

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



***Presentation Materials
Part One***

Board of Directors Meeting

September 21, 2007

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
September 21, 2007**

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

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Open Session: Call to Order/Consideration of Minutes of July 11, 2007, and July 30, 2007 Meetings*
9:05 a.m.	9:10 a.m.	2	Corporate Resolutions: - Designation of Officer* - Designation of Plan Administrative Committee*
9:10 a.m.	10:10 a.m.	3	Endowment and Operating Funds Update
10:10 a.m.	10:20 a.m.	4	Report from Risk Committee
10:20 a.m.	11:30 a.m.	5	Review and Discussion of Investment Strategy
11:30 a.m.	12:00 p.m.	6	Information Technology Security Presentation
12:00 p.m.	1:00 p.m.		Lunch
1:00 p.m.	1:45 p.m.	7	Report from Compensation Committee: Executive Session Pursuant to sections 551.071 and 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to deliberate individual personnel matters. Reconvene into Open Session - Discussion and Consideration of Compensation Committee Report, including (1) amendment and restatement of the UTIMCO Compensation Program effective July 1, 2007*; (2) Eligible Positions, Weightings and Incentive Award Opportunities for each Eligible Position for the 2007/2008 performance period*; (3) designation of employees in Eligible Positions as participants in the UTIMCO Compensation Program*; (4) consideration of personnel performance goals for the participants*; and (5) request for proposal for compensation consultant
1:45 p.m.	1:50 p.m.	8	Discussion and Consideration of CEO's Recommendation Regarding Staff Title Changes*
1:50 p.m.	2:20 p.m.	9	Discussion and Consideration of Report from Audit and Ethics Committee*
2:20 p.m.			Adjournment

* Action by resolution required

Next Scheduled Meeting: November 29, 2007

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meetings of the Board of Directors held on **July 11, 2007 and July 30, 2007**, be, and are hereby, approved.

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

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 9:00 a.m. on the **11th day of July 2007**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, 78701, said meeting having been called by the Chairman, H. Scott Caven, Jr., with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

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

H. Scott Caven, Jr., Chairman
Robert B. Rowling, Vice Chairman
Mark G. Yudof, Vice Chairman for Policy
Colleen McHugh
Ardon E. Moore
Erle Nye

thus, constituting a majority and quorum of the Board. Directors Clint D. Carlson and J. Philip Ferguson participated by means of conference telephone enabling all persons participating in the meeting to hear each other. Director Charles W. Tate joined the meeting later as noted in the minutes. Also attending the meeting were Bruce Zimmerman, CEO, President and CIO; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Cecilia Gonzalez, General Counsel for the Corporation; Uzi Yoeli, Risk Director; Lindel Eakman, Director – Private Markets; various staff members of the Corporation; Jerry Turner, outside legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Charlie Chaffin, Amy Barrett, Keith McDowell, Arjuna Sanga and Cathy Swain of UT System Administration; and Bruce Myers and Hamilton Lee of Cambridge Associates. Mr. Caven called the meeting to order at 9:10 a.m. Mr. Caven introduced Mr. Bruce Zimmerman, and welcomed him as the new CEO, President and CIO of the Corporation.

Minutes

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on May 31, 2007. 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 May 31, 2007 be, and are hereby, approved.

Corporate Resolution

Mr. Caven presented the next item, recommending Bruce Zimmerman and Mark Newcomb to be designated as key employees of the Corporation. The Corporation's Code of Ethics requires the Board to designate, by position, the employees who exercise significant decision-making authority. By virtue of their position with UTIMCO, these persons are "key employees". Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, as required by the Corporation's Code of Ethics, the Board shall designate, by position, key employees of the Corporation. The following two employees have been, and are hereby, added as key employees since the annual meeting held on April 10, 2007.

Bruce Zimmerman CEO, President and CIO
Mark Newcomb Associate – Public Markets Investments

Endowment and Operating Funds Update Report

Mr. Zimmerman asked Ms. Iberg to present the performance section of the Corporation's endowment and operating funds update. Director Tate joined the meeting during Ms. Iberg's presentation. Ms. Iberg began by discussing performance reports ending May 31, 2007. She reviewed portfolio policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. The net performance for the one-month period ended May 31, 2007, for the PUF was 2.10% and for the GEF was 2.09%, versus benchmark returns of 1.97% for each fund. The net performance for the one-year period ended May 31, 2007, for the PUF and GEF were 17.85% and 18.23%, respectively, versus benchmark returns of 16.95% for each fund. The Intermediate Term Fund's (ITF) performance was 1.20% versus its benchmark return of .84% for the one-month period, and was 14.17% versus its benchmark return of 12.98% for the one-year period ended May 31, 2007. Performance for the Short Term Fund (STF) was 0.45% versus 0.44% for its benchmark for the one-month period, and was 5.38% versus a benchmark return of 5.20% for the one-year period ended May 31, 2007. Mr. Zimmerman continued by reporting information on performance attribution, liquidity, derivatives, and actions taken under the Delegation of Authority and the May 31, 2007 Risk Dashboard. Ms. Iberg, Mr. Zimmerman, and Mr. Myers answered the Directors' questions.

Executive Session

Mr. Caven, at 9:48 a.m., 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 for the purpose of consulting with legal counsel regarding recent developments in oversight and fiduciary duties of directors of non-profit corporations and to deliberate individual personnel matters. This Executive Session meeting of the Board is authorized by *Texas Government Code* sections 551.071 and 551.074. The time is now 9:48 a.m. and the date is July 11, 2007."

Reconvene in Open Session

The Board reconvened at 10:26 a.m., in open session, and Mr. Caven announced that, "the Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is July 11, 2007 and the time is now 10:26 a.m. During the Executive Session, the Board discussed with legal counsel recent developments in oversight and fiduciary duties of directors of non-profit corporations and deliberated individual personnel matters, but did not take any final action or votes, or make any decisions."

Report from Compensation Committee

Mr. Caven asked Mr. Ferguson, Chairman of the Compensation Committee, to give a report of the last Compensation Committee meeting. Mr. Ferguson reported to the Board that the Compensation Committee had met on June 13, 2007, and passed a resolution that approved the Corporation's Officers' and Other UTIMCO Compensation Program Participants' Base Salaries (except that of the President) for the Fiscal Year 2007-2008 in the amount of \$4,070,500.

Recommended 2007-2008 Budget

Mr. Caven asked Mr. Zimmerman to move to the next item on the agenda, which was the 2007-2008 Budget discussion. Mr. Zimmerman began by discussing a handout with updated budget information that was provided to the Board. UTIMCO staff recommended a Corporation's Operating Budget of \$64,595,642, Capital Budget of \$355,569 and Fee Request of \$15,369,829 for the period September 1, 2007 through August 31, 2008. Mr. Zimmerman gave a very detailed report of the budget submission. Mr. Zimmerman and Ms. Iberg answered the Directors' questions. Upon motion duly made and seconded, a revised resolution was handed out and the following resolution was unanimously adopted:

RESOLVED, that the Corporation's Operating Budget of \$64,595,642, Capital Budget of \$355,569 and Fee Request of \$15,369,829 for the period September 1, 2007 through August 31, 2008 be, and is hereby, approved, subject to approval by the U. T. System Board of Regents.

At this time, Mr. Caven introduced Student Regent Matt Camarillo who had joined the meeting for a short time.

Corporate Auditor

Mr. Caven asked Mr. Nye, Chairman of the Audit and Ethics Committee, to give a report on the external auditor change. Mr. Nye explained that based on the RFQ responses and oral presentations offered to a panel of UT System, Texas A&M System, and UTIMCO representatives, Deloitte & Touche LLP was deemed to be the best qualified candidate to replace Ernst & Young LLP as the auditor for the investment funds. It was anticipated that the Board of Regents would approve the appointment of Deloitte & Touche LLP to replace Ernst & Young LLP as the investment funds auditor for the fiscal year ending August 31, 2007 at its meeting on the afternoon of July 11, 2007, following the Board meeting. The Committee

recommended Deloitte & Touche LLP to be engaged by the UTIMCO Board as the Corporation's independent auditor for the fiscal year ending August 31, 2007, following satisfactory negotiation of an engagement letter by UTIMCO Staff. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the firm of Deloitte & Touche, LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2007, following satisfactory negotiation of an engagement letter by UTIMCO Staff.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 11:30 a.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
H. Scott Caven, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company

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

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 3:03 p.m. on the **30th day of July, 2007**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, 78701, said meeting having been called by the Chairman, H. Scott Caven, Jr., with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

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

H. Scott Caven, Jr., Chairman
Robert B. Rowling, Vice Chairman
Mark G. Yudof, Vice Chairman for Policy
Clint D. Carlson
J. Philip Ferguson
Colleen McHugh
Erle Nye
Charles W. Tate

thus, constituting a majority and quorum of the Board. Director Ardon E. Moore was not present at the meeting. Also attending the meeting were Bruce Zimmerman, CEO, President and CIO; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Cecilia Gonzalez, General Counsel for the Corporation; Lindel Eakman, Director – Private Markets; Mark Shoberg, Zac McCarroll, Scott Bigham and Gary Hill staff members of the Corporation; Jerry Turner and Pat Breeland, outside legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; and Jeanne Rogers of Cambridge Associates. Mr. Caven called the meeting to order at 3:03 p.m.

Selection of a Placement Agent

Mr. Caven asked Mr. Eakman to provide background on the Private Markets Staff's selection of a possible placement agent in connection with a proposed private sale of certain limited partnership interests. Mr. Eakman gave a brief description of the selection process and then asked Mr. Shoberg to discuss specific criteria considered. Mr. Shoberg brought forth the Staff's recommendation that the UTIMCO Board contract with UBS Securities LLC as the exclusive placement agent in connection with a proposed private sale of certain limited partnership interests. As an alternative, the Staff additionally sought approval to negotiate and contract with Probitas Funds Group, LLC should discussions with UBS Securities LLC not result in a final contract. Mr. Zimmerman, Mr. Eakman and Mr. Shoberg answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that the Board approves the selection of UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) as the exclusive placement agent for the Permanent University Fund of the State of Texas and the Board of Regents of The University of Texas System General Endowment Fund (the "UT Funds") in connection with a proposed private sale by the UT Funds of certain limited partnership interests and directs staff to negotiate and enter into a contract with UBS Securities LLC (or, alternatively, Probitas Funds Group, LLC) (the "Agreement"), conditioned on the receipt by the Chief Compliance Officer of UTIMCO of a certification of no pecuniary interest, as required by Section 4.04 of the UTIMCO Code of Ethics, from each director and key employee of UTIMCO.

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

REITS Asset Category Benchmark

Mr. Caven asked Mr. Zimmerman to explain the REITS asset category benchmark for the Inflation Linked asset class. The approved benchmark for the REITS asset class for the Investment Funds is the Dow Jones Wilshire Real Estate Securities Index (the "DJWRESI"). The DJWRESI that has been included in the Endowment Policy Portfolio return, and presented as the benchmark for the Investment Funds' REITS asset class is the "Full Cap" style index as provided by Dow Jones Wilshire. With the merger of Dow Jones and Wilshire in 2004, it was decided to phase-out all "Full Cap" style indices, and provide only "Float" style indices. Due to the minimal differences in the two styles of reported returns, effective July 2007, the DJWRESI "Float" style index will be included in the calculation of the Investment Funds' Policy Portfolio returns, and will also be the benchmark that the Funds' REITS managers will be measured against for presentation purposes. UTIMCO staff, in concurrence with UT System staff and Bruce Myers from Cambridge Associates, has determined that this change does not constitute a change in a benchmark requiring action by the UTIMCO Board and UT System Board of Regents. No prior period index or benchmark returns will be restated and the same index, constructed under a different methodology will be used on a go forward basis.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:30 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
H. Scott Caven, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company

TAB 2

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

Agenda Item: Corporate Resolutions - Designation of Corporate Officer and Designation of Plan Administrative Committee

Developed By: Zimmerman

Presented By: Zimmerman

Type of Item: Action required by UTIMCO Board

Description: As provided in the Bylaws, corporate officers include those individuals the UTIMCO Board may from time to time elect or appoint. Pursuant to the following resolution, which was approved by the UTIMCO Board on June 18, 2002, managing directors have been included as officers of the corporation during the annual election of officers: "Resolved that subject to the control of the Board of Directors and the supervision of the President, each Managing Director shall be responsible for the business and operations of this corporation assigned to such Managing Director by the Board of Directors or the President and shall have all such powers and authority as may be reasonably incident to such responsibilities, including the authority to agree upon and execute all leases, contracts, agreements, evidences of indebtedness, certificates, instruments and other documents in the name or on behalf of this corporation, acting on its own behalf or in its capacity as investment manager under that certain Investment Management Services Agreement dated effective March 1, 1996 between this corporation and the Board of Regents of The University of Texas System, as in effect, amended, restated or replaced, from time to time, and each Managing Director shall have such other powers and duties as may be assigned to such person from time to time by the Board of Directors." Staff is requesting that Lindel Eakman be elected an officer in his newly appointed role of Managing Director.

The Board also appoints the Plan Administrative Committee. This committee is an internal committee consisting of UTIMCO employees and is responsible for general administration of the 403(b) Tax Sheltered Annuity Plan of the Corporation. Staff is requesting the Bruce Zimmerman be added as a member. The Board approved the current committee members of Cathy Iberg, Joan Moeller and Melynda Carter at its April 10, 2007 board meeting. Cathy Iberg will be the designated chairperson of the Plan Administrative Committee.

Recommendation: Approval requested for the Designation of Corporate Officer and Designation of Plan Administrative Committee.

Reference: UTIMCO Bylaws, Administrative Plan

RESOLUTION RELATED TO CORPORATE OFFICER

RESOLVED, that Lindel Eakman is hereby appointed to the office of Managing Director of the Corporation, to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

RESOLUTION RELATED TO PLAN ADMINISTRATIVE COMMITTEE

RESOLVED, that the following employees be designated as the Plan Administrative Committee, responsible for general administration of 403(b) Tax Sheltered Annuity Plan of the Corporation.

Bruce Zimmerman	CEO, President and CIO
Cathy Iberg	Managing Director - Marketable Alternative Investments/Deputy CIO
Joan Moeller	Managing Director – Accounting, Finance and Administration
Melynda Carter	Manager - Finance and Administration

TAB 3

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

Agenda Item: Endowment and Operating Funds Update - Performance Report

Developed By: Moeller, Hill

Presented By: Zimmerman

Type of Item: Information Item

Description: The reports presented are for the periods ended July 31, 2007 (except as noted).

Recommendation: No action required.

Reference: **TO BE UPDATED UPON DETERMINATION OF REPORTS TO INCLUDE IN MATERIALS**
Fund Market Exposure Reports; UTIMCO Performance Summary; Value Added in Endowment Funds – Fiscal Year to Date; Fund Attribution Reports; Fund Performance Summaries; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Universe; UTIMCO Endowment Funds vs. Cambridge Associates Colleges and Universities Greater Than One Billion Dollars Funds Universe; UTIMCO Endowment Funds vs. Mellon Trust Foundations and Endowments Billion Dollar Funds Universe.

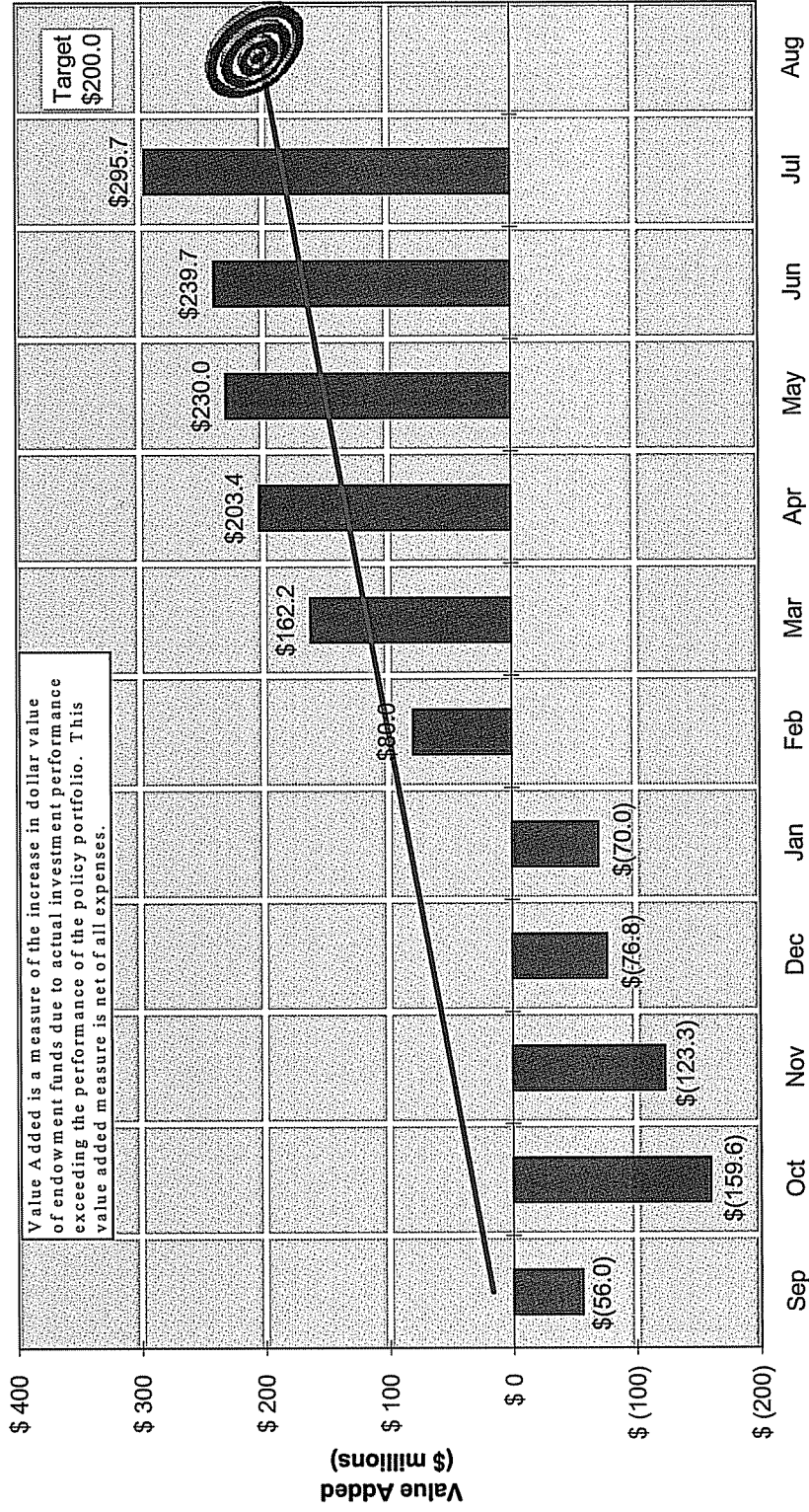
UTIMCO Performance Summary

July 31, 2007

		Periods Ended July 31, 2007 (Returns for Periods Longer Than One Year are Annualized)									
	Net Asset Value 7/31/2007 (in Millions)	Short Term		Year-to-Date		Historic Returns					
		1 Mo	3 Mos	Calendar	Fiscal	1 Yr	3 Yrs	5 Yrs	10 Yrs		
ENDOWMENT FUNDS											
Permanent University Fund	\$ 11,694	(0.02)	2.03	9.02	15.06	16.56	15.23	14.40	8.81		
General Endowment Fund		(0.01)	2.04	9.24	15.46	16.99	15.31	14.65	N/A		
Permanent Health Fund	1,100	0.00	1.98	9.14	15.35	16.90	15.21	14.53	N/A		
Long Term Fund	5,335	0.00	1.98	9.14	15.36	16.90	15.21	14.56	9.30		
Separately Invested Funds	185	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Total Endowment Funds	18,314										
OPERATING FUNDS											
Short Term Fund	1,303	0.45	1.33	3.09	4.92	5.40	4.03	2.90	3.97		
Intermediate Term Fund	3,724	0.11	0.55	5.45	10.31	11.81	N/A	N/A	N/A		
Total Operating Funds	5,027										
Total Investments	\$ 23,341										
VALUE ADDED											
Permanent University Fund		0.31	0.50	2.19	1.73	1.53	1.22	2.14	(0.20)		
General Endowment Fund		0.32	0.51	2.41	2.13	1.96	1.30	2.39	N/A		
Permanent Health Fund		0.33	0.45	2.31	2.02	1.87	1.20	2.27	N/A		
Long Term Fund		0.33	0.45	2.31	2.03	1.87	1.20	2.30	0.67		
Short Term Fund		0.06	0.10	0.15	0.21	0.23	0.16	0.09	0.18		
Intermediate Term Fund		0.65	1.14	2.26	2.10	2.15	N/A	N/A	N/A		

Footnotes available upon request.

Cumulative Value Added In Endowment Funds **2006-2007 Fiscal Year**



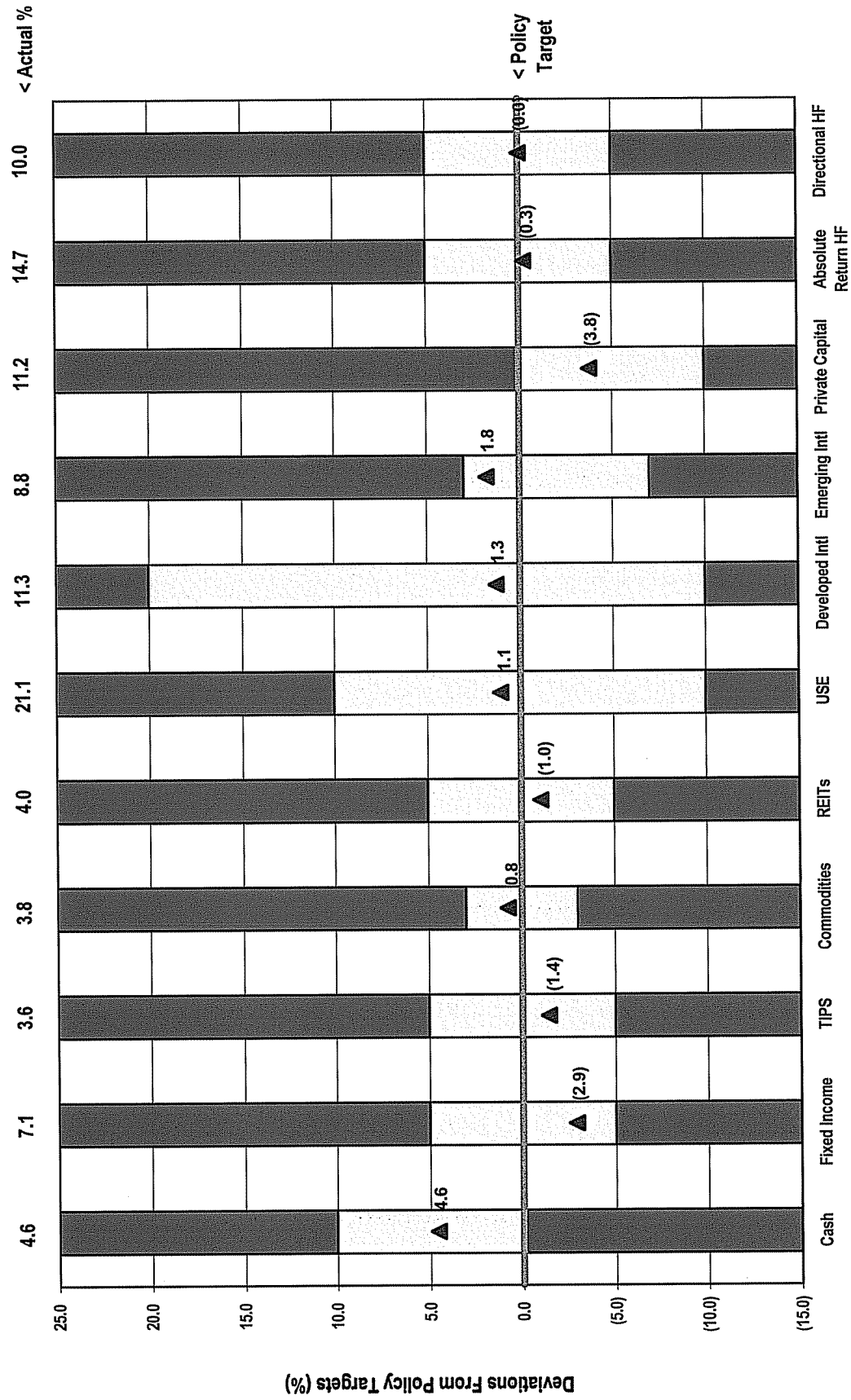
**UTIMCO ENDOWMENTS FUNDS vs.
FOUNDATIONS AND ENDOWMENTS BILLION DOLLAR FUNDS UNIVERSE**
Periods Ended June 30, 2007

	Current Quarter	1 Year Annualized Return	3 Years Annualized Return	5 Years Annualized Return	10 Years Annualized Return
	(% tile)	(% tile)	(% tile)	(% tile)	(% tile)
Maximum	7.17	25.50	20.92	17.44	14.61
25th Percentile	6.31	21.88	18.00	14.43	11.18
Median	5.44	20.26	15.11	13.23	9.57
75th Percentile	4.80	18.31	12.67	11.57	8.60
Minimum	3.78	13.59	9.45	6.15	2.22
# of Portfolios	42	42	40	39	31
● UTIMCO PUF-Net of Fees	4.85	17.96	14.76	13.17	9.39
■ UTIMCO GEF-Net of Fees	4.86	18.36	14.86	13.36	9.95
	75	80	59	53	54
	75	73	57	45	50

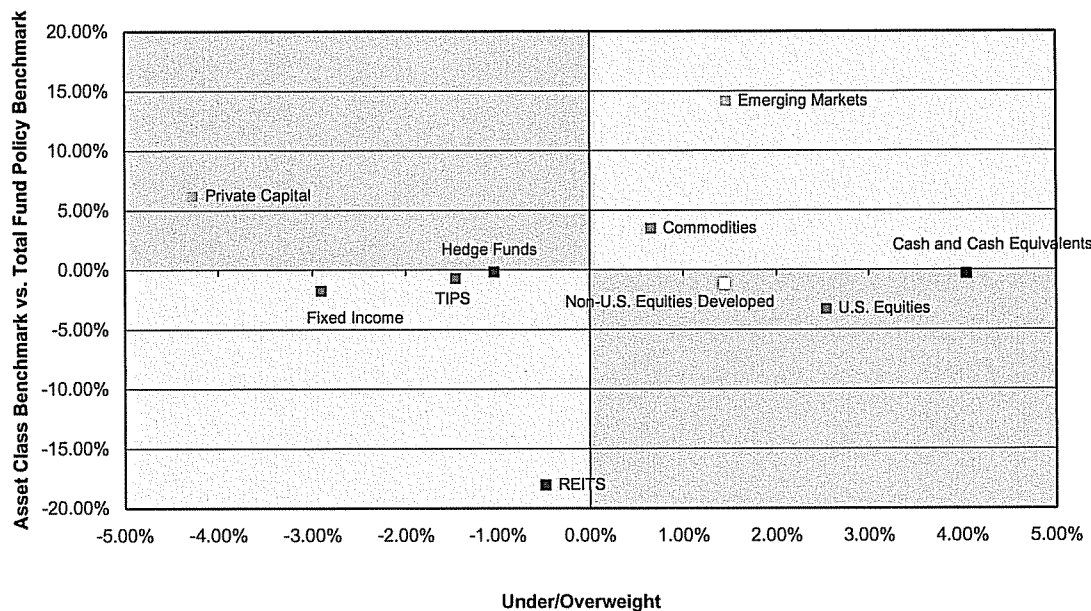
Universe Source: (c) Mellon Analytical Solutions
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The Foundations and Endowments Billion Dollar Fund Universe consists of all assets of foundations and endowments of Russell/Mellon clients with at least one billion dollars in assets. The number of funds in the universe as of June 30, 2007 was 42.

Deviations From Policy Targets Within Tactical Policy Ranges for PUF

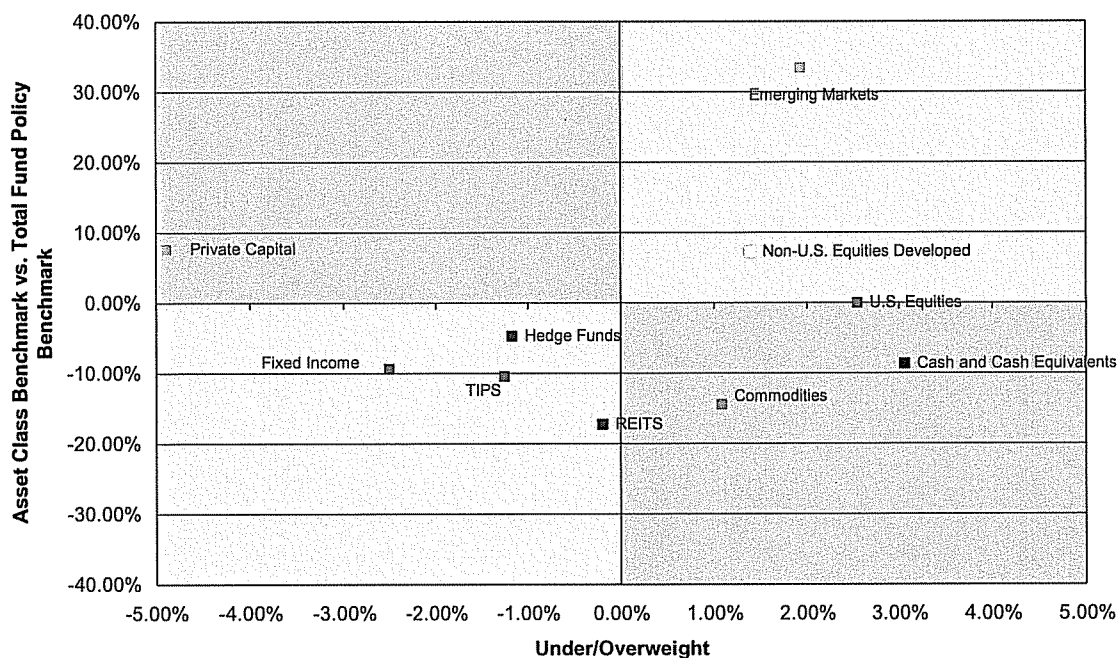


Permanent University Fund - 3 Months ended July 31, 2007



Impact on Over/(Under) Performance (bps)	
Emerging Mkts	16
REITS	9
Fixed Income	5
TIPS	2
Commodities	1
Subtotal	33
Cash & Equiv	(1)
Non-U.S. Equities	(1)
Hedge Funds	(2)
U.S. Equities	(4)
Private Capital	(10)
Subtotal	(18)
TOTAL	15

Permanent University Fund - Fiscal YTD ended July 31, 2007



Impact on Over/(Under) Performance (bps)	
Emerging Mkts	45
Fixed Income	23
TIPS	12
REITS	7
Non-U.S. Equities	5
U.S. Equities	1
Subtotal	93
Hedge Funds	(3)
Cash & Equiv	(30)
Commodities	(39)
Private Capital	(41)
Subtotal	(113)
TOTAL	(20)

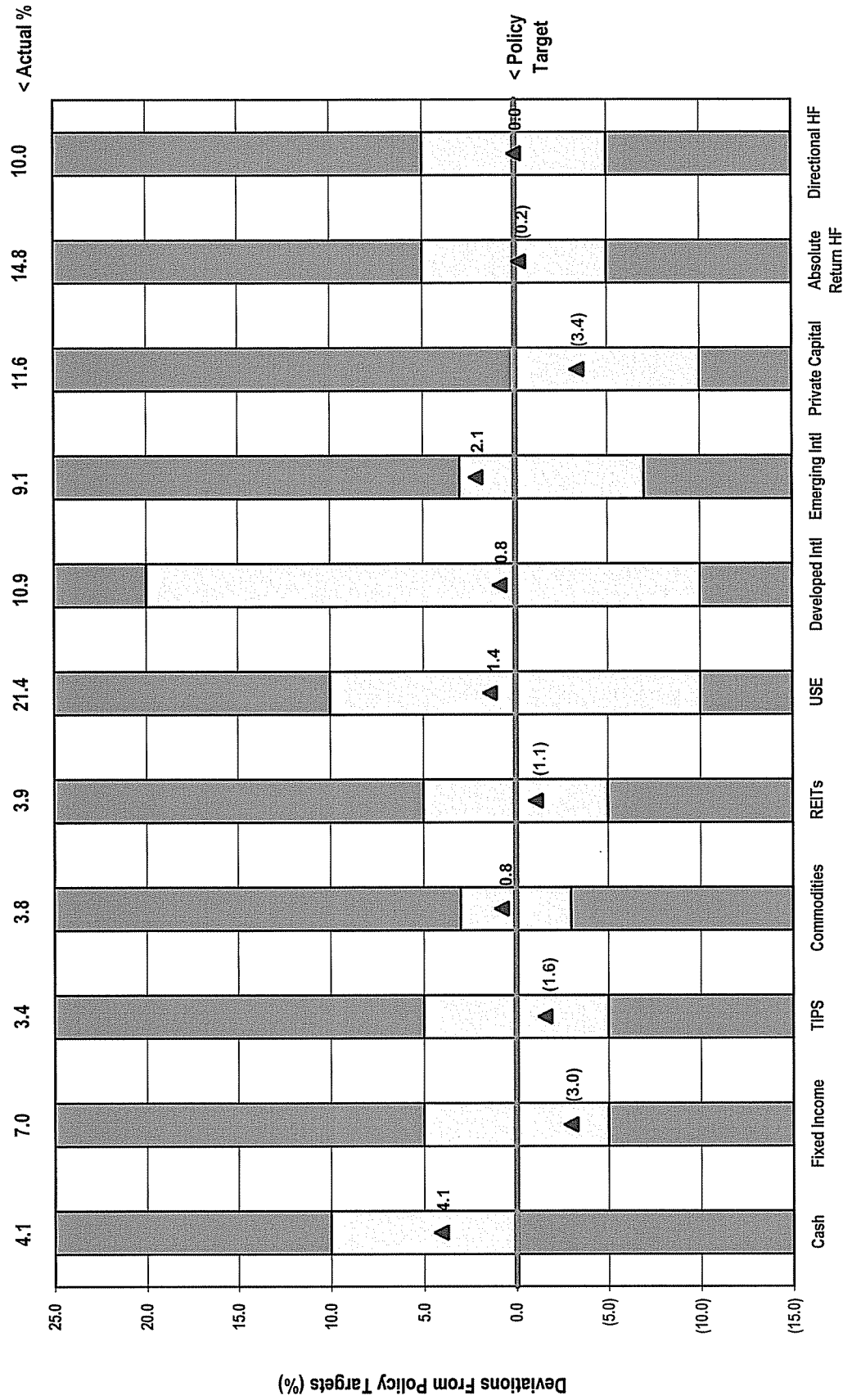
Permanent University Fund - Active Management Alpha

Periods Ended July, 31, 2007

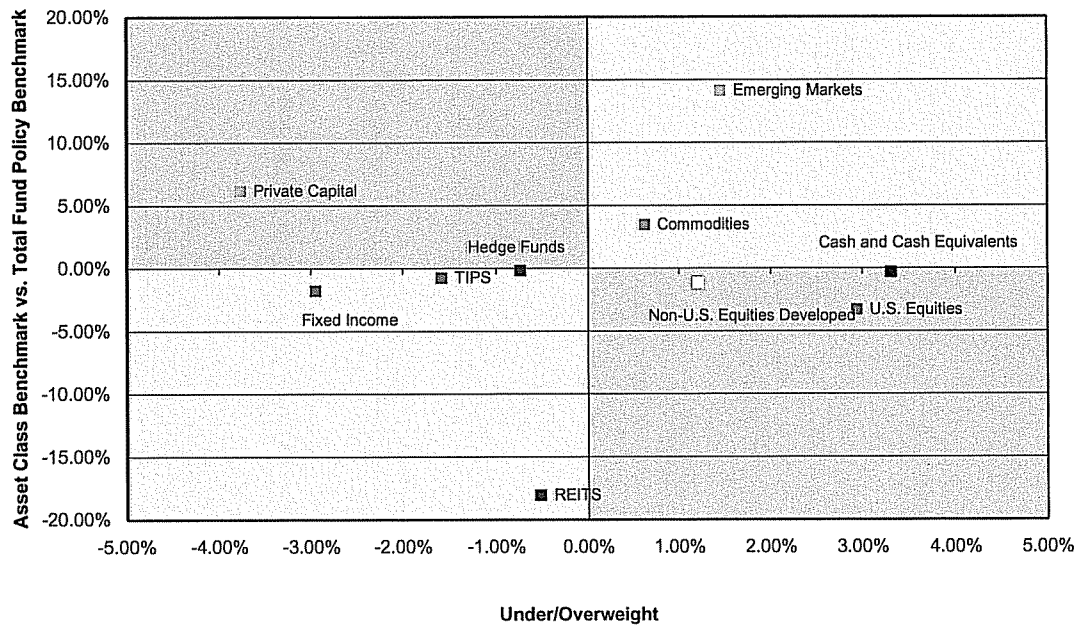
	3 Months (bps)	Manager (Alpha)
Hedge Funds	71	Fox Point (22.71), Eton Park (16.56), Highside (15.11)
U.S. Equities	27	Blackrock (6.92), Value Act (6.41), Blavin (3.90)
REITS	12	Morgan Stanley (5.87)
Non-U.S. Equities	5	Blackrock (8.46), Globeflex Canada (7.21)
Cash & Equiv	-	
Subtotal	115	
Fixed Income	(1)	Internal (.35), Reams (.68)
Commodities	(1)	Internal Futures (.29), PIMCO (1.29)
TIPS	(3)	Reams (1.07), PIMCO (.52)
Emerging Mkts	(17)	Templeton (5.38), Templeton High Alpha (5.42)
Private Capital	(58)	
Subtotal	(80)	
TOTAL	35	

