

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



***Presentation Materials
Book One***

Board of Directors Meeting

July 23, 2008

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
July 23, 2008**

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

Time	Item #	Agenda Item
Begin	End	
12:00 p.m.	12:05 p.m.	1 Open Session: Call to Order/Discussion and Appropriate Action related to Minutes of April 25, 2008 Meeting*
12:05 p.m.	1:00 p.m.	2 Endowment and Operating Funds Update Report
1:00 p.m.	1:30 p.m.	3 Discussion of Investment Strategy Review 2008
1:30 p.m.	1:50 p.m.	4 Report from Risk Committee
1:50 p.m.	2:15 p.m.	5 Report from Policy Committee - Discussion and Appropriate Action Related to Investment Policy Statements*,** - Discussion and Appropriate Action Related to Code of Ethics*,**
2:15 p.m.	2:35 p.m.	6 Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Corporate Auditor*
2:35 p.m.	3:35 p.m.	7 Report from Compensation Committee: Executive Session Pursuant to section 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to deliberate individual personnel matters. Reconvene into Open Session - Compensation Committee Report - Discussion and Appropriate Action Related to the Adoption of the UTIMCO Compensation Program, effective July 1, 2008*,** - Discussion and Appropriate Action Related to CEO's Base Salary for 2008-09 fiscal year* - Discussion and Appropriate Action Related to CEO's Performance Goals* - Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as participants in the UTIMCO Compensation Program for the 2008-09 performance period*
3:35 p.m.	4:00 p.m.	8 Discussion and Appropriate Action Related to UTIMCO 2008-09 Budget *, **
4:00 p.m.	4:15 p.m.	9 Discussion and Appropriate Action Related to the Pooling of the More Correlated and Constrained (MCC) Investments*
4:15 p.m.	4:45 p.m.	10 Discussion of Investment Environment
4:45 p.m.	5:00 p.m.	11 Recess for Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Private Investment Reconvene into Open Session Discussion and Appropriate Action related to Private Investment*
5:00 p.m.		Adjournment

* Action by resolution required

**Resolution requires further approval from the Board of Regents of The University of Texas System

Next Scheduled Meeting: November 7, 2008

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **April 25, 2008**, be, and are hereby, approved.

**MINUTES OF THE ANNUAL 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 9:20 a.m. on the **25th day of April 2008**, in the Whitney Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas, said meeting having been called by the Chairman, Robert B. Rowling, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

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

Robert B. Rowling, Chairman
Clint Carlson
J. Philip Ferguson
Colleen McHugh
Ardon E. Moore
Erle Nye
Charles W. Tate

Director Erle Nye participated by means of conference telephone enabling all persons participating in the meeting to hear each other. Accordingly, a majority and quorum of the Board was in attendance. Directors Mark Yudof and Paul Foster did not attend the meeting. Also attending the meeting were H. Scott Caven, Jr., Chairman of the UT System Board of Regents; 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 and Chief Compliance Officer for the Corporation; Bill Edwards, Managing Director of Information Technology for the Corporation; Uzi Yoeli, Director - Portfolio Risk Management; Mark Warner, Director of Natural Resources Investments; Lindel Eakman, Managing Director – Private Markets; Bob Schau, Director – Real Estate Investments; Mark Shoberg, Director – Private Markets; other Staff members, all of the Corporation; Jerry Turner, external General Counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Jim Phillips, Charles Chaffin, Philip Aldridge, Anthony de Bruyn, William Huang, and John Slettebo of UT System Administration; Bruce Myers, Hamilton Lee, and Jeanne Rogers of Cambridge Associates; Greg Anderson of The Texas A&M University System; Brandon Bean of TRT Holdings; and James H. Lee, Chairman of the TRS Board of Trustees.

Mr. Rowling called the meeting to order at 9:20 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 January 30, 2008. 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 January 30, be, and are hereby, approved.

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 April 15, 2008. The Committee reviewed the unaudited financial statements for the six months ended February 29, 2008 for the Investment Funds and the Corporation, as well as other compliance, reporting and audit issues. Staff and Mr. Chaffin also updated the Committee on the contract discussions with Deloitte & Touche, LLP. Mr. Chaffin reported that the UT System Board of Regents approved the renewal of the auditing services with Deloitte & Touche, LLP for the fiscal year ending August 31, 2008, for the funds managed by the Corporation, although fee negotiations were ongoing at the time of the meeting. The Committee heard reports from Ms. Gonzalez regarding general compliance and institutional compliance reporting and from UT System Audit office and Barb Davison of Investment Training and Consulting, Inc. ("ITCI") regarding their co-managed audit with UT System Audit Office.

Risk Committee Report

Mr. Rowling asked Mr. Tate to report on the last meeting of the Risk Committee. Mr. Tate stated that the Committee met on April 15, 2008 and had received and discussed a risk report update, compliance reporting update, and new mandate categorizations. The materials provided to the Committee represented the mandate categorizations prepared by Staff through March 31, 2008, that had not previously been presented to the Committee for review and approval or re-categorization, as appropriate. The Staff requested that the Committee recommend any additional changes and approve, or re-categorize, as appropriate, the mandate classifications. The Committee approved the Staff's recommendations. The Committee also requested that the CIO report separately at each subsequent Committee meeting if there has not been a mandate re-categorization.

Also discussed at the Committee meeting were recommended distribution rates for the Permanent University Fund (PUF), Permanent Health Fund (PHF), Long Term Fund (LTF) and Intermediate Term Fund (ITF) for the fiscal year ending August 31, 2009. Mr. Zimmerman had given the Committee an overview of the calculation process and details of the recommended distributions rates and the Committee approved the distribution rates at its meeting. Mr. Zimmerman explained to the Board that each of the Funds' respective Investment Policy Statements provide guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. He also stated that the UT System Board of Regents recently approved an increase in the distribution rate for the Permanent University Fund from 4.75% to 5.0% if certain criteria are met. The Committee recommended Board approval for the following, for fiscal year ending August 31, 2009: 1) the distribution from the PUF to the Available University Fund be increased by 18.3% from \$448,942,761 to \$530,932,622; 2) the distribution rate for the PHF be increased from \$0.0511 per unit to \$0.0528 per unit and the distribution rate for the LTF be increased from \$0.2929 per unit to \$0.3024 per unit, both effective with the November 30, 2008 distributions; and 3) the distribution

rate for the ITF remains at 3.0% per annum. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from \$448,942,761 to \$530,932,622, for fiscal year 2009, effective with the September 1, 2008 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0511 per unit to \$.0528 per unit and the distribution rate for the Long Term Fund be increased from \$0.2929 per unit to \$0.3024 per unit for fiscal year 2009, both effective with the November 30, 2008 distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2009, effective with the September 1, 2008 distribution; and

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund and the distribution rates for the Permanent Health Fund, Long Term Fund, and Intermediate Term Fund be, and are hereby, approved subject to approval by the Board of Regents of The University of Texas System.

Endowment and Operating Funds Update

Mr. Rowling asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman reported performance numbers as of the end of the quarter, February 29, 2008. The net performance for the one-month period ended February 29, 2008, for the Permanent University Fund (PUF) was 1.64% and for the General Endowment Fund (GEF) was 1.58%, versus benchmark returns of 0.83% for each fund. The net performance for the one-year period ended February 29, 2008, for the PUF and GEF were 8.86% and 9.26%, respectively, versus benchmark returns of 6.72% for each fund. The Intermediate Term Fund's (ITF) performance was 1.21% versus its benchmark return of 0.62% for the one-month period, and was 7.42% versus its benchmark return of 3.34% for the one-year period ended February 29, 2008. Performance for the Short Term Fund (STF) was 0.31% versus 0.15% for its benchmark return for the one-month period, and was 5.20% versus a benchmark return of 4.86% for the one-year period ended February 29, 2008. 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. Mr. Zimmerman continued by presenting a private markets exposure report as of February 29, 2008, and then reviewed the Funds in a new reporting format with the new categorization grids, comparing asset class and investment type targets, ranges and performance objectives. Also presented was a comprehensive derivative report as of February 29, 2008. Mr. Zimmerman, Ms. Iberg, Mr. Eakman, Mr. Yoeli and Mr. Myers answered the Directors' questions.

Private Markets Presentation

Mr. Rowling asked Mr. Eakman to give his presentation on the Private Markets group. A Private Markets Presentation was handed out. Mr. Eakman introduced new employees, gave a program overview and a portfolio update of the existing private markets portfolio. Mr. Eakman, Mr. Shoberg and Mr. Bigham also

gave an update on portfolio performance and the secondary sale and discussed commitment strategy. Mr. Nye left the meeting during this presentation.

The meeting was recessed at 11:30 a.m. Mr. Tate left the meeting at this time. The Board of the Corporation reconvened in an open meeting at the same meeting location at 2:05 p.m.

Proposed Investment

Mr. Rowling called for a motion approving a proposed investment in Emerald Hill Capital Partners II, L.P. The recommendation and resolution for this item was handed out at the meeting. The Private Markets Investments Staff is requesting approval to commit up to \$60,000,000 to Emerald Hill Capital Partners II, L.P. (the "Fund"). The UTIMCO Board had previously been provided with the investment recommendation and a Board member had requested Staff discuss this proposed investment with the Board at its next meeting. The Permanent University Fund ("PUF") and the General Endowment Fund ("GEF") will invest in the Fund. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use assets of the Permanent University Fund of the State of Texas and the Board of Regents of The University of Texas System General Endowment Fund (the "UT Funds") to acquire up to a \$60 million combined institutional investment interest (the "Investment") in **Emerald Hill Capital Partners II, L.P.**; and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendation dated April 2, 2008, for **Emerald Hill Capital Partners II, L.P.** be approved; and be it further

RESOLVED, that the CEO and Chief Investment Officer, the President and Deputy CIO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **Emerald Hill Capital Partners II, L.P.**; and be it further

RESOLVED, that the CEO and Chief Investment Officer, the President and Deputy CIO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, in its capacity as the investment manager of the UT Funds or

otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of the UT Funds under the Investment and the instruments referred to therein.

Funds Update Continued

Mr. Zimmerman completed the Funds Update by discussing the investment activities and report on investment transactions made under the Delegation of Authority for the period beginning January 16, 2008, and ending March 31, 2008 and an update on ITF including ranges, target allocations, risk budget and a four-way risk decomposition as of February 29, 2008 using new investment strategy. Mr. Nye re-joined the meeting at this time, participating by means of conference telephone enabling all persons participating in the meeting to hear each other. Mr. Zimmerman completed the funds update by reporting on new contracts and existing contract renewals, leases, and other commercial arrangements for January 16, 2008 through April 7, 2008.

Organization Update

Mr. Rowling asked Mr. Zimmerman to give background on new hires. Mr. Zimmerman then presented Corporation expenses versus budget, hiring summary, and an updated Organization Chart summarizing recent hires. He briefly touched on Corporation facility upgrades, the Investment Committee, technology, travel and legislative/public affairs.

Corporate Resolutions

Mr. Rowling and Mr. Zimmerman continued by recommending approval of two corporate resolutions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, 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
J. Philip Ferguson	Vice-Chairman
Kenneth I. Shine	Vice-Chairman for Policy (effective May 1, 2008)
Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Cathy Iberg	President and Deputy Chief Investment Officer
Lindel Eakman	Managing Director
Bill Edwards	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Christy Wallace	Assistant Secretary

BE IT FURTHER RESOLVED, that, as required by the Corporation's Code of Ethics, the following persons are designated, by position, as key employees of the Corporation.

Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Cathy Iberg	President and Deputy CIO
Lindel Eakman	Managing Director – Private Markets
Bill Edwards	Managing Director - Information Technology
Joan Moeller	Managing Director - Accounting, Finance and Administration
Russ Kampfe	Senior Portfolio Manager - Fixed Income Investments
Harland Doak	Portfolio Manager - Fixed Income Investments
Debbie Childers	Manager of Portfolio Accounting and Operations
Gary Hill	Manager of Investment Reporting
Melynda Shepherd	Manager - Finance and Administration
Cissie Gonzalez	General Counsel and Chief Compliance Officer
Mark Newcomb	Associate – Public Markets Investments
Christy Wallace	Executive Assistant

Policy Committee Report

Mr. Rowling asked Ms. McHugh to give a report from the Policy Committee. Ms. McHugh stated that the Policy Committee met on April 15, 2008. At the meeting, the Committee discussed at length proposed amendments to the UTIMCO Travel Guidelines. Ms. McHugh gave an overview of proposed changes recommended by the Staff, using the rule of thumb to be conservative but fair. These Guidelines provide UTIMCO employees with information regarding, and guidance about, the procedures and responsibilities for traveling on company business. The proposed amendments were approved by the Committee.

Joint Policy and Audit and Ethics Committee Report

Mr. Rowling reported that the Policy Committee and Audit and Ethics Committee participated in a joint meeting to review and discuss proposed changes to the Code of Ethics, but no action was taken. The draft changes will be reviewed by the UT System Board of Regents at their next meeting.

Compensation Committee Report

Mr. Rowling asked Mr. Ferguson to give a report from the Compensation Committee. Mr. Ferguson said the Compensation Committee has met twice since the last Board meeting, on April 1 and again this morning. He commended the committee members for their time and the knowledge they provide to the Committee. The Committee's agendas have included discussion and review of the Corporation's peer group, discussion and review of the compensation policy and plan design, discussion and review of performance measurement standards for the Compensation Program and discussion of employee benefits. Also discussed by the Committee were the performance measurement standards for the Compensation Program. The Committee updated the Board on the Committee's progress related to the plan design.

Investment Consultant Contract Renewal

Mr. Rowling asked Mr. Zimmerman to give an overview on the Cambridge Associates contract renewal. Mr. Zimmerman reported that the prior Cambridge Associates contract was for \$650,000 annually. The renewal contract proposed by Cambridge is \$310,000 annually, a net decrease of \$340,000. The non-marketable services provided have been reduced to a specialist consultant format. The current team of consultants will remain available on a monthly basis via telephone to serve as a sounding board for ideas sourced by UTIMCO's staff. The general consulting services have also been reduced. A comprehensive asset allocation review was not included in this year's contract. In addition, the attendance at the Board and committee meetings has been reduced from eleven in person and two conference calls to eight meetings (six in person and two via conference call.) Additional consulting services, if any, will be provided and billed at Cambridge Associate's standard fees. Mr. Zimmerman and Staff recommended approval of Cambridge Associates as the external investment consultant for the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the contract renewal of Cambridge Associates as the external investment consultant be, and is hereby, approved in the form submitted to the Board.

Investment Environment Discussion

Mr. Zimmerman stated that this agenda item is to allow the Board members to discuss current investment environment issues. He opened the discussion with opportunities the Staff sees and how those opportunities play out in relation to the portfolio allocation. A handout was provided that showed trends in Private Markets Investments as a percentage of the total endowment, percentage of change in value and target by asset class. The Directors discussed this specific topic and the current market environment prior to adjournment. Mr. Nye left the meeting during this discussion.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:26 p.m.

Secretary: _____
Joan Moeller

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

TAB 2

Funds Update:

- **Returns**
- **Assets**
- **Risk**
- **Leverage**
- **Manager Exposure**
- **Liquidity**
- **Investment Activity**
- **ITF**
- **Contracts Update**

Returns

UTIMCO Performance Summary

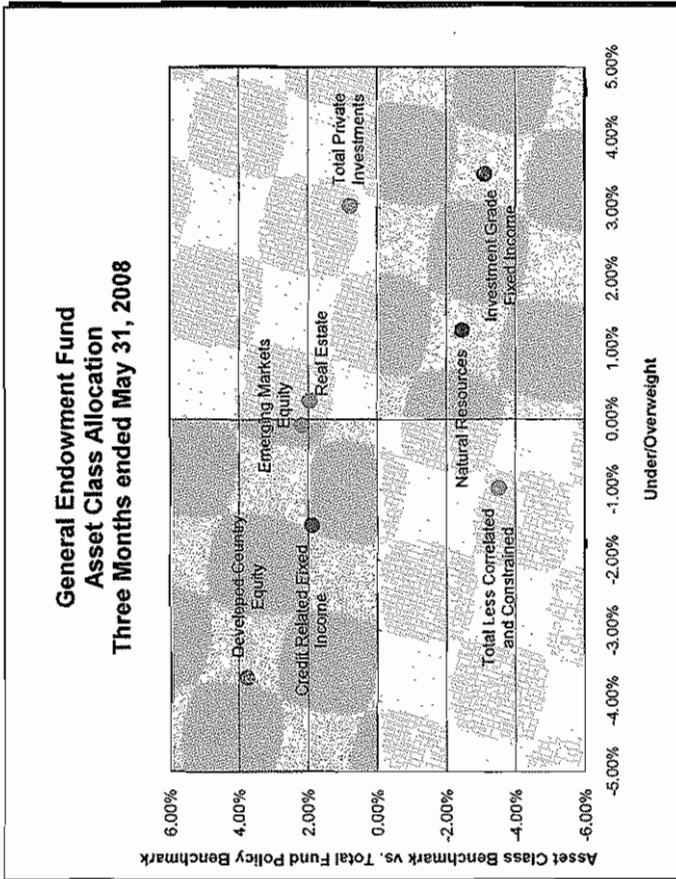
May 31, 2008

	Net Asset Value 5/31/2008 (in Millions)	Periods Ended May 31, 2008 (Returns for Periods Longer Than One Year are Annualized)												
		Short Term		Year to Date		Historic Returns								
		1 Mo	3 Mos	Calendar	Fiscal	1 Yr	3 Yrs	5 Yrs	10 Yrs					
ENDOWMENT FUNDS														
Permanent University Fund	\$ 12,246	1.50	2.78	0.91	4.64	4.82	12.29	14.02	8.19					
General Endowment Fund		1.44	2.85	1.01	4.90	5.25	12.52	14.20	N/A					
Permanent Health Fund	1,121	1.40	2.76	0.98	4.83	5.11	12.42	14.08	N/A					
Long Term Fund	5,710	1.40	2.76	0.97	4.83	5.11	12.43	14.09	8.72					
Separately Invested Funds	161	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
Total Endowment Funds	19,238													
OPERATING FUNDS														
Short Term Fund	1,749	0.25	0.80	1.52	3.27	4.65	4.69	3.40	3.86					
Intermediate Term Fund	4,130	0.93	2.52	1.97	6.21	5.83	N/A	N/A	N/A					
Total Operating Funds	5,879													
Total Investments	\$ 25,117													
VALUE ADDED														
Permanent University Fund		0.70	0.71	1.07	1.38	1.95	1.15	2.02	0.21					
General Endowment Fund		0.64	0.78	1.17	1.64	2.38	1.38	2.20	N/A					
Short Term Fund		0.22	0.43	0.50	0.80	0.80	0.40	0.23	0.21					
Intermediate Term Fund		0.82	1.30	1.92	3.28	4.12	N/A	N/A	N/A					
VALUE ADDED (\$ IN MILLIONS)														
Permanent University Fund		84	85	130	162	244	366	1,176	N/A					
General Endowment Fund		43	52	80	108	164	242	686	N/A					
Intermediate Term Fund		34	52	77	125	171	N/A	N/A	N/A					

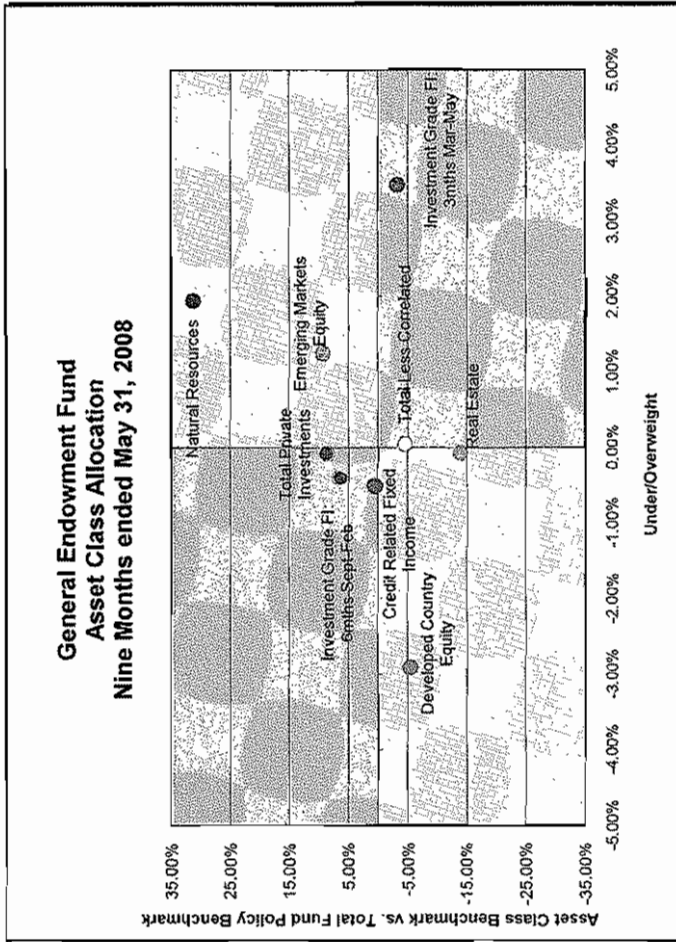
**UT SYSTEM ENDOWMENT FUNDS vs.
Cambridge Billion \$ Funds Universe
Periods Ended March 31, 2008**

	Quarter Ended March 31, 2008		Quarter Ended December 31, 2007		Quarter Ended September 30, 2007		9 Months Ended March 31, 2008		1 Year annualized		3 Years Annualized		5 Years Annualized		10 Years Annualized	
	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	-0.82		5.10		5.77		6.07		12.97		17.52		19.68		15.63	
25th Percentile	-2.72		1.57		3.45		1.92		9.74		14.14		16.38		11.06	
Median	-3.75		0.78		2.88		-0.54		6.11		11.98		15.18		9.15	
75th Percentile	-4.75		-0.02		2.12		1.97		3.56		10.70		13.84		7.49	
Minimum	-9.00		-3.41		-1.32		-10.21		-5.37		6.62		11.73		2.80	
# of Portfolios	45		47		47		45		45		45		45		43	
PUF - Net of Fees	-3.12	40	0.54	57	3.37	30	0.68	39	5.57	59	11.04	64	14.99	61	7.76	73
GEF - Net of Fees	-2.93	35	0.70	55	3.52	25	1.19	30	6.11	53	11.28	61	15.29	48	8.30	60
Policy Portfolio	-3.71	48	0.16	69	2.96	48	-0.70	54	3.72	74	10.48	83	12.71	90	7.64	73

The Cambridge Billion \$ Funds Universe consists of the College and Universities with endowment assets greater than one billion dollars that report quarterly to Cambridge Associates, Inc. The number of Colleges and Universities with endowment assets greater than one billion dollars reporting as of March 31, 2008 was 45.



	Impact on Over/(Under) Performance (bps)
Total Less Correlated and Constrained	4
Total Private Investments	2
Real Estate	-
Subtotal	6
Credit Related Fixed Income	(3)
Emerging Markets Equity	(4)
Natural Resources	(9)
Investment Grade Fixed Income	(10)
Developed Country Equity	(21)
Subtotal	(47)
TOTAL	(41)



	Impact on Over/(Under) Performance (bps)
Natural Resources	63
Developed Country Equity	15
Total Less Correlated	5
Real Estate	4
Emerging Markets Equity	4
Subtotal	91
Credit Related Fixed Income	(3)
Total Private Investments	(3)
Investment Grade FI: 6mths Sept-Feb	(8)
Investment Grade FI: 3mths Mar-May	(10)
Subtotal	(24)
TOTAL	67

General Endowment Fund - Active Management Alpha

Periods Ended May 31, 2008

	3 Months (bps)	9 Months (bps)
Manager (Alpha)		
Total Less Correlated	116	239
Developed Country Equity	36	33
Natural Resources	25	16
Real Estate	18	16
Subtotal	<u>195</u>	<u>288</u>
Manager (Alpha)		
Investment Grade Fixed Income	(1)	(6)
Credit Related Fixed Income	(6)	(8)
Emerging Markets Equity	(17)	(12)
Total Private Investments	<u>(35)</u>	<u>(39)</u>
Subtotal	<u>(59)</u>	<u>(112)</u>
Total	<u>136</u>	<u>177</u>
Manager (Alpha)		
Total Less Correlated	239	339
Real Estate	33	33
Natural Resources	16	16
Subtotal	<u>288</u>	<u>381</u>
Manager (Alpha)		
Credit Related Fixed Income	(6)	(6)
Investment Grade Fixed Income	(8)	(8)
Emerging Markets Equity	(12)	(12)
Developed Country Equity	(39)	(39)
Total Private Investments	<u>(112)</u>	<u>(112)</u>
Subtotal	<u>(177)</u>	<u>(177)</u>
Total	<u>111</u>	<u>210</u>

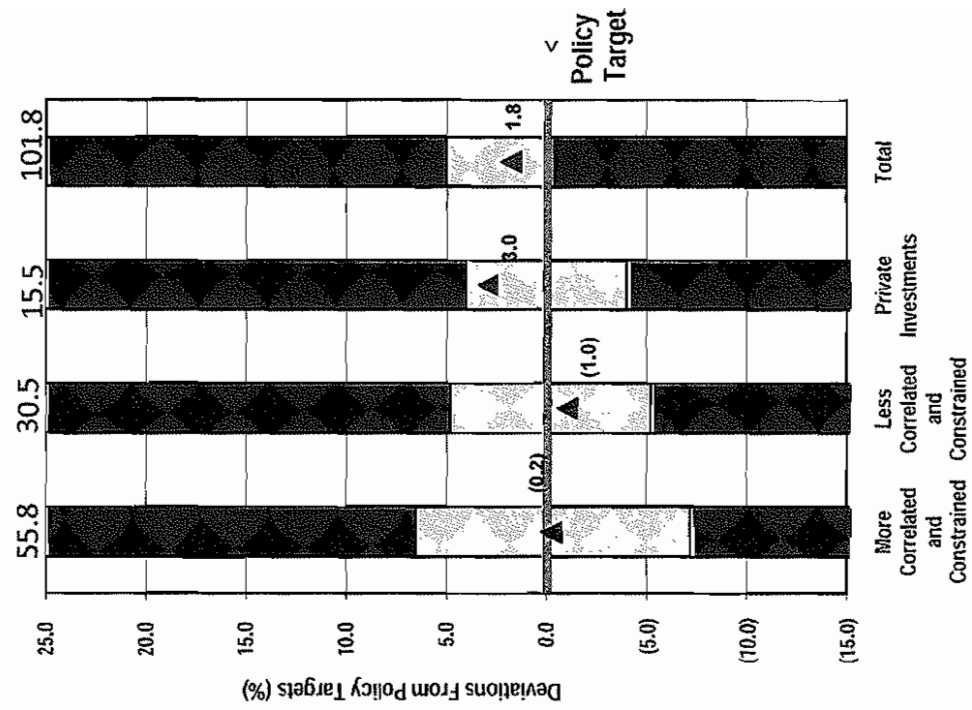


Performance During Last 3 Months

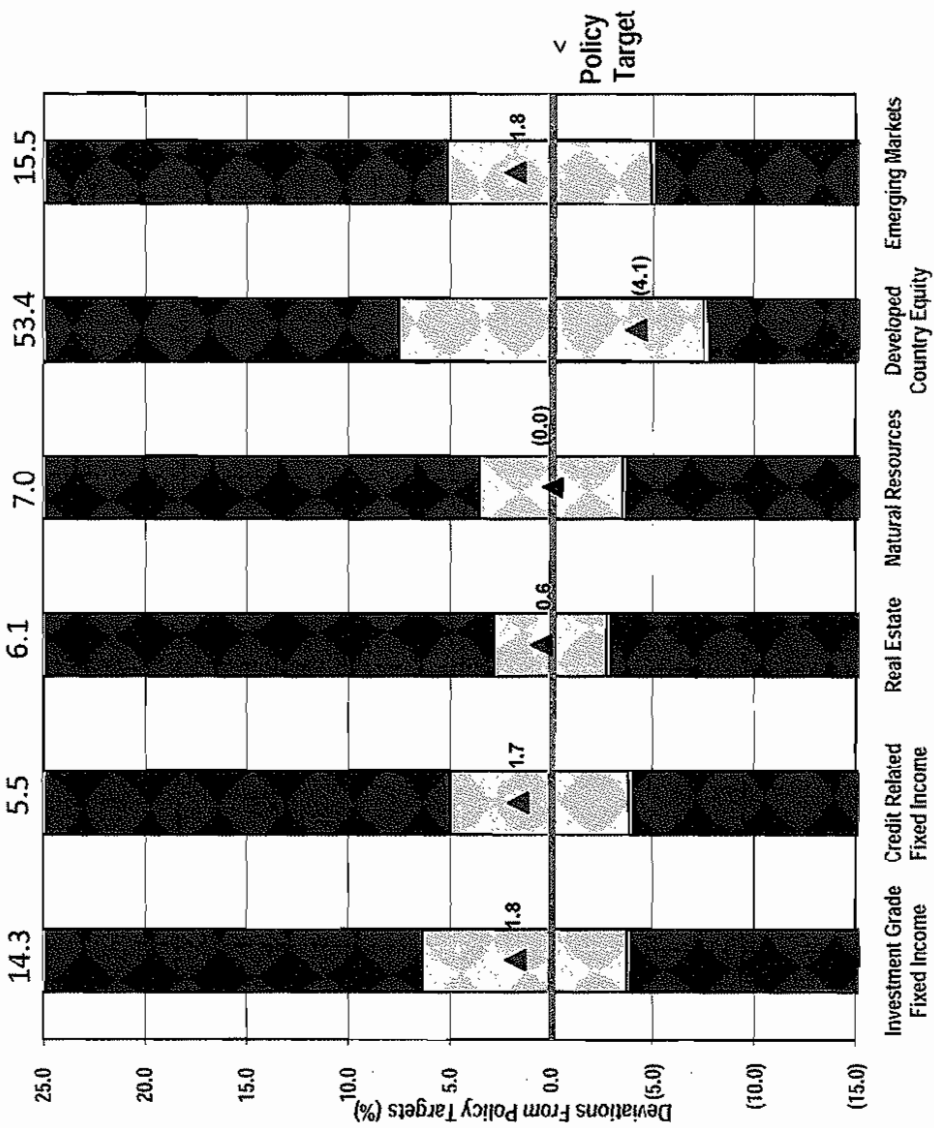
	2/29/2008 - 5/31/2008 Returns
Lehman Agg	-1.9%
Lehman TIPS	-3.4%
REITs	13.2%
DJAIG	-0.4%
Oil Spot	25.6%
Gold Spot	-9.0%
S&P 500	5.2%
Nasdaq 100	16.5%
S&P Financials	-3.5%
EAFE	3.6%
FTSE 100	2.9%
DJ Euro Stoxx 50	1.4%
Topix	6.3%
MSCI Emerging Markets	3.6%
China Index	-22.7%
ITF	2.5%
GEF	2.8%

Assets

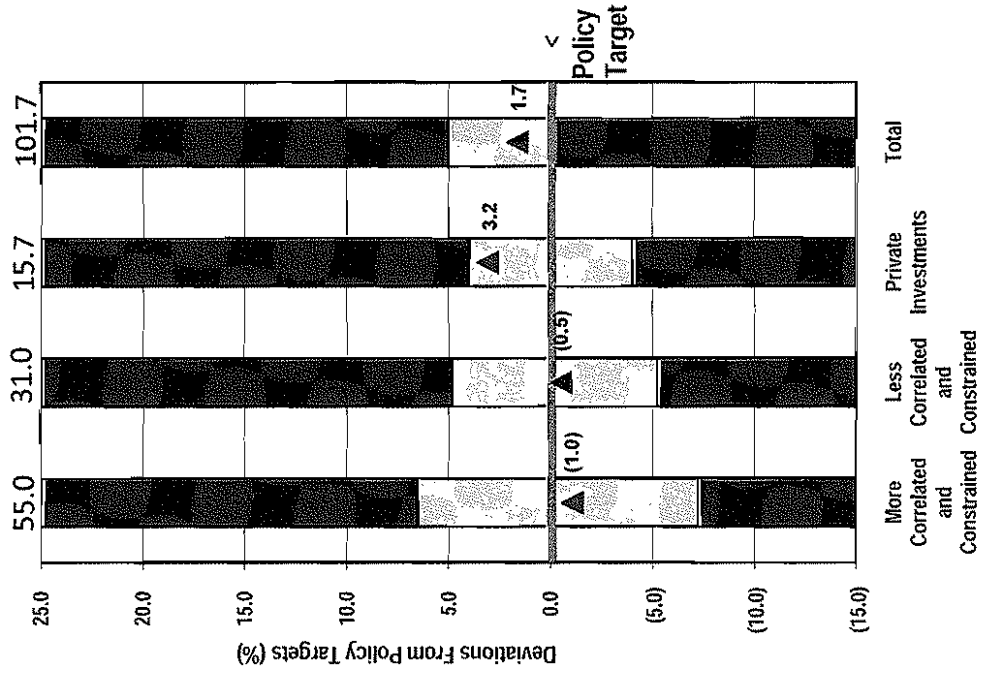
Deviations From Investment Type Policy Targets
Within Tactical Policy Ranges for PUF



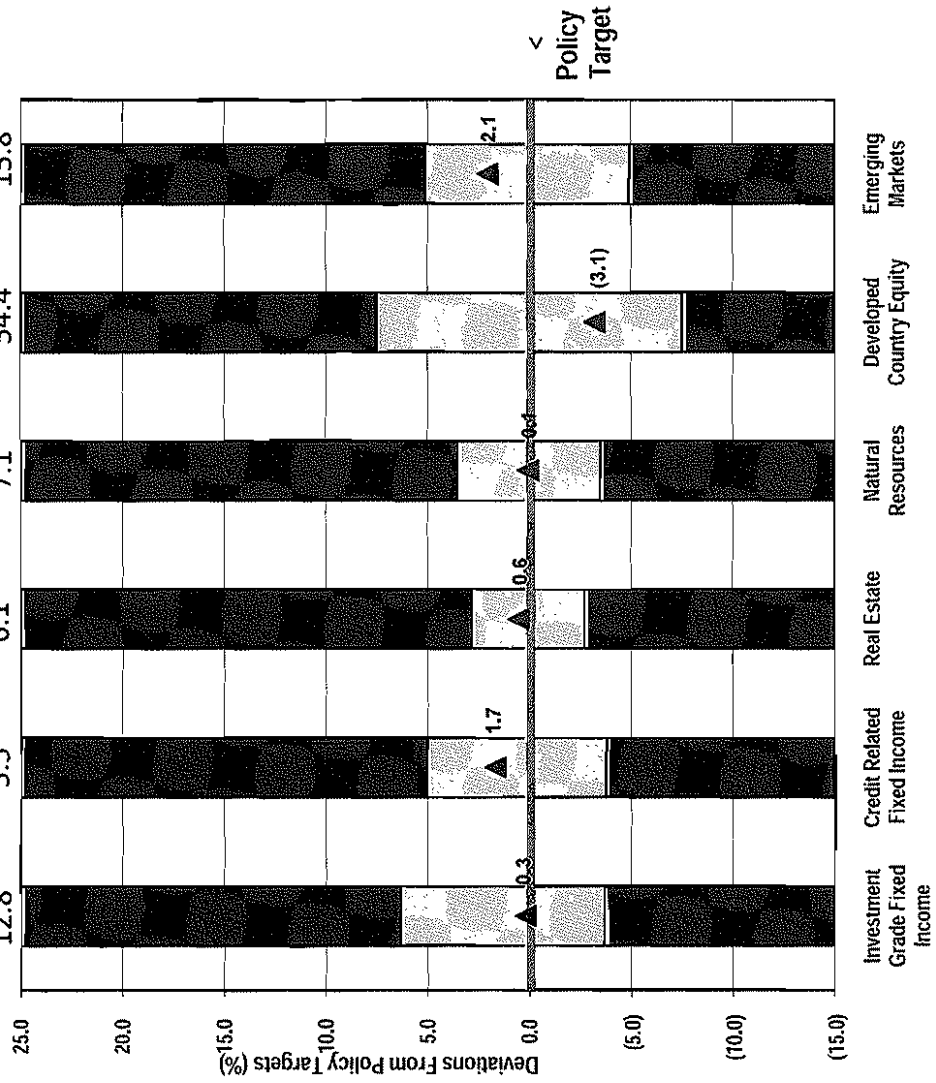
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



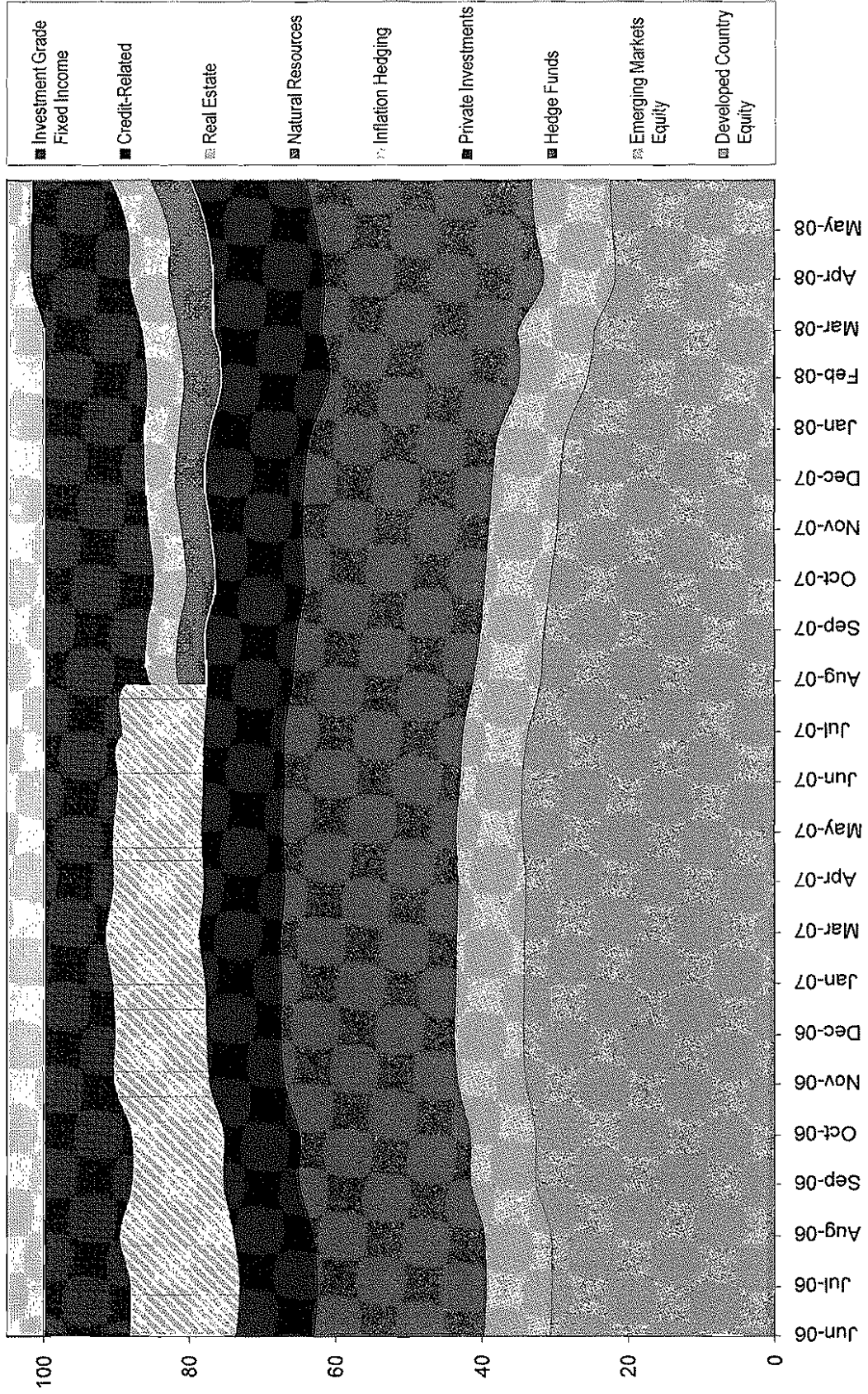
Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for GEF



Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for GEF



GEF Dollar Allocation Over Time



General Endowment Fund
as of May 31, 2008
(in millions)

Asset Group	Asset Class	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Grand Total
Fixed Income	Investment Grade Credit-Related	\$ 736	\$ 135	\$ -	\$ 871
		10.8%	2.0%	0.0%	12.8%
		0.0%	1.7%	3.8%	5.5%
Fixed Income Total		736	251	262	1,249
		10.8%	3.7%	3.8%	18.3%
Real Assets	Real Estate	380	16	23	419
	Natural Resources	375	37	75	487
		5.5%	0.2%	0.3%	6.1%
Real Assets Total		755	53	98	906
		11.1%	0.7%	1.4%	13.2%
Equity	Developed Country	1,546	1,511	656	3,713
	Emerging Markets	721	306	54	1,081
		22.6%	22.1%	9.7%	54.4%
Equity Total		2,267	1,817	710	4,794
		33.1%	26.6%	10.5%	70.2%
Grand Total		\$ 3,758	\$ 2,121	\$ 1,070	\$ 6,949
		55.0%	31.0%	15.7%	101.7%

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 May 31, 2008

Asset Class	May 31, 2008 ACTUAL	May 31, 2008 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	12.8%	8.8%	12.5%	0.3%
Credit-Related Fixed Income	5.5%	0.0%	3.8%	1.7%
Real Estate	6.1%	2.8%	5.5%	0.6%
Natural Resources	7.1%	3.5%	7.0%	0.1%
Developed Country Equity	54.4%	50.0%	57.5%	-3.1%
Emerging Markets Equity	15.8%	8.8%	13.7%	2.1%
TOTAL	101.7%		100.0%	1.7%
Investment Types				
More Correlated & Constrained	55.0%	48.8%	56.0%	-1.0%
Less Correlated & Constrained	31.0%	26.3%	31.5%	-0.5%
Private Investments	15.7%	8.5%	12.5%	3.2%
TOTAL	101.7%		100.0%	1.7%

Asset Class	May 31, 2008 ACTUAL	Fiscal Year ending August 31, 2008 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	12.8%	7.5%	11.0%	1.8%
Credit-Related Fixed Income	5.5%	0.0%	5.0%	0.5%
Real Estate	6.1%	3.0%	6.0%	0.1%
Natural Resources	7.1%	4.0%	8.0%	-0.9%
Developed Country Equity	54.4%	47.5%	62.5%	-8.1%
Emerging Markets Equity	15.8%	10.0%	15.0%	0.8%
TOTAL	101.7%		100.0%	1.7%
Investment Types				
More Correlated & Constrained	55.0%	47.5%	53.5%	1.5%
Less Correlated & Constrained	31.0%	27.5%	33.0%	-2.0%
Private Investments	15.7%	9.5%	13.5%	2.2%
TOTAL	101.7%		100.0%	1.7%

