

*The University of Texas Investment
Management Company*



Presentation Materials

Board of Directors Meeting

January 30, 2008

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
January 30, 2008**

The Ritz-Carlton Dallas
2121 McKinney Avenue
Dallas, Texas

Time	Item #	Agenda Item
Begin 9:00 a.m.	End 9:05 a.m.	1
		Convene in Open Session: Call to Order/Consideration of Minutes of November 29, 2007 Meeting*
9:05 a.m.	9:15 a.m.	2
		Corporate Resolutions: - Election of UTIMCO Board Officer* - Board Committee Assignments* - Designation of Annual Meeting of the UTIMCO Board*
9:15 a.m.	10:15 a.m.	3
		Endowment and Operating Funds Update Report
10:15 a.m.	10:30 a.m.	4
		UTIMCO Organization Update
10:30 a.m.	11:00 a.m.	5
		Hedge Fund Presentation
11:00 a.m.		Recess
1:30 p.m.	1:50 p.m.	6
		Reconvene in Open Session: Discussion and Consideration of Pooling Private Investments*
1:50 p.m.	2:10 p.m.	7
		Report and Consideration of Items from Audit and Ethics Committee*
2:10 p.m.	2:30 p.m.	8
		Report and Consideration of Items from Policy Committee*
2:30 p.m.	3:10 p.m.	9
		Report and Consideration of Items from Risk Committee*
3:10 p.m.	3:25 p.m.	10
		Report and Consideration of Items from Compensation Committee*
3:25 p.m.	3:40 p.m.	11
		Discussion and Consideration of Cambridge Contract Renewal*
3:40 p.m.	4:10 p.m.	12
		Discussion of Investment Environment and Opportunities
4:10 p.m.		Adjourn

*Action by resolution required

Next Scheduled Meeting: April 25, 2008 (Annual Meeting)
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TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **November 29, 2007**, 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 9:10 a.m. on the **29th day of November 2007**, at the Ritz-Carlton Dallas, 2121 McKinney Avenue, Dallas, Texas, 75201, said meeting having been called by the Chairman, H. Scott Caven, Jr., with notice provided to each member in accordance with the Bylaws.

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

H. Scott Caven, Jr., Chairman
Robert B. Rowling, Vice Chairman
Mark G. Yudof, Vice Chairman for Policy
Clint Carlson
J. Philip Ferguson
Ardon E. Moore
Erle Nye
Charles W. Tate

thus constituting a majority and quorum of the Board. Director Colleen McHugh did not attend the meeting. Also attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cecilia Gonzalez, internal General Counsel for the Corporation; Bill Edwards, Managing Director of Information Technology; Uzi Yoeli, Director - Portfolio Risk Management; Mark Warner, Director of Natural Resources; Mark Shoberg, Director - Private Markets; Russ Kampfe, Senior Portfolio Manager - Fixed Income Investments; Harland Doak, Portfolio Manager - Fixed Income; and Mark Newcomb, Associate - Public Markets Investments, all of the Corporation; Jerry Turner, external General Counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Amy Barrett, Charlie Chaffin, Anthony de Bruyn, and William Huang of UT System Administration; Bruce Myers and Jeanne Rogers of Cambridge Associates; Brandon Bean of TRT Holdings; and Tom Wagner, engagement partner with Deloitte & Touche LLP. Mr. Caven called the meeting to order at 9:10 a.m.

Minutes

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on September 21, 2007. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on
September 21, 2007, be, and are hereby, approved.

Corporate Resolution

Mr. Caven announced that he was resigning as Chairman of the Corporation's Board due to his appointment as Chairman of the UT System Board of Regents. After a few parting words as Chairman, he recommended Vice Chairman Rowling as the new Chairman of the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

<u>Name</u>	<u>Office or Offices</u>
Robert B. Rowling	Chairman

As the new Chairman, Mr. Rowling read the following resolution of appreciation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, as a result of his vast business experience and extraordinary talent, Mr. H. Scott Caven, Jr., was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2003, and was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company in 2005, and was reappointed by the Board of Regents to serve a second term on the UTIMCO Board in 2007; and

WHEREAS, Mr. Caven was elected Vice Chairman and subsequently Chairman of the UTIMCO Board during his first term, and was reelected Chairman of the UTIMCO Board in 2006 and again in 2007; and

WHEREAS, as Vice Chairman and Chairman of the Board and as Chairman and Member of the Board's Risk Committee (formerly named Liquidity Committee), Mr. Caven provided outstanding leadership and guidance to UTIMCO by drawing upon his substantial business background, including as Managing Director and Regional Manager of Texas for Atlantic Trust Private Wealth Management, Partner in INVESCO PLC, and Vice President of Goldman, Sachs & Co. where he served as Regional Manager for Houston, South Texas, and Mexico from 1981 to 1997, and his additional service as Past Chairman and Member of numerous civic and philanthropic organizations, including as Past Chairman of the Texas Growth Fund Board of Trustees under Governors William P. Clements, Ann Richards, and George W. Bush, and Past Chairman of the Texas Business Hall of Fame Foundation; and

WHEREAS, Mr. Caven's commitment and service to UTIMCO was exemplary, reflecting his strong commitment to higher education and deep devotion to The University of Texas System as evidenced by his service as Past Chairman of the Advisory Council and Member of the Business Hall of Fame of The University of Texas at Austin McCombs School of Business, and Member of the Executive Committee of the Chancellor's Council, The University of Texas System; and

WHEREAS, during Mr. Caven's tenure on the Board, UTIMCO managed the Permanent University Fund and other investments of The University of Texas System with the highest standards of integrity, professionalism and competency, earning wide praise and recognition from UTIMCO's investment beneficiaries, namely The University of Texas System and The Texas A&M University System, as well as the alumni and patrons of such Systems, the State's legislative leaders, the national credit rating agencies and the capital markets and investment community generally; and

WHEREAS, Mr. Caven was elected Chairman of the Board of Regents of The University of Texas System on November 9, 2007, which, much to the great regret of the UTIMCO Board and Staff, has necessitated his resignation from the Board of Directors of UTIMCO; **NOW, THEREFORE**,

BE IT RESOLVED, that the Directors of The University of Texas Investment Management Company, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to H. Scott Caven, Jr. their sincerest appreciation and gratitude for his vision, leadership, and service that have contributed to UTIMCO's past successes; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that through his outstanding service to UTIMCO, Mr. Caven has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested and managed in the State of Texas, to the benefit of all of the citizens of the State, particularly the students and faculty of The University of Texas System and The Texas A&M University System.

PASSED AND ADOPTED this 29th day of November, 2007.

Mr. Rowling and Mr. Nye voiced appreciation to Mr. Caven for his superior leadership as Chairman.

Endowment and Operating Funds Update

Mr. Rowling asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Before Mr. Zimmerman began his presentation, he noted that a number of the investment team from the Corporation were in attendance at the meeting, giving the Board an opportunity to have more interaction with Staff. Mr. Zimmerman reported performance numbers as of October 31, 2007. The net performance for the one-month period ended October 31, 2007, for the PUF was 3.05% and for the GEF was 3.06%, versus benchmark returns of 2.59% for each fund. The net performance for the one-year period ended October 31, 2007, for the PUF and GEF were 20.33% and 20.86%, respectively, versus benchmark returns of 16.72% for each fund. The Intermediate Term Fund's (ITF) performance was 2.83% versus its benchmark return of 2.30% for the one-month period, and was 14.91% versus its benchmark return of 11.47% for the one-year period ended October 31, 2007. Performance for the Short Term Fund (STF) was 0.44% versus 0.30% for its benchmark return for the one-month period, and was 5.39% versus a benchmark return of 5.13% for the one-year period ended October 31, 2007. Mr. Zimmerman reviewed portfolio policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. During discussion of fixed income, Mr. Karpfe and Mr. Doak introduced themselves and answered the Directors' questions. Mr. Zimmerman continued by reporting information on performance attribution, liquidity, risk, the

Comprehensive Derivative Report, and actions taken under the Delegation of Authority. Mr. Zimmerman, Ms. Iberg, Mr. Myers, and Mr. Yoeli answered the Directors' questions.

Secondary Sale Update

Mr. Zimmerman asked Mr. Shoberg to address the Secondary Sale Update. Mr. Shoberg introduced himself to the Board and handed out a Private Markets Secondary Sale Update. He gave a process overview of the Private Markets Staff's efforts to sell a portion of the Private Markets Portfolio and presented an estimated outcome for the sale. Mr. Shoberg and Mr. Zimmerman answered the Directors' questions.

Public Market Investments Report

Mr. Rowling asked Mr. Zimmerman to report on the Public Markets Investments. Mr. Zimmerman presented a Public Markets Overview of existing public markets investments for the PUF and GEF assets and risk by investment type. Mr. Zimmerman, Ms. Iberg, and Mr. Myers answered the Directors' questions.

Organization Update

Mr. Rowling asked Mr. Zimmerman to give the Board an update on the Corporation's Staff additions and Staff's recent travels. Mr. Zimmerman asked Mr. Warner to introduce himself and tell the Board his background. Mr. Warner is the Corporation's new Director – Natural Resources Investments. Mr. Zimmerman gave the Board a summary of due diligence trips recently taken, or to be taken in the near future, by Staff. Ms. Iberg and Mr. Shoberg gave an overview of their recent travels and answered the Directors' questions.

Investment Policy Statements

Mr. Rowling asked Mr. Zimmerman to report on Investment Policy Statement changes approved by the Joint Policy and Risk Committee Meeting that was held on November 12, 2007. Mr. Zimmerman gave an overview of the process. He handed out a revised Exhibit B for FYE 2009 for each fund, and gave a summary of changes that were made to the Investment Policy Statements. The Investment Policy Statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), and Intermediate Term Fund ("ITF") have been amended to reflect the new investment strategy, and Exhibit A (or Exhibit B, as applicable) attached to each Investment Policy Statement summarized in table format the new investment strategy, which provides for allocation among six Asset Class and three Investment Type allocation targets and ranges for the period ended March 1, 2008, FYE 2008, 2009, and 2010. Mr. Zimmerman explained that in accordance with the new Mandate Categorization Procedure, all mandates will be categorized into these Asset Classes and Investment Types. Mr. Zimmerman asked Mr. Myers to discuss the memorandum prepared by Cambridge Associates regarding the appropriateness of certain benchmarks used in the Investment Policy Statements. Mr. Zimmerman continued by explaining the substantial changes made to the Derivative Investment Policy

Statement, the Liquidity Policy, and the Delegation of Authority that were approved by the Policy and Risk Committees. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Intermediate Term Fund, and the Derivative Investment Policy and the Liquidity Policy, as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System;

RESOLVED, that amendments to the Delegation of Authority, as presented be, and are hereby, approved; and further

RESOLVED, that the Mandate Categorization Policy, as presented be, and is hereby, approved.

The meeting was recessed for lunch at 11:55 a.m. Director Moore and Ms. Iberg left the meeting at this time. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:05 p.m.

Executive Session

Mr. Rowling, at 1:05 p.m., announced that, "The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to consider individual personnel compensation matters including report of Compensation Committee regarding individual Performance Incentive Awards for the Performance Period ended June 30, 2007. This Executive Session meeting of the Board is authorized by *Texas Government Code* § 551.074. The time is now 1:05 p.m. and the date November 29, 2007."

Reconvene in Open Session

The Board reconvened at 1:35 p.m., in open session and Mr. Rowling announced that, "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is November 29, 2007 and the time is now 1:35 p.m. During the Executive Session, the Board deliberated individual personnel matters, but did not take any final action or votes, or make any decisions."

Compensation Committee Report

Mr. Rowling asked Mr. Ferguson to present the Compensation Committee report. Mr. Ferguson stated that the Committee met previously on November 15, 2007. He reported that the Committee approved staffing changes and selected Mercer Human Resource Consulting as the Corporation's Compensation Consultant. The Compensation Committee also reviewed and approved, pending further approval by the Board,

amendments to Appendix B of the UTIMCO Compensation Program (UTIMCO Peer Group). Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

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

WHEREAS, the 2007/2008 Performance Incentive Award Plan for President, CEO, and CIO (the "CEO's Plan") effective July 1, 2007, for the Performance Period beginning July 1, 2007, and ending June 30, 2008, provides for the selection of an appropriate peer group by the UTIMCO Board; and

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

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2007;

FURTHER RESOLVED, that the UTIMCO Board selects Appendix B as the appropriate peer group for the CEO's Plan for the Performance Period beginning July 1, 2007, and ending June 30, 2008.

The Compensation Committee also recommended Board approval of personnel performance incentive awards. Upon motion duly made and seconded, the following resolution for the Interim President and CEO's Performance Incentive Award for the 2006/2007 Performance Period was unanimously adopted:

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

WHEREAS, Cathy Iberg served as Interim President and CEO of the Corporation from September 1, 2006, through the end of the Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the Interim President and CEO during the Performance Period and submits its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the Interim President and CEO during the Performance Period and has compared such actual

performance relative to each Performance Goal category for the Interim President and CEO against her corresponding Performance Goal for such Performance Period;

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Interim President and CEO's Performance Incentive Award for the 2006/2007 Performance Period in the amount of \$607,145.

Upon motion duly made and seconded, the following resolution for the Performance Incentive Awards for the Participants (including the Interim President and CEO) for the 2006/2007 Performance Period was unanimously adopted:

WHEREAS, in accordance with Section 5.5(d) of the UTIMCO Compensation Program (the "Plan"), the Compensation Committee has determined each Participant's level of achievement of his or her "Performance Goals" for the 2006/2007 Performance Period, and

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

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

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants (including the Interim President and CEO) who have met or exceeded their performance benchmarks for the 2006/2007 Performance Period, approved such Performance Incentive Awards, and recommended that the Board approve the same; and

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for the Participants (including the Interim President and CEO) for the 2006/2007 Performance Period in the total amount of \$1,852,890 are hereby approved.

The Compensation Committee also recommended Board approval of the UTIMCO 457(b) Deferred Compensation Plan. Upon motion duly made and seconded, the following was unanimously adopted:

WHEREAS, the Compensation Committee reviewed the UTIMCO 457(b) Deferred Compensation Plan (the "Plan") in the form provided to the UTIMCO Board, approved the adoption of the Plan, and recommends the Board approve the adoption of the Plan; and

WHEREAS, the UTIMCO Board has reviewed the Plan in the form previously provided to it and wishes to document approval of such UTIMCO 457(b) Deferred Compensation Plan.

NOW, THEREFORE, be it:

RESOLVED, that the UTIMCO Board approves the adoption of the UTIMCO 457(b) Deferred Compensation Plan in the form previously provided to the UTIMCO Board.

Audit and Ethics Committee Report

Mr. Rowling asked Mr. Nye to give a report from the Audit and Ethics Committee. Mr. Nye stated that the Audit and Ethics Committee met on November 5, 2007. Tom Wagner, engagement partner, presented to the Audit and Ethics Committee the Deloitte & Touche LLP Audit Results and Communications letter and answered questions related to the financial statements. Deloitte & Touche LLP issued unqualified opinions on the August 31, 2007 financial statements. The Committee approved the Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements of the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), Intermediate Term Fund ("ITF"), and the Statement of Performance Statistics for the year ended August 31, 2007, and recommended that the Board approve the same. Mr. Wagner was in attendance at the meeting and gave an overview of the audit to the Board. Upon motion duly made and seconded, the following was unanimously adopted:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2007, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System General Endowment Fund each for the fiscal years ended August 31, 2007, and August 31, 2006, The University of Texas System Intermediate Term Fund for the year ended August 31, 2007, and the period ending August 31, 2006, and the Statement of Investment Performance Statistics for the year ended August 31, 2007, be, and are hereby approved in the form as presented to the Board.

2008 Meeting Dates

Mr. Rowling asked Mr. Zimmerman to present the proposed 2008 Meeting Dates for future Board meetings and Committee meetings. Mr. Zimmerman explained the new schedule and the basis for changing some meetings to a quarterly basis. Mr. Rowling stated that he will appoint a Vice Chairman and announce Committee assignments at the next Board meeting. Mr. Caven stated that he will be making a new Regental Director recommendation for the Corporation in the next week.

2007 Annual Report

Mr. Rowling asked Ms. Moeller to present the 2007 Annual Report. Ms. Moeller gave background on the process for preparing the Annual Report. The theme selected for this year's report was "An Enduring Legacy". Staff worked with an advisory group from several development offices within the UT System to make improvements to the report. Based on input from the group, this year's report had more of an academic or institutional focus, and highlighted students, professors, and buildings across the UT System.

The Directors briefly discussed current investment theses prior to adjournment. There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:10 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
Robert B. Rowling
Chairman, Board of Directors of
The University of Texas Investment
Management Company

Cambridge Peer Group Greater Than \$1 Billion

As of June 30, 2005, 2006 and 2007
Based on NACUBO Studies

- 1 Amherst College
- 2 Baylor College of Medicine
- 3 Boston College
- 4 Brown University
- 5 California Institute of Technology
- 6 Case Western Reserve University
- 7 Columbia University
- 8 Cornell University
- 9 Dartmouth College
- 10 Duke University
- 11 Emory University
- 12 Grinnell College
- 13 Indiana University and Foundation
- 14 Johns Hopkins University
- 15 Massachusetts Institute of Technology
- 16 New York University
- 17 Northwestern University
- 18 Ohio State University and Foundation
- 19 Pennsylvania State University
- 20 Pomona College
- 21 Princeton University
- 22 Purdue University
- 23 Rice University
- 24 Smith College
- 25 Southern Methodist University
- 26 Stanford University
- 27 Swarthmore College
- 28 The Rockefeller University
- 29 The Texas A&M University System and Foundations
- 30 UNC at Chapel Hill and Foundations
- 31 University of California
- 32 University of Chicago
- 33 University of Cincinnati
- 34 University of Delaware
- 35 University of Illinois and Foundation
- 36 University of Michigan
- 37 University of Minnesota and Foundation
- 38 University of Nebraska and Foundation
- 39 University of Notre Dame
- 40 University of Pennsylvania
- 41 University of Pittsburgh
- 42 University of Richmond
- 43 University of Rochester
- 44 University of Southern California
- 45 University of Virginia
- 46 University of Washington
- 47 University of Wisconsin Foundation
- 48 Vanderbilt University
- 49 Washington University
- 50 Wellesley College
- 51 Williams College
- 52 Yeshiva University

TAB 2

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

Agenda Item: Corporate Resolutions - Election of UTIMCO Board Officer, Board Committee Assignments, and Annual Meeting

Developed By: Staff

Presented By: Rowling

Type of Item: Action required by UTIMCO Board

Description: With the appointment of Mr. Rowling as UTIMCO Chairman, Chairman Rowling will recommend a Vice Chairman for the Board and propose committee assignments. Chairman Rowling will also designate the annual meeting of the Board of Directors of the Corporation.

Recommendation: Chairman Rowling will recommend approval of the election of Vice Chairman and will recommend committee assignments.

Reference: none

RESOLUTION RELATED TO CORPORATION OFFICER

RESOLVED, that _____ is hereby appointed to the office of Vice Chairman of the Corporation, to serve until the next Annual Meeting of the Corporation or until his or her earlier death, resignation or removal.

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on April 25, 2008, in Houston, Texas.

RESOLUTIONS RELATED TO COMMITTEE ASSIGNMENTS

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Audit and Ethics Committee of the Board of Directors:

Erle Nye
Colleen McHugh
Paul Foster
Charles W. Tate

subject to approval by the Board of Regents at their meeting to be held on February 7, 2008, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Erle Nye is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Compensation Committee of the Board of Directors:

J. Philip Ferguson
Clint D. Carlson
Ardon E. Moore

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

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

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Risk Committee of the Board of Directors:

Charles W. Tate
Clint D. Carlson
J. Philip Ferguson
Erle Nye

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Charles W. Tate is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Policy Committee of the Board of Directors:

- Colleen McHugh
- Ardon E. Moore
- Paul Foster

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Colleen McHugh is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

TAB 3

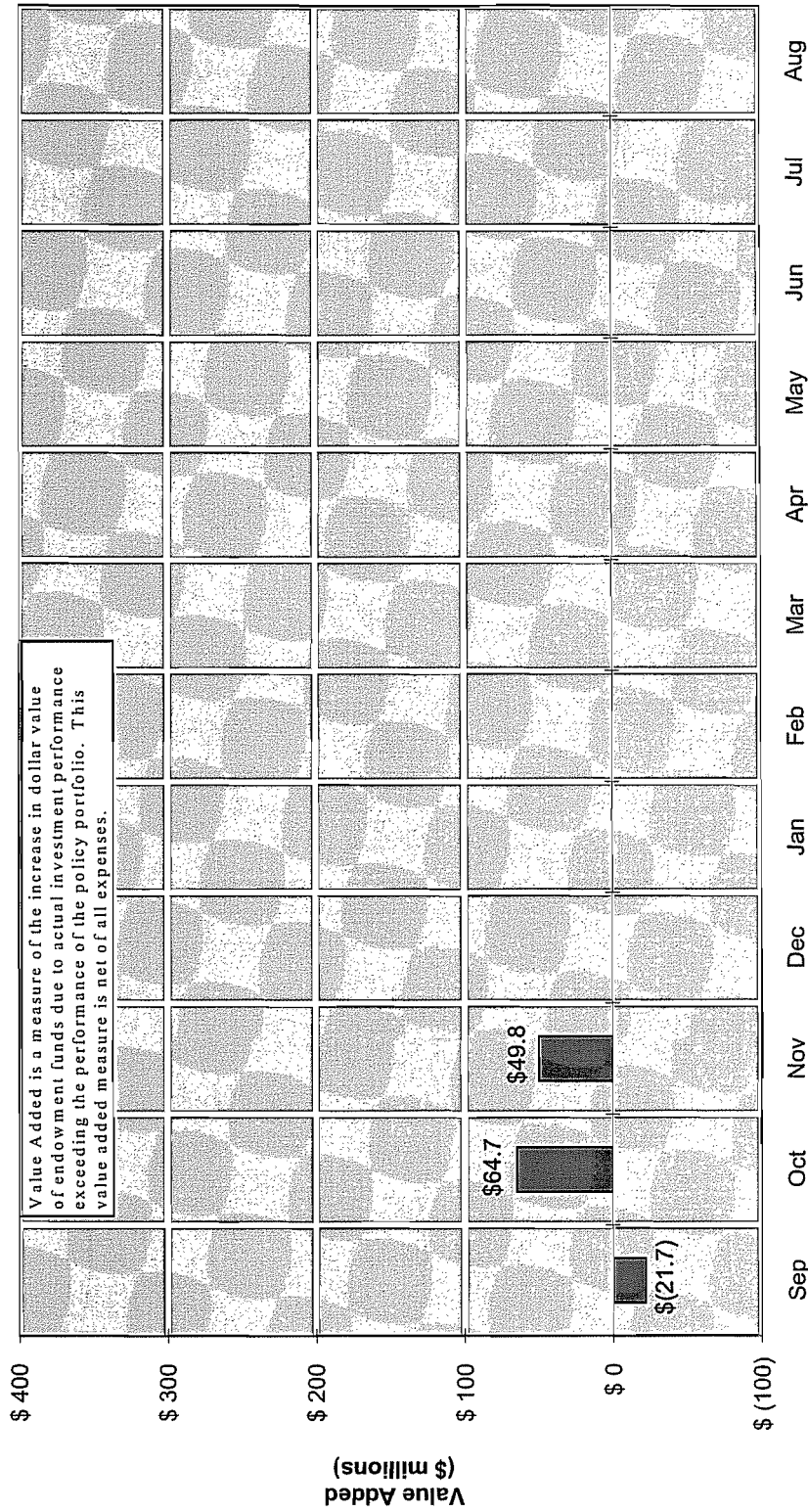
UTIMCO Performance Summary

November 30, 2007

		Periods Ended November 30, 2007									
		(Returns for Periods Longer Than One Year are Annualized)									
		Short Term		Year to Date		Historic Returns					
Net Asset Value 11/30/2007 (in Millions)		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs		
ENDOWMENT FUNDS											
Permanent University Fund		(2.27)	3.87	3.87	13.51	14.73	13.84	15.24	9.03		
General Endowment Fund		(2.19)	3.96	3.96	14.00	15.26	13.99	15.48	N/A		
Permanent Health Fund		(2.21)	3.93	3.93	13.83	15.05	13.88	15.36	N/A		
Long Term Fund		(2.21)	3.94	3.94	13.84	15.06	13.89	15.38	9.68		
Separately Invested Funds		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Total Endowment Funds											
OPERATING FUNDS											
Short Term Fund		0.42	1.30	1.30	4.90	5.37	4.45	3.14	3.95		
Intermediate Term Fund		(1.65)	4.27	4.27	10.27	10.35	N/A	N/A	N/A		
Total Operating Funds											
Total Investments											
		(0.10)	0.24	0.24	2.75	3.09	0.89	2.45	(0.12)		
Permanent University Fund		(0.02)	0.33	0.33	3.24	3.62	1.04	2.69	N/A		
General Endowment Fund		(0.04)	0.30	0.30	3.07	3.41	0.93	2.57	N/A		
Permanent Health Fund		(0.04)	0.31	0.31	3.08	3.42	0.94	2.59	0.69		
Long Term Fund		(0.05)	0.15	0.15	0.19	0.20	0.17	0.11	0.16		
Short Term Fund		0.26	0.92	0.92	3.37	3.50	N/A	N/A	N/A		
Intermediate Term Fund											
VALUE ADDED											
Permanent University Fund											
General Endowment Fund											
Permanent Health Fund											
Long Term Fund											
Short Term Fund											
Intermediate Term Fund											

Footnotes available upon request.

Cumulative Value Added In Endowment Funds 2007-2008 Fiscal Year

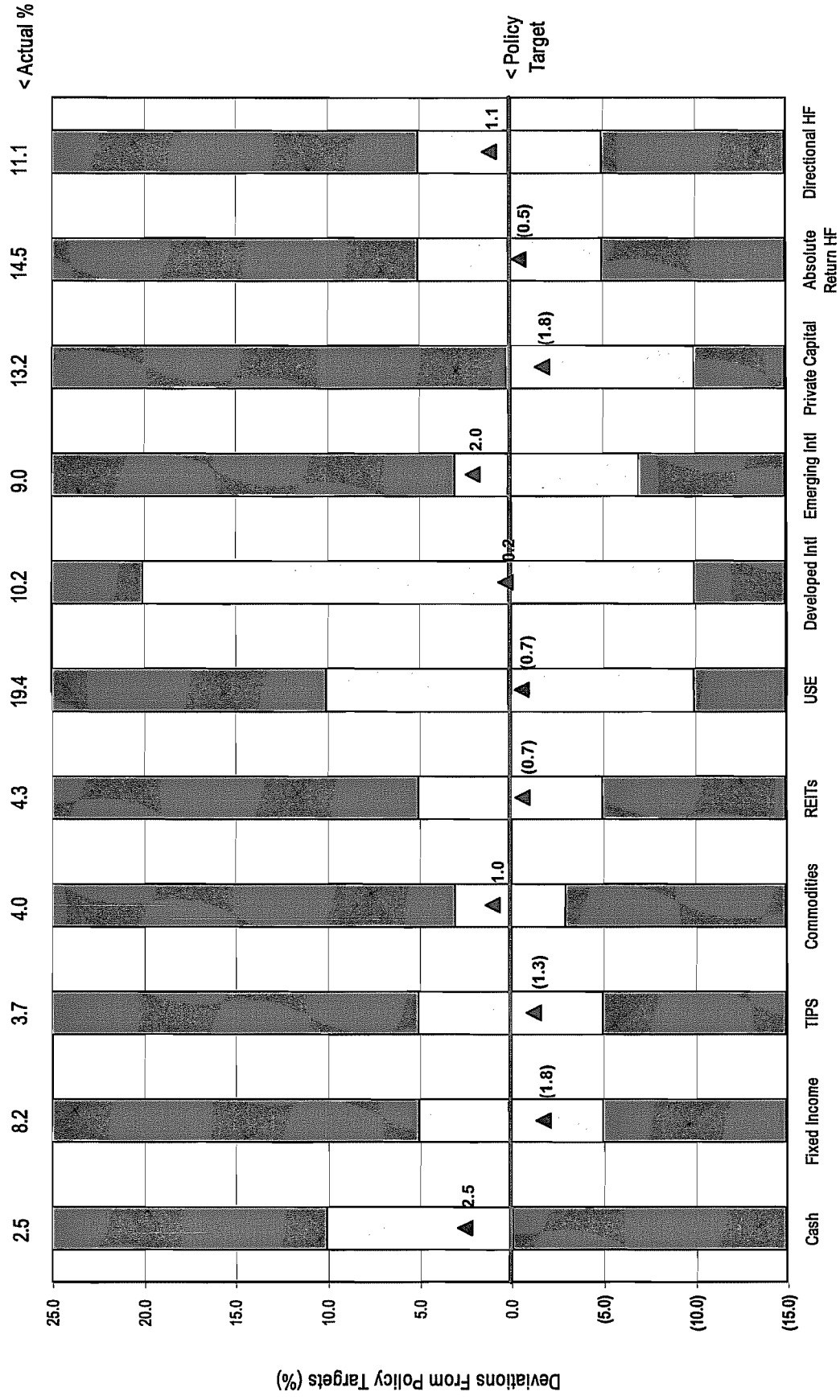


**UTIMCO ENDOWMENT FUNDS vs.
Cambridge Billion \$ Funds Universe
Periods Ended Sunday, September 30, 2007
Quartile**

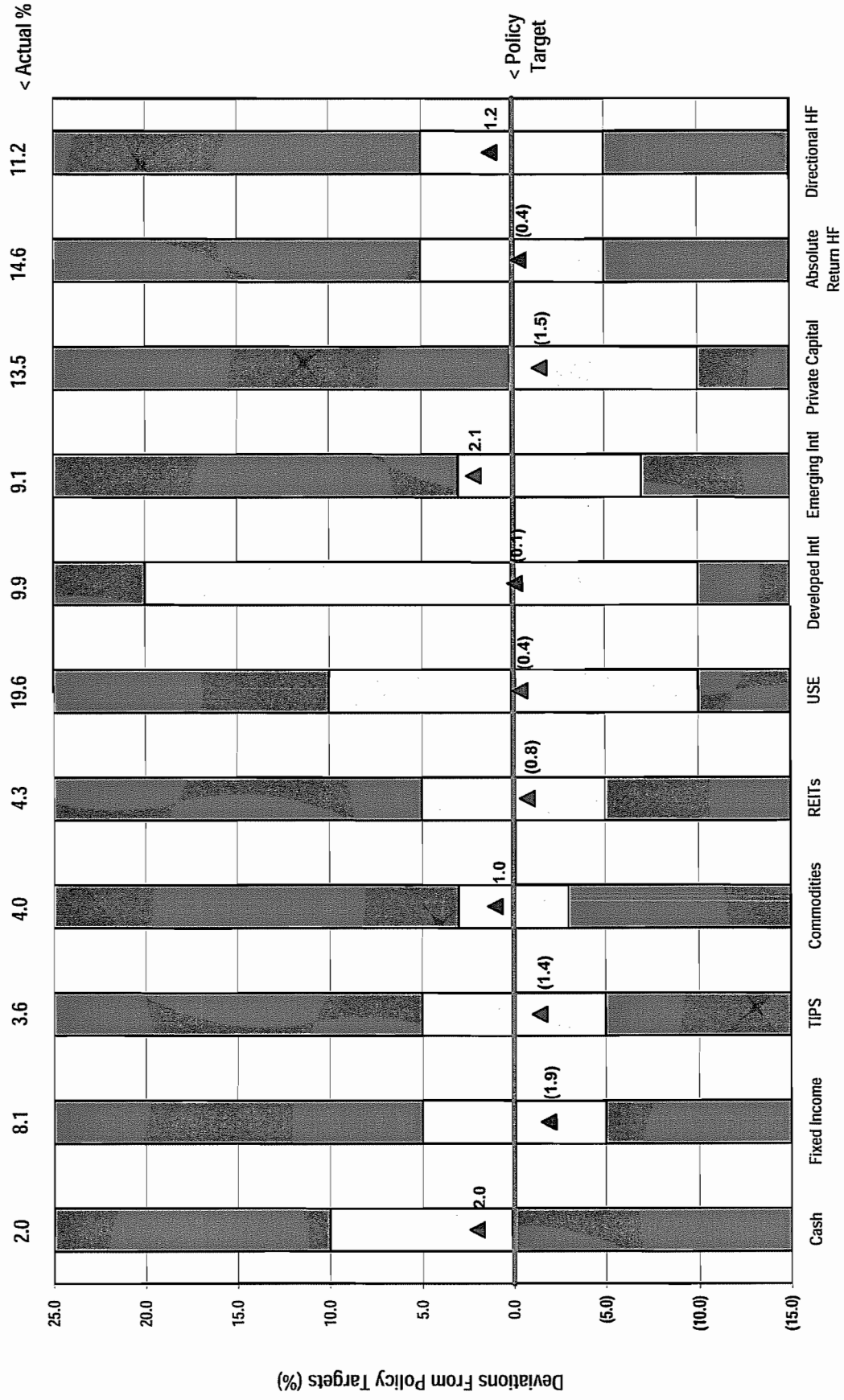
	Current Quarter Return (% tile)	1 Year Annualized Return (% tile)	3 Years Annualized Return (% tile)	5 Years Annualized Return (% tile)	10 Years Annualized Return (% tile)
Maximum	4.37	26.51	22.20	19.84	16.64
25th Percentile	3.30	22.71	18.90	17.10	11.77
Median	2.70	20.17	16.64	16.27	10.43
75th Percentile	1.98	18.73	15.12	15.31	8.95
Minimum	- 1.32	14.30	12.92	11.63	5.12
# of Portfolios	48	48	48	48	45
● UTIMCO PUF-Net of Fees	3.37	18.69	15.43	15.96	9.01
■ UTIMCO GEF-Net of Fees	3.52	19.21	15.60	16.29	9.52
	25	80	74	64	74
	21	68	70	49	66

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 September 30, 2007 was 48.

