The University of Texas Investment Management Company

Presentation Materials

Board of Directors Meeting

July 13, 2006

UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
July 13, 2006

UTIMCO
401 Congress Ave., Ste. 2800
Austin, Texas 78701

Time Begin	Time End	Item #	Agenda Item
			Open Session:
9:30 a.m.	9:35 a.m.	1	Call to Order/Consideration of Minutes of May 25, 2006 Meeting and May 30-31, 2006 Retreat *
9:35 a.m.	9:45 a.m.	2	Corporate Resolutions: - Consideration of Committee Assignments*,** - Consideration of Election of UTIMCO Vice-Chairman*
9:45 a.m.	10:00 a.m.	3	Endowment and Operating Funds Update: - Performance Report - Liquidity Profile - Risk Dashboard - Comprehensive Derivative Report - Report on Actions Taken Under Delegation of Authority
10:00 a.m.	10:30 a.m.	4	Report from Compensation Committee: **Executive Session** Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to consider the compensation committee report. **Reconvene into Open Session** - Consideration of Compensation Committee Report*
10:30 a.m.	11:00 a.m.	5	Discussion and Consideration of UTIMCO 2006/2007 Budget *, **
11:00 a.m.	11:15 a.m.	6	Discussion and Consideration of Recommended Permanent University Fund Distribution Amount *, **
11:15 a.m.	11:45 a.m.	7	Discussion of Investment Environment and Opportunities
11:45 a.m.	12:00 p.m.	8	Report from Policy Committee: - Discussion and Consideration of Hedge Fund Benchmark Issues*, **
12:00 p.m.			Adjournment

* Action by resolution required
**Resolution requires further approval from the U. T. System Board of Regents

Next Scheduled Meeting: September 22, 2006

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meetings of the Board of Directors held on May 25, 2006, and on May 30-31, 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 9:03 a.m. on the **25th day of May, 2006**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, 78701, said meeting having been called to order 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
Woody L. Hunt, Vice Chairman
Mark G. Yudof, Vice Chairman for Policy
Clint D. Carlson
J. Philip Ferguson
Colleen McHugh
Erle Nye
Robert B. Rowling
Charles W. Tate

thus, constituting a majority and quorum of the Board. Also attending the meeting were: 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; Philip Aldridge, Amy Barrett, Charlie Chaffin and Cathy Swain of UT System Administration; and Bruce Myers of Cambridge Associates. Mr. Caven called the meeting to order at 9:03 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 meeting of the Board of Directors held on March 30, 2006. Chancellor Yudof requested the following paragraph to be added within the Investment Policy Statements section of the minutes:

"In the discussion regarding proposed changes to Exhibit A of the investment policies, UTIMCO staff requested a lower end of the range for 'cash' at -5%, based on an interpretation of the revised Derivative Investment Policy that would permit the creation of exposure up to 120% of portfolio assets. Chancellor Yudof noted that the Policy applied to individual derivatives, and the Derivative Policy was not intended to authorize leveraging of the entire portfolio. He suggested that if there is any doubt, the Derivative Policy should be clarified to make sure that no such portfolio leverage authority is granted. The Chancellor also observed that at each meeting the staff frequently seeks additional discretion with regard to portfolio leveraging, short selling, negative cash balances, and other measures that potentially increase risk and allow leveraged investments without UTIMCO Board oversight. He does not agree with these efforts and is concerned about their cumulative impact on UTIMCO investment strategies."

Upon motion duly made and seconded, the following resolutions were unanimously adopted:

> RESOLVED, that the minutes of the meeting of the Board of Directors held on March 30, 2006, be, and are hereby, approved, subject to revision as requested by the Chancellor; and
>
> RESOLVED, FURTHER, that the President and the Secretary of the Corporation be, and they are hereby, authorized and directed to revise the minutes in accordance with the foregoing resolution.

Audit and Ethics Committee Report

Mr. Caven asked Mr. Nye, Chairman of the Audit and Ethics Committee, to give a report from the Audit and Ethics Committee meeting that was held on May 16, 2006. The first item Mr. Nye reported on was the Custodian Search process. As Chairman, he was involved with the process from beginning to end, and noted that the Staff had performed the search using a very thorough and thoughtful process. He stated that the Staff's recommendation to select Mellon Trust as the custodian reflected the most competent service with the lowest cost. Mr. Nye proposed, on behalf of the Audit and Ethics Committee, a resolution to approve the selection of Mellon Trust as the master custodian for the UT System funds. After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the Board approves the selection of Mellon Trust as the master custodian for the UT System Funds and directs staff to negotiate the contract with Mellon Trust, subject to approval of the Board of Regents of The University of Texas System.

Mr. Nye continued by reporting on the revision of the Audit Charter of the Audit and Ethics Committee. Mr. Nye stated that the Audit and Ethics Committee at their last meeting considered the proposed changes to the Audit Charter of the Audit and Ethics Committee and recommended that the Board accept the changes as drafted. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the revision of the Audit Charter of the Audit and Ethics Committee, be, and is hereby approved, in the form submitted to the Corporation's Board of Directors.

Another item discussed and approved at the Audit and Ethics Committee meeting was the appointment of the firm of Ernst & Young, LLP as the independent auditor of the Corporation for the year ended August 31, 2006. Mr. Nye stated that the Committee recommended that the Board approve the Engagement Letter with Ernst & Young, LLP. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the firm of Ernst & Young, LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2006, as submitted by the Audit and Ethics Committee.

Code of Ethics

Mr. Caven introduced the next item which was discussion and consideration of proposed amendments to the Corporation's Code of Ethics ("Code"). This matter has been reviewed by both the Policy Committee and the Audit and Ethics Committee. Mr. Caven asked Mr. Burgdorf to begin the discussion by giving background and reasons for revisions. Mr. Burgdorf gave a re-drafting overview beginning with the charge to re-write the Code in a form that used plain English and was easier to understand, and then gave an explanation of each of the substantive changes proposed. Involved in the re-write were several members from the UT System staff, Corporate Staff and outside counsel, Vinson and Elkins. Mr. Nye stated that the revisions to the Code were reviewed at a joint meeting of the Policy Committee and the Audit and Ethics Committee on May 16, 2006, and the Audit and Ethics Committee approved the changes as presented with the exception of the changes contained in Sections 3.03 and 3.06. Mr. Rowling voiced agreement with Mr. Nye and further acknowledged that the Policy Committee had met again earlier in the day, prior to the Board meeting, and adopted new language in regard to Section 3.03. Mr. Rowling asked Mr. Turner to read the proposed changes to Sections 3.03 which were approved by the Policy Committee. Mr. Turner read the following:

Sec. 3.03. UTIMCO Investments in Private Investments of Certain Business Entities. UTIMCO or a UTIMCO entity may not:

(1) invest in the private investments of a business entity if a director or director entity then owns a private investment in the same business entity unless:
  (A) the director or director entity acquired the private investment before the date on which the director assumed a position with UTIMCO;
  (B) the director's private investment does not constitute a pecuniary interest in a business entity as defined by Section 3.01(b) of this code; and
  (C) the Board approves the investment by UTIMCO or the UTIMCO entity by a vote of two-thirds of the membership of the Board after a full disclosure in an open meeting of the relevant facts and a finding by the Board that the investment will not benefit the director or director entity financially;

(2) invest in the private investments of a business entity if an employee or employee entity then owns a private investment in the same business entity; or

(3) except as provided above, co-invest with a director, director entity, employee, or employee entity in the private investments of the same business entity.

Mr. Turner also read implicit changes to Section 3.06 that were recommended by UT System Office of General Counsel and approved by V&E:

Sec. 3.06. Divestment Not Required For Certain Private Investments.

A director, director entity, employee, or employee entity that owns a private investment in a business entity on the date on which the director or employee assumes a position with UTIMCO is not required by Section 3.04 or 3.05 of this code to divest that private investment as long as the private investment does not constitute a pecuniary interest in a business entity as defined by Section 3.01 of this code. Any transactions concerning the private investment that might occur after that date are subject to this code.

Mr. Turner answered the Directors' questions. Chancellor Yudof voiced support for the revision, but also stated that he had some open issues and that he would like additional review, including a review of a memo from Baker Botts on the subject, prior to taking the revisions to the UT System Board of Regents for approval. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

> RESOLVED, that amendments to the Code of Ethics of the Corporation as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System; and it be further
>
> RESOLVED, that the foregoing resolution supersedes the resolutions of the Board adopted on July 21, 2005, that approved amendments to the Code of Ethics; and be it further
>
> RESOLVED, that the resolutions of the Board adopted on July 21, 2005, approving amendments to the Code of Ethics are rescinded.

Bylaws

Mr. Caven asked Mr. Turner to explain the proposed amendments to the Corporation's Bylaws. Mr. Turner presented the three minor changes recommended by Staff, to adjust the language in the Bylaws to be consistent with language in the Texas Education Code, Code of Ethics, Investment Management Services Agreement, and to reflect the new office address of the Corporation. Mr. Rowling reported that the Policy Committee had approved these changes and recommended approval. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that amendments to the Bylaws of the Corporation as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

Financial Statements and Audit and Ethics Committee Self Assessment

Mr. Nye reported two other items discussed at the Audit and Ethics Committee held on May 16, 2006. The committee reviewed Unaudited Financial Statements for the six months ended February 28, 2006, for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), Intermediate Term Fund (ITF), and UTIMCO. Also reported by Mr. Nye was the first self-assessment of the Committee, as required by the Audit Charter of the Audit and Ethics Committee. The self-assessment requires each Committee member to evaluate his or her own performance as well as the performance of the Committee as a whole, on a regular basis. Mr. Nye stated that Mr. Chaffin and Ms. Barrett of UT System Audit Office presented and discussed their institutional and investment compliance program audit report. The investment compliance activities have developed significantly and, given the increased complexity of the portfolio and emerging guidance on effective compliance, Mr. Chaffin expressed concern with regards to compliance of asset allocation category limits. The auditors have difficulty in auditing the limits when there are no clear lines in definitions of hedge funds and other categories. Mr. Nye stated that he did not bring this point to the Board to alarm them, but rather to inform the Board regarding an issue that haunts the industry.

Asset Allocation and Performance

Mr. Caven asked Mr. Boldt to report on the Corporation's asset allocation and performance. Mr. Boldt reported that the Texas Law School Foundation will be investing their funds, approximately $90 million of assets, with the Corporation beginning in September. Mr. Boldt continued by presenting an investment update and discussed performance information for March 31, 2006. He also gave preliminary information for April. He discussed 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 March 31, 2006. The net performance for the one-month period ended March 31, 2006, for the Permanent University Fund ("PUF") was 0.83% and for the General Endowment Fund ("GEF") was 0.80%, versus benchmark returns of 1.51% for each fund. The net performance for the one-year period ended March 31, 2006, for the PUF and GEF was 14.29% and 14.02%, respectively, versus benchmark returns of 16.30% for each fund. The new Intermediate Term Fund's ("ITF") performance was 0.85% versus its benchmark return of 1.00% for the one-month period. Performance for the Short Term Fund ("STF") was 0.38% versus 0.39% for its benchmark for the one-month period, and was 3.72% versus a benchmark return of 3.53% for the one-year period ended March 31, 2006. Also presented was performance attribution, statistics on liquidity, total derivatives by type and application, actions taken under the Delegation of Authority, manager changes since the last Board meeting and the Risk Dashboard. Mr. Boldt, Ms. Iberg, Ms. Reed and Mr. Thompson answered the Directors' questions during the update. Mr. Boldt asked Mr. Goldsmith to give a brief update on the Intermediate Term Fund ("ITF") from inception to April 30, 2006. Before turning the meeting over to Mr. Goldsmith, Mr. Boldt asserted that the ITF, by July 1, 2006, would be fully compliant with the prescribed asset allocation policy targets and ranges. He was pleased to announce that this had been achieved ahead of schedule. Mr. Goldsmith gave an update of the ITF including performance, asset allocation, deviations from targets and a summary of activity. Mr. Boldt and Mr. Goldsmith answered the Directors' questions.

Manager Classification Issues

Mr. Caven introduced the next topic on the agenda which addressed manager classification issues and the procedures in place at the Corporation. Mr. Boldt began by discussing the convergences and overlaps developing among active investment managers and how potential issues arise as to how managers should be classified within the Corporation's more rigid asset category framework. Mr. Caven left the meeting during this discussion, but prior to leaving, he requested that the Staff and the UT System oversight group listen to the tape of this meeting and prepare a memorandum with all the issues discussed today on this very important topic. After further discussion, it was realized that a need for consensus on this topic was required for day-to-day management of the funds, until classification issues could be resolved comprehensively in the next asset allocation study. During discussion of options to move forward, it was generally accepted that the Chairman of the Board and the Chairman of the Risk Committee, and the Risk Committee itself, if necessary, can bring a final recommendation to the Board and Board of Regents in July, with the Chairman acting in the interim on questions regarding classification.

New Method of Reporting Individual Managers

Mr. Boldt discussed the procedure of the current watch list and stated that it is very loosely defined. The Watch List was originally created as an information tool between the Staff and the Board, not between Staff and the general public. The Board concurred that the delegation process on manager selection would remain at the Staff level, but suggested that a report be given periodically to the Board on any action taken by Staff, after the fact.

Investment Consultant Request for Proposal

Mr. Boldt continued by providing the Board information on the Staff's process of reviewing Corporation service providers. The Staff has identified seven investment consultants to be potential recipients of the current Request for Proposal (RFP). The Staff will keep the Board apprised of the process. There was discussion on possibly having more than one consultant. Cambridge is currently the Board's investment consultant. Mr. Boldt answered the Directors' questions and noted their suggestions for changes to the RFP.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 11:40 a.m.

Secretary: ______________________
Joan Moeller

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

MINUTES OF THE BOARD RETREAT 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, for a Board Retreat, at 1:45 p.m. on the **30th day of May, 2006**, at the Barton Creek Resort and Spa, 8212 Barton Club Drive, Austin, Texas, 78735, said meeting having been called to order 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
Woody L. Hunt, Vice Chairman
Mark G. Yudof, Vice Chairman for Policy
Clint D. Carlson
J. Philip Ferguson
Colleen McHugh
Robert B. Rowling
Charles W. Tate

thus, constituting a majority and quorum of the Board. Director Erle Nye was not present at the meeting. Also attending the meeting were: 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; Glenn Opel, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; and Philip Aldridge of UT System Administration. Joanne Hill of Goldman Sachs was in attendance as the afternoon guest speaker. Mr. Caven called the Board Retreat to order at 1:45 p.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Introductory Remarks

Mr. Boldt gave introductory remarks for the first annual UTIMCO Board Retreat. He said that the general theme of the retreat was "UTIMCO in 2015", reviewing the changes that are likely in endowment fund management over the next ten years and how UTIMCO will adapt to, or lead, those changes. He hoped to have open-ended discussions on strategic issues, with no final decisions being made at the retreat. Instead, he hoped to come out of the sessions with a list of issues and ideas to be researched and addressed in decision making mode at future regular Board meetings. Mr. Boldt continued by introducing the speakers for the retreat giving a short background on each.

Joanne M. Hill

The first speaker of the retreat was Ms. Joanne Hill. Joanne M. Hill is a Managing Director and leads the Equity Products Strategy at Goldman Sachs, which has repeatedly gained the top ranking in industry surveys. She advises institutional investors, primarily pension funds, endowments and foundations, on investment strategies and market developments for equity derivative products, exchange-traded funds, and portfolio trading. Ms. Hill provided some indication of how her clients' requests have changed over the past several years and how they are likely to change in the future. She has published articles addressing the issues of the difficulty of finding "alpha" and how pension funds are adapting to changes in pension regulations, and how the changes pension funds will be making could affect UTIMCO. Her presentation addressing these topics initiated interesting discussion among the Board and Staff. The meeting was recessed at 4:30 p.m.

Matthew R. Simmons

The Board of the Corporation reconvened in an open meeting at the Palm Court Meeting Room at 6:30 p.m. Mr. Boldt introduced the evening speaker, Mr. Matthew R. Simmons, Chairman of Simmons & Company International. Simmons & Company International is a specialized energy investment banking firm that has completed approximately 600 investment banking projects for its worldwide energy clients at a combined dollar value in excess of $77 billion. Mr. Simmons discussed his new book Twilight in the Desert. He has spent many years analyzing the implications of what he terms "peak oil" and his useful insights to both investors and citizens were discussed by the Board and Staff. The meeting adjourned at approximately 9:00 p.m.

The Board of the Corporation reconvened in an open meeting, for a Board Retreat, at 8:45 a.m. on the **31st day of May, 2006**, at the Barton Creek Resort and Spa, 8212 Barton Club Drive, Austin, Texas, 78735. Participating in the meeting were the following members of the Board:

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

thus, constituting a majority and quorum of the Board. Directors Mark G. Yudof and Erle Nye were not present at the meeting. Also attending the meeting were: 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; Glenn Opel, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Cathy Swain of UT System Administration; Bruce Myers of Cambridge Associates; and Joanne Hill of Goldman Sachs. Ray Dalio of Bridgewater was in attendance as the morning guest speaker. Mr. Caven called the meeting to order at 8:45 a.m.

Overview of Day One

Mr. Boldt began with an overview of the presentations and discussions from the previous day. He then introduced the next guest speaker, Mr. Ray Dalio.

Ray Dalio

Ray Dalio is the founder and current President and Chief Investment Officer of Bridgewater Associates, the world's largest hedge fund. Two articles by Mr. Dalio were presented to the Board prior to the Retreat. The first article provided a brief description of the innovative approach Bridgewater has taken to what he terms "Post-Modern Portfolio Theory." Mr. Dalio's second article, entitled "The Biggest Mistake in Investing," which reviewed an issue the Corporation is very likely to face in the future with regards to balancing the portfolio. Mr. Dalio made a presentation entitled Structuring a Better Portfolio. Mr. Dalio believes in "engineering" portfolio solutions to specific problems and provided interesting insight on how he expects this approach to evolve over the next 10 years. His presentation led to a discussion on portfolio management, separating alpha and beta and risk budgeting.

Conclusion

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 12:10 p.m.

Secretary: ____________________________
Joan Moeller

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

TAB 2

Agenda Item
UTIMCO Board Meeting
July 13, 2006

Agenda Item: Corporate Resolutions

Developed By: Caven

Presented By: Caven

Type of Item: Action required by UTIMCO Board

Description: This agenda item seeks approval of assignments to UTIMCO Board Committees and election of UTIMCO officer of Vice-Chairman.

Recommendation: Chairman Caven will recommend approval of assignments and officer.

Discussion: Chairman Caven will present his committee assignment and officer recommendations to the UTIMCO Board during the meeting. Committee assignments to the Audit and Ethics Committee will be further approved by the U.T. Board of Regents.

Reference: UTIMCO Bylaws

TAB 3

Agenda Item
UTIMCO Board of Directors Meeting
July 13, 2006

Agenda Item: Performance Report

Developed By: Moeller, Hill

Presented By: Boldt

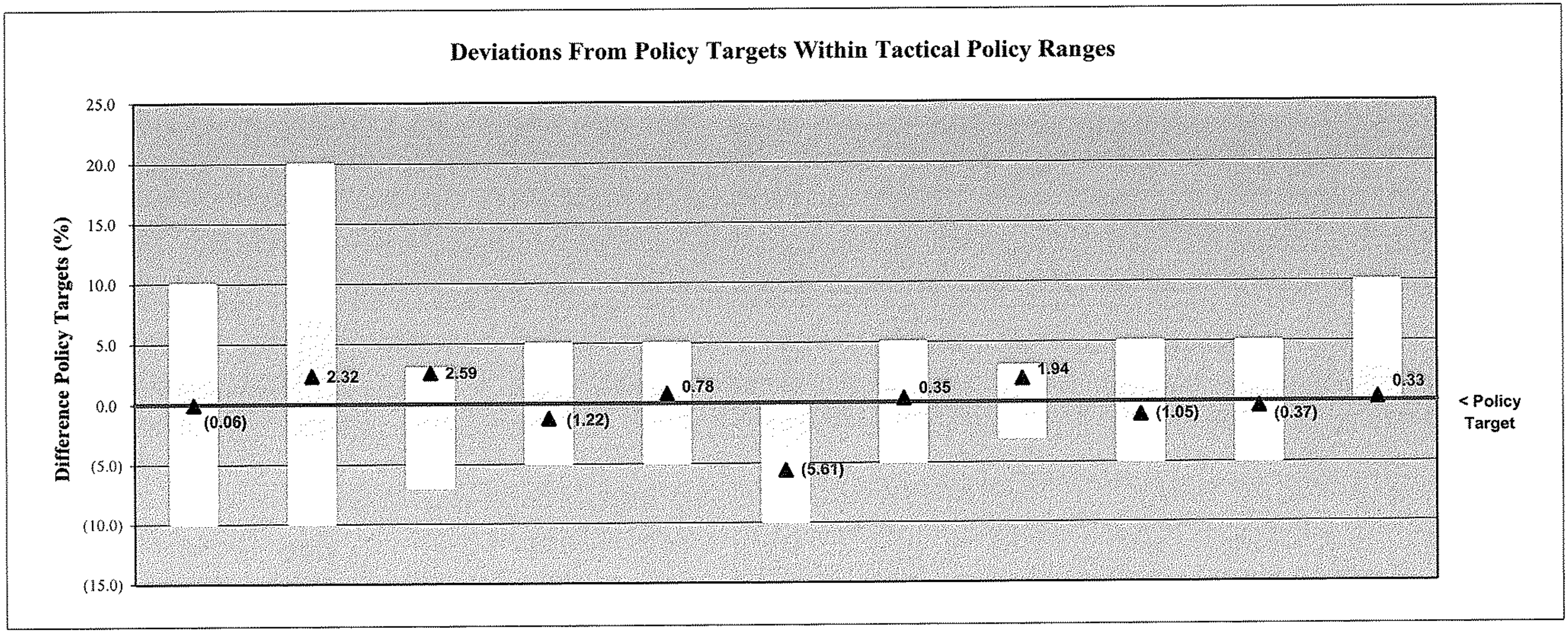
Type of Item: Information Item

Description: The reports presented are for the periods ended April 30, 2006. (Except as noted.)

Recommendation: No action required.

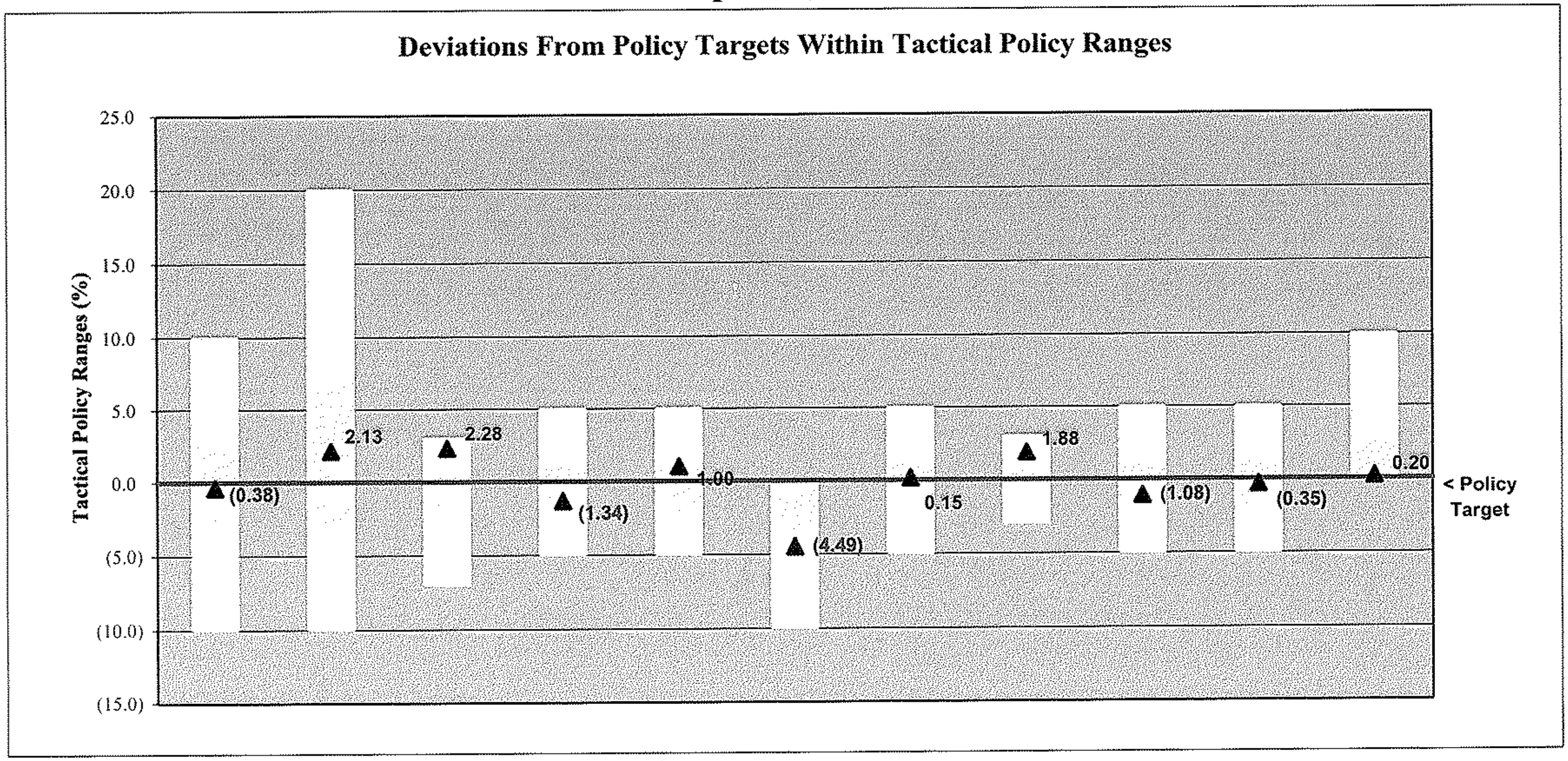
Reference: Market Exposure; UTIMCO Performance Summary; Fiscal Year Cumulative Value Added in Endowment Funds; Fiscal Year Cumulative Value Added in Marketable Securities; Fiscal Year Cumulative Value Added in Non-Marketable Securities; Cumulative Value Added in Endowment Funds Since September 2002; Performance Attribution; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Universe; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Greater Than One Billion Dollars Funds Universe; Public Markets Managers Investment Performance Detail

Permanent University Fund
Market Exposure
April 30, 2006



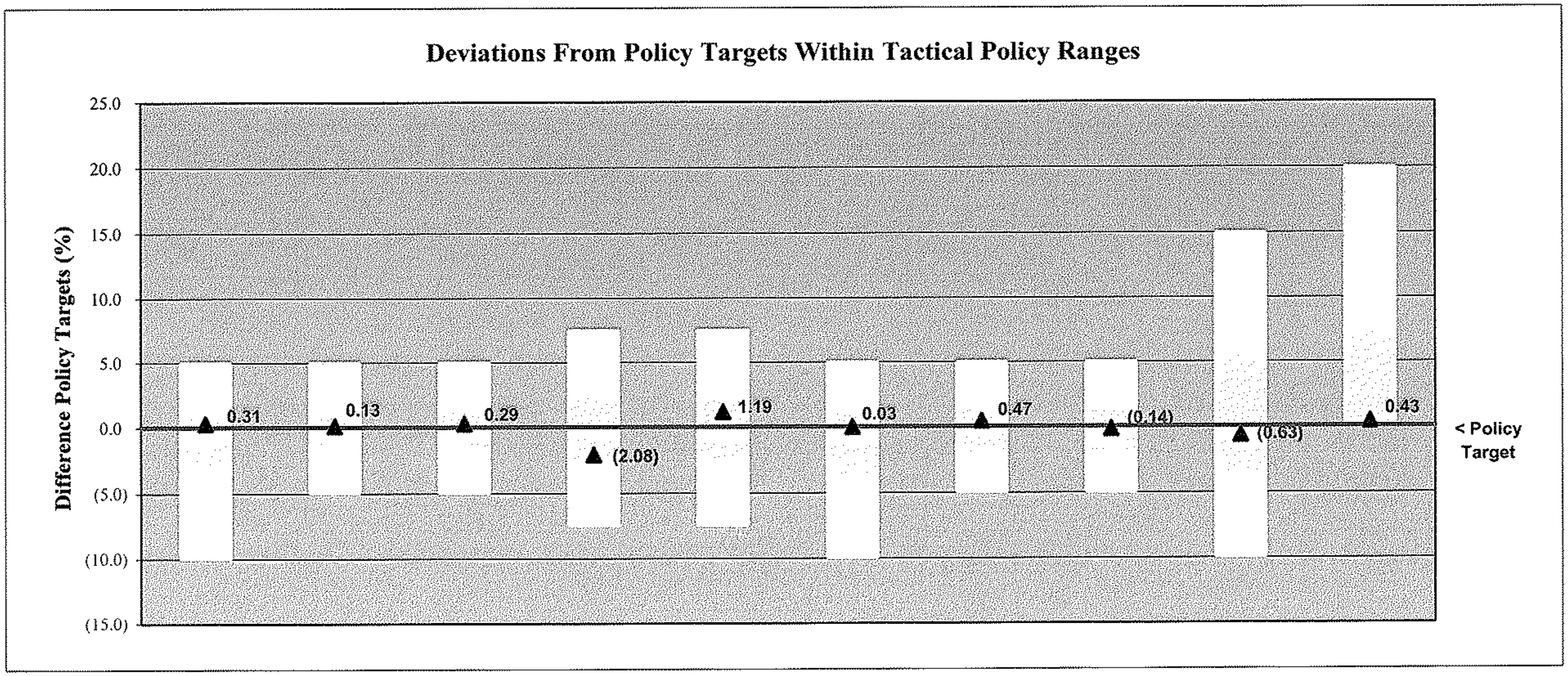
	U. S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	Private Capital	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
Actual	19.94%	12.32%	9.59%	8.78%	15.78%	9.39%	5.35%	4.94%	3.95%	9.63%	0.33%
Policy Target	20.00%	10.00%	7.00%	10.00%	15.00%	15.00%	5.00%	3.00%	5.00%	10.00%	0.00%
Deviation	-0.06%	2.32%	2.59%	-1.22%	0.78%	-5.61%	0.35%	1.94%	-1.05%	-0.37%	0.33%
Deviation in Dollars ($m)	(6.09)	235.51	262.92	(123.85)	79.18	(569.49)	35.53	196.93	(106.59)	(37.56)	33.51

General Endowment Fund
Market Exposure
April 30, 2006



	U. S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	Private Capital	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
Actual	19.62%	12.13%	9.28%	8.66%	16.00%	10.51%	5.15%	4.88%	3.92%	9.65%	0.20%
Policy Target	20.00%	10.00%	7.00%	10.00%	15.00%	15.00%	5.00%	3.00%	5.00%	10.00%	0.00%
Deviation	-0.38%	2.13%	2.28%	-1.34%	1.00%	-4.49%	0.15%	1.88%	-1.08%	-0.35%	0.20%
Deviation in Dollars ($m)	(20.73)	116.19	124.37	(73.10)	54.55	(244.93)	8.18	102.55	(58.91)	(19.09)	10.92

Intermediate Term Fund
Market Exposure
April 30, 2006



	U. S. Equities	Non-U.S. Developed Equity	Emerging Markets Equity	Directional Hedge Funds	Absolute Return Hedge Funds	REITS	Commodities	TIPS	Fixed Income	Cash and Cash Equivalents
Actual	15.31%	5.13%	5.29%	10.42%	13.69%	10.03%	5.47%	9.86%	24.37%	0.43%
Policy Target	15.00%	5.00%	5.00%	12.50%	12.50%	10.00%	5.00%	10.00%	25.00%	0.00%
Deviation	0.31%	0.13%	0.29%	-2.08%	1.19%	0.03%	0.47%	-0.14%	-0.63%	0.43%
Deviation in Dollars ($m)	9.48	3.98	8.87	(63.61)	36.39	0.92	14.37	(4.28)	(19.27)	13.15

UTIMCO Performance Summary

April 30, 2006

ENDOWMENT FUNDS	Net Asset Value 4/30/2006 (in Millions)	Periods Ended April 30, 2006 (Returns for Periods Longer Than One Year are Annualized) One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
Permanent University Fund	$ 10,151.3	2.36	3.15	6.11	10.49	10.07	18.17	15.08	18.02	11.38	8.60	9.84
General Endowment Fund		2.33	3.19	6.10	10.34	9.91	17.93	14.97	18.10	11.47	8.91	N/A
Permanent Health Fund	989.9	2.33	3.25	6.12	10.33	9.87	17.87	14.91	17.98	11.36	8.79	N/A
Long Term Fund	4,428.7	2.33	3.25	6.12	10.35	9.89	17.88	14.92	17.99	11.38	8.84	10.37
Separately Invested Funds	167.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	**15,737.5**											
OPERATING FUNDS												
Short Term Fund	980.9	0.39	1.12	1.48	2.17	2.79	3.89	2.84	2.23	2.07	2.28	3.98
Intermediate Term Fund	3,058.1	1.38	2.13	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Operating Funds	**4,039.0**											
Total Investments	**$ 19,776.5**											
BENCHMARKS (1)												
Permanent University Fund: Policy Portfolio		1.83	3.71	7.15	11.38	11.56	18.39	14.89	15.54	9.81	6.71	10.53
General Endowment Fund: Policy Portfolio		1.83	3.71	7.15	11.38	11.56	18.39	14.89	15.54	9.81	6.72	10.29
Short Term Fund: 90 Day Treasury Bills Average Yield		0.37	1.08	1.39	2.06	2.63	3.68	2.74	2.18	2.03	2.23	3.82
Intermediate Term Fund: Policy Portfolio		0.99	2.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
VALUE ADDED (2)												
Permanent University Fund		0.54	(0.56)	(1.05)	(0.88)	(1.50)	(0.22)	0.19	2.48	1.57	1.89	(0.69)
General Endowment Fund		0.50	(0.52)	(1.06)	(1.04)	(1.65)	(0.46)	0.08	2.56	1.66	2.19	N/A
Permanent Health Fund		0.50	(0.46)	(1.03)	(1.05)	(1.69)	(0.53)	0.02	2.44	1.55	2.07	N/A
Long Term Fund		0.50	(0.46)	(1.03)	(1.03)	(1.67)	(0.51)	0.03	2.45	1.57	2.11	0.09
Short Term Fund		0.03	0.04	0.09	0.11	0.16	0.21	0.10	0.05	0.04	0.05	0.16
Intermediate Term Fund		0.39	0.12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

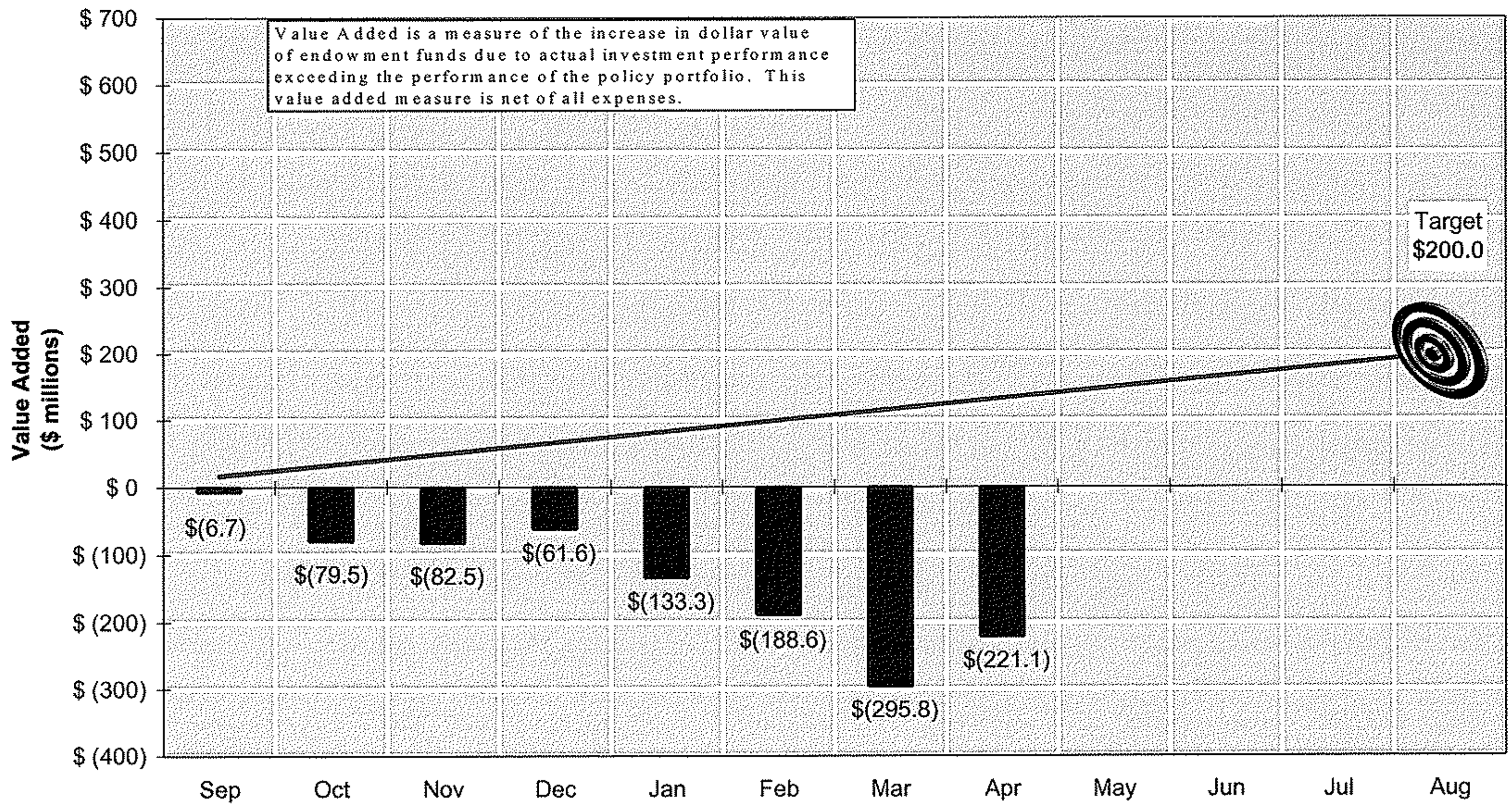
(1) - Effective May 6, 2004, benchmark returns for the PUF policy portfolio have been restated for prior periods beginning June 1, 1993 through September 30, 2000 and for the GEF/LTF policy portfolio for prior periods beginning June 1, 1993 through September 30, 2001 to correct the following technical errors in benchmark construction and calculation: (a) to reflect actual asset class target allocations which wer 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 periods beginning June 1, 1993 through December 31, 2003 to replace various benchmark returns reported previous 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.