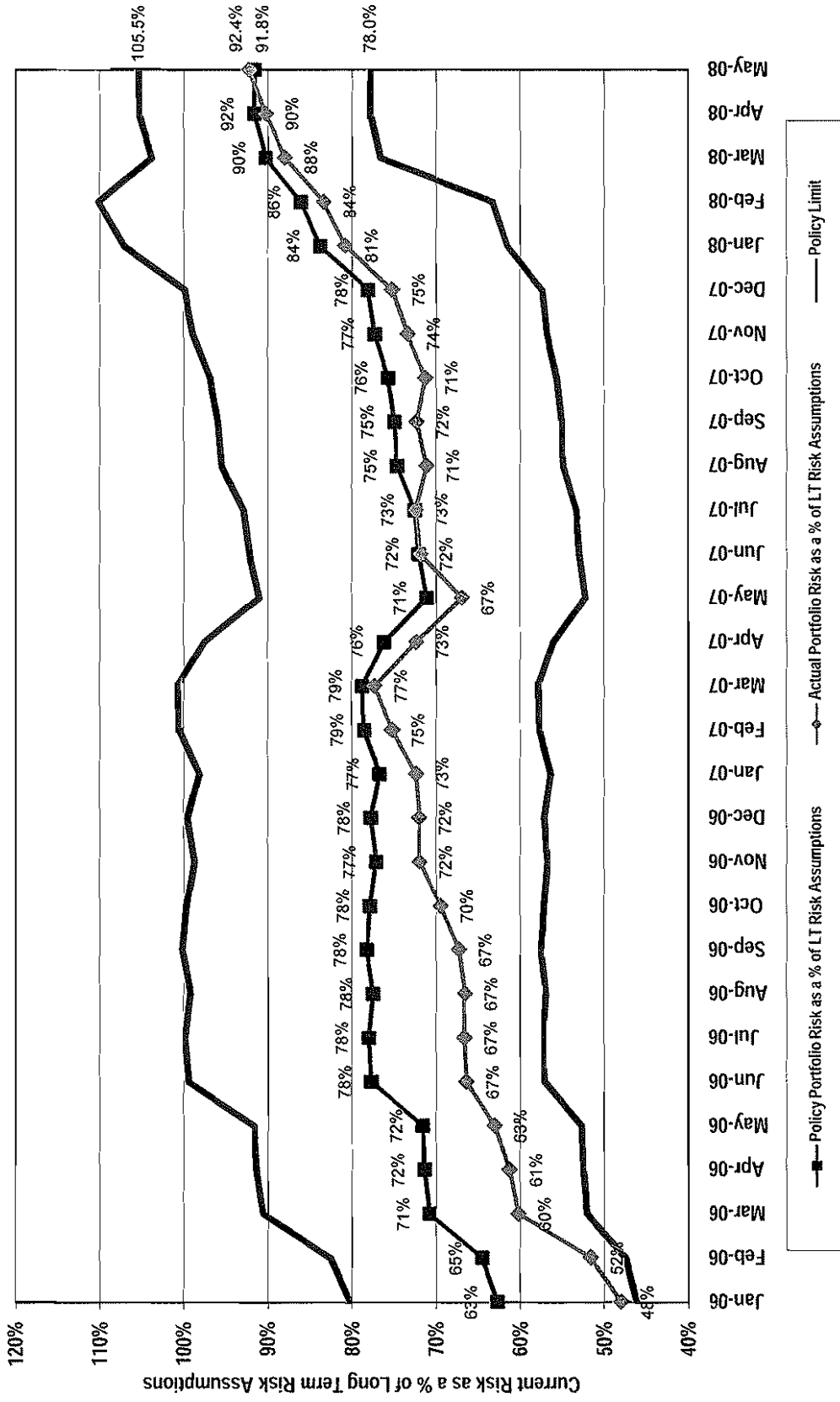
Less Correlated and Constrained Investment Policy Categorizations vs. "Look Through" Position Holding
 May 31, 2008 Estimated Exposures

Asset Classification	Hedge Fund Strategy															
	Fixed Income (ex distressed)	Convertible Arbitrage	Currencies	Other Relative Value & Arbitrage	Investment Grade Fixed Income	Credit Related	Real Estate	Commodities	US Long/Short	Developed Int'l Long/Short	Equity Market Neutral	Merger Arbitrage	Privates & Restructurings	Developed Country Equity	Emerging Markets Long/Short	Total M/A
Fixed Income	1.0%	0.0%	0.1%	0.3%	1.4%	0.0%	-	0.3%	0.1%	0.1%	0.0%	0.0%	-	0.2%	-	1.9%
Real Assets	0.0%	0.0%	-	-	0.1%	1.8%	-	-	0.2%	-	-	0.1%	0.1%	0.5%	-	2.4%
Equity	0.0%	-	-	-	0.0%	0.0%	0.2%	-	-	-	-	-	-	-	-	0.2%
Total M/A	0.2%	0.5%	0.0%	0.4%	1.1%	1.9%	-	0.1%	8.2%	4.6%	1.0%	0.6%	1.2%	15.6%	1.6%	20.3%
	0.3%	0.0%	0.2%	-	0.5%	-	-	-	0.9%	0.6%	-	-	0.1%	1.5%	2.2%	4.3%
	1.5%	0.6%	0.4%	0.8%	3.3%	3.7%	0.2%	0.6%	9.5%	5.3%	1.0%	0.7%	1.4%	17.9%	3.9%	29.6%
Gross Leverage	13.84	2.26	14.45	6.21	10.05	1.39	1.61	2.93	2.24	2.12	2.07	1.66	1.30	2.10	1.47	2.82
Net Leverage	-5.37	0.19	8.19	0.65	-1.34	1.01	0.15	1.12	0.30	0.38	0.02	0.78	1.12	0.39	0.68	0.33

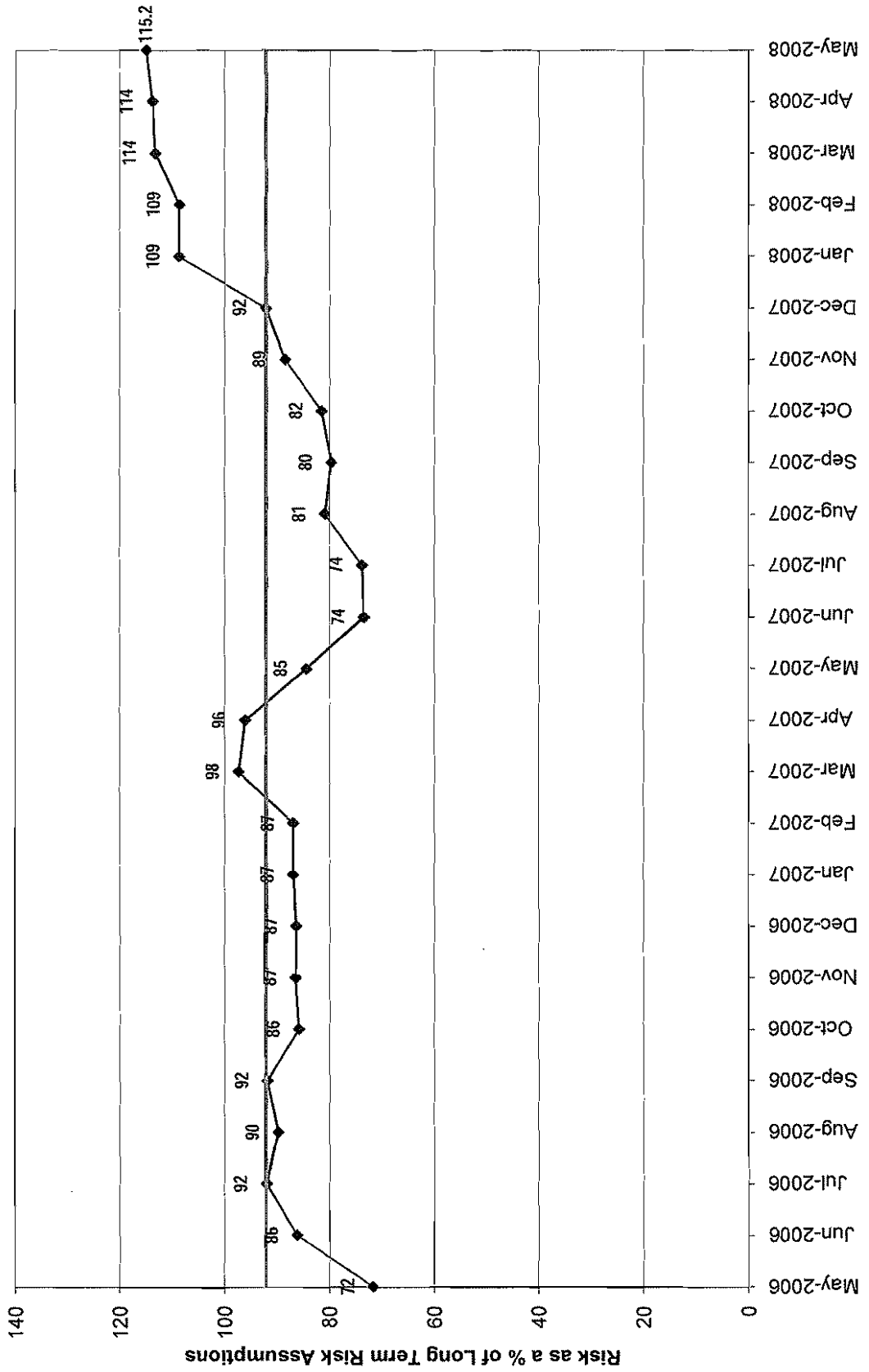
Policy	Look-Through	Difference
Investment Grade Fixed Income	1.9%	3.3%
Credit-Related Fixed Income	2.4%	3.7%
Real Estate	0.2%	0.2%
Natural Resources	0.5%	0.6%
Developed Country Equity	20.3%	17.9%
Emerging Markets Equity	4.3%	3.9%
Less Correlated & Constrained	29.6%	29.6%
		0.0%

Risk

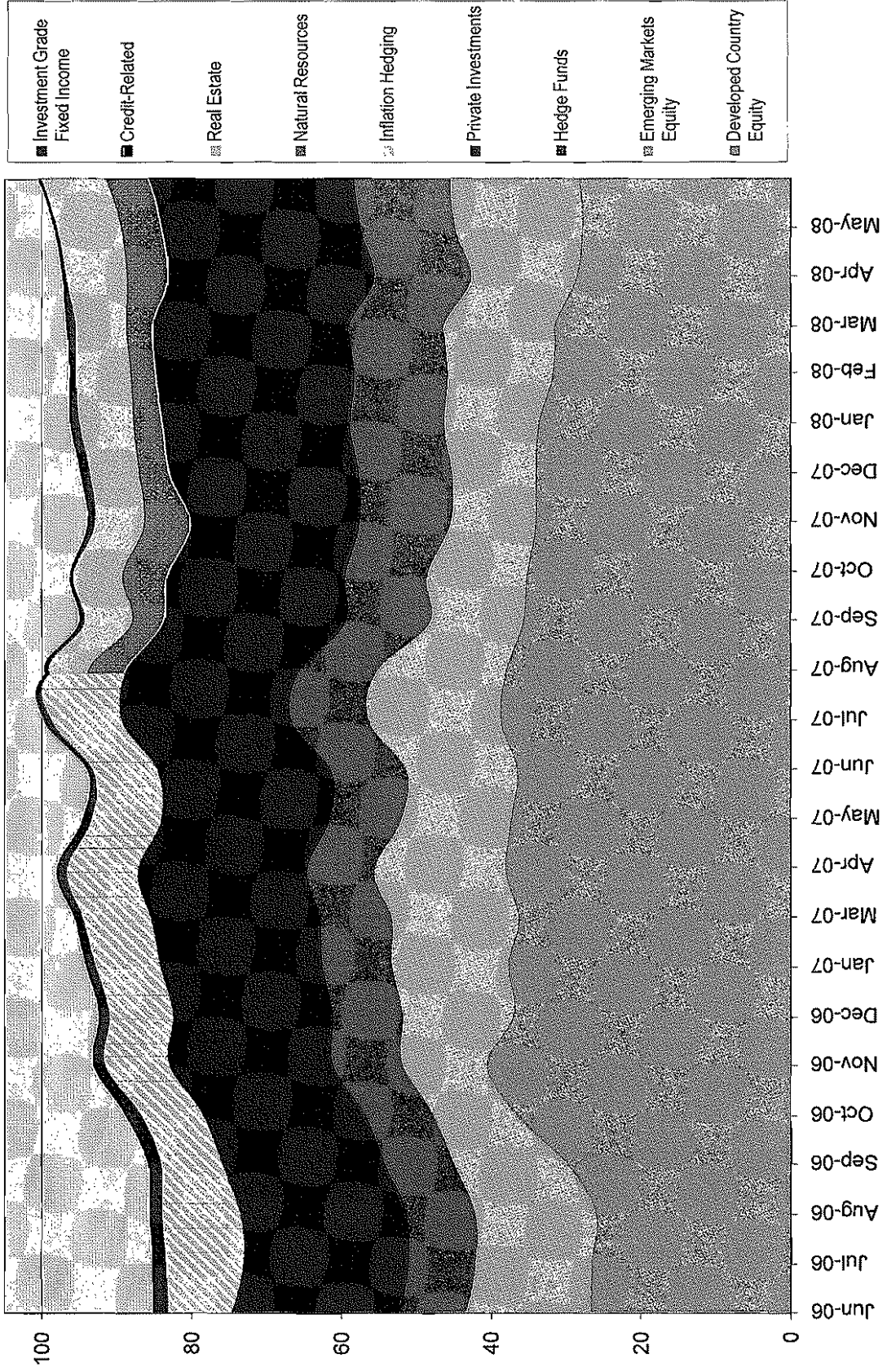
Current Risk Environment of GEF (Based on Downside Risk)



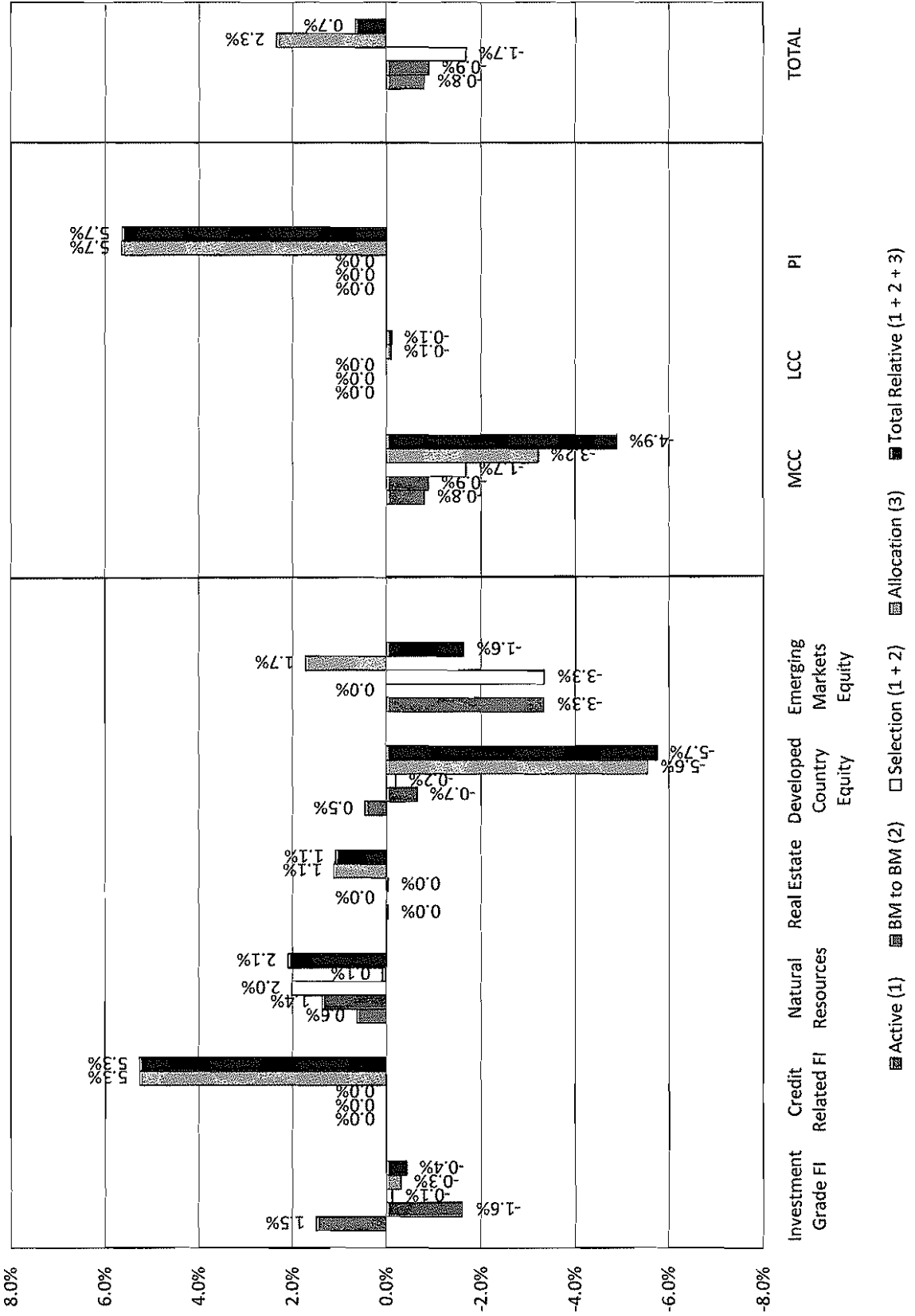
Rolling 12 Month Risk Estimate of Current GEF Portfolio



GEF Risk Allocation Over Time



GEF 4-Way Risk Decomposition as of 05/31/2008 Using New Investment Strategy





Risk Ratios – Relative to Overall Portfolio

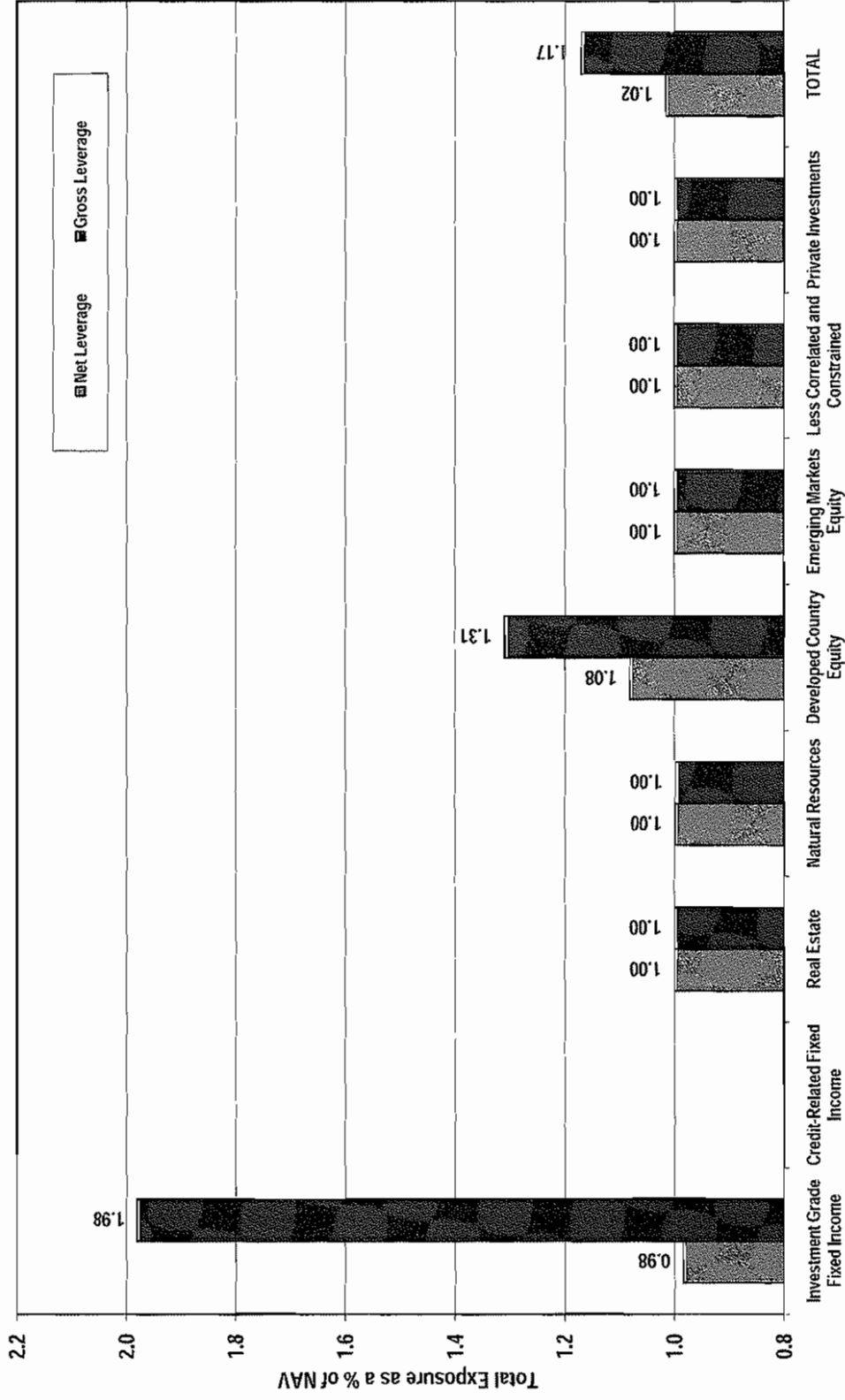
Total Portfolio Risk = 1.0

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.03	-0.01		0.02
Credit-Related Fixed Income		0.23	0.58	0.47
Natural Resources	1.02	0.02	1.88	1.08
Real Estate	1.61	0.19	3.93	1.69
Developed Country Equity	1.27	0.53	1.99	1.10
Emerging Markets Equity	1.63	0.24	3.62	1.34
TOTAL	1.11	0.43	1.76	1.00

Leverage

- Derivatives
- Counterparty Risk

Net and Gross Leverage of GEF



Comprehensive Derivative Report as of May 31, 2008

Manager	Derivative Strategy	Net Notional Value (\$ millions)	Option Delta Equivalent (\$ millions)	Activity from previous report (2/29/2008) (\$ millions)
INTERNAL MANAGERS				
Natural Resources				
Goldman Sachs Commodity Index	Long GSCI futures	\$ -	\$ -	(474)
DJAIG Swap	Long DJAIG Commodity Total Return Index	612	-	312
Developed Country Equity				
S&P 500 Futures	Long S&P 500 futures	611	-	363
US Equity Small Cap/Large Cap Spread Trade	Long US Large Cap Short US Small Cap	525 (541)	-	(75)
Non-US Developed Equity				
Developed Markets Futures	Long FTSE 100 & Euro Stoxx 50 futures Currency forwards used to hedge U.S. dollar	171 153	-	-
EAFE Swap	Long MSCI EAFE / Short LIBOR	196	-	96
Lansdowne Euro Forwards	Currency forwards used to replicate local currency exposure for investments in Lansdowne European Fund	265	-	-
Japan Futures	Currency forwards used to hedge U.S. dollar Long Topix Index futures	8 10	-	-
Emerging Markets Equity				
China Swap	Long CSI 300 Index / Short LIBOR	-	-	(42)
Emerging Swaps	Long Emerging Mkt Equity Index/Short LIBOR	-	-	(121)
EXTERNAL MANAGERS				
Non-US Developed Equity				
Blackrock Small Cap	Currency forwards used to hedge local currency exposure of foreign investments in account Option used for currency hedge	(0) -	-	-
Blackrock Global Ex US	Currency forwards used to hedge local currency exposure of foreign investments in account	2	-	-
Blackrock Global Ex US	Options used for currency hedge, broad equity market hedge, and add opportunistic value	128	-	-
Globeflex	Currency forwards used to hedge local currency exposure of foreign investments in account	-	-	-

Comprehensive Derivative Report as of May 31, 2008

Manager	Derivative Strategy	Net Notional Value (\$ millions)
<u>REITS</u>		
Cohen & Steers Global	Use spot currency forwards to convert to US dollars in order to purchase international real estate securities in local currency	1
European Investors	Use spot currency forwards to convert to US dollars in order to purchase international real estate securities in local currency	2
Morgan Stanley Reits	Use spot currency forwards to convert to US dollars in order to purchase international real estate securities in local currency	1
<u>Natural Resources</u>		
Gresham	Long Exchange-traded commodity futures	356
<u>Investment Grade Fixed Income</u>		
Brandywine	Currency forwards used to hedge foreign currency exposure	(77)
<u>PIMCO Global Bonds</u>		
	Currency forwards used to underweight the US dollar	158
	Short US and Non-US futures used to overweight duration in Eurozone	(486)
	Long futures used to overweight front end of US and UK yield curves	278
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	1,247
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(991)
	Interest rate swaps used to overweight front end of US and UK yield curves	611
	Long credit default swaps used to underweight credit risk	82
	Short credit default swaps used to underweight credit risk	(210)
	Written options used to increase portfolio yield	(7)
	Purchased options used to increase portfolio yield	9

Comprehensive Derivative Report as of May 31, 2008

Manager	Derivative Strategy	Net Notional Value (\$ millions)	
PIMCO TIPS	Currency forwards used to underweight the US dollar	(10)	
	Short US futures used to overweight duration in Eurozone	(76)	
	Long Non- US futures used to overweight duration in Eurozone	-	
	Long futures used to overweight front end of US and UK yield curves	206	
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	75	
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(76)	
	Interest rate swaps used to overweight front end of US and UK yield curves	94	
	Long credit default swaps used to underweight credit risk	26	
	Short credit default swaps used to underweight credit risk	(38)	
	Written options used to increase portfolio yield	(3)	
	Purchased options used to increase portfolio yield	1	
	Sold Credit Default swaps to replicate long corporate bonds for protection in indices	-	
	GRAND TOTAL		\$ 3,312
	Reams TIPS	Internal Managers	\$ 2,009
External Managers		1,303	
GRAND TOTAL		\$ 3,312	

Comprehensive Report on Approved Derivative Applications as of May 31, 2008

Internal Managers	Derivative Application (account name)	Purpose of Application
	S&P 500 Futures / FTSE Index / DJ Eurostoxx 50 / Topix	Replicate Index exposure by Utilizing Futures and Cash (Cash Equalization)
	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.
	EAFEand DJAIG 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.

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)
Brandywine	Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX exposure
Globeflex	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index.
Gresham	Use derivatives to gain market (systematic) exposure without trading the physical commodity.
European Investors Realty Securities, Inc.	May use spot currency forwards to convert US dollars into foreign currency in order to purchase international real estate securities in local currency.
Morgan Stanley REITs	May use spot currency forwards to convert US dollars into foreign currency in order to purchase international real estate securities in local currency.
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 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.

OTC Derivative Counterparty Report as of May 31, 2008

\$ millions

Counterparty	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to- Market	Percentage of Total Funds	Notional Value
GOLDMAN SACHS	AA-	\$ 199.5	\$ (202.8)	\$ (3.3)	-0.01%	\$ 1,775.1
MORGAN STANLEY	AA	18.5	(12.6)	5.9	0.03%	1,323.9
BARCLAYS	AA	9.6	(10.1)	(0.5)	0.00%	1,455.8
CITIGROUP	AA-	3.3	(1.2)	2.1	0.01%	84.9
J. ARON	AA-	3.5	-	3.5	0.01%	61.0
BEAR STEARNS	AA-	3.4	-	3.4	0.01%	98.6
ROYAL BANK OF SCOTLAND PLC	AA	2.9	(7.5)	(4.6)	-0.02%	1,034.7
DEUTSCHE BANK AG	AA	2.7	(5.2)	(2.5)	-0.01%	344.9
HSBC BK USA, NEW YORK	AA	2.5	(4.1)	(1.6)	-0.01%	132.9
MERRILL LYNCH	AA-	1.6	(1.8)	(0.2)	0.00%	190.0
CITIBANK NY	AA	1.0	(2.5)	(1.5)	-0.01%	164.9
CHASE MANHATTAN	AA	0.8	(1.3)	(0.5)	0.00%	45.0
UBS A G, ZURICH	AA-	1.0	(1.9)	(0.9)	0.00%	146.1
LEHMAN BROTHERS	AA+	0.6	(2.5)	(1.9)	-0.01%	267.0
J P MORGAN, CHASE	AA	0.5	(1.0)	(0.5)	0.00%	104.5
BANK OF AMERICA	AA	0.4	(0.9)	(0.5)	0.00%	64.4
CREDIT SUISSE FIRST	AA-	0.4	(0.5)	(0.1)	0.00%	30.4
BNP PARIBAS	AA+	0.2	(0.4)	(0.2)	0.00%	32.0
BANK OF NOVA SCOTIA	AA-	0.1	(0.1)	-	0.00%	4.0
CS FIRST BOSTON GBL FOREIGN EXCH	AA-	-	(0.1)	(0.1)	0.00%	1.5
MELLON BANK	AA-	-	-	-	0.00%	4.7
ROYAL BANK OF CANADA	AA-	-	-	-	0.00%	8.7
UBS AG, STAMFORD	AA-	-	(0.2)	(0.2)	0.00%	4.3
WACHOVIA BANK	AA	-	-	-	0.00%	1.5
Grand Total		\$ 252.5	\$ (256.7)	\$ (4.2)	-0.02%	\$ 7,380.8

OTC Derivative Counterparty Report as of 5/31/2008
By Counterparty and Manager

		\$ millions					
Counterparty	Manager	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTMCO	Total Mark-to- Market	Percentage of Total Funds	Notional Value
INTERNALLY MANAGED							
BARCLAYS	DJAIG SWAP	AA	2.2 \$	(2.5) \$	(0.3)	0.00%	311.8
BARCLAYS Total			2.2	(2.5)	(0.3)	0.00%	311.8
BEAR STEARNS	EAFE SWAP	AA-	3.4	-	3.4	0.01%	96.2
BEAR STEARNS Total			3.4	-	3.4	0.01%	96.2
GOLDMAN SACHS	DJAIG SWAP	AA-	0.3	(2.0)	(1.7)	-0.01%	300.0
GOLDMAN SACHS	INTERNATIONAL DEVELOPED FUTURES	AA-	-	(5.7)	(5.7)	-0.02%	152.9
GOLDMAN SACHS	JAPAN FUTURES	AA-	-	(0.7)	(0.7)	0.00%	8.0
GOLDMAN SACHS	LANSOWNE EURO FORWARD	AA-	-	(2.3)	(2.3)	-0.01%	265.1
GOLDMAN SACHS Total			0.3	(10.7)	(10.4)	-0.04%	726.0
MORGAN STANLEY	EAFE SWAP	AA	8.4	-	8.4	0.04%	100.0
MORGAN STANLEY Total			8.4	-	8.4	0.04%	100.0
Grand Total Internally Managed			14.3	(13.2)	1.1	0.01%	1,234.0
EXTERNALLY MANAGED							
BANK OF AMERICA	BLACKROCK SMALL CAP	AA	-	-	-	0.00%	0.2
BANK OF AMERICA	PIMCO FIXED INCOME	AA	0.3	(0.7)	(0.4)	0.00%	52.2
BANK OF AMERICA	PIMCO TIPS	AA	0.1	(0.2)	(0.1)	0.00%	12.0
BANK OF AMERICA Total			0.4	(0.9)	(0.5)	0.00%	64.4
BANK OF NOVA SCOTIA	PIMCO TIPS	AA-	0.1	(0.1)	-	0.00%	4.0
BANK OF NOVA SCOTIA Total			0.1	(0.1)	-	0.00%	4.0
BARCLAYS	BRANDYWINE GLOBAL	AA	0.1	(0.1)	-	0.00%	26.3
BARCLAYS	PIMCO FIXED INCOME	AA	6.9	(6.8)	0.1	0.00%	1,098.5
BARCLAYS	PIMCO TIPS	AA	0.4	(0.7)	(0.3)	0.00%	51.6
BARCLAYS Total			7.4	(7.6)	(0.2)	0.00%	1,176.4
BEAR STEARNS	PIMCO FIXED INCOME	AA-	-	-	-	0.00%	2.0
BEAR STEARNS	PIMCO TIPS	AA-	-	-	-	0.00%	0.4
BEAR STEARNS Total			-	-	-	0.00%	2.4

OTC Derivative Counterparty Report as of 5/31/2008
By Counterparty and Manager

\$ millions									
Counterparty	Manager	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to- Market	Percentage of Total Funds	Notional Value		
BNP PARIBAS	PIMCO FIXED INCOME	AA+	0.2	(0.1)	0.1	0.00%	23.1		
BNP PARIBAS	PIMCO TIPS	AA+	-	(0.2)	(0.2)	0.00%	8.9		
BNP PARIBAS Total			0.2	(0.3)	(0.1)	0.00%	32.0		
CHASE MANHATTAN	PIMCO FIXED INCOME	AA	0.7	(1.1)	(0.4)	0.00%	40.0		
CHASE MANHATTAN	PIMCO TIPS	AA	-	(0.2)	(0.2)	0.00%	5.0		
CHASE MANHATTAN Total			0.7	(1.3)	(0.6)	0.00%	45.0		
CITIBANK NY	BLACKROCK GLOBAL EX US	AA	-	-	-	0.00%	2.4		
CITIBANK NY	BLACKROCK SMALL CAP	AA	-	-	-	0.00%	-		
CITIBANK NY	PIMCO FIXED INCOME	AA	0.4	(2.1)	(1.7)	-0.01%	140.8		
CITIBANK NY	PIMCO TIPS	AA	0.3	(0.1)	0.2	0.00%	10.7		
CITIBANK NY Total			0.7	(2.2)	(1.5)	-0.01%	153.9		
CITIGROUP	PIMCO FIXED INCOME	AA-	3.6	(1.2)	2.4	0.01%	94.7		
CITIGROUP	PIMCO TIPS	AA-	-	(0.3)	(0.3)	0.00%	1.2		
CITIGROUP Total			3.6	(1.5)	2.1	0.01%	95.9		
CREDIT SUISSE FIRST	PIMCO FIXED INCOME	AA-	0.4	(0.4)	-	0.00%	23.1		
CREDIT SUISSE FIRST	PIMCO TIPS	AA-	0.1	(0.1)	-	0.00%	7.3		
CREDIT SUISSE FIRST Total			0.5	(0.5)	-	0.00%	30.4		
CS FIRST BOSTON GBL FOREIGN EXCH	PIMCO FIXED INCOME	AA-	-	(0.1)	(0.1)	0.00%	1.5		
CS FIRST BOSTON GBL FOREIGN EXCH Total			-	(0.1)	(0.1)	0.00%	1.5		
DEUTSCHE BANK AG	PIMCO FIXED INCOME	AA	2.4	(4.8)	(2.4)	-0.01%	299.4		
DEUTSCHE BANK AG	PIMCO TIPS	AA	0.3	(0.5)	(0.2)	0.00%	45.5		
DEUTSCHE BANK AG Total			2.7	(5.3)	(2.6)	-0.01%	344.9		
GOLDMAN SACHS	PIMCO FIXED INCOME	AA-	199.2	(191.6)	7.6	0.03%	1,023.7		
GOLDMAN SACHS	PIMCO TIPS	AA-	0.1	(0.7)	(0.6)	0.00%	25.3		
GOLDMAN SACHS Total			199.3	(192.3)	7.0	0.03%	1,049.0		
HSBC BK USA, NEW YORK	PIMCO FIXED INCOME	AA	1.5	(3.9)	(2.4)	-0.01%	119.9		
HSBC BK USA, NEW YORK	PIMCO TIPS	AA	1.0	-	1.0	0.00%	13.1		
HSBC BK USA, NEW YORK Total			2.5	(3.9)	(1.4)	-0.01%	133.0		

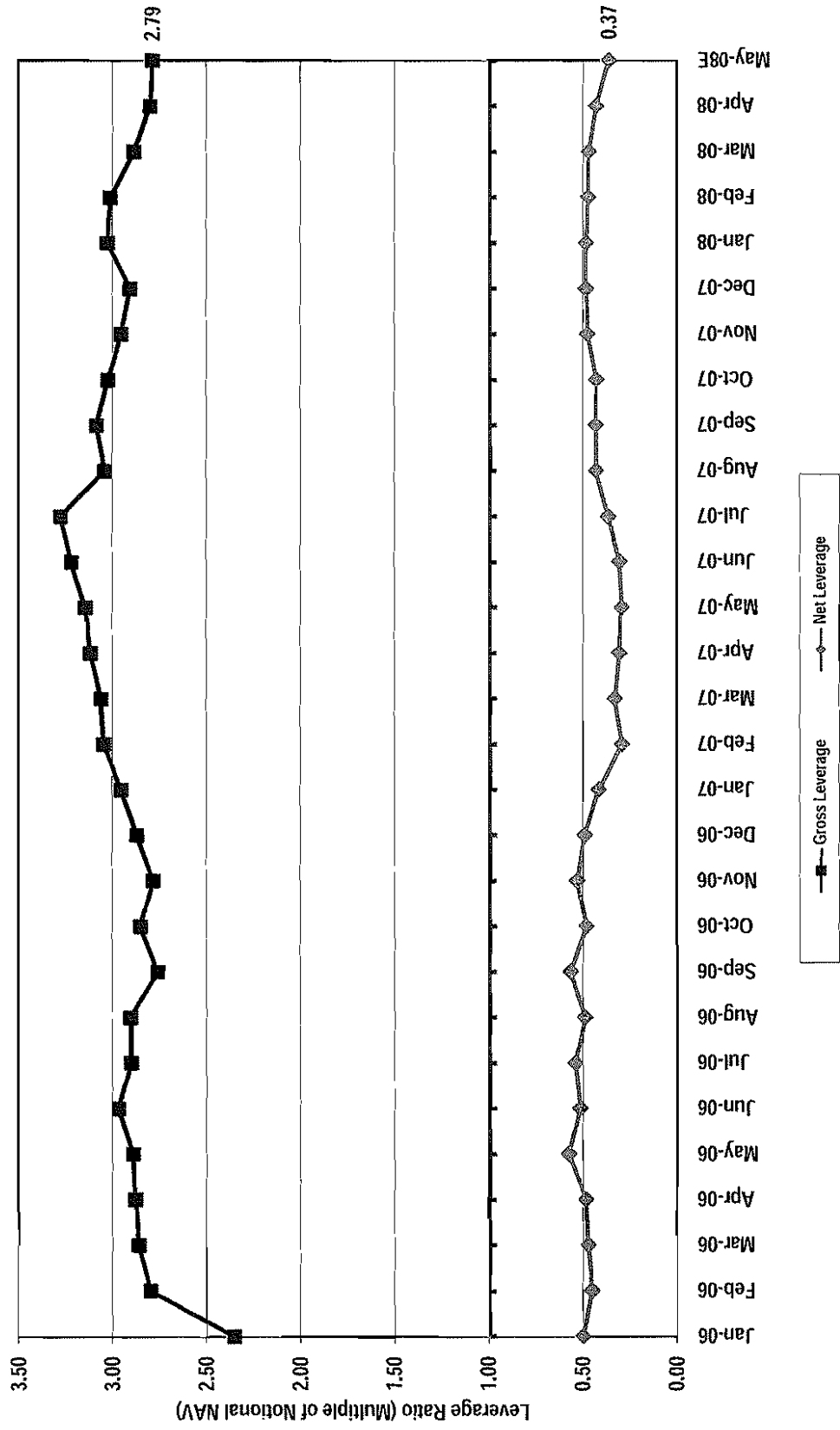
OTC Derivative Counterparty Report as of 5/31/2008
By Counterparty and Manager

\$ millions									
Counterparty	Manager	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTILMCO	Total Mark-to-Market	Percentage of Total Funds	Notional Value		
J.P. MORGAN, CHASE	PIMCO FIXED INCOME	AA	0.5	(0.5)	-	0.00%	87.1		
J.P. MORGAN, CHASE	PIMCO TIPS	AA	-	(0.5)	(0.5)	-0.01%	17.4		
J.P. MORGAN, CHASE Total			0.5	(1.0)	(0.5)	-0.01%	104.5		
J. ARON	PIMCO FIXED INCOME	AA-	3.2	-	3.2	0.01%	56.2		
J. ARON	PIMCO TIPS	AA-	0.3	-	0.3	0.00%	4.8		
J. ARON Total			3.5	-	3.5	0.01%	61.0		
LEHMAN BROTHERS	PIMCO FIXED INCOME	AA+	0.5	(2.2)	(1.7)	-0.01%	239.7		
LEHMAN BROTHERS	PIMCO TIPS	AA+	0.1	(0.3)	(0.2)	0.00%	27.3		
LEHMAN BROTHERS Total			0.6	(2.5)	(1.9)	-0.01%	267.0		
MELLON BANK	COHEN & STEERS GLOBAL	AA-	-	-	-	0.00%	0.5		
MELLON BANK	EUROPEAN INVESTORS INC (EII)	AA-	-	-	-	0.00%	2.3		
MELLON BANK	TDR CAPITAL II 'A' L	AA-	-	-	-	0.00%	1.9		
MELLON BANK Total			-	-	-	0.00%	4.7		
MERRILL LYNCH	PIMCO FIXED INCOME	AA-	1.4	(1.7)	(0.3)	0.00%	168.3		
MERRILL LYNCH	PIMCO TIPS	AA-	0.2	-	0.2	0.00%	21.7		
MERRILL LYNCH Total			1.6	(1.7)	(0.1)	0.00%	190.0		
MORGAN STANLEY	BRANDYWINE GLOBAL	AA	0.6	-	0.6	0.00%	63.2		
MORGAN STANLEY	PIMCO FIXED INCOME	AA	8.2	(11.0)	(2.8)	-0.01%	991.2		
MORGAN STANLEY	PIMCO TIPS	AA	1.2	(1.6)	(0.4)	0.00%	137.2		
MORGAN STANLEY Total			10.0	(12.6)	(2.6)	-0.01%	1,191.6		
ROYAL BANK OF CANADA	PIMCO FIXED INCOME	AA-	-	-	-	0.00%	4.4		
ROYAL BANK OF CANADA	PIMCO TIPS	AA-	-	-	-	0.00%	4.3		
ROYAL BANK OF CANADA Total			-	-	-	0.00%	8.7		
ROYAL BANK OF SCOTLAND PLC	MORGAN STANLEY REIT	AA	-	-	-	0.00%	1.2		
ROYAL BANK OF SCOTLAND PLC	PIMCO FIXED INCOME	AA	2.4	(6.6)	(4.2)	-0.02%	913.9		
ROYAL BANK OF SCOTLAND PLC	PIMCO TIPS	AA	0.5	(1.0)	(0.5)	0.00%	119.5		
ROYAL BANK OF SCOTLAND PLC Total			2.9	(7.6)	(4.7)	-0.02%	1,034.6		

OTC Derivative Counterparty Report as of 5/31/2008
By Counterparty and Manager

\$ millions									
Counterparty	Manager	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTMCO	Total Mark-to- Market	Percentage of Total Funds	Notional Value		
UBS A G, ZURICH	PIMCO FIXED INCOME	AA-	0.8	(1.2)	(0.4)	0.00%	126.0		
UBS A G, ZURICH	PIMCO TIPS	AA-	0.2	(0.7)	(0.5)	0.00%	20.1		
UBS A G, ZURICH Total			1.0	(1.9)	(0.9)	0.00%	146.1		
UBS AG, STAMFORD	PIMCO FIXED INCOME	AA-	-	(0.2)	(0.2)	0.00%	4.3		
UBS AG, STAMFORD Total			-	(0.2)	(0.2)	0.00%	4.3		
WACHOVIA BANK	PIMCO FIXED INCOME	AA	-	-	-	0.00%	1.5		
WACHOVIA BANK Total			-	-	-	0.00%	1.5		
Grand Total Externally Managed			238.2	(243.5)	(5.3)	-0.03%	6,146.8		
GRAND TOTAL - ALL MANAGERS			\$ 252.5	\$ (256.7)	\$ (4.2)	-0.02%	\$ 7,380.8		

UTIMCO Hedge Fund Portfolio Gross and Net Leverage



Data Through May 31, 2008

Manager Exposure

Top 20 Managers - By Total Assets

Manager	NAV	% of GEF Risk	% of NAV
BGI	2,493,734,582	12.3%	10.7%
Dreyfus	1,884,709,428	0.1%	8.1%
PIMCO	1,247,767,889	0.4%	5.4%
Lansdowne	908,316,453	5.5%	3.9%
Farallon	677,492,349	1.8%	2.9%
Petry	626,580,104	0.9%	2.7%
Maverick	616,901,487	2.4%	2.7%
S&P 500 Futures	611,881,011	3.3%	2.6%
ValueAct	568,632,450	3.4%	2.4%
Blue Ridge	516,595,815	0.4%	2.2%
Top 10	10,152,611,568	30.2%	43.7%
DJAI Swap	511,673,842	1.4%	2.2%
Oaktree	482,425,699	0.7%	2.1%
Int US Nominal	474,647,883	0.0%	2.0%
Cohen & Steers	459,189,841	2.7%	2.0%
GlobeFlex	434,612,440	2.8%	1.9%
Global 100 Index ETF	388,904,136	1.9%	1.7%
Westport	384,681,530	2.4%	1.7%
Levin	382,997,506	1.7%	1.6%
Blackrock	367,859,304	2.8%	1.6%
Och Ziff	353,562,820	0.3%	1.5%
Top 20	14,393,166,569	47.0%	61.9%