	FYTD (bps)	Manager (Alpha)
Hedge Funds	208	Highside (30.05), TPG-Axon (29.28), Coghill (26.97)
REITS	25	Morgan Stanley (19.82)
U.S. Equities	21	Value Act (7.68), Westport (7.13), Blavin (3.53)
Private Capital	13	
Cash & Equiv	-	
Fixed Income	-	PIMCO (1.41), Reams (.16), Global Inv. Advisors (1.06)
Subtotal	267	
TIPS	(2)	PIMCO (.50), Reams (.34)
Commodities	(17)	Internal Futures (1.15), PIMCO (1.29)
Emerging Mkts	(24)	Templeton (9.74), Templeton High Alpha (5.58)
Non-U.S. Equities	(31)	Blackrock (5.94), Cundill Japan (3.49)
Subtotal	(74)	
TOTAL	193	

Deviations From Policy Targets Within Tactical Policy Ranges for GEF

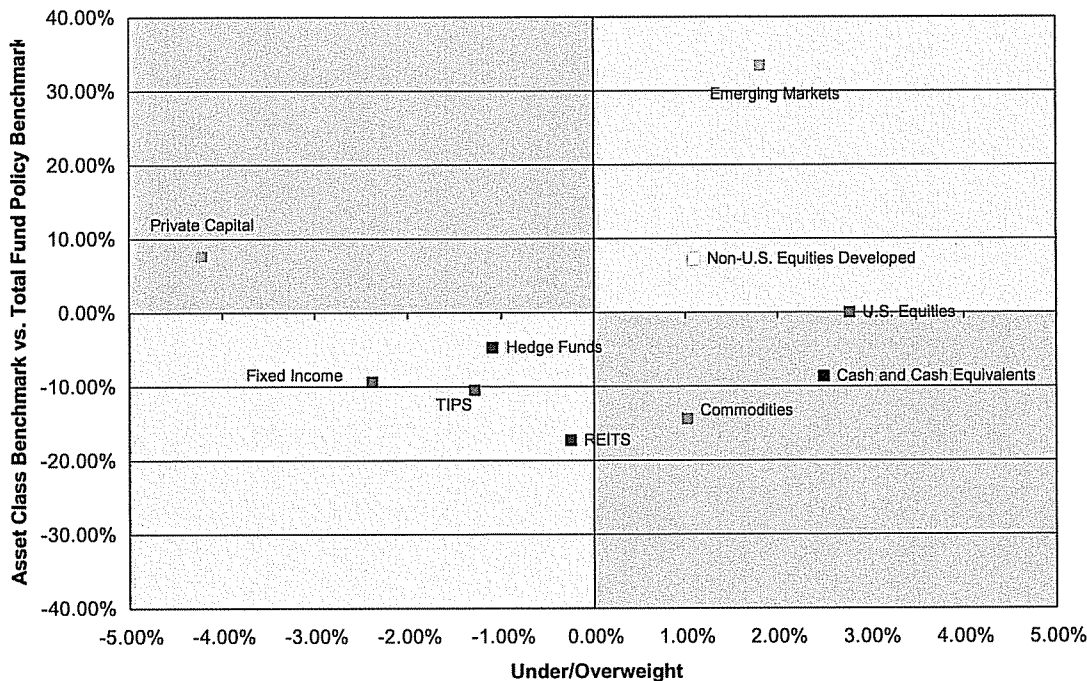


General Endowment Fund - 3 Months ended July 31, 2007



	Impact on Over/(Under) Performance (bps)
Emerging Mkts	17
REITS	10
Fixed Income	4
Commodities	2
Cash & Equiv	1
TIPS	1
Subtotal	35
Non-U.S. Equities	(1)
Hedge Funds	(2)
U.S. Equities	(5)
Private Capital	(6)
Subtotal	(14)
TOTAL	21

General Endowment Fund - Fiscal YTD ended July 31, 2007



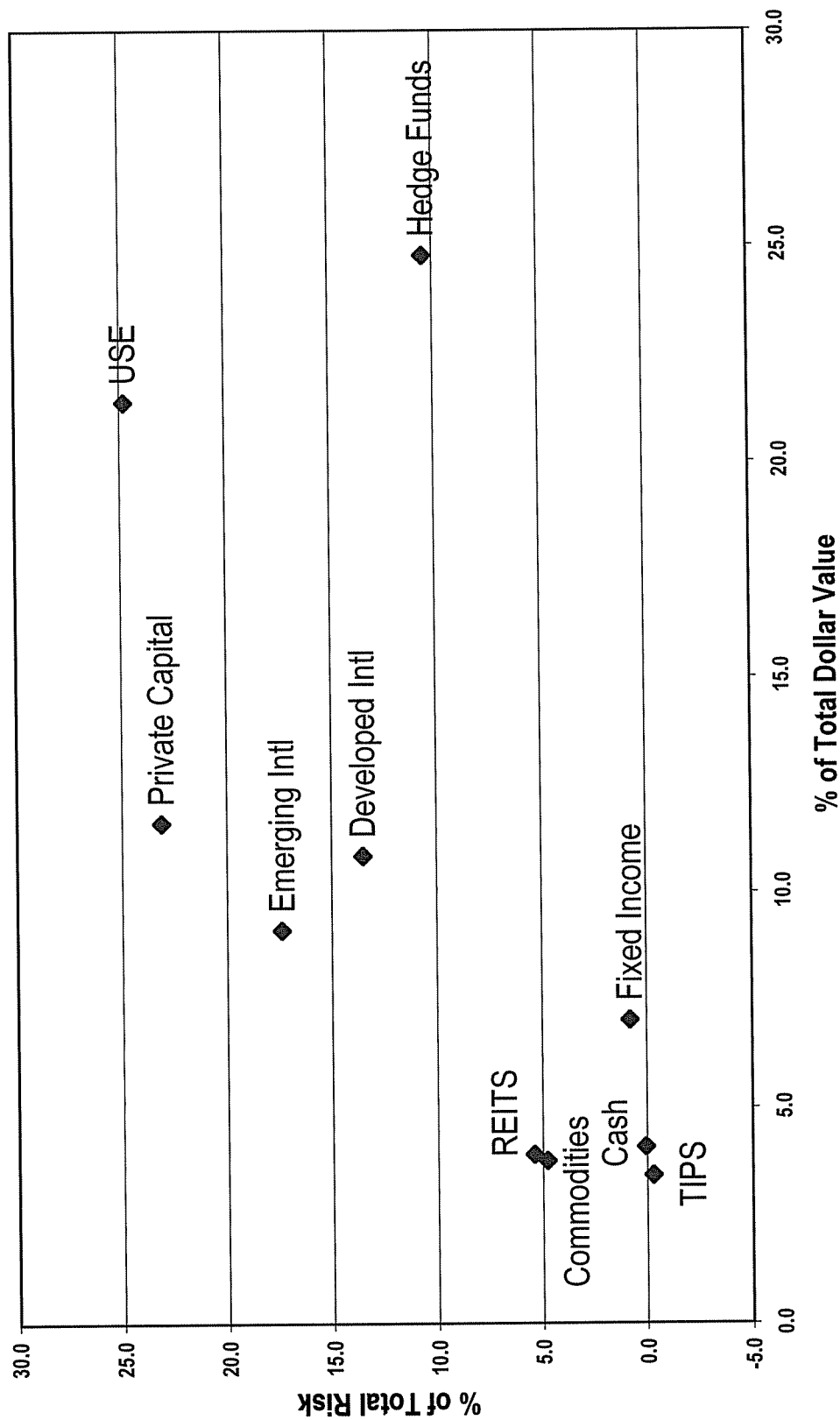
	Impact on Over/(Under) Performance (bps)
Emerging Mkts	45
Fixed Income	23
TIPS	13
REITS	6
Non-U.S. Equities	3
U.S. Equities	2
Subtotal	92
Hedge Funds	(1)
Cash & Equiv	(22)
Commodities	(35)
Private Capital	(46)
Subtotal	(104)
TOTAL	(12)

General Endowment Fund - Active Management Alpha Periods Ended July, 31, 2007

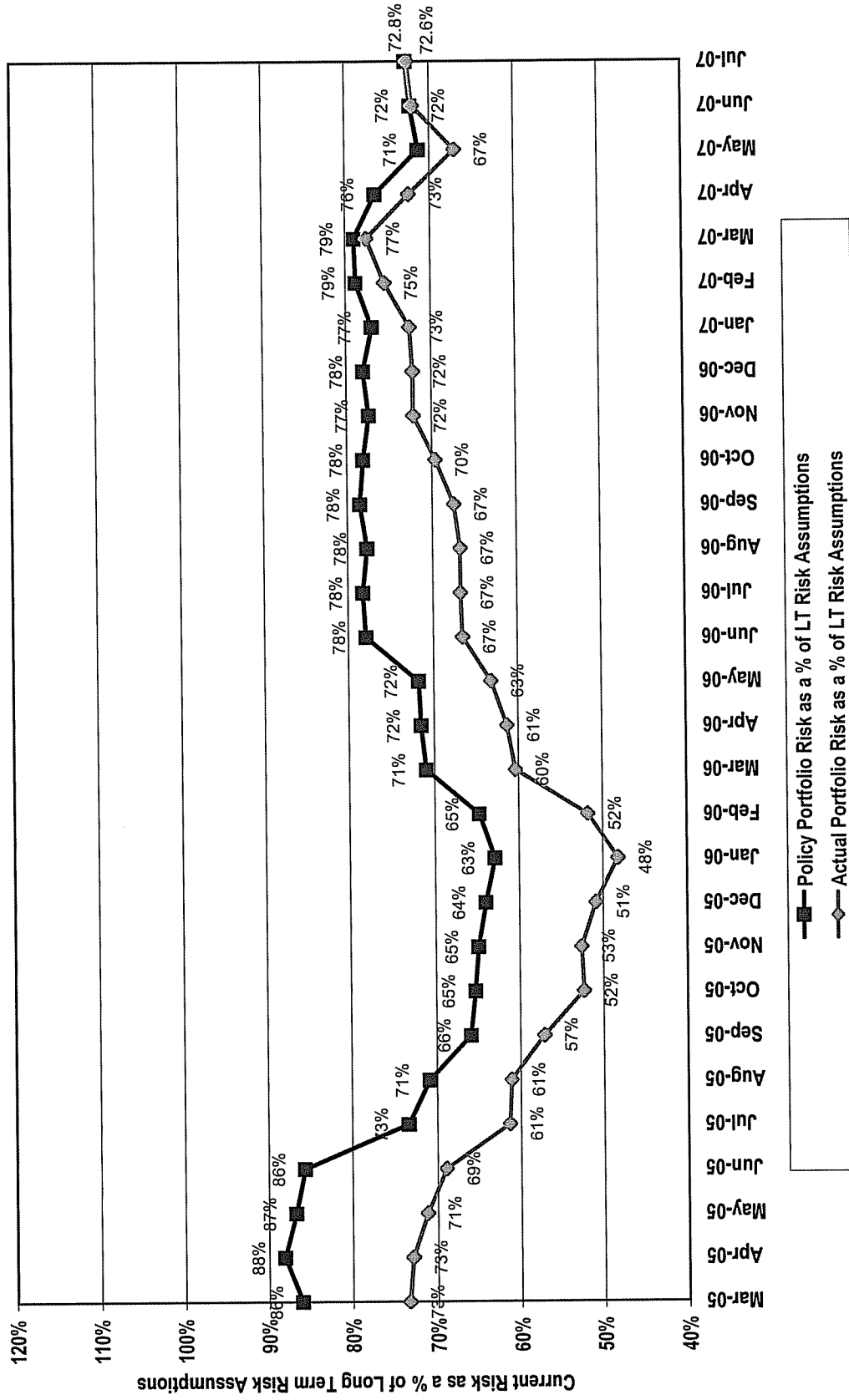
	3 Months (bps)	Manager (Alpha)
Hedge Funds	71	Fox Point (22.71), Eton Park (16.56), Highside (15.11)
U.S. Equities	25	Blackrock (6.94), Value Act (6.41), Blavin (3.90)
REITS	12	Morgan Stanley (5.88)
Non-U.S. Equities	4	Blackrock (8.44), Globeflex Canada (7.23)
Cash & Equiv	-	
Commodities	-	Internal Futures (.32), PIMCO (1.17)
	<u>Subtotal</u>	<u>112</u>
Fixed Income		(1) Internal (.37), Reams (.69)
TIPS		(3) Reams (1.08), PIMCO (.53)
Emerging Mkts		(16) Templeton (5.38), Templeton High Alpha (5.42)
Private Capital	(62)	
	<u>Subtotal</u>	<u>(82)</u>
TOTAL	30	

	FYTD (bps)	Manager (Alpha)
Hedge Funds	208	Highside (30.05), TPG-Axon (29.28), Coghill (26.97)
Private Capital	46	
REITS	26	Morgan Stanley (19.73)
U.S. Equities	17	Value Act (7.68), Westport (6.23), Blavin (3.53)
Fixed Income	1	PIMCO (1.17), Reams (.18), Global Inv. Advisors (1.06)
Cash & Equiv	-	
	<u>Subtotal</u>	<u>298</u>
TIPS		(2) PIMCO (.47), Reams (.34)
Commodities		(17) Internal Futures (1.19), PIMCO (1.44)
Emerging Mkts		(23) Templeton (9.70), Templeton High Alpha (5.58)
Non-U.S. Equities	(31)	Dalton Japan (12.58), Blackrock (5.95)
	<u>Subtotal</u>	<u>(73)</u>
TOTAL	225	

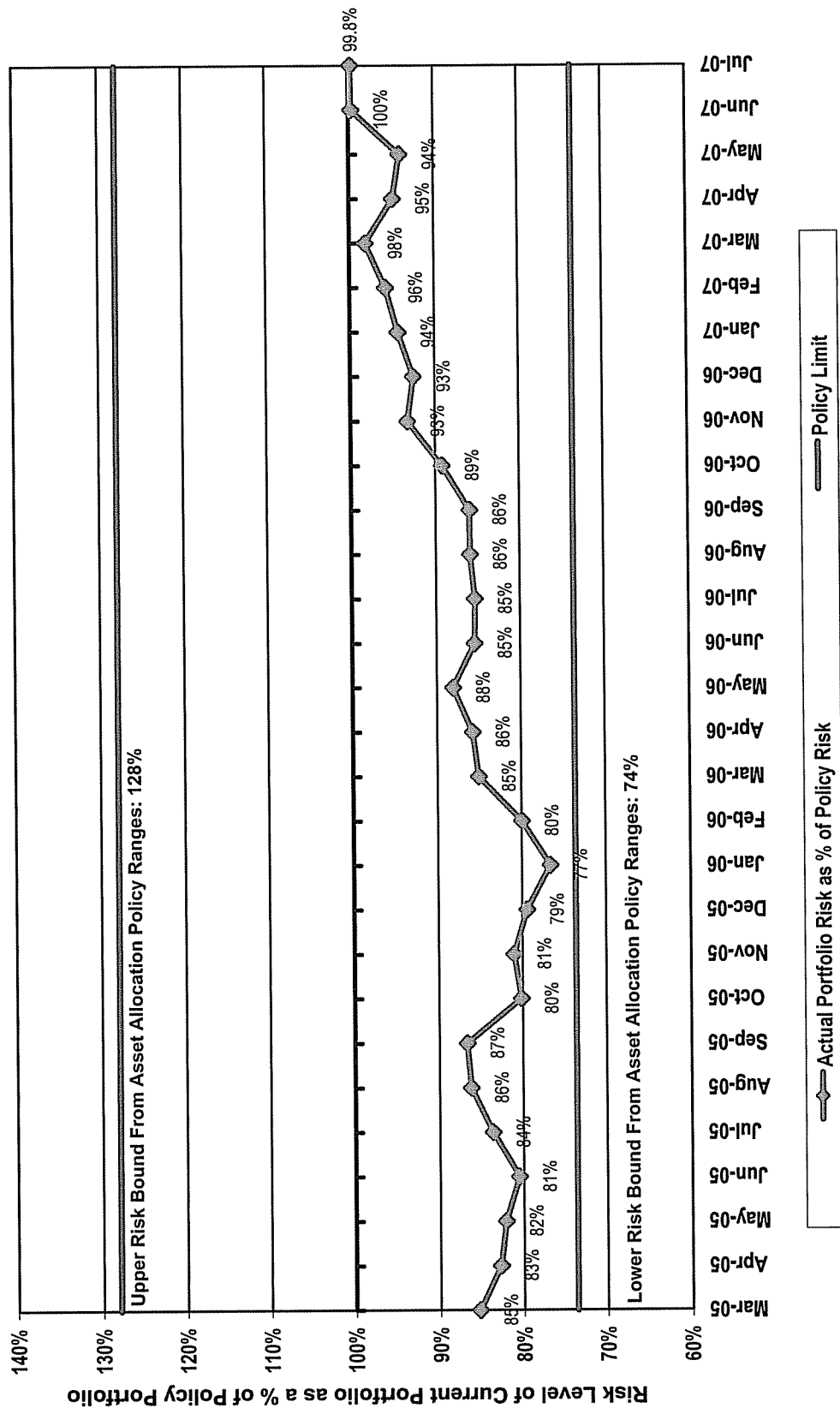
Asset Category Allocations for GEF Dollar Allocations Compared to Downside Risk Allocation



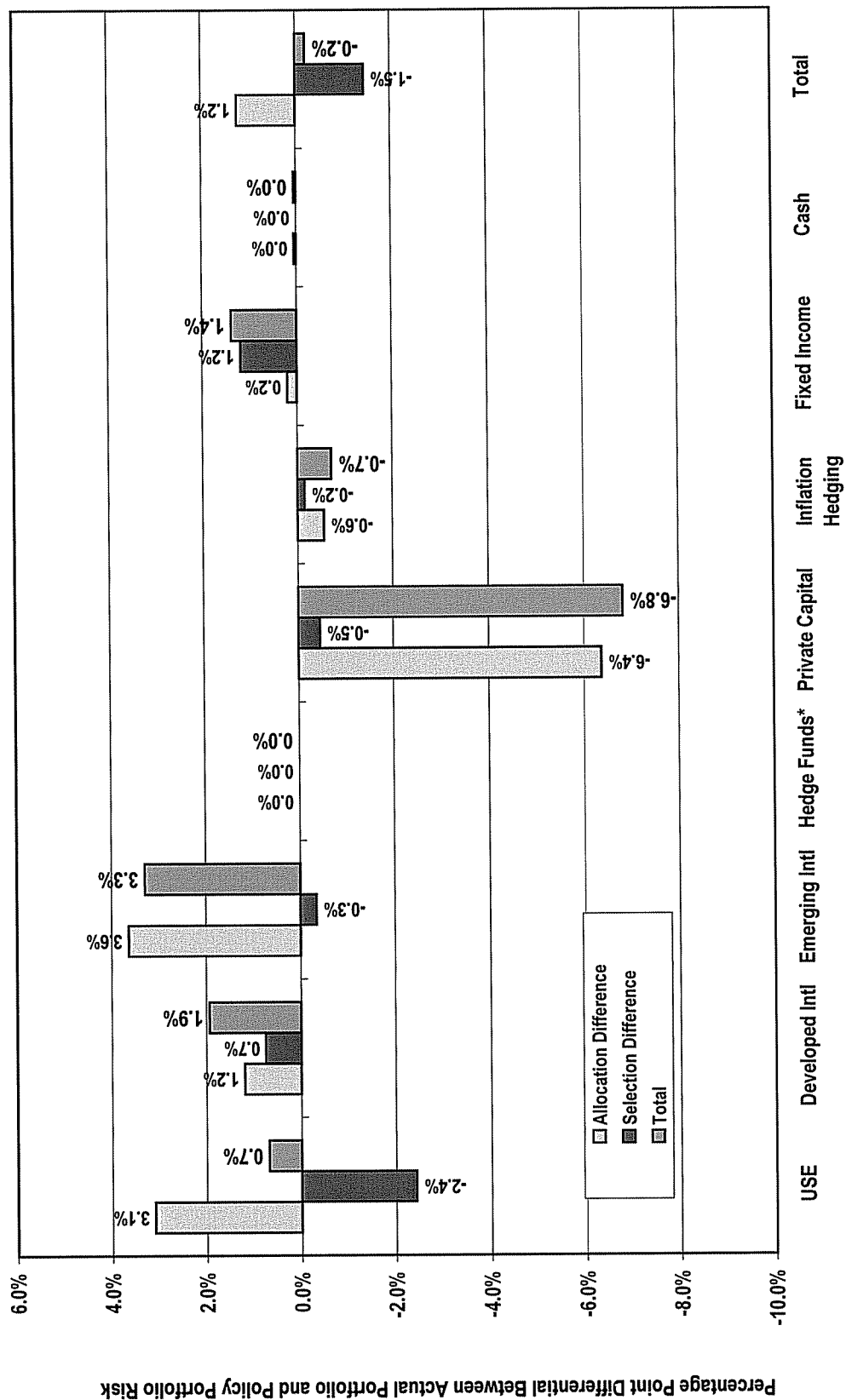
Current Risk Environment of GEF (Based on Downside Risk)



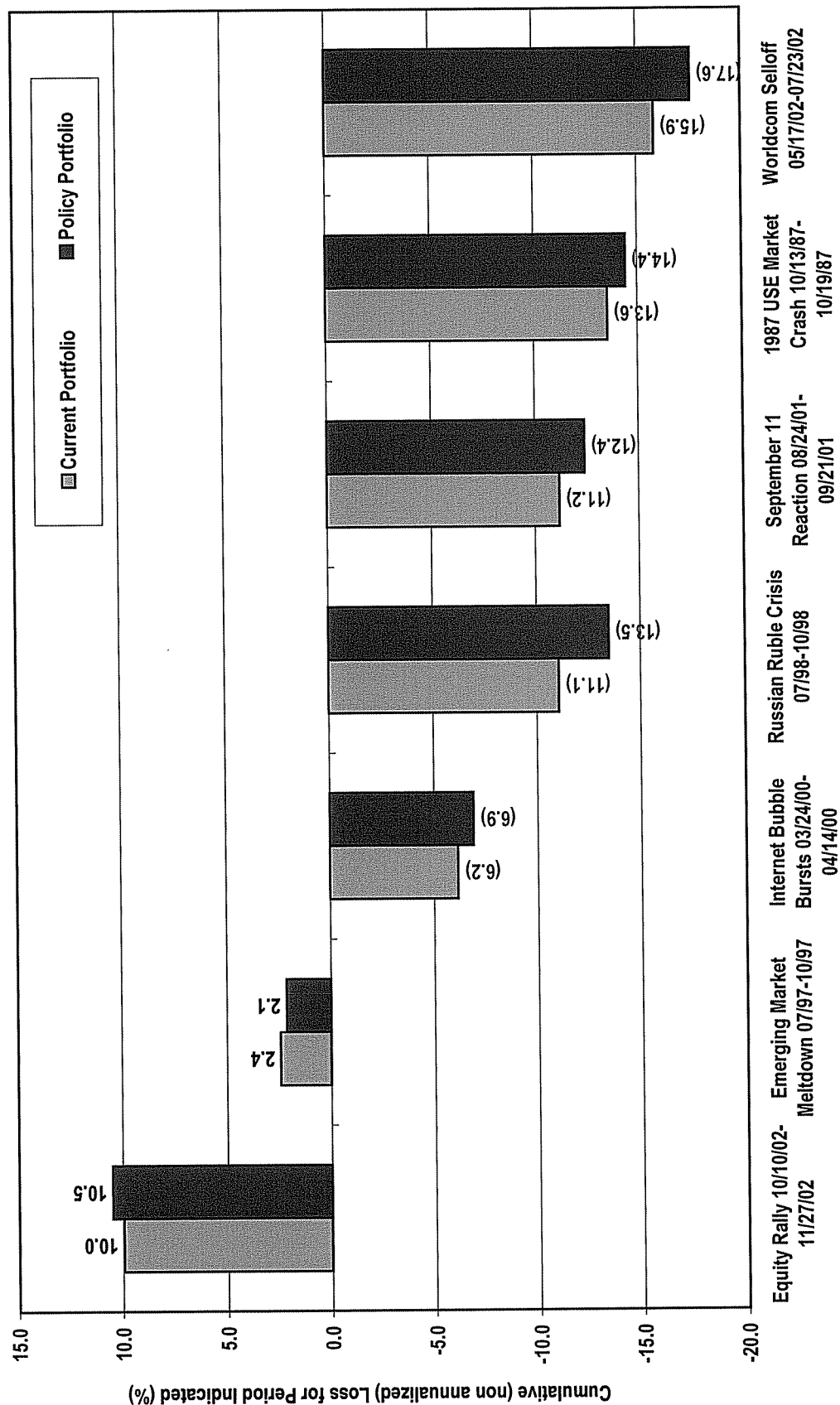
Risk Capacity Utilization of GEF (Based on Downside Risk)



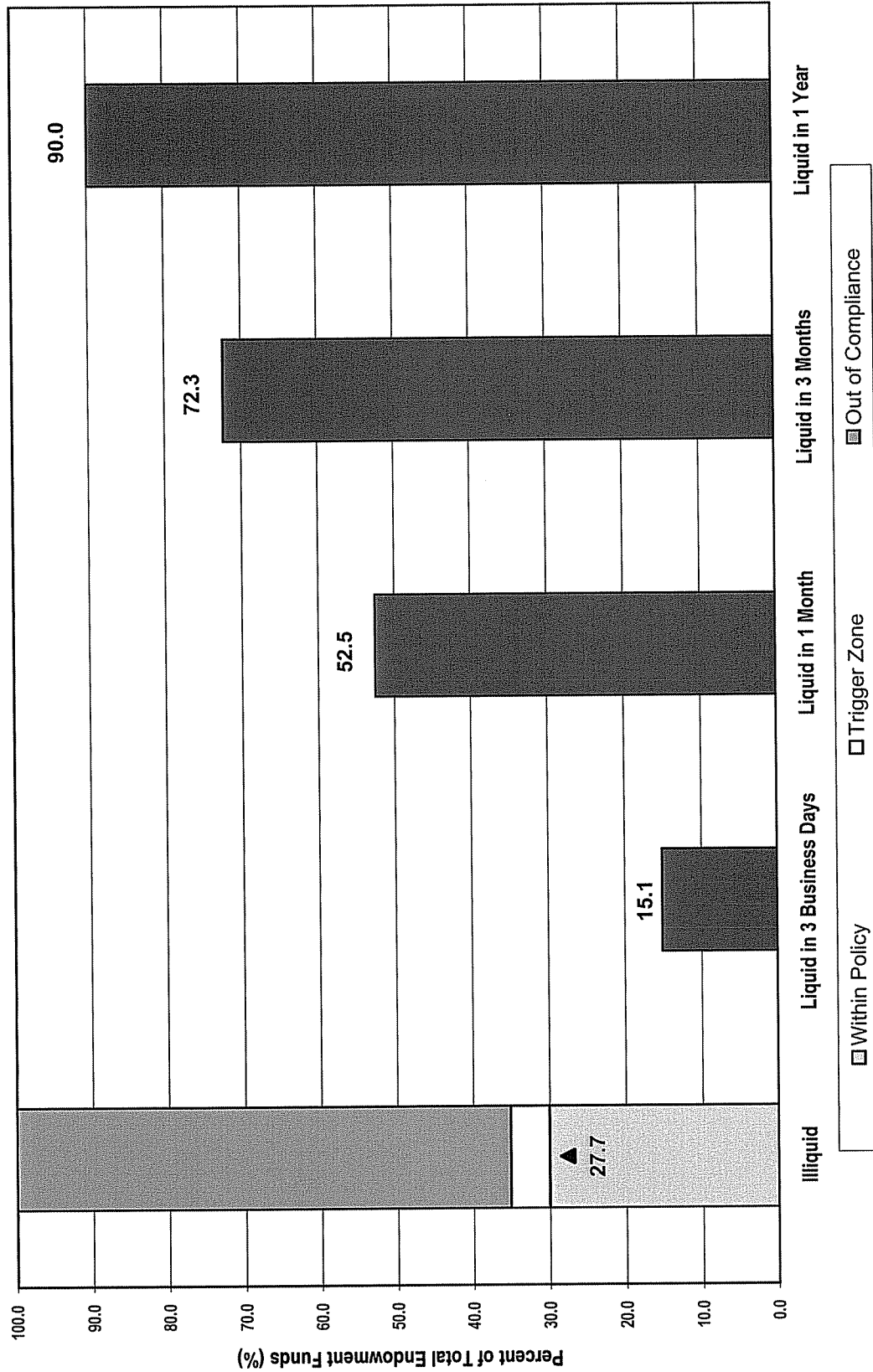
Sources of Differences Between Current Portfolio Risk and Policy Portfolio Risk for GEF (Based on Downside Risk)



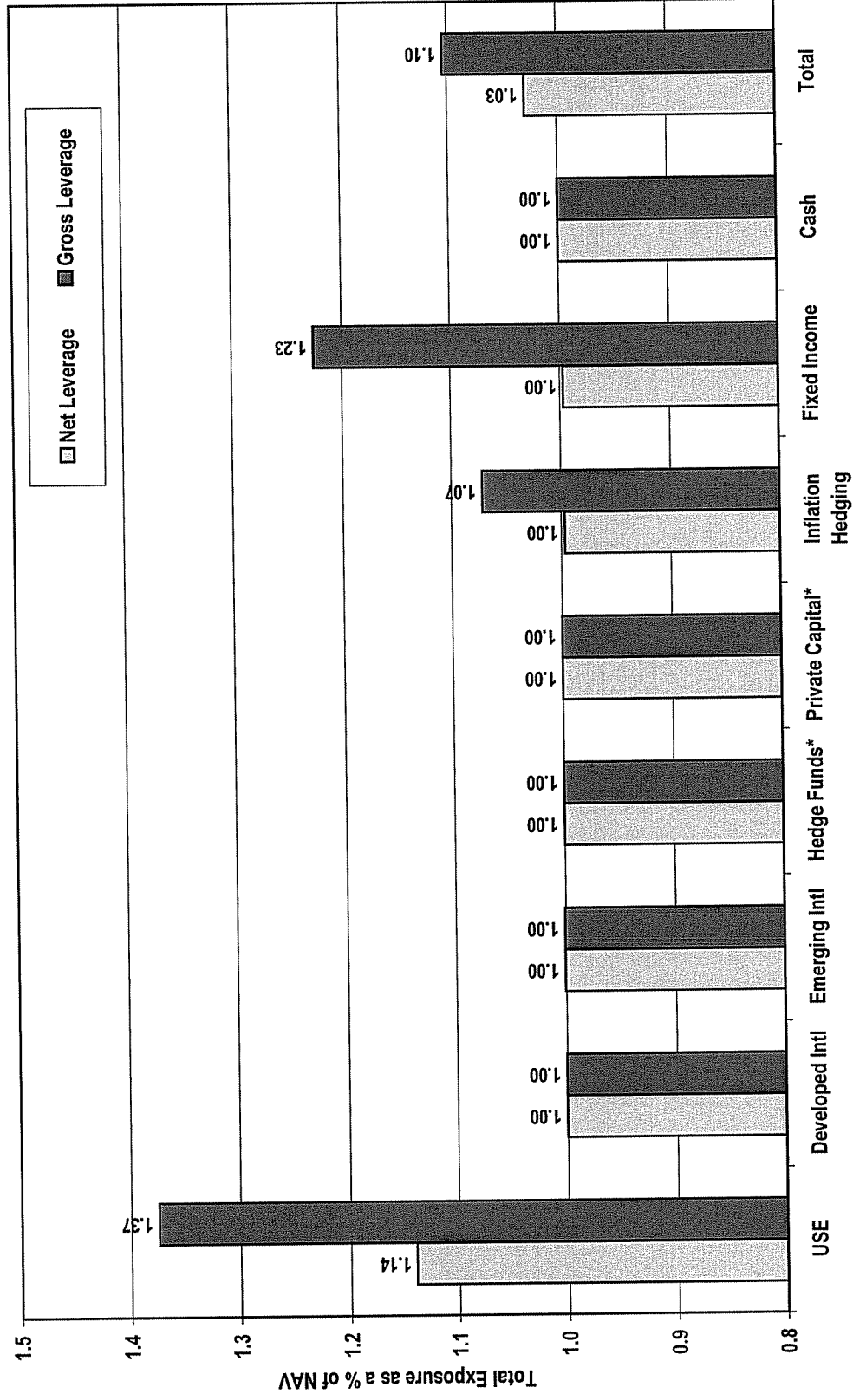
Hypothetical Performance of Current GEF Portfolio in Selected Stress Environments



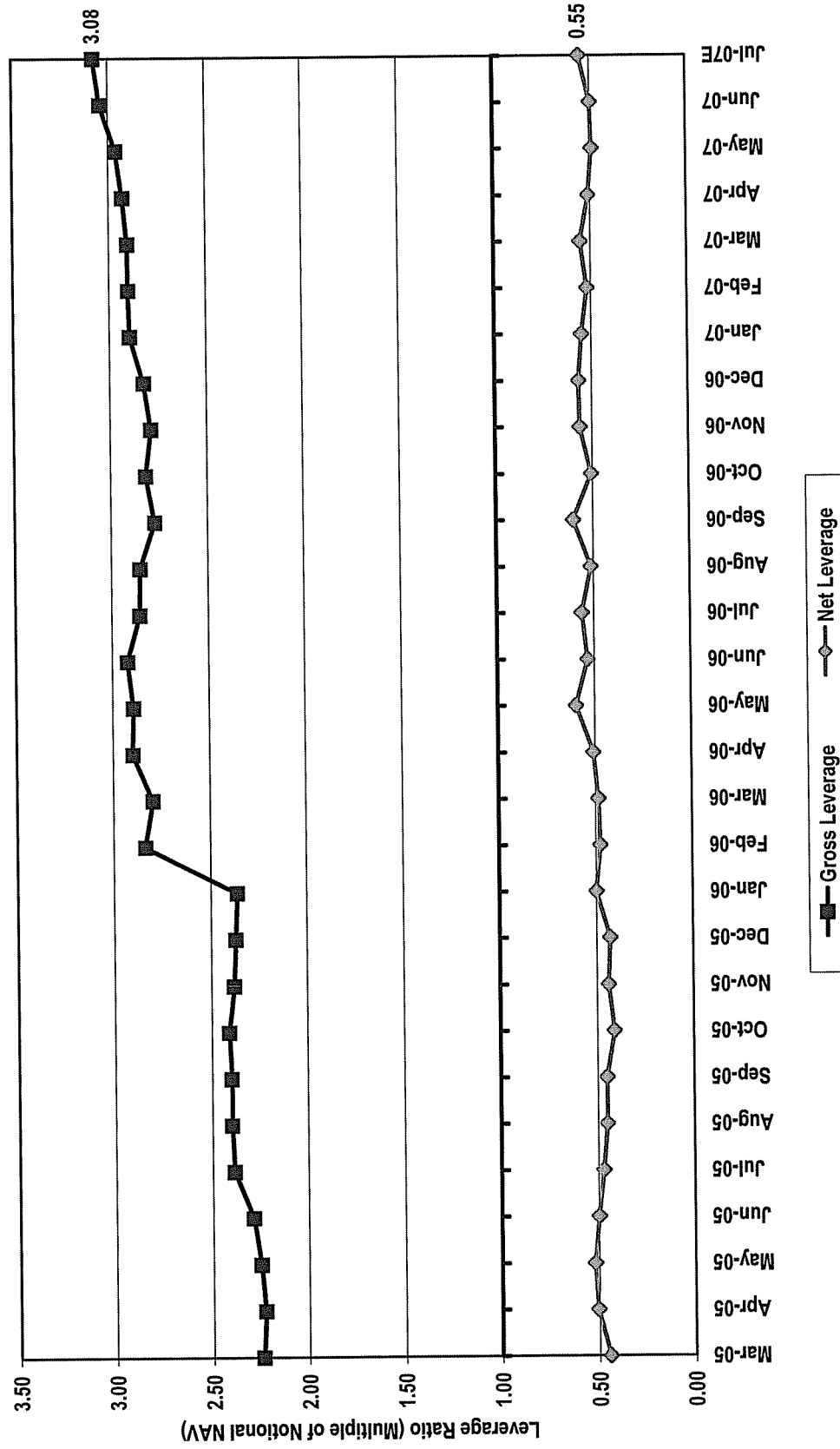
Liquidity Profile of Total Endowment Funds (PUF & GEF)



