

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



***Presentation Materials
Part One***

Board of Directors Meeting

January 17, 2006

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
January 17, 2006**

Four Seasons Hotel
1300 Lamar
Houston, Texas

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Call to Order/Consideration of Minutes of November 16, 2005 Meeting*
9:05 a.m.	9:15 a.m.	2	Discussion and Consideration of Corporate Resolution*
9:15 a.m.	10:00 a.m.	3	Endowment and Operating Funds Update: <ul style="list-style-type: none"> - Performance Report - Liquidity Profile - Risk Dashboard - Comprehensive Derivative Report - Report on Actions Taken Under Delegation of Authority
10:00 a.m.	10:45 a.m.	4	Discussion and Consideration of Committee Reports: <ul style="list-style-type: none"> - Audit and Ethics Committee* - Risk Committee* - Policy Committee*, **
10:45 a.m.	11:45 a.m.	5	Update on ITF <ul style="list-style-type: none"> - Accounting Issues/SITF - Changes to Structure of ITF*, **
11:45 a.m.	12:15 p.m.	6	Discussion of Website Security Audit and IT Disaster Recovery
12:15 p.m.	1:15 p.m.		Lunch
1:15 p.m.	2:15 p.m.	7	Discussion of Portfolio Construction Issues <ul style="list-style-type: none"> - Structured Active Management - Leverage - Hedge Funds as Building Blocks - Risk Control Versus Position Size Control
2:15 p.m.	2:45 p.m.	8	Public Markets Presentations <ul style="list-style-type: none"> - Update - Presentation of Investment in Lansdowne's European Long Only Fund
2:45 p.m.	3:45 p.m.	9	Discussion of Investment Environment and Opportunities
3:45 p.m.	4:00 p.m.	10	Presentation of 2005 Annual Report
4:00 p.m.			Adjournment

*Action by resolution required; ** Action required by UT System Board of Regents

Next Scheduled Meeting: March 30, 2005 (Annual Meeting)
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TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **November 16, 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 9:35 a.m. on the **16th day of November 2005**, in the Board Room of the Four Seasons at Las Colinas, 4150 North Mac Arthur Boulevard, Irving, Texas, said meeting having been called by the Chairman, H. Scott Caven, Jr., 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:

H. Scott Caven, Jr., Chairman
Clint D. Carlson
J. Philip Ferguson
Woody L. Hunt
Erle Nye
Robert B. Rowling
Charles W. Tate

thus, constituting a majority and quorum of the Board. Regent McHugh joined a portion of the meeting by telephone. Mark G. Yudof, Vice Chairman for Policy, was not present at the meeting. Also attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Bill Edwards, Managing Director of Information Technology; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; various staff members of the Corporation; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Charlie Chaffin, Amy Barrett and Cathy Swain of UT System Administration; and Hamilton Lee of Cambridge Associates. Mr. Caven called the meeting to order at 9:35 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Minutes

The first matter to come before the Board was approval of the minutes of the meetings of the Board of Directors held on October 7, 2005. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on
October 7, 2005, be, and are hereby, approved.

Committee Appointments

Mr. Caven welcomed Regent Colleen McHugh as a Regental member and Woody Hunt as an external member of the Board. Their appointments were approved at the UT System Board of Regents meeting that was held on November 10, 2005. Mr. Caven continued by recommending Board committee assignments and chair designations for the Audit and Ethics Committee, Compensation Committee, Risk Committee and a newly formed Policy Committee. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

BE IT RESOLVED, that Woody L. Hunt, Erle Nye and Robert B. Rowling are hereby designated as the Audit and Ethics Committee of the Board of Directors, subject to approval by the Board of Regents at their meeting to be held on February 8-9, 2006, 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 Erle Nye is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

BE IT RESOLVED, that Clint D. Carlson, Philip Ferguson and Robert B. Rowling are hereby designated as the Compensation Committee of the Board of Directors 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 Philip Ferguson is hereby designated the Chair of the Compensation Committee and shall preside at its meetings.

BE IT RESOLVED, that H. Scott Caven, Jr., Charles W. Tate and Woody L. Hunt are hereby designated as the Risk Committee of the Board of Directors 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 Charles W. Tate is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

BE IT RESOLVED, that Colleen McHugh, Erle Nye, Robert B. Rowling are hereby designated as the Policy Committee of the Board of Directors 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 Robert B. Rowling is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

Asset Allocation and Performance

Mr. Caven asked Mr. Boldt to report on the Corporation's asset allocation and performance. Mr. Boldt began by discussing the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. He continued by discussing asset allocation and attribution analysis, the peer universe and value added. Mr. Boldt reported Cumulative Value Added under the Corporation's management for periods ended September 30, 2005. He also handed out performance information for August 31, 2005. The net performance for the one-month period ended September 30, 2005, for the Permanent University Fund ("PUF") was 1.65% and for the General Endowment Fund ("GEF") was 1.62%, versus benchmark returns of 1.46% for each fund. The net performance for the one-year period ended September 30, 2005, for the PUF and GEF were 18.22% and 18.21%, respectively, versus benchmark returns of 15.04% for each fund. The Short Intermediate Term Fund's (SITF) performance was -.39% versus its benchmark return of -0.25% for the one-month period, and was 1.95% versus its benchmark return of .98% for the one-year period ended September 30, 2005. Performance for the Short Term Fund (STF) was 0.29% versus 0.30% for its benchmark for the one-month period, and was 2.65% versus a benchmark return of 2.62% for the one-year period ended September 30, 2005. Also presented was performance attribution, statistics on liquidity, total derivatives by type and application, and actions taken under the Delegation of Authority. In reporting the manager history performance summary, it was noted that Peter Cundhill and Associates, Inc., Canada mandate, was terminated on October 13, 2005. Mr. Boldt, Mr. Thompson, Mr. Goldsmith, and Ms. Iberg answered the Directors' questions. Mr. Hunt observed that the Policy Committee needs to consider the definition of "hedge funds" in view of the apparent trend of some active managers to hedge risk by taking long/short positions.

Executive Session

Mr. Caven, at 10:29 a.m., announced that, "the Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Board, for the purpose of deliberating personnel compensation matters for corporation employees. This Executive Session meeting of the Board is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The time is now 10:29 a.m."

In Executive Session, the Board discussed matters regarding personnel compensation matters. No action was taken and no vote was called for or taken by the Board.

Reconvene in Open Session

The Board reconvened at 11:10 a.m. in open session and Mr. Caven announced that, "the Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The time is now 11:10 a.m. During the Executive Session, the Board discussed personnel compensation matters, but did not take any votes."

Compensation Committee Report

Mr. Caven asked for a report from the Compensation Committee. Director Ferguson, Chairman, reported that the Compensation Committee (the "Committee") had met that morning, prior to the Board meeting. The Committee reviewed the peer group for the 2005/2006 Compensation Program as determined by Cambridge Associates and recommended approval. They also reviewed an item related to the 2005/2006 Compensation Program. In addition to the eligible participants approved by the Committee and the Board in September 2005, three additional employees have filled analyst positions in the Non-Marketable and Risk Management area. The Committee reviewed the goals recommended by the President and CEO for these positions and the Committee requested that the Board approve the employees as eligible to participate in the UTIMCO 2005/2006 Compensation Program. The Committee also recommended that the Board approve the performance compensation awards under the UTIMCO Compensation Program for all eligible employees, including the President and Chief Executive Officer, and recommended the proposed performance compensation award of the President and Chief Executive Officer. Cambridge Associates certified the peer universe performance data and a copy of the memorandum was provided. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

Peer Group:

WHEREAS, Section 8.14 of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B will be amended accordingly; and

WHEREAS, Section 7.2 of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Board wishes to amend Appendix B to conform to the updated Peer Group;

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto [see the attachments to these minutes], is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2005.

New Participants in the Plan:

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

WHEREAS, Section 5.3(a) of the Plan provides that the Board in its discretion may designate a newly hired or promoted employee to be in an "Eligible Position" during a Performance Period; and

WHEREAS, Section 5.3(b) of the Plan provides that an employee in an "Eligible Position" selected by the Board will become a Participant on the date designated by the Board; and

WHEREAS, pursuant to Sections 5.4(a) and 5.4(d) of the Plan, the President and CEO set, and the Compensation Committee has approved, the "Performance Goals" and "weightings" for each proposed new Participant for the 2005/2006 Performance Period; and

WHEREAS, Section 5.5(a) of the Plan provides that, at the time an employee is designated as a Participant in the Plan, the Board will determine the "Incentive Award Opportunity" for each Performance Goal set for such Participant for the Performance Period, including a threshold, target, and maximum award;

NOW, THEREFORE, be it:

RESOLVED, that the Eligible Positions and the associated Incentive Award Opportunities set forth on the Exhibit attached hereto [see the attachments to these minutes] are hereby approved for the 2005/2006 Performance Period, effective as of the date the respective employee employed in each such Eligible Position is selected as a Participant in the Plan; and

RESOLVED, that Mark Shoberg is hereby selected as a Participant in the Plan, effective as of October 31, 2005, Scott Bigham is hereby selected as a Participant in the Plan, effective as of September 1, 2005, and Kate Wagner is hereby selected as a Participant in the Plan, effective as of October 31, 2005.

Performance Incentive Awards for the Participants:

WHEREAS, in accordance with Section 5.5(d) of the UTIMCO Compensation Program (the "Plan"), the Compensation Committee has determined each Participant's level of achievement of his or her "Performance Goals" for the 2004/2005 Performance Period, except the level of achievement of the President and CEO with respect to his Performance Goals for such period; and

WHEREAS, Sections 5.5(e) and 5.5(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a "Performance Incentive Award" will be calculated for each Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Sections 5.5(e) and 5.5(g) of the Plan provide that the Compensation Committee will review all Performance Incentive Award calculations for all Participants who have met or exceeded their performance benchmarks for such Performance Period and submit its recommendations to the Board for approval; and

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance benchmarks for the 2004/2005 Performance Period, approved such Performance Incentive Awards, and recommended that the Board approve the same; and

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for the Participants (including the President and CEO) for the 2004/2005 Performance Period in the total amount of \$2,261,214 are hereby approved.

And the President and CEO's Performance Incentive Award:

WHEREAS, Section 5.5(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will determine the level of achievement of the President and CEO with respect to his "Performance Goals" for such Performance Period; and

WHEREAS, the Board has reviewed the actual performance of the President and CEO during the Performance Period and has compared such actual performance relative to each Performance Goal category for the President and CEO against his corresponding Performance Goal for such Performance Period;

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the President and CEO's Performance Incentive Award for the 2004/2005 Performance Period in the amount of \$526,212.

Mr. Ferguson addressed the Staff to let them know that the Committee and the entire Board felt that they had done an extraordinary job this year and the achievements that they have accomplished in this period of time should be applauded.

Policy Committee

Mr. Caven explained the purpose of the new Policy Committee. The Policy Committee is to provide oversight and monitor the development and amendments of the Corporate Board Policies and Document; and the development and amendment of the investment-related policies of the Board of Regents related to the management of funds under the control and management of the Board of Regents; and the amendment of the Investment Management Services Agreement, the Code of Ethics and Bylaws. Mr. Caven proposed adopting the Charter with suggested changes by the UT System Office of General Counsel, other than the suggested deletion of the words "development and" before the words "review of" in the first sentence under the heading "Investment Policies of the U.T. Board" on the second page of the Charter. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Proposed Charter of the Policy Committee be, and is hereby, approved in the form submitted to the Corporation's Board of Directors with the changes recommended by Chairman Caven.

Mr. Caven noted that although the Chancellor, as Vice Chairman of Policy, will not be a member of the Committee, he will continue to have the duties assigned him in that role under the Corporation's Bylaws and the Investment Management Services Agreement between the Corporation and the Board of Regents

Delegation of Authority

Mr. Caven asked Mr. Boldt to present the recommended changes to the Delegation of Authority. Mr. Boldt explained that upon request of the Board, the Staff had redrafted the proposed language related to short sales of securities to offset existing long positions for risk control purposes. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Audit and Ethics Committee Report

Mr. Caven asked Mr. Nye, Chairman of the Audit and Ethics Committee, to give a Committee report. Mr. Nye reported that the Audit and Ethics Committee met on November 3, 2005, and recommended approval of the audited financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Short Intermediate Term Fund, and the Statement of Performance Statistics. The financial statements were audited by Ernst & Young, LLP. Ricky Richter, coordinating partner, presented Ernst & Young's Audit Results and Communications letter and answered questions related to the financial statements. Ernst & Young issued unqualified opinions on the August 31, 2005 financial statements. The opinions were dated October 21, 2005. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2005 and August 31, 2004 and the Statement of Investment Performance Statistics for the year ended August 31, 2005 be and are hereby approved in the form as presented to the Board.

The meeting was recessed at 11:40 a.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 12:45 p.m.

Marketable Alternatives Portfolio Update

Mr. Caven asked Ms. Iberg to give an update on the Marketable Alternatives Portfolio. Ms. Iberg gave a broad overview of the hedge fund portfolio. She focused on the overall hedge fund industry, portfolio performance and composition, pooling of hedge fund managers, and near-term plans for the Program. Ms. Iberg, Mr. Boldt and Dr. Brown answered the Directors' questions.

Risk Dashboard

Mr. Caven asked Mr. Boldt to present the next item on the agenda. Mr. Boldt explained each chart on the new Risk Dashboard, a report that will be sent to the Board on a monthly basis. The report contains a set of standardized charts and graphs presenting a comprehensive risk analysis of the Endowment Funds. Mr. Boldt, Ms. Reed and Dr. Brown answered the Directors' questions.

Discussion of Investment Environment and Opportunities

Mr. Boldt led an open-ended discussion with the Directors regarding current issues, concerns and opportunities in the investment environment. Mr. Boldt provided a handout of Investment Trends and answered the Directors' questions. Mr. Nye and Ms. McHugh left the meeting during discussion.

Intermediate Term Fund ("ITF")

Mr. Caven asked Mr. Goldsmith to give a presentation on the implementation status of the Intermediate Term Fund. Mr. Goldsmith presented and discussed the developed timeline. To effectively utilize select incumbent active endowment managers in the proposed ITF, a request was made by the Staff to raise the investment ceiling beyond current Delegation of Authority limits, for prescribed managers, in prescribed amounts as provided. Mr. Boldt and Mr. Goldsmith answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Manager Exception List for the Intermediate Term Fund be, and is hereby, approved in the form submitted to the Corporation's Board of Directors.

Transaction Interface for Intermediate Term Fund

Mr. Caven asked Mr. Edwards to demonstrate the online system developed to facilitate the trading and reporting requirements for the system institutions' holdings of the Short Term Fund and the Intermediate Term Fund. Training will be provided to the system institutions in January, 2006, prior to the implementation of the ITF. Mr. Edwards answered the Directors' questions.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:40 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
H. Scott Caven, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company

Eligible Position	Employee:	Entity	Weighting		Incentive Award Opportunity (% of Salary)			
			Asset Class	Individual	< Threshold	Threshold	Target	Maximum
<i>Investment Professionals</i>								
Analytical Support:								
Nonmarketable Alternative	Mark Shoberg	20%	20%	60%	0%	5%	25%	50%
Nonmarketable Alternative	Scott Bigham	20%	20%	60%	0%	5%	25%	50%
Risk Management	Kate Wagner	70%	0%	30%	0%	5%	25%	50%

Mark is eligible as of October 31, 2005.

Scott transferred to an eligible position as of 9/1/2005.

Kate is eligible as of October 31, 2005.

TAB 2

Agenda Item
UTIMCO Board Meeting
January 17, 2006

Agenda Item: Discussion and Consideration of Corporate Resolution

Developed By: Caven

Presented By: Caven

Type of Item: Action required by UTIMCO Board

Description: This agenda item seeks approval of appointment of Mr. Woody L. Hunt as Vice Chairman.

Recommendation: Chairman Caven recommends approval.

Discussion: Mr. Hunt was appointed Vice Chairman of the Corporation on September 14, 2005, by the UTIMCO Board. However, upon conclusion of Mr. Hunt's term as a Regent of the UT System Board of Regents, Mr. Hunt was no longer a member of UTIMCO's Board. Mr. Hunt was reappointed to the UTIMCO Board as an outside director by the Board of Regents on November 10, 2005, and this agenda item seeks to appoint Mr. Hunt as Vice Chairman of the UTIMCO Board.

Reference: UTIMCO Bylaws

RESOLUTION RELATED TO CORPORATION OFFICER
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RESOLVED, that the following person is hereby appointed to the respective office of the Corporation set forth opposite his name, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
Woody L. Hunt	Vice-Chairman

TAB 3

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Performance Report

Developed By: Moeller, Hill

Presented By: Boldt

Type of Item: Information Item

Description: The reports presented are for the periods ended October 31, 2005. (Except as noted.)

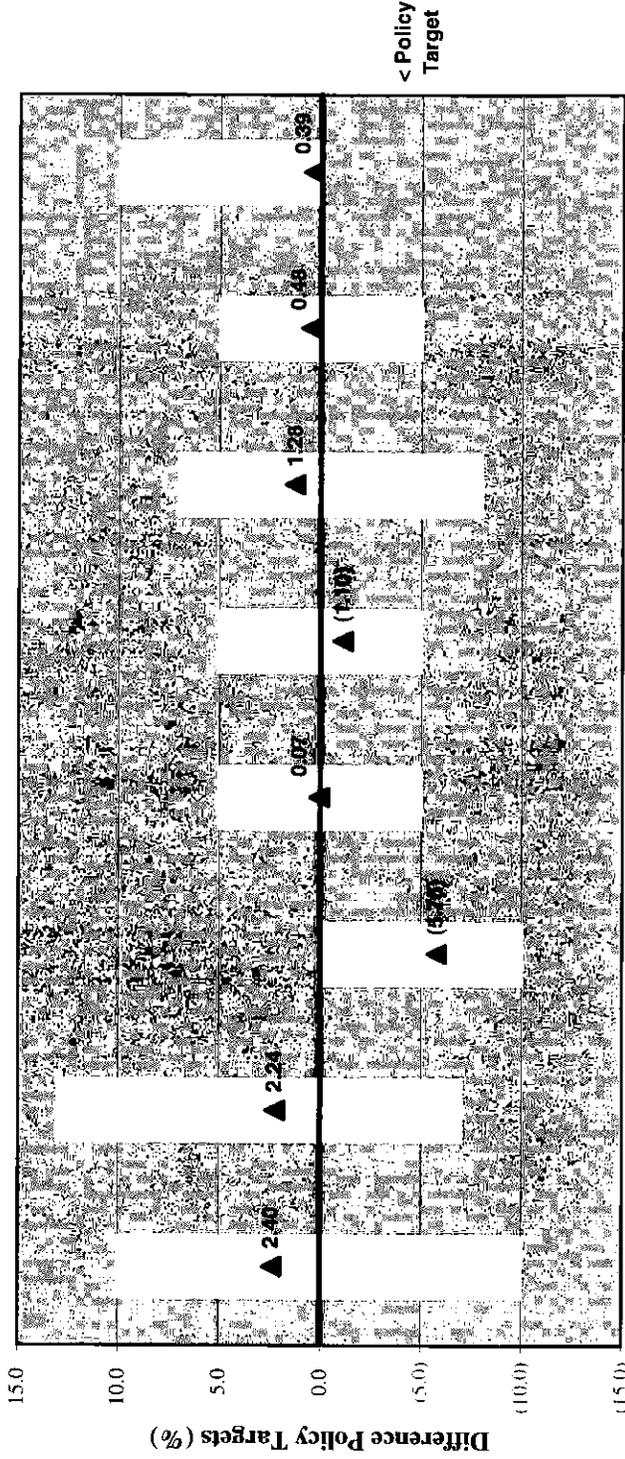
Discussion: In the Domestic Equity asset class Forstmann Leff has been added as Significant Concern; Watch List.

Recommendation: No action required.

Reference: Market Exposure; UTIMCO Performance Summary; Fiscal Year Cumulative Value Added in Endowment Funds; Fiscal Year Cumulative Value Added in Marketable Securities; Fiscal Year Cumulative Value Added in Non-Marketable Securities; Cumulative Value Added in Endowment Funds Since September 2002; Performance Attribution; UTIMCO Endowment Funds vs. Mellon Trust All Funds Universe; UTIMCO Endowment Funds vs. Mellon Trust Billion Dollar Funds Universe; UTIMCO Endowment Funds vs. Mellon Trust Foundation and Endowments Universe; UTIMCO Endowment Funds vs. Mellon Trust Foundations and Endowments Billion Dollar Funds Universe; Public Markets Managers Investment Performance Detail

**Permanent University Fund
Market Exposure
October 31, 2005**

Deviations From Policy Targets Within Tactical Policy Ranges



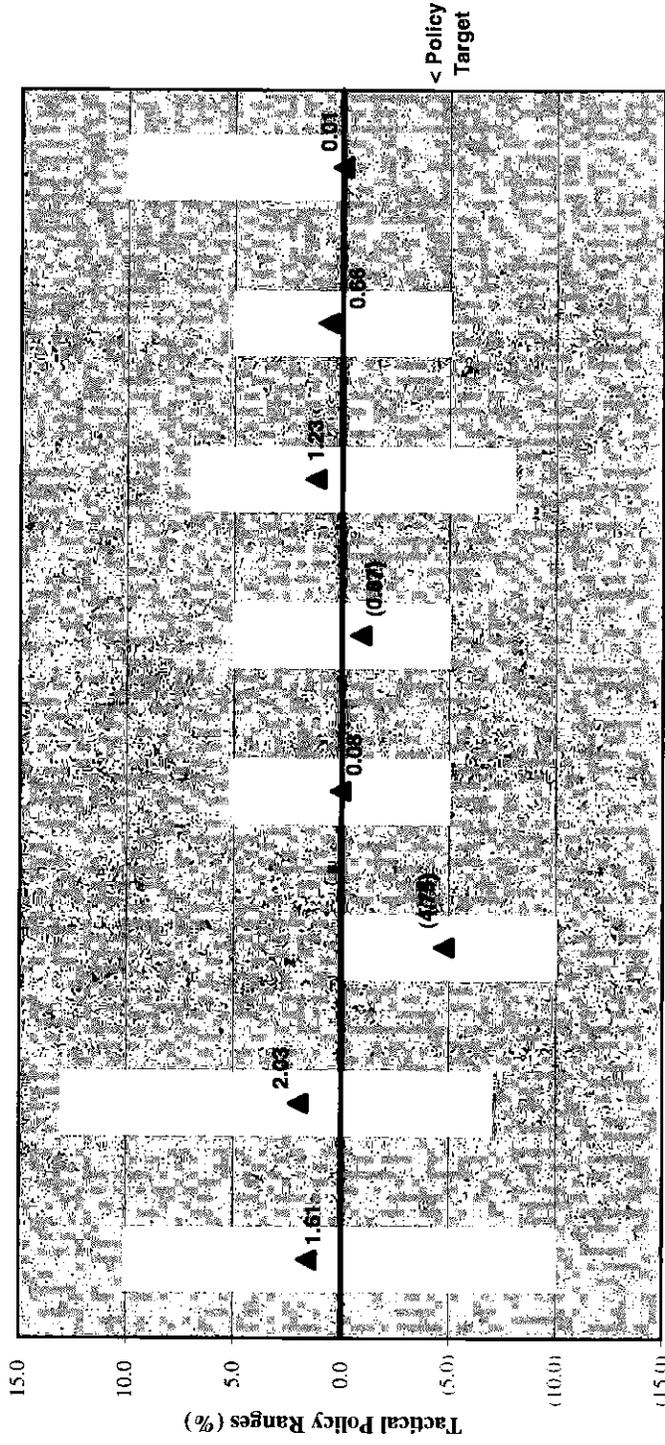
	U.S. Equities	Global Equities	Private Capital	Directional Hedge Funds	Absolute Return Hedge Funds	Inflation Linked	Fixed Income	Cash and Cash Equivalents
Actual	22.40%	19.24%	9.24%	10.07%	13.90%	14.28%	10.48%	0.39%
Policy Target	20.00%	17.00%	15.00%	10.00%	15.00%	13.00%	10.00%	0.00%
Deviation	2.40%	2.24%	-5.76%	0.07%	-1.10%	1.28%	0.48%	0.39%

	U.S. Equities	Global Equities	Private Capital	Directional Hedge Funds	Absolute Return Hedge Funds	Inflation Linked	Fixed Income	Cash and Cash Equivalents
Deviation in Dollars (\$m)	224.24	209.29	(538.18)	6.54	(102.78)	119.59	44.85	36.43



**General Endowment Fund
Market Exposure
October 31, 2005**

Deviations From Policy Targets Within Tactical Policy Ranges



	U. S. Equities	Global Equities	Private Capital	Directional Hedge Funds	Absolute Return Hedge Funds	Inflation Linked	Fixed Income	Cash and Cash Equivalents
Actual	21.61%	19.03%	10.25%	10.08%	14.13%	14.23%	10.66%	0.01%
Policy Target	20.00%	17.00%	15.00%	10.00%	15.00%	13.00%	10.00%	0.00%
Deviation	1.61%	2.03%	(4.75%)	0.08%	(0.87%)	1.23%	0.66%	0.01%

Deviation in Dollars (\$m)	79.52	100.27	(234.61)	3.95	(42.97)	60.75	32.60	0.49
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UTIMCO Performance Summary

October 31, 2005

	Periods Ended October 31, 2005 (Returns for Periods Longer Than One Year are Annualized)										
	Net Asset Value 10/31/2005 (in Millions)										
	One Month	Fiscal Year To Date	Three Months	Six Months	Calendar Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
ENDOWMENT FUNDS											
Permanent University Fund	\$ 9,343.3	(2.00)	(0.39)	1.35	6.95	7.74	13.80	15.69	9.93	6.00	9.55
General Endowment Fund		(1.98)	(0.39)	1.33	6.88	7.63	13.79	16.06	10.30	N/A	N/A
Permanent Health Fund	915.5	(2.00)	(0.41)	1.31	6.83	7.52	13.56	15.91	10.17	6.11	N/A
Long Term Fund	3,988.0	(2.00)	(0.41)	1.31	6.83	7.51	13.56	15.94	10.21	6.17	10.27
Separately Invested Funds	167.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	14,413.9										
OPERATING FUNDS											
Short Term Fund	2,135.9	0.32	0.61	0.90	1.68	2.51	1.99	1.73	1.80	2.44	4.04
Short Intermediate Term Fund	1,209.6	(0.21)	(0.59)	0.18	0.56	1.22	1.47	1.78	1.88	2.05	4.80
Institutional Index Funds:											
BGI US Bond Index Fund	-	(0.79)	(1.81)	(0.57)	0.17	1.02	1.14	3.34	3.97	4.42	N/A
BGI Equity Index Fund	273.3	(1.66)	(0.86)	(1.76)	5.31	1.11	8.80	9.12	12.91	5.15	(1.69)
Total Operating Funds	3,618.8										
Total Investments	\$ 18,032.7										
BENCHMARKS (1)											
Permanent University Fund: Policy Portfolio		(1.72)	(0.28)	0.69	5.83	6.80	11.91	12.08	7.45	3.79	10.13
General Endowment Fund: Policy Portfolio		(1.72)	(0.28)	0.69	5.83	6.80	11.91	12.08	7.45	3.78	10.05
Short Term Fund: 90 Day Treasury Bills Average Yield		0.26	0.56	0.86	1.59	2.40	2.76	1.95	1.72	1.76	3.89
Short Intermediate Term Fund: Composite (3/93-7/04) and Merrill Lynch 1-3 Year Treasury Index (8/04-current)		(0.01)	(0.26)	0.36	0.65	0.96	0.67	1.27	1.55	2.39	4.01
Institutional Bond Index Fund: Lehman Brothers Aggregate Bond Index		(0.79)	(1.81)	(0.55)	0.15	1.02	1.13	3.31	3.84	4.35	6.32
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)		(1.67)	(0.87)	(1.78)	5.27	1.05	8.72	9.07	12.85	5.10	(1.74)
VALUE ADDED (2)											
Permanent University Fund		(0.28)	(0.11)								(0.58)
General Endowment Fund		(0.26)	(0.11)							N/A	N/A
Permanent Health Fund		(0.29)	(0.13)								N/A
Long Term Fund		(0.29)	(0.13)								
Short Term Fund											
Short Intermediate Term Fund		(0.20)	(0.34)	(0.18)	(0.10)				(0.33)	(0.60)	(0.12)
Institutional Bond Index Fund		0.00	0.00	(0.02)			0.00				N/A
Institutional Equity Index Fund											N/A

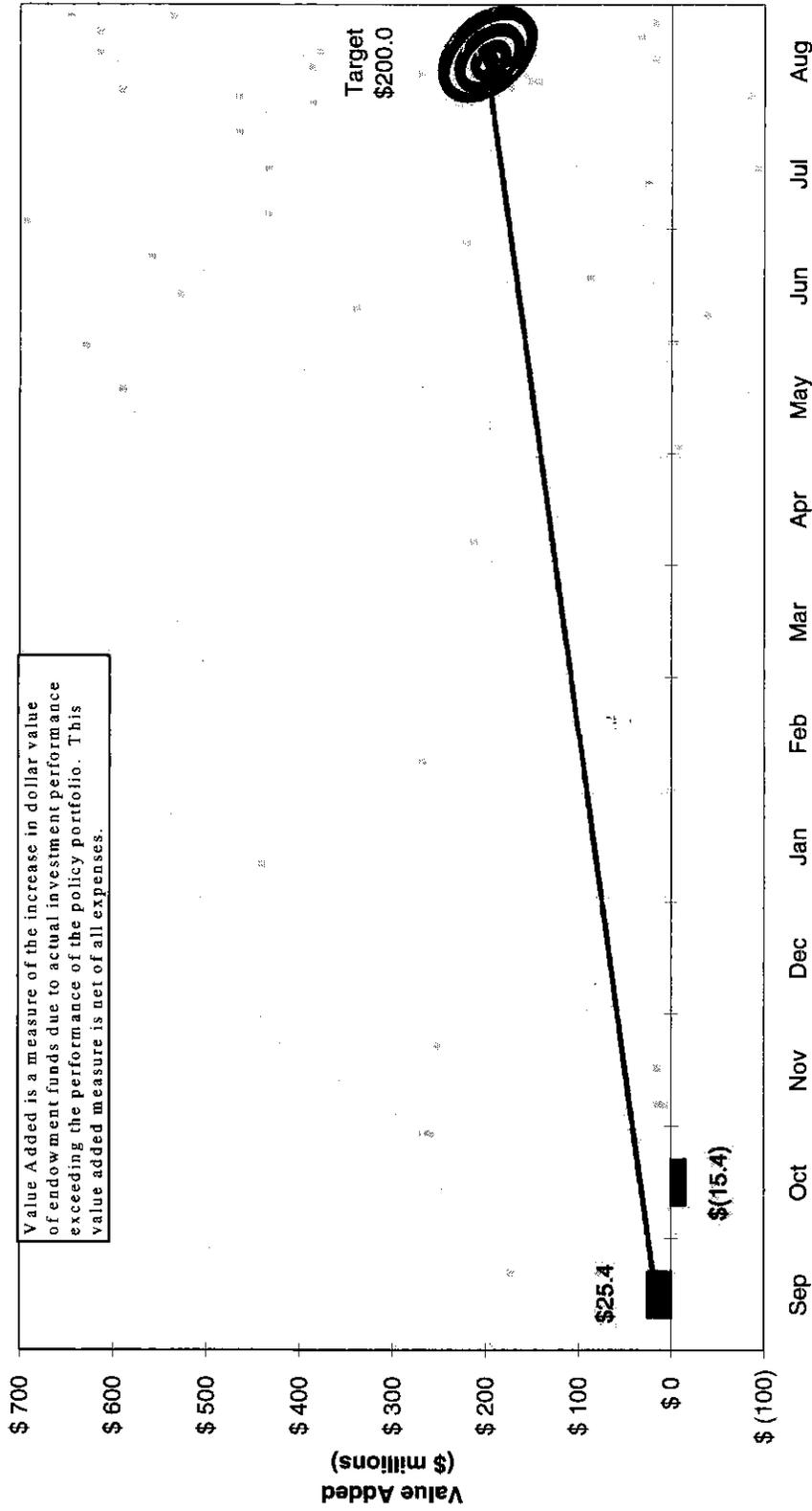
(1) - Effective May 6, 2004, benchmark returns for the PUF policy portfolio have been restated for prior periods beginning June 1, 1993 through September 30, 2000 and for the GEF/LTF policy portfolio for prior periods beginning June 1, 1993 through September 30, 2001 to correct the following technical 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 used prior to January 1, 2004, was replaced with the Venture Economics Periodic IRR Index, a more appropriate benchmark measure for the actual Private Capital portfolio.

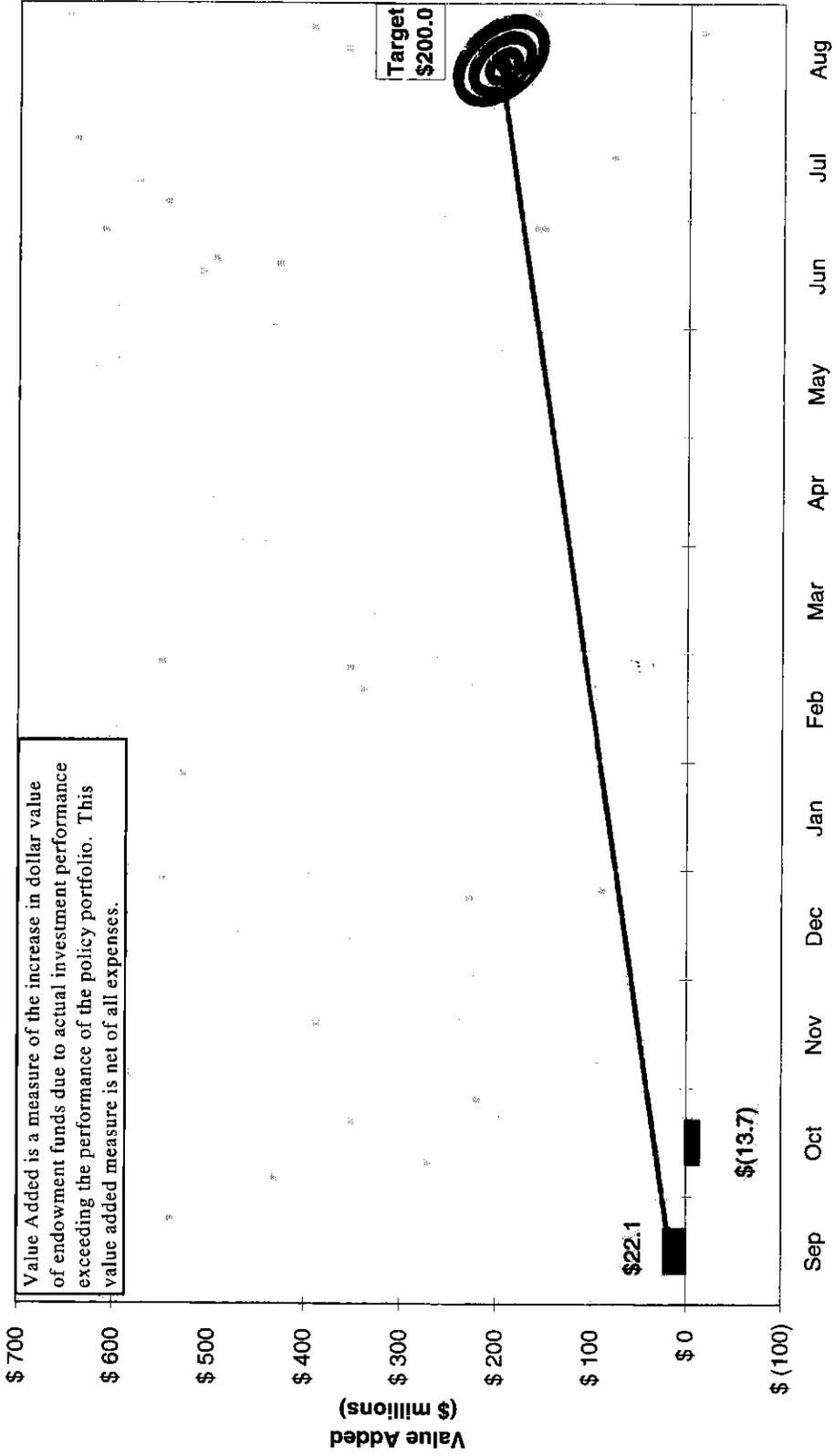
Complete details of the restatement and previous policy portfolio benchmark history are documented on the UTIMCO website at www.UTIMCO.org or are available upon request.

(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.

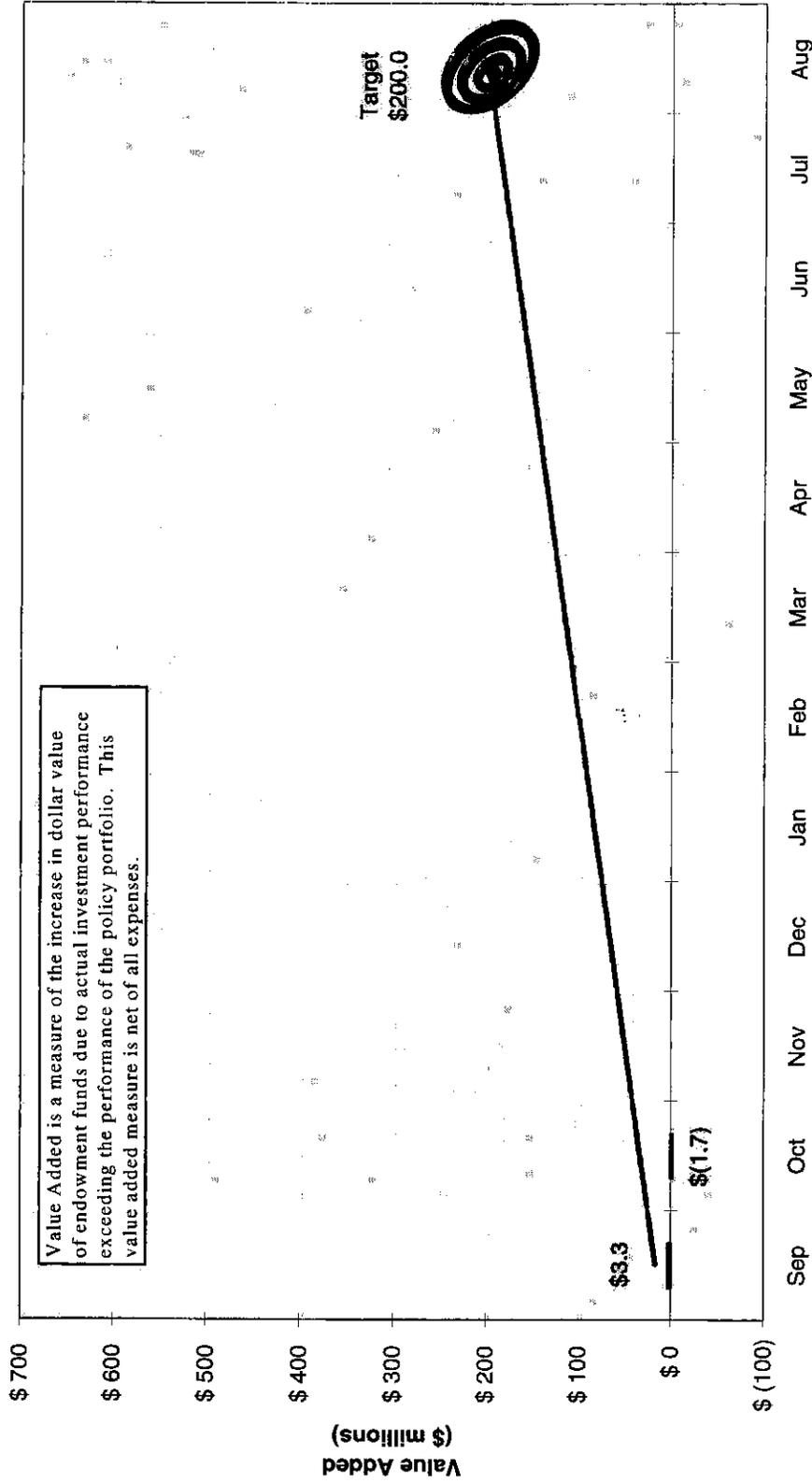
Cumulative Value Added In Endowment Funds 2005-2006 Fiscal Year



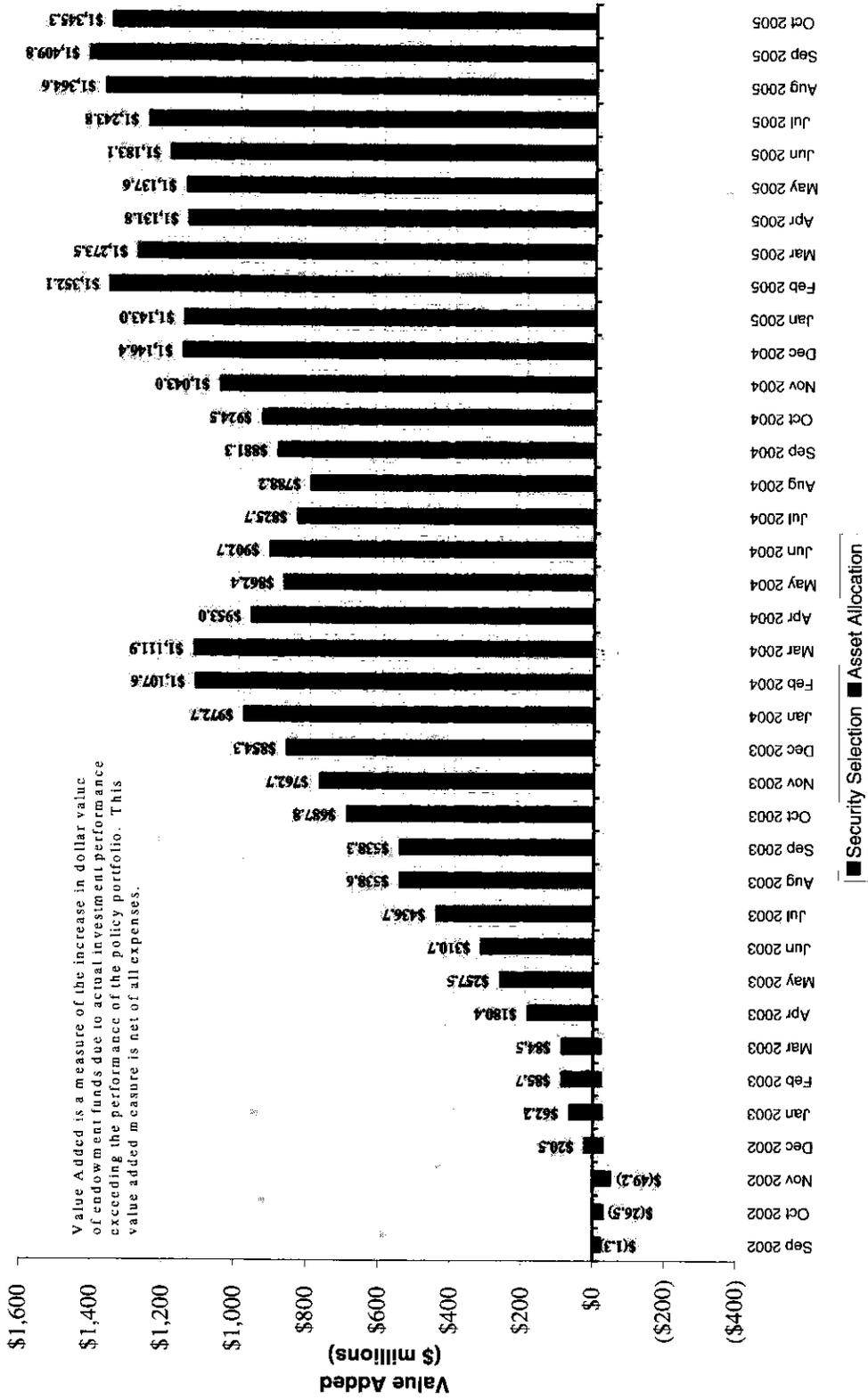
Cumulative Value Added in Marketable Securities in Endowment Funds 2005-2006 Fiscal Year



Cumulative Value Added In Non-Marketable Securities In Endowment Funds 2005-2006 Fiscal Year



VALUE ADDED: ENDOWMENT FUNDS SINCE SEPTEMBER 1, 2002



The University of Texas Investment Management Company
Permanent University Fund Asset Allocation and Attribution Analysis
One Month Ended October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	AVERAGE POLICY PORTFOLIO ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	0.39%	0.32%	0.00%	0.26%	0.00%	0.00%	0.00%
U.S. Equities	22.45%	-1.90%	20.00%	-1.87%	0.01%	0.00%	0.01%
Global Equities	19.21%	-3.22%	17.00%	-4.41%	-0.03%	0.20%	0.17%
Directional Hedge Funds	10.06%	-1.72%	10.00%	-0.80%	0.00%	-0.09%	-0.09%
Absolute Return Hedge Funds	13.83%	-1.15%	15.00%	-0.58%	0.00%	-0.09%	-0.09%
Inflation Linked	14.62%	-3.79%	13.00%	-3.30%	-0.04%	-0.06%	-0.10%
Fixed Income	10.40%	-0.82%	10.00%	-0.79%	0.00%	0.00%	0.00%
Total Marketable Assets	90.96%	-2.22%	85.00%	-2.12%	-0.06%	-0.04%	-0.10%
Private Capital	9.04%	0.17%	15.00%	0.56%	-0.12%	-0.06%	-0.18%
Total Fund	100.00%	-2.00%	100.00%	-1.72%	-0.18%	-0.10%	-0.28%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
 Permanent University Fund Asset Allocation and Attribution Analysis
 Fiscal Year to Date
 October 31, 2005
 Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION		AVERAGE POLICY PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
	ASSET ALLOCATION	PORTFOLIO RETURN	PORTFOLIO ASSET ALLOCATION	PORTFOLIO ASSET ALLOCATION				
Cash and Cash Equivalents	0.36%	0.61%	0.00%	0.00%	0.56%	0.00%	0.00%	0.00%
U.S. Equities	22.53%	-0.45%	20.00%	20.00%	-1.01%	0.00%	0.11%	0.11%
Global Equities	18.75%	1.93%	17.00%	17.00%	1.76%	0.01%	0.02%	0.03%
Directional Hedge Funds	10.02%	-1.14%	10.00%	10.00%	0.15%	0.00%	-0.13%	-0.13%
Absolute Return Hedge Funds	13.91%	-0.18%	15.00%	15.00%	-0.22%	0.00%	0.00%	0.00%
Inflation Linked	14.76%	-2.66%	13.00%	13.00%	-2.88%	-0.04%	0.03%	-0.01%
Fixed Income	10.54%	-1.77%	10.00%	10.00%	-1.81%	-0.01%	0.00%	-0.01%
Total Marketable Assets	90.87%	-0.53%	85.00%	85.00%	-0.53%	-0.04%	0.03%	-0.01%
Private Capital	9.13%	1.02%	15.00%	15.00%	1.13%	-0.08%	-0.02%	-0.10%
Total Fund	100.00%	-0.39%	100.00%	100.00%	-0.28%	-0.12%	0.01%	-0.11%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
Permanent University Fund Asset Allocation and Attribution Analysis
Three Months Ended October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	AVERAGE POLICY PORTFOLIO ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	0.71%	0.90%	0.00%	0.86%	-0.03%	0.00%	-0.03%
U.S. Equities	24.60%	-1.21%	21.67%	-2.53%	-0.06%	0.31%	0.25%
Global Equities	18.36%	4.42%	17.00%	4.33%	0.02%	0.00%	0.02%
Directional Hedge Funds	9.95%	0.00%	10.00%	0.77%	0.00%	-0.08%	-0.08%
Absolute Return Hedge Funds	13.86%	0.68%	15.00%	0.31%	0.00%	0.05%	0.05%
Inflation Linked	11.46%	7.28%	9.67%	11.75%	0.13%	-0.12%	0.01%
Fixed Income	12.01%	-0.17%	11.67%	-0.22%	-0.01%	0.00%	-0.01%
Total Marketable Assets	90.95%	0.76%	85.01%	0.50%	0.05%	0.16%	0.21%
Private Capital	9.05%	7.54%	15.00%	1.70%	-0.41%	0.86%	0.45%
Total Fund	100.00%	1.35%	100.00%	0.69%	-0.36%	1.02%	0.66%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
Permanent University Fund Asset Allocation and Attribution Analysis
Calendar Year to Date
October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	PORTFOLIO ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	1.03%	2.51%	0.00%	2.40%	-0.08%	0.00%	-0.08%
U.S. Equities	25.86%	4.90%	24.00%	3.56%	-0.03%	0.31%	0.28%
Global Equities	18.94%	11.00%	17.00%	8.17%	0.06%	0.46%	0.40%
Directional Hedge Funds	9.79%	4.93%	10.00%	4.72%	-0.03%	0.02%	-0.01%
Absolute Return Hedge Funds	14.18%	5.90%	15.00%	3.64%	-0.03%	0.34%	0.31%
Inflation Linked	6.86%	26.43%	5.00%	36.49%	0.29%	-0.25%	0.04%
Fixed Income	13.91%	0.91%	14.00%	1.02%	-0.05%	-0.02%	-0.07%
Total Marketable Assets	90.57%	6.26%	85.00%	5.22%	0.01%	0.86%	0.87%
Private Capital	9.43%	22.90%	15.00%	15.85%	-0.89%	0.96%	0.07%
Total Fund	100.00%	7.74%	100.00%	6.80%	-0.88%	1.82%	0.94%

(1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.

(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

(2) Selection effect measures the impact of selecting securities different from those held in the benchmark.

(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
Permanent University Fund Asset Allocation and Attribution Analysis
Year Ended
October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	PORTFOLIO ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	1.19%	2.84%	0.00%	2.76%	-0.09%	0.00%	-0.09%
U.S. Equities	26.07%	14.28%	24.16%	12.68%	0.09%	0.36%	0.45%
Global Equities	19.17%	22.69%	17.00%	20.60%	0.18%	0.31%	0.49%
Directional Hedge Funds	9.51%	8.12%	10.00%	5.78%	0.00%	0.24%	0.24%
Absolute Return Hedge Funds	14.07%	11.67%	15.00%	4.52%	-0.04%	1.10%	1.06%
Inflation Linked	6.58%	12.33%	4.67%	16.93%	-0.04%	-0.16%	-0.20%
Fixed Income	13.98%	2.82%	14.17%	1.60%	-0.04%	0.19%	0.15%
Total Marketable Assets	90.57%	12.51%	85.00%	10.14%	0.06%	2.04%	2.10%
Private Capital	9.43%	26.02%	15.00%	17.16%	-0.83%	1.24%	0.41%
Total Fund	100.00%	13.73%	100.00%	11.22%	-0.77%	3.28%	2.51%

(1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.

