The University of Texas Investment Management Company

Presentation Materials
Board of Directors Meeting

December 12, 2002

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UTIMCO BOARD OF DIRECTORS
MEETING AGENDA

December 12, 2002

Crescent Court Hotel
400 Crescent Court, Salons A&B
Dallas, Texas

Time: Begin	Time: End	Agenda Item
10:00 a.m.	10:10 a.m.	**Briefing Session:** Proposed Follow-on Investment in Green Equity Investors
10:10 a.m.	10:15 a.m.	**Open Session**: Call to Order/Approval of Minutes of October 31, 2002 Meeting* Approval of Follow-on Investment in Green Equity Investors*
10:15 a.m.	10:30 a.m.	Report of Non-Marketable Alternative Investments Budget for FY2002-2003
10:30 a.m.	11:15 a.m.	Documentation of Derivative Applications/Structured Active Management Approval of Alternative Marketable Investment in BGI Equitized Global Market Neutral Fund*
11:15 a.m.	12:15 p.m.	Discussion and Approval of Two Alternative Marketable Investments: - Protégé Partners Fund, Ltd.* - Standard Pacific Capital Offshore Fund, Ltd.*
12:15 p.m.	1:05 p.m.	Lunch Discussion of 2003 Meeting Dates Approval of Revised Non-Marketable Alternatives Exhibit B of the Delegation of Authority*
1:05 p.m.	1:15 p.m.	Approval of UTIMCO Audited Financial Statements* Statement of Investment Performance Statistics
1:15 p.m.	1:45 p.m.	Update on Disclosure Issues
1:45 p.m.	2:00 p.m.	Asset Allocation/Fund Performance/Manager Performance History
2:00 p.m.		Adjournment

* Action by resolution required

Next Scheduled Meeting: February 18, 2002

UTIMCO

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

TO: UTIMCO Board of Directors

FROM: Sara McMahon and Trey Thompson

RE: Commitment to Green Equity Investors IV, L.P.

DATE: December 5, 2002

At the upcoming Board meeting, the Private Markets staff will make a brief presentation in support of a $25 million commitment to Green Equity Investors IV, L.P. (the "Partnership"), the successor to Green Equity Investors III, L.P., to which the endowments committed $75 million in 1998. In advance of the meeting, the staff is providing you with the following materials:

- Investment recommendation prepared by the UTIMCO Non-Marketable Alternatives staff;
- Investment recommendation prepared by Cambridge Associates; and
- Copy of the presentation to be given at the Board meeting.

The UTIMCO staff believes a commitment of up to $25 million is appropriate for the following reasons:

- The manager has generated attractive returns for the endowments in Fund III;
- The manager's team members have worked together to deploy their investment strategy for over a decade;
- The staff believes the manager can duplicate its prior successes in Fund IV; and
- The commitment is consistent with the staff's strategy of making follow-on commitments to managers that have generated attractive returns for the endowments.

If, prior to the Board meeting, you have questions regarding the attached materials, please do not hesitate to contact Trey Thompson at 512-225-1634 or Sara McMahon at 512-225-1612.

Green Equity Investors IV, L.P.

CATEGORY: Private Equity - US

FUND SIZE: Up to $2,000,000,000 (possibly reduced to $1.8 billion)

TOTAL CURRENT UTIMCO EXPOSURE (10/31/02): $89,702,876

EXPECTED COMMITMENT TO FUND IV: Up to $25,000,000

TOTAL CURRENT AND PROPOSED EXPOSURE: Up to $114,702,876

UTIMCO DELEGATION OF AUTHORITY:

(i) Total current and proposed exposure as a percentage of the endowments' value as of 8/30/02 must not be greater than 1.00%. Assuming UTIMCO committed $25 million to Green Equity Investors IV, L.P. (the "Fund" or "Fund IV"), Green Equity Investors III, L.P. ("Fund III") and Fund IV would collectively represent 1.14% of the endowments' 8/30/02 value.

(ii) New commitments as a percentage of the endowments' value as of 8/30/02 must not be greater than 0.25%. Assuming UTIMCO commits $25 million to Fund IV, this Fund would represent 0.25% of the endowment's 8/30/02 value.

Conclusion: Board action is required for a commitment of $25 million to Green Equity Investors IV, L.P.

CAMBRIDGE ASSOCIATES LLC

Cambridge prepared a memorandum dated October 8, 2002 to recommend an investment of up to $25,000,000 in Green Equity Investors IV, L.P. (see attached).

BACKGROUND

Green Equity Investors IV, L.P. is being formed by Leonard Green & Partners, L.P. ("LGP" or the "Firm") to make control investments in domestic middle-market companies. Consistent with their past investment practice, the Principals will invest between $50 and $250 million in equity per transaction in companies with enterprise values ranging from $200 million to $1 billion. The Fund will accept capital commitments of $1.8 to $2 billion and will seek to generate gross returns of 30% across the entire portfolio of investments.

The Firm is led by the following individuals: Jonathan D. Sokoloff, John D. Danhakl, Peter J. Nolan, Jonathan A. Seiffer, and John M. Baumer (together, the "Principals"). The Principals have over 80 years of combined private equity and investment banking experience, and Messrs. Sokoloff, Danhakl, and Noland have worked together in various capacities since 1986. The Principals will commit $50 million of their personal capital to the Fund.

Based in Los Angeles, California, LGP was formed in 1989 and formed its first fund, Green Equity Investors, L.P., in 1989 with $216 million in commitments, followed by Green Equity Investors II, L.P., in 1994 with $311 million in commitments, and Green Equity Investors III, L.P. in 1998 with $1,244 million in commitments. Since 1990, the Principals have committed $2 billion and invested $1.3 billion in the acquisitions of 25 portfolio companies.

INVESTMENT STRATEGY

In Fund IV, the Principals will continue to pursue the same successful middle market investment strategy that they have employed since 1990. The Principals will (i) pursue value-oriented investments in companies with strong cash flow; (ii) avoid auctions; (iii) focus on consumer-oriented businesses; (iv) employ creative financing structures to provide companies liquidity and flexibility; and (v) focus on the western United States.

Regardless of industry, the Principals focus on companies that are generating positive cash flow and that benefit from strong management teams and leading market franchises. Accordingly, the Principals avoid cyclical industries, highly regulated industries, commodity producers, companies with high fixed operating cost structures or unpredictable cash flow, and business models or products that they do not understand. The Principals have successfully pursued contrarian investment opportunities where, through rigorous due diligence and creative investment structuring, significant value could be created by fully understanding and fairly valuing companies in complex or misunderstood situations, such as turnarounds (see Rand McNally discussion below) and privatizations involving public company orphans (see Petco discussion below).

As mentioned, the Principals do not source transactions through investment-banker sponsored auctions, but instead focus on targeting management teams and owners of companies within specific industries of interest. Second, the Principals will opportunistically source investments through their own proprietary networks or relationships that they have developed over the past twenty years. Finally, through the activities of Funds I through III, the Firm benefits from a strong brand name within the west coast financial community, and this profile has created substantial deal flow for the Firm's previous funds.

The Principals tend to capitalize acquisitions to maximize near and medium-term liquidity and provide the management team with the flexibility needed to pursue growth initiatives. Typically, a capital structure will include a modest amount of senior bank debt, a large un-drawn revolver (for financing flexibility), a large component of subordinated debt, and a significant equity contribution. The Funds' investments will rely on a larger component of subordinated debt because these securities typically have few financial covenants and have long-dated amortization schedules. While more expensive than a typical financial structure that relies on a larger amount of lower cost senior debt, the financial structure favored by the Firm and its Principals has allowed Fund II and Fund III companies to avoid the liquidity crises that have plagued otherwise healthy companies in the past two years. With little near-term debt amortizing and few restrictive financial covenants, portfolio company management teams are able to focus on growing their businesses for the long-term, without worrying about near-term hiccups in performance that could have a dramatic affect on the company's equity value. The UTIMCO staff believes this strategy will allow the Fund's portfolio companies to weather near-term difficulties and generate value for limited partners over the long term.

Post acquisition, the Principals work in partnership with management to achieve targeted growth and optimize performance. At least two Principals serve of the board of directors of the Funds' controlled portfolio companies. The Principals typically review operating and financial performance metrics on their portfolio companies on a weekly basis. The Principals structure investments to ensure that portfolio company management teams have significant personal equity capital at risk alongside LGP and its funds.

While they expect to exit most investments within four to six years, the Principals continuously measure the future growth prospects of each portfolio company against its value in the public equity and private acquisition markets with a focus on opportunistic realization of value. Using this philosophy and creative structuring, Fund III has already returned a significant amount of capital to its partners through the partial realization of two portfolio companies. Each of these realizations occurred within 18 months of the original investment.

INVESTMENT PERFORMANCE

In 1998, UTIMCO committed $75 million to Green Equity Investors III, L.P. As of October 31, 2002, the Principals had drawn $58.1 million of the total commitment for management fees and investments in eight portfolio companies. High level performance metrics are presented below:

Interim Returns on UTIMCO's Investment in Green Equity Investors III, L.P. (as of 10/31/02)							
Fund	**Vintage Year**	**UTIMCO Commitment**	**Capital Drawn**	**Capital Returned**	**Current Value**	**Net Multiple**	**IRR**
Fund III	1998	$75,000,000	$58,130,117	$12,827,421	$72,828,730	1.47x	19.1%

To date, the Fund has produced a positive IRR, driven primarily by the IPOs of Petco Animal Supplies and VCA Antech. The Principals continue to hold the remaining companies at cost, despite positive developments at many of these companies. Given the relative youth of Fund III, one can argue that the results presented in the table above are still not meaningful. The staff acknowledges that UTIMCO will not be able to gauge the ultimate success or failure of Fund III for years to come. However, the staff believes that the Principals have developed a solid portfolio of companies that should allow them to generate positive returns for Fund III's limited partners. The table below provides more detail on the Fund III portfolio companies and suggests that some of the portfolio companies are likely worth more than their cost bases.

Gross Fund III Portfolio Company Data							
($Millions) As of 6/30/02	**Date of Initial Investment**	**Invested Capital**	**Realized Proceeds**	**Proceeds + Remaining Value[1]**	**Proceeds + Realistic Value[2]**	**Value as Multiple of Cost[1]**	**Value as Multiple of Cost[2]**
Realized							
Petco	9/00	$94.9	$120.3	$457.3	$457.3	4.8x	4.8x
VCA Antech	9/00	$99.6	$92.4	$239.5	$239.5	2.4x	2.4x
Subtotal		$194.5	$212.7	$696.8	$696.8	3.6x	3.6x
Unrealized							
Intercontinental Art	8/99	$71.5	$0.0	$71.5	$71.5	1.0x	1.0x
Rite Aid	10/99	$300.0	$0.0	$300.0	$371.0	1.0x	1.2x
White Cap	3/00	$87.2	$0.0	$87.2	$87.2	1.0x	1.0x
Liberty Group	4/00	$63.3	$0.0	$63.3	$101.0	1.0x	1.6x
AsianMedia	5/01	$105.0	$0.0	$105.0	$105.0	1.0x	1.0x
MEMC Electronic	11/01	$0.0	$0.0	$0.0	$187.0	N/A	N/A
Subtotal		$627.0	$0.0	$627.0	$922.7	1.0x	1.5x
Total Investments		$821.5	$212.7	$1,323.8	$1,619.5	1.6x	2.0x

1) Based on the Fund III financial statements, which value private investments at cost and public companies at recent public trading values.
2) Based on the "Whisper Valuation" provided by the General Partner, a subjective assessment of remaining value.

Clearly, the Fund has benefited from the profitable investments in Petco and VCA Antech. These two investments have allowed the Principals to return cash equal to 17% of each limited partner's committed capital, or more than 100% of the cost basis of those investments. While the Fund continues to value its remaining private investments at cost, the Principals believe that several of these private investments have increased in value since the Fund made its original investments. For instance, the Fund's investment in Rite Aid has arguably appreciated, since the preferred stock the Fund owns had an accreted value of $371 million (as of June 30, 2002) versus a cost basis of $300 million. Additionally, the Fund's "investment" in MEMC has arguably appreciated significantly since the Principals did not have to make an outlay of funds to gain ownership of that company's securities (see description of this transaction below). The Principals also believe that Fund III's investments in White Cap and Intercontinental Art have appreciated, but they nonetheless hold those investments at cost to be conservative.

While the "Whisper Valuations" presented above are no guarantees of future realizations on these investments, they do provide the investor with a more realistic assessment of the current market value of the private portfolio. Of note, the staff calculated the 19.1% IRR figure in the table above by using the more conservative valuation methodology (all investments, excluding Petco and VCA, are held at cost).

INVESTMENT SUMMARIES

The section below summarizes three investments from Fund III and attempts to provide the reader with a sense for how the Principals execute their investment strategy.

Petco Animal Supplies Inc.

Petco is the nation's second largest specialty retailer of pet food and supplies, with 561 stores in 41 states and the District of Columbia. The company offers a full range of pet-related products and services including pet food, vitamins, grooming products, toys and novelty items, and veterinary supplies. The stores also sell small pets such as fish and birds.

In 1999, the Principals identified Petco as an attractive publicly traded company that was significantly undervalued by the public equity markets, which at the time were enamored with the prospects of the "new economy" and internet-related companies. The Principals approached management through a local business connection and convinced the team to participate in a leveraged recapitalization of the company in a negotiated, non-auction process. In October 2000, Fund III invested $94.9 million in a combination of preferred stock and common stock that represented 36.5% of the ownership of the company. With its co-investment partner, the Fund controlled a majority of the equity of the business upon the completion of the recapitalization. The recapitalization valued this business at just 4.5x EBITDA.

The Principals considered the $23 billion household pet food and supplies industry to be attractive due to favorable long-term demographic trends. The growing companion animal population and increasing willingness of pet owners to make expenditures related to their animals supported this theory. In the year following the recapitalization, Petco continued to increase sales and margins, and thus cash flow. By early 2002, the public markets had a newfound appreciation for companies with revenues and cash flow, and as such, the Principals were able to complete an initial public offering of the company in February of this year. With the proceeds of the IPO, the Principals were able to return $120 million in proceeds to Fund III's limited partners. Fund III continues to own 15 million shares of this publicly-held company that are worth roughly $330 million today.

This transaction demonstrates the following: (i) the Principals' dedication to consumer-oriented businesses that are market leaders; (ii) the Principals' focus on buying good value (4.5x EBITDA purchase price); and (iii) the benefits of the Principals' structuring expertise- by structuring a portion of the investment as preferred stock, the Fund was able to redeem some of its interests in the company during the IPO and return cash to its investors while maintaining significant upside in a growing business franchise.

MEMC Electronic Materials, Inc.

To complete the Petco transaction, the Principals had enlisted the financial support of the Texas Pacific Group ("TPG"), a large buyout fund headquartered in Fort Worth, Texas. In appreciation of that co-investment opportunity, TPG reciprocated by showing the MEMC investment opportunity to the Leonard Green Principals earlier this year. E.ON is a large German utility that recently completed a U.S. acquisition. To complete that acquisition, E.ON needed to divest certain assets to comply with U.S. regulations. One such asset was E.ON's interests in MEMC Electronic Materials, Inc, a leading worldwide producer of silicon wafers for the semiconductor industry (NASDAQ: WFR). Prior to its U.S. acquisition, E.ON owned roughly $1 billion in securities of MEMC.

TPG, Fund III, and the Trust Company of the West ("the Sponsors") paid E.ON $6.00 for 45,959,970 shares of MEMC common stock and approximately $910 million of MEMC debt. The Sponsors subsequently exchanged a majority of that debt into $260 million of cumulative convertible preferred stock (convertible into 115,555,556 common shares) and $50 million of senior subordinated secured notes with detachable warrants for 16,666,667 shares. The remainder of the debt acquired from E.ON consisted of 55,000,000 euros of senior secured Italian notes. By disposing of its interests in MEMC, E.ON became eligible to recoup up to $500 million in back taxes. The transaction was split among the Sponsors as follows: Fund III- 20%; TCW- 20%; and TPG- 60%.

In connection with the purchase, the Sponsors committed to provide MEMC with a $150 million senior secured revolving credit facility to fund future operations. In December 2001, the Company entered into a new $150 million credit facility provided by a commercial bank. At that time, the Sponsors entered into bridge guarantees with the lender, pursuant to which the Sponsors agreed to fully guarantee the facility. Fund III agreed to guarantee up to $30 million. The term of the Fund III bridge guarantee runs until December 21, 2002. As of June 30, 2002, $35 million was outstanding under the credit facility (Fund III's portion of the guarantee was $7.0 million). As planned, in July 2002, the preferred stock was converted into common stock, and as of November 11, 2002, Fund III's total interests in MEMC were worth roughly $240 million. To generate a liquidity event, the Principals may seek to offer the Fund's interests to the public market via a secondary offering.

The Company has reported that net sales increased 9% to $190.3 million for the third quarter ended September 30, 2002 compared to net sales of $174.3 million in the 2002 second quarter. The sequential increase is primarily the result of higher product volumes across all diameters. The Company reported free cash flow, which is operating cash flow after capital expenditures, of $31.3 million for the 2002 third quarter, an improvement of $21.6 million compared to the 2002 second quarter.

This transaction exemplifies (i) the Principals' significant contacts within the industry and (ii) their financial structuring capabilities. While Fund III has yet to exit this investment and return cash to its partners, the Principals believe this transaction will generate significant profits for the Fund's investors.

Rand McNally & Company

Rand McNally is the largest commercial mapmaker in the world and sells 30 million maps each year. Headquartered in Skokie, Illinois, the company owns the most recognized brands in the map and atlas industry, including *Road Atlas*, *Thomas Guide*, and *StreetFinder*. In addition to maps and atlases, Rand McNally produces travel and reference software, education products, and mileage and routing software. The company sells its products online and through some 55,000 retail stores across the U.S., including 28 company-owned Rand McNally stores.

The Principals became familiar with the company when they reviewed the offering materials in the 1997 investment banking auction conducted by Goldman Sachs. The Principals did not bid on the business at that time due to valuation concerns, and another buyout fund purchased the business for $535 million. In the years that followed, the company experienced some financial trouble as a result of, among other things, significant capital expenditures surrounding a misguided internet strategy. As a result, the company's senior secured bank debt began trading at distressed levels, meaning many investors questioned the long-term viability of the business. During 2002, Fund III (through a special-purpose credit facility) began purchasing this bank debt and as of October, the Fund owned in excess of 60% of this defaulted bank debt at an average cost of 40 cents on the dollar.

In analyzing the Rand McNally opportunity, the Principals concluded that an investment in the bank debt would provide Fund III with a unique opportunity to acquire a world-class, brand name business at an extremely attractive valuation (over an 80% discount to the current owner's purchase price and approximately 3.0x 2002E EBITDA). Despite the troubles associated with the misguided internet strategy, the company's base business continues to do well, and the company benefits from a new management team. Travel-related industries are projected to experience the largest growth in their histories over the next five years, fueled by a bumper crop of vacationing baby boomers. In the aftermath of September 11, there has been an increase in the number of miles driven which should drive demand for the company's products.

Rand McNally has made significant investments in the development and digitization of its proprietary databases and cartographic and editorial content. This investment has enabled product development and service flexibility and efficiency, including state-of-the-art customization capabilities. The company's long history in cartography and unique reputation as the industry standard for mapmaking has facilitated its ability to gather information from various governments and other official sources of information around the world. The company's proprietary content, esteemed history, strong customer relations, and its unrivaled cartographic database create significant barriers to entry for a competitor of any size or scope.

This transaction again highlights the Principals' focus on buying market leading companies at reasonable valuations. The Principals' ability to purchase this business through a "backdoor" acquisition strategy (purchase of distressed debt securities) underscores their acumen in structuring transactions that should provide financial gains for their limited partners.

THE RITE-AID TRANSACTION (LESSONS LEARNED)

In October 1999, Fund III invested $300 million in the Rite Aid Corporation, the second largest drugstore chain in the U.S. based on number of stores, and the third largest based on revenues. The Principals were familiar with the company and its management because they had sold a Leonard Green portfolio company, Thrifty Payless, to Rite Aid in December 1996. At the time of the investment, Rite Aid was facing operational difficulties, excessive leverage levels, and a declining stock price.

The Principals believed that the outlook for strong continued organic growth in the pharmacy industry was extremely positive. Drugstore industry forecasts projected that the continued demographic shift towards an older U.S. population would drive an increase in the annual number of prescriptions written by 50% over the next five years. Additionally, Rite Aid commanded a unique and strategically important market position as one of the nation's largest drugstore chains. The company operated stores in 33 of the 60 largest domestic metropolitan statistical areas and had either the first or second highest retail drugstore prescription sales in 23 of those areas.

Prior to the investment, the Principals were aware that members of the existing management team had engaged in fraudulent activities that were affecting the Company. After making the $300 million investment, however, the Principals realized that the actual extent of fraud was much greater than originally anticipated. By the end of 1999, the Company's creditors were also aware of the fraudulent activities, and asked the Firm's Principals to step in to resolve the significant issues affecting the Company. In December 1999, the Principals identified and successfully recruited an experienced, world-class executive management team to Rite Aid. Positions included a new Chairman and CEO, COO, Chief Administration Officer, and CFO.

Rite Aid's new management team and the Principals worked together to complete a debt modification plan for the Company in June 2000 that provided more than $600 million of additional liquidity. This plan comprised closing a $1 billion secured credit facility, modifying existing bank debt including extending maturity dates to 2002, exchanging notes due in 2000 and 2001 for new notes due 2002, and exchanging $285 million of bank debt for common stock.

In October 2000, the Company completed the sale of PCS Health Systems to Advance Paradigm Inc. The aggregate proceeds reduced Rite Aid's debt by approximately $1.2 billion.

Additionally, in June 2001, Rite Aid's management and the Principals completed a comprehensive refinancing of the Company's capital structure to provide management with the enhanced flexibility needed to achieve its operational turnaround of the business. This refinancing included the closing of a new $1.9 billion secured credit facility, the issuance of $150 million of senior notes due 2008 in a private placement, the exchange of notes due in 2002 for new notes due in 2006, the exchange of $589 million of debt for common stock in a series of privately negotiated transactions, and the sale of newly issued shares of common stock in a $552 million private placement. Subsequently, Rite Aid issued $250 million of convertible notes due in 2006 for general corporate purposes.

