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The University of Texas Investment Management Company

U T I M C O

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Presentation Materials Board of Directors Meeting

February 19, 2002

UTIMCO
BOARD OF DIRECTORS MEETING

John Neely Bryan Room
Adolphus Hotel
1321 Commerce St., Dallas, Texas, 75202
www.hoteladolphus.com

February 19, 2002

AGENDA

10:00 a.m. - 10:05 a.m.	**Call to Order/ Approval of Minutes of December 12-13, 2001, and February 12, 2002 Meetings***
10:05 a.m. - 10:20 a.m.	**Fund Performance/Asset Allocation**
10:20 a.m. – 10:35 a.m.	**Alternative Equities – Nonmarketable Update** (Cathy Iberg and Cambridge Associates LLC, Astrid Noltemy)
10:35 a.m. – 11:45 a.m.	**Strategy Discussion on Asset Allocation and Performance Benchmarks** (Cathy Iberg and Cambridge Associates LLC, Bruce Myers and Astrid Noltemy)
11:45 a.m. – 12:15 p.m.	[Break] Lunch served - **Discussion of Appointment of Standing Committees** **Discussion on Board Requested Reports**
12:15 p. m. – 12:30 p.m.	**Addition of Key Employee*** **Approval of LTF and PHF Unit Payout Rates for the fiscal year ending August 31, 2003***
12:30 p.m. – 1:00 p.m.	**Presentation by Oechsle International Advisors** (James P. Macmillan and Peter Robson)
1:00 p.m. - 1:45 p.m.	**Presentation by Beacon Capital Partners** (Alan M. Leventhal, Chairman and CEO)
1:45 p.m. – 2:00 p.m.	**Approval of BCSP REIT II, Inc.*** **Approval of Realty Associates Fund VI Corporation***
2:00 p.m.	Adjournment

*Action by resolution required

Next Scheduled Meeting: April 22, 2002

Resolution No. 1

RESOLVED, that the minutes of the meeting of the Board of Directors held on **December 12-13, 2001, and February 12, 2002**, be and are hereby approved.

Resolution No. 2

As required by the Corporation's Code of Ethics the Board shall designate by position key employees of the Corporation.

RESOLVED, that the following employee be added and designated as a key employee of the Corporation:

Trey Thompson	Investment Officer – Private Markets

Resolution No. 3

RESOLVED, that the annual distribution rate for the Long Term Fund be increased from $0.251 per unit to $0.258 per unit, and the Permanent Health Fund remain at current payout rate of $.047 per unit for fiscal year 2003, effective with the November 30, 2002 distribution.

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

Resolution No. 4

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's private equity advisor, Cambridge Associates LLC, recommending that the Corporation invest with Beacon Capital Partners up to $50 million of PUF and GEF assets in **BCSP REIT II, Inc.** (the "Investment"); and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendations dated February 19, 2002 for **BCSP REIT II, Inc.** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the proposed investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **BCSP REIT II, Inc.**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Resolution No. 5

WHEREAS, the Board has reviewed the Investment Recommendations prepared by the Corporation and the Corporation's private equity advisor, Cambridge Associates LLC recommending that the Corporation may enter into an agreement (the "Agreement") with TA Realty LLC to invest up to $50 million of PUF and GEF assets in **Realty Associates Fund VI Corporation**; and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendations dated February 19, 2002 for **Realty Associates Fund VI Corporation** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the proposed investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment **Realty Associates Fund VI Corporation**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

Resolution No. 1

RESOLVED, that the minutes of the meeting of the Board of Directors held on **December 12-13, 2001, and February 12, 2002**, be and are hereby approved.

MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting on the **12th day of December, 2001**, at the Fairmont Hotel, 1717 N. Akard Street, Dallas, Texas, said meeting having been called by the Vice-Chairman, A. W. "Dub" Riter, Jr., with notice provided to each member in accordance with the Bylaws.

Participating in the meeting on **December 12, 2001** were the following members of the Board:

A.W. "Dub" Riter, Jr., Vice-Chairman
Woody L. Hunt
J. Luther King, Jr.
John D. McStay
R. H. (Steve) Stevens, Jr.

thus, constituting a majority and quorum of the Board. Directors R. D. Burck, Susan M. Byrne, Rita C. Clements, and L. Lowry Mays were not present at the meeting. Also, participating in the meeting was Cathy Iberg, Interim President of the Corporation; Christy Wallace, Interim Secretary of the Corporation; Jerry Turner, legal counsel for the Corporation; Robert Allen, former Chairman of the Corporation; and Robert Estrada, U. T. System Regent. Mr. Riter called the meeting to order at 5:30 p.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Appointment of Chairman and Vice-Chairman

The first item presented to the Board of Directors was a resolution to appoint Mr. A. W. "Dub" Riter, Jr. as Chairman of the Corporation and Mr. J. Luther King, Jr. as Vice-Chairman of the Corporation until the next Annual Meeting of the Corporation or until their resignation or removal. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that following the resignation of Mr. Robert H. Allen as Chairman of the Corporation, Mr. A. W. "Dub" Riter, Jr. is hereby appointed to the office of Chairman of the Corporation, and Mr. J. Luther King, Jr. is hereby appointed to the office of Vice-Chairman of the Corporation; each to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

Appointment of Director

In conjunction with Mr. Stevens' first attendance at a UTIMCO board meeting, a motion was duly made and seconded, and the following resolution was unanimously adopted:

WHEREAS, Section 66.08 Texas Education Code (the "Code") requires that the Board of Regents of The University of Texas System (the "Board of Regents") appoint and remove all members of the UTIMCO Board; and

WHEREAS, Mr. Robert H. Allen served as the nominee of the Board of Regents of The Texas A&M University System (the "A&M Board") on the UTIMCO Board, serving from March 1996 until his resignation effective November 1, 2001; and

WHEREAS, Mr. R. H. (Steve) Stevens, Jr., of Houston, Texas, was nominated by the A&M Board for appointment to the UTIMCO Board to serve the remainder of Mr. Allen's term which expires on April 1, 2002, and for a three-year term thereafter ending April 1, 2005, or until his successor has been chosen and qualified, or until his earlier death, resignation, or removal, and, in accordance with such nomination, was so appointed by the Board of Regents; Now, Therefore,

RESOLVED, that the appointment of Mr. R. H. (Steve) Stevens, Jr. to the UTIMCO Board by the Board of Regents to replace Mr. Robert H. Allen is hereby accepted.

Statement of Appreciation

Mr. Riter acknowledged Mr. Robert H. Allen's many contributions made during his membership as a board member of the Corporation. He then read the following Resolution of Appreciation honoring Mr. Allen, which resolution, upon motion duly made and seconded, was unanimously adopted:

WHEREAS, Robert H. Allen was appointed by Texas Governor George W. Bush to the Board of Regents of The Texas A&M University System and served as an A&M Regent from February 1995 until February 2001; and

WHEREAS, in recognition of his substantial background and expertise in investments, Mr. Allen was nominated by the other A&M Regents to serve as a Director of The University of Texas Investment Management Company, and on February 22, 1996, Mr. Allen was appointed by the Board of Regents of The University of Texas System to the Board of Directors of UTIMCO; and

WHEREAS, as a Director of UTIMCO, Mr. Allen provided invaluable insight and counsel, drawing upon his substantial business background, including as Chairman and Chief Executive Officer of Gulf Resources and Chemical Corporation, as Managing Partner of Challenge Investment Partners and as a Director of Federal Express Corporation; Gulf Canada Resources, Ltd.; Gulf Indonesia Resources Ltd. (Chairman); First City Bancorporation of Texas, Inc.;

Geoquest International Holdings, Inc.; Nuevo Energy Company; Allied Bank of Texas; American Mining Congress, Washington, D.C.; Bethlehem Copper Corp.; DiMark, Inc.; Earth Resources Corporation; and Standard Bank, Houston; and

WHEREAS, Mr. Allen's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to public service, evidenced by his work with the A&M System, as well as his service to many other civic and cultural organizations, including service as a Director/Trustee of the Baylor College of Medicine; the Contemporary Arts Museum in Houston; The Alley Theater, Houston; the Ford's Theater Society of Washington, D.C.; and the George Bush School of Government and Public Service; and

WHEREAS, Mr. Allen served UTIMCO in many roles, including as Chairman and Vice Chairman of the Board of Directors, as Chairman of the Audit and Ethics Committee of the Board and as a Member of the Board's Compensation Committee; and

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

WHEREAS, much of the credit for UTIMCO's success is directly attributable to Mr. Allen's leadership, judgment and commitment; and

WHEREAS, to the great regret of the UTIMCO Board and Staff, Mr. Allen resigned from the Board, effective as of November 1, 2001, in order to allow an incumbent A&M Regent to take his place; **NOW, THEREFORE**

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

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that Robert H. Allen has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested and managed in the State of Texas, to the benefit of all of the citizens of the State, particularly the students and faculty of the UT System and the A&M System.

Each of the directors present then spoke individually about the positive contributions that Mr. Allen has made while serving on the Corporation's Board to the benefit of the U. T. and Texas A&M Systems.

The meeting was recessed at 5:50 p.m.

The Board of the Corporation reconvened in an open meeting on the **13th day of December, 2001**, at the Fairmont Hotel, 1717 N. Akard Street, Dallas, Texas.

Participating in the meeting on December 13, 2001 were the following members of the Board:

A.W. "Dub" Riter, Jr., Chairman
J. Luther King, Jr., Vice-Chairman
R. D. Burck
Susan M. Byrne
Rita C. Clements
Woody L. Hunt
L. Lowry Mays
John D. McStay
R. H. (Steve) Stevens, Jr.

thus, constituting a majority and quorum of the Board. Also, participating in the meeting was Cathy Iberg, Interim President of the Corporation; Christy Wallace, Interim Secretary of the Corporation; Jerry Turner, legal counsel for the Corporation; and Robert Estrada, U. T. System Regent. Chairman Riter called the meeting to order at 10:00 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Oaktree Capital Management Emerging Markets Fund Ltd.

Cathy Iberg introduced Mr. Howard Marks and Mr. Greg Brandner of Oaktree Capital Management, LLC. Mr. Marks gave a background of their company, discussed performance and reviewed the specifics of the emerging market equities and distressed debt markets. Mr. Marks answered the directors' questions and then he and Mr. Brandner left the meeting. Mr. Mays also left the meeting at this time. Ms. Iberg and Mr. Bruce Myers of Cambridge Associates answered the Directors' questions on the proposed investment in OCM's Emerging Markets Fund. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's private equity advisor, Cambridge Associates LLC, recommending that the Corporation invest with Oaktree Capital Management, LLC up to $50 million of PUF and GEF assets in **OCM Emerging Markets Fund Ltd.** (the "Investment"); and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendations dated December 13, 2001 for **OCM Emerging Markets Fund Ltd.** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the proposed investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **OCM Emerging Markets Fund Ltd.**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Barclays Global Investors Emerging Markets Structured Tiered Strategy

Ms. Iberg then described the Barclays Global Investors Emerging Markets Structured Tier Strategy as a complement to the PUF and GEF's emerging markets portfolios. After discussion, with the motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed the Investment Recommendation prepared by the Corporation, recommending that the Corporation enter into an agreement (the "Agreement") with Barclays Global Investors N. A. to invest up to $100 million of PUF and GEF assets in **Barclays Global Investors Emerging Markets Structured Tiered Strategy**; and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendation dated

December 13, 2001 for **Barclays Global Investors Emerging Markets Structured Tiered Strategy** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the proposed investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **Barclays Global Investors Emerging Markets Structured Tiered Strategy**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

Barclays Global Investors Russell 2000 Alpha Tilts Fund

Ms. Iberg then discussed the Barclays Global Investors ("BGI") Russell 2000 Alpha Tilts Fund recommending that this investment replace BGI's Russell 2000 Index Fund. Ms Iberg explained the philosophy with the Directors and answered their questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed the Investment Recommendation prepared by the Corporation, recommending that the Corporation enter into an agreement (the "Agreement") with Barclays Global Investors N.A. to invest up to $150 million of PUF and GEF assets in **Barclays Global Investors Russell 2000 Alpha Tilts Fund**; and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendation dated December 13, 2001 for **Barclays Global Investors Russell 2000 Alpha Tilts Fund** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the proposed investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **Barclays Global Investors Russell 2000 Alpha Tilts Fund;** and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

Performance Review

Ms. Iberg reported on the performance of the assets under the Corporation's management for the periods ended November 30, 2001. The net performance for the three-month period ending November 30, 2001, for the Permanent University Fund (PUF), Permanent Health Fund (PHF) and Long Term Fund (LTF) were (2.03)%, (1.53)%, and (1.50)%, respectively. The Short Intermediate Term Fund's (SITF) performance was 1.60% versus 2.23% for its benchmark for the fiscal year-to-date period ended November 30, 2001. Performance for the Short Term Fund (STF) was 0.28% versus 0.43% for its benchmark for the fiscal year-to-date period ended November 30, 2001. Ms. Iberg reviewed the PUF's performance attribution for the three-month period ended November 30, 2001, and reported on the returns for the various periods ended September 30, 2001, for the PUF, PHF and the LTF against various Russell/Mellon and Cambridge universes. Ms. Iberg also reported on the asset allocation of the Permanent University Fund and the General Endowment Fund (GEF) as of November 30, 2001, comparing actual versus their respective neutral policy portfolios. After her report, Ms. Iberg answered the Directors' questions.

Alternative Equitites - Nonmarketable

The next item presented to the Board of Directors was an update regarding the status of the private equity portfolio. Ms. Iberg discussed UTIMCO vintage year returns vs. Cambridge's asset class benchmarks as of June 30, 2001. Ms. Iberg also provided a report on the Corporation's U. S. Venture Capital portfolio and answered the Directors' questions.

Nomination Committee

The next item presented to the Directors was a recommendation by Mr. Riter appointing the Corporation's Nominating Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Susan Byrne, Rita Clements, and John McStay are hereby designated as the Nominating Committee of the Board of Directors to serve until their successors are chosen and qualify, or until their earlier resignation or removal; and be it further

RESOLVED, that Rita Clements is hereby designated as the Chairman of the Nominating Committee.

Minutes

The next matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on October 26, 2001, and the minutes of the joint meeting of the Board or Directors and Chief Executive Officer Search Committee held on November 26, 2001. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on October 26, 2001, and the minutes of the joint meeting of the Board of Directors and Chief Executive Officer Search Committee held on November 26, 2001, be and are hereby approved.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately at 12:00 p.m.

Interim Secretary: ___________________________
Christy W. Wallace

Approved: ______________________________ Date: _______________

A. W. "Dub" Riter, Jr.
Vice-Chairman, Board of Directors of
The University of Texas Investment
Management Company

**MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting on the **12th day of February, 2002**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, 221 W. Sixth Street, Suite 1700, Austin, Texas, said meeting having been called by the Chairman, A.W. "Dub" Riter, Jr., with notice provided to each member in accordance with the Bylaws. Participating in the meeting were the following members of the Board:

A.W. "Dub" Riter, Jr., Chairman
J. Luther King, Jr., Vice-Chairman
R. D. Burck
Susan M. Byrne
Rita C. Clements
Woody L. Hunt
L. Lowry Mays
John D. McStay

thus, constituting a majority and quorum of the Board. Director R. H. (Steve) Stevens, Jr. was not present at the meeting. Also, participating in the meeting was Cathy Iberg, Interim President of the Corporation; Christy Wallace, Interim Secretary of the Corporation; and Jerry Turner, legal counsel for the Corporation. Mr. Riter called the meeting to order at 9:05 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Executive Session

Mr. Riter requested that the Directors convene in executive session to discuss the President and Chief Executive Officer position of the Corporation. At 9:08 a.m. Mr. Riter announced that "the Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a Closed Meeting as an Executive Session of the Board for the purpose of deliberating the employment of a new President and Chief Executive Officer. This Executive Session meeting of the Board is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The date is February 12, 2001, and the time is now 9:08 a.m."

The Board reconvened at 9:24 a.m. in open session and Mr. Riter announced that, "the Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The time is now 9:24 a.m. During the Executive Session, the Board discussed the employment of a new President and CEO, but did not take any votes."

At this point, Mr. Mays left the meeting.

President and Chief Executive Officer

The first item presented to the Board of Directors was a resolution to appoint Mr. Bob Boldt as President and Chief Executive Officer of the Corporation to serve until the next Annual Meeting of the Corporation or until his resignation or removal. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED that Bob Boldt be elected President and Chief Executive Officer of UTIMCO to serve until the next Annual Meeting of the Board of Directors of UTIMCO and that the Chairman of the Board of Directors be authorized to execute and deliver to Mr. Boldt an employment letter in the form previously furnished to each of the Directors; and
>
> BE IT FURTHER RESOLVED that Cathy Iberg shall continue to serve as Interim President and Chief Executive Officer of UTIMCO until Mr. Boldt assumes this office.

There being no further business to come before the Board, the meeting was adjourned at approximately 9:30 a.m.

Interim Secretary: ____________________________
Christy W. Wallace

Approved: ____________________________ Date: ______________
A. W. "Dub" Riter, Jr.
Vice-Chairman, Board of Directors of
The University of Texas Investment
Management Company

ASSETS UNDER MANAGEMENT AND NET OF FEES FUND PERFORMANCE

ENDOWMENT FUNDS	Net Asset Value 08/31/2001 (in Millions)	Net Asset Value 01/31/2002 (in Millions)		Periods Ended January 31, 2002 Three Months	One Year	Three Years	Five Years	Ten Years	Fiscal Year To Date
Permanent University Fund	$ 7,540.1	$ 7,140.1	*	2.27	(7.93)	2.40	7.69	9.65	(1.30)
Permanent Health Fund (1)	881.4	857.1		3.11	(6.91)	N/A	N/A	N/A	(0.72)
Long Term Fund (1)	2,843.3	2,811.8		3.15	(7.15)	4.77	8.71	10.40	(0.65)
Separately Invested Funds	182.6	158.4	(2)	N/M	N/M	N/M	N/M	N/M	N/M
Endowment Policy Portfolio (Benchmark)				3.39	(4.09)	4.73	9.16	11.28	0.69
Total Endowment Funds	$ 11,447.4	$ 10,967.4							

*** PUF distributed $338.4 million on September 4, 2001, to fund the AUF for the fiscal year end 2002.**

OPERATING FUNDS								
Short Intermediate Term Fund	1,704.6	1,710.9	0.46	5.82	5.62	6.60	N/A	1.97
Composite Index			(0.14)	6.85	6.33	6.50	N/A	2.48
Short Term Fund	843.2	928.6	0.58	3.95	5.26	5.41	N/A	1.15
90 Day Treasury Bill Rate			0.52	3.89	5.07	5.13	N/A	1.21
Institutional Index Funds:								
BGI Equity Index Fund B-Lendable (3)	99.1	99.3	7.03	(16.13)	(2.84)	9.05	12.97	0.27
BGI US Debt Index Fund B (4)	46.1	47.1	(1.21)	7.56	6.32	7.54	7.47	2.03
Total Operating Funds	2,693.0	2,785.9						
Total Investments	$ 14,140.4	$ 13,753.3						

(1) As of March 1, 2001 the PHF and LTF invested their respective net asset values into the General Endowment Fund.

(2) Estimated

(3) The Equity Index Fund B replicates the returns of the S&P 500 Index.

(4) The US Debt Index Fund B replicates the returns of the Lehman Brothers Aggregate Bond Index.