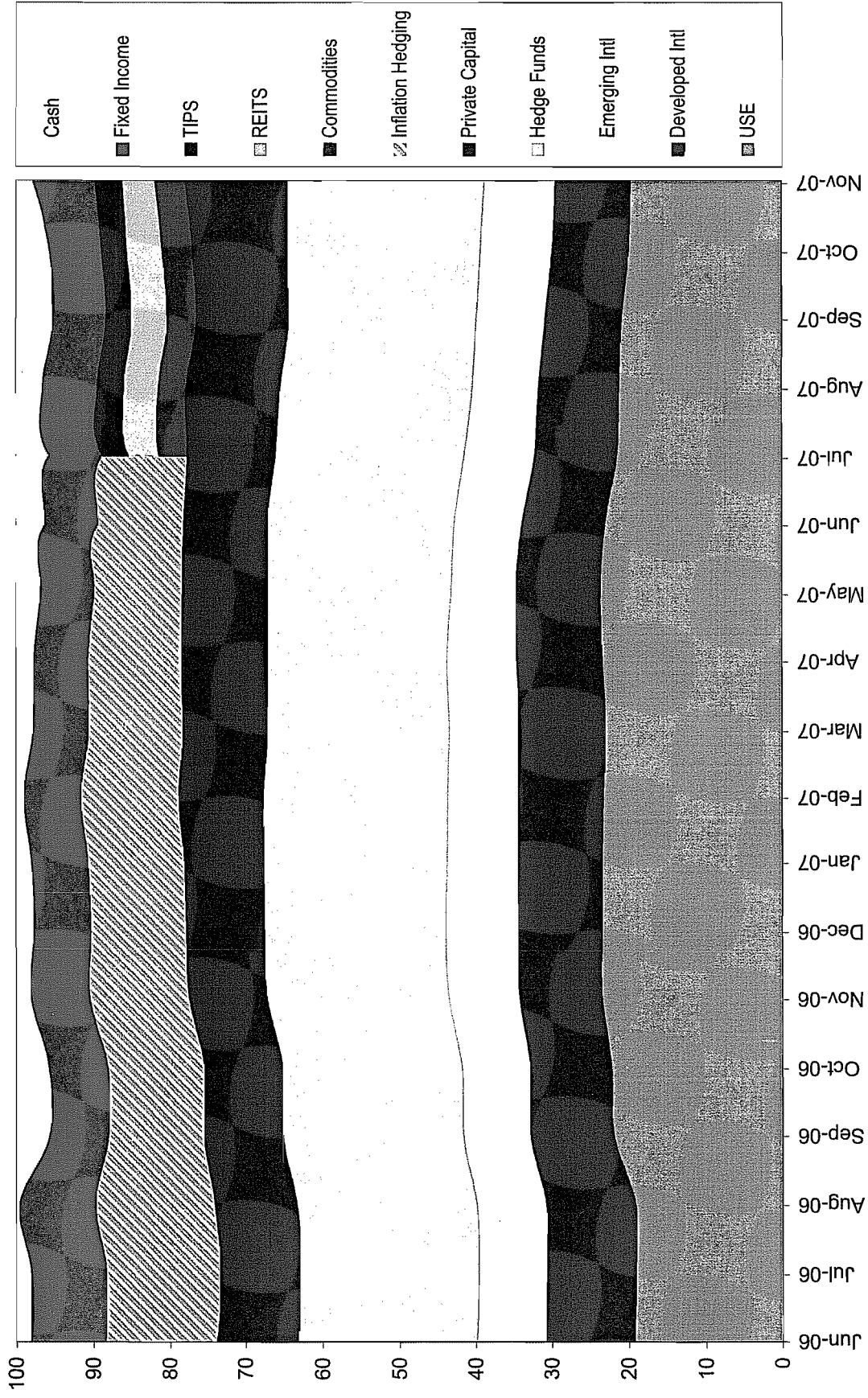
Deviations From Policy Targets Within Tactical Policy Ranges for PUF



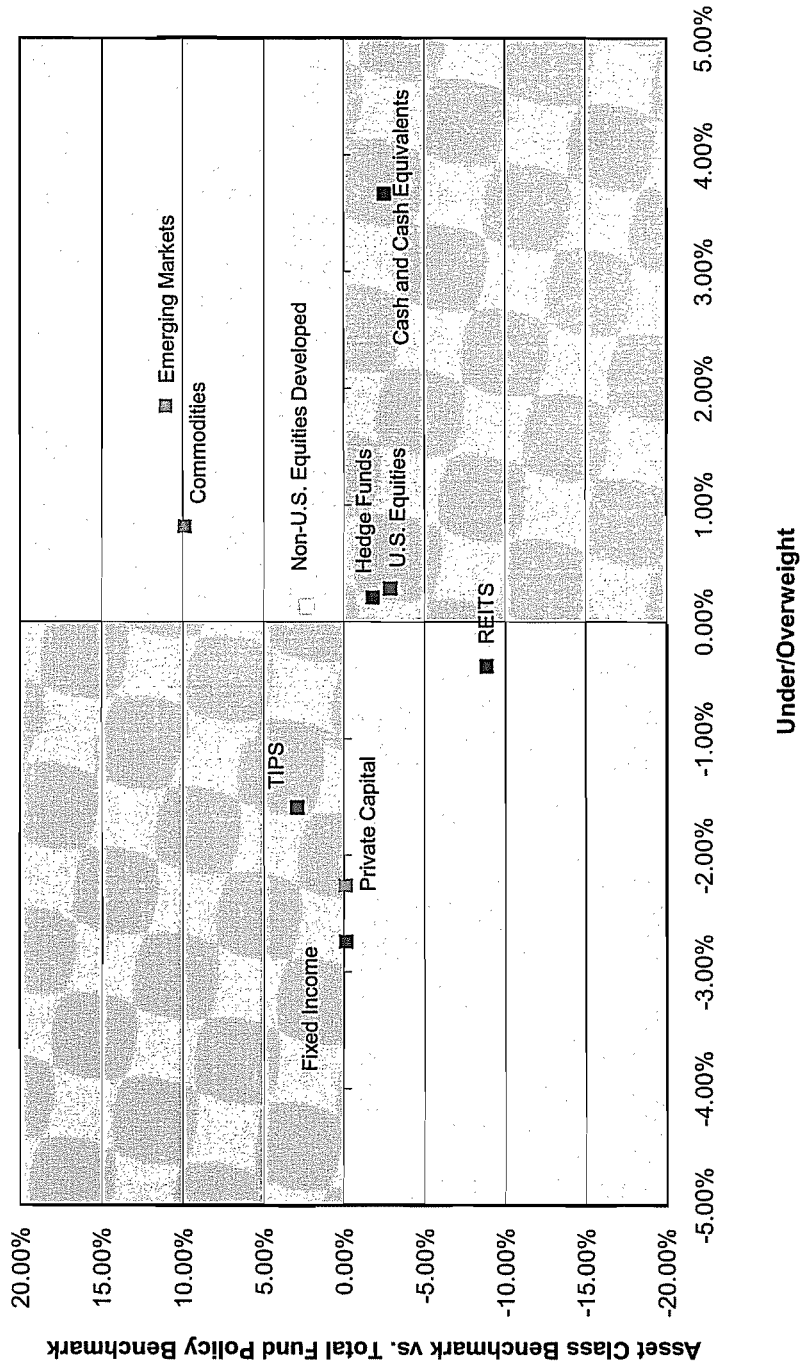
Deviations From Policy Targets Within Tactical Policy Ranges for GEF



GEF Dollar Allocation Over Time



General Endowment Fund - 3 Months ended November 30, 2007



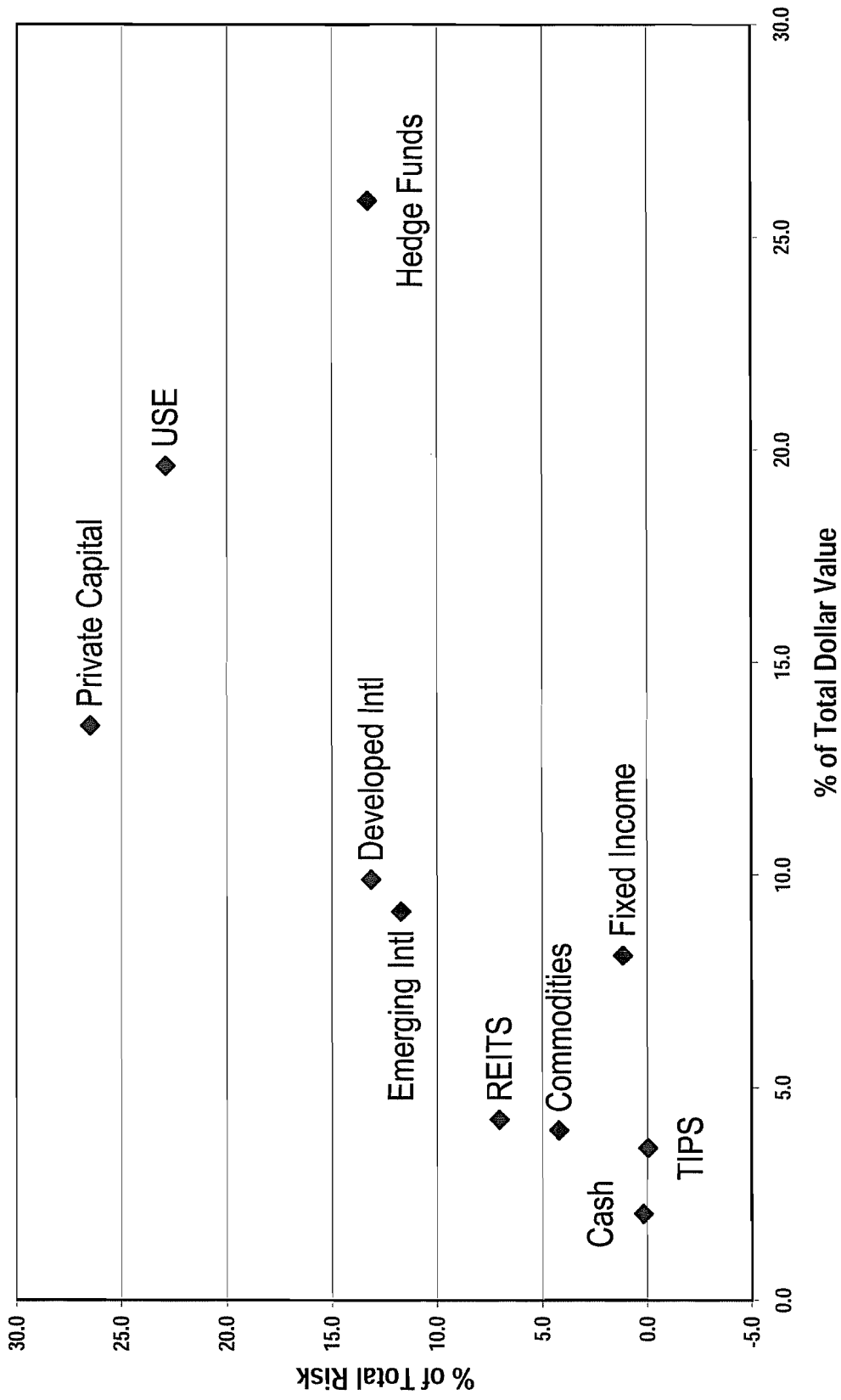
	Impact on Over/(Under) Performance (bps)
Emerging Mkts	12
Commodities	7
Private Capital	4
Hedge Funds	3
REITS	3
U.S. Equities	-
Non-U.S. Equities	-
Fixed Income	-
Subtotal	29
TIPS	(5)
Cash & Equiv	(16)
Subtotal	(21)
TOTAL	8

General Endowment Fund - Active Management Alpha

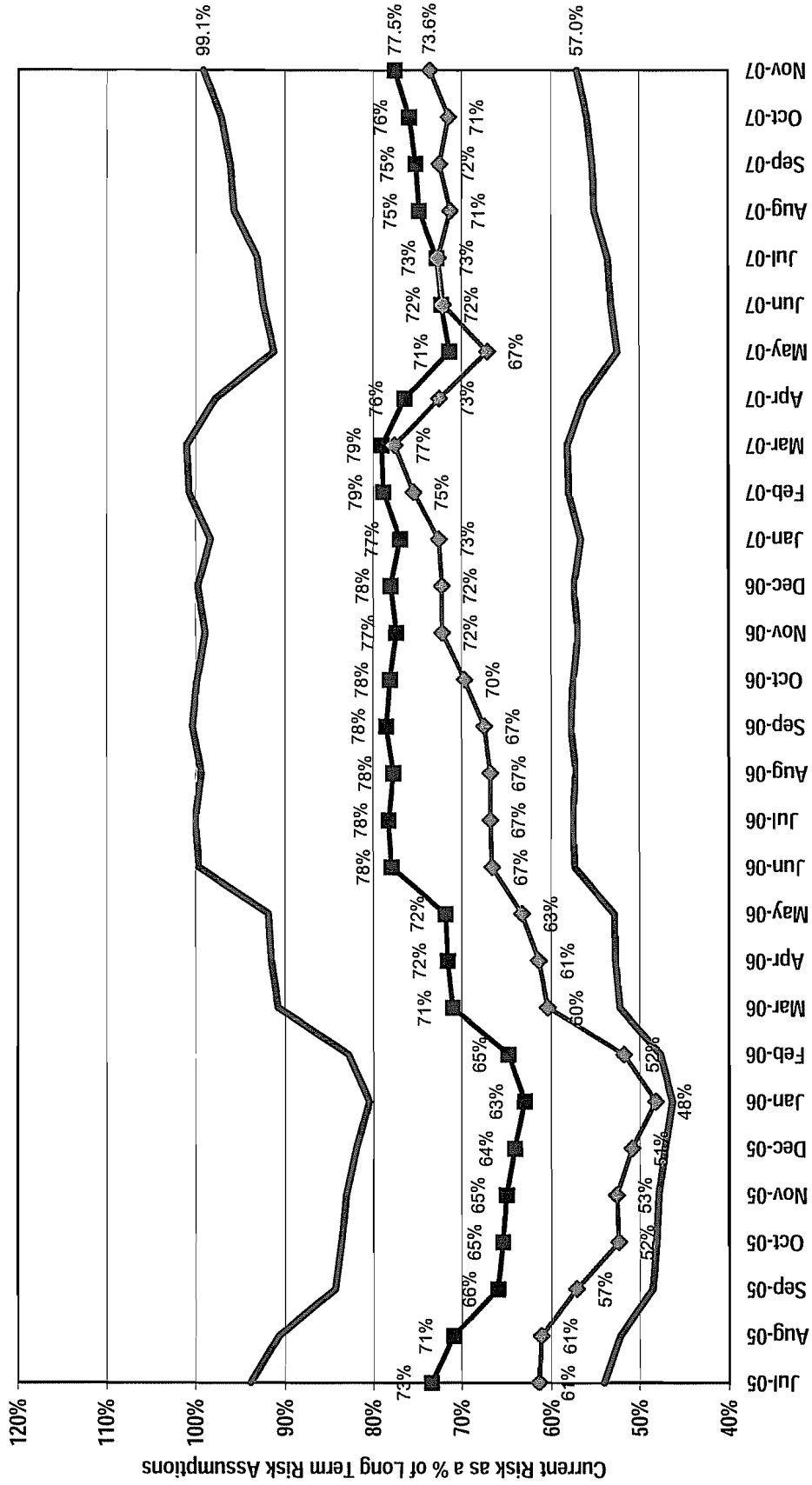
Periods Ended November 30, 2007

	3 Months (bps)	Manager (Alpha)
Hedge Funds	86	Blue Ridge (22.26), Fox Point (32.73), Landsdowne UK (13.29)
Fixed Income	10	Internal - Harland Doak (1.38), PIMCO Fixed Income (.56)
REITS	2	Cohen & Steers (.15)
Commodities	2	PIMCO Real Return (1.12)
TIPS	1	Internal TIPS - Harland Doak (.13), PIMCO (.72)
Cash & Equiv	-	
	Subtotal	
	101	
Private Capital	(12)	
Emerging Mkts	(17)	Dalton Taiwan (14.02), Korea Exchange Traded Funds (11.29)
Non-U.S. Equities	(23)	JMBO (16.42), Landsdowne Europe (7.99), Dalton Japan (7.64)
U.S. Equities	(24)	TCW MultiCap2 (6.55), MBA Investments (8.54), Relational (7.24)
	Subtotal	
	(76)	
	TOTAL	
	25	

**Asset Category Allocations for GEF
Dollar Allocations Compared to Downside Risk Allocation**



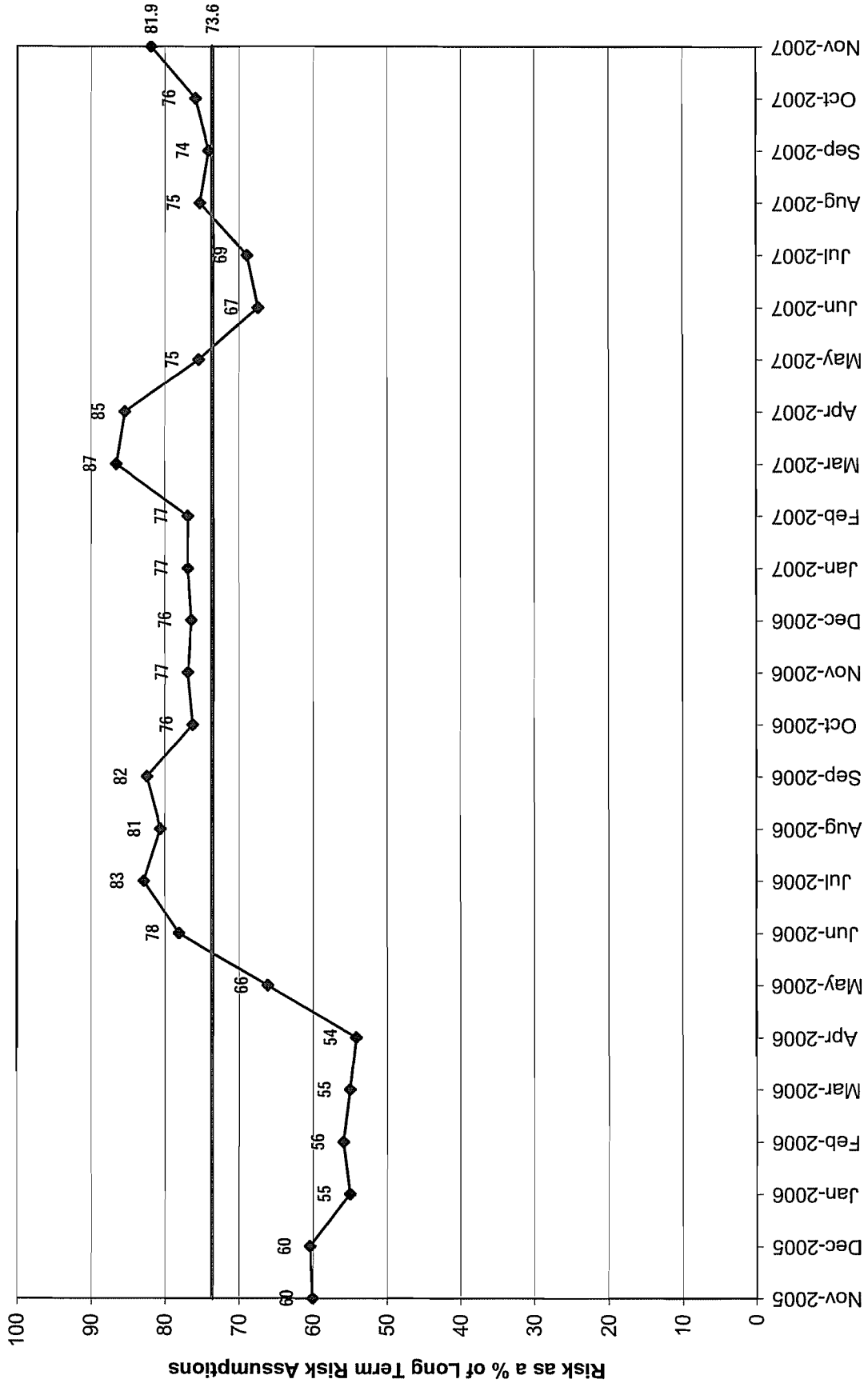
Current Risk Environment of GEF (Based on Downside Risk)



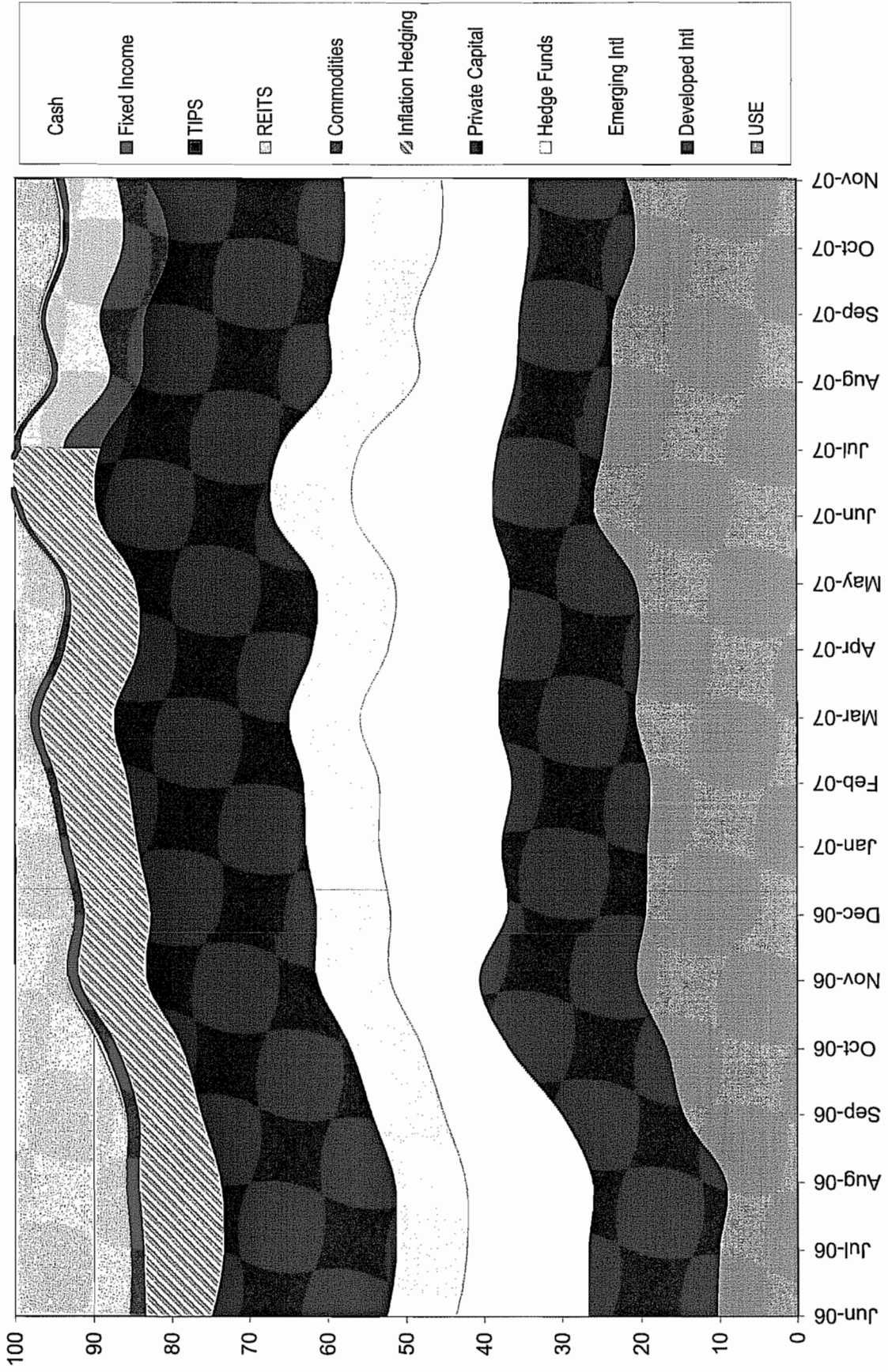
Policy Portfolio Risk as a % of LT Risk Assumptions
 Actual Portfolio Risk as a % of LT Risk Assumptions
 Policy Limit (between 74% and 128% of Policy Portfolio Risk)



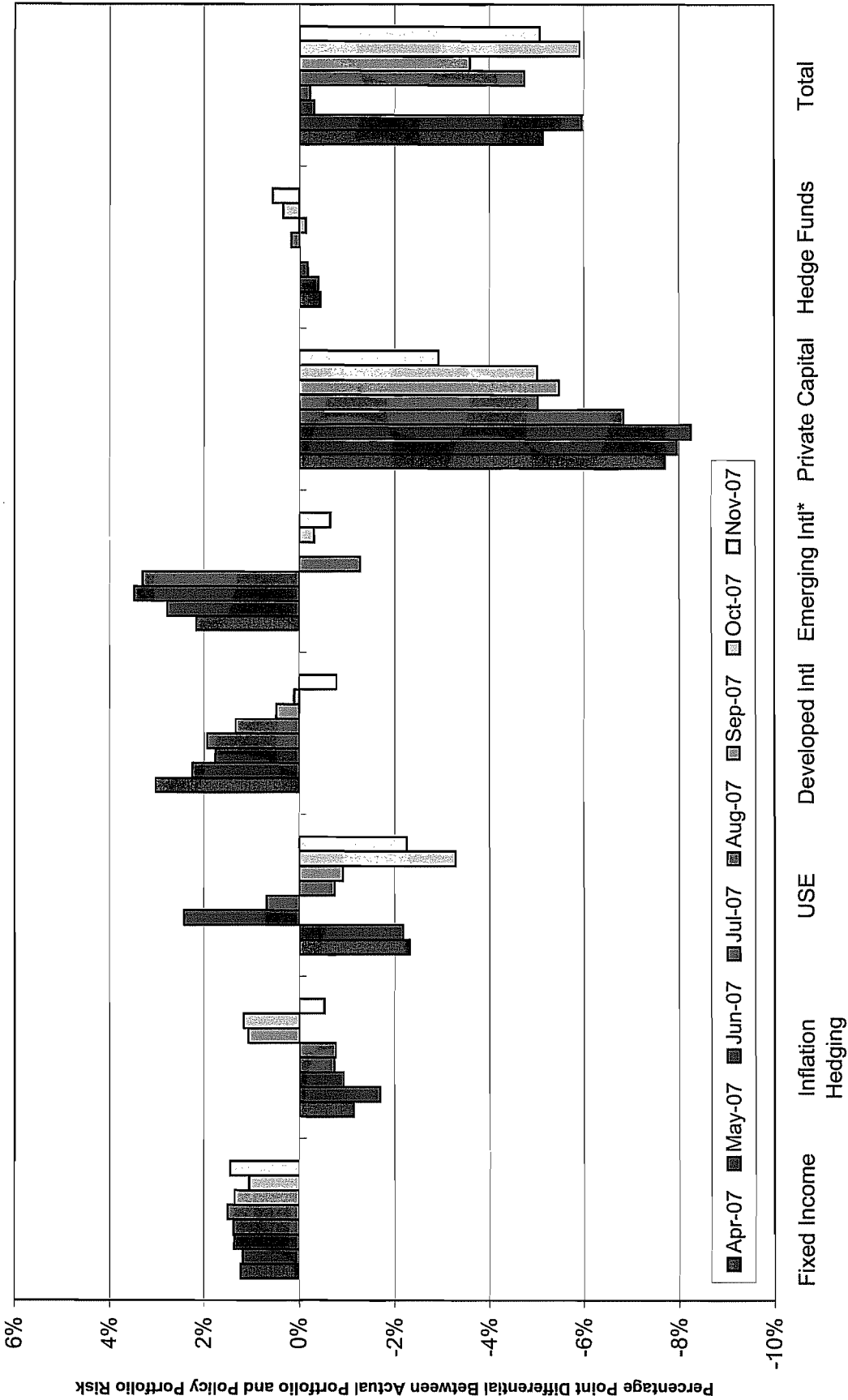
Rolling 12 Month Risk Estimate of Current GEF Portfolio



