Revised 11/30/07

AGENDA for U. T. SYSTEM BOARD OF REGENTS' MEETING

- **Meeting with U. T. Brownsville/Texas Southmost College Partnership Advisory Committee**
- **Special Called Meeting of the Board of Regents**
- **Presidents' Retreat**

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December 6-7, 2007
Austin and Lost Pines, Texas

THURSDAY, DECEMBER 6, 2007 (continued)

C. RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551 (working lunch) — 12:30 p.m.

1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

   U. T. System Board of Regents: Discussion with Counsel on pending legal issues

2. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

   a. U. T. Dallas: Discussion and appropriate action concerning negotiations to purchase approximately 20.59 acres of unimproved real property located at 3410 and 3420 Waterview Parkway, Richardson, Collin County, Texas, from the Dallas International School, a Texas nonprofit corporation, or from Waterview Commons L. P., a Texas limited partnership, and to sell to the Dallas International School approximately 13.8 acres located on Waterview Parkway, south of the Dallas Area Rapid Transit right-of-way, consisting of approximately 12.8 acres of unimproved real property out of the U. T. D. Synergy Park - Phase I, plus approximately one acre at the rear of 17919 Waterview Parkway, Dallas, Collin County, Texas, with the 20.59-acre tract to be used as the future north entrance to the U. T. Dallas campus and for future programmed development of campus expansion — *Ms. Mayne*, *President Daniel*

   b. U. T. Health Science Center – San Antonio: Discussion and appropriate action concerning negotiations to purchase from the Cancer Therapy and Research Center, a Texas nonprofit corporation, its ground lease interest in approximately 14 acres and the approximately 260,000 square feet of improvements located thereon at 7979 Wurzbach Road, San Antonio, Bexar County, Texas, for the teaching, research, and clinical missions of U. T. Health Science Center – San Antonio, and resolution regarding parity debt — *Ms. Mayne*, *Mr. Burgdorf*, *President Cigarroa*

3. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

   U. T. Health Science Center - San Antonio: Discussion and appropriate action related to a proposed negotiated gift from the Cancer Therapy and Research Center Foundation — *Mr. Burgdorf*, *Dr. Safady*, *President Cigarroa*

4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074

   U. T. System: Consideration of individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents, U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board of Regents, and Director of Audits), and U. T. System employees

D. RECONVENE IN OPEN SESSION FOR ACTION ON EXECUTIVE SESSION ITEMS AND ADJOURN SPECIAL CALLED MEETING OF THE BOARD — *1:30 p.m.*

THURSDAY, DECEMBER 6, 2007 (continued)

PRESIDENTS' RETREAT
Hyatt Regency Lost Pines, 575 Hyatt Lost Pines Road, Lost Pines, Texas

A. CONVENE RETREAT — *3:00 p.m.*

Building Excellence - in selected interdisciplinary areas: specific opportunities and challenges
3:00 – 4:30 p.m.
President Daniel
President Mendelsohn

Exploring the concept *that looking to the future, seeking intellectual leadership, and taking an already successful organization forward to a new level, we need to identify selected areas for innovative cross-System collaborations.*

Building Excellence – national and state perspectives on higher education funding and tuition
4:30 – 5:00 p.m.
Executive Vice Chancellor Prior

Setting the national and state funding situation and policies for Higher Education with comparisons with peer institutions in different states.

Building Excellence – contexts and factors in tuition planning
5:00 – 6:30 p.m.
President Powers
President Cárdenas
President Romo

- *Balancing access and excellence*
- *Enrollment growth versus caps*
- *Balancing costs and expenditures*
- *Competition for students and faculty*
- *Facilities and start-up costs*
- *Salary parities and compression*
- *Increased operational costs*
- *Technology costs*
- *Balancing tuition and fees*
- *Balancing tuition and financial aid*
- *Different and evolving institutional missions*

B. DINNER — *6:30 p.m.*
Dr. Malcolm Gillis

FRIDAY, DECEMBER 7, 2007
Hyatt Regency Lost Pines, 575 Hyatt Lost Pines Road, Lost Pines, Texas

	BUFFET BREAKFAST	*7:30 a.m.*
C.	RECONVENE PRESIDENTS' RETREAT	*8:00 a.m.*
	Building Excellence in doctoral, postdoctoral education and graduate education	*8:00 – 9:00 a.m.* *President Spaniolo* *President Willerson*
	The U. T. System health campuses	*9:00 – 9:15 a.m.* *Executive Vice Chancellor Shine*
	Achieving Excellence for the Academic Health Center • *Managing Missions* • *Education* • *Research* • *Patient Care* • *Managing Growth* • *Community Service* • *Multiple Funding Sources*	*9:15 – 10:15 a.m.* *President Callender* *President Cigarroa*
D.	BREAK	*10:15 – 10:30 a.m.*
	Maintaining Excellence in Research • *Faculty Recruitment* • *Space* • *Funding Challenges* • *Academic/Industrial Interfaces*	*10:30 – 11:30 a.m.* *President Wildenthal* *President Mendelsohn*
	Providing Excellent Patient Care • *The Challenge of the Uninsured* • *Medicaid and Medicare*	*11:30 – 12:30 p.m.* *President Cigarroa* *President Calhoun*
E.	LUNCH DISCUSSION AND ADJOURN RETREAT	*12:30 - 1:30 p.m.*

U. T. System Board of Regents: Meeting with officers of the U. T. Brownsville/Texas Southmost College Partnership Advisory Committee

A meeting with officers of the Partnership Advisory Committee of the U. T. Brownsville/Texas Southmost College (UTB/TSC) Educational Partnership will be held according to the following agenda:

AGENDA

1. Welcome, Introductions, and Overview
   a. History
   b. Operating Guidelines
   c. *Texas Education Code*

2. Approval of Minutes of September 27, 2005

3. UTB/TSC Status

4. Satisfactory Academic Progress

5. Benefits of the Partnership

6. U. T. System Initiatives
   a. Science and Technology Acquisition and Retention (STARs) Plus
   b. Graduate Student Support
   c. Community Colleges
   d. Enrollment Management
   e. Doctoral Reviews
   f. Lonestar Education and Research Network (LEARN)

7. Concluding Remarks

Members of the Partnership Advisory Committee representing the Texas Southmost College Board of Trustees scheduled to attend are:

Chairman Chester Gonzalez

Vice Chair Rosemary Breedlove

Trustee Roberto Robles

Supplemental Materials:

- **History on Pages 3 - 9**
- **Operating Guidelines on Pages 10 - 12**
- ***Texas Education Code* on Pages 13 - 15**
- **Minutes from September 27, 2005 meeting on Pages 16 - 19**
- **UTB/TSC Status PowerPoint presentation on Pages 20 - 25**
- **Satisfactory Academic Progress PowerPoint presentation on Pages 26 - 29**

BACKGROUND INFORMATION

The Partnership Advisory Committee for the educational partnership between Texas Southmost College and U. T. Brownsville is required by statute (*Texas Education Code*, Section 51.661 *et seq*.). Members of the Academic Affairs Committee of the Board of Regents also serve on the UTB/TSC Partnership Advisory Committee.

The University of Texas at Brownsville and Texas Southmost College History

In 1991, the second-oldest community college in Texas and the newest free-standing university in the state entered into a unique arrangement to maximize resources and bring additional educational opportunities to the communities of the Lower Rio Grande Valley. The partnership between Texas Southmost College and The University of Texas at Brownsville offers students a seamless educational process by eliminating the artificial barriers when transferring between two institutions located on the same campus. It provides a single faculty, a single administration, and a single staff to carry out more efficiently the combined missions of a community college and a university. It brings together a governor-appointed board of regents, which is the governing board that operates all programs and services of the partnership, and a locally elected community college board of trustees, which owns the campus and monitors the lower-division programs, to address the educational needs of an area that has one of the lowest per capita incomes in the country.

The UTB/TSC Partnership is the product of more than 70 years of community efforts to provide higher-education opportunities to the residents of the Lower Rio Grande Valley. Over this period, first a local community college and then an upper-level and graduate extension center were established to address the academic and occupational/technical needs of the community. An overview of the development of each of these institutions provides a context for the partnership that they created.

Texas Southmost College

Texas Southmost College was the first institution of higher education in the Rio Grande Valley. Established in 1926, it was originally called the Junior College of the Lower Rio Grande Valley. Eighty-four students enrolled in academic college classes in September of that year. The first fourteen graduates attended ceremonies in 1928. In 1931, the junior college's name was changed to Brownsville Junior College. The junior college was governed by the seven-member board of trustees of the Brownsville Independent School District, and from 1926 to 1948 the junior college shared the same building with Brownsville High School.

In 1947, the City of Brownsville and the Brownsville Independent School District entered into negotiations with the federal government for the rights to Fort Brown. Established by General Zachary Taylor as the first U.S. Army base in Texas in 1846, the fort was closed by the Army in 1944. Eventually, the school district acquired a portion of the Fort Brown property. In 1948, Brownsville Junior College moved to its new campus, adjacent to the downtown business district and one block from the Rio Grande. A number of the fort's buildings were converted to college offices, classrooms, and residences. By this time, the junior college had an enrollment of 1,238 and offered both academic course work and vocational training for veterans.

By 1949, a group of community leaders believed that the junior college needed to have a governing board separate from the one governing the school district, and in an election late that year voters approved the creation of the Southmost Union Junior College District. This district included Brownsville and six other communities in Cameron County. The trustees of the Southmost Union Junior College District took over governing responsibilities for the junior college in January 1950, and several months later the institution's name was changed to Texas Southmost College.

Also during the mid-1950s, the institution promulgated a ten-year expansion plan to prepare for future growth. By 1968, new construction included a classroom building, a gymnasium, a library, a student center, and an applied arts (or vocational training) building. Enrollment grew rapidly between 1968 and 1980, from 1,240 students to 4,689, and the community college constructed additional needed facilities: a science building, a music building, and an allied health building.

In 1971, the trustees of Texas Southmost College selected Dr. Arnulfo Oliveira as the ninth, and first Hispanic, president to head the college. Dr. Oliveira, who had grown up in Brownsville, presided over much of the faculty hiring that occurred to meet the instructional needs of the rapidly growing institution. The permanent faculty increased from 51 in 1970 to 127 in 1979.

During the 1970s and 1980s, the community college added a number of new programs, such as those in computer science, nursing, and radiology. In addition, it chose to expand its remedial programs in reading, writing, and mathematics in order to provide access to the under-prepared members of its community. Texas Southmost College established an educational center at the former Coast Guard building on South Padre Island, where both credit and continuing education courses are offered for the residents of Port Isabel and South Padre Island in eastern Cameron County. In 1986, voters in the Southmost Union Junior College District passed a general obligation bond issue to provide for $13.5 million in new construction and renovation. By 1990 the college had renovated the historic buildings; constructed a classroom-faculty office complex, an addition to the library, and an addition to the gymnasium; addressed problems with handicap access; repaired roofs and fixed other major maintenance problems; reworked the entrances to campus; and completed extensive new landscaping.

In order to make attending college more affordable for local students and to encourage them to earn higher grades in their secondary-school course work, Texas Southmost College launched a $1-million fundraising campaign in 1987. The U.S. Department of Education had established a scholarship program that would match the local institution's funds on a two-for-one basis. After an 18-month campaign, the college raised $1.023 million and thus had more than $3 million in "scholarship dollars" that students in grades 7 through 12 could begin earning, based on making As and Bs in courses that prepared them for college course work. By 1996, more than 10,000 students had earned scholarship dollars to apply toward tuition for lower-division courses.

Just prior to the creation of the partnership, in 1989-90, TSC completed an institutional self-study for reaffirmation of accreditation by the Southern Association of Colleges and Schools (SACS). The SACS visiting team issued 17 recommendations and 26 commendations, an indication of the extent to which TSC had become a model of success among community colleges. (Earlier successful self-studies occurred in 1961, 1971, and 1981.)

The University of Texas at Brownsville

Because of a strong local interest in providing course work and degrees beyond the associate level, Pan American University (located in Edinburg, 59 miles away) agreed in 1973 to staff an extension center on the Texas Southmost College campus. The initial enrollment for courses in fall 1973 was 262 undergraduate students and 130 graduate students. As a result of a rapid increase in enrollment, in 1977 the Texas Legislature established Pan American University at Brownsville (PAU-B), which had the same governing board as Pan American University at Edinburg, but received separate funding from the state and had its own president and organizational structure. The Brownsville center was not authorized to grant degrees, however. In May 1979, the PAU-B Administration Building opened on the TSC campus and housed the faculty and administrative staff.

In 1986, PAU-B completed a self-study as part of its successful application for candidacy with SACS, and in 1988 PAU-B was accepted into membership. At that time, enrollment had grown to 1,512 students.

During the 1980s, many community leaders in South Texas were expressing their concerns about the lack of adequate funding to address the region's educational problems. One group of citizens, the League of United Latin-American Citizens, sued the state in December 1987, charging that the state has historically discriminated against the communities of South Texas by not providing their institutions of higher education with their fair share of funds. Although the Texas Supreme Court eventually ruled against the plaintiffs, the suit prompted extensive discussions among educational leaders, civic leaders, and state legislators. The University of Texas System expressed a renewed interest in establishing ties on the border with Pan American University (a previous effort had ended unsuccessfully in the early 1970s). In 1989, the Texas Legislature passed legislation that brought Pan American University into the U. T. System. Thus the Edinburg campus became The University of Texas - Pan American and the Brownsville campus became The University of Texas - Pan American at Brownsville (UTPAB).

In an effort to bring more resources to the Lower Rio Grande Valley and expand educational opportunities, the Chairman of the TSC Board of Trustees and the Chairman of the U. T. System Board of Regents met in 1990, and out of continuing staff discussions emerged the idea of establishing a freestanding upper-level university, The University of Texas at Brownsville, and then creating a partnership between U. T.

Brownsville and TSC. In 1991, the Texas Legislature passed legislation creating U. T. Brownsville and permitting a partnership between the university and the community college.

UTB/TSC Partnership

In anticipation of legislative action creating the partnership, the presidents of U. T. Pan American at Brownsville and TSC formed the Partnership Agreement Task Force in spring 1991 to begin working out the details of the partnership. The task force, composed of administrators, faculty, staff, students, and community members representing both institutions, produced the *Educational Partnership Agreement*, a short document outlining the partnership. The agreement was signed by the chairmen of both boards and approved by the Texas Higher Education Coordinating Board in July 1991.

The presidents of the partnering institutions immediately formed the Partnership Implementation Advisory Council "to begin the work of eliminating barriers between the two institutions and consolidating resources to provide a seamless four-year educational program for the Lower Rio Grande community," according to the council's first issue of the partnership newsletter, *Desarollo [Development]:A Year of Transition.* The council, composed of administrators, faculty, staff, students, and representatives of the U. T. System, established eighteen project teams to make recommendations for consolidating functions and services for academic affairs, business affairs, and student services. Each project team was composed of representatives of appropriate campus constituencies, and most teams met weekly. The teams completed their work in November and submitted final reports. The administration used much of the data and analysis from these reports to begin shaping the organizational structures and policies for the new institution.

On January 1, 1992, Dr. Juliet V. García became President of U. T. Brownsville, and she continued to serve as President of TSC for the remainder of the year of transition. In July 1992, the President sent the Southern Association of Colleges and Schools (SACS) a prospectus for substantive change for U. T. Brownsville, outlining the nature of the partnership and proposing a timeline for applying for reaffirmation of accreditation.

