The University of Texas Investment Management Company

Presentation Materials

Board of Directors Meeting

July 9, 2009

PART ONE

UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
July 9, 2009

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas

Time Begin	End	Item #	Agenda Item
			OPEN MEETING:
1:00 p.m.	1:05 p.m.	1	Call to Order of the Meeting/Discussion and Appropriate Action related to Minutes of June 8, 2009 Meeting*
1:05 p.m.	2:00 p.m.	2	Endowment and Operating Funds Update Report
2:00 p.m.	2:30 p.m.	3	Discussion of Investment Strategy Review 2009
2:30 p.m.	2:45 p.m.	4	Report from Risk Committee
2:45 p.m.	3:00 p.m.	5	Report from Policy Committee - Discussion and Appropriate Action Related to Investment Policy Statements*,** - Discussion and Appropriate Action Related to the Liquidity Policy*,** - Discussion and Appropriate Action Related to the Derivative Investment Policy*,** - Discussion and Appropriate Action Related to the Delegation of Authority Policy*
3:00 p.m.	3:15 p.m.	6	Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Corporate Auditor*
3:15 p.m.	4:15 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** - Discussion and Appropriate Action Related to the CEO's Base Salary for 2009-10 fiscal year* - Discussion and Appropriate Action Related to CEO's Performance Goals for the 2009-10 Performance Period* - Discussion and Appropriate Action Related to the UTIMCO Compensation Program, Amended and Restated effective July 1, 2009, including Exhibits*,**
4:15 p.m.	4:45 p.m.	8	Discussion and Appropriate Action Related to UTIMCO 2009-10 Budget*,**
4:45 p.m.	5:00 p.m.	9	Discussion and Appropriate Action Related to CEO Service as a Trustee on the Board of Trustees of The Common Fund*
5:00 p.m.			**Adjourn**

* Action by resolution required
** Resolution requires further approval from the Board of Regents of The University of Texas System

Next Scheduled Meeting: November 20, 2009

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **June 8, 2009**, 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 3:07 p.m. on the **8th day of June 2009,** by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Erle Nye, 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:

Erle Nye, Chairman
J. Philip Ferguson, Vice Chairman
Paul Foster
Janiece M. Longoria
Colleen McHugh
Ardon E. Moore
Charles W. Tate

Accordingly, a majority and quorum of the Board was in attendance. Director Clint Carlson did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Uzi Yoeli, Director – Portfolio Risk Management; and Russ Kampfe, Senior Portfolio Manager-Fixed Income Investments. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP; Jim Phillips, Philip Aldridge, Charlie Chaffin, William Huang, Moshmee Kalamkar, Miles Ragland, and Roger Starkey of UT System Administration; and Bruce Myers of Cambridge Associates. Director Francisco G. Cigarroa, M.D. joined later in the meeting as noted in the minutes. Mr. Nye called the meeting to order at 3:07 p.m.

Minutes

The first matter to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on April 23, 2009. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

> RESOLVED, that the minutes of the meetings of the Board of Directors held on **April 23, 2009**, be, and are hereby, approved.

Dr. Cigarroa joined the meeting at this time.

Committee Assignments

Mr. Nye recommended approval of the following Corporate committee assignments, with the appointment of the Chairman of the Audit and Ethics Committee subject to further approval by the U. T. System Board of Regents in accordance to Section 66.08 of the *Texas Government Code*. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> BE IT RESOLVED, that Director Paul Foster is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings subject to approval by the Board of Regents at their meeting to be held on June 18, 2009, to serve until the expiration of his term, or until his successor has been chosen and qualified, or until his earlier death, resignation or removal; and
>
> BE IT RESOLVED, that Director Janiece Longoria is hereby designated as a member of the Compensation Committee to serve until the expiration of her term, or until her successor has been chosen and qualified, or until her earlier death, resignation or removal; and
>
> BE IT RESOLVED, that Director Paul Foster is hereby designated as a member of the Risk Committee, to serve until the expiration of his term, or until his successor has been chosen and qualified, or until his earlier death, resignation or removal; and
>
> FURTHER RESOLVED, that due to his appointment to the office of Chairman of the Corporation, Chairman Erle Nye shall no longer serve as a member of the Audit and Ethics Committee or the Risk Committee.

Inflation Hedge Derivative Investment

Mr. Nye began by stating that at the last Board meeting, the Corporation Staff gave a presentation on the effects of economic growth and inflation on asset class returns and Mr. Zimmerman explained the inflation insurance that had been purchased for the portfolios through derivative investments. Mr. Nye asked Mr. Zimmerman to give his presentation which was related specifically to Inflation Protection to provide additional information and clarity for the Board. Mr. Zimmerman reported that Staff would continue to refine Staff's thinking related to inflation protection and ensure that UTIMCO has the proper infrastructure in place to properly document, administer, and monitor derivative investments. Mr. Zimmerman presented the results of Staff's work and recommendation concerning the inflation protection through the utilization of derivative instruments to purchase inflation insurance for the Permanent University Fund (PUF), General Endowment Fund (GEF), and the Intermediate Term Fund (ITF). Mr. Zimmerman also discussed the enhancements to procedures related to the documentation, monitoring, and reporting of derivative investments by Operations, Accounting and Risk Management staff. He concluded his presentation by proposing the Staff's recommendation that the UTIMCO Board delegate the authority to UTIMCO Staff to enter into inflation hedge derivative investments for the PUF, GEF and ITF provided that in any fiscal year, the amortized cost of such investments may not exceed ten basis points and the maximum loss resulting from such investments is limited to the amortized cost of such investments. Mr. Zimmerman answered the Directors' questions. After discussion of the Staff's proposed resolution, the Board recommended two changes to the proposal. The Board required an $80 million limit and restricted investments to long-only investments. Upon motion duly made and seconded, the following resolution, with the amended language included, was unanimously adopted:

RESOLVED that the Board delegates the authority to UTIMCO Staff to purchase such inflation hedge derivative investment(s) for the Permanent University Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund (the "Funds") as deemed prudent by UTIMCO Staff provided however, that in any fiscal year, the amortized cost of such investment(s) may not exceed ten (10) basis points relative to the total value of the respective Fund as of the end of the month preceding the date of the investment (with a maximum aggregate cost of $80 Million) and the maximum allowable loss resulting from such investment(s) is limited to the aggregate cost of such investment(s).

RESOLVED FURTHER, that the CEO and Chief Investment Officer, the President and Deputy CIO, 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 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 Funds relative to the investment(s).

Mr. Nye thanked Mr. Zimmerman and the Board for clarifying the issue and having an active discussion. He also thanked all who helped with legislative issues during the past session. Mr. Tate complimented Mr. Nye for stepping into the leadership role and also for the clear goodwill that he built with the legislature relative to UTIMCO. Dr. Cigarroa also expressed appreciation to Mr. Nye for his masterful leadership of UTIMCO throughout the legislative process. There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:21p.m.

Secretary: ______________________

Joan Moeller

Approved: ________________________ Date: ______________

Erle Nye
Chairman, Board of Directors of
The University of Texas Investment
Management Company

TAB 2

Funds Update:

- Returns
- Assets
- More Correlated and Constrained Portfolio Update
- Less Correlated and Constrained Portfolio Update
- Private Investments Portfolio Update
- Risk Analytics
- Leverage
- Liquidity
- Investment Activity
- Manager Exposure
- ITF
- Contracts Update

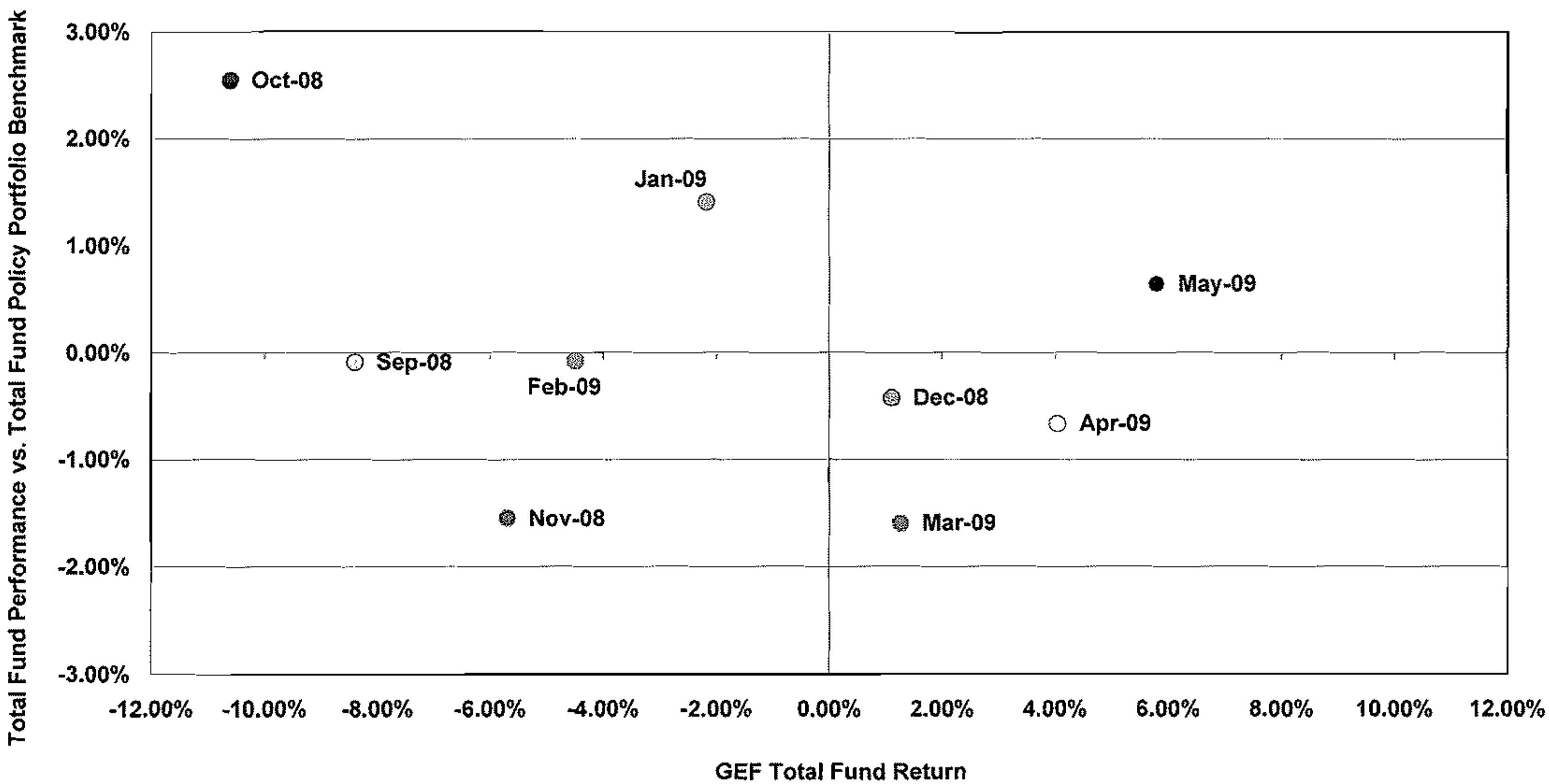
Returns

UTIMCO Performance Summary

May 31, 2009

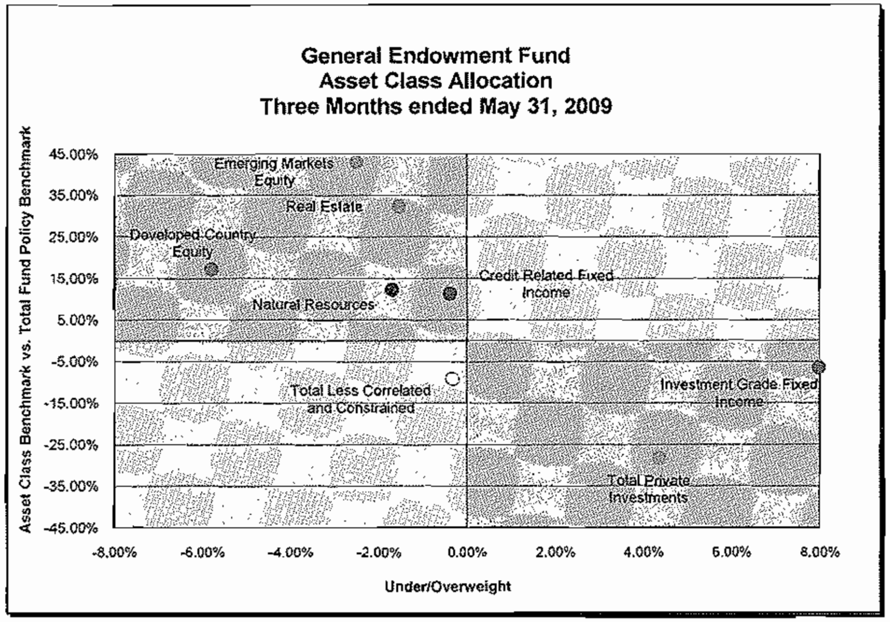
	Net Asset Value 5/31/2009 (in Millions)	Periods Ended May 31, 2009 (Returns for Periods Longer Than One Year are Annualized)								
		Short Term		Year to Date			Historic Returns			
ENDOWMENT FUNDS		1 Mo	3 Mos	Calendar	Fiscal	Compensation	1 Yr	3 Yrs	5 Yrs	10 Yrs
Permanent University Fund	$ 9,144	5.80	11.49	4.17	(18.54)	(22.61)	(24.75)	(2.40)	3.86	4.39
General Endowment Fund		5.78	11.42	4.08	(18.78)	(22.81)	(24.97)	(2.26)	3.92	N/A
Permanent Health Fund	799	5.78	11.40	4.09	(18.75)	(22.72)	(24.92)	(2.30)	3.87	N/A
Long Term Fund	4,267	5.78	11.40	4.09	(18.75)	(22.72)	(24.92)	(2.30)	3.87	5.08
Separately Invested Funds	104	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	14,314									
OPERATING FUNDS										
Short Term Fund	1,498	0.05	0.15	0.34	1.10	1.56	1.78	3.92	3.56	3.50
Intermediate Term Fund	3,365	6.96	15.48	7.19	(13.31)	(16.66)	(18.96)	(0.70)	N/A	N/A
Total Operating Funds	4,863									
Total Investments	$ 19,177									
VALUE ADDED										
Permanent University Fund		0.67	(1.69)	(0.09)	0.73	0.51	1.13	1.35	1.22	0.85
General Endowment Fund		0.65	(1.76)	(0.18)	0.49	0.31	0.91	1.49	1.28	N/A
Short Term Fund		0.04	0.07	0.25	0.49	0.62	0.66	0.55	0.37	0.22
Intermediate Term Fund		0.21	(2.39)	0.32	0.58	0.60	0.85	1.99	N/A	N/A
VALUE ADDED ($ IN MILLIONS)										
Permanent University Fund		58	(137)	(6)	83	62	138	376	535	N/A
General Endowment Fund		32	(81)	(9)	31	21	64	233	309	N/A
Intermediate Term Fund		7	(70)	10	22	24	34	192	N/A	N/A
Total Value Added		97	(288)	(5)	136	107	236	801	844	N/A

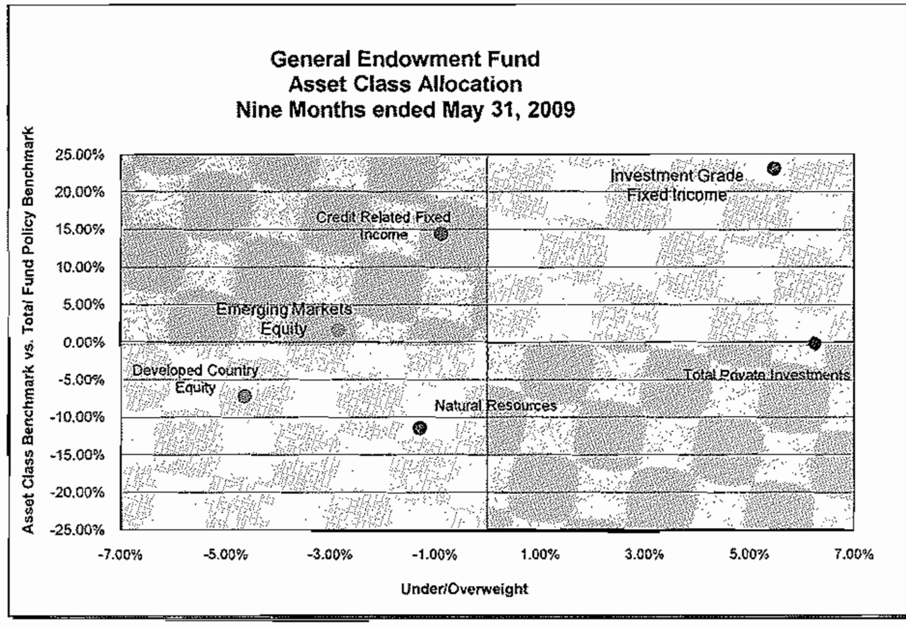
General Endowment Fund
Fiscal Year to Date 2009 Month-by-Month Results



Performance During Last 3, 6, 9 and 12 Months

	3 Months Ended 5/31/2009	6 Months Ended 5/31/2009	9 Months Ended 5/31/2009	12 Months Ended 5/31/2009
BarCap Global Agg	6.9%	7.4%	3.9%	2.4%
BarCap TIPS	6.1%	11.0%	-1.9%	-0.1%
BarCap High Yield	24.7%	36.8%	-4.8%	-8.8%
Global REITs	45.5%	16.1%	-35.0%	-43.4%
DJAIG	17.9%	1.9%	-34.0%	-41.1%
Oil Spot	48.1%	21.9%	-42.6%	-47.9%
Natural Gas	-2.8%	-38.9%	-52.4%	-65.7%
Copper	40.4%	33.4%	-36.0%	-39.5%
S&P 500	25.8%	4.1%	-26.8%	-32.6%
Nasdaq 100	28.5%	21.1%	-23.3%	-29.4%
EAFE	34.1%	15.1%	-25.7%	-36.6%
FTSE 100	29.9%	8.2%	-30.3%	-40.4%
DJ Euro Stoxx 50	37.7%	12.1%	-29.8%	-41.1%
Topix	21.6%	7.5%	-18.6%	-29.6%
MSCI Emerging Markets	56.2%	48.6%	-17.6%	-34.4%
Brazil Index	67.8%	70.9%	-20.6%	-39.5%
China Index	29.1%	51.2%	15.6%	-22.3%
India Index	78.5%	71.0%	-6.3%	-20.2%
Russia Index	99.7%	65.3%	-33.9%	-55.8%
GEF	**11.4%**	**5.2%**	**-18.8%**	**-25.0%**
ITF	**15.5%**	**10.7%**	**-13.3%**	**-19.0%**

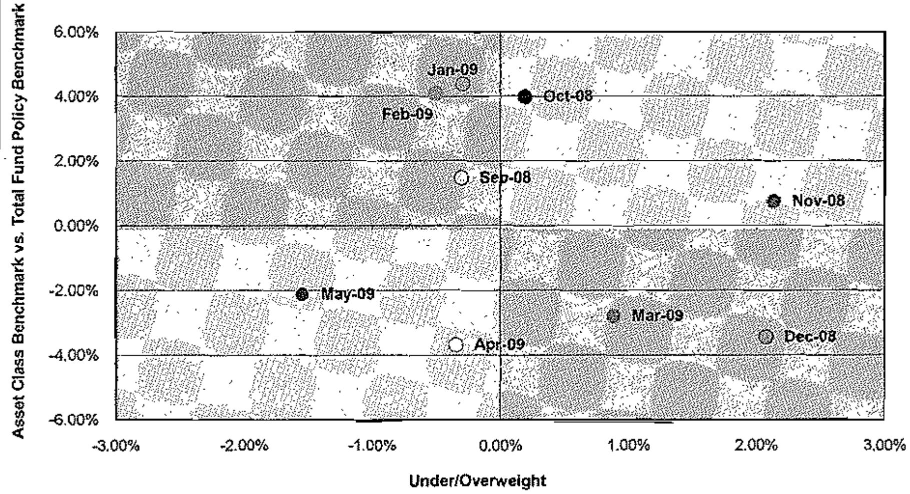




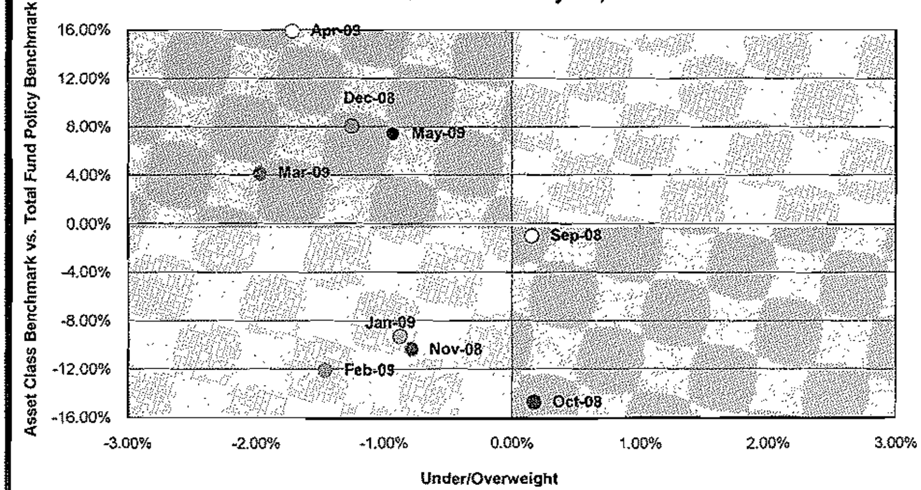
	Actual Returns	Benchmark Returns		Impact on Over/(Under) Performance (bps)
Total Less Correlated and Constrained	5.10%	4.14%		3
			Subtotal	3
Credit Related Fixed Income	3.26%	24.66%		(5)
Natural Resources	31.56%	25.61%		(19)
Real Estate	51.59%	45.50%		(46)
Investment Grade Fixed Income	6.45%	6.91%		(52)
Developed Country Equity	24.76%	30.44%		(94)
Emerging Markets Equity	49.45%	56.20%		(96)
			Subtotal	(312)
Total Fund excluding Private Investments				(309)
Total Private Investments	-2.95%	-14.91%		(130)
Total Fund	11.42%	13.18%	**Total**	**(439)**

	Actual Returns	Benchmark Returns		Impact on Over/(Under) Performance (bps)
Investment Grade Fixed Income	0.12%	3.91%		42
Developed Country Equity	-28.87%	-26.37%		33
Natural Resources	-34.15%	-30.66%		-
			Subtotal	75
Total Less Correlated and Constrained	-11.22%	-16.07%		(7)
Credit Related Fixed Income	-8.57%	-4.75%		(8)
Real Estate	-31.65%	-35.03%		(14)
Emerging Markets Equity	-25.67%	-17.65%		(19)
			Subtotal	(48)
Total Fund excluding Private Investments				27
Total Private Investments	-19.92%	-19.34%		57
Total Fund	-18.78%	-19.27%	**Total**	**84**

General Endowment Fund
Less Correlated and Constrained Asset Class
Nine Months ended May 31, 2009



General Endowment Fund
More Correlated and Constrained Real Estate Asset Class
Nine Months ended May 31, 2009



General Endowment Fund - Active Management Alpha

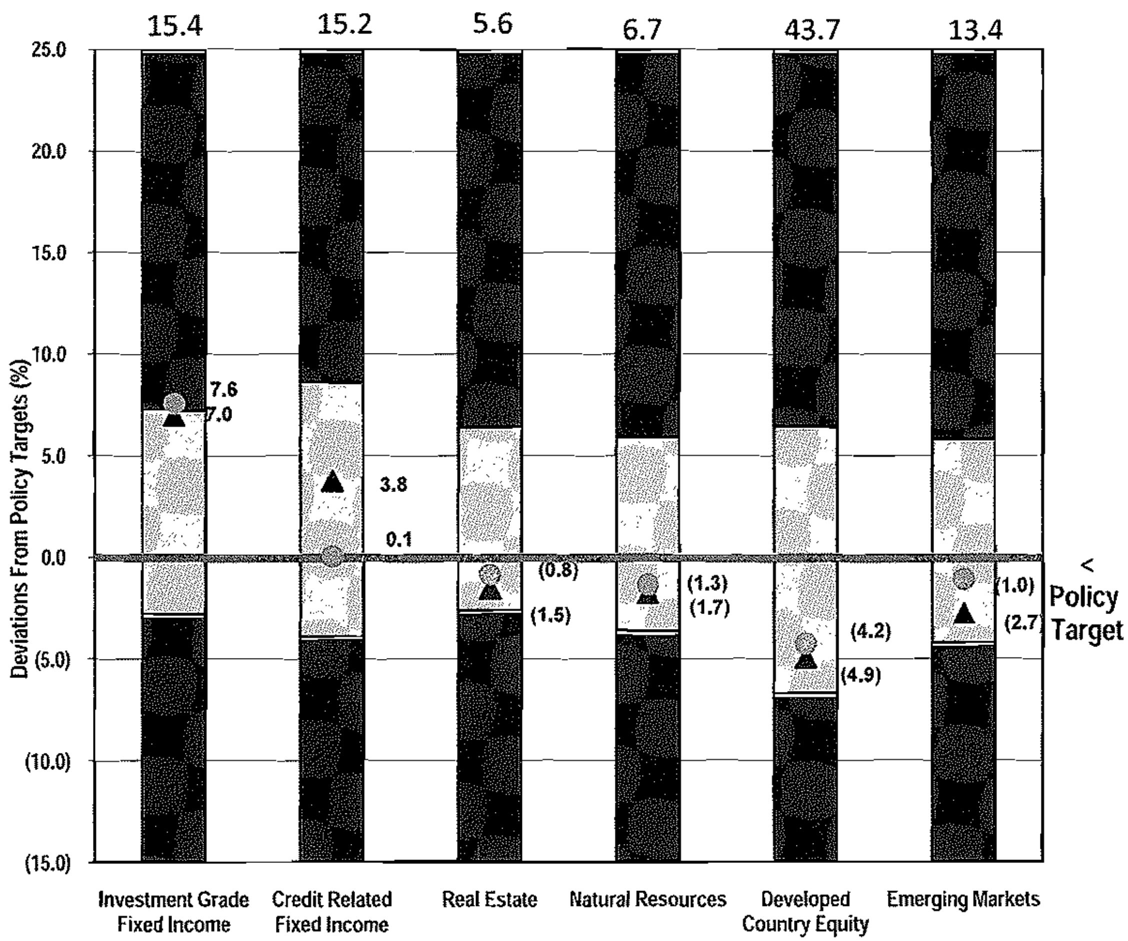
Periods Ended May 31, 2009

	3 Months (bps)	Manager (Alpha)
Total Less Correlated and Constrained	35	Coghill (43.64), Penta Asia (37.51), Centerbridge (16.52)
Real Estate	29	MS REITS (4.04); European Investors (2.20); IYR Options (1.18)
Natural Resources	29	Blackrock Small Cap (3.53); Blackrock Global (2.99); Natural Resources Equity Swap (2.18)
Subtotal	93	
Investment Grade Fixed Income	(4)	Internal Fixed Income (0.62); Inflation Hedge (0.46)
Credit Related Fixed Income	(25)	Watershed I and II (19.39); Angelo Gordon CMBS (1.20)
Emerging Markets Equity	(57)	Blakeney (4.95); Acadian (0.60); BGI EMSI (0.44)
Developed Country Equity	(99)	International Developed Futures (1.07); Japan Futures (1.04); Westport (0.93)
Subtotal	(185)	
Total Fund excluding Private Investments	(92)	
Total Private Investments	272	
Total Fund	**180**	

	9 Months (bps)	Manager (Alpha)
Total Less Correlated and Constrained	150	Valiant (37.76); Steadfast (27.35); Baupost (21.52); Blue Ridge (21.35)
Real Estate	24	European Investors (3.25); MS REITS (1.78); BGI ex-US (0.85)
Credit Related Fixed Income	2	Watershed I (1.98)
Subtotal	176	
Natural Resources	(16)	Gresham (2.53); Blackrock Global (2.18); Blackrock Small Cap (2.03)
Investment Grade Fixed Income	(26)	PIMCO Fixed Income (1.74); Brandywine (0.59)
Developed Country Equity	(59)	S&P Futures (8.05); Relational (0.35); Globeflex (0.29)
Emerging Markets Equity	(90)	Blakeney (3.81); BGI EMSI (1.17)
Subtotal	(191)	
Total Fund excluding Private Investments	(15)	
Total Private Investments	19	
Total Fund	**4**	

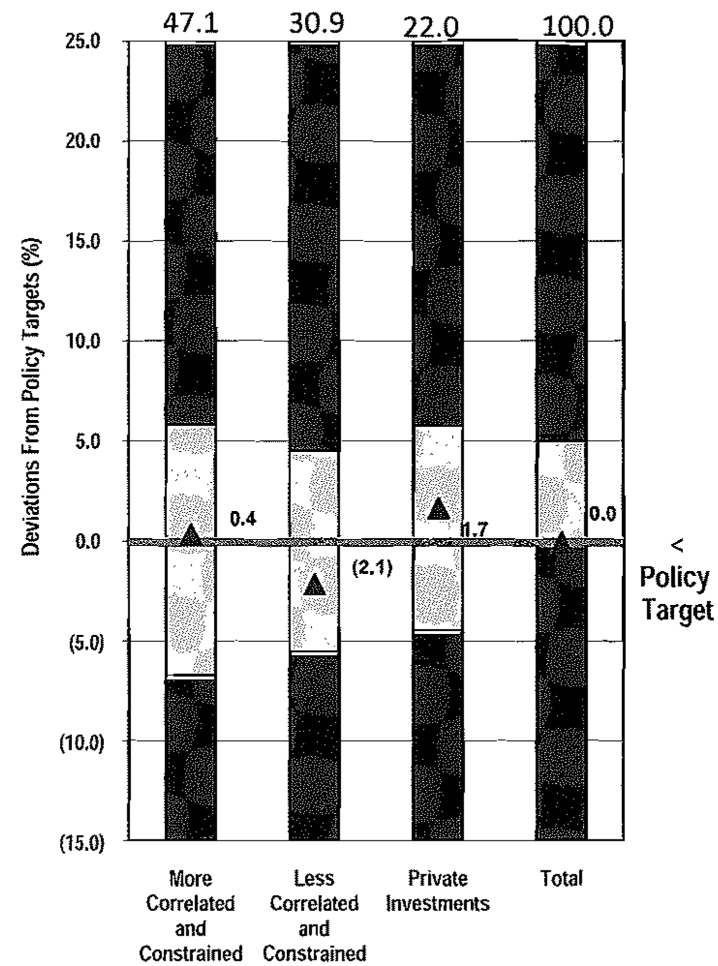
Assets

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

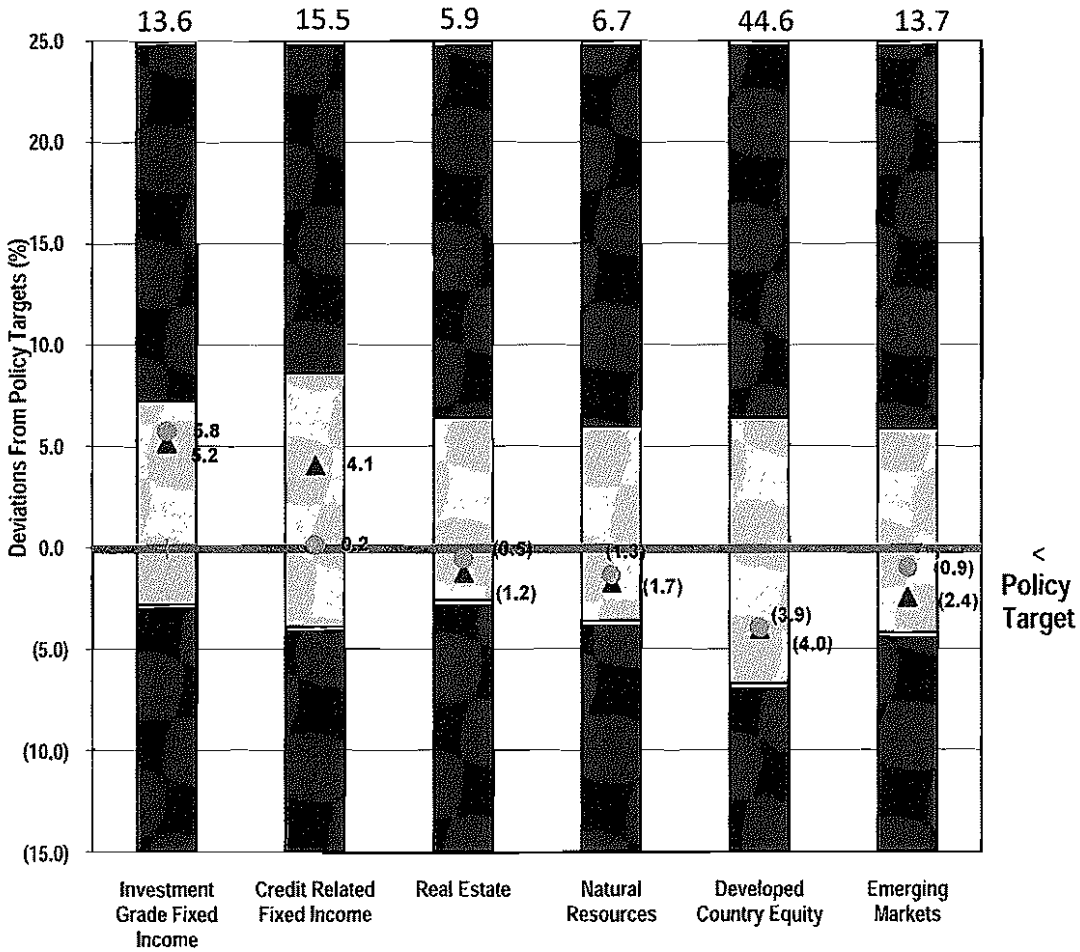


▲ -- All Investment Types ● -- More Correlated and Constrained

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

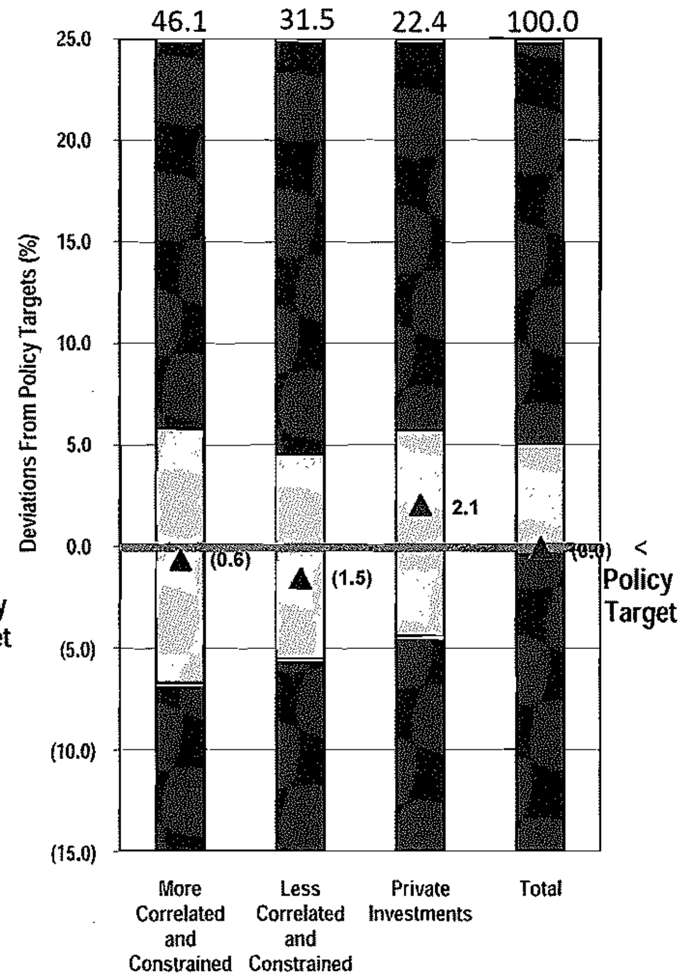


Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for GEF



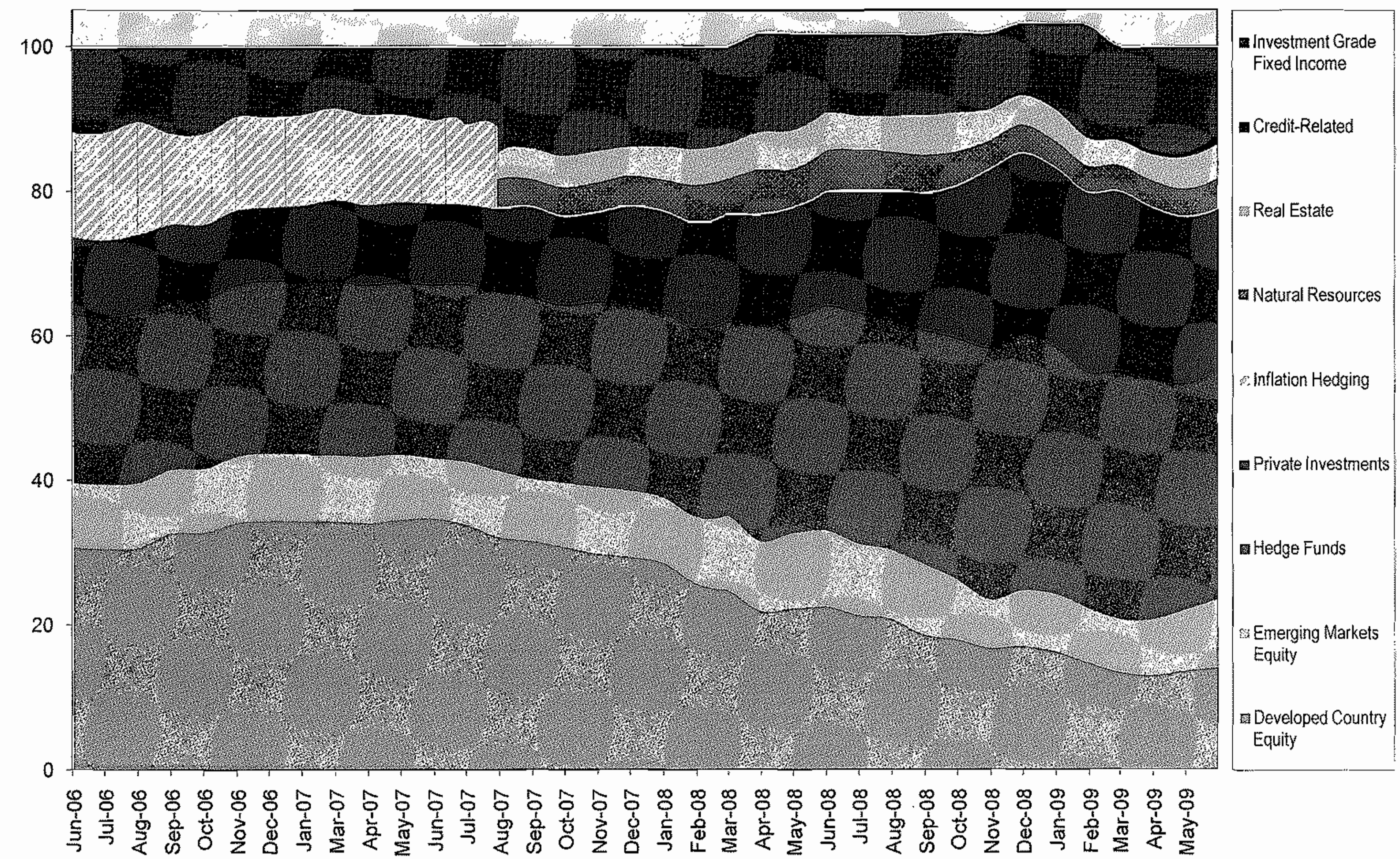
▲ -- All Investment Types   ● -- More Correlated and Constrained

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



GEF as of May 31, 2009

GEF Dollar Allocation Over Time



Combined Permanent University Fund and General Endowment Fund

as of May 31, 2009

(in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
Fixed Income	Investment Grade	$ 1,877	13.2%	$ 212	1.5%	$ -	0.0%	$ 2,089	**14.7%**
	Credit-Related	182	1.3%	1,041	7.3%	959	6.8%	2,182	**15.4%**
Fixed Income Total		**2,059**	**14.5%**	**1,253**	**8.8%**	**959**	**6.8%**	**4,271**	**30.1%**
Real Assets	Real Estate	$ 688	4.8%	$ 47	0.3%	$ 91	0.6%	826	**5.7%**
	Natural Resources	585	4.1%	108	0.8%	250	1.8%	943	**6.7%**
Real Assets Total		**1,273**	**8.9%**	**155**	**1.1%**	**341**	**2.4%**	**1,769**	**12.4%**
Equity	Developed Country	$ 1,991	14.0%	$ 2,619	18.4%	$ 1,641	11.6%	6,251	**44.0%**
	Emerging Markets	1,331	9.4%	384	2.7%	204	1.4%	1,919	**13.5%**
Equity Total		**3,322**	**23.4%**	**3,003**	**21.1%**	**1,845**	**13.0%**	**8,170**	**57.5%**
Grand Total		**$ 6,654**	**46.8%**	**$ 4,411**	**31.0%**	**$ 3,145**	**22.2%**	**$ 14,210**	**100.0%**

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.