GEF Risk Allocation Over Time

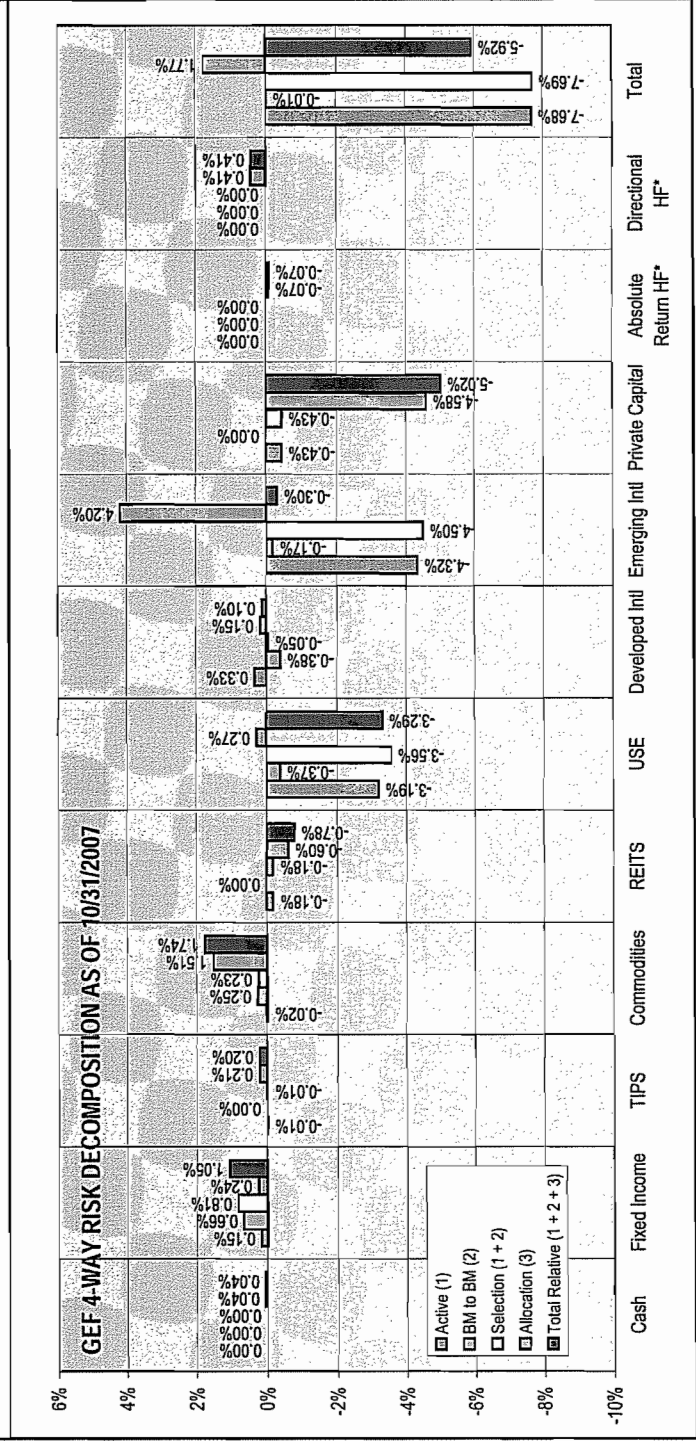
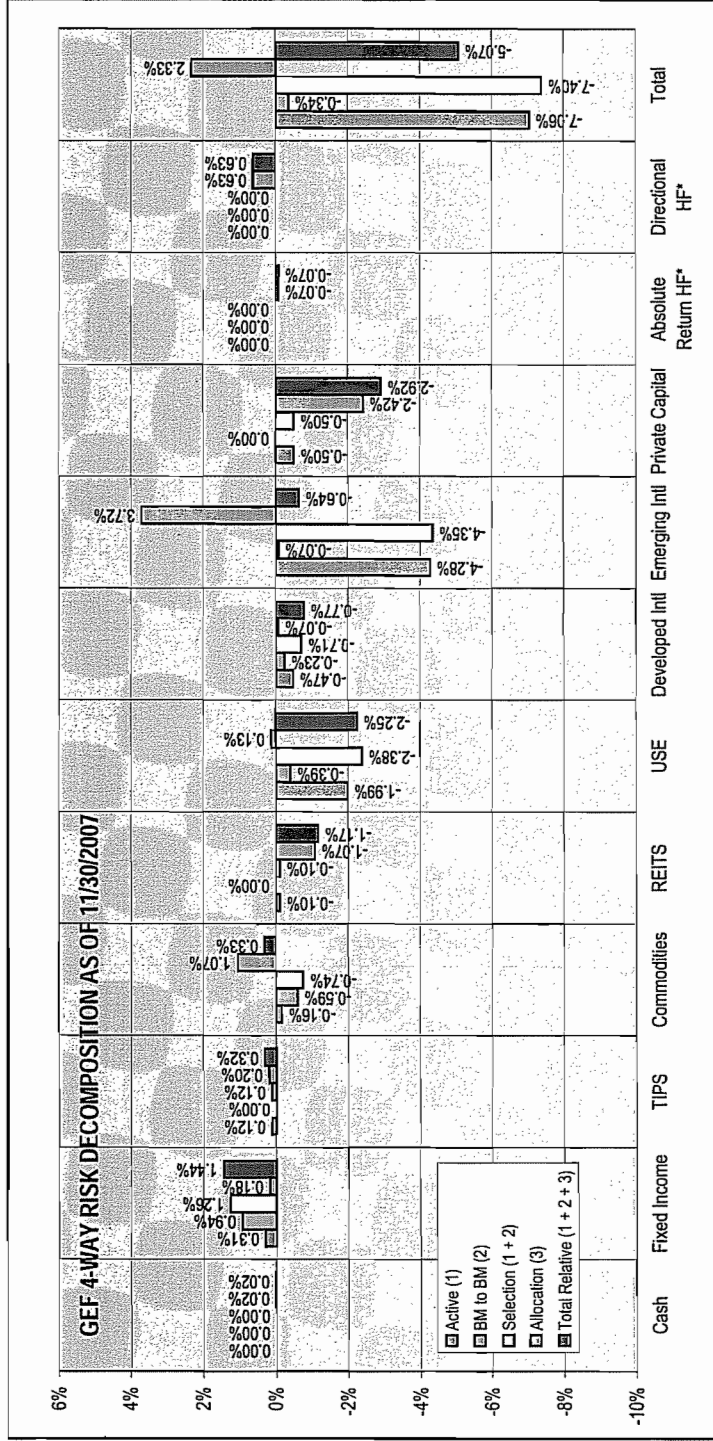


Trends in Differences Between Actual Portfolio Risk and Policy Portfolio Risk for GEF

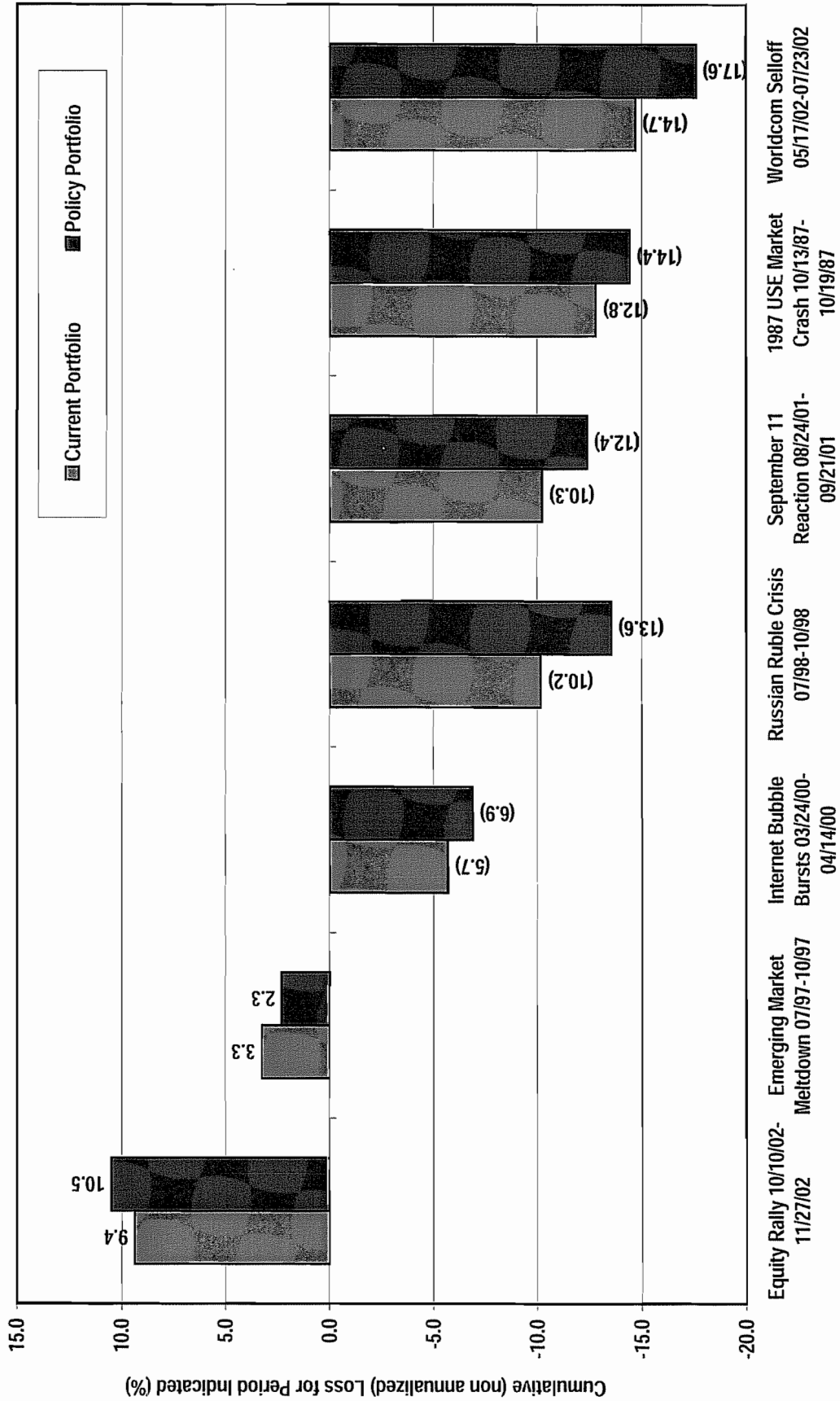


(*) The Cash position of Lansdowne Emerging was not properly communicate to IFS up till Jul-07, causing their risk, and hence the risk of the Emerging Intl Asset Class, to be over-stated

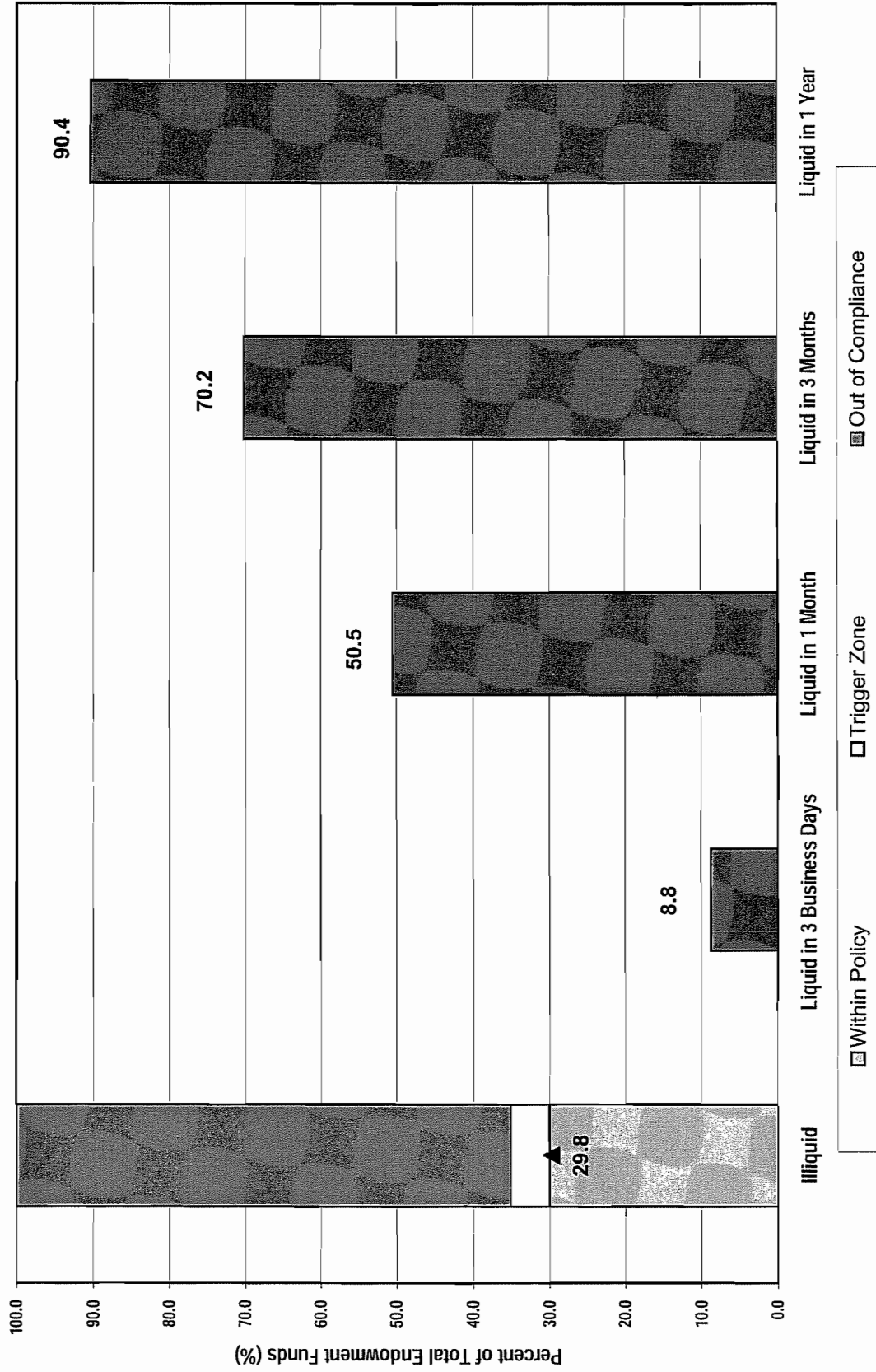
GEF - MONTH TO MONTH COMPARISON OF RISK ATTRIBUTION



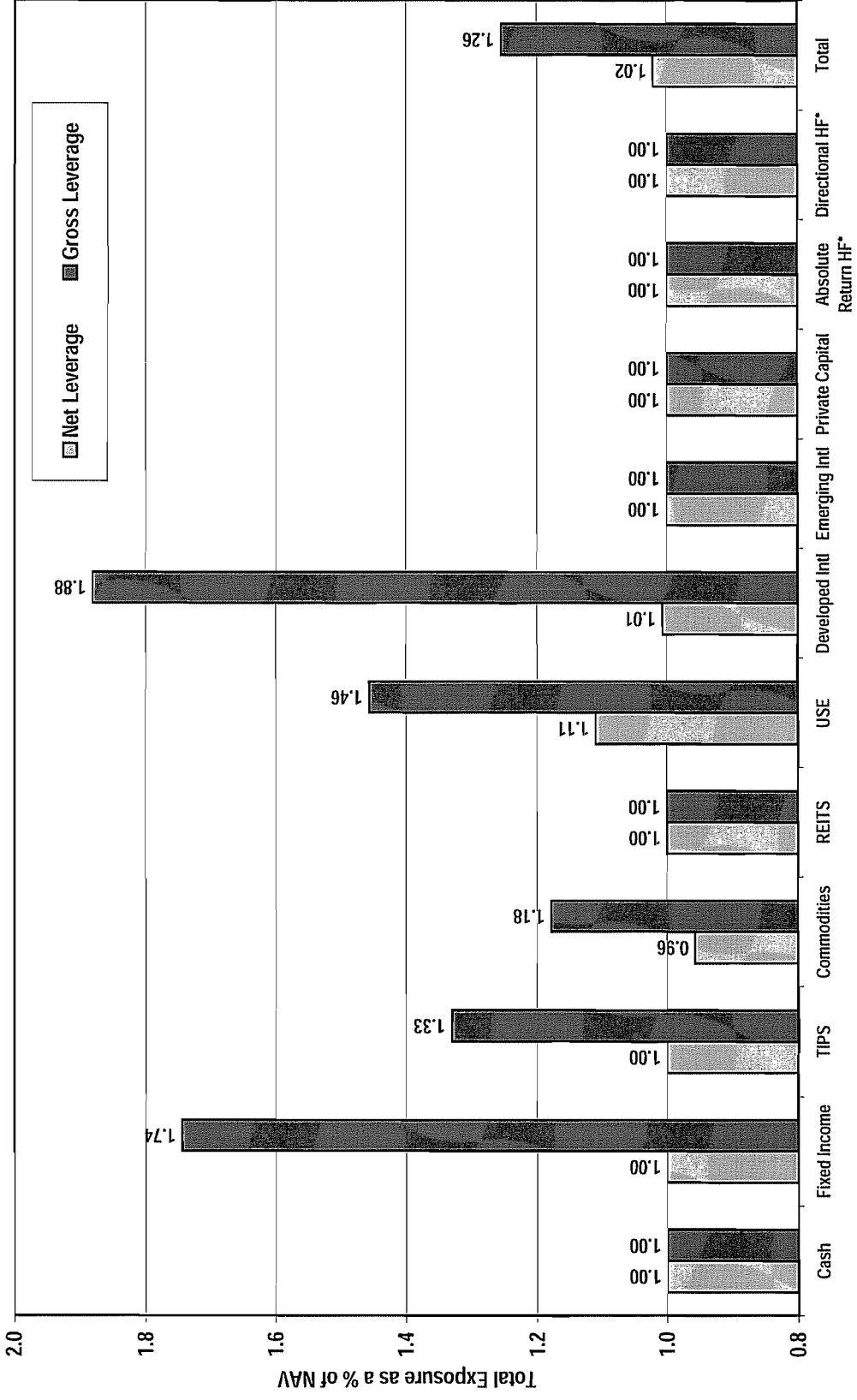
Hypothetical Performance of Current GEF Portfolio in Selected Stress Environments



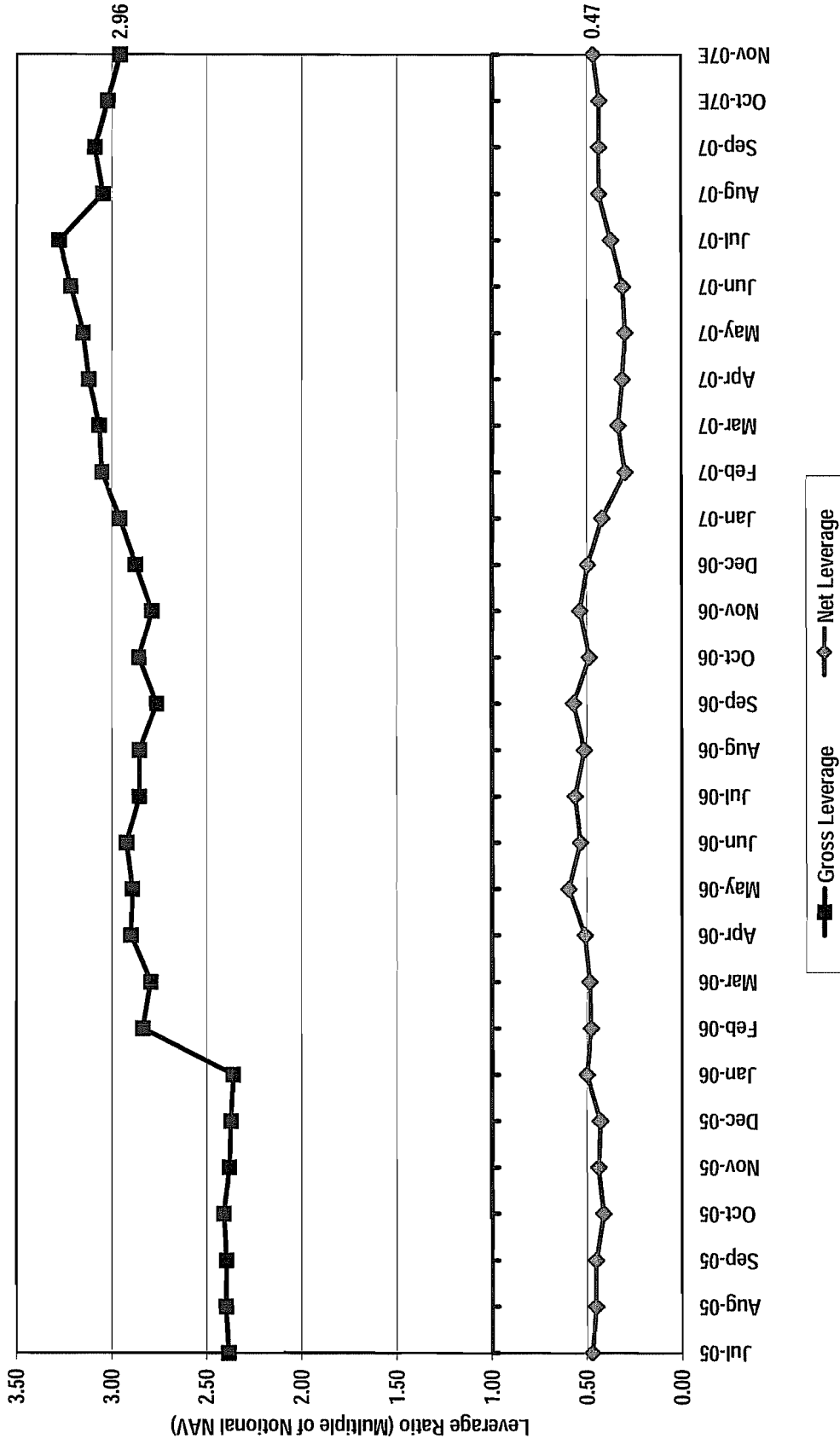
Liquidity Profile of Total Endowment Funds (PUF & GEF)



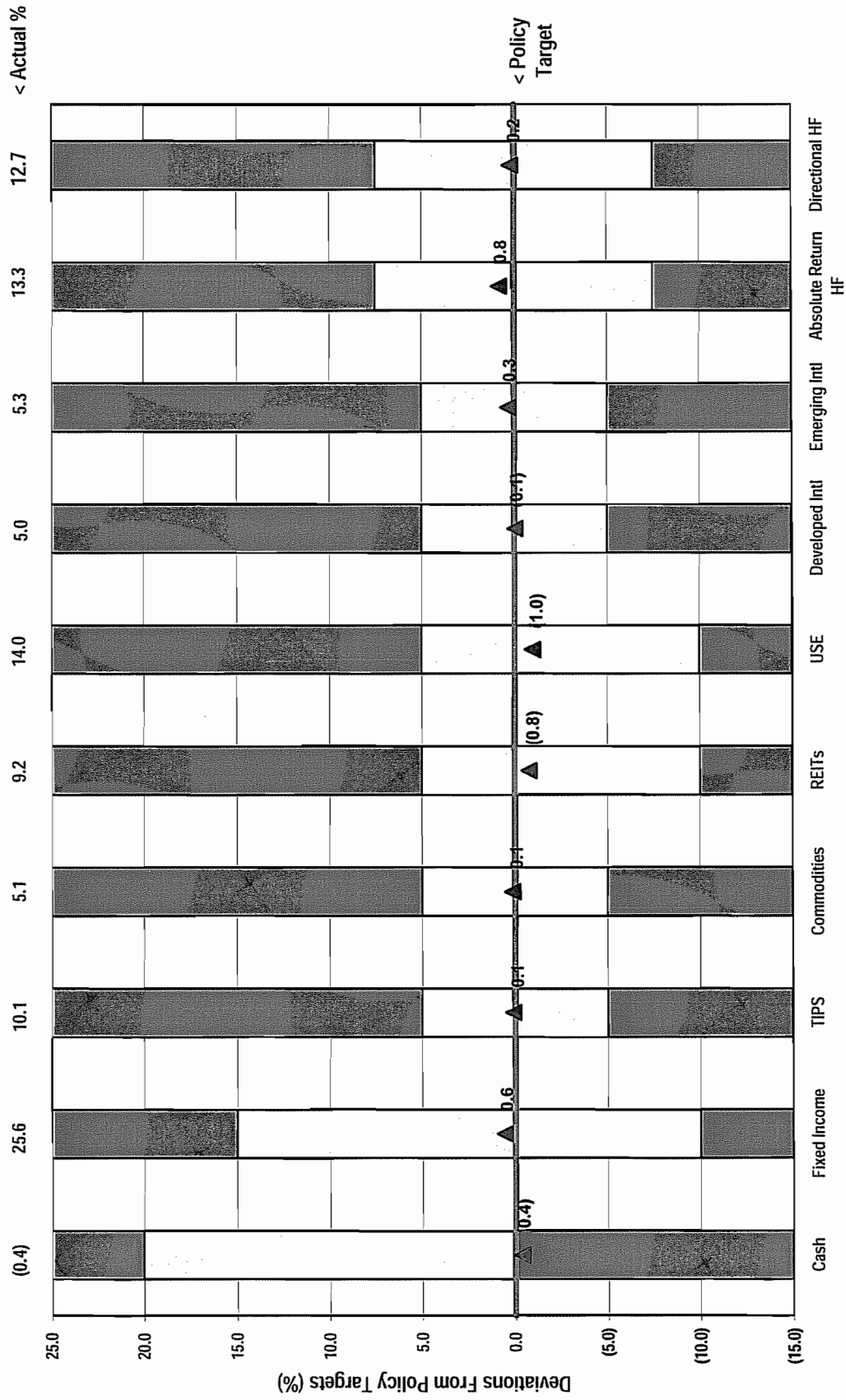
Net and Gross Leverage of GEF



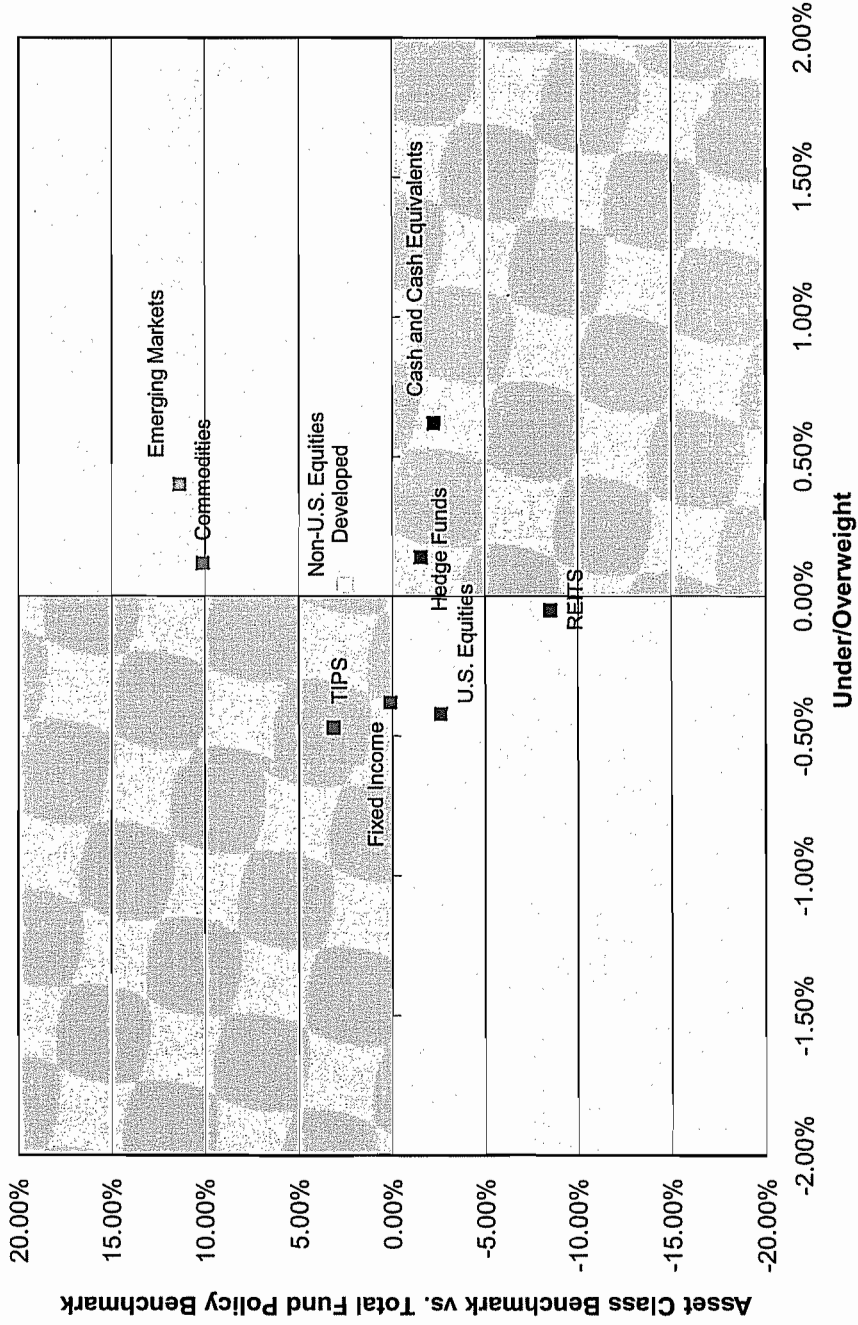
UTIMCO Hedge Fund Portfolio Gross and Net Leverage



Deviations From Policy Targets Within Tactical Policy Ranges for ITF



Intermediate Term Fund - 3 months ended November 30, 2007



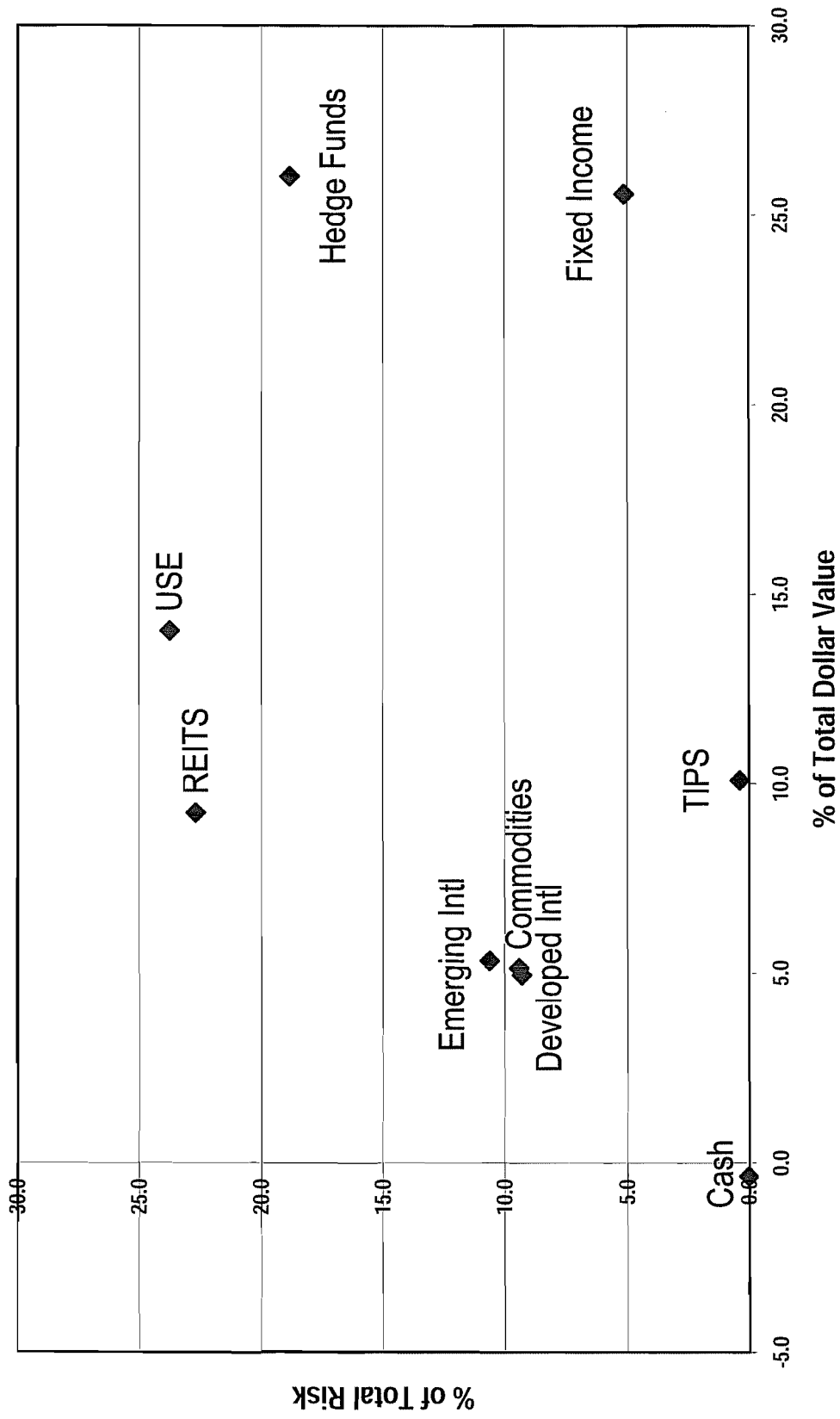
	Impact on Over/(Under) Performance (bps)
U.S. Equities	2
Emerging Mkts	1
Commodities	1
Fixed Income	-
Subtotal	4
Non-U.S. Equities	(1)
TIPS	(1)
REITS	(2)
Hedge Funds	(4)
Cash & Equiv	(7)
Subtotal	(15)
TOTAL	(11)