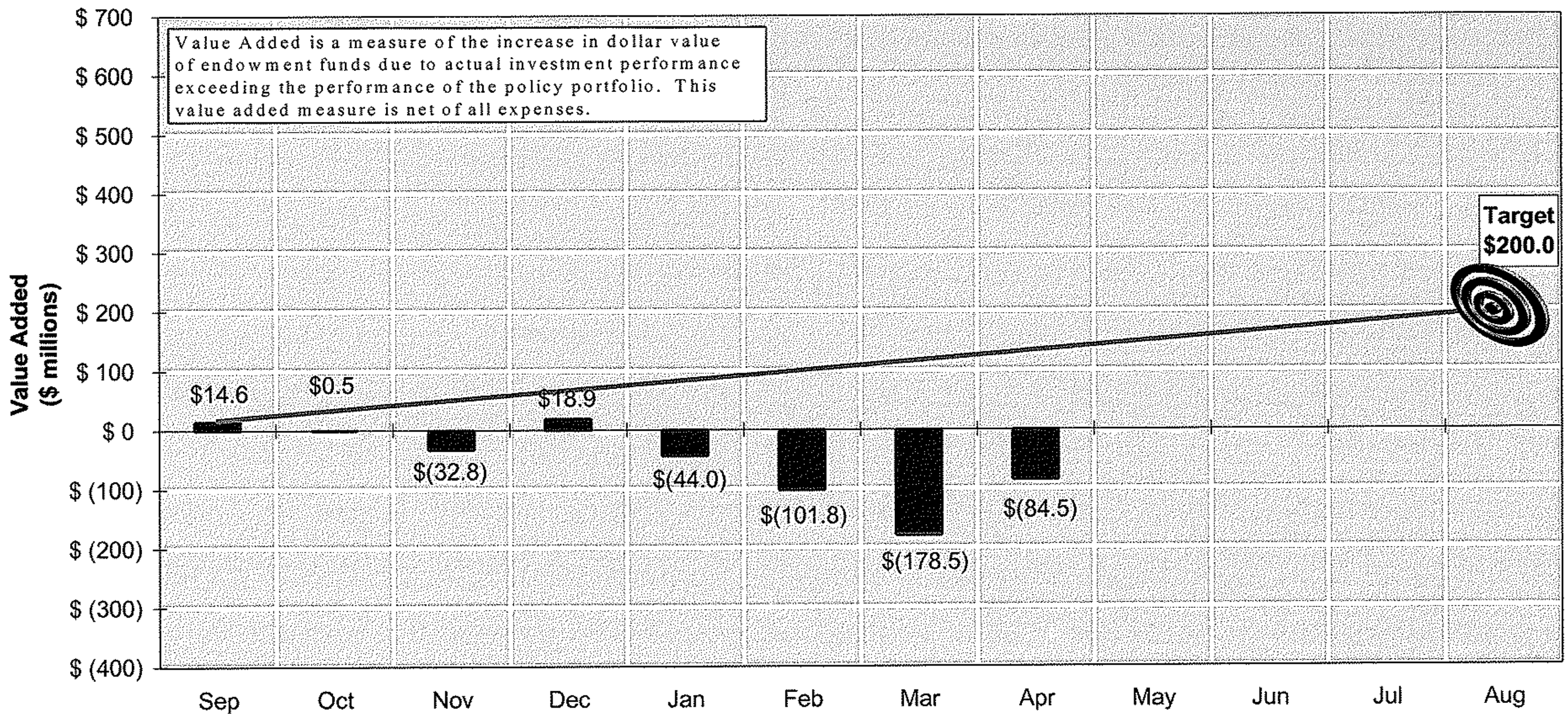
Complete details of the restatement and previous policy portfolio benchmark history are documented on the UTIMCO website at www.UTIMCO.org or are available upon request.

(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.

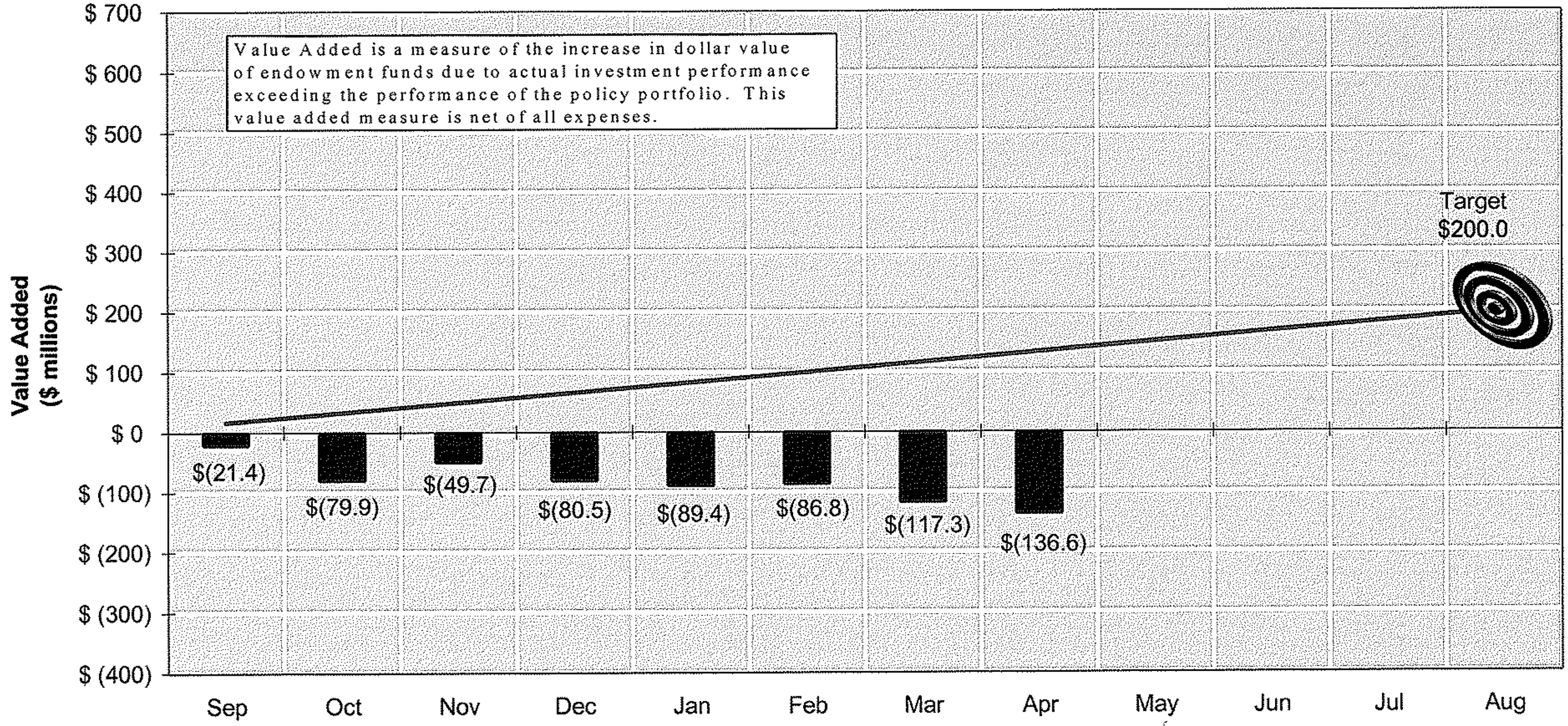
Cumulative Value Added In Endowment Funds
2005-2006 Fiscal Year



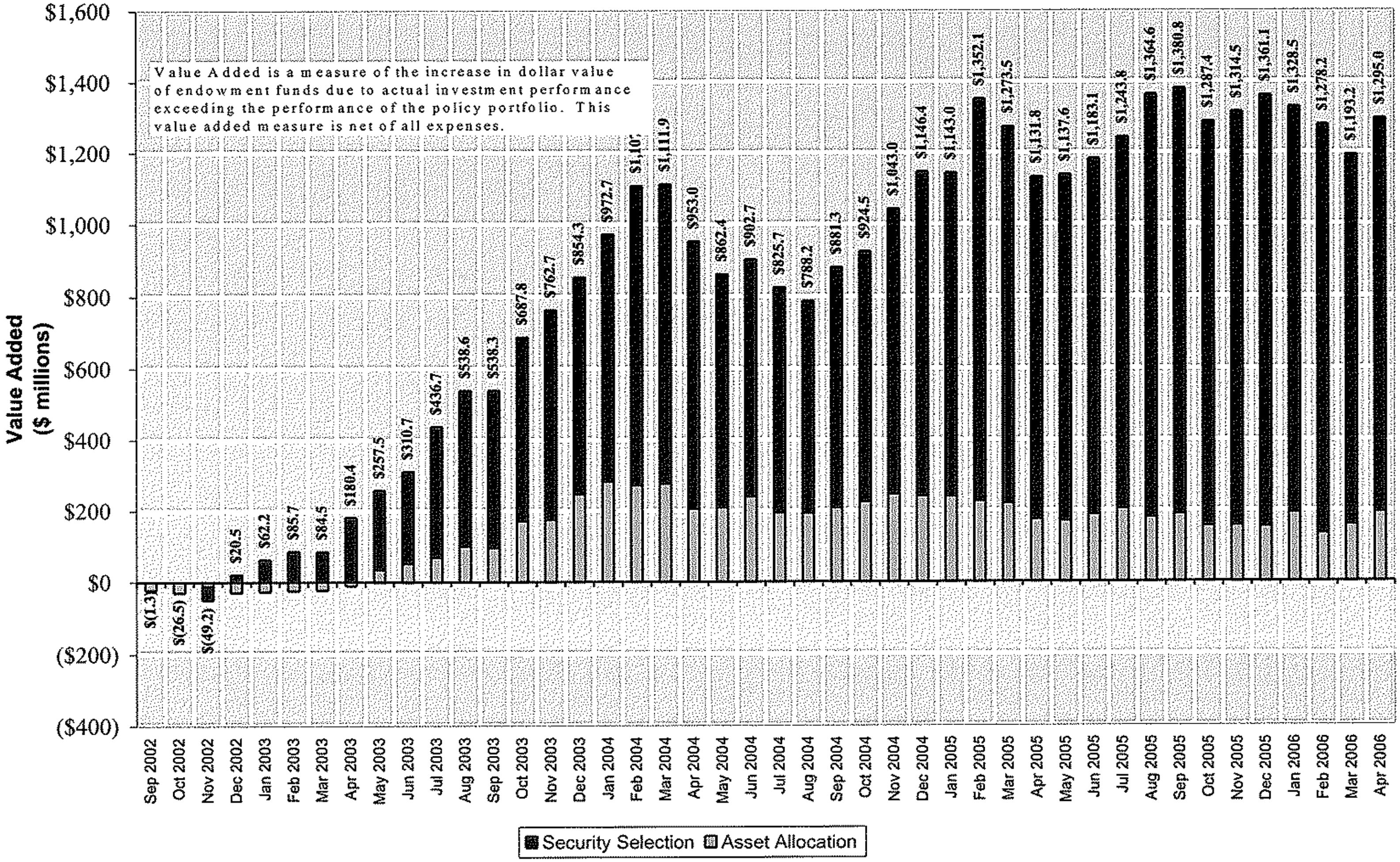
Cumulative Value Added in Marketable Securities in Endowment Funds
2005-2006 Fiscal Year



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



VALUE ADDED: ENDOWMENT FUNDS
SINCE SEPTEMBER 1, 2002



Permanent University Fund Performance Attribution Analysis
One Month Ended April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	0.04%	0.00%	0.39%	0.37%	0.00%	0.00%	0.00%
U.S. Equities	20.00%	20.00%	2.87%	1.08%	0.00%	0.36%	0.36%
Global Equities	21.59%	17.00%	4.65%	5.74%	0.12%	-0.19%	-0.07%
Non-U.S. Equities Developed	12.17%	10.00%	4.84%	4.78%	0.06%	0.00%	0.06%
Emerging Markets	9.42%	7.00%	4.39%	7.12%	0.06%	-0.19%	-0.13%
Directional Hedge Funds	8.89%	10.00%	1.06%	1.56%	0.01%	-0.05%	-0.04%
Absolute Return Hedge Funds	15.85%	15.00%	1.97%	1.13%	0.00%	0.13%	0.13%
Inflation Linked	14.39%	13.00%	1.14%	0.02%	0.07%	0.07%	0.14%
REITS	5.61%	5.00%	-2.58%	-3.74%	-0.03%	0.06%	0.03%
Commodities	4.73%	3.00%	6.49%	6.45%	0.08%	0.00%	0.08%
TIPS	4.05%	5.00%	0.04%	-0.08%	0.02%	0.01%	0.03%
Fixed Income	9.80%	10.00%	0.52%	-0.18%	0.00%	0.07%	0.07%
Total Marketable Assets	90.56%	85.00%	2.43%	1.77%	0.20%	0.39%	0.59%
Private Capital	9.44%	15.00%	1.74%	2.15%	0.00%	-0.06%	-0.06%
Total Fund	100.00%	100.00%	2.36%	1.83%	0.20%	0.33%	0.53%

(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)

All actual performance figures shown are net of all fees and expenses.

UTIMCO 1996

Permanent University Fund Performance Attribution Analysis
Three Months Ended April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	**0.83%**	**0.00%**	**1.12%**	**1.08%**	**-0.03%**	**0.00%**	**-0.03%**
U.S. Equities	**19.52%**	**20.00%**	**1.31%**	**3.02%**	**0.02%**	**-0.34%**	**-0.32%**
Global Equities	**21.04%**	**17.00%**	**6.17%**	**7.98%**	**0.11%**	**-0.30%**	**-0.19%**
Non-U.S. Equities Developed	12.32%	10.00%	7.83%	7.99%	0.08%	-0.02%	0.06%
Emerging Markets	8.72%	7.00%	3.93%	7.94%	0.03%	-0.28%	-0.25%
Directional Hedge Funds	**8.88%**	**10.00%**	**2.96%**	**2.81%**	**0.01%**	**0.02%**	**0.03%**
Absolute Return Hedge Funds	**15.99%**	**15.00%**	**3.76%**	**2.97%**	**0.00%**	**0.12%**	**0.12%**
Inflation Linked	**14.42%**	**13.00%**	**1.50%**	**0.99%**	**-0.04%**	**0.07%**	**0.03%**
REITS	5.43%	5.00%	5.27%	3.75%	0.00%	0.07%	0.07%
Commodities	4.85%	3.00%	0.64%	1.04%	-0.09%	-0.01%	-0.10%
TIPS	4.14%	5.00%	-2.11%	-2.32%	0.05%	0.01%	0.06%
Fixed Income	**10.00%**	**10.00%**	**0.05%**	**-0.83%**	**0.00%**	**0.09%**	**0.09%**
Total Marketable Assets	**90.68%**	**85.00%**	**2.94%**	**3.21%**	**0.07%**	**-0.34%**	**-0.27%**
Private Capital	**9.32%**	**15.00%**	**5.32%**	**6.60%**	**-0.11%**	**-0.18%**	**-0.29%**
Total Fund	**100.00%**	**100.00%**	**3.15%**	**3.71%**	**-0.04%**	**-0.52%**	**-0.56%**

(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)

All actual performance figures shown are net of all fees and expenses.

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Permanent University Fund Performance Attribution Analysis
Calendar Year to Date
April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	0.91%	0.00%	1.48%	1.39%	0.00%	0.00%	0.00%
U.S. Equities	19.60%	20.00%	2.25%	6.46%	0.03%	-0.85%	-0.82%
Global Equities	20.73%	17.00%	14.28%	16.85%	0.21%	-0.37%	-0.16%
Non-U.S. Equities Developed	12.48%	10.00%	14.91%	14.62%	0.18%	0.03%	0.21%
Emerging Markets	8.25%	7.00%	14.00%	19.99%	0.03%	-0.40%	-0.37%
Directional Hedge Funds	9.01%	10.00%	4.58%	4.87%	0.02%	-0.03%	-0.01%
Absolute Return Hedge Funds	15.92%	15.00%	5.95%	4.84%	-0.01%	0.17%	0.16%
Inflation Linked	14.43%	13.00%	5.22%	4.55%	-0.02%	0.07%	0.05%
REITS	5.34%	5.00%	12.53%	11.10%	-0.01%	0.07%	0.06%
Commodities	4.91%	3.00%	4.02%	4.56%	-0.09%	-0.02%	-0.11%
TIPS	4.18%	5.00%	-1.87%	-2.33%	0.08%	0.02%	0.10%
Fixed Income	10.10%	10.00%	0.36%	-0.83%	-0.01%	0.12%	0.11%
Total Marketable Assets	90.70%	85.00%	6.12%	6.84%	0.22%	-0.89%	-0.67%
Private Capital	9.30%	15.00%	5.96%	8.90%	0.06%	-0.43%	-0.37%
Total Fund	100.00%	100.00%	6.11%	7.15%	0.28%	-1.32%	-1.04%

(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)

All actual performance figures shown are net of all fees and expenses.

UTIMCO

Permanent University Fund Performance Attribution Analysis
Fiscal Year to Date
April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	**0.67%**	**0.00%**	**2.79%**	**2.63%**	**0.02%**	**0.00%**	**0.02%**
U.S. Equities	**21.07%**	**20.00%**	**5.63%**	**9.57%**	**0.01%**	**-0.81%**	**-0.80%**
Global Equities	**19.84%**	**17.00%**	**26.76%**	**31.11%**	**0.27%**	**-0.55%**	**-0.28%**
Non-U.S. Equities Developed	12.88%	10.00%	26.37%	24.61%	0.37%	0.15%	0.52%
Emerging Markets	6.96%	7.00%	29.17%	40.58%	-0.10%	-0.70%	-0.80%
Directional Hedge Funds	**9.23%**	**10.00%**	**6.56%**	**6.52%**	**0.03%**	**0.00%**	**0.03%**
Absolute Return Hedge Funds	**15.19%**	**15.00%**	**8.43%**	**5.74%**	**0.00%**	**0.41%**	**0.41%**
Inflation Linked	**14.50%**	**13.00%**	**4.76%**	**4.13%**	**-0.21%**	**0.22%**	**0.01%**
REITS	5.19%	5.00%	17.32%	14.79%	-0.01%	0.12%	0.11%
Commodities	5.06%	3.00%	-0.57%	-3.05%	-0.30%	0.08%	-0.22%
TIPS	4.25%	5.00%	-2.01%	-2.36%	0.10%	0.02%	0.12%
Fixed Income	**10.29%**	**10.00%**	**-0.43%**	**-1.26%**	**-0.04%**	**0.09%**	**0.05%**
Total Marketable Assets	**90.79%**	**85.00%**	**9.82%**	**10.40%**	**0.08%**	**-0.64%**	**-0.56%**
Private Capital	**9.21%**	**15.00%**	**12.16%**	**18.25%**	**-0.06%**	**-0.87%**	**-0.93%**
Total Fund	**100.00%**	**100.00%**	**10.07%**	**11.56%**	**0.02%**	**-1.51%**	**-1.49%**

(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)

All actual performance figures shown are net of all fees and expenses.

Permanent University Fund Performance Attribution Analysis
Year Ended
April 30, 2006

	Average Asset Allocation		Return				
	PUF	Policy Portfolio	PUF	Policy Benchmark	Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
Cash and Cash Equivalents	0.91%	0.00%	3.89%	3.68%	-0.08%	0.00%	-0.08%
U.S. Equities	23.28%	21.66%	15.25%	19.14%	0.03%	-0.76%	-0.73%
Global Equities	18.99%	17.00%	38.63%	42.68%	0.25%	-0.48%	-0.23%
Directional Hedge Funds	9.47%	10.00%	12.15%	9.04%	0.03%	0.33%	0.36%
Absolute Return Hedge Funds	14.84%	15.00%	13.64%	7.89%	-0.01%	0.91%	0.90%
Inflation Linked	11.27%	9.67%	24.66%	32.45%	0.02%	-0.02%	0.00%
Fixed Income	11.96%	11.67%	0.99%	0.47%	-0.07%	0.04%	-0.03%
Total Marketable Assets	**90.72%**	**85.00%**	17.50%	17.26%	**0.17%**	**0.02%**	**0.19%**
Private Capital	9.28%	15.00%	24.60%	24.85%	-0.40%	-0.01%	-0.41%
Total Fund	**100.00%**	**100.00%**	**18.17%**	**18.39%**	**-0.23%**	**0.01%**	**-0.22%**

(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)

All actual performance figures shown are net of all fees and expenses.

Permanent University Fund Performance Attribution Analysis
Cumulative Since September 1, 2002 to
April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	PUF	Policy Portfolio	PUF	Policy Benchmark			
Cash and Cash Equivalents	0.73%	0.00%	7.88%	7.72%	-0.46%	0.00%	-0.46%
U.S. Equities	27.17%	23.85%	66.50%	70.61%	0.88%	-0.40%	0.48%
Global Equities	19.00%	16.52%	124.13%	126.59%	1.75%	-0.39%	1.36%
Directional Hedge Funds	7.88%	10.00%	33.01%	26.03%	0.55%	0.85%	1.40%
Absolute Return Hedge Funds	11.79%	13.18%	69.81%	23.05%	-0.54%	6.18%	5.64%
Inflation Linked	7.67%	7.36%	109.82%	106.20%	-0.55%	1.74%	1.19%
Fixed Income	14.41%	14.09%	23.93%	14.37%	0.68%	1.82%	2.50%
GSAM Global Asset Allocation	0.40%	0.00%	0.00%	0.00%	0.17%	0.00%	0.17%
Total Marketable Assets	**89.05%**	**85.00%**	**71.07%**	**56.93%**	**2.48%**	**9.80%**	**12.28%**
Private Capital	10.95%	15.00%	54.50%	43.34%	-1.23%	1.96%	0.73%
Total Fund	**100.00%**	**100.00%**	**68.05%**	**55.04%**	**1.25%**	**11.76%**	**13.01%**

(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)

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
One Month Ended April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	**0.01%**	**0.00%**	**0.39%**	**0.37%**	**0.00%**	**0.00%**	**0.00%**
U.S. Equities	**19.53%**	**20.00%**	**2.88%**	**1.08%**	**-0.01%**	**0.36%**	**0.35%**
Global Equities	**21.11%**	**17.00%**	**4.62%**	**5.74%**	**0.12%**	**-0.19%**	**-0.07%**
Non-U.S. Equities Developed	12.01%	10.00%	4.82%	4.78%	0.06%	0.00%	0.06%
Emerging Markets	9.10%	7.00%	4.35%	7.12%	0.06%	-0.19%	-0.13%
Directional Hedge Funds	**8.77%**	**10.00%**	**1.06%**	**1.56%**	**0.01%**	**-0.05%**	**-0.04%**
Absolute Return Hedge Funds	**16.08%**	**15.00%**	**1.95%**	**1.13%**	**0.00%**	**0.12%**	**0.12%**
Inflation Linked	**14.09%**	**13.00%**	**1.19%**	**0.02%**	**0.07%**	**0.07%**	**0.14%**
REITS	5.41%	5.00%	-2.55%	-3.74%	-0.02%	0.06%	0.04%
Commodities	4.67%	3.00%	6.52%	6.45%	0.07%	0.00%	0.07%
TIPS	4.01%	5.00%	0.04%	-0.08%	0.02%	0.01%	0.03%
Fixed Income	**9.81%**	**10.00%**	**0.68%**	**-0.18%**	**0.00%**	**0.09%**	**0.09%**
Total Marketable Assets	**89.40%**	**85.00%**	**2.44%**	**1.77%**	**0.19%**	**0.40%**	**0.59%**
Private Capital	**10.60%**	**15.00%**	**1.42%**	**2.15%**	**0.02%**	**-0.11%**	**-0.09%**
Total Fund	**100.00%**	**100.00%**	**2.33%**	**1.83%**	**0.21%**	**0.29%**	**0.50%**

(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)

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Three Months Ended April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	**0.61%**	**0.00%**	**1.12%**	**1.08%**	**-0.02%**	**0.00%**	**-0.02%**
U.S. Equities	**19.55%**	**20.00%**	**1.39%**	**3.02%**	**0.01%**	**-0.33%**	**-0.32%**
Global Equities	**20.66%**	**17.00%**	**6.13%**	**7.98%**	**0.10%**	**-0.31%**	**-0.21%**
Non-U.S. Equities Developed	12.19%	10.00%	7.71%	7.99%	0.07%	-0.03%	0.04%
Emerging Markets	8.47%	7.00%	3.88%	7.94%	0.03%	-0.28%	-0.25%
Directional Hedge Funds	**8.69%**	**10.00%**	**2.96%**	**2.81%**	**0.01%**	**0.02%**	**0.03%**
Absolute Return Hedge Funds	**16.22%**	**15.00%**	**3.74%**	**2.97%**	**0.00%**	**0.12%**	**0.12%**
Inflation Linked	**14.02%**	**13.00%**	**1.49%**	**0.99%**	**-0.03%**	**0.07%**	**0.04%**
REITS	5.20%	5.00%	5.29%	3.75%	-0.01%	0.07%	0.06%
Commodities	4.75%	3.00%	0.69%	1.04%	-0.08%	-0.01%	-0.09%
TIPS	4.07%	5.00%	-2.12%	-2.32%	0.06%	0.01%	0.07%
Fixed Income	**9.93%**	**10.00%**	**0.13%**	**-0.83%**	**0.00%**	**0.10%**	**0.10%**
Total Marketable Assets	**89.68%**	**85.00%**	**2.95%**	**3.21%**	**0.07%**	**-0.33%**	**-0.26%**
Private Capital	**10.32%**	**15.00%**	**5.49%**	**6.60%**	**-0.10%**	**-0.16%**	**-0.26%**
Total Fund	**100.00%**	**100.00%**	**3.19%**	**3.71%**	**-0.03%**	**-0.49%**	**-0.52%**

(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)

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Calendar Year to Date
April 30, 2006

	Average Asset Allocation		Return		Allocation Effect (1)	Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	0.56%	0.00%	1.48%	1.39%	0.00%	0.00%	0.00%
U.S. Equities	19.97%	20.00%	2.63%	6.46%	-0.01%	-0.77%	-0.78%
Global Equities	20.28%	17.00%	14.12%	16.85%	0.16%	-0.40%	-0.24%
Non-U.S. Equities Developed	12.32%	10.00%	14.70%	14.62%	0.15%	0.01%	0.16%
Emerging Markets	7.96%	7.00%	13.85%	19.99%	0.01%	-0.41%	-0.40%
Directional Hedge Funds	8.80%	10.00%	4.58%	4.87%	0.02%	-0.03%	-0.01%
Absolute Return Hedge Funds	16.13%	15.00%	5.93%	4.84%	0.00%	0.16%	0.16%
Inflation Linked	14.00%	13.00%	5.19%	4.55%	-0.01%	0.07%	0.06%
REITS	5.10%	5.00%	12.55%	11.10%	-0.02%	0.06%	0.04%
Commodities	4.80%	3.00%	4.12%	4.56%	-0.07%	-0.01%	-0.08%
TIPS	4.10%	5.00%	-1.90%	-2.33%	0.08%	0.02%	0.10%
Fixed Income	10.01%	10.00%	0.38%	-0.83%	-0.01%	0.13%	0.12%
Total Marketable Assets	89.75%	85.00%	6.10%	6.84%	0.15%	-0.84%	-0.69%
Private Capital	10.25%	15.00%	6.10%	8.90%	0.04%	-0.40%	-0.36%
Total Fund	100.00%	100.00%	6.10%	7.15%	0.19%	-1.24%	-1.05%

(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)

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Fiscal Year to Date
April 30, 2006

	Average Asset Allocation		Return		Allocation Effect (1)	Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	**0.49%**	**0.00%**	**2.79%**	**2.63%**	**0.04%**	**0.00%**	**0.04%**
U.S. Equities	**20.84%**	**20.00%**	**5.95%**	**9.57%**	**-0.03%**	**-0.74%**	**-0.77%**
Global Equities	**19.46%**	**17.00%**	**26.36%**	**31.11%**	**0.16%**	**-0.61%**	**-0.45%**
Non-U.S. Equities Developed	12.84%	10.00%	25.99%	24.61%	0.35%	0.12%	0.47%
Emerging Markets	6.62%	7.00%	28.61%	40.58%	-0.19%	-0.73%	-0.92%
Directional Hedge Funds	**9.11%**	**10.00%**	**6.46%**	**6.52%**	**0.04%**	**-0.01%**	**0.03%**
Absolute Return Hedge Funds	**15.42%**	**15.00%**	**8.36%**	**5.74%**	**0.00%**	**0.40%**	**0.40%**
Inflation Linked	**14.21%**	**13.00%**	**4.91%**	**4.13%**	**-0.20%**	**0.22%**	**0.02%**
REITS	5.01%	5.00%	17.35%	14.79%	-0.02%	0.12%	0.10%
Commodities	4.99%	3.00%	-0.55%	-3.05%	-0.30%	0.08%	-0.22%
TIPS	4.21%	5.00%	-2.00%	-2.36%	0.12%	0.02%	0.14%
Fixed Income	**10.30%**	**10.00%**	**-0.22%**	**-1.26%**	**-0.04%**	**0.11%**	**0.07%**
Total Marketable Assets	**89.83%**	**85.00%**	**9.73%**	**10.40%**	**-0.03%**	**-0.63%**	**-0.66%**
Private Capital	**10.17%**	**15.00%**	**11.51%**	**18.25%**	**-0.02%**	**-0.97%**	**-0.99%**
Total Fund	**100.00%**	**100.00%**	**9.91%**	**11.56%**	**-0.05%**	**-1.60%**	**-1.65%**

(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)

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Year Ended
April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	0.65%	0.00%	3.89%	3.68%	-0.04%	0.00%	-0.04%
U.S. Equities	22.82%	21.66%	15.65%	19.14%	-0.02%	-0.68%	-0.70%
Global Equities	18.78%	17.00%	38.31%	42.68%	0.15%	-0.53%	-0.38%
Directional Hedge Funds	9.41%	10.00%	12.00%	9.04%	0.04%	0.31%	0.35%
Absolute Return Hedge Funds	15.04%	15.00%	13.65%	7.89%	-0.01%	0.91%	0.90%
Inflation Linked	11.08%	9.67%	24.94%	32.45%	0.04%	-0.02%	0.02%
Fixed Income	12.04%	11.67%	1.15%	0.47%	-0.08%	0.05%	-0.03%
Total Marketable Assets	**89.82%**	**85.00%**	17.45%	17.26%	**0.08%**	**0.04%**	**0.12%**
Private Capital	10.18%	15.00%	22.34%	24.85%	-0.24%	-0.34%	-0.58%
Total Fund	**100.00%**	**100.00%**	**17.93%**	**18.39%**	**-0.16%**	**-0.30%**	**-0.46%**

(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)

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Cumulative Since September 1, 2002 to
April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	0.55%	0.00%	7.88%	7.72%	-0.37%	0.00%	-0.37%
U.S. Equities	27.15%	23.85%	66.78%	70.61%	1.13%	-0.44%	0.69%
Global Equities	19.28%	16.51%	124.47%	126.59%	2.57%	-0.95%	1.62%
Directional Hedge Funds	8.02%	10.00%	32.86%	26.03%	0.47%	0.84%	1.31%
Absolute Return Hedge Funds	12.21%	13.18%	69.97%	23.05%	-0.41%	6.23%	5.82%
Inflation Linked	7.67%	7.36%	110.70%	106.20%	-0.48%	1.75%	1.27%
Fixed Income	14.33%	14.09%	24.71%	14.37%	0.76%	1.96%	2.72%
GSAM Global Asset Allocation	0.41%	0.00%	33.70%	0.00%	0.18%	0.00%	0.18%
Total Marketable Assets	**89.62%**	**85.00%**	**71.81%**	**56.93%**	**3.85%**	**9.39%**	**13.24%**
Private Capital	10.38%	15.00%	49.81%	43.34%	-0.36%	1.16%	0.80%
Total Fund	**100.00%**	**100.00%**	**69.08%**	**55.04%**	**3.49%**	**10.55%**	**14.04%**

(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)

All actual performance figures shown are net of all fees and expenses.

General Endowment Fund Performance Attribution Analysis
Annualized Since September 1, 2002 to
April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	GEF	Policy Portfolio	GEF	Policy Benchmark			
Cash and Cash Equivalents	0.55%	0.00%	2.09%	2.05%	-0.07%	0.00%	-0.07%
U.S. Equities	27.15%	23.85%	14.97%	15.68%	0.21%	-0.08%	0.13%
Global Equities	19.28%	16.51%	24.67%	24.99%	0.49%	-0.18%	0.31%
Directional Hedge Funds	8.02%	10.00%	8.06%	6.51%	0.09%	0.16%	0.25%
Absolute Return Hedge Funds	12.21%	13.18%	15.57%	5.82%	-0.08%	1.20%	1.12%
Inflation Linked	7.67%	7.36%	22.54%	21.82%	-0.09%	0.34%	0.25%
Fixed Income	14.33%	14.09%	6.21%	3.73%	0.15%	0.38%	0.53%
GSAM Global Asset Allocation	0.41%	0.00%	8.24%	0.00%	0.03%	0.00%	0.03%
Total Marketable Assets	**89.62%**	**85.00%**	**15.90%**	**13.08%**	**0.73%**	**1.82%**	**2.55%**
Private Capital	10.38%	15.00%	11.65%	10.32%	-0.07%	0.22%	0.15%
Total Fund	**100.00%**	**100.00%**	**15.40%**	**12.70%**	**0.66%**	**2.04%**	**2.70%**

(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)

All actual performance figures shown are net of all fees and expenses.

Intermediate Term Fund Performance Attribution Analysis
One Month Ended April 30, 2006

	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	ITF	Policy Portfolio	ITF	Policy Benchmark			
Cash and Cash Equivalents	0.45%	0.00%	0.39%	0.37%	0.00%	0.00%	0.00%
U.S. Equities	15.21%	15.00%	1.99%	1.08%	0.00%	0.14%	0.14%
Non-U.S. Equities Developed	5.15%	5.00%	4.86%	4.78%	0.01%	0.00%	0.01%
Emerging Markets	5.14%	5.00%	4.38%	7.12%	0.01%	-0.14%	-0.13%
Directional Hedge Funds	10.43%	12.50%	1.06%	1.56%	-0.01%	-0.06%	-0.07%
Absolute Return Hedge Funds	13.51%	12.50%	1.92%	1.13%	0.01%	0.10%	0.11%
REITS	10.36%	10.00%	-1.97%	-3.74%	-0.01%	0.18%	0.17%
Commodities	5.21%	5.00%	6.07%	6.45%	0.01%	-0.02%	-0.01%
TIPS	9.98%	10.00%	0.03%	-0.08%	0.00%	0.01%	0.01%
Fixed Income	24.56%	25.00%	0.43%	-0.18%	0.01%	0.15%	0.16%
Total Fund	100.00%	100.00%	1.38%	0.99%	0.03%	0.36%	0.39%

(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)

All actual performance figures shown are net of all fees and expenses.

UTIMCO 1996

Intermediate Term Fund Performance Attribution Analysis
Three Months Ended April 30, 2006

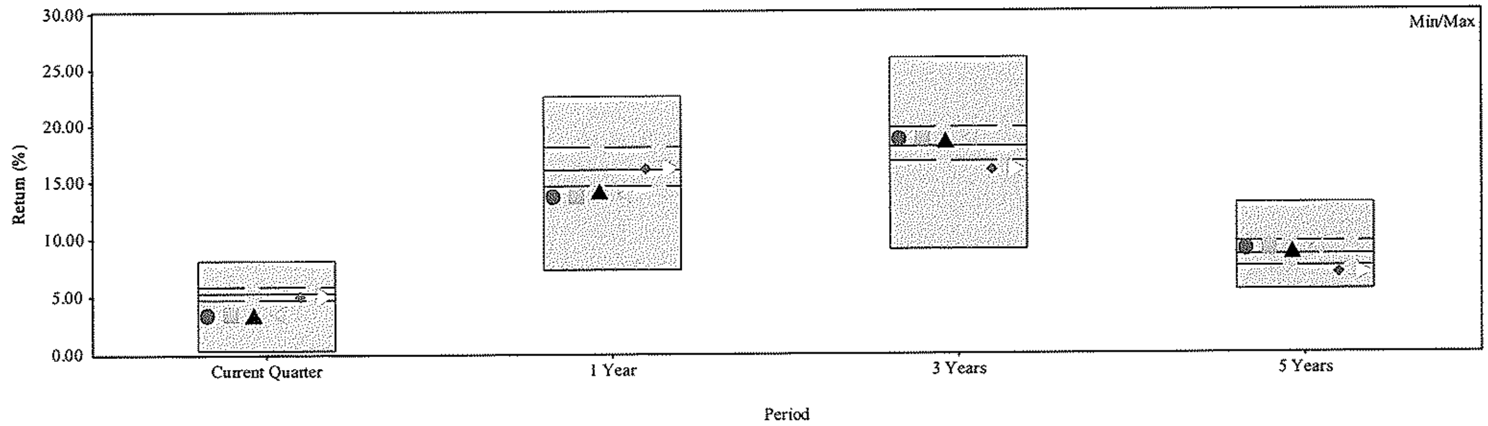
	Average Asset Allocation		Return		Asset Allocation Effect (1)	Security Selection Effect (2)	Total Effect
	ITF	Policy Portfolio	ITF	Policy Benchmark			
Cash and Cash Equivalents	1.05%	0.00%	1.12%	1.08%	-0.03%	0.00%	-0.03%
U.S. Equities	15.19%	15.00%	2.72%	3.02%	0.00%	-0.04%	-0.04%
Non-U.S. Equities Developed	5.10%	5.00%	8.70%	7.99%	0.01%	0.03%	0.04%
Emerging Markets	5.07%	5.00%	3.89%	7.94%	0.01%	-0.20%	-0.19%
Directional Hedge Funds	9.57%	12.50%	2.96%	2.81%	-0.04%	0.02%	-0.02%
Absolute Return Hedge Funds	13.84%	12.50%	3.76%	2.97%	0.02%	0.10%	0.12%
REITS	10.00%	10.00%	4.86%	3.75%	-0.02%	0.10%	0.08%
Commodities	5.01%	5.00%	0.21%	1.04%	0.00%	-0.05%	-0.05%
TIPS	10.23%	10.00%	-1.94%	-2.32%	-0.01%	0.04%	0.03%
Fixed Income	24.94%	25.00%	-0.17%	-0.83%	0.02%	0.17%	0.19%
Total Fund	100.00%	100.00%	2.13%	2.00%	-0.04%	0.17%	0.13%

(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)

All actual performance figures shown are net of all fees and expenses.