Top 20 Managers - By Risk Contribution

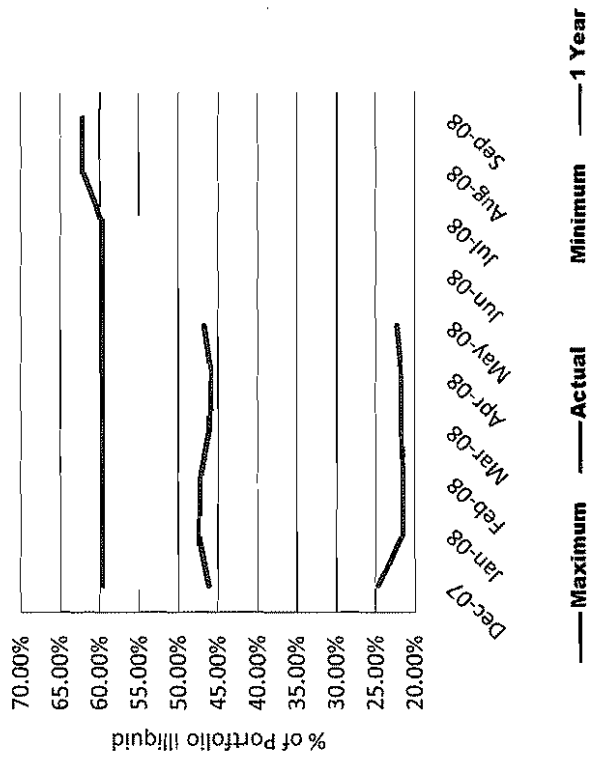
Manager	NAV	% of GEF Risk	% of NAV
BGI	2,493,734,582	12.3%	10.7%
Lansdowne	908,316,453	5.5%	3.9%
ValueAct	568,632,450	3.4%	2.4%
S&P 500 Futures	611,881,011	3.3%	2.6%
GlobeFlex	434,612,440	2.8%	1.9%
Blackrock	367,859,304	2.8%	1.6%
Cohen & Steers	459,189,841	2.7%	2.0%
Westport	384,681,530	2.4%	1.7%
Maverick	616,901,487	2.4%	2.7%
Emerging ETF	207,588,847	2.3%	0.9%
Top 10	7,053,397,945	39.7%	30.3%
Morgan Stanley	348,168,463	2.2%	1.5%
Lazard	200,183,444	2.1%	0.9%
Global 100 Index ETF	388,904,136	1.9%	1.7%
Farallon	677,492,349	1.8%	2.9%
Relational	290,056,854	1.8%	1.2%
European INV EII	278,250,572	1.8%	1.2%
Levin	382,997,506	1.7%	1.6%
Temperton Alpha	228,547,208	1.5%	1.0%
EAFE Swap	206,487,098	1.5%	0.9%
INTL Dev Futures	169,507,735	1.4%	0.7%
Top 20	10,223,993,310	57.5%	44.0%

**Managers outside of Delegation of Authority limits due to appreciation
As of 5/31/2008**

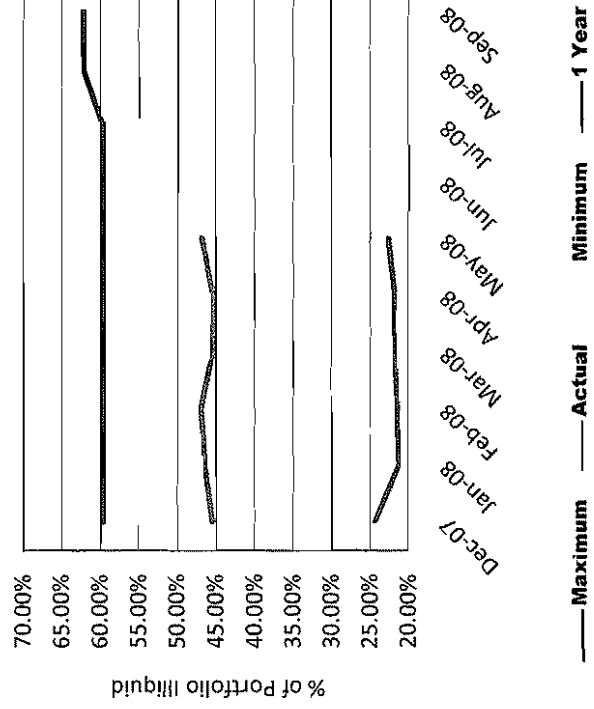
<u>Manager Name</u>	<u>Investment Amount</u>	<u>Delegation of Authority Limit</u>
<u>More Correlated and Constrained</u>		
Brandywine	402,843,971	400,000,000
Lansdowne	800,612,065	750,000,000
<u>Less Correlated and Constrained</u>		
Blue Ridge	516,595,815	375,000,000
Bridgewater	315,300,094	300,000,000
Farallon	677,492,349	530,000,000
Maverick	616,901,487	575,000,000
Och Ziff	353,562,820	300,000,000
Perry Partners	626,580,104	625,000,000
Protégé	312,986,539	300,000,000
<u>Private Investments</u>		
None		
<u>All Investment Types</u>		
Farallon	677,492,349	600,000,000
Lansdowne	908,316,453	750,000,000
Maverick	616,901,487	600,000,000
Perry Partners	626,580,104	625,000,000

Liquidity

**Permanent University Fund
Actual Illiquidity vs. Trigger Zones**



**General Endowment Fund
Actual Illiquidity vs. Trigger Zones**



Unfunded Commitments Exposure Report - 5/31/08

Investment Focus / Stage	Market Value	% of Total Market Value	Unfunded Commitment	Total Exposure	% of Total Exposure	Market Value as % of Total Endowments	Unfunded Commitment as % of Total Endowments	Exposure as % of Total Endowments
PRIVATE INVESTMENTS								
BUYOUT	\$1,184,365,899	39.9%	\$1,117,149,154	\$2,301,515,053	39.7%	6.0%	5.7%	11.7%
VENTURE CAPITAL	\$445,412,787	15.0%	\$473,868,610	\$919,281,397	15.9%	2.3%	2.4%	4.7%
OPPORTUNISTIC	\$184,985,566	6.2%	\$113,772,512	\$298,768,078	5.2%	0.9%	0.6%	1.5%
DEVELOPED MARKETS EQUITY	\$1,814,774,252	61.2%	\$1,704,742,235	\$3,519,516,487	60.7%	9.2%	8.7%	17.9%
EMERGING MARKETS EQUITY	\$151,351,818	5.1%	\$268,683,325	\$420,035,143	7.2%	0.8%	1.4%	2.1%
NATURAL RESOURCES	\$205,041,066	6.9%	\$266,763,770	\$471,804,836	8.1%	1.0%	1.4%	2.4%
CREDIT-RELATED FIXED INCOME	\$729,696,134	24.6%	\$396,432,649	\$1,126,128,783	19.4%	3.7%	2.0%	5.7%
REAL ESTATE	\$65,178,629	2.2%	\$192,142,168	\$257,320,797	4.4%	0.3%	1.0%	1.3%
TOTAL PRIVATE INVESTMENTS	\$2,966,041,899	100.0%	\$2,828,764,147	\$5,794,806,046	100.0%	15.1%	14.4%	29.5%

LESS CORRELATED & CONSTRAINED

DEVELOPED COUNTRY EQUITY	\$4,168,132,256	71.3%	\$34,667,760	\$4,202,800,016	70.1%	21.2%	0.2%	21.4%
EMERGING MARKETS EQUITY	\$842,806,305	14.4%	\$0	\$842,806,305	14.1%	4.3%	0.0%	4.3%
NATURAL RESOURCES	\$101,568,815	1.7%	\$0	\$101,568,815	1.7%	0.5%	0.0%	0.5%
CREDIT-RELATED FIXED INCOME	\$320,287,489	5.5%	\$113,035,750	\$433,323,239	7.2%	1.6%	0.6%	2.2%
INVESTMENT GRADE FIXED INCOME	\$372,969,853	6.4%	\$0	\$372,969,853	6.2%	1.9%	0.0%	1.9%
REAL ESTATE	\$43,529,106	0.7%	\$0	\$43,529,106	0.7%	0.2%	0.0%	0.2%
TOTAL LESS CORRELATED & CONSTRAINED	\$5,949,293,825	100.0%	\$147,703,510	\$5,996,997,335	100.0%	29.8%	0.8%	30.5%
GRAND TOTAL PI & LCC	\$8,815,335,724	100.0%	\$2,976,467,657	\$11,791,803,381	100.0%	44.9%	15.2%	60.0%
TOTAL MARKET VALUE OF ENDOWMENTS (1)	\$19,640,003,808							

MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY

17.5%

(1) Total market value of endowments equals the total invested assets of the PUF and GEF. The amount does not include accrued receivables, accrued liabilities or other assets or liabilities of the funds.

Investment Activities

**Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Quarter ended May 31, 2008**

	Redemptions (\$ millions)		Investments / Commitments (\$ millions)		Illiquid
	MCC	LCC	MCC	LCC	
<u>Investment Grade Fixed Income</u>					
Reams Core	538	-	-	-	-
Global Investment Advisors	271	-	-	-	-
BGI Debt	168	-	-	-	-
BGI Debt Global	-	-	549	-	No
Brandywine	-	-	400	-	No
Parkcentral	-	-	-	25	No
	977	-	949	25	
<u>Credit-Related Fixed Income</u>					
Baupost	-	-	-	200	Yes
H.I.G. Bayside Debt & LBO Fund II, L.P.	-	-	-	-	Yes
Varde Fund IX	-	-	-	100	Yes
CVI Global Value Fund, L.P. - 2008 Top-Off	-	-	-	50	Yes
Texas Liquidity Capital, L.L.C.	-	-	-	50	Yes
Silver Point	-	-	-	25	Yes
Centerbridge	-	-	-	18	Yes
	-	-	-	243	300
<u>Real Estate</u>					
Cohen & Steers	630	-	-	-	-
Morgan Stanley REIT	5	-	-	-	-
Cohen & Steers Global	-	-	290	-	No
BGI REIT	-	-	205	-	No
Credit Suisse	-	-	200	-	No
Trophy Property (TE), L.P.	-	-	-	-	55
Shorenstein Realty Investors Nine, L.P.	-	-	-	-	50
Five Mile Capital Partners II, L.P.	-	-	-	-	50
Northwood	-	-	-	-	50
Morgan Stanley Special Situations III	-	-	-	-	50
European Investors REIT	-	-	5	-	-
	635	-	700	-	255
<u>Natural Resources</u>					
SCF-VII, L.P.	-	-	-	-	41
	-	-	-	-	41

**Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Quarter ended May 31, 2008**

	Redemptions (\$ millions)		Investments / Commitments (\$ millions)		Illiquid
	MCC	LCC	MCC	LCC	
<u>Developed Country Equity</u>					
GSAM EAFE Flex	256	-	-	-	No
Dalton JMBO termination	15	-	-	-	Yes
BGI EAFE	100	-	144	-	Yes
TPG Partners VI, L.P.	-	-	-	100	Yes
CVC European Equity Partners V, L.P.	-	-	-	50	Yes
Invention Investment Fund II, L.L.C.	-	-	-	50	Yes
MSouth Equity Partners, L.P.	-	-	-	37	No
Blavin 270	-	-	30	-	No
Westfield	-	-	-	25	Yes
Efon Park	-	-	-	25	No
Criterion	-	-	-	10	Yes
Rock Creek	-	-	-	0.1	No
	371	-	174	60	237
<u>Emerging Markets Equity</u>					
Dalton Taiwan termination	56	-	-	-	No
BGI EMSI	-	-	63	-	Yes
Emerald Hill Capital Partners II, L.P.	-	-	-	60	No
Quorum	-	-	50	-	No
Russian Prosperity	-	-	50	-	No
NewMargin Growth Fund, L.P.	-	-	-	50	Yes
	56	-	163	-	110
	2,039	-	1,986	328	943

**Report on Investment Transactions Made Under the Delegation of Authority
Fiscal YTD through May 31, 2008**

	Redemptions (\$ millions)		Investments / Commitments (\$ millions)	
	<u>MCC</u>	<u>LCC</u>	<u>MCC</u>	<u>LCC</u>
<u>Investment Grade Fixed Income</u>				
Reams Core	543	-	-	-
Global Investment Advisors	271	-	-	-
BGI Debt	233	-	195	-
Bridgewater I	-	116	-	-
Bridgewater Currency Overlay	-	41	-	-
AQR Absolute Return	-	40	-	-
PIMCO TIPS	12	-	-	-
Reams TIPS	7	-	-	-
Internal TIPS	6	-	5	-
BGI Debt Global	-	-	549	-
Brandywine	-	-	400	-
Internal U.S. Nominal	-	-	15	-
Internal Investment Grade	-	-	5	-
Bridgewater II	-	-	-	75
Parkcentral	-	-	-	65
	<u>1,072</u>	<u>197</u>	<u>1,169</u>	<u>140</u>
<u>Credit-Related Fixed Income</u>				
Oaktree Loan 2x, LP	-	-	-	250
Baupost	-	-	-	200
Centerbridge	-	-	-	100
H.I.G. Bayside Debt & LBO Fund II, L.P.	-	-	-	100
Varde Fund IX	-	-	-	100
Avenue Special Situations Fund V	-	-	-	75
CVI Global Value Fund, L.P. - 2008 Top-Off	-	-	-	50
Texas Liquidity Capital, L.L.C.	-	-	-	50
Silver Point	-	-	-	25
	-	-	-	<u>325</u>
	-	-	-	<u>625</u>
<u>Real Estate</u>				
Cohen & Steers	675	-	20	-
AG Realty	-	25	-	-
Morgan Stanley REIT	15	-	48	-
Cohen & Steers Global	-	-	290	-
European Investors REIT	-	-	285	-
BGI REIT	-	-	205	-

**Report on Investment Transactions Made Under the Delegation of Authority
Fiscal YTD through May 31, 2008**

	Redemptions (\$ millions)		Investments / Commitments (\$ millions)	
	<u>MCC</u>	<u>LCC</u>	<u>MCC</u>	<u>LCC</u>
Credit Suisse	-	-	200	-
Trophy Property (TE), L.P.	-	-	-	55
GEM Realty Securities	-	-	-	50
Shorenstein Realty Investors Nine, L.P.	-	-	-	50
Five Mile Capital Partners II, L.P.	-	-	-	50
Northwood	-	-	-	50
Morgan Stanley Special Situations III	-	-	-	50
	690	25	1,048	50
<u>Natural Resources</u>				
Pimco Real Return	308	-	-	-
Gresham	-	-	304	-
EnCap Energy Capital	-	-	-	100
Natural Gas Partners IX	-	-	-	50
SCF-VII, L.P.	-	-	-	41
	308	-	304	191
<u>Developed Country Equity</u>				
BGI EAFE	780	-	244	-
TCW	269	-	-	-
GSAM EAFE Flex	256	-	-	-
Relational	100	-	-	-
Satellite	-	90	-	-
Dalton JMBO termination	55	-	-	-
BGI Global Market Neutral	-	50	-	-
Indus Event Fund	-	42	-	-
ESL	-	-	-	100
TPG Partners VI, L.P.	-	-	-	100
TPG Star	-	-	-	100
Warburg Pincus Private	-	-	-	75
Levin Large Cap	-	-	50	-
Coghill	-	-	-	50
Westfield	-	-	-	50
CVC European Equity Partners V, L.P.	-	-	-	50
Invention Investment Fund II, L.L.C.	-	-	-	50
Technology Crossover Ventures VII	-	-	-	50
MSouth Equity Partners, L.P.	-	-	-	50
Foundry Venture Capital 2007	-	-	-	40

**Report on Investment Transactions Made Under the Delegation of Authority
Fiscal YTD through May 31, 2008**

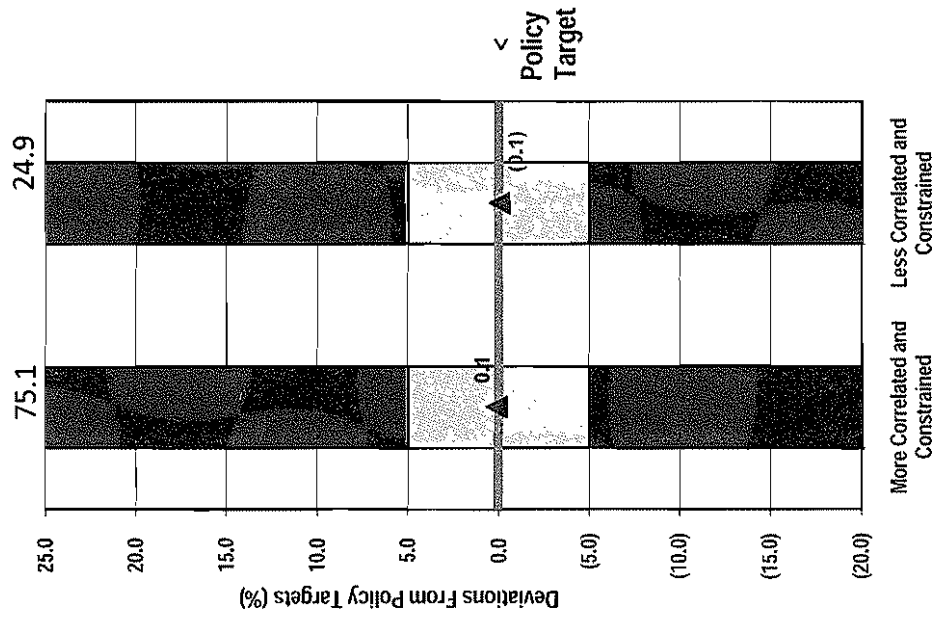
	Redemptions (\$ millions)		Investments / Commitments (\$ millions)			
	<u>MCC</u>	<u>LCC</u>	<u>Private</u>	<u>MCC</u>	<u>LCC</u>	<u>Private</u>
TPG Axon	-	-	-	-	40	-
Blavin 270	-	-	-	30	-	-
Union Square Ventures 2008	-	-	-	-	-	25
Eton Park	-	-	-	-	25	-
Fox Point	-	-	-	-	25	-
Lansdowne UK	-	-	-	-	25	-
Eminence	-	-	-	-	15	-
Criterion	-	-	-	-	10	-
Pinto TV Annex	-	-	-	-	-	7
Rock Creek	-	-	-	-	0.1	-
	<u>1,460</u>	<u>182</u>	-	<u>324</u>	<u>340</u>	<u>547</u>

Emerging Markets Equity

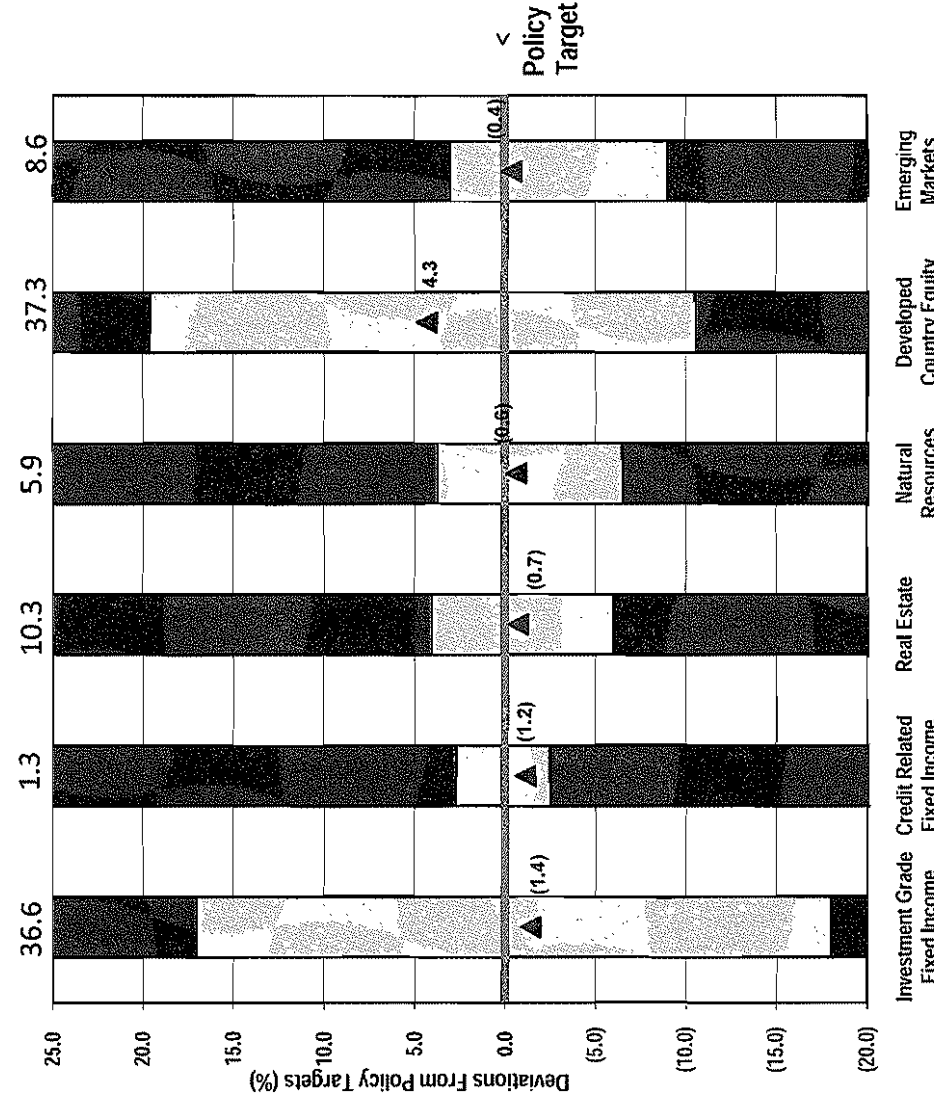
Templeton Emerging	170	-	-	-	-	-
BGI EMSI	118	-	-	398	-	-
Lansdowne Emerging	100	-	-	-	-	-
OCM Emerging	-	58	-	-	-	-
Dalton Taiwan termination	56	-	-	-	-	-
Lazard	-	-	-	200	-	-
Ashmore Global Spec Situations IV	-	-	-	-	-	100
Emerald Hill Capital Partners II, L.P.	-	-	-	-	-	60
Quorum	-	-	-	50	-	-
Russian Prosperity	-	-	-	50	-	-
Invention Development Fund	-	-	-	-	-	50
NewMargin Growth Fund, L.P.	-	-	-	-	-	50
Baring Asia Private Equity	-	-	-	-	-	50
Penta Asia Fund	-	-	-	-	30	-
Penta Asia Long/Short	-	-	-	-	30	-
Gobi Fund II	-	-	-	-	-	25
	<u>444</u>	<u>58</u>	-	<u>698</u>	<u>60</u>	<u>335</u>
	<u>3,974</u>	<u>462</u>	-	<u>3,543</u>	<u>915</u>	<u>1,953</u>

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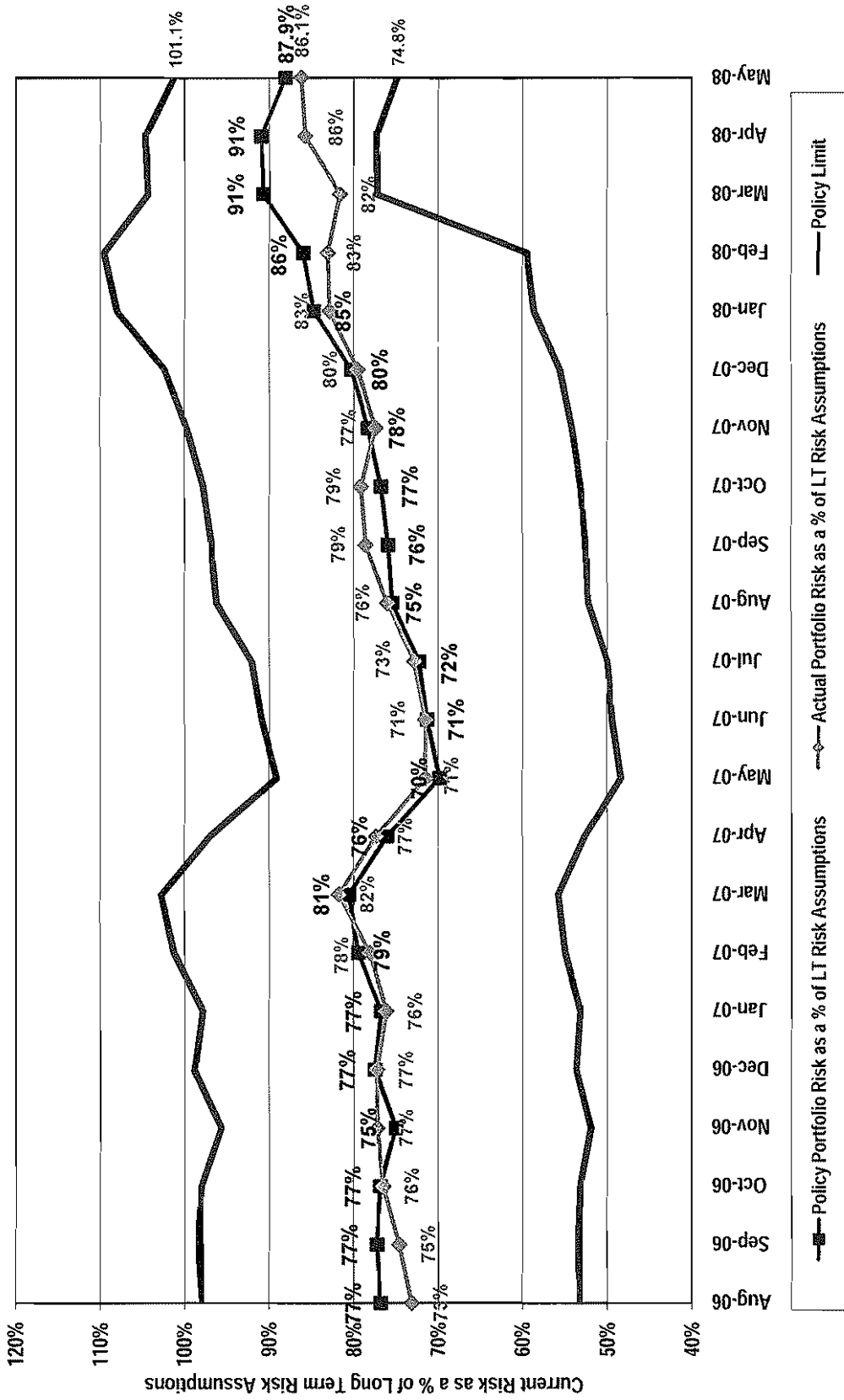
Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for ITF



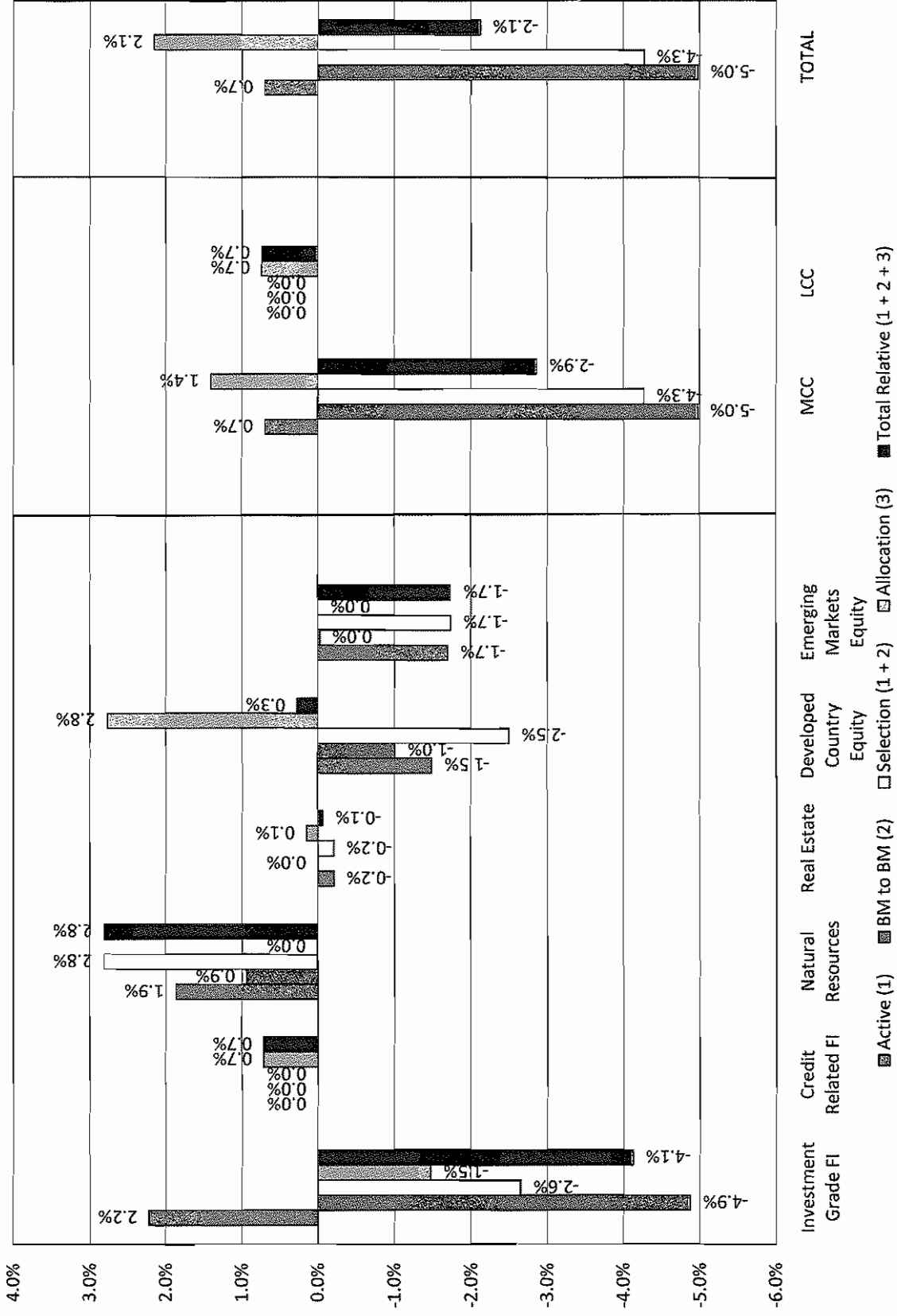
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for ITF



Current Risk Environment of ITF (Based on Downside Risk)



ITF 4-Way Risk Decomposition as of 05/31/2008 Using New Investment Strategy



Intermediate Term Fund
as of May 31, 2008
(in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total
		\$	%	\$	%	\$	%	
Fixed Income	Investment Grade	1,442	35.0%	66	1.6%	-	0.0%	1,508
	Credit-Related	-	0.0%	55	1.3%	-	0.0%	55
Fixed Income Total		1,442	35.0%	121	2.9%	-	0.0%	1,563
Real Assets	Real Estate	416	10.1%	8	0.2%	-	0.0%	424
	Natural Resources	225	5.5%	18	0.4%	-	0.0%	243
Real Assets Total		641	15.6%	26	0.6%	-	0.0%	667
Equity	Developed Country	810	19.5%	734	17.8%	-	0.0%	1,544
	Emerging Markets	207	5.0%	149	3.6%	-	0.0%	356
Equity Total		1,017	24.5%	883	21.4%	-	0.0%	1,900
Grand Total		\$ 3,100	75.1%	\$ 1,030	24.9%	\$ -	0.0%	\$ 4,130

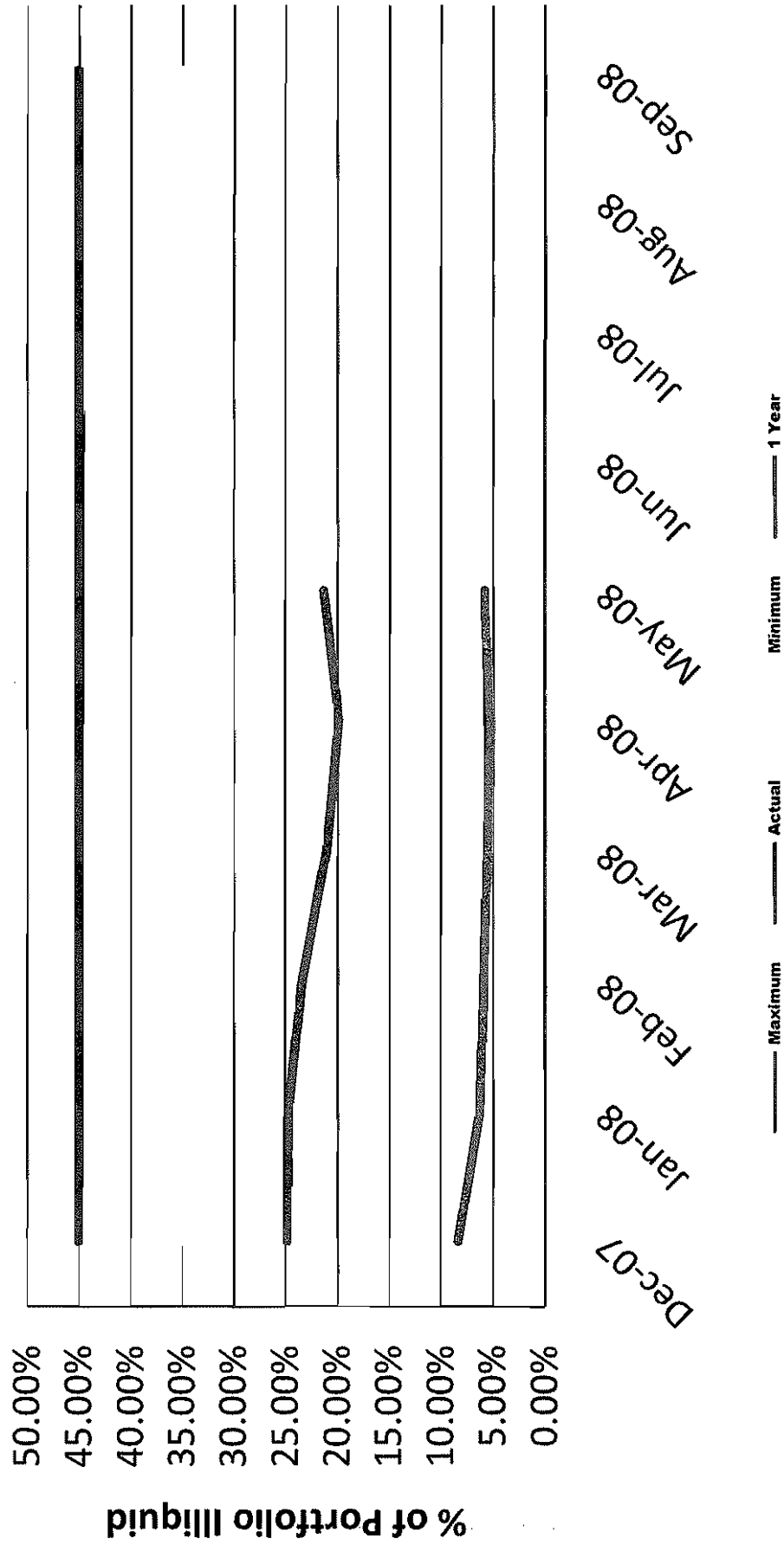
Asset Class and Investment Type Targets, Ranges, and Performance Objectives

Intermediate Term Fund
as of May 31, 2008

Asset Class	May 31, 2008 ACTUAL	May 31, 2008 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	36.6%	20.0%	38.0%	-1.4%
Credit-Related Fixed Income	1.3%	0.0%	2.5%	-1.2%
Real Estate	10.3%	5.0%	11.0%	-0.7%
Natural Resources	5.9%	0.0%	6.5%	-0.6%
Developed Country Equity	37.3%	22.5%	33.0%	4.3%
Emerging Markets Equity	8.6%	0.0%	9.0%	-0.4%
TOTAL	100.0%		100.0%	0.0%
Investment Types				
More Correlated & Constrained	75.1%	70.0%	75.0%	0.1%
Less Correlated & Constrained	24.9%	20.0%	25.0%	-0.1%
TOTAL	100.0%		100.0%	0.0%

Asset Class	May 31, 2008 ACTUAL	Fiscal Year ending August 31, 2008 Target		vs. Target
		Min	Max	
Investment Grade Fixed Income	36.6%	20.0%	38.0%	-1.4%
Credit-Related Fixed Income	1.3%	0.0%	3.0%	-1.7%
Real Estate	10.3%	5.0%	11.0%	-0.7%
Natural Resources	5.9%	0.0%	7.0%	-1.1%
Developed Country Equity	37.3%	20.0%	31.0%	6.3%
Emerging Markets Equity	8.6%	0.0%	10.0%	-1.4%
TOTAL	100.0%		100.0%	0.0%
Investment Types				
More Correlated & Constrained	75.1%	70.0%	75.0%	0.1%
Less Correlated & Constrained	24.9%	20.0%	25.0%	-0.1%
TOTAL	100.0%		100.0%	0.0%

Intermediate Term Fund Actual Illiquidity vs. Trigger Zones



Contracts Update

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

For April 8, 2008 through July 7, 2008

(Total Obligation per Agreement greater than \$50,000)

Agreement	Purpose	Contract Term	Annual Amount
None			

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	\$280,526
Albourne America LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$400,000

TAB 3

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Agenda Item: Discussion of Investment Strategy Review 2008

Developed By: Staff

Presented By: Zimmerman

Type of Item: Discussion item

Description: Mr. Zimmerman will present the Investment Strategy Review. The objective of this year's investment strategy review is to assess the portfolio's current position in relation to the initial multi-year plan and recent/expected market conditions and recommend "mid-course corrections" to the originally proposed multi-year implementation plan as well as to recommend targets and ranges for FY 2011.

Recommendation: None

Reference: Investment Strategy Review Presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Investment Strategy Review

2008



CONTEXT

- UTIMCO Investment Policies require an annual review by the UTIMCO Board of Directors and the UT System Board of Regents
- During the summer/fall of 2007 a fundamental review of the Investment Policies resulted in a number of new strategic initiatives. Staff recommended a multiyear transition period in order to implement the new strategic initiatives.
- The objective of this year's investment strategy review is to:
 - 1) assess the portfolio's current position in relation to the initial multiyear plan and recent/expected market conditions, and
 - 2) recommend "mid-course corrections" to the originally proposed multiyear implementation plan as well as to recommend targets and ranges for FY 2011.



