

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



Presentation Materials

Board of Directors Meeting

November 29, 2007

Part One

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
November 29, 2007**

The Ritz-Carlton Dallas
2121 McKinney Avenue
Dallas, Texas

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Open Session: Call to Order/Consideration of Minutes of September 21, 2007 Meeting*
9:05 a.m.	9:15 a.m.	2	Corporate Resolutions: - Election of UTIMCO Board Officers* - Board Committee Assignments*
9:15 a.m.	10:15 a.m.	3	Endowment and Operating Funds Update Report
10:15 a.m.	10:25 a.m.	4	Secondary Sale Update
10:25 a.m.	10:55 a.m.	5	Report on Public Markets Investments
10:55 a.m.	11:15 a.m.	6	UTIMCO Organization Update
11:15 a.m.	11:45 a.m.	7	Report and Consideration of Items from the Policy Committee and the Risk Committee on Investment Policies*
11:45 p.m.	1:00 p.m.		Lunch
1:00 p.m.	1:30 p.m.	8	Executive Session: Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to Consider Individual Personnel Compensation Matters including report of Compensation Committee regarding individual Performance Incentive Awards for the Performance Period ended June 30, 2007. Reconvene into Open Session Consideration of Compensation Committee Report: - Consideration of Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group)* - Consideration of Personnel Performance Incentive Awards* - Discussion and Consideration of UTIMCO 457(b) Deferred Compensation Plan*
1:30 p.m.	2:00 p.m.	9	Report and Consideration of Items from Audit and Ethics Committee*
2:00 p.m.	2:15 p.m.	10	Report on 2008 Meeting Dates
2:15 p.m.	2:30 p.m.	11	Presentation of 2007 Annual Report

* Action by resolution required

Members of the Board may attend the meeting by telephone conference call pursuant to Tex. Educ. Code Ann. § 66.08(h)(2)(B). The telephone conference will be audible to the public at the meeting location specified in this notice during each part of the meeting that is required to be open to the public.

Next Scheduled Meeting: January 30, 2008

TAB 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **September 21, 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 9:05 a.m. on the **21st day of September 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.

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
J. Philip Ferguson
Colleen McHugh
Ardon E. Moore
Charles W. Tate

thus; constituting a majority and quorum of the Board. Director Clint Carlson and Director Erle Nye did not attend the meeting. Also attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer of the Corporation; Bill Edwards, Managing Director of Information Technology; Cecilia Gonzalez, internal General Counsel for the Corporation; Uzi Yoeli, Director - Portfolio Risk Management; Lindel Eakman, Managing 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, Amy Barrett, Charlie Chaffin, Anthony de Bruyn, William Huang, and Cathy Swain of UT System Administration; Bruce Myers, Hamilton Lee and Jeanne Rogers of Cambridge Associates and Greg Anderson of The Texas A&M University System. Barry Burgdorf, Julie Lynch, and Randa Safady of UT System Administration joined the meeting later as noted in the minutes. Mr. Caven called the meeting to order at 9:05 a.m.

Minutes

The first matter to come before the Board was approval of the minutes of the meetings of the Board of Directors held on July 11, 2007 and July 30, 2007. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

Corporate Resolution

Mr. Caven asked Mr. Zimmerman to present the next agenda item. Mr. Zimmerman recommended Mr. Lindel Eakman to be named an officer of the Corporation in his newly appointed role of Managing Director - Private Markets. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

Mr. Zimmerman explained that the next resolution pertained to the Plan Administrative Committee. The Board appoints the Plan Administrative Committee, which 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. The proposed resolution added Bruce Zimmerman as a member, and designated Cathy Iberg as chairperson of the Plan Administrative Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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 and Chief Investment Officer
Cathy Iberg	President and Deputy CIO
Joan Moeller	Managing Director – Accounting, Finance and Administration
Melynda Carter	Manager - Finance and Administration

Endowment and Operating Funds Update

Mr. Caven asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman noted that the format of the Performance Summary had been changed to present the information clearly with an increased level of transparency. Although July performance numbers were included in the Board materials, Mr. Zimmerman reported the fiscal year-end numbers as of August 31, 2007. The net performance for the one-month period ended August 31, 2007, for the PUF was 0.24% and for the GEF was 0.38%, versus benchmark returns of 0.05% for each fund. The net performance for the one-year period ended August 31, 2007, for the PUF and GEF were 15.34% and 15.90%, respectively, versus benchmark returns of 13.38% for each fund. The Intermediate Term Fund's (ITF) performance was 0.29% versus its benchmark return of 0.24% for the one-month period, and was 10.62% versus its benchmark return of 8.47% for the one-year period ended August 31, 2007. Performance for the Short Term Fund (STF) was 0.45% versus 0.56% for its benchmark for the one-month period, and was 5.39% versus a benchmark return of 5.29% for the one-year period ended August 31, 2007. Mr. Zimmerman 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. He also handed out the 4th Quarter Performance Analysis for the GEF. Mr. Burgdorf, Ms. Lynch, and Ms. Safady joined the meeting at this time. Ms. Iberg and Mr. Zimmerman answered the Directors' questions with regard to the permissible level of risk. Mr. Zimmerman continued by reporting information on performance attribution,

liquidity, risk dashboard, the Comprehensive Derivative Report, and actions taken under the Delegation of Authority. Ms. Safady, Mr. Burgdorf and Ms. Barrett provided history and an update on UT System administration fees and gave an overview of the endowment compliance program. Ms. Iberg, Mr. Yoeli and Mr. Zimmerman answered the Directors' questions.

Risk Committee Report

Mr. Caven asked Mr. Tate to give a report from the Risk Committee. The Risk Committee met previously on September 5, 2007. Mr. Tate reported the meeting included a discussion of risk reporting, review and discussion of investment strategy, and an information technology security presentation. The Committee also received an investment strategy presentation by Mr. Zimmerman. Input will be solicited from the Risk and Policy Committees to assist in the continuing development of recommendations for changes to the Investment Policies. Mr. Zimmerman noted that the investment strategy will be discussed at the Joint UT System Board of Regents/UTIMCO Board of Directors meeting to be held on October 12, 2007. Specific recommendations regarding policies will be discussed first at the Committee level, and then brought to the Board for discussion and consideration at the November 29, 2007 meeting. Further approval will be requested by the UT System Board of Regents at their meeting on December 6, 2007. The meeting included routine review of the liquidity profile, risk reports, derivative reports, and derivative compliance reporting, as well as an update on the investment compliance reporting and the Investment Compliance Report for the quarter ended May 31, 2007 and the Institutional Compliance Program Quarterly Report for the quarter ended May 31, 2007.

Investment Strategy Review

Mr. Caven asked that Mr. Zimmerman give his presentation on Investment Strategy. During the review and discussion, Mr. Zimmerman solicited input to assist in the continuing development of recommendations for changes to the policies. Discussion included incentive for the campuses to run efficiently and the need for the Regents to discuss a reasonable level of payout. As discussed earlier in the meeting, after review of the investment strategy, the various investment policies will be revised appropriately.

Information Technology Security Presentation

Mr. Caven asked Mr. Edwards to provide an overview of the issues confronting security and the methods deployed to protect Corporation's data assets and processes. Mr. Edwards responded to the Directors' questions.

Executive Session

Mr. Caven, at 12:20 p.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 deliberating individual personnel matters. This Executive Session meeting of the Board is

authorized by Texas Government Code Section 551.071 (Consultation with Attorney on Legal Matters) and Section 551.074 (Personnel Matters). The time is now 12:20 p.m. and the date is September 21, 2007.

Reconvene in Open Session

The Board reconvened at 12:44 p.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 September 21, 2007 and the time is now 12:44 p.m. During the Executive Session, the Board deliberated individual personnel matters, but did not take any final action or votes, or make any decisions.

Compensation Committee Report

Mr. Caven asked Mr. Ferguson to present the report for the Compensation Committee. Mr. Ferguson stated that the Committee met previously on September 18, 2007. Mr. Ferguson reported that the Committee reviewed and approved the amendment and restatement of the UTIMCO Compensation Program (the "Plan") effective July 1, 2007. Mr. Ferguson asked Mr. Zimmerman to review the changes to the Plan with the Board and discussion continued. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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, subject to the approval of the Board of Regents.

Mr. Ferguson reported that the Compensation Committee reviewed and approved the Eligible Positions, 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 for the performance period ending June 30, 2008. The Committee and Board are to consider and approve each of these items on an annual basis within the first 90 days of the performance period. Upon motion duly made and seconded, the

following resolution was unanimously adopted:

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.

Mr. Ferguson continued with a recommendation from the Compensation Committee to approve the designation of the employees in Eligible Positions as participants in the Plan for the 2007/08 performance period. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

Mr. Ferguson reported that the Compensation Committee reviewed and approved the Participants' performance goals for each 2007/08 participant. There are three categories of performance goals: (1) entity performance, (2) asset class performance, and (3) individual performance. Mr. Ferguson recommended on behalf of the Compensation Committee that the Board also approve the entity performance goals and the asset class performance goals. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

Mr. Ferguson also reported that the Committee had approved Deloitte and Touche LLP as the external auditor to review relative performance data and calculations for the performance period ended June 30, 2007. The Committee also reviewed the Request for Proposal for the Compensation Consultant.

Staff Title Changes

Mr. Caven asked Mr. Zimmerman to present the next agenda item to the Board. Mr. Zimmerman made a recommendation that he hold only the titles of "Chief Executive Officer" and "Chief Investment Officer" and Ms. Iberg have the title of "President" of the Corporation. He then discussed the reasons for his recommendation regarding these staff title changes. He stated that this appointment is in recognition of Ms. Iberg's long-standing dedication and contribution to the Corporation, coupled with some additional new responsibilities. Mr. Zimmerman stated: "Ms. Iberg is an excellent investor with a proven track record; as such, the Board and I have asked her to take the lead in coordinating the Corporation's investment process". Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that, subject to the control of the Board of Directors of the Corporation, (i) Bruce Zimmerman has and shall have all the powers and duties of Chief Executive Officer and Chief Investment Officer of the Corporation, including the powers and duties of President of the Corporation set forth in Article V, Section 7 of the Corporation's Bylaws and such additional powers and duties as have been or may hereafter be assigned to him in those capacities by the Board of Directors of the Corporation, however, from and after the date hereof Mr. Zimmerman shall only have the titles of "Chief Executive Officer" and "Chief Investment Officer" of the Corporation, and (ii) Cathy Iberg has and shall have all the powers and duties of Deputy Chief Investment Officer and Senior Managing Director – Marketable Alternative Investments as have been or may hereafter be assigned to her in those capacities by the Corporation's Board of Directors or Chief Executive Officer; provided however, Ms. Iberg shall be authorized to act for Mr. Zimmerman when he is absent due to an extended leave of absence, incapacity or an unforeseeable emergency, and from and after the date hereof Ms. Iberg shall have the title of "President" of the Corporation.

Audit and Ethics Committee Report

Mr. Caven asked Ms. McHugh, in Committee Chairman Nye's absence, to give a report from the Audit and Ethics Committee. Ms. McHugh stated that the Audit and Ethics Committee at their last meeting considered the proposed 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. Ms. McHugh reviewed the recommended changes and on behalf of the Committee, she recommended approval by the Board. Ms. McHugh also informed the Board that the Committee had received the audit report on the internal controls of the Intermediate Term Fund performed by the UT System Audit Office and there were

no findings. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 1:16 p.m.

Secretary: _____
Joan Moeller

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

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%

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
Internal General Counsel	Cissie Gonzalez

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

*eligible August 20, 2007

Exhibit 3

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

Asset Class	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF	Threshold	Target	Maximum
		(% 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

TAB 2

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Agenda Item: Corporate Resolutions - Election of UTIMCO Board Officers and Board Committee Assignments

Developed By: Staff

Presented By: Caven

Type of Item: Action required by UTIMCO Board

Description: Mr. Caven will resign as Chairman of UTIMCO and relinquish his position as a UTIMCO Director since he has been elected Chairman of the Board of Regents of The University of Texas System. The Board will elect a new Chairman and Vice Chairman. In addition, the new Chairman may propose committee assignments.

Recommendation: Chairman Caven will recommend approval of the election of officers and the new Chairman will recommend committee assignments.

Reference: none

RESOLUTION RELATED TO CORPORATION OFFICER

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

<u>Name</u>	<u>Office or Offices</u>
	Chairman
	Vice-Chairman

Resolution to be handed out at the meeting for
Committee Assignments

TAB 3

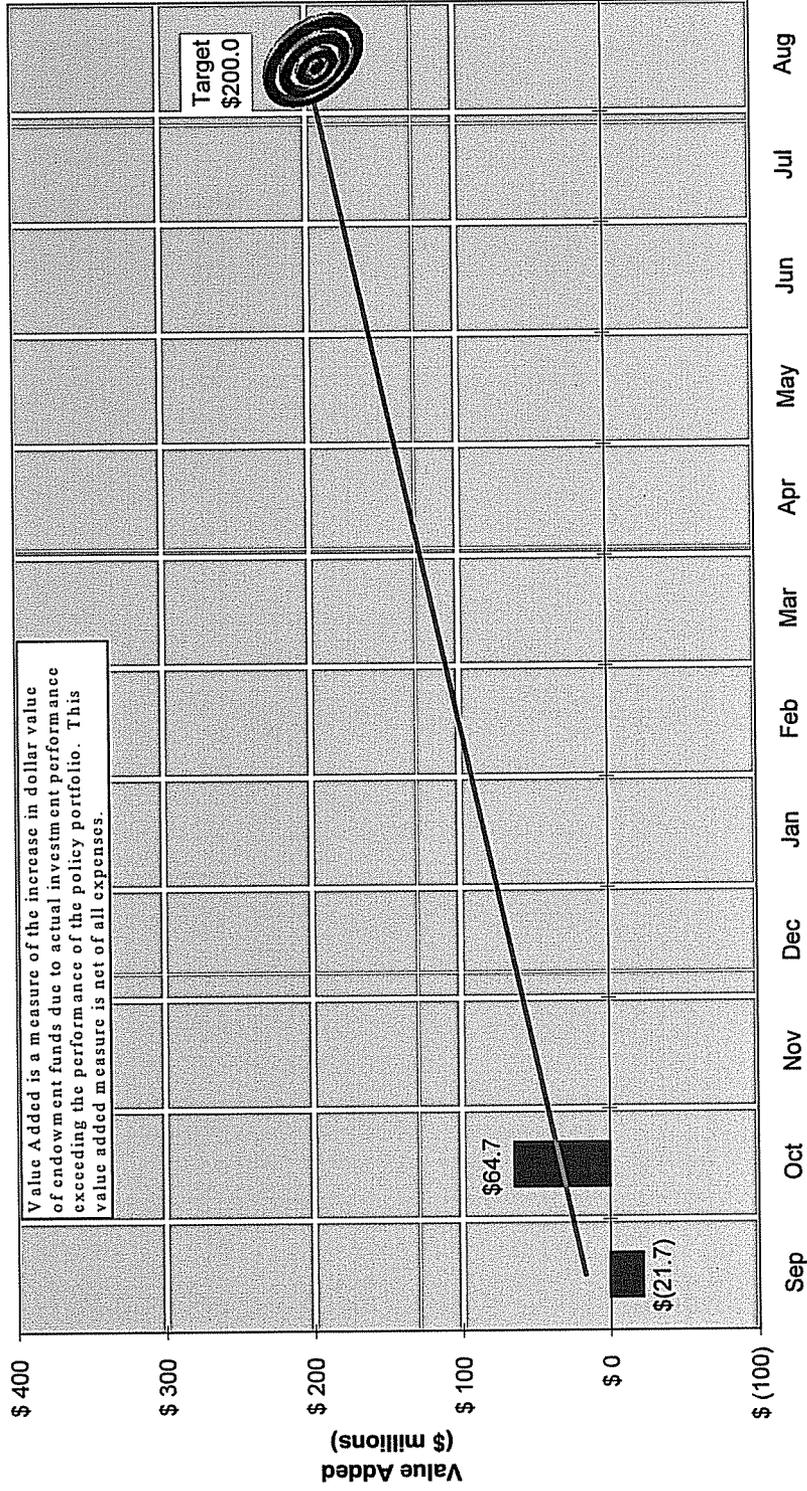
UTIMCO Performance Summary

October 31, 2007

		Periods Ended October 31, 2007									
		(Returns for Periods Longer Than One Year are Annualized)									
		Net Asset Value 10/31/2007 (in Millions)		Short Term		Year to Date		Historic Returns			
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs		
ENDOWMENT FUNDS											
Permanent University Fund	\$ 12,425	3.05	6.55	6.29	16.15	20.33	15.88	16.20	9.51		
General Endowment Fund		3.06	6.69	6.28	16.55	20.86	16.02	16.52	N/A		
Permanent Health Fund	1,162	3.05	6.66	6.28	16.40	20.70	15.93	16.40	N/A		
Long Term Fund	5,731	3.06	6.67	6.29	16.41	20.71	15.94	16.42	10.11		
Separately Invested Funds	131	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Total Endowment Funds	19,449										
OPERATING FUNDS											
Short Term Fund	1,171	0.44	1.33	0.88	4.47	5.39	4.36	3.08	3.96		
Intermediate Term Fund	3,931	2.83	6.32	6.02	12.12	14.91	N/A	N/A	N/A		
Total Operating Funds	5,102										
Total Investments	\$ 24,551										
VALUE ADDED											
Permanent University Fund		0.46	0.57	0.36	2.93	3.61	1.23	2.41	(0.16)		
General Endowment Fund		0.47	0.71	0.35	3.33	4.14	1.37	2.73	N/A		
Permanent Health Fund		0.46	0.68	0.35	3.18	3.98	1.28	2.61	N/A		
Long Term Fund		0.47	0.69	0.36	3.19	3.99	1.29	2.63	0.63		
Short Term Fund		0.14	0.09	0.20	0.25	0.26	0.20	0.11	0.18		
Intermediate Term Fund		0.53	0.71	0.67	3.14	3.44	N/A	N/A	N/A		

Footnotes available upon request.

Cumulative Value Added In Endowment Funds 2007-2008 Fiscal Year



**UTIMCO ENDOWMENTS FUNDS vs.
FOUNDATIONS AND ENDOWMENTS BILLION DOLLAR FUNDS UNIVERSE
BNY MELLON ANALYTICAL SERVICES**

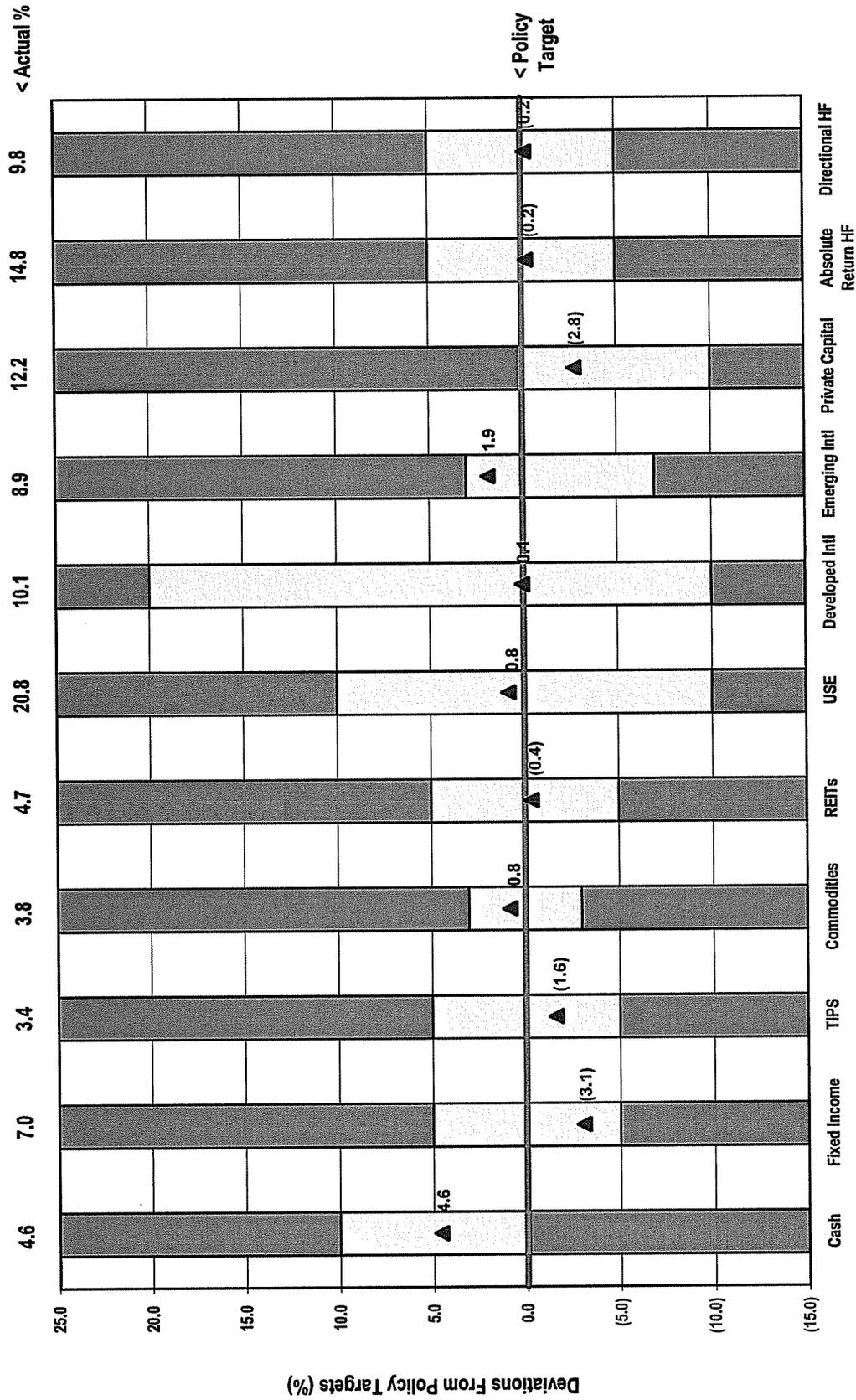
Periods Ended September 30, 2007

	Current Quarter	1 Year Annualized Return	3 Years Annualized Return	5 Years Annualized Return	10 Years Annualized Return
	(% file)	(% file)	(% file)	(% file)	(% file)
Maximum	5.07	26.67	22.44	19.97	14.23
25th Percentile	3.60	21.40	18.14	17.00	11.19
Median	2.61	19.31	15.80	15.92	9.20
75th Percentile	2.31	16.40	13.62	14.13	8.05
Minimum	0.55	12.98	9.94	11.25	1.37
# of Portfolios	38	38	36	35	29
● UTIMCO PUF-Net of Fees	3.37	18.69	15.43	15.96	9.01
■ UTIMCO GEF-Net of Fees	3.52	19.21	15.60	16.29	9.52
		62	60	48	54
		54	57	37	47

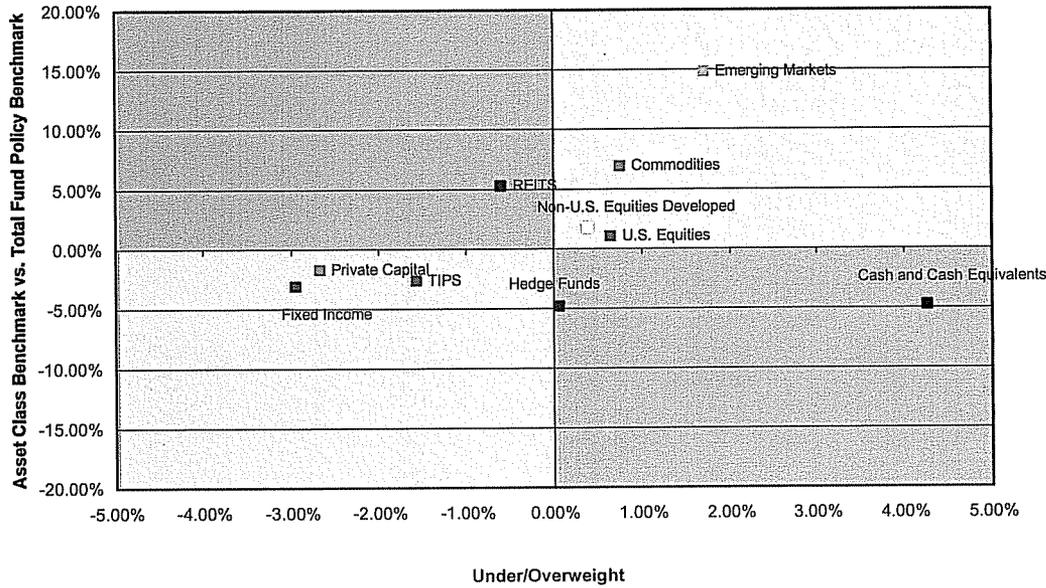
Universe Source: (c) BNY Mellon Asset Servicing
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The Foundations and Endowments Billion Dollar Fund Universe consists of all assets of foundations and endowments of BNY Mellon clients with at least one billion dollars in assets. The number of funds in the universe as of September 30, 2007 was 38.

Deviations From Policy Targets Within Tactical Policy Ranges for GEF

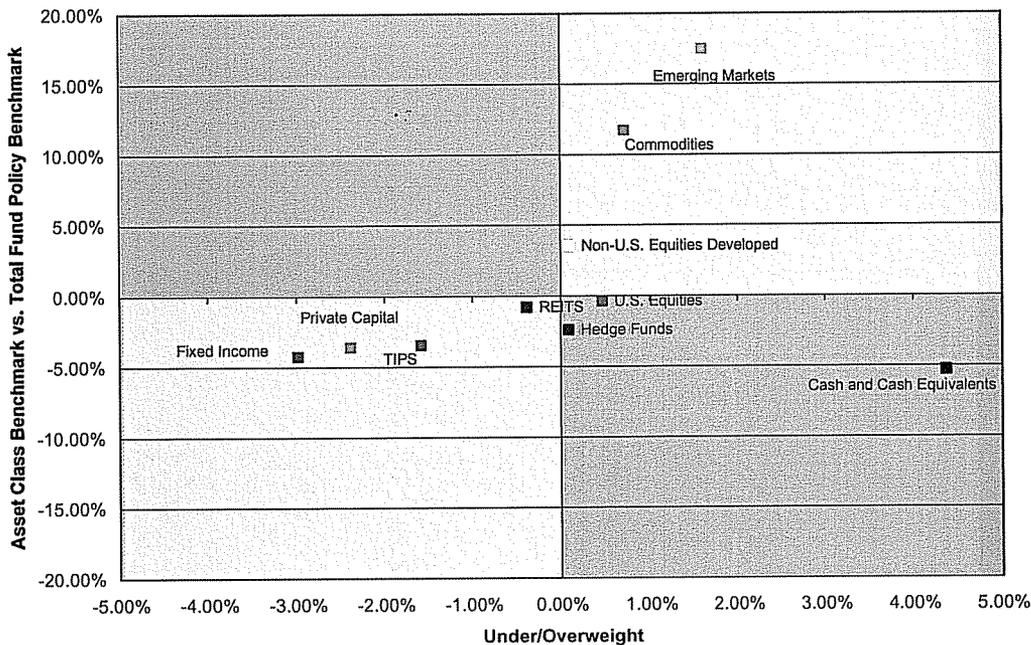


General Endowment Fund - 3 Months ended October 31, 2007



	Impact on Over/(Under) Performance (bps)
Emerging Mkts	14
Fixed Income	6
Commodities	5
TIPS	3
Hedge Funds	1
U.S. Equities	-
Subtotal	29
Non-U.S. Equities	-3
REITS	-6
Private Capital	-10
Cash & Equiv	-21
Subtotal	(40)
TOTAL	(11)

General Endowment Fund - Fiscal YTD ended October 31, 2007



	Impact on Over/(Under) Performance (bps)
Emerging Mkts	21
Private Capital	11
Fixed Income	10
Commodities	8
TIPS	5
Hedge Funds	2
Non-U.S. Equities	-
REITS	-
Subtotal	57
U.S. Equities	(1)
Cash & Equiv	(23)
Subtotal	(24)
TOTAL	33

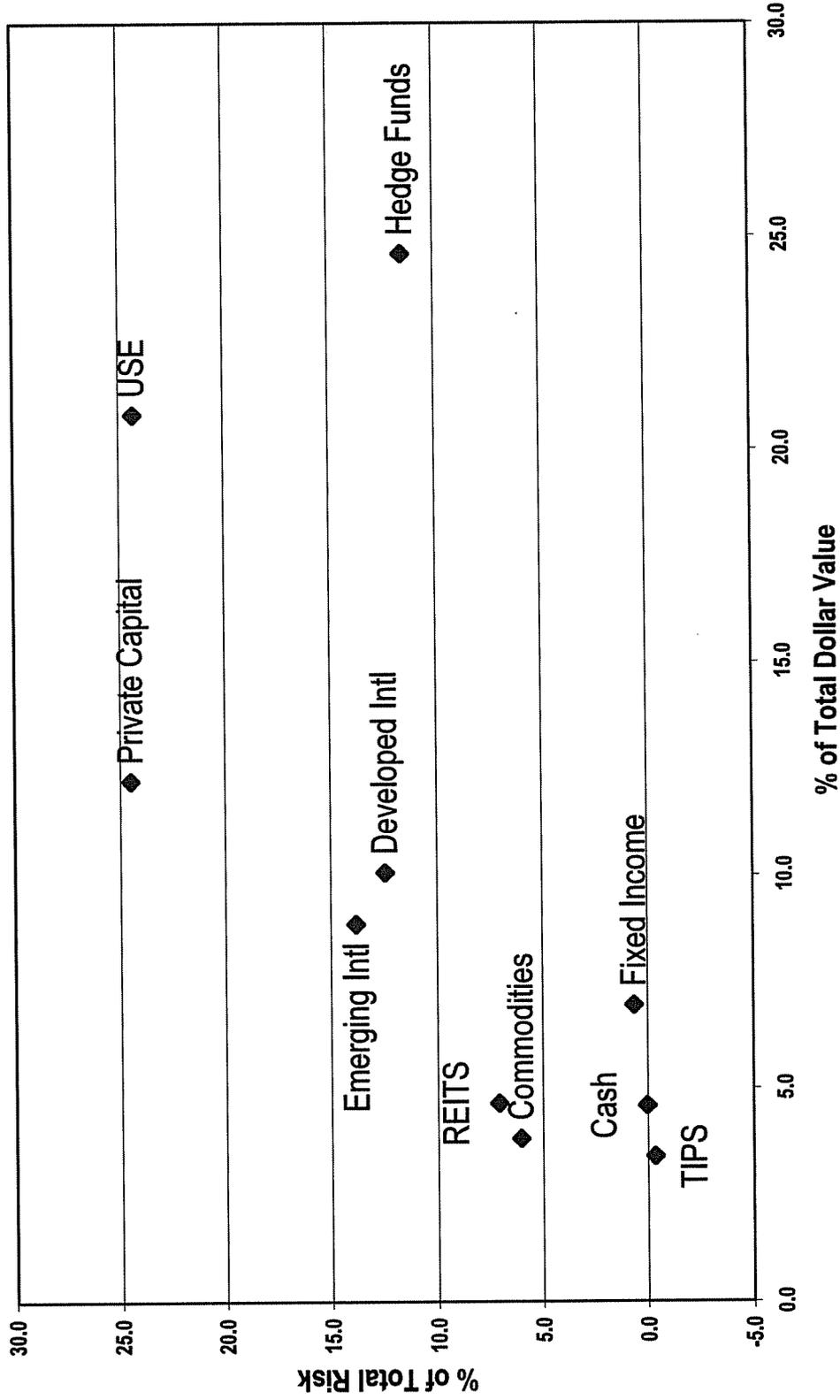
General Endowment Fund - Active Management Alpha

Periods Ended October 31, 2007

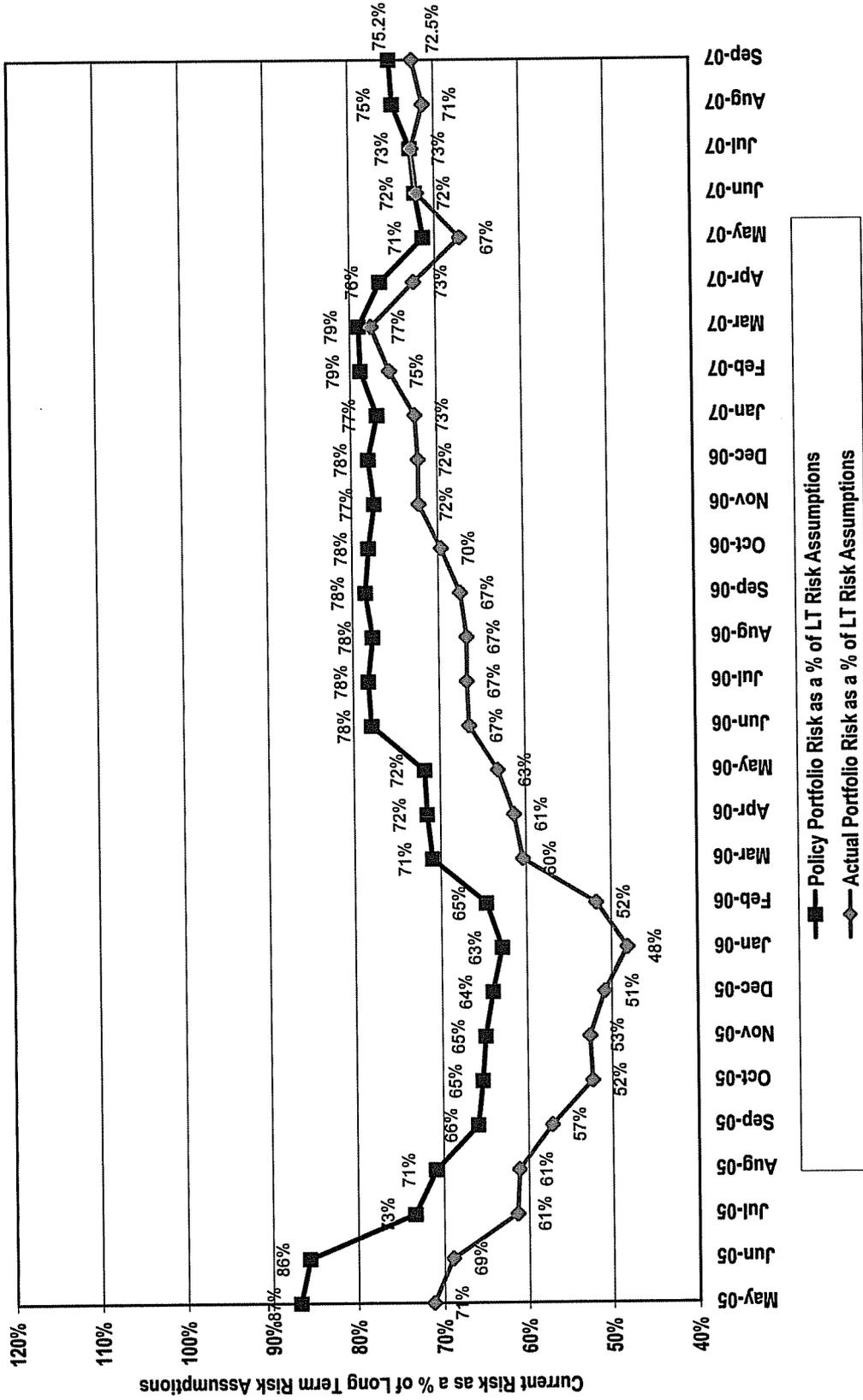
	3 Months (bps)	Manager (Alpha)
Hedge Funds	112	Foxpoint (21.08), Criterion (13.28), Maverick (12.78)
Private Capital	52	
Fixed Income	10	Reams Core (1.22), Internal-Kampfe/Doak (.23)
TIPS	4	Reams (1.56), PIMCO (.79)
Commodities	2	PIMCO (1.06)
Cash & Equiv	-	
	<u>180</u>	
Subtotal		
REITS		(1) Morgan Stanley (3.99)
Non-U.S. Equities	(15)	JMBO (11.36), Landsdowne Europe (8.33), Dalton Japan (4.09)
Emerging Mkts	(39)	Dalton Taiwan (17.43), Landsdowne Emerging (9.33)
U.S. Equities	(43)	TCW Small Value (8.71), Blavin (6.06)
	<u>(98)</u>	
Subtotal		
TOTAL	82	

	FYTD (bps)	Manager (Alpha)
Hedge Funds	61	Foxpoint (21.70), Criterion (11.75), Landsdowne UK (11.39)
Fixed Income	10	GMO (1.35), PIMCO (.63), Reams Core (.45)
REITS	4	Cohen & Steers (.63)
TIPS	2	PIMCO (.89), Reams (.36)
Commodities	1	PIMCO (.92)
Cash & Equiv	-	
	<u>78</u>	
Subtotal		
Non-U.S. Equities	(3)	JMBO (13.38), Landsdowne Europe (7.10), Dalton Japan (5.79)
Private Capital	(17)	
U.S. Equities	(28)	Blavin (4.74), Value Act (4.70)
Emerging Mkts	(28)	Dalton Taiwan (13.26), Blakeney (11.83)
	<u>(76)</u>	
Subtotal		
TOTAL	2	

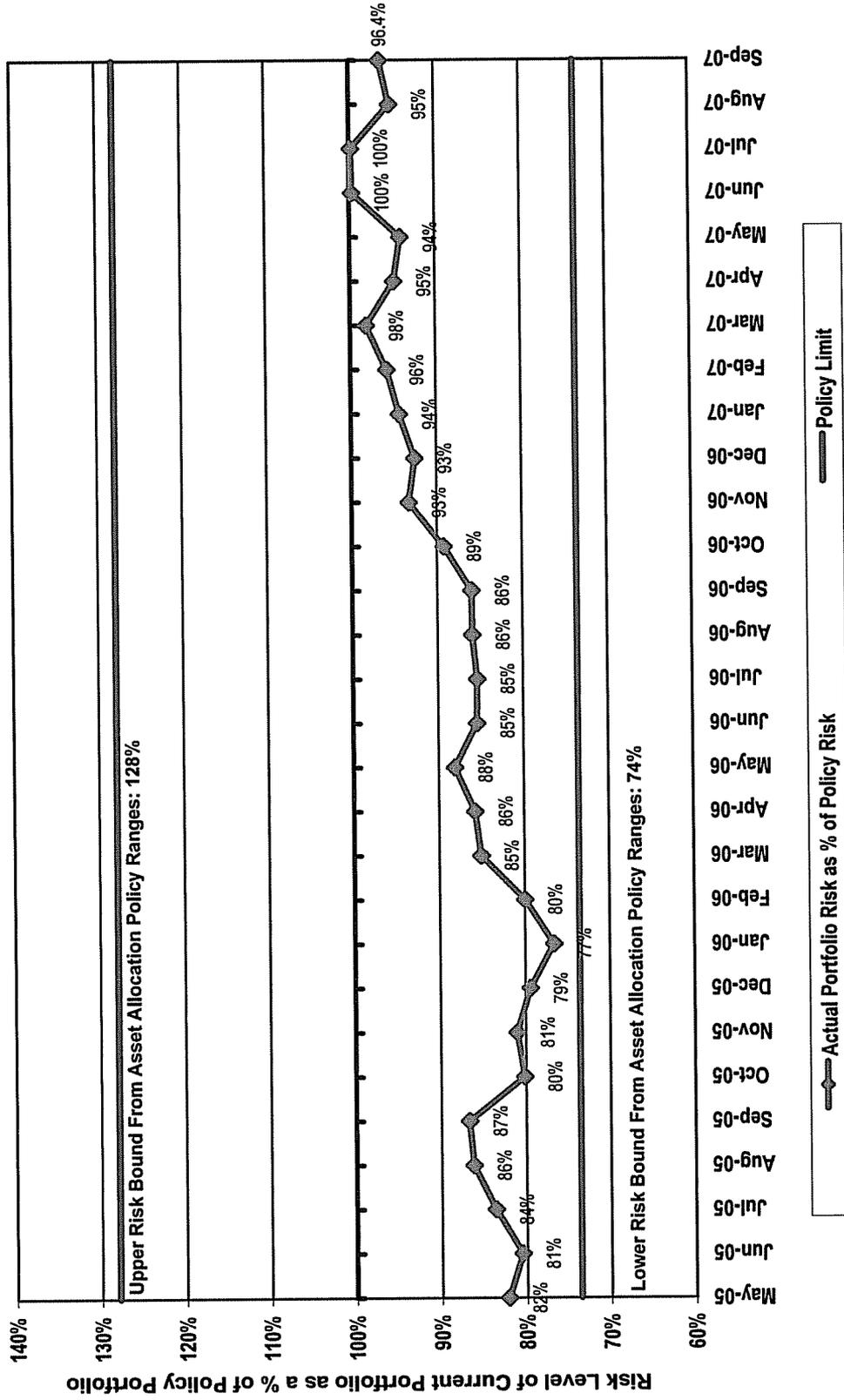
**Asset Category Allocations for GEF
Dollar Allocations Compared to Downside Risk Allocation**



