

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



Presentation Materials

Board of Directors Meeting

July 30, 2007

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA**

July 30, 2007

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas

Time	Item #	Agenda Item
Begin 3:00 p.m.	End 3:05 p.m.	1
		Open Session: Call to Order
3:05 p.m.	3:25 p.m.	2
		Discussion and Consideration of Staff's Recommendation to select and contract with UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) to serve as a Placement Agent in connection with a proposed private sale of certain limited partnership interests*
3:25 p.m.	3:35 p.m.	3
		Discussion of the Investment Funds' Benchmark for the REITS Asset Category
3:35 p.m.		Adjournment

* Action by resolution required

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

Next Scheduled Meeting: September 21, 2007

TAB 1

Agenda Item
UTIMCO Board of Directors Meeting
July 30, 2007

- Agenda Item:** Discussion and Consideration of Staff's Recommendation to select and contract with UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) to serve as a Placement Agent in connection with a proposed private sale of certain limited partnership interests
- Developed By:** Shoberg, Eakman, McCarroll, Bigham
- Presented By:** Shoberg
- Type of Item:** Action item
- Description:** The Private Markets Investments staff will bring forth to the UTIMCO Board a recommendation to consider and approve negotiation of a possible contract for a placement agent for certain UTIMCO investments. The Private Markets Investments staff recommends that the UTIMCO Board contract with UBS Securities LLC to serve as the exclusive placement agent in connection with a proposed private sale of certain limited partnership interests. As such, Staff seeks approval to negotiate and execute a contract with UBS Securities LLC as Placement Agent for UTIMCO. As an alternative, Staff additionally seeks approval to negotiate and contract with Probitas Funds Group, LLC should UBS Securities LLC discussions not result in a final contract.
- Discussion:** Staff will provide background on its selection process with the UTIMCO Board and discuss criteria considered in Staff's recommendation to select UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) to serve as the exclusive placement agent for UTIMCO in connection with a proposed private sale of certain limited partnership interests.
- Recommendation:** UTIMCO staff recommends that the UTIMCO Board approve UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) to serve as the exclusive placement agent in connection with a proposed private sale of certain limited partnership interests and directs the staff to negotiate the contract with UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC).
- Reference:** None

RESOLUTION RELATED TO SELECTION OF PLACEMENT AGENT

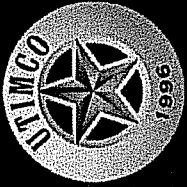
RESOLVED that the Board approves the selection of UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) as the exclusive placement agent for the Permanent University Fund of the State of Texas and the Board of Regents of The University of Texas System General Endowment Fund (the "UT Funds") in connection with a proposed private sale by the UT Funds of certain limited partnership interests and directs staff to negotiate and enter into a contract with UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) (the "Agreement"), conditioned on the receipt by the Chief Compliance Officer of UTIMCO of a certification of no pecuniary interest, as required by Section 4.04 of the UTIMCO Code of Ethics, from each director and key employee of UTIMCO.

RESOLVED FURTHER , that the Chief Executive Officer, any Managing Director or Vice President, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, in the name and on behalf of the Corporation, in its capacity as the investment manager of the UT Funds or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolution and to perform the obligations of the UT Funds under the Agreement.



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Placement Agent Approval July 30, 2007



Outline

- I. Secondary Review
- II. Placement Agent Selection Process
- III. Selection Criteria
- IV. Selection Results
- V. Conclusion



Secondary Review

Staff is Pursuing the Sale of a Portfolio of Non-Core Private Equity Assets:

- UTIMCO Goals:
 - Maximize value received for portfolio
 - Reduce drag on core portfolio returns
 - Sell as many non-core assets as possible
 - Maintain confidentiality and minimize negative reputation risk
- Portfolio Statistics (as of 3/31/07):
 - \$421M NAV, \$64M Unfunded Commitments
 - 25 Managers, 43 Funds
 - 92% PE / 8% VC, 99% U.S. / 1% Non-U.S.
 - Weighted Avg. Age = 7.2 Years, 94% drawn
- Recent Milestones/Progress:
 - Completed diligence and evaluation of placement agent finalists (UBS, Probitas, Cogent)
 - Continued direct discussions with market participants



Placement Agent Selection Process

- After preliminary discussions with a number of advisors and market participants, the Staff narrowed its scope to three well-respected candidates
 - Cogent Partners
 - Probitas Partners
 - UBS Securities LLC
- Completed full diligence on all candidates
 - Limited Partners
 - General Partners
 - Industry Professionals
- Maximized exposure to candidates through several face-to-face meetings
 - Examined UTIMCO portfolio and each firm's assessment on pricing
 - Discussed options (max price, max funds at fixed price, sell entire portfolio)
 - Evaluated current and near term work load
 - Evaluated deal team & firm
- Reviewed & negotiated formal proposals from each candidate

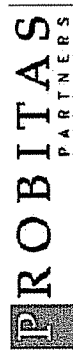


Selection Criteria Ability to Execute

<p>Resources:</p> <ul style="list-style-type: none"> • Dedicated Project Staff • Bench • Current Projects - Pipeline • Seniority • Transaction Experience • Stability – History of Organization 	<p>Chemistry/Fit:</p> <ul style="list-style-type: none"> • Conflicts of Interest • Interaction with Staff • Understanding of Portfolio • Pricing • Recent Success in Market
<p>General Partner Perception:</p> <ul style="list-style-type: none"> • Transaction Experience • Market Leverage • GPs Prior Experience - History 	<p>Distribution:</p> <ul style="list-style-type: none"> • Transaction Experience • Buyer Network • Interaction with Identified Buyer • Conflicts of Interest



