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The University of Texas Investment Management Company

U T I M C O

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Presentation Materials Board of Directors Meeting

October 27, 2000

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UTIMCO
BOARD OF DIRECTORS MEETING
The Headliners Club, Executive Room, 21st Floor,
221 W. 6th Street, Austin, Texas

October 27, 2000

AGENDA

10:00 a.m. - 10:05 a.m.	**Call to Order/Approval of Minutes of September 26, 2000 Meeting**
10:05 a.m. - 10:15 a.m.	**Executive Session** Discussion of Election of Officers
10:15 a.m. - 10:20 a.m.	**Reconvene into Open Session** Approval of Election of Officers
10:20 a.m. - 10:45 a.m.	**Executive Report**
10:45 a.m. - 11:30 a.m.	**Inflation Hedging Assets** Manager Presentation: Commodity Futures Portfolio – Dave Russ Manager Presentation: REIT Portfolio – Greg Cox
11:30 a.m. – 12:00 p.m.	**Endowment Risk Profile**
12:00 p.m. - 12:45 p.m.	[Lunch Break]
12:45 p.m. - 1:15 p.m.	**Report of Compensation Committee**
1:15 p.m. - 1:45 p.m.	**Executive Session** Discussion of FY2000 Performance Compensation Award for President and CEO
1:45 p.m. - 2:00 p.m.	**Reconvene into Open Session** Approval of FY2000 Performance Compensation Award for President and CEO Approval of FY2001 Performance Compensation Plan
2:00 p.m.	**Adjournment**

Next Scheduled Meeting: Thursday, December 7, 2000

Resolution No. 1

RESOLVED, that the minutes of the Meeting of the Board of Directors held on September 26, 2000 be and are hereby approved.

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

The Board of Directors of The University of Texas Investment Management Company (the "Corporation") convened in a special meeting on the 26th of September 2000 at the Tower Club, Thanksgiving Tower - 48th Floor, 1601 Elm Street, Dallas, Texas, said meeting having been called by the Vice Chairman, with notice provided to each Director in accordance with the Bylaws. Participating in the meeting were the following members of the Board of Directors (the "Board"):

Robert H. Allen, Vice Chairman
R. D. (Dan) Burck
Susan Byrne
Woody L. Hunt
Lowry Mays
John D. McStay
A. W. "Dub" Riter, Jr.
A. R. (Tony) Sanchez, Jr.

thus, constituting a majority and quorum of the Board of Directors. Director J. Luther King was absent. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; and Rod Edens, Vinson & Elkins, legal counsel for the Corporation.

Mr. Allen called the meeting to order at 10:10 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

Minutes

The first item to come before the Board was approval of the minutes of the meeting of the Board of Directors held on August 23, 2000. 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 August 23, 2000 be and are hereby approved.

Report of Strategic Review Committee

The next item to come before the Board of Directors was the report of the Strategic Review Committee by committee chairman Mr. Woody Hunt. Mr. Hunt stated that the recommendations of the Committee were based on the premise that the Corporation was primarily in the business of portfolio manager selection. The Committee's conclusions were that, given the constraints of six board meetings a year, the Corporation Board could best add value by addressing policy level issues such as the selection and evaluation of the CEO, investment policy, asset allocation and evaluation of performance against investment and other objectives. Accordingly, the Board should delegate (within limits) normal operating decisions such as tactical asset allocation and manager selection to Corporation's management. Mr. Hunt reviewed the proposed delegations of authority to Management for approval of portfolio managers. Discussion then ensued concerning the guidelines by which Management would select portfolio managers and the procedures for selection of managers that exceeded Management's approval authority. Also discussed were guidelines for the frequency and nature of manager presentations and reporting to the Board. The Board then directed Mr. Ricks to incorporate its comments into written portfolio manager monitoring guidelines and to circulate them for Board review prior to the next meeting.

Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the delegation of investment authority to the Corporation's President and CEO as presented to the Board of Directors is hereby approved.

Mr. Hunt then presented the Committee's other major recommendation which was the engagement of a non-discretionary advisor to assist the Corporation in the management of the private equity portfolio. He reported that the Committee had reviewed four candidates at its last meeting and had asked Mr. Ricks to perform due-diligence on and recommend selection of one of two finalist firms, Pacific Corporate Group and Cambridge Associates. He then asked Mr. Ricks to present his recommendation. Mr. Ricks reviewed his evaluation of the strengths and weaknesses of each firm and concluded with a recommendation that the Corporation engage Cambridge Associates. Mr. Ricks answered the Directors' questions and upon motion duly made and seconded, the following resolution was adopted.

> WHEREAS, the Board has heard a presentation prepared by the Corporation's management recommending that the Corporation enter into an Investment Advisory Agreement with Cambridge Associates, Inc. to serve as a non-discretionary advisor with respect to Alternative Assets – Non Marketable investments;
>
> 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 selection of Cambridge Associates to serve as a non-discretionary advisor with respect to Alternative Assets – Non Marketable investments on the terms presented to the Board be approved; and be it further

RESOLVED, that the President and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of the Investment Advisory Agreement as may be necessary or in the best interests of this Corporation; and be it further

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

Approval of Amended and Restated Investment Management Services Agreement
Mr. Ricks stated that Management was proposing certain revisions to the Investment Management Services Agreement between the Corporation and the Board of Regents of The University of Texas System. The revisions were designed to conform the language of the Agreement with recent amendments to constitutional provisions governing the PUF and to U. T. Board policies. A motion to approve the amended and restated Agreement with an additional conforming change to the definition of the Available University Fund was duly made and seconded. The following resolution was unanimously adopted:

RESOLVED, that the Amended and Restated Investment Management Services Agreement between the Corporation and the Board of Regents of The University of Texas System be and is hereby approved.

FY 2000 Results

Mr. Ricks began by stating that FY2000 was a very successful year for the Corporation. Assets under management increased from $13.7 billion to $15.5 billion during the year, largely as a result of growth in the value of the three major endowment funds. Endowment investment returns all exceeded the 14.58% annual return of the endowment policy portfolio with excess returns ranging from 151 bps. for the PUF to 601 bps. for the LTF. The performance of the U.S. small cap and alternative asset portfolios were the major contributors to the Corporation's success. The wide dispersion in excess returns among the endowment funds was due to the continuing implementation of total return asset allocations for the PUF and PHF. With the structuring of the funds essentially complete, Mr. Ricks expected the dispersion in results to narrow considerably.

Performance for the $2.7 billion of operating funds under management was not as strong as that of the endowment funds. The $1.8 billion SITF underperformed its benchmark slightly by 03 bps. while the $800 million STF outperformed its benchmark by 40 bps.

Mr. Ricks also compared the investment returns of the endowment funds against a) the average returns of various fund universes complied by Russell/Mellon and b) the annual returns of the other three major Texas public funds as of June 30, 2000. The 16.51% annual return for the PUF substantially outperformed the returns of the universes and the other public funds.

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

Secretary: ______________________________

APPROVED:

Vice Chairman: ______________________________

Resolution No. 2

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

Name	Office or Offices
TBD	Chairman
TBD	Vice-Chairman
Thomas G. Ricks	President and Chief Executive Officer
Cathy A. Iberg	Managing Director, Treasurer and Secretary
David H. Russ	Managing Director

FY2000 SUMMARY REVIEW

- **Excess returns produced across endowment fund groups**
- **Benchmark and excess returns produced across operating fund groups**

	ENDOWMENT			OPERATING	
	PUF	**PHF**	**LTF**	**SITF**	**STF**
Total Return (Net)	16.53%	16.09%	20.59%	5.87%	6.10%
Fund Benchmark	14.81%	14.81%	14.81%	5.90%	5.70%
Excess Return	**1.72%**	**1.28%**	**5.78%**	**-0.03%**	**0.40%**

- **Adoption of "non-conventional" asset classes paid off**
  - Highest absolute and excess returns produced from less efficient asset classes

ASSET CLASS	Average Weight	Portfolio Return		Return over Benchmark
CASH AND EQUIVALENTS	3.87%	5.47%		-0.19%
U.S. MED/LARGE CAP EQUITIES	27.08%	15.57%		-0.54%
U.S. SMALL CAP EQUITIES	10.41%	53.78%		2.68%
NON U.S. EQUITIES - ESTABLISHED MARKETS	13.45%	11.90%		-0.24%
NON U.S. EQUITIES - EMERGING MARKETS	2.61%	7.60%		0.22%
ALTERNATIVE EQUITIES - NON MARKETABLE	10.55%	40.33%	(1)	2.06%
ALTERNATIVE EQUITIES - MARKETABLE	8.19%	18.09%		0.25%
INFLATION HEDGING ASSETS	4.86%	40.58%		0.90%
U.S. FIXED INCOME	14.91%	7.89%		-0.04%
NON U.S. FIXED INCOME	2.90%	-5.92%		0.44%
GLOBAL TAA	1.17%	19.74%		0.24%
TOTAL	**100.00%**	**20.59%**		**5.78%**

- **Excess returns for FY2000 translates to $270 million of EVA**

	PUF	PHF	LTF	SITF	TOTAL
Total Investment Return	$ 1,215.1	$ 143.8	$ 547.1	$ 107.9	$ 2,013.9
Less: Cost of Capital (Policy Portfolio Return)	1,089.6	132.0	390.7	108.2	$ 1,720.5
Less: Investment Management Expenses	11.8	1.9	8.8	0.5	$ 23.0
Net Value Added	**$ 113.7**	**$ 9.9**	**$ 147.6**	**$ (0.8)**	**$ 270.4**

- **Preliminary Performance: One Month ended Sept. 30, 2000**

	ENDOWMENT			OPERATING	
	PUF	PHF	LTF	SITF	STF
Total Return (Net)	-1.93%	-2.46%	-2.28%	0.79%	0.54%
Fund Benchmark	-2.00%	-2.00%	-2.00%	0.78%	0.53%
Excess Return	+ **0.07%**	**-0.46%**	**-0.28%**	**0.01%**	**0.01%**

not negative

UPCOMING ACTIVITY

Near Term

- Annual Financial Reporting
- U.S. Small Cap Manager Search

December Meeting

- Unitization Proposal
- Resumption of Private Equity Investment Program
- Investment Policy Review

After Calendar Year End

- Office Relocation
- Legislative Agenda
- Employee Retention Programs
- Risk Management

Inflation Hedging Asset Class: Program Implementation, Performance and Outlook

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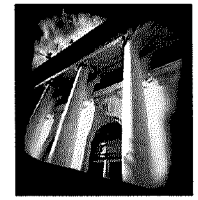
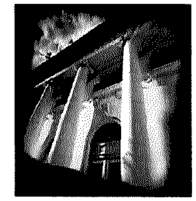
October 27, 2000

Addition of Inflation Hedging asset class to the Endowment Policy Portfolio: Timeline



- December 1998 Cambridge/UTIMCO Asset Allocation Study Commences
- February 1999: UTIMCO begins incorporating GSCI and NAREIT data into the Markowitz mean-variance optimizer in conjunction with CA work.
- April 29, 1999 BOD: UTIMCO and Cambridge present Asset Allocation Study
  - CA Recommends 10% to Real Estate as an inflation hedge
- June 24, 1999 BOD: UTIMCO mgmt discusses addition of GSCI and REITS to substitute the CA recommendation of 10% Real Estate
  - 7.5% Allocation to a combination of GSCI and REITs
- September 22, 1999 - Approval of Endowment Policy Portfolio Asset Allocation including UTIMCO management's recommendation to add REITs and GSCI Index to Inflation Hedging category -- and to implement the strategy using these two investments.
- November 8, 1999 UTIMCO Board approves the use of GSCI Futures to obtain exposure to the GSCI Index.
- November 18, 1999 UTIMCO meets with GSCI Brokers: Goldman Sachs and Morgan Stanley to set up accounts and discuss outlook.
- December 11 to 15, 1999 enter GSCI Futures market to implement program
- February 24, 2000 BOD: Resolution 2 permits GSCI contract exposure to "not exceed" 10% of the maximum allocation range.