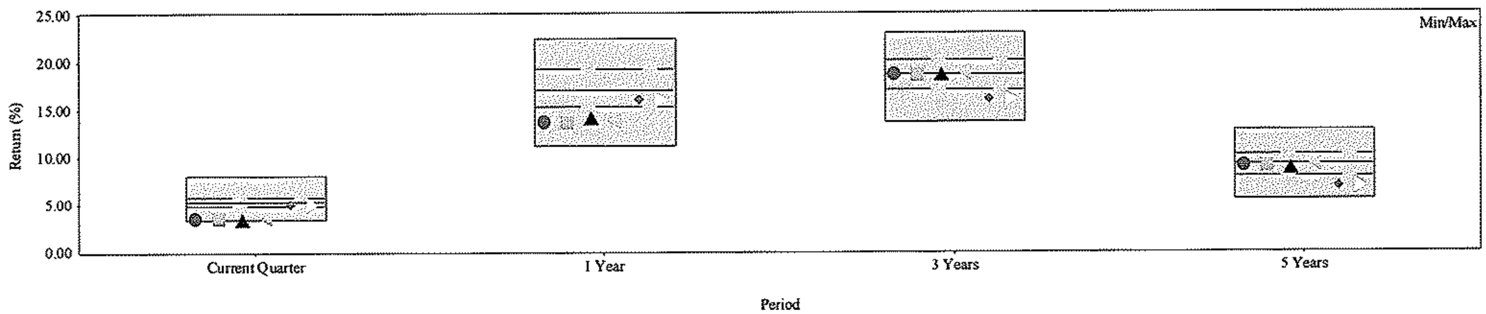
UTIMCO ENDOWMENT FUNDS vs.
Total Cambridge Universe
Periods Ended March 31, 2006
Quartile



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	8.23		22.62		26.03		13.07	
25th Percentile	5.90		18.11		19.75		9.71	
Median	5.29		16.12		18.13		8.52	
75th Percentile	4.72		14.67		16.79		7.45	
Minimum	0.50		7.52		9.18		5.62	
# of Portfolios	135		135		133		132	
● **UTIMCO LTF-Net of Fees**	3.71	96	13.94	81	18.89	39	9.20	36
▩ **UTIMCO PHF-Net of Fees**	3.70	96	13.93	81	18.88	40	9.15	36
▲ **UTIMCO PUF-Net of Fees**	3.66	97	14.29	78	18.84	40	8.91	40
◁ **UTIMCO GEF-Net of Fees**	3.68	96	14.02	81	19.00	38	9.27	34
◆ **Policy Portfolio GEF**	5.23	53	16.30	50	16.20	83	7.04	82
Policy Portfolio PUF	5.23	53	16.30	50	16.20	83	7.00	84

The Cambridge Universe consists of all College and Universities that report quarterly returns to Cambridge Associates, Inc. The number of Colleges and Universities reporting as of March 31, 2006 was 135.

UTIMCO ENDOWMENT FUNDS vs.
Cambridge Billion $ Funds Universe
Periods Ended March 31, 2006
Quartile



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	8.23		22.62		23.16		12.82	
25th Percentile	5.82		19.31		20.29		10.27	
Median	5.32		17.11		18.79		9.14	
75th Percentile	4.86		15.33		17.17		7.84	
Minimum	3.53		11.32		13.90		5.62	
# of Portfolios	42		42		42		42	
● **UTIMCO LTF-Net of Fees**	3.71	96	13.94	94	18.89	49	9.20	52
▨ **UTIMCO PHF-Net of Fees**	3.70	96	13.93	94	18.88	52	9.15	52
▲ **UTIMCO PUF-Net of Fees**	3.66	98	14.29	87	18.84	52	8.91	56
◁ **UTIMCO GEF-Net of Fees**	3.68	96	14.02	91	19.00	45	9.27	47
◆ **Policy Portfolio GEF**	5.23	56	16.30	61	16.20	91	7.04	89
Policy Portfolio PUF	5.23	56	16.30	61	16.20	91	7.00	89

The Cambridge Billion $ Funds Universe consists of the College and Universities with endowment assets greater than one billion dollars that report quarterly to Cambridge Associates, Inc.

The number of Colleges and Universities with endowment assets greater than one billion dollars reporting as of March 31, 2006 was 42.

External and Active Internal Public Markets Managers
Investment Performance Detail Summary
April 30, 2006

	Assets Under Management ($ Millions)	One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Ten Years	Since Inception	Inception Date
		Periods Ended April 30, 2006 (Returns for Periods Longer Than One Year are Annualized)										
NET OF FEES PERFORMANCE:												
Public Equities:												
Domestic Equities:												
Active Management:												
BGI Russell 3000 Alpha Tilt	**40.1**	1.82	3.16	7.42	12.52	11.33	20.55	-	-	-	14.86	August 2003
vs. Russell 3000		0.73	0.14	0.96	1.82	1.76	2.47	-	-	-	1.22	
Blavin	**76.6**	5.42	1.64	2.12	-	-	-	-	-	-	1.64	January 2006
vs. S&P 400 Midcap Index		4.01	**(1.43)**	**(7.02)**	-	-	-	-	-	-	**(1.43)**	
GSAM Flex Large Cap	**162.0**	(0.32)	-	-	-	-	-	-	-	-	1.98	February 2006
vs. S&P 500 Index		(1.67)	-	-	-	-	-	-	-	-	**(0.63)**	
MBA Investments	**0.8**	1.03	1.16	3.81	8.19	9.55	15.99	13.53	1.51	3.71	4.20	November 1995
vs. S&P 500 Index		**(0.31)**	**(1.72)**	**(1.80)**	**(1.45)**	0.86	0.58	**(1.15)**	**(1.19)**	**(5.23)**	**(5.15)**	
Relational Investors	**403.5**	0.40	2.22	2.11	6.13	5.22	14.97	-	-	-	14.73	September 2004
vs. S&P 500 Index		**(0.95)**	**(0.66)**	**(3.50)**	**(3.51)**	**(3.46)**	**(0.45)**	-	-	-	1.93	
Blackrock Hedge	**123.9**	6.12	3.61	5.86	17.90	15.09	56.81	-	-	-	46.55	July 2004
vs. Russell 2000		6.14	**(0.94)**	**(8.06)**	**(1.01)**	**(0.48)**	23.34	-	-	-	24.59	
Blackrock Small Cap	**96.5**	7.94	3.57	17.18	25.48	25.63	70.24	-	-	-	56.73	June 2004
vs. Russell 2000		7.96	**(0.98)**	3.26	6.57	10.06	36.77	-	-	-	40.38	
TCW MultiCap 1	**175.0**	1.72	3.19	9.33	13.65	7.52	22.68	-	-	-	7.45	February 2004
vs. Russell 3000		0.63	0.18	2.87	2.96	**(2.05)**	4.60	-	-	-	**(2.54)**	
TCW MultiCap 2	**121.5**	1.64	-	-	-	-	-	-	-	-	2.81	February 2006
vs. Russell 3000		0.56	-	-	-	-	-	-	-	-	(0.02)	
TCW Small Value	**124.4**	1.20	5.21	15.87	24.32	16.98	33.21	-	-	-	11.82	April 2004
vs. Russell 2000		1.21	0.66	1.95	5.42	1.41	**(0.26)**	-	-	-	**(6.40)**	
Value Act Capital	**547.2**	4.06	7.00	11.07	16.84	20.08	39.06	-	-	-	21.29	August 2003
vs. Russell 2000		4.08	2.45	**(2.85)**	**(2.06)**	4.50	5.59	-	-	-	1.14	
Westport 1	**200.6**	2.28	5.52	12.98	20.95	19.99	31.21	-	-	-	23.57	October 2004
vs. Russell 2000		2.29	0.98	**(0.94)**	2.04	4.42	**(2.26)**	-	-	-	2.47	
Westport 2	**216.5**	1.82	4.89	-	-	-	-	-	-	-	4.89	January 2006
vs. Russell 2000		1.84	0.34	-	-	-	-	-	-	-	0.34	
International Equities:												
Active Management:												
BGI International Alpha Tilts	**100.9**	4.82	8.09	14.90	23.09	25.87	35.38	-	-	-	28.35	August 2003
vs. MSCI EAFE with Net Dividends		0.04	0.10	0.28	0.20	1.26	1.89	-	-	-	1.42	
BGI Unequitzed Global Markets	**140.1**	1.38	1.13	2.33	2.93	5.03	7.75	-	-	-	7.52	May 2005
vs. 90 Day Treasury Bills Average Yield		1.01	0.05	0.93	0.87	2.40	4.08	-	-	-	4.11	
Blakeney Management	**94.1**	3.15	1.65	16.47	23.85	29.24	40.42	-	-	-	44.95	October 2004
vs. MSCI Emerging Markets with Net Dividends		**(3.97)**	**(6.28)**	**(3.53)**	**(13.75)**	**(11.34)**	**(21.88)**	-	-	-	**(5.27)**	
Blackrock Global	**136.2**	7.80	7.80	23.69	36.47	31.76	81.47	-	-	-	62.64	November 2004
vs. MSCI All Country World ex U.S. with Net Dividends		2.71	0.03	8.43	11.64	5.31	43.85	-	-	-	35.71	
Bridgewater Currency Overlay	**-0.3**	0.56	(0.01)	0.20	0.24	(0.15)	(1.07)	-	-	-	(0.68)	January 2005
Currency Overlay Strategy		-	-	-	-	-	-	-	-	-	-	

External and Active Internal Public Markets Managers
Investment Performance Detail Summary
April 30, 2006

Periods Ended April 30, 2006 (Returns for Periods Longer Than One Year are Annualized)

	Assets Under Management ($ Millions)	One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Ten Years	Since Inception	Inception Date
NET OF FEES PERFORMANCE (continued)												
Capital Guardian Trust Small Cap International	**29.3**	5.29	8.41	15.13	32.79	40.81	59.35	46.45	18.31	-	9.25	December 1996
vs. Citigroup Extended Market Index World ex U.S.		0.11	**(1.25)**	**(2.80)**	2.70	10.16	16.00	6.84	(0.10)	-	**(0.79)**	
Cundill EAFE	**120.0**	3.38	4.56	5.67	14.52	20.25	25.66	-	-	-	18.94	January 2005
vs. MSCI EAFE with Net Dividends		**(1.39)**	**(3.43)**	**(8.95)**	**(8.37)**	**(4.37)**	**(7.83)**	-	-	-	**(6.36)**	
Cundill Japan	**84.7**	3.13	7.32	9.12	15.93	24.73	30.15	-	-	-	23.93	January 2005
vs. TOPIX		0.51	3.91	0.99	**(5.92)**	**(7.98)**	**(11.00)**	-	-	-	**(5.50)**	
Dalton Japan	**67.9**	1.68	5.47	8.61	17.41	24.86	34.35	-	-	-	32.88	May 2005
vs. TOPIX		**(0.94)**	2.05	0.48	**(4.44)**	**(7.85)**	**(6.79)**	-	-	-	**(10.28)**	
Dalton Taiwan	**51.4**	7.99	-	-	-	-	-	-	-	-	8.70	February 2006
vs. MSCI Emerging Markets with Net Dividends		0.87	-	-	-	-	-	-	-	-	0.64	
Franklin Templeton	**305.3**	6.77	7.89	18.76	33.69	36.46	54.17	41.16	23.97	8.94	9.00	January 1996
vs. MSCI Emerging Markets with Net Dividends		**(0.36)**	(0.04)	**(1.23)**	**(3.91)**	**(4.12)**	**(8.14)**	**(4.23)**	0.25	1.76	1.03	
Franklin Templeton High Alpha	**107.8**	6.02	-	-	-	-	-	-	-	-	6.02	March 2006
vs. MSCI Emerging Markets with Net Dividends		**(1.10)**	-	-	-	-	-	-	-	-	**(1.10)**	
Globeflex	**181.0**	6.20	13.49	24.12	37.09	41.86	62.87	-	-	-	44.06	October 2003
vs. Citigroup Extended Market Index World ex U.S.		1.02	3.83	6.20	6.99	11.20	19.53	-	-	-	12.14	
Globeflex Canadian	**34.5**	8.68	10.11	21.05	39.01	37.47	64.99	-	-	-	38.64	March 2004
vs. Nesbitt Burns Small Cap Canada		1.15	**(0.85)**	**(3.37)**	**(0.91)**	**(2.11)**	1.58	-	-	-	8.27	
Globeflex Japan	**78.7**	1.23	1.17	5.76	19.45	30.67	40.84	-	-	-	22.04	March 2004
vs. Russell/Nomura Mid-Small Cap Index		(0.03)	0.12	0.93	0.47	0.89	3.90	-	-	-	5.10	
Globeflex Microcap	**129.5**	6.40	11.67	18.88	29.25	27.14	-	-	-	-	27.14	August 2005
vs. MSCI EAFE with Net Dividends		1.62	3.68	4.26	6.36	2.52	-	-	-	-	2.52	
GSAM - International Flex	**221.7**	5.75	-	-	-	-	-	-	-	-	9.49	March 2006
vs. MSCI EAFE with Net Dividends		0.97	-	-	-	-	-	-	-	-	1.26	
JMBO Fund	**65.3**	3.26	2.11	3.70	6.72	10.84	12.95	-	-	-	12.95	April 2005
vs. MSCI Japan		0.35	**(2.54)**	**(6.22)**	**(17.73)**	**(24.87)**	**(32.18)**	-	-	-	**(32.18)**	
Lansdowne Emerging	**425.2**	3.67	5.12	8.39	-	-	-	-	-	-	8.39	December 2005
vs. MSCI Emerging Markets with Net Dividends		**(3.45)**	(2.82)	**(11.60)**	-	-	-	-	-	-	**(11.60)**	
Lansdowne Europe	**248.1**	2.17	11.52	-	-	-	-	-	-	-	11.52	January 2006
vs. Euro Stoxx 600		**(2.55)**	2.80	-	-	-	-	-	-	-	2.80	
Lansdowne UK (Funded April 2006)	**51.2**	-	-	-	-	-	-	-	-	-	-	April 2006
vs. FT-SE-A All-Share Total Return Index		-	-	-	-	-	-	-	-	-	-	
Inflation Hedging:												
REITS:												
Cohen & Steers	**881.9**	(3.01)	4.69	11.91	18.06	-	-	-	-	-	18.06	October 2005
vs. Dow Jones Wilshire Real Estate Securities		0.73	0.94	0.81	1.46	-	-	-	-	-	1.46	
Morgan Stanley REIT	**189.6**	(0.25)	-	-	-	-	-	-	-	-	6.55	February 2006
vs. Dow Jones Wilshire Real Estate Securities		3.48	-	-	-	-	-	-	-	-	5.02	

External and Active Internal Public Markets Managers
Investment Performance Detail Summary
April 30, 2006

	Assets Under Management ($ Millions)	Periods Ended April 30, 2006 (Returns for Periods Longer Than One Year are Annualized)										
		One Month	Three Months	Calendar Year To Date	Six Months	Fiscal Year To Date	One Year	Three Years	Five Years	Ten Years	Since Inception	Inception Date
NET OF FEES PERFORMANCE (continued)												
Commodities:												
Goldman Sachs Commodity Index	**599.1**	6.16	0.66	4.99	4.45	(1.88)	20.01	25.02	-	-	23.41	June 2002
vs. Goldman Sachs Commodity Index - 50 bps		**(0.13)**	0.29	0.31	1.00	5.42	1.92	1.83	-	-	1.42	
PIMCO Real Return	**320.2**	7.21	0.73	2.45	5.60	1.99	15.63	-	-	-	14.95	January 2004
vs. Dow Jones AIG + 1-10 Year TIPS		0.30	0.35	0.52	0.13	0.06	0.08	-	-	-	**(0.18)**	
Treasury Inflation Protection Securities (TIPS):												
Internal TIPS	**245.8**	(0.17)	(2.46)	(2.34)	(1.08)	(2.50)	(1.33)	-	-	-	3.24	July 2004
vs. Lehman Brothers US TIPS Index		(0.08)	**(0.14)**	(0.01)	**(0.12)**	**(0.13)**	**(0.22)**	-	-	-	0.17	
PIMCO TIPS	**405.7**	0.19	(1.89)	(1.60)	(0.72)	(2.01)	(0.63)	-	-	-	2.41	August 2004
vs. Lehman Brothers US TIPS Index		0.27	0.43	0.73	0.23	0.36	0.48	-	-	-	0.52	
Reams TIPS	**265.3**	0.02	(2.16)	(1.95)	(0.41)	(1.22)	-	-	-	-	0.41	May 2005
vs. Lehman Brothers US TIPS Index		0.10	0.16	0.38	0.55	1.14	-	-	-	-	2.20	
Fixed Income:												
Internal - Harland Doak	**164.5**	(0.64)	(1.63)	(1.84)	(0.26)	(2.58)	(0.64)	2.76	4.95	-	5.01	February 2001
vs. Credit Related Composite Index		**(0.36)**	**(0.49)**	**(0.55)**	**(0.47)**	**(0.35)**	**(0.94)**	**(0.15)**	**(0.99)**	-	**(0.87)**	
Internal - Russ Kampfe	**509.6**	(0.50)	(1.31)	(1.53)	(0.02)	(1.79)	(0.01)	2.27	3.71	-	5.34	February 2000
vs. Lehman Brothers Aggregate Bond Index		**(0.32)**	**(0.48)**	**(0.70)**	**(0.58)**	**(0.52)**	**(0.72)**	**(0.30)**	**(1.44)**	-	**(1.11)**	
Total Internally Managed Fixed Income	**674.1**	(0.54)	(1.33)	(1.55)	(0.02)	(1.94)	(0.15)	2.58	4.34	-	5.87	
vs. Lehman Brothers Aggregate Bond Index		**(0.35)**	**(0.50)**	**(0.73)**	**(0.58)**	**(0.68)**	**(0.86)**	(0.00)	**(0.81)**	-	**(0.57)**	
GMO Emerging Debt Fund	**12.1**	0.45	1.82	3.91	7.96	8.78	18.22	-	-	-	22.06	May 2004
vs. JP Morgan Emerging Bond Index Global		0.54	1.62	2.52	3.11	3.74	6.25	-	-	-	7.27	
PIMCO Fixed Income	**930.2**	1.79	1.31	1.82	2.48	0.77	1.32	6.61	8.63	-	7.15	March 1998
vs. PIMCO Composite Benchmark		0.46	0.98	0.90	0.76	1.16	1.05	1.25	0.89	-	1.06	
PIMCO PARS III	**141.3**	0.90	-	-	-	-	-	-	-	-	0.90	March 2006
vs. LIBOR BBA USD 1 Month Index		0.51	-	-	-	-	-	-	-	-	0.51	
Reams Core Plus	**490.8**	(0.10)	(0.74)	(0.56)	0.63	(0.90)	-	-	-	-	0.15	May 2005
vs. Lehman Brothers Aggregate Bond Index		0.08	0.10	0.27	0.07	0.36	-	-	-	-	1.42	

Agenda Item
UTIMCO Board of Directors Meeting
July 13, 2006

Agenda Item: Liquidity Profile

Developed By: Moeller, Childers

Presented By: Boldt

Type of Item: Information Item

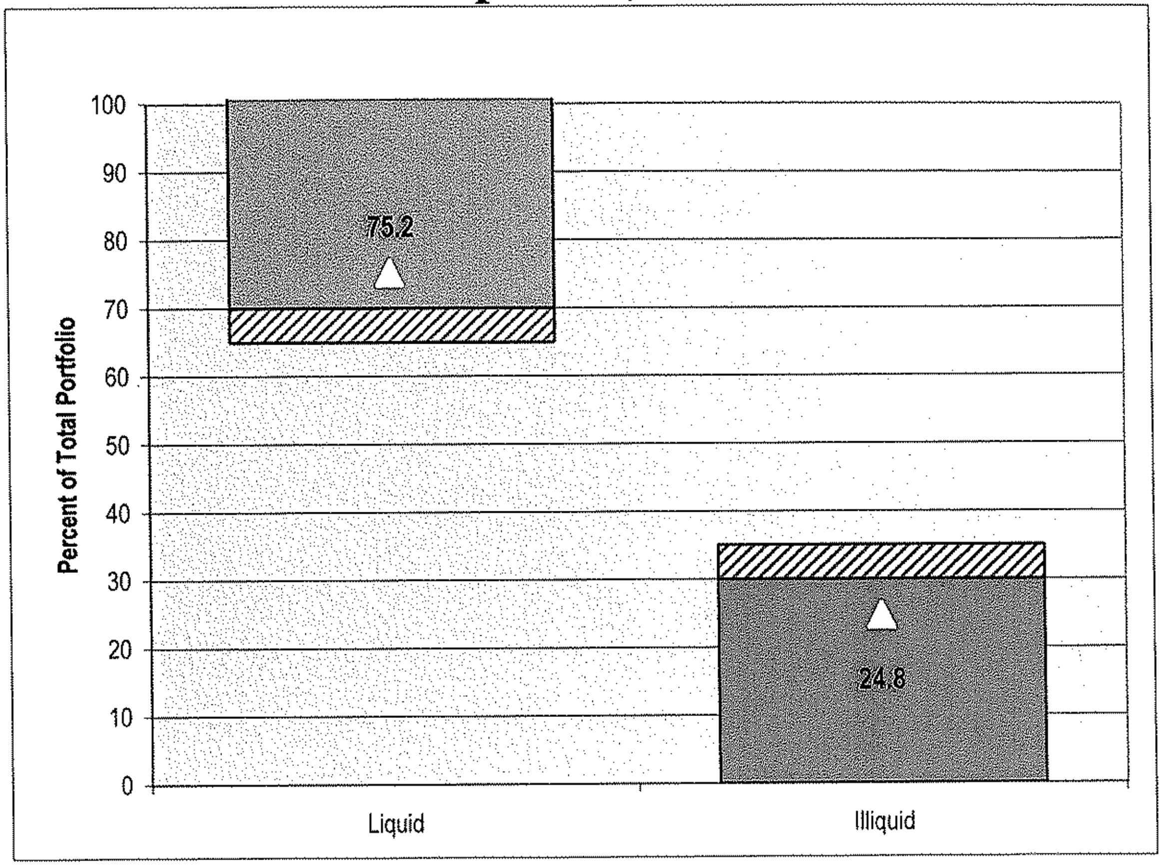
Description: The reports presented are for the period ended April 30, 2006.

Discussion: As of April 30, 2006 endowment fund assets classified as liquid were 75.2% of the total assets, and those classified as illiquid were 24.8% of total assets. For the ITF, 86.7% of the total assets were classified as liquid, and 13.3% were classified illiquid.

Recommendation: No action required.

Reference: Combined Liquidity Profile-Endowment Funds, PUF Liquidity Profile, GEF Liquidity Profile, ITF Liquidity Profile, Certification of PUF, GEF and ITF Liquidity Profiles, Illiquid Investments Approved/Delegated or Funded from Last Report to UTIMCO Board, Endowments Actual Liquidity Classification, and ITF Actual Liquidity Classification.

Combined Liquidity Profile - Endowment Funds
April 30, 2006



Current:

	4/30/2006 Market Value	Percent	3/31/2006 Market Value	Percent
Liquid	11,784,203,522.38	75.2	11,850,214,223.39	75.9
Illiquid	3,881,655,079.96	24.8	3,759,454,063.03	24.1
	15,665,858,602.34	100.0	15,609,668,286.42	100.0

Approved but not yet invested illiquid marketable investments:

	4/30/2006 Market Value	Percent	3/31/2006 Market Value	Percent
Liquid	11,784,203,522.38	75.2	11,850,214,223.39	75.9
Illiquid	3,881,655,079.96	24.8	3,759,454,063.03	24.1
	15,665,858,602.34	100.0	15,609,668,286.42	100.0

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

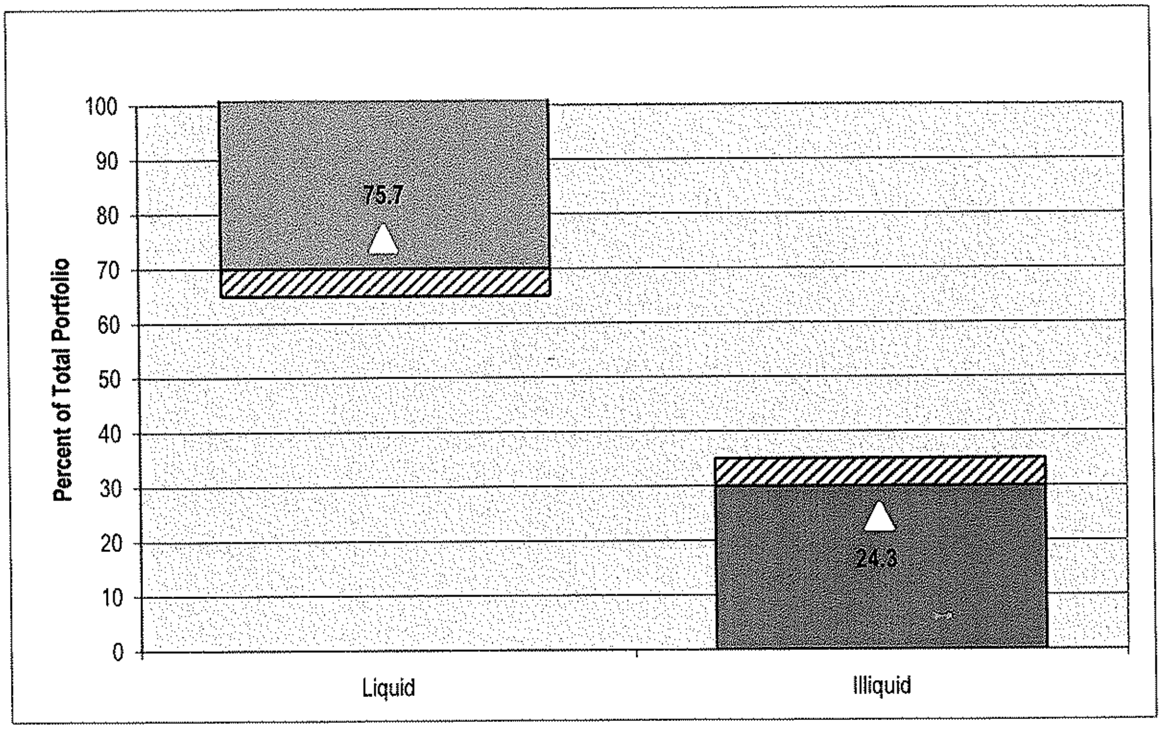
Illiquid: Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

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

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

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

PUF Liquidity Profile
April 30, 2006



Current:

	4/30/2006 Market Value	Percent	3/31/2006 Market Value	Percent
Liquid	7,721,419,773.74	75.7	7,724,929,185.21	76.3
Illiquid	2,480,872,712.50	24.3	2,401,605,028.54	23.7
	10,202,292,486.24	100.0	10,126,534,213.75	100.0

Approved but not yet invested illiquid marketable investments:

	4/30/2006 Market Value	Percent	3/31/2006 Market Value	Percent
Liquid	7,721,419,773.74	75.7	7,724,929,185.21	76.3
Illiquid	2,480,872,712.50	24.3	2,401,605,028.54	23.7
	10,202,292,486.24	100.0	10,126,534,213.75	100.0

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

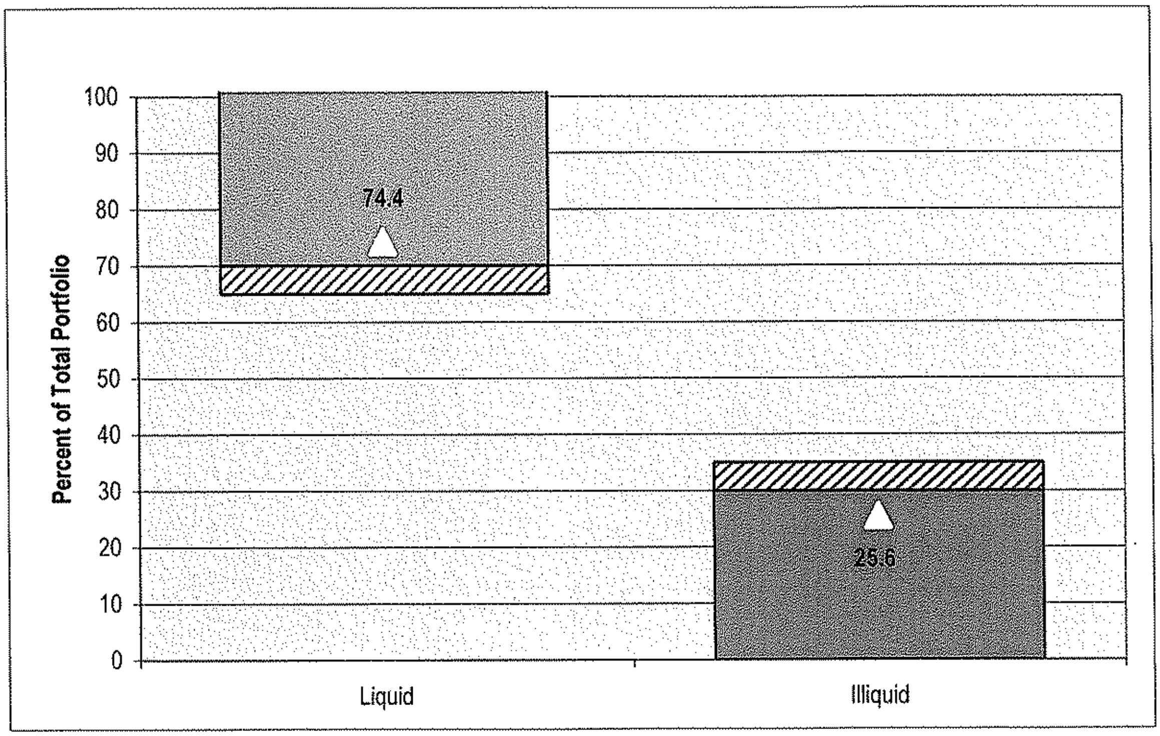
Illiquid: Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

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

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

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

GEF Liquidity Profile
April 30, 2006



Current:

	4/30/2006		3/31/2006	
	Market Value	Percent	Market Value	Percent
Liquid	4,062,783,748.64	74.4	4,125,285,038.17	75.2
Illiquid	1,400,782,367.46	25.6	1,357,849,034.50	24.8
	5,463,566,116.10	100.0	5,483,134,072.67	100.0

Approved but not yet invested illiquid marketable investments:

	4/30/2006		3/31/2006	
	Market Value	Percent	Market Value	Percent
Liquid	4,062,783,748.64	74.4	4,125,285,038.17	75.2
Illiquid	1,400,782,367.46	25.6	1,357,849,034.50	24.8
	5,463,566,116.10	100.0	5,483,134,072.67	100.0

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

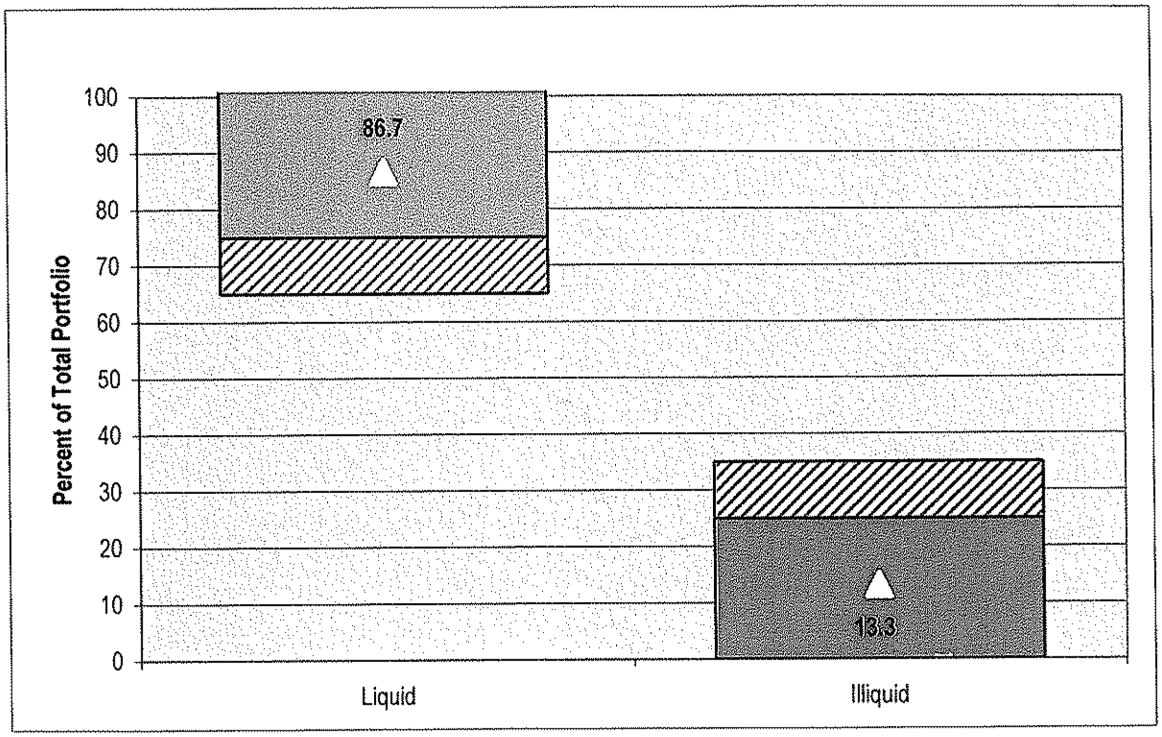
Illiquid: Investments that could be converted to cash in a orderly market over a period of more than 3 months or in a shorter period of time by accepting a discount of more than 10%.