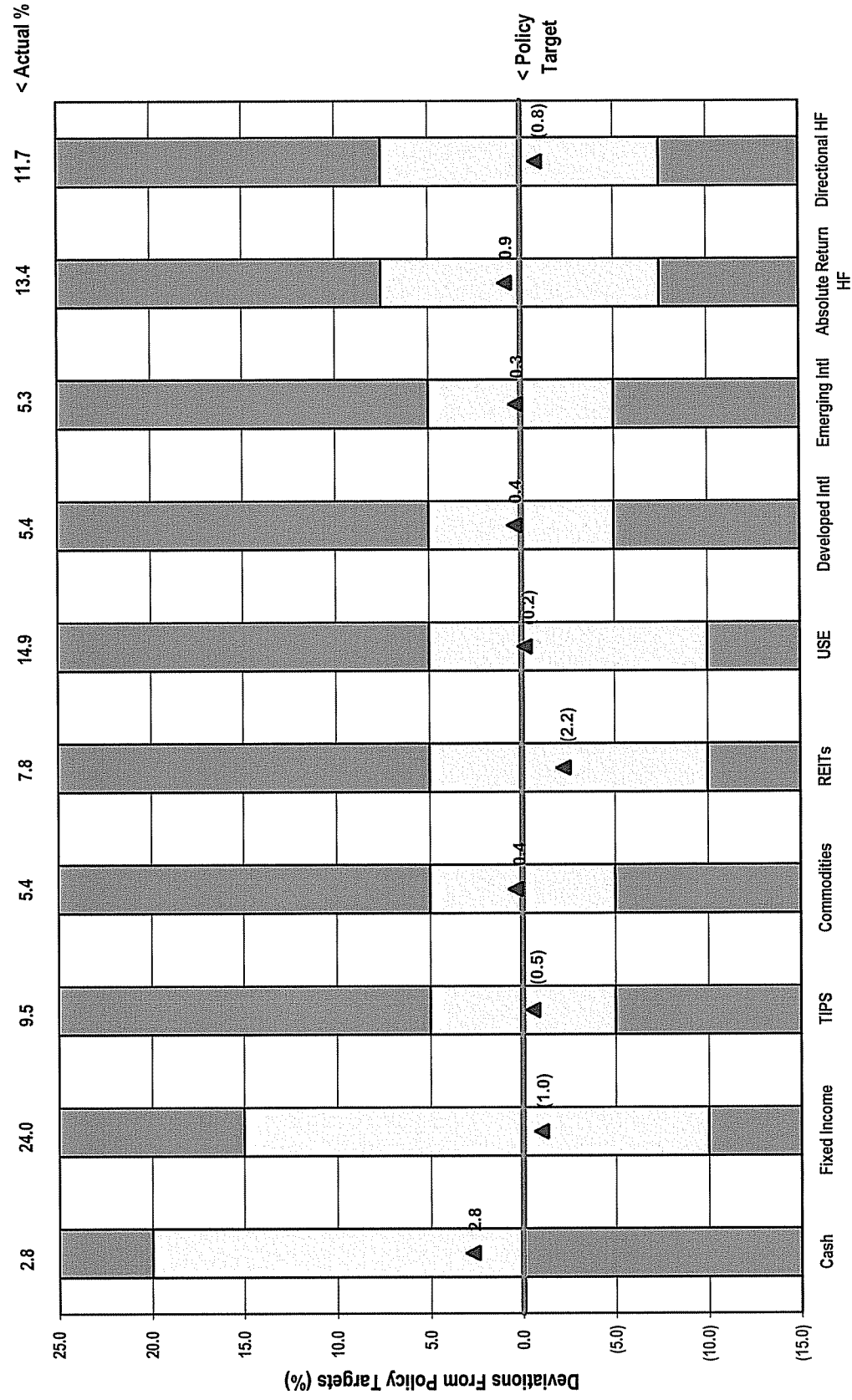
Net and Gross Leverage of GEF



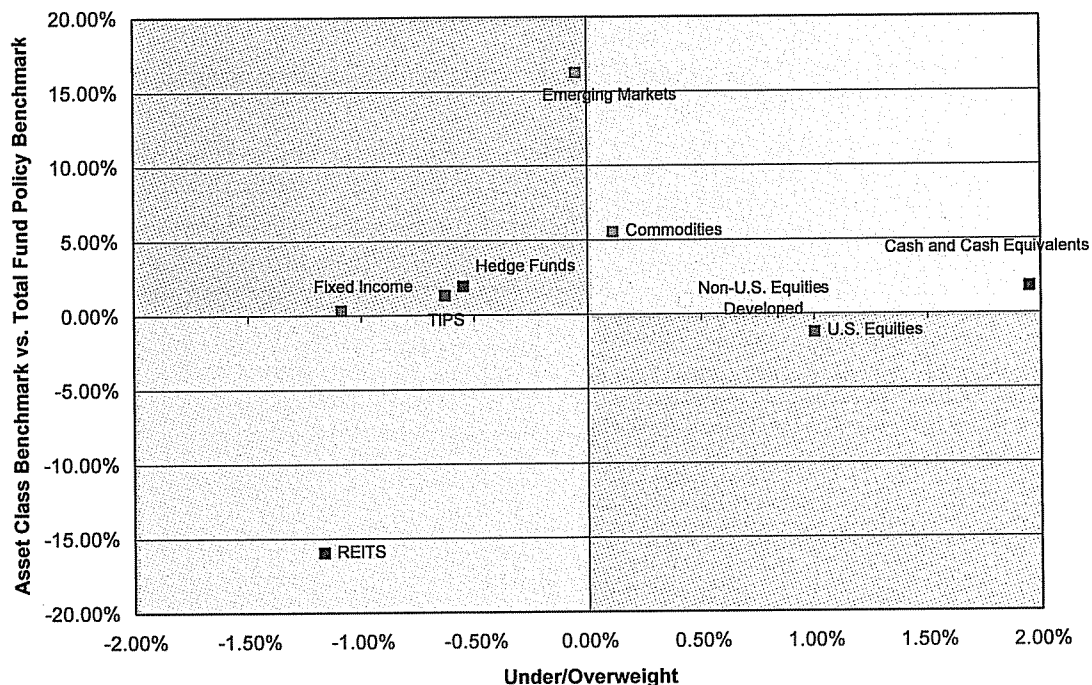
UTIMCO Hedge Fund Portfolio Gross and Net Leverage



Deviations From Policy Targets Within Tactical Policy Ranges for ITF

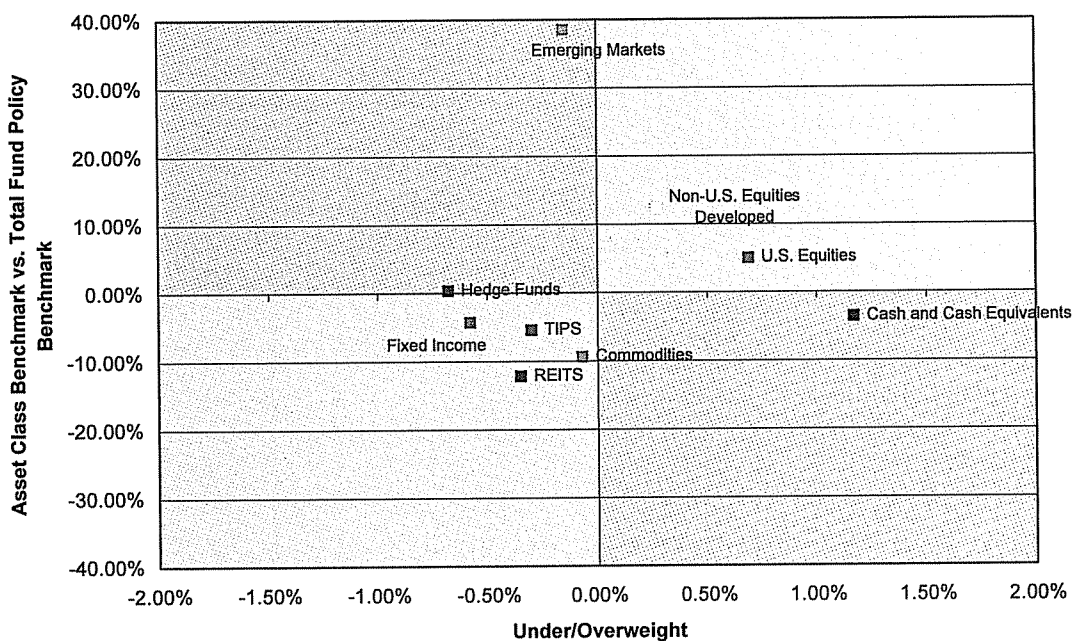


Intermediate Term Fund - 3 months ended July 31, 2007



	Impact on Over/(Under) Performance (bps)
REITS	18
Cash & Equiv	4
U.S. Equities	2
Commodities	1
Non-U.S. Equities	-
Subtotal	25
Emerging Mkts	(1)
TIPS	(1)
Fixed Income	(2)
Hedge Funds	(5)
Subtotal	(9)
TOTAL	16

Intermediate Term Fund - Fiscal YTD ended July 31, 2007



	Impact on Over/(Under) Performance (bps)
REITS	23
U.S. Equities	4
Non-U.S. Equities	2
TIPS	-
Subtotal	29
Commodities	(1)
Fixed Income	(2)
Emerging Mkts	(4)
Cash & Equiv	(6)
Hedge Funds	(13)
Subtotal	(26)
TOTAL	3

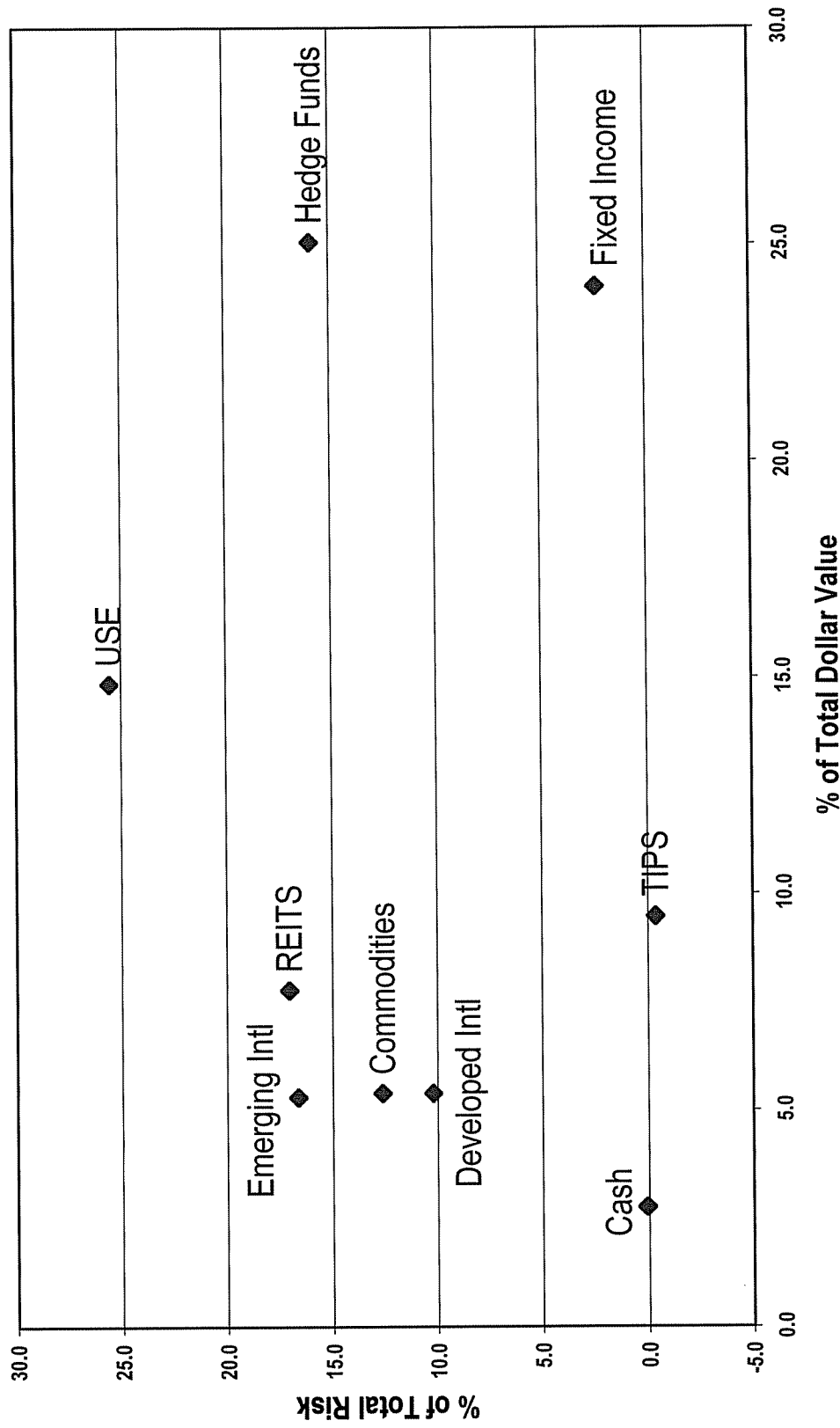
Intermediate Term Fund - Active Management Alpha

Periods Ended July, 31, 2007

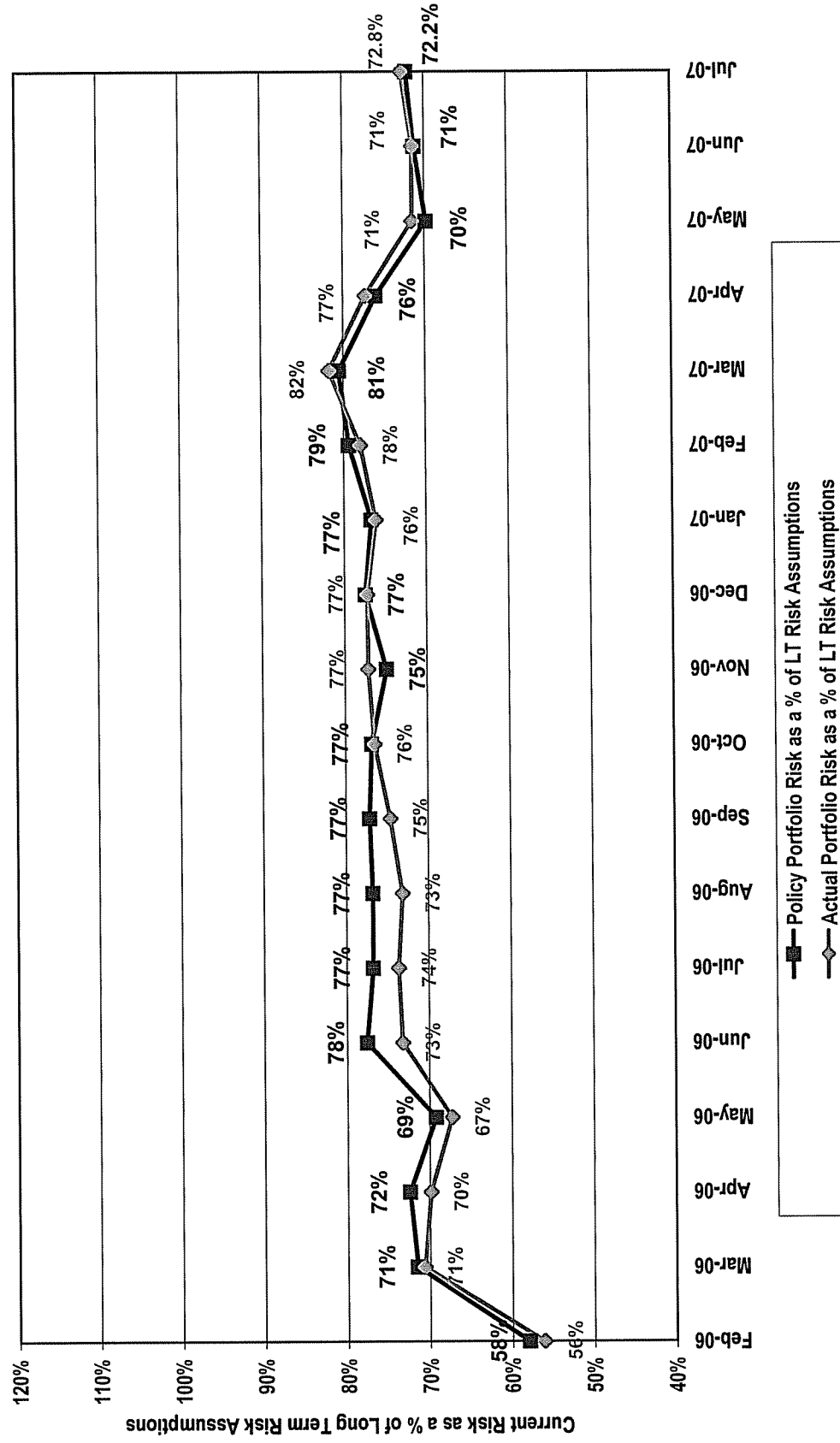
	3 Months (bps)	Manager (Alpha)
Hedge Funds	75	Fox Point (22.71), Eton Park (16.56), Highside (15.11)
REITS	28	Morgan Stanley (6.02)
U.S. Equities	13	Value Act (6.41), Blavin (3.90), Levin Utilities (2.82)
Non-U.S. Equities	1	Blackrock (7.47), Globeflex Microcap (4.48)
Commodities	1	Internal Futures (.40), PIMCO (.85)
Cash & Equiv	-	
Subtotal	118	
Fixed Income		(4) Internal (.35), Reams (.70)
TIPS		(7) Reams (1.06), PIMCO (.65)
Emerging Mkts		(9) Templeton (5.38), Templeton High Alpha (5.42)
Subtotal	(20)	
TOTAL	98	

	FYTD (bps)	Manager (Alpha)
Hedge Funds	207	Highside (30.05), TPG-Axon (29.28), Coghill (26.97)
REITS	44	Morgan Stanley (19.17)
U.S. Equities	9	Westport (10.41), Value Act (7.64), Blavin (3.53)
Cash & Equiv	-	
Subtotal	260	
Fixed Income		(3) PIMCO (1.00), Reams (.18), Global Inv. Advisors (1.05)
TIPS		(5) PIMCO (.95), Reams (.33)
Non-U.S. Equities		(11) Blackrock (6.97), Internal Futures (5.16)
Emerging Mkts		(16) Templeton (9.69), Templeton High Alpha (5.05)
Commodities		(18) Internal Futures (1.28), PIMCO (.54)
Subtotal	(53)	
TOTAL	207	

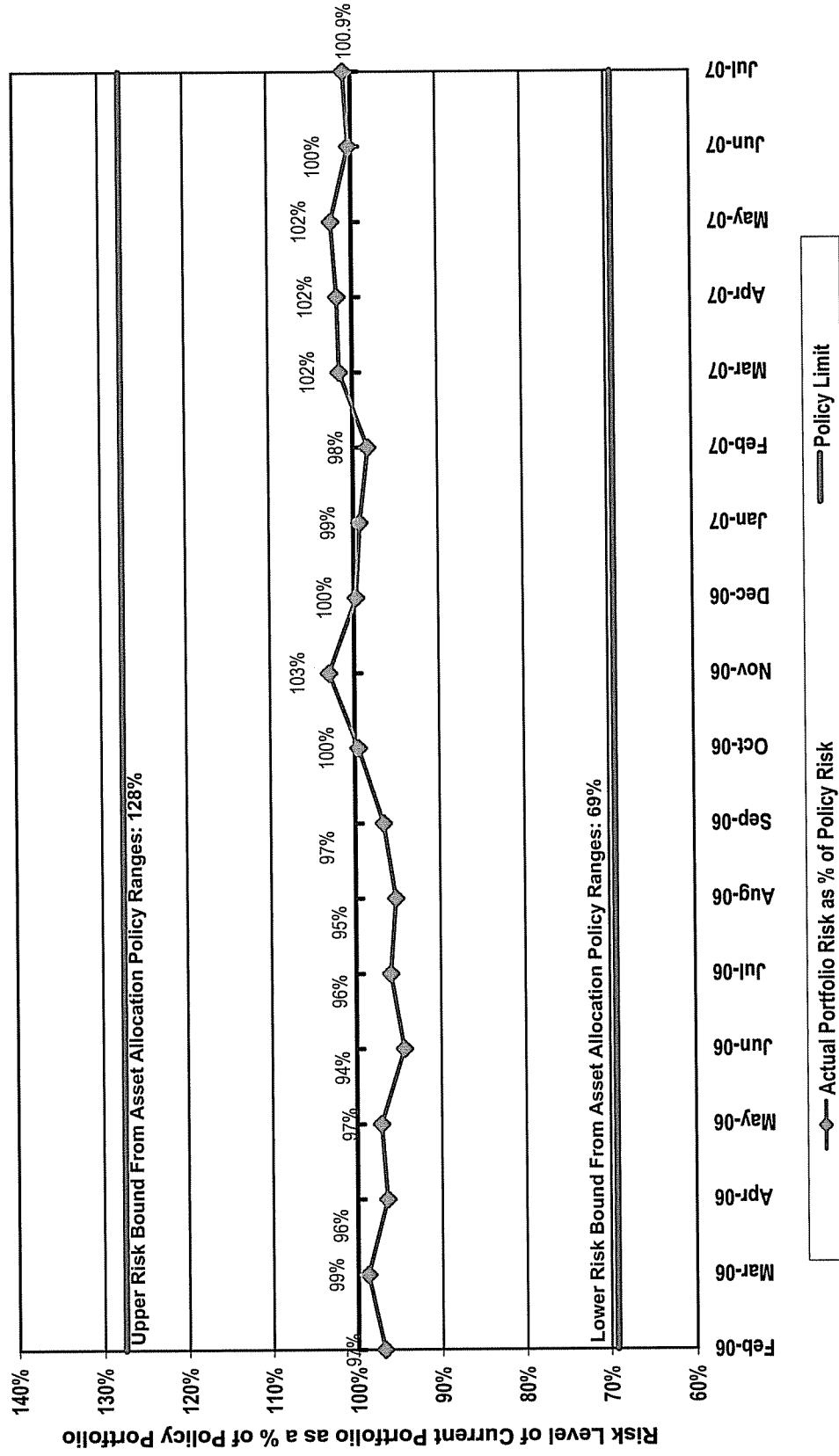
Asset Category Allocations for ITF Dollar Allocations Compared to Downside Risk Allocation



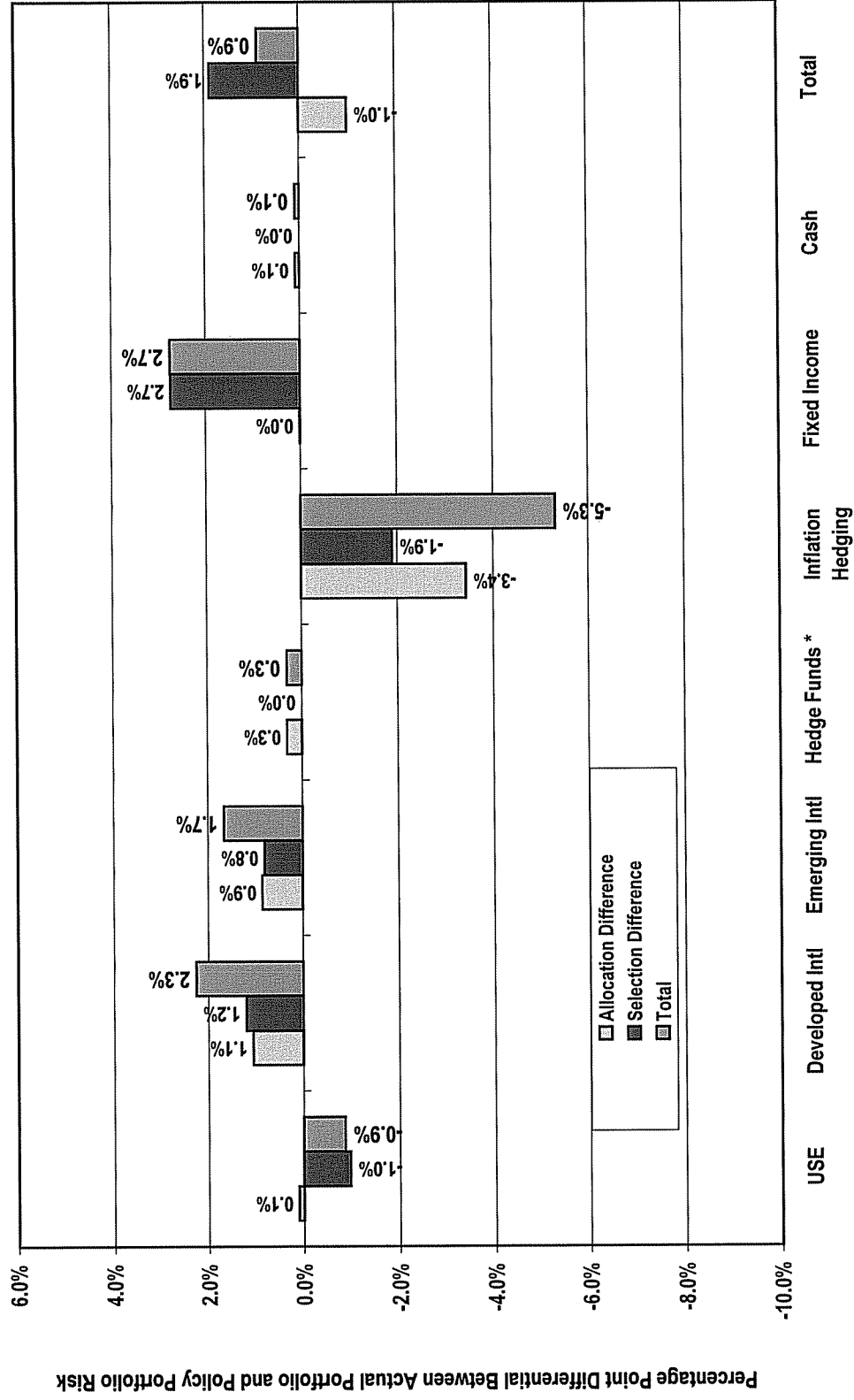
Current Risk Environment of ITF (Based on Downside Risk)



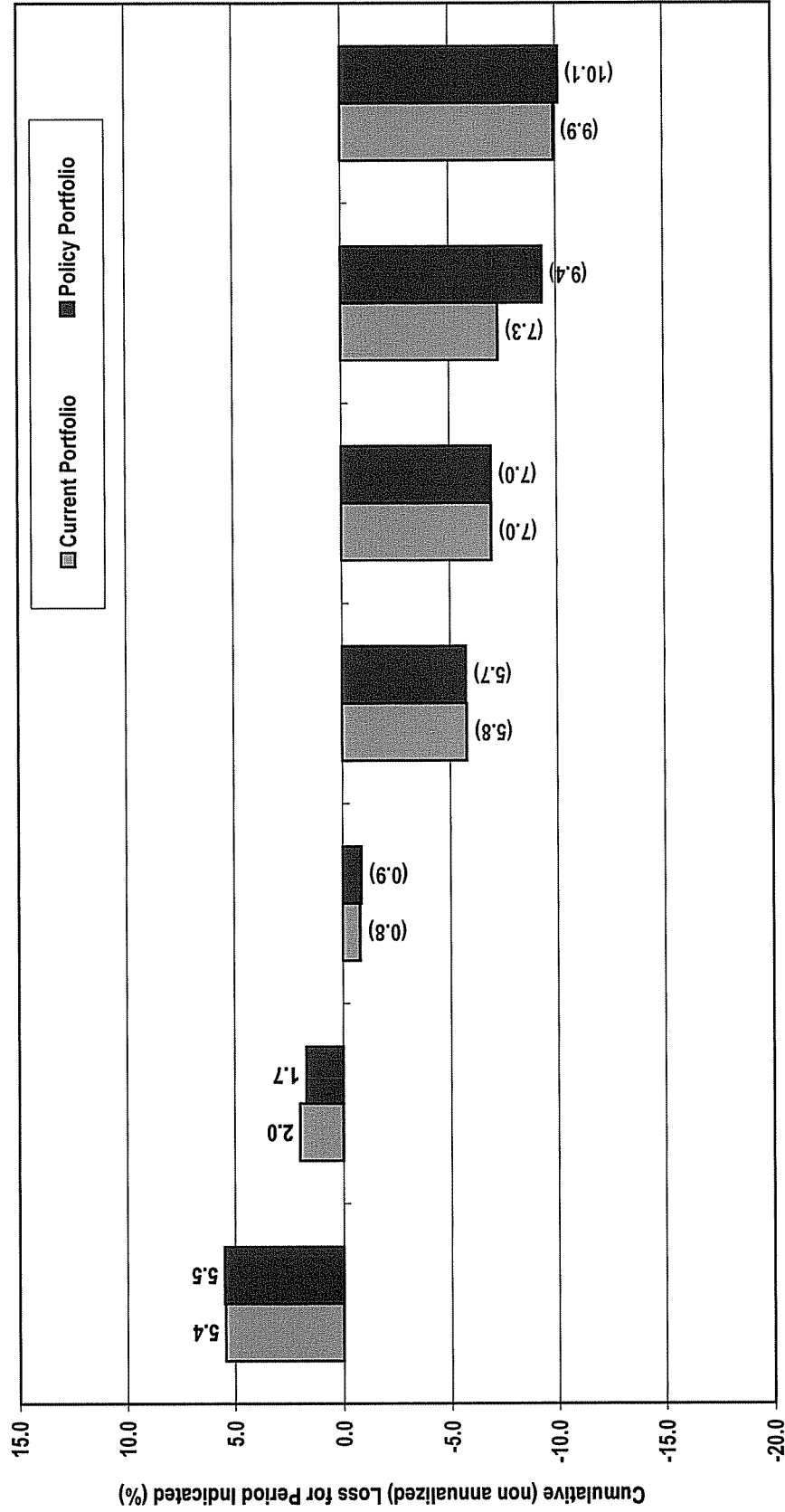
Risk Capacity Utilization of ITF (Based on Downside Risk)



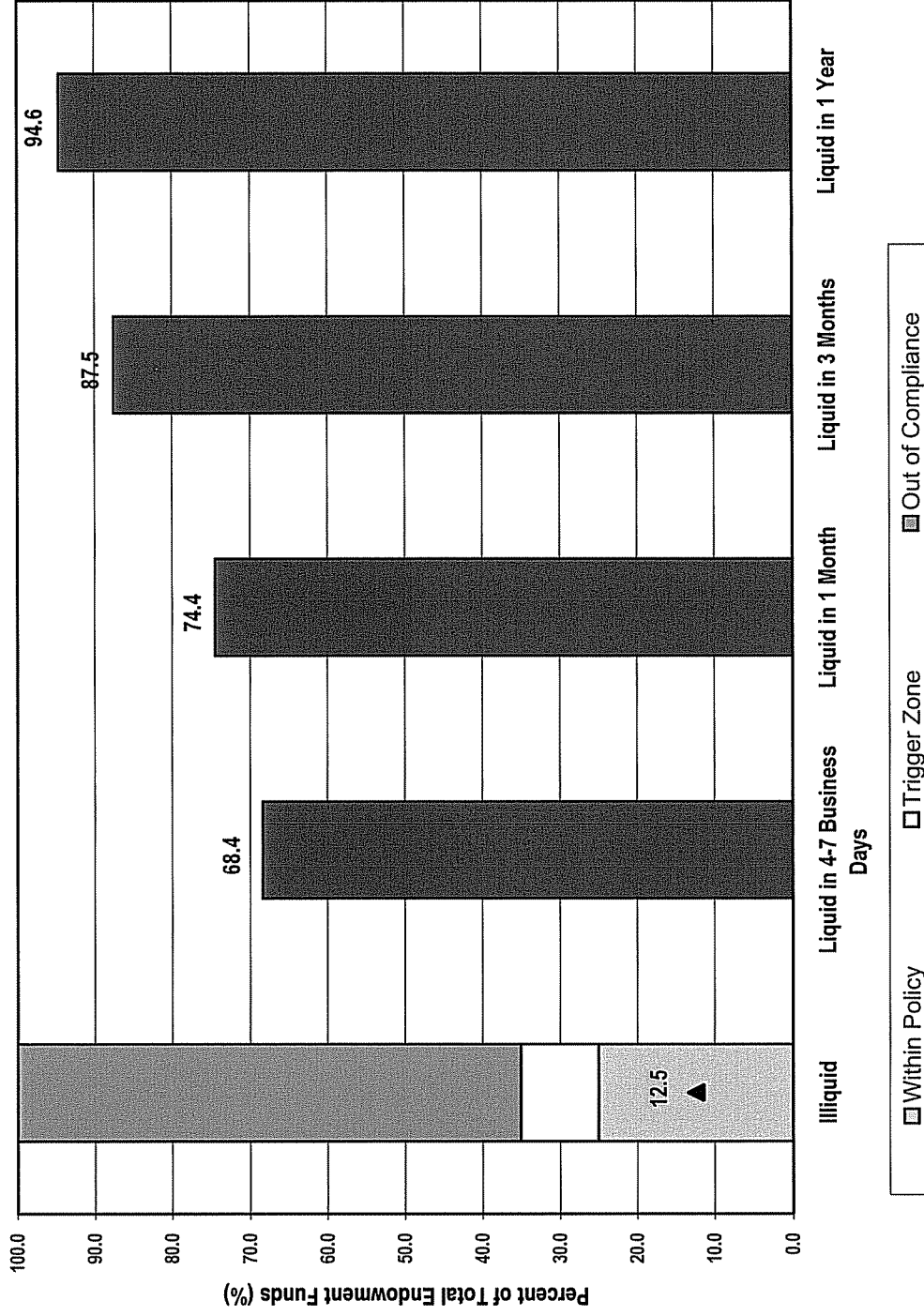
Sources of Differences between Current Portfolio Risk and Policy Portfolio Risk for ITF (Based on Downside Risk)



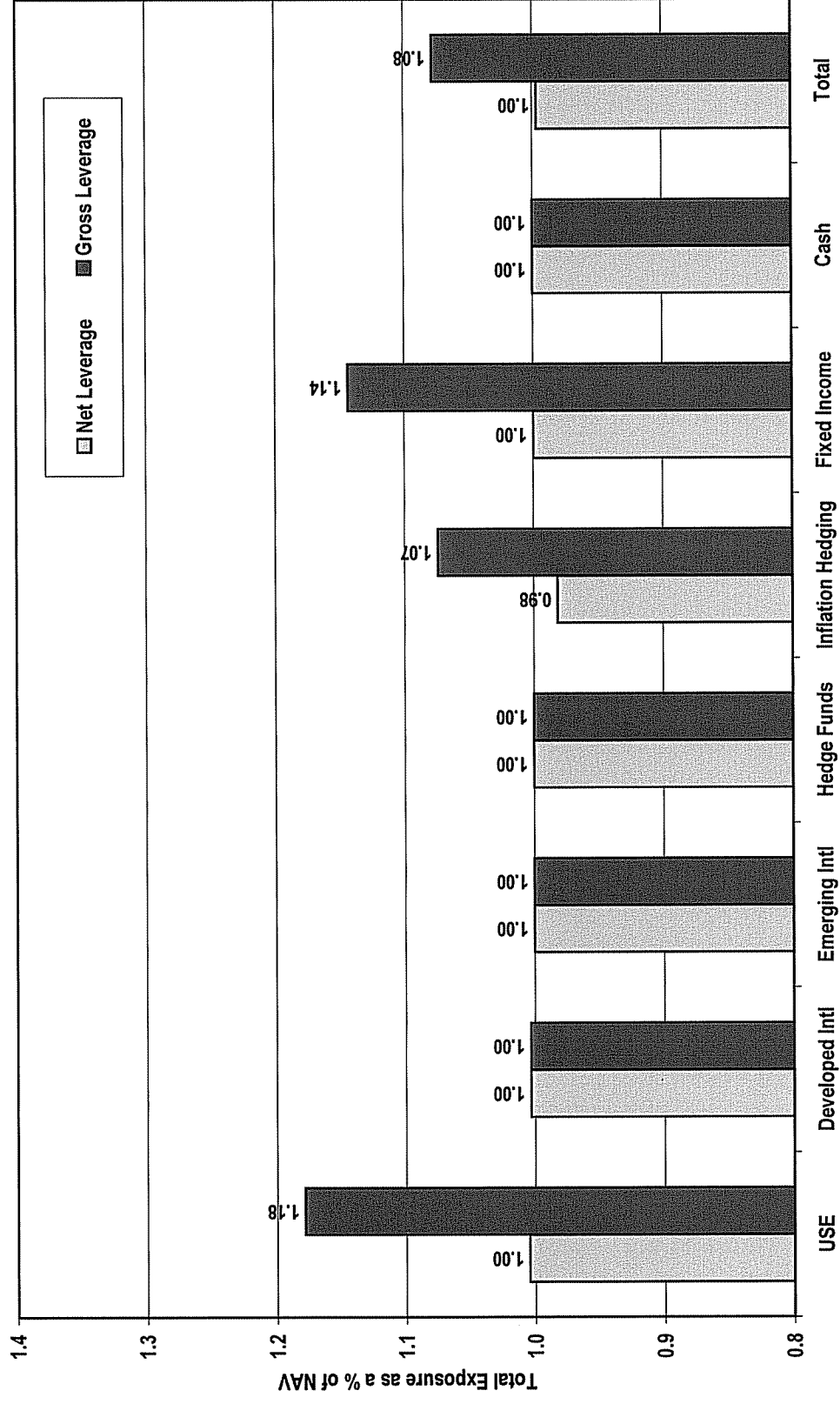
Hypothetical Performance of Current ITF Portfolio in Selected Stress Environments



Liquidity Profile of the ITF



Net and Gross Leverage of ITF



Comprehensive Derivative Report as of July 31, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)	Option Delta Equivalent (\$ millions)	Activity from previous report (5/31/2007) (\$ millions)
INTERNAL MANAGERS				
US Equities				
S&P 500 Futures	Long S&P 500 futures	\$ 901	\$ -	\$ 396
US Equity Small Cap/Large Cap Spread Trade	Long US Large Cap	739	-	-
	Short US Small Cap	(708)	-	-
Structured Active Management Application - US Equities	Long S&P 500 futures (hedge fund overlay)	617	-	-
US No Cost Collar	Russell 2000 Option	300	(58)	(1,063.2)
Non-US Developed Equity				
Developed Markets Futures	Long FTSE 100 & Euro Stoxx 50 futures	460	-	Sold \$2 million Topix Index futures
	Currency forwards used to hedge U.S. dollar	451	-	
Lansdowne Euro Forwards	Currency forwards used to replicate local currency exposure for investments in Lansdowne European Fund	298	-	-
Japan Futures	Currency forwards used to hedge U.S. dollar	18	-	-
	Long Topix Index futures	18	-	-
Private Capital	Currency forward used to convert receipt of Euros to US dollar	4	-	-
Emerging Markets Equity				
Emerging Swaps	Long Emerging Mkt Equity Index/Short LIBOR	62	-	(17.5)
Emerging Markets Futures	Currency forwards used to hedge U.S. dollar	17	-	-
	Long MSCI Taiwan & FTSE/JSE Top 40 (Africa) futures	20	-	-
Commodities				
Goldman Sachs Commodity Index	Long GSCI futures	607	-	-

Comprehensive Derivative Report as of July 31, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)
EXTERNAL MANAGERS		
Non-US Developed Equity Bridgewater Currency Overlay	Implement currency overlay strategy	656
	Currency forwards used to hedge local currency exposure of foreign investments in account Option used for currency hedge	0 -
Blackrock Small Cap	Currency forwards used to hedge local currency exposure of foreign investments in account	0
	Options used for currency hedge, broad equity market hedge, and add opportunistic value	(7)
Blackrock Global Ex US	Currency forwards used to hedge local currency exposure of foreign investments in account	1
Globeflex	Currency forwards used to hedge local currency exposure of foreign investments in account	1
REITS		
Morgan Stanley Reits	Currency forwards used to hedge local currency exposure of foreign investments in account	1
Commodities		
PIMCO Real Return	Currency forwards used to underweight the US dollar	26
	Short US and Non-US futures used to overweight duration in Eurozone	(40)
	Long futures used to overweight front end of US and UK yield curves	206
	Commodity swaps used to gain commodity exposure	273
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	28
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(10)
	Interest rate swaps used to overweight front end of US and UK yield curves	8
	Written options used to increase portfolio yield	(74)
	Purchased options used to increase portfolio yield	30

Comprehensive Derivative Report as of July 31, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)
TIPS		
PIMCO TIPS	Currency forwards used to underweight the US dollar	24
	Short US futures used to overweight duration in Eurozone	(50)
	Long Non- US futures used to overweight duration in Eurozone	5
	Long futures used to overweight front end of US and UK yield curves	101
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	74
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(41)
	Interest rate swaps used to overweight front end of US and UK yield curves	86
	Long credit default swaps used to underweight credit risk	3
	Short credit default swaps used to underweight credit risk	(5)
	Written options used to increase portfolio yield	(27)
	Purchased options used to increase portfolio yield	33
Reams TIPS	Sold Credit Default swaps to replicate long corporate bonds for protection in indices	34
Fixed Income		
PIMCO Global Bonds	Currency forwards used to underweight the US dollar	416
	Short US futures used to overweight duration in Eurozone	(65)
	Long Non- US futures used to overweight duration in Eurozone	116
	Long futures used to overweight front end of US and UK yield curves	1,012
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	613
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(1,167)
	Interest rate swaps used to overweight front end of US and UK yield curves	345
	Long credit default swaps used to underweight credit risk	85
	Short credit default swaps used to underweight credit risk	(140)
	Written options used to increase portfolio yield	(543)
	Purchased options used to increase portfolio yield	3,063

Comprehensive Derivative Report as of July 31, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)
Reams Core Plus	Currency forwards used to hedge UK gilt positions	31
	Bought Credit Default swaps to replicate long corporate bonds for protection in indices	11
	Sold Credit Default swaps to replicate long corporate bonds for protection in indices	(78)
	GRAND TOTAL	\$ 8,837
	Internal Managers	\$ 3,803
	External Managers	5,034
	GRAND TOTAL	\$ 8,837

Comprehensive Report on Approved Derivative Applications as of July 31, 2007 **Internal Management**

Internal Managers

Derivative Application (account name)	Purpose of Application
S&P 500 Futures / Russell 2000 Futures / Nasdaq 100 Futures / Dow Jones Futures / FTSE Index / DJ Eurostoxx 50 / Taiwan / Singapore /Goldman Sachs Commodity Index (GSCI)	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
US Equity Small Cap/Large Cap Spread Trade	To alter the Funds market (systematic) exposure without trading the underlying cash market securities through purchases and short sales of appropriate derivatives. Reduce small cap exposure and increase large cap exposure.
US No Cost Collar	To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile through purchases and short sales of appropriate derivatives.
Structured Active Management Application - U.S. Equities	Use derivatives and cash, along with hedge funds, to obtain an overall risk exposure equivalent to that of a traditional active management portfolio within the Developed Markets portfolio.
Emerging Swaps	Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of the borrow rate.
US Structured Swap - Long S&P 100 / Short Russell 2000	To alter the Funds market (systematic) exposure without trading the underlying cash market securities through purchases and short sales of appropriate derivatives. Reduce small cap exposure and increase large cap exposure.
Currency forwards	To replicate local currency exposure for hedged foreign investments in order to more closely align the targeted risk/return profile.

