpose of the Performance Incentive Plan and Effective Date

(a) The purpose of the Performance Incentive Plan is to provide an annual Performance Incentive Award based on specific objective criteria relative to UTIMCO's and each Participant's performance. The primary objectives of the Performance Incentive Plan are outlined in Section 2.

(b) The Performance Incentive Plan restates and supercedes the UTIMCO Performance Compensation Plan, which was effective September 1, 2000 ("Prior Plan"). The effective date of this restated Performance Incentive Plan is September 1, 2004 (the "Effective Date").

5.2. Performance Period

(a) For purposes of the Performance Incentive Plan, the Performance Period begins on July 1 of each year and ends the following June 30.

(b) Except as otherwise provided under Section 5.8 and Section 5.9, performance for a year in the historical performance period will be measured between July 1 and the following June 30 of the applicable year for gauging achievement of the Entity and Asset Class Performance Goals.

5.3. Eligibility and Participation

(a) Each employee (and only such an employee) who is (i) employed by UTIMCO in an "Eligible Position" and (ii) selected by the Board as eligible to participate in the Performance Incentive Plan will become a "Participant." "Eligible Positions" include senior management, investment staff, and other key positions as determined from time to time by the President and CEO, subject to approval by the Board. Eligible Positions will be confirmed by the Board within the first 60 days of the Performance Period. The Board in its discretion may also designate a newly hired or promoted employee to be in an Eligible Position during a Performance Period. An Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period. A list of Eligible Positions for the 2004/2005 Performance Period is set forth on the table in Section 5.5(b).

(b) An employee in an Eligible Position who has been selected by the Board to participate in the Plan will become a Participant in the Plan on the latest of (i) the date he or she is employed in an Eligible Position, (ii) the date he or she is selected by the Board to participate in the Plan, or (iii) any later date as designated by the Board; provided, however, that an employee may not commence participation in the Plan and first become a Participant during the last six months of any Performance Period, except when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board. If, during the last six months of any Performance Period, an employee has been selected by the Board to participate in the Plan or becomes employed in an Eligible Position, participation in the Plan will be delayed until the first day of the next Performance Period (assuming such employee is employed by UTIMCO in an Eligible Position on such date).

(c) An employee will cease to be a Participant in the Plan on the earliest to occur of: (i) the date such employee is no longer employed in an Eligible Position; (ii) the date of termination of such employee's employment with UTIMCO for any reason (including voluntary and involuntary termination, death, and disability); (iii) the date of termination of the Plan; (iv) the date such employee commences a leave of absence; (v) the date such employee begins participation in any other UTIMCO incentive program; (vi) the date the Board designates that such employee's employment position is not an Eligible Position; or (vii) any date designated by the Board as the date on which such employee is no longer a Participant.

(d) Except as provided in Sections 5.10(b), (c), and (d), only Participants are eligible to receive Performance Incentive Awards under the Performance Incentive Plan.

5.4. Performance Goals

(a) Within the first 60 days of each Performance Period, the President and CEO will recommend goals ("Performance Goals") for each Participant (other than the Performance Goals for the President and CEO, which are determined as provided in Section 5.4(c), and the Performance Goals for employees who are hired or promoted during a Performance Period) subject to approval by the Compensation Committee within the first 90 days of the Performance Period. The President and CEO will also recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants (subject to confirmation by the Compensation Committee) at the time those employees are designated as Participants.

(b) There are three types of Performance Goals:

(1) Entity Performance (i.e., performance of the Total Endowment Assets)

(2) Asset Class Performance (e.g., US public equity, international equity, private capital, fixed income, etc.)

(3) Individual Performance

Except for the President and CEO, Individual Performance Goals will be defined jointly by each Participant and his or her supervisor. These Individual Performance Goals will be measurable and subject to approval by the

President and CEO as well as the Compensation Committee. Individual Performance Goals may be established in one or more of the following areas:

- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources

(c) The President and CEO's Performance Goals will be determined and approved by the Board.

(d) Each Performance Goal is assigned a weight as illustrated in the table in Section 5.5(b), which shows the weightings for each Eligible Position for the 2004/2005 Performance Period. For each Performance Period, the Compensation Committee will approve the weightings of the Performance Goals at the same time it approves the Performance Goals.

5.5. Incentive Award Opportunity Levels and Performance Incentive Awards

(a) At the beginning of each Performance Period, each Participant is assigned an "Incentive Award Opportunity" for each Performance Goal. The Incentive Award Opportunity is determined by the Board and is expressed as a percentage of base salary earned during the Performance Period. The Incentive Award Opportunities include a threshold, target, and maximum award for achieving commensurate levels of performance of the respective Performance Goal.

(b) Incentive Award Opportunities for the 2004/2005 Performance Period are set forth in the following table:

	Weighting			Incentive Award Opportunity (% of Base Salary)			
Eligible Position	Entity	Asset Class	Individual	< Threshold	Threshold	Target	Maximum
		Investment Professionals					
President, CEO & CIO	70%	0%	30%	0%	18%	90%	180%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	13%	65%	130%
Risk Manager	70%	0%	30%	0%	12%	60%	120%
MD, Public Markets Invest.	20%	60%	20%	0%	12%	60%	120%
MD, Inflation Hedging Assets	20%	60%	20%	0%	12%	60%	120%
Co-MD, Non-Marketable Alt Inv (n=2)	30%	50%	20%	0%	12%	60%	120%
Portfolio Manager, Equity Invest.	20%	60%	20%	0%	10%	50%	100%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	100%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	100%
Analytical Support	20%	60%	20%	0%	5%	25%	50%
		Operations/Support Professionals					
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	100%
MD, Information Technology	20%	0%	80%	0%	10%	50%	100%
Manager, Finance & Administration	20%	0%	80%	0%	5%	25%	50%
Manager, Investment Reporting	20%	0%	80%	0%	5%	25%	50%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	5%	25%	50%

(c) Actual "Performance Incentive Awards" are the amounts that are actually awarded to Participants for the respective Performance Period. Actual Performance Incentive Awards will range from zero (if a Participant performs below threshold on all Performance Goals) to the maximum Incentive Award Opportunity (if a Participant performs at or above maximum on all Performance Goals) depending on performance relative to objectives. Awards are capped at maximum levels regardless of whether a Participant exceeds the stated maximum Performance Goals.

(d) Following the end of each Performance Period, the Compensation Committee will review the actual performance of each Participant against the Performance Goals of the respective Participant and determine the Participant's level of achievement of his or her Performance Goals. The Compensation Committee will seek, and may rely on, the independent confirmation of the level of Performance Goal achievement from an external investment consultant to evaluate Entity Performance and Asset Class Performance. The President and CEO will submit a written report to the Compensation Committee, which documents the Participant's performance relative to the Participant's Performance Goals set at the beginning of the Performance Period and upon which the Compensation Committee may rely in evaluating the Participant's performance. The Board will determine the President and CEO's level of achievement relative to the President and CEO's Performance Goals.

(e) Performance Incentive Awards will be calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weighting for the Participant's Entity Performance, Asset Class Performance, and Individual Performance Goals and each Participant's Incentive Award Opportunity. The Compensation Committee will review all Performance Incentive Award calculations, based on the certification of its advisors, and submit its recommendations to the Board for approval.

(f) The methodology for calculating Incentive Award Opportunities and Performance Incentive Awards is presented in Appendix A.

(g) Within 150 days following the end of a Performance Period, the Compensation Committee will review and make recommendations concerning Performance Incentive Awards to Participants whom it determines to have met or exceeded the performance benchmarks for the Performance Period. Subject to the provisions of 7.1(a), the Board will approve Performance Incentive Awards.

(h) Following the approval of a Performance Incentive Award, the Board will promptly notify each Participant as to the amount, if any, of the Performance Incentive Award as well as the terms, provisions, conditions and limitations of the Nonvested Deferred Award, if any.

5.6. Form and Timing of Payouts of Performance Incentive Awards

Approved Performance Incentive Awards will be paid as follows:

(a) Seventy percent of the Performance Incentive Award will be paid to the Participant ("Paid Performance Incentive Award") within 150 days of the completion of the Performance Period, and

(b) Thirty percent of the Performance Incentive Award will be treated as a "Nonvested Deferred Award" subject to the terms of Section 5.7 and paid in accordance with that Section.

5.7. Deferred Awards

(a) Nonvested Deferred Awards will be credited to a hypothetical account on UTIMCO's books in the individual Participants' names ("Nonvested Deferred Award Account(s)") as of the date that the corresponding Paid Performance Incentive Awards are transmitted to Participants. For each Performance Period, a Nonvested Deferred Award Account will be established for each Participant to which will be credited the Nonvested Deferred Award of such Participant for such Performance Period. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets ("Net Returns") for the month multiplied by the balance of the respective Participant's Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred Awards unless they become vested in those awards.

(b) Assuming continued employment with UTIMCO, except as provided in Section 5.10(c), Nonvested Deferred Awards for each respective Performance Period will vest and become payable according to the following schedule:

(1) On the first anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, one third of the Nonvested Deferred Award Account then credited to the Participant will be vested and paid to the Participant.

(2) On the second anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, one half of the Nonvested Deferred Award Account then credited to the Participant will be vested and paid to the Participant.

(3) On the third anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining Nonvested

Deferred Award Account for that Performance period then credited to the Participant will be vested and paid to the Participant.

(c) Notwithstanding the provisions of paragraphs (a) and (b) of this Section 5.7, upon execution of an "Election to Defer Payment of Vested Deferred Awards" form authorized by the Compensation Committee, a Participant may elect to defer payment of all or part of his or her Nonvested Deferred Awards that have become vested in accordance with Section 5.7(b) (including credited Net Returns) ("Vested Deferred Awards"). Such election must be made within 30 days prior to the date such amounts become vested. Vested Deferred Awards will be credited to a hypothetical account on UTIMCO's books in the individual Participants' names ("Vested Deferred Award Account(s)") as of the date that such amounts become vested. Net Returns will be determined for each Vested Deferred Award Account at the end of each calendar year (or any earlier day in the calendar year on which the Participant terminates employment with UTIMCO) and will be allocated to a subaccount of the Participant's Vested Deferred Award Account ("Net Return Subaccount") established for the Participant each year. A Participant may elect to be paid all or any portion of his or her Vested Deferred Awards (but not amounts credited to his or her Net Return Subaccounts) allocated to his or her Vested Deferred Award Account at any time subject to reasonable administrative procedures established by UTIMCO; provided, however, that if the total balance of a Participant's Net Return Subaccounts is negative at the time he or she makes such an election, the Participant will not be able to withdraw more than the amount of his or her Vested Deferred Awards net of such negative balance. Any such Vested Deferred Awards elected to be withdrawn will be paid as soon as reasonably practicable after the Performance Measurement Date of the month during which the Participant makes the election. Each Net Return Subaccount of a Participant will be distributed to the Participant on the third anniversary of the date of allocation of such amounts to such subaccount, and the Participant will not be able to receive any amounts from his or her Net Return Subaccount prior to such time; provided, however, that if a Net Return Subaccount has a negative balance on such third anniversary, distribution of such subaccount will be made on the next following anniversary on which such Net Return Subaccount has a positive balance. Participants are responsible for all income tax consequences associated with Participant's Vested Deferred Award Account and Net Return Subaccounts.