The TSC Board of Trustees created the position of Executive Director, whose duties included negotiating the interagency agreements and overseeing the community college's interests in the partnership. The Executive Director prepared a prospectus on substantive change for TSC and submitted it to SACS in July 1992, concurrent with U. T. Brownsville 's submission of its prospectus on substantive change.

In August 1992, the partnership conducted a single registration for lower-division students as well as upper-division and graduate students. In September, all TSC faculty and staff became employees of U. T. Brownsville, which began operating all academic programs and support services for the partnership. The *1992-93 Undergraduate Catalog* contained a single mission statement for the partnership and referred to U. T. Brownsville in partnership with Texas Southmost College as "America's first Community University."

The institution established a traditional organizational structure: an office of the president, three divisions headed by vice presidents, and five schools and colleges and a division of continuing education within the Division of Academic Affairs. While consolidating the personnel, policies, and procedures in the divisions of Business Affairs and Student Services, the institution identified a need for 45 new programs-24 at the baccalaureate level and 21 at the master's level-and began preparing program proposals to take to the U. T. System and then to the Texas Higher Education Coordinating Board.

The rapid pace of change challenged the institution's employees in every area. Staff members in each of the support areas had to merge two offices and their differing procedures and computer systems. Faculty members from the community college and the university forged new departments and schools and colleges with new responsibilities for both lower-level and upper-level and graduate instruction. Administrators coordinated these efforts while meeting the complicated reporting requirements that the innovative partnership entailed. All of these efforts, however, were directed toward the goal of providing the community with the academic and occupational/technical programs that it needed.

In April 1994, SACS sent a Special Fact-Finding Committee to the campus to evaluate the partners' requests for separate accreditation. The committee agreed that the partners had separate boards and separate chief executive officers, but it found that U. T. Brownsville did not meet two of the 13 conditions of eligibility while TSC did not meet seven conditions of eligibility. It observed that the partnership" has created an improved single operating entity with many notable strengths," and it asserted that, by establishing a single faculty responsible for a unified curriculum and by creating a single admissions process, "all in the chain of authority have, *de facto,* merged two institutions." After a series of discussions with SACS, the U. T. System Board of Regents and the TSC Board of Trustees decided to apply for single accreditation for the UTB/TSC Partnership. In November 1995 the partnership submitted a substantive change prospectus for reaffirmation of accreditation as a single, consolidated entity as outlined in *Substantive Change Procedure E in Policies, Procedures, and Guidelines of the Commission on Colleges.* The Commission on Colleges recommended acceptance of this prospectus in December 1995 and directed the partnership to undertake a self-study in preparation for reaffirmation of accreditation.

The two boards have since reinforced the application for a single accreditation by adding Addendum Number 1 to the *Educational Partnership Agreement,* which clarifies some of the definitions in the original agreement. A key provision is that the U. T. System Board of Regents is the "Partnership Governing Board." Furthermore, the addendum states that "The parties acknowledge as part of accreditation documentation that since September 1 1992, TSC exists as a set of programs and activities delivered by the partnership under contract with Southmost Union Junior College District." The addendum was approved by the U. T. System Board of Regents in November 1996 and signed by representatives of both boards in May 1997.

In 2000, with the apparent success of the partnership, the boards approved a 99-year term of the educational partnership agreement.

The partnership operates with three colleges and three schools and six divisions headed by vice-presidents and a provost. The administration expenditure is about 10% of the budget.

As of 2007, the partnership has produced growth in all areas:

The student population has grown from 7,358 in the fall of 1992 to 17,217 fall of 2007. With increasing percentages of growth and unprecedented population growth in the region, the campus is preparing for an enrollment of 20,000.

The partnership has used its combined resources to create 47 new degree programs including a doctorate of education, which was launched fall 2007. The partnership maintained 21 occupational and technical certificate programs and created a wide-range of Workforce Training and Continuing Education programs to meet local economic development needs.

Other indices of progress are seen in research and student success. Research expenditures have increased exponentially from 1991 to 2007, from $19K to $5.4M. The first three endowed chairs have been named. The percentages of degrees awarded have increased: 129% increase in certificates, 191% increase in associate degrees, 250% increase in baccalaureate degrees, and 184% increase in master's degrees awarded.

The Partnership will continue to expand its Center for Gravitational Wave Astronomy in the Physics and Astronomy Department as well as the Center for Biomedical Research in the Biology Department, and create new centers of excellence in master teaching, communication and culture studies. The Partnership will initiate doctoral programs and create new degree programs at the master, bachelor, associate, and certificate levels to meet growing needs.

With the purchase of the Los Tomates Banco property this year, the campus has grown to more than 460 acres. The Partnership has provided growth in facilities from different sources. The Texas Legislature has provided funds for a Science, Engineering, and Technology Building, Life and Health Sciences Building, and Education and Business Complex, a new Science and Technology Learning Center for UTB/TSC and one building for the Regional Academic Health Center. The Texas Southmost College Board of Trustees has donated land for each of those buildings. In addition, the TSC Board of Trustees purchased a former mall, now the International Technology Education Commerce Campus (ITECC), one mile from the main campus, and two former hotels, now dormitories, on the peninsula next to the main campus. The student body is providing funds for the Student Union Building and will jointly fund a new Recreation, Education and Kinesiology Center. On November 2, 2004, voters in the Texas Southmost College Tax District approved a $68M bond referendum, which will used to renovate the ITECC and build new facilities: partial funding of the REK Center, a large classroom building, a library, music performance hall, Center for Early Childhood Studies, and a biomedical research and outreach building.

The Partnership is preparing for a visit from the Southern Association of Colleges and Schools for reaffirmation of accreditation in 2008.

PARTNERSHIP ADVISORY COMMITTEE
OPERATING GUIDELINES

I
Name

The name of the Committee shall be the Partnership Advisory Committee (the Committee) for The University of Texas at Brownsville and Texas Southmost College.

II
Authority

The educational partnership between The University of Texas at Brownsville and Texas Southmost College, as authorized by State law (Texas Education Code Section 51.661 et seq.) and specified in the Educational Partnership Agreement effective September 1, 1991, at Section VIII, calls for the establishment of a Partnership Advisory Committee. The Committee is advisory to the respective governing boards of The University of Texas at Brownsville and Texas Southmost College. In discharging its advisory duties, the Committee shall function in accordance with legislative statutes, controlling court decisions, opinions of the Attorney General, applicable regulations of State and federal agencies, and approved board bylaws, rules and regulations, and policies.

III
Purpose

The Committee shall study the needs of the community served by the institutions; shall study local and regional needs; and shall make recommendations to the respective boards concerning the development of coordinated programs, policies, and services to meet those needs. The Committee shall give particular attention to the continuity of curriculum offerings and to the joint use of faculty and staff, facilities, and library resources. The Committee will also have general responsibility to monitor the effectiveness of the partnership.

IV
Organization

a. Membership:

The Committee shall be comprised of three members of the Academic Affairs Committee of The University of Texas Board of Regents and three members of the Texas Southmost College Board of Trustees, appointed as determined by the respective governing bodies.

b. Chair:

The Chair shall rotate between the governing boards on an annual basis. The Chair will be selected by the respective governing board.

c. Subcommittees of the Committee:

The Committee may request that the Chair establish Standing and Special Subcommittees from time to time to deal with specific needs. The Subcommittees may consult with other members of the Committee as needed.

d. Staff Support:

The Committee will be supported by the Executive Vice Chancellor for Academic Affairs of The University of Texas System and the Vice President for Administration and Partnership Affairs or other representatives designated by the respective governing boards.

e. Communications to the Committee:

The Committee will normally receive referrals from the respective governing boards and recommendations from the staff.

f. Communications from the Committee:

Recommendations of the Committee to the respective governing boards will be transmitted through respective Committee members with support from the Committee staff as required.

g. Special Assignments:

Special assignments to the staff will be directed by the Committee.

h. Public Inquiries:

The staff may respond to public inquiries subject to the guidance and counsel of the Committee; normally, public inquiries will be directed to the respective governing boards.

V
Meetings

a. Orientation:

An orientation of the Committee shall be held as a portion of a regular meeting, as needed.

b. Frequency:

Meetings will be called as needed dependent upon demand, but normally at least annually and scheduled by staff as mutually convenient to Committee members.

c. Location:

Meeting sites shall alternate as determined by the Committee and shall be held in conjunction with other governing board meetings to the extent possible to facilitate Committee member attendance and interaction with the respective governing boards.

d. Notices:

Notice shall be given to the members of the Committee no less than 14 days in advance if possible. Public notice shall be prepared and posted by the Office of the Board of Regents as required by State law.

e. Quorum:

A quorum shall be four Committee members.

f. Agenda:

An agenda shall be jointly prepared for each meeting of the Committee by the staff following solicitation of topics from the Committee.

g. Appearances before the Committee:

For formal presentations, requests to appear will be made by the staff upon request of the Committee. The opportunity for public input will most often be through the respective governing boards; however, should the Committee need public input, invitation to appear may be issued by the staff to a designated individual, a group, or to the public at large as requested by the Committee.

h. Minutes:

Minutes will be prepared and maintained on file by the Office of the Board of Regents of The University of Texas System.

VI
General Procedures

a. Rules of Order:

Robert's Rules of Order, when not in conflict with any of the provisions of these Operating Guidelines, shall be the rules of parliamentary procedure when the Committee is in session.

b. Adoption and Amendment of Operating Guidelines:

The Committee may adopt, amend, or repeal these Operating Guidelines by an affirmative vote of a majority of the membership voting at a meeting of the Committee. Notice of the proposed action must be included in the agenda for the meeting. All amendments must be consistent with the Educational Partnership Agreement and applicable provisions of the Texas Education Code and other State laws.

Approved: December 13, 2002

Office of the Board of Regents
December 2002

EDUCATION CODE

TITLE 3. HIGHER EDUCATION

SUBTITLE A. HIGHER EDUCATION IN GENERAL

CHAPTER 51. PROVISIONS GENERALLY APPLICABLE TO HIGHER EDUCATION

SUBCHAPTER N. PARTNERSHIPS BETWEEN COMMUNITY/JUNIOR COLLEGES AND OTHER INSTITUTIONS OF HIGHER EDUCATION

§ 51.661[0]. PURPOSE. The purpose of this subchapter is to encourage partnerships between public community/junior colleges and other institutions of higher education that are located in the same state uniform service region as adopted by the Texas Higher Education Coordinating Board in order to improve the continuity, quality, and efficiency of educational programs and services.

Added by Acts 1985, 69th Leg., ch. 647, § 1, eff. June 14, 1985. Amended by Acts 1993, 73rd Leg., ch. 901, § 1, eff. Aug. 30, 1993; Acts 2003, 78th Leg., ch. 820, § 39, eff. Sept. 1, 2003.

§ 51.6615. DEFINITION. In this subchapter, "institution of higher education" has the meaning assigned by Section 61.003.

Added by Acts 2003, 78th Leg., ch. 820, § 40, eff. Sept. 1, 2003.

§ 51.662. PARTNERSHIP AGREEMENTS. With the approval of the Texas Higher Education Coordinating Board, the governing boards of a public community/junior college and another institution of higher education that are located in the same state uniform service region as adopted by the coordinating board may enter into a partnership agreement designed to coordinate the management and operations of the institutions. The agreements shall in no way abrogate the powers and duties of the boards with regard to the governance of their respective institutions.

Added by Acts 1985, 69th Leg., ch. 647, § 1, eff. June 14, 1985. Amended by Acts 1993, 73rd Leg., ch. 901, § 2, eff. Aug. 30, 1993; Acts 2003, 78th Leg., ch. 820, § 41, eff. Sept. 1, 2003.

§ 51.663. ADVISORY COMMITTEE. The governing boards of the participating institutions shall appoint an advisory committee composed of three members from each board. The committee shall study the needs of the community served by the institutions and shall make recommendations to the respective boards concerning the development of coordinated programs and services to meet those needs. The committee shall give particular attention to the continuity of curriculum offerings and to the joint use of faculty and staff, facilities, and library resources.

Added by Acts 1985, 69th Leg., ch. 647, § 1, eff. June 14, 1985.

§ 51.664. JOINT USE OF PERSONNEL. By interagency contract the governing boards of the participating institutions may fill by joint appointment any administrative, faculty, or support position necessary for the operation of the institutions. In such cases, salaries and benefits shall be prorated and paid from the funds of the respective institutions according to the share of each employee's responsibility to each institution.

Added by Acts 1985, 69th Leg., ch. 647, § 1, eff. June 14, 1985.

§ 51.665. SUPPORT SERVICES. By interagency contract the governing boards of the participating institutions may assign the management and operation of selected services to one of the institutions in order to achieve cost effectiveness. Such services include, but are not limited to, maintenance of building and grounds, operation of auxiliary enterprises, and operation of a jointly supported library.

Added by Acts 1985, 69th Leg., ch. 647, § 1, eff. June 14, 1985.

§ 51.666. FACILITIES. A participating institution of higher education may lease facilities from or to the community/junior college for administrative and instructional purposes. Community/junior college facilities may not be transferred to the other participating institution of higher education and may not be included in the space inventory of the other participating institution of higher education for formula funding purposes.

Added by Acts 1985, 69th Leg., ch. 647, § 1, eff. June 14, 1985.
Amended by Acts 1993, 73rd Leg., ch. 901, § 3, eff. Aug.30, 1993;
Acts 2003, 78th Leg., ch. 820, § 42, eff. Sept. 1, 2003.

§ 51.667. STATE FUNDING. The community/junior college shall receive state appropriations on the same formula basis as other community/junior colleges, and the other participating institution of higher education shall receive state appropriations on the same formula basis as other similar institutions of higher education.

Added by Acts 1985, 69th Leg., ch. 647, § 1, eff. June 14, 1985. Amended by Acts 2003, 78th Leg., ch. 820, § 43, eff. Sept. 1, 2003.

§ 51.668. CONTINUING RESPONSIBILITIES. A participating community/junior college must continue to provide programs and services enumerated in Section 130.003(e). The role and scope of the other participating institution of higher education are subject to approval by the coordinating board.

Added by Acts 1985, 69th Leg., ch. 647, § 1, eff. June 14, 1985. Amended by Acts 2003, 78th Leg., ch. 820, § 44, eff. Sept. 1, 2003.

Minutes of
The University of Texas at Brownsville/Texas Southmost College
Partnership Advisory Committee

September 27, 2005

The Partnership Advisory Committee (PAC) for The University of Texas at Brownsville/Texas Southmost College (UTB/TSC) Educational Partnership met on Monday, September 27, 2005, in the Acacia Room, Education and Business Complex on the U. T. Brownsville/TSC campus at 80 Fort Brown, Brownsville, Texas.

Members present from the TSC Board were Chair Chester Gonzales, Vice Chair Rosemary Breedlove, Secretary Eduardo Campirano, Trustee David Oliveira, Trustee Roberto Robles, and Trustee Dolly Zimmerman. Committee members representing The University of Texas System Board were Committee Chairman Cyndi Taylor Krier, Regent Judith L. Craven; and Regent Robert A. Estrada. Also present from the U. T. System were Secretary and Counsel to the Board Francie Frederick, Chancellor Mark G. Yudof, Executive Vice Chancellor for Business Affairs Scott C. Kelley, Associate Vice Chancellor for Institutional Planning and Accountability Geri Malandra, and Associate Vice Chancellor for Academic Planning and Assessment Pedro Reyes. U. T. Brownsville President Juliet V. García and Provost José Martín also participated in the meeting.