N/M - Not Meaningful

PERMANENT UNIVERSITY FUND
PERFORMANCE

	Asset Allocation			Return					
		As of January 31,	As of August 31,	Five Months Ended January 31, 2002		Asset	Security		Total
	Neutral	2002	2001	Benchmark	PUF	Allocation	Selection	Interactive	Attribution
Cash	0.0%	1.2%	0.7%	1.21%	0.26%	-0.02%	0.00%	-0.09%	-0.11%
Equities:									
U.S. Mid/Large Cap	25.0%	23.6%	23.0%	0.27%	0.86%	-0.01%	0.17%	0.00%	0.16%
U.S. Small Cap	7.5%	11.1%	10.4%	3.69%	-0.14%	0.11%	-0.28%	-0.14%	-0.31%
Non U.S. Established Markets	12.0%	10.2%	11.2%	-8.97%	-8.85%	0.14%	0.03%	-0.02%	0.15%
Non U.S. Emerging Markets	3.0%	4.3%	3.1%	9.92%	9.86%	0.00%	0.00%	0.00%	0.00%
Marketable Alternative Equities	10.0%	11.4%	10.6%	4.19%	2.67%	0.01%	-0.16%	-0.01%	-0.16%
Inflation Hedging	7.5%	5.6%	4.7%	-6.38%	0.78%	0.14%	0.55%	-0.15%	0.54%
Fixed Income:									
U.S.	15.0%	16.6%	18.9%	2.03%	2.33%	0.11%	0.04%	0.01%	0.16%
Non U.S.	5.0%	2.3%	2.3%	-6.12%	-5.87%	0.17%	0.01%	-0.01%	0.17%
Total Marketable Securities	85.0%	86.3%	84.9%	-0.39%	0.30%	0.65%	0.36%	-0.41%	0.60%
Nonmarketable Alternative Equities	15.0%	13.7%	15.1%	6.76%	-10.17%	-0.05%	-2.47%	-0.07%	-2.59%
Total	100.0%	100.0%	100.0%	0.69%	-1.30%	0.60%	-2.11%	-0.48%	-1.99%
Summary:									
Total Equities	80.0%	79.9%	78.1%						
Total Fixed Income	20.0%	18.9%	21.2%						
Total Cash and Cash Equilavents	0.0%	1.2%	0.7%						
Total	100.0%	100.0%	100.0%						

PERMANENT UNIVERSITY FUND
PERFORMANCE

	Asset Allocation			Return					
		As of January 31, 2002	As of January 31, 2001	One Year Ended January 31, 2002					
	Neutral	2002	2001	Benchmark	PUF	Asset Allocation	Security Selection	Interactive	Total Attribution
Cash	0.0%	1.2%	0.1%	3.89%	-3.74%	0.34%	0.00%	-0.42%	-0.08%
Equities:									
U.S. Mid/Large Cap	25.0%	23.6%	23.2%	-16.13%	-11.32%	0.38%	1.32%	-0.19%	1.51%
U.S. Small Cap	7.5%	11.1%	10.0%	-3.60%	-9.22%	0.03%	-0.42%	-0.19%	-0.58%
Non U.S. Established Markets	12.0%	10.2%	12.4%	-25.58%	-27.14%	0.20%	-0.22%	0.01%	-0.01%
Non U.S. Emerging Markets	3.0%	4.3%	3.6%	-13.53%	-13.15%	-0.06%	0.01%	0.00%	-0.05%
Marketable Alternative Equities	10.0%	11.4%	9.0%	11.37%	13.11%	-0.08%	0.15%	-0.03%	0.04%
Inflation Hedging	7.5%	5.6%	8.1%	-5.45%	15.25%	0.01%	1.43%	-0.53%	0.91%
Fixed Income:									
U.S.	15.0%	16.6%	15.9%	7.56%	7.64%	0.27%	0.01%	0.00%	0.28%
Non U.S.	5.0%	2.3%	2.5%	-5.70%	-4.72%	0.00%	0.05%	-0.03%	0.02%
Total Marketable Securities	85.0%	86.3%	84.8%	-7.50%	-5.11%	1.09%	2.33%	-1.38%	2.04%
Nonmarketable Alternative Equities	15.0%	13.7%	15.2%	17.00%	-22.48%	-0.04%	-5.71%	-0.13%	-5.88%
Total	100.0%	100.0%	100.0%	-4.09%	-7.93%	1.05%	-3.38%	-1.51%	-3.84%

Summary:			
Total Equities	80.0%	79.9%	81.5%
Total Fixed Income	20.0%	18.9%	18.4%
Total Cash and Cash Equilavents	0.0%	1.2%	0.1%
Total	100.0%	100.0%	100.0%

GENERAL ENDOWMENT FUND
PERFORMANCE

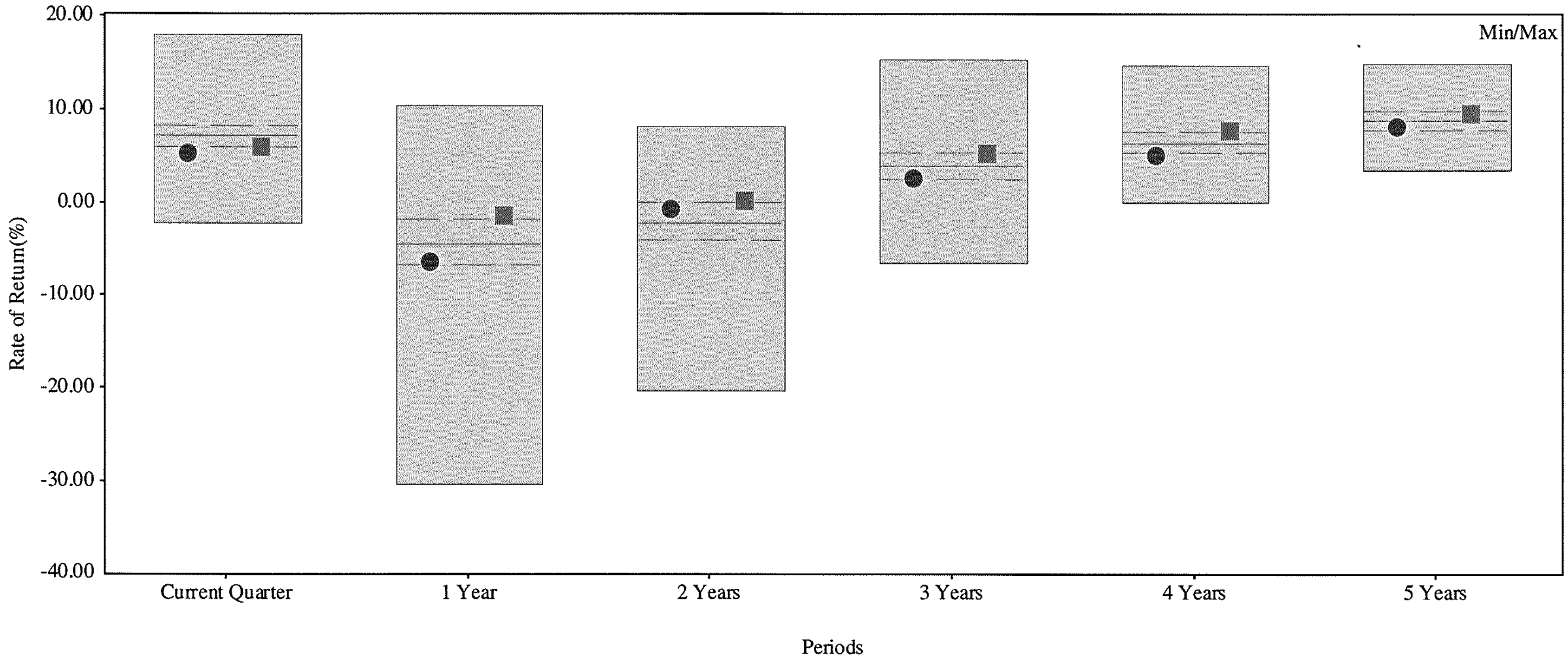
	Asset Allocation			Return					
		As of January 31, 2002	As of August 31, 2001	Five Months Ended January 31, 2002					
	Neutral			Benchmark	GEF	Asset Allocation	Security Selection	Interactive	Total Attribution
Cash	0.0%	0.9%	1.8%	1.21%	1.28%	0.00%	0.00%	-0.07%	-0.07%
Equities:									
U.S. Mid/Large Cap	25.0%	25.0%	24.8%	0.27%	1.04%	-0.05%	0.21%	-0.01%	0.15%
U.S. Small Cap	7.5%	11.9%	10.5%	3.69%	0.58%	0.21%	-0.22%	-0.13%	-0.14%
Non U.S. Established Markets	12.0%	10.6%	11.7%	-8.97%	-8.81%	0.09%	0.03%	-0.01%	0.11%
Non U.S. Emerging Markets	3.0%	4.6%	3.2%	9.92%	9.98%	0.01%	0.00%	0.00%	0.01%
Marketable Alternative Equities	10.0%	12.3%	11.4%	4.19%	2.66%	0.04%	-0.16%	-0.01%	-0.13%
Inflation Hedging	7.5%	5.6%	4.6%	-6.38%	0.84%	0.13%	0.56%	-0.15%	0.54%
Fixed Income:									
U.S.	15.0%	16.5%	18.8%	2.03%	2.23%	0.10%	0.03%	0.01%	0.14%
Non U.S.	5.0%	2.5%	2.6%	-6.12%	-6.19%	0.15%	-0.01%	0.00%	0.14%
Total Marketable Securities	85.0%	89.9%	89.4%	-0.39%	0.49%	0.68%	0.44%	-0.37%	0.75%
Nonmarketable Alternative Equities	15.0%	10.1%	10.6%	6.76%	-9.75%	-0.30%	-2.42%	0.64%	-2.08%
Total	100.0%	100.0%	100.0%	0.69%	-0.64%	0.38%	-1.98%	0.27%	-1.33%

Summary:	Neutral	As of January 31, 2002	As of August 31, 2001
Total Equities	80.0%	80.1%	76.8%
Total Fixed Income	20.0%	19.0%	21.4%
Total Cash and Cash Equilavents	0.0%	0.9%	1.8%
Total	100.0%	100.0%	100.0%

GENERAL ENDOWMENT FUND
PERFORMANCE

	Asset Allocation			Return					
		As of January 31,	As of February 28,	Eleven Months Ended January 31, 2002		Asset	Security		Total
	Neutral	2002	2001	Benchmark	GEF	Allocation	Selection	Interactive	Attribution
Cash	0.0%	0.9%	3.3%	3.49%	3.79%	0.12%	0.00%	-0.08%	0.04%
Equities:									
U.S. Mid/Large Cap	25.0%	25.0%	25.2%	-7.72%	-4.41%	-0.07%	0.89%	-0.02%	0.80%
U.S. Small Cap	7.5%	11.9%	9.9%	3.17%	0.47%	0.21%	-0.20%	-0.13%	-0.12%
Non U.S. Established Markets	12.0%	10.6%	12.9%	-19.55%	-21.04%	0.08%	-0.20%	-0.01%	-0.13%
Non U.S. Emerging Markets	3.0%	4.6%	3.5%	-6.09%	-3.52%	-0.06%	0.08%	0.01%	0.03%
Marketable Alternative Equities	10.0%	12.3%	10.3%	10.31%	10.39%	0.07%	0.00%	-0.01%	0.06%
Inflation Hedging	7.5%	5.6%	4.0%	-5.58%	13.44%	0.06%	1.38%	-0.52%	0.92%
Fixed Income:									
U.S.	15.0%	16.5%	16.8%	6.64%	6.55%	0.23%	-0.02%	0.00%	0.21%
Non U.S.	5.0%	2.5%	2.9%	-5.25%	-4.27%	0.08%	0.05%	-0.03%	0.10%
Total Marketable Securities	85.0%	89.9%	88.8%	-3.30%	-1.05%	0.72%	1.98%	-0.79%	1.91%
Nonmarketable Alternative Equities	15.0%	10.1%	11.2%	15.48%	-16.11%	-0.70%	-4.60%	1.24%	-4.06%
Total	100.0%	100.0%	100.0%	-0.62%	-2.77%	0.02%	-2.62%	0.45%	-2.15%
Summary:									
Total Equities	80.0%	80.1%	77.0%						
Total Fixed Income	20.0%	19.0%	19.7%						
Total Cash and Cash Equilavents	0.0%	0.9%	3.3%						
Total	100.0%	100.0%	100.0%						

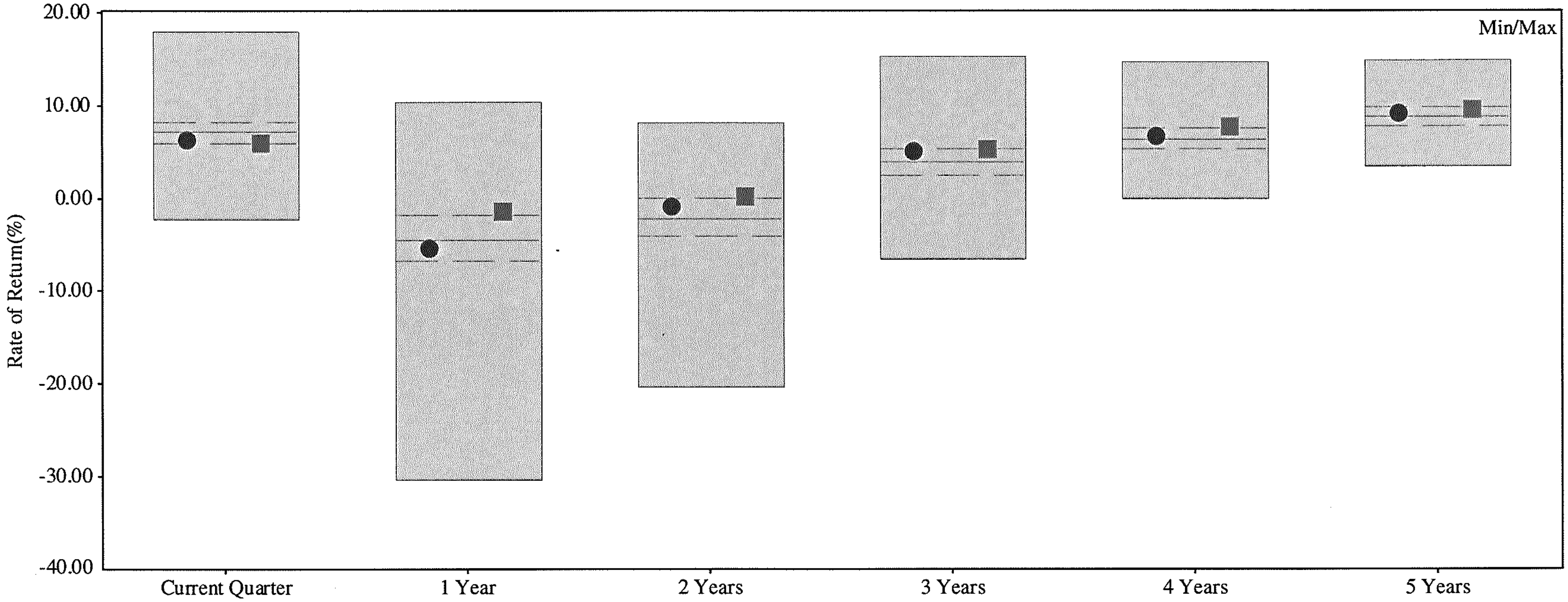
MASTER TRUST FUNDS - TOTAL FUND
Ending Monday, December 31, 2001
Quartile



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	18.10		10.51		8.12		15.48		14.78		14.94	
25th Percentile	8.27		- 1.95		0.04		5.22		7.47		9.74	
Median	7.18		- 4.60		- 2.26		3.91		6.33		8.86	
75th Percentile	5.92		- 6.75		- 4.14		2.36		5.38		7.74	
Minimum	- 2.07		- 30.17		- 20.22		- 6.47		0.22		3.63	
# of Portfolios	319		317		309		293		273		261	
● **PUF-Net of Fees**	5.46	82	- 6.12	67	- 0.48	32	2.82	71	5.37	76	8.32	64
■ **Policy Portfolio**	6.21	73	- 1.28	21	0.31	23	5.57	20	8.06	17	9.78	25

Universe Source: (c) Russell/Mellon Analytical Services

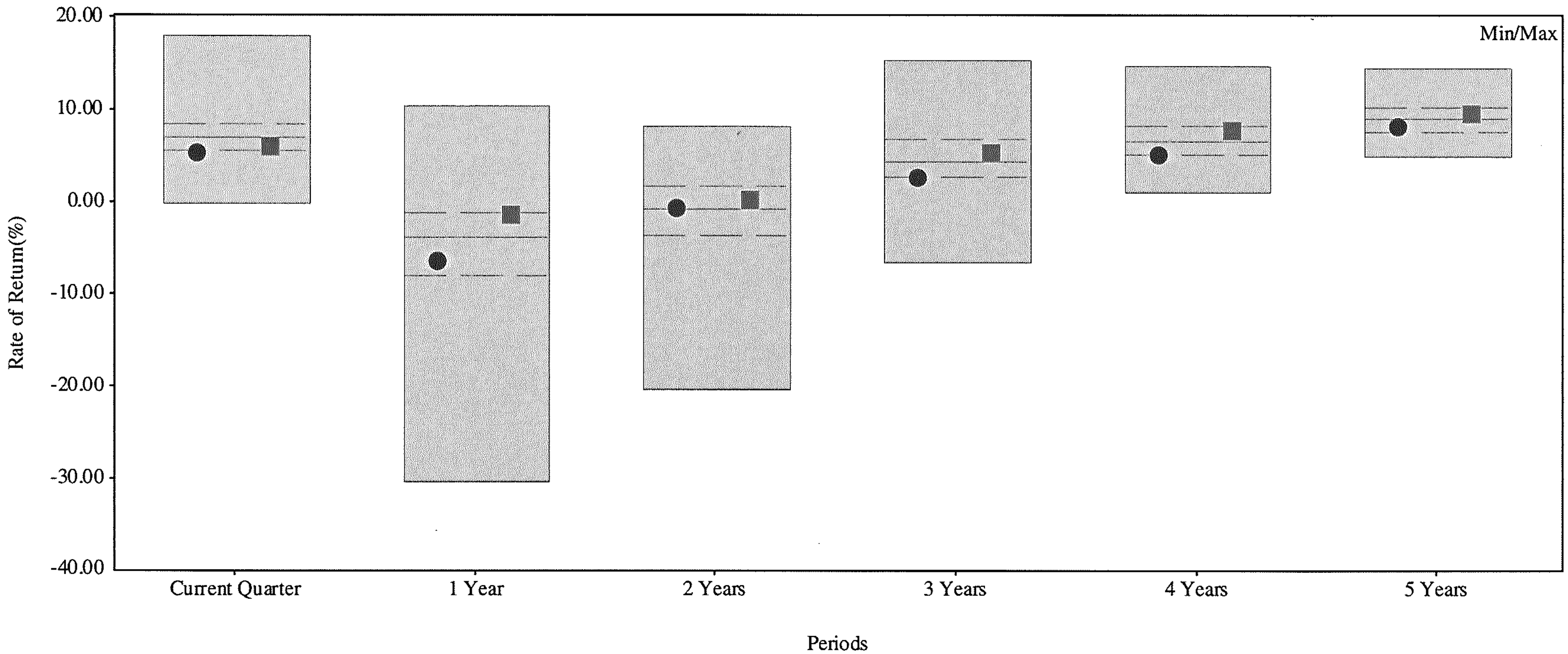
MASTER TRUST FUNDS - TOTAL FUND
Ending Monday, December 31, 2001
Quartile



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	18.10		10.51		8.12		15.48		14.78		14.94	
25th Percentile	8.27		- 1.95		0.04		5.22		7.47		9.74	
Median	7.18		- 4.60		- 2.26		3.91		6.33		8.86	
75th Percentile	5.92		- 6.75		- 4.14		2.36		5.38		7.74	
Minimum	- 2.07		- 30.17		- 20.22		- 6.47		0.22		3.63	
# of Portfolios	319		317		309		293		273		261	
● **LTF-Net of Fees**	6.49	67	- 5.09	57	- 0.70	35	5.35	23	6.87	37	9.46	33
■ **Policy Portfolio**	6.21	73	- 1.28	21	0.31	23	5.57	20	8.06	17	9.78	25