(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
(Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

(2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
(Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
Permanent University Fund Asset Allocation and Attribution Analysis
Annualized Since September 1, 2002 to
October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	AVERAGE PORTFOLIO ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	0.69%	1.73%	0.00%	1.73%	-0.11%	0.00%	-0.11%
U.S. Equities	28.21%	15.29%	24.45%	14.64%	0.20%	0.21%	0.41%
Global Equities	18.82%	20.44%	16.45%	19.52%	0.32%	0.09%	0.41%
Directional Hedge Funds	7.71%	6.86%	10.00%	5.50%	0.11%	0.14%	0.25%
Absolute Return Hedge Funds	11.19%	15.15%	12.89%	4.83%	-0.12%	1.23%	1.11%
Inflation Linked	6.61%	23.47%	6.47%	22.94%	-0.07%	0.32%	0.25%
Fixed Income	15.08%	6.55%	14.74%	4.15%	0.16%	0.37%	0.53%
GSAM Global Asset Allocation	0.47%	19.75%	0.00%	0.00%	0.04%	0.00%	0.04%
Total Marketable Assets	88.78%	14.83%	85.00%	11.56%	0.53%	2.36%	2.89%
Private Capital	11.22%	11.00%	15.00%	6.64%	-0.28%	0.70%	0.42%
Total Fund	100.00%	14.16%	100.00%	10.85%	0.25%	3.06%	3.31%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
Permanent University Fund Asset Allocation and Attribution Analysis
Cumulative Since September 1, 2002 to
October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	AVERAGE POLICY PORTFOLIO ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	0.69%	5.59%	0.00%	5.57%	-0.45%	0.00%	-0.45%
U.S. Equities	28.21%	56.91%	24.45%	54.12%	0.79%	0.86%	1.65%
Global Equities	18.82%	80.23%	16.45%	75.87%	1.27%	0.38%	1.65%
Directional Hedge Funds	7.71%	23.40%	10.00%	18.49%	0.45%	0.57%	1.02%
Absolute Return Hedge Funds	11.19%	56.32%	12.89%	16.11%	-0.48%	5.03%	4.55%
Inflation Linked	6.61%	94.97%	6.47%	92.33%	-0.28%	1.32%	1.04%
Fixed Income	15.08%	22.26%	14.74%	13.73%	0.65%	1.52%	2.17%
GSAM Global Asset Allocation	0.47%	76.95%	0.00%	0.00%	0.15%	0.00%	0.15%
Total Marketable Assets	88.78%	54.95%	85.00%	41.39%	2.10%	9.68%	11.78%
Private Capital	11.22%	39.16%	15.00%	22.59%	-1.15%	2.88%	1.73%
Total Fund	100.00%	52.09%	100.00%	38.58%	0.95%	12.56%	13.51%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
General Endowment Fund Asset Allocation and Attribution Analysis
One Month Ended October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
	PORTFOLIO RETURN	PORTFOLIO ALLOCATION	PORTFOLIO RETURN	PORTFOLIO ALLOCATION				
Cash and Cash Equivalents	0.06%	0.32%	0.00%	0.00%	0.26%	0.00%	0.00%	0.00%
U.S. Equities	21.51%	-1.91%	20.00%	20.00%	-1.87%	0.01%	-0.01%	0.00%
Global Equities	19.24%	-3.22%	17.00%	17.00%	-4.41%	-0.02%	0.20%	0.18%
Directional Hedge Funds	10.05%	-1.76%	10.00%	10.00%	-0.80%	0.00%	-0.10%	-0.10%
Absolute Return Hedge Funds	14.01%	-1.17%	15.00%	15.00%	-0.58%	0.00%	-0.09%	-0.09%
Inflation Linked	14.61%	-3.80%	13.00%	13.00%	-3.30%	-0.04%	-0.07%	-0.11%
Fixed Income	10.54%	-0.78%	10.00%	10.00%	-0.79%	0.00%	0.00%	0.00%
Total Marketable Assets	90.02%	-2.22%	85.00%	85.00%	-2.12%	-0.05%	-0.07%	-0.12%
Private Capital	9.98%	0.24%	15.00%	15.00%	0.56%	-0.09%	-0.05%	-0.14%
Total Fund	100.00%	-1.98%	100.00%	100.00%	-1.72%	-0.14%	-0.12%	-0.26%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
General Endowment Fund Asset Allocation and Attribution Analysis
Fiscal Year to Date
October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	POLICY ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	0.28%	0.61%	0.00%	0.56%	0.02%	0.00%	0.02%
U.S. Equities	21.57%	-0.43%	20.00%	-1.01%	-0.01%	0.12%	0.11%
Global Equities	18.61%	1.81%	17.00%	1.76%	0.00%	0.00%	0.00%
Directional Hedge Funds	10.01%	-1.23%	10.00%	0.15%	0.00%	-0.14%	-0.14%
Absolute Return Hedge Funds	14.09%	-0.22%	15.00%	-0.22%	0.00%	0.00%	0.00%
Inflation Linked	14.70%	-2.66%	13.00%	-2.88%	-0.04%	0.03%	-0.01%
Fixed Income	10.68%	-1.68%	10.00%	-1.81%	-0.01%	0.01%	0.00%
Total Marketable Assets	89.94%	-0.54%	85.00%	-0.53%	-0.04%	0.02%	-0.02%
Private Capital	10.06%	0.96%	15.00%	1.13%	-0.06%	-0.03%	-0.09%
Total Fund	100.00%	-0.39%	100.00%	-0.28%	-0.10%	-0.01%	-0.11%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
General Endowment Fund Asset Allocation and Attribution Analysis
Three Months Ended October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
	ASSET ALLOCATION	RETURN	ASSET ALLOCATION	RETURN				
Cash and Cash Equivalents	0.62%	0.90%	0.00%	0.00%	0.86%	-0.01%	0.00%	-0.01%
U.S. Equities	23.59%	-1.12%	21.66%	21.66%	-2.53%	-0.05%	0.33%	0.28%
Global Equities	18.23%	4.27%	17.00%	17.00%	4.33%	0.00%	-0.02%	-0.02%
Directional Hedge Funds	9.95%	-0.12%	10.00%	10.00%	0.77%	0.00%	-0.09%	-0.09%
Absolute Return Hedge Funds	14.03%	0.66%	15.00%	15.00%	0.31%	0.00%	0.05%	0.05%
Inflation Linked	11.42%	7.31%	9.67%	9.67%	11.75%	0.14%	-0.11%	0.03%
Fixed Income	12.17%	-0.11%	11.67%	11.67%	-0.22%	-0.01%	0.01%	0.00%
Total Marketable Assets	90.01%	0.79%	85.00%	85.00%	0.50%	0.07%	0.17%	0.24%
Private Capital	9.99%	6.35%	15.00%	15.00%	1.70%	-0.29%	0.69%	0.40%
Total Fund	100.00%	1.33%	100.00%	100.00%	0.69%	-0.22%	0.86%	0.64%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
General Endowment Fund Asset Allocation and Attribution Analysis
Calendar Year to Date
October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
	ASSET ALLOCATION	PORTFOLIO RETURN	ASSET ALLOCATION	PORTFOLIO RETURN				
Cash and Cash Equivalents	0.62%	2.51%	0.00%	0.00%	2.40%	-0.05%	0.00%	-0.05%
U.S. Equities	25.22%	4.95%	24.00%	24.00%	3.56%	-0.03%	0.32%	0.29%
Global Equities	18.98%	10.94%	17.00%	17.00%	8.17%	-0.07%	0.45%	0.38%
Directional Hedge Funds	9.85%	4.72%	10.00%	10.00%	4.72%	-0.02%	0.00%	-0.02%
Absolute Return Hedge Funds	14.36%	5.92%	15.00%	15.00%	3.64%	-0.01%	0.34%	0.33%
Inflation Linked	6.85%	26.61%	5.00%	5.00%	36.49%	0.31%	-0.25%	0.06%
Fixed Income	14.04%	0.91%	14.00%	14.00%	1.02%	-0.07%	-0.03%	-0.10%
Total Marketable Assets	89.92%	6.27%	85.00%	85.00%	5.22%	0.06%	0.83%	0.89%
Private Capital	10.08%	20.50%	15.00%	15.00%	15.85%	-0.70%	0.64%	-0.06%
Total Fund	100.00%	7.63%	100.00%	100.00%	6.80%	-0.64%	1.47%	0.83%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
General Endowment Fund Asset Allocation and Attribution Analysis
Year Ended
October 31, 2005
Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO ASSET ALLOCATION		POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
	PORTFOLIO RETURN	PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	PORTFOLIO ASSET ALLOCATION				
Cash and Cash Equivalents	0.68%	2.84%	0.00%	0.00%	2.76%	-0.10%	0.00%	-0.10%
U.S. Equities	25.42%	14.34%	24.16%	24.16%	12.68%	0.06%	0.37%	0.43%
Global Equities	19.26%	22.81%	17.00%	17.00%	20.60%	0.19%	0.33%	0.52%
Directional Hedge Funds	9.61%	7.89%	10.00%	10.00%	5.78%	0.02%	0.22%	0.24%
Absolute Return Hedge Funds	14.29%	11.78%	15.00%	15.00%	4.52%	-0.03%	1.12%	1.09%
Inflation Linked	6.58%	12.35%	4.67%	4.67%	16.93%	-0.05%	-0.15%	-0.20%
Fixed Income	14.14%	2.79%	14.17%	14.17%	1.60%	-0.05%	0.18%	0.13%
Total Marketable Assets	89.98%	12.51%	85.00%	85.00%	10.14%	0.04%	2.07%	2.11%
Private Capital	10.02%	24.52%	15.00%	15.00%	17.16%	-0.68%	1.03%	0.35%
Total Fund	100.00%	13.68%	100.00%	100.00%	11.22%	-0.64%	3.10%	2.46%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

The University of Texas Investment Management Company
 General Endowment Fund Asset Allocation and Attribution Analysis
 Annualized Since September 1, 2002 to
 October 31, 2005
 Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	PORTFOLIO ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	0.54%	1.73%	0.00%	1.73%	-0.09%	0.00%	-0.09%
U.S. Equities	28.18%	15.25%	24.45%	14.64%	0.26%	0.18%	0.44%
Global Equities	19.20%	2058.00%	16.45%	19.52%	0.52%	0.01%	0.51%
Directional Hedge Funds	7.90%	6.83%	10.00%	5.50%	0.09%	0.14%	0.23%
Absolute Return Hedge Funds	11.64%	15.19%	12.89%	4.83%	-0.09%	1.24%	1.15%
Inflation Linked	6.67%	23.58%	6.47%	22.94%	-0.06%	0.32%	0.26%
Fixed Income	14.99%	6.72%	14.74%	4.15%	0.17%	0.40%	0.57%
GSAM Global Asset Allocation	0.47%	9.60%	0.00%	0.00%	0.04%	0.00%	0.04%
Total Marketable Assets	89.59%	15.01%	85.00%	11.56%	0.84%	2.27%	3.11%
Private Capital	10.41%	10.10%	15.00%	6.64%	-0.10%	0.56%	0.46%
Total Fund	100.00%	14.43%	100.00%	10.85%	0.74%	2.83%	3.57%

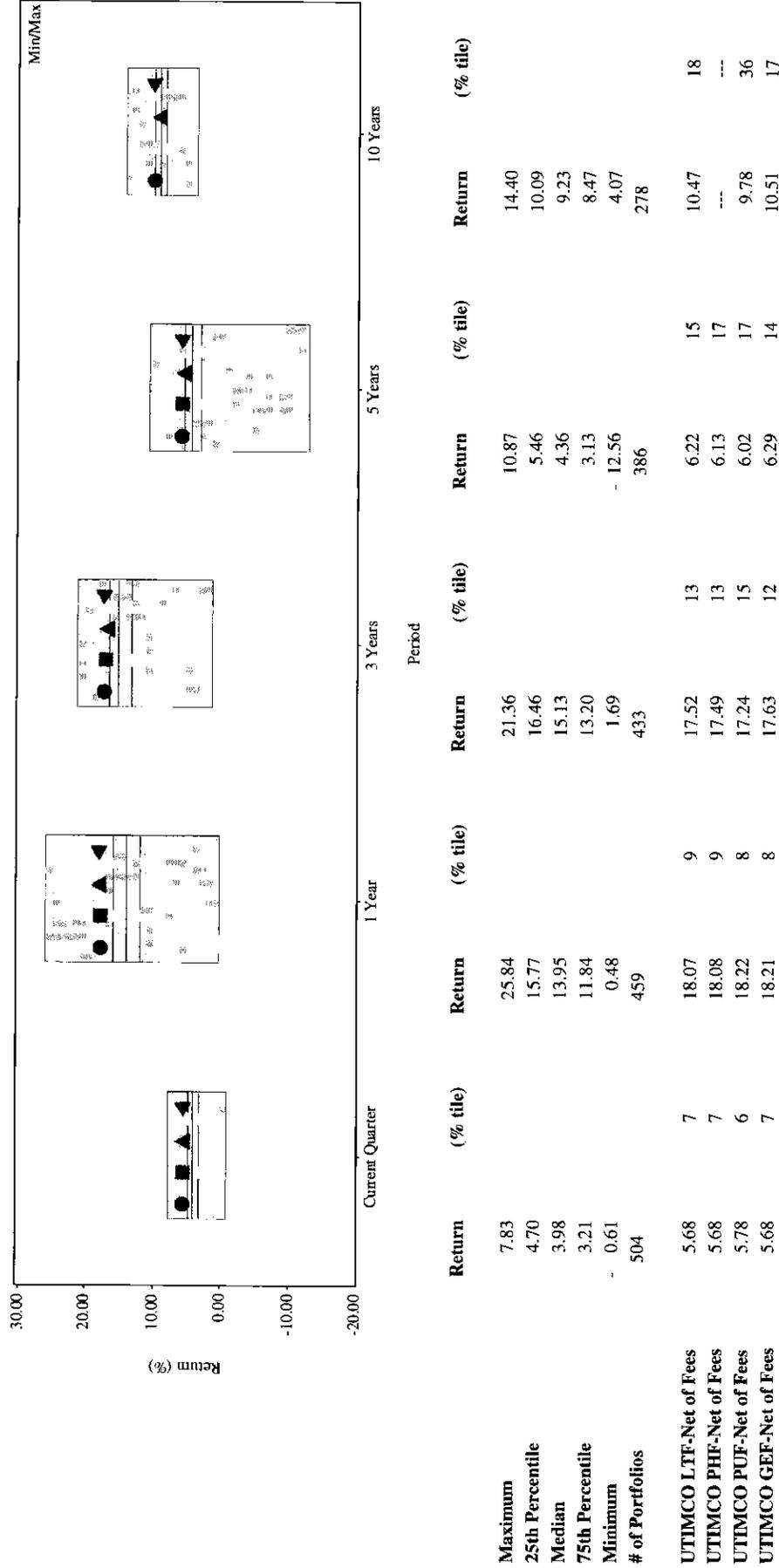
- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
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The University of Texas Investment Management Company
 General Endowment Fund Asset Allocation and Attribution Analysis
 Cumulative Since September 1, 2002 to
 October 31, 2005
 Net of Fees

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO RETURN	PORTFOLIO ASSET ALLOCATION	POLICY PORTFOLIO BENCHMARK	ASSET ALLOCATION EFFECT (1)	SECURITY SELECTION EFFECT (2)	TOTAL EFFECT
Cash and Cash Equivalents	0.54%	5.59%	0.00%	5.57%	-0.37%	0.00%	-0.37%
U.S. Equities	28.18%	56.73%	24.45%	54.12%	1.06%	0.75%	1.81%
Global Equities	19.20%	80.86%	16.45%	75.87%	2.11%	-0.06%	2.05%
Directional Hedge Funds	7.90%	23.26%	10.00%	18.49%	0.38%	0.56%	0.94%
Absolute Return Hedge Funds	11.64%	56.50%	12.89%	16.11%	-0.35%	5.07%	4.72%
Inflation Linked	6.67%	95.49%	6.47%	92.33%	-0.23%	1.33%	1.10%
Fixed Income	14.99%	22.88%	14.74%	13.73%	0.72%	1.63%	2.35%
GSAM Global Asset Allocation	0.47%	33.70%	0.00%	0.00%	0.16%	0.00%	0.16%
Total Marketable Assets	89.59%	55.72%	85.00%	41.39%	3.48%	9.28%	12.76%
Private Capital	10.41%	35.63%	15.00%	22.59%	-0.39%	2.28%	1.89%
Total Fund	100.00%	53.23%	100.00%	38.58%	3.09%	11.56%	14.65%

- (1) Allocation effect measures the impact of decisions to allocate assets differently from the policy benchmark.
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Benchmark Asset Class Return - Total Target Portfolio Return) plus
 (Actual Portfolio Asset Allocation - Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)
- (2) Selection effect measures the impact of selecting securities different from those held in the benchmark.
 (Target Portfolio Asset Allocation) X (Portfolio Asset Class Return - Benchmark Asset Class Return)

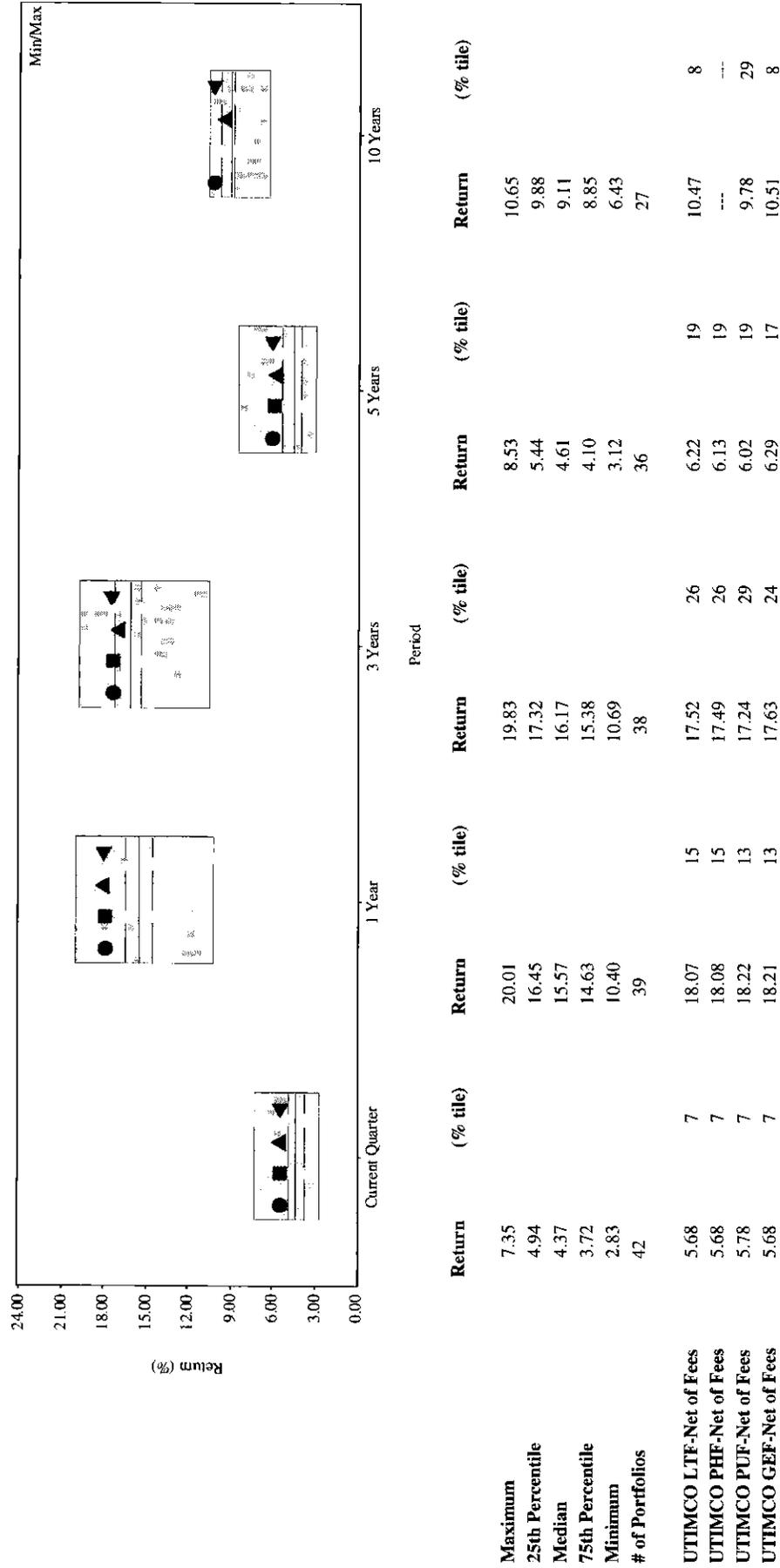
**UTIMCO ENDOWMENTS FUNDS vs.
ALL FUNDS UNIVERSE**
Periods Ended Friday, September 30, 2005



Universe Source: (c) Russell/Mellon Analytical Services
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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 September 30, 2005 was 504.

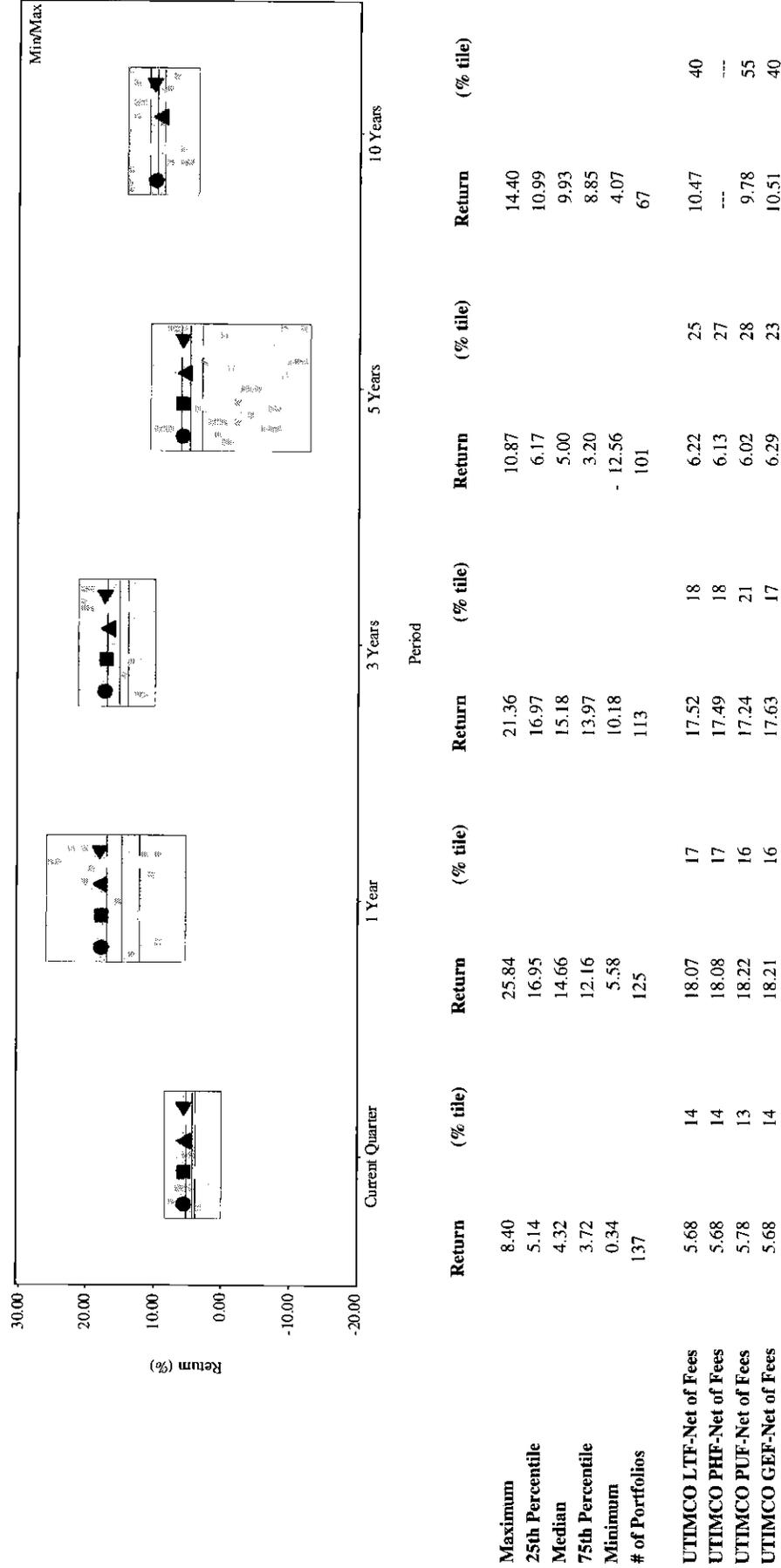
**UTIMCO ENDOWMENTS FUNDS vs.
BILLION DOLLAR FUNDS UNIVERSE
Periods Ended Friday, September 30, 2005**



Universe Source: (c) Russell/Mellon Analytical Services
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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 September 30, 2005 was 42.

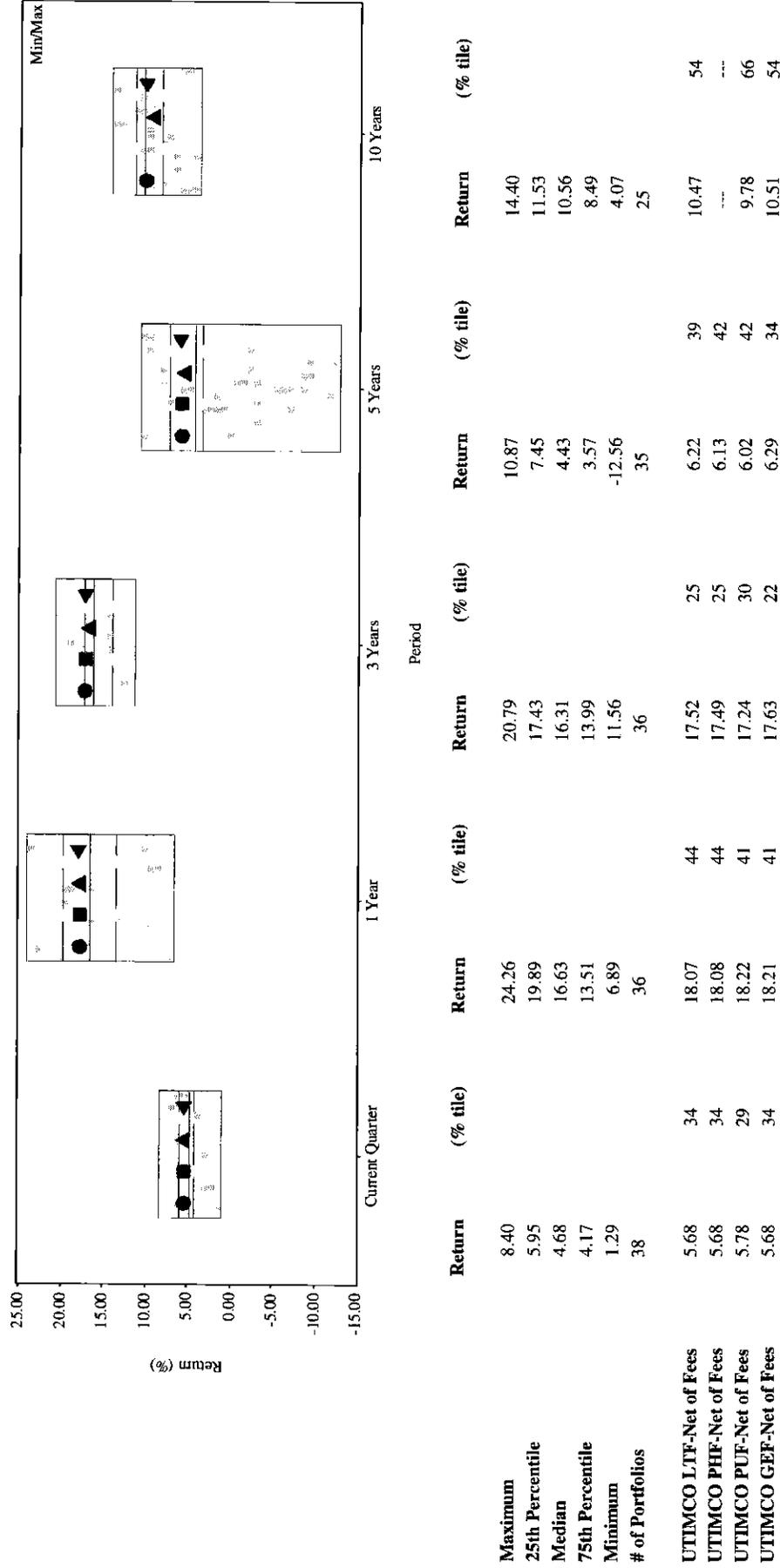
**UTIMCO ENDOWMENTS FUNDS vs.
FOUNDATIONS AND ENDOWMENTS UNIVERSE
Periods Ended Friday, September 30, 2005**



Universe Source: (c) Russell/Mellon Analytical Services
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The Foundations and Endowments Universe consists of all the assets of foundation and endowment plans of Russell/Mellon Clients. The number of funds in the universe as of September 30, 2005 was 137.

**UTIMCO ENDOWMENTS FUNDS vs.
FOUNDATIONS AND ENDOWMENTS BILLION DOLLAR FUNDS UNIVERSE
Periods Ended Friday, September 30, 2005**



Universe Source: (c) Russell/Mellon Analytical Services
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The Foundations and Endowments Billion Dollar Fund Universe consists of all assets of foundations and endowments of Russell/Mellon clients with at least one billion dollars in assets. The number of funds in the universe as of September 30, 2005 was 38.

**Public Markets Managers
Investment Performance Detail Summary
October 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 UTMCO Strategy

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

Assets Under Management (\$ Millions)	One Month	Fiscal Year To Date	Three Months	Six Months	Calendar Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
Public Equities:												
Domestic Equities:												
Passive Management:												
BGI S&P 500	(1.66)	(0.86)	(1.76)	5.30	1.11	8.80	12.88	(1.70)	2.92	9.44	N/A	February 1993
vs. S&P 500 Index	0.00	0.01	0.01	0.03	0.05	0.08	0.03	0.03	0.02	0.10		
BGI S&P 400 Midcap	(2.14)	(1.38)	(2.48)	11.47	6.72	17.77	19.64	7.43	12.51	14.27	N/A	December 1992
vs. S&P 400 Midcap Index	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.10	0.09	0.08		
S&P 100 Index Exchange Traded Funds	(1.62)	(0.36)	(2.45)	1.65	(1.89)	5.53	-	-	-	-	5.54	August 2004
vs. S&P 100 Index	0.04	-	(0.15)	(0.08)	(0.26)	0.05	-	-	-	-		
S&P 400 Midcap Index Futures	(2.21)	(1.38)	(2.52)	-	-	-	-	-	-	-	(2.52)	July 2005
vs. S&P 400 Midcap Index	(0.06)	0.02	(0.02)	-	-	-	-	-	-	-	(0.02)	
S&P 500 Exchange Traded Funds	(2.36)	(1.47)	-	-	-	-	-	-	-	-	(1.47)	August 2005
vs. S&P 500 Index	(0.69)	(0.60)	-	-	-	-	-	-	-	-	(0.60)	
S&P 500 Index Futures	(1.69)	(0.87)	(1.89)	5.05	0.88	8.47	12.41	-	-	-	0.52	March 2001
vs. S&P 500 Index	(0.03)	0.00	(0.12)	(0.22)	(0.17)	(0.25)	(0.44)	-	-	-	(0.57)	
Dow Jones - Exchange Traded Funds and Futures	(0.51)	(0.52)	(0.67)	3.55	(1.24)	6.80	-	-	-	-	4.97	November 2003
vs. Dow Jones Industrial Average	(2.55)	(0.28)	0.06	4.86	1.81	-	-	-	-	-	(0.47)	
Global 100 Index Exchange Traded Funds	(0.68)	(0.71)	(0.81)	(0.81)	(0.25)	-	-	-	-	-	5.14	November 2004
vs. Russell 3000	(4.16)	(6.01)	(6.99)	(9.12)	-	-	-	-	-	-	(9.12)	April 2005
Health Care Exchange Traded Funds	(2.28)	(5.00)	(5.03)	(15.79)	-	-	-	-	-	-	(15.79)	February 2004
vs. Russell 3000	(3.15)	(2.53)	(3.45)	12.78	2.94	15.82	-	-	-	-	10.75	February 2004
vs. Russell 3000	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	-	-	-	-	(0.01)	
Active Management:												
BGI Russell 2000 Alpha Tilt	(4.30)	(4.34)	(6.37)	10.10	(1.10)	10.45	20.02	-	-	-	10.06	February 2002
vs. Russell 2000	(1.20)	(1.54)	(1.77)	(2.15)	(1.27)	(1.64)	(1.51)	-	-	-	(1.64)	
BGI Russell 3000 Alpha Tilt	(1.64)	(1.05)	(1.86)	7.14	3.38	12.14	-	-	-	-	12.31	August 2003
vs. Russell 3000	(0.04)	(0.04)	0.10	0.11	0.11	0.11	-	-	-	-	(0.11)	
GSAM - Large Cap	(2.13)	(0.59)	(0.63)	6.87	0.08	9.11	12.86	(1.18)	3.52	-	2.54	April 1998
vs. S&P 500 Index	(0.46)	(0.25)	(0.25)	0.00	(0.97)	0.00	0.02	0.00	0.00	-	(0.21)	
GSAM - Small Cap	(2.13)	(1.59)	(4.34)	9.38	1.45	13.69	20.28	8.45	10.63	-	6.31	April 1998
vs. Russell 2000	(0.05)	(0.05)	(0.25)	(2.87)	0.25	0.00	(1.26)	0.00	0.00	-	0.00	
John Levin & Co.	(0.35)	(0.81)	(1.36)	2.36	(0.84)	6.75	-	-	-	-	7.93	September 2004
vs. Russell 1000	0.00	0.03	0.00	(3.81)	(3.08)	(3.72)	-	-	-	-	(3.33)	
MBA Investments	0.46	1.26	0.02	7.22	5.43	12.44	11.72	(5.84)	(0.66)	1.60	3.60	November 1995
vs. S&P 500 Index	0.00	0.00	0.00	0.00	0.00	0.00	(1.13)	(4.11)	(3.56)	(5.75)	(5.75)	
Forstmann Left - Mid Cap	(3.21)	(0.42)	0.64	17.72	14.06	27.27	-	-	-	-	30.83	August 2004
vs. Russell Mid Cap	(0.21)	(0.21)	(0.21)	(0.21)	(0.21)	(0.21)	-	-	-	-	(0.21)	
Forstmann Left - Small Cap	(5.47)	(2.36)	(2.56)	15.16	9.51	24.96	25.99	12.50	13.00	(3.96)	12.82	January 1994
vs. Russell 2000	(2.46)	(0.00)	(0.00)	2.91	0.00	0.00	1.00	0.00	0.00	0.00	0.00	
Relational Investors	(2.21)	(0.86)	(2.30)	8.32	5.02	14.66	-	-	-	-	15.71	September 2004
vs. S&P 500 Index	(0.55)	0.01	(0.53)	0.00	0.00	0.00	-	-	-	-	(0.53)	

Public Markets Managers
Investment Performance Detail Summary
October 31, 2005



<p>Key for Manager Status:</p> <p>Concern Significant Concern; Watch List Near Termination Terminated</p> <p>Key for Areas of Concern:</p> <p>1) Performance 2) Personnel Changes 3) Strategy Drift 4) Operational or Administrative Issues 5) No Longer Fit UTMCO Strategy</p>

Assets Under Management (\$ Millions)

Areas of Concern	Assets Under Management (\$ Millions)	Periods Ended October 31, 2005 (Returns for Periods Longer Than One Year are Annualized)										Since Inception	Inception Date
		One Month	Fiscal Year To Date	Three Months	Six Months	Calendar Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years		
Cundill EAFE vs. MSCI EAFE Net	75.9	(3.37) (0.45)	5.00 5.60	9.01 0.2	9.72 1.1	8.07 1.18	-	-	-	-	-	8.46	January 2005
Cundill Japan vs. TOPIX	73.0	0.48 (1.32)	7.59 (1.63)	14.29 (1.63)	12.26 (3.57)	11.34 (0.54)	-	-	-	-	-	12.80 (0.50)	January 2005
Dalton Japan vs. TOPIX	57.6	0.48 (0.55)	6.35 (2.57)	12.48 (3.44)	-	-	-	-	-	-	-	13.17 (4.31)	May 2005
Globeflex vs. Chigiro Extended Market Index World ex U.S.	256.0	(2.75) (1.55)	3.48 3.05	7.65 3.17	18.81 8.6	21.57 0.88	36.33 3.17	-	-	-	-	34.80 (1.83)	October 2003
Globeflex Canadian vs. Nesbitt Burns Small Cap Canada	46.9	(6.49) 0	(1.11) (0.87)	3.92 (0.04)	18.69 0	15.89 (0.72)	33.23 3.33	-	-	-	-	24.84 0.2	March 2004
Globeflex Japan vs. Russell/Nomura Mid-Small Cap Index	104.8	(0.27) (0.92)	9.40 0.3	15.75 1.1	17.91 3.3	20.91 0	31.60 3.33	-	-	-	-	16.16 0.2	March 2004
Globeflex Microcap vs. MSCI EAFE Net	49.2	(1.33) 0	(1.64) (3.04)	-	-	-	-	-	-	-	-	(1.64) (3.04)	August 2005
1.5 GSAM - Structured International Equity vs. MSCI EAFE Net	217.0	(2.60) 0.32	2.25 0.83	5.62 0.3	11.75 1.1	10.28 3.38	22.77 3.6	22.08 0.83	2.97 (0.07)	5.39 0.66	-	4.11	April 1998
Franklin Templeton vs. MSCI Emerging Markets with Net Dividends	226.5	(5.55) (1.09)	2.07 (0.09)	1.59 (1.46)	15.32 (2.64)	13.76 (3.10)	28.26 (5.54)	32.81 (0.37)	16.47 0.1	13.67 (0.79)	-	6.30	January 1996
JMBO Fund vs. MSCI Japan	31.6	1.29 0.46	3.86 (5.19)	3.60 (3.03)	5.83 (10.78)	-	-	-	-	-	-	5.83 (10.78)	April 2005
Korea Exchange Traded Funds vs. MSCI Emerging Markets with Net Dividends	8.3	(5.25) 0.25	6.49 4.3	3.86 0.83	-	-	-	-	-	-	-	3.86	July 2005
Singapore Exchange Traded Funds vs. MSCI EAFE Net	25.1	(4.01) (1.09)	(2.17) (3.57)	(5.55) (9.51)	-	-	-	-	-	-	-	(5.55) (9.51)	July 2005
Blackrock Global vs. MSCI All Country World ex U.S. with Net Dividends	103.4	(10.35) (6.70)	(3.45) (4.75)	7.19	32.97	46.56	-	-	-	-	-	45.95	November 2004
Taiwan Exchange Traded Funds vs. MSCI Emerging Markets with Net Dividends	20.0	(5.55) 0.17	(5.86) (8.03)	(9.70) (12.75)	-	-	-	-	-	-	-	(9.70) (12.75)	July 2005
Directional Hedge Funds: AG Realty (Funded October 2005)	24.6	(1.55) 0	-	-	-	-	-	-	-	-	-	(1.55)	October 2005
Blue Ridge vs. Directional Hedge Fund Composite	203.3	(2.60) (1.80)	0.91 0.2	4.27	8.62	15.33	16.21	-	-	-	-	15.39	January 2004
Brahman II vs. Directional Hedge Fund Composite	53.5	(0.64) 0.33	(1.64) (1.79)	0.58 (0.19)	1.74 (0.77)	2.97 (1.75)	3.68 (2.10)	-	-	-	-	8.62	August 2004
Eminence vs. Directional Hedge Fund Composite	95.4	1.67 0.47	1.94 0.5	2.58 0.5	8.65 1.1	10.27 3.2	20.42 1.1	-	-	-	-	14.82	July 2003

NET OF FEES PERFORMANCE (continued)

Public Markets Managers
Investment Performance Detail Summary
October 31, 2005



<p>Key for Manager Status:</p> <p>Concern Significant Concern; Watch List Near Termination Terminated</p>	
<p>Key For Areas of Concern:</p> <p>1) Performance 2) Personnel Changes 3) Strategy Drift 4) Operational or Administrative Issues 5) No Longer Fit UIMCO Strategy</p>	

Assets Under Management (\$ Millions) Periods Ended October 31, 2005 (Returns for Periods Longer Than One Year are Annualized)

Assets Under Management (\$ Millions)	One Month	Fiscal Year To Date	Three Months	Six Months	Calendar Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
NET OF FEES PERFORMANCE (continued)												
40.3	(1.21)	(1.13)	(1.12)	2.29	0.87	-	-	-	-	-	0.87	January 2005
	(0.41)	(1.28)	(1.89)	(0.23)	(3.85)	-	-	-	-	-	(3.85)	
31.1	(2.50)	0.73	0.85	8.27	9.91	15.24	-	-	-	-	12.13	December 2003
	(1.70)	0.08	0.08	0.08	0.08	0.08	-	-	-	-	0.08	
55.3	2.49	8.31	13.25	16.08	22.08	26.15	-	-	-	-	19.62	December 2003
	0.08	0.08	0.08	0.08	0.08	0.08	-	-	-	-	0.08	
499.0	(3.05)	(4.23)	(3.66)	0.26	(0.11)	2.77	6.20	7.55	12.70	-	10.44	August 1998
	(2.24)	(4.37)	(4.43)	(2.36)	(4.82)	(3.02)	-	-	-	-	0	
41.0	2.43	2.45	5.00	(0.73)	(2.37)	3.05	-	-	-	-	3.00	October 2004
	0.08	0.08	0.08	(3.24)	(7.09)	(2.73)	-	-	-	-	(2.78)	
80.6	(0.08)	0.53	0.72	0.79	-	-	-	-	-	-	0.69	April 2005
	0.08	0.08	(0.04)	(1.73)	-	-	-	-	-	-	(2.40)	
86.3	(0.47)	0.22	1.31	2.07	2.45	3.14	7.38	-	-	-	7.62	January 2002
	0.08	0.07	(0.44)	(2.26)	(2.64)	(2.64)	-	-	-	-	0.08	
51.8	(1.94)	0.55	0.35	13.74	1.85	5.86	-	-	-	-	1.69	September 2003
	(1.14)	0.08	(0.42)	0.08	(2.86)	0.08	-	-	-	-	(3.81)	
41.8	(1.56)	0.10	1.59	9.41	8.26	12.34	-	-	-	-	7.64	May 2003
	(0.76)	(0.04)	0.82	0.08	0.08	0.08	-	-	-	-	0.08	
53.7	(1.13)	0.59	2.61	(0.17)	1.81	4.54	-	-	-	-	2.61	February 2003
	(0.33)	0.45	1.84	(2.68)	(2.90)	(1.25)	-	-	-	-	(2.85)	
78.8	(4.05)	(4.52)	(4.88)	6.06	12.74	18.04	-	-	-	-	18.04	November 2004
	(3.25)	(4.66)	(5.65)	0.08	0.08	0.08	-	-	-	-	0.08	
42.4	0.44	3.85	2.41	6.24	9.54	11.73	-	-	-	-	3.61	March 2004
	0.08	0.08	0.08	0.08	0.08	0.08	-	-	-	-	(0.82)	
130.1	0.88	2.00	2.57	4.32	5.38	5.99	-	-	-	-	6.00	May 2004
	0.08	0.08	0.08	0.08	0.08	0.08	-	-	-	-	0.08	
100.0	(0.52)	2.70	1.27	0.42	4.55	9.78	-	-	-	-	11.64	March 2004
	0.07	0.08	0.08	(1.38)	0.08	0.08	-	-	-	-	0.08	
433.8	(0.87)	(0.23)	1.57	5.16	7.12	15.04	17.43	13.39	14.91	-	13.69	August 1998
	(0.38)	(0.00)	0.08	0.08	0.08	0.08	(3.00)	0.08	0.08	-	0.08	
48.1	(0.11)	(0.78)	(0.34)	0.51	4.06	4.51	-	-	-	-	7.41	December 2003
	0.08	(0.56)	(0.66)	(1.29)	0.08	(0.01)	-	-	-	-	0.08	
34.4	(1.08)	(2.72)	(1.17)	(8.55)	(3.46)	(1.77)	-	-	-	-	(1.77)	November 2004
	(0.50)	(2.50)	(1.49)	(10.35)	(7.10)	(6.29)	-	-	-	-	(6.29)	
25.3	0.46	1.23	1.97	-	-	-	-	-	-	-	1.97	August 2005
	0.08	0.08	0.08	0.08	0.08	0.08	-	-	-	-	0.08	
50.2	(1.34)	(0.08)	0.32	6.41	-	-	-	-	-	-	5.50	April 2005
	(0.75)	0.08	0.06	0.08	0.08	0.08	-	-	-	-	0.08	
113.5	(1.04)	(0.81)	0.49	4.22	6.41	10.79	-	-	-	-	10.70	August 2004
	(0.46)	(0.58)	0.08	0.08	0.08	0.08	-	-	-	-	0.08	

Public Markets Managers
Investment Performance Detail Summary
October 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 UIMCO Strategy

Assets Under Management (\$ Millions)

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

Assets Under Management (\$ Millions)	One Month	Fiscal Year To Date	Three Months	Six Months	Calendar Year To Date	One Year	Three Years	Five Years	Seven Years	Ten Years	Since Inception	Inception Date
NET OF FEES PERFORMANCE (continued)												
Perry Fund vs. Absolute Return Hedge Fund Composite	(0.28)	0.72	1.19	-	-	-	-	-	-	-	2.66	June 2005
Perry Partners International vs. Absolute Return Hedge Fund Composite	(2.70)	(2.26)	(1.26)	5.05	6.97	17.11	17.73	14.24	16.40	-	14.08	August 1998
Protégé Partners Fund vs. Absolute Return Hedge Fund Composite	(1.15)	0.46	1.18	5.52	5.48	8.71	-	-	-	-	9.91	February 2003
Satellite Fund vs. Absolute Return Hedge Fund Composite	0.11	0.77	0.97	6.90	5.01	9.89	16.58	6.97	-	-	7.40	September 2000
THG-Axon vs. Absolute Return Hedge Fund Composite	(2.74)	1.14	3.02	11.09	-	-	-	-	-	-	9.00	February 2005
Inflation Hedging:												
REITS:												
Cohen & Steers (Funded October 2005) vs. Dow Jones Wilshire Real Estate Securities	-	-	-	-	-	-	-	-	-	-	-	October 2005
Commodities:												
Goldman Sachs Commodity Index vs. Goldman Sachs Commodity Index - 50 bps	(7.95)	(6.06)	4.16	14.90	27.99	10.11	25.64	-	-	-	25.65	June 2002
PIMCO Real Return vs. Dow Jones AIG + 1-10 Year TIPS	(7.56)	(3.42)	5.30	9.50	15.25	8.53	-	-	-	-	15.95	January 2004
Treasury Inflation Protection Securities (TIPS):												
Internal TIPS vs. Lehman Brothers US TIPS Index	(1.22)	(1.43)	0.79	(0.25)	1.28	2.63	-	-	-	-	5.33	July 2004
PIMCO TIPS vs. Lehman Brothers US TIPS Index	0.06	(0.01)	(0.07)	(0.10)	(0.14)	(0.31)	-	-	-	-	0.33	-
Reams TIPS vs. Lehman Brothers US TIPS Index	0.04	(1.29)	0.96	0.09	1.64	3.46	-	-	-	-	4.11	August 2004
Fixed Income:												
Internal - Harland Doak vs. Credit Related Composite Index	(1.00)	(2.32)	(1.07)	(0.38)	0.60	1.01	5.43	-	-	-	5.62	February 2001
Internal - Russ Kampf vs. Lehman Brothers Aggregate Bond Index	(0.74)	(1.77)	(0.43)	0.01	0.95	1.57	2.87	4.98	-	-	5.82	February 2000
Total Internally Managed Fixed Income vs. Lehman Brothers Aggregate Bond Index	(0.81)	(1.92)	(0.60)	(0.13)	0.86	1.38	4.10	5.65	-	-	6.40	-
GMO Emerging Debt Fund vs. JP Morgan Emerging Bond Index Global	(1.91)	0.77	2.78	9.51	11.43	17.02	-	-	-	-	24.06	May 2004
PIMCO Fixed Income vs. PIMCO Composite Benchmark	(0.70)	(1.67)	(0.45)	(1.13)	0.10	3.01	8.80	9.24	-	-	7.29	March 1998
Reams Core Plus vs. Lehman Brothers Aggregate Bond Index	(0.78)	(1.53)	(0.20)	(0.28)	(0.16)	(0.48)	-	-	-	-	(0.48)	May 2005

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Liquidity Profile

Developed By: Moeller, Childers

Presented By: Boldt

Type of Item: Information Item

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

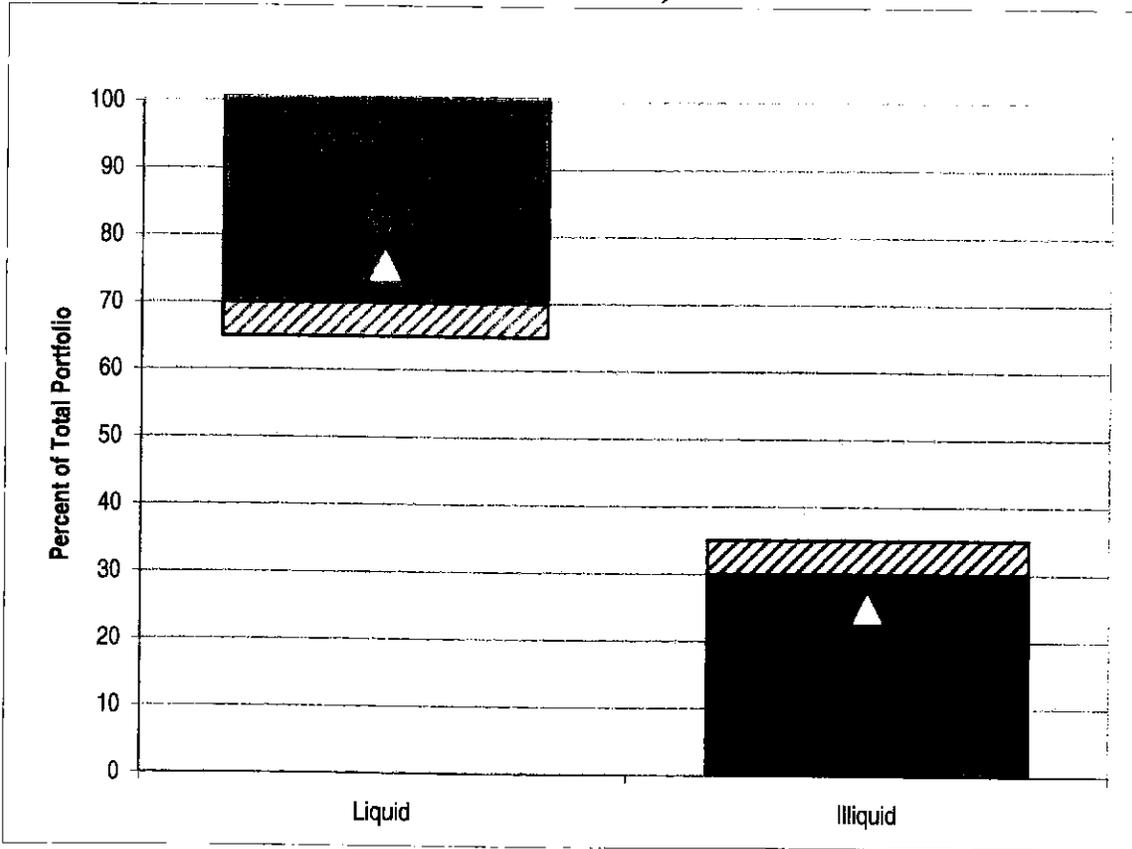
Discussion: As of October 31, 2005 endowment fund assets classified as liquid were 75.4% of the total assets, and those classified as illiquid were 24.6% of total assets.