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

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

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

ITF Liquidity Profile
April 30, 2006



Current:

	4/30/2006 Market Value	4/30/2006 Percent	3/31/2006 Market Value	3/31/2006 Percent
Liquid	2,765,232,389.17	86.7	2,844,422,691.21	86.8
Illiquid	423,084,246.90	13.3	434,009,753.68	13.2
	3,188,316,636.07	100.0	3,278,432,444.89	100.0

Approved but not yet invested illiquid marketable investments:

	4/30/2006 Market Value	4/30/2006 Percent	3/31/2006 Market Value	3/31/2006 Percent
Liquid	2,765,232,389.17	86.7	2,844,422,691.21	86.8
Illiquid	423,084,246.90	13.3	434,009,753.68	13.2
	3,188,316,636.07	100.0	3,278,432,444.89	100.0

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

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

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

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

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

Liquidity Profile for PUF, GEF and ITF

April 30, 2006

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

6/14/06 Date

Cathy Iberg, Managing Director - Marketable Alternatives

6/14/06 Date

Trey Thompson, Managing Director - Non-Marketable Alternatives

6-14-06 Date

Illiquid investments approved/delegated or funded from last report to UTIMCO Board through current report date
April 1 through April 30, 2006

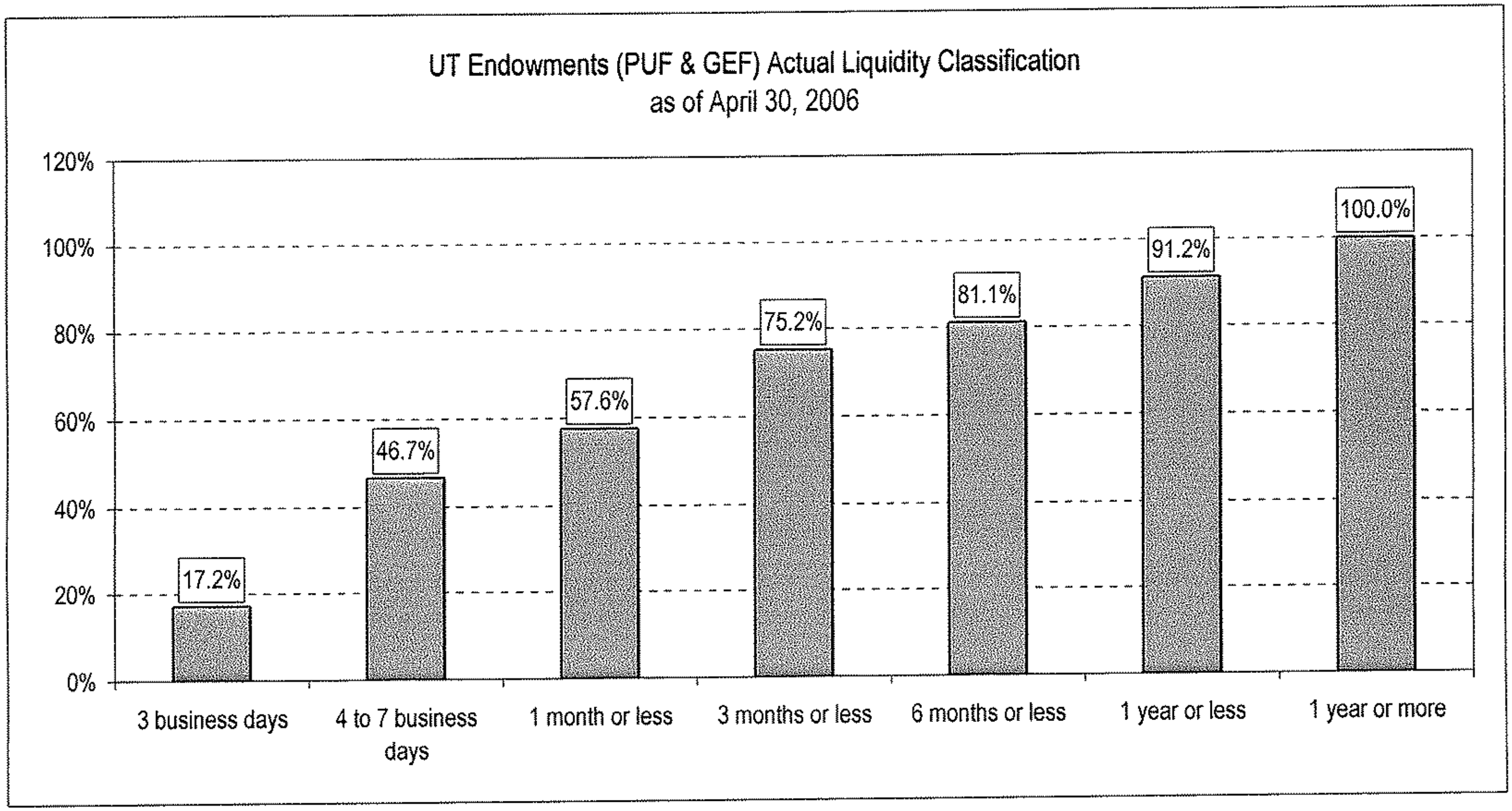
Private Equity investments	Board Approved/ Delegated	Committed Amount		Funded Amount	
		PUF	GEF	PUF	GEF
AG Capital Recovery Partners V, L.P.	4/17/2006	$ 17,500,000.00	$ 7,500,000.00	$ 1,750,000.00	$ 750,000.00
Fortress Investment Fund IV (Coinvestment Fund A), L.P.	4/28/2006	$ 14,000,000.00	$ 6,000,000.00	$ -	$ -
Fortress Investment Fund IV, L.P.	4/28/2006	$ 14,000,000.00	$ 6,000,000.00	$ -	$ -

Public Markets
None

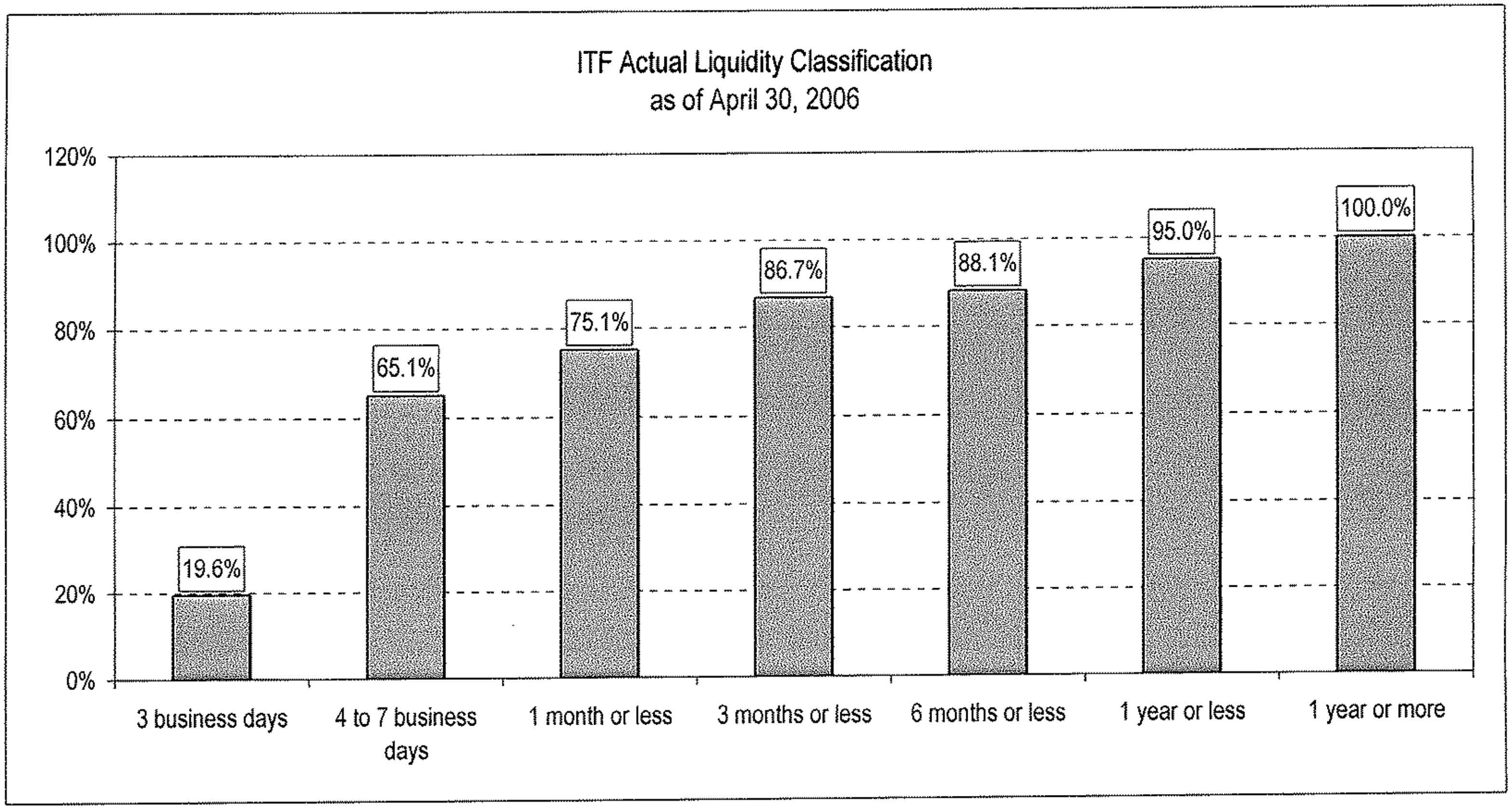
Marketable Alternative investments	Hedge Fund Pool Committed Amount	Hedge Fund Pool Funded Amount
None	$ -	$ -

Change in investment's liquidity classification

None



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	2,692,878,406	17.2%	2,692,878,406	17.2%
	4 to 7 business days	4,624,504,286	29.5%	7,317,382,691	46.7%
	1 month or less	1,711,781,580	10.9%	9,029,164,271	57.6%
	3 months or less	2,755,039,251	17.6%	11,784,203,522	75.2%
Illiquid:	6 months or less	913,224,844	5.8%	12,697,428,366	81.1%
	1 year or less	1,585,319,795	10.1%	14,282,748,161	91.2%
	1 year or more	1,383,110,441	8.8%	15,665,858,602	100.0%
		15,665,858,602	100.0%		



	Classification Period	Assets	%	Cumulative Assets	%
Liquid:	3 business days	624,314,361	19.6%	624,314,361	19.6%
	4 to 7 business days	1,450,334,888	45.5%	2,074,649,249	65.1%
	1 month or less	320,521,806	10.1%	2,395,171,055	75.1%
	3 months or less	370,061,334	11.6%	2,765,232,389	86.7%
Illiquid:	6 months or less	42,332,750	1.3%	2,807,565,139	88.1%
	1 year or less	222,639,369	7.0%	3,030,204,507	95.0%
	1 year or more	158,112,129	5.0%	3,188,316,636	100.0%
		3,188,316,636	100.0%		

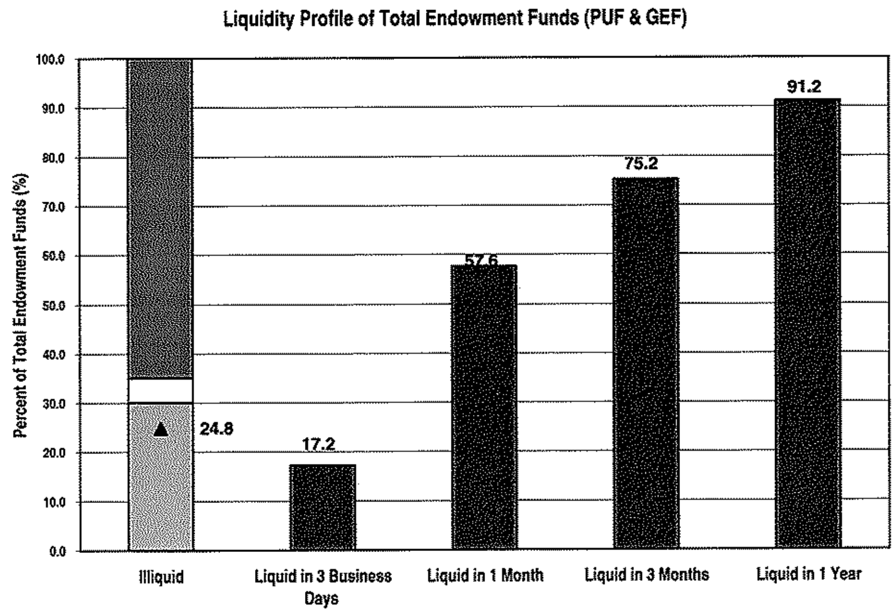
Agenda Item
UTIMCO Board Meeting
July 13, 2006

Agenda Item:	Discussion of Risk Dashboard
Developed By:	Boldt, Reed
Presented By:	Boldt, 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. UTIMCO has now included the analysis for the ITF. For this Board Meeting we will present the Risk Dashboard for April 2006.
Discussion:	The role of the Dashboard is to give Board Members a comprehensive view of risk as it relates to the Endowment Funds and ITF. We consider this an evolving document and welcome all requests for additional analyses or revisions of the ones provided.
Recommendation:	None
Reference:	None

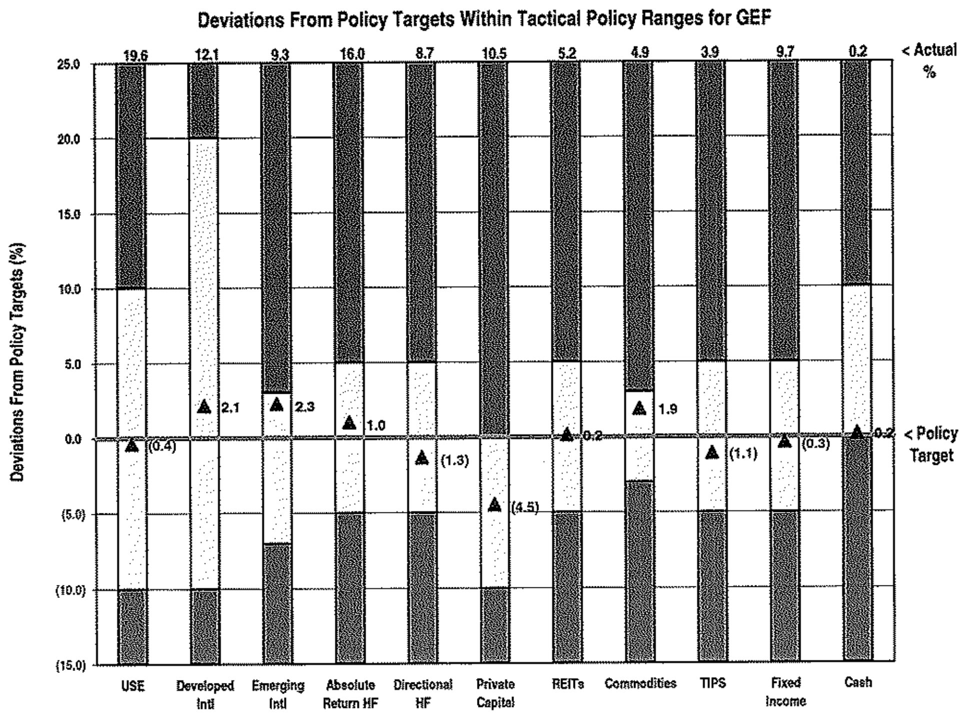
Investment Risk Summary 1

Net Leverage	1.00
Gross Leverage	1.16
Risk Capacity Utilization Versus Policy Portfolio	86%
Change Since Last Report	↑
Risk Level of Policy Portfolio Relative to Long Term Assumptions	72%
Change Since Last Report	↑
Risk Level of Actual Portfolios Relative to Long Term Assumptions	61%
Change Since Last Report	↑

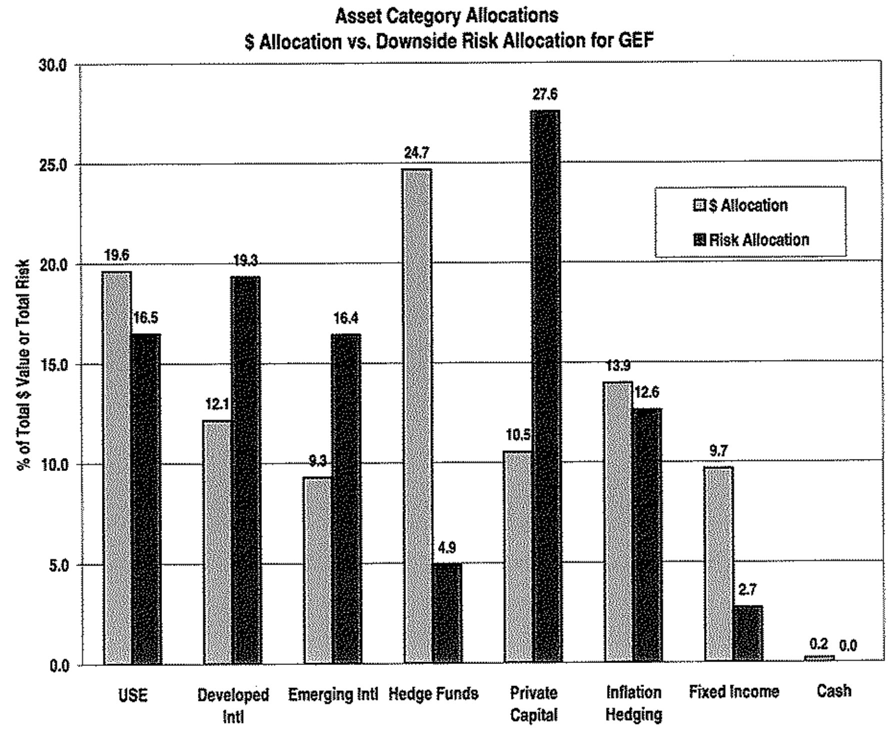
Liquidity Risk Summary 2



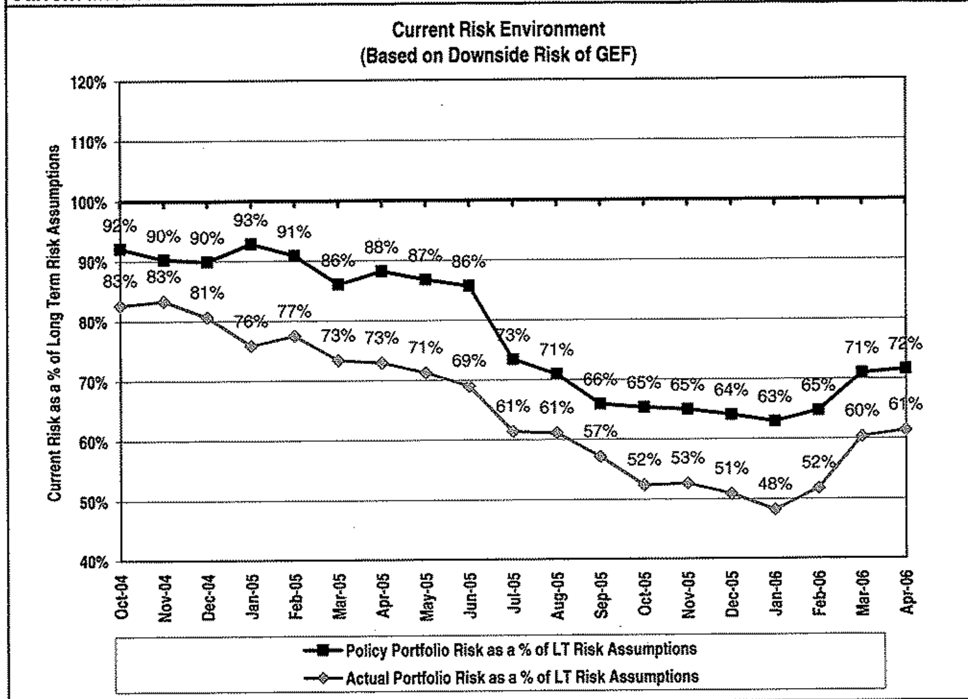
Dollar Allocations and Tactical Policy Ranges 3



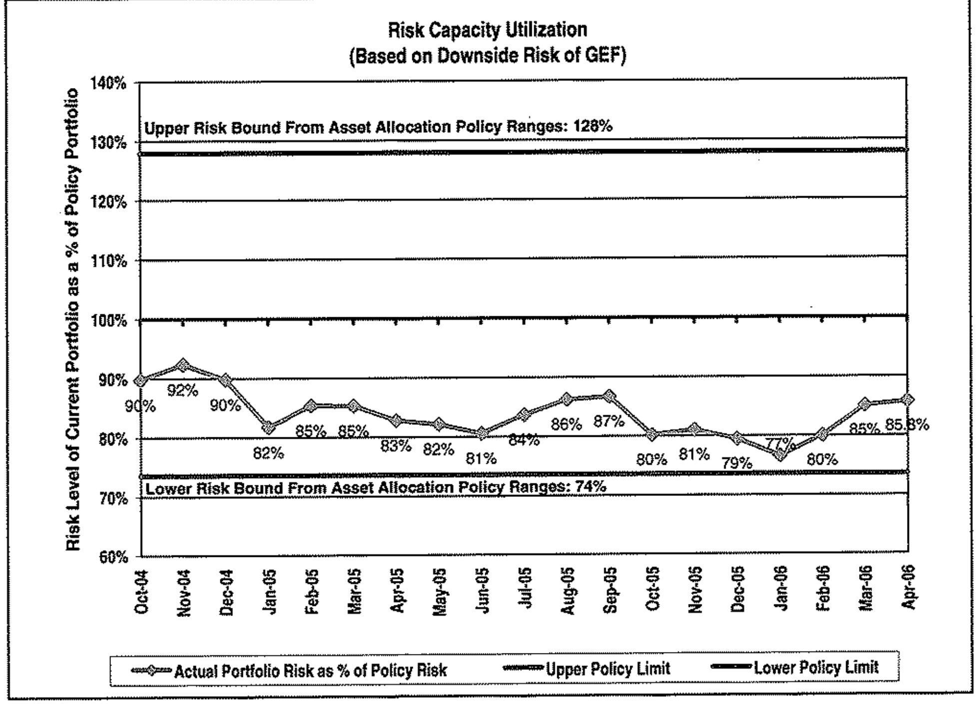
Dollar Allocations Compared to Risk Allocations 4



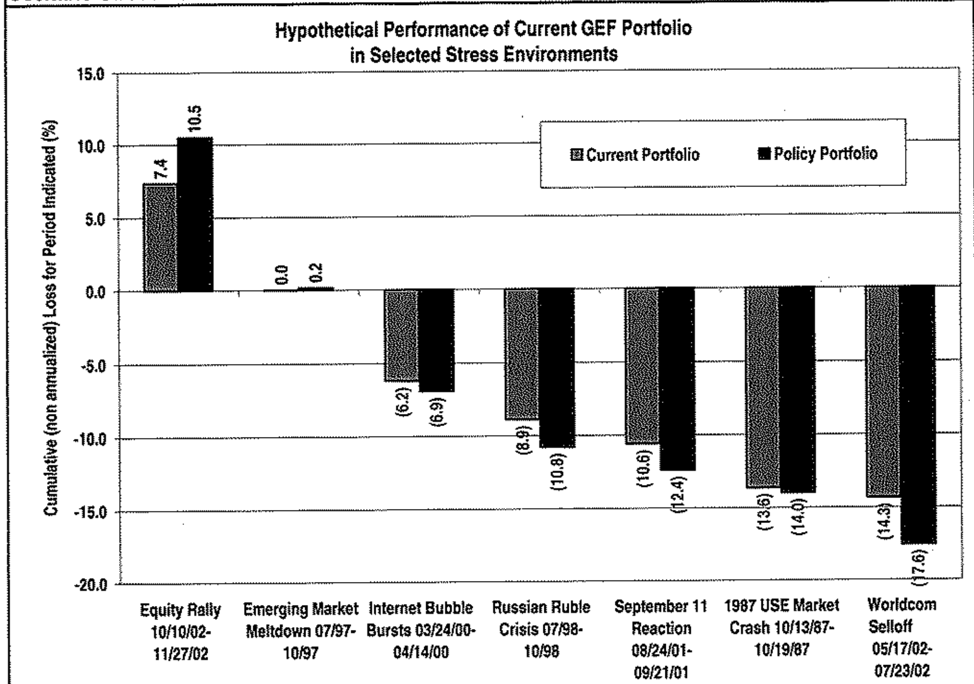
Current Market Risk Environment 5



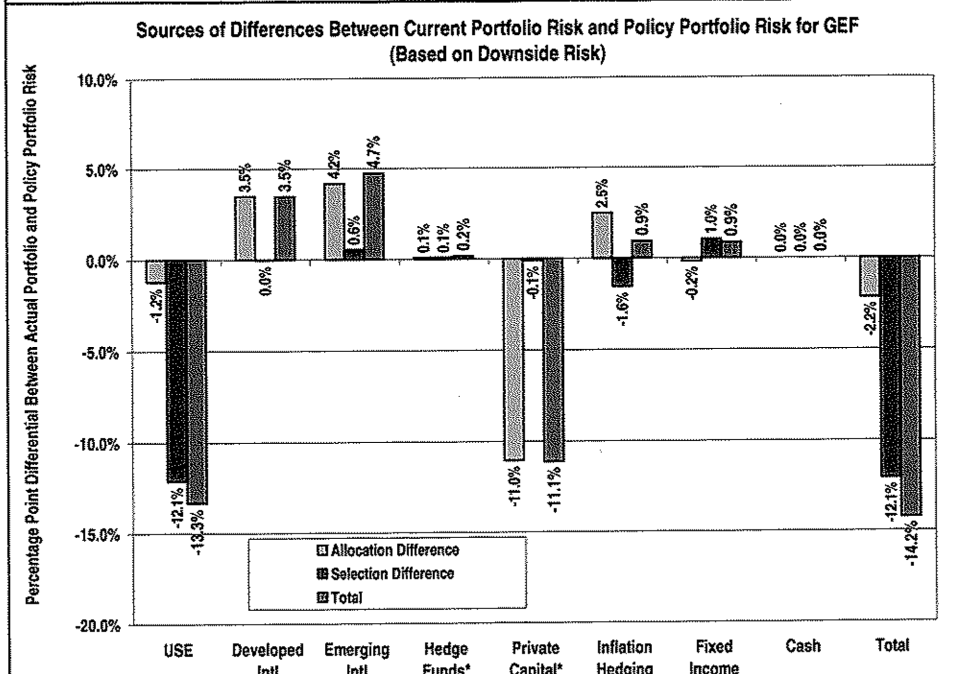
Risk Capacity Utilization and Risk Policy Limits 6



Scenario Stress Tests 7

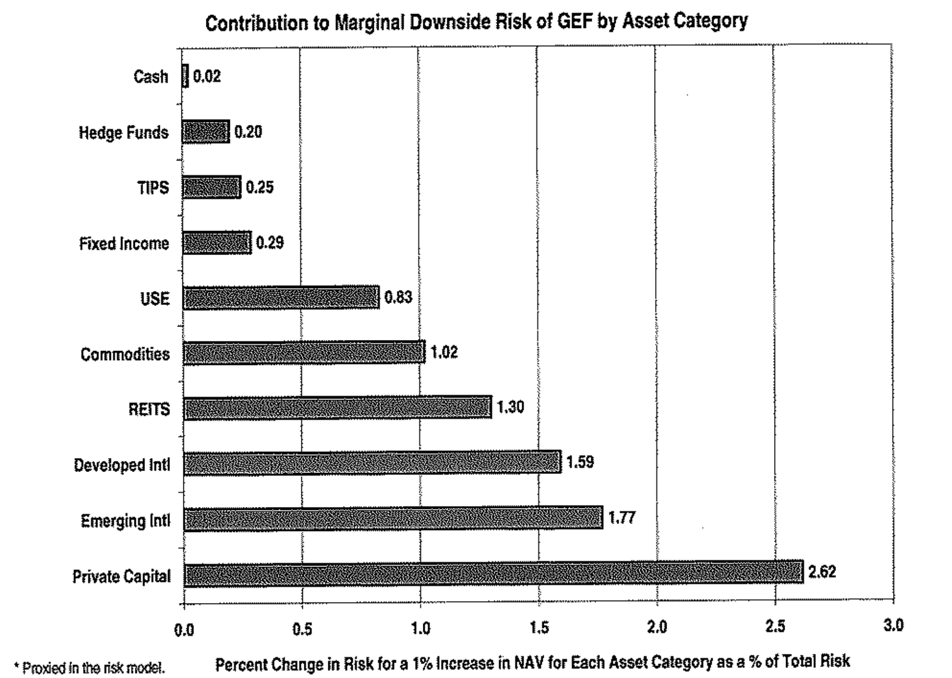


Sources of Risk Differences Versus Policy 8



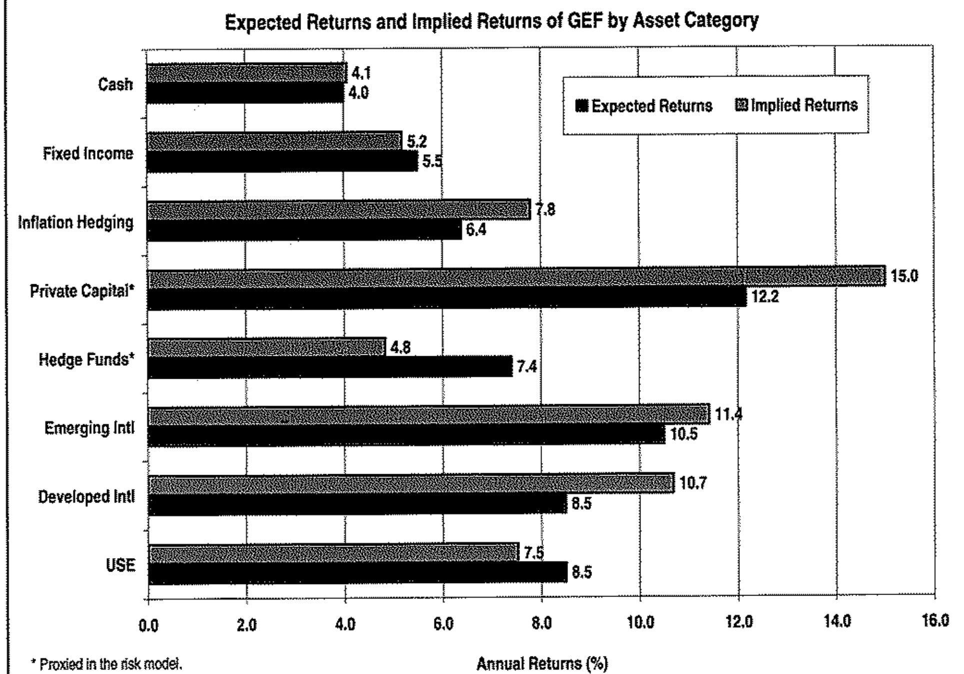
* Proxied in the risk model.

Marginal Risk Contributions of Each Asset Category
9



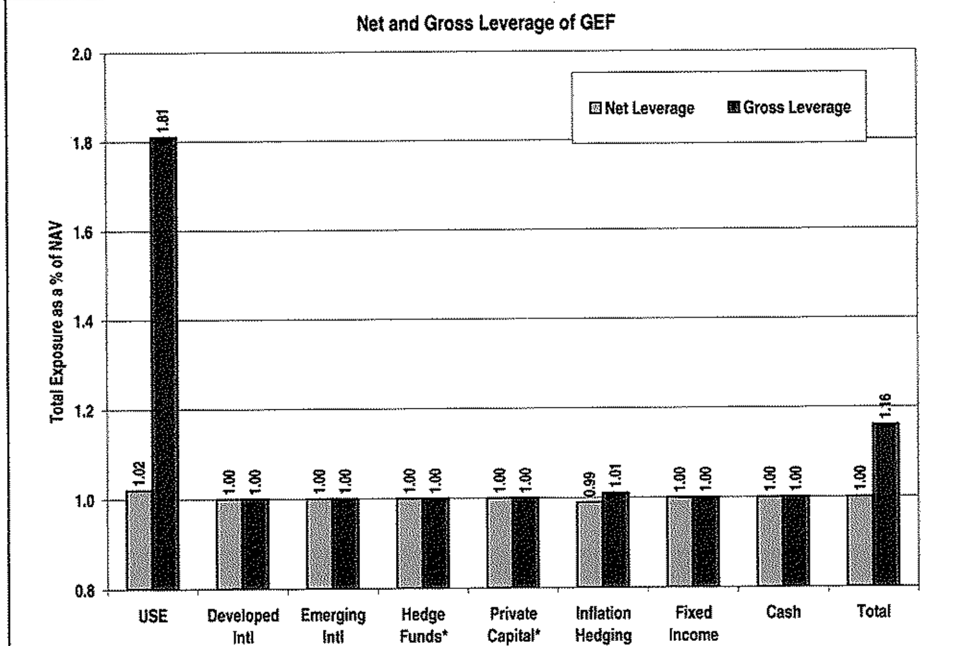
* Proxied in the risk model.

Long Term Expected Returns vs. Implied Returns by Asset Category
10



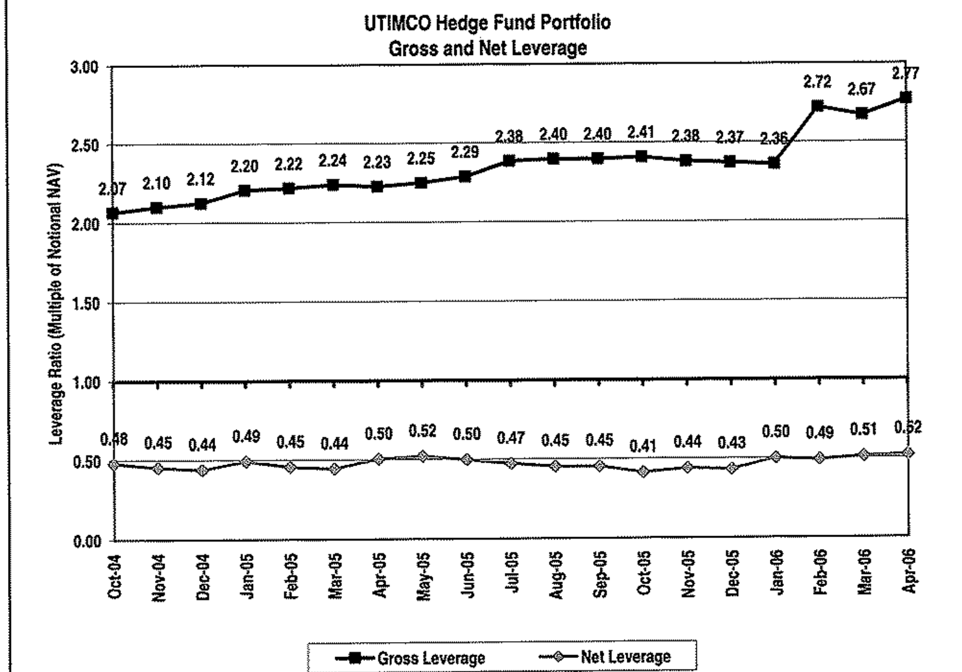
* Proxied in the risk model.

Leverage
11



* Proxied in the risk model. See leverage statistics for hedge funds in box 12.

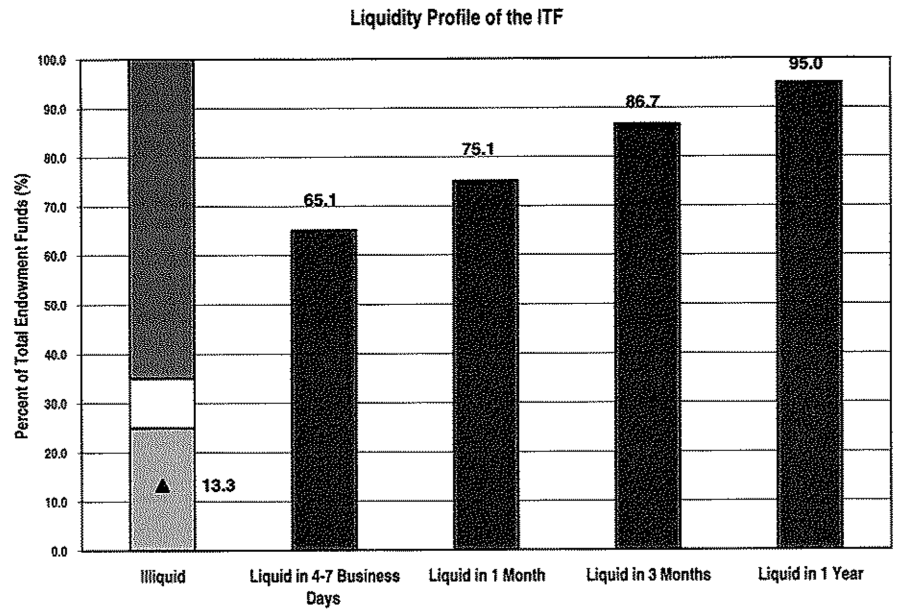
Hedge Fund Leverage
12



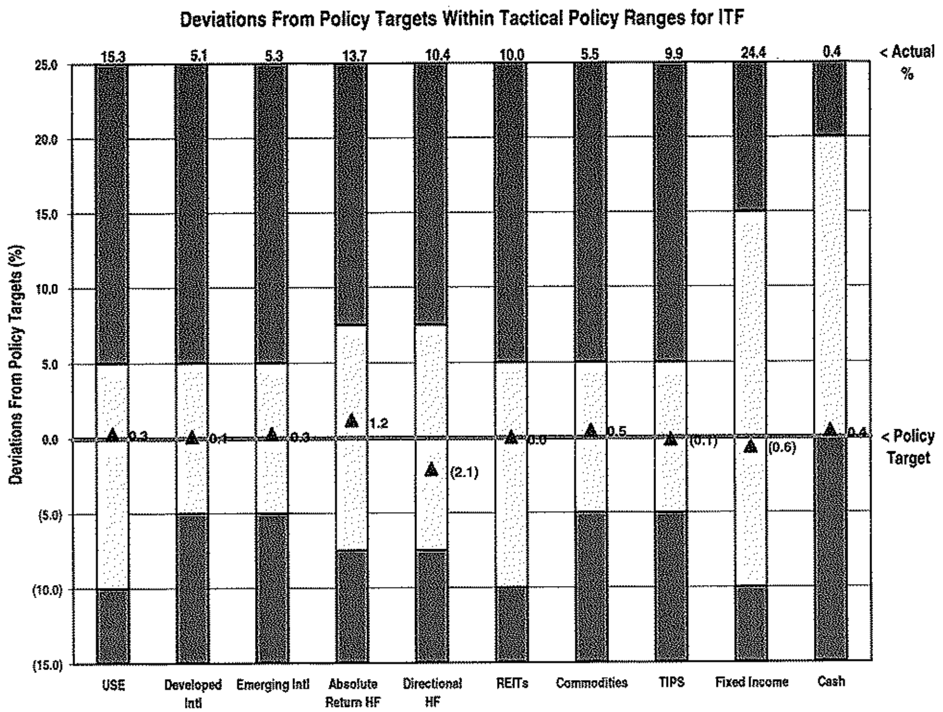
Investment Risk Summary 1

Net Leverage	1.00
Gross Leverage	1.07
Risk Capacity Utilization Versus Policy Portfolio	96%
Change Since Last Report	⇩
Risk Level of Policy Portfolio Relative to Long Term Assumptions	72%
Change Since Last Report	⇧
Risk Level of Actual Portfolios Relative to Long Term Assumptions	70%
Change Since Last Report	⇩

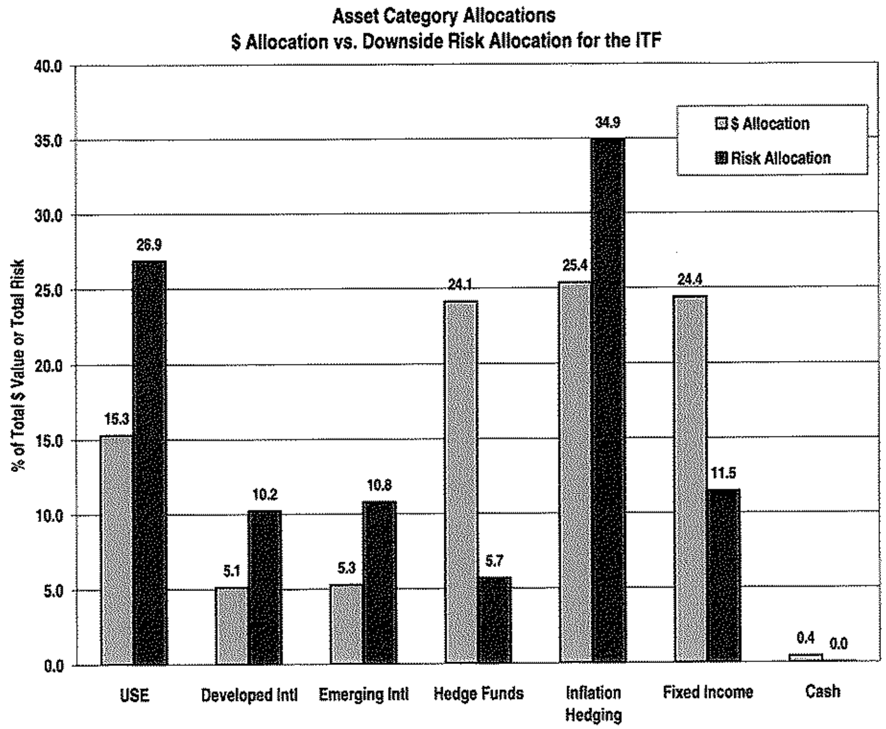
Liquidity Risk Summary 2



Dollar Allocations and Tactical Policy Ranges 3

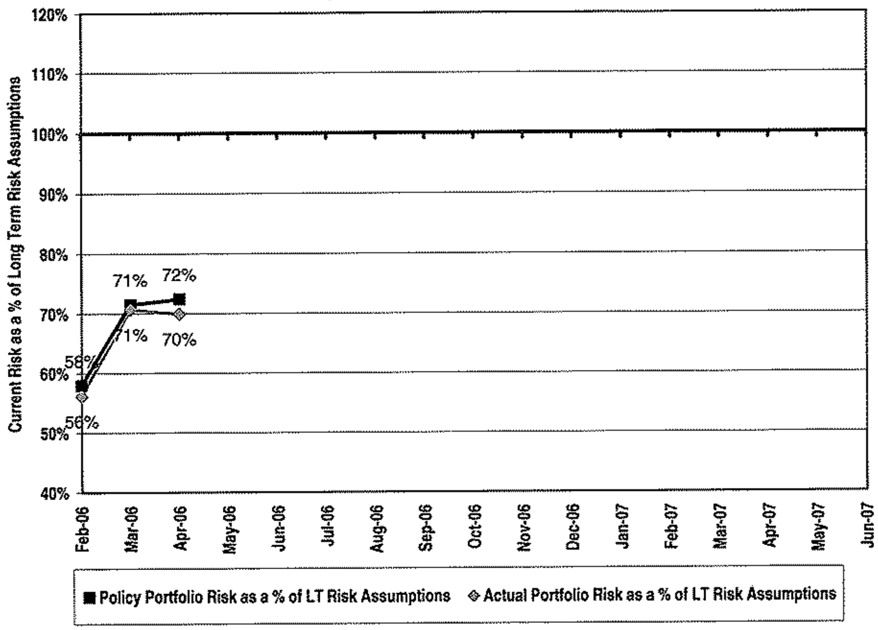


Dollar Allocations Compared to Risk Allocations 4



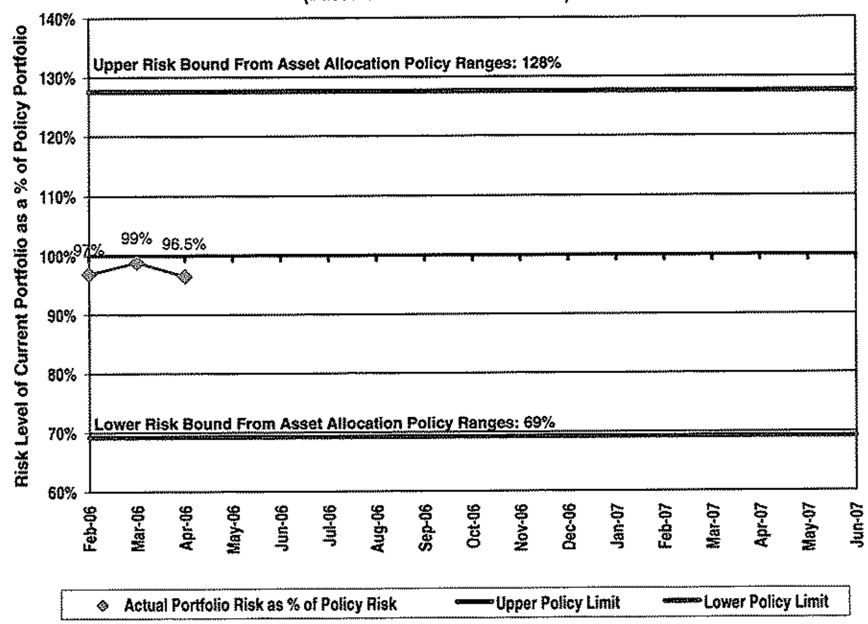
Current Market Risk Environment 5

Current Risk Environment
(Based on Downside Risk of ITF)