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

Combined Permanent University Fund and General Endowment Fund

as of May 31, 2009

Asset Class	May 31, 2009 ACTUAL	May 31, 2009 Min	Target	Max	vs. Target
Investment Grade Fixed Income	14.7%	5.6%	8.4%	15.6%	6.3%
Credit-Related Fixed Income	15.4%	7.5%	11.4%	20.0%	4.0%
Real Estate	5.7%	4.5%	7.1%	13.5%	-1.4%
Natural Resources	6.7%	4.8%	8.4%	14.3%	-1.7%
Developed Country Equity	44.0%	41.9%	48.6%	55.0%	-4.6%
Emerging Markets Equity	13.5%	11.9%	16.1%	21.9%	-2.6%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	46.8%	40.0%	46.7%	52.5%	0.1%
Less Correlated & Constrained	31.0%	27.5%	33.0%	37.5%	-2.0%
Private Investments	22.2%	15.9%	20.3%	26.0%	1.9%
TOTAL	100.0%		100.0%		0.0%

Asset Class	May 31, 2009 ACTUAL	Fiscal Year ending August 31, 2009 Min	Target	Max	vs. Target
Investment Grade Fixed Income	14.7%	5.0%	7.5%	15.0%	7.2%
Credit-Related Fixed Income	15.4%	10.0%	13.5%	22.5%	1.9%
Real Estate	5.7%	5.0%	7.5%	15.0%	-1.8%
Natural Resources	6.7%	5.0%	8.5%	15.0%	-1.8%
Developed Country Equity	44.0%	40.0%	46.5%	52.5%	-2.5%
Emerging Markets Equity	13.5%	12.5%	16.5%	22.5%	-3.0%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	46.8%	37.5%	44.5%	50.0%	2.3%
Less Correlated & Constrained	31.0%	27.5%	33.0%	37.5%	-2.0%
Private Investments	22.2%	18.0%	22.5%	28.0%	-0.3%
TOTAL	100.0%		100.0%		0.0%

Permanent University Fund
as of May 31, 2009
(Exposure in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
Fixed Income	Investment Grade	$ 1,262	13.9%	$ 135	1.5%	$ -	0.0%	$ 1,397	**15.4%**
	Credit-Related	116	1.2%	664	7.3%	613	6.7%	1,393	**15.2%**
Fixed Income Total		**1,378**	**15.1%**	**799**	**8.8%**	**613**	**6.7%**	**2,790**	**30.6%**
Real Assets	Real Estate	438	4.7%	30	0.3%	58	0.6%	526	**5.6%**
	Natural Resources	376	4.1%	69	0.8%	160	1.8%	605	**6.7%**
Real Assets Total		**814**	**8.8%**	**99**	**1.1%**	**218**	**2.4%**	**1,131**	**12.3%**
Equity	Developed Country	1,275	13.9%	1,671	18.3%	1,049	11.5%	3,995	**43.7%**
	Emerging Markets	853	9.3%	245	2.7%	130	1.4%	1,228	**13.4%**
Equity Total		**2,128**	**23.2%**	**1,916**	**21.0%**	**1,179**	**12.9%**	**5,223**	**57.1%**
Grand Total		**$ 4,320**	**47.1%**	**$ 2,814**	**30.9%**	**$ 2,010**	**22.0%**	**$ 9,144**	**100.0%**

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.

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

Permanent University Fund
as of May 31, 2009

Asset Class	May 31, 2009 ACTUAL	May 31, 2009 Min	May 31, 2009 Target	May 31, 2009 Max	vs. Target
Investment Grade Fixed Income	15.4%	5.6%	8.4%	15.6%	7.0%
Credit-Related Fixed Income	15.2%	7.5%	11.4%	20.0%	3.8%
Real Estate	5.6%	4.5%	7.1%	13.5%	-1.5%
Natural Resources	6.7%	4.8%	8.4%	14.3%	-1.7%
Developed Country Equity	43.7%	41.9%	48.6%	55.0%	-4.9%
Emerging Markets Equity	13.4%	11.9%	16.1%	21.9%	-2.7%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	47.1%	40.0%	46.7%	52.5%	0.4%
Less Correlated & Constrained	30.9%	27.5%	33.0%	37.5%	-2.1%
Private Investments	22.0%	15.9%	20.3%	26.0%	1.7%
TOTAL	100.0%		100.0%		0.0%

Asset Class	May 31, 2009 ACTUAL	Fiscal Year ending August 31, 2009 Min	Fiscal Year ending August 31, 2009 Target	Fiscal Year ending August 31, 2009 Max	vs. Target
Investment Grade Fixed Income	15.4%	5.0%	7.5%	15.0%	7.9%
Credit-Related Fixed Income	15.2%	10.0%	13.5%	22.5%	1.7%
Real Estate	5.6%	5.0%	7.5%	15.0%	-1.9%
Natural Resources	6.7%	5.0%	8.5%	15.0%	-1.8%
Developed Country Equity	43.7%	40.0%	46.5%	52.5%	-2.8%
Emerging Markets Equity	13.4%	12.5%	16.5%	22.5%	-3.1%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	47.1%	37.5%	44.5%	50.0%	2.6%
Less Correlated & Constrained	30.9%	27.5%	33.0%	37.5%	-2.1%
Private Investments	22.0%	18.0%	22.5%	28.0%	-0.5%
TOTAL	100.0%		100.0%		0.0%

General Endowment Fund
as of May 31, 2009
(in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments		Grand Total	
Fixed Income	Investment Grade	$ 615	12.1%	$ 77	1.5%	$ -	0.0%	$ 692	**13.6%**
	Credit-Related	66	1.3%	377	7.4%	346	6.8%	789	**15.5%**
Fixed Income Total		**681**	**13.4%**	**454**	**8.9%**	**346**	**6.8%**	**1,481**	**29.1%**
Real Assets	Real Estate	250	5.0%	17	0.3%	33	0.6%	300	**5.9%**
	Natural Resources	209	4.1%	39	0.8%	90	1.8%	338	**6.7%**
Real Assets Total		**459**	**9.1%**	**56**	**1.1%**	**123**	**2.4%**	**638**	**12.6%**
Equity	Developed Country	716	14.2%	948	18.7%	592	11.7%	2,256	**44.6%**
	Emerging Markets	478	9.4%	139	2.8%	74	1.5%	691	**13.7%**
Equity Total		**1,194**	**23.6%**	**1,087**	**21.5%**	**666**	**13.2%**	**2,947**	**58.3%**
Grand Total		**$ 2,334**	**46.1%**	**$ 1,597**	**31.5%**	**$ 1,135**	**22.4%**	**$ 5,066**	**100.0%**

The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceec 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, 2009

Asset Class	May 31, 2009 ACTUAL	May 31, 2009 Min	Target	Max	vs. Target
Investment Grade Fixed Income	13.6%	5.6%	8.4%	15.6%	5.2%
Credit-Related Fixed Income	15.5%	7.5%	11.4%	20.0%	4.1%
Real Estate	5.9%	4.5%	7.1%	13.5%	-1.2%
Natural Resources	6.7%	4.8%	8.4%	14.3%	-1.7%
Developed Country Equity	44.6%	41.9%	48.6%	55.0%	-4.0%
Emerging Markets Equity	13.7%	11.9%	16.1%	21.9%	-2.4%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	46.1%	40.0%	46.7%	52.5%	-0.6%
Less Correlated & Constrained	31.5%	27.5%	33.0%	37.5%	-1.5%
Private Investments	22.4%	15.9%	20.3%	26.0%	2.1%
TOTAL	100.0%		100.0%		0.0%

Asset Class	May 31, 2009 ACTUAL	Fiscal Year ending August 31, 2009 Min	Target	Max	vs. Target
Investment Grade Fixed Income	13.6%	5.0%	7.5%	15.0%	6.1%
Credit-Related Fixed Income	15.5%	10.0%	13.5%	22.5%	2.0%
Real Estate	5.9%	5.0%	7.5%	15.0%	-1.6%
Natural Resources	6.7%	5.0%	8.5%	15.0%	-1.8%
Developed Country Equity	44.6%	40.0%	46.5%	52.5%	-1.9%
Emerging Markets Equity	13.7%	12.5%	16.5%	22.5%	-2.8%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	46.1%	37.5%	44.5%	50.0%	1.6%
Less Correlated & Constrained	31.5%	27.5%	33.0%	37.5%	-1.5%
Private Investments	22.4%	18.0%	22.5%	28.0%	-0.1%
TOTAL	100.0%		100.0%		0.0%

More Correlated and Constrained Portfolio Update

MCC Performance Update

More Correlated and Constrained Assets
Quarter Ended May 31, 2009
($ in millions)

	PUF		GEF		ITF		Total
	$	Return	$	Return	$	Return	$
Fixed Income							
Investment Grade Fixed Income	1,264	6.7%	621	6.4%	1,368	8.5%	3,253
vs. BC Global Agg		**-0.2%**		**-0.5%**		**1.6%**	
Credit Related Fixed Income	116	3.4%	66	3.3%	44	2.3%	226
vs. BC Global HY		**-21.3%**		**-21.4%**		**-22.4%**	
Real Assets							
REIT's	438	51.5%	250	51.6%	286	51.0%	974
vs FTSE NAREIT Global		**6.1%**		**6.1%**		**5.5%**	
Natural Resources	376	31.7%	209	31.6%	143	30.1%	728
vs Natural Resource Composite		**6.0%**		**6.0%**		**4.5%**	
Equities							
Developed Country	1,277	24.9%	717	24.8%	508	27.4%	2,501
vs MSCI World Index		**-5.5%**		**-5.7%**		**-3.0%**	
Emerging Markets	853	49.5%	478	49.5%	194	49.6%	1,526
vs MSCI EM Index		**-6.7%**		**-6.8%**		**-6.6%**	

Outperformance in:

Natural Resources- Active manager outperformance; overweight to equities vs. commodities

REITS- Active manager outperformance

Underperformance in:

Investment Grade Fixed Income- Cash held in the portfolio in addition to a US overweight

Credit Related Fixed Income - RMBS mandate versus global high yield benchmark

Developed Country Equities - Active manager underperformance

Emerging Market Equities - Active manager underperformance

MCC Activities

- Terminated Managers
  - None
- Funded Managers
  - Invesco AIM Treasury money market fund
  - Watershed II RMBS
  - Angelo Gordon CMBS
  - BlackRock Global mandate changed from hedge fund-like structure to long-only
- Advanced Due Diligence
  - Passive global high yield manager
  - Global fixed income manager
  - Long-only convertible bond manager
  - Developed international value equity manager
  - Brazilian equity manager
  - Japan activist manager
  - Natural Resource metals and mining manager
  - Natural Resource energy opportunities manager
  - Natural Resource active commodity manager
  - Natural Resource dedicated MLP manager
- Additional 20+ managers under evaluation and review

MCC Credit Initiative

Proposed Allocation: $827 Million (4.75% of $17.4B AUM June 18, 2009)

Credit Type	Target	Allocation	Funded Value	Committed (Unfunded)	Yet To Be Committed
RMBS	23%	$ 192	$ 142	$ 50	$ -
CMBS	32%	264	100	50	114
Corporate HY	32%	264	49	200	15
Convertible Bonds	13%	107	-	-	107
	100%	**$ 827**	**$ 291**	**$ 300**	**$ 236**

•**RMBS**-Watershed: funding based on opportunistic purchases, still attractive, 15-20% expected return

•**CMBS**-Angelo Gordon: funding based on opportunistic purchases, still attractive, 15-20% expected return

•**High Yield**-Blackrock (ex. Barclays Global): passive exposure, monitoring corporate health, will fund over next 3-6 months, 13% expected return; staff continuing evaluation of active managers

•**Converts**-Advent: final stages of due diligence, return expectations on par with High Yield

•Non committed CMBS, most likely will be an additional allocation to Angelo Gordon

Less Correlated and
Constrained Portfolio Update

LCC Quarterly Performance Update

3rd Fiscal Quarter 2009

March 2009 – May 2009

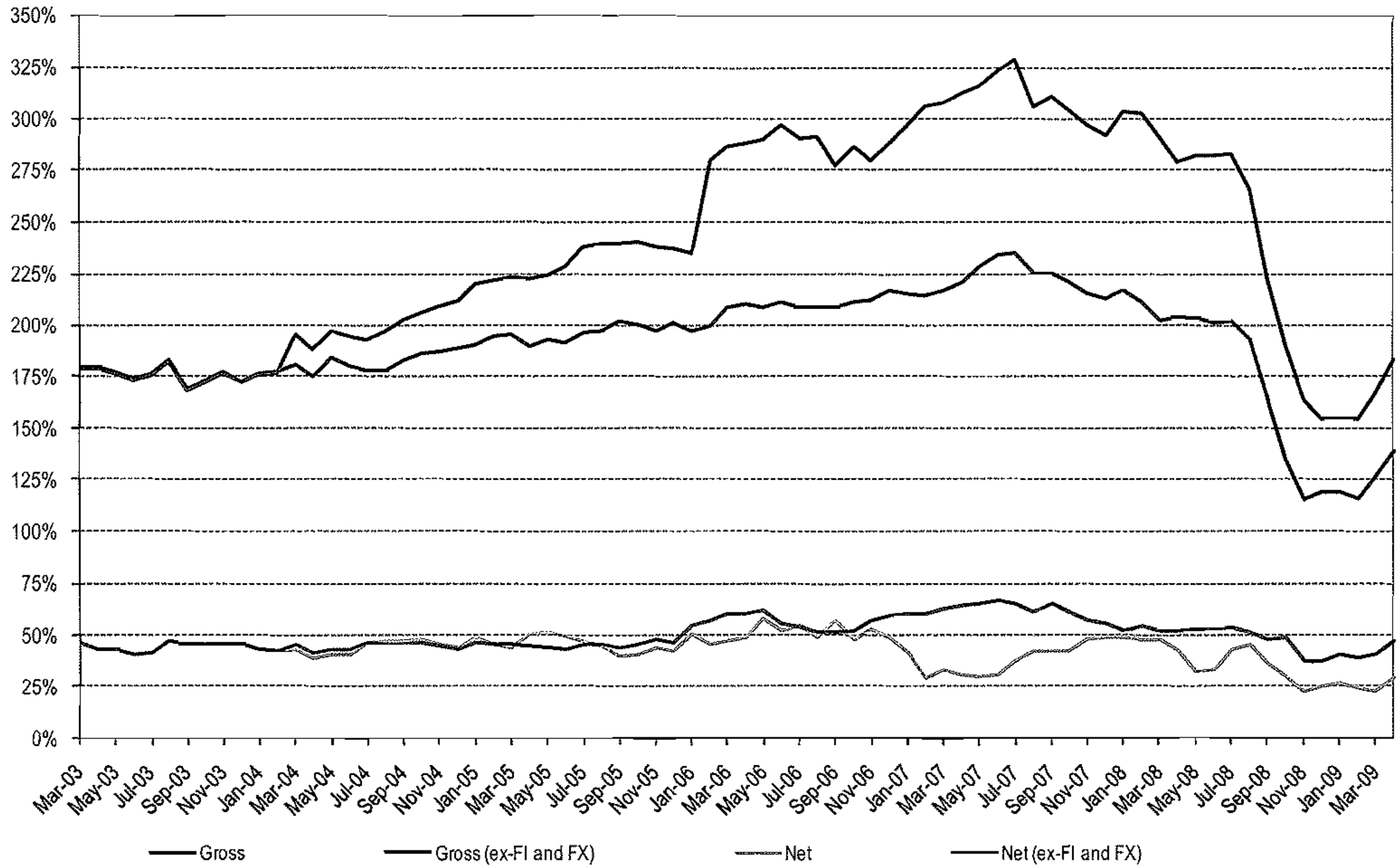
LCC Asset Classes (Number of Managers)

Investment Grade Fixed Income (1)	-5.5%
Credit Related Fixed Income (9)	13.2%
Natural Resources (1)	0.2%
Real Estate (1)	7.8%
Developed Country Equity (19)	3.4%
Emerging Market Equity (5)	12.4%

LCC Portfolio	**5.1%**
Composite Benchmark	**4.1%**
Difference	**1.0%**

Global Equities (MSCI AC World)	33.4%
CSFB High Yield	18.4%

LCC Leverage



LCC Leverage
(4/30/09*)

Manager-Level Leverage by Asset Classification

	Gross	Net
Investment Grade FI	561%	174%
Credit Related FI	90%	66%
Real Estate	138%	16%
Natural Resources	131%	21%
Developed Country Equity	162%	41%
Emerging Markets Equity	124%	26%
LCC Total (excluding CDS)	**161%**	**52%**
Credit Default Swaps	22%	-22%
LCC Total	**184%**	**30%**

* Asset Classification presented on a pro-forma basis to reflect reclassification of Perry from Developed Country Equity to Credit-Related Fixed Income effective 5/1/2009

LCC Investment Policy Categorizations vs. "Look Thru" Exposures (4/30/09)*

Exposure Methodology Comparison	Policy	Look-Through	Difference
Investment Grade Fixed Income	1.6%	2.7%	1.1%
Credit-Related Fixed Income	7.0%	7.5%	0.5%
Real Estate	0.3%	0.2%	-0.1%
Natural Resources	0.8%	0.7%	-0.1%
Developed Country Equity	17.8%	15.6%	-2.2%
Emerging Markets Equity	2.5%	3.3%	0.8%
Less Correlated & Constrained	**30.0%**	**30.0%**	**0.0%**

UTIMCO FY Target Comparison	Current per Policy	8/31/09 Target	Difference
Investment Grade Fixed Income	1.6%	1.9%	-0.4%
Credit-Related Fixed Income	7.0%	5.7%	1.3%
Real Estate	0.3%	0.0%	0.3%
Natural Resources	0.8%	1.4%	-0.7%
Developed Country Equity	17.8%	17.6%	0.1%
Emerging Markets Equity	2.5%	4.8%	-2.2%
Less Correlated & Constrained	**30.0%**	**31.5%**	**-1.5%**

Asset Classification		Hedge Fund Strategy															
		Fixed Income	Convert Arb	Currency	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 LCC
Fixed Income	Investment Grade	0.5%	-	0.4%	0.0%	0.9%	-	-	0.2%	0.1%	0.3%	-	-	-	0.4%	-	1.6%
	Credit-Related	0.0%	0.2%	0.0%	0.0%	0.2%	5.4%	-	-	0.7%	0.2%	-	0.0%	0.6%	1.4%	0.0%	7.0%
Real Assets	Real Estate	-	-	-	-	-	0.1%	0.2%	-	-	-	-	-	-	-	-	0.3%
	Natural Resources	0.1%	-	0.0%	-	0.1%	-	-	0.4%	0.1%	0.0%	-	-	0.1%	0.3%	0.0%	0.8%
Equity	Developed Country	0.3%	0.8%	0.0%	0.3%	1.3%	1.8%	-	0.0%	7.7%	3.4%	0.0%	0.2%	1.7%	13.0%	1.6%	17.8%
	Emerging Markets	-	0.0%	0.1%	-	0.1%	0.3%	-	-	0.1%	0.2%	-	-	0.1%	0.5%	1.7%	2.5%
Total LCC		0.8%	0.9%	0.6%	0.3%	2.7%	7.5%	0.2%	0.7%	8.8%	4.1%	0.0%	0.2%	2.6%	15.6%	3.3%	30.0%
	Gross Leverage	15.06	1.71	5.23	1.96	6.53	0.93	1.66	1.61	1.66	1.93	0.00	1.30	0.95	1.61	1.27	1.84
	Net Leverage	-6.19	0.17	0.27	0.82	-1.61	0.70	-0.12	0.27	0.42	0.05	0.00	0.38	0.90	0.40	0.44	0.30

* Asset Classification presented on a pro-forma basis to reflect reclassification of Perry from Developed Country Equity to Credit-Related Fixed Income effective 5/1/2009

Private Investments
Portfolio Update

Private Investments

Portfolio Exposure

Private Markets Exposure Report - 5/31/09

Asset Class	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
CREDIT-RELATED FIXED INCOME	*$958,453,081*	*30.5%*	*$315,636,535*	*$1,274,089,616*	*22.0%*	*6.7%*	*2.2%*	*9.0%*
TRADING	121,471,567	3.9%	32,601,254	154,072,821	2.7%	0.9%	0.2%	1.1%
CONTROL	128,287,096	4.1%	138,949,042	267,236,138	4.6%	0.9%	1.0%	1.9%
OPPORTUNISTIC	708,694,418	22.5%	144,086,239	852,780,657	14.7%	5.0%	1.0%	5.9%
REAL ESTATE	*90,605,273*	*2.9%*	*240,706,872*	*331,312,145*	*5.7%*	*0.6%*	*1.7%*	*2.3%*
NATURAL RESOURCES	*250,973,460*	*8.0%*	*373,397,276*	*624,370,736*	*10.8%*	*1.8%*	*2.6%*	*4.4%*
DEVELOPED MARKETS EQUITY	*1,641,364,514*	*52.2%*	*1,393,017,261*	*3,034,381,775*	*52.3%*	*11.6%*	*9.8%*	*21.4%*
BUYOUT	899,390,365	28.6%	785,285,586	1,684,675,951	29.1%	6.3%	5.5%	11.9%
VENTURE CAPITAL	500,196,198	15.9%	438,524,229	938,720,427	16.2%	3.5%	3.1%	6.6%
GROWTH/OPPORTUNISTIC	241,777,951	7.7%	169,207,446	410,985,397	7.1%	1.7%	1.2%	2.9%
EMERGING MARKETS EQUITY	*203,744,867*	*6.5%*	*329,459,623*	*533,204,490*	*9.2%*	*1.4%*	*2.3%*	*3.8%*
GRAND TOTAL PRIVATE MARKETS	*$3,145,141,195*	*100.0%*	*$2,652,217,567*	*$5,797,358,762*	*100.0%*	*22.1%*	*18.7%*	*40.8%*
TOTAL ENDOWMENTS NAV	*$14,210,027,278*							

Private Investments

Valuation Summary

Fiscal Year to Date ("FYTD") Gains/Losses[1]

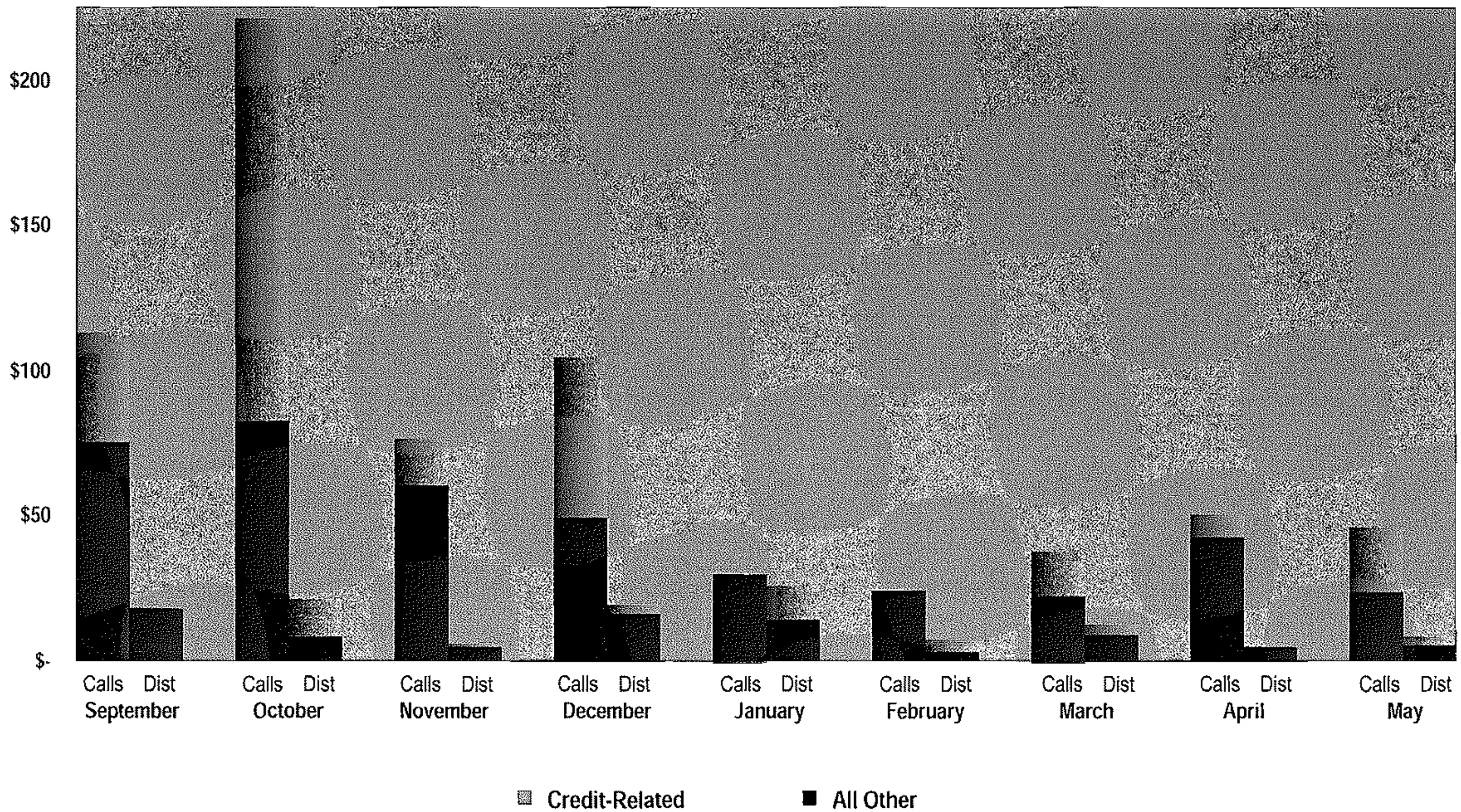
Asset Class	Q1 Decline ($million)	Q2 Decline ($million)	Q3 Decline ($million)	FYTD Decline ($million)	FYTD Decline (%)	Commentary
Credit-Related Fixed Income[2]	$151	$95	$3	$252	27%	Recent credit-market pricing has increased, mitigating some of the loss reported on 3/31 financials
Real Estate	1	16	<1	17	23%	
Natural Resources	32	19	8	59	24%	
Developed Country Equity[2]	126	179	67	369	20%	**Buyouts:** ($343.7 million), down 25% due largely to decrease in valuations of publicly-traded comparable companies **Venture Capital:** ($25.3 million), down 5%
Emerging Markets Equity	16	13	15	44	22%	
Total:	$327	$321	$93	$741	22%	

[1] Listed figures represent valuations with approximately 80% of GPs reporting 3/31/09 data

[2] On 5/1/09, Cerberus and Centerbridge were reclassified as Credit-Related managers, and $3 million of decline is included in FYTD totals

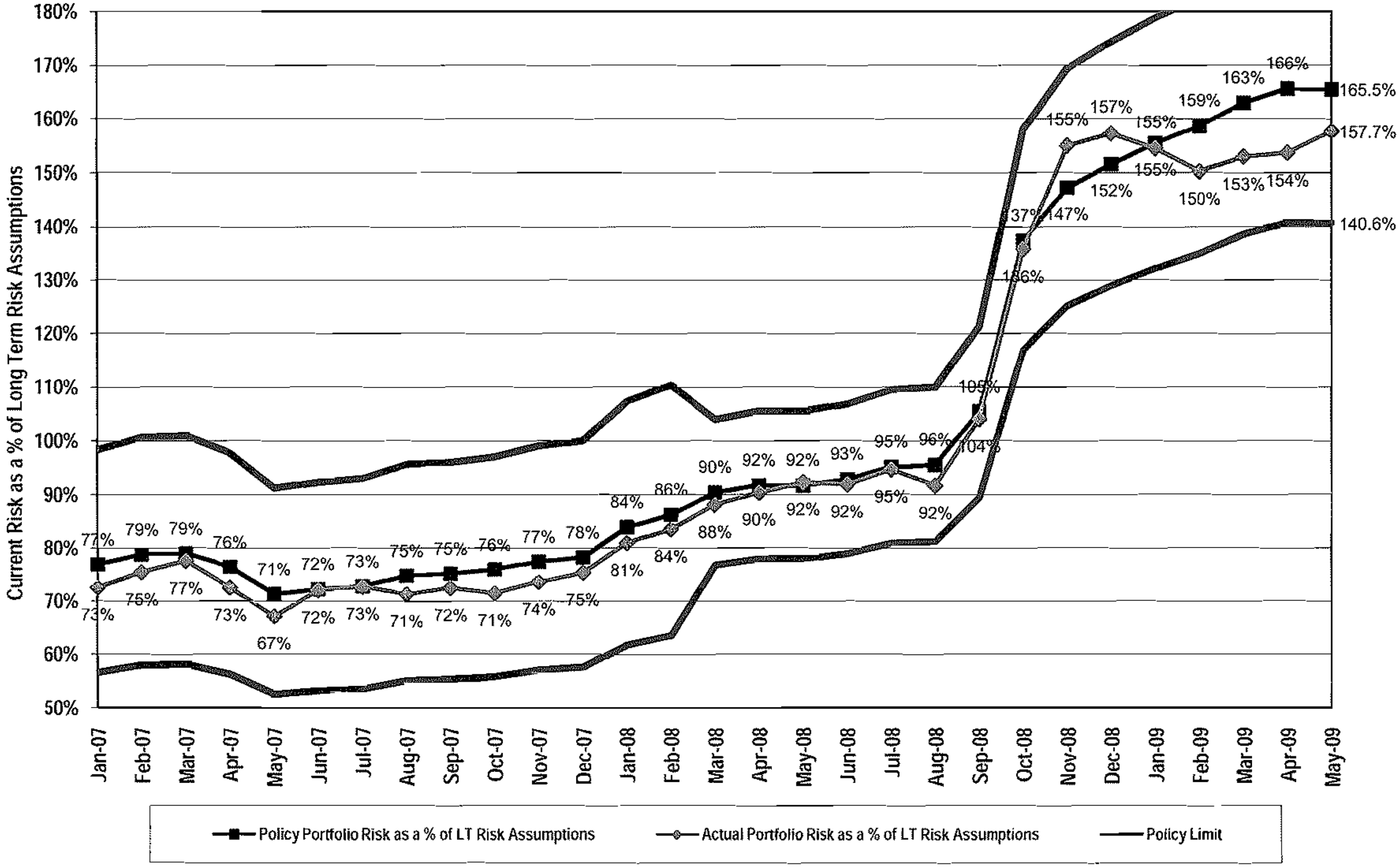
Private Investments

Fiscal Year to Date Calls & Distributions



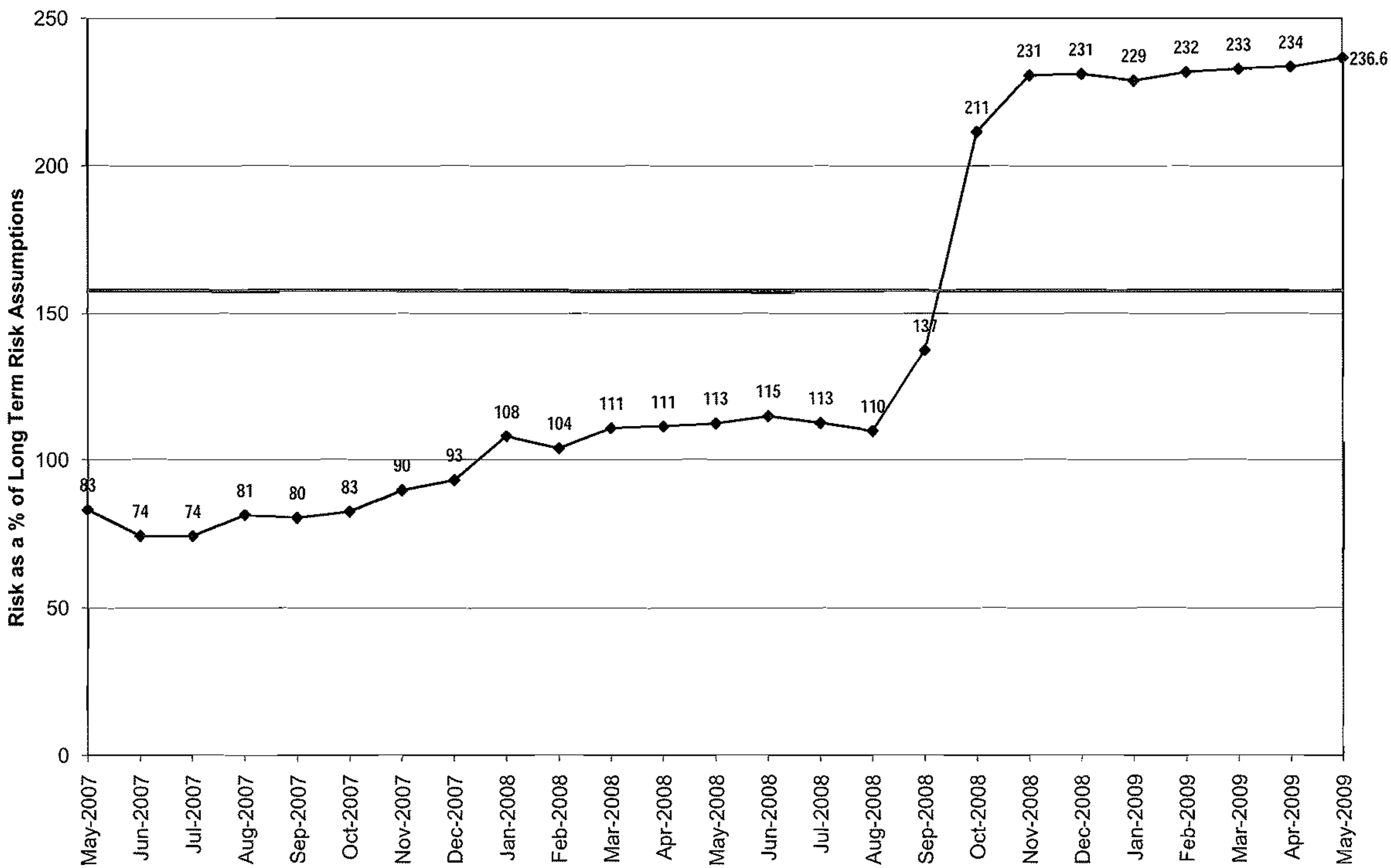
Risk Analytics

Current Risk Environment of GEF
(Based on Downside Risk)

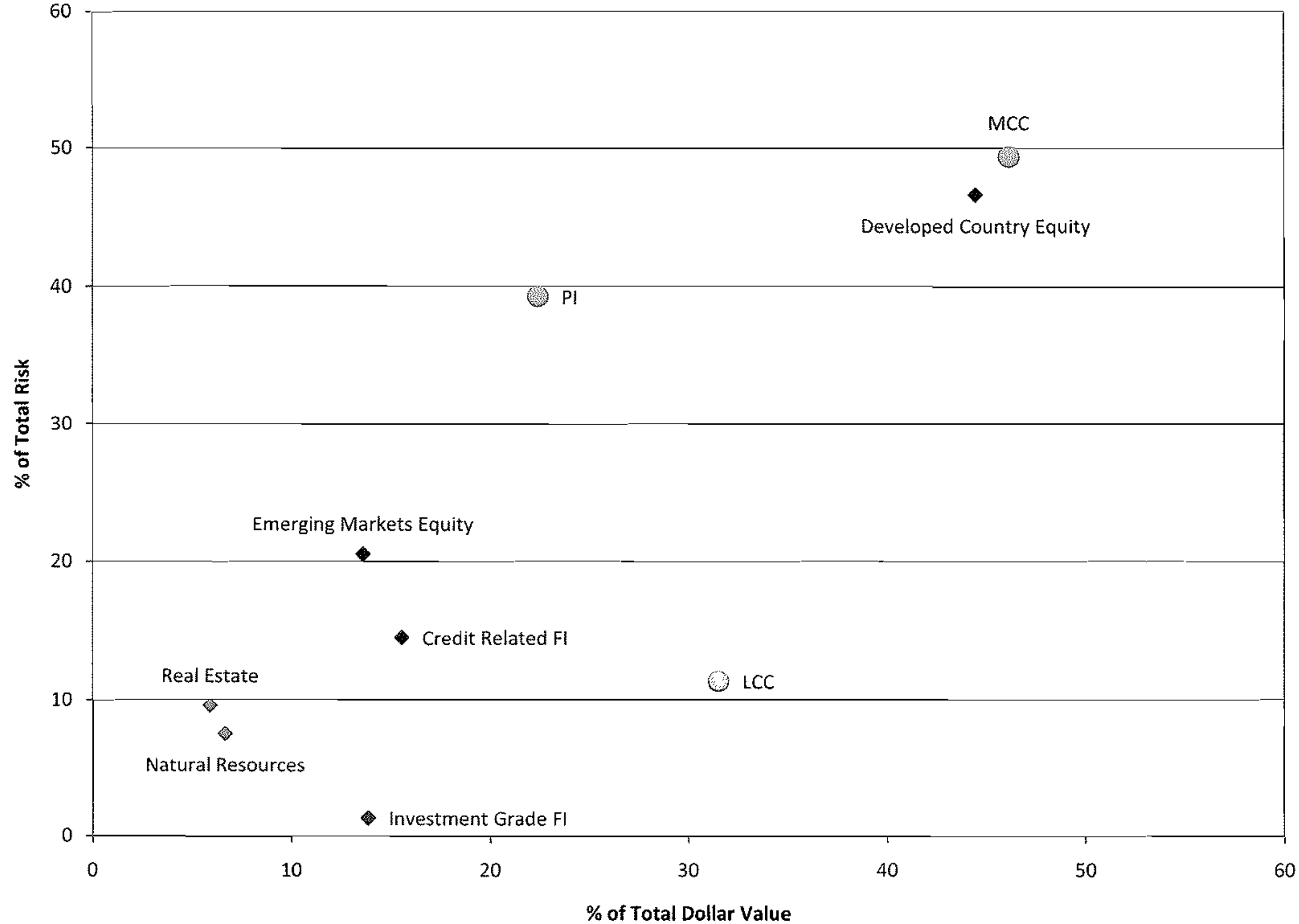


GEF Data Through May 31, 2009

Rolling 12 Month Risk Estimate of Current GEF Portfolio



Dollar Allocations Compared to Downside Risk Allocation - GEF

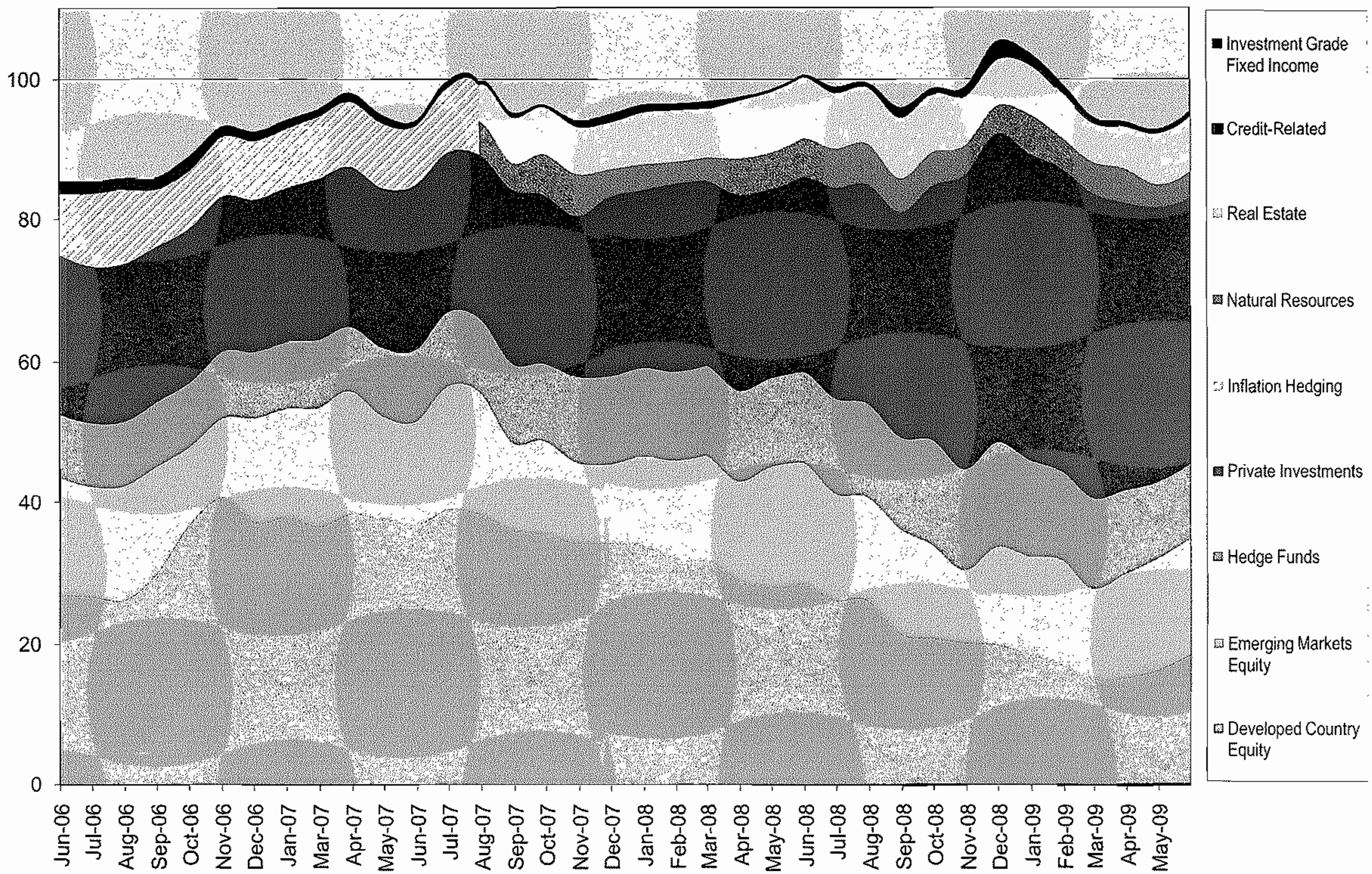


GEF Data Through May 31, 2009

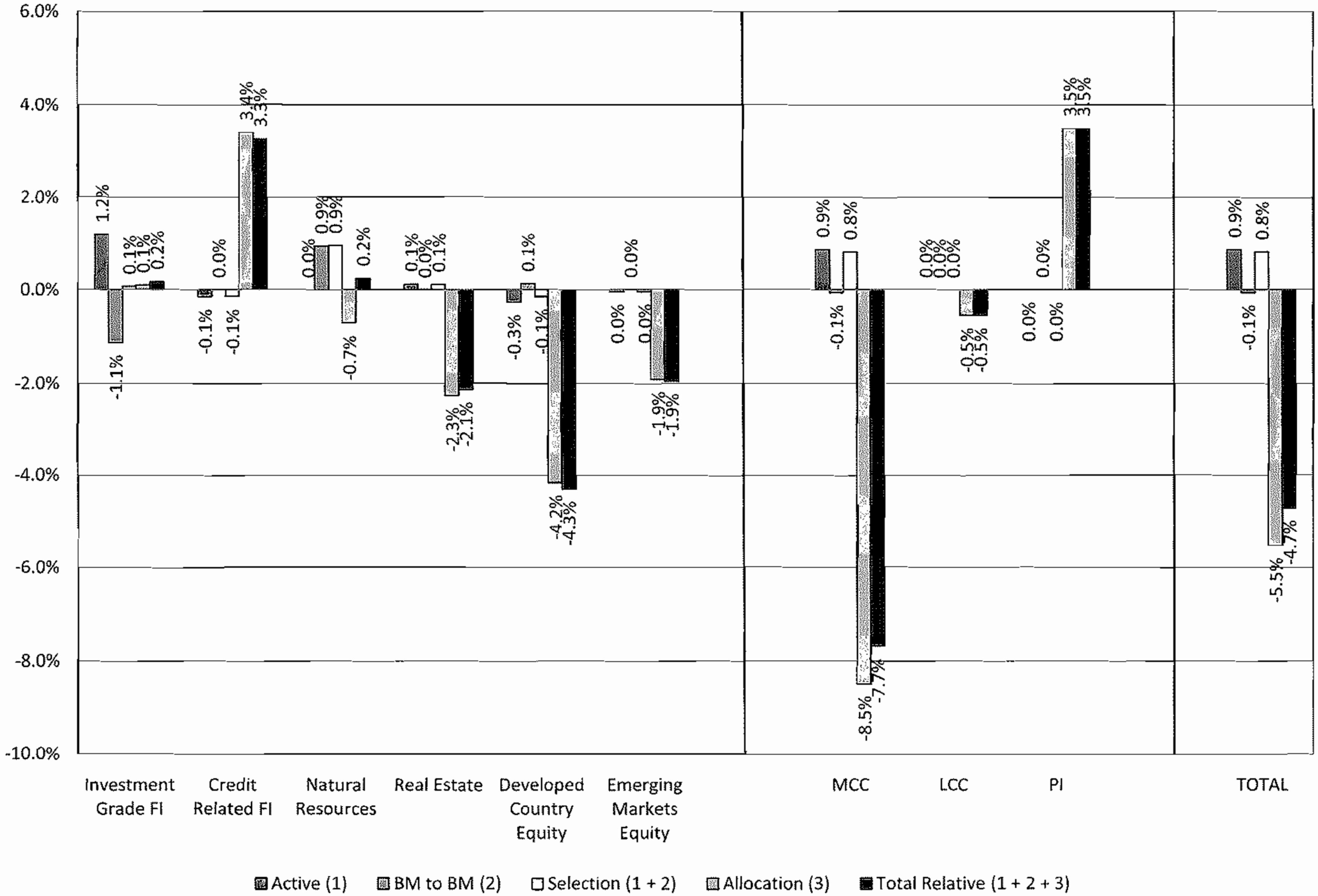
GEF Risk Allocation

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.7%	0.0%	0.0%	**0.7%**
Credit-Related Fixed Income	-0.1%	3.7%	3.7%	**7.3%**
Natural Resources	4.1%	0.1%	4.1%	**8.3%**
Real Estate	8.3%	0.1%	2.4%	**10.8%**
Developed Country Equity	19.4%	6.3%	23.8%	**49.5%**
Emerging Markets Equity	17.0%	1.1%	5.3%	**23.4%**
TOTAL	**49.4%**	**11.3%**	**39.3%**	**100.0%**