Investment Strategy Highlights

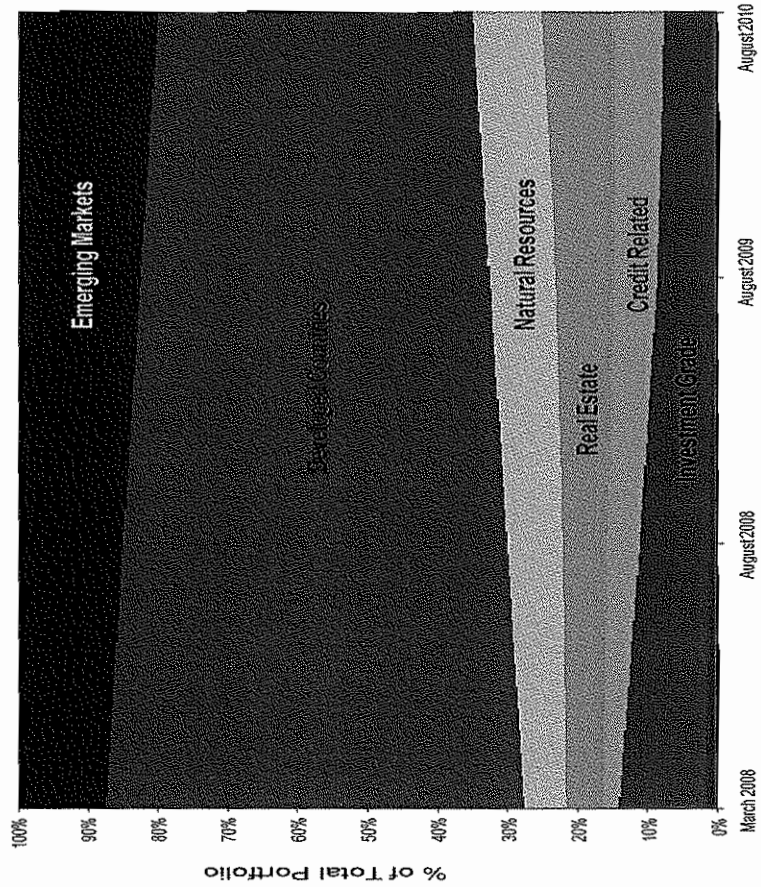
- Increased allocation to Less Correlated and Constrained Mandates (28% of total assets increasing to 33% of total assets)
- Greater exposure to Emerging Markets
- Pursuit of broad range of natural resources investments
- Gradual increase in Private Investments (Projected 12% of total assets in February 2008 increasing to 17.5% in July 2010)
 - Private Real Estate Equity Fund Investments
 - Natural Resources, Emerging Market and Distressed/Oppportunistic Strategies
- Illiquidity increased, but liquidity remains ample



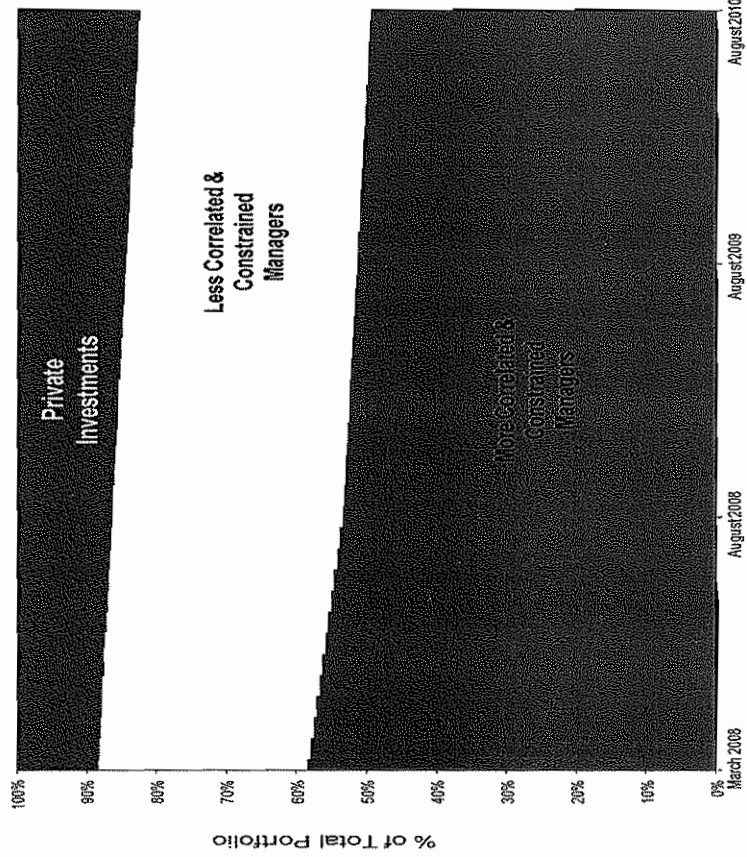
From Board of Regents' Meeting - December 2007 as Initially Reviewed by Board of Regents on October 2007

Asset Class and Investment Type Allocation

By Asset Class



By Investment Type





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

Permanent University Fund as of May 31, 2008

Asset Class	May 31, 2008 ACTUAL	Fiscal Year ending August 31, 2008			vs. Target
		Min	Target	Max	
Investment Grade Fixed Income	14.3%	7.5%	11.0%	17.5%	3.3%
Credit-Related Fixed Income	5.5%	0.0%	5.0%	12.5%	0.5%
Real Estate	6.1%	3.0%	6.0%	9.0%	0.1%
Natural Resources	7.0%	4.0%	8.0%	12.0%	-1.0%
Developed Country Equity	53.4%	47.5%	55.0%	62.5%	-1.6%
Emerging Markets Equity	15.5%	10.0%	15.0%	20.0%	0.5%
TOTAL	101.8%		100.0%		1.8%
<u>Investment Types</u>					
More Correlated & Constrained	55.8%	47.5%	53.5%	60.0%	2.3%
Less Correlated & Constrained	30.5%	27.5%	33.0%	37.5%	-2.5%
Private Investments	15.5%	9.5%	13.5%	17.5%	2.0%
TOTAL	101.8%		100.0%		1.8%



Permanent University Fund

as of May 31, 2008

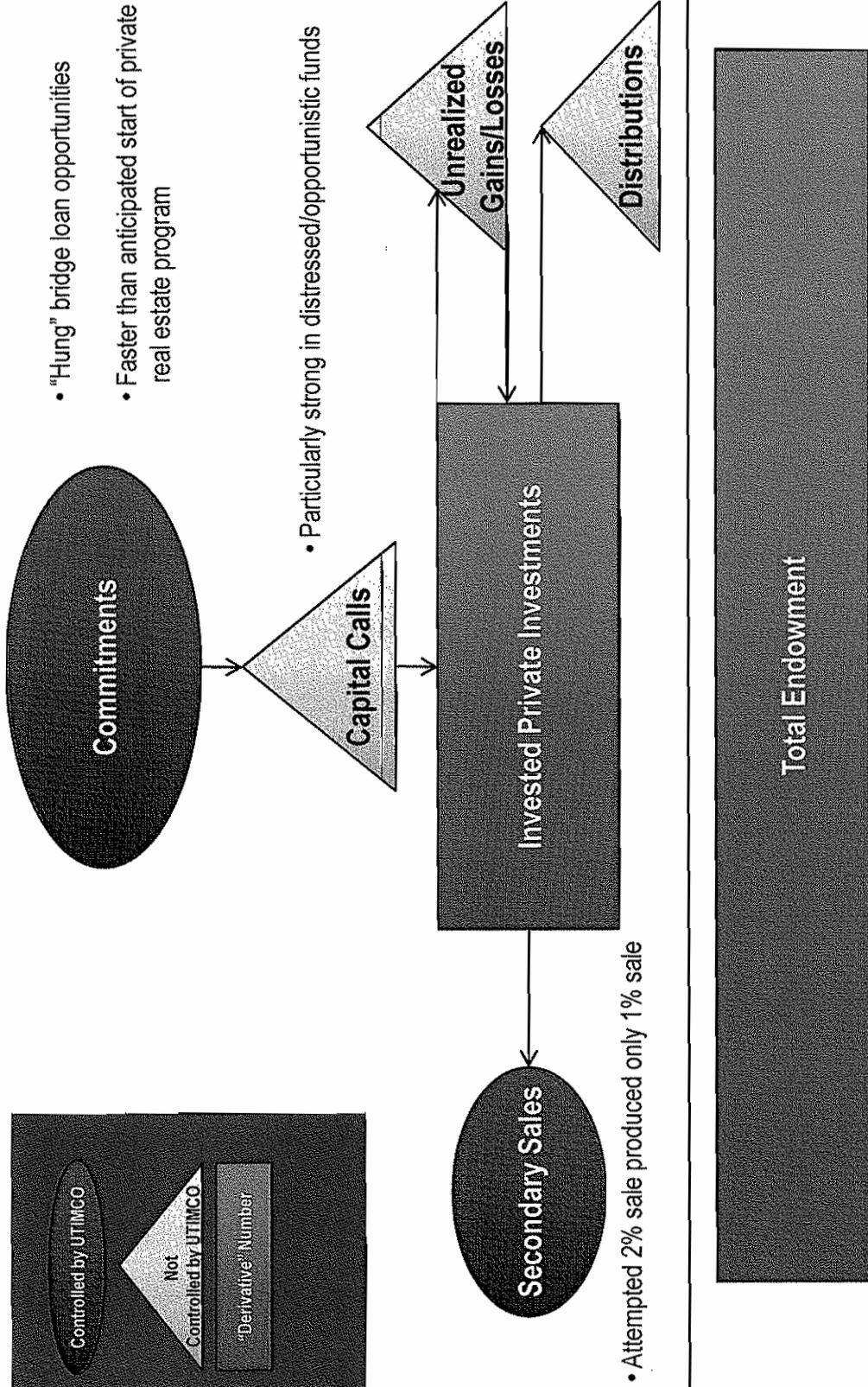
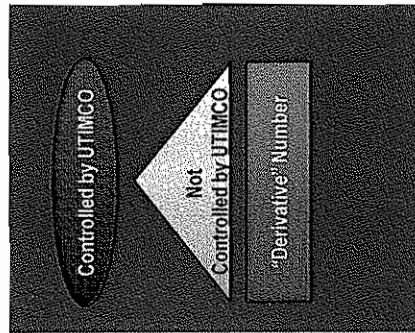
(in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
		\$	%	\$	%	\$	%	\$	%
Fixed Income	Investment Grade Credit-Related	1,515	12.4%	237	1.9%	-	0.0%	1,752	14.3%
		-	0.0%	205	1.7%	468	3.8%	673	5.5%
Fixed Income Total		1,515	12.4%	442	3.6%	468	3.8%	2,425	19.8%
Real Assets	Real Estate	670	5.5%	28	0.2%	42	0.4%	740	6.1%
	Natural Resources	659	5.3%	65	0.6%	130	1.1%	854	7.0%
Real Assets Total		1,329	10.8%	93	0.8%	172	1.5%	1,594	13.1%
Equity	Developed Country	2,715	22.3%	2,657	21.7%	1,159	9.4%	6,531	53.4%
	Emerging Markets	1,269	10.3%	537	4.4%	97	0.8%	1,903	15.5%
Equity Total		3,984	32.6%	3,194	26.1%	1,256	10.2%	8,434	68.9%
Grand Total		\$ 6,828	55.8%	\$ 3,729	30.5%	\$ 1,896	15.5%	\$ 12,453	101.8%

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.



Private Market Investments % of Total Endowment: The Math



- "Hung" bridge loan opportunities
- Faster than anticipated start of private real estate program
- Particularly strong in distressed/opportunistic funds

- Slowed due to seizure in credit markets and fall in public equity markets

- Attempted 2% sale produced only 1% sale



MARKET CONDITIONS

Recent

- Seizure in credit market liquidity; noneconomic sellers
- Slowed US economic growth; return of distressed opportunities
- Risk-revaluation resulting in more attractive purchase prices (e.g., real estate)
- Continued emergence of developing economies; strain on natural resources

Expected

- Cyclical opportunities in distressed investing, particularly real estate-related debt
- Continued, though slowed, emerging market economic growth
- Attractive time to acquire assets at attractive values, although cautious pacing is prudent



“Mid-Course Correction” Highlights

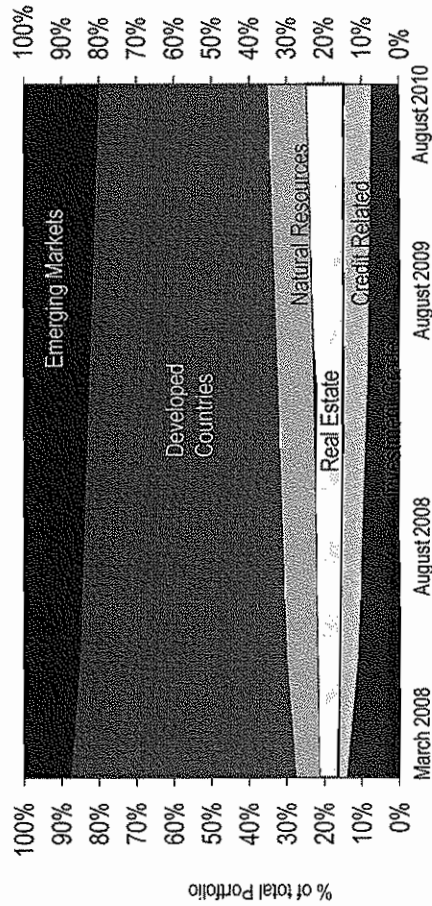
- Reset Private Investment targets to reflect results of secondary sale, capital call/distribution cycle, and credit-related opportunities
- Wider ranges for Private Investments in recognition of “derivative” nature of returns
- Increase credit-related targets to reflect cyclical opportunity (as captured by MCC and LCC managers and private investments)
- Reset real estate private investment target to reflect accelerated launch and attractive market opportunities
- Rebalance developed/developing economies public equity to:
 - 1) maintain overall asset class balance given higher LCC emerging market exposure
 - 2) maintain risk exposures in light of higher credit-related private investments



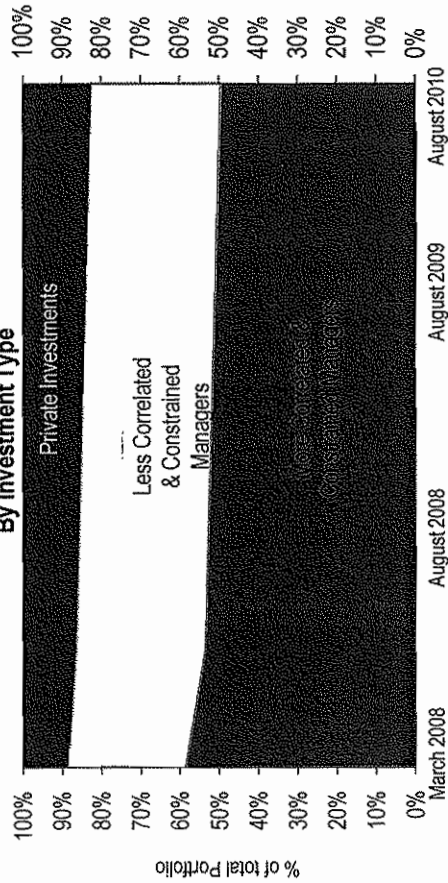
Fall 2007 Plan vs. Summer 2008 Plan

Fall 2007

By Asset Class

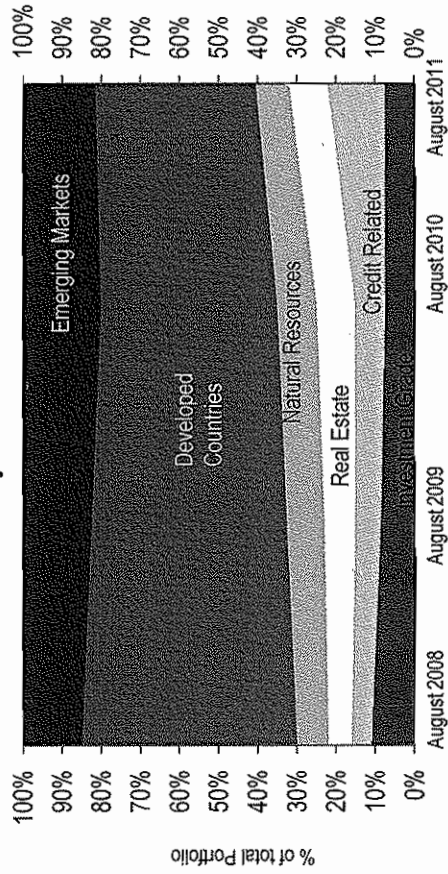


By Investment Type

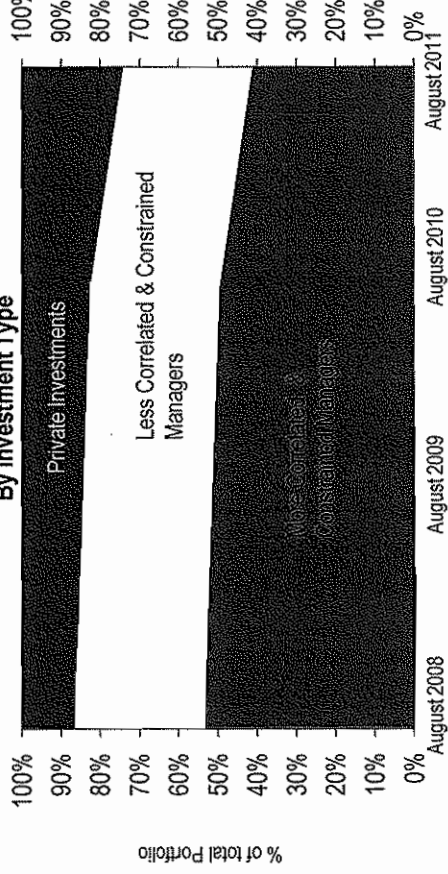


Summer 2008

By Asset Class



By Investment Type





ASSET ALLOCATION

FALL 07 PLAN

	MCC		LCC		Private Investments		Total	
	Min	Target	Min	Target	Min	Target	Min	Target
Investment Grade	6.5%	1.5%	2.0%	2.5%	0.0%	2.5%	5.0%	8.5%
Credit-Related					2.5%	6.5%	1.5%	6.5%
Real Estate	6.5%	6.0%	0.5%	1.5%	1.0%	2.0%	5.0%	8.0%
Natural Resources					2.0%	9.5%	5.0%	9.5%
Developed Countries	18.0%	13.0%	23.5%	3.0%	8.5%	50.0%	42.5%	50.0%
Emerging Markets					1.5%	17.5%	12.5%	17.5%
Total	45.0%	51.5%	27.5%	33.0%	10.0%	18.5%	100.0%	105.0%

SUMMER 08 PLAN

	MCC		LCC		Private Investments		Total	
	Min	Target	Min	Target	Min	Target	Min	Target
Investment Grade	5.5%	1.0%	2.0%	6.0%	0.0%	6.5%	5.0%	7.5%
Credit-Related					6.5%	13.5%	10.0%	13.5%
Real Estate	5.5%	5.5%	0.0%	1.5%	2.0%	8.5%	5.0%	7.5%
Natural Resources					1.5%	15.0%	5.0%	8.5%
Developed Countries	17.0%	10.0%	18.5%	5.0%	11.0%	46.5%	40.0%	46.5%
Emerging Markets					1.5%	22.5%	12.5%	16.5%
Total	37.5%	44.5%	27.5%	33.0%	18.0%	28.0%	100.0%	105.0%

FYE 10

	MCC		LCC		Private Investments		Total	
	Min	Target	Min	Target	Min	Target	Min	Target
Investment Grade	4.5%	2.0%	3.0%	3.0%	0.0%	2.5%	2.5%	7.5%
Credit-Related					2.5%	15.0%	2.5%	7.5%
Real Estate	7.0%	6.0%	1.0%	2.0%	2.0%	15.0%	5.0%	10.0%
Natural Resources					2.0%	10.0%	5.0%	10.0%
Developed Countries	16.0%	14.0%	21.0%	3.0%	8.0%	46.0%	37.5%	46.0%
Emerging Markets					3.0%	25.0%	15.0%	20.0%
Total	42.5%	49.5%	27.5%	33.0%	12.5%	22.5%	100.0%	100.0%

FYE 10

	MCC		LCC		Private Investments		Total	
	Min	Target	Min	Target	Min	Target	Min	Target
Investment Grade	5.5%	1.0%	2.0%	6.0%	0.0%	7.5%	5.0%	7.5%
Credit-Related					7.5%	14.5%	10.0%	14.5%
Real Estate	5.0%	4.5%	0.0%	2.5%	3.0%	9.5%	5.0%	8.0%
Natural Resources					2.5%	15.0%	5.0%	9.5%
Developed Countries	15.5%	10.0%	17.5%	5.0%	10.0%	43.0%	37.5%	43.0%
Emerging Markets					2.5%	22.5%	12.5%	17.5%
Total	35.0%	41.5%	27.5%	33.0%	21.0%	31.0%	100.0%	105.0%

FYE 11

	MCC		LCC		Private Investments		Total	
	Min	Target	Min	Target	Min	Target	Min	Target
Investment Grade	5.5%	2.0%	2.0%	6.0%	0.0%	6.5%	5.0%	7.5%
Credit-Related					6.5%	20.0%	10.0%	14.5%
Real Estate	4.5%	4.0%	0.0%	3.0%	4.0%	15.0%	5.0%	8.5%
Natural Resources					3.0%	15.0%	5.0%	10.0%
Developed Countries	14.5%	10.5%	17.0%	5.0%	9.5%	41.0%	37.5%	41.0%
Emerging Markets					3.0%	22.5%	12.5%	18.5%
Total	35.0%	41.0%	27.5%	33.0%	21.0%	33.0%	100.0%	105.0%

FYE 11

	MCC		LCC		Private Investments		Total	
	Min	Target	Min	Target	Min	Target	Min	Target
Investment Grade	5.5%	2.0%	2.0%	6.0%	0.0%	6.5%	5.0%	7.5%
Credit-Related					6.5%	20.0%	10.0%	14.5%
Real Estate	4.5%	4.0%	0.0%	3.0%	4.0%	15.0%	5.0%	8.5%
Natural Resources					3.0%	15.0%	5.0%	10.0%
Developed Countries	14.5%	10.5%	17.0%	5.0%	9.5%	41.0%	37.5%	41.0%
Emerging Markets					3.0%	22.5%	12.5%	18.5%
Total	35.0%	41.0%	27.5%	33.0%	21.0%	33.0%	100.0%	105.0%



Revised Asset Allocation Performance Projections

	<u>FYE08</u>	<u>FYE09</u>		<u>FYE10</u>		<u>FYE11</u>
		<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>	
Return	9.46%	9.60%	9.72%	9.87%	9.90%	9.87%
Downside Risk	8.68%	8.74%	8.84%	8.75%	8.80%	8.75%
Volatility	13.21%	13.39%	13.62%	13.59%	13.72%	13.63%
Portfolio Sharpe Ratio	0.41	0.42	0.42	0.43	0.43	0.43



Endowment Investment Flows

Change¹

	Projected Assets FYE 08	FYE 09	FYE 10	FYE 11
Investment Grade Fixed Income	\$2,375	(\$850)	\$100	\$125
Credit-related Fixed Income	1,350	1,400	400	225
Real Estate	1,150	400	225	250
Natural Resources	1,425	300	350	275
Developed Country Equity	10,150	(700)	(100)	200
Emerging Markets Equity	2,975	400	450	500
	\$19,425	\$950	\$1,425	\$1,575
More Correlated & Constrained	10,150	(1,100)	0	525
Less Correlated & Constrained	6,050	675	475	525
Private Investments	3,225	1,375	950	525
	\$19,425	\$950	\$1,425	\$1,575

¹Assumes 7% Endowment Growth (10% Investment Returns + 2% Contributions - 5% Distributions)



Endowment Investment Flows – No Growth

Change¹

	Projected Assets FYE 08	FYE 09	FYE 10	FYE 11
Investment Grade Fixed Income	\$2,375	(\$950)	\$0	\$0
Credit-related Fixed Income	1,350	1,200	200	0
Real Estate	1,150	275	100	100
Natural Resources	1,425	200	200	100
Developed Country Equity	10,150	(1,300)	(700)	(400)
Emerging Markets Equity	2,975	175	200	200
	\$19,425	(\$425)	\$0	\$0
More Correlated & Constrained	\$10,150	(\$1,700)	(\$550)	(\$100)
Less Correlated & Constrained	6,050	225	0	0
Private Investments	3,225	1,050	550	100
	\$19,425	(\$425)	\$0	\$0

¹Assumes 7% Endowment Growth (10% Investment Returns + 2% Contributions – 5% Distributions)



Private Market Investments: Commitments by Vintage Year

	2006	2007	2008 (Projected)	2009 (Projected)	2010 (Projected)	2011 (Projected)
Credit-Related	\$95	\$265	\$825	\$600	\$350	\$350
Natural Resources	50	40	195	350	350	350
Real Estate	0	0	405	550	550	550
Buyout	687	680	500	400	400	400
Venture Capital	<u>191</u>	<u>115</u>	<u>210</u>	<u>125</u>	<u>125</u>	<u>125</u>
Total Developed Country	878	795	710	525	525	525
Emerging Markets	0	50	335	300	300	300
TOTAL	\$1,023	\$1,150	\$2,470	\$2,325	\$2,075	\$2,075



Private Market Investments: MV of Investments

	2006	2007	2008 (Projected)	2009 (Projected)	2010 (Projected)	2011 (Projected)
Credit-Related	\$166	\$287	\$830	\$1,325	\$1,625	\$1,500
Natural Resources	153	182	200	300	550	700
Real Estate	0	0	95	400	650	925
Buyout	902	1,274	1,500	1,650	1,625	1,625
Venture Capital	<u>332</u>	<u>423</u>	<u>475</u>	<u>575</u>	<u>600</u>	<u>600</u>
Total Developed Country	1,234	1,697	1,975	2,225	2,225	2,225
Emerging Markets	17	24	200	300	550	700
TOTAL	\$1,570	\$2,190	\$3,300	\$4,550	\$5,600	\$6,050



Marketable Securities Exposures¹

	MCC				LCC			
	FYE 08 Projected	FYE 09 Target	FYE 10 Target	FYE 11 Target	FYE 08 Projected	FYE 09 Target	FYE 10 Target	FYE 11 Target
Investment Grade Fixed Income	\$2,000	\$1,125	\$1,200	\$1,275	\$375	\$400	\$425	\$450
Credit-related Fixed Income	0	200	225	475	500	1,225	1,300	1,400
Real Estate	1,000	1,125	1,075	1,050	50	50	50	50
Natural Resources	1,000	1,125	975	925	200	300	550	700
Developed Country Equity	4,200	3,450	3,400	3,400	4,100	3,750	3,775	3,950
Emerging Markets Equity	1,950	2,025	2,175	2,450	825	1,000	1,100	1,175
TOTAL	\$10,150	\$9,050	\$9,050	\$9,575	\$6,050	\$6,725	\$7,200	\$7,175

¹Assumes 7% Endowment Growth (10% Investment Returns + 2% Contributions - 5% Distributions)



Credit-Related Fixed Income

	Current		FYE 09 Projected	
	# of Mgrs	Policy	"Look Through"	"Look Through"
MCC	0	0.0%	0.0%	1.0%
LCC				
• <u>Reclassifications</u> (Perry, Eton Park, AG Super Fund)	7	1.6%	3.7%	6.0%
• <u>Increased/New Funding</u> (Centerbridge, Baupost, Farallon Side Car, Owl Creek)				7.5%
Private Investments				
• \$668 (3.5%) unfunded commitments	8*	3.8%	3.8%	6.5%
• \$600 (3.1%) projected new commitments				
TOTAL	15	5.5%	7.5%	13.5%
				15.0%

*Plus 5 "non-core" relationships totaling 0.4% of portfolio



Liquidity and Unfunded Commitments

Projected Liquidity	3 Month Liquidity (FYE)					One Year Liquidity (FYE)				
	08	09	10	11		08	09	10	11	
MCC										
% of Portfolio	52%	45%	42%	41%		52%	45%	42%	41%	
% Liquidity	80%	70%	65%	60%		90%	80%	75%	70%	
Liquidity	41%	32%	27%	25%		47%	36%	32%	29%	
LCC										
% of Portfolio	31%	33%	33%	33%		31%	33%	33%	33%	
% Liquidity	30%	25%	20%	20%		75%	70%	65%	65%	
Liquidity	9%	8%	7%	7%		24%	22%	22%	22%	
Private										
% of Portfolio	17%	22%	25%	26%		17%	22%	26%	26%	
% Liquidity	0%	0%	0%	0%		10%	10%	10%	10%	
Liquidity	0%	0%	0%	0%		2%	2%	3%	3%	
Total Liquidity	<u>50%</u>	<u>40%</u>	<u>34%</u>	<u>32%</u>		<u>73%</u>	<u>60%</u>	<u>57%</u>	<u>54%</u>	
Current Policy										
"Trigger" Limit	43%	40%	37%	28%						
	38%	35%	32%	23%						
Recommended Policy										
"Trigger" Limit	35%	30%	30%	28%						
	30%	25%	25%	23%						



Unfunded Commitments

	FYE 08	FYE 09	FYE 10	FYE 11
Projected	22.3%	24.7%	24.9%	20.9%
Current Policy Limit	22.5%	27.5%	32.5%	
Recommended Policy Limit	25.0%	27.5%	32.5%	32.5%



Intermediate Term Fund (ITF)

- Staff continues to recommend no change to the Intermediate Term Fund Investment Strategy, as was the case during the summer/fall 2007 review
- As a result of aligning the ITF with the PUF and GEF “Grids” some changes did result, including:
 - Broadening (benchmarking) Investment Grade Fixed Income to a global, from a US-only, perspective
 - Updated allocation of the LCC portfolio across Asset Classes
 - Adjusting the Natural Resources benchmark to a 50/50 AIG Index/MSCI World Natural Resources Index

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Tate

Type of Item: Discussion item

Description: The Risk Committee ("Committee") will meet on July 15, 2008, separately and jointly with the Policy Committee. The Committee's agenda includes (1) discussion and appropriate action related to proposed amendments to investment policies; (2) review and discussion of risk reporting; (3) review and discussion of compliance reporting; and (4) discussion and appropriate action related to categorization of new investment mandates and re-categorization of investment mandate.

The Mandate Categorization Procedure ("Procedure") was originally adopted by the UTIMCO Board on November 29, 2007. The Procedure was amended January 30, 2008, with an effective date of March 1, 2008. 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.

Discussion The Committee will have a joint meeting with the Policy Committee to discuss staff's recommended amendments to the Exhibits of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund and the Intermediate Term Fund, and the amendments to the Liquidity Policy. The discussion of the Investment Policy Statements is covered in the Report from the Policy Committee under Tab 5 of these materials.

The Committee will review and approve or re-categorize, as appropriate, the mandate categorizations and re-categorizations prepared by staff for the period beginning April 1, 2008, through June 30, 2008. The Procedure requires that all new mandates be categorized by the Managing Directors, and that the Chief Compliance Officer provide the Chief Investment Officer his/her agreement or recommended categorization, after which the Chief Investment Officer will designate the Asset Class and Investment Type and report to the Risk Committee at its next regular meeting for the Committee's approval or re-categorization. The

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Procedure also requires staff to recommend re-categorizations of any existing mandate if after the initial or annual categorization the Chief Investment Officer, a Managing Director, or the Chief Compliance Officer become aware of a change(s) in the investment characteristics of the mandate that warrant a re-categorization. Staff is requesting that the Committee approve twenty-one mandate categorizations and one re-categorization. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

Routine activities of the Committee include reviewing the quarterly risk reporting, compliance reporting, and risk reporting.

Recommendation: None

Reference: None

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Agenda Item: Report from Policy Committee, including Discussion and Appropriate Action Related to Investment Policy Statements and Code of Ethics

Developed By: Staff

Presented By: McHugh, Tate

Type of Item: Action item; Action required by UTIMCO Board and by UT System Board of Regents related to proposed amendments to the UTIMCO Code of Ethics and Investment Policies

Description: The Policy Committee ("Committee") will meet on July 15, 2008, separately and jointly with the Risk Committee. The Committee's agenda includes (1) discussion and appropriate action related to UTIMCO Code of Ethics; and (2) discussion and appropriate action related to proposed amendments to investment policies.

Texas Education Code Section 66.08(c)(4) requires that the Board of Regents of The University of Texas System (UT System) approve the Code of Ethics of The University of Texas Investment Management Company ("UTIMCO"). The Code of Ethics ("Code") sets forth the basic principles and guidelines for Directors and Employees of UTIMCO. In accordance with the Audit Charter of the Audit and Ethics Committee (the "Audit Charter"), the Audit and Ethics Committee (the "Committee") reviewed the UTIMCO Code of Ethics and recommended its proposed changes to the Policy Committee for concurrence and submission to the UTIMCO Board for approval. The charter of the Policy Committee also requires the Policy Committee to review proposed amendments to the Code of Ethics and recommend to the UTIMCO Board the approval of such amendments. The current Code of Ethics was reviewed in May of 2006 and approved by the Board of Regents on July 13, 2006. The Code is submitted for the approval of the UTIMCO Board with further approval by the U.T. Board required.

The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Policies for each Fund at least annually. The review includes distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges for each eligible Asset Class and Investment Type, expected returns for each Asset Class, Investment Type, and Fund, designated performance benchmarks for each Asset Class and/or Investment Type and such other matters as the U.T. Board or its staff designees may request. The Investment Policies and Exhibits listed below are enclosed for the approval of the UTIMCO Board with further approval by the U.T. Board required.

Discussion: UTIMCO Code of Ethics

The draft changes to the Code are based on the joint efforts of Vinson & Elkins LLP and UTIMCO Staff. The UT System Office of General Counsel has reviewed

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the draft changes to the Code and finds that the changes are consistent with *Texas Education Code* Section 66.08. The most significant changes to the Code include deletion of provisions prohibiting a Director's ability to invest, and consequently, UTIMCO's inability to invest, in private investments held by one or the other. Under the proposed draft, Directors and UTIMCO would be permitted to hold private investments in the same business entity so long as a Director's private investment does not constitute a pecuniary interest as defined by Section 3.01(b) of the Code. Staff has additionally noted a few provisions in the Code that necessitate additional clarification. A general discussion of the draft changes was presented to the Board of Regents of The University of Texas System at its May meeting and will be submitted for action at a future meeting.

- Page 7, Section 1.11; added additional requirements for staff and Board related to copying, removal, and return of confidential information to UTIMCO.
- Page 8, Section 1.13(c); broadened language regarding activities that include entertainment or recreation to include "other sponsored events."
- Page 12, Section 2.09(b); deleted explicit language regarding responsibility of UTIMCO office manager to provide address of the chair of the Audit & Ethics Committee.
- Page 13, Section 3.01; deleted "private investment in a business entity, including an investment fund, controlled by the person" from the definition of pecuniary interest.
- Pages 13-14, Sections 3.03-3.04; changed language to permit a Director to invest in private investments also held by UTIMCO so long as the Director's investment does not constitute a pecuniary interest as defined by Section 3.01(b) of the Code.
- Page 15, Section 3.06; deleted references to Director regarding divestment of private investments owned prior to the date on which the Director assumed a position on the UTIMCO Board.
- Pages 15-16, Section 3.08; changed the Employee and Employee Entity preclearance of personal securities transactions procedures to require UTIMCO to maintain a list of securities holdings on the UTIMCO intranet and only require employees to obtain preclearance for those personal securities included on the list on the trading day selected by the Employee or Employee entity; also added exchange traded funds to the list of securities that do not require preclearance and a statement that an Employee is prohibited from using advance knowledge of a UTIMCO decision to buy or sell a security for the Employee's personal gain.
- Page 17, Section 3.09; deleted references to "consultant" regarding a Director's interest in a consultant as no Director has discretion to select a consultant.
- Page 19, Section 3.12; added provision prohibiting former Directors and Employees from disclosing confidential information without UTIMCO's written consent or except as permitted or required by law.

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- Page 20, Section 4.02(b); added language to clarify that the approval to postpone the deadline to file the CEO's financial disclosure statement must come from the chair of the UTIMCO Board.
- Page 21, Section 4.04; language changed and added to state the responsibilities of Director's and Employee's with respect to certification of pecuniary interests and ownership of private investments in a business entity with which UTIMCO seeks to do business.
- Miscellaneous editorial changes

Investment Policies

The Policy and Risk Committees (the "Committees") will meet in a Joint Meeting on July 15, 2008, and are expected to review and approve the following Investment Policies and Exhibits to Investment Policies:

- Exhibit A - Permanent University Fund (PUF) Investment Policy Statement (effective July 24, 2008 through August 31, 2008)
- Exhibit A - General Endowment Fund (GEF) Investment Policy Statement (effective July 24, 2008 through August 31, 2008)
- Exhibit B - Permanent Health Fund (PHF) Investment Policy Statement (effective July 24, 2008 through August 31, 2008)
- Exhibit B - Long Term Fund (LTF) Investment Policy Statement (effective July 24, 2008 through August 31, 2008)
- Exhibit A - Permanent University Fund (PUF) Investment Policy Statement (effective September 1, 2008)
- Exhibit A - General Endowment Fund (GEF) Investment Policy Statement (effective September 1, 2008)
- Exhibit B - Permanent Health Fund (PHF) Investment Policy Statement (effective September 1, 2008)
- Exhibit B - Long Term Fund (LTF) Investment Policy Statement (effective September 1, 2008)
- Exhibit A - Intermediate Term Fund (ITF) Investment Policy Statement (effective September 1, 2008)
- Liquidity Policy (effective August 13, 2008)

The Short Term Fund (STF) Investment Policy Statement and the Separately Invested Funds (SIF) Investment Policy Statement were reviewed by staff and there are no recommended amendments. The STF Investment Policy Statement and SIF Investment Policy Statement were amended by the Board of Regents in November, 2005 and July 2006, respectively.

The Committees are being requested to approve mid-course corrections to Exhibits A to the Investment Policy Statements for the PUF and GEF and Exhibits B to the PHF and LTF Investment Policy Statements, for the fiscal year ending August 31, 2008, to be effective July 24, 2008. Due to the steep decline in public equity markets, the potential is increasing for the ratio of Private Investments over Total Endowment Assets to exceed the upper limit (17.5%) established in the

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Investment Policy Statements effective March 1, 2008. The ratio of Private Investments over Total Endowment Assets as of June 30, 2008, is 16.79% for the PUF and 16.71% for the GEF, compared to a June 30, 2008 maximum range of 16.8% for each. Because this ratio is very dependent on overall fund performance, it is impossible to establish with any certainty what the ratio will be at the end of July or August. UTIMCO Staff has determined that it would be imprudent to attempt to enter the secondary market to sell down a portion of existing private investments during this period, which is the only direct lever available to reduce this ratio. Additionally, the Staff believes that disrupting UTIMCO's Private Investments commitment program is inadvisable, particularly given that it would not impact the ratio in the short term as well as the variable nature of the ratio. Therefore, in order to remain in compliance with the Investment Policy Statements, Staff recommends that the Private Investments maximum range be increased to 20%, effective July 24, 2008. Exhibits A of the PUF, GEF (Exhibits B to the PHF and LTF Investment Policy Statements) set forth the revised maximum range for FY 2008 for Private Investments, effective July 24, 2008.

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and ITF, have been amended to reflect "mid-course corrections" to the implementation plan proposed for FY 09 and FY 10 as well as to recommend targets and ranges through FY 2011, as discussed in Mr. Zimmerman's presentation "Investment Strategy Review 2008" included in Tab 3. In addition, the Exhibits reflect the staff's following recommendations related to revisions to the benchmarks:

- Clarify that the Real Estate benchmark, the NAREIT Equity Index, means the FTSE EPRA/NAREIT Global Index. Mr. Zimmerman has previously mentioned to the Committee that it was the original intent that the NAREIT Equity Index be a global index and staff has consistently used the FTSE EPRA/NAREIT as the index or benchmark since the March 1, 2008 effective date of the Investment Policy Statements.
- Change the Natural Resources index from the Dow Jones-AIG Commodity Index Total Return to a combination index of 50% Dow-Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index.
- Change the benchmark of the Private Investments Real Estate Asset Class to the NACRIEF Custom Index instead of the Venture Economics Custom Index

Exhibits A of the PUF, GEF and ITF (Exhibits B in the PHF and LTF Investment Policy Statements) set forth the revised Policy Portfolio Asset Class and Investment Type targets and ranges for FY 2009, 2010, and 2011 and the revised benchmarks. The Policy Benchmark targets will be reset monthly. In addition, the

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Expected Annual Return, Expected Target Annual Return, and the one year downside deviation have been adjusted to reflect the revised Asset Class and Investment Type targets for FY 2009 and FY 2010.

The Liquidity Policy has been amended with the following:

- Page 2, the Liquidity Policy Profile for the Endowment Funds has been changed to incorporate new liquidity limits and trigger zones for the fiscal years ending 2009 and 2010. Additionally, fiscal year ending 2011 has been added.
- Page 3, the Liquidity Policy Profile for the ITF has been updated to add fiscal year ending 2011.
- Page 3, "Unfunded Commitments" maximum permitted amounts have been changed for the fiscal years ending 2008, 2009, and 2010 and the maximum permitted amount for fiscal year 2011 has been added.

Recommendation: The Committee will recommend appropriate action related to the UTIMCO Code of Ethics. The Committees will recommend appropriate action related to the Investment Policy Statements for the PUF, GEF, PHF, and LTF, for the fiscal year ending August 31, 2008, effective July 24, 2008. The Committees will recommend appropriate action related to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and the ITF, for the fiscal years 2009, 2010, and 2011 beginning September 1, 2008, and the Liquidity Policy effective August 13, 2008.

Reference: UTIMCO Code of Ethics
Exhibit A – PUF Investment Policy Statement, effective July 24, 2008
Exhibit A – GEF Investment Policy Statement, effective July 24, 2008
Exhibit B – PHF Investment Policy Statement, effective July 24, 2008
Exhibit B – LTF Investment Policy Statement, effective July 24, 2008
Exhibit A – PUF Investment Policy Statement, effective September 1, 2008
Exhibit A – GEF Investment Policy Statement, effective September 1, 2008
Exhibit B – PHF Investment Policy Statement, effective September 1, 2008
Exhibit B – LTF Investment Policy Statement, effective September 1, 2008
Exhibit A – ITF Investment Policy Statement, effective September 1, 2008
Liquidity Policy, effective August 13, 2008

RESOLUTION RELATED TO CODE OF ETHICS

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

RESOLUTION RELATED TO INVESTMENT POLICIES

RESOLVED, that amendments to the Exhibits of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Intermediate Term Fund, 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.

UTIMCO DRAFT 06/23/08



**THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

CODE OF ETHICS

Approved by the Board of Regents ~~July 13, 2006~~ July 24, 2008

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY
CODE OF ETHICS**

Subchapter A. GENERAL PROVISIONS

Sec. 1.01. General Principles. (a) The Board of Regents of The University of Texas System has ultimate fiduciary responsibility for causing the funds within its investment authority to be managed in accordance with applicable law.

(b) The standard mandated by Article VII, Section 11b, of the Texas Constitution concerning the permanent university fund, the standard mandated by the Board of Regents concerning all of the funds within its investment authority under the Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (UTIMCO), and the standard mandated by the Board of Regents' Investment Policy Statements require those funds to be invested in such investments that "prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of the assets of the fund rather than a single investment."

(c) Pursuant to the Investment Management Services Agreement, the Board of Regents has appointed UTIMCO as its investment manager with respect to those funds for which the Board of Regents has investment responsibility. In the agreement, UTIMCO has acknowledged that it acts as a fiduciary of the Board of Regents in the discharge of its investment management responsibilities and is obligated to manage the investments of the funds pursuant to policies of the Board of Regents that incorporate and adhere to the prudent investor standard. Accordingly, both the Board of Regents and UTIMCO have fiduciary interests in assuring that the ~~director~~Directors and ~~employee~~Employees of UTIMCO possess the requisite knowledge, skill, and experience to manage the funds in accordance with the prudent investor standard described in Subsection (b) of this section and other applicable law.

(d) This Code of Ethics (Code) sets forth the basic principles and guidelines for ~~director~~Directors and ~~employee~~Employees of UTIMCO, in addition to and in accordance with the requirements of Section 66.08 of the *Texas Education Code*, the Texas Non-Profit Corporation Act, and other applicable laws.

(e) This Code of Ethics anticipates that many of UTIMCO's ~~director~~Directors and ~~employee~~Employees will be active investors, either individually or on behalf of others, in the same asset categories as the funds managed by UTIMCO on behalf of the Board of Regents. Without seeking to disqualify those ~~director~~Directors and ~~employee~~Employees from service to UTIMCO except to the extent necessary or appropriate to avoid conflicts of interest or otherwise conform to applicable law, this ~~code~~Code holds all ~~director~~Directors and ~~employee~~Employees to high standards of conduct consistent with their special relationship of trust, confidence, and responsibility to UTIMCO. This ~~code~~Code also recognizes UTIMCO's unique role as the dedicated investment manager of the Board of Regents in investing the funds in furtherance of the education mission of the Board of Regents, the institutions of The University of Texas System, and other beneficiaries of the funds.

(f) In addition to strict compliance with legal requirements, all ~~director~~Directors and ~~employee~~Employees are expected to be guided by the basic principles of loyalty, prudence, honesty and fairness in conducting UTIMCO's affairs.

Sec. 1.02. Definitions. In this Code:

- (1) "Audit and ~~e~~Ethics ~~e~~Committee" means the standing ~~audit and ethics committee~~Audit and Ethics Committee established by UTIMCO bylaws.
- (2) "Board" means the Board of Directors of UTIMCO.
- (3) "Board of Regents" means the Board of Regents of The University of Texas System.
- (4) "CEO" means the Chief Executive Officer of UTIMCO.
- (54) "Chief Compliance Officer" means the person designated from time to time as the ~~chairman~~ of the ~~employee~~Employee Ethics and Compliance Committee.
- (65) "Director" means a member of the Board of Directors of UTIMCO.
- (67) "Director entity" means an investment fund or other entity controlled by a UTIMCO ~~director~~Director.
- (87) "Employee" means a person working for UTIMCO in an employer-employee relationship.
- (98) "Employee entity" means an investment fund or other entity controlled by a UTIMCO ~~employee~~Employee.

(109) “General counsel” means the lawyer or firm of lawyers designated from time to time as the ~~external general counsel~~General Counsel of UTIMCO.

(1140) “Key ~~employee~~Employee” means an ~~employee~~Employee who has been designated by the ~~board~~Board as one who exercises significant decision-making authority by virtue of the position the ~~employee~~Employee holds with UTIMCO.

(1211) “Personal securities transactions” means:

(A) transactions for a ~~director~~Director’s or ~~employee~~Employee’s own account, including an individual retirement account; or

(B) transactions for an account, other than an account over which the ~~director~~Director or ~~employee~~Employee has no direct or indirect influence or control, in which the ~~director~~Director or ~~employee~~Employee, or the ~~director~~Director’s or ~~employee~~Employee’s spouse, minor child, or other dependent relative:

(i) is an income or principal beneficiary or other equity owner of the account; or

(ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.

~~(12) “President” means the chief executive officer of UTIMCO.~~

(13) “Private investment” means any debt obligation or equity interest that is not a publicly traded security, including a “private investment” in a publicly traded company.

(14) “Publicly traded company” means a business entity with a class of securities that consists of publicly traded securities.

(15) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.

(16) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in

accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:

- (i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;
- (ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;
- (iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and
- (iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.

(17) “UTIMCO” means The University of Texas Investment Management Company.

(18) “UTIMCO entity” means an investment fund or other entity controlled by UTIMCO.

Sec. 1.03. Definition of “Control.” (a) For purposes of this ~~code~~Code, UTIMCO or a ~~director~~Director or ~~employee~~Employee is presumed to control an investment fund or other entity if UTIMCO’s or the ~~director~~Director’s or ~~employee~~Employee’s management role with or investment in the fund or entity enables UTIMCO or the ~~director~~Director or ~~employee~~Employee, as appropriate, to direct the operating or financial decisions of the fund or entity. However, the presumption of control by a ~~director~~Director or ~~employee~~Employee shall be rebutted if the ~~general counsel~~General Counsel advises the ~~board~~Board that, based upon a review and confirmation of relevant facts provided by the respective ~~director~~Director or ~~employee~~Employee, it is the opinion of the ~~general counsel~~General Counsel that the ~~director~~Director or ~~employee~~Employee does not have ultimate control of the operating or financial decisions of a particular fund or entity.

(b) Without limiting the provisions of Subsection (a), UTIMCO or a ~~director~~Director or ~~employee~~Employee is not presumed to control an investment fund or other entity if UTIMCO or the ~~director~~Director or

~~employee~~Employee, as appropriate, does not have a management role, if the terms of the investment do not give UTIMCO or the ~~director~~Director or ~~employee~~Employee, as appropriate, the legal right to direct the operating or financial decisions of the fund or entity, and if UTIMCO or the ~~director~~Director or ~~employee~~Employee, as appropriate, does not attempt to direct the operating or financial decisions.