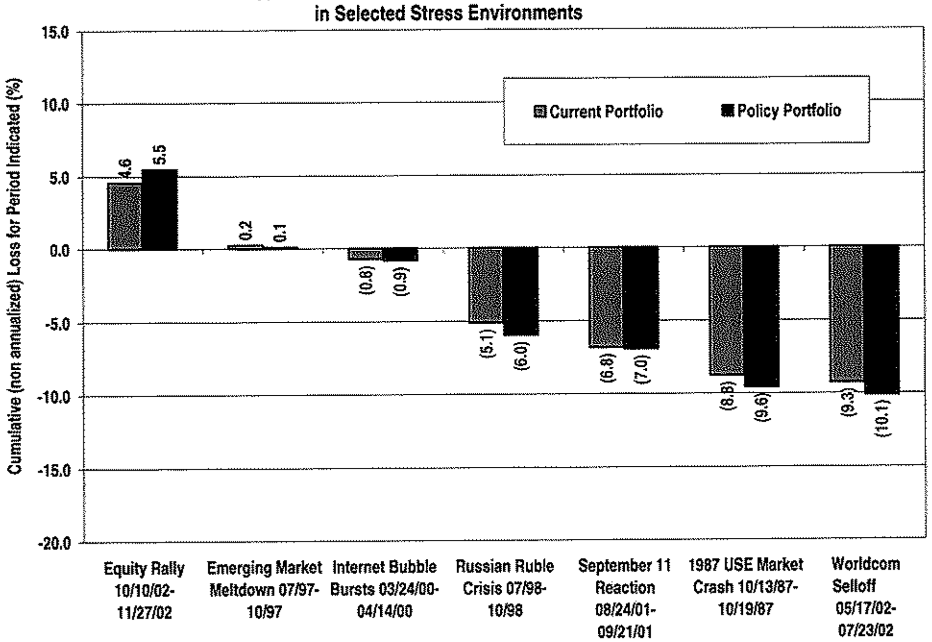
Risk Capacity Utilization and Risk Policy Limits 6

Risk Capacity Utilization
(Based on Downside Risk of ITF)



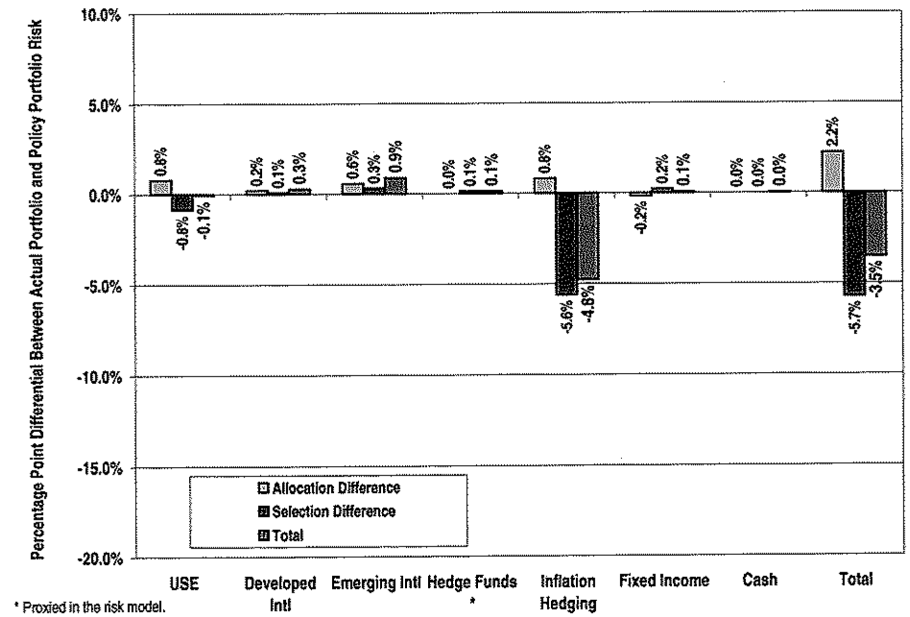
Scenario Stress Tests 7

Hypothetical Performance of Current ITF Portfolio
in Selected Stress Environments



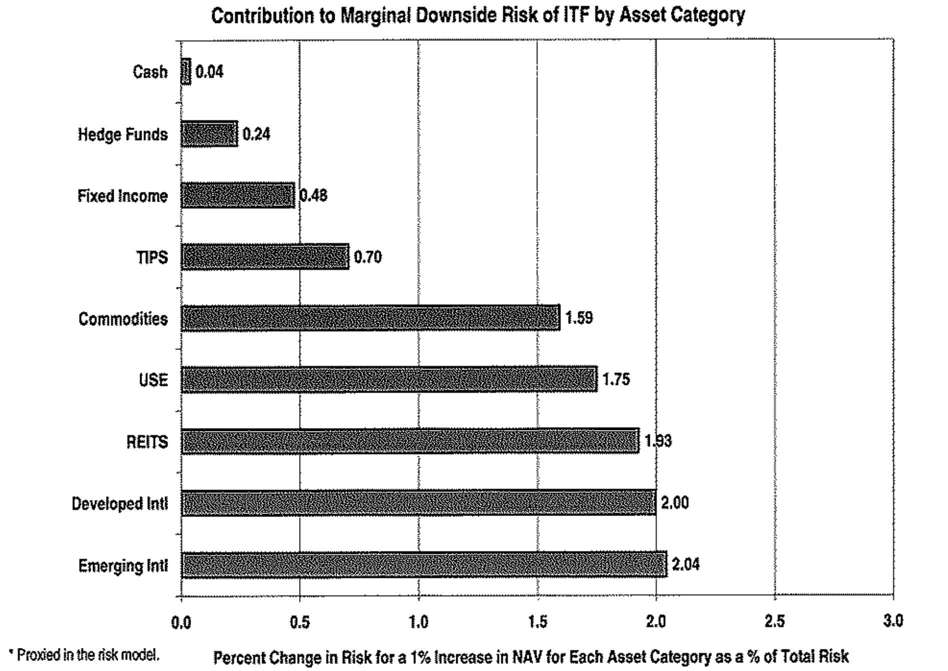
Sources of Risk Differences Versus Policy 8

Sources of Differences between Current Portfolio Risk and Policy Portfolio Risk for ITF
(Based on Downside Risk)



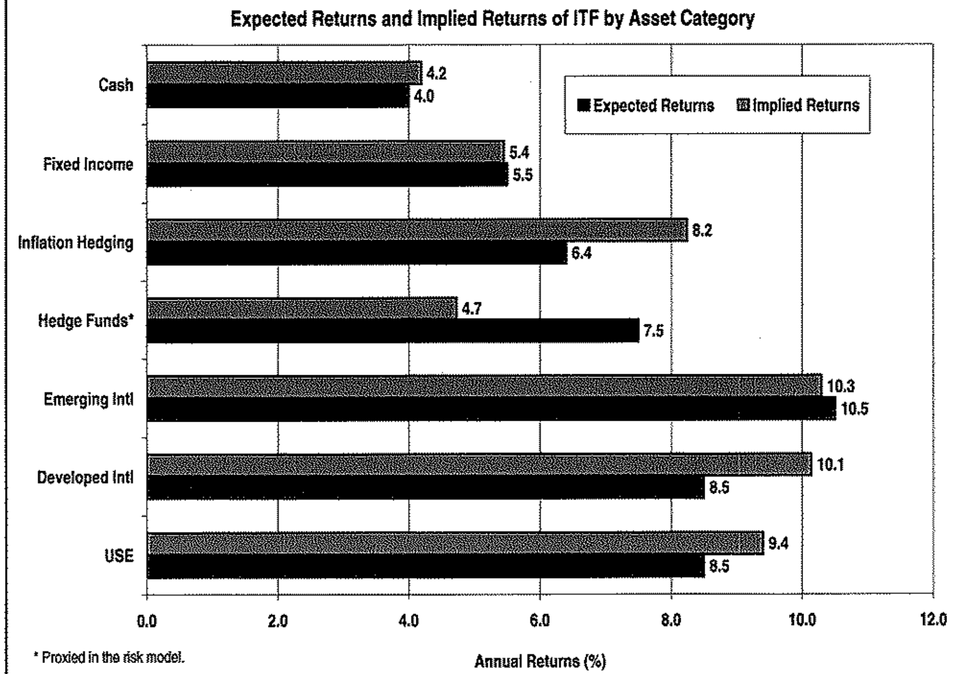
* Proxied in the risk model.

Marginal Risk Contributions of Each Asset Category 9



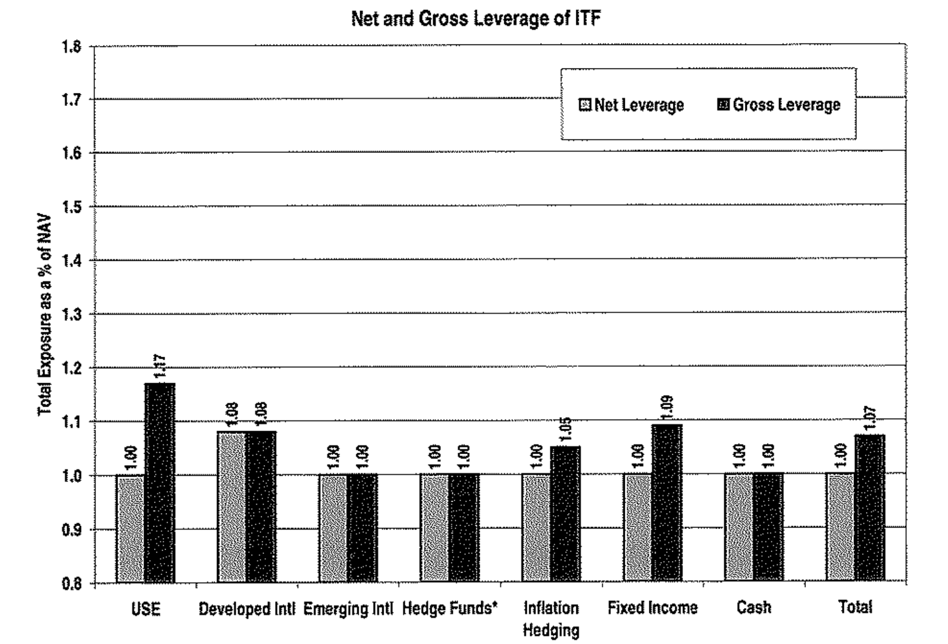
* Proxied in the risk model.

Long Term Expected Returns vs. Implied Returns by Asset Category 10



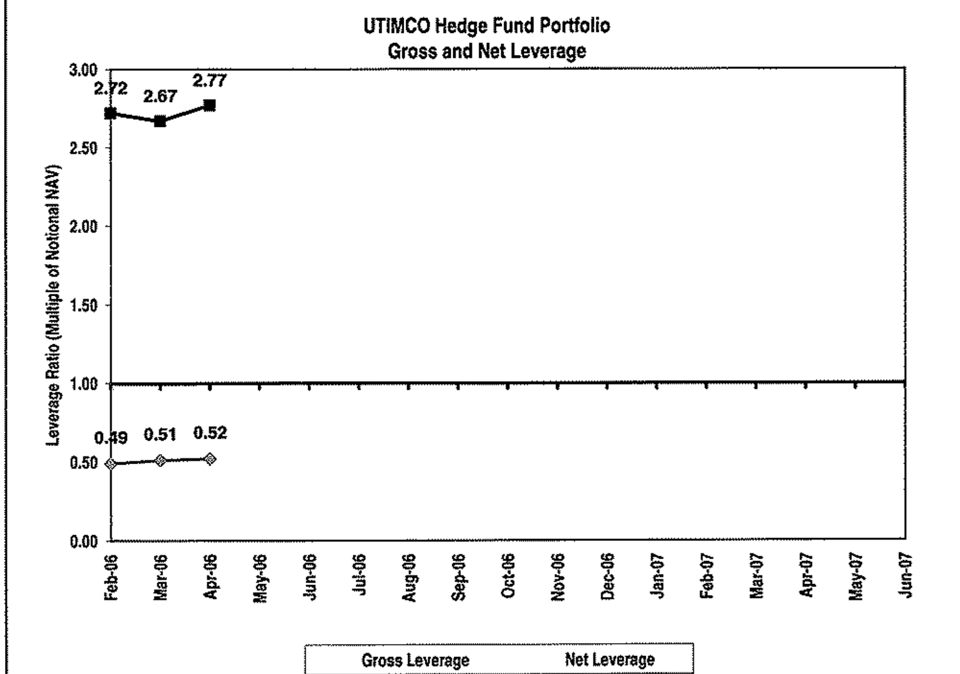
* Proxied in the risk model.

Leverage 11



* Proxied in the risk model. See leverage statistics for hedge funds in box 12.

Hedge Fund Leverage 12



Agenda Item
UTIMCO Board of Directors Meeting
July 13, 2006

Agenda Item: Comprehensive Derivative Report

Developed By: Goldsmith, Shah, Childers, Reed

Presented By: Boldt

Type of Item: Information Item

Description: The Derivative Investment Policy ("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 April 30, 2006.

Discussion: As of April 30, 2006, net mark-to-market values of derivatives (internal and external) was negative $59.6 million.

The mark-to-market value of over-the-counter options was negative $58.5 million. While $72.9 million was owed to counterparties by the PUF and GEF (Funds), $14.4 million was owed by counterparties to the Funds. This $14.4 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 Derivative Report as of April 30, 2006

Manager	Derivative Type	Mark-to-Market OTC	Mark-to-Market Exchange Traded	Mark-to-Market Total Derivatives	Net Notional Value on Futures	Gross Notional Value on Futures	Delta Equivalent on Options
INTERNAL MANAGERS							
Canada No Cost Collar	Currency Forwards	$ (1,630,240.06)	$ -	$ (1,630,240.06)	$ -	$ -	$ -
Canada No Cost Collar	Purchased Option	192,679.79	-	192,679.79	-	-	(476,669.69)
Canada No Cost Collar	Written Options	(3,418,294.79)	-	(3,418,294.79)	-	-	(40,945,234.66)
Dow Jones Futures	Futures	-	27,350.00	27,350.00	62,505,690.00	62,505,690.00	-
Emerging Cash	Written Option	(1,177,591.06)	-	(1,177,591.06)	-	-	4,549,425.00
Emerging Mkts No Cost Collar	Purchased Option	4,426,321.30	-	4,426,321.30	-	-	(26,206,625.89)
Emerging Mkts No Cost Collar	Written Options	(22,488,512.47)	-	(22,488,512.47)	-	-	(81,897,059.51)
Structured Active Management Application-Emerging Mkts Proxy	Currency Forwards	1,654,821.69	-	1,654,821.69	-	-	-
Structured Active Management Application-Emerging Mkts Proxy	Futures	-	89,065.89	89,065.89	43,103,878.24	43,103,878.24	-
Goldman Sachs Commodity Index	Futures	-	7,035,000.00	7,035,000.00	596,718,750.00	596,718,750.00	694,868.00
GSCI Cash	Written Option	(131,938.00)	-	(131,938.00)	-	-	-
Structured Active Management Application-Int'l Developed Mkts Overlay	Currency Forwards	12,593,984.84	-	12,593,984.84	-	-	-
Structured Active Management Application-Int'l Developed Mkts Overlay	Futures	-	(1,789,112.32)	(1,789,112.32)	324,715,193.20	324,715,193.20	-
Japan No Cost Collar	Purchased Option	794,523.96	-	794,523.96	-	-	(7,913,381.09)
Japan No Cost Collar	Written Options	(1,704,718.92)	-	(1,704,718.92)	-	-	(12,704,336.60)
US Equity Small Cap/Large Cap Spread Trade	Futures	-	(9,242,600.00)	(9,242,600.00)	(36,111,705.00)	2,526,452,455.00	-
NASDAQ Futures	Futures	-	(252,872.99)	(252,872.99)	34,220,000.00	34,220,000.00	-
US No Cost Collar	Purchased Option	40,772,485.63	-	40,772,485.63	-	-	(84,656,814.01)
US No Cost Collar	Written Options	(124,043,748.78)	-	(124,043,748.78)	-	-	(848,206,596.39)
REIT Cash	Written Option	(1,175,142.74)	-	(1,175,142.74)	-	-	8,942,477.00
Russell 2000 Futures	Futures	-	210,600.00	210,600.00	26,984,880.00	26,984,880.00	-
S&P 500 Futures	Futures	-	272,050.02	272,050.02	743,483,500.00	743,483,500.00	-
Intl Dev Swap	Currency Forwards	4,087,650.87	-	4,087,650.87	-	-	164,456,576.14
Intl Dev Swap	Structured SWAPS (TOPIX)	6,765,115.17	-	6,765,115.17	-	-	-
Intl Emerging Swap	Structured SWAPS (Emerging)	7,290,893.72	-	7,290,893.72	-	-	308,938,566.00
Intl Emerging Swap	Structured SWAPS (TOPIX)	(804,539.53)	-	(804,539.53)	-	-	38,393,751.43

Comprehensive Derivative Report as of April 30, 2006

		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**
EXTERNAL MANAGERS							
Blackrock Global ex-US	Purchased Option	-	1,031,070.00	1,031,070.00	-	-	(25,462,961.50)
Blackrock Global ex-US	Written Option	-	(67,950.00)	(67,950.00)	-	-	(1,284,006.62)
Bridgewater Currency Overlay	Currency Forwards	(225,144.25)	-	(225,144.25)	-	-	-
Globeflex	Currency Forwards	(8,983.31)	-	(8,983.31)	-	-	-
GSAM International	Currency Forwards	2,354,531.77	-	2,354,531.77	-	-	-
GSAM International	Futures	-	-	-	26,908,190.64	26,908,190.64	-
Morgan Stanley REIT	Currency Forwards	2,051.41	-	2,051.41	-	-	-
PIMCO Global Bonds	Currency Forwards	5,444,385.16	-	5,444,385.16	-	-	-
PIMCO Global Bonds	Futures	-	1,099,605.28	1,099,605.28	894,537,512.34	965,585,601.68	-
PIMCO Global Bonds	Purchased Option	-	1,941,263.29	1,941,263.29	-	-	-
PIMCO Global Bonds	SWAPS	15,164,699.68	-	15,164,699.68	-	-	-
PIMCO Global Bonds	Written Option	-	(1,461,666.10)	(1,461,666.10)	-	-	-
PIMCO Real Return	Currency Forwards	242,236.77	-	242,236.77	-	-	-
PIMCO Real Return	Futures	-	23,840.15	23,840.15	75,706,284.72	106,556,597.22	-
PIMCO Real Return	Purchased Option	-	79,969.72	79,969.72	-	-	-
PIMCO Real Return	SWAPS	(3,825,281.76)	-	(3,825,281.76)	-	-	-
PIMCO Real Return	Written Option	-	(71,015.63)	(71,015.63)	-	-	-
PIMCO TIPS	Currency Forwards	304,579.37	-	304,579.37	-	-	-
PIMCO TIPS	Futures	-	19,618.92	19,618.92	70,943,556.25	117,417,306.25	-
PIMCO TIPS	Purchased Option	-	86,962.42	86,962.42	-	-	-
PIMCO TIPS	SWAPS	28,232.21	-	28,232.21	-	-	-
PIMCO TIPS	Written Option	-	(69,500.00)	(69,500.00)	-	-	-
	Grand Total	$ (58,514,942.33)	$ (1,038,321.35)	$ (59,553,263.68)	$ 2,863,715,730.39	$ 5,574,652,042.22	$ (603,778,022.39)
	Internal Managers	$ (77,996,249.38)	$ (3,650,519.40)	$ (81,646,768.78)	$ 1,795,620,186.44	$ 4,358,184,346.44	$ (577,031,054.27)
	External Managers	19,481,307.05	2,612,198.06	22,093,505.11	1,068,095,543.95	1,216,467,695.78	(26,746,968.12)
	GRAND TOTAL	$ (58,514,942.33)	$ (1,038,321.35)	$ (59,553,263.68)	$ 2,863,715,730.39	$ 5,574,652,042.22	$ (603,778,022.39)
	Currency Forwards	$ 24,819,874.26	$ -	$ 24,819,874.26	$ -	$ -	$ 164,456,576.14
	Futures	-	(2,507,455.05)	(2,507,455.05)	2,863,715,730.39	5,574,652,042.22	694,868.00
	Purchased Options	46,186,010.68	3,139,265.43	49,325,276.11	-	-	(144,716,452.17)
	Swaps/Structured Swaps	24,619,119.49	-	24,619,119.49	-	-	347,332,317.43
	Written Options	(154,139,946.76)	(1,670,131.73)	(155,810,078.49)	-	-	(971,545,331.79)
	GRAND TOTAL	$ (58,514,942.33)	$ (1,038,321.35)	$ (59,553,263.68)	$ 2,863,715,730.39	$ 5,574,652,042.22	$ (603,778,022.39)

Comprehensive Report on Approved Derivative Applications as of April 30, 2006
Internal Management

Internal Managers

Derivative Application (account name)	Purpose of Application
S&P 500 Futures / Russell 2000 Futures / Nasdaq 100 Futures / Dow Jones Futures / Emerging Markets Proxy using Futures	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
Goldman Sachs Commodity Index futures (GSCI)	To construct portfolios with risk and return characteristics that could not be created with cash market securities.
US Equity Small Cap/Large Cap 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.
US 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.
Japan 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.
Emerging Mkts 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.
Structured Active Management Application - Developed Markets Overlay	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.
Structured Active Management Application -Emerging Markets Overlay	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 Emerging Markets portfolio.
Structured Swaps - Emerging Markets	Use derivatives to construct a portfolio with a risk and return profile that could not be constructed using cash market securities.
Structured Swaps - TOPIX	Use derivatives to construct a portfolio with a risk and return profile that could not be constructed using cash market securities.
Goldman Sachs Commodity Index put 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.

Comprehensive Report on Approved Derivative Applications as of April 30, 2006
Internal Management

Internal Managers (continued)

Derivative Application (account name)	Purpose of Application
Emerging Markets Index short put 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.
US REITS put option	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.

Comprehensive Report on Approved Derivative Applications as of April 30, 2006
External Management

External Managers Under Agency Agreeement	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)
Cundill	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	Equity futures, currency forwards and short sales are allowed within a tightly controlled structure which targets a net equity exposure equivalent to that of the underlying benchmark.
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

Counterparty Report as of April 30, 2006

Counterparty	S&P Counterparty Rating	Mark-to-Market	Percentage of Total Funds
ABN AMRO Bank NV, Chicago Total	A+	$ 97,581.04	0.00%
AIG Financial Products Corp. Total	AA	(1,392,606.00)	-0.01%
Australia & NZ Bank Ltd, Melbourne Total	AA-	57,176.63	0.00%
Bank of America NA Total	AA+	1,970,699.11	0.01%
Barclays Bank PLC Total	AA+	(11,350,957.94)	-0.06%
Bear Stearns Total	A+	(44,456,393.31)	-0.24%
BNP Paribas SA, Paris Total	AA	(46,390.17)	0.00%
Chase Manhattan Bank NA, NY Total	A	(695,294.50)	0.00%
Citibank NY Total	AA+	5,165,635.71	0.03%
Commonwealth Bank of Australia, NY Total	A+	(23,442.07)	0.00%
CS First Boston Global Total	AA-	9,657.61	0.00%
Deutsche Bank AG Total	AA-	956,019.05	0.01%
Goldman Sachs & Co, NY Total	AA-	(8,853,089.70)	-0.05%
HSBC Bank USA Total	AA	7,998.03	0.00%
JP Morgan Chase Bank Total	AA	(1,224,183.74)	-0.01%
Lehman Brothers Special Financing Inc. Total	A+	376,573.94	0.00%
Mellon Bank Total	A+	(17,699.85)	0.00%
Merrill Lynch Capital Services Total	AA-	1,196,747.41	0.01%
Morgan Stanley Total	AA-	(4,626,707.75)	-0.03%
National Australia Bank Total	A+	(69,148.97)	0.00%
Royal Bank of Canada, Toronto Total	AA-	(200,914.39)	0.00%
Royal Bank of Scotland PLC Total	AA+	491,512.32	0.00%
State Street Boston Capital Total	A+	123,762.65	0.00%
UBS AG (Union Bank of Switzerland) Total	AA+	3,380,687.80	0.02%
UBS AG, Stamford Total	AA+	383,091.68	0.00%
Westpac Banking Corp, Sydney Total	AA-	224,743.08	0.00%
Grand Total		$ (58,514,942.33)	-0.32%

PUF, GEF and ITF owe to Counterparty	$ (72,956,828.39)
Counterparty owes to PUF, GEF and ITF	14,441,886.06
	$ (58,514,942.33)

PUF NAV	$ 10,028,861,545.00
GEF NAV	5,330,806,480.00
ITF NAV	3,058,084,330.79
Total NAV	$ 18,417,752,355.79

Agenda Item
UTIMCO Board of Directors Meeting
July 13, 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
May 1, 2006 through June 23, 2006

		Amounts				
	Date	**PUF**	**GEF**	**ITF**	**Total**	**Description**
US Equities						
Various futures and ETFs	Various	26,801,106.55	(14,246,791.73)	35,634,910.76	48,189,225.58	Various trades based on market opportunity (GEF net sales due to funding quarterly distributions, ITF net purchases from monthly rebalancing)
Blavin	5/11/2006	12,500,000.00	6,730,769.00	5,769,231.00	25,000,000.00	Additional funding to manager
TCW Small Value	5/18/2006	9,750,000.00	5,250,000.00	-	15,000,000.00	Additional funding to manager
TCW Multicap	5/22/2006	(9,750,000.00)	(5,250,000.00)	-	(15,000,000.00)	Partial withdrawal to reallocate to manager's other mandate
GSAM US Flex	5/31/2006	-	-	(38,320,919.03)	(38,320,919.03)	Complete withdrawal from manager
Hedge Fund Pool	6/1/2006	(111,665,066.15)	(56,959,562.87)	-	(168,624,629.02)	Reallocate overlay on Global ex US Equities to US Equities
Hedge Fund Pool	6/1/2006	139,056,532.44	76,310,599.12	-	215,367,131.56 1	Increase overlay
Russell 2000 options	Various	374,481.56	201,643.03	-	576,124.59	Premium received from selling IWM put options
Russell 2000 ETFs	6/16/2006	19,547,015.25	10,527,963.95	-	30,074,979.20	Purchase ETFs from exercise of options
Global ex US Equities						
Non-US Developed Equity						
Intl Developed Futures & ETFs	Various	55,250,000.00	29,750,000.00	19,266,500.00	104,266,500.00	Various trades based on market opportunity
EAFE ETFs	5/10/2006	(6,863,888.63)	(3,695,940.03)	-	(10,559,828.66)	Sell ETFs to reallocate to US Equity manager
BGI EAFE Alpha Tilts	5/31/2006	(59,304,049.21)	(31,928,272.63)	(5,603,250.90)	(96,835,572.74)	Complete withdrawal from manager
GSAM EAFE Flex	5/31/2006	-	-	(8,000,000.00)	(8,000,000.00)	Partial withdrawal to reallocate to other investments
BGI Global Market Neutral	6/1/2006	(86,842,037.12)	(53,473,236.12)	-	(140,315,273.24)	Reallocate overlay from BGI product to Hedge Fund Pool units
MSCI Japan put options	5/30/2006	253,635.32	136,587.52	-	390,222.84	Premium received from selling EWJ put options
Intl Developed ETFs	6/16/2006	16,319,800.00	8,787,800.00	-	25,107,600.00	Purchase ETFs from exercise of options
Emerging Markets Equity						
Tempeton Emerging	Various	(32,500,000.00)	(17,500,000.00)	-	(50,000,000.00)	Partial withdrawal to reallocate to other investments
Tempeton Emerging	Various	32,500,000.00	17,500,000.00	-	50,000,000.00	Reinvest funds back to manager
Emerging ETFs	Various	3,734,047.49	2,028,539.53	-	5,762,587.02	Various trades based on market opportunity
BGI Global Market Neutral	6/1/2006	(24,823,029.03)	(3,486,326.75)	-	(28,309,355.78)	Reallocate overlay from BGI product to Hedge Fund Pool units
Emerging Proxy	6/16/2006	6,618,390.98	3,466,776.23	-	10,085,167.21	Purchase futures for additional exposure
Inflation Linked						
None						
Fixed Income						
Global Investment Advisors	5/15/2006	91,000,000.00	49,000,000.00	50,000,000.00	190,000,000.00	Initial funding of new manager
Internal Fixed Income	5/15/2006	(17,060,000.00)	(9,180,000.00)	(7,500,000.00)	(33,740,000.00)	Partial withdrawal to fund new manager
Internal Credit Related Fixed Inc	5/15/2006	(5,690,000.00)	(3,070,000.00)	(2,500,000.00)	(11,260,000.00)	Partial withdrawal to fund new manager
Pimco Fixed	5/15/2006	(68,250,000.00)	(36,750,000.00)	(20,000,000.00)	(125,000,000.00)	Partial withdrawal to fund new manager
Reams Core	5/15/2006	-	-	(20,000,000.00)	(20,000,000.00)	Partial withdrawal to fund new manager

Report on Manager Activity
Taken Under the Delegation of Authority
May 1, 2006 through June 23, 2006

Hedge Funds	Date	Amounts: PUF	GEF	ITF	Total	Description
None						

Private Capital	Date	Committed Amount: PUF	GEF		Total
AG Capital Recovery Partners V, L.P.	4/17/2006	17,500,000.00	7,500,000.00	-	25,000,000.00
PTV Sciences II, L.P.	5/1/2006	35,000,000.00	15,000,000.00	-	50,000,000.00
Cortec Group Fund IV, L.P.	6/20/2006	35,000,000.00	15,000,000.00	-	50,000,000.00

1 Trades fall under the Derivative Investment Policy.

Report on

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

For May 1, 2006 through June 23, 2006

(Total Obligation per Agreement less than $1 million)

Agreement	Purpose	Contract Term	Annual Amount
Credit Sights	Provide independent qualitative and quantitative credit research for corporate bond rating	5/15/2006 to 5/15/2007	$14,000
Style Advisor (Zephyr)	Evaluates and compares a manager, combination of managers, or an index's return versus another in terms of style and size bias	Renews annually by invoice 5/20/06-5/19/07	$20,000
Ned Davis Research Services	Institutional investment advisory and research firm which provides information and research on changing financial markets	6/1/2006 to 8/31/2006	$25,000
Albourne America LLC	Advisor to Marketable Alternative staff (Agreement obligation is pending budget approval)	6/1/2006 to 12/31/2007 shall continue on a month-to-month basis thereafter	$400,000
Global Portfolio Solutions (now known as International Fund Services)	Provide risk services through IFS risk system	10/1/2005 to 9/30/2006 (fee increase effective 4/1/2006)	$400,000
BCA Publications	Provide investment research covering all major asset classes	July 2006 to June 2007	$10,600

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	$235,887
American Stock exchange	Used to access stock prices and related news	Monthly invoice	$1,812
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
Thompson Financial (Worldscope)	Provide information for Factset	Renews quarterly via invoice (renewed 2/28/2006)	$27,000
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	$1,585

TAB 4

Agenda Item
UTIMCO Board Meeting
July 13, 2006

Agenda Item: Report from Compensation Committee regarding discussion and consideration of base salaries for the UTIMCO CEO, UTIMCO Officers and other UTIMCO Compensation Program Participants for 2006-2007

Developed By: Boldt

Presented By: Ferguson

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

Description: The Compensation Committee has certain responsibilities regarding compensation issues. Those responsibilities include (but are not limited to):

1. Recommend to the UTIMCO Board the base salary of the President and Chief Executive Officer of the Corporation,
2. Approve the base salaries of all officers (except the President and Chief Executive Officer) of the Corporation.

The Committee also approves the base salaries for non-officer participants of the UTIMCO Compensation Program. The Compensation Committee met on June 13, 2006, to discuss compensation issues.

Recommendation: The Compensation Committee will recommend the CEO base salary for the 2006-2007 fiscal year and report on the base salaries for all UTIMCO officers and Compensation Plan Participants, except the CEO, for the 2006-2007 fiscal year.

Discussion: The UTIMCO Compensation Program states that UTIMCO's policy is to pay "competitive" base salaries. Competitive base salaries are defined to be within a plus or minus 20% band around the market median base salary for a position with similar job content in an endowment fund, investment management organization or other similar organization. The Compensation Committee selected Mercer as UTIMCO's compensation consultant at its March 7, 2006 meeting. The Compensation Committee hired Mercer to update salary midpoints for key management, investment, and operations positions based on a benchmarking study.

Warren Kerper and Nanci Hibschman prepared Mercer's benchmarking study and presented a report to Compensation Committee at its June 13, 2006 meeting. Mr. Kerper and Ms. Hibschman will be in attendance during the UTIMCO Board meeting to discuss the Mercer report.

Reference: UTIMCO Compensation Program

RESOLUTION REGARDING CORPORATION'S PRESIDENT'S BASE SALARY

RESOLVED, that the Corporation's President's Base Salary submitted by the Compensation Committee for the Fiscal Year 2006-2007, in the amount of $_________, be, and is hereby, approved.

Agenda Item
UTIMCO Board Meeting
July 13, 2006

Agenda Item: Report from Compensation Committee on the discussion and consideration of revisions to the UTIMCO Compensation Program

Developed By: Boldt, Moeller

Presented By: Ferguson, Boldt

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

Description: The UTIMCO Compensation Program consists of two elements: (1) a structure for determining base salary of key investment and operations staff and (2) an annual performance incentive plan for designated key employees. The Compensation Program was originally adopted September 1, 2000, and was amended and restated effective September 1, 2004.

Background: Under the performance incentive portion of the Compensation Program, participants are potentially eligible to receive incentive awards based on their individual performance, entity performance (performance of the endowment assets), and asset class performance (performance of specific asset classes within the endowment assets). If an award is given under the plan for a performance period (i.e., a fiscal year), 70% of the award is paid outright to the participant, and 30% of the award is deferred, subject to a three-year graded vesting schedule (i.e., 1/3 vesting for each year of subsequent continued employment).

On October 4, 2004, Congress added a new section 409A to the Internal Revenue Code, which set forth strict compliance restrictions for "nonqualified deferred compensation plans." If a nonqualified deferred compensation plan fails to comply with 409A, the participants are subject to a penalty tax equal to 20% of the deferred amounts, plus interest. The Compensation Program falls within the definition of a "nonqualified deferred compensation plan" for purposes of section 409A. The 2004 version of the Compensation Program does not comply with the provisions of 409A, primarily because of the provision in the 2004 Compensation Program that permitted participants to continue to defer their nonvested awards even after the award became vested (and continue to be credited or debited for the net returns of the endowment assets). The continued deferral of the nonvested award violates the 409A rules relating to permissible payment times for nonqualified deferred compensation. Other provisions in the Compensation Program also require modification to conform to 409A or, alternatively, to exempt the plan from the 409A rules. The Compensation Program was required to comply with the law in operation beginning January 1, 2005, and the document must be amended to conform to the law by December 31, 2006.

In addition to the changes to the Compensation Program required by 409A, (i) administration of the plan during the last two years indicated that a few of the provisions should be clarified, (ii) the tables in the plan need to be updated for performance periods beginning on and after July 1, 2006, and (iii) plan amendments previously adopted by the UTIMCO Board need to be incorporated into the document.

Finally, UTIMCO wishes to incorporate the new Intermediate Term Fund (formed February 1, 2006) into the Compensation Program for purposes of gauging entity performance and performance of the asset classes in determining entitlement to awards under the plan.

The Compensation Program has been amended and restated to incorporate the above changes. The effective date of the restatement is July 1, 2006, except that the provisions relating to section 409A of the Internal Revenue Code are effective January 1, 2005, and the deletion of the deferral of the nonvested awards after they become vested is effective September 1, 2004.

Recommendation: The Compensation Committee recommends that the UTIMCO Board approve the proposed changes to the UTIMCO Compensation Program as set forth in the restated document.

Discussion: The UTIMCO Compensation Committee reviewed the proposed revisions to the UTIMCO Compensation Program at its June 13, 2006, meeting. Vinson & Elkins drafted the restatement of the Compensation Program, and Dusty Burke of Vinson & Elkins participated in the Compensation Committee meeting to summarize the changes made by the restatement and answer questions posed by the members of the Compensation Committee. Ms. Burke pointed out that further guidance under section 409A is anticipated to be issued by the IRS in September of this year, and it is possible (although not likely) that the forthcoming guidance may require additional modifications to the Compensation Program.

The restated Compensation Program is attached. Also attached is a redlined version of the document highlighting the changes made to the 2004 document. A summary of the changes made to the Compensation Program is as follows:

- The provision permitting the continued deferral of nonvested awards after they become vested is eliminated. All deferred awards will be distributed as soon as they become vested (this reverts to the procedure that was in the original 2000 Compensation Program). This change is required by 409A.
- The definition of "disability" has been revised to conform to the definition required by 409A.
- A deadline for distribution of the awards has been inserted. This change is intended to exempt the plan from the provisions of 409A. The time frame corresponds with the current administration of the calculation of the awards and timing of the payouts.
- Language has been added to clarify the purposes of the two sections of the Compensation Program, the base salary portion and the performance incentive plan portion.
- The plan is modified to clarify how positions become approved eligible positions annually and how participants filling the eligible positions are reported each year

to the UTIMCO Board for approval. Staff has been updating the eligible positions each year for Board approval and has been providing the Board with the individuals filling the eligible positions for approval. The modified language explains the steps that staff is already performing to keep the Board apprised of the eligible positions and the participants.