Universe Source: (c) Russell/Mellon Analytical Services

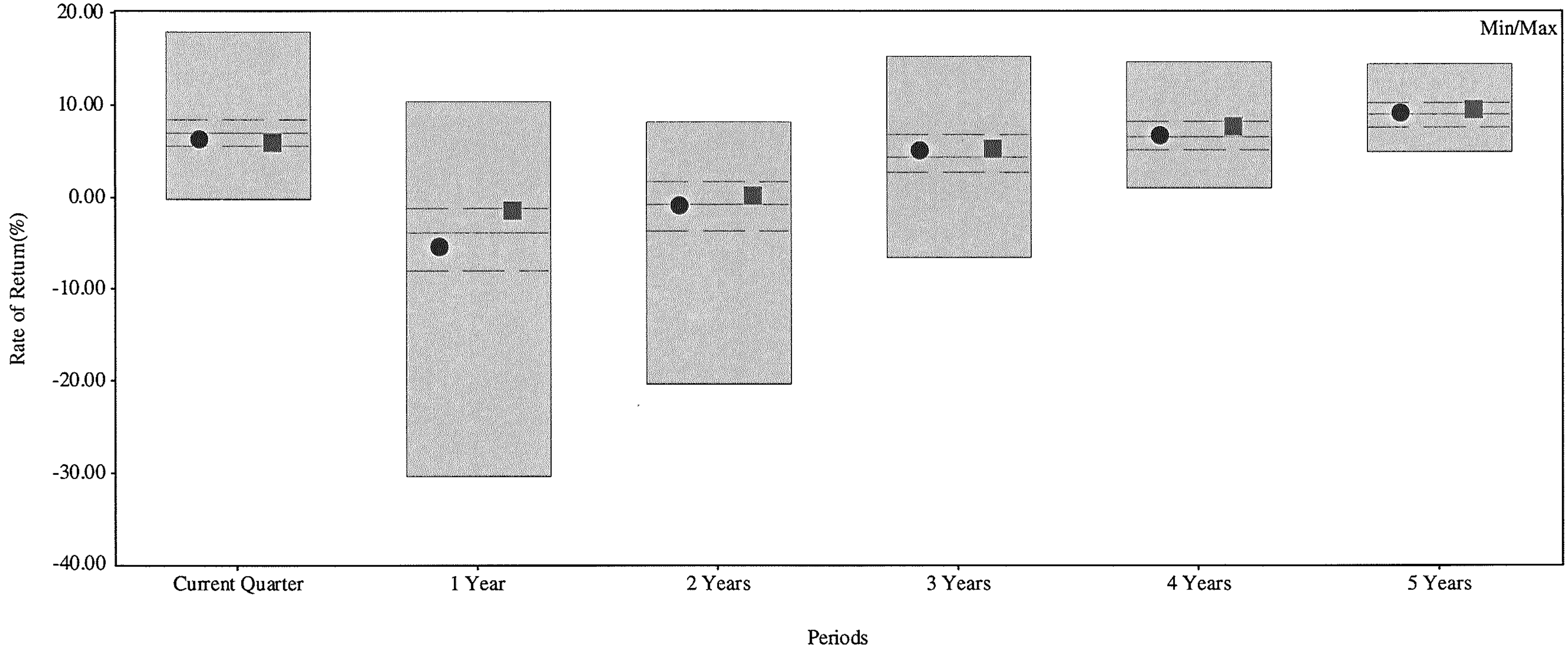
TOTAL FUNDS - FOUNDATIONS AND ENDOWMENTS
Ending Monday, December 31, 2001
Quartile



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	18.10		10.51		8.12		15.48		14.78		14.50	
25th Percentile	8.47		- 1.20		1.60		6.79		8.21		10.26	
Median	6.99		- 3.93		- 0.88		4.26		6.45		8.95	
75th Percentile	5.54		- 8.02		- 3.75		2.72		5.16		7.67	
Minimum	0.06		-30.17		-20.22		- 6.47		1.18		5.14	
# of Portfolios	82		81		77		65		59		53	
● **PUF-Net of Fees**	5.46	79	- 6.12	68	- 0.48	43	2.82	75	5.37	74	8.32	62
■ **Policy Portfolio**	6.21	69	- 1.28	29	0.31	33	5.57	32	8.06	29	9.78	34

Universe Source: (c) Russell/Mellon Analytical Services

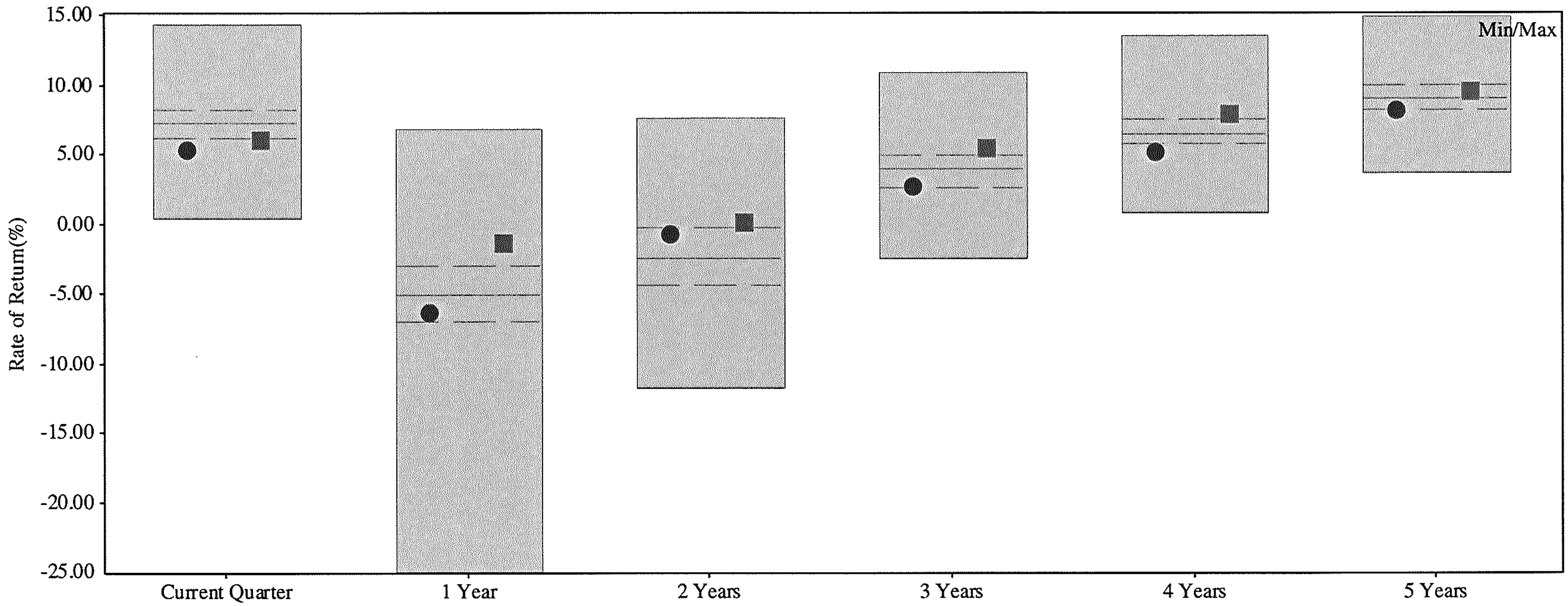
TOTAL FUNDS - FOUNDATIONS AND ENDOWMENTS
Ending Monday, December 31, 2001
Quartile



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	18.10		10.51		8.12		15.48		14.78		14.50	
25th Percentile	8.47		- 1.20		1.60		6.79		8.21		10.26	
Median	6.99		- 3.93		- 0.88		4.26		6.45		8.95	
75th Percentile	5.54		- 8.02		- 3.75		2.72		5.16		7.67	
Minimum	0.06		-30.17		-20.22		- 6.47		1.18		5.14	
# of Portfolios	82		81		77		65		59		53	
● **LTF-Net of Fees**	6.49	60	- 5.09	59	- 0.70	48	5.35	40	6.87	47	9.46	49
■ **Policy Portfolio**	6.21	69	- 1.28	29	0.31	33	5.57	32	8.06	29	9.78	34

Universe Source: (c) Russell/Mellon Analytical Services

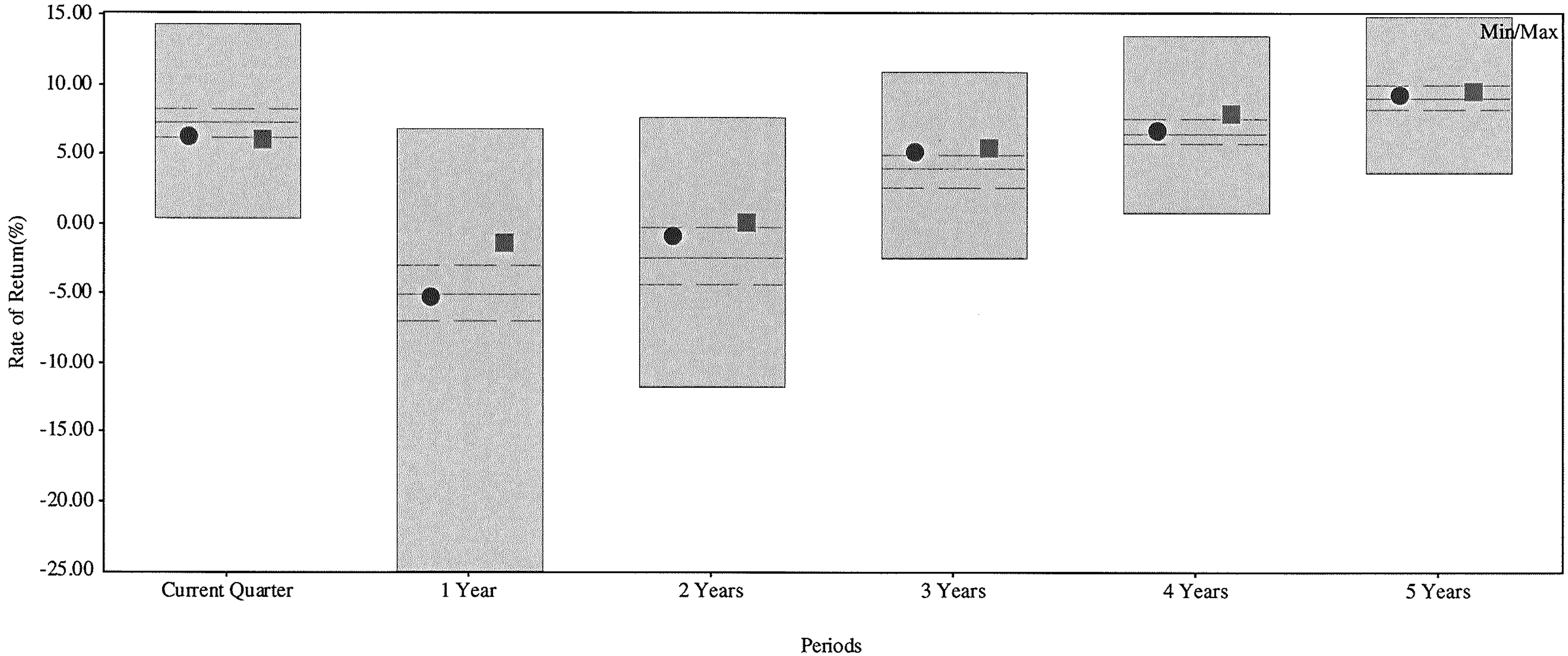
TOTAL BILLION DOLLAR FUNDS - CORPORATE
Ending Monday, December 31, 2001
Quartile



	Current Quarter Return	(% tile)	1 Year Return	(% tile)	2 Years Return	(% tile)	3 Years Return	(% tile)	4 Years Return	(% tile)	5 Years Return	(% tile)
Maximum	14.32		6.89		7.72		10.94		13.56		14.94	
25th Percentile	8.26		- 2.97		- 0.27		4.97		7.48		10.00	
Median	7.26		- 5.09		- 2.46		3.95		6.44		9.06	
75th Percentile	6.21		- 6.93		- 4.35		2.56		5.71		8.18	
Minimum	0.50		-24.88		-11.67		- 2.36		0.97		3.83	
# of Portfolios	90		89		88		87		84		84	
● **PUF-Net of Fees**	5.46	87	- 6.12	59	- 0.48	29	2.82	73	5.37	85	8.32	75
■ **Policy Portfolio**	6.21	76	- 1.28	17	0.31	22	5.57	19	8.06	17	9.78	28

Universe Source: (c) Russell/Mellon Analytical Services

TOTAL BILLION DOLLAR FUNDS - CORPORATE
Ending Monday, December 31, 2001
Quartile

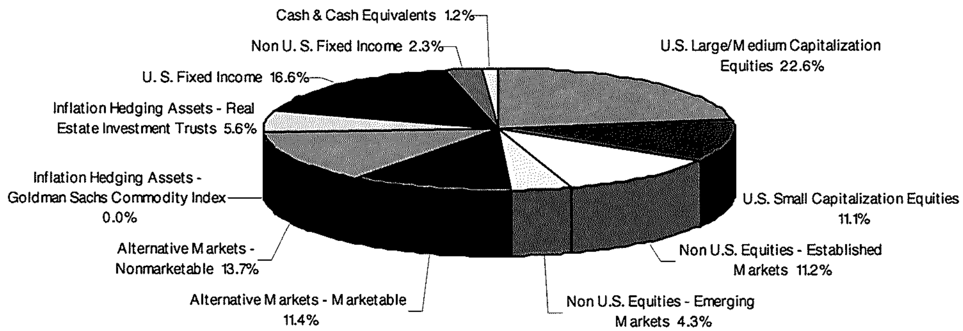


	Current Quarter Return	(% tile)	1 Year Return	(% tile)	2 Years Return	(% tile)	3 Years Return	(% tile)	4 Years Return	(% tile)	5 Years Return	(% tile)
Maximum	14.32		6.89		7.72		10.94		13.56		14.94	
25th Percentile	8.26		- 2.97		- 0.27		4.97		7.48		10.00	
Median	7.26		- 5.09		- 2.46		3.95		6.44		9.06	
75th Percentile	6.21		- 6.93		- 4.35		2.56		5.71		8.18	
Minimum	0.50		-24.88		-11.67		- 2.36		0.97		3.83	
# of Portfolios	90		89		88		87		84		84	
● **LTF-Net of Fees**	6.49	72	- 5.09	50	- 0.70	31	5.35	20	6.87	44	9.46	36
■ **Policy Portfolio**	6.21	76	- 1.28	17	0.31	22	5.57	19	8.06	17	9.78	28

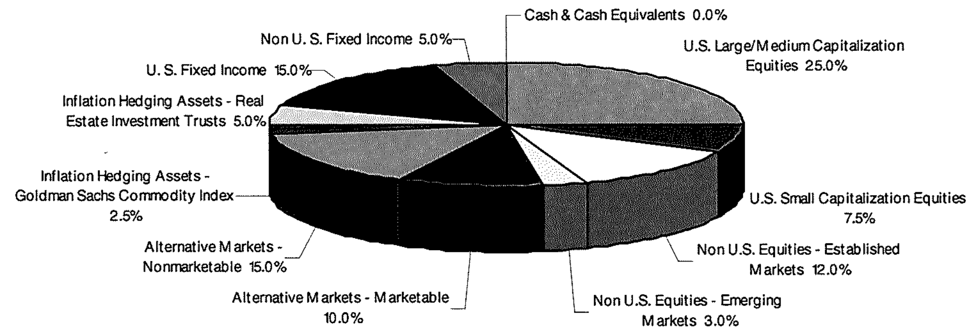
Universe Source: (c) Russell/Mellon Analytical Services

PUF ASSET ALLOCATION
AS OF JANUARY 31, 2002

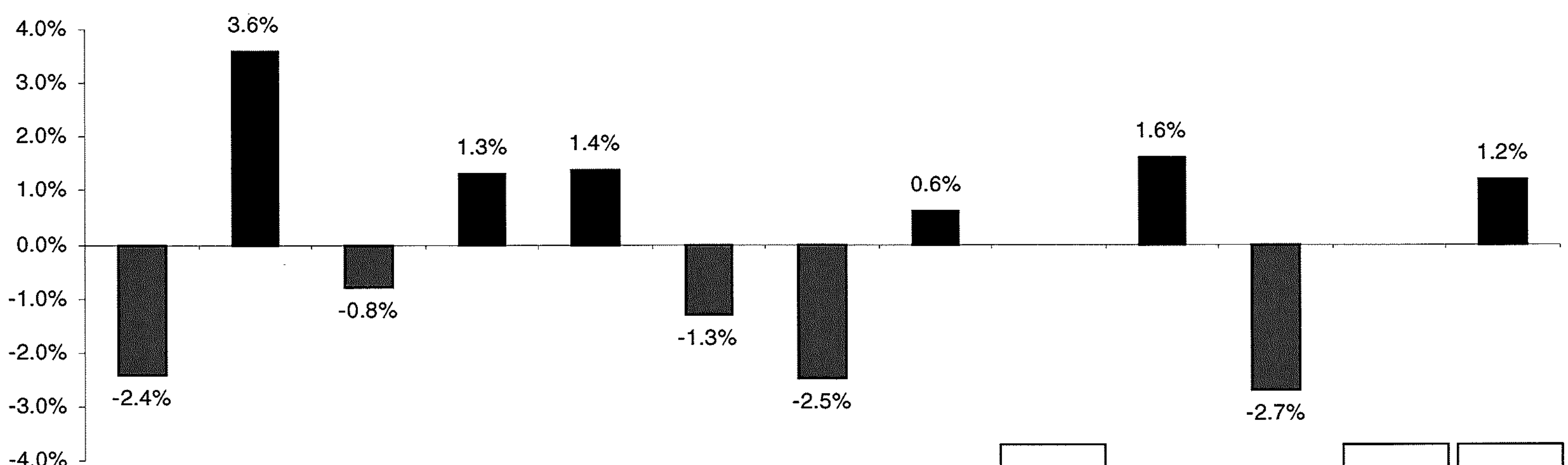
Actual



Neutral Policy



Actual vs Policy

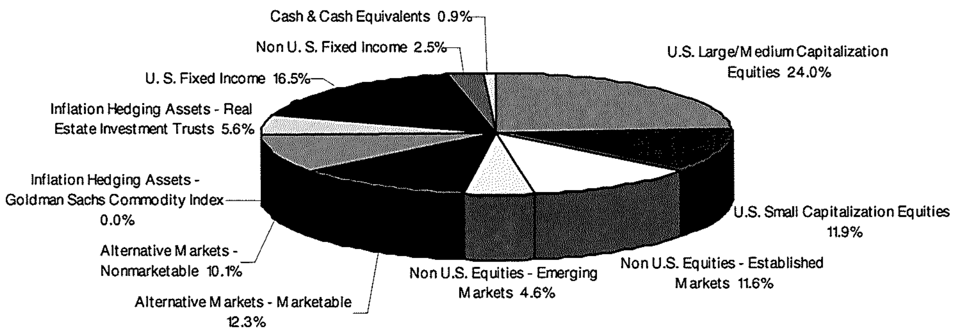


	U.S. Large/Medium Capitalization Equities	U.S. Small Capitalization Equities	Non U.S. Equities- Established Markets	Non U.S. Equities- Emerging Markets	Alternative Markets- Marketable	Alternative Markets- Nonmarketable	Inflation Hedging Assets - Goldman Sachs Commodity Index	Inflation Hedging Assets - Real Estate Investment Trusts	Total Equities	U.S. Fixed Income	Non U.S. Fixed Income	Total Fixed Income	Cash & Cash Equivalents
Actual	22.6%	11.1%	11.2%	4.3%	11.4%	13.7%	0.0%	5.6%	79.9%	16.6%	2.3%	18.9%	1.2%
Neutral Policy	25.0%	7.5%	12.0%	3.0%	10.0%	15.0%	2.5%	5.0%	80.0%	15.0%	5.0%	20.0%	0.0%
Over/Under	-2.4%	3.6%	-0.8%	1.3%	1.4%	-1.3%	-2.5%	0.6%	-0.1%	1.6%	-2.7%	-1.1%	1.2%

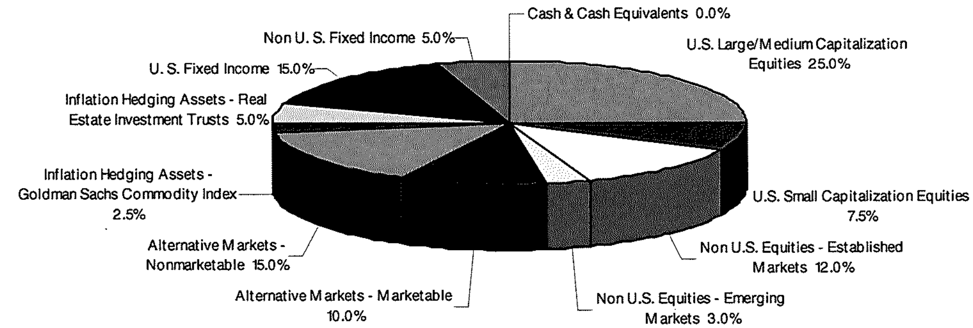
NOTE: Actual allocation adjusted for February cash transfers from U.S. Large/Medium Capitalization Equities to Non U.S. Equities-Established Markets.