Sec. 1.04. Decision-Making Based on Merit. (a) UTIMCO ~~director~~Directors and ~~employee~~Employees shall base UTIMCO business transactions on professional integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

(b) UTIMCO ~~director~~Directors and ~~employee~~Employees may not base any UTIMCO business decisions on family or personal relationships.

Sec. 1.05. Compliance with Law. Directors and ~~employee~~Employees shall comply with all applicable laws, and should be specifically knowledgeable of Section 66.08, *Education Code* (Investment Management), Section 39.02, *Penal Code* (Abuse of Official Capacity), and Section 39.06, *Penal Code* (Misuse of Official Information).

Sec. 1.06. Compliance with Professional Standards. Directors and ~~employee~~Employees who are members of professional organizations, such as the CFA Institute, shall comply with any standards of conduct adopted by the organizations of which they are members.

Sec. 1.07. Accounting and Operating Controls. Directors and ~~employee~~Employees shall observe the accounting and operating controls established by law and UTIMCO policies, including restrictions and prohibitions on the use of UTIMCO property for personal or other purposes not related to UTIMCO business.

Sec. 1.08. General Standards of Conduct for Directors and Employees.

(a) It is the policy of UTIMCO that a ~~director~~Director or ~~employee~~Employee should not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the ~~director~~Director or ~~employee~~Employee in the discharge of his or her duties for UTIMCO or that the ~~director~~Director or ~~employee~~Employee knows or should know is being offered with the intent to influence the ~~director~~Director's or ~~employee~~Employee's conduct on behalf of UTIMCO;
- (2) accept other employment or engage in a business or professional activity that the ~~director~~Director or

~~employee~~Employee might reasonably expect would require or induce the ~~director~~Director or ~~employee~~Employee to disclose confidential information acquired by reason of his or her position with UTIMCO;

- (3) accept other employment or compensation that could reasonably be expected to impair the ~~director~~Director's or ~~employee~~Employee's independence of judgment in the performance of his or her duties for UTIMCO;
- (4) make personal investments that could reasonably be expected to create a substantial conflict between the ~~director~~Director's or ~~employee~~Employee's private interest and the interests of UTIMCO; or
- (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the ~~director~~Director's or ~~employee~~Employee's authority or performed the ~~director~~Director's or ~~employee~~Employee's duties at UTIMCO in favor of another.

Sec. 1.09. Honesty and Loyalty. (a) Directors and ~~employee~~Employees shall be honest in the exercise of their duties and may not take actions that will discredit UTIMCO.

(b) Directors and ~~employee~~Employees should be loyal to the interests of UTIMCO to the extent that ~~the~~ their loyalty is not in conflict with other duties that legally have priority.

Sec. 1.10. Relationship with UTIMCO Not Used for Personal Gain.

(a) Directors and ~~employee~~Employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation or any properly authorized expense reimbursement.

(b) This section does not prohibit the use of UTIMCO as a reference or prohibit communicating to others the fact that a relationship with UTIMCO exists as long as no misrepresentation is involved.

Sec. 1.11. Confidential Information. (a) Directors and ~~employee~~Employees may not disclose confidential information unless duly authorized personnel determine that the disclosure is either permitted or required by law.

(b) Directors and ~~employee~~Employees shall use confidential information for UTIMCO purposes and not for their own personal gain or for the gain of third parties.

(c) Directors and Employees may not copy confidential information, for any reason, except as required to fulfill their duties for UTIMCO.

(d) Employees may not remove confidential information from the premises of UTIMCO, except as required to fulfill their duties for UTIMCO and then only for so long as required to fulfill their duties.

(e) Employees must return to UTIMCO all confidential information in their possession immediately upon request or immediately upon the termination of Employee's employment with UTIMCO, whichever comes first.

Sec. 1.12. Nepotism. (a) UTIMCO may not employ a person who is a relative of a ~~director~~Director. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days before the date of the related ~~director~~Director's appointment.

(b) UTIMCO may not employ a person who is a relative of a ~~key~~Key ~~employee~~Employee, of a consultant, or of any owner, director, or officer of a consultant. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days:

(1) before the date of the selection of the ~~key~~Key ~~employee~~Employee or consultant; or

(2) before becoming a relative.

(c) An ~~employee~~Employee may not exercise discretionary authority to hire, evaluate, or promote a relative.

(d) An ~~employee~~Employee may not directly or indirectly supervise a relative. In this subsection, "supervise" means to oversee with the powers of direction and decision-making the implementation of one's own or another's intentions, and normally involves assigning duties, overseeing and evaluating work, and approving leave.

(e) This section does not prohibit the employment of a relative of an ~~employee~~Employee for a short-term special project as a non-exempt ~~employee~~Employee if the ~~employee~~Employee seeking to employ a relative discloses the relationship in advance to the ~~C~~Chief ~~C~~Compliance ~~O~~officer and obtains prior approval from that officer for the employment.

Sec. 1.13. Gifts and Entertainment. (a) A ~~director~~Director or ~~employee~~Employee may not accept a gift that the ~~director~~Director or ~~employee~~Employee knows or should know is being offered or given because of the ~~director~~Director's or ~~employee~~Employee's position with UTIMCO. This prohibition applies to gifts solicited or accepted for the personal benefit of the ~~director~~Director or ~~employee~~Employee as well as to gifts to third parties.

(b) The prohibitions in this ~~code~~Code do not apply to the following gifts if acceptance does not violate a law:

- (1) gifts given on special occasions between ~~employee~~Employees and/or ~~director~~Directors;
- (2) books, pamphlets, articles, or other similar materials that contain information directly related to the job duties of a ~~director~~Director or ~~employee~~Employee and that are accepted by the ~~director~~Director or ~~employee~~Employee on behalf of UTIMCO for use in performing his or her job duties;
- (3) gifts from the relatives of a ~~director~~Director or ~~employee~~Employee that are based solely on a personal relationship between the ~~director~~Director or ~~employee~~Employee and his or her relative;
- (4) business meals and receptions when the donor or a representative of the donor is present;
- (5) ground transportation in connection with business meetings, meals, or receptions;
- (6) fees for seminars or conferences that relate to the ~~director~~Director's or ~~employee~~Employee's job duties and that are sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO; and
- (7) items of nominal intrinsic value, such as modest items of food and refreshment on infrequent occasions, gifts ~~on~~ special occasions, and unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, and pencils, but excluding cash or negotiable instruments.

(c) Attendance of ~~director~~Directors or ~~employee~~Employees at seminars, ~~or~~ conferences or other sponsored events that involve

entertainment or recreation and that are ~~sponsored~~ hosted in person and paid for by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO may in some cases be in the best interest of UTIMCO. An ~~employee~~ Employee must obtain specific written approval to attend such events from the ~~president~~ CEO or ~~Chief Compliance Officer~~ Chief Compliance Officer. Approval may be withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

(d) A ~~director~~ Director or ~~employee~~ Employee may not accept a gift if the source of the gift is not identified or if the ~~director~~ Director or ~~employee~~ Employee knows or has reason to know that a prohibited gift is being offered through an intermediary.

(e) A ~~director~~ Director or ~~employee~~ Employee who receives a prohibited gift should return the gift to its source or, if that is not possible or feasible, donate the gift to charity.

Sec. 1.14. Communications with General Counsel. When the ~~general counsel~~ General Counsel of UTIMCO is a firm of lawyers, one principal within that firm must be identified to receive all written and oral communications made pursuant to this ~~code~~ Code.

Sec. 1.15. Key Employees. The ~~board~~ Board shall designate by position with UTIMCO those ~~employee~~ Employees who exercise significant decision-making authority. These ~~employee~~ Employees are "Key employees" for purposes of this ~~code~~ Code.

Subchapter B. CONFLICTS OF INTEREST

Sec. 2.01. Definition of Conflict of Interest. (a) A conflict of interest exists for a ~~director~~ Director or ~~employee~~ Employee when the ~~director~~ Director or ~~employee~~ Employee has a personal or private commercial or business relationship that could reasonably be expected to diminish the ~~director~~ Director's or ~~employee~~ Employee's independence of judgment in the performance of the ~~director~~ Director's or ~~employee~~ Employee's responsibilities to UTIMCO.

(b) For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to UTIMCO or its business and the act or failure to act is or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of UTIMCO.

Sec. 2.02. Exceptions for Minimal Stock Ownership. It is not a conflict of interest solely because a ~~director~~ Director or ~~employee~~ Employee has an

investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the ~~director's~~ Director's or ~~employee's~~ Employee's interest in the stock is not more than five percent of any class and if the ~~director~~ Director or ~~employee~~ Employee is not a director or officer of the company.

Sec. 2.03. Duty to Avoid Conflicts of Interest. (a) Directors and ~~employee~~ Employees should avoid personal, employment, or business relationships that create conflicts of interest.

(b) A ~~director~~ Director or ~~employee~~ Employee may not take action personally or on behalf of UTIMCO that will result in a reasonably foreseeable conflict of interest. If a ~~director~~ Director or ~~employee~~ Employee believes that an action is in the best interest of UTIMCO but could foreseeably result in a conflict of interest, the ~~director~~ Director must disclose that fact to the General Counsel or the ~~employee~~ Employee must disclose that fact to the Chief Compliance Officer before taking the action.

Sec. 2.04. Duty to Disclose and Cure Conflicts. A ~~director~~ Director or ~~employee~~ Employee who becomes aware of a conflict of interest has an affirmative duty to disclose and cure the conflict in a manner provided for in this ~~code~~ Code.

Sec. 2.05. Curing Conflicts of Interest. (a) A ~~director~~ Director or ~~employee~~ Employee who becomes aware, or reasonably should have become aware, of a conflict of interest shall cure the conflict by promptly eliminating it, except as provided by Subsection (b).

(b) A ~~director~~ Director or ~~employee~~ Employee may cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists if:

- (1) the ~~director~~ Director or ~~employee~~ Employee may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;
- (3) the nature of the conflict is not such that the ~~director~~ Director or ~~employee~~ Employee must regularly and consistently withdraw from decisions that are normally the ~~director~~ Director's or ~~employee~~ Employee's responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a ~~director~~ Director or ~~employee~~ Employee having a pecuniary

interest in a business entity as described in Section 3.01 of this ~~code~~Code.

(c) A ~~director~~Director or ~~employee~~Employee who cannot or does not wish to eliminate or cure a conflict of interest shall terminate his or her relationship with UTIMCO as quickly as responsibly and legally possible.

Sec. 2.06. Disclosing and Refraining from Participation. (a) A ~~director~~Director must disclose any conflicts of interest regarding matters that are before the Board, absent himself or herself from any relevant deliberations, and refrain from voting on the matter.

(b) An ~~employee~~Employee must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the Board, after consultation with the ~~general counsel~~General Counsel, expressly waives the conflict.

Sec. 2.07. Waivers of Conflicts of Interest. (a) The Board shall decide at an official meeting whether to waive any conflict of interest disclosed under Section 2.06(b) of this ~~code~~Code.

(b) To assist it in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships that do not constitute material conflicts.

(c) Any waiver of a conflict of interest, including the reasons supporting the waiver, must be included in the minutes of the meeting.

(d) The ~~C~~Chief ~~C~~ompliance ~~O~~fficer shall maintain records of all waivers granted, including the reasons supporting the waivers.

Sec. 2.08. Procedures for Director's Disclosure of Conflict of Interest. A ~~director~~Director must disclose conflicts of interest in writing to the ~~general counsel~~General Counsel before a UTIMCO Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

Sec. 2.09. Procedures for Employee's Disclosure of Conflict of Interest. (a) An ~~employee~~Employee must promptly disclose conflicts of interest in writing to the ~~e~~Chief ~~e~~Compliance ~~e~~Officer through the financial disclosure and ethics compliance statement required by Section 4.03 of this ~~code~~Code. The ~~e~~Chief ~~e~~Compliance ~~e~~Officer shall report to the ~~a~~Audit and ~~e~~Ethics ~~e~~Committee regarding the statements the officer receives under this subsection.

(b) If a person with a duty to disclose a conflict has a reasonable cause to believe that disclosure to the ~~e~~Chief ~~e~~Compliance ~~e~~Officer will be ineffective, the person shall disclose the conflict to the ~~a~~Audit and ~~e~~Ethics ~~e~~Committee by filing a written disclosure with the chairman of the ~~e~~Committee. ~~The UTIMCO office manager shall provide the address of the chairman of the committee.~~

(c) A copy of the disclosure provided to either the ~~e~~Chief ~~e~~Compliance ~~e~~Officer or the ~~a~~Audit and ~~e~~Ethics ~~e~~Committee shall be provided to the ~~e~~Employee's supervisor unless the person with the conflict of interest believes that the disclosure would be detrimental to the resolution of the conflict.

Sec. 2.10. Referrals. Referral of information from a ~~director~~Director related to investment opportunities outside of a posted open meeting of the ~~board~~Board must be made using the procedures provided by the Regents' *Rules and Regulations*, Series 70201, Section 12.

Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

Sec. 3.01. Prohibitions Related to UTIMCO. (a) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a ~~director~~Director or ~~employee~~Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a ~~director~~Director entity, ~~employee~~Employee entity, or other business entity, including an investment fund, in which a ~~director~~Director or ~~employee~~Employee has a pecuniary interest;
- (3) a former ~~director~~Director or ~~employee~~Employee, an investment fund or other entity controlled by a former ~~director~~Director or ~~employee~~Employee, or a business entity in which a former ~~director~~Director or ~~employee~~Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a ~~director~~Director or ~~employee~~Employee; or
- (4) an investment fund or account managed by a ~~director~~Director, ~~director~~Director entity, ~~employee~~Employee, or ~~employee~~Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

(b) For purposes of this ~~code~~Code, a person has a "pecuniary interest" in a business entity if the person:

- (1) owns five percent or more of the voting stock or shares of ~~theof the~~ business entity; or
- (2) owns five percent or more of the fair market value of the business entity; or
- (3) ~~_____ (3) _____~~ received more than five percent of the person's gross income for the preceding calendar year from the business entity; ~~or~~
- (4) ~~has a private investment in a business entity, including an investment fund, controlled by the person.~~

Sec. 3.02. UTIMCO Investment Policies for Publicly Traded Companies.

UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a ~~director~~Director or ~~employee~~Employee has a pecuniary interest.

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

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

~~the investment will not benefit the director or director entity financially;~~

- (2) invest in the private investments of a business entity if an ~~Employee~~employee or ~~Employee~~employee entity then owns a private investment in the same business entity; or
- (3) ~~except as provided above, co-invest with a director~~Director, or ~~director~~Director entity, ~~employee, or employee~~ entity in the private investments of the same business entity if after the co-investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or-
- (4) co-invest with an Employee, or Employee entity in the private investments of the same business entity.

Sec. 3.04. Director Investments in Private Investments of Certain Business Entities. (a) A ~~director~~Director or a ~~director~~Director entity may not:

- (1) invest in the private investments of a business entity if UTIMCO or, a UTIMCO entity, ~~an employee, or an employee~~ entity then owns a private investment in the same business entity if after the investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; -or
- (2) co-invest with UTIMCO, or a UTIMCO entity, ~~an employee, or an employee~~ entity in the private investments of the same business entity if after the co-investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or
- (3) co-invest with an Employee or an Employee entity in the private investments of the same business entity.

(b) The prohibitions provided by this section apply to a ~~director~~Director's spouse, minor children, or other dependent relatives.

Sec. 3.05. Employee Investments in Private Investments of Certain Business Entities. (a) An ~~employee~~Employee or ~~employee~~Employee entity may not:

- (1) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, a ~~director~~Director, or a ~~director~~Director entity then owns a private investment in the same business ~~entity~~entity; or
- (2) co-invest with UTIMCO, a UTIMCO entity, a ~~director~~Director, or a ~~director~~Director entity in the private investments of the same business entity.

(b) The prohibitions provided by this section apply to an ~~employee~~Employee's spouse, minor children, or other dependent relatives.

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

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

Sec. 3.07. Director Personal Securities Transactions. (a) A ~~director~~Director or ~~director~~Director entity may buy or sell a publicly traded security of an issuer that is held by UTIMCO but may not engage in a personal securities transaction if the ~~director~~Director has actual knowledge that an internal portfolio manager of UTIMCO has placed a buy/sell order for execution.

(b) The prohibition provided by this section applies to a ~~director~~Director's spouse, minor child, or other dependent relative.

Sec. 3.08. Employee Personal Securities Transactions. (a) Employees are prohibited from using advance knowledge of a UTIMCO decision to buy or sell a security for the personal financial gain of the Employee.

(b) An Employee or Employee entity may engage in a personal securities transaction without obtaining preclearance for the transaction from the Chief Compliance Officer with respect to a security that is not a security of an issuer that is held by UTIMCO and included on the UTIMCO maintained list of securities holdings. The UTIMCO list of securities holdings will be posted on the UTIMCO intranet and updated as securities holdings change. An employee may rely on the posted list when engaging in personal securities transactions.

(ca) Before an Employee or Employee entity may engage in a personal securities transaction with respect to a security of an issuer that is included on the UTIMCO maintained list of securities holdings, the An employeeEmployee or employeeEmployee entity may not engage in a personal securities transaction without must obtaining preclearance for each ~~the~~ transaction from the ~~chief compliance officer~~ Chief Compliance Officer. Preclearance is effective for one trading day only.

(db) The chief compliance officer Chief Compliance Officer shall verify that no buy/sell order has been placed by a UTIMCO internal manager ~~for securities of the same class~~ with respect to the security of an issuer held by and included on the UTIMCO maintained list of securities holdings that is the subject of the Employee's personal securities transaction. If such a buy/sell order has been placed, an ~~employeeEmployee or employeeEmployee~~ Employee or Employee entity may not conduct ~~a~~ the personal securities transaction for those securities until at least one trading day after the buy/sell order has been completed or canceled.

(ec) The chief compliance officer Chief Compliance Officer shall document preclearances in a personal securities transaction log for each ~~employeeEmployee,~~ which will provide a record of all requests and approvals or denials of preclearances.

(fd) An employeeEmployee who engages in a personal securities transaction must also provide transactional disclosure for each transaction by completing a transactional disclosure form and filing it with the ~~chief compliance officer~~ Chief Compliance Officer not later than the tenth calendar day after the trade date. The form must contain the:

- (1) name and amount of the security involved;
- (2) date and nature of the transaction;
- (3) price at which the transaction was effected; and
- (4) name of the broker through whom the transaction was effected.

(ge) The preclearance and transactional disclosure requirements apply only to equity or equity-related transactions, including stocks, convertibles, preferreds, options on securities, warrants, and rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The preclearance and transactional disclosure requirements do not apply to bonds other than convertible bonds, mutual funds, co-

mingled trust funds, exchange traded funds, financial futures, and options on futures.

(hf) This section applies to an ~~employee~~Employee's spouse, minor child, or other dependent relative.

Sec 3.09. Interest in Brokerage Firm or Consultant. (a) A ~~director~~Director may not direct trades or exercise discretion over the selection of brokerage firms.

(b) An ~~employee~~Employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the ~~employee~~Employee for UTIMCO business if the ~~employee~~Employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

~~(c) A director or employee may not have stock or other ownership or profit sharing interest in a consultant selected by the director or employee for UTIMCO business if the director or employee has the discretion to select consultants.~~

(~~c~~) The restrictions provided by this section apply to:

- (1) stock held for an director's or employeeEmployee's own account;
- (2) stock or other ownership or profit sharing interests held by an director's or employeeEmployee's spouse; or
- (3) stock held for an account, other than an account over which the ~~director or employee~~Employee has no direct or indirect influence or control, in which the ~~director or employee~~Employee has a beneficial interest, such as accounts involving the spouse, minor child, or other dependent relative.

(~~e~~) The restrictions provided by this section do not prohibit the ownership of stock in a company that may own stock in a brokerage firm ~~or consultant~~ if the brokerage firm ~~or consultant~~ is not the dominant or primary business of the parent company.

Sec. 3.10. Employee's Outside Employment or Business Activity. (a) An ~~employee~~Employee may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO.

(b) A ~~key~~Key employee~~Employee~~ must obtain advance written approval from the ~~president~~CEO for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. The ~~president~~CEO must obtain advance approval from the Board for any outside employment.

(c) An ~~employee~~Employee, with the prior approval of the Board, may serve as a director of a company in which UTIMCO has directly invested its assets. The Board's approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the ~~employee~~Employee's service as director of the investee company. All compensation paid to an ~~employee~~Employee for service as director of an investee company shall be endorsed to UTIMCO and applied against UTIMCO's fees.

Sec. 3.11. Further Restrictions on Directors and Employees. A ~~director~~Director or ~~employee~~Employee may not:

- (1) participate in a matter before UTIMCO that involves a business, contract, property, or investment held by the person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to the person by or through the business, contract, property, or investment;
- (2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a relative;
- (3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others under similar circumstances to finance proper and usual activities; or
- (5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

Sec. 3.12. Former Directors and Employees. (a) A former ~~director~~Director or ~~employee~~Employee may not make any communication to or

appearance before a current ~~director~~Director or ~~employee~~Employee before the second anniversary, in the case of a former ~~director~~Director, or the first anniversary, in the case of a former ~~employee~~Employee, of the date the former ~~director~~Director or ~~employee~~Employee ceased to be a ~~director~~Director or ~~employee~~Employee if the communication is made:

(1) with the intent to influence; and

(2) on behalf of any person in connection with any matter on which the former ~~director~~Director or ~~employee~~Employee seeks action by UTIMCO.

(b) A ~~director~~Director or ~~employee~~Employee who knowingly communicates with a former ~~director~~Director or ~~employee~~Employee in violation of this prohibition is subject to disciplinary action, including removal from serving as a ~~director~~Director.

(c) A former Director or Employee may not disclose confidential information without UTIMCO's written consent or except as permitted or required by law.

Subchapter D. FINANCIAL DISCLOSURE, COMPLIANCE, AND ENFORCEMENT

Sec. 4.01. Employee Ethics and Compliance Committee. (a) The ~~president~~CEO shall appoint an ~~employee~~Employee ~~e~~Ethics and ~~e~~Compliance ~~e~~Committee composed of UTIMCO personnel.

(b) The Chief Compliance Officer appointed by the Audit and Ethics Committee shall be the chairman of the ~~employee~~Employee ~~e~~Ethics and ~~e~~Compliance ~~e~~Committee-is the chief compliance officer.

(c) The ~~employee~~Employee ~~e~~Ethics and ~~e~~Compliance ~~e~~Committee shall:

(1) provide ethics training for UTIMCO personnel; and

(2) issue opinions on the proper interpretation of this ~~e~~Code.

(d) An ~~employee~~Employee may file a written request with the ~~employee~~Employee ~~e~~Ethics and ~~e~~Compliance ~~e~~Committee for an opinion on the proper interpretation of this ~~e~~Code, and may rely on that opinion with respect to compliance with this ~~e~~Code.

Sec. 4.02. Financial Disclosure Statements. (a) Directors and ~~employee~~Employees shall file financial disclosure statements with the ~~chief compliance officer~~Chief Compliance Officer.

(b) Directors and ~~employee~~Employees shall file the financial disclosure statement not later than the 30th day after the date of appointment or employment, and not later than April 30 of each year thereafter. The ~~president~~CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the ~~chairman~~ of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) UTIMCO must maintain a financial disclosure statement for at least five years after the date it is filed.

(d) Directors who are required to file disclosure statements with the Texas Ethics Commission shall file those statements in the form prescribed by law.

Sec. 4.03. Ethics Compliance Statements. (a) Directors and ~~employee~~Employees, including acting or interim ~~employee~~Employees, must file ethics compliance statements with the ~~chief compliance officer~~Chief Compliance Officer.

(b) Directors and ~~employee~~Employees shall sign, date, and file the ethics compliance statements not later than the 60th day after the date of appointment or employment. Thereafter, any person who is a ~~director~~Director or ~~employee~~Employee on December 31 of any year must file the compliance statement not later than April 30 of the following year.

(c) In the ethics compliance statement, the ~~director~~Director or ~~employee~~Employee must acknowledge that he or she has received and read this ~~code~~Code, that he or she will comply with its provisions, and that it is his or her duty to report any act by other ~~director~~Directors or ~~employee~~Employees when he or she has knowledge of a violation of this ~~code~~Code. An ~~employee~~Employee must also acknowledge that adherence to this ~~code~~Code is a condition of employment. The statement must also disclose any conflicts of interest or violations of the ~~code~~Code of which the ~~director~~Director or ~~employee~~Employee is aware.

(d) Key ~~employee~~Employees must acknowledge their ~~key~~Key ~~employee~~Employee status in the ethics compliance statement.

(e) The ethics compliance statement must include a reminder that a ~~director~~Director or ~~employee~~Employee is required to update a statement if a change in circumstances occurs that would require reporting under this ~~code~~Code.

(f) An ~~employee~~Employee's signed statement shall be maintained in the ~~employee~~Employee's personnel file. The ~~chief compliance officer~~Chief Compliance Officer shall maintain the ~~director~~Directors' signed statements.

Sec. 4.04. Certification of No Pecuniary Interest. (a) Before the Board ~~considers~~enters into an agreement or transaction with a business entity, ~~including an investment fund or an investment in a business entity~~, each ~~director~~Director and ~~key~~Key employeeEmployee shall certify that he or she does not have a pecuniary interest, as defined by Section 3.01(b) of this ~~code~~Code, in the business entity.

(b) Before the Board invests in the private investments of a business entity, (i) each Director shall certify that neither the Director nor any Director entity has a pecuniary interest, as defined by Section 3.01(b) of this Code, in the same business entity; and (ii) each Key Employee shall certify that neither the Key Employee nor any Key Employee entity owns a private investment in the same business entity.

Sec. 4.05. Disciplinary Action Disclosure Statements. (a) Directors and ~~key~~Key employeeEmployees shall file disciplinary action disclosure statements that disclose any proceedings, actions, or hearings by any professional organization or other entity involving the ~~director~~Director or ~~key~~Key employeeEmployee.

(b) Directors and ~~key~~Key employeeEmployees must file the disciplinary action disclosure statement with the ~~chief compliance officer~~Chief Compliance Officer not later than April 30 of the first year of designation as a ~~director~~Director or ~~key~~Key employeeEmployee.

(c) A ~~director~~Director or ~~key~~Key employeeEmployee must promptly update a statement if any action occurs that would cause a ~~director~~Director's or ~~employee~~Employee's answers to change.

Sec. 4.06. Custodian of Records. For open records purposes, the ~~chief compliance officer~~Chief Compliance Officer is the custodian of the disclosure statements required by this ~~code~~Code.

Sec. 4.07. Enforcement. (a) The ~~president~~CEO is responsible for implementing this ~~code~~Code with respect to ~~employee~~Employees. The

Board shall enforce this ~~code~~Code with respect to ~~employee~~Employees through the ~~president~~CEO.

(b) An ~~employee~~Employee who violates this ~~code~~Code may be subject to the full range of disciplinary options under UTIMCO personnel policies and practices, including termination.

(c) The Board shall enforce this ~~code~~Code with respect to individual ~~director~~Directors through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.

Sec. 4.08. Duty to Report. (a) A ~~director~~Director who has knowledge of a violation of this ~~code~~Code shall report the violation to the ~~general counsel~~General Counsel.

(b) An ~~employee~~Employee who has knowledge of a violation of this ~~code~~Code shall report the violation to the ~~chief compliance officer~~Chief Compliance Officer or to a member of the ~~audit and ethics committee~~Audit and Ethics Committee.

(c) Retaliatory action may not be taken against a person who makes a good faith report of a violation involving another person.

Sec. 4.09. Notice to Audit and Ethics Committee. (a) The ~~president~~CEO shall notify the ~~audit and ethics committee~~Audit and Ethics Committee in writing not later than February 15 of each year concerning:

- (1) any approval given for outside employment by ~~key~~Key ~~employee~~Employees, including the nature of the employment; and
- (2) any disciplinary action disclosed by ~~director~~Directors or ~~key~~Key ~~employee~~Employees.

EXHIBIT A
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH-1, 2008-JULY 24, 2008

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Max	Min	Max	Min	Max	Min	Max
<u>Asset Classes</u>								
Investment Grade Fixed Income	10.0%	20.0%	7.5%	17.5%	5.0%	15.0%	2.5%	15.0%
Credit-Related Fixed Income	0.0%	5.0%	0.0%	12.5%	1.5%	14.0%	2.5%	15.0%
Real Estate	2.5%	7.5%	3.0%	9.0%	5.0%	11.0%	5.0%	15.0%
Natural Resources	3.0%	9.0%	4.0%	12.0%	5.0%	13.0%	5.0%	15.0%
Developed Country Equity	52.5%	67.5%	47.5%	62.5%	42.5%	57.5%	37.5%	52.5%
Emerging Markets Equity	7.5%	17.5%	10.0%	20.0%	12.5%	22.5%	15.0%	25.0%
<u>Investment Types</u>								
More Correlated & Constrained Investments	50.0%	65.0%	47.5%	60.0%	45.0%	60.0%	42.5%	57.5%
Less Correlated & Constrained Investments	25.0%	35.0%	27.5%	37.5%	27.5%	37.5%	27.5%	37.5%
Private Investments	7.5%	15.5%	9.5%	20.0%	10.0%	20.0%	12.5%	22.5%

*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.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Max	Min	Max	Min	Max	Min	Max
Lehman Brothers Global Aggregate Index	11.0%		8.5%		6.5%		4.5%	
Lehman Brothers Global High-Yield Index	1.5%		1.5%		1.5%		2.0%	
NAREIT Equity Index	5.0%		5.5%		6.5%		7.0%	
Dow Jones-AIG Commodity Index Total	4.0%		5.0%		6.0%		6.0%	
MSCI World Index with net dividends	27.5%		22.0%		18.0%		16.0%	
MSCI Emerging Markets with net dividends	9.5%		11.0%		13.0%		14.0%	
MSCI Investable Hedge Fund Index	30.0%		33.0%		33.0%		33.0%	
Venture Economics Custom Index	11.5%		13.5%		15.5%		17.5%	
<u>POLICY/TARGET RETURN/RISKS</u>	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
Expected Annual Return (Benchmarks)	8.34%		8.47%		8.62%		8.75%	
Expected Target Annual Return (Active)	9.31%		9.46%		9.65%		9.81%	
One Year Downside Deviation	8.52%		8.56%		8.70%		8.90%	
<u>Risk Bounds</u>								
Lower: 1 Year Downside Deviation	85%		85%		85%		85%	
Upper: 1 Year Downside Deviation	115%		115%		115%		115%	

EXHIBIT B
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008, JULY 24, 2008

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Max	Min	Target	Min	Max
<u>Asset Classes</u>								
Investment Grade Fixed Income	10.0%	14.0%	7.5%	17.5%	5.0%	8.5%	2.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	0.0%	12.5%	1.5%	6.5%	2.5%	15.0%
Real Estate	2.5%	5.0%	3.0%	9.0%	5.0%	8.0%	5.0%	15.0%
Natural Resources	3.0%	6.0%	4.0%	12.0%	5.0%	9.5%	5.0%	15.0%
Developed Country Equity	52.5%	60.0%	47.5%	62.5%	42.5%	50.0%	37.5%	52.5%
Emerging Markets Equity	7.5%	12.5%	10.0%	20.0%	12.5%	17.5%	15.0%	25.0%
<u>Investment Types</u>								
More Correlated & Constrained Investments	50.0%	58.5%	47.5%	60.0%	45.0%	51.5%	42.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	27.5%	37.5%	27.5%	33.0%	27.5%	37.5%
Private Investments	7.5%	11.5%	9.5%	15.5%	10.0%	15.5%	12.5%	22.5%

*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.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Max	Min	Target	Min	Max
Lehman Brothers Global Aggregate Index	11.0%		8.5%		6.5%		4.5%	
Lehman Brothers Global High-Yield Index	1.5%		1.5%		1.5%		2.0%	
NAREIT Equity Index	5.0%		5.5%		6.5%		7.0%	
Dow Jones-AIG Commodity Index Total Return	4.0%		5.0%		6.0%		6.0%	
MSCI World Index with net dividends	27.5%		22.0%		18.0%		16.0%	
MSCI Emerging Markets with net dividends	9.5%		11.0%		13.0%		14.0%	
MSCI Investable Hedge Fund Index	30.0%		33.0%		33.0%		33.0%	
Venture Economics Custom Index	11.5%		13.5%		15.5%		17.5%	
POLICY/TARGET RETURN/RISKS	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
Expected Annual Return (Benchmarks)	8.34%		8.47%		8.62%		8.75%	
Expected Target Annual Return (Active)	9.31%		9.46%		9.65%		9.81%	
One Year Downside Deviation	8.52%		8.56%		8.70%		8.90%	
Risk Bounds								
Lower: 1 Year Downside Deviation	85%		85%		85%		85%	
Upper: 1 Year Downside Deviation	115%		115%		115%		115%	

Long Term Fund Investment Policy Statement (continued)

EXHIBIT B

GENERAL ENDOWMENT FUND
 ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
 EFFECTIVE DATE MARCH 1, 2008-JULY 24, 2008

POLICY PORTFOLIO	March 1, 2008			FYE 2008			FYE 2009			FYE 2010		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
<u>Asset Classes</u>												
Investment Grade Fixed Income	10.0%	14.0%	20.0%	7.5%	11.0%	17.5%	5.0%	8.5%	15.0%	2.5%	7.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	5.0%	0.0%	5.0%	12.5%	1.5%	6.5%	14.0%	2.5%	7.5%	15.0%
Real Estate	2.5%	5.0%	7.5%	3.0%	6.0%	9.0%	5.0%	8.0%	11.0%	5.0%	10.0%	15.0%
Natural Resources	3.0%	6.0%	9.0%	4.0%	8.0%	12.0%	5.0%	9.5%	13.0%	5.0%	10.0%	15.0%
Developed Country Equity	52.5%	60.0%	67.5%	47.5%	55.0%	62.5%	42.5%	50.0%	57.5%	37.5%	45.0%	52.5%
Emerging Markets Equity	7.5%	12.5%	17.5%	10.0%	15.0%	20.0%	12.5%	17.5%	22.5%	15.0%	20.0%	25.0%
<u>Investment Types</u>												
More Correlated & Constrained Investments	50.0%	58.5%	65.0%	47.5%	53.5%	60.0%	45.0%	51.5%	60.0%	42.5%	49.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	35.0%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	7.5%	11.5%	15.5%	9.5%	13.5%	17.5%	10.0%	15.5%	20.0%	12.5%	17.5%	22.5%

*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.

POLICY BENCHMARK (reset monthly)	March 1, 2008			FYE 2008			FYE 2009			FYE 2010		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
Lehman Brothers Global Aggregate Index	11.0%			8.5%			6.5%			4.5%		
Lehman Brothers Global High-Yield Index	1.5%			1.5%			1.5%			2.0%		
NAREIT Equity Index	5.0%			5.5%			6.5%			7.0%		
Dow Jones-AIG Commodity Index Total	4.0%			5.0%			6.0%			6.0%		
MSCI World Index with net dividends	27.5%			22.0%			18.0%			16.0%		
MSCI Emerging Markets with net dividends	9.5%			11.0%			13.0%			14.0%		
MSCI Investable Hedge Fund Index	30.0%			33.0%			33.0%			33.0%		
Venture Economics Custom Index	11.5%			13.5%			15.5%			17.5%		
<u>POLICY/TARGET RETURN/RISKS</u>												
Expected Annual Return (Benchmarks)	8.34%			8.47%			8.62%			8.75%		
Expected Target Annual Return (Active)	9.31%			9.46%			9.65%			9.81%		
One Year Downside Deviation	8.52%			8.56%			8.70%			8.90%		
Risk Bounds												
Lower: 1 Year Downside Deviation	85%			85%			85%			85%		
Upper: 1 Year Downside Deviation	115%			115%			115%			115%		

EXHIBIT A
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008 (CURRENT)

POLICY PORTFOLIO	March 1, 2008			FYE 2008			FYE 2009			FYE 2010		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
<u>Asset Classes</u>												
Investment Grade Fixed Income	10.0%	14.0%	20.0%	7.5%	11.0%	17.5%	5.0%	8.5%	15.0%	2.5%	7.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	5.0%	0.0%	5.0%	12.5%	1.5%	6.5%	14.0%	2.5%	7.5%	15.0%
Real Estate	2.5%	5.0%	7.5%	3.0%	6.0%	9.0%	5.0%	8.0%	11.0%	5.0%	10.0%	15.0%
Natural Resources	3.0%	6.0%	9.0%	4.0%	8.0%	12.0%	5.0%	9.5%	13.0%	5.0%	10.0%	15.0%
Developed Country Equity	52.5%	60.0%	67.5%	47.5%	55.0%	62.5%	42.5%	50.0%	57.5%	37.5%	45.0%	52.5%
Emerging Markets Equity	7.5%	12.5%	17.5%	10.0%	15.0%	20.0%	12.5%	17.5%	22.5%	15.0%	20.0%	25.0%
<u>Investment Types</u>												
More Correlated & Constrained Investments	50.0%	58.5%	65.0%	47.5%	53.5%	60.0%	45.0%	51.5%	60.0%	42.5%	49.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	35.0%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	7.5%	11.5%	15.5%	9.5%	13.5%	17.5%	10.0%	15.5%	20.0%	12.5%	17.5%	22.5%

*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.

POLICY BENCHMARK (reset monthly)	March 1, 2008			FYE 2008			FYE 2009			FYE 2010		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
Lehman Brothers Global Aggregate Index	11.0%			8.5%			6.5%			4.5%		
Lehman Brothers Global High-Yield Index	1.5%			1.5%			1.5%			2.0%		
NAREIT Equity Index	5.0%			5.5%			6.5%			7.0%		
Dow Jones-AIG Commodity Index Total Return	4.0%			5.0%			6.0%			6.0%		
MSCI World Index with net dividends	27.5%			22.0%			18.0%			16.0%		
MSCI Emerging Markets with net dividends	9.5%			11.0%			13.0%			14.0%		
MSCI Investable Hedge Fund Index	30.0%			33.0%			33.0%			33.0%		
Venture Economics Custom Index	11.5%			13.5%			15.5%			17.5%		
<u>POLICY/TARGET RETURN/RISKS</u>												
Expected Annual Return (Benchmarks)	8.34%			8.47%			8.62%			8.75%		
Expected Target Annual Return (Active)	9.31%			9.46%			9.65%			9.81%		
One Year Downside Deviation	8.52%			8.56%			8.70%			8.90%		
Risk Bounds												
Lower: 1 Year Downside Deviation	85%			85%			85%			85%		
Upper: 1 Year Downside Deviation	115%			115%			115%			115%		

**EXHIBIT A - PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008 (PROPOSED)**

POLICY PORTFOLIO	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>						
Investment Grade Fixed Income	5.0%	7.5%	5.0%	7.5%	5.0%	7.5%
Credit-Related Fixed Income	10.0%	13.5%	10.0%	14.5%	10.0%	14.5%
Real Estate	5.0%	7.5%	5.0%	8.0%	5.0%	8.5%
Natural Resources	5.0%	8.5%	5.0%	9.5%	5.0%	10.0%
Developed Country Equity	40.0%	46.5%	37.5%	43.0%	37.5%	41.0%
Emerging Markets Equity	12.5%	16.5%	12.5%	17.5%	12.5%	18.5%
<u>Investment Types</u>						
More Correlated & Constrained Investments	37.5%	44.5%	35.0%	41.5%	35.0%	41.0%
Less Correlated & Constrained Investments	27.5%	33.0%	27.5%	33.0%	27.5%	33.0%
Private Investments	18.0%	22.5%	21.0%	25.5%	21.0%	26.0%

*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.

POLICY BENCHMARK (reset monthly)	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index		5.5%		5.5%		5.5%
Lehman Brothers Global High-Yield Index		1.0%		1.0%		2.0%
FTSE EPRA/NAREIT Global Index		5.5%		5.0%		4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index		5.5%		4.5%		4.0%
MSCI World Index with net dividends		17.0%		15.5%		14.5%
MSCI Emerging Markets with net dividends		10.0%		10.0%		10.5%
MSCI Investable Hedge Fund Index		33.0%		33.0%		33.0%
Venture Economics Custom Index		20.5%		22.5%		22.0%
NACRIEF Custom Index		2.0%		3.0%		4.0%
<u>POLICY/TARGET RETURN/RISKS</u>						
Expected Annual Return (Benchmarks)		8.78%		8.86%		8.85%
Expected Target Annual Return (Active)		9.72%		9.90%		9.87%
One Year Downside Deviation		8.72%		8.71%		8.67%
<u>Risk Bounds</u>						
Lower: 1 Year Downside Deviation		85%		85%		85%
Upper: 1 Year Downside Deviation		115%		115%		115%

EXHIBIT A
(continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH-SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global Agg Yield (%)	2.0%	0.0%	8-57.5%
	Real Estate	Lehman Brothers Global High-Yield (%)	2-56.0%	NACRIEF Custom Index + 0(2.0%)	6-513.5%
Real Assets	Natural Resources	NAREIT Index (%)	0-50.0%	2-01.5%	8-07.5%
	Developed Country	DUAIIC Commodity Index Total Return (%)	1.5%	3-511.0%	50-046.5%
Equity	Emerging Markets	MSCI EM Index with Net Dividends (%)	3-05.0%	1.5%	47-516.5%
	Total	51-544.5%	33.0%	45-522.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT A
(continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH-SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global Agg Yield (%)	3-02.0%	0.0%	7.5%
	Real Estate	Lehman Brothers Global High-Yield (%)	3-06.0%	2-57.5%	7-514.5%
Real Assets	Real Estate	NAREIT Index (%)	4-00.0%	NACRIEF Custom Index 2-0(3.0%)	40-08.0%
	Natural Resources	DO-ALG Commodity Index Total Return (%)	2-02.5%	2-02.5%	40-09.5%
Equity	Developed Country	MSCI World Index with Net Dividends (%)	21-017.5%	8-010.0%	45-043.0%
	Emerging Markets	MSCI EM Index with Net Dividends (%)	3-05.0%	3-02.5%	20-017.5%
Total		49-541.5%	33.0%	17-525.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT A
 (continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (5.5%)	2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	6.0%	6.5%	14.5%
Real Assets	Real Estate	FTSE EPRA NAREIT Global Index (4.5%)	0.0%	NACRIEF Custom Index (4.0%)	8.5%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (4.0%)	3.0%	3.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (14.5%)	17.0%	9.5%	41.0%
	Emerging Markets	MSCI EM Index with Net Dividends (10.5%)	5.0%	3.0%	18.5%
Total		41.0%	33.0%	26.0%	100.0%

MSCI Investable Hedge Fund Index
 Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
 Reportable Targets are indicated in Gray

EXHIBIT A
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008 (CURRENT)

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Max	Min	Target	Min	Max
<u>Asset Classes</u>								
Investment Grade Fixed Income	10.0%	14.0%	7.5%	17.5%	5.0%	8.5%	2.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	0.0%	12.5%	1.5%	6.5%	2.5%	15.0%
Real Estate	2.5%	5.0%	3.0%	9.0%	5.0%	8.0%	5.0%	15.0%
Natural Resources	3.0%	6.0%	4.0%	12.0%	5.0%	9.5%	5.0%	15.0%
Developed Country Equity	52.5%	60.0%	47.5%	62.5%	42.5%	50.0%	37.5%	52.5%
Emerging Markets Equity	7.5%	12.5%	10.0%	20.0%	12.5%	17.5%	15.0%	25.0%
<u>Investment Types</u>								
More Correlated & Constrained Investments	50.0%	58.5%	47.5%	60.0%	45.0%	51.5%	42.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	27.5%	37.5%	27.5%	33.0%	27.5%	37.5%
Private Investments	7.5%	11.5%	9.5%	17.5%	10.0%	15.5%	12.5%	22.5%

*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.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Max	Min	Target	Min	Max
Lehman Brothers Global Aggregate Index		11.0%		8.5%		6.5%		4.5%
Lehman Brothers Global High-Yield Index		1.5%		1.5%		1.5%		2.0%
NAREIT Equity Index		5.0%		5.5%		6.5%		7.0%
Dow Jones-AIG Commodity Index Total Return		4.0%		5.0%		6.0%		6.0%
MSCI World Index with net dividends		27.5%		22.0%		18.0%		16.0%
MSCI Emerging Markets with net dividends		9.5%		11.0%		13.0%		14.0%
MSCI Investable Hedge Fund Index		30.0%		33.0%		33.0%		33.0%
Venture Economics Custom Index		11.5%		13.5%		15.5%		17.5%
<u>POLICY/TARGET RETURN/RISKS</u>								
Expected Annual Return (Benchmarks)		8.34%		8.47%		8.62%		8.75%
Expected Target Annual Return (Active)		9.31%		9.46%		9.65%		9.81%
One Year Downside Deviation		8.52%		8.56%		8.70%		8.90%
Risk Bounds								
Lower: 1 Year Downside Deviation		85%		85%		85%		85%
Upper: 1 Year Downside Deviation		115%		115%		115%		115%

**EXHIBIT A - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008 (PROPOSED)**

POLICY PORTFOLIO	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>						
Investment Grade Fixed Income	5.0%	7.5%	5.0%	7.5%	5.0%	7.5%
Credit-Related Fixed Income	10.0%	13.5%	10.0%	14.5%	10.0%	14.5%
Real Estate	5.0%	7.5%	5.0%	8.0%	5.0%	8.5%
Natural Resources	5.0%	8.5%	5.0%	9.5%	5.0%	10.0%
Developed Country Equity	40.0%	46.5%	37.5%	43.0%	37.5%	41.0%
Emerging Markets Equity	12.5%	16.5%	12.5%	17.5%	12.5%	18.5%
<u>Investment Types</u>						
More Correlated & Constrained Investments	37.5%	44.5%	35.0%	41.5%	35.0%	41.0%
Less Correlated & Constrained Investments	27.5%	33.0%	27.5%	33.0%	27.5%	33.0%
Private Investments	18.0%	22.5%	21.0%	25.5%	21.0%	26.0%

*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.