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

October 31, 2005



Current:

	10/31/2005		9/30/2005	
	Market Value	Percent	Market Value	Percent
Liquid	11,040,854,273.64	75.4	11,782,595,847.10	79.1
Illiquid	3,611,287,796.27	24.6	3,105,183,765.08	20.9
	<u>14,652,142,069.91</u>	<u>100.0</u>	<u>14,887,779,612.18</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	10/31/2005		9/30/2005	
	Market Value	Percent	Market Value	Percent
Liquid	11,020,854,273.64	75.2	11,282,804,276.10	75.8
Illiquid	3,631,287,796.27	24.8	3,604,975,336.08	24.2
	<u>14,652,142,069.91</u>	<u>100.0</u>	<u>14,887,779,612.18</u>	<u>100.0</u>

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

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

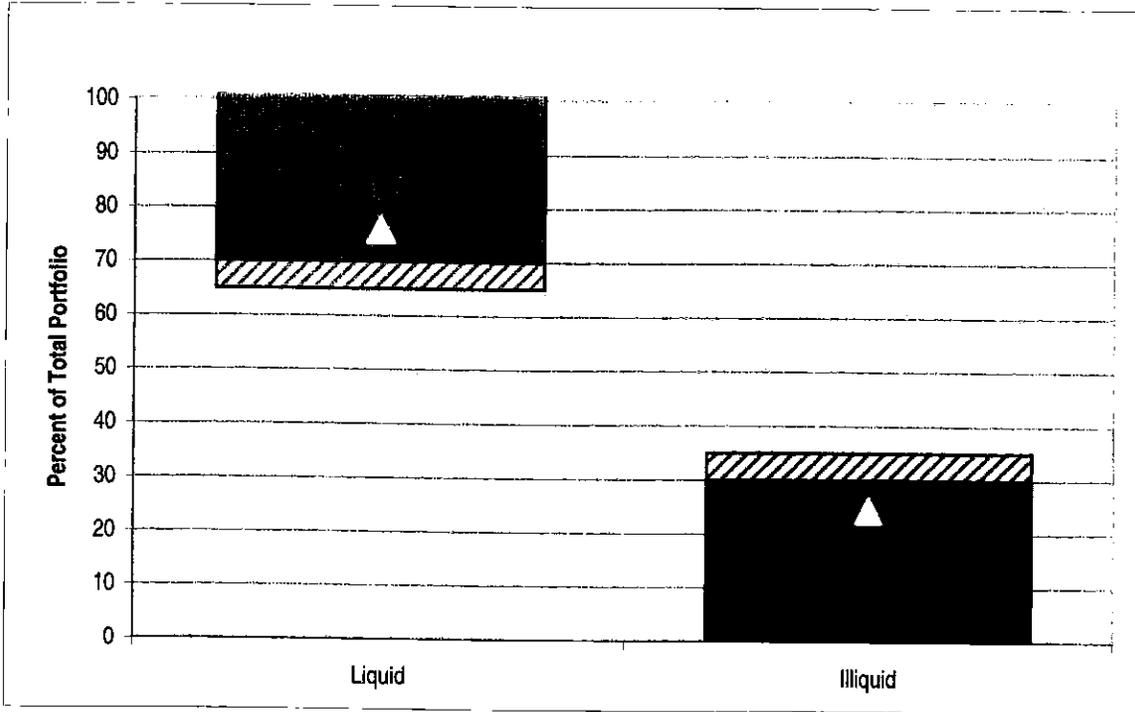
I, John R. O'Neil, as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Jan Moller, 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, John J. ..., 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

October 31, 2005



Current:

	10/31/2005		9/30/2005	
	Market Value	Percent	Market Value	Percent
Liquid	7,262,990,023.30	75.8	7,712,007,607.27	79.4
Illiquid	2,320,882,610.85	24.2	1,996,558,069.19	20.6
	<u>9,583,872,634.15</u>	<u>100.0</u>	<u>9,708,565,676.46</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	10/31/2005		9/30/2005	
	Market Value	Percent	Market Value	Percent
Liquid	7,249,990,023.30	75.6	7,391,466,811.27	76.1
Illiquid	2,333,882,610.85	24.4	2,317,098,865.19	23.9
	<u>9,583,872,634.15</u>	<u>100.0</u>	<u>9,708,565,676.46</u>	<u>100.0</u>

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

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

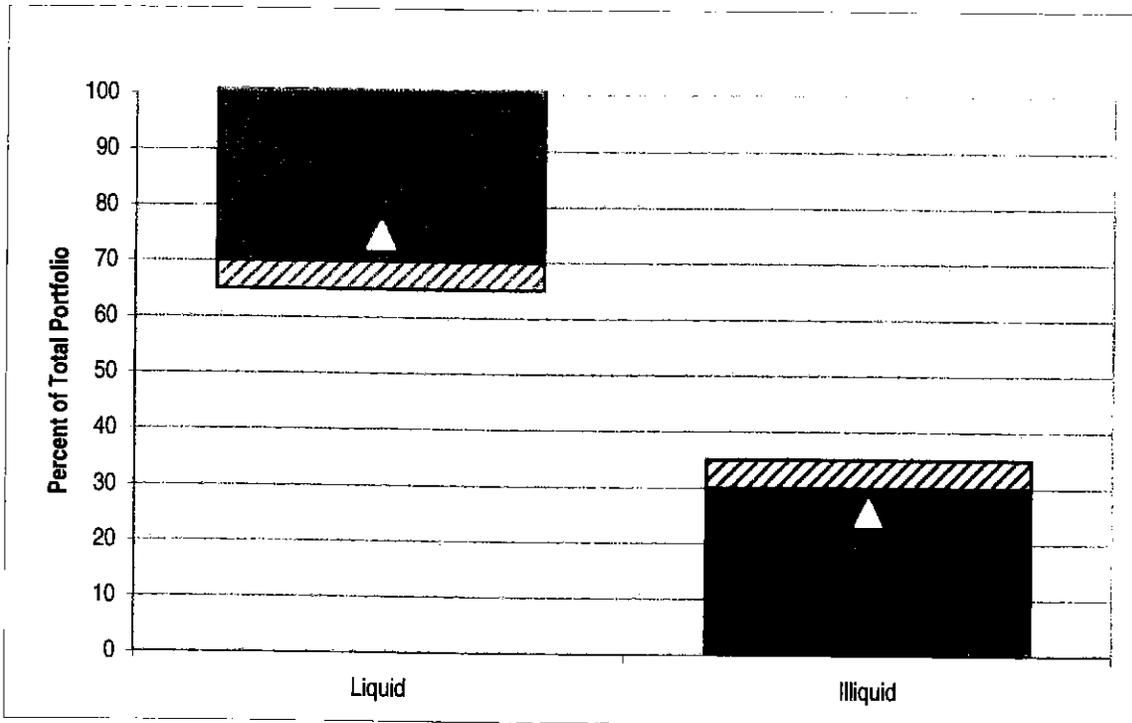
I, Ed R. R. O., as Risk Manager, certify that I have reviewed the liquidity categories provided by the Managing Directors and concur with the classifications.

I, Jan Moller, 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, James, 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

October 31, 2005



Current:

	10/31/2005		9/30/2005	
	Market Value	Percent	Market Value	Percent
Liquid	3,777,864,250.34	74.5	4,070,588,239.83	78.6
Illiquid	1,290,405,185.42	25.5	1,108,625,695.89	21.4
	<u>5,068,269,435.76</u>	<u>100.0</u>	<u>5,179,213,935.72</u>	<u>100.0</u>

Approved but not yet invested illiquid marketable investments:

	10/31/2005		9/30/2005	
	Market Value	Percent	Market Value	Percent
Liquid	3,770,864,250.34	74.4	3,891,337,464.83	75.1
Illiquid	1,297,405,185.42	25.6	1,287,876,470.89	24.9
	<u>5,068,269,435.76</u>	<u>100.0</u>	<u>5,179,213,935.72</u>	<u>100.0</u>

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

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

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

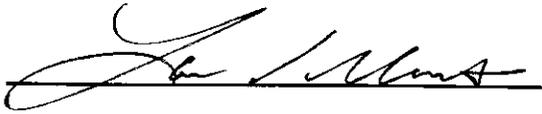
I, [Signature], as Chief Compliance Officer and MD of Accounting, Finance and Administration, certify that I have verified that the Managing Directors' liquidity classifications have been accurately reported and that the percentage calculations are accurate.

I, [Signature], as President of UTMCO, 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

October 31, 2005

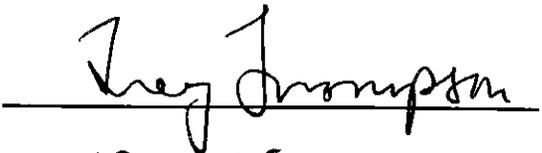
I certify that I have reviewed the report and supporting documentation covered by the period listed above and concur with the liquidity classifications of the investments that I have for which I have responsibility.

 Larry Goldsmith, Managing Director - Public Markets

11-29-05 Date

 Cathy Iberg, Managing Director - Marketable Alternatives

11/30/05 Date

 Trey Thompson, Managing Director - Non-Marketable Alternatives

12-1-05 Date

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

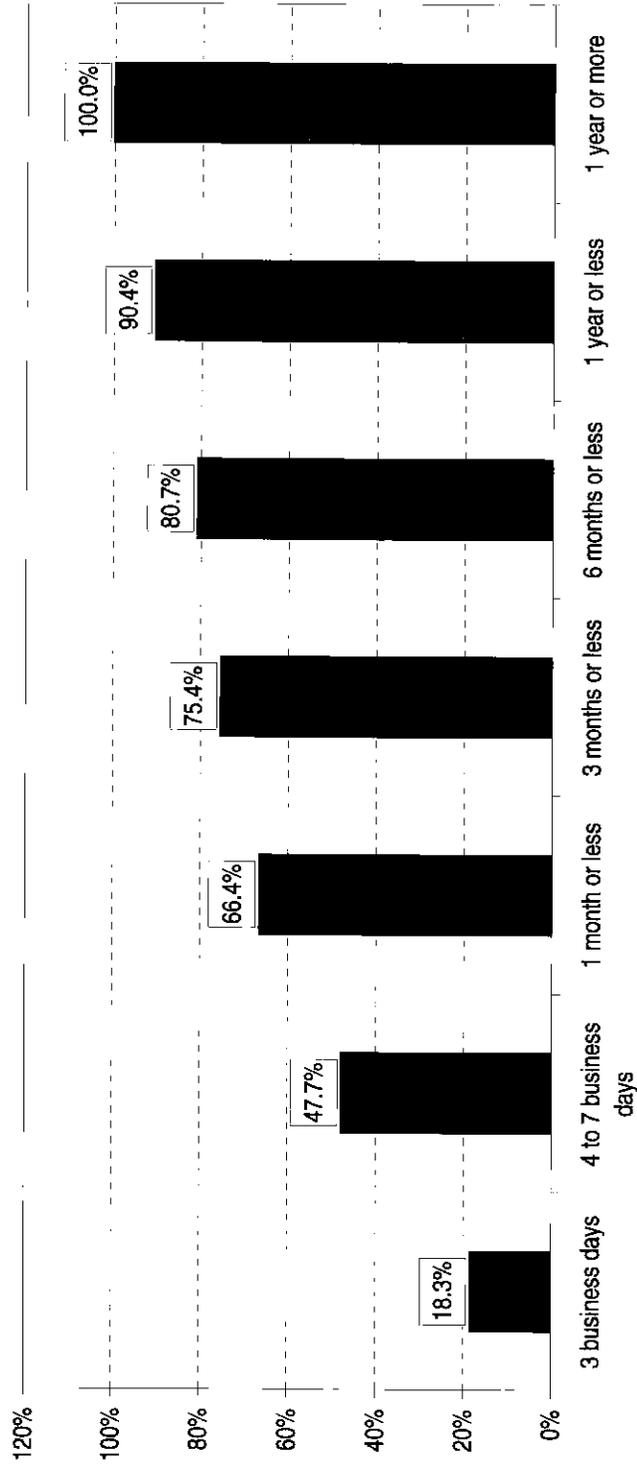
<u>Private Equity investments</u>	<u>Board Approved/ Delegated</u>	<u>Committed Amount</u>		<u>Funded Amount</u>	
		<u>PUF</u>	<u>GEF</u>	<u>PUF</u>	<u>GEF</u>
Reservoir Capital Investment Partners, L.P.	9/22/2005	\$ 28,000,000.00	\$ 12,000,000.00	\$ 2,800,000.00	\$ 1,200,000.00
Blackstone Capital Partners V, L.P.	10/12/2005	\$ 35,000,000.00	\$ 15,000,000.00	\$ -	\$ -
Windjammer Senior Equity Partners III, L.P.	10/14/2005	\$ 21,000,000.00	\$ 9,000,000.00	\$ -	\$ -
<u>Marketable Alternative investments</u>					
OCM High Yield	10/3/2005	\$ 9,750,000.00	\$ 5,250,000.00	\$ 9,750,000.00	\$ 5,250,000.00
TPG-Axon	10/3/2005	\$ 32,500,000.00	\$ 17,500,000.00	\$ 32,500,000.00	\$ 17,500,000.00
AG Realty	10/3/2005	\$ 16,250,000.00	\$ 8,750,000.00	\$ 16,250,000.00	\$ 8,750,000.00

Public Markets

Change in investment's liquidity classification

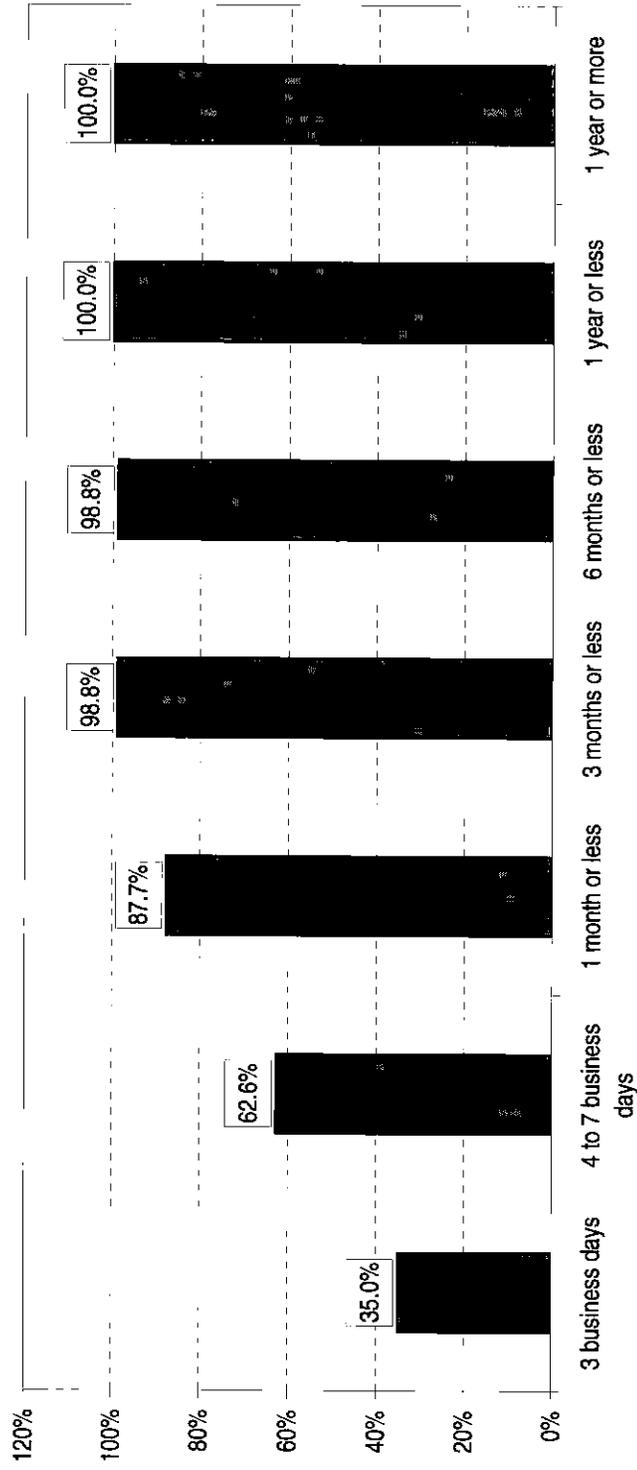
<u>Marketable Alternative investments</u>	\$	-	\$	-
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UT Endowments (PUF & GEF) Actual Liquidity Classification
as of October 31, 2005



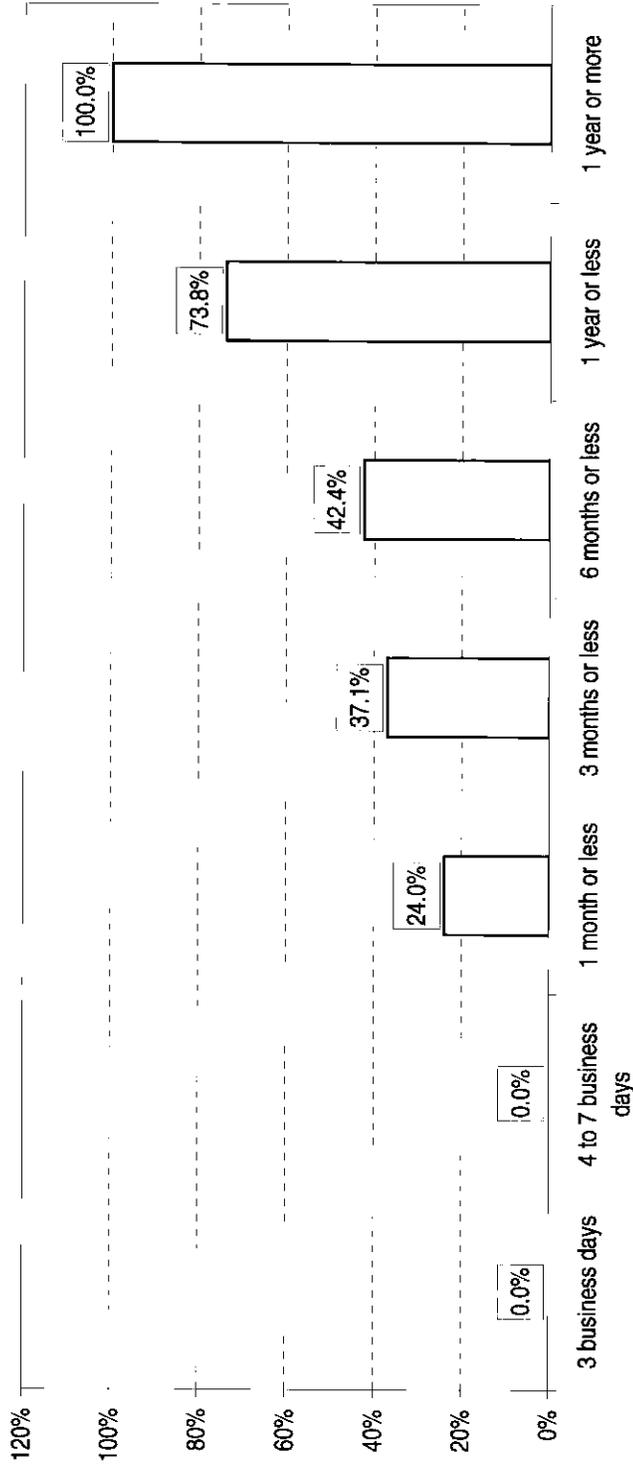
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	2,688,451,435	18.3%	2,688,451,435	18.3%
4 to 7 business days	4,302,812,042	29.4%	6,991,263,477	47.7%
1 month or less	2,743,062,062	18.7%	9,734,325,539	66.4%
3 months or less	1,306,528,735	8.9%	11,040,854,274	75.4%
Illiquid:				
6 months or less	789,809,136	5.4%	11,830,663,410	80.7%
1 year or less	1,421,820,615	9.7%	13,252,484,025	90.4%
1 year or more	1,399,658,045	9.6%	14,652,142,070	100.0%
	14,652,142,070	100.0%		

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



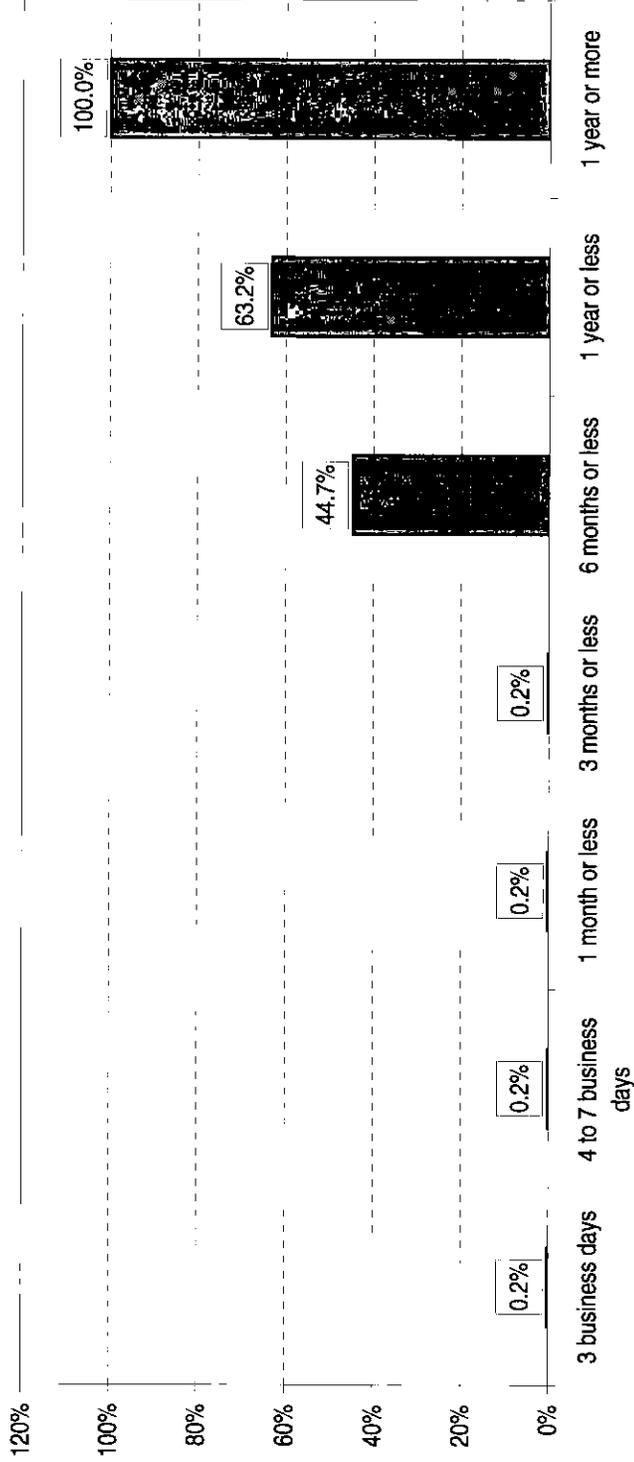
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	2,685,809,173	35.0%	2,685,809,173	35.0%
4 to 7 business days	2,121,653,039	27.6%	4,807,462,212	62.6%
1 month or less	1,920,034,257	25.0%	6,727,496,469	87.7%
3 months or less	857,121,262	11.2%	7,584,617,731	98.8%
Illiquid:				
6 months or less	0	0.0%	7,584,617,731	98.8%
1 year or less	90,709,816	1.2%	7,675,327,547	100.0%
1 year or more	0	0.0%	<u>7,675,327,547</u>	100.0%
	7,675,327,547	100.0%		

Marketable Alternatives Actual Liquidity Classification
as of October 31, 2005



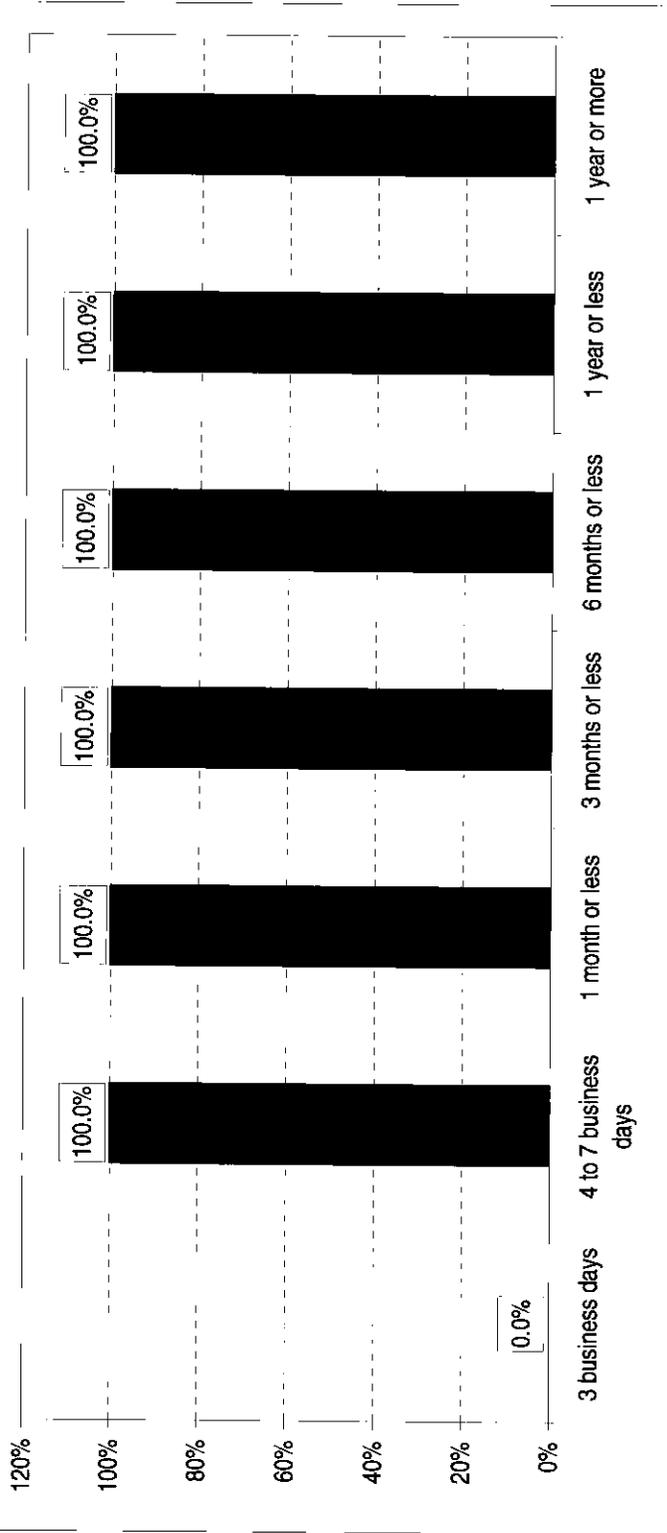
Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	0	0.0%	0	0.0%
4 to 7 business days	0	0.0%	0	0.0%
1 month or less	823,027,805	24.0%	823,027,805	24.0%
3 months or less	449,407,473	13.1%	1,272,435,277	37.1%
6 months or less	182,895,462	5.3%	1,455,330,740	42.4%
1 year or less	1,079,185,305	31.4%	2,534,516,044	73.8%
1 year or more	898,144,960	26.2%	3,432,661,004	100.0%
	3,432,661,004	100.0%		
Illiquid:				

Non-Marketable Alternatives Actual Liquidity Classification
as of October 31, 2005



Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	2,642,261	0.2%	2,642,261	0.2%
4 to 7 business days	0	0.0%	2,642,261	0.2%
1 month or less	0	0.0%	2,642,261	0.2%
3 months or less	0	0.0%	2,642,261	0.2%
6 months or less	606,913,674	44.5%	609,555,935	44.7%
1 year or less	251,925,495	18.5%	861,481,430	63.2%
1 year or more	<u>501,513,085</u>	36.8%	<u>1,362,994,515</u>	100.0%
	1,362,994,515	100.0%		
Illiquid:				

**Inflation Hedging Actual Liquidity Classification
as of October 31, 2005**



Classification Period	Assets	%	Cumulative Assets	%
Liquid:				
3 business days	0	0.0%	0	0.0%
4 to 7 business days	2,181,159,004	100.0%	2,181,159,004	100.0%
1 month or less	0	0.0%	2,181,159,004	100.0%
3 months or less	0	0.0%	2,181,159,004	100.0%
Illiquid:				
6 months or less	0	0.0%	2,181,159,004	100.0%
1 year or less	0	0.0%	2,181,159,004	100.0%
1 year or more	0	0.0%	2,181,159,004	100.0%
	2,181,159,004	100.0%		

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Risk Dashboard

Developed By: Boldt and Reed

Presented By: Boldt and Reed

Type of Item: Information Item

Description: UTIMCO has developed a set of standardized charts and graphs that will be provided to the Board on a monthly basis presenting a comprehensive risk analysis of the Endowment Funds.

Discussion: The role of the Dashboard is to give Board Members a comprehensive view of risk as it relates to the Endowment Funds. We consider this an evolving document and will welcome all requests for additional analyses or revisions of the ones provided.

Recommendation: None

Reference: None

Investment Risk Summary

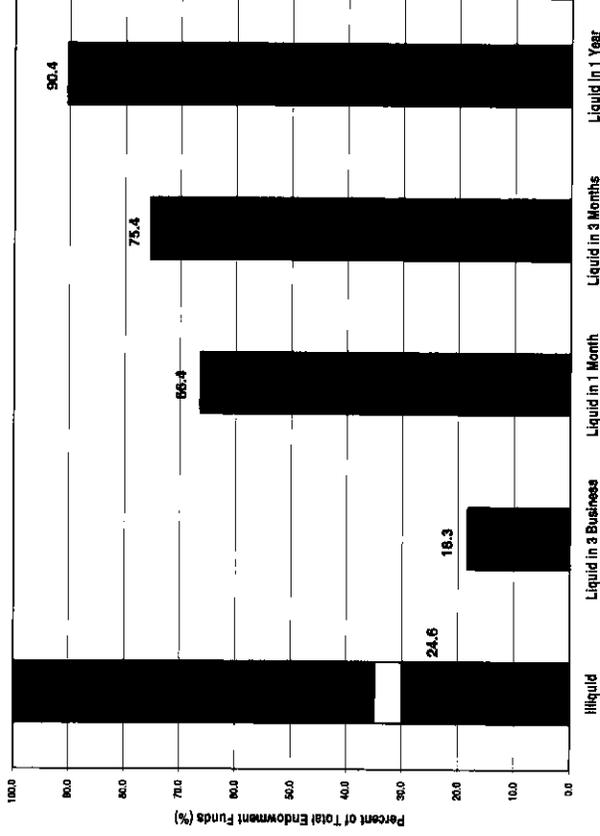
1

Net Leverage	1.00
Gross Leverage	1.16
Risk Capacity Utilization Versus Policy Portfolio Change Since Last Report	80% ↓
Risk Level of Policy Portfolio Relative to Long Term Assumptions Change Since Last Report	65% ↓
Risk Level of Actual Portfolios Relative to Long Term Assumptions Change Since Last Report	52% ↓

Liquidity Risk Summary

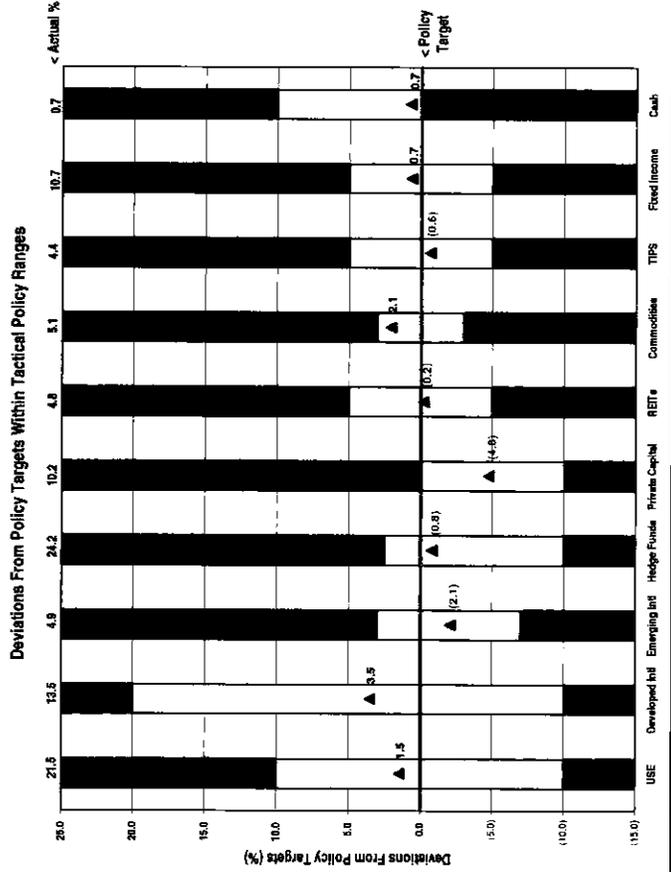
2

Liquidity Profile of Endowment Funds



Dollar Allocations and Tactical Policy Ranges

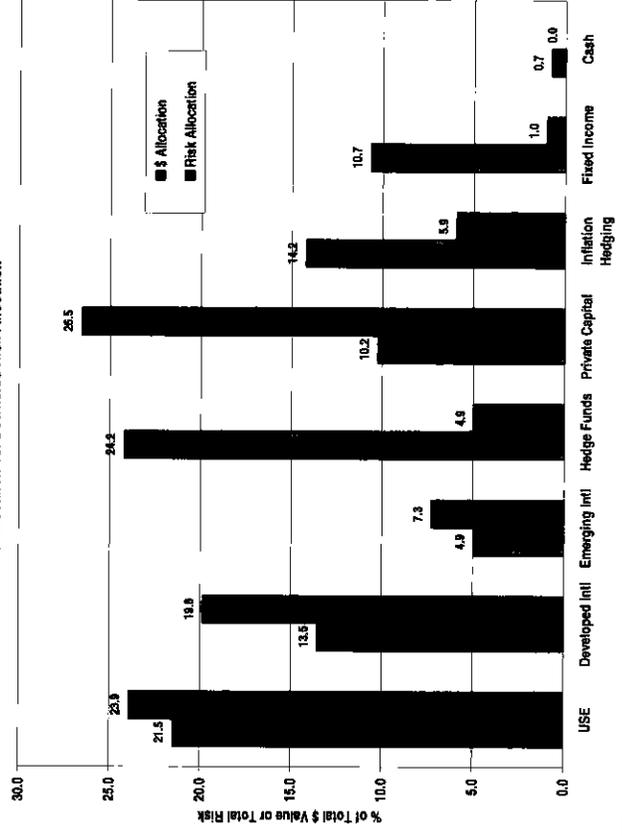
3

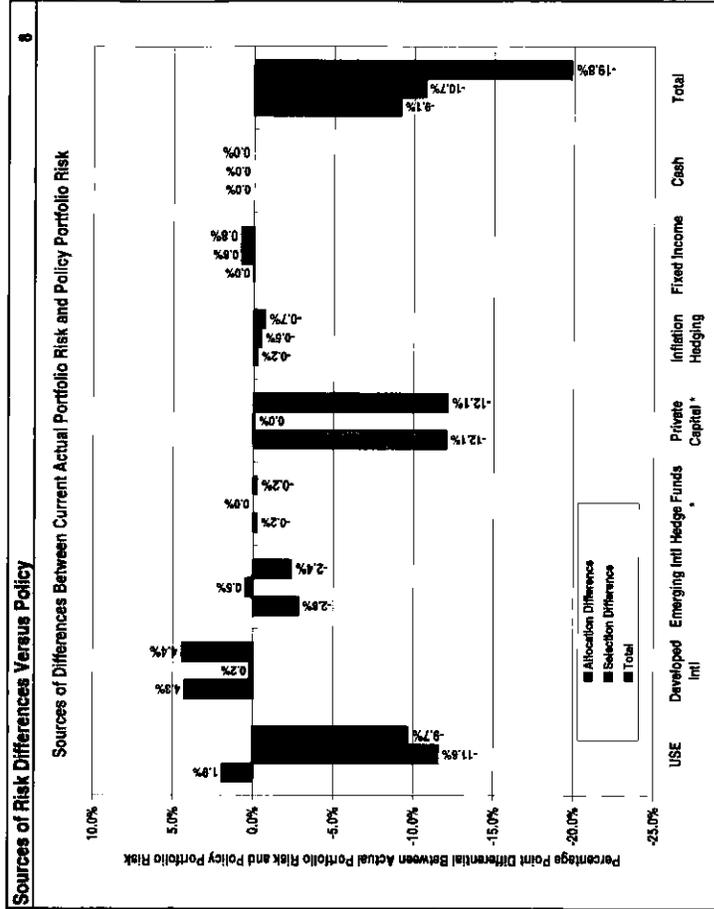
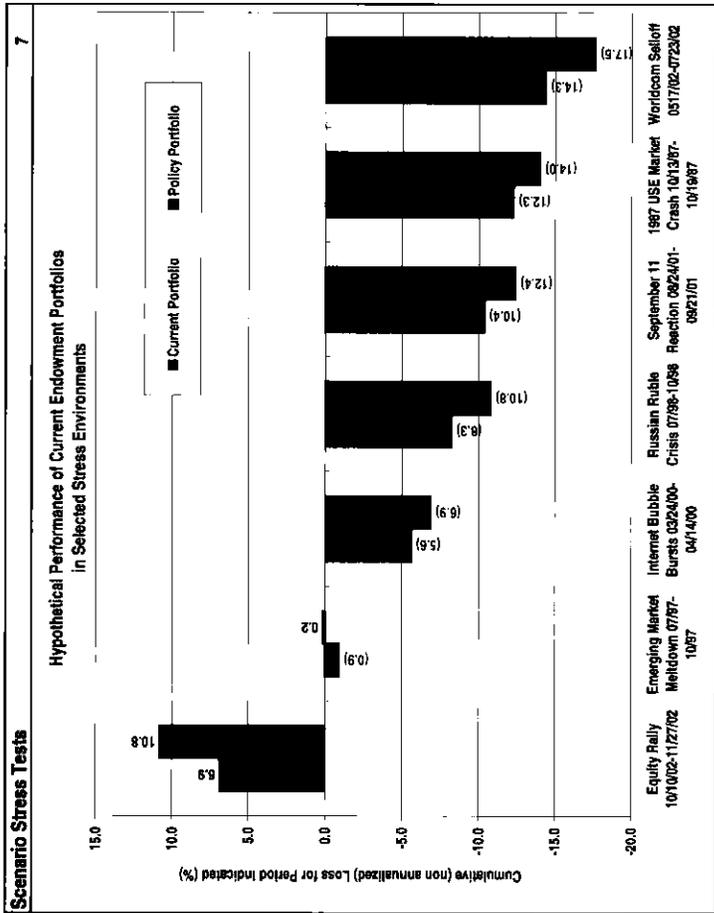
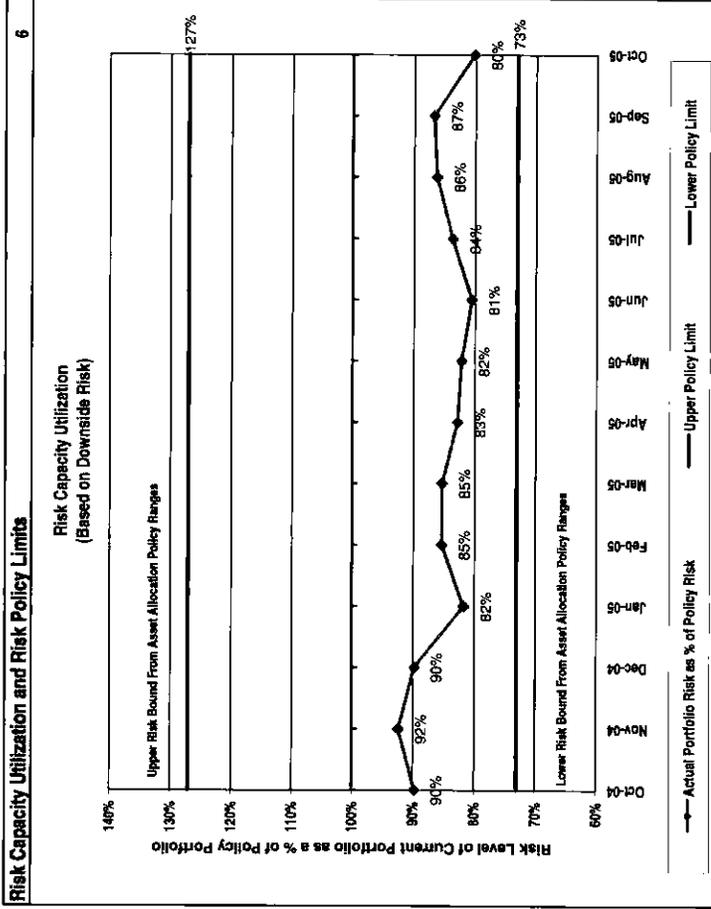
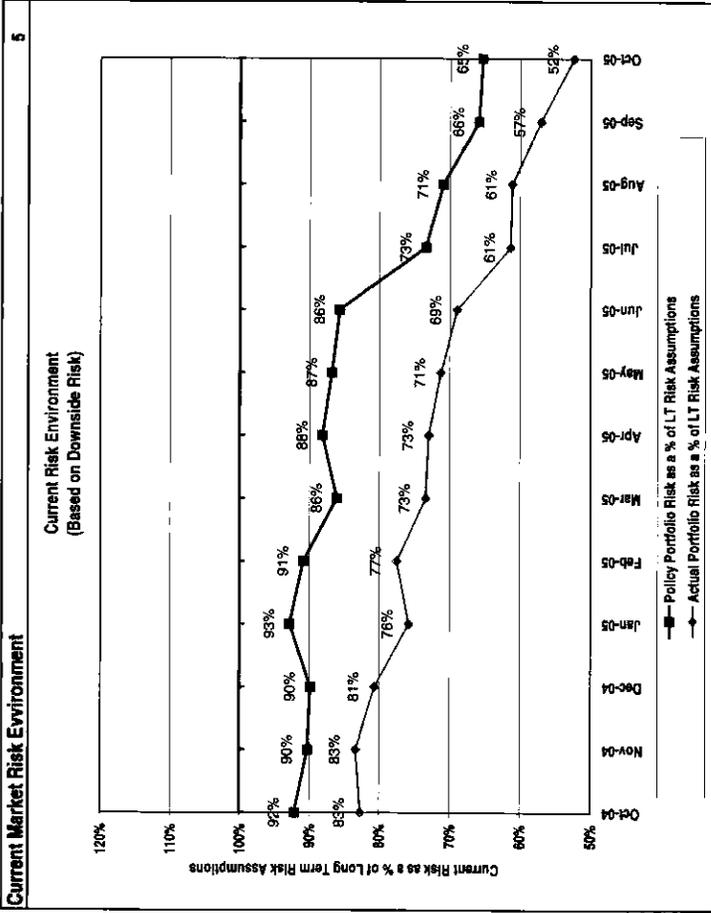


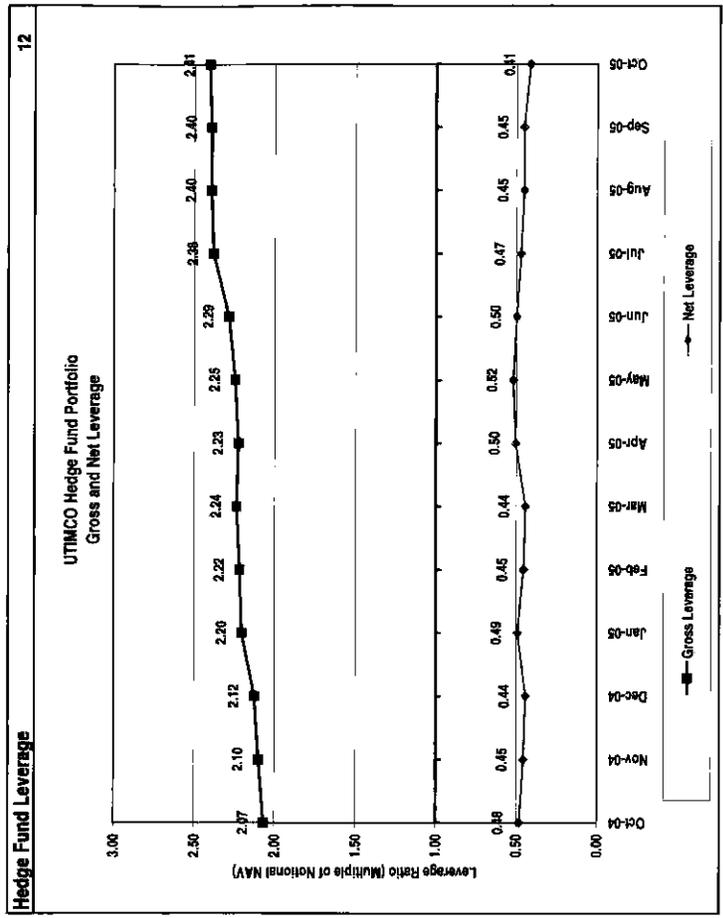
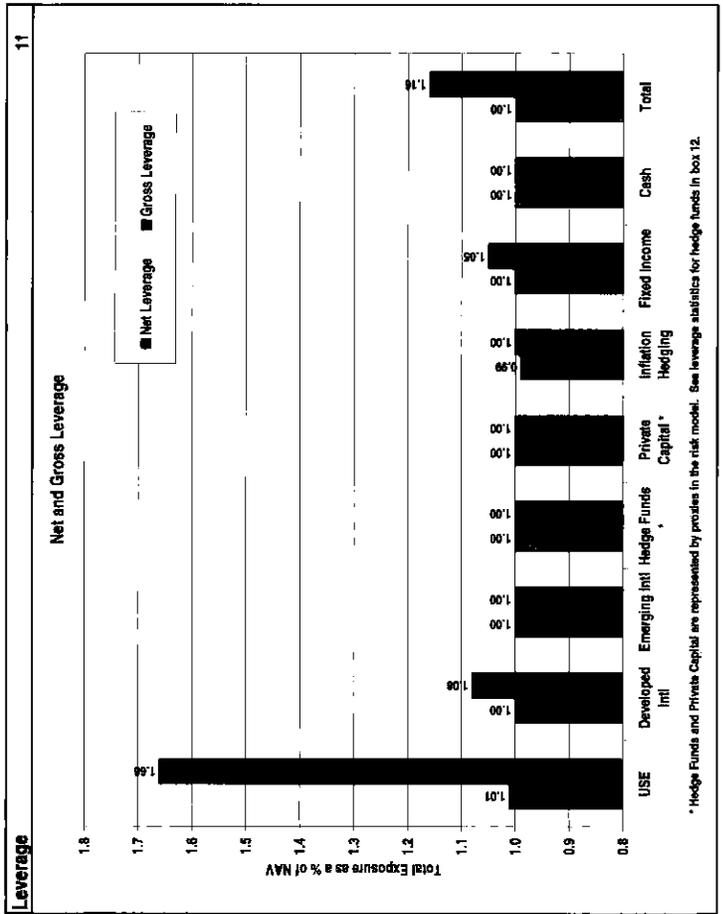
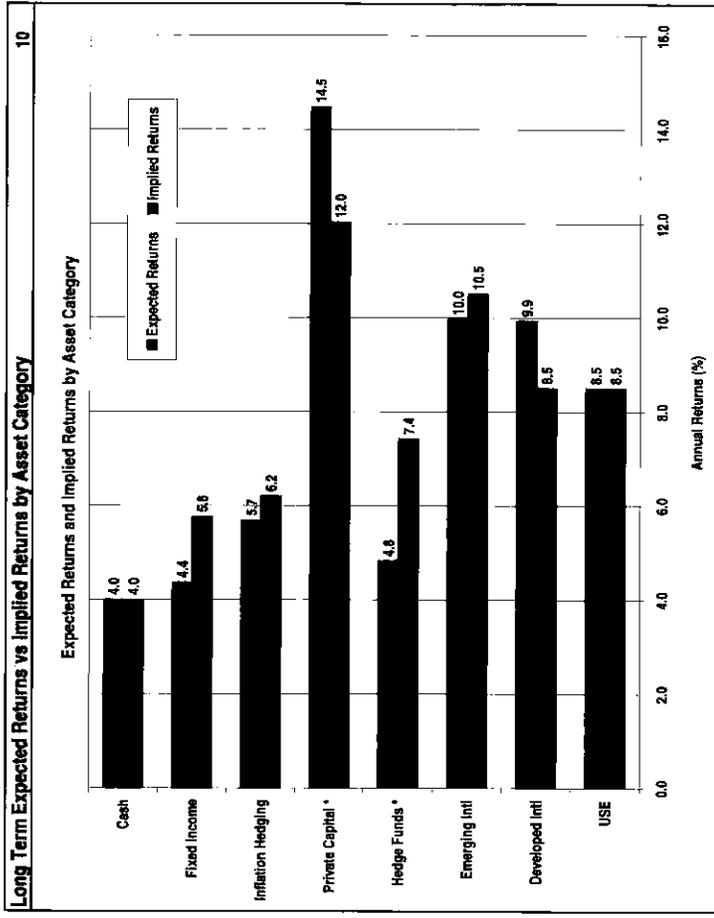
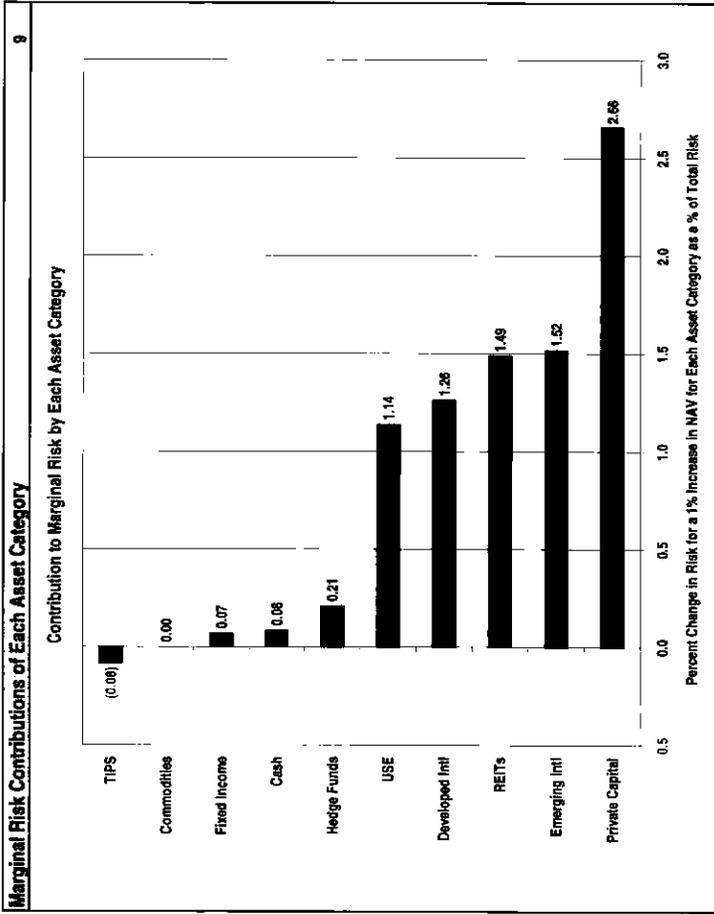
Dollar Allocations Compared to Risk Allocations

4

Asset Category Allocations
\$ Allocation vs. Downside Risk Allocation







Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Comprehensive Derivative Report

Developed By: Goldsmith, Shah, Childers, Reed

Presented By: Boldt

Type of Item: Information Item

Description: The UTIMCO Board approved amendments to the Derivative Investment Policy ("Policy") at its October 7, 2005 board meeting. The amended Policy requires that UTIMCO provide a comprehensive report of all approved derivative applications for both internal managers and external managers under agency agreements and also provide a comprehensive report of all outstanding derivatives positions established by internal managers and external managers under agency agreements. Staff has also prepared a report on counterparties. The reports presented are for the period ended October 31, 2005.

Discussion: As of October 31, 2005, net mark-to-market values of derivatives (internal and external) was negative \$20.2 million.

The mark-to-market value of over-the-counter options was negative \$4.5 million. While \$16.0 million was owed to counterparties by the PUF and GEF (Funds), \$11.5 million was owed by counterparties to the Funds. This \$11.5 million owed to the Funds represents the Funds' counterparty risk. There were no counterparties with exposure to the Funds in excess of 1% of the Funds' value.

Recommendation: No action required.

Reference: Comprehensive Derivatives Report; Comprehensive Report on Approved Derivative Applications; and Derivatives Counterparty Report.