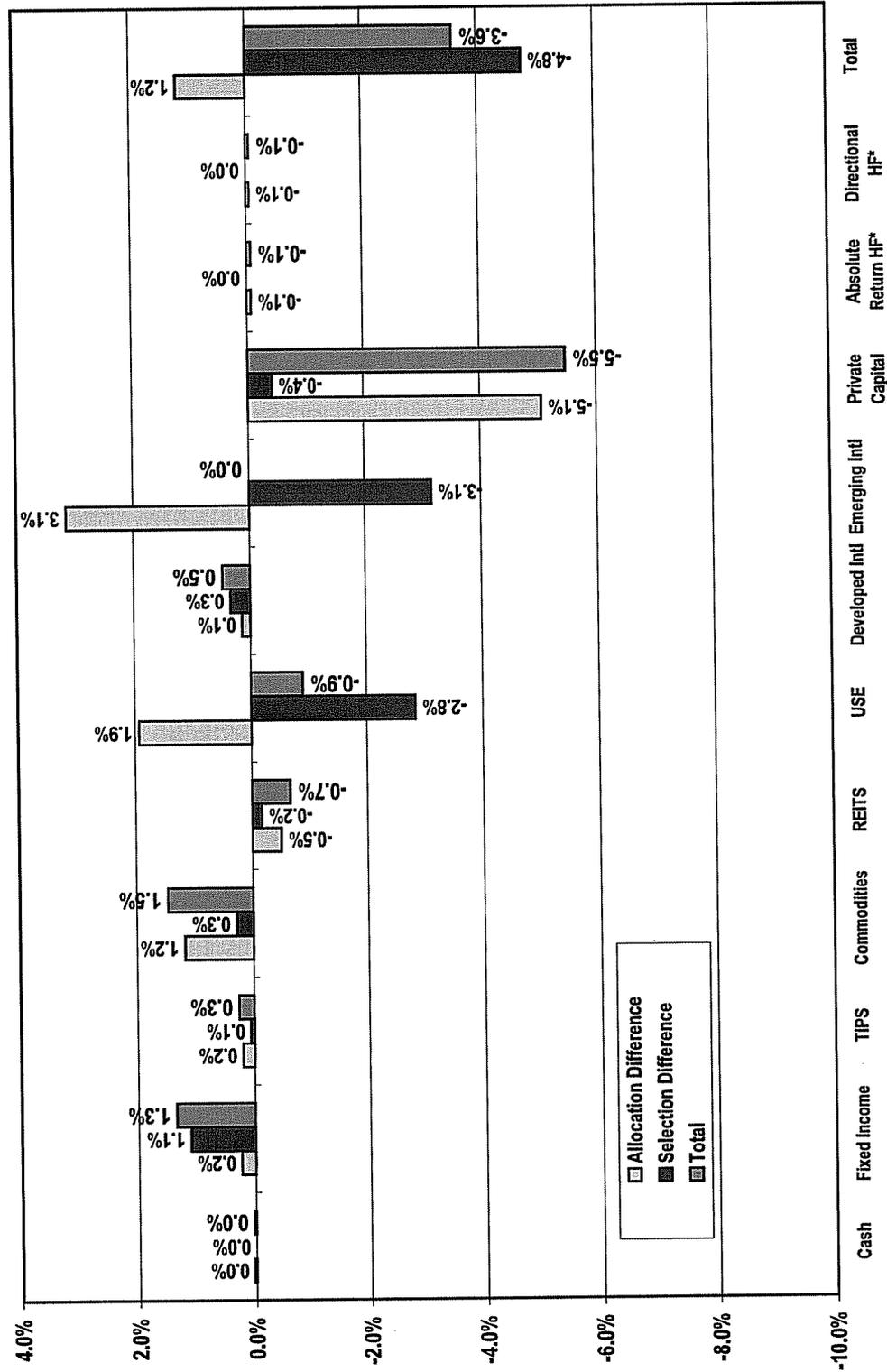
Current Risk Environment of GEF (Based on Downside Risk)



Risk Capacity Utilization of GEF (Based on Downside Risk)



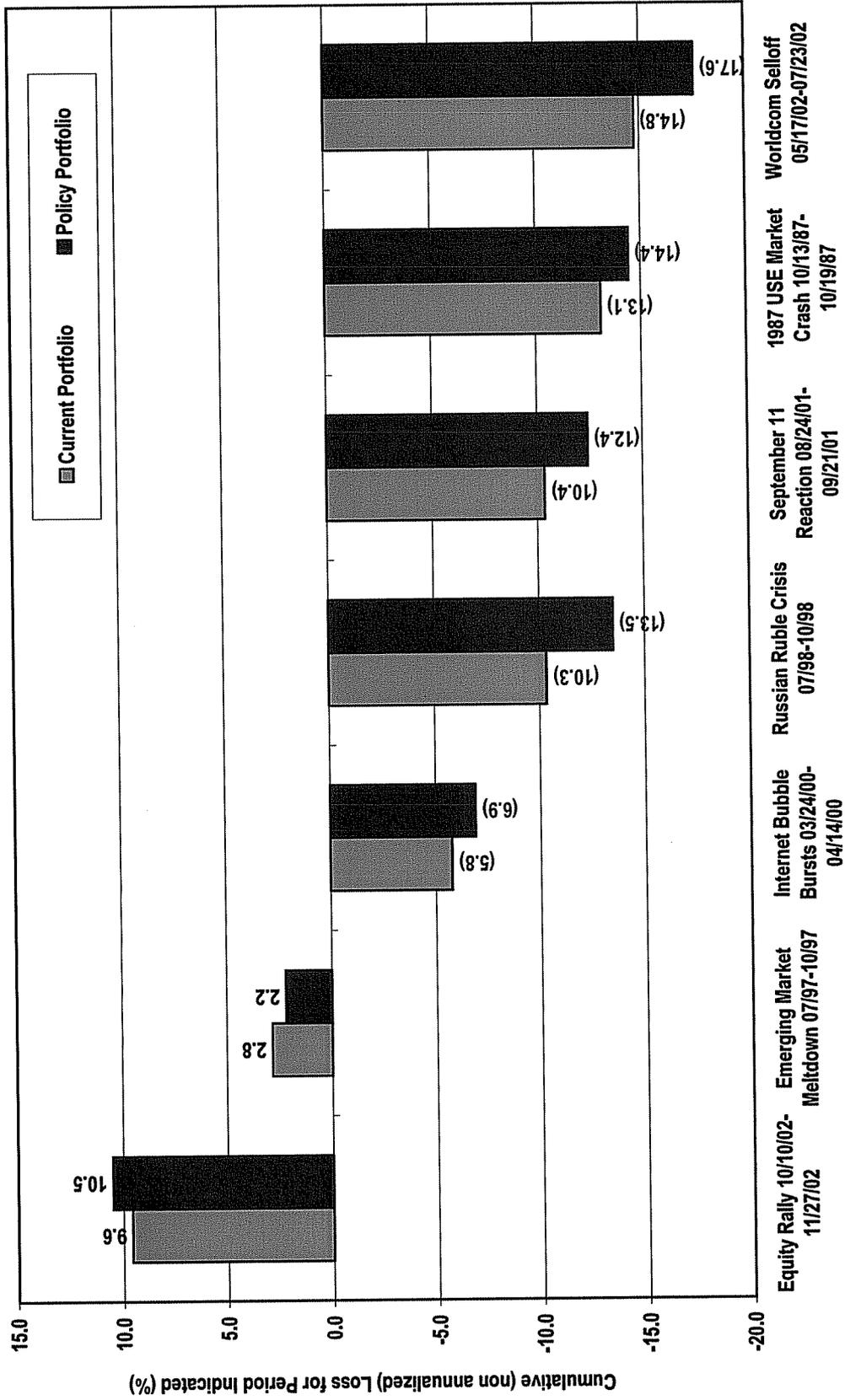
Sources of Differences Between Current Portfolio Risk and Policy Portfolio Risk for GEF (Based on Downside Risk)



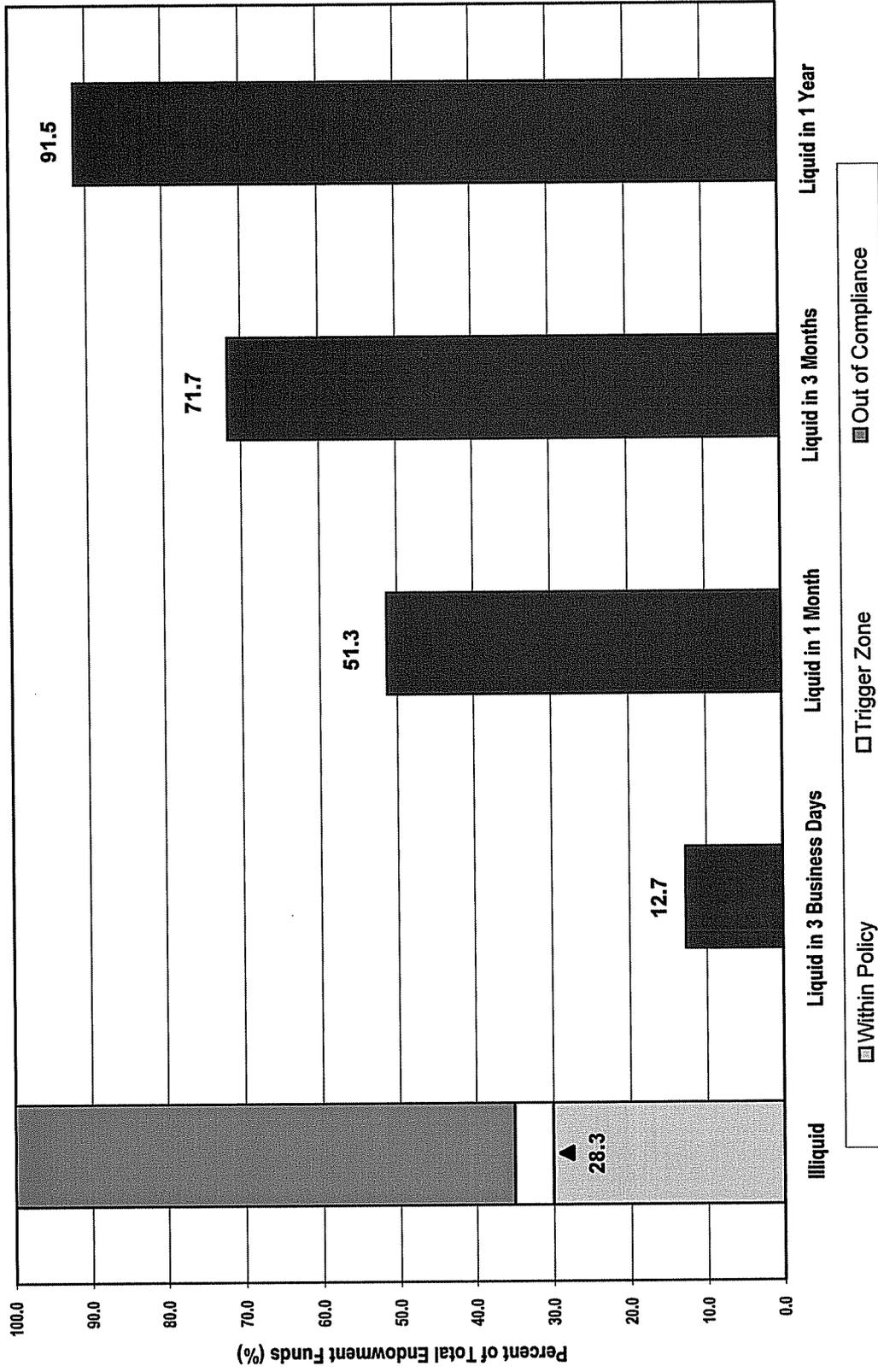
Percentage Point Differential Between Actual Portfolio and Policy Portfolio Risk



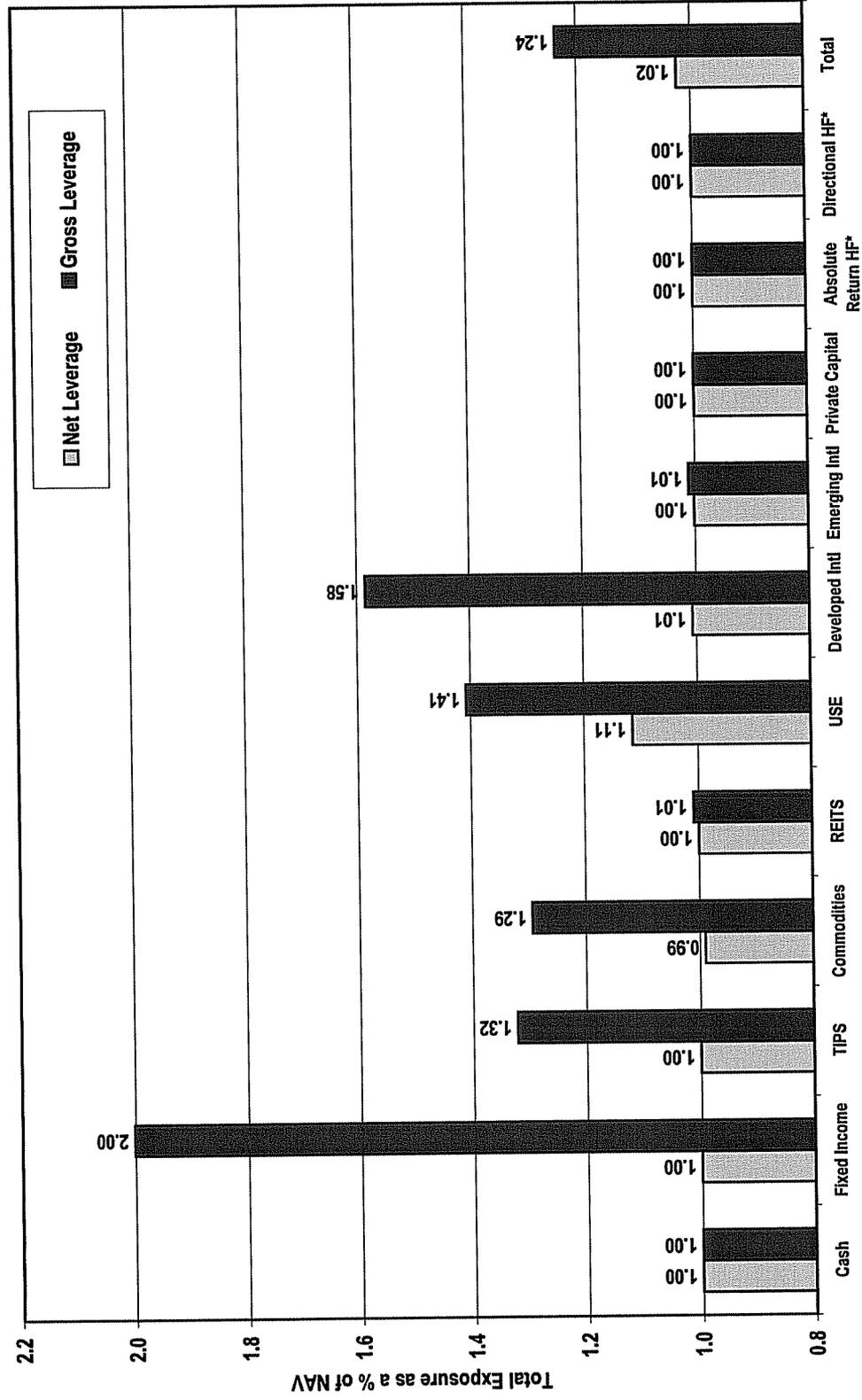
Hypothetical Performance of Current GEF Portfolio in Selected Stress Environments



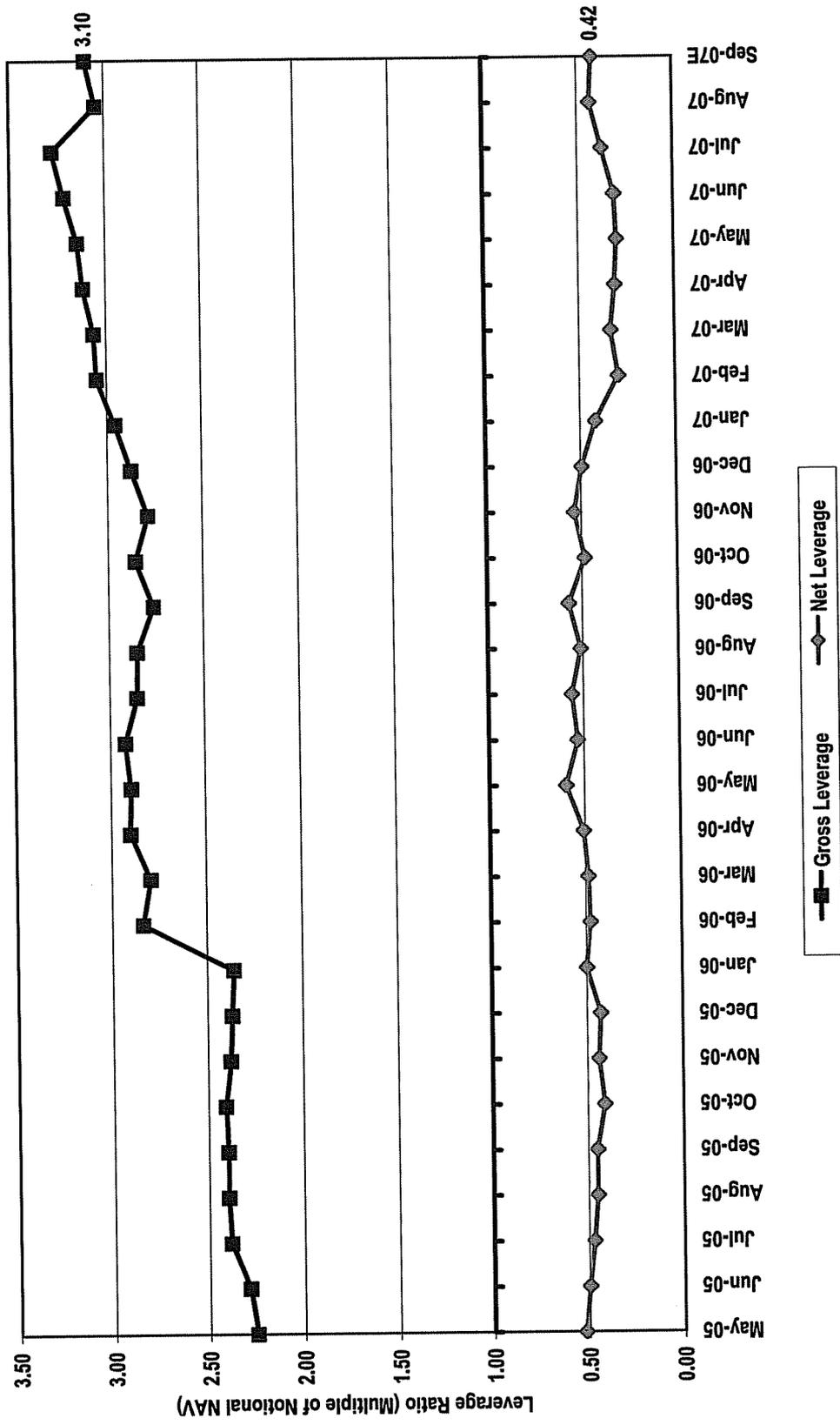
Liquidity Profile of Total Endowment Funds (PUF & GEF)



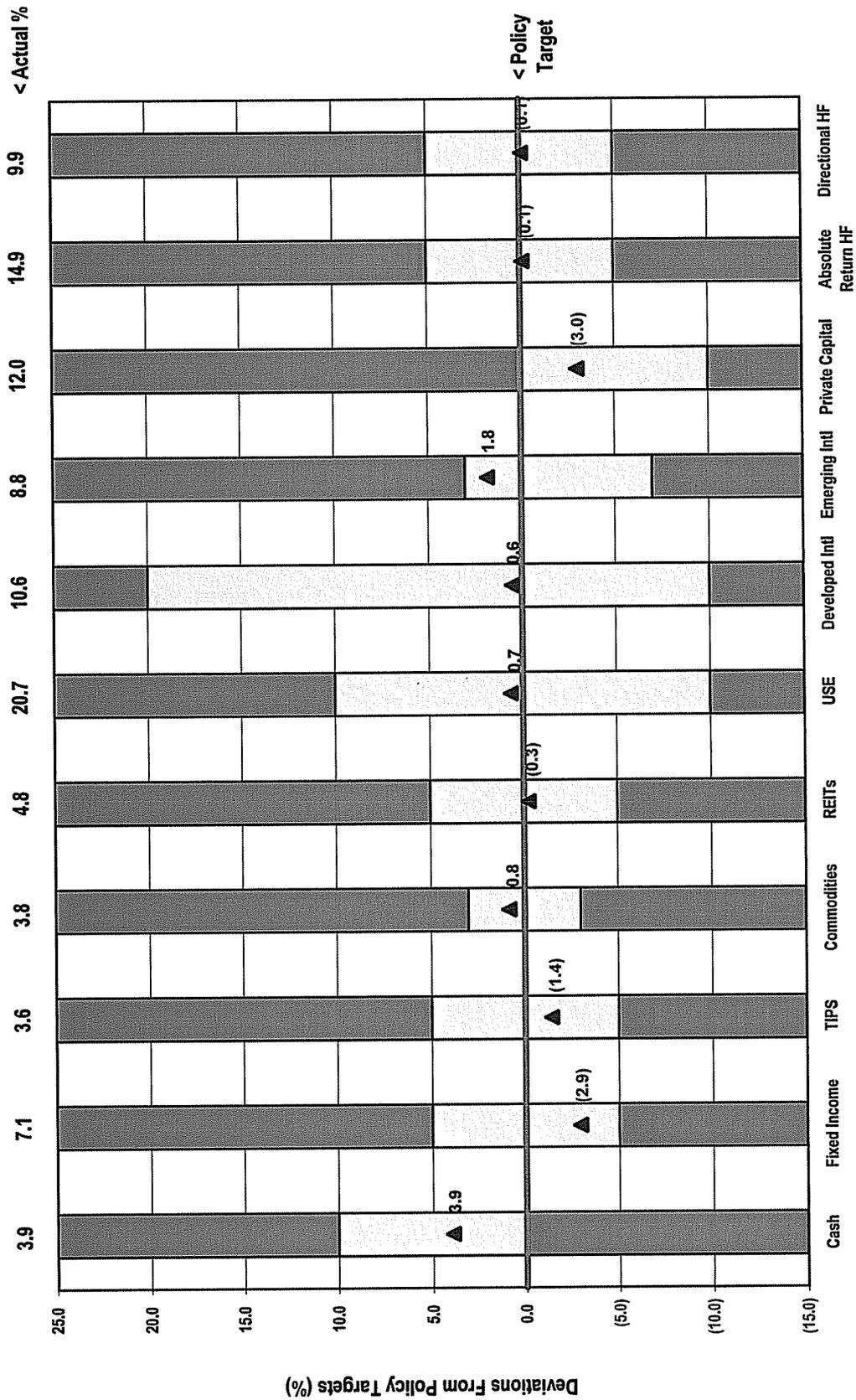
Net and Gross Leverage of GEF



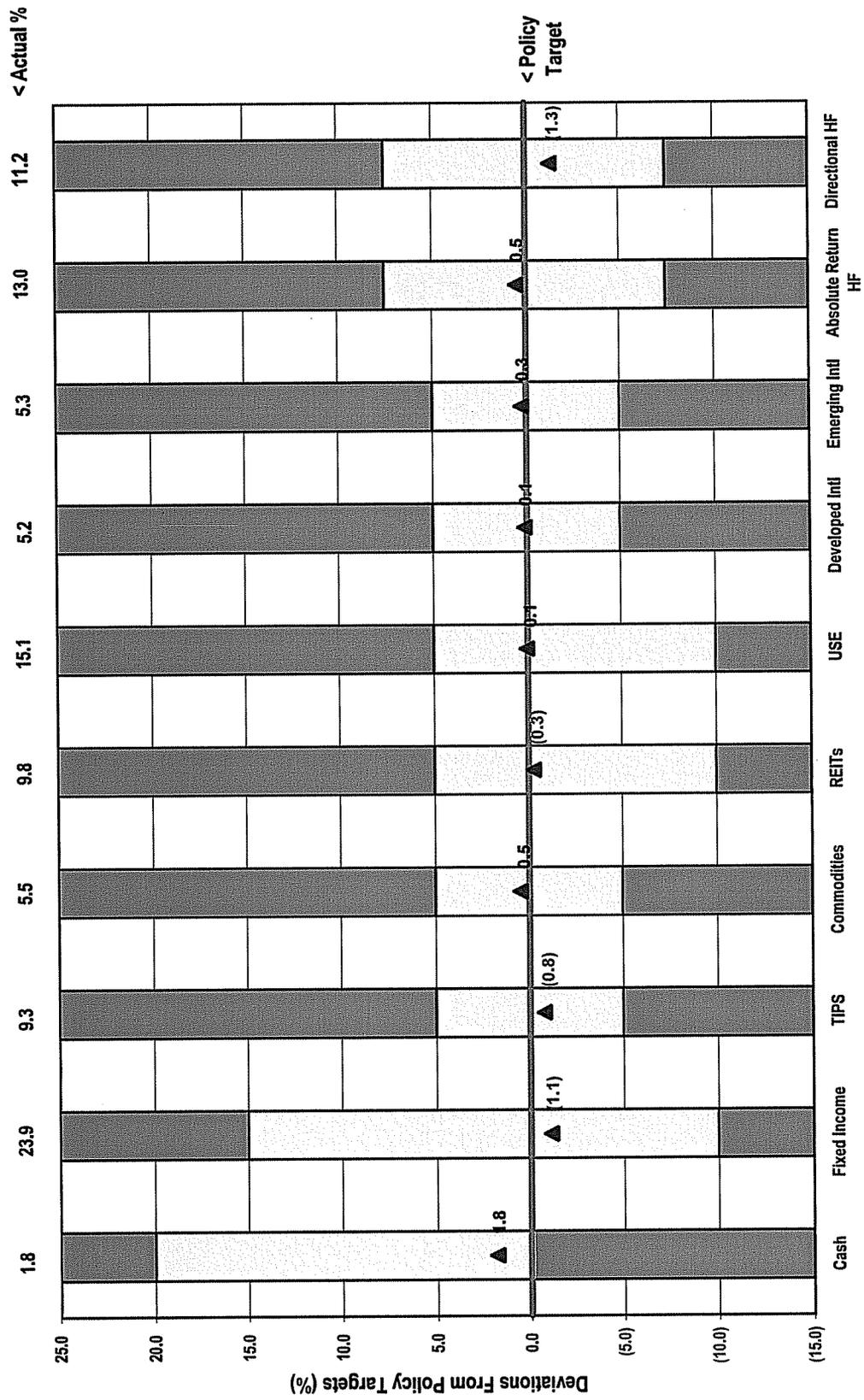
UTIMCO Hedge Fund Portfolio Gross and Net Leverage



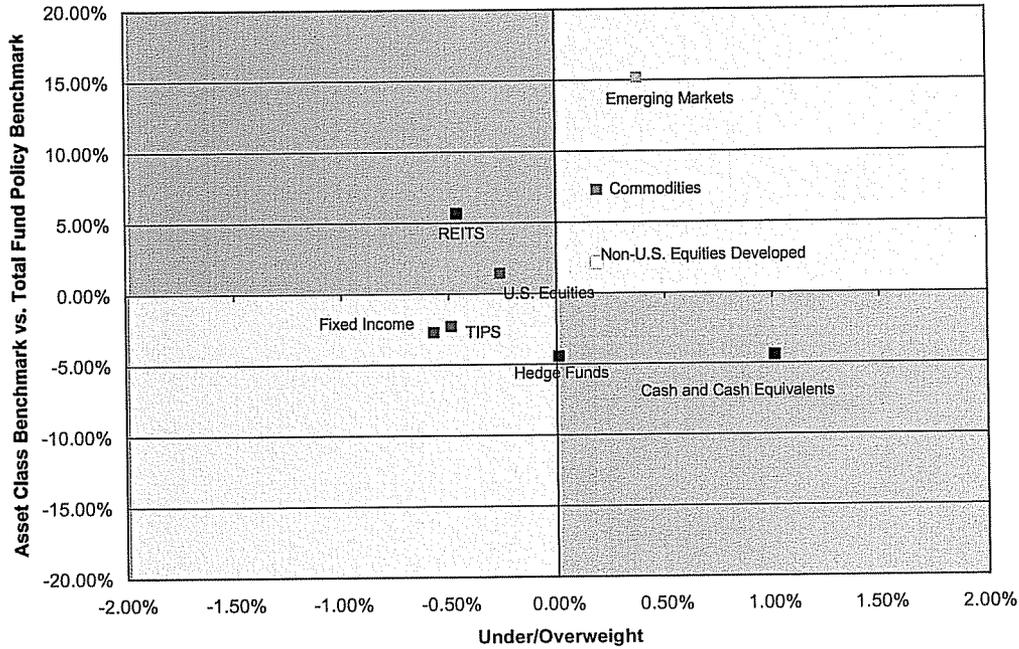
Deviations From Policy Targets Within Tactical Policy Ranges for PUF



Deviations From Policy Targets Within Tactical Policy Ranges for ITF

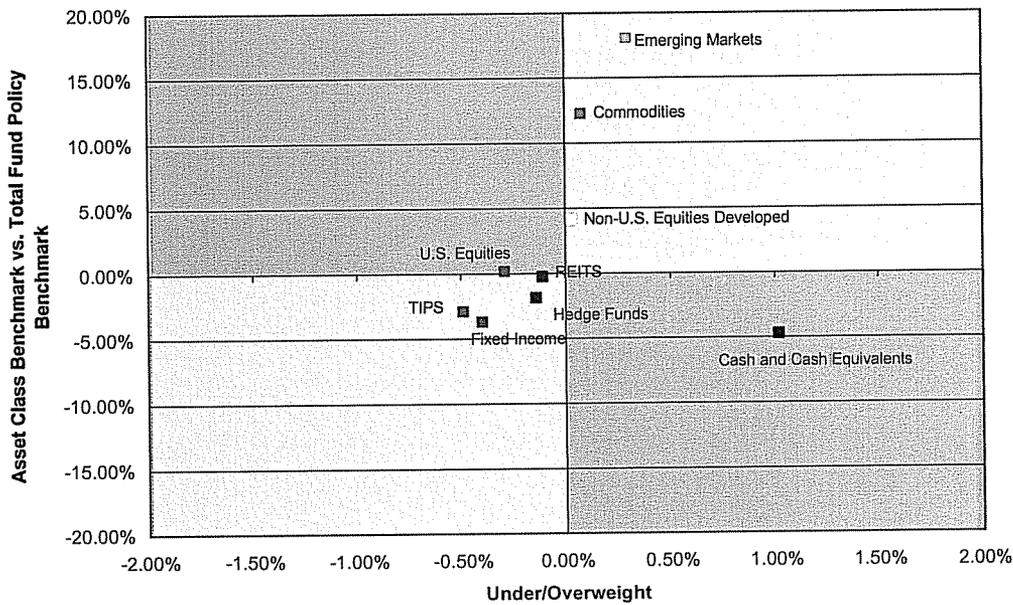


Intermediate Term Fund - 3 months ended October 31, 2007



	Impact on Over/(Under) Performance (bps)
Emerging Mkts	2
TIPS	1
U.S. Equities	-
Fixed Income	-
Subtotal	3
Non-U.S. Equities	(1)
Commodities	(1)
Hedge Funds	(4)
Cash & Equiv	(6)
REITS	(6)
Subtotal	(18)
TOTAL	(15)

Intermediate Term Fund - Fiscal YTD ended October 31, 2007



	Impact on Over/(Under) Performance (bps)
Emerging Mkts	4
Fixed Income	2
Commodities	1
TIPS	1
U.S. Equities	-
Non-U.S. Equities	-
Subtotal	8
REITS	(1)
Hedge Funds	(4)
Cash & Equiv	(6)
Subtotal	(11)
TOTAL	(3)

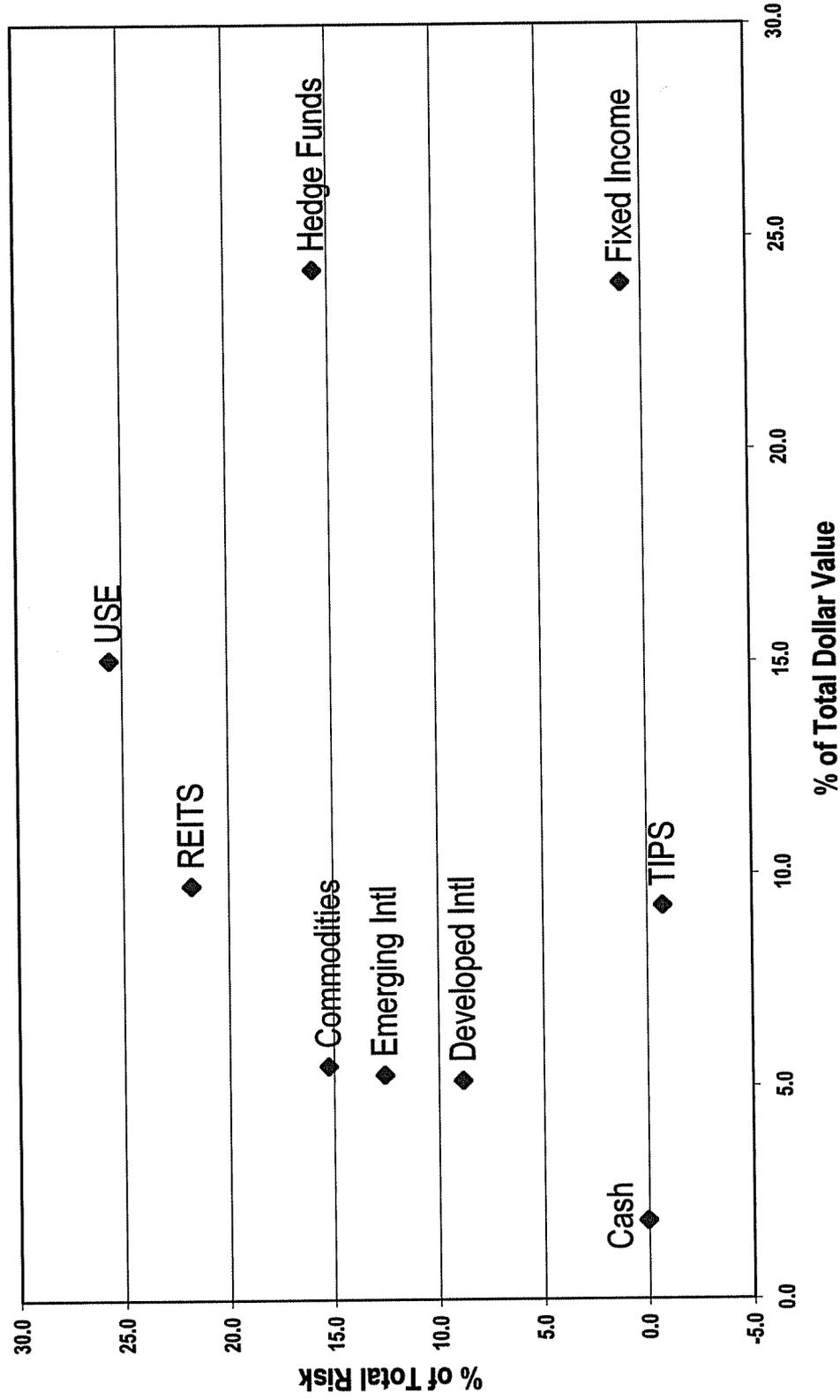
Intermediate Term Fund - Active Management Alpha

Periods Ended October 31, 2007

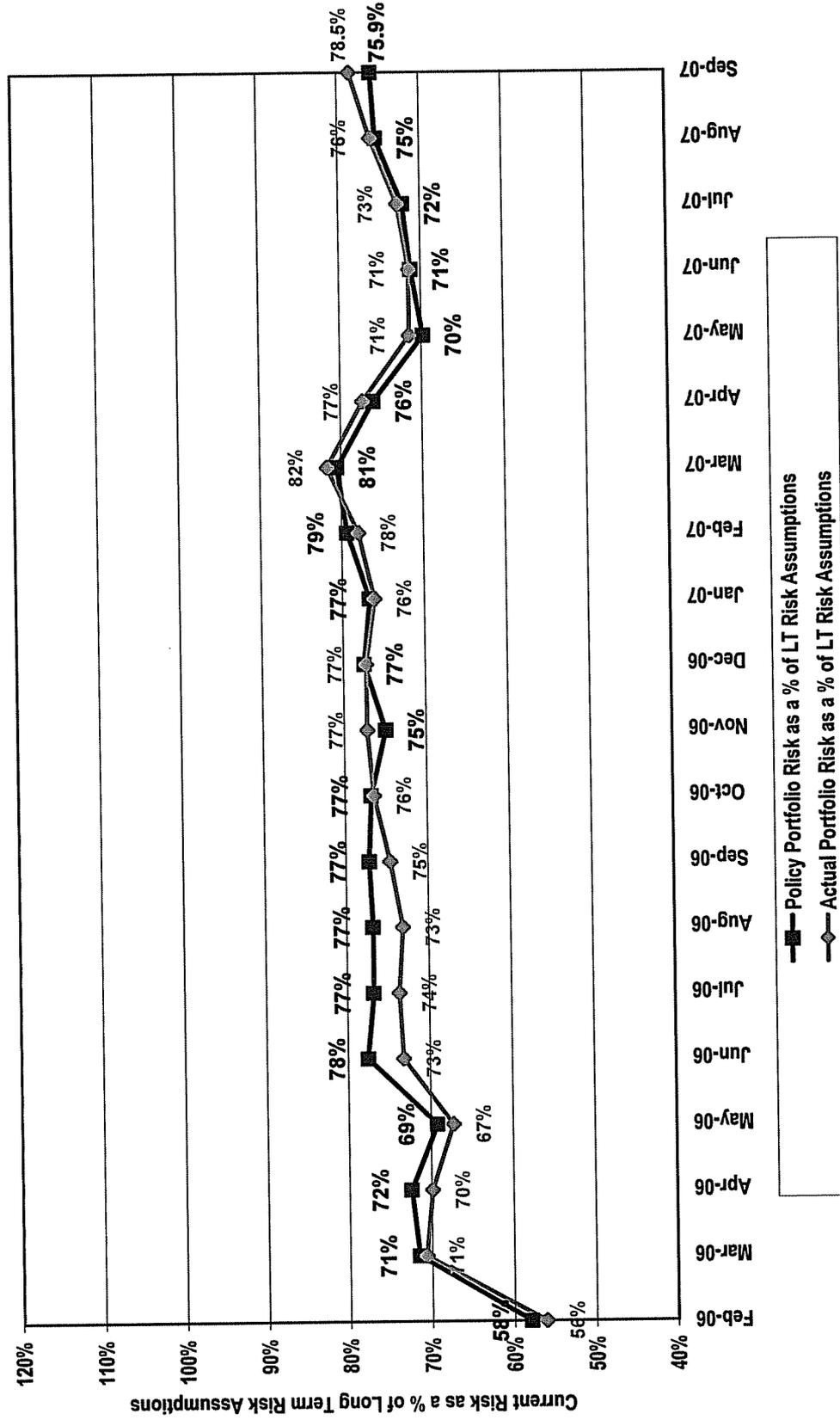
	3 Months (bps)	Manager (Alpha)
Hedge Funds	122	Foxpoint (21.08), Criterion (13.28), Maverick (12.78)
Fixed Income	17	Reams Core (1.24), Internal-Kampfe/Doak (.28)
TIPS	9	Reams (1.58), PIMCO (.71)
Commodities	3	PIMCO (1.32)
Cash & Equiv	-	
Subtotal	151	
REITS	(7)	Morgan Stanley (3.78)
Non-U.S. Equities	(12)	JMBO (12.23), Landsdowne Europe (8.33)
U.S. Equities	(21)	Blavin (6.06), Value Act (5.64)
Emerging Mkts	(25)	Dalton Taiwan (17.43), Landsdowne Emerging (9.17)
Subtotal	(65)	
TOTAL	86	