The meeting was called to order at 1:30 p.m. by Chair Gonzalez who welcomed the Trustees and the Regents as well as other visitors.

a. Approval of Minutes

Chair Gonzalez asked for approval of the Minutes of the last PAC meeting by the members of the U. T. System Board of Regents and by the TSC Board members, and a motion was made by Regent Estrada. The October 18, 2004 Minutes were approved.

b. Acknowledgement and Words of Appreciation for Mary Rose Cárdenas

Chair Gonzalez led a tribute to former TSC Board Chair Mary Rose Cárdenas, recognizing her as a moving force in the partnership between U. T. Brownsville and TSC. He acknowledged her many and varied contributions to the partnership. Vice Chairman Krier said she was pleased to present a resolution that recognizes former Trustee Cárdenas' 21 years of service and commends her work in the creation of the UTB/TSC partnership and in assuring its existence for 99 years.

Mrs. Cárdenas thanked the Board of Regents, the Chancellor, and the administration. She commended the team effort and collaborative work of the former and current trustees. She praised the students, the faculty, and the staff as second to none, and noted the students energize the work and motivate everyone. She also acknowledged the work of those who established the first accredited junior college in Texas in 1926.

c. Chair Gonzalez called on Executive Vice Chancellor for Business Affairs Scott Kelley who discussed the impressive work of the partnership using a PowerPoint presentation. In analyzing why costs outpaced inflation, he took into consideration the continual demand for resources and discussed the impact of knowledge growth, competitive salaries, quality measured by inputs, research growth, and enrollment growth. Executive Vice Chancellor Kelley also said money comes from various sources including State appropriations, tuition, and gifts. He noted the cost of higher education has risen faster than the Consumer Price Index whereas State appropriations have fallen relative to total State spending and personal spending.

Executive Vice Chancellor Kelley concluded no one source increase will solve the problem and suggested each funding level needs to provide support. He talked about where the money goes and explained in detail general revenue appropriations and the percentage of money going to public and higher education. In talking about U. T. System funding, Dr. Kelley noted that Higher Education Assistance Fund (HEAF) money may be used directly of bonded whereas the Permanent University Fund (PUF) generally may only be bonded.

Chair Gonzalez initiated a discussion on what the future might hold for the UTB/TSC partnership and asked how growth might best be addressed. He questioned what would happen in the future if the University had no bond issues. Trustee Robles said 8,000 new students are estimated to attend in the next four years.

Vice Chairman Krier noted that HEAF appropriations have been greater that PUF in some years. Chancellor Yudof expressed disappointment with levels of funding enrollment growth. He reported on the Board of Regents' study of capital needs and said a statewide plan is required. A discussion of issues related to the possible reformation of the Tuition Revenue Bond process ensued. The Chancellor said the problems are understood, but a greater State commitment is needed.

Dr. García urged consideration of a Tuition Revenue Bond fix specific to fast-growing institutions. She advocated a plan that addresses noticeable growth. Vice Chair Breedlove suggested a possible melding of Tuition Revenue Bonds and the Closing the Gaps plan.

Mr. Campirano encouraged the partners to work together and consider the best alternatives and determine how best to leverage the bond issues. He said The University of Texas System is a useful partner to finding a solution. The Chancellor agreed that action and sound public policy to close the gaps are needed. He urged public and business partnerships and a review of tuition and fees, gifts, and grants.

Dr. García addressed partnership activities beginning with the observation that it snowed in Brownsville for the first time in 109 years on Christmas Eve 2004 and that at UTB/TSC, "we do believe in miracles." She mentioned an increase of approximately $11 million in research and then introduced a video about a project to restore the Bahia Grande wetlands.

Dr. García used a space project model showing the greatest space need in 2005 numbers that indicated a surplus at The University of Texas at San Antonio, and she talked about the success in addressing the space needs at U. T. San Antonio. She asked if there were a way to change the weighting related to formula funding of greater amounts for upper-level courses. The Chancellor said the Coordinating Board is studying issues, but he is not sure there are quick and easy fixes if there is not enough money in the formula funding system.

Chair Gonzalez noted the acquisition of land at La Placita (one and a half acres with 18,000 square feet), condos across from student housing, and the lots on Jackson Street for parking. Then a video related to the bond issue was shown.

Texas Higher Education Coordinating Board Chairman Robert Shepard said he will look again at the space numbers because U. T. San Antonio reports a space deficit, as does U. T. Brownsville. *[In a follow-up email, President García indicated the information she had presented about U. T. San Antonio during the meeting was incorrect.]*

Dr. Reyes spoke about the planning for doctoral program authority and said the Office of Academic Affairs offers help with graduate program planning and/or approval to the Coordinating Board. Programs are reviewed by the U. T. Board's Academic Affairs Committee, and then go to the Coordinating Board. Items are reviewed quickly and carefully. He pledged to help to meet and exceed the expectations of the Coordinating Board for doctoral programs and to create a program that can be marketed rationally.

Chair Gonzalez suggested that perhaps now is the time to make another recommendation to seek a funding mechanism to move the University in the right direction. He asked for another meeting in six months to review a proposal to meet the needs of the college. Trustee Breedlove moved to seek funding to help the University grow.

Committee Chairman Krier noted the need for specificity to assure success. Regent Estrada supported another meeting in six months and the creation of a working group to make recommendations. (The working group might include six people appointed by the Chancellor and six people appointed from the U. T. Brownsville staff.) Regent Krier recommended both long and short-term approaches. Chancellor Yudof noted agreement but need for money. He noted earlier proposals to address inflation and to provide free tuition. He noted the need for a solution that expands resources.

Dr. García agreed and suggested that a solution applicable to all fast-growing institutions may be the best approach. The Chancellor agreed to work with staff at U. T. Brownsville as well as Dr. Sullivan and Dr. Reyes at U. T. System. The Chancellor also encouraged Dr. García to review the U. T. Brownsville Tuition Revenue Bond proposal.

Francie Frederick
General Counsel to the Board of Regents
The University of Texas System

Partnership Advisory Committee
December 2007
President Juliet García

Student Characteristics

- 1st Generation:
  - 90%
- Pell Eligible:
  - 61%
- Ethnicity:
  - 93% Hispanic
- Residence:
  - Cameron County 93%
- Part-time:
  - 62%

2

Faculty Growth and Credentials

1991: 184 Full-time Faculty
2007: 380 Full-time Faculty

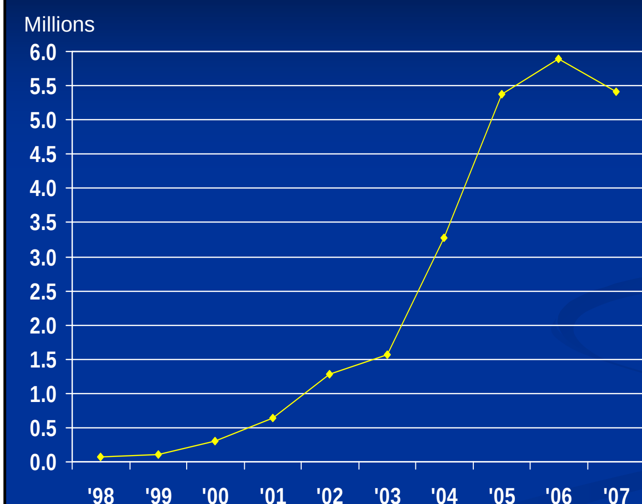
2007 New Faculty

- American University of Beirut
- Brigham Young University
- California Institute of Technology
- Moscow Institute of Physics and Technology
- Rutgers University
- University of Navarra, Barcelona, Spain
- University of Texas Institutions

… and many others

3

Research Expenditures



THECB: Survey of Expenditures for Research and Development Projects

4

Closing the Gaps: Participation

Statewide

- THECB set a goal for all Texans to attend college at a rate of 5.7% by 2015.
- THECB set an interim overall Texas participation rate goal of 5.6% and of 4.8% for the Hispanic population by 2010.
- In 2000, the overall participation rate was 5% while the Hispanic participation rate in higher education was 3.7%.

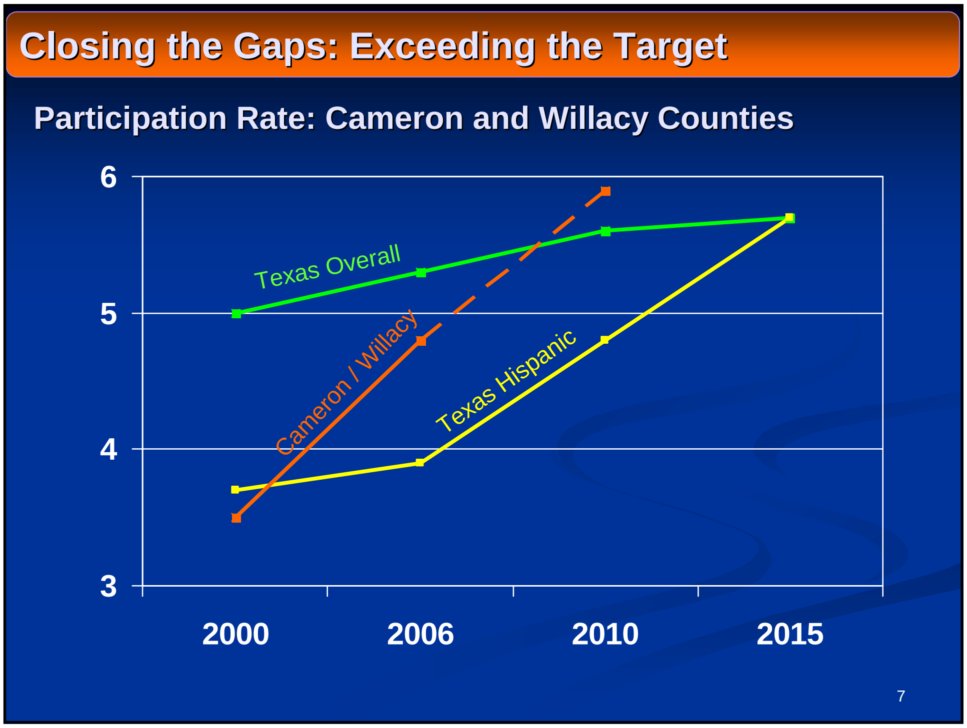
5

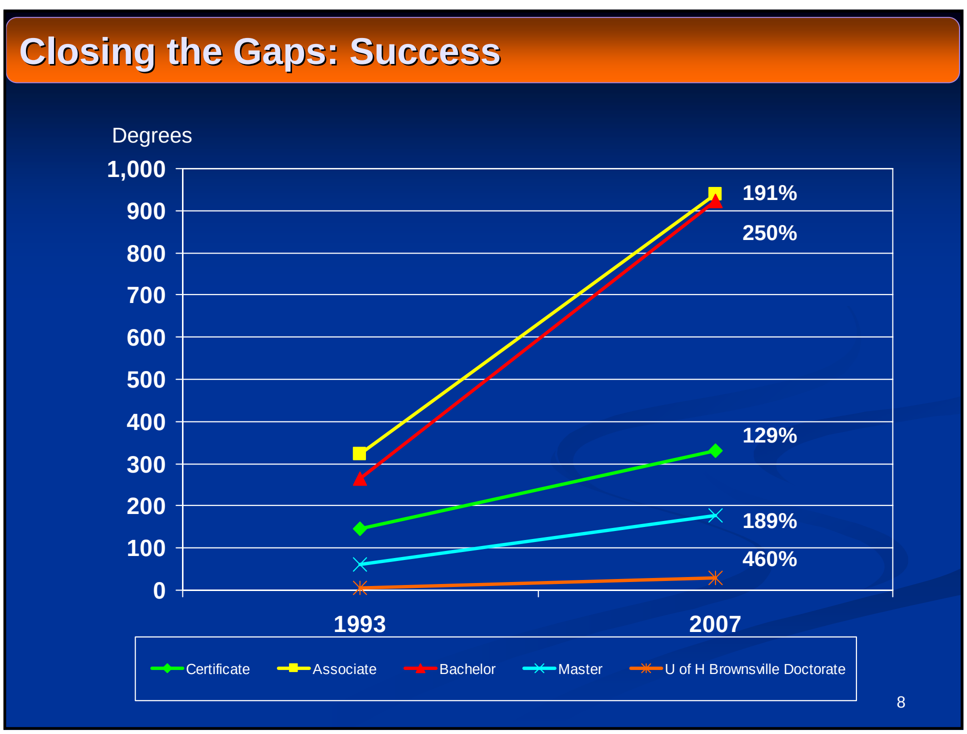
Closing the Gaps: Participation

Cameron and Willacy Counties

- Cameron and Willacy counties are served by two institutions of higher education; UTB/TSC and Texas State Technical College Harlingen.
- In 2000, the participation rate in these counties was 3.5%.
- In 2006, the participation rate in these counties was 4.8% -- reaching the state goal for Hispanic participation 4 years earlier.
- If the counties' participation continues growing at the same rate it has in the past, these counties will exceed the state's overall participation target rate by 2010 -- 5 years earlier than the THECB's goal.

6


Closing the Gaps: Exceeding the Target
Participation Rate: Cameron and Willacy Counties
6
5
4
3
2000
2006
2010
2015
Texas Overall
Cameron / Willacy
Texas Hispanic
7


Closing the Gaps: Success
Degrees
1,000
900
800
700
600
500
400
300
200
100
0
1993
2007
191%
250%
129%
189%
460%
Certificate
Associate
Bachelor
Master
U of H Brownsville Doctorate
8

New Construction

Recreation Education & Kinesiology Center:	Local and students
Classroom Building:	Local
Library II:	Local
Music Ed. and Recital Hall:	Local
Center for Early Childhood Studies:	Local
International Technology Education Commerce Campus renovations:	Local
Biomedical Science and Technology:	State

9

Chess College of the Year

Texas Region VIII Championships
2002: 1st, 2003: 1st, 2005: 1st, 2007: 1st
Texas Collegiate Championships
2002: 3rd, 2005: 1st, 2006: 1st
Southwest Collegiate Championships
2004: 2nd, 2005: 1st, 2006: 2nd, 2007: 2nd
National K-12/Collegiate Championships
2005: 1st, 2006: 2nd
Pan American Intercollegiate Team
2006: 8th
National Chess Federation
2007 Chess College of the Year

10

Brownsville Chess on CBS

Video

http://www.cbsnews.com/sections/i_video/main500251.shtml?id=3000899n

11

UTB
TSC

Satisfactory Academic Progress

Partnership Advisory Committee
December 2007
President Juliet García

UTB TSC

1

What is SAP?

- Satisfactory Academic Progress
  - 2.0 G.P.A. (grade point average)
  - 70% Completion Rate (hours taken)
- Used to determine:
  - Good Standing, Probation or Suspension
  - TSC Trustees Scholarship Eligibility
  - Other Financial Aid Eligibility
  - Graduation Eligibility

2

Completion Rates

Must complete 70% of hours attempted to remain in good standing.