Intermediate Term Fund - Active Management Alpha

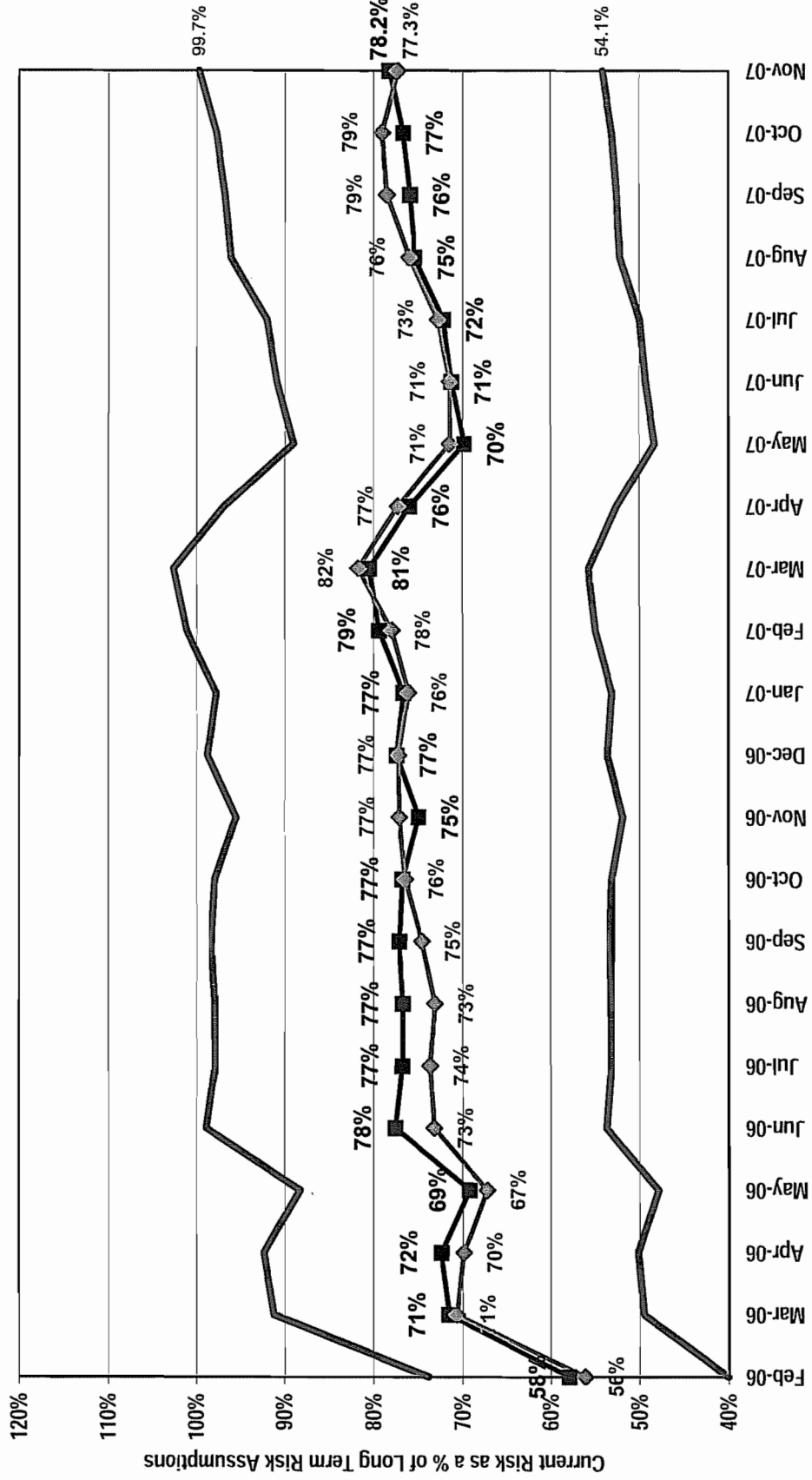
Periods Ended November 30, 2007

3 Months		Manager (Alpha)
Hedge Funds	(bps)	
Fixed Income	102	Blue Ridge (22.26), Fox Point (32.73), Landsdowne UK (13.29)
REITS	22	Internal - Harland Doak (1.43), PIMCO Fixed Income (.70)
Commodities	4	Cohen & Steers (.17)
TIPS	2	PIMCO Real Return (1.22)
Cash & Equiv	2	PIMCO TIPS (.76), Internal TIPS - Harland Doak (.10)
	-	
	<u>Subtotal</u>	
	132	
U.S. Equities	(4)	Relational Investors (7.24), TCW Multicap(6.64)
Non-U.S. Equities	(12)	JMBO (17.86), Landsdowne Europe (7.99)
Emerging Mkts	(13)	Dalton Taiwan (14.02), Rexiter (3.26)
	<u>Subtotal</u>	
	(29)	
	TOTAL	
	103	

**Asset Category Allocations for ITF
Dollar Allocations Compared to Downside Risk Allocation**



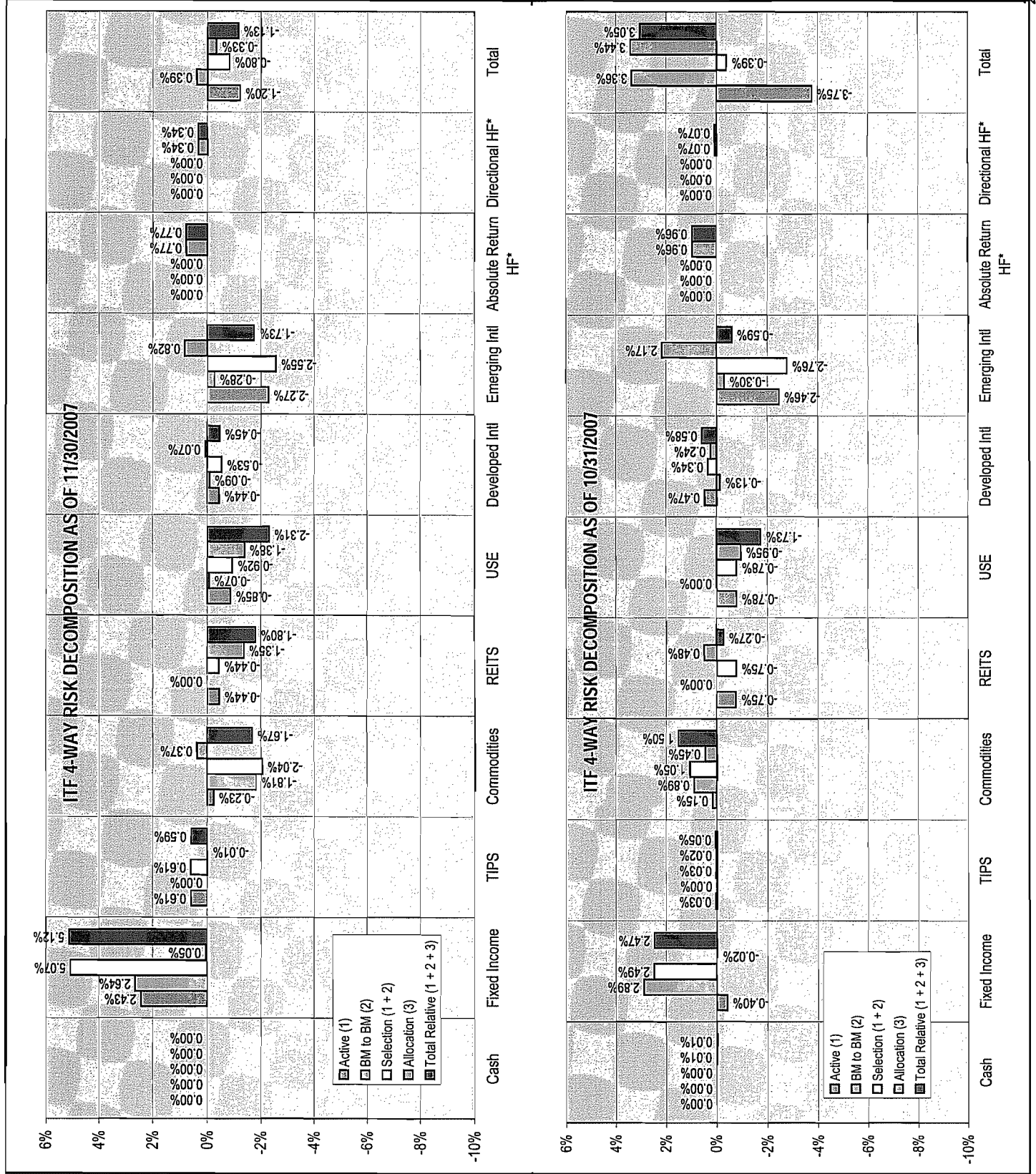
Current Risk Environment of ITF (Based on Downside Risk)



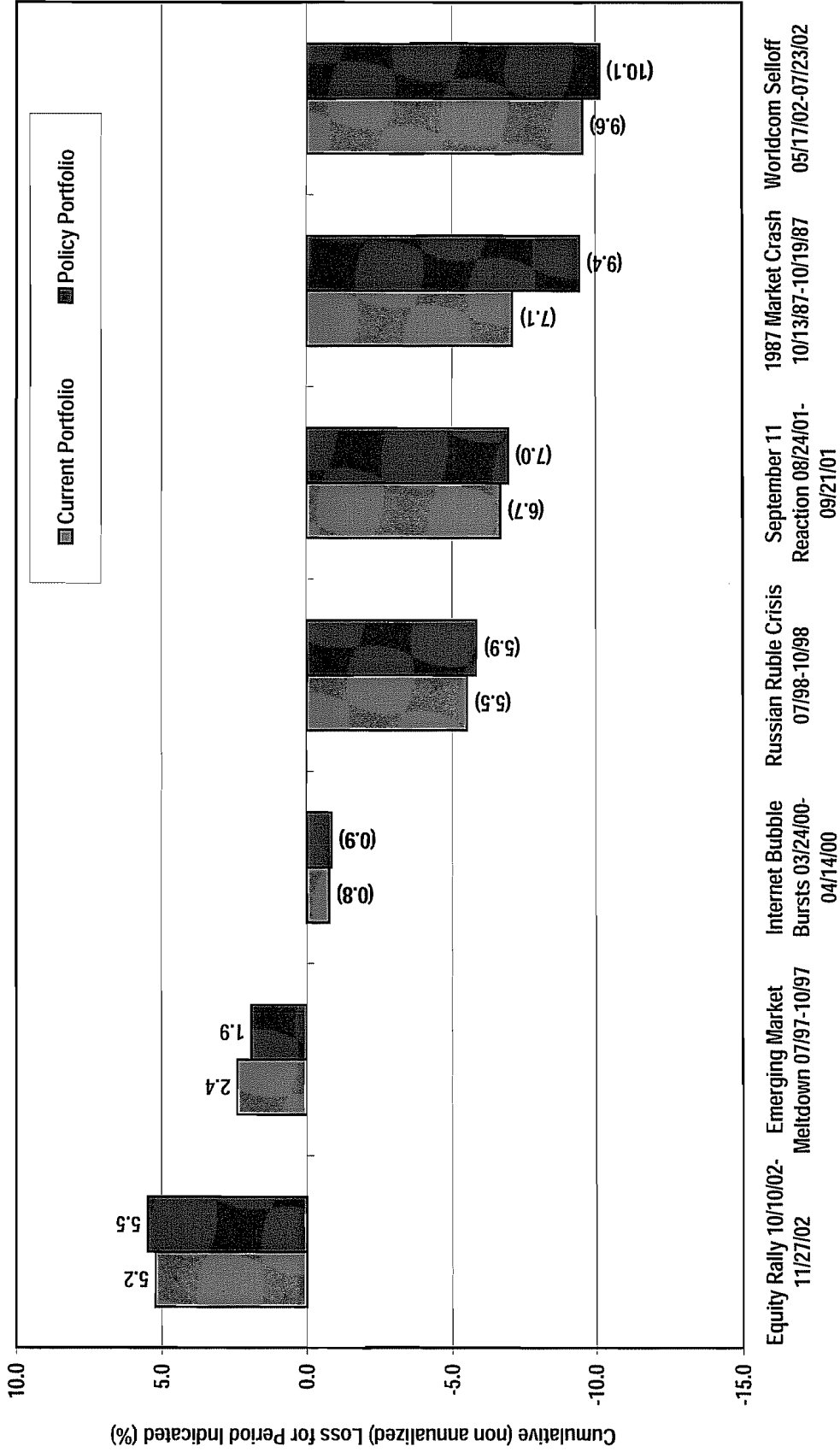
Policy Portfolio Risk as a % of LT Risk Assumptions
 Actual Portfolio Risk as a % of LT Risk Assumptions
 Policy Limit (between 69% and 128% of Policy Portfolio Risk)



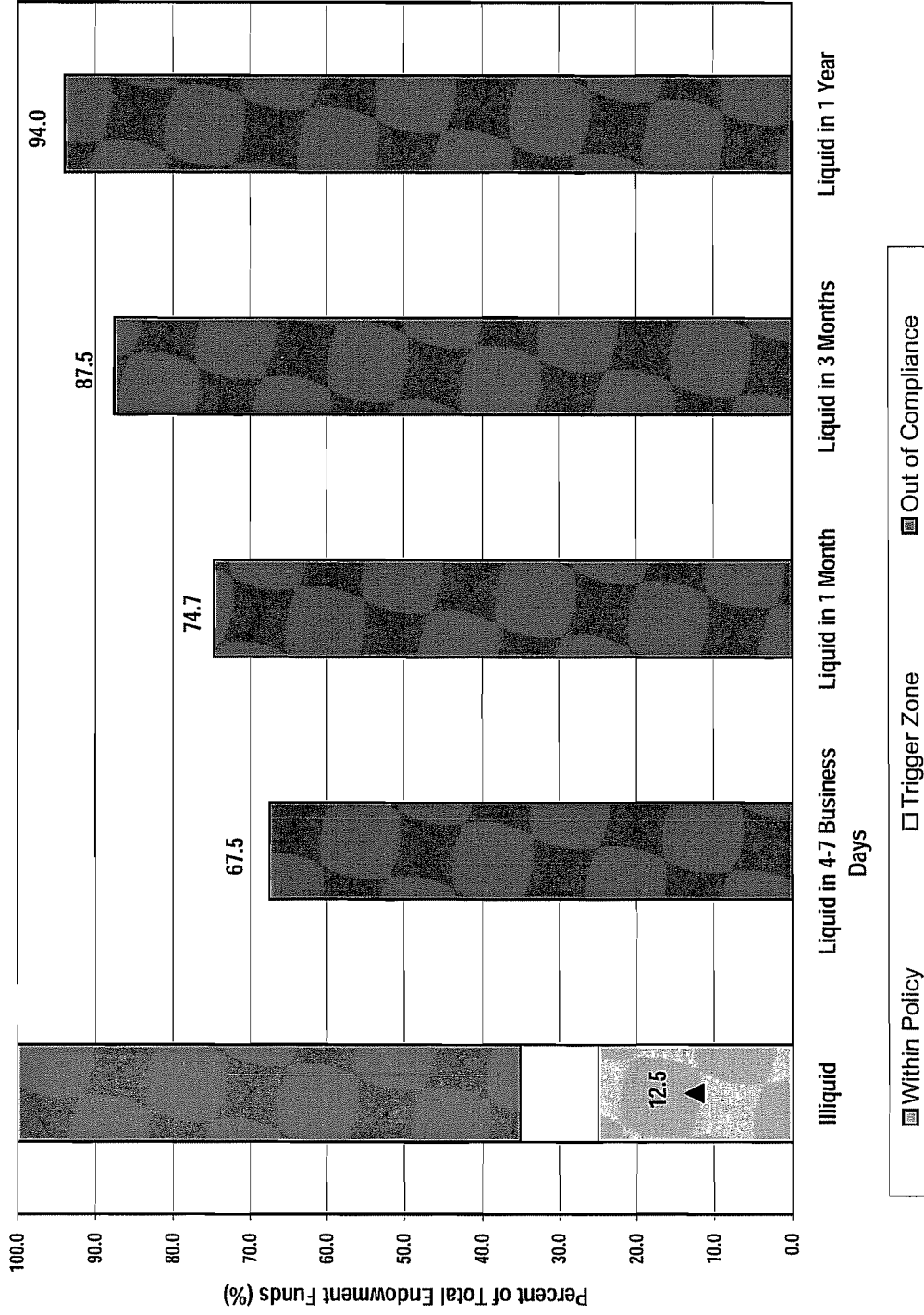
ITF - MONTH TO MONTH COMPARISON OF RISK ATTRIBUTION



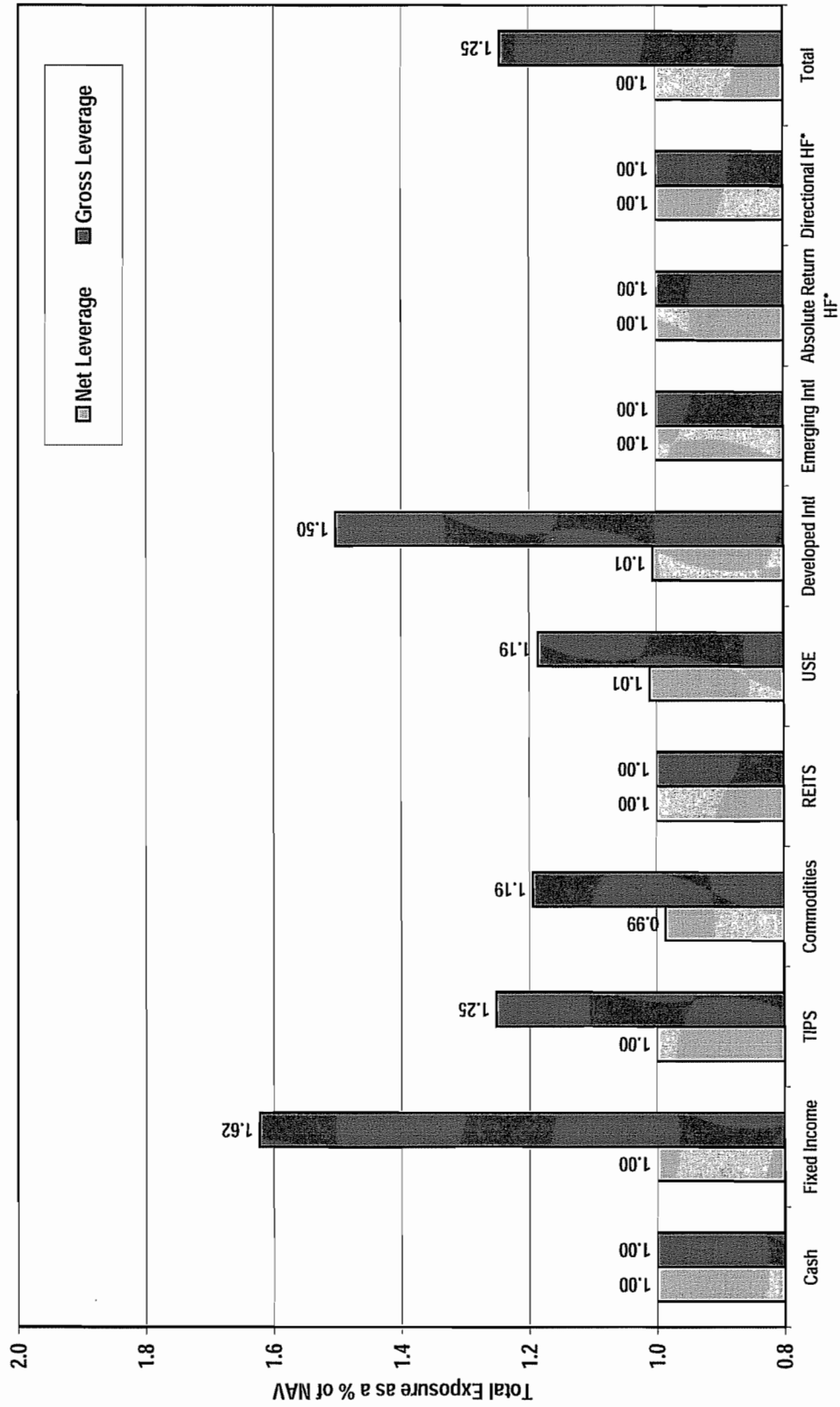
Hypothetical Performance of Current ITF Portfolio in Selected Stress Environments



Liquidity Profile of the ITF



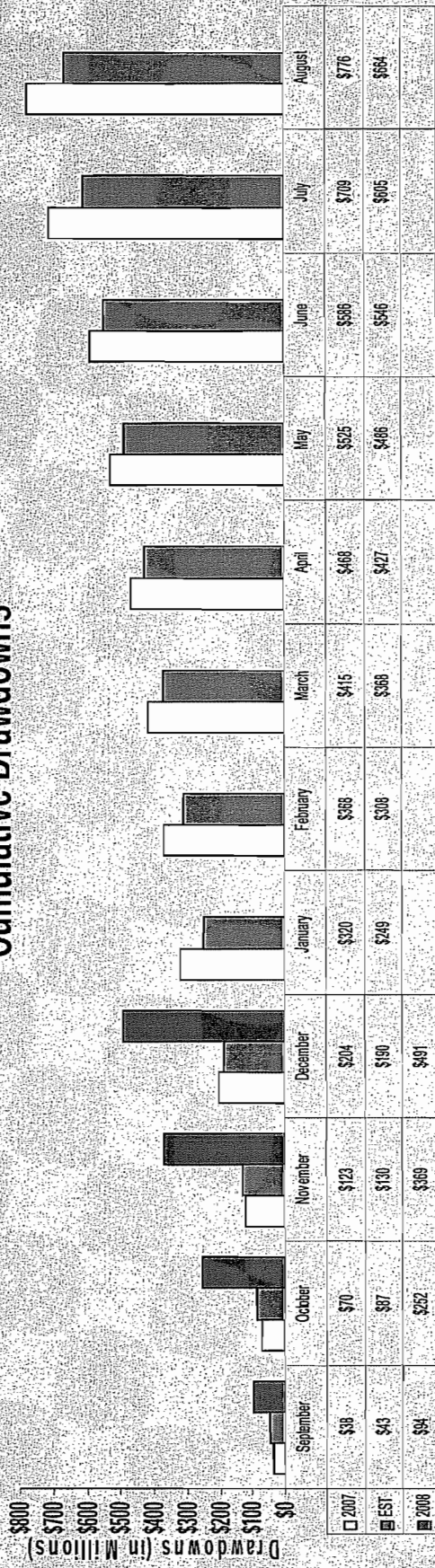
Net and Gross Leverage of ITF



Private Markets Exposure Report - 11/30/07
 Report Includes Secondary Sale Managers

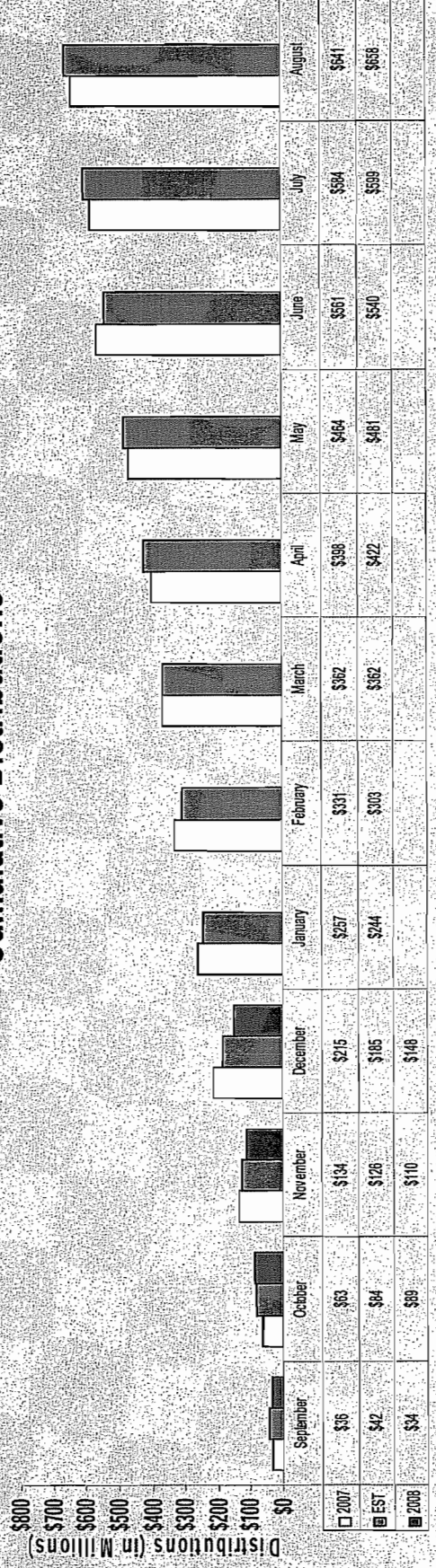
Investment Focus/Stage	Market Value	% of Total Market Value	Unfunded Commitment	Total Exposure	% of Total Exposure
TOTAL NATURAL RESOURCES	\$190,518,959	8%	\$202,373,839	\$392,892,798	8%
TOTAL CREDIT RELATED	430,635,315	17%	418,786,264	849,421,579	17%
TOTAL US BUYOUT	652,733,368	26%	435,414,772	1,088,148,140	22%
TOTAL ROW DEVELOPED BUYOUT	336,732,830	13%	429,790,840	766,523,670	15%
GLOBAL BUYOUT	245,373,029	10%	145,161,629	390,534,658	8%
OPPORTUNISTIC DEVELOPED	157,754,280	6%	151,325,585	309,079,865	6%
TOTAL VENTURE CAPITAL	442,326,724	18%	483,433,398	925,760,122	19%
TOTAL DEVELOPED MARKETS	1,834,920,231	73%	1,645,126,224	3,480,046,455	70%
TOTAL EMERGING MARKETS	47,770,482	2%	193,936,266	241,706,748	5%
GRAND TOTAL PRIVATE MARKETS	\$2,503,844,987	100%	\$2,460,222,593	\$4,964,067,580	100%

Cumulative Drawdowns



□ 2007 ■ EST ■ 2008

Cumulative Distributions



□ 2007 ■ EST ■ 2008

Comprehensive Derivative Report as of November 30, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)	Option Delta Equivalent (\$ millions)	Activity from previous report (9/30/2007) (\$ millions)
INTERNAL MANAGERS				
US Equities				
S&P 500 Futures	Long S&P 500 futures	\$ 779	\$ -	\$ (157)
US Equity Small Cap/Large Cap Spread Trade	Long US Large Cap Short US Small Cap	760 (728)	- -	- -
Structured Active Management Application - US Equities	Long S&P 500 futures (hedge fund overlay)	372	-	-
US Collar	Russell 2000 Option	300	(12)	-
Non-US Developed Equity				
Developed Markets Futures	Long FTSE 100 & Euro Stoxx 50 futures Currency forwards used to hedge U.S. dollar	471 411	- -	(7)
Lansdowne Euro Forwards	Currency forwards used to replicate local currency exposure for investments in Lansdowne European Fund	319	-	-
Japan Futures	Currency forwards used to hedge U.S. dollar Long Topix Index futures	10 17	- -	- -
Emerging Markets Equity				
China Swap	Long CSI 300 Index / Short LIBOR	45	-	-
Emerging Swaps	Long Emerging Mkt Equity Index/Short LIBOR	131	-	-
Commodities				
Goldman Sachs Commodity Index	Long GSCI futures	661	-	(20)

Comprehensive Derivative Report as of November 30, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)
<u>EXTERNAL MANAGERS</u>		
<u>Non-US Developed Equity</u>		
Bridgewater	Currency Overlay	78
Blackrock	Global Ex US	82
Dalton	Japan	(0)
Globeflex		-
<u>REITS</u>		
Morgan Stanley	Reits	(0)
<u>Commodities</u>		
PIMCO	Real Return	(4)
	Currency forwards used to underweight the US dollar	(69)
	Short US and Non-US futures used to overweight duration in Eurozone	93
	Long futures used to overweight front end of US and UK yield curves	283
	Commodity swaps used to gain commodity exposure	83
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(28)
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	2
	Interest rate swaps used to overweight front end of US and UK yield curves	(3)
	Written options used to increase portfolio yield	2
	Purchased options used to increase portfolio yield	2

Comprehensive Derivative Report as of November 30, 2007

<u>Manager</u>	<u>Derivative Strategy</u>	<u>Net Notional Value</u> (\$ millions)
<u>TIPS</u>		
PIMCO TIPS	Currency forwards used to underweight the US dollar	(3)
	Short US futures used to overweight duration in Eurozone	(130)
	Long Non- US futures used to overweight duration in Eurozone	5
	Long futures used to overweight front end of US and UK yield curves	263
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	78
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(54)
	Interest rate swaps used to overweight front end of US and UK yield curves	88
	Long credit default swaps used to underweight credit risk	10
	Short credit default swaps used to underweight credit risk	(22)
	Written options used to increase portfolio yield	(2)
	Purchased options used to increase portfolio yield	1
Reams TIPS	Sold Credit Default swaps to replicate long corporate bonds for protection in indices	34
<u>Fixed Income</u>		
PIMCO Global Bonds	Currency forwards used to underweight the US dollar	(51)
	Short US and Non-US futures used to overweight duration in Eurozone	(373)
	Long futures used to overweight front end of US and UK yield curves	710
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	1,121
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(867)
	Interest rate swaps used to overweight front end of US and UK yield curves	662
	Long credit default swaps used to underweight credit risk	33
	Short credit default swaps used to underweight credit risk	(116)
	Written options used to increase portfolio yield	(22)
	Purchased options used to increase portfolio yield	24

Comprehensive Derivative Report as of November 30, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)
Reams Core Plus	Sold Credit Default swaps to replicate long corporate bonds for protection in indices	30
	GRAND TOTAL	\$ 5,485
	Internal Managers	\$ 3,547
	External Managers	1,938
	GRAND TOTAL	\$ 5,485

Comprehensive Report on Approved Derivative Applications as of November 30, 2007
Internal Management

Internal Managers	
Derivative Application (account name)	Purpose of Application
S&P 500 Futures / FTSE Index / DJ Eurostoxx 50 / Topix / Goldman Sachs Commodity Index (GSCI)	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
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.
Structured Active Management Application - U.S. Equities	Use derivatives and cash, along with hedge funds, to obtain an overall risk exposure equivalent to that of a traditional active management portfolio within the Developed Markets portfolio.
Emerging Market and China Swaps	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of the borrow rate.
Currency forwards	To replicate local currency exposure for hedged foreign investments in order to more closely align the targeted risk/return profile.

Comprehensive Report on Approved Derivative Applications as of November 30, 2007
External Management

External Managers Under Agency Agreement	Primary Use of Derivatives
Blackrock (formerly State Street Research)	Short sales limited to 5%, able to use stock and index options, buy and sell puts/calls, forwards, futures (within our max loss provision)
Bridgewater	Permitted to use currency spot and forward contracts, currency futures, options on currency forwards or futures (within our max loss provision)
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.
Globeflex	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index.
Morgan Stanley REITs	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index.
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	May use futures, forwards, options and swaps and fixed income securities linked to foreign interest rates.