(d) Notwithstanding the provisions of Section 5.7(c), each Participant who terminates employment with UTIMCO for any reason will be paid (or, in the case of a deceased Participant, his or her estate will be paid) the balance of his or her Vested Deferred Award Account, increased or decreased by the positive or negative balance of his or her Net Return Subaccounts. Such amounts will be paid as soon as reasonably practicable after the Performance Measurement Date of the month during which the Participant terminates employment with UTIMCO.

(e) Notwithstanding any provision of the Plan to the contrary, at any time prior to the time such amounts would otherwise be distributed under paragraphs (c) or (d) of this Section 5.7, the Board in its discretion may distribute to a Participant the balance of the Participant's Vested Deferred Award Account, increased or decreased by the positive or negative balance of his or her Net Return Subaccounts.

5.8. Performance Standards

(a) Entity Performance

(1) Entity Performance for purposes of the Performance Incentive Plan is the performance of the Total Endowment Assets. Entity Performance under the Performance Incentive Plan is based on performance relative to a Peer Group. Except as provided in Section 5.9, performance relative to the Peer Group will be measured based on 3-year rolling historical performance.

(2) The Board's chosen investment advisor will determine the performance of the Peer Group annually for the Performance Period. The Board's investment advisor will calculate a percentile rank for Entity Performance relative to the Peer Group, with the 100^{th} percentile representing the highest rank, the 50^{th} percentile representing the median and the 0^{th} percentile representing the lowest rank. Threshold awards will be earned for reaching the 40^{th} percentile, target awards will be earned for reaching the 60^{th} percentile, and maximum awards will be earned for reaching the 75^{th} percentile, with Performance Incentive Awards interpolated in a linear fashion between threshold and target as well as between target and maximum.

(b) Asset Class Performance

(1) Except as provided in subparagraph (2) below and Section 5.9, Asset Class Performance will be measured relative to the appropriate benchmark based on 3-year rolling historical performance. Performance standards for each asset class will vary depending on the ability to outperform the respective benchmark. The following table identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards. Performance Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum.

Asset Class	Benchmark	Policy Portfolio Weights (% of Portfolio)	Performance Standards Threshold	Target	Maximum
Entity: Peer goup	Peer group (Endowments w/ >$ 1 B assets)	n/a	40th %ile	60th %ile	75th %ile
US Public Equity	Russell 3000	20.0%	+0 bps	+31 bps	+62 bps
International Equity	MSCI All Country World Index, Ex US	17.0%	+0 bps	+52.5 bps	+105 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10.0%	+0 bps	+12.5 bps	+25 bps
Private Capital	Roll up of Private Equity & Venture Capital	15.0%			
Private Equity	Venture Economics Private Equity Database	--	+0 bps	+100 bps	+200 bps
Venture Capital	Venture Economics Venture Capital Database	--	+0 bps	+112.5 bps	+225 bps
Absolute Return Hedge Funds	91-Day T-Bill	15.0%	+300 bps	+350 bps	+400 bps
Equity Hedge Funds	91-Day T-Bill	10.0%	+400 bps	+465 bps	+530 bps
Inflation Hedge	Roll up of Commodities, TIPS & REITS	13.0%			
Commodities	Goldman Sachs Commodity Index	3.0%	-100 bps	-15 bps	+0 bps
TIPS	Lehman Brothers US TIPS Index	5.0%	+0 bps	+2.5 bps	+5 bps
REITS	Dow Jones Wishire Real Estate Securities Index	5.0%	+0 bps	+37.5 bps	+75 bps
Cash	91-Day T-Bill	0.0%	+0 bps	+0 bps	+0 bps
Short Intermediate Term Fund	SITF Policy Statement	--	+0 bps	+5 bps	+10 bps

(2) Performance for the private capital asset class is calculated differently than other asset classes due to its longer investment horizon and illiquidity of assets. Performance of the private capital asset class is determined based on the performance of partnership commitments made by the current private capital team since 2001 based on internal rates of return (IRR's) relative to the respective Venture Economics benchmarks.

(c) Individual Performance

Individual Performance will be measured based on performance during the Performance Period.

5.9. Modification of Performance Standards for Newly Hired Employees

Although Entity Performance and most Asset Class Performance are measured based on three-year rolling historical performance, newly hired Participants will be phased into the Plan so that Entity and Asset Class Performance are measured over a period of time consistent with each Participant's tenure at UTIMCO. This provision ensures that Participants are measured and rewarded over a period of time consistent with which they influenced the performance of the entity or a particular asset class. In the Performance Period in which a Participant begins participation in the Plan, the Entity and Asset Class Performance component of the Incentive Award Opportunity will be based on one full year of historical performance (i.e., the performance for the Performance Period during which the Participant commenced Plan participation). During a Participant's second year of Plan participation, the Entity and Asset Class Performance component of the Incentive Award Opportunity will be based on two full years of historical performance. In the third year of a Participant's Plan participation and beyond, the Entity and Asset Class Performance component of the Incentive Award Opportunity will be based on the three full years of rolling historical performance. This provision will apply to Participants who are current UTIMCO employees and were hired after July 1, 2001.

5.10. Termination Provisions

(a) Except as otherwise provided in this Section 5.10, any Participant who ceases to be a Participant (either because of termination of employment with UTIMCO or for any other reason stated in Section 5.3(c)) prior to the end of a Performance Period will not be eligible to receive payment of any Performance Incentive Award for that or any subsequent Performance Periods. In addition, a Participant will only continue to vest in Nonvested Deferred Awards while he or she is employed with UTIMCO and will forfeit any Nonvested Deferred Awards at termination of employment with UTIMCO. Unless distributed earlier under the terms of the Plan and subject to Sections 7.6 and 7.8, all Vested Deferred Awards are payable at termination of employment in accordance with Section 5.7(d).

(b) If a Participant ceases to be a Participant in the Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment position is no longer an Eligible Position (but such employee continues to be employed with UTIMCO), such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date the Participant ceases to be in an Eligible Position, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards continue to vest subject to the provisions of Section 5.7(b).

(c) If a Participant ceases to be a Participant in the Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or disability (as defined in the Internal Revenue Code §22(e)(3)), the Participant's Performance Incentive Award for the Performance Period in which termination occurs will be paid at target on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date of the Participant's death or disability, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards will vest immediately and be paid. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable, in accordance with Section 5.7(d) within 60 days of the date of termination of employment.

(d) If a Participant ceases to be a Participant in the Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a Compensation Committee-approved leave of absence, such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)).

6. PLAN AUTHORITY AND RESPONSIBILITY

(a) Except as otherwise specifically provided in this Compensation Program with respect to powers, duties, and obligations of the Compensation Committee, the Compensation Program will be administered by the Board.

(b) The Board has all powers necessary or advisable to administer the Plan as it determines in its discretion, including, without limitation, the authority to:

(1) Establish the conditions for the determination and payment of compensation by establishing the provisions of the Performance Incentive Plan.

(2) Select the employees who are eligible to be Participants.

(3) Subject to the terms of the Plan, determine the amount and timing of Performance Incentive Awards under the Plan.

(4) Establish the base salaries, Performance Incentive Opportunity Levels and Performance Incentive Awards.

(5) Delegate to any other person, committee, or entity any of its ministerial powers and/or duties under the Plan as long as any such delegation is in writing and complies with the UTIMCO Bylaws.

7. PERFORMANCE INCENTIVE PLAN INTERPRETATION

7.1. Board Discretion

(a) Consistent with the provisions of the Plan, the Board has the discretion to interpret the Plan and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Plan. All decisions made by the Board in selecting the Participants approved to receive Performance Incentive

Awards, including the amount thereof, and in construing the provisions of the Plan or the terms of any Performance Incentive Awards are final and binding on all Participants.

(b) Notwithstanding any provision of the Plan and subject to the requirements that the approval of Performance Incentive Awards that will result in an increase of 5% or more in the total Performance Incentive Awards calculating using the methodology set out in Appendix A must have the prior approval of the U.T. System Board of Regents, the Board shall have the discretion and authority to make changes in the terms of the Plan in determining a Participant's eligibility for, or amount of, a Performance Incentive Award for any Performance Period whenever it considers that circumstances have occurred during the Performance Period so as to make such changes appropriate in the opinion of the Board, provided however, any such change shall not deprive or eliminate a Vested Deferred Award of a Participant and that such circumstances are recorded in the minutes of a meeting of the Board.

7.2. Duration, Amendment and Termination

The Board shall have the right in its discretion to amend the Plan or any portion thereof from time to time, to suspend it for a specified period, or to terminate it entirely or any portion thereof. However, if the Plan is suspended or terminated during a Performance Period, Participants will receive a prorated Performance Incentive Award based on performance achieved and base salary earned through the Performance Measurement Date immediately preceding such suspension or termination. The Plan shall be in effect until suspension or termination by the Board; provided, however, that if the Board so determines at the time of any suspension or termination, Nonvested Deferred Awards credited to Participants' Nonvested Deferred Award Account(s) as of the effective date of such suspension or termination will continue to be administered under the terms of the Plan after any suspension or termination, except as the Board otherwise determines in its discretion at the time of such suspension or termination.

7.3. Record Keeping and Reporting

(a) All records for the Compensation Program shall be maintained by the Managing Director of Accounting, Finance and Administration at UTIMCO. Relative performance data and calculations shall be reviewed by UTIMCO's external investment consultant before Performance Incentive Awards are finalized and approved by the Board.

(b) UTIMCO will provide all Participants with a comprehensive report of the current value of their respective Nonvested and Vested Deferred Award Account balances, including a complete vesting status of those balances, on at least a quarterly basis.

7.4. Continued Employment

Nothing in the adoption of this Plan or the awarding of Performance Incentive Awards shall confer on any employee the right to continued employment with UTIMCO or affect in any way the right of UTIMCO to terminate his or her employment at any time.

7.5. Non-transferability of Awards

Except for the rights of the estate or designated beneficiaries of Participants to receive payments, as set forth herein, Performance Incentive Awards under the Plan are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment or levy of any kind. The preceding notwithstanding, the Plan will pay a Vested Deferred Award in accordance with an order that meets the requirements of a "qualified domestic relations order" as set forth in Section 414(p) of the Internal Revenue Code and Section 206(d) of ERISA.

7.6. Unfunded Liability

(a) Neither the establishment of this Plan, the awarding of Performance Incentive Awards, the creation of Nonvested Deferred Awards Accounts, nor the creation of Vested Deferred Awards Accounts shall be deemed to create a trust. The Plan shall constitute an unfunded, unsecured liability of UTIMCO to make payments in accordance with the provisions of the Plan. Any amounts set aside by UTIMCO to assist it in the payment of Performance Incentive Awards or other benefits under the Plan, including without limitation, amounts set aside to pay for Nonvested Deferred Awards and Vested Deferred Awards, shall be the assets of UTIMCO, and no Participant shall have any security or other interest in any assets of UTIMCO or the Board of Regents of The University of Texas System by reason of the Plan.

(b) Nothing contained in the Plan shall be deemed to give any Participant, or any personal representative or beneficiary, any interest or title to any specific property of UTIMCO or any right against UTIMCO other than as set forth in the Plan.

7.7. Compliance with State and Federal Law

No portion of the Plan shall be effective at any time when such portion violates an applicable state or federal law, regulation or governmental order or directive.