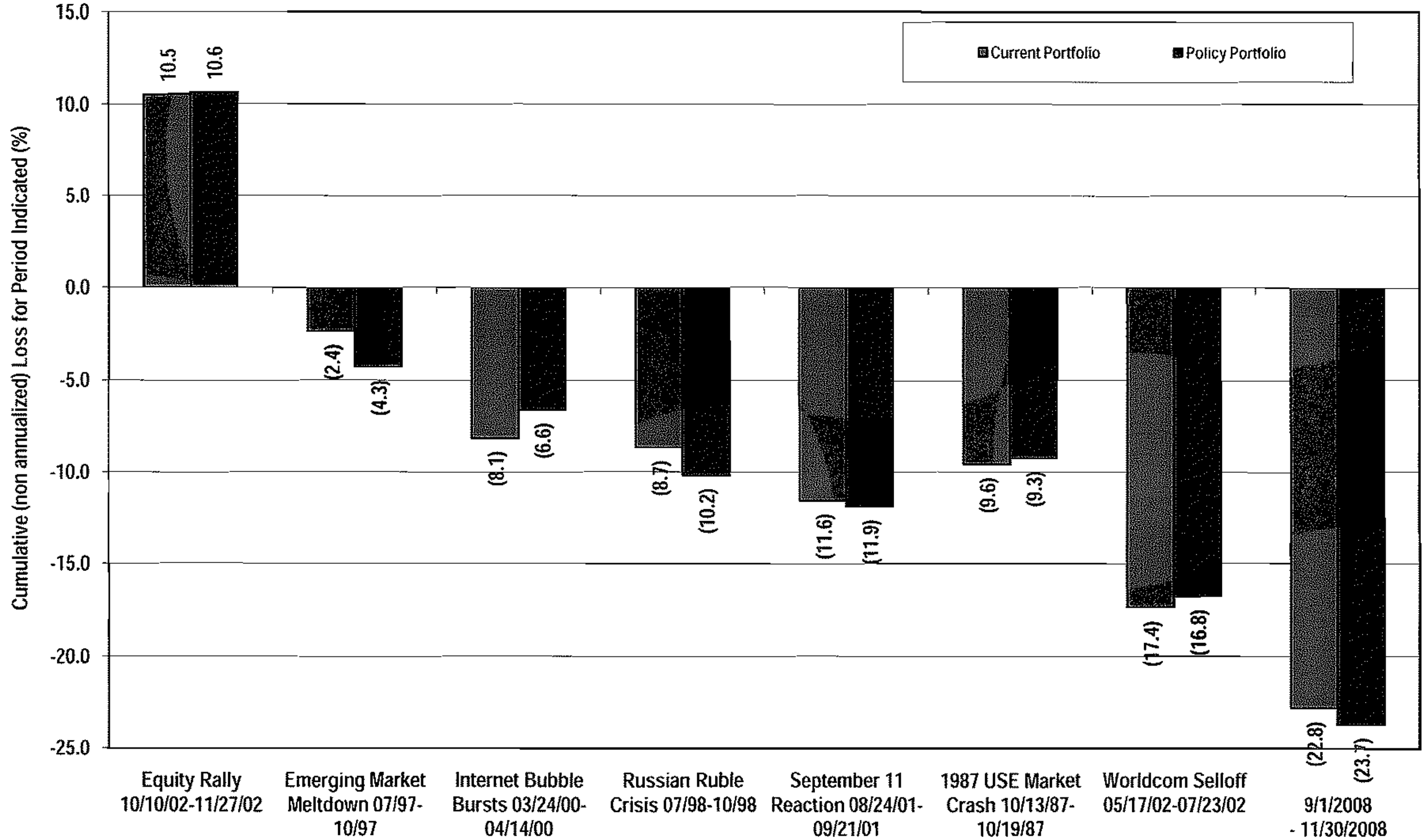
GEF Risk Allocation Over Time



GEF 4-Way Risk Decomposition as of 05/31/2009



Hypothetical and Actual Performance of Current GEF Portfolio in Selected Stress Environments

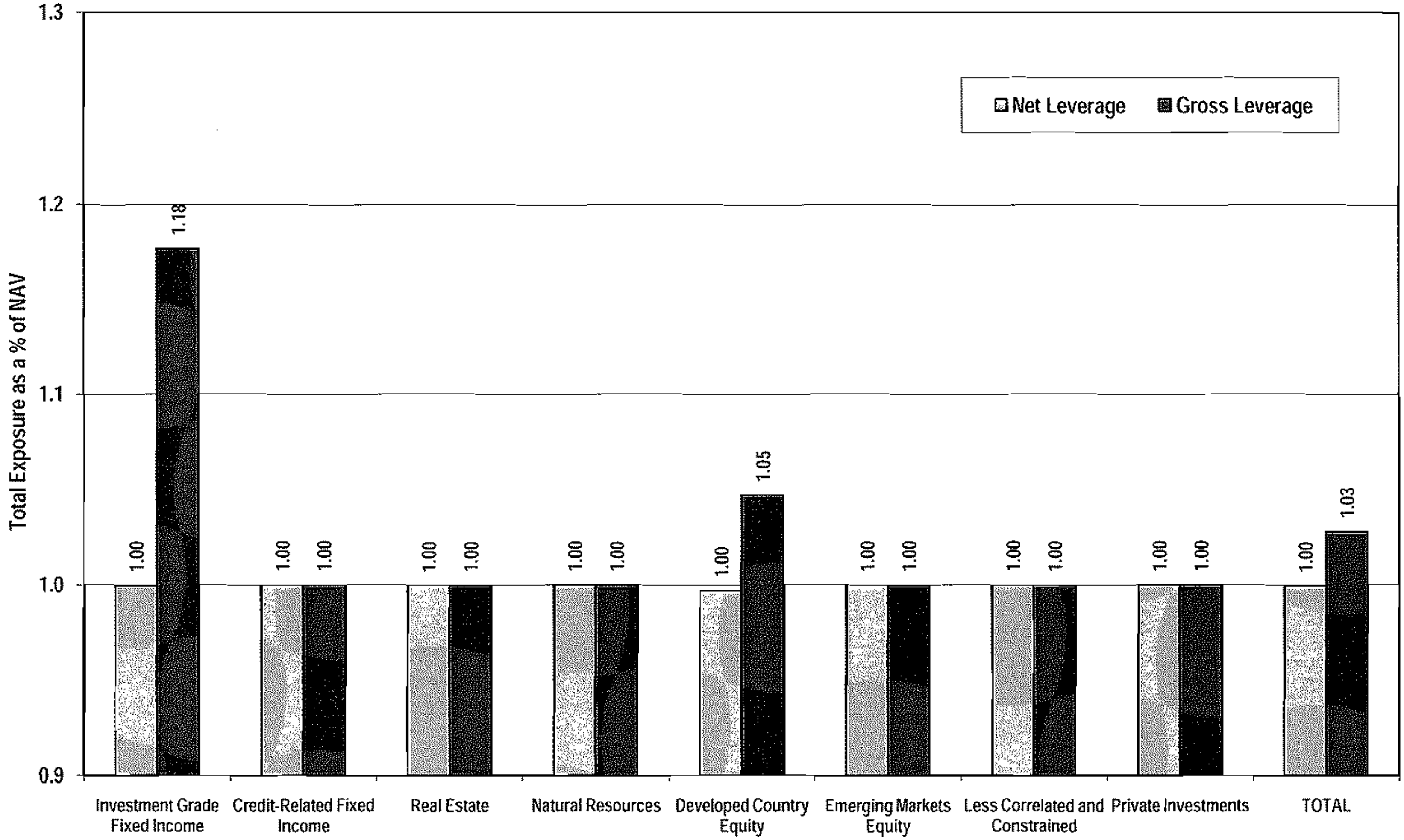


GEF Data Through May 31, 2009

Leverage

- Derivatives
- Counterparty Risk

Net and Gross Leverage of GEF



Comprehensive Derivative Report as of May 31, 2009

INTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value ($ millions)	Activity from previous report (5/31/2009) ($ millions)
Real Estate			
IYR Options	Short Dow Jones U.S. Real Sector ETF (IYR) Put Options	$ 43	$ -
Natural Resources			
DJAIG Swap	Long DJAIG Commodity Total Return Index / Short Libor	-	(74)
NR Swap	Long Natural Resource Equity / Short Libor	203	40
Developed Country Equity			
S&P 500 Futures	Long S&P 500 futures	239	(150)
S&P 500 Swap	Long S&P 500 exposure	150	150
US Equity Small Cap/Large Cap Spread Trade	Long US Large Cap futures	72	(130)
	Short US Small Cap futures	(74)	130
Non-US Developed Equity			
UK Futures	Long FTSE 100 futures	105	-
EAFE Futures	Long MSCI EAFE Emini futures	48	-
EAFE Swap	Long MSCI EAFE / Short LIBOR	-	(35)
Japan Futures	Currency forwards used to hedge U.S. dollar	-	(185)
	Long Topix Index futures	141	-
Non-US Emerging Equity			
EEM Levered Swap	Long EEM with a 1.5x upside and a cap and a 5% protection on the downside	-	(100)
Investment Grade Fixed Income			
Inflation hedge	Long caplets on the 5y10y CMS and on the 7y10y CMS (Constant Maturity Swap)	4,000	4,000
	Total Internal Managers	**$ 4,927**	

Comprehensive Derivative Report as of May 31, 2009

EXTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value ($ millions)
Natural Resources		
Gresham	Long Exchange-traded commodity futures	$ 295
Non-US Developed Equity		
State Street - Globeflex transition	Currency forwards used to hedge U.S. dollar	121
	Various MSCI EAFE futures	146
Investment Grade Fixed Income		
Brandywine	Currency forwards used to hedge foreign currency exposure	154
PIMCO Global Bonds	Currency forwards used to underweight the US dollar	51
	Long US and Non-US futures used to overweight duration in Eurozone	42
	Long futures used to overweight front end of US and UK yield curves	667
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	50
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	-
	Interest rate swaps used to overweight front end of US and UK yield curves	181
	Short/Written credit default swaps used to overweight credit risk	21
	Long/Purchased credit default swaps used to underweight credit risk	(140)
	Written options used to increase portfolio yield	-
	Purchased options used to increase portfolio yield	1
	Total External Managers	**$ 1,589**
	GRAND TOTAL	**$ 6,516**

Comprehensive Report on Derivative Investments as of May 31, 2009
Internal Management

Internal Managers

Derivative Investment (account name)		Purpose of Investment
S&P 500 / FTSE Index / EAFE / Topix Futures	PUF/GEF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization), possibly without committing capital (i.e. creating financial leverage)
	ITF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
US Equity Small Cap/Large Cap Spread Trade	PUF/GEF/ITF	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.
S&P 500 and NR Swaps	PUF/GEF/ITF	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities or the physical commodities and add value over the index by taking advantage of the borrow rate.
IYR Options	PUF/GEF	Sold at-the-money put options to gain exposure to the underlying index, while taking advantage of perceived mispriced volatility, possibly without committing capital (i.e. creating financial leverage).
	ITF	Sold at-the-money put options to gain exposure to the underlying index, while taking advantage of perceived mispriced volatility.
Currency forwards	PUF/GEF/ITF	Replicate local currency exposure for hedged foreign investments in order to more closely align the targeted risk/return profile.
Inflation hedge	PUF/GEF/ITF	Purchase options on forward 10 year swap rates to generate an "insurance" payoff if rates rise significantly in response to inflation expectations - downside limited to premium paid.

Comprehensive Report on Derivative Investments as of May 31, 2009
External Management

External Managers Under Agency Agreeement		Primary Use of Derivatives
Acadian	PUF/GEF/ITF	May invest in equity index swaps and equity index futures to gain exposure to selected equity markets in a cost-efficient manner
Brandywine	PUF/GEF/ITF	Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX exposure
Gresham	PUF/GEF/ITF	Use derivatives to gain market (systematic) exposure without trading the physical commodity.
PIMCO Global Bonds	PUF/GEF/ITF	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.
State Street (Globeflex liquidation)	PUF/GEF/ITF	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index.
Wellington Management Company	PUF/GEF/ITF	May invest in currency forward contracts, fully collateralized futures, options and swaps to reduce risk or provide efficient investment exposure.

OTC Derivative Counterparty Report as of May 31, 2009

Counterparty	S & P Counterparty Rating	Mark-to-Market Owed by Broker ($ millions)	Mark-to-Market Owed by UTIMCO ($ millions)	Total Mark-to-Market ($ millions)	Percentage of Total Funds ($ millions)	Notional Value ($ millions)
GOLDMAN SACHS	A	$ 179.7	$ (175.6)	$ 4.1	0.02%	$ 2,225.9
BARCLAYS	AA-	24.9	(10.5)	14.5	0.08%	1,881.9
UBS AG, STAMFORD	A+	8.7	(0.7)	8.0	0.05%	145.6
MORGAN STANLEY	A	8.4	(2.7)	5.7	0.03%	1,249.3
HSBC BK USA, NEW YORK	AA	5.1	(0.2)	4.9	0.03%	81.6
CITIBANK NY	A+	2.9	(2.5)	0.4	0.00%	172.8
ROYAL BANK OF SCOTLAND PLC	A+	2.1	-	2.1	0.01%	161.1
BANK OF AMERICA	A+	0.9	(0.2)	0.7	0.00%	34.0
DEUTSCHE BANK AG	A+	0.6	(0.9)	(0.3)	0.00%	112.4
CREDIT SUISSE FIRST	A+	0.4	-	0.4	0.00%	1.1
UBS A G, ZURICH	A+	0.1	-	0.1	0.00%	43.4
CHASE MANHATTAN	AA-	0.1	(0.2)	(0.1)	0.00%	10.3
J P MORGAN, CHASE	AA-	-	(1.0)	(1.0)	-0.01%	1.3
BNP PARIBAS	AA	-	(0.6)	(0.6)	0.00%	11.6
MERRILL LYNCH	A	-	(0.1)	(0.1)	0.00%	6.4
WACHOVIA BANK	AA+	-	-	-	0.00%	1.0
SOCIETE GENERALE, NEW YORK	A+	-	-	-	0.00%	2.0
ROYAL BANK OF CANADA	AA-	-	-	-	0.00%	0.8
Grand Total		$ 233.9	$ (195.2)	$ 38.7	0.22%	$ 6,142.5

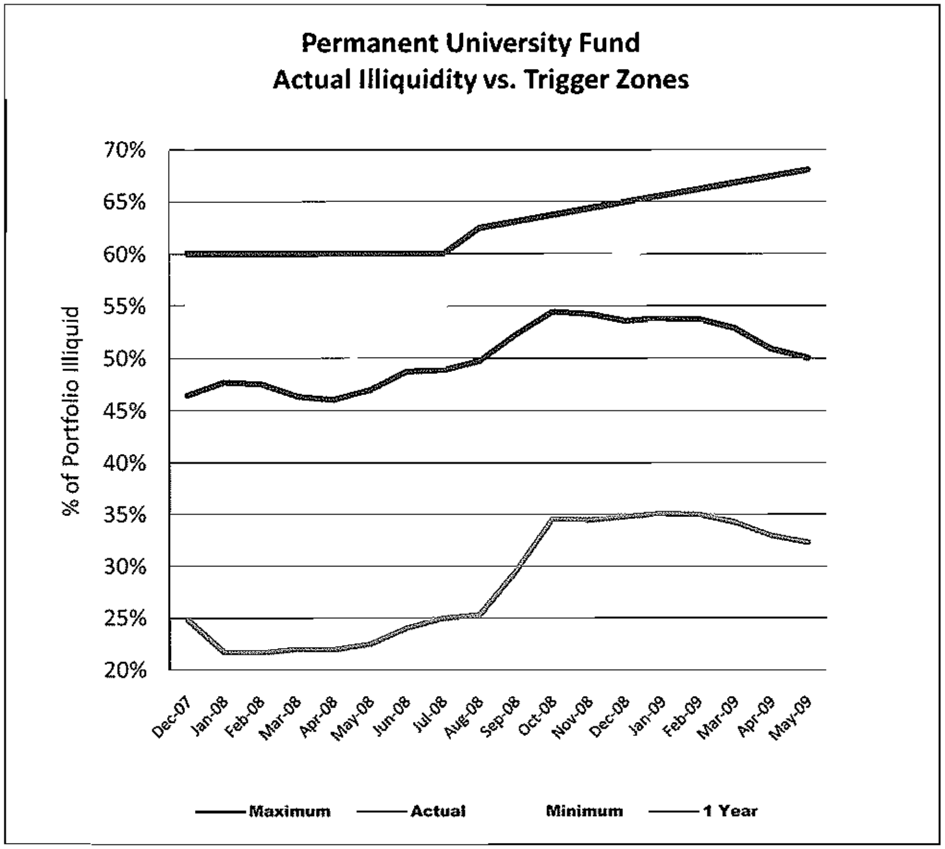
OTC Derivative Counterparty Report as of 5/31/2009
By Counterparty and Manager

Counterparty	Manager	S & P Counterparty Rating	Mark-to-Market Owed by Broker ($ millions)	Mark-to-Market Owed by UTIMCO ($ millions)	Total Mark-to-Market ($ millions)	Percentage of Total Funds ($ millions)	Notional Value ($ millions)
INTERNALLY MANAGED							
BARCLAYS	INFLATION HEDGE	AA-	11.8	-	11.8	0.07%	1,500.0
BARCLAYS	JAPAN FUTURES	AA-	3.0	(4.1)	(1.1)	0.02%	227.9
BARCLAYS	IYR OPTIONS	AA-	-	(5.1)	(5.1)	0.00%	-
BARCLAYS Total			**14.8**	**(9.2)**	**5.6**	**0.03%**	**1,727.9**
GOLDMAN SACHS	INFLATION HEDGE	A	(0.7)	-	(0.7)	0.00%	1,645.0
GOLDMAN SACHS	S&P 500 SWAP	A	1.9	-	1.9	0.01%	150.0
GOLDMAN SACHS Total			**1.2**	-	**1.2**	**0.01%**	**1,795.0**
MORGAN STANLEY	NR EQUITY SWAP	A	6.7	-	6.7	0.04%	203.0
MORGAN STANLEY	INFLATION HEDGE	A	(0.4)	-	(0.4)	0.00%	855.0
MORGAN STANLEY Total			**6.3**	-	**6.3**	**0.04%**	**1,058.0**
Grand Total Internally Managed			**22.3**	**(9.2)**	**13.1**	**0.07%**	**4,580.9**
EXTERNALLY MANAGED							
BANK OF AMERICA	PIMCO FIXED INCOME	A+	0.9	(0.2)	0.7	0.01%	34.0
BANK OF AMERICA Total			**0.9**	**(0.2)**	**0.7**	**0.00%**	**34.0**
BARCLAYS	BRANDYWINE GLOBAL	AA-	10.7	-	10.7	0.06%	103.4
BARCLAYS	PIMCO FIXED INCOME	AA-	(0.6)	(1.3)	(1.9)	0.00%	50.6
BARCLAYS Total			**10.1**	**(1.3)**	**8.8**	**0.05%**	**154.0**
BNP PARIBAS	PIMCO FIXED INCOME	AA	-	(0.6)	(0.6)	0.00%	11.6
BNP PARIBAS Total			-	**(0.6)**	**(0.6)**	**0.00%**	**11.6**
CHASE MANHATTAN	PIMCO FIXED INCOME	AA-	0.1	(0.2)	(0.1)	0.00%	10.3
CHASE MANHATTAN Total			**0.1**	**(0.2)**	**(0.1)**	**0.00%**	**10.3**
CITIBANK NY	BRANDYWINE GLOBAL	A+	0.8	(0.8)	-	0.00%	36.5
CITIBANK NY	PIMCO FIXED INCOME	A+	2.1	(1.7)	0.4	0.01%	136.3
CITIBANK NY Total			**2.9**	**(2.5)**	**0.4**	**0.00%**	**172.8**
CREDIT SUISSE FIRST	PIMCO FIXED INCOME	A+	0.4	-	0.4	0.00%	1.1
CREDIT SUISSE FIRST Total			**0.4**	-	**0.4**	**0.00%**	**1.1**
DEUTSCHE BANK AG	PIMCO FIXED INCOME	A+	0.6	(0.9)	(0.3)	0.00%	112.4
DEUTSCHE BANK AG Total			**0.6**	**(0.9)**	**(0.3)**	**0.00%**	**112.4**
GOLDMAN SACHS	PIMCO FIXED INCOME	A	178.5	(175.6)	2.9	1.02%	430.9
GOLDMAN SACHS Total			**178.5**	**(175.6)**	**2.9**	**0.02%**	**430.9**
HSBC BK USA, NEW YORK	BRANDYWINE GLOBAL	AA	5.1	-	5.1	0.03%	65.3
HSBC BK USA, NEW YORK	PIMCO FIXED INCOME	AA	-	(0.2)	(0.2)	0.00%	16.3
HSBC BK USA, NEW YORK Total			**5.1**	**(0.2)**	**4.9**	**0.03%**	**81.6**

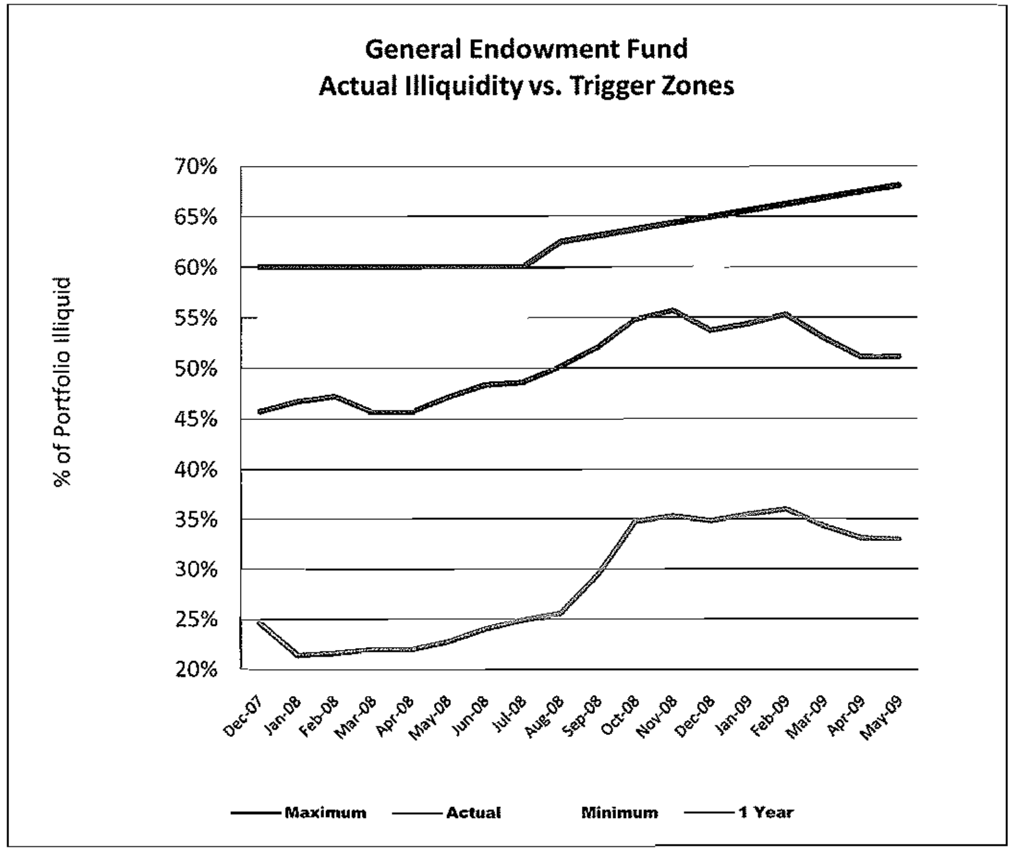
OTC Derivative Counterparty Report as of 5/31/2009
By Counterparty and Manager

Counterparty	Manager	S & P Counterparty Rating	Mark-to-Market Owed by Broker ($ millions)	Mark-to-Market Owed by UTIMCO ($ millions)	Total Mark-to-Market ($ millions)	Percentage of Total Funds ($ millions)	Notional Value ($ millions)
J P MORGAN, CHASE	PIMCO FIXED INCOME	AA-	-	(1.0)	(1.0)	0.00%	1.3
J P MORGAN, CHASE Total			**-**	**(1.0)**	**(1.0)**	**-0.01%**	**1.3**
MERRILL LYNCH	PIMCO FIXED INCOME	A	-	(0.1)	(0.1)	0.00%	6.4
MERRILL LYNCH Total			**-**	**(0.1)**	**(0.1)**	**0.00%**	**6.4**
MORGAN STANLEY	PIMCO FIXED INCOME	A	2.1	(2.7)	(0.6)	0.01%	191.3
MORGAN STANLEY Total			**2.1**	**(2.7)**	**(0.6)**	**0.00%**	**191.3**
ROYAL BANK OF CANADA	PIMCO FIXED INCOME	AA-	-	-	-	0.00%	0.8
ROYAL BANK OF CANADA Total			**-**	**-**	**-**	**0.00%**	**0.8**
ROYAL BANK OF SCOTLAND PLC	PIMCO FIXED INCOME	A+	2.1	-	2.1	0.01%	161.1
ROYAL BANK OF SCOTLAND PLC Total			**2.1**	**-**	**2.1**	**0.01%**	**161.1**
SOCIETE GENERALE, NEW YORK	PIMCO FIXED INCOME	A+	-	-	-	0.00%	2.0
SOCIETE GENERALE, NEW YORK Total			**-**	**-**	**-**	**0.00%**	**2.0**
UBS A G, ZURICH	PIMCO FIXED INCOME	A+	0.1	-	0.1	0.00%	43.4
UBS A G, ZURICH Total			**0.1**	**-**	**0.1**	**0.00%**	**43.4**
UBS AG, STAMFORD	GLOBEFLEX	A+	8.3	-	8.3	0.05%	120.8
UBS AG, STAMFORD	PIMCO FIXED INCOME	A+	0.4	(0.7)	(0.3)	0.00%	24.8
UBS AG, STAMFORD Total			**8.7**	**(0.7)**	**8.0**	**0.05%**	**145.6**
WACHOVIA BANK	PIMCO FIXED INCOME	AA+	-	-	-	0.00%	1.0
WACHOVIA BANK Total			**-**	**-**	**-**	**0.00%**	**1.0**
Grand Total Externally Managed			**211.6**	**(186.0)**	**25.6**	**0.15%**	**1,561.6**
GRAND TOTAL - ALL MANAGERS			**$ 233.9**	**$ (195.2)**	**$ 38.7**	**0.22%**	**$ 6,142.5**

Liquidity



Three Month Liquidity $ 4,569 million One Year Liquidity $ 6,193 million



Three Month Liquidity $ 2,479 million One Year Liquidity $ 3,397 million

Unfunded Commitments Exposure Report - 5/31/09

Asset Class	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								
CONTROL	128,287,096	4.1%	138,949,042	267,236,138	4.6%	0.9%	1.0%	1.9%
OPPORTUNISTIC	708,694,420	22.5%	144,086,239	852,780,659	14.7%	5.0%	1.0%	6.0%
TRADING	121,471,568	3.9%	32,601,254	154,072,822	2.7%	0.9%	0.2%	1.1%
CREDIT-RELATED FIXED INCOME	$ 958,453,084	30.5%	$ 315,636,535	$ 1,274,089,619	22.0%	6.8%	2.2%	9.0%
REAL ESTATE	90,605,273	2.9%	240,706,872	331,312,145	5.7%	0.6%	1.7%	2.3%
NATURAL RESOURCES	250,973,461	8.0%	373,397,276	624,370,737	10.8%	1.8%	2.6%	4.4%
BUYOUT	899,390,403	28.5%	869,360,977	1,768,751,380	30.5%	6.4%	6.1%	12.5%
OPPORTUNISTIC & GROWTH	242,236,822	7.7%	85,132,055	327,368,877	5.6%	1.7%	0.6%	2.3%
VENTURE CAPITAL	500,196,209	15.9%	438,524,230	938,720,439	16.2%	3.5%	3.1%	6.6%
DEVELOPED MARKETS EQUITY	1,641,823,434	52.1%	1,393,017,262	3,034,840,696	52.3%	11.6%	9.8%	21.4%
EMERGING MARKETS EQUITY	203,744,868	6.5%	329,459,623	533,204,491	9.2%	1.4%	2.3%	3.7%
TOTAL PRIVATE INVESTMENTS	$ 3,145,600,120	100.0%	$ 2,652,217,568	$ 5,797,817,688	100.0%	22.2%	18.6%	40.8%
LESS CORRELATED AND CONSTRAINED								
INVESTMENT GRADE FIXED INCOME	$ 212,155,711	4.8%	$ -	$ 212,155,711	4.7%	1.5%	0.0%	1.5%
CREDIT-RELATED FIXED INCOME	1,040,663,952	23.6%	51,192,312	1,091,856,264	24.3%	7.3%	0.4%	7.7%
REAL ESTATE	46,702,442	1.1%	-	46,702,442	1.0%	0.3%	0.0%	0.3%
NATURAL RESOURCES	107,634,819	2.4%	-	107,634,819	2.4%	0.8%	0.0%	0.8%
DEVELOPED MARKETS EQUITY	2,618,946,533	59.4%	30,145,696	2,649,092,229	58.8%	18.4%	0.2%	18.6%
EMERGING MARKETS EQUITY	383,733,419	8.7%	12,149,990	395,883,409	8.8%	2.7%	0.1%	2.8%
TOTAL LESS CORRELATED AND CONSTRAINED	$ 4,409,836,876	100.0%	$ 93,487,998	$ 4,503,324,874	100.0%	31.0%	0.7%	31.7%
GRAND TOTAL PI AND LCC	$ 7,555,436,996	100.0%	$ 2,745,705,566	$ 10,301,142,562	100.0%	53.2%	19.3%	72.5%
TOTAL ENDOWMENTS HOLDINGS	$ 14,210,027,279							

MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY 26.9%

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Investment Activity

Report on Investment Transactions Made Under the Delegation of Authority
Fiscal Quarter ended May 31, 2009

	Redemptions ($ millions)				Investments / Commitments ($ millions)				
	MCC	LCC	Private	Total	MCC	LCC	Private	Total	Illiquid
Investment Grade Fixed Income									
Investco AIM	-	-	-	-	200	-	-	200	No
	-	-	-	-	200	-	-	200	
Credit-Related Fixed Income									
Satellite	-	18	-	18	-	-	-	-	
Blackstone Distressed	-	6	-	6	-	-	-	-	
Watershed RMBS II	-	-	-	-	80	-	-	80	No
Angelo Gordon CMBS	-	-	-	-	75	-	-	75	No
	-	24	-	24	155	-	-	155	
Real Estate									
None	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Natural Resources									
Gresham	-	-	-	-	74	-	-	74	No
	-	-	-	-	74	-	-	74	
Developed Country Equity									
Westport	133	-	-	133	-	-	-	-	
Globeflex	120	-	-	120	-	-	-	-	
Blavin (PWB Partners)	78	-	-	78	-	-	-	-	
Perry Partners	-	76	-	76	-	-	-	-	
Protégé	-	50	-	50	-	-	-	-	
Blavin 270	17	-	-	17	-	-	-	-	
FCOI II (Farallon)	-	17	-	17	-	-	-	-	
Brahman	-	7	-	7	-	-	-	-	
Stark	-	6	-	6	-	-	-	-	
Lansdowne UK	-	-	-	-	-	25	-	25	Yes
	348	156	-	504	-	25	-	25	
Emerging Markets Equity									
Templeton High Value	80	-	-	80	-	-	-	-	
	80	-	-	80	-	-	-	-	
	$ 428	$ 180	$ -	$ 608	$ 429	$ 25	$ -	$ 454	

Report on Investment Transactions Made Under the Delegation of Authority
Nine Months ended May 31, 2009

	Redemptions ($ millions)				Investments / Commitments ($ millions)				
	MCC	LCC	Private	Total	MCC	LCC	Private	Total	Illiquid
Investment Grade Fixed Income									
Reams TIPS	369	-	-	369	-	-	-	-	
Pimco TIPS	282	-	-	282	-	-	-	-	
Bridgewater II	-	50	-	50	-	-	-	-	
BGI Global Agg (ex-US) Bond Index Fund	35	-	-	35	-	-	-	-	
Pimco Fixed	30	-	-	30	-	-	-	-	
Internal Investment Grade	20	-	-	20	-	-	-	-	
Investco AIM	-	-	-	-	200	-	-	200	
Brandywine	-	-	-	-	150	-	-	150	No
	736	50	-	786	350	-	-	350	
Credit-Related Fixed Income									
Satellite	-	50	-	50	-	-	-	-	
Blackstone Distressed	-	25	-	25	-	-	-	-	
OCM High Yield	-	25	-	25	-	-	-	-	
Baupost	-	-	-	-	-	100	-	100	Yes
Watershed RMBS II	-	-	-	-	80	-	-	80	No
Angelo Gordon CMBS	-	-	-	-	75	-	-	75	No
Fortress Credit Opportunities Fund, L.P.	-	-	-	-	-	-	75	75	Yes
RMBS (Parkcentral)	68	-	-	68	68	-	-	68	No
	68	100	-	168	223	100	75	398	
Real Estate									
Security Capital	-	-	-	-	105	-	-	105	No
Bensell US Feeder III, L.P.	-	-	-	-	-	-	45	45	Yes
BGI ex-US Real Estate fund	-	-	-	-	17	-	-	17	No
	-	-	-	-	122	-	45	167	
Natural Resources									
Gresham	-	-	-	-	74	-	-	74	No
Tenaska Power Fund II, L.P.	-	-	-	-	-	-	60	60	Yes
Kern Energy Partners III, L.P.	-	-	-	-	-	-	60	60	Yes
McVean - CDM	-	22	-	22	-	-	-	-	
McVean - MJW	-	21	-	21	-	-	-	-	
	-	43	-	43	74	-	120	194	
Developed Country Equity									
BGI Global Market Neutral	-	232	-	232	-	-	-	-	
Westport	133	-	-	133					
BGI EAFE	125	-	-	125	-	-	-	-	

Report on Investment Transactions Made Under the Delegation of Authority
Nine Months ended May 31, 2009

	Redemptions ($ millions)				Investments / Commitments ($ millions)				
	MCC	LCC	Private	Total	MCC	LCC	Private	Total	Illiquid
Globeflex	120	-	-	120	-	-	-	-	
Blavin PWB	108	-	-	108	-	-	-	-	
New Mountain	106	-	-	106	-	-	-	-	
Relational Investors	104	-	-	104	-	-	-	-	
Protégé	-	100	-	100	-	-	-	-	
Brahman	-	85	-	85	-	-	-	-	
Farallon FCOI	-	77	-	77	-	-	-	-	
Perry Partners	-	76	-	76	-	-	-	-	
ValueAct	75	-	-	75	-	-	-	-	
Westfield Sciences	-	67	-	67	-	-	-	-	
FCOI II (Farallon)	-	66	-	66	-	-	-	-	
Millgate	-	54	-	54	-	-	-	-	
ESL	-	52	-	52	-	-	-	-	
Tiger Consumer	-	43	-	43	-	-	-	-	
Blavin 270	17	-	-	17	-	-	-	-	
Stark	-	6	-	6					
Wellington	-	-	-	-	250	-	-	250	No
Cadian	-	-	-	-	-	50	-	50	Yes
Lansdowne UK	-	-	-	-	-	50	-	50	Yes
Fox Point	-	-	-	-	-	25	-	25	Yes
Austin Ventures X, L.P.	-	-	-	-	-	-	25	25	Yes
Levin Large Cap Value	-	-	-	-	10	-	-	10	No
	788	858	-	1,646	260	125	25	410	
Emerging Markets Equity									
Lansdowne Emerging	343	-	-	343	-	-	-	-	
BGI Emerging Strategic Insights Fund	208	-	-	208	180	-	-	180	No
Templeton High Value	80	-	-	80	-	-	-	-	
Indus Asia	-	39	-	39	-	-	-	-	
Lazard	-	-	-	-	150	-	-	150	No
Acadian	-	-	-	-	137	-	-	137	No
Blakeney	-	-	-	-	100	-	-	100	No
Russia Partners III, L.P.	-	-	-	-	-	-	40	40	Yes
Emerging Europe Growth Fund II, L.P.	-	-	-	-	-	-	30	30	Yes
Actis Africa 3, L.P.	-	-	-	-	-	-	25	25	Yes
Actis India 3, L.P.	-	-	-	-	-	-	25	25	Yes
	631	39	-	670	567	-	120	687	
	$ 2,223	$ 1,090	$ -	$ 3,313	$ 1,596	$ 225	$ 385	$ 2,206	