Implementation Methods

- Commodities:
  - Direct investment in asset class, oil & gas producers, futures, and swaps.
- Real Estate:
  - Public Markets REITs
  - Private Real Estate Partnerships
- Timberland:
  - Partnerships
- TIPs:
  - 7 US Treasury Issues, deeper International Market

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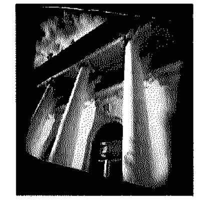
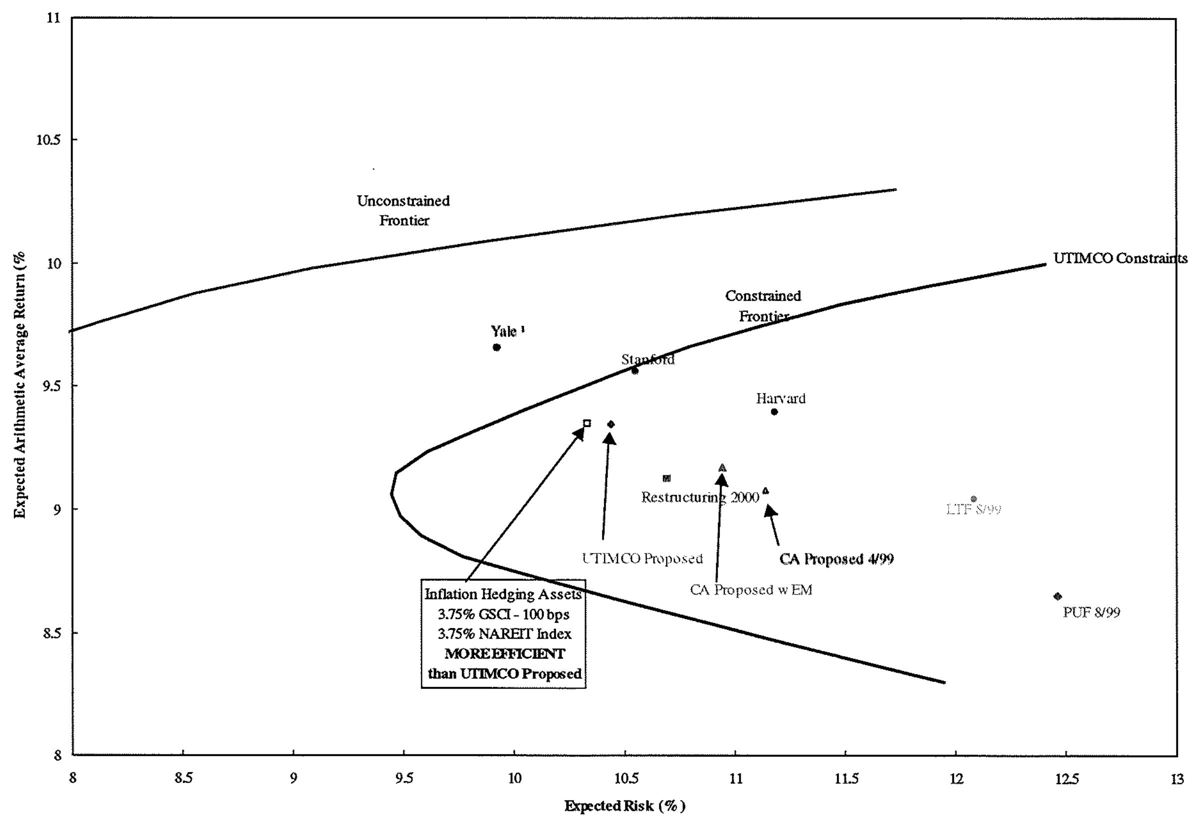


Revisit Efficient Frontier Criteria



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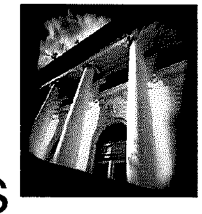
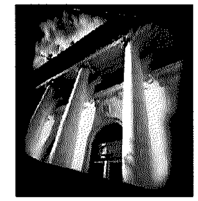
Two Current Programs: GSCI Futures and REITs



- GSCI Futures
  - Overweight: as contract value increases, invest gains in new front month contracts.
  - Profits taken, and exposure brought back to neutral:
    - 8/2000 Roll: $131,000,000
    - 9/2000 Roll: $50,000,000
    - Maintain benchmark neutral position in volatile market.
- Internally Managed REITs
  - Internal Manager in the Top Quartile of the FRC Real Estate Universe 5 years ending 6/3/2000

GSCI Exposure Implementation



- Objective is to track the Index closely.
- 100% Collateralized GSCI Futures Contracts are rolled monthly.
- Liquidity is 100% in the current contract.
- The Index reflects the cost of rolling: GSCI Total Return Index - 100 bps (annualized, ~0.08295 monthly).
- We replicate the procedure for creating the index methodically: 20% of each month's contracts are rolled each day of the 5 business day "roll" period.
  - We attempt to maximize the backwardation in the maturing contract relative to the forward contract. The maturing contract price converges on the spot GSCI price.
- When selling contracts we join the offer.
- When buying contracts we join the bid.

GSCI Index 12/31/94 to 9/26/00
Expectation in 2/99: Commodities bottoming, Continued upward pressure on Oil

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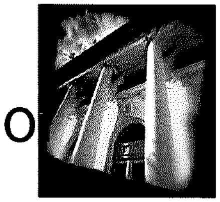
GSCI Index Behavior since UTIMCO inception of Inflation-hedging asset class 12/15/1999



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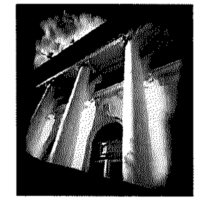
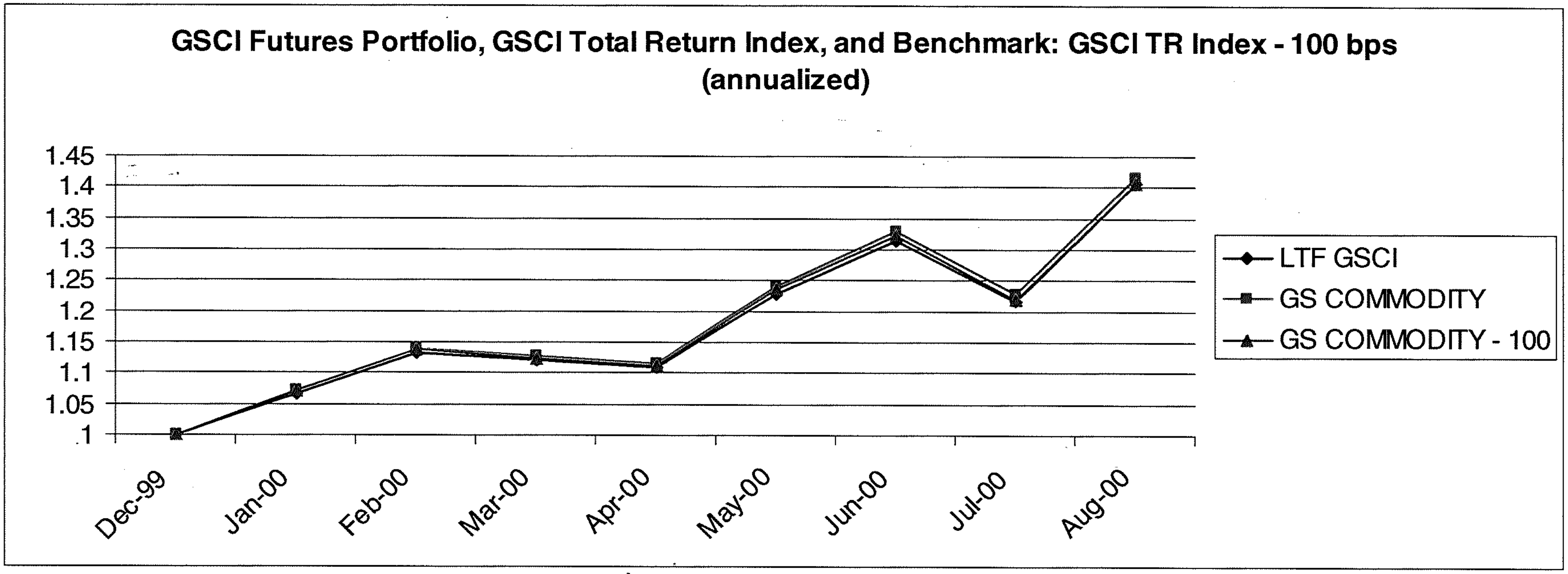
GSCI Component Weights as of 9/29/2000