While Fund III's investment in Rite Aid is held at cost for valuation purposes, the convertible preferred stock has an accreted value of $379 million as of September 30, 2002. The convertible preferred stock is not callable prior to October 2004, at which time it will have an accreted value of $446 million and will be convertible into approximately 81 million shares, resulting in an effective conversion price for Fund III of $3.70 per share. The Principals structured this convertible preferred stock so that the conversion price would decrease by 2% per quarter, thus providing the Fund with a greater number of common shares at eventual conversion.

Since the time of Fund III's investment, Rite Aid has improved its reported EBITDA to more than $500 million, reduced its outstanding debt by approximately $2 billion, and established an appropriate long-term capital structure.

The description of this transaction highlights the Principals' expertise in structuring complex financial transactions and ability to negotiate with a number of different stakeholders (management, creditors, equity holders, etc.) to achieve attractive solutions for the Fund's partners. Undoubtedly, the Principals made too large an investment in a single company. Hindsight was not necessary for one to arrive at that conclusion. However, to their credit, the Principals acted quickly and decisively when they realized that the Company's survival was dependent upon the replacement of the existing management team.

The Principals have also spent a significant amount of time restructuring the balance sheet of the Company over the last three years to allow the management team to execute its turnaround strategy. While the Company's common stock hovers near record lows, the Principals are confident that the current management team will continue to improve operating performance and that the public markets will recognize these improvements over the next two years. The Principals expect this investment to generate a profit for the Fund. Given its magnitude of the Rite Aid investment, the eventual performance of Fund III will be dependent on the success or failure of this transaction.

KEY TERMS: Noteworthy terms include the following:

(i) *Reasonable Management Fee-* The Management Fee will be equal to 1.5% of commitments during the six-year Commitment Period and 1.25% of funded commitments (excluding commitments for management fees) thereafter. The 1.5% figure is reasonable, given that funds of similar size have recently commanded 2% management fees.

(ii) *Management Fee Offsets-* The Management Company will apply 50% of any transaction fees, investment banking fees, and advisory fees and 100% of any directors' fees to reduce the Management Fees of the partnership. The industry standard for offsets is between 50% and 100% for these Fees.

(iii) *Preferred Return to Limited Partners-* Standard for the industry at 8%.

(iv) *General Partner Co-Investment Obligation-* The General Partners will contribute $50 million to the Fund, or roughly 2% of the total expected commitments. This contribution level is higher than the industry standard of 1% and underscores the General Partners' commitment to and confidence in the Fund's strategy.

(v) *Clawback-* The General Partner has an obligation that is similar to the clawback obligations found in most partnership agreements.

(vi) *Key Man Provision-* If, during the Commitment Period, any one of John G. Danhakl, Peter A. Nolan, and Jonathan D. Sokoloff ceases to devote a majority of his business time to the Partnership, future Commitments to the Partnership can be suspended by a vote of 60% in interest of the Limited Partners. If, during the Commitment Period, any two of such three individuals ceases active involvement, the Commitments will automatically be suspended, provided that the Commitments will be reinstated upon the vote of 70% in interest of the Limited Partners approving one or more replacement individuals.

(vii) *Confidentiality Provision-* The Limited Partnership Agreement includes a confidentiality provision which requires that Limited Partners not disclose material non-public information related to the Fund and its portfolio companies. However, this provision includes standard language that allows Limited Partners to release confidential information, if required to do so by law. Additionally, UTIMCO will seek to include more specific language related to its new disclosure policy in a side letter, to which both endowments and the General Partner will become parties.

INVESTOR GROUP

The Principals expect to raise between $1.8 and $2.0 billion in capital for Fund IV. A sample of the committed institutional investor group is as follows:

Public Pensions/Corporations	Endowments
CalPERS	Robert Wood Johnson Foundation
State of Michigan Employees Retirement System	Cornell University
Credit Suisse First Boston entities	Northwestern University
Oregon Public Employees Retirement System	
Florida Retirement System Trust Fund	
Deutsche Bank	
UBS Capital LLC	
Bear Stearns entities	
JP Morgan Chase entities	
Many others	

In the past, the Principals have raised the majority of their capital from large financial institutions. While these institutions are expected to commit significant capital to Fund IV, the Principals are reaching out to the endowment community to broaden their base of limited partners. Of note, CalPERS and the State of Michigan Employees Retirement System are expected to commit $200 million and $125 million, respectively, to Fund IV.

INVESTMENT STRENGTHS

(i) *Consistency of Team and Strategy*- The Principals have worked together for over a decade and have successfully employed their investment strategy in previous funds. The UTIMCO team expects the Principals to maintain the same pricing discipline and benefit from the same proprietary deal flow that has generated solid results in the past.

(ii) *Proprietary Deal Flow*- While almost every fund touts its proprietary deal flow networks, few can boast that they rarely, if ever, participate in auctions, but still maintain a consistent investment pace. Fund IV should benefit from the Principals' developed West Coast franchise and significant industry contacts.

(iii) *Acumen in Structuring Transactions*- The Principals employ creative financing structures designed to provide their Funds with preferred returns and quick returns of invested capital. Additionally, the team has used its financial structuring capabilities to take advantage of opportunities that many other private equity managers would avoid altogether.

(iv) *Proven Results*- The Principals have proven that they can achieve attractive exits for their portfolio companies and return invested capital and investment gains to their Limited Partners.

INVESTMENT CONCERNS

In addition to the normal risks associated with private equity investing (illiquidity, long holding periods, etc.), the private markets team acknowledges that a commitment to the Fund will subject the endowments to the following additional risks:

(i) *Large Fund Size*- The Principals are currently trying to raise a $2.0 billion fund. However, some existing LPs are pressuring the Principals to reduce the fund size to $1.8 billion. Either way, one can argue that the Principals may have a difficult time investing a $1.8 to $2.0 billion fund.

However, if one assumes that the average investment is $140 million in size, the Principals would have to make roughly 12 investments during the six year Investment Period, or roughly 2 investments per year to invest the total fund, net of management fees.

As the table below suggests, this figure would be similar to the average amounts invested in Fund III companies and would support acquisitions of companies that are similar in size to the businesses that the Principals have purchased in the past. The table also highlights the current trend of higher equity contributions in buyout transactions. Thus, while $2 billion is undoubtedly a significant amount of capital, the Principals should be able to invest this amount over the next six years if they maintain their investment focus on the middle market.

($ in Millions)	**Fund I**	**Fund II**	**Fund III***
Average Transaction Value	$310	$272	$356
Average Equity Investment	$56	$59	$132
Avg. Equity as % of Total Financing	19%	27%	42%

* Excludes investments in Rite Aid and MEMC.

(ii) *Existing Portfolio Company Responsibilities-* The Principals continue to manage 14 companies that are unrealized investments for Funds I through III. In the future, the Principals will have to spend time maximizing the values of these investments, which could serve as a distraction for the Principals in investing for Fund IV. However, the Principals do not typically involve themselves in the day-to-day operations of their portfolio companies, unless a special circumstance requires their involvement. As such, the existing portfolio companies should not serve as a significant distraction for the Principals as they pursue investment opportunities for Fund IV.

(iii) *Focus on Consumer and Retail Businesses-* For the past two years, the U.S. economy (and several of the prior Funds' portfolio companies) have benefited from the resilience of the U.S. consumer. While the Principals do not expect to populate Fund IV exclusively with consumer-related businesses, they will continue to make investments in industries where they have generated solid returns in the past, including the retailing sector. A worsening of the U.S. economy could impact the competitiveness of existing and future portfolio companies that are exposed to the buying power and spending habits of U.S. consumers. The UTIMCO staff believes that the Principals' focus on buying companies at reasonable values should offset some of this risk.

(iv) *Death of Founder, Leonard Green-* In late October 2002, the Firm's founder, Leonard Green passed away from complications stemming from a heart condition. While Mr. Green was only tangentially involved in the activities of Fund III and did not expect to participate in the activities of Fund IV, the Firm will no doubt suffer from Mr. Green's absence in the future. Despite Mr. Green's passing, the staff believes the remaining Principals have proven themselves as a cohesive investment team and that this team should be able to duplicate the early Fund III successes in Fund IV.

CONCLUSION

Based upon the staff's due diligence and recommendation and Cambridge's independent review of the transaction, the UTIMCO staff recommends a commitment of up to $25 million to Green Equity Investors IV, L.P. This commitment will allow the endowment funds to maintain and enhance a relationship with a cohesive and proven private equity firm. This commitment is also consistent with the staff's goal of concentrating the endowments' private equity exposure on top tier investment managers.

Approved:

Trey Thompson Trey Thompson

Sara McMahon Sara McMahon/cw

Bob Boldt [signature]

C | A

CAMBRIDGE ASSOCIATES LLC

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Boston, Massachusetts 02110-1276
tel 617.457.7500 fax 617.457.7501
www.cambridgeassociates.com

MEMORANDUM

TO:	Bob L. Boldt, CFA President, Chief Executive Officer & Chief Investment Officer University of Texas Investment Management Company
FROM:	Astrid M. Noltemy Jennifer A. Urdan
DATE:	October 8, 2002
RE:	Green Equity Investors IV, L.P.

RECOMMENDATION

Cambridge Associates recommends that the University of Texas Investment Management Company ("UTIMCO") consider an investment of up to $25.0 million in Green Equity Investors IV, L.P. ("The Fund" or "GEI IV"), subject to the negotiation and approval of the final terms of the partnership. The Fund is seeking $1.5 billion in capital commitments. Leonard Green & Partners, L.P. ("The Firm" or "LGP") held an initial close in August 2002 and expects to hold its final close by the end of the year. The Fund offers an opportunity for UTIMCO to continue its relationship with an established private equity firm led by an experienced management team with strong investment banking backgrounds and expertise in private equity investing and financial structuring. The Fund will provide exposure to middle-market, retail and consumer-oriented businesses and will continue to serve as a somewhat sector focused buyout fund in UTIMCO's non-marketable alternative assets portfolio.

SUMMARY

Leonard Green & Partners is raising Green Equity Investors IV, L.P., to continue the Firm's strategy of investing in established middle-market companies with potential for solid, achievable growth. The Firm targets consumer-oriented businesses with enterprise values between $200 million and $1 billion, strong management and dependable, market-leading franchises.

GEI IV will be led by an experienced management team, with a demonstrated ability to generate proprietary deal flow through its Los Angeles-based network, and develop thoughtful acquisition structures that generate attractive investment pricing and enhance capital realization prospects.

ORGANIZATION AND MANAGEMENT

Leonard Green & Partners, based in Los Angeles, was founded in 1989 by Leonard Green. Since the Firm's founding, the Principals have raised $1.8 billion and invested $1.3 billion in the acquisition of 25 portfolio companies.

CONFIDENTIAL

While still active in an advisory role, Leonard Green has scaled back his day-to-day involvement and will not be involved in the investment activity or receive any carry in GEI IV. The current management team, which will oversee the investment activities of GEI IV, consists of Principals Jonathan Sokoloff, John Danhakl, Peter Nolan, Jonathan Seiffer, and John Baumer. On average, the Principals have been with the Firm for eight years and collectively have over 80 years of private equity and investment banking experience. Messrs. Sokoloff, Danhakl, and Nolan worked together since 1986 in various capacities at Donaldson, Lufkin & Jenrette and have provided investment banking and financial advisory services on LGP transactions prior to joining the Firm.

The Firm has had a relatively stable team of investment professionals. Christopher Walker left in 1995 to pursue other interests. Jennifer Holden Dunbar left in 1998 as a result of a disability. In 1999, after six months at LGP, David Posnick elected to rejoin his former investment bank employer. Greg Annick left in 2001 to focus on smaller private equity transactions. Investment professionals appear to be compensated appropriately.

INVESTMENT STRATEGY

GEI IV will continue the strategy executed in its three predecessor funds. Specifically, the Firm will target control acquisitions in middle-market, consumer-oriented companies. The Fund will seek to invest between $50 million and $250 million in equity per transaction in companies with enterprise values between $200 million and $1 billion. LGP anticipates an average holding period of its investments of four to six years.

LGP has developed an extensive network of relationships to source potential deals. This network of key business executives, investment bankers, business brokers, accountants, and lawyers often enables the Firm to pursue investment opportunities on an exclusive or semi-exclusive basis. The Principals seek to capitalize on LGP's market presence in consumer-oriented industries as well as its prominent West Coast position to identify, contact, and develop relationships with significant industry participants, often over a period of years before making an investment.

A key feature of LGP's strategy is its ability to create significant value opportunities through thoughtful financing structures and capital restructuring. The Fund will focus on investing in companies with growing, cash flow positive businesses, strong management and dependable market-leading franchises. In addition, the Fund will pursue contrarian investment opportunities such as turnarounds and going private transactions involving public company orphans. The Principals will draw upon extensive investment banking experience to devise creative acquisition structures that generate attractive investment pricing, minimize transaction costs, and enhance capital realization prospects thereby reducing financial risk and preserving the potential for additional capital appreciation.

INVESTMENT PERFORMANCE

Fund	Inception Date	Fund Size ($mm)	Contributions ($mm)	Distributions ($mm)	Remaining NAV ($mm)	Net IRR[2]	CA Median[3]	CA Pooled Mean[3]
GEI I[1]	1989	216.0	216.0	851.3	205.1	34.0%	18.0%	23.2%
GEI II	1994	311.0	297.4	142.6	323.2	15.7%[3]	13.4%	8.8%
GEI III	1998	1,243.7	854.6	212.6	1,066.2	23.5%[3]	1.5%	-0.4%

Performance Notes:
1. All data for GEI I are as reported by the manager.
2. Returns are net of all fees, expenses, and carried interest as of 3/31/02, as calculated by Cambridge Associates, LLC.
3. Benchmarks are net to Limited Partners as of 3/31/02 as calculated by Cambridge Associates, LLC.

GEI I was formed in December 1989 with $216.0 million in commitments and is comprised of ten major transactions. As of March 31, 2002, GEI I was fully invested and had a total value of approximately $1,056.4 million, or 4.9 times cost, producing a net internal rate of return ("net IRR") of 34.0%, according to LGP. Of the ten investments, seven are fully realized, two are partially realized, and one is unrealized. Australian Resources Limited, a low cost gold producer, has been the strongest performer with a gross IRR of 203.4%.

GEI II, a $311.0 million fund that closed in June 1994, is fully invested in nine transactions as of March 31, 2002. Of the total invested, $142.6 million has been distributed to limited partners, and the remaining portfolio is valued at $323.2 million for a net IRR of 15.7%, according to Cambridge Associates. Of the nine investments, two are partially realized and six are unrealized. One investment for $25.0 million has been written off. GEI II's strongest performer to date is Twin Labs (177.0% gross IRR), which is partially realized.

GEI III was raised in July 1998 with $1,243.7 million in commitments. Through March 31, 2002, GEI III had called $854.6 million from its limited partners, had a remaining net asset value ("NAV") of $1,066.2 million, and a net IRR of 23.5%; $212.6 million had been distributed to limited partners. As of March 31, 2002, GEI III was invested in eight companies of which two are partially realized, and six are unrealized. Of the eight portfolio companies, six are held at cost and two are held above cost. GEI III's strongest performers thus far include Petco (232.7% gross IRR) and VCA Antech (79.1% gross IRR).

COMPETITIVE ADVANTAGES

- ***Track Record***: LGP funds have consistently generated solid returns. The majority of GEI I investments are fully realized and the fund has recorded an internal rate of return of 34.0% as of March 31, 2002, according to LGP. GEI II's portfolio is fully invested and currently reports an internal rate of return of 15.7%, according to Cambridge Associates. GEI III is over 70% committed and is too early in its investment phase to produce meaningful results, however, the returns are currently well above the median for the relevant vintage year.

- ***Proprietary Deal Flow:*** LGP has developed a prominent position in the California private equity market. As such, LGP is able to generate strong, proprietary deal flow among consumer-oriented public and private businesses. In addition, Leonard Green & Partners actively cultivates an extensive network of relationships with key business executives, investment bankers, business brokers, accountants, and lawyers to source potential deals.

- ***Expertise in Financial Structuring:*** LGP Principals draw on their investment banking backgrounds to develop thoughtful acquisition structures that generate attractive investment pricing and enhance capital realization prospects. Leonard Green & Partners is able to satisfy seller objectives, optimize transaction financing and complete transactions where structural complexity has deterred other potential investors. In addition, LGP has maintained a focus on structural protection to reduce financial risk.

- ***Experienced Management Team:*** The five Principals have 80 years of combined investment banking and private equity experience and have worked together an average of 11 years. The team has been stable with few meaningful departures within the partnership ranks.

ISSUES FOR CONSIDERATION

- ***Fund Size and Assets under Management:*** The $1.2 billion raised in 1998 combined with this Fund's expected $1.5 billion will result in a significant amount of capital under management, potentially impacting the team's capacity. The Firm has been able, however, to bring strong junior partners and staff on board to meet the increased demand. LGP may be challenged to invest its increased amount of assets within the focused mid-market, consumer-sector and geographic West Coast region where it is anticipated that a significant portion of investments in GEI IV will be made. Mitigating this concern somewhat is LGP's unique strategy for deal sourcing that generates a broad range of proprietary investment opportunities.

- ***Lack of Operating Expertise:*** The Principals limit their participation in portfolio company operations to a top-down supervisory role and depend on management to implement operating strategies. However, LGP's extensive network of industry relationships allows for effective recruitment of strong management teams able to successfully implement operating strategies and references cite their strong value add in financings, acquisitions, and overall Board participation.

CONCLUSION

GEI IV represents an opportunity for UTIMCO to reinvest with a stable and experienced team investing in middle-market, consumer-oriented businesses. The Firm's ability to generate strong, proprietary deal flow and to develop creative financial structures brings additional competitive advantages. The Firm has demonstrated its ability to adhere to a disciplined investment strategy and generate solid returns through fluctuating economic and capital market cycles.

SUMMARY OF KEY TERMS

Minimum Commitment:	$10 million
General Partner's Commitment:	$40 million
Investment Period:	Six years from initial drawdown.
Takedown:	Pro-rata, on an as-needed basis, with not less than 10 business days' notice.
Distributions:	Proceeds will be distributed as follows: (i) 100% to Limited Partners until the funded commitments plus a preferred return of 8% p.a. is achieved; (ii) "Catch-up" with 80% to the General Partner and 20% to the Limited Partners; (iii) thereafter, 80% to Limited Partners and 20% to the General Partner.
Clawback:	Yes
Fee:	The General Partner will receive an annual management fee equal to 1.50% per annum from the initial close to the end of the commitment period. Thereafter the General Partner's share will be equal to 1.50% of Total Commitments less the cost of investments realized or written off.
Partnership Life:	Ten years. May be extended up to two additional one-year periods for orderly dissolution.
Key Man Clause:	Limited Partners may, by a vote of 60% interest, elect to dissolve the Partnership if any one of i) John G. Danhakl, ii) Peter A. Nolan, or iii) Jonathan D. Sokoloff ceases to devote a majority of his time to the Partnership. If any two of the named individuals ceases active involvement, the Commitments will be automatically suspended pending a Limited Partner vote of 70% interest approving one or more replacement individuals.
Closing:	The Fund held an Initial Closing in August of 2002. The next closing will be in the first week of October 2002. Final close will be year-end 2002.

KEY PERSONNEL

Jonathan D. Sokoloff	**Senior Principal**
1990 – Present	Leonard Green & Partners
Prior Experience	Drexel, Managing Director in corporate finance Hambrecht & Quist, Principal Woodman, Kirkpatrick & Gilbreath Merrill Lynch & Co.
Education	BA, Williams College
John G. Danhakl	**Senior Principal**
1995 – Present	Leonard Green & Partners
Prior Experience	DLJ, Managing Director in the LA office Drexel, Vice President Corporate Finance
Education	MBA, Harvard Business School BA, UC Berkeley
Peter J. Nolan	**Senior Principal**
1997 – Present	Leonard Green & Partners
Prior Experience	DLJ, Managing Director and Co-Head of Investment Banking Division Drexel, Vice President in corporate finance Prudential Securities, First Vice President Manufacturers Hanover Trust, Associate
Education	MBA, Cornell University BS, Cornell University

Jonathan A. Seiffer	**Principal**
1994 – Present	Leonard Green & Partners
Prior Experience	DLJ, Corporate Finance
Education	BAS, BA University of Pennsylvania
John M. Baumer	**Principal**
1999 – Present	Leonard Green & Partners
Prior Experience	DLJ, Vice President Fidelity Investments Arthur Andersen
Education	MBA, University of Pennsylvania BA, University of Notre Dame

Recommendation for Commitment to Green Equity Investors IV, L.P.

Presentation to Board of Directors

December 12, 2002

UTIMCO 1996

The University of Texas Investment Management Company

The Staff Seeks Approval for a $25 Million Commitment to Green Equity Investors IV, L.P.

- $1.8 billion Los Angeles-based buyout fund focused on consumer and retail-oriented businesses
- Team has significant experience employing its investment strategy
- This is an existing relationship that has generated attractive returns for the endowments
- UTIMCO's Delegation of Authority requires Board approval
    - $25 million commitment is within the staff's approval authority, but
    - $115 million in potential exposure is over the $100 million limit

In 1998, UTIMCO Committed $75 Million to Green Equity Investors III, L.P.

- Green Equity Investors III is a $1.2 billion buyout fund
  - Focus on companies with enterprise values between $200 million and $1 billion
  - Investments in stable businesses with positive cash flow
  - Focus on retail and consumer-oriented businesses
  - Principals expected to generate proprietary deal flow and avoid auctions
- UTIMCO supported the transaction for the following reasons:
  - Excellent track record in 2 prior funds
  - Cohesive team of investment professionals with significant private equity experience
  - Consistent strategy over time
  - UTIMCO co-investment opportunities- $75 million commitment

Fund III Has Generated Positive Results to Date

- Roughly $964 million has been called for fees and 9 investments
  - Two partial realizations have already returned some capital
    - *Petco IPO*
    - *VCA Antech IPO*
  - Seven investments held at cost
- Performance to date has been strong

Interim Returns on UTIMCO's Investment in Green Equity Investors III, L.P. (as of 10/31/02)

Fund	Vintage Year	UTIMCO Commitment	Capital Drawn	Capital Returned	Current Value	Net Multiple	IRR
Fund III	1998	$75,000,000	$58,130,117	$12,827,421	$72,828,730	1.47x	19.1%

- Interim results can be misleading, but portfolio appears to be in solid shape
  - Portfolio companies do not have significant creditor issues
  - Several companies are arguably worth more than their cost

Summary: Staff Recommends a $25 Million Commitment to Green Equity Investors IV, L.P.