	FYTD (bps)	Manager (Alpha)
Hedge Funds	73	Foxpoint (21.70), Criterion (11.75), Landsdowne UK (11.39)
Fixed Income	19	PIMCO (.49), Reams Core (.46)
REITS	6	Cohen & Steers (.62)
TIPS	4	PIMCO (.62), Reams (.35)
Cash & Equiv	-	
Commodities	-	PIMCO (.88)
Subtotal	102	
Non-U.S. Equities	(6)	JMBO (14.34), Landsdowne Europe (7.10)
U.S. Equities	(9)	Blavin (4.74), Value Act (4.70)
Emerging Mkts	(17)	Dalton Taiwan (13.26), Templeton Alpha (4.77)
Subtotal	(32)	
TOTAL	70	

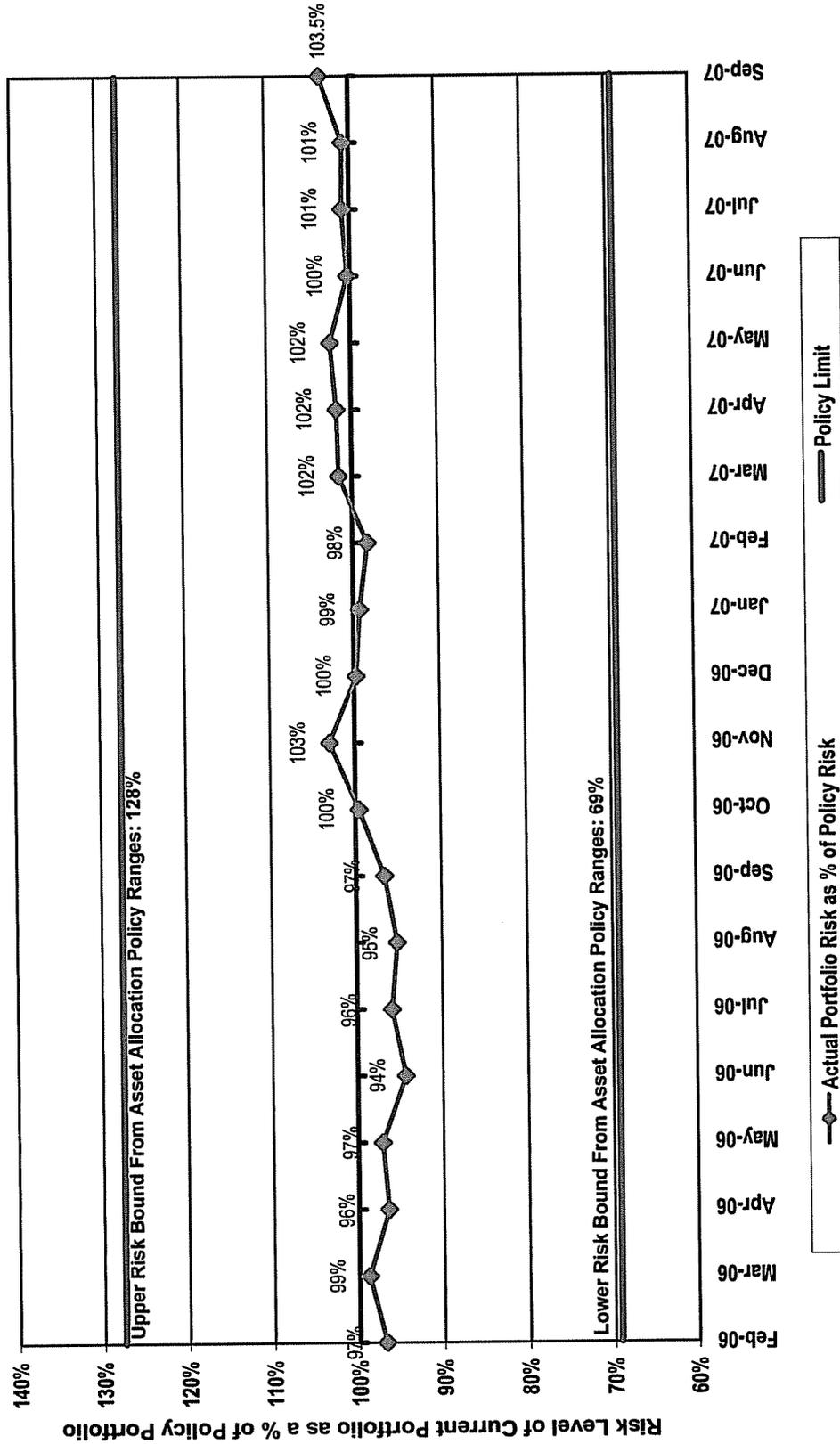
Asset Category Allocations for ITF
Dollar Allocations Compared to Downside Risk Allocation



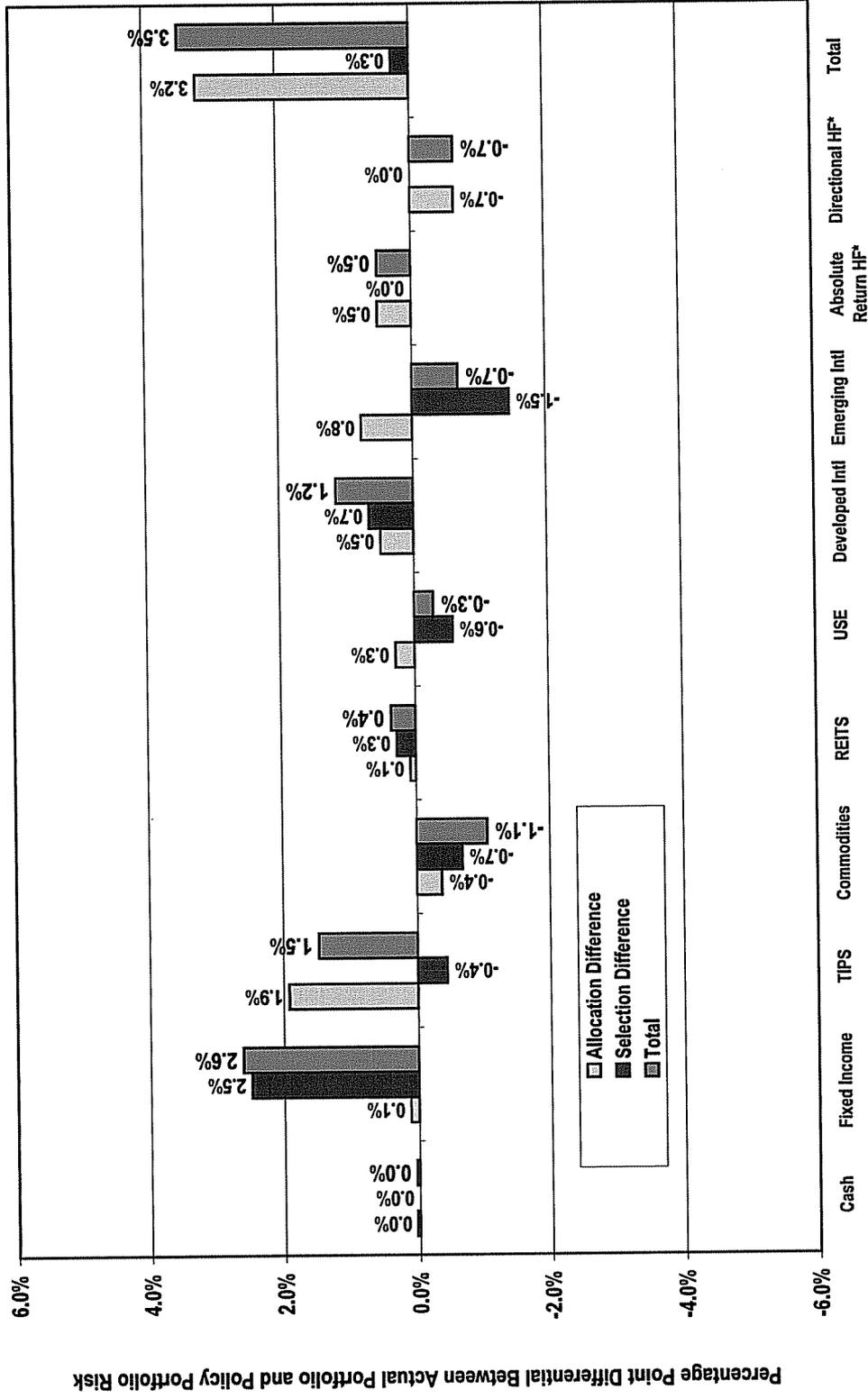
Current Risk Environment of ITF (Based on Downside Risk)



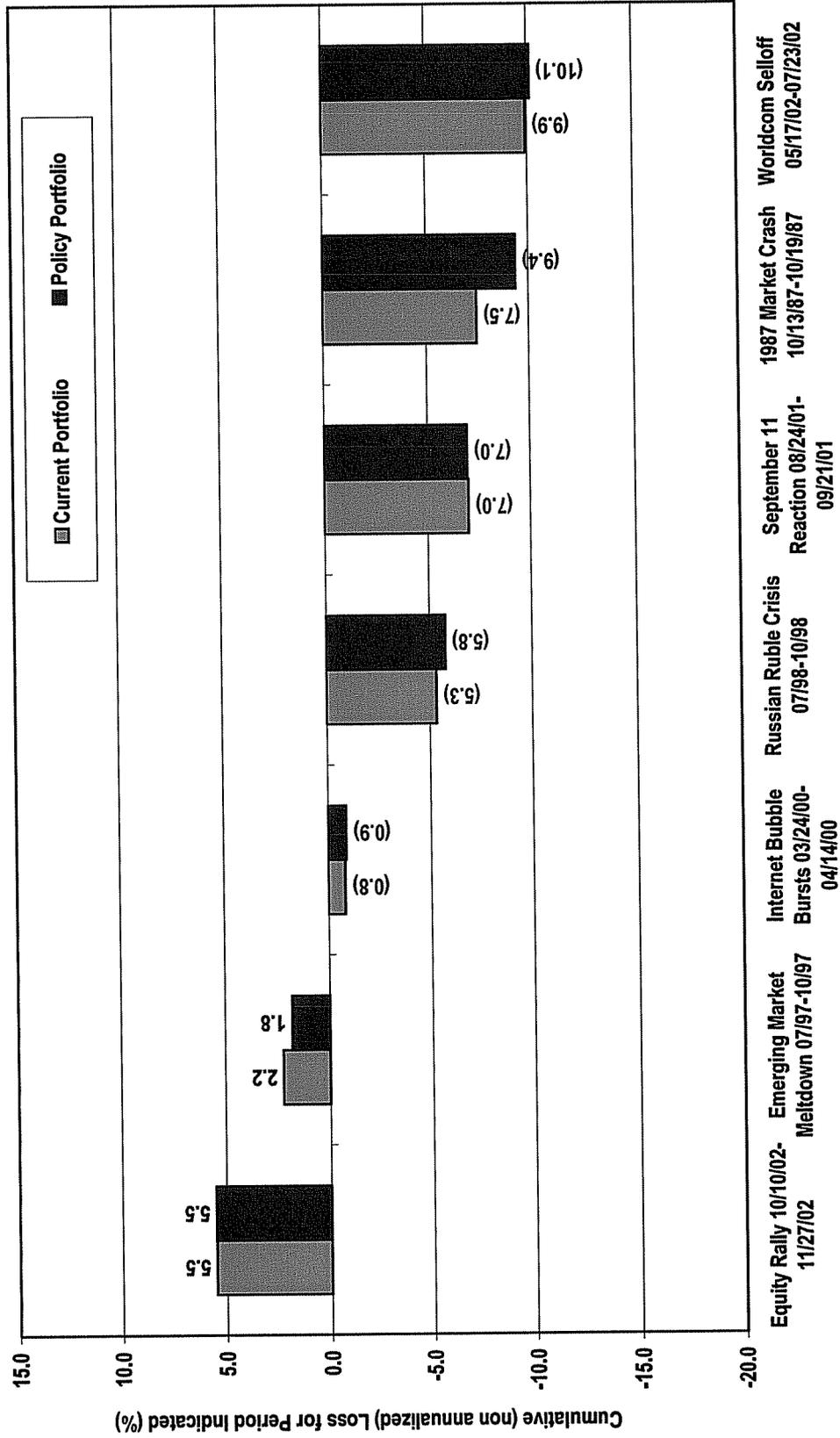
Risk Capacity Utilization of ITF (Based on Downside Risk)



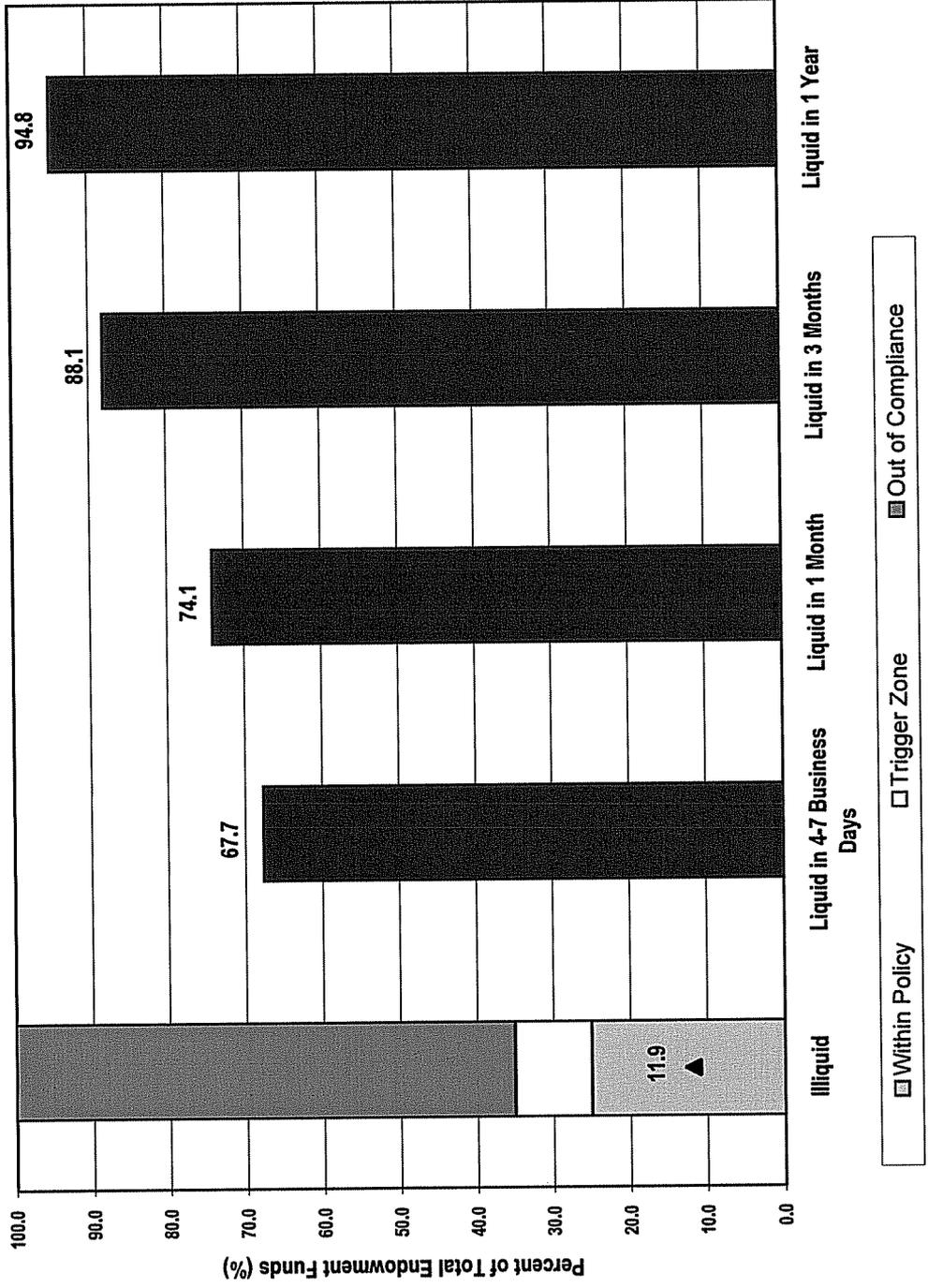
Sources of Differences between Current Portfolio Risk and Policy Portfolio Risk for ITF (Based on Downside Risk)



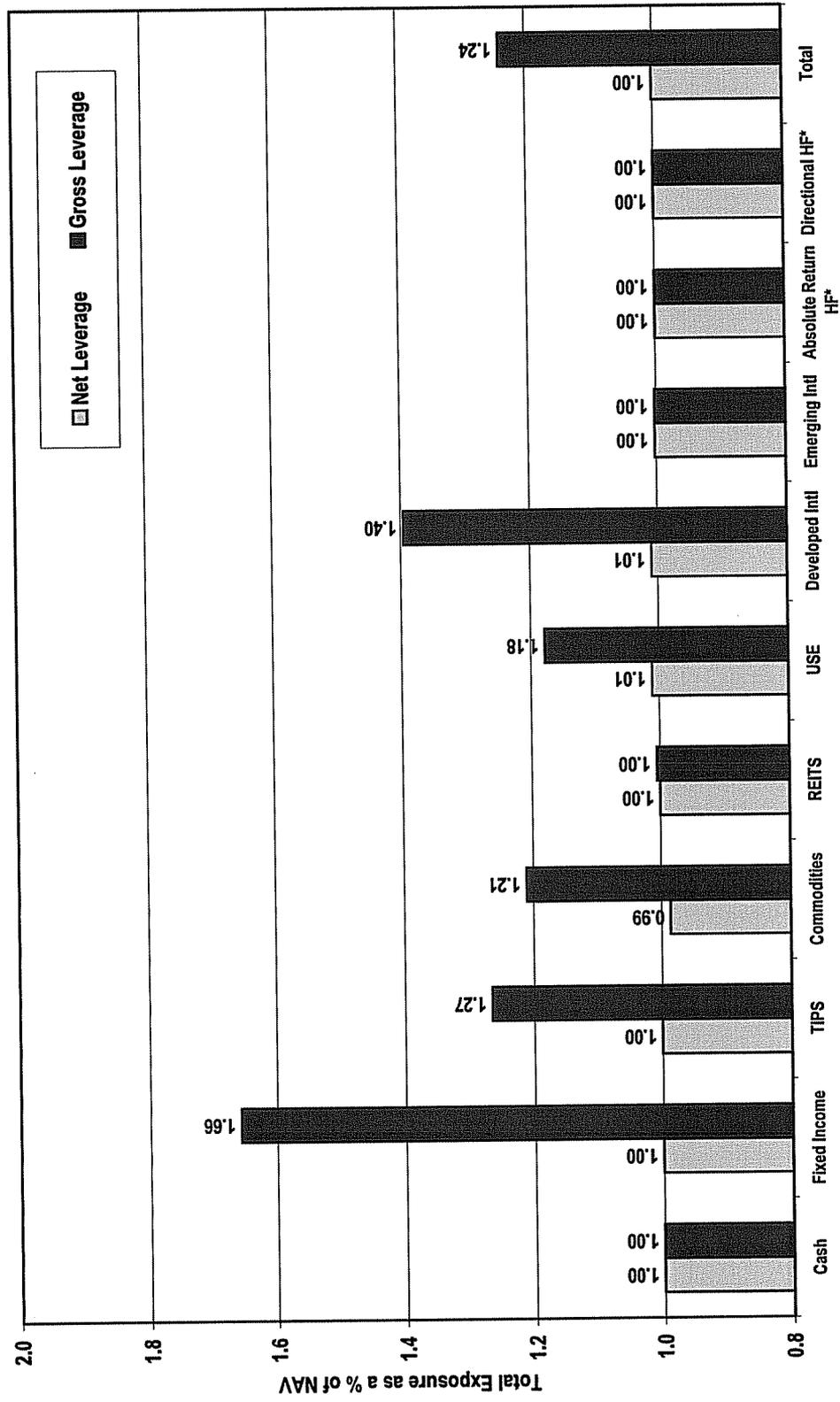
Hypothetical Performance of Current ITF Portfolio in Selected Stress Environments



Liquidity Profile of the ITF



Net and Gross Leverage of ITF



Comprehensive Derivative Report as of September 30, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)	Option Delta Equivalent (\$ millions)	Activity from previous report (8/31/2007) (\$ millions)
INTERNAL MANAGERS				
<u>US Equities</u>				
S&P 500 Futures	Long S&P 500 futures	\$ 963	-	\$ (142)
US Equity Small Cap/Large Cap Spread Trade	Long US Large Cap Short US Small Cap	688 (670)	-	101 (101)
Structured Active Management Application - US Equities	Long S&P 500 futures (hedge fund overlay)	386	-	-
US Collar	Russell 2000 Option	300	(58)	-
<u>Non-US Developed Equity</u>				
Developed Markets Futures	Long FTSE 100 & Euro Stoxx 50 futures Currency forwards used to hedge U.S. dollar	476 417	-	(7)
Lansdowne Euro Forwards	Currency forwards used to replicate local currency exposure for investments in Lansdowne European Fund	310	-	-
Japan Futures	Currency forwards used to hedge U.S. dollar Long Topix Index futures	18 17	-	-
Private Capital	Currency forward used to convert receipt of Euros to US dollar	(0)	-	-
<u>Emerging Markets Equity</u>				
China Swap	Long CSI 300 Index / Short LIBOR	45	-	45
Emerging Swaps	Long Emerging Mkt Equity Index/Short LIBOR	170	-	(50)
Emerging Markets Futures	Currency forwards used to hedge U.S. dollar	-	-	(17)
Emerging Markets Futures	Long MSCI Taiwan & FTSE/JSE Top 40 (Africa) futures	-	-	(20)
<u>Commodities</u>				
Goldman Sachs Commodity Index	Long GSCI futures	643	-	(17)

Comprehensive Derivative Report as of September 30, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)
EXTERNAL MANAGERS		
Non-US Developed Equity		
Bridgewater Currency Overlay	Implement currency overlay strategy	69
Blackrock Small Cap	Currency forwards used to hedge local currency exposure of foreign investments in account Option used for currency hedge	- 0
Blackrock Global Ex US	Currency forwards used to hedge local currency exposure of foreign investments in account Options used for currency hedge, broad equity market hedge, and add opportunistic value	(1) 210
Globeflex	Currency forwards used to hedge local currency exposure of foreign investments in account	-
REITS		
Morgan Stanley Reits	Currency forwards used to hedge local currency exposure of foreign investments in account	10
Commodities		
PIMCO Real Return	Currency forwards used to underweight the US dollar Short US and Non-US futures used to overweight duration in Eurozone Long futures used to overweight front end of US and UK yield curves Commodity swaps used to gain commodity exposure Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(1) (59) 36 289 31
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve Interest rate swaps used to overweight front end of US and UK yield curves Written options used to increase portfolio yield Purchased options used to increase portfolio yield	(16) 9 (95) 102

Comprehensive Derivative Report as of September 30, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)	
TIPS PIMCO TIPS	Currency forwards used to underweight the US dollar	(2)	
	Short US futures used to overweight duration in Eurozone	(123)	
	Long Non- US futures used to overweight duration in Eurozone	5	
	Long futures used to overweight front end of US and UK yield curves	175	
	Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	72	
	Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve	(51)	
	Interest rate swaps used to overweight front end of US and UK yield curves	87	
	Long credit default swaps used to underweight credit risk	10	
	Short credit default swaps used to underweight credit risk	(13)	
	Written options used to increase portfolio yield	(28)	
	Purchased options used to increase portfolio yield	30	
	Sold Credit Default swaps to replicate long corporate bonds for protection in indices	9	
	Fixed Income PIMCO Global Bonds	Currency forwards used to underweight the US dollar	(107)
		Short US and Non-US futures used to overweight duration in Eurozone	(362)
Long futures used to overweight front end of US and UK yield curves		588	
Receive Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve		1,063	
Pay Interest rate swaps used to overweight duration in the Eurozone and underweight intermediate portion of the Japanese yield curve		(967)	
Interest rate swaps used to overweight front end of US and UK yield curves		870	
Long credit default swaps used to underweight credit risk		33	
Short credit default swaps used to underweight credit risk		(126)	
Written options used to increase portfolio yield		949	
Purchased options used to increase portfolio yield		(511)	

Comprehensive Derivative Report as of September 30, 2007

Manager	Derivative Strategy	Net Notional Value (\$ millions)
Reams Core Plus	Sold Credit Default swaps to replicate long corporate bonds for protection in indices	20
	GRAND TOTAL	\$ 5,969
	Internal Managers	3,763
	External Managers	2,207
	GRAND TOTAL	\$ 5,969

Comprehensive Report on Approved Derivative Applications as of September 30, 2007
Internal Management

Internal Managers	Purpose of Application
Derivative Application (account name) S&P 500 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 Market and China 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.
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 September 30, 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)
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 September 30, 2007

Counterparty	S & P Counterparty Rating	Owed by Broker	Owed by UTIMCO	Total	Percentage of Total Funds	Notional Value
\$ millions						
GOLDMAN SACHS	AA-	\$ 310.8	\$ (285.0)	\$ 25.8	0.11%	\$ 2,772
BARCLAYS	AA	12.4	(3.4)	9.0	0.04%	906
MERRILL LYNCH	AA+	9.7	(0.8)	8.9	0.04%	187
J P MORGAN, CHASE	AA-	8.5	(0.5)	8.0	0.04%	602
MORGAN STANLEY	AA	7.4	(6.9)	0.5	0.00%	1,096
ROYAL BANK OF SCOTLAND PLC	AA	6.6	(6.8)	(0.2)	0.00%	1,083
UBS AG, STAMFORD	AA+	4.4	(1.3)	3.1	0.01%	617
DEUTSCHE BANK AG	AA+	4.4	(3.0)	1.4	0.01%	872
CITIBANK NY	AA+	2.8	(0.9)	1.9	0.01%	158
ROYAL BANK OF CANADA	AA-	2.0	(0.1)	1.9	0.01%	45
BEAR STEARNS	AAA	2.0	(0.2)	1.8	0.01%	97
BANK OF AMERICA	AA+	1.6	(1.3)	0.3	0.00%	148
J. ARON	AA-	1.6	(0.1)	1.5	0.01%	73
HSBC BK USA, NEW YORK	AA-	1.5	(1.1)	0.4	0.00%	127
LEHMAN BROTHERS	AA+	1.0	(1.9)	(0.9)	0.00%	243
CHASE MANHATTAN	AA-	0.6	(0.2)	0.4	0.00%	59
COMMONWEALTH BK OF AUSTRALIA	AA	0.6	(2.1)	(1.5)	-0.01%	59
CS FIRST BOSTON GBL FOREIGN EXCH	AA-	0.4	(0.6)	(0.2)	0.00%	50
STATE ST BOSTON CAPITAL MKT	AA	0.4	(0.2)	0.2	0.00%	38
CREDIT SUISSE FIRST	AA-	0.3	(0.3)	-	0.00%	28
MERRILL LYNCH INTL BANK LTD, NY	AA-	0.2	-	0.2	0.00%	16
UBS A G, ZURICH	AA+	0.2	(0.2)	-	0.00%	28
AUSTRALIA & NZ BANK LTD	AA	0.2	-	0.2	0.00%	7
CHASE NEW YORK	AA-	0.1	-	0.1	0.00%	-
NORTHERN TRUST CHICAGO	AA-	0.1	(0.1)	-	0.00%	9
NATIONAL AUSTRALIA BANK LIMITED	AA	0.1	(0.1)	-	0.00%	5
WESTPAC BANKING CORP, SYDNEY	AA	0.1	-	0.1	0.00%	5
CITIBANK NA, LONDON	AA+	0.1	(0.2)	(0.1)	0.00%	22
ABN AMSTERDAM	AA-	0.1	(0.3)	(0.2)	0.00%	23
ABN AMRO	AA-	-	-	-	0.00%	8
MELLON BANK	AA-	-	-	-	0.00%	7
WACHOVIA BANK	AA	-	-	-	0.00%	1
BNP PARIBAS	AA+	-	(0.2)	(0.2)	0.00%	29
CALYON FINANCIAL, LONDON	AA-	-	-	-	0.00%	4
STANDARD & CHARTERED BK, SINGAPORE	AA-	-	-	-	0.00%	8
Grand Total		\$ 380.2	\$ (317.8)	\$ 62.4	0.27%	\$ 9,429

Report on Investment Transactions Made Under the Delegation of Authority
September 1, 2007 through November 15, 2007

	Amount (\$ millions)	Description	Illiquid
US Equities			
Large Cap/Small Domestic Spread Trade -			
S&P 100 swap	171	1	
Russell 2000 swap	(159)	1	No
S&P 500 futures	101	1	
Russell 2000 futures	(101)	1	
Levin Large Cap	50	(Additional funding to manager from cash	No
S&P 500 futures	15	(Increase & decrease exposure from month-end rebalancing	No
S&P 500 futures	(45)		
S&P 500 futures	(112)	(Sell futures to fund hedge fund managers	No
Global ex US Equities			
Non-US Developed Equity			
JMBO Fund	(20)	(Partial withdrawal from manager	No
UK futures	(7)	(Decrease exposure from monthly rebalancing	No
Emerging Markets Equity			
Templeton Emerging China Swap	(45) 45	(Withdrawal from manager to collateralize China Swap	No
Templeton Emerging EEM Swap	(125) (50)	(Complete liquidation of manager and swap expiration used to fund different manager	No
BGI Emerging Strategic Index	160		
REITS			
Morgan Stanley REITs Cohen & Steers	43 20	(Increase exposure in REITs from cash (Increase exposure from monthly rebalancing	No No
Commodities			
GSCI futures	(20)	(Decrease exposure from monthly rebalancing	No
Pimco Real Return GSCI futures	(6) 3	(Increase/decrease exposure from monthly rebalancing (Increase exposure from monthly rebalancing	No No
TIPS			
Internal TIPS	5	(Increase exposure from monthly rebalancing	No

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

Report on Investment Transactions Made Under the Delegation of Authority
September 1, 2007 through November 15, 2007

	Amount (\$ millions)	Description	Illiquid
Fixed Income			
BGI Debt Fund	15	{Increase exposure from monthly rebalancing	No
Internal Fixed Income	15	{Increase exposure from monthly rebalancing	No
Internal Credit Related	5	{Increase exposure from monthly rebalancing	No
Marketable Alternatives			
ESL	100	{Initial investment in manager	Yes
Fox Point	25	{Additional investment in manager	Yes
Lansdowne UK	25	{Additional investment in manager	No
Satellite	(90)	{Partial withdrawal from manager	Yes
Private Capital			
Oaktree Loan Fund 2x, L.P.	250		Yes
EnCap Energy Capital Fund VII, L.P.	100		Yes
Avenue Special Situations Fund V, L.P.	75		Yes
Warburg Pincus Private Equity X, L.P.	75		Yes
Invention Development Fund, L.P.	50		Yes
Technology Crossover Ventures VII, L.P.	50		Yes
Foundry Venture Capital 2007, L.P.	40		Yes
Pinto TV Annex Fund, L.P.	7		Yes

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

**For September 1, 2007 through November 15, 2007
(Total Obligation per Agreement less than \$1 million)**

Agreement	Purpose	Contract Term	Annual Amount
MSCI	Provide information for Factset	1/1/2008 to 12/31/2008	\$1,000
APS	Maintenance/Service Agreement (LDC 850 Fax) -	10/25/07 - 10/25/08	\$300
Ned Davis Research Services	Institutional investment advisory and research firm which provides information and research on changing financial markets	9/1/07 - 11/30/07	\$40,000
Merrill Data Site	Scanning and website services related to Private Markets secondary sale	Six months from initial term date (9/14/2007); renewable for six months thereafter	Depends on usage (\$15,584 first month)

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
November 29, 2007

Agenda Item: Secondary Sale Update

Developed By: Shoberg, Eakman, McCarroll, Bigham

Presented By: Shoberg

Type of Item: Discussion item

Description: The Private Markets Investments staff will provide an update on efforts to sell a portion of the Private Markets portfolio.

Reference: None

TAB 5

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Agenda Item: Report on Public Markets Investments

Developed By: Zimmerman, Newcomb, Kampfe, Doak

Presented By: Zimmerman, Newcomb, Kampfe, Doak

Type of Item: Discussion item

Description: Overview of existing Public Markets Investments, including asset class allocation and manager performance.

Reference: None



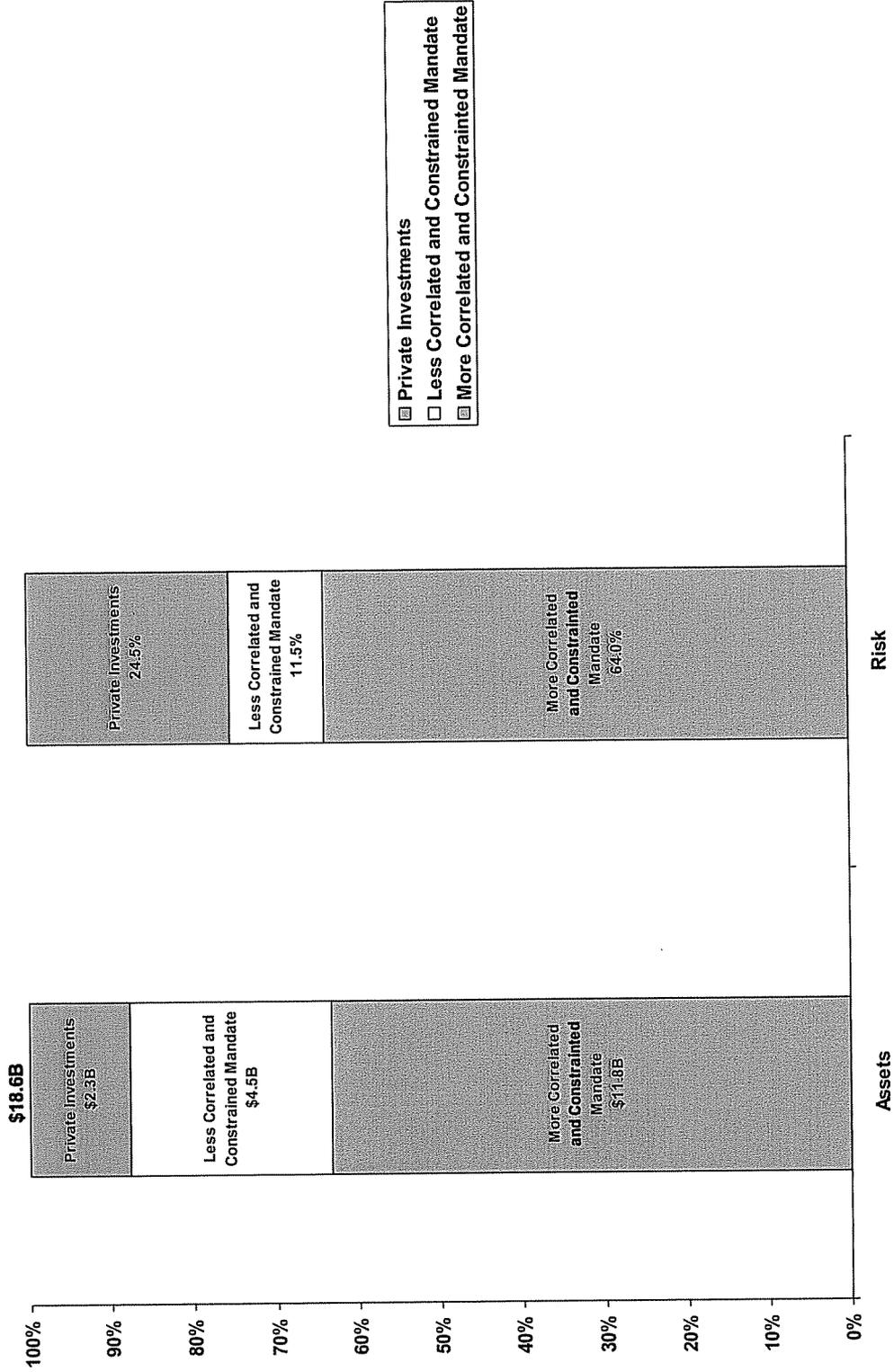
**THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

Public Markets Overview

**UTIMCO Board of Directors Meeting
November 29, 2007**



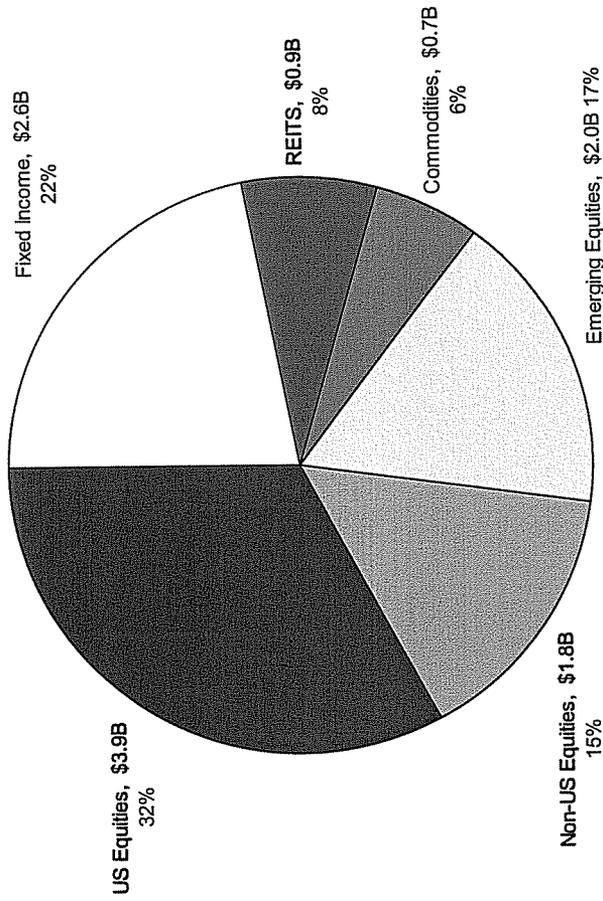
Total PUF & GEF Assets and Risk by Investment Type