GEF ASSET ALLOCATION
AS OF JANUARY 31, 2002

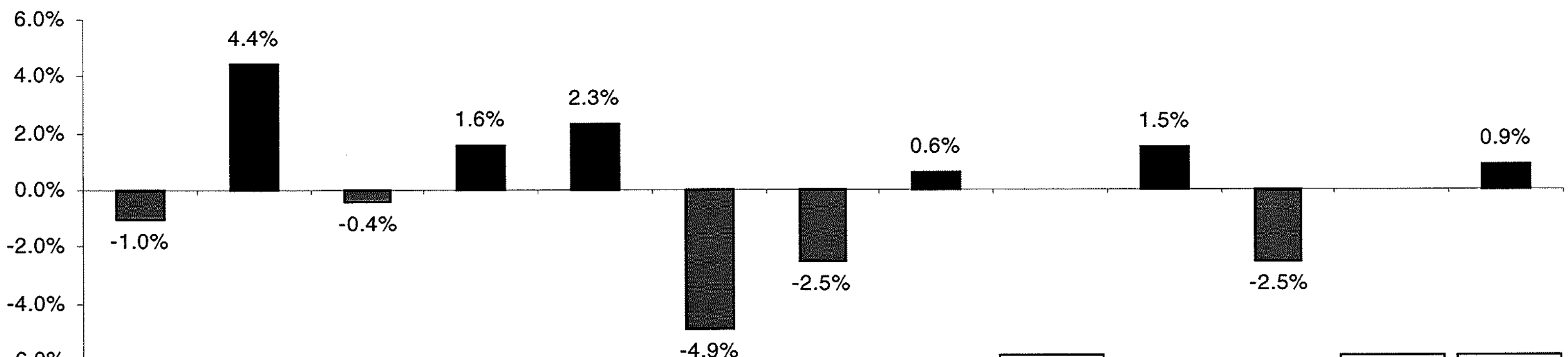
Actual



Neutral Policy



Actual vs Policy



	U.S. Large/Medium Capitalization Equities	U.S. Small Capitalization Equities	Non U.S. Equities-Established Markets	Non U.S. Equities-Emerging Markets	Alternative Markets-Marketable	Alternative Markets-Nonmarketable	Inflation Hedging Assets - Goldman Sachs Commodity Index	Inflation Hedging Assets - Real Estate Investment Trusts	Total Equities	U.S. Fixed Income	Non U.S. Fixed Income	Total Fixed Income	Cash & Cash Equivalents
Actual	24.0%	11.9%	11.6%	4.6%	12.3%	10.1%	0.0%	5.6%	80.1%	16.5%	2.5%	19.0%	0.9%
Neutral Policy	25.0%	7.5%	12.0%	3.0%	10.0%	15.0%	2.5%	5.0%	80.0%	15.0%	5.0%	20.0%	0.0%
Over/Under	-1.0%	4.4%	-0.4%	1.6%	2.3%	-4.9%	-2.5%	0.6%	0.1%	1.5%	-2.5%	-1.0%	0.9%

NOTE: Actual allocation adjusted for February cash transfers from U.S. Large/Medium Capitalization Equities to Non U.S. Equities-Established Markets.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
ALTERNATIVE EQUITES - NONMARKETABLE
COMMITMENT ACTIVITY
As of November 30, 2001

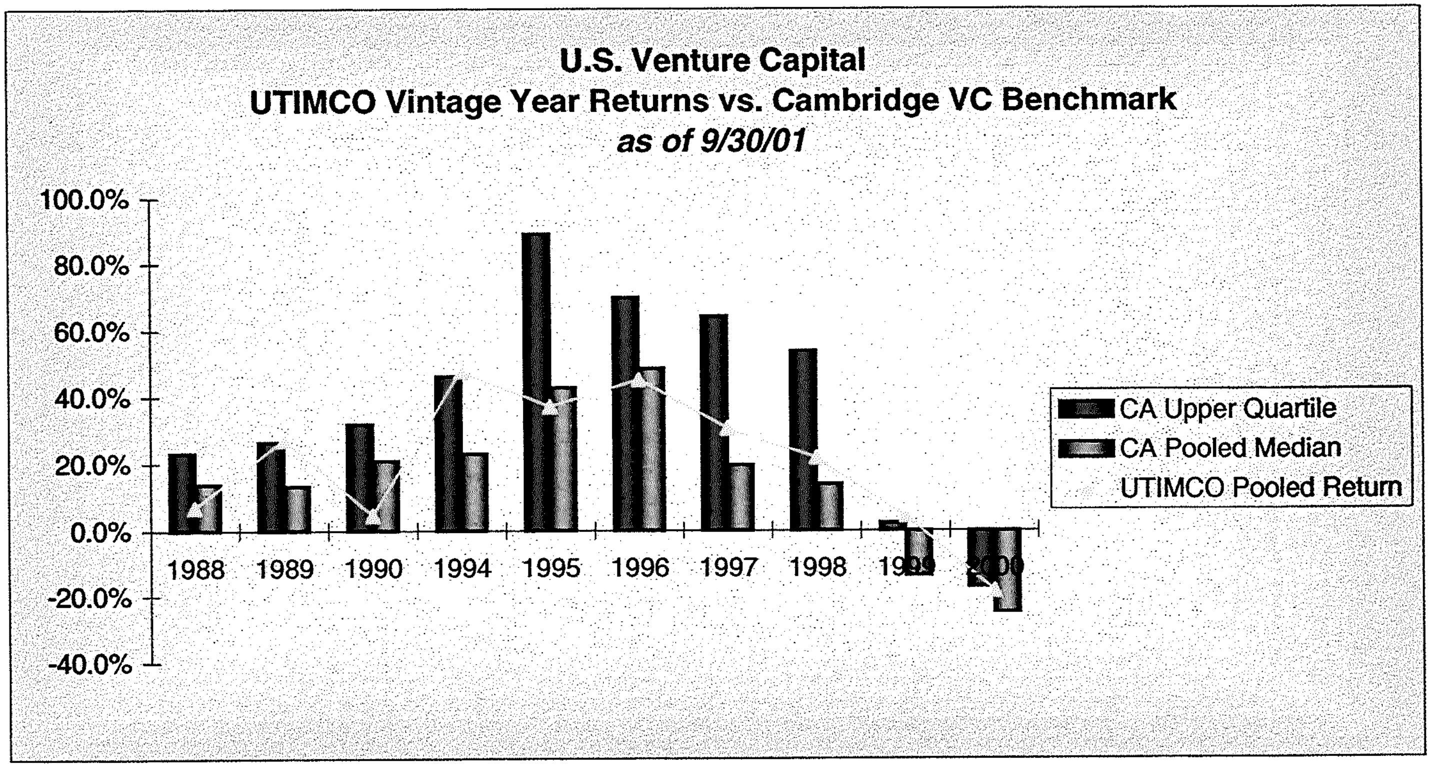
July 1, 2001 - June 30, 2002

Date	Commitment Activity	VC-U.S.	PE-U.S.	Non U.S.	Opp.	Total
	7/1/01-6/30/02 Commitment Budget	**175**	**120**	**50**	**50**	**395**
	Committed and Closed					
07/02/01	*Prospect Venture Partners II*	-25				**-25**
07/31/01	*Polaris Venture Partners IV*	-20				**-20**
08/17/01	*The Candover 2001 Fund*			-30		**-30**
10/30/01	OCM Opportunities IV				-40	**-40**
10/30/01	*Warburg Pincus Private Equity VIII*	-30				**-30**
11/9/01	*Blackstone Capital Partners IV*		-45			**-45**
12/14/01	Evercore Capital Partners II		-45			**-45**
12/21/01	*Pomona Capital V*				-25	**-25**
11/30/01	*The Third Cinven Fund*			-25		**-25**
	Total Closed	**-75**	**-90**	**-55**	**-65**	**-190**
	Committed - Not Closed					
	Total Committed - Not Closed	**0**	**0**	**0**	**0**	**-95**
	Under Due Diligence					
	EnCap Energy Capital Fund IV				-10	**-10**
	JW Child		-25			**-25**
	Total Under Due Diligence	**0**	**-25**	**0**	**-10**	**-35**
	Total Activity	**-75**	**-115**	**-55**	**-75**	**-320**
	Remaining Budget					**75**

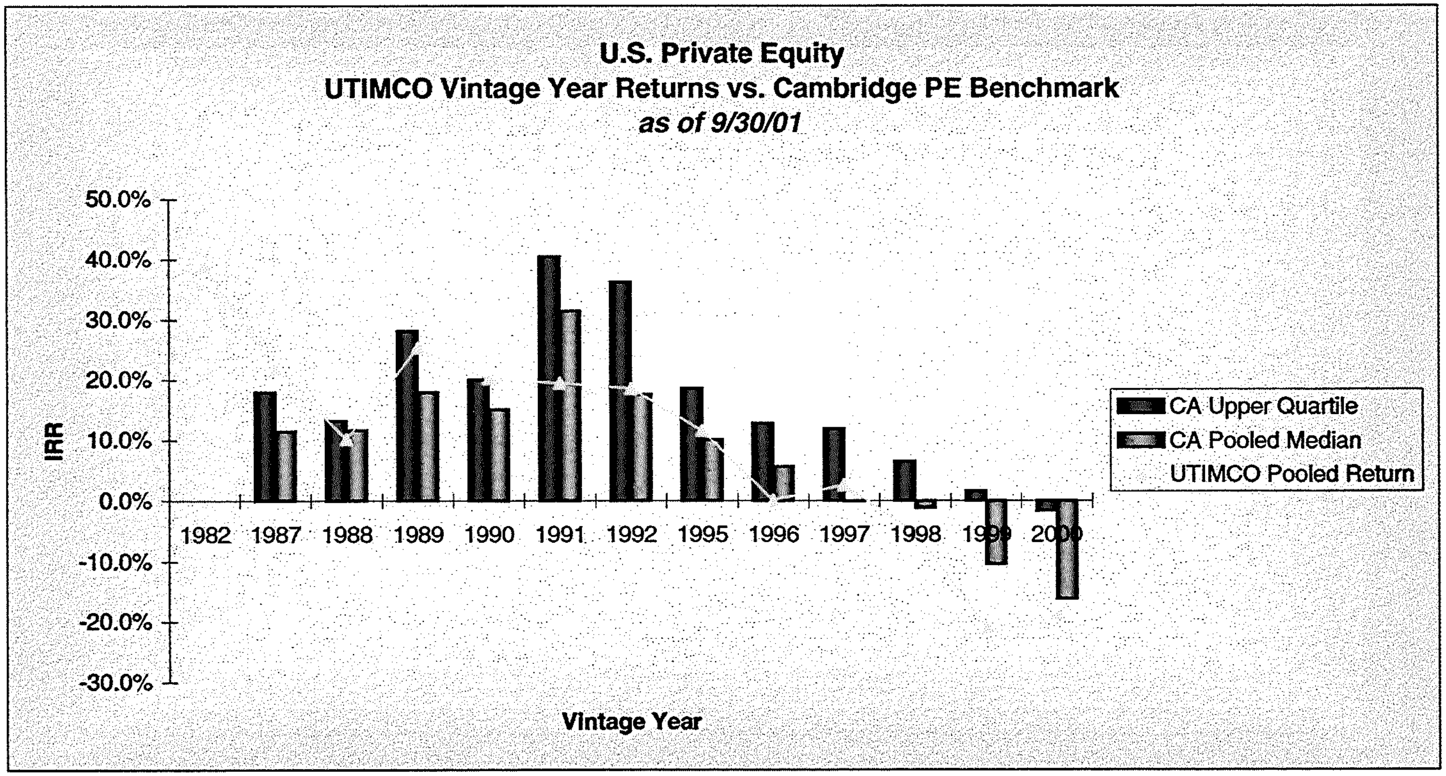
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
ALTERNATIVE EQUITES - NONMARKETABLE
FORWARD CALENDAR
As of November 30, 2001

		Fundraising		Budget Year
Venture Capital				
Alloy Ventures	Early IT/HC	1H	2002	2002
Coastview Capital	Early HC	1H	2002	2002
MPM Capital	Early HC	1H	2002	2002
Battery Ventures	Early IT/Diversified	1H	2003	2003
Lighthouse Capital Partners	*Diversified*	*2H*	*2002*	*2003*
Sevin Rosen Partners	Early IT/Diversified	1H	2003	2003
Three Arch Partners	Early HC/Diversified	2H	2002	2003
Venrock Partners	Early IT/HC	2H	2002	2003
Private Equity				
ABRY	Buyouts	1H	2002	2002
Encap	*Energy*	*2H*	*2001*	*2002*
Inverness	Buyouts	1H	2002	2002
J.W. Childs	Buyouts	2H	2001	2002
L. Green & Partners	*Buyouts*	*1H*	*2002*	*2002*
North American	*Buyouts*	*1H*	*2002*	*2002*
Willis Stein	*Buyouts*	*1H*	*2002*	*2002*
Bain Capital	Buyouts	1H	2003	2003
Code Hennessey	Buyouts	1H	2003	2003
Cravey, Green and Wahlen	*Buyouts*	*1H*	*2003*	*2003*
Halpern Denny	*Buyouts*	*2H*	*2002*	*2003*
Hampshire Equity	*Buyouts*	*1H*	*2003*	*2003*
Oak Hill Capital Partners	Buyouts	2H	2002	2003
Providence Equity Partners	Buyouts - Communications Focus	1H	2003	2003
Silver Lake Partners	Tech Buyouts and Growth Equity	2H	2002	2003
Texas Pacific Group	Buyouts	2H	2002	2003
Vestar	Buyouts	2H	2002	2003
VS&A	*Buyouts*	*2H*	*2002*	*2003*
Audax	Buyouts	2H	2003	2004
Non-U.S. Private Equity				
Barclays European Fund	European Mid-Market Buyouts	1H	2002	2002
BC Partners	European Buyouts	1H	2003	2003
Doughty-Hanson	*European Buyouts*	*2H*	*2002*	*2003*
3i	*European Buyouts*	*1H*	*2003*	*2003*
Opportunistic				
Pomona Capital	Secondaries	2H	2001	2002
Dover Street	Secondaries	1H	2002	2002

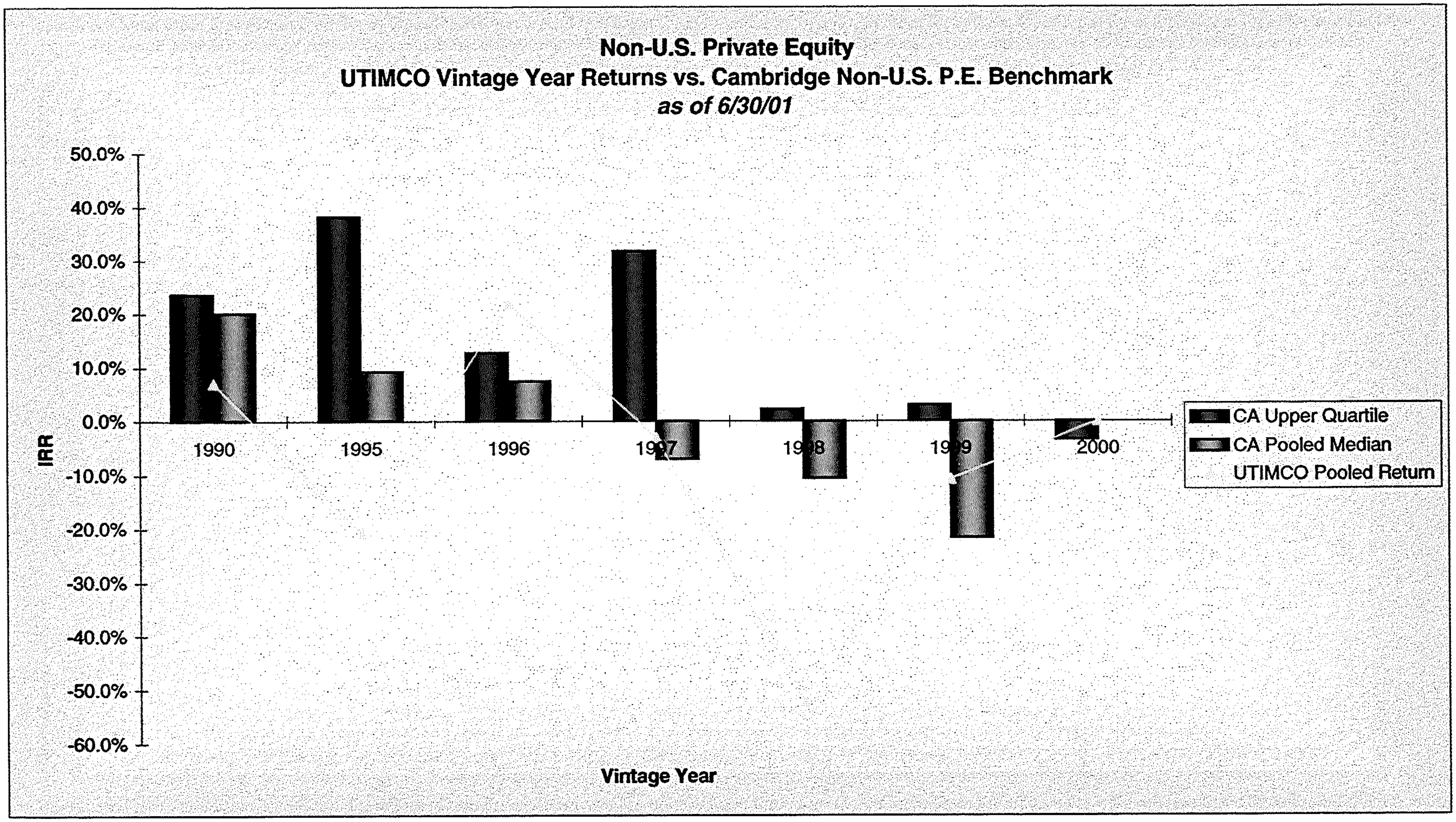
Existing Relationships listed in italics



	CA Upper Quartile	CA Pooled Median	UTIMCO Pooled Return	UTIMCO Investment-to-date
1988	23.2%	13.8%	7.0%	$3.0
1989	26.7%	13.3%	27.1%	$42.0
1990	32.0%	20.9%	4.6%	$11.0
1994	46.3%	23.0%	47.8%	$11.0
1995	89.1%	42.8%	37.1%	$64.0
1996	69.8%	48.5%	45.1%	$30.0
1997	64.3%	19.6%	30.6%	$19.8
1998	53.9%	13.9%	21.7%	$118.1
1999	2.2%	-13.7%	4.4%	$24.3
2000	-17.2%	-24.9%	-18.3%	$25.3



	CA Upper Quartile	CA Pooled Median	UTIMCO Pooled Return	UTIMCO Investment-to date
1982	NA	NA	38.8%	$0.9
1987	18.0%	11.5%	21.8%	$14.6
1988	13.2%	11.7%	10.2%	$10.0
1989	28.1%	18.0%	25.4%	$27.8
1990	20.1%	15.2%	20.3%	$11.1
1991	40.6%	31.5%	19.5%	$20.3
1992	36.3%	17.7%	18.6%	$29.0
1995	18.6%	10.2%	11.7%	$116.1
1996	12.9%	5.6%	0.1%	$189.6
1997	12.0%	-0.1%	2.6%	$247.1
1998	6.6%	-1.1%	-5.1%	$185.8
1999	1.6%	-10.3%	-20.9%	$54.5
2000	-1.6%	-16.2%	-18.7%	$7.7



	CA Upper Quartile	CA Pooled Median	UTIMCO Pooled Return	UTIMCO Investment-to date
1990	23.7%	17.19%	7.0%	$17.2
1995	38.2%	20.1%	-20.9%	$11.4
1996	12.8%	9.3%	22.0%	$78.2
1997	31.8%	7.4%	-3.0%	$84.8
1998	2.3%	-7.0%	-52.1%	$7.6
1999	3.1%	-10.6%	-10.7%	$11.2
2000	-3.4%	-21.7%	N/A	N/A

Endowment Portfolio Risks

- Significant Shortfall in Expected Returns
- Depletion of Purchasing Power
- Underperformance Relative to Benchmarks and Inappropriate benchmark measurement

Consideration of Risk in Asset Allocation Policy Review

- Shortfall Risk - the possibility of failing to generate sufficient returns to meet financial objectives in a defined time period. (Maintain purchasing power of the endowment fund, maintain purchasing power of distribution stream)
- More demanding objectives –
  - higher endowment spending rates
  - budget inflexible to a possible reduction in distributions
  - limited additions of future capital or other sources of capital

Assessing Tolerance for Shortfall Risk

- Define tolerance for shortfall - magnitude of loss and duration of shortfall
  (*Refer to enclosure: Page 17 and 18 from Cambridge research paper on Shortfall risk*)

Long-Term Investment Horizon

- Shortfall risk analysis focuses primarily on long term horizons. (5, 10, 25, 50 years)
- Inputs to measures are long-term, "equilibrium" assumptions of return, variability of return, and correlation of returns among the various asset classes.