- The manager benefits from the following competitive advantages:
  - *Team cohesion-* 3 main principals have worked together for more than a decade
  - *Proprietary deal flow-* team does not participate in auctions, which allows them to pay appropriate multiples for target companies
  - *Acumen in financial structuring-* financing structures enable portfolio companies to withstand near-term challenges
  - *Focus on the industries they understand-* Principals did not stray from strategy to invest in the "new economy"
- $25 million commitment is consistent with the staff's strategy of backing proven winners

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 **31st day of October, 2002**, in the Pool Suite Meeting Room of the Hotel Crescent Court, 400 Crescent Court, Dallas, 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
Susan M. Byrne
Rita C. Clements
Woody L. Hunt
John D. McStay
R. H. (Steve) Stevens, Jr.
Mark G. Yudof

thus, constituting a majority and quorum of the Board. Director L. Lowry Mays was not present at the meeting. Also, attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President, Chief Executive Officer and Chief Investment Officer of the Corporation; Cathy Iberg, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Jerry Turner, legal counsel for the Corporation; Sara McMahon and Trey Thompson, Co-Managing Directors of Non-Marketable Alternative Investments of the Corporation; Bill Edwards, Managing Director of Information Technology of the Corporation; Joan Moeller, Managing Director of Accounting, Finance and Administration of the Corporation; and Bruce Myers of Cambridge Associates. Mr. Riter called the meeting to order at 11:50 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Maverick Capital

The first item of business was an introduction by Ms. Iberg of Mr. Lee Ainslie and Mr. Carter Creech of Maverick Capital. Mr. Ainslie presented to the Board an overview of their company's investment strategy, performance, and goals for their funds, and a summary of Maverick's relationship with the Corporation. Mr. Ainslie answered the Directors' questions and then Mr. Ainslie and Mr. Creech left the meeting.

Minutes

The second matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on September 18, 2002. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on **September 18, 2002**, be and are hereby approved in the form previously submitted to the directors.

Approval of Songbird Hearing

Mr. Riter read the proposal presented to the Board for an additional investment in Songbird Hearing. 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 a stock purchase agreement (the "Agreement") with Songbird Hearing, Inc. to invest in the aggregate up to an additional $5 million of the assets of The Permanent University Fund of the State of Texas ("PUF") and The Board of Regents of The University of Texas System General Endowment Fund ("GEF") in **Songbird Hearing, Inc.**; 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 Memorandum dated October 31, 2002 for **Songbird Hearing, 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 as may be necessary or in the best interests of this Corporation, PUF and GEF, excluding an increase in the amount of the capital commitment to **Songbird Hearing, 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 Agreement), in the name and on behalf of the Corporation, in its capacity as investment manager of PUF and GEF, 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.

Following approval of the foregoing resolutions relating to the investments in Songbird Hearing, Inc., 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 personnel items and for the purpose of consultation with attorneys regarding possible litigation over disclosure of private investment information. This Executive Session meeting of the Board is authorized by Texas Government Code § 551.074 (Personnel Matters) and 551.071 (Attorney Client Privilege). The time is now 12:40 p.m."

In Executive Session, the Board discussed possible litigation over disclosure of private investment information and personnel compensation items. No action was taken and no vote was called for or taken by the Board.

The Board reconvened at 2:15 p.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 2:15 p.m. During the Executive Session, the Board discussed litigation over disclosure of private investment information and personnel items, but did not take any votes."

Website Application

Mr. Riter asked Mr. Boldt to discuss the new Board of Directors internet application. Mr. Boldt gave a demonstration of the new password protected website that will allow the Board to review current news articles related to the Corporation, portfolio and performance news as well as contact information, investment policies and the directors' manual all on line.

Note Purchase Agreements

Mr. Riter asked Jerry Turner to review the Note Purchase Agreements between the UT System Board of Regents and the Corporation; and between the Texas A&M System Board of Regents and the Corporation. Mr. Turner led a discussion of the flexible rate notes and answered questions from the Board. Mr. Burck left the meeting during the discussion, deliberations and action taken regarding this item of business. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the Board authorizes the Officers of the Corporation to enter into a Note Purchase Agreement with the Board of Regents of the University of Texas System dated December 1, 2002 in the amount of $400,000,000; and with the Board of Regents of the Texas A&M University System dated December 6, 2002 in the amount of $80,000,000.

Possibility of Managing Other Funds

Mr. Riter turned the meeting over to Mr. Boldt to discuss the possibility of the Corporation to manage non-UT System funds. The UT System Office of General Counsel (OGC) is researching the issue. Although the ultimate decision will rest with the UT System Board of Regents, the Corporation recommends that they consider future specific proposals to manage investment assets of related foundations and organizations, meeting all UTIMCO and UT System criteria, if OGC approves such action.

Audit and Ethics Committee

Mr. Hunt, Audit and Ethics Committee Chairman, reported on behalf of the Audit and Ethics Committee. Mr. Hunt stated that there were no notable items to report and recommended the following resolution. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2002, and August 31, 2001, and The University of Texas System General Endowment Fund for the fiscal year ended August 31, 2002, and the period from inception (March 1, 2001) to August 31, 2001 as recommended by the Audit and Ethics Committee be, and are hereby approved.

Compensation Committee

Mr. King, Chairman of the Compensation Committee, proposed that the following resolution regarding compensation for the Corporation's President be approved and that the resolution regarding the Performance Compensation Plan will be deferred until the next meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the 2003 Base Salary (for the period September 1, 2002 through August 31, 2003) and 2002 Performance Compensation Award, for the Corporation's President as recommended by the Compensation Committee be and is hereby approved.

Derivatives Policy

Ms. Iberg handed out a policy on derivatives as an exhibit to the Investment Policy Statements. After discussion regarding the policy, and the asset allocation limits set for the application, the Board approved the policy with two recommended changes. The Derivative Investment Policy with blacklined changes accompanies these minutes.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:15 p.m.

Secretary: ____________________________
Cathy A. Iberg

Approved: ______________________________ Date: ________________
A. W. "Dub" Riter, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company

The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: October 31, 2002
Date Approved by UTIMCO Board: October 31, 2002

Purpose:

The purpose of the Derivative Investment Policy is to enumerate the applications, documentation and limitations for investment in derivative securities in the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds allow for investment in derivative securities provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. The Derivative Investment Policy supplements the Investment Policy Statement for the Funds.

Objective:

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

Scope:

This Policy applies to internal management of derivatives at UTIMCO only. Derivatives policies for external managers are established on a case by case basis with each external manager. This Policy Statement applies to both exchange traded and over the counter derivative instruments. This Policy shall not be construed to apply to index or other common or commingled funds in which the Funds typically invest. These commingled investment vehicles are governed by separate investment policy statements.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as a bonds, stocks, commodities, and currencies). For the purposes of this Policy derivatives shall include futures, forwards, swaps and all forms of options, but shall not include a broader range of securities including mortgage backed securities, structured notes and convertible bonds. (Refer to attached exhibit for glossary of terms)

Permitted Derivative Applications:

Derivatives may be used:

- To implement investment strategies in a low cost and efficient manner,
- To alter the Funds market (systematic) exposure without trading the underlying cash market securities,
- To construct portfolios with risk and return characteristics that could not be created with cash market securities,
- To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile,
- To facilitate transition trading,
- By managers of public markets investments employed by UTIMCO. An external investment manager may engage in derivative security transactions only if the transactions are consistent with the overall investment objectives of the account. Derivative applications shall be approved only with investment managers that demonstrate investment expertise in their use, and have appropriate risk management policies and procedures to effectively monitor and control their use. Disclosure of permitted derivative applications with external investment managers shall be made to UTIMCO's Board prior to investment.

- By managers of alternative marketable equities employed by UTIMCO. The due diligence process in the selection of these managers requires a clear understanding of the managers use of derivatives, particularly as it relates to various risk controls and leverage. UTIMCO will invest in such strategies exclusively through limited partnership agreements, offshore corporations or other legal entities that limit the Funds' exposure to its investment in the strategy. Disclosure of derivative applications with alternative marketable equity managers shall be made to UTIMCO's Board prior to investment.

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

Derivative Applications Not Permitted:

Derivative Applications shall not be used to invest in asset classes that are not consistent with the Funds policy asset categories, implementation strategies and risk/return characteristics. Only the above derivative applications are permitted until such time as this policy is amended and approved by UTIMCO's Board.

Documentation and Controls:

Prior to the implementation of a new derivative application, UTIMCO shall document the purpose, justification, baseline portfolio, derivative application portfolio, risks (including at a minimum modeling, pricing, liquidity and legal risks), the expected increase or reduction in systematic and specific risk resulting from the application, the acceptable criteria for counterparties in over the counter derivative applications, and the procedures in place to monitor and manage the derivative exposure. Internal control procedures to properly account and value the Funds' exposure to the derivative application shall be fully documented. The Chief Investment Officer shall recommend and the UTIMCO Board approve any new derivative applications prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application. UTIMCO shall establish an appropriate risk management procedure to monitor compliance and will take corrective action if necessary. UTIMCO shall make a comprehensive report of all derivative applications to the UTIMCO Board on at least a quarterly basis [~~an annual basis~~].

Limitations:

Leverage is inherent in derivative securities since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivatives applications offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore risk management and control processes must focus on the total risk assumed in a derivatives application, which is the sum of the application-specific risk and the market (systematic) risk established by the derivative application. In order to control and limit the leverage risk, each derivative application must specify a baseline portfolio, and risk measures such as Value at Risk (VAR) will be employed to assure that the total economic impact risk of the derivative application portfolio relative to the baseline portfolio will not exceed 20% of the underlying value of the baseline portfolio. The total relative economic impact risk of each derivative application will be monitored on a daily basis by the most appropriate risk management tools for the particular derivatives application.

As an additional global limitation, the total gross value (without netting counter positions) of all derivatives positions, including both internal and external managers, in the Funds shall not exceed 50% of the net asset value of the Funds.

In order to limit the financial risks associated with derivative applications, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter derivatives. The counterparty must be an investment grade credit and the agreement must be marked to market no less frequently than monthly.

Derivative Investment Policy Exhibit
Glossary of Terms

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

Baseline Portfolio – The cash-market based portfolio which will serve as the basis for calculating the relative risk level of an equivalent derivatives application.

Cash Equivalents – Includes cash, short term fixed income instruments, accruals, variation margin and one day deposits in transit to the account.

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

Counterparty - The offsetting party in an exchange agreement.

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

Derivative Application Portfolio – The portfolio including derivative instruments, cash equivalents, and other cash market assets established to replicate a specified baseline portfolio.

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

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

Forward Contract - A non-standardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future.

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

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

Over the Counter Derivatives - Derivative instruments which result from direct negotiation between a buyer and a counterparty. The terms of such instruments are non-standard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

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

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

Value at Risk (VAR) – An established method of measuring economic exposure risk. The measure conveys the maximum potential loss (in dollars or percent of total assets) for a particular investment position, for a particular period of time, for a particular level of confidence.

Resolution No. 2

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's advisor, Cambridge Associates, recommending that the Corporation enter into a limited partnership agreement (the "Agreement") to invest in the aggregate up to $25 million of the assets of The Permanent University Fund of the State of Texas ("PUF") and The Board of Regents of The University of Texas System General Endowment Fund ("GEF") in **Green Equity Investors IV, L.P.**; 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 Memorandum dated November 27, 2002 for **Green Equity Investors IV, L.P.** 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 as may be necessary or in the best interests of this Corporation, PUF and GEF, excluding an increase in the amount of the capital commitment to **Green Equity Investors IV, L.P.**; 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 in its capacity as investment manager of PUF and GEF, 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.

2003 Non-Marketable Alternatives Commitment Budget

Presentation to Board of Directors

December 12, 2002

The University of Texas Investment Management Company

The Staff and Cambridge Collaborated to Develop the Budget

- Staff and Cambridge developed a set of assumptions
  - Allocation target: 15% (long term goal, not achieved overnight)
  - Total net fund growth: 3.9% (Returns + contributions - distributions - expenses)
  - Sub-asset class return expectations: 12.0% - 19.7%
  - Moderate drawdown velocity
- Staff and Cambridge developed a financial model to forecast commitments
- Target commitment budget for 2003 is $350 million
  - Expected commitments of $146 million by 12/31/02
    - Six partnerships ($140 million)
    - Two direct investments ($6 million)
  - Remaining target of roughly $200 million for the next 8 months through 8/31/03
  - 2003 budget is less than the $400 million committed in FY 2002

Caveat: Budget is Simply a Rough Guide

- Slight changes in assumptions can dramatically affect the model
- Staff will continue to focus on finding the best managers
- 15% target allocation is an important, but secondary goal
- UTIMCO will likely commit less than $350 million in 2003
  - Deal flow remains strong, but
  - Staff will continue to be extremely selective
- Staff will revisit the budget model annually to revise/confirm targets

Resolution No. 3

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's advisor, Cambridge Associates, recommending that the Corporation invest in the aggregate up to $150 million of the assets of The Permanent University Fund of the State of Texas ("PUF") and The Board of Regents of The University of Texas System General Endowment Fund ("GEF") in **Barclays Global Investors, N.A. Equitized Global Market Neutral 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 12, 2002 for **Barclays Global Investors, N.A. Equitized Global Market Neutral 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 as may be necessary or in the best interests of this Corporation, PUF and GEF, excluding an increase in the amount of the capital commitment to **Barclays Global Investors, N.A. Equitized Global Market Neutral 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 in its capacity as investment manager of PUF and GEF, 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:
Equitized Global Market Neutral Fund

CATEGORY:
Alternative Marketable Investment classified within hedge and alpha strategies for US domestic equities.

CONTRIBUTION SIZE: $150 million
Expected Close: $100 million will be invested in January 2003; the remaining $50 million will be invested in February of 2003.

TOTAL ENDOWMENT (PUF AND GEF) EXPOSURE TO BARCLAYS GLOBAL INVESTORS:

BGI Funds ($ in millions)	PUF 10/31/2002	PUF Asset Allocation	GEF 10/31/2002	GEF Asset Allocation	Combined 10/31/2002	Combined Asset Allocation
BGI S&P 500	$191.65	3.1%	$141.11	4.3%	$332.76	3.5%
BGI S&P Mid Cap	$547.37	8.7%	$300.86	9.2%	$848.23	8.9%
BGI International Funds	$359.75	5.7%	$202.70	6.2%	$562.46	5.9%
BGI Emerging Structured Tier	$53.81	0.9%	$32.98	1.0%	$86.79	0.9%
BGI Russell 2000 Alpha Tilts	$71.89	1.2%	$64.68	2.0%	$136.57	1.4%
Total BGI Exposure	$1,224.47	19.5%	$742.33	22.8%	$1,966.80	20.6%
Total Fund Value	$6,272.65	100.0%	$3,259.46	100.0%	$9,532.11	100.0%

TOTAL PROPOSED EXPOSURE:

UTIMCO expects to liquidate approximately $150 million of *BGI S&P 500 Index* units to purchase $150 million of BGI's *Equitized Global Market Neutral Fund* (the "Fund") units. The proposed transaction is recommended for the purpose of replacing passive index exposure with a structured alternative active strategy. BGI's *Equitized Global Market Neutral* commingled trust fund invests in S&P 500 index futures to obtain market exposure. In addition, the commingled trust fund holds dollar-matched and beta-matched long and short stock positions. Industry and sector risks are rigorously controlled.

BGI Funds ($ in millions)	PUF 10/31/2002	PUF Asset Allocation	GEF 10/31/2002	GEF Asset Allocation	Combined 10/31/2002	Combined Asset Allocation
Allocated as follows:						
BGI Equitized Neu Alpha Fund	$98.00	1.6%	$52.00	1.6%	$150.00	1.6%
BGI S&P 500	($98.00)	-1.6%	($52.00)	-1.6%	($150.00)	-1.6%

UTIMCO DELEGATION OF AUTHORITY:

Board approval is required. This strategy shall be considered a derivative application strategy investing in a pooled equity fund purchasing units in Barclays Global Equitized Global Market Neutral fund.

CAMBRIDGE ASSOCIATES LLC:

Cambridge recommendation is forthcoming.

INVESTMENT VEHICLE:

Investment will be made through a commingled trust vehicle. UTIMCO's existing trust agreement dated November 12, 1992 for the PUF and dated February 22, 2001, will be amended to provide for this additional investment vehicle.

BACKGROUND:

Characteristics that make investment in Barclays attractive:

Barclay's Global Investors is the largest institutional investment manager in the world, with over $768 billion in assets. UTIMCO currently entrusts BGI with approximately $2 billion in capital from the PUF and GEF. BGI offers several strategic advantages specific to the market neutral strategy. Positive characteristics include:

1. Extensive resources – BGI has unrivaled global research and trading capabilities beyond those of a "typical" fund manager. BGI's commitment to research is a key competitive advantage. BGI's Advance Strategies and Research Group (ASRG) is led by Dr. Richard Grinold, former president and director of research of BARRA and former head of the University of California Berkeley Finance Department. The ASRG is a team of over 54 investment professionals and former academics devoted to conducting research on the drivers of investment return. ASRG continuously examines new ways to provide their clients with sound and consistent performance through a combination of the latest research and technology.
2. Existing Relationship – UTIMCO has had a decade of interaction with BGI. The firm offers more transparency than other managers – an important consideration when looking at any market neutral strategy.
3. Risk Management – A team of over 30 professionals (including 14 PhDs) is dedicated to the investment and risk management of the Global Market Neutral fund. Risk management is broad and includes many facets such as: credit, market, investment, operational, technology, compliance/regulatory, fiduciary, enterprise, legal, reputational, and strategic risk.
4. Broad investment universe - the strategy is global, and as such should provide increased diversification over a non-global strategy.

5. Quantitative skill sets using fundamental factors combined with risk and transaction modeling complements a true market strategy, as risk and transaction costs are important considerations in effectively deploying this strategy.
6. Proven track record with various alpha and market neutral strategies: BGI has managed market neutral strategies since 1996. The firm currently has $2 billion in the various strategies, including $600 million invested in the *Equitized Global Market Neutral Fund.* In addition, the firm has shown consistent outperformance with its alpha tilt products, which were the cornerstones in developing its market neutral strategies. (Exhibit A)
7. Recognizes capacity constraints and employs a disciplined and institutional quality in executing their strategies.

Possible Negative Characteristics:

1. Capturing pure alpha is difficult to achieve over long term periods as the fundamental factors determined by models tend to erode as other investment professionals exploit them.
2. It is important to recognize unintended bets inherent in the strategy and correct the models appropriately.
3. BGI is a large global enterprise and not a small independent investment entity, the latter of which is usually considered an added advantage in employing long/short market neutral strategies.

EXPECTED PORTFOLIO CHARACTERISTICS:

Strategy: Market Neutral strategy utilizing S&P 500 futures:

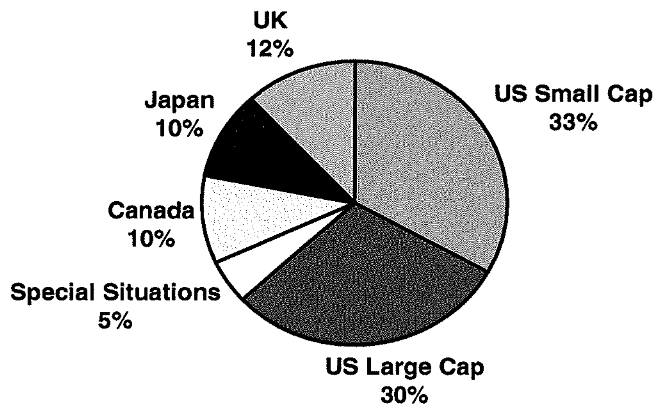
The market neutral component of the strategy is expected to produce a gross return expectation of 6-8% over the cash benchmark. The strategy is expected to have a low correlation with the returns of other asset classes and to maintain a return volatility of approximately 3% per year. The market neutral component balances long and short positions to avoid any directional bet on the market. A small portion of the fund is dedicated to risk arbitrage transactions. The excess return (alpha) component (stock selection) is derived from the market neutral strategy whereas the market return component (systematic risk) is obtained from the S&P 500 futures. The aggregate notional exposure of the futures positions will not exceed the liquidation value of the Fund. Barclays Global seeks to take advantage of a perceived mispricing of companies within a sector, securities within a capital structure, or securities with similar underlying economic interests within the market neutral portion of the strategy.

Barclays Global Investors: Equitized Global Market Neutral Fund

Correlations of the Components within the Global Market Netural Fund

	Large Cap NeuAlpha	Small Cap NeuAlpha	Small Cap Market Insight	United Kingdom	Japan	Canada	Risk Arbitrage
Large Cap NeuAlpha	1.00						
Small Cap NeuAlpha	0.25	1.00					
Small Cap Market Insight	0.07	0.01	1.00				
United Kingdom	0.02	0.24	-0.07	1.00			
Japan	-0.04	0.09	0.00	0.18	1.00		
Canada	0.00	0.11	-0.09	0.11	-0.01	1.00	
Risk Arbitrage	0.05	-0.08	-0.29	-0.05	-0.22	0.04	1.00

Allocation Among Market Segments



Strategy construction: (Discussion focuses on market neutral component)

The Fund currently invests in small- and large-capitalization stocks of United States, Canadian, UK, and Japanese companies. The portfolio will normally have approximately 2,000 positions, with an average size of only .10-.20% of the total portfolio. The portfolio is constructed by simultaneously combining the valuation criteria, transaction cost and market impact estimates with risk and style attributes. The portfolio remains neutral to both market direction and style influences.

Research/trading selection process:

The strategy involves extensive use of proprietary methods, primarily from the firm's Advanced Strategies and Research Group ("ASRG"). ASRG draws on internal, academic, and industry sources to generate ideas. Specific indicators of relative value include changes in company's earnings or cash flow, financial statement analysis, or behavioral factors. Due to the large number of positions in the portfolio, portfolio managers rely heavily on multi-factor models for security selection.

Discretion in trading:

The trading team works closely with the portfolio manager to implement the strategy in a cost-effective way. The traders have discretion to minimize shortfall and opportunity costs during the trading process. The portfolio manager has discretion to override the model and reduce (never increase) the Fund's risk.