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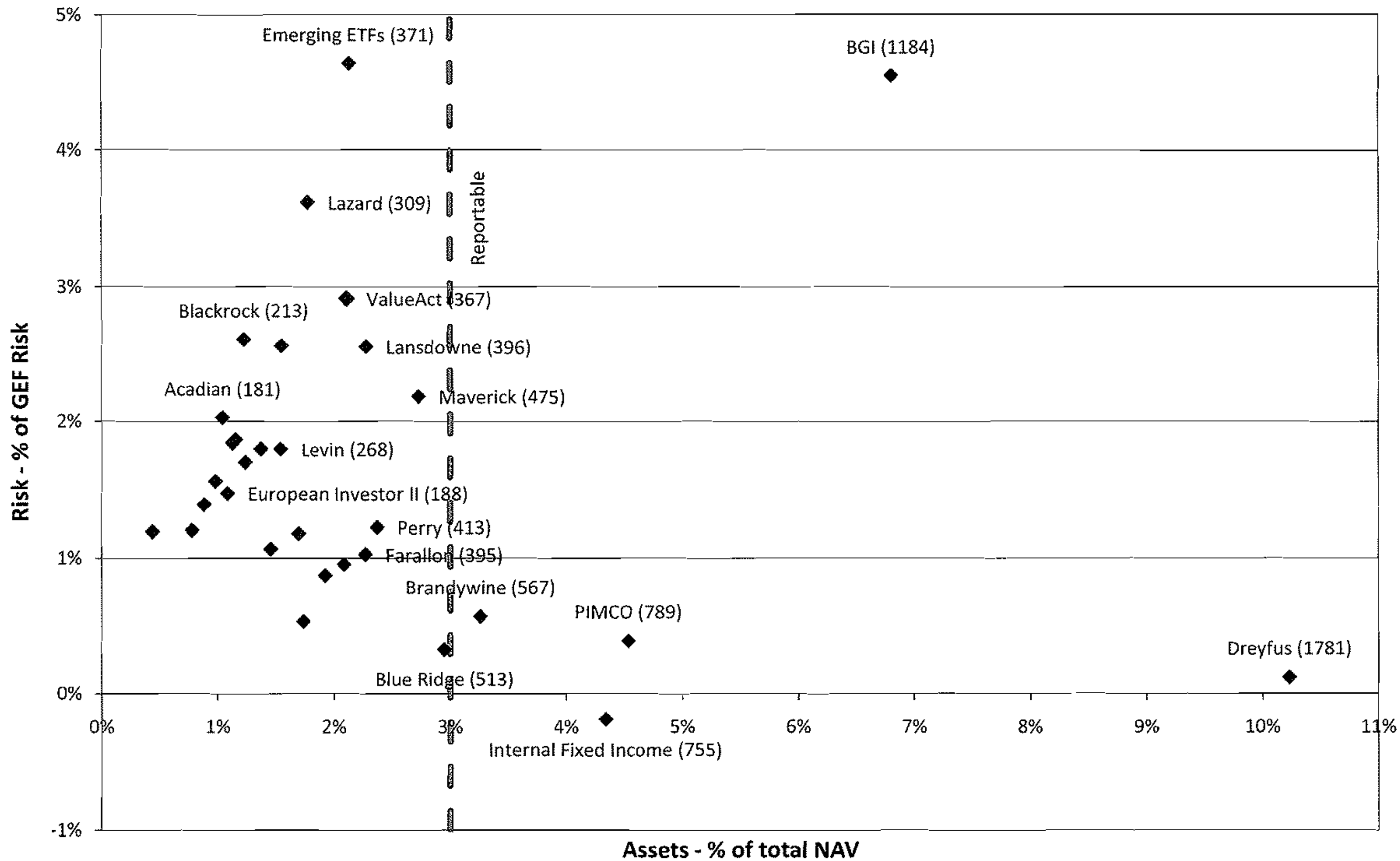
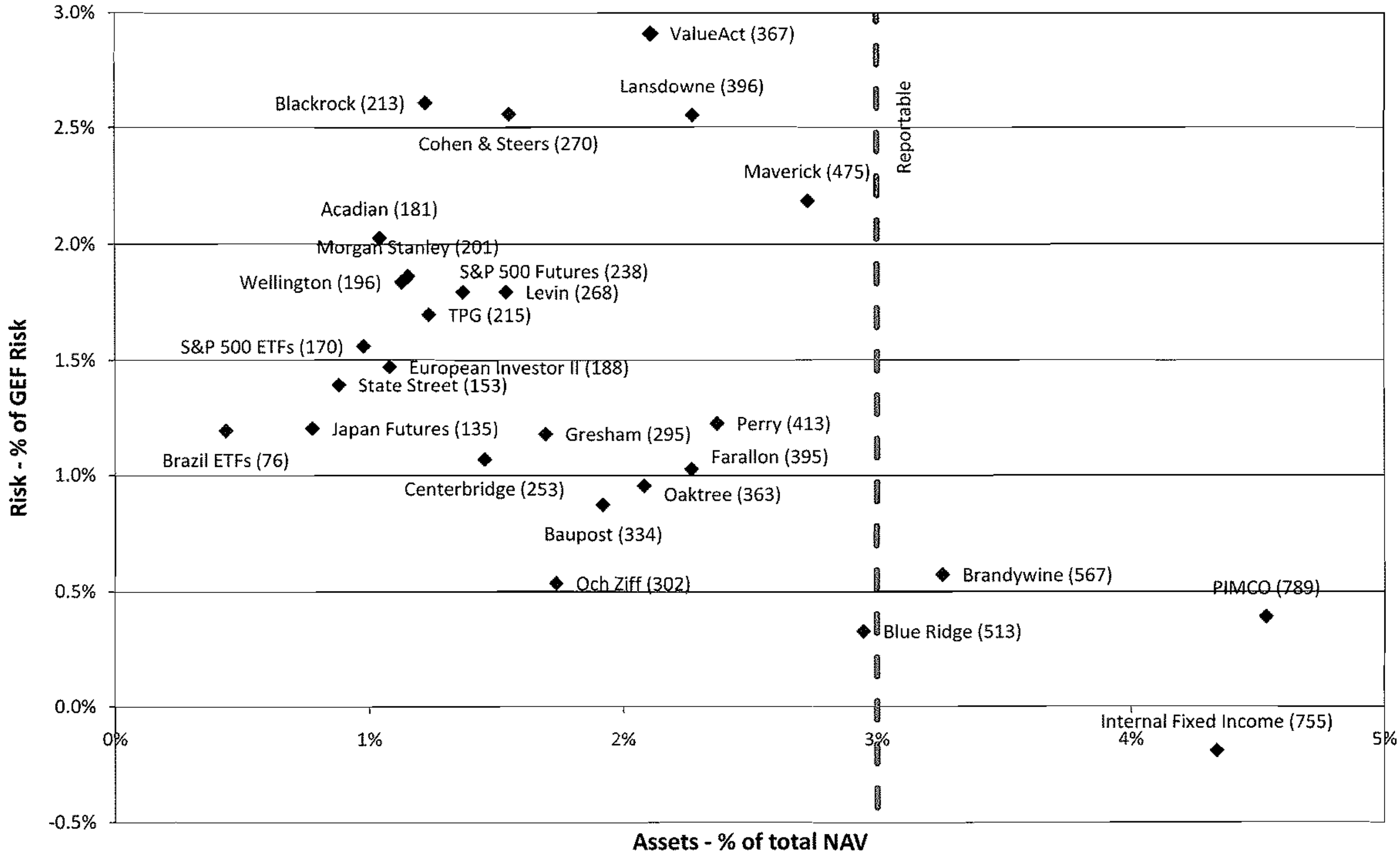
Manager Exposure

Top Mandates Risk and Dollar Allocation



Mandates with at least 1.5% of total assets, or at least 1.2% of Risk

Top Mandates Risk and Dollar Allocation



Mandates with at least 1.5% of total assets, or at least 1.2% of Risk

Managers with exposure >3% relative to total Funds (excluding ITF for Private Investments) As of 5/31/2009

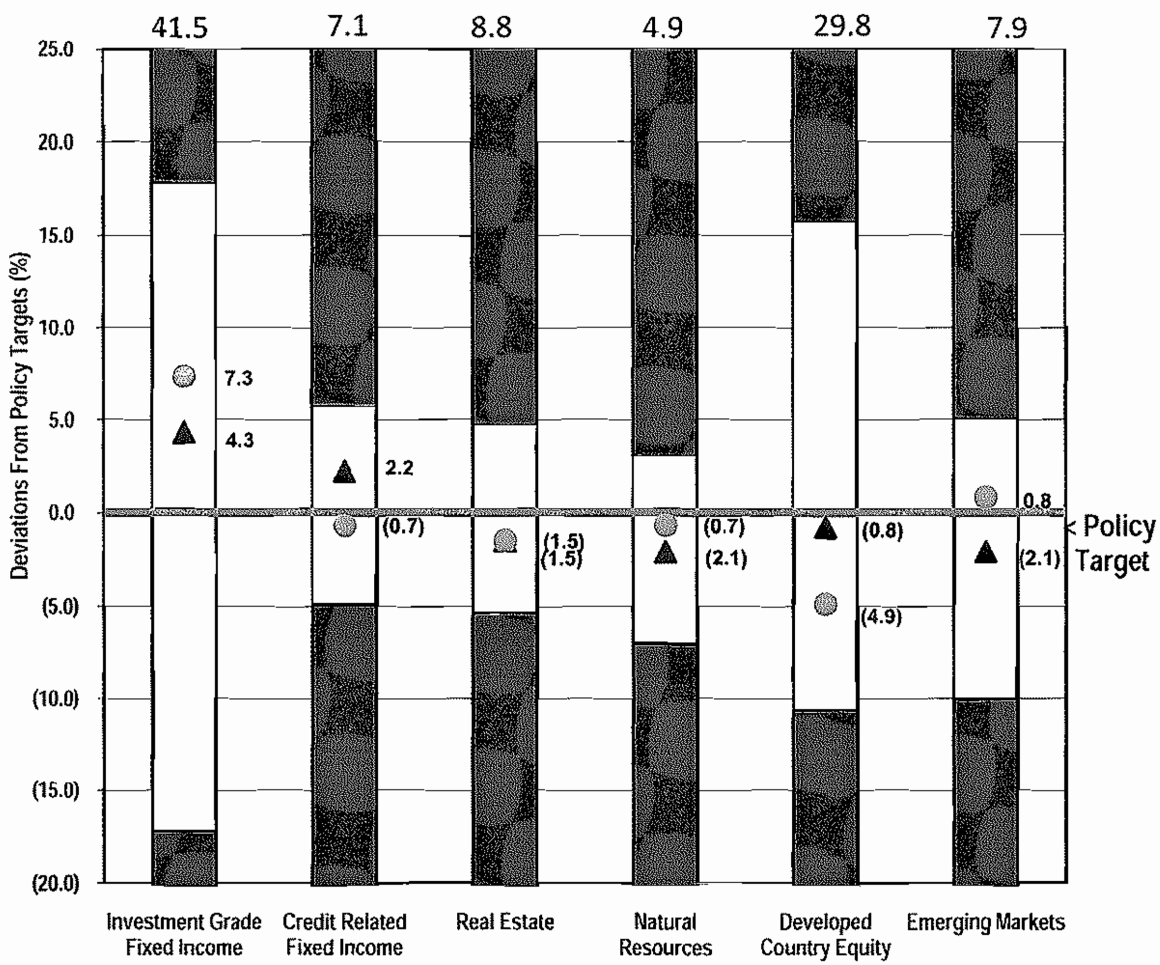
Manager Name	Investment Amount	%-age
More Correlated and Constrained		
Pimco	789,198,888	4.49%
Internal Fixed Income	755,136,733	4.30%
Brandywine	567,405,939	3.23%
Less Correlated and Constrained		
None		
Private Investments		
None		

Managers with exposure >5% relative to total Funds (excluding ITF for Private Investments) As of 5/31/2009

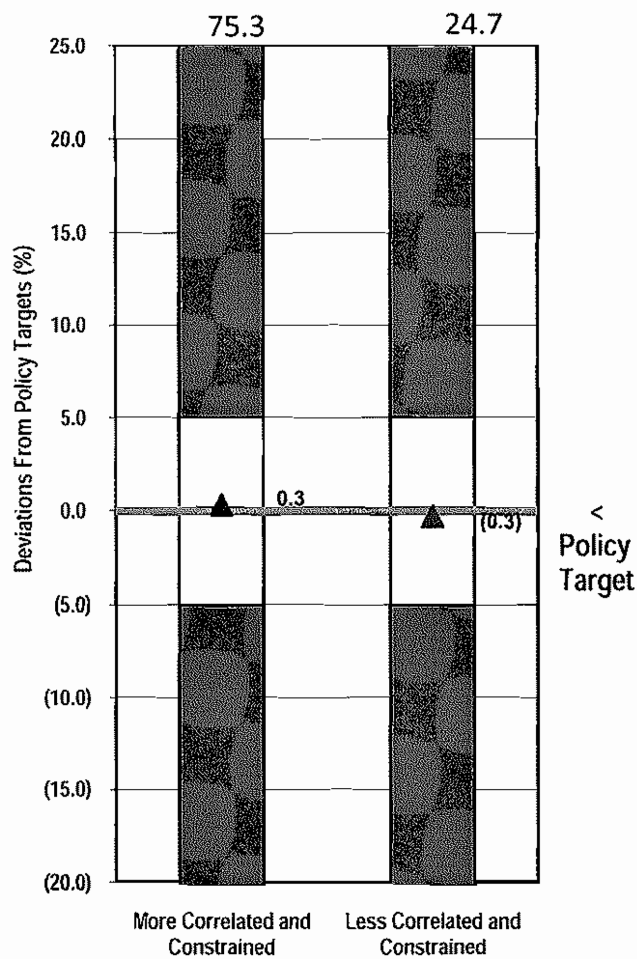
Manager Name	Investment Amount	%-age
	None	

ITF

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



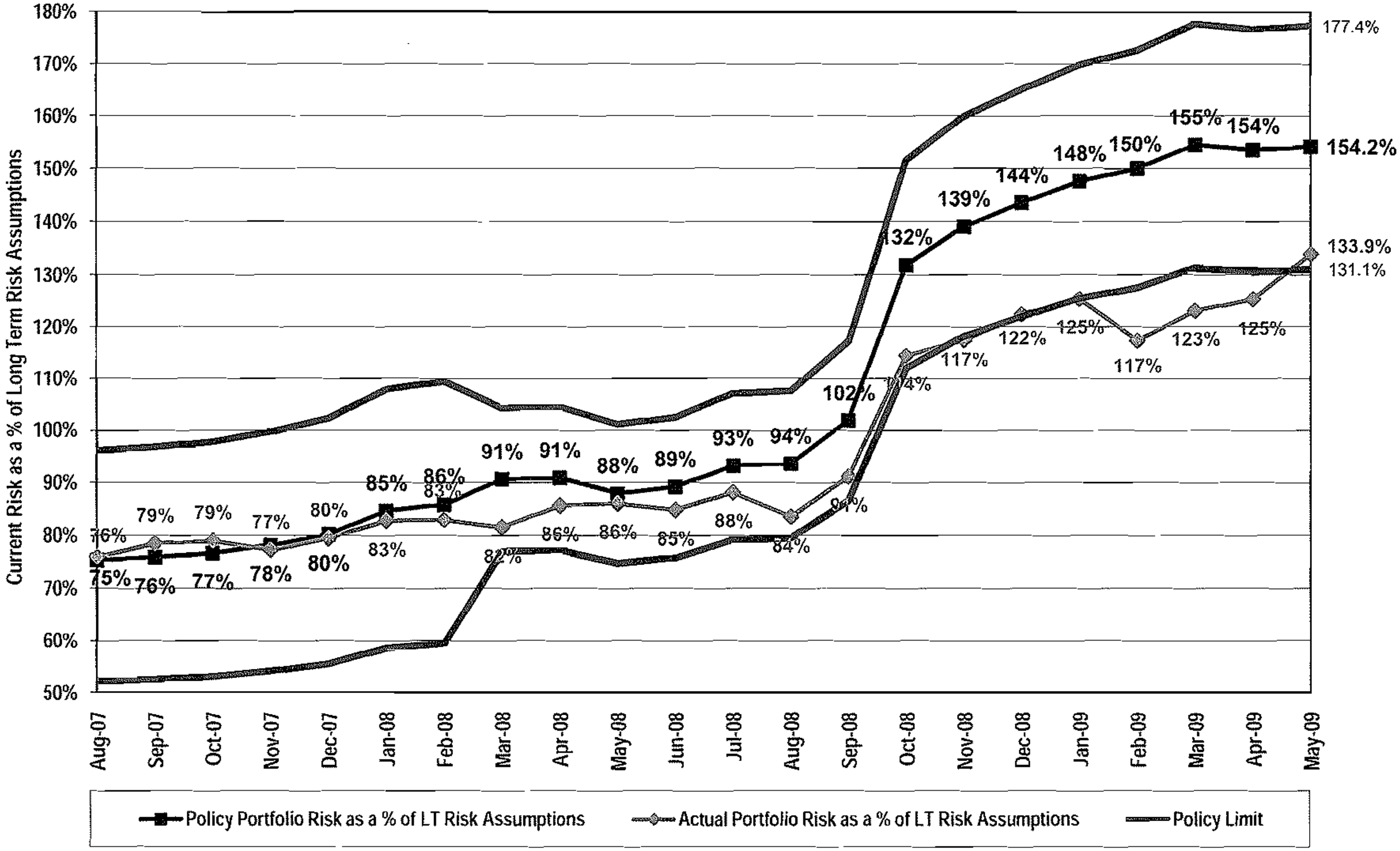
Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for ITF



▲-- All Investment Types ● -- More Correlated and Constrained

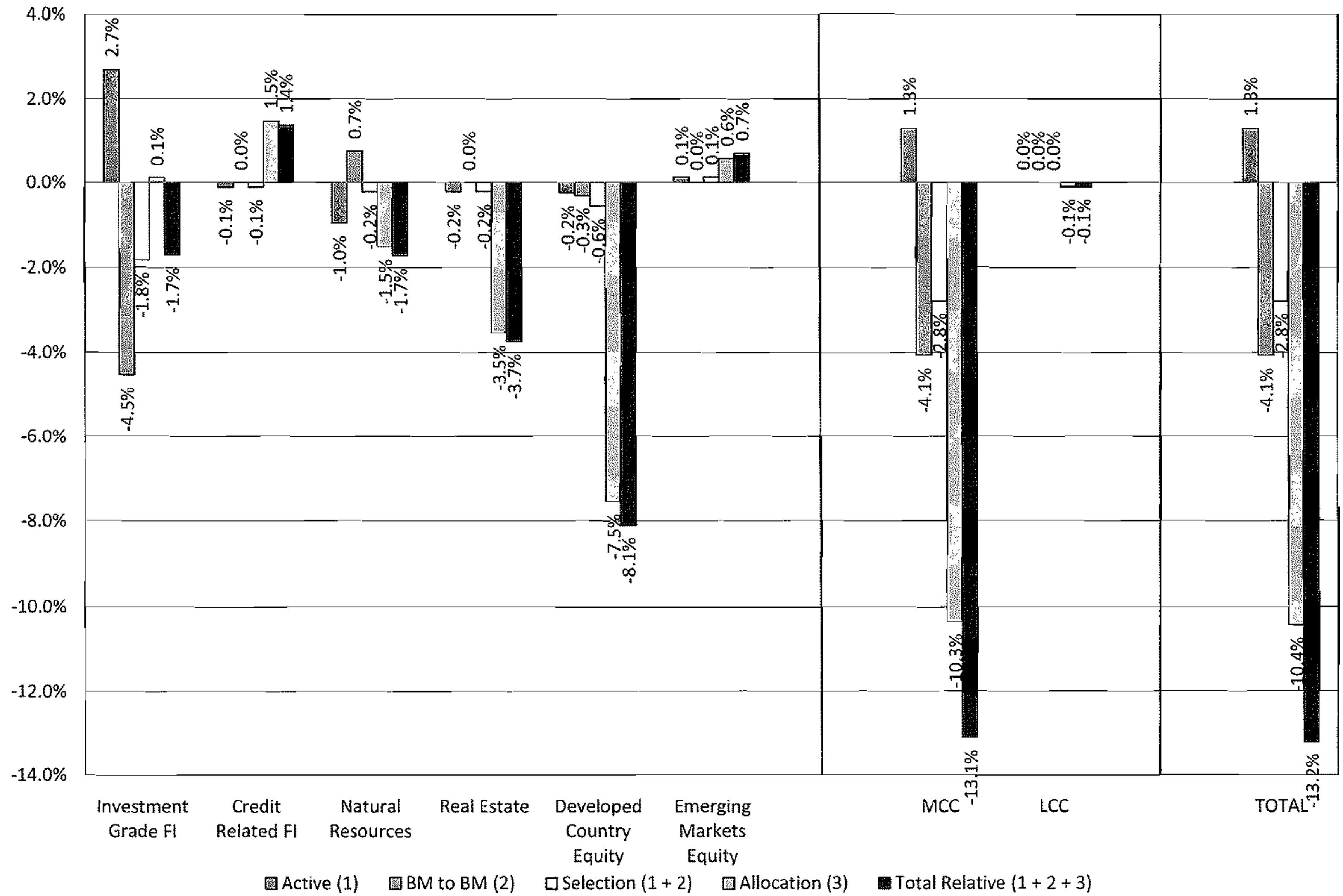
ITF as of May 31, 2009

Current Risk Environment of ITF
(Based on Downside Risk)

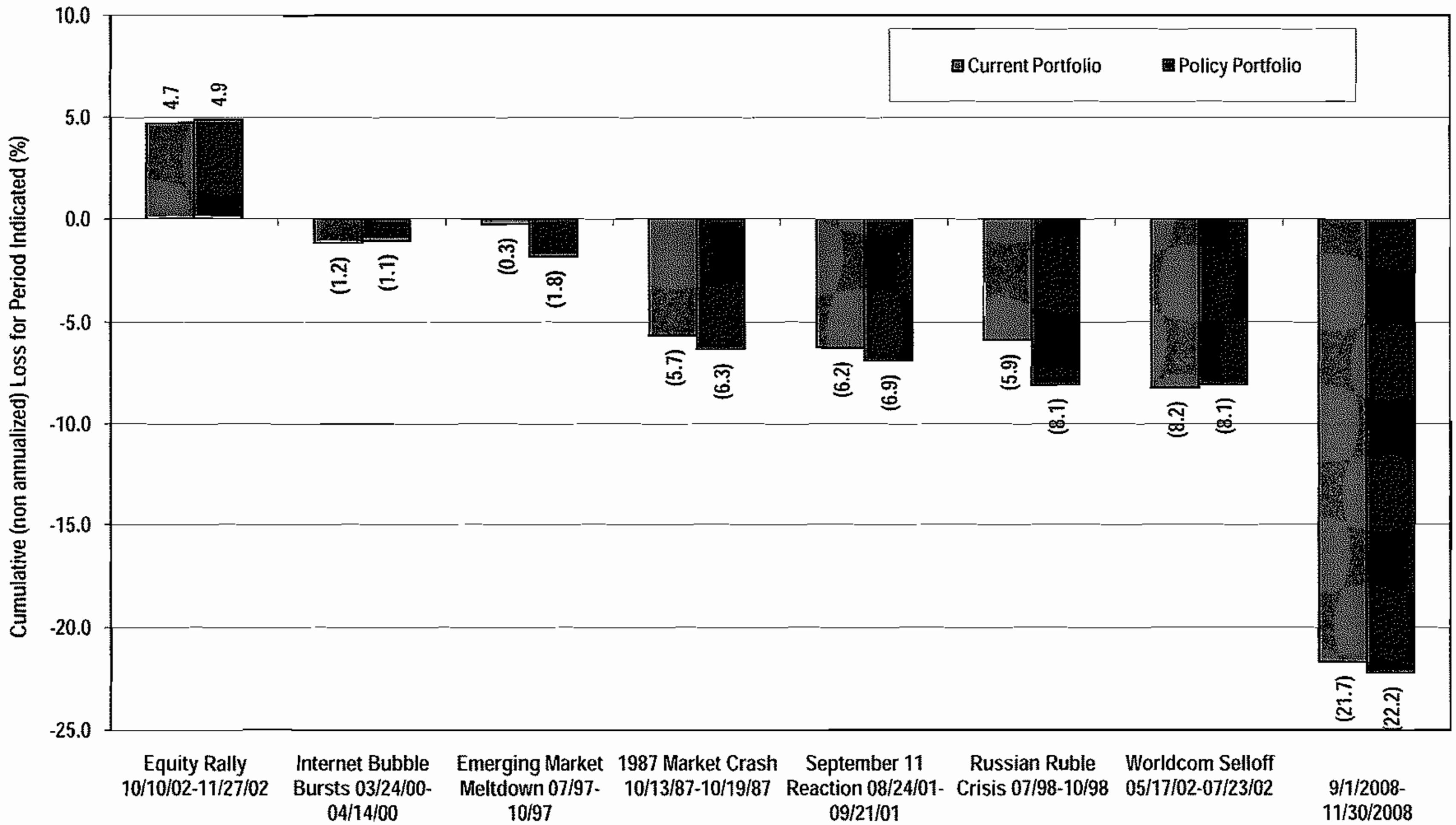


ITF Data Through May 31, 2009

ITF 4-Way Risk Decomposition as of 05/31/2009

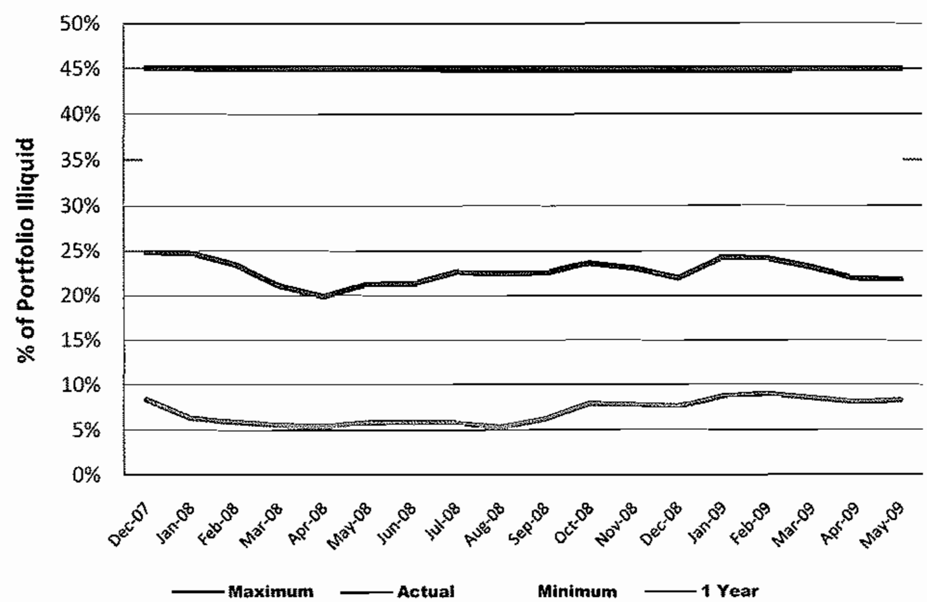


Hypothetical and Actual Performance of Current ITF Portfolio in Selected Stress Environments



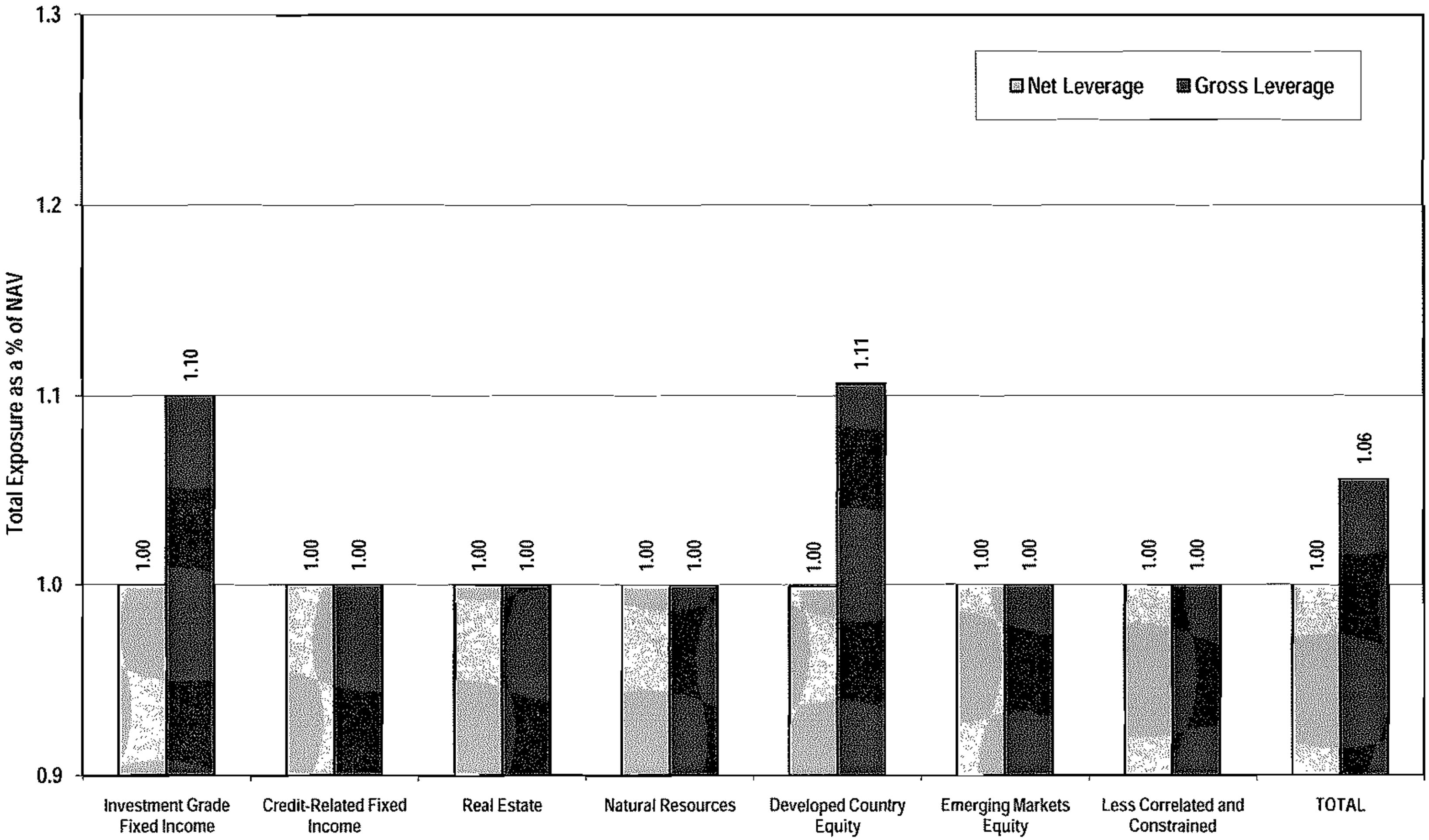
ITF Data Through May 31, 2009

Intermediate Term Fund
Actual Illiquidity vs. Trigger Zones



Three Month Liquidity $ 2,629 million One Year Liquidity $ 3,088 million

Net and Gross Leverage of ITF



ITF Data Through May 31, 2009

Contracts Update

Report on

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

For April 1, 2009 through June 19, 2009

(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:

Agreement	Purpose	Contract Term	Annual Amount
Bloomberg	Portfolio Order Management System	Renews quarterly via invoice	$100,000
Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	$309,840
International Fund Services	Risk System	Quarterly invoice – fees increased as accounts are added	$434,000
Factset Research Systems	Analytical tool for performance	Monthly invoice	$274,140
Albourne America LLC	Advisor to Marketable Alternative staff	Monthly invoice	$400,000

TAB 3

Agenda Item
UTIMCO Board of Directors Meeting
July 9, 2009

Agenda Item: Discussion of Investment Strategy Review 2009

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 recent/expected market conditions and recommend changes to the targets and ranges for FY 2010.

Recommendation: None

Reference: Investment Strategy Review Presentation

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Investment Strategy Review
2009

Annual Policy Review

- The Investment Management Services Agreement (IMSA) between The University of Texas System Board of Regents (Regents) and The University of Texas Investment Management Company (UTIMCO) requires an annual review of all policies relating to investments (collectively, the "Policy" or "Policies")

- These Policies include:
  - Endowments
    - Permanent University Fund (PUF)
    - General Endowment Fund (GEF)
      - Long Term Fund (LTF)
      - Permanent Health Fund (PHF)
  - Intermediate Term Fund (ITF)
  - Liquidity Policy
  - Delegation of Authority Policy
  - Derivative Policy

- While a review is required, there is no requirement to alter any Policy

Policy Review Process

- UTIMCO Staff initiates the annual review of Policies with the assistance of the external advisors to the UTIMCO Board and Chairman (i.e. Cambridge Associates and Dr. Keith Brown)
- Investment Policy analysis encompasses and ultimate recommendations are predicated on:
  - Quantitative analytic models utilizing modern portfolio theory
  - Assessment of peer best practices
  - Review of current investment, portfolio management and economic thinking
  - Historic and current investment strategies, asset allocation and risk tolerance and appetite
  - Judgment predicated on knowledge and experience
- UTIMCO Staff presents its recommendations to the UTIMCO Board Policy Committee for consideration. UTIMCO Staff utilizes a joint Policy Committee/Risk Committee forum in order to enhance the review and discussion of the Staff's recommendations in light of the Risk Committee's expertise in investment matters
- The Policy Committee, upon consideration and potential modification to Staff recommendations, recommends Policy changes to the UTIMCO Board for its review, discussion and decisioning
- The UTIMCO Board, upon consideration and potential modification to the Policy Committee recommendations, recommends Policy changes to the Regents
- The Regents, as the ultimate fiduciary for all assets managed by UTIMCO, upon consideration and potential modification to the UTIMCO Board's recommendations, ultimately determines all Policies

Quantitative Analytical Models

- UTIMCO has utilized quantitative analytical models for a number of years as one input in the development of its Policy recommendations
- These models produce "efficient frontiers" of optimal portfolio construction for any given level of return or risk objectives
- These models rely on key assumptions about returns, risk as measured by historic volatility and correlations for various asset classes and investment types
- These models are useful in assessing potential future outcomes but are limited by
  - Their ability to fully capture the limitless factors that will affect future outcomes, and
  - Their reliance on the assumptions used in the models which, without question, will not precisely predict an uncertain future
- Staff believes that much of the value of utilizing these models lies in assessing various scenarios in order to ascertain "optimal" portfolio construction under differing environments
- As such, Staff modeled a number of scenarios including:
  - Long term return/risk assumptions relying on Capital Asset Pricing Model Theory and long term capital markets historic performance (Cambridge and UTIMCO assumptions)
  - Actual return/risk experience since 1970
  - Actual return/risk experience since 1970 under varying economic growth and inflation environments

Basic Scenarios: Key Assumptions and Results

Return Assumptions

- UTIMCO's return assumptions are consistent with, albeit slightly more conservative than, Cambridge assumptions
- Actual experience from 1970-2009 has produced lower returns than Cambridge or UTIMCO assumptions due to the market meltdown at the end of 2008

	Assumed Real Returns		
	Cambridge	UTIMCO	1970-2009
More Correlated and Constrained			
Investment Grade Fixed Income	3.0%	2.7%	2.1%
Credit-Related Fixed Income	5.0%	4.0%	0.7%
Real Estate	6.0%	5.0%	3.0%
Natural Resources	6.0%	6.0%	3.5%
Developed Country	7.0%	6.8%	4.4%
Emerging Markets	10.0%	9.5%	6.8%
Less Correlated and Constrained	5.0%	5.0%	5.3%*
Private Investments	9.5%	9.6%	7.0%*

*LCC and PI are estimated based on expected added value in each quadrant

	5% Real Return Efficient Frontier Portfolio		
	Cambridge	UTIMCO	1970-2009
More Correlated and Constrained			
Investment Grade Fixed Income	40%	41%	15%
Credit-Related Fixed Income	5%	-	-
Fixed Income Subtotal	45%	41%	15%
Real Estate	-	9%	-
Natural Resources	16%	13%	13%
Real Assets Subtotal	16%	22%	13%
Developed Country	-	-	-
Emerging Markets	6%	-	20%
Equity Subtotal	6%	0%	20%
Less Correlated and Constrained	23%	18%	40%
Private Investments	10%	20%	12%
Total Assets	100%	100%	100%
Downside Risk	5.35%	5.35%	7.00%

Optimal Portfolios

- Cambridge and UTIMCO assumptions result in higher fixed income and lower public equity allocations than the 1970-2009 assumptions
- Given the mechanistic nature of the models, "extreme" allocations are likely and therefore best taken in a directional light

Note: Details in Appendix A

Varying Macroeconomic Environments: Key Assumptions and Results

- Staff also assessed asset class returns under varying macroeconomic environments in order to understand the different portfolio constructions that would be optimal in differing environments

	Varying Inflation/Growth Scenarios			
	RG/FI	FG/FI	FG/RI	RG/RI
More Correlated and Constrained				
Investment Grade Fixed Income	2.1%	4.6%	1.2%	0.1%
Credit-Related Fixed Income	3.0%	5.2%	(3.3%)	(3.5%)
Real Estate	3.7%	3.5%	1.3%	4.0%
Natural Resources	2.6%	4.2%	0.0%	7.3%
Developed Country	7.8%	5.6%	0.2%	3.5%
Emerging Markets	6.5%	8.8%	2.5%	4.9%
Less Correlated and Constrained*	6.7%	5.9%	3.9%	4.4%
Private Investments*	12.6%	9.9%	(2.1%)	8.5%

*LCC and PI are estimated based on expected added value in each quadrant

	5% Real Return Efficient Frontier Portfolio			
	RG/FI	FG/FI	FG/RI	RG/RI
More Correlated and Constrained				
Investment Grade Fixed Income	35%	58%	-	14%
Credit-Related Fixed Income	-	6%	-	-
Fixed Income Subtotal	35%	65%	0%	14%
Real Estate	-	-	-	19%
Natural Resources	16%	19%	-	40%
Real Assets Subtotal	16%	19%	0%	59%
Developed Country	8%	-	-	8%
Emerging Markets	-	10%	-	-
Equity Subtotal	8%	10%	0%	8%
Less Correlated and Constrained	32%	6%	100%	11%
Private Investments	10%	1%	-	8%
Total Assets	100%	100%	100%	100%
Downside Risk	7.20%	3.63%	9.41%	7.85%

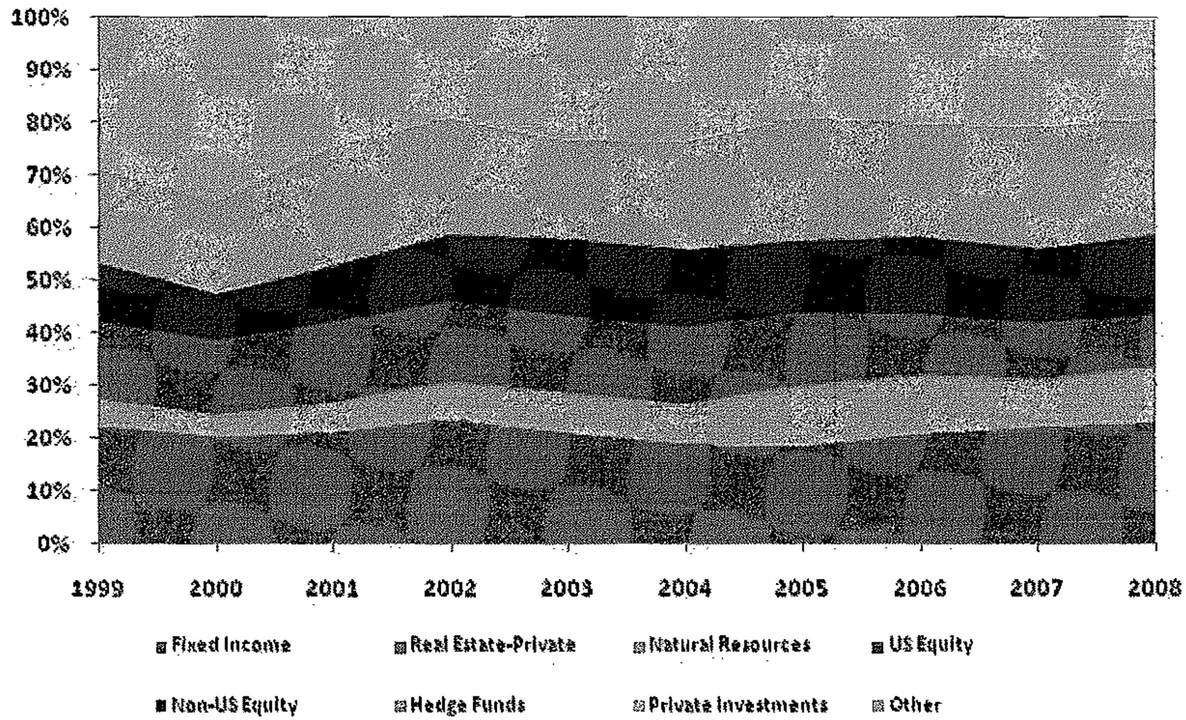
- Dramatically different portfolio construction would be optimal in the differing environments
- Because Strategic Asset Allocation should be very long term in nature and because the future macroeconomic environments are unknowable as to their occurrence, timing and duration, this analysis is most useful in establishing asset allocation ranges in order to allow for tactical investment and allocation strategies
- This analysis is also useful in assessing optimal portfolio hedging strategy

Note: Details in Appendix B

Peer "Best Practices" : Long Term Focus

- To underscore the long term nature of strategic asset allocation, analysis of Yale's asset allocation shows the gradual nature of investment shifts as practiced by the premier institutional investor over the past two decades

Yale Asset Allocation



Peer Best Practices: Current Allocation

- Peers, as expected, have adopted a range of different investment strategies as summarized below

Asset Class Exposure Summary

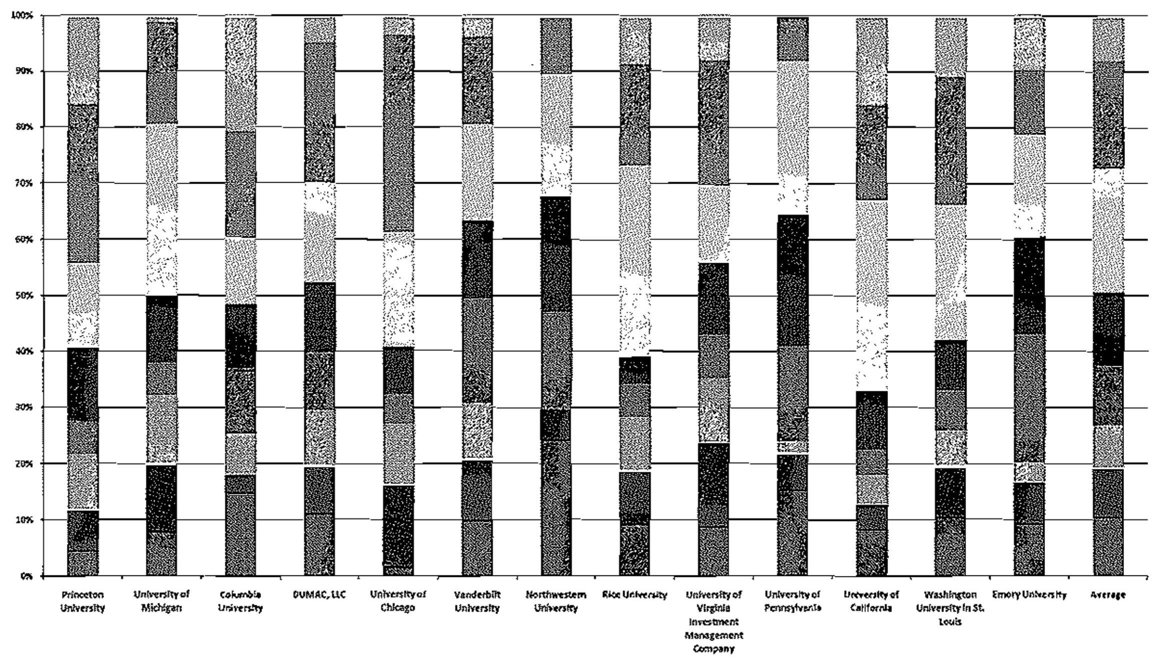
	Min	Median	Max
Fixed Income	1.8%	9.9%	24.5%
Real Estate-Private	3.4%	8.8%	15.0%
Natural Resources	0.0%	8.7%	12.3%
US Equity	4.3%	8.8%	22.5%
Non-US Equity	4.9%	12.8%	23.6%
Hedge Funds	11.8%	21.1%	34.3%
Private Investments	7.9%	18.5%	35.0%
Other	0.0%	7.8%	20.5%

- In general, historically top performing endowments have larger exposures to hedge funds, private investments, real assets and non-US equities and lower allocations to fixed income and US equities
- While the events of the Fall 2008 resulted in dramatic headlines regarding endowment illiquidity, the reality is that only a few endowments with extreme illiquid allocations actually experienced "true" illiquidity concerns (as opposed to more restrictive future investment latitude)
- Over the past year, most hedge fund portfolios outperformed public equities; it remains to be seen what the ultimate returns will be for private investment portfolios
- Finally, while cash and fixed income portfolios outperformed during the dramatic events of the Fall of 2008, such portfolios assure insufficient returns in the long term

Peer Best Practices: Current Allocation

	Min	Median	Max
Other	0.0%	7.8%	20.5%
Private Investments	7.9%	18.5%	35.0%
Hedge Funds	11.8%	21.1%	34.3%
Non-US Equity	4.9%	12.8%	23.6%
US Equity	4.3%	8.8%	22.5%
Natural Resources	0.0%	8.7%	12.3%
Real Estate-Private	3.4%	8.8%	15.0%
Fixed Income	1.8%	9.9%	24.5%

Peer Portfolio
as of December 31, 2008



Trailing 6 Year Return	9.92%	9.89%	9.55%	8.99%	8.78%	8.18%	7.79%	6.74%	6.16%	3.67%	3.40%	3.32%	2.86%

Current Thinking

- The state of investment, portfolio management and economic thought might best be described as "in flux"
  - Political and government actions are causing havoc with traditional investment assumptions
    - Senior creditor class subordinated
    - Some financial institutions allowed to fail, others are not
    - Massive federal government deposit guarantees and bond purchases
    - Government as referee (increasing role) and player
  - Portfolio management techniques being questioned
    - No diversification in periods of crisis
    - "Tail risks" underestimated
    - Illiquidity risk underappreciated
  - Global Macroeconomic environment uncertainty
    - Deflation? Inflation?
    - Emerging Market Consumer Growth
    - Potential catastrophes?