POLICY BENCHMARK (reset monthly)	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index		5.5%		5.5%		5.5%
Lehman Brothers Global High-Yield Index		1.0%		1.0%		2.0%
FTSE EPRA/NAREIT Global Index		5.5%		5.0%		4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index		5.5%		4.5%		4.0%
MSCI World Index with net dividends		17.0%		15.5%		14.5%
MSCI Emerging Markets with net dividends		10.0%		10.0%		10.5%
MSCI Investable Hedge Fund Index		33.0%		33.0%		33.0%
Venture Economics Custom Index		20.5%		22.5%		22.0%
NACREIF Custom Index		2.0%		3.0%		4.0%
<u>POLICY/TARGET RETURN/RISKS</u>						
Expected Annual Return (Benchmarks)		8.78%		8.86%		8.85%
Expected Target Annual Return (Active)		9.72%		9.90%		9.87%
One Year Downside Deviation		8.72%		8.71%		8.67%
Risk Bounds						
Lower: 1 Year Downside Deviation		85%		85%		85%
Upper: 1 Year Downside Deviation		115%		115%		115%

EXHIBIT A
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH-SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global Agg Yield (%)	2.0%	0.0%	8-57.5%
	Real Estate	Lehman Brothers Global High-Yield (%)	2-56.0%	5-56.7%	6-513.5%
Real Assets	Natural Resources	FTSE EPRA/NAREIT Equity-Global Index (6-55.5%)	0-50.0%	NACRIEF Custom Index 1-0(2.0%)	8-07.5%
	Developed Country	DJ-AIG Commodity Index Total Return (%)	1.5%	2-41.5%	9-58.5%
Equity	Emerging Markets	MSCI World Index with Net Dividends (%)	23-518.5%	2-51.0%	50-046.5%
		MSCI EM Index with Net Dividends (%)	3-05.0%	1.5%	17-516.5%
Total		51-544.5%	33.0%	15-522.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT A
 (continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH SEPTMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global Agg (%)	3-02.0%	0.0%	7.5%
	Real Estate	Lehman Brothers Global High-Yield (%)	3-06.0%	7-07.5%	7-514.5%
Real Assets	Natural Resources	FTSE EPRA/NAREIT Equity-Global Index (7-05.0%)	4-00.00%	NACRIEF Custom Index 2-0(3.0%)	40-08.0%
	Developed Country	DJIA Commodity Index Total Return (%)	2-02.5%	7-07.5%	40-09.5%
Equity	Emerging Markets	MSCI World Index with Net Dividends (%)	24-017.5%	8-010.0%	45-043.0%
	Total	MSCI EM Index with Net Dividends (%)	3-05.0%	3-02.5%	20-017.5%
		49-541.5%	33.0%	47-525.5%	100.0%

MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

Investment Policy/Benchmarks are indicated in Black/Bold
 Reportable Targets are indicated in Gray

EXHIBIT A
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (5.5%)	2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	6.0%	6.5%	14.5%
Real Assets	Real Estate	FTSE EPRA NAREIT Global Index (4.5%)	0.0%	NACRIEF Custom Index (4.0%)	8.5%
	Natural Resources	50% D-U-A-G Commodity Index Total Return and 50% MSCI World Natural Resources Index (4.0%)	3.0%	3.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (14.5%)	17.0%	9.5%	41.0%
	Emerging Markets	MSCI EM Index with Net Dividends (10.5%)	5.0%	3.0%	18.5%
Total		41.0%	33.0%	26.0%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008 (CURRENT)

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>								
Investment Grade Fixed Income	10.0%	14.0%	7.5%	11.0%	5.0%	8.5%	2.5%	7.5%
Credit-Related Fixed Income	0.0%	2.5%	0.0%	5.0%	1.5%	6.5%	2.5%	7.5%
Real Estate	2.5%	5.0%	3.0%	6.0%	5.0%	8.0%	5.0%	10.0%
Natural Resources	3.0%	6.0%	4.0%	8.0%	5.0%	9.5%	5.0%	10.0%
Developed Country Equity	52.5%	60.0%	47.5%	55.0%	42.5%	50.0%	37.5%	45.0%
Emerging Markets Equity	7.5%	12.5%	10.0%	15.0%	12.5%	17.5%	15.0%	20.0%
<u>Investment Types</u>								
More Correlated & Constrained Investments	50.0%	58.5%	47.5%	53.5%	45.0%	51.5%	42.5%	49.5%
Less Correlated & Constrained Investments	25.0%	30.0%	27.5%	33.0%	27.5%	33.0%	27.5%	33.0%
Private Investments	7.5%	11.5%	9.5%	13.5%	10.0%	15.5%	12.5%	17.5%

*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.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index		11.0%		8.5%		6.5%		4.5%
Lehman Brothers Global High-Yield Index		1.5%		1.5%		1.5%		2.0%
NAREIT Equity Index		5.0%		5.5%		6.5%		7.0%
Dow Jones-AIG Commodity Index Total Return		4.0%		5.0%		6.0%		6.0%
MSCI World Index with net dividends		27.5%		22.0%		18.0%		16.0%
MSCI Emerging Markets with net dividends		9.5%		11.0%		13.0%		14.0%
MSCI Investable Hedge Fund Index		30.0%		33.0%		33.0%		33.0%
Venture Economics Custom Index		11.5%		13.5%		15.5%		17.5%
<u>POLICY/TARGET RETURN/RISKS</u>								
Expected Annual Return (Benchmarks)		8.34%		8.47%		8.62%		8.75%
Expected Target Annual Return (Active)		9.31%		9.46%		9.65%		9.81%
One Year Downside Deviation		8.52%		8.56%		8.70%		8.90%
Risk Bounds								
Lower: 1 Year Downside Deviation		85%		85%		85%		85%
Upper: 1 Year Downside Deviation		115%		115%		115%		115%

**EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008 (PROPOSED)**

POLICY PORTFOLIO	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>						
Investment Grade Fixed Income	5.0%	7.5%	5.0%	7.5%	5.0%	7.5%
Credit-Related Fixed Income	10.0%	13.5%	10.0%	14.5%	10.0%	14.5%
Real Estate	5.0%	7.5%	5.0%	8.0%	5.0%	8.5%
Natural Resources	5.0%	8.5%	5.0%	9.5%	5.0%	10.0%
Developed Country Equity	40.0%	46.5%	37.5%	43.0%	37.5%	41.0%
Emerging Markets Equity	12.5%	16.5%	12.5%	17.5%	12.5%	18.5%
<u>Investment Types</u>						
More Correlated & Constrained Investments	37.5%	44.5%	35.0%	41.5%	35.0%	41.0%
Less Correlated & Constrained Investments	27.5%	33.0%	27.5%	33.0%	27.5%	33.0%
Private Investments	18.0%	22.5%	21.0%	25.5%	21.0%	26.0%

*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.

POLICY BENCHMARK (reset monthly)	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Lehman Brothers Global High-Yield Index	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%
FTSE EPRA/NAREIT Global Index	5.5%	5.5%	5.0%	5.0%	4.5%	4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources	5.5%	5.5%	4.5%	4.5%	4.0%	4.0%
MSCI World Index with net dividends	17.0%	17.0%	15.5%	15.5%	14.5%	14.5%
MSCI Emerging Markets with net dividends	10.0%	10.0%	10.0%	10.0%	10.5%	10.5%
MSCI Investable Hedge Fund Index	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Venture Economics Custom Index	20.5%	20.5%	22.5%	22.5%	22.0%	22.0%
NACREIF Custom Index	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%
<u>POLICY/TARGET RETURN/RISKS</u>						
Expected Annual Return (Benchmarks)	8.78%	8.78%	8.86%	8.86%	8.85%	8.85%
Expected Target Annual Return (Active)	9.72%	9.72%	9.90%	9.90%	9.87%	9.87%
One Year Downside Deviation	8.72%	8.72%	8.71%	8.71%	8.67%	8.67%
<u>Risk Bounds</u>						
Lower: 1 Year Downside Deviation	85%	85%	85%	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%	115%	115%	115%

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH-SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade Lehman Brothers Global Agg (%)	2.0%	0.0%	8-57.5%
	Credit-Related Lehman Brothers Global High-Yield (%)	2-56.0%	%	6-513.5%
Real Assets	Real Estate NAREIT Index (%)	0-50.00%	MACRIEF Custom Index (0.0%)	8-07.5%
	Natural Resources DJ-AIG Commodity Index Total Return (%)	1.5%	%	9-58.5%
Equity	Developed Country MSCI World Index with Net Dividends (%)	23-518.5%	%	50-046.5%
	Emerging Markets MSCI EM Index with Net Dividends (%)	3-05.0%	1.5%	47-516.5%
Total	51-544.5%	33.0%	45-522.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade <i>Lehman Brothers Global Agg Yield (%)</i>	3-02.0%	0.0%	7.5%
	Credit-Related <i>Lehman Brothers Global High-Yield (%)</i>	3-06.0%	%	7.5-14.5%
Real Assets	Real Estate <i>NAREIT Index (%)</i>	1-00.0%	<i>NACRIF Custom Index 2-0(3.0%)</i>	40-08.0%
	Natural Resources <i>DPAIG Commodity Index Total Return (%)</i>	2-02.5%	%	40-09.5%
Equity	Developed Country <i>MSCI World Index with Net Dividends (%)</i>	21-017.5%	%	45-043.0%
	Emerging Markets <i>MSCI EM Index with Net Dividends (%)</i>	3-05.0%	%	20-017.5%
Total	49-541.5%	33.0%	47-525.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
 (continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011

FYE 2011	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	2.0%	0.0%	7.5%
	Credit-Related	6.0%	6.5%	14.5%
Real Assets	Real Estate	0.0%	NACRIEF Custom Index (4.0%)	8.5%
	Natural Resources	3.0%	3.0%	10.0%
Equity	Developed Country	17.0%	9.5%	41.0%
	Emerging Markets	5.0%	3.0%	18.5%
Total	41.0%	33.0%	26.0%	100.0%

MSCI Investable Hedge Fund Index
 Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
 Reportable Targets are indicated in Gray

EXHIBIT B
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008 (CURRENT)

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Max	Min	Target	Min	Max
<u>Asset Classes</u>								
Investment Grade Fixed Income	10.0%	14.0%	7.5%	17.5%	5.0%	8.5%	2.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	0.0%	12.5%	1.5%	6.5%	2.5%	15.0%
Real Estate	2.5%	5.0%	3.0%	7.5%	5.0%	8.0%	5.0%	15.0%
Natural Resources	3.0%	6.0%	4.0%	9.0%	5.0%	9.5%	5.0%	15.0%
Developed Country Equity	52.5%	60.0%	47.5%	62.5%	42.5%	50.0%	37.5%	52.5%
Emerging Markets Equity	7.5%	12.5%	10.0%	17.5%	12.5%	17.5%	15.0%	25.0%
<u>Investment Types</u>								
More Correlated & Constrained Investments	50.0%	58.5%	47.5%	65.0%	45.0%	51.5%	42.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	27.5%	35.0%	27.5%	33.0%	27.5%	37.5%
Private Investments	7.5%	11.5%	9.5%	15.5%	10.0%	15.5%	12.5%	22.5%

*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.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Max	Min	Target	Min	Max
Lehman Brothers Global Aggregate Index		11.0%		8.5%		6.5%		4.5%
Lehman Brothers Global High-Yield Index		1.5%		1.5%		1.5%		2.0%
NAREIT Equity Index		5.0%		5.5%		6.5%		7.0%
Dow Jones-AIG Commodity Index Total Return		4.0%		5.0%		6.0%		6.0%
MSCI World Index with net dividends		27.5%		22.0%		18.0%		16.0%
MSCI Emerging Markets with net dividends		9.5%		11.0%		13.0%		14.0%
MSCI Investable Hedge Fund Index		30.0%		33.0%		33.0%		33.0%
Venture Economics Custom Index		11.5%		13.5%		15.5%		17.5%
POLICY/TARGET RETURN/RISKS	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
Expected Annual Return (Benchmarks)	8.34%		8.47%		8.62%		8.75%	
Expected Target Annual Return (Active)	9.31%		9.46%		9.65%		9.81%	
One Year Downside Deviation	8.52%		8.56%		8.70%		8.90%	
Risk Bounds								
Lower: 1 Year Downside Deviation	85%		85%		85%		85%	
Upper: 1 Year Downside Deviation	115%		115%		115%		115%	

**EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008 (PROPOSED)**

POLICY PORTFOLIO	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>						
Investment Grade Fixed Income	5.0%	7.5%	5.0%	7.5%	5.0%	7.5%
Credit-Related Fixed Income	10.0%	13.5%	10.0%	14.5%	10.0%	14.5%
Real Estate	5.0%	7.5%	5.0%	8.0%	5.0%	8.5%
Natural Resources	5.0%	8.5%	5.0%	9.5%	5.0%	10.0%
Developed Country Equity	40.0%	46.5%	37.5%	43.0%	37.5%	41.0%
Emerging Markets Equity	12.5%	16.5%	12.5%	17.5%	12.5%	18.5%
<u>Investment Types</u>						
More Correlated & Constrained Investments	37.5%	44.5%	35.0%	41.5%	35.0%	41.0%
Less Correlated & Constrained Investments	27.5%	33.0%	27.5%	33.0%	27.5%	33.0%
Private Investments	18.0%	22.5%	21.0%	25.5%	21.0%	26.0%

*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.

POLICY BENCHMARK (reset monthly)	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index		5.5%		5.5%		5.5%
Lehman Brothers Global High-Yield Index		1.0%		1.0%		2.0%
FTSE EPRA/NAREIT Global Index		5.5%		5.0%		4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index		5.5%		4.5%		4.0%
MSCI World Index with net dividends		17.0%		15.5%		14.5%
MSCI Emerging Markets with net dividends		10.0%		10.0%		10.5%
MSCI Investable Hedge Fund Index		33.0%		33.0%		33.0%
Venture Economics Custom Index		20.5%		22.5%		22.0%
NACRIEF Custom Index		2.0%		3.0%		4.0%
<u>POLICY/TARGET RETURN/RISKS</u>						
Expected Annual Return (Benchmarks)		8.78%		8.86%		8.85%
Expected Target Annual Return (Active)		9.72%		9.90%		9.87%
One Year Downside Deviation		8.72%		8.71%		8.67%
Risk Bounds						
Lower: 1 Year Downside Deviation		85%		85%		85%
Upper: 1 Year Downside Deviation		115%		115%		115%

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH-SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global Agg (%)	2.0%	0.0%	8-57.5%
	Real Estate	Lehman Brothers Global High-Yield (%)	2-56.0%		6-513.5%
Real Assets	Natural Resources	FTSE EPRA/NAREIT Equity-Global Index (6-55.5%)	0-50.0%	NACRIEF Custom Index 1-012.0%	8-07.5%
	Developed Country	DJ-AIG Commodity Index Total Return (%)	1.5%		9-58.5%
Equity	Emerging Markets	MSCI World Index with Net Dividends (%)	23-518.5%		50-046.5%
		MSCI EM Index with Net Dividends (%)	3-05.0%	1.5%	47-516.5%
Total		51-544.5%	33.0%	15-522.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH-SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade Letman Brothers Global Agg (%)	3-02.0%	0.0%	7.5%
	Credit-Related Letman Brothers Global High-Yield (%)	3-06.0%	%	7.5-14.5%
Real Assets	Real Estate FTSE EPRA/NAREIT Equity-Global Index (7.05.0%)	4-00.00%	NACRIEF CUSTOM Index 2-0(3.0%)	40-08.0%
	Natural Resources DJ-AIG Commodity Index Total Return (%)	2-02.5%	%	40-09.5%
Equity	Developed Country MSCI World Index with Net Dividends (%)	24-017.5%	%	45-043.0%
	Emerging Markets MSCI EM Index with Net Dividends (%)	3-05.0%	%	20-017.5%
Total	49-541.5%	33.0%	47-525.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (5.5%)	2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	6.0%	6.5%	14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Global Index (4.5%)	0.0%	NACRIEF Custom Index (4.0%)	8.5%
	Natural Resources	50% DUALG Commodity Index Total Return and 50% MSCI World Natural Resources Index (4.0%)	3.0%	3.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (14.5%)	17.0%	9.5%	41.0%
	Emerging Markets	MSCI EM Index with Net Dividends (10.5%)	5.0%	3.0%	18.5%
Total		41.0%	33.0%	26.0%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT A
INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008 (CURRENT)

POLICY PORTFOLIO	March 1, 2008			FYE 2008			FYE 2009			FYE 2010		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
<u>Asset Classes</u>												
Investment Grade Fixed Income	20.0%	38.0%	55.0%	20.0%	38.0%	55.0%	20.0%	38.0%	55.0%	20.0%	38.0%	55.0%
Credit-Related Fixed Income	0.0%	2.0%	5.0%	0.0%	3.0%	5.0%	0.0%	3.0%	5.0%	0.0%	3.0%	5.0%
Real Estate	5.0%	11.0%	15.0%	5.0%	11.0%	15.0%	5.0%	11.0%	15.0%	5.0%	11.0%	15.0%
Natural Resources	0.0%	6.0%	10.0%	0.0%	7.0%	10.0%	0.0%	7.0%	10.0%	0.0%	7.0%	10.0%
Developed Country Equity	25.0%	35.0%	55.0%	20.0%	31.0%	50.0%	20.0%	31.0%	45.0%	20.0%	31.0%	40.0%
Emerging Markets Equity	0.0%	8.0%	10.0%	0.0%	10.0%	15.0%	0.0%	10.0%	15.0%	0.0%	10.0%	15.0%
<u>Investment Types</u>												
More Correlated & Constrained Investments	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%
Less Correlated & Constrained Investments	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%

*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.

POLICY BENCHMARK (reset monthly)	March 1, 2008			FYE 2008			FYE 2009			FYE 2010		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
Lehman Brothers Global Aggregate Index		33.0%			33.0%			33.0%			33.0%	
Lehman Brothers Global High-Yield Index		2.0%			2.0%			2.0%			2.0%	
NAREIT Equity Index		10.0%			10.0%			10.0%			10.0%	
Dow Jones-AIG Commodity Index Total Return		5.0%			5.0%			5.0%			5.0%	
MSCI World Index with net dividends		20.0%			20.0%			20.0%			20.0%	
MSCI Emerging Markets with net dividends		5.0%			5.0%			5.0%			5.0%	
MSCI Investable Hedge Fund Index		25.0%			25.0%			25.0%			25.0%	
<u>POLICY/TARGET RETURN/RISKS</u>												
Expected Annual Return (Benchmarks)		7.16%			7.16%			7.16%			7.16%	
Expected Target Annual Return (Active)		7.83%			7.83%			7.83%			7.83%	
One Year Downside Deviation		6.38%			6.38%			6.38%			6.38%	
Risk Bounds												
Lower: 1 Year Downside Deviation		85%			85%			85%			85%	
Upper: 1 Year Downside Deviation		115%			115%			115%			115%	

**EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008 (PROPOSED)**

POLICY PORTFOLIO	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>						
Investment Grade Fixed Income	20.0%	37.0%	20.0%	37.0%	20.0%	37.0%
Credit-Related Fixed Income	0.0%	5.5%	0.0%	5.5%	0.0%	5.5%
Real Estate	5.0%	10.0%	5.0%	10.0%	5.0%	10.0%
Natural Resources	0.0%	7.0%	0.0%	7.0%	0.0%	7.0%
Developed Country Equity	20.0%	30.5%	20.0%	30.5%	20.0%	30.5%
Emerging Markets Equity	0.0%	10.0%	0.0%	10.0%	0.0%	10.0%
<u>Investment Types</u>						
More Correlated & Constrained	70.0%	75.0%	70.0%	75.0%	70.0%	75.0%
Less Correlated & Constrained Investments	20.0%	25.0%	20.0%	25.0%	20.0%	25.0%

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

POLICY BENCHMARK (reset monthly)	FYE 2009		FYE 2010		FYE 2011	
	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index		33.0%		33.0%		33.0%
Lehman Brothers Global High-Yield Index		2.0%		2.0%		2.0%
FTSE EPRA/NAREIT Global Index		10.0%		10.0%		10.0%
50% Dow Jones-AIG Commodity Index		5.0%		5.0%		5.0%
Total Return and 50% MSCI World Natural		20.0%		20.0%		20.0%
MSCI World Index with net dividends		5.0%		5.0%		5.0%
MSCI Emerging Markets with net dividends		25.0%		25.0%		25.0%
MSCI Investable Hedge Fund Index						
<u>POLICY/TARGET RETURN/RISKS</u>						
Expected Annual Return (Benchmarks)		7.16%		7.16%		7.16%
Expected Target Annual Return (Active)		7.83%		7.83%		7.83%
One Year Downside Deviation		6.38%		6.38%		6.38%
<u>Risk Bounds</u>						
Lower: 1 Year Downside Deviation		85%		85%		85%
Upper: 1 Year Downside Deviation		115%		115%		115%

The University of Texas Investment Management Company

Liquidity Policy

Effective Date of Policy: ~~December 6, 2007~~ August 13, 2008

Original Effective Date of Policy: August 7, 2003

Supersedes: Liquidity Policy dated ~~November 10, 2005~~ December 6, 2007

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, "liquidity" is defined as a measure of the ability of an investment position to be converted into a Cash position. The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

"Liquidity risk" is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

Definition of Cash:

Cash is defined as short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate,
- the Custodian's late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody's Investor Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

The University of Texas Investment Management Company Liquidity Policy

Liquidity Risk Measurement-The Liquidity Profile:

Capital market theory does not provide a precise technique to measure liquidity risk. For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to Cash within a period of one day to less than 90 days~~three months~~ in an orderly market at a discount of 10% or less.
- **Illiquid:** Investments that could be converted to Cash in an orderly market over a period of 90 days or more~~than three months~~ or in a shorter period of time by accepting a discount of more than 10%.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies "trigger zones" requiring special review by UTIMCO staff and special action by the UTIMCO Board or the Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

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

	<u>Dec 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>
Liquidity above trigger zone:	45%	42.5%	40%	37.5%
Liquidity within trigger zone:	40%-45%	37.5%-42.5%	35%-40%	32.5%-37.5%
Liquidity below trigger zone:	<40%	<37.5%	<35%	<32.5%

	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
Liquidity above trigger zone:	42.5%	35.0%	30%	28.0%
Liquidity within trigger zone:	37.5%-45%	30.0%-35.0%	25.0%-30%	23.0%-28.0%
Liquidity below trigger zone:	<37.5%	<30.0%	<25%	<23.0%

Investments that maintain liquidity below the trigger zone do not require any action by the UTIMCO Board or the Risk Committee. Liquidity within the trigger zone requires special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for **illiquid** investments in FY 08 is up to 62.5% of the total portfolio. However, any **illiquid** investments made in the 57.5% to 62.5% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments

The University of Texas Investment Management Company Liquidity Policy

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

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

	<u>Dec 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>
Liquidity above trigger zone:	65%	65%	65%	65%
Liquidity within trigger zone:	55%-65%	55%-65%	55%-65%	55%-65%
Liquidity below trigger zone:	<55%	<55%	<55%	<55%

	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
Liquidity above trigger zone:	65%	65%	65%	65%
Liquidity within trigger zone:	55%-65%	55%-65%	55%-65%	55%-65%
Liquidity below trigger zone:	<55%	<55%	<55%	<55%

The allowable range for **illiquid** investments is 0% to 45% of the total portfolio for the ITF. However, any **illiquid** investments made in the 35% to 45% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

As used herein, “unfunded commitments” refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

	<u>Nov 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>
Unfunded Commitment as a percent of total invested assets:	17.5%	22.5%	27.5%	32.5%

	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
Unfunded Commitment as a percent of total invested assets:	25.0%	27.5%	32.5%	32.5%

No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments for each Endowment Fund. The determination of liquidity will include underlying security trading volumes, notice

The University of Texas Investment Management Company Liquidity Policy

periods, redemption dates, lock-up periods, and “soft” and “hard” gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly.

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



***Presentation Materials
Book Two***

Board of Directors Meeting

July 23, 2008

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
July 23, 2008**

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

Time	Item #	Agenda Item
Begin	End	
12:00 p.m.	12:05 p.m.	1 Open Session: Call to Order/Discussion and Appropriate Action related to Minutes of April 25, 2008 Meeting*
12:05 p.m.	1:00 p.m.	2 Endowment and Operating Funds Update Report
1:00 p.m.	1:30 p.m.	3 Discussion of Investment Strategy Review 2008
1:30 p.m.	1:50 p.m.	4 Report from Risk Committee
1:50 p.m.	2:15 p.m.	5 Report from Policy Committee - Discussion and Appropriate Action Related to Investment Policy Statements*,** - Discussion and Appropriate Action Related to Code of Ethics*,**
2:15 p.m.	2:35 p.m.	6 Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Corporate Auditor*
2:35 p.m.	3:35 p.m.	7 Report from Compensation Committee: Executive Session Pursuant to section 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to deliberate individual personnel matters. Reconvene into Open Session - Compensation Committee Report - Discussion and Appropriate Action Related to the Adoption of the UTIMCO Compensation Program, effective July 1, 2008*,** - Discussion and Appropriate Action Related to CEO's Base Salary for 2008-09 fiscal year* - Discussion and Appropriate Action Related to CEO's Performance Goals* - Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as participants in the UTIMCO Compensation Program for the 2008-09 performance period*
3:35 p.m.	4:00 p.m.	8 Discussion and Appropriate Action Related to UTIMCO 2008-09 Budget *, **
4:00 p.m.	4:15 p.m.	9 Discussion and Appropriate Action Related to the Pooling of the More Correlated and Constrained (MCC) Investments*
4:15 p.m.	4:45 p.m.	10 Discussion of Investment Environment
4:45 p.m.	5:00 p.m.	11 Recess for Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Private Investment Reconvene into Open Session Discussion and Appropriate Action related to Private Investment*
5:00 p.m.		Adjournment

* Action by resolution required

**Resolution requires further approval from the Board of Regents of The University of Texas System

Next Scheduled Meeting: November 7, 2008

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Agenda Item: Report from Audit and Ethics Committee, including Discussion and Appropriate Action Related to Corporate Auditor

Developed By: Zimmerman, Gonzalez, Moeller

Presented By: Nye

Type of Item: Action item related to Engaging Corporate Auditor; Information item on other items

Description: An Audit and Ethics Committee ("Committee") meeting will be held on July 15, 2008. The Committee's agenda includes the following: (1) discussion and appropriate action related to Code of Ethics; (2) presentation of unaudited financial statements for the nine months ended May 31, 2008 for the Funds and the Corporation; (3) discussion and appropriate action related to engaging corporate external auditor; (4) a report by UT System Audit Office related to reports issued, update on 2008 audit plan and discussion and appropriate action related to audit plan for fiscal year 2009 (5) report by external auditor on 2008 audits; (6) review of Audit and Ethics Committee's self-assessment; (7) review of compliance, reporting, and audit issues (8) discussion with General Counsel and Chief Compliance Officer; and (9) discussion and appropriate action related to base salary, performance incentive plan participation, and performance goals for the General Counsel and Chief Compliance Officer.

Discussion: The Committee will discuss the Staff's recommended amendments to the Code of Ethics. If the Committee approves the recommended amendments, the Committee will propose the changes to the Policy Committee for concurrence and submission to the UTIMCO Board. The discussion of the Code of Ethics is covered in the Report from the Policy Committee under Tab 5 of these materials.

The Committee will also discuss hiring Deloitte & Touche, LLP as the corporate auditor. If approved by the Committee and the Board, FY 2008 will be the second year that Deloitte & Touche serves as the Corporation's independent auditor. Estimated fees for the 2008 audit services are \$31,500 plus out-of-pocket expenses, which represents a \$500 decrease over the prior year audit. Tom Wagner, Deloitte and Touche engagement partner, will give a report to the Committee on the progress and plan for the 2008 audits. UT System Audit Office will present to the Committee its 2009 internal audit plan, 2008 activities, and its co-sourced audits with Investment Training & Consulting Institute, Inc. of the Internally Managed Fixed Income and Internally Managed Derivatives.

Each member of the Committee has been requested to evaluate the Committee's performance, both of the individual member and collectively. The results of the assessment will be discussed at the Committee meeting. Ms. Gonzalez, as General

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Counsel and Chief Compliance Officer, will have an open-ended discussion on compliance matters without the presence of the CEO. The Committee will also discuss and take action related to the General Counsel and Chief Compliance Officer's base salary, performance incentive plan participation, and performance goals for the 2008-09 fiscal year.

Routine activities of the Committee include reviewing the unaudited financial statements for the nine month period for the Funds and the UTIMCO Corporation, and the quarterly compliance reports.

Recommendation: Committee will request appropriate action related to the Audit Charter of the Audit and Ethics Committee

Reference: Draft Deloitte & Touche, LLP Engagement Letter

**RESOLUTION RELATED TO INDEPENDENT AUDITOR
FOR THE CORPORATION**

RESOLVED, that the firm of Deloitte & Touche, LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2008.

August 1, 2008

Ms. Joan Moeller
Managing Director- Accounting, Finance and Administration
The University of Texas Investment Management Company
401 Congress Street, Suite 2800
Austin, TX 78701

Dear Ms. Moeller:

Deloitte & Touche LLP ("D&T" or "we" or "us") is pleased to serve as independent auditors for The University of Texas Investment Management Company ("UTIMCO" or the "Company"). Mr. Thomas Wagner will be responsible for the services that we perform for the Company hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Company on issues as they arise throughout the year. Hence, we hope that you will call Mr. Wagner whenever you believe D&T can be of assistance.

We will perform this engagement subject to the terms and conditions set forth herein and in the accompanying appendices. The term of this engagement will begin on August 1, 2008 and expire on August 31, 2009.

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Company's financial statements for the year ending August 31, 2008 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects.

Appendix A contains a description of our responsibilities and an audit under generally accepted auditing standards.

Our ability to express an opinion and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we are unable to complete our audit or if the report to be issued by D&T as a result of this engagement requires modification, the reasons therefor will be discussed with the Audit and Ethics Committee of the UTIMCO Board of Directors (the "Audit and Ethics Committee") and the management of UTIMCO.

Management's Responsibilities

Appendix B describes management's responsibilities for (1) the financial statements, (2) representation letters, (3) independence matters relating to providing certain services, and (4) independence matters relating to hiring.

Responsibility of the Audit and Ethics Committee

As independent auditors of the Company, we acknowledge that the Audit and Ethics Committee is directly responsible for the appointment, compensation, and oversight of our work, and accordingly, except as otherwise specifically noted, we will report directly to the Audit and Ethics Committee.

Communications with the Audit and Ethics Committee

Appendix C describes various matters that we are required by generally accepted auditing standards to communicate with the Audit and Ethics Committee and management.

Fees

We estimate that our fees for the audit of the Company's financial statements will be \$31,500, plus expenses. Engagement-related expenses, such as travel, lodging, transportation, meals, telephone, typing, etc., will be billed in addition to the fees. Expenses will be stated separately on the invoices.

Our continued service on this engagement is dependent upon payment of our invoices within 30 days of the date of the invoice. To the extent that certain circumstances, as listed in Appendix D, arise during this engagement, our fee estimate also may be significantly affected, and additional fees may be necessary. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary. Additional services provided beyond the scope of services described herein will be billed separately.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

If the Company intends to publish or otherwise reproduce in any document our report on the Company's financial statements, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Company agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of our report, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of our report in any such document would constitute the reissuance of our report. The Company also agrees that its management will notify us and obtain our approval prior to including our report on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Company. Any request by the Company to reissue our report, to consent to its inclusion or incorporation by reference in an offering or other document, or to agree to its inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request; fees for such services (and their scope) would be subject to the mutual agreement of the Company and D&T at such time as D&T is engaged to perform the services and would be described in a separate engagement letter.

* * * * *

This engagement letter, including the appendices attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes all other prior and contemporaneous agreements or understandings between the parties, whether written or oral, relating to

this engagement.

If the above terms are acceptable and the services outlined are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Tom's D&T signature

By your signature below, you confirm that the Company, through its Board of Directors, has expressly authorized you to enter into this agreement with us on the Company's behalf.

Accepted and agreed to by the Company:

By: _____

Title: _____

Date: _____

RR

**DESCRIPTION OF OUR RESPONSIBILITIES AND AN AUDIT UNDER GENERALLY
ACCEPTED AUDITING STANDARDS**

UTIMCO

YEAR ENDING AUGUST 31, 2008

Our Responsibilities

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

Components of an Audit

An audit includes the following:

- Obtaining an understanding of the Company and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures
- Consideration of internal control over financial reporting, as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- Inquiring directly of the Audit and Ethics Committee regarding its views about the risks of fraud and whether the Audit and Ethics Committee has knowledge of any fraud or suspected fraud affecting the Company
- Assessing the accounting principles used and significant estimates made by management
- Evaluating the overall financial statement presentation.

Reasonable Assurance

We will plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. However, because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement. Therefore, an audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. An audit is not designed to detect error or fraud that is immaterial to the financial statements, nor is it designed to provide assurance on internal control or to identify deficiencies in internal control.

**MANAGEMENT'S RESPONSIBILITIES
UTIMCO
YEAR ENDING AUGUST 31, 2008**

Financial Statements

The overall accuracy of the financial statements and their conformity with generally accepted accounting principles are the responsibility of the Company's management. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Establishing and maintaining effective internal control over financial reporting
- Designing and implementing programs and controls to prevent and detect fraud
- Identifying and ensuring that the Company complies with the laws and regulations applicable to its activities and informing us of any known material violations of such laws or regulations
- Adjusting the financial statements to correct material misstatements
- Making all financial records and related information available to us.

Representation Letters

We will make specific inquiries of the Company's management about the representations embodied in the financial statements. Additionally, we will request that management provide to us the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. As part of our audit procedures, we will request that management provide us with a representation letter that includes, among other things:

- Acknowledgment of management's responsibility for the preparation of the financial statements
- Affirmation of management's belief that the effects of any uncorrected financial statement misstatements aggregated by us during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

We will also request that management confirm certain representations made to us during our audit. The responses to those inquiries and related written representations of management required by generally accepted auditing standards are part of the evidential matter that D&T will rely on in forming its opinion on the Company's financial statements. Because of the importance of management's representations, the Company agrees to release and indemnify D&T, its subcontractors and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

Independence Matters Relating to Providing Certain Services

In connection with our engagement, D&T, management, and the Audit and Ethics Committee will assume

certain roles and responsibilities in an effort to assist D&T in maintaining independence. Management of the Company will ensure that the Company has policies and procedures in place for the purpose of ensuring that the Company will not act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA) or other applicable rules would impair D&T's independence. All potential services are to be discussed with Mr. Wagner.

Independence Matters Relating to Hiring

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct* that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. The Company understands and agrees that professional personnel of D&T providing services under this engagement will not be offered employment in a financial reporting oversight role at the Company within one year subsequent to the completion of this engagement. D&T understands and agrees that during the term of this engagement and for a period of one (1) year thereafter, its personnel (in their capacity as such) who had direct and substantive contact in the course of this engagement with personnel of the Company, shall not, without the Company's consent, directly or indirectly employ, solicit, engage, or retain the services of such personnel of the Company. In the event that D&T breaches this provision, it shall be liable to the Company for an amount equal to thirty percent (30%) of the annual base compensation of the relevant personnel in his or her new position. Although such payment shall be the Company's exclusive means of monetary recovery from D&T for breach of this provision, the Company shall be entitled to seek injunctive or other equitable relief. This provision shall not restrict the right of D&T to recruit generally in the media.

For purposes of the preceding two paragraphs, "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu, and its member firms; and, in all cases, any successor or assignee.

**COMMUNICATIONS WITH THE AUDIT AND ETHICS COMMITTEE
UTIMCO
YEAR ENDING AUGUST 31, 2008**

Significant Matters

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit and Ethics Committee in overseeing the financial reporting process.

Fraud and Illegal Acts

We will report directly to the Audit and Ethics Committee any fraud of which we become aware that involves senior management and any fraud (whether caused by senior management or other employees) of which we become aware that causes a material misstatement of the financial statements. We will report to senior management any fraud perpetrated by lower-level employees of which we become aware that does not cause a material misstatement of the financial statements; however, we will not report such matters directly to the Audit and Ethics Committee, unless otherwise directed by the Audit and Ethics Committee.

We will inform the appropriate level of management of the Company and determine that the Audit and Ethics Committee is adequately informed with respect to illegal acts that have been detected or have otherwise come to our attention in the course of our audit, unless the illegal acts are clearly inconsequential.

Internal Control Matters

We will report directly to management and the Audit and Ethics Committee all significant deficiencies and material weaknesses identified during the audit as required by AU 325, *Communicating Internal Control Related Matters Identified in an Audit*. Our written communication will identify those matters considered by D&T to be significant deficiencies and those that are considered by D&T to be material weaknesses.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Company's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Other Matters

Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with the Audit and Ethics Committee. However, we will communicate to the Audit and Ethics Committee matters required by AU 380, *The Auditor's Communication with Those Charged with Governance*.

Texas State Auditor's Office

D&T agrees that the Texas State Auditor's Office or any authorized regulatory representative of the State shall at any time have access to and the rights to examine and audit any pertinent books, documents, working papers, and records of D&T relating to this agreement, and to excerpt and transcribe any pertinent books, documents, working papers, and records of D&T. If photocopies of pertinent books, documents, working papers, and records of D&T are requested, D&T will send a letter to the Texas State Auditor's Office or regulatory representative of the state similar (but not identical) in form to that in the American Institute Of Certified Public Accountants auditing section 9339, and such letter will be acknowledged by The Texas State Auditor's office or regulatory representative of the state prior to the provision of any photocopies by D&T. Any photocopies of pertinent books, documents, working papers, and records of D&T will be identified as "confidential treatment requested by Deloitte & Touche LLP."

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**CIRCUMSTANCES AFFECTING TIMING AND FEE ESTIMATE
UTIMCO
YEAR ENDING AUGUST 31, 2008**

The fees quoted for the audit are based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates or our fee estimate. As a result, changes to the fees may be necessary. Such circumstances include but are not limited to the following:

Audit Facilitation

1. Changes to the timing of the engagement at the Company's request. Changes to the timing of the engagement usually require reassignment of personnel used by D&T in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, D&T may incur significant unanticipated costs.
2. All audit schedules are not (a) provided by the Company on the date requested, (b) completed in a format acceptable to D&T, (c) mathematically correct, or (d) in agreement with the appropriate Company records (e.g., general ledger accounts). D&T will provide the Company with a separate listing of required schedules, information requests, and the dates such items are needed.
3. Significant delays in responding to our requests for information, such as reconciling variances or providing requested supporting documentation (e.g., invoices, contracts, and other documents).
4. A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Company's personnel.
5. Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Company's personnel.
6. Electronic files in an appropriate format and containing the information requested are not provided by the Company on the date requested for our use in performing file interrogation. D&T will provide the Company with a separate listing of the required files and the dates the files are needed.
7. The engagement team, while performing work on the Company's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.

Significant Issues or Changes

8. Significant deficiencies or material weaknesses in the design or operating effectiveness of the Company's internal control over financial reporting are identified during our audit that result in the expansion of our audit procedures.
9. A significant level of proposed audit adjustments is identified during our audit.
10. A significant number of drafts of the financial statements are submitted for our review, or we identify

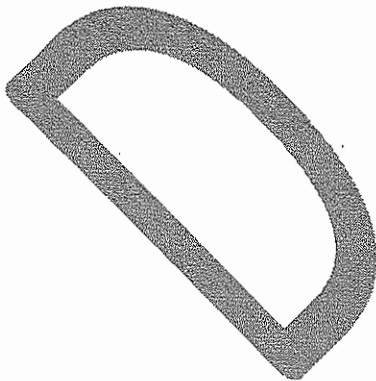
a significant level of deficiencies in the draft financial statements.

11. Significant new issues or changes as follows:

- a. Significant new accounting issues.
 - b. Significant changes in accounting policies or practices from those used in prior years
 - c. Significant events or transactions not contemplated in our budgets.
 - d. Significant changes in the Company's financial reporting process or Information Technology systems.
 - e. Significant changes in the Company's accounting personnel, their responsibilities, or their availability.
 - f. Significant changes in auditing standards.
 - g. Significant changes in the Company's use of specialists, or the specialists or their work product does not meet the qualifications required by generally accepted auditing standards for our reliance upon their work.
12. Changes in audit scope caused by events that are beyond our control.

Payment for Services Rendered

13. Without limiting its rights or remedies, D&T may halt or terminate its services entirely if payment is not received within 30 days of the date of the invoice.



**GENERAL BUSINESS TERMS
UTIMCO
YEAR ENDING AUGUST 31, 2008**

1. **Independent Contractor.** It is understood and agreed that D&T is an independent contractor and that D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Company or the Audit and Ethics Committee.
2. **Survival.** The agreements and undertakings of the Company [and the Audit and Ethics Committee contained in the engagement letter to which these terms are attached (the "engagement letter"), together with the appendices to the engagement letter including these terms, will survive the completion or termination of this engagement.
3. **Assignment and Subcontracting.** Except as provided below, no party may assign, transfer, or delegate any of its rights or obligations relating to this engagement (including, without limitation, interests or claims relating to this engagement) without the prior written consent of the other parties. The Company and the Audit and Ethics Committee hereby consents consent to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. **Severability.** If any term of the engagement letter, including its appendices, is determined to be invalid or unenforceable, such term shall not affect the other terms hereof or thereof, but such invalid or unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein and therein.
5. **Force Majeure.** No party shall be deemed to be in breach of the engagement letter (including its appendices) as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
6. **Dispute Resolution.** Any controversy or claim between the parties arising out of or relating to the engagement letter, including its appendices, or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix [G] and made a part hereof.
7. **Governing Law.** This engagement letter, together with the appendices, and all of the rights and obligations of the parties hereto and all of the terms and conditions hereof shall be construed, interpreted and applied in accordance with and governed by and enforced under the laws of the State of Texas.