Individual Commodity Total Return Indices

Index	Dollar Weight	Base Date	14Dec99	29Sep00	Range Change
Crude Oil	26.64%	1987=100	628.81	1038.61	+65.17%
Brent Crude Oil	12.38%	1999=100	220.77	351.13	+59.05%
Heating Oil	8.16%	1983=100	388.81	691.53	+77.86%
GasOil	3.33%	1999=100	173.77	299.92	+72.60%
Unleaded Gas	4.90%	1988=100	625.33	1076.84	+72.20%
Natural Gas	11.24%	1994=100	36.48	73.04	+100.24%
Live Cattle	5.85%	1970=100	3678.51	3735.17	+1.54%
Live Hogs	2.52%	1976=100	778.40	808.89	+3.92%
Wheat	3.36%	1970=100	440.37	409.94	-6.91%
Red Winter Wheat	1.33%	1999=100	69.49	73.35	+5.55%
Corn	3.49%	1970=100	270.29	234.60	-13.20%
Soybeans	1.88%	1970=100	1035.16	1099.08	+6.17%
Cotton	2.16%	1977=100	745.50	850.35	+14.06%
Sugar	2.03%	1973=100	78.96	130.25	+64.97%
Coffee	0.90%	1981=100	464.43	283.88	-38.88%
Cocoa	0.18%	1984=100	15.14	12.72	-16.03%
Orange Juice	0.54%	1999=100	96.37	79.44	-17.57%
Aluminum	3.43%	1991=100	76.17	78.28	+2.78%
Copper	1.94%	1977=100	703.51	795.19	+13.03%
Zinc	0.72%	1991=100	88.59	87.89	-0.78%
Nickel	0.61%	1993=100	120.90	143.24	+18.48%
Lead	0.23%	1995=100	77.57	76.73	-1.09%
Tin	0.10%	1995=100	119.04	116.70	-1.96%
Gold	1.67%	1978=100	166.12	162.94	-1.91%
Platinum	0.21%	1984=100	208.20	316.14	+51.84%
Silver	0.20%	1973=100	207.46	199.21	-3.97%

GSCI Futures Portfolio Tracks both the GSCI TR Index and the benchmark GSCI TR Index - 100 bps (annualized)



	12/1999 to 8/2000	Variance
LTF GSCI	40.58%	-0.14%
GS COMMODITY - 100	40.72%	
Correlation	99.8%	

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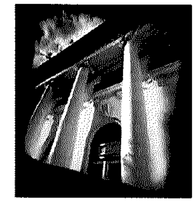
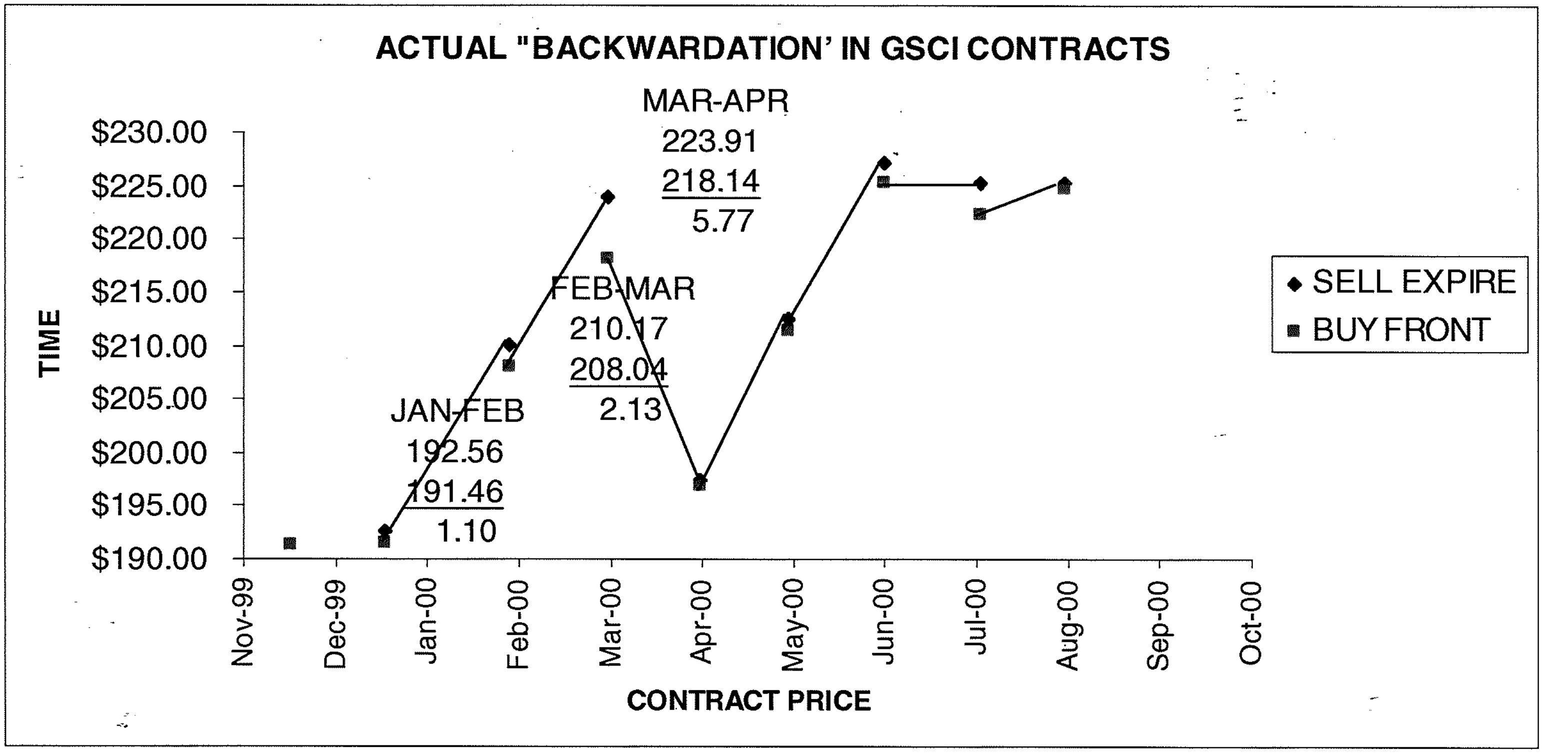
UTIMCO's Experience: Three Components of Return



- Price appreciation
- Backwardation: Forward Price < Spot Price
- Interest Income
- Consistently Selling on the Ask side and Buying on the Bid in the monthly rolls.
- $181 MM in Profit-taking while rebalancing to the 3.75% exposure.

UTIMCO'S ACTUAL EXPERIENCE



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UTIMCO'S ACTUAL EXPERIENCE

					PRICE CHANGE		
		BUY FRONT		SELL EXPIRE	GAIN(LOSS)	BACKWARDATION	
Jan-00	Dec-99	$ 191.31	Jan-00	$ 192.56	$ 1.25	$ 1.10	JAN-FEB
Feb-00	Jan-00	[redacted]	Feb-00	[redacted]	[redacted]	$ 2.13	FEB -MAR
Mar-00	Feb-00	$ 208.04	Mar-00	$ 223.91	$ 15.87	$ 5.77	MAR-APR
Apr-00	Mar-00	$ 218.14	Apr-00	$ 197.52	$ (20.62)	$ 0.63	APR-MAY
May-00	Apr-00	$ 196.89	May-00	$ 212.57	$ 15.68	$ 1.09	MAY-JUN
Jun-00	May-00	$ 211.48	Jun-00	$ 227.27	$ 15.79	$ 1.89	JUN-JUL
Jul-00	Jun-00	$ 225.38	Jul-00	$ 225.39	$ 0.01	$ 3.10	JUL-AUG
Aug-00	Jul-00	$ 222.29	Aug-00	$ 225.28	$ 2.99	$ 0.48	AUG-SEP
Sep-00	Aug-00	$ 224.80	Sep-00	$ 250.92	$ 26.12		
				AVERAGE:	$ 6.21	$ 2.02	

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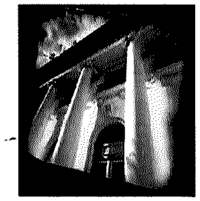
Attribution Analysis:
Inflation-hedging asset value-added



- LTF: added 90 bps to FY 99-00 Alpha total of 578 bps
- PUF: added 100 bps to FY 99-00 Alpha total of 172 bps
- PHF: added 98 bps to FY 99-00 Alpha total of 128 bps