7.8. Federal, State and Local Tax and Other Deductions

All Performance Incentive Awards under the Plan shall be subject to any deductions (1) for tax and withholding required by federal, state, or local law at the time such tax and withholding is due (irrespective of whether such Performance Incentive Award is deferred and not payable at such time) and (2) for any and all amounts owed by the Participant to UTIMCO at the time of payment of the Performance Incentive Award. UTIMCO shall not be obligated to advise an employee of the existence of the tax or the amount that UTIMCO will be required to withhold.

7.9. Prior Plan

(a) The Performance Incentive Plan restates and supercedes the Prior Plan.

(b) All nonvested deferred awards under the Prior Plan will retain the vesting schedule defined under the Prior Plan. However, as of the Effective Date, those nonvested deferred amounts will be credited or debited with the Net Returns over the remaining deferral period in accordance with Section 5.7(a). Nonvested deferred balances earned under the Prior Plan will be subject to the terms and conditions for Nonvested Deferred Awards under the Plan, except the vesting period which will remain the same as it was under the Prior Plan, and when such amounts become vested, they will be subject to the terms and conditions for Vested Deferred Awards under the Plan.

8. DEFINITION OF TERMS

8.1. **Asset Class Performance** is the performance of specific asset classes within the Total Endowment Assets (such as US public equity, private capital, etc.) based on the standards set forth in Section 5.8(b)(1).

8.2. **Board** is the UTIMCO Board of Directors.

8.3. **Compensation Committee** is the Compensation Committee of the UTIMCO Board of Directors.

8.4. **Compensation Program** is defined in Section 1.

8.5. **Effective Date** is defined in Section 5.1(b).

8.6. **Eligible Position** is defined in Section 5.3(a).

8.7. **Entity Performance** represents the performance of the Total Endowment Assets (based on the standards set forth in Section 5.8(a)).

8.8. **Incentive Award Opportunity** is defined in Section 5.5(a).

8.9. **Net Returns** is the investment performance return of the Total Endowment Assets, net of fees. Net of fees factors in all administrative and other fees for managing the Total Endowment Assets. The net investment return will be calculated as follows:

$$\frac{\text{Permanent University Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \quad \text{X} \quad \text{Permanent University Fund Net Investment Return}$$

Plus

$$\frac{\text{General Endowment Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \quad \text{X} \quad \text{General Endowment Fund Net Investment Return}$$

8.10. **Nonvested Deferred Award** is defined in Section 5.6.

8.11. **Nonvested Deferred Award Account** is defined in Section 5.7(a).

8.12. **Paid Performance Incentive Award** is defined in Section 5.6(a).

8.13. **Participant** is defined in Section 5.3(a).

8.14. **Peer Group** is a peer group of endowment funds maintained by the Board's external investment advisor that is composed of all endowment funds with assets greater than $1 billion at the beginning of each Performance Period and is set forth on Appendix B, as such Appendix B is amended from time to time. Harvard University, Yale University and Total Endowment Assets are excluded from this peer group. The peer group will be updated annually at the beginning of each Performance Period, and Appendix B will be amended accordingly.

8.15. **Performance Goals** are defined in Section 5.4.

8.16. **Performance Incentive Award** is the component of a Participant's total compensation that is based on specific performance goals and awarded as current income or deferred at the end of a Performance Period in accordance with Section 5 and Appendix A.

8.17. **Performance Incentive Plan** is defined in Section 5.

8.18. **Performance Measurement Date** is the close of the last business day of the month.

8.19. **Performance Period** is defined in Section 5.2.

8.20. **Prior Plan** is the UTIMCO Performance Compensation Plan, effective September 1, 2000.

8.21. **Salary Structure** is described in Section 4.1.

8.22. **Total Endowment Assets** means the combination of the Permanent University Fund and the General Endowment Fund, but does not include any other endowment funds monitored by UTIMCO such as the Separately Invested Fund. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.

8.23. **Vested Deferred Award** is defined in Section 5.7(c).

8.24. **Vested Deferred Award Account** is defined in Section 5.7(c).

Appendix A
UTIMCO Compensation Program
Performance Incentive Award Methodology

I. Determine "Incentive Award Opportunities" for Each Participant[1]

1. Identify the weights to be allocated to each of the three Performance Goals for each Participant's Eligible Position. The weights vary for each Eligible Position and are set forth on the chart in Section 5.5(b). For example, for the President and CEO, the weight allocated to the Entity Performance Goal is 70%, the weight allocated to the Asset Class Performance Goal is 0%, and the weight allocated to the Individual Performance Goal is 30%. The total of the weights ascribed to the three Performance Goals must add up to 100% for each Participant.

2. Identify the percentage of base salary for the Participant's Eligible Position that determines the Performance Incentive Award for achievement of the Threshold, Target, and Maximum levels of the Performance Goals. The percentages vary for each Eligible Position and are set forth in the chart in Section 5.5(b). For example, the Performance Incentive Award for the President and CEO is 18% of his or her base salary for achievement of Threshold level performance of all three Performance Goals, 90% of his or her base salary for achievement of Target level performance of all three Performance Goals, and 180% of his or her base salary for achievement of Maximum level performance of all three Performance Goals.

3. Calculate the dollar amount of the Threshold, Target, and Maximum awards for each Participant by multiplying the Participant's base salary for the Performance Period by the applicable percentage in Step #2 above. For example, assuming the President and CEO has a base salary of $450,000 for the year, the President and CEO will be eligible for an award of a total of $81,000 (18% of his or her base salary) if he or she achieves Threshold level performance of all three Performance Goals, $405,000 (90% of his or her base salary) if he or she achieves Target level performance of all three Performance Goals, and $810,000 (180% of his or her base salary) if he or she achieves Maximum level performance of all three Performance Goals.

4. Because a Participant may achieve different levels of performance in different Performance Goals and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Target performance in

[1] These Incentive Award Opportunities represent amounts that each Participant will be awarded if he or she achieves his or her Performance Goals at varying levels and are calculated at the beginning of each Performance Period.

the Entity Performance Goal and be eligible to receive a Target award for that goal and achieve Maximum performance in the Individual Performance Goal and be eligible to receive a Maximum award for that Performance Goal), it is necessary to determine the dollar amount (the "Incentive Award Opportunity") of the Threshold, Target, and Maximum award for each separate Performance Goal. This is done by multiplying the dollar amount of the Threshold, Target, and Maximum awards for the performance of all three Performance Goals calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular Performance Goal. For example, as determined in Step #3 above, the President and CEO will receive a Performance Incentive Award of $405,000 if he or she achieves Target level performance of all three Performance Goals. This $405,000 is broken up per Performance Goal as follows: If the President and CEO achieves Target level performance in the Entity Performance Goal, he or she will be awarded $283,500 (his or her weight allocation of 70% for this Performance Goal multiplied by the $405,000), and if he or she achieves Target level performance in his or her Individual Performance Goal, he or she will be awarded $121,500 (his or her weight allocation of 30% for this Performance Goal multiplied by the $405,000). Note that, because no weight allocation is given to the President and CEO for the Asset Class Performance Goal, no amount of the $405,000 is allocated to the achievement of that Performance Goal.

5. After Step #4 above is performed for each of the three levels of performance for each of the three Performance Goals, there will be nine different Incentive Award Opportunities for each Participant. For example, for the President and CEO (based on a Base Salary of $450,000 for the year), the nine different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

Incentive Award Opportunities for President and CEO

Performance Goal/Weight	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (70%	$56,700	$283,500	$567,000
Asset Class (0%)	$0	$0	$0
Individual (30%	$24,300	$121,500	$243,000
Total (100%)	$81,000 (18% of salary)	$405,000 (90% of salary)	$810,000 (180% of salary)

II. Calculate Performance Incentive Award for Each Participant

6. Determine the achievement percentages that divide the Threshold, Target, and Maximum levels for each Performance Goal. These divisions are set forth in the chart in Section 5.8(b)(1) for the Entity and Asset Class Performance Goals. For example, as shown on the chart, achievement of the Entity Performance Goal in the 40th percentile is the Threshold

performance level, achievement of the Entity Performance Goal in the 60th percentile is the Target performance level, and achievement of the Entity Performance Goal in the 75th percentile is the Maximum performance level. As shown on the chart, the achievement percentile for the Asset Class Performance Goal is based on the attained basis points for a particular type of investment. Thus the measurement of the level of achievement (i.e., Threshold, Target, or Maximum) for the Asset Class Performance Goal differs for each Participant depending on the assets under that Participant's investment control. The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the Individual Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. If the Participant has no supervisor, the measurement for the level of achievement for the Individual Performance Goal is determined each Performance Period by the Compensation Committee.

7. Determine the percentile achieved of each of the Performance Goals for each Participant using the standards set forth in Sections 5.5 and 5.8 of the Plan, as modified in the case of new hires in Section 5.9.

8. Calculate the amount of each Participant's award attributable to each Performance Goal by determining the Incentive Award Opportunity amount for the applicable percentile of the Participant's level of achievement for each Performance Goal as determined in Step #4 and Step #5 above. That is, achievement of the Entity Performance Goal in the 40th percentile is the Threshold performance level and merits a Threshold level award, achievement in the 60th percentile is the Target performance level and merits a Target level award, and achievement in the 75th percentile is the Maximum performance level and merits a Maximum level award. For example, if the President and CEO achieved 100% of his or her Individual Performance Goal, he or she would have earned an award of $243,000 (Maximum award) for that Performance Goal for the Performance Period, and if the Entity Performance Goal of the 40th percentile is achieved, he or she would have earned an award of $56,700 (Threshold award) for that Performance Goal for the Performance Period.

9. An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if the 54th percentile of the Entity Performance Goal has been achieved, it is between the Threshold (40th percentile) and the Target (60th percentile) levels. To determine the amount of the award attributable to a 54th percentile achievement of the Entity Performance Goal, perform the following steps: (i) subtract the difference between the dollar amount of the Threshold and Target Incentive Award Opportunities for the Participant (e.g., for the President and CEO, as illustrated in the above table, the difference is $226,800 ($283,500- $56,700)); (ii) divide 14 (the

percentile difference between the Threshold level of 40th percentile and the attained level of 54th percentile) by 20 (the percentile difference between the Threshold level and the Target level); (iii) multiply the amount determined in the preceding Step (i) by the percentage determined in the preceding Step (ii); (iv) add the amount determined in the preceding Step (iii) to the Threshold Incentive Award Opportunity for the Participant to get the actual award for the Participant attributable to each Performance Goal.

10. No award is given for an achievement percentile below Threshold, and no award above the Maximum award is given for an achievement percentile above the Maximum level. For example, if the 38th percentile of the Entity Performance Goal has been achieved for the Performance Period, no award is given for that Performance Goal. If the 85th percentile of the Entity Performance Goal has been achieved for the Performance Period, no award in excess of the Maximum Incentive Award Opportunity for that goal is given.

11. Add the awards determined in Step #8 and/or Step #9 above together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.

APPENDIX B
UTIMCO PEER GROUP

- Brown University
- California Institute of Technology
- Case Western Reserve University
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Grinnell College
- Johns Hopkins University
- Massachusetts Institute of Technology
- New York University
- Northwestern University
- Ohio State University and Foundation
- Princeton University
- Purdue University
- Rice University
- Stanford University
- The Rockefeller University
- The Texas A&M University System and Foundations
- UNC at Chapel Hill and Foundations
- University of California
- University of Chicago
- University of Michigan
- University of Minnesota and Foundation
- University of Notre Dame
- University of Pennsylvania
- University of Pittsburgh
- University of Rochester
- University of Southern California
- University of Virginia
- University of Washington
- Vanderbilt University
- Washington University
- Wellesley College
- Williams College

Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale and Total Endowment Assets) with total assets in excess of $1 billion as of each fiscal year end June 2002, 2003, and 2004.