Increased need for investment experience and judgment and investment flexibility

UTIMCO Investment Strategy Context

- Two years ago, as part of the annual Investment Strategy review process, UTIMCO management proposed
  - Grid: Asset Classes and Investment Types
  - Rebalancing Public Equities away from a domestic bias
  - Gradual but steady increase in Emerging Markets and Natural Resources exposure
  - Gradual increase in Private Investments: Real Estate, Natural Resources and Emerging Markets

- Multi-year implementation plan proposed
  - Long lead times required to achieve private investment exposure
  - Concerns about frothy markets and cycles: "ladder in"
  - Desire to be opportunistic

June 30, 2007 Portfolio (Estimated)

- Endowment portfolio included: 1) 40% in public equities, 2) 6.5% in buyout, growth and venture capital private investments, 3) 2.2% in credit-related fixed income, and 4) 13% in MCC Investment Grade Fixed Income

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	13.0%	3.0%	0.0%	**16.0%**
Credit Related Fixed Income	0.0%	1.0%	1.2%	**2.2%**
Real Estate	6.0%	0.0%	0.0%	**6.0%**
Natural Resources	4.0%	1.0%	0.8%	**5.8%**
Developed Country Equity	31.5%	22.0%	6.4%	**59.9%**
Emerging Market Equity	9.0%	1.0%	0.1%	**10.1%**
Total	**63.5%**	**28.0%**	**8.5%**	**100.0%**

Original 2008 Projection for 2012

- Two years ago, five year projections called for: 1) a reduction in overall public equity exposure as well as a shift from Developed Countries to Emerging Markets, 2) movement from Investment Grade to Credit-Related Fixed Income, and 3) an acknowledgement that private investment targets would still not be achieved in five years

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	5.5%	2.0%	0.0%	**7.5%**
Credit Related Fixed Income	1.5%	3.0%	3.0%	**7.5%**
Real Estate	4.0%	3.0%	3.0%	**10.0%**
Natural Resources	5.0%	1.0%	4.0%	**10.0%**
Developed Country Equity	16.0%	19.0%	10.0%	**45.0%**
Emerging Market Equity	16.0%	2.0%	2.0%	**20.0%**
Total	**48.0%**	**30.0%**	**22.0%**	**100.0%**

Projected August 31, 2009 Asset Allocation

- FYE 09 Portfolio includes: 1) 23% in public equities, 2) 12.5% in buyout, growth and venture capital (as prior year commitments were called and the "denominator effect" was felt), 3) 18% in credit-related fixed income across all three investment types, and 4) 11% in MCC Investment Grade Fixed Income
- The FYE 09 portfolio reflects a 15.8% increase in CRFI and a 17.2% decrease in public equities versus the June 30, 2007 portfolio

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	11.0%	1.6%	0.0%	**12.6%**
Credit Related Fixed Income	2.8%	7.8%	7.4%	**18.0%**
Real Estate	4.7%	0.3%	0.7%	**5.7%**
Natural Resources	4.0%	0.0%	2.0%	**6.0%**
Developed Country Equity	14.1%	17.9%	12.5%	**44.5%**
Emerging Market Equity	9.2%	2.3%	1.7%	**13.2%**
Total	**45.8%**	**29.9%**	**24.3%**	**100.0%**

Private Investments

Portfolio Exposure

- "Long Term Steady State" Private Investment Targets are not projected to be reached until approximately 2014
- Opportunistic credit-related fixed income investment will peak and will begin to work off
- Buyouts, growth and venture reductions are projected as prior year commitments and investments work through the system
- Steady build in real estate, natural resources and emerging markets

Private Investments as a Percentage of Total Endowment Assets

Asset Class	FYE 2007	FYE 2008	FYE 2009E	FYE 2010E	FYE 2011E	FYE 2012E	FYE 2013E	FYE 2014E
CREDIT-RELATED	**1.6%**	**4.8%**	**7.4%**	**8.6%**	**8.9%**	**6.3%**	**5.1%**	**2.5%**
REAL ESTATE	**0.0%**	**0.4%**	**0.7%**	**1.0%**	**1.7%**	**2.3%**	**3.0%**	**5.0%**
NATURAL RESOURCES	**1.0%**	**1.4%**	**2.0%**	**2.3%**	**3.0%**	**3.4%**	**3.8%**	**5.0%**
DEVELOPED EQUITY								
VENTURE	2.3%	2.6%	3.7%	3.9%	3.8%	3.5%	3.2%	3.5%
BUYOUTS/GROWTH/OPPORTUNISTIC	7.0%	7.9%	8.8%	8.8%	8.9%	7.8%	6.2%	5.5%
TOTAL	**9.3%**	**10.5%**	**12.5%**	**12.7%**	**12.7%**	**11.3%**	**9.4%**	**9.0%**
EMERGING MARKETS	**0.1%**	**1.1%**	**1.7%**	**1.9%**	**2.4%**	**2.6%**	**2.9%**	**4.0%**
TOTAL	**12.0%**	**18.2%**	**24.3%**	**26.6%**	**28.7%**	**25.8%**	**24.2%**	**25.5%**

Long Term Strategic Asset Allocation

- As a result of a rigorous planning process, Staff has re-developed its long term strategic asset allocation view
- The allocation below represents a truly long-term "clean sheet" investment strategy

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	7.5%	2.0%	0.0%	**9.5%**
Credit Related Fixed Income	0.0%	3.0%	2.5%	**5.5%**
Real Estate	3.5%	0.0%	5.0%	**8.5%**
Natural Resources	5.5%	1.0%	5.0%	**11.5%**
Developed Country Equity	16.0%	20.0%	9.0%	**45.0%**
Emerging Market Equity	12.0%	4.0%	4.0%	**20.0%**
Total	**44.5%**	**30.0%**	**25.5%**	**100.0%**

Change in Strategic Asset Allocation from July 2012 Proposal to LT Steady State

- The re-developed long term strategic allocation varies only slightly from the original long term plan presented two years ago
  - Slightly higher investment grade fixed income allocation
  - Acknowledgement that credit-related fixed income is opportunistic (previous Strategic Asset Allocation projections may have been potentially misleading indicating that these exposures were permanent rather than cyclical)
  - Correction of original REIT hedge fund over allocation
  - Confirmation that private investment exposure requires additional years to attain

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	2.0%	0.0%	0.0%	**2.0%**
Credit Related Fixed Income	-1.5%	0.0%	-0.5%	**-2.0%**
Real Estate	-0.5%	-3.0%	2.0%	**-1.5%**
Natural Resources	0.5%	0.0%	1.0%	**1.5%**
Developed Country Equity	0.0%	1.0%	-1.0%	**0.0%**
Emerging Market Equity	-4.0%	2.0%	2.0%	**0.0%**
Total	**-3.5%**	**0.0%**	**3.5%**	**0.0%**

Recommended Investment Policy Target Allocation for FY 10

- As a result of the nature of our existing portfolio, and in the context of our long term strategic asset allocation, Staff has developed recommendations for FY10 Investment Policy Targets

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	7.5%	2.0%	0.0%	**9.5%**
Credit Related Fixed Income	0.0%	3.0%	2.5%	**5.5%**
Real Estate	3.5%	0.0%	1.0%	**4.5%**
Natural Resources	5.5%	1.0%	2.5%	**9.0%**
Developed Country Equity	19.0%	20.0%	13.5%	**52.5%**
Emerging Market Equity	13.0%	4.0%	2.0%	**19.0%**
Total	**48.5%**	**30.0%**	**21.5%**	**100.0%**

Difference between FY 10 Recommended Targets and LT SAA

- The FY10 Investment Policy Target recommendation differs from the Long Term Strategic Asset Allocation only due to the longer lead time required to attain the desired private investment exposure

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	0.0%	0.0%	0.0%	**0.0%**
Credit Related Fixed Income	0.0%	0.0%	0.0%	**0.0%**
Real Estate	0.0%	0.0%	-4.0%	**-4.0%**
Natural Resources	0.0%	0.0%	-2.5%	**-2.5%**
Developed Country Equity	3.0%	0.0%	4.5%	**7.5%**
Emerging Market Equity	1.0%	0.0%	-2.0%	**-1.0%**
Total	**4.0%**	**0.0%**	**-4.0%**	**0.0%**

Projected Endowment Return and Risk

- The projected Endowments FY 10 Investment Policy Return, Volatility and Downside Risk is:

	FY 10 Investment Policy Targets
Projected Real Return	5.86%
Projected Volatility	14.10%
Projected Downside Risk	9.10%

- These return projections are slightly higher than the 5.1% objective to allow for some tail risk hedging as well as to provide for some shortfall cushion
- Using the 1970-2009 assumptions, real returns would be 5.28%

Recommended Investment Policy Allocation Target and Ranges for FY10

- Staff is recommending wider, Investment Policy minimum and maximum ranges due to:
  - Experienced and anticipated market volatility
  - Desire to be flexible, given potential for continued market dislocations

	MINIMUM	TARGET	MAXIMUM
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	2.5%	4.5%	10.0%
Natural Resources	5.0%	9.0%	20.0%
Developed Country Equity	25.0%	52.5%	60.0%
Emerging Market Equity	5.0%	19.0%	30.0%
		100.0%	
Investment Types			
More Correlated and Constrained	30.0%	48.5%	60.0%
Less Correlated and Constrained	20.0%	30.0%	40.0%
Private Investments	15.0%	21.5%	35.0%
		100.0%	

Projected FY10 Actual

- Staff has also projected where it believes the portfolio will actually be in FY 10

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	7.5%	2.0%	0.0%	**9.5%**
Credit Related Fixed Income	5.0%	8.0%	9.0%	**22.0%**
Real Estate	3.5%	0.5%	1.0%	**5.0%**
Natural Resources	5.5%	1.0%	2.5%	**9.0%**
Developed Country Equity	11.5%	15.0%	13.5%	**40.0%**
Emerging Market Equity	9.0%	3.5%	2.0%	**14.5%**
Total	**42.0%**	**30.0%**	**28.0%**	**100.0%**

Projected FY10 Actual vs. FY10 Investment Policy Targets

- The difference between the FY 10 recommended Investment Strategy Targets and Staff's projections for actual portfolio exposures consists of Staff's opportunistic and cyclical overweight to credit related fixed income and underweight to equity

	More Correlated and Constrained	Less Correlated and Constrained	Private Investments	Total
Investment Grade Fixed Income	0.0%	0.0%	0.0%	**0.0%**
Credit Related Fixed Income	5.0%	5.0%	6.5%	**16.5%**
Real Estate	0.0%	0.5%	0.0%	**0.5%**
Natural Resources	0.0%	0.0%	0.0%	**0.0%**
Developed Country Equity	-7.5%	-5.0%	0.0%	**-12.5%**
Emerging Market Equity	-4.0%	-0.5%	0.0%	**-4.5%**
Total	**-6.5%**	**0.0%**	**6.5%**	**0.0%**

Intermediate Term Fund

- Given the losses and volatility experienced by the ITF in FY 09, Staff has devoted extensive efforts this year to re-assess its asset allocation
- Staff has held, and will continue to hold, extensive discussions with the UT System Finance Staff and the largest UT System Institutions Chief Business Officers concerning the ITF
- The consensus of these discussions are:
  - Endeavor to “earn back” the loss over a reasonable period of time
  - Attempt to protect the assets from further loss
  - Reduce volatility

ITF Optimal Asset Allocation
Based on 40 Yrs

- Utilizing the UTIMCO assumptions over the 1970-2009 actual experience asset class return and risk assumptions, quantitative models produce varying optimal portfolios given return objectives
- The main trade-offs are between fixed income, real assets and hedge funds

	Real Return (1970-2009 Assumption)				Real Return (UTIMCO Assumption)			
	2%	3%	4%	5%	2%	3%	4%	5%
Asset Allocation								
Investment Grade Fixed Income	65%	65%	39%	13%	81%	64%	47%	22%
Credit-Related Fixed Income	22%	-	-	-	0%	0%	0%	0%
Fixed Income Subtotal	87%	65%	39%	13%	81%	64%	47%	22%
Real Estate	-	-	-	-	3%	5%	7%	9%
Natural Resources	13%	13%	10%	7%	5%	11%	16%	25%
Real Assets Subtotal	13%	13%	10%	7%	8%	16%	23%	34%
Developed Country	-	-	-	-	3%	5%	8%	15%
Emerging Markets	-	1%	8%	15%	0%	0%	0%	0%
Equity Subtotal	0%	1%	8%	15%	3%	5%	8%	15%
Less Correlated and Constrained	-	21%	43%	65%	8%	15%	22%	29%
Total Assets	100%	100%	100%	100%	100%	100%	100%	100%
Downside Risk	4.74%	3.83%	4.31%	5.60%	2.20%	2.90%	3.80%	4.80%

Note: Details in Appendix C

ITF Asset Allocation

- Staff is recommending an asset allocation that maintains strong levels of fixed income while decreasing public equity and increasing hedge fund exposure

	TARGETS		RANGES	
	Current	Proposed	Min	Max
Investment Grade Fixed Income	33.0%	30.0%	20.0%	40.0%
Credit Related Fixed Income	2.0%	0.0%	0.0%	10.0%
Real Estate	10.0%	5.0%	0.0%	10.0%
Natural Resources	5.0%	7.5%	2.5%	12.5%
Developed Country Equity	20.0%	15.0%	7.5%	22.5%
Emerging Market Equity	5.0%	7.5%	2.5%	12.5%
Subtotal MCC	75.0%	65.0%	60.0%	70.0%
LCC	25.0%	35.0%	30.0%	40.0%
TOTAL	100.0%	100.0%		

Projected ITF Return, Volatility and Risk

- The projected ITF Return, Volatility and Downside Risk of the recommended portfolio is:

	FY 10 Investment Policy Targets
Projected Real Return	4.3%
Projected Volatility	9.0%
Projected Downside Risk	5.3%

- The Real Return projection for the portfolio using the 1970-2009 assumptions is 4.1%

Liquidity and Delegated Authority Policies

Liquidity Policy

- Recommended changes to the Liquidity Policy includes additional definitions for, and reporting of, weekly and annual liquidity

Delegated Authority Policy

- Recommended changes to the Delegation of Authority Policy includes
  - Clarifications on the relationship between the Derivative Policy and the Delegated Authority Policy
  - Clarifications on the 20% limit for mandates requiring Board approval

Derivative Policy

- Staff has devoted significant efforts to enhance the Derivative Policy
- The revised Policy clarifies permitted applications, documentation and control requirements, leverage and counterparty limitations, risk management and compliance responsibilities, and reporting requirements
- The policy also clearly describes those derivative investments for which Staff has delegated authority, namely:
  - Long-only replicating derivatives
  - Derivative positions which, upon expiration, cannot lose more than the cash index being referred to (e.g. swaps)
  - Derivative positions where maximum potential loss is the premium paid; this authority is limited to 25 bps annually of the Funds Asset Value
  - Foreign currency futures and forward contracts used exclusively to hedge existing foreign currency risk
  - Derivatives used to manage hedge-based duration and/or equity country sector or capitalization factors, all with the provision that no net short exposure is permitted under delegation
- Staff has also dedicated significant efforts to enhance internal procedures and controls

The University of Texas Investment Management Company

Presentation Materials

Board of Directors Meeting

July 9, 2009

PART TWO

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
July 9, 2009

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Tate

Type of Item: Discussion item

Description: The Risk Committee ("Committee") will meet separately and jointly with the Policy Committee on June 30, 2009. The Committee's agenda includes (1) discussion and appropriate action related 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 new investment mandates and annual review of mandate categorizations.

Discussion The Committee will first 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. The Committees will also discuss staff's recommended amendments to the Liquidity Policy, Derivative Investment Policy, and Delegation of Authority Policy. The discussion of the Investment Policies is covered in the Report from the Policy Committee under Tab 5 of these materials.

After the joint meeting is adjourned, the Committee will meet to discuss and take action, as appropriate, on matters within its duties and responsibilities.

The Committee will review the quarterly risk reporting and compliance reporting.

The Committee will review and approve or re-categorize, as appropriate, the mandate categorizations prepared by staff for the period beginning April 9, 2009, and ending June 15, 2009. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

Recommendation: None

Reference: None

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
July 9, 2009

Agenda Item: Report from Policy Committee: (1) Discussion and Appropriate Action Related to Investment Policy Statements; (2) Discussion and Appropriate Action Related to the Liquidity Policy; (3) Discussion and Appropriate Action Related to the Derivative Investment Policy; and (4) Discussion and Appropriate Action Related to the Delegation of Authority Policy

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 Investment Policies

Description: The Policy Committee ("Committee") will meet on June 30, 2009, separately and jointly with the Risk Committee. The Committee's agenda includes discussion and appropriate action related to proposed amendments to investment policies.

The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Polices 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: Investment Policies
Exhibit A of the Investment Policy Statements of the PUF, GEF and ITF and Exhibit B of the Investment Policy Statements for the PHF and LTF will be amended to reflect the proposed changes. Attachment 1 reflects these proposed changes to the PUF, GEF, PHF, and LTF. Attachment 2 reflects the proposed changes to the ITF. In addition, the following Investment Policies are being submitted to the Risk and Policy Committees for approval of amendments:

- Liquidity Policy (effective August 20, 2009)
- Derivative Investment Policy (effective August 20, 2009)
- Delegation of Authority Policy (effective July 9, 2009)

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.

Agenda Item
UTIMCO Board of Directors Meeting
July 9, 2009

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and ITF, have been amended to reflect changes proposed for FY 10. Targets and ranges through FY 2011 that were previously approved are being eliminated and will be presented during next year's annual review.

Attachment 1 sets forth the revised Policy Portfolio Asset Class and Investment Type targets and ranges for FY 2010 in Exhibits A of the PUF and GEF, and Exhibits B in the PHF and LTF Investment Policy Statements. Attachment 2 sets forth the revised Policy Portfolio Asset Class and Investment Type targets and ranges for FY 2010 in Exhibit A of the ITF Investment Policy Statement. The names of two Policy Benchmark targets have been corrected: FTSE EPRA/NAREIT Global Index has changed to FTSE EPRA/NAREIT Developed Index and the Dow Jones-AIG Commodity Index Total Return has been changed to the Dow Jones-UBS Commodity Total Return Index. In addition, the Expected Target Annual Return (Active) has been deleted, and the one year downside deviation has been adjusted to reflect the revised Asset Class and Investment Type targets for FY 2010. Finally, the ITF Expected Annual Return (Benchmark) target for FY 2010 has been updated.

The Liquidity Policy has been amended with the following:

- Page 1, Definition of Cash – "Holdings" has been expanded to include "any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAm by Standard & Poors."

- Page 2, Liquidity Risk Measurement – Language has been added to require UTIMCO staff to categorize and report all individual investments within the Endowment Funds and ITF as follows:

    - Cash
    - Liquid (Weekly)
    - Liquid (Quarterly)
    - Liquid (Annual)

- Page 2, the Liquidity Policy Profile for the Endowment Funds has been changed to delete the liquidity limits and trigger zones for the 2008 and 2011 fiscal years.

- Page 3, the Liquidity Policy Profile for the ITF has been updated to eliminate fiscal years ending 2008, 2010 and 2011. (The liquidity limits and trigger zones for fiscal years 2010 and 2011 are the same as for fiscal year 2009 so this change is administrative only.)

- Page 3, "Unfunded Commitments" maximum permitted amounts have been changed for the fiscal year ending 2010 and the maximum permitted amount for fiscal years 2008 and 2011 has been eliminated.

- Page 4, Reporting has been changed to require a detailed analysis of liquidity by category for the Endowment Funds and the ITF.

The Derivative Investment Policy has been amended to more explicitly state those derivative investments in which staff is permitted to engage pursuant to the UTIMCO Board's delegation of authority. The language in the Policy has been amended to make it clear that UTIMCO staff may only enter into Permitted Derivative Applications and then, only the five types of Derivative Investments set out on Exhibit B, Delegated Derivative Investments. Any Derivative Investment that does not meet these requirements, for derivative investments proposed by both UTIMCO staff and external managers operating under an Agency Agreement, will require UTIMCO staff to provide the UTIMCO Directors with an "Option to Review" the proposed derivative investment in the manner provided in the Delegation of Authority Policy before engaging in the derivative investment. In addition, the Policy has been amended to specifically state the documentation that must be maintained by UTIMCO staff and the reports that will be required to be made to the UTIMCO Board for accounting as well as risk reporting purposes. Mr. Zimmerman will review the changes with the Committees in detail during the meeting.

The Delegation of Authority Policy has been amended to incorporate reference to the Board's delegation of authority to the UTIMCO CEO to enter into the type of derivative investments set forth in Exhibit B of the Derivative Investment Policy. Also, a requirement has been added to provide Directors with an "Option to Review" for any new derivative investment recommended by UTIMCO staff or for the engagement of an external manager operating under an Agency Agreement that has been approved by UTIMCO's Chief Investment Officer but is not within the delegated authority set forth in Exhibit B of the Derivative Investment Policy. Changes to the Delegation of Authority Policy are as follows:

- Pages 4 - 5, Changed language to allow UTIMCO staff to make new commitments and additional commitment to a manager's investment strategy up to 20% of the total assets managed by an individual external manager so long as the investment strategy is not a new investment strategy. If the new or additional commitment exceeds these limitations, UTIMCO staff must follow the process outlined in Appendix A.

- Page 6, Section titled "*Investment in Derivative Investments*" has been added.

- Page 7, Appendix A, 1.c. "Option to Review" requirements applicable to a new derivative investment that is not within delegation of authority has been added.

Recommendation: The Committees will recommend appropriate action related to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and ITF for the fiscal year beginning September 1, 2009. The Committees will recommend appropriate action related to the proposed amendments to the Liquidity Policy and Derivative Investment Policy, effective August 20, 2009, and Delegation of Authority Policy, effective July 9, 2009.

Reference: Investment Strategy Review 2009
Exhibits to Investment Policy Statements for the PUF, GEF, PHF, LTF and ITF, effective September 1, 2009
Liquidity Policy, effective August 20, 2009
Derivative Investment Policy, effective August 20, 2009
Delegation of Authority Policy, effective July 9, 2009

RESOLUTION RELATED TO INVESTMENT POLICIES

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

FURTHER RESOLVED, that the amendments to the Delegation of Authority Policy, as presented be, and are hereby approved.

ATTACHMENT 1
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER~~JANUARY~~ 1, 2009

POLICY PORTFOLIO	FYE 2010			~~FYE 2011~~		
	Min	Target	Max	~~Min~~	~~Target~~	~~Max~~
Asset Classes						
Investment Grade Fixed Income	5.0%	9.5 ~~7.5%~~	20.0 ~~15.0%~~	~~5.0%~~	~~7.5%~~	~~15.0%~~
Credit-Related Fixed Income	3.0 ~~10.0%~~	5.5 ~~14.5%~~	30.0 ~~22.5%~~	~~10.0%~~	~~14.5%~~	~~22.5%~~
Real Estate	2.5 ~~5.0%~~	4.5 ~~8.0%~~	10.0 ~~15.0%~~	~~5.0%~~	~~8.5%~~	~~15.0%~~
Natural Resources	5.0%	9.0 ~~9.5%~~	20.0 ~~15.0%~~	~~5.0%~~	~~10.0%~~	~~15.0%~~
Developed Country Equity	25.0 ~~37.5%~~	52.5 ~~43.0%~~	60.0 ~~50.0%~~	~~37.5%~~	~~41.0%~~	~~47.5%~~
Emerging Markets Equity	5.0 ~~12.5%~~	19.0 ~~17.5%~~	30.0 ~~22.5%~~	~~12.5%~~	~~18.5%~~	~~22.5%~~
Investment Types						
More Correlated & Constrained	30.0 ~~35.0%~~	48.5 ~~41.5%~~	60.0 ~~47.5%~~	~~35.0%~~	~~41.0%~~	~~47.5%~~
Less Correlated & Constrained	20.0 ~~27.5%~~	30.0 ~~33.0%~~	40.0 ~~37.5%~~	~~27.5%~~	~~33.0%~~	~~37.5%~~
Private Investments	15.0 ~~21.0%~~	21.5 ~~25.5%~~	35.0 ~~31.0%~~	~~21.0%~~	~~26.0%~~	~~33.0%~~

*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 2010	~~FYE 2011~~
Barclays Capital Global Aggregate Index	7.5 ~~5.5%~~	~~5.5%~~
~~Barclays Capital Global High-Yield Index~~	~~1.0%~~	~~2.0%~~
FTSE EPRA/NAREIT Developed~~Global~~ Index	3.5 ~~5.0%~~	~~4.5%~~
50% Dow Jones-UBS~~AIG~~ Commodity ~~Index~~ Total Return Index and 50% MSCI World Natural Resources Index	5.5 ~~4.5%~~	~~4.0%~~
MSCI World Index with net dividends	19.0 ~~15.5%~~	~~14.5%~~
MSCI Emerging Markets with net dividends	13.0 ~~10.0%~~	~~10.5%~~
Hedge Fund Research Indices Fund of Funds Composite Index	30.0 ~~33.0%~~	~~33.0%~~
Venture Economics Custom Index	20.5 ~~22.5%~~	~~22.0%~~
NACREIF Custom Index	1.0 ~~3.0%~~	~~4.0%~~

POLICY/TARGET RETURN/RISKS	FYE 2010	~~FYE 2011~~
Expected Annual Return (Benchmarks)	8.86%	~~8.85%~~
~~Expected Target Annual Return (Active)~~	~~9.90%~~	~~9.87%~~
One Year Downside Deviation	9.05 ~~8.71%~~	~~8.67%~~
Risk Bounds		
Lower: 1 Year Downside Deviation	85%	~~85%~~
Upper: 1 Year Downside Deviation	115%	~~115%~~

ATTACHMENT 1
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER~~JANUARY~~ 1, 2009

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	Barclays Capital Global Aggregate Index (7.5 ~~5.5%~~)	2.0%	0.0%	9.5 ~~7.5%~~
	Credit-Related	~~Barclays Capital Global High-Yield Index (1.0%)~~	3.0 ~~6.0%~~	2.5 ~~7.5%~~	5.5 ~~14.5%~~
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed~~Global~~ Index (3.5 ~~5.0%~~)	0.0%	Custom NACREIF 1.0 ~~3.0%~~	4.5 ~~8.0%~~
	Natural Resources	50% Dow Jones-UBS~~AIG~~ Commodity Index Total Return Index and 50% MSCI World Natural Resources Index (5.5 ~~4.5%~~)	1.0 ~~2.5%~~	2.5%	9.0 ~~9.5%~~
Equity	Developed Country	MSCI World Index with Net Dividends (19.0 [illegible])	20.0 ~~17.5%~~	13.5 ~~10.0%~~	52.5 ~~43.0%~~
	Emerging Markets	MSCI EM Index with Net Dividends ([illegible])	4.0 ~~5.0%~~	2.0 ~~2.5%~~	19.0 ~~17.5%~~
Total		48.5 ~~41.5%~~	30.0 ~~33.0%~~	21.5 ~~25.5%~~	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index
Venture Economics Custom Index

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

ATTACHMENT 2 - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER~~JANUARY~~ 1, 2009

POLICY PORTFOLIO	FYE 2010			~~FYE 2011~~		
	Min	Target	Max	~~Min~~	~~Target~~	~~Max~~
Asset Classes						
Investment Grade Fixed Income	20.0%	33.0 ~~37.0%~~	40.0 ~~55.0%~~	~~20.0%~~	~~37.0%~~	~~55.0%~~
Credit-Related Fixed Income	0.0%	4.0 ~~5.5%~~	10.0 ~~12.5%~~	~~0.0%~~	~~5.5%~~	~~12.5%~~
Real Estate	0.0 ~~5.0%~~	5.0 ~~10.0%~~	10.0 ~~15.0%~~	~~5.0%~~	~~10.0%~~	~~15.0%~~
Natural Resources	2.5 ~~0.0%~~	8.5 ~~7.0%~~	12.5 ~~10.0%~~	~~0.0%~~	~~7.0%~~	~~10.0%~~
Developed Country Equity	25.0 ~~20.0%~~	37.0 ~~30.5%~~	45.0%	~~20.0%~~	~~30.5%~~	~~45.0%~~
Emerging Markets Equity	7.5 ~~0.0%~~	12.5 ~~10.0%~~	20.0 ~~15.0%~~	~~0.0%~~	~~10.0%~~	~~15.0%~~
Investment Types						
More Correlated & Constrained	60.0 ~~70.0%~~	65.0 ~~75.0%~~	70.0 ~~80.0%~~	~~70.0%~~	~~75.0%~~	~~80.0%~~
Less Correlated & Constrained	30.0 ~~20.0%~~	35.0 ~~25.0%~~	40.0 ~~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)	FYE 2010	~~FYE 2011~~
Barclays Capital Global Aggregate Index	30.0 ~~33.0%~~	~~33.0%~~
~~Barclays Capital Global High-Yield Index~~	~~2.0%~~	~~2.0%~~
FTSE EPRA/NAREIT Developed~~Global~~ Index	5.0 ~~10.0%~~	~~10.0%~~
50% Dow Jones-UBS~~AIG~~ Commodity ~~Index~~ Total Return Index and 50% MSCI World Natural Resources Index	7.5 ~~5.0%~~	~~5.0%~~
MSCI World Index with net dividends	15.0 ~~20.0%~~	~~20.0%~~
MSCI Emerging Markets with net dividends	7.5 ~~5.0%~~	~~5.0%~~
Hedge Fund Research Indices Fund of Funds Composite Index	35.0 ~~25.0%~~	~~25.0%~~

POLICY/TARGET RETURN/RISKS	FYE 2010	~~FYE 2011~~
Expected Annual Return (Benchmarks)	7.28 ~~7.16%~~	~~7.16%~~
~~Expected Target Annual Return (Active)~~	~~7.83%~~	~~7.83%~~
One Year Downside Deviation	5.34 ~~6.38%~~	~~6.38%~~
Risk Bounds		
Lower: 1 Year Downside Deviation	85%	~~85%~~
Upper: 1 Year Downside Deviation	115%	~~115%~~

The University of Texas Investment Management Company
Liquidity Policy

Effective Date of Policy: ~~August 14, 2008~~ August 20, 2009
Date Approved by U.T. System Board of Regents: August 20, 2009
Date Approved by UTIMCO Board: July 9, 2009
~~Original Effective Date of Policy: August 7, 2003~~
Supersedes: Liquidity Policy dated August 14, 2008~~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 and any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAm by Standard & Poors,
- 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.

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 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 or in a shorter period of time by accepting a discount of more than 10%.

UTIMCO staff will report individual investments within the Endowment Funds and ITF categorized as follows:

- Cash: 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.

- Liquid (Weekly): Investments that could be converted to Cash within a period of one day to less than 7 days in an orderly market at a discount of 5% or less.

- Liquid (Quarterly): Investments that could be converted to Cash within a period of one day to less than 90 days in an orderly market at a discount of 10% or less.

- Liquid (Annual): Investments that could be converted to Cash within a period of one day to less than 365 days in an orderly market at a discount of 10% or less.

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:

	~~FY 08~~	**FY 09**	**FY 10+**	~~FY 11~~
Liquidity above trigger zone:	~~42.5%~~	35.0%	30.0%	~~28.0%~~

Liquidity within trigger zone:	~~37.5%-42.5%~~	30.0%-35.0%	25.0%-30.0%	~~23.0%-28.0%~~
Liquidity below trigger zone:	~~<37.5%~~	<30.0%	<25.0%	~~<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 09~~8~~ is up to 70~~62~~.0~~5~~% of the total portfolio. However, any **illiquid** investments made in the 65~~7~~.0~~5~~% to 70~~62~~.0~~5~~% 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.

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

	~~FY 08~~	FY 09+	~~FY 10~~	~~FY 11~~
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:

	~~FY 08~~	FY 09	FY 10+	~~FY11~~
Unfunded Commitment as a percent of total invested assets:	~~25.0%~~	27.5%	30~~2~~.0~~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:

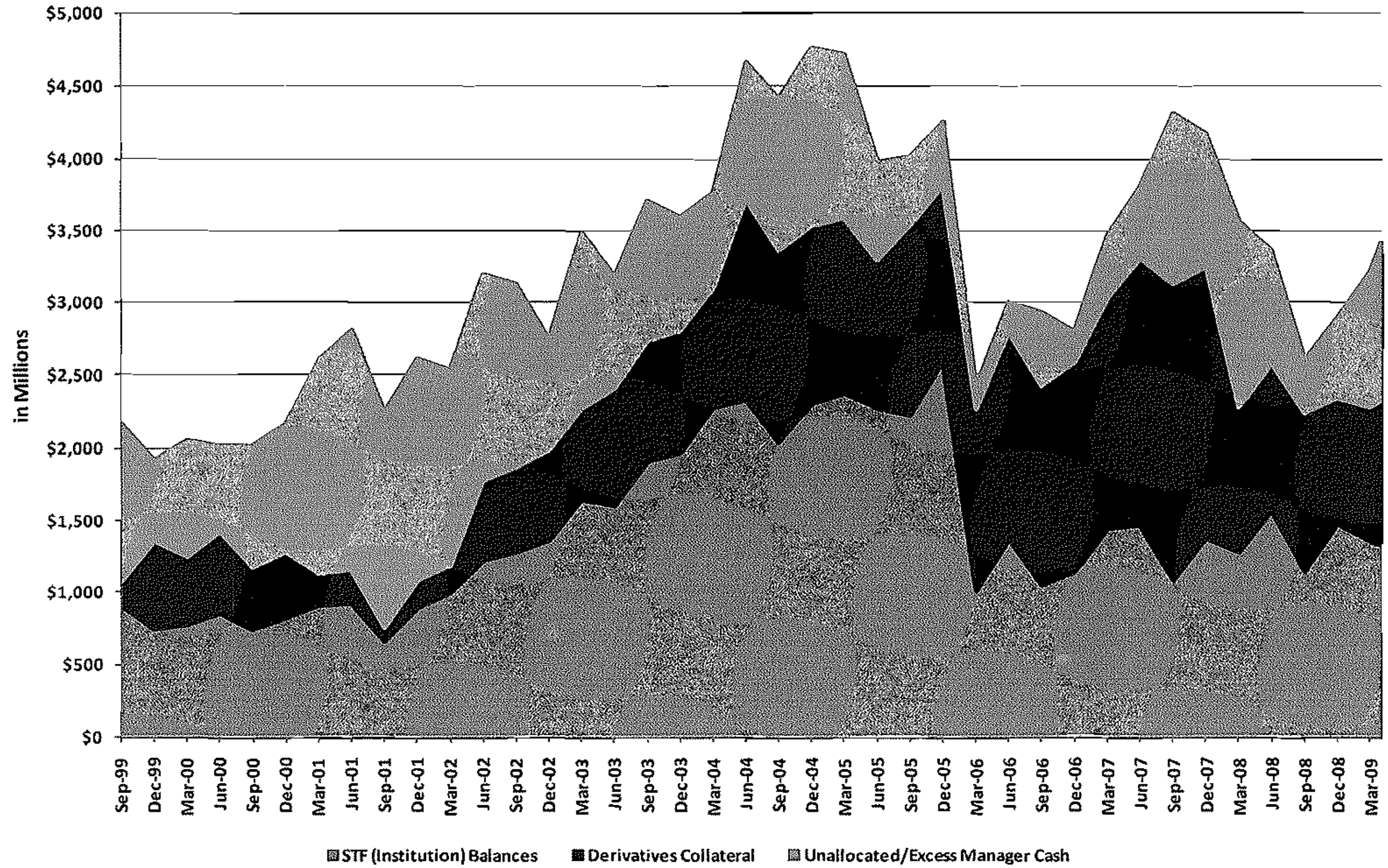
Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments for each Endowment Fund. The determination of liquidity will include underlying security trading volumes, notice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

UT System Average Cash Balances



The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: ~~December 6, 2007~~ August 20, 2009
Date Approved by U.T. System Board of Regents: August 20, 2009
Date Approved by UTIMCO Board: ~~November 29, 2007~~ July 9, 2009
Supersedes: Derivative Investment Policy approved ~~by the UTIMCO Board on March 30, 2006~~December 6, 2007

Purpose:

The purpose of the Derivative Investment Policy is to ~~enumerate~~ set forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), the General Endowment Fund (GEF), the Intermediate Term Fund (ITF), and the Separately Invested Funds (SIF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds to allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statements for the Funds.

Objective:

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. ~~Through the use of derivatives, the complex risks that are bound together in traditional Cash market investments can be separated and managed independently.~~ Derivatives can provide the Funds with more economical means to improve the Funds' risk/return profile.

Scope:

~~Except where specifically noted, t~~This Policy applies to all derivatives ~~transactions~~ in the Funds executed by ~~internal~~ UTIMCO staff and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivative policies for external managers are established on a case-by-case basis with each external manager, as described below.

This Policy applies to both exchange traded derivatives and over the counter (OTC) derivatives ~~instruments~~. This Policy shall not be construed to apply to index or other common or commingled funds that are not controlled by UTIMCO. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external ~~investment~~ manager operating under an Agency Agreement may engage in derivative ~~transactions~~ investments only if (i) such manager has been approved to use derivatives by the UTIMCO Chief Investment Officer and (ii) the ~~transactions~~ investments are consistent with the overall investment objectives of the account and in compliance with this Policy. The use of derivatives by an external manager operating under an Agency Agreement shall be approved by the UTIMCO Chief Investment Officer only for ~~investment~~ external managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management and valuation policies and procedures, and (iii) effectively monitor and control their use.

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the external managers' use of derivatives, particularly as it relates to various risk controls and leverage. ~~These managers typically have complete delegated authority, and~~

~~monitoring of risk exposures and leverage is done by the manager on both an individual entity and aggregate basis.~~ The permitted uses of derivatives and leverage ~~are~~ must be fully documented in the limited liability agreements with these managers.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include ~~futures contracts, forward contracts, swaps and all forms of options,~~ Derivative Investments but shall not include a broader range of securities, including mortgage backed securities, structured notes, convertible bonds, and exchange traded funds (ETFs). Derivatives may be purchased through a national exchange or through an OTC direct arrangement with a counterparty. Refer to the attached Exhibit A for a glossary of terms.

Permitted Derivative Applications:

The primary intent of derivatives should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the Cash market.