- The plan is revised to provide that all updated tables will be inserted as attachments (rather than in the plan document) as soon as administratively practical after the relevant information (e.g., eligible positions, participants, weightings, incentive award percentages, etc.) is approved by the Compensation Committee or Board, as applicable.
- The plan is amended to clarify that the Board may adjust the assigned weighting for a performance goal when it is determined the weighting is inappropriate for a participant because of his or her length of service, tenure in position, or prior work experience.
- The plan has been clarified as to how an award is calculated and prorated when a participant ceases to be a participant prior to the end of a performance period.
- The restatement incorporates the Board's Second Amendment relating to the external auditor reviewing calculations in place of the investment consultant.
- The definition of peer group incorporates the UTIMCO Board approved determination of the peer group as the First Amendment to the Plan.
- The plan is amended to incorporate the Intermediate Term Fund ("ITF") as a measure of entity performance and asset class performance. For the entity performance portion, the actual total return of the ITF is measured against the ITF policy portfolio benchmark. For purposes of entity performance, the performance of the endowment assets is weighted 85%, and the performance of the ITF is weighted at 15%. The weighting was determined by determining the approximate percentage of the ITF assets compared to the total of the endowment funds and ITF. Until June 30, 2010, instead of a 3-year historical period, the performance of the ITF will be measured for the actual number of years it is part of the Compensation Program. The benchmarks and performance standards for measuring the ITF are outlined in Table 4 that has been inserted as Appendix D in the restated plan. The Compensation Committee approved the concept of staff's proposal to integrate the ITF into the Plan. Vinson & Elkins incorporated the ITF language into the Plan document after approval by the Compensation Committee.
- Appendix A of the plan was significantly changed to reflect the calculation of awards considering the Intermediate Term Fund and updated tables. Several other provisions of the plan were also revised to accommodate the inclusion of the ITF.

Reference: Redlined version of UTIMCO Compensation Program highlighting changes to 2004 document; Restated UTIMCO Compensation Program

RESOLUTION RELATED TO RESTATEMENT OF UTIMCO COMPENSATION PROGRAM

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

WHEREAS, UTIMCO and the Board wish to amend the Compensation Program to (i) make changes required by section 409A of the Internal Revenue Code, (ii) incorporate the Intermediate Term Fund into the Compensation Program as a measure of performance, (iii) incorporate prior amendments into the document, and (iv) make certain other changes to the Compensation Program and to incorporate all such amendments into an amended and restated plan document in the form previously provided to the Board; and

WHEREAS, the Board has reviewed the proposed restatement of the Compensation Program;

NOW, THEREFORE, be it:

RESOLVED, that the Board approves and adopts the restatement of the UTIMCO Compensation Program, effective as of July 1, 2006, except as otherwise stated in the document.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

UTIMCO COMPENSATION PROGRAM

Restated effective July 1, 2006

TABLE OF CONTENTS

1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

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

Base Salary	+	Performance Incentive	=	Total Compensation

The base salary portion of the Compensation Program sets forth a structure and guidelines for establishing and adjusting the salaries of key investment and operations staff employees. The Performance Incentive Plan portion of the Compensation Program sets forth the criteria for calculating and receiving annual incentive awards for key investment and operations staff who are eligible Participants in the Performance Incentive Plan. Provisions of the Compensation Program relating solely to the base salary portion of the Compensation Program are described in Section 4. Provisions of the Compensation Program relating solely to the Performance Incentive Plan portion of the Compensation Program are described in Section 5. Sections 1, 2, 3, 6, 7, and 8 of the Compensation Program relate to both the base salary portion and the Performance Incentive Plan portion except where otherwise specified in any such Section.

Effective Date: The original Compensation Program was effective September 1, 2000. It was amended and restated in its entirety effective September 1, 2004. This document amends and restates the Compensation Program with an "Effective Date" of July 1, 2006, except that (i) provisions of the Performance Incentive Plan relating to the further deferral of Nonvested Deferred Awards after they become vested are eliminated effective September 1, 2004, and (ii) provisions of the Performance Incentive Plan that are deleted, added, or modified to conform to section 409A of the Internal Revenue Code (Sections 5.6(a), 5.7(b)(4), 5.10(c), and 8.5) are effective January 1, 2005.

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO's Compensation Program serves a number of objectives:

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

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY

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

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

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

Although base salaries, as well as target and maximum total compensation, have a targeted positioning relative to market, an individual employee's actual total compensation may vary from the targeted positioning based on the individual's experience, education, knowledge, skills, and performance as well as UTIMCO's investment performance as described in this document. Except as provided in Sections 5.8 and 5.9 for purposes of determining the length of historical performance, base salaries and Incentive Award Opportunities (as well as the actual Performance Incentive Awards) are not determined based on seniority at UTIMCO.

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

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

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

4.2. Salary Adjustments

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

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

5. PERFORMANCE INCENTIVE PLAN

5.1. Purpose of the Performance Incentive Plan

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

5.2. Performance Period

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

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

5.3. Eligibility and Participation

(a) Each employee of UTIMCO will be a "Participant" in the Performance Incentive Plan for a Performance Period if (and only if) he or she is both (i) employed by UTIMCO in an employment position that is designated as an "Eligible Position" for that Performance Period and (ii) selected by the

Board as eligible to participate in the Performance Incentive Plan for that Performance Period. "Eligible Positions" for a Performance Period include senior management, investment staff, and other key positions as designated by the President and CEO and approved by the Board as Eligible Positions for that Performance Period. An employment position that is an Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period, and each Eligible Position must be confirmed or re-confirmed by the Board as being an "Eligible Position" for the applicable Performance Period. Similarly, an employee who is eligible to participate in the Performance Plan in one Performance Period is not automatically eligible to participate in any subsequent Performance Period (notwithstanding that such employee may be employed in an Eligible Position in that subsequent Performance Period), and each employee must be designated or re-designated by the Board as being eligible to participate in the Performance Incentive Plan for the applicable Performance Period. The Board will confirm the Eligible Positions and designate the eligible employees who will become Participants for a Performance Period within the first 90 days of the Performance Period or, if later, as soon as administratively feasible after the start of the Performance Period. The Board in its discretion may also designate the employment position of a newly hired or promoted employee as an "Eligible Position" and may designate such newly hired or promoted employee as eligible to participate in the Performance Incentive Plan for a Performance Period (or remainder of a Performance Period) within 30 days of such hire or promotion or, if later, as soon as administratively feasible after such hire or promotion. A list of Eligible Positions for each Performance Period is set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Eligible Positions for that Performance Period as soon as administratively practicable after confirmation of such Eligible Positions by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.

(b) An employee in an Eligible Position who has been selected by the Board to participate in the Performance Incentive Plan will become a Participant on the later of (i) the date he or she is employed in an Eligible Position or (ii) the date he or she is selected by the Board to participate in the Performance Incentive Plan; provided, however, that the Board in its discretion may designate any earlier or later date (but not earlier than such employee's date of hire and not later than such employee's date of termination of employment) upon which such employee will become a Participant, and such employee will instead become a Participant on such earlier or later date. The preceding notwithstanding, except when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board, an employee may not commence participation in the Performance Incentive Plan and first become a Participant during the last six months of any Performance Period, and, if an employee is selected by the Board to participate in the Performance Incentive Plan or becomes employed in an Eligible Position during the last six months of any Performance Period, participation of such employee in the Performance Incentive Plan will be delayed until the first day of the next Performance Period (assuming such employee is employed by UTIMCO in an Eligible Position on such date).

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

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

5.4. Performance Goals

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

(b) There are three categories of Performance Goals:

(1) Entity Performance (described in Section 5.8(a))

(2) Asset Class Performance (described in Section 5.8(b))

(3) Individual Performance (described in Section 5.8(c))

Except for the President and CEO, Individual Performance Goals will be defined jointly by each Participant and his or her supervisor. These Individual Performance Goals will be measured and approved by the President and CEO subject to approval by the Compensation Committee. Individual Performance Goals may be established in one or more of the following areas:

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

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

(d) Each Performance Goal for each Eligible Position is assigned a weight for the Performance Period. For each Performance Period, the Compensation Committee will approve the weightings of the Performance Goals at the same time it approves the Performance Goals. The weightings for each Eligible Position are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the weightings for the Eligible Positions for that Performance Period as soon as administratively practicable after such weightings are approved by the Compensation Committee for such Performance Period. Notwithstanding the identified weighting for an Eligible Position, the Board may adjust the weightings (up or down) for any Participant for a Performance Period where it considers the assigned weighting for a Performance Goal to be inappropriate for such Participant because of his or her length of service with UTIMCO, his or her tenure in an Eligible Position, or his or her prior work experience.

5.5. Incentive Award Opportunity Levels and Performance Incentive Awards

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

(b) Incentive Award Opportunities for each Performance Period are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Incentive Award Opportunities for that Performance Period as soon as administratively practicable after approval of the Incentive Award Opportunities by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.

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

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

(e) Performance Incentive Awards will be calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weighting for the Participant's Entity Performance, Asset Class Performance, and Individual Performance Goals and each Participant's Incentive Award Opportunity. The methodology for calculating Incentive Award Opportunities and Performance Incentive Awards is presented on Appendix A. Performance Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum. The Compensation Committee will review all Performance Incentive Award calculations, based on the certification of its advisors, and submit its recommendations to the Board for approval.

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

(g) Following the approval of a Performance Incentive Award, the Board will promptly notify each Participant as to the amount, if any, of the

Performance Incentive Award as well as the terms, provisions, conditions and limitations of the Nonvested Deferred Award portion of such Performance Incentive Award.

5.6. Form and Timing of Payouts of Performance Incentive Awards

Approved Performance Incentive Awards will be paid as follows:

(a) Seventy percent of the Performance Incentive Award will be paid to the Participant ("Paid Performance Incentive Award") within 150 days of the completion of the Performance Period (and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which the Performance Incentive Award is determined or (ii) the last day of the fiscal year of UTIMCO in which the Performance Incentive Award is determined), and

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

5.7. Nonvested Deferred Awards

(a) For each Performance Period, a hypothetical account on UTIMCO's books ("Nonvested Deferred Award Account") will be established for each Participant. As of the date that the corresponding Paid Performance Incentive Award is paid to the Participant, each Participant's Nonvested Deferred Award for a Performance Period will be credited to his or her Nonvested Deferred Award Account established for that Performance Period; provided, however, that, in the case of any Participant who is not employed by UTIMCO on the date such Nonvested Deferred Award would be so credited to his or her Nonvested Deferred Award Account, such Nonvested Deferred Award will not be credited to such Participant's Nonvested Deferred Award Account but will instead be forfeited. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets ("Net Returns") for the month multiplied by the balance of the respective Participant's Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred Award Accounts unless and until they become vested in those accounts in accordance with Section 5.7(b).

(b) Assuming and contingent upon continued employment with UTIMCO, except as provided in Section 5.10(c), a Participant will become vested in, and entitled to payment of, his or her Nonvested Deferred Award Account for each respective Performance Period according to the following schedule:

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

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

(3) On the third anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(4) Nonvested Deferred Award Accounts payable under the above paragraphs of this Section 5.7(b) will be paid as soon as administratively practicable after the applicable portion of any such Nonvested Deferred Award Account becomes vested and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested or (ii) the last day of the fiscal year of UTIMCO in which the applicable portion of such Nonvested Deferred Award Account becomes vested.

5.8. Performance Measurement Standards

(a) Entity Performance

(1) Entity Performance for purposes of the Performance Incentive Plan is the performance of the Total Endowment Assets (weighted at 85%) and the Intermediate Term Fund (weighted at 15%).

(2) The performance of the Total Endowment Assets is measured based on the TEA's performance relative to the Peer Group. The Board's chosen investment advisor will determine the performance of the Peer Group annually for the Performance Period. Performance of the Total Endowment Assets is measured net of fees, meaning

performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets. The Board's investment advisor will calculate a percentile rank for the performance of the Total Endowment Assets relative to the Peer Group, with the 100^{th} percentile representing the highest rank, the 50^{th} percentile representing the median, and the 0^{th} percentile representing the lowest rank.

(3) The performance of the Intermediate Term Fund will be measured based on the performance of the ITF relative to the Policy Portfolio Return (benchmark). The performance standards related to the Intermediate Term Fund for the Performance Period beginning July 1, 2006, are reflected in Table 4 on Appendix D. Performance standards related to the ITF for each Performance Period beginning after June 30, 2007, will be set forth on a revised table for each such Performance Period and set forth on Appendix D as soon as administratively practicable after such standards are determined. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the ITF.

(4) Except as provided in Section 5.9, performance of the Total Endowment Assets and the Intermediate Fund will be measured based on a three-year rolling historical performance of each such fund.

(b) Asset Class Performance

(1) Asset Class Performance is the performance of specific asset classes within the Total Endowment Assets and the Intermediate Term Fund (such as US public equity, private capital, etc.) based on the standards set forth in Section 5.8. Except as provided in paragraph (2) below and Section 5.9, Asset Class Performance will be measured relative to the appropriate benchmark based on three-year rolling historical performance. Performance standards for each asset class will vary depending on the ability to outperform the respective benchmark. Table 2 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards for the Performance Periods ending June 30, 2003, 2004, and 2005 and includes July 2005 and August 2005. Table 3 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning September 1, 2005, through the Performance Period ending June 30, 2006. The benchmarks for each asset class as well as threshold, target, and maximum performance standards for the Performance Period beginning July 1, 2006, will be set forth in Table 4, which is attached as Appendix D. The benchmarks for each asset class as well as threshold, target, and maximum performance standards for

Performance Periods beginning after June 30, 2007, will be set forth in a revised table for each such Performance Period as soon as administratively practicable after such benchmarks and standards are set, and such revised table will be attached as Appendix D.

TABLE 2 (7/1/04 through 8/31/05)

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

TABLE 3 (9/1/05 through 6/30/06)

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

(2) Performance for the private capital asset class is calculated differently from other asset classes due to its longer investment horizon and illiquidity of assets. Performance of the private capital

asset class is determined based on the performance of partnership commitments made by the current private capital team since 2001 based on internal rates of return (IRR's) relative to the respective Venture Economics benchmarks.

(c) Individual Performance

Individual Performance of each Participant will be measured based on that Participant's performance of the duties of his employment position during the Performance Period.

5.9. Modifications of Measurement Period for Measuring Equity and Asset Class Performance Goals

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

(b) For purposes of measuring the Intermediate Term Fund component of Entity and Asset Class Performance, the three-year historical performance cycle will not be utilized until the Intermediate Term Fund has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years of historical performance will be used as the measurement period. The Intermediate Term Fund was formed on February 1, 2006, and is added as a measurement of performance under the Performance Incentive Plan effective July 1, 2006. Therefore, as of June 30, 2007, the ITF will have one year of historical performance that will be measured for purposes of determining Equity and Asset Class Performance; as of June 30, 2008, the ITF will have two consecutive years of historical performance that will be measured for purposes of determining Equity and Asset Class Performance; and as of June 30, 2009, and for each Performance Period thereafter, three consecutive years of historical performance will be utilized for purposes of measuring the ITF prong of Equity and Asset Class Performance.

5.10. Termination Provisions

(a) Except as otherwise provided in this Section 5.10, any Participant who ceases to be a Participant (either because of termination of employment with UTIMCO or for any other reason stated in Section 5.3(c)) prior to the end of a Performance Period will not be eligible to receive payment of any Performance Incentive Award for that or any subsequent Performance Periods. In addition, a Participant will only continue to vest in Nonvested Deferred Awards while he or she is employed with UTIMCO and will forfeit any Nonvested Deferred Awards at termination of employment with UTIMCO.

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

(c) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or Disability, the Participant's Performance Incentive Award for the Performance Period in which termination occurs will be paid at target on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date of the Participant's death or Disability, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Award Accounts will vest immediately and be paid as soon as administratively practicable after such termination and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which such termination occurs or (ii) the last day of the fiscal year of UTIMCO in which such termination occurs. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable, in accordance with Section 5.7(d) within 60 days of the date of termination of employment.

(d) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a Compensation Committee-approved leave of absence, such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards continue to vest and be paid subject to the provisions of Section 5.7(b).

(e) In the case of any Participant who ceases to be a Participant in the Performance Incentive Plan prior to the end of Performance Period and is entitled to a Performance Incentive Award or a prorated Performance Incentive Award under this Section 5.10, such Performance Incentive Award will be calculated at the time and in the manner provided in Section 5.5 and Appendix A and paid in accordance with Section 5.6 and will not be calculated or paid prior to such time.

6. COMPENSATION PROGRAM AUTHORITY AND RESPONSIBILITY

6.1. Board as Plan Administrator

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

6.2. Powers of Board

The Board has all powers necessary or advisable to administer the Compensation Program as it determines in its discretion, including, without limitation, the authority to:

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

(2) Select the employees who are eligible to be Participants in the Performance Incentive Plan.

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

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

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

7. COMPENSATION PROGRAM INTERPRETATION

7.1. Board Discretion

(a) Consistent with the provisions of the Compensation Program, the Board has the discretion to interpret the Compensation Program and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Compensation Program. All decisions made by the Board in selecting the Participants approved to receive Performance Incentive Awards, including the amount thereof, and in construing the provisions of the Compensation Program, including without limitation the terms of any Performance Incentive Awards, are final and binding on all Participants.

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

7.2. Duration, Amendment, and Termination

The Board has the right in its discretion to amend the Compensation Program or any portion thereof from time to time, to suspend it for a specified period, or to terminate it entirely or any portion thereof. However, if the Performance Incentive Plan is suspended or terminated during a Performance Period, Participants will receive a prorated Performance Incentive Award based on performance achieved and base salary earned through the Performance Measurement Date immediately preceding such suspension or termination. The Compensation Program will be in effect until suspension or termination by the

Board; provided, however, that if the Board so determines at the time of any suspension or termination of the Performance Incentive Plan, Nonvested Deferred Awards credited to Participants' Nonvested Deferred Award Account(s) as of the effective date of such suspension or termination will continue to be administered under the terms of the Performance Incentive Plan after any suspension or termination, except as the Board otherwise determines in its discretion at the time of such suspension or termination.

7.3. Recordkeeping and Reporting

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

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

7.4. Continued Employment

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

7.5. Non-transferability of Awards

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

7.6. Unfunded Liability

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

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

7.7. Compliance with State and Federal Law

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

7.8. Federal, State, and Local Tax and Other Deductions

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

7.9. Prior Plan

(a) Except as provided in the following paragraphs of this Section 7.9, this restatement of the Compensation Program amends and supersedes any prior version of the Compensation Program ("Prior Plan").

(b) All nonvested deferred awards under a Prior Plan will retain the vesting schedule defined under the Prior Plan at the time such awards were allocated to the respective Participant's account. In all other respects, as of the Effective Date, those nonvested deferred amounts will (i) be credited or debited with the Net Returns over the remaining deferral period in accordance with Section 5.7(a) and (ii) be subject to the terms and conditions for Nonvested Deferred Awards under the Performance Incentive Plan as set forth in this restated document.

8. DEFINITION OF TERMS

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

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

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

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

8.5. **Disability** means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.

8.6. **Effective Date** is defined in Section 1.

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

8.8. **Entity Performance** represents the performance of the Total Endowment Assets and the Intermediate Term Fund (based on the measurement standards set forth in Section 5.8).

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

8.10. **Intermediate Term Fund or ITF** is The University of Texas System ("U.T. System") Intermediate Term Fund established by the U.T. System Board of Regents as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by the U.T. System institutions and U.T. System Administration. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Intermediate Term Fund.

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

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

Plus

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

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

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

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

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

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

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

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

8.19. **Performance Incentive Plan** is as defined in Section 1 and Section 5.

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

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

8.22. **Policy Portfolio Return** is the benchmark return for the Intermediate Term Fund policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class multiplied by the benchmark return for the asset class) for the various asset classes in the Intermediate Term Fund portfolio for the Performance Period.

8.23. **Prior Plan** is defined in Section 7.9.

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

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

Appendix A

Performance Incentive Award Methodology
(for Performance Periods beginning on or after July 1, 2006)

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

Step 1. Identify the weights to be allocated to each of the three Performance Goals for each Participant's Eligible Position. The weights vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. The total of the weights ascribed to the three Performance Goals must add up to 100% for each Participant. For example, Table 1 on Appendix C may reflect for a Performance Period for the President and CEO that the weight allocated to the Entity Performance Goal is 70%, the weight allocated to the Asset Class Performance Goal is 0%, and the weight allocated to the Individual Performance Goal is 30%.

Step 2. Identify the percentage of base salary for the Participant's Eligible Position that determines the Performance Incentive Award for achievement of the Threshold, Target, and Maximum levels of the Performance Goals. The percentages vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. For example, Table 1 on Appendix C may show that for a Performance Period the applicable percentages for determining the Performance Incentive Award for the President and CEO are 18% of his or her base salary for achievement of Threshold level performance of all three Performance Goals, 90% of his or her base salary for achievement of Target level performance of all three Performance Goals, and 180% of his or her base salary for achievement of Maximum level performance of all three Performance Goals.

Step 3. Calculate the dollar amount of the potential Threshold, Target, and Maximum awards (the "Incentive Award Opportunities") for each Participant by multiplying the Participant's base salary for the Performance Period by the applicable percentage (from Step #2 above). For example, assuming the President and CEO has a base salary of $495,000 for a Performance Period, based on the assumed percentages set forth in Step 2 above, the President and CEO will be eligible for a total award of $89,100 (18% of his or her base salary) if he or she achieves Threshold level performance of all three Performance Goals, $445,500 (90% of his or her base salary) if he or she achieves Target

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

level performance of all three Performance Goals, and $891,000 (180% of his or her base salary) if he or she achieves Maximum level performance of all three Performance Goals.

Step 4. Because a Participant may achieve different levels of performance in different Performance Goals and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Target performance in the Entity Performance Goal and be eligible to receive a Target award for that goal and achieve Maximum performance in the Individual Performance Goal and be eligible to receive a Maximum award for that Performance Goal), it is necessary to determine the Incentive Award Opportunity of the Threshold, Target, and Maximum award for each separate Performance Goal (and, because achievement of the Equity Performance Goal is determined in part by achievement of the Total Endowment Assets and in part by achievement of the Intermediate Term Fund, a Threshold, Target, and Maximum Incentive Award Opportunity separately for the TEA and the ITF must be determined). This is done by multiplying the dollar amount of the Threshold, Target, and Maximum awards for the performance of all three Performance Goals calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular Performance Goal (and, further, by multiplying the Incentive Award Opportunity for the Equity Performance by the weight ascribed to achievement of the Total Endowment Assets (85%) and by the weight ascribed to achievement of the Intermediate Term Fund (15%)).

Step 5. After Steps #3 and #4 above are performed for each of the three levels of performance for each of the three Performance Goals, there will be 12 different Incentive Award Opportunities for each Participant. For example, for the President and CEO (based on an assumed base salary of $495,000, the assumed weights for the Performance Goals set forth in Step 1 above, and the assumed percentages of base salary for the awards set forth in Step 2 above), the 12 different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

Incentive Award Opportunities for President and CEO (based on assumed base salary of $495,000)

Performance Goal	Weight	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (TEA v. Peer Group)	59.5% (.85 x .70)	$53,015	$265,073	$530,145
Entity (ITF v. Policy Portfolio Return)	10.5% (.15 x .70)	$9,356	$46,778	$93,555
Asset Class	0%	$0	$0	$0
Individual	30%	$26,730	$133,650	$267,300
Total	100%	$89,100 (18% of salary)	$445,500 (90% of salary)	$891,000 (180% of salary)

II. Calculate Performance Incentive Award for Each Participant

Step 6. Identify the achievement percentiles or achieved basis points that divide the Threshold, Target, and Maximum levels for each Performance Goal. These divisions for the level of achievement of the Entity and Asset Class Performance Goals are set forth in the table for the applicable Performance Period (i.e., Table 2, Table 3, Table 4, or any later table set forth on Appendix D, as applicable). The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the Individual Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. If the Participant has no supervisor, the measurement for the level of achievement for the Individual Performance Goal is determined each Performance Period by the Compensation Committee.

Step 7. Determine the percentile or basis points achieved for each Performance Goal for each Participant using the standards set forth in Sections 5.5 and 5.8 of the Compensation Program, as modified in the case of new hires in Section 5.9. Determine the level of achievement of each Participant's Individual Performance Goal.

Step 8. Calculate the amount of each Participant's award attributable to each Performance Goal by identifying the Incentive Award Opportunity amount for each Performance Goal (e.g., as set forth for the President and CEO in the table in Step #5 above) commensurate with the Participant's level of achievement for that Performance Goal (determined in Steps #6 and #7 above). An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if the 65th percentile of the Total Endowment Assets portion of the Entity Performance Goal has been achieved, that percentile is between the Target (60th percentile) and the Maximum (75th percentile) levels, so to determine the amount of the award attributable to the 65th percentile achievement of the TEA portion of the Entity Performance Goal, perform the following steps: (i) subtract the difference between the dollar amounts of the Target and Maximum Incentive Award Opportunities for the Participant (e.g., for the President and CEO, as illustrated in the table in Step #5, the difference is $265,072 ($530,145-$265,073)); (ii) divide 5 (the percentile difference between the Target level of 60th percentile and the attained level of 65th percentile) by 15 (the percentile difference between the Target level and Maximum level) to get the fraction 5/15 to determine the pro rata portion of the difference between Target and Maximum actually achieved; (iii) multiply the amount determined in the preceding Step (i) by the fraction determined in the preceding Step (ii) ($265,072 x 5/15 = $88,357); and (iv) add the amount determined in the preceding Step (iii) to the Target Incentive

Award Opportunity for the Participant to get the actual award for the Participant attributable to each Performance Goal ($88,357 + $265,073 = $353,430).

Step 9. In determining the award attributable to the Equity Performance Goal, achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 85% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the Equity Performance Goal (and commensurate award) is weighted at 15% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant). For example, assuming a base salary of $495,000, if the President and CEO achieved the Target level (60th percentile) of the Total Endowment Assets portion of the Entity Performance Goal and achieved the Maximum level (+65 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of $358,628 for his or her level of achievement of the Equity Performance Goal as follows: $265,073 for Target level of achievement of the TEA portion of the Equity Performance Goal (.85 x .70 x $445,500); plus $93,555 for Maximum level of achievement of the ITF portion of the Equity Performance Goal (.15 x .70 x 891,000).

Step 10. No award is given for an achievement percentile below Threshold, and no award above the Maximum award is given for an achievement percentile above the Maximum level.

Step 11. Subject to any applicable adjustment in Step #12 below, add the awards determined in Steps #8 and #9 above for each Performance Goal (as modified by Step #10) together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.

Step 12. In the case of any Participant who becomes a Participant in the Performance Incentive Plan after the first day of the applicable Performance Period, such Participant's Performance Incentive Award (determined in Step #11) will be prorated to reflect the actual portion of the Performance Period in which he or she was a Participant. In the case of a Participant who ceases to be a Participant prior to the end of a Performance Period, his or her entitlement to any Performance Incentive Award is determined under Section 5.10 and, in the case of such entitlement, such Participant's Performance Incentive Award, if any, will be prorated and adjusted as provided in Section 5.10.

Appendix B

UTIMCO Peer Group

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

Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale, and Total Endowment Assets) with total assets in excess of $1 billion as of each fiscal year end June 2003, 2004, 2005.

Appendix C

Eligible Positions
Weightings
Incentive Award Opportunities for each Eligible Position
(for each Performance Period)

TABLE 1 (2005/2006 Performance Period)

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

Appendix D

Benchmarks for Asset Class
Threshold, Target, and Maximum Performance Standards

(for Performance Periods beginning on or after July 1, 2006)

Performance Standards for Intermediate Term Fund

(for Performance Periods beginning on or after July 1, 2006)

TABLE 4 (7/1/06 through 6/30/07)

Asset Class	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>$1 B assets)	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+32.5 bps	+65 bps
US Public Equity	Russell 3000 Index	20%	15%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	5%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	5%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index	10%	12.5%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index	15%	12.5%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	0%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	0%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	10%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	5%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	10%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	25%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	0%	+0 bps	+0 bps	+0 bps

REDLINE
2004 Plan vs. 2006 Plan

The University of Texas Investment Management Company

UTIMCO
COMPENSATION PROGRAM

Restated effective July 1, 2006

REDLINE
2004 Plan vs. 2006 Plan

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REDLINE
2004 Plan vs. 2006 Plan

REDLINE
2004 Plan vs. 2006 Plan

1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

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

Base Salary	+	Performance Incentive	=	Total Compensation

The base salary portion of the Compensation Program sets forth a structure and guidelines for establishing and adjusting the salaries of key investment and operations staff employees. The Performance Incentive Plan portion of the Compensation Program sets forth the criteria for calculating and receiving annual incentive awards for key investment and operations staff who are eligible Participants in the Performance Incentive Plan. Provisions of the Compensation Program relating solely to the base salary portion of the Compensation Program are described in Section 4. Provisions of the Compensation Program relating solely to the Performance Incentive Plan portion of the Compensation Program are described in Section 5. Sections 1, 2, 3, 6, 7, and 8 of the Compensation Program relate to both the base salary portion and the Performance Incentive Plan portion except where otherwise specified in any such Section.

***Effective Date*: The original Compensation Program was effective September 1, 2000. It was amended and restated in its entirety effective September 1, 2004. This document amends and restates the Compensation Program with an "Effective Date" of July 1, 2006, except that (i) provisions of the Performance Incentive Plan relating to the further deferral of Nonvested Deferred Awards after they become vested are eliminated effective September 1, 2004, and (ii) provisions of the Performance Incentive Plan that are deleted, added, or modified to conform to section 409A of the Internal Revenue Code (Sections 5.6(a), 5.7(b)(4), 5.10(c), and 8.5) are effective January 1, 2005.**

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO's Compensation Program serves a number of objectives:

- To attract and retain key investment and operations staff of outstanding competence and ability.
- To encourage key investment staff to develop a strong commitment to the performance of the assets for which UTIMCO has been delegated investment responsibility.

- To motivate key investment staff to focus on maximizing real, long-term returns for all funds managed by UTIMCO while assuming appropriate levels of risk.

- To facilitate teamwork so that members of UTIMCO operate as a cohesive group.

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY

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

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

- Base salaries are targeted at the market median (e.g., 50th percentile).

- Target total compensation (salary plus target Incentive Award Opportunity) is positioned at the market median.

- Maximum total compensation (salary plus maximum Incentive Award Opportunity) is targeted at the market 75th percentile if performance is outstanding. (For this purpose, 0 is the lowest point and 100 is the highest.)

Although base salaries**,** as well as target and maximum total compensation**,** have a targeted positioning relative to market, an individual employee's actual total compensation may vary from the targeted positioning based on the individual's experience, education, knowledge, skills**,** and performance as well as UTIMCO's investment performance as described in this document. Except as provided in ~~Section~~**Sections** 5.8 **and 5.9** for purposes of determining the length of historical performance, base salaries and Incentive Award Opportunities (as well as the actual Performance Incentive Awards) are not determined based on seniority at UTIMCO.

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

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

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

4.2. Salary Adjustments

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

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

5. PERFORMANCE INCENTIVE PLAN

5.1. Purpose of the Performance Incentive Plan ~~and Effective Date~~

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

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

5.2. Performance Period

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

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

5.3. Eligibility and Participation

(a) Each employee ~~(and only such an employee) who~~**of UTIMCO will be a "Participant" in the Performance Incentive Plan for a Performance Period if (and only if) he or she** is **both** (i) employed by UTIMCO in an **employment position that is designated as an** "Eligible Position" **for that Performance Period** and (ii) selected by the Board as eligible to participate in the Performance Incentive Plan ~~will become a "Participant."~~**for that Performance Period.** "Eligible Positions" **for a Performance Period** include senior management, investment staff, and other key positions as ~~determined from time to time~~**designated** by the President and CEO~~, subject to approval by the Board. Eligible Positions will be confirmed by the Board within the first 60 days~~ **and approved by the Board as Eligible Positions for that Performance Period. An employment position that is an Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period, and each Eligible Position must be confirmed or re-confirmed by the Board as being an "Eligible Position" for the applicable Performance Period. Similarly, an employee who is eligible to participate in the Performance Plan in one Performance Period is not automatically eligible to participate in any subsequent Performance Period (notwithstanding that such employee may be**

employed in an Eligible Position in that subsequent Performance Period), and each employee must be designated or re-designated by the Board as being eligible to participate in the Performance Incentive Plan for the applicable Performance Period. The Board will confirm the Eligible Positions and designate the eligible employees who will become Participants for a Performance Period within the first 90 days of the Performance Period or, if later, as soon as administratively feasible after the start of the Performance Period. The Board in its discretion may also designate **the employment position of** a newly hired or promoted employee ~~to be in an Eligible Position during a Performance Period. An Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period~~**as an "Eligible Position" and may designate such newly hired or promoted employee as eligible to participate in the Performance Incentive Plan for a Performance Period (or remainder of a Performance Period) within 30 days of such hire or promotion or, if later, as soon as administratively feasible after such hire or promotion**. A list of Eligible Positions for ~~the 2004/2005~~**each** Performance Period is set forth ~~on the table in Section 5.5(b).~~ **in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Eligible Positions for that Performance Period as soon as administratively practicable after confirmation of such Eligible Positions by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.**

(b) An employee in an Eligible Position who has been selected by the Board to participate in the **Performance Incentive** Plan will become a Participant ~~in the Plan~~ on the ~~latest~~**later** of (i) the date he or she is employed in an Eligible Position~~,~~ **or** (ii) the date he or she is selected by the Board to participate in the **Performance Incentive** Plan~~, or (iii) any later date as designated by the Board~~; provided, however, that ~~an employee may not commence participation in the Plan and first become a Participant during the last six months of any Performance Period~~**the Board in its discretion may designate any earlier or later date (but not earlier than such employee's date of hire and not later than such employee's date of termination of employment) upon which such employee will become a Participant, and such employee will instead become a Participant on such earlier or later date. The preceding notwithstanding**, except when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board~~. If~~, **an employee may not commence participation in the Performance Incentive Plan and first become a Participant** during the last six months of any Performance Period, **and, if** an employee ~~has been~~**is** selected by the Board to participate in the **Performance Incentive** Plan or becomes employed in an Eligible Position **during the last six months of any Performance Period**, participation **of**

such employee in the **Performance Incentive** Plan will be delayed until the first day of the next Performance Period (assuming such employee is employed by UTIMCO in an Eligible Position on such date).

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

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

5.4. Performance Goals

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

(b) There are three ~~types~~**categories** of Performance Goals:

(1) Entity Performance (~~i.e., performance of the Total Endowment Assets~~**described in Section 5.8(a)**)

(2) Asset Class Performance (~~e.g., US public equity, international equity, private capital, fixed income, etc.~~**described in Section 5.8(b)**)

(3) Individual Performance **(described in Section 5.8(c))**

Except for the President and CEO, Individual Performance Goals will be defined jointly by each Participant and his or her supervisor. These Individual Performance Goals will be ~~measurable~~**measured** and ~~subject to approval~~**approved** by the President and CEO ~~as well as~~**subject to approval by** the Compensation Committee. Individual Performance Goals may be established in one or more of the following areas:

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

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

(d) Each Performance Goal ~~is assigned a weight as illustrated in the table in Section 5.5(b), which shows the weightings~~ for each Eligible Position **is assigned a weight** for the ~~2004/2005~~ Performance Period. For each Performance Period, the Compensation Committee will approve the weightings of the Performance Goals at the same time it approves the Performance Goals. **The weightings for each Eligible Position are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the weightings for the Eligible Positions for that Performance Period as soon as administratively practicable after such weightings are approved by the Compensation Committee for such Performance Period. Notwithstanding the identified weighting for an Eligible Position, the Board may adjust the weightings (up or down) for any Participant for a Performance Period where it considers the assigned weighting for a Performance Goal to be inappropriate for such Participant because of his or her length of service with UTIMCO, his or her tenure in an Eligible Position, or his or her prior work experience.**

5.5. Incentive Award Opportunity Levels and Performance Incentive Awards

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

(b) Incentive Award Opportunities for ~~the 2004/2005~~**each** Performance Period are set forth in ~~the following table:~~ **Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Incentive Award Opportunities for that Performance Period as soon as administratively practicable after approval of the Incentive Award Opportunities by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.**

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

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

(e) Performance Incentive Awards will be calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weighting for the Participant's Entity Performance, Asset Class Performance, and Individual Performance Goals and each Participant's Incentive Award Opportunity. **The methodology for calculating Incentive Award Opportunities and Performance Incentive Awards is presented on Appendix A. Performance Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum.** The Compensation Committee will review all Performance Incentive Award calculations, based on the certification of its advisors, and submit its recommendations to the Board for approval.

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

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

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

5.6. Form and Timing of Payouts of Performance Incentive Awards

Approved Performance Incentive Awards will be paid as follows:

(a) Seventy percent of the Performance Incentive Award will be paid to the Participant ("Paid Performance Incentive Award") within 150 days of the completion of the Performance Period **(and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which the Performance Incentive Award is determined or (ii) the last day of the fiscal year of UTIMCO in which the Performance Incentive Award is determined)**, and

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

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

5.7. Nonvested Deferred Awards

(a) ~~Nonvested Deferred Awards will be credited to~~**For each Performance Period,** a hypothetical account on UTIMCO's books ~~in the individual Participants' names~~ ("Nonvested Deferred Award Account~~(s)") as~~**") will be established for each Participant. As** of the date that the corresponding Paid Performance Incentive ~~Awards are transmitted to Participants. For each~~**Award is paid to the Participant, each Participant's Nonvested Deferred Award for a** Performance Period~~, a~~ **will be credited to his or her** Nonvested Deferred Award Account ~~will be established for each Participant to which will be credited the Nonvested Deferred Award of such Participant for such Performance Period.~~ **established for that Performance Period; provided, however, that, in the case of any Participant who is not employed by UTIMCO on the**

date such Nonvested Deferred Award would be so credited to his or her Nonvested Deferred Award Account, such Nonvested Deferred Award will not be credited to such Participant's Nonvested Deferred Award Account but will instead be forfeited. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets ("Net Returns") for the month multiplied by the balance of the respective Participant's Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred ~~Awards~~**Award Accounts** unless **and until** they become vested in those ~~awards~~**accounts in accordance with Section 5.7(b)**.