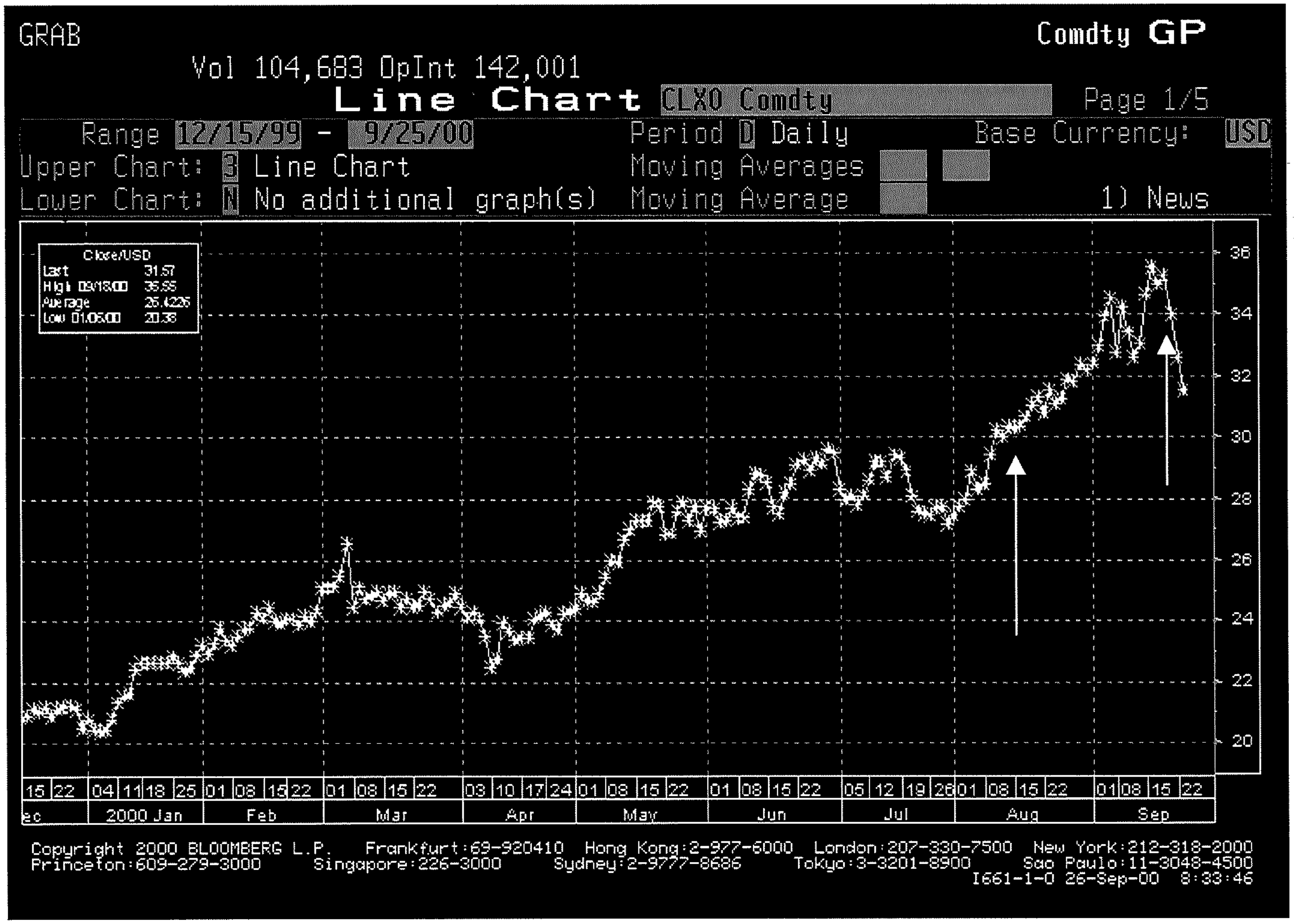
Outlook

- Expectation 12 months forward: Relatively high total return opportunities with a 20% potential for GSCI the following reasons:
  - Supply and Demand pressures remain
  - Refineries running at near full capacity
  - Strategic Petroleum Reserve, truly a drop in the bucket, mainly a political move
  - Heating Oil reserves are low, an early cold winter will have an upside impact on prices.

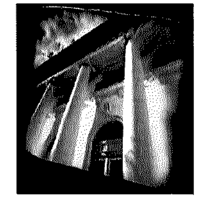
Appendix

Supporting Documents
Key Drivers of GSCI

Key Drivers: Energy Complex
Crude Futures



Key Drivers: Energy Complex
Natural Gas Futures



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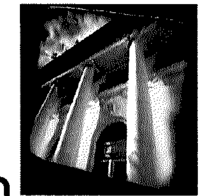


GSCI Total Return Index captures Backwardation

GRAB

Index **TRA**

Dividends not continuous. Unable to calculate total return.

Total Return Analysis Page 1/13

12/31/99 - 8/31/00 Period D Daily GSCI TOTAL RETURN in USD

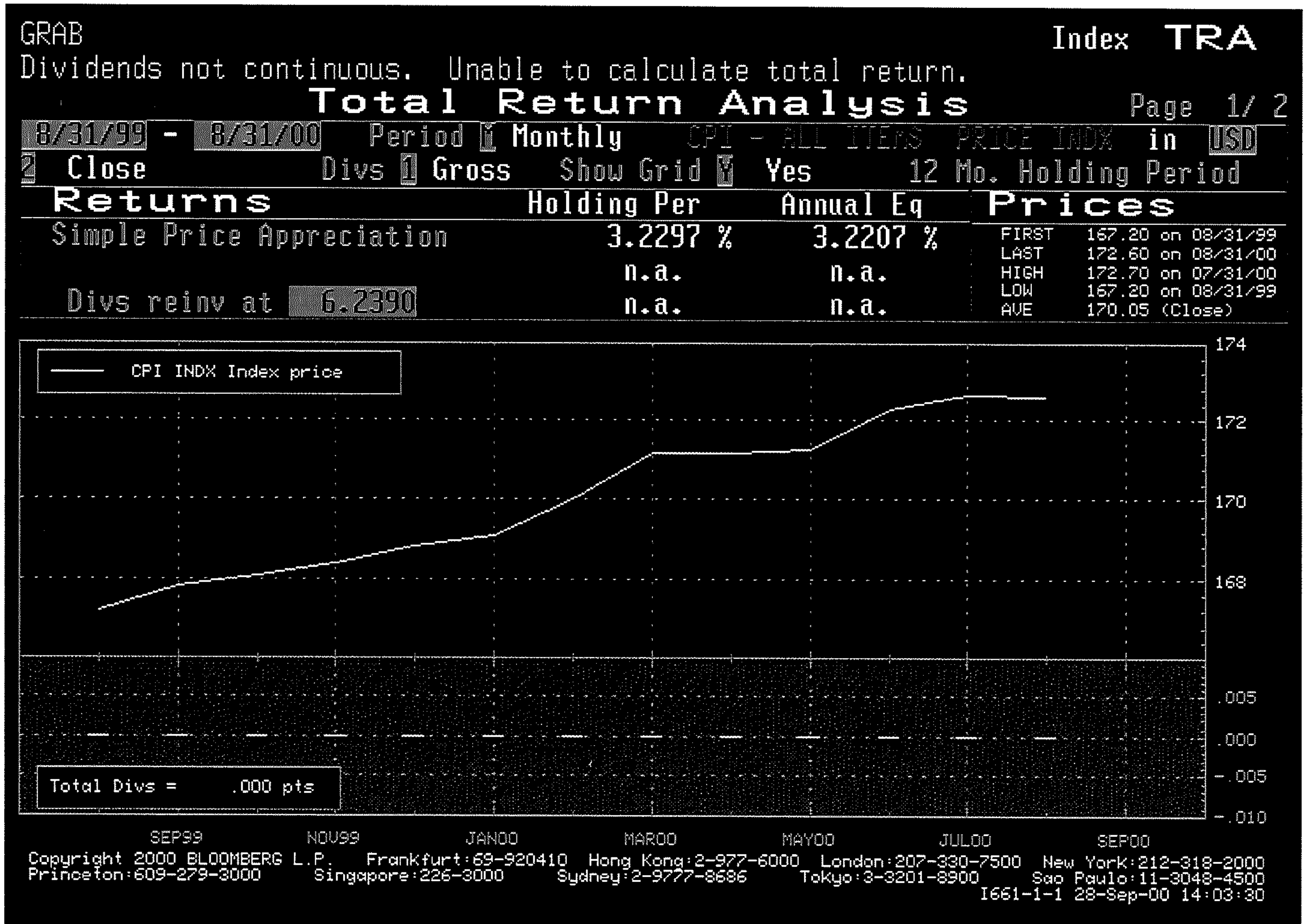
2 Close Divs 1 Gross Show Grid Y Yes 244 Day Holding Period

Returns	Holding Per	Annual Eq
Simple Price Appreciation	41.6199 %	68.2933 %
	n.a.	n.a.
Divs reinv at 6.1676	n.a.	n.a.

Prices

FIRST	2770.00	on 12/31/99
LAST	3922.87	on 08/31/00
HIGH	3927.19	on 08/30/00
LOW	2689.97	on 01/07/00
AVE	3296.83	(Close)

Fiscal Year CPI Inflation



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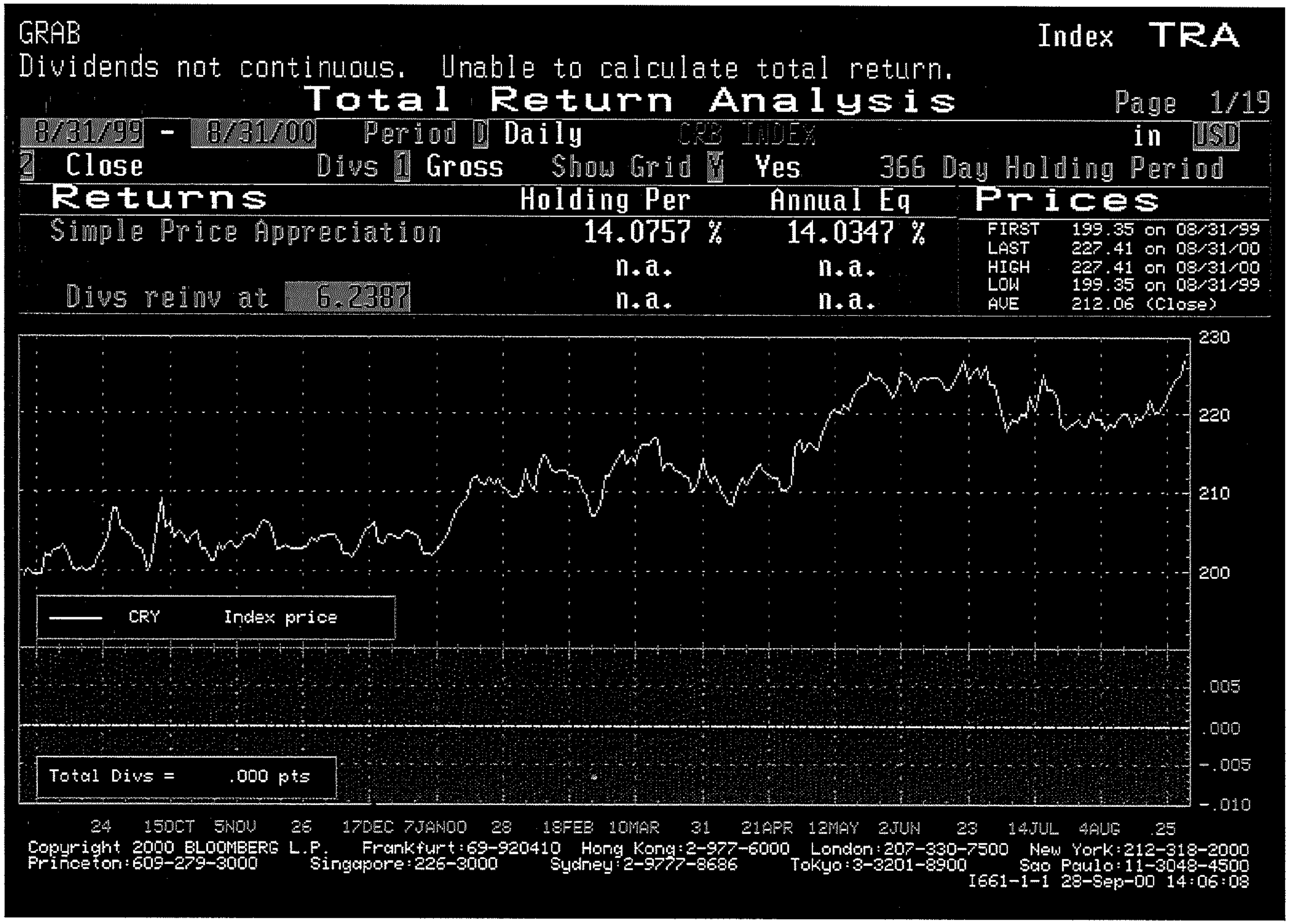
CRB Inflation Index