  1. Asset Class Discussion (*Refer to enclosure: Cambridge research paper on input assumptions for long-term asset allocation modeling)*
  2. Identify asset classes that drive endowment returns
  3. Identify asset classes that reduce risk

Measuring Portfolio and Asset Class Risk Relative to Benchmarks

- Quantification of risk and return relative to the benchmark

  1. Outperformance vs. benchmark
  2. Consistency of outperformance vs. benchmark
  3. Measurement of whether portfolio is more or less risky than benchmark
  4. Measurement of risk adjusted returns versus benchmark
  5. Measurement of attribution of relative performance (outperformance primarily attributable to assuming more market risk (beta) or from other sources of value added (alpha))
  6. Confidence measure that relative performance is a result of skill rather than luck

- Limitations of measurement

  1. Appropriate benchmark comparison
  2. Time horizon
  3. Alternative assets/managers

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Benchmark Review

- Public Markets
- Marketable Alternatives
- Nonmarketable Assets
    - Monthly, quarterly, annual, long term

NOTES TO EXHIBIT 4

Exhibit 4 provides the most definitive measure of "risk" trustees should consider, since it measures the probability of a portfolio suffering a decline in real value of *x%* from which it fails to recover within *y* years. The *x* is important because the bigger the decline a fund suffers, the harder it is to recover; the *y* is important because the longer it takes to recover, the greater the probability that spending will have to be cut to avoid running the fund into the ground. Although it is certainly instructive to consider each of these risk factors separately, doing so results in overestimation of the probability that the fund's ability to maintain spending will be impaired. Considering them together enables trustees to answer the most fundamental question: What is the probability that this portfolio will enable us to maintain spending without seriously depleting the fund's real value?

Is a 10% probability of a suffering decline of 20% from which one does not recover within ten years too much or too little risk to assume? Only trustees can answer that question, in light of the institution's reliance on spending from the endowment fund, their willingness to reduce spending in tough times, the institution's other revenue sources (if any), and so on. Although there is no easy, generic answer, this remains an essential question for trustees engaged in understanding and measuring the possible effects of their asset allocation decisions.

Exhibit 4

PROBABILITY OF EXPERIENCING A DECLINE IN REAL MARKET VALUE AND FAILING TO RECOVER FROM THAT DECLINE

Joint-Probability Matrixes

The portfolio has **these** probabilities of suffering a decline of
these magnitudes in five years from which it does not recover within
these time horizons

Relatively Undiversified

	5 Years	10 Years	25 Years	50 Years
>0%	30.1%	26.7%	22.7%	20.9%
>5%	26.9%	23.6%	19.8%	18.0%
>10%	23.3%	20.2%	16.7%	15.1%
>15%	19.1%	16.6%	13.8%	12.3%
>20%	14.8%	13.0%	10.8%	9.5%
>25%	10.4%	9.3%	7.8%	6.9%

Average Endowment

	5 Years	10 Years	25 Years	50 Years
>0%	24.6%	20.7%	15.6%	12.2%
>5%	21.4%	17.8%	13.4%	10.4%
>10%	17.8%	14.8%	11.2%	8.4%
>15%	14.3%	11.9%	8.9%	6.8%
>20%	10.7%	9.0%	6.8%	5.2%
>25%	7.4%	6.3%	4.8%	3.7%

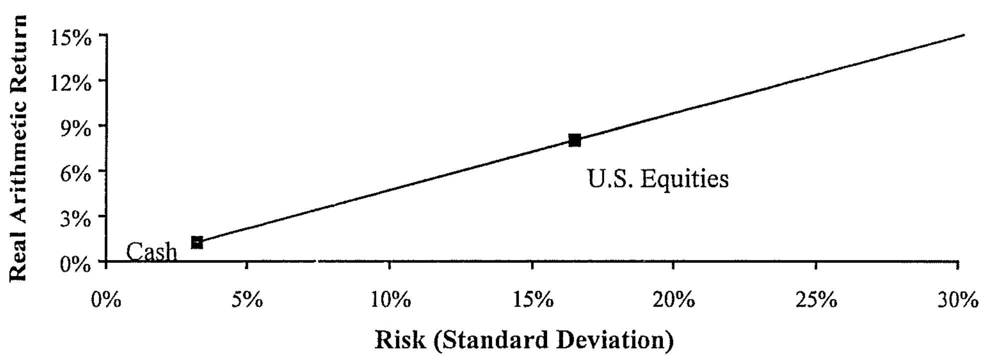
Average $1 Billion+ Endowment

	5 Years	10 Years	25 Years	50 Years
>0%	20.6%	16.7%	10.8%	7.0%
>5%	18.0%	14.6%	9.4%	6.0%
>10%	15.2%	12.1%	7.9%	4.9%
>15%	12.0%	9.7%	6.3%	3.9%
>20%	9.1%	7.5%	4.8%	3.0%
>25%	6.2%	5.3%	3.5%	2.2%

Notes: The joint probability analysis is based on our long-term return, standard deviation, and correlation assumptions for asset classes, and includes no judgment as to the probability of being at the high end or low end of the return distribution in the near future. The analysis also assumes independence between the probability of experiencing a decline in real market value and the probability of failing to recover from that decline. Therefore, the probability of experiencing a decline in real market value may be understated if valuations have been particularly high, while the probability of failing to recover from the decline may be overstated. The offsetting errors should result in a reasonably accurate joint probability estimate, given the underlying return, standard deviation, and correlation assumptions.

INPUT ASSUMPTIONS FOR LONG-TERM ASSET ALLOCATION MODELING[1]

Our starting point is the assumption that the greater the variability of returns of an asset class, the higher the returns must be to compensate investors for incurring more risk. While not insisting on a *perfect* correspondence between relative risk and return across asset classes, we do regard this relationship as the cornerstone of our construct and are skeptical of risk:return assumptions that deviate from it to any significant degree.[2] Our objective is to determine what has been called the "equilibrium" rate of return of the various asset classes; that is, the estimated return for any very long-term period (of unspecified duration, but at least 30 years) without regard to current market valuations. Since our focus is on real returns, rather than nominal,[3] and the single most important asset class for U.S. investors is U.S. equities, our risk-return line is defined by connecting the real expected risk and return of the least risky asset class (cash equivalents) to that of U.S. equities. This means, in turn, that we must have a high level of confidence in our assumptions for U.S. equities, and ensure that all other asset class assumptions are reasonable, logical, and defensible both in their own right and in relation to the U.S. equity assumptions.



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[1] Investors are accustomed to returns computed in compound, or geometric, terms because this most accurately reflects the growth of an investment over a given time period. However, when one is estimating *future* returns for planning purposes, those should be arithmetic returns. If the variability of returns of an investment were zero in a given period, then the arithmetic and geometric return would be the same for that period. The higher the variability of returns, however, the greater will be the disparity between the arithmetic and geometric return. Consequently, if investments A and B have the same estimated return, but A's returns are expected to be less variable than those of B, investors should prefer A over B.

[2] One reason why an asset class might appear more or less "risky" than seems warranted by its assumed return is that the only kind of risk included in our methodology is variability of return. For certain asset classes (e.g., venture capital) investors might logically insist on being compensated for other risks, like illiquidity, that are not effectively captured by the variability of return.

[3] Our focus is on real rather than nominal return for two reasons: first, we need to estimate a portfolio's real rate of return in order to assess whether purchasing power will be enhanced, maintained, or diminished over time, given the investor's rate of spending; secondly, by estimating real returns we avoid having to forecast a long-term expected rate of inflation, which we believe to be impossible.

U.S. Equities

Returns: The estimated return for U.S. equities has been derived both from historical data for multiple time periods, and also by attempting to determine an "equilibrium" return that is unaffected by multiple expansion or contraction over time.

1. For the period 1901-98, the mean average annual compound return for all rolling 20-year periods is 6.42%, for all rolling 25-year periods, 6.49%, and for all rolling 50-year periods, 7.02%. For the period 1926-98, the mean average annual compound return for all rolling 20-year periods is 6.79%, for all rolling 25-year periods, 6.78%, and for all rolling 50-year periods, 6.75%. The average of all these values is 6.71%.
2. For the period 1926-98, the average price/earnings multiple of U.S. equities is 14.75. In 1998, S&P 500 earnings were $37.71. Multiplied by 14.75, this would give a price of 556.12; however, the actual December 31, 1998 price of the S&P 500 was 1229.23, from which we can deduce that multiple expansion has contributed 1.1 percentage points to the price of U.S. equities over this period. Since the average annual real compound return, 1926-98 is 7.82%, the "valuation-adjusted" real return is 7.82% - 1.1%, or 6.72%.
3. In the time frame 1926-98, we have identified eight periods of at least 25 years duration for which the price/earnings multiple at the end of the period was almost exactly the same as at the beginning.

Start Year	End Year	Start P/E	End P/E	Geometric Avg. Real Ret.
1971	1995	17.91	18.14	6.40
1961	1992	22.43	22.82	5.47
1927	1969	15.91	15.93	7.99
1936	1962	17.18	17.19	8.41
1946	1985	14.43	14.46	6.39
1937	1987	14.26	14.12	5.92
1949	1979	7.22	7.26	7.10
1953	1984	9.88	10.05	5.64
			Average	6.67

To summarize: the mean average annual compound real return of multiple rolling periods, 1901-98 and 1926-98 is 6.71%. The "valuation-adjusted" average annual return of U.S. equities, 1926-98 is 6.72%, and the average return of multiple periods (duration 25 or more years) unaffected by multiple expansion or contraction is 6.67%. Rounded to the nearest 25 basis points, these all point to 6.75% as the historical "equilibrium" compound average annual real rate of return for U.S. equities.

Although this conclusion has been derived from data series composed of mid- to large-cap U.S. equities, the almost perfect (.99) correlation of returns of the S&P 500 with those of broader indexes like the Wilshire 5000 and the Russell 3000 indicates that our estimated return for "U.S. equities" is applicable to the asset class as a whole (i.e., including the small-cap segment of the market), for any investor whose proxy for the asset class is a conventional, cap-weighted index.

Standard Deviation of Returns. For the full period, 1901-98, the standard deviation of U.S. equity returns is 20.57%, and for the period 1926-98, 20.27. However, for the period 1945-98, the standard deviation is 17.31, and for 1960-98, 15.92. In short, the very long-term is significantly affected by the greater variability of the market in earlier part of the century. In fact, a chart of rolling five-year standard deviations illustrates the significant distinction between the first and second halves of the century, with a strong downward trend in the variability of return as the U.S. economy and the U.S. equity market become increasingly diversified, and less dependent on more cyclical, manufacturing industries. Although persistently lower (especially in the period 1980-98) and quite varied (from less than ten percentage points to almost 25), rolling five-year standard deviations in the second half of the century show no discernible trend, and so we have adopted their mean average of 16.5 percentage points.

Arithmetic return: A compound (geometric) return of 6.75% with a standard deviation of 16.5% corresponds to an arithmetic real return assumption of 8.0%.

Global ex U.S. Equities (Developed Markets)

Less than 30 years of historical data is an inadequate basis on which to base assumptions about non-U.S. developed market equities. Early in this series, Japan was in effect an emerging market, and today the many markets of Europe are melding into one with the advent of the common currency. In local currency terms, historical returns for U.S. and non-U.S. have not differed much (depending on when one begins and ends the series), and ex-ante there seems no compelling reason to assume that the U.S. equity market should return any more or less than non-U.S. equity markets over the long term. Consequently, our assumption for the real arithmetic return of Global ex U.S. equities is also 8.0%. The rolling five-year standard deviation of returns for the MSCI EAFE Index, in local currency, has also matched that of the S&P 500 closely, suggesting that there is no reason, ex ante, to assume a higher or lower standard deviation of returns for Global ex U.S. equities *in local currency terms*. However, when they invest in non-U.S. equities, US$-denominated investors incur currency exchange risk that adds to the variability of returns—historically, the spread between the standard deviation of MSCI EAFE: US$ and MSCI EAFE: local currency has been approximately 250 basis points. Consequently, we assume a standard deviation of returns of 19.0 for Global ex U.S. equities (unhedged). Because we do *not* assume that investors earn any incremental return for assuming currency exchange risk (in theory, currency exchange is a zero sum game), this means that Global ex U.S. equities fall slightly below our risk:return line. It would be a mistake to conclude that the asset class is therefore unattractive—not only do Global ex U.S. equities provide portfolio diversification benefits, investors may also find that *in practice* currency management can add value, and that the asset class offers investment opportunities not readily available in U.S. equities.

Emerging Markets Equities

Lack of adequate historical data series presents problems. In addition, the composition of this asset class has changed, and will change over time, to a far greater extent than is the case for developed markets. The MSCI Emerging Markets Free Index dates from 1988 and the IFC Investable Emerging Markets Index from 1989. For the period common to both, the average annual real return in US$ has been 9.6% and 8.0% respectively, with standard deviations of 27.1% and 26.4%. This compares to a real return of 7.2% and a standard deviation of 14.6% for the MSCI World Index for the same period. However, all this tells us is that although investors in emerging markets have earned a premium return over this period, the excess return has not been commensurate with the additional risk they have incurred. Why not? Because currency devaluation risk looms large for investors in emerging markets—note that the local currency return for this same period is over 50% (in nominal terms). Is currency exchange a zero sum game vis-à-vis emerging markets over the long term? In theory, no. If one assumes that an emerging market matures into a developed market, with GDP per capita rising towards the level prevailing in the developed world, one should also assume that its currency would gradually appreciate. (Note, for example, that the Japanese yen changed hands at 255¥/$ as recently as in 1985 compared to 107¥/$ today.) In practice, however, many emerging market currencies have proved dangerously subject to periodic *depreciation*, reflecting the greater instability of their economies.

In estimating the standard deviation of Global ex U.S. equities, we have assumed that the variability of returns will be increased by currency exchange risk for which investors are not compensated; it seems logical to apply the same assumption to emerging markets. For the real arithmetic return assumption, we assume a premium vis-à-vis developed markets of 300 basis points. To estimate the standard deviation of returns, we have simply extrapolated the historical variability of the MSCI Emerging Markets Free Index, which is 27%.

Venture Capital and Non-Venture Private Equity

Historical data series for venture capital and non-venture private equity are too short, and their integrity too questionable, to provide a sound basis for future estimates. In addition, there is no way to invest in these asset classes passively, through index funds that capture the return of the asset class at minimal cost—these asset classes are defined by a universe of active managers, among whom the dispersion of returns is huge. Moreover, it is impossible to determine the variability of returns of asset classes whose values are not marked-to-market with the same frequency as is applied to publicly traded assets. Finally, in computing returns should one calculate them net of fees or gross? On the one hand, net is what investors earn; on the other hand, to maintain the relationship between risk and return, one should compute returns gross of fees, since the deduction of fees does not change the risk investors incur. To cut through these insoluble problems, we have based our estimate of future returns to venture capital and non-venture private equity on their assumed risk premium vis-à-vis publicly traded U.S. equities. In other words, given the illiquidity, manager-specific risk, and greater concentration of private investments, what premium over U.S. equities is sufficient to justify investment in these asset classes? For venture capital, we have concluded that this premium should be 500 basis points over U.S. equities, and for non-venture private equity, 300 basis points. Fitting these estimated returns to our risk:return line results in standard deviations of 26.25% for venture capital and 22.25% for non-venture private equity. Translated into compound average annual real returns (aacr), this represents 300 basis points excess aacr for venture investing and 200 basis points excess aacr for non-venture private equity investing. Although we believe these are reasonable expectations for a well-developed, carefully managed private investment program, we also think that investors should consider carefully whether they are realistic expectations for their own portfolio, in light of the resources, experience, and expertise at their disposal.

Real Estate

Returns: Reliable historical returns for private real estate are short-term, highly end-point sensitive, and strongly influenced by one-time factors like the mid-1980s shift in tax policy. Consequently, our return assumption for private real estate is based on "equilibrium" estimates of industry finances: net operating income, rent growth, depreciation/obsolescence costs, and so on. In addition, we have assumed that over the long term time real estate investors should expect to earn a return between that of bonds and equities, since real estate investments share characteristics of both these asset classes. For private real estate, our estimate of the long-term arithmetic real return is therefore 6.25%.

The historical data for publicly traded REITs is even less reliable than that for private real estate since the character and composition of the market has been transformed by the massive securitization of real estate in the 1990s. We assume that over the long term REITs values and returns will tend to converge towards those of the underlying properties, and diverge from the broad stock market. Because REITs are leveraged (approximately 40%) and should have operating efficiencies relative to private market investors, we assume a return 1% higher than that for private real estate; i.e., 7.25%.

Standard Deviations: Like other non-marketable investments, private real estate is illiquid and not marked-to-market daily, as are stocks and bonds. For this reason, any assumption about the standard deviation of returns is somewhat theoretical and illusory—worth estimating only in order to effect necessary comparisons with the more liquid asset classes. Because we find no reason to assume that real estate investors earn returns that are not commensurate with the level of risk they incur, we have derived the standard deviation assumptions from our risk:return line (13.25% standard deviation for private real estate and 15% for REITs). This results in a lower standard deviation of returns for REITs than their history suggests, but we believe this is defensible, ex ante, because of the changing character of this asset class.

Bonds

Returns: Unlike equity market returns, bond returns do not appear to be mean reverting. In other words, the historical average, even if computed over a long period, provides no insight into future estimated returns. However, the current yield-to-maturity of a bond *is* its expected compound average annual return over its life. As illustrated in our report, *Historical Capital Market Valuations*, the correlation of a bond's starting yield with its subsequent return is very high when both are computed in nominal terms. The problem is that beginning-of-period nominal yields have *not* correlated very highly with the subsequent real returns of various bond series (e.g., 68% for long-term government bonds, with an R^2 of 46%)—which simply means that the bond market has not done a very good job of predicting inflation. More significantly, the beginning-of-period *real* yields of various bond series have shown virtually no correlation whatsoever with subsequent real returns. If one bought a 20-year inflation-indexed Treasury strip and simply held to maturity, then the beginning real yield would exactly define the total real annual compound return over that period. However, in practice bond investors do not buy-and-hold in this way and their actual behavior is more accurately reflected in bond return series, all of which assume that a bond is held for one year and then replaced with another bond of the same original maturity, thus maintaining a portfolio of constant maturity. Finally, history indicates that investors have not been suitably compensated for incurring the duration risk of long-term bonds as compared to intermediate-term bonds, and yet the former continue to have a place in many portfolios in which matching the duration of specific liabilities is a more important consideration than earning the highest risk-adjusted return.