Derivative Counterparty Report as of November 30, 2007

Counterparty	S & P Counterparty Rating	Owed by Broker	Owed by UTIMCO	Total	Percentage of Total Funds	Notional Value
\$ millions						
GOLDMAN SACHS	AA-	\$ 319.1	\$(286.1)	\$	33.0	\$ 2,163
ROYAL BANK OF SCOTLAND PLC	AA	14	-13.9	0.1	0.00%	1,067
MORGAN STANLEY	AA+	11.9	-11.5	0.4	0.00%	1,049
BARCLAYS	AA	9.9	-8.4	1.5	0.01%	912
DEUTSCHE BANK AG	AA+	8.1	-4.3	3.8	0.02%	590
BANK OF AMERICA	AA+	4.2	-5.4	-1.2	-0.01%	282
MERRILL LYNCH	AA+	4.1	-0.7	3.4	0.01%	152
CITIBANK NY	AA+	3.5	-1.8	1.7	0.01%	191
UBS AG, STAMFORD	AA-	3.3	-9.5	-6.2	-0.03%	585
HSBC BK USA, NEW YORK	AA	2.7	-2.2	0.5	0.00%	192
J. ARON	AA-	2	0	2	0.01%	73
J P MORGAN, CHASE	AA-	1.9	-5.3	-3.4	-0.01%	507
LEHMAN BROTHERS	AA+	1.9	-3	-1.1	0.00%	248
CREDIT SUISSE FIRST	AA-	1.5	-0.3	1.2	0.01%	92
CHASE MANHATTAN	AA-	1.1	-0.5	0.6	0.00%	67
STATE ST BOSTON CAPITAL MKT	AA+	1.1	-0.8	0.3	0.00%	111
CS FIRST BOSTON GBL FOREIGN EXCH	AA-	1	-0.9	0.1	0.00%	72
UBS A G, ZURICH	AA+	0.6	-0.8	-0.2	0.00%	86
ROYAL BANK OF CANADA	AA-	0.5	-0.7	-0.2	0.00%	35
ABN AMSTERDAM	AA	0.4	-0.6	-0.2	0.00%	37
MERRILL LYNCH INTL BANK LTD, NY	AA+	0.4	-0.1	0.3	0.00%	26
BEAR STEARNS	AAA	0.3	-5.1	-4.8	-0.02%	5
AUSTRALIA & NZ BANK LTD	AA	0.3	-0.2	0.1	0.00%	11
BNP PARIBAS	AA+	0.3	-0.3	0	0.00%	66
NORTHERN TRUST CHICAGO	AA-	0.2	-0.1	0.1	0.00%	12
ABN AMRO	AA	0.2	-0.1	0.1	0.00%	24
WESTPAC BANKING CORP, SYDNEY	AA	0.2	-0.1	0.1	0.00%	18
CITIBANK NA, LONDON	AA+	0.2	-0.2	0	0.00%	27
NATIONAL AUSTRALIA BANK LIMITED	AA	0.1	-0.2	-0.1	0.00%	10
CALYON FINANCIAL, LONDON	AA-	0.1	-0.1	0	0.00%	7
CHASE NEW YORK	AA-	0	-0.1	-0.1	0.00%	7
COMMONWEALTH BK OF AUSTRALIA	AA	0	-1.2	-1.2	-0.01%	37
MELLON BANK	AA-	0	0	0	0.00%	0
WACHOVIA BANK	AA	0	0	0	0.00%	1
Grand Total		\$ 395.1	\$(364.5)	\$ 30.6	0.13%	\$ 8,781

Report on Investment Transactions Made Under the Delegation of Authority
November 16, 2007 through January 15, 2008

	Amount (\$ millions)	Description	Illiquid	New Mandate Categorization assigned to new Investments
US Equities				
Large Cap/Small Domestic Spread Trade	(58)	1 Reduce large cap exposure	No	
No Cost Collar Trade	(300)	1 Expiration of RTY collars	No	
Relational Investors	(100)	Partial withdrawal from manager for reallocation	No	
TCW	(269)	Termination of manager	No	
S&P 500 futures	(100)	Sell futures to use cash collateral for EAFE Swap	No	
Global Ex US Equities				
Non-US Developed Equity				
JMBO Fund	(20)	Partial withdrawal from manager	No	
EAFE Swap	96	1 New swap traded to increase exposure to EAFE	Yes	More Correlated & Contrained Dev Country Equity
Emerging Markets Equity				
Lazard	150			
BGI Emerging Strategic Index	(118)			
Brazil and Korea ETFs	(34)	Initial funding of new manager from partial withdrawal of another manager and ETF sales	No	More Correlated & Contrained Emerg Mkt Equity
REITS				
European Investors (EII)	275			
Morgan Stanley REITs	(10)	Initial funding of new manager from partial withdrawals of REIT and Fixed Income managers and cash	No	More Correlated & Contrained Real Estate
Cohen & Steers	(45)		No	
European Investors (EII)	5	Additional funding to re-balance	No	
Morgan Stanley REITs	5	Additional funding to re-balance	No	
Commodities				
None				
TIPS				
Reams	(7)	Partial withdrawal to re-balance	No	
Internal	(6)	Partial withdrawal to re-balance	No	
PIMCO	(12)	Partial withdrawal to re-balance	No	
Fixed Income				
BGI Debt Fund	180	Additional funding to manager from cash	No	
BGI Debt Fund	(40)	Partial withdrawal to fund new manager (EII)	No	
Reams Core	(5)	Partial withdrawal to fund new manager (EII)	No	
BGI Debt Fund	(25)	Partial withdrawal to re-balance	No	

1 Trades fall under the Derivative Investment Policy. Amounts shown represent Notional Value.

Report on Investment Transactions Made Under the Delegation of Authority
November 16, 2007 through January 15, 2008

Marketable Alternatives	Amount (\$ millions)	Description	Illiquid	New Mandate Categorization assigned to new investments
Centerbridge	25	(Initial investment in manager	Yes	Less Correlated & Constrained
GEM Realty Securities	50	(Initial investment in manager	Yes	Credit Related FI
Parkcentral	40	(Additional funding to manager	Yes	Real Estate
Eminence	15	(Additional funding to manager	No	
BGI Global Market Neutral	(50)	(Partial withdrawal from manager	No	
OCIM Emerging	(58)	(Partial withdrawal from manager	Yes	
Bridgewater	(41)	(Partial withdrawal from manager	Yes	
AG Realty	(25)	(Complete liquidation of manager	Yes	
AQR Absolute Return	(40)	(Complete liquidation of manager	Yes	
Private Capital				
Ashmore - Global Special Situations Fund IV	100		Yes	Private Investments
TPG Star, L.P.	50		Yes	Private Investments
				Emerg Mkt Equity
				Dev Country Equity

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

**For November 16, 2007 through January 15, 2008
(Total Obligation per Agreement greater than \$50,000)**

Agreement	Purpose	Contract Term	Annual Amount
Credit Sights	Provide independent qualitative and quantitative credit research for corporate bond investing	9/1/2007 to 9/1/2008	\$50,000

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

Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	\$235,887
International Fund Services	Risk System	Quarterly invoice – fees increased as accounts are added	\$510,500
Factset Research Systems	Analytical tool for performance	Monthly invoice	\$285,210
Albourne America LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$400,000

General Endowment Fund
as of November 30, 2007

(in millions)

Asset Group	Asset Type	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Grand Total
Fixed Income	Investment Grade Credit-Related	\$ 930 13.8%	\$ 126 1.9%	\$ - 0.0%	\$ 1,056 15.7%
		- 0.0%	57 0.8%	154 2.3%	211 3.1%
Fixed Income Total		930 13.8%	183 2.7%	154 2.3%	1,267 18.8%
Real Assets	Real Estate	286 4.3%	7 0.1%	- 0.0%	293 4.4%
	Natural Resources	358 5.3%	34 0.5%	66 1.0%	458 6.8%
Real Assets Total		644 9.6%	41 0.6%	66 1.0%	751 11.2%
Equity	Developed Country	1,799 26.8%	1,454 21.6%	665 9.9%	3,918 58.3%
	Emerging Markets	616 9.2%	277 4.1%	20 0.3%	913 13.6%
Equity Total		2,415 36.0%	1,731 25.7%	685 10.2%	4,831 71.9%
Grand Total		\$ 3,989 59.4%	\$ 1,955 29.0%	\$ 905 13.5%	\$ 6,849 101.9%

The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

Permanent University Fund
as of November 30, 2007

(in millions)

Asset Group	Asset Type	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Grand Total
Fixed Income	Investment Grade Credit-Related	\$ 1,770 14.6%	\$ 230 1.9%	\$ - 0.0%	\$ 2,000 16.5%
		- 0.0%	104 0.9%	277 2.3%	381 3.2%
Fixed Income Total		1,770 14.6%	334 2.8%	277 2.3%	2,381 19.7%
Real Assets	Real Estate	522 4.3%	13 0.1%	- 0.0%	535 4.4%
	Natural Resources	648 5.3%	63 0.5%	125 1.0%	836 6.8%
Real Assets Total		1,170 9.6%	76 0.6%	125 1.0%	1,371 11.2%
Equity	Developed Country	3,244 26.7%	2,631 21.6%	1,170 9.6%	7,045 57.9%
	Emerging Markets	1,099 9.0%	498 4.1%	28 0.2%	1,625 13.3%
Equity Total		4,343 35.7%	3,129 25.7%	1,198 9.8%	8,670 71.2%
Grand Total		\$ 7,283 59.9%	\$ 3,539 29.1%	\$ 1,600 13.1%	\$ 12,422 102.1%

The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

Asset Class and Investment Type Targets, Ranges, and Performance Objectives

General Endowment Fund as of November 30, 2007

POLICY PORTFOLIO	November 30, 2007 ACTUAL	March 1, 2008			vs. Target
		Min	Target	Max	
Asset Classes					
Investment Grade Fixed Income	15.7%	10.0%	14.0%	20.0%	1.7%
Credit-Related Fixed Income	3.1%	0.0%	2.5%	5.0%	0.6%
Real Estate	4.4%	2.5%	5.0%	7.5%	-0.6%
Natural Resources	6.8%	3.0%	6.0%	9.0%	0.8%
Developed Country Equity	58.3%	52.5%	60.0%	67.5%	-1.7%
Emerging Markets Equity	13.6%	7.5%	12.5%	17.5%	1.1%
TOTAL	101.9%	100.0%	100.0%	100.0%	1.9%
Investment Types					
More Correlated & Constrained	59.4%	50.0%	58.5%	65.0%	0.9%
Less Correlated & Constrained	29.0%	25.0%	30.0%	35.0%	-1.0%
Private Investments	13.5%	7.5%	11.5%	15.5%	2.0%
TOTAL	101.9%	100.0%	100.0%	100.0%	1.9%

Permanent University Fund as of November 30, 2007

POLICY PORTFOLIO	November 30, 2007 ACTUAL	March 1, 2008			vs. Target
		Min	Target	Max	
Asset Classes					
Investment Grade Fixed Income	16.5%	10.0%	14.0%	20.0%	2.5%
Credit-Related Fixed Income	3.2%	0.0%	2.5%	5.0%	0.7%
Real Estate	4.4%	2.5%	5.0%	7.5%	-0.6%
Natural Resources	6.8%	3.0%	6.0%	9.0%	0.8%
Developed Country Equity	57.9%	52.5%	60.0%	67.5%	-2.1%
Emerging Markets Equity	13.3%	7.5%	12.5%	17.5%	0.8%
TOTAL	102.1%	100.0%	100.0%	100.0%	2.1%
Investment Types					
More Correlated & Constrained	59.9%	50.0%	58.5%	65.0%	1.4%
Less Correlated & Constrained	29.1%	25.0%	30.0%	35.0%	-0.9%
Private Investments	13.1%	7.5%	11.5%	15.5%	1.6%
TOTAL	102.1%	100.0%	100.0%	100.0%	2.1%

Asset Class and Investment Type Targets, Ranges, and Performance Objectives

General Endowment Fund as of November 30, 2007

POLICY PORTFOLIO	November 30, 2007 ACTUAL	Fiscal Year ending August 31, 2008			vs. Target
		Min	Target	Max	
Asset Classes					
Investment Grade Fixed Income	15.7%	7.5%	11.0%	17.5%	4.7%
Credit-Related Fixed Income	3.1%	0.0%	5.0%	12.5%	-1.9%
Real Estate	4.4%	3.0%	6.0%	9.0%	-1.6%
Natural Resources	6.8%	4.0%	8.0%	12.0%	-1.2%
Developed Country Equity	58.3%	47.5%	55.0%	62.5%	3.3%
Emerging Markets Equity	13.6%	10.0%	15.0%	20.0%	-1.4%
TOTAL	101.9%	100.0%	100.0%	100.0%	1.9%
Investment Types					
More Correlated & Constrained	59.4%	47.5%	53.5%	60.0%	5.9%
Less Correlated & Constrained	29.0%	27.5%	33.0%	37.5%	-4.0%
Private Investments	13.5%	9.5%	13.5%	17.5%	0.0%
TOTAL	101.9%	100.0%	100.0%	100.0%	1.9%

Permanent University Fund as of November 30, 2007

POLICY PORTFOLIO	November 30, 2007 ACTUAL	Fiscal Year ending August 31, 2008			vs. Target
		Min	Target	Max	
Asset Classes					
Investment Grade Fixed Income	16.5%	7.5%	11.0%	17.5%	5.5%
Credit-Related Fixed Income	3.2%	0.0%	5.0%	12.5%	-1.8%
Real Estate	4.4%	3.0%	6.0%	9.0%	-1.6%
Natural Resources	6.8%	4.0%	8.0%	12.0%	-1.2%
Developed Country Equity	57.9%	47.5%	55.0%	62.5%	2.9%
Emerging Markets Equity	13.3%	10.0%	15.0%	20.0%	-1.7%
TOTAL	102.1%	100.0%	100.0%	100.0%	2.1%
Investment Types					
More Correlated & Constrained	59.9%	47.5%	53.5%	60.0%	6.4%
Less Correlated & Constrained	29.1%	27.5%	33.0%	37.5%	-3.9%
Private Investments	13.1%	9.5%	13.5%	17.5%	-0.4%
TOTAL	102.1%	100.0%	100.0%	100.0%	2.1%

Intermediate Term Fund
as of November 30, 2007
(in millions)

Asset Group	Asset Type	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
		\$	%	\$	%	\$	%	\$	%
Fixed Income	Investment Grade	1,359	35.4%	54	1.4%	-	0.0%	1,413	36.8%
	Credit-Related	-	0.0%	24	0.6%	-	0.0%	24	0.6%
Fixed Income Total		1,359	35.4%	78	2.0%	-	0.0%	1,437	37.4%
Real Assets	Real Estate	354	9.2%	5	0.1%	-	0.0%	359	9.3%
	Natural Resources	233	6.1%	15	0.4%	-	0.0%	248	6.5%
Real Assets Total		587	15.3%	20	0.5%	-	0.0%	607	15.8%
Equity	Developed Country	688	17.9%	737	19.2%	-	0.0%	1,425	37.1%
	Emerging Markets	207	5.4%	164	4.3%	-	0.0%	371	9.7%
Equity Total		895	23.3%	901	23.5%	-	0.0%	1,796	46.8%
Grand Total		\$ 2,841	74.0%	\$ 999	26.0%	\$ -	0.0%	\$ 3,840	100.0%

Asset Class and Investment Type Targets, Ranges, and Performance Objectives

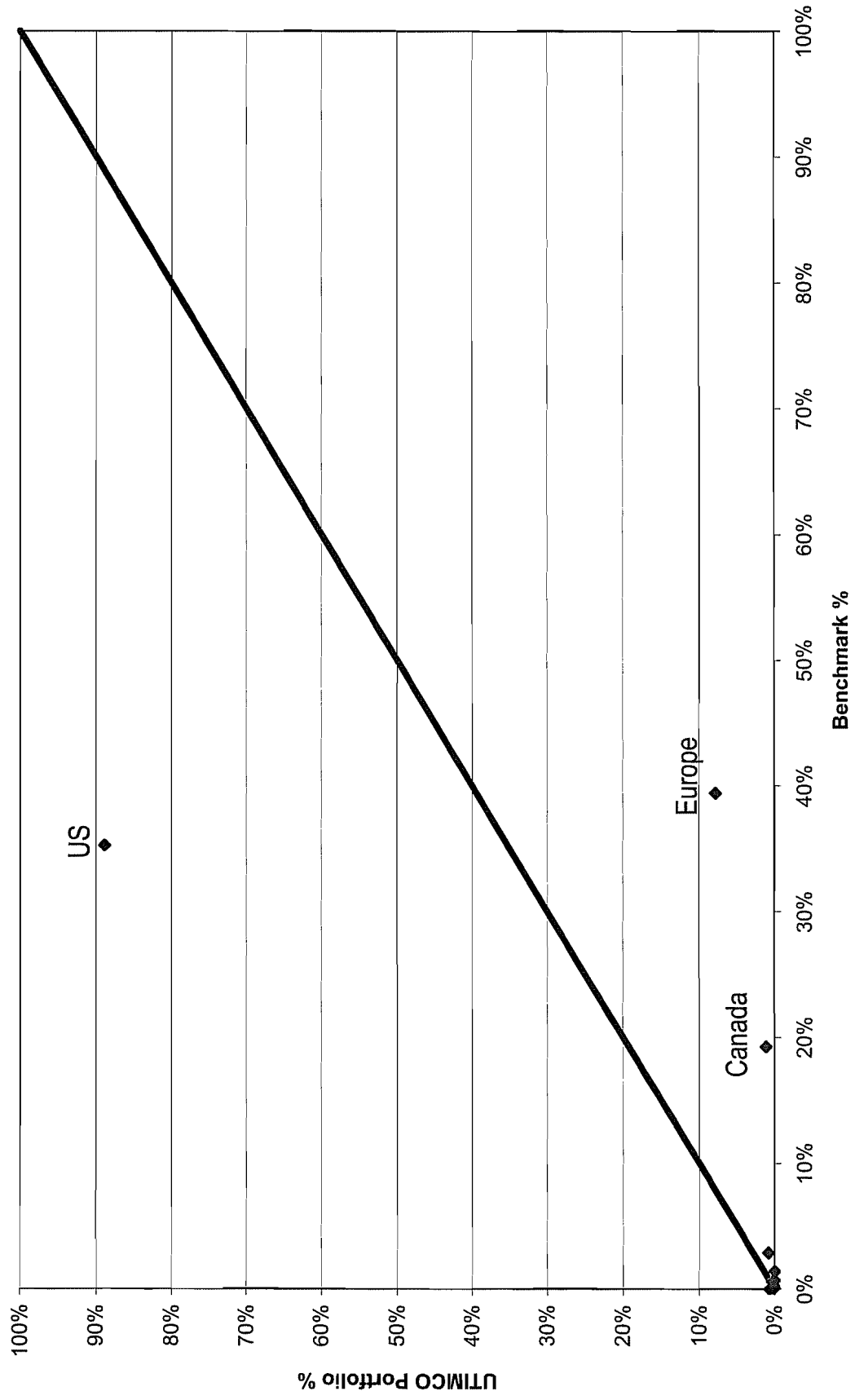
Intermediate Term Fund
as of November 30, 2007

POLICY PORTFOLIO	November 30, 2007 ACTUAL	March 1, 2008		vs. Target
		Min	Target	
Asset Classes				
Investment Grade Fixed Income	36.8%	20.0%	38.0%	-1.2%
Credit-Related Fixed Income	0.6%	0.0%	2.0%	-1.4%
Real Estate	9.3%	5.0%	11.0%	-1.7%
Natural Resources	6.5%	0.0%	6.0%	0.5%
Developed Country Equity	37.1%	25.0%	35.0%	2.1%
Emerging Markets Equity	9.7%	0.0%	8.0%	1.7%
TOTAL	100.0%		100.0%	0.0%
Investment Types				
More Correlated & Constrained	74.0%	70.0%	75.0%	-1.0%
Less Correlated & Constrained	26.0%	20.0%	25.0%	1.0%
TOTAL	100.0%		100.0%	0.0%

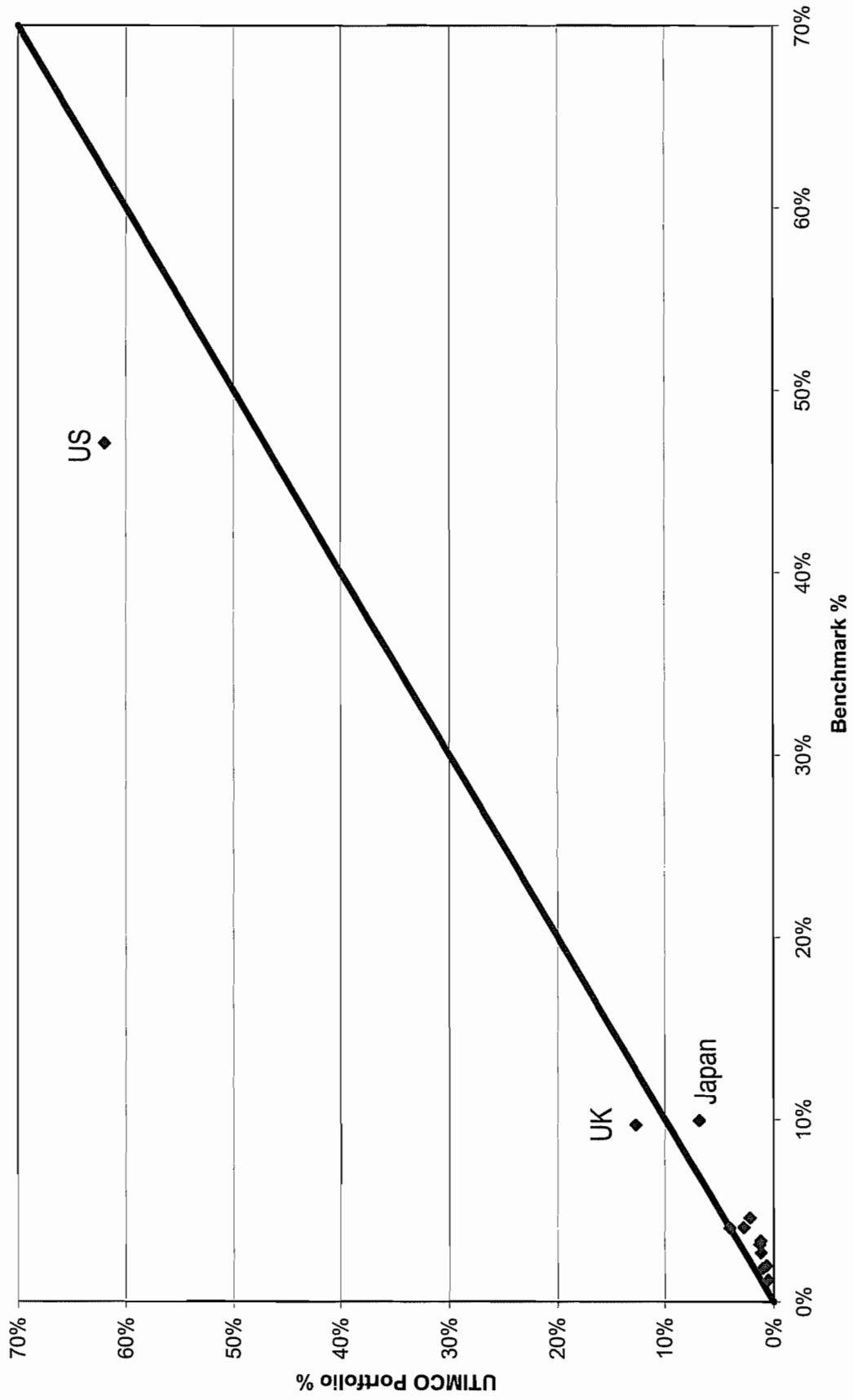
Intermediate Term Fund
as of November 30, 2007

POLICY PORTFOLIO	November 30, 2007 ACTUAL	Fiscal Year ending August 31, 2008		vs. Target
		Min	Target	
Asset Classes				
Investment Grade Fixed Income	36.8%	20.0%	38.0%	-1.2%
Credit-Related Fixed Income	0.6%	0.0%	3.0%	-2.4%
Real Estate	9.3%	5.0%	11.0%	-1.7%
Natural Resources	6.5%	0.0%	7.0%	-0.5%
Developed Country Equity	37.1%	20.0%	31.0%	6.1%
Emerging Markets Equity	9.7%	0.0%	10.0%	-0.3%
TOTAL	100.0%		100.0%	0.0%
Investment Types				
More Correlated & Constrained	74.0%	70.0%	75.0%	-1.0%
Less Correlated & Constrained	26.0%	20.0%	25.0%	1.0%
TOTAL	100.0%		100.0%	0.0%

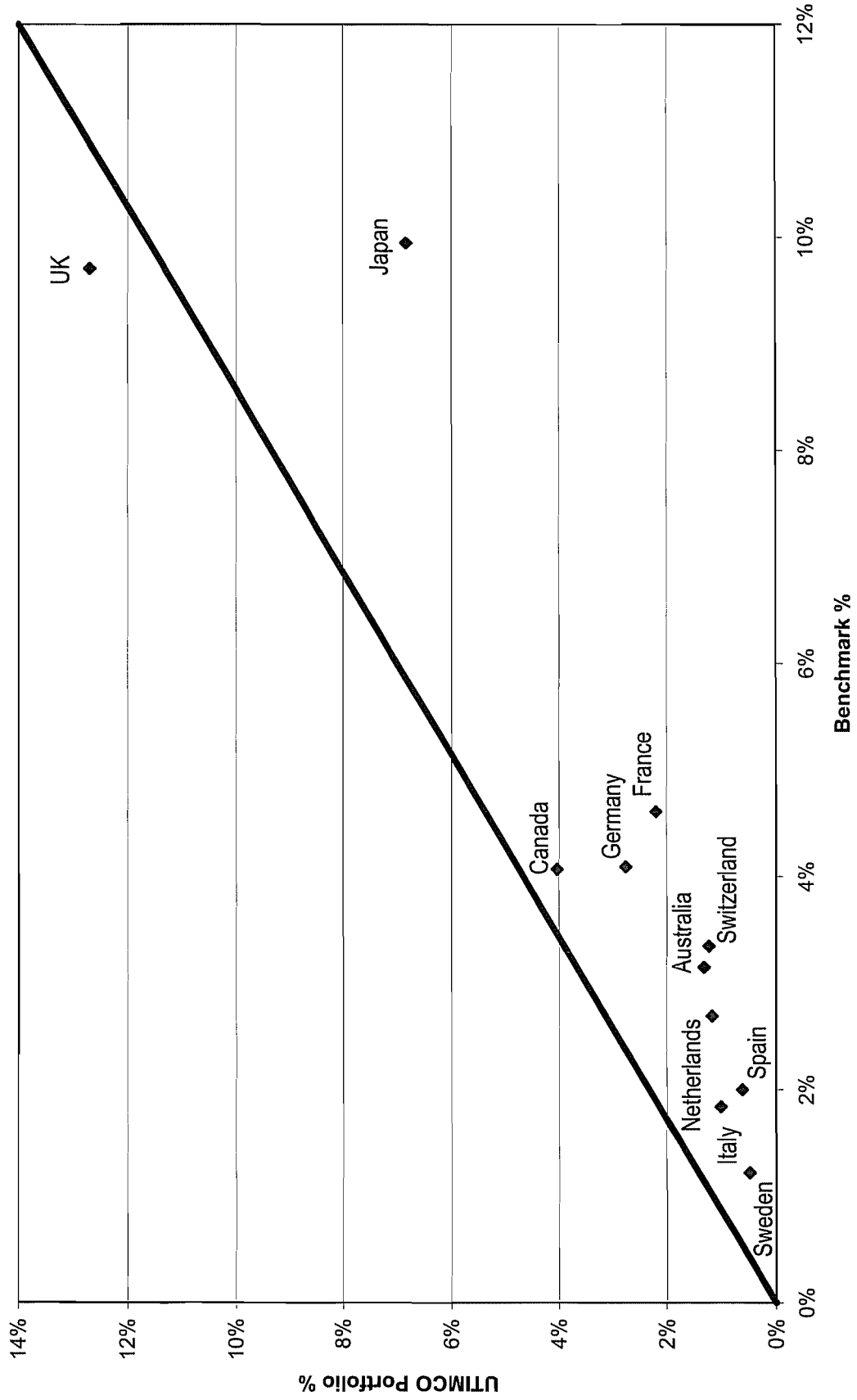
Fixed Income



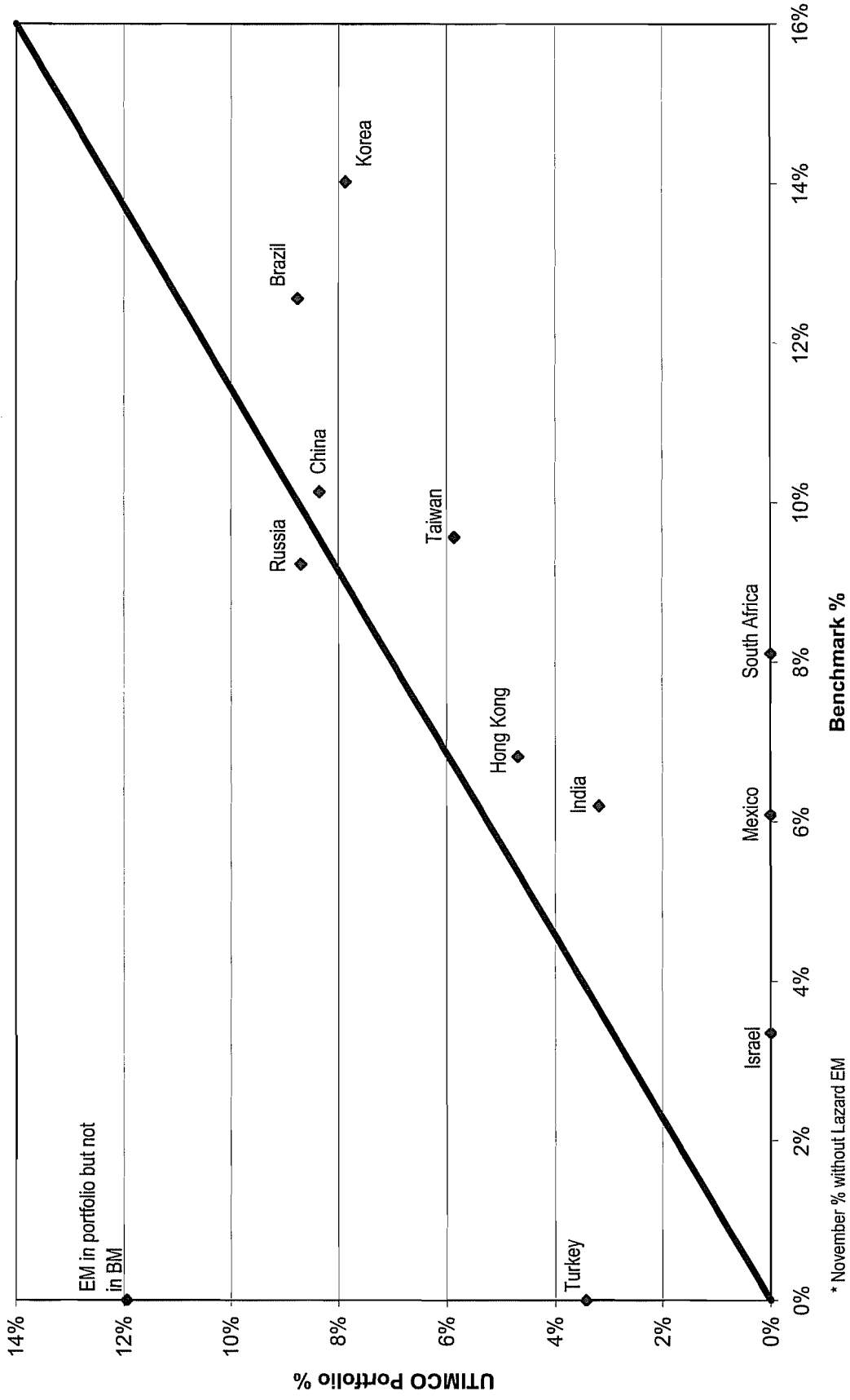
Developed Countries Top 3 Constituents



Developed (Other than US)



Emerging Markets*



* November % without Lazard EM

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

Agenda Item: UTIMCO Organization Update

Developed By: Zimmerman

Presented By: Zimmerman

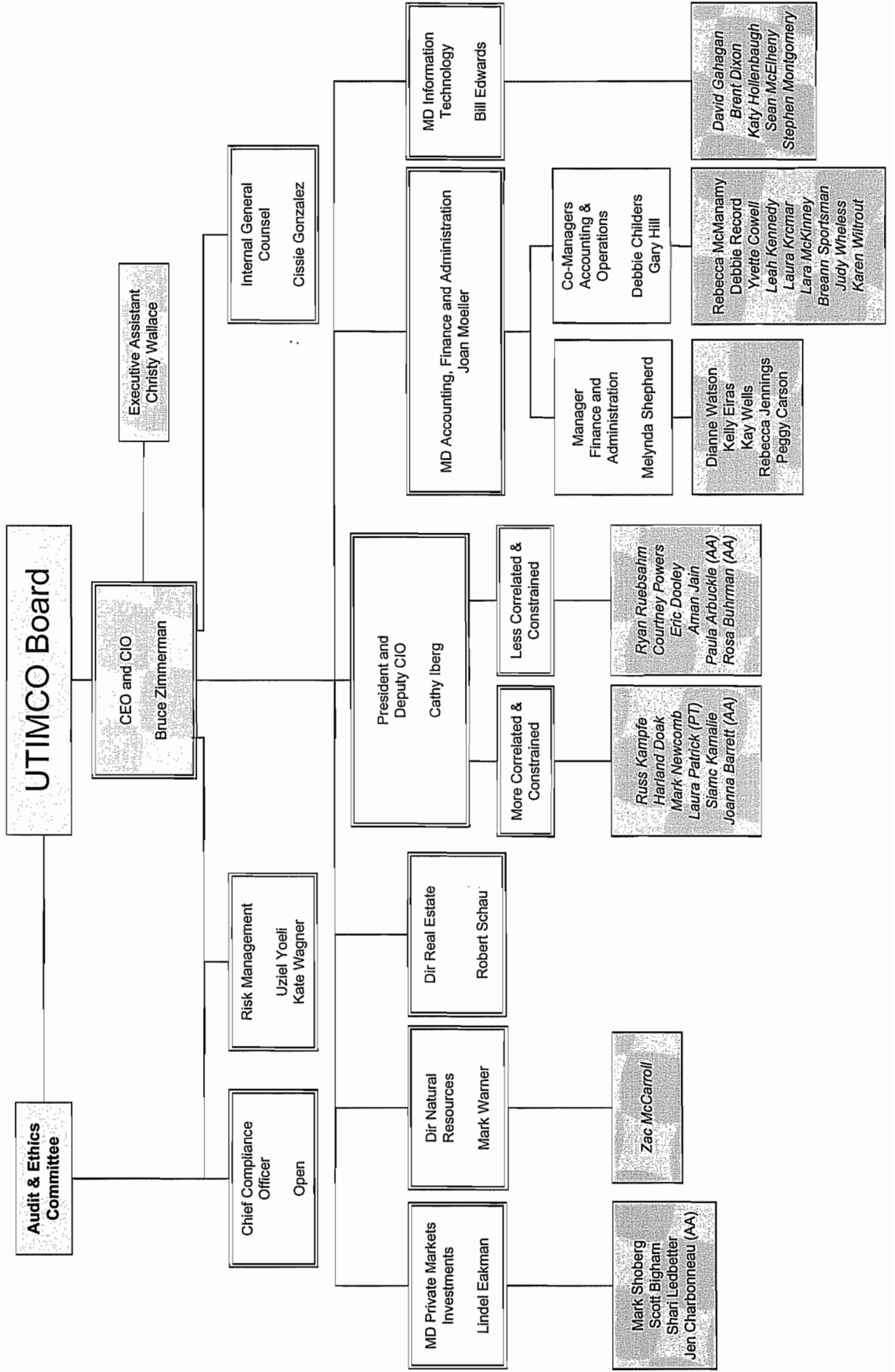
Type of Item: Discussion item

Description: Mr. Zimmerman will provide an update on the following:

- Organization chart
- UTIMCO expenses versus budget
- Projects

Reference: Organization chart, schedule of UTIMCO expenses versus budget, project list

UTIMCO - Organizational Structure





	Q1 FY 2008 Budget	Q1 FY 2008 Actual	Q1 FY 2008 Budget vs Actual \$	Q1 FY 2008 Budget vs Actual %
UTIMCO Services				
Employee Related Expenses:				
Salaries	\$ 1,502,828	\$ 1,315,944	\$ 186,884	12.4%
Bonus	814,595	762,024	52,571	6.5%
Employee Benefits	294,268	202,870	91,398	31.1%
Payroll taxes	104,504	59,848	44,656	42.7%
Hiring, Recruiting, Relocation Expenses	110,001	29,582	80,419	73.1%
Compensation Consultant	30,003	0	30,003	100.0%
Employee Education, dues, Memberships & Subscriptions	38,154	30,263	7,891	20.7%
Total Employee Related	2,894,353	2,400,531	493,822	17.1%
Non - Employee Related Expenses:				
Travel & Meetings	101,423	144,265	(42,842)	-42.2%
On-Line Data & Contract Services	193,080	164,085	28,995	15.0%
Office expense	83,363	132,616	(49,253)	-59.1%
Board Advisors	7,503	7,500	3	0.0%
Lease Expense	235,761	219,562	16,199	6.9%
Depreciation	151,875	137,662	14,213	9.4%
BOD Meetings	14,253	6,542	7,711	54.1%
Insurance	62,977	61,441	1,536	2.4%
Legal Expenses	90,003	67,566	22,437	24.9%
Accounting fees	7,866	29,245	29,245	371.8%
Total Non-employee Related	948,104	970,484	28,244	3.0%
Total UTIMCO Services	3,842,457	3,371,015	522,066	13.6%
Direct Costs to Funds				
Custodian Fees and other direct costs	384,094	381,363	2,731	0.7%
Performance Measurement	134,175	116,049	18,126	13.5%
Analytical Tools	100,000	92,567	7,433	7.4%
Risk Measurement	148,375	162,986	(14,611)	-9.8%
Custodian and Analytical Costs	766,644	752,965	13,679	1.8%
Consultant Fees	331,250	150,451	180,799	54.6%
Auditing	188,500	600,000	(411,500)	-218.3%
Legal Fees	275,000	101,270	173,730	63.2%
Private Equity Secondary Sale Fees	0	15,584	(15,584)	n/m
Printing	48,750	0	48,750	100.0%
Other	17,500	3,982	13,518	77.2%
Other Directs Total	861,000	871,287	(10,287)	-1.2%
External Management Fees	4,747,307	4,849,251	(101,945)	-2.1%
External Mgt. Fees-Performance Fees	5,931,503	10,145,885	(4,214,382)	-71.1%
External Management Fees	10,678,810	14,995,136	(4,316,327)	-40.4%
Total Direct Costs to Funds	12,306,454	16,619,388	(4,312,935)	-35.0%
Grand Total	\$ 16,148,911	\$ 19,990,403	\$ (3,841,492)	-23.8%



PROJECTS

- Facilities build-out
- Individual Endowment Accounting System
- Investment Process
- Travel

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

Agenda Item: Hedge Fund Presentation

Developed By: Iberg, Ruebsahm, Powers, Dooley, Jain

Presented By: Iberg

Type of Item: Discussion item

Description: The Marketable Alternative Investments Staff will present an overview of the existing Hedge Fund portfolio.