Comprehensive Report on Approved Derivative Applications as of July 31, 2007 **External Management**

External Managers Under Agency Agreement	Primary Use of Derivatives
Blackrock (formerly State Street Research)	Short sales limited to 5%, able to use stock and index options, buy and sell puts/calls, forwards, futures (within our max loss provision)
Bridgewater	Permitted to use currency spot and forward contracts, currency futures, options on currency forwards or futures (within our max loss provision)
Cundill	Futures, currency forwards and short sales up to 5% are allowed (within our max loss provision) Write covered calls; sell puts to gain better entry points.
Dalton	Short sales of equity index options, protective puts, futures and forwards are allowed within our max loss provision.
Goldman Sachs Asset Management	Equity futures, currency forwards and short sales are allowed within a tightly controlled structure which targets a net equity exposure equivalent to that of the underlying benchmark.
Globeflex	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index.
Morgan Stanley REITs	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index.
PIMCO Global Bonds	May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates among foreign currencies.
PIMCO Real Return	May use forward purchase and sale contracts, futures (including Commodity Futures, Commodity Index Futures, and Exchange Traded Swaps Futures), and Options (including commodity options)
PIMCO TIPS	May use forward purchase and sale contracts, futures (including Commodity Futures, Commodity Index Futures, and Exchange Traded Swaps Futures), and Options (including commodity options)
Reams	May use futures, forwards, options and swaps and fixed income securities linked to foreign interest rates.

Derivative Counterparty Report as of July 31, 2007

Counterparty	S & P Counterparty Rating	Owed by Broker	Owed by UTIMCO	Total	Percentage of Total Funds	Notional Value
\$ millions						
GOLDMAN SACHS	AA-	44.7 \$	(24.4) \$	20.3	0.09%	\$ 1,851.1
BARCLAYS	AA	10.9	(1.9)	9.0	0.04%	2,061.2
MORGAN STANLEY	AA	7.7	(5.4)	2.3	0.01%	1,042.4
J P MORGAN, CHASE	AA-	4.7	(1.1)	3.6	0.02%	442.0
DEUTSCHE BANK AG	AA-	4.1	(6.2)	(2.1)	-0.01%	1,465.3
ROYAL BANK OF SCOTLAND PLC	AA	3.2	(2.6)	0.6	0.00%	661.9
CITIBANK NY	AA+	3.0	(0.9)	2.1	0.01%	187.4
BANK OF AMERICA	AA	2.1	(1.1)	1.0	0.00%	277.8
J. ARON	AA-	1.7	-	1.7	0.01%	61.0
BEAR STEARNS	AAA	1.5	(1.0)	0.5	0.00%	52.1
UBS AG, STAMFORD	AA+	1.4	(1.0)	0.4	0.00%	455.4
HSBC BK USA, NEW YORK	AA-	1.3	(1.2)	0.1	0.00%	124.2
LEHMAN BROTHERS	AA-	1.3	(0.9)	0.4	0.00%	161.6
CS FIRST BOSTON GBL FOREIGN EXCH	AA-	0.5	(0.4)	0.1	0.00%	67.9
ROYAL BANK OF CANADA	AA-	0.5	(0.2)	0.3	0.00%	53.1
CHASE MANHATTAN	AA-	0.3	(0.2)	0.1	0.00%	66.5
CREDIT SUISSE FIRST	AA-	0.3	(0.6)	(0.3)	0.00%	32.4
STATE ST BOSTON CAPITAL MKT	AA	0.3	(0.2)	0.1	0.00%	45.0
UBS A G, ZURICH	AA+	0.3	(0.2)	0.1	0.00%	36.7
CHASE NEW YORK	AA-	0.2	-	0.2	0.00%	-
COMMONWEALTH BK OF AUSTRALIA	AA	0.2	(0.1)	0.1	0.00%	13.2
MERRILL LYNCH	AA-	0.2	(5.3)	(5.1)	-0.02%	87.8
ABN AMRO	AA-	0.1	-	0.1	0.00%	8.0
ABN AMSTERDAM	AA-	0.1	(0.1)	-	0.00%	11.1
BNP PARIBAS	AA+	0.1	(0.1)	-	0.00%	23.2
CITIBANK NA, LONDON	AA+	0.1	(0.1)	-	0.00%	15.8
MERRILL LYNCH INTL BANK LTD, NY	AA-	0.1	-	0.1	0.00%	18.9
NATIONAL AUSTRALIA BANK LIMITED	AA	0.1	-	0.1	0.00%	9.1
WESTPAC BANKING CORP, SYDNEY	AA	0.1	(0.2)	(0.1)	0.00%	26.7
AUSTRALIA & NZ BANK LTD	AA	-	-	-	0.00%	5.7
CALYON FINANCIAL, LONDON	AA-	-	-	-	0.00%	3.3
MELLON BANK	AA-	-	-	-	0.00%	4.6
NORTHERN TRUST CHICAGO	AA-	-	-	-	0.00%	3.8
STATE STREET BANK, LONDON	AA	-	-	-	0.00%	0.5
WACHOVIA BANK	AA	-	-	-	0.00%	2.7
Grand Total		\$ 91.1	\$ (55.4)	\$ 35.7	0.16%	\$ 9,379.4

Report on Investment Transactions Made Under the Delegation of Authority
June 25, 2007 through August 31, 2007

	Amount (\$ millions)	Description	Illiquid
US Equities			
Large Cap/Small Domestic Spread Trade	100 1	{Increase exposure in Large Cap/Small Cap spread trade	No
Hedge Fund Pool & Cash collateral	(250)	{Reduce S&P 500 overlay exposure	No
S&P 100 ETFs	(212)	{Complete liquidation of S&P 100 ETFs	No
Dow Jones futures S&P 500 futures	(48) 48	{Move Dow Jones futures into S&P 500 futures	No
BGI Russell 3000 Alpha Tilts S&P 500 futures	(44) 43	{Complete liquidation of BGI product to move into S&P 500 futures	No
S&P 500 ETFs, S&P 100 ETFs, Dow Jones ETFs and Healthcare ETFs	(160)	{Sell of various ETFs to move into S&P 500 futures	No
S&P 500 futures	179		
Global ex US Equities			
Non-US Developed Equity			
EAFE ETFs	(53)	{Complete liquidation of EAFE ETF and invest in BGI EAFE	No
BGI EAFE	43		
BGI EAFE	5	{Additional funding to manager	No
Emerging Markets Equity			
Templeton Emerging EEM Swap	(150) 100 1	{Partial withdrawals from manager; portion reallocated to EEM swap	No
EEM Swap Rexiter (State Street)	(92) 92	{Collateral on expired swap used to fund new manager (Rexiter)	No
Taiwan and Emerging ETFs EEM Swap BGI Emerging Strategic Index	(108) (18) 125	{Sell of various ETFs and EEM swap expiration used to fund BGI EMSI	No
Taiwan and South Africa futures	(20)	{Liquidate all Emerging futures	No
Rexiter (State Street)	40	{Additional funding to manager	No
BGI Emerging Strategic Index	10	{Additional funding to manager	No
REITS			
Morgan Stanley Cohen & Steers	50 50	{Increase exposure in REITs {Increase exposure in REITs	No No
Fixed Income			
None			

Report on Investment Transactions Made Under the Delegation of Authority
June 25, 2007 through August 31, 2007

<u>Marketable Alternatives</u>	<u>Amount</u> <u>(\$ millions)</u>	<u>Description</u>	<u>Illiquid</u>
Rock Creek	9	{Initial investment in manager	Yes
SG Partners	(60)	{Complete liquidation of investment	No
Eminence	30	{Additional investment in manager	Yes
AG Super Fund	25	{Additional investment in manager	Yes
Satellite	84	{Additional investment in manager	Yes
<u>Private Capital</u>			
Spark Capital II, L.P.	25		Yes

1 Trades fall under the Derivative Investment Policy. Amounts shown represent Notional Value.

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

For June 25, 2007 through August 31, 2007

(Total Obligation per Agreement less than \$1 million)

Agreement	Purpose	Contract Term	Annual Amount
BCA Publications	Provide investment research covering all major asset classes	7/2007 – 6/2008	\$11,000
FinancialCAD Corporation	Software used to value derivatives and produce models for risk analysis	7/15/2007 to 7/14/2008	\$3,416
Investor Force	Hedge Fund Database (Altvest)	2/15/2007 to 2/14/2008	\$7,000
Mathworks	Provides matrix-oriented language used for all risk optimization calculations	8/2007 - 8/2008	\$594
Ned Davis Research Services	Institutional investment advisory and research firm which provides information and research on changing financial markets	6/1/2007 through 8/31/2007	\$40,000
Tremont TASS	Marketable Alternative Database and Capital Flows Report	Renewed for 4/19/2007 to 4/18/2008	\$5,330

Services that renew via invoice on a monthly or quarterly basis:

Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	\$235,887
American Stock exchange	Used to access stock prices and related news	Monthly invoice	\$2,536
International Fund Services	Risk System	Quarterly invoice – fees increased as accounts are added	\$510,500
Factset Research Systems	Analytical tool for performance	Monthly invoice	\$285,210
New York Stock Exchange	Used to access stock prices and related news	Monthly invoice	\$2,865
Options Pricing Report	Used to access option prices and related news	Quarterly invoice	\$480
Standard & Poor's Compustat)	Provide information for Factset	Renews quarterly via invoice (end of Jan, April, July Oct)	\$27,420
Russell Investment Group	Provide Russell Indexes to Factset	Quarterly invoice	\$10,000
Thomson Venture Economics	Venture capital and private equity benchmarks and other industry data	Monthly invoice	\$18,684

Thompson Financial (Worldscope)	Provide information for Factset	Renews quarterly via invoice	\$27,000
Trade Web	Primary quotation and trading system for U.S. Treasury, Agency, Mortgage and Corporate debt securities	Monthly invoice	\$19,800
Market Axess	Competitive quotation and trading system for corporate securities	Quarterly invoice	\$3,600
Bourse de Montreal	Real time quotations of Canadian equity futures	Monthly invoice	\$2,400

TAB 4

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

Agenda Item:	Report from Risk Committee
Developed By:	Zimmerman
Presented By:	Tate
Type of Item:	Information Item
Description:	<p>A Risk Committee ("Committee") meeting was held on September 5, 2007. The Committee's agenda included the following: (1) discussion of risk reporting; (2) review and discussion of investment strategy; and (3) information technology security presentation.</p>
Discussion:	<p>Bruce Zimmerman presented the investment strategy and solicited development of recommendations for changes to the Investment Policies. A discussion of the investment strategy will be held at the UTIMCO Board meeting.</p> <p>Bill Edwards provided a presentation to the Committee on UTIMCO's information technology security and the methods deployed to protect UTIMCO's data, assets and processes.</p> <p>The meeting also included routine review of the liquidity profile, risk reports, derivative reports, and derivative compliance reporting, as well as an update on investment compliance reporting and the Investment Compliance Report for quarter end May 2007 and the Institutional Compliance Program Quarterly Report for the quarter ended May 31, 2007.</p>
Recommendation:	None
Reference:	None

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



***Presentation Materials
Part Two***

Board of Directors Meeting

September 21, 2007

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
September 21, 2007**

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

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Open Session: Call to Order/Consideration of Minutes of July 11, 2007, and July 30, 2007 Meetings*
9:05 a.m.	9:10 a.m.	2	Corporate Resolutions: - Designation of Officer* - Designation of Plan Administrative Committee*
9:10 a.m.	10:10 a.m.	3	Endowment and Operating Funds Update
10:10 a.m.	10:20 a.m.	4	Report from Risk Committee
10:20 a.m.	11:30 a.m.	5	Review and Discussion of Investment Strategy
11:30 a.m.	12:00 p.m.	6	Information Technology Security Presentation
12:00 p.m.	1:00 p.m.		Lunch
1:00 p.m.	1:45 p.m.	7	Report from Compensation Committee: Executive Session Pursuant to sections 551.071 and 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to deliberate individual personnel matters. Reconvene into Open Session - Discussion and Consideration of Compensation Committee Report, including (1) amendment and restatement of the UTIMCO Compensation Program effective July 1, 2007*; (2) Eligible Positions, Weightings and Incentive Award Opportunities for each Eligible Position for the 2007/2008 performance period*; (3) designation of employees in Eligible Positions as participants in the UTIMCO Compensation Program*; (4) consideration of personnel performance goals for the participants*; and (5) request for proposal for compensation consultant
1:45 p.m.	1:50 p.m.	8	Discussion and Consideration of CEO's Recommendation Regarding Staff Title Changes*
1:50 p.m.	2:20 p.m.	9	Discussion and Consideration of Report from Audit and Ethics Committee*
2:20 p.m.			Adjournment

* Action by resolution required

Next Scheduled Meeting: November 29, 2007

TAB 5

The Investment Strategy Presentation is saved as a separate file in the Meeting Materials list on UTIMCO's public web site.

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

Agenda Item: Information Technology Security Presentation

Developed By: Edwards

Presented By: Edwards

Type of Item: Information Item

Description: A presentation shall be made on UTIMCO's Information Technology security.

Discussion: Bill Edwards shall provide a presentation to the UTIMCO Board on UTIMCO's Information Technology security. The presentation is an overview of the issues confronting security and the methods deployed to protect UTIMCO's data assets and processes.

Recommendation: None.

Reference: Presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Information Technology Security Overview

September, 2007



Outline

- What are we protecting?
 - Internet Based Systems
 - Internal Systems
- How could we be compromised?
 - Access Points
- How are we protecting?
 - Web Application Coding
 - Physical Policies and Configurations
 - Third Party Assessments
- What are we doing to improve the security?
 - Persistent web application security audits
 - Network security monitoring and reporting
 - Community Involvement



Internet Based Systems

- Transactional Systems
 - CPS Cash Processing System
 - CAMS Component Account Maintenance System
- Informational Systems
 - CRIS Component Reporting and Information System
 - Endowment Reports
 - Component Reports
- Public Website



Internal Systems

- Email
- Data Warehouse
- Corporate Files
- Phone System
- Web Servers
- Work Stations
- Miscellaneous Applications



Access Points

- UTIMCO Websites
 - SQL Injection
 - Cross site scripting
 - Other Exploits
- Email
 - Trojans
 - Malware
 - Viruses
 - Social Engineering
- Wireless or Physical Access
 - Denial of service
 - Directed Attacks
- Theft
 - Computer
 - Passwords
- External Network Attack
 - All points



Web Application Development

- Input Validation
- Session Controls
- Application Architecture
- Database Interface
- Identification, Authentication & Authorization



Physical Policies and Configurations

- System Hardening
- Patch Management
- Vulnerability Management
- Identity Management
- Monitoring & Response
- Standardized Configurations



Third Party Assessment

We engaged Denim Group to perform multiple tests on our CPS* website. Denim uses software products to perform a systematic analysis. Denim provided;

- Knowledge transfer
- Multiple resources
- Third Party verification

*CPS is the cash management and reporting system developed for the STF and ITF.



Third Party Assessment

We engaged Calence, LLC to perform an external security assessment. Calence performed three types of assessments:

- A firewall policy and configuration assessment
- An external network penetration test
- An onsite wireless network security assessment



Persistent Security Audits

1. Ounce Labs
2. Watchfire*
3. SPI Dynamics
4. Fortify Software*
5. Sea Pine Software
6. Cenzip
7. NT Objectives
8. Acunetix

*Used by Denim Group



Security Monitoring & Reporting

- Cisco Security Monitoring, Analysis and Response System
- Monitors all devices on the network
- Appliance based
- Identify threats – Intelligence avoids false positives
- Alerts – Notifies IT Administration
- Containment – Operator pushes mitigating commands
- Respond
- Report



Community Involvement

- UT System Information Security Initiative
- OWASP - Open Application Security Community
- Web Seminars
- Conferences

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

Agenda Item: Report from Compensation Committee related to the Discussion and Consideration of Amendments and Restatement of the UTIMCO Compensation Program

Developed By: Zimmerman, Gonzalez, Moeller

Presented By: Ferguson, Zimmerman

Type of Item: Action item; Approval by the UTIMCO Board

Description: The Compensation Committee (the "Committee") will report to the UTIMCO Board on its discussion and consideration of amendments to the Plan at its meeting on September 18, 2007, and its recommendations related to the staff's proposed amendments to the UTIMCO Compensation Program (the "Plan"). Other actions taken by the Committee are reported in this section as a separate agenda item. The Plan consists of two elements: base salary and an annual incentive plan. The Plan was amended and restated effective July 1, 2006. The UTIMCO Board has the discretion to interpret the Compensation Program and may from time to time adopt such rules and regulations that it may deem necessary to carry out the Compensation Program and may also amend the Compensation Program.

Recommendation: The Committee will recommend appropriate action related to the proposed amendment and restatement of the Plan effective July 1, 2007.

Discussion: Revisions to the Plan relate to the entity performance measurement standards and a few "clean up" changes for clarification. Entity performance is the performance of the Total Endowments Assets (weighted at 85%) and the Intermediate Term Fund (weighted at 15%). Staff is recommending that the performance of the Total Endowment Assets (combination of the PUF and GEF) be measured based on the Total Endowment Assets relative performance to its benchmark (Total Endowment Assets' Policy Portfolio Return) as well as the Peer Group. Currently, the Total Endowment Assets is measured against its Peer Group. The revision requested will allow the Total Endowment Assets to be measured at a weight of 75% of its benchmark and a weight of 25% at its Peer Group. This change has been incorporated on pages 10, 22, 24 and Appendix A. Table 4 in Appendix D has also been updated to reflect the change.

Other proposed revisions include the following:

- Staff is also requesting that one benchmark be added to Table 4 to distinguish the credit portion of the fixed income portfolio. Specifically, the Portfolio Manager, Fixed Income Investments, manages a credit quality portfolio and this portfolio has been measured against a credit related composite index since the inception of the portfolio. At the fund level, this

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

portfolio is included in the fixed income asset category. For performance measurement, the credit quality portfolio is considered as a separate element within the Fixed Income portfolio.

- Page 13; Staff has also proposed language related to the individual performance goals. This language has been added to clarify how individual performance goals should be measured and was drafted based on comments staff received from the Committee during the assessment of prior year's goals.
- Page 15; Clarifying the measurement of entity and asset class performance when asset classes have not been in existence for the full three years due to both a removal of the asset class or an addition.

The Committee and the UTIMCO Board approved the 85%/15% allocation for the Total Endowment Assets and the Intermediate Term Fund, respectively, in the prior year and requested that the allocation be brought forward in subsequent years to be reconsidered by the Committee and the UTIMCO Board based on changes in the allocation as the size of the Total Endowment Assets and Intermediate Term Fund changed. As of July 31, 2007, the Intermediate Term Fund is approximately 17% of the sum of the Total Endowment Assets and Intermediate Term Fund. Staff did not recommend a change from the 15% currently in the Plan. The Committee will report its recommendation.

Reference: UTIMCO Compensation Program

**RESOLUTION RELATED TO RESTATEMENT OF
UTIMCO COMPENSATION PROGRAM**

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

WHEREAS, UTIMCO and the Board wish to amend the Compensation Program to incorporate all such amendments into an amended and restated plan document in the form previously provided to the Board; and

WHEREAS, the Board has reviewed the proposed restatement of the Compensation Program;

NOW, THEREFORE, be it:

RESOLVED, that the Board approves and adopts the restatement of the UTIMCO Compensation Program, effective as of July 1, 2007, except as otherwise stated in the document.

DRAFT
09/05/07



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO COMPENSATION PROGRAM

Restated: Effective July 1, 2007~~2006~~

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1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

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

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

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

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO’s Compensation Program serves a number of objectives:

- To attract and retain key investment and operations staff of outstanding competence and ability.

- To encourage key investment staff to develop a strong commitment to the performance of the assets for which UTIMCO has been delegated investment responsibility.
- To motivate key investment staff to focus on maximizing real, long-term returns for all funds managed by UTIMCO while assuming appropriate levels of risk.
- To facilitate teamwork so that members of UTIMCO operate as a cohesive group.

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY

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

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

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

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

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

- (a) Base salaries are administered through a Salary Structure as set forth in this Section 4.1. Each employment position has its own salary range, with the midpoint set approximately equal to the market median base salary for employment positions with similar job content and level of responsibility. In

most cases, the salary range will be from 20% below the midpoint to 20% above the midpoint.

- (b) The salary range midpoints will be determined by the Compensation Committee based on consultation with an outside compensation consultant and with UTIMCO management. Salary range midpoints for key management, investment, and operations positions will be updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. In years in which the Compensation Committee does not commission a formal salary survey, the base salary midpoints may be adjusted at the Compensation Committee's discretion based on expected annual salary structure adjustments as reported in one or more published compensation planning surveys.

4.2. Salary Adjustments

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

5. PERFORMANCE INCENTIVE PLAN

5.1. Purpose of the Performance Incentive Plan

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

5.2. Performance Period

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

5.3. Eligibility and Participation

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

- (b) An employee in an Eligible Position who has been selected by the Board to participate in the Performance Incentive Plan will become a Participant on the later of (i) the date he or she is employed in an Eligible Position or (ii) the date he or she is selected by the Board to participate in the Performance Incentive Plan; provided, however, that the Board in its discretion may designate any earlier or later date (but not earlier than such employee's date of hire and not later than such employee's date of termination of employment) upon which such employee will become a Participant, and such employee will instead become a Participant on such earlier or later date. The preceding notwithstanding, except when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board, an employee may not commence participation in the Performance Incentive Plan and first become a Participant during the last six months of any Performance Period, and, if an employee is selected by the Board to participate in the Performance Incentive Plan or becomes employed in an Eligible Position during the last six months of any Performance Period, participation of such employee in the Performance Incentive Plan will be delayed until the first day of the next Performance Period (assuming such employee is employed by UTIMCO in an Eligible Position on such date).
- (c) An employee will cease to be a Participant in the Performance Incentive Plan on the earliest to occur of: (i) the date such employee is no longer employed in an Eligible Position; (ii) the date of termination of such employee's employment with UTIMCO for any reason (including voluntary and involuntary termination, death, and disability); (iii) the date of termination of the Performance Incentive Plan; (iv) the date such employee commences a leave of absence; (v) the date such employee begins participation in any other UTIMCO incentive program; (vi) the date the Board designates that such employee's employment position is not an Eligible Position (or fails to designate the employee's employment position as an Eligible Position with respect to a Performance Period); or (vii) any date designated by the Board as the date on which such employee is no longer a Participant.
- (d) Except as provided in Sections 5.10(b), (c), and (d), only individuals who are Participants on the last day of a Performance Period are eligible to receive Performance Incentive Awards under the Performance Incentive Plan for that Performance Period.

5.4. Performance Goals

- (a) Within the first 60 days of each Performance Period, the President and CEO will recommend goals ("Performance Goals") for each Participant (other than the Performance Goals for the President and CEO, which are determined as provided in Section 5.4(c), and the Performance Goals for employees who are hired or promoted later during a Performance Period) subject to approval by the Compensation Committee within the first 90 days of the Performance

Period. The President and CEO will also recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants at the time those employees are designated as Participants (with such Performance Goals subject to confirmation by the Compensation Committee as soon as administratively feasible after such Performance Goals are recommended).

(b) There are three categories of Performance Goals:

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

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

- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources

(c) The President and CEO's Performance Goals will be determined and approved by the Board.

(d) Each Performance Goal for each Eligible Position is assigned a weight for the Performance Period. For each Performance Period, the Compensation Committee will approve (or adjust as it deems appropriate) the weightings of the Performance Goals at the same time it approves the Performance Goals. The weightings for each Eligible Position are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the weightings for the Eligible Positions for that Performance Period as soon as administratively practicable after such weightings are approved by the Compensation Committee for such Performance Period. Notwithstanding the identified weighting for an Eligible Position, the Compensation Committee may adjust the weightings (up or down) for any Participant for a Performance Period where it considers the assigned weighting for a Performance Goal to be inappropriate for such Participant because of his or her length of service with UTIMCO, his or her tenure in the respective Eligible Position, or his or her prior work experience. The weightings for the

Performance Goals for each Performance Period are subject to approval by the Board.

5.5. *Incentive Award Opportunity Levels and Performance Incentive Awards*

- (a) At the beginning of each Performance Period, each Eligible Position is assigned an "Incentive Award Opportunity" for each Performance Goal for the Participants in that Eligible Position. Each Incentive Award Opportunity is determined by the Compensation Committee (and subject to approval by the Board) and is expressed as a percentage of base salary earned during the Performance Period. The Incentive Award Opportunities include a threshold, target, and maximum award for achieving commensurate levels of performance of the respective Performance Goal.
- (b) Incentive Award Opportunities for each Performance Period are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Incentive Award Opportunities for that Performance Period as soon as administratively practicable after approval of the Incentive Award Opportunities by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.
- (c) Actual "Performance Incentive Awards" are the amounts that are actually awarded to Participants for the respective Performance Period. Actual Performance Incentive Awards will range from zero (if a Participant performs below threshold on all Performance Goals) to the maximum Incentive Award Opportunity (if a Participant performs at or above maximum on all Performance Goals) depending on performance relative to objectives. Awards are capped at maximum levels regardless of whether a Participant exceeds the stated maximum Performance Goals.
- (d) Following the end of each Performance Period, the Compensation Committee will review the actual performance of each Participant against the Performance Goals of the respective Participant and determine the Participant's level of achievement of his or her Performance Goals. The Compensation Committee will seek, and may rely on, the independent confirmation of the level of Performance Goal achievement from an external investment consultant to evaluate Entity Performance and Asset Class Performance. The President and CEO will submit a written report to the Compensation Committee, which documents the Participant's performance relative to the Participant's Performance Goals set at the beginning of the Performance Period, and upon which the Compensation Committee may rely in evaluating the Participant's performance. The Board will determine the President and CEO's level of achievement relative to the President and CEO's Performance Goals.
- (e) Performance Incentive Awards will be calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account

the weightings for the Participant's Entity Performance, Asset Class Performance, and Individual Performance Goals and each Participant's Incentive Award Opportunity. The methodology for calculating Incentive Award Opportunities and Performance Incentive Awards is presented on Appendix A. Performance Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum.

- (f) Within 150 days following the end of a Performance Period, the Compensation Committee will review all Performance Incentive Award calculations, based on the certification of its advisors, and make any changes it deems appropriate. The Compensation Committee will submit its recommendations to the Board for approval. Subject to the provisions of Section 7.1, the Board will approve Performance Incentive Awards.
- (g) Following the approval of a Performance Incentive Award by the Board, each Participant will be notified as to the amount, if any, of his or her Performance Incentive Award as well as the terms, provisions, conditions, and limitations of the Nonvested Deferred Award portion of such Performance Incentive Award.

5.6. Form and Timing of Payouts of Performance Incentive Awards

Approved Performance Incentive Awards will be paid as follows:

- (a) Seventy percent of the Performance Incentive Award will be paid to the Participant ("Paid Performance Incentive Award") within 150 days of the completion of the Performance Period (and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which the Performance Incentive Award is determined or (ii) the last day of the fiscal year of UTIMCO in which the Performance Incentive Award is determined), and
- (b) Thirty percent of the Performance Incentive Award will be treated as a "Nonvested Deferred Award" subject to the terms of Section 5.7 and paid in accordance with that Section.

5.7. Nonvested Deferred Awards

- (a) For each Performance Period, a hypothetical account on UTIMCO's books ("Nonvested Deferred Award Account") will be established for each Participant. As of the date that the corresponding Paid Performance Incentive Award is paid to the Participant, each Participant's Nonvested Deferred Award for a Performance Period will be credited to his or her Nonvested Deferred Award Account established for that Performance Period; provided, however, that, in the case of any Participant who is not employed by UTIMCO on the date such Nonvested Deferred Award would be so

credited to his or her Nonvested Deferred Award Account, such Nonvested Deferred Award will not be credited to such Participant's Nonvested Deferred Award Account but will instead be forfeited. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets ("Net Returns") for the month multiplied by the balance of the respective Participant's Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred Award Accounts unless and until they become vested in those accounts in accordance with Section 5.7(b).

- (b) Assuming and contingent upon continued employment with UTIMCO, except as provided in Section 5.10(c), a Participant will become vested in, and entitled to payment of, his or her Nonvested Deferred Award Account for each respective Performance Period according to the following schedule:
- (1) On the first anniversary of the last day of the Performance Period for which the Nonvested Deferred Award was earned, one third of the amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.
 - (2) On the second anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, one half of the amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.
 - (3) On the third anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.
 - (4) Nonvested Deferred Award Accounts payable under the above paragraphs of this Section 5.7(b) will be paid as soon as administratively practicable after the applicable portion of any such Nonvested Deferred Award Account becomes vested and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested or (ii) the last day of the fiscal year of UTIMCO in which the applicable portion of such Nonvested Deferred Award Account becomes vested.

5.8. Performance Measurement Standards

(a) Entity Performance

- (1) Entity Performance for purposes of the Performance Incentive Plan is the performance of the Total Endowment Assets (weighted at 85%) and the Intermediate Term Fund (weighted at 15%).
- (2) The performance of the Total Endowment Assets is measured based on the TEA's performance relative to the TEA's Policy Portfolio Return (TEA benchmark) (weighted at 75%) and to the Peer Group (weighted at 25%). The Board's chosen investment advisor will determine the performance of the Peer Group annually for the Performance Period. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets. The Board's investment advisor will calculate a percentile rank for the performance of the Total Endowment Assets relative to the Peer Group, with the 100th percentile representing the highest rank, the 50th percentile representing the median, and the 0th percentile representing the lowest rank.
- (3) The performance of the Intermediate Term Fund will be measured based on the performance of the ITF relative to the ITF's Policy Portfolio Return (ITF benchmark). The performance standards related to the Intermediate Term Fund for the Performance Period beginning July 1, 2006, are reflected in Table 4 on Appendix D. Performance standards related to the ITF for each Performance Period beginning after June 30, 2007, will be set forth on a revised table for each such Performance Period and set forth on Appendix D as soon as administratively practicable after such standards are determined. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the ITF.
- (4) Except as provided in Section 5.9, performance of the Total Endowment Assets (TEA benchmark and Peer Group performance) and the Intermediate Fund (ITF benchmark) will be measured based on a three-year rolling historical performance of each such fund.

(b) Asset Class Performance

- (1) Asset Class Performance is the performance of specific asset classes within the Total Endowment Assets and the Intermediate Term Fund (such as US public equity, private capital, etc.) based on the standards set forth in this Section 5.8(b). Except as provided in paragraph (2)

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below and Section 5.9, Asset Class Performance will be measured relative to the appropriate benchmark based on three-year rolling historical performance. Performance standards for each asset class will vary depending on the ability to outperform the respective benchmark. Table 2 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards for the Performance Periods ending June 30, 2003, 2004, and 2005 and includes July 2005 and August 2005. Table 3 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning September 1, 2005, through December 31, 2005. Table 4 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning January 1, 2006, through June 30, 2006. The benchmarks for each asset class as well as threshold, target, and maximum performance standards for Performance Periods beginning after June 30, 2006, will be set forth in a revised table for each such Performance Period as soon as administratively practicable after such benchmarks and standards are set, and such revised table will be attached as Appendix D.

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

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

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

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

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

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

- (2) Performance for the private capital asset class (Private Equity and Venture Capital) is calculated differently from other asset classes due to its longer investment horizon and illiquidity of assets. Performance of the private capital asset class is determined based on the performance of partnership commitments made by the current private capital team since 2001 based on internal rates of return (IRR's) relative to the respective Venture Economics benchmarks.

(c) Individual Performance

- (1) The level of a Participant's Individual Performance will be measured by the President and CEO, subject to approval by the Compensation Committee, based on the level of attainment (below threshold, threshold, target, or maximum) of the Participant's Individual Performance Goals for the Performance Period.
- (2) For purposes of determining the level of attainment of each Participant's Individual Performance Goals for the Performance Period, the Participant will have attained below threshold level if he or she fails to successfully complete at least 50% of his or her Individual Performance Goals for that Performance Period, threshold level if he or she successfully completes 50% of his or her Individual Performance Goals for that Performance Period, target level if he or she successfully completes 75% of his or her Individual Performance Goals for that Performance Period, and maximum level if he or she

successfully completes 100% of his or her Individual Performance Goals for that Performance Period (with interpolation for levels of attainment between threshold, target, and maximum).

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

~~Individual Performance of each Participant will be measured based on that Participant's performance of the duties of his or her employment position during the Performance Period.~~

5.9. Modifications of Measurement Period for Measuring Equity-Entity and Asset Class Performance Goals

- (a) Although generally Entity Performance and most Asset Class Performance are measured based on three-year rolling historical performance, newly hired Participants will be phased into the Performance Incentive Plan so that Entity Performance and Asset Class Performance are measured over a period of time consistent with each Participant's tenure at UTIMCO. This provision ensures that a Participant is measured and rewarded over a period of time consistent with the period during which he or she influenced the performance of the entity or a particular asset class. In the Performance Period in which a Participant begins participation in the Performance Incentive Plan, the Entity Performance and Asset Class Performance components of the Incentive Award Opportunity will be based on one full year of historical performance (i.e., the performance for the Performance Period during which the Participant commenced Performance Incentive Plan participation). During a Participant's second year of Performance Incentive Plan participation, the Entity Performance and Asset Class Performance components of the Incentive Award Opportunity will be based on two full years of historical performance. In the third year of a Participant's Performance Incentive Plan participation and beyond, the Entity and Asset Class Performance components of the Incentive Award Opportunity will be based on the three full years of rolling historical performance. This provision will apply to Participants who are UTIMCO employees hired after July 1, 2001.
- (b) For purposes of measuring the Intermediate Term Fund component of Entity and Asset Class Performance, the three-year historical performance cycle will not be utilized until the Intermediate Term Fund has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years of historical performance will be used as the measurement period. The Intermediate Term Fund was formed on February 1, 2006, and is added as a measurement of performance under the Performance Incentive Plan effective July 1, 2006. Therefore, as of June 30, 2007, the ITF will have one year of historical performance that will be measured for purposes of determining ~~Equity-Entity~~ and Asset Class Performance; as of June 30, 2008, the ITF will have two consecutive years of historical performance that will be measured for purposes of determining ~~Equity-Entity~~ and Asset Class Performance; and as of June 30, 2009, and for each Performance Period thereafter, three consecutive years of historical performance will be utilized for purposes of measuring the ITF prong of ~~Equity-Entity~~ and Asset Class Performance.
- (c) For purposes of measuring Entity and Asset Class Performance, the three-year historical performance cycle will not be utilized for any specific asset class (or subset of an asset class) until that asset class (or subset of that asset class) has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years (full and partial) of historical performance of that asset class (or subset of that asset class) while part of the Performance Incentive Plan will be used as the measurement period.