All this complicates the estimation of future long-term bond returns, which we have addressed as follows:

1. Relative return assumptions across asset classes should reflect relative risk. Thus, the bond market return assumption should not violate our basic rule that the risk:return attributes of different asset classes should lie on the risk:return line, unless there are compelling arguments in support of their deviation. Since the average variability bond market returns over multiple periods is 9.25%, this implies a return of 4.25% when fitted to the risk:return line.
2. However, the assumption for bond market returns should also correspond reasonably closely to the current real yield of TIPs, since this constitutes the market's expectation of the real return for Treasury issues[4]--although this covers a shorter time period than our indeterminate long-term. Since the current yield of TIPs is approximately 4.0%, our 4.25% return assumption does not violate this reality check.
3. Finally, although there is no reliable way of estimating the equity risk premium ex-ante, the real expected return of bonds should imply an equity risk premium that is reasonable and defensible. If U.S. Equities have an estimated real arithmetic return of 8.0% and U.S. Bonds 4.25%, the implied equity risk premium is 3.75%.

[4] The inclusion of this criterion means that if at some point in the future the assumed returns derived from #2 and #3 above produces results dramatically at odds with the prevailing real yield-to-maturity, then the matter will need to be revisited.

Cash

Total return for 91-Day T-bills, 1925-98. The arithmetic average since 1925, 1945, and 1972 was taken, and these three averages were averaged. The resulting estimated real arithmetic return is 1.25%. The standard deviation of 3.50 percentage points is the average of the same three return series.

Absolute Return and Hedge Funds

Estimating risk and return for these "asset classes" is particularly difficult because they are not asset classes in the conventional sense of the term, but rather varieties of trading strategies that have in common only similar legal structures and fees. However, for modeling purposes we have assumed that investors in absolute return strategies are seeking returns that fall between those of equities and bonds, with relatively low volatility, and low correlation with equity and bond investments. For hedge funds, we have assumed the classic hedge fund that seeks to mitigate equity-market risk by investing both long and short, with a bias to the long side but never 100% long. In both cases, as with private investments, our return assumptions are net of fees.

Absolute Return: to derive the estimated return, a line is drawn from the estimated return of T-bills (1.25%) to that of U.S. equities (8%) and absolute return is assumed to lie 2/3 of the distance from the former to the latter (i.e., 5.75%). The standard deviation is assumed to be half that of U.S. equities, or 8.25%.

Hedge Funds: the assumed return is 80% that of U.S. equities (i.e., 6.5%) and the standard deviation of returns 75% that of U.S. equities (i.e., 12.5%).

To both these "asset classes" we would add the same caveat as attached to the assumptions given above for venture capital and non-venture private equity investing: although we believe these are reasonable expectations for a well-developed, carefully managed absolute return or hedge fund program, we also think that investors should consider carefully whether they are realistic expectations for their own portfolio, in light of the resources, experience, and expertise at their disposal.

Commodities

In order to estimate the return assumption for commodities, we calculated the historical average annual total return of the Goldman Sachs Commodity Index and subtracted half of the return attributable to roll yield, the persistence of which we think can be called into question. The resulting return assumption is 6.25%. We have assumed that the historical standard deviation of returns (19.25%) will persist.

Correlation Coefficient Methodology

All correlation coefficients are calculated using real annual total returns for each asset class. The longest time period available for each asset class was used in the calculation. For asset classes with historical data going back to the early 1900's (i.e., U.S. stocks, U.S. fixed income, and cash), we calculated the correlation from 1925-present, 1945-present, and 1972-present and averaged these three values.

UNIVERSITY OF TEXAS
LONG-TERM ASSET ALLOCATION ASSUMPTIONS

Asset Class	Symbol	1999 Assumptions Arithmetic Avg. Return (%)	2000 - Present Arithmetic Avg. Return (%)
U.S. Equity	USE	8.00	6.75
Global ex U.S. Equity	GE	8.00	7.25
Emerging Markets Equity	EM	11.00	10.50
Absolute Return	AR	5.75	5.25
Equity Hedge Funds	HF	6.50	5.50
Venture Capital	VC	13.00	11.75
Private Equity	PE	11.00	9.75
REITs	REIT	7.25	7.75
Real Estate	RE	6.25	6.50
Commodities	CM	6.25	6.25
U.S.Bonds	BND	4.25	3.75
Cash	CA	1.25	1.25

Asset Class	Symbol	1999 Assumptions Compound Return (%)	2000 - Present Compound Return (%)
U.S. Equity	USE	6.75	5.25
Global ex U.S. Equity	GE	6.25	5.25
Emerging Markets Equity	EM	7.75	6.75
Absolute Return	AR	5.50	4.75
Equity Hedge Funds	HF	5.75	4.50
Venture Capital	VC	10.00	10.75
Private Equity	PE	8.75	9.25
REITs	REIT	6.25	6.50
Real Estate	RE	5.50	5.50
Commodities	CM	4.50	4.50
U.S.Bonds	BND	3.75	3.25
Cash	CA	1.25	1.25

Asset Class	Symbol	1999 Risk (%) (Std. Dev. of Returns)	2000 - Present Original Risk (%) (Std. Dev. of Returns)
U.S. Equity	USE	16.50	18.50
Global ex U.S. Equity	GE	19.00	20.75
Emerging Markets Equity	EM	27.00	30.00
Absolute Return	AR	8.25	9.25
Equity Hedge Funds	HF	12.50	14.00
Venture Capital	VC	26.25	15.75
Private Equity	PE	22.25	9.50
REITs	REIT	15.00	17.00
Real Estate	RE	13.25	14.50
Commodities	CM	19.25	19.25
U.S.Bonds	BND	9.25	9.25
Cash	CA	3.50	3.50

UNIVERSITY OF TEXAS
NEW LONG-TERM ASSET ALLOCATION ASSUMPTIONS

Correlation Coefficients

	USE	GE	EM	AR	HF	VC	PE	REIT	RE	CM	BND	CA
USE	1.00											
GE	0.52	1.00										
EM	0.08	0.28	1.00									
AR	0.55	0.28	0.46	1.00								
HF	0.57	0.27	0.52	0.64	1.00							
VC	0.54	-0.03	-0.13	0.27	0.37	1.00						
PE	0.40	0.10	0.06	0.69	0.57	0.84	1.00					
REIT	0.59	0.35	0.46	0.63	0.75	0.52	0.72	1.00				
RE	0.29	0.33	-0.47	0.06	0.07	-0.02	0.19	0.10	1.00			
CM	-0.35	-0.22	0.09	-0.11	-0.31	0.12	-0.02	-0.32	-0.17	1.00		
BND	0.57	0.22	0.26	0.61	0.27	0.02	0.23	0.27	-0.01	-0.20	1.00	
CA	0.12	0.25	-0.13	0.54	0.02	-0.31	-0.04	0.27	0.38	-0.30	0.67	1.00

UNIVERSITY OF TEXAS
ORIGINAL LONG-TERM ASSET ALLOCATION ASSUMPTIONS

Correlation Coefficients

	DCS	SC	ICS	EM	AR	HF	VC	PE	REIT	RE	TL	CM	EMD	HYB	IFI	FI	LCB	LGB	ICB	IGB	MB	TIP	CA
DCS	1.00																						
SC	0.80	1.00																					
ICS	0.52	0.37	1.00																				
EM	0.08	0.50	0.28	1.00																			
AR	0.55	0.52	0.28	0.46	1.00																		
HF	0.57	0.89	0.27	0.52	0.64	1.00																	
VC	0.54	0.50	-0.03	-0.13	0.27	0.37	1.00																
PE	0.40	0.54	0.10	0.06	0.69	0.57	0.84	1.00															
REIT	0.59	0.83	0.35	0.46	0.63	0.75	0.52	0.72	1.00														
RE	0.29	0.07	0.33	-0.47	0.06	0.07	-0.02	0.19	0.10	1.00													
TL	-0.02	0.32	0.13	0.56	0.27	0.27	-0.28	0.03	0.20	-0.33	1.00												
CM	-0.35	-0.41	-0.22	0.09	-0.11	-0.31	0.12	-0.02	-0.32	-0.17	0.18	1.00											
EMD	0.32	0.77	0.28	0.72	0.90	0.88	0.54	0.53	0.80	-0.38	0.06	0.14	1.00										
HYB	0.53	0.84	0.40	0.44	0.63	0.75	0.37	0.36	0.77	-0.25	0.17	-0.37	0.70	1.00									
IFI	0.00	-0.11	0.64	-0.07	0.01	0.05	-0.23	-0.35	-0.10	0.09	-0.31	-0.24	0.15	0.27	1.00								
FI	0.57	0.23	0.22	0.26	0.61	0.27	0.02	0.23	0.27	-0.01	0.09	-0.20	0.54	0.59	0.37	1.00							
LCB	0.32	0.14	0.31	0.26	0.58	0.37	0.09	0.30	0.41	0.10	0.12	-0.26	0.51	0.62	0.35	0.99	1.00						
LGB	0.25	0.09	0.30	0.24	0.58	0.30	0.10	0.32	0.35	0.09	0.09	-0.27	0.48	0.56	0.34	0.97	0.93	1.00					
ICB	0.66	0.42	0.36	0.31	0.64	0.40	0.06	0.26	0.46	0.07	0.11	-0.36	0.58	0.66	0.37	0.99	0.98	0.95	1.00				
IGB	0.59	0.30	0.31	0.24	0.62	0.26	-0.05	0.15	0.38	0.09	0.05	-0.33	0.51	0.57	0.40	0.99	0.96	0.95	0.97	1.00			
MB	0.46	0.33	0.28	0.27	0.39	0.42	0.10	0.41	0.34	0.00	0.16	0.10	0.65	0.61	0.39	0.94	0.95	0.92	0.92	0.90	1.00		
TIP	-0.08	-0.17	-0.05	0.44	0.37	0.02	0.02	0.14	-0.05	-0.26	0.18	0.33	0.65	0.37	0.37	0.73	0.56	0.63	0.46	0.52	0.78	1.00	
CA	0.12	-0.07	0.25	-0.13	0.54	0.02	-0.31	-0.04	0.27	0.38	-0.10	-0.30	-0.21	0.09	0.22	0.67	0.56	0.64	0.71	0.76	0.43	0.05	1.00

TO BE DISTRIBUTED
AT THE MEETING

UTIMCO Board of Directors Committee Appointments

Audit and Ethics Committee
A. W. "Dub" Riter, Jr. – Chair
Susan M. Byrne
Woody L. Hunt

Proposed Audit and Ethics Committee
Woody L. Hunt – Chair
Susan M. Byrne
R. H. (Steve) Stevens, Jr.

Compensation Committee
J. Luther King, Jr. – Chair
L. Lowry Mays
*(A.R. (Tony) Sanchez, Jr.)**

Proposed Compensation Committee
J. Luther King, Jr. – Chair
L. Lowry Mays
John D. McStay

Nominating Committee
Rita Clements - Chair
Susan M. Byrne
John D. McStay

*An amendment to Article IV, Section 1 of the UTIMCO Bylaws (adopted on October 26, 2001) provides that "any Director appointed to a committee designated by the Board of Directors shall cease to be a member of such committee when he or she is no longer serving as a Director."

Resolution No. 2

As required by the Corporation's Code of Ethics the Board shall designate by position key employees of the Corporation.

RESOLVED, that the following employee be added and designated as a key employee of the Corporation:

Trey Thompson	Investment Officer – Private Markets

List of Current Key Employees

Cathy A. Iberg	Interim President and CEO
Greg L. Cox	Portfolio Manager-Equity Investments
J. Russell Kampfe	Senior Portfolio Manager-Fixed Income
Harland B. Doak, Jr.	Portfolio Manager-Fixed Income
Sara Skone	Investment Officer-Private Markets
Joan Moeller	Director of Accounting and Operations

Resolution No. 3

RESOLVED, that the annual distribution rate for the Long Term Fund be increased from $0.251 per unit to $0.258 per unit, and the Permanent Health Fund remain at current payout rate of $.047 per unit for fiscal year 2003, effective with the November 30, 2002 distribution.

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

Recommendation of Distribution Rate Increase

The spending formula under the Long Term Fund (LTF) Investment Policy and the Permanent Health Fund (PHF) Investment Policy increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the LTF assets and PHF assets for each fund's respective trailing twelve fiscal quarters.

We are recommending a 2.8% increase in the LTF distribution rate from $0.251 to $0.258 per unit. The increase is recommended based on the LTF's Investment Policy to increase the distributions by the average rate of inflation for the trailing twelve quarters. The consumer price index for the prior three years as of November 30, 2001 was 2.7%. The increase of 2.8% above results from rounding the per unit rate as provided in the investment policy.

We are recommending that the PHF rate of $.047 remain unchanged for fiscal year 2003. Although the average distribution rate since inception is 4.5%, well within the range of 3.5% to 5.5% collar described in the PHF's Investment Policy, the fund currently has negative cumulative investment returns resulting in distributions of $19.6 million in excess of investment return.

Oecshle International Advisors

PRESENTATION TO BE
DISTRIBUTED AT THE MEETING

Beacon Capital Partners

PRESENTATION TO BE
DISTRIBUTED AT THE MEETING

Private Real Estate

Private real estate appears to be an attractive investment opportunity in 2002. Prospective public equity investment returns and expanded investment cycles for private equity have positioned private real estate to look attractive with expected returns in the mid to high teens. Additionally, private real estate should enhance the endowment's risk/return profile by providing increased diversification benefits. Recommended investments to The Associates Realty Fund VI and Beacon Capital Strategic Partners II will provide the endowment funds with a core private equity real estate base to expand on going forward.

- Public real estate is coming off two good years in 2000 and 2001, with total returns of 26% and 13% respectively, which handily outperformed most public markets. The consensus expected return for public real estate is roughly 7% to 10% for 2002. This return would consist of earning the coupon, which is about 7% for the average company, plus a percent or two for growth.

- Even though the real estate market for most property types in this country is quite healthy, most real estate markets are decelerating along with the economy. No property sectors have been spared from the fallout of the economic decline, but the office and hotel markets have experienced the sharpest declines. The national office vacancy rate increased from about 8% year end 2000, to about 14% year end 2001. The national vacancy rate is expected to stabilize in the mid teens, and begin to improve along with the economy later in 2002 or early 2003.

- The construction boom in office buildings in the late 1990's, represented a much smaller percentage of existing office space, than did the construction boom of the late 1980's, with lenders showing much more prudence by shutting off new construction much faster than ever before. This abrupt termination of new supply of office buildings in most markets has accelerated the re-balancing of the national office market overall. The rapid rationalization of the office market has led most real estate analysts to believe the long term outlook for the office market is favorable.

- Perhaps the most important fact about the future supply of office buildings, is it takes as long as ten years to bring a building from drawing board to opening in a lot of the markets. The toughest markets to build in are on both coasts, in the cities of Boston, New York, Washington DC, San Francisco, and Los Angeles. Therefore, there is great visibility as to what supply is on the drawing boards in these markets. Public real estate companies such as real estate investment trusts are in these markets for the long run, and probably do not have the ability to move their focus from market to market. Private investors with a five or six year investment horizon have much more agility, and can enter and exit these markets easily. In most markets it takes much less time to build retail, hotel, or apartments, so the risk that supply could come in within the investment horizon for private investors is higher for these property types.

- For private investors in real estate, 2002 may turn out to be the ideal time to be an investor. Real estate investment trusts are having a hard time raising equity in the marketplace to finance purchases, and their balance sheets are already levered up in many cases to the point where creditors do not want them to issue more debt. In fact many investment trusts have been pruning their portfolios of assets to improve their balance sheets, or change their weightings in certain markets. Private investors have been buyers of a number of those assets. Foreign investors, pension funds, and many large companies wanting to monetize their real estate assets, have also been sellers.

- Even though some of the best managers of real estate such as Sam Zell have taken their companies public, many great real estate investors have stayed private, have sold out, or have taken their companies back private. In fact there has been a trend recently back to private arena, as Bill Sanders, one of the earliest endorsers of real estate investment trusts, has sold out his company, Security Capital Group to General Electric Capital.. It makes sense for an institutional investor in real estate, to keep a foot in both the private and the public markets, in order take advantage of each of their unique attributes as well as management capabilities.

- Both the private managers we are considering invest primarily in the office and industrial markets, but sometimes invest in retail, apartments, or hotel properties as an adjunct to their overall focus on office and industrial. Beacon Capital Partners is a group that has been both a public and private investor, and been successful in both worlds. Beacon Property, the public forerunner for the Beacon Capital was an IPO in 1994. The University of Texas was an investor in that offering, and the company was eventually sold to Sam Zell's Equity Office Properties in 1997, for a handsome return. Alan Levanthal, the head of both the public and private Beacon, has an excellent reputation with public real estate people, and is known in the business to be a heady seller.

Source of Real Estate Information: Greg Cox- Internal REIT Manager

Resolution No. 4

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's private equity advisor, Cambridge Associates LLC, recommending that the Corporation invest with Beacon Capital Partners up to $50 million of PUF and GEF assets in **BCSP REIT II, Inc.** (the "Investment"); and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendations dated February 19, 2002 for **BCSP REIT II, Inc.** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the proposed investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **BCSP REIT II, Inc.**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Beacon Capital Strategic Partners REIT II, Inc.

CATEGORY: US Real Estate

FUND SIZE: $50,000,000; Expected Close: March 31, 2002

TOTAL CURRENT UTIMCO EXPOSURE*: $0

TOTAL CURRENT AND PROPOSED EXPOSURE*:

Existing:	$ 0
Proposed:	$50,000,000
Total:	$50,000,000

*Exposure is calculated as the sum of unfunded commitments and market value as of the most recent quarter-ended.

UTIMCO DELEGATION OF AUTHORITY:
Total current and proposed exposure as a % of value of endowments at 8/31/2001 must not be greater than 1.00%.
Beacon Capital = 0.44%.

New commitments as a % of value of the UTIMCO total endowment at 8/31/2001 must not be greater than 0.25%.
Fund VI = 0.44%.

CONCLUSION: Board Action Required.

CAMBRIDGE ASSOCIATES LLC: Recommends an investment up to $50 MM in Beacon Capital Strategic Partners II, L.P. Please reference the attached recommendation and due diligence summary dated February 12, 2002.

INVESTMENT VEHICLE: Investment will be made through the subscription of shares in BCSP REIT II, Inc. (a Maryland Corporation REIT vehicle). BCSP REIT II, Inc. will acquire a limited partnership interest in Beacon Capital Strategic Partners, II, L. P., the real estate investment partnership. Recommendation is subject to final negotiation and approval of terms by the Corporation's legal counsel, Vinson & Elkins, LLP.

BACKGROUND: Beacon Capital Partners was founded in January of 1998 by the senior management of Beacon Properties Corporation. Beacon Properties Corporation merged with Equity Office Properties in December of 1997, a $4 billion transaction. Following the merger, Alan Leventhal and Lionel Fortin, (former CEO and COO of Beacon Properties Corporation who also retired in 2001) formed Beacon Capital Partners and re-assembled the core management team from Beacon Properties Corporation.

The primary objective of Beacon Capital Strategic Partners, II, L. P., will be to maximize investment returns through a value-added approach in the acquisition, redevelopment and development of real estate assets in the U.S. The primary focus will be in the office sector (75% +) with opportunistic investments in hotel, retail and multi-family sectors. Beacon will target knowledge-based urban cities that have limits of new supply such as San Francisco, Washington, D. C., Boston, Denver, New York, and Los Angeles.

Characteristics that make Beacon's management style attractive are:

- A consistent investment philosophy across real estate cycles;
- Senior management team has worked together at Beacon Capital Partners and predecessor entities for an average of 15 years;
- Management has been actively involved in all facets of strategy including acquisition, development, redevelopment, financing and management of real estate assets in multiple sectors of the real estate markets;
- Well timed asset sales;
- Public REIT and private real estate experience;
- Value consistently added through operating and management expertise

EXPECTED PARTNERSHIP PORTFOLIO CHARACTERISTICS:

Sectors: 75%+ office, 5-10% multi-family, 5-10% industrial, and 5-10% hotel
Limitations: no greater than 25% of equity capital invested in one asset or property, and no greater than 25% in new construction or development
Geographic Concentrations: West Coast 40-60%, East Coast 40-60% (San Francisco, Los Angeles, Seattle, Denver, Washington D.C., Boston)
Asset Ownership: Direct Ownership + 75%, remaining 25% ranging from 5-10% to the following structures: debt, distressed debt and private REIT
Property Types: Operating 50-75%, Development 10-25%, Rehabilitation 10-25%
Fund life: Primary term of 7 years
Targeted Loan to Value Ratio: 65%

INVESTMENT HISTORY: Beacon's investment performance is presented below.