**COMPREHENSIVE DERIVATIVES REPORT
AS OF OCTOBER 31, 2005**

Mark-to-Market

Manager	Derivative Type	OTC	Exchange Traded	Total Derivatives	Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
INTERNAL MANAGERS							
CANADA NO COST COLLAR	PURCHASED OPTION	1,710,151.84	-	1,710,151.84	-	-	(10,696,048.50)
CANADA NO COST COLLAR	WRITTEN OPTION	(1,746,502.83)	-	(1,746,502.83)	-	-	(17,003,092.50)
DOW JONES FUTURES	FUTURES	-	30,200.00	30,200.00	62,876,400.00	62,876,400.00	-
EMERGING PROXY	CURRENCY FORWARDS	(74,957.03)	-	(74,957.03)	-	-	-
EMERGING PROXY	FUTURES	-	2,892,318.90	2,892,318.90	159,906,731.71	159,906,731.71	-
GBL 100 INDEX ETFs	WRITTEN OPTION	-	(110,000.00)	(110,000.00)	-	-	(2,002,883.00)
GSCI FUTURES	FUTURES	-	(14,270,900.00)	(14,270,900.00)	465,650,100.00	465,650,100.00	-
GSCI FUTURES	WRITTEN OPTION	(1,687,866.68)	-	(1,687,866.68)	-	-	(50,549,823.00)
INTL DEVELOPED EQUITIES - OPTIONS	WRITTEN OPTION	(1,532,115.69)	(83,250.00)	(1,615,365.69)	-	-	-
INTL DEVELOPED FUTURES	CURRENCY FORWARDS	(3,894,066.94)	-	(3,894,066.94)	-	-	-
INTL DEVELOPED FUTURES	FUTURES	-	5,311,352.48	5,311,352.48	327,277,180.33	327,277,180.33	-
NO COST COLLAR	PURCHASED OPTION	93,037,639.86	-	93,037,639.86	-	-	(506,381,640.00)
NO COST COLLAR	WRITTEN OPTION	(81,182,085.62)	-	(81,182,085.62)	-	-	(275,564,501.00)
S&P 500 FUTURES	FUTURES	-	2,658,825.00	2,658,825.00	318,479,850.00	318,479,850.00	-
SPREAD TRADE	FUTURES	-	(12,666,980.00)	(12,666,980.00)	8,402,280.00	2,002,285,320.00	-
US EQUITY OPTIONS	PURCHASED OPTION	512,602.80	-	512,602.80	-	-	183,113.00
US EQUITY OPTIONS	WRITTEN OPTION	(148,780.98)	-	(148,780.98)	-	-	(6,076,199.00)
EXTERNAL MANAGERS							
BLACKROCK SMALL CAP	CURRENCY FORWARDS	933.54	-	933.54	-	-	-
BLACKROCK GLOBAL EX US	PURCHASED OPTION	-	3,077,920.00	3,077,920.00	-	-	8,170,483.00
BLACKROCK GLOBAL EX US	WRITTEN OPTION	-	(2,544,860.00)	(2,544,860.00)	-	-	(2,275,943.00)
BRIDGEWATER CURRENCY OVERLAY	CURRENCY FORWARDS	(3,814,900.82)	-	(3,814,900.82)	-	-	-
DALTON JAPAN	FUTURES	-	466,292.37	466,292.37	21,176,065.30	21,176,065.30	-
GLOBEFLEX	CURRENCY FORWARDS	(1,470.20)	-	(1,470.20)	-	-	-
GLOBEFLEX MICROCAP	CURRENCY FORWARDS	(318.04)	-	(318.04)	-	-	-

COMPREHENSIVE DERIVATIVES REPORT AS OF OCTOBER 31, 2005

		Mark-to-Market								
Manager	Derivative Type	OTC	Exchange Traded	Total Derivatives	Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options			
GSAM-INTL EQUITIES DEVELOPED	CURRENCY FORWARDS	(849,331.96)	-	(849,331.96)	-	-	-	-	-	
GSAM-INTL EQUITIES DEVELOPED	FUTURES	-	-	-	19,322,104.29	166,535,710.34	-	-	-	
IRONBRIDGE	WRITTEN OPTION	-	(32,000.00)	(32,000.00)	-	-	-	(328,400.00)	-	
PIMCO FIXED INC	CURRENCY FORWARDS	(1,512,747.86)	-	(1,512,747.86)	-	-	-	-	-	
PIMCO FIXED INC	FUTURES	-	9,956.35	9,956.35	270,825,295.20	323,750,420.20	-	-	-	
PIMCO FIXED INC	SWAPS	1,363,330.61	-	1,363,330.61	-	-	-	-	-	
PIMCO FIXED INC	PURCHASED OPTION	-	307,165.80	307,165.80	-	-	-	-	-	
PIMCO FIXED INC	WRITTEN OPTION	-	(553,740.00)	(553,740.00)	-	-	-	X	-	
PIMCO REAL RETURN	CURRENCY FORWARDS	(60,456.94)	-	(60,456.94)	-	-	-	-	-	
PIMCO REAL RETURN	FUTURES	-	(5,373.28)	(5,373.28)	(200,560.06)	19,392,377.43	-	-	-	
PIMCO REAL RETURN	SWAPS	(4,655,614.44)	-	(4,655,614.44)	-	-	-	-	-	
PIMCO REAL RETURN	WRITTEN OPTION	-	(95,921.88)	(95,921.88)	-	-	-	X	-	
PIMCO TIPS	CURRENCY FORWARDS	(83,633.61)	-	(83,633.61)	-	-	-	-	-	
PIMCO TIPS	FUTURES	-	3,167.30	3,167.30	2,062,813.39	13,775,750.89	-	-	-	
PIMCO TIPS	SWAPS	85,179.51	-	85,179.51	-	-	-	-	-	
PIMCO TIPS	WRITTEN OPTION	-	(95,593.75)	(95,593.75)	-	-	-	X	-	
	Grand Total	\$ (4,535,011.48)	\$ (15,701,420.71)	\$ (20,236,432.19)	\$ 1,655,778,260.15	\$ 3,881,105,906.19	\$ (862,524,934.00)			
Internal Managers		\$ 4,994,018.73	\$ (16,238,433.62)	\$ (11,244,414.89)	\$ 1,342,592,542.04	\$ 3,336,475,582.04	\$ (868,091,074.00)			
External Managers		(9,529,030.21)	537,012.92	(8,992,017.29)	313,185,718.11	544,630,324.15	5,566,140.00			
GRAND TOTAL		\$ (4,535,011.48)	\$ (15,701,420.71)	\$ (20,236,432.19)	\$ 1,655,778,260.15	\$ 3,881,105,906.19	\$ (862,524,934.00)			
Currency Forwards		\$ (10,290,949.86)	\$ -	\$ (10,290,949.86)	\$ -	\$ -	\$ -			
Futures		-	(15,571,140.88)	(15,571,140.88)	1,655,778,260.15	3,881,105,906.19	-			
Purchased Options		95,260,394.50	3,385,085.80	98,645,480.30	-	-	(508,724,092.50)			
Swaps		(3,207,104.32)	-	(3,207,104.32)	-	-	-			
Written Options		(86,297,351.80)	(3,515,365.63)	(89,812,717.43)	-	-	(353,800,841.50)			
GRAND TOTAL		\$ (4,535,011.48)	\$ (15,701,420.71)	\$ (20,236,432.19)	\$ 1,655,778,260.15	\$ 3,881,105,906.19	\$ (862,524,934.00)			

*Line items marked with "X" will be added as the 3rd party risk system develops the calculation of Notional Delta Equivalent for those specific types of option instruments.

Comprehensive Report on Approved Derivative Applications as of October 31, 2005
Internal Management

Internal Managers	Derivative Application (account name)	Purpose of Application
	US Equity Spread Trade (Spread Trade)	To alter the Funds market (systematic) exposure without trading the underlying cash market securities through purchases and short sales of appropriate derivatives. Reduce small cap exposure and increase large cap exposure.
	Russell 2000 short call options (US Equity Options Internal)	To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through short sales of appropriate derivatives
	US No Cost Collar (No Cost Collar)	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 and short sales of appropriate derivatives
	Canadian No Cost Collar (Canada No Cost Collar)	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 and short sales of appropriate derivatives
	Large cap technology equity basket (US Equity Options)	To construct portfolios with risk and return characteristics that could not be created with cash market securities.
	Financial Sector short call options (US Equity Options)	To construct portfolios with risk and return characteristics that could not be created with cash market securities.
	Oil Service sector short call options (US Equity Options)	To construct portfolios with risk and return characteristics that could not be created with cash market securities.
	Nikkei 225 short call options (Intl Equity Options)	To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through short sales of appropriate derivatives
	Nikkei 225 short put options (Intl Equity Options)	To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through short sales of appropriate derivatives
	Goldman Sachs Commodity Index futures (GSCI)	To construct portfolios with risk and return characteristics that could not be created with cash market securities.
	Goldman Sachs Commodity Index short call options (GSCI)	To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through short sales of appropriate derivatives
	Structured Active Management Application - Developed Markets	Use derivatives and cash, along with hedge funds, to obtain an overall risk exposure equivalent to that of a traditional active management portfolio within the Developed Markets portfolio.
	Emerging Markets Proxy (Emerging Proxy)	To construct portfolios with risk and return characteristics that could not be created with cash market securities.
	S&P 500 Futures / S&P 400 Futures / Dow Jones Futures	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)

Comprehensive Report on Approved Derivative Applications as of October 31, 2005
External Management

External Managers Under Agency Agreement	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)
Bridgewater	Permitted to use currency spot and forward contracts, currency futures, options on currency forwards or futures (within our max loss provision)
Cundiff	Futures, currency forwards and short sales up to 5% are allowed (within our max loss provision) Write covered calls; sell puts to gain better entry points.
Dalton	Short sales of equity index options, protective puts, futures and forwards are allowed within our max loss provision.
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% of the account (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.
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

**DERIVATIVES COUNTERPARTY REPORT
AS OF OCTOBER 31, 2005**

Counterparty	S&P Counterparty Rating	Mark-to-Market \$	Percentage of Total Funds
ABN AMRO BANK NV, CHICAGO	AA-	10,731.23	0.000%
AIG FINANCIAL PRODUCTS	AA	(2,528,240.00)	-0.018%
AUSTRALIA & NZ BANK LTD, MELBOURNE	AA-	(134,917.01)	-0.001%
BANK OF AMERICA	AA+	243,660.28	0.002%
BARCLAYS	AA+	1,744,075.14	0.012%
BEAR STEARNS	A+	3,319,391.18	0.023%
BNP-PARIBAS SA, PARIS	AA	(5,594.43)	0.000%
CHASE MANHATTAN BK N A, NY	AA-	39,955.04	0.000%
CITIBANK	AA+	(4,374,415.27)	-0.031%
COMMONWEALTH BK OF AUSTRALIA, NY	AA-	(131,628.94)	-0.001%
CS FIRST BOSTON GBL FOREIGN EXCH, UK	A+	63,146.99	0.000%
GOLDMAN SACHS	AA-	(2,659,664.65)	-0.019%
HSBC BANK USA, N.A.	AA	(357,691.73)	-0.003%
JPMORGAN CHASE BK	AA	(2,441,162.52)	-0.017%
LEHMAN BROTHERS	A+	(2,166,363.12)	-0.015%
MELLON BANK	AA-	(854.70)	0.000%
MERRILL LYNCH	AA-	(320,849.46)	-0.002%
MORGAN STANLEY & CO	AA-	4,859,877.12	0.034%
NATIONAL AUSTRALIA BANK LIMITED, NY	AA-	(98,452.81)	-0.001%
ROYAL BANK OF CANADA, TORONTO	AA-	(166,396.93)	-0.001%
ROYAL BK OF SCOTLAND, LONDON	AA	(327,928.54)	-0.002%
STATE ST BOSTON CAPITAL MKT, BOSTON	AA	(183,577.06)	-0.001%
UBS AG (UNION BANK OF SWITZERLAND)	AA+	1,175,213.14	0.008%
UBS AG, STAMFORD	AA+	(47,072.55)	0.000%
WESTPAC BANKING CORP, SYDNEY	AA-	(47,251.88)	0.000%
GRAND TOTAL		<u><u>\$ (4,535,011.48)</u></u>	-0.032%

**PUF and GEF owe to Counterparty
Counterparty owes to PUF and GEF**

\$	(15,991,061.60)
\$	11,456,050.12
\$	<u><u>(4,535,011.48)</u></u>

PUF NAV
GEF NAV
Total NAV

\$	9,343,335,075.00
\$	4,939,179,959.00
\$	<u><u>14,282,515,034.00</u></u>

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

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

Developed by: Staff

Presented by: Boldt

Type of Item: Information item

Description: The Delegation of Authority delegates to the CEO 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. The Delegation of Authority requires staff to report contracts, leases, or other commercial arrangements executed by the CEO with a total obligation of \$1 million or less.

The Delegation of Authority also requires that the CEO notify the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under the delegated authority related to new manager selection and increases in investments or commitments to existing managers.

Recommendation: None

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

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

**Report on Manager Activity
Taken Under the Delegation of Authority
November 1, 2005 through December 1, 2005**

	Date	Amounts		Description
		PUF	GEF	
US Equities				
No Cost Collar trade	Various	130,000,000.00	70,000,000.00	200,000,000.00
Internal Russell 2000 ETFs	11/2/2005	(6,500,000.00)	(3,500,000.00)	(10,000,000.00) 1, 2
Internal S&P Global 100 ETFs	11/2/2005	6,500,000.00	3,500,000.00	10,000,000.00
Spread Trade	11/21/2005	16,250,000.00	8,750,000.00	25,000,000.00 2
Spread Trade	11/21/2005	(16,250,000.00)	(8,750,000.00)	(25,000,000.00) 2
Global ex US Equities				
Non-US Developed Equity				
Dalton JMBO Fund	11/1/2005	13,000,000.00	7,000,000.00	20,000,000.00
Cundill EAFE	11/30/2005	19,500,000.00	10,500,000.00	30,000,000.00
Internal Intl Developed futures	11/30/2005	(19,500,000.00)	(10,500,000.00)	(30,000,000.00)
Emerging Markets Equity				
Emerging No Cost Collar trade	11/10/2005	32,500,000.00	17,500,000.00	50,000,000.00 1, 2
Emerging No Cost Collar trade	Various	32,500,000.00	17,500,000.00	50,000,000.00 1, 2
Templeton	11/2/2005	6,500,000.00	3,500,000.00	10,000,000.00
Internal Korea ETFs	11/2/2005	(5,660,925.00)	(3,048,211.00)	(8,709,136.00)
Internal ADRE ETFs	Various	15,038,257.00	8,097,523.00	23,135,780.00
Internal Taiwan ETFs	11/10/2005	1,356,219.00	730,275.00	2,086,494.00
Internal Korea ETFs	Various	8,071,829.00	4,346,391.00	12,418,220.00
Internal Emerging ETFs	Various	46,151,007.00	23,102,292.00	69,253,299.00
Internal Brazil ETFs	Various	1,910,703.00	1,028,840.00	2,939,543.00
BGI Global Market Neutral	12/1/2005	15,000,000.00	5,000,000.00	20,000,000.00
Inflation Linked				
Internal TIPS	11/9/2005	(32,500,000.00)	(17,500,000.00)	(50,000,000.00)
Reams TIPS	11/9/2005	32,500,000.00	17,500,000.00	50,000,000.00
GSCI Call options	11/22/2005	3,081,000.00	1,659,000.00	4,740,000.00
Fixed Income				
Internal Fixed Income	Various dates	3,275,000.00	1,725,000.00	5,000,000.00
Hedge Funds				
AG Super Fund	12/1/2005	20,000,000.00	30,000,000.00	50,000,000.00
BGI Global Market Neutral	12/1/2005	(15,000,000.00)	(5,000,000.00)	(20,000,000.00)
Private Capital				
TCV VI, L.P.	November-05	24,500,000.00	10,500,000.00	35,000,000.00
		PUF	Committed Amount	Total
			GEF	

1 Amounts shown from No Cost Collar trades represent Notional Value; trade involved no cash flow.

2 Trades fall under the Derivative Investment Policy.

**Report on
New Contracts and Existing Contract Renewals, Leases, and Other Commercial
Arrangements**

For Period November 3, 2005 through December 1, 2005

(Total Obligation per Agreement less than \$1 million)

Agreement	Purpose	Contract Term	Annual Amount
Denim Group	Review security measures for CPS/CMS System for ITF users	Testing, analysis and results phase will be completed by January 17	\$20,500
Security Purchase Agreement	UTIMCO will agree to purchase, on behalf of the Board of Regents of The University of Texas System, as an investment for certain funds of the Board managed by UTIMCO, Notes and Bonds that cannot be remarketed or refunded.	Effective November 10, 2005 and shall terminate on the final maturity date of any Notes or Bonds.	None
Amendment to Note Purchase Agreement	Eliminate requirement for an annual commitment fee to be paid by the Board of Regents of The Texas A&M University System on the commitment amount that UTIMCO agrees to purchase, as investment for the Permanent University Fund, Notes not successfully remarketed by the Remarketing Agent.	Effective November 1, 2005.	None
Global Portfolio Solutions	IFS Risk System	10/1/2005 to 9/30/2006	\$250,000
GaveKal Limited	Market research with a focus on International Equities	11/2005 to 10/2006	\$25,000

Services that renew via invoice on a monthly or quarterly basis:

Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	\$197,020
American Stock exchange	Used to access stock prices and related news	Monthly invoice	\$1,812
Dow Jones News Service	Used to access current new on stocks and related investments	Monthly invoice	\$10,620
New York Stock Exchange	Used to access stock prices and related news	Monthly invoice	\$2,865
Options Pricing Report	Used to access option prices and related news	Quarterly invoice	\$1,161
Thomson Venture Economics	Venture capital and private equity benchmarks and other industry data	Monthly invoice	\$18,000

Trade Web	Primary quotation and trading system for U.S. Treasury, Agency, Mortgage and Corporate debt securities	Monthly invoice	\$18,600
Market Axess	Competitive quotation and trading system for corporate securities	Monthly invoice	\$1,800
Bourse de Montreal	Real time quotations of Canadian equity futures	Monthly invoice	\$1,513

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item:	Report on Audit and Ethics Committee Meeting
Developed By:	Moeller
Presented By:	Nye
Type of Item:	Action required by UTIMCO Board; Information items
Description:	<p>An Audit and Ethics Committee (“Committee”) meeting will be held on January 16, 2006. The Committee’s agenda will include review and consideration of the UTIMCO Audited Financial Statements as of August 31, 2005, review and consideration of the results of the internal controls assessment audit conducted by Ernst & Young on the Permanent University Fund and UTIMCO corporate for the year ended August 31, 2005, the annual evaluation of enterprise risk management, evaluation and review of UTIMCO’s compliance process, review of major risk exposures, update on the custodian review, and review of unaudited financial statements for the three months ended November 30, 2005.</p>
Discussion:	<p>The UTIMCO financial statements were audited by Ernst & Young, LLP. Ricky Richter, Ernst & Young engagement partner, will present to the Committee the results of the UTIMCO audit at its January 16, 2006 meeting. Ernst & Young issued an unqualified opinion on the August 31, 2005, financial statements. A copy of the audited financial statements and Ernst & Young’s Audit Results and Communications Letter are included. Ernst & Young were still completing their internal control audit during the month of December. The results will be presented to the Committee by Ricky Richter.</p> <p>In addition, as required by the Charter of the Audit and Ethics Committee, the Committee is required to annually review and evaluate UTIMCO’s enterprise risk management, compliance process, and major risk exposures. The Charter was amended last May with the requirements for annual reviews and evaluations and this meeting will be the first time the review and evaluation will formally occur by the Committee. The Committee will report on the results of its review and evaluation. The Committee will also review the Funds’ financial statements for the three months ended November 30, 2005.</p> <p>The Audit and Ethics Committee and the Risk Committee also will participate in a joint meeting to clarify each committee’s role related to enterprise/investment risk responsibilities. Based on the decision of the committees, the Audit and Ethics Committee may recommend an amendment to the Charter of the Audit and Ethics Committee.</p>
Recommendation:	The Committee will recommend action related to the audited UTIMCO financial statements and internal controls audits of the PUF and UTIMCO. The Committee will also recommend action related to the Charter of the Audit and Ethics Committee, if any.
Reference:	Charter of the Audit and Ethics Committee; UTIMCO Audited Financial Statements; E&Y Audit Results and Communications Letter

RESOLUTION RELATED TO FINANCIAL STATEMENTS

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2005, and August 31, 2004 be, and are hereby approved in the form as presented to the Board.

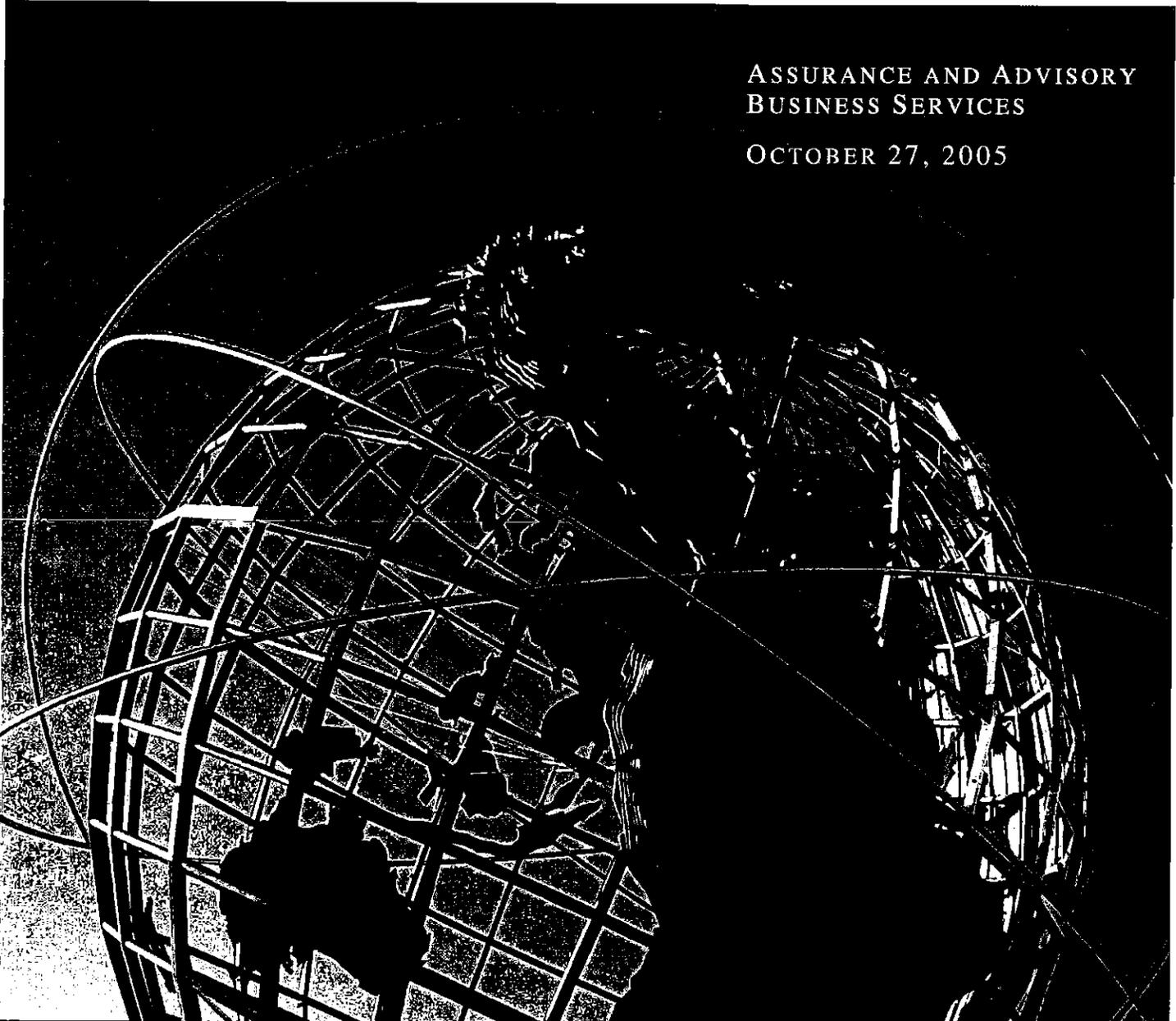
TAB 4

RESOLUTION RELATED TO FINANCIAL STATEMENTS

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2005, and August 31, 2004 be, and are hereby approved in the form as presented to the Board.

ASSURANCE AND ADVISORY
BUSINESS SERVICES

OCTOBER 27, 2005



ERNST & YOUNG
Quality In Everything We Do

The University of Texas Investment Management Company

Audit Results and Communications

Report to the Audit and Ethics Committee

The Audit and Ethics Committee
The University of Texas Investment Management Company

We are pleased to present the results of our audit of the financial statements of The University of Texas Investment Management Company (the "Company") for the year ended August 31, 2005.

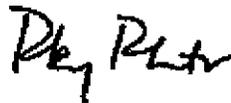
This report to the Audit and Ethics Committee is organized into the following sections:

- Required Communications
- Report on Internal Control

We received the full support and assistance of Company's personnel. This report is intended solely for the information and use of the Audit and Ethics Committee, and management of the Company and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,



Ricky L. Richter

REQUIRED COMMUNICATIONS

Statement on Auditing Standards No. 61 and other professional standards require the auditor to provide the audit committee with additional information regarding the scope and results of the audit that may assist the audit committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications.

Area	Comments
<p>Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS)</p> <p>The financial statements are the responsibility of management. Our audits were designed in accordance with auditing standards generally accepted in the United States to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed.</p>	<p>We issued an unqualified opinion on the August 31, 2005 financial statements.</p>
<p>Our Judgments About the Quality of the Company's Accounting Principles</p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Funds' financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</p>	<p>Accounting principles selected by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. The Company's financial statements and disclosures are complete in all material respects.</p>
<p>Sensitive Accounting Estimates</p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.</p> <p>We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.</p>	<p>Estimates in the 2005 financial statements did not require significant management judgment.</p>
<p>The Adoption of, or a Change in, an Accounting Principle</p> <p>We determine that the Audit Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p>	<p>During fiscal year 2005, the Company changed the financial statement presentation from a FASB to a GASB format with the most significant change being the addition of a MD&A section.</p>

AUDIT RESULTS AND
COMMUNICATIONS

Area	Comments
<p>Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</p> <p>We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>We are not aware of any significant unusual transactions recorded by the Company or of any significant accounting policies used by the Company related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>
<p>Significant Audit Adjustments</p> <p>We provide the Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the Company's financial statements.</p>	<p>There were no recorded audit adjustments related to the fiscal year 2005 audit.</p>
<p>Unadjusted Audit Differences Considered by Management to Be Immaterial</p> <p>We inform the Audit Committee about unadjusted audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p>	<p>There were no unadjusted audit differences related to the fiscal year 2005 audit.</p>
<p>Fraud and Illegal Acts</p> <p>We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.</p>	<p>We are not aware of any fraud or illegal acts.</p>
<p>Material Weaknesses in Internal Control</p> <p>We are required to communicate all material weaknesses in internal control, which may have been identified during the course of our audit.</p>	<p>No material weaknesses were identified.</p>
<p>Disagreements with Management</p>	<p>None.</p>
<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</p>	<p>None.</p>
<p>Major Issues Discussed with Management Prior to Retention</p>	<p>None.</p>

AUDIT RESULTS AND
COMMUNICATIONS

Area	Comments
Consultation with Other Accountants	None of which we are aware.
Other Matters	None.
Other Information in Documents Containing Audited Financial Statements Our financial statement audit opinion only relates to the financial statements and the accompanying notes. However, we also review other information such as Management's Discussion and Analysis, for consistency with the audited financial statements.	We believe that Management's Discussion and Analysis is consistent with the audited financial statements.

AUDIT RESULTS AND
COMMUNICATIONS



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Austin, Texas 78701

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REPORT ON INTERNAL CONTROL

The Audit and Ethics Committee

The University of Texas Investment Management Company

In planning and performing our audits of the financial statements of The University of Texas Investment Management Company for the year ended August 31, 2005, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of the Audit and Ethics Committee, and management of the Company. We would be pleased to discuss any comments you may have on these or other issues.

Ernst & Young LLP

October 27, 2005

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY**

FINANCIAL STATEMENTS

For the years ended August 31, 2005 and 2004

The University of Texas Investment Management Company

Financial Statements

Years Ended August 31, 2005 and 2004

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Statements of Revenues, Expenses, and Changes in Net Assets	8
Statements of Cash Flow	9
Notes to the Financial Statements.....	10

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the financial performance for The University of Texas Investment Management Company (UTIMCO) provides an overview of its activities for the period ended August 31, 2005. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c)(3) investment management corporation whose sole purpose is the management of investment assets under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$18 billion. UTIMCO is governed by a nine-member Board of Directors appointed by the UT System Board of Regents. The UTIMCO Board of Directors includes three members of the UT Board, the Chancellor of The University of Texas System, and five outside investment professionals (including one representative from the Texas A&M University System). The UTIMCO Board and the UT System Board of Regents have entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

Financial Highlights

- Net assets decreased by \$3.4 million from \$12.1 million to \$8.7 million, or approximately 28% for the year ended August 31, 2005. The change in net assets for the year is mainly attributable to the following:
 1. On December 6, 2004 UTIMCO rebated \$4 million back to the UT Investment Funds as required by the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. No similar rebate occurred in the prior fiscal year.
 2. During the 2005 fiscal year, operating revenue exceeded expenses by \$578,012.
- Net assets increased by \$1.1 million or approximately 10% for the year ended August 31, 2004. The change in net assets for the year is the result of revenue exceeding expenses by \$1,132,529.

Use of Financial Statements and Notes

UTIMCO financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are typically required under GASB: Statement of Financial Position, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows.

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

Statements of Financial Position

The Statements of Financial Position present assets, liabilities, and the net assets of UTIMCO as of the end of the fiscal year. These statements have been prepared using the accrual basis of accounting.

The following summarizes the statements of financial position:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets			
Cash & Cash Equivalents	\$ 3,006,059	\$ 6,682,363	\$ 4,572,179
Investments, at Fair Value	7,429,273	7,257,863	7,084,224
Other Assets	<u>1,502,914</u>	<u>821,851</u>	<u>913,795</u>
Total Assets	\$ 11,938,246	\$ 14,762,077	\$ 12,570,198
Liabilities & Net Assets			
Accounts Payable & Accrued Expenses	\$ 3,203,657	\$ 2,605,500	\$ 1,546,150
Unrestricted Net Assets	<u>8,734,589</u>	<u>12,156,577</u>	<u>11,024,048</u>
Total Liabilities & Net Assets	\$ 11,938,246	\$ 14,762,077	\$ 12,570,198

The changes in financial position components are primarily the result of the following:

- During the 2005 fiscal year UTIMCO rebated \$4 million back to the UT Investment Funds as required by the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. No similar rebate occurred in either the 2004 or the 2003 fiscal years.
- Earnings from UTIMCO investments (dividends and interest) are reinvested, thus increasing the fair value of these investments for each year presented.
- Other Assets increased during the current fiscal year by approximately \$681,000. Two factors contributed to this increase: Fixed Assets increased by \$557,000 related to purchases of leasehold improvements, furniture, and computer equipment for its new leased facilities. In addition, Prepaid Expenses increased by \$113,000 primarily as a result of deposits made toward the purchase of new furniture. Other Assets did not change appreciably between fiscal year 2003 and 2004.
- Accounts Payable and Accrued Expense increases from 2003 to 2004, and then again from 2004 to 2005, are primarily as a result of bonuses from the performance compensation plan approved by both the UTIMCO Board of Directors and the UT System Board of Regents.

Statements of Revenues, Expenses, and Changes in Net Assets

The Statements of Revenue, Expenses, and Change in Net Assets are based upon the financial activity of the organization. The purpose of these statements is to present details comprising the revenue, expenses, and changes to net assets for the periods reported. The following table summarizes the Statements of Revenues, Expenses, and Changes in Net Assets:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenue			
Management Fees	\$ 10,458,115	\$ 9,519,273	\$ 9,610,001
Other Revenue	288,436	242,026	180,406
	<u>\$ 10,746,551</u>	<u>\$ 9,761,299</u>	<u>\$ 9,790,407</u>
Management Fee Rebate	(4,000,000)	0	0
Expenses			
Salaries & Benefits	\$ 7,131,447	\$ 6,206,729	\$ 4,807,290
General Operating Expenses	1,247,204	993,653	902,842
Other Expenses	1,789,888	1,428,388	1,895,956
	<u>\$ 10,168,539</u>	<u>\$ 8,628,770</u>	<u>\$ 7,606,088</u>
Increase (Decrease) in Unrestricted Net Assets	(3,421,988)	1,132,529	2,184,319
Net Assets, Beginning of Period	<u>12,156,577</u>	<u>11,024,048</u>	<u>8,839,729</u>
Net Assets, End of Period	<u>\$ 8,734,589</u>	<u>\$ 12,156,577</u>	<u>\$ 11,024,048</u>

The changes in the Statements of Revenues, Expenses, and Change in Net Assets are primarily the result of the following:

- Management Fee revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board of Directors and the UT System Board of Regents. Revenue fluctuations are the direct result of these approved budgets.
- During the 2005 fiscal year UTIMCO rebated \$4 million back to the UT Investment Funds as required by the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. No similar rebate occurred in either the 2004 or the 2003 fiscal years.
- Salary and Benefit expenses increased with the addition of 6.5 new positions in fiscal year 2005 and 3 new positions in fiscal year 2004. In addition, a new performance compensation plan was approved impacting both the 2004 and 2005 fiscal years.

- During fiscal year 2005, General Operating expenses increased by approximately \$253,000, primarily as a result of increased expenditures for on-line data services, investment research, and analytical subscriptions totaling \$188,200. In addition, contract service payments increased by \$38,300 and staff travel expenses increased by \$26,500. There were no significant expense fluctuations in these categories between fiscal year 2003 and 2004.
- Other expenses increased during 2005 by approximately \$361,000; the result of additional legal fees related to investment disclosure, open records, and drafting the performance compensation plan. Higher expenses in fiscal year 2003 were also the result of additional legal fees related to both open records and investment disclosure.

Statements of Cash Flows

The Statements of Cash Flows are presented to identify the cash flows from operating activities and those cash flows used for investing activities. The following table summarizes the Statements of Cash Flows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities			
Increase (Decrease) in Net Assets from Operations	\$ (3,421,988)	\$1,132,529	\$ 2,184,319
Increase (Decrease) in Accrued Expenses	271,404	1,059,350	1,082,793
Increase (Decrease) in Deferred Rent	326,753	0	0
Other Cash Flows from Operating Activities	159,650	228,526	319,542
	<u>(2,664,181)</u>	<u>2,420,405</u>	<u>3,586,654</u>
Cash Flows used for Investing Activities			
Purchase of Property & Equipment	(831,516)	(152,271)	(126,573)
Purchase of Investments	(180,607)	(166,950)	(7,159,941)
Other Cash Flows used for Investing Activities	0	9,000	1,788
	<u>(1,012,123)</u>	<u>(310,221)</u>	<u>(7,284,726)</u>
Net Change in Cash & Cash Equivalents	(3,676,304)	2,110,184	(3,698,072)
Cash & Cash Equivalents, Beginning of Period	<u>6,682,363</u>	<u>4,572,179</u>	<u>8,270,251</u>
Cash & Cash Equivalents, End of Period	<u>\$ 3,006,059</u>	<u>\$ 6,682,363</u>	<u>\$ 4,572,179</u>

The changes in the Statements of Cash Flows are primarily the result of the following:

- The cash flows from operations have steadily declined from 2003 through 2005. This is a direct result of actual expenditures being aligned closer to approved budgeted amounts for both the 2004 and 2005 fiscal years.
- During the 2005 fiscal year UTIMCO rebated \$4 million back to the UT Investment Funds as required by the Investment Management Services Agreement between UTIMCO and

the UT System Board of Regents. No similar rebate occurred in either the 2004 or the 2003 fiscal years.

- Accrued expenses related to bonus payments increased in fiscal years 2003 and 2004 as a direct result of the performance compensation plan approved by the UTIMCO Board of Directors and the UT System Board of Regents.
- Deferred Rent increased in fiscal year 2005 by \$326,753. Under the terms of the office lease effective September 1, 2005, the landlord granted UTIMCO an allowance to be used and applied toward the cost of leasehold improvements in the new space. The amount of this deferred rent will be amortized over the term of the lease.
- Purchases of property and equipment increased in fiscal year 2005 as the organization prepared to move into new leased facilities. There were no significant additions in either 2003 or 2004.
- The purchase of investments has declined sharply since fiscal year 2003. The original purchase of investments with operating reserves was made in fiscal year 2003, thus the large cash outflow. During fiscal years 2004 and 2005, the only additional investment purchases have been the reinvestment of dividends and interest.

Contacting UTIMCO

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

Report of Independent Auditors

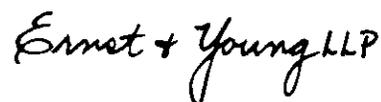
The Board of Directors
The University of Texas Investment Management Company

We have audited the accompanying statement of financial position of The University of Texas Investment Management Company (UTIMCO) as of August 31, 2005 and 2004 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of UTIMCO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of UTIMCO's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UTIMCO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the UTIMCO as of August 31, 2005 and 2004, and the results of its operations and its cash flow for the years then ended, in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis on pages 1 through 5 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



October 27, 2005, except for Note 9 as to which
the date is December 16, 2005

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Financial Position

August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,006,059	\$ 6,682,363
Dividends receivable	21,389	12,207
Investments (Note 4)	7,429,273	7,257,863
Prepaid expenses and other assets	<u>496,627</u>	<u>382,625</u>
Total Current Assets	10,953,348	14,335,058
Non-Current Assets:		
Property and equipment, net of accumulated depreciation of \$1,322,348 and \$1,147,376, respectively	<u>984,898</u>	<u>427,019</u>
Total assets	<u>\$ 11,938,246</u>	<u>\$ 14,762,077</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,876,904	\$ 2,605,500
Deferred rent-current portion (Note 8)	<u>29,705</u>	<u>-</u>
Total Current Liabilities	2,906,609	2,605,500
Non-Current Liabilities:		
Deferred rent-long-term portion (Note 8)	<u>297,048</u>	<u>-</u>
Total Liabilities	3,203,657	2,605,500
Net Assets:		
Unrestricted	<u>\$ 8,734,589</u>	<u>\$ 12,156,577</u>
Total liabilities and net assets	<u>\$ 11,938,246</u>	<u>\$ 14,762,077</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Revenues, Expenses and Changes in Net Assets

For years ended August 31, 2005 and 2004

Changes in unrestricted net assets:

	<u>2005</u>	<u>2004</u>
Revenue		
Management fee	\$ 10,458,115	\$ 9,519,273
Interest	107,807	69,854
Dividends	189,788	165,418
Net unrealized gains/(losses) on investments	(9,197)	6,689
Miscellaneous	<u>38</u>	<u>65</u>
Total revenue	10,746,551	9,761,299
Rebate of management fees to investment funds (Note 3)	(4,000,000)	-
Expenses		
Salaries	6,197,994	5,459,620
Employee benefits	619,816	540,332
Payroll taxes	313,637	206,777
General operating	1,247,204	993,653
Depreciation and amortization	272,836	261,894
Lease	600,593	599,047
Professional fees	661,442	304,972
Insurance	254,214	258,678
Loss on disposal of equipment	<u>803</u>	<u>3,797</u>
Total expenses	<u>10,168,539</u>	<u>8,628,770</u>
Increase/(Decrease) in unrestricted net assets	(3,421,988)	1,132,529
Net assets at beginning of period	<u>12,156,577</u>	<u>11,024,048</u>
Net assets at end of period	\$ <u>8,734,589</u>	\$ <u>12,156,577</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows

For the years ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase (Decrease) in unrestricted net assets from operations	\$ (3,421,988)	\$ 1,132,529
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by operating activities:		
Depreciation	272,836	261,894
Net unrealized (gains)/losses on investments	9,197	(6,689)
Loss on disposal of equipment	803	3,797
Change in assets and liabilities:		
(Increase)/Decrease in dividends receivable	(9,182)	1,532
(Increase) in prepaid expenses and other assets	(114,004)	(32,008)
Increase in accounts payable and accrued expenses	271,404	1,059,350
Increase in deferred rent	<u>326,753</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(2,664,181)</u>	<u>2,420,405</u>
Cash flows used for investing activities:		
Purchase of property and equipment	(831,516)	(152,271)
Proceeds from sale of equipment	-	9,000
Purchase of investments	<u>(180,607)</u>	<u>(166,950)</u>
Net cash used for investing activities	<u>(1,012,123)</u>	<u>(310,221)</u>
Net Increase/(Decrease) in cash and cash equivalents	(3,676,304)	2,110,184
Cash and cash equivalents at beginning of period	<u>6,682,363</u>	<u>4,572,179</u>
Cash and cash equivalents at end of period	<u>\$ 3,006,059</u>	<u>\$ 6,682,363</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 1 - Organization

The University of Texas Investment Management Company (UTIMCO) is a not-for-profit corporation organized to invest funds under the control and management of the Board of Regents (Board) of The University of Texas System. UTIMCO commenced business on March 1, 1996. The financial statements of UTIMCO have been prepared on the accrual basis of accounting. The significant accounting policies are described in Note 2.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of UTIMCO are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. UTIMCO applies all applicable GASB pronouncements and Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Property, equipment and depreciation

As part of UTIMCO's organization, certain equipment was received from The University of Texas System. This equipment was stated at fair value at the time of receipt. Property and equipment acquired after inception consists of office furniture, office equipment, software, and leasehold improvements and is stated at cost. Depreciation and amortization is computed using the straight-line method over the useful lives of the assets. The following is a schedule of the property and equipment at August 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Office furniture	\$ 351,823	\$ 349,709
Office equipment	812,834	805,129
Software	226,124	192,371
Leasehold improvements	<u>916,465</u>	<u>227,186</u>
Total property and equipment	2,307,246	1,574,395
Less accumulated depreciation	<u>(1,322,348)</u>	<u>(1,147,376)</u>
Net property and equipment	<u>\$ 984,898</u>	<u>\$ 427,019</u>

Income taxes

The exclusive purposes for which UTIMCO is organized and is to be operated are charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Service Code, and therefore UTIMCO is not subject to federal income taxes on normal operations. UTIMCO may, however, incur federal income taxes on unrelated business income.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (cont'd)

Cash and cash equivalents

For purposes of the statements of cash flows, UTIMCO considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. UTIMCO invests excess cash in an interest-bearing money market account.

Prepaid expenses and other assets

Prepaid expenses consist of expenses paid in advance for insurance and various services. The prepaid expenses will be ratably expensed over the period to which they relate. In addition, other assets include a deposit of \$89,954 with UTIMCO's landlord. This deposit and any interest earned on it will be returned to UTIMCO at the end of the lease period.

Investments

Investments are carried at market, and realized and unrealized gains and losses are reflected in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 3 - Related Party Transactions

a) Investment Management Services Agreement - The Investment Management Services Agreement has appointed UTIMCO as the Board of Regents' investment manager with complete authority to act for the Board in the investment of all funds. The amount of the management fee for the periods ended August 31, 2005 and 2004 were \$10,450,615 and \$9,519,273, respectively. This represents fees for the following:

	<u>2005</u>	<u>2004</u>
Permanent University Fund	\$ 5,790,979	\$5,360,677
The University of Texas System Long Term Fund	3,483,456	2,997,722
Permanent Health Fund	686,338	621,526
The University of Texas System Short Intermediate Term Fund	<u>489,842</u>	<u>539,348</u>
	<u>\$10,450,615</u>	<u>\$9,519,273</u>

b) UTIMCO contracts for internet and mainframe connection services with The University of Texas System and The University of Texas at Austin. The expense for these services for the periods ended August 31, 2005 and 2004 were \$12,057 and \$13,416, respectively.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (cont'd)

c) On December 6, 2004 UTIMCO rebated \$4 million back to the UT Investment Funds as required by the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. This agreement has subsequently been amended to provide for a discretionary rebate as opposed to a required rebate. The 2005 funds were returned in the amounts detailed below:

Permanent University Fund	\$ 2,390,343
Long Term Fund	1,246,673
Permanent Health Fund	169,581
Short Intermediate Term Fund	<u>193,403</u>
Total Rebate	<u>\$ 4,000,000</u>

Note 4 - Investments

UTIMCO has invested funds in The University of Texas System Short Intermediate Term Fund (SITF). The SITF invests in high grade fixed income obligations. The SITF carries an AAA_r credit quality rating and a bond fund volatility rating of S₂ from Standard & Poor's, Inc. The investment's cost and market value at August 31, 2005 were \$7,507,498 and \$7,429,273, respectively. The investment's cost and market value at August 31, 2004 were \$7,326,891 and \$7,257,863, respectively.

Note 5 - Deferred Revenue

UTIMCO assesses on or before the first day of The University of Texas System's fiscal quarter one-fourth of the annual management fee. The fee is deferred and is ratably credited to revenue monthly. For the periods ended August 31, 2005 and 2004, there was no deferred revenue.

Note 6 - 403(b) Plan

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the periods ended August 31, 2005 and 2004 were \$304,359 and \$280,400, respectively.

Note 7 - Lease Expense

UTIMCO leases office space and parking from an unrelated landlord. The 60-month lease commenced January 15, 2001 and expires January 15, 2006. The minimum rental commitment is \$33,923 per month. Additionally, UTIMCO is responsible to the landlord for its share of operating expenses related to the rental property. The lease expense and operating expenses paid were \$422,212 and \$171,789, respectively, for the period ended August 31, 2005, and \$415,224 and

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (cont'd)

\$177,559, respectively, for the period ended August 31, 2004. Since the lease terminates in January 2006, the future minimum lease payments under the lease term are \$152,654.

UTIMCO has a deposit of \$89,954 with the landlord. This deposit and any interest earned on it will be returned to UTIMCO at the end of the lease period.

Effective September 1, 2005, UTIMCO entered into a new lease for its office space and parking with an unrelated party. This 132 month lease expires August 31, 2016. The following is a schedule by years of the future minimum lease payments under the lease term:

Years ending August 31,	
2006	57,400
2007	523,809
2008	650,745
2009	671,672
Thereafter	<u>4,701,704</u>
Total	<u>\$6,605,330</u>

Note 8 – Deferred Rent

Under the terms of the new office lease effective September 1, 2005, the landlord granted UTIMCO an allowance to be used and applied toward the cost of leasehold improvements in the new space. As of August 31, 2005, this amount was \$326,753. The new property was placed in service on November 14, 2005. The amount of this deferred credit will be amortized over the term of the lease.

Note 9 – Subsequent Event

Pursuant to the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents, UTIMCO rebated an additional \$4 million back to the UT Investment Funds. This transfer involves discretionary funds and no restrictions were or have been placed upon the use of these funds. The approval and return of these funds occurred after the UTIMCO year end, so no liability has been recorded as of August 31, 2005. The rebate was paid November 30, 2005, in the amounts detailed below:

Permanent University Fund	\$ 2,344,400
Long Term Fund	1,293,600
Permanent Health Fund	176,800
Short Intermediate Term Fund	<u>185,200</u>
Total Rebate	<u>\$ 4,000,000</u>

UTIMCO
AUDIT CHARTER
OF THE
AUDIT AND ETHICS COMMITTEE

Background

The Board of Directors (the “Board”) of UTIMCO (the “Corporation”) established an Audit and Ethics Committee (the “Committee”) on February 22, 1996. On July 15, 1996 the Board adopted certain resolutions regarding, among other things, the Corporation’s Audit and Ethics Committee Mandate (the “Mandate”). The Mandate was superceded by this Audit Charter adopted by the UTIMCO Board on June 29, 2000, as amended on June 26, 2003 and further amended on May 19, 2005.

Purpose

The primary purpose of the Committee is to assist the Board in monitoring the financial and compliance functions of the Corporation and the investment funds managed on behalf of The University of Texas System Board of Regents (the “UT Board”) to assure the balance, transparency and integrity of published financial information. Specifically, the Committee is to assist the Board in monitoring:

- the integrity of the financial reporting process, the system of internal controls, the audit process, and the process for monitoring compliance with laws and regulations;
- the independence and performance of the Corporation’s independent auditors;
- the independence and performance of the independent auditors selected by the UT Board to audit the investment funds managed by UTIMCO on their behalf;
- internal audit functions performed by the U T System Audit Office;
- the Corporation's audit policies, ethics programs, and adherence to regulatory requirements; and
- the Corporation's compliance processes associated with investment policies and enterprise risk management.

The Committee is responsible for maintaining free and open communication as well as effective working relationships among the Committee members, independent external auditors, UT System’s internal auditors, and management of the Corporation. To perform his or her role effectively, each committee member

will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Corporation's activities, operations and risks.

The Committee will take all appropriate actions to set the overall tone at the Corporation for quality financial reporting, sound risk practices, and ethical behavior.

Scope

In addition to the Corporation, this Audit Charter shall encompass the investment funds subject to the Investment Management Services Agreement by and between the U T Board and the Corporation effective March 1, 1996, and any subsequent amendments or restatements. As such, the role and purpose of the Committee includes monitoring the functions and processes for both the Corporation and the investment assets managed on behalf of the UT Board.

Composition

The Committee shall be composed of three members of the Board; such members to be appointed from time to time by a majority of the Board and approved by the U T Board as required by Section 66.08 (c)(3) of the Texas Education Code. Members of the Committee must meet the independence and financial literacy requirements as defined below. A member may be removed with or without cause at any time by a vote of a majority of the Board.

Independence Requirements

The Board shall determine that all members of the Committee are independent. The definition of "independent" is a person who has no relationship with the Corporation which would interfere with his or her exercise of independence from management. In addition, Committee members would not be "independent" if during the three years prior to their appointment or at any time during their service on the Committee, they accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation apart from travel and expense reimbursement they may receive as members of the Board and its Committees.

Financial Literacy

The Board, based on its business judgment, shall determine that each member of the Committee is financially literate.

Financial Management Expertise

The Board, based on its business judgment, shall determine that at least one member of the Committee is a “financial expert.” A financial expert possesses the following attributes:

- an understanding of generally accepted accounting principles (GAAP) and financial statements;
- an ability to assess the application of these principles in connection with accounting for estimates, accruals and reserves;
- an understanding of audit committee functions;
- experience preparing, auditing, analyzing or evaluating financial statements, or experience actively supervising persons engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

Meetings; Quorum; Etc.

The Corporation's Bylaws state that any committee created by the Board 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 such 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 any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member of such committee. In the absence or disqualification of a member of a 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.

Functions, Duties and Responsibilities

Review Financial Statements for Quality Considerations. The Committee has the following duties and responsibilities with respect to the financial statements of the Corporation and the investment funds managed on behalf of the UT Board:

- review the annual audited financial statements with management and the independent auditor, including significant issues regarding adequacy of internal controls and accounting principles and practices;
- review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the financial statements;
- discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, relating to the conduct of an audit; and
- receive and review periodic reports from the independent auditor regarding the auditor's independence and discuss such reports with the auditor.

Monitor Management's Handling of Internal Controls and Enterprise Risk Management. The Committee has the following duties and responsibilities with respect to its monitoring of the integrity of the financial reporting process and internal controls of the Corporation and the investment funds managed on behalf of the UT Board:

- review with the independent auditor any problems or difficulties the auditor may have encountered during its audit and any management letter provided by the auditor and the Corporation's response to that letter, such review to include:
 - any restrictions on the scope of activities or access to required information; and
 - any changes required in the planned scope of the audit;
- obtain reports from management, the independent auditor and UT System internal auditor with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations;
- meet at least annually with the independent auditor and the senior personnel of the UT System Audit Office without management participation;
- meet periodically with management to review the major financial risk exposures and the steps management has taken to monitor and control such exposures;

- review significant changes to internal controls and accounting principles and practices as suggested by the independent auditor, internal auditors or management;
- review the significant reports to management prepared by the U T System Audit Office and management's responses;
- review with the Corporation's legal counsel or other appropriate persons legal matters that may have a material impact on the financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies;
- evaluate the overall effectiveness of the corporation's enterprise risk management framework;
- evaluate whether management is setting the appropriate tone at the top by communicating the importance of enterprise risk management; and
- inquire of management, UT System's internal auditor, and the independent external auditor about significant enterprise risks or exposures to the Corporation and how these are being managed.

Manage the Relationship with the External Auditors. The external auditors for the Permanent University Fund are selected by the UT Board. These auditors have a dual reporting responsibility, reporting to both the Audit, Compliance, and Management Review Committee of the UT Board and to the Committee. The external auditors for the Corporation are selected by, and report to, the Board. By agreement between the UT Board and the Board, the external auditors for the other investment funds managed by the Corporation on behalf of the UT Board will be selected by the UT Board and will have a dual reporting responsibility, reporting to both the Audit, Compliance, and Management Review Committee of the UT Board and to the Committee. The Committee may approve additional audit and non-audit services provided by the external auditor related to the Corporation and investment funds as long as the work does not impair auditor independence.

The Committee has the following specific duties and responsibilities with respect to the Corporation's independent auditors:

- recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Committee and the Board.
- approve the fee arrangement of the independent auditor;

- after interviewing members of the Corporation's staff evaluate together with the Board the performance of the independent auditor and, if so determined by the Committee, recommend that the Board replace the independent auditor; and
- if determined by the Committee to be necessary or advisable, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

Auditor Independence

In connection with the selection of external auditors, the Committee shall determine that:

- the public accounting firm engaged to perform the annual audit does not provide non-audit services contemporaneously with the audit;
- the lead audit partner and reviewing partner rotate off of the audit every 5 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not required; and
- the CEO, Controller, CFO, Chief Accounting Officer, or person in an equivalent position shall not have been employed by the public accounting firm during the 1 year period proceeding the audit.

Work with the Internal Audit Function

The Corporation utilizes the UT System Internal Audit Department to perform internal audit functions hereunder with respect to the Corporation and investment funds and report directly to the Committee. The Committee has the following duties and responsibilities with respect to internal audit:

- review the independence, qualifications, activities, resources and structure of the internal audit function;
- review significant findings and recommendations made by the internal auditor and management's response and proposed implementation plan;
- review the proposed internal audit plan for the coming year to determine that it addresses key areas of risk and that there is appropriate coordination with the external auditor;
- review completed internal audits and the status of management's implementing related recommendations; and

- receive a progress report on the internal audit plan with explanations for any deviations from the original plan.

Monitor Ethics Program

The Committee is responsible for overseeing codes of conduct/conflicts of interest and a system of addressing complaints. The Committee has the following duties and responsibilities in monitoring the ethics program:

- review the Code of Ethics policy of the Corporation annually and recommend any proposed changes to the Board for approval;
- annually evaluate and review the Corporation's compliance process;
- follow the UT System compliance guideline as outlined in the Action Plan to Enhance Institutional Compliance; and
- review procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

Oversee Regulatory Compliance

The Committee is responsible for overseeing the effectiveness of the system for assuring compliance with laws and regulations and has the following duties and responsibilities:

- review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;
- obtain regular updates from management and the Corporation's legal counsel regarding compliance matters that may have a material impact on the Corporation's and investment funds' financial statements or compliance policies;
- obtain regular updates from management regarding their consideration of all regulatory compliance matters in connection with the preparation of the financial statements; and
- review the findings of any examinations by regulatory agencies.

Other Duties. The Committee has the following additional duties and responsibilities:

- make regular reports (at least twice each calendar year) to the Board regarding the Committee's activities and such other reports as may be requested by the Board;
- review and reassess the adequacy of this Audit Charter annually and recommend any proposed changes to the Board for approval;
- perform such additional special functions, duties or responsibilities as may from time to time be designated by the Board;
- direct the scope of the Corporation's voluntary compliance with relevant provisions of the Sarbanes – Oxley Act of 2002, monitor and review the implementation of the relevant provisions; and
- evaluate the Committee's own performance, both of individual members and collectively, on a regular basis.

Powers and Limitations

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Corporation or the Corporation's outside legal counsel or the U T System Audit Office to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Approved by the Board of Directors on May 19, 2005.