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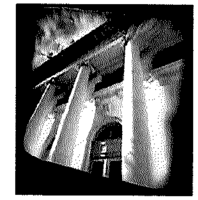

REIT PORTFOLIOS - UTIMCO

PUF $292.6 million
LTF $110.1 million
PHF $39.6 million
As of September 29,2000

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INVESTMENT MANAGEMENT COMPANY

October 27, 2000

PORTFOLIO OBJECTIVES

- Long term returns that exceed the appropriate indices on a consistent basis
- Risks assumed are appropriate to the asset class
- Provide a relatively liquid access to real estate

INVESTMENT PHILOSOPHY

- Relative valuation of the companies held in the portfolio vs. similar type companies
- Industry weightings vs. index
- Bottom up stock selection driven by fundamental research
- Direct management contacts

REIT Portfolio
Stock Selection Process

The Pool of Eligible Investments:
- NAREIT equity securities (166) - $130 billion total market cap
- Real estate operating companies (10)

→ **Potential Candidates**
176

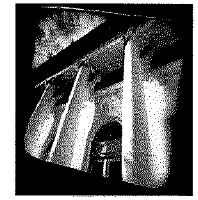
Screens:
- Liquidity (105)
- Quality, growth, takeover concerns (90)

→ **Screens**
90

Valuation Matrix:
- Balance sheet
  - Low debt/ total capital
  - High coverage ratio
  - Long term to short term debt
- Potential growth
  - Low dividend payout
  - Franchise or barriers to entry in the company's markets
  - High projected three year FFO growth
- Management
  - Large inside ownership of shares
  - Minimal conflict of interests
  - Unique capabilities

→ **Portfolio**
31

REIT Portfolio Characteristics



Weighted Averages
September 29, 2000

Company	Yield	Payout 2000 FFO	Growth 2000 FFO	FFO - 3Yr Proj Growth	Multiple 2000 FFO	Debt To Total Capital	Coverage Ratio	Market Cap Billions	Inside Stock Ownership
Alexandria Real Estate	5.0%	55%	9.9%	11.0%	10.7	43%	2.6	0.479	16.0%
AMB Property	5.9%	64%	10.5%	10.5%	10.5	33%	3.7	2.051	11.5%
AIMCO	6.1%	58%	17.6%	10.5%	9.3	44%	2.4	3.724	6.0%
Archstone Communities	6.3%	72%	8.1%	10.0%	11.5	39%	2.8	3.542	37.5%
Avalon Bay Communties	4.7%	62%	13.0%	12.0%	12.9	27%	3.0	3.151	3.6%
Bedford Properties	8.9%	73%	9.2%	8.5%	9.0	47%	2.7	0.385	8.0%
Boston Properties	4.9%	65%	13.1%	12.0%	13.1	43%	2.3	4.130	16.2%
CBL & Associates	8.1%	57%	12.7%	9.0%	7.0	59%	2.3	0.625	30.6%
Centerpoint Properties	4.4%	60%	2.2%	12.5%	13.4	37%	2.5	0.979	10.0%
Cousins Properties	4.2%	63%	15.8%	12.5%	15.1	29%	6.5	1.439	27.1%
Duke Weeks Realty	7.1%	70%	11.9%	10.0%	9.6	36%	2.9	3.145	11.0%
Equity Office Properties	5.8%	63%	10.5%	11.0%	10.9	49%	2.6	7.642	7.2%
Equity Residential	6.8%	66%	10.4%	10.0%	9.5	40%	2.7	6.568	6.4%
Equity One	10.1%	75%	9.6%	7.0%	7.4	51%	2.8	0.236	77.0%
General Growth Properties	6.3%	45%	11.9%	9.0%	7.2	61%	1.9	1.948	26.3%
Golf Trust	13.0%	63%	6.9%	4.0%	5.0	53%	3.0	0.426	19.0%
Health Care Properties	10.0%	88%	4.0%	6.0%	8.6	36%	2.6	1.632	3.0%
Home Properties	7.1%	71%	7.6%	10.0%	9.8	39%	3.1	0.719	7.0%
Kilroy Realty	6.6%	67%	8.2%	10.0%	9.8	42%	2.5	0.695	11.8%
Kimco Realty	6.4%	65%	11.9%	10.0%	10.0	33%	3.2	2.597	12.6%
Parkway Property	7.3%	56%	9.1%	9.0%	7.7	44%	2.4	0.306	5.0%
Post Properties	7.0%	76%	8.4%	8.0%	10.9	35%	4.1	1.707	9.2%
Prologis	5.6%	61%	9.5%	12.0%	10.8	34%	2.7	4.113	2.6%
PS Business Parks	3.7%	36%	13.1%	9.0%	9.6	3%	5.7	0.622	50.0%
Public Storage	3.7%	34%	4.0%	8.0%	9.0	4%	4.6	3.265	28.5%
Simon Properties	8.6%	61%	7.5%	8.0%	7.0	63%	2.2	4.319	25.4%
Starwood Lodging	2.2%	16%	11.5%	12.0%	6.7	48%	3.7	5.451	6.0%
Spieker Properties	4.9%	68%	19.7%	13.0%	13.9	30%	3.0	3.929	7.8%
SL Green Realty	5.2%	56%	13.1%	10.0%	10.6	37%	2.5	0.806	23.0%
Taubman Centers	8.5%	75%	1.6%	9.0%	8.7	56%	2.1	0.592	32.8%
Vornado Realty	5.2%	56%	8.9%	10.0%	10.8	43%	4.0	3.045	26.2%
UTIMCO	6.1%	61%	10.6%	10.2%	10.3	39%	3.1	3.013	15.9%
Index - Salmon SB 125 Cos.	7.3%	66%	8.3%	8.1%	9.4	42%	3.0	1.200	9.5%

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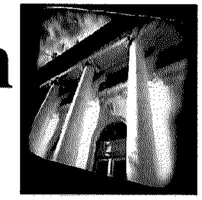
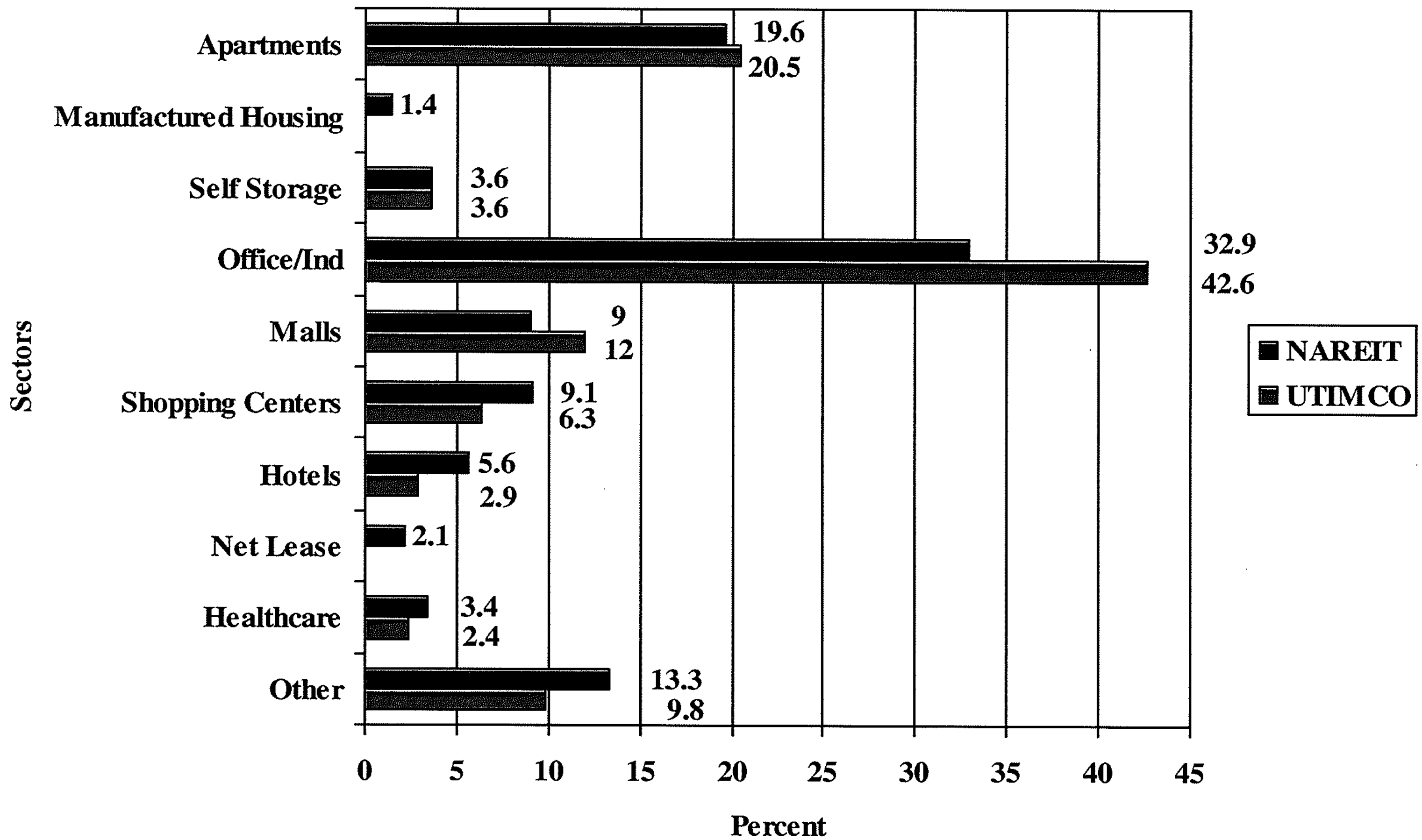
INVESTMENT MANAGEMENT COMPANY

REIT Portfolio Sector Distribution



September 29, 2000
Month end



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REIT Industry Projected FFO Growth By Sector

PROPERTY SECTOR	1999 to 2000	2000 to 2001
APARTMENTS	10.1%	8.6%
MANUFACTURED HOUSING	7.5%	8.6%
SELF STORAGE	4.6%	9.0%
OFFICE/INDUSTRIAL	10.2%	10.2%
MALLS	9.1%	8.9%
SHOPPING CENTERS	3.7%	7.2%
HOTELS	4.3%	3.9%
NET LEASE	7.2%	9.4%
HEALTHCARE	.4%	2.2%
OTHER	6.6%	8.2%
TOTAL AVERAGE	9.0%	8.8%