Reference: None

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

- Agenda Item:** Discussion and Consideration of Pooling Private Investments
- Developed By:** Eakman, Shoberg
- Presented By:** Shoberg
- Type of Item:** Action Required by UTIMCO Board
- Description:** UTIMCO is proposing to pool for investment purposes the PUF and GEF's Private Investments. The ownership of such assets within the internally managed commingled funds shall at all times be vested in the Board of Regents, as a fiduciary.
- Recommendation:** UTIMCO staff recommends approval to create internally managed commingled funds for the purpose of holding the existing PUF and GEF's Private Investments and for the purpose of making additional investments or redeeming existing investments.
- Discussion:** Vinson and Elkins, legal counsel for UTIMCO, recommended that staff seek approval from the UTIMCO Board to create internally managed commingled funds for the purpose of pooling the existing fund investments, and for the purpose of making additional investments and redemptions. In conjunction with such approval the UTIMCO Board is acknowledging that prior fund investments were approved by or presented to the Board as an initial capital amount of a specific named investment of the PUF and GEF, and is further waiving the stated amounts and percentages previously authorized for investment by the PUF and GEF coinciding with the creation of the internally managed commingled investment pools.
- Reference:** Attached Pooling Rationale Statement

RESOLUTION RELATED TO POOLING OF PRIVATE INVESTMENTS

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

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

Private Markets Pooling Rationale

January 9, 2008

Issue:

The Private Markets Staff proposes “pooling” the private partnership interests of the PUF and GEF effective January 1, 2008. In reviewing our operations, Staff has concluded that significant efficiencies can be obtained by combining these two accounts into a single account. Combination of these two accounts will eliminate the duplication of cash flows, accounting entries, wire transfers, performance calculations, etc., inherent in the existing two account structure for both UTIMCO and the Funds. The Private Markets Portfolio consists of more than 100 relationships and nearly 200 separate fund mandates. Additional private markets investments and the addition of private real estate interests will continue the growth of the portfolio. The past methodology of splitting the PUF/GEF interests doubles the daily information flow between UTIMCO and the Funds. The proposal to pool the private partnership interests follows the lead of the Marketable Alternatives portfolio which pooled those assets in 2005 after seeking approval from the Board of Directors.

Historical Practice:

In the past, the Staff has followed a practice of completing separate subscription documents for the PUF and GEF in each individual external partnership. This practice developed during the mid-90s and was subsequently followed by existing Staff until today. Over time, the Staff changed the allocation percentage for each commitment to over/under weight the PUF & GEF in an effort to maintain similar total private exposure. This process was unwieldy at best and unintentionally caused the GEF to hold, on average, more exposure to recent vintages as the Staff over-weighted annual commitments to allow the GEF to “catch-up” to the PUF’s total exposure levels. Over the last few years, the Staff has taken a three-year average of the capital weightings (PUF vs GEF) to allocate the commitment levels using an annual standard. Today, the PUF and GEF total exposure to private markets is markedly similar while the individual vintage exposure analysis shows that the GEF has marginally more exposure to recent vintages. Current Staff members have sought to combine these interests to cure the imbalance created by the annual weightings and to streamline the operations of a burgeoning portfolio.

Current Practice:

Beginning January 1, 2008, the Staff began subscribing to external partnerships on behalf of the Board of Regents of The University of Texas System. Unless and until the BOD approves pooling the accounts, Staff will continue to internally split out the ownership interests of the PUF and GEF following our practice of annual capital weightings. This practice has the advantage of simplifying information flow from the manager and provides flexibility to adjust holdings internally should the situation arise. A single subscription also limits concern or confusion on behalf of the external managers.

Proposed Pooling of Private Market Interests:

The Staff further proposes pooling the existing and future partnership interests of the private markets portfolio. This practice of combining the accounts will significantly reduce the administrative burden of splitting individual holdings and will provide the ability to rebalance the portfolio between the PUF and GEF. The PUF and GEF would each own a percentage interest of the total combined portfolio. The Staff could then rebalance the PUF & GEF through buying/selling of the pool interests at the most recent NAV. The Staff has consulted with individuals at Deloitte & Touche LLP and Vinson & Elkins LLP regarding this change, neither of which have voiced concerns over the potential pooling of interests.

A Private Markets pool provides a number of advantages:

- Provides a “true-up” of unintended vintage exposure differences between the PUF and GEF.
- Creates the least administrative burden by only splitting the pool once between the PUF & GEF.
- Simplified information flow also reduces the chance of clerical errors or omissions.
- Provides the most flexibility as all split calculations are performed internally rather than at the external manager.
- Reduces external manager confusion and concerns related to the structure of the endowment funds.

The Staff firmly believes the benefits outweigh any concerns. However, a number of issues should be highlighted for the BOD’s consideration:

- Pooling the existing assets will result in the PUF & GEF owning a slightly different mix of manager and vintage exposure. The GEF has unintentionally benefited, at least on the margin, from Staff weightings as it holds more exposure to recent strong vintages. The past performance of these assets is captured in the current NAV of the Funds. However, the future performance of any single manager or vintage is unknown and therefore neither the PUF nor the GEF should be advantaged by pooling the interests. Pooling the assets will mix the holdings of the PUF and GEF so that the portfolios are indistinguishable.
- Conversion to a pooling format causes a bit of upfront administrative burden. The Staff has already begun transferring the holdings to the Current Practice described above. This conversion provides the underpinning for a pooled portfolio. The effective date of 1/1/08 provides a clean break for external manager accounting purposes and will assist in the adoption rate of external managers.

Recommendation:

The Private Markets Staff seeks approval from the BOD to pool the combined private interests of the PUF & GEF.

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

- Agenda Item:** Report and Consideration of Items from Audit and Ethics Committee
- Developed By:** Staff
- Presented By:** Nye
- Type of Item:** Action required by UTIMCO Board related to year end audits; information item on other items
- Description:** The Audit and Ethics Committee ("Committee") will meet on January 23, 2008. The Committee's agenda included (1) the review and consideration of Deloitte & Touche LLP's Financial Statement Audit Results and Communications and Audited Financial Statements for the Corporation; (2) presentation of unaudited financial statements for the three months ended November 30, 2007, for the Investment Funds and the Corporation; (3) a report by UT System Audit Office; and (4) update of other compliance, reporting, and audit issues.
- Discussion:** The UTIMCO financial statements were audited by Deloitte & Touche LLP. Tom Wagner, the engagement partner, is scheduled to present to the Committee Deloitte & Touche LLP's Audit Results and Communications letter and answer questions related to the financial statements. Deloitte & Touche issued an unqualified opinion on the August 31, 2007 financial statements. A copy of the Audit Results and Communications and the audited financial statements are included.
- Charles Chaffin, UT System Audit Office ("Audit"), is scheduled to present to the Committee the CEO Expense Audit and discuss a draft proposal from Barb Davison with Investment Training and Consulting, Inc. ("ITCI"). Audit requested that ITCI, a firm specializing in investment and derivative auditing, assist them in developing a "risk-focused" audit plan to review the investment activities at UTIMCO. As an outcome of this project, Audit wanted ITCI to ensure they directed their audit resources and audit coverage into the area of greatest risk and/or highest benefit to the UT System and UTIMCO. Based on ITCI's assessment, ITCI has drafted a proposal for two audits, one related to Fixed Income and the other related to Derivatives. Additional audits may be recommended in future years.
- Routine activities of the Committee will include reviewing the unaudited financial statements for the first quarter for the Funds and UTIMCO Corporation and the quarterly compliance reports.
- Recommendation:** Staff has recommended the Committee approve Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation. The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting.
- Reference:** Audit Results and Communications; Audited financial statements and audit report for the Corporation

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2007**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2007, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2007 and August 31, 2006, be, and are hereby approved in the form as presented to the Board.



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January 15, 2008

Mr. Bruce Zimmerman
CEO and Chief Investment Officer
The University of Texas Investment Management Company

The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company
401 Congress Avenue, Suite 2800
Austin, TX 78701

Dear Mr. Zimmerman and Members of The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company:

We have performed the audit of the University of Texas Investment Management Company ("UTIMCO") as of and for the year ended August 31, 2007, in accordance with auditing standards generally accepted in the United States of America and have issued our reports thereon dated January 11, 2008.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which the management of UTIMCO is responsible.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our engagement letter dated October 10, 2007. We considered UTIMCO's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UTIMCO's internal control over financial reporting. Accordingly, we have not expressed any such opinion on the effectiveness of UTIMCO's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events.

We are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates that occurred during the year ended August 31, 2007.

Audit Adjustments, Uncorrected Misstatements, and Disclosure Items Passed

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no audit adjustments booked as a result of our audit; additionally, there were no financial statement disclosures recommended, but not made, to the financial statements or the notes to the financial statements.

Significant Accounting Policies and Unusual Transactions

UTIMCO's significant accounting policies are set forth in the footnotes to UTIMCO's financial statements as of and for the year ended August 31, 2007. There were no significant changes in previously adopted accounting policies or their application during the audit period, nor were there any unusual transactions during the period.

Critical Accounting Policies and Practices

Critical accounting policies are those that are (1) most important to the portrayal of UTIMCO's financial conditions and the results of its operations and (2) require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

UTIMCO's critical accounting policies and practices include its deferred rent liability and lease expenses as disclosed in the footnotes to UTIMCO's financial statements as of and for the year ended August 31, 2007.

Alternative Accounting Treatments

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended August 31, 2007.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to UTIMCO's 2007 financial statements.

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during the year ended August 31, 2007.

Major Issues Discussed with Management Prior To Retention

Prior to our retention as auditors, we had in-depth conversations with management regarding the circumstances of the prior auditors' resignation and the control environment of UTIMCO. These conversations were held in order to assist us in gaining an understanding of UTIMCO's business and the control environment as required for our client acceptance processes.

Significant Difficulties Encountered in Performing the Audits

In our judgment, we received the full cooperation of UTIMCO's management and staff and were provided unrestricted access to UTIMCO's senior management in the performance of our audits.

Other Material Written Communications

Those written communications that we believe constitute material written communications between management and us relating to the audit of the financial statements as of and for the year ended August 31, 2007, include the engagement letter related to audit services performed and the management representation letter, which management provided to us.

Auditor Responsibility for Other Information

In addition to the audit of the financial statements we have read the other information contained within the financial statement document (such as Management's Discussion and Analysis) to ensure that such other information is consistent with audit evidence obtained during the audit.

* * * * *

This report is intended solely for the information and use of UTIMCO's management, as well as, The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company, and is not intended to be, and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY**

FINANCIAL STATEMENTS

For the years ended August 31, 2007 and 2006

The University of Texas Investment Management Company

Financial Statements

Years Ended August 31, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Balance Sheet of The University of Texas Investment Management Company ("UTIMCO"), as of August 31, 2007, and the related Statement of Revenues, Expenses and Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of UTIMCO as of and for the years ended August 31, 2006 and 2005, were audited by other auditors whose report, dated January 5, 2007, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of UTIMCO as of August 31, 2007, the results of its operations, changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

January 15, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the financial performance for The University of Texas Investment Management Company (UTIMCO) provides an overview of its activities for the year ended August 31, 2007. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c) (3) investment management corporation whose sole purpose is the management of investment assets that are under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$23 billion. UTIMCO is governed by a nine-member Board of Directors appointed by the UT System Board of Regents. The UTIMCO Board of Directors includes three members of the UT Board, the Chancellor of The University of Texas System, and five outside investment professionals (including one representative from the Texas A&M University System). The UTIMCO Board and the UT System Board of Regents have entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

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

Financial Highlights

Net assets increased by \$2.3 million from \$5.1 million to \$7.4 million, or approximately 45.1%, for the year ended August 31, 2007. This is compared to a decrease of \$3.6 million from \$8.7 million to \$5.1 million, or approximately 41.4%, for the year ended August 31, 2006. The change in net assets from year to year is mainly attributable to the fact that UTIMCO rebated \$4 million back to The University of Texas System investment funds in both 2006 and 2005 but did not have a rebate in 2007. The rebate amount was determined as set forth in the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. Additionally, on February 1, 2006, UTIMCO implemented and invested in a new fund, The University of Texas System Intermediate Term Fund. Additional management fees were received which were offset by additional expenses related to managing the fund in 2006.

Use of Financial Statements and Notes

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

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

Balance Sheets

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

The following summarizes the Balance Sheets:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Cash & Cash Equivalents	\$ 8,046,839	\$ 5,568,970	\$ 3,006,059
Investments, at Fair Value	-	-	7,429,273
Other Assets	<u>3,641,367</u>	<u>3,981,382</u>	<u>1,502,914</u>
Total Assets	<u>\$ 11,688,206</u>	<u>\$ 9,550,352</u>	<u>\$ 11,938,246</u>
Liabilities & Net Assets			
Accounts Payable & Other Accrued Expenses	\$ 2,409,660	\$ 2,496,053	\$ 2,876,904
Deferred Rent	1,834,112	1,951,631	326,753
Unrestricted Net Assets	<u>7,444,434</u>	<u>5,102,668</u>	<u>8,734,589</u>
Total Liabilities & Net Assets	<u>\$ 11,688,206</u>	<u>\$ 9,550,352</u>	<u>\$ 11,938,246</u>

The changes in Balance Sheet components are primarily the result of the following:

- During the 2006 and the 2005 fiscal years, UTIMCO rebated \$4 million back to The University of Texas System investment funds. The rebate amounts were determined as set forth in the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. No rebate was required in the 2007 fiscal year.
- The investment in The University of Texas System Short Intermediate Term Fund was liquidated during the year ending August 31, 2006.
- Other Assets increased during fiscal year 2006 by approximately \$2,478,000 primarily as a result of net increases in property and equipment related to purchases of leasehold improvements, furniture, and computer equipment for UTIMCO's new leased facilities. In addition, deposits decreased by \$265,000 in fiscal year 2006 as a result of timing from purchases of new furniture. Other assets decreased during fiscal year 2007 by approximately \$340,000 primarily as a result of several fixed assets becoming fully depreciated.
- UTIMCO entered into a new office lease effective September 1, 2005, and in connection with this lease, the landlord provided UTIMCO with rent holidays and a tenant improvement allowance. UTIMCO has recorded the rent holidays and tenant improvement allowances as a deferred rent liability.

Statements of Revenues, Expenses and Changes in Net Assets

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenue			
Management Fees	\$ 13,948,138	\$ 11,441,802	\$ 10,458,115
Other Revenue	<u>457,335</u>	<u>264,415</u>	<u>287,633</u>
	14,405,473	11,706,217	10,745,748
Expenses			
Salaries & Benefits	8,078,314	7,703,543	7,230,998
General Operating Expenses	1,747,925	1,683,029	1,147,653
Depreciation Expense	565,569	516,693	272,836
Other Expenses	<u>1,671,899</u>	<u>1,434,873</u>	<u>1,516,249</u>
	12,063,707	11,338,138	10,167,736
Management Fee Rebate	<u>-</u>	<u>(4,000,000)</u>	<u>(4,000,000)</u>
Increase/(Decrease) in Unrestricted Net Assets	2,341,766	(3,631,921)	(3,421,988)
Net Assets, Beginning of Period	<u>5,102,668</u>	<u>8,734,589</u>	<u>12,156,577</u>
Net Assets, End of Period	<u>\$ 7,444,434</u>	<u>\$ 5,102,668</u>	<u>\$ 8,734,589</u>

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

- Management Fees revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board of Directors and the UT System Board of Regents. Revenue fluctuations are the direct result of these approved budgets. On February 1, 2006, UTIMCO implemented and invested in a new fund, The University of Texas System Intermediate Term Fund. Additional management fees were received which were offset by additional expenses related to managing the fund.
- Salary and Benefit expenses increased primarily for cost of living adjustments in fiscal year 2007 and as a result of staff additions and promotions in fiscal year 2006.
- General Operating Expenses remained flat in fiscal 2007 as a result of several vacancies at the senior management level and the related decreases in expenses tied to these positions. For fiscal year 2006, the change resulted from increased expenditures for travel expenses, on-line data services, other contract services, hiring consultants and recruiting costs.

Statements of Cash Flows

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities			
Proceeds from management fees	\$13,955,638	\$11,434,302	\$10,458,115
Other proceeds	47,646	1,551,505	326,791
Payments to and for employees	(8,098,106)	(8,120,424)	(7,069,966)
Other payments	<u>(3,755,640)</u>	<u>(2,818,813)</u>	<u>(2,667,535)</u>
	2,149,538	2,046,570	1,047,405
Cash Flows from (used for) Noncapital, Capital and Investing Activities			
Purchase of property & equipment, net	(79,865)	(3,186,472)	(831,516)
(Purchase) Sale of investments, net	-	7,356,538	(180,607)
Other Cash Flows from (used for) Noncapital, Capital and Investing Activities	<u>408,196</u>	<u>(3,653,725)</u>	<u>(3,711,586)</u>
	<u>328,331</u>	<u>516,341</u>	<u>(4,723,709)</u>
Net Change in Cash & Cash Equivalents	2,477,869	2,562,911	(3,676,304)
Cash & cash equivalents, beginning of period	<u>5,568,970</u>	<u>3,006,059</u>	<u>6,682,363</u>
Cash & cash equivalents, end of period	<u>\$ 8,046,839</u>	<u>\$ 5,568,970</u>	<u>\$ 3,006,059</u>

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

- Purchases of property and equipment increased in fiscal year 2006 as the organization completed the move into new leased facilities.
- During fiscal year 2006, investments were liquidated.

Contacting UTIMCO

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Balance Sheets

August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 8,046,839	\$ 5,568,970
Prepaid expenses and other assets	<u>458,848</u>	<u>314,652</u>
Total Current Assets	8,505,687	5,883,622
Non-Current Assets:		
Property and equipment, net of accumulated depreciation of \$1,703,450 and \$1,266,928, respectively	<u>3,182,519</u>	<u>3,666,730</u>
Total Assets	<u>\$ 11,688,206</u>	<u>\$ 9,550,352</u>
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,409,660	\$ 2,496,053
Current portion - deferred rent	<u>203,790</u>	<u>203,790</u>
Total Current Liabilities	2,613,450	2,699,843
Non-Current Liabilities:		
Long-term portion - deferred rent	<u>1,630,322</u>	<u>1,747,841</u>
Total Liabilities	4,243,772	4,447,684
Net Assets:		
Unrestricted	<u>7,444,434</u>	<u>5,102,668</u>
Total Liabilities and Net Assets	<u>\$ 11,688,206</u>	<u>\$ 9,550,352</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Revenues, Expenses and Changes in Net Assets

For the years ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Management fees	\$ 13,948,138	\$ 11,441,802
Miscellaneous	<u>47,646</u>	<u>211</u>
Total Operating Revenues	13,995,784	11,442,013
Operating Expenses		
Salaries	6,991,521	6,657,040
Employee benefits	749,676	734,480
Payroll taxes	337,117	312,023
General operating	1,747,925	1,683,029
Depreciation and amortization	565,569	516,693
Lease	777,062	655,286
Professional fees	644,542	532,246
Insurance	<u>250,295</u>	<u>247,341</u>
Total Operating Expenses	<u>12,063,707</u>	<u>11,338,138</u>
Operating Income	1,932,077	103,875
Nonoperating Revenues		
Interest	408,196	251,882
Dividends	-	73,002
Net realized and unrealized losses on investments	-	(72,735)
Gain on disposal of equipment	<u>1,493</u>	<u>12,055</u>
Net Nonoperating Revenues	409,689	264,204
Income Before Other Changes in Net Assets	2,341,766	368,079
Other Changes in Net Assets		
Rebate of management fees to investment funds	<u>-</u>	<u>(4,000,000)</u>
Increase (Decrease) in unrestricted net assets	2,341,766	(3,631,921)
Net assets at beginning of period	<u>5,102,668</u>	<u>8,734,589</u>
Net assets at end of period	<u>\$ 7,444,434</u>	<u>\$ 5,102,668</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows

For the years ended August 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Proceeds for management fees	\$ 13,955,638	\$ 11,434,302
Proceeds from miscellaneous revenues	47,646	211
Proceeds for tenant improvements	-	1,286,232
Payments to suppliers for goods and services	(2,851,276)	(2,506,989)
Payments for facility	(894,232)	(311,824)
Payments to employees	(7,012,810)	(7,109,904)
Payments for employees	(1,085,296)	(1,010,520)
(Payment)/receipt of deposits	<u>(10,132)</u>	<u>265,062</u>
Net cash provided by operating activities	<u>2,149,538</u>	<u>2,046,570</u>
Cash flows from noncapital financing activities:		
Rebate payment to investment funds	<u>-</u>	<u>(4,000,000)</u>
Net cash used in noncapital financing activities	<u>-</u>	<u>(4,000,000)</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(82,869)	(3,215,472)
Proceeds from sale of property and equipment	<u>3,004</u>	<u>29,000</u>
Net cash used in capital and related financing activities	<u>(79,865)</u>	<u>(3,186,472)</u>
Cash flows from investing activities:		
Purchase of investments	-	(87,079)
Proceeds from sale of investments	-	7,443,617
Interest and dividends	<u>408,196</u>	<u>346,275</u>
Net cash provided by investing activities	<u>408,196</u>	<u>7,702,813</u>
Net Increase/(decrease) in cash and cash equivalents	2,477,869	2,562,911
Cash and cash equivalents at beginning of period	<u>5,568,970</u>	<u>3,006,059</u>
Cash and cash equivalents at end of period	<u>\$ 8,046,839</u>	<u>\$ 5,568,970</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows, Continued

Reconciliation of operating income to net cash provided by operating activities:

	<u>2007</u>	<u>2006</u>
Operating income	\$ 1,932,077	\$ 103,875
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	565,569	516,693
Change in assets and liabilities:		
(Increase)/decrease in prepaid expenses and other assets	(144,196)	181,975
Decrease in accounts payable and accrued expenses	(86,393)	(380,851)
Increase/(decrease) in long-term portion - deferred rent	<u>(117,519)</u>	<u>1,624,878</u>
Net cash provided by operating activities	<u>\$ 2,149,538</u>	<u>\$ 2,046,570</u>

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

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 1 - Organization

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

Note 2 - Significant Accounting Policies

Basis of Accounting

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

Cash and cash equivalents

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

Prepaid expenses and other assets

Prepaid expenses consist of expenses paid in advance for insurance and various services. The prepaid expenses will be ratably expensed over the period to which they relate.

Property and equipment, net of accumulated depreciation

Net property and equipment consists of office furniture, office equipment, software, and leasehold improvements and is stated at net book value. Depreciation and amortization is computed using the straight-line method over the useful lives of the assets. The following is a schedule of the property and equipment at August 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Office furniture	\$ 722,630	\$ 717,214
Office equipment	1,118,370	1,181,260
Software	244,228	237,971
Leasehold improvements	<u>2,800,741</u>	<u>2,797,213</u>
Total property and equipment	4,885,969	4,933,658
Less accumulated depreciation	<u>(1,703,450)</u>	<u>(1,266,928)</u>
Net property and equipment	<u>\$3,182,519</u>	<u>\$3,666,730</u>

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (continued)

Income taxes

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

Use of Estimates

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

Note 3 - Related Party Transactions

a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the Board of Regents has appointed UTIMCO as its investment manager with complete authority to act for the Board of Regents in the investment of all funds. As of February 1, 2006, UTIMCO began managing a newly created fund, The University of Texas System Intermediate Term Fund. The University of Texas System Short Intermediate Term Fund was liquidated as of January 31, 2006. The amount of the management fee for the periods ended August 31, 2007 and 2006 were \$13,940,638 and \$11,434,302, respectively. This represents fees for the following:

	<u>2007</u>	<u>2006</u>
Permanent University Fund	\$ 6,481,749	\$ 5,591,136
The University of Texas System Long Term Fund	3,860,575	3,259,091
Permanent Health Fund	839,949	704,817
The University of Texas System Intermediate Term Fund	2,758,365	1,682,315
The University of Texas System Short Intermediate Term Fund	-	196,943
	<u>\$ 13,940,638</u>	<u>\$ 11,434,302</u>

b) UTIMCO contracts for internet and mainframe connection services with The University of Texas System and The University of Texas at Austin. The expense for these services for the periods ended August 31, 2007 and 2006 were \$21,900 and \$14,612, respectively.

c) During the year ended August 31, 2006, UTIMCO sold office furniture to The University of Texas System and received proceeds of \$29,000. The original cost of the furniture was \$200,179 and had a remaining book value of \$7,975 at the time of the sale.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (continued)

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. The FDIC insures deposits up to \$100,000. As of August 31, 2007, UTIMCO had uninsured deposits of \$69,893. As of August 31, 2006, UTIMCO did not have any uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk.

UTIMCO invested funds in The University of Texas System Short Intermediate Term Fund (SITF). The SITF invested in high grade fixed income obligations. The SITF carried an AAA_f credit quality rating and a bond fund volatility rating of S₂ from Standard & Poor's, Inc. The investment was liquidated as of January 31, 2006.

Note 5 - Deferred Revenue

UTIMCO assesses on or before the first day of The University of Texas System's fiscal quarter one-fourth of the annual management fee. The fee is deferred and is ratably credited to revenue monthly. As of August 31, 2007 and 2006, there was no deferred revenue.

Note 6 - 403(b) Plan

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the periods ended August 31, 2007 and 2006 were \$329,083 and \$327,724, respectively.

Note 7 – Lease Expense

In prior fiscal years, UTIMCO leased office space and parking from an unrelated landlord. The 60-month lease commenced January 15, 2001 and expired January 15, 2006. The minimum rental commitment was \$33,923 per month. Additionally, UTIMCO was responsible to the landlord for its share of operating expenses related to the rental property. The lease expense, including parking expense, and operating expenses paid were \$171,749, and \$79,727, respectively, for the year ended August 31, 2006.

UTIMCO's deposit of \$89,954 with the previous landlord was received in April 2006, plus interest of \$13,947. There is not a deposit with the landlord for the new lease.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (continued)

Effective September 1, 2005, UTIMCO entered into an eleven year lease for its office space and parking with an unrelated party. Under the terms of the lease, the lease expense and building operating expenses for the first 14 months were provided by the new landlord as a lease incentive, except for specific electricity costs incurred by UTIMCO. The lease expense incentive is recorded as a deferred rent liability as detailed in Note 8.

For the period ending August 31, 2006, parking expense for the new lease was \$51,601 and operating costs were \$3,567. The net lease expense related to the lease incentive and amortization of the tenant allowance for the year ending August 31, 2006 for the new lease was \$338,646.

Parking expense for the new lease was \$94,804 for the year ending August 31, 2007. UTIMCO began paying lease and operating costs effective November 2006. For the year ended August 31, 2007, operating expenses were \$368,426. Net lease expense was \$313,832 for the year ended August 31, 2007.

The 132 month lease expires August 31, 2016. The minimum rental commitment is \$43,135 per month through December 31, 2007. The commitment increases to \$47,773 per month effective January 1, 2008, with the increase in rentable space. The following is a schedule by years of the future minimum lease payments under the lease term:

Years ending August 31,	
2008	\$ 554,722
2009	573,272
2010	573,272
2011	573,272
2012	573,272
Thereafter	<u>2,293,088</u>
Total	<u>\$5,140,898</u>

Note 8 – Deferred Rent

Under the terms of the new office lease effective September 1, 2005, the landlord provided UTIMCO with rent holidays and a tenant improvement allowance. The new property was placed in service on November 14, 2005. UTIMCO has recorded the rent holidays and tenant improvement allowances as a deferred rent liability.