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

5.10. Termination Provisions

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

- (c) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or Disability, the Participant's Performance Incentive Award for the Performance Period in which termination occurs will be paid at target on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date of the Participant's death or Disability, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Award Accounts will vest immediately and be paid as soon as administratively practicable after such termination and in no event later than the 15th day of the third month following the later of (i) the last day of the calendar year in which such termination occurs or (ii) the last day of the fiscal year of UTIMCO in which such termination occurs. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable.
- (d) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a leave of absence, such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards continue to vest and be paid subject to the provisions of Section 5.7(b).
- (e) In the case of any Participant who ceases to be a Participant in the Performance Incentive Plan prior to the end of Performance Period and is entitled to a Performance Incentive Award or a prorated Performance Incentive Award under this Section 5.10, such Performance Incentive Award will be calculated at the time and in the manner provided in Section 5.5 and Appendix A and paid in accordance with Section 5.6 and will not be calculated or paid prior to such time.

6. COMPENSATION PROGRAM AUTHORITY AND RESPONSIBILITY

6.1. Board as Plan Administrator

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

6.2. Powers of Board

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

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

7. COMPENSATION PROGRAM INTERPRETATION

7.1. Board Discretion

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

7.2. Duration, Amendment, and Termination

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

7.3. *Recordkeeping and Reporting*

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

7.4. *Continued Employment*

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

7.5. *Non-transferability of Awards*

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

7.6. *Unfunded Liability*

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

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

7.7. *Compliance with State and Federal Law*

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

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

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

7.9. *Prior Plan*

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

8. DEFINITION OF TERMS

- 8.1. **Asset Class Performance** is the performance of specific asset classes within the Total Endowment Assets and the Intermediate Term Fund (such as US public equity, private capital, etc.) based on the standards set forth in Section 5.8(b).
- 8.2. **Board** is the UTIMCO Board of Directors.
- 8.3. **Compensation Committee** is the Compensation Committee of the UTIMCO Board of Directors.
- 8.4. **Compensation Program** is defined in Section 1.
- 8.5. **Disability** means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.
- 8.6. **Effective Date** is defined in Section 1.
- 8.7. **Eligible Position** is defined in Section 5.3(a).
- 8.8. **Entity Performance** represents the performance of the Total Endowment Assets and the Intermediate Term Fund (based on the measurement standards set forth in Section 5.8(a)).
- 8.9. **Incentive Award Opportunity** is defined in Section 5.5(a).
- 8.10. **Intermediate Term Fund or ITF** is The University of Texas System ("U.T. System") Intermediate Term Fund established by the U.T. System Board of Regents as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by the U.T. System institutions and U.T. System Administration. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Intermediate Term Fund.
- 8.11. **Intermediate Term Funds' Policy Portfolio Return** is the benchmark return for the Intermediate Term Fund policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class multiplied by the benchmark return for the asset class) for the various asset classes in the Intermediate Term Fund portfolio for the Performance Period.
- ~~8.11.~~8.12. **Net Returns** is the investment performance return of the Total Endowment Assets, net of fees. Net of fees factors in all administrative and other fees for

managing the Total Endowment Assets. The net investment return will be calculated as follows:

$$\begin{array}{lcl} \frac{\text{Permanent University Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} & \times & \text{Permanent University Fund Net Investment Return} \\ & & \text{Plus} \\ \frac{\text{General Endowment Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} & \times & \text{General Endowment Fund Net Investment Return} \end{array}$$

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

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

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

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

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

8.17.8.18.Performance Goals are defined in Section 5.4.

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

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

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

8.21.8.22.Performance Period is defined in Section 5.2.

8.22.Policy Portfolio Return is the benchmark return for the Intermediate Term Fund policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class multiplied by the benchmark return for the asset class) for the various asset classes in the Intermediate Term Fund portfolio for the Performance Period.

8.23. Prior Plan is defined in Section 7.9.

8.24. Salary Structure is described in Section 4.1.

8.25. Total Endowment Assets or TEA means the combination of the Permanent University Fund and the General Endowment Fund, but does not include any other endowment funds monitored by UTIMCO such as the Separately Invested Fund. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.

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

Appendix A

Performance Incentive Award Methodology (for Performance Periods beginning on or after July 1, 2006~~2007~~)

I. Determine “Incentive Award Opportunities” for Each Participant¹

Step 1. Identify the weights to be allocated to each of the three Performance Goals for each Participant’s Eligible Position. The weights vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. The total of the weights ascribed to the three Performance Goals must add up to 100% for each Participant. For example, Table 1 on Appendix C may reflect for a Performance Period for the President and CEO that the weight allocated to the Entity Performance Goal is 70%, the weight allocated to the Asset Class Performance Goal is 0%, and the weight allocated to the Individual Performance Goal is 30%.

Step 2. Identify the percentage of base salary for the Participant’s Eligible Position that determines the Performance Incentive Award for achievement of the Threshold, Target, and Maximum levels of the Performance Goals. The percentages vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. For example, Table 1 on Appendix C may show that for a Performance Period the applicable percentages for determining the Performance Incentive Award for the President and CEO are 18% of his or her base salary for achievement of Threshold level performance of all three Performance Goals, 90% of his or her base salary for achievement of Target level performance of all three Performance Goals, and 180% of his or her base salary for achievement of Maximum level performance of all three Performance Goals.

Step 3. Calculate the dollar amount of the potential Threshold, Target, and Maximum awards (the “Incentive Award Opportunities”) for each Participant by multiplying the Participant’s base salary for the Performance Period by the applicable percentage (from Step #2 above). For example, assuming the President and CEO has a base salary of \$495,000 for a Performance Period, based on the assumed percentages set forth in Step #2 above, the President and CEO will be eligible for a total award of \$89,100 (18% of his or her base salary) if he or she achieves Threshold level performance of all three Performance Goals, \$445,500 (90% of his or her

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

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

Step 4. Because a Participant may achieve different levels of performance in different Performance Goals and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Target performance in the Entity Performance Goal and be eligible to receive a Target award for that goal and achieve Maximum performance in the Individual Performance Goal and be eligible to receive a Maximum award for that Performance Goal), it is necessary to determine the Incentive Award Opportunity of the Threshold, Target, and Maximum award for each separate Performance Goal (and, because achievement of the Equity-Entity Performance Goal is determined in part by achievement of the Total Endowment Assets and in part by achievement of the Intermediate Term Fund, a Threshold, Target, and Maximum Incentive Award Opportunity separately for the TEA and the ITF must be determined). This is done by multiplying the dollar amount of the Threshold, Target, and Maximum awards for the performance of all three Performance Goals calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular Performance Goal (and, further, by multiplying the Incentive Award Opportunity for the Equity-Entity Performance by the weight ascribed to achievement of the Total Endowment Assets (85%) and by the weight ascribed to achievement of the Intermediate Term Fund (15%)). The 85% Entity Performance of the Total Endowment Assets is further divided between the Peer Group portion weighted at 25% and the TEA benchmark portion (TEA Policy Portfolio Return) weighted at 75%.

Step 5. After Steps #3 and #4 above are performed for each of the three levels of performance for each of the three Performance Goals, there will be 12-15 different Incentive Award Opportunities for each Participant. For example, for the President and CEO (based on an assumed base salary of \$495,000, the assumed weights for the Performance Goals set forth in Step #1 above, and the assumed percentages of base salary for the awards set forth in Step #2 above), the 12-15 different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

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

Performance Goal	Weight	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (TEA v. Peer Group)	59.514,875% (.25 x .85 x .70)	\$13,253,015	\$66,268,073	\$132,536,145
Entity (TEA v. TEA Policy Portfolio Return)	44.625% (.75 x .85 x .70)	\$39,761	\$198,804	\$397,609
Entity (ITF v. ITF Policy Portfolio Return)	10.5% (.15 x .70)	\$9,356	\$46,778	\$93,555
Asset Class	0%	\$0	\$0	\$0
Individual	30%	\$26,730	\$133,650	\$267,300
Total	100%	\$89,100 (18% of salary)	\$445,500 (90% of salary)	\$891,000 (180% of salary)

II. Calculate Performance Incentive Award for Each Participant

Step 6. Identify the achievement percentiles or achieved basis points that divide the Threshold, Target, and Maximum levels for each Performance Goal. These divisions for the level of achievement of the Entity and Asset Class Performance Goals are set forth in the table for the applicable Performance Period (i.e., Table 2, Table 3, Table 4, or any later table set forth on Appendix D, as applicable). The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the Individual Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. If the Participant has no supervisor, the measurement for the level of achievement for the Individual Performance Goal is determined each Performance Period by the Compensation Committee. The Board will determine the President and CEO's level of achievement relative to the President and CEO's Performance Goals.

Step 7. Determine the percentile or basis points achieved for each Performance Goal for each Participant using the standards set forth in Sections 5.5 and 5.8 of the Compensation Program, as modified ~~in the case of new hires in~~ Section 5.9. Determine the level of achievement of each Participant's Individual Performance Goal.

Step 8. Calculate the amount of each Participant's award attributable to each Performance Goal by identifying the Incentive Award Opportunity amount for each Performance Goal (e.g., as assumed and set forth for the President and CEO in the table in Step #5 above) commensurate with the Participant's level of achievement for that Performance Goal (determined in Steps #6 and #7 above). An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if the 65th percentile of the Peer Group portion of Total Endowment Assets portion of the Entity Performance Goal has been achieved, that percentile is between the Target (60th percentile) and the Maximum (75th percentile) levels, so to determine

the amount of the award attributable to the 65th percentile achievement of the Peer Group portion of the TEA portion of the Entity Performance Goal, perform the following steps: (i) subtract the difference between the dollar amounts of the Target and Maximum Incentive Award Opportunities for the Participant (e.g., for the President and CEO, as illustrated in the table in Step #5, the difference is \$66,268,265,072 (\$132,536-\$66,268,530,145-\$265,073)); (ii) divide 5 (the percentile difference between the Target level of 60th percentile and the attained level of 65th percentile) by 15 (the percentile difference between the Target level and Maximum level) to get the fraction 5/15 to determine the pro rata portion of the difference between Target and Maximum actually achieved; (iii) multiply the amount determined in the preceding Step (i) by the fraction determined in the preceding Step (ii) ($\$66,268,265,072 \times 5/15 = \$22,089,888,357$); and (iv) add the amount determined in the preceding Step (iii) to the Target Incentive Award Opportunity for the Participant to get the actual award for the Participant attributable to each Performance Goal ($\$22,089,888,357 + \$66,268,265,073 = \$88,357,353,430$).

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

Step 10. In determining the award attributable to the ~~Entity~~Equity Performance Goal (TEA Peer Group at 25% and TEA Policy Portfolio Return at 75%), achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 85% with 14.875% for the TEA Peer Group and 44.625% for the TEA Policy Portfolio Return (and then both multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the ~~Equity~~Entity Performance Goal (and commensurate award) is weighted at 15% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant). For example, assuming a base salary of \$495,000, if the President and CEO achieved the Target level (60th percentile) of the TEA Peer Group portion of the Total Endowment Assets portion of the Entity Performance Goal, achieved the Maximum level (+150 bps) of the TEA benchmark portion of

the Total Endowment Assets portion of the Entity Performance Goal, and achieved the Maximum level (+65 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of $\$557,432,358,628$ for his or her level of achievement of the Equity Entity Performance Goal as follows: $\$66,268,265,073$ for Target level of achievement of the TEA Peer Group portion of the TEA portion of the Equity Entity Performance Goal ($.25 \times .85 \times .70 \times \$445,500$); plus $\$397,609$ for Maximum level of achievement of the TEA benchmark portion of the TEA portion of Entity Performance Goal ($.75 \times .85 \times .70 \times \$891,000$) plus $\$93,555$ for Maximum level of achievement of the ITF portion of the Equity Entity Performance Goal ($.15 \times .70 \times \$891,000$).

Step ~~10~~11. No award is given for an achievement percentile below Threshold, and no award above the Maximum award is given for an achievement percentile above the Maximum level.

Step ~~11~~12. Subject to any applicable adjustment in Step #~~12~~-13 below, add the awards determined in Steps #8, #9, and #~~9~~-10 above for each Performance Goal (as modified by Step #~~10~~11) together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.

Step ~~12~~13. In the case of any Participant who becomes a Participant in the Performance Incentive Plan after the first day of the applicable Performance Period, such Participant's Performance Incentive Award (determined in Step #~~11~~12) will be prorated to reflect the actual portion of the Performance Period in which he or she was a Participant. In the case of a Participant who ceases to be a Participant prior to the end of a Performance Period, his or her entitlement to any Performance Incentive Award is determined under Section 5.10 and, in the case of such entitlement, such Participant's Performance Incentive Award, if any, will be prorated and adjusted as provided in Section 5.10.

Appendix B

UTIMCO Peer Group

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

Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale, and Total Endowment Assets) with total assets in excess of \$1 billion as of each fiscal year end June 2004, 2005, 2006.

Appendix C

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

TABLE 1 (2005/2006 Performance Period)

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

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

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

Appendix D

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

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

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

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

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

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

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

- Agenda Item:** Report from Compensation Committee: (1) discussion and consideration of Eligible Positions, Weightings and Incentive Award Opportunities for each Eligible Position of the UTIMCO Compensation Program for the 2007/2008 performance period; (2) designation of employees in Eligible Positions as participants in the UTIMCO Compensation Program for the 2007/2008 performance period; (3) consideration of personnel performance goals for the participants of the UTIMCO Compensation Program; and (4) discussion and review of Request for Proposal for Compensation Consultant
- Developed By:** Zimmerman, Moeller, Gonzalez
- Presented By:** Ferguson
- Type of Item:** Action item; Action required by UTIMCO Board
- Description:** The Compensation Committee (the "Committee") will, report on the following items to be discussed at its meeting on September 18, 2007:
1. The Committee will review and designate the Eligible Positions, as defined in Section 5.3 of the UTIMCO Compensation Program (Plan), weightings of Performance Goals (entity, asset class, and individual), and the incentive award opportunities for each performance period as set forth in Table 1 of Appendix C of the Plan. The Committee and UTIMCO Board consider and approve each of these items on an annual basis within the first 90 days of the performance period;
 - Eligible Positions include senior management, investment staff, and other key positions as designated by the President and CEO and approved by the UTIMCO Board. An employment position that is an Eligible Position in one performance period is not automatically an Eligible Position in any subsequent performance period. Similarly, an employee eligible to participate in one performance period is not automatically eligible to participate in any subsequent Performance Period. The UTIMCO Board in its discretion may also designate the employment position of a newly hired or promoted employee as an Eligible Position.
 - Weightings of the Performance Goals, as described in Section 5.4 of the Plan, are assigned based on three categories: entity performance, asset class performance, and individual performance. Each Performance Goal for each Eligible Position is assigned a weight for the performance period. For each performance period, the Committee will approve or adjust as it deems appropriate the weighting for a Performance Goal.

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UTIMCO Board of Directors Meeting
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- At the beginning of each performance period, each position is assigned an incentive award opportunity for each Performance Goal for the Participants in that Eligible Position. Section 5.5 of the Plan describes the incentive award opportunity.
2. The Committee will designate and recommend to the UTIMCO Board the employees in Eligible Positions as participants in the UTIMCO Compensation Program for the 2007/2008 performance period;
 3. The Committee will review and approve the Participants' performance goals for each 2007/2008 participant. There are three categories of performance goals: (1) entity performance, asset class performance, and individual performance.
 4. The Committee will review the Request for Proposal for the Compensation Consultant.

Recommendation: The Committee will request appropriate action from the Board related to (1) Table 1, setting forth the Eligible Positions, weightings of Performance Goals (entity, asset class, and individual), and the incentive award opportunities; (2) the designation of the employees in Eligible Positions as participants in the Plan for the 2007/2008 performance period; and (3) entity performance goals and asset class performance goals.

Discussion: Staff did not propose to the Committee any changes to the Incentive Award Opportunities for the Eligible Positions that were in place for the performance period ending June 30, 2007. Staff did request changes to the weights for each of the Eligible Positions related to Risk Management. The Eligible Positions of Risk Manager, Director, Associate, and Analyst in the Risk Management area have been changed from 70% entity to 30% entity and from 30% individual to 70% individual. Staff is also requesting that two Eligible Positions be added for the performance period beginning July 1, 2007. These two positions are the in-house General Counsel and the Chief Compliance Officer. Finally, staff proposed the removal of Manager, Client Services as an Eligible Position since the position is no longer a budgeted staff position. Table 1 is attached as Exhibit 1.

The UTIMCO employees that are currently holding the Eligible Positions are set forth in Exhibit 2. If an employee has been recently promoted, he or she will be designated based on the promoted position. Bruce Zimmerman is not designated as a participant in the Plan for 2007/08 because his performance incentive award is outlined in his employment letter.

The individual performance goals for 2007/2008 were given to the CEO and President by the eligible participants in August 2007 for his review. Individual goals

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may be established in one or more of the following areas: leadership, implementation of operational goals, management of key strategic projects, and effective utilization of human and financial resources. The individual performance goals are approved by the Committee except for those of the President and CEO. The President and CEO's are recommended by the Committee to the Board.

The entity and asset class performance goals are included in the Plan in Table 4 of Appendix D of the Plan. Other than the entity portion of the Total Endowment Assets and the internal credit benchmark as discussed in the proposed amendment and restatement of the Plan, the current asset class, benchmark, policy portfolio weights, and performance standards have not been changed.

Reference: Table 1, Eligible Positions, Weights and Incentive Award Opportunities (Exhibit 1); Designation of Employees as Plan Participants (Exhibit 2); Table 4, Performance Goals for Participants for the 2007/2008 Performance Period (Exhibit 3)

RESOLUTION RELATED TO ELIGIBLE POSITIONS, WEIGHTINGS OF PERFORMANCE GOALS, AND INCENTIVE AWARD OPPORTUNITIES

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (the "Plan") provides that Eligible Positions for a Performance Period include certain employment positions as designated by the President and CEO and approved by the Board of Directors of UTIMCO (the "UTIMCO Board") each Performance Period; and

WHEREAS, Section 5.4(d) of the Plan provides that, subject to the approval of the UTIMCO Board, the Compensation Committee will approve (or adjust as it deems appropriate) the weightings of the Performance Goals (entity, asset class, and individual) for each Participant (other than for the President/CEO) for each Performance Period; and

WHEREAS, Section 5.5(a) of the Plan provides that, subject to the approval of the UTIMCO Board, the Committee will determine the incentive award opportunity for each Performance Goal for each Participant in an Eligible Position; and

WHEREAS, the Committee has reviewed and approves the Eligible Positions, weightings of the Performance Goals, and the incentive award opportunities for each Eligible Position for the 2007/2008 Performance Period as set forth in Table 1 on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed and wishes to approve the Eligible Positions, weightings of the Performance Goals, and the incentive award opportunities for each Eligible Position for the 2007/2008 Performance Period as set forth in Table 1 on Exhibit 1 attached hereto

NOW, THEREFORE, be it:

RESOLVED, that the UTIMCO Board approves the Eligible Positions, weightings of Performance Goals, and incentive award opportunities for each Eligible Position for the 2007/2008 Performance Period be approved as set forth in Table 1 on Exhibit 1 attached hereto effective as of July 1, 2007.

Exhibit 1

Table 1
Eligible Positions, Weights, and Incentive Award Opportunities for each Eligible Positions
(for the Performance Periods Beginning After June 30, 2007)

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

**BOARD RESOLUTION RELATED TO
2007/2008 ELIGIBLE POSITIONS FOR AND PARTICIPANTS IN
PERFORMANCE INCENTIVE PLAN**

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (the "Plan") provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "Board") as an "Eligible Position" for that Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has recommended the "Eligible Positions" and individuals who may become Participants for the 2007/2008 Performance Period set forth on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed Exhibit 2 and wishes to designate the "Eligible Positions" and select the individuals who may become Participants for the 2007/2008 Performance Period;

NOW, THEREFORE, be it:

RESOLVED, that the Eligible Positions and the individuals set forth on Exhibit 2 attached hereto are hereby designated as "Eligible Positions" for and "Participants" in the Plan for the 2007/2008 Performance Period, effective as of July 1, 2007, except as any other date is specified for any such Eligible Position or Participant on such Exhibit 2.

Exhibit 2
Designation of Plan Participants in Eligible Positions
in the 2007/2008 Performance Period

ELIGIBLE POSITION

PARTICIPANTS

Investment Professionals

SR MD, Marketable Alternative Investments and Deputy CIO	Cathy Iberg
MD, Private Markets	Lindel Eakman
Sr. Portfolio Mgr., Fixed Income Invest.	Russ Kampfe
Portfolio Manager, Fixed Income Invest.	Harland Doak
Director, Private Markets	Mark Shoberg
Director, Risk Management	Uzi Yoeli
Director, Marketable Alternative	Ryan Ruebsahm
Associate, Public Markets	Laura Patrick
Associate, Public Markets	Mark Newcomb
Associate, Marketable Alternative	Courtney Powers*
Associate, Private Markets	Scott Bigham
Associate, Private Markets	Zac McCarroll
Associate, Risk Management	Kathleen Wagner
Analyst, Marketable Alternative	Eric Dooley
Analyst, Marketable Alternative	Aman Jain

Operations/Support Professionals

MD, Accounting, Finance & Admin.	Joan Moeller
MD, Information Technology	Bill Edwards
Manager, Finance & Administration	Melynda Carter
Manager, Investment Reporting	Gary Hill
Manager, Portfolio Accounting & Ops.	Debbie Childers
General Counsel	Cissie Gonzalez

Participants are eligible as of July 1, 2007 unless otherwise notated

*eligible August 20, 2007

**RESOLUTION RELATED TO 2007/2008 PERFORMANCE GOALS FOR
PERFORMANCE INCENTIVE PLAN**

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

WHEREAS, the Committee has reviewed and recommended the proposed Performance Goals for the Participants for the 2007/2008 Performance Period set forth on Exhibit 3 attached hereto (for their Entity and Asset Class Performance Goals); and

WHEREAS, the Board has reviewed Exhibit 3 and wishes to approve the Performance Goals for the Participants for the 2007/2008 Performance Period set forth on Exhibit 3 attached hereto (for their Entity and Asset Class Performance Goals);

NOW, THEREFORE, be it:

RESOLVED, that the Performance Goals for each Participant for the 2007/2008 Performance Period as set forth on Exhibit 3 attached hereto (for his or her Entity and Asset Class Performance Goals) are hereby approved, effective as of July 1, 2007.

Exhibit 3

UPDATED TABLE 4 (7/1/07 through 8/31/08)

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

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

Agenda Item: Discussion and consideration of CEO's Recommendation regarding staff title changes

Developed By: Zimmerman

Presented By: Zimmerman

Type of Item: Action item

Description: Mr. Zimmerman will bring forth to the UTIMCO Board a recommendation to consider and approve staff title changes for certain employees.

Discussion: Mr. Zimmerman will discuss the reasons for his recommendation regarding staff title changes.

Recommendation: Mr. Zimmerman recommends that the Board approve staff title changes in the form proposed.

Reference: None

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

Agenda Item:	Discussion and Consideration of Report from Audit and Ethics Committee
Developed By:	Zimmerman, Gonzalez, Moeller
Presented By:	Nye
Type of Item:	Action item related to Audit Charter of the Audit and Ethics Committee; information item on other items
Description:	<p>An Audit and Ethics Committee ("Committee") meeting will be held on September 20, 2007. The Committee's agenda includes the following: (1) review of unaudited financial statements for the nine months ended May 31, 2007 for the Funds and the Corporation; (2) a report by UT System Internal Audit Office related to reports issued and discussion of audit plan and fee for fiscal year 2008 (3) report by external auditor on plan of 2007 audits (4) discussion and consideration of Audit Charter of the Audit and Ethics Committee (5) annual review of the Code of Ethics and (6) review of other compliance, reporting, and audit issues.</p>
Discussion:	<p>The Committee will review suggested changes to the Audit Charter of the Audit and Ethics Committee. Most of the requested changes relate to the Committee's oversight role of the chief compliance officer. Other requested changes are as follows:</p> <ul style="list-style-type: none">• Page 1; added language related to monitoring Chief Compliance Officer as part of the Committee's purpose in assisting the Board and that the Committee is responsible for maintaining free and open communications as well as an effective working relationship with the Chief Compliance Officer.• Page 2; clarified that the composition of the Committee may be composed of three or more members of the UTIMCO Board.• Page 6; changed requirement of annual review of the Code of Ethics to a periodic review and incorporated requirement in the Charter of the Policy Committee that the Policy Committee must also review the Code of Ethics.• Page 7; changed the requirement to review of the Corporation's compliance process to periodically instead of annually;• Page 9; changed the requirement to review Audit Charter from annually to periodically.• Other minor editorial changes <p>The Committee will also review the Code of Ethics and the proposed amendments by the Staff. The Staff did not request any action to be taken on the Code of Ethics. Tom Wagner, Deloitte and Touche engagement partner, will be introduced to the Committee and he will give a report on the progress and plan for the 2007 audits. UT System Office of Internal Audit will present to the Committee their 2008 internal audit plan, 2007 activities, and their audit of the internal controls of the Intermediate Term Fund.</p>

Agenda Item
UTIMCO Board of Directors Meeting
September 21, 2007

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

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

Reference: Audit Charter of the Audit and Ethics Committee

**RESOLUTION RELATED TO AUDIT CHARTER OF THE AUDIT AND
ETHICS COMMITTEE**

RESOLVED, that amendments to the Audit Charter of the Audit and Ethics Committee be, and are hereby, approved in the form submitted to the Corporation's Board of Directors.

UTIMCO
AUDIT CHARTER
OF THE
AUDIT AND ETHICS COMMITTEE

Background

The Board of Directors (the "Board") of UTIMCO (the "Corporation") established an Audit and Ethics Committee (the "Committee") on February 22, 1996. On July 15, 1996 the Board adopted certain resolutions regarding, among other things, the Corporation's Audit and Ethics Committee Mandate (the "Mandate"). The Mandate was superceded by this Audit Charter.

Purpose

The primary purpose of the Committee is to assist the Board in monitoring the ethics programs and the audit, financial and compliance functions of the Corporation and the investment funds managed on behalf of The University of Texas System Board of Regents (the "UT Board") to assure the balance, transparency and integrity of published financial information. Specifically, the Committee is to assist the Board in monitoring:

- the integrity of the financial reporting process, the system of internal controls, the audit process, and the process for monitoring compliance with laws and regulations;
- the independence and performance of the Chief Compliance Officer;
- the independence and performance of the Corporation's independent auditors;
- the independence and performance of the independent auditors selected by the UT Board to audit the investment funds managed by UTIMCO on their behalf;
- internal audit functions performed by the U-T System Audit Office;
- the Corporation's audit policies, ethics programs, and adherence to regulatory requirements; and
- the Corporation's enterprise risk management.

The Committee is responsible for maintaining free and open communication as well as effective working relationships among the Committee members, the Chief Compliance Officer, independent external auditors, UT System's internal

auditors, and management of the Corporation. To perform his or her role effectively, each committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Corporation's activities, operations and risks.

The Committee will take all appropriate actions to set the overall tone at the Corporation for quality financial reporting, sound risk practices, and ethical behavior.

Scope

This Audit Charter sets forth the Committee's monitoring responsibilities with respect to the Corporation and the investment funds subject to the Investment Management Services Agreement by and between the UT Board and the Corporation effective March 1, 1996, and any subsequent amendments or restatements. As such, the role and purpose of the Committee includes monitoring the functions and processes for both the Corporation and the investment assets managed on behalf of the UT Board.

Composition

The Committee shall be composed of at least three members of the Board; such members to be appointed from time to time by a majority of the Board and approved by the U-T Board as required by Section 66.08 (c)(3) of the Texas Education Code. Members of the Committee must meet the independence and financial literacy requirements as defined below. A member may be removed with or without cause at any time by a vote of a majority of the Board.

Independence Requirements

The Board shall determine that all members of the Committee are independent. A person is "independent" who has no relationship with the Corporation which would interfere with his or her exercise of independence from management. In addition, Committee members would not be "independent" if during the three years prior to their appointment or at any time during their service on the Committee, they accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Corporation apart from travel and expense reimbursements they may receive as members of the Board and its Committees.

Financial Literacy

The Board, based on its business judgment, shall determine that each member of the Committee is financially literate.

Financial Management Expertise

The Board, based on its business judgment, shall determine that at least one member of the Committee is a “financial expert.” A financial expert possesses the following attributes:

- an understanding of generally accepted accounting principles (GAAP) and financial statements;
- an ability to assess the application of ~~these principles~~ GAAP in connection with accounting for estimates, accruals and reserves;
- an understanding of audit committee functions;
- experience preparing, auditing, analyzing or evaluating financial statements, or experience actively supervising persons engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

Meetings; Quorum; Etc.

The Corporation's Bylaws state that any committee created by the Board shall (i) have a chairman designated by the Board, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board at its next succeeding meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or the Bylaws of the Corporation or by the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of the committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at the meeting in the place of the absent or disqualified member.

Functions, Duties and Responsibilities

Review Financial Statements for Quality Considerations

—The Committee has the following duties and responsibilities with respect to the financial statements of the Corporation and the investment funds managed on behalf of the UT Board:

- review the annual audited financial statements with management and the independent auditor, including significant issues regarding adequacy of internal controls and accounting principles and practices;
- review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the financial statements;
- discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, relating to the conduct of an audit; and
- receive and review periodic reports from the independent auditor regarding the auditor's independence and discuss such reports with the auditor.

Monitor Management's Handling of Internal Controls

—The Committee has the following duties and responsibilities with respect to its monitoring of the integrity of the financial reporting process and internal controls of the Corporation and the investment funds managed on behalf of the UT Board:

- review with the independent auditor any problems or difficulties the auditor may have encountered during its audit and any management letter provided by the auditor and the Corporation's response to that letter, such review to include:
 - any restrictions on the scope of activities or access to required information; and
 - any changes required in the planned scope of the audit;
- obtain reports from management, the independent auditor and UT System internal auditor with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations;
- meet at least annually with the independent auditor and the senior personnel of the UT System Audit Office without management participation;
- meet periodically with management to review the major financial risk exposures and the steps management has taken to monitor and control such exposures;

- review significant changes to internal controls and accounting principles and practices as suggested by the independent auditor, internal auditors or management;
- review the significant reports to management prepared by the U-T System Audit Office and management's responses; and
- review with the Corporation's legal counsel or other appropriate persons legal matters that may have a material impact on the financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

Manage the Relationship with the External Auditors-

—The external auditors for the Permanent University Fund are selected by the UT Board. These auditors have a dual reporting responsibility, reporting to both the Audit, Compliance, and Management Review Committee of the UT Board and to the Committee. The external auditors for the Corporation are selected by, and report to, the Board. By agreement between the UT Board and the Board, the external auditors for the other investment funds managed by the Corporation on behalf of the UT Board will be selected by the UT Board and will have a dual reporting responsibility, reporting to both the Audit, Compliance, and Management Review Committee of the UT Board and to the Committee. The Committee may approve additional audit and non-audit services provided by the external auditor related to the Corporation and investment funds as long as the work does not impair auditor independence.

The Committee has the following specific duties and responsibilities with respect to the Corporation's independent auditors:

- recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Committee and the Board.
- approve the fee arrangement of the independent auditor;
- after interviewing members of the Corporation's staff, evaluate together with the Board the performance of the independent auditor and, if so determined by the Committee, recommend that the Board replace the independent auditor; and
- if determined by the Committee to be necessary or advisable, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.

Auditor Independence

In connection with the selection of external auditors, the Committee shall determine that:

- the public accounting firm engaged to perform the annual audit does not provide non-audit services contemporaneously with the audit;
- the lead audit partner and reviewing partner rotate off of the audit every 5 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not required; and
- the CEO, Controller, CFO, Chief Accounting Officer, or person in an equivalent position shall not have been employed by the public accounting firm during the 1 year period proceeding the audit.

Work with the Internal Audit Function

The Corporation utilizes the UT System Internal Audit Department to perform internal audit functions hereunder with respect to the Corporation and investment funds and report directly to the Committee. The Committee has the following duties and responsibilities with respect to internal audit:

- review the independence, qualifications, activities, resources and structure of the internal audit function;
- review significant findings and recommendations made by the internal auditor and management's response and proposed implementation plan;
- review the proposed internal audit plan for the coming year to determine that it addresses key areas of risk and that there is appropriate coordination with the external auditor;
- review completed internal audits and the status of management's implementing related recommendations; and
- receive a progress report on the internal audit plan with explanations for any deviations from the original plan.

Monitor Ethics Program

The Committee is responsible for overseeing codes of conduct/conflicts of interest and a system of addressing complaints. The Committee has the following duties and responsibilities in monitoring the ethics program:

- periodically review the Code of Ethics policy of the Corporation annually and recommend any proposed changes to the Policy Committee for concurrence and submission to the Board for approval;
- ~~annually~~ periodically evaluate and review the Corporation's compliance process;
- follow the UT System compliance guideline as outlined in the Action Plan to Enhance Institutional Compliance; and
- review procedures for the receipt, retention and treatment of complaints about accounting, internal accounting controls or auditing matters.

Oversee Regulatory Compliance

The Committee is responsible for overseeing the effectiveness of the system for assuring compliance with laws and regulations and has the following duties and responsibilities:

- review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;
- obtain regular updates from management, the Chief Compliance Officer, and the Corporation's legal counsel regarding compliance matters that may have a material impact on the Corporation's and investment funds' financial statements or compliance policies;
- obtain regular updates from management and the Chief Compliance Officer regarding their consideration of all regulatory compliance matters in connection with the preparation of the financial statements; and
- review the findings of any examinations by regulatory agencies.

Oversee the Corporation's Enterprise Risk Management

Without limiting any of the foregoing, the Committee, along with management and other personnel, as directed by the UTIMCO Board, is responsible for the Corporation's enterprise risk management. Enterprise risk management assists management in achieving the Corporation's performance goals and prevents loss of resources; helps ensure effective reporting and compliance with laws and regulations; and helps avoid damage to the Corporation's reputation and associated consequences. Enterprise risk management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing

the capacity to build value. The Committee has the following responsibilities related to enterprise risk management:

- evaluate the overall effectiveness of the Corporation's achieving achievement of its objectives, as set forth in four categories:
 - Strategic – high-level goals, aligned with and supporting its mission;
 - Operations – effective and efficient use of its resources;
 - Reporting – reliability and timeliness of reporting; and
 - Compliance -
 - with applicable laws and regulations;
 - with non-investment Board policies such as the Code of Ethics and Delegation of Authority, and non-investment items in the Board investment policies; and
 - with 1) investment risk management and compliance, 2) integrity of risk management procedures and controls, 3) integrity of risk models and modeling processes, and 4) liquidity of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund;
- evaluate whether management is setting the appropriate tone at the top by communicating the importance of enterprise risk; and
- inquire of management, the Chief Compliance Officer, UT System's internal auditor, and the independent external auditor about significant enterprise risks or exposures to the Corporation and how these are being managed.

With respect to 1) investment risk management and compliance, 2) integrity of risk management procedures and controls, 3) integrity of risk models and modeling processes, and 4) liquidity of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund, the Committee may rely on assurances from the Risk Committee in determining compliance.

Review the Overall Duties and Responsibilities of the Chief Compliance Officer

The Chief Compliance Officer will report functionally to the Committee and administratively to the CEO and President. The Chief Compliance Officer will develop an annual plan for review and approval by the Committee. The Committee and the CEO and President will approve the Chief Compliance Officer's individual performance goals and achievement of the goals, and will make joint recommendations to the Compensation Committee as to base salary and performance incentive awards for the Chief Compliance Officer. The CEO and President will nominate the Chief Compliance Officer for hiring by the

Committee. The Committee has exclusive dismissal authority. The Chief Compliance Officer will report compliance activities directly to the Committee at its regular meetings and to the chair between meetings. The CEO and President will direct day-to-day responsibilities of the Chief Compliance Officer with oversight by the Committee.

Other Duties:

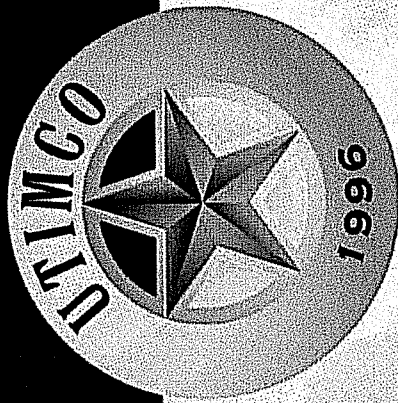
—The Committee has the following additional duties and responsibilities:

- make regular reports (at least twice each calendar year) to the Board regarding the Committee's activities and such other reports as may be requested by the Board;
- review and reassess the adequacy of this Audit Charter annually periodically and recommend any proposed changes to the Board for approval;
- perform such additional special functions, duties or responsibilities as may from time to time be designated by the Board;
- direct the scope of the Corporation's voluntary compliance with relevant provisions of the Sarbanes – Oxley Act of 2002, monitor and review the implementation of the relevant provisions; and
- evaluate the Committee's own performance, both of individual members and collectively, on a regular basis.

Powers and Limitations

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any officer or employee of the Corporation, ~~or the Corporation's outside legal counsel or~~ an employee in the U-T System Audit Office to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Approved by the Board of Directors on May 25, 2006_____.