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Eligible Positions, Participants, and Incentive Award Opportunities for the 2005/2006 UTIMCO Compensation Program (Plan)

Developed By: Moeller

Presented By: Boldt

Type of Item: Action Item; Action Required by UTIMCO Board

Discussion: The Compensation Committee will have reviewed the proposed eligible positions, participants, and incentive award opportunities for the 2005/2006 performance period as set forth in Exhibit 2 attached at its September 13, 2005 meeting. An additional eligible position has been included, the Manager of Operating Funds Investment. The Committee is recommending that the Board approve Exhibit 2.

Recommendation: The Compensation Committee recommends that the UTIMCO Board approve Exhibit 2 for the 2005/2006 Plan.

Reference: Schedule reporting employees, eligible positions, performance goals weights, and incentive award opportunities; UTIMCO Compensation Program

RESOLUTIONS RELATED TO PARTICIPATION IN PERFORMANCE INCENTIVE PLAN

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (the "Plan") provides that the Board will confirm the "Eligible Positions" for participation in the Plan each Performance Period; and

WHEREAS, Section 5.3(a) of the Plan provides that a UTIMCO employee must be selected by the Board in order to become a "Participant" in the Plan; and

WHEREAS, Section 5.5(a) of the Plan provides that the Board will determine the "Incentive Award Opportunity," including a threshold, target, and maximum award, for each Participant each Performance Period; and

WHEREAS, the Compensation Committee of the Board has reviewed the proposed Eligible Positions, Participants, and Incentive Award Opportunities for the 2005/2006 Performance Period and has recommended that the Board approve the same;

NOW, THEREFORE, be it:

RESOLVED, that the Eligible Positions for the 2005/2006 Performance Period as set forth on Exhibit 2 attached hereto are hereby approved, effective as of July 1, 2005, except as any other effective date is specified on such Exhibit 2; and

RESOLVED, that the UTIMCO employees set forth on Exhibit 2 attached hereto are hereby selected or reconfirmed, as applicable, as Participants in the Plan, effective as of July 1, 2005, except as any other effective date is specified on such Exhibit 2; and

RESOLVED, that the Eligible Positions and the associated Incentive Award Opportunities for the 2005/2006 Performance Period as set forth on Exhibit 2 attached hereto are hereby approved, effective as of July 1, 2005, except as any other effective date is specified on such Exhibit 2.

Exhibit 2

		Weighting			Incentive Award Opportunity (% of Salary)			
			Asset					
Eligible Position	Employee:	Entity	Class	Individual	< Threshold	Threshold	Target	Maximum
All participants eligible as of July 1, 2005 unless otherwise noted:								
			Investment Professionals					
President, CEO & CIO	Bob Boldt	70%	0%	30%	0%	18%	90%	180%
Deputy CIO & MD of Marketable Alt. Invest.	Cathy Iberg	40%	40%	20%	0%	13%	65%	130%
Risk Manager	Andrea Reed	70%	0%	30%	0%	12%	60%	120%
MD, Public Markets Invest.	Larry Goldsmith	20%	60%	20%	0%	12%	60%	120%
MD, Inflation Hedging Assets	unfilled	20%	60%	20%	0%	12%	60%	120%
Co-MD, Non-Marketable Alt Inv (n=2)	Sara McMahon	30%	50%	20%	0%	12%	60%	120%
Co-MD, Non-Marketable Alt Inv (n=2)	Trey Thompson	30%	50%	20%	0%	12%	60%	120%
Manager of Operating Fund Investments	Lisa Higa*	20%	60%	20%	0%	10%	50%	100%
Portfolio Manager, Equity Invest.	Greg Cox	20%	60%	20%	0%	10%	50%	100%
Sr. Portfolio Mgr., Fixed Income Invest.	Russ Kampfe	20%	60%	20%	0%	10%	50%	100%
Portfolio Manager, Fixed Income Invest.	Harland Doak	20%	60%	20%	0%	10%	50%	100%
Analytical Support:								
Public Markets	Tushar Shah	20%	60%	20%	0%	5%	25%	50%
Nonmarketable Alternative	Lindel Eakman	20%	60%	20%	0%	5%	25%	50%
Marketable Alternative	Glenn Stotts	20%	60%	20%	0%	5%	25%	50%
Marketable Alternative	Laura Patrick	20%	60%	20%	0%	5%	25%	50%
Risk Management	Uziel Yoeli	70%	0%	30%	0%	5%	25%	50%
			Operations/Support Professionals					
MD, Accounting, Finance & Admin.	Joan Moeller	20%	0%	80%	0%	10%	50%	100%
MD, Information Technology	Bill Edwards	20%	0%	80%	0%	10%	50%	100%
Manager, Finance & Administration	Greg Lee	20%	0%	80%	0%	5%	25%	50%
Manager, Investment Reporting	Gary Hill	20%	0%	80%	0%	5%	25%	50%
Manager, Portfolio Accounting & Ops.	Debbie Childers	20%	0%	80%	0%	5%	25%	50%

* Lisa Higa is eligible as of her start date of November 2005.

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: President and CEO's Performance Goals

Developed By: Moeller

Presented By: Caven and Hunt

Type of Item: Action Item; Action Required by UTIMCO Board

Discussion: The UTIMCO Compensation Program (Plan) requires that the President and CEO's performance goals be determined and approved by the UTIMCO Board. There are three types of performance goals:

(1) Entity performance (i.e., performance of the Total Endowment Assets)
(2) Asset Class Performance (e.g., US public equity, international equity, private capital, fixed income, etc.)
(3) Individual performance

The President and CEO's goals were assigned a 70% weight for entity performance and a 30% weight for individual performance when the Plan was originally adopted on September 28, 2004. Entity Performance goals are set forth in Section 5.8(b)(1) of the Plan and on Exhibit 1 (Tab 2, Second Amendment).

The Compensation Committee will review the President and CEO's individual performance goals at its September 13, 2005 meeting. These goals will then be reviewed in Executive Session by the Board.

The Compensation Committee will have also considered the individual goals of all the other Plan participants at their September 13, 2005 meeting.

Recommendation: The Compensation Committee recommends that the UTIMCO Board approve the President and CEO's performance goals.

Reference: President and CEO's individual performance goals; UTIMCO Compensation Program

RESOLUTIONS RELATED TO PERFORMANCE GOALS OF PRESIDENT AND CEO

WHEREAS, Section 5.4(c) of the UTIMCO Compensation Program (the "Plan") provides that the Board will determine the "Performance Goals" of the President and CEO for each Performance Period; and

WHEREAS, the Compensation Committee of the Board has reviewed the proposed Performance Goals for the President and CEO for the 2005/2006 Performance Period and has recommended that the Board approve the same;

NOW, THEREFORE, be it:

RESOLVED, that the Performance Goals for the President and CEO for the 2005/2006 Performance Period as set forth in Section 5.8(b)(1) of the Plan and on Exhibit 1 and the individual Performance Goals document as presented to the Board are hereby approved, effective as of July 1, 2005.

TAB 11

Agenda Item
UTIMCO Board of Directors Meeting
September 14, 2005

Agenda Item: Discussion and Consideration of Policies and Corporate Documents

Developed By: Staff

Presented By: Boldt

Type of Item: Action Required by UTIMCO Board; Action Required by Board of Regents

Description: The following describes the policies and corporate documents enclosed for UTIMCO Board action and further approval by Board of Regents:

- Proposed Intermediate Term Fund (ITF) Investment Policy Statement for the centralized investing of the Operating Funds
- Proposed amendments to the Short Term Fund (STF) Investment Policy Statement
- Proposed amendments to the Derivative Policy
- Proposed amendments to the Liquidity Policy
- Proposed changes to the Investment Management Services Agreement

The following describes the corporate document enclosed for UTIMCO Board action:

- Proposed amendments to the Delegation of Authority
- Charter of the Risk Committee

Recommendation: UTIMCO staff recommends approval of amendments to the STF Investment Policy Statement, Delegation of Authority, Derivative Policy, Liquidity Policy, and Charter of the Risk Committee. Staff also recommends approval of proposed ITF Investment Policy Statements.

The Risk Committee reviewed the Liquidity Policy and Charter of the Risk Committee at is July 19, 2005 meeting and recommends approval of the Liquidity Policy and Charter of the Risk Committee. The Risk Committee recommended a change in the Liquidity threshold from the charts presented to the Risk Committee. The requested change to an illiquidity threshold of 25% to 35% has been incorporated in the Liquidity Policy and the Charter reflects adding the Intermediate Term Fund to the responsibilities of the Risk Committee.

The UTIMCO staff is requesting ratification of the Investment Management Services Agreement approved by the Board of Regents on August 11, 2005 as well as requesting approval of additional language amending the IMSA related to the adoption of the Intermediate Term Fund.

Discussion: The following is a brief discussion of the items being proposed:

- The ITF Investment Policy Statement is proposed to establish the ITF as a pooled operating fund for the collective investment of operating funds and other intermediate and long-term funds held by U.T. System institutions and System Administration. The Policy Targets, Ranges and Performance Objectives were reviewed by the UTIMCO Board at its July 19, 2005 meeting. The proposed changes related to the targets requested by the UTIMCO Board at this meeting have been incorporated in Exhibit A.

- The STF's proposed changes include language to clarify when the funds of a foundation may invest in the STF, removal of derivative language since derivatives will not be used in the STF, and removal of eligible investment language.
- The Delegation of Authority Policy in its current format was approved by the UTIMCO Board on November 15, 2004. During the past nine months as the new Delegation has been followed, certain issues have come to staff's attention which staff is proposing amendments to clarify.
- The Derivative Policy's proposed changes include the addition of the ITF to the policy and to change language related to the global limitation. A new comprehensive derivative report will be provided at the UTIMCO Board meeting.
- The proposed amendments to the Liquidity Policy and Charter of the Risk Committee relate to the addition of the ITF.
- The Board of Regents adopted certain changes to the IMSA which are red-lined in the document. Staff is requesting changes on page 3 which have been shaded to incorporate the ITF as a new fund to be included in the IMSA. Also, staff is requesting language to clarify meaning of Section 3 (g) related to Disclosure of Information.

Reference: Investment Policy Statements for the ITF and STF; Liquidity Policy; Delegation of Authority Policy, Derivative Policy; Charter of the Risk Committee; Investment Management Services Agreement

Intermediate Term Fund

RESOLUTION RELATED TO INVESTMENT POLICY STATEMENTS

RESOLVED, that amendments to the Investment Policy Statement of the Short Term Fund and the Proposed Investment Policy Statement for the Intermediate Term as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents; and be it further

RESOLVED, that the resolutions of the Board adopted on January 18, 2005, are rescinded for Investment Policy Statements for the proposed CORE Fund, the proposed Core Guarantee Fund, the proposed CORE Plus Fund, the proposed Equity Fund, the Proposed Balanced Fund, a proposed Liquidity Policy for the CORE Fund and Balanced Fund, and a proposed Swap Agreement.

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND
INVESTMENT POLICY STATEMENT

Purpose and Structure

The University of Texas System Intermediate Term Fund (the "ITF") was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by U. T. System institutions and System Administration. In addition, the Permanent University Fund (the "PUF") and The University of Texas System General Endowment Fund (the "GEF") may purchase units of the ITF.