Hours Attempted	Courses dropped/failed to remain at 70%
15	one 3 or 4 hr course
12	one 3 hr course
9	0
6	0
3	0

3

Time to Graduation

Student A:

- Take: 30 hours per year
- Drop or fail: 0
- Earn a bachelor's degree in 4 years

Student B:

- Take: 30 hours per year
- Drop or fail: 30%
- Earn a bachelor's degree in 6 years

4

Time to Graduation: Part-time

Part-Time Student A:

- Take: 18 hours per year
- Drop or fail: 0
- Earn a bachelor’s degree in 7 years

5

Probation and Suspension

- Probation: student falls below SAP for one semester
  - May register for a maximum of 12 hours
- Suspension: during probationary semester, student does not meet SAP
  - Must sit out one long semester
- Returning after suspension
  - May register for a maximum of 7 hours
  - Must follow intervention plan
  - Must meet SAP requirements for the term
  - Ineligible for Financial Aid for this semester
    - (7 hours = $1226 + books)

6

Trustees Scholarship for in-district students

Tuition 15 SCHs	$1,740
TSC District Subsidy	$ 285
Total	$1,455

Before SAP revisions:

- Subsidy to lower division students

After SAP revisions:

- Trustees Scholarship to lower division students meeting SAP
- Upper division students meeting SAP and taking 15 hours or more

Local scholarship contribution:

- $3.2 million per year to students making satisfactory academic progress

7

UTB TSC

1. **U. T. System Board of Regents: Approval of Chairman's recommended Committee Chairmen and other Representative appointments (Regents' *Rules and Regulations*, Series 10402)**

RECOMMENDATION

In accordance with the requirements of the Regents' *Rules and Regulations*, Series 10402, Chairman Caven will make recommendations at the meeting and request the concurrence of the U. T. System Board of Regents on appointments of Committee Chairmen and as Board representatives to the Board for Lease of University Lands, the Board of Directors of The University of Texas Investment Management Company (UTIMCO), the Board of Trustees of the Texas Growth Fund, the Board of Directors of the M. D. Anderson Services Corporation, and the Type 2 Diabetes Risk Assessment Program Advisory Committee as set forth below.

All appointments are effective immediately and will remain in effect until new appointments are made.

2. **U. T. Arlington: Civil Engineering Laboratory Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. System Board of Regents approve the recommendations for the Civil Engineering Laboratory Building project at The University of Texas at Arlington as follows:

Project No.:	301-347		
Institutionally Managed:	Yes ☒ No ☐		
Project Delivery Method:	Competitive Sealed Proposals		
Substantial Completion Date:	August 2008		
Total Project Cost:	Source	Current	Proposed
	Revenue Financing System Bond Proceeds	$5,400,000	$9,800,000

Investment Metrics:

- Increased enrollment and graduation rates in Civil and Environmental Engineering
- Undergraduate enrollment will grow from 280 to over 400 by Year 5
- Graduate student enrollment will increase from 206 to over 300 students by Year 5
- Increase research funding by $1.0 million annually by Year 5, $2.0 million annually by Year 10, and $3.0 million annually thereafter
- 3 to 5 additional tenure-track faculty lines as well as new graduate and undergraduate assistants
- Assist U. T. Arlington Civil Engineering in attaining top 25 ranking in 10 years

a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from $5,400,000 to $9,800,000 with funding from Revenue Financing System Bond Proceeds;

b. approve design development plans;

c. appropriate and authorize expenditure of funds;

d. approve the evaluation of alternative energy economic feasibility; and

e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $9,800,000.

BACKGROUND INFORMATION

Debt Service

The $9,800,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service on the $9,800,000 in Revenue Financing System debt is expected to be approximately $724,000. The institution's debt service coverage is expected to be at least 2.3 times and average 2.8 times over FY 2008-2013.

Previous Board Action

On August 23, 2007, the project was included in the CIP with a total project cost of $5,400,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The institutionally managed project will construct a new building of approximately 25,000 gross square feet with an exterior material storage area for the College of Engineering. The building will provide much needed additional space to meet increasing demands for research space. The new space will provide faculty and student offices, conference rooms, and laboratories. Research labs will be relocated from the existing Engineering Lab Building to provide for growth expansion in these specific research labs, thus freeing up space in the existing Engineering Lab Building. The original project cost was based on an early programming estimate prior to a full understanding of project scope and programmed spaces to define individual research laboratory needs.

Exterior construction for the new building will be metal and will blend with the surrounding buildings. Energy efficient lighting and separate mechanical systems will be incorporated. The new space will be used to provide growth expansion for the following laboratories within the Department of Civil and Environmental Engineering of the College of Engineering: asphalt, environmental, construction, transportation, geotechnical, and material/structures.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

3. U. T. Health Science Center - Houston: Approval regarding proposed revisions to Mission Statement

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Willerson that proposed changes to the U. T. Health Science Center - Houston Mission Statement as set forth below be approved by the U. T. System Board of Regents and forwarded to the Texas Higher Education Coordinating Board for approval.

Revised Mission Statement

As a comprehensive health science university, the mission of The University of Texas Health Science Center at Houston is to educate health science professionals, discover and translate advances in the biomedical and social sciences, and model the best practices in clinical care and public health.

We pursue this mission in order to advance the quality of human life by enhancing the diagnosis, treatment, and prevention of disease and injury, as well as promoting individual health and community well-being.

Current Mission Statement

The University of Texas Health Science Center at Houston (UTHSC-H) is a component of The University of Texas System committed to the pursuit of high standards of achievement in instruction, student performance, clinical service, research, and scholarly accomplishment toward improvement of the health of Texans.

As an academic health science center, this institution is one in which undergraduate, graduate, and post-graduate students are educated broadly in the sciences of health and disease and are prepared for health-related careers in the provision of human services, and for investigating the mysteries of the biomedical sciences. Within an environment of academic freedom, students learn from faculty scholars who have in-depth expertise in the predominant health disciplines and the biomedical sciences. Research both to extend human knowledge related to health and to develop and maintain their own scholarly and professional expertise is led by faculty who involves and educates students and trainees in these research pursuits.

UTHSC-H consists of the following organizational units, which are listed by date of establishment:

Dental Branch (established 1905; joined U. T. 1943)*
Graduate School of Biomedical Sciences (1963)*
School of Public Health (1967)*
Medical School (1970)*
School of Nursing (1972)*
School of Health Information Sciences (established as the School of Allied Health Sciences 1973; reorganized and name changed 2001)*
Harris County Psychiatric Center (established 1981; joined UTHSC-H 1989)

The comprehensiveness of this university, featuring the presence of six major health-related schools - medicine, dentistry, public health, nursing, health informatics, and biomedical science - provides an environment beneficial to collaborative endeavors in teaching, research and service. Interdisciplinary projects and activities bring faculty and students together in a rich learning environment. Collectively, these units respond to the health care manpower needs of the citizens of Texas, the City of Houston, and Harris County and its surrounding counties by developing creative models for the training of health professionals, particularly emphasizing interdisciplinary educational models, and addressing the growing demand for primary care health professionals.

With over 200 clinical affiliates in the State, UTHSC-H provides health professions students with a variety of clinical and community-based experiences. With such experiences in urban, suburban, and rural environments, UTHSC-H students are trained where Texans live. The School of Public Health, the oldest accredited school of public health in the State of Texas, acknowledges and accepts a unique responsibility to reach throughout the state to prepare individuals for the challenges of this expanding field. Four regional campuses are already in place in Brownsville, Dallas, El Paso, and San Antonio to assist in meeting the increasing demand for public health professionals. The health informatics program in the School of Health Information Sciences is unique in Texas - and the nation. With its interdisciplinary focus, this program provides an invaluable resource of expertise and training in health informatics for our state.

In addition to the six schools, the Harris County Psychiatric Center (HCPC) is a unique feature of the organization that is committed to advances in mental health services and care as well as education of mental health-care professionals.

The University of Texas Health Science Center at Houston considers itself a member of a large learning community and works to contribute to and draw from the intellectual pursuit of the other institutions in the Texas Medical Center and the greater Houston area.

To benefit this local community and the entire State of Texas, this institution offers a variety of continuing education programs to assist practicing health professionals in utilizing the latest findings of research from the worldwide community of scholars in clinical and biomedical fields. As a result of participation in these professional enhancement programs, practitioners adopt new modalities for the treatment and prevention of disease. With these outreach efforts and programs aimed at promoting science and math as well as careers in health care to young students in grades K-12, UTHSC-H will meet new challenges to the health of the citizens of the State of Texas.

*This academic unit offers degrees and programs with subjects limited to health-related fields.

Approved by the U. T. System Board of Regents on 11/13/2003.

BACKGROUND INFORMATION

Periodically, the Mission Statement is reviewed by faculty and administration to ensure its accuracy and applicability to an ever-changing and growing institution. The current statement was last approved by the Board of Regents on November 13, 2003. Upon review, the consensus was that the current statement was too lengthy. It was rewritten to make it a succinct, but definitive, mission statement that is more appropriate for strategic planning and in representing U. T. Health Science Center - Houston in various publications and on the institution's Web site.

4. U. T. System: Recommendation to select providers of banking services for U. T. System institutions

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents authorize the selection of certain banks to provide banking services to U. T. System institutions and to enter into contracts with the U. T. System.

BACKGROUND INFORMATION

U. T. System institutions currently contract independently with more than a dozen banks to provide depository and other banking services. The Board of Regents asked the U. T. System Office of Finance to explore the multiple banking relationships and determine if there are ways to increase efficiency and lower costs for these services. To that end, the U. T. System Office of Finance has been leading a treasury implementation team, consisting of cash managers from many U. T. System institutions, representatives of U. T. System Administration, and Ms. Linda Patterson, an independent treasury advisor with Patterson & Associates in Austin.

In August 2007, the Office of Finance issued a System-wide banking Request for Proposal (RFP). The purpose of the RFP was to competitively leverage the collective size of the U. T. System to standardize and reduce banking fees, maximize interest income, and reduce the number of banks serving U. T. System institutions while increasing service-level standards. Banks were rated based on the following criteria: (1) fees associated with services to be provided and the total long-term cost effectiveness to the U. T. System; (2) the reputation of the banking institution and its services, experience, references, continuity, creditworthiness, and financial stability; (3) the quality of the bank's services and the ability of the bank to provide state-of-the-art services; (4) the extent to which the services meet the U. T. System's needs emphasizing service levels and customer service; (5) the bank's relationship with the U. T. System and its institutions and the geographical proximity of banking facilities to the U. T. System institutions; and (6) the impact on the ability of the U. T. System to comply with the laws and rules relating to Historically Underutilized Businesses (HUBs) and to the procurement of services from persons with disabilities.

Eight banks responded to the RFP:

1. Amegy Bank
2. Bank of America
3. Comerica Bank
4. Frost Bank
5. JPMorganChase Bank
6. Moody National Bank
7. Southside Bank
8. Wells Fargo Bank

The U. T. System Office of Finance has reviewed the responses to the RFP and determined that certain banks are able to provide superior services in a cost-effective manner. Upon approval by the Board of Regents, these selected banks will be eligible to contract with the U. T. System and provide services to U. T. System institutions beginning in 2008. The contracts will be for a three-year period with two one-year renewal options. It is anticipated that contracting with the selected banks will reduce banking fees and charges significantly over the next five years, increase interest income, and provide a broader array of services to the institutions.

5. <u>U. T. System: Approval of additional allocation of Intermediate Term Fund Proceeds for System-wide projects</u>

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Health Affairs in the recommendation to allocate additional Intermediate Term Fund proceeds in the amount of $7 million to the following projects:

a. $5 million for a new initiative, *Strength in Numbers*, a campus development grant to provide for direct, strategic assistance to eligible campuses, and

b. $2 million for the *Texas Ignition Program*, a competitive grant program to accelerate commercialization of university inventions.

BACKGROUND INFORMATION

The University of Texas System Administration invests its own operating cash, other than Available University Funds, according to the Allocation Policy for Non-Endowment Funds approved by the U. T. System Board of Regents in November 2005. That Allocation Policy was structured to provide sufficient liquidity to meet the needs of the U. T. System institutions and U. T. System Administration, while ensuring that all funds not needed for short-term liquidity purposes were invested with an appropriate time horizon to enhance the total return of the non-endowment funds. Non-endowment funds are invested in the Intermediate Term Fund and Short Term Fund pursuant to the Allocation Policy.

Earnings on System Administration's operating cash invested in the ITF are pooled and any realized gains on these investments centrally controlled. The Board of Regents has broad statutory authority and discretion to control, invest, and budget institutional funds including earnings from those funds for any purpose that furthers the mission of the

U. T. System Administration or the institutions. The proposals, found on Pages 39 - 44, are recommended to be funded from realized gains generated from U. T. System Administration's operating cash invested in the ITF.

Proposal to Request ITF Allocations to Support Campus Development Activities

Background

The fifteen development/advancement operations in the U. T. System are as highly differentiated as the institutions themselves. Several development operations are quite mature and have balanced fundraising programs in place. Others have smaller programs with fewer staff and less established departments. Consequently, these operations have greater challenges to overcome as they work to respond to the philanthropic needs outlined in their institution's strategic plans.

Over the last three years, almost half of the U. T. institutions have undergone significant restructuring activities to build a stronger capacity to increase philanthropic revenue streams. Most are progressing admirably. Recent survey data submitted by the U. T. System to the Council for Aid to Education (CAE) revealed that total giving to the U. T. System in FY 07 was almost $761 million, a record year for giving, and an increase of almost 35 percent over FY 06. This figure is also quite respectable on a national scale. That said, almost 75 percent of the gift total was realized by three institutions including U. T. Austin, U. T. Southwestern Medical Center – Dallas, and U. T. M. D. Anderson Cancer Center.

While all U. T. institutions are working hard to increase private gifts as a key source of institutional funding, several institutions continue to have challenges with respect to recruiting, retaining and compensating experienced development professionals based on their locale and other factors. In addition, some campuses have good, basic, core development functions in place but historically have lacked adequate financial and human resources to achieve higher levels of fundraising success and organizational effectiveness.

Consequently, while a grand total of $761 million may appear to be impressive, each campus has demonstrated a set of challenges that may be rectified, to a great extent, with additional, but very strategically-allocated funding. While the twelve remaining campuses (other than the three mentioned above) could benefit greatly from further infusions in financial and human resources, even those with continuous fundraising successes are in need of support, especially as they attempt to become more competitive with their peer and aspirant institutions and as they prepare for ambitious and comprehensive capital campaigns.

The Case for Additional Campus-Based Development Operation Support

Several important activities led by the U. T. System Administration have served as a driving force to help institutions develop strategies to improve the effectiveness and productivity of their development operations. Campuses have responded favorably, and they recognize the importance of private philanthropy as an essential source of core university funding.

- The annual Accountability and Performance Report presented an opportunity for institutions to identify their respective peer and aspirant institutions based on a variety of variables. The Office of External Relations subsequently was able to prepare a report for each U. T. president, using institutional peer and aspirant data to indicate how the campus compared with others in areas such as alumni participation, total giving from individuals and organizations, number of planned gifts and other expectancies, and other areas. ***In the case of almost all U. T. institutions, most fell short in gift totals when compared not only to their aspirants, but also to their peer institutions.*** This discovery enabled us to delve deeper into some of the underlying problems and challenges in each of the development programs. After identifying those issues, External Relations worked in a customized manner with each campus to address the challenges and to build a roadmap for continuous improvement. In almost all cases of underperforming operations, we identified several problems including inexperienced leadership, lack of specialized expertise and training among existing staff, and a lack of adequate funding to make investments in some of the most essential development functions and positions.

- Compacts and Institutional Strategic Plans, coupled with a discussion about development during the president's annual review conducted by the Chancellor and Executive Vice Chancellors, all shine a spotlight on the important role that presidents play in securing private support as a fundamental responsibility.

- The Washington Advisory Group Report pointed to a need for every institution, especially those aspiring to become top tier, to significantly increase their philanthropic investments in key emerging areas.

- The U. T. presidents have responded quite receptively to External Relations' recommendations, particularly with respect to reorganizing their respective development operations. One challenge, though, continues to occur in the rebuilding phase. Presidents are often strapped to find enough institutional funds to invest in development at a pace that will enable them to raise more dollars sooner than later. Adding a position or two each year in essential areas means that a mature development program will take some time to be built. Consequently, the longer it takes to build a high-performing development program, the less likely the opportunity exists for a campus to respond promptly to the philanthropic needs to support its strategic plan.