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Investment Policy

Bruce Zimmerman
UTIMCO Board Meeting
September 21, 2007



Investment Objectives

- Investment Objectives dictate Investment Strategies
- Board of Regents Sets Objectives
- Current Objectives:

Endowments (8.10% Return)

- Distribution (4.75%)
- Preserve Purchasing Power (CPI=3.00%)
- Expenses (.35%)

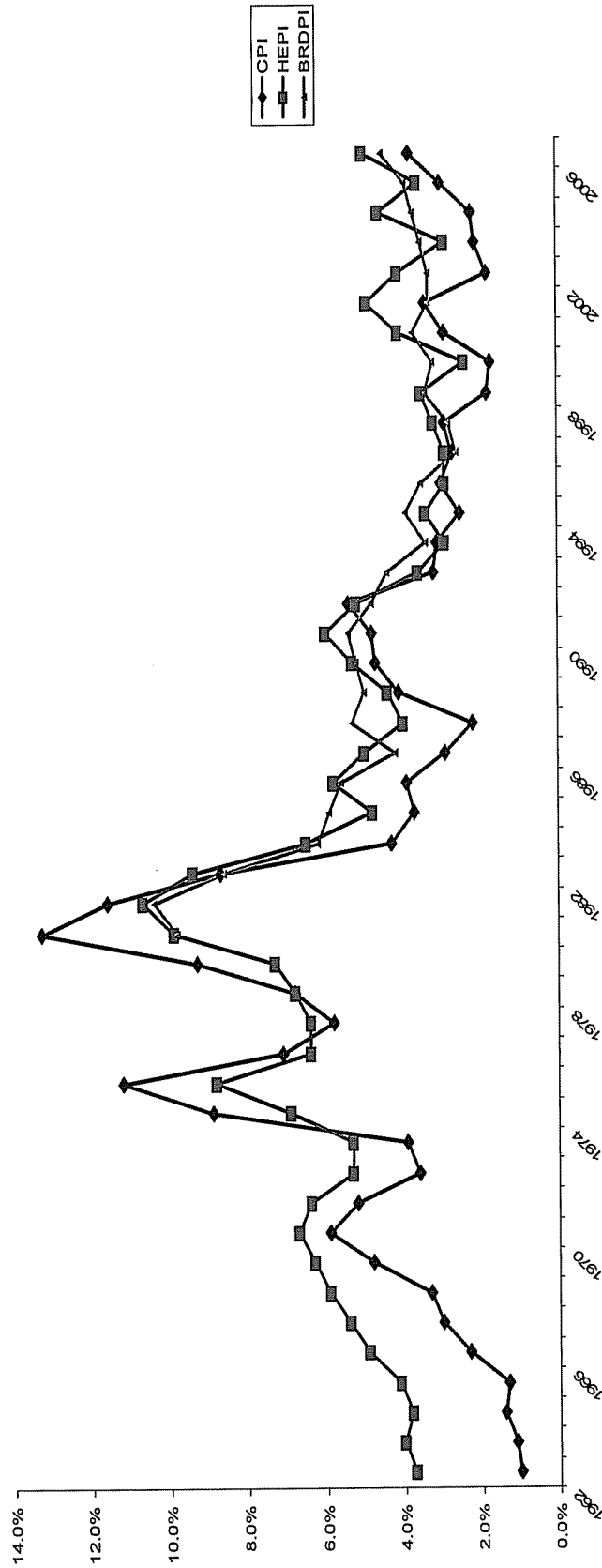
ITF (6.35% Return)

- Preserve Purchasing Power (CPI=3.00%)
- Return Target in excess of CPI (3.00)%
- Expenses (.35%)

Risk Taken and Probability of Meeting Objective



Inflation Measure



	25 Year Avg ¹	2000 to present	1990 to 2000
CPI (General)	4.3%	2.7%	3.1%
HEPI (Education)	5.2%	4.2%	3.6%
BRDPI (Health)	4.8%	3.7%	3.7%

¹ BRDPI starts in 1980

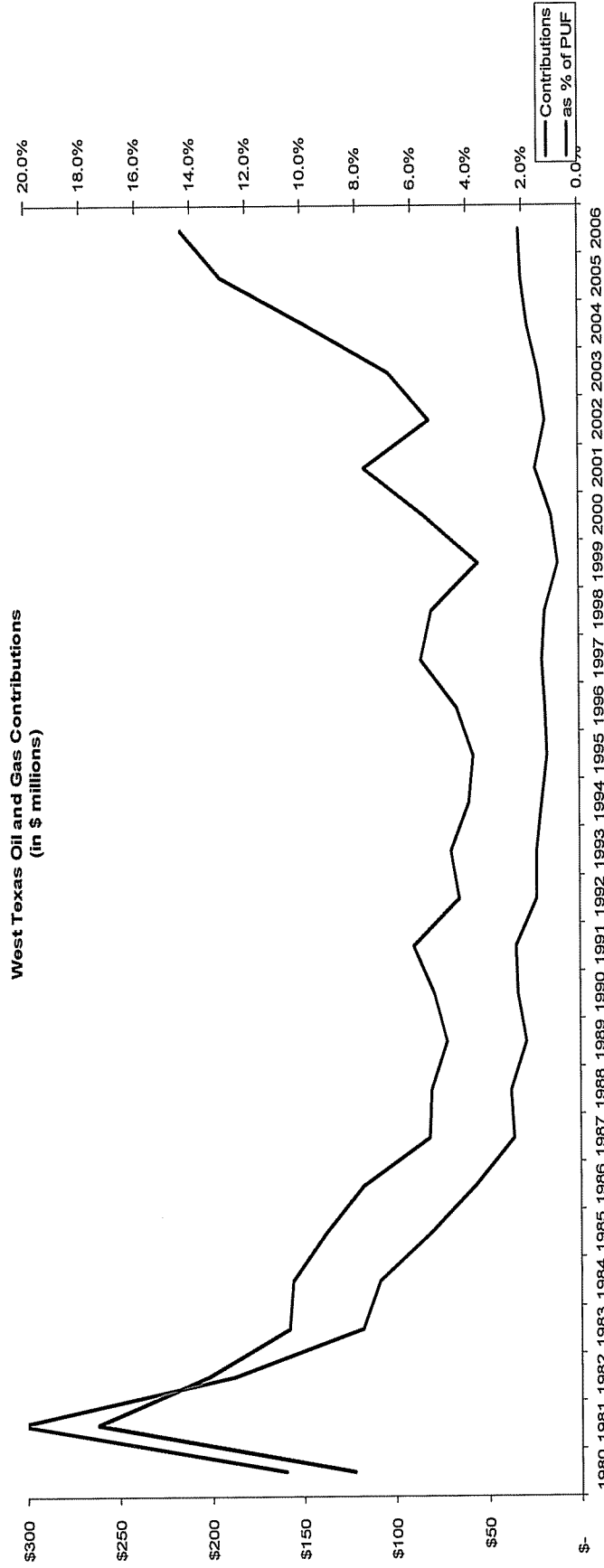


Fund Expenses

Permanent University Fund						
Ratio of expenses to average net assets	2002	2003	2004	2005	2006	Est. 2007 Est. 2008
UTIMCO Management Fee	0.05%	0.08%	0.07%	0.04%	0.03%	0.06% 0.06%
External Managers & Other Service Providers Fees	0.18%	0.15%	0.20%	0.25%	0.32%	0.19% 0.21%
Total Investment Fees and Expenses	0.23%	0.23%	0.27%	0.29%	0.35%	0.25% 0.27%
PUF Lands Expense	0.07%	0.08%	0.06%	0.06%	0.06%	0.04% 0.05%
Total UT System Administrative Fees	0.07%	0.08%	0.06%	0.06%	0.06%	0.04% 0.05%
Total	0.30%	0.31%	0.33%	0.35%	0.41%	0.29% 0.32%
Long Term Fund (1)						
Ratio of expenses to average net assets	2002	2003	2004	2005	2006	Est. 2007 Est. 2008
UTIMCO Management Fee	0.08%	0.12%	0.09%	0.06%	0.05%	0.08% 0.08%
External Managers & Other Service Providers Fees	0.20%	0.17%	0.24%	0.26%	0.34%	0.19% 0.22%
Total Investment Fees and Expenses	0.28%	0.29%	0.33%	0.32%	0.39%	0.27% 0.30%
Fee for Endowment Compliance	0.09%	0.09%	0.07%	0.07%	0.06%	0.06% 0.20%
Fee for Educational Purposes	0.02%	0.02%	0.02%	0.03%	0.02%	0.02% 0.03%
Total UT System Administrative Fees	0.11%	0.11%	0.09%	0.10%	0.08%	0.08% 0.23%
Total	0.39%	0.40%	0.42%	0.42%	0.47%	0.35% 0.53%
(1) PHF ~ Total Investment Fees and Expenses excluding UT System Admin Fees						
Intermediate Term Fund						
Ratio of expenses to average net assets						
UTIMCO Management Fee					Est. 2007 Est. 2008	
External Managers & Other Service Providers Fees					0.08% 0.07%	
Total Investment Fees and Expenses					0.17% 0.24%	
					0.25% 0.31%	



West Texas Oil and Gas



- West Texas assets directly increase PUF exposure to oil and gas
- GEF contributions are also correlated to oil and gas prices
- Optimal Strategy for West Texas Oil and Gas?
 - Hedge/"Lock in" Revenue Stream

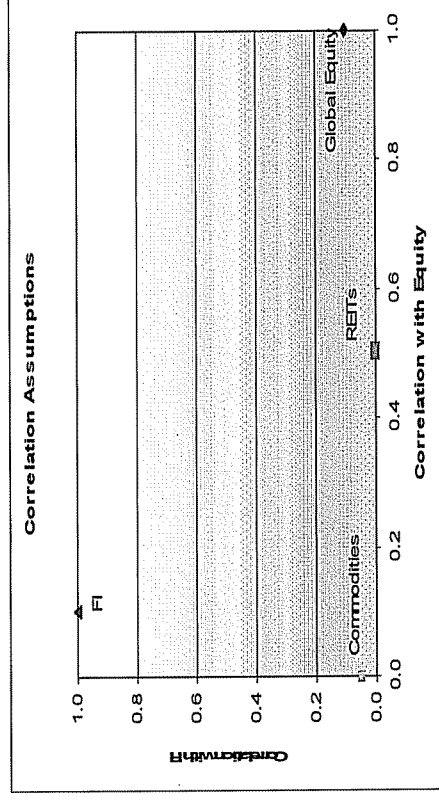
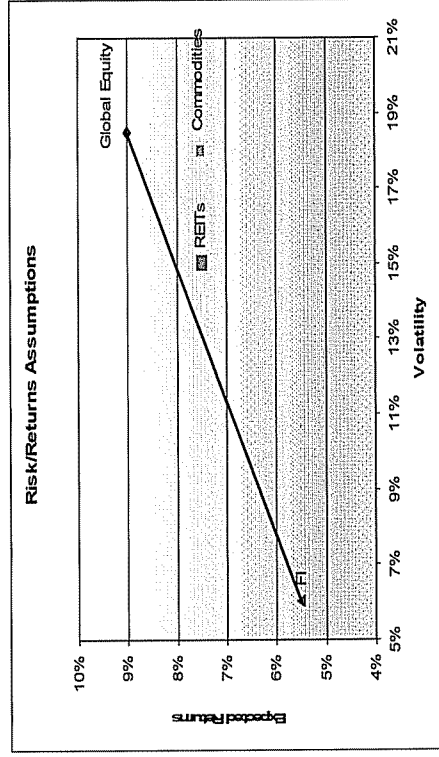


Investment Strategy

- Asset Allocation
 - Strategic
 - Tactical
- Active and Passive Management: Risk Budget
- Illiquidity
- Derivatives/Leverage
- Other Portfolio Management Aspects



Basic Asset Class Assumptions

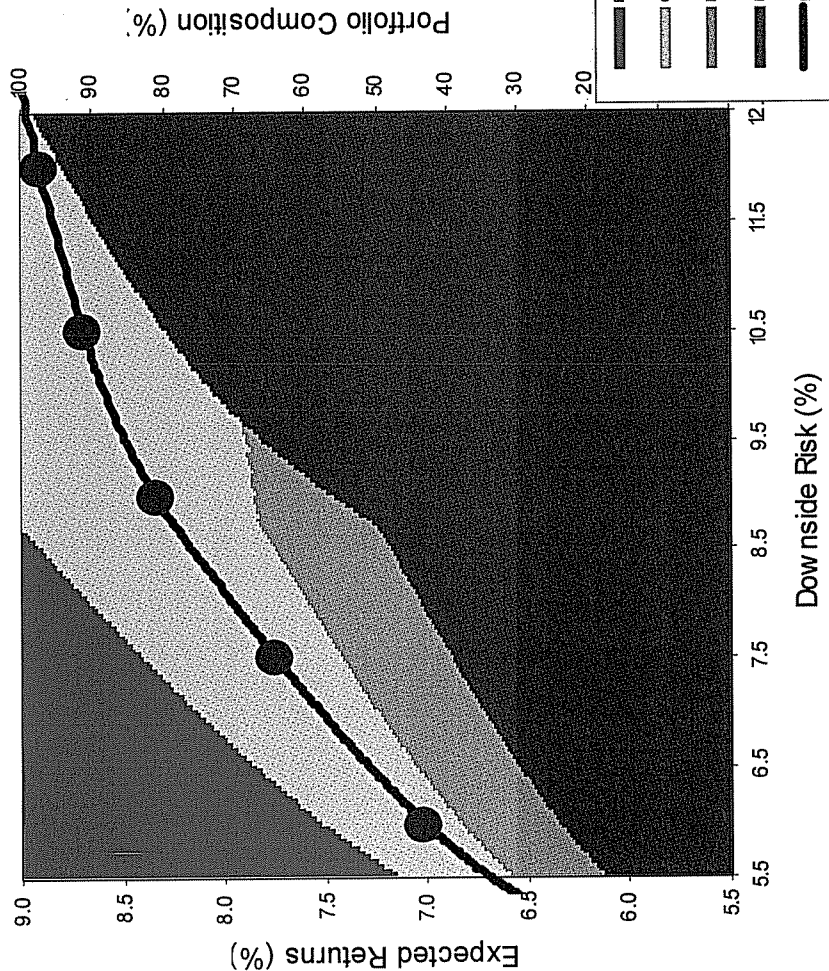


Historical and Projected US Equity Returns					
	1927 - present	1960s and 70s	1980s and 90s	2000 - present	Projected
Returns	11.4%	8.1%	16.9%	3.6%	8.5%
Risk-free rate	3.7%	5.0%	6.7%	3.0%	4.0%
Excess returns	7.8%	3.1%	10.2%	0.6%	4.5%
Volatility	18.8%	14.7%	15.1%	15.0%	17.0%



Basic Asset Class – Efficient Frontier

Basic Asset Classes - Efficient Frontier



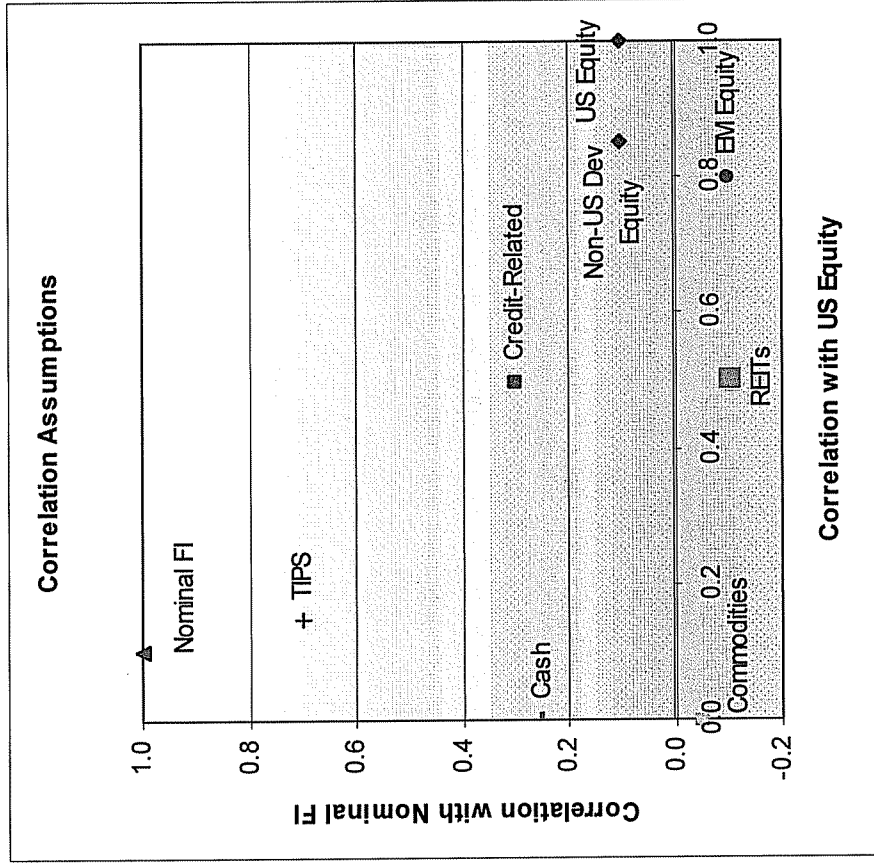
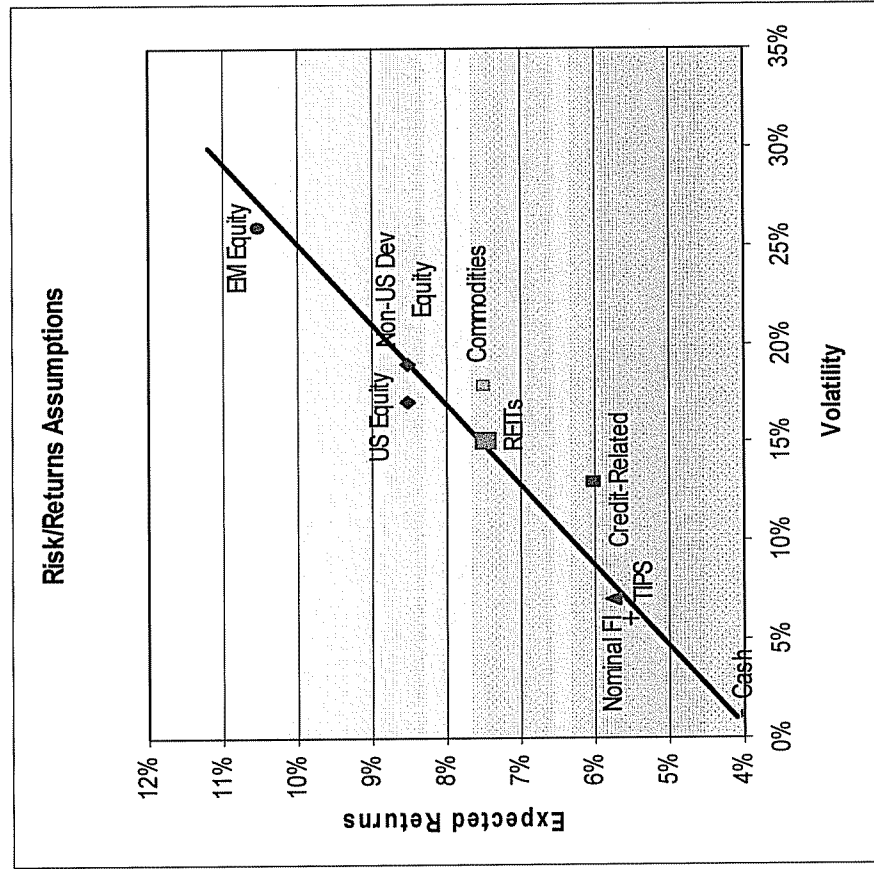
Portfolio Composition (%)

Basic Asset Classes					
Portfolio	Low (6% DR)	Low/Med (7.5% DR)	Medium (9.0% DR)	Med/High (10.5% DR)	High (12.0% DR)
Fixed Income	43%	17%	0%	0%	0%
Commodities	19%	28%	33%	20%	6%
REITs	14%	15%	11%	0%	0%
Equity	24%	40%	56%	80%	94%
Returns	7.0%	7.7%	8.3%	8.7%	8.9%
Downside Risk	6.0%	7.5%	9.0%	10.5%	12.0%
Sortino Ratio*	-0.18	-0.05	0.03	0.06	0.07

* Sortino Ratio = (Rate of Return-Minimal Acceptable Return)/Downside Risk



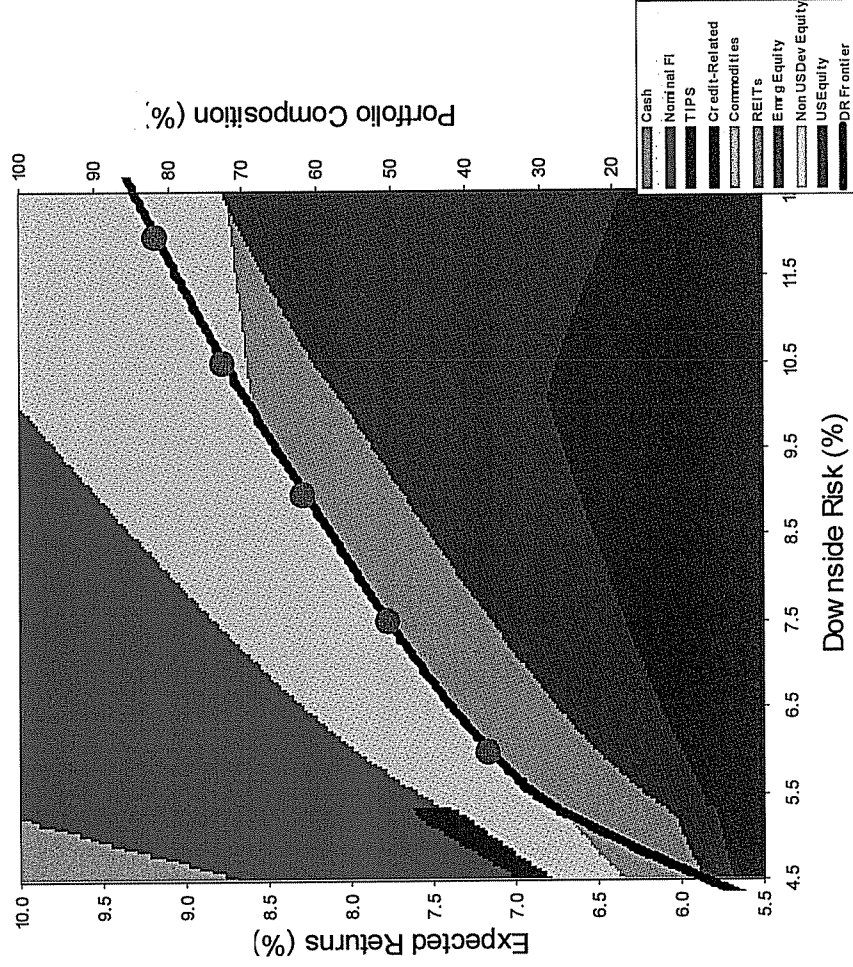
Additional Passive Asset Classes Assumptions





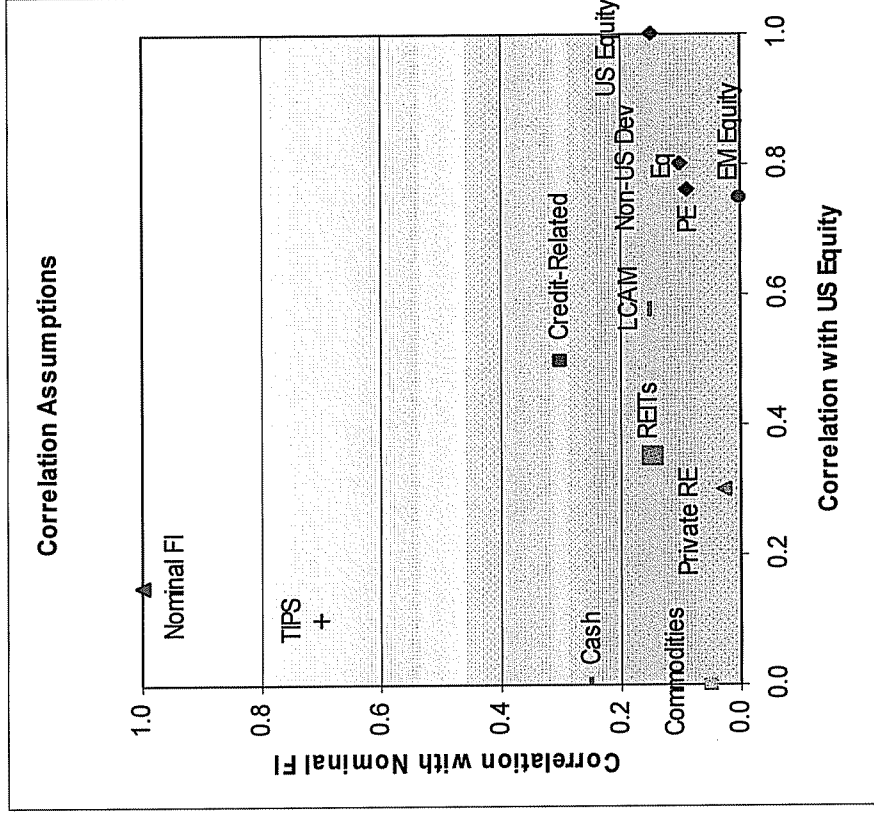
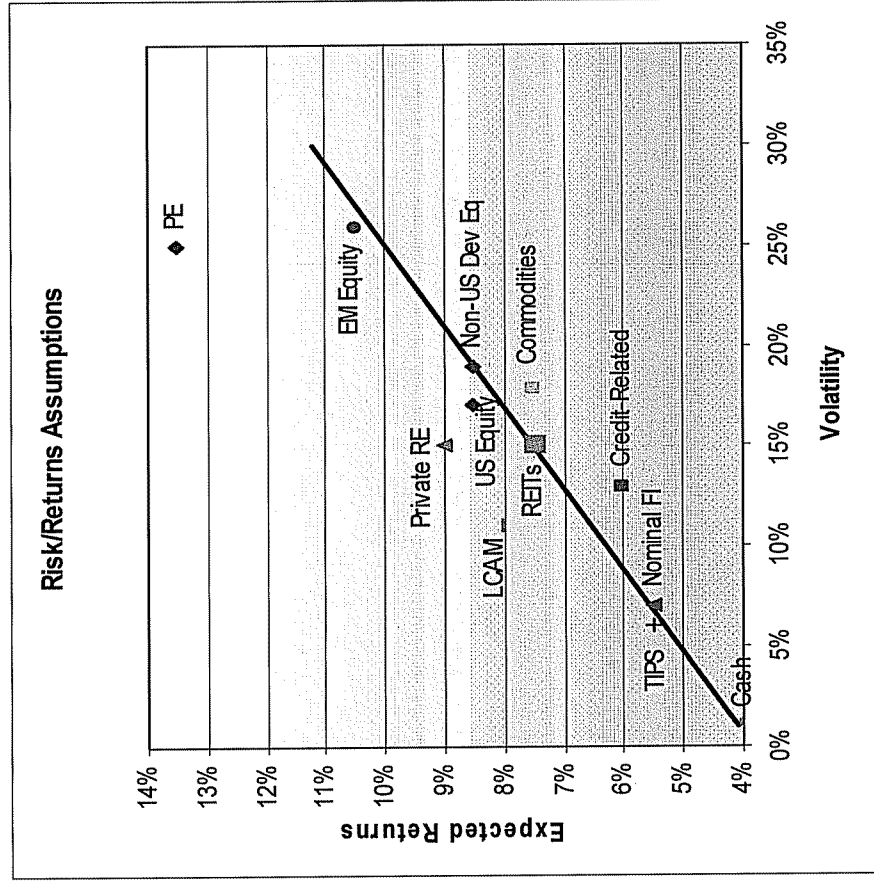
Additional Passive Asset Classes - Efficient Frontier

Additional Asset Classes - Efficient Frontier





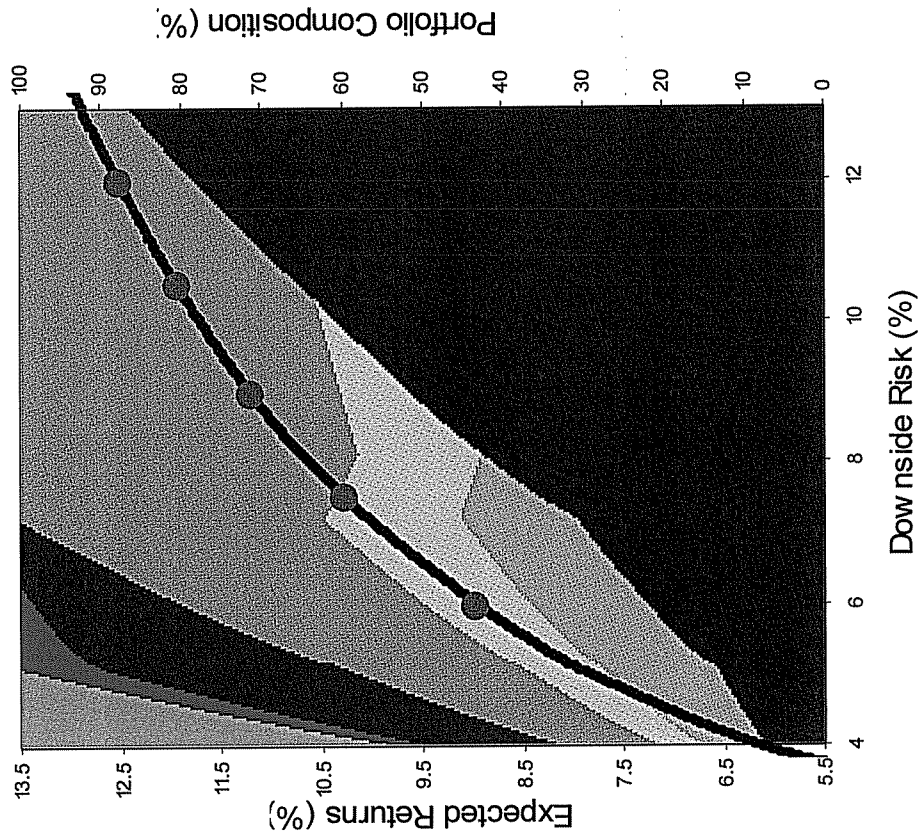
Passive and Some Active Asset Classes Assumptions





Passive and Some Active Asset Classes – Efficient Frontier

Passive and Some Active Asset Classes - Efficient Frontier



Passive and Some Active Asset Classes				
Portfolio	Low (6% DR)	Low/ Med (7.5% DR)	Med/ High (9.0% DR)	High (10.5% DR)
Cash	0%	0%	0%	0%
Nominal FI	2%	0%	0%	0%
TIPS	18%	0%	0%	0%
Credit-Related	0%	0%	0%	0%
FI	20%	0%	0%	0%
Commodities	13%	16%	8%	0%
REITs	0%	0%	0%	0%
Private R.E.	30%	39%	40%	35%
Real Assets	43%	55%	48%	35%
US Equity	0%	0%	0%	0%
Non-US Dev Eq	0%	0%	0%	0%
EM Equity	0%	0%	0%	0%
Private Equity	22%	36%	52%	65%
Equity	22%	36%	52%	65%
LCAM	15%	9%	0%	0%
Returns	9.0%	10.3%	11.2%	11.9%
Risk (DR)	6.0%	7.5%	9.0%	10.5%
Sortino Ratio	0.14	0.29	0.34	0.36

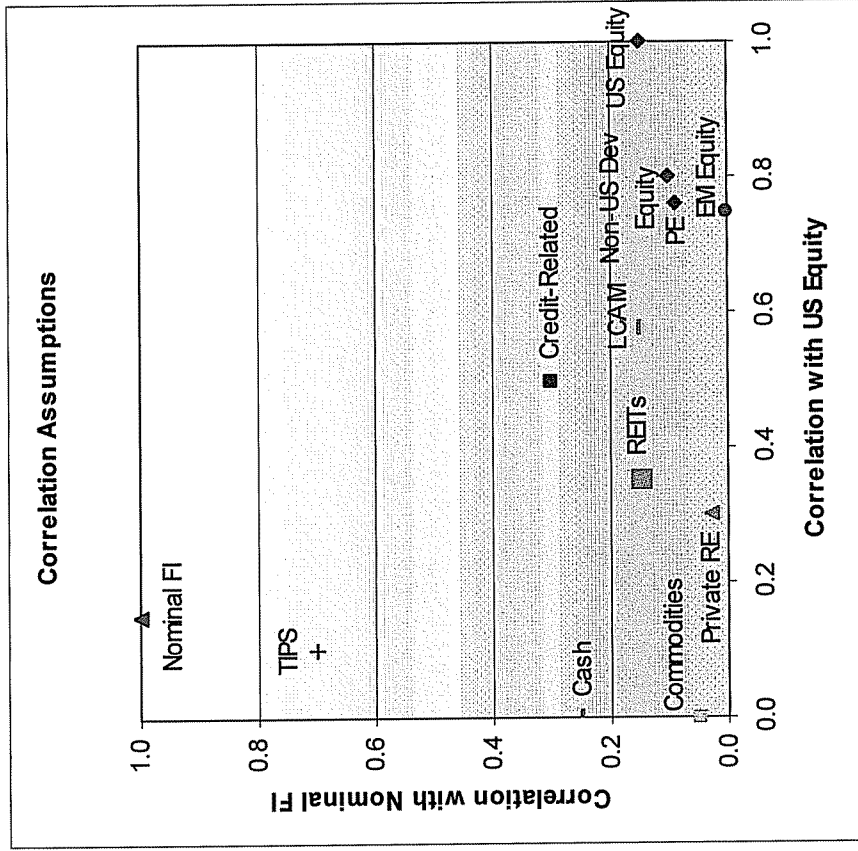
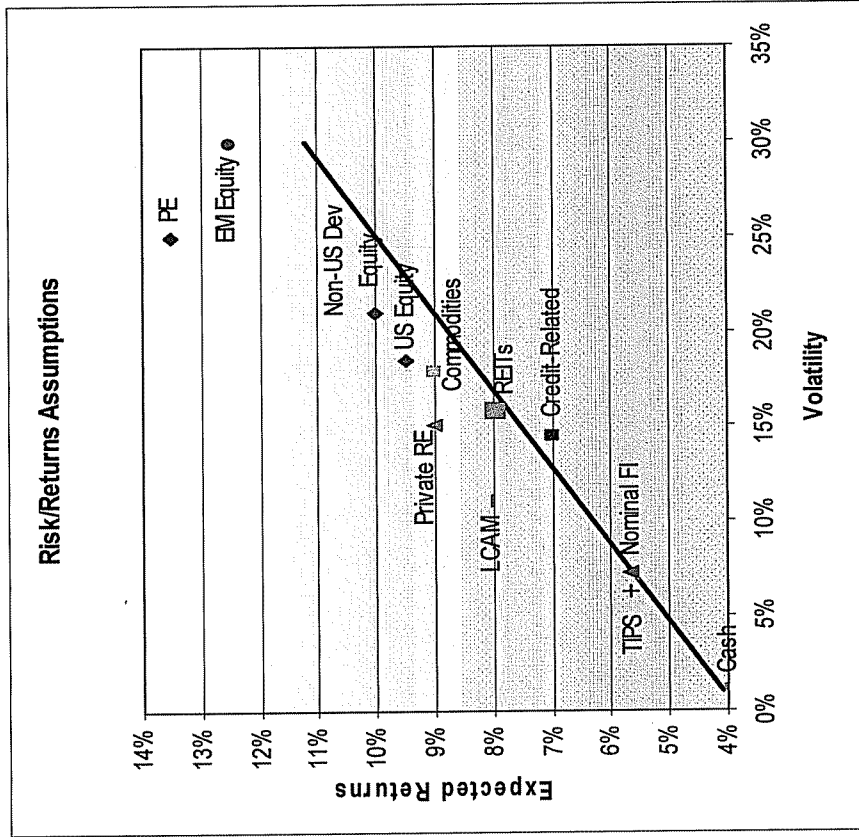


UTIMCO vs Cambridge Assumptions

	Projected Returns			Projected Volatility			
	UTIMCO		Cambridge	UTIMCO			Cambridge
	Passive Returns	Potential Active Management Alpha	Potential Active Return	Projected Returns	Passive Volatility	Additional Volatility	Total Volatility
Asset Class							Projected Volatility
Cash	4.00%	0.00%	4.00%	4.00%	1.00%	0.00%	1.00%
Nominal FI	5.50%	0.15%	5.65%	6.00%	7.00%	0.20%	7.20%
TIPS	5.50%	0.15%	5.65%	5.50%	6.00%	0.20%	6.20%
Credit-Related	6.00%	1.00%	7.00%	8.00%	13.00%	1.50%	14.50%
REITs	7.50%	0.50%	8.00%	9.00%	15.00%	0.75%	15.75%
Private R.E.	N/M	N/M	9.00%	8.00%	N/M	N/M	15.00%
Commodities	7.50%	1.50%	9.00%	8.00%	18.00%	2.00%	20.00%
US Equity	8.50%	1.00%	9.50%	10.00%	17.00%	1.50%	18.50%
Non-US Dev Eq	8.50%	1.50%	10.00%	10.00%	19.00%	2.00%	21.00%
EM Equity	10.50%	2.00%	12.50%	13.00%	26.00%	4.00%	30.00%
Private Equity	N/M	N/M	13.50%	13.50%	N/M	N/M	25.00%
LCAM	N/M	N/M	8.00%	8.00%	N/M	N/M	11.00%