ITF Organization

The ITF functions as a mutual fund in which each eligible account purchases and redeems ITF units as provided herein. The ownership of ITF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

ITF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the ITF.

Ultimate fiduciary responsibility for the ITF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the 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 Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the ITF shall be managed by UTIMCO, which shall a) recommend investment policy for the ITF, b) recommend specific asset allocation targets, ranges and performance benchmarks consistent with ITF objectives, and c) monitor ITF performance against ITF objectives. UTIMCO shall invest the ITF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

ITF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of ITF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase ITF Units

No account shall be eligible to purchase units of the ITF unless it is under the sole control, with full discretion as to investments, by the Board of Regents.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the ITF.

ITF Investment Objectives

The investment objective shall be to earn annual returns over inflation (as measured by the Consumer Price Index) plus 3%, as measured over five-year rolling periods at risk levels below the PUF and GEF.

Asset Allocation and Policy

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of

UTIMCO. The asset allocation is designed to accommodate the intermediate investment horizon of the ITF assets with enhanced returns at moderate managed risk levels. UTIMCO is responsible to measure actual asset allocation at least monthly, incorporating the impact of internal derivative positions, and to report the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in asset categories move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the ITF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.

ITF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

A. U.S. Equities – U.S. equities represent ownership in U.S. companies that are traded in public markets. U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Global mandates that include a majority of U.S. equities will be included in U.S. equities. U.S. equities provide both current income and capital gains.

B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established (non-U.S. developed) and emerging markets. Global ex U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global mandates that include a majority of Global ex U.S. equities will be included in Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.

Non-U.S. Developed Equity – Non-U.S. developed equities represent ownership in companies domiciled in developed economies (countries) included in the MSCI All – Country World Equity Index – excluding those classified as part of the MSCI Emerging Markets Equity Index. These securities are typically constituents of countries in Europe, the Americas (North/Latin/South) and the Far East with high per-capita income, mature capital markets, and stable governments. The benchmark for this asset category will be the MSCI EAFE Index, with net dividends.

Emerging Markets Equity – Emerging markets equities represent ownership in companies domiciled in emerging economies as defined by the current composition of the MSCI Emerging Markets Equity Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Equity Index qualification status (either through financial or qualitative measures). The benchmark for this asset category will be the MSCI Emerging Markets Equity Index, with net dividends.

C. Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

Directional Hedge Funds – Directional hedge fund investments include U.S. and international long/short equity or fixed income strategies and other such strategies that exhibit directional market characteristics using commodities, currencies, derivatives, or other global market instruments. These strategies attempt to exploit profits from security selection skills by taking long and short positions in various securities. These strategies may also include fund of hedge fund investments. Directional hedge fund investments are made through private placement agreements. Directional hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.

Absolute Return Hedge Funds – Absolute return hedge fund investments include arbitrage, event driven strategies and other relative value strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discrete events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include multi-strategy managers and fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements. Absolute return hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.

D. Inflation Linked – Inflation linked investments are intended to provide some degree of inflation protection and generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. Inflation linked investments include:

REITS – REITS are real estate investment trusts that may be held as either trust certificates, derivative investments, or exchange traded funds. REITS own, and in most cases operate, income producing real estate.

Commodities – Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, exchange traded funds or direct investments.

TIPS - TIPS are inflation protected securities with a return linked to the inflation rate. For diversification purposes, TIPS may include non-U.S. inflation protected fixed income securities as well as nominal fixed income securities.

E. Fixed Income – Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises and agencies, and domestic and foreign corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as fixed income.

F. Cash and Cash Equivalents – Short-term (generally less than three months), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant [a relatively small] risk of changes in value.

Performance Measurement

The investment performance of the ITF will be measured by the ITF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, compared against the stated investment benchmarks of the ITF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO web site within a reasonable time after each month end.

Investment Guidelines

The ITF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, and limited partnerships managed externally shall be governed by the terms and conditions of the respective investment management contracts or partnership agreements.

- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.

- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of ITF assets in such liquid investment fund.

- No securities may be purchased or held which would jeopardize the ITF's tax-exempt status.

- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.

- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

- The ITF's investments in warrants shall not exceed more than 5% of the ITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.

- The ITF may utilize derivatives to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with ITF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies provided that the ITF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Internal pooled investment funds managed by UTIMCO.
- Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.
- ITF's custodian late deposit interest bearing liquid investment fund.
- Municipal short-term securities.
- Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
    - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
    - Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
    - The maturity for a repurchase agreement may be from one day to two weeks.
    - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
    - All collateral shall be delivered to the ITF custodian bank. Tri-party collateral arrangements are not permitted.
    - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the ITF's fixed income assets.

- Overnight repurchase agreements may not exceed 25% of the ITF's fixed income assets.

- Mortgage Backed Securities (MBS) dollar rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS dollar rolls shall follow the Public Securities Association standard industry terms.

Fixed Income

Domestic Fixed Income

Permissible securities for investment include the securities within the component categories of the Lehman Brothers Aggregate Bond Index (LBAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific subsectors: 1) Government securities: Treasury and Agency; 2) Corporate securities: Industrial, Finance, Utility, and Yankee; 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA; 4) Asset-backed securities; 5) Taxable Municipal securities; and 6) Commercial Mortgage-backed securities. In addition to the permissible securities listed above, the following securities shall be permissible: a) floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities; b) medium term notes issued by investment grade corporations; c) zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and d) structured notes issued by LBAGG qualified entities.

- U. S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service at the time of acquisition. This provision does not apply to an investment manager that is authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.

- Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Non-U.S. Fixed Income

Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U. S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.

- Not more than 50% of the ITF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.

- Not more than 15% of the ITF's fixed income portfolio may be invested in emerging market debt.

- International currency exposure may be hedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

<u>Equities</u>

The ITF shall:

- hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market, or

- hold no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by the chief investment officer.

ITF Accounting

The fiscal year of the ITF shall begin on September 1st and end on August 31st. Market value of the ITF shall be maintained on an accrual basis in compliance with Government Accounting Standards Board Statements, Financial Accounting Standards Board Statements, or industry guidelines, whichever is applicable. The ITF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of ITF Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all ITF net assets and the net asset value per unit of the ITF. The final determination of ITF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances. Valuation of ITF assets shall be based on the books and records of the custodian for the valuation date.

The fair market value of the ITF's net assets shall include all related receivables and payables of the ITF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

ITF Distributions

There will not be any planned distributions from the ITF. The earnings of the ITF will be reflected in the net asset value per unit of the ITF.

Purchase and Redemption of ITF Units

The ITF participants may purchase units on the first business day of each month upon payment of cash to the ITF, at the net asset value per unit of the ITF as of the prior month ending valuation date. Such purchase commitments are binding.

The ITF participants may redeem ITF units on a monthly basis. The unit redemption shall be paid in cash as soon as practicable after the month end valuation date of the ITF. Redemptions from the ITF shall be at the market price per unit determined at the time of the redemption. Such redemption commitments are binding.

Participants of the ITF (other than the PUF and GEF) are required to provide notification of purchases and redemptions based on specific notification requirements as set forth in The University of Texas System Allocation Policy for Non-Endowment Funds. Since UTIMCO is the investment manager for the PUF and GEF, UTIMCO is responsible for purchase and redemption notifications.

Securities Lending

The ITF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the ITF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the ITF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the ITF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the ITF solely in the interest of ITF unitholders, in compliance with the Proxy Voting Policy, and shall not invest the ITF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be November 10, 2005, except for Exhibit A. Adherence to the policy targets and ranges may not be fully effective throughout the first six months after initial funding (expected February 1, 2006) as new portfolio investments are phased in. The selection of the effective date of Exhibit A, to be no later than September 1, 2006, shall be determined by UTIMCO's Chief Investment Officer and notification to the Chairmen of the UTIMCO Board and the Board of Regents shall occur at least 30 days prior to the effective date.

EXHIBIT A

INTERMEDIATE TERM FUND

POLICY TARGETS, RANGES, AND PERFORMANCE OBJECTIVES

	Percent of Policy (%)		
Asset Category	**Policy Targets**	**Policy Ranges**	**Benchmarks**
US Equities	**15.0**	**0 to 20**	Russell 3000 Index
Global ex US Equities	**10.0**	**0 to 20**	
Non-US Developed Equity	5.0	0 to 20	MSCI EAFE Index with net dividends
Emerging Markets Equities	5.0	0 to 20	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25.0**	**5 to 27.5**	
Directional Hedge Funds	12.5	5 to 20	Combination index: 50% S&P Event-Driven Hedge Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	12.5	5 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Inflation Linked	**25.0**	**10 to 40**	
REITS	10.0	0 to 20	Dow Jones Wilshire Real Estate Securities Index
Commodities	5.0	0 to 10	Combination Index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	10.0	0 to 20	Lehman Brothers US TIPS Index
Fixed Income	**25.0**	**15 to 40**	Lehman Brothers Aggregate Bond Index
Cash	**0.0**	**0 to 20**	90 Day T-Bills

Expected Annual Return (%)	7.08
1 yr Downside Deviation (%)	-5.0
Standard Deviation (%)	7.5

Short Term Fund

THE UNIVERSITY OF TEXAS SYSTEM
SHORT TERM FUND
INVESTMENT POLICY STATEMENT

Purpose

The Short Term Fund (the "STF") was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of operating funds and other short and intermediate term funds held by U. T. System component institutions and System Administration with an investment horizon less than one year.

STF Organization

The STF functions like a mutual fund in which each eligible account purchases and redeems STF units as provided herein. The ownership of STF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

STF Management

Article VII Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the STF.

Ultimate fiduciary responsibility for the STF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the 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 Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the STF shall be managed by UTIMCO, which shall: a) recommend investment policy for the STF, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with STF objectives, and c) monitor STF performance against STF objectives. UTIMCO shall invest the STF assets in conformity with this Policy Statement.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Investment Approval Authority approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

STF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of STF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase STF Units

No account shall be eligible to purchase units of the STF unless it is under the sole control, with full discretion as to investments, by the Board of Regents and/or UTIMCO.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the STF.

The funds of a foundation which is structured as a supporting organization described in Section 509(a) of the Internal Revenue Code of 1986, which supports the activities of the U. T. System and its component institutions, may purchase units in the STF provided that a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the STF.~~:~~

~~A. the purchase of STF units by foundation funds is approved by UTIMCO's chief investment officer;~~

~~B. all members of the foundation's governing board are also members of the Board of Regents;~~

~~C. the foundation has the same fiscal year as the STF;~~

~~D. a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the STF; and~~

~~E. no officer of such foundation, other than members of the Board of Regents, the Chancellor, UTIMCO's chief investment officer or his or her delegate shall have any control over the management of the STF other than to request purchase and redemption of STF units.~~

STF Investment Objectives

The primary investment objective shall be to maximize current income consistent with the absolute preservation of capital and maintenance of adequate STF liquidity. The STF shall seek to maintain a net asset value of $1.00.

Achievement of this objective shall be defined as a fund return in excess of the average gross return of the median manager of an approved universe of institutional only money market funds.

Asset Allocation

Asset allocation is the primary determinant of investment performance and subject to the asset allocation ranges specified herein is the responsibility of UTIMCO. Specific asset allocation targets may be changed from time to time based on the economic and investment outlook.