Fund	Date	Fund Size ($mm)	Contributed Capital ($mm)	Distributions	Projected IRR
Beacon Properties [2]	1994	$1,428.9	$1,428.9	$3,071.7	42.0%[3]
Beacon Capital Partners	1998	$470.0	$470.0	$281.7	26.0%
Beacon Capital Strategic Partners I	1999	$287.5	$180.2	$70.0	N/A

Performance Notes:
1. Information provided by the General Partner as of 09/30/2001.
2. Reflects Beacon's activity as a public REIT.
3. The return is the actual annualized equity return of Beacon Properties.

INVESTOR GROUP: The total size of Beacon Capital Strategic Partners II to be $ 500 million, consisting of commitments from new and existing investors. Maximum leverage is expected to be at 65% of Gross Asset Value of $1.4 billion. A sample of the Beacon's institutional investor group is illustrated below.

University and College Investors Cornell University Dartmouth College Harvard University of Michigan
Foundations/Family Trusts MacArthur Foundation The Glenmede Trust Company
Corporations Erie Indemnity Company Northwestern Mutual Life Dupont Pension Fund J. P. Morgan/AT & T Pension Fund

CONCLUSION: Subject to the satisfactory completion of due diligence and the review of partnership and REIT trust agreement, UTIMCO recommends a commitment of up to $50 million in BCSP REIT II.

APPROVED:

Cathy A. Iberg	Cathy Iberg

C | A

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www.cambridgeassociates.com

MEMORANDUM

TO: Cathy Iberg
Interim President & CEO
University of Texas Investment Management Company

FROM: Astrid M. Noltemy
Jennifer A. Urdan

DATE: February 8, 2002

RE: Beacon Capital Strategic Partners II. L.P.

RECOMMENDATION

Cambridge Associates recommends that the University of Texas Investment Management Company ("UTIMCO") consider an investment of up to $50.0 million in Beacon Capital Strategic Partners II, L.P. ("The Fund" or "Fund II"), subject to the negotiation and approval of the final terms of the partnership. Beacon expects to close Fund II in the first quarter of 2002 with capital commitments of at least $500 million. The Fund offers an opportunity for UTIMCO to invest in a solid, core real estate manager focusing on the office market sector. Cambridge Associates considers the Fund to be an attractive investment opportunity based on the experience of the sponsor and their consistent, focused approach to acquiring, developing and managing domestic real estate assets.

SUMMARY

Beacon Capital Partners, LLC, ("BCP", "Beacon", or the "Firm") is raising its third investment vehicle, Beacon Capital Strategic Partners II, L.P. (the "Fund"), to make real estate investments primarily in the office sector. BCP is led by a deep, seasoned team of real estate investors with a demonstrated track record through various economic cycles of investing.

ORGANIZATION AND MANAGEMENT

BCP's origins began more than 50 years ago with the Beacon Construction Company, a family founded organization that developed varied projects in the Boston area. In the 1960's, Beacon Construction Company evolved into The Beacon Companies and started developing properties for its own account. In 1994, The Beacon Companies took their 4.4 million square foot portfolio of office properties public, creating Beacon Properties. Three years later, Beacon Properties sold itself to Equity Office Properties in a transaction that valued Beacon Properties at approximately $4.0 billion. Following the merger, Alan Leventhal, along with eight other members of Beacon Properties, founded Beacon Capital Partners to continue the team's real estate and development activities.

The Firm's eight principals are listed in the table below:

Name	Title	Years with Beacon[1]
Alan M. Leventhal	Chairman & CEO	20+
Nancy J. Broderick	VP & Treasurer	18
Jeremy B. Fletcher	Senior VP & CEO of Beacon Properties West	5
John C. Halsted	Senior VP	3
Douglas S. Mitchell	Senior VP – Development	37
Erin R. O'Boyle	Senior VP & CIO	16
Randy J. Parker	Senior VP & CFO	5
Thomas Ragno	Senior VP – Property Management and Leasing	15

[1] Denotes years of employment with BCP and its predecessor companies.

FUNDRAISING

The Partnership has a targeted size of $500 million. The minimum subscription amount for limited partners is $10 million. An initial closing on approximately $300 million is expected to occur by December 31, 2001, with a final closing scheduled for the first quarter of 2001.

INVESTMENT STRATEGY

The Fund will maintain the strategy developed by the Principals through BCP and its predecessors of investing primarily in office properties in and around urban areas. Although maintaining a core focus on office properties, the Fund may also invest in the industrial, hotel, retail and multi-family sectors. Targeting compound annual rates of return of 18% to 20%, the Fund will seek investments in primary markets with attractive demand and supply characteristics such as Boston, Denver, San Francisco, Seattle and Washington, D.C. Investments will include niche opportunities, complex transactions, and other situations where market inefficiencies may have attractive entry pricing opportunities and limited competition. The Fund will also target acquisitions requiring substantial repositioning, redevelopment, or other management intensive strategies.

During its investment process, the Firm uses strict screening criteria based on market characteristics, demand fundamentals, project time-horizons, and its ability to add operational and development value. Markets, for example, must have high barriers to entry. For this reason, BCP typically prefers urban rather than suburban markets, which generally consist of more difficult or expensive projects and have greater constraints on new supply. The Firm also favors urban markets because they offer greater liquidity. Target markets must have strong demand fundamentals such as knowledge-based economies, with concentrations in industries such as finance, technology, and business services. BCP will also look at the quality of the real estate demand and the quality and supply of the labor force, including type and relative performance of jobs being created and personal income and spending levels. Projects must have short time horizons in order to minimize entitlement and long-term leasing risks. In general, the Firm will seek projects that can be completed in one to three years and exited in three to seven years. The Firm's final investment criteria is that the Principals must be able to add operational and development value. The Fund will use the Principal's operational, development, and strategic skills and experience to add value to investments through substantial repositioning, redevelopment, or other management intensive strategies. In addition to internal research, the Firm will hire third party property management and leasing agents in order to help create value. Where possible, the Firm will seek to capitalize on market inefficiencies, including assets that are undervalued or underutilized due to excessive leverage, or financially weak ownership, or where there is temporary market illiquidity, or time sensitive selling restrictions.

Investments will be made in four different types of assets: properties which can repositioned, properties that can be developed or redeveloped, multiple property portfolios, and real estate operating companies. Repositioned assets are ones considered "broken core assets" and can be made attractive to a broad set of core buyers through a repositioning in the marketplace and re-leasing. Development and redevelopment investments may involve the formation of joint ventures with local development partners and must have significant barriers to entry, a short development horizon, and an ability to be absorbed under existing market conditions. Multiple property portfolios will consist of properties that may be located in multiple markets and may be of multiple property types, from institutional, corporate, and other non-strategic owners of real estate. The smallest number of investments will be made in public and private real estate operating companies. These operating companies will have sound business plans, but suffer from short-term capital constraints or strategic shortcomings that could be addressed through an infusion of capital or value added. To finance investments, the Firm expects to use both fixed and floating debt and maintain a maximum leverage ratio of no more than 65% of total assets.

INVESTMENT PERFORMANCE ANALYSIS

Fund	Date	Fund Size ($mm)	Contributed Capital ($mm)	Distributions	Projected IRR
Beacon Properties [2]	1994	$1,428.9	$1,428.9	$3,071.7	42.0%[3]
Beacon Capital Partners	1998	$470.0	$470.0	$281.7	26.0%
Beacon Capital Strategic Partners I	1999	$287.5	$180.2	$70.0	N/A

Performance Notes:
1. Information provided by the General Partner as of 09/30/2001.
2. Reflects Beacon's activity as a public REIT.
3. The return is the actual annualized equity return of Beacon Properties.

Beacon Properties: In 1994, Beacon Properties went public with 4.4 million square feet of Boston office space. In three and a half years the REIT grew to more than 23 million square feet. This growth included 31 acquisitions encompassing almost 17 million square feet and six development projects totaling 1.9 million square feet. Altogether, the acquisitions cost approximately $2.5 billion and the development properties cost $459 million. During its three years, Beacon Properties' portfolio expanded to Atlanta, Chicago, Washington, D.C., Los Angeles, and San Francisco. In December 1997, Beacon Properties merged with Equity Office Properties Trust providing investors with a 245% total return and a 42% compounded annual return.

Beacon Capital Partners I ("BCP I"): BCP I was initially capitalized in March 1998 through a $420 million private stock offering. The portfolio consists of repositioned assets, development and redevelopment properties, multiple-property portfolio acquisitions, and investments in operating companies. In total, BCP I invested $399 million in 4.9 million square feet of real estate and related assets located in Boston, Cambridge, Dallas, Seattle, and Sunnyvale, CA. The fund has distributed $281.7 million through income and the sale of five investments. Four of BCP I's five realizations were operating properties and one was an entity level transaction. The properties were all located in Cambridge, MA and generated gross IRRs between 22.6% and 53.1%. The entity level transaction, CO Space/InterNap, was purchased in November 1999 for $8 million and sold two years later for $14 million, producing a gross IRR of 68.2%.

Beacon Capital Strategic Partners I ("Fund I"): Fund I had its initial closing in October 1999 and a final closing in March 2000, raising $287.5 million of equity. As of September 30, 2001, $246 million of equity was either invested or committed. $70 million of equity was returned with the sale of 233 Fremont in San Francisco. The Fund currently consists of 9 properties with a current gross asset value of $627 million. The portfolio breakdown by gross asset value is as follows: Los Angeles / Orange County – 40%, Washington D.C. – 35%, Denver – 13%, Boston - 12%.

COMPETITIVE ADVANTAGES

- ***Experienced Sponsor:*** The Managing Principals of BCP have a demonstrated history of creating significant value for investors through the acquisition of under-valued properties, the execution of complex development and redevelopment projects, and the completion of well-timed asset sales. Since its formation, BCP has acquired and developed over 9 million square feet of office and mixed-use properties valued at over $1.3 billion. Led by Alan Leventhal, BCP's senior investment team has an average of over 20 years experience in all segments of the real estate industry. Mr. Leventhal founded BCP in January 1998, following the sale of his predecessor firm, Beacon Properties, to Equity Office Properties in December 1997. In its 3½ years as a public company, Beacon Properties acquired and developed over 18 million square feet of office properties, evolving from a Boston-based firm to a national real estate owner / operator.

  In addition to their extensive real estate acquisition, development, management, leasing, disposition and capital markets experience, the Managing Principals have a history of working together. All but one member of the senior management team served in a similar capacity with Beacon Properties, while four of the professionals worked together at Beacon Properties' predecessor firm. Senior management is further supported by a team of real estate professionals that includes four vice presidents and two associates.

- ***Successful Track Record:*** Strategic Partners II is the third real estate partnership organized by the BCP principals to make investments in domestic real estate assets. Beacon Capital Strategic Partners I, which was organized in October 1999, was 86% committed through November 2001. While too immature to have generated meaningful results, 24% of investor capital was returned with the sale of 233 Fremont in June 2000. The San Francisco office building was sold to Charles Schwab for $175 million, generating a 3.3x multiple on cost and 217% IRR. At its recent annual meeting, Beacon raised its projected return for the fund from a gross IRR of 18%-20% to 25%. Beacon Capital Partners was organized in March 1998 and is substantially realized. Through June 30, 2001 the fund returned 60% of investor capital. Management is projecting a gross IRR of 26% for the fund. Beacon Properties, which was taken public in May 1994, provided investors with a 42% compounded annual return over its 3½-year existence as a public company.

  A distinguishing element of Beacon's track record is its history of well-timed asset sales. The aforementioned sale of 233 Fremont is a good example of the Firm's disciplined approach to selling assets. Beacon could have held the property and leased it into an extremely tight San Francisco office market. Instead, the Firm chose to accept a very attractive offer from Charles Schwab to purchase the building for its own use and occupancy. Since the sale, vacancy rates in Downtown San Francisco soared from 1% to 13% in the ensuing 15 months [1], while average asking rents declined 40% over the same time period [2]. Beacon's exit from the Cambridge, MA market provides further evidence of the Firm's savvy with respect to realizations. Beacon sold almost 2 million square feet of Cambridge real estate in four separate transactions between June 2000 and January 2001. The subsequent dot-com implosion that impacted San Francisco has had a similarly devastating effect in Cambridge. According to Insignia, Cambridge vacancy rates surged from 8.2% to 20.6% in the past year, while asking rents have dropped 25% over the same time period. Perhaps the best example of Beacon's prescience for selling assets was the December 1997 sale of Beacon Properties. REIT shares were trading at a 30% premium to net asset value at the time, a 10-year high. Subsequent to the sale to Equity Office Properties, REIT shares proceeded to suffer through a terrible two-year correction, ultimately trading at a 20% discount to NAV at its low in November 1999. While one can argue that there's an element of luck with respect to the timing of some of these sales, the fact that they occur with regularity would seem to reflect a fair amount of investment skill. References with whom we spoke discounted the luck element and attributed the Firm's history of well-timed exits to their focused strategy, which gives them a better understanding of the dynamics effecting their core markets, and their experience investing through multiple real estate cycles. Other references credited Beacon's disposition prowess to "not being greedy" and "never becoming emotionally wedded to a property".

- *Attractive Investment Environment:* Private equity real estate funds appear particularly well positioned to generate attractive risk-adjusted returns over the next few years, given the limited appetite for real estate on the part of REITs (still unable to raise significant amounts of new equity), foreign buyers (currency conversion concerns), and pension funds (allocation issues). The economic slowdown will likely create opportunities to acquire properties with attractive capitalization rates and discounted prices from sellers who are either experiencing some level of distress, or lacking the motivation and/or skill set to engage in the intensive asset management necessary in the current environment. Given the current favorable interest rate environment, employing a moderate amount of debt at the property level should generate initial cash-on-cash yields in the low double digits, prior to the execution of any value enhancement programs.

ISSUES FOR CONSIDERATION

- *Personnel Change:* Lionel Fortin, Beacon's former Chief Operating Officer, retired in 2001. Mr. Fortin was a co-founder of BCP and had a working relationship with Mr. Leventhal that spanned more than 20 years. While Mr. Fortin was a key member of Beacon's team, our concerns about his retirement were eased following our reference calls. Industry professionals described Mr. Fortin as a valuable member of the organization, but stressed that he had little involvement in either broad strategy discussions or the acquisition / disposition process. The consensus of our references was that Beacon possessed a deep, talented team, and Mr. Fortin's retirement was not a reason to pass on the investment opportunity.

- *Deteriorating Fundamentals in the Office Sector:* National office markets have eroded at a much faster clip than initially anticipated through 2001. Office market conditions began weakening in late 2000 and early 2001 as growth in the technology economy ceased and demand for office turned negative. According to Torto Wheaton Research (TWR) estimated Q3-2001 office vacancies of 10.8% represented a 1.5% increase over Q2-2001 and a 4.0% increase since the beginning of the year. Still, the U.S. real estate market is better positioned to withstand the current market turmoil without the significant loss of value experienced during the last recession. The key distinction in the current cycle has been the rational levels of new supply brought to market.

[1] Source: CB Richard Ellis, Third Quarter 2001 Office Vacancy Index
[2] Source: Insignia / ESG, Third Quarter 2001 National Market Overview

- ***Uncertainty Created by the Recent Terrorist Activity***: The long-term implications of September 11 for the office sector remain uncertain. There is short-term risk that demand for high profile office buildings will diminish, which may lead to a modest shift in demand from Central Business Districts to suburban market locations. In addition, companies will likely consider a more decentralized approach for their office space needs. Finally, all office properties are likely to face higher security and insurance costs, especially for policies that would cover future terrorist actions.

CONCLUSION

Fund II represents a strong opportunity for UTIMCO to invest with a strong, core real estate manager as part of its newly-established real estate program. BCP is led by a deep, seasoned team of real estate professionals with demonstrated abilities to acquire, develop, manage and successfully sell domestic real estate assets through positive and negative real estate cycles.

SUMMARY OF KEY TERMS

Minimum Commitment:	$10 million.
General Partner's Commitment:	$10 million.
Investment Period:	Three years.
Takedown:	Subscriptions will be taken down with a minimum of 10 days' written notice.
Distributions:	Carried interest will be distributed 80% to limited partners and 20% to the General Partner based on funded capital after a preferred return of 10% per annum.
General Partner Clawback:	Yes.
Limited Partner Clawback:	N/A
Fee:	The General Partner will receive an annual management fee equal to 1.50% of funded capital. The estimated management fee over the life of the Fund is 1.50%.
Life of Partnership:	Seven years, subject to one one-year extension at the discretion of the General Partner.
Key Man Clause:	Yes.
Private REIT:	N/A
Projected Closing:	First Quarter, 2002.

KEY PERSONNEL

Alan M. Leventhal	**Chairman and Chief Executive Officer**
1976 – Present	Beacon Properties and Beacon Capital Partners, Chairman and Chief Executive Officer
Education	BA, Northwestern University MBA, Tuck School of Business Administration at Dartmouth College
Douglas S. Mitchell	**Senior Vice President**
1964 – Present	Beacon Properties and Beacon Capital Partners, Senior Vice President- Development
Education	BA, Wentworth Institute
Erin R. O'Boyle	**Senior Vice President and Chief Investment Officer**
1985 – Present	Beacon Properties and Beacon Capital Partners, Senior Vice President and Chief Investment Officer
Education	BS, University of Delaware MS, Massachusetts Institute of Technology
Jeremy B. Fletcher	**Senior Vice President**
1996 – Present	Beacon Capital Partners, Senior V.P. and C.E.O. of Beacon Capital Partners West
1983 – 1996	Southern California/Arizona Region of Paragon Group, Senior Vice President and General Partner
Education	BA, Albion College
John C. Halsted	**Senior Vice President**
1998 – Present	Beacon Capital Partners, Senior Vice President
1993 – 1998	Harvard Capital Group, Senior Vice President
1991 – 1993	Simmons & Company, Associate
Education	MBA, Harvard Business School BA, University of California at Berkeley

Nancy J. Broderick	**Vice President**
1983 – Present	Beacon Properties and Beacon Capital Partners, Vice President and Treasurer
Education	BS, Stonehill College MST, Bentley College
Randy J. Parker	**Chief Financial Officer**
1996 – Present	Beacon Capital Partners, Senior Vice President and Chief Financial Officer
Prior Experience	Aldrich Eastman & Waltch, Senior V.P. and Portfolio Manager JMB/Federated Realty, Project Manager
Education	BA, University of Kentucky MBA, Wharton School, University of Pennsylvania
Thomas Ragno	**Senior Vice President**
1986 – Present	Beacon Properties and Beacon Capital Partners, Senior Vice President-Management and Leasing
Education	BS, Carnegie-Mellon University MS, Massachusetts Institute of Technology

Resolution No. 5

WHEREAS, the Board has reviewed the Investment Recommendations prepared by the Corporation and the Corporation's private equity advisor, Cambridge Associates LLC recommending that the Corporation may enter into an agreement (the "Agreement") with TA Realty LLC to invest up to $50 million of PUF and GEF assets in **Realty Associates Fund VI Corporation**; and

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

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendations dated February 19, 2002 for **Realty Associates Fund VI Corporation** be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the proposed investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment **Realty Associates Fund VI Corporation**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

The Realty Associates Fund VI, L.P.

CATEGORY: US Real Estate

FUND SIZE: $50,000,000; Expected Close: March 31, 2002

TOTAL CURRENT UTIMCO EXPOSURE*: $0

TOTAL CURRENT AND PROPOSED EXPOSURE*:

Existing:	$ 0
Proposed:	$50,000,000
Total:	$50,000,000

*Exposure is calculated as the sum of unfunded commitments and market value as of the most recent quarter-ended.

UTIMCO DELEGATION OF AUTHORITY:
Total current and proposed exposure as a % of value of endowments at 8/31/2001 must not be greater than 1.00%.
TA Realty = 0.44%.

New commitments as a % of value of the UTIMCO total endowment at 8/31/2001 must not be greater than 0.25%.
Fund VI = 0.44%.

CONCLUSION: Board Action Required.