Permitted Derivative Aapplications are Derivative Investments~~may be~~ used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds' market (systematic) exposure without trading the underlying Cash market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with Cash market securities;
- To hedge and control risks; or
- To facilitate transition trading;

provided however, that after implementing any Derivative Investment, the Funds' projected downside deviation is within the Funds' projected downside deviation range and risk bounds, and the Asset Class and Investment Type exposures are within permissible ranges as set forth in the Funds' Investment Policy Statements.

~~Except as provided below, only the above derivative applications are permitted until such time as this Policy is amended and approved by UTIMCO's Board and the U.T. System Board of Regents. The UTIMCO Chief Investment Officer shall recommend and the~~ UTIMCO staff may not enter into any Derivative Investment that is not a Permitted Derivative Application. To the extent that a Derivative Investment is a Permitted Derivative Application but is not within the delegated authority as set forth on Exhibit B, the UTIMCO Board ~~must approve~~will be provided with an "Option to Review" following the process outlined in Exhibit A to the Delegation of Authority Policy. This "Option to Review" applies to any new Dderivative ~~applications~~ Investment recommended by ~~internal~~ UTIMCO staff and approved by UTIMCO's Chief Investment Officer that is not within the delegated authority set forth on Exhibit B or the engagement of ~~or by~~ an external manager operating under an Agency Agreement that seeks to engage in a Derivative Investment that is not within the delegated authority set forth on Exhibit B. ~~prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application.~~ Notwithstanding, with respect to any Derivative Investment, UTIMCO's Chief Investment Officer, the Risk Manager, or Chief Compliance Officer may determine that presentation and approval of the proposed Derivative Investment at a UTIMCO Board meeting is warranted before engaging in the Derivative Investment.

~~Derivative Applications Not Permitted:~~

~~Derivative applications shall not be used to invest in asset classes that are not consistent with the Funds' policy Asset Classes, implementation strategies and risk/return characteristics.~~

Documentation and Controls:

Prior to the implementation of a new D~~d~~erivative ~~application~~ Investment by ~~internal~~ UTIMCO staff ~~or by an external manager operating under an Agency Agreement~~, UTIMCO staff shall document the purpose, ~~justification, baseline portfolio, derivative application portfolio,~~ valuation method, methods for calculating delta, delta-adjusted exposure, Asset Class and Investment Type exposure, the effect on portfolio leverage (if applicable), risks (including, but not limited to ~~at a minimum~~ modeling, pricing, liquidity and ~~legal~~ counterparty risks), the expected increase or reduction in ~~systematic and specific~~ risk resulting from the ~~application~~Derivative Investments, and the procedures in place to monitor and manage the derivative exposure. For any short exposure, UTIMCO staff shall also document the basis risk and appropriate stop-loss procedures. ~~Internal control procedures to properly account and value the Funds' exposure to the derivative application shall be fully documented.~~ UTIMCO shall establish appropriate risk management procedures to monitor ~~compliance for both~~daily the risk of internally managed and of externally managed accounts operating under an Agency Agreement ~~and will take corrective action if necessary~~that utilize derivatives. Internal control procedures to properly account and value the Funds' exposure to the Derivative Investment shall be fully documented.

Additional Limitations:

~~Economic Impact and~~ Leverage: Leverage is inherent in derivatives since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the Cash markets, where in most cases the cash outlay is equal to the asset acquired, D~~d~~erivatives ~~applications~~ Investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional Cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a D~~d~~erivatives ~~application~~Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of leverage that can be utilized by the Funds whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105% (100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.~~In order to control and limit the leverage risk, each internal derivative application must specify a baseline portfolio, and risk measures such as Downside Risk (DR) will be employed to assure that the total economic impact risk of the derivative application portfolio relative to the baseline portfolio will not exceed 20% (increase or decrease) of the underlying value of the baseline portfolio. The total relative economic impact risk of each derivative application will be monitored on a daily basis by the most appropriate risk management tools for the particular derivative application.~~

Counterparty Risks: In order to limit the financial risks associated with D~~d~~erivative ~~applications~~Investments, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter (OTC) derivatives. Any counterparty in an over the counter (OTC) derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All over the counter (OTC) derivatives ~~transactions~~ must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds ~~under the transactions~~. In the event a counterparty is downgraded below the minimum credit rating requirements stated above, UTIMCO staff will take appropriate action to protect the interests of the Funds, including availing itself of all potential remedies contained in the ISDA agreements. The net market value, net of collateral postings, of all over the counter (OTC) derivatives ~~positions~~ for any individual counterparty may not exceed 1% of the total market value of the Funds.

~~**Global Risk Limitations:** Notwithstanding other limitations in this Derivative Policy, no derivative transaction may be taken that would cause the aggregate risk exposure of the Funds to exceed the aggregate risk limits established by the current Investment Policy Statements of the Funds.~~

Risk Management and Compliance:

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed D~~d~~erivative~~s~~ Investments in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' ~~external~~ custodian~~,~~ and ~~these daily reports will be~~ reviewed periodically, but no less frequently than monthly, for accuracy by the UTIMCO Risk Manager. In addition, data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager.

Compliance with ~~the conditions of~~ this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the ~~external~~ custodian and the external risk model. ~~Data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager.~~

Any ~~violations of the terms~~ instances of noncompliance with ~~in~~ this Policy will be reported immediately to the UTIMCO Chief Compliance Officer and the UTIMCO Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Chairs of the Risk Committee, the Audit & Ethics Committee, and the UTIMCO Board.

Reporting:

On a quarterly basis, UTIMCO shall provide a comprehensive report to UTIMCO's Board and the Risk Committee. This report shall include~~of~~ all ~~approved~~ outstanding D~~d~~erivative ~~applications~~ Investments, by type, entered into during the period being reported for both internal managers and external managers operating under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of leverage associated with derivatives ~~exposure based on exposures from swaps and futures and the delta equivalent exposure from options.~~ For risk reporting purposes, the models used to calculate the expected profit or loss in each scenario will include the effect of delta sensitivity and other derivative sensitivity parameters as appropriate. Risk calculations will take into account leverage, correlation, and exposure parameters such as beta for equities and duration for fixed income. The UTIMCO Risk Manager will calculate risk attribution - i.e., how much of the overall risk is attributed to each Asset Class and Investment Type, including the full effect on risk of the derivatives in each. The UTIMCO Risk Manager will calculate risk attribution for each derivative investment. ~~UTIMCO shall also provide a comprehensive report of all outstanding derivatives positions established by internal managers and external managers under Agency Agreements. These reports will be provided at least on a quarterly basis to the UTIMCO Board and the Risk Committee.~~

Derivative Investment Policy Exhibit A
Glossary of Terms

Agency Agreement – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

~~**Application specific risk** – The portion of total risk in a derivatives application which is due to factors unique to the application as opposed to more systematic, market related factors. For example, in an option on a specific stock, the risk associated with the specific business results of the company which issued the stock underlying the option would be application specific risk, as opposed to the overall risk of the stock market which would be Systematic Risk.~~

~~**Baseline portfolio** – The Cash market based portfolio which will serve as the basis for calculating the relative risk level of an equivalent derivatives application.~~

Basket – A group of securities and a weighting scheme, or a proprietary index. Baskets are typically defined to achieve a certain investment goal, within certain limitations. For example, a Basket could replicate an Emerging market index, excluding certain companies that UTIMCO is not permitted to hold.

Cash market - The physical market for a commodity or financial instrument.

Counterparty - The offsetting party in an exchange agreement.

~~**Delta Equivalent Value** – The delta of an option is a measure of the change in price of an option with a small change in the value of the security underlying the option as implied by the Black-Scholes theory. The delta is a function of the volatility of the underlying security, the dividend rate of the underlying security, the strike price of the option, the time to maturity of the option, and the risk free interest rate. The delta then defines the value of the underlying security that would be necessary to fully hedge the option position, the delta equivalent value. For example, if an option on a stock has a notional value of $100 but would change in price by $6 when the value of the underlying stock changes by $10, then the delta equivalent value of the option is $60.~~

~~**Derivative application** – A definition of the intended use of a derivative based position such as replication or enhancing index returns, asset allocation or completion fund strategies, and various alpha transport strategies.~~

Derivative Investment – An investment in a futures contract, forward contract, swap, and all forms of options.

~~**Derivative application portfolio** – The portfolio including derivative instruments, cash, and other cash market assets established to replicate a specified baseline portfolio.~~

~~**Downside Risk (DR)** – An established method of measuring economic exposure risk. The measure conveys the potential loss (in dollars or percent of total assets) for a particular investment position.~~

~~**Economic exposure** – The total effective exposure of a derivative position. The economic exposure is the product of the dollar value of the exposure and the market or systematic risk level of the exposure. A common method of measuring economic exposure is with risk management tools such as "value at risk."~~

Exchange traded derivatives - A DDerivative ~~instrument~~ Investment traded on an established national or international exchange. These ~~instruments~~ derivatives "settle" daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the ~~instruments~~ derivatives are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

Forward contract - A nonstandardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. The most typical Forward contract is a forward foreign currency contract, which involves the contemplated exchange of two currencies.

Futures contract - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

ISDA Netting Agreement - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted "Master Agreements," a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives ~~transactions~~. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each counterparty. These netting agreements require that exposures between counterparties will be "netted" so that payables and receivables under all existing derivative ~~transactions~~ between two counterparties are offset in determining the net exposure between the two counterparties.

Limited Liability Entity – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors' investment in the entity.

Option - An ~~instrument~~ derivative that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

Over the counter (OTC) derivatives - A derivative ~~instrument~~ which results from direct negotiation between a buyer and a counterparty. The terms of such ~~instruments~~ derivatives are nonstandard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

Replicating Derivatives – Derivatives that are intended to replicate the return characteristics of an underlying index or any other Cash market security.

Swap - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

~~**Systematic risk** - The nondiversifiable risks associated with an investment in a particular asset market. For example the financial, political, and other risks associated with a portfolio of common stocks are known as "market" or systematic risks.~~

Derivative Investment Policy Exhibit B
Delegated Derivative Investments

Subject to the limitations contained in the Derivative Investment Policy, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the following Derivative Investments:

Delegated Derivative Investments:

1. Replicating Derivatives - Derivative Investments that replicate the return characteristics of a long exposure to an underlying index, Basket or commodity. These investments are generally futures contracts and swaps on a passive index, Basket or commodity.

2. Derivative Investments that upon their expiration would not exceed the loss of a similar investment in the cash index being referred to in the derivative contract. These investments may include swaps whereby the holder of the instrument will forgo potential upside return in exchange for downside protection or receive a multiple of a referenced return should the return of the underlying referenced index be within a certain range and may also include the selling of put options.

3. Derivative Investments whereby the maximum loss is limited to the premium paid for the Derivative Investment, regardless of notional value. The aggregate prorated annual premium of all Derivative Investments under this provision shall not exceed 25 basis points of the Fund value.

4. Futures contracts and forward contracts on foreign currency if used (i) by an external fixed income manager within its investment guidelines, (ii) for hedging purposes by an external equities manager within its investment guidelines, or (iii) to hedge existing or prospective foreign currency risk by UTIMCO staff.

5. Derivative Investments used to manage bond duration or hedge equity exposure to countries, sectors or capitalization factors within the portfolio only if subsequent to the investment the portfolio would not be net short to any one of those factors. An example of such a hedge is selling futures contracts or call options on a country or sector index, provided the manager is exposed to that country or sector.

The delegated authority set forth above should not be construed to permit UTIMCO staff to enter into Derivative Investments that are unhedged or 'naked' short positions containing unlimited loss.

Modeling: Each Delegated Derivative Investment must be such that it can be decomposed into one or more components, and each said component can be modeled using a model such as the CDS valuation model, Black-Scholes model, including modifications for foreign currency ("Quanto"), allowing both normal and log-normal distributions (the Black model), and modifications to handle dividends or other model approved by the Policy Committee.

Leverage: Each Delegated Derivative Investment must be modeled on a fully collateralized basis. During the course of the investment, cash collateral backing a Derivative Investment may be utilized to invest in other investments thereby creating leverage at the Fund level. This is only allowed if within the Funds' Investment Policy Statements.

Effective Date of Policy: ~~November 7, 2008~~July 9, 2009
Date Approved by UTIMCO Board: ~~November 7, 2008~~July 9, 2009
Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on ~~November 29, 2007~~November 7, 2008

Purpose:
The purpose of the Delegation of Authority Policy is to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and the UTIMCO staff. Section 66.08(d) of the *Texas Education Code* provides that UTIMCO's duties to the U. T. System Board of Regents with respect to the management of investment funds shall be governed by a contract between the two parties. UTIMCO provides various investment management services to the U. T. System Board as more fully described in the Investment Management Services Agreement by and between the U. T. System Board and UTIMCO. The UTIMCO Board is responsible for management and investment oversight of UTIMCO. The UTIMCO Board recommends amendments to the Investment Policies for approval by the U. T. System Board. The UTIMCO Board is responsible for overseeing the investment process to execute the established Investment Policies. However, to enhance the competitiveness of the investment process, improve management and operational efficiency, and define and concentrate accountability for performance, certain duties, and responsibilities are delegated by the UTIMCO Board to UTIMCO Management. This Policy Statement defines the delegation of authority in the two primary areas of UTIMCO operations:

(1) Management, Operations, and Finance; and
(2) Investments.

Objective:
By clearly defining the scope of delegated authority to UTIMCO Management, this Policy Statement enhances operational efficiency and timeliness in decision making, thereby enhancing competitiveness.

Scope:
This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy and any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. System Board, provided that nothing contained in this Policy Statement is intended to, or shall, limit any delegation of authority otherwise set forth in the UTIMCO Bylaws, the Investment Management Services Agreement, any Committee Charter, any Investment Policy, or any formal policy adopted by the UTIMCO Board.

Authority Delegated to UTIMCO Management:
The primary functions of the UTIMCO Board are to formulate, revise, implement, and conduct ongoing oversight of the policies it has established for UTIMCO. The duties and responsibilities of the UTIMCO Board are enumerated in the UTIMCO Bylaws, Articles of Incorporation, Committee

Charters, Investment Management Services Agreement, and UTIMCO policies. To execute its responsibilities more efficiently, the UTIMCO Board has delegated the authority to implement UTIMCO policies to UTIMCO Management in two primary areas: (i) Management, Operational, and Financial Authority; and (ii) Investment Authority.

Management, Operational, and Financial Authority: Final authority for the functions listed below rests with the UTIMCO Board:

- Administration, Accounting and Financial Management;
- Systems Technology Management;
- Personnel Management;
- Compliance;
- Client Relations and Reporting; and
- Public Relations.

However, the UTIMCO Board hereby delegates authority to UTIMCO Management in each functional area as specified below:

Administration, Accounting, and Financial Management: The UTIMCO Board hereby delegates all day-to-day operational decisions to UTIMCO Management. This delegation includes, but is not limited to, all administrative decisions regarding the management of endowment and operating funds as well as all administrative and financial decisions associated with the operation of the UTIMCO organization. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Systems Technology Management: The UTIMCO Board hereby delegates all decisions regarding the operation and management of all systems technology assets to UTIMCO Management. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Personnel Management: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all personnel management decisions regarding positions included in approved UTIMCO operating budgets, and grants authority to the Chief Executive Officer to add non-budgeted personnel as necessary on an emergency basis, subject to review in the following budget cycle, provided that the addition of any non-budgeted personnel shall be promptly reported to the UTIMCO Board. All compensation decisions for officers of UTIMCO are excluded from this delegation.

Compliance: The UTIMCO Board hereby delegates all compliance operations to UTIMCO Management, while retaining all oversight functions as specified in UTIMCO policies.

Client Relations and Reporting: The UTIMCO Board hereby delegates all client relations and reporting decisions to UTIMCO Management.

Public Relations: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding public relations matters, except for those matters that are reserved to the UTIMCO Vice Chairman for Policy.

In addition, to facilitate the execution of the authority granted above, the UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- *Contracts:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of $1 million or less during the contract term; provided that for purposes of this delegation any contract that does not have a fixed term shall be deemed have a term of one year; provided, further that notice of any such contracts, leases, or other commercial arrangements of $50,000 or more shall be reported to the UTIMCO Board at its regularly scheduled meetings.

- *Outside General Counsel: Management of UTIMCO's External Counsel:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO external counsel, provided that the UTIMCO external counsel shall continue to have primary reporting responsibility to the UTIMCO Board.

Investment Authority: The UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- *Tactical Asset Allocation:* Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policies, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer, as long as any decisions do not violate established Investment Policies. Short sales of securities (including exchange traded funds, and individual common stocks and bonds, but excluding derivative instruments) to offset existing long positions for risk control purposes may also be utilized as a vehicle in tactical asset allocation. Prior to implementation of any short security sale strategy and throughout the duration of the strategy, risk analyses shall be performed to verify the expected risk reducing impact of the proposed strategy and that the strategy does not result in the risk position of the total Funds being outside the policy risk range.
- *Risk Management:* The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO Management.

- *New Investment Vehicle and Manager Selection:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to commit UT System funds to new relationships with internal or external investment managers or to new mandates with external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and execute agency, partnership or subscription agreements as necessary, subject only to the following limitations:
  - More Correlated & Constrained Investments: Any new commitments exceeding (i) $400 million to an individual internal or external manager; ~~or~~ (ii) 20% of the total assets managed ~~under a specific investment strategy~~ by an individual external manager; or (iii) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
  - Less Correlated & Constrained Investments: Any new commitments exceeding (i) $200 million; ~~or~~ (ii) 20% of the total assets managed ~~under a specific investment strategy~~ by an external manager; or (iii) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
  - Private Investments: Any new commitments exceeding (i) $100 million or (ii) 20% of the total assets of the subject investment vehicle must follow the process outlined in Appendix A. All new commitments to direct, Private Investments must follow the process outlined in Appendix A.
  - For the purposes of the above thresholds, new manager mandates shall be aggregated during the first six months following the initial funding of such mandate and shall not exceed $400 million for all Investment Types. Mandates that exceed $400 million in the aggregate must follow the process outlined in Appendix A.
  - Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class and Investment Type ranges.
  - At any time prior to the closing of a commitment, the Staff will send each Board member a description of the proposed investment and a Certificate of Compliance for the investment.
  - Other Investments: Any investments in Asset Classes not currently defined in the Policy Portfolio must receive specific UTIMCO Board approval regardless of size.
  - Any commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.

- The UTIMCO Chief Executive Officer will report to the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.

- *Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships:* Subsequent to the first six months of the UTIMCO relationship with a new manager, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to increase investments or commitments to existing internal or external investment managers, and the accompanying authority to renegotiate existing agency, partnership or subscription agreements as necessary, subject only to the following limitations:
  - More Correlated & Constrained Investments: Any increases that (i) exceed $200 million to existing funds under management by any individual internal or external manager; or (ii) ~~which~~ increase~~s~~ the total assets managed to more than (a~~i~~) $600 million with an individual internal or external manager or a larger amount approved by the Board for manager exceptions; ~~or~~ (b~~ii~~) 20% of the total assets managed ~~under a specific strategy~~ by an individual external manager, or (c) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
  - Less Correlated & Constrained Investments: Any increases that (i) exceed $100 million to existing funds under management;~~,~~ or (ii) ~~which~~ increase the total assets managed to more than (a) $300 million with an individual manager; ~~or~~(b) ~~to more than~~ 20% of the assets managed ~~under a specific investment strategy~~ by an external manager; or (c) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
  - Private Investments: Any increases that exceed $50 million to existing funds under management in an existing investment vehicle, or which increases the total UTIMCO investment in a single investment vehicle to more than (i) $150 million or (ii) 20% of the total assets of the same investment vehicle, must follow the process outlined in Appendix A.
  - For the purposes of the above thresholds, no increase shall be permitted which (i) exceeds $200 million to an existing internal or external manager in the aggregate for all Investment Types or (ii) increases the total assets managed by an existing internal or external manager to more than $600 million in the aggregate for all Investment Types. Any increases that exceed these amounts must follow the process outlined in Appendix A.

  - Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class and Investment Type ranges.
  - Any increase in investment of commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
  - The UTIMCO Chief Executive Officer will report to the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- *Manager Monitoring and Termination:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- Notwithstanding, on a quarterly basis, manager mandates (excluding passive exposure) shall be aggregated across investment types and any mandate resulting in three percent (3%) or more exposure relative to the total Funds (excluding the ITF for Private Investments) will be reported to the Risk Committee at its next meeting. UTIMCO staff will be required to make a presentation and prepare a recommendation to the Risk Committee regarding an appropriate course of action for any manager mandate resulting in five percent (5%) or more exposure relative to the total Funds (excluding the ITF for the Private Investments). Such presentation and recommendation will include information regarding the manager mandate, including original amount of investment, historical performance, market and economic outlook, and appropriate sizing, with timelines for completion of any recommended action. After discussion and review by the Risk Committee, the Risk Committee may approve the recommendation of UTIMCO staff, determine a different appropriate level of exposure or request additional information to be presented at a subsequent meeting before action may be taken by UTIMCO staff. UTIMCO staff will be responsible for implementing any Risk Committee approved action.
- *Investment in Derivative Investments:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the Derivative Investments of the types set forth in Exhibit B of the Derivative Investment Policy. Any new derivative investment recommended by UTIMCO staff or for the engagement of an external manager operating under an Agency Agreement that has been approved by UTIMCO's Chief Investment Officer but is not within the delegated authority set forth in Exhibit B of the Derivative Investment Policy must follow the process outlined in Appendix A.
- *Internal Investment Management:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO Staff.
- *Management of UTIMCO's External Investment Consultant:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO consultant, provided that the UTIMCO

consultant shall continue to have primary reporting responsibility to the UTIMCO Board.

Documentation, Controls, and Reporting:
All UTIMCO Management decisions made under this Delegation of Authority Policy will be monitored by UTIMCO's Chief Compliance Officer. Any exceptions to this Policy will be reported to UTIMCO's Chief Executive Officer immediately. The UTIMCO Chief Executive Officer will develop a remedy to the exception, if possible, and report the exception and the remedy to the UTIMCO Chairman immediately. Additionally, the UTIMCO Chief Executive Officer will report any exceptions to this Policy to the UTIMCO Board at its next regularly scheduled meeting, unless the UTIMCO Chairman instructs otherwise.

Appendix A
UTIMCO Board Option to Review Proposed Investments

In instances where a proposed investment exceeds the stated Investment Authority of the UTIMCO Chief Executive Officer, the Staff must follow the procedures listed below to provide the UTIMCO Board the opportunity to review an investment proposal at a UTIMCO Board meeting:

1. Option to Review Investment Proposal

    a. For new commitments, Staff will send each UTIMCO Director an ~~complete due diligence report~~investment recommendation, a Certificate of Compliance if one has not previously been provided to each UTIMCO Director, an Option to Review Investment Proposal, and, if required by the UTIMCO Chief Executive Officer, a due diligence report provided by the external consultant. Staff will provide a UTIMCO Director a complete due diligence report upon request.

    b. For additional commitments to existing managers and partnerships, Staff will send each UTIMCO Director an executive summary ~~description~~ of the proposed investment, an Option to Review Investment Proposal, and, if required by the UTIMCO Chief Executive Officer, a due diligence report provided by the external consultant. Staff will provide a UTIMCO Director a complete due diligence report upon request.

    c. For new Derivative Investments, Staff will send to each UTIMCO Director detailed documentation describing the proposed trade and an Option to Review Investment Proposal.

2. Option to Review Investment Proposal Form

    The Option to Review Investment Proposal Form will require a UTIMCO Director to choose one of the following alternatives:

    (i) I require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment;

    (ii) I do not require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment; or

    (iii) I do not require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment but request that UTIMCO Staff make a presentation regarding the proposed investment at a future UTIMCO Board meeting.

3. If any UTIMCO Director requires a complete review of the investment prior to the execution of the investment, the Staff shall make a presentation to highlight the attributes of the proposed investment at the next UTIMCO Board meeting. Subsequent to hearing the presentation, the Board shall vote to approve such investment.

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
July 9, 2009

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; Discussion item on other items

Description: An Audit and Ethics Committee ("Committee") meeting will be held on June 30, 2009. The Committee's agenda includes the following: (1) presentation of unaudited financial statements for the nine months ended May 31, 2009 for the Funds and the Corporation; (2) discussion and appropriate action related to engaging corporate external auditor; (3) report by UT System Audit Office related to reports issued, update on 2009 audit plan and discussion and appropriate action related to audit plan for fiscal year 2010; (4) report from external auditor on 2009 audits; (5) discussion of investment manager due diligence performed by the Corporation's Accounting staff; (6) review of Audit and Ethics Committee's self-assessment; (7) discussion of placement agent fees pertaining to the funds' investments; (8) update of compliance, reporting, and audit issues; 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 for the 2009-10 fiscal year.

Discussion: The Committee will also discuss hiring Deloitte & Touche, LLP as the corporate auditor. If approved by the Committee and the Board, FY 2009 will be the third year that Deloitte & Touche serves as the Corporation's independent auditor. Estimated fees for the 2009 audit services will remain at the same level as the 2008 audit, which was $31,500 plus out-of-pocket expenses. Tom Wagner, Deloitte and Touche engagement partner, will give a report to the Committee on the progress and plan for the 2009 audits. UT System Audit Office will present to the Committee its 2010 internal audit plan and 2009 activities.

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. 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.

Mr. Zimmerman will discuss the results with the Committee of a project related to placement agent fees pertaining to the Board of Regents of The University of Texas System investments (the "Funds' investments"). The UTIMCO Private Markets group and Less Correlated and Constrained ("LCC") Investments group undertook a project to determine whether third-party investment managers were paying finders' fees, placement fees or similar fees or any other benefits to third parties as a result of or related to a third party's role in connection with the Funds' investments in any fund formed by the manager's firm. Managers were also asked whether the firm, any of its principals, employees, agents, or affiliates were or have been subject to a regulatory investigation or probe of its role in an alleged fraudulent or illegal scheme to pay or extract kickbacks from any investment management firm.

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 hiring of Deloitte & Touche, LLP as the corporate auditor

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, 2009.

June 24, 2009

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 J. 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.

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such conditions shall be effective as of the date of the commencement of such services. The term of this engagement will begin on August 1, 2009 and expire on June 30, 2010.

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, 2009, 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,

D&T signature

By your signature below, you confirm that the Company, through its Audit and Ethics Committee, 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:__________________________________

APPENDIX A

DESCRIPTION OF OUR RESPONSIBILITIES AND AN AUDIT UNDER GENERALLY ACCEPTED AUDITING STANDARDS
UTIMCO
YEAR ENDING AUGUST 31, 2009

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.

APPENDIX B

MANAGEMENT'S RESPONSIBILITIES
UTIMCO
YEAR ENDING AUGUST 31, 2009

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. Any employment opportunities with the Company for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Wagner before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

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.

APPENDIX C

COMMUNICATIONS WITH THE AUDIT AND ETHICS COMMITTEE
UTIMCO
YEAR ENDING AUGUST 31, 2009

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 deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis.

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."

APPENDIX D

CIRCUMSTANCES AFFECTING TIMING AND FEE ESTIMATE
UTIMCO
YEAR ENDING AUGUST 31, 2009

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. Deterioration in the quality of the Company's accounting records during the current-year engagement in comparison with the prior-year engagement.

5. A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Company's personnel.

6. Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Company's personnel.

7. 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.

8. 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

9. 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.

10. A significant level of proposed audit adjustments is identified during our audit.

11. 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.

12. 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.

13. Changes in audit scope caused by events that are beyond our control.

Payment for Services Rendered

14. 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.

APPENDIX E

GENERAL BUSINESS TERMS
UTIMCO
YEAR ENDING AUGUST 31, 2009

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 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 F 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.

APPENDIX F

DISPUTE RESOLUTION PROVISION
UTIMCO
YEAR ENDING AUGUST 31, 2009

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.

<u>Mediation:</u> 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.

<u>Arbitration Procedures:</u> 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.

<u>Costs:</u> 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 9, 2009

Agenda Item: Report from Compensation Committee: (1) Discussion and Appropriate Action Related to CEO's Base Salary for 2009-10 fiscal year; (3) Discussion and Appropriate Action Related to CEO's Performance Goals for the 2009-10 Performance Period; and (3) Discussion and Appropriate Action related to the UTIMCO Compensation Program, Amended and Restated effective July 1, 2009, including Exhibits

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 May 26, 2009, June 3, 2009 and June 16, 2009 and will meet on June 30, 2009. During its May 26, 2009, the Committee discussed individual personnel compensation matters in Executive Session but did not take any votes or make any decisions. During its meetings on June 3rd and June 16th, the Committee discussed the structure and recommendations proposed by Mercer and Staff. Nanci Hibschman with Mercer also presented Mercer's Incentive Plan Design Recommendations. The Committee will also report on the following items to be discussed at its meeting on June 30, 2009:

1. Action related to base salaries for the UTIMCO Officers and other Plan Participants for 2009-10 fiscal year. Mercer performed a salary benchmarking study, including salary midpoints and salary ranges, to assist UTIMCO in developing a total compensation program that is competitive nationally.
2. 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 categories of performance goals in the Plan: (1) entity performance; (2) asset class performance; and (3) qualitative performance.
3. The UTIMCO Compensation Program effective July 1, 2008 (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. The proposed UTIMCO Compensation Program effective July 1, 2009 (the "Plan") amends and restates the Prior Plan.

Agenda Item
UTIMCO Board of Directors Meeting
July 9, 2009

Recommendation: The Committee will request appropriate action from the Board related to (1) the CEO's Base Salary for 2009-10 fiscal year; (3) the CEO's Performance Goals; and (3) the amended and restated Plan effective July 1, 2009.

Discussion: ***(1) Base Salaries.*** The Committee will report on its action related to the base salaries for all UTIMCO officers and Plan Participants for the 2009-10 fiscal year. The Committee will request that the Board take appropriate action related to the CEO's base salary.

(2***) CEO's Performance Goals.*** The Committee will discuss with Mr. Zimmerman his qualitative performance goals for 2009-10 at its meeting on June 30th. 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, 2009.

(3) UTIMCO Compensation Program. The Committee will report on proposed changes to the Prior Plan. The proposed changes are as follows:

- Language has been inserted in Sections 3, 5.5(c) and (e), 7.3, and Appendix A and Section 5.11 and Appendix E have been added, to incorporate the Extraordinary Circumstances provisions. Definitions for "Affected Participant", "Extraordinary Nonvested Deferral Award", and "Extraordinary Nonvested Deferral Award Account" have been added to Section 8, Definition of Terms, to incorporate new terminology in the Plan related to the Extraordinary Circumstances. The new provisions relate to the modification and/or deferral of the awards when certain extraordinary circumstances occur. Only certain eligible positions, designated as "Affected Participants" and included in Appendix E are affected by the Extraordinary Circumstances provisions. Four events trigger an Extraordinary Circumstance:
    - If the Net Returns of the Total Endowment Assets are negative at the end of the Performance Period for which Performance Incentive Awards are being determined, the entire award would be deferred. The part of the award that would have been paid under normal circumstances would be deferred until the first anniversary of the Performance Period. See section 5.11 (a).
    - If the Net Returns of the Total Endowment Assets since the end of the Performance Period for which Performance Periods are being determined are a negative 10% or below on the date the Board

approves the award (measured as of the most recent month-end for which performance data are available), the entire award would be deferred. The part of the award that would have been paid under normal circumstances would be deferred until the first anniversary of the Performance Period. See section 5.11 (b).

- If the Net Returns of the Total Endowment Assets at the end of the Performance Period for which the Performance Periods are being determined are below a negative 5%, the Performance Incentive Awards for certain Participants will be reduced by 10% for each percentage point or portion thereof. For example, a negative return of 6.01% will result in a reduced Performance Incentive Award of 20%. Appendix A, Part II, Step 14 documents the reduction of the Performance Incentive Awards by percentage point. An award is completely eliminated when the return is a negative 14.01% and below. See section 5.11 (c).
- If the Net Returns of the Total Endowment Assets at the end of the Performance Period for which the Performance Periods are being determined are positive and are above 20%, the Performance Incentive Awards for certain Participants will be increased by 10% for each percentage point or portion thereof. For example, a return of 22.01% will result in an increased Performance Incentive Award of 30%. Appendix A, Part II, Step 14 documents the increase of the Performance Incentive Awards by percentage point. An award may be doubled if the return is 29.01% or above. See section 5.11 (d).

- Section 5.6 has been changed to require each Eligible Position to defer a portion of the Performance Incentive Award (ranging from 50% for the CEO to 0% for the analysts) in accordance with the deferral percentages listed on Table 1 in Appendix C rather than an automatic 30% deferral for all Eligible Positions. A column for "Percentage of Award Deferred" on Table 1 has been added. A definition for "Applicable Deferral Percentage" has been added to Section 8, Definitions of Terms.

- Sections 5.7 and 5.10 have been changed to allow for the vesting of a Participant's Nonvested Deferred Awards when a Participant's employment with UTIMCO terminates without cause. Definitions for "Involuntary Termination for Cause", "Cause", "Involuntary Termination", "Termination", and "Voluntary Terminations" have been added to Section 8, Definition of Terms.

- Section 5.8(b)(1) has been changed to clarify that the Tables in Appendix D will be updated in subsequent periods when benchmarks for each asset class and investment type as well as threshold, target, and maximum performance standards are updated by the Board.

- Section 5.9(b) has been deleted. The language provided the mechanics for measuring the Intermediate Term Fund's (ITF) performance when the existence of the ITF was less than three years. ITF will be in existence more than three years beginning with the Performance Period ended June 30, 2010.

- Section 5.12 has been added to the Plan to allow for recovery of Performance Incentive Awards paid to or deferred by an employee if the Board determines that the employee engaged in fraud or misconduct during a Performance Period.

- Table 2, Appendix D has been added for the Performance Periods beginning after June 30, 2009. Mr. Zimmerman will discuss proposed changes to weightings and incentive award opportunities. Also, existing Eligible Positions have been further refined. For example, Director – Private Investments has been segregated from Director, Investments and now is reported as a separate Eligible Position. The existing and proposed weightings are reflected in Exhibit 1 attached. Information related to the differences between the prior Performance Period and proposed incentive award opportunities per Participant will be included in the Executive Session materials.

- Table 2, Appendix D has been added for the July 1, 2009 to June 30, 2010 Performance Period. It is anticipated that the name changes for benchmarks and recommended new targets will be adopted by the UTIMCO Board and the Board of Regents of The University of Texas System at a future meeting. Included in the materials is a memorandum from Bruce Myers with Cambridge Associates LLC, "Performance Standards for Incentive Compensation Plan," commenting on the appropriateness of the metrics given the dramatic change in the risk and reward relationships that have occurred as a result of recent market movements. Staff is recommending the following changes to the Performance Standards in Table 2:

    - Investment Grade Fixed Income and Internal Investment Grade Fixed Income: Target and Maximum standards increased to 25 bps and 50 bps, respectively. Previously, standards were 12.5 bps target and 25 bps maximum.
    - Credit-Related Fixed Income was eliminated from the Table since it was eliminated from the More Correlated and Constrained asset class in the Investment Policy Statements.

- Real Estate: Target and Maximum standards increased to 50 bps and 100 bps, respectively. Previously, standards were 37.5 bps target and 75 bps maximum.
- Natural Resources: Target and Maximum standards increased to 50 bps and 100 bps, respectively. Previously, standards were 37.5 bps target and 75 bps maximum.
- Developed Country: Target and Maximum standards increased to 62.5 bps and 125 bps, respectively. Previously, standards were 35 bps target and 70 bps maximum.
- Private Real Estate: Target and Maximum standards increased to 100 bps and 200 bps, respectively. Previously, standards were 37.5 bps target and 75 bps maximum.
- Based on the methodology previously employed to develop the Performance Standards under the Plan a change to the Target and Maximum Performance Standards for the Entity Benchmark of the Total Endowment Fund and the Intermediate Term Fund is required. The Total Endowment Assets Target and Maximum Performance Standards would be increased to 75 bps and 150 bps, respectively. Previously, standards were 62.5 bps target and 125 bps maximum. The Intermediate Term Fund's Target and Maximum Performance Standards would be increased to 50 and 100 bps, respectively. Previously, standards were 37.5 bps target and 75 bps maximum.

Reference: Exhibit 1 – Proposed Changes to Weightings
Cambridge Associates LLC Memorandum
UTIMCO Compensation Program, Amended and Restated effective July 1, 2009

RESOLUTION REGARDING CORPORATIONS'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 2009-2010 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 2009/2010 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 2009/2010 Performance Period, effective as of July 1, 2009, as set forth in the document presented to the Board.

RESOLUTION RELATED TO AMENDMENTS TO THE UTIMCO COMPENSATION PROGRAM EFFECTIVE JULY 1, 2009

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

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed certain proposed amendments to the Plan incorporated into an Amended and Restated Plan, effective July 1, 2009 (the "Plan"), in the form previously provided to the Board; and

WHEREAS, the Committee approved the Amended and Restated Plan and made its recommendation to the Board that the Board approve and adopt the Amended and Restated Plan; and

WHEREAS, the Board has reviewed the Plan.

NOW, THEREFORE, be it:

RESOLVED, that the Board hereby approves and adopts the Amended and Restated Plan, effective as of the date stated therein, subject to the approval of the Board of Regents of The University of Texas System.

Exhibit 1- Proposed Changes to Weightings

Eligible Position	CURRENT Weighting			PROPOSED Weighting		
	Entity	Asset Class/ Investment Type	Individual	Entity	Asset Class/ Investment Type	Individual
		Investment Staff			***Investment Staff***	
CEO & Chief Investment Officer	60%	0%	40%	60%	0%	40%
President & Deputy CIO	30%	50%	20%	40%	40%	20%
Managing Director	25%	50%	25%	30%	40%	30%
Managing Director - Private Investments	25%	50%	25%	30%	30%	40%
Senior Director, Investment	20%	40%	40%	25%	35%	40%
Senior Portfolio Manager	20%	40%	40%	20%	40%	40%
Senior Director, Risk Management				30%	0%	70%
Portfolio Manager	20%	40%	40%	20%	40%	40%
Director, Investment	20%	40%	40%	20%	40%	40%
Director - Private Investments	20%	40%	40%	20%	30%	50%
Director, Risk Management	30%	0%	70%	30%	0%	70%
Senior Associate, Investment	15%	30%	55%	15%	35%	50%
Associate, Investment	15%	30%	55%	15%	30%	55%
Associate, Private Investments	15%	30%	55%	15%	20%	65%
Associate, Risk Management	30%	0%	70%	30%	0%	70%
Senior Analyst, Investment	10%	20%	70%	10%	20%	70%
Analyst, Investment	10%	20%	70%	10%	20%	70%
Analyst, Risk Management	30%	0%	70%	30%	0%	70%
		Operations/Support Staff			***Operations/Support Staff***	
Senior Managing Director	20%	0%	80%	20%	0%	80%
Managing Director	20%	0%	80%	20%	0%	80%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	0%	100%
Manager	20%	0%	80%	20%	0%	80%

C|A

CAMBRIDGE ASSOCIATES LLC

2001 Ross Avenue, Suite 3155
Dallas, Texas 75201
TEL 214.468.2800 FAX 214.468.2801
www.cambridgeassociates.com

Memorandum

To: Bruce Zimmerman, CEO
Erle Nye, Chair
The University of Texas Investment Management Company

From: Bruce Myers

Date: June 15, 2009

Re: Performance Standards for Incentive Compensation Plan

We have been asked to comment on the appropriateness of these metrics given the dramatic change in the risk and reward relationships that have occurred as a result of recent market movements. There are four key inputs that together lead to the specification of targets and maximums for compensation plan purposes. Those inputs are: the relevant asset allocation policy targets, the benchmarks that the Board has linked to those policy allocations, and the Targets and Maximums dictated by the compensation plan. We will take up each of these sequentially.

Asset Allocation Targets

As noted above, Exhibit A shows asset allocation targets, as well as the ranges around those targets, scheduled to take effect September of this year. Exhibit A reflects the policy benchmarks for the Permanent University Fund, but targets for the General Education Fund are identical. The policy allocations are, in effect, specified three ways: by asset class, by investment type, and by policy benchmark. We can only comment on the degree to which active management should be expected to outperform the policy benchmarks, since there is no empirical data with respect to the other categories. Policy targets for Fiscal Year 2010 are the relevant targets for the upcoming compensation plan year, and are reflected in our Summary Exhibit E.

Benchmarks

The lower half of Exhibit A specifies the proposed policy benchmarks. It reflects certain changes that were made by the Board to the benchmark indexes themselves over the last 12 months, as well as the name changes that have occurred in a couple of the Indexes themselves. We have reviewed these benchmarks at the request of UTIMCO staff and have no recommended changes to propose.

Performance Standards: Targets and Maximums

Exhibit B shows the targets and maximums currently specified by the Compensation Plan. Since both the benchmark index and the performance standards for the Hedge Fund allocation changed in January of 2009,

Exhibit B sets out the two sets of performance standards that will be used to calculate fiscal year 2009 performance.

In past years we have showed a range of 10 year returns for various traditional asset classes, as a way of demonstrating the reasonableness of the recommended performance standards. That information is included this year as Exhibit D. Additionally, however, we wanted to show the range of manager performance for those managers operating with mandates utilizing the same benchmarks that UTIMCO uses. That information is set out in Exhibit C. While we feel the data in Exhibit C is arguably the better comparison, we are mindful of the fact that in certain asset classes the number of managers whose benchmark is precisely the same one that UTIMCO uses can be quite small. The Commodities and Natural Resources category is the clearest example of this.

So while we paid particular attention to the results of Exhibit C, we were mindful of the broader universes contained in some of the Exhibit D categories as well. Overlaying both was a qualitative assessment on our part (described below).

Recommendations

Exhibit E sets out our recommendations with respect to the Targets and Maximum for the compensation plan. Once again, the Policy benchmarks are those specified by current policy and we are not recommending any changes to those benchmarks. The Policy allocations shown are, again, the asset allocation targets under the current policy for the upcoming fiscal year. As designed by Mercer, the target for each policy benchmark is one-half that of the maximum in all cases except the entity level target.