STF assets shall be allocated to the following broad asset class:

Cash and Cash Equivalents — Short-term (generally less than three months), highly liquid investments that are readily convertible to know amounts of cash, and which are subject to an insignificant [a relatively small] risk of changes in value. ~~are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.~~

Performance Measurement

The investment performance of the STF will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the performance benchmarks of the STF. Such measurement will occur at least quarterly.

Investment Guidelines

The STF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- All investments will be U.S. dollar denominated assets.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of STF assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the STF's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- ~~The STF may utilize derivative securities with the approval of the UTIMCO Board to: a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) to index or to hedge risks associated with STF investments; or f) adjust the market exposure of the asset allocation, including long and short strategies; provided that; i) no leverage is employed in the implementation of such derivative purchases or sales; ii) no more than 5% of STF assets are required as an initial margin deposit for such contacts; and iii) the STF's investments in warrants shall not exceed more than 5% of the STF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.~~
- ~~Such derivative securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.~~
- ~~UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the STF and the prices of derivative security investments by investing in only those contracts whose behavior is expected to resemble that of the STF's underlying securities. UTIMCO also shall attempt to minimize the risk of an illiquid secondary market for a derivative security contract and the resulting inability to close a position prior to its maturity date by entering into such transactions on an exchange with an active and liquid secondary market. Derivative securities purchased or sold over the counter may not represent more than 15% of the net assets of the STF.~~

- ~~In the event that there are no derivative securities traded on a particular market index, the STF may utilize a composite of other derivative security contracts to simulate the performance of such index. UTIMCO shall attempt to reduce any tracking error from the low correlation of the selected derivative securities with its index by investing in contracts whose behavior is expected to resemble that of the underlying securities.~~

- ~~UTIMCO shall minimize the risk that a party will default on its payment obligation under a derivative security agreement by entering into agreements that mark to market no less frequently than monthly and where the counterparty is an investment grade credit. UTIMCO also shall attempt to mitigate the risk that the STF will not be able to meet its obligation to the counterparty by investing the STF in the specific asset for which it is obligated to pay a return or by holding adequate short term investments.~~

~~Eligible Investments~~

~~The weighted average maturity of the portfolio shall not be more than 60 days. Individual securities shall have a remaining maturity not longer than 397 days. The maturity of a portfolio security shall be deemed to be the period remaining (calculated from the trade date or such other date on which the STF's interest in the security is subject to market action) until the date noted on the face of the security as the date on which the principal amount must be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made, except that: a) a variable rate security, the principal amount of which is scheduled on the face of the security to be paid in 397 days or less, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate; b) a variable rate security that is subject to a demand feature shall be deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand; c) a floating rate security that is subject to a demand feature shall be deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand; d) a repurchase agreement shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur, or, where no date is specified, but the agreement is subject to a demand, the notice period applicable to a demand for the repurchase of the securities. A demand feature shall mean a put that entitles the holder to receive the principal amount of the underlying security or securities and that may be exercised either at any time on no more than 30 days notice or at specified intervals not exceeding 397 days and upon no more than 30 days notice.~~

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA_M by Standard & Poor's Corporation.

- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.

- Floating rate securities, if they meet the single security duration criteria and are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.

- Repurchase agreements and reverse repurchase agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master repurchase agreement with UTIMCO.

  - Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.

  - The maturity for a repurchase agreement may be from one day to two weeks.

  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.

  - All collateral shall be delivered to the STF custodian bank. Tri-party collateral arrangements are not permitted.

  - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the STF's total assets.

  - Overnight repurchase agreements may not exceed 50% of the STF's total assets.

~~Fixed Income~~

~~Holdings of eligible fixed income derivative securities shall be limited by the following guidelines:~~

- ~~With prior written approval of the UTIMCO Board, the Portfolio Manager may enter into derivatives transactions utilizing exchange traded fixed income futures contracts or options on fixed income futures contracts, provided that such derivatives transactions are designed to control duration or manage risk.~~

- ~~Such derivatives transactions shall be established on a case-by-case basis. These contracts shall include but shall not be limited to Fed Fund Futures, Eurodollar Futures, or Treasury Bill Futures, provided that the futures exchanges are rated AAA or the equivalent as determined by UTIMCO.~~

- ~~Such derivatives shall be priced daily.~~

- ~~Market risk shall be measured in dollar duration equivalent values or, in the case of options, in delta or percentage of equivalent futures contracts.~~

- ~~For the purpose of this policy Collateralized Mortgage Obligations ("CMOs") are considered to be Mortgage Backed Securities ("MBS"), not derivatives.~~

STF Distributions

Distributions of income from the STF to the unitholders shall be made as soon as practicable on or after the last day of each month.

STF Accounting

The fiscal year of the STF shall begin on September 1st and end on August 31st. Market value of the STF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board.

Valuation of Assets

All investments are stated at amortized cost, which in most cases approximates the market value of securities. The objective of the fund is to maintain a stable $1.00 net asset value; however, the $1.00 net asset value is neither~~not~~ guaranteed nor insured by UTIMCO.

The STF's net assets shall include all related receivables and payables of the STF on the valuation date, and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Purchase of STF Units

Purchase of STF units may be made on each business day upon payment of cash to the STF or contribution of assets approved by UTIMCO's chief investment officer, at the net asset value~~$1.00~~ per unit of the STF as of the most recent valuation date.

Each account whose monies are invested in the STF shall own an undivided interest in the STF in the proportion that the number of units invested therein bears to the total number of all units comprising the STF.

Redemption of STF Units

Redemption of units may be made on each business day at the net asset value~~$1.00~~ per unit.

Securities Lending

The STF may not participate in a securities lending contract with a bank or nonbank security lending agent.

Investor Responsibility

The UTIMCO Board shall discharge its fiduciary duties with respect to the STF solely in the interest of STF unitholders and shall not invest the STF so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be ~~August 12, 2004~~ November 10, 2005.

Delegation of Authority

RESOLUTION RELATED TO DELEGATION OF AUTHORITY POLICY

RESOLVED, that amendments to the Delegation of Authority Policy be, and are hereby, approved in the form submitted to the Corporation's Board of Directors

The University of Texas Investment Management Company
Delegation of Authority Policy

Effective Date of Policy: ~~November 15, 2004~~September 14, 2005
Date Approved by UTIMCO Board: ~~November 15, 2004~~September 14, 2005
Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on ~~April 25, 2003~~November 15, 2004

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. Section 66.08 (d) of the Texas Education Code provides that UTIMCO's duties to the U. T. System Board of Regents with respect to the management of investment funds shall be governed by a contract between the two parties. UTIMCO provides various investment management services to the U. T. System Board as more fully described in the Investment Management Services Agreement by and between the U. T. System Board and UTIMCO. 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. System Board. 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 operations:
(1) Management, Operations, and Finance; and
(2) Investments.

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 and any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. Board of Regents, provided that nothing contained in this Policy Statement is intended to, or shall, limit any delegation of authority otherwise set forth in the UTIMCO Bylaws, the Investment Management Services Agreement, any Committee Charter, any Investment Policy, or any formal policy adopted by the UTIMCO Board.

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. The duties and responsibilities of the UTIMCO Board are enumerated in the UTIMCO Bylaws, Articles of Incorporation, Committee Charters, Investment Management Services Agreement, and in UTIMCO policies. 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: Final authority for the functions listed below rests with the UTIMCO Board:

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

However, the UTIMCO Board hereby delegates authority to UTIMCO Management in each functional area as specified below:

Administration, Accounting and Financial Management: The UTIMCO Board hereby delegates all day to day operational decisions to UTIMCO Management. This delegation includes, but is not limited to, all administrative decisions regarding the management of endowment and operating funds as well as all administrative and financial decisions associated with the operation of the UTIMCO organization. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Systems Technology Management: The UTIMCO Board hereby delegates all decisions regarding the operation and management of all systems technology assets to UTIMCO management. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

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 personnel as necessary on an emergency basis, subject to review in the following budget cycle, provided that the addition of any non-budgeted personnel shall be promptly reported to the UTIMCO Board. All compensation decisions for officers of UTIMCO are excluded from this delegation.

Compliance: The UTIMCO Board hereby delegates all compliance operations to UTIMCO management, while retaining all oversight functions as specified in UTIMCO policies.

Client Relations and Reporting: The UTIMCO Board hereby delegates all client relations and reporting decisions to UTIMCO management.

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.

In addition, in order to facilitate the execution of the authority granted above, the UTIMCO Board hereby delegates the following specific duties and responsibilities 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, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of $1 million or less during the contract term, provided that notice of any such contracts, leases, or other commercial arrangements shall be ~~promptly~~ reported to the UTIMCO Board at its regularly scheduled meetings.

Investment Authority: The UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- Tactical Asset Allocation: Without limitations of timing, procedures, or vehicles utilized (including short sales of securities to offset existing long positions for risk control purposes), 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.
- Risk Management: The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO management.
- 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 external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and execute agency and partnership agreements as necessary, subject only to the following limitations:
    - Public Markets Investments: Any new commitments exceeding(i)(a) $200 million for an individual external manager or (b) 20% of the total assets under management ~~in a~~ under the specific ~~investment mandate~~asset categories of U.S. equity, non U.S. equity, and fixed income by an external manager or (ii) $100 million for a particular active internal management application will require approval under the process defined in Appendix A.
    - Marketable Alternatives Investments: Any new commitments exceeding (i) $100 million or (ii) 20% of the total assets of the same investment vehicle will require approval under the process defined in Appendix A, and an opinion from the external UTIMCO consultant shall be required for any marketable alternative investment managed by a manager not otherwise managing marketable alternative investments for UTIMCO. Otherwise, the decision as to whether an

opinion regarding the new investment from the external UTIMCO consultant is necessary is delegated to the UTIMCO Chief Executive Officer.

- Non-Marketable Alternatives Investments: Any new commitments exceeding (i) $50 million or (ii) 20% of the total assets of the same investment vehicle will require approval under the process defined in Appendix A, and an opinion from the external UTIMCO consultant shall be required for any non-marketable alternative investment managed by a manager not otherwise managing non-marketable alternative investments for UTIMCO. Otherwise, the decision as to whether an opinion regarding the new investment from the external UTIMCO consultant is necessary is delegated to the UTIMCO Chief Executive Officer. All new commitments to direct, non-marketable investments 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 at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.

- 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 increases~~changes~~ to existing funds under management by any individual external manager exceeding $200 million or by internal management in a particular active application exceeding $100 million, or which increases the total assets managed to more than (i) $400 million with an individual external manager or a larger amount approved by the the Board for manager exceptions ~~or to more than (i) $400 million~~ or (ii) 20% of the total assets ~~in a specific investment mandate~~ under the specific asset categories of U.S. equity, non U.S. equity, and fixed income at an external manager responsible for more than one UTIMCO mandate, will require approval under the process defined in Appendix A.
  - Marketable Alternatives Investments: Any increases~~changes~~ to existing funds under management exceeding $100 million, or which increase the total assets managed to more than $200 million with an individual manager or to more than 20% of the total assets 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 increases~~changes~~ to existing funds under management exceeding $50 million in an existing partnership or direct investment, or which increase the total UTIMCO investment in a single partnership or direct investment to more than (i) $100 million or (ii) 20% of the total assets of the same investment vehicle, will require approval under the process defined in Appendix A.
  - Any increase~~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 at its regularly scheduled Board meetings 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.
- Internal Investment Management: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO staff.
- Management of UTIMCO's External Investment Consultant: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO consultant, provided that the UTIMCO consultant shall continue to have primary reporting responsibility to the UTIMCO Board.
- Management of UTIMCO's External Counsel: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO external counsel, provided that the UTIMCO external counsel shall continue to have primary reporting responsibility to the UTIMCO Board.