The importance of trading costs in execution:

Estimation of trading costs and market impact of specific trades is made through a proprietary tool developed by BGI. The fund relies on analysis of recent and prevailing market conditions to estimate the market impact of any trades. The portfolio is rebalanced daily, so the managers are meticulous about reducing trading costs.

Leverage:

Leverage is not used in the Market Neutral fund.

Geographic Concentrations:

The fund currently allocates capital to stocks of companies in the United States, Canada, the UK, and Japan. The fund is expected to add other market segments such as East Asia in the near future.

Utilization of a risk budget for active or non-systematic risk exposure:

The portfolio has active risk in security selection. Country, sector, and market directional risk are neutralized through proprietary risk controls.

Multifactor risk model:

The ASRG team has developed extensive multi-factor models that are responsible for identifying perceived mispricings. The models are not static; they are constantly updated to reflect changing market conditions.

Research endeavors to continual enhancement of strategy:

We view research as the primary competitive advantage of BGI. The firm has 54 people, over 20 with advanced finance and math degrees, dedicated to updating and researching new investment methods. The head of the the research group, ASRG, is Dr. Richard Grinold, former president and director of research of BARRA and the former head of the University of California at Berkley Finance Department. ASRG works directly with the portfolio managers of the Market Neutral Fund to deploy the ideas generated from the research group.

Barclays Global Investors: Equitized Global Market Neutral Fund

Maximum Capital to be deployed:

Capacity for this fund is estimated to be $2 billion, currently at $600 million.

INVESTMENT RETURN HISTORY:

The Fund is composed of a Long/Short Global Market Neutral Strategy, an S&P 500 futures, and cash. The S&P 500 futures and cash elements generate performance parallel to the S&P 500 performance. Hence, the Alpha represents the excess return generated from the Long/Short element of the Fund.

Equitized Global Market Neutral Performance since inception

	Fund	S&P 500	Alpha
Apr-01	9.02%	7.77%	1.25%
May-01	1.23%	0.67%	0.56%
Jun-01	-3.29%	-2.43%	-0.86%
Jul-01	1.02%	-0.98%	2.00%
Aug-01	-5.11%	-6.26%	1.15%
Sep-01	-7.42%	-8.08%	0.66%
Oct-01	3.05%	1.91%	1.14%
Nov-01	7.40%	7.67%	-0.27%
Dec-01	2.21%	0.88%	1.33%
2001 Total	8.11%	1.15%	6.96%
Jan-02	0.53%	-1.46%	1.99%
Feb-02	-0.80%	-1.93%	1.13%
Mar-02	4.26%	3.76%	0.50%
Apr-02	-4.94%	-6.06%	1.13%
May-02	0.08%	-0.74%	0.81%
Jun-02	-5.46%	-7.12%	1.67%
Jul-02	-5.86%	-7.79%	1.93%
Aug-02	1.78%	0.66%	1.12%
Sep-02	-9.80%	-10.87%	1.07%
Oct-02	8.07%	8.80%	-0.73%
2002 YTD	-12.65%	-21.84%	9.19%

Return for Market Neutral Strategies Only

	Global Market Neutral	Large Cap NeuAlpha	Small Cap Neu Alpha	Small Cap Market Insight	Special Situations	Canada	UK	Japan
Percent Positive	84.21%	66.67%	78.26%	82.61%	72.00%	83.33%	81.82%	75.00%
Max Loss	-0.56%	-3.67%	-1.14%	-2.96%	-4.00%	-2.36%	-0.70%	-0.23%
Date	*Oct-02*	*Oct-98*	*Oct-02*	*Oct-01*	*Nov-01*	*Oct-02*	*Oct-02*	*Aug-02*
Max Gain	2.33%	4.26%	4.77%	3.20%	3.26%	2.73%	3.87%	4.33%
Date	*Jul-01*	*Oct-01*	*Sep-01*	*Oct-02*	*Dec-01*	*May-02*	*Sep-02*	*Sep-02*

SIGNIFICANT TERMS OF AGREEMENT:

Barclays Global Investors:
Equitized Global Market Neutral Fund

No lock-up, funds can be withdrawn monthly with 5 days advanced notice. The fees are standard for this type of strategy, 1% base fee plus 20% of net profits (computed by comparing the total return of the market neutral component over the 3 month LIBOR)

INVESTOR GROUP:
SBC Communications has $500 million dedicated to this strategy. Raytheon Corporation utilizes two of the strategies utilizing bond futures as the overlay. NCR Corporation also utilizes a component of the proposed fund.

CONCLUSION:
UTIMCO recommends an investment of up to $150 million in Barclays Global Investors Equitized Global Market Neutral Fund subject to final completion of agreements between UTIMCO and Barclays Global Investors.

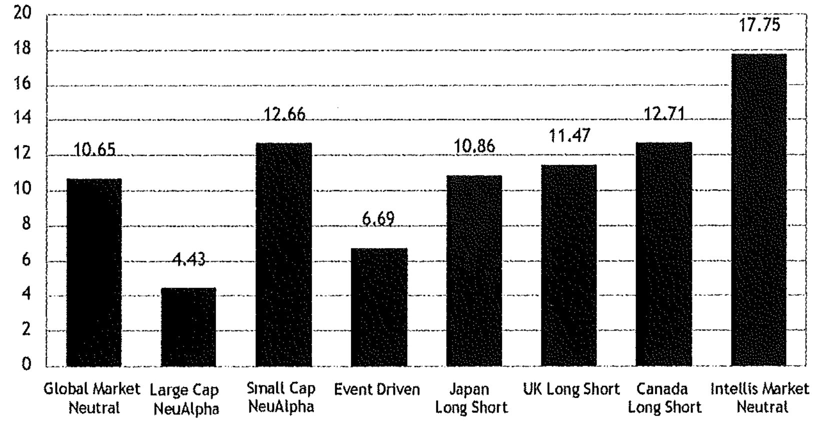
Cathy A. Iberg	C Iberg
Bob Boldt	B Boldt

C Iberg
(original signed by Bob Boldt)

Barclays Global Investors:
Equitized Global Market Neutral Fund

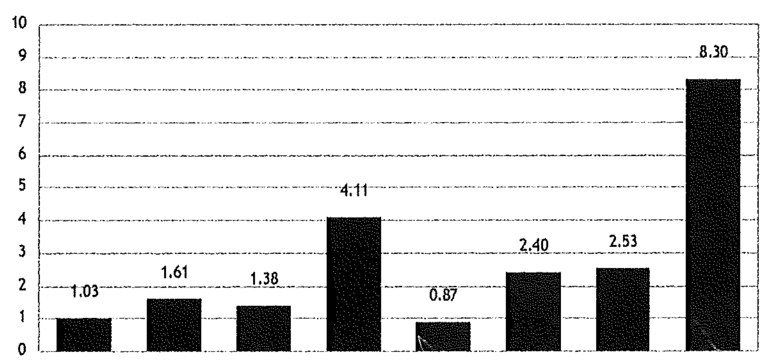
Exhibit A: Barclays Global Performance History (from inception of strategy through September 30, 2002)

Market Neutral



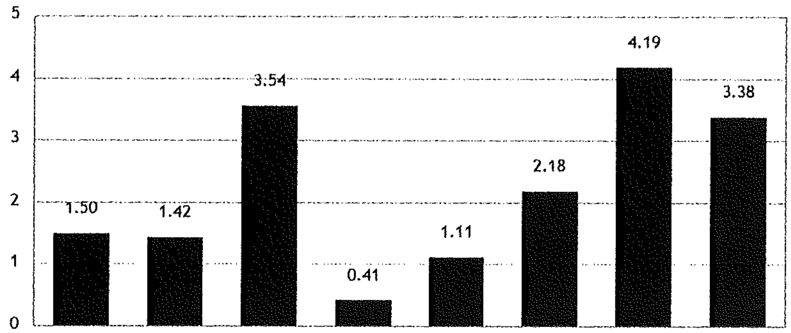
	Global Market Neutral	Large Cap NeuAlpha	Small Cap NeuAlpha	Event Driven	Japan Long Short	UK Long Short	Canada Long Short	Intellis Market Neutral
Inception	3/01	4/96	11/00	11/00	6/02	11/01	6/01	4/01
Alpha %	10.65	4.43	12.66	6.69	10.86	11.47	12.71	17.75
Active Risk	2.55	5.80	5.09	4.43	9.53	4.13	3.35	3.42
IR	4.18	0.76	2.49	1.48	1.14	2.78	3.79	5.19

Domestic Equity Alpha Tilts



	Alpha Tilts	Russell 3000 Alpha Tilts	Russell 1000 Alpha Tilts	Russell 2000 Alpha Tilts	Russell 1000 Value Alpha Tilts	Russell 2000 Value Alpha Tilts	Russell 1000 Growth Tilts	Russell 2000 Growth Tilts
Inception	9/85	9/90	9/90	7/90	3/96	5/96	6/01	11/01
Alpha %	1.03	1.61	1.38	4.11	0.87	2.40	2.53	8.30
Active Risk	1.93	1.79	1.89	3.49	1.90	4.14	2.51	3.32
IR	0.53	0.90	0.73	1.18	0.46	0.58	1.01	2.50

Exhibit A: (Continued)
International Equity Alpha Tilts



	Int. Alpha Tilts	ACWI ex-US Alpha Tilts	Active Int. Equity	Japan Alpha Tilts	UK Alpha Tilts	Europe ex-UK Alpha Tilts	Europe Alpha Tilts	Active Canadian Equity
Inception	4/92	10/99	6/01	7/88	11/95	4/92	4/01	5/96
Alpha %	1.50	1.42	3.54	0.41	1.11	2.18	4.19	3.38
Active Risk	1.46	1.04	2.27	2.64	1.68	2.42	2.31	1.89
IR	1.03	1.37	1.56	0.16	0.66	0.90	1.81	1.79

C | A

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M E M O R A N D U M

TO: Cathy Iberg
The University of Texas Investment Management Company

FROM: Stephen Symchych
Bruce Myers

DATE: December 6, 2002

RE: BGI Market Neutral Fund

BACKGROUND

Barclays Global Investors' history as an investment firm dates back to 1922, when its predecessor organizations, Wells Fargo Investment Advisors and Wells Fargo Bank, began managing the assets of institutional investors in the United States. In 1971, they created the industry's first U.S. index fund, establishing its strength as a quantitatively oriented investment house. In 1979, they developed the Yield Tilt fund, a quantitative enhanced-index strategy. By 1985, this evolved into the first Alpha Tilts Fund, a risk-controlled fund benchmarked against the S&P 500 Index.

BGI was formed in 1995 from the merger of Barclays de Zoete Wedd Investment Management and Wells Fargo Nikko Investment Advisors. In 1999, BGI was reorganized into a single holding company, Barclays Global Investors UK Holdings Limited. The firm's parent company, Barclays Bank PLC, is wholly-owned by Barclays PLC, a publicly listed holding company based in London, England.

The firm manages $690 billion on behalf of over 2,300 clients. BGI began managing market-neutral strategies in 1996, and currently has $2 billion under management in U.S., Canadian, U.K., Japanese, and Australian markets.

STRATEGY

The Global Equity Market Neutral Fund seeks stable and attractive returns above its benchmark by investing in its core regional market-neutral strategies, as well as in special situations (primarily risk arbitrage). Currently, the Global Fund is invested 33% in U.S. small cap, 30% in U.S. large cap, 12% in the U.K., 10% each in Japan and Canada, and 5% special situations. BGI is considering adding small allocations to accounts run in additional Asian markets.

While care is taken to balance the amount of fund assets in the different strategies, each is run separately under the Fund umbrella. The primary driver of allocations to each sub-strategy is expected to be market capacity; some less-efficient and more-attractive markets are nevertheless too small or illiquid to accommodate large investments in a market-neutral strategy. Target alpha for the Fund is 6-8%, with 3% standard deviation of excess return.

Each core strategy is based on the same security ranking that drives the firm's Alpha Tilts products, with highly-ranked stocks being made available for long positions, and poorly-ranked stocks made short candidates. Factors that enter into the rankings include:

- Relative value, that is, relative attractiveness based on fundamental measures, compared to other companies in a sector or industry
- Earnings sustainability , which assesses the quality and sustainability of earnings
- Analyst expectations, which gauges changes in analyst forecasts to predict changes in market expectations, and
- Market sentiment, as measured by such events as corporate actions, insider buying, and the like.

The weight and implementation of these factors varies by market and over time; some markets such as Japan, for example, have been found to be more sensitive to analyst revisions than the U.S., which is relatively more developed and efficient. Rankings are updated daily.

After developing a ranking of securities in the relevant universe, the firm develops long and short portfolios, taking into consideration transaction costs and risk controls. The Fund is explicitly designed to be non-directional, and neutral on a dollar and a beta-weighted basis. BGI hedges the portfolio to eliminate unintended bets on industry, cap size, interest rates, currencies and various other factors using proprietary risk models. Portfolios contain approximately 1,000 long and 1,000 short positions. The fund will run 100% gross long and 100% gross short.

STRENGTHS

Barclays has among the deepest quantitative resources of firms offering market-neutral products. Their work with indexed and enhanced-indexed products has given them great experience in capturing small amounts of alpha in a repeatable way, net of transaction costs in a risk-controlled environment. The firm's Alpha-Tilt products, whose process is at the heart of the Global Equity Market-Neutral Fund, have beaten their benchmark by relatively consistent, albeit small increments over long periods of time.

BGI's excellent technological and operational infrastructure is a strong barrier to competition, and gives them a real edge not only in executing trades at low cost, but in avoiding trades that may be unattractive due to high unforeseen costs.

The firm's extensive experience with risk control will provide some protection against unintended directional bets, which often sabotage performance in otherwise interesting "market-neutral" products. The fund's lack of leverage will also minimize the tendency for temporary lulls in performance to develop into severe and permanent losses of capital.

ISSUES FOR CONSIDERATION

True market-neutral unlevered funds are by nature relatively low-return vehicles, as capturing pure alpha is difficult to do over long periods of time. The tendency of most such funds is either to generate lower and lower returns, as the market anomalies they exploit erode over time, or to implode over the discovery of some unintended directional bet. BGI's track record, while impressive, is too short with this particular product to conclusively demonstrate that they have resolved these issues.

However, BGI's dedication to quantitative research, willingness to modify their models and their long-term experience with risk control mitigate these concerns to a large degree. Of course, ongoing monitoring of an investment in such a product will be essential, even while recognizing that the complexity and subtlety of many of BGI's strategies will almost by definition make evaluation of future alpha potential or risk quite difficult.

CONCLUSION

While market-neutral strategies are by nature difficult to implement successfully over time, as most market inefficiencies are too fragile to underpin a long-term strategy, BGI has developed an interesting product with great potential using the same broad approach that has successfully directed their Alpha Tilt products over time. They have demonstrated awareness of their strategy's pitfalls and limitations, and developed a deep research effort and intelligent risk controls that would be difficult to replicate elsewhere. The strategy of the Fund is entirely appropriate to the goal of outperforming LIBOR in an effort to enhance the performance UTIMCO's passive equity accounts.

We concur with the recommendation that UTMICO invest up to $150 million in this fund.

<u>Resolution No. 4</u>

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's advisor, Cambridge Associates, recommending that the Corporation purchase common shares of **Protégé Partners Fund, Ltd.** (the "Fund"), an exempt company organized under the laws of the Cayman Islands, in the aggregate up to $175 million of the assets of The Permanent University Fund of the State of Texas ("PUF") and The Board of Regents of The University of Texas System General Endowment Fund ("GEF"); 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 <u>Texas Education Code</u>;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Recommendation dated December 12, 2002 for **Protégé Partners 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 as may be necessary or in the best interests of this Corporation, PUF and GEF, excluding an increase in the amount of the capital commitment to **Protégé Partners 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 Agreement), in the name and on behalf of the Corporation in its capacity as investment manager of PUF and GEF, 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.

Protégé Partners Fund, Ltd.
("Fund")

CATEGORY: Alternative Marketable investment classified as an absolute return strategy.

FUND VEHICLE: Fund of funds

PROPOSED INVESTMENT: Requesting approval for up to $175,000,000
Expected Close: January 2, 2003
Initial contributions will be made in the following increments: UTIMCO will invest $50,000,000 on the first business day of January, February and March of 2003, totally $150,000,000. On a discretionary basis UTIMCO may invest an additional $25,000,000.

TOTAL CURRENT UTIMCO EXPOSURE*: $0

TOTAL CURRENT AND PROPOSED EXPOSURE*:

Existing:	$0
Proposed:	$175,000,000
Total:	$175,000,000

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

UTIMCO DELEGATION OF AUTHORITY:
Proposed investment of $175,000,000 approximates 1.75% of the PUF's and GEF's (endowment funds) market value at 8/31/2002. UTIMCO board approval is required for investments to a relationship exceeding 1% of the endowment funds market value at 8/31/2002. In addition a .25% limitation is placed on individual commitments.

CONCLUSION: Board Action Required

CAMBRIDGE ASSOCIATES LLC: Cambridge recommendation forthcoming.

INVESTMENT VEHICLE: Investment will be made through the subscription of Class A shares in Protégé Partners Fund, Ltd. The Fund will invest with a diversified group of investment managers (collectively, "Hedge Fund Managers" or "Hedge Funds") setting an investment goal to generate consistent absolute returns. The Fund intends to invest "arms-length" with Hedge Fund Managers and to start new Hedge Fund Managers ("Seed managers"). Protégé Partners, LLC., ("GP") is the investment manager for the fund.

BACKGROUND:
Protégé Partners is a new fund of hedge funds strategy commencing operations in June of 2002, headed by Jeffrey Tarrant (CIO) and Theodore (Ted) Seides (Director of Investments). The GP's goal is to employ its experience and judgment in identifying the best hedge fund managers across event driven, relative value, and directional strategies. Jeffrey Tarrant has been an active

investor in over 150 hedge funds for at least 15 years primarily for prominent private family fortunes, the most notable being the Thurn und Taxis fortune in Germany. Jeff was a board member since 1998 for TIFF (The Investment Fund for Foundations), a leading advisory firm for charitable foundations and institutions, and just recently resigned commensurate with the start of the Fund. During his board membership term he was active in the launch and portfolio construction of TIFF's $900 million Absolute Return Pool (ARP). Jeff received his M.B.A. from Harvard in 1985 and received a B.A. in Economics from the University of California at Davis. Ted Seides has spent eight years investing in and working for equity managers. Most notably, he spent five years with the Yale endowment identifying new managers and monitoring various equity portfolios, and was directly involved with the management of the fixed income portfolio for two years. He spent two years as a research analyst with J.H. Whitney's long/short hedge fund, the Green River Fund. Ted received his M.B.A. from Harvard in 1999, his C.F.A. charter in 1995, and has a B.A. from Yale in Economics and Political Science in 1992.

Characteristics that make investment in Protégé attractive:

1) The Fund allows UTIMCO instant diversification through its use of a multi-manager strategy.
2) UTIMCO's accessibility to hedge fund managers (for possible future direct investment by UTIMCO) becomes augmented through the numerous contacts the GP provides by its fund of hedge funds strategy. In addition, as part of UTIMCO's strategic relationship with the GP UTIMCO will obtain:
    - Access to the GP's proprietary research and information.
    - Assistance on UTIMCO's evaluation of direct hedge fund investments.
    - A seat on the GP's Investment Advisory Board.
    - Access to the GP's hedge fund portfolio management system.
    - An enhanced return from the carried interest in the GP's revenue stream as more fully described below.
3) Jeffrey Tarrant and Ted Seides, the principals of the GP, offer strong backgrounds in the hedge fund and endowment community, as well as numerous industry contacts. New York City is an ideal location for sourcing hedge fund deal flow. Both have a strong information network.
4) If the GP is able to meet its goal of seeding new hedge fund managers, and the managers become successful and grow, UTIMCO's return will be enhanced by additional cash flows from the hedge fund manager to the Fund. It is expected that investment in hedge funds will continue to grow as institutional investors continue to allocate capital to this asset class.
5) Cash flows from seeding new hedge fund managers are expected to offset the GP fee.
6) UTIMCO will receive 7.5% of the GP's revenue stream over a period of 15 years. Revenue is net of 3rd party marketing fees.

Possible Negative Characteristics:

1) The lock-up period is lengthy at five years but risk has been mitigated through negotiation of key man departure terms and obtainment of a 5% minimum profit over a two year period.

2) New fund and new business relationship between Jeffrey Tarrant and Ted Seides.
3) The ability of the fund to seed new hedge fund managers: The resulting return obtained through additional cash flows from the seeded investment manager's revenue stream is dependent on competition with other fund of funds employing a similar strategy and existing hedge fund managers seeding start ups.
4) Adequate staffing of the GP.

EXPECTED PORTFOLIO CHARACTERISTICS:

Targeted Return:

	Low	High
UTIMCO Investment Return as LP	13.2%	20.0%
Plus UTIMCO Revenue Share (year 5)	+ 1.4%	+ 4.0%
UTIMCO Total Return	14.6%	24.0%
vs. "typical" FOF	+ 4.1%	+13.5%

Strategies:
Relative Value: 10%-50% (target approximately 25%)
Event Driven: 10%-50% (target approximately 25%)
Directional: 30%-70% (target approximately 50%)

Manager Turnover:
10-15% per year

Protégé's definition of strategies:
Relative Value:
Hedge fund manager seeks to take advantage of a perceived mispricing of companies within a sector, securities within a capital structure, or securities with similar underlying economic interests.
Event-driven:
The timing and outcome of a corporate event drives returns, rather than the direction of a market or the fortunes of a company.
Directional:
Hedge Fund manager seeks to identify relative mispricing of securities, while incorporating a view on the direction of a market or asset class.

Capital:

	Range	Target
Arms Length	40% - 100%	60%
Seeding Start-up Managers	0% - 60%	40%

Geographic Concentrations:
Strategy is intended to be global

Protégé Partners Fund, Ltd.
("Fund")

Number of Hedge Fund Investments: 40-50

Capital to be Deployed: Approximately $1 billion

Leverage:
The GP may effect borrowings on behalf of the Fund in an amount no greater than 20% of the Fund's assets. In addition, the GP comprehensively monitors the leverage of its direct investments.