**DISPUTE RESOLUTION PROVISION
UTIMCO
YEAR ENDING AUGUST 31, 2008**

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in Austin, Texas. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators. Each of the Company and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of Texas (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Agenda Item: Report from Compensation Committee: (1) Discussion and Appropriate Action related to Adoption of the UTIMCO Compensation Program, effective July 1, 2008, including Exhibits; (2) Discussion and Appropriate Action Related to CEO's Base Salary for 2008-09 fiscal year; (3) Discussion and Appropriate Action Related to CEO's Performance Goals; and (4) Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the 2008-09 performance period

Developed By: Zimmerman, Moeller, Gonzalez

Presented By: Ferguson

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

Description: The Compensation Committee (the "Committee") met on June 19, 2008 and will meet on July 15, 2008. During its meeting on June 19th, the Committee continued its discussion of the compensation policy structure, including a report on the proposed participants' incentive award opportunity levels. The Committee also discussed individual personnel compensation matters in Executive Session but did not take any votes or make any decisions. The Committee will also report on the following items to be discussed at its meeting on July 15, 2008:

1. Action related to the adoption of the UTIMCO Compensation Program effective July 1, 2008. The UTIMCO Compensation Program effective July 1, 2007 (the "Prior Plan") consists of two elements: base salary and an annual incentive plan. The UTIMCO Board has the discretion to interpret the compensation program and may from time to time adopt such rules and regulations that it may deem necessary to carry out the compensation program and may also amend the compensation program. Except as noted in the discussion below, the proposed UTIMCO Compensation Program effective July 1, 2008 (the "Plan") maintains the structure of the Prior Plan with minor editorial changes but is intended to supersede the Prior Plan.
2. Action related to base salaries for the UTIMCO Officers and other Plan Participants for 2008-09 fiscal year. Mercer, selected by the Committee as UTIMCO's compensation consultant at its November 15, 2007 meeting, performed a salary benchmarking study, including salary midpoints and salary ranges, to assist UTIMCO in developing a total compensation program that is competitive nationally.
3. Action related to the CEO's Performance Goals. Section 5.4 of the Plan requires that the CEO's performance goals be determined and approved by the UTIMCO Board. The Committee presents and recommends the approval of the CEO's goals to the UTIMCO Board. There are three

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

categories of performance goals in the Plan: (1) entity performance; (2) asset class performance; and (3) qualitative performance.

4. Action related to the designation of the employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the 2008-09 performance period. Eligible Positions, as defined in Section 5.3 of the Plan, include senior management, investment staff, and other key positions as designated by the CEO and approved by the UTIMCO Board. An employee eligible to participate in one performance period is not automatically eligible to participate in any subsequent Performance Period.
5. Discussion related to a review of the Mercer benefits study. Mercer will present the results of the benefit study at the Committee meeting. The benefits study covered retirement and savings benefits, health and group benefits, long term disability, and paid time off.
6. Discussion related to a review by Vinson & Elkins of the ability of UTIMCO employees to invest their own funds in the General Endowment Fund.

Recommendation: The Committee will request appropriate action from the Board related to (1) the Adoption of the UTIMCO Compensation Program, effective July 1, 2008, including Exhibits; (2) the CEO's Base Salary for 2008-09 fiscal year; (3) the CEO's Performance Goals; and (4) Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the 2008-09 performance period.

Discussion: **(1) UTIMCO Compensation Program.** The proposed changes to the Prior Plan incorporate certain recommendations made by Mercer, which have been discussed by the Committee over several Committee meetings. Nanci Hibsichman will be in attendance at the Board meeting to recap Mercer's recommendations as outlined in the "Incentive Plan Design Recommendations." The most significant change from the Prior Plan relates to the entity performance measurement standards. Mercer's recommendation of deleting the required deferral of 30% of the actual incentive awards has not been incorporated into the Plan.

Entity Performance

Entity performance is the performance of the Total Endowments Assets (weighted at 85%) and the Intermediate Term Fund (weighted at 15%). Staff is recommending that the performance of the Total Endowment Assets (combination of the PUF and GEF) be measured solely on the Total Endowment Assets relative performance to its benchmark (Total Endowment Assets' Policy Portfolio Return) and eliminate the requirement that it also be measured against the Peer Group. Currently, the Total Endowment Assets is measured against a weight of 75% of its benchmark and a weight of 25% of its Peer Group. This change has been incorporated into the renumbered Section 5.8 on page 10 and in Table 2 in Appendix D.

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Other

- Provisions have been incorporated setting forth the responsibilities of the Audit and Ethics Committee and CEO relative to the joint recommendations that must be made to the Compensation Committee regarding the General Counsel and Chief Compliance Officer's base salary, performance goals and achievement of performance goals, performance incentives, and designation of the position of General Counsel and Chief Compliance Officer as a Participant in the Plan. These changes have been incorporated in Section 4.2 on page 3, Section 5.4 on pages 5-6, Section 5.5 on pages 7-8, and Section 5.8(c) on page 13-14.
- Individual Performance Goals have been renamed as Qualitative Performance Goals to allow for consideration of criteria in addition to individual performance in evaluating the level of achievement of a Participant's performance for a Performance Period. Consideration of UTIMCO's performance relative to its Peer Group has been added as one of the criteria on which qualitative performance goals may be based. This change has been incorporated in Section 5.4(b) on page 6 and renumbered Section 5.8(c) on pages 13-14.
- Section 5.3(b) has been changed to clarify that when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board, an employee in an Eligible Position may be designated as a Participant in the Plan during the last six months of a Performance Period.
- Table 2 has been updated to incorporate the new Asset Classes and Investment Types methodology and benchmarks set forth in the Investment Policies adopted by the UTIMCO Board effective March 1, 2008. It is anticipated that the benchmarks incorporated in Table 2 will be adopted by the Board of Regents of The University of Texas System at a future meeting. Staff is requesting that the UTIMCO Board adopt the benchmarks at its July 23rd meeting.
- Table 2 has been updated to include the performance standards discussed by the Committee at prior meetings. The ITF entity performance standards have not been discussed by the Committee but have been incorporated by staff based on the same methodology used to calculate the Total Endowment Fund performance standards. Staff also added a specific asset class benchmark for Internal Investment Grade Fixed Income.
- Section 5.8(b)(2) related to private investments incorporates two benchmarks: (1) the Venture Economics benchmark for private investments other than Real Estate; and (2) a NACRIEF Custom Index for private

Agenda Item

UTIMCO Board of Directors Meeting
July 23, 2008

investments in Real Estate. It is anticipated that the NACRIEF Custom Index benchmark will be adopted by the Board of Regents of The University of Texas System at its next meeting. Staff is requesting that the UTIMCO Board adopt the benchmark at its July 23rd meeting.

- The definition of Peer Group in Section 8.14 has been changed based on the collective recommendations of Cambridge Associates and Mercer to include all endowment funds with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, all to be determined as of the last day of each of the three immediately preceding Performance Periods as set forth on Appendix B; provided, however, that the Total Endowment Assets are excluded from the Peer Group. The Peer Group in Appendix B will be updated when the information is available.
- The sample methodology in Appendix A has been updated to reflect the new threshold, target, and maximum performance standards.
- Table 1 in Appendix C has been updated based on the Mercer's recommendations regarding weightings and incentive award opportunities resulting from the Mercer Incentive Plan Design Recommendations as previously discussed by the Committee.

(2) Base Salaries. The Committee will report on its action related to the base salaries for all UTIMCO officers and Plan Participants, except the CEO's, for the 2008-09 fiscal year. The Committee will request that the Board take appropriate action related to the CEO's base salary.

(3) CEO's Performance Goals. The Committee will discuss with Mr. Zimmerman his qualitative performance goals for 2008-09 at its meeting in July. Qualitative performance goals have replaced the Individual performance goals in the prior Plan. Qualitative performance goals may be established in one or more of the following areas: leadership, implementation of operational goals, management of key strategic projects, effective utilization of human and financial resources, and UTIMCO's investment performance relative to the Peer Group. The CEO's qualitative performance goals will be reviewed in Executive Session with the UTIMCO Board. The entity and asset class performance goals are included in the Plan in Table 2 of Appendix D of the Plan that will be approved as part of the adoption of the Plan effective July 1, 2008.

(4) Designation of Employees in Eligible Positions. Eligible Positions have been discussed at previous Committee meetings held during the past few months as the Committee has reviewed the structure of the Plan. The UTIMCO employees in the

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Eligible Positions that are being designated as Participants in the Plan for the 2008-09 Performance Period are set forth in Exhibit 1.

Reference: UTIMCO Compensation Program; CEO's qualitative performance goals; designation of Employees as Plan Participants (Exhibit 1)

**RESOLUTION RELATED TO THE UTIMCO COMPENSATION PROGRAM
EFFECTIVE JULY 1, 2008**

WHEREAS, Section 7.2 of the UTIMCO Compensation Program effective July 1, 2007 (the "Prior Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Prior Plan or any portion thereof from time to time; and

WHEREAS, the Charter of the Compensation Committee of the Board (the "Committee") requires the Committee to recommend to the Board any proposed amendments to the Prior Plan; and

WHEREAS, the Compensation Committee has proposed certain changes to the Prior Plan to be incorporated into a new UTIMCO Compensation Program effective July 1, 2008 (the "Plan"), in the form previously provided to the Board; and

WHEREAS, the Board has reviewed the Plan;

NOW, THEREFORE, be it:

RESOLVED, that the Board hereby amends the Prior Plan effective as of July 1, 2008, subject to the approval of the Board of Regents of The University of Texas System.

Resolution Regarding Corporation's CEO's Base Salary

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2008-2009 in the amount of \$ _____.

**RESOLUTION RELATED TO THE CEO'S QUALITATIVE PERFORMANCE
GOALS FOR PERFORMANCE INCENTIVE PLAN**

WHEREAS, Section 5.4(a) of the UTIMCO Compensation Program (the "Plan") provides that the Compensation Committee (the "Committee") of the Board of Directors of UTIMCO (the "Board") will approve the Performance Goals for each Participant (other than for the CEO) each Performance Period; and

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

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Goals for the 2008/2009 Performance Period as prepared by the CEO and recommended by the Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Goals for the CEO for the 2008/2009 Performance Period, effective as of July 1, 2008, as set forth in the document presented to the Board.

**RESOLUTION RELATED TO
2008/2009 PARTICIPANTS IN
PERFORMANCE INCENTIVE PLAN**

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (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 "Board") as an "Eligible Position" for that Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has recommended the individuals who may become Participants for the 2008/2009 Performance Period set forth on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed Exhibit 1 and wishes to select the individuals who may become Participants for the 2008/2009 Performance Period;

NOW, THEREFORE, be it:

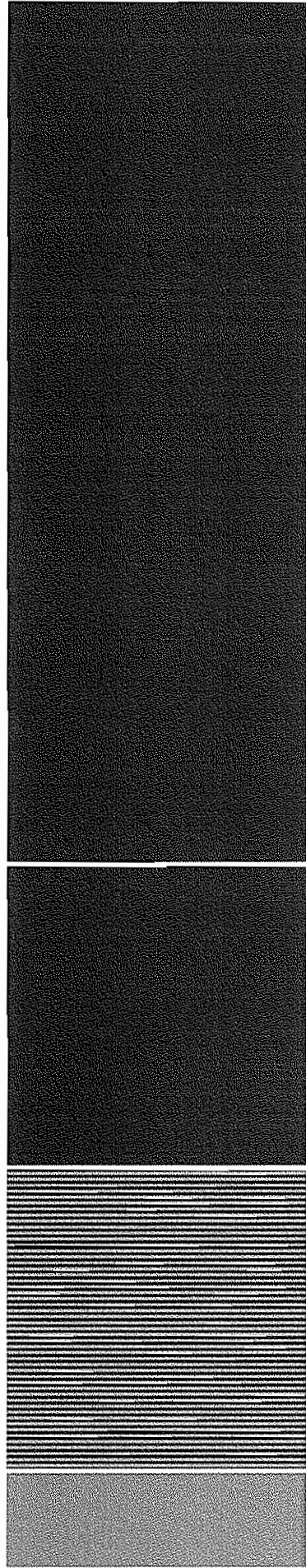
RESOLVED, that the individuals set forth on Exhibit 1 attached hereto are hereby designated as "Participants" in the Plan for the 2008/2009 Performance Period, effective as of July 1, 2008.

MERCER

Consulting. Outsourcing. Investments.



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



July 8, 2008

The University of Texas Investment Management Company

Incentive Plan Design Recommendations

Methodology

- Conducted individual interviews with selected stakeholders (UTIMCO Board chair, Compensation Committee members, CEO, President) to discuss:
 - Perspective on the current incentive plan design, compensation program and process
 - Expectations, issues or concerns around modifying the current program and process
- Reviewed organizational context in the following key areas:
 - Size and Complexity: UTIMCO has approximately \$23 billion in endowment and operating assets under management, the majority of which are externally managed.
 - Labor Market: Includes both not-for-profit and for-profit investment organizations where the majority of assets are externally managed (“managers of managers”).
 - Job Content: Review position descriptions and agree on benchmarks with UTIMCO’s senior leadership.
- Reviewed the annual incentive plan design by individual component to ensure the plan remains fair, competitive and reasonable. Components reviewed include:
 - Eligibility
 - Performance measures and weighting
 - Performance measurement period
 - Incentive award opportunity (at threshold, target and maximum)
 - Award payout
- Referenced the Mercer 2008 Compensation Survey of Investment Groups within University Endowments and Foundations (“Mercer Survey”).¹
- Analyzed UTIMCO’s current incentive plan features and market prevalent practices; developed recommendations based on input gathered from the stakeholder interviews, market best practices and Mercer’s expertise in developing compensation and incentive programs for university endowments.

¹ Incentive opportunity recommendations were also based upon the total cash compensation market assessment which leveraged competitive data from the Mercer Survey and McLagan Partners, Investment Management Firms compensation survey.

Incentive Plan Design Recommendations Overview

Plan Components	Summary of Recommended Design	Change from Current Design
Eligibility	<ul style="list-style-type: none"> Investment and support/operations professionals. 	<ul style="list-style-type: none"> No change.
Performance Measures and Weighting <i>(refer to page 2 of this document for details)</i>	<ul style="list-style-type: none"> 85% of entity performance is measured by performance of the Total Endowment Assets (TEA) relative to policy portfolio benchmark and 15% of entity performance is measured by performance of the Intermediate Term Fund (ITF) relative to policy portfolio benchmark. Asset class performance is measured for selected positions, relative to benchmarks. A portion of the award is determined at management discretion based on consideration of individual performance, peer group performance and other factors as deemed appropriate. 	<ul style="list-style-type: none"> Entity performance based on policy benchmark only. Replaced "Individual" measure with "Discretionary" measure to include other factors such as UTIMCO's performance against the peer group.
Performance Measurement Period	<ul style="list-style-type: none"> Entity and asset class performance are averaged over a rolling three year period. 	<ul style="list-style-type: none"> No change.
Incentive Award Opportunity <i>(refer to page 3 of this document for details)</i>	<ul style="list-style-type: none"> Incentive opportunity varies by level and function. 	<ul style="list-style-type: none"> Minimal changes to incentive targets for associates, analysts and operations positions. Change threshold values to equal 50% of target. Change maximum values to equal 200% of target.
Award Payout	<ul style="list-style-type: none"> The award is paid out in full at the end of the plan year. 	<ul style="list-style-type: none"> Deferral feature removed.
Administration	<ul style="list-style-type: none"> New plan participants are phased into the plan so that entity and asset class performance are measured over a period of time consistent with the participant's tenure at UTIMCO. 	<ul style="list-style-type: none"> Individual phase in approach takes into consideration the asset class and other circumstances.

Incentive Plan Design Recommendations Performance Measures and Weighting

Position	Performance Measures & Weighting		
	Entity	Asset Class	Discretionary
Chief Executive Officer and Chief Investment Officer	60%	—	40%
President and Deputy CIO	30%	50%	20%
Managing Director	25%	50%	25%
Director Senior Portfolio Manager Portfolio Manager	20%	40%	40%
Associates	15%	30%	55%
Analysts	10%	20%	70%
Risk Management (all levels)	30%	—	70%
Operations (all levels)	20%	—	80%
Legal & Compliance	—	—	100%

Incentive Plan Design Recommendations

Incentive Opportunity

Position Levels	Current Plan			Proposed			Change			
	Incentive Award Opportunity			Incentive Award Opportunity			Incentive Award Opportunity			
	Threshold	Target	Maximum	Threshold	Target	Maximum	Threshold	Target	Maximum	
Investments										
Chief Executive Officer	20%	100%	200%	50%	100%	200%	30%			
President / Managing Director ¹	18%	90%	190%	45%	90%	190%	27%			
Portfolio Manager	10%	50%	140%	25%	50%	100%	15%			-40%
Director	8%	40%	80%	20%	40%	80%	12%			
Associate	6%	30%	70%	18%	35%	70%	12%	5%		
Analyst	6%	30%	50%	13%	25%	50%	7%	-5%		
Operations										
Managing Director (Senior)	10%	50%	140%	30%	60%	120%	20%	10%		-20%
Managing Director	8%	40%	80%	25%	50%	100%	17%	10%		20%
Manager	8%	40%	80%	20%	40%	80%	12%			

¹ President and MD maximums of 190% intentionally exceed the ratio of 2x target to avoid a decrease in current opportunity for high impact positions.

DRAFT 07/09/08



**UTIMCO
COMPENSATION PROGRAM**

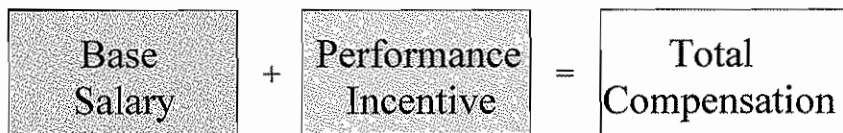
~~Restated: Effective July 1, 2007~~2008

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1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

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



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

Effective Date: ~~The original Compensation Program was effective September 1, 2000. It was amended and restated in its entirety effective September 1, 2004, and again on July 1, 2006, except that (i) provisions of the Performance Incentive Plan relating to the further deferral of Nonvested Deferred Awards after they become vested are eliminated effective September 1, 2004, and (ii) provisions of the Performance Incentive Plan that are deleted, added, or modified to conform to, or exempt the plan from, section 409A of the Internal Revenue Code (Sections 5.6(a), 5.7(b)(4), 5.10(e), and 8.5) are effective January 1, 2005. Except as provided in Section 7.9, This this document, with an “Effective Date” of July 1, 2008, supersedes amends and restates the UTIMCO Compensation Program that was effective July 1, 2007 with an “Effective Date” of July 1, 2007.~~

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO’s Compensation Program serves a number of objectives:

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

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

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY

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

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

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

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

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

- (a) Base salaries are administered through a Salary Structure as set forth in this Section 4.1. Each employment position has its own salary range, with the midpoint set approximately equal to the market median base salary for employment positions with similar job content and level of responsibility. ~~In most cases, the salary range will be from 20% below the midpoint to 20% above the midpoint.~~
- (b) The salary range midpoints will be determined by the Compensation Committee based on consultation with an outside compensation consultant and with UTIMCO management. Salary range midpoints for key management, investment, and operations positions will be updated at least

every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. In years in which the Compensation Committee does not commission a formal salary survey, the base salary midpoints may be adjusted at the Compensation Committee's discretion based on expected annual salary structure adjustments as reported in one or more published compensation planning surveys.

4.2. Salary Adjustments

- (a) The base salary of the CEO is determined by the Board. The base salary of the Chief Compliance Officer ("CCO") will be determined by the Compensation Committee based on the joint recommendation of the Audit and Ethics Committee and the CEO, and the base salaries of the other key investment and operations employees are determined by the Compensation Committee. Base salaries will be set within the salary range for each employment position. An individual's base salary within the range may be higher or lower than the salary range midpoint based on his or her level of experience, education, knowledge, skills, and performance. On an exception basis, the Board may set individual base salaries outside of the salary range if an individual either substantially exceeds or does not meet all of the market criteria for a particular position ~~(e.g., recent promotion)~~.
- (b) Individuals may receive an annual adjustment (increase or decrease) of their base salaries at the discretion of the Compensation Committee or, in the case of the CEO, at the discretion of the Board. Base salary adjustments, if any, will be determined based on each individual employee's experience, education, knowledge, skills, and performance; provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. Employees are not guaranteed an annual salary increase.

5. PERFORMANCE INCENTIVE PLAN

5.1. Purpose of the Performance Incentive Plan

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

5.2. Performance Period

- (a) For purposes of the Performance Incentive Plan, the "Performance Period" begins on July 1 of each year and ends the following June 30.
- (b) Except as otherwise provided under Sections 5.8 and 5.9, performance for each year in the historical performance period will be measured between July

1 and the following June 30 of the applicable year for gauging achievement of the Entity and ~~Asset Class~~Asset Class/Investment Type Performance Goals.

5.3. Eligibility and Participation

- (a) Each employee of UTIMCO will be a “Participant” in the Performance Incentive Plan for a Performance Period if (and only if) he or she is both (i) employed by UTIMCO in an employment position that is designated as an “Eligible Position” for that Performance Period and (ii) selected by the Board as eligible to participate in the Performance Incentive Plan for that Performance Period. “Eligible Positions” for a Performance Period include senior management, investment staff, and other key positions as designated by the CEO and approved by the Board as Eligible Positions for that Performance Period. An employment position that is an Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period, and each Eligible Position must be confirmed or re-confirmed by the Board as being an “Eligible Position” for the applicable Performance Period. Similarly, an employee who is eligible to participate in the Performance Incentive Plan in one Performance Period is not automatically eligible to participate in any subsequent Performance Period (notwithstanding that such employee may be employed in an Eligible Position in that subsequent Performance Period), and each employee must be designated or re-designated by the Board as being eligible to participate in the Performance Incentive Plan for the applicable Performance Period. The Board will confirm the Eligible Positions and designate the eligible employees who will become Participants for a Performance Period within the first 90 days of the Performance Period or, if later, as soon as administratively feasible after the start of the Performance Period. The Board in its discretion may also designate the employment position of a newly hired or promoted employee as an “Eligible Position” and may designate such newly hired or promoted employee as eligible to participate in the Performance Incentive Plan for a Performance Period (or remainder of a Performance Period) within 30 days of such hire or promotion or, if later, as soon as administratively feasible after such hire or promotion. A list of Eligible Positions for each Performance Period is set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Eligible Positions for that Performance Period as soon as administratively practicable after confirmation of such Eligible Positions by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.
- (b) An employee in an Eligible Position who has been selected by the Board to participate in the Performance Incentive Plan will become a Participant on the later of (i) the date he or she is employed in an Eligible Position or (ii) the date he or she is selected by the Board to participate in the Performance Incentive Plan; provided, however, that the Board in its discretion may designate any earlier or later date (but not earlier than such employee’s date

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

- (c) An employee will cease to be a Participant in the Performance Incentive Plan on the earliest to occur of: (i) the date such employee is no longer employed in an Eligible Position; (ii) the date of termination of such employee's employment with UTIMCO for any reason (including voluntary and involuntary termination, death, and disability); (iii) the date of termination of the Performance Incentive Plan; (iv) the date such employee commences a leave of absence; (v) the date such employee begins participation in any other UTIMCO incentive program; (vi) the date the Board designates that such employee's employment position is not an Eligible Position (or fails to designate the employee's employment position as an Eligible Position with respect to a Performance Period); or (vii) any date designated by the Board as the date on which such employee is no longer a Participant.
- (d) Except as provided in Sections 5.10(b) and (c), only individuals who are Participants on the last day of a Performance Period are eligible to receive Performance Incentive Awards under the Performance Incentive Plan for that Performance Period.

5.4. Performance Goals

- (a) Within the first 60 days of each Performance Period, except as provided below, the CEO will recommend goals ("Performance Goals") for each

Participant (other than the Performance Goals for the CEO, which are determined as provided in Section 5.4(c), and the Performance Goals for employees who are hired or promoted later during a Performance Period) subject to approval by the Compensation Committee within the first 90 days of the Performance Period. The CEO will also recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants at the time those employees are designated as Participants (with such Performance Goals subject to confirmation by the Compensation Committee as soon as administratively feasible after such Performance Goals are recommended). If the position of the CCO is determined to be an Eligible Position and the employee in the Eligible Position has been designated by the Compensation Committee as a Participant in the Performance Incentive Plan for the Performance Period, the Performance Goals of the employee holding the position of CCO will be determined jointly by the Audit and Ethics Committee and the CEO. References to the CCO hereafter assume that the position of CCO has been determined to be an Eligible Position and the employee holding the position of CCO has been determined to be a Participant in the Performance Incentive Plan for the Performance Period. If the position of CCO has not been determined to be an Eligible Position for the Performance Period the provisions hereafter specific to the CCO have no force and effect.

(b) There are three categories of Performance Goals:

- (1) Entity Performance (measured as described in Section 5.8(a))
- (2) ~~Asset Class~~ Asset Class/Investment Type Performance (measured as described in Section 5.8(b))
- (3) ~~Individual~~ Qualitative Performance (measured as described in Section 5.8(c))

Except for the CEO and CCO, ~~Individual~~ Qualitative Performance Goals will be defined jointly by each Participant and his or her supervisor, subject to approval by the CEO and subject to final approval by the Compensation Committee. Qualitative Performance Goals for the CCO will be defined jointly by the Audit and Ethics Committee and the CEO. Individual Qualitative Performance Goals may be established in one or more of the following areas:

- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources
- UTIMCO investment performance relative to the Peer Group

- (c) The CEO's Performance Goals will be determined and approved by the Board.
- (d) Each Performance Goal for each Eligible Position is assigned a weight for the Performance Period. The Audit and Ethics Committee and the CEO will jointly recommend to the Compensation Committee the weightings of the Performance Goals for the CCO. For each Performance Period, the Compensation Committee will approve (or adjust as it deems appropriate) the weightings of the Performance Goals at the same time it approves the Performance Goals. The weightings for each Eligible Position are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the weightings for the Eligible Positions for that Performance Period as soon as administratively practicable after such weightings are approved by the Compensation Committee for such Performance Period. Notwithstanding the identified weighting for a Performance Goal for an Eligible Position, the Compensation Committee, may adjust the weightings (up or down) for any Participant for a Performance Period ~~where~~ when it considers the ~~assigned~~ identified weighting for a Performance Goal to be inappropriate for such Participant because of his or her length of service with UTIMCO, his or her tenure in the respective Eligible Position, ~~or his or her prior work experience, or other factors as deemed appropriate by the Compensation Committee;~~ provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. The weightings for the Performance Goals for each Performance Period are subject to approval by the Board.

5.5. Incentive Award Opportunity Levels and Performance Incentive Awards

- (a) At the beginning of each Performance Period, each Eligible Position is assigned an "Incentive Award Opportunity" for each Performance Goal for the Participants in that Eligible Position. The Audit and Ethics Committee and CEO will jointly recommend the Incentive Award Opportunity for the CCO to the Compensation Committee. Each Incentive Award Opportunity is determined by the Compensation Committee (and subject to approval by the Board) and is expressed as a percentage of base salary earned during the Performance Period. The Incentive Award Opportunities include a threshold, target, and maximum award for achieving commensurate levels of performance of the respective Performance Goal.
- (b) Incentive Award Opportunities for each Performance Period are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Incentive Award Opportunities for that Performance Period as soon as administratively practicable after approval of the Incentive Award Opportunities by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.

- (c) Actual "Performance Incentive Awards" are the amounts that are actually awarded to Participants for the respective Performance Period. Actual Performance Incentive Awards will range from zero (if a Participant performs below threshold on all Performance Goals) to the maximum Incentive Award Opportunity (if a Participant performs at or above maximum on all Performance Goals) depending on performance relative to objectives. Awards are capped at maximum levels regardless of whether a Participant exceeds the stated maximum Performance Goals.
- (d) Following the end of each Performance Period, the Compensation Committee will review the actual performance of each Participant against the Performance Goals of the respective Participant and determine the Participant's level of achievement of his or her Performance Goals. The Compensation Committee will seek, and may rely on, the independent confirmation of the level of Performance Goal achievement from an external investment consultant to evaluate Entity Performance and Asset Class/Investment Type Performance. The CEO will submit a written report to the Compensation Committee, which documents the Participant's performance relative to the Participant's Performance Goals set at the beginning of the Performance Period, and upon which the Compensation Committee may rely in evaluating the Participant's performance. The Audit and Ethics Committee and the CEO will jointly determine the CCO's level of achievement relative to the CCO's Performance Goals. The Board will determine the CEO's level of achievement relative to the CEO's Performance Goals.
- (e) Performance Incentive Awards will be calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weightings for the Participant's Entity Performance, Asset Class/Investment Type Performance, and ~~Individual Qualitative~~ Performance Goals and each Participant's Incentive Award Opportunity. The methodology for calculating Incentive Award Opportunities and Performance Incentive Awards is presented on Appendix A. Performance Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum.
- (f) Within 150 days following the end of a Performance Period, the Compensation Committee will review all Performance Incentive Award calculations, based on the certification of its advisors, and make any changes it deems appropriate. The Compensation Committee will submit its recommendations to the Board for approval. Subject to the provisions of Section 7.1, the Board will approve Performance Incentive Awards.
- (g) Following the approval of a Performance Incentive Award by the Board, each Participant will be notified as to the amount, if any, of his or her Performance Incentive Award as well as the terms, provisions, conditions, and limitations of the Nonvested Deferred Award portion of such Performance Incentive Award.

5.6. Form and Timing of Payouts of Performance Incentive Awards

Approved Performance Incentive Awards will be paid as follows:

- (a) Seventy percent of the Performance Incentive Award will be paid to the Participant (“Paid Performance Incentive Award”) within 150 days of the completion of the Performance Period on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which the Performance Period ends, and
- (b) Thirty percent of the Performance Incentive Award will be treated as a “Nonvested Deferred Award” subject to the terms of Section 5.7 and paid in accordance with that Section.

5.7. Nonvested Deferred Awards

- (a) For each Performance Period, a hypothetical account on UTIMCO’s books (“Nonvested Deferred Award Account”) will be established for each Participant. As of the date that the corresponding Paid Performance Incentive Award is paid to the Participant, each Participant’s Nonvested Deferred Award for a Performance Period will be credited to his or her Nonvested Deferred Award Account established for that Performance Period; provided, however, that, in the case of any Participant who is not employed by UTIMCO on the date such Nonvested Deferred Award would be so credited to his or her Nonvested Deferred Award Account, such Nonvested Deferred Award will not be credited to such Participant’s Nonvested Deferred Award Account but will instead be forfeited. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets (“Net Returns”) for the month multiplied by the balance of the respective Participant’s Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred Award Accounts unless and until they become vested in those accounts in accordance with Section 5.7(b).
- (b) Assuming and contingent upon continued employment with UTIMCO, except as provided in Section 5.10(c), a Participant will become vested in, and entitled to payment of, his or her Nonvested Deferred Award Account for each respective Performance Period according to the following schedule:
 - (1) On the first anniversary of the last day of the Performance Period for which the Nonvested Deferred Award was earned, one third of the

amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

- (2) On the second anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, one half of the amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.
- (3) On the third anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.
- (4) Nonvested Deferred Award Accounts payable under the above paragraphs of this Section 5.7(b) will be paid on a date selected in the discretion of UTIMCO after the applicable portion of any such Nonvested Deferred Award Account becomes vested and in no event later than the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested.

5.8. Performance Measurement Standards

(a) Entity Performance

- (1) Entity Performance for purposes of the Performance Incentive Plan is the performance of the Total Endowment Assets (weighted at 85%) and the Intermediate Term Fund (weighted at 15%).
- (2) The performance of the Total Endowment Assets is measured based on the TEA's performance relative to the TEA Policy Portfolio Return (TEA benchmark), ~~(weighted at 75%) and to the Peer Group (weighted at 25%). The Board's chosen investment advisor will determine the performance of the Peer Group annually for the Performance Period. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets. The Board's investment advisor will calculate a percentile rank for the performance of the Total Endowment Assets relative to the Peer Group, with the 100th percentile representing the highest rank, the 50th percentile representing the median, and the 0th percentile representing the lowest rank.~~
- (3) The performance of the Intermediate Term Fund will be measured based on the performance of the ITF relative to the ITF Policy Portfolio Return (ITF benchmark). The performance standards related to the Intermediate Term Fund for the Performance Period beginning July 1,

2006, are reflected in ~~Table 4~~Table 2 on Appendix D. Performance standards related to the ITF for each Performance Period beginning after June 30, ~~2007~~2008, will be set forth on a revised table for each such Performance Period and set forth on Appendix D as soon as administratively practicable after such standards are determined. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the ITF.

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

(b) Asset Class/Investment Type Performance

- (1) Asset Class/Investment Type Performance is the performance of specific asset classes and investment types within the Total Endowment Assets and the Intermediate Term Fund (such as ~~US public equity~~developed country, private capital investments, etc.) based on the standards set forth in this Section 5.8(b). Except as provided in paragraph (2) below and Section 5.9, Asset Class/Investment Type Performance will be measured relative to the appropriate benchmark based on three-year rolling historical performance. Performance standards for each asset class and investment type will vary depending on the ability to outperform the respective benchmark. ~~Table 2 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards for the Performance Periods ending June 30, 2003, 2004, and 2005 and includes July 2005 and August 2005. Table 3 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning September 1, 2005, through December 31, 2005. Table 4 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning January 1, 2006, through June 30, 2006. The benchmarks for each asset class and investment type, as well as threshold, target, and maximum performance standards for the Performance Period beginning July 1, 2006, is set forth on Appendix D. The benchmarks for each asset class and investment type as well as threshold, target, and maximum performance standards for Performance Periods beginning after June 30, 2006~~2009, will be set forth in a revised table for each such Performance Period as soon as administratively practicable after such benchmarks and standards are set, and such revised table will be attached as Appendix D.

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

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

TABLE 3 (9/1/05 through 12/31/05)

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

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

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

(2) Performance for the ~~private capital investments asset class (Private Equity and Venture Capital)~~ is calculated differently from other asset classes and investment types due to its longer investment horizon and illiquidity of assets. Except for private investments in Real Estate, ~~performance of the private capital asset class investments~~ is determined based on the performance of partnership commitments made ~~by the current private capital team~~ since 2001 based on internal rates of return (IRR's) relative to the respective Venture Economics benchmarks. Performance of private investments in Real Estate will be determined based on the performance of partnership commitments made relative to a NACRIEF Custom Index benchmark.

(c) ~~Individual Qualitative Performance~~

- (1) The level of a Participant's ~~Individual Qualitative Performance~~ will be measured by the CEO (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), subject to approval by the Compensation Committee, based on the level of attainment (below threshold, threshold, target, or maximum) of the Participant's ~~Individual Qualitative Performance Goals~~ for the Performance Period.
- (2) For purposes of determining the level of attainment of each Participant's ~~Individual Qualitative Performance Goals~~ for the Performance Period, the Participant will have attained below threshold level if he or she fails to successfully complete at least 50% of his or her ~~Individual Qualitative Performance Goals~~ for that

Performance Period, threshold level if he or she successfully completes 50% of his or her ~~Individual-Qualitative~~ Performance Goals for that Performance Period, target level if he or she successfully completes 75% of his or her ~~Individual-Qualitative~~ Performance Goals for that Performance Period, and maximum level if he or she successfully completes 100% of his or her ~~Individual-Qualitative~~ Performance Goals for that Performance Period (with interpolation for levels of attainment between threshold, target, and maximum).

- (3) In determining the percentage of successful completion of a Participant's ~~Individual-Qualitative~~ Performance Goals, the CEO, and in the case of the CCO, the Audit and Ethics Committee (in ~~his or her~~the initial determination) and the Compensation Committee (in its review of the attained levels for approval) need not make such determination based solely on the number of ~~Individual-Qualitative~~ Performance Goals successfully completed but may take into account the varying degrees of importance of the ~~Individual-Qualitative~~ Performance Goals, changes in the Participant's employment duties occurring after the ~~Individual-Qualitative~~ Performance Goals are determined for the Performance Period, and any other facts and circumstances determined by the CEO, and in the case of the CCO, the Audit and Ethics Committee, or Compensation Committee (as applicable) to be appropriate for consideration in evaluation of the level of achievement of the Participant's ~~Individual-Qualitative~~ Performance Goals for the Performance Period.

5.9. *Modifications of Measurement Period for Measuring Entity and Asset Class/Investment Type Performance Goals*

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

Participant's Performance Incentive Plan participation and beyond, the Entity and Asset Class/Investment Type Performance components of the Incentive Award Opportunity will be based on the three full years of rolling historical performance. ~~This provision will apply to Participants who are UTIMCO employees hired after July 1, 2001.~~

- (b) For purposes of measuring the Intermediate Term Fund component of Entity and Asset Class/Investment Type Performance, the three-year historical performance cycle will not be utilized until the Intermediate Term Fund has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years of historical performance will be used as the measurement period. The Intermediate Term Fund was formed on February 1, 2006, and is added as a measurement of performance under the Performance Incentive Plan effective July 1, 2006. Therefore, as of June 30, 2007, the ITF ~~will have had~~ one year of historical performance that will be measured for purposes of determining Entity and Asset Class/Investment Type Performance; as of June 30, 2008, the ITF ~~will have had~~ two consecutive years of historical performance that will be measured for purposes of determining Entity and Asset Class/Investment Type Performance; and as of June 30, 2009, and for each Performance Period thereafter, three consecutive years of historical performance will be utilized for purposes of measuring the ITF prong of Entity and Asset Class Performance.
- (c) For purposes of measuring Entity and ~~Asset Class~~Asset Class/Investment Type Performance, the three-year historical performance cycle will not be utilized for any specific ~~asset class~~asset class and investment type (or subset of an ~~asset class~~asset class and investment type) until that ~~asset class~~asset class and investment type (or subset of that ~~asset class~~asset class and investment type) has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years (full and partial) of historical performance of that ~~asset class~~asset class and investment type (or subset of that ~~asset class~~asset class and investment type) while part of the Performance Incentive Plan will be used as the measurement period.
- (d) For purposes of measuring Entity and ~~Asset Class~~Asset Class/Investment Type Performance of an ~~asset class~~asset class and investment type (or subset of an ~~asset class~~asset class and investment type) that is removed from the Performance Incentive Plan prior to completion of the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed ~~asset class~~asset class and investment type (or subset of an ~~asset class~~asset class and investment type), but instead the actual number of full months that the removed ~~asset class~~asset class and investment type was part of the Performance Incentive Plan during the then in-progress three-year historical performance cycle will be used as the measurement period.

- (e) For purposes of measuring ~~Asset Class~~Asset Class/~~Investment Type~~ Performance for a particular Participant of an ~~asset class~~asset class and investment type (or subset of an ~~asset class and investment type~~asset class and investment type) that is removed from or added to the Participant's responsibility during the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed or added ~~asset class and investment type~~asset class and investment type (or subset of an ~~asset class and investment type~~asset class and investment type), but instead the actual number of full months that the removed or added ~~asset class and investment type~~asset class and investment type was part of the Participant's responsibility during the then in-progress three-year historical performance cycle will be used as the measurement period for evaluating the ~~Asset Class~~Asset Class/~~Investment Type~~ Performance with respect to such Participant.

5.10. Termination Provisions

- (a) Except as otherwise provided in this Section 5.10, any Participant who ceases to be a Participant (either because of termination of employment with UTIMCO or for any other reason stated in Section 5.3(c)) prior to the end of a Performance Period will not be eligible to receive payment of any Performance Incentive Award for that or any subsequent Performance Periods. In addition, a Participant will only continue to vest in Nonvested Deferred Awards while he or she is employed with UTIMCO and will forfeit any Nonvested Deferred Awards at termination of employment with UTIMCO.
- (b) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment position is no longer an Eligible Position (but such employee continues to be employed with UTIMCO), such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date the Participant ceases to be in an Eligible Position, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).
- (c) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or Disability, the Participant's Performance Incentive Award for the Performance Period in which termination occurs, in lieu of any other Performance Incentive Award under the Performance Incentive Plan, will be paid at target on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with

the date of the Participant's death or Disability, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which such termination occurs. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable.

- (d) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a leave of absence, such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).
- (e) In the case of any Participant who ceases to be a Participant in the Performance Incentive Plan prior to the end of Performance Period and is entitled to a Performance Incentive Award or a prorated Performance Incentive Award under this Section 5.10, such Performance Incentive Award will be calculated at the time and in the manner provided in Section 5.5 and Appendix A and paid in accordance with Section 5.6 and will not be calculated or paid prior to such time.

6. COMPENSATION PROGRAM AUTHORITY AND RESPONSIBILITY

6.1. Board as Plan Administrator

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

6.2. Powers of Board

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

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

- (2) Select the employees who are eligible to be Participants in the Performance Incentive Plan.
- (3) Delegate to any other person, committee, or entity any of its ministerial powers and/or duties under the Compensation Program as long as any such delegation is in writing and complies with the UTIMCO Bylaws.

7. COMPENSATION PROGRAM INTERPRETATION

7.1. Board Discretion

- (a) Consistent with the provisions of the Compensation Program, the Board has the discretion to interpret the Compensation Program and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Compensation Program. All decisions made by the Board in selecting the Participants approved to receive Performance Incentive Awards, including the amount thereof, and in construing the provisions of the Compensation Program, including without limitation the terms of any Performance Incentive Awards, are final and binding on all Participants.
- (b) Notwithstanding any provision of the Compensation Program to the contrary and subject to the requirement that the approval of Performance Incentive Awards that will result in an increase of 5% or more in the total Performance Incentive Awards calculated using the methodology set out on Appendix A must have the prior approval of the U.T. System Board of Regents, the Board has the discretion and authority to make changes in the terms of the Compensation Program in determining a Participant's eligibility for, or amount of, a Performance Incentive Award for any Performance Period whenever it considers that circumstances have occurred during the Performance Period so as to make such changes appropriate in the opinion of the Board, provided, however, that any such change will not deprive or eliminate an award of a Participant after it has become vested and that such circumstances are recorded in the minutes of a meeting of the Board.

7.2. Duration, Amendment, and Termination

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

or termination will continue to be administered under the terms of the Performance Incentive Plan after any suspension or termination, except as the Board otherwise determines in its discretion at the time of such suspension or termination.

7.3. *Recordkeeping and Reporting*

- (a) All records for the Compensation Program will be maintained by the Managing Director of Accounting, Finance, and Administration at UTIMCO. Relative performance data and calculations will be reviewed by UTIMCO's external auditor before Performance Incentive Awards are finalized and approved by the Board.
- (b) UTIMCO will provide all Participants with a comprehensive report of the current value of their respective Nonvested Deferred Award Account balances, including a complete vesting status of those balances, on at least a quarterly basis.

7.4. *Continued Employment*

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

7.5. *Non-transferability of Awards*

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

7.6. *Unfunded Liability*

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

Participant will have any security or other interest in any assets of UTIMCO or the U.T. System Board of Regents by reason of the Compensation Program.

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

7.7. *Compliance with State and Federal Law*

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

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

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

7.9. *Prior Plan*

- (a) Except as provided in the following paragraphs of this Section 7.9, this ~~restatement of the Compensation Program amends and supersedes~~ any prior version of the Compensation Program ("Prior Plan").
- (b) All nonvested deferred awards under a Prior Plan will retain the vesting schedule in effect under the Prior Plan at the time such awards were allocated to the respective Participant's account. In all other respects, as of the Effective Date, those nonvested deferred amounts will (1) be credited or debited with the Net Returns over the remaining deferral period in accordance with Section 5.7(a), and (2) be subject to the terms and conditions for Nonvested Deferred Awards under the Performance Incentive Plan as set forth in this restated document.