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 Committee of the UTIMCO Board.

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.
2. Preparation of a complete due diligence report that will be considered by the UTIMCO Chief Executive Officer. Changes or updates to the due diligence report may be made as a result of the CIO review.
3. At the discretion of the UTIMCO Chief Executive Officer, a due diligence report by the UTIMCO external consultant may be required.
4. In cases in which the investment 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 external consultant (if required by the CEO).
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 external consultant (if required by the CEO). 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.

Derivative Policy

RESOLUTION RELATED TO DERIVATIVE INVESTMENT POLICY

RESOLVED, that amendments to the Derivative Investment Policy be, and are hereby, approved in the form submitted to the Corporation's Board of Directors, subject to approval of the U.T. System Board of Regents.

The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: November 10, 2005~~August 11, 2005~~
Date Approved by UTIMCO Board: September 14, 2005~~July 21, 2005~~

Purpose:

The purpose of the Derivative Investment Policy is to enumerate the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), ~~and~~ the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statement for the Funds.

Objective:

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Through the use of derivatives, the complex risks that are bound together in traditional cash market investments can be separated and managed independently. Derivatives provide the Funds with the most economical means to improve the Funds risk/return profile.

Scope:

This Policy applies to internal management of derivatives at UTIMCO only. Derivatives policies for external managers are established on a case by case basis with each external manager, as described below. This Policy applies to both exchange traded derivatives and over the counter derivative instruments. This Policy shall not be construed to apply to index or other common or commingled funds in which the Funds typically invest. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

An external investment manager of public market investments employed by UTIMCO may engage in derivative transactions only if the transactions are consistent with the overall investment objectives of the account. Derivative applications shall be approved only with investment managers that demonstrate investment expertise in their use, and have appropriate risk management policies and procedures to effectively monitor and control their use. Disclosure of permitted derivative applications with external investment managers of public market investments shall be made to UTIMCO's Board.

The due diligence process in the selection of managers of alternative marketable equities employed by UTIMCO requires a clear understanding of the managers use of derivatives, particularly as it relates to various risk controls and leverage. UTIMCO will invest in such strategies exclusively through limited partnership agreements, offshore corporations or other legal entities that limit the Funds' exposure to its investment in the strategy. Disclosure of derivative applications with alternative marketable equity managers shall be made to UTIMCO's Board.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as a bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include futures contracts, forward contracts, swaps and all forms of options, but shall not include a broader range of securities including mortgage backed securities, structured notes and convertible bonds. (Refer to attached exhibit for glossary of terms)

Permitted Derivative Applications:

Derivative applications may be used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds market (systematic) exposure without trading the underlying cash market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with cash market securities;
- To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through purchases or short sales, or both, of appropriate derivatives; or
- To facilitate transition trading.

The primary intent of derivative transactions should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market. Only the above derivative applications are permitted until such time as this policy is amended and approved by UTIMCO's Board. The Chief Investment Officer shall recommend and the UTIMCO Board approve any new derivative applications prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application.

Derivative Applications Not Permitted:

Derivative applications shall not be used to invest in asset classes that are not consistent with the Funds policy asset categories, implementation strategies and risk/return characteristics.

Documentation and Controls:

Prior to the implementation of a new derivative application, UTIMCO shall document the purpose, justification, baseline portfolio, derivative application portfolio, risks (including at a minimum modeling, pricing, liquidity and legal risks), the expected increase or reduction in systematic and specific risk resulting from the application, the acceptable criteria for counterparties in over the counter derivative applications, and the procedures in place to monitor and manage the derivative exposure. Internal control procedures to properly account and value the Funds' exposure to the derivative application shall be fully documented. UTIMCO shall establish an appropriate risk management procedure to monitor compliance and will take corrective action if necessary. UTIMCO shall make a comprehensive report of all derivative applications to the UTIMCO Board on at least a quarterly basis.

Limitations:

Leverage is inherent in derivatives since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivatives applications offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a derivatives application, which is the sum of the application-specific risk and the market (systematic) risk established by the derivative application. In order to control and limit the leverage risk, each derivative application must specify a baseline portfolio, and risk measures such as Value at Risk (VAR) will be employed to assure that the total economic impact risk of the derivative application portfolio relative to the baseline portfolio will not exceed 20% of the underlying value of the baseline portfolio. The total relative economic impact risk of each derivative application will be monitored on a daily basis by the most appropriate risk management tools for the particular derivatives application.

In order to provide additional global information, the gross and net notional value will be provided as part of the comprehensive report of all derivative applications. ~~As an additional global limitation, the total gross value (without netting counter positions) of all internal derivatives positions shall not exceed 45% of the net asset value of the Funds.~~

The University of Texas Investment Management Company
Derivative Investment Policy

In order to limit the financial risks associated with derivative applications, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter derivatives. The counterparty must be an investment grade credit and the agreement must be marked to market no less frequently than monthly.

Derivative Investment Policy Exhibit
Glossary of Terms

Application-specific risk – The portion of total risk in a derivatives application which is due to factors unique to the application as opposed to more systematic, market-related factors. For example, in an option on a specific stock, the risk associated with the specific business results of the company which issued the stock underlying the option would be application-specific risk, as opposed to the overall risk of the stock market which would be Systematic Risk.

Baseline portfolio – The cash-market based portfolio which will serve as the basis for calculating the relative risk level of an equivalent derivatives application.

Cash equivalents – Includes cash, short term fixed income instruments, accruals, variation margin and one day deposits in transit to the account.

Cash market - The physical market for a commodity or financial instrument.

Counterparty - The offsetting party in an exchange agreement.

Derivative application – A definition of the intended use of a derivative-based position such as replication or enhancing index returns, asset allocation or completion fund strategies, and various alpha transport strategies.

Derivative application portfolio – The portfolio including derivative instruments, cash equivalents, and other cash market assets established to replicate a specified baseline portfolio.

Economic exposure - The total effective exposure of a derivative position. The economic exposure is the product of the dollar value of the exposure and the market or systematic risk level of the exposure. A common method of measuring economic exposure is with risk management tools such as "value at risk."

Exchange traded derivatives - A derivative instrument traded on an established national or international exchange. These instruments "settle" daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the instruments are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

Forward contract - A non-standardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future.

Futures contract - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

Option - An instrument that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

Over the counter derivatives - A derivative instrument which result from direct negotiation between a buyer and a counterparty. The terms of such instruments are non-standard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

Swap - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

Systematic risk – The non-diversifiable risks associated with an investment in a particular asset market. For example the financial, political, and other risks associated with a portfolio of common stocks are known as "market" or systematic risks.

Value at risk (VAR) – An established method of measuring economic exposure risk. The measure conveys the maximum potential loss (in dollars or percent of total assets) for a particular investment position, for a particular period of time, for a particular level of confidence.

Liquidity Policy

RESOLUTION RELATED TO LIQUIDITY POLICY

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

The University of Texas Investment Management Company
Liquidity Policy

Effective Date of Policy: November 10, 2005~~August 11, 2005~~
Original Effective Date of Policy: August 7, 2003

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). 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 by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF 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 the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, ~~and~~ GEF, and ITF 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 monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF 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.

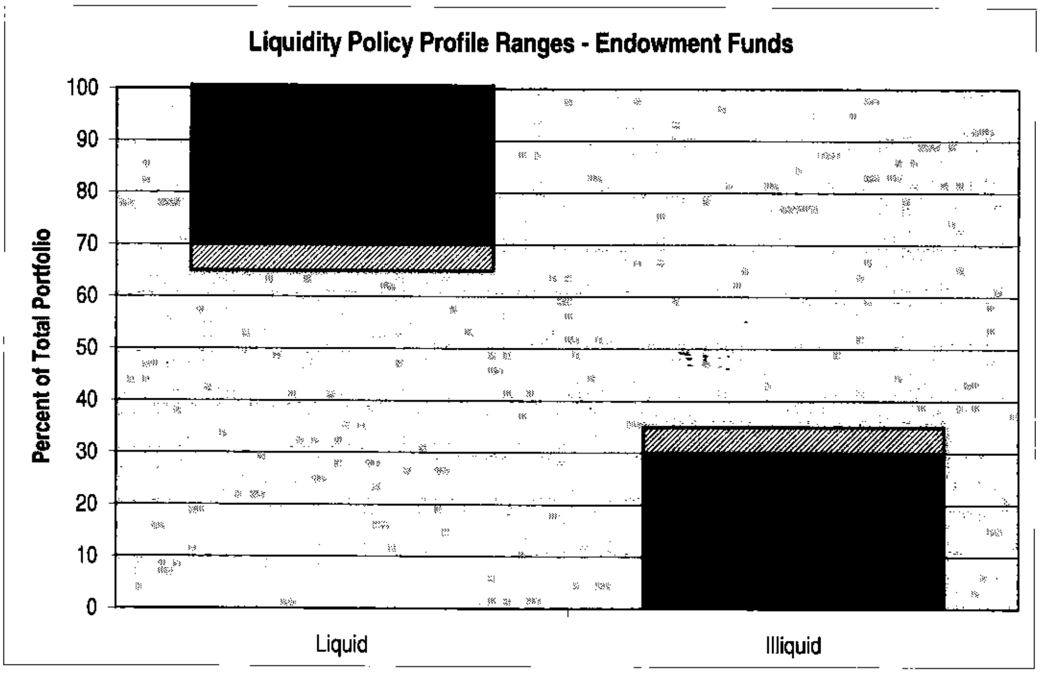
- **Illiquid:** Investments that could be converted to cash in an orderly market over a period of more than three months or in a shorter period of time by accepting a discount of more than 10%.

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 investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee[1], in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF 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:

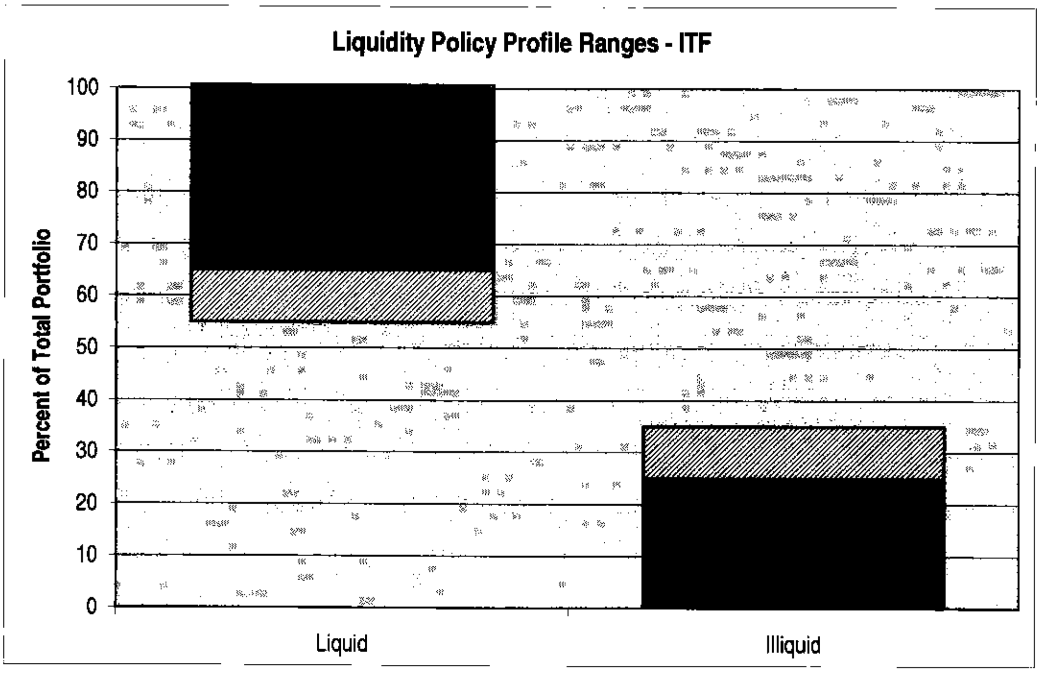
The current Liquidity Policy Profile ranges and trigger zones for each of the Endowment Funds are defined by the chart below:



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 Risk Committee. For example, the allowable range for illiquid investments is 0% to 35% of the total portfolio. However, any illiquid investments made in the 30% to 35% trigger zone requires prior approval by the Risk Committee or the UTIMCO Board. Risk 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.