- Through four years of in-depth annual development activity assessments and ongoing relationships with all campuses, External Relations has enough background material and data to know the strengths and challenges associated with their respective development operations.

- Each institution has a unique set of circumstances that will enable it to benefit from more development funding. The U. T. System can be instrumental in an institution's success by offering strategically placed "seed" allocations to development operations that clearly demonstrate need, accountability and a willingness to be measured for success.

Request for Funding

The Office of External Relations respectfully requests that the U. T. System Board of Regents approve an allocation of $5 million of ITF funds to provide direct, strategic assistance to eligible institutions.

These funds will be used to create a time-limited grant program called ***Strength in Numbers,*** designed to give institutions the development horsepower and capacity they will need to increase private revenue streams, and ultimately, to increase the ability to advance their institutions to new levels of excellence as outlined in their respective strategic plans. ***Strength in Numbers*** allows the U. T. System to provide dollars to institutions to help them raise more dollars. Depending on need, requests will be considered for amounts up to $1 million.

Process for Requesting and Allocating *Strength in Numbers* Funds to Campuses

Given the very unique needs and maturity of each campus development operation, a one-criterion definition of eligibility (e.g. desire to launch a capital campaign) will not fully substantiate a need for funding. Each campus must demonstrate a need for funding, explain how the funds will contribute to **at least one of two nationally-gauged industry metrics**, including (1) an increase in private support, and/or (2) an increase in donor participation such as alumni participation rates. The Office of External Relations proposes the following process:

- Issuance of a brief Request for Proposals (RFP), through which each campus will be asked to submit a brief proposal demonstrating (1) financial need, (2) assurances as to how the money will be spent, (3) a commitment to provide recurring institutional support after U. T. System seed funding is allocated (if the type of funding requested is needed to fund new positions or other recurring expenses), (4) assurances that the new money will lead to an increase in private support and/or an increase in donor participation, (5) assurances that the funding will support an integrated development program, one which is tied to the strategic plan of the institution and the colleges, schools and units that comprise it.

- Each proposal will be reviewed by Vice Chancellor Randa Safady; Julie Lynch, Director of Development and Gift Planning Services; and the new Director of the Development Leadership and Counseling Program. These three individuals shall have a firm knowledge and significant background data on the institution's current performance, compliance with policies and practices, and ability to strategically apply new funds to advance the institution.

- After reviewing each request, the review team will make a recommendation to the appropriate Executive Vice Chancellor and Chancellor before submitting a response to the campus president. Again, if campuses are requesting seed money for new positions, they will need to commit to a sustainable funding plan after the U. T. System money is offered to them.

- Special consideration will be given to institutions that need one-time funding to launch comprehensive capital campaigns or other special fundraising initiatives. At the present time, five institutions are working with outside counsel to conduct feasibility studies to determine campaign readiness. The results of the feasibility study, coupled with External Relations' review (using past performance, implementation of reorganization recommendations, etc.) shall determine whether a recommendation will be made to authorize a capital campaign.

- Other institutions not quite ready for campaigns may be eligible for funds by demonstrating good progress in their ability to raise more money and build sound programs. Since their good activities are positioning them for future campaigns, they may need additional support to continue to shore up areas such as planned giving, alumni relations, or other efforts that will help them build a more balanced fundraising operation.

The Office of External Relations will assess the performance of ***Strength in Numbers*** on a semi-annual schedule. A variety of metrics may be used for assessment depending specifically on the type of grant made to an institution. For instance, if investments are made in planned giving, a metric will be an increase in the number of planned gift expectancies. If investments are made in prospect research, a metric will be a significant increase in the number of prospects available in the data base for cultivation and solicitation.

Successes in development are contingent upon a variety of factors including the stock market, lengthy recruitment periods of star professionals, cultivation of donors before a gift may be realized, and others. Consequently, metrics will be continued to be monitored over time with an acknowledgement that ultimate success may not be visible until several years after the development funds have been disbursed.

Texas Ignition Program

BACKGROUND

A significant gap, referred to as the “valley of death,” often exists between a researcher’s disclosure of an invention and actual product development. Many potentially viable research discoveries are lost for lack of funding to test and prove a concept or put it into practice. A total of $2 million of U. T. System Administration funding is requested for the Texas Ignition Program to provide a vehicle to help overcome this considerable barrier to commercialization. Matching funds will be solicited from private sources.

Global competitiveness is rapidly changing and expanding the role of institutions of higher education within the domain of economic development. This expansion includes a proactive approach to the protection and translation of intellectual property (IP) from discovery to commercialization, and involves the formation of startup companies and other related activities.

To address the challenge of improving and enhancing technology commercialization, the U. T. System Office of Research and Technology Transfer (RTT), formed a committee co-chaired by Madison Pedigo of Texas Instruments, Matt Blanton of StarTech, and Arjun Sanga of U. T. System. The committee’s analysis demonstrated that many discoveries that have the potential to become viable products require significant additional effort and capital to attract investors for commercialization. Meanwhile, most research grants that produce these discoveries do not fund costs associated with further commercial development.

The Texas Ignition Program is a time-limited grant program designed to stimulate commercialization of discoveries at the 15 U. T. institutions by providing small grants for the development and maturation of those discoveries into marketable intellectual property. The Program will permit U. T. institutions to request, through their president or designated official, funds to accelerate the commercial development of a technology created at that institution and owned by the Board of Regents. Its goals include:

- Creating a robust framework for developing discoveries arising out of U. T. System research. Such an infrastructure would include validation of the discoveries, external U. T. mentorship and funds for commercialization.
- Creating a culture to promote innovation, translation and commercialization of new ideas and technologies on the campuses of the 15 University of Texas institutions.
- Preventing viable technologies from being abandoned due to a lack of commitment or seed capital.

Grants will be awarded on a competitive basis to proposals responsive to the above goals, but will not be limited to these approaches. These proposals will be made to the Office of Research and Technology Transfer. The Ignition Fund will be administered by a Board (“Ignition Board”) composed of senior U. T. System executives appointed by the Chancellor. System RTT will coordinate a panel of experts in science, technology, engineering, math, intellectual property law, business, and venture capital, who will be charged with reviewing and recommending specific proposals for funding by the program. Final approval of a grant will reside with the Ignition Board.

Requests will be considered for amounts up to $50,000. Documented requests for an additional amount up to $50,000 to cover faculty salary costs associated with startup company formation may be considered. U. T. System institutions will make good faith efforts to contribute to the costs for intellectual property protection of the technology, depending upon the resources available. Ignition Program funds may be used for any legitimate purpose for advancing the commercial development of a discovery including:

- Direct costs of supplies, equipment, instrument use fees, and other necessary and allowable expenses required to demonstrate “proof of concept” or a “reduction to practice”.
- As appropriate, personnel costs (undergraduate and graduate students, post doctoral fellows, technicians or other research staff) and business plan costs (marketing survey, feasibility) are permitted.
- Faculty salary support (in limited circumstances) to pursue formation of their own startup company, to commit time and effort to startup company formation by external management teams, or to commit time and effort to conducting research to achieve proof of concept or reduction to practice of a specific discovery.
- Patent costs only on a need-based determination.

RTT will assess performance of the Ignition Fund on a six-month schedule. The following metrics will be used for assessment:

1. Amount of external funding received
    - Extramural research grant awards
    - Angel investments
    - Venture capital investments
2. Protection of intellectual property
    - Patent applications
    - Patents issued
    - Copyright applications
    - Copyright registrations
3. Commercialization activities
    - Number of licenses executed
    - Number of startup companies formed
    - Income generated from royalties, milestones, upfront payments, equity and other instruments.

Technology commercialization is dependent upon economic markets that are often unrelated to the actual development of the technology. As a result, all metrics will be tracked over time with the recognition that some commercialization activities will not occur until several years after Ignition Funds have been disbursed.

6. **U. T. System Board of Regents: Approval of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommendations for amendments to the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund, and for approval of amendments to the Derivative Investment Policy and Liquidity Policy**

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve proposed amendments to the following Investment Policy Statements, including asset allocation, as set forth on the referenced pages.

a. Permanent University Fund (PUF) (Pages 52 - 66)

b. General Endowment Fund (GEF) (Pages 67 - 79)

c. Permanent Health Fund (PHF) (Pages 80 - 92)

d. Long Term Fund (LTF) (Pages 93 - 105)

e. Intermediate Term Fund (ITF) (Pages 106 - 118)

f. Derivative Investment Policy (Pages 119 - 123)

g. Liquidity Policy (Pages 124 - 126)

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of UTIMCO, will discuss the recommended investment policy changes using the PowerPoint presentation set forth on Pages 127 - 142.

BACKGROUND INFORMATION

Section 3(a) of the Investment Management Services Agreement dated February 9, 2006, between the Board of Regents of The University of Texas System and UTIMCO provides that UTIMCO shall review the investment policies of the assets under its management at least annually by June 1 of each year and recommend any changes of such policies for approval by the U. T. Board. The annual review was delayed to accommodate the hiring and arrival of Bruce Zimmerman as CEO. The annual 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, Investments 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. After UTIMCO completes its assessment, UTIMCO staff shall forward any recommended changes to U. T. System staff for review and appropriate action. The amended PUF, GEF, ITF, PHF, and LTF (the "Funds") Investment Policy Statements will be considered for approval by the UTIMCO Board on November 29, 2007.

The Short Term Fund (STF) Investment Policy Statement and the Separately Invested Funds (SIF) Investment Policy Statement have been reviewed by UTIMCO staff and there are no recommended changes. These investment policies were amended by the U. T. Board on November 10, 2005 and July 11, 2006, respectively.

The Investment Policy Statements for the PUF, GEF, PHF, and LTF (Endowment Funds) have been amended to reflect the new investment strategy effective March 1, 2008. 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 with an effective date of March 1, 2008. The investment objectives of the ITF remain the same.

For the GEF, PHF, and LTF, the primary investment objective -- 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 from .35% to .45% because of the approved change in compliance fees.

The secondary investment objective of the Endowment 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 (Peer Group).

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 Endowment Funds 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 to be considered for approval by the UTIMCO Board on 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.

The substantive changes to the Investment Policy Statements are outlined below:

PUF Investment Policy Statement has been amended with the following:

- PUF Management: References changed to "Asset Class" and "Investment Type" to reflect new investment strategy
- PUF Investment Objectives: Investment objectives changed to incorporate new investment strategy as discussed above
- Asset Class and Investment Type Allocation and Policy: Asset Class and Investment Type Allocation and Policy replaces prior asset allocation policy
- Investment Guidelines: Investment Guidelines have been changed to incorporate Asset Class and Investment Types consistent with new investment strategy
- PUF Accounting: Sentence added to provide for write-off and reporting of assets that are "other than temporarily impaired"
- Compliance: Paragraph regarding compliance with the policy, including process for monitoring and reporting of failures to comply, has been added
- Exhibit A: Updated for new format that incorporates Asset Class and Investment Type targets and ranges and Risk Bounds
- Other minor editorial changes have been made

GEF Investment Policy Statement has been amended with the following:

- GEF Management: References changed to "Asset Class" and "Investment Type" to reflect new investment strategy

- GEF Investment Objectives: Target rate changed to 5.2% to accommodate the increase in annual expected expense of the GEF from .35% to .45% because of the approved change in compliance fees; investment objectives changed to incorporate new investment strategy as discussed above
- Asset Class and Investment Type Allocation and Policy: Asset Class and Investment Type Allocation and Policy replaces prior asset allocation policy
- Investment Guidelines: Investment Guidelines have been changed to incorporate Asset Class and Investment Types consistent with new investment strategy
- GEF Accounting: Sentence added to provide for write-off and reporting of assets that are "other than temporarily impaired"
- Compliance: Paragraph regarding compliance with the policy, including process for monitoring and reporting of failures to comply, has been added
- Exhibit A: Updated for new format that incorporates Asset Class and Investment Type targets and ranges and Risk Bounds
- Other minor editorial changes have been made

PHF Investment Policy Statement has been amended with the following:

- PHF Management: References changed to "Asset Class" and "Investment Type" to reflect new investment strategy
- PHF Investment Objectives: Target rate changed to 5.2% to accommodate the increase in annual expected expense of the GEF from .35% to .45% because of the approved change in compliance fees; investment objectives changed as discussed above
- Asset Class and Investment Type Allocation and Policy: Asset Class and Investment Type Allocation and Policy replaces prior asset allocation policy
- Performance Measurement: Language has been standardized with GEF, PUF, and ITF Investment Policy Statements
- Investment Guidelines: Repetitive statements have been deleted
- PHF Accounting: Sentence added to provide for write-off and reporting of assets that are "other than temporarily impaired"
- Compliance: Paragraph regarding compliance with the policy, including process for monitoring and reporting of failures to comply, has been added
- Exhibit B: Updated for new GEF Exhibit A that incorporates Asset Class and Investment Type targets and ranges and Risk Bounds
- Other minor editorial changes have been made

LTF Investment Policy Statement has been amended with the following:

- LTF Management: References changed to "Asset Class" and "Investment Type" to reflect new investment strategy

- LTF Investment Objectives: Target rate changed to 5.2% to accommodate the increase in annual expected expense of the GEF from .35% to .45% because of the approved change in compliance fees; investment objectives changed as discussed above
- Asset Class and Investment Type Allocation and Policy: Asset Class and Investment Type Allocation and Policy replaces prior asset allocation policy
- Performance Measurement: Language has been standardized with GEF, PUF, and ITF Investment Policy Statements
- Investment Guidelines: Repetitive statements have been deleted
- LTF Distributions: Uniform Management of Institutional Funds Act (UMIFA) has been changed to Uniform Prudent Management of Institutional Funds Act (UPMIFA) to reflect the change in law effective September 1, 2007
- LTF Accounting: Sentence added to provide for write-off and reporting of assets that are "other than temporarily impaired"
- Compliance: Paragraph regarding compliance with the policy including process for monitoring and reporting of failures to comply, has been added
- Exhibit B: Updated for new GEF Exhibit A that incorporates Asset Class and Investment Type targets and ranges and Risk Bounds
- Other minor editorial changes have been made

ITF Investment Policy Statement has been amended with the following:

- ITF Management: References changed to "Asset Class" and "Investment Type" to reflect new nomenclature
- ITF Investment Objectives: Language in investment objectives changed to reflect new nomenclature
- Asset Class and Investment Type Allocation and Policy: Asset Class and Investment Type Allocation and Policy replaces prior asset allocation policy
- Investment Guidelines: Investment Guidelines have been changed to incorporate Asset Class and Investment Types consistent with new nomenclature
- ITF Accounting: Sentence added to provide for write-off and reporting of assets that are "other than temporarily impaired"
- Compliance: Paragraph regarding compliance with the policy, including process for monitoring and reporting of failures to comply, has been added
- Exhibit A: Updated for new nomenclature that incorporates Asset Class and Investment Type targets and ranges and Risk Bounds
- Other minor editorial changes have been made

Derivative Investment Policy has been amended with the following:

- External Managers: Language has been added to clarify that the UTIMCO Chief Investment Officer will review all derivative applications guidelines for external managers
- Definition of Derivatives: Definition has been updated to clarity that Exchange Traded Funds (ETFs) are not included within the definition

- Permitted Derivative Applications: Language has been reorganized to clarify that 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
- Documentation and Controls: Language has been changed to clarify that documentation of derivative applications and monitoring of compliance with the Derivative Investment Policy applies to both internally and externally managed derivative applications
- Limitations: 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: 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
- Glossary of Terms: Definition of "Cash Equivalents" has been deleted since it is not used in the body of the policy; a definition of "Downside Risk" has been added; and the definition of "Value at Risk" has been deleted

The Liquidity Policy has been amended with the following:

- Definition of Liquidity Risk: A sentence has been added to clarity that liquidity risk also entails obligations related to unfunded portions of capital commitments.
- Definition of Cash: A definition of cash has been added
- Liquidity Policy Profile of the Endowment Funds: The chart has been replaced by a table outlining the liquidity limits and trigger zones for the end of calendar year 2007, and the fiscal year ends 2008, 2009, 2010; the example has been updated to reflect the new liquidity limits
- Liquidity Policy Profile of the ITF: The chart has been replaced by a table outlining the liquidity limits and trigger zones for the end of calendar year 2007, and the fiscal year ends 2008, 2009, 2010; the example has been updated to reflect the new liquidity limits:

Comparison of Old and New Limits and Trigger Zones

Endowment Funds	Thru 12/06/07	Beg 12/07/07	2008	2009	2010
Minimum Liquidity Limit	65%	35%	32.5%	30%	27.5%
Trigger Zone Liquidity	70%	40%	37.5%	35%	32.5%

ITF	Thru 12/06/07	Beg 12/07/07
Minimum Liquidity Limit	65%	50%
Trigger Zone Liquidity	75%	55%

- Unfunded Commitments: Unfunded Commitments limitations have been incorporated into the Liquidity Policy
- Documentation and Controls: Updated for consideration of unfunded commitments in the Liquidity Policy, include the Chief Compliance Officer in the liquidity classification review process; and liquidity calculation methodology has been revised to include notification periods, redemption windows and lockup periods
- Reporting: Updated for consideration of unfunded commitments in the Liquidity Policy.