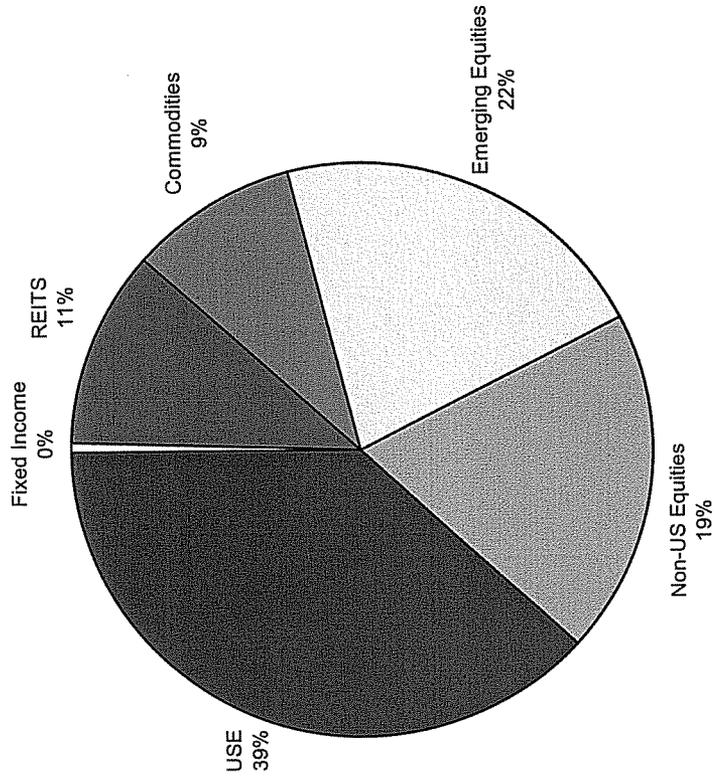


PUF & GEF More Correlated and Constrained Assets & Risk Mandates by Asset Class

Assets



Risk





More Correlated and Constrained Mandates Returns & Alpha by Asset Class

Period Ending
September 30, 2007

	Trailing 1 year Return	Trailing 1 year Alpha	Trailing 3 year Return	Trailing 3 year Alpha	Trailing 5 year Return	Trailing 5 year Alpha
Fixed Income	6.21%	1.07%	5.07%	1.21%	6.26%	2.13%
REITS	8.08%	4.29%	22.95%	3.19%	25.81%	3.32%
Commodities	10.60%	(3.80%)	4.09%	(2.52%)	11.41%	(2.83%)
USE	15.90%	(0.61%)	13.67%	(0.06%)	15.96%	(0.22%)
Non-US Equities	20.48%	(4.39%)	20.80%	(2.44%)	22.66%	(0.89%)
Emerging Equities	48.09%	(10.08%)	32.99%	(7.83%)	32.65%	(6.02%)



Fixed Income

Fixed Income Category	Manager	Inception Date	AUMS (as of 9/30/07)	1 year Return	3 year Return	Fees
<u>Nominal</u>	PIMCO	Nov-03	\$792	6.27%	5.26%	26 bps +/- 5%*actual vs. (75% LGAG + 25% LBAG), bounded at 18 bps - 38 bps
	Internal	Mar-96	631	6.15%	4.23%	Performance Based
	Reams	May-05	522	6.03%	---	0 bps + (20-50% of actual less LBAG, sliding scale)
	GIA	May-06	267	5.90%	---	25 bps + (.1%-1.25% of actual less (LBAG+150 bps))
	BGI	Mar-07	46	---	---	4 bps
	GMO	May-04	14	12.33%	14.95%	74 bps
<u>Real</u>	PIMCO	Aug-04	371	5.17%	4.35%	50% of actual less (Lehman US TIPs Index+ 35 bps)
	Reams	May-05	365	5.17%	---	50% of actual less (Lehman US TIPs Index+ 25 bps)
	Internal	Jul-04	292	5.06%	4.14%	Performance Based
			\$736			
<u>Cash</u>	Dreyfus	Apr-97	\$4,338	5.39%	4.25%	10 bps
	Total		\$7,332			

Index key :LGAG=Lehman Brothers Global Aggregate Index, LBAG=Lehman Brothers Aggregate Index



Fixed Income Issues

- Reduce Investment Grade Fixed Income Exposure
- Increase Credit Related Fixed Income Exposure
 - Ashmore
 - Loomis Sayles
- Potential Global Bond Mandates
 - Brandywine Global
 - BGI



REITS and Commodities

REITS Manager	Inception Date	AUMS (as of 9/30/07)	1 year Return	1 year Alpha	Since Inception Return	Since Inception Alpha	Fees
Cohen & Steers	Oct-06	\$935	5.63%	1.84%	19.22%	1.96%	5bps - 18.75bp wgt'd avg.
Morgan Stanley	Feb-06	\$339	20.02	1.80	21.76	0.69	1% + 10%→FTSE/NAREIT Global Real Estate

Commodities Manager	Inception Date	AUMS (as of 9/30/07)	1 year Return	1 year Alpha	Since Inception Return	Since Inception Alpha	Fees
PIMCO	Jan-04	\$290	3.70%	(1.43%)	1.95%	(0.26%)	49 bps
GSCI Futures	Jun-02	\$646	14.19	1.26	16.01	1.28	N/A



REITS and Commodities Issues

- REIT
 - European Institutional Investing
 - Citigroup Property Investors
- Commodities
 - Existing Mandates Subject to Review
 - GSCI Index Futures
 - PIMCO
 - Potential replacements
 - Gresham



US Equities

US Equities Category	Manager	Inception Date	AUMS (as of 9/30/07)	% of Total	1 year Return	1 year Alpha	Return	Inception Alpha	Fees
<u>Passive</u>			\$1,645	38%					
<u>Active Large</u>	Relational	Sep-04	446	10%	13.38%	(3.06%)	12.43%	(0.71%)	85bps + 20%>S&P 500
	Levin Large Cap	Nov-06	259	6%	n/a	n/a	17.83%	7.17%	25 bps + 30%>S&P500+2.5% p.a.
	Levin Utilities	Nov-06	125	3%	n/a	n/a	17.55%	10.01%	25 bps + 30%>S&P Utilities+2.5% p.a.
	New Mountain	Sep-06	198	5%	n/a	n/a	6.54%	(9.9%)	1.5% + 20%>S&P 500
	Blavin	Feb-06	181	4%	17.41%	(1.35%)	15.21%	6.09%	50bps + 25%>6%/yr
	TCW	Nov-04	130	3%	12.72%	(3.79%)	8.1%	(5.03%)	50%> Russell 3K +2.5% p.a.
			1,338	31%					
<u>Active Small</u>	Value Act	Oct-03	668	15%	19%	6.66%	18.71%	3.93%	1% + 20%>6%/yr
	Westport	Oct-04	412	9%	18.7%	6.35%	15.55%	2.19%	45 bps + 40%>Russell 2K + 2% p.a.
	TCW	Nov-04	161	4%	7.2%	(5.14%)	7.33%	(5.22%)	50%> Russell 3K +2.5% p.a.
	Blackrock	Jul-04	127	3%	24.94%	12.65	25.83%	12.48%	60 bps - 90 bps depending on account size
			1,367	31%					
<u>Spread Trade</u>	Short Russell 2000		(739)	-17%					
	Long S&P 500		741	17%					
<u>Collar</u>	Russell 2000							(0.59%)	
	Total		\$4,352						



US Equities Issues

- Managers to Review
 - TCW
 - New Mountain (lock up until 12/08)
 - Relational / Activist Overweight
- New Manager Pipeline
 - Aletheia
 - Epoch
 - Pzena
 - Stelliam
 - Orleans Capital



Non-US Developed Equities

US Equities Category	Manager	Inception Date	AUMS (as of 9/30/07)	% of Total	1 year Return	1 year Alpha	Inception Return	Inception Alpha	Fees	
<u>Passive</u>	BGI Futures	Apr-07	\$297 29	17% 2%					7 bps	
<u>Active</u>	Globeflex	Oct-03	227	13%	28.39%	1.61%	32.70%	6.75%	75bps + 15%>Benchmark +2.5%	
	Canada	Oct-03	49	3%	42.87%	12.76%	30.14%	6.97%	75bps + 15%>Benchmark +2.5%	
	Japan	Oct-03	71	4%	4.73%	3.64%	9.42%	3.02%	75bps + 15%>Benchmark +2.5%	
	MicroCap	Oct-03	160	9%	28.54%	3.68%	20.87%	(2.71%)	75bps + 15%>Benchmark +2.5%	
				507	28%					
	Lansdowne	Europe	Jan-06	330	18%	16.3%	(7.94%)	14.53%	6.71%	1% + 10%
	GSAM	EAFE Flex	Feb-06	279	16%	20.72%	4.14%	17.68%	(1.85%)	35bps + 35%> EAFE+1.5%
	Blackrock		Nov-04	182	10%	37.14%	6.61%	31.14%	7.87%	63bps
	Dalton	Japan	May-05	64	4%	4.27%	(0.03%)	11.03%	(3.13%)	20 bps + 40%>Topix + 2.4% p.a.
		Taiwan	Jan-06	62	3%	37.21%	(20.96%)	23.19%	(11.42%)	20bps + 40%> Customized EM+300bps
	JMBO	Apr-05	38	2%	0.44%	(6.73%)	0.55%	(15.09%)	1% + 20%	
			164	9%						
	Bridgewater	Jan-05	5	0%						
	Total		\$1,793							



Non-US Developed Equities Issues

- Managers to Review
 - Lansdowne
 - GSAM
 - Dalton

- Manager Prospects
 - Acadian
 - Theorema
 - Wellington



Emerging Equities

Emerging Equities	Manager	Inception Date	AUMS (as of 9/30/07)	% of Total	1 year Return	1 year Alpha	Inception Return	Inception Alpha	Fees
Passive	Swaps & ETFs		\$238	12%					
Active	Lansdowne	Dec-05	\$650	34%	47.89%	(10.29%)	25.98%	(12.94%)	1% + 10%
	BGI	Apr-07	495	26%	-	-	29.43%	3.42%	25bp + 20%>MSCI EM
	Templeton	Apr-06	250	13%	44.07%	(14.1%)	28.21%	(7.85%)	60bps + 20%>MSCI EM
	Blakeney	Oct-04	139	7%	36.59%	(21.58%)	39.63%	(1.44%)	1.75% + 20%>8%/yr
	Rexiter	May-07	164	8%	-	-	14.53%	(5.26%)	40bps + 20%>MSCI Free+1.25%
	Total		\$1,935						



Emerging Equities Issues

- Managers to Review
 - Lansdowne
 - Templeton
- New Mandate : Lazard Closed-End
- New Prospects
 - Brazil
 - Orbe
 - Dynamo
 - Tarpon
 - India
 - India Capital
 - Emerging Markets Management
 - Voyager
 - Russia
 - Prosperity Capital
 - Quorum
 - NCH
 - China
 - Keywise
 - Value Partners

TAB 6

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Agenda Item: UTIMCO Organization Update

Developed By: Zimmerman

Presented By: Zimmerman

Type of Item: Discussion item

Description: Bruce will provide an update on the Organization's staff additions and staff travels.

Reference: None

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



Presentation Materials

Board of Directors Meeting

November 29, 2007

Part Two

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
November 29, 2007**

The Ritz-Carlton Dallas
2121 McKinney Avenue
Dallas, Texas

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Open Session: Call to Order/Consideration of Minutes of September 21, 2007 Meeting*
9:05 a.m.	9:15 a.m.	2	Corporate Resolutions: - Election of UTIMCO Board Officers* - Board Committee Assignments*
9:15 a.m.	10:15 a.m.	3	Endowment and Operating Funds Update Report
10:15 a.m.	10:25 a.m.	4	Secondary Sale Update
10:25 a.m.	10:55 a.m.	5	Report on Public Markets Investments
10:55 a.m.	11:15 a.m.	6	UTIMCO Organization Update
11:15 a.m.	11:45 a.m.	7	Report and Consideration of Items from the Policy Committee and the Risk Committee on Investment Policies*
11:45 p.m.	1:00 p.m.		Lunch
1:00 p.m.	1:30 p.m.	8	Executive Session: Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to Consider Individual Personnel Compensation Matters including report of Compensation Committee regarding individual Performance Incentive Awards for the Performance Period ended June 30, 2007. Reconvene into Open Session Consideration of Compensation Committee Report: - Consideration of Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group)* - Consideration of Personnel Performance Incentive Awards* - Discussion and Consideration of UTIMCO 457(b) Deferred Compensation Plan*
1:30 p.m.	2:00 p.m.	9	Report and Consideration of Items from Audit and Ethics Committee*
2:00 p.m.	2:15 p.m.	10	Report on 2008 Meeting Dates
2:15 p.m.	2:30 p.m.	11	Presentation of 2007 Annual Report

* Action by resolution required

Members of the Board may attend the meeting by telephone conference call pursuant to Tex. Educ. Code Ann. § 66.08(h)(2)(B). The telephone conference will be audible to the public at the meeting location specified in this notice during each part of the meeting that is required to be open to the public.

Next Scheduled Meeting: January 30, 2008

TAB 7

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Agenda Item: Report and Consideration of Items from the Policy Committee and Risk Committee on Investment Policies

Developed By: Staff

Presented By: Rowling, Tate, Zimmerman

Type of Item: Action item; Action required by UTIMCO Board; Action required by UT System Board of Regents

Description: The Policy and Risk Committees (the "Committees") met in a Joint Meeting on November 12, 2007, and reviewed and approved the following policies:

- Permanent University Fund (PUF) (effective March 1, 2008)
- General Endowment Fund (GEF) (effective March 1, 2008)
- Permanent Health Fund (PHF) (effective March 1, 2008)
- Long Term Fund (LTF) (effective March 1, 2008)
- Mandate Categorization Procedure (effective March 1, 2008)
- Derivative Investment Policy (effective December 7, 2007)
- Liquidity Policy (effective December 7, 2007)
- Delegation of Authority (effective November 29, 2007)
- Intermediate Term Fund (ITF) (effective March 1, 2008)

The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Policies for each Fund at least annually by June 1 of each year. The annual review was delayed to accommodate the hiring and arrival of Bruce Zimmerman as CEO. The review includes distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges for each eligible Asset Class and Investment Type, expected returns for each Asset Class, Investment Type, and Fund, designated performance benchmarks for each Asset Class and/or Investment Type and such other matters as the U.T. Board or its staff designees may request.

The Short Term Fund (STF) Investment Policy Statement and the Separately Invested Funds (SIF) Investment Policy Statement were reviewed by staff and there are no recommended amendments. The STF Investment Policy Statement and Liquidity Policy were amended by the Board of Regents in November, 2005 and July 2006, respectively.

Recommendation: The Committees will recommend appropriate action related to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and the ITF, Derivative Investment Policy, the Liquidity Policy, the Delegation of Authority Policy, and the Mandate of Categorization Procedure.

RESOLUTION RELATED TO INVESTMENT POLICIES

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

RESOLVED, that amendments to the Delegation of Authority, as presented be, and are hereby, approved; and further

RESOLVED, that the Mandate Categorization Policy, as presented be, and is hereby, approved.

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Discussion:

The **Investment Policy Statements** for the PUF, GEF, PHF, and LTF have been amended to reflect the new investment strategy.

For the GEF, PHF, and LTF, the primary investment objectives -- to earn a target average annual real return over rolling ten-year periods or longer equal to the target distribution rate plus an annual expected expense -- is increased to 5.2% to accommodate the increase in annual expected expense of the Funds from .35% to .45% because of the approved change in compliance fees.

The secondary investment objective of the Funds' is two-fold: (1) to generate average annual returns adjusted for downside risk in excess of the Policy Portfolio over rolling five-year periods adjusted for downside risk ("Policy Benchmark") and (2) to generate average annual returns in excess of the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods.

The ITF investment strategy remains the same although Asset Class and Investment Types have been restated to conform to the new nomenclature being adopted for the endowment Funds. The investment objectives of the ITF remain the same.

Each Fund's Investment Policy Statement explicitly states that investments must be within the approved Policy Risk Bounds set by UTIMCO's risk model.

The **PUF, GEF, LTF and PHF Investment Policy Statements'** new investment strategy provides for allocation among six Asset Classes and three Investment Types as follows:

Asset Classes

- Investment Grade Fixed Income
- Credit-Related Fixed Income
- Real Estate
- Natural Resources
- Developed Country Equity
- Emerging Markets Equity

Investment Types

- More Correlated & Constrained Investments
- Less Correlated & Constrained Investments
- Private Investments

All mandates will be categorized into these Asset Classes and Investment Types in accordance with the **Mandate Categorization Procedure**.

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Exhibit A (Exhibit B in the PHF and LTF Investment Policy Statements) sets forth a new format to reflect the Policy Portfolio Asset Class and Investment Type targets and ranges for the period ended February 29, 2008, FYE 2008, 2009, and 2010. Exhibit A provides an overall Portfolio leverage limit of 5%, narrower Risk Bounds (85%-115%), and new Policy Benchmarks. The Policy Benchmark targets will be reset monthly.

The revised Investment Policy Statements make explicit reference to compliance with policies and include monitoring and reporting requirements.

PUF INVESTMENT POLICY STATEMENT

**THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND
INVESTMENT POLICY STATEMENT**

Purpose

The Permanent University Fund (the "PUF") is a public endowment contributing to the support of institutions of The University of Texas System (other than The University of Texas - Pan American and The University of Texas at Brownsville) and institutions of The Texas A&M University System (other than Texas A&M University-Corpus Christi, Texas A&M International University, Texas A&M University-Kingsville, West Texas A&M University, Texas A&M University-Commerce, Texas A&M University-Texarkana, and Baylor College of Dentistry).

PUF Organization

The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the PUF were completed in 1883 with the contribution of an additional one million acres of land. Today, the PUF contains 2,109,190 acres of land (the "PUF Lands") located in 19 counties primarily in West Texas.

The 2.1 million acres comprising the PUF Lands produce two streams of income: a) mineral income, primarily in the form of oil and gas royalties and b) surface income, primarily from surface leases and easements. Under the Texas Constitution, mineral income, as a non-renewable source of income, remains a non-distributable part of PUF corpus, and is invested pursuant to this Policy Statement. Surface income, as a renewable source of income, is distributed to the Available University Fund (the "AUF"), as received. The Constitution also requires that all surface income and investment distributions paid to the AUF be expended for certain authorized purposes.

The expenditure of the AUF is subject to a prescribed order of priority:

First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, expenditures AUF receipts are expended for debt service on PUF bonds.

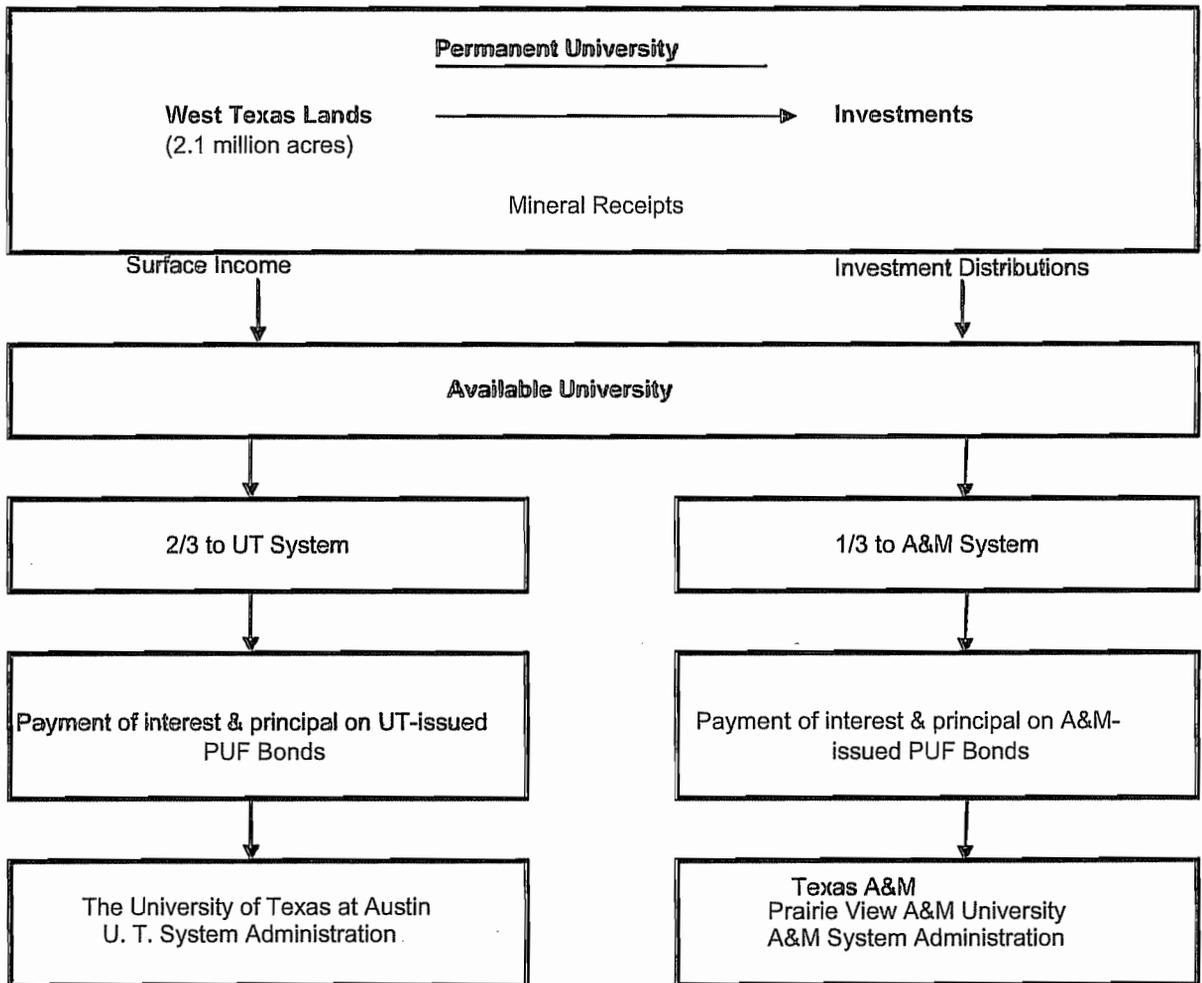
Article VII of the Texas Constitution authorizes the U. T. System Board of Regents (the "Board of Regents") and the Texas A&M University System Board of Regents (the "TAMUS Board") to issue bonds payable from their respective interests in AUF receipts to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System's interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the interest of

the related System in AUF receipts during the preceding fiscal year covers projected debt service on all PUF Bonds of that System by at least 1.5 times.

Second, ~~expenditures~~ AUF receipts are expended to fund a) excellence programs specifically at U. T. Austin, Texas A&M University and Prairie View A&M University and b) the administration of the university Systems.

The payment of surface income and investment distributions from the PUF to the AUF and the associated expenditures is depicted below in Exhibit 1:

Exhibit 1



PUF Management

Article VII, Section 11b of the Texas Constitution assigns fiduciary responsibility for managing and investing the PUF to the Board of Regents. Article VII, Section 11b authorizes the ~~U. T. System~~ Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

Ultimate fiduciary responsibility for the PUF rests with the Board of Regents. Section 66.08 of the *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PUF shall be managed by UTIMCO, which shall a) recommend investment policy for the PUF, b) recommend specific ~~asset~~ Asset Class and Investment Type allocation targets, ranges and performance benchmarks consistent with PUF objectives, and c) monitor PUF performance against PUF objectives. UTIMCO shall invest the PUF's assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to ~~asset~~ Asset Class and Investment Type allocation targets, ranges, and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

PUF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PUF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

PUF Investment Objectives

The PUF and the General Endowment Fund (the "GEF") are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund plus the annual expected expense. The current 5.1% target was derived by adding the PUF's current target distribution rate of 4.75% plus an annual expected expense of .35%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. The PUF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund investment objectives ~~is~~ are to generate a fund ~~(i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk benchmark over rolling five-year periods and (ii) average annual returns in excess of the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer.~~ (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk benchmark over rolling five-year periods and (ii) average annual returns in excess of the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of ~~a~~ Asset Class and Investment Type indices weighted to reflect PUF's ~~asset~~ Asset Class and Investment Type allocation policy targets.

~~Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Risk Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO's risk model.~~ Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Risk Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO's risk model. Liquidity of the PUF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

PUF return, ~~asset~~ Asset Class and Investment Type allocations, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the ~~asset~~ Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual ~~asset~~ Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio ~~asset~~ Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific ~~asset~~ Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the

range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in ~~asset categories~~Asset Class or Investment Type or ~~projected portfolio risk~~the Portfolio Projected Downside Deviation move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PUF asset values could warrant requesting approval of the UTIMCO Board Chairman ~~for~~ to waive immediate remedial action.

PUF assets shall be allocated among the following broad ~~a~~Asset e~~Classes and Investment Types~~ based upon their individual return/risk characteristics and relationships to other ~~a~~Asset e~~Classes and Investment Types~~:

A. ~~U.S. Equities~~ — ~~U.S. equities represent ownership in U.S. companies that are traded in public markets. U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Global mandates that include a majority of U.S. equities will be included in U.S. equities. U.S. equities provide both current income and capital gains.~~

B. ~~Global ex U.S. Equities~~ — ~~Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established (non-U.S. developed) and emerging markets. Global ex U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global mandates that include a majority of Global ex U.S. equities will be included in Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.~~

~~Non-U.S. Developed Equity~~ — ~~Non-U.S. developed equities represent ownership in companies domiciled in developed economies (countries) included in the MSCI All-Country World Equity Index — excluding those classified as part of the MSCI Emerging Markets Equity Index. These securities are typically constituents of countries in Europe, the Americas (North/Latin/South) and the Far East with high per-capita income, mature capital markets, and stable governments. The benchmark for this asset category will be the MSCI-EAFE Index, with net dividends.~~

Asset Classes:

Investment Grade Fixed Income — Investment Grade Fixed Income represents ownership of fixed income instruments, including real and

nominal, US and non-US, and across all maturities that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets equities-Equity represents ownership in companies domiciled in emerging economies as defined by the current-composition of the MSCI Emerging Markets Equity-Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Equity-Index qualification status (either through financial or qualitative measures).—The benchmark for this asset category will be the MSCI Emerging Markets Equity Index, with net dividends.

Investment Types:

More Correlated & Constrained Investments – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities and are less likely to entail lock-ups.

Less Correlated & Constrained Investments – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and leverage, may not have underlying security transparency, are more likely to be in publicly traded securities and may entail lock-ups.

Private Investments – Mandates that invest primarily in non-public securities and typically entail capital commitments, calls and distributions.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

~~C. Hedge Funds~~ — Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

~~Directional Hedge Funds~~ — Directional hedge fund investments include U.S. and international long/short equity or fixed income strategies and other such strategies that exhibit directional market characteristics using commodities, currencies, derivatives, or other global market instruments. These strategies attempt to exploit profits from security selection skills by taking long and short positions in various securities. These strategies may also include fund of hedge fund investments. Directional hedge fund investments are made through private placement agreements. Directional hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.

~~Absolute Return Hedge Funds~~ — Absolute return hedge fund investments include arbitrage, event driven strategies and other relative value strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discrete events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include multi-strategy managers and fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements. Absolute return hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.

~~D. Private Capital~~ — Private capital investments include the illiquid debt and equity securities of private or publicly-traded companies. Private capital investments consist of two sub-asset class categories: Venture Capital and Private Equity.

~~Venture Capital~~ — Venture capital investments consist of investments in companies, both U.S. and non-U.S. that are in the early stages of development. Venture capital investments are held either through limited partnerships or as direct ownership interests.

~~Private Equity~~ — Private equity investments consist of investments in the equity securities of private businesses, both U.S. and non-U.S., that are considered to be in the post-start-up phase and that are profitable and generating income. Private equity investments are held either through limited partnerships or as direct ownership interests. The Private equity category also includes mezzanine and opportunistic investments. Mezzanine investments consist of investments in funds that make subordinated debt or minority equity investments in private companies. Opportunistic investments are limited to illiquid assets and may include distressed debt or secondary private equity partnerships. Mezzanine and opportunistic investments are held through limited partnerships or as direct ownership interests.

~~E. Inflation Linked — Inflation linked investments are intended to provide some degree of inflation protection and generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. Inflation linked investments include:~~

~~— REITS — REITS are real estate investment trusts that may be held as either trust certificates, derivative investments, or exchange traded funds. REITS own, and in most cases operate, income producing real estate.~~

~~Commodities — Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, exchange traded funds or direct investments.~~

~~TIPS — TIPS are inflation protected securities with a return linked to the inflation rate. For diversification purposes, TIPS may include non-U.S. inflation protected fixed income securities as well as nominal fixed income securities.~~

~~F. Fixed Income — Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises and agencies, and domestic and foreign corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as fixed income.~~

~~G. Cash and Cash Equivalents — Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.~~

Performance Measurement

The investment performance of the PUF will be measured by the PUF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment Policy Benchmarks of the PUF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The PUF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, and limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, or partnership agreements or corporate documents.
- ~~All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.~~
- Investment policies guidelines of any unaffiliated liquid investment fund all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of PUF assets in such liquid investments fund.
- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The PUF's investments in warrants shall not exceed more than 5% of the PUF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The PUF may utilize derivatives only in accordance with the Derivative Investment Policy to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with PUF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies provided that the PUF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. ~~The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative~~

~~applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.~~

Cash and Cash Equivalents

~~Holdings of cash and cash equivalents may include the following:~~

- ~~• Highly liquid internal pooled investment funds managed by UTIMCO.~~
 - ~~• Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.~~
 - ~~• Deposits of the Texas State Treasury.~~
 - ~~• The PUF's custodian late deposit interest bearing liquid investment fund.~~
 - ~~• Municipal short-term securities.~~
 - ~~• Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).~~
 - ~~• Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.~~
 - ~~• Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.~~
- ~~— Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.~~
- ~~— Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.~~
- ~~— The maturity for a repurchase agreement may be from one day to two weeks.~~
- ~~— The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.~~

- ~~— All collateral shall be delivered to the PUF custodian bank. Tri-party collateral arrangements are not permitted.~~
- ~~-The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the PUF's fixed income assets.~~
- ~~-Overnight repurchase agreements may not exceed 25% of the PUF's fixed income assets.~~
- ~~— Mortgage Backed Securities (MBS) dollar rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS dollar rolls shall follow the Public Securities Association standard industry terms.~~

Fixed Income

Domestic Investment Grade and Credit-Related Fixed Income

~~Permissible securities for investment include securities within the component categories of the Lehman Brothers Aggregate Bond Index (LBAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:~~

- ~~1) Government securities: Treasury and Agency;~~
- ~~2) Corporate securities: Industrial, Finance, Utility, and Yankee;~~
- ~~3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;~~
- ~~4) Asset-backed securities;~~
- ~~5) Taxable Municipal securities; and~~
- ~~6) Commercial Mortgage-backed securities.~~

~~In addition to the permissible securities listed above, the following securities shall be permissible:~~

- ~~a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;~~
 - ~~b) Medium term notes issued by investment grade corporations;~~
 - ~~c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and~~
 - ~~d) Structured notes issued by LBAGG qualified entities.~~
- ~~U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB or better by Standard & Poor's Corporation, or BBB or better by Fitch Investors Service at the time of acquisition. External investment managers may be authorized by the~~

~~terms of the investment advisory agreements to invest up to a maximum of 50% of the total fixed income portfolio in below investment grade bonds.~~

- ~~• Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer.~~

Non-U.S. Fixed Income

~~Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.~~

- ~~• Not more than 50% of the PUF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.~~
- ~~• Not more than 15% of the PUF's fixed income portfolio may be invested in emerging market debt.~~
- ~~• International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.~~

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets EquityEquities

~~The PUF shall:~~

- ~~• hold no Not more than 25% of its the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost at market, or~~
- ~~• hold no Not more than 5% of its the market value of equity securities may be invested in the securities of one corporation at cost.~~
- ~~• Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.~~

PUF Distributions

The PUF shall balance the needs and interests of present beneficiaries with those of the future. PUF spending policy objectives shall be to:

- provide a predictable, stable stream of distributions over time;
- ensure that the inflation adjusted value of distributions is maintained over the long term; and

- ensure that the inflation adjusted value of PUF assets after distributions is maintained over rolling 10-year periods.

The goal is for the PUF's average spending rate over time not to exceed the PUF's average annual investment return after inflation and expenses in order to preserve the purchasing power of PUF distributions and underlying assets.

The Texas Constitution states that "The amount of any distributions to the available university fund shall be determined by the board of regents of The University of Texas System in a manner intended to provide the available university fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of permanent university fund investments and annual distributions to the available university fund. The amount distributed to the available university fund in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on bonds and notes issued under this section. If the purchasing power of permanent university fund investments for any rolling 10-year period is not preserved, the board may not increase annual distributions to the available university fund until the purchasing power of the permanent university fund investments is restored, except as necessary to pay the principal and interest due and owing on bonds and notes issued under this section. An annual distribution made by the board to the available university fund during any fiscal year may not exceed an amount equal to seven percent of the average net fair market value of permanent university fund investment assets as determined by the board, except as necessary to pay any principal and interest due and owing on bonds issued under this section. The expenses of managing permanent university fund land and investments shall be paid by the permanent university fund."

Annually, the Board of Regents will approve a distribution amount to the AUF.

In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the Board of Regents in May of each year an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation on the annual distribution shall be an amount equal to 4.75% of the trailing twelve quarter average of the net asset value of the PUF for the quarter ending February of each year.

Following approval of the distribution amount, distributions from the PUF to the AUF may be quarterly or annually at the discretion of UTIMCO Management.

PUF Accounting

The fiscal year of the PUF shall begin on September 1st and end on August 31st. Market value of the PUF shall be maintained on an accrual basis in compliance with ~~Financial Accounting Standards Board Statements~~ Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's eChief Investment Officer and reported to the UTIMCO Board of Directors. Assets deemed to be

"other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The PUF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PUF net assets. Valuation of PUF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PUF net assets for a month end close shall normally be completed within five business days but determination may be longer under certain circumstances. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets as approved by the UTIMCO Board and then in effect.

The fair market value of the PUF's net assets shall include all related receivables and payables of the PUF on the valuation. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of non-compliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Securities Lending

The PUF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the PUF shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the PUF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PUF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PUF solely in the interest of the U. T. System and the A&M System, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PUF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Ppolicy shall be ~~July 13, 2006~~ March 1, 2008 (except for benchmark of hedge funds in Exhibit A which is effective January 1, 2006).

EXHIBIT A

PERMANENT UNIVERSITY FUND
POLICY-ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES

EFFECTIVE DATE JULY-13, 2006/MARCH 1, 2008

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
Asset Classes								
Investment Grade Fixed Income	10.0%	14.0%	7.5%	11.0%	5.0%	8.5%	2.5%	7.5%
Credit-Related Fixed Income	0.0%	2.5%	0.0%	5.0%	1.5%	6.5%	2.5%	7.5%
Real Estate	2.5%	5.0%	3.0%	6.0%	5.0%	8.0%	5.0%	10.0%
Natural Resources	3.0%	6.0%	4.0%	8.0%	5.0%	9.5%	5.0%	10.0%
Developed Country Equity	52.5%	60.0%	47.5%	55.0%	42.5%	50.0%	37.5%	45.0%
Emerging Markets Equity	7.5%	12.5%	10.0%	15.0%	12.5%	17.5%	15.0%	20.0%
Investment Types								
More Correlated & Constrained Investments	50.0%	58.5%	47.5%	53.5%	45.0%	51.5%	42.5%	49.5%
Less Correlated & Constrained Investments	25.0%	30.0%	27.5%	33.0%	27.5%	33.0%	27.5%	33.0%
Private Investments	7.5%	11.5%	9.5%	13.5%	10.0%	15.5%	12.5%	17.5%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index	-	11.0%	-	8.5%	-	6.5%	-	4.5%
Lehman Brothers Global High-Yield Index	-	1.5%	-	1.5%	-	1.5%	-	2.0%
NAREIT Equity Index	-	5.0%	-	5.5%	-	6.5%	-	7.0%
Dow Jones-AIG Commodity Index Total Return	-	4.0%	-	5.0%	-	6.0%	-	6.0%
MSCI World Index with net dividends	-	27.5%	-	22.0%	-	18.0%	-	16.0%
MSCI Emerging Markets with net dividends	-	9.5%	-	11.0%	-	13.0%	-	14.0%
MSCI Investable Hedge Fund Index	-	30.0%	-	33.0%	-	33.0%	-	33.0%
Venture Economics Custom Index	-	11.5%	-	13.5%	-	15.5%	-	17.5%
POLICY/TARGET RETURN/RISKS								
Expected Annual Return (Benchmarks)	-	8.34%	-	8.47%	-	8.62%	-	8.75%
Expected Target Annual Return (Active)	-	9.31%	-	9.46%	-	9.65%	-	9.81%
One Year Downside Deviation	-	8.52%	-	8.56%	-	8.70%	-	8.90%
Risk Bounds								
Lower: 1 Year Downside Deviation	-	85%	-	85%	-	85%	-	85%
Upper: 1 Year Downside Deviation	-	115%	-	115%	-	115%	-	115%

Permanent University Fund Investment Policy Statement (continued)

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
U.S. Equities	20.0	10 to 30	Russell 3000 Index
Global ex U.S. Equities	17.0	10 to 30	
Non-U.S. Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	25.0	15 to 27.5	MSCI Investable Hedge Fund Index*
Directional Hedge Funds	10.0	5 to 15	
Absolute Return Hedge Funds	15.0	10 to 20	
Private Capital	15.0	5 to 15	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	13.0	5 to 20	
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .6% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	10.0	5 to 15	Lehman Brothers Aggregate Bond Index
Liquidity Reserve	0.0	-1 to -10	90 Day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance**			
Net non-trading receivable			
Expected Annual Return (%)	8.34		% of Target Risk
1 year Downside Deviation (%)	-7.6		128%
Standard Deviation (%)	10.8		74%

*Changed with approval of the Board of Regents on August 10, 2006, effective retroactively to January 1, 2006.

** 3 trading days or less

EXHIBIT A
 (continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: MARCH 1, 2008

March 1, 2008	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global Agg (11.0%)	3.0%	0.0%	14.0%
	Real Estate	Lehman Brothers Global High-Yield (1.5%)	0.5%	0.5%	2.5%
Real Assets	Natural Resources	NAREIT Equity Index (4.0%)	0.0%	0.0%	5.0%
	Developed Country	DJ-AIG Commodity Index Total Return (5.0%)	1.0%	1.0%	6.0%
Equity	Emerging Markets	MSCI World Index with Net Dividends (27.5%)	22.5%	10.0%	60.0%
		MSCI EM Index with Net Dividends (9.5%)	3.0%	0.0%	12.5%
Total		58.5%	30.0%	11.5%	100.0%

MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

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

EXHIBIT A
 (continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2008

FYE 2008	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.0%	1.5%	5.0%
	Real Estate	NAREIT Equity Index (5.5%)	0.5%	0.0%	6.0%
Real Assets	Natural Resources	AIG Commodity Index Total Return (5.0%)	1.5%	1.5%	8.0%
	Developed Country	MSCI World Index with Net Dividends (22.0%)	23.5%	9.5%	55.0%
Equity	Emerging Markets	MSCI EM Index with Net Dividends (11)	3.0%	1.0%	15.0%
	Total	53.5%	33.0%	13.5%	100.0%

MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

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

EXHIBIT A
(continued)

PERMANENT UNIVERSITY FUND

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global Agg (6.5%)	2.0%	0.0%	11.0%
	Real Estate	Lehman Brothers Global High-Yield (1.5%)	2.5%	2.5%	5.0%
Real Assets	Natural Resources	NAREIT Equity Index (6.5%)	0.5%	1.0%	6.0%
	Developed Country	DJ-AIG Commodity Index Total Return (6.0%)	1.5%	2.0%	8.0%
Equity	Emerging Markets	MSCI World Index with Net Dividends (18.0%)	23.5%	8.5%	55.0%
		MSCI EM Index with Net Dividends (13.0%)	3.0%	1.5%	15.0%
Total		51.5%	33.0%	15.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT A
(continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (4.5%)	3.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	3.0%	2.5%	7.5%
Real Assets	Real Estate	NAREIT Equity Index (7.0%)	1.0%	2.0%	10.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	2.0%	2.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (16.0%)	21.0%	3.0%	45.0%
	Emerging Markets	MSCI EM Index with Net Dividends (14.0%)	3.0%	3.0%	20.0%
Total		49.5%	33.0%	17.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

GEF INVESTMENT POLICY STATEMENT

**THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
INVESTMENT POLICY STATEMENT**

Purpose

The General Endowment Fund (the "GEF"), established by the Board of Regents of The University of Texas System (the "Board of Regents") March 1, 2001, is a pooled fund for the collective investment of certain long-term funds under the control and management of the Board of Regents. The GEF provides for greater diversification of investments than would be possible if each account were managed separately.