Risk Management:
Full disclosure is given to the GP on Seed managers' positions, while risk reports are received from arms length managers. The GP also internally develops risk reports for all its hedge fund managers. The GP controls risk through diversification, adherence to policy asset allocation, and minimization of volatility at a 10%-12% return.

INVESTMENT HISTORY:
Since the Fund is in its initial stages, an equal-weighted composite ("Composite") is constructed from accounts managed by Jeffrey Tarrant over the last 13 years to represent GP's historical returns. From January 1989 to June 2002, the performance is the Composite and starting July 2002 the performance is that of the Fund (collectively the "Combined Composite"). The following highlights relevant metrics of the Combined Composite:

	Combined Composite	**S&P 500**
Annualized Geometric Return	16.07%	11.27%
Geometric Monthly Return	1.25%	0.89%
Standard Deviation	6.52%	15.03%
Avg. Positive	1.79%	3.63%
Avg. Negative	-1.12%	-3.44%
Months Positive	136	104
Months Negative	30	62
Percent of Positive Months	81.93%	62.65%
Largest Drawdown	-6.50%	-44.74%
Max Loss (months)	4	5
Sharpe Ratio	1.65	0.40
Correlation to Index	0.19	

FEES:

1) The GP will be paid a quarterly Fixed Fee for its management services of 0.25% (or 1.0% per annum) of the NAV of the Fund.
2) The GP will also receive an annual incentive fee of 5% of the net profits of the fund of funds. The incentive fee is subject to a 5% per annum hurdle rate and a loss carryforward provision.

Protégé Partners Fund, Ltd.
("Fund")

<u>INVESTOR GROUP</u>:
Currently, the GP has $100 million under management, $17 million of which is Jeffrey Tarrant's and Ted Seides's own capital.
UTIMCO will be consulted on the admission of other outside strategic investors and such admission is subject to approval by UTIMCO.

<u>CONCLUSION</u>:
UTIMCO recommends an investment of up to $175 million in Protégé Partners, LLC subject to final completion of legal agreements between Protégé Partners and UTIMCO.

Cathy A. Iberg	C Iberg
Bob Boldt	[illegible]

Resolution No. 5

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's advisor, Cambridge Associates, recommending that the Corporation purchase common shares in **Standard Pacific Capital Offshore Fund, Ltd.** for up to $50 million of the assets of The Permanent University Fund of the State of Texas ("PUF") and The Board of Regents of The University of Texas System General Endowment Fund ("GEF"); 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 12, 2002 for **Standard Pacific Capital Offshore 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 as may be necessary or in the best interests of this Corporation, PUF and GEF, excluding an increase in the amount of the capital commitment to **Standard Pacific Capital Offshore 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 Agreement), in the name and on behalf of the Corporation in its capacity as investment manager of PUF and GEF, 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.

Standard Pacific Capital Offshore Fund, Ltd.

CATEGORY: Alternative Marketable Investment classified within equities.

CONTRIBUTION SIZE: Requesting approval of up to $50,000,000
Expected Close: January 31, 2002

TOTAL CURRENT UTIMCO EXPOSURE*: $0

TOTAL CURRENT AND PROPOSED EXPOSURE*:

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

*Exposure is the market value as of the most recent quarter-end for the PUF and GEF.

UTIMCO DELEGATION OF AUTHORITY:
Total current and proposed exposure as a % of value of endowments at 8/31/2002 must not be greater than 1.00%. Total endowment fund values = $10.031 billion
Standard Pacific Capital = .5%

New commitments as a % of value of the UTIMCO total endowment at 8/31/2002 must not be greater than 0.25%.
Standard Pacific Capital =.5 %.

CONCLUSION: Board Action Required

CAMBRIDGE ASSOCIATES LLC:
Recommendation is forthcoming

INVESTMENT VEHICLE: Investment will be made by purchasing common shares in Standard Pacific Offshore fund, Ltd., a mutual fund incorporated under the laws of the British Virgin Islands and managed by Standard Pacific, LLC, a California limited liability company ("SPC")

BACKGROUND:

Standard Pacific is headed by Andrew Milder and is based in San Francisco, California. Andrew Midler started his investment career at Fidelity (1986-1993), where he managed USD 5 billion in the framework of three Fidelity funds, ranked by Lipper no.2, no. 2 and no. 1, in each of their respective categories.

He then joined Jack Nash's Odyssey Partners, where he managed the group's global long/short equity portfolio in 1993 and 1994. Following a short stay with Credit Suisse First Boston, in 1994-1995 Andrew Milder founded Standard Pacific Capital in July 1995 with an initial asset base of USD 100 million under management. The firm currently has $4.3 billion under management with $2.3 billion invested in the Standard Pacific Capital Offshore Fund.

Standard Pacific (the GP) has 13 investment professions, 6 operations professions, 3 administrative professionals and 1 marketing professional for a total of 23. Key investment professionals and their backgrounds are as follows:

Key Personnel

Mr. Jon Aborn Analyst • M.B.A., Stanford University • B.A., Williams College • Tiger Management, Senior Analyst • Stonington Partners, Senior Analyst

Mr. Alex Beringer Analyst • M.B.A., Stanford University • B.A., University of California - Berkeley • Goldman Sachs, Associate - Fixed Income and Currencies • Lehman Brothers, Analyst

Mr. David Chung Analyst • With firm since 2002 • M.B.A., Harvard Business School • B.A., Harvard University • KKR, Investment Executive • McKinsey & Co., Management Consultant

Mr. Doug Dillard, Jr. Analyst - Europe • B.A., Georgetown University • M.B.A., Harvard Business School • Fidelity Investments, Equity Analyst • JP Morgan, Analyst • Morgan Stanley, Analyst

Mr. Tom Hayes Analyst • With firm since 2002 • M.B.A., Stanford University • B.S.E., University of Pennsylvania • David Skaggs Investment Management, Vice President • PRIMECAP Management, Analyst

Mr. Daniel Martin Analyst • M.B.A., Harvard Business School • B.A., Stanford University • Bessemer Venture Partners, Portfolio Manager • Strome, Susskind Investment Management, Investment Analyst

Mr. Rick McQuet Analyst • With firm since 2001 • B.A., Stanford University • M.S., Stanford University • Trust Company of the West, Assistant Vice President • Goldman Sachs, Associate - Fixed Income and Currencies

Mr. Andrew Midler Portfolio Manager • M.B.A., Harvard Business School • B.A., Stanford University • M.A., Stanford University • Fidelity Investments, Portfolio Manager • Odyssey Partners, Portfolio Manager • CS First Boston, Director - Equity Portfolio Management

Mr. Raj Venkatesan Analyst - Asia-Pacific • M.B.A., Harvard Business School • B.A., Williams College • Morgan Stanley, Associate • J.P. Morgan, Associate - M&A/Corporate Finance

Mr. David Wagonfeld Analyst - Technology • M.B.A., Harvard Business School • B.A., Stanford University • The Boston Consulting Group, Consultant • VMX, Product Manager

Characteristics that make investment in Standard Pacific attractive:

- Manager's background and experience (Fidelity, Odyssey Partners)
- Exclusive concentration on bottom-up analysis
- Demonstrated capacity to achieve capital growth in negative market conditions (e.g. Q3 '98, May '99, Summer '02)
- Experienced, high-quality team
- Opportunistic, global management style
- Strong back office, risk management controls and internal controls
- Substantial amount of firm's capital is invested in the offshore strategy.

Proven track record: Standard Pacific's track record of over 71% positive returns in a 84-month trailing sample is exemplary. In addition, the lowest return month was down only 2.5% as compared to the S&P 500 which experienced a 14.44% one month loss. SPC return history indicates a tight band of monthly returns.

Statistics (Period of October of 1995 through October of 2002)	
Average monthly return	1.02%
Monthly Standard Deviation	1.88%
Largest Monthly Loss	-2.50%
Largest Monthly Gain	6.45%
Total # of periods	84
# of months positive	60
% positive	71.43%

Perceived competitive advantage*:* SPC creates an informational advantage, and thus opportunity, by emphasizing primary research.

Possible Negative Characteristics*:* SPC's size: Mr. Midler is acutely aware of size as an imposing factor on return and cited his management experience with Fidelity. He stated that size has not been a factor to date and believes that total capital of $6-$7 billion would be the upper limit. SPC is taking replacement capital and is looking for clients who have multi-year outlook. These are foundations and endowments. Not unlike other long/short managers Andrew Midler is considered key to SPC achieving continuing results. In addition, UTIMCO will have to work with SPC in obtaining risk characteristics on the fund.

EXPECTED PORTFOLIO CHARACTERISTICS:

Strategy: The Standard Pacific Capital Offshore Fund (the "Fund") is a global, bottom-up, long/short equity hedge fund. Macro considerations, though not completely absent from the Fund's investment philosophy, play a secondary role in the investment process: the portfolio is built up stock-by-stock. Typically, no position is taken until the company has been visited or, at least, interviewed extensively over the telephone, with a view to a visit in the near future.

As a global bottom-up stock picker, Andrew Milder feels comfortable identifying undervalued and/or overvalued companies worldwide, thereby maximizing his field of opportunity. This has been his and the firms philosophy throughout his career, i.e. since 1986.

Long/Short Equity: Focuses on long or short equity positions, hedged sector strategies focusing in specific industries. Returns come from the security selection. Manager has typically been net long.

Leverage: Low, as SPC maintains a gross long and gross short position of less than 150% of NAV.

Geographic Concentrations: Portfolio is well diversified with slightly over 200 positions, 63% of the portfolio is concentrated in the US and the balance invested internationally.

Sector neutrality: SPC will retain less than 25% NAV in a specific sector on an informal basis although SPC has never approached this level.

Country neutrality: SPC's historical average of exposure to emerging markets (outside US, Canada, Western Europe, Japan, H.K., Singapore, Australia, N.Z.) in total is less than 3% of NAV. An informal country maximum, outside US, is 25%. Historically SPC has never approached this level.

Security concentration risk: Historically, SPC has held 100-200 positions in the portfolio. SPC maintains each position size at less than 5% of NAV in the portfolio. A daily stop/loss of 25% against initial capital is also undertaken. Low exposure to options and derivatives

INVESTMENT RETURN HISTORY:

Other - Offshore Fund (source: Cambridge Associates)

Year	1Q(%)	2Q(%)	3Q(%)	4Q(%)	Annual(%)
2002	0.6	3.3	-4.5	--	--
2001	2.0	0.4	7.1	-1.5	8.0
2000	0.3	8.2	8.0	9.4	28.2
1999	1.6	9.6	-3.4	9.8	18.0
1998	4.1	2.9	4.3	0.8	12.5
1997	3.6	7.0	6.8	-1.9	16.1
1996	11.3	6.0	2.3	5.5	27.3
1995	--	--	8.1	6.5	--

Performance Note: Performance represents the Scorpion Fund, Class A shares. Returns include return on cash reserves. Performance is net of advisory and performance-related incentive fees. The base currency is U.S. Dollars. Returns have not been audited by an independent third party.

INVESTOR GROUP:

Has a large endowment and foundation base.

SIGNIFICANT TERMS OF AGREEMENT:
Standard terms: 1% of assets plus 20% of profits subject to a high-water mark. No lock-up as liquidity is monthly with 30-days notice.

CONCLUSION:
UTIMCO recommends an investment of up to $50 million in Standard Pacific Capital Offshore Fund, LTD. subject to final review and negotiation of legal documents.

UTIMCO APPROVAL:

Cathy A. Iberg	
Bob Boldt	

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C | A
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
UTIMCO

FROM: Stephen Symchych
Bruce Myers

DATE: December 6, 2002

RE: Standard Pacific Global Equity Partners, L.P.

Organization and History:

Standard Pacific Capital (SPC) was founded in 1995 by Andrew Midler. Mr. Midler had previously worked at Fidelity Investments as an analyst and portfolio manager from 1986 to 1993. At Fidelity, Mr. Midler managed several mutual funds including the Fidelity Income II Fund, which he founded and the Fidelity Growth and Income Fund which had over $1 billion in assets at the time of his departure. Mr. Midler's performance track record at Fidelity was excellent. All of the broad mandate funds he managed outperformed their benchmarks during his tenure. Portfolio manager references at Fidelity speak very highly of Mr. Midler's stock picking and portfolio management talents. After leaving Fidelity, Mr. Midler managed a portion of the $2.5 billion global hedge fund at Odyssey Partners before moving to CS First Boston to become Director of Equity Portfolio Management.

Mr. Midler has built up SPC's team to a total of 30 people. There are now nine region/industry analysts that conduct fundamental equity research globally, with the primary focus being the U.S., Europe and the developed countries in the Pacific Rim. Although based in San Francisco, analysts spend several weeks of the year out visiting companies onsite. SPC has five traders who are organized to be able to trade 24 hours a day. Most members of the investment team have some combination of portfolio management, Wall Street analyst and/or management consulting experience. Although the analysts provide critical analytical input on most investments under consideration, Mr. Midler alone makes the final investment decisions. Total assets under management are currently $4.3 billion.

Strategy:

Standard Pacific manages a long/short global equity portfolio focusing on small to medium capitalization stocks (average market capitalization of $1 billion). Since inception, the fund has allocated approximately 70% of assets in the US market and 30% abroad. While the manager does develop a macroeconomic framework, stock selection is driven primarily by bottom-up fundamental analysis. Long positions are typically "cheap stocks with improving fundamentals".

The approach is not a traditional value approach but can be described as a value approach to improving growth. Short positions exhibit the opposite characteristics of long positions; they are expensive and possess deteriorating fundamentals. The management team engages in extensive fundamental research, spending the majority of its efforts on the road visiting companies. The portfolio typically hedges all foreign currency exposure and never takes "macro" or offensive currency or fixed income positions. The fund has a distinct long bias but can be net short under certain circumstances. The manager employs leverage but total long and short positions never exceed 130% of assets.

The portfolio is well diversified with approximately 200 positions (under 5-6 general "themes") with the largest position at 5% of assets. The fund may invest in convertible or high-yield bonds when valuations are deemed attractive and has the ability to invest up to 25% in private deals but has not done so to date.

Performance:

Since inception, the SPC global hedge fund has had an annualized return as of 9/30/02 of 16.2%, which compares to 7.4% for the S&P 500, 2.7% for MSCI World and -0.7% for MSCI EAFE over the same periods. SPC's excellent net returns have been achieved despite being close to net short over much of this period. Year-to-date performance has been approximately break-even due to an untimely move to a net long (20-40%) position, after two years of being net short or flat.

Volatility of performance since inception has been much lower than that of the major market indices (see Exhibit 1), with the worst single quarter performance being —3.58% in the third quarter of 2002. SPC's returns have had a low correlation with the major world equity benchmarks (see Exhibit 2).

Recommendation:

Andrew Midler is a seasoned and very skilled stock picker who has built a strong organization (seven analysts, three traders, 20 employees in total) to support his global equity investment activity. His strategy is to invest globally both long and short, primarily in developed country markets, to produce steady equity returns that are largely independent of global equity market performance. In recent quarters, his portfolio has been close to net neutral (aggregate long and short exposures being approximately the same), although he will go significantly net long or short based on market conditions and the availability of attractive investment opportunities. We think the current opening of SPC represents a good opportunity to invest with a top quality global hedge fund manager who is also significantly constraining his assets under management. We concur with the recommendation to invest $50 million with Standard Pacific.

UNIVERSITY OF TEXAS

GLOBAL LONG/SHORT EQUITY

CORRELATION MATRIX

July 1, 1995 Through September 30, 2002

7.25 Years

	STANDARD PACIFIC	MSCI WORLD	S&P 500	MSCI EAFE
STANDARD PACIFIC	1.00			
MSCI WORLD	0.17	1.00		
S&P 500	0.17	0.97	1.00	
MSCI EAFE	0.17	0.96	0.87	1.00

Resolution No. 6

RESOLVED, that the revised Exhibit B to the Delegation of Authority be, and is hereby approved in the form as presented to the Board.

Recommendation for Modifying the Role of Cambridge Associates

After the departure of its Non-Marketable Alternatives ("NMA") staff more than two years ago, UTIMCO engaged Cambridge Associates ("Cambridge") to help manage the endowments' private equity portfolio. UTIMCO and Cambridge entered into a two-year contract pursuant to which Cambridge agreed to perform a number of services for the endowments, including the following: investment strategy and policy development; manager recommendation and approval; negotiation of financial and legal terms of investment; and post investment monitoring.

Beginning in April 2001, UTIMCO began an effort to rebuild its NMA staff with the hiring of Sara Skone (McMahon). In January 2002, UTIMCO hired Trey Thompson and in July 2002 promoted Ms. McMahon and Mr. Thompson to the position of Co-Managing Directors of UTIMCO's Non-Marketable Alternative group. Finally, the staff recently hired John Smolen as an Investment Analyst in November 2002.

Due to the rebuilding of the NMA staff, UTIMCO recommends amending its consulting relationship with Cambridge. Please refer to Exhibit B to the Approval of Delegation of Authority to Corporations' President and CEO for the specific roles and responsibilities that Cambridge will undertake as part of this updated relationship.

Recommendation: Approve Exhibit B to the Approval of Delegation of Authority to Corporations President and CEO, dated December 12, 2002. Exhibit B enumerates the services that Cambridge Associates will provide to UTIMCO's Non-Marketable Alternatives investment staff.

EXHIBIT B

UPDATING CAMBRIDGE ASSOCIATES' ROLE IN UTIMCO'S PRIVATE EQUITY PROGRAM

After the departure of its private investment staff more than two years ago, UTIMCO engaged Cambridge Associates ("Cambridge") to help manage the endowments' private equity portfolio. UTIMCO and Cambridge entered into a two-year contract pursuant to which Cambridge agreed to perform a number of services for the endowments, including the following: investment strategy and policy development; manager recommendation and approval; negotiation of financial and legal terms of investment; and post investment monitoring.

Beginning in April 2001, UTIMCO began rebuilding its private investment staff with the hiring of Sara Skone (McMahon). In January 2002, UTIMCO hired Trey Thompson and in July 2002 promoted Ms. McMahon and Mr. Thompson to the position of Co-Managing Directors of UTIMCO's Non-Marketable Alternative group. Finally, the staff recently hired John Smolen as an Investment Analyst in November 2002.

Since January 2002, the UTIMCO private investment staff has assumed many of the responsibilities that Cambridge had previously assumed. To reflect the rebuilding of the private investment staff, UTIMCO recommends amending its relationship with Cambridge to include the following responsibilities:

- Development of up to 12 due diligence memoranda for planned private equity investments;
- Preparation of a quarterly forward calendar that details prospective non-marketable opportunities;
- Delivery of Cambridge's private equity benchmarks on a quarterly basis; and
- Participation in up to 20 conference calls or in-person meetings to discuss non-marketable investment strategies, private equity market conditions, and potential investment opportunities.

As a result of UTIMCO's staff rebuilding efforts, the activities highlighted above are similar to those that Cambridge has actually performed over the last year, even though the 2-year contract provided for Cambridge to assume a more thorough set of responsibilities. As such, the staff expects to continue benefiting from the same set of consulting advice that it has received for the past year.

Approval of Delegation of Authority to Corporation's President and CEO

Approved by UTIMCO Board: September 26, 2000
Amended: January 23, 2001

Delegation of Authority to UTIMCO management and approved by the CEO as listed below are a means to:

- to improve operational efficiency by institutionalizing the investment process and thereby insulating it from employee turnover
- to define and concentrate accountability for investment performance and policy compliance on UTIMCO management
- to ensure a transparent policy and investment decision making process

- **Continue board decision making at the policy level**
  - Appointment/evaluation/compensation/termination of chief executive officer
  - Approval of investment policy (investment objectives, asset allocation, manager selection/termination policy, performance objectives, use of derivatives, etc.)
  - Evaluate compliance with investment policies
  - Evaluate investment results against performance objectives

- **Delegate authority to UTIMCO management for:**
  - **tactical asset allocation (within approved policy ranges)**
  - **manager selection/termination <u>subject to the following limits</u>**:

Manager Type	Manager Exposure	($ Millions) UTIMCO Management Authority Limit (1)	Authority Limit as % of Total Assets (2)
Public - Passive	Portfolio value + New commitment	$ 502	5.00%
Public - Active	Portfolio value + New commitment	$ 251	2.50%
Private - Partnership	New commitment	$ 25	0.25%
Private - Direct	Portfolio value + New commitment	$ -	0.00%
Private - Relationship Total	Sum of portfolio values + Undrawn capital + New commitment	$ 100	1.00%

(1) At time of award based on 8/31/02 endowment values
(2) $10,031,468,633 endowment asset base (PUF and GEF) as of 8/31/02 (adjusted annually)
(3) Subject to concurring recommendation from private equity advisor

- Management's written notification to UTIMCO Board of its intent to award a mandate under its delegation of authority
  - Management's approval shall become effective within 5 business days of notice provided that:
    - Executed certificates of compliance have been received from each Board member, and,
    - No Board member asserts his or her right of veto to the CEO
- Management's adherence to Board-approved Investment Manager Selection And Termination Guidelines (see Exhibit A)
- a concurring recommendation from non-discretionary advisor on selection of private equity managers (see Exhibit B)
- verification of compliance with the Investment Manager Selection And Termination Guidelines by UTIMCO Compliance Officer and Audit and Ethics Committee (see Exhibit A)
- Presentations by existing portfolio managers (including general partners) at each Board meeting
  - Managers with higher dollar exposures and potential for higher excess returns shall be reviewed more frequently

EXHIBIT A

INVESTMENT MANAGER SELECTION AND TERMINATION GUIDELINES

UTIMCO Management shall be responsible for the selection and termination of internal and external portfolio managers entrusted to invest U.T. System, TAMU System and other funds. While this delegation of authority recognizes that the manager selection and termination process is inherently subjective, it is subject to compliance with the guidelines below. These guidelines are intended to:

- ensure that the appropriate managers are retained to pursue a defined investment strategy within each fund's portfolio structure, and,

- define the general conditions under which a portfolio manager may be placed on a watch list or be terminated.

These guidelines shall be reviewed at least annually by the UTIMCO Board to ensure their continued relevance.