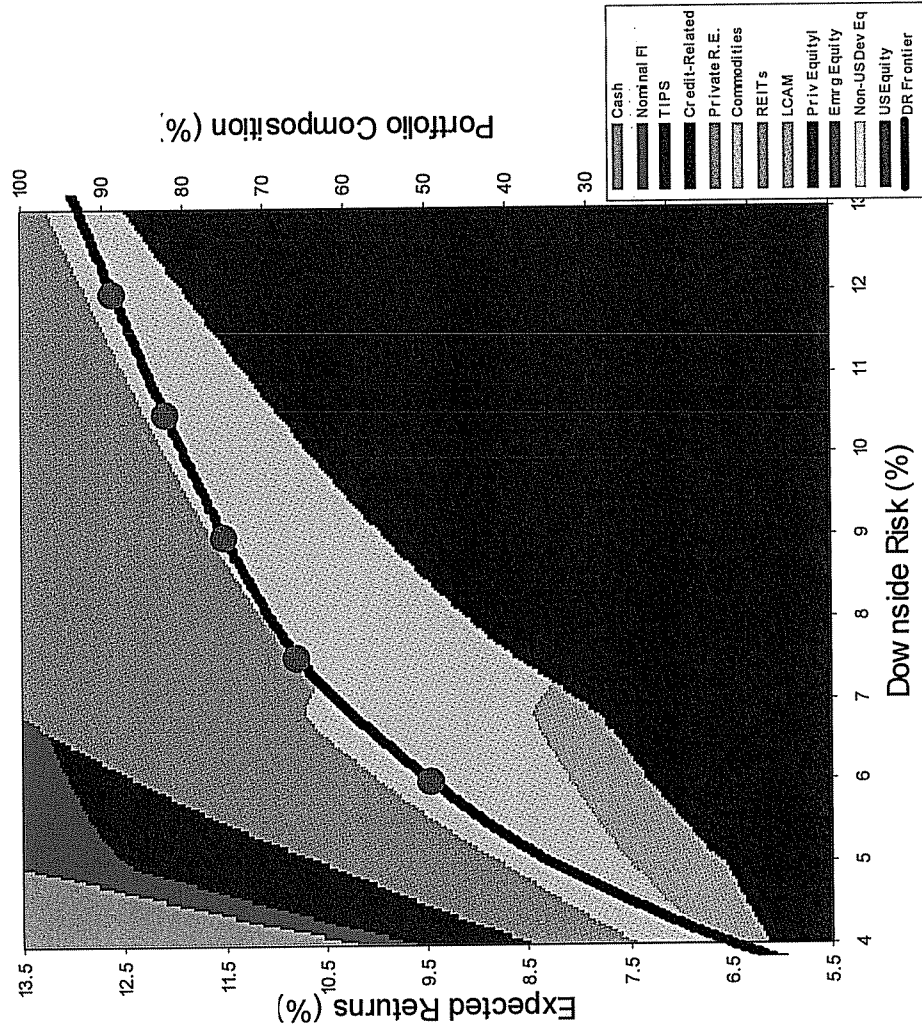
All Active Asset Classes Assumptions



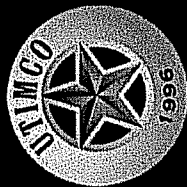


All Active Asset Classes – Efficient Frontier

Passive and All Active Asset Class - Efficient Frontier



Passive and All Active Asset Class					
Portfolio	Low (6% DR)	Low/Med (7.5% DR)	Medium (9.0% DR)	Med/High (10.5% DR)	High (12.0% DR)
Cash	0%	0%	0%	0%	0%
Nominal FI	6%	0%	0%	0%	0%
TIPS	9%	0%	0%	0%	0%
Credit-Related	0%	0%	0%	0%	0%
FI	15%	0%	0%	0%	0%
Commodities	22%	27%	21%	16%	12%
REITs	0%	0%	0%	0%	0%
Private R.E.	30%	33%	23%	15%	8%
Real Assets	52%	60%	44%	31%	20%
US Equity	0%	0%	0%	0%	0%
Non-US Dev Eq	0%	0%	0%	0%	0%
EM Equity	0%	0%	0%	0%	0%
Private Equity	23%	40%	56%	69%	80%
Equity	23%	40%	56%	69%	80%
LCAM	10%	0%	0%	0%	0%
Returns	9.4%	10.8%	11.5%	12.1%	12.6%
Risk (DR)	6.0%	7.5%	9.0%	10.5%	12.0%
Sortino Ratio	0.22	0.35	0.38	0.38	0.37



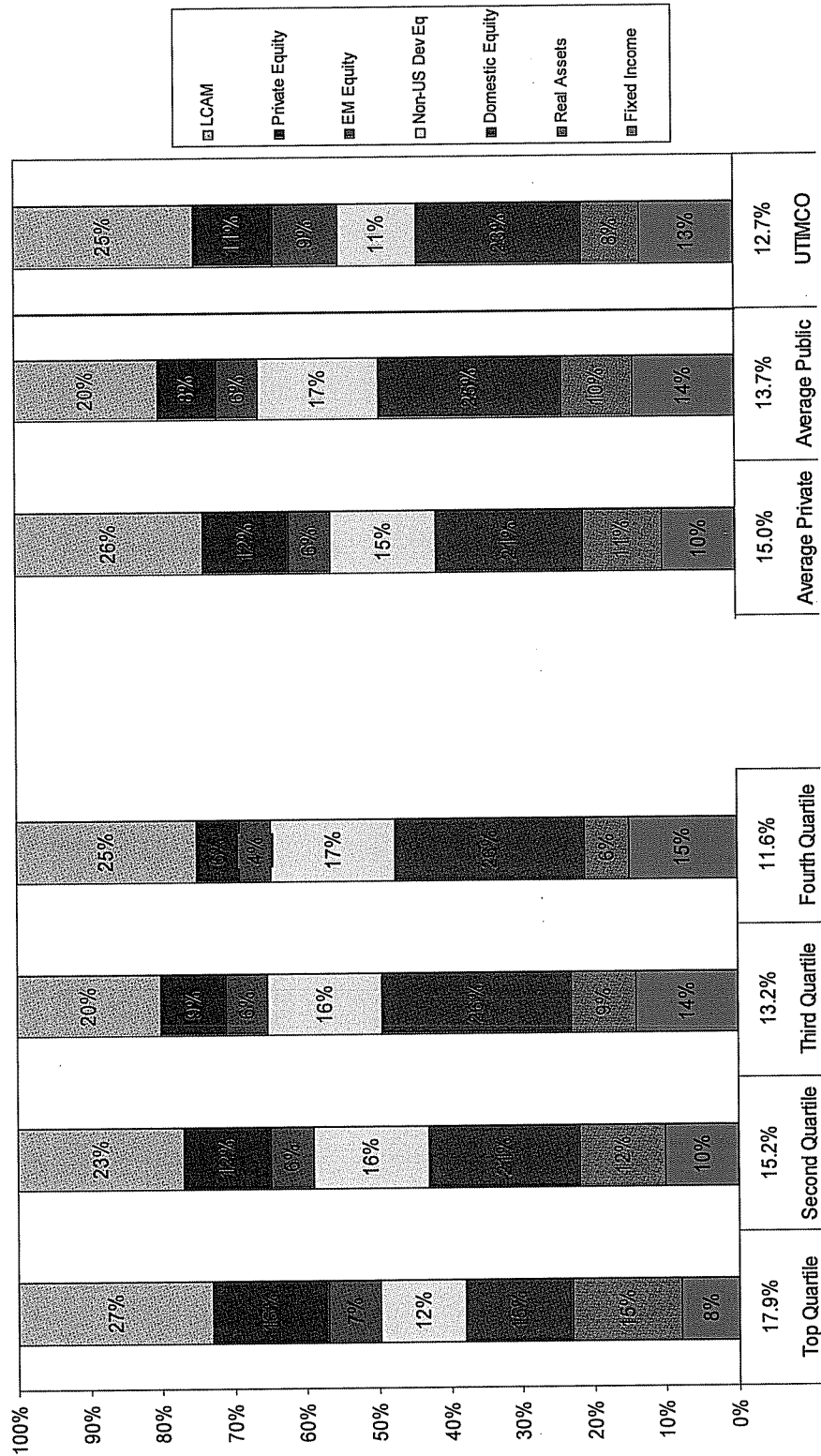
Efficient Frontier Summary (8.5% DR)

Results	Current Policy Portfolio ("All Active" assumptions)	Basic Passive	Expanded Passive	Passive and Some Active	All Active	All Active, LCAMs at 11% returns and 5.5% vol	Cambridge Assumptions
Returns	9.3%	8.1%	8.2%	10.9%	11.3%	12.4%	11.4%
Downside Risk	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Sortino Ratio	0.14	0.00	0.01	0.33	0.37	0.5	0.39
Chances of Meeting Return Target (over a ten year period)	62%	50%	51%	74%	76%	81%	77%
Asset Allocation							
Fixed Income	15%	3%	16%	0%	0%	0%	0%
Commodities	3%	33%	27%	12%	23%	0%	20%
REITS	5%	16%	13%	0%	0%	0%	0%
Private Real Estate	0%	0%	0%	41%	26%	0%	11%
Developed Economies	19%	24%	22%	0%	0%	0%	0%
Developing Economies	18%	24%	22%	0%	0%	0%	20%
Private Equity	15%	0%	0%	47%	51%	55%	39%
LCAM	25%	0%	0%	0%	0%	45%	0%



Peer Comparisons

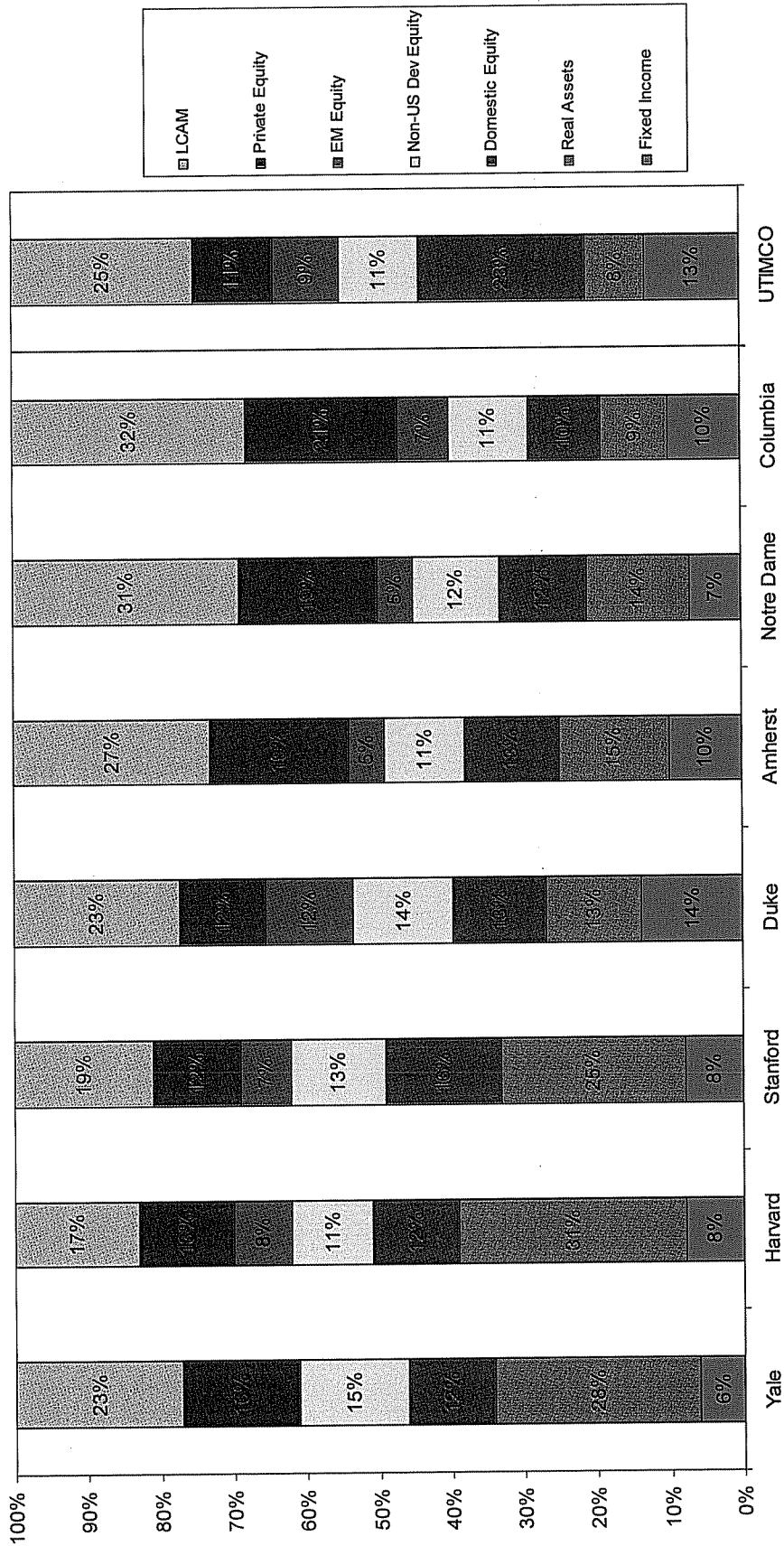
Top Performing Endowments have higher asset allocations to Real Assets, Private Equity and Less-Correlated Active Managers and lower allocations to Fixed Income and Developed Economy Equities





Top Performers

Peer Asset Allocations





Opportunity Cost Related to Non-Top Quartile Performance

Top Quartile Return 17.9%

Average Public Return 13.7%

Difference 4.2%

4.2% on \$18 billion is \$750 million per year



Portfolio Categorizations

- Asset Classes
 - Diversification...Converging Correlations
 - Risk/Return...Passive vs Active Management and Latitude
- Investment Vehicles/Approaches
 - Hedge Funds (Less-Correlated Active Managers)
 - Real Assets
 - Private Equity



Asset Classes and Investment Vehicles

		More Constrained Primarily Long-Only, No Leverage	Less Constrained Long/Short, Levered	Private Investments	Total
Fixed Income	Investment Grade				
	Credit Related				
Real Assets	Natural Resources				
	Real Estate				
Equity	Developed Economies				
	Developing Economies				
Total					100%



Asset Classes and Investment Vehicles

Current Portfolio

		More Constrained, Primarily Long-Only, No Leverage	Less Constrained, Long/Short, Levered ¹	Private Investments	Total
Fixed Income	Investment Grade	13.0%	3.0%	0.0%	16.0%
	Credit Related	0.0%	1.0%	1.2%	2.2%
Real Assets	Natural Resources	6.0%	1.0%	0.8%	7.8%
	Real Estate	4.0%	0.0%	0.0%	4.0%
Equity	Developed Economies	31.5%	22.0%	6.4%	59.9%
	Developing Economies	9.0%	1.0%	0.1%	10.1%
Total		63.5%	28.0%	8.5%	100.0%

¹ Multi-Strategy Managers generally categorized as Developed Economies Equity



Mandate Categorization

- All mandates must be categorized by Asset Class/Investment Vehicle
- No 'Split' Mandates
- Most categorizations are straightforward; some are not
- Limitations on 'Primarily Long-Only, Not Levered'
 - Gross Leverage generally not to exceed 160%
 - Monthly holdings to UTIMCO or IFS
 - Lock-ups permissible
 - Performance Fees permissible, generally over hurdle/benchmark
- Process Recommendation
 - Investment Team Recommendation
 - Independent Compliance Confirmation/Suggested Revisions
 - CIO Designation
 - Risk Committee/Board Review



Primarily Long-Only, Not Levered Active Managers

Mandate	AUM	Leverage	Can Use Derivatives	Short	Transparency	Liquidity	Legal Vehicle	Fees	Date of Investment
Fixed Income									
Dreyfus	\$803	No	No	No	Monthly	Daily	Onshore Fund	10 bps	Apr-97
PIMCO Nominal, TIPS)	739	Only via derivatives	Yes	Only via derivatives	Daily	30 days notice	Agency Account	Nominal: 18-28 bps + 5%>benchmark TIPS: 50%>benchmark + 35 bps	Nov-03 & Aug-04
Internal (Nominal, TIPS, Credit)	594	No	No	No	Daily	Daily	Internal	Performance Based	N/A
REAMS (Nominal, TIPS)	434	Only via derivatives	Yes	Only via derivatives	Daily	30 days notice	Agency Account	Nom: 0% - 50%>benchmark+hurdle; TIPS: 50%>benchmark + 25 bps	May-05
GIA	152	Up to 180% gross exposure	Yes	Up to 30% of NAV	Monthly	90 days notice	LLC	25 bps + .1% -1.25% of principal based on outperformance	May-06
Currencies									
Bridgewater	600	Implied: Leverage via futures/options	Yes	Up to 100% of portfolio value	Monthly	30 days notice	Agency Account	25.333% (wgt avg.) of net new trading profits	Jan-05
US Equities									
Value Act	610	Borrowing up to 15% permitted, but not intended	Permitted but not intended	Permitted but not intended	Monthly	90 days notice	Offshore Fund	1% + 20%>6%/yr	Aug-03
Relational	406	No	No	No	Monthly	Annually on 12/31	UT LP	85bps + 20%>S&P 500	Sep-04
Westport	346	No	No	No	Daily	30 days notice	Agency Account	45 bps + 40%>Russell 2K + 2% p.a.	Oct-04
TCW (MultiCap & Small Cap)	252	No	No	No	Daily	At any time	Agency Account	50%> Russell 3K +2.5% p.a.	Nov-04
Levin (Large Cap, Utilities)	247	No	No	No	Daily	At any time	Agency Account	25 bps + 30%>S&P500 (S&P Util ex TXU) + 2.5% p.a.	Nov-06
New Mountain	190	No w/o UT OK	Yes	No w/o UT OK	IFS Monthly	Locked until 12/31/08; Annually on 12/31 thereafter	UT LP	1.5% + 20%>S&P 500	Sep-06
Blavin	148	Permitted but not intended	Yes	Permitted but not intended	Monthly	Qtrly/90 days	UT LP	50bps + 25%>6%/yr	Feb-07
Blackrock Small Cap	88	Only via options	Yes	No	Daily	50% 30 days; 100% 60 days	Agency Account	60 bps - 90 bps depending on account size	Jul-04



Primarily Long-Only, Not Levered Active Managers

Mandate	AuM	Leverage	Can Use Derivatives	Short	Transparency	Liquidity	Legal Vehicle	Fees	Date of Investment
Non-US Developed Equities									
Globeflex	405	No	No	No	Daily	At any time	Agency Account	75bps + 15%>Benchmark +2.5%	Oct-03
Landsdowne Europe	262	Can borrow up to 30%	Yes	No	IFS Monthly	Quarterly, 90 days notice	Offshore Fund	1% + 10%	Jan-06
GSAM	246	Up to 160% gross exposure	Yes	Up to 35% of NAV	Monthly	Monthly, 7 days notice	Offshore Fund	35bps + 35%>EAFE+1.5%	Feb-06
Blackrock	128	No	Yes	No	Daily	Any time, 30 days notice	UT LP	63bps	Nov-04
Dalton JMBO	55	Permitted but infrequent use	Yes	Yes	Monthly	Quarterly, 30 days notice	Offshore Fund	1% + 20%	Apr-05
Dalton Japan	70	No	Limited	No	Daily	Any time, 30 days notice	Agency Account	20 bps + 40%>Topix + 2.4% p.a.	May-05
Cundill Japan	77	No	Limited	Up to 5% of NAV	Daily	Any time, 30 days notice	Agency Account	30bps + 40%>TOPIX + 2.2% p.a.	Jan-05
Developing Equities									
Landsdowne EM	446	Up to 160% gross exposure	Yes	Up to 30% of NAV	Monthly	Monthly, 90 days notice	UT LP	1% + 10%	Dec-05
Templeton Emerging (TEEMX)	290	No	No	No	Quarterly	Daily	Mutual Fund	125 bps	Aug-00
Templeton High Alpha	180	No	Yes	No	Weekly	Quarterly, 30 days notice	UT LP	60bps + 20%>MSCI EM	Mar-06
BGI EMSI	201	No	No	No	Monthly	3 days notice on 15th & 30th	Trust	25bp + 20%>MSCI EM	Apr-07
Blakeney	132	No	Permitted but not intended	No	Monthly	Monthly, 90 days notice	UT LP	1.75% + 20%>8%yr	Oct-04
Rexiter	71	No	No	No	Monthly	Twice monthly, 3 days notice	Trust	40bps + 20%>MSCI Free	May-07
Dalton Taiwan	48	No	Yes	No	Monthly	Any time, 90 days notice	UT LP	20bps + 40%>Customized EM+300bps	Jan-06
Real Estate									
Cohen & Steers	613	No	No	No	Monthly	Any time, 5 days notice	Agency Account	5bps - 18.75bp wgt'd avg.	Oct-05
Morgan Stanley	172	No w/o UT OK	No	No w/o UT OK	Monthly	Any time	Agency Account	1% + 10%>FTSE/NAREIT Global Real Estate	Feb-06



Less-Correlated Active Managers

(NAV in millions)

Category	NAV	%	# of Managers	Exposure			Large Managers
				Gross	Net	Long Short	
L/S - General	\$ 1,330	22	7	323%	-17%	153%	Maverick (\$517), Blue Ridge (\$360)
L/S - Geography	\$ 723	12	7	194%	44%	119%	OZ Eur/Asia (\$192), Indus Jap/Asia (\$135)
L/S - Sector	\$ 465	8	7	170%	57%	114%	Steadfast Financial (\$162)
Total L/S	\$ 2,519	42%	21	258%	14%	136%	
Multi-Strat - L/S Bias	\$ 2,003	34	8	228%	55%	141%	Farallon (\$686), Perry (\$609), Protégé (\$284)
Multi-Strat - General	\$ 489	8	4	264%	115%	190%	Satellite (\$215)
Total Multi-Strat	\$ 2,492	42%	12	235%	67%	151%	
Arbitrage/Rel Value	\$ 786	13%	5	840%	-32%	404%	Bridgewater (\$294), BGI (\$279)
High Yield/Distressed	\$ 193	3%	4	171%	84%	128%	Silverpoint (\$61)
Total	\$ 5,991	100%	42	322%	32%	177%	



Less-Correlated Active Managers

Marketable Alternatives Performance	Fiscal YTD	1 year *	3 Year*	5 Year*	August 1998 Inception
Annualized Return	15.5%	17.3%	12.5%	12.2%	11.1%
Annualized Volatility	1.9%	2.1%	3.1%	4.0%	5.6%
Correlation to Russell 3000	0.69	0.69	0.72	0.69	0.52
Correlation to Lehman Agg	(0.38)	(0.48)	(0.08)	0.04	0.04
MA Benchmark Return	9.0%	9.4%	6.8%	6.1%	8.5%
Value-Added	6.5%	7.9%	5.7%	6.1%	2.6%

* Annual Return as of June 30, 2007



Private Equity

Category	No. of Managers	No. of Funds	Existing Portfolio* (%)			Existing Portfolio (\$)		
			Invested	Unfunded Comm.	Economic Exposure	Invested	Unfunded Comm.	Economic Exposure
US Buyout	17	32	20%	24%	23%	\$ 317	\$ 502	\$ 819
Euro Buyout	8	19	15%	19%	17%	239	394	\$ 633
EM/Asia Pacific Buyout	2	2	1%	1%	1%	16	28	\$ 44
Global Buyout	3	6	12%	6%	9%	182	131	\$ 313
Total Buyout	30	59	48%	51%	50%	754	1,055	1,809
Venture Capital	21	39	22%	17%	19%	336	362	698
Opportunistic/Other	6	10	6%	11%	9%	95	226	321
Distressed/Mezz	8	18	14%	14%	14%	221	284	505
Energy	8	16	10%	7%	8%	154	143	297
Total	73	142	100%	100%	100%	\$ 1,560	\$ 2,070	\$ 3,630

* Excludes secondary sale and includes pending commitments



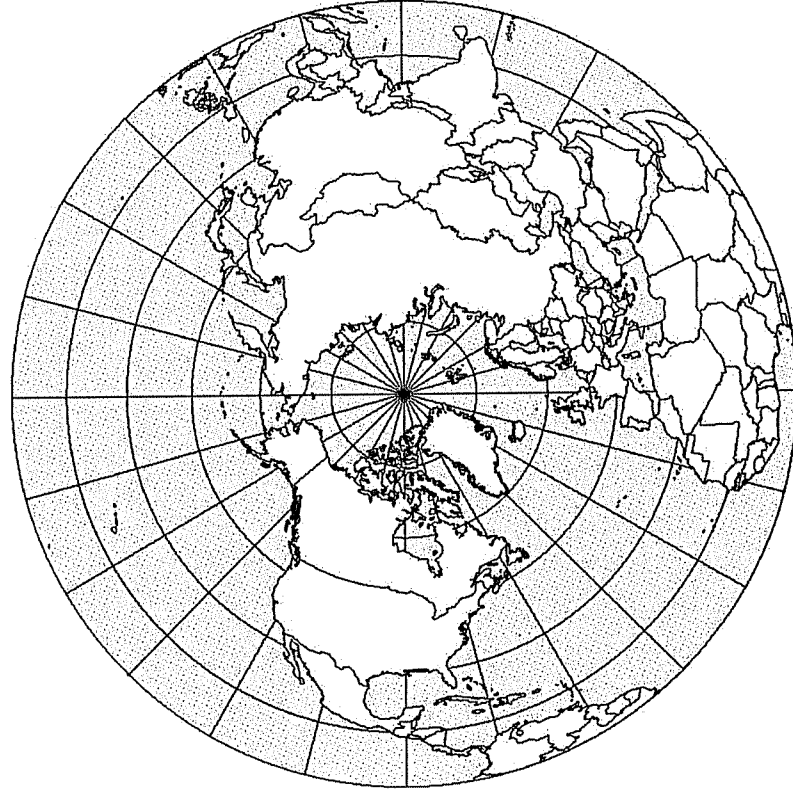
UTIMCO vs. Venture Economics

Buyout				
Vintage Year	Commitment	UTIMCO Since Inception IRR	VE Buyout Median IRR	Value Added
1995	\$232	7.2%	6.2%	1.0%
1996	\$291	7.2%	4.8%	2.4%
1997	\$464	9.7%	2.6%	7.1%
1998	\$367	11.2%	5.0%	6.2%
1999	\$332	6.3%	5.6%	0.7%
2000	\$45	21.2%	6.4%	14.8%
2001	\$332	22.1%	12.3%	9.8%
2002	\$213	18.7%	4.8%	13.9%
2003	\$180	22.3%	8.2%	14.1%
2004	\$160	21.4%	17.1%	4.3%
2005	\$498	26.0%	-1.4%	27.4%

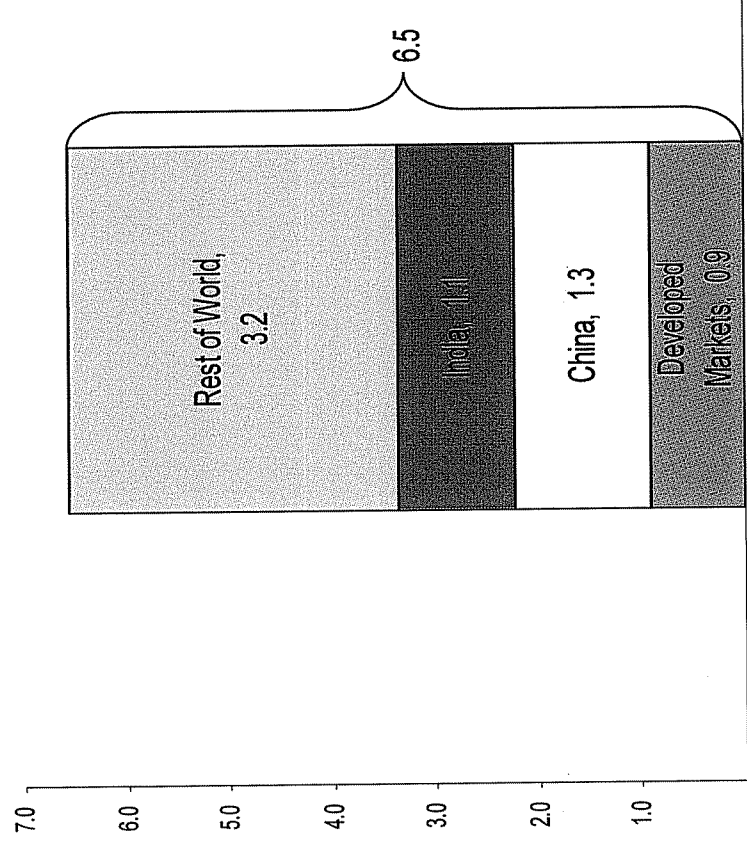
Venture				
Vintage Year	Commitment	UTIMCO Since Inception IRR	VE VC Median IRR	Value Added
1995	\$50	32.7%	21.2%	11.5%
1996	\$30	26.7%	33.1%	-6.4%
1997	\$20	8.6%	20.8%	-12.2%
1998	\$120	-5.8%	2.2%	-8.0%
1999	\$40	8.3%	-8.2%	16.5%
2000	\$50	-16.5%	-4.3%	-12.2%
2001	\$225	5.6%	-0.3%	5.9%
2002	\$4	7.2%	-3.0%	10.2%
2003	\$60	21.7%	-4.5%	26.2%
2004	\$120	-9.8%	-6.2%	-3.6%
2005	\$147	2.7%	-6.3%	9.0%



Strategic Investment Themes: Global Growth and Emerging Markets



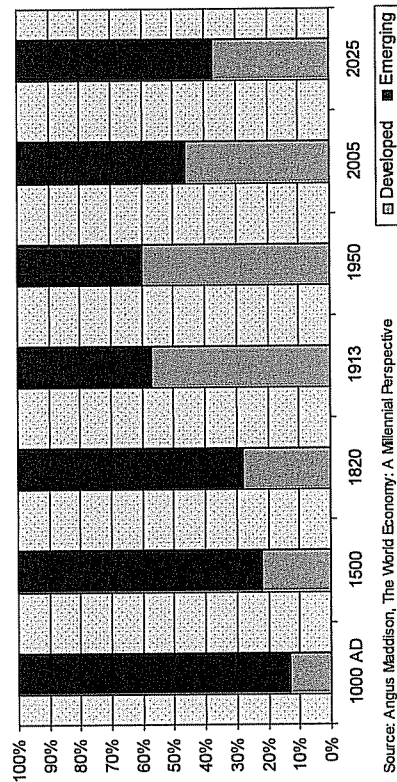
Population (in billions)



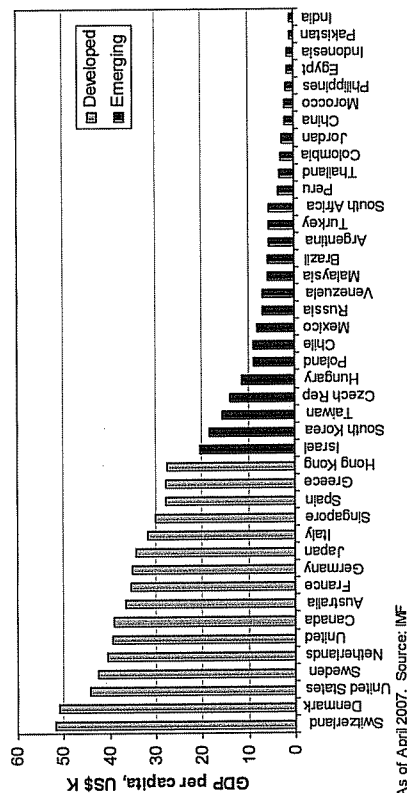


Emerging Market Economic Trends

% Share of Global GDP



GDP per Capita



Emerging Market Economies

2005

1998

GDP Growth

6.7%

2.4%

Current Account (% of GDP)

4.1%

-0.8%

Fiscal Deficit (% of GDP)

0.7%

4.6%

Inflation

5.0%

11.8%

External Debt (% of GDP)

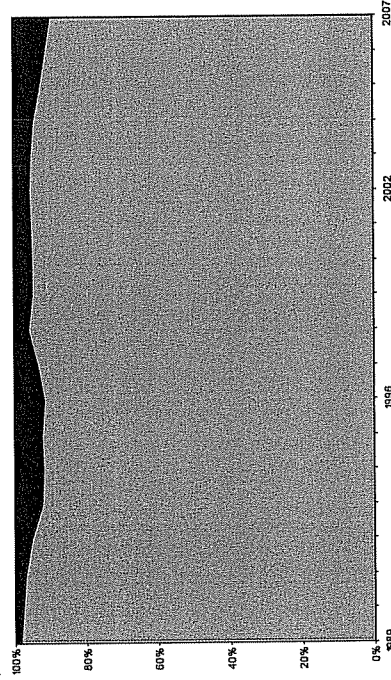
37.0%

49.0%

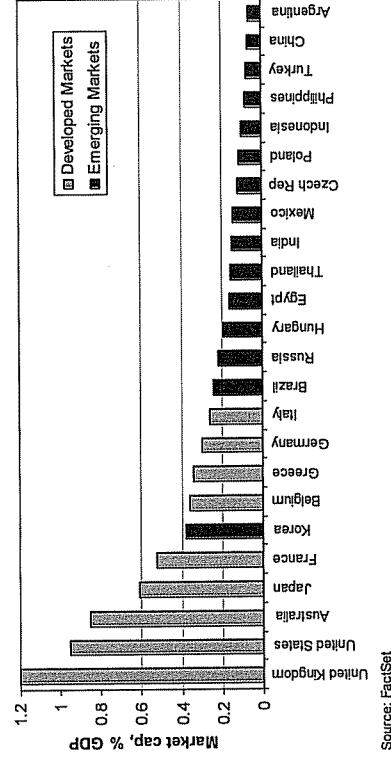


Emerging Market Capitalization

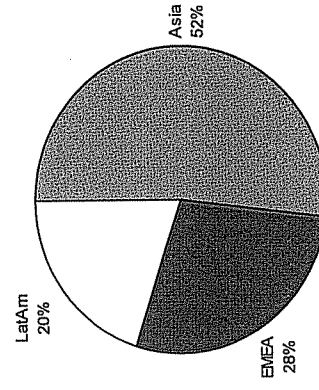
Equity Market Capitalization



Market Cap as % of GDP



Emerging Market Market Cap by Geography



Emerging Market Domiciled Companies	2001	2006
Number with Market Cap > \$50B	5	16
Number in Global Fortune 500	5	12
Number with Credit Rating > Sovereign	36	78
S&P exposure to non-US Revenues	32%	44%



Emerging Market Risks and Investment Approach

Risks

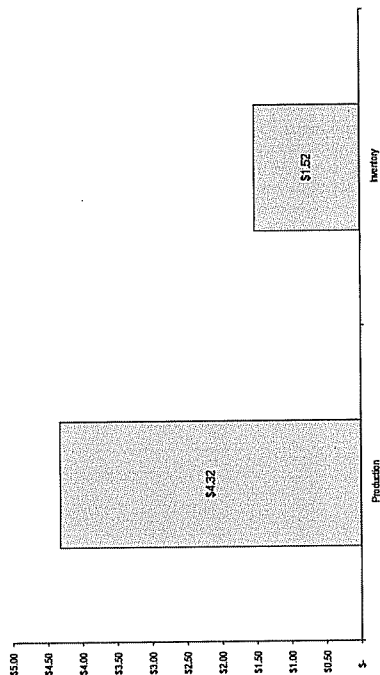
- Political
 - Trade
 - Rule of Law
 - Terrorism/War
 - Cycles/Inflation/Volatility
 - Corporate Quality
 - Governance
 - Regulation
- }
- Local Knowledge/Relationships

<u>Investment Strategy (20% of Total Portfolio, 30% of Total Equity)</u>	<u>Allocation</u>	<u>Range</u>
Primarily Long Only, No Leverage	80%	25-100%
Long/Short, Leverage	10%	0-40%
Private Investments	10%	0-50%



Natural Resources: How to Invest

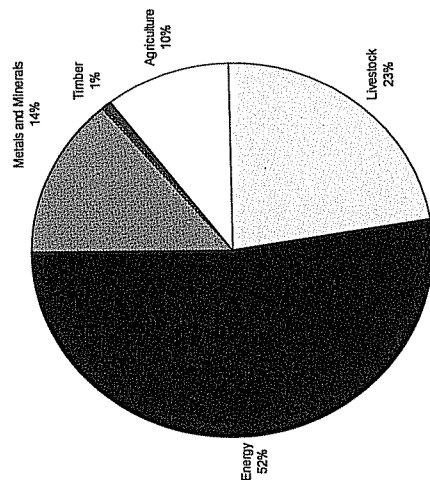
Annual Production and Inventory
(in billions)