GEF Organization

The GEF functions like a mutual fund in which each eligible fund purchases and redeems GEF units as provided herein. The ownership of GEF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

GEF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the GEF.

Ultimate fiduciary responsibility for the GEF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the GEF shall be managed by UTIMCO, which shall a) recommend investment policy for the GEF, b) recommend specific asset-Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with GEF objectives, and c) monitor GEF performance against GEF objectives. UTIMCO shall invest the GEF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset-Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

GEF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of GEF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase GEF Units

No fund shall be eligible to purchase units of the GEF unless it is under the sole control, with full discretion as to investments, of the Board of Regents ~~and/or~~ UTIMCO.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the GEF.

Currently, the Long Term Fund (the "LTF") and the Permanent Health Fund (the "PHF") purchase units in the GEF.

GEF Investment Objectives

The GEF and the PUF are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund (in case of the GEF, the target distribution rate of the LTF and the PHF) plus the annual expected expense. The current ~~5.45.2%~~ target was derived by adding the ~~PUF's~~ GEF's current target distribution rate of 4.75% plus an annual expected expense of ~~.35.45%~~. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. ~~The GEF's success in meeting its~~

~~objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.~~

The secondary ~~fund investment objectives is~~ are to generate a ~~fund~~(i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk benchmark over rolling five-year periods and (ii) average annual returns in excess of the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of ~~asset class~~Asset Class and Investment Type indices weighted to reflect GEF's ~~asset~~Asset Class and Investment Type allocation policy targets as defined in Exhibit A.

~~Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Risk Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO's risk model.~~ Liquidity of the GEF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

GEF return, ~~asset~~Asset Class and Investment Type allocations, and risk targets are subject to adjustment from time to time by the U. T. ~~System~~ Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the ~~asset~~Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual ~~asset~~Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio ~~asset~~Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific ~~asset~~Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in ~~asset categories~~Asset Classes or Investment Types or ~~projected portfolio risk~~the Portfolio Projected Downside Deviation move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and

detrimental to the interest of the GEF asset values could warrant requesting approval of the UTIMCO Board Chairman ~~for to waive immediate~~ remedial action.

GEF assets shall be allocated among the following broad aAsset eClasses and Investment Types based upon their individual return/risk characteristics and relationships to other aAsset eClasses and Investment Types:

A. U.S. Equities — ~~U.S. equities represent ownership in U.S. companies that are traded in public markets. U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Global mandates that include a majority of U.S. equities will be included in U.S. equities. U.S. equities provide both current income and capital gains.~~

B. Global ex U.S. Equities — ~~Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established (non U.S. developed) and emerging markets. Global ex U.S. equities include common stocks, exchange traded funds, and derivatives based on common stock, including warrants, rights, options, and futures. In addition, derivative applications that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global mandates that include a majority of Global ex U.S. equities will be included in Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.~~

Non-U.S. Developed Equity — ~~Non-U.S. developed equities represent ownership in companies domiciled in developed economies (countries) included in the MSCI All-Country World Equity Index — excluding those classified as part of the MSCI Emerging Markets Equity Index. These securities are typically constituents of countries in Europe, the Americas (North/Latin/South) and the Far East with high per-capita income, mature capital markets, and stable governments. The benchmark for this asset category will be the MSCI EAFE Index, with net dividends.~~

Asset Classes:

Investment Grade Fixed Income — Investment Grade Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income — Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities the value of which are directly or indirectly tied to natural resources

including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets equities–Equity represents ownership in companies domiciled in emerging economies as defined by the current-composition of the MSCI Emerging Markets Equity-Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Equity-Index qualification status (either through financial or qualitative measures).—The benchmark for this asset category will be the MSCI Emerging Markets Equity Index, with net dividends.

Investment Types:

More Correlated & Constrained Investments – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities, and are less likely to entail lock-ups.

Less Correlated & Constrained Investments – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and leverage, may not have underlying security transparency, are more likely to be in publicly traded securities, and may entail lock-ups.

Private Investments – Mandates that invest primarily in non-public securities and typically entail capital commitments, calls and distributions.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

C.Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.–

Directional Hedge Funds – Directional hedge fund investments include U.S. and international long/short equity or fixed income strategies and other such strategies that exhibit directional market characteristics using commodities, currencies, derivatives, or other global market instruments. These

~~strategies attempt to exploit profits from security selection skills by taking long and short positions in various securities. These strategies may also include fund of hedge fund investments. Directional hedge fund investments are made through private placement agreements. Directional hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.~~

~~Absolute Return Hedge Funds — Absolute return hedge fund investments include arbitrage, event driven strategies and other relative value strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discrete events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include multi-strategy managers and fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements. Absolute return hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.~~

~~D. Private Capital — Private capital investments include the illiquid debt and equity securities of private or publicly-traded companies. Private capital investments consist of two sub-asset class categories: Venture Capital and Private Equity.~~

~~Venture Capital — Venture capital investments consist of investments in companies, both U.S. and non-U.S., that are in the early stages of development. Venture capital investments are held either through limited partnerships or as direct ownership interests.~~

~~Private Equity — Private equity investments consist of investments in the equity securities of private businesses, both U.S. and non-U.S., that are considered to be in the post-start-up phase and that are profitable and generating income. Private equity investments are held either through limited partnerships or as direct ownership interests. The Private equity category also includes mezzanine and opportunistic investments. Mezzanine investments consist of investments in funds that make subordinated debt or minority equity investments in private companies. Opportunistic investments are limited to illiquid assets and may include distressed debt or secondary private equity partnerships. Mezzanine and opportunistic investments are held through limited partnerships or as direct ownership interests.~~

~~E. Inflation Linked — Inflation linked investments are intended to provide some degree of inflation protection and generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. Inflation linked investments include:~~

~~REITS~~ — REITS are real estate investment trusts that may be held as either trust certificates, derivative investments, or exchange traded funds. REITS own, and in most cases operate, income producing real estate.

~~Commodities~~ — Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, exchange traded funds or direct investments.

~~TIPS~~ — TIPS are inflation protected securities with a return linked to the inflation rate. For diversification purposes, TIPS may include non-U.S. inflation protected fixed income securities as well as nominal fixed income securities.

~~F. Fixed Income~~ — Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises, and agencies and domestic and foreign corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as fixed income.

~~G. Cash and Cash Equivalents~~ — Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

Performance Measurement

The investment performance of the GEF will be measured by the GEF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment Policy Benchmarks of the GEF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The GEF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, and limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, or partnership agreements or corporate documents.

- ~~• All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.~~
- Investment policies guidelines of any unaffiliated liquid investment fund all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's eChief iInvestment eOfficer prior to investment of GEF assets in such liquid investments fund.
- No securities may be purchased or held which jeopardize the GEF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The GEF's investments in warrants shall not exceed more than 5% of the GEF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The GEF may utilize derivatives only in accordance with the Derivative Investment Policy to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with GEF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies provided that the GEF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- ~~• Highly liquid internal pooled investment funds managed by UTIMCO.~~

- ~~o Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.~~
- ~~o The GEF's custodian late deposit interest bearing liquid investment fund.~~
- ~~o Municipal short-term securities.~~
- ~~o Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).~~
- ~~o Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.~~
- ~~o Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
 - ~~-Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.~~
 - ~~-Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.~~
 - ~~-The maturity for a repurchase agreement may be from one day to two weeks.~~
 - ~~-The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.~~
 - ~~-All collateral shall be delivered to the GEF custodian bank. Tri-party collateral arrangements are not permitted.~~
 - ~~-The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the GEF's fixed income assets.~~
 - ~~-Overnight repurchase agreements may not exceed 25% of the GEF's fixed income assets.~~~~
- ~~o Mortgage Backed Securities (MBS) dollar rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS dollar rolls shall follow the Public Securities Association standard industry terms.~~

Fixed Income

Domestic Investment Grade and Credit-Related Fixed Income

~~_____~~ Permissible securities for investment include securities within the component categories of the Lehman Brothers Aggregate Bond Index (LBAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:

- ~~_____~~ 1) Government securities: Treasury and Agency;
- ~~_____~~ 2) Corporate securities: Industrial, Finance, Utility, and Yankee;
- ~~_____~~ 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;
- ~~_____~~ 4) Asset-backed securities;
- ~~_____~~ 5) Taxable Municipal securities; and
- ~~_____~~ 6) Commercial Mortgage-backed securities.

~~_____~~ In addition to the permissible securities listed above, the following securities shall be permissible:

- ~~_____~~ a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;
- ~~_____~~ b) Medium term notes issued by investment grade corporations;
- ~~_____~~ c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
- ~~_____~~ d) Structured notes issued by LBAGG qualified entities.

~~_____~~ ♦ U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB or better, by Standard & Poor's Corporation, or BBB or better by Fitch Investors Service at the time of acquisition. External investment managers may be authorized by the terms of the investment advisory agreements to invest up to a maximum of 50% of the total fixed income portfolio in below investment grade bonds.

~~_____~~ ♦ Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Non-U.S. Fixed Income

~~_____~~ Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.

~~_____~~ ♦ Not more than 50% of the GEF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.

- ~~• Not more than 15% of the GEF's fixed income portfolio may be invested in emerging market debt.~~
- ~~• International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.~~

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity Equities

The GEF shall:

- ~~• hold no~~ Not more than 25% of its the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost at market, or
- ~~• hold no~~ Not more than 5% of its the market value of equity securities may be invested in the securities of one corporation at cost.
- ~~•~~ Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

GEF Accounting

The fiscal year of the GEF shall begin on September 1st and end on August 31st. Market value of the GEF shall be maintained on an accrual basis in compliance with ~~Financial Accounting Standards Board Statements~~ Generally Accepted Accounting Principles ("GAAP"), ~~Governmental Accounting Standards Board Statements~~, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's ~~e~~ Chief Investment Officer and reported to the UTIMCO Board ~~of Directors~~. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The GEF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all GEF net assets and the net asset value per unit of the GEF. Valuation of GEF assets shall be based on the books and records of the custodian for the valuation date. The final determination of GEF net assets for a month end close shall normally be completed within five business days but determination may be longer under certain circumstances. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets as approved by the UTIMCO Board and then in effect.

The fair market value of the GEF's net assets shall include all related receivables and payables of the GEF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of non-compliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of GEF Units

Purchase of GEF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the GEF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the GEF as of the most recent quarterly valuation date. Each fund whose monies are invested in the GEF shall own an undivided interest in the GEF in the proportion that the number of units invested therein bears to the total number of all units comprising the GEF.

Redemption of GEF Units

Redemption of GEF units shall be paid in cash as soon as practicable after the quarterly valuation date of the GEF. Withdrawals from the GEF shall be at the market value price per unit determined at the time of the withdrawal.

Securities Lending

The GEF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the GEF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the GEF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the GEF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the GEF solely in the interest of GEF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the GEF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be ~~July 13, 2006~~ March 1, 2008 (except for benchmark of hedge funds in Exhibit A which is effective January 1, 2006).

EXHIBIT A

GENERAL ENDOWMENT FUND
POLICY ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES

EFFECTIVE DATE JULY 13, 2006 MARCH 1, 2008

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
U.S. Equities	20.0	10 to 30	Russell 3000 Index
Global ex-U.S. Equities	17.0	10 to 30	
— Non-U.S. Developed Equity	10.0	0 to 30	MSCI-EAFE Index with net dividends
— Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	25.0	15 to 27.5	MSCI Investable Hedge Fund Index*
— Directional Hedge Funds	10.0	5 to 15	
— Absolute Return Hedge Funds	15.0	10 to 20	
Private Capital	15.0	5 to 15	Venture Economics' Periodic IRR Index
— Venture Capital	4.0	0 to 8	
— Private Equity	11.0	5 to 15	
Inflation-Linked	13.0	5 to 20	
— REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
— Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
— TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	40.0	5 to 15	Lehman Brothers Aggregate Bond Index
Liquidity Reserve	0.0	-1 to 10	90 Day T-Bills
— Unencumbered Cash			
— Temporary Cash Imbalance**			
— Net non-trading receivable			
Expected Annual Return (%)	8-34		% of Target Risk

General Endowment Fund Investment Policy Statement (continued)

1-year Downside Deviation (%)	-7.6	Upper Risk-Bound: 1-year Downside Deviation (%)	128%
Standard Deviation (%)	10.8	Lower Risk-Bound: 1-year Downside Deviation (%)	74%

*Changed with approval of the Board of Regents on August 10, 2006, effective retroactively to January 1, 2006.

** 3 trading days or less

General Endowment Fund Investment Policy Statement (continued)

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Max	Min	Target	Min	Max
Asset Classes								
<u>Investment Grade Fixed Income</u>	10.0%	14.0%	7.5%	17.5%	5.0%	8.5%	2.5%	15.0%
<u>Credit-Related Fixed Income</u>	0.0%	2.5%	0.0%	12.5%	1.5%	6.5%	2.5%	15.0%
<u>Real Estate</u>	2.5%	5.0%	3.0%	9.0%	5.0%	8.0%	5.0%	15.0%
<u>Natural Resources</u>	3.0%	6.0%	4.0%	12.0%	5.0%	9.5%	5.0%	15.0%
<u>Developed Country Equity</u>	52.5%	60.0%	47.5%	62.5%	42.5%	50.0%	37.5%	52.5%
<u>Emerging Markets Equity</u>	7.5%	12.5%	10.0%	20.0%	12.5%	17.5%	15.0%	25.0%
Investment Types								
<u>More Correlated & Constrained Investments</u>	50.0%	58.5%	47.5%	60.0%	45.0%	51.5%	42.5%	57.5%
<u>Less Correlated & Constrained Investments</u>	25.0%	30.0%	27.5%	37.5%	27.5%	33.0%	27.5%	37.5%
<u>Private Investments</u>	7.5%	11.5%	9.5%	17.5%	10.0%	15.5%	12.5%	22.5%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Max	Min	Target	Min	Max
<u>Lehman Brothers Global Aggregate Index</u>	11.0%	-	8.5%	-	6.5%	-	4.5%	-
<u>Lehman Brothers Global High-Yield Index</u>	1.5%	-	1.5%	-	1.5%	-	2.0%	-
<u>NAREIT Equity Index</u>	5.0%	-	5.5%	-	6.5%	-	7.0%	-
<u>Dow Jones-AIG Commodity Index Total Return</u>	4.0%	-	5.0%	-	6.0%	-	6.0%	-
<u>MSCI World Index with net dividends</u>	27.5%	-	22.0%	-	18.0%	-	16.0%	-
<u>MSCI Emerging Markets with net dividends</u>	9.5%	-	11.0%	-	13.0%	-	14.0%	-
<u>MSCI Investable Hedge Fund Index</u>	30.0%	-	33.0%	-	33.0%	-	33.0%	-
<u>Venture Economics Custom Index</u>	11.5%	-	13.5%	-	15.5%	-	17.5%	-
POLICY/TARGET RETURN/RISKS								
<u>Expected Annual Return (Benchmarks)</u>	8.34%	-	8.47%	-	8.62%	-	8.75%	-
<u>Expected Target Annual Return (Active)</u>	9.31%	-	9.46%	-	9.65%	-	9.81%	-
<u>One Year Downside Deviation</u>	8.52%	-	8.56%	-	8.70%	-	8.90%	-
Risk Bounds								
<u>Lower: 1 Year Downside Deviation</u>	85%	-	85%	-	85%	-	85%	-
<u>Upper: 1 Year Downside Deviation</u>	115%	-	115%	-	115%	-	115%	-

EXHIBIT A
(continued)

GENERAL ENDOWMENT FUND

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES

EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: MARCH 1, 2008

March 1, 2008	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade Lehman Brothers Global Agg (11.0%)	3.0%	0.0%	14.0%
	Credit-Related Lehman Brothers Global High-Yield (1.5%)	0.5%	0.5%	2.5%
Real Assets	Real Estate NAREIT Equity Index (4.0%)	0.0%	0.0%	5.0%
	Natural Resources DJ-AIG Commodity Index Total Return (5.0%)	1.0%	1.0%	6.0%
Equity	Developed Country MSCI World Index with Net Dividends (27.5%)	22.5%	10.0%	60.0%
	Emerging Markets MSCI EMI Index with Net Dividends (9.5%)	3.0%	0.0%	12.5%
Total	58.5%	30.0%	11.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT A
(continued)

GENERAL ENDOWMENT FUND

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2008

FYE 2008		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (8.5%)	2.5%	0.0%	11.0%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.0%	1.5%	5.0%
Real Assets	Real Estate	NAREIT Equity Index (5.5%)	0.5%	0.0%	6.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (5.0%)	1.5%	1.5%	8.0%
Equity	Developed Country	MSCI World Index with Net Dividends (22.0%)	23.5%	9.5%	55.0%
	Emerging Markets	MSCI EM Index with Net Dividends (11.0%)	3.0%	1.0%	15.0%
Total		53.5%	33.0%	13.5%	100.0%

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MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT A
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (6.5%)	2.0%	0.0%	11.0%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.5%	2.5%	5.0%
Real Assets	Real Estate	NAREIT Equity Index (6.5%)	0.5%	1.0%	6.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	1.5%	2.0%	8.0%
Equity	Developed Country	MSCI World Index with Net Dividends (18.0%)	23.5%	8.5%	55.0%
	Emerging Markets	MSCI EM Index with Net Dividends (13.0%)	3.0%	1.5%	15.0%
Total		51.5%	33.0%	15.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT A
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (4.5%)	3.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	3.0%	2.5%	7.5%
Real Assets	Real Estate	NAREIT Equity Index (7.0%)	1.0%	2.0%	10.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	2.0%	2.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (16.0%)	21.0%	8.0%	45.0%
	Emerging Markets	MSCI EM Index with Net Dividends (14.0%)	3.0%	3.0%	20.0%
Total		49.5%	33.0%	17.5%	100.0%

MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

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

PHF INVESTMENT POLICY STATEMENT

**THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT HEALTH FUND
INVESTMENT POLICY STATEMENT**

Purpose

The Permanent Health Fund (the "PHF"), ~~is hereby established~~ by the Board of Regents of The University of Texas System (the "Board of Regents"), ~~as is~~ a pooled fund for the collective investment of certain permanent funds for health-related institutions of higher education created, effective August 30, 1999, by Chapter 63 of the *Texas Education Code*. The permanent health funds which have assets in the PHF are:

A. ~~A.~~ The Permanent Health Fund for Higher Education (the "PHFHE"), the distributions from which are to fund programs that benefit medical research, health education, or treatment programs at 10 health-related institutions ~~of higher education~~; and

B. Eight of the thirteen separate Permanent Funds for Health Related Institutions (the "PFHRIs"), the distributions from which are to fund research and other programs at health-related institutions of higher education that benefit public health. The PFHRIs invested in the PHF are:

- U. T. Health Science Center - San Antonio
- U. T. M. D. Anderson Cancer Center
- U. T. Southwestern Medical Center - Dallas
- U. T. Medical Branch - Galveston
- U. T. Health Science Center - Houston
- U. T. Health Center - Tyler
- U. T. El Paso
- Regional Academic Health Center

The PHF provides for greater diversification of investments than would be possible if each account were managed separately.

PHF Organization

The PHF functions like a mutual fund in which each eligible fund purchases and redeems PHF units as provided herein.

PHF Management

Chapter 63 of the *Texas Education Code* designates: a) the Board of Regents as the administrator for the PHFHE and b) the governing board of an institution for which a PFHRI fund is established as the administrator for its own PFHRI, or if the governing board so elects, the Comptroller of Public Accounts (State Comptroller). It permits the State Comptroller, in turn, to contract with the governing board of any institution that is eligible to receive a grant under Chapter 63. Pursuant to the foregoing and an Investment Management Services Agreement between the Board of Regents and the State Comptroller, the Board of Regents is the administrator responsible for managing the PHF. Chapter 63 further states that the Board of Regents may manage and invest the PHF in the same manner as the Board of Regents manages and invests other permanent endowments. It also requires that the administrator invest the funds in a manner that preserves the purchasing power of the funds' assets and distributions. It further requires that the administrator make distributions in a manner consistent with the administrator's policies and procedures for making distributions to the beneficiaries of its own endowments in the case of the PHFHE or the funds themselves in the case of the PFHRI funds.

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Chapter 63 of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the PHF.

Ultimate fiduciary responsibility for the PHF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PHF shall be managed by UTIMCO which shall: a) recommend investment policy for the PHF; b) recommend specific asset-Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with PHF objectives; and c) monitor PHF performance against PHF objectives. UTIMCO shall invest the PHF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset-Asset Class and Investment Type allocation

targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

PHF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PHF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase PHF Units

No fund shall be eligible to purchase units of the PHF unless it is a permanent health fund established pursuant to Chapter 63 of the *Texas Education Code*, under the control, with full discretion as to investments, of the Board of Regents.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the PHF.

PHF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of PHF assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is ~~5.45.2%~~ 5.45.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF. ~~The PHF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.~~

~~The secondary fund investment objectives is are to generate a fund (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk benchmark over rolling five-year periods and (ii) average annual returns in excess of the average median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect PHF's asset allocation policy targets.~~

~~Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and B and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Liquidity of the U. T. System General Endowment Fund (GEF) will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.~~

~~PHF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.~~

Asset Allocation and Policy

~~Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A and Exhibit B, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A and B based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.~~

~~In the event that actual portfolio positions in asset categories or projected portfolio risk move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PHF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.~~

PHF assets shall be allocated among the following investments:

- A. Cash and Cash Equivalents - Cash and Cash Equivalents has the same meaning as given to the term "Cash in the Liquidity Policy. Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.
- B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance the Cash and Cash Equivalents positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PHF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the PHF will be measured by the PHF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end. Such measurement will occur at least quarterly.

Investment Guidelines

The PHF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

•

• No securities may be purchased or held which jeopardize the PHF's tax exempt status.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

• Eligible investments within the "Cash and Cash Equivalents" category of the GEF Investment Policy Statement.

PHF Distributions

The PHF shall balance the needs and interests of present beneficiaries with those of the future. PHF spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time;
- B. ensure that the inflation adjusted value of distributions is maintained over the long term; and
- C. ensure that the inflation adjusted value of PHF assets after distributions is maintained over the long term.

The goal is for the PHF's average spending rate over time not to exceed the PHF's average annual investment return after inflation and expense ratio in order to preserve the purchasing power of PHF distributions and underlying assets.

UTIMCO shall be responsible for calculating the PHF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents, PHF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

- A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest \$.0005 per unit.
- B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5% (computed in the same manner).
- C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the PHF to the unit holders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

PHF Accounting

The fiscal year of the PHF shall begin on September 1st and end on August 31st. Market value of the PHF shall be maintained on an accrual basis in compliance with ~~Financial Accounting Standards Board Statements~~ Generally Accepted Accounting Principles ("GAAP"), ~~Governmental Accounting Standards Board Statements~~, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's eChief iInvestment eOfficer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMOC Board when

material. The PHF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PHF net assets and the net asset value per unit of the PHF. ~~Such valuation of PHF assets shall be based on the bank trust custody agreement in effect at the date of valuation.~~ Valuation of PHF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PHF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the PHF's net assets shall include all related receivables and payables of the PHF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of non-compliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of PHF Units

Purchase of PHF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the PHF or contribution of assets approved by UTIMCO's eChief iInvestment eOfficer, at the net asset value per unit of the PHF as of the most recent quarterly valuation date.

Each fund whose monies are invested in the PHF shall own an undivided interest in the PHF in the proportion that the number of units invested therein bears to the total number of all units comprising the PHF.

Redemption of PHF Units

Redemption of PHF units shall be paid in cash as soon as practicable after the quarterly valuation date of the PHF. If the withdrawal is greater than \$5 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$5 million, advance notice of five business

days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the PHF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the best interests of all PHF unit holders. Withdrawals from the PHF shall be at the market value price per unit determined for the period of the withdrawal.

Investor Responsibility

As a shareholder, the GEF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the GEF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PHF solely in the interest of PHF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PHF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be ~~July 13, 2006~~ March 1, 2008, except for Exhibit B. Exhibit B follows the effective date of Exhibit A of the GEF.

EXHIBIT A

PHF ASSET ALLOCATION

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

EFFECTIVE DATE MARCH 1, 2008

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Liquidity Reserve Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

Expected Annual Return (%)	8.34
1-yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1-yr Downside Deviation (%)	128%
Lower Risk Bound: 1-yr Downside Deviation (%)	74%

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B

**GENERAL ENDOWMENT FUND
POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

EFFECTIVE DATE JULY 13, 2006

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
U.S. Equities	20.0	10 to 30	Russell 3000 Index
Global ex U.S. Equities	17.0	10 to 30	
— Non-U.S. Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
— Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	25.0	15 to 27.5	MSCI Investable Hedge Fund Index*
— Directional Hedge Funds	10.0	5 to 15	
— Absolute Return Hedge Funds	15.0	10 to 20	
Private Capital	15.0	5 to 15	Venture Economics' Periodic IRR Index
— Venture Capital	4.0	0 to 8	
— Private Equity	11.0	5 to 15	
Inflation Linked	13.0	5 to 20	
— REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
— Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
— TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	10.0	5 to 15	Lehman Brothers Aggregate Bond Index
Liquidity Reserve	0.0	-1 to -10	90 Day T Bills
— Unencumbered Cash			
— Temporary Cash Imbalance**			
— Net non-trading receivable			
Expected Annual Return (%)	8.34		% of Target Risk
1 year Downside Deviation (%)	-7.6		128%
Upper Risk Bound:			
1 year Downside Deviation (%)			

Permanent Health Fund Investment Policy Statement (continued)

Standard Deviation (%)	10.8	Lower Risk Bound: 1-year Downside Deviation (%)	74%
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*Changed with approval of the Board of Regents on August 10, 2006, effective retroactively to January 1, 2006.

**GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008**

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
Asset Classes								
Investment Grade Fixed Income	10.0%	14.0%	7.5%	11.0%	5.0%	8.5%	2.5%	7.5%
Credit-Related Fixed Income	0.0%	2.5%	0.0%	5.0%	1.5%	6.5%	2.5%	7.5%
Real Estate	2.5%	5.0%	3.0%	6.0%	5.0%	8.0%	5.0%	10.0%
Natural Resources	3.0%	6.0%	4.0%	8.0%	5.0%	9.5%	5.0%	10.0%
Developed Country Equity	52.5%	60.0%	47.5%	55.0%	42.5%	50.0%	37.5%	45.0%
Emerging Markets Equity	7.5%	12.5%	10.0%	15.0%	12.5%	17.5%	15.0%	20.0%
Investment Types								
More Correlated & Constrained Investments	50.0%	58.5%	47.5%	53.5%	45.0%	51.5%	42.5%	49.5%
Less Correlated & Constrained Investments	25.0%	30.0%	27.5%	33.0%	27.5%	33.0%	27.5%	33.0%
Private Investments	7.5%	11.5%	9.5%	13.5%	10.0%	15.5%	12.5%	17.5%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index	-	11.0%	-	8.5%	-	6.5%	-	4.5%
Lehman Brothers Global High-Yield Index	-	1.5%	-	1.5%	-	1.5%	-	2.0%
NAREIT Equity Index	-	5.0%	-	5.5%	-	6.5%	-	7.0%
Dow Jones-AIG Commodity Index Total Return	-	4.0%	-	5.0%	-	6.0%	-	6.0%
MSCI World Index with net dividends	-	27.5%	-	22.0%	-	18.0%	-	16.0%
MSCI Emerging Markets with net dividends	-	9.5%	-	11.0%	-	13.0%	-	14.0%
MSCI Investable Hedge Fund Index	-	30.0%	-	33.0%	-	33.0%	-	33.0%
Venture Economics Custom Index	-	11.5%	-	13.5%	-	15.5%	-	17.5%
POLICY/TARGET RETURN/RISKS								
Expected Annual Return (Benchmarks)	-	8.34%	-	8.47%	-	8.62%	-	8.75%
Expected Target Annual Return (Active)	-	9.31%	-	9.46%	-	9.65%	-	9.81%
One Year Downside Deviation	-	8.52%	-	8.56%	-	8.70%	-	8.90%
Risk Bounds								
Lower: 1 Year Downside Deviation	-	85%	-	85%	-	85%	-	85%
Upper: 1 Year Downside Deviation	-	115%	-	115%	-	115%	-	115%

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: MARCH 1, 2008

March 1, 2008	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade Lehman Brothers Global Agg (11.0%)	3.0%	0.0%	14.0%
	Credit-Related Lehman Brothers Global High-Yield (1.5%)	0.5%	0.5%	2.5%
Real Assets	Real Estate NAREIT Equity Index (4.0%)	0.0%	0.0%	5.0%
	Natural Resources DJ-AIG Commodity Index Total Return (5.0%)	1.0%	1.0%	6.0%
Equity	Developed Country MSCI World Index with Net Dividends (27.5%)	22.5%	10.0%	60.0%
	Emerging Markets MSCI EM Index with Net Dividends (9.5%)	3.0%	0.0%	12.5%
Total	58.5%	30.0%	11.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2008

FYE 2008		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (8.5%)	2.5%	0.0%	11.0%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.0%	1.5%	5.0%
Real Assets	Real Estate	NAREIT Equity Index (5.5%)	0.5%	0.0%	6.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (5.0%)	1.5%	1.5%	8.0%
Equity	Developed Country	MSCI World Index with Net Dividends (22.0%)	23.5%	9.5%	55.0%
	Emerging Markets	MSCI EM Index with Net Dividends (11.0%)	3.0%	1.0%	15.0%
Total		53.5%	33.0%	13.5%	100.0%

MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

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

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.5%	2.5%	11.0%
	Real Estate	NAREIT Equity Index (6.5%)	0.5%	1.0%	5.0%
Real Assets	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	1.5%	2.0%	6.0%
	Developed Country	MSCI World Index with Net Dividends (18.0%)	23.5%	8.5%	8.0%
Equity	Emerging Markets	MSCI EM Index with Net Dividends (13.0%)	3.0%	1.5%	55.0%
	Total	51.5%	33.0%	15.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (4.5%)	3.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	3.0%	2.5%	7.5%
Real Assets	Real Estate	NAREIT Equity Index (7.0%)	1.0%	2.0%	10.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	2.0%	2.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (16.0%)	21.0%	8.0%	45.0%
	Emerging Markets	MSCI EM Index with Net Dividends (14.0%)	3.0%	3.0%	20.0%
Total		49.5%	33.0%	17.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

LTF INVESTMENT POLICY STATEMENT

**THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
INVESTMENT POLICY STATEMENT**

Purpose

The Long Term Fund (the "LTF"), succeeded the Common Trust Fund in February, 1995, and was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of private endowments and other long-term funds supporting various programs of The University of Texas System. The LTF provides for greater diversification of investments than would be possible if each account were managed separately.

LTF Organization

The LTF functions like a mutual fund in which each eligible account purchases and redeems LTF units as provided herein. The ownership of LTF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

LTF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the LTF.

Ultimate fiduciary responsibility for the LTF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the LTF shall be managed by UTIMCO, which shall a) recommend investment policy for the LTF, b) recommend specific asset-Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with LTF objectives, and c) monitor LTF performance against LTF objectives. UTIMCO shall invest the LTF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset-Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

LTF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of LTF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase LTF Units

No account shall be eligible to purchase units of the LTF unless it is under the sole control, with full discretion as to investments, of the Board of Regents.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the LTF.

LTF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of LTF assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.45.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the LTF. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary ~~fund investment objectives~~ is-are to generate a fund (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk benchmark-over rolling five-year periods and (ii) average annual returns in excess of the average-median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods-or longer. ~~The Policy Portfolio benchmark~~

~~will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect LTF's asset allocation policy targets.~~

~~Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and B and measured at least monthly by UTIMCO's risk model, should be sustained at all times. Liquidity of the U. T. System General Endowment Fund (GEF) will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.~~

~~LTF return, asset allocation, and risk targets are subject to adjustment from time to time by the U. T. System Board of Regents.~~

Asset Allocation and Policy

~~Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A and Exhibit B, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual asset allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio asset allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific asset allocation positions may be changed within the ranges specified in Exhibit A and B based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.~~

~~In the event that actual portfolio positions in asset categories or projected portfolio risk move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the LTF asset values could warrant requesting approval of the UTIMCO Board Chairman for remedial action.~~

~~LTF assets shall be allocated among the following investments.~~

- ~~A. Cash and Cash Equivalents — Cash and Cash Equivalents has the same meaning as given to the term "Cash" in the Liquidity Policy. Short-term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.~~
- ~~B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of~~

Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the LTF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the LTF will be measured by the LTF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end. Such measurement will occur at least quarterly.

Investment Guidelines

The LTF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

• Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

• ~~No securities may be purchased or held which jeopardize the LTF's tax exempt status.~~

Cash _____ and _____ Cash _____ Equivalents

~~Holdings of cash and cash equivalents may include the following:~~

• ~~Eligible investments within the "Cash and Cash Equivalents" category of the GEF Investment Policy Statement.~~

LTF Distributions

The LTF shall balance the needs and interests of present beneficiaries with those of the future. LTF spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time;
- B. ensure that the inflation adjusted value of distributions is maintained over the long term; and
- C. ensure that the inflation adjusted value of LTF assets after distributions is maintained over the long term.

The goal is for the LTF's average spending rate over time not to exceed the LTF's average annual investment return after inflation and expense ratio in order to preserve the purchasing power of LTF distributions and underlying assets.

Generally, pursuant to the Uniform Prudent Management of Institutional Funds Act, Chapter 163, *Texas Property Code*, as amended, ("Act"), subject to the intent of a donor in a gift instrument, the Board of Regents may distribute, for the uses and purposes for which the LTF is established, the net appreciation, realized and unrealized, in the fair market value of the assets of the LTF over the historic dollar value of the fund to the extent prudent under the standard provided by the Act appropriate for expenditure or accumulate so much of the LTF as it determines is prudent for the uses, benefits, purposes, and duration for which the LTF is established. Notwithstanding the preceding sentence, the Board of Regents may not appropriate for expenditure in any year an amount greater than nine percent (9%) of the LTF, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made.

UTIMCO shall be responsible for calculating the LTF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents or prohibited by the Act, LTF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

- A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest \$.0005 per unit.

- B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5% (computed in the same manner).
- C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the LTF to the ~~unit holders~~ unit holders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

LTF Accounting

The fiscal year of the LTF shall begin on September 1st and end on August 31st. Market value of the LTF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's eChief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The LTF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all LTF net assets and the net asset value per unit of the LTF. ~~Such valuation of LTF assets shall be based on the bank trust custody agreement in effect at the date of valuation.~~ Valuation of LTF assets shall be based on the books and records of the custodian for the valuation date. The final determination of LTF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the LTF's net assets shall include all related receivables and payables of the LTF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of non-compliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of LTF Units

Purchase of LTF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the LTF or contribution of assets

approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the LTF as of the most recent quarterly valuation date.

Each account whose monies are invested in the LTF shall own an undivided interest in the LTF in the proportion that the number of units invested therein bears to the total number of all units comprising the LTF.

Redemption of LTF Units

Redemption of LTF units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than \$10 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the LTF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the best interests of all LTF unit holders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the LTF for a period less than or equal to one year determined from the date of the contribution to the LTF. Transfer of units between endowment unit holders shall not be considered redemption of units subject to this provision.

Investor Responsibility

As a shareholder, the LTF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the LTF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the LTF solely in the interest of LTF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the LTF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be ~~July 13, 2006~~ March 1, 2008, except for Exhibit B. Exhibit B follows the effective date of Exhibit A of the GEF.

EXHIBIT A

LTF ASSET ALLOCATION

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008**

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Liquidity Reserve Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

Expected Annual Return (%)	8.34
1-yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1-yr Downside Deviation (%)	128%
Lower Risk Bound: 1-yr Downside Deviation (%)	74%

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B

**GENERAL ENDOWMENT FUND
POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

EFFECTIVE DATE JULY 13, 2006

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
U.S. Equities	20.0	10 to 30	Russell 3000 Index
Global ex-U.S. Equities	17.0	10 to 30	
- Non-U.S. Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
- Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	25.0	15 to 27.5	MSCI Investable Hedge Fund Index*
- Directional Hedge Funds	10.0	5 to 15	
- Absolute Return Hedge Funds	15.0	10 to 20	
Private Capital	15.0	5 to 15	Venture Economics' Periodic IRR Index
- Venture Capital	4.0	0 to 8	
- Private Equity	11.0	5 to 15	
Inflation-Linked	13.0	5 to 20	
- REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
- Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
- TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	10.0	5 to 15	Lehman Brothers Aggregate Bond Index
Liquidity Reserve	0.0	-1 to 10	90-Day T-Bills
- Unencumbered Cash			
- Temporary Cash Imbalance**			
Net non-trading receivable			
Expected Annual Return (%)	8.34		% of Target Risk
1-year Downside Deviation (%)	-7.6		128%
			Upper Risk Bound: 1-year Downside Deviation (%)

Long Term Fund Investment Policy Statement (continued)

Standard Deviation (%)	10.8	Lower Risk Bound: 1 year Downside Deviation (%)	74%
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*Changed with approval of the Board of Regents on August 10, 2006, effective retroactively to January 1, 2006.