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Report on Policy Committee Meeting

Developed By: Boldt

Presented By: Rowling

Type of Item: Action required by UTIMCO Board; action required by Board of Regents

Description: The Policy Committee will meet January 16, 2006. This will be the inaugural meeting of the Policy Committee. The Policy Committee will review requested amendments to the Investment Management Services Agreement (“IMSA”) and Intermediate Term Fund Investment Policy Statement. In addition, the Policy Committee will have reviewed a list of all policies approved by the Board of Regents, UTIMCO Board, and internal guidelines and policies (not approved by the UTIMCO Board) to determine which internal guidelines and policies should be UTIMCO Board policies.

Discussion: UT System’s Office of General Counsel and Baker Botts (outside legal counsel for UT System related to UTIMCO) proposed amendments to the IMSA. These amendments were reviewed by Vinson & Elkins and UTIMCO staff. Many differences related to proposed amendments in the IMSA have been resolved. However, there were a few unresolved differences. The proposed amended IMSA attached was prepared by Baker Botts using the latest effective document approved by the Board of Regents and UTIMCO. There is agreement on the additions that are underlined in black and the deletions that are stricken in black. Those items that have been added or stricken in red ink are amendments that UTIMCO staff has proposed and with which UT System staff is not in agreement. The Policy Committee will have reviewed the amendments and will recommend to the Board the final version during its meeting.

Following is a summary of the unresolved differences:

- Section 1. (h), page 4. Definition of Investment Policies has been streamlined.
- Section 2 (b), page 6. Policy matters has been adjusted to clarify that UTIMCO looks to the Chancellor for relations with the media and legal issues that implicate U.T. Board policies other than Investment Policies and that the UTIMCO Board and President are responsible for implementing the Investment Policies of the U.T. Board.

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

- Section 3. (a), page 7. Removed the separate naming of Investment Policies that UTIMCO shall review since the definition in Section 1. (h) states that Investment Policies are all investment policies of the U.T. Board.
- Section 3. (b), page 7. Deleted the paragraphs that contain language that UTIMCO staff believes is more appropriate for the Investment Policy Statements. Language is currently in the ITF Investment Policy and staff will recommend to the Policy Committee the inclusion of such language in all Investment Policy Statements.
- Section 3. (f), page 9. Added language to identify that UTIMCO will follow U.T. System compliance policies and procedures that are adopted or approved by the U.T. Board.
- Section 3. (g), page 9. Added language to be consistent with the last two sentences of Section 3. (g).
- Section 10. (b), page 15. Changes were made to the representations and warranties of UTIMCO in order for both parties to have similar representations and warranties.

In addition, the Policy Committee will review the amendment to the Intermediate Term Fund Investment Policy Statement. This policy is included in TAB 5, and will be discussed during the Update of the ITF. The Policy Committee will also present to the Board its recommendation of the internal guidelines and policies that should be UTIMCO Board Policies.

Recommendation: The Policy Committee will recommend to the Board action related to the IMSA and ITF Investment Policy Statement.

Reference: IMSA; ITF Investment Policy Statement; Report on Policies

**RESOLUTION RELATED TO INVESTMENT MANAGEMENT SERVICES
AGREEMENT**

RESOLVED, that amendments to the Investment Management Services Agreement as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

12/21/2005

MASTER INVESTMENT MANAGEMENT SERVICES AGREEMENT WITH UTIMCO

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~~ February 1, 2006 (the "Effective Date"), and supersedes all earlier agreements by and between the U. T. Board and UTIMCO regarding the subject matter hereof.

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 ~~fund~~assets of the U. T. System and the ~~fund~~assets of various trusts and foundations for which it serves as trustee, all of which ~~fund~~assets 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 ~~fund~~assets 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 ~~fund~~assets 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 ~~fund~~assets 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 ~~fund~~assets 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.

- ~~(a) 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.~~
- ~~(b) 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.~~
- (a) ~~(e)~~ 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.
- (b) ~~(d)~~ Cash Reserves shall mean cash on hand plus investments, plus prepaid expenses, less accounts payable, less other liabilities.
- (c) ~~(e)~~ 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.
- (d) ~~(f)~~ Custodian or Custodians shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safekeep ~~safe-keep~~ physical securities representing investment assets of any Account Fund and to perform the other functions listed in Section 5 hereof.
- ~~(g) 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.~~
- (e) **Delegated Assets shall mean those assets under the control and management of the U. T. Board that are invested in the Funds managed by UTIMCO hereunder, pursuant to the corresponding Investment Policies as such assets may be directed for investment by the U. T. Board or its designees from time to time pursuant to its Investment Policies or otherwise. The Delegated Assets may include, without limitation, the following funds or categories of assets:**

- i. The Permanent University Fund established pursuant to Article VII, Section 11 of the Texas Constitution (the “Permanent University Fund” or “PUF”); provided that, for purposes of this Agreement and the delegation of investment management responsibilities hereunder, the PUF excludes the approximately 2.1 million acres of land located in 19 Texas counties, primarily in West Texas, and constituting a part of the PUF (the “PUF Lands”), as to which the U. T. Board retains complete investment management authority and responsibility;
 - ii. Any and all funds or assets under the control and management of the U. T. Board as owner, administrator, contractual investment manager, or otherwise, including without limitation endowment funds and operating assets, other than the Permanent University Fund, the Permanent Health Fund and the U. T. Board Trust Accounts (collectively, “U. T. System Funds”);
 - iii. The assets of charitable remainder trusts, foundations and other separately invested assets for which the U. T. Board serves as trustee on behalf of itself and other co-beneficiaries (“U. T. Board Trust Accounts”);
 - iv. The permanent assets for health-related institutions established pursuant to Chapter 63, Texas Education Code, for which the U. T. Board is an administrator (collectively, the “Permanent Health Fund” or “PHF”);
 - v. 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 (collectively, “Separately Invested Funds” or “SIFs”); and
 - vi. Certain institutional assets of third-party non-profit charitable foundations dedicated to the support of the educational purposes of the U. T. System under control and management of the U. T. Board by contract or otherwise designated as Delegated Assets by the U. T. Board in consultation with UTIMCO (collectively, “Foundation Funds”).
- (f) Funds shall mean the separate investments or pools of assets in which the Delegated Assets are to be invested pursuant to the corresponding Investment Policies, as specified in Schedule A hereto and in the corresponding Investment Policies, each of which may be amended by the U. T. Board from time to time as provided for herein.
- (g) ~~(h)~~ Indemnified Parties shall mean UTIMCO and any of its officers, directors, employees and agents.

- (h) ~~(i) Investment Policies shall mean the written investment policies determined and approved by the U. T. Board, relating to the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Separately Invested Funds, Short Intermediate Term Fund and the Short Term Fund. Amendments may be presented by UTIMCO to the U. T. Board for review and approval. Funds, and all generally applicable investment related policies that govern the management of investments for some or all Funds, such as the policies regarding Asset Allocation, Derivatives, Liquidity, Risk Measurement and Management, Valuation, and Error Correction in Performance Presentation, but excluding internal UTIMCO operational guidelines as to which approval of the U. T. Board is not required, which include the UTIMCO Soft Dollar Policy and the Proxy Voting Policy (the Proxy Voting Policy being governed by the provisions of the individual Investment Policies related to proxy voting).~~
- (j) ~~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 institutions of the U. T. System.~~
- (i) ~~(k) Losses shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys' fees, accountants' fees 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.~~
- (l) ~~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.~~
- (m) ~~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.~~
- (n) ~~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.~~
- (o) ~~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.~~
- (p) ~~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 institutions of the U. T. System.~~
- (q) ~~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.~~

August 11, 2005

- (j) ~~(r)~~ ***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 **operating and capital budgets approved by the U. T. Board.**
- ~~(s)~~ ***U. T. Board Accounts*** shall mean the investment assets of the General Endowment Fund and U. T. System Funds.
- ~~(t)~~ ***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)~~ ***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.

(a) General

The U. T. Board retains ultimate fiduciary responsibility and authority for all matters related to the investment of the Delegated Assets. Pursuant to that responsibility and 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 Funds, 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 Funds 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~~ set forth in this Agreement and shall manage each Account Fund as a discretionary account.

(b) Policy Matters

The U. T. Board, as ultimate fiduciary for the Accounts Funds, 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)~~ that implicate policies of the U. T. Board other than the Investment Policies and; ~~intergovernmental relations; and other matters arising out of UTIMCO's activities as investment manager under this Agreement that may implicate policies of the U. T. Board other than investment policy.~~ Except for the forgoing matters, ~~the~~ UTIMCO Board of UTIMCO Directors and the President of UTIMCO shall be responsible for making all decisions necessary to implementing the investment policy Investment Policies of the U. T. Board and performing those core investment duties delegated above. It shall be the responsibility of the ~~President of UTIMCO to~~ herein. The President of UTIMCO shall immediately 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.

Meetings and Agendas

- i. 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~~ three (23) weeks prior to each regular UTIMCO Board meeting.
- ii. UTIMCO shall participate in an annual joint meeting of the UTIMCO Board of Directors and the U. T. Board as referenced in Art. III, § 7 of the UTIMCO Bylaws.

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 Funds:

(a) **Investment Policies:**

UTIMCO shall review current investment policies Investment Policies for each Account Fund, and each generally applicable Investment Policy, including without limitation policies ~~those~~ 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 and such other matters as the U. T. Board or its staff designees may request. 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 review and appropriate action, following the established schedule for the submission of proposed agenda topics for meetings of the U. T. Board.

(b) **Investment Management:**

UTIMCO shall oversee the investment management process pursuant to the Investment Policies. Such oversight shall include without limitation 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.

UTIMCO shall measure actual asset allocation at least monthly, incorporating the impact of derivative positions covered under the Derivatives Policy approved by the U. T. Board, and report actual portfolio asset allocation for the Funds to the UTIMCO Board of Directors and the U. T. Board at least quarterly. While specific asset allocation positions may be changed within the ranges specified in the relevant Investment Policies based on the economic and investment outlook from time to time, the range limits may not intentionally be exceeded without prior approval of the U. T. Board.

In the event that actual portfolio positions in asset categories move outside the ranges approved in the relevant Investment Policies due to market forces and/or unanticipated cash flows 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. In the event of extenuating circumstances that could cause immediate rebalancing to be detrimental to the interests of the Fund(s), UTIMCO may request approval of the Chairman of the Board of Directors of UTIMCO for

remedial authority, and in such event UTIMCO will cause its Chairman to report any such actions to the Chairman of the U. T. Board.

(c) **Investment Performance:**

UTIMCO shall monitor and report on investment performance for the ~~PUF, PHF and U. T. Board accounts.~~ Such each of the Funds. With respect to all Funds other than the SIFs, such responsibilities shall include the calculation and evaluation of performance ~~of~~ investment returns for each asset ~~classes~~ class and individual ~~portfolios.~~ Fund portfolio against established approved benchmarks over various periods of time, and the periodic review of performance benchmarks. With respect to all Funds, such responsibilities shall also include the reporting of investment performance of Separately Invested Assets and U. T. Board Trust Accounts ~~as~~ such specific Funds as may be 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~~ 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~~ Funds.

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

UTIMCO shall maintain the books and records for each ~~Account~~ Fund 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.~~ Fund.

The books and records of the ~~Accounts~~ Funds and any and all records concerning UTIMCO and UTIMCO's operations shall be available during normal business hours for inspection by ~~an~~ authorized representative representatives 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 and/or the State Auditor.

(f) **Reporting:**

In connection with the annual audited financial statements of UTIMCO, effective with the August 31, 2004 financial statements, UTIMCO shall provide all compliance-related information, reports and certifications, and shall cause the chief executive officer and the chief financial officer of UTIMCO ~~shall~~ to provide such certifications similar to those ~~required by Section 302 of the Sarbanes Oxley Act of 2002, Corporate~~

Responsibility for Financial Reports, as may be specified by the U. T. Board and U. T. System compliance policies and procedures adopted or approved by the U.T. Board. UTIMCO will follow the U. T. System compliance guidelines as outlined in the Action Plan to Enhance Institutional Compliance, as it may be amended from time to time, including providing the U. T. Board or its ~~designee~~designees 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~~Funds, 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"). UTIMCO shall make no private investment with an entity unless the U. T. Board and UTIMCO 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 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 information not listed in Section 552.0225(b) of the *Texas Government Code*, it is confidential pursuant to the terms of a contract between UTIMCO or the U.T. Board and a third party, or (iii) 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.

In addition to and not in lieu of the foregoing, UTIMCO will comply with the provisions of Section 12 below regarding confidentiality provisions of contracts with third parties.

(h) **Other Services:**

UTIMCO shall perform other investment management services ~~including but not limited to 1)~~, **including without limitation:**

- i) 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 institutions with annual endowment reports reflecting, among other things, changes in the investment value of such institution's endowment and distributions made to such institution to support the activities for which the endowment was established; 7);

- ii) rendering services to managers of private equity investments in which UTIMCO has decided to invest;**
- iii) attending meetings of governing bodies of companies in which assets of Funds have been invested pursuant to this Agreement;**
- iv) voting of securities (or proxies with respect thereto) held as investments of the Funds in accordance with the Investment Policies and the UTIMCO Proxy Voting Policy and any other relevant written policies or rules of the U. T. Board;**
- v) providing U. T. System institutions with annual endowment reports reflecting, among other things, changes in the investment value of such institution's endowment and distributions made to such institution to support the activities for which the endowment was established;**
- vi) 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~~assets~~ to authorized beneficiaries on foundation accounts; 8) effecting distributions directly or through the Custodian to U. T. System 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.;**
- vii) effecting distributions directly or through the Custodian to U. T. System institutions or other named beneficiaries from the Funds;**
- viii) supporting and maintaining on-line information systems for endowment funds;**
- ix) providing training and education to members of the UTIMCO Board of Directors as may be determined in consultation with U. T. System staff 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; and**

- x) any other services necessary to provide investment management of the Funds.

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

UTIMCO acknowledges that it ~~will be acting~~acts as a fiduciary with respect to managing in its management of the investments of the ~~Accounts~~subject Funds pursuant 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~~Funds as a result of investments made pursuant to the Investment Policies and applicable law, 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 select one or more Custodians, each of which shall be approved by the U. T. Board, which shall also enter into or approve each agreement with the Custodian(s).

UTIMCO shall use ~~eustodians~~the Custodian(s) for safekeeping, settlement of security purchases, sales, collection of income and other duties, as may be more fully described in the existing ~~eustody~~relevant agreement(s) between UTIMCO and the Custodian, which agreement, together with the U. T. Board's rights, duties and obligations thereunder, has been assigned to UTIMCO. the Custodian(s) and the U. T. Board or UTIMCO (as agent of the U. T. Board). 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~~Funds and to perform other duties, subject to any restrictions in the relevant Investment Policies.

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:**

i. Budget Approval Policy

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~~ **Funds**. 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~~ **Funds**, 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. **In addition to its Annual Budget, UTIMCO shall annually submit its capital expenditures budget approved by the UTIMCO Board of Directors to the U. T. Board for approval.**

ii. Allocation Formula

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~~ **Funds**. 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.

iii. Charging of Funds for Management Fee

On or before the first day of each fiscal quarter, UTIMCO shall be entitled to charge each ~~Account~~ **Fund** 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.

iv. Payment of Third Party Vendors

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

(b) Directors Fees: Cash Reserves:

Within 90 days after the end of each fiscal year, UTIMCO will distribute back to the Funds which generated the surplus that portion of the Surplus Cash Reserves as may be directed by the U. T. Board, in its sole discretion, from time to time. Such distribution back to the Funds shall be in the same proportion that the Funds contributed to the Cash Reserves.

(c) UTIMCO Management Service on Outside Boards:

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Account Fund 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.

(d) ~~(e)~~ 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 Funds managed by UTIMCO. Such Capital Fees shall be credited to the Accounts Funds from which such investments are funded.

(e) ~~(d)~~ Miscellaneous Fees:

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

~~(e)~~ Cash Reserves:

~~Within 90 days after the end of each fiscal year, UTIMCO will distribute back to the Accounts which generated the surplus that portion of the Surplus Cash Reserves as may be directed by the U. T. Board, in its sole discretion, from time to time. Such distribution~~

~~back to the Accounts shall be in the same proportion that the Accounts contributed to the 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~~Funds; provided that UTIMCO shall not select a brokerage firm that is an Affiliate of UTIMCO or any of its officers, directors or employees. All orders for ~~Account~~Fund 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 may, from time to time ~~and~~ in accordance with applicable law and UTIMCO's Soft Dollar Policy and Procedures, ~~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~~. Funds.

Section 9. Valuation of ~~Account~~Fund Assets.

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

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.~~

(a) The U. T. Board represents and warrants that:

- i.** ~~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, and this Agreement constitutes a valid and binding agreement of the U. T. Board.

ii. 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.

iii. F. — The U. T. Board has approved:

(A) — (1) — the Articles of Incorporation and Bylaws of UTIMCO;

(B) — (2) — the Investment Policies;

(C) — (3) — the Audit and Ethics committee Committee of UTIMCO; and

(D) — (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.

(b) UTIMCO represents and warrants that:

i. — 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. 1.396-1.01 *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.

i. B. — The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized and this Agreement constitutes a valid and binding agreement of UTIMCO. 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.~~

~~iii.D. — This Agreement constitutes a valid and binding agreement of UTIMCO.~~

~~ii. — 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.~~

(c) Investment Company Act and State Securities Act:

The parties to this Agreement acknowledge and agree that UTIMCO is not currently required to, and shall not engage in any activities that would require it 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 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, **and cause its directors, officers, and employees to abide by,** the following policies:

- a) a) — UTIMCO Code of Ethics as approved by the U. T. Board;**
- b) b) — UTIMCO Bylaws as approved by the U. T. Board;**
- c) e) — All UTIMCO policies;**
- d) d) — Applicable portions of the U. T. Board's Regents' Rules and Regulations; and**
- e) All U. T. Board-approved Investment Policies, resolutions, and applicable law.**

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. **2263.005, in addition to any obligations regarding disclosure of private investment information and the like as contemplated by Section 3(g) of this Agreement.**

Section 12. Contracts with Third Parties.

UTIMCO covenants and agrees that each agreement, contract, or understanding it enters into with any third party will comply with all applicable law (including without limitation Texas Government Code Sections 2263.002 and 2263.005 as referenced in Section 11

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above), and will not contain any term or provision limiting the ability of UTIMCO, the U. T. Board, the U. T. System, or any of its institutions to comply with any provision of applicable law, including without limitation any covenant regarding non-disclosure of confidential information or similar subject matter that would purport to limit the ability of UTIMCO or the U. T. Board to comply with any provision of the Texas Public Information Act or other law regarding public disclosure.

UTIMCO further covenants and agrees that it will not enter into any contracts indemnifying or holding harmless any third party to a greater extent than the scope of the indemnification of the Indemnified Parties by the U. T. Board without the prior consent and approval of the Vice Chancellor and General Counsel of the U. T. System.

Section 13. ~~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 14. ~~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 Funds under this Agreement.

~~Section 14.~~ **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, subject to UTIMCO's Articles of Incorporation and Bylaws and applicable law.

Section 16. Amendments.

No amendment hereto shall be effective unless executed by duly authorized representatives of each party in the same manner as this Agreement.

Section 17. Notices.

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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 address other party. The at the following are the designated addresses for such notices or communications and which may only be changed by communication notice sent 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~~ This Agreement is personal to the parties hereto, and no assignment of this Agreement by UTIMCO, whether by contract, merger, consolidation, or operation of law, shall be made ~~without having obtained~~ other than with the prior written consent of the U. T. Board ~~nor is the Agreement assignable by the U. T. Board~~ and in compliance with applicable law.

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 **following due notice**, 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 FundsAssets.

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 **or any Fund** 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, **any Fund, or any associated assets,** or to settle contested claims or litigation that may result in ~~UTIMCO receiving~~ **receipt of** 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 **U. T.** System officials, as set out in the Regents' *Rules and Regulations*.

Section 22. Communications.

UTIMCO and **the** 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.

August 11, 2005

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~~ **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.

August 11, 2005

Section 25. No Third Party Beneficiaries.

UTIMCO and the U. T. Board each agree that there are no third party beneficiaries of this Agreement.

Section 26. ~~Section 25.~~ Section 25. Governing Law.

This Agreement and all matters arising under **or related to** 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

12/21/2005

Schedule A

Funds

This Schedule A setting forth the Funds managed by UTIMCO pursuant to this agreement as fiduciary on behalf of the U. T. Board, in which the Delegated Assets are to be invested as directed by the U. T. Board pursuant to its Investment Policies, may be amended from time to time by the U. T. Board in consultation with UTIMCO to add or remove Funds, change fund allocations, reflect revisions to the corresponding Investment Policies, or otherwise. The Funds covered under this Agreement as of the Effective Date of this Agreement, and the corresponding Investment Policies, are as follows:

- a. Permanent University Fund: The PUF (as defined in Section 1(e)(i)) will be separately invested in accordance with the PUF Investment Policy Statement.
- b. Permanent Health Fund: -- The PHF (as defined in Section 1(e)(iv)) will be separately invested in accordance with the PHF Investment Policy Statement.
- c. Separately Invested Funds: The SIFs (as defined in Section 1(e)(v)) will be separately invested in accordance with the SIF Investment Policy Statement.
- d. Long Term Fund ("LTF"): 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 institutions of the U. T. System, with investments made in accordance with the LTF Investment Policy Statement.
- e. General Endowment Fund ("GEF"): 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, and the GEF funds will be invested in accordance with the GEF Investment Policy Statement.
- f. Short Intermediate Term Fund ("SITF"): Selected U. T. System Funds (as defined in Section 1(e)(ii)) (other than endowment and other long-term funds, including the Permanent University Fund) designated from time to time by the U. T. Board or its U. T. System staff designees will be collectively invested in the short intermediate term pooled investment fund governed by the SITF Investment Policy Statement.
- g. Short Term Fund ("STF"): Selected U. T. System Funds designated from time to time by the U. T. Board or its U. T. System staff designees will be invested in the STF, which is the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U. T. System Funds, in accordance with the STF Investment Policy Statement.
- h. Institutional Index Funds: The Institutional Index Funds currently comprise the following two index Funds:

- (i) The U.S. Debt Index Fund B, a U.S. debt index fund which replicates the Lehman Brothers Aggregate Bond Index fund and is currently managed by BGI for UTIMCO.
- (ii) The Equity Index Fund B, an equity index fund which replicates the S&P 500 index and is currently managed by Barclays Global Investors (BGI) for UTIMCO.
- i. The Intermediate Term Fund (“ITF”):- The ITF was established by the U. T. Board as a pooled fund for the collective investment of operating assets and other intermediate and long-term assets held by U. T. System institutions and U. T. System administration. The ITF will be invested in accordance with the ITF Investment Policy Statement.

Policies, Procedures and Guidelines, and Governance Documents

Item	UT Board Approved	UTIMCO Board Approved	Internal
Documents governing investment activity			
Investment Policy Statements <ul style="list-style-type: none"> • Permanent University Fund • General Endowment Fund • Permanent Health Fund • Long Term Fund • Short Intermediate Term Fund • Separately Invested Accounts • Short Term Fund • Intermediate Term Fund 	✓	✓	
Derivative Policy	✓	✓	
Liquidity Policy	✓	✓	
Investment Performance Reporting Error Correction Policy	✓	✓	
Valuation Criteria for Alternative Assets		✓	
Distributed Stock Policy			✓
Soft Dollar Policy			✓
Proxy Policy			✓
Documents covering corporate governance			
Investment Management Services Agreement	✓	✓	
Articles of Incorporation	✓	✓	
Bylaws	✓	✓	
Audit and Ethics Committee Charter	✓	✓	
Compensation Committee Charter	✓	✓	
Policy Committee Charter	✓	✓	
Risk Committee Charter	✓	✓	
Documents covering compliance and other corporate activities			
Delegation of Authority Policy		✓	
Code of Ethics Policy	✓	✓	
Policy for Security of Information Services			✓

Open Meeting Policy Guidelines			✓
Compliance Training Policy			✓
Travel Guidelines			✓
Employee Handbook			✓
Company Equipment Policy			✓
Disaster Recovery Plan			✓

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Report on Risk Committee Meeting

Developed By: Reed

Presented By: Tate

Type of Item: Possible action required by UTIMCO Board

Description: The Risk Committee meeting will meet on January 16, 2006. The Risk Committee will pursue its agenda items at the beginning of the meeting. For the final thirty minutes of the meeting, the Risk Committee will meet jointly with the Audit and Ethics Committee to clarify each committee's role with respect to enterprise/investment risk responsibilities. Based on the decision of the committees, the Risk Committee may recommend an amendment to the Charter of the Risk Committee.

Discussion: The Risk Committee's charter states that the purpose of the Risk Committee is to provide oversight and monitor liquidity and investment risk management of the Endowment Funds. The focus of this meeting in particular will be to discuss risk management related items. The agenda includes a review of the most recent UTIMCO Risk Dashboard. Additionally, UTIMCO staff will present materials related to derivative compliance pursuant to the Derivative Policy.

Recommendation: The Risk Committee will recommend action related to the Charter of the Risk Committee, if any.

Reference: UTIMCO Risk Dashboard; Charter of the Risk Committee

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, 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) 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.

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 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 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 to exceed the lower illiquidity limit specified in the Liquidity Policy for the respective Funds' total portfolio.
- The Committee must review and approve, before any such action or actions are taken, any proposed changes in allocations among existing investments that would cause the allocation for illiquid investments in either the PUF or GEF to exceed the lower illiquidity limit specified in the liquidity policy for the respective funds total portfolio.
- The Committee must review and approve, before any such action or actions are taken, any proposed investment action or actions that would increase the actual investment position in illiquid investments in either the PUF or GEF 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.

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Update on ITF

Developed By: Boldt

Presented By: Boldt

Type of Item: Information Item

Description: This agenda item will update Board members on preparations for the launch of the Intermediate Term Fund on February 1, 2006.

Recommendation: Staff recommends approval of changes to the Investment Policy Statement as presented. Additional approval by the Board of Regents is required.

Discussion: In the course of preparation for the ITF launch, several accounting issues have emerged. These issues will be presented and discussed in order to keep the Board informed. As a result of our increased understanding of operating funds accounting procedures at the Components, we are recommending a change to the recently approved ITF Investment Policy to provide for distributions from the Fund. We will also present, at the meeting, alternative methods for setting the distributions. The methods to be presented for consideration will be determined in an ITF advisory committee meeting on January 10, 2006, and are, therefore, not included in this material.

We will also present the external manager roster and initial asset allocation for the ITF.

In addition, the Marketable Alternative Investment staff has been given the opportunity by two managers, Perry and Farallon, to increase the Hedge Fund Pool's investment in their product. Staff is seeking approval to increase the ceiling limits on these managers as prescribed in the attached Manager Exception List for the ITF.

Reference: Intermediate Term Fund Investment Policy

**Intermediate Term Fund
Asset Allocation**

	Weight	Investment
US Equities	15.0%	450,000,000
Developed International	5.0%	150,000,000
Emerging	5.0%	150,000,000
Hedge Funds	25.0%	750,000,000
REITS	10.0%	300,000,000
Commodities	5.0%	150,000,000
TIPS	10.0%	300,000,000
Fixed Income	25.0%	750,000,000
TOTAL PORTFOLIO	100.0%	3,000,000,000

Intermediate Term Fund - Equity Breakdown

as of % of Fund	Passive	Enhanced	Active	Total
US Equities	2.5%	4.2%	8.3%	15.0%
Developed International	1.3%	1.0%	2.7%	5.0%
Emerging	2.3%	0.0%	2.7%	5.0%
as a % of Asset Class	Passive	Enhanced	Active	Total
US Equities	16.7%	27.8%	55.6%	100.0%
Developed International	26.7%	20.0%	53.3%	100.0%
Emerging	46.7%	0.0%	53.3%	100.0%

as a % of Asset Class	Large Cap	Mid	Small	Total
US Equities	55.6%	11.1%	33.3%	100.0%
Developed	66.7%	16.7%	16.7%	100.0%

Expected ITF Investment	3,000,000,000
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US Equities				
	Passive / Enhanced / Active	Weighting	Overall Allocation	Projected Dollar Amount
Equity Index Futures	P	11.1%	1.7%	50,000,000
IOO / OEF	P	5.6%	0.8%	25,000,000
BGI Russell 3000 Alpha Tilts	E	11.1%	1.7%	50,000,000
BGI Russell 2000 Alpha Tilts	E	5.6%	0.8%	25,000,000
GSAM Flex	E	11.1%	1.7%	50,000,000
BlackRock Small	A	4.4%	0.7%	20,000,000
FL Small	A	8.9%	1.3%	40,000,000
Westport	A	8.9%	1.3%	40,000,000
FL Midcap	A	5.6%	0.8%	25,000,000
Levin	A	5.6%	0.8%	25,000,000
Relational	A	5.6%	0.8%	25,000,000
ValueAct	A	5.6%	0.8%	25,000,000
Blavin	A	5.6%	0.8%	25,000,000
TCW	A	5.6%	0.8%	25,000,000
US Equities		100.0%	15.0%	450,000,000

Developed Equities				
Manager	Passive / Enhanced / Active	Weighting	Overall Allocation	Projected Dollar Amount
EAFE ETFs	P	26.7%	1.3%	40,000,000
BGI EAFE Tilts	E	10.0%	0.5%	15,000,000
GSAM International	E	10.0%	0.5%	15,000,000
BlackRock Global ex US	A	10.0%	0.5%	15,000,000
Globeflex	A	10.0%	0.5%	15,000,000
Globeflex Microcap	A	6.7%	0.3%	10,000,000
Dalton JMBO	A	6.7%	0.3%	10,000,000
Cundill EAFE	A	10.0%	0.5%	15,000,000
Lansdowne ELO	A	10.0%	0.5%	15,000,000
Developed Equities		100.0%	5.0%	150,000,000

Emerging Equities				
Manager		Weighting	Overall Allocation	Projected Dollar Amount
EM ETFs	P	46.7%	2.3%	70,000,000
Lansdowne EM	A	20.0%	1.0%	30,000,000
Templeton - High Alpha	A	10.0%	0.5%	15,000,000
Templeton	A	10.0%	0.5%	15,000,000
LSV	A	6.7%	0.3%	10,000,000
Dalton Taiwan	A	6.7%	0.3%	10,000,000
Emerging Market Equities		100.0%	5.0%	150,000,000

Hedge Funds				
Manager		Weighting	Overall Allocation	Projected Dollar Amount
Directional		50.0%	12.5%	375,000,000
Absolute Return		50.0%	12.5%	375,000,000
Hedge Funds		100.0%	25.0%	750,000,000

REITs				
Manager		Weighting	Overall Allocation	Projected Dollar Amount
Cohen & Steers	A	66.7%	6.7%	200,000,000
Morgan Stanley	A	33.3%	3.3%	100,000,000
REITs		100%	10.0%	300,000,000

Commodities		100%	5%	150,000,000
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TIPS				
Manager		Weighting	Overall Allocation	Projected Dollar Amount
PIMCO	A	40.0%	4.0%	120,000,000
Reams	A	40.0%	4.0%	120,000,000
Internal	A	20.0%	2.0%	60,000,000
TIPS		100%	10.0%	300,000,000

Fixed Income				
Manager		Weighting	Overall Allocation	Projected Dollar Amount
PIMCO	A	40.0%	10.0%	300,000,000
Reams	A	40.0%	10.0%	300,000,000
Internal	A	20.0%	5.0%	150,000,000
Fixed Income		100%	25.0%	750,000,000

THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND INVESTMENT POLICY STATEMENT

Purpose and Structure

The University of Texas System Intermediate Term Fund (ITF) was established by the Board of Regents of The University of Texas System (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 U. T. System Administration.

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 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 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 ITF consists of intermediate and long-term funds held by the U. T. System Board of Regents, as a fiduciary, for the benefit of U. T. System institutions, U. T. System Administration, and other affiliated funds. ITF assets are pooled for efficient investment purposes and managed by UTIMCO over the intermediate to longer term.

The primary investment objective of the ITF is to preserve the purchasing power of ITF assets by earning a compound annualized return over rolling three-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3%. The ITF's success in meeting this objective depends upon its ability to generate higher returns in periods of low inflation that will offset lower returns generated in years when the capital markets under-perform the rate of inflation.

The secondary ITF objective is to generate a return, net of all direct and allocated expenses, measured monthly by the independent custodian and reported at least quarterly, in excess of the approved Policy Portfolio benchmark over rolling three-year periods. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of asset class indices reported by the independent custodian and weighted to reflect ITF's approved asset allocation policy targets as defined in Exhibit A.

Limiting factors are that prudent diversification within each approved asset class must be maintained at all times; and a portfolio risk profile within the approved Policy Portfolio

risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, must be sustained at all times. Liquidity of the ITF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

ITF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.

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 for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting 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 securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to 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 website 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:

- Highly liquid 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 sub-sectors:

- 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. An external investment manager may be authorized by the terms of an investment advisory agreement to invest up to a maximum of 50% of the total fixed income portfolio 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.

Equities

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.

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. The ITF shall provide monthly distributions to the unitholders. The UTIMCO Board will recommend the per unit distribution rate to the Board of Regents.~~

Distributions from the ITF to the unitholders shall be made monthly on the first business day of each month based on the unitholders participation on the previous business day's end.

Purchase and Redemption of ITF Units

The ITF participants may purchase units on the first business day of each month upon payment of cash or reinvestment of distributions 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 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.

Securities Lending

The ITF may participate in a securities lending contract with a bank or non-bank 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 ensure 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 unit-holders, 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**

Asset Categories	Percent of Policy (%)		Benchmarks
	Policy Targets	Policy Ranges	
U. S. Equities	15	5 to 20	Russell 3000 Index
Global ex U. S. Equities	10	0 to 15	
Non - U. S. Developed Equity	5	0 to 10	MSCI EAFE Index with net dividends
Emerging Markets Equities	5	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	25	10 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	10 to 35	
REITS	10	0 to 15	Dow Jones Wilshire Real Estate Securities Index
Commodities	5	0 to 10	Combination Index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	10	5 to 15	Lehman Brothers US TIPS Index
Fixed Income	25	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

		% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	-6.4	127%
Lower Risk Bound: 1 yr Downside Deviation (%)	-3.5	69%

**RESOLUTION TO INCREASE INVESTMENT MANDATES FOR
CERTAIN MARKETABLE ALTERNATIVE INVESTMENTS**

RESOLVED, that the proposed new limits to investment mandates for certain Marketable Alternative Investments be, and is hereby approved in the form as submitted to the Corporation's Board of Directors.

Manager Exception List for the Intermediate Term Fund

Existing Marketable Alternative Managers (\$ in millions) November 30, 2005	Product	Potential Investment for Hedge Fund Pool ³	Current Exposure in PUF / GEF (\$14,553.7)	Current Exposure as a % of UTIMCO Assets	Total Combined Manager Exposure (Potential+Current Exposure)	Proposed Exposure as a % of UTIMCO Assets	Exposure as a % of Manager's Assets
Absolute Return							
Perry	Perry Partners International	37.5	449.3				
	Perry Commitment	<u>37.5</u>	<u>50.1</u>				
	Total	75.0	499.4	3.43%	574	3.56%	5.30%
	Proposed New Limit (Note: \$600 million was the proposed new limit approved at the November BOD meeting)						
Farallon	FCOI II	0	440.5				
	FCOI	<u>75.0</u>	<u>0</u>				
	Total	75.0	440.5	3.03%	516	3.02%	3.38%
	Proposed New Limit (Note: \$500 million was the proposed new limit approved at the November BOD meeting)						

¹ Current exposure reflects holdings by Marketable Alternatives as of November 30, 2005

² Dependent upon capacity

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Website Security Audit and IT Disaster Recovery

Developed By: Edwards

Presented By: Edwards

Type of Item: Information Item

Description: UTIMCO contracted with Denim Group to assess and advise on the security of the new CPSystem supporting the new ITF and STF. Additionally, we are reviewing and implementing new disaster recovery plans.

Discussion: Denim Group will have completed their review and an update will be presented to the Board. This will provide sufficient time to make any software or hardware adjustments required to assure a secure system. The review by Denim includes an external invasion and internal tests using both simple and sophisticated methods.

With the implementation of the CPSystem, up time for the web based applications is more critical than before. In conjunction with the review of our new server environment we are in the process of providing a new disaster recovery plan. We have included the old plan as a point of reference.

Recommendation: None

Reference: Disaster Recovery Plan



The University of Texas Investment Management Company



Disaster Recovery Plan

Introduction

This plan is to be used in the event of a disaster that disrupts The University of Texas Investment Management Company(UTIMCO) information services. It has three primary objectives:

- 1) Identify resources that will be needed to restore automated information systems.
- 2) Define roles to be played by UTIMCO staff responsible for recovery.
- 3) Define actions to be taken to restore information systems.

The plan is available as a hyper-linked document and is stored on multiple computers to ensure accessibility. It is also available in printed form and is distributed to key recovery personnel in this format.

If you have questions or suggestions you may contact the UTIMCO Helpdesk at:

Telephone: (512)225-1650

FAX: (512)225-1660

Postal address: The University of Texas Investment Management Company
Information Technology Services
221 West 6th Street, Suite 1700
Austin, Texas 78701

Electronic mail: Helpdesk@utimco.org



Disaster Recovery Plan Table of Contents

Section 1:	<u>Introduction</u>
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Section 4:	<u>Prevention</u>
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Section 8:	<u>Disaster Scenario #4 – Loss of connectivity between UTIMCO and UT Austin campus</u>
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Section 10:	<u>Teams – Responsibilities</u>
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Section 15:	<u>Contacts</u>
Section 16:	<u>Recovery Locations</u>
Section 17:	<u>Critical Equipment Inventory</u>
Section 18:	<u>Server Room Layout</u>
Section 18:	<u>Plan Administration</u>



Disaster Recovery Plan

Disaster Definitions, Classifications and Declarations

Disaster: For the purposes of this plan, a disaster is defined as being a disruption to UTIMCO information systems of sufficient severity as to require an immediate redirection of resources to restore services in order to prevent operational, financial or political harm to the company.

Disaster Classifications:

Disasters vary in scope and consequence. For our purposes a disaster is classified as being either type “B” or type “A”. The classification is based not on the underlying cause of the disaster (fire, storm, vandalism, etc.), but rather on the extent to which resources must be reallocated to restore services and prevent harm to the company.

Type A: The type “A” disaster is one of such severity that significant financial and/or human resources requiring executive management approvals will be required for recovery.

Type B: The type “B” disaster is a disruption requiring action that goes beyond normal system maintenance and trouble-shooting, but that does not warrant reallocation of resources to an extent requiring executive management approvals. It is of less severity than the type “A” disaster.

Declaring a Disaster:

Type A: Only an executive officer of the company can declare a type “A” disaster.

Type B: Information Technology Services administration (Manager and Sr. Network Analyst) have the authority to declare a type “B” disaster. Disasters of this type are typically handled by ITS with appropriate status reports being provided to executive management.



Disaster Recovery Plan

Disaster Prevention

The best disaster is one that never occurs. The University of Texas Investment Management Company takes precautionary measures designed to prevent information technology disasters and to limit the scope and consequence of those that may occur. Following is an overview of strategies we use to achieve a low risk environment.

Policy: The University of Texas Investment Management Company has adopted a Policy for the Use and Protection of Information Resources. This policy applies to all University of Texas Investment Management Company information resources.

Risk Assessment: UTIMCO performs risk assessments on an as needed basis.

Disaster Planning: Mainframe applications used at UTIMCO execute on the U. T. Austin mainframe computer. Contingency plans for restoration of these systems are included in the U. T. Austin disaster recovery plan. The plan at hand extends our planning to include our network and internet based systems.

Training: UTIMCO will provide information technology policy training as part of the annual ethics training. This training will cover the UTIMCO policies on the use and protection of information resources.

Redundancy: UTIMCO deploys a number of redundant systems to prevent loss of service.

For data storage we have begun to implement RAID technology to allow continued operations in the event of failed disk drives.

We have a replacement server that can be placed into service if our primary server were to become inoperable. The production server and replacement server reside in separate parts of the building.

To ensure accessibility in case a disaster were to occur, this Disaster Recovery document is kept in two online locations, the UTIMCO Intranet and the Sr. Network Analyst's notebook computer. In addition it is kept in printed format and distributed to key UTIMCO recovery team personnel. A distribution list is included in this plan.



The University of Texas Investment Management Company



Disaster Recovery Plan

Data Storage Architecture:

Local Disk Drives are used in all the servers to store the data. Users are instructed not to store anything on their workstation disk drives. In the event of a workstation disk failure, all data would be lost since none of the workstation disk drives are being backed up.

Data Backups:

UTIMCO's network based systems store files on Windows NT file servers. Regularly scheduled backups are made of these files. These are stored off-site at Bank One in the vault. Restoration tests are performed quarterly to insure reliability of backups. We have implemented a strategy in which network data backups are created on a backup server then stored off-site weekly. The daily backup tapes are stored separately from the network servers. Therefore, if the building were to be destroyed our data would be available in the vault at BankOne.

Parts Inventory:

UTIMCO does not keep a parts inventory. We will purchase temporary replacement parts as the need arises.

Power Surge Protection:

All file servers and critical network components are protected against damage from power surges or blackouts by uninterruptable power supplies. File servers will automatically close all files and gracefully shut down in the event of an extended power outage.

Communications Procedures:

In the event of an emergency, quickness of response is of high importance. To respond quickly one must be able to reach recovery team members and access the necessary computer resources. The following procedures are in place to help ensure the ability to respond quickly.

UTIMCO ITS employees carry a phone list containing the office, home and, if available, cell phone numbers of other ITS employees. This ensures an ability to reach other staff.

Passwords to critical computers are kept in sealed envelopes in the BankOne vault. These are accessible to ITS administration in the event of an emergency.

ITS administration members keep UTIMCO and U.T. System Administration staff phone books at home to be used in the event of emergency. These phone books contain home phone numbers.



Disaster Recovery Plan

Disaster – Scenarios and Action Plans

Scenario #1:	Loss of File of Web server
Classification:	<u>Type B</u> – The loss of a file or web server can typically be handled by ITS using existing resources.
Target Recovery Time:	Less than 4 hours.
Recovery Approach:	The destruction of a single server requires that a replacement server be brought on-line and loaded with current data
Recovery Location	The primary UTIMCO servers are located in the server room. These servers are backed up in the server room, therefore if a server is destroyed, recovery will take place in the server room.
Required Recovery Teams:	<ul style="list-style-type: none"> • Information Technologies Team • Helpdesk Team
Action Steps	<ol style="list-style-type: none"> 1. Notify <u>Information Technologies Team</u> 2. Alert <u>Helpdesk Team</u> 3. Information Technologies Team meets with team leaders and appropriate management to determine a plan of attack/course of action with appropriate executive approval.
Notes:	<ul style="list-style-type: none"> • Determine which server is affected • If server is mirrored, switch processing to alternate server. • If server is not mirrored, obtain onsite backup tapes and load backup data. • Following data load, switch processing to the replacement server. • Notify Helpdesk of completion (Click for procedures) • Following restoration, the Information Technologies Team conducts a review meeting to revise procedures as needed. • Refer to applicable network documentation.



Disaster Recovery Plan

Disaster – Scenarios and Action Plans

Scenario #2:	Company wide loss of computers
Classification:	<u>Type B</u> assuming that the outage is caused by isolated power outage or severed network wiring. (If the department work environment is damaged, the incident would be upgraded to a Type A).
Target Recovery Time:	Less than 1 day.
Recovery Approach:	Office operations would be moved to another location.
Recovery Location	none
Required Recovery Teams:	<ul style="list-style-type: none"> • <u>Information Technologies Team</u> • <u>Helpdesk Team</u>
Action Steps	<ol style="list-style-type: none"> 1. Notify Information Technologies Team 2. Information Technologies Team meets with team leaders and appropriate management to determine a plan of attack/course of action with appropriate executive approval.
Notes:	<ul style="list-style-type: none"> • Change network configurations to allow replacement computers to access the affected department's server files. • Forward affected phones to new location. • Begin installation of new phones in new location. • Operations would move back to the department as soon as the department situation is resolved. • Following restoration, the Information Technologies Team conducts a review meeting to revise procedures as needed. • Refer to applicable network documentation.



Disaster Recovery Plan

Disaster – Scenarios and Action Plans

Scenario #3:	Destruction of UTIMCO server room
Classification:	Type A
Target Recovery Time:	Full operating in 3 days.
Recovery Approach:	If the UTIMCO server room were destroyed, (assuming fire or flood), it would eliminate all data and most telephone services for UTIMCO. If the destruction is isolated to just the server room, ITS would move operations to the UTIMCO Training Room or a conference room. ITS would have to patch internet and telephone connectivity around the server room. Replacement equipment needed would include the replacement file server, replacement Cisco Router, and replacement telephone patches. We would have to get a router and server from one of our vendors.
Recovery Location	UTIMCO Training Lab or conference room, any other office as a backup option
Required Recovery Teams:	<ul style="list-style-type: none"> • <u>Information Technologies Team</u> • <u>Executive Management</u> • <u>Helpdesk Team</u> • <u>Human Resources Team</u>
Action Steps	<ol style="list-style-type: none"> 1. Alert Information Technologies Team 2. Information Technologies Team meets with team leaders and appropriate management to determine a plan of attack/course of action with appropriate executive approval.
Notes:	<ul style="list-style-type: none"> • UT Austin will be contacted to notify about internet connectivity issues. • Southwestern Bell will be contacted to reroute T1 connection for internet to another location. • Information Technologies Team would begin restoring file servers on new equipment in recovery location. • Cisco and Dell would be contacted for immediate purchase of replacement routers, firewalls, and computers. • Capital Area Networks would be contacted for replacement of phone switch • Data and phone operations would be brought up from the recovery location • Once the UTIMCO server room is restored, operations would be moved back to that location. • Following restoration, the Information Technologies Team conducts a review meeting to revise these procedures as needed. • Refer to applicable network documentation.



Disaster Recovery Plan

Disaster – Scenarios and Action Plans

Scenario #4:	Loss of Connection between UTIMCO and U.T. Austin
Classification:	Type B – Data travels between UTIMCO and U.T. Austin over a single T1 circuit. This circuit is provided by Southwestern Bell Telephone and is a zero-mile loop to the Greenville CO in downtown Austin
Target Recovery Time:	Less than 1 day.
Recovery Approach:	Contact Southwestern Bell and turn in a trouble ticket. Pending replacement or repair by Southwestern Bell, coordinate with U.T. Austin for connection of new circuit.
Recovery Location	UTIMCO Server Room
Required Recovery Teams:	<ul style="list-style-type: none"> • <u>Information Technologies Team</u> • <u>Helpdesk Team</u> • <u>Human Resources Team</u>
Action Steps	<ol style="list-style-type: none"> 1. Alert Information Technologies Team 2. Information Technologies Team meets with team leaders and appropriate management to determine a plan of attack/course of action with appropriate executive approval.
Notes:	<ul style="list-style-type: none"> • Alert Information Technologies Team, UT System Office of Telecommunication Services and Southwestern Bell Telephone • Wait for Southwestern Bell Telephone to deliver repaired circuit or new circuit. • Following restoration, the Information Technologies Team conducts a review meeting to revise procedures as needed. • Refer to applicable network documentation.



Disaster Recovery Plan

Disaster – Scenarios and Action Plans

Scenario #5:	Loss of Telephone Service
Classification:	Type B – The loss of telephone service would have a broad impact, however, it is unlikely that reallocation of financial or human resources would be required to resolve this problem. If resource reallocations are required the incident can be upgraded to Type A.
Target Recovery Time:	24 hours
Recovery Approach:	Determine if the problem is hardware (phone switch) related or circuit related. If hardware related, contact Capital Area Networks for replacement system. If circuit related, turn in a trouble ticket to Time Warner Telecom and wait for resolution.
Recovery Location	None Needed
Required Recovery Teams:	<ul style="list-style-type: none"> • <u>Information Technologies Team</u> • <u>Helpdesk Team</u> • <u>Human Resources Team</u>
Action Steps	<ol style="list-style-type: none"> 1. Alert Information Technologies Team 2. Activate teams above. 3. Executive Management implements the Emergency Communications Team 4. Contact Helpdesk for support 5. If any wiring needs to be replaced, contact Electra Link 6. Wait for word from Capital Area Networks or Time Warner Telecom on replacement/repair time. 7. Following restoration, the Information Technologies Team conducts a review meeting to revise procedures as needed. 8. Refer to applicable network documentation.
Notes:	None



Disaster Recovery Plan Teams – Responsibilities

Depending upon the scope and consequence of any particular disaster situation, various teams may need to be deployed to address the emergency situation. Teams include:

Information Technologies Team	The Information Technologies Team has the overall responsibility for implementing recovery. This team coordinates the various recovery teams and support areas, and provides information to executive management. This team is led by a Recovery Coordinator who is charged with the task of coordination of the recovery effort and for disseminating incident status reports to executive management and other teams involved in the recovery effort. The Information Technologies Team is responsible for deploying network servers and other infrastructure hardware. This team is also responsible for restoration of server software and data files. The Information Technologies Team is responsible for installation of desktop hardware and software. The Information Technologies Team is responsible for restoration of mainframe systems in accordance with the University of Texas at Austin disaster recovery plan. The Information Technologies Team is responsible for recovery of telephone services and alternate site telephone installations.
Executive Management	Only executive management can declare a Type "A" disaster. Beyond this, for most incidents executive management's role is usually limited to review and approval of actions that exceed pre-planned recovery activities or which require reallocation of resources. Executive Management is responsible for communicating with the media and other entities external to System Administration.
Helpdesk Team	The Help Desk Team serves as a central point for communications. This team accepts and forwards messages and dispatches other support personnel as required. The team is responsible for retrieval of off-site backup tapes from the BankOne vault.
Human Resources Team	If any employees are harmed during the disaster incident, Human Resources is responsible for all next-of-kin notifications. Human Resources also coordinates any temporary staffing that may be needed during the recovery effort. The Human Resources Team is responsible for the expedited purchase of any materials needed for recovery and for obtaining space that may be needed for recovery operations.



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Disaster Recovery Plan

Team Roster – Information Technologies Team

The Information Technologies Team has the overall responsibility for implementing recovery. This team coordinates the various recovery teams and support areas, and provides information to executive management. This team is led by a Recovery Coordinator who is charged with the task of coordination of the recovery effort and for disseminating incident status reports to executive management and other teams involved in the recovery effort. This team is responsible for deploying network servers and other infrastructure hardware. This team is also responsible for restoration of server software and data files, installation of desktop hardware and software, restoration of mainframe systems in accordance with the University of Texas at Austin disaster recovery plan, and the recovery of telephone services and alternate site telephone installations.

Bill Edwards	Team Role:	Recovery Coordinator
	Work Phone:	(512) 225-1615
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 261-8230
	Cellular Phone:	None
	Internet Email Address	Bedwards@utimco.org
	Other Contact Info:	
David Gahagan	Team Role:	Member/Backup Recovery Coordinator
	Work Phone:	(512) 225-1616
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 460-3002
	Cellular Phone:	(512) 964-9751
	Internet Email Address	Dgahagan@utimco.org
	Other Contact Info:	
Steve Montgomery	Team Role:	Member
	Work Phone:	(512) 225-1624
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 789-5696
	Cellular Phone:	(512) 789-5693
	Internet Email Address	Smontgomery@utimco.org
	Other Contact Info:	
Brent Dixon	Team Role:	Member
	Work Phone:	(512) 225-1613
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 259-1369
	Cellular Phone:	(512) 922-6430
	Internet Email Address	Bdixon@utimco.org
	Other Contact Info:	
Katy Hollenbaugh	Team Role:	Member
	Work Phone:	(512) 225-1618
	Fax Phone:	(512) 225-1660



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Disaster Recovery Plan

	Home Phone:	(512) 301-5495
	Cellular Phone:	None
	Internet Email Address	Khollenbaugh@utimco.org
	Other Contact Info:	
Sean McElheny	Team Role:	Member
	Work Phone:	(512) 225-1608
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 444-9122
	Cellular Phone:	None
	Internet Email Address	Smcelheny@utimco.org
	Other Contact Info:	



Disaster Recovery Plan

Executive Management

Only executive management can declare a Type "A" disaster. Beyond this, for most incidents executive management's role is usually limited to review and approval of actions that exceed pre-planned recovery activities or which require reallocation of resources. Executive Management is also responsible for communicating with the media and other entities external to UTIMCO.

Cathy Iberg	Team Role:	Interim CEO
	Work Phone:	(512) 225-1619
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 295-2981
	Cellular Phone:	(512) 750-7445
	Internet Email Address	Ciberg@utimco.org
	Other Contact Info:	
Cathy Iberg	Team Role:	Managing Director – Investment Operations
	Work Phone:	(512) 225-1619
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 295-2981
	Cellular Phone:	(512) 750-7445
	Internet Email Address	Ciberg@utimco.org
	Other Contact Info:	
Open	Team Role:	Managing Director – Public Markets
	Work Phone:	
	Fax Phone:	
	Home Phone:	
	Cellular Phone:	
	Internet Email Address	
	Other Contact Info:	
Open	Team Role:	Managing Director – Private Markets
	Work Phone:	
	Fax Phone:	
	Home Phone:	
	Cellular Phone:	
	Internet Email Address	
	Other Contact Info:	



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**Disaster Recovery Plan
Team Roster – Helpdesk Team**

The Help Desk Team serves as a central point for communications. This team accepts and forwards messages and dispatches other support personnel as required. The Help Desk Team is also responsible for retrieving off-site backup tapes from the BankOne vault.