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.

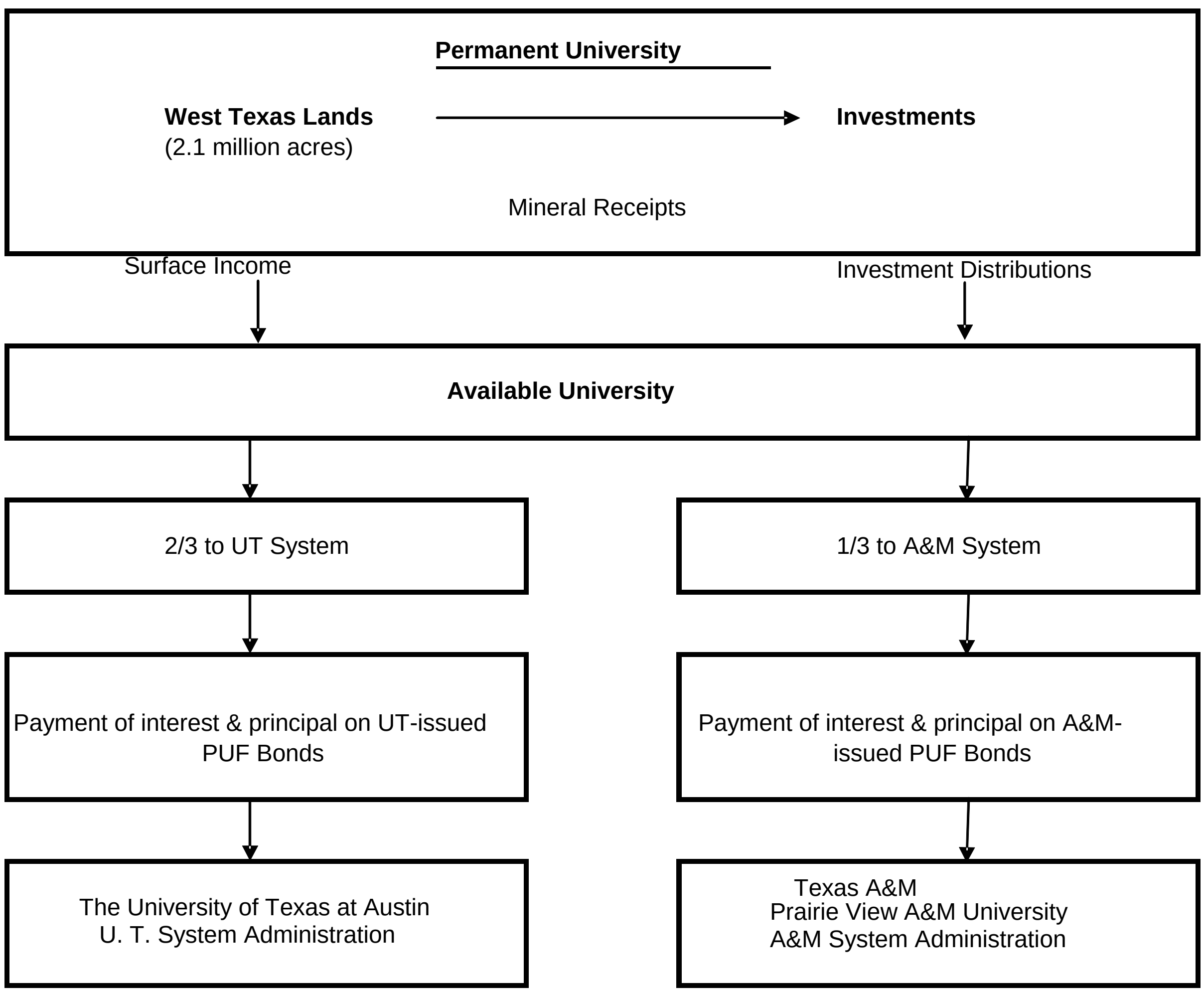
The expenditure of the AUF is subject to a prescribed order of priority:

First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, 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, 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 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 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 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 investment objectives are to generate (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk 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. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices weighted to reflect PUF’s Asset Class and Investment Type allocation policy targets.

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 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 Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual 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 Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific 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 Class or Investment Type or 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 to waive immediate remedial action.

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

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 Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

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.

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 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, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, 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 PUF assets in such investments.
- 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.

Investment Grade and Credit-Related Fixed Income

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

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

- Not more than 25% of 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.

- Not more than 5% of 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 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 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 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 noncompliance, 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 Policy shall be March 1, 2008.

EXHIBIT A
PERMANENT UNIVERSITY 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	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
Asset Classes												
Investment Grade Fixed Income	10.0%	14.0%	20.0%	7.5%	11.0%	17.5%	5.0%	8.5%	15.0%	2.5%	7.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	5.0%	0.0%	5.0%	12.5%	1.5%	6.5%	14.0%	2.5%	7.5%	15.0%
Real Estate	2.5%	5.0%	7.5%	3.0%	6.0%	9.0%	5.0%	8.0%	11.0%	5.0%	10.0%	15.0%
Natural Resources	3.0%	6.0%	9.0%	4.0%	8.0%	12.0%	5.0%	9.5%	13.0%	5.0%	10.0%	15.0%
Developed Country Equity	52.5%	60.0%	67.5%	47.5%	55.0%	62.5%	42.5%	50.0%	57.5%	37.5%	45.0%	52.5%
Emerging Markets Equity	7.5%	12.5%	17.5%	10.0%	15.0%	20.0%	12.5%	17.5%	22.5%	15.0%	20.0%	25.0%
Investment Types												
More Correlated & Constrained Investments	50.0%	58.5%	65.0%	47.5%	53.5%	60.0%	45.0%	51.5%	60.0%	42.5%	49.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	35.0%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	7.5%	11.5%	15.5%	9.5%	13.5%	17.5%	10.0%	15.5%	20.0%	12.5%	17.5%	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
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	March 1, 2008	FYE 2008	FYE 2009	FYE 2010
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 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		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%

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(Yellow) MSCI Investable Hedge Fund Index
(Blue) 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		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 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		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%

Yellow	MSCI Investable Hedge Fund Index
Blue	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%	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%**

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Customer Index

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

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 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 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.

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 5.2% target was derived by adding the GEF's current target distribution rate of 4.75% plus an annual expected expense of .45%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds.

The secondary investment objectives are to generate (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk 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. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices weighted to reflect GEF's Asset Class and Investment Type allocation policy targets as defined in Exhibit A.

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 Class and Investment Type allocations, and risk targets are subject to adjustment from time to time by the 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 Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual 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 Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific 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 Classes or Investment Types or 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 to waive immediate remedial action.

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

<u>Asset Classes:</u>

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 Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

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.

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 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, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, 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 GEF assets in such investments.

- 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.

Investment Grade and Credit-Related Fixed Income

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

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

- Not more than 25% of 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.

- Not more than 5% of 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 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 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 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 noncompliance, 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 March 1, 2008.

EXHIBIT A
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	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
Asset Classes												
Investment Grade Fixed Income	10.0%	14.0%	20.0%	7.5%	11.0%	17.5%	5.0%	8.5%	15.0%	2.5%	7.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	5.0%	0.0%	5.0%	12.5%	1.5%	6.5%	14.0%	2.5%	7.5%	15.0%
Real Estate	2.5%	5.0%	7.5%	3.0%	6.0%	9.0%	5.0%	8.0%	11.0%	5.0%	10.0%	15.0%
Natural Resources	3.0%	6.0%	9.0%	4.0%	8.0%	12.0%	5.0%	9.5%	13.0%	5.0%	10.0%	15.0%
Developed Country Equity	52.5%	60.0%	67.5%	47.5%	55.0%	62.5%	42.5%	50.0%	57.5%	37.5%	45.0%	52.5%
Emerging Markets Equity	7.5%	12.5%	17.5%	10.0%	15.0%	20.0%	12.5%	17.5%	22.5%	15.0%	20.0%	25.0%
Investment Types												
More Correlated & Constrained Investments	50.0%	58.5%	65.0%	47.5%	53.5%	60.0%	45.0%	51.5%	60.0%	42.5%	49.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	35.0%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	7.5%	11.5%	15.5%	9.5%	13.5%	17.5%	10.0%	15.5%	20.0%	12.5%	17.5%	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
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	March 1, 2008	FYE 2008	FYE 2009	FYE 2010
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 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 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)
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%

Yellow	MSCI Investable Hedge Fund Index
Blue	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

THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT HEALTH FUND
INVESTMENT POLICY STATEMENT

Purpose

The Permanent Health Fund (the "PHF"), established by the Board of Regents of The University of Texas System (the "Board of Regents"), 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. 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 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 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 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF.

The secondary investment objectives are to generate (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk 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.

Asset Allocation and Policy

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.

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.

Investment Guidelines

The PHF must be invested at all times in strict compliance with applicable law. Investment guidelines for the U. T. System GEF shall be as stated in 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 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 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 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. 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 noncompliance, 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 Chief Investment Officer, 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 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
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

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
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	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
Asset Classes												
Investment Grade Fixed Income	10.0%	14.0%	20.0%	7.5%	11.0%	17.5%	5.0%	8.5%	15.0%	2.5%	7.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	5.0%	0.0%	5.0%	12.5%	1.5%	6.5%	14.0%	2.5%	7.5%	15.0%
Real Estate	2.5%	5.0%	7.5%	3.0%	6.0%	9.0%	5.0%	8.0%	11.0%	5.0%	10.0%	15.0%
Natural Resources	3.0%	6.0%	9.0%	4.0%	8.0%	12.0%	5.0%	9.5%	13.0%	5.0%	10.0%	15.0%
Developed Country Equity	52.5%	60.0%	67.5%	47.5%	55.0%	62.5%	42.5%	50.0%	57.5%	37.5%	45.0%	52.5%
Emerging Markets Equity	7.5%	12.5%	17.5%	10.0%	15.0%	20.0%	12.5%	17.5%	22.5%	15.0%	20.0%	25.0%
Investment Types												
More Correlated & Constrained Investments	50.0%	58.5%	65.0%	47.5%	53.5%	60.0%	45.0%	51.5%	60.0%	42.5%	49.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	35.0%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	7.5%	11.5%	15.5%	9.5%	13.5%	17.5%	10.0%	15.5%	20.0%	12.5%	17.5%	22.5%

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*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
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	March 1, 2008	FYE 2008	FYE 2009	FYE 2010
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%

<u>EXHIBIT B</u>
(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 EM Index with Net Dividends (13.0%)	3.0%	1.5%	15.0%
Total		51.5%	33.0%	15.5%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	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

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 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 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 5.2%. 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 investment objectives are to generate (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk 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.

Asset Allocation and Policy

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.

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.

Investment Guidelines

The LTF must be invested at all times in strict compliance with applicable law.
Investment guidelines for the U. T. System GEF shall be as stated in 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 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 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 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 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 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. 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 noncompliance, 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 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
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

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
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	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
Asset Classes												
Investment Grade Fixed Income	10.0%	14.0%	20.0%	7.5%	11.0%	17.5%	5.0%	8.5%	15.0%	2.5%	7.5%	15.0%
Credit-Related Fixed Income	0.0%	2.5%	5.0%	0.0%	5.0%	12.5%	1.5%	6.5%	14.0%	2.5%	7.5%	15.0%
Real Estate	2.5%	5.0%	7.5%	3.0%	6.0%	9.0%	5.0%	8.0%	11.0%	5.0%	10.0%	15.0%
Natural Resources	3.0%	6.0%	9.0%	4.0%	8.0%	12.0%	5.0%	9.5%	13.0%	5.0%	10.0%	15.0%
Developed Country Equity	52.5%	60.0%	67.5%	47.5%	55.0%	62.5%	42.5%	50.0%	57.5%	37.5%	45.0%	52.5%
Emerging Markets Equity	7.5%	12.5%	17.5%	10.0%	15.0%	20.0%	12.5%	17.5%	22.5%	15.0%	20.0%	25.0%
Investment Types												
More Correlated & Constrained Investments	50.0%	58.5%	65.0%	47.5%	53.5%	60.0%	45.0%	51.5%	60.0%	42.5%	49.5%	57.5%
Less Correlated & Constrained Investments	25.0%	30.0%	35.0%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	7.5%	11.5%	15.5%	9.5%	13.5%	17.5%	10.0%	15.5%	20.0%	12.5%	17.5%	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
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	March 1, 2008	FYE 2008	FYE 2009	FYE 2010
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%**

(yellow)	MSCI Investable Hedge Fund Index
(blue)	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

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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%
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Investment Policy/Benchmarks are indicated in Black/Bold
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<u>EXHIBIT B</u>
(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

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

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 Class and Investment Type allocations, and risk targets are subject to adjustment from time to time by the 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 Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. The 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 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 Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific 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 Class or Investment Type or 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 to waive remedial action.

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

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 Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

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.

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 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, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, 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.
- 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.

Investment Grade and Credit-Related Fixed Income

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

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

- Not more than 25% of 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.
- Not more than 5% of 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, 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 noncompliance, 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 noncompliant activity within this Policy.

ITF Distributions

The ITF shall provide monthly distributions to the unit holders. The UTIMCO Board will recommend the annual distribution (%) rate to the Board of Regents. Distributions from the ITF to the 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 March 1, 2008.