MANAGER SELECTION

The selection of portfolio managers shall be based upon an evaluation of the following due diligence factors:

- **General Overview of Firm**

- History: date of formation, historical focus of firm, etc.
- Ownership: identify the distribution of ownership, capital adequacy, use of firm capital as management incentive tool, etc.
- Number of portfolio products/growth in number of products: identify firm resources that are dedicated to portfolio product under review
- Assets Under Management: what is historical growth pattern, what are firm's plans to manage growth, percentage of firm's assets represented by UTIMCO portfolio.
- Client profile: distribution and size of accounts, high net worth individuals vs. institutional.
- Stability of Client Base: recent history of client additions and losses, reasons for losses
- Participation of Manager's Capital in the Firm's Portfolios
- Compensation of Firm's Investment Professionals

- **Personnel**

- Interviews: meet with key decision makers on-site, check references
- Evaluation of Experience: verify that portfolio managers have a meaningful and proven historical record of success with their current or prior firms.
- Approach to Staffing: Portfolio management by single manager or multi-manager, years staff has worked together, identify relationship manager for account, determine compatibility with UTIMCO staff and process
- Dedication of Firm's Resources: compatibility of firm's organizational size with portfolio management
- Education and Background of Investment Professionals: appropriateness for level of responsibility required by the mandate.
- Turnover of Investment Professionals: historical record, reasons for departures, succession plans.
- Client Service: through marketing representative vs. portfolio manager, firm interest in establishing relationship

- **Investment Philosophy and Process**

- Competitive Advantage/Sustainability of Advantage
- Style Discipline
- Interaction of Macro Research with Security Level Research
- Quantitative vs. Fundamental Investment Approach: reliance on quantitative screens
- Country vs. Security Selection/Use of Hedging: (non-U.S. managers)
- Use of Cash
- Decision Making Process within Firm
- Research and Due Diligence: idea generation, depth of research
- Portfolio Construction/Diversification: by sector, industry, position size, country, value vs. equal weighting
- Buy/Sell Discipline: definition and consistency of process
- Monitoring/Controls: evidence of effective compliance programs to monitor, control and administer the portfolio account.
- Operations: adequacy of administrative, operating and trading capacities relative to the number and complexity of accounts under management.
- Portfolio Risk: analyze historical and expected volatility of the portfolio vs. its benchmark, review firm's written policies concerning risk management
- Liquidity: daily volume of portfolio securities, can the account be liquidated without a large market impact

- **Historical Investment Performance**

- Comparison Against Relevant Passive Benchmarks:
- Comparison Against Relevant Universe Benchmarks:
- Cyclicality of Excess Returns; Information Ratio

- **Fees**

- Reasonableness Given the Portfolio Mandate
- Asset Based vs. Performance Based

In addition to the factors listed above, the selection of managers for alternative asset partnerships shall include the following considerations:

- **Marketable Alternative Assets**:

- Investment Strategy: identify the unique strategy and pattern of expected returns that is not achievable with traditional strategies at a lower cost. Identify the source of expected value added – stock selection, shorting, leverage, event drivers, distressed investing, etc.

- Net Exposure: identify the manager's process for determining the portfolio's net exposure (long positions less short positions), determine the historical range of net exposure.

- Fees: determine the carried interest and whether it is subject to a preferred return or high water mark/loss carry forward provision.

- Use of Leverage: determine the firm's use of leverage at the partnership level, determine the historical range of leverage used.

- Tax Status: determine the potential that the partnership's activities will create UBTI, representation from firm re: best efforts avoidance of UBTI

- Liquidity: determine the redemption and notice provisions governing the withdrawal of capital

- Transparency: determine the availability of individual portfolio transactions, i.e., ability to see through the partnership.

- **Non - Marketable Alternative Assets:**

- Deal Flow: identify the proprietary nature of the firm's deal flow and distribution of deal generation among partners.

- Key Man Provisions: determine the meaningfulness of provisions allowing for dissolution of the partnership in the event of the departure of certain key individuals from the firm.

- Fees: determine the carried interest and whether it is subject to a preferred return and a clawback.

- Use of Leverage: determine the firm's use of leverage at the partnership level (assumed to be zero and limited to 5% for transaction friction), determine use of leverage at the portfolio company level.

- Tax Status: determine the potential that the partnership's activities will create UBTI, representation from firm re: best efforts avoidance of UBTI

- Valuation Policy: determine the firm's methodology for valuing illiquid investments and the method's reasonableness.

- Realization Strategies: determine the expected strategies to be employed by the firm in realizing its investments and the degree of the firm's experience in executing such strategies.

TERMINATION OF MANAGERS

Portfolio managers (with the exception of index managers) shall be selected with the expectation of generating returns in excess of the returns for a relevant index or universe of peer managers. Managers whose performance is below expectations shall be placed on a watch list to determine whether termination is advisable. Portfolio managers shall be notified when they have been placed on a watch list. Reasons for portfolio managers to be placed on a watch list include:

- Under performance against its benchmark return or universe median return
- Significant change in portfolio composition or style
- Tracking error in excess of designated limits
- Significant changes in the manager's organization
- Turnover of personnel
- Ownership structure
- Growth of firm's assets under management to a level believed to inhibit effective implementation of portfolio strategy
- Unpredictable performance

If performance does not improve in a manner sufficient to justify manager retention, manager termination shall be considered. Termination of portfolio managers is expected to be infrequent but may be necessitated by the following factors:

- Fraud
- Violation of Investment Policy or Other Terms of Advisory Agreement
- Sustained Under Performance vs. Benchmarks
- Unethical Acts
- Turnover of Key Investment Professionals
- Significant Change in Ownership Structure or Control
- Assumption of Imprudent Risks
- Non Adherence to Assigned Portfolio Strategy
- Restructuring of Portfolio Mandates

EXHIBIT B

USE OF A PRIVATE EQUITIES CONSULTANT

UTIMCO's ability to execute a private equity investment program has been compromised by the departure of its private investment staff. The major impact from staff departures is on the development of investment strategy, identification of investment opportunities, and the due diligence process. The rebuilding of UTIMCO's private equity staff is not considered an attractive option at this time given the over heated demand for private equity professionals. Instead UTIMCO should contract with a private equity consultant (approved by the UTIMCO board and reporting to the CEO) to assist Management in performing the various tasks involved in managing private equities. The use of a consultant will also allow UTIMCO to a) institutionalize the manager selection process against board and staff turnover, b) demonstrate the use of an objective review process and, c) provide assistance in the rebuilding of an internal staff, if and when deemed desirable.

The recommendation to engage Cambridge Associates is based on a review of four institutions by the Strategic Review Committee: Commonfund Capital, Harbourvest, Pacific Corporate Group and Cambridge Associates. Following this review, the Committee selected Pacific Corporate Group and Cambridge Associates as finalists. The Committee then requested a recommendation by Management at the next Board meeting.

Recommendation:
Extend the existing consulting relationship with Cambridge Associates, Inc. to include a role as private equity advisor.

- **Cambridge**
  An independent firm that has placed a special emphasis on avoiding conflicts of interest. It does not receive fees from financial firms and institutions nor does it manage money.

predicated on the following considerations:

1. premier consultant to endowments and foundations
2. early advocate of alternative investments
3. superior track record
4. best integration of portfolio management with broad policy issues
5. low cost structure
6. existing multi-dimensional relationship with Board and Management
7. no conflicts of interest
8. maintains a large proprietary data base of industry returns
9. has intimate knowledge of UTIMCO portfolio from a prior study
10. good ability to integrate existing portfolio with prospective portfolio
11. relationship can be expanded to include selection of hedge fund managers should the Board feel it advisable (Management has not selected a manager that was not recommended by CA)
12. successful private equity advisory model with Wellcome Trust

The relationship between Management and the consultant would be collaborative and encompass the following functions:

Investment Strategy/Policy Development

- Review UTIMCO's Investment Objectives and Role of Private Equities **(Advisor)**
- Develop UTIMCO specific private equity strategy **(Management/Advisor)**
  - Return and risk expectations by category (venture, buyouts, real estate, etc.)
    - Based on current investment valuations and capital flows
  - Derive annual commitment program from 5 year portfolio projection model
    - Allocation by category, number and size of commitments

Preliminary Screening

- identification of target private equity partnerships from partnership data bases **(Advisor)**
  - rank by performance track record, strategy, organizational structure, management , deal flow, competitive advantages, partnership terms, etc.
- preparation of summaries of target partnerships **(Advisor)**
- communication of UTIMCO interest through introductory meetings prior to release of PPM **(Management/Advisor)**

Full Due Diligence

- extensive analysis/verification of track record, third party reference checks, on-site visits, **(Advisor)**
- preparation of investment recommendation **(Advisor)**

Manager Recommendation/Approval

- Review of Recommendation from Advisor **(Management)**
- Independent due diligence by UTIMCO **(Management)**
- Verification of compliance with: **(Management)**
  - UTIMCO Investment Policy
  - UTIMCO Investment Strategy
  - UTIMCO Code of Ethic
- Preparation of Internal Approval Memorandum**(Management)**
- Written Approval by CIO **(Management)**

Negotiation of Final Terms/Structure of Transaction

- Negotiate final terms and other provisions of investment agreements with general partner, company management, etc. **(Management/Advisor)**
- Legal review of agreements **(Vinson & Elkins)**

Closing (Management)

- Preparation and final legal review of execution copies of subscription agreement, partnership agreements, side agreements, letters of instructions regarding notices, payments, etc.
- execution
- notification of purchase commitment to Investment Operations
- delivery of executed agreements, due diligence records to Records Administration
- establishment of investment file

Cash Management and Investment Accounting (Management)

- set up new investment asset on Private I portfolio system
- notify custodian of new asset/obtain CUSIP #
- process invoices for legal or other due diligence fees
- process notices of capital calls and drawdowns
- log in to Private I, prepare wire transfers instructions/notify custodian
- reconcile balances and activity monthly with custodian
- value investments quarterly based on partnership's quarterly financial statements
- in accordance with UTIMCO Valuation Policy
- prepare monthly and quarterly investment reports

Post Investment Monitoring

- Regularly scheduled monitoring calls with general partners **(Advisor)** to determine:
  - adherence to overall fund strategy,
  - progress re: achievement of near term objectives
  - level and quality of deal flow,
  - competition and valuation multiples,
  - performance and expectations regarding existing investments,
  - general market conditions,
  - personnel additions/departures,
  - verification of compliance with partnership agreement

- Continuing analysis **(Management/Advisor)**
  - attend annual partnership meetings,
  - attend advisory board meetings
  - attend board meetings of direct investment companies,
  - review/approve amendments to partnership agreements,
  - attend/participate in conferences to understand macro trends,
  - review industry literature

Performance Measurement /Reporting (Management/Advisor)

- calculate and reconcile total return for asset class for trailing periods with custodian
  - include in monthly internal performance report
- calculate/analyze IRR calculations based on quarter end activity and valuations previously entered into Private I
  - by investment, by category(venture, buyouts), by vintage year, by endowment fund
  - against:
    - asset class benchmark
    - universe of vintage year partnerships (provided by Venture Economics, Cambridge Associates, etc.)
    - performance by peer institutions (Cambridge Associates) or customized UTIMCO benchmark
- include asset class IRR in quarterly investment report to UTIMCO Board and U.T. Board

Distribution Management (Management/Advisor)

- receipt of notification of stock distribution from partnership
- notify Securities Operations of stock distribution
- contact distributing broker to obtain number of shares, transferability restrictions, etc.
- enter receipt of securities into Private I as a distribution from partnership and a new addition to stock distribution portfolio
- enter new addition into UT Invests (UTIMCO internal portfolio management system)

- notify custodian of distribution
- notify stock distribution portfolio manager of receipt of stock distribution
  - on going analysis and monitoring of in-kind distributions
  - determination of hold vs. sell decision (per distribution policy)
  - trade execution

Resolution No. 7

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2002, and August 31, 2001 be, and are hereby approved in the form as presented to the Board.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

FINANCIAL STATEMENTS

For the years ended August 31, 2002 and 2001

Deloitte & Touche LLP
Suite 2300
333 Clay Street
Houston, Texas 77002-4196

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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The University of Texas Investment Management Company
Austin, Texas

We have audited the accompanying statements of financial position of The University of Texas Investment Management Company (UTIMCO) as of August 31, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of UTIMCO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UTIMCO as of August 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 18, 2002

Statements of Financial Position
August 31, 2002 and 2001

	2002	2001
Assets		
Cash and cash equivalents	$ 8,270,251	$ 6,054,050
Prepaid expenses and other	321,157	283,288
Property and equipment, net of accumulated depreciation of $670,313 and $536,948, respectively	711,678	825,317
Total assets	$ 9,303,086	$ 7,162,655
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 463,357	$ 240,500
Unrestricted Net Assets	8,839,729	6,922,155
Total liabilities and net assets	$ 9,303,086	$ 7,162,655

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

Statements of Activities
For the years ended August 31, 2002 and 2001

Changes in unrestricted net assets:

	2002	2001
Revenue		
Management fee	$ 6,705,776	$ 5,227,422
Directors fees	-	165,650
Interest	176,913	388,875
Service fees and other	1,542	9,760
Total revenue	6,884,231	5,791,707
Expenses		
Salaries	2,526,949	2,129,827
Employee benefits	306,600	261,812
Payroll taxes	145,492	127,848
General operating	607,417	737,683
Depreciation and amortization	271,692	226,854
Lease	604,683	458,292
Professional fees	306,289	387,052
Insurance	197,535	176,387
Other	-	2,856
Total expenses	4,966,657	4,508,611
Increase in unrestricted net assets from operations	1,917,574	1,283,096
Net assets at beginning of period	6,922,155	5,639,059
Net assets at end of period	$ 8,839,729	$ 6,922,155

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

Statements of Cash Flows
For the years ended August 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Increase in unrestricted net assets from operations	$ 1,917,574	$ 1,283,096
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by operating activities:		
Depreciation and amortization	271,692	226,854
(Gain)/Loss on disposal of equipment	(1,472)	2,856
Change in assets and liabilities:		
(Increase)/Decrease in prepaid expenses and other assets	(37,869)	23,521
Increase/(Decrease) in accounts payable and accrued expenses	222,857	(271,435)
Net cash provided by operating activities	2,372,782	1,264,892
Cash flows used for investing activities:		
Purchase of property and equipment	(158,306)	(841,798)
Proceeds from sale of equipment	1,725	1,892
Net cash used for investing activities	(156,581)	(839,906)
Net increase in cash and cash equivalents	2,216,201	424,986
Cash and cash equivalents at beginning of period	6,054,050	5,629,064
Cash and cash equivalents at end of period	$ 8,270,251	$ 6,054,050

Supplemental schedule of non-cash investing and financing activities:
None

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

Note 1 - Organization

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

Note 2 - Significant Accounting Policies

Property, equipment and depreciation

As part of UTIMCO's organization, certain equipment was received from The University of Texas System. This equipment was stated at fair value at the time of receipt. Property and equipment acquired after inception consists of office furniture, office equipment, software, and leasehold improvements and is stated at cost. Depreciation and amortization is computed using the straight-line method over the useful lives of the assets. The following is a schedule of the property and equipment at August 31, 2002 and 2001.

	2002	2001
Office furniture	$ 320,053	$ 317,661
Office equipment	658,943	662,217
Software	185,976	165,368
Leasehold improvements	217,019	217,019
Total property and equipment	1,381,991	1,362,265
Less accumulated depreciation	(670,313)	(536,948)
Net property and equipment	$ 711,678	$ 825,317

Income taxes

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

Cash and cash equivalents

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

Prepaid expenses

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

Use of Estimates

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

Note 3 - Related Party Transactions

a) Investment Management Services Agreement - The Investment Management Services Agreement has appointed UTIMCO as the Board of Regents' investment manager with complete authority to act for the Board in the investment of all funds. The amount of the management fee for the years ended August 31, 2002 and 2001, were $6,698,276 and $5,219,922, respectively. This represents fees for the following:

	2002	2001
Permanent University Fund	$3,274,506	$2,645,610
The University of Texas System Long Term Fund	2,285,475	1,839,534
Permanent Health Fund	558,026	385,773
The University of Texas System Short Intermediate Term Fund	580,269	349,005
	$6,698,276	$5,219,922

b) UTIMCO leased office space and certain office equipment from The University of Texas System. The lease was canceled without penalty coinciding with UTIMCO's new lease for office space with an unrelated landlord, which began January 15, 2001. For the year ended August 31, 2002 there was no lease expense paid to The University of Texas System. For the year ended August 31, 2001, the lease expense paid was $81,429.

c) UTIMCO contracted with the Office of Information Resources, a department within The University of Texas System, for phone services, computer network services, and mainframe connection expenditures through January 15, 2001. As of the start of UTIMCO's new office lease on January 15, 2001, UTIMCO contracted for internet and mainframe connection services with The University of Texas System and The University of Texas at Austin. For the years ended August 31, 2002 and 2001, the total expense for these services was $18,126 and $33,867, respectively.

Note 4 - Deferred Revenue

UTIMCO assesses on or before the first day of The University of Texas System's fiscal quarter one-fourth of the annual management fee. The fee is deferred and is ratably credited to revenue monthly. For the periods ended August 31, 2002 and 2001, there was no deferred revenue.

Note 5 - 403(b) Plan

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the years ended August 31, 2002 and 2001, were $156,515 and $145,144, respectively.

Note 6 - Directors Fees

Directors fees represent fees to employees of UTIMCO who serve on various boards of directors in investment advisory roles. Their appointments to the various boards coincide with UTIMCO's authority to act for the Board in the investment of the Funds. Employees assign all directors fees to UTIMCO. For the year ended August 31, 2002, there were no directors fees. For the year ended August 31, 2001, directors fees were $165,650.

Note 7 – Service Fees

UTIMCO may receive service fees from investment promoters or investee companies in consideration of the UTIMCO staff's private investment activities and/or investment origination activities. These service fees are considered additional revenue to UTIMCO. There were no service fees for the year ended August 31, 2002. For the year ended August 31, 2001, service fees were $9,525.

Note 8 – Lease Expense

UTIMCO leases office space and parking from an unrelated landlord. The 60-month lease commenced January 15, 2001 and expires January 15, 2006. The minimum rental commitment is $33,923 per month. Additional, UTIMCO is responsible to the landlord for its share of operating expenses related to the rental property. The lease expense and operating expenses paid were $407,070 and $194,554, respectively, for the year ended August 31, 2002, and $255,248 and $117,657, respectively, for the year ended August 31, 2001. The following is a schedule by years of the future minimum lease payments under the lease term:

Years ending August 31,	
2003	$ 407,070
2004	407,070
2005	407,070
2006	151,822
	$1,373,032

UTIMCO has a deposit of $89,954 with the landlord. This deposit and any interest earned on it will be returned to UTIMCO at the end of the lease period.

PERMANENT UNIVERSITY FUND
THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND
PERMANENT HEALTH FUND
THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND
THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND

Statement of Investment Performance Statistics for the Year Ended August 31, 2002

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The University of Texas Investment Management Company
Austin, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund and The University of Texas System Short Intermediate Term Fund (collectively, the "Funds") for the year ended August 31, 2002, and have issued our reports thereon dated October 18, 2002. We have also examined the accompanying statement of investment performance statistics for the various components of the Funds for the year ended August 31, 2002. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances. This investment performance information is the responsibility of The University of Texas Investment Management Company's management. Our responsibility is to express an opinion on it based on our examination.

In our opinion, the statement of investment performance statistics referred to above presents fairly, in all material respects, the investment performance of the Funds, in total and by component, for the year ended August 31, 2002, in accordance with the measurement and disclosure criteria set forth in Note 1.

Deloitte & Touche LLP

November 15, 2002

PERMANENT UNIVERSITY FUND
THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND
PERMANENT HEALTH FUND
THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND
THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND

STATEMENT OF INVESTMENT PERFORMANCE STATISTICS
RATE OF RETURN FOR THE YEAR ENDED AUGUST 31, 2002

Portfolio Type	Investment Manager	Permanent University Fund	General Endowment Fund	Permanent Health Fund	Long Term Fund	Short Intermediate Term Fund
NET OF FEES						
Domestic Equities:	Davis Hamilton Jackson	(15.4)%	(15.3)%	- %	- %	- %
	Barclays Global Investors S&P 500	(18.0)	(18.0)	-	-	-
	Barclays Global Investors S&P Mid Cap	(9.2)	(9.2)	-	-	-
	MBA Investment Fund	-	(14.0)	-	-	-
	Cordillera	(26.6)	(27.4)	-	-	-
	Fortaleza	(28.5)	-	-	-	-
	Schroder Wertheim Investment Services, Inc.	(19.7)	(19.9)	-	-	-
	ING Pilgrim	(42.7)	(42.8)	-	-	-
	GSAM Large Cap	(16.5)	(16.5)	-	-	-
	GSAM Small Cap	(7.7)	(7.8)	-	-	-
	Dalton Greiner Value	(7.3)	(7.3)	-	-	-
	Dalton Greiner Ultra Value	(35.8)	(35.8)	-	-	-
	S&P 500 Index Futures	(18.2)	(19.0)	-	-	-
Total Domestic Equities		(16.9)	(16.4)	-	-	-
International Equities:	Barclays Global Investors EAFE International Fund	(14.2)	(14.2)	-	-	-
	Capital Guardian Trust Small Cap International	(12.4)	(12.2)	-	-	-
	Capital Guardian EAFE	(16.0)	(16.0)	-	-	-
	Capital Guardian Emerging Markets	(2.5)	(2.5)	-	-	-
	Templeton	0.9	0.9	-	-	-
	GSAM Established Markets	(15.7)	(15.6)	-	-	-
	GSAM Emerging Markets	0.5	0.4	-	-	-
	Oechsle	(16.2)	(15.7)	-	-	-
Total International Equities		(11.3)	(11.3)	-	-	-
Alternative Equities:						
Marketable	Maverick Fund	(1.0)	(1.0)	-	-	-
	Perry Partners International	3.4	3.3	-	-	-
	Farallon Capital Offshore Investors	3.4	3.4	-	-	-
	Satellite Fund	(22.4)	(22.4)	-	-	-
Total Marketable Alternative Equities		(2.5)	(2.5)	-	-	-
Nonmarketable	Internal	(15.4)	(17.2)	-	-	-
Total Alternative Equities		(10.2)	(9.7)	-	-	-
Inflation Hedging	REITS - Greg Cox	8.2	8.4	-	-	-
Total Inflation Hedging		10.9	11.0	-	-	-
Fixed Income:						
Domestic	Internal - Harland Doak	3.5	3.5	-	-	-
	Internal - Russ Kampfe	6.3	6.3	-	-	3.8
	PIMCO	9.2	8.2	-	-	-
	GSAM Domestic Fixed Income	6.1	6.1	-	-	-
	GSAM High Yield Bonds	(3.9)	(3.9)	-	-	-
Total Domestic Fixed Income		6.6	6.2	-	-	3.8
International	PIMCO	9.3	8.9	-	-	-
Total Fixed Income		6.9	6.6	-	-	3.8
GSAM Global Asset Allocation Overlay		(21.8)	(15.8)	-	-	-
TOTAL FUND (Net of fees)		(7.4)%	(7.0)%	(7.1)%	(7.0)%	3.8 %
TOTAL FUND (Gross of fees)		(7.2)%	(6.9)%	(7.0)%	(7.0)%	3.8 %

See note to statement of investment performance statistics.