** 3 trading days or less

EXHIBIT B
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>								
<u>Investment Grade Fixed Income</u>	10.0%	14.0%	7.5%	11.0%	17.5%	15.0%	2.5%	7.5%
<u>Credit-Related Fixed Income</u>	0.0%	2.5%	0.0%	5.0%	12.5%	14.0%	2.5%	7.5%
<u>Real Estate</u>	2.5%	5.0%	3.0%	6.0%	9.0%	11.0%	5.0%	10.0%
<u>Natural Resources</u>	3.0%	6.0%	4.0%	8.0%	12.0%	13.0%	5.0%	10.0%
<u>Developed Country Equity</u>	52.5%	60.0%	47.5%	55.0%	62.5%	57.5%	37.5%	45.0%
<u>Emerging Markets Equity</u>	7.5%	12.5%	10.0%	15.0%	20.0%	22.5%	15.0%	20.0%
<u>Investment Types</u>								
<u>More Correlated & Constrained Investments</u>	50.0%	58.5%	47.5%	53.5%	60.0%	60.0%	45.0%	51.5%
<u>Less Correlated & Constrained Investments</u>	25.0%	30.0%	27.5%	33.0%	37.5%	37.5%	27.5%	33.0%
<u>Private Investments</u>	7.5%	11.5%	9.5%	13.5%	17.5%	20.0%	10.0%	15.5%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
<u>Lehman Brothers Global Aggregate Index</u>	-	11.0%	-	8.5%	-	6.5%	-	4.5%
<u>Lehman Brothers Global High-Yield Index</u>	-	1.5%	-	1.5%	-	1.5%	-	2.0%
<u>NAREIT Equity Index</u>	-	5.0%	-	5.5%	-	6.5%	-	7.0%
<u>Dow Jones-AIG Commodity Index Total Return</u>	-	4.0%	-	5.0%	-	6.0%	-	6.0%
<u>MSCI World Index with net dividends</u>	-	27.5%	-	22.0%	-	18.0%	-	16.0%
<u>MSCI Emerging Markets with net dividends</u>	-	9.5%	-	11.0%	-	13.0%	-	14.0%
<u>MSCI Investable Hedge Fund Index</u>	-	30.0%	-	33.0%	-	33.0%	-	33.0%
<u>Venture Economics Custom Index</u>	-	11.5%	-	13.5%	-	15.5%	-	17.5%
<u>POLICY/TARGET RETURN/RISKS</u>	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
<u>Expected Annual Return (Benchmarks)</u>	-	8.34%	-	8.47%	-	8.62%	-	8.75%
<u>Expected Target Annual Return (Active)</u>	-	9.31%	-	9.46%	-	9.65%	-	9.81%
<u>One Year Downside Deviation</u>	-	8.52%	-	8.56%	-	8.70%	-	8.90%
<u>Risk Bounds</u>	-	-	-	-	-	-	-	-
<u>Lower: 1 Year Downside Deviation</u>	-	85%	-	85%	-	85%	-	85%
<u>Upper: 1 Year Downside Deviation</u>	-	115%	-	115%	-	115%	-	115%

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: MARCH 1, 2008

March 1, 2008		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (11.0%)	3.0%	0.0%	14.0%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	0.5%	0.5%	2.5%
Real Assets	Real Estate	NAREIT Equity Index (4.0%)	0.0%	0.0%	5.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (5.0%)	1.0%	1.0%	6.0%
Equity	Developed Country	MSCI World Index with Net Dividends (27.5%)	22.5%	10.0%	60.0%
	Emerging Markets	MSCI EM Index with Net Dividends (9.5%)	3.0%	0.0%	12.5%
Total		58.5%	30.0%	11.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2008

FYE 2008		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (8.5%)	2.5%	0.0%	11.0%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.0%	1.5%	5.0%
Real Assets	Real Estate	NAREIT Equity Index (5.5%)	0.5%	0.0%	6.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (5.0%)	1.5%	1.5%	8.0%
Equity	Developed Country	MSCI World Index with Net Dividends (22.0%)	23.5%	9.5%	55.0%
	Emerging Markets	MSCI EM Index with Net Dividends (11.0%)	3.0%	1.0%	15.0%
Total		53.5%	33.0%	13.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (6.5%)	2.0%	0.0%	11.0%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.5%	2.5%	5.0%
Real Assets	Real Estate	NAREIT Equity Index (6.5%)	0.5%	1.0%	6.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	1.5%	2.0%	8.0%
Equity	Developed Country	MSCI World Index with Net Dividends (18.0%)	23.5%	8.5%	55.0%
	Emerging Markets	MSCI EIM Index with Net Dividends (13.0%)	3.0%	1.5%	15.0%
Total		51.5%	33.0%	15.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE MARCH 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010	Investment Grade	Credit-Related	Real Estate	Natural Resources	Developed Country	Emerging Markets	Total
	Investment Grade	Credit-Related	Real Estate	Natural Resources	Developed Country	Emerging Markets	Total
	3.0%	3.0%	1.0%	2.0%	21.0%	3.0%	17.5%
	Lehman Brothers Global Agg (4.5%)	Lehman Brothers Global High-Yield (2.0%)	NAREIT Equity Index (7.0%)	DJ-AIG Commodity Index Total Return (6.0%)	MSCI World Index with Net Dividends (16.0%)	MSCI EM Index with Net Dividends (14.0%)	100.0%
	0.0%	2.5%	2.0%	2.0%	8.0%	3.0%	45.0%
	7.5%	7.5%	10.0%	10.0%	45.0%	20.0%	100.0%
	33.0%	49.5%					

MSCI Investable Hedge Fund Index
Venture Economics Customer Index

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

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



Presentation Materials

Board of Directors Meeting

November 29, 2007

Part Three

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
November 29, 2007**

The Ritz-Carlton Dallas
2121 McKinney Avenue
Dallas, Texas

Time		Item #	Agenda Item
Begin	End		
9:00 a.m.	9:05 a.m.	1	Open Session: Call to Order/Consideration of Minutes of September 21, 2007 Meeting*
9:05 a.m.	9:15 a.m.	2	Corporate Resolutions: - Election of UTIMCO Board Officers* - Board Committee Assignments*
9:15 a.m.	10:15 a.m.	3	Endowment and Operating Funds Update Report
10:15 a.m.	10:25 a.m.	4	Secondary Sale Update
10:25 a.m.	10:55 a.m.	5	Report on Public Markets Investments
10:55 a.m.	11:15 a.m.	6	UTIMCO Organization Update
11:15 a.m.	11:45 a.m.	7	Report and Consideration of Items from the Policy Committee and the Risk Committee on Investment Policies*
11:45 p.m.	1:00 p.m.		Lunch
1:00 p.m.	1:30 p.m.	8	Executive Session: Pursuant to 551.074, Texas Government Code, the Board of Directors may convene in Executive Session to Consider Individual Personnel Compensation Matters including report of Compensation Committee regarding individual Performance Incentive Awards for the Performance Period ended June 30, 2007. Reconvene into Open Session Consideration of Compensation Committee Report: - Consideration of Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group)* - Consideration of Personnel Performance Incentive Awards* - Discussion and Consideration of UTIMCO 457(b) Deferred Compensation Plan*
1:30 p.m.	2:00 p.m.	9	Report and Consideration of Items from Audit and Ethics Committee*
2:00 p.m.	2:15 p.m.	10	Report on 2008 Meeting Dates
2:15 p.m.	2:30 p.m.	11	Presentation of 2007 Annual Report

* Action by resolution required

Members of the Board may attend the meeting by telephone conference call pursuant to Tex. Educ. Code Ann. § 66.08(h)(2)(B). The telephone conference will be audible to the public at the meeting location specified in this notice during each part of the meeting that is required to be open to the public.

Next Scheduled Meeting: January 30, 2008

TAB 7 continued

MANDATE CATEGORIZATION PROCEDURE

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

A **Mandate Categorization Procedure** has been developed to facilitate transparency regarding the classification of all mandates into specific Asset Classes and Investment Types.

The Procedure allows for "splitting" of mandates but notes such should only be the case in exceptional circumstances.

Asset Class categorization should depend on the preponderance of the underlying assets and/or the intent/objective of the mandate.

For Investment Type categorization, nine criteria are identified. Each mandate will be rated on each criteria.

The process calls for categorization recommendation by the Managing Director and Chief Compliance Officer with Chief Investment Officer decisioning and Risk Committee review/approval.

All new mandate categorizations will be reported to the Risk Committee at its next scheduled meeting.

All categorizations will be reviewed at least annually.

The University of Texas Investment Management Company
Mandate Categorization Procedure

Effective Date of Policy: March 1, 2008

Date Approved by UTIMCO Board: November 29, 2007

Background: The Investment Policy Statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), and Intermediate Term Fund ("ITF") (collectively, the Funds) provide that assets of the Funds shall be allocated among a broad set of Asset Classes and Investment Types based on their individual risk/return characteristics and relationships to other Asset Classes and Investment Types. Asset Classes and Investment Types are defined in the Funds' Investment Policy Statements coupled with policy targets and ranges. Policy targets and ranges are a primary component of the Investment Policy Statements. The Derivative Investment Policy provides guidelines on accepted derivative applications that the Funds may deploy and broadly speaks to the reporting of such applications to the UTIMCO Board.

Individual investment mandates may exhibit a multitude of investment characteristics whereby the classification of such mandates is not entirely straightforward. As investment mandates with managers are less constrained in order to take advantage of capital market opportunities, coupled with the increasing use of derivative instruments and other investment tools, greater transparency regarding the process of classifying an investment mandate is desired.

Purpose: The purpose of this Mandate Categorization Procedure is to provide guidance in determining the classification and reporting of an investment mandate within the Asset Class and Investment Type definitions of the Investment Policy Statements.

Objective: The objective of this Procedure is to provide greater transparency into the process of classifying an investment mandate within the approved Asset Classes and Investment Types as defined in the Funds' Investment Policy Statements.

Scope: Investment mandates shall include derivative applications for both internal and external investment manager mandates.

Investment Mandate Guidelines:

Within the Investment Policy Statements there are six Asset Classes:

- A. Investment Grade Fixed Income
- B. Credit-Related Fixed Income
- C. Natural Resources
- D. Real Estate
- E. Developed Country Equity
- F. Emerging Markets Equity

The definitions of these Asset Classes are more fully described in the Funds' Investment Policy Statements. The six Asset Classes are coupled with three Investment Types:

- 1. More Correlated & Constrained Investments
- 2. Less Correlated & Constrained Investments
- 3. Private Investments

**The University of Texas Investment Management Company
Mandate Categorization Procedure**

Investment mandates shall be classified according to their Asset Class and Investment Type. For example, a manager investing primarily in distressed private securities would be classified as follows:

Asset Class: Credit-Related Fixed Income
Investment Type: Private Investments

Investment mandates that invest in more than one Asset Class shall be classified by the responsible Managing Director in a single Asset Class based on (i) where the majority of the assets will be invested by the manager and/or (ii) UTIMCO's objective/intent when entering into the mandate. The Managing Director may recommend a percentage split of a mandate across Asset Classes, but this should only occur in instances where significant amounts are invested and the mandate does not have an Asset Class concentration or where the Asset Class concentrations are likely to vary over time.

The Investment Type for any given mandate shall be classified based on its investment characteristics. The following investment characteristics will be utilized to assess a particular investment mandate:

Criteria	More Correlated & Constrained Investments/Mandates	Less Correlated & Constrained investments/Mandates	Private Investments
Single Asset Class	Generally one asset class	Often multiple asset classes	Generally one asset class
Beta	Generally higher levels of beta (e.g., 0.75+)	Often less beta (e.g., <0.75)	Generally higher levels of beta (e.g., 0.75+)
Traded Securities	Generally publicly traded	Majority publicly traded but also non-publicly traded	Generally not publicly traded
Gross Leverage	Limited levels of leverage, typically 160% or less, and typically net long not over 100%	Often utilize leverage and may be net long over 100%	Limited levels of leverage, typically 160% or less, and typically net long not over 100%
Shorting	Limited levels of shorting	Often utilize short positions	Generally do not utilize short positions
Use Derivatives	Limited use of derivatives	Generally use derivatives	Limited use of derivatives
Transparency	Generally position-level transparency for UTIMCO or risk provider	Often no position-level transparency	Generally investment-level transparency
Liquidity	Generally limited use of lock-ups, notice periods and redemption windows	Often lock-ups, notice periods and/or redemption windows	Typically capital commitment/call/distribution structure
Performance Fees	May include performance fees, but often over asset class hurdle	Generally include performance fees	Generally include performance fees

**The University of Texas Investment Management Company
Mandate Categorization Procedure**

Investment Mandate Process

Each new mandate will be assessed as to Investment Type according to the above criteria by the Managing Director recommending or monitoring the investment.

The Managing Director will recommend the Asset Class and Investment Type categorization for each mandate. The Chief Compliance Officer will provide the Chief Investment Officer his/her agreement or recommended categorization. The Chief Investment Officer will designate the Asset Class and Investment Type and will report such, including the recommendations of the Managing Director and Chief Compliance Officer, to the Risk Committee at its next meeting for their approval or re-categorization.

All existing mandates will be reviewed annually by the Managing Director, Chief Compliance Officer and Chief Investment Officer. Any recommended re-categorizations will require Risk Committee approval. While all mandates must be reviewed annually, the Managing Director, Chief Compliance Officer and/or Chief Investment Officer may recommend re-categorizations to the Risk Committee at any time.

Criteria for Classification of Derivatives¹:

Internally managed Derivative Applications shall be classified in the Asset Class and Investment Type for which the derivative application was intended to replicate exposure or to reduce risk. For equity derivatives, delta adjusted exposure is the most acceptable practice. Fixed Income derivatives shall be accounted for by converting such Fixed Income exposure to its replicating cash exposure

In some cases, this may produce exposure that is greater than or less than what could be replicated in the cash market.

¹ Definitions of the terms used in this section may be found in the Derivative Investment Policy Exhibit A Glossary of Terms.

DERIVATIVE INVESTMENT POLICY

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

The **Derivative Investment Policy** has been amended with the following:

Language has been added to clarify that (1) the UTIMCO Chief Investment Officer will review all derivative applications guidelines for external managers; (2) all derivative applications are subject to the Funds' Investment Policy Statements and that the UTIMCO Board approval process applies to both internally and externally managed derivative applications; and (3) documentation of derivative applications and monitoring of compliance with the Derivative Investment Policy applies to both internally and externally managed derivative applications.

Definition of Derivatives has been updated to clarify that Exchange Traded Funds (ETFs) are not included.

Definition of "Value at Risk" has been replaced with "Downside Risk".

Risk Management and Compliance reporting of violations has been revised to include reporting to the Chief Compliance Officer and the Audit & Ethics Committee.

Reporting has been revised to require that the impact of derivative exposure based on exposures from swaps and futures and the delta equivalent exposure from options be incorporated into asset allocation as provided in the Funds' Investment Policy Statements.

The University of Texas Investment Management Company

Derivative Investment Policy

Effective Date of Policy: ~~July 13, 2006~~ December 7, 2007

Date Approved by UTIMCO Board: ~~March 30, 2006~~ November 29, 2007

Supersedes: Derivative Investment Policy approved by the UTIMCO Board on March 30, 2006

Purpose:

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

Objective:

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

Scope:

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

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

External Managers:

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

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that ~~Selecting~~ selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the managers' use of derivatives, particularly as it relates to various risk controls and leverage. These managers typically have complete delegated authority, and monitoring of risk exposures and leverage is done by the manager on both an individual entity and aggregate basis. The permitted uses of derivatives and leverage are fully documented in the limited liability agreements with these managers.

The University of Texas Investment Management Company

Derivative Investment Policy

Definition of Derivatives:

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

Permitted Derivative Applications:

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

Derivative applications may be used:

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

provided however, that the Funds' projected downside deviation is within the Funds' projected downside deviation range as set forth in the Funds' Investment Policy Statements.

~~The primary intent of derivative transactions should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the cash~~ Cash market. Except as provided below, only the above derivative applications are permitted until such time as this Policy is amended and approved by UTIMCO's Board and the U.T. System Board of Regents. The UTIMCO Chief Investment Officer shall recommend and the UTIMCO Board must approve any new ~~internal derivative applications by internal UTIMCO staff or by an external manager operating under an Agency Agreement~~ prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application. ~~Derivative policies of external managers that may engage in derivative applications not otherwise permitted by this Policy, or a Policy subsequently broadened by the UTIMCO Board and the U.T. System Board of Regents, must be approved by the UTIMCO Board. Existing external managers as of November 10, 2005, will comply with this policy on or before January 1, 2006.~~

Derivative Applications Not Permitted:

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

Documentation and Controls:

Prior to the implementation of a new ~~internal derivative application by internal UTIMCO staff or by an external manager operating under an Agency Agreement~~, UTIMCO shall document the purpose, justification, baseline portfolio, derivative application portfolio, risks (including at a minimum modeling, pricing, liquidity and legal risks), the expected increase or reduction in systematic and specific risk resulting from the application, and the procedures in place to monitor and manage the derivative exposure. Internal control procedures to properly account and value the Funds' exposure to the derivative application shall be fully documented. UTIMCO shall establish ~~an~~ appropriate risk management procedures to

The University of Texas Investment Management Company

Derivative Investment Policy

monitor compliance for both internally managed and externally managed accounts operating under an Agency Agreement and will take corrective action if necessary.

Limitations:

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

Counterparty Risks: In order to limit the financial risks associated with derivative applications, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter derivatives. Any counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivative transactions must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds under the transactions. The net market value of all OTC derivative positions for any individual counterparty may not exceed 1% of the total market value of the Funds.

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

Risk Management and Compliance:

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed derivatives in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' external custodian, and these daily reports will be reviewed for accuracy by the UTIMCO Risk Manager.

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

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

Reporting:

UTIMCO shall provide a comprehensive report of all approved derivative applications for both internal managers and external managers under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of derivative exposure based on exposures from swaps and futures and the delta equivalent exposure from options. UTIMCO shall also provide a comprehensive report of all outstanding derivatives positions established by internal managers and external

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

managers under Agency Agreements. These reports will be provided at least on a quarterly basis to the UTIMCO Board and the Risk Committee.

The University of Texas Investment Management Company
Derivative Investment Policy

Derivative Investment Policy Exhibit
Glossary of Terms

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

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

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

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

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

Counterparty - The offsetting party in an exchange agreement.

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

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

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

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

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

Exchange traded derivatives - A derivative instrument traded on an established national or international exchange. These instruments “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is

The University of Texas Investment Management Company Derivative Investment Policy

guaranteed by the exchange on which the instruments are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

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

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

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

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

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

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

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

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

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

LIQUIDITY POLICY

Agenda Item
 UTIMCO Board of Directors Meeting
 November 29, 2007

The **Liquidity Policy** has been amended with the following:

Comparison of Old and New Limits and Trigger Zones

<u>Endowment Funds</u>	<u>Thru</u> <u>12/06/07</u>	<u>Beg</u> <u>12/07/07</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Minimum Liquidity Limit	65%	40%	37.5%	35%	32.5%
Trigger Zone Liquidity	70%	45%	42.5%	40%	37.5%
<u>ITF</u>	<u>Thru</u> <u>12/06/07</u>	<u>Beg</u> <u>12/07/07</u>			
Minimum Liquidity Limit	65%	55%			
Trigger Zone Liquidity	75%	65%			

Unfunded Commitments limitations have been incorporated into the Liquidity Policy

<u>Unfunded Commitments</u>	<u>12/07/07</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Maximum Permitted Amount	17.5%	22.5%	27.5%	32.5%

Liquidity calculation methodology has been revised to include notification periods, redemption windows, and lockup periods

The University of Texas Investment Management Company

Liquidity Policy

Effective Date of Policy: ~~November 10, 2005~~ December 7, 2007

Original Effective Date of Policy: August 7, 2003

Supersedes: Liquidity Policy dated November 10, 2005

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, "liquidity" is defined as a measure of the ability of an investment position to be converted into a ~~cash~~ Cash position. The established liquidity profile limits will act in conjunction with, but do not supercede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to ~~cash~~ Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

"Liquidity risk" is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to ~~cash (or cash equivalents)~~ Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

Definition of Cash:

Cash is defined as short-term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate,
- the Custodian's late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody's Investor Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

The University of Texas Investment Management Company

Liquidity Policy

Liquidity Risk Measurement-The Liquidity Profile:

Capital market theory does not provide a precise technique to measure liquidity risk. For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to ~~cash~~ Cash within a period of one day to three months in an orderly market at a discount of 10% or less.
- **Illiquid:** Investments that could be converted to ~~cash~~ Cash in an orderly market over a period of more than three months or in a shorter period of time by accepting a discount of more than 10%.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee[†], in determining the appropriate liquidity category for each investment.

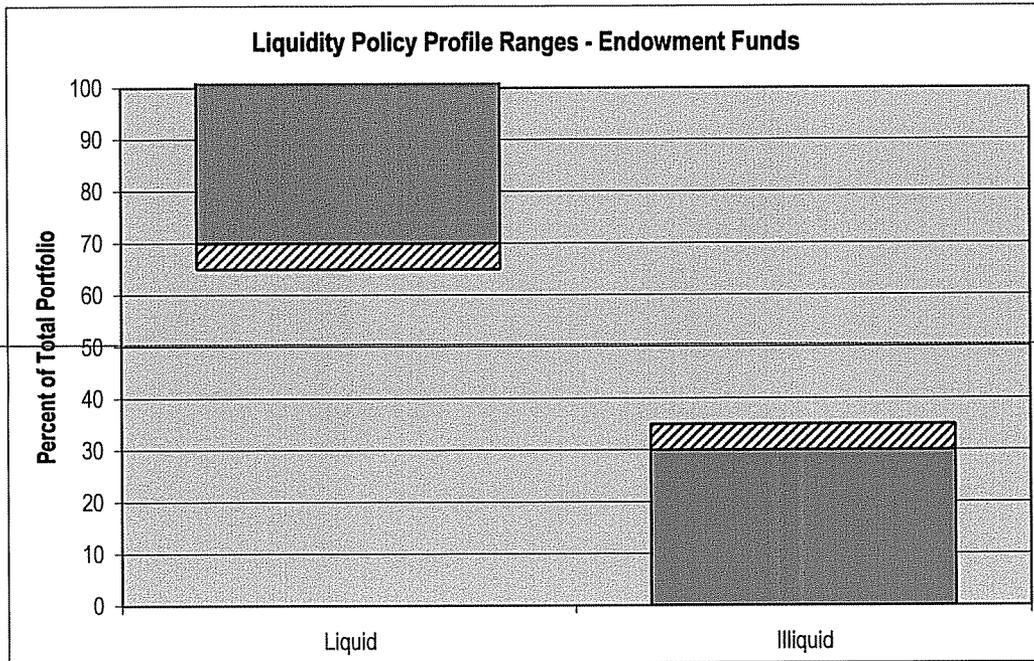
The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies “trigger zones” requiring special review by UTIMCO staff and special action by the UTIMCO Board or the Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones for each of the Endowment Funds are defined by the ~~chart~~ table below:

[†] ~~The Risk Committee (formerly, the Liquidity Committee) was appointed by the UTIMCO Board of Directors and is subject to a Risk Committee Charter first approved by the UTIMCO Board of Directors on April 8, 2004. The Risk Committee consists of at least three members of the Board and provides oversight and monitoring of the liquidity of the policy portfolio in accordance with this Liquidity Policy.~~

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

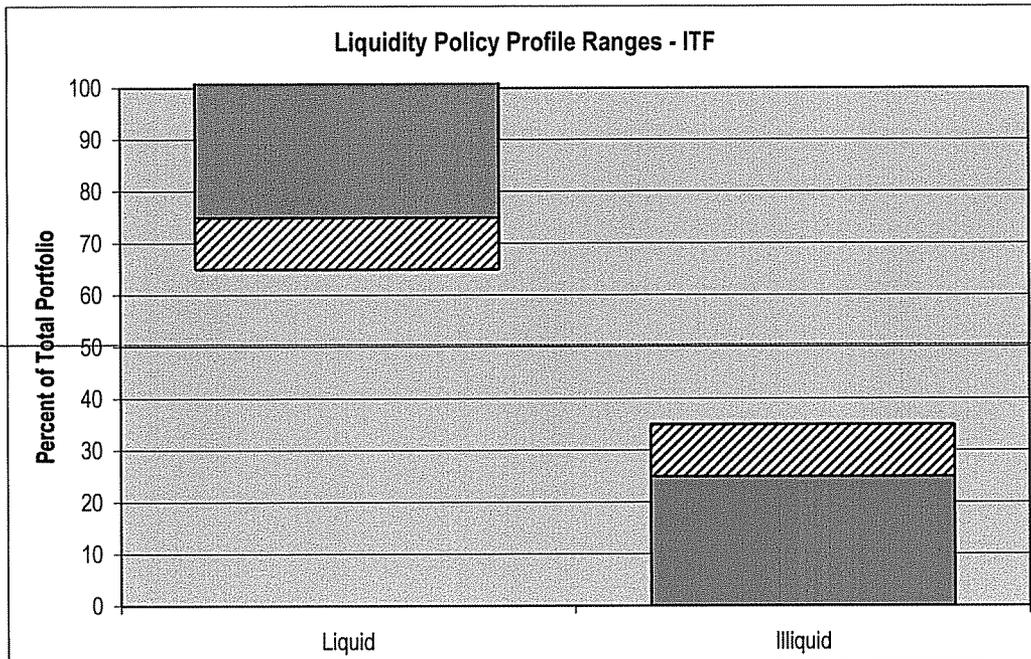


	Dec 07	FY 08	FY 09	FY 10
Liquidity above trigger zone:	45%	42.5%	40%	37.5%
Liquidity within trigger zone:	40%-45%	37.5%-42.5%	35%-40%	32.5%-37.5%
Liquidity below trigger zone:	<40%	<37.5%	<35%	<32.5%

Investments that maintain liquidity below the trigger zone do not require any action by the UTIMCO Board or the Risk Committee. The green bar indicates the Policy range for investments categorized as "liquid" by the definition presented earlier. The red bar indicates the Policy range for investments categorized as "illiquid" by earlier definition. The shaded sections of the green and red bars indicate Liquidity within the trigger zones requiring requires special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for illiquid investments in FY 08 is 0% to 35% up to 62.5% of the total portfolio. However, any illiquid investments made in the 3057.5% to 3562.5% trigger zone requires prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

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

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



	Dec 07	FY 08	FY 09	FY 10
Liquidity above trigger zone:	65%	65%	65%	65%
Liquidity within trigger zone:	55%-65%	55%-65%	55%-65%	55%-65%
Liquidity below trigger zone:	<55%	<55%	<55%	<55%

The allowable range for **illiquid** investments is 0% to 3545% of the total portfolio for the ITF. However, any **illiquid** investments made in the 2535% to 3545% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

As used herein, “unfunded commitments” refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

	Nov 07	FY 08	FY 09	FY 10
Unfunded Commitment as a percent of total invested assets:	17.5%	22.5%	27.5%	32.5%

No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

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

The University of Texas Investment Management Company Liquidity Policy

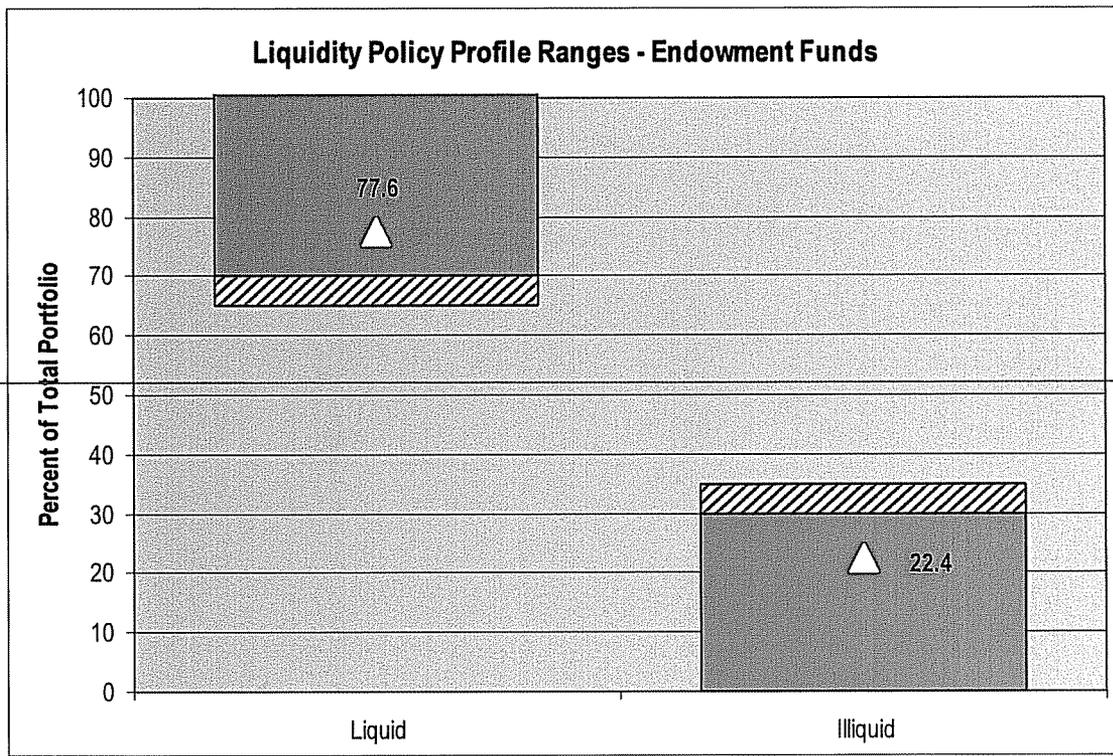
periods, redemption dates, lock-up periods, and “soft” and “hard” gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. ~~The monthly liquidity reports will include certification by each Managing Director, the Risk Manager, the Chief Compliance Officer, and the President of UTIMCO that all investments are properly categorized and reported.~~ All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly. ~~An example of the method of reporting is shown below where the yellow points and number labels indicate current actual exposure levels within each Liquidity Policy Range for the Endowment Funds (numbers shown are examples only). For example, in this illustration the current exposure to “liquid” investments is 77.6%, while exposure to “illiquid” investments is 22.4% and both are within their respective allowable policy ranges and not in defined trigger zones.~~

The University of Texas Investment Management Company
Liquidity Policy



DELEGATION OF AUTHORITY

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

The **Delegation of Authority** has been revised to streamline reporting of non-investment contracts approved under authority to the Board to those contracts of at least \$50,000 versus all contracts previously.

Clarification was also added to reflect that delegation of authority limits applied to the total amount invested with any specific manager.

Passive Investment delegation was made explicit and limited to actions that must result in the Asset Class exposures staying within the Policy Ranges.

Certificate of Compliance language was added permitting the Certificates to be completed prior to Chief Investment Officer investment approval in order to facilitate Board feedback as well as to ease the logistical process.

The University of Texas Investment Management Company
Delegation of Authority Policy

Effective Date of Policy: ~~January 25, 2007~~ November 29, 2007

Date Approved by UTIMCO Board: ~~November 29, 2007~~ January 25, 2007

Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on ~~March 30, 2006~~ January 25, 2007

Purpose:

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

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

Objective:

By clearly defining the ~~limits-scope~~ of delegated authority ~~of-to~~ UTIMCO Management, this Policy Statement enhances operational efficiency and timeliness in decision making, thereby enhancing competitiveness, ~~and establishes a framework for the evaluation of UTIMCO Management in the assigned tasks.~~

Scope:

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

Authority Delegated to UTIMCO Management:

The primary functions of the UTIMCO Board are to formulate, revise, implement, and conduct ongoing oversight of the policies it has established for UTIMCO. The duties and responsibilities of

**The University of Texas Investment Management Company
Delegation of Authority Policy**

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

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

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

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

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

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

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

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

The University of Texas Investment Management Company
Delegation of Authority Policy

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

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

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

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

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

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

**The University of Texas Investment Management Company
Delegation of Authority Policy**

- *Risk Management:* The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO Management.
- *New Investment Vehicle and Manager Selection:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to commit UT System funds to new relationships with internal or external investment managers or to new mandates with external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and execute agency, and partnership or subscription agreements as necessary, subject only to the following limitations:
 - ~~Public Markets Investments~~ More Correlated & Constrained Investments: Any new commitments exceeding (i) ~~(a)~~ \$400 million for ~~to an individual internal or external manager or~~ (ii) 20% of the total assets ~~under management~~ managed under a specific investment strategy under the separate asset categories of U.S. equity, non U.S. equity, and fixed income by an individual external manager or (ii) \$100 million for a particular active internal management application will ~~require approval under~~ must follow ~~the process defined outlined in~~ Appendix A.
 - ~~Marketable Alternatives Investments~~ Less Correlated & Constrained Investments: Any new commitments exceeding (i) \$200 million or (ii) 20% of the total assets managed under a specific investment strategy by an external manager will ~~require approval under~~ must follow the process defined ~~outlined in~~ Appendix A.
 - ~~Non-Marketable Alternatives Investments~~ Private Investments: Any new commitments exceeding (i) \$100 million or (ii) 20% of the total assets of the subject investment vehicle will ~~require approval under~~ must follow the process defined ~~outlined in~~ Appendix A. All new commitments to direct, ~~non-marketable~~ Private investments will ~~require approval under~~ must follow the process defined ~~outlined in~~ Appendix A.
 - For the purposes of the above thresholds, new manager mandates shall be aggregated during the first six months following the initial funding of such mandate and shall not exceed \$400 million for all Investment Types. Mandates that exceed \$400 million in the aggregate must follow the process outlined in Appendix A.
 - ~~The UTIMCO Chief Executive Officer may request a supplemental due diligence report from the appropriate external consultant to supplement the Staff's investment recommendation.~~
 - Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class and Investment Type ranges.
 - If, pursuant to this Delegation of Authority, the UTIMCO Chief Executive Officer approves the investment decision At any time prior to

**The University of Texas Investment Management Company
Delegation of Authority Policy**

~~the closing of a commitment, the Staff will send each Board member a description of the proposed investment, an executive summary of its investment recommendation, and a Certificate of Compliance for the investment, and, if required by the UTIMCO Chief Executive Officer, a due diligence report prepared by the external consultant to each Board member.~~

- ~~○ For the purposes of the above thresholds, new manager mandates shall be aggregated during the first six months following the initial funding of such mandate.~~
- Other Investments: Any investments in Asset categories ~~Classes~~ not currently defined in the Policy Portfolio must receive specific UTIMCO Board approval regardless of size.
- Any commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
- The UTIMCO Chief Executive Officer will ~~notify~~ report to the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- *Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships:* Subsequent to the first six months of the UTIMCO relationship with a new manager, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to increase investments or commitments to existing internal or external investment managers, and the accompanying authority to renegotiate existing agency, ~~and partnership or subscription~~ agreements as necessary, subject only to the following limitations:
 - ~~Public Markets Investments~~ More Correlated & Constrained Investments: Any increases that exceed \$200 million to existing funds under management by any individual internal or external manager ~~or by internal management in a particular active application exceeding \$100 million~~, or which increases the total assets managed to more than (i) \$600 million with an individual internal or external manager or a larger amount approved by the Board for manager exceptions or (ii) 20% of the total assets under ~~the separate asset categories of U.S. equity, non-U.S. equity, and fixed~~ managed under a specific strategy ~~by~~ come at an individual external manager, responsible for more than one UTIMCO mandate, must ~~will require approval under~~ follow the process ~~defined~~ outlined in Appendix A.
 - ~~Marketable Alternatives Investments~~ Less Correlated & Constrained Investments: Any increases that exceed \$100 million to existing funds under management, or which increase the total assets managed to more than \$300 million with an individual manager or to more than 20% of the assets managed under a specific investment strategy by an external manager ~~will require~~ must ~~approval under~~ follow the process ~~defined~~ outlined in Appendix A.

**The University of Texas Investment Management Company
Delegation of Authority Policy**

- ~~Non-Marketable Alternatives Investments~~ Private Investments: Any increases that exceed \$50 million to existing funds under management in an existing partnership or direct investment vehicle, or which increases the total UTIMCO investment in a single partnership or direct investment vehicle to more than (i) \$150 million or (ii) 20% of the total assets of the same investment vehicle, ~~will require~~ must approval under follow the process defined outlined in Appendix A.
- For the purposes of the above thresholds, no increase shall be permitted which (i) exceeds \$200 million to an existing internal or external manager in the aggregate for all Investment Types or (ii) increases the total assets managed by an existing internal or external manager to more than \$600 million in the aggregate for all Investment Types. Any increases that exceed these amounts must follow the process outlined in Appendix A.
- ~~The UTIMCO Chief Executive Officer may request a supplemental due diligence report from the appropriate external consultant to supplement the Staff's investment recommendation.~~
- Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class and Investment Type ranges.
- Any increase in investment of commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
- The UTIMCO Chief Executive Officer will ~~notify~~ report to the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- *Manager and Partnership Monitoring and Termination:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- *Internal Investment Management:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO sStaff.
- *Management of UTIMCO's External Investment Consultant:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO consultant, provided that the UTIMCO consultant shall continue to have primary reporting responsibility to the UTIMCO Board.
- ~~Management of UTIMCO's External Counsel:~~ ~~The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO external counsel, provided that the UTIMCO external counsel shall continue to have primary reporting responsibility to the UTIMCO Board.~~

**The University of Texas Investment Management Company
Delegation of Authority Policy**

Documentation, Controls, and Reporting:

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

**The University of Texas Investment Management Company
Delegation of Authority Policy**

Appendix A

UTIMCO Board Option to Review Proposed Investments ~~Selections Which Require Board Approval~~

In instances where this ~~Delegation of Authority does not give~~ a proposed investment exceeds the stated Investment Authority of the UTIMCO Chief Executive Officer ~~discretion over investment decisions~~, the Staff must follow the procedures listed below to obtain authorization for these investments provide the UTIMCO Board the opportunity to review an investment proposal at a UTIMCO Board meeting:

1. Option to Review Investment Proposal

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

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

-2. The Option to Review Investment Proposal Form

The Option to Review Investment Proposal Form will require a have checkboxes that allow any UTIMCO Director to choose one of the following alternatives to:

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

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

(iii) I do not require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment but request that UTIMCO Staff delegate the investment decision to UTIMCO Management, provided it makes a presentation of regarding the proposed investment at a future UTIMCO Board meeting.

**The University of Texas Investment Management Company
Delegation of Authority Policy**

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

ITF INVESTMENT POLICY

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

The **ITF Investment Policy** was changed only to reflect the new Asset Class/Investment Type nomenclature and make explicit the role of the Chief Compliance Officer.

**THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND
INVESTMENT POLICY STATEMENT**

Purpose and Structure

The University of Texas System Intermediate Term Fund (ITF) was established by the Board of Regents of The University of Texas System (Board of Regents) as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by U. T. System institutions and U. T. System Administration.

ITF Organization

The ITF functions as a mutual fund in which each eligible account purchases and redeems ITF units as provided herein. The ownership of ITF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

ITF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the ITF.

Ultimate fiduciary responsibility for the ITF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (UTIMCO), the ITF shall be managed by UTIMCO, which shall a) recommend

investment policy for the ITF, b) recommend specific ~~asset~~ Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with ITF objectives, and c) monitor ITF performance against ITF objectives. UTIMCO shall invest the ITF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to ~~asset~~ Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

ITF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of ITF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase ITF Units

No account shall be eligible to purchase units of the ITF unless it is under the sole control, with full discretion as to investments, by the Board of Regents. Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the ITF.

ITF Investment Objectives

The ITF consists of intermediate and long-term funds held by the U. T. System Board of Regents, as a fiduciary, for the benefit of U. T. System institutions, U. T. System Administration, and other affiliated funds. ITF assets are pooled for efficient investment purposes and managed by UTIMCO over the intermediate to longer term.

The primary investment objective of the ITF is to preserve the purchasing power of ITF assets by earning a compound annualized return over rolling three-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3%. ~~The ITF's success in meeting this objective depends upon its ability to generate higher returns in periods of low inflation that will offset lower returns generated in years when the capital markets under-perform the rate of inflation.~~

The secondary ITF ~~investment objectives~~ is-are to generate a ~~(i) average annual returns adjusted for downside risk, net of all direct and allocated expenses, measured monthly by the independent custodian and reported at least quarterly, in excess of the approved Policy Portfolio adjusted for downside risk benchmark over rolling threefive-year periods.~~ The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a ~~blend of a~~Asset eClass and Investment Type indices reported by the independent custodian and weighted to reflect ITF's approved ~~asset~~Asset Class and Investment Type allocation policy targets as defined in Exhibit A.

~~Limiting factors are that prudent diversification within each approved asset class and that a projected portfolio risk profile within the approved Policy Portfolio risk range, as defined in Exhibit A and measured at least monthly by UTIMCO's risk model, should be sustained at all times.~~Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Risk Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO's risk model. Liquidity of the ITF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

ITF return, ~~asset~~Asset Class and Investment Type allocations, and risk targets are subject to adjustment from time to time by the ~~U. T. System~~ Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the ~~asset~~Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. The ~~asset~~Asset Class and Investment Type allocation is designed to accommodate the intermediate investment horizon of the ITF assets with enhanced returns at moderate managed risk levels. UTIMCO is responsible for measuring actual ~~asset~~Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio ~~asset~~Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific ~~asset~~Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in ~~asset categories~~Asset Class or Investment Type or ~~projected portfolio risk~~the Projected Downside Deviation move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back

within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the ITF asset values could warrant requesting approval of the UTIMCO Board Chairman ~~for to waive~~ remedial action.

ITF assets shall be allocated among the following broad aAsset eClasses and Investment Types based upon their individual return/risk characteristics and relationships to other aAsset eClasses and Investment Types:

~~A. U.S. Equities — U.S. equities represent ownership in U.S. companies that are traded in public markets. U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Global mandates that include a majority of U.S. equities will be included in U.S. equities. U.S. equities provide both current income and capital gains.~~

~~B. Global ex U.S. Equities — Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established (non-U.S. developed) and emerging markets.~~

~~Global ex U.S. equities include common stocks, exchange traded funds, and derivatives based on common stocks, including warrants, rights, options, and futures. In addition, derivative applications that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global mandates that include a majority of Global ex U.S. equities will be included in Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.~~

~~Non-U.S. Developed Equity — Non-U.S. developed equities represent ownership in companies domiciled in developed economies (countries) included in the MSCI All — Country World Equity Index — excluding those classified as part of the MSCI Emerging Markets Equity Index. These securities are typically constituents of countries in Europe, the Americas (North/Latin/South) and the Far East with high per-capita income, mature capital markets, and stable governments. The benchmark for this asset category will be the MSCI EAFE Index, with net dividends.~~

Asset Classes:

Investment Grade Fixed Income — Investment Grade Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated investment grade, including Cash as defined in the Liquidity Policy.