Because of the variability over time of both asset class returns and degrees of manager over or underperformance, we are mindful of the fact that quantitative analysis of past performance is helpful but that "correct" targets and maximums will be the result of judgment and intuition as much as anything else.

In reviewing the targets and maximums we sought targets and maximums that were reasonable on three different levels:

- ***Reasonable*** with respect to the historical performance of managers within that asset class, and to our assessment of the degree of inefficiency in that portion of the financial markets.

- ***Reasonable*** with respect to each other. The relationships between public and private equity, equity and fixed income, emerging markets and developed markets were assessed so as to construct a recommendation that we felt was internally consistent.

- ***Reasonable*** with respect to entity outperformance. The weighted average of maximums sums approximately to the entity level outperformance maximum. This is not true of the weighted average of the targets, which by definition are always half of the maximum. You will recall that the Compensation Committee and the UTIMCO Board both agreed that an entity target slightly higher than the weighted average of the individual benchmark targets was appropriate.

Conclusion

As noted above, these are imprecise estimates and good arguments can be made for slightly higher or lower targets and maximums in every asset class. While we believe these estimates to be reasonable, we are not wedded to them, and would welcome any questions or concerns you might have. Notwithstanding the reasonableness factors noted above, our experience is that the best solutions are most likely to result from an ongoing dialog between consultant, staff, and Board.

DRAFT *

EXHIBIT A - PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2009

POLICY PORTFOLIO	FYE 2010		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	2.5%	4.5%	10.0%
Natural Resources	5.0%	9.0%	20.0%
Developed Country Equity	25.0%	52.5%	60.0%
Emerging Markets Equity	5.0%	19.0%	30.0%
<u>Investment Types</u>			
More Correlated & Constrained	30.0%	48.5%	60.0%
Less Correlated & Constrained	20.0%	30.0%	40.0%
Private Investments	15.0%	21.5%	35.0%

*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 2010
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	3.5%
50% Dow Jones-UBS Commodity Total Return and 50% MSCI World Natural Resources Index	5.5%
MSCI World Index with net dividends	19.0%
MSCI Emerging Markets with net dividends	13.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.5%
NACREIF Custom Index	1.0%

POLICY/TARGET RETURN/RISKS	FYE 2010
Expected Annual Return (Benchmarks)	8.86%
One Year Downside Deviation	9.05%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

* Exhibit A has been updated based on UTIMCO staff's recommendations and is pending approval by the UTIMCO Board and the UT System Board of Regents. Staff will request approval of the amended PUF Investment Policy Statement at upcoming UTIMCO Board and UT System Board of Regents' meetings.

EXHIBIT B

(7/1/08 through 12/31/08)

		Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF			
Asset Class/Investment Type	Benchmark	(% of Portfolio)	(% of Portfolio)	Threshold	Target	Maximum
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
Developed 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

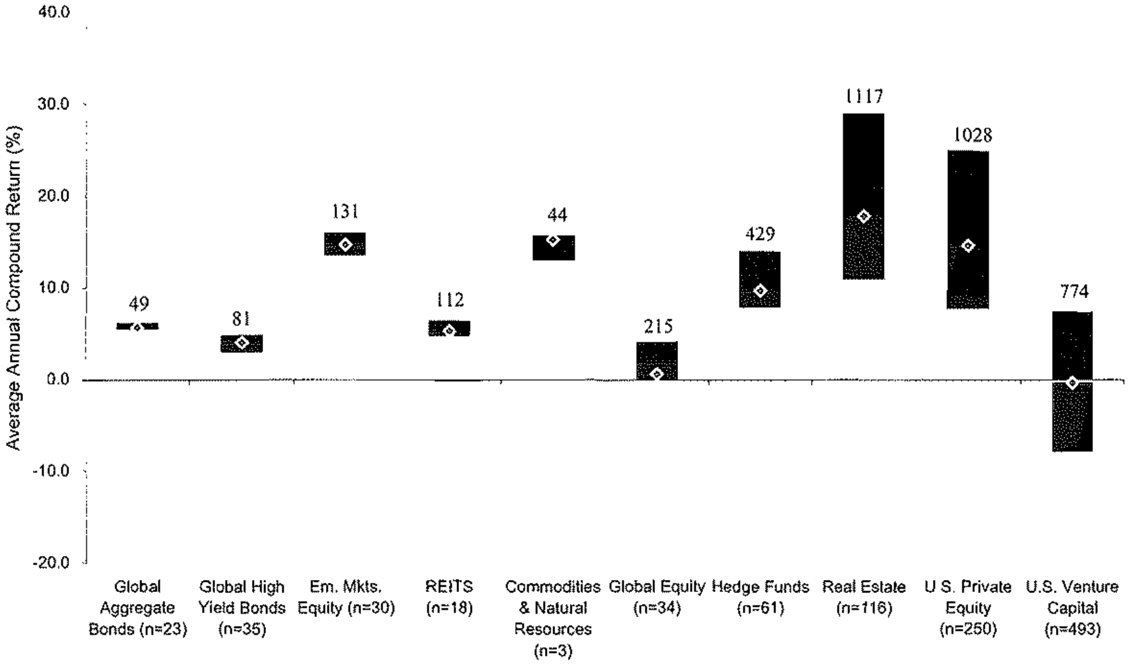
(1/1/09 through 6/30/09)

		Policy Portfolio Weights		Performance Standards		
		Total Endowment	ITF			
Asset Class/Investment Type	Benchmark	(% of Portfolio)	(% of Portfolio)	Threshold	Target	Maximum
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+62.5 bps	+125 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+37.5 bps	+75 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.0%	33.0%	+0 bps	+12.5 bps	+25 bps
Credit-Related Fixed Income	Barclays Capital 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
Developed 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)	Hedge Fund Research Indices Fund of Funds Composite Index	33.0%	25.0%	+0 bps	+75 bps	+150 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	17.0%	0%	+0 bps	+100 bps	+200 bps
Private Investments Real Estate	NACRIEF Custom Index	1.0%	0%	+0 bps	+37.5 bps	+75 bps
Specific asset class benchmark:						
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+12.5 bps	+25 bps

EXHIBIT C

COMPARATIVE ASSET CLASS MANAGER RETURNS
April 1, 1999 - March 31, 2009

U.S. Dollar ($) Denominated



	Global Aggregate Bonds	Global High Yield Bonds	Em. Mkts. Equity	REITS	Commodities & Natural Resources	Global Equity	Hedge Funds	Real Estate	U.S. Private Equity	U.S. Venture Capital
5th Percentile	7.15	6.18	17.48	8.41	16.07	5.62	20.11	49.04	47.84	27.48
25th Percentile	6.17	4.82	16.06	6.42	15.72	2.79	13.97	29.01	24.96	7.39
Median	5.68	4.01	14.75	5.30	15.28	0.64	9.68	17.85	14.68	-0.36
75th Percentile	5.53	3.01	13.59	4.83	13.09	-1.33	7.89	11.02	7.76	-7.84
95th Percentile	4.81	1.60	12.01	4.04	11.33	-3.09	4.96	1.88	-7.74	-22.05
25th% - Median	0.49	0.81	1.31	1.12	0.44	2.15	4.29	11.17	10.28	7.74
Indices	5.22	4.96	10.36	4.03	6.93	-2.24	5.01	9.37	---	---

Sources: Cambridge Associates LLC Investment Manager Database and Cambridge Associates LLC Non-Marketable Alternative Assets Database.

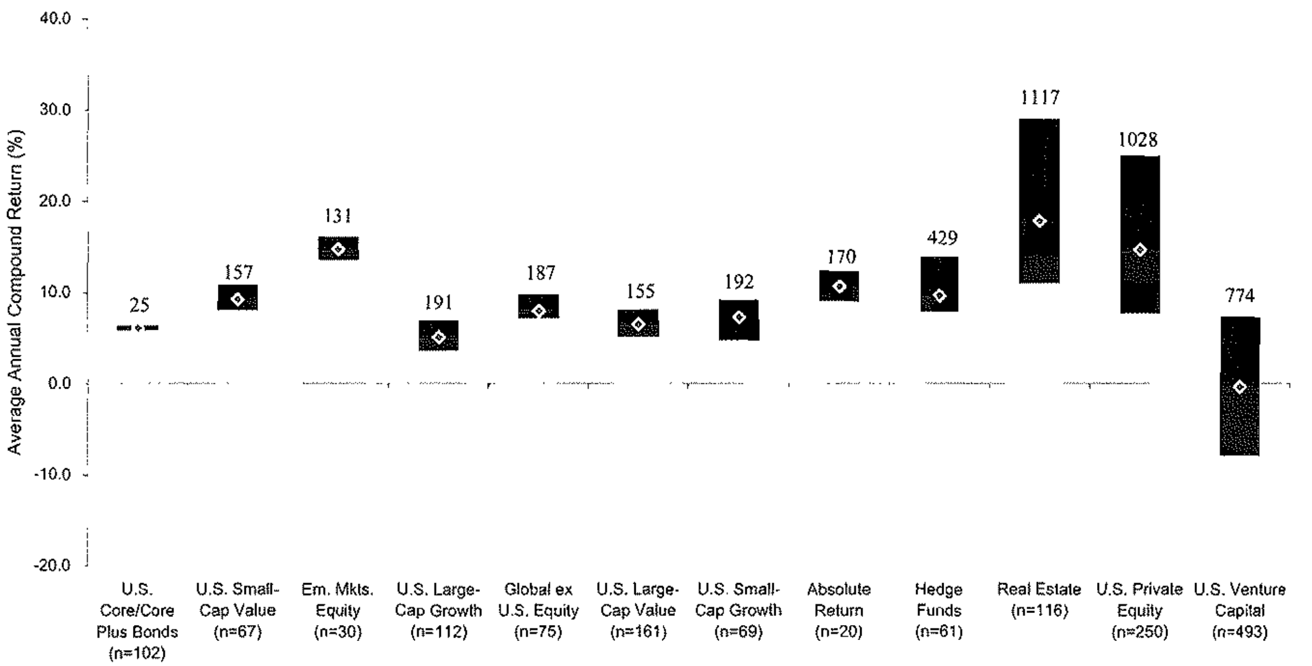
Notes: This graph shows the difference in average annual compound return between the top quartile (i.e., 25th percentile), the median (i.e., 50th percentile) and the 75th percentile managers for each asset class. Numbers on the graph represent the difference between the median and top quartile. U.S. Venture Capital, U.S. Private Equity and Real Estate returns represent (net IRRs net to limited partners) the median and top quartile of mature funds (vintage years 1998 through 2003). U.S. Private Equity, U.S. Venture Capital and Real Estate data are from the Cambridge Associates LLC U.S. Private Equity Index® and Benchmark Statistics, Cambridge Associates LLC U.S. Venture Capital Index® and Benchmark Statistics, and Cambridge Associates LLC Real Estate Index® and Benchmark Statistics as of September 30, 2008. Data are based on managers with a minimum of $50 million in assets.

The following Indices have been used as benchmarks for the asset class average annual compound returns: Global Aggregate Bonds-BC Global Aggregate Bond Index; Global High Yield Bonds - BC Global High Yield Bond Index; Emerging Markets Equity - MSCI Emerging Markets Index (NET); REITS - FTSE EPRA/NAREIT Developed Real Estate Index; Commodities & Natural Resources - 50% Dow Jones-UBS Commodity Index Total Return/ 50% MSCI World Natural Resources Index ; Global Equity - MSCI World Index (NET); Hedge Funds - Hedge Fund Research Indices Fund of Funds Composite Index; Real Estate - NCREIF Property Index.

EXHIBIT D

COMPARATIVE ASSET CLASS MANAGER RETURNS
April 1, 1999 - March 31, 2009

U.S. Dollar ($) Denominated



	U.S. Core/Core Plus Bonds	U.S. Small-Cap Value	Em. Mkts. Equity	U.S. Large-Cap Growth	Global ex U.S. Equity	U.S. Large-Cap Value	U.S. Small-Cap Growth	Absolute Return	Hedge Funds	Real Estate	U.S. Private Equity	U.S. Venture Capital
5th Percentile	6.91	12.52	17.48	9.68	13.08	11.32	12.26	14.99	20.11	49.04	47.84	27.48
25th Percentile	6.37	10.82	16.06	6.99	9.83	8.10	9.18	12.36	13.97	29.01	24.96	7.39
Median	6.12	9.25	14.75	5.08	7.96	6.55	7.26	10.66	9.68	17.85	14.68	-0.36
75th Percentile	5.92	8.10	13.59	3.64	7.23	5.25	4.77	9.06	7.89	11.02	7.76	-7.84
95th Percentile	5.51	6.53	12.01	0.75	5.54	3.43	2.79	6.96	4.96	1.88	-7.74	-22.05
25th% - Median	0.25	1.57	1.31	1.91	1.87	1.55	1.92	1.70	4.29	11.17	10.28	7.74
Indices	6.04	7.46	12.53	1.28	6.18	5.54	1.75	---	5.01	9.37	---	---

Sources: Cambridge Associates LLC Investment Manager Database and Cambridge Associates LLC Non-Marketable Alternative Assets Database.

Notes: This graph shows the difference in average annual compound return between the top quartile (i.e., 25th percentile), the median (i.e., 50th percentile) and the 75th percentile managers for each asset class. Numbers on the graph represent the difference between the median and top quartile. U.S. Venture Capital, U.S. Private Equity and Real Estate returns represent (net IRRs net to limited partners) the median and top quartile of mature funds (vintage years 1998 through 2003). U.S. Private Equity, U.S. Venture Capital and Real Estate data are from the Cambridge Associates LLC U.S. Private Equity Index® and Benchmark Statistics, Cambridge Associates LLC U.S. Venture Capital Index® and Benchmark Statistics, and Cambridge Associates LLC Real Estate Index® and Benchmark Statistics as of September 30, 2008. Data are based on managers with a minimum of $50 million in assets.

The following Indices have been used as benchmarks for the asset class average annual compound returns: U.S. Core/Core Plus Bonds - BC Aggregate Bond Index; U.S. Small Cap Value - Russell 2000 Value Index; Emerging Markets Equity - MSCI Emerging Markets Index; U.S. Large Cap Growth - Russell 1000 Growth Index; Global ex U.S. Equity - MSCI EAFE Index; U.S. Large-Cap Value - Russell 1000 Value Index; U.S. Small Cap Growth - Russell 2000 Growth Index; Hedge Funds - Hedge Fund Research Indices Fund of Funds Composite Index; Real Estate - NCREIF Property Index.

EXHIBIT E

Recommended Maximums to be Associated with Policy Benchmarks

Policy Benchmark	Fiscal 2010 Policy Allocation	Threshold	Target (bps)	Maximum (bps)
Barclays Capital Global Aggregate Bond Index	7.5%	0 bps	25.0	50.0
Barclays Capital Global High Yield Bond Index	0.0%	0 bps	37.5	75.0
FTSE EPRA/NAREIT Developed Real Estate Index	3.5%	0 bps	50.0	100.0
50% Dow Jones-UBS Commodity Index + 50% MSCI World Natural Resources Index	5.5%	0 bps	50.0	100.0
MSCI World/+ Net Divs. Index	19.0%	0 bps	62.5	125.0
MSCI EM/+ Net Divs. Index	13.0%	0 bps	75.0	150.0
HFR Fund of Funds Composite Index	30.0%	0 bps	75.0	150.0
Venture Economics Custom Benchmark	20.5%	0 bps	100.0	200.0
NACREIF Custom Index	1.0%	0 bps	100.0	200.0
Weighted Average			72.0	144.0
Entity Level Outperformance Specified by Plan			75 bps	150 bps
Intermediate Term Target Performance			50 bps	100 bps

Note: Exhibit E includes UTIMCO staff's recommendations related to changes in the names of Policy Benchmarks and proposed Fiscal 2010 Policy Allocations. UTIMCO staff will request approval for these investment policy changes from the UTIMCO Board and UT System Board of Regents at their respective upcoming meetings.

Draft June 24, 2009 Subject to Review by Andrews Kurth LLP Tax Counsel

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO
COMPENSATION PROGRAM

Amended and Restated
Effective July 1, 2009~~8~~

TABLE OF CONTENTS

1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

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

Base Salary	+	Performance Incentive	=	Total Compensation

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

Effective Date: Except as provided in Section 7.9, this document, with an "Effective Date" of July 1, 2009~~8~~, supersedes the UTIMCO Compensation Program that was effective July 1, 2008~~7~~.

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 individual performance is outstanding; provided that if individual performance is outstanding at the end of a Performance Period when endowment investment performance exceeds 20%, maximum total compensation (salary plus maximum Incentive Award Opportunity modified when Net Returns on Total Endowment Assets exceed 20%) for Affected Participants is targeted at the 90th percentile. (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

(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.

(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/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 ~~t~~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 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 ~~t~~Termination of such employee's employment with UTIMCO for any reason (including ~~v~~Voluntary Termination and ~~i~~Involuntary ~~t~~Termination, death, and ~~d~~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/Investment Type Performance (measured as described in Section 5.8(b))

(3) Qualitative Performance (measured as described in Section 5.8(c))

Except for the CEO and CCO, 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. 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 when it considers the 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, 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 or, pursuant to Section 5.11(c) Net Returns of the Total Endowment Assets are below a negative 14.01% at the end of the Performance Period for which Performance Incentive Awards are being determined) to the maximum Incentive Award Opportunity (if a Participant performs at or above maximum on all Performance Goals) depending on performance relative to objectives; provided that, pursuant to Section 5.11(d), actual Performance Incentive Awards for Affected Participants may exceed the maximum Incentive Award Opportunity if the Net Returns of the Total Endowment Assets exceed a positive 20.0% at the end of the Performance Period for which Performance Incentive Awards are being determined. 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 Qualitative Performance Goals and each Participant's Incentive Award Opportunity; provided that, Performance Incentive Awards of Affected Participants will be (i) increased if the Net Returns of the Total Endowment Assets exceed a positive 20.0% at the end of the Performance Period for which Performance Incentive Awards are being determined and (ii) decreased if the Net Returns of the Total Endowment Assets are below a negative 5.0% at the end of the Performance Period for which Performance Incentive Awards are being determined, all pursuant to Section 5.11. 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

Except as provided in Sections 5.11 and 5.12, Approved Performance Incentive Awards will be paid as follows:

(a) ~~Seventy percent of~~ Subject to the Applicable Deferral Percentage of an Eligible Position as documented in Table 1, which is attached as Appendix C, 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~~ An amount of the Performance Incentive Award for an Eligible Position equal to the Applicable Deferral Percentage set forth on Table 1 ~~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. Table 1 will be revised each Performance Period to set forth any Applicable Deferral Percentage for each Eligible Position as soon as administratively practicable after approval of the deferral percentages by the Board for such Performance Period and such revised Table 1 will be attached as Appendix C.

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~~whose Nonvested Deferred Award has been forfeited pursuant to Section 5.10(a) or Section 5.12 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~~ Unless a Participant's Nonvested Deferred Award has been forfeited pursuant to Section 5.10(a) or Section 5.12, such 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).

(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 2 on Appendix D. Performance standards related to the ITF for each Performance Period beginning after June 30, 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 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 developed country, private 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. The benchmarks for each asset class and investment type, as well as threshold, target, and maximum performance standards in effect during the three-year rolling historical period, culminating with the current~~for the~~ Performance Period, ~~beginning July 1, 2006, is~~ are set forth on Table 2, which is attached as Appendix D. Table 2 will be revised, as necessary, for subsequent Performance Periods to reflect new ~~The~~ benchmarks, ~~for each asset class and investment type~~ as well as threshold, target, and maximum performance standards, in effect during the three-year rolling historical period, culminating with the subsequent Performance Period,~~for Performance Periods beginning after June 30, 2009, will be set forth in a revised table for each such Performance Period~~ in which event, such revised table will be attached as Appendix D as soon as administratively practicable after the change in such benchmarks and standards necessitating such change are set.~~, and such revised table will be attached as Appendix D.~~

(2) Performance for private investments 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 private investments is determined based on the performance of partnership commitments made 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) Qualitative Performance

(1) The level of a Participant's 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 Qualitative Performance Goals for the Performance Period.

(2) For purposes of determining the level of attainment of each Participant's 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 Qualitative Performance Goals for that Performance Period, threshold level if he or she successfully completes 50% of his or her Qualitative Performance Goals for that Performance Period, target level if he or she successfully completes 75% of his or her Qualitative Performance Goals for that Performance Period, and maximum level if he or she successfully completes 100% of his or her 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 Qualitative Performance Goals, the CEO, and in the case of the CCO, the Audit and Ethics Committee (in 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 Qualitative Performance Goals successfully completed but may take into account the varying degrees of importance of the Qualitative Performance Goals, changes in the Participant's employment duties occurring after the 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 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.

~~(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 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 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.~~

(b~~c~~) For purposes of measuring Entity and Asset Class/Investment Type Performance, the three-year historical performance cycle will not be utilized for any specific asset class and investment type (or subset of an asset class and investment type) until that asset class and investment type (or subset of that 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 and investment type (or subset of that asset class and investment type) while part of the Performance Incentive Plan will be used as the measurement period.

(~~d~~c) For purposes of measuring Entity and Asset Class/Investment Type Performance of an asset class and investment type (or subset of an 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 and investment type (or subset of an asset class and investment type), but instead the actual number of full months that the removed 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~~d) For purposes of measuring Asset Class/Investment Type Performance for a particular Participant of an asset class and investment type (or subset of an 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 (or subset of an asset class and investment type), but instead the actual number of full months that the removed or added 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/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 ~~t~~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 such Participant's Voluntary ~~t~~Termination ~~of employment with UTIMCO~~or Involuntary Termination for Cause. Further, upon Involuntary Termination for reasons other than Cause, the amount in the Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected by UTIMCO and in no event later than the last day of the calendar year in which such Termination occurs.

(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 ~~t~~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.

5.11 Extraordinary Circumstances.

Notwithstanding anything in this Plan to the contrary, the timing and amount of Performance Incentive Awards of each Participant holding an Eligible Position listed on Table 3, which is attached as Appendix E (each, an "Affected Participant"), are subject to automatic adjustment as follows:

(a) If the Net Returns of the Total Endowment Assets are negative at the end of the Performance Period for which Performance Incentive Awards are being determined, (i) an amount otherwise equal to the Paid Performance Incentive Award attributable to such Performance Period for each Affected Participant will be treated as an "Extraordinary Nonvested Deferral Award" for such Affected Participant that is subject to forfeiture in the same manner and for the same reasons as Nonvested Deferral Awards pursuant to Section 5.10(a), (ii) a separate hypothetical account for such Affected Participant will be established on UTIMCO's books ("Extraordinary Nonvested Deferral Award Account"), which will be (1) credited with such Affected Participant's Extraordinary Nonvested Deferral Award and (2) credited (or debited) monthly with Net Returns of the Total Endowment Assets on the same dates and in the same manner as applies to Nonvested Deferral Award Accounts pursuant to Section 5.7(a), and (iii) unless such Affected Participant's Extraordinary Nonvested Deferral Award has been forfeited pursuant to Section 5.10(a) or Section 5.12, such Affected Participant will become vested in, and entitled to payment of, the amount of his or her Extraordinary Nonvested Deferral Award Account on the first anniversary of the last day of such Performance Period; provided that upon the death, Disability or Involuntary Termination of an Affected Participant for reasons other than Cause, the amount in the Extraordinary Nonvested Deferral Award Account of such Affected Participant will vest immediately and be paid (to the Affected Participant or, in the case of death, to the estate or designated beneficiaries of the deceased Affected Participant) on a date selected by UTIMCO and in no event later than the last day of the calendar year in which such Termination occurs; provided, further, that nothing in this clause (a) shall affect the vesting and payment of Nonvested Deferral Awards to any Affected Participant;

(b) If the Net Returns of the Total Endowment Assets since the end of the Performance Period for which Performance Incentive Awards are being determined are a negative 10.00% or below (measured as of the most recent month-end for which performance data are available) on the date the Board approves the Performance Incentive Award for an Affected Participant, an amount otherwise equal to such Affected Participant's Paid Performance Incentive Award attributable to such Performance Period will also be treated as an "Extraordinary Nonvested Deferral Award" for such Affected Participant that is subject to clause (a) above; provided that nothing in this clause (b) shall affect the vesting and payment of Nonvested Deferral Awards to any Affected Participant;

(c) If the Net Returns of the Total Endowment Assets at the end of the Performance Period for which Performance Incentive Awards are being determined are below a negative 5.00%, the Performance Incentive Award for each Affected Participant for that Performance Period (calculated pursuant to Section 5.5 above) will be reduced by 10% for each percentage point (or portion thereof) of Net Returns below a negative 5.00%, such that the Performance Incentive Award for each such Affected Participant will be eliminated in the event of negative Net Returns below 14.00% (e.g., negative Net Returns of 5.01% will result in the Performance Incentive Award for such Affected Participant being reduced by 10%, negative Net Returns of 6.01% will result in the Performance Incentive Award for such Affected Participant being reduced by 20%, and so forth);

(d) If the Net Returns of the Total Endowment Assets at the end of the Performance Period for which Performance Incentive Awards are being determined are in excess of a positive 20.00%, the Performance Incentive Award for each Affected Participant for that Performance Period (calculated pursuant to Section 5.5 above) will be increased by 10% for each percentage point (or portion thereof) of positive Net Returns in excess of 20.00% (subject to an overall increase limit of 100%), such that the increase in Performance Incentive Award for such Affected Participant will be capped at 100% for positive performance in excess of 29.00% (e.g., positive Net Returns of 20.01% will result in the Performance Incentive Award for such Affected Participant being increased by 10%, positive Net Returns of 21.01% will result in the Performance Incentive Award for such Affected Participant being increased by 20%, and so forth); and

(e) Table 3, which is attached as Appendix E, will be revised each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to clauses (a)-(d) above as soon as administratively practicable after approval by the Board and such revised Table 3 will be attached as Appendix E.

5.12. Recovery of Performance Incentive Awards

Notwithstanding anything in this Plan to the contrary, if the Board (in its sole discretion, but acting in good faith) determines (a) that a Participant has engaged in willful misconduct that materially disrupts, damages, impairs or interferes with the business, reputation or employee relations of UTIMCO or The University of Texas System, such Participant will not be entitled to any Performance Incentive Awards for the Performance Periods during which the Board determines such misconduct occurred, or (b) that a Participant has engaged in fraudulent misconduct that caused or contributed to a restatement of the investment results upon which such Participant's Performance Incentive Awards were determined by knowingly falsifying any financial or other certification, knowingly providing false information relied upon by others in a financial or other certification, or engaging in other fraudulent activity, or knowingly failing to report any such fraudulent misconduct by others in accordance with UTIMCO's Employee Handbook, such Participant will not be entitled to any Performance Incentive Awards for the Performance Periods for which investment results were so restated. To the extent a Participant has been awarded Performance Incentive Awards to which he or she is entitled as a result of clause (a) or (b) above, Performance Incentive Awards shall be recovered by UTIMCO pursuant to the following remedies in the order listed: first, such Participant's Nonvested Deferred Awards and Extraordinary Nonvested Deferred Awards will be automatically forfeited; second, any Paid Performance Incentive Award not then paid to such Participant will be withheld and automatically forfeited; and third, such Participant must return to UTIMCO the remaining excess amount. Recovery of Performance Incentive Awards to which a Participant is not entitled pursuant to this Section 5.12 does not constitute a settlement of other claims that UTIMCO may have against such Participant, including as a result of the conduct giving rise to such recovery. Further, the remedies set forth above are in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

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 and Extraordinary Nonvested Deferred Award Account 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 Compensation Program 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. **Affected Participant** is defined in Section 5.11.

8.2. **Applicable Deferral Percentage** means, as to each Eligible Position, the percentage set forth opposite such Eligible Position under the heading "Percentage of Award Deferred" on Table 1, which is attached as Appendix C.

~~8.1.~~8.3. **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 developed country, private investments, etc.) based on the standards set forth in Section 5.8(b).

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

~~8.2.~~8.5. **Cause** means, as to any employee, that such employee has committed (as determined by UTIMCO in its sole discretion) any of the following: (1) a violation of any securities law or any other law, rule or regulation; (2) willful conduct that reflects negatively on the public image of UTIMCO or the U.T. System; or (3) a breach of UTIMCO's Code of Ethics.

~~8.3.~~8.6. **Compensation Committee** is the Compensation Committee of the UTIMCO Board of Directors.

~~8.4.~~8.7. **Compensation Program** is defined in Section 1.

~~8.5.~~8.8. **Disability** means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.

~~8.6.~~8.9. **Effective Date** is defined in Section 1.

~~8.7.~~8.10. **Eligible Position** is defined in Section 5.3(a).

~~8.8.~~8.11. **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)).

8.12. **Extraordinary Nonvested Deferral Award** is defined in Section 5.11.

8.13. **Extraordinary Nonvested Deferral Award Account** is defined in Section 5.12.

~~8.9.~~8.14. **Incentive Award Opportunity** is defined in Section 5.5(a).

~~8.10.~~8.15. **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.

8.16. 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 and investment type multiplied by the benchmark return for the asset class and investment type) for the various asset classes and investment types in the Intermediate Term Fund policy portfolio for the Performance Period.

~~8.11.~~**8.17. Involuntary Termination** means, as to any person the Termination of such person's employment with UTIMCO wholly initiated by UTIMCO and not due to such person's implicit or explicit request, at a time when such person is otherwise willing and able to continue to perform services for UTIMCO.

~~8.12.~~**8.18. 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.~~**8.19. Nonvested Deferred Award** is defined in Section 5.6(b).

~~8.14.~~**8.20. Nonvested Deferred Award Account** is defined in Section 5.7(a).

~~8.15.~~**8.21. Paid Performance Incentive Award** is defined in Section 5.6(a).

~~8.16.~~**8.22. Participant** is defined in Section 5.3(a).

~~8.17.~~**8.23. 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 $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 will be updated from time to time as deemed appropriate by the Board, and Appendix B will be amended accordingly.

~~8.18.~~**8.24. Performance Goals** are defined in Section 5.4.

~~8.19.~~**8.25. 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.~~8.26. **Performance Incentive Plan** is as defined in Section 1 and described more fully in Section 5.

~~8.21.~~8.27. **Performance Measurement Date** is the close of the last business day of the month.

~~8.22.~~8.28. **Performance Period** is defined in Section 5.2.

~~8.23.~~8.29. **Prior Plan** is defined in Section 7.9.

~~8.24.~~8.30. **Salary Structure** is described in Section 4.1.

8.31. **Termination** means, as to any person, a complete severance of the relationship of employer and employee between UTIMCO and such person.

~~8.25.~~8.32. **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.

8.33. **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 and investment type multiplied by the benchmark return for the asset class and investment type) for the various asset classes and investment types in the Total Endowment Assets policy portfolio for the Performance Period.

8.34. **Voluntary Terminations** means, as to any person, the Termination of such person's employment with UTIMCO not resulting from an Involuntary Termination.

Appendix A

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

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

Step 1. Identify the weights to be allocated to each of the three Performance Goals for each Participant's Eligible Position. The weights vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. The total of the weights ascribed to the three Performance Goals must add up to 100% for each Participant. For example, Table 1 on Appendix C may reflect for a Performance Period for the CEO that the weight allocated to the Entity Performance Goal is 60%, the weight allocated to the Asset Class/Investment Type Performance Goal is 0%, and the weight allocated to the Individual Performance Goal is 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 50% of his or her base salary for achievement of Threshold level performance of all three Performance Goals, 100% of his or her base salary for achievement of Target level performance of all three Performance Goals, and 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 $575,000 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 $287,500 (50% of his or her base salary) if he or she achieves Threshold level performance of all three Performance Goals, $575,000 (100% of his or her base salary) if he or she achieves

[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.

Target level performance of all three Performance Goals, and $1,150,000 (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 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%)).

Step 5. After Steps #3 and #4 above are performed for each of the three levels of performance for each of the three Performance Goals, there will be 12 different Incentive Award Opportunities for each Participant. For example, for the CEO (based on an assumed base salary of $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 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 $575,000)

Performance Goal	Weight	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (TEA v. TEA Policy Portfolio Return	.51% (.85 x .60)	$146,625	$293,250	$586,500
Entity (ITF v. ITF Policy Portfolio Return)	9.0% (.15 x .60)	$25,875	$51,750	$103,500
Asset Class/Investment Type	0%	$0	$0	$0
Qualitative	40%	$115,000	$230,000	$460,000
Total	100%	$287,500 (50% of salary)	$575,000 (100% of salary)	$1,150,000 (200% of salary)

II. Calculate Performance Incentive Award for Each Participant[2]

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/Investment Type Performance Goals are set forth in the table for the applicable Performance Period as set forth on Appendix D. The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the 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 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 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

[2] In the event that the Net Returns of the Total Endowment Assets at the end of the Performance Period for which Performance Incentive Awards are being determined are below a negative 14.0%, steps 6 through 14 need not be followed with respect to Affected Participants when calculating Performance Incentive Awards for that Performance Period.

above). An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if +100 bps of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal has been achieved, that +100 bps is between the Target (+75bps) and the Maximum (+150bps) levels, so to determine the amount of the award attributable to +100 bps of achievement 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 $293,250 ($586,500-$293,250)); (ii) divide 25 (the bps difference between the Target level of +75 bps and the attained level of +100 bps) by 75 (the bps difference between the Target level and Maximum level) to get the fraction 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) ($293,250 x 25/75 = $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 ($97,750 + $293,250 = $391,000).

Step 9. In determining the 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 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 and investment type for which such Participant is responsible by comparing the actual performance to the appropriate benchmark for the asset class and investment type; then, the award is calculated for the determined level of achievement for each such asset class and investment type by multiplying the award commensurate with the level of achievement by the weight assigned to the 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 and investment type relative to the total assets under such Participant's responsibility); then, each determined award for a separate asset class and investment type is multiplied by the weight for that asset class and investment type; and, finally, the weighted awards are totaled to produce the Participant's award attributable to Asset Class/Investment Type Performance.

Step 10. In determining the award attributable to the Entity Performance Goal, achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 85% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the 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 $575,000, if the CEO achieved the Target level (+75 bps) of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, and achieved the Maximum level (+100 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of $396,750 for his or her level of achievement of the Entity Performance Goal as follows: $293,250 for Target level of achievement of the TEA benchmark portion of the TEA portion of Entity Performance Goal (.85 x .60 x $575,000) plus $103,500 for Maximum level of achievement of the ITF portion of the Entity Performance Goal (.15 x .60 x $1,150,000).

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.

Step 14. In the case of any Affected Participant, such Affected Participant's Performance Incentive Award calculated pursuant to Steps #1 through #13 above shall be multiplied by the appropriate factor set forth in the following charges:

When Net Returns of Total Endowment Assets are below negative 5.0%:

Actual Negative Net Returns (Rounded to Nearest One-Hundredth Decimal)	Factor
5.01 - 6.00	.9
6.01 - 7.00	.8
7.01 - 8.00	.7
8.01 - 9.00	.6
9.01 - 10.00	.5
10.01 - 11.00	.4
11.01 - 12.00	.3
12.01 - 13.00	.2
13.01 - 14.00	.1
14.01 and Below	.0

When Net Returns of Total Endowment Assets are in excess of positive 20.0%:

Actual Positive Net Returns (Rounded to Nearest One-Hundredth Decimal)	Factor
20.01 - 21.00	1.1
21.01 - 22.00	1.2
22.01 - 23.00	1.3
23.01 - 24.00	1.4
24.01 - 25.00	1.5
25.01 - 26.00	1.6
26.01 - 27.00	1.7
27.01 - 28.00	1.8
28.01 - 29.00	1.9
29.01 and Above	2.0

SUBJECT TO CHANGE

Appendix B

UTIMCO Peer Group

- Columbia University
- Cornell University
- Emory University
- Harvard University
- Massachusetts Institute of Technology
- Northwestern University
- Princeton University
- Rice University
- Stanford University
- The Duke Endowment
- University of California
- University of Chicago
- University of Michigan
- University of Notre Dame
- University of Pennsylvania
- University of Virginia Investment Management Company
- Vanderbilt University
- Washington University in St. Louis
- Yale University

Source: Cambridge Associates. Represents endowment funds (excluding the Total Endowment Assets) 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 fiscal year end June 2006, 2007, 2008.

Appendix C

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

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

Eligible Position	Weighting: Entity	Weighting: Asset Class/ Investment Type	Weighting: Individual	Incentive Award Opportunity (% of Salary): < Threshold	Threshold	Target	Maximum
		Investment Professionals					
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 Director, Investment	20%	40%	40%	0%	25%	50%	100%
Senior Portfolio Manager	20%	40%	40%	0%	25%	50%	100%
Portfolio Manager	20%	40%	40%	0%	25%	50%	100%
~~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%
		Operations/Support Professionals					
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%

TABLE 1 (For the Performance Periods beginning after June 30, 2009)

Eligible Position	Weighting: Entity	Weighting: Asset Class/ Investment Type	Weighting: Individual	Incentive Award Opportunity (% of Salary): < Threshold	Threshold	Target	Maximum	Percentage of Award Deferred
		Investment Professionals						
CEO & Chief Investment Officer	60%	0%	40%	0%	0%	100%	200%	50%
President & Deputy CIO	40%	40%	20%	0%	0%	95%	190%	50%
Managing Director	30%	40%	30%	0%	0%	85%	170%	40%
Managing Director - Private Investments	30%	30%	40%	0%	0%	85%	170%	40%
Senior Director, Investments	25%	35%	40%	0%	0%	60%	120%	35%
Senior Portfolio Manager	20%	40%	40%	0%	0%	60%	120%	35%
Senior Director, Risk Management	30%	0%	70%	0%	0%	50%	100%	35%
Portfolio Manager	20%	40%	40%	0%	0%	50%	100%	30%
Director, Investments	20%	40%	40%	0%	0%	50%	100%	30%
Director - Private Investments	20%	30%	50%	0%	0%	50%	100%	30%
Director, Risk Management	30%	0%	70%	0%	0%	40%	80%	30%
Senior Associate, Investments	15%	35%	50%	0%	0%	40%	80%	20%
Associate, Investments	15%	30%	55%	0%	0%	35%	70%	15%
Associate - Private Investments	15%	20%	65%	0%	0%	35%	70%	15%
Associate, Risk Management	30%	0%	70%	0%	0%	35%	70%	15%
Senior Analyst, Investments	10%	20%	70%	0%	0%	30%	60%	0%
Analyst, Investments	10%	20%	70%	0%	0%	25%	50%	0%
Analyst, Risk Management	30%	0%	70%	0%	0%	25%	50%	0%
	Operations/Support Professionals							
Senior Managing Director	20%	0%	80%	0%	0%	60%	120%	40%
Managing Director	20%	0%	80%	0%	0%	50%	100%	30%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	0%	50%	100%	30%
Manager	20%	0%	80%	0%	0%	40%	80%	25%

Appendix D

Benchmarks for 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)

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

Asset Class	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>$1 B assets)	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+32.5 bps	+65 bps
US Public Equity	Russell 3000 Index	20%	15%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	5%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	5%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	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 2 (7/1/07 through 6/30/08)

Asset Class	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>$1 B assets)	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (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 through12/31/08)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: 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
Developed 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

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

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights: Total Endowment (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+62.5 bps	+125 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+37.5 bps	+75 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.0%	33.0%	+0 bps	+12.5 bps	+25 bps
Credit-Related Fixed Income	Barclays Capital 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
Developed 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)	Hedge Fund Research Indices Fund of Funds Composite Index	33.0%	25.0%	+0 bps	+75 bps	+150 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	17.0%	0%	+0 bps	+100 bps	+200 bps
Private Investments Real Estate	NACRIEF Custom Index	1.0%	0%	+0 bps	+37.5 bps	+75 bps
Specific asset class benchmark:						
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+12.5 bps	+25 bps

UPDATED TABLE 2 (7/1/09 through 6/30/10)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: 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	Barclays Capital Global Aggregate Index	7.5%	30.0%	+0 bps	+25 bps	+50 bps
Real Estate	FTSE EPRA/NAREIT Developed Index	3.5%	5.0%	+0 bps	+50 bps	+100 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	5.5%	7.5%	+0 bps	+50 bps	+100 bps
Developed Country Equity	MSCI World Index with net dividends	19.0%	15.0%	+0 bps	+62.5 bps	+125 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	13.0%	7.5%	+0 bps	+75 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index	30.0%	35.0%	+0 bps	+75 bps	+150 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	20.5%	0%	+0 bps	+100 bps	+200 bps
Private Investments Real Estate	NACREIF Custom Index	1.0%	0%	+0 bps	+100 bps	+200 bps
Specific asset class benchmark:						
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps

Appendix E

Eligible Positions of Affected Participants

TABLE 3 (7/1/09 through 6/30/10)

Eligible Position
Investment Professionals
CEO & Chief Investment Officer
President & Deputy CIO
Managing Director
Managing Director - Private Investments
Senior Director, Investment
Senior Portfolio Manager
Senior Director, Risk Management
Portfolio Manager
Director, Investment
Director - Private Investments
Director, Risk Management
Operations/Support Professionals
Senior Managing Director
Managing Director
General Counsel & Chief Compliance Officer
Manager

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
July 9, 2009

Agenda Item: Discussion and Appropriate Action Related to UTIMCO 2009-10 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 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 2009-2010 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 the 2009-10 fiscal year. UTIMCO staff has proposed a total annual budget of $50,161,299 for the 2009-10 fiscal year, a 25% decrease over the prior year budget and a 27% increase over the 2008-09 forecast. Included in the total annual budget is a proposed Management Fee Request of $15,977,125 for the 2009-10 fiscal year, a 3.4% decrease over FY 2009. Additionally, UTIMCO staff has proposed a capital budget of $145,000, a decrease of $75,000 as compared to the prior year budget. The Management Fee Request is the amount paid by the Funds directly to UTIMCO for 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 6 of the presentation.