8. DEFINITION OF TERMS

- 8.1. ~~Asset Class~~**Asset Class/Investment Type Performance** is the performance of specific asset classes and investment types within the Total Endowment Assets and the Intermediate Term Fund (such as ~~US public equity~~developed country, private ~~capital~~investments, etc.) based on the standards set forth in Section 5.8(b).
- 8.2. **Board** is the UTIMCO Board of Directors.
- 8.3. **Compensation Committee** is the Compensation Committee of the UTIMCO Board of Directors.
- 8.4. **Compensation Program** is defined in Section 1.
- 8.5. **Disability** means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.
- 8.6. **Effective Date** is defined in Section 1.
- 8.7. **Eligible Position** is defined in Section 5.3(a).
- 8.8. **Entity Performance** represents the performance of the Total Endowment Assets and the Intermediate Term Fund (based on the measurement standards set forth in Section 5.8(a)).
- 8.9. **Incentive Award Opportunity** is defined in Section 5.5(a).
- 8.10. **Intermediate Term Fund or ITF** is The University of Texas System (“U.T. System”) Intermediate Term Fund established by the U.T. System Board of Regents as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by the U.T. System institutions and U.T. System Administration. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Intermediate Term Fund.
- 8.11. **Intermediate Term Fund Policy Portfolio Return** is the benchmark return for the Intermediate Term Fund policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each ~~asset class~~asset class and investment type multiplied by the benchmark return for the ~~asset class~~asset class and investment type) for the various asset classes and investment types in the Intermediate Term Fund policy portfolio for the Performance Period.

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

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

Plus

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

8.13. Nonvested Deferred Award is defined in Section 5.6(b).

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

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

8.16. Participant is defined in Section 5.3(a).

8.17. Peer Group is a peer group of endowment funds maintained by the Board's external investment advisor that is comprised of all endowment funds with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$1-2.5 billion, all to be determined as of-on the last day of each of the three immediately preceding Performance Periods and-as set forth on Appendix B; provided, however, that ~~Harvard University's endowment fund, Yale University's endowment fund, and the~~ Total Endowment Assets are excluded from the Peer Group. The Peer Group will be updated from time to time as deemed appropriate by the Board, and Appendix B will be amended accordingly.

8.18. Performance Goals are defined in Section 5.4.

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

8.20. Performance Incentive Plan is as defined in Section 1 and described more fully in Section 5.

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

8.22. Performance Period is defined in Section 5.2.

8.23. Prior Plan is defined in Section 7.9.

8.24. Salary Structure is described in Section 4.1.

8.25. Total Endowment Assets or TEA means the combination of the Permanent University Fund and the General Endowment Fund, but does not include any other endowment funds monitored by UTIMCO such as the Separately Invested Fund. Performance of the Total Endowment Assets is measured net of fees,

meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.

8.26. Total Endowment Assets Policy Portfolio Return is the benchmark return for the Total Endowment Assets policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each ~~asset class~~asset class and investment type multiplied by the benchmark return for the ~~asset class~~asset class and investment type) for the various asset classes and investment types in the Total Endowment Assets policy portfolio for the Performance Period.

Appendix A

Performance Incentive Award Methodology (for Performance Periods beginning on or after July 1, ~~2007~~2008)

I. Determine “Incentive Award Opportunities” for Each Participant¹

- Step 1. Identify the weights to be allocated to each of the three Performance Goals for each Participant’s Eligible Position. The weights vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. The total of the weights ascribed to the three Performance Goals must add up to 100% for each Participant. For example, Table 1 on Appendix C may reflect for a Performance Period for the CEO that the weight allocated to the Entity Performance Goal is ~~70~~60%, the weight allocated to the ~~Asset Class~~Asset Class/Investment Type Performance Goal is 0%, and the weight allocated to the Individual Performance Goal is ~~30~~40%.
- Step 2. Identify the percentage of base salary for the Participant’s Eligible Position that determines the Performance Incentive Award for achievement of the Threshold, Target, and Maximum levels of the Performance Goals. The percentages vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. For example, Table 1 on Appendix C may show that for a Performance Period the applicable percentages for determining the Performance Incentive Award for the CEO are ~~18~~50% of his or her base salary for achievement of Threshold level performance of all three Performance Goals, ~~90~~100% of his or her base salary for achievement of Target level performance of all three Performance Goals, and ~~180~~200% of his or her base salary for achievement of Maximum level performance of all three Performance Goals.
- Step 3. Calculate the dollar amount of the potential Threshold, Target, and Maximum awards (the “Incentive Award Opportunities”) for each Participant by multiplying the Participant’s base salary for the Performance Period by the applicable percentage (from Step #2 above). For example, assuming the CEO has a base salary of ~~\$495,000~~\$75,000 for a Performance Period, based on the assumed percentages set forth in Step #2 above, the CEO will be eligible for a total award of ~~\$89,100~~\$287,500 (~~18~~50% of his or her base salary) if he or she achieves Threshold level performance of all three Performance Goals, ~~\$445,500~~\$75,000 (~~90~~100% of his or her base

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

salary) if he or she achieves Target level performance of all three Performance Goals, and ~~\$891,000~~1,150,000 (~~180~~200% of his or her base salary) if he or she achieves Maximum level performance of all three Performance Goals.

- Step 4. Because a Participant may achieve different levels of performance in different Performance Goals and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Target performance in the Entity Performance Goal and be eligible to receive a Target award for that goal and achieve Maximum performance in the ~~Individual Qualitative~~ Performance Goal and be eligible to receive a Maximum award for that Performance Goal), it is necessary to determine the Incentive Award Opportunity of the Threshold, Target, and Maximum award for each separate Performance Goal (and, because achievement of the Entity Performance Goal is determined in part by achievement of the Total Endowment Assets and in part by achievement of the Intermediate Term Fund, a Threshold, Target, and Maximum Incentive Award Opportunity separately for the TEA and the ITF must be determined). This is done by multiplying the dollar amount of the Threshold, Target, and Maximum awards for the performance of all three Performance Goals calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular Performance Goal (and, further, by multiplying the Incentive Award Opportunity for the Entity Performance by the weight ascribed to achievement of the Total Endowment Assets (85%) and by the weight ascribed to achievement of the Intermediate Term Fund (15%)). ~~The 85% Entity Performance of the Total Endowment Assets is derived from the weighting of the Peer Group portion at 25% and the TEA benchmark portion (TEA Policy Portfolio Return) at 75%.~~
- Step 5. After Steps #3 and #4 above are performed for each of the three levels of performance for each of the three Performance Goals, there will be ~~15~~12 different Incentive Award Opportunities for each Participant. For example, for the CEO (based on an assumed base salary of ~~\$495,000~~575,000, the assumed weights for the Performance Goals set forth in Step #1 above, and the assumed percentages of base salary for the awards set forth in Step #2 above), the ~~15~~12 different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

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

Performance Goal	Weight	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (TEA v. Peer Group)	14.875% (.25 x .85 x .70)	\$13,253	\$66,268	\$132,536
Entity (TEA v. TEA Policy Portfolio Return)	44.625, 51% (.75 x .85 x .70, 60)	\$39,761, 146,625	\$198,804, 293,250	\$397,609, 586,500
Entity (ITF v. ITF Policy Portfolio Return)	10.59, 0% (.15 x .70, 60)	\$9,356, 25,875	\$46,778, 51,750	\$93,555, 103,500
Asset Class/Asset Class/Investment Type	0%	\$0	\$0	\$0
Individual Qualitative	30, 40%	\$26,730, 115,000	\$133,650, 230,000	\$267,300, 460,000
Total	100%	\$89,100, 287,500 (+85% of salary)	\$445,500, 575,000 (+90% of salary)	\$891,000, 1,150,000 (+100% of salary)

II. Calculate Performance Incentive Award for Each Participant

- Step 6. Identify the achievement percentiles or achieved basis points that divide the Threshold, Target, and Maximum levels for each Performance Goal. These divisions for the level of achievement of the Entity and Asset Class/Asset Class/Investment Type Performance Goals are set forth in the table for the applicable Performance Period (i.e., Table 2, Table 3, Table 4, or any later table as set forth on Appendix D, as applicable). The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the Individual Qualitative Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. If the Participant has no supervisor, the measurement for the level of achievement for the Individual Qualitative Performance Goal is determined each Performance Period by the Compensation Committee. The Board will determine the CEO's level of achievement relative to the CEO's Performance Goals.
- Step 7. Determine the percentile or basis points achieved for each Performance Goal for each Participant using the standards set forth in Sections 5.5 and 5.8 of the Compensation Program, as modified in Section 5.9. Determine the level of achievement of each Participant's Individual Qualitative Performance Goal.
- Step 8. Calculate the amount of each Participant's award attributable to each Performance Goal by identifying the Incentive Award Opportunity amount for each Performance Goal (e.g., as assumed and set forth for the CEO in the table in Step #5 above) commensurate with the Participant's level of

achievement for that Performance Goal (determined in Steps #6 and #7 above). An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if ~~the 65th percentile of the Peer Group portion of Total Endowment Assets portion +100 bps of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal has been achieved, that percentile +100 bps is between the Target (60th percentile +75bps) and the Maximum (75th percentile +150bps) levels, so to determine the amount of the award attributable to the 65th percentile +100 bps of achievement of the Peer Group portion of the TEA portion of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, perform the following steps: (i) subtract the difference between the dollar amounts of the Target and Maximum Incentive Award Opportunities for the Participant (e.g., for the CEO, as illustrated in the table in Step #5, the difference is \$66,268,293,250 (\$432,536,586,500 - \$66,268,293,250)); (ii) divide 5-25 (the percentile-bps difference between the Target level of 60th percentile +75 bps and the attained level of 65th percentile +100 bps) by 15-75 (the percentile-bps difference between the Target level and Maximum level) to get the fraction 5/15-25/75 to determine the pro rata portion of the difference between Target and Maximum actually achieved; (iii) multiply the amount determined in the preceding Step (i) by the fraction determined in the preceding Step (ii) (\$66,268,293,250 x 5/15-25/75 = \$22,089,97,750); and (iv) add the amount determined in the preceding Step (iii) to the Target Incentive Award Opportunity for the Participant to get the actual award for the Participant attributable to each Performance Goal (\$22,089,97,750 + \$66,268,293,250 = \$88,357,391,000).~~

- Step 9. In determining the ~~Asset Class~~ Asset Class/Investment Type Performance portion of an award for a Performance Period for each Participant who is responsible for more than one ~~asset class~~ asset class and investment type during that Performance Period, first, the Participant's attained level of achievement (i.e., Below Threshold, Threshold, Target, or Maximum) is determined for each ~~asset class~~ asset class and investment type for which such Participant is responsible by comparing the actual performance to the appropriate benchmark for the ~~asset class~~ asset class and investment type; then, the award is calculated for the determined level of achievement for each such ~~asset class~~ asset class and investment type by multiplying the award commensurate with the level of achievement by the weight assigned to the ~~Asset Class~~ Asset Class/Investment Type Performance Goal for such Participant; then, the various asset classes and investment types for which the Participant is responsible are assigned a pro rata weight (i.e., the assets in such ~~asset class~~ asset class and investment type relative to the total assets under such Participant's responsibility); then, each determined award for a separate ~~asset class~~ asset class and investment type is multiplied by the weight for that ~~asset class~~ asset class and investment type; and, finally, the weighted awards are totaled to produce the Participant's award attributable to ~~Asset Class~~ Asset Class/Investment Type Performance.

- Step 10. In determining the award attributable to the Entity Performance Goal (~~TEA Peer Group at 25% and TEA Policy Portfolio Return at 75%~~), achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 85% ~~with 14.875% for the TEA Peer Group and 44.625% for the TEA Policy Portfolio Return~~ (and then ~~both~~ multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the Entity Performance Goal (and commensurate award) is weighted at 15% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant). For example, assuming a base salary of ~~\$495,000~~\$75,000, if the CEO achieved the Target level (~~60th percentile~~+75 bps) of the ~~TEA Peer Group portion of the Total Endowment Assets portion of the Entity Performance Goal~~, achieved the Maximum level (~~+150 bps~~) of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, and achieved the Maximum level (~~+65~~-100 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of ~~\$557,432~~\$396,750 for his or her level of achievement of the Entity Performance Goal as follows: ~~\$66,268~~\$293,250 for Target level of achievement of the ~~TEA Peer Group portion of the TEA portion of the Entity Performance Goal~~ ($.25 \times .85 \times .70 \times \$445,500$); plus ~~\$397,609~~ for ~~Maximum level of achievement of the TEA benchmark portion of the TEA portion of Entity Performance Goal~~ ($.75 \times .85 \times .70 \times .60 \times \$891,000$); plus ~~\$93,555~~\$103,500 for Maximum level of achievement of the ITF portion of the Entity Performance Goal ($.15 \times .70 \times .60 \times \$891,000$).
- Step 11. No award is given for an achievement percentile below Threshold, and no award above the Maximum award is given for an achievement percentile above the Maximum level.
- Step 12. Subject to any applicable adjustment in Step #13 below, add the awards determined in Steps #8, #9, and #10 above for each Performance Goal (as modified by Step #11) together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.
- Step 13. In the case of any Participant who becomes a Participant in the Performance Incentive Plan after the first day of the applicable Performance Period, such Participant's Performance Incentive Award (determined in Step #12) will be prorated to reflect the actual portion of the Performance Period in which he or she was a Participant. In the case of a Participant who ceases to be a Participant prior to the end of a Performance Period, his or her entitlement to any Performance Incentive Award is determined under Section 5.10 and, in the case of such entitlement, such Participant's Performance Incentive Award, if any, will be prorated and adjusted as provided in Section 5.10.

Appendix B

UTIMCO Peer Group

- Amherst College
- Baylor College of Medicine
- Boston College
- Brown University
- California Institute of Technology
- Case Western Reserve University
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Grinnell College
- Indiana University and Foundation
- Johns Hopkins University
- Massachusetts Institute of Technology
- New York University
- Northwestern University
- Ohio State University and Foundation
- Pennsylvania State University
- Pomona College
- Princeton University
- Purdue University
- Rice University
- Smith College
- Southern Methodist University
- Stanford University
- Swarthmore College
- The Rockefeller University
- The Texas A&M University System and Foundations
- UNC at Chapel Hill and Foundations
- University of California
- University of Chicago
- University of Cincinnati
- University of Delaware
- University of Illinois and Foundation
- University of Michigan
- University of Minnesota and Foundation
- University of Nebraska and Foundation
- University of Notre Dame
- University of Pennsylvania
- University of Pittsburgh
- University of Richmond
- University of Rochester
- University of Southern California
- University of Virginia
- University of Washington
- University of Wisconsin Foundation
- Vanderbilt University
- Washington University
- Wellesley College
- Williams College
- Yeshiva University

Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale, and Total Endowment Assets) with total assets in excess of \$1 billion as of each fiscal year end June 2005, 2006, 2007.

Appendix C

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

TABLE 1 (2005/2006 Performance Period)

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

UPDATED TABLE 1 (For the Performance Periods beginning after June 30, 2006)

Eligible Position	Weighting			Incentive Award Opportunity (% of Salary)			
	Entity	Asset Class	Individual	< Threshold	Threshold	Target	Maximum
<i>Investment Professionals</i>							
President, CEO & CIO	70%	0%	30%	0%	20%	100%	200%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	18%	90%	190%
Risk Manager	70%	0%	30%	0%	18%	90%	190%
MD, Public Markets Invest.	20%	60%	20%	0%	18%	90%	190%
MD, Inflation Hedging Assets	20%	60%	20%	0%	18%	90%	190%
MD, Non-Marketable Alt Inv	30%	50%	20%	0%	18%	90%	190%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Director, Public Markets	20%	60%	20%	0%	8%	40%	80%
Director, Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Inflation Hedging Assets	20%	60%	20%	0%	8%	40%	80%
Director, Non-Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Risk Management	70%	0%	30%	0%	8%	40%	80%
Associate, Public Markets	20%	60%	20%	0%	6%	30%	70%
Associate, Marketable Alternative	20%	60%	20%	0%	6%	30%	70%
Associate, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	70%
Associate, Non-Marketable Alternative	20%	20%	60%	0%	6%	30%	70%
Associate, Risk Management	70%	0%	30%	0%	6%	30%	70%
Analyst, Public Markets	20%	60%	20%	0%	6%	30%	50%
Analyst, Marketable Alternative	20%	60%	20%	0%	6%	30%	50%
Analyst, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	50%
Analyst, Non-Marketable Alternative	20%	20%	60%	0%	6%	30%	50%
Analyst, Risk Management	70%	0%	30%	0%	6%	30%	50%
<i>Operations/Support Professionals</i>							
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	140%
MD, Information Technology	20%	0%	80%	0%	10%	50%	140%
Manager, Finance & Administration	20%	0%	80%	0%	8%	40%	80%
Manager, Investment Reporting	20%	0%	80%	0%	8%	40%	80%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	8%	40%	80%
Manager, Client Services	20%	0%	80%	0%	8%	40%	80%

UPDATED TABLE 1 (For the Performance Periods beginning after June 30, 2007)

Eligible Position	Weighting			Incentive Award Opportunity (% of Salary)			
	Entity	Asset Class	Individual	< Threshold	Threshold	Target	Maximum
<i>Investment Professionals</i>							
President, CEO & CIO	70%	0%	30%	0%	20%	100%	200%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	18%	90%	190%
Risk Manager	30%	0%	70%	0%	18%	90%	190%
MD, Public Markets Invest.	20%	60%	20%	0%	18%	90%	190%
MD, Inflation Hedging Assets	20%	60%	20%	0%	18%	90%	190%
MD, Private Markets	30%	50%	20%	0%	18%	90%	190%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Director, Public Markets	20%	60%	20%	0%	8%	40%	80%
Director, Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Inflation Hedging Assets	20%	60%	20%	0%	8%	40%	80%
Director, Natural Resources	20%	0%	80%	0%	8%	40%	80%
Director, Private Markets	20%	60%	20%	0%	8%	40%	80%
Director, Risk Management	30%	0%	70%	0%	8%	40%	80%
Associate, Public Markets	20%	60%	20%	0%	6%	30%	70%
Associate, Marketable Alternative	20%	60%	20%	0%	6%	30%	70%
Associate, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	70%
Associate, Private Markets	20%	20%	60%	0%	6%	30%	70%
Associate, Risk Management	30%	0%	70%	0%	6%	30%	70%
Analyst, Public Markets	20%	60%	20%	0%	6%	30%	50%
Analyst, Marketable Alternative	20%	60%	20%	0%	6%	30%	50%
Analyst, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	50%
Analyst, Private Markets	20%	20%	60%	0%	6%	30%	50%
Analyst, Risk Management	30%	0%	70%	0%	6%	30%	50%
<i>Operations/Support Professionals</i>							
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	140%
MD, Information Technology	20%	0%	80%	0%	10%	50%	140%
Manager, Finance & Administration	20%	0%	80%	0%	8%	40%	80%
Manager, Investment Reporting	20%	0%	80%	0%	8%	40%	80%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	8%	40%	80%
General Counsel	0%	0%	100%	0%	8%	40%	80%
Chief Compliance Officer	0%	0%	100%	0%	8%	40%	80%

TABLE 1 (For the Performance Periods beginning after June 30, 2008)

Eligible Position	Weighting			Incentive Award Opportunity (% of Salary)			
	Entity	Asset		< Threshold	Threshold	Target	Maximum
		Class	Individual				
<i>Investment Professionals</i>							
CEO & Chief Investment Officer	60%	0%	40%	0%	50%	100%	200%
President & Deputy CIO	30%	50%	20%	0%	45%	90%	190%
Managing Director	25%	50%	25%	0%	45%	90%	190%
Senior Portfolio Manager	20%	40%	40%	0%	25%	50%	100%
Portfolio Manager	20%	40%	40%	0%	25%	50%	100%
Director and Senior Director, Investment	20%	40%	40%	0%	20%	40%	80%
Director, Risk Management	30%	0%	70%	0%	20%	40%	80%
Associate and Senior Associate, Investment	15%	30%	55%	0%	18%	35%	70%
Associate, Risk Management	30%	0%	70%	0%	18%	35%	70%
Analyst and Senior Analyst, Investment	10%	20%	70%	0%	13%	25%	50%
Analyst, Risk Management	30%	0%	70%	0%	13%	25%	50%
<i>Operations/Support Professionals</i>							
Senior Managing Director	20%	0%	80%	0%	30%	60%	120%
Managing Director	20%	0%	80%	0%	25%	50%	100%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	25%	50%	100%
Manager	20%	0%	80%	0%	20%	40%	80%

Appendix D

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

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

UPDATED TABLE 4 TABLE 2 (7/1/06 through 6/30/07)

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

UPDATED TABLE 4 TABLE 2 (7/1/07 through 6/30/08)

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

UPDATED TABLE 2 (7/1/08 through 6/30/09)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total	ITF	Threshold	Target	Maximum
		Endowment (% of Portfolio)	(% of Portfolio)			
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps	+150 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+100 bps
Investment Grade Fixed Income	Lehman Brothers Global Aggregate Index	7.0%	33.0%	+0 bps	+12.5 bps	+25 bps
Credit-Related Fixed Income	Lehman Brothers Global High-Yield Index	1.2%	2.0%	+0 bps	+25 bps	+50 bps
Real Estate	FTSE EPRA/NAREIT Global Index	5.5%	10.0%	+0 bps	+37.5 bps	+75 bps
Natural Resources	Combination index - 50% Dow Jones-AIG Commodities Index + 50% MSCI World Natural Resources Index	5.3%	5.0%	+0 bps	+37.5 bps	+75 bps
Develop Country Equity	MSCI World Index with net dividends	19.5%	20.0%	+0 bps	+35 bps	+70 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	10.5%	5.0%	+0 bps	+75 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	MSCI Investable Hedge Fund Index	33.0%	25.0%	+0 bps	+125 bps	+250 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	17.0%	0%	+0 bps	+100 bps	+200 bps
Private Investments Real Estate	NACREIF Custom Index	1.0%	0%	+0 bps	+37.5 bps	+75 bps
Specific asset class benchmark: Internal Investment Grade Fixed Income	US Lehman Aggregate			+0 bps	+12.5 bps	+25 bps

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

- Agenda Item:** Discussion and Appropriate Action Related to UTIMCO 2008-09 Budget
- Developed By:** Zimmerman, Shepherd, Moeller
- Presented By:** Zimmerman
- Type of Item:** Action required by UTIMCO Board; Action required by Board of Regents of The University of Texas System ("U.T. Board")
- Description:** The Master Investment Management Services Agreement with UTIMCO ("IMSA") sets forth the annual budget and management fee requirements. UTIMCO submits to the U.T. Board its proposed annual budget for the following fiscal year within the time frame specified by the U.T. Board for other annual budget submissions. The annual budget includes all estimated expenses associated with the management of the Investment Funds. The annual budget also includes an annual UTIMCO management fee which includes 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, travel, insurance, capital expenditures, and other miscellaneous expense incurred by UTIMCO in connection with the performance of its obligations under the IMSA. At the same time UTIMCO submits its annual budget, it submits to the U.T. Board an allocation formula for charging the annual budget to the in the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget.
- During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the U.T. Board back to the Funds which generated the surplus.
- Recommendation:** UTIMCO staff recommends that the UTIMCO 2008-2009 Annual Budget, Capital Budget, Management Fee Request, and Allocation Schedule be approved as presented.
- Discussion:** Mr. Zimmerman will present the Budget Review for UTIMCO's annual budget for 2008-09 fiscal year. UTIMCO staff has proposed a total annual budget of \$66,788,537 for the 2008-09 fiscal year, a 3.4% increase over the prior year budget and a 8.8% increase over the 2007-08 forecast. Included in the total annual budget is a proposed Management Fee Request of \$16,543,709 for the 2008-09 fiscal year, a 7.6% increase over FY 2008. Additionally, UTIMCO staff has proposed a capital budget of \$220,000, a decrease of \$135,569 as compared to the prior year budget and a decrease of \$395,710 as compared to the 2007-08 forecast. The Management Fee Request is the amount paid by the Funds directly to UTIMCO for

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

corporate operations and the Allocation Schedule reports the fees charged to each of the Funds. The proposed Annual Budget, Management Fee Request, and Allocation Schedule are included on page 13 of the presentation.

The University of Texas Office of Finance staff, Philip Aldridge and William Huang, has reviewed the annual budget and prepared the "Fiscal Year 2009 UTIMCO Budget Review."

UTIMCO staff projects UTIMCO's available cash reserves to be \$1.9 million, as documented on page 14 of the presentation, and staff is not recommending that the cash reserves be distributed back to the Funds at this time. Mr. Aldridge and Mr. Huang concur with the recommendation.

Reference: UTIMCO Budget Review

RESOLUTION RELATED TO BUDGET

RESOLVED, that the Corporation's Annual Budget of \$66,788,537, Management Fee Request of \$16,543,709, Capital Budget of \$220,000, and the Allocation Schedule as provided to the Board for the period beginning September 1, 2008 through August 31, 2009, be, and is hereby, approved, subject to approval by the Board of Regents of The University of Texas System.



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

2008-2009

Budget Review

July 23, 2008



Summary

	FY 2008 Budget	FY 2008 Forecast	FY 2009 Budget	Increase/(Decrease) \$	%
UTIMCO Personnel	\$11,457	\$10,322	\$12,489	\$2,167	21%
UTIMCO Other	<u>3,912</u>	<u>3,680</u>	<u>4,055</u>	<u>375</u>	10%
Total UTIMCO	15,369	14,002	16,544	2,542	18%
Other, Non-Investment Manager	<u>6,511</u>	<u>5,920</u>	<u>6,042</u>	<u>122</u>	2%
Total Non-Investment Manager	21,880	19,922	22,586	2,664	13%
Investment Manager - Invoiced	<u>42,715</u>	<u>41,455</u>	<u>44,203</u>	<u>2,748</u>	7%
Total	<u>\$64,595</u>	<u>\$61,377</u>	<u>\$66,789</u>	<u>\$5,412</u>	9%



UTIMCO Personnel

	FY 2008 Budget	FY 2008 Forecast	FY 2009 Budget	Increase/(Decrease) \$	%
Salaries	\$6,011	\$5,396	\$6,956	\$1,560	29%
Bonus	3,258	3,343	3,566	223	7%
Benefits	1,177	954	1,293	339	36%
Taxes	418	333	478	145	43%
Hiring	440	124	50	(74)	-60%
Subscriptions, Memberships, Dues, Education	153	171	146	(25)	-14%
Total	<u>\$11,457</u>	<u>\$10,322</u>	<u>\$12,489</u>	<u>\$2,167</u>	21%



Staffing Trends

	<u>FY 06</u>	<u>FY 09</u>	<u>Change</u>
CEO	2	3	1.0
Marketable Alternatives	7	8	1.0
Public Markets	9	8	(1.0)
Private Investments	7	7	0
Real Assets ("Inflation Hedging")	3	7.5	4.5
Risk Management	3	2	(1.0)
Legal/Compliance	0	1	1.0
Operations, Accounting, Finance and Technology	<u>27</u>	<u>26</u>	<u>(1.0)</u>
Total	<u>58</u>	<u>62.5</u>	<u>4.5</u>
Assets Under Management (Billions)	\$20.4	\$26.5	\$6.1
Assets per Employee (Millions)	\$350	\$424	\$74
Average Salary	\$94K	\$110K	5.5%/yr



Personnel

Salaries

FY 08 Forecast	\$5,396
Increase to Reflect Current "Run Rate" ¹	<u>757</u>
	6,153
Open Positions	200
Salary Increases Related to Promotions	135
Salary Increases (7.6%)	<u>468</u>
	<u>\$6,956</u>

Bonus

FY08 Forecast	\$3,343
Impact of change between 08 forecast & 09 bonus accrual assumption	(534)
Net reductions in Award Opportunities	(144)
Increase in 30% Prior Year Deferral	284
Increase due to Additional Staff	269
Increase due to Salary Increases	<u>348</u>
FY09 Budget	<u>\$3,566</u>

¹ Includes Public Markets Director and Real Estate Associate



UTIMCO Other

	FY 2008 Budget	FY 2008 Forecast	FY 2009 Budget	Increase/(Decrease) \$	Increase/(Decrease) %
Travel & Meetings	\$463	\$567	\$859	\$292	52%
Online, Data, Contract Services	772	654	743	89	14%
Lease	943	950	983	33	3%
Depreciation	608	537	612	75	14%
Insurance	252	240	236	(4)	-2%
Office Expenses	334	367	362	(5)	-1%
Professional Services	542	365	259	(106)	-29%
Total	\$3,912	\$3,680	\$4,055	\$375	10%



Other UTIMCO Direct Expense

Travel*

	<u>FY08</u>	<u>FY09</u>
"Traveling" Staff	10	18
International Trips/Staff	<u>2.8</u>	<u>2.7</u>
Total International/Trips	28	48
Cost/International Trip	<u>\$11</u>	<u>\$12</u>
Total International Travel Costs	<u>\$310</u>	<u>\$575</u>
Domestic Trips	200	225
Cost/Domestic Trips	\$1	\$1
Total Domestic Travel Costs	<u>\$200</u>	<u>\$225</u>
Total Travel Costs	<u>\$510</u>	<u>\$800</u>

*Excludes Board of Director-related Travel / \$58 in FY08 and \$60 in FY09

Online Services/Subscriptions/Memberships/Education

- Bloomberg: reduced 2 terminals
- Maintained Internal Fixed Income Services and General Market Information Services
- New Real Estate and Natural Resources Services

Lease/Depreciation

- Increase space on 27th Floor
- Re-stack of 28th Floor



Other, Non-Investment Manager Expense

	FY 2008 Budget	FY 2008 Forecast	FY 2009 Budget	Increase/(Decrease) \$	Increase/(Decrease) %
Custodian	\$1,536	\$1,672	\$1,725	\$54	3%
Measurement & Analytics	1,530	1,366	1,327	(40)	-3%
Consultants	1,325	737	951	214	29%
Investment-related Legal	1,160	1,160	1,115	(45)	-4%
Audit	754	830	776	(54)	-6%
Printing	195	153	139	(14)	-9%
Other	<u>10</u>	<u>3</u>	<u>10</u>	<u>7</u>	<u>233%</u>
Total	<u>\$6,511</u>	<u>\$5,920</u>	<u>\$6,042</u>	<u>\$122</u>	<u>2%</u>



Non-Investment Manager Expense

Consultants

- Risk Management
- Albourne
- Cambridge

Legal

	<u># Deals</u>	<u>Legal Cost/Deal</u>	<u>Total</u>
MCC	15	\$15.0	\$225
LCC	8	12.5	100
Real Estate	11	15.0	165
Natural Resources	10	17.5	175
Private - Emerging	8	20.0	160
Private - Developed	<u>19</u>	10.0	<u>190</u>
	<u>71</u>	\$14.0	1,015
Background Checks			<u>100</u>
Total			<u>\$1,115</u>



Investment Manager - Invoiced

	FY 2008 Budget	FY 2008 Forecast	FY 2009 Budget	Increase/(Decrease) \$	%
Management Fees	\$18,989	\$22,138	\$23,897	\$1,759	8%
Performance Fees	<u>23,726</u>	19,317	20,306	989	5%
Total	<u>\$42,715</u>	<u>\$41,455</u>	<u>\$44,203</u>	<u>\$2,748</u>	7%



Capital Budget

Ongoing and Expansion

- One-time build out complete
- Ongoing increases from \$189K FY08 Forecast to \$220K FY 09 Budget

Technology

- Replace Development Server (\$45), Mainframe Server (\$45) and Three Regular Servers (\$35)
- Ongoing Staff Equipment Replacements (\$35)
- Obtain Information Security Software (\$35)



Capital Budget

UTIMCO Services
Capital Expenditures Budget for FY 2009, 2008 & 2007

2009 2008 (Forecast) 2007

	Budget	Budget	Actual	Variance	Budget	Actual	Variance
Ongoing:							
Computer Server Replacements and Related Software Licenses	\$ 124,500	\$ 30,000	\$ 75,672	\$ (45,672)	\$ 75,000	\$ 29,937	\$ 45,063
Staff Equipment	43,000	86,000	45,823	40,177	31,000	32,700	(1,700)
Security Enhancements	35,000	33,000	25,130	7,870	6,000	4,012	1,988
Software License Upgrades, Additions	-	20,000	20,000	-	10,000	4,622	5,378
Office	17,500	25,000	22,500	2,500	45,000	11,599	33,401
	\$ 220,000	\$ 194,000	\$ 189,125	\$ 4,875	\$ 167,000	\$ 82,870	\$ 84,130
Expansion:			Estimated				
Phones and Related Equipment	\$ -	\$ 8,000	\$ 10,000	\$ (2,000)	\$ -	\$ -	\$ -
Office Equipment	-	38,970	45,000	(6,030)	-	-	-
Computer Related Equipment	-	25,000	25,000	-	-	-	-
Furniture & Fixtures	-	89,599	145,000	(55,401)	-	-	-
Leasehold Improvements	-	173,415	375,000	(201,585)	-	-	-
Allowance for buildout	-	(173,415)	(173,415)	-	-	-	-
	\$ -	\$ 161,569	\$ 426,585	\$ (265,016)	\$ -	\$ -	\$ -
Total Capital Expenditures	\$ 220,000	\$ 355,569	\$ 615,710	\$ (260,141)	\$ 167,000	\$ 82,870	\$ 84,130



Fee Schedule

UTIMCO Fee and Direct Budgeted Investment Expenses Annual Fee and Allocation Schedule For the fiscal year ending August 31, 2009

Proposed Budget	Fund Name						Separate Funds	Total
	PUF	PHF	LTF	GEF PHF LTF	ITF	STF		
Market Value 2/29/08 (\$ millions)	11,905.8	1,101.4	5,497.3	6,598.7 (2)	3,936.9	1389.7	192.1	24,023.2
UTIMCO Services	8,134,921 49.17%	910,209 5.50%	4,640,564 28.05%	2,858,015 17.28%	0	0	0	16,543,709 100.00%
Direct Expenses of the Fund	11,537,694	0	0	6,575,811	5,783,817	N/A (1)	0	23,897,322
External Management Fees	10,799,187	0	0	5,904,320	3,601,975			20,305,482
External Management Fees - Performance Based	2,822,512	34,357	149,628	1,882,173	1,153,354			6,042,024
Other Direct Costs	25,159,393	34,357	149,628	14,362,304	10,539,146		0	50,244,828
Total Direct Expenses of the Fund	33,294,314	944,566	4,790,192	14,362,304	13,397,161	N/A (1)	0	66,788,537
Percentage of Market Value	0.068%	0.083%	0.084%	0.000%	0.073%	0.000%	0.000%	0.069%
UTIMCO Services	0.211%	0.003%	0.003%	0.218%	0.268%	0.000%	0.000%	0.209%
Direct Expenses of the Fund	0.279%	0.086%	0.087%	0.218%	0.341%	0.000%	0.000%	0.278%
TOTAL								

EY 2008 Budgeted Costs	0.301%	0.089%	0.092%	0.236%	0.332%	0.000%	0.000%	0.293%
Change	-0.022%	-0.003%	-0.005%	-0.018%	0.009%	0.000%	0.000%	-0.015%
EY 2008 Allocation Ratio	49.068%	5.890%	28.499%	0.000%	16.543%			
Change	0.104%	-0.388%	-0.449%	0.000%	0.733%			
Cost Differential								

(1) Income is net of fees
(2) Pooled Fund for the collective investment of the PHF and LTF



Reserve Analysis

Projected Cash Reserves at August 31, 2008:

Cash	\$10,433,043
Prepaid Expenses	473,174
Less: Accounts Payable, Accrued Liabilities (Includes bonuses & earnings payable)	<u>(4,654,720)</u>

Expected Cash Reserves at August 31, 2008

\$6,251,497

2009 Proposed Operating Budget 16,543,709
Applicable Percentage 25%

\$ 4,135,927

2009 Proposed Capital Expenditures 220,000

220,000

Required Cash Reserves at August 31, 2008

\$4,355,927

Balance Available for Distribution

\$1,895,570

Recommendation: Reserves Not Required to Rebate back to the UT Investment Funds

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Agenda Item: Discussion and Appropriate Action Related to the Pooling of the More Correlated and Constrained (MCC) Investments

Developed By: Iberg

Presented By: Iberg

Type of Item: Action Required by UTIMCO Board

Description: UTIMCO is proposing to pool for investment purposes the PUF, GEF's and ITF's More Correlated and Constrained (MCC) investments and to establish internally managed commingled funds consistent with the asset allocation policy for the MCC investment types. UTIMCO expects to create internally managed commingled funds for Fixed Income-Investment Grade, Fixed Income-Credit Related, Real Estate, Natural Resources, Developed Country Equity and Emerging Market Equity. The ownership of such assets within the internally managed commingled funds shall at all times be vested in the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

Recommendation: UTIMCO staff recommends approval to create the internally managed commingled funds for the purpose of holding the existing PUF, GEF and ITF investments and for the purpose of making additional MCC investments or redeeming existing MCC investments.

Discussion: Commingling the MCC investments by creating internally managed commingled MCC pools will streamline the recordkeeping; reporting and administrative functions associated with the MCC investments for the PUF, GEF and ITF. UTIMCO anticipates pooling the MCC investments on November 1, 2008. Consistent with prior action by the Board in approving the pooling of hedge fund investments and private equity investments staff is seeking approval from the UTIMCO Board to create internally managed commingled funds for the purpose of pooling existing MCC investments, and for the purpose of making additional MCC fund investments and redemptions. In conjunction with such approval the UTIMCO Board is acknowledging that prior MCC investments were approved by or presented to the Board as an initial capital amount of a named investment of the PUF, GEF, and ITF and is further waiving the stated amounts and percentages previously authorized for investment by the PUF, GEF and ITF coinciding with the creation of the internally managed commingled MCC pools.

In addition to the above, UTIMCO is disclosing to the Board that the pooling of the existing MCC investments into internally managed commingled pools may confer a benefit to the PUF, GEF, or ITF as the ownership in the existing investments by the each Fund may be different than their respective undivided ownership interest in the pool. Allocation of capital to existing mandates is not pari-passu across the

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

endowment funds (PUF and GEF) and the ITF. However, future performance of each respective investment mandate is not predictable. In determining the ownership interest of the PUF, GEF, and ITF in the respective pools all MCC investments shall be valued at market value as of October 31, 2008.

Reference: MCC Pooling Rationale discussion

**RESOLUTION RELATED TO POOLING OF
MORE CORRELATED AND CONSTRAINED INVESTMENTS**

RESOLVED, that the Board approves the creation of one or more internally-managed commingled funds, as necessary, for the purpose of pooling existing More Correlated and Constrained (MCC) investments currently held by the Permanent University Fund (PUF), the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF), and for the purpose of making additional MCC investments or redeeming MCC 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 MCC investment for only the PUF, GEF or the ITF or prescribed a stated amount or percentage of a MCC investment for the PUF, GEF or the ITF.

MCC Pooling Rationale

July 23, 2008

Proposed Pooling of More Correlated and Constrained (MCC) Investments:

Staff proposes pooling the existing and future MCC investments into commingled pools consistent with the asset allocation policy for the PUF, GEF, and ITF. The practice of commingling the investments into various investment pools will reduce the administrative burden of allocating investments across three accounts and will facilitate the ability to rebalance the portfolio between the PUF, GEF, and ITF on a pari-passu basis. UTIMCO has previously created internally managed pools for private and hedge fund investments and is experienced in creating such vehicles.

The MCC pools provide a number of advantages:

- Provides an easier mechanism to “true-up” exposure differences between the PUF, GEF, and ITF.
- Eliminates performance discrepancies across the funds as investments are allocated pari-passu to the PUF, GEF, and ITF.
- Reduces external manager confusion in establishing accounts for the various Funds.
- Reduces Mellon custody fees as transaction costs are reduced.
- Passively managed investments are expected to decline as active managers will replace some of the existing passive exposure. Therefore, pooling prior to increased transactional activity is well timed.

The Staff firmly believes the benefits outweigh any concerns. However, the following items should be noted:

- Pooling the existing assets will result in the PUF, GEF, and ITF owning a slightly different mix of managers relative to their current exposure. In conjunction with the formation of the ITF there were existing manager relationships that did not receive funding by the ITF, either due to lack of additional capacity or a view toward the weighting of the investment mandate in conjunction with the overall asset mix of the ITF. Staff believes that the mandates should be managed pari-passu as benchmarks across the funds are identical.
- Conversion to a pooling format causes some upfront administrative burden as existing documentation needs to be amended to coincide with the new mandate and the pooled accounts need to be established.

Recommendation:

UTIMCO seeks approval from the BOD to pool the combined the MCC investments of the PUF, GEF, and ITF.

TAB 10

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Agenda Item: Discussion of Investment Environment

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.

Reference: None

TAB 11

Agenda Item
UTIMCO Board of Directors Meeting
July 23, 2008

Agenda Item: Discussion and Appropriate Action related to Private Investment

Developed By: Eakman, Bigham

Presented By: Eakman, Bigham

Type of Item: Action Item

Description: The Private Markets staff is requesting approval to commit an additional \$100 million to Reservoir Capital Investment Partners (Cayman), L.P. UTIMCO committed \$40 million to Reservoir in 2005 and now has the opportunity to increase its exposure. UTIMCO's Delegation of Authority Policy requires the staff to provide the Directors with the option to review this additional investment because the proposed commitment to the subject investment vehicle is an increase that exceeds \$50 million to existing funds under management in an existing investment vehicle. In lieu of providing the option to review to Directors, the Private Markets staff will present the merits of the investment and field questions from the UTIMCO Board in the briefing session. In addition, this investment requires a Board vote due to a potential conflict of interest with a UTIMCO Board member. The UTIMCO Board has previously been provided with the Reservoir investment recommendation.

Recommendation: UTIMCO staff recommends an additional \$100 million commitment to Reservoir Capital Investment Partners (Cayman), L.P.

Discussion: The staff supports making the commitment to Reservoir Capital Investment Partners (Cayman), L.P. because it will allow UTIMCO to invest with a proven manager that has generated value for the endowments.

Reference: Delegation of Authority Policy

**RESOLUTION RELATED TO PROPOSED INVESTMENT IN
RESERVOIR CAPITAL INVESTMENT PARTNERS (CAYMAN), L.P.**

WHEREAS, the Corporation's Private Investments staff has recommended an additional \$100 million commitment to Reservoir Capital Investment Partners (Cayman), L.P.; and

WHEREAS, such commitment exceeds the stated authority of the Corporation's staff in the Delegation of Authority Policy and requires the Corporation's Private Investments staff to provide Directors an option to review the proposed investment; and

WHEREAS, in lieu of providing Directors with an option to review the proposed investment, the Private Investments staff has presented the proposed investment to the Board at this meeting; and

WHEREAS, Director Ardon Moore has disclosed a conflict of interest in the proposed investment, which he acquired before the date he assumed his position on the Board and does not constitute a pecuniary interest as defined by Section 3.01(b) of the UTIMCO Code of Ethics (Code), and pursuant to Section 2.06(a) of the Code must absent himself from any deliberations related to the proposed investment and refrain from voting on the matter; and

WHEREAS, Section 3.03 of the Code provides that the Corporation may not invest in the private investments of a business entity if a director or director entity then owns a private investment in the same business entity unless: (a) the director or director entity acquired the private investment before the date on which the director assumed a position with UTIMCO; (b) the director's private investment does not constitute a pecuniary interest in a business entity as defined by Section 3.01(b) of the Code; and (c) the Board approves the investment by UTIMCO or the UTIMCO entity by a vote of two-thirds of the membership of the Board after a full disclosure in an open meeting of the relevant facts and a finding by the Board that the investment will not benefit the director or director entity financially; and

WHEREAS, Director Moore has disclosed his interest in Reservoir Capital Investment Partners (Cayman), L.P. and has absented himself from all deliberations related to the proposed investment as required by the Code.

NOW, THEREFORE, BE IT

RESOLVED, that the Board approves an additional \$100 million commitment to Reservoir Capital Investment Partners (Cayman), L.P. for the Permanent University Fund of the State of Texas and the Board of Regents of The University of Texas System General Endowment Fund (the "UT Funds") and directs staff to negotiate and enter into a contract with Reservoir Capital Investment Partners (Cayman), L.P. (the "Agreement"), conditioned on the receipt by the Chief Compliance Officer of UTIMCO of a certification of no pecuniary interest, as required by Section 4.04 of the UTIMCO Code of Ethics, from each director and key employee of UTIMCO.

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