Credit-Related Fixed Income — Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, US

and non-US, and across all maturities that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets equities Equity represents ownership in companies domiciled in emerging economies as defined by the current composition of the MSCI Emerging Markets Equity-Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Equity-Index qualification status (either through financial or qualitative measures). The benchmark for this asset category will be the MSCI Emerging Markets Equity Index, with net dividends.

Investment Types:

More Correlated & Constrained Investments – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities, and are less likely to entail lock-ups.

Less Correlated & Constrained Investments – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and leverage, may not have underlying security transparency, are more likely to be in publicly traded securities, and may entail lock-ups.

Private Investments – Mandates that invest primarily in non-public securities and typically entail capital commitments, calls and distributions.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

~~C. Hedge Funds — Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.~~

~~Directional Hedge Funds — Directional hedge fund investments include U.S. and international long/short equity or fixed income strategies and other such strategies that exhibit directional market characteristics using commodities, currencies, derivatives, or other global market instruments. These strategies attempt to exploit profits from security selection skills by taking long and short positions in various securities. These strategies may also include fund of hedge fund investments. Directional hedge fund investments are made through private placement agreements. Directional hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.~~

~~Absolute Return Hedge Funds — Absolute return hedge fund investments include arbitrage, event driven strategies, and other relative value strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income, and convertible securities markets. Event driven strategies attempt to exploit discrete events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include multi-strategy managers and fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements. Absolute return hedge fund investments may be held in an internal commingled investment fund managed by UTIMCO.~~

~~D. Inflation Linked — Inflation linked investments are intended to provide some degree of inflation protection and generally consist of assets with a higher correlation of returns with inflation than other eligible asset classes. Inflation linked investments include:~~

~~REITS — REITS are real estate investment trusts that may be held as either trust certificates, derivative investments, or exchange traded funds. REITS own, and in most cases operate, income producing real estate.~~

~~Commodities — Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, exchange traded funds or direct investments.~~

~~TIPS — TIPS are inflation protected securities with a return linked to the inflation rate. For diversification purposes, TIPS may include non-U.S. inflation protected fixed income securities as well as nominal fixed income securities.~~

~~E. Fixed Income — Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises and agencies, and domestic and foreign corporations. The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications that serve as a fixed income substitute may be classified as fixed income.~~

~~F. Cash and Cash Equivalents — Short term (generally securities with time to maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.~~

Performance Measurement

The investment performance of the ITF will be measured by the ITF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, compared against the stated investment Policy benchmarks of the ITF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The ITF must be invested at all times in strict compliance with applicable law. Investment guidelines include the following:

General

- ~~Investment guidelines for index, commingled funds, and limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, or partnership agreements or corporate documents.~~
- ~~Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of ITF assets in such investments.~~
- ~~All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.~~
- ~~Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of ITF assets in such liquid investment fund.~~
- No securities may be purchased or held which would jeopardize the ITF's tax-exempt status.

- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The ITF's investments in warrants shall not exceed more than 5% of the ITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The ITF may utilize derivatives only in accordance with the Derivative Investment Policy to: a) ~~simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes;~~ b) ~~facilitate trading;~~ c) ~~reduce transaction costs;~~ d) ~~seek higher investment returns when a derivative security is priced more attractively than the underlying security;~~ e) ~~hedge risks associated with ITF investments;~~ or f) ~~adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies, provided that the ITF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.~~

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- ~~Highly liquid internal pooled investment funds managed by UTIMCO.~~
- ~~Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.~~
- ~~ITF's custodian late deposit interest bearing liquid investment fund.~~
- ~~Municipal short-term securities.~~
- ~~Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).~~
- ~~Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.~~

- ~~▪ Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.~~
 - ~~- Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.~~
 - ~~- Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.~~
 - ~~- The maturity for a repurchase agreement may be from one day to two weeks.~~
 - ~~- The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.~~
 - ~~- All collateral shall be delivered to the ITF custodian bank. Tri-party collateral arrangements are not permitted.~~
 - ~~- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the ITF's fixed income assets.~~
 - ~~- Overnight repurchase agreements may not exceed 25% of the ITF's fixed income assets.~~
- ~~▪ Mortgage Backed Securities (MBS) dollar rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS dollar rolls shall follow the Public Securities Association standard industry terms.~~

Fixed Income

Domestic Investment Grade and Credit-Related Fixed Income

~~Permissible securities for investment include the securities within the component categories of the Lehman Brothers Aggregate Bond Index (LBAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:~~

- ~~1) Government securities: Treasury and Agency;~~
- ~~2) Corporate securities: Industrial, Finance, Utility, and Yankee;~~
- ~~3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;~~
- ~~4) Asset-backed securities;~~
- ~~5) Taxable Municipal securities; and~~
- ~~6) Commercial Mortgage-backed securities.~~

~~In addition to the permissible securities listed above, the following securities shall be permissible:~~

- ~~a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;~~
- ~~b) Medium term notes issued by investment grade corporations;~~
- ~~c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and~~
- ~~d) Structured notes issued by LBAGG qualified entities.~~

~~▪ U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB by Standard & Poor's Corporation, or BBB or better by Fitch Investors Service at the time of acquisition. An external investment manager may be authorized by the terms of an investment advisory agreement to invest up to a maximum of 50% of the total fixed income portfolio in below investment grade bonds.~~

~~▪ Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer.~~

Non-U.S. Fixed Income

~~Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U. S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.~~

- ~~▪ Not more than 50% of the ITF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.~~
- ~~▪ Not more than 15% of the ITF's fixed income portfolio may be invested in emerging market debt.~~
- ~~▪ International currency exposure may be hedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.~~

Equities

~~The ITF shall:~~

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- ~~▪ Hold no Not more than 25% of its the market of equity securities may be invested in any one industry or industries (as defined by the standard industry~~

classification code and supplemented by other reliable data sources) at cost, at market, or

- Hold no Not more than 5% of its the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

ITF Accounting

The fiscal year of the ITF shall begin on September 1st and end on August 31st. Market value of the ITF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, Financial Accounting Standards Board Statements, or industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The ITF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of ITF Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all ITF net assets and the net asset value per unit of the ITF. The final determination of ITF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances. Valuation of ITF assets shall be based on the books and records of the custodian for the valuation date.

The fair market value of the ITF's net assets shall include all related receivables and payables of the ITF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of non-compliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

ITF Distributions

The ITF shall provide monthly distributions to the ~~unitholders~~unit holders. The UTIMCO Board will recommend the annual distribution (%) rate to the Board of Regents. Distributions from the ITF to the ~~unitholders~~unit holders shall be made monthly on the first business day of each month. To calculate the monthly distribution, the distribution rate (% divided by 12) will be multiplied by each unit holder's account, determined as follows:

- Net asset value of each unit_holder's account on the last business day of the second prior month;
- Plus value of each unit_holder's net purchase/redemption amount on the first business day of the prior month;
- Less the distribution amount paid to each unit_holder's account on the first business day of the prior month.

Purchase and Redemption of ITF Units

The ITF participants may purchase units on the first business day of each month upon payment of cash or reinvestment of distributions to the ITF, at the net asset value per unit of the ITF as of the prior month ending valuation date. Such purchase commitments are binding. The ITF participants may redeem ITF units on a monthly basis. The unit redemption shall be paid in cash as soon as practicable after the month end valuation date of the ITF. Redemptions from the ITF shall be at the market price per unit determined at the time of the redemption. Such redemption commitments are binding.

Participants of the ITF are required to provide notification of purchases and redemptions based on specific notification requirements as set forth in The University of Texas System Allocation Policy for Non-Endowment Funds.

Securities Lending

The ITF may participate in a securities lending contract with a bank or non-bank security lending agent for purposes of realizing additional income. Loans of securities by the ITF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent

shall be reviewed by UTIMCO staff to ensure compliance with contract provisions.

Investor Responsibility

As a shareholder, the ITF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the ITF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the ITF solely in the interest of ITF unit-holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the ITF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this Policy shall be ~~July 13, 2006~~ March 1, 2008 (except for benchmark of hedge funds in Exhibit A which is effective ~~February 1, 2006~~).

EXHIBIT A

-INTERMEDIATE TERM FUND
 POLICY ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES

EFFECTIVE DATE JULY 13, 2006/MARCH 1, 2008

Asset Categories	Percent of Policy (%)		Benchmarks
	Policy Targets	Policy Ranges	
U.S. Equities	15	5 to 20	Russell 3000 Index
Global ex U.S. Equities	10	0 to 15	
Non-U.S. Developed Equity	5	0 to 10	MSCI EAFE Index with net dividends
Emerging Markets Equities	5	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	25	10 to 27.5	MSCI Investable Hedge Fund Index*
Directional Hedge Funds	12.5	5 to 20	
Absolute Return Hedge Funds	12.5	5 to 20	
Inflation-Linked	25	10 to 35	
REITS	10	0 to 15	Dow Jones Wilshire Real Estate Securities Index
Commodities	5	0 to 10	Combination Index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	10	5 to 15	Lehman Brothers US TIPS Index
Fixed Income	25	15 to 40	Lehman Brothers Aggregate Bond Index
Liquidity Reserve	0-0	-1 to 20	90 Day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance**			
Net non-trading receivable			

Intermediate Term Fund Investment Policy Statement (continued)

Expected Annual Return (%)	7.08	% of Target Risk
1-year Downside Deviation (%)	-5.0	
Standard Deviation (%)	-7.5	

Upper Risk Bound: 1-year Downside Deviation (%)	127%
Lower Risk Bound: 1-year Downside Deviation (%)	69%

* Changed with approval of Board of Regents on August 10, 2006, effective retroactively to February 1, 2006 for performance reporting purposes.

** 3 trading days or less

Intermediate Term Fund Investment Policy Statement (continued)

POLICY PORTFOLIO	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
<u>Asset Classes</u>								
Investment Grade Fixed Income	20.0%	38.0%	20.0%	38.0%	20.0%	38.0%	20.0%	38.0%
Credit-Related Fixed Income	0.0%	2.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%
Real Estate	5.0%	11.0%	5.0%	11.0%	5.0%	11.0%	5.0%	11.0%
Natural Resources	0.0%	6.0%	0.0%	7.0%	0.0%	7.0%	0.0%	7.0%
Developed Country Equity	25.0%	35.0%	20.0%	31.0%	20.0%	31.0%	20.0%	31.0%
Emerging Markets Equity	0.0%	8.0%	0.0%	10.0%	0.0%	10.0%	0.0%	10.0%
<u>Investment Types</u>								
More Correlated & Constrained Investments	70.0%	75.0%	70.0%	75.0%	70.0%	75.0%	70.0%	75.0%
Less Correlated & Constrained Investments	20.0%	25.0%	20.0%	25.0%	20.0%	25.0%	20.0%	25.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	March 1, 2008		FYE 2008		FYE 2009		FYE 2010	
	Min	Target	Min	Target	Min	Target	Min	Target
Lehman Brothers Global Aggregate Index	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Lehman Brothers Global High-Yield Index	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
NAREIT Equity Index	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Dow Jones-AIG Commodity Index Total Return	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
MSCI World Index with net dividends	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
MSCI Emerging Markets with net dividends	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
MSCI Investable Hedge Fund Index	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<u>POLICY/TARGET RETURN/RISKS</u>								
Expected Annual Return (Benchmarks)	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%
Expected Target Annual Return (Active)	7.83%	7.83%	7.83%	7.83%	7.83%	7.83%	7.83%	7.83%
One Year Downside Deviation	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%	6.38%
<u>Risk Bounds</u>								
Lower: 1 Year Downside Deviation	85%	85%	85%	85%	85%	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%	115%	115%	115%	115%	115%

TAB 8

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Agenda Item: Consideration of Compensation Committee Report: Consideration of Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group); Consideration of Personnel Performance Incentive Awards; Discussion and Consideration of UTIMCO 457(b) Deferred Compensation Plan

Developed By: Zimmerman, Gonzalez, Moeller

Presented By: Ferguson

Type of Item: Action Item; Action Required by UTIMCO Board

Description: The Compensation Committee (the "Committee") met on November 15, 2007 and considered and approved the following, which require further action by the UTIMCO Board: (1) Amendments to Appendix B of UTIMCO Compensation Program (UTIMCO Peer Group); (2) Personnel performance incentive awards; and (3) UTIMCO 457(b) Deferred Compensation Plan. The Committee also considered and approved staffing changes and selected Mercer Human Resource Consulting as the UTIMCO Compensation Consultant. These two items do not require UTIMCO Board approval.

Recommendation: The Committee recommends approval of the Peer Group for the UTIMCO Compensation Program and the 2007/08 Performance Incentive Award Plan for President, CEO, and CIO for the Performance Period beginning July 1, 2007, and ending June 30, 2008; the 2006/2007 performance compensation award totals; the 2006/07 performance compensation award proposed for the Interim President and CEO of UTIMCO; and the UTIMCO 457(b) Deferred Compensation Plan

Discussion: The Peer Group set forth in Appendix B of the UTIMCO Compensation Program is a peer group of endowment funds maintained by the Board's external investment advisor that is composed of all endowment funds with assets in excess of \$1 billion as of each fiscal year ending June for the previous three years of the current plan year excluding Harvard University, Yale University and Total Endowment Assets (PUF and GEF). The Peer Group for the performance period ending June 2008 incorporates June 2005, 2006, and 2007. The Peer Group is updated annually by Cambridge Associates, the Board's external investment advisor, at the beginning of each performance period, and Appendix B is updated accordingly. The Peer Group is used in the calculation of entity performance in accordance with section 5.8(a) of the UTIMCO Compensation Program.

The Compensation Plan Universe for 2007/08 that has been provided by Cambridge Associates will be used as the Peer Group for Appendix B of the UTIMCO Compensation Program. Eight additional endowment funds have been added to the Peer Group. The additional eight endowments are Amherst College, Baylor College

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of Medicine, Smith College, Southern Methodist University, University of Cincinnati, University of Delaware, University of Nebraska and Foundation, and University of Wisconsin Foundation.

Additionally, the Committee recommends to the UTIMCO Board that the same Peer Group be used for the calculation of the CEO's Performance Incentive Award in the 2007/2008 Performance Incentive Award Plan for President, CEO, and CIO (the "CEO's Plan") which was created specifically for the CEO, for the Performance Period beginning July 1, 2007, and ending June 30, 2008. As a result, the CEO is not a participant in the UTIMCO Compensation Program for the 2007/08 Performance Period.

The Committee approved the performance compensation awards under the UTIMCO Compensation Program for all eligible employees. Cambridge Associates has certified the peer universe performance data and a copy of the memorandum from Bruce Myers, Hamilton Lee and Jeanne Rogers is attached. UTIMCO staff will forward supporting materials to the Board members for Executive Session discussion.

The UTIMCO Compensation Committee reviewed and approved the UTIMCO 457(b) Deferred Compensation Plan (the "Plan") at its November 15, 2007, meeting. The Plan was drafted by the Corporation's in-house General Counsel and Dusty Burke of Vinson & Elkins reviewed the Plan. The Plan is attached. A summary of significant provisions of the Plan follows:

- The Plan is an unfunded deferred compensation plan for purposes of the Internal Revenue Code ("Code") and ERISA, i.e., a mere promise from the Corporation to make benefit payments in the future. Participants will be permitted to make tax-deferred contributions to the Plan, but until Plan benefits are paid out, these contributions remain part of the Corporation's general assets and can be used to satisfy claims of the general unsecured creditors of the Corporation.
- The Plan year is the calendar year.
- Administration of the Plan is vested in the Administrative Plan Committee. It is intended that the Administrative Plan Committee consist of the same individuals as the UTIMCO 403(b) Tax Sheltered Annuity Plan Committee.
- Participation in the Plan is limited to a select group of management or highly compensated employees as designated by the Administrative Plan Committee. Schedule A of the Plan reflects those individuals that are currently eligible to participate in the Plan.
- The Plan permits Discretionary Employer Credits to a Participant's account but this time contributions to the Plan will be limited to Participant deferrals. Before Discretionary Employer Credits can be made, the Administrative Plan Committee will need to obtain the approval of the UTIMCO Board.

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- Participant deferrals plus Discretionary Employer Credits are limited to the lesser of (1) the applicable annual dollar amount set forth in section 457(e)(15) of the Code or (2) 100% of the Participant's Includible Compensation for the taxable year. The current section 457(e)(15) limit is \$15,500.
- Eligible Employees must either first make the maximum elective deferrals to the UTIMCO 403(b) Tax Sheltered Annuity Plan or contribute to the 403(b) Plan at a rate that will cause the Eligible Employee to have contributed the maximum elective deferrals during the Plan year before any deferrals may be made to the Plan.
- Except for amendments to the Plan that do not have a significant cost impact, favorable or unfavorable, or amendments necessary to maintain the status of the Plan as an eligible deferred compensation plan under section 457(b) of the Code, only the UTIMCO Board may amend the Plan. The UTIMCO Board may also terminate the Plan.

The group of UTIMCO employees currently eligible to participate in the Plan includes the CEO and Chief Investment Officer (Zimmerman), the President and Deputy CIO (Iberg), and 3 Managing Directors (Eakman, Edwards, and Moeller). The Administrative Plan Committee will periodically determine those employees eligible to participate in the Plan. Participants in the Plan are currently allowed to defer up to \$15,500 per year of their compensation. UTIMCO will not provide any contributions to the Plan.

Reference: Certification of Peer Universe Performance Data memorandum; Compensation Plan Universe (2007/2008 Peer Group); UTIMCO 457(b) Deferred Compensation Plan

**RESOLUTION RELATED TO
PEER GROUP**

WHEREAS, Section 8.14 of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B (UTIMCO Peer Group) will be amended accordingly; and

WHEREAS, Section 7.2 of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the 2007/2008 Performance Incentive Award Plan for President, CEO, and CIO (the "CEO's Plan") effective July 1, 2007, for the Performance Period beginning July 1, 2007, and ending June 30, 2008, provides for the selection of an appropriate peer group by the UTIMCO Board; and

WHEREAS, the Board wishes to amend Appendix B to conform to the updated Peer Group;

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2007;

FURTHER RESOLVED, that the UTIMCO Board selects Appendix B as the appropriate peer group for the CEO's Plan for the Performance Period beginning July 1, 2007, and ending June 30, 2008.

Cambridge Peer Group

Greater Than \$1 Billion

As of June 30, 2005, 2006 and 2007

Based on NACUBO Studies

- 1 Amherst College
- 2 Baylor College of Medicine
- 3 Boston College
- 4 Brown University
- 5 California Institute of Technology
- 6 Case Western Reserve University
- 7 Columbia University
- 8 Cornell University
- 9 Dartmouth College
- 10 Duke University
- 11 Emory University
- 12 Grinnell College
- 13 Indiana University and Foundation
- 14 Johns Hopkins University
- 15 Massachusetts Institute of Technology
- 16 New York University
- 17 Northwestern University
- 18 Ohio State University and Foundation
- 19 Pennsylvania State University
- 20 Pomona College
- 21 Princeton University
- 22 Purdue University
- 23 Rice University
- 24 Smith College
- 25 Southern Methodist University
- 26 Stanford University
- 27 Swarthmore College
- 28 The Rockefeller University
- 29 The Texas A&M University System and Foundations
- 30 UNC at Chapel Hill and Foundations
- 31 University of California
- 32 University of Chicago
- 33 University of Cincinnati
- 34 University of Delaware
- 35 University of Illinois and Foundation
- 36 University of Michigan
- 37 University of Minnesota and Foundation
- 38 University of Nebraska and Foundation
- 39 University of Notre Dame
- 40 University of Pennsylvania
- 41 University of Pittsburgh
- 42 University of Richmond
- 43 University of Rochester
- 44 University of Southern California
- 45 University of Virginia
- 46 University of Washington
- 47 University of Wisconsin Foundation
- 48 Vanderbilt University
- 49 Washington University
- 50 Wellesley College
- 51 Williams College
- 52 Yeshiva University

**RESOLUTION RELATED TO THE
INTERIM PRESIDENT AND CEO'S
2006/2007 PERFORMANCE INCENTIVE AWARD**

WHEREAS, Section 5.5(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will determine the level of achievement of the President and CEO with respect to his or her "Performance Goals" for such Performance Period; and

WHEREAS, Cathy Iberg served as Interim President and CEO of the Corporation from September 1, 2006, through the end of the Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the Interim President and CEO during the Performance Period and submits its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the Interim President and CEO during the Performance Period and has compared such actual performance relative to each Performance Goal category for the Interim President and CEO against her corresponding Performance Goal for such Performance Period;

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Interim President and CEO's Performance Incentive Award for the 2006/2007 Performance Period in the amount of \$_____.

**RESOLUTION RELATED TO
2006/2007 PERFORMANCE INCENTIVE AWARDS**

WHEREAS, in accordance with Section 5.5(d) of the UTIMCO Compensation Program (the "Plan"), the Compensation Committee has determined each Participant's level of achievement of his or her "Performance Goals" for the 2006/2007 Performance Period, and

WHEREAS, Sections 5.5(e) and 5.5(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a "Performance Incentive Award" will be calculated for each Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Sections 5.5(f) of the Plan provides that the Compensation Committee will review all Performance Incentive Award calculations for all Participants who have met or exceeded their performance benchmarks for such Performance Period and submit its recommendations to the Board for approval; and

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants (including the Interim President and CEO) who have met or exceeded their performance benchmarks for the 2006/2007 Performance Period, approved such Performance Incentive Awards, and recommended that the Board approve the same; and

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for the Participants (including the Interim President and CEO) for the 2006/2007 Performance Period in the total amount of \$_____ are hereby approved.



CAMBRIDGE ASSOCIATES LLC

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MEMORANDUM

TO: H. Scott Caven, Jr. Chairman
The University of Texas Investment Management Company

FROM: Bruce Myers
Hamilton Lee
Jeanne Rogers

DATE: October 25, 2007

RE: Certification of Peer Universe Performance Data

Over the past few weeks we have assembled the performance numbers for fiscal year 2005, 2006, and 2007 for the 44 institutions which comprise the UTIMCO peer group universe for UTIMCO Compensation Plan purposes. (The names of those 44 institutions are provided below). The results were as follows:

	1 yr		2 yr		3 yr	
	<u>Return</u>	<u>(% ile)</u>	<u>Return</u>	<u>(% ile)</u>	<u>Return</u>	<u>(% ile)</u>
Maximum	25.93		22.96		21.40	
25th percentile	23.24		20.22		18.09	
Median	21.50		17.89		16.48	
75th percentile	19.72		16.15		14.19	
Minimum	17.37		13.00		9.60	
# of portfolios	44		44		44	
UT System						
Total						
Endowment						
Funds	18.1	92%	15.4	83%	14.8%	67%

Fourty-two of the institutions represented above reported performance information directly to Cambridge Associates. For the two institutions in the peer group who did not report quarterly performance directly to Cambridge (Indiana University and Foundation and the University of Rochester) we independently verified the return performance by contacting finance staff at those institutions. We would also like to note that in this year's study, quarterly returns for fiscal year 2007 were not available for MIT; therefore, annual performance was used to populate the one, two and three year data fields. In addition, Texas A&M performance has been calculated by using composite performance from both the Foundation and System Endowment Funds.

The Peer Group

An institution was included in the peer group universe if it reported, for three consecutive fiscal years, endowment assets of greater than \$1 Billion. Harvard and Yale were excluded from the universe. For fiscal year 2007 those institutions were:

Boston College
Brown University
California Institute of Technology
Case Western Reserve University
Columbia University
Cornell University
Dartmouth College
Duke University
Emory University
Grinnell College
Indiana University and Foundation
Johns Hopkins University
Massachusetts Institute of Technology
New York University
Northwestern University
Ohio State University
Pennsylvania State University
Pomona College
Princeton University
Purdue University
Rice University
Stanford University
Swarthmore College
Texas A&M University System and Foundation¹
The Rockefeller University
UNC at Chapel Hill and Foundations
University of California
University of Chicago
University of Illinois and Foundation
University of Michigan
University of Minnesota
University of Notre Dame
University of Pennsylvania
University of Pittsburgh
University of Richmond
University of Rochester
University of Southern California
University of Virginia Investment Management Co.
University of Washington
Vanderbilt University
Washington University
Wellesley College
Williams College
Yeshiva University

Scott Caven
The University of Texas Investment Management Company

October 25, 2007
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We are happy to answer any questions about our process and/or the calculation of this year's return performance.

Cc: Joan Moeller, Managing Director for Accounting, Finance and Administration

**RESOLUTION RELATED TO
UTIMCO 457(b) DEFERRED COMPENSATION PLAN**

WHEREAS, the Compensation Committee reviewed the UTIMCO 457(b) Deferred Compensation Plan (the "Plan") in the form provided to the UTIMCO Board, approved the adoption of the Plan, and recommends the Board approve the adoption of the Plan; and

WHEREAS, the UTIMCO Board has reviewed the Plan in the form previously provided to it and wishes to document approval of such UTIMCO 457(b) Deferred Compensation Plan.

NOW, THEREFORE, be it:

RESOLVED, that the UTIMCO Board approves the adoption of the UTIMCO 457(b) Deferred Compensation Plan in the form previously provided to the UTIMCO Board.

UTIMCO
457(b) Deferred Compensation Plan

Effective December 1, 2007

UTIMCO
457(b) Deferred Compensation Plan

INTRODUCTION

DEFERRED COMPENSATION PLAN PURPOSE AND EFFECTIVE DATE

The purpose of The University of Texas Investment Management Company ("UTIMCO") Deferred Compensation Plan is to provide benefits to a select group of management and highly compensated employees who contribute materially to the continued growth, development and future business success of UTIMCO. It is the intention of UTIMCO that this Plan be administered as an unfunded pension benefit plan established and maintained for a select group of management or highly compensated employees, and, therefore, exempt from the requirements of Title I of ERISA. The effective date of this Plan is December 1, 2007.

ARTICLE I

DEFINITIONS

Where the following capitalized words and phrases are used in this document, each has the meaning set forth below unless the context plainly requires otherwise.

Section 1.01 Account means the bookkeeping account established and maintained for each Participant under Section 4.01.

Section 1.02 Affiliate means each entity that is considered to be a single employer with UTIMCO within the meaning of section 414(b), (c), (m), or (o) of the Code.

Section 1.03 Beneficiary means any person who is designated pursuant to Section 8.01 to receive the benefits payable with respect to a Participant's Account under this Plan upon the death of the Participant.

Section 1.04 Code means the Internal Revenue Code of 1986, as amended and in effect from time to time.

Section 1.05 Committee means the administrative committee appointed by the Directors in accordance with Section 10.01 to administer the Plan. Whenever the term "Committee" is used in the Plan it will include any individual or entity to whom or which the applicable power or duty has been delegated by the Committee in accordance with Section 10.03.

Section 1.06 Compensation means, with respect to each Participant for a Plan Year, (i) all taxable compensation for services rendered to the Employer or an Affiliate that is payable (but for a deferral under this Plan) to such Participant during such Plan Year and (ii) any and all accumulated sick pay, vacation pay, and paid time off hours that would otherwise be paid or made available to such Participant during any month during such Participant's employment with the Employer or an Affiliate or within 2½ after such Participant's employment with the Employer and its Affiliates terminates.

Section 1.07 Deferred Compensation means the amount of Compensation deferred by a Participant under this Plan pursuant to Section 3.01.

Section 1.08 Deferred Compensation Agreement means the written, electronic, or other binding and legally valid form of agreement between a Participant and the Employer, in the manner prescribed by the Committee, pursuant to which the Participant agrees to accept a reduction in Compensation and the Employer agrees to credit the amount of such reduction to the Participant's Account under this Plan.

Section 1.09 Directors means the Board of Directors of UTIMCO.

Section 1.10 Discretionary Employer Credits means the amount, if any, credited to a Participant by the Employer pursuant to Section 3.02.

Section 1.11 Effective Date means December 1, 2007.

Section 1.12 Employee means each individual employed by the Employer; provided, however, that no individual who is designated, compensated, or otherwise classified or treated by the Employer as an independent contractor or other non-common law employee will be an "Employee" for purposes of the Plan.

Section 1.13 Eligible Employee means Employee who (i) is in a select group of management or highly compensated employees and (ii) has been designated by the Employer as eligible to participate in this Plan. The Eligible Employees will be listed on Schedule A attached hereto, as Schedule A is updated from time to time to reflect new and deleted Eligible Employees.

Section 1.14 Employer means UTIMCO and each participating Affiliate.

Section 1.15 ERISA means the Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.

Section 1.16 Includible Compensation means, with respect to each Participant for a Plan Year, all (i) Compensation of such Participant from the Employer for the portion of the tax year falling within such Plan Year, (ii) elective deferrals within the meaning of section 402(g)(3) elected by such Participant for such Plan Year, and (iii) amounts not included in such Participant's gross income for such year by reason of section 125, 132(f), or 457 of the Code.

Section 1.17 Investment Options means the various alternative investment options designated by the Committee under Section 5.01 from time to time for purposes of determining Investment Return.

Section 1.18 Investment Return means the earnings or losses allocable to each Account under Section 5.03.

Section 1.19 Normal Retirement Age means the date on which a Participant attains the age of sixty-five (65).

Section 1.20 Participant means each individual who is participating in the Plan pursuant to Article II.

Section 1.21 Plan means this UTIMCO 457(b) Deferred Compensation Plan, as amended from time to time.

Section 1.22 Plan Year means the twelve (12) consecutive month period beginning each January 1.

Section 1.23 Qualified Domestic Relations Order or QDRO means any judgment, decree, or order as defined in section 414(p) of the Code and section 206(d) of ERISA.

Section 1.24 Severance from Employment means a Participant ceasing to be employed by the Employer and all its Affiliates whether by (i) reason of the Participant separating from service for any reason whatsoever, voluntary or involuntary, including by reason of death or disability, or (ii) a change in the Participant's employer (without a separation from service) from the Employer to a new entity due to the Employer's sale, merger, acquisition, or similar corporate restructuring unless such new entity continues the Plan or any spun-off portion of the Plan attributable to such Participant's Plan participation.

Section 1.25 Unforeseeable Emergency means a severe financial hardship of the Participant resulting from an illness or accident of the Participant, the Participant's spouse or the Participant's dependent (as defined in Code section 152(a)); loss of the Participant's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant (including, for example, the imminent foreclosure of or eviction from the Participant's primary residence; the need to pay for medical expenses, including non-refundable deductibles and the cost of prescription drug medication; or the need to pay for the funeral expenses of a Participant's family member).

Section 1.26 UTIMCO means The University of Texas Investment Management Company.

Section 1.27 Valuation Date means each business day on which the New York Stock Exchange is open for business.

ARTICLE II

ELIGIBILITY AND PARTICIPATION

Section 2.01 Eligibility to Participate in Plan. Each Eligible Employee (and only such individual) is eligible to become a Participant in the Plan.

Section 2.02 Commencement of Participation. Each Eligible Employee will automatically become a Participant in the Plan on the date he or she first becomes an Eligible Employee.

Section 2.03 Termination of Participation. Each Participant who has become a Participant in the Plan in accordance with Section 2.02 will remain a Participant until his or her participation terminates on the earliest to occur of:

- (1) The date the Participant is no longer an Eligible Employee for any reason;
- (2) The date of the Participant's death;

- (3) Any prospective date the Employer designates in writing as the date the Participant is no longer eligible to participate in the Plan; or
- (4) The effective date of the termination of the Plan.

The preceding sentence notwithstanding, a former Participant whose participation has terminated in accordance with this Section 2.03 will be treated as a "Participant" for purposes of receiving a distribution of his or her Account under the Plan for as long as such former Participant has any positive Account balance remaining in the Plan.

ARTICLE III

DEFERRED COMPENSATION AND TRANSFER CONTRIBUTIONS

Section 3.01 Deferred Compensation Elections.

(a) Compensation Deferrals. Subject to Section 3.03, each Participant may elect to defer Compensation payable or made available during a month by filing a Deferred Compensation Agreement with the Employer prior to the first day of such month designating the percentage of his or her Compensation to be deferred for such month. Each such Compensation deferral election will become effective the first day of the month for which such Compensation is properly and timely deferred. The preceding notwithstanding, an Eligible Employee who will become a Participant on his or her date of hire with the Employer may, with respect to the first month in which such Participant performs services for the Employer, elect to defer Compensation effective as of his or her date of hire by filing a Deferred Compensation Agreement with such Employer on or before the first day on which such Participant performs services for the Employer, and such Compensation deferral election will become effective on such Participant's date of hire. Each Participant's Deferred Compensation Agreement then in effect will continue in effect from month to month until changed or cancelled pursuant to Section 3.01(b).

(b) Changes to or Cancellations of Deferred Compensation Agreement. Once made, a Participant's Deferred Compensation Agreement is irrevocable for the month for which it is made and may or will be changed or cancelled only as follows:

(1) Changes to Factual Entries. A Participant may change factual information (such as name, address, date of birth, etc.) on his or her Deferred Compensation Agreement by amending his or her existing Deferred Compensation Agreement at any time.

(2) Changes to or Revocation of Deferred Amounts. A Participant may change or cancel his or her designated Deferred Compensation percentage at any time, or may resume or commence Compensation deferrals at any time, by completing a new Deferred Compensation Agreement in accordance with Section 3.01(a), and each such new Deferred Compensation Agreement will become effective the first day of the month following the proper and timely completion of such Deferred Compensation Agreement.

(3) Unforeseeable Emergency. If the Committee, in its sole discretion and upon petition by the Participant, determines that a Participant has suffered an Unforeseeable Emergency, the Participant's deferrals for such month will be reduced or cancelled as determined

by the Committee, and such Participant's Deferred Compensation Agreement will be correspondingly cancelled or revised.

(4) Automatic Cancellation of Deferred Compensation Agreement. A Participant's Deferred Compensation Agreement will automatically be cancelled for the remainder of the Plan Year upon such Participant (i) reaching the limitations set forth in Section 3.03 or (ii) obtaining a Financial Emergency withdrawal pursuant to Section 6.02.

In the case of a change or cancellation of a Participant's Deferred Compensation Agreement under this Section 3.01(b), such change or cancellation will remain in effect until such Participant enters into a new Deferred Compensation Agreement in accordance with Section 3.01(a) or a cancellation occurs pursuant to this Section 3.01(b), except that a Deferred Compensation Agreement that is suspended under Paragraph (4) above by reason of the Participant reaching the limitations in Section 3.03 will automatically be reinstated as of the first day of the next following Plan Year with the same election that was in place at the time such Deferred Compensation Agreement was so suspended unless such Participant completes a new Deferred Compensation Agreement in accordance with Section 3.01(a) prior to such date.

Section 3.02 Discretionary Employer Credits. As of any date or dates selected by the Employer, the Employer in its discretion may credit a Participant with Employer Credits. The amount of any Employer Credits for any Participant will be an amount, if any, that the Employer in its discretion determines. Employer Credits may be made on behalf of one or some Participants and not others, and such credits may vary in amount among individual Participants. Employer Credits may be made at any time during the Plan Year.

Section 3.03 Limitations on Compensation Deferrals and Employer Credits.

(a) General Limitation. Except as set forth in Section 3.03(b), in no event shall the total of the Deferred Compensation and the Discretionary Employer Credits allocated to any Participant during any taxable year exceed the lesser of: (1) the applicable annual dollar amount set forth in section 457(e)(15) of the Code or (2) 100% of such Participant's Includible Compensation for the taxable year.

(b) Special Section 457 Catch-up. Notwithstanding any provision in Section 3.03(a) to the contrary, for one or more of a Participant's last three (3) taxable years ending before such Participant attains his or her Normal Retirement Age, the limitation in Section 3.03(a) shall be the lesser of:

(1) Twice the dollar amount in effect for such taxable year under section 457(e)(15) of the Code, or

(2) The "underutilized limitation" for such taxable year, as determined pursuant to Treasury Regulation section 1.457-4(c)(3)(ii) and any successor regulation or guidance of similar import.

(c) Distribution of Excess Deferrals. If the limitations under this Section 3.03 for a Plan Year are exceeded for any taxable year, the excess deferrals, together with any Investment Return on such excess deferrals, shall be distributed to each affected Participant no later than the first April 15th following the close of the taxable year of the excess deferrals. The preceding notwithstanding, if any excess deferral results solely from a failure of a Participant to comply with the individual limitation under Treasury Regulation section 1.457-5 for a taxable year, such excess deferrals, together with any

Investment Return on such excess deferrals, shall be distributed to such Participant as soon as administratively practicable after the Committee determines that such limits have been exceeded.

Section 3.04 Requirement to Contribute Maximum to Employer 403(b) Plan. Plan provisions to the contrary notwithstanding, in order to elect or continue Compensation Deferrals to the Plan during a Plan Year, each Participant is required either (1) to have made the maximum elective deferrals to the UTIMCO 403(b) Tax-Sheltered Plan (or other Employer-sponsored 403(b) plan) permitted by section 402(g) of the Code (or if less, permitted by such 403(b) plan) for the calendar year coincident with such Plan Year or (ii) to be contributing to such 403(b) plan at a rate that will cause such Participant to have contributed such maximum deferrals to such 403(b) plan by the end of such calendar year.

Section 3.05 Transfers from Eligible Deferred Compensation Plans. A Participant who is performing services for the Employer may transfer to the Plan amounts credited to such Participant under an eligible deferred compensation plan (within the meaning of section 457(b) of the Code) of another tax-exempt entity (but not any governmental entity), provided that the following requirements are met:

- (1) The Participant has had a severance from employment with the transferring employer and all its affiliates that would constitute a single employer within the meaning of section 414(b), (c), (m), or (o) of the Code;
- (2) The transferor plan provides for such transfers;
- (3) The transferring employer transfers to the Employer an amount in cash or other property acceptable to the Committee equal to the amount of such transferred amounts; and
- (4) The Participant whose amounts are transferred has an amount credited to his Account by reason of such transfer immediately after the transfer at least equal to the amount credited with respect to that Participant immediately before the transfer.

The Committee may request proof that the plan from which amounts are to be transferred under this Section 3.05 is an eligible deferred compensation plan of a tax-exempt entity within the meaning of section 457(b) of the Code, and such other information and documentation as it deems necessary. Amounts transferred to the Plan under this Section 3.05 shall be treated the same as Compensation deferred under the Plan, except that such amounts shall not be subject to the limitations of Section 3.03 but the actual amount credited to such Participant during the calendar year of transfer under both plans shall collectively be taken into account in calculating the limitations under Section 3.03 for that year.

Section 3.06 Vesting of Contributions. Each Participant shall be 100% vested in all amounts credited to his or her Account at all times.

ARTICLE IV

ESTABLISHMENT AND MAINTENANCE OF ACCOUNTS

Section 4.01 Establishment of Accounts. A bookkeeping Account shall be established in the name of each Participant and maintained by the Committee as a recording of the aggregate amounts credited and debited on behalf of such Participant under the Plan. Such Account shall become the basis for determining a Participant's benefit under the Plan.

Section 4.02 Debiting and Crediting of Accounts. Each Account of each Participant shall be debited and credited as follows:

(1) All Deferred Compensation amounts elected by such Participant pursuant to Section 3.01(a) shall be credited to such Participant's Account as soon as administratively practicable after the end of the month in which such Deferred Compensation otherwise would have been paid to such Participant absent his or her Deferred Compensation election.

(2) All Discretionary Employer Credits credited on behalf of such Participant pursuant to Section 3.02 shall be credited to such Participant's Account within a reasonable period of time after such amounts are credited by the Employer.

(3) All amounts credited to such Participant under other eligible deferred compensation plans and transferred to the Plan pursuant to Section 3.05 shall be credited to such Participant's Account as soon as administratively practicable after such transferred amounts are received by the Employer.