(b) Assuming **and contingent upon** continued employment with UTIMCO, except as provided in Section 5.10(c), **a Participant will become vested in, and entitled to payment of, his or her** Nonvested Deferred ~~Awards~~**Award Account** for each respective Performance Period ~~will vest and become payable~~ according to the following schedule:

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

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

(3) On the third anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining **amount then credited to the Participant's** Nonvested Deferred Award Account for that Performance ~~period then credited to the Participant~~**Period** will be vested and paid to the Participant.

~~(c) Notwithstanding the provisions of paragraphs (a) and (b) of this Section 5.7, upon execution of an "Election to Defer Payment of Vested Deferred Awards" form authorized by the Compensation Committee, a Participant may elect to defer payment of all or part of his or her Nonvested Deferred Awards that have become vested in accordance with Section 5.7(b) (including credited Net~~

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

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

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

<u>**(4) Nonvested Deferred Award Accounts payable under the above paragraphs of this Section 5.7(b) will be paid as soon as**</u>

administratively practicable after the applicable portion of any such Nonvested Deferred Award Account becomes vested and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested or (ii) the last day of the fiscal year of UTIMCO in which the applicable portion of such Nonvested Deferred Award Account becomes vested.

5.8. ~~Performance Standards~~Performance Measurement Standards

(a) Entity Performance

(1) Entity Performance for purposes of the Performance Incentive Plan is the performance of the Total Endowment Assets~~. Entity Performance under the Performance Incentive Plan is based on performance relative to a Peer Group. Except as provided in Section 5.9, performance relative to the Peer Group will be measured based on 3-year rolling historical performance.~~ **(weighted at 85%) and the Intermediate Term Fund (weighted at 15%).**

(2) **The performance of the Total Endowment Assets is measured based on the TEA's performance relative to the Peer Group.** The Board's chosen investment advisor will determine the performance of the Peer Group annually for the Performance Period. **Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.** The Board's investment advisor will calculate a percentile rank for ~~Entity Performance~~**the performance of the Total Endowment Assets** relative to the Peer Group, with the 100th percentile representing the highest rank, the 50th percentile representing the median, and the 0th percentile representing the lowest rank. ~~Threshold awards will be earned for reaching the 40th percentile, target awards will be earned for reaching the 60th percentile, and maximum awards will be earned for reaching the 75th percentile, with Performance Incentive Awards interpolated in a linear fashion between threshold and target as well as between target and maximum.~~

(3) The performance of the Intermediate Term Fund will be measured based on the performance of the ITF relative to the Policy Portfolio Return (benchmark). The performance standards related to the Intermediate Term Fund for the Performance Period beginning July 1, 2006, are reflected in Table 4 on Appendix D. Performance standards related to the ITF for each Performance Period beginning after June 30, 2007,

will be set forth on a revised table for each such Performance Period and set forth on Appendix D as soon as administratively practicable after such standards are determined. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the ITF.

(4) Except as provided in Section 5.9, performance of the Total Endowment Assets and the Intermediate Fund will be measured based on a three-year rolling historical performance of each such fund.

(b) Asset Class Performance

(1) ~~Except as provided in subparagraph~~**Asset Class Performance is the performance of specific asset classes within the Total Endowment Assets and the Intermediate Term Fund (such as US public equity, private capital, etc.) based on the standards set forth in Section 5.8. Except as provided in paragraph** (2) below and Section 5.9, Asset Class Performance will be measured relative to the appropriate benchmark based on ~~3~~**three**-year rolling historical performance. Performance standards for each asset class will vary depending on the ability to outperform the respective benchmark. ~~The following table identifies the~~ **Table 2 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards for the Performance Periods ending June 30, 2003, 2004, and 2005 and includes July 2005 and August 2005. Table 3 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning September 1, 2005, through the Performance Period ending June 30, 2006. The** benchmarks for each asset class as well as threshold, target, and maximum performance standards~~. Performance Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum.~~ **for the Performance Period beginning July 1, 2006, will be set forth in Table 4, which is attached as Appendix D. The benchmarks for each asset class as well as threshold, target, and maximum performance standards for Performance Periods beginning after June 30, 2007, will be set forth in a revised table for each such Performance Period as soon as administratively practicable after such benchmarks and standards are set, and such revised table will be attached as Appendix D.**

TABLE 2 (7/1/04 through 8/31/05)

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

TABLE 3 (9/1/05 through 6/30/06)

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

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

(c) Individual Performance

Individual Performance **of each Participant** will be measured based on **that Participant's** performance **of the duties of his employment position** during the Performance Period.

5.9. ~~*Modification of Performance Standards for Newly Hired Employees*~~***Modifications of Measurement Period for Measuring Equity and Asset Class Performance Goals***

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

(a) For purposes of measuring the Intermediate Term Fund component of Entity and Asset Class Performance, the three-year historical performance cycle will not be utilized until the Intermediate Term Fund has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years of historical performance will be used as the measurement period. The Intermediate Term Fund was formed on February 1, 2006, and is added as a measurement of performance under the Performance Incentive Plan effective July 1, 2006. Therefore, as of June 30, 2007, the ITF will have one year of historical performance that will be measured for purposes of determining Equity and Asset Class Performance; as of June 30, 2008, the ITF will have two consecutive years of historical performance that will be measured for purposes of determining Equity and Asset Class Performance; and as of June 30, 2009, and for each Performance Period thereafter, three consecutive

years of historical performance will be utilized for purposes of measuring the ITF prong of Equity and Asset Class Performance.

5.10. Termination Provisions

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

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

(c) If a Participant ceases to be a Participant in the **Performance Incentive** Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or ~~disability (as defined in the Internal Revenue Code §22(e)(3))~~**Disability**, the Participant's Performance Incentive Award for the Performance Period in which termination occurs will be paid at target on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date of the Participant's death or ~~disability~~**Disability**, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred ~~Awards~~**Award Accounts** will vest immediately and be paid **as soon as administratively practicable after such termination and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which such termination occurs or (ii) the last day of the fiscal year of UTIMCO in which such termination**

occurs. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable, in accordance with Section 5.7(d) within 60 days of the date of termination of employment.

(d) If a Participant ceases to be a Participant in the **Performance Incentive** Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a Compensation Committee-approved leave of absence, such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). **All Nonvested Deferred Awards continue to vest and be paid subject to the provisions of Section 5.7(b).**

(e) In the case of any Participant who ceases to be a Participant in the Performance Incentive Plan prior to the end of Performance Period and is entitled to a Performance Incentive Award or a prorated Performance Incentive Award under this Section 5.10, such Performance Incentive Award will be calculated at the time and in the manner provided in Section 5.5 and Appendix A and paid in accordance with Section 5.6 and will not be calculated or paid prior to such time.

6. ~~PLAN~~COMPENSATION PROGRAM AUTHORITY AND RESPONSIBILITY

6.1. Board as Plan Administrator

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

6.2. Powers of Board

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

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

(2) Select the employees who are eligible to be Participants **in the Performance Incentive Plan**.

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

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

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

7. ~~PERFORMANCE INCENTIVE PLAN~~COMPENSATION PROGRAM INTERPRETATION

7.1. Board Discretion

(a) Consistent with the provisions of the ~~Plan~~**Compensation Program**, the Board has the discretion to interpret the ~~Plan~~**Compensation Program** and may from time to time adopt such rules and regulations that it may deem advisable to carry out the ~~Plan~~**Compensation Program**. All decisions made by the Board in selecting the Participants approved to receive Performance Incentive Awards, including the amount thereof, and in construing the provisions of the ~~Plan or~~**Compensation Program, including without limitation** the terms of any Performance Incentive Awards**,** are final and binding on all Participants.

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

7.2. Duration, Amendment, and Termination

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

7.3. ~~Record Keeping~~Recordkeeping and Reporting

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

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

~~7.4.~~ *7.4. Continued Employment*

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

~~7.5.~~ *7.5. Non-transferability of Awards*

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

~~7.6.~~ <u>7.6.</u> *Unfunded Liability*

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

(b) Nothing contained in the ~~Plan shall~~**<u>Compensation Program will</u>** be deemed to give any Participant, or any personal representative or beneficiary, any interest or title to any specific property of UTIMCO or any right against UTIMCO other than as set forth in the ~~Plan~~**<u>Compensation Program</u>**.

~~7.7.~~ <u>7.7.</u> *Compliance with State and Federal Law*

No portion of the ~~Plan shall~~**<u>Compensation Program will</u>** be effective at any time when such portion violates an applicable state or federal law, regulation, or governmental order or directive.

~~7.8.~~ <u>7.8.</u> *Federal, State, and Local Tax and Other Deductions*

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

~~7.9.~~ 7.9. Prior Plan

(a) ~~The Performance Incentive Plan restates and supercedes the Prior Plan.~~**Except as provided in the following paragraphs of this Section 7.9, this restatement of the Compensation Program amends and supersedes any prior version of the Compensation Program ("Prior Plan").**

(b) All nonvested deferred awards under ~~the~~**a** Prior Plan will retain the vesting schedule defined under the Prior Plan~~. However~~ **at the time such awards were allocated to the respective Participant's account. In all other respects**, as of the Effective Date, those nonvested deferred amounts will **(i)** be credited or debited with the Net Returns over the remaining deferral period in accordance with Section 5.7(a)~~. Nonvested deferred balances earned under the Prior Plan will~~ **and (ii)** be subject to the terms and conditions for Nonvested Deferred Awards under the ~~Plan, except the vesting period which will remain the same as it was under the Prior Plan, and when such amounts become vested, they will be subject to the terms and conditions for Vested Deferred Awards under the Plan~~**Performance Incentive Plan as set forth in this restated document**.

8. DEFINITION OF TERMS

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

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

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

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

8.5. Disability means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.

8.6. ~~8.5.~~ **Effective Date** is defined in Section ~~5.1(b).~~**1.**

8.7. ~~8.6.~~ **Eligible Position** is defined in Section 5.3(a).

8.8. ~~8.7.~~ **Entity Performance** represents the performance of the Total Endowment Assets **and the Intermediate Term Fund** (based on the **measurement** standards set forth in Section 5.8~~(a)~~).

8.9. ~~8.8. Incentive Award Opportunity is defined in Section 5.5(a).~~**Incentive Award Opportunity is defined in Section 5.5(a).**

8.10. Intermediate Term Fund or ITF is The University of Texas System ("U.T. System") Intermediate Term Fund established by the U.T. System Board of Regents as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by the U.T. System institutions and U.T. System Administration. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Intermediate Term Fund.

8.11. ~~8.9.~~ **Net Returns** is the investment performance return of the Total Endowment Assets, net of fees. Net of fees factors in all administrative and other fees for managing the Total Endowment Assets. The net investment return will be calculated as follows:

Permanent University Fund Beginning Net Asset Value ~~X~~x Permanent University Fund Net Investment Return

Total Endowment Beginning Net Asset Value

Plus

General Endowment Fund Beginning Net Asset Value ~~X~~x General Endowment Fund Net Investment Return
Total Endowment Beginning Net Asset Value

8.12. ~~8.10.~~ **Nonvested Deferred Award** is defined in Section 5.6.

8.13. ~~8.11.~~ **Nonvested Deferred Award Account** is defined in Section 5.7(a).

8.14. ~~8.12.~~ **Paid Performance Incentive Award** is defined in Section 5.6(a).

8.15. ~~8.13.~~ **Participant** is defined in Section 5.3(a).

8.16. ~~8.14.~~ **Peer Group** is a peer group of endowment funds maintained by the Board's external investment advisor that is ~~composed~~**comprised** of all endowment funds with assets greater than $1 billion ~~at~~ **on** the ~~beginning~~**last day** of each **of the three immediately preceding** Performance ~~Period and is set forth on Appendix B, as such Appendix B is amended from time to time.~~ **Periods; provided, however, that** Harvard University**'s endowment fund**, Yale University**'s endowment fund,** and Total Endowment Assets are excluded from ~~this peer group~~**the Peer Group**. The ~~peer group~~**Peer Group** will be updated ~~annually at the beginning of each Performance Period~~**from time to time as deemed appropriate by the Board**, and Appendix B will be amended accordingly.

8.17. ~~8.15.~~ **Performance Goals** are defined in Section 5.4.

8.18. ~~8.16.~~ **Performance Incentive Award** is the component of a Participant's total compensation that is based on specific performance goals and awarded as current income or deferred at the end of a Performance Period in accordance with Section 5 and Appendix A.

8.19. ~~8.17.~~ **Performance Incentive Plan** is **as** defined in Section **1 and Section** 5.

8.20. ~~8.18.~~ **Performance Measurement Date** is the close of the last business day of the month.

8.21. ~~8.19.~~ **Performance Period** is defined in Section 5.2.

8.22. Policy Portfolio Return is the benchmark return for the Intermediate Term Fund policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class multiplied by the benchmark return for the asset class) for the various asset classes in the Intermediate Term Fund portfolio for the Performance Period.

8.23. ~~8.20.~~ **Prior Plan** is ~~the UTIMCO Performance Compensation Plan, effective September 1, 2000.~~**defined in Section 7.9.**

8.24. ~~8.21.~~ **Salary Structure** is described in Section 4.1.

8.25. ~~8.22.~~ **Total Endowment Assets or TEA** means the combination of the Permanent University Fund and the General Endowment Fund, but does not include any other endowment funds monitored by UTIMCO such as the Separately Invested Fund. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.

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

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

REDLINE
2004 Plan vs. 2006 Plan

699533_7.DOC

Appendix A
~~UTIMCO Compensation Program~~

Performance Incentive Award Methodology
(for Performance Periods beginning on or after July 1, 2006)

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

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

~~2.~~ **Step 2.** Identify the percentage of base salary for the Participant's Eligible Position that determines the Performance Incentive Award for achievement of the Threshold, Target, and Maximum levels of the Performance Goals. The percentages vary for each Eligible Position **each Performance Period** and are set forth in ~~the chart in Section 5.5(b)~~**Table 1 on Appendix C for the applicable Performance Period**. For example, **Table 1 on Appendix C may show that for a Performance Period the applicable percentages for determining** the Performance Incentive Award for the President and CEO ~~is~~**are** 18% of his or her base salary for achievement of Threshold level performance of all three Performance Goals, 90% of his or her base salary for achievement of Target level performance of all three Performance Goals, and 180% of his or her base salary for achievement of Maximum level performance of all three Performance Goals.

~~3.~~ **Step 3.** Calculate the dollar amount of the **potential** Threshold, Target, and Maximum awards **(the "Incentive Award Opportunities")** for each

[1] These Incentive Award Opportunities represent amounts that each Participant will be awarded if he or she achieves his or her Performance Goals at varying levels and are calculated at the beginning of each Performance Period **or, if later, the date such Participant commences participation in the Performance Incentive Plan**.

Participant by multiplying the Participant's base salary for the Performance Period by the applicable percentage ~~in~~**(from** Step #2 above**)**. For example, assuming the President and CEO has a base salary of $4~~50,000 for the year~~**95,000 for a Performance Period, based on the assumed percentages set forth in Step 2 above**, the President and CEO will be eligible for ~~an award of~~ a total **award** of $8~~1,000~~**89,100** (18% of his or her base salary) if he or she achieves Threshold level performance of all three Performance Goals, $4~~05,000~~**445,500** (90% of his or her base salary) if he or she achieves Target level performance of all three Performance Goals, and $8~~10,000~~**891,000** (180% of his or her base salary) if he or she achieves Maximum level performance of all three Performance Goals.

~~4.~~ **Step 4.** Because a Participant may achieve different levels of performance in different Performance Goals and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Target performance in the Entity Performance Goal and be eligible to receive a Target award for that goal and achieve Maximum performance in the Individual Performance Goal and be eligible to receive a Maximum award for that Performance Goal), it is necessary to determine the ~~dollar amount (the "~~Incentive Award Opportunity~~")~~ of the Threshold, Target, and Maximum award for each separate Performance Goal **(and, because achievement of the Equity Performance Goal is determined in part by achievement of the Total Endowment Assets and in part by achievement of the Intermediate Term Fund, a Threshold, Target, and Maximum Incentive Award Opportunity separately for the TEA and the ITF must be determined)**. This is done by multiplying the dollar amount of the Threshold, Target, and Maximum awards for the performance of all three Performance Goals calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular Performance Goal~~. For example, as determined in Step #3 above, the President and CEO will receive a Performance Incentive Award of $405,000 if he or she achieves Target level performance of all three Performance Goals. This $405,000 is broken up per Performance Goal as follows: If the President and CEO achieves Target level performance in the Entity Performance Goal, he or she will be awarded $283,500 (his or her weight allocation of 70% for this Performance Goal multiplied by the $405,000), and if he or she achieves Target level performance in his or her Individual Performance Goal, he or she will be awarded $121,500 (his or her weight allocation of 30% for this Performance Goal multiplied by the $405,000). Note that, because no weight allocation is given to the President and CEO for the Asset Class Performance Goal, no amount of the $405,000 is allocated to the achievement of that Performance Goal.~~ **(and, further, by multiplying the Incentive Award Opportunity for the Equity Performance by the weight ascribed to achievement of the Total Endowment Assets (85%) and by the weight ascribed to achievement of the Intermediate Term Fund (15%)).**

~~5.~~ **Step 5.** After ~~Step~~**Steps #3 and** #4 above ~~is~~**are** performed for each of the three levels of performance for each of the three Performance Goals, there will be ~~nine~~**12** different Incentive Award Opportunities for each Participant. For example, for the President and CEO (based on ~~a Base Salary of $450,000 for the year), the nine~~**an assumed base salary of $495,000, the assumed weights for the Performance Goals set forth in Step 1 above, and the assumed percentages of base salary for the awards set forth in Step 2 above), the 12** different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

Incentive Award Opportunities for President and CEO
(based on assumed base salary of $495,000)

Performance Goal~~/Weight~~	**Weight**	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (~~70%~~**TEA v. Peer Group)**	**59.5% (.85 x .70)**	~~$56,700~~**53,015**	~~$283,500~~**265,073**	~~$567,000~~**530,145**
Entity (ITF v. Policy Portfolio Return)	**10.5% (.15 x .70)**	**$9,356**	**$46,778**	**$93,555**
Asset Class ~~(0%)~~	**0%**	$0	$0	$0
Individual ~~(30%~~	**30%**	~~$24,300~~**26,730**	~~$121,500~~ **133,650**	~~$243,000~~**267,300**
Total ~~(100%)~~	**100%**	~~$81,000~~**89,100** (18% of salary)	~~$405,000~~**445,500** (90% of salary)	~~$810,000~~**891,000** (180% of salary)

II. Calculate Performance Incentive Award for Each Participant

~~6. Determine~~**Step 6. Identify** the achievement ~~percentages~~**percentiles or achieved basis points** that divide the Threshold, Target, and Maximum levels for each Performance Goal. These divisions ~~are set forth in the chart in Section 5.8(b)(1)~~ for **the level of achievement of** the Entity and Asset Class Performance Goals~~. For example, as shown on the chart, achievement of the Entity Performance Goal in the 40th percentile is the Threshold performance level, achievement of the Entity Performance Goal in the 60th percentile is the Target performance level, and achievement of the Entity Performance Goal in the 75th percentile is the Maximum performance level. As shown on the chart, the achievement percentile for the Asset Class Performance Goal is based on the attained basis points for a particular type of investment. Thus the measurement of the level of achievement (i.e., Threshold, Target, or Maximum) for the Asset Class Performance Goal differs for each Participant depending on the assets under that Participant's investment control~~ **are set forth in the table for the applicable Performance Period (i.e., Table 2, Table 3, Table 4, or any later table set forth on Appendix D, as applicable)**. The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the Individual Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. If the Participant has no supervisor, the measurement for the level of achievement for the Individual Performance Goal is determined each Performance Period by the Compensation Committee.

~~7.~~ **Step 7.** Determine the percentile **or basis points** achieved ~~of~~**for** each ~~of the~~ Performance ~~Goals~~**Goal** for each Participant using the standards set forth in Sections 5.5 and 5.8 of the ~~Plan~~**Compensation Program**, as modified in the case of new hires in Section 5.9. **Determine the level of achievement of each Participant's Individual Performance Goal.**

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

~~9.~~ **Step 8. Calculate the amount of each Participant's award attributable to each Performance Goal by identifying the Incentive Award Opportunity amount for each Performance Goal (e.g., as set forth for the President and CEO in the table in Step #5 above) commensurate with the Participant's level of achievement for that Performance Goal (determined in Steps #6 and #7 above).** An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if the ~~54~~**65**th percentile **of the Total Endowment Assets portion** of the Entity Performance Goal has been achieved, ~~it~~**that percentile** is between the ~~Threshold (40~~**Target (60**th percentile) and the ~~Target (60~~**Maximum (75**th percentile) levels~~. To~~**, so to** determine the amount of the award attributable to ~~a 54~~**the 65**th percentile achievement **of the TEA portion** of the Entity Performance Goal, perform the following steps: (i) subtract the difference between the dollar ~~amount~~**amounts** of the ~~Threshold and~~ Target **and Maximum** Incentive Award Opportunities for the Participant (e.g., for the President and CEO, as illustrated in the ~~above~~ table~~,~~ **in Step #5,** the difference is $~~226,800 ($283,500 - $56,700~~**265,072 ($530,145-$265,073)**); (ii) divide ~~14~~**5** (the percentile difference between the ~~Threshold~~**Target** level of ~~40~~**60**th percentile and the attained level of ~~54~~**65**th percentile) by ~~20~~**15** (the percentile difference between the ~~Threshold level and the Target level)~~**Target level and Maximum level) to get the fraction 5/15 to determine the pro rata portion of the difference between Target and Maximum actually achieved**; (iii) multiply the amount determined in the preceding Step (i) by the ~~percentage~~**fraction** determined in the preceding Step (ii)~~;~~ **($265,072 x 5/15 = $88,357); and** (iv) add the amount determined in the preceding Step (iii) to the ~~Threshold~~ **Target** Incentive Award Opportunity for the Participant to get the actual award for the Participant attributable to each Performance Goal~~.~~ **($88,357 + $265,073 = $353,430).**

Step 9. In determining the award attributable to the Equity Performance Goal, achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 85% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the Equity Performance Goal (and commensurate award) is weighted at 15% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant). For example, assuming a base salary of $495,000, if the President and CEO achieved the Target level (60th percentile) of the Total Endowment Assets portion of the Entity Performance Goal and achieved the Maximum level (+65 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of $358,628 for his or her level of achievement of the Equity Performance Goal as follows: $265,073 for Target level of achievement of the TEA portion of the Equity Performance Goal (.85 x .70 x $445,500); plus $93,555 for Maximum level of achievement of the ITF portion of the Equity Performance Goal (.15 x .70 x 891,000).

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

~~11. Add~~**Step 11. Subject to any applicable adjustment in Step #12 below, add** the awards determined in ~~Step~~**Steps** #8 and~~/or Step~~ #9 above **for each Performance Goal (as modified by Step #10)** together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.

Step 12. In the case of any Participant who becomes a Participant in the Performance Incentive Plan after the first day of the applicable Performance Period, such Participant's Performance Incentive Award (determined in Step #11) will be prorated to reflect the actual portion of the Performance Period in which he or she was a Participant. In the case of a Participant who ceases to be a Participant prior to the end of a Performance Period, his or her entitlement to any Performance Incentive Award is determined under Section 5.10 and, in the case of such entitlement, such Participant's Performance Incentive Award, if any, will be prorated and adjusted as provided in Section 5.10.

~~APPENDIX~~Appendix B

UTIMCO ~~PEER GROUP~~Peer Group

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

Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale and Total Endowment Assets) with total assets in excess of $1 billion as of each fiscal year end June 2003, 2004, and 2005.

Appendix C

Eligible Positions
Weightings
Incentive Award Opportunities for each Eligible Position
(for each Performance Period)

REDLINE
2004 Plan vs. 2006 Plan

TABLE 1 (2005/2006 Performance Period)

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

Appendix D

Benchmarks for Asset Class
Threshold, Target, and Maximum Performance Standards
(for Performance Periods beginning on or after July 1, 2006)

Performance Standards for Intermediate Term Fund
(for Performance Periods beginning on or after July 1, 2006)

REDLINE
2004 Plan vs. 2006 Plan

TABLE 4 (7/1/06 through 6/30/07)

Asset Class	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>$1 B assets)	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+32.5 bps	+65 bps
US Public Equity	Russell 3000 Index	20%	15%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	5%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	5%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index	10%	12.5%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index	15%	12.5%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	0%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	0%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	10%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	5%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	10%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	25%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	0%	+0 bps	+0 bps	+0 bps

Agenda Item
UTIMCO Board Meeting
July 13, 2006

Agenda Item: Report from Compensation Committee on discussion and consideration of Eligible Positions, Weightings, and Incentive Award Opportunities for UTIMCO Compensation Program Participants for the 2006-2007 performance period.

Developed By: Boldt

Presented By: Ferguson, Boldt

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

Description: The Compensation Program states that the UTIMCO Board will confirm Eligible Positions, Weightings and Incentive Award Opportunities for each performance period. The Incentive Award Opportunity is determined by the UTIMCO Board and is expressed as a percentage of base salary earned during the performance period. The Eligible Positions, Weightings and Incentive Award Opportunities are reported in Table 1, section 5.5 for the 2005-2006 performance period.

Recommendation: The Compensation Committee recommends that the UTIMCO Board approve the proposed changes to the Eligible Positions, Weightings, and Incentive Award Opportunities.

Discussion: Committee and staff will discuss proposed changes to the Eligible Positions, Weightings, and Incentive Award Opportunities based on the results of the 2006 Mercer Compensation Assessment and Incentive Plan Review and the 2006 CEO Evaluation Letter.

Reference: UTIMCO Compensation Program

RESOLUTION RELATED TO ELIGIBLE POSITIONS, WEIGHTINGS, AND INCENTIVE AWARD OPPORTUNITIES

RESOLVED, that the UTIMCO Board hereby approves the Eligible Positions, Weightings, and Incentive Award Opportunities for Participants in the UTIMCO Compensation Program (the "Plan") for the 2006-2007 performance period, as presented, and that the Eligible Positions, Weights, and Incentive Award Opportunities be approved for inclusion in Appendix C of the Plan.

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
July 13, 2006

Agenda Item: Discussion and Consideration of UTIMCO 2006-2007 Budget

Developed By: Lee, Moeller, Boldt

Presented By: Boldt, Moeller

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

Description: This agenda item presents the recommended UTIMCO 2006-2007 Operating Budget, Capital Budget, and Fee Schedule for UTIMCO Board approval. The presentation includes a comprehensive overview of all operating and investment expenses and an analysis of current and projected cash reserves.

Recommendation: UTIMCO staff recommends that the UTIMCO 2006-2007 Operating Budget, Capital Budget, and Fee Schedule be approved as presented.

Discussion: UTIMCO staff recommends a total operating budget of $56,122,249 for the 2006-2007 fiscal year, a 15.6% increase over the prior year. One primary reason for the increase in the total budget is the costs associated with managing the new Intermediate Term Fund (ITF). The prior year budget only included a partial year of expenses for this new fund. The current year budget includes a full year of both operating and direct fund expenses for the ITF. A complete analysis of all elements of the budget and the reasons for all changes are included in the analysis. In addition, an analysis of our cash reserves is included.

Reference: UTIMCO 2006-2007 Operating Budget

RESOLUTION RELATED TO BUDGET

RESOLVED, that the Corporation's Operating Budget, Capital Budget, and Fee Request for the period September 1, 2006 through August 31, 2007 be, and is hereby approved, subject to approval by the U. T. System Board of Regents.

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

2006-2007

Proposed Operating Budget, Capital Budget, and Fee Schedule

July, 2006

Guiding Principles

- Continue decentralized budget process consistent with the specialist organizational structure. Managing Directors and Managers have budget responsibility, final budget decisions are still made by CEO.
- Complete transition of organizational structure; modifying where necessary to complement the first full year of the new ITF Funds.
- Add additional staff and resources necessary to efficiently and effectively manage the operations of the new ITF Funds.
- Continue to maintain favorable relative cost comparisons for UTIMCO costs using Cambridge Associates Cost-Study data.

Process & Timeline Overview

Apr 25th	Completed February Financial Statements & Year End Projections
May 5th	Distribute Budget Packet and Detailed Instructions to Managing Directors
May 24th	Budget Worksheets due back from CEO and Managing Directors
May 31st	Initial Draft of Comprehensive Budget to CEO
May 31st	Draft UTIMCO Services Budget to UT System
Jun 1st-9th	CEO Detailed Budget Review
Jun 13th	Compensation Committee & Board Approval of Salaries
Jun 14th	Draft Direct Funds Budget to UT System
June 21st	Initial Comments Back from UT System
Jun 29th	Budget Documents included in UTIMCO Board Packet
July 13th	Budget Review and Approval by UTIMCO Board
Aug 10th	Budget Review and Approval by UT Board of Regents

Operating Budget Overview

Budget Overview

	Proposed Budget 2006-2007 Fiscal Year	Current Budget 2005-2006 Fiscal Year	Increase (Decrease)	%
UTIMCO Services	12,702,980	11,434,302	1,268,678	11.1%
Direct Costs to Funds	43,419,269	37,111,691	6,307,578	17.0%
Total Proposed Budget	$ 56,122,249	$ 48,545,993	$ 7,576,256	15.6%
As a Percent of Assets Managed	0.290%	0.277%	0.013%	

2005 - 2007 Operating Budgets

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

	2004-2005 Budget	2004-2005 Actual	2005-2006 Budget	2005-2006 Projected	2006-2007 Budget	% Change from 2006 Budget
UTIMCO Services						
Salaries and Wages + vac	4,780,040	4,203,100	5,463,555	5,042,055	5,815,449	6.4%
Bonus Compensation + Earnings	1,704,253	2,094,447	1,778,784	1,648,224	2,109,876	18.6%
Total Compensation	6,484,293	6,297,547	7,242,340	6,690,279	7,925,325	9.4%
Total Payroll taxes	293,831	313,637	345,516	298,759	371,838	7.6%
403(b) Contributions	360,425	304,359	415,102	375,114	426,313	2.7%
Group Health,Dental,AD&D,Life,GroupLTD	437,787	315,457	531,078	477,397	610,877	15.0%
Employee Benefit Services	6,000	3,949	6,000	5,450	4,715	-21.4%
	[illegible]	[illegible]	952,180	857,961	1,041,905	9.4%
Controls Assessment (Sarbanes Oxley)	95,000	0	136,500	122,110	124,000	-9.2%
Printing	120,000	132,196	150,665	163,790	182,250	21.0%
Bank fees	9,000	5,332	6,000	0	0	-100.0%
Rating agency fees	23,500	21,992	0	10,646	0	100.0%
Legal Fees	345,750	932,525	555,000	764,483	985,000	77.5%
Background Searches & Other	20,900	23,481	67,200	51,462	106,700	58.8%
Other Directs Total	1,704,450	2,173,835	2,229,285	2,133,157	2,958,950	32.7%
Total Direct Costs to Funds	**$ 27,696,238**	**$ 33,836,246**	**$ 37,111,690**	**$ 43,356,325**	**$ 43,419,268**	**17.0%**
Variance: Over (Under) Budet		6,140,008		6,244,635		
Total for Recurring Operations	**$ 38,146,853**	**$ 44,004,785**	**$ 48,545,992**	**$ 54,057,134**	**$ 56,122,247**	**15.6%**
Variance: Over (Under) Budet		5,857,932		5,511,142		
As a Percent of Assets Managed	**0.239%**	**0.275%**	**0.277%**	**0.308%**	**0.290%**	**0.013%**

Key Points – UTIMCO Services Budget

- Overall Budget Increase of $1,268,678 or 11.1%.
- This part of the UTIMCO Budget represents .066% of Assets Under Management; an increase of .001% over the 2005-2006 approved budget.
- $440,011 or 35% of the increase is directly related to new staff positions (4) needed to enhance ITF services and hire a full time compliance staff member as recommended by the UT System Audit Office.
- $359,022 or 28% of the increase is for personnel related costs for existing staff. Overall staff salaries increased 4.63%. Other minor increases are for insurance and employee benefits.
- $469,545 or 37% of the increase is related on-going operating costs, almost all of which is related to lease costs in the new facility, where (because we negotiated free occupancy in the new lease agreement) we have no lease expenses in the current year.

Capital Budget Request

New Proposed Capital Expenses	
Computer Server Replacements and Related Software Licenses	$ 75,000
Staff Computer and Monitor Replacements	15,000
Phones and Related Equipment	6,000
Software License Upgrades (Primary SQL and Exchange)	10,000
Allowance for Office Artwork and Framing	15,000
Allowance for Computers - 4 New Staff	16,000
Additional Furniture Purchases	30,000
New Asset Purchases	**$167,000**

Key Points – Direct Funds Budget

- Overall Budget Increase of 17% or $6,307,578.
- This part of the UTIMCO Budget represents .224% of Assets Under Management, an increase of .012% over the level in the 2005-2006 approved budget.
- Almost all of this increase is attributable to increased external manager fees resulting from 3 factors:
    1. The amount of the external manager fees will increase because the ITF will exist for the full budget year. The prior budget only had a partial year estimate for these expenses.
    2. With the departure of our REITS Internal Manager, we were forced to hire an external manager, resulting in a management fee increase of approximately $2.4 million.
    3. We have enhanced the methodology of estimating the performance-based external manager fees that results in a higher, though more accurate, estimate of these performance fees.
- We have also recognized significant cost reductions (47%) in our custodian fees, resulting in a savings of almost $1.1 million.
- Consultant fees have increased with the addition of a proposed Risk Consultant and an advisor to Marketable Alternatives staff.
- Legal Fees have increased because we have 1) entered into more complex transactions, increasing the cost per investment, and 2) the number of investment opportunities has increased significantly.

New Staff Positions

Sr Analyst - Quantitative

With our continued emphasis on "Value-Added", this staff position would be dedicated to specifically research, synthesize, and structure potential internally managed high PVA investments on behalf of the UT Endowments (functions that existing staff have not had time to pursue). This would help ensure future implementation of some direct investment or hybrid applications, overlays, and long and short positions in first and second-order derivative investment ideas (volatility, structured products) that are key to future success.

Analyst – Public Markets - ITF

This analyst will be responsible for assisting with the research, analysis, and recommendation of active managers and investment ideas that will facilitate the growth and success of the Intermediate Term Fund.

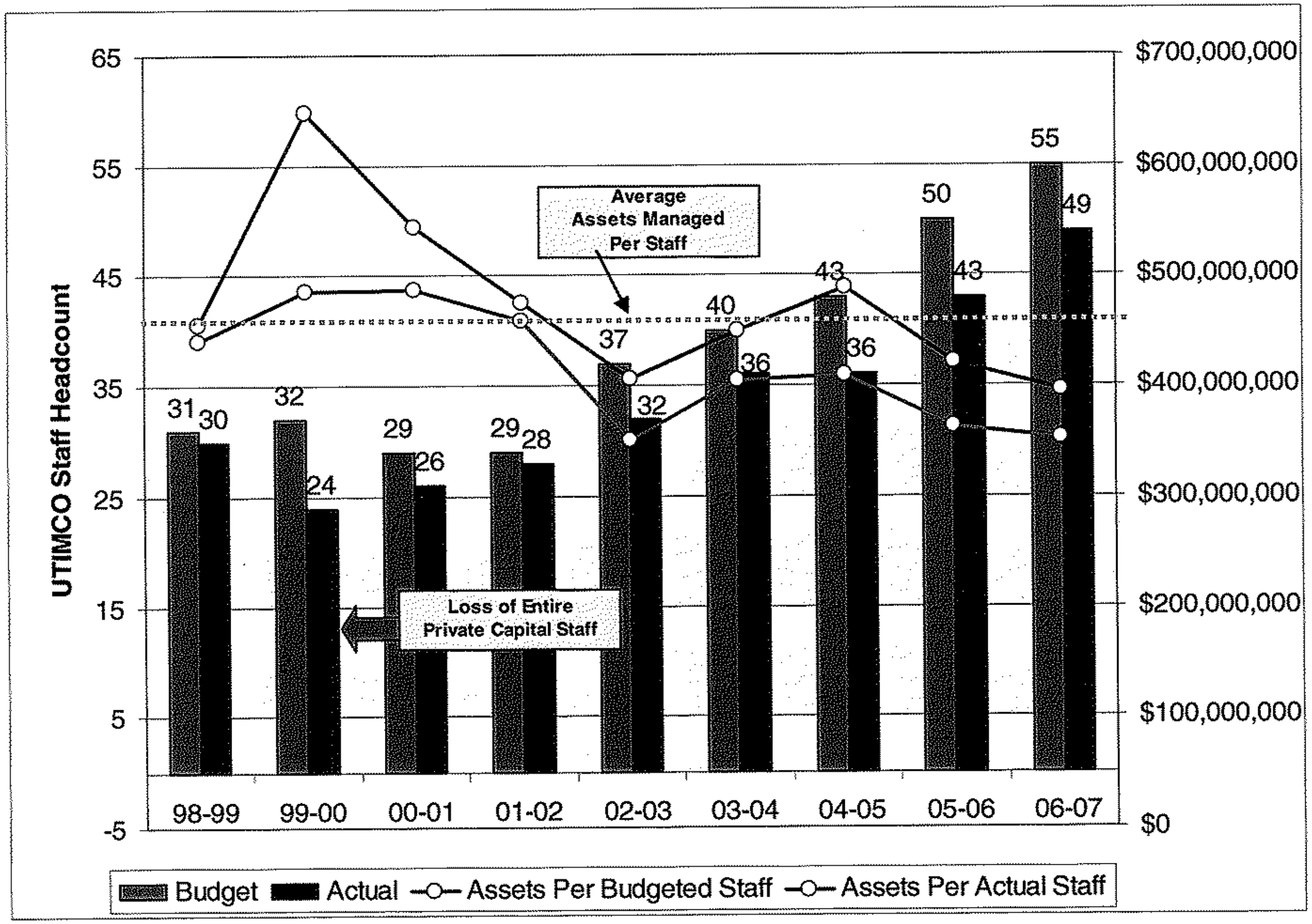
Compliance Officer / Staff Member

This position was recommended by the UT System Audit Office and we envision the duties and responsibilities to include annual updating of investment risk assessment and testing, development and updating of investment compliance policies, monitoring compliance of investment policies and investment guidelines by internal and external managers, monitoring compliance with external manager contracts, and reporting to the Chief Compliance Officer and the UTIMCO Board. These functions are currently performed by accounting staff, in addition to their full time accounting responsibilities.