EXHIBIT A
INTERMEDIATE TERM 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	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
<u>Asset Classes</u>												
Investment Grade Fixed Income	20.0%	38.0%	55.0%	20.0%	38.0%	55.0%	20.0%	38.0%	55.0%	20.0%	38.0%	55.0%
Credit-Related Fixed Income	0.0%	2.0%	5.0%	0.0%	3.0%	5.0%	0.0%	3.0%	5.0%	0.0%	3.0%	5.0%
Real Estate	5.0%	11.0%	15.0%	5.0%	11.0%	15.0%	5.0%	11.0%	15.0%	5.0%	11.0%	15.0%
Natural Resources	0.0%	6.0%	10.0%	0.0%	7.0%	10.0%	0.0%	7.0%	10.0%	0.0%	7.0%	10.0%
Developed Country Equity	25.0%	35.0%	55.0%	20.0%	31.0%	50.0%	20.0%	31.0%	45.0%	20.0%	31.0%	40.0%
Emerging Markets Equity	0.0%	8.0%	10.0%	0.0%	10.0%	15.0%	0.0%	10.0%	15.0%	0.0%	10.0%	15.0%
<u>Investment Types</u>												
More Correlated & Constrained Investments	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%
Less Correlated & Constrained Investments	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%

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*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
Lehman Brothers Global Aggregate Index	33.0%	33.0%	33.0%	33.0%
Lehman Brothers Global High-Yield Index	2.0%	2.0%	2.0%	2.0%
NAREIT Equity Index	10.0%	10.0%	10.0%	10.0%
Dow Jones-AIG Commodity Index Total Return	5.0%	5.0%	5.0%	5.0%
MSCI World Index with net dividends	20.0%	20.0%	20.0%	20.0%
MSCI Emerging Markets with net dividends	5.0%	5.0%	5.0%	5.0%
MSCI Investable Hedge Fund Index	25.0%	25.0%	25.0%	25.0%

POLICY/TARGET RETURN/RISKS	March 1, 2008	FYE 2008	FYE 2009	FYE 2010
Expected Annual Return (Benchmarks)	7.16%	7.16%	7.16%	7.16%
Expected Target Annual Return (Active)	7.83%	7.83%	7.83%	7.83%
One Year Downside Deviation	6.38%	6.38%	6.38%	6.38%
Risk Bounds				
Lower: 1 Year Downside Deviation	85%	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%	115%

EXHIBIT A
(continued)
INTERMEDIATE TERM 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%

Yellow	MSCI Investable Hedge Fund Index
Blue	Venture Economics Customer Index

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

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EXHIBIT A
(continued)
INTERMEDIATE TERM 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%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Customer Index

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

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EXHIBIT A
(continued)
INTERMEDIATE TERM 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%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Customer Index

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

EXHIBIT A
(continued)
INTERMEDIATE TERM 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%

Yellow	MSCI Investable Hedge Fund Index
Blue	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
Derivative Investment Policy

Effective Date of Policy: December 6, 2007
Date Approved by UTIMCO Board: 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 to 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 market investments can be separated and managed independently. Derivatives can provide the Funds with 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. Derivative 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 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 operating under an Agency Agreement may engage in derivative transactions only if the transactions are consistent with the overall investment objectives of the account. The use of derivatives by an external manager operating under an Agency Agreement shall be approved by the UTIMCO Chief Investment Officer only for investment managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management policies and procedures, and (iii) 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 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.

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 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, 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 derivatives 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 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 market securities;
- To hedge and control risks; 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.

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 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 Applications Not Permitted:

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

Documentation and Controls:

Prior to the implementation of a new 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 appropriate risk management procedures to 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 markets, where in most cases the cash outlay is equal to the asset acquired, derivatives applications offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional Cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a derivatives application. In order to control and limit the leverage risk, each internal derivative application must specify a baseline portfolio, and risk measures such as 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 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 managers under Agency Agreements. These reports will be provided at least on a quarterly basis to the UTIMCO Board and the Risk Committee.

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

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, 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 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 nonstandardized 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 results from direct negotiation between a buyer and a counterparty. The terms of such instruments are nonstandard 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 nondiversifiable 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.

The University of Texas Investment Management Company
Liquidity Policy

Effective Date of Policy: December 6, 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 position. The established liquidity profile limits will act in conjunction with, but do not supersede, 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 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. 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.

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 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 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 table below:

	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. Liquidity within the trigger zone requires special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for **illiquid** investments in FY 08 is up to 62.5% of the total portfolio. However, any **illiquid** investments made in the 57.5% to 62.5% 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.

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

	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 45% of the total portfolio for the ITF. However, any **illiquid** investments made in the 35% to 45% 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 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. 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.

UTIMCO
1996
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Recommended Investment Policy Changes

The University of Texas System Board of Regents
December 6, 2007

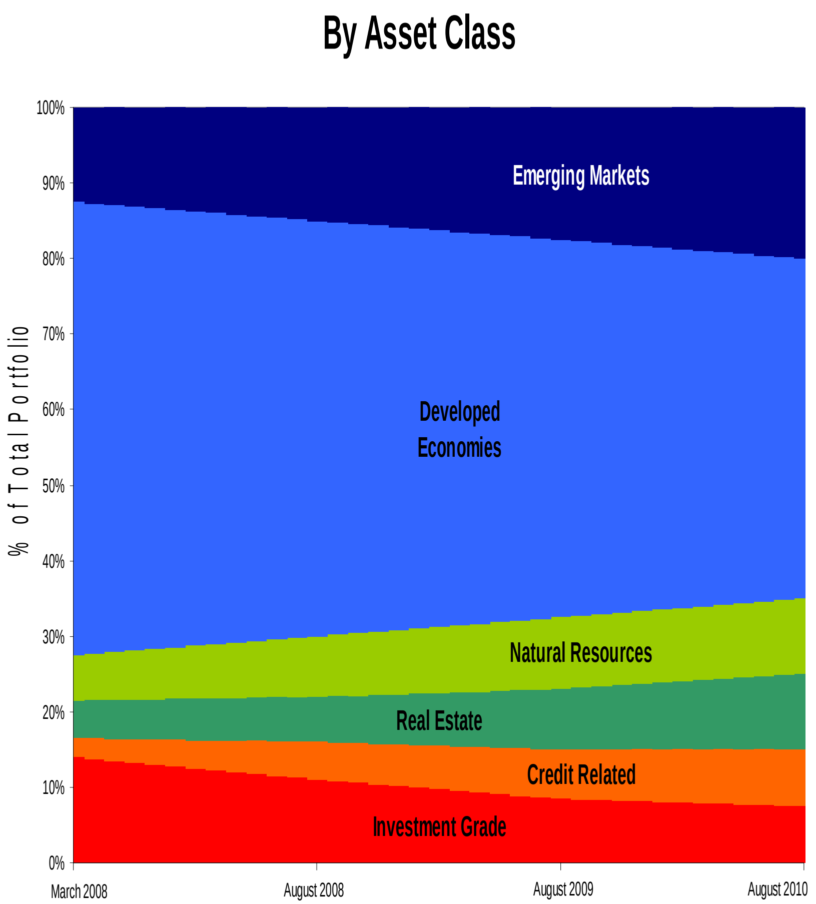
Context

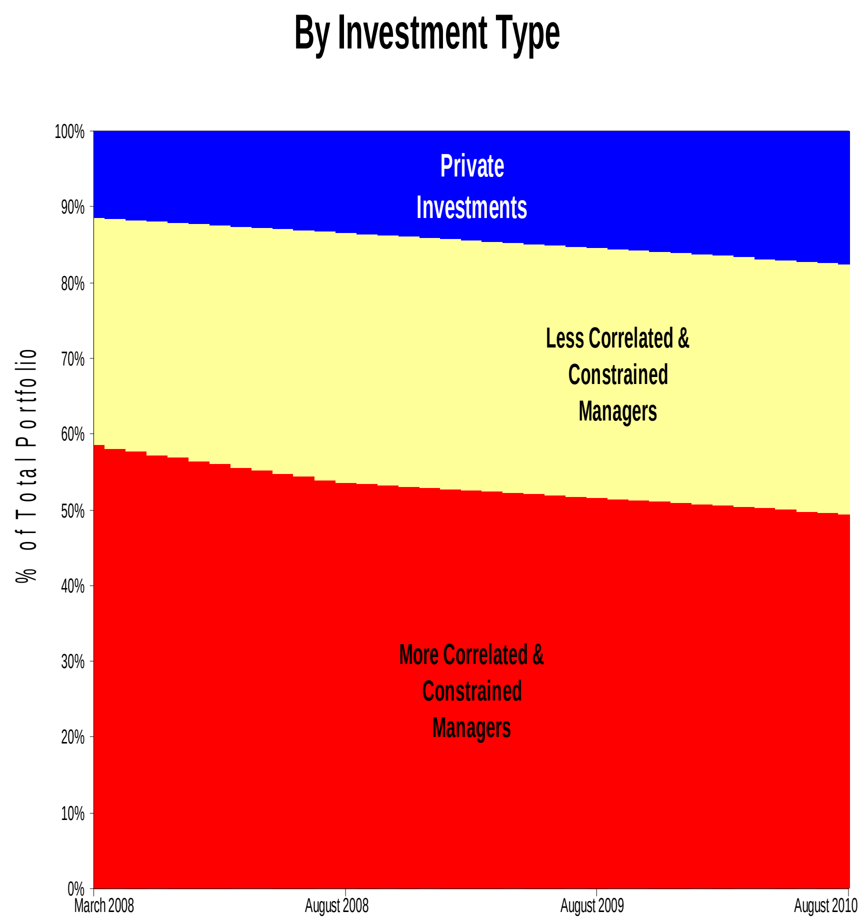
- Asking Board of Regents to approve changes to Investment Policies
  - Permanent University Fund - Derivative Policy
  - General Endowment Fund - Liquidity Policy
    - » Long Term Fund
    - » Permanent Health Fund
  - Intermediate Term Fund
- UTIMCO Board, AVC for Finance and Chancellor support recommendations
- Result of four-month process involving
  - Board of Regents
  - UTIMCO Board
  - UT System (Finance, Audit, Legal)
  - Consultants
  - UTIMCO Staff
- Includes
  - Changes to Investment Strategy
  - Enhanced Transparency, Clarity and Reporting
  - Documented, Multi-Level Approval Processes

Investment Strategy Highlights

- Increased allocation to Less Correlated and Constrained Mandates (28% of total assets increasing to 33% of total assets)
- Greater exposure to Emerging Markets
- Pursuit of broad range of natural resources investments
- Gradual increase in Private Investments (Projected 12% of total assets in February 2008 increasing to 17.5% in July 2010)
  - Private Real Estate Equity Fund Investments
  - Natural Resources, Emerging Market and Distressed/Opportunistic Strategies
- Illiquidity increased, but liquidity remains ample

Asset Class and Investment Type Allocation



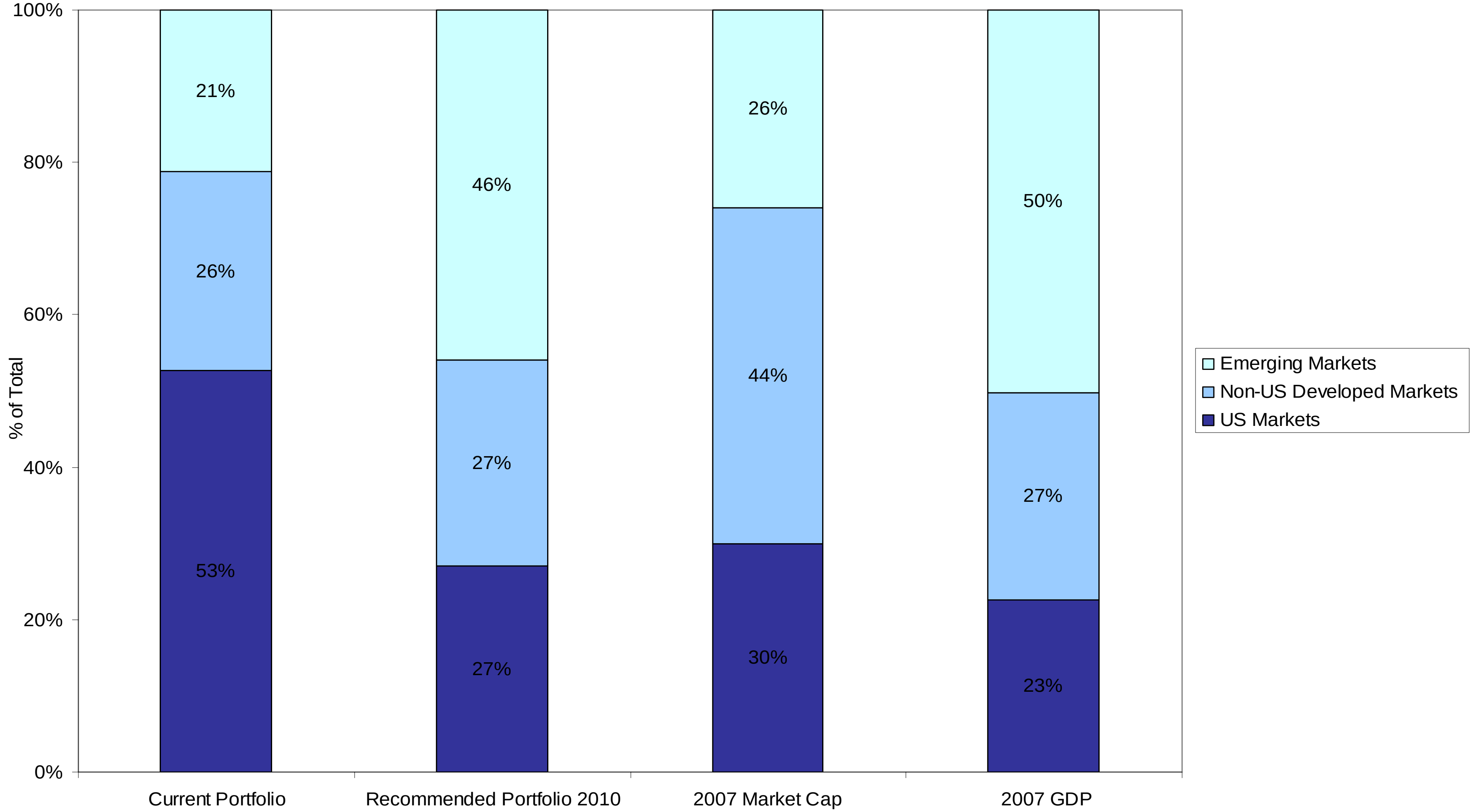


Less Correlated and Constrained Managers

		AUMs	Exposures				
Strategy	No. of Mgrs	(billions)	Long	Short	Net	Gross	Representative Managers
Long/Short Equity	21	$ 2.5	136%	(122%)	14%	258%	Maverick
High Yield/Distressed	4	0.2	128%	(43%)	84%	171%	Silverpoint
Arbitrage/Relative Value	5	0.8	404%	(436%)	(38%)	840%	Bridgewater, BGI
Multi-Strategy	12	2.5	151%	(84%)	67%	235%	Farallon, Perry
Total/Average	42	$ 6.0	177%	(145%)	32%	322%	

Performance Periods Ending June 30, 2007	1 year	3 Year	5 Year	August 1998 Inception
Annualized Return	17.3%	12.5%	12.2%	11.1%
Benchmark Returns	9.4%	6.8%	6.1%	8.5%
Value-Add	7.9%	5.7%	6.1%	2.6%
Annualized Volatility	2.1%	3.1%	4.0%	5.6%
Correlation to Russell 3000	0.69	0.72	0.69	0.52
Correlation to Lehman Agg	(0.48)	(0.08)	0.04	0.04