Source: Goldman Sachs

UTIMCO
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

REIT Portfolio Top Ten Holdings

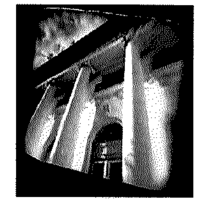
September 29,2000

	Name	Cost	9/29/00 Price	% Change
1	Equity Office Properties	$28.511	$31.125	9.2
2	Vornado Realty Trust	$31.345	$37.125	18.4
3	Kimco Realty	$36.094	$42.250	17.1
4	Prologis Trust	$19.109	$23.750	24.3
5	AMB Property	$20.625	$24.563	19.1
6	Spieker Properties	$42.005	$57.563	37.0
7	Equity Residential	$41.250	$48.063	16.5
8	Avalon Bay Communities	$34.365	$47.688	38.8
9	Duke Realty Corp	$20.305	$24.125	18.8
10	Archstone Communities	$19.974	$24.563	23.0

Top ten positions make up 51% of the total portfolio

REIT Portfolio vs. Stock Indices
Total Rate of Return

Annual



	1995	1996	1997	1998	1999	2000*
REITS (UTIMCO)	19.3%	43.5%	28.1%	-18.0%	-3.3%	24.0%
NAREIT EQUITY	15.3%	35.3%	20.3%	-17.5%	-4.6%	21.9%
S&P500	37.1%	22.7%	33.1%	28.4%	20.9%	-1.4%
NASDAQ	39.9%	22.7%	21.6%	39.6%	85.6%	-9.6%
RUSSELL 2000	26.2%	14.8%	20.5%	-3.44%	19.62%	4.2%

Source: Bloomberg and NAREIT

* Year to date September 29, 2000

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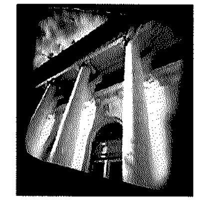
Appendices



Definitions

- **Total Return** = Dividend Yield + Price Appreciation
  - REIT dividend yield = 7%
  - REIT Price Appreciation = 5 - 7%
  - Total Return REITs = 12 - 14%
- **Funds From Operations** (FFO) = Net Income + Depreciation and Amortization
- **Net Asset Value** (NAV) = Assets - Liabilities and Preferred stock
- **Real Estate Investment Trust**
  - Pays no corporate income tax
  - Must restrict its activities to primarily real estate assets
  - Must pay out 95% of taxable income (90% in 2001)

Return Characteristics of Sectors

Compound Annual Total Return (%)

Time Period	Nareit Equity	S&P 500	Nasdaq 100
1972 – 1999	11.98	14.07	na
1972 – 1994	12.84	11.14	na
1995 – 1999	8.09	28.55	55.77

Source: Nareit and Ibbotson associates

Capitalization Comparison

September 29, 2000

General Electric	572	Billion
Cisco	389	Billion
Microsoft	323	Billion
Oracle	222	Billion
Nareit Equity(166 companies)	130	Billion
AOL	125	Billion
Yahoo	50	Billion

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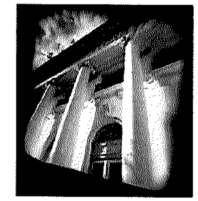
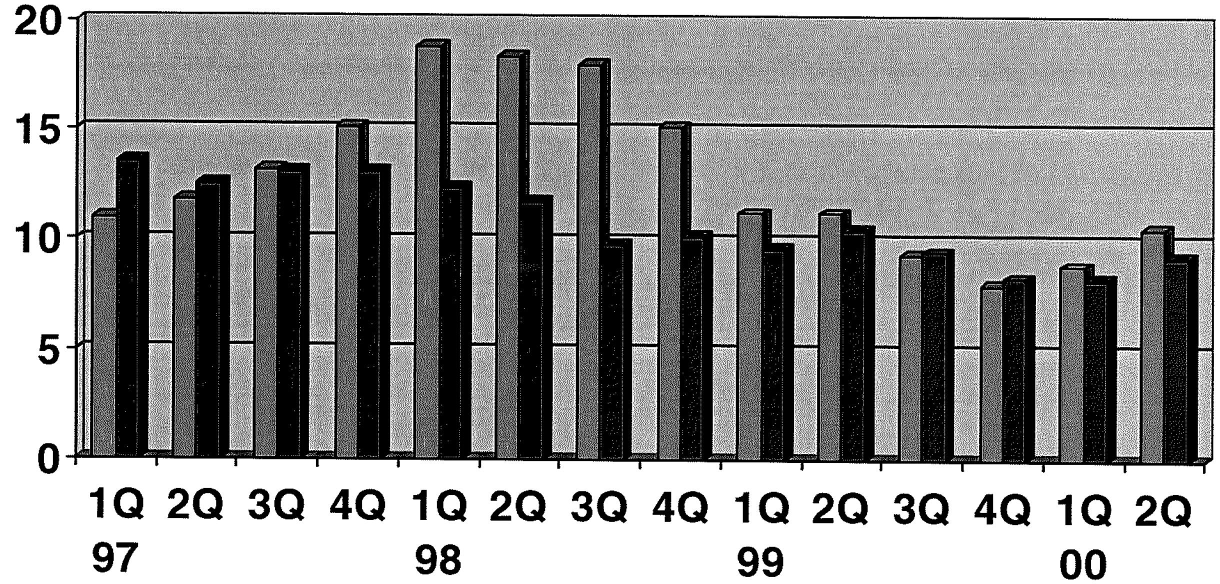
Historical Quarterly FFO Growth



Source: Merrill Lynch & Co.



TO BE DISTRIBUTED AT THE MEETING

Resolution No. 3

RESOLVED, that the 1999 Performance Compensation for the Corporation's President and CEO as recommended by the Compensation Committee be and is hereby approved.

2000 PERFORMANCE COMPENSATION PLAN
PROPOSED BONUS AWARDS
SUMMARY

OPERATING ENVIRONMENT

Most of year dedicated to portfolio reconstruction
- Portfolio efficiency not optimal during transition period

- Complete restructuring of $8.5 billion PUF assets to a total return based asset allocation
  - 55% of total assets under management

- Extensive rebalancing of PHF and LTF to a uniform asset allocation and portfolio manager structure
  - implemented inflation hedging asset class
    - internally managed GSCI futures and REIT portfolios
  - installed enhanced index strategy
  - added hedge fund and non-U.S. portfolio managers

High employee turnover
- 25% to 30% turnover rate
- operated without a private equity management team for 6 out 8 months

INVESTMENT PERFORMANCE

Excess returns produced across all endowment and operating fund groups

	ENDOWMENT			OPERATING	
	PUF	**PHF**	**LTF**	**SITF**	**STF**
Total Return (Net)	8.91%	5.46%	7.87%	5.15%	4.20%
Fund Benchmark	5.16%	5.16%	5.16%	4.47%	3.93%
Excess Return	**3.75%**	**0.30%**	**2.71%**	**0.68%**	**0.27%**

Adoption of more complex and diversified asset allocation has paid off

- Highest excess returns produced from private equities, inflation hedging assets, small cap equities and non U.S. fixed income

ASSET CLASS	PUF	PHF	LTF
CASH AND EQUIVALENTS	-0.40%	-0.18%	-0.04%
U.S. MED/LARGE CAP EQUITIES	0.51%	0.80%	0.05%
U.S. SMALL CAP EQUITIES	0.38%	0.48%	0.49%
NON U.S. EQUITIES - ESTABLISHED MARKETS	-0.17%	-0.44%	-0.16%
NON U.S. EQUITIES - EMERGING MARKETS	0.29%	-0.62%	0.12%
ALTERNATIVE EQUITIES - NON MARKETABLE	2.07%	-0.96%	1.50%
ALTERNATIVE EQUITIES - MARKETABLE	-0.09%	0.11%	-0.03%
INFLATION HEDGING ASSETS	0.78%	0.74%	0.68%
U.S. FIXED INCOME	0.04%	0.14%	-0.02%
NON U.S. FIXED INCOME	0.42%	0.24%	0.26%
GLOBAL TAA	-0.08%	-0.01%	-0.14%
TOTAL	**3.75%**	**0.30%**	**2.71%**

Excess returns translated to $348 million of EVA

	PUF	PHF	LTF	SITF	TOTAL
Total Investment Return	$ 692.2	$ 53.9	$ 227.0	$ 95.8	$ 1,068.9
Less: Cost of Capital (Policy Portfolio Return)	408.2	51.5	149.1	94.4	720.4
Less: Investment Management Expenses	9.8	1.2	5.9	0.3	17.2
Net Value Added	**$ 284.0**	**$ 2.4**	**$ 77.9**	**$ 1.4**	**$ 348.5**

Internally managed portfolios all exceeded benchmarks

1. Fixed Income – Russ Kampfe

	LONG DURATION			SHORT
	PUF	PHF	LTF	SITF
Total Return (Net)	6.01%	6.00%	5.99%	5.15%
Fund Benchmark	5.53%	5.53%	5.53%	4.47%
Excess Return	**0.48%**	**0.47%**	**0.46%**	**0.68%**

2. Equities – Greg Cox

	REITS (6 MOS.)		
	PUF	PHF	LTF
Total Return (Net)	21.46%	21.48%	21.47%
Fund Benchmark	19.10%	19.10%	19.10%
Excess Return	**2.36%**	**2.38%**	**2.37%**

3. Commodity Index Futures – Dave Russ

	GSCI (8 MOS.)		
	PUF	PHF	LTF
Total Return (Net)	44.61%	40.67%	44.54%
Fund Benchmark	41.62%	41.62%	41.62%
Excess Return	**2.99%**	**-0.95%**	**2.92%**

Proposed performance compensation of $316,143:

- Is 62% of $513,340 accrued bonus expense for the period
  - 4 departing employees not eligible for performance compensation
- averages 43% of participating employee base salaries (eight months equivalent)
- is .09% of $348 million of economic value added

UTIMCO
Performance Compensation Plan
Proposed Awards
8 Month Period: January 1, 2000 - August 31, 2000

Employee	Title	Max. Bonus (as % Salary)	Bps. or Pts. Threshold to Earn Max. Bonus	Actual Bps. or Pts. Produced (1)	Actual or Capped Score	Base Salary (8 mos.)	Max. Earnable Bonus	Proposed Bonus		1999 Bonus (prorated)
Ricks, Thomas	President/CEO	50%	50 bps	108.5 bps.	50 bps	$220,000	$110,000	$110,000		$95,687
Russ, David	M. Director - Public Mkts.	50%	50 bps	90.2 bps	50 bps	$120,167	$60,083	$60,083		$40,783
Iberg, Cathy	M. Director - Inv. Operations	25%	5 pts	5	5 pts	$109,867	$27,467	$54,933	(2)	$26,125
Kampfe, James R.	P.M. - Fixed Income	50%	37.5 bps	67.69 bps.	37.5 bps	$61,800	$30,900	$30,900		$0
Cox, Greg	P.M. - REITs	50%	100 bps	155.65 bps.	100 bps	$91,327	$45,663	$45,663		$0
Edwards, Bill	Manager - Security Ops.	15%	5 pts	3	3 pts	$50,733	$7,610	$4,566		$4,390
Moeller, Joan	Accounting Manager	15%	5 pts	5	5 pts	$45,667	$6,850	$6,850		$6,386
Wallace, Christy	Office Manager	10%	5 pts	4	4 pts	$39,333	$3,933	$3,147		$3,011
Total						**$738,893**	**$292,507**	**$316,143**		**$176,383**
Plan Budget								**$513,340**		

(1) See Exhibits
(2) See Memo attached to cover letter.