Christy Wallace	Team Role:	Team Leader
	Work Phone:	(512) 225-1628
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 247-2052
	Cellular Phone:	(512) 826-5676
	Internet Email Address	Cwallace@utimco.org
	Other Contact Info:	
Claire Templin	Team Role:	Member
	Work Phone:	(512) 225-1600
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 220-8419
	Cellular Phone:	(512) 740-6975
	Internet Email Address	Ctemplin@utimco.org
	Other Contact Info:	
Dianne Watson	Team Role:	Member
	Work Phone:	(512) 225-1629
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 264-2413
	Cellular Phone:	(512) 567-8928
	Internet Email Address	Dwatson@utimco.org
	Other Contact Info:	
Donna Allen	Team Role:	Member
	Work Phone:	(512) 225-1607
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 252-8319
	Cellular Phone:	(512) 560-6565
	Internet Email Address	Dallen@utimco.org
	Other Contact Info:	



Disaster Recovery Plan

Team Roster – Human Resources Team

If any employees are harmed during the disaster incident, the Human Resources Team is responsible for all next-of-kin notifications. Human Resources also coordinates any temporary staffing that may be needed during the recovery effort. The Human Resources Team is also responsible for the expedited purchase of any materials needed for recovery and for obtaining space that may be needed for recovery operations.

Christy Wallace	Team Role:	Team Leader
	Work Phone:	(512) 225-1628
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 247-2052
	Cellular Phone:	(512) 826-5676
	Internet Email Address	Cwallace@utimco.org
	Other Contact Info:	
Dianne Watson	Team Role:	Member
	Work Phone:	(512) 225-1629
	Fax Phone:	(512) 225-1660
	Home Phone:	(512) 264-2413
	Cellular Phone:	(512) 560-6565
	Internet Email Address	Dwatson@utimco.org
	Other Contact Info:	



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Disaster Recovery Plan

Contacts

In the event of an emergency, communication is a key ingredient to recovery operations. This page provides information needed to contact emergency services, UTIMCO employees, and vendors that may provide recovery services.

UTIMCO Employee Directory	If the online directory is not operational because of the disaster use the printed version of the System Administration Directory. People on the Disaster Recovery Plan distribution list will have copies of the System Directory.
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Emergency Numbers

UTIMCO Helpdesk:	(512) 225-1650 helpdesk@utimco.org	UTIMCO Main Number	(512) 225-1600
BankOne Tower Security	(512) 479-4197 Pgr: (512) 209-1273 Eddie or Hal	UT System Guards	(512) 499-4441
BankOne Management	(512) 479-4131 Barbara Woods	UT Austin Police	(512) 471-4441
Austin Police, Fire, EMS	911	UT Austin Information	(512) 471-3434
Department of Public Safety	(512) 465-2000	Any University Emergency	(512) 471-1234
FBI - Austin	(512) 345-1111	UT System Helpdesk	(512) 499-HELP (4357)
Poison Control	(409) 765-1420		

Vendor Contacts

Dell Computer	
Contact:	Stephen Softhauser
Title:	Account Rep
Telephone:	(512) 728-3728
Cellular:	(512) 751-3533
Fax:	(512) 248-9702
Email:	Stephen_softhauser@dell.com
Contact:	Don Schulte
Title:	Systems Consultant
Telephone:	(512) 301-0130
Cellular:	(512) 635-7195
Fax:	
Email:	Don_schulte@dell.com
Cisco Systems	
Contact:	Don Smith
Title:	Sales
Telephone:	(512) 314-0100



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Disaster Recovery Plan

Cellular:	
Fax:	(512) 314-0101
Email:	Dsmith@cisco.com
Contact:	Eric Cox
Title:	Systems Engineer
Telephone:	(800) 553-2447
Cellular:	
Fax:	
Email:	Elcox@cisco.com
Electra Link	
Contact:	Robert Drosche
Title:	Estimator/Designer
Telephone:	(512) 835-6475
Fax:	(512) 835-6481
Email:	Robert.drosche@electralink.com
Solomon (ID #: 034715)	
Contact:	
Title:	
Telephone:	
Cellular:	
Fax:	
Email:	
Mellon Trust	
Contact:	Mellon Trust Helpdesk
Telephone:	(800) INV-TECH (468-8324)
Email:	None
Frank Russell	
Contact:	John Gillman
Title:	None
Telephone:	(253) 596-3007
Fax:	None
Email:	None
Bloomberg, L.P.	
Contact:	BIP Support Desk
Telephone:	(212) 318-2100
Contact:	Jason Morgenstern
Telephone:	(212) 318-2400
Fax:	(917) 369-5451
The Burgiss Group	
Contact:	Jim Kocis
Title:	President
Telephone:	(201) 795-5144 x16
Fax:	(210) 795-9237
Email:	Jkocis@burgiss.com



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Disaster Recovery Plan

Barra		
Contact:		Bradley Thilges
Title:		Regional Manager
Telephone:		(510) 649-4568
Fax:		None
Email:		None
ILX Systems, Inc.		
Contact:		ILX Tech Support Line
Telephone:		(800) 225-5459
Email:		None
TradeWeb		
Contact:		Larry Ng
Title:		Chief Information Officer
Telephone:		(800) 541-2268
Fax:		(212) 775-1003
Email:		
Time Warner Telecom		
Contact:		Maintenance/Repair
Telephone:		(888) 245-0608
Contact:		Billing
Telephone:		(888) 333-0520
Contact:		Victor Gonzales
Title:		Austin – Operations Manager
Telephone:		(512) 485-6394
Cellular:		(512) 801-0015
Pager:		(800) 759-8888
PIN:		1575580
Contact:		Eddie Holliman
Title:		Austin – Operations Manager
Telephone:		(512) 485-1767
Cellular:		(512) 801-3268
Pager:		(877) 541-1534
Contact:		Jim Bauer
Title:		Austin – Director of Operations
Telephone:		(512) 485-6349
Cellular:		(512) 413-1420
Pager:		(800) 759-8888
PIN:		1072684
Contact:		Darin Cook
Title:		Austin – Sales Manager
Telephone:		(512) 485-1761
Cellular:		(512) 750-1024
Contact:		Jenny Rogers



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Disaster Recovery Plan

	Title:	Austin – General Manager
	Telephone:	(512) 485-6396
	Cellular:	(512) 415-6402
	Contact:	Brent Bright
	Title:	Austin – Regional Director of Operations
	Telephone:	(512) 485-1775
	Cellular:	(512) 431-2796
	Pager:	(888) 660-9749
M Tech Service		
	Contact:	David
	Telephone:	(512) 929-7090
	General Telephone:	(888) 660-9749
Kent Datacom		
	Contact:	Daren Fisher
	Title:	Account Manager
	Telephone:	(512) 835-1152
	Cellular:	(512) 657-2461
	Email:	Dfisher@kentelec.com
Chubb Security		
	Contact:	Ken/Chris Whitney
	Title:	Technician/Manager
	Telephone:	(512) 977-5180/(512) 977-5164
	Cellular:	None
	Email:	None
Informatica		
	Contact:	Craig McKinley
	Title:	Sales Representative
	Telephone:	(650) 385-5246
	Cellular:	None
	Pager:	None



Disaster Recovery Plan

Recovery Locations

Depending on the location and nature of a given disaster, we may have to move either server or office operations to an alternative location. Following is a list of pre-identified locations that may be used for operations recovery. Recovery location is determined by the Recovery Coordinator for a Type B disaster or by the Information Technologies Team for a Type A disaster.

Server Operations Recovery Locations

UTIMCO Lab	This room is the alternate location to the Server Room.
Acquire other space as needed	U. T. System Space (contact OIR Helpdesk at 499-HELP)

Office Operations Recovery Locations

CLB Basement Computer Training Room	This room has 12 computers that are ready to be used for recovery purposes. Office operations for a departmental outage could be established in this location very quickly. UTIMCO would need to coordinate with U.T. System for use of this facility
CTJ Basement Conference Room	This conference room could accommodate approximately 10 workers performing administrative tasks. Only 1 computer is located in this room; however multiple computers could be connected to the network quickly in this location. UTIMCO would need to coordinate with U.T. System for use of this facility
ASH 2nd Floor Conference Room	This room could accommodate approximately 25 office workers. Only 1 network connection is available and adding connections would not be a quick process. Therefore this room would best be used for administrative operations that did not require computer and network access. UTIMCO would need to coordinate with U.T. System for use of this facility



Disaster Recovery Plan Critical Equipment Inventory

Equipment	Name	OS	Purpose	Location	Backup	Vendor/ Notes	Disk Type
Server	FS1	NT 4.0 SP6a	Primary File Server	Server Room	Backup Server (Off Site Tape)	Dell	Raid 5
Server	DNS1	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	
Server	DNSX	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	
Server	WWW	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	
Server	BDC1	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	
Server	SQL1	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	Raid 5
Server	SQLDR	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Compaq	Raid 5
Server	SQLX	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	Raid 5
Server	DBSER VER1	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	
Server	MAIL	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Compaq	
Server	ALTISY S	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Capital Area Networks/ Altigen	
Server	BACKU P	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	
Workstation	CRSPRI NTER	NT 4.0 SP6a		Training Lab	Backup Server	Dell	



Disaster Recovery Plan

					(Off Site Tape)		
Workstation	ITS-OPALIS	NT 4.0 SP6a		Server Room	Backup Server (Off Site Tape)	Dell	
Router	7010			Server Room	Config files on FS1	Cisco	
Firewall	PIX			Server Room	Config files on FS1	Cisco	
Router	2624			Server Room	Config files on FS1	Cisco	
Switch	2600			Server Room	Config files on FS1	Cisco	



Disaster Recovery Plan Server Room Layout

This is the layout and documentation for the current UTIMCO Server room. The racks are listed from left to right, #1 is on the far left when you are looking at the front of them.

Rack #1	
Empty	
Rack #2	
ILX Server	Server from ILX quotes. Owned and maintained by ILX Systems, Inc.
Exabyte Tape Drives	Tape drives used to backup all of UTIMCO's data on all servers.
Rack #3	
DBServer1	Solomon and Frank Russell Database server.
Mail	Microsoft Exchange Server for internal and internet email
SQLDR	Backup SQL server. Stores a copy of all production data in case production server crashes
BDC1	Backup NT domain controller. Stores a copy of the NT user database in case the primary domain controller fails.
Backup	ArcServe backup server. This server archives all data on all servers to tape nightly.
DNSX	External DNS server. This server answers any DNS queries by outside sources for UTIMCO.org, .com and .net domains. This server is OUTSIDE the firewall
Rack #4	
PDC1	Primary NT domain controller, RAS server, VPN server, internal DNS server, WINS server. This server stores the primary copy of the NT user database, answers internal DNS queries, internal WINS queries, handles all RAS and VPN connections and login scripts.
WWW	Production web server. Hosts utimco.org, .com, .net domains, intranet server and test server
FS1	Production file server for UTIMCO. Stores all shared and private files
SQL1	Production SQL server. This server has the



Disaster Recovery Plan

	primary production copy of all data.
SQLX	New SQL 7.0 server. Soon to be placed into production to replace SQL1
Rack #5	
Bloomberg Router	Router used to communicate with Bloomberg in New York.
Mellon Trust Router	Router used to communicate with Mellon Trust in Boston
Bridge/Telerate Router & Hub	Router/Hub use to communicate with Bridge/Telerate
ILX Router	Router to communicate with ILX Systems.
Altigen Server	Telephone System server. This is the server that runs UTIMCO's phone system.
Cisco 2600	External router for UTIMCO's connection to UT Austin. Also provides UT System Finance access to their servers in the UT System complex.
Cisco PIX	PIX Firewall for UTIMCO
Cisco 7010	Routes traffic between the Primary Ethernet network, Bloomberg, ILX, Mellon Trust, and PIX Firewall
On the South Wall	
Demark jacks for all digital and analog circuits on this wall.	Circuit ID numbers and labels are on each jack.
Chubb Security Panel	Used to control the locking doors at the entrance to the office and provide the card entry system at these same doors.



Disaster Recovery Plan

Plan Administration

Certain activities are required to administer this disaster recovery plan to ensure that it is current and functional. A list of activities and responsibilities follows:

Activity	Who	When
Update the plan. (Team memberships, phone numbers, etc.)	ITS Administration	Twice annually - September and March
Distribute the Plan.	ITS Administration will distribute the Plan. Each team leader will receive a copy of the plan to be kept at home. Also each team leader should keep a UTIMCO directory at home. A copy of the U. T. Austin Mainframe Disaster Recovery Plan and U. T. System Disaster Recovery Plan will be kept at home by the Recovery Coordinator and Backup Recovery Coordinator.	Plan updates will be distributed to team leaders during October and April.
Test the Plan. (DIR requires annual testing of disaster recovery plans. Different aspects of the plan can be tested during different testing sessions.)UTIMCO will attempt to adhere to these procedures as closely as possible.	ITS Administration will coordinate the testing of recovery procedures. Applicable teams will be involved in each recovery scenario.	Annual Testing will take place during January - March time frame.

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



***Presentation Materials
Part Two***

Board of Directors Meeting

January 17, 2006

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Discussion of Portfolio Construction Issues

Developed By: Boldt

Presented By: Boldt

Type of Item: Information Item

Description: This agenda item is intended to be an exchange of ideas and information on several issues at the leading edge of thinking in the endowment and foundation community.

Recommendation: None

Discussion: There are very significant changes in portfolio construction being considered by thought leaders in the endowment industry. These changes can be generally grouped into three categories: (1) the separation of "alpha" and "beta" exposures, (2) leverage, (3) strategic asset allocation through risk budgeting rather than dollar allocations. It is highly ironic that many of these "new" ideas are actually practical implementations taken straight from "modern" capital market theory (now more than 40 years old). Fortunately, we are in an advantageous position to be a leader in this new approach.

Reference: None



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Discussion of Portfolio Construction Issues

January, 2006



Three Significant Issues in New Portfolio Construction Strategies

- ◆ Separation of beta and alpha
- ◆ Leverage
- ◆ Strategic Risk Budgeting vs Strategic Asset Allocation

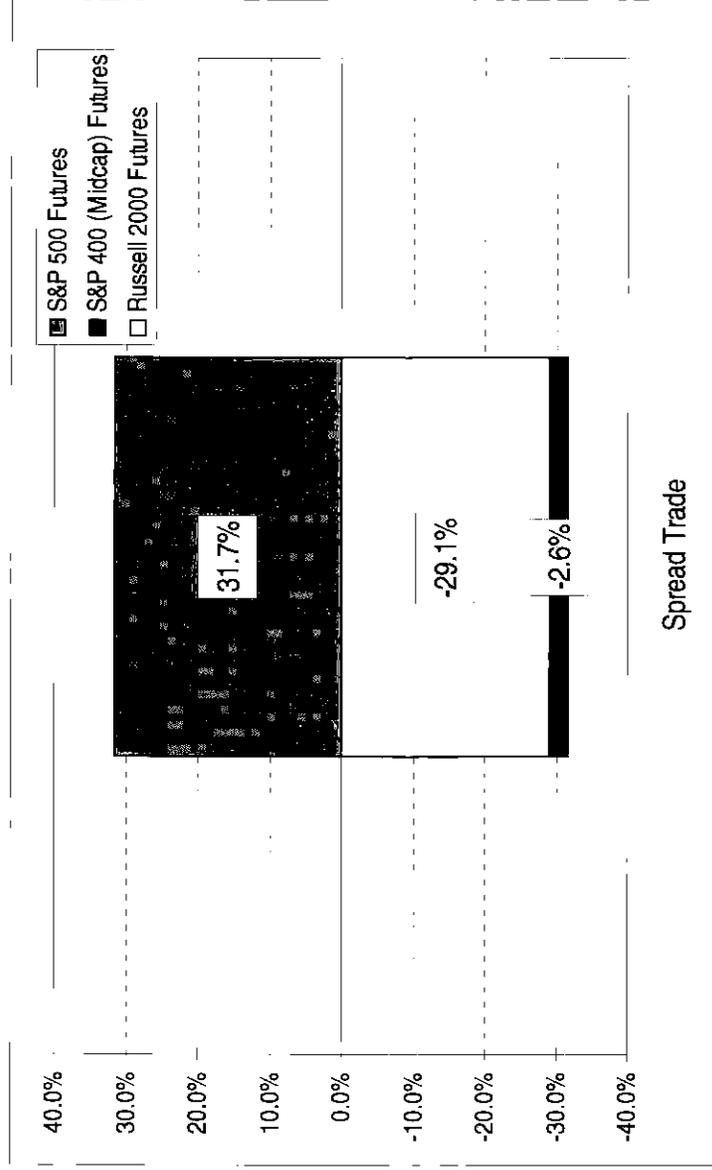


Separation of Beta and Alpha

- ◆ Alpha Transport
- ◆ Structured Active Management
- ◆ Optimizing Alpha Portfolios
- ◆ Portfolio Overlays
- ◆ Hedge Funds as Building Blocks
- ◆ Efficient Beta Management



Portable Alpha



As of October 31, 2005, the components of the US Equity Spread Trade were long positions in S&P 500 Futures offset by short positions in Russell 2000 and S&P 400 Midcap Futures. The total gross notional value of the Spread Trade was \$2.0b.



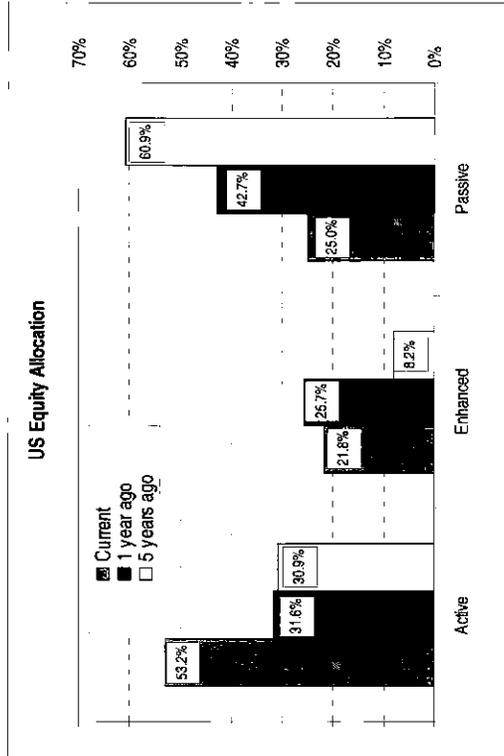
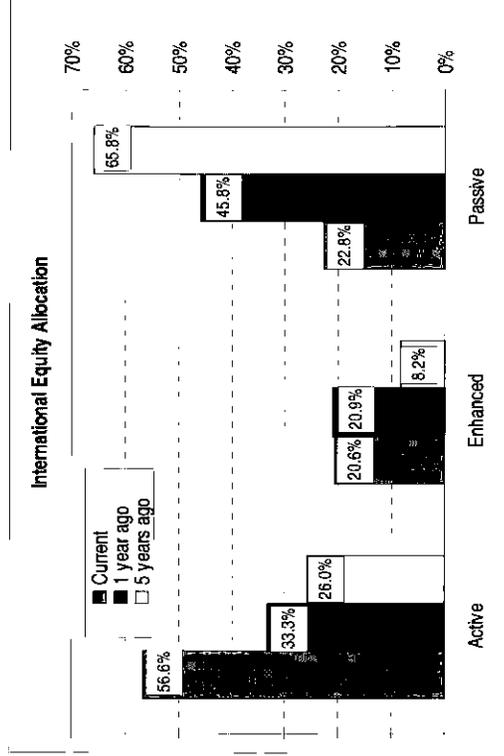
Structured Active Management

"Leverage Rate"	Downside Risk	Using Cash as Collateral		Using AR Hedge Fund Pool as Collateral		Using ITF as Collateral	
		S&P Futures Position (% of Notional)	Expected Returns	S&P Futures Position (% of Notional)	Expected Returns*	S&P Futures Position (% of Notional)	Expected Returns*
80.00%	9.61%	76.58%	7.67%	48.15%	8.71%	38.77%	8.51%
85.00%	10.21%	82.45%	7.88%	54.99%	8.95%	44.84%	8.73%
90.00%	10.81%	88.31%	8.08%	61.65%	9.19%	50.87%	8.94%
95.00%	11.41%	94.16%	8.29%	68.19%	9.42%	56.86%	9.16%
100.00%	12.02%	100.00%	8.50%	74.63%	9.65%	62.84%	9.37%
105.00%	12.62%	105.83%	8.71%	80.98%	9.87%	68.79%	9.58%
110.00%	13.22%	111.67%	8.91%	87.28%	10.10%	74.72%	9.79%
115.00%	13.82%	117.49%	9.12%	93.25%	10.32%	80.64%	10.00%
120.00%	14.42%	123.31%	9.33%	99.71%	10.54%	86.54%	10.21%

* Assumes no alpha in collateral pool



Opportunities for Structured Active Management



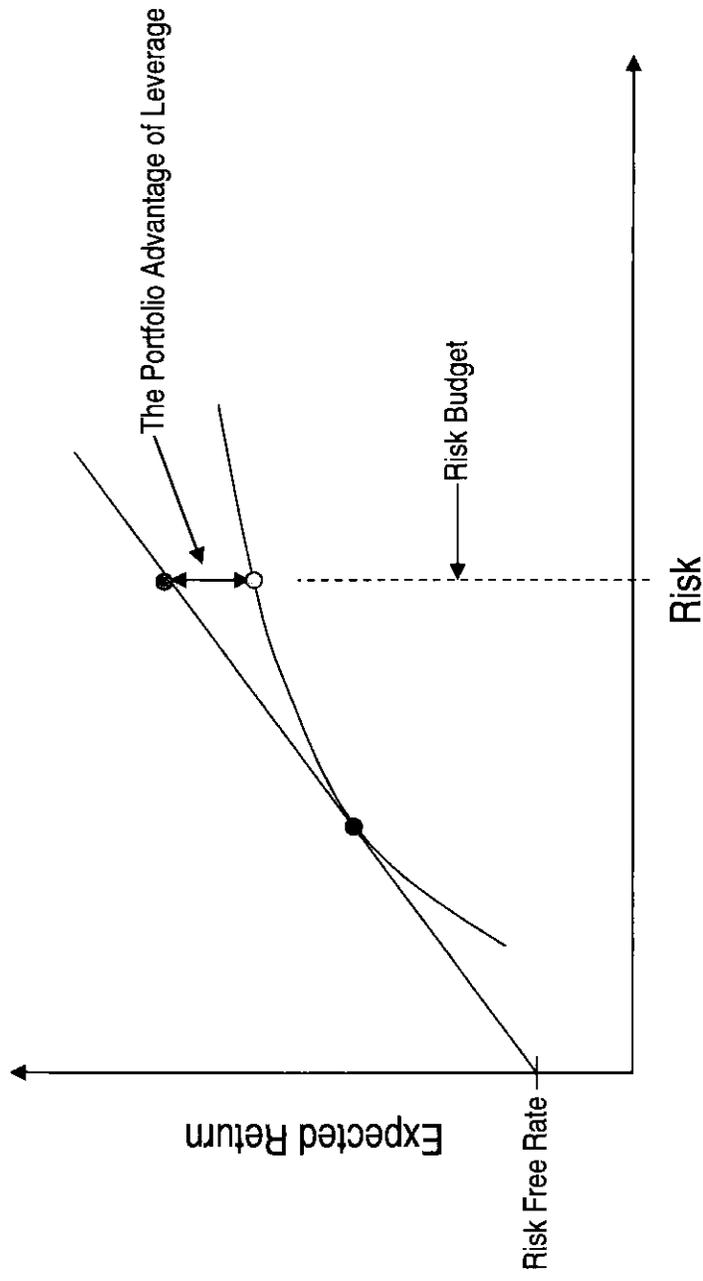


Leverage

- ◆ A Potentially Powerful Tool
- ◆ Straight From the Basics of Modern Finance Theory
- ◆ Not Just Borrowing ... Futures, Options, Swaps
- ◆ Advantages of Liability Firewalls



A Modern Finance Theory Basic





Advantages of Leverage

	Current Portfolio	Efficient Levered Portfolio	Alternative Levered Portfolio
USE	21.5	0	0
Int'l	13.5	0	0
EM	4.9	11.24	31.74
ARHF	14.1	14.1	14.1
DHF	10.1	10.1	10.1
VC	2.1	2.1	2.1
PE	8.1	8.1	8.1
REIT	4.8	27.59	25.47
COM	5.1	8.55	0
TIP	4.4	41.43	0
FI	10.7	95.01	68.39
Cash	0.7	-118.22	-60
Expected Returns	8.1	9.8	9.8
Vol	10.4	11.9	13.4
DR	7.5	7.5	8.7



Strategic Risk Budgeting vs Strategic Asset Allocation

- ◆ Risk Limits Can be Tied Directly to Objectives, Dollar Limits Cannot
- ◆ Avoids Limitations Due to Semantics in Asset Category Definitions
- ◆ Characteristics of an Ideal Asset Type

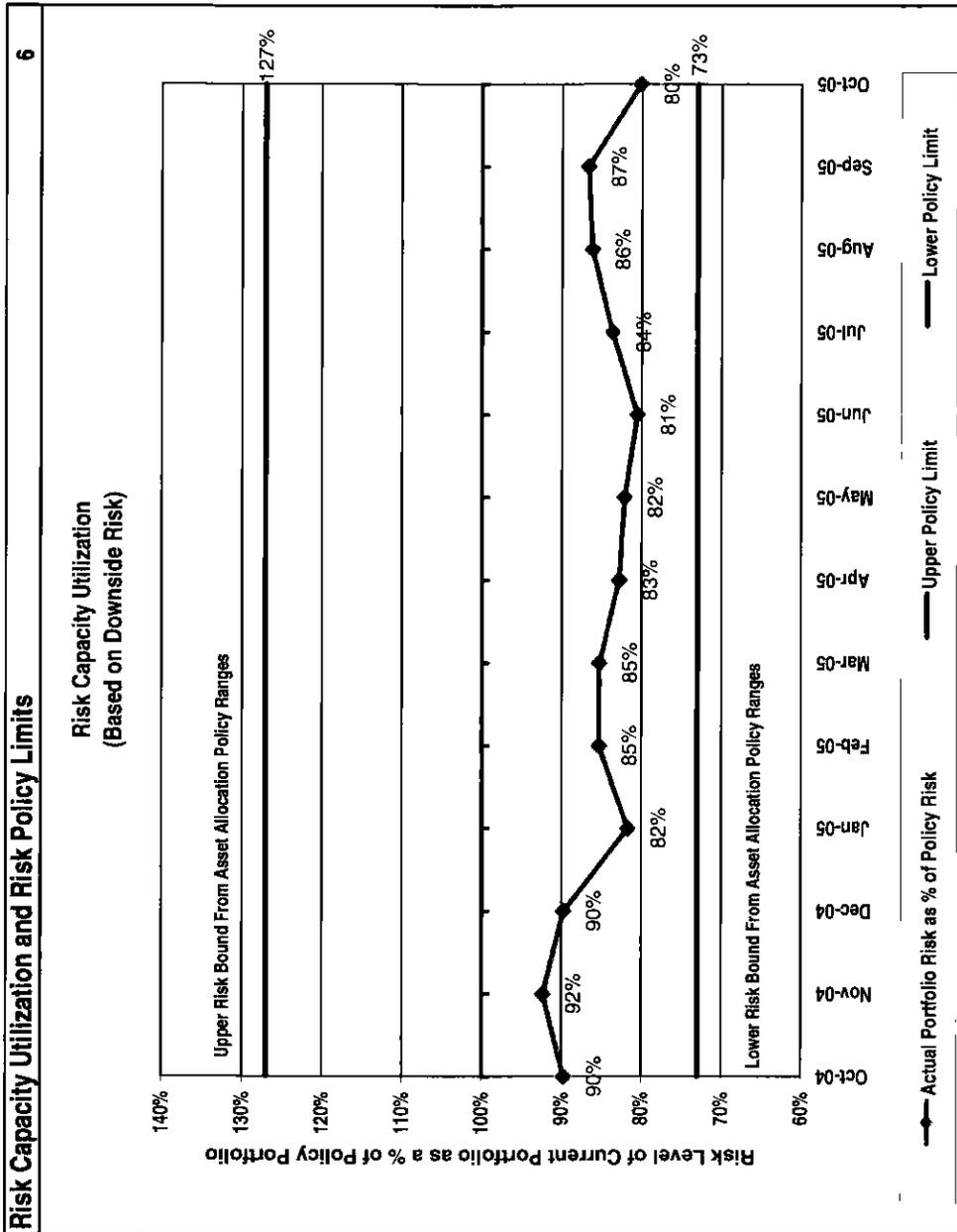


Characteristics of an Ideal Asset Category

- ◆ Attractive Return / Total Risk (Sharpe Ratio)
- ◆ Attractive Return / Contributed Marginal Risk
- ◆ High PVA
- ◆ Low Correlation to Rest of Portfolio
- ◆ Stable Volatility
- ◆ Availability of Hedging Mechanisms
- ◆ Availability of “Liability Wall” Leverage



Risk Allocation

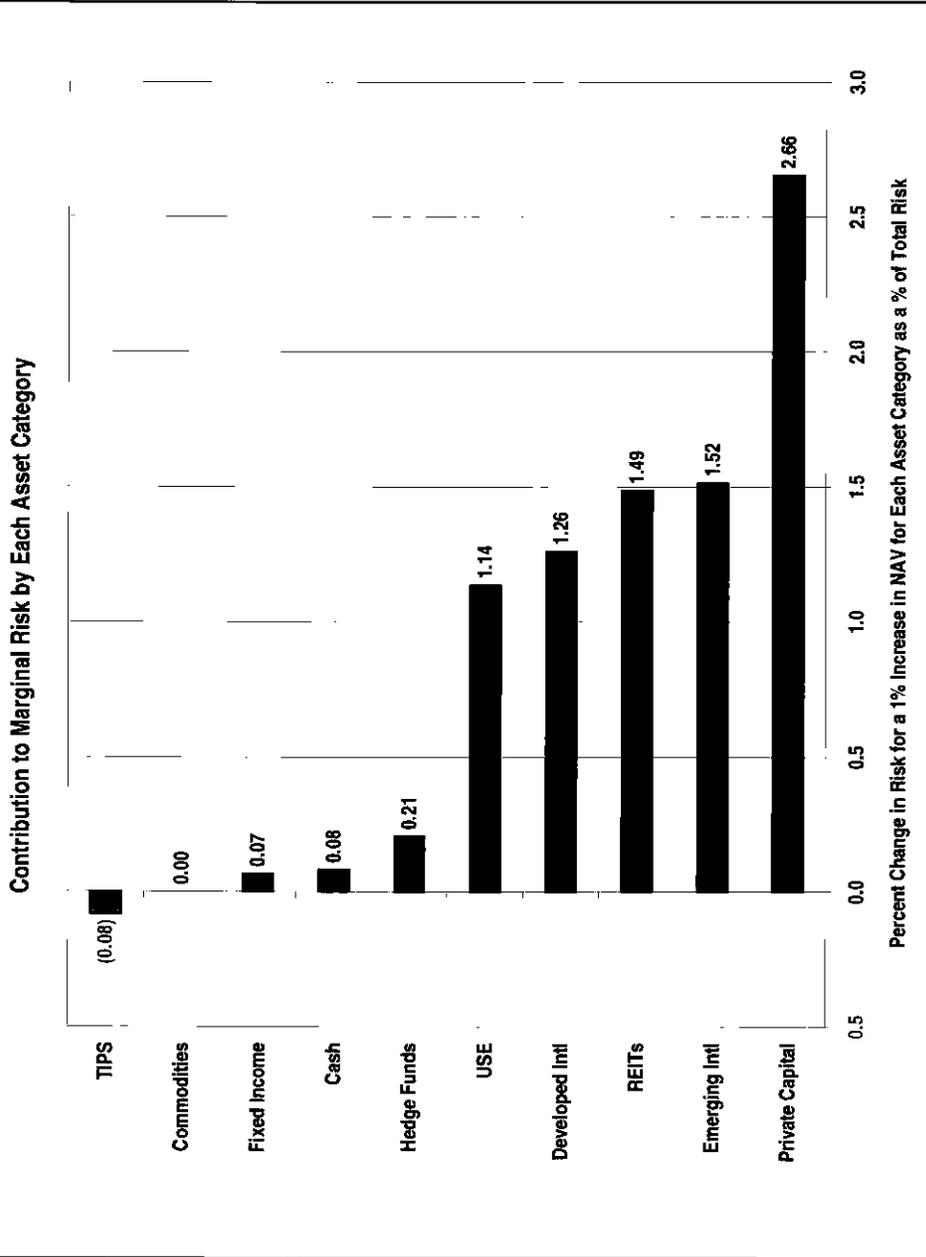




Risk Allocation

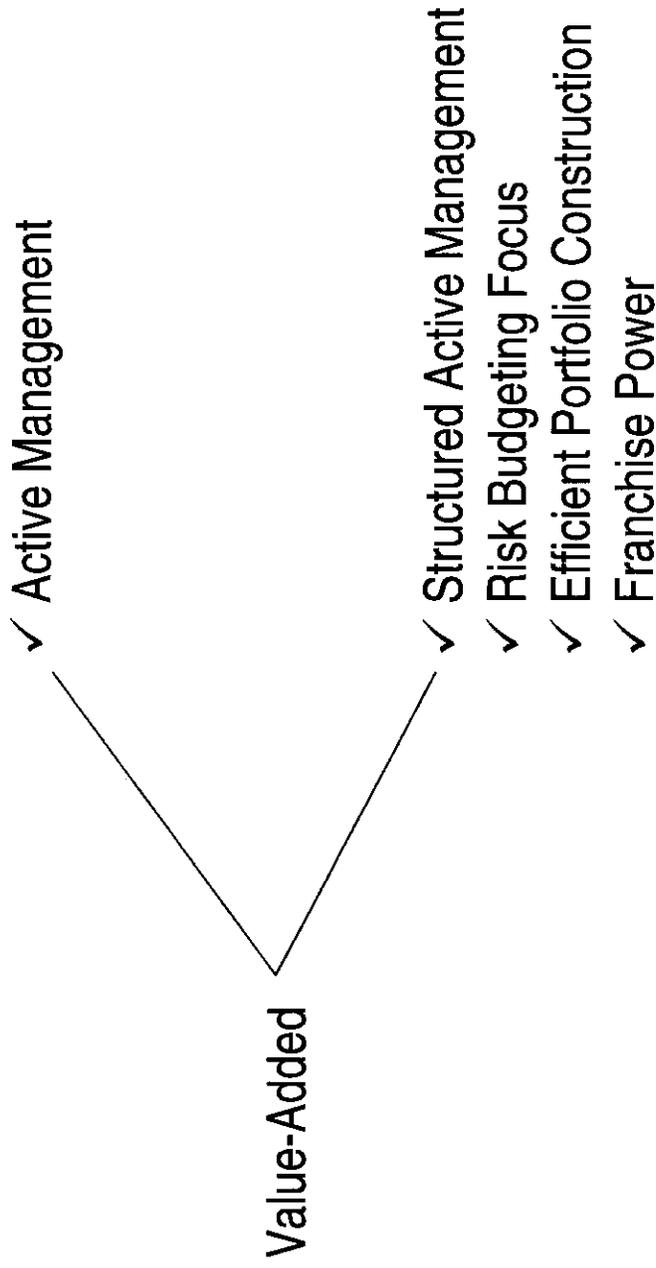
Marginal Risk Contributions of Each Asset Category

9





Sources of Value Added Vary in Reliability and Stability





UTIMCO Advantages

- ◆ Critical Mass in Resources and Investments
- ◆ Experience in Internal Active Management
- ◆ Experience in Derivatives Management
- ◆ Strong Staff in Active Manager Selection
- ◆ Solid Risk Management Regimen
- ◆ New Hedge Fund and ITF Structures
- ◆ AAA Credit Rating
- ◆ Value-Added Culture

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Overview of Public Markets Investments

Developed By: Goldsmith

Presented By: Goldsmith

Type of Item: No Action Required

Description: Staff will provide an overview of the responsibility and investment activities of the Public Markets Investments' group at UTIMCO.

Discussion: The Public Markets Investments group area currently oversees approximately \$8 billion in Endowment assets, equating to approximately 56% of total Endowment market value, as well as an additional \$5 billion (notional value) of internally managed derivatives positions.

The Public Markets group is responsible for investments in Domestic Equities, International Equities, Domestic and International Fixed Income, and presently oversees TIPs and Commodities.

Reference: Public Markets Overview presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO Public Markets Investments

Overview

January 2006



Agenda

1. Overview
2. Philosophy
3. Asset Allocation
4. Internal Trades



Public Markets Overview

- As of October 31, 2005, Public Markets staff oversees:
 - \$5.9 billion in US and International Equities
 - \$2.1 billion in Fixed Income and TIPS securities
- Staff utilizes 22 asset managers representing 43 separate mandates
- Staff internally manages \$5.2 billion in gross notional derivatives exposure across several strategies
- In addition, 65% of the Intermediate Term Fund's (ITF) assets are expected to be invested in the Public Markets area
- This will bring total asset responsibility of the Public Markets area to \$9.95 billion, not including derivatives
- Since July 2003 through September 2005, the Public Markets assets have delivered \$251.6 million in Value Added with positive results across all asset classes



2. Philosophy

Philosophy



Philosophy

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



Philosophy

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

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

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



Actively Managing Beta – US Spread Trade

- Example: US Equity Spread Trade – initiated January 2004
 - Staff decided to synthetically reduce the small cap overweight (relative to the Russell 3000 benchmark) by entering into a dollar neutral derivatives trade by selling short Russell 2000 futures and buying S&P 500 and other large cap futures
 - This reduced the portfolio's beta exposure to the Russell 2000 from approximately 41.1% to 12.1% as of October 31, 2005
 - Since UTIMCO's active small cap managers have outperformed the Russell 2000 index over this time period, ***the net result is that the portfolio reduced its small cap beta exposure, while retaining the alpha generation capabilities of the external small cap managers***
 - ***This is an example of what termed “alpha transport” in our industry***



Actively Managing Beta – US Spread Trade

Domestic Small Cap Equity

	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	21 Month Period (annualized)
UTIMCO Small Cap Equity Performance	1.1%	1.2%	-4.5%	0.7%	4.2%	-4.9%	-1.0%	5.4%	1.3%	8.8%	3.3%	-3.2%	3.0%	-2.1%	-5.0%	5.6%	3.8%	6.2%	-0.2%	2.2%	-3.4%	12.5%
Russell 2000	0.9%	0.9%	-5.1%	1.6%	4.2%	-6.7%	-0.5%	4.7%	2.0%	8.7%	3.0%	-4.2%	1.7%	-2.9%	-5.7%	6.6%	3.9%	6.3%	-1.9%	0.3%	-3.1%	7.6%
Active Return	0.2%	0.2%	0.6%	-0.9%	0.0%	1.8%	-0.5%	0.7%	-0.7%	0.1%	0.3%	1.0%	1.3%	0.7%	0.7%	-0.9%	-0.1%	-0.2%	1.6%	1.8%	-0.3%	5.0%

- Staff elected to initiate the Spread Trade, which reduced the small cap beta to a level which felt more comfortable relative to the Russell 3000 benchmark, but did not actually withdraw capital from the active small cap managers
- As the active small cap managers have outperformed the short position in the Russell 2000 (approximately \$779m of Russell 2000 sold short), the Spread Trade has generated approximately \$72m of “portable alpha” since inception through October 31, 2005

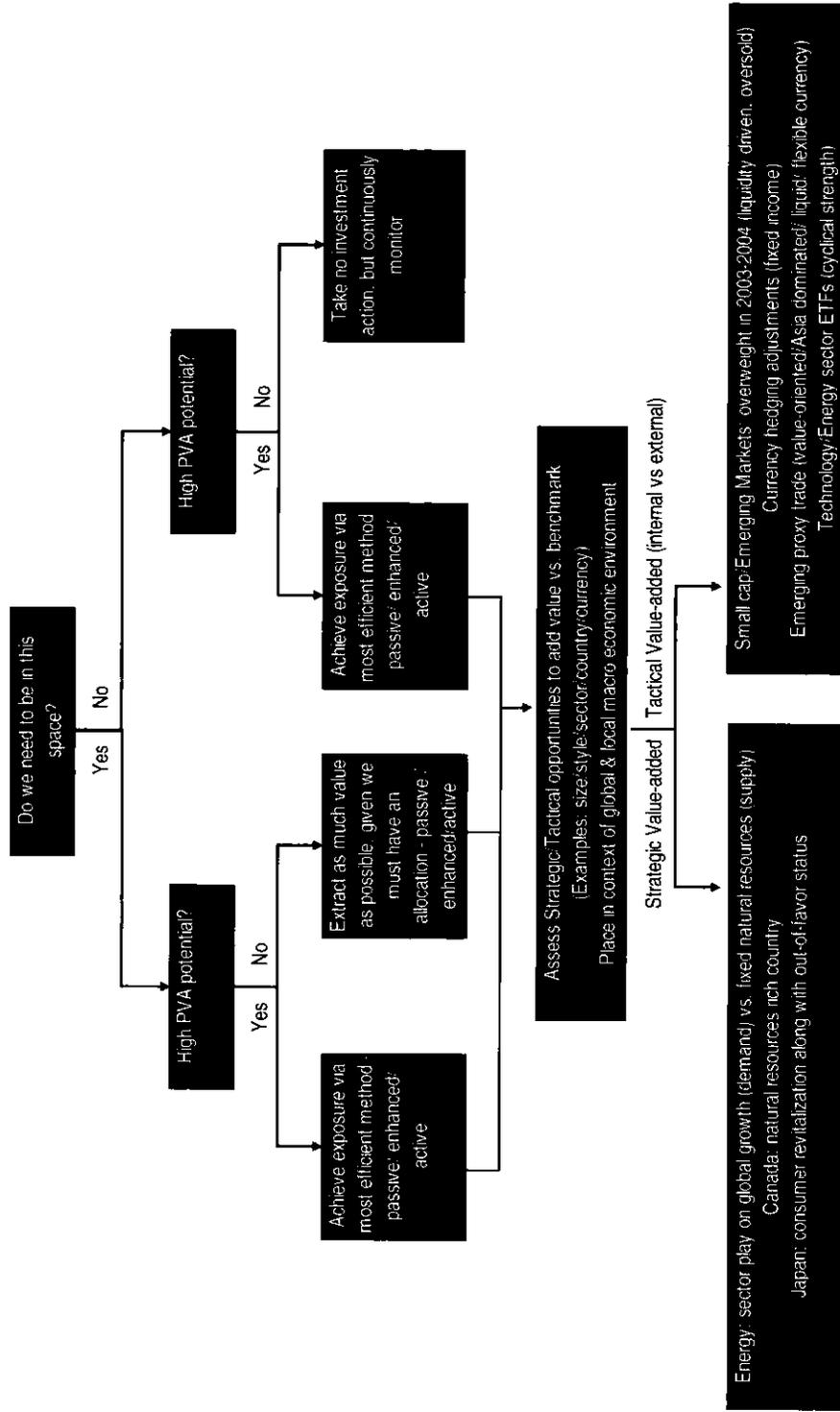


Securing High Alpha Investments

- Staff endeavors to prudently maximize the probability of Net PVA
- In constructing investments to strive for this goal, staff will use passive investments to:
 - Gain or fill gaps in pure index exposure
 - Create ‘Portable Alpha’ strategies
 - Actively tilt exposures where net PVA capable
 - To hedge existing positions
- Staff will use active management to gain otherwise unobtainable Net PVA
 - In selecting active managers, staff prefers managers that are performing ‘True Active Management’
 - Example: Relational Investors, LLC – Hired in August 2004



Decision Tree





Securing High Alpha Investments

Traditional Active

- Minimal partner capital invested side-by side
- Manager fees dependent on level of AUM
- Partners dependent upon company management; awaits a catalyst for improvement
- Modest PVA expectations



True Active (i.e. Relational)

- Significant partner capital invested side-by-side
- Manager fees dependent upon results
- Partners works proactively with company management; be the catalyst for improvement
- High PVA capabilities





Securing High Alpha Investments

Periods ending 10/31/05	Relational Investors	S&P 500	Median Active Manager*
1 year	14.7%	8.7%	9.5%
3 year	25.1%	12.9%	12.5%
5 year	16.1%	-1.7%	-1.7%

*Median Active Manager for all Large Cap Managers tracked by Morningstar.

- Relational Investor's 'true active' management style has consistently added value over both the passive index and their active peers
- Performance is First Quartile for all periods under evaluation
- Relational has delivered 15.7% vs. 9.6% for the S&P 500 since hired by UTIMCO in August 2004



Performance Fee Structures

- Staff endeavors to structure compensation agreements that align the interests of the manager with that of the Endowments
- Example: Westport Small Cap Value – Hired in October 2004
 - ✓ The manager receives no base fee
 - ✓ In order to receive a performance fee, the manager must outperform the Russell 2000 Index + 200 bps per annum, over a 3 year period
 - ✓ The manager's performance fee is based only upon the principal assets, and not on any earnings that the portfolio has achieved
 - ✓ If successful, the manager, based on historical industry results, is likely to be a top quartile manager (probably top decile)
 - ✓ As shown on the following chart, the breakeven outperformance for this mandate vs. a typical fee structure, is 425 bps of excess return



Performance Fee Structures

Typical Fixed Fee	
Base Fee*	0.90%
Performance Fee	0%

UTIMCO Performance Based Fee	
Base Fee	0%
Performance Fee:	0%
annualized excess return between 0 bps and 200 bps	0%
annualized excess return above 200 bps	40%

excess return defined as the return above the Russell 2000 benchmark return

In the 16 three year rolling periods ending December (1989 – 2004), a manager outperforming the Russell 2000 benchmark by 425 bps per annum, would have had the following rankings (number of occurrences) vs. the Russell 2000 benchmark

	R2K + 425 bps	R2K
1 st Quartile	8	2
2 nd Quartile	6	5
3 rd Quartile	2	8
4 th Quartile	0	1

When UTIMCO Performance Fee is equivalent to Industry Standard Fee					
Base Fee	Excess Return	Performance Fee	Total Fee	Fee Savings*	
0	0	0	0	0	\$900,000
0	25	0	0	0	900,000
0	50	0	0	0	900,000
0	75	0	0	0	900,000
0	100	0	0	0	900,000
0	125	0	0	0	900,000
0	150	0	0	0	900,000
0	175	0	0	0	900,000
0	200	0	0	0	900,000
0	225	10	10	0	800,000
0	250	20	20	0	700,000
0	275	30	30	0	600,000
0	300	40	40	0	500,000
0	325	50	50	0	400,000
0	350	60	60	0	300,000
0	375	70	70	0	200,000
0	400	80	80	0	100,000
0	425	90	90	0	0
0	450	100	100	-100,000	
0	475	110	110	-200,000	
0	500	120	120	-300,000	
0	525	130	130	-400,000	
0	550	140	140	-500,000	
0	575	150	150	-600,000	
0	600	160	160	-700,000	

*Source: Cambridge Associates, LLC estimate for US small cap managers with a minimum of \$50m AUM
 **Based on a \$100 million account



Revenue Share Agreements

- In mandates where UTIMCO is a lead or early investor, staff will seek to structure revenue share agreements
- Example: Globeflex International – hired in October 2003
 - ✓ UTIMCO was the first substantive institutional investor
 - ✓ Staff negotiated a revenue share agreement where UTIMCO would receive 25% of the fees that the manager earned on new assets that invested in the mandate over the next 5 years
 - ✓ Staff realizes that external managers will advertise having UTIMCO as a client and the revenue share agreement is a way to monetize the use of the UTIMCO ‘brand’
 - ✓ In December 2005, this manager closed the mandate to new assets, as they reached their capacity of \$1.5 b of paid in capital



Revenue Share Agreements

- Based on Globeflex's current estimate, UTIMCO's revenue share in 2006 will be \$3.1 million
- To put this revenue share into context:
 - It is equivalent to approximately 3x the total salary plus benefits budget for the entire Public Markets staff
 - It is equivalent to approximately 27% of the entire UTIMCO services budget



3. Asset Allocation

Asset Allocation



Public Markets - Aggregate Exposure

In millions	PUF	GEF	Total	Policy Weight
Total Endowments, as of October 31, 2005	\$9,379	\$4,958	\$14,337	
Equity:				
US Equities % of Endowments	2,082.1 22.2%	1,057.0 21.3%	3,139.1 21.9%	20.0%
Non-US Developed Equities % of Endowments	1,289.9 13.8%	687.4 13.9%	1,977.3 13.8%	10.0%
Emerging Markets Equities % of Endowments	506.6 5.4%	257.5 5.2%	764.1 5.3%	7.0%
Total Equities % of Endowments	3,878.6 41.4%	2,001.9 40.4%	5,880.5 41.0%	37.0%
Fixed Income:				
Fixed Income % of Endowments	977.0 10.4%	525.8 10.6%	1,502.8 10.5%	10.0%
TIPS % of Endowments	404.0 4.3%	215.1 4.3%	619.1 4.3%	5.0%
Total Fixed Income % of Endowments	1,381.0 14.7%	740.9 14.9%	2,121.9 14.8%	15.0%
Total Public Markets Investments: % of Endowments	\$5,259.6 56.1%	\$2,742.8 55.3%	\$8,002.4 55.8%	52.0%



US Equities – Current Positioning

As of October 31, 2005, the US Equity Portfolio (relative to the Russell 3000 benchmark) positioning:

- Overweight to small cap equities by 33.1% pre-spread trade and 4.1% post spread trade
- Excluding small cap energy assets (which behave differently than typical small cap assets), the portfolio was 1% underweight in small cap equities
- Overweight to the Energy, Information Technology and Industrials sectors
- Underweight to the Financials and Consumer Discretionary sectors

Please note that further detail on the positioning of the Public Markets assets can be found in the Appendix on pages 32 - 47



Developed International Equities – Current Positioning

As of October 31, 2005, the Developed International Equity Portfolio (relative to the EAFE benchmark) positioning:

- Overweight to smaller cap equities by approximately 14%
- Most of the overweight exposure is tilted to:
 - The Asian region, where staff believes the underlying economies are well poised to deliver strong earnings growth (relative to the rest of the world)
 - The Canadian region, where staff seeks to gain natural resources (energy related) exposure
- From a country perspective:
 - Largest overweights - Japan, Canada and Singapore
 - Largest underweights - France, Australia and Switzerland
- From a sector perspective:
 - Overweight positions in Energy and Consumer Discretionary
 - Underweight positions in Financials, IT and Utilities



Emerging Equities – Current Positioning

As of October 31, 2005, the Emerging Equity Portfolio (relative to the Emerging Markets benchmark) position:

- From a country perspective:
 - Largest overweights - Japan, Singapore, and US
 - Due to the Emerging Markets Proxy (details following)
 - Largest underweights – Russia, Malaysia, India
- From a sector perspective:
 - Overweight positions in Consumer Staples and Financials
 - Underweight positions in Energy and IT



Future Initiatives

- Continue to actively reallocate capital away from passively held indices to higher PVA investments
- Second only to asset allocation decisions, staff believes that the change in mix will have the greatest impact on the performance of the portfolio





Success Ratio

- Staff takes great care in constructively building equity portfolios with diverse and high PVA investment constituents
- Not all investments work in all time frames – however, staff weighs the capital allocations to investment selections consistent with the level of (strategic and/or tactical) conviction of success in the current economic cycle
- Since July 1, 2003, the weighted average value add for the active managers in the following assets classes was:
 - US Equities: 3.3%
 - Developed Market Equities: 8.1%
 - Emerging Market Equities 5.2%
 - Fixed Income (ex TIPS) 3.3%



Fixed Income – Current Positioning

As of October 31, 2005, the Fixed Income Portfolio (relative to the Lehman Brothers Aggregate Index) and the TIPS portfolio (relative to the Lehman TIPS Index) positioning:

<u>Fixed Income</u>	<u>TIPS</u>
• Slightly longer duration	• Slightly longer duration
• 4.97 vs. 4.60	• 6.33 vs. 6.02
• Same average quality	• Same average quality
• AAA vs. AAA	• AAA vs. AAA
• Lower Yield to Maturity	• Lower Yield to Maturity
• 4.8% vs. 5.2%	• 6.3% vs. 6.5%
• Greater allocation to foreign issues	
• 28% vs. 0%	



Internal Trades

- Public Markets staff manages multiple internal trades in order to actively:
 - Gain passive exposure
 - Hedge existing positions
 - Tilt the portfolio in line with staff's expectations
- Examples include:
 - US Equity Spread Trade
 - Costless Put Spread Collar – US, Emerging, Canada and Japan
 - Emerging Markets Proxy
 - Calls / Puts on several ETFs and equity indices



Costless Put Spread Collar - Summary

- The Costless Put Spread Collar was initiated in December 2004 and provides downside protection at no initial out-of-pocket expense
- Downside protection is obtained by agreeing to limit the upside return potential – in return, the portfolio receives protection if the market declines by 5% to 15%
- As of December 15th, 2005:
 - On the S&P 500, the average upside ceiling is 14% above current market levels
 - On the Russell 2000, the average upside ceiling is 18% above current market levels
- The following chart details the notional positions as of December 15, 2005:

	Maturity					Total
	1/20/2006	9/15/2006	12/15/2006	6/15/2007		
<u>S&P 500 Index</u>	800,000,000	200,000,000	0	400,000,000		1,400,000,000
<u>Russell 2000</u>	0	0	250,000,000	837,000,000		1,087,000,000
<u>Total Collar</u>	\$800,000,000	\$200,000,000	\$250,000,000	\$1,237,000,000		\$2,487,000,000



Emerging Markets Proxy - Summary

- In order to constructively increase the size of the Endowments' Emerging Markets equity portfolio, staff reinstated its EM Proxy trade (\$200m at end of October 2005)
- This trade, originally done on the 'short side' in April 2004 to reduce exposure, obtains exposure through the use of a combination of liquid futures contracts that are modeled to track the Index within a specified tracking error
- This model, as optimized courtesy of Goldman Sachs, uses the following liquid instruments (see below) and is expected to have an annual tracking error of 7.3% as of the Dec 15, 2005 configuration:

FTSE/JSE Top 40 (futures)	Current
S&P 500	Weights
MSCI Taiwan (futures)	17.0%
MSCI Brazil iShares	15.1%
MSCI Singapore (futures)	15.0%
Topix Japan (futures)	12.6%
MSCI Korea iShares (EWY)	12.6%
	20.3%
	7.4%
Expected annual tracking error vs. MSCI EM Index	7.3%



Emerging Markets Proxy - Summary

- The key benefits of this structure (versus a standard Emerging Markets ETF or security-based exposure), from Staff's perspective, are as follows:
 - Highly Liquid
 - Cost effective - Emerging Markets ETFs usually cost 75 bps per annum
 - Enables the constructive use of overlays to 'port' alpha from other asset classes (eg. Absolute Return Hedge Funds)
 - Allows the use of currency forwards to engage active exposure against a declining U.S. Dollar



Internal Option Trades

- The following table details recent option trades executed by staff over the last 12 months (as of December 20, 2005):

Index	Trade date	Expire date	Contract	Notional	Premium%	Premium \$	Details at purchase	Realized Gain / Loss	Current MTM
Nikkei	9/24/2004	3/24/2005	Short put	25,000,000	1.60%	400,000	10% OTM	400,000	
	2/14/2005	11/14/2005	Short call	25,000,000	1.30%	325,000	10% OTM	(2,115,272)	
	4/14/2005	1/13/2006	Short put	25,000,000	1.76%	440,000	10% OTM		440,000
Goldman Sachs Commodity Index	2/22/2005	11/21/2005	Short call	200,000,000	2.37%	4,740,000	20% OTM	4,740,000	
Russell 2000	Dec 2004	Dec 2005	Short calls	50,000,000	4.00%	2,000,000	10% OTM	2,000,000	
Oil Service ETFs (OIH)	3/3/2005	10/22/2005	Short call	10,000,000	4.00%	400,000	10% OTM	400,000	
	4/28/2005	10/22/2005	Short Put	10,000,000	3.21%	321,000	11.9% OTM	321,000	
	10/20/2005	1/20/2005	Short Put	20,000,000	0.0148	296,000	20% OTM		281,200
Large Cap Tech Basket	4/28/2005	12/16/2005	Long Call Spread	10,000,000	0.00%	(500,000)	Long ATM / Short 12.25% OTM	1,009,000	
Sub-total								6,754,728	721,200
Total Realized Gain / Loss + Current MTM									7,475,928
Expired									
Active									



Public Markets Investments - Summary

Goal: Prudently Maximize the Probability of Net PVA

Use passive instruments to:

- Gain or Fill Gaps in Pure Index Exposure
- Act as a foundation in Portable Alpha strategies
- Actively Tilt Exposures where Net PVA capable

Use active management to:

- Gain otherwise unobtainable Net PVA

Structure trades internally when cost effectiveness or customization dictates



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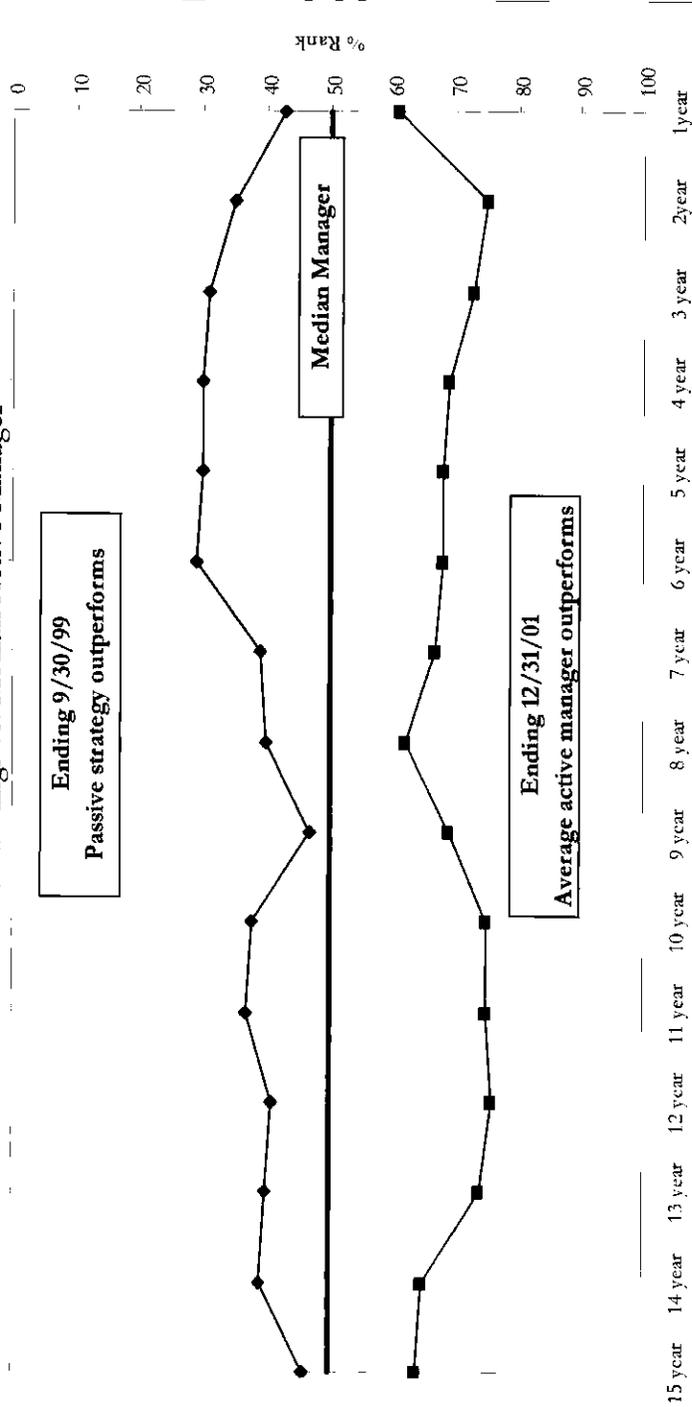


Actively Managing Beta

Perspective is often endpoint specific...