PERMANENT UNIVERSITY FUND
THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND
PERMANENT HEALTH FUND
THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND
THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND

NOTE TO STATEMENT OF INVESTMENT PERFORMANCE STATISTICS

1. BASIS OF PRESENTATION

The accompanying investment performance statistics have been computed net of investment management fees using the Modified Dietz Method, a time-weighted rate of return calculation published by the Association for Investment Management and Research. The total fund has been computed net and gross of investment management fees for comparative purposes.

For the Permanent University Fund, The University of Texas System General Endowment Fund and The University of Texas System Short Intermediate Term Fund, the individual investment manager returns reported in the statement of investment performance statistics represent investment managers that were funded for the entire year ended August 31, 2002. The returns for the Permanent Health Fund (PHF) and The University of Texas System Long Term Fund (LTF) are presented only for the total fund since the PHF and LTF purchased units in The University of Texas System General Endowment Fund during the year ended August 31, 2001 and no longer have individual investment managers. The return for the categories of total domestic equities, total international equities, total marketable alternative equities, total alternative equities, total inflation hedging, total domestic fixed income, total fixed income and total fund include investment managers that were funded or terminated during the year ended August 31, 2002.

The formula for the Modified Dietz Method is shown in Appendix I.

* * * * * *

APPENDIX I

PERMANENT UNIVERSITY FUND
THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND
PERMANENT HEALTH FUND
THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND
THE UNIVERSITY OF TEXAS SYSTEM SHORT INTERMEDIATE TERM FUND

FORMULA FOR MODIFIED DIETZ METHOD

The formula for estimating the time-weighted rate of return using the Modified Dietz Method, R_{DIETZ}, is:

Gross of Fees

$$R_{DIETZ} = \frac{MVE - MVB - F}{MVB + FW}$$

Net of Fees

$$R_{DIETZ\,(net)} = \frac{MVE - MVB - F - FEES}{MVB + FW}$$

where MVB is the market value at the beginning of the period, including accrued income from the previous period;
MVE is the market value at the end of the period, including accrued income for the period;
F is the sum of the cash flows within the period (contributions to the portfolio are positive flows, and withdrawals or distributions are negative flows);
FW is the sum of each cash flow, F_i, multiplied by its weight, W_I; and
$FEES$ is the sum of investment management fees paid during the period.

W_i is the proportion of the total number of days in the period that the cash flow F_i has been in (or out of) the portfolio. The formula for W_i is:

$$W_i = \frac{CD - D_i}{CD}$$

where CD is the total number of days in the period; and
D_i is the number of days since the beginning of the period in which cash flow F_i occurred.

Update on Disclosure Issues

Presentation to Board of Directors

December 12, 2002

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Table of Contents

- Open Records Request Update
- Actions Taken By UTIMCO GPs
- Texas Open Records Rulings
- Update on Other Disclosure Rulings/Decisions

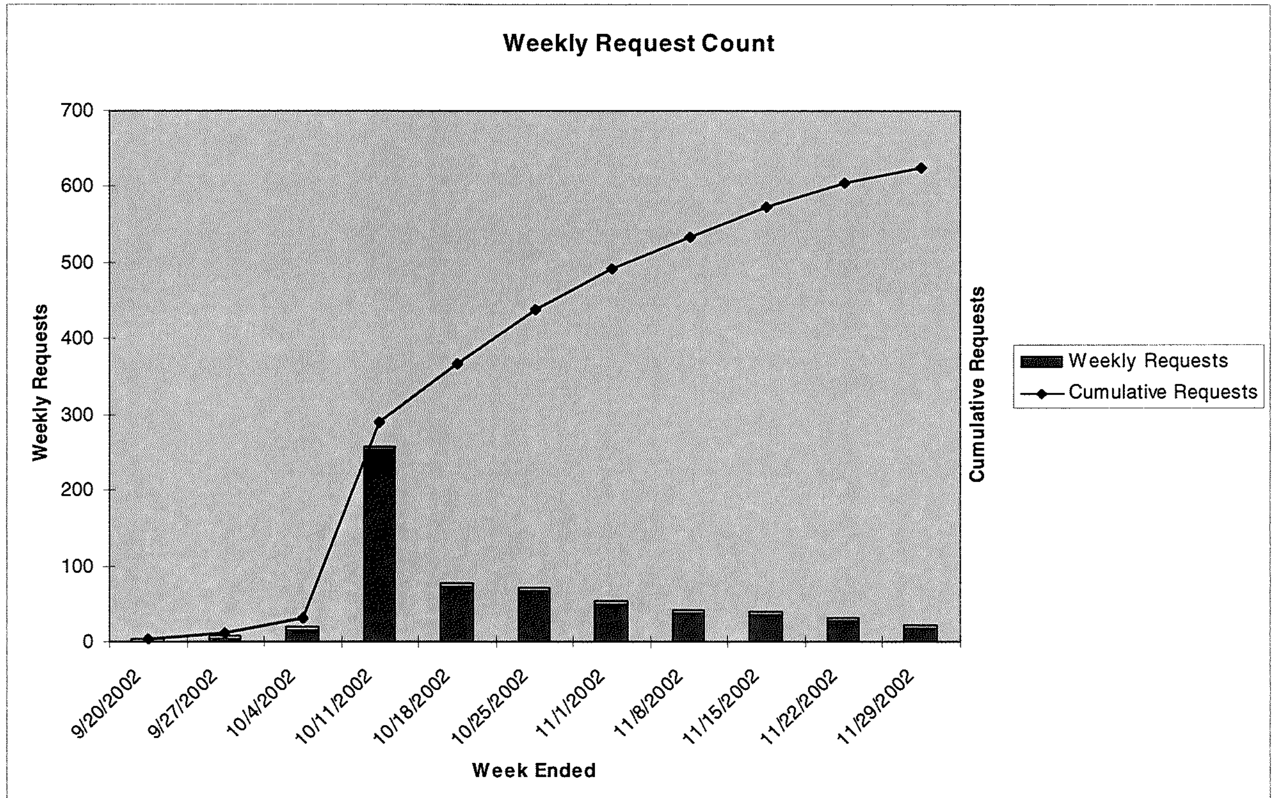
Open Records Requests

- Since September 18th, UTIMCO has received 625 requests for internal rates of return (as of 12/1/02) on its partnership investments.
- As illustrated below, a significant percentage of these requests has come from participants in the private equity industry (LPs, GPs, and consultants).

Category	US	US %	Non-US	Non-US %	Total	Total %
Industry Press	34	5.79%	6	15.79%	40	6.40%
General Press	13	2.22%	0	-	13	2.08%
LPs	43	7.33%	3	7.90%	46	7.36%
Other GPs	152	25.89%	3	7.90%	155	24.80%
Attorneys/Auditors	15	2.56%	0	-	15	2.40%
Investment Banks/Consultants	89	15.16%	11	28.94%	100	16.00%
Misc	229	39.01%	13	34.21%	242	38.72%
UTIMCO GPs	12	2.04%	2	5.26%	14	2.24%
	587	100.00%	38	100.00%	625	100.00%

Open Records Requests

- As the chart demonstrates, the number of weekly requests has declined since early October.
- Cumulative requests now exceed 600



Actions Taken By UTIMCO GPs

- 8 UTIMCO General Partners filed briefs with the Attorney General to prevent the release of (i) partnership agreements and/or (ii) certain terms of the partnership. To date, the Attorney General has not issued rulings on the information requests.
- At present, 2 General Partners have cut off information flow with UTIMCO.
- At present, 3 General Partners have refused to send detailed portfolio company information with their third quarter reports.
- 1 General Partner is exploring the utilization of a technology which allows for electronic dissemination of information.

Related Events

- In response to a suit filed by the San Jose Mercury News, a judge ordered CalPERS to release IRR information on its partnership investments, but tentatively ruled that portfolio company information should be protected from release. CalPERS' GPs will have an opportunity to file objections with the court.
- CalSTRS recently revised its policy on disclosure and will begin releasing IRR information for some of its partnership investments (*source: Private Equity Weekly*).
- Massachusetts' Pension Reserves Investment Management Board (MassPRIM) is contemplating the release of IRR information

Texas Open Records Rulings

- On November 13th and 15th, the Texas Attorney General ruled that the Houston Police Officers' Pension System and The Teachers Retirement System of Texas, respectively, did not have to release partnership agreements for those partnerships that filed briefs with the Attorney General.
- Other information requests are pending rulings from the Attorney General
  - Partnership Agreements (UTIMCO GPs)
  - Management Fee and Carried Interest Information (UTIMCO GPs)
  - Portfolio Company Information (TRS/TRS GPs)

UTIMCO PERFORMANCE SUMMARY

	Net Asset Value 10/31/2002 (in Millions)	Periods Ended October 31, 2002 (Returns for Periods Longer Than One Year are Annualized)					
		Two Months	Three Months	One Year	Three Years	Five Years	Ten Years
ENDOWMENT FUNDS							
Permanent University Fund	$ 6,272.6	(1.79)	(1.45)	(5.71)	(1.70)	3.20	8.20
General Endowment Fund		(1.97)	(1.60)	(5.31)	N/A	N/A	N/A
Permanent Health Fund	677.8	(2.01)	(1.61)	(5.40)	(2.11)	N/A	N/A
Long Term Fund	2,551.6	(1.96)	(1.57)	(5.31)	(0.82)	4.15	8.82
Separately Invested Funds	130.0	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	**9,632.0**						
OPERATING FUNDS							
Short Term Fund	1,259.4	0.30	0.45	2.02	4.44	4.84	4.84
Short Intermediate Term Fund	1,476.3	0.36	0.49	2.59	5.95	5.75	N/A
Institutional Index Funds:							
BGI US Debt Index Fund	255.2	1.16	2.86	5.88	9.18	7.43	7.47
BGI Equity Index Fund	78.9	(3.02)	(2.38)	(15.09)	(12.21)	0.73	9.88
Total Operating Funds	**3,069.8**						
Total Investments	**$ 12,701.8**						
BENCHMARKS							
Endowment Funds: Endowment Policy Portfolio		(2.17)	(1.31)	(4.86)	(2.96)	4.07	10.01
Short Term Fund: 90 Day T-Bills		0.31	0.45	1.88	4.31	4.59	4.68
Short Intermediate Term Fund: Composite of Government Agencies and Treasuries		1.06	1.59	4.96	7.32	6.49	6.08
Institutional Debt Index Fund: Lehman Brothers Aggregate Bond Index		1.16	2.86	5.88	9.18	7.43	7.47
Institutional Equity Index Fund: Standards & Poor's 500 Index (S&P 500)		(3.02)	(2.38)	(15.09)	(12.21)	0.73	9.88
Other Indices:							
U.S. Equity Markets: Wilshire 5000 Index		(3.15)	(2.58)	(13.40)	(11.33)	0.11	9.36
International Equity Markets: Morgan Stanley Capital Inernational EAFE Index		(5.94)	(6.16)	(13.21)	(14.15)	(3.12)	4.05

PERMANENT UNIVERSITY FUND
PERFORMANCE ATTRIBUTION

	Asset Allocation		Return		
		As of October 31,	Two Months Ended October 31, 2002		Total
	Neutral	2002	Benchmark	PUF	Attribution (1)
Cash and Cash Equivalents	0.0%	0.7%	0.31%	0.30%	-0.05%
Domestic Public Equities	31.0%	31.4%	-3.15%	-2.77%	0.06%
Passive Long - Domestic	11.0%	15.8%	-3.15%	-3.84%	-0.22%
Active Long - Domestic	10.0%	10.9%	-3.15%	-2.81%	0.01%
Hedge & Alpha Trans Strategies - Domestic	10.0%	4.7%	-3.15%	1.25%	0.27%
International Public Equities	19.0%	15.7%	-5.80%	-5.41%	0.19%
Passive Long - International	6.5%	6.6%	-5.80%	-5.72%	-0.01%
Active Long - International	7.5%	8.5%	-5.80%	-5.51%	-0.03%
Hedge & Alpha Trans Strategies - International	5.0%	0.6%	-5.80%	0.05%	0.23%
Absolute Return	10.0%	7.6%	0.98%	0.89%	-0.12%
Inflation Hedging	10.0%	8.9%	-2.22%	-5.25%	-0.36%
Fixed Income	15.0%	20.5%	1.34%	0.49%	-0.03%
Total Marketable Securities	85.0%	84.8%	-2.14%	-2.45%	-0.31%
Private Capital (2)	15.0%	15.2%	-2.49%	2.14%	
Total	100.0%	100.0%	-2.17% (3)	-1.79%	

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.

(2) Private Capital Equities has been excluded from attribution analysis.

(3) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.

UTIMCO 1996

GENERAL ENDOWMENT FUND
PERFORMANCE ATTRIBUTION

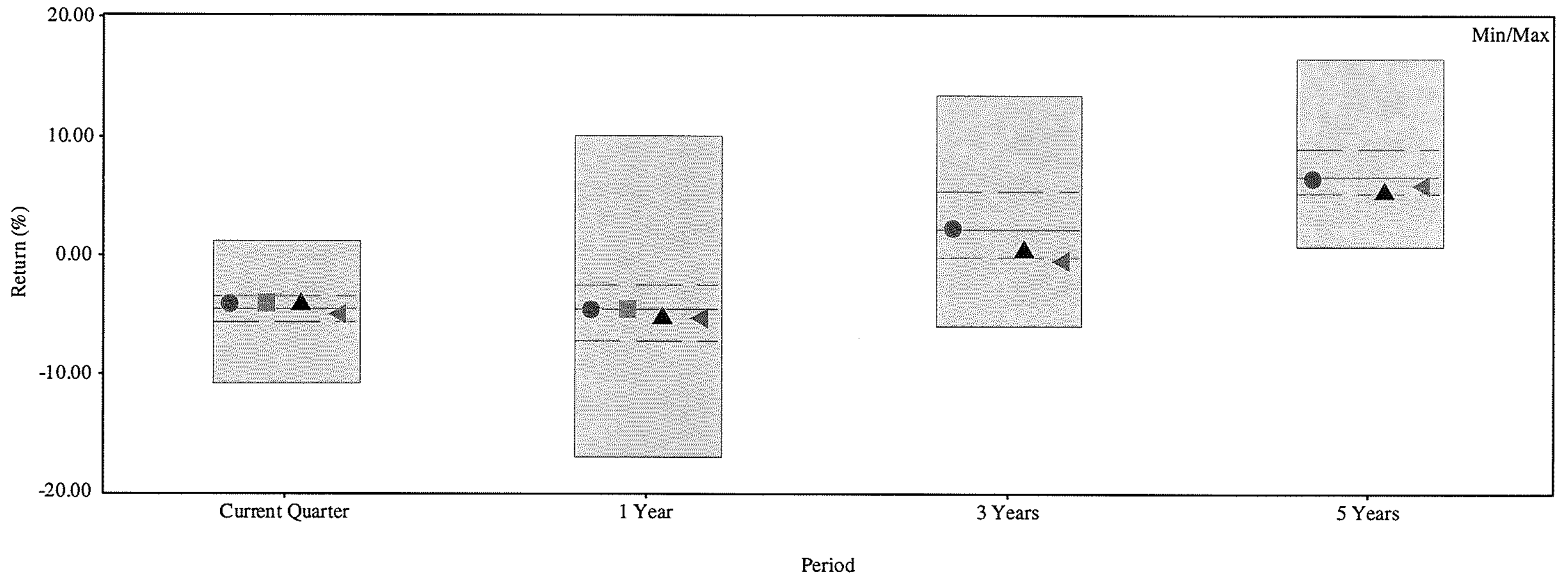
	Asset Allocation		Return		
	Neutral	As of October 31, 2002	Two Months Ended October 31, 2002 Benchmark	GEF	Total Attribution (1)
Cash and Cash Equivalents	0.0%	0.6%	0.31%	0.30%	-0.03%
Domestic Public Equities	31.0%	33.5%	-3.15%	-2.86%	0.01%
Passive Long - Domestic	11.0%	16.8%	-3.15%	-3.65%	-0.19%
Active Long - Domestic	10.0%	11.6%	-3.15%	-3.49%	-0.07%
Hedge & Alpha Trans Strategies - Domestic	10.0%	5.1%	-3.15%	1.25%	0.27%
International Public Equities	19.0%	16.2%	-5.80%	-5.45%	0.19%
Passive Long - International	6.5%	7.2%	-5.80%	-5.70%	-0.03%
Active Long - International	7.5%	8.4%	-5.80%	-5.59%	-0.01%
Hedge & Alpha Trans Strategies - International	5.0%	0.6%	-5.80%	0.05%	0.23%
Absolute Return	10.0%	8.2%	0.98%	0.88%	-0.11%
Inflation Hedging	10.0%	9.0%	-2.22%	-5.20%	-0.35%
Fixed Income	15.0%	20.6%	1.34%	0.46%	-0.05%
Total Marketable Securities	85.0%	88.1%	-2.14%	-2.48%	-0.34%
Private Capital (2)	15.0%	11.9%	-2.49%	2.08%	
Total	100.0%	100.0%	-2.17% (3)	-1.97%	

(1) The Total Attribution reports which asset classes contributed to the Fund's outperformance or underperformance relative to the Endowment Policy Portfolio return.

(2) Private Capital Equities has been excluded from attribution analysis.

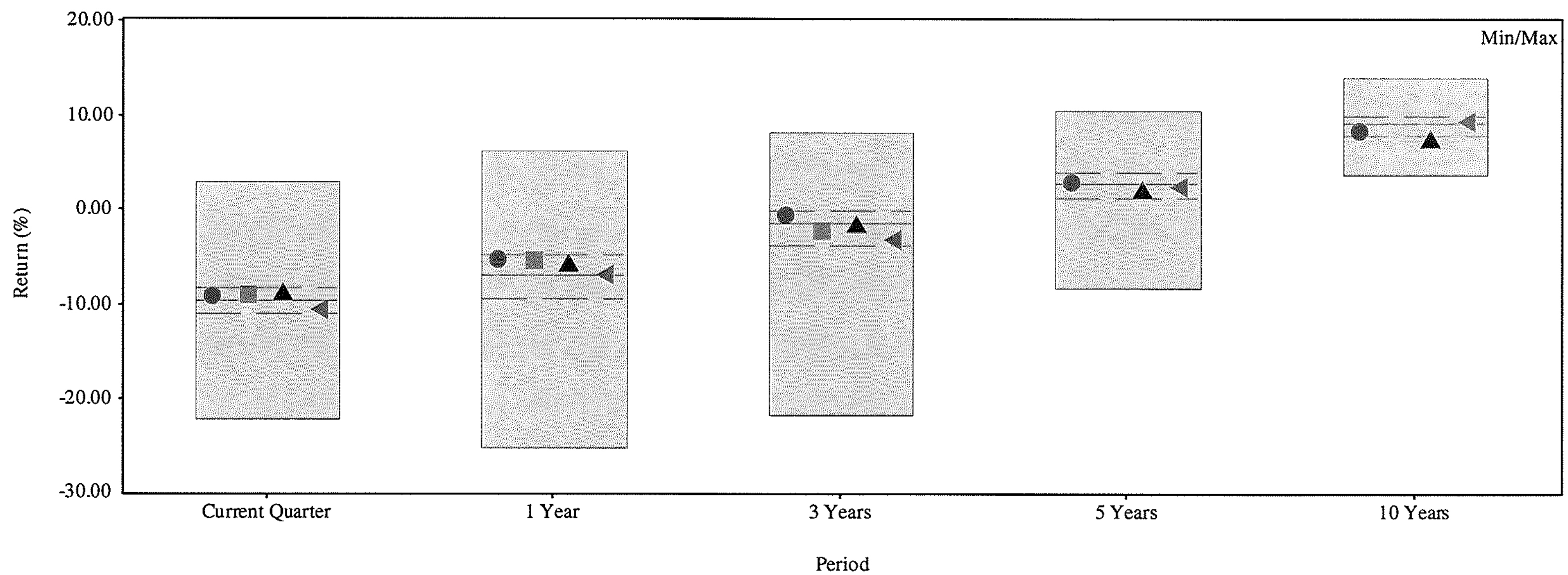
(3) The benchmark that the Fund is measured against is the Endowment Policy Portfolio. The Endowment Policy Portfolio return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio.