Selection Results

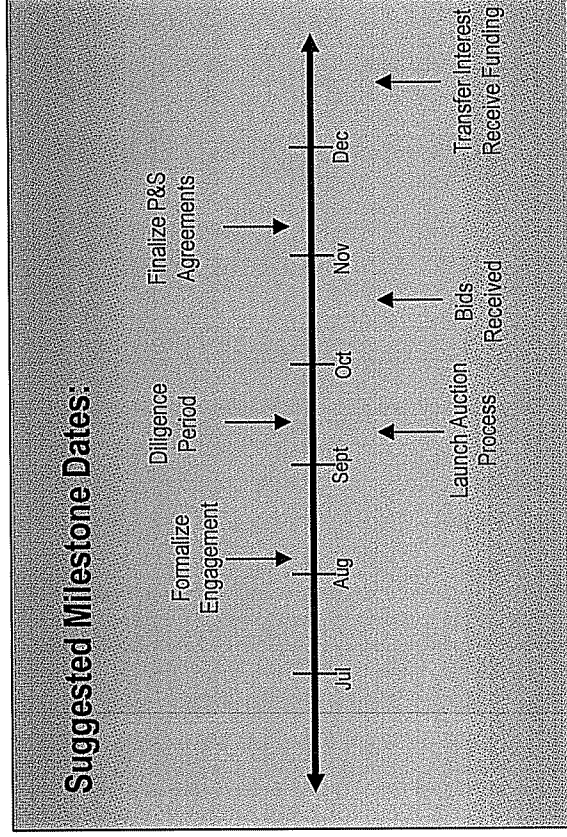


Resources:				
Chemistry/Fit:				
GP Perception:				
Distribution:				



Selection Results Key Terms/Timeline

- Timeline
 - Project Schedule
 - Engagement Term
- Fee Structure
 - Retainer
 - Expenses
 - Success Fee
- Other
 - Termination Rights
 - Key Man Provision





Conclusion

RESOLUTION RELATED TO SELECTION OF PLACEMENT AGENT

- RESOLVED that the Board approves the selection of UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) as the exclusive placement agent for the Permanent University Fund of the State of Texas and the Board of Regents of The University of Texas System General Endowment Fund (the "UT Funds") in connection with a proposed private sale by the UT Funds of certain limited partnership interests and directs staff to negotiate and enter into a contract with UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) (the "Agreement"), conditioned on the receipt by the Chief Compliance Officer of UTIMCO of a certification of no pecuniary interest, as required by Section 4.04 of the UTIMCO Code of Ethics, from each director and key employee of UTIMCO.

- RESOLVED FURTHER, that the Chief Executive Officer, any Managing Director or Vice President, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, in the name and on behalf of the Corporation, in its capacity as the investment manager of the UT Funds or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolution and to perform the obligations of the UT Funds under the Agreement.

TAB 2

Agenda Item
UTIMCO Board of Directors Meeting
July 30, 2007

Agenda Item: Discussion of the Investment Funds' Benchmark for the REITS Asset Category

Developed By: Moeller, Hill

Presented By: Zimmerman

Type of Item: Information Item

Description: This item pertains to the REITS benchmark for the Inflation Linked asset class

Discussion: The approved benchmark for the REITS asset class for the Investment Funds is the Dow Jones Wilshire Real Estate Securities Index (the "DJWRESI"). The DJWRESI that has been included in the Endowment Policy Portfolio return, and presented as the benchmark for the Investment Funds' REITS managers is the "Full Cap" style index as provided by Dow Jones Wilshire. For index construction purposes "Full Cap" style indices are based on the full shares outstanding for each security in the index. With the merger of Dow Jones and Wilshire in 2004, it was decided to phase-out all "Full Cap" style indices, and provide only "Float" style indices. For index construction purposes "Float" style indices are based on only the shares of each security in the index that are publicly traded. The DJWRESI Full Cap was transitioned out effective June 30, 2007, so effectively after that time Dow Jones Wilshire will not provide index information or returns based on the "Full Cap" construction methodology.

Based on discussions with Dow Jones Wilshire personnel, as of June 30, 2007 there was a \$15.8 billion difference in the market values of the securities tracked by their "Full Cap" style vs. their "Float" style index, which represents approximately 5% of the \$309.7 billion market value of the "Full Cap" index. Other than the shares of each security included in the index (All vs. only Publicly Traded) the composition and construction of the indices are the same. The table on the next page shows the annualized return and standard deviation differences between the two methodology styles for periods ended June 30, 2007.

Periods June 30, 2007

	One Year	Three Years	Five Years	Seven Years	Three Year Standard Deviation	Five Year Standard Deviation
DJWRESI Full Cap	11.73%	22.37%	19.52%	19.39%	15.13%	15.61%
DJWRESI Float	11.72%	22.29%	19.49%	19.36%	15.11%	15.60%
Difference	0.01%	0.08%	0.03%	0.03%	0.02%	0.01%

Due to the minimal differences in the two styles of reported returns, effective July 2007, the DJWRESI "Float" style index will be included in the calculation of the Investment Funds' Policy Portfolio returns, and will also be the benchmark that the Funds' REITS managers will be measured against for presentation purposes. UTIMCO staff, in concurrence with UT System staff and Bruce Myers from Cambridge Associates, has determined that this change does not constitute a change in a benchmark requiring action by the UTIMCO Board and UT System Board of Regents. No prior period index or benchmark returns will be restated and the same index, constructed under a different methodology will be used on a go forward basis.