S&P 500 Index

Percentile Rankings vs. Median Active Manager



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



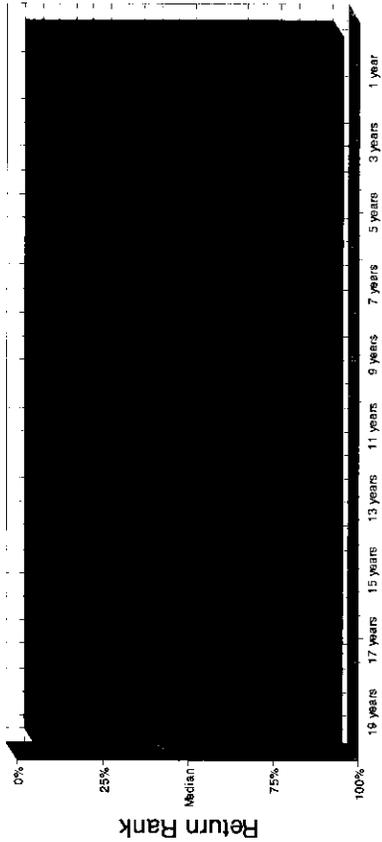
Actively Managing Beta

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

Manager vs Universe: Return Rank through November 2005

(not annualized if less than 1 year)

All Small Cap Managers (Morningstar)



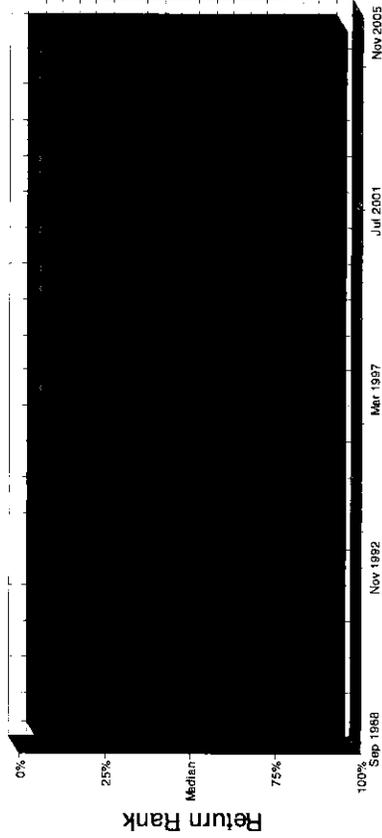
● Russell 2000

■ 5th to 25th Percentile ■ Median to 75th Percentile ■ 75th to 95th Percentile

Manager vs Universe: Return Rank

36-Month Moving Windows, Computed Monthly

All Small Cap Managers (Morningstar)



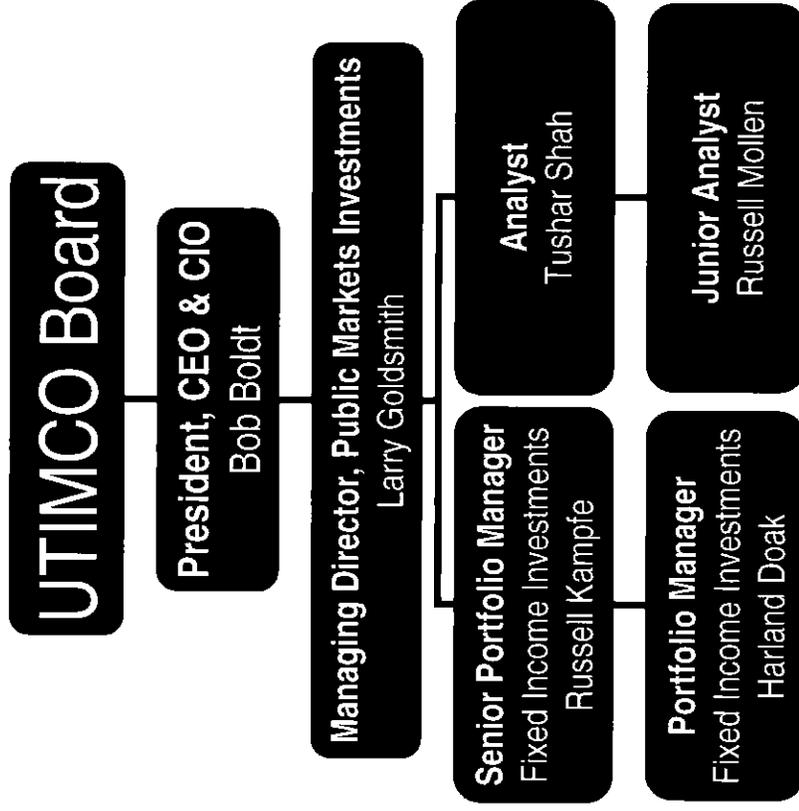
● Russell 2000

■ 5th to 25th Percentile ■ Median to 75th Percentile ■ 75th to 95th Percentile

...But beta is very cyclical...

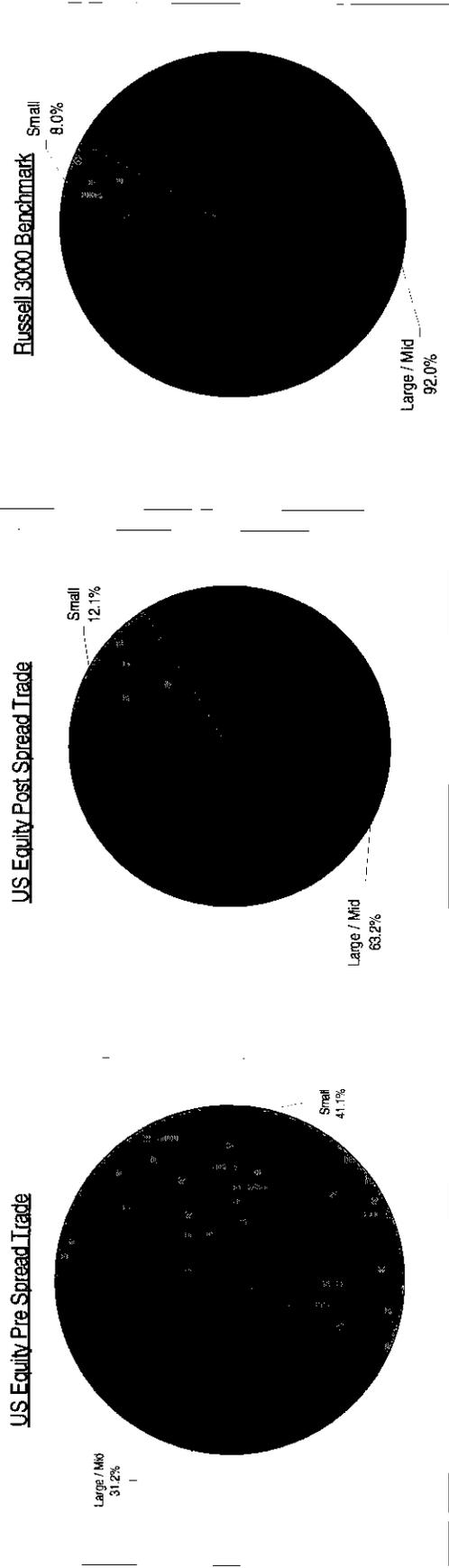


Public Markets Investments Staff





US Equities – Size Exposure



As of October 31, 2005, the US Equity Portfolio was approximately overweight to small cap equities by 33.1% pre-spread trade, and 4.1% post-spread trade. However, it is important to note that the investment with small cap energy investments totals 5.1% and these investments potentially behave differently than typical small cap assets. Small cap ex energy is approximately -1.0% underweight relative to the benchmark.

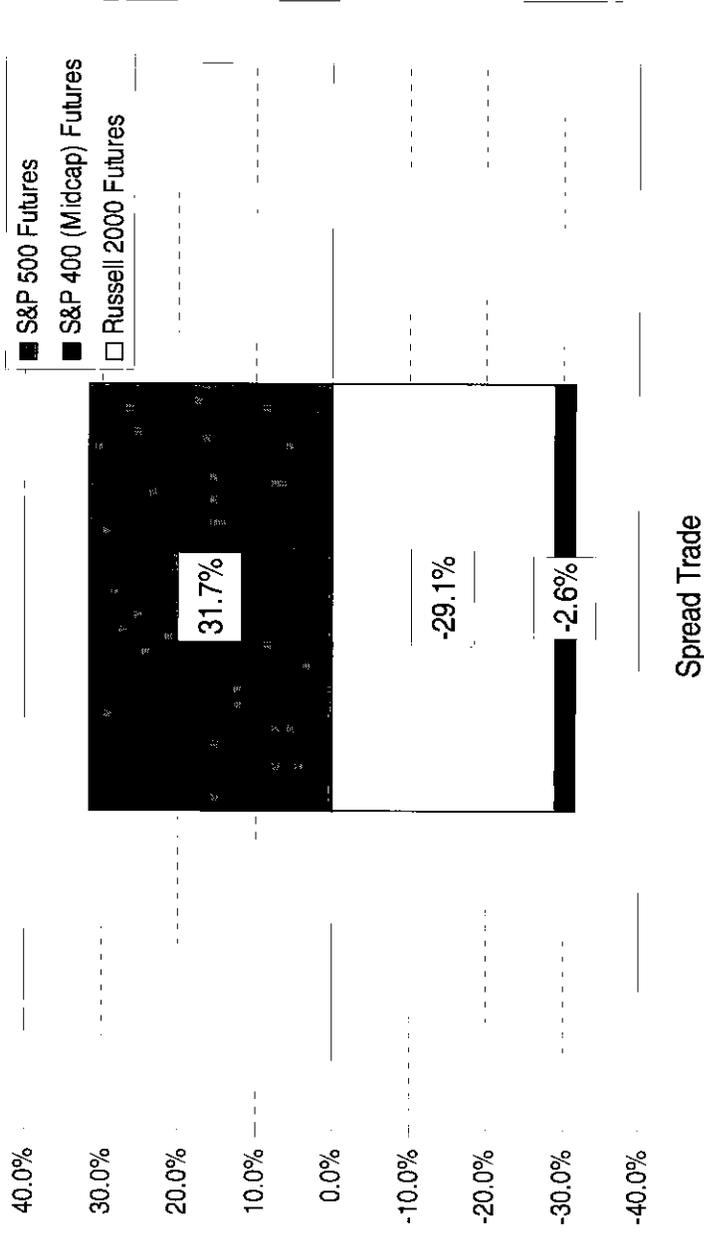


Benchmarks

Asset Class	Benchmark
US Equities	Russell 3000 Index
Developed International Equities	MSCI EAFE
Emerging International Equities	MSCI Emerging Markets
Fixed Income	Lehman Brothers Aggregate Index
TIPS	Lehman Brothers US TIPS Index



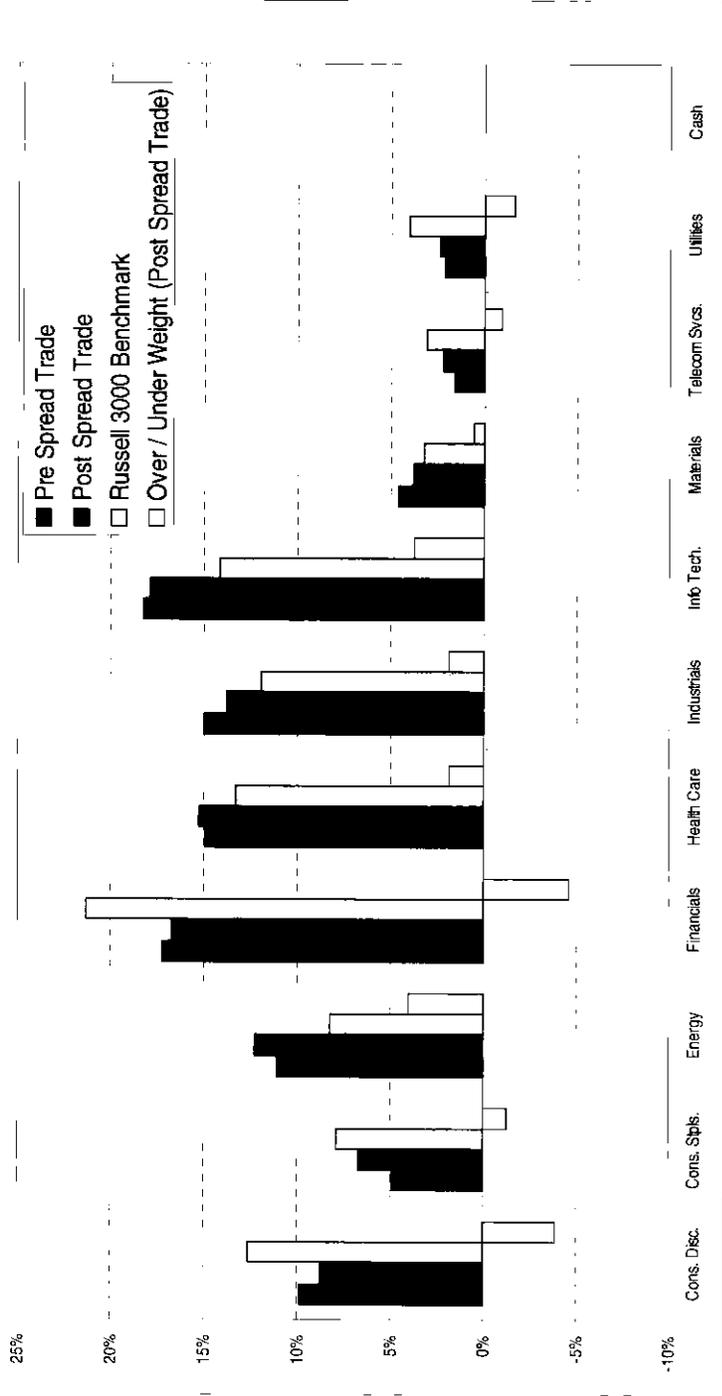
US Equities – Spread Trade



As of October 31, 2005, the components of the US Equity Spread Trade were long positions in S&P 500 Futures offset by short positions in Russell 2000 and S&P 400 Midcap Futures. The total gross notional value of the Spread Trade was \$2.0b.



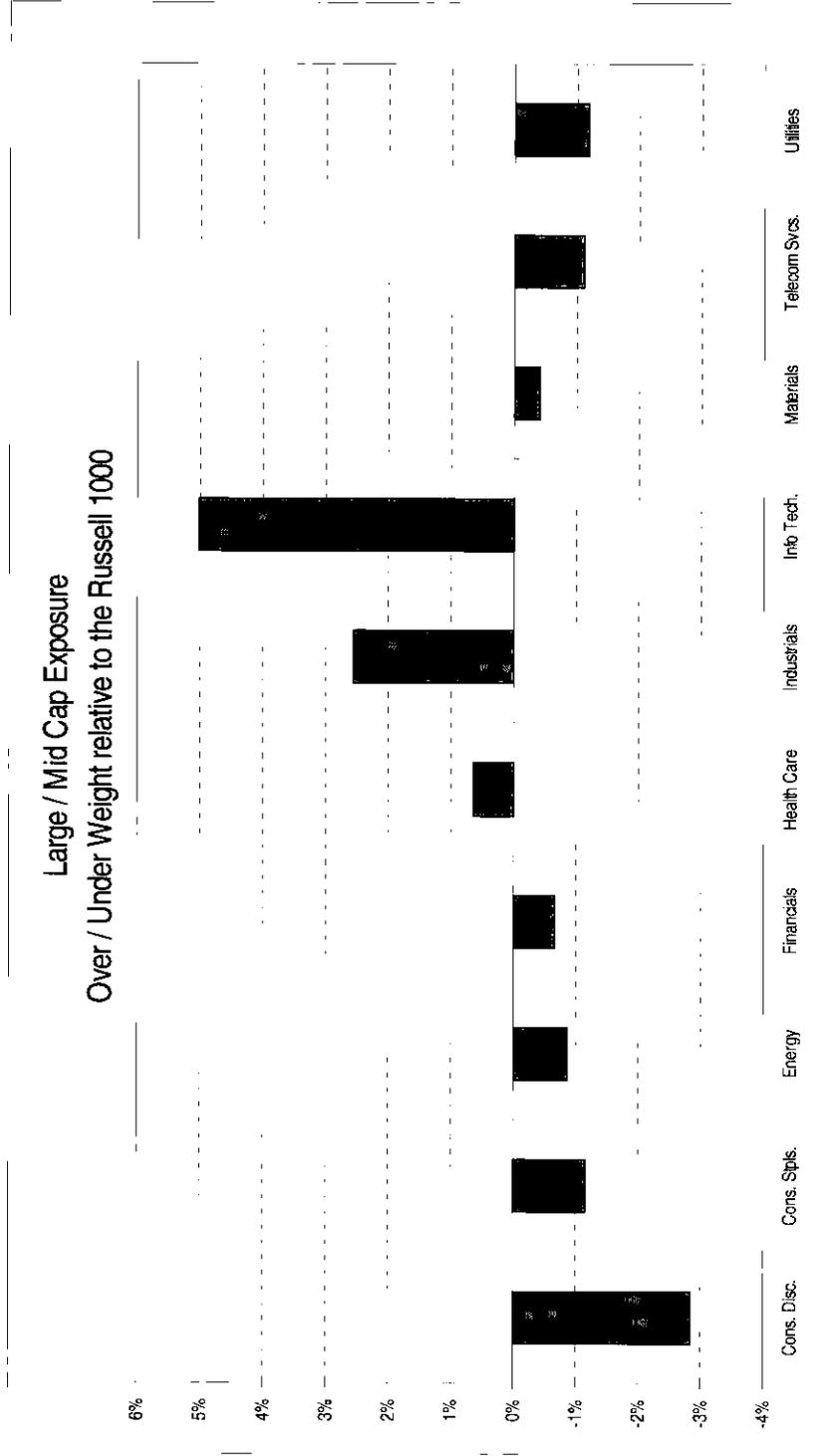
US Equities – Sector Exposure



As of October 31, 2005, the US Equity Portfolio (net of the Spread Trade) held overweight positions in Energy, Information Technology and Industrials, with underweight positions in Financials and Consumer Discretionary.



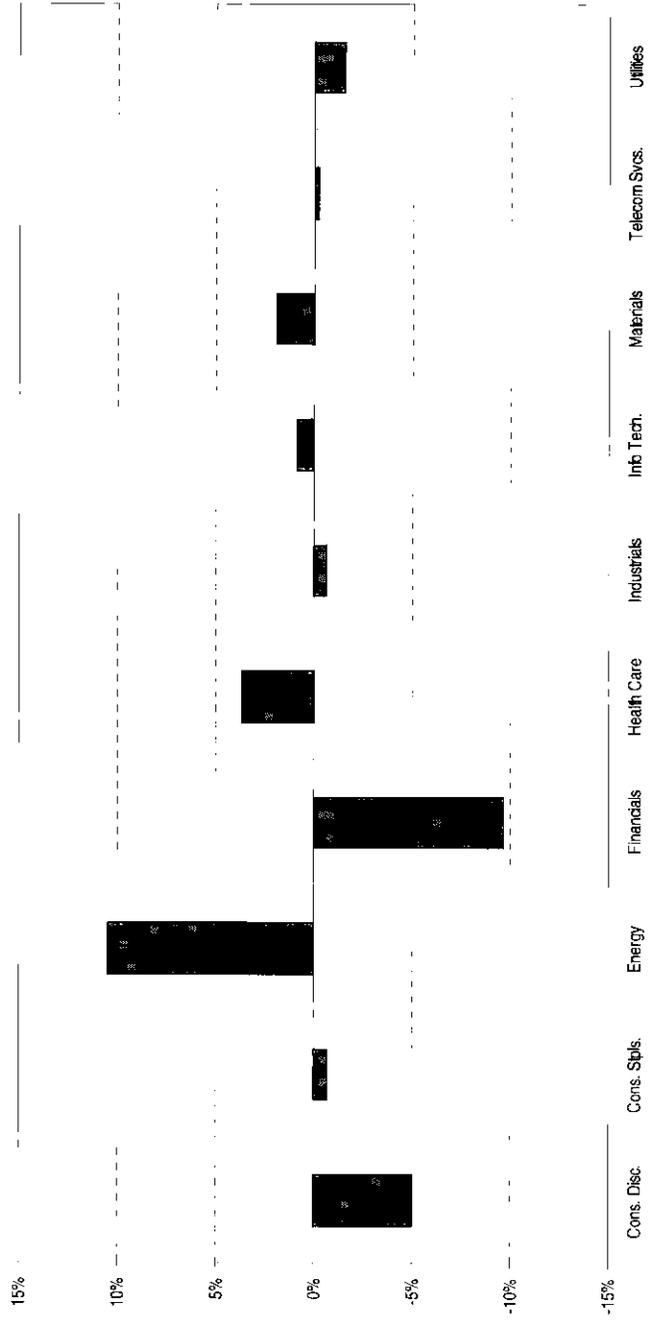
Large / Mid Cap Exposure Tilts - Defined





Small Cap Exposure Tilts - Defined

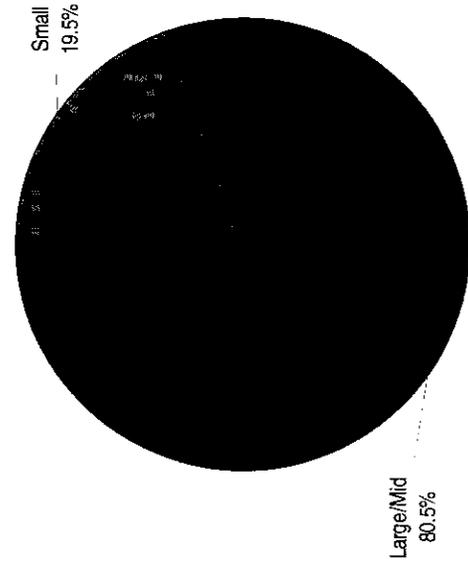
Small Cap Exposure
Over / Under Weight relative to the Russell 2000



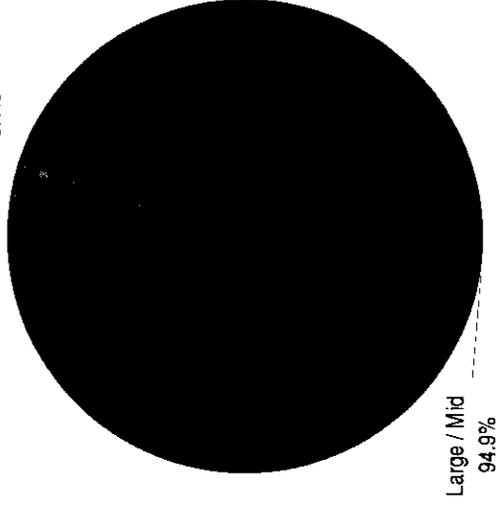


Developed International Equities – Size Exposure

Developed International Equity Portfolio



EAFE



As of October 31, 2005, the International Equity Portfolio held a decided smaller cap tilt and was overweight to smaller cap equities by approximately 14.4% vs the MSCI EAFE Index.

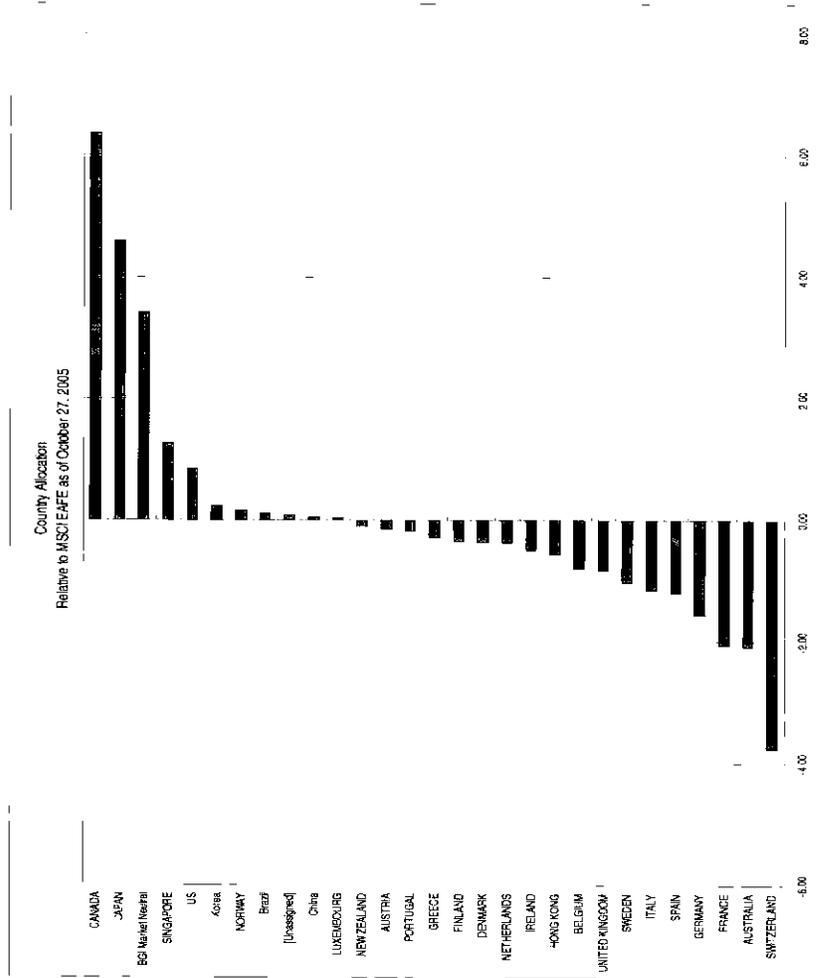
Most of the overweight exposure is tilted to 1) the Asian region, where staff believes the underlying economies are well poised to deliver strong earnings growth (relative to the rest of the world) and 2) the Canadian region, where staff seeks to gain natural resources (energy related) exposure.



Developed Equities – Country Exposure

As of October 27, 2005, the EAFE Equity Portfolio was primarily overweight to the Pacific Rim countries and underweight to the Euro-zone.

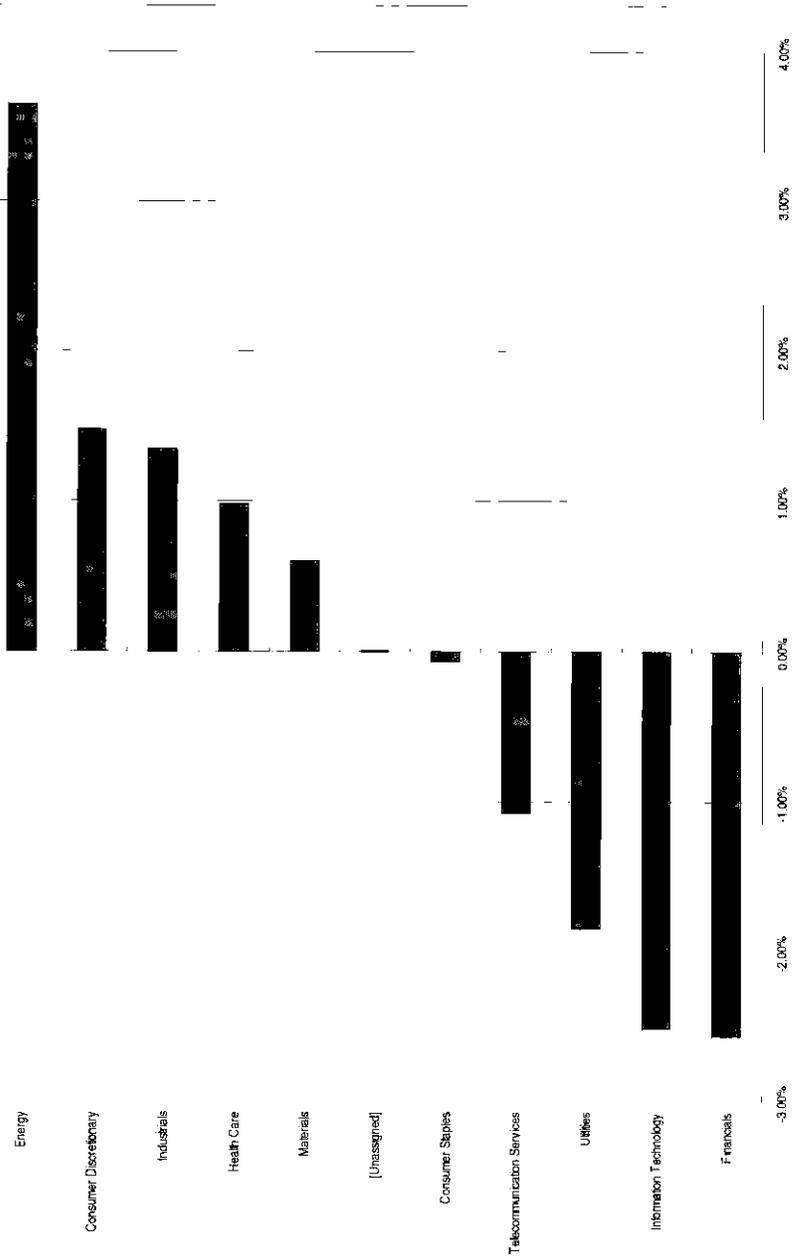
Please note that due to the decomposition of the International Equity Portfolio into the Developed and Emerging Markets sub-components, as of September 1, 2005, Canada is no longer part of the International Equity benchmark. While it held a 6% weighting in the All Country World ex US Index, it holds a 0% weighting in EAFE; therefore, UTIMCO's portfolio becomes overweight to this region. To reduce this oversized exposure, staff executed a costless put spread collar using the Canadian futures as the underlying index, providing downside protection in the event the Canadian market declines, while still allowing for meaningful equity appreciation.





Developed Equities – Sector Exposure

Developed International Sector Allocation
Relative to MSCI EAFE as of October 27, 2005



The EAFE Equity Portfolio held overweight positions in Energy and Consumer Discretionary and underweight positions in Financials and IT and Utilities.



Developed Equities - Currency

- Positions held by Developed Managers are invested in local equities and therefore are fully unhedged to the US Dollar (full foreign currency exposure).
- International futures contracts only capture equity exposure of the underlying markets and not currency – therefore, UTIMCO staff enters into forward currency contracts in order to adjust the hedged positioning.
- As of November 22, 2005, staff held the following positions in the Developed Markets portfolio:

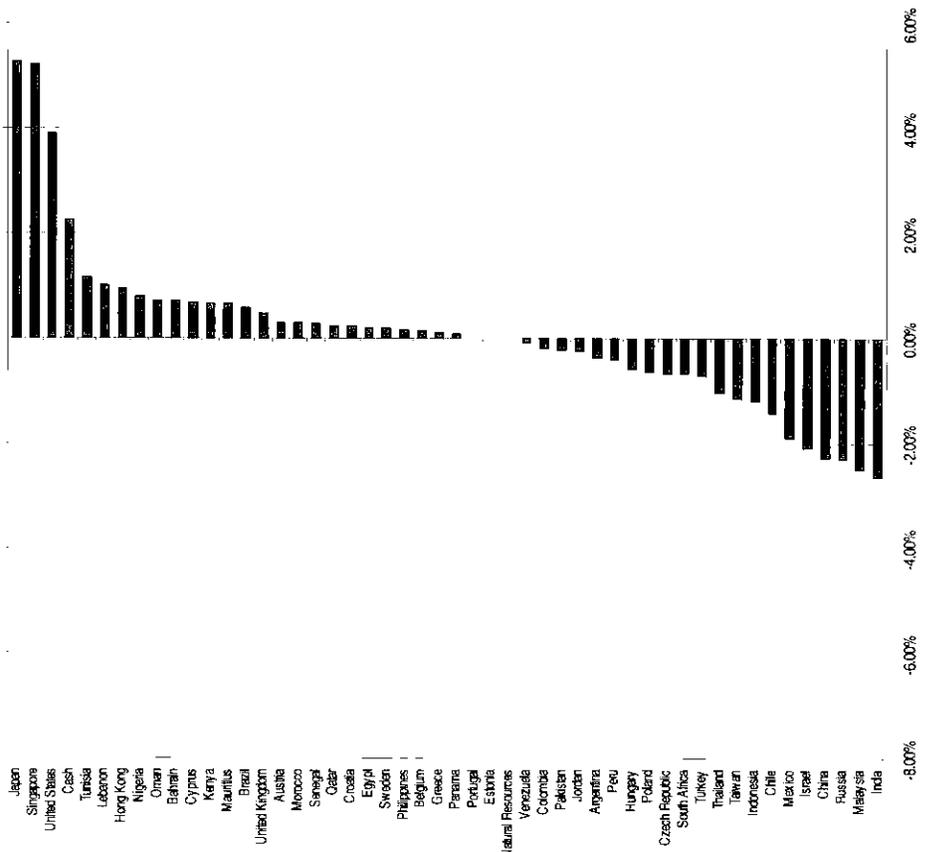
<u>Developed Markets</u>	<u>Net Foreign Currency in USD Equivalents</u>	<u>Futures</u>	<u>Net USD Futures Exposure</u>
British Pound	\$170,460,838	FTSE	\$207,769,100
Euro	120,187,762	EuroStoxx	123,307,065
Japanese Yen	34,167,739		
Canadian Dollar	(59,087,609)		
Developed Markets Total	\$246,439,102		\$331,076,165



Emerging Equities – Country Exposure

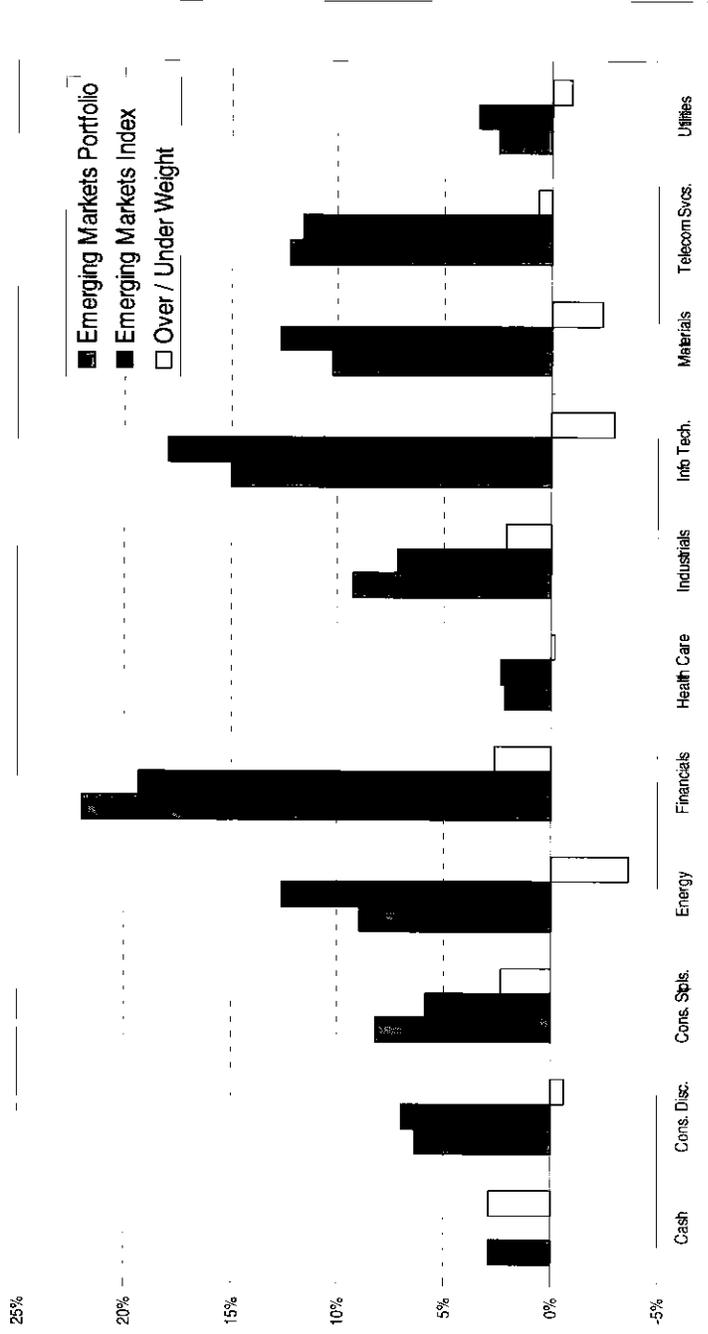
As of November 22, 2005, the EM Equity Portfolio was primarily overweight to the Pacific Rim countries and underweight to the Latin American region, Korea and Eastern European equities.

Please note that the overweights in the Developed Markets countries (United States, Singapore, and Hong Kong) are due to the Emerging Markets Proxy trade that staff has executed in order to gain Emerging Markets exposure, without trading in the actual Emerging Markets equities. The tracking error of the futures basket that staff has executed is expected to perform within 10% of the actual Emerging Markets index, while showing more defensive (lower beta) characteristics – an attractive feature at this point of the Emerging Markets cycle.





Emerging Equities – Sector Exposure



The Emerging Markets Equity Portfolio held overweight positions in Cash, Consumer Staples and Financials, with underweight positions in Energy and Information Technology.



Emerging Equities - Currency

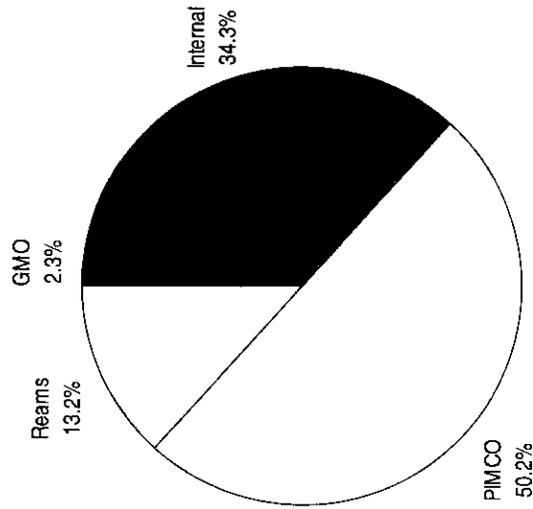
- Positions held by Emerging Managers are invested in local equities and therefore are fully unhedged to the US Dollar (full foreign currency exposure).
- International futures contracts capture equity exposure only of the underlying markets and not currency – therefore, UTIMCO staff enters into forward currency contracts in order to adjust the hedge ratio.
- As of November 22, 2005, staff held the following positions in the Emerging Markets portfolio:

	<u>Net Foreign Currency in USD Equivalents</u>	<u>Futures</u>	<u>Net USD Futures Exposure</u>
Taiwanese Dollar	\$30,278,143	MSCI Taiwan	\$32,102,400
Singapore Dollar	25,027,631	MSCI Singapore	25,075,597
South African Rand	23,375,574	SA All Shares	36,234,760
Euro	5,610,515		
Japanese Yen	44,690,461	TOPIX	43,243,445
		S&P 500	32,586,625
Emerging Markets Total	\$128,982,325		\$169,242,827



Fixed Income

Fixed Income Allocation by Manager



As of October 31, 2005, fixed income investments totaled \$1,502.8 million - allocated between 3 external managers and the internal UTIMCO Fixed Income team.



Fixed Income

UTIMCO FIXED INCOME SUMMARY CHARACTERISTICS AS OF 10/31/05

	<u>UTIMCO</u>	<u>Lehman Aggregate Index</u>
Market Value	\$ 1,468,821,123	\$8,171 billion
Duration	4.97	4.60
Yield-to-Maturity	4.79%	5.20%
Average Maturity	7.91	7.00
Average Quality	AAA	AAA

UTIMCO FIXED INCOME SECTOR STRUCTURE AS OF 10/31/05

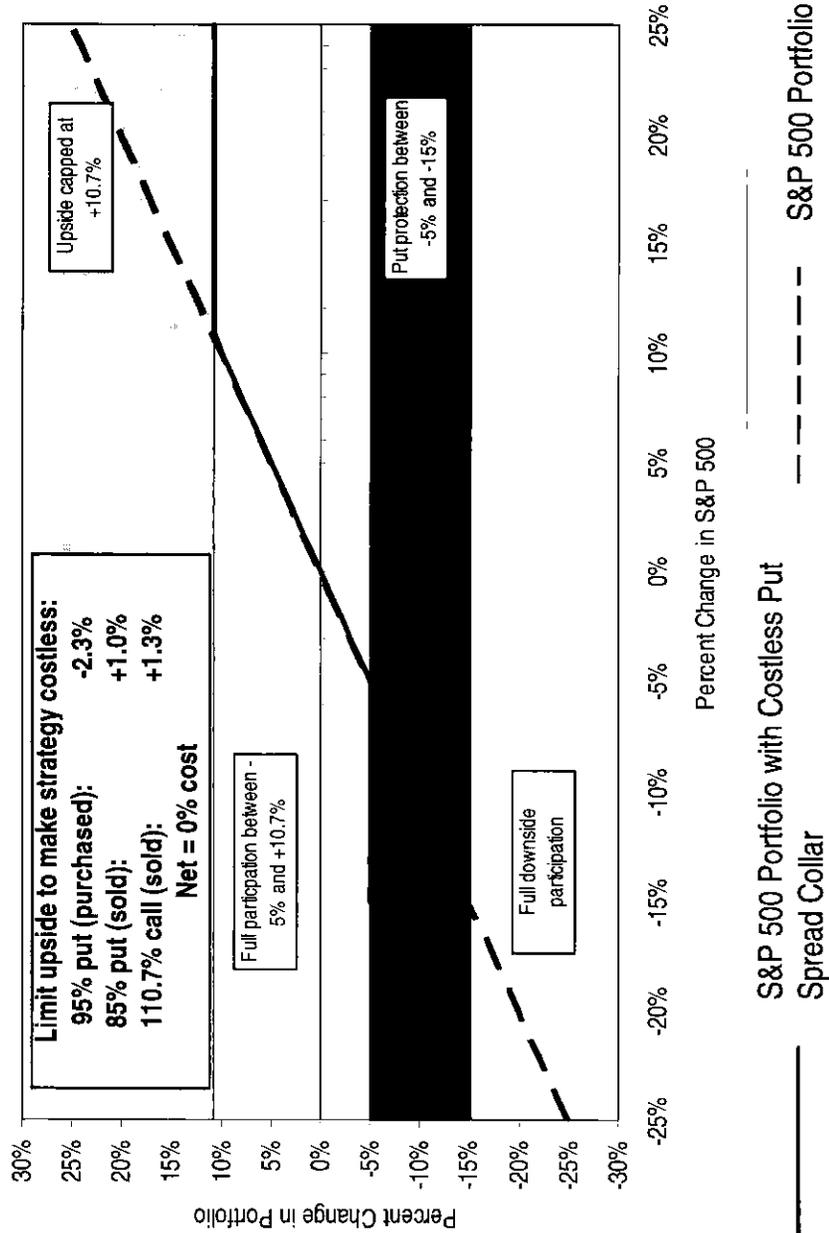
	<u>UTIMCO</u>	<u>Lehman Aggregate Index</u>
Treasury	11%	26%
Agency	3%	11%
Mortgage-Backed	38%	38%
Asset-Backed	0%	1%
Credit	13%	24%
Foreign	28%	0%
Cash & Cash Equivalents	6%	0%
Other (including Swaps)	2%	0%
	100%	100%



Costless Put Spread Collar

The following diagram is an illustrative example of a Costless Put Spread Collar structure:

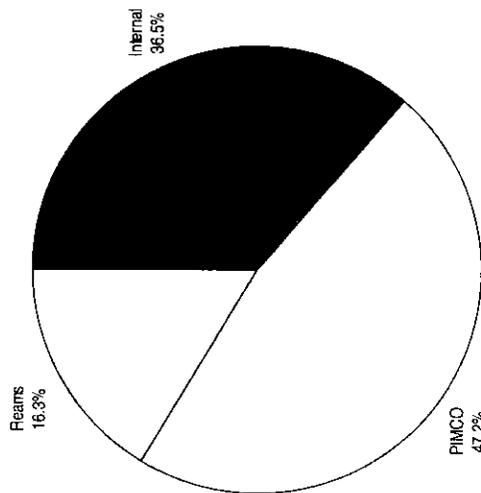
S&P 500 Portfolio with Costless Put Spread Collar





TIPS

TIPS Allocation by Manager

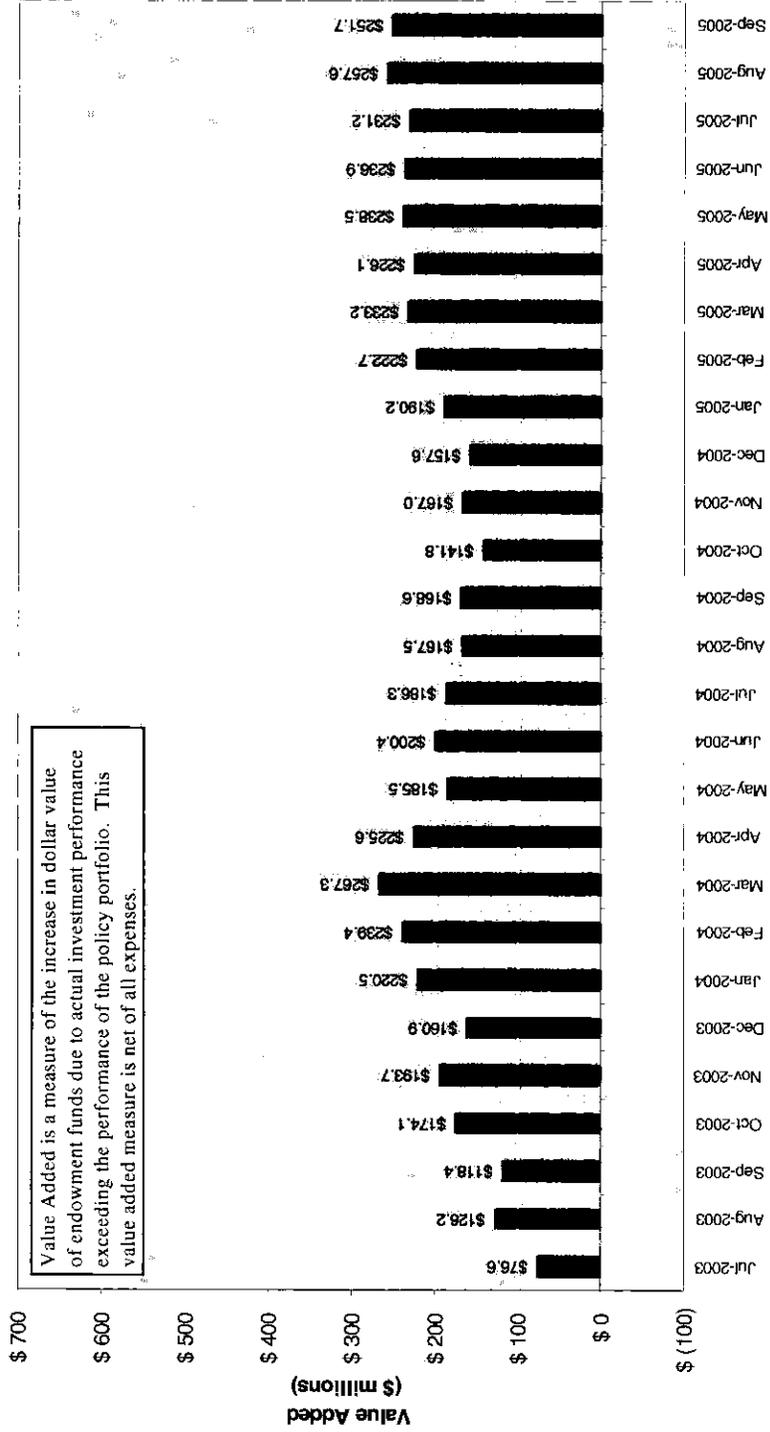


As of October 31, TIPS investments totaled \$619.1 million - allocated between 2 external managers and the internal UTIMCO Fixed Income team.