UTIMCO ENDOWMENT FUNDS vs.
Cambridge Universe
Periods Ended June 30, 2002
Quartile



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	1.22		10.07		13.60		16.64	
25th Percentile	- 3.44		- 2.45		5.52		9.02	
Median	- 4.48		- 4.57		2.20		6.66	
75th Percentile	- 5.66		- 7.21		- 0.14		5.30	
Minimum	- 10.61		- 16.81		- 5.74		0.97	
# of Portfolios	130		130		128		122	
● **LTF-Net of Fees**	- 3.92	34	- 4.34	48	2.45	47	6.62	53
■ **PHF-Net of Fees**	- 3.91	34	- 4.42	49	---	---	---	---
▲ **PUF-Net of Fees**	- 3.77	32	- 4.85	52	0.83	66	5.73	69
◄ **Endowment Policy Portfolio**	- 4.90	65	- 5.19	55	- 0.33	78	6.08	63

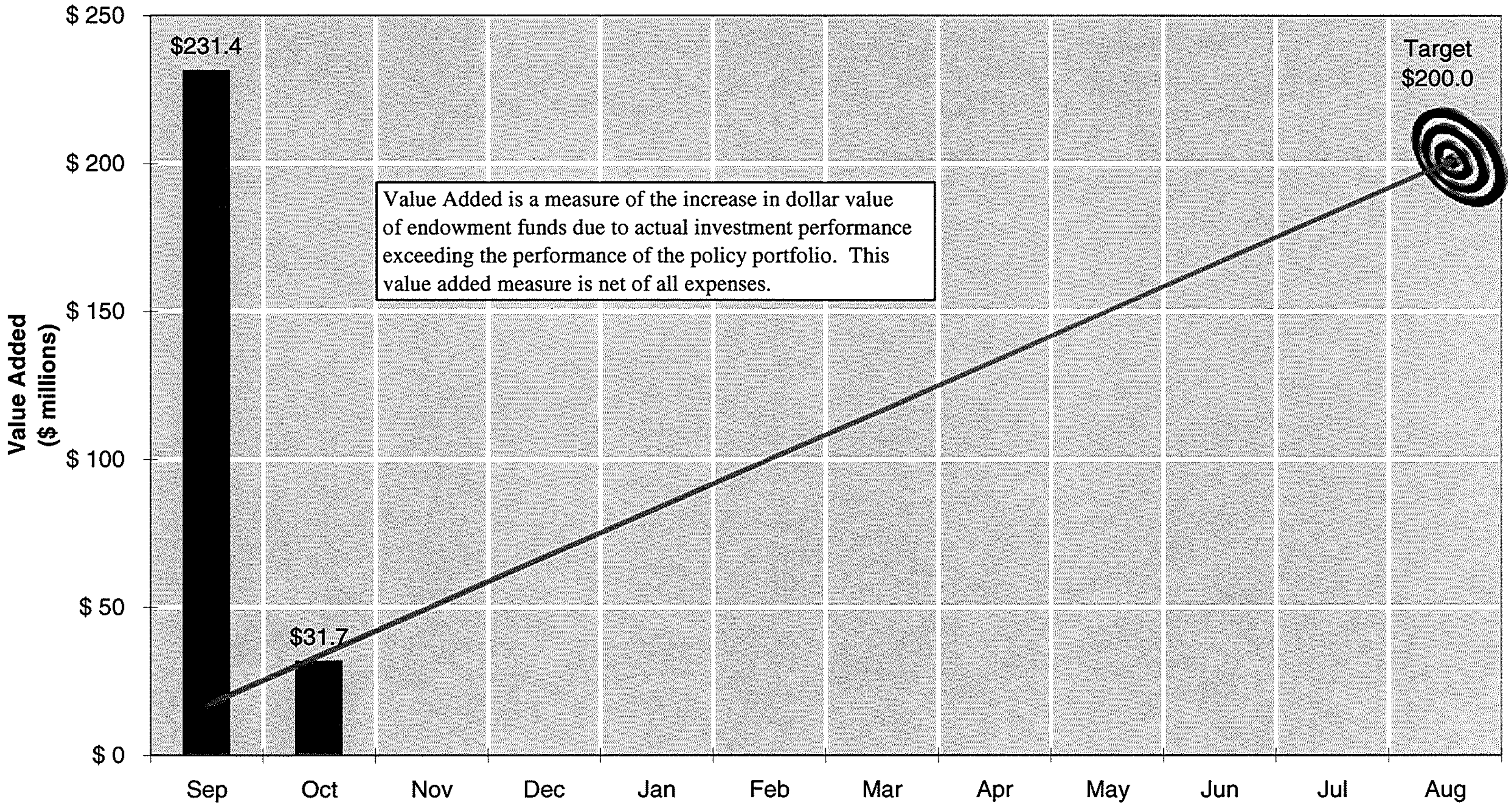
UTIMCO ENDOWMENTS FUNDS vs.
TOTAL FUNDS - FOUNDATIONS AND ENDOWMENTS
Periods Ended September 30, 2002
Quartile



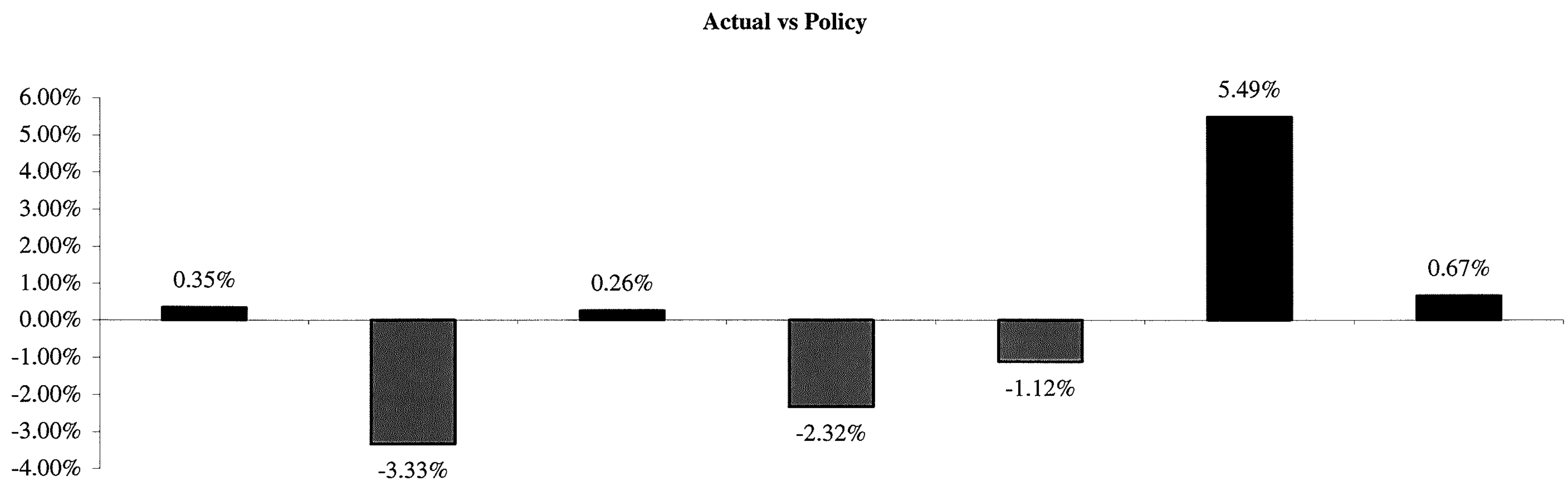
	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	2.94		6.19		8.15		10.53		14.13	
25th Percentile	- 8.28		- 4.82		- 0.14		3.95		9.94	
Median	- 9.70		- 6.94		- 1.56		2.71		9.13	
75th Percentile	- 11.08		- 9.44		- 3.80		1.30		7.76	
Minimum	- 22.01		- 25.04		- 21.51		- 8.15		3.87	
# of Portfolios	110		109		83		77		51	
● **LTF-Net of Fees**	- 8.86	38	- 5.07	29	- 0.39	33	3.14	42	8.54	70
■ **PHF-Net of Fees**	- 8.90	38	- 5.16	30	- 2.08	55	---	---	---	---
▲ **PUF-Net of Fees**	- 8.48	30	- 5.45	32	- 1.36	48	2.47	53	7.91	75
◀ **Endowment Policy Portfolio**	- 10.38	62	- 6.77	47	- 3.10	68	2.58	52	9.55	37

Universe Source: (c) Russell/Mellon Analytical Services

CUMULATIVE VALUE ADDED IN ENDOWMENT FUNDS
2002-2003 FISCAL YEAR



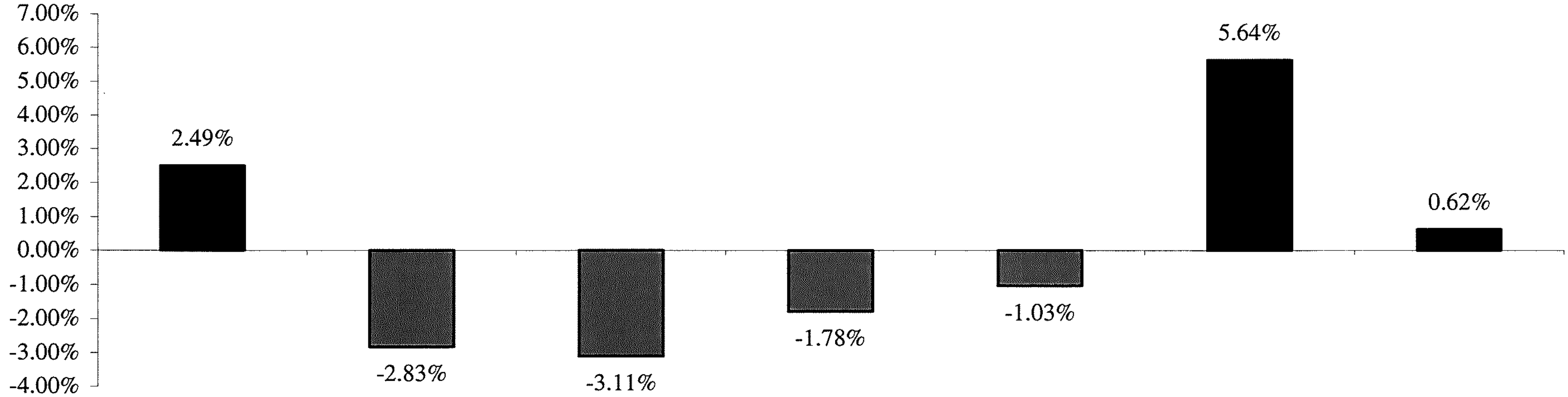
PUF ASSET ALLOCATION
AS OF OCTOBER 31, 2002



	Domestic Public Equity	International Public Equity	Private Capital	Absolute Return	Inflation Hedging	Fixed Income	Cash & Cash Equivalents
Actual	31.35%	15.67%	15.26%	7.68%	8.88%	20.49%	0.67%
Neutral Policy	31.00%	19.00%	15.00%	10.00%	10.00%	15.00%	0.00%
Over/Under	0.35%	-3.33%	0.26%	-2.32%	-1.12%	5.49%	0.67%

GEF ASSET ALLOCATION
AS OF OCTOBER 31, 2002

Actual vs Policy



	Domestic Public Equity	International Public Equity	Private Capital	Absolute Return	Inflation Hedging	Fixed Income	Cash & Cash Equivalents
Actual	33.49%	16.17%	11.89%	8.22%	8.97%	20.64%	0.62%
Neutral Policy	31.00%	19.00%	15.00%	10.00%	10.00%	15.00%	0.00%
Over/Under	2.49%	-2.83%	-3.11%	-1.78%	-1.03%	5.64%	0.62%

PUBLIC MARKETS INVESTMENTS
INVESTMENT MANAGER DETAIL
PERFORMANCE SUMMARY
OCTOBER 31, 2002

UTIMCO Manager Rating:

Rating
positive
neutral to slightly positive
neutral (strategy to be reviewed)
neutral to slightly negative
negative

		Assets Under Management ($ Millions)	Periods Ended October 31, 2002 (Returns for Periods Longer Than One Year are Annualized)							From Inception to October 31, 2002 (Returns for Periods Longer Than One Year are Annualized)	
			One Month	Two Months	Three Months	One Year	Three Years	Five Years	Seven Years	Manager	Inception Date
	Public Equities:										
	Domestic Equities:										
	Large Cap Equities:										
	Passive Long:										
	BGI S&P 500	**332.8**	8.80	(3.03)	(2.39)	(15.08)	(12.19)	0.90	8.00	N/A	February 1993
	vs. S&P 500 Index		0.01	(0.01)	(0.00)	0.01	0.02	0.16	0.13		
	BGI S & P Midcap	**848.1**	4.34	(4.05)	(3.60)	(4.74)	3.23	7.30	12.04	N/A	December 1992
	vs. S&P 500 Midcap		0.01	0.03	(0.00)	0.06	0.08	0.07	0.07		
	Cash Equitization	**358.7**	8.80	(3.06)	(2.48)	(16.87)	-	-	-	(17.81)	March 2001
	vs. S&P 500 Index		0.00	(0.04)	(0.09)	(1.78)	-	-	-	(0.73)	
	Active Long:										
	Davis Hamilton Jackson	**62.2**	9.02	0.14	0.09	(11.39)	(10.33)	3.28	9.91	9.21	January 1994
	vs. S&P 500 Index		0.23	3.16	2.47	3.70	1.89	2.54	2.03	(0.28)	
	GSAM	**173.1**	8.50	(2.43)	(1.15)	(13.71)	(11.47)	-	-	(3.70)	April 1998
	vs. S&P 500 Index		(0.29)	0.59	1.24	1.39	0.74	-	-	(0.34)	
	MBA Investments	**0.5**	5.07	(4.29)	(3.14)	(13.73)	(18.99)	(7.01)	-	0.30	October 1995
	vs. S&P 500 Index		(3.72)	(1.27)	(0.75)	1.37	(6.78)	(7.75)	-	(7.43)	
	Hedge and Alpha Transport Strategies:										
	Maverick Fund	**457.7**	2.90	5.90	5.90	4.51	15.35	-	-	13.54	August 1998
	vs. S&P 500 Index		(5.89)	4.27	8.28	19.60	27.56	-	-	17.65	
	Small Cap Equities:										
	Active Long:										
	BGI Russell 2000 Alpha Tilt	**136.5**	3.60	(3.49)	(3.39)	-	-	-	-	(17.14)	February 2002
	vs. Russell 2000		0.40	0.71	1.05	-	-	-	-	4.74	
	Cordillera	**105.7**	(1.42)	(8.65)	(9.06)	(27.58)	(8.93)	0.73	6.86	7.36	January 1994
	vs. Russell 2000 Growth		(6.47)	(6.12)	(6.48)	(6.02)	5.61	8.18	7.86	6.10	
	Dalton, Greiner, Hartman, Maher Value 2000	**74.5**	2.41	(2.76)	(1.47)	(3.45)	-	-	-	(3.88)	June 2001
	vs. Russell 2000 Value		0.91	2.98	4.70	(0.93)	-	-	-	3.16	
	Dalton, Greiner, Hartman, Maher Ultravalue	**27.9**	3.56	(1.80)	(10.59)	(25.80)	-	-	-	(30.30)	June 2001
	vs. Russell 2000 Value		2.06	3.94	(4.42)	(23.28)	-	-	-	(23.25)	
Watch List	Fortaleza	**26.4**	8.03	3.15	1.60	(19.52)	(7.33)	(5.00)	(0.75)	2.71	January 1994
	vs. Russell 2000 Growth		2.97	5.68	4.18	2.05	7.21	2.46	0.25	1.45	
	GSAM	**78.9**	2.02	(5.28)	(5.19)	(5.80)	0.97	-	-	(1.95)	April 1998
	vs. Russell 2000		(1.19)	(1.07)	(0.74)	5.77	4.19	-	-	2.16	
Watch List	ING Pilgrim	**62.1**	2.34	(2.37)	(5.21)	(36.89)	(19.54)	(1.44)	-	2.56	May 1997
	vs. Russell 2000 Growth		(2.72)	0.16	(2.63)	(15.33)	(4.99)	6.01	-	4.71	
	Schroder	**242.1**	1.12	(1.95)	0.30	(16.65)	5.04	0.40	9.16	8.67	January 1994
	vs. Russell 2000		(2.09)	2.26	4.75	(5.08)	8.26	2.10	4.41	2.97	

PUBLIC MARKETS INVESTMENTS
INVESTMENT MANAGER DETAIL
PERFORMANCE SUMMARY
OCTOBER 31, 2002

UTIMCO Manager Rating:

	positive
	neutral to slightly positive
	neutral (strategy to be reviewed)
	neutral to slightly negative
	negative

	Assets Under Management ($ Millions)	Periods Ended October 31, 2002 (Returns for Periods Longer Than One Year are Annualized)							From Inception to October 31, 2002 (Returns for Periods Longer Than One Year are Annualized)	
		One Month	Two Months	Three Months	One Year	Three Years	Five Years	Seven Years	Manager	Inception Date
International Equities:										
Established Markets:										
Passive Long:										
BGI EAFE International Fund	**562.4**	5.36	(5.94)	(6.14)	(13.18)	(13.77)	(2.83)	0.88	3.41	April 1993
vs. MSCI EAFE Net		(0.01)	0.01	0.02	0.04	0.38	0.29	1.08	0.56	
Active Long:										
Capital Guardian Trust Small Cap International	**136.9**	0.42	(9.78)	(12.51)	(12.32)	(16.07)	(8.23)	-	(6.33)	December 1996
vs. MSCI EAFE Net		(4.95)	(3.84)	(6.35)	0.89	(1.92)	(5.11)	-	(3.79)	
Capital Guardian EAFE	**134.2**	8.28	(2.46)	(4.21)	(11.15)	-	-	-	(19.36)	August 2000
vs. MSCI EAFE Net		2.91	3.48	1.94	2.07	-	-	-	0.34	
GSAM	**79.5**	6.57	(5.21)	(5.89)	(14.56)	(14.11)	-	-	(6.20)	April 1998
vs. MSCI EAFE Net		1.20	0.73	0.27	(1.35)	0.04	-	-	0.02	
Oechsle	**89.9**	4.20	(7.11)	(7.83)	(12.26)	-	-	-	(23.53)	August 2000
vs. MSCI EAFE Net		(1.18)	(1.16)	(1.67)	0.95	-	-	-	(3.83)	
Emerging Markets:										
Passive Long:										
BGI Emerging Markets Structured Fund	**86.8**	6.14	(4.25)	(2.90)	-	-	-	-	(13.47)	February 2002
vs. MSCI Emerging Markets Free		(0.27)	1.01	0.99	-	-	-	-	0.13	
Active Long:										
Capital Guardian Emerging	**190.9**	6.94	(3.90)	(1.87)	4.39	-	-	-	(18.16)	August 2000
vs. MSCI Emerging Markets Free		0.53	1.36	2.02	(1.72)	-	-	-	(1.90)	
Franklin Templeton	**101.7**	2.65	(4.90)	(5.13)	6.43	(8.09)	(6.13)	-	(3.60)	January 1996
vs. MSCI Emerging Markets Free		(3.76)	0.36	(1.24)	0.32	2.72	1.42	-	3.21	
GSAM	**33.0**	5.68	(5.08)	(3.68)	4.97	(5.40)	-	-	(5.90)	April 1998
vs. MSCI Emerging Markets Free		(0.73)	0.19	0.21	(1.14)	5.40	-	-	3.09	
Hedge and Alpha Transport Strategies:										
OCM Emerging Markets Fund	**53.5**	(0.24)	0.05	0.84	-	-	-	-	7.02	January 2002
vs. MSCI Emerging Markets Free		(6.64)	5.31	4.73	-	-	-	-	17.81	
Absolute Return:										
Farallon Capital Offshore Investors	**269.3**	0.44	0.37	0.99	4.12	10.85	-	-	11.13	August 1998
vs. 90 Day Treasury Bills Average Yield + 4%		(0.04)	(0.61)	(0.47)	(1.93)	2.30	-	-	2.41	
Perry Partners International	**306.9**	0.85	0.67	1.95	4.21	13.03	-	-	11.57	August 1998
vs. 90 Day Treasury Bills Average Yield + 4%		0.37	(0.31)	0.49	(1.84)	4.48	-	-	2.85	
Satellite Fund	**174.1**	2.28	2.09	4.56	(22.97)	-	-	-	(4.13)	September 2000
vs. 90 Day Treasury Bills Average Yield + 4%		1.80	1.11	3.10	(29.02)	-	-	-	(12.09)	

PUBLIC MARKETS INVESTMENTS
INVESTMENT MANAGER DETAIL
PERFORMANCE SUMMARY
OCTOBER 31, 2002

UTIMCO Manager Rating:

positive
neutral to slightly positive
neutral (strategy to be reviewed)
neutral to slightly negative
negative

	Assets Under Management ($ Millions)	Periods Ended October 31, 2002 (Returns for Periods Longer Than One Year are Annualized)							From Inception to October 31, 2002 (Returns for Periods Longer Than One Year are Annualized)	
		One Month	Two Months	Three Months	One Year	Three Years	Five Years	Seven Years	Manager	Inception Date
Inflation Hedging:										
Goldman Sachs Commodity Index	277.9	(4.57)	(0.16)	5.58	-	-	-	-	9.97	June 2002
vs. Goldman Sachs Commodity Index - 100 bps		0.23	0.37	0.22	-	-	-	-	(0.12)	
REITS - Greg Cox	571.0	(4.09)	(7.49)	(7.62)	7.01	13.68	3.35	12.40	11.13	April 1993
vs. Wilshire Real Estate Securities		0.91	1.72	1.55	1.44	1.25	0.34	2.39	3.46	
Fixed Income:										
GSAM - Domestic	157.6	(0.68)	0.96	2.41	3.88	8.57	-	-	7.00	April 1998
vs. Lehman Brothers Aggregate Bond Index		(0.22)	(0.20)	(0.45)	(2.00)	(0.62)	-	-	(0.42)	
GSAM High Yield	25.3	(1.72)	(2.64)	(1.22)	(2.21)	-	-	-	(3.89)	March 2001
vs. Lehman Brothers Aggregate Bond Index		(1.26)	(3.80)	(4.09)	(8.09)	-	-	-	(12.24)	
Internal - Harland Doak	396.1	(0.91)	0.37	2.84	1.29	-	-	-	5.93	February 2001
vs. Credit Related Composite Index		0.14	(0.46)	(0.48)	(3.60)	-	-	-	(2.18)	
Internal - Russ Kampfe	483.7	(0.50)	0.38	1.00	4.47	-	-	-	9.13	February 2000
vs. Lehman Brothers Aggregate Bond Index		(0.05)	(0.78)	(1.86)	(1.41)	-	-	-	(1.26)	
Total Internally Managed Fixed Income	879.8	(0.69)	0.37	1.82	3.35	-	-	-	8.97	
vs. Lehman Brothers Aggregate Bond Index		(0.23)	(0.78)	(1.04)	(2.54)	-	-	-	(1.42)	
PIMCO - Domestic	516.0	(0.71)	0.80	2.63	5.37	9.68	-	-	7.86	March 1998
vs. Lehman Brothers Aggregate Bond Index		(0.26)	(0.36)	(0.23)	(0.52)	0.50	-	-	0.50	
PIMCO - International	390.0	(0.25)	0.17	1.79	9.15	1.97	-	-	2.51	March 1998
vs. Lehman Brothers Aggregate Bond Index		0.21	(0.99)	(1.07)	3.27	(7.22)	-	-	(4.85)	
GSAM Global Asset Allocation Overlay	113.7	10.99	(9.83)	(9.80)	(18.52)	(7.78)	-	-	7.00	April 1998