CAMBRIDGE ASSOCIATES LLC: Recommends an investment up to $50 MM in Realty Associates Fund VI, L.P. Please reference the attached recommendation and due diligence summary dated February 12, 2002.

INVESTMENT VEHICLE: Investment will be made through the subscription of shares in The Realty Associates Corporation (a Maryland Corporation REIT vehicle). The Realty Associates Corporation will acquire a limited partnership interest in The Realty Associates Fund VI, L. P., the real estate investment partnership. Recommendation is subject to final negotiation and approval of terms by the Corporation's legal counsel, Vinson & Elkins, LLP.

BACKGROUND: The Realty Associates Fund VI, L.P. (Fund VI) is being raised by TA Realty, a private real estate investment company which manages over $5.5 billion of institutional money across the United States. This fund will be consistent in its strategy and focus with the Firm's previous funds. The primary objective of Fund VI will be to maximize investment returns through a value-added investment strategy, primarily in office, industrial, multifamily and retail property types, while minimizing the Fund's overall risk profile through diversification and moderate use of leverage.

Characteristics that make TA's investment approach and management style attractive are:
- A consistent investment philosophy across real estate cycles;

- Principals that are actively involved in all transactions;
- An entrepreneurial approach to acquisitions and dispositions;
- An integrated research approach to opportunistically identifying investments and pricing transactions;
- A portfolio approach to investing which generates strong, stable cash flows, demonstrated by an uninterrupted quarterly distribution pattern throughout the firm's history;
- A compensation program which strongly allies the objectives of TA investment professionals and investors;
- A niche investment strategy of acquiring small-to-medium sized properties, an area of the market generally characterized by less competition; and
- Diversification within the Firm's property base (office, industrial, multifamily and retail, with a primary focus on office and industrial).

INVESTMENT HISTORY: TA Realty's historical investment performance is presented below.

Fund	Date of Inception	Fund Size ($mm)	Contributed Capital ($mm)[1]	NAV ($mm)[1]	Distributed Capital ($mm)[1]	Net IRR[2]
Advent	1987	$163.5	$162.5	$0	$195.3	2.4%
Advent II	1990	$332.5	$332.3	$207.2	$503.8	12.3%
Realty III	1994	$487.4	$487.4	$679.6	$320.1	14.0%
Realty IV	1996	$450.0	$449.2	$559.2	$158.4	14.6%
Realty V	1999	$563.0	$488.2	$507.3	$51.2	8.9%

Performance Notes:
1. Contributed capital, NAV, and distributed capital are to Limited Partners only, as of 9/30/01, as calculated by Cambridge Associates, LLC.
2. Returns are net of management fees and carried interest, as of 9/30/01, as calculated by Cambridge Associates, LLC.

In comparison to the industry benchmark standard, the National Council of Real Estate Investment Fiduciaries ("NCREIF") Property Index, TA Realty's funds have, on average, outperformed the index by at least 400 bps.

INVESTOR GROUP: The total size of Fund VI is expected to be $500 million, consisting of commitments from new and existing investors. A sample of the TA's institutional investor group is illustrated below.

University and College Investors	University and College Investors, cont'
Allegheny College	Pomona College
Amherst College	Scripps College
Berea College	Shady Hill School
Bryant College	Spelman College
Case Western Reserve University	University of North Carolina
Davidson College	University of Chicago
DePauw University	University of Illinois Foundation
Duke Endowment	University of Michigan
Furman University	Universtiy of Minnesota
Groton School	University of Missouri
Harvard University	University of Nebraska Foundation
Massachusetts Institute of Technology (MIT)	University of Nevada System
Michigan State University	University of Notre Dame

Norwich University Oberlin College	University of Virginia Vassar College
Public Pension Funds Minnesota State Board Illinois State Board International Monetary Fund Staff Retirement	**Foundations/Family Trusts** Mellon Foundation Knight Foundation Rockefeller Foundation Hewlett Foundation Pew Foundations
Corporations ConAgra Inc. Southern System JC Penney Kodak Delta Air Lines Kimberly Clark Raytheon Carnegie Corning	

CONCLUSION: An investment in Fund VI will allow UTIMCO to establish a relationship with a diversified, core real estate manager. Further, TA's investments will likely have minimal overlap with UTIMCO's other real estate investments (existing and proposed). Subject to the satisfactory completion of due diligence and the review of the partnership agreement, UTIMCO recommends a commitment of up to $50 million in Realty Associates Fund VI Corporation.

APPROVED:

Cathy A. Iberg	

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CAMBRIDGE ASSOCIATES LLC

One Winthrop Square, Suite 500
Boston, Massachusetts 02110-1276
tel 617.457.7500 fax 617.457.7501
www.cambridgeassociates.com

MEMORANDUM

TO:	Cathy Iberg Interim President & CEO University of Texas Investment Management Company
FROM:	Bruce Myers Astrid Noltemy
DATE:	February 12, 2002
RE:	TAAssociates/The Realty Associates Fund VI, L.P.

RECOMMENDATION

Cambridge Associates recommends that the University of Texas Investment Management Company ("UTIMCO") consider an investment of up to $50.0 million in TA Associates' Realty Associates Fund VI, L.P. ("The Fund" or "Fund VI"), subject to the negotiation and approval of the final terms of the partnership. TA expects to close Fund VI at the end of the first quarter of 2002 with capital commitments of at least $500 million. The Fund offers an opportunity for UTIMCO to invest in a solid, core real estate manager running a diversified portfolio with limited leverage and tight risk controls. Cambridge Associates considers the Fund to be an attractive investment opportunity based on the experience of the sponsor and their consistent, risk-averse approach to acquiring, developing, and managing domestic real estate assets.

SUMMARY

TA Associates ("TA") is raising its sixth fund, The Realty Associates Fund VI, L.P., to invest in a portfolio of properties that will be diversified by geography, property type, property size, tenancy, and life-cycle stage. Fund VI will be making investments in supply-constrained markets, generally in suburban areas, and primarily in properties with strong cash flow that can be enhanced by active management. Properties must be able to meet return targets without the use of significant amounts of leverage. The Fund expects to emphasize industrial and office properties, but may invest in retail and apartment properties if available opportunities exist. TA is led by a deep, seasoned team of real estate investors with a demonstrated track record of generating consistent returns through various economic cycles.

ORGANIZATION AND MANAGEMENT

- Fund VI is sponsored by TA Associates Realty ("TA Realty"), a Boston-based real estate investment firm co-founded in 1982 by Michael A. Ruane and Arthur I. Segel. Arthur Segel retired from the firm in 1999, and Michael Ruane continues to head the firm as its Managing Partner. TA Realty presently manages over $5.2 billion in real estate assets located in eighteen states for a client base that includes corporate and public pension funds, endowments, foundations and family trusts. The firm provides comprehensive real estate acquisition and asset management services, including the oversight of third-party independent contractors who are retained to provide property management services with respect to managed assets. TA Realty sponsored its first closed-end commingled real estate fund, Advent Realty Limited Partnership ("Fund I"), in 1987, followed by Advent Realty Limited Partnership II ("Fund II") in 1990, Realty Associates Fund III ("Fund III") in 1994, Realty Associates Fund IV ("Fund IV") in 1996, and Realty Associates V ("Fund V") in 1999. These funds contain investments in office buildings, industrial warehouses, research and development (R&D) buildings, retail shopping centers, and multi-family apartments.

The Firm's eleven principals are listed in the table below:

Name	Title	Years with TA
Michael A. Ruane	Co-Founder and Managing Partner	18+
Henry G. Brauer	Partner	12
James F. Whalen	Partner	11
Andrew M. Neher	Partner	8
Scott D. Freeman	Partner	8
Karen L. Sakowich	Partner	8
James O. Buckingham	Partner	5
James P. Knowles	Partner	5
Reid T. Parker	Partner	5
Janene P. Behler	Partner	4
Mark M. Harmeling	Partner	1

FUNDRAISING

The Partnership has a targeted size of $500 million. The minimum subscription amount for limited partners is $1 million. Two previous closings have been held prior to December 31, 2001, with a final closing scheduled for the first quarter of 2001. Based on the size of the prior closings and the amount of expressed interest in the fund, TA expects to be fully subscribed by the date of the final close.

INVESTMENT STRATEGY

The strategic objective of Realty Associates Fund VI ("Fund VI") is to obtain attractive investment returns by creating a diversified portfolio built upon a strong foundation of cash flow, enhanced by opportunities to add value through intensive asset management, while utilizing overall portfolio leverage of 35%. Fund VI will primarily follow a niche investment strategy of acquiring small-to-medium sized properties averaging $10 to $20 million per property. Fund VI will be diversified with regard to geography and property type, although industrial and suburban office properties will be emphasized. Not more than 35% of Fund VI will be invested in any one market and not more than 20% in any one property. Fund VI should be fully invested over one to three years and will begin orderly liquidation of its portfolio within ten years of being substantially invested.

INVESTMENT PERFORMANCE ANALYSIS

Fund	Date of Inception	Fund Size ($mm)	Contributed Capital ($mm)[1]	NAV ($mm)[1]	Distributed Capital ($mm)[1]	Net IRR[2]
Advent	1987	$163.5	$162.5	$0	$195.3	2.4%
Advent II	1990	$332.5	$332.3	$207.2	$503.8	12.3%
Realty III	1994	$487.4	$487.4	$679.6	$320.1	14.0%
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Realty V	1999	$563.0	$488.2	$507.3	$51.2	8.9%

Performance Notes:
1. Contributed capital, NAV, and distributed capital are to Limited Partners only, as of 9/30/01, as calculated by Cambridge Associates, LLC.
2. Returns are net of management fees and carried interest, as of 9/30/01, as calculated by Cambridge Associates, LLC.

COMPETITIVE ADVANTAGES

- ***Experienced Sponsor.*** TA's first fund was launched immediately prior to one of the worst periods on record for real estate funds. That first Advent Fund (raised in 1987) ultimately returned a small positive IRR (and the complete return of partner capital), a notable achievement given the environment and the experience of other funds raised at that time. More importantly, the experience of the first fund provided the founders with insights into the risks associated with real estate investing, an emphasis on cashflow, and the importance of avoiding undue amounts of leverage. The culture shaped by those early years has continued with subsequent funds, and staff added over time have typically had significant real estate experience at other leading firms prior to joining TA.

- ***Consistent Investment Philosophy.*** Since its founding TA Realty has maintained a consistent real estate investment philosophy that emphasizes: i) buying small-to-medium sized assets based on current cash flow and current returns, not on hypothetical lease-up and development assumptions; ii) focus on exit strategy before, not after, an acquisition is completed, iii) focus on markets with constraints to additional development, or lack of availability of financing; iv) seeking out opportunities where additional value can be created through intensive asset management, including upgrading the physical property; v) avoidance of heavily structured transactions; and, vi) use of debt financing only when significant positive leverage can be created. During a time when many real estate managers have been trying to broaden their capabilities to include public equity and debt investing, TA Realty's continued focus on private real estate equity investing has distinguished the firm from its competitors.

- ***Access to Deal Flow.*** TA Realty has been an extremely active real estate investor recently having completed over 100 investments totaling approximately $1.5 billion in the past five years alone. Dating back to its inception in 1982, the firm has worked to develop long-term relationships with a national network of entrepreneurial owners, developers, property managers, leasing agents, and other real estate professionals. This network provides the firm with local representation in most U.S. markets with up-to-date market information, and with expanded local relationships, which otherwise might take years to develop. Most importantly, the network often allows the firm to identify acquisition opportunities before they reach the marketplace, which results in more favorable acquisition pricing and enhanced returns. In recent years the firm's acquisitions team has augmented this national network by developing relationships with foreign and domestic banks, insurance companies, and other institutional real estate owners. This effort has proved beneficial as more than 50% of the properties acquired since 1993 were purchased from institutional sellers.

- *Attractive Investment Terms.* The principal terms of Fund VI are consistent with TA Realty's most recent fund and, in our opinion, are generally favorable. The General Partner will receive an annual fee of .50% in the first year; 0.80% in the second year; 1.10% in the third year; and 1.20% in the fourth year, all based on the total committed capital. Then, the General Partner will receive an annual fee of 0.875% in the fifth year; 0.85% in the sixth year; 0.80% in the seventh year; and 0.60% thereafter, all based on aggregate invested equity plus related reserves. Net proceeds will be distributed as follows: 1) 100% to the Limited Partners until the Limited Partners receive an amount proportional to their contributed capital plus a preferred return equal to inflation (CPI-U); and 2) thereafter, 5% to the General Partner and 95% to the Limited Partners. The share of income to be divided between the General Partner and the Limited Partners will increase as the targeted real returns are achieved. For example, at a 2% real return, distributions will be split 92.5% to the Limited Partners and 7.5% to the General Partner; at a 6% real return, distributions will be split 84.5% to the Limited Partners and 15.5% to the General Partner; at a 8% real return, distributions will be split 80% to the Limited Partners and 20% to the General Partner.

- *Attractive Investment Environment:* Private equity real estate funds appear particularly well positioned to generate attractive risk-adjusted returns over the next few years, given the limited appetite for real estate on the part of REITs (still unable to raise significant amounts of new equity), foreign buyers (currency conversion concerns), and pension funds (allocation issues). The economic slowdown will likely create opportunities to acquire properties with attractive capitalization rates and discounted prices from sellers who are either experiencing some level of distress, or lacking the motivation and/or skill set to engage in the intensive asset management necessary in the current environment.

ISSUES FOR CONSIDERATION

- *Market Opportunity.* Uncertainty about the domestic economy has created both a challenge and an opportunity. In our opinion, TA Realty should be well positioned to compete in today's market for two primary reasons. First, due principally to its constant presence in the market the past several years, TA Realty has up-to-date knowledge of individual markets and properties, which has enabled the firm to remain disciplined in the face of rising real estate values. Second, TA Realty has had a longstanding commitment to "hands-on" asset management and continues to add quality professionals to strengthen its capabilities.

- *Personnel Changes.* Two partners--Peggy Stewart and Mary Lou Boutwell-- departed TA Realty prior to the launch of the last fund. Ms. Stewart was a highly regarded acquisition professional who had been with the firm since 1989. She resigned early in 1998 citing burnout from extensive travel and long hours. Ms. Boutwell, one of three asset management directors at the firm, had been with the firm since 1994. She resigned in June to join Charlesbank Capital Partners LLC (formerly Harvard Private Capital Group) as senior vice president in charge of asset management. In the aftermath of these departures, Jim Buckingham was promoted to partner in the acquisition group and Janene Behler was hired as to fill the vacant regional asset manager position. Mr. Buckingham joined TA Realty in 1997, having previously been associated with the Los Angeles real estate firm Davis Partners, where he specialized in the acquisition and management of development projects for ten years. Ms. Behler brings nearly twenty years of asset management experience gained during stints at Finard & Company (a Boston area development company), Copley Real Estate Advisors, The Boston Company Real Estate Counsel, and Aetna Realty Investors. Other recent additions to the professional staff include the hiring of Reid Parker as senior vice president for acquisitions, Michael Haggerty and Gregory Korth as acquisition analysts and James Knowles as an asset manager. While all the senior investment professionals at TA are experienced real estate investments, a number are fairly recent hires. While impressive as a group, we note that there may be a slightly higher degree of organizational risk at TA Realty than in the past, as this pool of experienced managers gain experience working together.

- ***Conflicts of Interest.*** In addition to its closed-end funds, TA Realty manages discretionary separate accounts for the following pension funds: Los Angeles County Employees' Retirement Association (LACERA), Commonwealth of Virginia Retirement System (VRS), State of Washington Investment Board, Iowa Public Employees' Retirement System, and the Western Conference of Teamsters. Due to the size and scope of these accounts, it is possible that certain investment opportunities will qualify for more than one of TA Realty's accounts. Mitigating this concern somewhat is the fact that the State of Washington, Teamsters, LACERA, Ioaw and VRS accounts are fully invested.

CONCLUSION

Fund VI represents an attractive opportunity for UTIMCO to invest with a diversified, core real estate manager as part of its newly-established real estate program. TA is led by a deep, seasoned team of real estate professionals with demonstrated abilities to acquire, develop, manage and successfully sell domestic real estate assets through positive and negative real estate cycles. While the firm's risk aversion is reflected in both the track record and the projected return, the risk controls bring a stability that make this a prudent choice for an initial investment in direct real estate.

SUMMARY OF KEY TERMS

Minimum Commitment:	$1 million.
General Partner's Commitment:	$1.25 million.
Investment Period:	One to three years.
Takedown:	Subscriptions will be taken down with a minimum of 10 days' written notice.
Distributions:	Net proceeds will be distributed as follows: 1) 100% to the Limited Partners until the Limited Partners receive an amount proportional to their contributed capital plus a preferred return equal to inflation (CPI-U); and 2) thereafter, 5% to the General Partner and 95% to the Limited Partners. The share of income to be divided between the General Partner and the Limited Partners will increase as the targeted real returns are achieved. For example, at a 2% real return, distributions will be split 92.5% to the Limited Partners and 7.5% to the General Partner; at a 6% real return, distributions will be split 84.5% to the Limited Partners and 15.5% to the General Partner; at a 8% real return, distributions will be split 80% to the Limited Partners and 20% to the General Partner.
Fee:	The General Partner will receive an annual fee of .50% in the first year; 0.80% in the second year; 1.10% in the third year; and 1.20% in the fourth year, all based on the total committed capital. Then, the General Partner will receive an annual fee of 0.875% in the fifth year; 0.85% in the sixth year; 0.80% in the seventh year; and 0.60% thereafter, all based on aggregate invested equity plus related reserves.
Life of Partnership:	10 Years, unless extensions have been agreed to by two-thirds of the investors.
Key Man Clause:	N/A
Private REIT:	Yes
Projected Closing:	First Quarter, 2002.

KEY PERSONNEL

Michael A. Ruane	**Managing Partner**
1983 – Present	TA Associates Realty, Co-founder
Prior Experience	Arthur Young & Company, Senior Management Consultant
Education	MBA, The Wharton School, University of Pennsylvania BA, Providence College
Andrew M. Neher	**Partner**
1994 – Present	TA Associates Realty
Prior Experience	Real Estate Consulting Firm, Managing Partner Bay Colony Properties, Chief Financial Officer
Education	MS, Northeastern University BA, Bowdoin College
Mark M. Harmeling	**Partner**
2001 – Present	TA Associates Realty
Prior Experience	Bay State Realty Advisors, President Intercontinental Real Estate Corporation, President
Education	BA, Swarthmore College
Henry G. Brauer	**Partner**
1990 – Present	TA Associates Realty
Prior Experience	John Hancock Properties, Asset Manager Spaulding and Slye, Leasing Broker and Development Team Member
Education	MS, MIT Real Estate Development Program BA, Tufts University

Janene P. Behler	**Partner**
1998 – Present	TA Associates Realty
Prior Experience	Finard & Company, Asset Manager The Boston Company Real Estate Council, Asset Manager
Education	MBA, University of Connecticut BS, University of Connecticut
James O. Buckingham	**Partner**
1997 – Present	TA Associates Realty
Prior Experience	Davis Partners, Acquisition and Management Development Division Coldwell Banker Commercial Real Estate Group
Education	BA, University of California at Berkley
Scott D. Freeman	**Partner**
1994 – Present	TA Associates Realty
Prior Experience	General Electric Investments, Asset Manager Aetna Realty Investors, Asset Manager
Education	MM, Kellogg School at Northwestern University BA, Bates College
James F. Whalen	**Partner**
1991 – Present	TA Associates Realty
Prior Experience	Aetna Realty Investors, Inc., Director Coopers & Lybrand, Supervisor
Education	MBA, The Wharton School at the University of Pennsylvania BS, University of Connecticut

James P. Knowles	**Partner**
1998 – Present	TA Associates Realty
Prior Experience	Rosewood Development Corporation, Vice President Aldrich Eastman & Waltch, Associate Asset Manager
Education	MBA, Drexel University BA, Fairfield University
Reid T. Parker	**Partner**
1998 – Present	TA Associates Realty
Prior Experience	AEW Capital Management, Senior Vice President LaSalle Partners, Associate
Education	BA, Dartmouth College
Karen L. Sakowich	**Partner**
1994 – Present	TA Associates Realty
Prior Experience	Ernst & Young, Audit Manager
Education	BS, Bentley College