Value Added

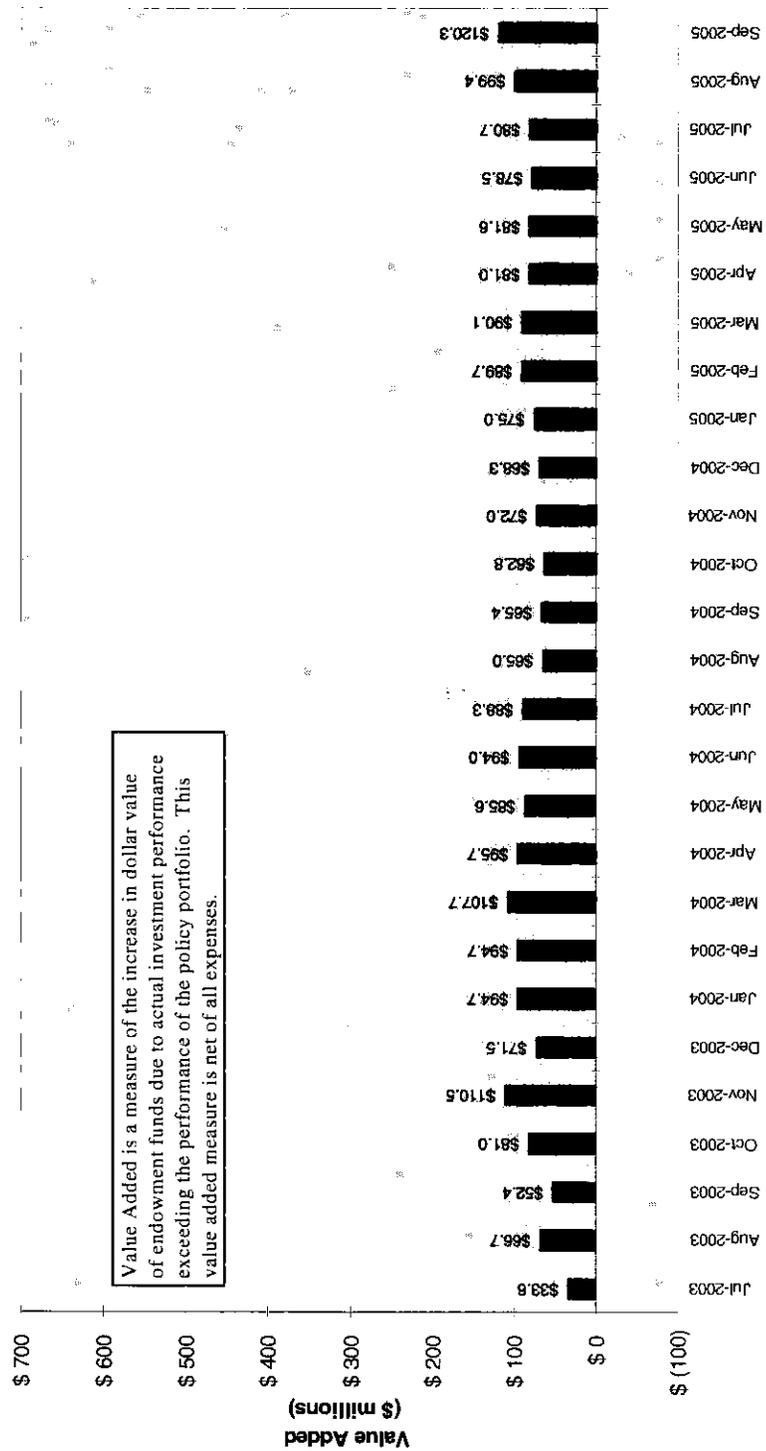
Cumulative Value Added Total Public Markets in Endowment Funds (July 1, 2003 To Date) Including 50% of the No Cost Collar Trade





Value Added

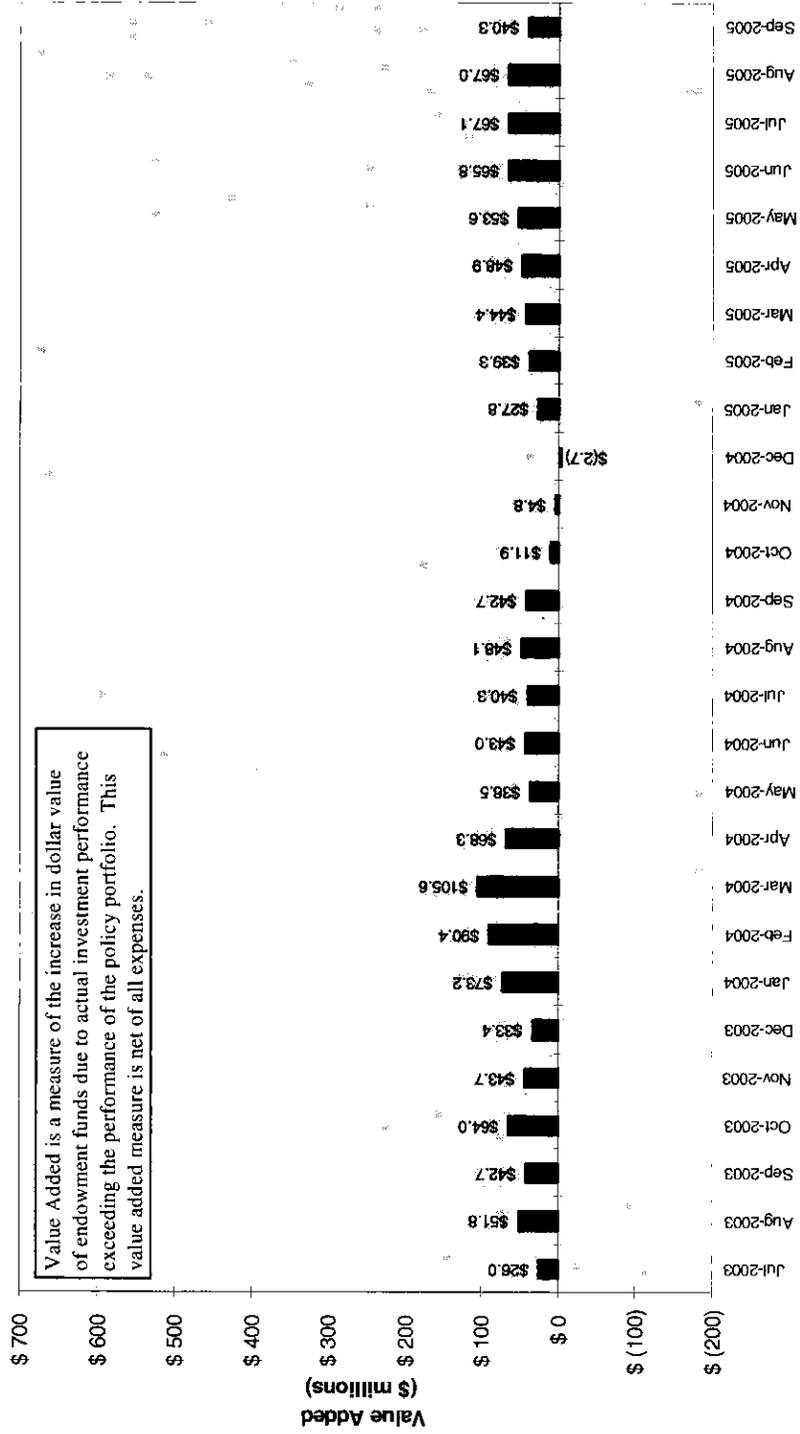
**Cumulative Value Added in Domestic Equity ex REITS in Endowment Funds
(Compensation Inception To Date)
Since July 1, 2003**





Value Added

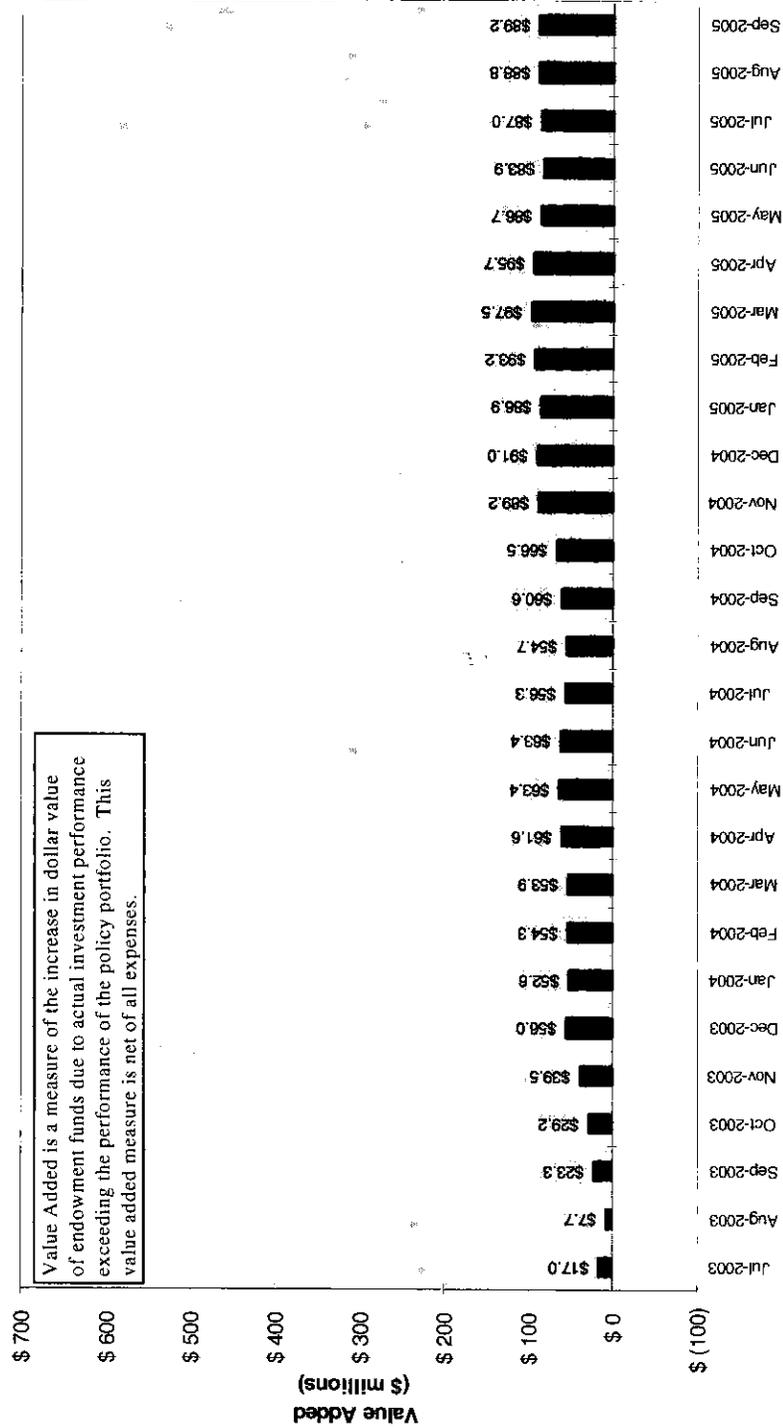
**Cumulative Value Added in International Equity ex Emerging Shorts in Endowment Funds
(Compensation Inception To Date)
Since July 1, 2003**





Value Added

**Cumulative Value Added in Fixed Income ex TIPS in Endowment Funds
(Compensation Inception To Date)
Since July 1, 2003**



Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

Agenda Item: Presentation of Investment in Lansdowne's European Long Only Fund

Developed By: Goldsmith

Presented By: Goldsmith

Type of Item: No Action Required / Director Election to Review

Description: Lansdowne Partners Limited – European Long Only Fund

Discussion: UTIMCO staff received approval for the investment in Lansdowne's European Long Only Fund in December 2005. The Board requested that this investment be discussed further under the Option to Review form.

The need and search for independent, research-oriented, active alpha generating long-only managers in non-U.S. equity spaces continues to get ever more challenging. Research into Lansdowne as a firm has spanned both Public Markets and Marketable Alternatives at UTIMCO. As a firm, they are independent and focused on both client results and business stability. The particular investment spaces in which they have engaged their talent have held much appeal to staff over the last couple of years.

Staff believes that Lansdowne's in-depth fundamental analysis and experienced management team, coupled with the relative market inefficiency of the areas in which they will be investing, provide the Endowments with a compelling and high PVA investment opportunity. They have an impressive track record in managing European equities and staff views that the valuation of the companies in their investment universe are at attractive levels.

Reference: Delegation of Authority Policy; Investment Memorandum

Lansdowne Partners Limited – European Long Only Fund
Investment Recommendation
Executive Summary

UTIMCO Responsibility	Investment Description	Asset Category	Current/Pro Forma Exposure in Asset Category	Liquidity Profile	Existing Exposure	Proposed Investment	Total Proposed and Existing Exposure	Actual/Pro Forma Total Illiquidity
Public Markets ("PM")	International Equities	Developed Equities	13.9%/13.9%	Liquid	\$0	\$100,000,000	\$100,000,000	N/A

INVESTMENT SUMMARY

In all investment spaces, Public Markets staff strives to uncover unique and talented investment managers and to leverage their skill set into structures that can deliver the highest PVA for the Endowments. In this vein, staff began discussions with Lansdowne Partners Limited ("Lansdowne") - who have a successful, long-term track record in the hedge fund space - about investing in their opportunistic long-only international equity offerings. Staff recently received approval to engage Lansdowne in an Emerging Markets mandate. Staff now proposes to hire Lansdowne to manage a European Long Only portfolio.

▪ LANSDOWNE PARTNERS' MAIN COMPETITIVE ADVANTAGES

1. Rigorous fundamental analysis performed by an experienced investment team.
2. Access to senior management teams and key governmental officials across the European landscape.
3. A strong track record of peer-leading performance in their chosen investment mandates.
4. A commitment to grow their new and existing products in a measured and controlled manner in order to not dilute their intended portfolio performance results.

Lansdowne was founded in 1998 with an investment philosophy focused on delivering absolute annual returns generated by finding undervalued companies via in-depth fundamental analysis. Over the last seven years, assets under management have grown to \$6 billion, managed in 4 separate hedge fund (long/short) mandates. In early 2005, Lansdowne launched the proposed long-only product as a natural extension of the investment research process of their established flagship European strategy.

▪ EXPERIENCE

Lansdowne employs experienced investment professionals whose backgrounds and experiences complement the philosophy of the firm. The firm's portfolio managers, analysts and traders have extensive experience managing investment portfolios and researching potential holdings, have advanced degrees in a wide range of academic pursuits, and have a demonstrated track record of success with international equity investing. The founding partners, Paul Ruddock and Steven Heinz, have 24 and 19 years, respectively, of direct applicable experience. In aggregate, the firm has a staff of 52 individuals, 25 of which are investment professionals.

RECOMMENDATION

The need and search for independent, research-oriented, active alpha generating long-only managers in non-U.S. equity spaces continues to get ever more challenging. Research into Lansdowne as a firm has spanned both Public Markets and Marketable Alternatives at UTIMCO. As a firm, they are independent and focused on both client results and business stability. The particular investment spaces in which they have engaged their talent have held much appeal to staff over the last couple of years. Unfortunately, products such as UK long-only equities have been closed to new clients, and the only practical remaining opportunities are in European long-only equities and Emerging equities (which UTIMCO is committing \$200 million to seed).

In sum, staff believes that Lansdowne's in-depth fundamental analysis and experienced management team, coupled with the relative market inefficiency of the areas in which they will be investing, provide the Endowments with a compelling and high PVA investment opportunity. They have an impressive track record in managing European equities and staff views that the valuation of the companies in their investment universe are at attractive levels. As mentioned above, staff intends to invest \$200 million with Lansdowne in a dedicated Emerging Markets portfolio. The proposed investment of \$100 million into the European Long only mandate would bring the total funds with Lansdowne to \$300 million.

Lansdowne Partners Limited – European Long Only Fund

Investment Recommendation Due Diligence Memorandum

UTIMCO Responsibility	Investment Description	Asset Category	Current/Pro Forma Exposure in Asset Category	Liquidity Profile	Existing Exposure	Proposed Investment	Total Proposed and Existing Exposure	Actual/Pro Forma Total Illiquidity
Public Markets ("PM")	International Equities	Developed Equities	13.9%/13.9%	Liquid	\$0	\$100,000,000	\$100,000,000	N/A

INVESTMENT CHARACTERISTICS:

INVESTMENT RATIONALE

Lansdowne Partners Limited ("Lansdowne") seeks to maximize total returns while carefully and selectively taking risk where they believe that the long term return potential is positively skewed in their favor. In the European Long Only ("ELO") strategy, Lansdowne builds a portfolio of European equities, that are predominately non-UK with a focus on the mid-cap space, an area which is often overlooked and under-covered by the institutional investment community.

In UTIMCO's current Developed Markets portfolio, a meaningful portion of the EAFE-based assets remain passively managed as staff has continued to search for active managers who have the optimal mix of organizational traits and investment insight critical for future high PVA results. Compounding this situation, staff has faced the increasingly common problem that many of the best international managers are refusing to take on additional capital in fears that it would negatively impact their performance potential. The existing managers who are taking on new capital, tend to have larger mandates and are becoming very benchmark-oriented. As with all past mandates, UTIMCO's Public Markets (PM) staff insists on not paying for beta – in other words, providing benchmark-like returns in a space that is inherently inefficient is highly undesirable.

It is staff's perspective that Lansdowne effectively addresses each of these concerns. In addition, they have many of the classic attributes staff wishes to see in an active manager selection:

1. They are independently owned and operated with senior members of the firm having a significant portion of their net worth invested side by side with clients.
2. They have a long term track record of success when ranked against peers and benchmarks.
3. They have judiciously built their business while keeping assets under management at a level intended to retain future performance potential.
4. They are willing to partner with the UT Endowments on a compensation structure that is tilted towards delivering superior returns.

The Public Markets staff views that finding experienced investment talent, and giving them the tools to constructively build portfolios on the behalf of the UT Endowments, is a necessary undertaking in order to remain competitive to both internal benchmarks and peers.

MANAGER RATIONALE

MANAGER BACKGROUND / CHARACTERISTICS

- Lansdowne was founded in 1998 with an investment philosophy focused on delivering absolute annual returns generated by finding undervalued companies via in-depth fundamental analysis. Over the last seven years, assets under management have grown to nearly \$6 billion, managed in 4 separate hedge fund (long/short) mandates. In early 2005, Lansdowne launched a long-only product as a natural extension of the investment research process they were already conducting on their flagship European strategy.
- Lansdowne Partners Limited is an England-domiciled limited partnership that is owned by Paul Ruddock and Steve Heinz – the two individuals who founded the firm in 1998. They are registered as an Investment Advisor with the U.S. Securities and Exchange Commission and are authorized and regulated in the UK by the Financial Services Authority.
- Lansdowne employs experienced investment professionals whose backgrounds and experiences complement the philosophy of the firm. The firm's portfolio managers, analysts and traders have extensive experience managing investment portfolios and researching potential holdings, have advanced degrees in a wide range of academic pursuits, and have a demonstrated track record of success with international equity investing. The founding partners, Paul Ruddock and Steven Heinz, have 24 and 19 years direct investment experience, respectively. In aggregate the firm has a staff of 52 individuals, 25 of which are investment professionals.

A list of Lansdowne's current senior investment staff and backgrounds are outlined below: (see Appendix A for complete bios and an organizational chart)

	Steven Heinz	Paul Ruddock	Peter Davies	Stuart Roden
Role	Fund Manager, European Fund	Business Management and Operations	Fund Manager, UK Fund	Fund Manager, UK Fund
Background	<ul style="list-style-type: none"> • Berkeley (MBA, MS, BA) • McKinsey & Co • Goldman Sachs & Co • Harvard Management Company 	<ul style="list-style-type: none"> • Oxford (1st class hon. Law) • Goldman Sachs & Co • Schroder & Co Inc (Managing Director, Head of International) 	<ul style="list-style-type: none"> • Oxford (1st class hon. Politics, Philosophy & Economics) • Merrill Lynch Investment Managers (Director) 	<ul style="list-style-type: none"> • LSE (1st class hon. Economics & Philosophy) • S G Warburg & Co • McKinsey & Co • Merrill Lynch Investment Managers (Managing Director)
Investment Experience	<ul style="list-style-type: none"> • 19 years' public and private equity experience • Founding Limited Partner, Lansdowne Partners 	<ul style="list-style-type: none"> • 24 years' experience in European & US Equities • Founding Limited Partner, Lansdowne Partners 	<ul style="list-style-type: none"> • 14 years' experience in UK equity markets • Managed \$4bn of UK high performance mandates at MLIM • Manager of top performing UK unit trust over 5 years at MLIM • Senior Limited Partner, Lansdowne Partners 	<ul style="list-style-type: none"> • 20 years' experience in UK equity markets • Managed \$5bn of UK high performance mandates at MLIM • Head of UK Equity Research at MLIM • Senior Limited Partner, Lansdowne Partners

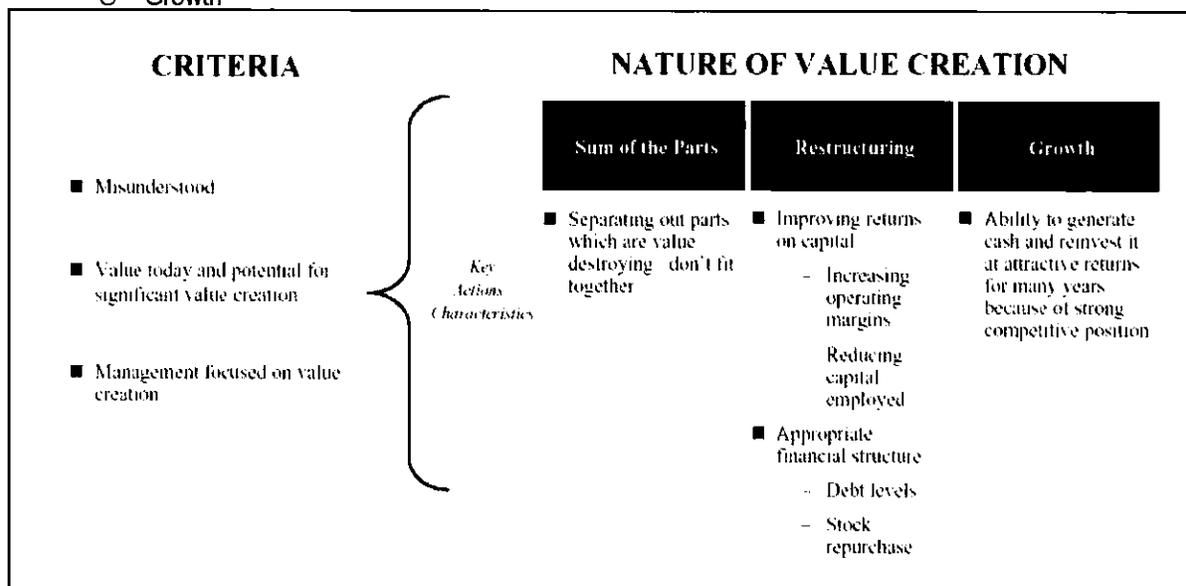
ASSETS UNDER MANAGEMENT

Lansdowne has successfully grown assets in a limited number of investment offerings since 1998. Staff anticipates that Lansdowne will continue to build-out their product offerings in a selective fashion in a manner than can leverage their operations base (back-office, trading, etc.). However, staff is comfortable that future firm growth will not be at the cost of impairing current investment strategies of over allocating capital to the Senior Portfolio Managers. As of October 31, 2005, the firm's assets under management were as follows:

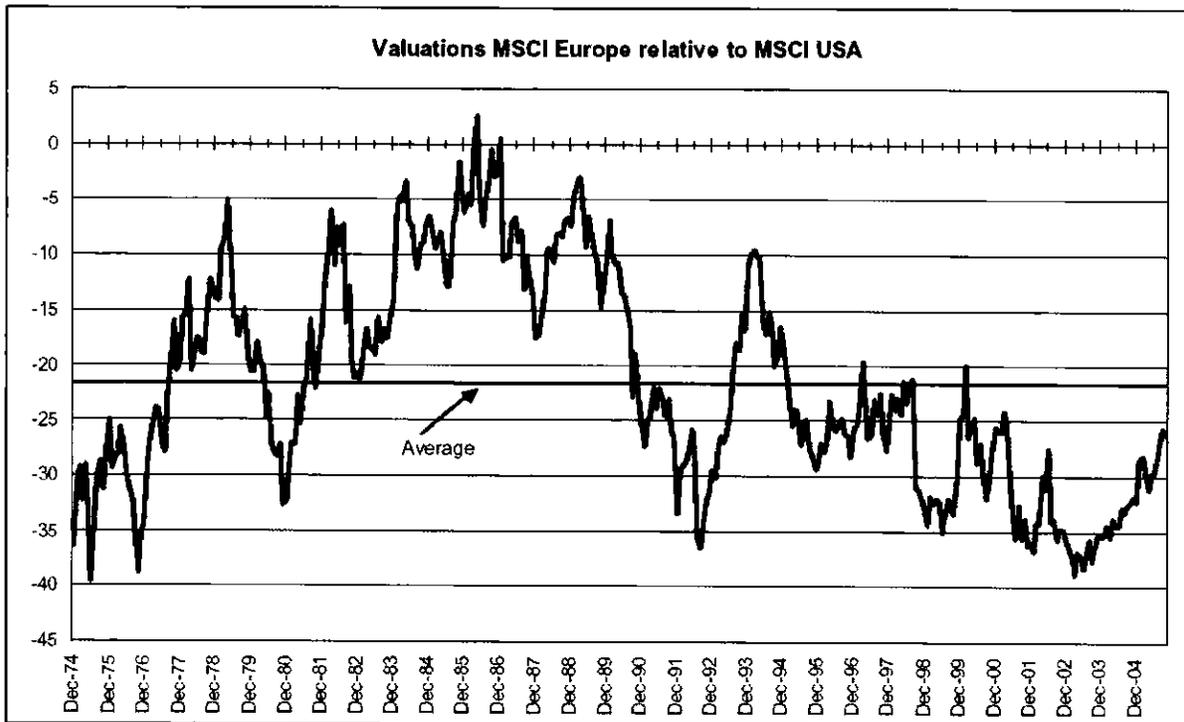
Strategy / Vehicle	Senior Portfolio Manager	AUM
UK Long / Short Strategy	Peter Davies / Stuart Roden	\$2,965
European Long / Short Strategy	Steven Heinz	2,227
European Long Only Strategy	Steven Heinz	372
Global Financials Strategy	William de Winton	375
Macro Long / Short Strategy	Richard Davidson	121
Total Firm AUM		\$6,060

PHILOSOPHY / PROCESS / RESEARCH

- In Lansdowne's ELO mandate, the investment process is to seek companies which are:
 - Misunderstood,
 - Trade at a good value today and have the potential for significant value creation, and have a
 - Management team that is focused on value creation.
- Typically, when ELO finds a company that meets all of the above criteria, the expected nature of the value creation can be classified into one of three categories:
 - Sum of the Parts
 - Restructuring
 - Growth



- When valuing European equities, Lansdowne's investment perspective is rooted in their belief that both a secular case and a cyclical case can be made which support the general undervaluation for equities:
 - From a secular perspective:
 - There is an ongoing restructuring of Corporate Europe, which involves the rationalization of business portfolios and corporate balance sheets.
 - Equity ownership is still overrepresented at the state level, underrepresented at the individual investor level, and hamstrung at the institutional level by a continuing focus on benchmarks and relative return.
 - Brokerage firms effectively marginalize the research of small and mid cap equities as fewer sell-side analysts must cover only the large cap companies, exacerbating pricing inefficiencies in the market.
 - From a cyclical perspective:
 - Approximately 12% of European companies have cash flow metrics, relative to the cost of borrowing, where a LBO would make economic sense – a high percentage relative to history and to the US proportion of 4%.
 - The valuations of MSCI Europe relative to MSCI USA is meaningfully below the average metrics across price to book, dividend yield and price to earnings (see chart below):



PORTFOLIO CONSTRUCTION

In the ELO mandate, Lansdowne will construct a portfolio of primarily European equities expected to outperform the DJ Stoxx 600 over a full economic cycle. In addition, the portfolio will be:

- Concentrated with 20 to 30 positions accounting for greater than 80% of the NAV.
- Able to hold up to 40% of the assets in cash or short term fixed income securities.
- Able to utilize leverage up to 30%, with net NAV exposure of 60% to 130%.
- Predominately non-UK in exposure with an orientation towards mid-cap stocks.

In addition, the portfolio will have a beta-adjusted exposure that is significantly below net exposure and will be constructed solely based on stock selection, with no reference to the underlying index.

Financial Characteristics

The following details are for Lansdowne's European Long Only Mandate.

- **Top Holdings as of October 31, 2005**

Top Ten Positions	% Of Equity
VEOLIA ENVIRONMENT	8.1%
CAPIO AB	6.7%
FRANCE TELECOM	6.3%
KGMH POLSKA MIEDZ S.A	5.7%
OMV AG	5.5%
PKO BANK POLSKI SA	5.3%
TELENOR ASA	5.2%
NESTLE STUB CERT 12/01/2006	5.2%
CSM CVA	5.1%
ASSA ABLOY AB- B	4.4%
Total	57.5%

- **Sector Breakdown as of October 31, 2005**

Sector Exposure	Long Portfolio % Of Equity	DJ Stoxx 600
Consumer Staples	22.0%	9.4%
Energy	21.0%	10.0%
Telecom	20.8%	7.5%
Industrial	15.2%	6.3%
Financial	13.7%	30.0%
Utilities	9.6%	5.6%
Materials	9.1%	3.7%
Consumer Discretionary	0.5%	10.0%
Healthcare	0.0%	9.7%
Technology	0.0%	7.8%
Total	112.0%	100.0%

- **Country Breakdown as of October 31, 2005**

Countries Exposure	Long Portfolio % Of Equity	DJ Stoxx 600
Austria	9.5%	0.6%
Belgium	4.3%	1.3%
Denmark	0.0%	1.1%
Finland	0.0%	2.1%
France	21.1%	14.1%
Germany	4.0%	10.3%
Greece	5.7%	0.8%
Hong Kong	0.0%	0.0%
Ireland	0.0%	1.3%
Italy	0.0%	5.3%
Luxembourg	0.0%	0.1%
Netherlands	5.6%	5.5%
Norway	15.9%	0.9%
Poland	15.6%	0.0%
Portugal	3.5%	0.5%
Spain	1.1%	5.8%
Sweden	14.3%	3.4%
Switzerland	6.3%	10.4%
Turkey	0.9%	0.0%
United Kingdom	0.0%	36.6%
United States	4.3%	0.0%
Total	112.0%	100.00%

PERFORMANCE

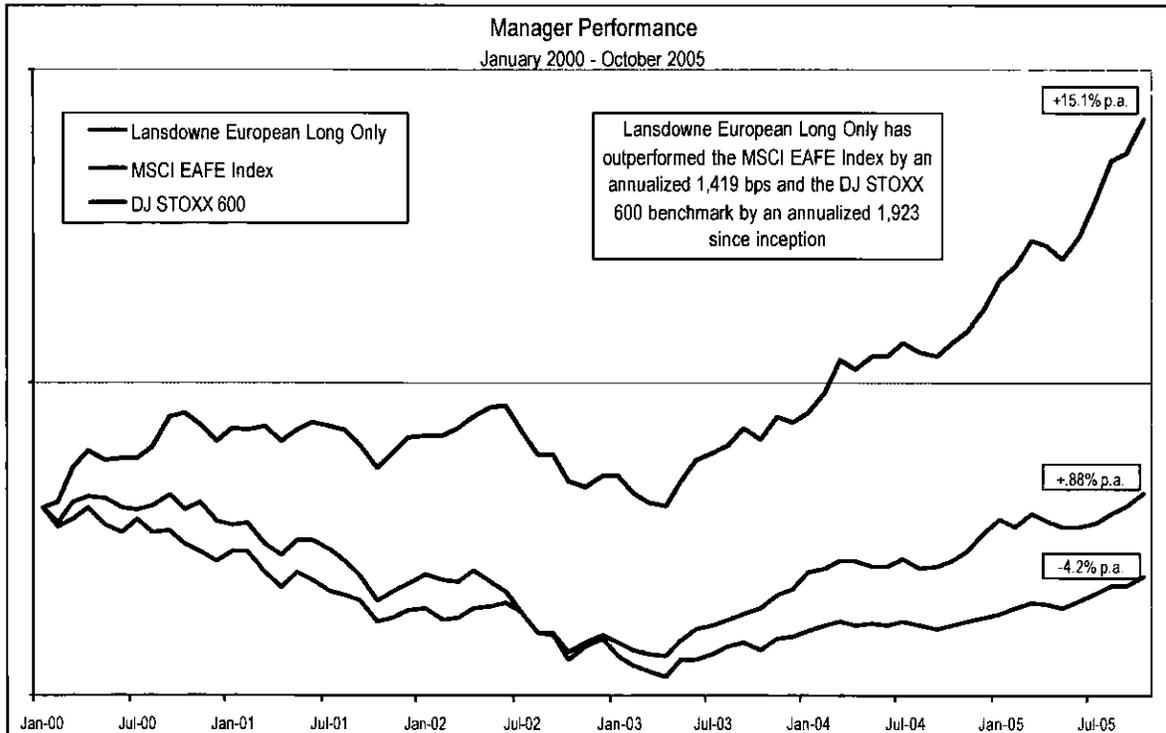
Lansdowne's European Long Only strategy has an attractive long-term track record, outperforming both the MSCI EAFE Index and their stated benchmark, the DJ Stoxx 600. *Please note that performance prior to January 2005 is for actual results of a long only account which Lansdowne managed. The Fund was launched in January 2005 following the strong results of the internal account. Please see Appendix B for a comparison of the MSCI EAFE Index to the DJ Stoxx 600.*

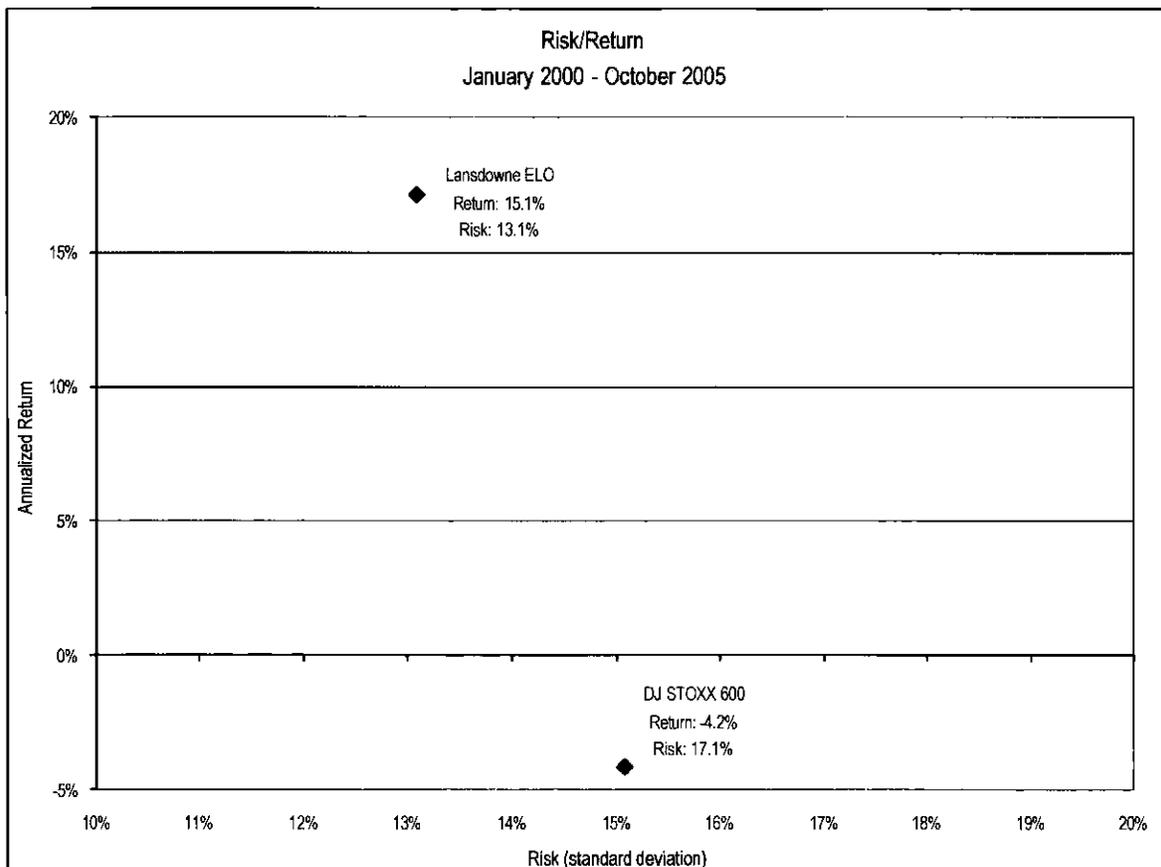
Periods ending October 2005

Composite Returns	1 Month	3 Month	YTD	1 year	2 year	3 year	4 year	5 year	Jan 00 - Oct 05
Lansdowne ELO	5.1%	13.0%	29.6%	46.7%	35.7%	27.5%	18.7%	11.5%	15.1%
DJ STOXX 600	-4.3%	10.4%	18.43%	25.05%	19.84%	15.17%	2.82%	-4.65%	-4.2%
Active Return	9.4%	2.5%	11.2%	21.6%	15.8%	12.3%	15.9%	16.1%	19.2%

Risk (Standard Deviation)	1 year	2 year	3 year	4 year	5 year	Jan 00 - Oct 05
Lansdowne ELO	9.8%	10.5%	11.7%	12.7%	12.8%	13.1%
DJ STOXX 600	7.19%	8.15%	13.59%	16.64%	17.01%	17.1%
Active Risk	2.6%	2.3%	-1.9%	-3.9%	-4.2%	-4.0%

Calendar Returns	2000	2001	2002	2003	2004	
Lansdowne ELO		25.4%	-2.0%	-10.5%	18.5%	32.6%
DJ STOXX 600		-5.3%	-16.9%	-32.5%	13.8%	9.4%
Active Return		30.7%	15.0%	22.0%	4.7%	23.2%





DUE DILIGENCE

The Managing Director of Public Markets conducted two UK visits to Lansdowne's offices on October 12, 2004 and June 8, 2005. In addition, founder Paul Ruddock, and proposed Emerging Markets PM Arnab Banerji met at UTIMCO's offices with staff with Bob Boldt attending.

Staff's impression of Lansdowne is that they are focused and professional on both operational and investment fronts. Their successful hedge fund experience has occurred gradually, their backoffice and accounting processes appear sufficient, and they have been procedurally detailed in piecing together this proposed Emerging Markets mandate

Staff believes Lansdowne is focused on providing best-in-class results while engaging in high standards of business practices and ethics and will make a solid and long-term beneficial addition to the UTIMCO International Equity portfolio. In addition, the MD Public Markets has met Steve Heinz and he appears to have the focus, understanding and background necessary to deliver long-term high PVA for the Endowments.

Staff is currently conducting both reference and background checks on key employees of Lansdowne. Staff does not expect to uncover any issues which would negate moving forward with these investments;

however, if staff has any concerns whatsoever on the outcome of these background checks, staff will immediately notify the CEO of UTIMCO and handle such findings accordingly.

DERIVATIVES

Lansdowne will utilize a wide range of instruments, including listed and unlisted equities, debt securities (which may be below investment grade), options, warrants and other derivative instruments in managing the ELO mandates. Derivative instruments may be exchange-traded or over-the-counter.

The proposed investment for the ELO mandate would be into an existing commingled fund; while staff is comfortable in the expertise that Lansdowne exhibits in managing derivatives, the investment structure would limit the potential loss of the Endowments' assets to that of the investment only.

FEE SCHEDULES

Lansdowne's fee for the ELO mandate is a 1% annual base fee of AUM, plus an annual performance fee equivalent to 10% of the profits.

Lansdowne would earn the 10% performance fee only if the NAV at year end is higher than it was at the beginning of the year. In the event of a loss, the account must earn back the full amount of the loss until a full performance fee is paid (Loss Carry-forward). However, a partial performance fee (of 5%) will be paid if in the current year the account made positive returns, but due to previous years' activities, had not yet fully recaptured losses.

FUNDING

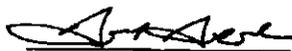
Staff would use a combination of existing passive investments with BGI, internally managed futures, and cash to fund the ELO mandate. Staff proposes to invest in the European Long Only strategy on January 1, 2006.

CONCLUSION / RECOMMENDATION

Staff recommends the hiring of Lansdowne to manage European equity assets. Staff believes that Lansdowne's in-depth fundamental analysis, experienced management team, thoughtful business practices and procedures, as well as the market inefficiency of the areas in which they will be participating – provide the Endowments with a compellingly high PVA investment opportunity. Furthermore, staff believes that Lansdowne has the organizational traits and investment acumen necessary to increase the probability of their ability to deliver value added returns to the Endowments.

Approved:

Bob Boldt



Larry Goldsmith



Appendix A – Key Individuals

Paul Ruddock

Paul Ruddock (British) is a founding limited partner of the Investment Manager, a director of Lansdowne Partners Limited and a director and shareholder of Lansdowne Partners International Limited of which Lansdowne Partners Limited is a wholly owned subsidiary. Until he left in July 1998, Mr Ruddock was, from 1992, Managing Director and Head of the International Department of Schroder & Co. Inc. which he had joined in 1984. As Managing Director, he was responsible for the US equities business in the London, Geneva, Genolier, Paris and Amsterdam offices and was directly responsible for supervising and managing the sales and trading operations of the department trading in equities, options and futures transactions. From 1993, he was also a director of the Schroder Securities European Division of Schroders Plc and a director of Schroder Securities Europe Limited and Schroder Securities (Switzerland) Limited in which capacity he had considerable contact with, and experience of, European equity markets. Also from 1993 to 1995 he was a member of the executive committee of Schroder Securities Limited, the responsibilities of which included the monitoring and approval of capital employed by the company in its trading and underwriting activities. In 1995 and 1996, Mr Ruddock led a nine month strategic review of the world-wide private banking activities of Schroders Plc, including the private client asset management operations in London, Switzerland, the United States and Asia. From 1980 to 1984 he was an institutional equity salesman at Goldman Sachs & Co. Mr Ruddock holds an MA(Hons) and a first class BA(Hons) in Law from Mansfield College, Oxford University.

Steven Heinz

Steven Heinz (American) is a founding limited partner of the Investment Manager and a director of each of Lansdowne Partners Limited and Lansdowne Partners International Limited. Until he left in June 1998, Mr Heinz was, from 1995, a member of the Equity Arbitrage Group at Harvard Management Company where he specialised in analysing and investing in European companies and equities. His responsibilities also included hedging long positions through the use of equity short sales, currency hedges and derivatives. From 1993 to 1995, Mr Heinz was a Vice President in the Business Development Department at Goldman Sachs & Co in New York, where he identified and developed investment opportunities for the firm and its clients. While at Goldman Sachs & Co., Mr Heinz was part of a group of individuals that developed and applied investment strategies (some of which were similar to that of the Fund) for the firm and for the private client division. Prior to joining Goldman Sachs & Co., from 1991 Mr Heinz was an Associate at McKinsey & Company working on corporate strategy and re-engineering projects. From 1989 to 1991, Mr Heinz was a Partner in H&W Partners which developed and evaluated middle market food, distribution and finance company acquisitions for a private investment group. Prior to joining H&W Partners, Mr Heinz was from 1987 an Associate in the Capital Markets Group at Chemical Bank and from 1984 to 1986 a Co-Founder of Shiva Multisystems Corp., and BodyMatrix Inc. Mr Heinz holds a BA in Applied Mathematics, an MS in Industrial Engineering and an MBA in Finance and Strategic Planning from the University of California at Berkeley.

David Craigen

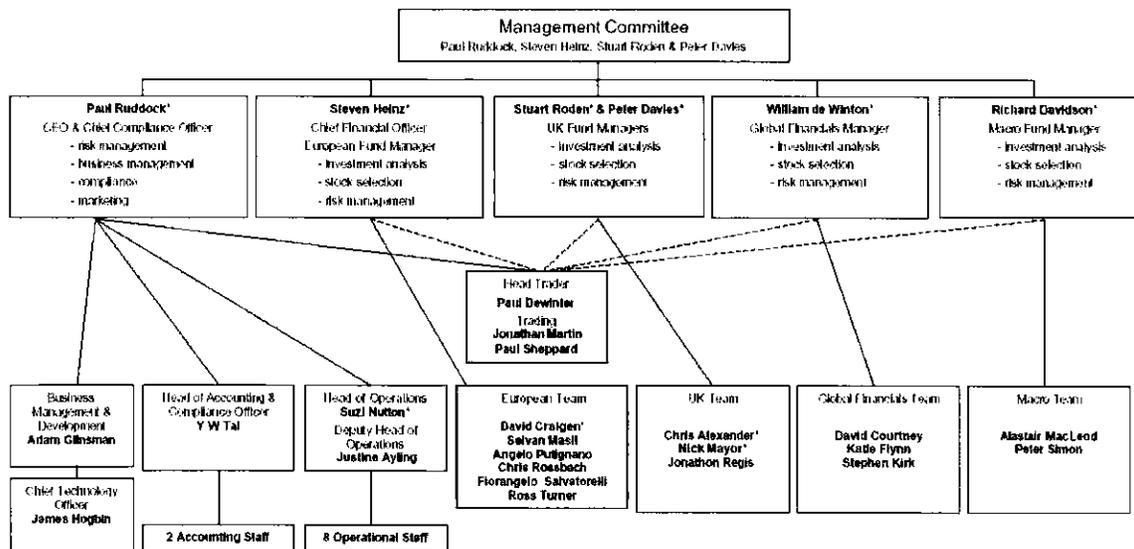
David Craigen (British) is a limited partner of the Investment Manager, and has been with Lansdowne Partners Limited since December 2000. Mr Craigen is responsible for pan European research with a focus on financial services and media. Prior to joining the Investment Manager, from 1997 to 2000 Mr Craigen worked as an equity research analyst covering European Asset Managers for Enskilda Securities and

latterly SG Securities. From 1994 to 1997 Mr Craigen worked with Baillie Gifford & Co, the largest partnership owned money-manager in the UK. During his three years with Baillie Gifford he had spells in the UK, US and predominantly European investment teams where he worked as an equity research analyst. Mr Craigen holds an MA and BA in Philosophy, Politics and Economics from Keble College, Oxford.

Arnab Banerji

From 2002 –2005 Arnab worked as the British Prime Minister’s (Tony Blair’s) Senior Policy Advisor on Economic Affairs. The main policy areas, in which Arnab was involved, included the Financial Sector, Trade, and Regulation & International Development. Arnab was also a member of the China Task Force responsible for developing closer ties with China Arnab worked with the Foreign & Colonial Group from 1993 to 2002 where he was Investment Chairman and Chief Investment Officer. At the time of his departure the group had over \$100 billion invested in equity and debt. Arnab had responsibility for all investment management activities including the investment process, policy decision-making and asset allocation throughout the developed and emerging markets. Arnab managed a team of over 200 investment professionals based in 7 countries. Prior to joining the Foreign & Colonial Group Arnab was a Vice President at Citicorp Investment Management. Arnab received an M.A in Human Physiology in 1977 followed by degrees in Medicine & Surgery all from Oxford University.

Organisation Chart



* also limited partner of LPLP (Lansdowne Partners Limited Partnership)

Total headcount: 52

Appendix B- DJ STOXX 600 vs. MSCI EAFE

GICS Sector	DJ STOXX 600	MSCI EAFE	Over / Under
Financials	30.0%	28.1%	1.8%
Energy	10.0%	8.2%	1.8%
Health Care	9.7%	8.2%	1.5%
Telecommunication Services	7.5%	6.1%	1.4%
Consumer Staples	9.4%	8.1%	1.3%
Utilities	5.6%	5.0%	0.6%
Materials	7.8%	7.6%	0.2%
Consumer Discretionary	10.0%	12.1%	-2.2%
Information Technology	3.7%	6.0%	-2.3%
Industrials	6.3%	10.5%	-4.2%
	100.0%	100.0%	0.0%

Country	DJ STOXX 600	MSCI EAFE	Over / Under
UK	36.6%	25.1%	11.5%
France	14.1%	9.0%	5.1%
Germany	10.3%	6.8%	3.6%
Switzerland	10.4%	7.1%	3.3%
Spain	5.8%	3.8%	2.1%
Netherlands	5.5%	3.5%	2.0%
Italy	5.3%	3.6%	1.7%
Sweden	3.4%	2.3%	1.1%
Finland	2.1%	1.4%	0.6%
Ireland	1.3%	0.8%	0.5%
Denmark	1.1%	0.8%	0.3%
Greece	0.8%	0.6%	0.2%
Portugal	0.5%	0.3%	0.2%
Norway	0.9%	0.7%	0.2%
Austria	0.6%	0.4%	0.1%
Belgium	1.3%	1.3%	0.0%
Luxembourg	0.1%	0.2%	-0.1%
New Zealand	0.0%	0.2%	-0.2%
Singapore	0.0%	0.8%	-0.8%
Hong Kong	0.0%	1.7%	-1.7%
Australia	0.0%	5.2%	-5.2%
Japan	0.0%	24.4%	-24.4%
	100.0%	100.0%	0.0%

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
January 17, 2006

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: We hope 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 of Directors Meeting
January 17, 2006

Agenda Item: Presentation of 2005 Annual Report

Developed By: Moeller

Presented By: Moeller

Type of Item: Information item

Discussion: This is the third year of the new reporting format that includes separate reports for the UTIMCO Annual Report, PUF, LTF, FAQ, and separate "stories" for each institution as well as a compact disc with the audited financial statements. As in previous years, UTIMCO staff worked with an advisory group consisting of development staff from several UT System institutions to improve the reporting. The advisory group recommended the concept for the "Texas" theme this year.

We continue to receive positive feedback from the institutions. The reports have been available the first week of December the past two years. In prior years, the reports were normally available at the end of December/early January and our efforts to move the completion date several weeks earlier has been very helpful to the institutions to meet their own reporting deadlines. In order to achieve earlier delivery dates, we began the annual report process in June and it was a team effort with all of the senior management staff involved in the theme and design process as well as contributing certain sections to the reports. In addition, several members of the UTIMCO staff were involved with preparation of the written materials and graphs, proofreading, and mail out of the reports.

Over 7,800 reports were sent out this December. The institutions requested more copies of their stories this year, and each institution became more engaged in the process of producing a great story.

The annual reports are also available on-line on UTIMCO's website under "UTIMCO Publications." Individual feature stories published in the prior annual reports over the past six years are available on-line as well.

Reference: UTIMCO Annual Report, PUF Annual Report, LTF Annual Report, Frequently Asked Questions Report, a feature story from 14 components, a PUF feature story provided by Texas A&M, and disc with Audited financial statements.