Equity Asset Classes Weights



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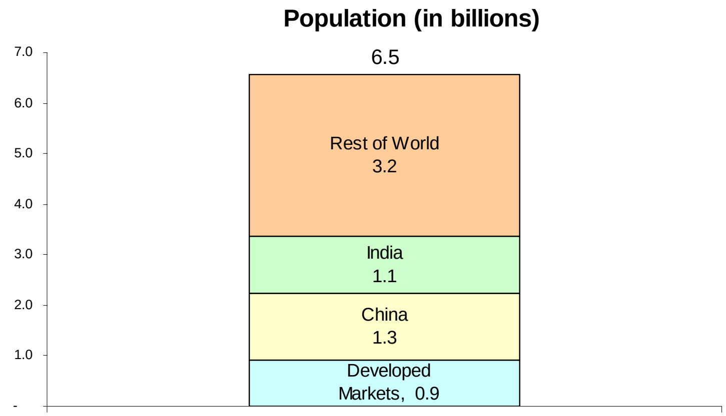
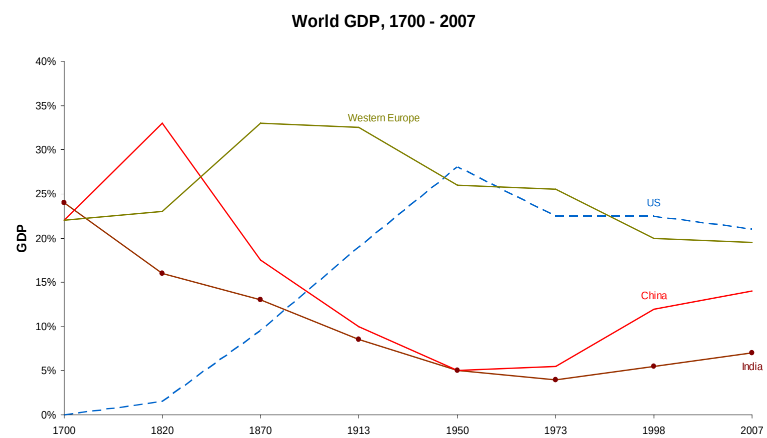
Emerging Market Trends





Source: Angus Maddison, The World Economy: A Millennial Perspective, OECD Development Center, 2001; IMF, World Economic Outlook Database, September 2005; Consensus Economics, Consensus Forecasts, October; Economics@ANZ

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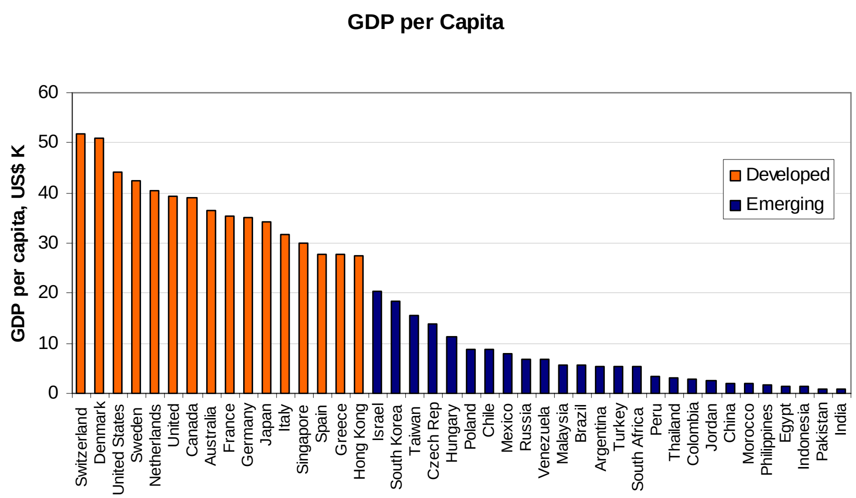

As of April 2007. Source: IMF

Emerging Market Economies	1998	2005
GDP Growth	2.4%	6.7%
Current Account (% of GDP)	-0.8%	4.1%
Fiscal Deficit (% of GDP)	4.6%	0.7%
Inflation	11.8%	5.0%
External Debt (% of GDP)	49.0%	37.0%

Natural Resources

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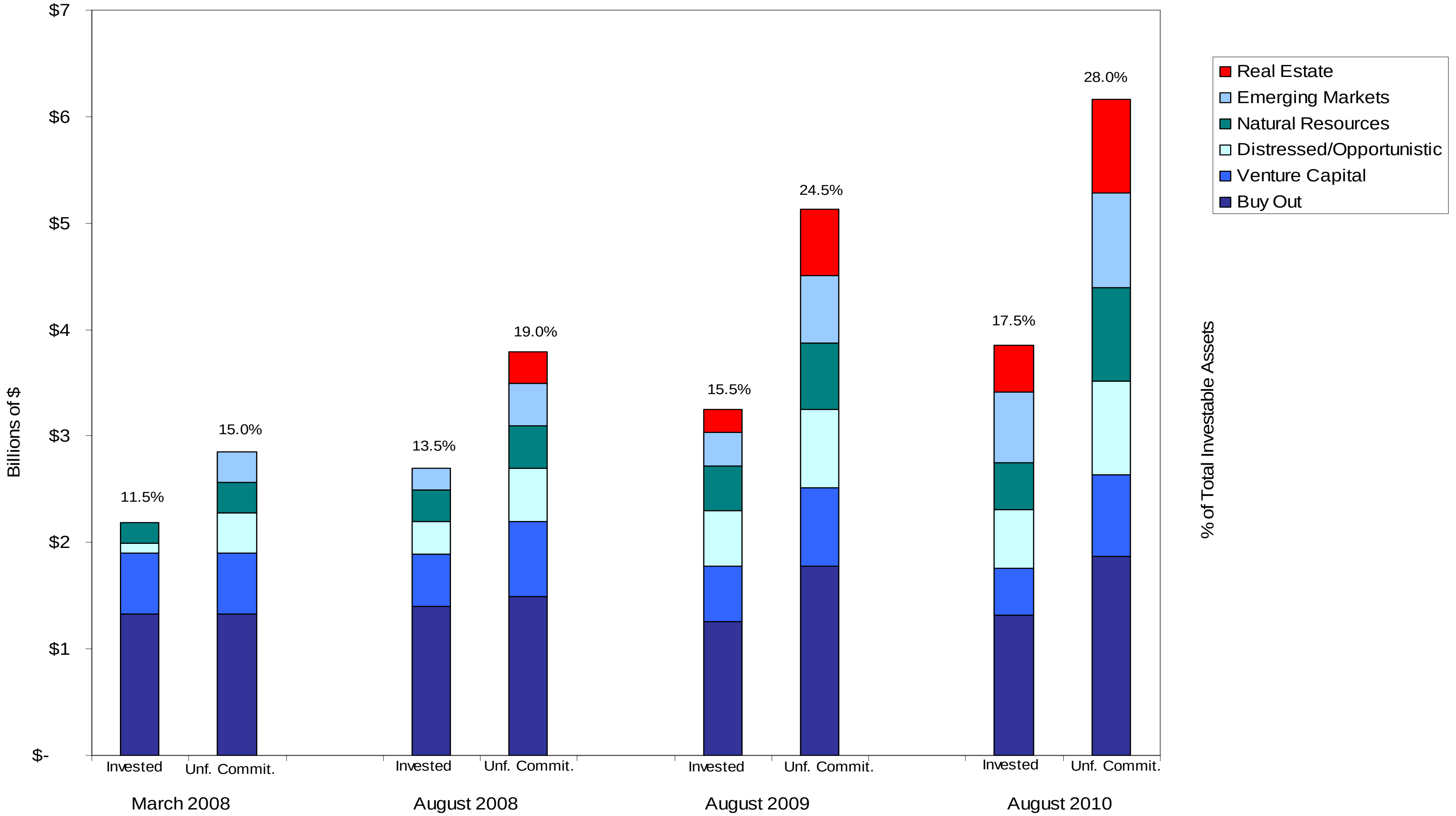
- Numerous asset categories (e.g., oil, gas, water, agriculture, timber, livestock, metals, minerals, etc)
- Global growth driving significant increases in real demand
  - Food, clothing, transportation, housing
  - China currently accounts for 10-35% of world demand for various resources. If Chinese growth slows to 6-8% per year and all else remains flat, real global demand is projected to increase 35-140% per year depending on the natural resource
- Capital Intensive supply chain with decades of underinvestment

Discover → Own → Extract → Process → Transport → Inventory → Distribute → Market → Retail

- Current prices are high in recent/nominal terms but not in historical/real terms

Private Investments



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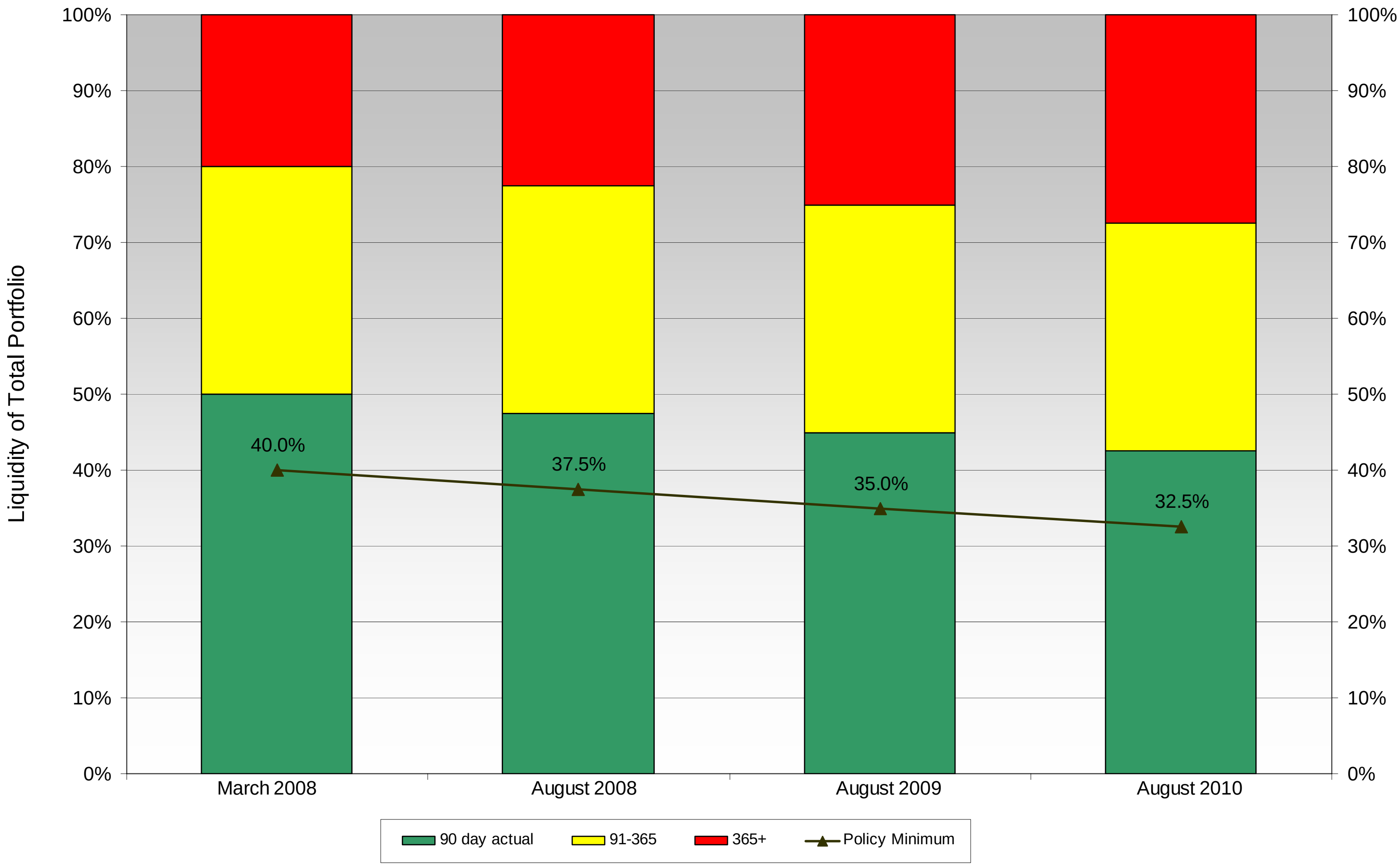
Liquidity of the Endowment Funds



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Enhanced Transparency, Clarity and Reporting

- Asset Classes and Investment Types

Asset Classes	Investment Types
* Investment Grade Fixed Income	* More Correlated and Constrained Mandate
* Credit-Related Fixed Income	* Less Correlated and Constrained Mandate
* Real Estate	* Private Investments
* Natural Resources	
* Developed Country Equity	
* Emerging Markets Equity	

- Derivative exposures explicitly included within Asset Class Ranges
- Risk Limits narrowed and explicitly included in Investment Policies

Documented, Multi-Level Approval Processes

- Mandate Categorization Procedure
  - Guidelines
  - Documented Process
  - Risk Committee Review
- Delegation of Authority Policy clarification
- Independent Chief Compliance Officer Responsibilities
- Specific, Explicit UTIMCO Board, Risk Committee and Audit & Ethics Committees' Roles

March 2008

March 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%

* Investment Policy Targets = Bold Black

** Reportable Targets = Gray

MSCI Investable Hedge Fund Index

Venture Economics Customer Index

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August 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%

* Investment Policy Targets = Bold Black

** Reportable Targets = Gray

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Customer Index

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August 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%

* Investment Policy Targets = Bold Black

** Reportable Targets = Gray

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Customer Index

August 2010

FY 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%

* Investment Policy Targets = Bold Black

** Reportable Targets = Gray

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Customer Index

7. <u>U. T. System Board of Regents: Discussion and appropriate action related to Brackenridge Tract Task Force Report</u>

RECOMMENDATION

The Board will discuss and consider action on recommendations contained in the Brackenridge Tract Task Force Report.

BACKGROUND INFORMATION

On October 12, 2007, Mr. Larry E. Temple, Chairman of the Brackenridge Tract Task Force, reported the findings and recommendations of the Brackenridge Task Force to the U. T. System Board of Regents, who accepted the report of the Task Force for further review and discharged the Task Force with appreciation for their work. Board Chairman James R. Huffines suggested the Board members review the findings and recommendations contained in the Report and he announced that a formal opportunity for public comment would take place at the November 9, 2007 Board meeting.

On November 9, 2007, 39 individuals addressed the Board in a public comment session following which Board Chairman H. Scott Caven, Jr., asked members of the Board to carefully review the Task Force Report in the context of the comments received and to be prepared to discuss the Report's findings and recommendations during the Board's December meeting.

The following recommendations were made in the Brackenridge Tract Task Force Report:

1. To facilitate planning for future uses of the tract, the Board, through the U. T. System Real Estate Office, should engage in an open process to select a qualified outside planning firm to provide a comprehensive analysis of the tract. That analysis should engage the University and seek the input of members of the community, civic and governmental leaders, and other stakeholders and should result in a conceptual master planning document that identifies the possibilities and constraints of the tract and that serves as a guide for both near-term and long term use of the tract.

2. The Brackenridge Development Agreement should be allowed to terminate in 2019 when its initial term expires.

3. The Board should include the Brackenridge Field Laboratory in the master planning process to assist the Board in determining whether to restructure the Laboratory at its current location or to relocate the Laboratory to another site.

4. The sections of the Brackenridge Tract now occupied by the Colorado and Brackenridge Apartments would be more beneficially utilized as part of a new master plan developed to produce significant funds to support the educational mission of the University.

5. The Lions Municipal Golf Course lease should be allowed to terminate at the end of its current term in 2019 and the Board should include the tract in the master planning process.

6. The Board should include the tract presently leased by the West Austin Youth Association in the master planning process.

7. The master planning process should include evaluation of the trail extension proposed by the Town Lake Trail Foundation to determine whether it is beneficial to and enhances the value of the Brackenridge Tract.