Name	Total Composite Excess Score	Salary	$ per 100bpt/1pt	Tentative Bonus Amount	Maximum Bonus	Bonus Compensation for the Year
Tom Ricks	1.085%	$220,000	$2,200	$238,751	$110,000	$110,000

Computation for the short period ended August 31, 2000

Computation of Composite Score	**Excess Return**	**Percentage Weight**	**Excess Wt. Return**	**Composite Excess Score**
Private Markets excess score	0.50%	0.20	0.100%	0.100%
(IRR 21.44% through 8/31),Management of Program				
Excess performance score (see below)	2.44%	0.25	0.610%	0.610%
Managing Director of Public Markets	0.90%	0.25	0.226%	0.226%
Managing Director of Investment Operations	0.50%	0.15	0.075%	0.075%
Specific Assigned Projects	0.50%	0.15	0.075%	0.075%
(business plan)				1.085%

An excess return score of .50% is the maximum score for qualitative factors

(Returns for the 8 month period ending August 31, 2000)

	LTF	PUF	PHF	STF	
Return	**7.87**	**8.91**	**5.46**	5.15	
benchmark	**5.16**	**5.16**	**5.16**	4.47	
excess over benchmark	**2.71**	**3.75**	**0.30**	**0.68**	2.44%

The weights for the composite were based on public market manager weights

LTF	30%
PUF	40%
PHF	20%
STF	10%
Total	100%

Resolution No. 4
RESOLVED, that the 1999 Performance Compensation Plan for the year ended August 31, 2001 as recommended by the Compensation Committee be and is hereby approved.

2001 PERFORMANCE COMPENSATION PLAN

SUMMARY

Simplified to create a single plan for all participants
- eliminates plans A-E in 2000 Plan

Makes all participants eligible for a maximum bonus equal to 50% of base salary
- max. bonuses ranged from 10% to 50% of base salary under 2000 Plan

Ties a minimum of 25% of a participant's bonus to the achievement of UTIMCO's corporate performance
- designed to promote greater teamwork

Portfolio performance will migrate to using a 3 year average return
- a multi-year look consistent with long term nature of investments
    - under performance will offset out performance
- allowed by greater portfolio stability
    - restructuring to total return based asset allocation now behind us

Makes 10 positions out of 24 positions eligible to receive performance compensation
- 13 positions eligible under 2000 Plan
    - net reduction of 3 = +1 fixed income manager, -2 private equity managers, -1 public equity manager and –1 information technology manager

Maximum 2001 Plan bonus payout (at 50% of base salaries) = $720,026
- vs. $513,000 under 2000 Plan

Creates an additional bonus pool of $123,750 to cover 14 other UTIMCO employees
- bonus pool = 15% of $825,000 base salaries of this employee group
- bonuses awarded at discretion of CEO

UTIMCO PERFORMANCE COMPENSATION PLAN FOR AUGUST 31, 200~~0~~1

The UTIMCO Performance Compensation Plan (the "Plan") is intended to provide a means whereby key management employees may develop a sense of commitment and personal involvement in the investment performance of the assets for which UTIMCO has investment responsibility, to attract and retain key employees of outstanding competence and ability, to encourage them to remain with and devote their best efforts to the business of UTIMCO, and to reward such employees for outstanding performance, thereby advancing the interests of UTIMCO and the Board of Regents of The University of Texas System.

BASIC PLAN STRUCTURE

UTIMCO's compensation plan consists of two major parts:

1. **Base Salary**
   UTIMCO aspires to attract and retain high caliber employees from nationally recognized peer institutions and the investment management community in general. UTIMCO base salaries reflect the Company's ability to pay "competitive" base salary rates where competitive is defined as the blended median of national general industry and investment management industry base pay practices. An individual's base salary at UTIMCO is a function of three factors:

   a) the median base salary rate for positions of similar job content in the market place;
   b) the employee's level of experience, education, knowledge and skills;
   c) the employee's responsibilities and performance results.

   Base salaries are administered through the use of a base salary range structure. Salary range midpoints represent "target" position base salary rates and approximate the blended median market rate for positions of similar job content, level of responsibility and function. Each salary range represents the base salary "opportunity" (minimum to maximum) for positions included in that range. Positions are placed in the salary ranges based on median market rates and internal equity considerations. Base salaries may be adjusted on an annual basis based on individual merit or performance against position standards.

2. **Performance Bonus**

Each year, the Board assigns performance measures to each eligible employee, establishes target benchmarks for each measure and may assign different weights to each performance measure. Performance bonuses will be paid to eligible employees for achieving and exceeding performance benchmarks. The performance bonus payable in any given year is limited to a percentage of base salary.

Each eligible employee's performance compensation shall be determined ~~shall be assigned to one of the following groups~~ in accordance with the performance compensation plan guidelines (Exhibit A) for the year.~~purposes of calculating performance bonuses:~~

~~a)**Plan A**: Employees engaged in the management of public market investments,~~
~~b)**Plan B**: Employees engaged in the management of private market~~
~~c)**Plan C**: Employees engaged in investment operations and office management~~
~~d)**Plan D**: President/CEO~~
~~e)**Plan E**: Department of Information Technology~~

~~PLAN A~~

~~Performance bonuses under Plan A consist of a dollar amount for each unit of excess performance. The performance bonus payable in any given year is limited to a percentage of base salary, depending upon the management level of the particular individual.~~

~~An example of the calculation of performance compensation for the Plan is presented in Exhibit A.~~

~~PLAN B~~

~~Performance bonuses under Plan B consist of a dollar amount for each unit of excess performance. The annual performance bonus is limited to a percentage of base salary, depending upon the management level of the particular individual. The performance benchmarks established for Plan B participants shall be based on vintage year portfolio returns and certain qualitative measures relating to the quality of due diligence, commitment activity and other portfolio management activities measurable within a one-year performance period.~~

~~An example of the calculation of and payment of performance bonuses for a given vintage year portfolio is presented in Exhibit A.~~

~~PLAN C~~

~~Performance bonuses under Plan C consist of a dollar amount for each unit of excess performance. The annual performance bonus is limited to a percentage of base salary, depending upon the management level of the particular individual. The performance benchmarks established for Plan C participants shall be for discreet tasks or projects ultimately measurable within a one-year performance period.~~

~~An example of the calculation of performance compensation for Plan C is presented in Exhibit A.~~

~~PLAN D~~

~~Performance bonuses under Plan D consist of a dollar amount for each unit of excess performance. The annual performance bonus is limited to a percentage of base salary, depending upon the management level of the particular individual. The performance benchmarks established for Plan D participants shall be based on individual performance, fund level performance and the performance underlying Plan A, B and C.~~

~~An example of the calculation of performance compensation for Plan D is presented in Exhibit A.~~

~~PLAN E~~

~~Performance bonuses under Plan E consist of a dollar amount for each unit of excess performance. The performance bonus is limited to a percentage of base salary. The performance benchmarks established for Plan E participants shall be for substantial completion of the UTIMCO high wire project, which ultimately will be measurable over a period of time greater than one year. The bonuses awarded under this plan may be deferred until such time that there has been substantial completion of the project as determined by the President of the Company.~~

ADMINISTRATION OF THE PLAN

The Plan is administered by the Board. The Board has sole authority to:

a) Select the Eligible Employees who are to be granted performance compensation under the Plan;

b) Establish the amounts with respect to each performance period which shall be paid as performance compensation to Eligible Employees;

c) Establish conditions for the payment of performance compensation;

d) Subject to the terms of the Plan, determine the amount and timing of distributions under the Plan.

The Board shall interpret the Plan and may from time to time adopt such rules and regulations, consistent with the provisions of the Plan that it may deem advisable to carry out the Plan. All decisions made by the Board in selecting the Eligible Employees who shall be paid performance compensation and the amount thereof and in construing the provisions of the Plan or the terms of any performance compensation are final and binding on all Eligible Employees.

ELIGIBILITY

The persons who shall be paid performance compensation shall be such Eligible Employees, as the Board shall select. Such Employees must be employed by UTIMCO on the last day of a Performance Period and must have been recommended by the President and CEO and the Compensation Committee to receive performance compensation.

DETERMINATION OF PERFORMANCE COMPENSATION

Within 90 days following the end of a Performance Period, the Board shall award performance compensation to such Eligible Employees that it determines in its sole discretion have met the performance benchmarks for the Performance Periods established for each Eligible Employee. The Board has the right to adjust performance compensation in any amount and on any basis as determined by the Board in its discretion in order to recognize particular circumstances which may have affected the achievement of performance during the performance period.

Following the award of performance compensation, the Board shall promptly notify each Eligible Employee who has been awarded performance compensation under the Plan as to the amount of such award, and the terms, provisions, conditions, and limitations of such award.

PAYMENT OF AWARDS

1. The performance compensation awarded to an Eligible Employee at the end of a Performance Period shall be paid to the Eligible Employee not later than 90 days following the date of award. The amounts paid by UTIMCO to any Eligible Employee for a Performance Period shall be included in the Eligible Employee's salaries and wages. Bonus payments shall be excluded from computation of employee benefits and shall be subject to withholding taxes.

   a) Unless otherwise expressly provided by the Board, any Eligible Employee who terminates employment with UTIMCO for any reason other than death or permanent disability prior to termination of the Performance Period shall forfeit any and all eligibility to receive payment of performance compensation and shall not be entitled to receive any further payments under the Plan.

   b) In the event an Eligible Employee's employment with UTIMCO terminates prior to the termination of a Performance Period by reason of his or her death or disability the Board shall determine such Eligible Employee's Award, if any, on a prorated basis from the first day of the unexpired Performance Period to the quarterly performance measurement date immediately preceding the date of such Eligible Employee's death, or disability. UTIMCO shall pay to the estate or designated beneficiaries of such Eligible Employee or to such Eligible Employee, as the case may be, such performance compensation, if any, within 90 days of the award of such compensation.

   c) Any Eligible Employee that begins employment with UTIMCO during a Performance Period shall be eligible to earn performance compensation if employed by UTIMCO for a period of at least six months calculated to the end of the Performance Period. The performance compensation shall be pro rated from the date of his or her employment to the end of the Performance Period.