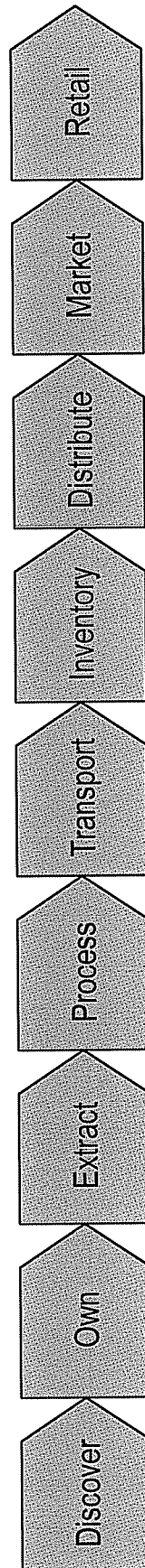
Natural Resources Financial Markets

Market	(trillions)
Futures	\$16.5
Options	2.5
Public Equity	3.0

Capital Market by Type of Resource

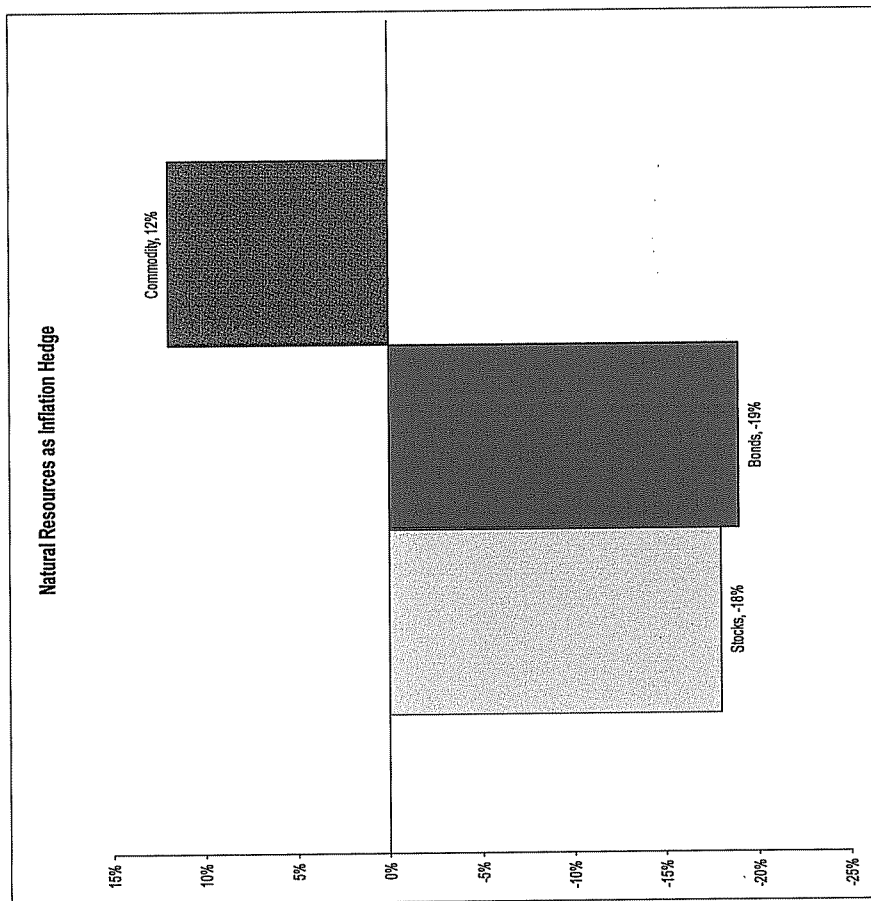
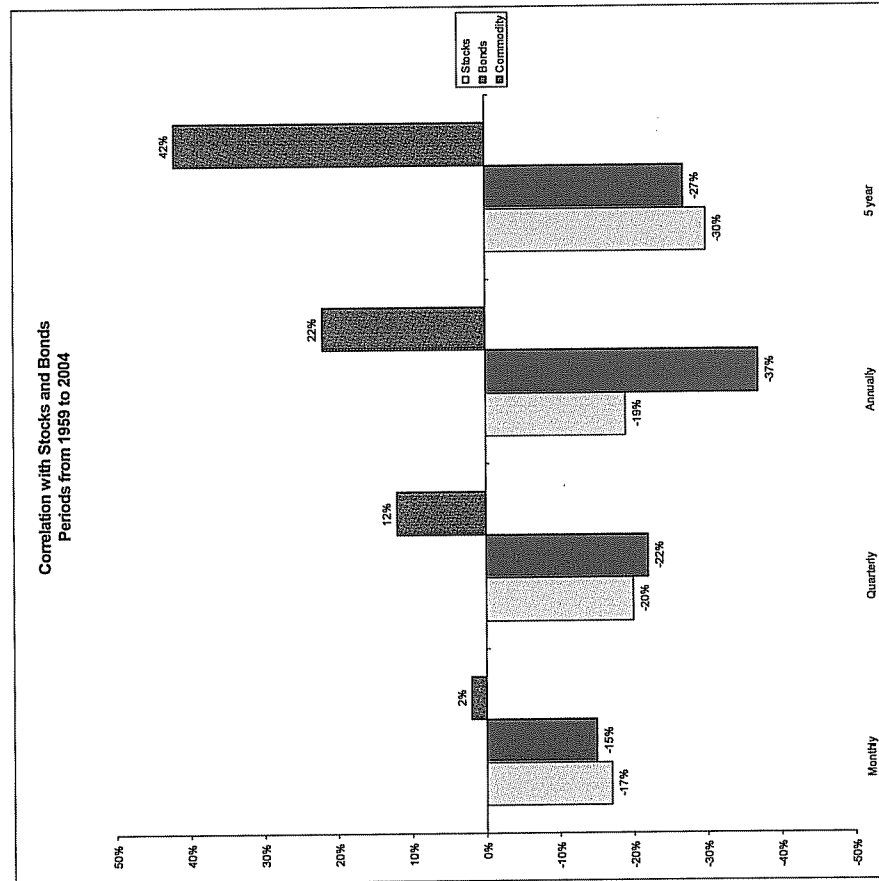


Natural Resources Supply Chain





Natural Resources as a Diversifier and Inflation Hedge





Impact of China Growth: Global Demand for Resources

	Starting Year	Start Year GDP/Cap*	20 Yr GDP Inc	2006 GDP/Cap	Per Capital Consumption					
					Oil (bbls)	Steel (kg)	Copper (kg)	Alum (kg)	Zinc (kg)	Nickel (kg)
China	2006	\$1,840	TBD	\$1,840	2	250	3	6	2	0.2
Taiwan	1972	\$1,980	8.30%	\$4,810	15	975	15	20	9	2
Korea	1975	\$1,802	8.10%	\$3,849	15	850	25	19	12	4
Japan	1963	\$3,848	6.00%	\$13,901	13	600	10	17	4	2

Impact of China's Estimated Demand on World Demand					
	Historical Annlzd. Demand Growth 1960-2006	Chinese Demand % World	Estimated Chinese Demand Growth	Estimated World (with China) Demand Growth (if rest of world has avg growth)	Growth Relative to History % Increase in Avg Growth
Copper	2.8%	20%	9.3%	4.9%	2.0% 71.0%
Aluminum	4.6%	24%	4.9%	4.7%	0.1% 2.0%
Oil	3.1%	8%	10.5%	4.2%	1.2% 39.0%
Nickel	3.4%	15%	10.0%	5.1%	1.7% 50.0%
Zinc	2.8%	30%	5.4%	3.7%	1.0% 36.0%
Lead	2.5%	27%	5.8%	3.6%	1.1% 44.0%
Tin	1.4%	34%	6.2%	3.6%	2.1% 140.0%



Natural Resources

Energy

"It is a hard truth that the global supply of oil and natural gas from the conventional sources relied upon historically is unlikely to meet projected 50% and 60% growth in demand over the next 25 years" – *Natural Petroleum Council*

"US electricity power generation capacity infrastructure will require \$900 billion of investment over the next 15 years" - *WSJ*

Agricultural

"Food prices are set for a period of significant and long-lasting inflation because of demand from China and India and the use of crops for biofuels" – *Peter Brabeck, Chairman Nestles*

"Silo scarcity has farmers hunting for storage space" - *WSJ*

"Paying more for milk is causing an uproar in Germany where families consider providing children with an affordable glass of milk a fundamental right. Prime Minister Wen Jiabao said his "dream" is for each Chinese child to consume a pint per day." - *FT*



Natural Resources

Metals and Minerals

“Mining executives say that neither the shortages of metals nor China’s demand for them will change any time soon and that the growth of India will provide further support for commodity prices. They increasingly argue that the commodities cycle is in fact in a “super cycle” – a long period of higher prices last seen in the 1960s, when Japan was industrializing .

During the last downturn in commodities prices in the late 1990s, large mining companies slashed exploration budgets and hundreds of small explorers went bust. The industry is now investing again, but it takes years to find new deposits and sometimes more than a decade to bring them into production.” - *Financial Times*

“Demand is voracious overseas. The underlying driver of scrap prices is just the tremendous growth in the global economy.” - *Financial Times*



Natural Resources Investment Strategy

Natural Resources as a Separate Asset Class with a 10% Allocation

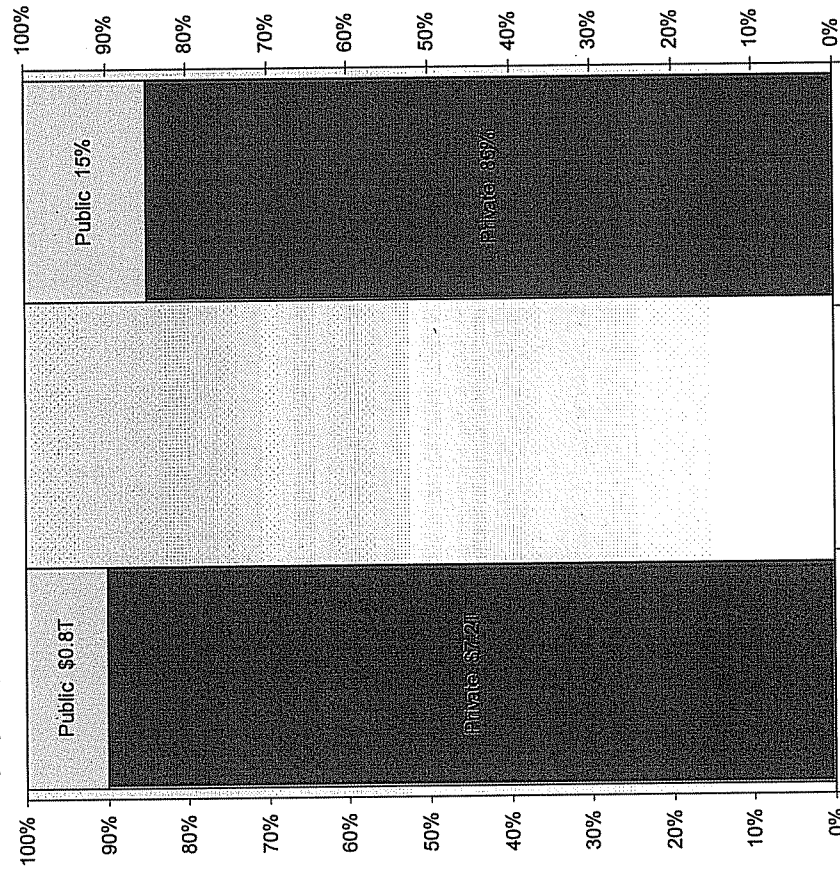
	Energy (Oil, Gas, Elec, Wind, Water)	Metals/Minerals	Ag/Livestock & Timber	Allocations Target Range
Allocations by Type of Natural Resource				
Target	55%	25%	20%	
Range	0-70%	0-50%	0-40%	
Investment Vehicles				
Primarily Long Only, No Leverage				40% 0-70%
Long/Short, Leveraged				30% 0-50%
Private Investments				30% 0-70%



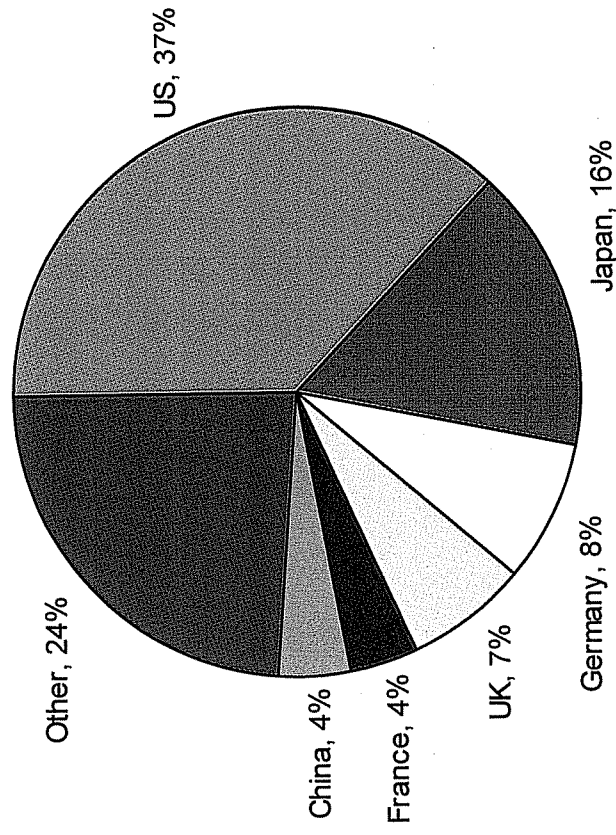
Strategic Investment Thesis: Real Estate Private Equity

Global Real Estate
Equity Capitalization

Top Performing
Endowments Real
Estate Investment



Market Size by Geography





Real Estate Equity Strategy

	Public Real Estate Equity		Private Real Estate Equity		Total
	Target	Range	Target	Range	
US	20%	0-50%	20%	0-40%	40%
Europe	20	0-40	10	0-30	30
Asia	<u>20</u>	<u>0-40</u>	<u>10</u>	<u>0-30</u>	<u>30</u>
Total	60%	10-70%	40%	0-60%	100%



Private Investment Commitment Model

Given a desired “investment level” and capital call/distribution assumptions, annual commitment ‘budgets’ can be modeled.

Private Equity

	Capital calls	Distributions	Unfunded commitments
Present			100%
Year 1	18%	0%	82%
Year 2	21%	6%	61%
Year 3	19%	10%	42%
Year 4	15%	12%	27%
Year 5	11%	14%	16%
Year 6	9%	16%	7%
Year 7	4%	19%	3%
Year 8	3%	23%	-
Year 9		23%	-
Year 10		18%	-
Year 11		13%	-
Year 12		7%	-

Private Real Estate

	Capital calls	Distributions	Unfunded commitments
Present			100%
Year 1	21%		79%
Year 2	32%		47%
Year 3	32%		15%
Year 4	15%	26%	-
Year 5		25%	-
Year 6		43%	-
Year 7		34%	-
Year 8		4%	-



Commitment Plan

	2007	2008	2009	2010	2011	2012
Credit Related						
% of portfolio	1.2%	1.4%	1.7%	2.1%	2.5%	2.9%
Unfunded commitment	1.6%	2.5%	3.0%	3.1%	3.0%	2.9%
Annual commitment	\$200m	\$250m	\$225m	\$200m	\$200m	\$200m
Natural Resources						
% of portfolio	0.9%	0.8%	1.0%	1.5%	2.2%	3.0%
Unfunded commitment	0.8%	1.8%	3.1%	4.2%	4.7%	4.6%
Annual commitment	\$40m	\$250m	\$350m	\$400m	\$370m	\$300m
Developed PE						
% of portfolio	6.5%	7.4%	8.2%	8.9%	9.5%	9.7%
Unfunded commitment	9.6%	9.4%	8.5%	7.7%	6.9%	6.9%
Annual commitment	\$740m	\$500m	\$400m	\$400m	\$400m	\$550m
Emerging PE						
% of portfolio	0.1%	0.1%	0.3%	0.8%	1.4%	2.1%
Unfunded commitment	0.2%	1.2%	2.4%	3.3%	3.7%	3.3%
Annual commitment	\$30m	\$210m	\$300m	\$300m	\$300m	\$150m
Total % of portfolio	8.6%	9.7%	11.3%	13.3%	15.6%	17.7%
Total commitments	\$1010m	\$1210m	\$1275m	\$1300m	\$1270m	\$1200m

	2007	2008	2009	2010	2011	2012
Real Estate						
% of portfolio		0.0%	0.3%	1.1%	2.6%	4.2%
Unfunded commitment		1.3%	2.0%	2.1%	2.3%	1.3%
Annual commitment		\$250m	\$400m	\$450m	\$500m	\$300m

	2007	2008	2009	2010	2011	2012
Total Illiquid	8.6%	9.7%	11.5%	14.4%	18.1%	22.0%



Increase in Private Investments

Current Actual	Current Target	Recommended Target
8.5%	15%	22%

Recommended Target

- Includes 4% in Private Real Estate Equity
- Implementation over 5 years
- Still below high performing peers
 - Yale at 43%
 - Harvard ~ 40%
 - Stanford ~ 37%



PUF and GEF Strategic Asset Allocation FY 2012 Recommendation vs Current

		More Constrained Primarily Long-Only, No Leverage		Less Constrained Long/Short, Levered		Private Investments		Total	
		5.5%	13.0%	2.0%	3.0%	0.0%	0.0%	7.5%	16.0%
Fixed Income	Investment Grade								
	Credit Related	1.5%	0.0%	3.0%	1.0%	3.0%	1.2%	7.5%	2.2%
Real Assets	Natural Resources	4.0%	6.0%	3.0%	1.0%	3.0%	0.8%	10.0%	7.8%
	Real Estate	5.0%	4.0%	1.0%	0.0%	4.0%	0.0%	10.0%	4.0%
Equity	Developed Economies	16.0%	31.5%	19.0%	22.0%	10.0%	6.4%	45.0%	59.9%
	Developing Economies	16.0%	9.0%	2.0%	1.0%	2.0%	0.1%	20.0%	10.1%
Total		48.0%	63.5%	30.0%	28.0%	22.0%	8.5%	100.0%	100.0%

Black = Recommended Portfolio Red = Current Portfolio



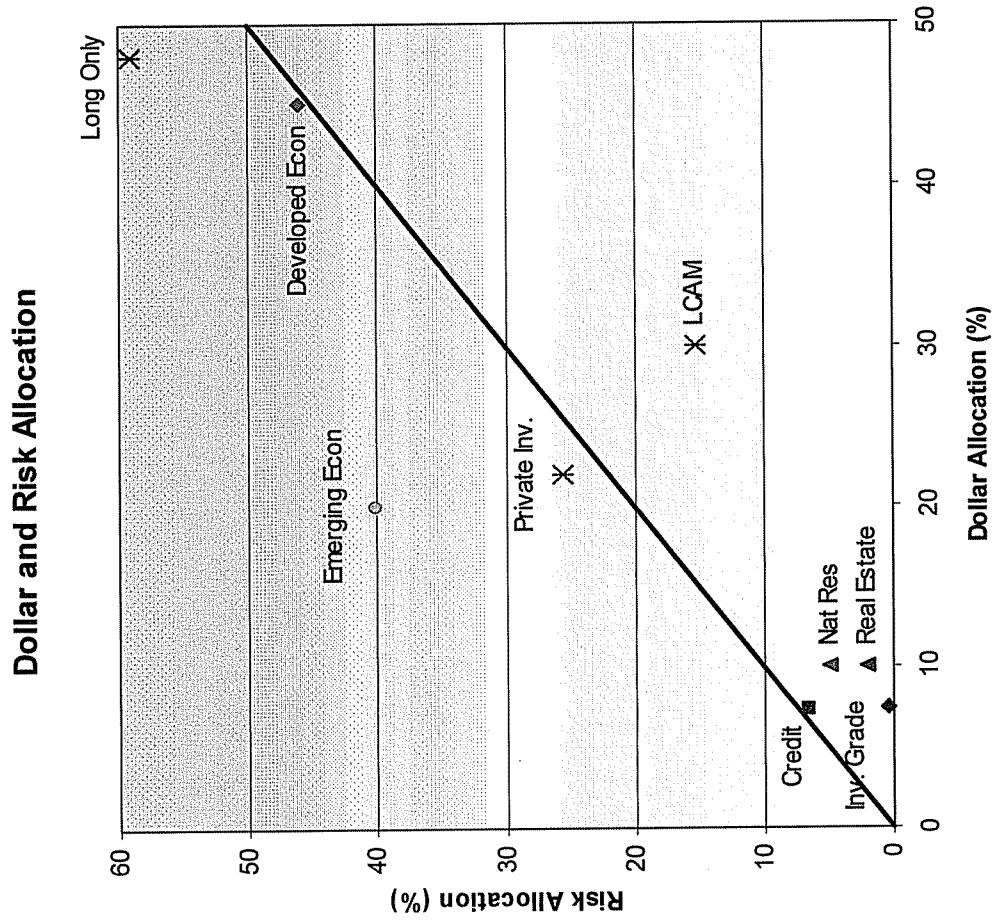
Recommended Strategy in Existing Format

	Actual Allocation	Current Policy	Recommended Policy
Cash	3.0	0.0	N/S
Nominal Bonds	7.0	10.0	N/S
TIPs	3.0	5.0	N/S
<i>Investment Grade</i>	N/S	N/S	5.5
<i>Credit Related</i>	N/S	N/S	1.5
Total Fixed Income	13.0	15.0	7.0
Public Real Estate	4.0	5.0	5.0
<i>Private Real Estate</i>	N/A	N/A	4.0
Total Real Estate	4.0	5.0	9.0
Natural Resources	4.0	3.0	4.0
US Public Equity	23.0	20.0	8.0
Non-US Dev Pub Equity	11.0	10.0	8.0
Total Developed Equity	34.0	30.0	16.0
Developing Equity	9.0	7.0	16.0
Buy out	9.0	11.0	N/S
VC	2.0	4.0	N/S
Private Equity	11.0	15.0	18.0
Abs Ret	15.0	15.0	N/S
Directional	10.0	10.0	N/S
LCAM	25.0	25.0	30.0
Total Assets	100.0%	100.0%	100.0%



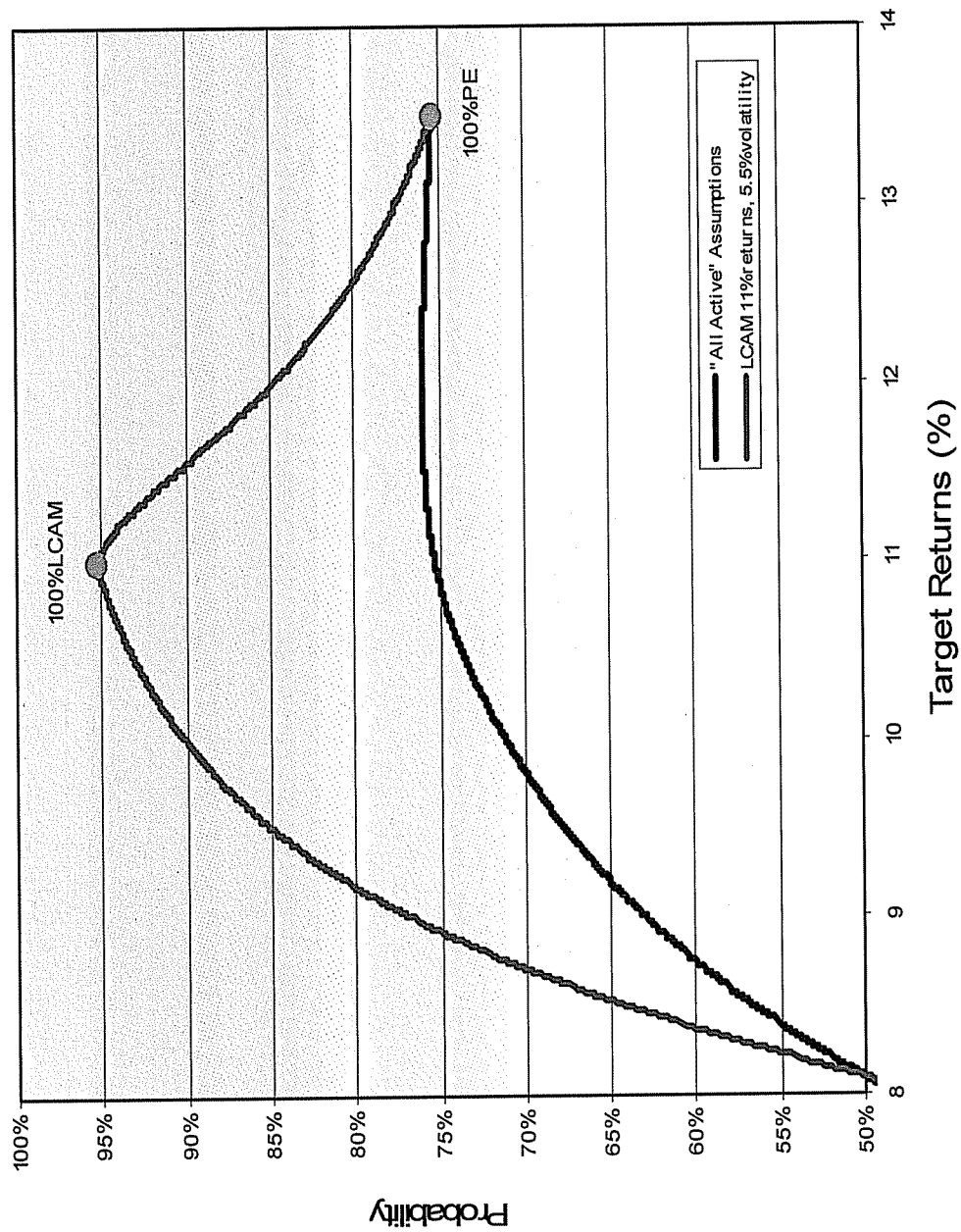
PUF and GEF Recommendation – Projected Results

- Expected Returns: 9.9%
- Downside Risk: 9.1%
- Sortino Ratio .20
- Probability of meeting 10 year return target 66%
- Less attractive risk/return profile than unconstrained portfolio
 - 15% FI (vs 0% in unconstrained portfolio)
 - 4% Private Real Estate (vs 18-33%)
 - 18% Private Equity (vs 32-40%)





Probability of achieving 8.1% returns over a 10 year period





Asset Allocation Tactical Ranges

	Primarily Long, Non-Levered			Long/Short, Levered			Private Investments			Total		
	<u>Min</u>	<u>Target</u>	<u>Max</u>	<u>Min</u>	<u>Target</u>	<u>Max</u>	<u>Min</u>	<u>Target</u>	<u>Max</u>	<u>Min</u>	<u>Target</u>	<u>Max</u>
Investment Grade	5.0%	5.5%	35.0%	0.0%	2.0%	5.0%	0.0%	0.0%	5.0%	5.0%	7.5%	35.0%
Credit-Related	0.0%	1.5%	5.0%	0.0%	3.0%	5.0%	0.0%	3.0%	5.0%	0.0%	7.5%	10.0%
Total Fixed Income	5.0%	7.0%	35.0%	0.0%	5.0%	10.0%	0.0%	3.0%	7.5%	5.0%	15.0%	45.0%
Natural Resources	0.0%	4.0%	6.0%	0.0%	3.0%	5.0%	0.0%	3.0%	6.0%	0.0%	10.0%	20.0%
Real Estate	0.0%	5.0%	8.0%	0.0%	1.0%	5.0%	0.0%	4.0%	8.0%	0.0%	10.0%	20.0%
Total Real Assets	0.0%	9.0%	10.0%	0.0%	4.0%	10.0%	0.0%	7.0%	12.0%	5.0%	20.0%	30.0%
Developed Economies	15.0%	16.0%	65.0%	15.0%	19.0%	25.0%	5.0%	10.0%	17.5%	25.0%	45.0%	75.0%
Developing Economies	5.0%	16.0%	20.0%	0.0%	2.0%	5.0%	0.0%	2.0%	5.0%	5.0%	20.0%	25.0%
Total Equity	15.0%	32.0%	75.0%	0.0%	22.0%	33.0%	5.0%	12.0%	25.0%	25.0%	65.0%	75.0%
Total	25.0%	48.0%	100.0%	20.0%	30.0%	33.0%	5.0%	22.0%	30.0%	0.0%	100.0%	105.0%



Implementation Timetable

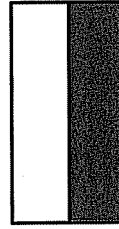
Asset Class target reached in 3 years, Investment Vehicle reached in 5 years

Asset Class	Adjusted Current	FY 08 Target	FY 09 Target	FY 10 Target	FY 11 Target	FY 12 Target
Investment Grade	16.0%	12.0%	10.0%	7.5%	7.5%	7.5%
Credit Related	2.2	5.0	7.0	7.5	7.5	7.5
Natural Resources	7.8	9.0	10.0	10.0	10.0	10.0
Real Estate	4.0	6.0	8.0	10.0	10.0	10.0
Developed Economies	59.9	56.5	50.0	45.0	45.0	45.0
Developing Economies	<u>10.1</u>	<u>12.5</u>	<u>15.0</u>	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Investment Vehicle						
LCAM	28.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Private Equity	8.6%	9.7%	11.5%	14.4%	18.1%	22.0%



Benchmarks

		More Constrained, Primarily Long-Only, No Leverage	Less Constrained, Long/Short, Levered	Private Investments
Fixed Income	Investment Grade	Lehman Brothers Global Aggregate		
	Credit Related	Citigroup High Yield		
Real Assets	Natural Resources	DJ-AIG		
	Real Estate	60% DJ Wilshire RESI + 40% NCREIF		
Equity	Developed Economies	MSCI World Index ex EM		
	Developing Economies	MSCI EM Index with Net Dividends		



Long/Short, Levered: MSCI Investable HF Index

Private Investments: Venture Economics Periodic IRR Index



Recommended Portfolio: Alpha vs Beta Risk/Return

	Portfolio		Portfolio	
	Beta Risk	Beta Return	Alpha Risk	Alpha Return
Investment Grade	0.53%	0.41%	0.09%	0.06%
Credit Related	0.80%	0.46%	0.50%	0.30%
Natural Resources	1.47%	0.69%	0.41%	0.32%
Real Estate	1.42%	0.73%	0.08%	0.11%
Dev Economies	6.01%	3.26%	1.74%	1.18%
EM Economies	4.80%	2.00%	0.72%	0.43%
Total	15.02%	7.55%	3.54%	2.38%
Total Return	9.93%			
Total Volatility	14.10%			



Current ITF Strategic Asset Allocation

No change recommended for ITF at this time

As of June 30, 2007		More Constrained, Primarily Long-Only, No Leverage	Less Constrained, Long/Short, Levered	Private Investments	Total
Fixed Income	Investment Grade	35.0%	2.7%	0.0%	37.7%
	Credit Related	0.0%	0.9%	0.0%	0.9%
Real Assets	Natural Resources	5.0%	0.9%	0.0%	5.9%
	Real Estate	8.0%	0.0%	0.0%	8.0%
Equity	Developed Economies	22.0%	19.6%	0.0%	41.6%
	Developing Economies	5.0%	0.9%	0.0%	5.9%
Total		75.0%	25.0%	0.0%	100.0%



Illiquidity

- Premium/Opportunity Cost
- Valuation/Pricing
- Cash Requirements/Cycles
- Risk Management
 - Commitment Models/Unfunded Commitment Limit



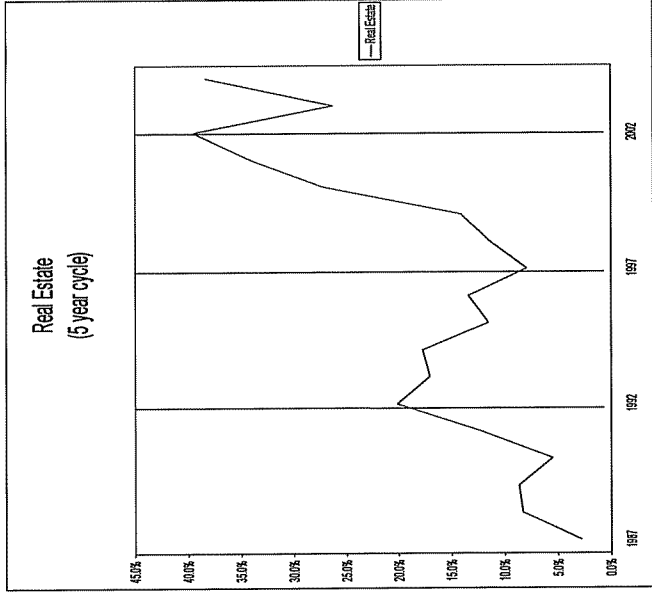
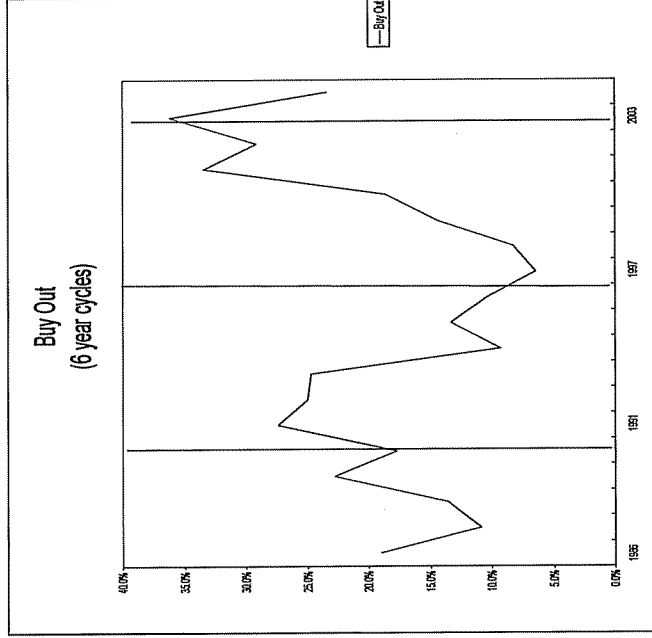
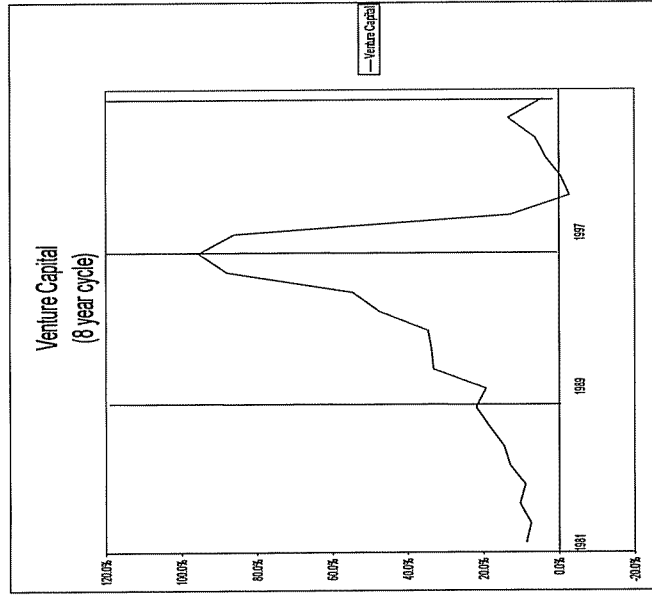
Private Investment and Non-Exchange Traded Security Valuation/Pricing

- By definition will not be as precise as liquid markets
- Lags
 - Book values are potentially understated in Bull markets and potentially overstated in Bear markets
 - Judgment required for portfolio management
- Investment Manager Due Diligence and Monitoring: Good Process, Well-Documented
 - Policies
 - Procedures
 - Personnel



Illiquidity: Cash Needs and Cycles

- While the PUF and GEF's cash needs are only 5% per year, the need to liquidate "illiquid" investments at inopportune times during a cycle pose a significant risk.
- 10 year cycles and 5% annual distribution result in a "simplistic" illiquidity cap of 50%





Illiquidity and Unfunded Commitment Limits

Current Portfolio

Asset Class	% of Portfolio	Illiquid ¹		Semi-liquid ²	
		% of Asset Class	% of Total Portfolio	% of Asset Class	% of Total Portfolio
Investment Grade	16%	10%	2%	4%	1%
Credit Related	2%	80%	2%	64%	1%
Natural Resources	8%	56%	4%	47%	4%
Real Estate	4%	0%	0%	0%	0%
Developed Economies	60%	33%	20%	20%	12%
Developing Economies	<u>10%</u>	1%	<u>0%</u>	1%	<u>0%</u>
Total	100%		28%		18%

¹ Liquidity = 3 months ² Liquidity = 1 year



Illiquidity and Unfunded Commitment Limits

Recommended Portfolio

Asset Class	% of Portfolio	Illiquid ¹		Semi-liquid ²	
		% of Asset Class	% of Total Portfolio	% of Asset Class	% of Total Portfolio
Investment Grade	7.5%	0%	0%	0%	0%
Credit Related	7.5%	62%	4%	48%	3%
Nat Resources	10.0%	56%	5%	46%	4%
Real Estate	10.0%	75%	7%	72%	7%
Developed Economies	45.0%	42%	21%	28%	14%
Developing Economies	<u>20.0%</u>	27%	<u>4%</u>	22%	<u>3%</u>
Total	100.0%		43%		33%

¹ Liquidity = 3 months ² Liquidity = 1 year



Recommended Unfunded Commitment Constraints

Asset Class	Recommended Portfolio		
	Invested	Target Unfunded Commitment	Max Unfunded Commitment
Investment Grade	0%	0%	2%
Credit Related	3%	3%	3%
Natural Resources	3%	5%	6%
Real Estate	4%	6%	8%
Developed Economies	10%	7%	9%
Developing Economies	<u>2%</u>	<u>4%</u>	<u>5%</u>
Total	22%	25%	33%



Derivative Policy

- In October, 2002 the Board approved the Derivative Investment Policy which details the
 - 1) Applications for,
 - 2) Documentation of, and
 - 3) Limitations on and monitoring ofthe use of derivatives by UTIMCO staff and its External Managers operating under Agency Agreements
- Permitted Applications involve:
 - Assist with portfolio risk management
 - Alter systemic (market) exposure
 - Construction of risk/return portfolios which can't be created using the cash market
 - Provide for efficiency in strategic implementation
 - Facilitate mandate transitionsDerivatives are not permitted in asset classes inconsistent with Investment Policies
- Required Documentation includes:
 - Purpose
 - Justification
 - Baseline Portfolio
 - Derivative Application Portfolio
 - Risks (including at a minimum: Modeling, Pricing, Liquidity and Legal)
 - Expected change in systematic and specific risk
 - Procedures in place to monitor and manage
 - Contracts/procedures to account for value
- Limitations include:
 - Downside Risk vs Baseline must be within $\pm 20\%$
 - "Global" exposure must be within Strategic Asset Allocation
 - Counterparty must be A-/A3 or better and no more than 1% of total fund net exposure to a single counterparty
- Monitoring includes daily mark-to-market and review by Risk Management and CIO



Approved Derivatives and Leverage

- In June 2003, the Board approved UTIMCO Staff to use derivatives in three applications:
 - US Equity: Market Cap and Sector “Shifts”
 - Non-US Equity: Country/Geography “Shifts”
 - GSCI: Gain commodity exposure
- In September 2003, the Board approved UTIMCO Staff to use derivatives in a “Structured Active Management” application:
 - Maintain US equity market exposure
 - Obtain active return via hedge fund mandates/risk

A limit of 5% of the Total Fund was placed on this application
- The CIO recommend three changes/enhancements to the risk management/reporting of the use of derivatives
 - The Structured Active Management application will be disaggregated for reporting purposes into the US equity and hedge fund elements of the application
 - The Notional Delta Equivalent associated with the use of options will be used to calculate the “Global” exposure vis-à-vis the Strategic Asset Allocation
 - Each element of the derivative application will be reported in its respective asset allocation for the purposes of calculating the “Global” exposure vis-à-vis the Strategic Asset Allocation



Other Portfolio Management Aspects

- Transparency
- Exchange Traded
- Currency Exposure



Next Steps

- Review with Board of Regents
- Revise Investment Policies
- Revise Performance Reporting
- Revise Compensation Policies