As of August 31, 2007 and 2006, the total deferred rent was \$1,834,112 and \$1,951,631, respectively. The portion of the deferred rent related to the rent holidays at August 31, 2007 and 2006 is \$494,094 and \$462,722, respectively. The remaining portion of the deferred rent at August 31, 2007 and 2006 is \$1,340,018 and \$1,488,909, respectively, and relates to the tenant improvement allowance. UTIMCO was provided an allowance of \$1,612,985 to be used and applied toward the cost of leasehold improvements in the new space. The deferred rent is amortized over the term of the lease.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements (continued)

Note 9 – Management Fee Rebate

UTIMCO rebated \$4 million back to The University of Texas System investment funds in fiscal year 2006. There were no rebates in fiscal year 2007. The rebate amounts were determined as set forth in the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. The rebates were returned to the funds in the amounts detailed below:

	<u>2006</u>
Permanent University Fund	\$ 2,344,400
Long Term Fund	1,293,600
Permanent Health Fund	176,800
Short Intermediate Term Fund	<u>185,200</u>
Total Rebate	<u>\$ 4,000,000</u>

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

Agenda Item: Report and Consideration of Items from Policy Committee

Developed By: Staff

Presented By: Rowling

Type of Item: Action required related to Master Investment Services Agreement between the Board of Regents of The University of Texas System and UTIMCO and the Corporation's Bylaws; further action required by Board of Regents of The University of Texas System; information item related to other internal item

Description: The Policy Committee ("Committee") will meet on January 23, 2008. The Committee's agenda included (1) review of Securities Lending Policy; (2) consideration and discussion of the Master Investment Services Agreement with UTIMCO ("ISMA"); and (3) consideration and discussion of proposed amendments to Corporation's Bylaws.

The IMSA is the contract between the Board of Regents of The University of Texas System ("UT Board") and the UTIMCO Board. Ultimate responsibility for the accounts under UTIMCO's management rests with the UT Board. Section 66.08, Texas Education Code, authorizes the UT Board, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the UT Board. The current IMSA was effective February 9, 2006.

The Bylaws may be altered, amended, or repealed by the Board of Directors of the Corporation with the approval of the UT Board. Section 66.08 of the Texas Education Code requires that the UT Board approve the articles of incorporation and bylaws of the corporation and any amendment to the articles of incorporation or bylaws. The Bylaws of UTIMCO were initially approved by the UT Board on February 8, 1996, and have been restated various times to include amendments adopted; the most recent amendment of the Bylaws occurred July 13, 2006.

Discussion: The Committee will review the Securities Lending Policy, which is the second draft of a new policy. The Committee requested that Staff develop a securities lending policy. The Committee raised additional questions during the initial draft review and requested staff to review and report back on these additional considerations.

UTIMCO staff and UT System staff reviewed the IMSA and submitted to the Committee the following changes to the IMSA:

- Section 1 (h); Conform titles of Investment Policies subject to Board of Regents approval and add internal UTIMCO policies not previously listed and/or adopted after February 9, 2006
- Section 2 (c); Delete the requirement to consult with all Vice Chairmen on the draft UTIMCO Board agenda three weeks in advance of a UTIMCO Board meeting consistent with the current practice of

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

reviewing the agenda only with the Chairman and the Chancellor, as the Vice Chairman for Policy

- Section 3 (a); Eliminate June 1st deadline for annual review of the Investment Policies
- Schedule A; Delete the Short Intermediate Term Fund and Institutional Index Funds from the list of funds managed
- Change references to President throughout the document to the CEO consistent with current job titles.
- New effective date for the IMSA will be February 7, 2008.

UTIMCO staff proposed to the Committee the following amendments related to the Bylaws:

- Amend Article III, Section 7 (page 4) to eliminate the deadline for the joint annual meeting between the Corporation Board and the UT Board. This change allows flexibility in the timing of the annual meeting.
- Amend Article III, Section 8 (page 4) to delete the requirement to consult with the Vice Chairmen on the draft UTIMCO Board agenda three weeks in advance of the meeting, consistent with the current practice of reviewing the agenda with the Chairman and the Chancellor, as the Vice Chairman for Policy.
- Amend Article V, Section 6 (page 7) to include complete title of the Master Investment Management Services Agreement with UTIMCO. This section also clarifies the power and authority of the Vice Chairman for Policy to act in the absence of both the Chairman and Vice Chairman of the UTIMCO Board.
- Amend Article V, Section 7 (page 7) to clarify that all references to President in the Bylaws mean the CEO of the Corporation.

Recommendation: Staff has recommended the Committee approve the IMSA and the proposed amendments to the Corporation's Bylaws. The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting.

Reference: Master Investment Services Agreement with UTIMCO; Corporation's Bylaws

**RESOLUTION RELATED TO
MASTER INVESTMENT MANAGEMENT SERVICES AGREEMENT WITH UTIMCO**

RESOLVED, that the Master Investment Management Services Agreement with UTIMCO ("IMSA") be, and is hereby, approved in the form submitted to the Corporation's Board, subject to approval by the Board of Regents of The University of Texas System.

RESOLUTION RELATED TO BYLAWS

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.

Approved ~~February 9, 2006~~ February 7, 2008

MASTER INVESTMENT MANAGEMENT SERVICES AGREEMENT WITH UTIMCO

This Investment Management Services Agreement (this "Agreement") by and between the Board of Regents (the "U. T. Board") of The University of Texas System (the "U. T. System") and The University of Texas Investment Management Company ("UTIMCO"), a Texas nonprofit corporation, is effective February ~~7, 2008~~ 7, 2008 (the "Effective Date"), and supersedes all earlier agreements by and between the U. T. Board and UTIMCO regarding the subject matter hereof.

RECITALS

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

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

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 *et seq.*, for the express purpose of investing assets under the control and management of the U. T. Board, as designated by the U. T. Board, in accordance with the laws of the State of Texas;

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

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

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

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

AGREEMENT

Section 1. Definitions.

- (a) **Affiliate** shall mean an entity directly or indirectly controlling, controlled by, or under common control with UTIMCO, including an entity with whom UTIMCO has an express or implied agreement regarding the direct or indirect purchase of investments by each from the other.
- (b) **Cash Reserves** shall mean cash on hand plus investments, plus prepaid expenses, less accounts payable, less other liabilities.
- (c) **Claims** shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action, or impleader) any Indemnified Party and all requests or demands for indemnification made by any third party upon any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action, other legal action or proceeding, request or demand is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part, the duties, activities, acts or omissions of any person arising under this Agreement.
- (d) **Custodian** or **Custodians** shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safe-keep physical securities representing investment assets of any Fund and to perform the other functions listed in Section 5 hereof.
- (e) **Delegated Assets** shall mean those assets under the control and management of the U. T. Board that are invested in the Funds managed by UTIMCO hereunder, pursuant to the corresponding Investment Policies as such assets may be directed for investment by the U. T. Board or its designees from time to time pursuant to its Investment Policies or otherwise. The Delegated Assets may include, without limitation, the following funds or categories of assets:
 - (i) The Permanent University Fund established pursuant to Article VII, Section 11 of the Texas Constitution (the "Permanent University Fund" or "PUF"); provided that, for purposes of this Agreement and the delegation of investment management responsibilities hereunder, the PUF excludes the approximately 2.1 million acres of land located in 19 Texas counties, primarily in West Texas, and constituting a part of the PUF (the "PUF Lands"), as to which the U. T. Board retains complete investment management authority and responsibility;
 - (ii) Any and all funds or assets under the control and management of the U. T. Board as owner, administrator, contractual investment manager, or otherwise, including without limitation endowment funds and operating assets, other than the Permanent University Fund, the Permanent Health Fund and the U. T. Board Trust Accounts (collectively, "U. T. System Funds");

- (iii) The assets of charitable remainder trusts, foundations and other separately invested assets for which the U. T. Board serves as trustee on behalf of itself and other co-beneficiaries (“U. T. Board Trust Accounts”);
 - (iv) The permanent assets for health-related institutions established pursuant to Chapter 63, *Texas Education Code*, for which the U. T. Board is an administrator (collectively, the “Permanent Health Fund” or “PHF”);
 - (v) U. T. System Funds or U. T. Board Trust Accounts which, by election of the U. T. Board or by requirement of the trust indenture or donative instrument, are invested separately and apart from other U. T. System Funds and the PUF (collectively, “Separately Invested Funds” or “SIFs”); and
 - (vi) Institutional assets of third-party non-profit charitable foundations or tax-exempt charitable organizations to the extent dedicated to the support of the educational purposes of the U. T. System and under the control and management of the U. T. Board by contract (collectively, “Foundation Funds”).
- (f) **Funds** shall mean the separate investments or pools of assets in which the Delegated Assets are to be invested pursuant to the corresponding Investment Policies, as specified in Schedule A hereto and in the corresponding Investment Policies, each of which may be amended by the U. T. Board from time to time as provided for herein.
- (g) **Indemnified Parties** shall mean UTIMCO and any of its officers, directors, employees and agents.
- (h) **Investment Policies** shall mean the written investment policies determined and approved by the U. T. Board relating to the Funds, and all generally applicable written investment-related policies determined and approved by the U. T. Board that govern the management of investments for some or all Funds, such as the policies regarding ~~a~~Asset ~~a~~Allocation, and the policies on Derivatives Investment, Liquidity, Risk Measurement and Management, Valuation, and Error Correction in Performance Presentation, but excluding internal UTIMCO operational guidelines as to which approval of the U. T. Board is not required, which include the UTIMCO Mandate Categorization Procedure, Valuation Criteria for Alternative Assets, Calculating Liquidity Procedure, Soft Dollar Policy and Procedures, Securities Lending Policy, and the Proxy Voting Policy (the Proxy Voting Policy being governed by the provisions of the individual Investment Policies related to proxy voting).
- (i) **Losses** shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys’, accountants’ and other professionals’ fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other person under any arrangement providing for indemnification of that person) directly or indirectly resulting from, arising out of or relating to one or more Claims.

- (j) **Surplus Cash Reserves** shall mean Cash Reserves on the last day of the fiscal year in excess of twenty-five percent (25%) of the upcoming fiscal year's operating and capital budgets approved by the U. T. Board.

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

(a) **General**

The U. T. Board retains ultimate fiduciary responsibility and authority for all matters related to the investment of the Delegated Assets. Pursuant to that responsibility and authority, the U. T. Board hereby appoints UTIMCO as its investment manager with complete authority to act for the Board in the investment of the Funds, subject, however, to such limitations and restrictions as are set forth in the Investment Policies. UTIMCO shall furnish the U. T. Board with continuous investment management services and shall invest and reinvest the assets of the Funds in such ways and at such times as are consistent with the Investment Policies and Section 4 hereof. UTIMCO shall be responsible for overall management of the U. T. Board's investment affairs as set forth in this Agreement and shall manage each Fund as a discretionary account.

(b) **Policy Matters**

The U. T. Board, as ultimate fiduciary for the Funds, retains policy setting authority. Unless otherwise provided in writing by the U. T. Board, UTIMCO shall look to the Chancellor to provide primary oversight and management concerning relations with the media, legal issues that implicate policies of the U. T. Board other than the Investment Policies, public disclosure of information and intergovernmental relations. Except for the forgoing matters, the UTIMCO Board of Directors and the ~~President~~CEO of UTIMCO shall be responsible for making all decisions necessary to implement the Investment Policies. The ~~President~~CEO of UTIMCO shall confer with the Chancellor on the above-mentioned matters where the Chancellor has primary oversight and management and on other matters that may implicate broader policies of the U. T. Board.

(c) **Meetings and Agendas**

- (i) The UTIMCO ~~President~~CEO shall consult with the Chairman ~~and the Vice Chairmen~~ of the UTIMCO Board, ~~including~~ and the Chancellor as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least three (3) weeks prior to each regular UTIMCO Board meeting.
- (ii) UTIMCO shall participate in an annual joint meeting of the UTIMCO Board of Directors and the U. T. Board as referenced in Art. III, § 7 of the UTIMCO Bylaws.

Section 3. Description of Investment Management Services.

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

(a) **Investment Policies:**

UTIMCO shall review current Investment Policies for each Fund at least annually ~~by June 1 of each year~~. Such review shall include distribution (spending) guidelines, long-

term investment return expectations and expected risk levels, ~~asset~~ Asset Class and Investment Type allocation targets and ranges ~~for each eligible asset class~~, expected returns for each ~~asset class~~ Asset Class and Investment Type and fund, designated performance benchmarks for each ~~asset class~~ Asset Class and Investment Type and such other matters as the U. T. Board or its staff designees may request. After UTIMCO completes its assessment, it shall forward any recommended changes to U. T. System staff for review and appropriate action, following the established schedule for the submission of proposed agenda topics for meetings of the U. T. Board.

(b) **Investment Management:**

UTIMCO shall oversee the investment management process pursuant to the Investment Policies. Such oversight shall include without limitation the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each ~~asset class~~ Asset Class and Investment Type within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each ~~asset class~~ Asset Class and Investment Type.

(c) **Investment Performance:**

UTIMCO shall monitor and report on investment performance for each of the Funds. With respect to all Funds other than the SIFs, such responsibilities shall include the calculation and evaluation of investment returns for each ~~asset class~~ Asset Class and Investment Type and individual Fund portfolio against approved benchmarks over various periods of time, and the periodic review of performance benchmarks. With respect to all Funds, such responsibilities shall also include the reporting of investment performance of such specific Funds as may be requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.

(d) **Operations:**

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

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

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

The books and records of the Funds and any and all records concerning UTIMCO and UTIMCO's operations shall be available during normal business hours for inspection by authorized representatives of U. T. System. UTIMCO shall provide full audit access to any and all information concerning the operations of UTIMCO, including information

necessary to review UTIMCO expenditures for compliance and reasonableness with the approved budget, to auditors representing the U. T. Board and/or the State Auditor.

(f) **Reporting:**

In connection with the annual audited financial statements of UTIMCO, effective with the August 31, 2004 financial statements, UTIMCO shall provide all compliance-related information, reports and certifications, and shall cause the ~~chief executive officer~~ CEO and the chief financial officer of UTIMCO to provide such certifications, as may be specified by the U. T. Board and U. T. System compliance policies and procedures adopted or approved by the U. T. Board. UTIMCO will follow the U. T. System compliance guidelines as outlined in the Action Plan to Enhance Institutional Compliance, as it may be amended from time to time, including providing the U. T. Board or its designees with quarterly compliance reports.

(g) **Disclosure of Information:**

The U. T. Board is committed to a policy of full and fair disclosure to the public. As part of that commitment with respect to private investments in the Funds, UTIMCO shall disclose to the public with respect to such private investments all information required to be disclosed pursuant to Section 552.0225 of the *Texas Government Code* regarding "Right of Access to Investment Information" ("private investment information"). UTIMCO shall make no private investment with an entity unless the U. T. Board and UTIMCO have clear and unequivocal authority to disclose to the public the private investment information, described immediately above, relating to such investment.

Before UTIMCO declines to disclose any information it has collected, assembled or maintained in its role as investment manager for the U. T. Board that is requested under the Texas Public Information Act, the ~~President~~ CEO of UTIMCO shall notify the U. T. System Vice Chancellor and General Counsel and solicit his or her input to the process. UTIMCO shall disclose the information unless (i) it is confidential and excepted as provided in Section 552.143 of the *Texas Government Code* regarding "Confidentiality of Certain Investment Information," or (ii) as to any other information, the Vice Chancellor and General Counsel, after consultation with the Chancellor, approves a Public Information Act request to the Attorney General of Texas. In addition, the U. T. Board reserves the right and authority, in its sole discretion, to disclose, or direct the disclosure of, any information at any time, to the extent such disclosure would not result in a violation of applicable law or breach or result in a default under any agreement binding upon UTIMCO or the U. T. Board.

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

(h) **Other Services:**

UTIMCO shall perform other investment management services, including without limitation:

- (i) attending meetings of the U. T. Board and making such reports as the U. T. Board may request from time to time;

- (ii) rendering services to managers of private equity investments in which UTIMCO has decided to invest;
- (iii) attending meetings of governing bodies of companies in which assets of Funds have been invested pursuant to this Agreement;
- (iv) voting of securities (or proxies with respect thereto) held as investments of the Funds in accordance with the Investment Policies and the UTIMCO Proxy Voting Policy and any other relevant written policies or rules of the U. T. Board;
- (v) providing U. T. System institutions with annual endowment reports reflecting, among other things, changes in the investment value of such institution's endowment and distributions made to such institution to support the activities for which the endowment was established;
- (vi) providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing assets to authorized beneficiaries;
- (vii) effecting distributions directly or through the Custodian to U. T. System institutions or other named beneficiaries from the Funds;
- (viii) supporting and maintaining online information systems for endowment funds;
- (ix) providing training and education to members of the UTIMCO Board of Directors as may be determined in consultation with U. T. System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and that matters related to legal and fiduciary responsibilities of the directors, including current regulations for determining reasonable compensation, are outlined and discussed fully; and
- (x) any other services necessary to provide investment management of the Funds.

Section 4. Investment Manager as Fiduciary.

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

Section 5. Custody of Assets.

UTIMCO shall select one or more Custodians, each of which shall be approved by the U. T. Board, which shall also enter into or approve each agreement with the Custodian(s).

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

Section 6. Use of Unaffiliated Investment Managers.

UTIMCO shall be entitled to use unaffiliated investment advisors to invest all or part of the Funds and to perform other duties, subject to any restrictions in the relevant Investment Policies.

Section 7. Investment Management Fees; Direct Expenses.

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

(a) Annual Budget and Management Fee:

(i) Budget Approval Policy

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

(ii) **Allocation Formula**

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

(iii) **Charging of Funds for Management Fee**

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

(iv) **Payment of Third Party Vendors**

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

(b) **Cash Reserves:**

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

(c) **UTIMCO Management Service on Outside Boards:**

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

(d) **Fees for Services Rendered:**

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

(e) **Miscellaneous Fees:**

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

Section 8. Brokerage Commissions.

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

Section 9. Valuation of Fund Assets.

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

Section 10. Representations and Warranties of Parties.

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

(i) The execution, delivery and performance by the U. T. Board of this Agreement have been duly authorized, and this Agreement constitutes a valid and binding agreement of the U. T. Board.

(ii) There is no action, suit or proceeding pending or, to the knowledge of the U. T. Board, threatened against or affecting the U. T. Board or the U. T. System, or relating to this Agreement, in any court or before or by any governmental

department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the U. T. Board to enter into, and perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

- (iii) The U. T. Board has approved:
 - (A) the Articles of Incorporation and Bylaws of UTIMCO;
 - (B) the Investment Policies;
 - (C) the Audit and Ethics Committee of UTIMCO; and
 - (D) the Code of Ethics of UTIMCO.

- (b) UTIMCO represents and warrants that:
 - (i) The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized and this Agreement constitutes a valid and binding agreement of UTIMCO.
 - (ii) There is no action, suit or proceeding pending or, to the knowledge of UTIMCO, threatened against or affecting UTIMCO, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of UTIMCO to enter into, and to perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

- (c) Investment Company Act and State Securities Act:

The parties to this Agreement acknowledge and agree that UTIMCO is not currently required to, and shall not engage in any activities that would require it to, register as an "investment company" under Title 15 *United States Code* Section 80a-8 (the Investment Company Act of 1940), as amended, and Tex. Rev. Civ. Stat. Ann. art. 581-1 *et seq.* (The Securities Act).

Section 11. Compliance with Bylaws, Policies, Regulations and Financial Disclosure Requirements.

In the performance of this Agreement, UTIMCO shall abide by, and cause its directors, officers, and employees to abide by, the following policies:

- (A) UTIMCO Code of Ethics as approved by the U. T. Board;
- (B) UTIMCO Bylaws as approved by the U. T. Board;
- (C) All UTIMCO policies;
- (D) Applicable portions of the U. T. Board's *Regents' Rules and Regulations*; and
- (E) All U. T. Board-approved Investment Policies, resolutions, and applicable law.

Financial advisors and service providers as defined in *Texas Government Code* Section 2263.002 shall comply with the disclosure requirements contained in *Texas Government Code* Section 2263.005, in addition to any obligations regarding disclosure of private investment information and the like as contemplated by Section 3(g) of this Agreement.

Section 12. Contracts with Third Parties.

UTIMCO covenants and agrees that each agreement, contract, or understanding it enters into with any third party will comply with all applicable law (including without limitation *Texas Government Code* Sections 2263.002 and 2263.005 as referenced in Section 11 above), and will not contain any term or provision limiting the ability of UTIMCO, the U. T. Board, the U. T. System, or any of its institutions to comply with any provision of applicable law, including without limitation any covenant regarding non-disclosure of confidential information or similar subject matter that would purport to limit the ability of UTIMCO or the U. T. Board to comply with any provision of the Texas Public Information Act or other law regarding public disclosure; provided that any contract provision regarding non-disclosure of confidential information must be approved by the Vice Chancellor and General Counsel of the U. T. System or his/her designee.

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

Section 13. UTIMCO's Open Meeting Policy.

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

Section 14. Prohibition Against Service to Other Clients.

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

Section 15. Termination.

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

Section 16. Amendments.

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

Section 17. Notices.

All notices or communications hereunder shall be in writing and shall not be effective until hand delivered, sent by overnight delivery, or sent by United States Certified or Registered Mail, postage prepaid, to the other party at the following addresses which may be changed by notice sent in the manner required by this paragraph:

To U. T. Board:

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

To UTIMCO:

The University of Texas Investment Management Company
Attn: ~~President and CEO~~ and Chief Investment Officer
401 Congress Avenue, Suite 2800
Austin, Texas 78701
Tel. (512) 225-1600
Fax. (512) 225-1660

Section 18. Non-Assignability.

This Agreement is personal to the parties hereto, and no assignment of this Agreement by UTIMCO, whether by contract, merger, consolidation, or operation of law, shall be made other than with the prior written consent of the U. T. Board and in compliance with applicable law.

Section 19. No Waiver of Breach.

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

Section 20. Indemnification.

(a) Agreements to Indemnify:

To the fullest extent authorized by the Constitution and laws of the State of Texas, the U. T. Board shall indemnify and hold harmless each of the Indemnified Parties against any and all Losses, including Losses resulting from the negligence of the Indemnified Party claiming indemnification; provided, however, the U. T. Board shall not be obligated to indemnify an Indemnified Party against Losses to the extent such Losses are caused by (i) an act or omission that involves intentional misconduct or a knowing violation of law by the Indemnified Party claiming indemnification, (ii) a transaction

from which the Indemnified Party claiming indemnification received an improper benefit, (iii) an act or omission for which the liability of the Indemnified Party claiming indemnification is expressly provided by an applicable statute, or (iv) an act or omission constituting gross negligence by the Indemnified Party claiming indemnification; provided further that indemnification payments by the U. T. Board shall be paid from the same sources as the Annual Fee pursuant to Section 7.

(b) **Reimbursement:**

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

(c) **Notice:**

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

(d) **Defense:**

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

(e) **Cooperation; Settlement:**

Each Indemnified Party shall use reasonable efforts to cooperate with the U. T. Board in the defense of any action or Claim. The U. T. Board shall not be liable for any settlement of any action or Claim without its consent but, if any such action or Claim is settled with

the consent of the U. T. Board or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the U. T. Board shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment as provided in Subsection (a) of this Section.

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

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

Section 21. Claims By and Against Managed Assets.

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

The authority granted in this Section does not include the authority to institute litigation on behalf of the U. T. Board, any Fund, or any associated assets, or to settle contested claims or litigation that may result in receipt of less than full value for the claim or the payment of damages or awards. The settlement of any contested claim or litigation for less than full value requires the prior approval of the U. T. System Vice Chancellor and General Counsel and appropriate U. T. System officials, as set out in the Regents' *Rules and Regulations*.

Section 22. Communications.

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

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

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

Approved ~~February 9, 2006~~ February 7, 2008

managers appointed by UTIMCO may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO.

Section 24. Authority to Assign and Transfer Securities.

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

Section 25. No Third Party Beneficiaries.

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

Section 26. Governing Law.

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

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

Date: _____

By _____
Chairman

THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY

Date: _____

By _____
Chairman

Schedule A

Funds

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

- a. **Permanent University Fund**: The PUF (as defined in Section 1(e)(i)) will be separately invested in accordance with the PUF Investment Policy Statement.
- b. **Permanent Health Fund**: The PHF (as defined in Section 1(e)(iv)) will be separately invested in accordance with the PHF Investment Policy Statement.
- c. **Separately Invested Funds**: The SIFs (as defined in Section 1(e)(v)) will be separately invested in accordance with the SIF Investment Policy Statement.
- d. **Long Term Fund ("LTF")**: The long-term pooled investment fund previously established by the U. T. Board for the collective investment of all endowment and other long-term funds of institutions of the U. T. System, with investments made in accordance with the LTF Investment Policy Statement.
- e. **General Endowment Fund ("GEF")**: The pooled fund for the collective investment of long-term funds under the control and management of the U. T. Board. The PUF, PHF, LTF or other long-term funds may invest in the GEF as authorized by the U. T. Board in each Fund's investment policy statement, and the GEF funds will be invested in accordance with the GEF Investment Policy Statement.
- ~~f. **Short Intermediate Term Fund ("SITF")**: Selected U. T. System Funds (as defined in Section 1(e)(ii)) (other than endowment and other long term funds, including the Permanent University Fund) designated from time to time by the U. T. Board or its U. T. System staff designees will be collectively invested in the short intermediate term pooled investment fund governed by the SITF Investment Policy Statement.~~
- g.f. Short Term Fund ("STF")**: Selected U. T. System Funds designated from time to time by the U. T. Board or its U. T. System staff designees will be invested in the STF, which is the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U. T. System Funds, in accordance with the STF Investment Policy Statement.

~~**h. Institutional Index Funds:** The Institutional Index Funds currently comprise the following two index Funds:~~

- ~~(i) **The U.S. Debt Index Fund B**, a U.S. debt index fund which replicates the Lehman Brothers Aggregate Bond Index fund and is currently managed by Barclays Global Investors (BGI) for UTIMCO.~~
- ~~(ii) **The Equity Index Fund B**, an equity index fund which replicates the S&P 500 index and is currently managed by BGI for UTIMCO.~~

~~**i.g. The Intermediate Term Fund ("ITF"):** The ITF was established by the U. T. Board as a pooled fund for the collective investment of operating assets and other intermediate and long-term assets held by U. T. System institutions and U. T. System administration. The ITF will be invested in accordance with the ITF Investment Policy Statement.~~

BYLAWS
OF
THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY

Restated to Include
Amendments Adopted on

March 13, 1997

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

May 2, 1997

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

September 22, 1999

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

December 9, 1999

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

October 26, 2001

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

June 26, 2003

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

Ratified September 29, 2004

(Approved by the Board of Regents on August 12, 2004)

May 25, 2006

(Approved by the Board of Regents on July 13, 2006)

January 30, 2008

(Approved by the Board of Regents on February 7, 2008)

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BYLAWS
OF
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

ARTICLE I
STRUCTURE AND PURPOSES

Section 1. Structure. The University of Texas Investment Management Company (the "Corporation") is a nonprofit corporation organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 (the "Act"). The Articles of Incorporation of the Corporation (as amended from time to time, the "Articles of Incorporation") were filed in the office of the Secretary of the State of Texas on November 15, 1995.

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

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

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

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

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

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

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

ARTICLE II OFFICES

Section 1. Principal Place of Business. The principal place of business of the Corporation shall be located at 401 Congress Avenue, Suite 2800, Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

Section 2. Registered Office and Registered Agent. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is the Corporation's registered office, as required by the Act. The registered office may, but need not, be identical with the principal office of the Corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors in accordance with applicable law.

ARTICLE III
BOARD OF DIRECTORS

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

Section 2. Number. The Board of Directors shall consist of nine (9) Directors consistent with Texas Education Code Section 66.08.

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

Section 4. Removal and Resignation. Any Director may be removed from office at any time, with or without cause, by the Board of Regents. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

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

Section 6. Meetings of Directors. The Directors may hold meetings and keep the Corporation's books and records at such place or places within the State of Texas as the Board of Directors may from time to time determine.

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

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

Section 8. Regular Meetings. Regular meetings of the Board of Directors ("Regular Meetings") shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required. The UTIMCO President shall consult with the Chairman and ~~the Vice Chairmen of the UTIMCO Board, including the Chancellor,~~ as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least three (3) weeks prior to each regular UTIMCO Board meeting.

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

Section 10. Notice of Meetings. The Secretary shall give notice of the time and place of each Annual, Joint, Regular and Special Meeting to each Director in person, or by mail, electronic mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, notice will be provided as required by the Texas Open Meetings Act.

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

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

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

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

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

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

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

ARTICLE IV COMMITTEES

Section 1. Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; provided, however, that the Board of Regents must approve the audit and ethics committee of the Corporation as required by applicable law and further provided that the full UTIMCO Board shall fully review, discuss, and approve performance compensation for UTIMCO officers and employees following careful consideration and due diligence. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

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

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

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

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

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

ARTICLE V OFFICERS

Section 1. Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman for Policy, a Vice Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary and the offices of Chairman and Vice Chairman. Except for those officers elected at the organizational meeting (the "Organization Meeting"), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 2. Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so

removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

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

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

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

Section 6. Powers and Duties of the Vice Chairman for Policy. The Chancellor of the System shall serve as Vice Chairman for Policy and shall coordinate those responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and System by the Rules and Regulations of the Board of Regents and the Master Investment Management Services Agreement with UTIMCO to facilitate UTIMCO's performance of its core investment duties. The Vice Chairman for Policy shall exercise the powers of the Chairman during the absence or inability to act of both the Chairman and the Vice Chairman of the Board. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman and the Vice Chairman at the time such action was taken.

Section 7. Powers and Duties of the President. ~~The President shall be the Chief Executive Officer of the Corporation.~~ All references to the President in this document shall mean the Chief Executive Officer of the Corporation. If the positions of President and Chief Executive Officer are held by different individuals the responsibilities designated to the President in these Bylaws shall be performed by the Chief Executive Officer. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation subject to the approval of the Board of Directors and the Executive Committee, if any; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors pursuant to a duly approved Delegation of Authority Policy.

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

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

ARTICLE VI MISCELLANEOUS PROVISIONS

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

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

Section 3. Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed

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

Section 4. Public Information. The Board of Directors shall comply with applicable provisions of the Texas Public Information Act.

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

ARTICLE VII INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

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

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

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

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

ARTICLE VIII AMENDMENTS

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

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

Agenda Item: Discussion and Consideration of Items from Risk Committee

Developed By: Staff

Presented By: Tate

Type of Item: Action required by UTIMCO related to Procedure for Calculating Liquidity and Charter of the Risk Committee; other items are discussion items

Description: The Risk Committee ("Committee") will meet on January 23, 2008. The Committee's agenda included (1) review and discussion of risk reporting; (2) discussion and consideration of Investment Mandate Categorizations; (3) discussion and consideration of the Procedure for Calculating Liquidity; and (4) discussion and consideration of the Charter of the Risk Committee.

Discussion

The Mandate Categorization Procedure ("Procedure") was adopted by the UTIMCO Board on November 29, 2007. The purpose of the Procedure is to provide greater transparency into the process of classifying an investment mandate within the approved Asset Classes and Investment Types as defined in the Investment Policy Statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), and Intermediate Term Fund ("ITF") (collectively, the "Funds"). The Investment Policy Statements state that the assets of the Funds shall be allocated among a broad set of Asset Classes and Investment Types based on their individual/risk characteristics and relationships to other Asset Classes and Investment Types. The Procedure requires that all existing mandates be reviewed annually by the Managing Director, Chief Compliance Officer and Chief Investment Officer. Staff will present the initial categorization for all mandates since adoption of the Procedure by Asset Class and Investment Type to the Committee for the Committee's review and approval. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

The Procedure for Calculating Liquidity is a new procedure intended to formulate guidelines for the standardization of liquidity calculations for each investment in that asset class for the Endowment Funds and the ITF. The Liquidity Policy (the "Policy") requires all individual investments within the Permanent University Fund ("PUF") and the General Endowment Fund ("GEF") (collectively, the "Endowment Funds") and the Intermediate Term Fund ("ITF") to be segregated into two categories: liquid and illiquid. "Liquid", as defined in the Policy, means investments that could be converted to Cash within a period of one day to three months in an orderly market at a discount of 10% or less. "Illiquid, as defined in the Policy, means investments that could be converted to Cash in an orderly market over a period of more than three months or in a shorter period of time by accepting a discount of more than 10%. The measurements necessary to

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

segregate these investments into the two categories assume normally functioning capital markets and cash market transactions.