2. For purposes of this Plan, a leave of absence authorized by UTIMCO shall not be considered a termination of employment.

NATURE OF THE PLAN

The establishment of the Plan or the awarding of performance compensation shall not be deemed to create a trust. The Plan shall constitute an unfunded, unsecured liability of UTIMCO to make payments in accordance with the provisions of the Plan, and no Eligible Employee shall have any security or other interest in any assets of UTIMCO or the Board of Regents of The University of Texas System.

DURATION, AMENDMENT AND TERMINATION

The Board shall have the right to amend the Plan from time to time, to terminate it entirely, or to direct the discontinuance of performance compensation either temporarily or permanently. However, no amendment, discontinuance, or termination of the Plan shall operate to annul an award of performance compensation during any unexpired Performance Period unless otherwise provided by the terms of this Plan. The term of the Plan shall be from its Effective Date until terminated by the Board.

GENERAL CONDITIONS

a) The Board shall have the discretion and authority to make such changes in the administration of the Plan if circumstances outside the control of the Eligible Employees or the Board have occurred during the Performance Period so as to make such adjustment appropriate in the opinion of the Board.

b) An employee shall be considered to be employed with UTIMCO as long as he or she remains an employee with UTIMCO. Nothing in the adoption of this Plan nor the awarding of performance compensation shall confer on any employee the right to continued employment with UTIMCO, or affect in any way the right of UTIMCO to terminate his or her employment at any time.

c) Except to the extent set forth herein as to the rights of the estate or designated beneficiaries of Eligible Employees to receive payments, awards under this Plan are nonassignable and nontransferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, or levy of any kind.

d) Nothing contained in the Plan shall be deemed to give any Eligible Employee, or any personal representative or beneficiary, any interest or title to any specific property UTIMCO or any right against UTIMCO other than as set forth in the Plan.

e) Neither the officers of UTIMCO nor the members of the Board shall under any circumstances have any liabilities with respect to the Plan or its administration except for gross and intentional malfeasance. UTIMCO officers and the members of the Board may rely upon opinions of counsel as to all matters.

f) No portion of the Plan shall be effective at any time when such portion violates an applicable State or Federal law, regulation or governmental order or directive, which is subject to, sanctions whether direct or indirect.

g) Any award of performance compensation payable under this Plan shall be subject to any deductions required by federal, state, or local law. UTIMCO shall not be obligated to advise an employee of the existence of the tax or the amount, which UTIMCO will be required to withhold.

The effective date of the ~~restated~~ Plan is September 1~~January 1~~, 2000.

PERFORMANCE COMPENSATION PLAN GUIDELINES
August 31, 2001

Three Year Rolling Methodology-

Excess performance calculations based on investment returns shall be calculated using the three-year rolling methodology presented below. The implementation of this method will result in uneven weighting of investment returns for the first three years. For employees eligible under the plan for August 31, 2000, August 31, 2001 shall be considered year 2 for those employees. For new employees, the first year of performance shall be the first year in which a new employee is eligible under the plan.

	Year of Arithmetic Weighting Calculation						
Year of Performance	1	2	3	4	5	6, etc.	Total Weighting
1	1	1/3					1.33
2		2/3	1/3	1/3			1.33
3			2/3	1/3	1/3		1.33
4				1/3	1/3	1/3	1.00
5					1/3	1/3	1.00
6						1/3	1.00

UTIMCO-Calculation of Excess Performance

UTIMCO's excess performance shall represent a specified percentage of each participant's performance calculation in any given plan year. UTIMCO's excess performance shall be calculated as a weighted average of the excess performance of the PUF, PHF, LTF, (collectively the "endowment funds"), and the SITF and where the excess performance of the endowment funds and the SITF shall represent 90% and 10%, respectively, of the weighted average. The excess performance of each endowment fund in turn shall be weighted based on the endowment's average NAV for the year divided by the total average NAV of all endowment funds. The example calculation is as follows:

Fund	Average NAV	Fund Performance	Benchmark Performance*	Excess Performance	Fund weight	Excess
PUF	7958.95	16.53	14.81	1.72	68%	1.16
PHF	953.3	16.09	14.81	1.28	8%	0.10
LTF	2869.2	20.59	14.81	5.78	24%	1.41
Total Endowments	11781.45				100%	2.67
Allocation:						
Endowment Excess Return				2.67	90%	2.41
SITF		5.87	5.90	-.03	10%	0
UTIMCO Excess Performance						**2.41**

* Benchmark performance adjusted for the cost of passive alternative.

Group A- Employees engaged in the management of public market investments

PUBLIC MARKETS PORTFOLIO INDEXES

Eligible Employees with direct portfolio level responsibilities shall be assigned benchmarks that correspond to the return, risk and style characteristics of their respective portfolios.

Public markets fixed income and equity portfolio benchmarks are measured against style indexes rather than a general market index such as the S&P 500 Index or the Russell 2000 Index. Style index benchmarks such as the BARRA Value Index are used to prevent a determination of over or under performance when a particular assigned style may be in or out of favor during a particular Performance Period.

The performance bonus payable in any given year is limited to 50% of base salary as described below. Individual investment managers will be awarded performance compensation based on a percentage of their compensation weighted 75% for the manager's excess performance, and 25% for UTIMCO's excess performance. The three-year rolling methodology will be calculated for the UTIMCO and Manager performance calculation. If an individual manager manages more than one portfolio the excess manager performance calculation shall be weighted based on the portfolio's average NAV for the year divided by the total average NAV of all portfolios managed by that manager for the year. Negative excess performance by UTIMCO will not reduce the manager's allocation of excess performance.

The example calculation is as follows:

Name	Average NAV	Manager Performance	Benchmark Performance	Excess Performance **	Weight	Salary	Calculated Bonus	Maximum Bonus (50% of salary * weight assigned)
REIT Manager						$ 143,840		$ 71,920
Allocated:								
REIT Portfolio		15.68	12.44	3.24	0.75	$ 107,880	$ 349,530	$ 53,940
UTIMCO				-0.40	0.25	$ 35,960	-	-
Composite						**$ 143,840**	**$ 349,530**	**$ 53,940**

** Based on three-year rolling methodology

Group B-Employees engaged in the management of private markets

PRIVATE MARKETS PORTFOLIO INDEX

A portfolio return is not used exclusively because a major performance objective is the identification, selection and approval of commitments to the private market investments in accordance with private markets investment plan. The private markets index also recognizes that performance of a vintage year's portfolio is not known for 5-10 years. Return must be calculated on a cumulative IRR basis vs. a year to year basis because of the existence of a j-curve return pattern.

For these reasons, private markets portfolio performance consists of an overall score of 0% to %50% for the Performance Period based upon several factors including (but not limited to):

I. the returns of vintage year portfolios assembled in prior years,
II. actual commitments vs. planned commitments for the Performance Period
III. proposed vs. approved investment ratio
IV. quality of due diligence
V. completion of specific assigned projects

The CEO shall determine this score. The performance bonus payable in any given year is limited to 50% of base salary as described below. Total incentive compensation for individuals that qualify under Group B shall be based on a weight of 75% for the manager's excess performance, and 25% for UTIMCO's excess performance.

The example calculation is as follows:

Name	Excess Performance	Weight	Salary	Calculated Bonus	Maximum Bonus (50% of salary * weight assigned
Private Equity Manager			**$ 125,000**		**$ 62,500**
Allocated:					
Manager's Portfolios	0.25	0.75	$ 93,750	$ 23,438	$ 23,438
UTIMCO	-0.40	0.25	$ 31,250	-	$ -
			$ 125,000	**$ 23,438**	**$ 23,438**

Group C- Employees engaged in investment operations and office management

The subjective portion of Group C participants' performance compensation shall be determined by the President. The performance bonus payable in any given year is limited to 50% of base salary as described below. Total incentive compensation for individuals that qualify under Group C shall be based on a weight of 60% allocated for their individual performance and 40% allocated for UTIMCO's excess performance.

The example calculation is as follows:

Name	Excess Performance	Weight	Salary	Calculated Bonus	Maximum Bonus (50% of salary * weight assigned
Operations			$ 85,000		$ 42,500
Allocated:					
Subjective Individual Performance	0.25	0.60	$ 51,000	$ 12,750	$ 12,750
UTIMCO	-0.40	0.40	$ 34,000	$ -	$ -
			$ 85,000	**$ 12,750**	**$ 12,750**

Group D- President/CEO and Managing Directors

The subjective portion of Group D participants' performance compensation shall be determined by the President for Managing Directors and the Board for the President. The performance bonus payable in any given year is limited to 50% of base salary as described below. Total incentive compensation for individuals that qualify under Group D shall be based on a weight of 20% for their individual performance, and 80% for UTIMCO's excess performance.

The example calculation is as follows:

Name	Excess Performance	Weight	Salary	Calculated Bonus	Maximum Bonus (50% of salary * weight assigned
Managing Director			$ 189,000		$ 94,500
Allocated:					
Subjective Individual Performance	0.40	0.20	$ 37,800	$ 15,120	$ 15,120
UTIMCO	-0.40	0.80	$ 151,200	$ -	$ -
			$ 189,000	**$ 15,120**	**$ 15,120**

Other indexes used in measuring performance of performance compensation plan participants

SITF INDEX

The SITF Index is a composite index of the returns of certain US Treasury and Government Agency securities designed to match the duration and credit risk of the SITF.

Asset Class	Neutral Allocation	Benchmark Return
US Treasuries	10%	91-day T-Bill Average Yield
US Treasuries	10%	M.L. 6 mo. US Treasury Bill Index
US Treasuries	30%	M.L. 1-3 yr. US Treasury Index
US Treasuries	10%	M.L. 3-5 yr. US Treasury Index
US Government Agencies	30%	M.L. 1-3 yr. US Federal Agencies Index
US Government Agencies	10%	M.L. 3-5 yr. US Federal Agencies Index
	100%	SITF Index