(4) Each Valuation Date, the Account of such Participant shall be credited with such Account's share of Investment Return allocated pursuant to Section 5.03.

(5) The Account of such Participant shall be debited for each in-service withdrawal made pursuant to Article VI as soon as such withdrawal is made.

(6) The Account of such Participant shall be debited for each distribution made pursuant to Article VII as soon as such withdrawal is made.

(7) The Account of such Participant shall be debited for each distribution, deduction, or debit made from such Account pursuant to Section 3.03, 10.04, 12.12, or 12.13 as soon as such deduction or debit is made.

(8) The Account of such Participant shall be debited for each transfer made to another eligible tax exempt employer's 457(b) plan pursuant to Section 7.06 as soon as such transfer is made.

Section 4.03 Reporting of Accounts. A report of the status of each Participant's Account and any Account activity since the last reporting period shall be furnished by the Committee to such Participant at intervals as determined by the Employer, provided, however that such report shall be provided no less frequently than annually. Each such report may be furnished electronically to the extent permitted by applicable law.

ARTICLE V

INVESTMENT OF ACCOUNTS

Section 5.01 Investment Options. Notwithstanding that the Plan is unfunded, earnings and losses ("Investment Return") will be allocated to Participants' Accounts based on the deemed investment of those Accounts in Investment Options available for such purpose under the Plan and Plan related expenses. The Committee will from time to time select, add, and/or delete Investment Options for

purposes of the deemed investment of Participants' Accounts under Section 5.02. The Committee may offer such Investment Options as it determines in the exercise of its sole and absolute discretion, provided that each Investment Option must be a registered investment company for which Participant level recordkeeping services are made available by the Plan recordkeeper.

Section 5.02 Investment of Accounts.

(a) Committee Investment. The Committee will designate in which of the available Investment Option(s) each Participant's Account is deemed to be invested for purposes of calculating the Investment Return to be allocated pursuant to Section 5.03. The preceding notwithstanding, the Committee may, in its discretion, permit one or more Participants to select the Investment Options for the investment of their Accounts and direct the deemed investment of their Accounts in accordance with Paragraph (b), but the Committee shall retain the right to accept or not accept such directions regarding the investment of any Account under the Plan.

(b) Participant-Directed Investment. If the Committee permits a Participant to direct the deemed investment of his or her Account for purposes of calculating the Investment Return to be allocated pursuant to Section 5.03, such Participant may designate, in accordance with the procedures established from time to time by the Committee, the manner in which the amounts allocated to such Participant's Account will be deemed to be invested from among the Investment Options made available from time to time for such purpose by the Committee. In the event the Committee permits a Participant to select the Investment Options for the deemed investment of his or her Account and such Participant fails to designate an Investment Option for all or part of that Account, the portion of such Account that is not directed into an Investment Option by the Participant will be deemed to be invested in the Investment Option(s) designated by the Committee from time to time. Such Participant may change such investment designation in accordance with rules and procedures established by the Committee from time to time.

Section 5.03 Allocation of Investment Return to Accounts. As of each Valuation Date, each Account will be valued and credited with an Investment Return equal the earnings and/or losses that would be credited to each such Account if such Account were actually invested in the Investment Options in which such Account is deemed to be invested under Section 5.02. Administrative expenses incident to the administration of the Plan may be allocated to Participants' Accounts on any basis deemed appropriate by the Committee and taken into account in calculating such Investment Return.

ARTICLE VI

IN-SERVICE WITHDRAWALS

Section 6.01 In General. Except as provided in this Article VI, a Participant is not permitted to make withdrawals from his or her Account prior to the Participant's entitlement to a distribution of such Account in accordance with Article VII.

Section 6.02 Unforeseeable Emergency Withdrawals.

(a) General. In the event that the Committee, upon written petition of the Participant, determines in its sole discretion and based on the relevant facts and circumstances of each case that the Participant has suffered an Unforeseeable Emergency, the Participant will be entitled to withdraw from his or her Account an amount not to exceed the lesser of (1) the amount determined by the Committee to be

necessary to meet the Participant's needs created by the Unforeseeable Emergency (which may include amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution) or (2) the then total value of the Participant's Account.

(b) Exhaustion of Resources. A withdrawal shall not be deemed to be necessary to satisfy an Unforeseeable Emergency of the Participant if the need is or may be relieved (1) through reimbursement or compensation by insurance or otherwise; (2) by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), or (3) by cessation of Deferred Compensation under the Plan.

(c) Payment. If approved by the Committee, a withdrawal made pursuant to this Section 6.02 shall be paid in a single lump sum payment as soon as administratively practicable after the Committee has made its determination that an Unforeseeable Emergency exists and of the permissible amount of such withdrawal.

(d) Suspension of Compensation Deferrals. If a Participant makes a withdrawal under this Section 6.02, the Participant's Deferred Compensation election will immediately cease, and the Participant may not again elect to defer Compensation until the first day of any Plan Year following such withdrawal (and only then by making a new Deferred Compensation Agreement in accordance with Section 3.01(a).

Section 6.03 Qualified Domestic Relations Orders. The Committee will comply with any Qualified Domestic Relations Order and will distribute all or any portion of a Participant's Account in accordance with such QDRO notwithstanding that, at the time of such QDRO, such Participant has not become entitled to a distribution of such Account pursuant to Article VII. A payment made pursuant to a QDRO will be paid in a single lump sum payment. The Committee will establish a written QDRO procedure, which, as originally established and as amended from time to time, is incorporated by reference into and made a part of the Plan, to determine the status of and process orders in accordance with this Section 6.03. Any expense related to the administration of a QDRO in connection with a Participant's Account shall be debited from such Account.

Section 6.04 Small Account Distributions. The Committee will have the option of paying to the Participant the Participant's Plan benefit in a lump sum, whether or not the Participant's Severance from Employment has occurred and whether or not the Participant requests or consents to such payment, and whether or not the Participant has requested a different form of payment, but only if the following criteria are met:

- (1) The Participant's Account balance does not exceed the dollar limit under section 411(a)(11)(A) of the Code in effect from time to time;
- (2) The Participant has not deferred Compensation under the Plan during the two-year period ending on the date of the distribution under this Section 6.04; and
- (3) The Committee has made no prior distribution to the Participant under this Section 6.04.

ARTICLE VII

PAYMENT OF BENEFITS

Section 7.01 Eligibility To Receive Benefit. Each Participant's Plan "benefit" will be distributable upon the Participant's Severance from Employment for any reason. Such benefit will equal the value of the Participant's Account determined as of the Valuation Date immediately preceding the date of distribution of such Account.

Section 7.02 Commencement of Benefit (Other than Death Benefit).

(a) General Rule. Unless the Participant elects a deferred commencement of benefit payments under Paragraph (b) below, the Committee will pay such Participant's Plan benefit 60 days after the Participant's Severance from Employment.

(b) Deferred Commencement—Initial Election. Each Participant may elect, within 30 days after the Participant's Severance from Employment, to defer commencement of payment of his or her Plan benefit to a later date specified in the election (but not beyond the required beginning date described in Paragraph (d) below). The Participant may make more than one deferral election under this Paragraph (b) within such 30-day period, in which case the last such election made within the 30-day period will control.

(c) Deferred Commencement—Additional Election. Each Participant who makes an initial deferral election under Paragraph (b) above may make one (and only one) additional election to defer (but not accelerate) commencement of payment of his or her Plan benefit to a later date specified in the election (but not beyond the required beginning date described in Paragraph (d) below). Such election must be made at least 30 days prior to the deferred commencement date elected under Paragraph (b) above.

(d) Section 409(a) Limitation on Commencement of Distribution. Notwithstanding any provision of the Plan to the contrary, distribution of a Participant's Account will commence not later than April 1 of the calendar year following the later of (1) the calendar year in which the Participant attains the age of 70½ or (2) the calendar year in which the Participant's Severance from Employment occurs.

Section 7.03 Commencement of Death Benefit. If the Participant's Severance from Employment occurs due to the Participant's death or the Participant dies prior to receipt of his or her full benefit, the Committee will pay the Deferral Account Benefit to the Participant's Beneficiary as soon as administratively practicable after the Committee receives notice of the Participant's death, but in no event later than the December 31 coinciding with or immediately following the fifth anniversary of the Participant's death or as otherwise required by section 401(a)(9) of the Code.

Section 7.04 Form of Benefit. Each Plan benefit will be paid in a single lump sum cash payment. Notwithstanding any provision of the Plan to the contrary:

(1) All distributions from the Plan shall be subject to the minimum distribution requirements of section 401(a)(9) of the Code and sections 1.401(a)(9)-1 through 1.401(a)(9)-8 of the Treasury Regulations issued thereunder.

(2) Any lifetime distribution described in the Plan must satisfy the incidental death benefit requirements of section 401(a)(9) of the Code and will be treated as a distribution required under section 401(a)(9)(G) of the Code.

Section 7.05 Payee of Benefit. The Participant's Plan benefit will be paid to the Participant, unless the event triggering payment of such benefit is the death of the Participant or the Participant dies prior to receipt of his or her full benefit, in which case the Participant's Plan benefit will be paid to the Participant's Beneficiary.

Section 7.06 Transfers to Plan of New Employer. A Participant who has a Severance from Employment and then performs services for another tax-exempt entity (not including governmental entities) in a capacity that allows him or her to make a plan-to-plan transfer may elect to have his or her Plan benefit under the Plan transferred to another eligible 457(b) plan of such other tax-exempt entity if (1) the 457(b) plan of the other tax-exempt entity allows such transfers and (2) the Participant will have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that participant immediately before the transfer. Any transfer of such Plan benefit under this Section 7.06 will not be deemed to be a distribution of the Plan benefit to the Participant under this Article VII, other than being a reduction in the Account balance as provided in Section 4.02.

ARTICLE VIII

BENEFICIARY DESIGNATION

Section 8.01 Beneficiary Designation.

(a) In General. Each Participant will have the right to designate the primary and contingent Beneficiary or Beneficiaries to receive payment of the Participant's Plan benefit in the event of such Participant's death. Each such designation must be made by the Participant completing and executing the beneficiary designation form prescribed by the Committee and filing such form with the Committee during such Participant's lifetime. The Participant accepts and acknowledges the responsibility for executing and filing a proper beneficiary designation form with the Committee.

(b) Change in Beneficiary Designation. Any designation of a Beneficiary may be changed by the Participant at any time by executing and filing with the Committee a new beneficiary designation form in accordance with Paragraph (a) above during such Participant's lifetime. Any change in Beneficiary designation shall become effective only upon receipt of the new beneficiary designation form by the Committee. Any change of Beneficiary designation filed in proper form with the Committee will revoke all prior Beneficiary designations.

(c) Adequacy of Beneficiary Designation. The Committee shall determine the acceptability of a Beneficiary designation or change of Beneficiary designation. The Committee shall notify the Participant if the Beneficiary designation is not acceptable and inform the Participant of the method of correction. A corrected Beneficiary designation shall be effective upon acceptance by the Committee.

Section 8.02 Effect of No Beneficiary Designation. If, at the time of the death of the Participant, no Beneficiary designation is on file with the Committee, or if such Beneficiary designation is not valid or effective for any reason as determined by the Committee, or if all designated Beneficiaries have predeceased the Participant, then the designated Beneficiary or Beneficiaries of such Participant will be

such Participant's executor or administrator acting on behalf of such Participant's estate or, if there is no administration of such Participant's estate, the Participant's heirs at law.

ARTICLE IX

UNFUNDED STATUS OF PLAN

Section 9.01 Unfunded Status of Plan. The Plan is intended to be an unfunded plan of deferred compensation for purposes of the Code and ERISA. The Plan constitutes a mere promise by the Employer to make benefit payments in the future. Plan benefits herein provided are to be paid out of the Employer's general assets, and Participants will have the status of (and only the status of) general unsecured creditors of the Employer.

Section 9.02 Discretionary Establishment of "Rabbi Trust." Section 9.01 notwithstanding, UTIMCO may decide, in its sole discretion, to establish a "rabbi trust" to assist the Employer in meeting its obligations under the Plan. The Employer may transfer money or other property to the trustee of such trust, and such trustee will pay Plan benefits to Participants and their beneficiaries out of the trust assets unless such benefits are otherwise paid by the Employer.

Section 9.03 No Right of Participants to Rabbi Trust Assets. If UTIMCO establishes a "rabbi trust" pursuant to Section 9.02, the Employer will remain the owner of all assets in the trust, and the assets will be subject to the claims of the creditors of any Employer that becomes insolvent. No assets in the rabbi trust will become assets of the Plan, and no Participant or Beneficiary will have any preferred claim to, or any beneficial ownership interest in, any assets of the trust. All amounts deferred under the Plan, all property and rights to property purchased with such amounts, and all income attributable to such amounts, property, or rights, will remain (until paid or made available to the Participant or Beneficiary) solely the property and rights of the Employer (without being restricted to the provision of benefits under the Plan), subject only to the claims of the Employer's general creditors.

ARTICLE X

PLAN ADMINISTRATION

Section 10.01 The Committee.

(a) The general administration of the Plan will be vested in the Committee. The Committee will be appointed by the Directors and will consist of one or more persons. Any individual is eligible to become a member of the Committee, whether or not an Employee. The Committee will be the Plan "administrator" responsible for the general administration of the Plan.

(b) Each member of the Committee will serve until he or she resigns, dies, or is removed by the Directors. At any time during his or her term of office, a member of the Committee may resign by giving written notice to the Directors and the Committee, such resignation to become effective upon the appointment of a substitute member or, if earlier, the lapse of 30 days after such notice is given as herein provided. At any time during his or her term of office, and for any reason, a member of the Committee may be removed by the Directors with or without cause, and the Directors may in their discretion fill any vacancy that may result therefrom. Any member of the Committee who is an Employee or

a Director will automatically cease to be a member of the Committee as of the date he or she ceases to be either a Director or an Employee.

(c) The Committee may select officers and may appoint a secretary who need not be a member of the Committee. The Committee will keep appropriate records of its proceedings and the administration of the Plan and will make available for examination during business hours to any Participant such records as pertain to that individual's interest in the Plan. The Committee will designate the person or persons who will be authorized to sign for the Committee and, upon such designation, the signature of such person or persons will bind the Committee.

(d) The Committee will hold meetings upon such notice and at such time and place as it may from time to time determine. A majority of the members of the Committee duly appointed will constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee at any meeting where a quorum is present will be by vote of a majority of those present at such meeting and entitled to vote. Resolutions may be adopted or other action taken without a meeting upon written consent signed by all of the members of the Committee.

(e) No member of the Committee will have any right to vote or decide upon any matter relating solely to himself or herself under the Plan or to vote in any case in which his or her individual right to claim any benefit under the Plan is particularly involved. In any case in which a Committee member is so disqualified to act and the remaining members cannot agree, the Directors will appoint a temporary substitute member to exercise all the powers of the disqualified member concerning the matter in which he or she is disqualified.

(f) The members of the Committee will not receive compensation with respect to their services for the Committee. To the extent required by applicable law, or otherwise required by UTIMCO or its bylaws, members of the Committee will furnish bond or security for the performance of their duties hereunder.

Section 10.02 Committee Powers and Duties. The Committee shall have the full discretionary authority to administer the Plan in all its details and to perform any and all acts necessary or appropriate to carry out such duties, including, but not limited to, the right, power, and duty to:

(1) Make rules, regulations, and bylaws for the administration of the Plan that are not inconsistent with the terms and provisions hereof and to enforce the terms of the Plan and such rules and regulations;

(2) Construe and interpret in its absolute discretion all terms, provisions, conditions, and limitations of the Plan, including, but not limited to, the discretion to resolve ambiguities, inconsistencies, or omissions conclusively, and, in all cases where applicable, the construction necessary for the Plan to qualify as an eligible deferred compensation plan under section 457(b) of the Code and a top hat plan under ERISA will control;

(3) Correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Plan in such manner and to such extent as it will deem expedient in its discretion to effectuate the purposes of the Plan;

- (4) Maintain and preserve records relating to Participants, former Participants, and Beneficiaries;
- (5) Prepare and furnish to Participants all information required under applicable law or the provisions of the Plan;
- (6) Maintain sufficient Eligible Employee data, maintain separate Accounts for Participants, and make payments of benefits under the Plan;
- (7) Prepare and file or publish with all appropriate government officials all reports, filings and other information required or permitted by law to be so filed or published;
- (8) Engage consultants, including legal, investment, and actuarial advisors, and rely on recommendations therefrom;
- (9) Determine in its discretion all questions relating to eligibility;
- (10) Determine in its discretion all claims for benefits under the Plan, and to provide procedures for determination of claims for benefits;
- (11) Retain records on elections and waivers by Participants or Beneficiaries;
- (12) Amend the Plan in accordance with and to the extent provided in Section 11.01; and
- (13) Allocate Plan administrative expenses between the Employer and Participants and to further allocate such expenses among Participants' Accounts.

Section 10.03 Delegation of Authority. The Committee may from time to time delegate to one or more of the Employer's officers, employees, or agents, or to any other person or organization, any of its powers, duties, and responsibilities with respect to the operation and administration of the Plan, including, but not limited to, the administration of claims, the authority to authorize payment of benefits, the discretionary review of and right to decide denied or modified claims, and the discretion to decide matters of fact, determine eligibility for benefits (and the amount of such benefits), and interpret Plan provisions. The Committee also may from time to time employ persons to render advice with regard to any fiduciary responsibility held hereunder and may authorize any person to whom any of its fiduciary responsibilities have been delegated to employ persons to render such advice.

Section 10.04 Plan Expenses. All expenses incurred in connection with the establishment and operation of the Plan shall be borne by the Employer unless allocated to Participants' Accounts by and in the discretion of the Committee.

Section 10.05 Reporting and Disclosure. The Committee shall keep all individual and group records relating to Participants and Beneficiaries and all other records necessary for the proper operation of the Plan and administration of Participant Accounts, including but not limited to investment reports, audits and account activity reports. The Employer will supply full and timely information to the Committee, including, but not limited to, information relating to each Participant's compensation, age, retirement, death, or other cause of termination of employment and such other pertinent facts as the Committee may require.

When making a determination in connection with the Plan, the Committee will be entitled to rely upon the aforesaid information furnished by the Employer.

Section 10.06 Binding Decisions. All decisions or actions of the Committee in respect to any question arising out of the administration, interpretation, and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

Section 10.07 Claims Procedures.

(a) Claim. In the event an individual (1) does not receive a benefit under the Plan but believes he or she is entitled to one or (2) receives a benefit under the Plan but believes he or she is entitled to a greater amount, such individual may file with the Committee a written claim for such benefit, which claim must be filed within 60 days of either the date upon which the individual received a benefit that he or she felt was insufficient or, if later, the date upon which occurred the event that the individual believes entitled him or her to a benefit. In connection with the submission of such claim, the individual may examine the Plan and any other relevant documents relating to the claim and may submit written comments relative to the claim to the Committee coincident with the filing of the claim, and the Committee may require additional information to be furnished in connection with such claim.

(b) Denial of Initial Claim. In any case in which a claim for Plan benefits of a Participant or Beneficiary is denied or modified, the Committee will furnish written notice to the Participant, Beneficiary, or representative of the Participant or Beneficiary (the "claimant") within 90 days after such claim is filed with the Committee; provided, however, that if the need for additional information relating to such claim necessitates an extension of the 90-day period, the claimant will be informed in writing prior to the end of the initial 90-day period of the need for an extension of time, and written notice of the disposition of such claim will be provided to the claimant within 180 days after the date the claim is filed with the Committee. The extension notice will indicate the special circumstances requiring the extension of time and the date by which a decision will be made. If the extension is due to the claimant's failure to submit information necessary to review the claim, the notice of extension will afford the claimant 45 days to provide the required information, and the Committee's deadline to provide notice of the claim's disposition will be tolled from the date the Committee sends the notice of extension to the earlier of (1) the date the Committee receives the requested information or (2) the expiration of the 45-day period afforded to the claimant to provide the requested information. If the claimant fails to provide the requested information by the expiration of such 45-day period, the benefit determination will be made without regard to the requested information.

(c) Appeal of Denied Claim. In the event a claim for benefits is denied or modified, if the claimant desires to have such denial or modification reviewed, the claimant must, within 60 days following receipt of the notice of such denial or modification, submit a written request for a review to the Committee. A claimant will be provided, upon request and free of charge, access to and copies of all documents, records, and other information relevant to the claim for benefits, which consists of: (1) documents, records, or other information relied upon for the benefit determination, (2) documents, records, or other information submitted, considered, or generated without regard to whether such document, record, or other information was relied upon in making the benefit determination, and (3) documents, records, or other information that demonstrates compliance with the standard claims procedure. A claimant will be entitled to submit written comments, documents, records, and other information relating to the claim for

benefits. The review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(d) Review Procedure. Within 60 days following a request for a review submitted in accordance with Paragraph (c) above, the Committee will, after providing a full and fair review, render its final decision in writing to the claimant. The written decision will: (1) state specific reasons for such decision, (2) provide specific reference to the specific plan provisions on which the decision is based, (3) inform the claimant that he or she is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claim for benefits, which consists of: (i) documents, records, or other information relied upon for the benefit determination, (ii) documents, records, or other information submitted, considered, or generated without regard to whether such document, record, or other information was relied upon in making the benefit determination, and (iii) documents, records, or other information that demonstrates compliance with the standard claims procedure, and (4) inform the claimant of his or her right to bring an action under section 502(a) of ERISA. If special circumstances require an extension of such 60-day period, the Committee's decision will be rendered as soon as possible, but not later than 120 days after receipt of the request for review. If such an extension of time for review is required, written notice of the extension will be furnished to the claimant prior to the commencement of the extension period, indicating the special circumstances requiring an extension of time and the date by which the determination will be made. If the extension is required due to the claimant's failure to submit information necessary to review the claim, the extension notice will afford the claimant 45 days to provide the required information, and the Committee's deadline to provide notice of the benefit determination on review will be tolled from the date the Committee sends the notice of extension to the earlier of (1) the date the Committee receives the requested information or (2) the expiration of the 45-day period afforded to the claimant to provide the requested information. If the claimant fails to provide the requested information by the expiration of such 45-day period, the benefit determination will be made without regard to the requested information. The decision on review by the Committee will be binding and conclusive upon all persons.

(e) Requirement to Exhaust Administrative Remedies. Completion of the claims review procedures described in this Section 10.07 will be a condition precedent to the commencement of any legal or equitable action in connection with a claim for benefits under the Plan by a Participant, a Beneficiary, or any other person or entity claiming rights through such Participant or Beneficiary.

Section 10.08 Indemnification. UTIMCO will indemnify and hold harmless each member of the Committee, each Director, and each employee of UTIMCO or an Affiliate who is a delegate of the Committee or fiduciary of the Plan against any and all expenses and liabilities arising out of such individual's administrative functions or fiduciary responsibilities, including any expenses and liabilities that are caused by or result from an act or omission constituting the negligence of such individual in the performance of such functions or responsibilities, but excluding expenses and liabilities that are caused by or result from such individual's own gross negligence or willful misconduct. Expenses against which such individual will be indemnified hereunder include, without limitation, the amounts of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof.

ARTICLE XI

AMENDMENT, TERMINATION AND SUSPENSION

Section 11.01 Amendment. The Directors have the absolute right and discretion to amend, in whole or in part, any or all provisions of the Plan on behalf of the Employer. The preceding notwithstanding, any amendments to the Plan that do not have a significant cost impact (favorable or unfavorable) on the Employer and any amendments necessary to acquire and maintain the Plan as an eligible deferred compensation plan under section 457(b) of the Code, whether or not retroactive, may be made by the Committee in its discretion. Except as otherwise permitted by applicable law, no amendment to the Plan shall deprive any Participant of any vested accrued benefit to which the Participant is entitled under the Plan immediately prior to the effective date of such amendment. All amendments to the Plan shall be in writing and shall be signed by a person authorized by the Directors or the Committee, whichever is effecting such amendment. Any attempted modification of the Plan by any person or entity other than as authorized herein shall be null and void and of no effect.

Section 11.02 Termination. UTIMCO in its discretion may, by appropriate action of its Directors, terminate the Plan at any time. No such termination shall deprive a Participant of any vested accrued benefits to which the Participant is entitled under the Plan immediately prior to the effective date of such termination. Termination of the Plan shall be effected by a written instrument, which shall be signed by a person authorized by the Directors. Any attempted termination of the Plan by any person or entity other than as authorized herein shall be null and void and of no effect. Upon termination of the Plan, all Accounts shall be distributed to the Participants as soon as administratively practicable after such termination. Upon such distribution, the Employer, the Directors, and the Committee, and each of their officers and employees thereof shall be relieved of any obligation with respect to Participants and Beneficiaries under the Plan.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01 Nonalienation of Benefits. Except as set forth in Section 6.03 (with regard to compliance with a Qualified Domestic Relations Order), no Participant shall have the right to alienate, anticipate, commute, pledge, encumber, or assign any of the benefits or payments under the Plan, except the right to designate a Beneficiary or Beneficiaries as hereinabove provided. The rights of the Participant under the Plan shall not be subject to the rights of creditors of the Participant and shall be exempt from execution, attachment, prior assignment, or any other judicial relief or order for the benefit of any creditors or other third persons having claims against the Participant.

Section 12.02 No Contract of Employment or Otherwise. Neither the establishment of the Plan, nor participation in the Plan, shall be construed as giving any Employee the right to be retained in the service of the Employer or restrict the right of the Employer to discharge any person at any time. Moreover, the Plan will not be deemed to give the Employer the right to require any person to remain in the employ of the Employer or to restrict any person's right to terminate his or her employment at any time.

Section 12.03 Severability of Provisions. If any provision of the Plan shall be held to be invalid or unenforceable, such invalid or unenforceable provision shall not affect any other provisions hereof, and the

Plan shall be construed and enforced as if such invalid or unenforceable provision had not been included herein.

Section 12.04 Headings and Captions. The headings and captions herein are provided solely for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

Section 12.05 Number. Whenever appropriate herein, words used in the singular will be considered to include the plural, and words used in the plural will be considered to include the singular.

Section 12.06 Controlling Law and Interpretation. The Plan shall be interpreted, construed, and enforced according to the laws of the state of Texas (without regard to any conflicts of laws principles that refer to the jurisdiction of another state) except to the extent preempted by ERISA or other federal law. The Plan shall be interpreted in a manner consistent with the maintenance of its status as an "eligible deferred compensation plan" as defined in section 457(b) of the Code and a "top hat plan" for purposes of ERISA. Reference to any section of the Code or ERISA shall be deemed to incorporate any required amendment of such section as necessary to maintain the status of this Plan as an "eligible deferred compensation plan" under the Code and as a "top hat plan" for purposes of ERISA.

Section 12.07 Payments to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person, or other person incapable of receiving such benefit shall be deemed paid when paid to such person's guardian or to the party reasonably appearing to be authorized to receive such benefit on behalf of such minor or incompetent person (as determined in the discretion of the Committee), and such payment shall fully discharge the Committee, the Employer, and all other parties with respect thereto.

Section 12.08 Reliance on Data and Consents. The Employer, the Committee, and all other persons or entities associated with the administration of the Plan and the provision of benefits hereunder may reasonably rely on the truth, accuracy, and completeness of all data provided by a Participant and/or Beneficiary, including, without limitation, data with respect to age and marital status. Furthermore, the Employer and the Committee may reasonably rely on all consents, elections, and designations filed with the Plan or those associated with the administration of the Plan by any Participant, Beneficiary, or representatives of such persons without duty to inquire into the genuineness of any such consent, election, or designation. None of the aforementioned persons or entities associated with the administration of the Plan shall have any duty to inquire into any such data, and all may rely on such data being current to the date of reference. It shall be the duty of the Participant or Beneficiary to advise the appropriate parties of any change in such data. Neither the Employer nor the Committee shall be liable for the consequences of such change in data.

Section 12.09 Participant's and Beneficiary's Addresses. It will be the affirmative duty of each Participant to inform the Committee of, and to keep on file with the Committee, such Participant's current mailing address and the current mailing address of such Participant's Beneficiary. If a Participant fails to keep the Committee informed of his current mailing address and the current mailing address of his Beneficiary, neither the Committee, the Employer, nor any other person authorized to act in the administration of the Plan will be responsible for any late or lost payment of a benefit or for failure of any notice to be provided timely under the terms of the Plan.

Section 12.10 Reliance on Electronic Instructions, Directions, Signatures, Contracts, and Records. For all purposes under the Plan, the Committee and the Employer may (but are not required to) give the same effect to electronic instructions, directions, signatures, contracts, records, or similar communications (collectively, "electronic records and signatures") as it would give to written records and signatures, and the Committee's and the Employer's actions in so doing shall be protected to the same extent as if such electronic records and signatures were, in fact, in written form. Any such electronic records and signatures shall be retained and provided by the Committee and/or the Employer in accordance with any applicable law. For all purposes under the Plan, the term "electronic" or "electronically" shall mean relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

Section 12.11 Tax Consequences. The Employer does not represent or guarantee that any particular federal or state income, estate, payroll, personal property or other tax consequences shall occur because of the Participant's participation in the Plan. The Participant shall be responsible to obtain appropriate advice regarding all questions related to federal, state or local income, estate, payroll, personal property or other tax consequences arising from participation in the Plan.

Section 12.12 Withholding. Deductions will be made from all Plan Accounts, payments, and benefits to the extent determined by the Employer or the Committee to be required by local, state, or federal law.

Section 12.13 Correction of Errors. Any contrary provisions of the Plan notwithstanding, in the event the Plan (1) enrolls any individual in the Plan, (2) pays a benefit claim under the Plan, (3) incurs a liability for failure to so enroll or pay a benefit claim or for terminating enrollment, or (4) makes any overpayment or erroneous payment to any individual or entity, in any case because of a human or systems error or because of incorrect information provided by, correct information failed to be provided by, fraud, misrepresentation, or concealment of any relevant fact by any Participant, Beneficiary, or other individual, the Committee will be entitled to correct such error in any manner it deems necessary or appropriate, including, without limitation, recovering from such Participant, Beneficiary, or other individual such benefit paid or the amount of such liability incurred and any and all expenses incidental to or necessary for such recovery. Human or systems error or omission will not alter a Participant's eligibility to participate in the Plan or affect in any way the amount of a Participant's or Beneficiary's benefit to which such Participant or Beneficiary is otherwise entitled under the terms of the Plan.

IN WITNESS WHEREOF, UTIMCO has caused this Plan to be executed by its duly authorized officer, this ____ day of _____, 2007.

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

By: _____
Bruce Zimmerman
CEO and Chief Investment Officer

SCHEDULE A

The following Employees of the Employer are Eligible Employees employed in Plan-eligible employment positions, effective as of the Effective Date:

1. Bruce Zimmerman, CEO and Chief Investment Officer
2. Cathy Iberg, President and Deputy Chief Investment Officer
3. Lindel Eakman, Managing Director – Private Markets
4. Bill Edwards, Managing Director – Information Technology
5. Joan Moeller, Managing Director – Accounting, Finance and Administration

TAB 9

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Agenda Item: Report and Consideration of Items from Audit and Ethics Committee

Developed By: Moeller, Hill

Presented By: Nye

Type of Item: Action required by UTIMCO Board related to year end audits; information item on other items

Description: An Audit and Ethics Committee ("Committee") meeting was held on November 5, 2007. The Committee approved the Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements of the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), Intermediate Term Fund ("ITF"), and the Statement of Performance Statistics for the year ended August 31, 2007. The Committee also heard a report from UT System Audit office; and received a report on other audit, ethics, and compliance activities from staff.

Discussion: The financial statements were audited by Deloitte & Touche LLP. Tom Wagner, engagement partner, presented to the Committee Deloitte & Touche LLP Audit Results and Communications letter and answered questions related to the financial statements. Deloitte & Touche LLP issued unqualified opinions on the August 31, 2007 financial statements. The opinions were dated October 29, 2007. A copy of the Audit Results and Communications letter is included. Because of the voluminous nature of the audited financial statements, they are not included in the Board book. However, the complete audited financial statements are available on UTIMCO's website, www.utimco.org.

Recommendation: The Committee recommends that the Board approve Deloitte & Touche LLP Financial Statement Audit Results and Communications and the audited financial statements of the PUF, GEF, PHF, LTF, ITF, and the Statement of Performance Statistics for the year ended August 31, 2007.

Reference: Audit Results and Communications; Audited financial statements and audit reports

**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS
FOR FISCAL YEAR 2007**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2007, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System General Endowment Fund each for the fiscal years ended August 31, 2007, and August 31, 2006, The University of Texas System Intermediate Term Fund for the year ended August 31, 2007, and the period ending August 31, 2006, and the Statement of Investment Performance Statistics for the year ended August 31, 2007, be, and are hereby approved in the form as presented to the Board.



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October 29, 2007

Mr. Bruce Zimmerman
CEO and Chief Investment Officer
The University of Texas Investment Management Company

The Audit, Compliance and Management Review Committee of The Board of Regents of The University of Texas System

The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company

401 Congress Avenue, Suite 2800
Austin, TX 78701

Dear Mr. Zimmerman, Members of The Audit, Compliance and Management Review Committee of The Board of Regents of The University of Texas System as well as Members of The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company:

We have performed the audits of the financial statements of The Permanent University Fund, The University of Texas General Endowment Fund, The Permanent Health Fund, The University of Texas System Long Term Fund and The University of Texas System Intermediate Term Fund (the "Funds") as of and for the year ended August 31, 2007, in accordance with auditing standards generally accepted in the United States of America and have issued our reports thereon dated October 29, 2007.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Funds is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our contract dated October 1, 2007. As described in Exhibit A to that contract, the objective of a financial statement audit conducted in accordance with auditing standards generally accepted in the United States of America is to express an opinion on the fairness of the presentation of the Funds' financial statements as of August 31, 2007, and for the year then ended in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. We considered the Funds' internal control over financial reporting as a basis for designing audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we have not expressed any such opinion on the effectiveness of the Funds' internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events.

The most significant accounting estimate made by management in the preparation of the financial statements is its estimation of the fair value of the Funds' investments in alternative investments, such as private equity and hedge fund entities.

Management uses a process to estimate the fair value of these entities which includes, but is not limited to, consideration of financial information from the underlying funds provided at various interim dates during the year, other information from the underlying funds, as well as, information from other relevant sources. We feel this valuation process is reasonable based on the requirements of the AICPA Practice Aid for Auditors *Alternative Investments – Audit Considerations* and investment management industry general practices.

We are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates that occurred during the year ended August 31, 2007.

AUDIT ADJUSTMENTS, UNCORRECTED MISSTATEMENTS, AND DISCLOSURE ITEMS PASSED

Our audits of the financial statements were designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no audit adjustments booked as a result of our audits; additionally, there were no financial statement disclosures recommended, but not made, to the financial statements or the notes to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND UNUSUAL TRANSACTIONS

The Funds' significant accounting policies are set forth in the footnotes to the Funds' financial statements as of and for the year ended August 31, 2007. There were no significant changes in previously adopted accounting policies or their application during the audit period.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

Critical accounting policies are those that are (1.) most important to the portrayal of Funds' financial conditions and the results of their operations and (2.) require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Funds' critical accounting policies and practices primarily relate to the valuation of investments, as stated in the footnotes to the Funds' financial statements as of and for the year ended August 31, 2007.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended August 31, 2007.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Funds' 2007 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during the year ended August 31, 2007 except for matters related to the auditing of alternative investments which were discussed with the Funds' former auditors.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

Prior to our retention as auditors we had in-depth conversations with management regarding the circumstances of the prior auditors' resignation, the control environment of the Funds, and specifically, the internal control processes and control environment surrounding the Funds' investments in alternative investments including private equity and hedge fund entities. These conversations were held in order to assist us in gaining an understanding of the Funds' business and the control environment as required for our client acceptance processes.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDITS

In our judgment, we received the full cooperation of the Funds' management and staff and were provided unrestricted access to the Funds' senior management in the performance of our audits.

OTHER MATERIAL WRITTEN COMMUNICATIONS

Those written communications that we believe constitute material written communications between management and us relating to the audit of the financial statements as of and for the year

ended August 31, 2007, include the contract related to audit services performed ("Agreement Between UTS and Deloitte") and the management representation letter, which management provided to us.

AUDITOR RESPONSIBILITY FOR OTHER INFORMATION

In addition to the audit of the financial statements we have read the other information contained within the financial statement document (such as Management's Discussion and Analysis) to ensure that such other information is consistent with audit evidence obtained during the audit.

* * * * *

This report is intended solely for the information and use of the Funds' management, as well as The Audit, Compliance and Management Review Committee of the Board of Regents of The University of Texas System and The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company, and is not intended to be, and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

TAB 10

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Agenda Item: Report on 2008 Meeting Dates

Developed By: Zimmerman

Presented By: Zimmerman

Type of Item: Information item; no action required

Description: This agenda item presents the proposed 2008 UTIMCO Board Meeting schedule and the Committee meetings schedule.

Recommendation: None

Reference: None

UTIMCO 2008 Meeting Dates

Month/Year	Board Of Directors	Audit and Ethics	Compensation	Policy	Risk	UTS Board of Regents
2008						
January	Jan 30	Jan 22		Jan 24	Jan 23	
February						Feb 6-7
March			Mar 25	Mar 25		
April	Apr 25	Apr 14			Apr 14	
May						May 14-15
June			Jun 19			
July	Jul 22	Jul 10		Jul 10	Jul 10	Jul 23-24
August						Aug 13-14
September						
October					Oct 23	
November	Nov 7	Nov 6	Nov 6			Nov 12-13
December						Dec 10-11

Board of Directors Meetings:

Wednesday, January 30, 2008 – Houston

Friday, April 25, 2008 – Austin

Tuesday, July 22, 2008 – Dallas

Friday, November 7, 2008 – Austin (Nov. 8 – UT Austin vs. Baylor)

Audit and Ethics Committee

Tuesday, January 22, 2008

Monday, April 14, 2008

Thursday, July 10, 2008

Thursday, November 6, 2008

Policy Committee

Thursday, January 24, 2008

Tuesday, March 25, 2008

Thursday, July 10, 2008

Compensation Committee

Tuesday, March 25, 2008

Thursday, June 19, 2008

Thursday, November 6, 2008

Risk Committee

Wednesday, January 23, 2008

Monday, April 14, 2008

Thursday, July 10, 2008

Thursday, October 23, 2008

UTIMCO Committee Members:

A&E: **Nye**, McHugh, Rowling, Tate

Compensation: **Ferguson**, Carlson, Moore

Policy: **Rowling**, McHugh, Moore

Risk: **Tate**, Carlson, Ferguson, Nye

TAB 11

Agenda Item
UTIMCO Board of Directors Meeting
November 29, 2007

Agenda Item: Presentation of 2007 Annual Report

Developed By: Moeller, Hill

Presented By: Moeller

Type of Item: Information item

Discussion: The theme selected for the 2007 Annual Report is "An Enduring Legacy." Over 7,800 reports will be distributed in late November.

We began the Annual Report process in July. As in previous years, UTIMCO staff worked with an advisory group consisting of development staff from several UT System institutions to make improvements to the reports. We continue to receive positive feedback from the institutions. Based on suggestions by this group, this year's reports have more of an academic or institutional focus, and highlight the students, professors and buildings across the UT System. Year after year each institution becomes more engaged in the process of producing a great story. This year, most of the photos utilized in the reports were submitted by the institutions which both increased their "ownership" of the reports as well as saved money.

We continued the same format of the Annual Report packet, including the UTIMCO Annual Report, Permanent University Fund (PUF) Annual Report, Long Term Fund (LTF) Annual Report, Frequently Asked Questions (FAQ), and separate "stories" for each institution.

The annual reports will also be available on-line on UTIMCO's website under "UTIMCO Publications." Individual feature stories published in the prior annual reports over the past seven years are available on-line as well.

Reference: UTIMCO Annual Report, PUF Annual Report, LTF Annual Report, Frequently Asked Questions Report, 19 feature stories, and a PUF feature story provided by Texas A&M.