Administrative Assistant – Accounting & Operations

This position would report directly to the Manager of Investment Reporting and the Manager of Accounting & Operations. Their responsibilities would include advance word processing and computer skills necessary to prepare and maintain the various accounting and performance reports, including financial statements for the funds. They would also provide valuable administrative assistance to the other 10 accounting staff members, thus allowing them to make better use of their time and focus their efforts on priorities and new initiatives.

Staff Headcount



$AUM Per Staff

Projected Cash Reserves

Cash Reserves at 2-28-2006		
Cash		3,851,171
Investments		0
Prepaid Expenses		586,140
Less: Accounts Payable		(1,717,296)
Deferred Rent		0
Additional Projected Surplus thru August 31, 2006		391,268
Expected Cash Reserves @ 8-31-2006		**$ 3,111,283**
2007 Proposed Operating Budget	12,702,980	
Applicable Percentage	25%	3,175,745
2007 Proposed Capital Expenditures	167,000	167,000
Required Cash Reserves		**$ 3,342,745**

Conclusion: No Surplus Cash Reserves Will Exist to Rebate back to the UT Investment Funds

UTIMCO 2005 – 2006
Proposed Fee Schedule

Proposed Budget	Fund Name						Separate Funds	Total
	PUF	PHF	LTF	GEF (PHF LTF)	ITF	STF		
Market Value 2/28/06 ($ millions)	9,798.6	966.0	4,262.4	5,228.4 (3)	2,920.0	1084.8	326.9	19,358.7
UTIMCO Services(1)	5,873,286	761,673	3,530,819		2,537,204			12,702,980
Direct Expenses of the Fund								
External Management Fees	9,293,270	0	0	4,873,976	2,679,852	N/A (2)		16,847,098
External Management Fees - Performance Based	11,371,179	0	0	5,938,141	3,276,529			20,585,849
Other Direct Costs	2,953,528	18,863	160,249	1,845,533	1,008,149			5,986,321
Total Direct Expenses of the Fund	23,617,976	18,863	160,249	12,657,650	6,964,530		0	43,419,269
TOTAL	**29,491,262**	**780,536**	**3,691,068**	**12,657,650**	**9,501,734**	N/A (2)	**0**	**56,122,248**
Percentage of Market Value								
UTIMCO Services	0.060%	0.079%	0.083%	0.000%	0.087%	0.000%	0.000%	0.066%
Direct Expenses of the Fund	0.241%	0.002%	0.004%	0.242%	0.239%	0.000%	0.000%	0.224%
TOTAL	**0.301%**	**0.081%**	**0.087%**	**0.242%**	**0.325%**	**0.000%**	**0.000%**	**0.290%**
2006 Costs by Comparison	**0.288%**	**0.080%**	**0.090%**	**0.217%**	**0.236%**	**0.000%**	**0.000%**	**0.277%**
							Cost Differential	**0.013%**

Summary of Cost Component Changes:

Increase for Recurring UTIMCO Operating Costs	0.001%
Increase to ITF Expenses - Full Year	0.004%
Increase to On-Going Direct Fund Expenses	0.008%
	0.013%

(1) Allocation Ratio: PUF-46%, PHF-6%,LTF-29%, ITF-19%
(2) Income is net of fees
(3) Pooled Fund for the collective investment of the PHF and LTF
(amounts may not foot due to rounding adjustments)

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
July 13, 2006

Agenda Item: Discussion and Consideration of Recommended Permanent University Fund Distribution Amount

Developed By: Boldt, Moeller

Presented By: Boldt

Type of Item: Action Item; Action Required by UTIMCO Board; Action required by U.T. System Board of Regents

Description: The Permanent University Fund ("PUF") Investment Policy Statement provides the guidelines to calculate the distribution amount and provides the spending policy objectives of the PUF. The recommendation for the distribution amount is discussed in the attached Recommendation of PUF Distribution Amount and is based on the PUF Investment Policy Statement.

Recommendation: UTIMCO staff recommends that the UTIMCO Board approve the distribution from the PUF to the Available University Fund in the amount of $400,685,603 for fiscal year 2006-07. The proposed amount is an increase of 12.1% over the prior year distribution of $357,337,255.

Reference: Recommendation of PUF Distribution Amount
PUF Investment Policy Statement

RESOLUTION RELATED TO PUF DISTRIBUTION AMOUNT

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from $357,337,255 to $400,685,603 for fiscal year 2007, effective with the September 1, 2006 distribution; and

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund be approved and adopted by this Corporation's Board of Directors, subject to approval by The University of Texas System Board of Regents.

Recommendation of PUF Distribution Amount

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12 - quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year. Per this formula, the amount to be distributed from the PUF for Fiscal Year 2006-2007 is $400,685,603 as calculated below:

Quarter Ended		Net Asset Value
5/31/03		6,850,946,583
8/31/03		7,244,827,576
11/30/03		7,655,088,067
2/28/04		8,218,934,425
5/31/04		7,997,992,228
8/31/04		8,087,877,617
11/30/04		8,648,150,213
2/28/05		8,832,164,283
5/31/05		8,899,839,516
8/31/05		9,426,742,792
11/30/05		9,564,640,080
02/28/06		9,798,633,228
	$	101,225,836,608
Number of Quarters		12
Average Net Asset Value	$	8,435,486,384
Distribution Percentage		4.75%
FY 2006-07 Distribution	**$**	**400,685,603**

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the U.T. Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U.T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of $400,685,603 is substantially greater than scheduled PUF Debt Service of $136,523,348 projected for FY 2006-2007.

System	Debt Service
U. T.	$ 91,386,688
TAMU	45,136,660
Total	$ 136,523,348

Sources: U. T. System Office of Finance
Texas A&M University System Office of Treasury Services

2. The U. T. Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2006 was 3.77%, which indicates that the purchasing power test was met.

Average Annual	Percent
Rate of Total Return	9.78%
Mineral Interest Receipts	1.46%
Expense Rate	(0.18)% (1)
Inflation Rate	(2.58)%
Distribution Rate	(4.71)%
Net Real Return	**3.77%**

(1) Paid from AUF until 1/01/00

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. Board, (except as necessary to pay PUF bonds debt service). The annual distribution rate calculated using the trailing 12 - quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
$8,435,486,384	$400,685,603	**4.75%**	7.00%

(1) Source: UTIMCO

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
July 13, 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 8

Agenda Item
UTIMCO Board of Directors Meeting
July 13, 2006

Agenda Item: Discussion and Consideration of Hedge Fund Benchmark Issues

Developed By: Boldt, Iberg

Presented By: Boldt

Type of Item: Action required by UTIMCO Board; further action required by U.T. Board of Regents

Description: This item pertains to recent ongoing and disruptive developments impacting the MA benchmark for the Hedge Fund asset class and a recommendation to adopt a new benchmark for the Hedge Fund asset class, the MSCI Investable Hedge Fund Index effective January 1, 2006.

Recommendation: Subject to approval of the U.T. Board of Regents, amend Exhibit A of the Investment Policy Statements for the PUF, GEF, and the ITF, to adopt a new benchmark for the Hedge Fund asset class effective January 1, 2006 for the PUF and GEF and February 1, 2006 for the ITF, and recommend to the U.T. Board of Regents that, following their approval of such amendments, the investment performance reports for the PUF, GEF and ITF should be restated consistent with such amendments. Also, upon adoption of the new benchmark by the U.T. Board of Regents, authorize staff to update Hedge Fund benchmark in the UTIMCO Compensation Program (Tables 3 and 4) in accordance with the approved effective date.

Discussion: Since September 2005, the MA Group has used a composite of Standard & Poors (S&P) "investable" hedge fund indices as the benchmark for the hedge fund portfolio. The integrity and reliability of these indices have been called into question since the investment manager, PlusFunds, had disputed dealings with Refco in late 2005 and subsequently filed for bankruptcy in early 2006. UTIMCO Staff has conducted a thorough review of alternative benchmark solutions for the portfolio and recommends a new benchmark, MSCI Investable Hedge Fund Index, be used for the Hedge Fund asset class, which includes Directional and Absolute Return Hedge Funds, effective January 1, 2006 for the PUF and GEF, and February 1, 2006 for the ITF. January 1, 2006 is recommended as the first starting date for the new benchmark as this date coincides with Refco's claim against PlusFunds, the catalyst that created the disruptive developments surrounding the S&P investable indices. Details are more fully described in the attached letter to the UTIMCO Board dated June 22, 2006. The effect of the retroactive change for the period of January through April of 2006 is a reduction in the benchmark performance of -.06%. The effect of the retroactive change for this four month period on the policy portfolio benchmarks for the PUF and GEF is a reduction of -.02%. The effect of the retroactive change for the ITF's policy portfolio benchmark for the period of February through April of 2006 is a reduction of -.08%. The effect on the asset class benchmark for this three month period is a reduction of -.34%.

On June 28, 2006, S&P announced that due to the diminishing number of managed accounts and their distribution in the index as of July 1, 2006, the S&P investable hedge fund indicies will not be representative of the broad range of strategies that hedge funds employ and therefore will no longer be published.

Reference: Attachments: Bob Boldt's June 22, 2006 letter to UTIMCO Board, Dow Jones Newswire Story dated June 2, 2006, S&P press release dated June 28, 2006, UTIMCO Staff position paper, Cambridge Associates supporting recommendation and a marked version of Exhibit A of the Investment Policy Statement for the PUF, GEF, and ITF showing the benchmark change.

RESOLUTION RELATED TO EXHIBIT A AND RESTATEMENT

RESOLVED, that amendments to Exhibit A of the Investment Policy Statements of the Permanent University Fund (PUF), General Endowment Fund (GEF) and Intermediate Term Fund (ITF) establishing a new benchmark for Hedge Funds, effective January 1, 2006 for the PUF and GEF and February 1, 2006 for the ITF, all as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents; and further

RESOLVED, that the Board recommends to the U.T. System Board of Regents that, following their approval of such amendments to the Investment Policy Statements, the investment performance reports for the PUF, GEF and ITF should be restated consistent with such amendments; and further

RESOLVED, that, upon approval of such amendments by the U.T. System Board of Regents, the Hedge Fund benchmark in the UTIMCO Compensation Program (Tables 3 and 4) shall be updated consistent with such amendments.

UTIMCO 1996

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

June 22, 2006

MEMORANDUM

TO: The University of Texas Investment Management Company - Board of Directors

H. Scott Caven, Jr., Chairman
Woody L. Hunt, Vice-Chairman
Mark G. Yudof, Vice-Chairman for Policy
Clint D. Carlson
J. Philip Ferguson
Colleen McHugh
Erle Nye
Robert B. Rowling
Charles W. Tate

FROM: Bob Boldt and Cathy Iberg

SUBJECT: Recent Developments with S&P Hedge Fund Index

We want to inform you of recent and ongoing developments impacting the S&P Hedge Fund Index and its related sub-indices. As a reminder, since September 2005, the Marketable Alternatives Group has used a composite of S&P "investable" Indices as the benchmark for the MA portfolio. The S&P Hedge Fund investable Indices are managed by PlusFunds (a typical fund-of-funds manager) under a license agreement dated December 20, 2001 via managed accounts in the SPhinX fund names. Approximately 40 hedge fund managers agreed to manage separate accounts for PlusFunds to be constituents of the S&P Indices. Separate accounts were required because the hedge fund managers also had to agree to provide monthly liquidity for both contributions and withdrawals. We had selected this set of Indices as our benchmarks for the Absolute Return and Directional Hedge Fund pools at UTIMCO because of the reputation of the provider (S&P, <u>not</u> PlusFunds), the fact that the Indices were actually investable, and the close degree of correlation between the Indices and the actual performance of our hedge fund pools.

Unfortunately, Standard and Poors has done an exceptionally poor job of managing a difficult situation that has arisen with its PlusFunds partner, and as a result, the S&P Indices are no longer reliable as benchmarks. As indicated above, PlusFunds is the investment manager hired to manage the funds underlying the Indices through a licensing agreement with S&P. In addition to the S&P Hedge Fund Index funds managed on behalf of S&P, PlusFunds also had agreements with Refco to manage alternative investment vehicles. As you know, Refco filed for bankruptcy protection in October of 2005. It was these agreements with Refco that have now resulted in the demise of PlusFunds. Approximately $312 million in collateral held by Refco for PlusFunds for the managed accounts under their relationship with Refco became a potential claim for the benefit of Refco creditors as a part of the Refco bankruptcy process. A portion of these assets were in an account included in the S&P Managed Futures sub-index which was a constituent of the overall S&P Hedge Fund Index, and, therefore, also a constituent of UTIMCO's benchmarks for the Marketable Alternatives hedge fund pools. In December, 2005, Refco creditors sued

PlusFunds alleging that assets had been transferred from Refco to PlusFunds at a time when Refco was not releasing assets to other investors. As a result of this suit, the Refco bankruptcy judge froze $312 million in the SPhinX Managed Futures Fund, the index fund that had been jointly managed by PlusFunds and Refco. This claim was settled in April, 2006, forcing PlusFunds to return $263 million of its clients' assets to Refco creditors. As a general partner with no assets and a liability of $263 million to its limited partner clients, PlusFunds filed for bankruptcy protection in March, 2006. The three top executives at PlusFunds have resigned and assets under management at the firm have fallen sharply (but not to zero!). Incredibly, S&P did not disclose <u>any</u> of these issues publicly, and by continuing to post daily returns from the now-dysfunctional Indices, may be actually encouraging ongoing investments by ill-informed investors! When the PlusFunds/Refco managed futures account value went to zero when the bankruptcy judge froze the collateral, S&P simply dropped that fund from the Index (without counting it as a -100% return) and calculated the value of the Index on the basis of the other constituents. We now know that several hedge fund managers that were managing separate accounts included in the Indices have closed the separate accounts at PlusFunds, and thus, the number of managers behind the indices has fallen well below the number any reasonable person would consider "representative." In fact, it is hard for us to understand why any respectable hedge fund manager would continue to manage accounts under the current circumstances unless there are contractual covenants or the managers are simply not aware of the facts.

S&P is in full "fortress mode" at this time. Cathy and her team have had conversations with top S&P managers and were astonished by their responses to very basic questions. S&P still contends the returns published for the indices are "reliable." S&P has no control over the management company responsible for the funds carrying the S&P brand name! In fact, in March of 2006, S&P filed an objection with the US Bankruptcy Court to forbid PlusFunds from assigning the S&P licensing agreement to another entity but this objection was overruled following a contested hearing in April. PlusFunds entered into a potential sale of substantially all their assets including the licensing agreement with S&P, but the deal eventually fell through, leading PlusFunds to announce on May 9th that it was winding down its affairs. So, in fact, any entity buying an interest in an S&P Hedge Fund Index today would have its money transferred to a bankrupt management company, PlusFunds (or to another company PlusFunds in its sole authority chooses), with no top employees and very few constituent hedge funds to manage the assets. Yet, the S&P officials told Cathy they have no current plans to stop providing return statistics for the Indices! The fact is that S&P has tremendous reputational and financial risk in this situation and is, in our opinion, managing that risk very poorly. In addition to the risk of suit by the holders of the S&P Indices, there may be hundreds of million of dollars worth of derivative contracts outstanding based on the Indices, all subject to claims that S&P knew about the problems with the Indices and failed to promptly disclose that information.

All of this leaves us with the task of selecting new Indices for our Marketable Alternatives benchmarks. <u>We want to emphasize that no funds managed by UTIMCO were lost or are at risk as a result of this debacle!</u> It seems to us that the cleanest break is to go back to January 1, 2006, and restate benchmark results going forward from that point. We have contacted Cambridge Associates and our new staff consultant, Albourne, an exclusive hedge fund advisory firm, to assist us in making a recommendation for the Board regarding necessary changes to the benchmark. Unfortunately, this will require a change to Investment Policy Statements for all the UTIMCO funds. It will also require a change to the benchmarks used to calculate performance compensation awards for the 2005 – 2006 Plan year. We plan to present a recommendation to the UTIMCO Board at the July 13th Board meeting.

Please call Cathy at 512-225-1619 (or email at <u>ciberg@utimco.org</u>) with any questions or comments.

cc: Francie Frederick, Office of the Board of Regents
Jerry Turner, Vinson & Elkins
Bruce Myers, Cambridge Associates
Scott Kelley, UT System Office of Business Affairs
Philip Aldridge, UT System Office of Finance
Cathy Swain, UT System Office of Finance
Barry Burgdorf, UT System Office of General Counsel
Keith Brown, UT Austin, McCombs School of Business

DOWJONES Newswires

S&P Says PlusFunds Woes Signal Demise Of Hedge-Fund Index
By Joseph Rebello
Of DOW JONES NEWSWIRES
549 words
2 June 2006
12:56
Dow Jones Corporate Filings Alert
English

WASHINGTON (Dow Jones)--Standard & Poor's said it expects to shut down its 4-year-old Hedge Fund Index, one of the first of its kind in the country, because of the collapse of a big hedge-fund operator linked to Refco Inc.(RFXCQ).

In papers filed with the U.S. Bankruptcy Court in Manhattan, S&P said the collapse of **PlusFunds** Group Inc. already has damaged the reliability of the index. **PlusFunds**' plan to liquidate two of its Sphinx hedge funds makes the termination of the index all but inevitable, S&P said late Thursday.

"It is a question of when - not whether - S&P will have to suspend the dissemination of the HFI," S&P said, referring to the index. The credit-rating agency said the suspension may occur "in the near future."

That index, launched in October 2002, was one of the country's first investable hedge-fund indexes. It tracks the daily performance of nine different hedging strategies, measured by results from about 40 constituent hedge funds.

PlusFunds, whose Sphinx funds were designed to track the performance of the index, provided some of the performance data used by S&P. But its entanglements with Refco landed **PlusFunds** in bankruptcy proceedings in March, and caused investors in the Sphinx funds to flee.

PlusFunds, which once managed more than $2.5 billion in assets, has said in court papers it plans to go out of business by the end of July. One of its funds, the Sphinx Managed Futures Fund SPC., recently agreed to pay $263 million to settle a lawsuit filed by Refco's creditors.

The creditors alleged **PlusFunds**' former chairman, Christopher Sugrue, improperly transferred $312 million in Sphinx funds from Refco accounts just days before Refco's bankruptcy filing last October. Refco was one of the country's biggest commodity brokerages at the time. Sugrue stepped down as **PlusFunds**' chairman earlier this year.

In its court papers, S&P said eight of the 40 constituent managers in the hedge-fund index have given **PlusFunds** notice of their intention to terminate their agreements with **PlusFunds.**

"In addition, some managers have initiated liquidation of the holdings in their managed accounts into cash," S&P said. "Each managed account that has liquidated into cash is no longer representative of the manager's reference fund."

Moreover, S&P said **PlusFunds** over the last week has "stopped sending S&P the daily report with manager-level returns that it has been providing for the past three years, because the employee who circulated that report has left." **PlusFunds** so far hasn't provided the monthly data for April that S&P needs.

PlusFunds has sought court approval to liquidate to Sphinx entities that it directly controls - Sphinx Investment Fund L.P., and Sphinx Managed Futures L.P. S&P said it didn't object to the liquidation, but wanted to inform all "interested parties" of the "substantial likelihood that S&P will soon be forced to suspend publication of the HFI."

-By Joseph Rebello, Dow Jones Newswires; 202-862-9279; joseph.rebello@dowjones.com [06-02-06 1456ET]

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STANDARD
&POOR'S

Press Release

S&P to Suspend Publication of the Managed Account-Based S&P Hedge Fund Index

New York, June 28, 2006 – Standard & Poor's, the leading provider of independent investment research, indices and ratings, announced the following today with regard to the S&P Hedge Fund Index (S&P HFI):

Due to the diminishing number of managed accounts and their distribution in the index as of July 1, 2006, the S&P HFI will not be representative of the broad range of strategies that hedge funds employ and therefore will no longer be published. Standard & Poor's is evaluating the publication of a monthly non-investable index value based on the funds themselves to provide continuity for those who utilize the S&P HFI as a benchmark.

About Standard & Poor's
Standard & Poor's, a division of The McGraw-Hill Companies (NYSE:MHP), is the world's foremost provider of independent credit ratings, indices, risk evaluation, investment research and data. With approximately 6,300 employees located in 21 countries and markets, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit http://www.standardandpoors.com.

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June 27, 2006

SUBJECT: Marketable Alternatives ("MA") Benchmark Review / June 2006

DEVELOPED BY: Cathy Iberg and MA Staff

MA Staff has completed a thorough study of alternative benchmark options for the MA Group that was initiated due to ongoing, disruptive developments with its current benchmark, a composite of Standard & Poors ("S&P") investable hedge fund indices. As detailed in the following pages, MA Staff recommends that the new benchmark be changed to the broad MSCI Investable Hedge Fund Index ("MSCI Index") effective January 1, 2006. This date coincides with the filing by Refco creditors, in December 2005, against PlusFunds, the manager for the managed accounts that report the representative returns of the S&P investable indices. For the period of January 1, 2006 through April 30, 2006 the resulting benchmark change is a downward adjustment of -0.06%. The May 2006 final performance numbers for the S&P index were unavailable as of the date of this memo.

Background

(See memo from Bob Boldt and Cathy Iberg dated June 22, 2006 to UTIMCO's Board of Directors)

Benchmark Options

Benchmarks are used to measure asset class performance in addition to measuring manager selection. MA strategies are broad and varied and exhibit the purest form of active management, characteristics that are not conducive to benchmarking. Nonetheless, a measure on how the MA program is doing must be undertaken in order to evaluate the success and shortfalls of the program. Success of a program against a given benchmark should be measured over a reasonable period of time (at least 3 to 5 years).

What are the qualifications of a good benchmark?

- The Benchmark should be Investable – the benchmark should fully and accurately represent the asset class in which the investor invests
- The Benchmark should be Transparent – the components that derive the benchmark return are known
- The Benchmark should be Objective – criteria or rules for inclusion or exclusion of the sources of return are objective
- The Benchmark should be an Accurate Measure – the benchmark calculation is a standardized measure

What are the benchmark options for measuring MA assets?

- Use a Risk Premium Approach
- Database of Hedge Funds
- Fund of Funds
- Investable Hedge Fund Indexes

How do the benchmark options meet the qualifications of a good benchmark?

	Investable & Representative	Transparent	Objective	Accurate Measure
Risk Premium	No (if used as a benchmark, must take a longer term view to compare results as benchmark is not investable and will exhibit large variations over shorter term time horizons)	Yes	Yes	Yes
Composite Database of Hedge Funds	No (Funds that represent the benchmark may be closed)	Yes	No (Selection Bias)	No (Survivorship and Instant History Bias) (Self-Reporting; Errors in Return Information are Unknown)
Fund of Funds Composite Index	Yes	No – underlying assets and leverage is unknown	Yes, however style biases may exist, therefore must use broad universe	No (Self-Reporting; Errors in Return Information are Unknown)
Investable Hedge Fund Indexes	Yes	Yes, in most cases	Yes, but there are practical considerations with managed account structures	Yes

Investable Hedge Fund Indexes

Some hedge fund indexes are "investable", meaning that they are constructed in such a way that investable products can be created based on the index. S&P, MSCI, Credit Suisse/Tremont and Hedge Fund Research are some of the firms that have created such an index. Investable hedge fund indexes are seen by some as a passive way of getting exposure to a relatively new asset class, without having to do the due diligence required when investing in single strategy hedge funds. There are fundamental differentiators in how these investable indexes are structured and managed by their providers. A brief summary of these differentiators is outlined below.

Index Provider	Representative	Transparent	Objective	Accurate Measure	Investment Management Structure
MSCI	Over 130 constituent funds across 13 investment strategies; over $3 billion in assets in MSCI hedge fund index products	List of current constituent funds and changes are available	MSCI maintains a disciplined index philosophy and methodology that has been in operation since 2002	Daily price estimates; weekly final pricing is independently verified by investment manager; quarterly rebalancing of index	Lyxor Asset Management, a unit of Societe Generale with $15 billion in managed accounts, is investment manager and provides due diligence, monitoring and risk management for managed accounts

Index Provider	Representative	Transparent	Objective	Accurate Measure	Investment Management Structure
Dow Jones	Approximately 34 constituent funds across 6 investment strategies; over $1.2 billion in assets in DJ hedge fund index products; fixed income arbitrage and systematic trading strategies are not represented	List of current constituent funds and changes are available	DJ has a standard methodology for designing indexes and develops guidelines for investment strategies	Daily price estimates and monthly final pricing; rebalancing is quarterly	Lyra, a business unit of Ursa, is the investment manager and provides due diligence and risk monitoring for managed accounts
Hedge Fund Research	Over 69 constituent funds across 8 investment strategies; lists of constituents and assets under management are only made available to investors in indexes	List of current constituent fund changes are available	Available methodology is brief	Daily estimates are available and monthly final pricing; rebalancing is quarterly	HFR Asset Management LCC serves as the investment manager; licensing agreement and contract structure is unavailable to non-investors
Credit Suisse / Tremont	60 Funds, 6 per sub-strategy; asset weighted construct	List of current constituent funds and changes are available	It has a detailed investment philosophy and methodology since 2001	Weekly estimated indications and monthly final pricing; rebalancing occurs semi-annually	Credit Suisse/Tremont LLC serves as index manager, and provides due diligence, monitoring and risk management for managed account

For reasons detailed below, MA Staff is recommending the MSCI Investable Hedge Fund Index as the benchmark to measure the performance of UTIMCO's MA portfolio. Both MSCI and Dow Jones were the leading options and are well-established providers of index information. Dow Jones was ultimately eliminated based on the representation of only 34 constituent funds, exclusion of certain hedge fund strategies, the size of the index at only $1.2 billion and their relatively unknown fund manager, Lyra. Hedge Fund Research was eliminated due to the lack of transparency in the information that is made available to non-investors. Credit Suisse/Tremont was eliminated because of its asset weighting methodology and its lower correlation to the MA portfolio when compared to the MSCI and Dow Jones indexes.

Discussion on MSCI Investable Hedge Fund Index

Launched in July 2003, the MSCI Index offers an investable hedge fund benchmark that is broadly representative of the hedge fund universe and is supported by a robust investment management platform. The stated objective of the index is to reflect aggregate performance of the hedge fund universe as available on a hedge fund platform by replicating the overall structure and composition of the universe through a diverse portfolio of hedge funds across a spectrum of investment strategies. The index is grounded in defined guiding principles:

- **Investable**: Index is constructed such that investors can replicate their performance through index-tracking vehicles, subject to the vehicles' size and capacity constraints.
- **Liquid and Tradable**: The index includes hedge funds that have relatively frequent liquidity from a range of hedge fund processes and strategies. There is weekly liquidity with the MSCI Index.
- **Representative**: The composite-level indices aim to reflect the diversity and relative importance (weights) of processes and strategies in the universe of hedge funds, subject to platform limitations and other index construction

principles mentioned below. The index uses the MSCI Hedge Fund Composite Index as the proxy for the universe and as a reference for determining strategy diversity and representation.

- **Diversified**: The index has over 130 constituent funds. When launched in July 2003, the index had just 64 constituent funds, so there has been consistent growth in representation. The index methodology is designed to ensure that the indices are not excessively concentrated in any single fund or fund management organization. At the composite level, the indices are also intended to remain diversified across investment segments. At the strategy level, fund and fund management organization concentration limits are also applied, however, given the more narrow focus of these indices, concentrations will be higher than for composite-level indices.
- **Neutral in Constituent Selection**: With respect to selection of funds on a given platform the index construction methodology is all inclusive, subject to the constituent eligibility criteria explained later. Additionally, constituents are equally weighted within a given investment segment, subject to investment capacity and manager concentration constraints.
- **Transparent**: The methodology for index construction and maintenance, including constituent eligibility criteria, is objective, rules-based and fully disclosed. Constituent information is made available to qualified investors. Methodology and constituent additions, deletions and weight changes are announced in advance of their implementation.

The MSCI Index incorporates a broad set of investment strategies that are representative of the entire hedge fund universe.

Investable Hedge Fund Index Reference Framework

Non-Directional

Process	Asset Class or Geography	Secondary Characteristics
Relative Value		
Arbitrage	Convertibles	
Arbitrage	Fixed Income	MBS
Arbitrage	Fixed Income	Ex-MBS
Arbitrage	Equity	
Merger Arbitrage		
Statistical Arbitra	North America	
Statistical Arbitra	Europe	
Multi-process		
Security Selection		
No Bias	North America	
No Bias	Europe	
Multi-Process Group		
Event Driven		

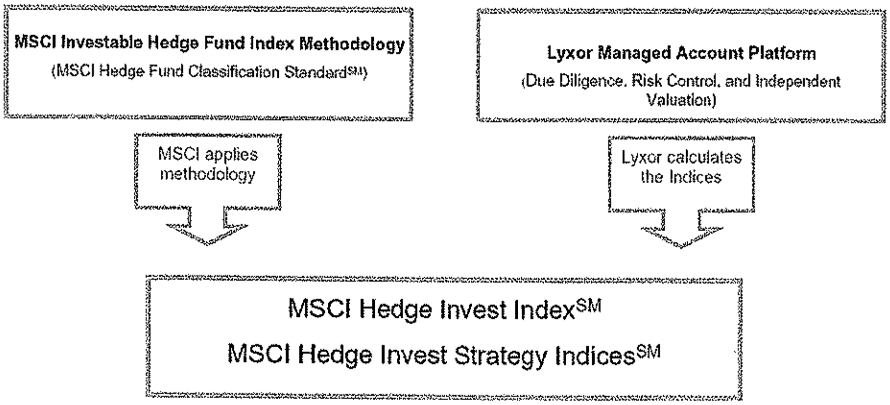
Enhanced Equity

Process	Asset Class or Geography	Secondary Characteristics
Security Selection		
Long Bias	North America	Small and Mid
Long Bias	North America	Mid and Large
Long Bias	North America	No Size Focus
Long Bias	Europe	
Long Bias	Japan	
Long Bias	Asia ex Japan	
Long Bias	Asia	
Long Bias	Emerging Markets	
Long Bias	Diversified	
Short Bias		
Variable Bias	North America	
Variable Bias	Europe	
Variable Bias	Diversified	

Directional

Process	Asset Class or Geography	Secondary Characteristics
Directional Trading		
Discretion.Trad Currencies		
Discretion.Trad Equities		
Discretion.Trad Diversified		
Tactical Allocation		
System.Trading Currencies		
System.Trading Diversified		
Multi-Process Group		
Multi-process		

The MSCI Index has an investment management relationship with Lyxor Asset Management, a Paris-based subsidiary of Societe Generale Group, which provides investment management services to the MSCI. MSCI entered into a five-year contract with Lyxor starting on May 24, 2003. In 1998, Lyxor established a robust managed account platform to provide secure and liquid access to hedge funds. Currently, the platform has approximately $15 billion in managed accounts, with $3 billion of these accounts dedicated to the MSCI Index. Importantly, the platform is open architecture (non-exclusive to MSCI) and is not reliant on any one product or investor type. The Index only contains hedge funds that are "open" to new investors and that have committed to standard market liquidity and capacity terms with Lyxor. Funds eligible for the indices are based on certain managed accounts where the assets are managed Lyxor. The respective roles of MSCI and Lyxor can be summarized as follows:



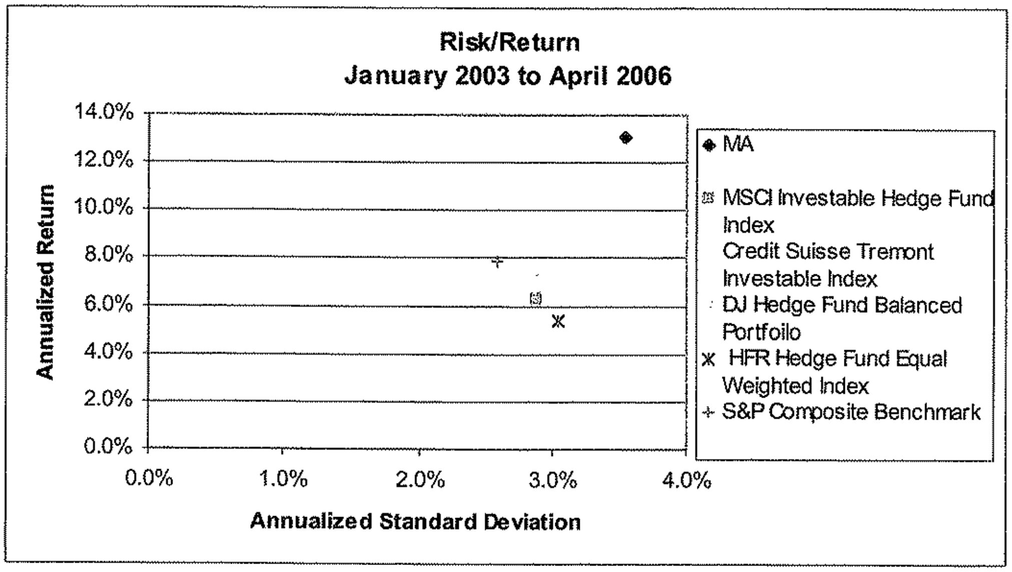
MSCI Roles

- Establishing the index objective and associated guiding principles
- Designing an objective and transparent index methodology
- Classifying eligible constituents under the appropriate hedge fund strategy
- Applying the index methodology
- Calculating and publishing index level and associated data
- Providing guidelines to the platform provider regarding the processes and strategies where new hedge funds should be added to the platform in order to better achieve the index strategy diversity and representation objectives

Lyxor Role

- Conducting due diligence on new funds for potential addition to the platform
- Negotiating capacity and liquidity with existing and new funds
- Maintaining sufficient investment capacity on the platform by pursuing new funds in processes and strategies that experience limited available investment capacity
- Monitoring and risk controlling the investment mandate of each hedge fund manager
- Pricing independently the underlying positions and hedge fund NAVs

The chart below highlights the return and risk characteristics of the MA portfolio, current S&P composite benchmark, and major board investable hedge fund indexes, including the MSCI Index for the time period of January 2003 to April 2006.



The chart below highlights the correlations of the MA portfolio, current S&P composite benchmark, and major broad investable hedge fund indexes, including the MSCI Index.

	MA	*MSCI Investable Hedge Fund Index*	*Credit Suisse Tremont Investable Index*	*DJ Hedge Fund Balanced Portfoilo*	*HFR Hedge Fund Equal Weighted Index*	*S&P Investable Hedge Fund Index*	*S&P Composite Benchmark*
MA	1.00						
MSCI Investable Hedge Fund Index	0.75	1.00					
Credit Suisse Tremont Investable Index	0.66	0.84	1.00				
DJ Hedge Fund Balanced Portfoilo	0.72	0.81	0.85	1.00			
HFR Hedge Fund Equal Weighted Index	0.84	0.93	0.89	0.92	1.00		
S&P Investable Hedge Fund Index	0.68	0.86	0.92	0.85	0.91	1.00	
S&P Composite Benchmark	0.74	0.85	0.91	0.91	0.93	0.97	1.00

For calendar year-to-date through April of 2006, the following chart illustrates performance of MA portfolio, current S&P composite benchmark, and the MSCI investable benchmark. Restating the benchmark using the MSCI index effective January of 2006 will result in a downward adjustment of -0.06%.

January 2006 - April 2006	MA	MSCI Investable Hedge Fund Index	S&P Composite Benchmark	Benchmark Difference (MSCI - S&P)
Cumulative Return	5.41%	4.79%	4.85%	-0.06%

Conclusion

Based on these findings, MA Staff recommends that the current MA benchmark be replaced by the MSCI Investable Hedge Fund Index effective January 1, 2006, coinciding with Refco's claim against PlusFunds in December 2005. This benchmark will be applied to the overall MA portfolio, including both Directional and Absolute Return strategies. The MSCI index upholds the discussed underlying tenets of a benchmark and also provides a broadly represented hedge fund universe to measure the performance of the MA portfolio. The key considerations are outlined below:

- The MSCI Investable Hedge Fund Index provides a well-diversified representation of the hedge fund universe, with over 130 constituent funds across 13 investment strategies.
- The index is investable, offering weekly liquidity to investors.
- The index provides required transparency with daily price estimates and final weekly prices. Valuations are verified independently.
- MSCI has a transparent structured index design philosophy and methodology that has been in operation since July 2002, for which the investable index was modeled after.
- Lyxor provides an experienced investment management platform that has been in existence since 1998 and provides diversified hedge fund-related products to the investment community. The platform has over $15 billion in managed accounts, with $3 billion of that total dedicated to the MSCI index products. The Paris-based entity is a subsidiary of global banking group, Societe Generale. The diversified capital base of this investment manager is a critical component to the stability of the MSCI relationship.

MA Staff has consulted with UTIMCO's consultant, Cambridge Associates, and MA Group's advisory service provider, Albourne. Both entities concur with MA Staff's recommendation. MA Staff expects to seek approval from the UTIMCO Board at the upcoming July 13, 2006 meeting.

C|A

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Memorandum

To: Board of Directors
University of Texas Investment Management Company

From: Hamilton Lee
Bruce Myers

Date: June 27, 2006

Re: Marketable Alternative Program Benchmarks

We have reviewed the memorandum circulated by UTIMCO staff regarding a change in benchmark for the marketable alternative portfolio. Given the existing opportunity set of available benchmarks, we support staff's selection of the MSCI Investable Hedge Fund Index. As we expect the universe of available benchmarks to expand over the coming years, we would expect that future asset allocation reviews would include a discussion of potential alternatives to the MSCI Investable Index.

EXHIBIT A

PERMANENT UNIVERSITY FUND AND GENERAL ENDOWMENT FUND
POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

	Percent of Portfolio (%)		
Asset Category	**Policy Targets**	**Policy Ranges**	**Benchmarks**
US Equities	**20.0**	**10 to 30**	Russell 3000 Index
Global ex US Equities	**17.0**	**10 to 30**	
Non-US Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	**25.0**	**15 to 27.5**	**MSCI Investable Hedge Fund Index***
Directional Hedge Funds	10.0	5 to 15	~~Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index~~
Absolute Return Hedge Funds	15.0	10 to 20	~~Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index~~
Private Capital	**15.0**	**5 to 15**	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	**13.0**	**5 to 20**	
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	**10.0**	**5 to 15**	Lehman Brothers Aggregate Bond Index
Liquidity Reserve	**0.0**	**-1 to 10**	90 Day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance**			
Net non-trading receivable			

Expected Annual Return (%)	8.34
1 yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

*Effective date: January 1, 2006

** 3 trading days or less

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**	**MSCI Investable Hedge Fund Index***
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
Liquidity Reserve	0.0	-1 to 20	90 Day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance**			
Net non-trading receivable			

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 (%)		127%
Lower Risk Bound: 1 yr Downside Deviation (%)		69%

* Effective date: February 1, 2006

** 3 trading days or less