The purpose of the Charter of the Risk Committee ("Charter") is to outline the duties and responsibilities of the Risk Committee. Staff is proposing changes to the Charter to update and clarify the responsibilities related to Liquidity in conformity with the Liquidity Policy adopted by the UTIMCO Board on November 29, 2007, and the Board of Regents of The University of Texas System on December 6, 2007. The Liquidity Policy was amended December 6, 2007, and now requires Staff to consider the value of unfunded commitments in the determination of liquidity, including Committee approval when new commitments would cause the unfunded commitments to exceed the Maximum Permitted Amount as specified in the Liquidity Policy. This responsibility has been added to the Charter on page 3. On page 1, Staff clarified that a report by the Committee to the UTIMCO Board would occur at its next regular meeting instead of at its next succeeding meeting to accommodate special called meetings of the UTIMCO Board when no committee reports are given. Other minor edits have been made to clarify when approval for movement into a trigger zone is required and to adopt the nomenclature used in the amended Investment Policies, i.e., Asset Class and Investment Types, on pages 2 and 3.

Recommendation: Staff has recommended to the Committee to approve the Procedure for Calculating Liquidity and the Charter of the Risk Committee. The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting.

Reference: Asset Classes and Investment Type Mandate Classifications; Procedure for Calculating Liquidity; Charter of the Risk Committee

**RESOLUTION RELATED TO
PROCEDURE FOR CALCULATING LIQUIDITY**

RESOLVED, that the Procedure for Calculating Liquidity be, and is hereby, approved in the form submitted to the Corporation's Board of Directors.

RESOLUTION RELATED TO CHARTER OF THE RISK COMMITTEE

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

More Correlated and Constrained

Investment Grade

BGI Lehman Aggregate
Global Investment Advisors
GMO Emerging Debt Fund
Internal Investment Grade Credit
Internal TIPS
Internal U.S. Nominal
PIMCO Fixed Income
PIMCO TIPS
REAMS Core Plus
REAMS TIPS

Real Estate

Cohen & Steers
European Investors Inc (EII)
Morgan Stanley REITS

Natural Resources

Blackrock Global
Blackrock Small Cap
GSCI Futures
PIMCO Real Return

Developed Country

BGI EAFE	Lansdowne European Long Only
BGI EAFE Alpha	Levin Large Cap
BGI Russell 3000 Alpha Tilts	Levin Utilities
Blavin	MBA Investments
Dalton Japan	New Mountain
Dalton JMBO	Overlay
Developed Markets Futures	Relational
Globeflex	Spread Trade
Globeflex Canada	TCW
Globeflex Japan	Value Act Capital
Globeflex Microcap	Westport
GSAM	Westport Small Cap

Emerging Markets

BGI Emerging Markets Strategic Index	Lansdowne Emerging
Blakeney	Lazard
China Swap	No Cost Collar
Dalton Taiwan	Rexiter
EEM Swap	Templeton Alpha

Less Correlated and Constrained

Investment Grade

AQR Absolute Return Offshore Fund Ltd.
Bridgewater Pure Alpha Fund Ltd.
Bridgewater Pure Alpha Fund II, Ltd.
Parkcentral Global Fund Ltd.

Credit-Related

Blackstone Distressed Securities Offshore Fund
Centerbridge Credit Partners Offshore, Ltd.
OCM High Yield Plus (Cayman) Fund Ltd.
Silver Point Capital Offshore Fund, Ltd.
Watershed Capital Institutional Partners, L.P.

Real Estate

GEM Realty Securities, Ltd.

Natural Resources

Black River Commodity Multi-Strategy Fund, Ltd.

Developed Country

AG Super Fund, L.P.	Lansdowne UK Equity Fund, Ltd.
BGI Global Market Neutral Fund B	Maverick Fund Ltd.
Brahman Partners II Offshore Ltd.	Millgate International Ltd.
Bridgewater Currency Overlay	OZ Asia Overseas Fund Ltd.
CCM Small Cap Value Fund, Ltd.	OZ Europe Overseas Fund Ltd.
Criterion Capital Partners Ltd.	OZ Overseas Fund I Ltd.
Eminence Fund Ltd	Perry Partners International Inc.
Eminence Leveraged Long Alpha, Ltd.	Protege Partners Fund Ltd.
Eminence Long Alpha, Ltd.	Rock Creek Partners Fund I (Offshore) L.P.
ESL Limited	Satellite Fund V LLC
Eton Park Overseas Fund, Ltd.	Shepherd Investments International, Ltd.
Farallon Capital Offshore Investors, Inc.	Sirios Overseas Fund Ltd.
Farallon Capital Offshore Investors II Holdings	Steadfast International Ltd.
Fox Point Capital Ltd.	Tiger Consumer Partners Offshore, Ltd.
Highside Offshore, Ltd.	TPG-Axon Partners (Offshore) Ltd.
Indus Event Driven Fund Ltd.	Westfield Life Sciences Fund (Caymans)
Indus Japan Fund Ltd.	

Emerging Markets

Blue Ridge Offshore, L.P.
EMSO, Ltd.
Indus Asia Pacific Fund Ltd
Moon Capital Global Equity Offshore Fund Ltd.
OCM Emerging Markets (Cayman) Fund Ltd.
Spinnaker Global Emerging Markets Fund, Ltd.

Private Markets

Credit-Related

AG Capital Recover Partners IV, L.P.	Oaktree Loan Fund 2x, L.P.
AG Capital Recover Partners V, L.P.	OCM Opportunities Fund III, L.P.
Avenue Asia Special Situations Fund IV, L.P.	OCM Opportunities Fund IV, L.P.
Avenue Special Situations Fund V, L.P.	OCM Opportunities Fund V, L.P.
B IV Capital Partners, L.P.	OCM Opportunities Fund VI, L.P.
Citicorp Mezzanine Partners, L.P.	OCM Opportunities Fund VII, L.P.
CVI Global Value Fund, L.P.	OCM Opportunities Fund VIIIB, L.P.
DDJ Total Return Loan Fund, L.P.	PMI Mezzanine Fund, L.P.
KB Mezzanine Fund II, L.P.	Rice Partners II, L.P.
MatlinPatterson Global Opportunities Partners	RSTW Partner III, L.P.
MatlinPatterson Global Opportunities Partners II	Varde Fund VIII, L.P.
MatlinPatterson Global Opportunities Partners III	Windjammer Mezzanine & Equity Fund II
Northstar Seidler Mezzanine Partners II, L.P.	Windjammer Senior Equity Partners III

Natural Resources

ArchLight Energy Partners Fund I, L.P.	Energy Asset Option Fund
ArchLight Energy Partners Fund II, L.P.	Goldston Oil Corporation
ArchLight Energy Partners Fund III, L.P.	OCM/GFI Power Opportunities Fund II, L.P.
ArchLight Energy Partners Fund IV, L.P.	SCF- II, L.P.
EnCap Energy Capital Fund III-B, L.P.	SCF - IV, L.P.
EnCap Energy Capital Fund IV-B, L.P.	SCF - V, L.P.
EnCap Energy Capital Fund VII, L.P.	SCF - VI, L.P.

Private Markets

Developed Country Equity

3i Europartners II, L.P.
3i Europartners IIIA, L.P.
3i Europartners Va, L.P.
3i UK Investment Partners
3i UKIP II
Advanced Technology Ventures VII, L.P.
AG Private Equity Partners III, L.P.
American Securities Partners II, L.P.
American Securities Partners III, L.P.
Ampersand 1995 Limited Partnership
Ampersand 1999 Limited Partnership
Ampersand 2001 Limited Partnership
Ampersand 2006 Limited Partnership
ARCH Venture Fund VI, L.P.
ARCH Venture Partners VII, L.P.
Artiman Ventures II, L.P.
Atlas Venture Fund VI, L.P.
Austin Ventures IV, L.P.
Austin Ventures V, L.P.
Austin Ventures VI, L.P.
Austin Ventures VII, L.P.
Austin Ventures VIII, L.P.
Austin Ventures IX, L.P.
Baker Communications Fund
Baker Communications Fund II (QP), L.P.
Band of Angels Fund, L.P.
Barclays Private Equity European Fund A, L.P.
Barclays Private Equity European Fd III "E", L.P.
Beacon Group III - Focus Value Fund, L.P.
Blackstone Capital Partners IV, L.P.
Blackstone Capital Partners V, L.P.
Brentwood Associates Private Equity III, L.P.
Candover 2001 Fund US No. 2 Ltd Partnership
Candover 2005 Fund US No. 3 Ltd Partnership
Care Capital Investments III, L.P.
Carlyle Partners II, L.P.
Carlyle Partners III, L.P.
Carlyle Partners IV, L.P.
Carlyle Partners V, L.P.
Centerbridge Capital Partners, L.P.
Cerberus Institutional Partners, L.P. - Series 4
CGW Southeast Partners IV, L.P.
Clayton, Dubilier & Rice Fund V, L.P.
Cortec Group Fund II, L.P.
Cortec Group Fund III, L.P.
Cortec Group Fund IV, L.P.
Crescendo II, L.P.
Crescendo III, L.P.
Crescendo IV, L.P.
CVC European Equity Partners, L.P.
CVC European Equity Partners IV (C) LP.
CVC European Equity Partners Tandem
Doughty Hanson & Co II, L.P.
Doughty Hanson & Co III, L.P.
Doughty Hanson & Co IV, L.P.
Doughty Hanson & Co V, L.P.
Eos Capital Partners III, L.P.
Eos Capital Partners IV, L.P.
Escalate Capital I, L.P.
Evercore Capital Partners, L.P.
Evercore Capital Partners II, L.P.
Fisher Lynch Venture Partnership, L.P.
Fortress Fund IV (Fund A), L.P.
Fortress Fund IV (Coinvestment Fund A), L.P.
Fortress Fund V (Fund A), L.P.
Fortress Fund V (Coinvestment Fund A), L.P.
Foundation Capital IV, L.P.
Foundry Venture Capital 2007, L.P.
Fourth Cinven Fund Limited Partnership
Francisco Partners II, L.P.
Green Equity Investors III, L.P.
Green Equity Investors IV, L.P.
Green Equity Investors V, L.P.
Halpern Denny Fund II, L.P.
Halpern Denny Fund III, L.P.
Hampshire Equity Partners II, L.P.
Hampshire Equity Partners III, L.P.
Hellman & Friedman Capital Partners II, L.P.
Information Technology Ventures II, L.P.
Integral Capital Partners VII, L.P.
Inverness Partners II, L.P.
Inverness/Phoenix Partners, L.P.
J.W. Childs Equity Partners III, L.P.
JatoTech Ventures, L.P.
KKR 1996 Fund, L.P.
KKR 2006 Fund, L.P.
Knightsbridge Venture Capital VI, L.P.
Knightsbridge Venture Completion 2005, L.P.
Lake Capital Partners, L.P.
Lake Capital Partners II, L.P.
Lighthouse Capital Partners IV, L.P.

Private Markets

Developed Country Equity (continued)

Lighthouse Capital Partners V, L.P.	SKM Equity Fund III, L.P.
Morgenthaler Partners IV, L.P.	Sofinnova Venture Partners VII, L.P.
Morgenthaler Partners V, L.P.	Songbird Hearing, Inc.
Morgenthaler Partners VI, L.P.	Southwest Opportunity Fund I, L.P.
Morgenthaler Partners VII, L.P.	Spark Capital II, L.P.
Morgenthaler Partners VII, L.P. (Secondary)	TCV V, L.P.
Morgenthaler Partners VIII, L.P.	TCV VI, L.P.
North American Fund II, L.P.	Technology Crossover Ventures VII, L.P.
North American Fund III, L.P.	TDR Capital II 'A' L.P.
OSCCO III, L.P.	Technologies for Information & Entertainment III
Parthenon Investors II, L.P.	Terastor Corporation
Philadelphia Ventures II, L.P.	The Texas Growth Fund - 1991 Trust
Polaris Venture Partners IV, L.P.	The Texas Growth Fund - 1995 Trust
Polaris Venture Partners V, L.P.	The Woodlands/Essex Venture Fund III, L.P.
Pomona Capital IV, L.P.	Third Cinven Fund US (No. 5) L.P.
Pomona Capital V, L.P.	TPG Partners IV, L.P.
Prime VIII, L.P.	TPG Partners V, L.P.
Prism Venture Partners I, L.P.	TPG StAR, L.P.
Prism Venture Partners II, L.P.	Triton Fund II, L.P.
Prism Venture Partners II - A, L.P.	Union Square Ventures 2004, L.P.
Prism Venture Partners III, L.P.	VS&A Communications Partners II, L.P.
Prism Venture Partners IV, L.P.	VS&A Communications Partners III, L.P.
Prism Venture Partners V, L.P.	Wand Equity Portfolio II, L.P.
Prospect Venture Partners II, L.P.	Warburg Pincus Private Equity VIII, L.P.
PTV Sciences, L.P.	Warburg Pincus Private Equity IX, L.P.
PTV Sciences II, L.P.	Warburg Pincus Private Equity X, L.P.
Pinto TV Annex Fund, L.P.	Willis Stein & Partners, L.P.
PUF/LTF Warburg 1997 Revocable Trust	Willis Stein & Partners II, L.P.
Reservoir Capital Partners (Cayman), L.P.	Wingate Partners II, L.P.
SKM Equity Fund II, L.P.	Wingate Partners III, L.P.
	Wingate Partners IV, L.P.

Emerging Markets Equity

Ashmore-Global Special Situations Fund IV, L.P.
Asian Corporate Finance Fund, L.P.
Emerald Hill Capital Partners I, L.P.
Invention Development Fund, L.P.
Prime Enterprises II, L.P.
ZN Mexico II, L.P.

The University of Texas Investment Management Company
Procedure for Calculating Liquidity

Effective Date of Procedure: March 1, 2008
Date Approved by UTIMCO Board: January 30, 2008

Background: The Liquidity Policy (the "Policy") requires all individual investments within the Permanent University Fund ("PUF") and the General Endowment Fund ("GEF") (collectively, the "Endowment Funds") and the Intermediate Term Fund ("ITF") (collectively, the "Funds") to be segregated into two categories: liquid and illiquid.

"Liquid", as defined in the Policy, means investments that could be converted to Cash within a period of one day to three months in an orderly market at a discount of 10% or less. "Illiquid, as defined in the Policy, means investments that could be converted to Cash in an orderly market over a period of more than three months or in a shorter period of time by accepting a discount of more than 10%. The measurements necessary to segregate these investments into the two categories assume normally functioning capital markets and cash market transactions. As stated in the Policy, the determination of liquidity includes underlying security trading volumes, notice periods, redemption dates, lock-up periods, and "soft" and "hard" gates, where applicable.

Purpose: The purpose of this Procedure for Calculating Liquidity is to formulate guidelines for the standardization of liquidity calculations for each investment in that asset class for the Endowment Funds and the ITF.

Objective: The objective of this Procedure is to standardize the calculation of liquidity for all Endowment Funds and ITF investments.

Scope: This Procedure applies to all Endowment Funds and ITF investments made by The University of Texas Investment Management Company (UTIMCO).

Guidelines for Calculating Liquidity:

These guidelines apply to the three categories of Investment Types as defined in the Investment Policy Statements:

1. Less Correlated & Constrained Investments
2. More Correlated & Constrained Investments
3. Private Investments

Less Correlated & Constrained Investments

Less Correlated & Constrained Investments are likely to include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and gates, all which may have an effect on liquidity.

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Procedure for Calculating Liquidity**

Staff will consider each of these variables, when applicable, in calculating the liquidity of Less Correlated & Constrained Investments.

Lock-up periods, i.e., the period of time in which investors are not allowed to redeem or sell shares, are, in many cases specified by calendar dates (e.g., end of calendar quarter, investment anniversary date). When combined with the required notice periods in the contracts, this leads to a saw-tooth effect on liquidation time, i.e., if a liquidation request is timed in accordance with the notice and lock-up periods specified in the agreement (e.g., the end of the calendar quarter), there will be negligible or no effect on liquidity; however, if a liquidation request falls outside of the period specified in the contract, the effect of the lock-up will be to delay the timing of the sale or redemption by as much as a full quarter/year and then gradually decline back to zero, but nevertheless with an effect on liquidity.

In addition, "gates" limit the amount of withdrawals from an investment vehicle during a redemption period. For purposes of this Procedure, "Effective Gate" shall denote the reasonable belief on a length of a gate to be imposed. In normally functioning capital markets, gates are not likely to be imposed, therefore, Effective Gate will normally be zero. If a gate however, is enforced or likely to be enforced by a manager, the Effective Gate for that Fund will no longer be zero, which may require reclassification of the Fund from liquid to illiquid.

Likewise, "Effective Settlement" shall denote the reasonable belief of the length of a settlement period. While the Fund may have a long settlement period by contract, in normally functioning capital markets, Effective Settlement is effectively zero. If however, Staff believes that the settlement period of a Fund is not immediate, the Effective Settlement for that Fund will no longer be zero, possibly resulting in reclassification of the Fund from liquid to illiquid.

With respect to an agreement with multiple variables that may include penalty fees, the calculation of liquidity should be made using the shortest periods in which the penalty fee will not be more than 10%.

Considering the above variables and the 3-month cutoff for determining liquidity in the Liquidity Policy, this Procedure strives to follow a classification that remains constant over time. Less Correlated & Constrained Investments will be initially classified as liquid or illiquid in one of three ways:

- (1) If the sum of the Notice Period, Effective Gate, and Effective Settlement equal 90 days or more, the investment will be classified as illiquid;
- (2) if the resulting value of 90-days minus the sum of the Notice Period plus the Effective Gate and Effective Settlement is greater than or equal to the longest lock-up period, the investment should be classified as 100% liquid; or

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(3) if the sum of the Notice Period, Effective Gate, and Effective Settlement equal less than 90 days and the result is less than the longest lock-up period, the liquid portion of the investment will be equal to the proportion that 90-days minus the sum of the Notice Period, Effective Gate and Effective Settlement has to the longest lock-up period. The remainder of the investment will be classified as illiquid.

These resulting classifications will be used until the investment is disposed of.

Below is the formula for determining the proper classification as liquid or illiquid:

Step 1: Add the Notice Period, Effective Gate, and Effective Settlement (the latter two are typically 0). If this resulting value is 90 days or more, classify as 100% illiquid, and skip Steps 2 and 3. If the resulting value is less than 90 days, continue with Step 2.

Step 2: Subtract the result in Step 1 from 90 days. This is the number of days, within each lock-up period, where the Fund can be liquidated within 90 days. If this value is greater than or equal to the longest lock-up period, the investment should be classified as 100% liquid, and skip Step 3. Otherwise, continue with Step 3.

Step 3: Divide the result in Step 2 by the longest lock-up period (e.g., for quarterly liquidity, divide by 90; for semi-annual liquidity, divide by 180). The result represents the portion of the Fund that will be classified as liquid.

Examples:

Example 1: Quarterly liquidity, 30-day notice, Effective Gate and Effective Settlement are zero. Step 1 results in 30 days, step 2 in 60 days, and step 3 assigns $60/90 = 2/3$ of the Fund as liquid (and therefore $1/3$ as illiquid).

Example 2: Monthly liquidity, 90-day notice length. Steps 1 results in 90, hence the Fund is 100% illiquid

Example 3: Annual liquidity, 60-day notice, Effective Gate and Effective Settlement are zero. Step 1 results in 60, Step 2 is 30, and Step 3 assigns $30/360 = 8.33\%$ of the Fund as liquid, and 91.67% as illiquid.

More Correlated & Constrained Investments

More Correlated & Constrained Investments may also include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and gates, all which may have an effect on liquidity.

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Procedure for Calculating Liquidity

Managers with lock-up and/or notice periods of at least one month will follow the guidelines outlined above for the Less Correlated & Constrained Investments. Typically, these managers can, and will, liquidate in an orderly manner with at least 30 days notice.

Managers without lock-up or notice periods, which include internal accounts and agency accounts, will be classified as liquid.

Over-The-Counter deals (such as swaps), which do not have a break clause will be considered illiquid until 90 days prior to termination, and liquid thereafter.

Private Investments

Under current policy, no Private Investment vehicle shall be assumed liquid within a 6-month period. For purposes of calculating 360-day liquidity, Staff will make a determination of those investments that may reasonably be liquidated within a 12-month period. At least initially, the Staff recommends that 10% of the existing portfolio should be considered liquid for purposes of calculating 360-day liquidity. Further development of the secondary markets, improved quality of the existing portfolio, and/or other changes may affect the Staff's initial recommendation. Staff may revisit this estimate in consultation with the Risk Committee.

The University of Texas Investment Management Company

Charter of the Risk Committee

Background

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") established a Liquidity Committee on November 20, 2003. The name of the Liquidity Committee was changed to the Risk Committee (the "Committee") on May 19, 2005 to reflect the expanded responsibilities of the Committee. This Charter adopted by the Board on January 30, 2008, supersedes the Charter adopted by the Board on March 30, 2006.

Purpose

The primary purpose of the Committee is to provide oversight and monitor 1) investment risk management and compliance, 2) the integrity of risk management procedures and controls, 3) the integrity of risk models and modeling processes, and 4) liquidity of the Permanent University Fund (PUF), the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF).

Composition

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

Meetings; Quorum; Etc.

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

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

Duties and Responsibilities

The Committee will provide assurances to the Audit and Ethics Committee on a periodic basis regarding the following items so the Audit and Ethics Committee may evaluate them as a part of the Audit and Ethics Committee's evaluation of the Corporation's overall enterprise risk management.

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

- The Committee will monitor actual risk levels in the PUF, GEF, and ITF to assess whether current risk levels are within the bounds established by the ~~Asset Allocation Policy~~ Investment Policies adopted by the UT Board of Regents;
- The Committee will monitor trends and changes in actual risk levels in the PUF, GEF, and ITF and report any significant changes to the Board; and
- The Committee will monitor the compliance processes related to the derivative policy, risk targets, ~~asset allocation~~ asset class and investment type targets and ranges, and investment related restrictions in the ~~Investment P~~ investment P policy statements.

Integrity of risk management procedures and controls: The Committee has the following duties and responsibilities related to the oversight and monitoring of the risk management procedures and controls:

- The Committee will understand and review how the information provided by the Risk Manager is reported to the Chief Compliance Officer; and
- The Committee will monitor the reports provided by the Risk Manager to the Chief Compliance Officer.

Integrity of risk models and modeling processes: The Committee has the following duties and responsibilities related to the oversight and monitoring of the risk models and modeling processes:

- The Committee will monitor the investment risk models, tools, and processes used by Corporation staff; and
- The Committee will review and understand the data used in the risk models.

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

- The Committee must review and recommend for consideration to the Board any new investment that would cause the allocation for illiquid

investments in the PUF, GEF, or ITF to ~~exceed the lower illiquidity limit~~move within the trigger zone specified in the Liquidity Policy for the respective Fund's total portfolio.

- The Committee must review and approve, before any such action or actions are taken, any proposed changes in allocations among existing investments that would cause the allocation for illiquid investments in the PUF, GEF, or ITF to ~~exceed the lower illiquidity limit~~move within the trigger zone specified in the Liquidity Policy for the respective Fund's total portfolio.
- The Committee must review and approve, before any such action or actions are taken, any proposed investment action or actions that would increase the actual investment position in illiquid investments in the PUF, GEF, or ITF by 10% or more of a respective Fund's total asset value.
- The Committee must review and approve, before any such action or actions are taken, any new commitments for the PUF or GEF, if the actual amount of such Fund's unfunded commitments, as defined in the Liquidity Policy, exceeds or, as a result of the commitment, would exceed the Maximum Permitted Amount specified in the Liquidity Policy.
- In the event that market actions cause actual investment positions in illiquid investments to ~~exceed the upper illiquidity limit established by the Liquidity Policy or to move into the "trigger zone" specified in the Liquidity Policy for the PUF, GEF, or ITF defined as the allocation range between the lower and upper illiquidity limits established by the Liquidity Policy~~, the Committee must review and approve the Chief Investment Officer's proposed remedy or strategy for complying with the required allocation range for liquid and illiquid investments before any such actions are taken.
- The Committee must approve the use of swaps, derivatives, or other third party arrangements to alter the liquidity status of any investment classified as illiquid.

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

Approved by the Board of Directors on ~~March 30, 2006~~January 30, 2008.

TAB 10

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

- Agenda Item:** Discussion and Consideration of Items from Compensation Committee
- Developed By:** Zimmerman, Gonzalez, Moeller
- Presented By:** Ferguson
- Type of Item:** Action Item; Action Required by UTIMCO Board on one item
- Description:** The Compensation Committee (the "Committee") will meet on January 30, 2008. The Committee's agenda included (1) Discussion and Consideration of Eligible Position, Weightings and Incentive Award Opportunity for an additional Eligible Position of the UTIMCO Compensation Program (Plan) for the 2007/2008 performance period and Designation of employee in the Eligible Position as a Participant in the UTIMCO Compensation Program for the 2007/2008 Performance Period; (2) Consideration of Personnel Performance Goals for a Participant of the UTIMCO Compensation Program; and (3) Update on Compensation Policy Review.
- Recommendation:** Staff has recommended the Committee approve the Eligible Position, Weightings and Incentive Award Opportunity for an additional Eligible Position of the UTIMCO Compensation Program for the 2007/2008 Performance Period and Designation of employee in the Eligible Position as a Participant in the UTIMCO Compensation Program for the 2007/2008 Performance Period. The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting.
- Discussion:** Section 5.3. of the Plan provides that in order for an employee of UTIMCO to become a Participant in the Plan for a Performance Period, the employee must be (1) employed by UTIMCO in an employment position that is designated as an Eligible Position for the Performance Period and (2) be selected by the UTIMCO Board as eligible to participate in the performance incentive award opportunity available under the Plan. The Committee and Board in its discretion will designate the employment position of a newly hired or promoted employee as eligible to participate in the Plan within 30 days of such hire or promotion or, if later, as soon as administratively feasible after such hire or promotion. Bruce Zimmerman hired Mark Warner, Director – Natural Resources with an employment date of November 19, 2007. The position of Director – Natural Resources was not included as an Eligible Position when the Committee and UTIMCO Board approved the Eligible Positions, Weightings and Incentive Award Opportunities at their respective September 2007 meetings and designated the Participants in the Plan. (The Plan had positions for Inflation Hedging Assets which are being replaced with two separate areas, Natural Resources and Real Estate.)
- The Committee and UTIMCO Board also consider and approve the Weightings of Performance Goals (entity, asset class, and individual), and Incentive Award

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 UTIMCO Board of Directors Meeting
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Opportunities for each Eligible Position for each Performance Period (Table 1 of Appendix C of the Plan) annually, within the first 90 days of the Performance Period. The Weightings and Incentive Award Opportunities established for the Director – Natural Resources, which will be added to Table 1 of Appendix C of the Plan, are as follows:

Eligible Position	Weighting			Incentive Award Opportunity (% of Salary)			
	Entity	Asset Class	Individual				
				< Threshold	Threshold	Target	Maximum
Director, Natural Resources	20%	0%	80%	0%	8%	40%	80%

Staff is requesting the Committee to designate the position of Director – Natural Resources as an Eligible Position and approve the Weightings and Incentive Award Opportunities for that Eligible Position and select Mr. Warner as a Participant in the Plan. Mr. Warner's participation in the Plan will begin on his employment start date of November 19, 2007.

The Committee also will review the individual Performance Goals of Mark Warner. There are three categories of Performance Goals:

- (1) Entity Performance (i.e., performance of the Total Endowment Assets and Intermediate Term Fund)
- (2) Asset Class Performance (e.g., U.S. public equity, international equity, private capital, fixed income, etc.)
- (3) Individual Performance

The Committee will report to the UTIMCO Board its action related to the individual Performance Goals of Mark Warner. Mr. Warner will not have asset class performance goals during the 2007/2008 Performance Period. The Board has previously approved the entity and asset class performance goals for the Plan. In addition, the Committee will report to the UTIMCO Board its discussion of the Compensation Policy Review.

Reference: None

**RESOLUTION RELATED TO 2007/2008 PARTICIPANT IN
PERFORMANCE INCENTIVE PLAN, ELIGIBLE POSITIONS,
WEIGHTINGS OF PERFORMANCE GOALS, AND INCENTIVE AWARD
OPPORTUNITIES**

WHEREAS, the UTIMCO Board has established a UTIMCO Compensation Program (the "Plan") for certain employees of the Corporation; and

WHEREAS, Section 5.3.(a) of the Plan provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "UTIMCO Board") as an "Eligible Position" for that Performance Period and (2) selected by the UTIMCO Board as eligible to participate for that Performance Period; and

WHEREAS, the UTIMCO Board has the discretion to 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 Plan for a Performance Period (or remainder of a Performance Period) within 30 days of hire or promotion, or if later, as soon as administratively feasible after such hire or promotion; and

WHEREAS, Mark Warner was hired as the Director – Natural Resources on November 19, 2007; and

WHEREAS, subject to approval by the UTIMCO Board, the CEO designated the position of Director – Natural Resources as an Eligible Position for the 2007/2008 Performance Period as provided by Section 5.3.(a) of the Plan; and

WHEREAS, the Compensation Committee recommended that the UTIMCO Board approve the designation of the position of Director – Natural Resources as an Eligible Position and selection of Mark Warner as a Participant in the Plan for the 2007/2008 Performance Period, effective as of November 19, 2007; and

WHEREAS, Section 5.4.(d) of the Plan provides that, subject to the approval of the UTIMCO Board, the Compensation Committee will approve (or adjust as it deems appropriate) the Weightings of the Performance Goals (entity, asset class, and individual) for each Participant (other than for the President/CEO) for each Performance Period; and

WHEREAS, Section 5.5.(a) of the Plan provides that, subject to the approval of the UTIMCO Board, the Committee will determine the Incentive Award Opportunity for each Performance Goal for each Participant in an Eligible Position; and

WHEREAS, the Committee reviewed and recommended that the UTIMCO Board approve the Eligible Position, Weightings of the Performance Goals (entity, asset class, and individual), and the Incentive Award Opportunities for the position of Director – Natural Resources for the 2007/2008 Performance Period; and

WHEREAS, the UTIMCO Board wishes to designate the position of Director – Natural Resources as an Eligible Positions and select Mark Warner as a Participant in the Plan for the 2007/2008 Performance Period, effective as of November 19, 2007; and has reviewed and wishes to approve the Eligible Position, Weightings of Performance Goals (entity, asset class, and individual), and the Incentive Award Opportunities for the position of Director – Natural Resources for the 2007/2008 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the position of Director – Natural Resources is hereby designated as an “Eligible Position” in the Plan for the 2007/2008 Performance Period; and be it

FURTHER RESOLVED, that Mark Warner is selected as a “Participant” in the Plan for the 2007/2008 Performance Period, effective as of November 19, 2007; and be it

FURTHER RESOLVED, that the UTIMCO Board approves the Eligible Position, Weightings of Performance Goals (entity and asset class), and Incentive Award Opportunities for the Eligible Position of Director – Natural Resources for the 2007/2008 Performance Period, effective as of November 19, 2007.

TAB 11

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

Agenda Item: Discussion and Consideration of Cambridge Contract Renewal

Developed By: Moeller

Presented By: Zimmerman

Type of Item: Action item by UTIMCO Board to approve contract renewal.

Description: In accordance with the Delegation of Authority, the UTIMCO Board executes the investment consultant contract. This agenda item renews the contract expiring on November 30, 2007. The renewal contract is for the twelve month period beginning December 1, 2007.

Recommendation: Staff recommends the approval of the external investment consultant contract.

Discussion: Cambridge Associates has served as UTIMCO's investment consultant since its inception in 1996. Under the terms of the current contract with Cambridge, UTIMCO receives Cambridge's full range of information, research, and consulting services. The contract has included full access to web based internet services. In addition, Cambridge Associates provides a variety of services, including benchmark review, hedge fund manager search, international equity manager search, manager search assistance, spending analysis, miscellaneous requests, discussion on private equity group, spending policy memorandum, preparation of endowment exhibits, investment research, data request of endowment returns, asset allocation review, asset allocation study, asset allocation presentation, and alternative assets study. The terms and fee of the new contract will be discussed at the meeting.

Reference: Contract with Cambridge Associates to be sent under separate cover

TAB 12

Agenda Item
UTIMCO Board of Directors Meeting
January 30, 2008

Agenda Item: Discussion of Investment Environment and Opportunities

Developed By: Zimmerman

Presented By: Zimmerman

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: Staff hopes 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 and provide views on several topics.

Reference: None