[1] The Risk Committee (formerly, the Liquidity Committee) was appointed by the UTIMCO Board of Directors and is subject to a Risk Committee Charter first approved by the UTIMCO Board of Directors on April 8, 2004. The Risk Committee consists of at least three members of the Board and provides oversight and monitoring of the liquidity of the policy portfolio in accordance with this Liquidity Policy.

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



The allowable range for illiquid investments is 0% to 35% of the total portfolio for the ITF. However, any illiquid investments made in the 25% to 35% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk 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.

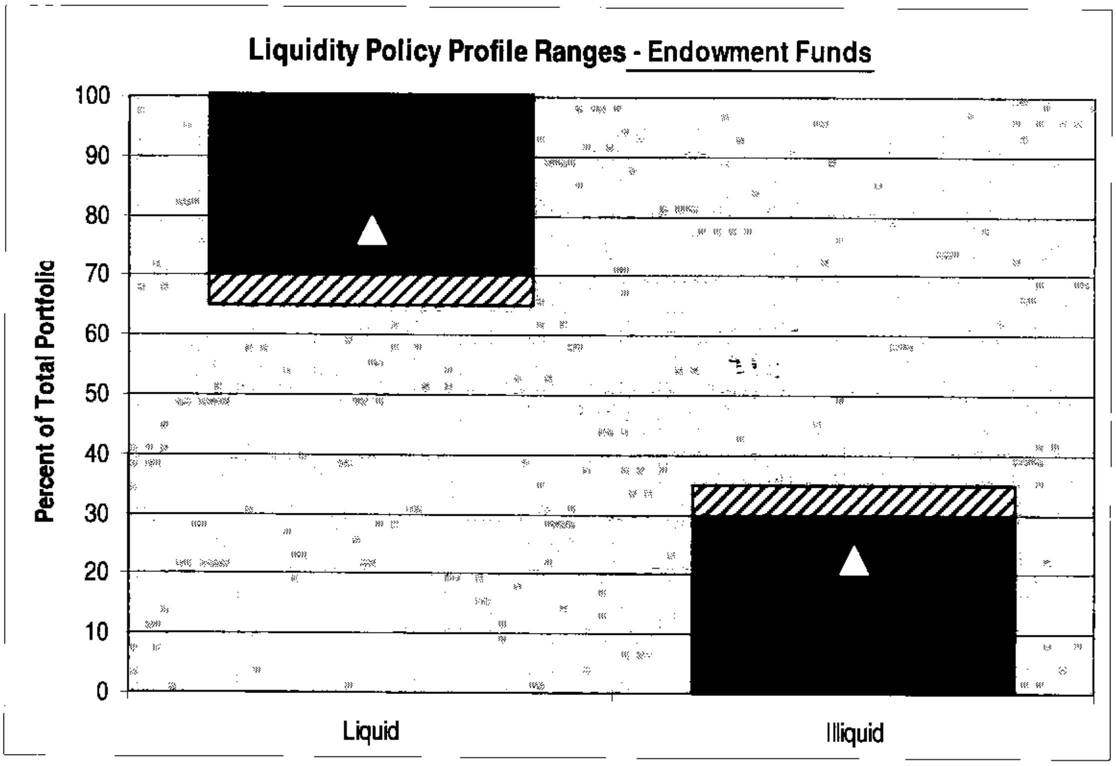
Documentation and Controls:

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 a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in ~~either~~any of the PUF,~~ or~~ the GEF, or the ITF by 10% or more of the total asset value of ~~either~~ such ~~F~~fund would also require review and action by the UTIMCO Board or the Risk 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 Risk Committee the circumstances of the deviation from Policy and the remedy to the situation.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, 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 for the Endowment Funds (numbers shown are examples only). For example, in this illustration the current exposure to "liquid" investments is 77.6%, while exposure to "illiquid" investments is 22.4% and both are within their respective allowable policy ranges and not in defined trigger zones.



Risk Committee Charter

RESOLUTION RELATED TO THE CHARTER OF THE RISK COMMITTEE

RESOLVED, that the amendments to the Charter of the Risk Committee be, and are hereby, approved in the form submitted to the Corporation's Board of Directors.

The University of Texas Investment Management Company

Charter of the Risk Committee

Background

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") established a Liquidity Committee on November 20, 2003. The name of the Liquidity Committee was changed to the Risk Committee (the "Committee") on May 19, 2005 to reflect the expanded responsibilities of the Committee. This Charter, originally adopted by the Board on April 8, 2004, and revised on September 29, 2004, ~~and~~ May 19, 2005 and September 14, 2005, sets forth the responsibilities of the Committee.

Purpose

The primary purpose of the Committee is to provide oversight and monitor 1) liquidity of the Permanent University Fund (PUF), ~~and~~ the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF) in accordance with the Corporation's Liquidity Policy, originally approved by the Board on June 26, 2003, and originally effective August 7, 2003; and 2) investment risk management in the PUF, ~~and~~ GEF, and ITF.

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

Investment Risk Management: The Board has delegated the following duties and responsibilities to the Committee related to the oversight and monitoring of investment risk:

- The Committee will monitor actual risk levels in the PUF, ~~and~~ GEF, and ITF to assess whether current risk levels are within the bounds established by the Asset Allocation Policy adopted by the UT Board of Regents;
- The Committee will monitor trends and changes in actual risk levels in the PUF, ~~and~~ GEF, and ITF and report any significant changes to the Board; and
- The Committee will monitor the investment risk models, tools, and procedures used by Corporation staff for completeness and efficacy.

The Committee's duties are in investment risk management only and are not intended to duplicate the enterprise risk management duties of the Audit and Ethics Committee.

Liquidity: The UTIMCO Board has delegated the following duties and responsibilities to the Committee related to the oversight and monitoring of liquidity:

- The Committee must review and recommend for consideration to the Board any new investment that would cause the allocation for illiquid investments in ~~either~~ the PUF, ~~or~~ GEF, or ITF to exceed the lower illiquidity limit specified in the Liquidity Policy for the respective 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, or ITF to exceed the lower illiquidity limit specified in the liquidity policy for the respective ~~f~~Fund's total portfolio.

- The Committee must review and approve, before any such action or actions are taken, any proposed investment action or actions that would increase the actual investment position in illiquid investments in ~~either~~ the PUF, ~~or~~ GEF, or ITF by 10% or more of a Fund's total asset value.

- In the event that market actions cause actual investment positions in illiquid investments to exceed the upper illiquidity limit established by the Liquidity Policy or to move into the "trigger zone" defined as the allocation range between the lower and upper illiquidity limits established by the Liquidity Policy, the Committee must 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 Board for the approval of new investments.

Investment Management Services Agreement

RESOLUTION RELATED TO THE INVESTMENT MANAGEMENT SERVICES AGREEMENT

RESOLVED, that the amendments to the Investment Management Services Agreement as presented be, and are hereby, ratified except for any additional items approved by the Board which are subject to approval by the U. T. System Board of Regents; and be it

FURTHER RESOLVED, that the resolution of the Board adopted on January 18, 2005, for the Investment Management Services Agreement is rescinded.

INVESTMENT MANAGEMENT SERVICES AGREEMENT

This 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 September 1, 2005~~August 12, 2004~~ (the "Effective Date"), and supersedes all earlier agreements by and between the U. T. Board and UTIMCO regarding the subject matter hereof~~, effective November 16, 2000~~.

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;

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;

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 et seq., 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;

WHEREAS, the U. T. Board desires to continue an Agreement with UTIMCO for UTIMCO to invest certain designated funds under the control and management of the U. T. Board;

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, plus prepaid expenses, less accounts payable, less other liabilities.

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.

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.

Intermediate Term Fund or ***ITF*** shall mean the intermediate term pooled investment fund for the collective investment of operating funds and other intermediate and long-term funds held by U.T. System institutions and U.T. System administration. In addition, the PUF and GEF may invest in the ITF.

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, Intermediate 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 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.

Surplus Cash Reserves shall mean Cash Reserves on the last day of the fiscal year in excess of twenty-five percent (25%) of the upcoming fiscal year's projected operating budget plus approved capital expenditures budgeted for the upcoming fiscal year.

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 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~~ and other matters arising out of UTIMCO's activities as investment manager under this Agreement that implicate policies of the U.T. Board other than investment policy. 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 without limitation policies concerning Asset Allocation, Liquidity, Proxy Voting, 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 with adequate time for review prior to being submitted to the U. T. Board for review and approval. ~~for discussion during an annual Joint Meeting between the U. T. Board and the UTIMCO Board of Directors.~~

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 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 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~~ UTIMCO shall disclose to the public with respect to such private investments all information required to be disclosed pursuant to Section 552.0225 of the *Texas Government Code* regarding "Right of Access to Investment Information" ("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~~have 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~~ notify the U. T. System Vice Chancellor and General Counsel and solicit his or her input to the process. UTIMCO shall disclose the information unless (i) it is confidential and excepted as provided in Section 552.143 of the *Texas Government Code* regarding "Confidentiality of Certain Investment Information" or, (ii) as to any other information, the Vice Chancellor and General Counsel, after consultation with the Chancellor, approves a Public Information Act request to the Attorney General of Texas. In addition, the U. T. Board reserves the right and authority, in its sole discretion, to disclose, or direct the disclosure of, any information at any time, to the extent such disclosure would not result in a violation of applicable law or breach or result in a default under any agreement binding upon UTIMCO or the U. T. Board.

h) **Other Services**:
UTIMCO shall perform other investment management services including but not limited to 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 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~~institution's endowment and distributions made to such ~~component~~institution 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.

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 Annual Budget and the allocation formula may be approved, 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 be promptly reviewed and revised by UTIMCO and resubmitted to the U. T. Board for additional consideration.

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, with the approval of the U. T. Board, 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 each f~~F~~iscal y~~Y~~ear ~~2004~~, UTIMCO will distribute back to the Accounts which generated the surplus ~~$4 million~~ that portion of the Surplus Cash Reserves as may be directed by the U.T. Board, it its sole discretion, from time to time. ~~back to the Accounts, which generated the surplus~~ Such distribution back to the Accounts shall be 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 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., (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.

In the performance of this Agreement, UTIMCO's Directors, Officers, and Employees shall abide by the following policies:

a) UTIMCO 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 Title 15 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 the effective date of 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___________________________
Chairman

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Date:___________

By___________________________
Chairman