The University of Texas System Office of Finance staff, Philip Aldridge and William Huang, has reviewed the annual budget and prepared the "Fiscal Year 2010 UTIMCO Budget Review."

UTIMCO staff projects UTIMCO's available cash reserves to be $5,014,581, as documented on page 7 of the presentation, and staff is recommending that $5 million of the cash reserves be distributed back to the Funds. Mr. Aldridge and Mr. Huang concur with the recommendation.

Reference: UTIMCO Budget Review FY 2010
U.T. System Office of Finance Fiscal Year 2010 UTIMCO Budget Review

RESOLUTION RELATED TO BUDGET

RESOLVED, that the Corporation's Annual Budget of $50,161,299, Management Fee Request of $15,977,125, Capital Budget of $145,000, and the Allocation Schedule as provided to the Board for the period beginning September 1, 2009 through August 31, 2010, 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

UTIMCO
Budget Review
FY 2010

UTIMCO Budget Summary

(in thousands)	FY 2009 Budget	FY 2009 Forecast	FY 2010 Budget	FY10 Budget v FY09 Forecast $	FY10 Budget v FY09 Forecast %
SUMMARY					
UTIMCO Personnel	$12,489	$11,594	$12,018	$424	4%
UTIMCO Other	4,055	3,791	3,959	168	4%
Total UTIMCO	16,544	15,385	15,977	592	4%
Other, Non-Investment Manager	6,042	4,997	5,437	440	9%
Total Non-Investment Manager	$22,586	$20,382	$21,414	$1,032	5%
Investment Manager - Invoiced	44,203	19,156	28,747	9,591	50%
Total	$66,789	$39,538	$50,161	$10,623	27%

Salaries

FY09 Forecast	**$6,322**
Increase from raises (1.2%)	**73**
Increase from promotions	**22**
Increase from open positions (3 Analysts, 1 Programmer)	**235**
Decrease from eliminated/vacated positions, net	**(29)**
FY10 Budget	**$6,623**

Other Expense Highlights

(in thousands)	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Budget	FY 10 Budget v FY 09 Forecast	
					$	%
Travel	$177	$515	$391	$594	$203	52%
Corporate Legal	567	225	282	150	(132)	-47%
Online Data Services	610	660	715	800	85	12%
All Other UTIMCO-Other	2,104	2,547	2,403	2,415	12	0%
Total	$3,458	$3,947	$3,791	$3,959	$168	4%
Investment-Related Legal	826	1,349	498	678	180	36%
Consultants	1,289	737	567	745	178	31%
Custodian	1,532	1,771	1,848	2,009	161	9%
Printing	178	153	133	-	(133)	-100%
All Other Non-Investment Manager	1,810	2,202	1,951	2,005	54	3%
Total	$5,635	$6,212	$4,997	$5,437	$440	9%

Capital Budget

(in thousands)	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Budget
Ongoing	$83	$158	$244	$145
Build-out	0	327	0	0
Total	$83	$485	$244	$145

Fee Schedule

UTIMCO Fee and Direct Budgeted Investment Expenses
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2010

Proposed Budget	PUF	PHF	LTF	GEF (PHF, LTF)	ITF	STF	Separate Funds	Total
	Fund Name							
Market Value 2/29/09 ($ millions)	**8,287**	**727**	**3,830**	**4,557 (2)**	**2,927**	**1608**	**125**	**17,504**
UTIMCO Services	**7,846,504**	**809,630**	**4,439,641**		**2,881,350**			**15,977,125**
Allocation Ratio	49.11%	5.07%	27.79%		18.03%			100.00%
Direct Expenses of the Fund								
External Management Fees	8,868,914	0	0	4,890,119	4,936,109	N/A (1)		18,695,142
External Management Fees - Performance Based	5,287,787	0	0	2,847,099	1,917,466			10,052,352
Other Direct Costs	2,429,392	30,804	36,154	1,691,321	1,249,009			5,436,680
Total Direct Expenses of the Fund	16,586,093	30,804	36,154	9,428,539	8,102,584		0	34,184,174
TOTAL	**24,432,597**	**840,434**	**4,475,795**	**9,428,539**	**10,983,934**	N/A (1)	**0**	**50,161,299**
Percentage of Market Value								
UTIMCO Services	0.095%	0.111%	0.116%	0.000%	0.098%	0.000%	0.000%	0.091%
Direct Expenses of the Fund	0.200%	0.004%	0.001%	0.207%	0.277%	0.000%	0.000%	0.195%
TOTAL	**0.295%**	**0.115%**	**0.117%**	**0.207%**	**0.375%**	**0.000%**	**0.000%**	**0.286%**

FY 2009 Budgeted Costs	**0.279%**	**0.086%**	**0.087%**	**0.218%**	**0.341%**	**0.000%**	**0.000%**	**0.278%**
Change	**0.016%**	**0.029%**	**0.030%**	**-0.011%**	**0.034%**	**0.000%**	**0.000%**	
							Cost Differential	**0.008%**
FY 2009 Allocation Ratio	**49.170%**	**5.500%**	**28.050%**	**0.000%**	**17.280%**			
Change	**-0.059%**	**-0.433%**	**-0.263%**	**0.000%**	**0.754%**			

(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, 2009:		
Cash		12,361,678
Prepaid Expenses		411,945
Less: Accounts Payable, Accrued Liabilites (Includes bonuses & earnings payable)		(3,620,261)
Expected Cash Reserves at August 31, 2009		**$ 9,153,362**
2010 Proposed Operating Budget	15,977,125	
Applicable Percentage	25%	3,994,281
2010 Proposed Capital Expenditures	144,500	144,500
Required Cash Reserves at August 31, 2009		**$ 4,138,781**
Balance Available for Distribution		**$ 5,014,581**

Conclusion: Rebate $5 Million back to the UT System Investment Funds

Fiscal Year 2010

UTIMCO Budget Review

The University of Texas System

Office of Finance

Prepared by:
William Huang – Treasury Manager
Philip Aldridge – Vice Chancellor for Finance and Business Development

June 25, 2009

Draft

Based on information provided by UTIMCO staff through June 23, 2009.

Fiscal Year 2010
UTIMCO BUDGET REVIEW

Table of Contents

Fiscal Year 2010 UTIMCO BUDGET REVIEW

I. Executive Summary

This report supports the U. T. System Board of Regents' efforts to determine whether investment management costs for funds under its control are "reasonable and appropriate," as required by the Texas Uniform Prudent Management of Investment Funds Act (UPMIFA).

The report reviews UTIMCO's proposed $50.2 million FY10 budget. The UTIMCO budget consists of UTIMCO Services (corporate) and Direct Costs to (U. T. System) Funds (third party management and performance fees paid directly by UTIMCO and costs related to custody, consulting, corporate legal, audit, and risk measurement).

The report also reviews the FY10 budget in the context of Total Investment Costs, which includes external management fees that are paid by the funds and netted from asset values but not included in the UTIMCO budget. The Total Investment Costs for FY09 are projected to be $324.5 million, inclusive of the UTIMCO Services costs and Direct Costs to Funds.

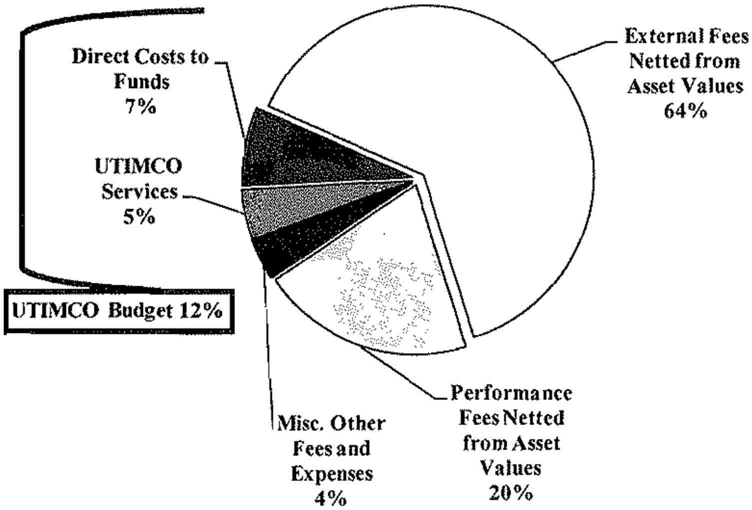
Highlights:

- **Total Investment Costs FY04-FY09:** Total costs, dominated by external management and performance fees, have increased significantly as a percentage of average assets under management (AUM) from 1.01% in FY04 to 1.53% in FY09 (projected).
- **UTIMCO Budget for FY10**: The FY10 budget is $50.2 million, a 27% increase from the current projection for FY09 and a 25% decrease from the FY09 budget.
- **Compensation:** Salaries for FY10 are budgeted to increase $301k (5%) from FY09 projections. About two-thirds of the increase reflects four budgeted open positions for FY10; the balance represents an overall 1.5% average salary increase for existing staff (including promotions). Bonuses for FY10 are budgeted to increase $31k (1%) from FY09 projections.
- **Travel:** Travel expenses for FY10 are budgeted at $594k, a 52% increase over FY09 projections but a 26% decrease when compared to the original FY09 budget.
- **Lease Expenses**: Lease expenses have stabilized in recent years and are budgeted at $979k, a 2% increase from FY09 projections.
- **Audit and Legal:** Audit fees have also stabilized since the change in audit firms in FY08 and are budgeted at $735k, relatively unchanged from FY09 projections. Direct legal fees are budgeted at $678k for FY10, an increase of $180k (36%) over FY09 projections.
- **UTIMCO Reserves:** UTIMCO staff projects UTIMCO's available cash reserves to be $5.0 million at fiscal year-end 2009. We concur with UTIMCO staff in recommending that $5.0 million in reserves be distributed back to the funds at this time.

II. Total Investment Costs

UTIMCO's Total Investment Costs include all items in the UTIMCO budget plus external management fees paid directly by the funds and netted from asset values.

Total Investment Costs
$324.5 million in FY09 (Projected)



Based on FY09 projections, the pie chart shows that UTIMCO Services and Direct Costs to Funds (i.e., UTIMCO's budget) represent only 12% of the $324.5 million in Total Investment Costs. External Fees and Performance Fees that are netted from asset values for partnerships, hedge funds and mutual funds are not budgeted since they are not paid directly by the funds. These expenses for FY09 are projected to be 84% of total investment costs. Other Fees and Expenses (4% of total costs) include education, endowment compliance and investment oversight expenses.

Table 1 below shows the trend of Total Investment Costs as a percentage of average AUM from 1.01% in FY04 to 1.53% in FY09 (projected).

Table 1
Total Investment Costs Trend FY04-FY09 ($ millions)

	FY04	FY05	FY06	FY07	FY08	Projected FY09
UTIMCO Services	8.6	10.2	11.3	12.1	13.9	15.4
Direct Costs to Funds	25.5	33.8	52.3	40.1	35.1	24.2
External Fees Netted from Asset Values	62.5	76.5	115.2	164.1	209.7	206.2
Performance Fees Netted from Asset Values	56.9	90.5	81.6	227.3	64.0	66.0
Miscellaneous Other Fees and Expenses	3.0	3.8	4.4	5.0	11.0	12.7
Total Investment Costs	**156.6**	**214.8**	**264.7**	**448.4**	**333.6**	**324.5**
Total % of Average Assets Under Management (AUM) *	**1.01%**	**1.25%**	**1.37%**	**2.04%**	**1.43%**	**1.53%**

** The FY09 value is based on average AUM at fiscal year-end 2008 and May 2009.*

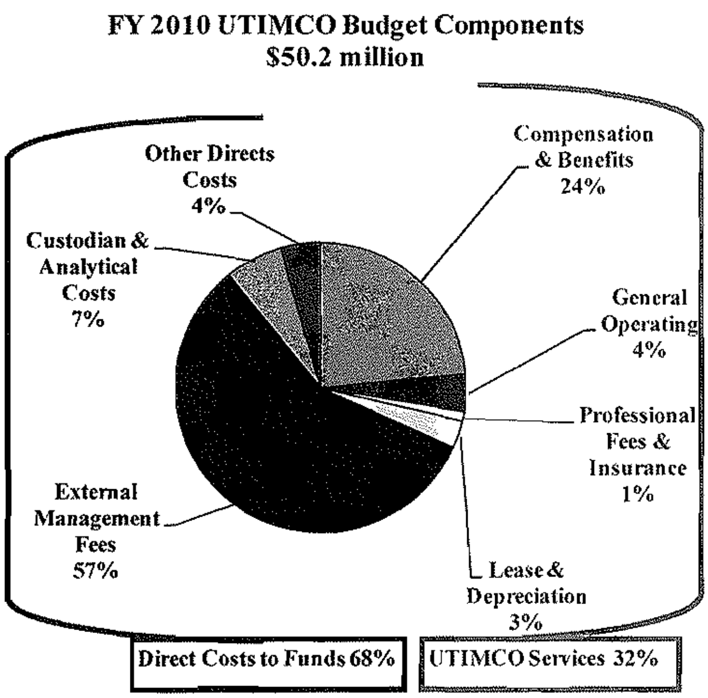
III. UTIMCO Budget Analysis and Trends

UTIMCO proposes a budget for FY10 of $50.2 million. Table 2 shows the trend of UTIMCO budgeted costs (UTIMCO Services and Direct Costs to Funds) as a percent of average AUM since FY05, from 0.26% in FY05 to 0.24% in FY10 (budget).

Table 2
UTIMCO Budget Trends FY05-FY10 ($ millions)

	FY05	FY06	FY07	FY08	Projected FY09	Budget FY10
Average Total Assets Under Management (AUM) *	17,245	19,372	21,965	23,359	21,190	21,190
% Change in AUM	11%	12%	13%	6%	-9%	0%
UTIMCO Services	10.2	11.3	12.1	13.9	15.4	16.0
% Change in UTIMCO Services	16%	11%	7%	15%	11%	4%
UTIMCO Services % of AUM	0.06%	0.06%	0.05%	0.06%	0.07%	0.08%
Direct Costs to Funds	33.8	52.3	40.1	35.1	24.2	34.2
% Change in Direct Costs to Funds	33%	55%	-23%	-12%	-31%	42%
Direct Costs to Funds % of AUM	0.20%	0.27%	0.18%	0.15%	0.11%	0.16%
Total Budgeted Costs	44.0	63.6	52.1	49.0	39.5	50.2
% Change in Total Budgeted Costs	28%	44%	-18%	-6%	-19%	27%
Total Budgeted Costs % of AUM	0.26%	0.33%	0.24%	0.21%	0.19%	0.24%

** The FY09 and FY10 values are based on average AUM at fiscal year-end 2008 and May 2009.*



The pie chart to the left shows the breakdown of the UTIMCO budget. UTIMCO Services fees represent 32% of the total budget, with Compensation & Benefits being the largest component. Direct Costs to Funds include External Management Fees (including performance fees) paid directly, Custodian & Analytical Costs and Other Direct Costs. External Management Fees represents the largest component of the total budget at 57%. UTIMCO retains external managers for 85% of the $19.2 billion in operating and endowment funds (as of May 31, 2009). UTIMCO staff manages the remaining 15% of assets and an internal derivatives portfolio.

Table 3 compares the UTIMCO budget for FY09 and FY10. Refer to Exhibits A and B for a detailed budget comparison and budget trend for FY05-FY10.

Table 3
UTIMCO FY09 Forecast and FY10 Budget Overview

	FY09				FY10			
	$ Budget	$ Projected	$ Change vs FY09 Budget	% Change vs FY09 Budget	$ Budget	$ Change vs FY09 Projected	% Change vs FY09 Projected	% Change vs FY09 Budget
UTIMCO Services	16,543,709	15,385,395	(1,158,314)	-7.0%	15,977,125	591,730	3.8%	-3.4%
Direct Costs to Funds	50,244,829	24,152,815	(26,092,014)	-51.9%	34,184,174	10,031,359	41.5%	-32.0%
Total Budget	66,788,538	39,538,210	(27,250,328)	-40.8%	50,161,299	10,623,089	26.9%	-24.9%

FY09 Forecast versus FY09 Budget: UTIMCO staff projects FY09 costs will be $39.5 million, $27.3 million (41%) below the FY09 budget of $66.8 million.

- UTIMCO Services corporate expenses are projected to be under budget by $1.2 million (7%)
  - Salaries, largely driven by unfilled open positions, are expected to be $534k under budget.
  - Travel expenses are projected to be significantly ($410k or 51%) under budget as a result of UTIMCO putting in cost controls and making fewer new investments during the fiscal year.
  - Corporate legal expenses are expected to be significantly over budget, a result of additional legal work related to the legislative session and increased discussions about the Compensation Plan.
- Direct Costs to Funds overall are projected to be under budget by $26.1 million (35%).
  - External management fees are estimated to be $8.5 million (35%) under budget and performance fees are anticipated to be $16.6 million (82%) under budget in FY09, primarily due to the negative investment performance experienced during the fiscal year.
  - Consultant Fees are projected to be $383k (40%) below budget.
  - Legal fees are projected to be $517k (51%) below budget due to fewer investments being made.
- Capital Expenditures are forecasted at $244k, mainly for ongoing technology and software upgrades.

FY10 Proposed Budget: The proposed $50.2 million UTIMCO budget for FY10 is 27% higher than FY09 projected expenses (25% lower than FY09 budget).

- UTIMCO Services for FY10 at $16.0 million is an increase of 4% over FY09 projected costs, primarily due to increases in personnel-related costs and travel expenses.
- Direct Costs to Funds at $34.2 million are budgeted to increase 42% over projected costs for FY09, mainly due to increases in external management and consultant fees.
- Capital Expenditures are budgeted at $145k, primarily for ongoing technology and software upgrades.

IV. UTIMCO Services

For FY10, total personnel-related expenses including employee benefits account for 74% of the UTIMCO Services budget (24% of the total UTIMCO budget). Trends in staffing and total compensation in relation to assets are shown in Table 4 on the next page. Highlights from Table 4 include:

- Staffing has grown 7% (annualized) from FY05 to FY09, while average AUM has increased 5%.
- Staffing is projected at 57 employees for FY09 and budgeted at 60 employees for FY10.
- Average AUM per employee decreased 2% (annualized) from FY05 to FY09.
- Salaries are budgeted to increase 5% in FY10; bonuses increase 1%; and total compensation is budgeted to increase 3%.
- Total compensation has increased 12% (annualized) in aggregate since FY05.
- Total compensation per employee has increased 4% (annualized) since FY05 to $173k in FY09.

Table 4
UTIMCO Compensation and Headcount FY05-FY10

	FY05	FY06	FY07	FY08	Projected FY09	% Change Since FY05 (annualized)	Budget FY10	% Change From FY09
Employees (as of year end)	43	46	47	58	57	7%	60	5%
Average Total AUM (millions)	17,245	19,372	21,965	23,359	21,190	5%	21,190	0%
Average AUM/Employee (millions)	401	421	467	403	372	-2%	353	-5%
Salaries and Wages	4,203,100	4,492,078	4,908,821	5,377,233	6,421,977	11%	6,722,802	5%
Bonus Compensation	2,094,447	2,164,963	2,082,700	3,016,393	3,451,346	13%	3,482,645	1%
Total Compensation	6,297,547	6,657,040	6,991,521	8,393,626	9,873,323	12%	10,205,447	3%
Total Compensation per Employee	146,455	144,718	148,756	144,718	173,216	4%	170,091	-2%
Bonus as % of Salaries and Wages	50%	48%	42%	56%	54%		52%	
Bonus as % of Total Compensation	33%	33%	30%	36%	35%		34%	

Staffing: In FY09 the budget was based on staffing of 63 employees; actual staffing is projected to be 57 employees at fiscal year-end 2009. The FY10 budget is based on filling certain open positions to bring staffing to 60 employees by fiscal year-end.

Personnel-related Expenses:

- **Salaries and Wages** are projected to be $6.4 million, $534k (8%) under budget, in FY09 because of unfilled positions and will increase to $6.7 million in FY09. About two-thirds of the budgeted increase in salaries of $301k (5%) reflects open positions; the remaining one-third is for salary increases and promotions for existing staff. Raises for existing staff (including promotions) represent a 1.5% overall salary increase.

- **Bonus Compensation** for FY09 based on performance year-to-date (including deferred bonuses earned in prior years and related income) is forecast at $3.5 million, 3% under budget. The FY10 budget of $3.5 million in bonus compensation is 1% higher than projected FY09 bonuses. The proposed FY10 bonus compensation budget is based on Compensation Plan participants earning 70% of the maximum incentive award. The FY10 budget also includes deferred bonuses earned by employees in prior years and funds for a discretionary bonus pool of up to 15% of salaries for employees who are not participants in the Compensation Plan. UTIMCO staff is recommending certain changes to the Compensation Plan that, if approved, will affect the budgeted bonus compensation for FY10 (e.g., thresholds for earning bonuses and the amount of bonus to be deferred).

- **Employee Benefits** are expected to be under budget in FY09 by $178k (14%). Employee Benefits costs are budgeted to increase 4% to $1.1 million in FY10, reflecting increased staffing.

General Operating Expenses are forecast to be 20% below budget for FY09 at $1.8 million, mainly from a reduction in travel expenses due to UTIMCO putting in cost controls and making fewer new investments during the fiscal year. General operating expenses for FY10 are budgeted to increase 18% to $2.1 million, primarily due to increases in travel, on-line data and contract services. Travel is budgeted at $594k, an increase of 52% over FY09 projections. The increase in travel expenses reflects a more normalized level of investment due diligence by UTIMCO staff.

Lease Expenses: Table 5 shows that lease expenses have stabilized in recent years since UTIMCO's move in FY06 and addition of lease space in FY08. Operating Expenses (pass through expenses to tenants) have increased significantly in recent years due to rising utilities expenses and ad valorem taxes, and now exceed base rent.

Table 5
UTIMCO Lease Expenses

	FY05	FY06	FY07	FY08	Projected FY09	Budget FY10
Property Lease	362,010	613,560	462,722	499,823	518,373	518,373
Operating Expenses	171,789	83,294	362,755	515,296	515,848	530,000
Parking Expenses	62,362	77,342	94,805	100,007	94,571	95,000
Other Expenses	4,432	5,166	5,671	10,473	5,205	5,700
Amortization (Deferred Rent Credit)	0	(124,076)	(148,891)	(150,679)	(170,344)	(170,344)
Total Lease Expenses (net)	600,593	655,286	777,062	974,920	963,652	978,729

Professional Fees are expected to be $432k in FY09, 67% higher than budgeted. Increased legal expenses and compensation consultant fees account for a majority of the variance due to the legislative session and increased discussions about the Compensation Plan. Professional Fees for FY10 are budgeted at $300k, a decrease of 31%. A chart in the Direct Costs to Funds section of this report shows the trend for total legal expenses since FY05.

V. UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY07-FY10 is summarized in Table 6. In FY09, total capital expenditures are forecasted to be $244k, mainly for ongoing technology and software upgrades. A budget of $145k is proposed for FY10. The majority of the FY10 budget is for ongoing technology and software upgrades with the rest for ongoing office equipment and fixtures.

Table 6
UTIMCO Capital Expenditures

	FY07	FY08	Projected FY09	Budget FY10
Ongoing: Technology and Software Upgrades	71,271	139,860	224,103	127,000
Ongoing: Office Equipment and Fixtures	11,599	18,498	20,170	17,500
Expansion: Technology and Software Upgrades	0	7,490	0	0
Expansion: Office Equipment and Fixtures	0	152,864	0	0
Expansion: Leasehold Improvements (net)	0	166,453	0	0
Total Capital Expenditures (net)	82,870	485,165	244,273	144,500

VI. Direct Costs to Funds

Direct Costs to Funds for FY09 are projected at $24.2 million or 52% below a budgeted $50.2 million. The FY10 budget increases 42% to $34.2 million from projected FY09 costs.

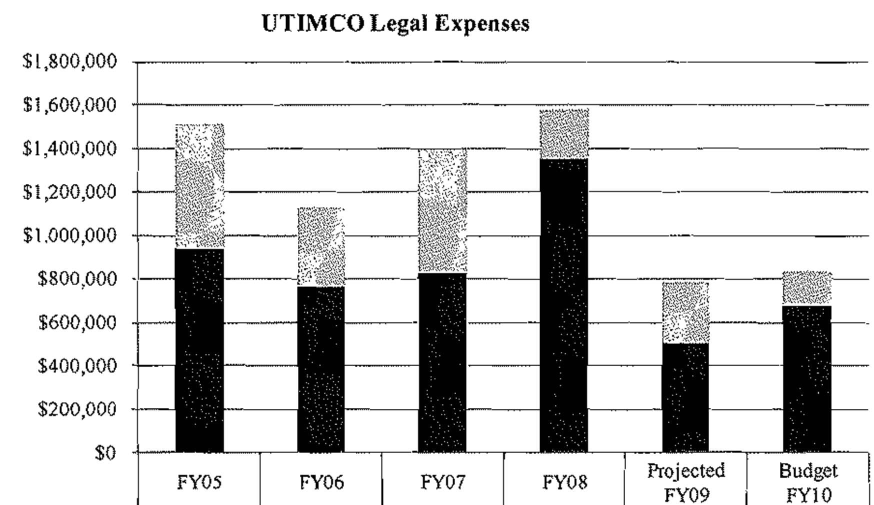
External Management and Performance Fees paid to external managers continue to remain the highest component of the overall budget. These fees, projected at $19.2 million in FY09 (57% below budget) and budgeted at $28.7 million, represent 84% of Direct Costs to Funds budget in FY10 and 57% of total UTIMCO budget. Although UTIMCO staff estimates external management and performance fees in detail using each manager's fee structure and current asset base, these fees are very difficult to forecast and budget due to the uncertainty of individual manager performance.

Custodian and Analytical Costs: Custodian fees for FY09 are projected at $1.8 million, 7% over budget. The FY10 budgeted amount for these expenses will increase 9% over FY09 levels. Performance measurement expenses paid in FY09 are projected to be 13% below budget at $439k and are budgeted to decrease 2% to $429k in FY10.

Risk Measurement: Risk measurement expenses charged to the funds are expected to be 13% under budget at $422k for FY09 and budgeted to increase 2% to $432k in FY10.

Auditing expenses in FY09 of $733k funded external auditors and U. T. System Audit Office fees. Audit expenses are budgeted at $735k for FY10 nearly unchanged from FY09. Audit expenses have increased overall since FY08 due to a change in external auditors and additional time required to audit valuations of alternative investments.

Legal: The chart below shows the trend in UTIMCO Services (corporate) legal fees and direct legal expenses charged to the funds since FY05. Legal fees paid directly by the funds in FY09 are projected to be $498k (51% under budget). Direct legal fees are budgeted for FY10 at $678k, a 36% decrease, reflecting a more normalized level of new investments being made and associated legal review.



	FY05	FY06	FY07	FY08	Projected FY09	Budget FY10
UTIMCO Services	$579,720	$362,045	$567,339	$225,172	$281,640	$150,000
Direct Costs to Funds	$932,525	$761,764	$825,621	$1,348,784	$497,518	$677,500

EXHIBIT A

	UTIMCO Operating Expenses/Budgets FY09-FY10							
	FY09		Change from FY09 Budget		FY10	Change from FY09 Projected		Change from FY09 Budget
	Budget	Projected	$	%	Budget	$	%	%
UTIMCO Services								
Salaries and Wages + Vacation	6,956,036	6,421,977	(534,059)	-7.7%	6,722,802	300,826	4.7%	-3.4%
Bonus Compensation + Interest	3,566,110	3,451,346	(114,764)	-3.2%	3,482,645	31,299	0.9%	-2.3%
Total Compensation	10,522,146	9,873,323	(648,823)	-6.2%	10,205,447	332,125	3.4%	-3.0%
Total Payroll taxes	477,538	445,966	(31,572)	-6.6%	470,116	24,150	5.4%	-1.6%
403(b) Contributions	533,878	476,754	(57,124)	-10.7%	493,704	16,950	3.6%	-7.5%
Group Health, Dental, AD&D, Life, LTD	722,935	601,605	(121,330)	-16.8%	632,241	30,636	5.1%	-12.5%
Employee Benefits	1,256,813	1,078,359	(178,454)	-14.2%	1,125,945	47,586	4.4%	-10.4%
On-Line Data & Contract Services	858,446	936,440	77,994	9.1%	1,020,493	84,053	9.0%	18.9%
Recruiting and Relocation Expenses	50,000	16,865	(33,135)	-66.3%	20,000	3,135	18.6%	-60.0%
Travel	799,999	390,511	(409,488)	-51.2%	593,586	203,075	52.0%	-25.8%
Phone and Telecommunications	73,224	69,339	(3,885)	-5.3%	77,540	8,201	11.8%	5.9%
Computer & Office Supplies	110,664	89,091	(21,573)	-19.5%	81,960	(7,131)	-8.0%	-25.9%
Employee Education	25,200	24,316	(884)	-3.5%	29,263	4,947	20.3%	16.1%
Repairs/Maintenance	189,000	184,996	(4,004)	-2.1%	198,844	13,848	7.5%	5.2%
BOD Meetings	51,000	17,106	(33,894)	-66.5%	18,000	894	5.2%	-64.7%
Other Operating Expenses	40,030	29,113	(10,917)	-27.3%	32,511	3,398	11.7%	-18.8%
Total General Operating	2,197,563	1,757,776	(439,787)	-20.0%	2,072,196	314,421	17.9%	-5.7%
Total Lease Expense	982,869	963,652	(19,217)	-2.0%	978,729	15,076	1.6%	-0.4%
Invest., Hiring & Board Consultants	30,000	30,000	0	0.0%	30,000	0	0.0%	0.0%
Legal Expenses	150,000	281,640	131,640	87.8%	150,000	(131,640)	-46.7%	0.0%
Compensation Consultant	12,500	78,900	66,400	531.2%	77,500	(1,400)	-1.8%	520.0%
Accounting fees	66,000	41,205	(24,795)	-37.6%	42,500	1,295	3.1%	-35.6%
Total Professional Fees	258,500	431,745	173,245	67.0%	300,000	(131,745)	-30.5%	16.1%
Property/Liability Package	12,240	12,265	25	0.2%	15,000	2,735	22.3%	22.5%
Umbrella Policy	4,500	4,454	(46)	-1.0%	4,500	46	1.0%	0.0%
Workers Compensation	14,700	14,319	(381)	-2.6%	15,000	681	4.8%	2.0%
Business Auto	840	836	(4)	-0.5%	850	14	1.7%	1.2%
Commercial Bonding Policy	39,000	39,114	114	0.3%	35,000	(4,114)	-10.5%	-10.3%
Prof., D&O & Emp. Practices Liability	165,000	172,064	7,064	4.3%	180,000	7,936	4.6%	9.1%
Total Insurance	236,280	243,052	6,772	2.9%	250,350	7,298	3.0%	6.0%
Depreciation of Equipment	612,000	591,522	(20,478)	-3.3%	574,341	(17,180)	-2.9%	-6.2%
Total UTIMCO Services	16,543,709	15,385,395	(1,158,314)	-7.0%	15,977,125	591,730	3.8%	-3.4%
Direct Costs to Funds								
External Management Fees	23,897,322	15,440,317	(8,457,006)	-35.4%	18,695,142	3,254,825	21.1%	-21.8%
External Mgt. Fees-Performance Fees	20,305,482	3,715,734	(16,589,748)	-81.7%	10,052,352	6,336,618	170.5%	-50.5%
External Management Fees	44,202,805	19,156,051	(25,046,754)	-56.7%	28,747,494	9,591,443	50.1%	-35.0%
Custodian Fees and Other Direct Costs	1,725,261	1,847,677	122,416	7.1%	2,008,927	161,250	8.7%	16.4%
Performance Measurement	505,724	439,317	(66,407)	-13.1%	429,374	(9,943)	-2.3%	-15.1%
Analytical Tools	337,860	339,651	1,791	0.5%	348,178	8,527	2.5%	3.1%
Risk Measurement	483,000	422,083	(60,917)	-12.6%	432,000	9,917	2.3%	-10.6%
Custodian and Analytical Costs	3,051,846	3,048,728	(3,118)	-0.1%	3,218,480	169,752	5.6%	5.5%
Consultant Fees	950,500	567,123	(383,377)	-40.3%	744,500	177,377	31.3%	-21.7%
Auditing	776,000	733,097	(42,903)	-5.5%	735,000	1,903	0.3%	-5.3%
Controls Assessment (Sarbanes-Oxley)	0	0	0	N/A	0	0	N/A	N/A
Printing	138,678	132,932	(5,746)	-4.1%	0	(132,932)	-100.0%	-100.0%
Legal Fees	1,015,000	497,518	(517,482)	-51.0%	677,500	179,982	36.2%	-33.3%
Background Searches & Other	110,000	17,365	(92,635)	-84.2%	61,200	43,835	252.4%	-44.4%
Other Direct Costs Total	2,990,178	1,948,035	(1,042,143)	-34.9%	2,218,200	270,165	13.9%	-25.8%
Total Direct Costs to Funds	50,244,829	24,152,815	(26,092,014)	-51.9%	34,184,174	10,031,359	41.5%	-32.0%
Total Costs	66,788,538	39,538,210	(27,250,328)	-40.8%	50,161,299	10,623,089	26.9%	-24.9%

EXHIBIT B

UTIMCO Operating Expenses/Budgets FY05-FY10	FY05	FY06	FY07	FY08	FY09	FY10
	Actual	Actual	Actual	Actual	Projected	Budget
UTIMCO Services						
Salaries and Wages + Vacation	4,203,100	4,492,078	4,908,821	5,377,233	6,421,977	6,722,802
Bonus Compensation + Interest	2,094,447	2,164,963	2,082,700	3,016,393	3,451,346	3,482,645
Total Compensation	6,297,547	6,657,040	6,991,521	8,393,626	9,873,323	10,205,447
Total Payroll taxes	313,637	312,023	337,117	394,313	445,966	470,116
403(b) Contributions	304,359	327,724	329,083	404,671	476,754	493,704
Group Health, Dental, AD&D, Life, LTD	315,457	406,756	420,593	510,154	601,605	632,241
Employee Benefits	619,816	734,480	749,676	914,825	1,078,359	1,125,945
On-Line Data & Contract Services	677,346	811,883	840,578	851,499	936,440	1,020,493
Recruiting and Relocation Expenses	35,600	216,927	400,617	108,198	16,865	20,000
Travel	170,069	205,965	176,929	515,494	390,511	593,586
Phone Equipment and Charges	39,340	46,965	43,743	38,400	69,339	77,540
Computer & Office Supplies	68,431	143,372	67,733	140,512	89,091	81,960
Employee Education	21,814	13,728	16,817	20,311	24,316	29,263
Repairs/Maintenance	56,434	85,412	109,592	179,217	184,996	198,844
BOD Meetings	27,552	52,375	49,711	58,615	17,106	18,000
Other Operating Expenses	52,306	106,401	42,205	40,748	29,113	32,511
Total General Operating	1,148,892	1,683,029	1,747,924	1,952,993	1,757,776	2,072,196
Total Lease Expense	600,593	655,286	777,062	974,920	963,652	978,729
Invest., Hiring & Board Consultants	17,500	20,175	25,124	30,000	30,000	30,000
Legal Expenses	579,720	362,045	567,339	225,172	281,640	150,000
Compensation Consultant	33,650	95,920	13,100	146,455	78,900	77,500
Accounting fees	30,135	54,106	38,980	53,414	41,205	42,500
Total Professional Fees	661,005	532,246	644,542	455,041	431,745	300,000
Property/Liability Package	28,797	22,993	18,685	15,100	12,265	15,000
Umbrella Policy	6,720	5,500	5,500	4,977	4,454	4,500
Workers Compensation	17,419	13,109	20,132	17,315	14,319	15,000
Business Auto	469	756	779	811	836	850
Commercial Bonding Policy	28,849	27,752	40,900	39,785	39,114	35,000
Prof., D&O & Emp. Practices Liability	171,959	150,525	164,300	164,300	172,064	180,000
Total Insurance	254,213	220,634	250,295	242,288	243,052	250,350
Depreciation of Equipment	272,836	504,637	564,076	556,450	591,522	574,341
Total UTIMCO Services	10,168,539	11,299,376	12,062,213	13,884,456	15,385,395	15,977,125
Direct Costs to Funds						
External Management Fees	14,217,736	17,815,353	16,413,106	20,767,775	15,440,317	18,695,142
External Mgt. Fees-Performance Fees	14,898,389	29,648,938	18,010,650	8,087,324	3,715,734	10,052,352
External Management Fees	29,116,125	47,464,291	34,423,756	28,855,099	19,156,051	28,747,494
Custodian Fees and Other Direct Costs	1,506,759	1,634,942	1,531,924	1,771,313	1,847,677	2,008,927
Performance Measurement	487,976	484,660	453,612	459,962	439,317	429,374
Analytical Tools	284,050	338,630	644,597	370,497	339,651	348,178
Risk Measurement	267,500	276,000	372,990	491,986	422,083	432,000
Custodian and Analytical Costs	2,546,285	2,734,232	3,003,123	3,093,758	3,048,728	3,218,480
Consultant Fees	900,000	852,000	1,289,394	736,654	567,123	744,500
Auditing	158,309	177,944	204,550	829,938	733,097	735,000
Controls Assessment (Sarbanes-Oxley)	0	97,110	109,750	0	0	0
Printing	132,196	163,790	178,155	152,719	132,932	0
Legal Fees	932,525	761,764	825,621	1,348,784	497,518	677,500
Background Searches & Other	50,805	59,147	24,747	50,512	17,365	61,200
Other Direct Costs Total	2,173,835	2,111,755	2,632,217	3,118,607	1,948,035	2,218,200
Total Direct Costs to Funds	33,836,245	52,310,278	40,059,096	35,067,464	24,152,815	34,184,174
Total Costs	44,004,784	63,609,654	52,121,309	48,951,920	39,538,210	50,161,299

EXHIBIT C

UTIMCO Reserve Analysis for August 31, 2009

Projected Cash Reserves at August 31, 2009			
Cash			12,361,678
Prepaid Expenses			411,945
Less: Accounts Payable			(3,620,261)
(Includes bonuses & earnings payable)			
Expected Cash Reserves at August 31, 2009		$	9,153,361
FY10 Proposed Operating Budget	15,977,125		
Applicable Percentage	25%		3,994,281
FY10 Proposed Capital Expenditures	144,500		144,500
Required Cash Reserves at August 31, 2009		$	4,138,781
Balance Available for Distribution		**$**	**5,014,580**
Recommended Distribution		**$**	**5,000,000**

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
July 9, 2009

Agenda Item: Discussion and Appropriate Action Related to CEO Service as a Trustee on the Board of Trustees of The Common Fund

Developed By: Staff

Presented By: Zimmerman

Type of Item: Action required by UTIMCO Board

Description: The UTIMCO Code of Ethics requires the CEO to obtain advance approval from the Board of any outside employment. Mr. Zimmerman will request UTIMCO Board approval to serve on the Board of Trustees of The Common Fund for Nonprofit Organizations ("TCF"). TCF is a nonprofit membership corporation whose membership is limited to certain categories of educational institutions and their supporting organizations. TCF, along with its consolidated subsidiaries, provides investment management products and related services to its members. It was founded in 1971 and is currently one of the largest managers of endowment and nonprofit assets in the world. Its core mission is to enhance substantially the financial resources of the nonprofit community through fund management, investment advice, and educational activities.

TCF is governed by a Board of Trustees (maximum of 18 members), whose members are elected by TCF's member educational institutions (one member, one vote) at TCF's annual meeting. The Board has fiduciary responsibility with respect to the investment programs of the endowment funds maintained by TCF for its eligible members, and is responsible for oversight of all aspects of the business and operations of TCF (including all other investment funds operated by TCF's subsidiaries), the compensation of TCF's senior officers, and general oversight of the business and prospects of TCF, including its subsidiaries and proprietary assets.

It is anticipated that Mr. Zimmerman will be elected to a three-year term on the TCF Board of Trustees in December. For his service Mr. Zimmerman will be compensated plus be reimbursed for his expenses incurred in attending Trustee meetings. The Board of Trustees meets as a full board four times per year for one to two days, with related committee meetings held at the same time. It is probable that Mr. Zimmerman will spend at least nine days each year on board business, not including preparation and travel time. TCF Board of Trustees activity will not require or induce Mr. Zimmerman to disclose confidential UTIMCO information or impair Mr. Zimmerman's independence of judgment in the performance of his duties for UTIMCO. UTIMCO has no current business relationship with TCF and during Mr. Zimmerman's term (and possibly for two years after his term concludes, if the compensation received by Mr. Zimmerman from TCF is a pecuniary interest as defined in the UTIMCO Code of Ethics), will be prohibited from maintaining any business relationship with TCF. Service on the TCF Board of Trustees meets the requirements for external, compensated board service as set forth in the UTIMCO Code of Ethics and Master Investment Management Services Agreement. Therefore, Mr. Zimmerman's board service creates no conflict of interest with UTIMCO interests.

Mr. Zimmerman believes that his service on the TCF Board of Trustees will, in fact, benefit UTIMCO due to the increased exposure and access it provides to the investment community, including the other members of the TCF Board of Trustees who are some of the leading figures in the investment community.

Recommendation: Mr. Zimmerman will recommend approval of his service as a Trustee on the Board of Trustees of The Common Fund

Reference: None

RESOLUTION RELATED TO CEO SERVICE AS A TRUSTEE ON THE BOARD OF TRUSTEES OF THE COMMON FUND

RESOLVED, that the Board of Directors hereby approves external board service for Mr. Bruce Zimmerman, CEO and Chief Investment Officer of the Corporation, as a Trustee on the Board of Trustees of The Common Fund for Nonprofit Organizations; and be it

FURTHER RESOLVED, that all external board service will not give rise to conflicts of interest; and be it

FINALLY RESOLVED, that this external board service will meet all requirements of the Code of Ethics Policy and the Investment Management Services Agreement for the Corporation applicable to external, for-compensation board service.