

The University of Texas System
Response to the Senate Finance Committee
January 25, 2008 Inquiry on Affordability and Endowments



201 West Seventh Street
Austin, Texas 78701

1) Please provide the number of undergraduate and graduate students year-by-year for the last ten years.

FALL ENROLLMENT BY LEVEL
Academic Institutions, Number Distribution

	Fall	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Arlington	Total	18,662	19,149	20,424	21,180	23,821	24,979	25,297	25,216	24,825	24,888
	Undergraduate	14,844	15,266	15,449	16,330	17,649	18,867	19,114	19,448	19,205	18,810
	Graduate	3,818	3,883	4,975	4,850	6,172	6,112	6,183	5,768	5,620	6,078
	Master's	Not avail.	Not avail.	4,357	4,260	5,506	5,293	5,324	4,887	4,745	5,197
	Doctoral	Not avail.	Not avail.	618	590	666	819	859	881	875	881
Austin	Total	48,906	49,009	49,996	50,616	52,261	51,426	50,377	49,233	49,697	50,170
	Undergraduate	37,203	37,159	38,162	38,609	39,391	38,112	37,101	36,291	36,775	37,459
	Graduate/Professional	11,703	11,850	11,834	12,007	12,870	13,314	13,276	12,942	12,922	12,711
	Master's	Not avail.	Not avail.	5,756	5,806	6,015	6,109	5,927	5,924	5,959	5,841
	Doctoral	Not avail.	Not avail.	4,438	4,534	4,864	5,188	5,355	5,162	5,142	5,100
	Professional	Not avail.	Not avail.	1,640	1,667	1,991	2,017	1,994	1,856	1,821	1,770
Brownsville*	Total	8,056	10,433	8,995	9,304	9,953	10,592	11,546	13,250	15,677	17,214
	Undergraduate	7,364	9,643	8,244	8,470	9,131	9,699	10,656	12,357	14,835	16,320
	Graduate	692	790	751	834	822	893	890	893	842	894
	Master's	Not avail.	Not avail.	751	834	822	893	890	893	842	879
	Doctoral	Not avail.	Not avail.	--	--	--	--	--	--	--	15
Dallas	Total	9,518	10,101	10,945	12,455	13,229	13,718	14,092	14,399	14,523	14,556
	Undergraduate	6,886	7,331	7,807	9,009	9,482	9,523	9,782	10,074	10,086	9,793
	Graduate	2,632	2,770	3,138	3,446	3,747	4,195	4,310	4,325	4,437	4,763
	Master's	Not avail.	Not avail.	2,646	2,914	3,068	3,439	3,433	3,456	3,517	3,850
	Doctoral	Not avail.	Not avail.	492	532	679	756	877	869	920	913
El Paso	Total	14,677	14,695	15,224	16,220	17,232	18,542	18,918	19,257	19,842	20,155
	Undergraduate	12,545	12,533	12,955	13,642	14,384	15,085	15,901	16,296	16,793	17,026
	Graduate	2,132	2,162	2,269	2,578	2,848	3,457	3,017	2,961	3,049	3,129
	Master's	Not avail.	Not avail.	2,071	2,366	2,614	3,197	2,723	2,605	2,670	2,734
	Doctoral	Not avail.	Not avail.	198	212	234	260	294	356	379	395
Pan American	Total	12,373	12,570	12,760	13,640	14,392	15,915	17,030	17,048	17,337	17,435
	Undergraduate	10,744	10,924	11,186	11,971	12,509	13,870	14,788	14,942	15,076	15,187
	Graduate	1,629	1,646	1,574	1,669	1,883	2,045	2,242	2,106	2,261	2,248
	Master's	Not avail.	Not avail.	1,513	1,594	1,809	1,957	2,142	2,003	2,158	2,125
	Doctoral	Not avail.	Not avail.	61	75	74	88	100	103	103	123
Permian Basin	Total	2,214	2,224	2,272	2,409	2,672	3,028	3,291	3,406	3,462	3,559
	Undergraduate	1,959	1,970	1,979	2,077	2,292	2,638	2,923	2,933	3,000	3,070
	Graduate	255	254	293	332	380	390	368	473	462	489
	Master's	Not avail.	Not avail.	293	332	380	390	368	473	462	489
San Antonio	Total	18,391	18,608	18,830	19,883	22,016	24,665	26,175	27,291	28,379	28,533
	Undergraduate	16,212	16,416	16,707	17,599	19,244	21,242	22,537	23,863	24,738	25,034
	Graduate	2,179	2,192	2,123	2,284	2,772	3,423	3,638	3,428	3,641	3,499
	Master's	Not avail.	Not avail.	2,065	2,196	2,618	3,203	3,349	3,062	3,217	3,049
	Doctoral	Not avail.	Not avail.	58	88	154	220	289	366	424	450
Tyler	Total	3,374	3,390	3,592	3,732	4,254	4,769	5,326	5,746	5,926	6,137
	Undergraduate	2,682	2,803	2,892	3,004	3,409	3,922	4,466	4,930	5,143	5,346
	Graduate	692	587	700	728	845	847	860	816	783	791
	Master's	Not avail.	Not avail.	700	728	845	847	860	816	783	790
	Doctoral	Not avail.	Not avail.	--	--	--	--	--	--	--	1
Academic Total	Total	136,171	140,179	143,038	149,439	159,830	167,634	172,052	174,846	179,668	182,647
	Undergraduate	110,439	114,045	115,381	120,711	127,491	132,958	137,268	141,134	145,651	148,045
	Graduate/Professional	25,732	26,134	27,657	28,728	32,339	34,676	34,784	33,712	34,017	34,602
	Master's	Not avail.	Not avail.	20,152	21,030	23,677	25,328	25,016	24,119	24,353	24,954
	Doctoral	Not avail.	Not avail.	5,865	6,031	6,671	7,331	7,774	7,737	7,843	7,878
	Professional	Not avail.	Not avail.	1,640	1,667	1,991	2,017	1,994	1,856	1,821	1,770

*Figures for Brownsville represent unduplicated enrollment information.

FALL ENROLLMENT BY LEVEL
Health Institutions, Number Distribution

	Fall	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
SWMC-Dallas	Total	1,548	1,552	1,505	1,554	1,637	1,749	2,273	2,350	2,396	2,395
	Undergraduate	319	246	241	221	193	184	191	198	189	191
	Graduate/Professional	1,229	1,306	1,264	1,333	1,444	1,565	2,082	2,152	2,207	2,204
	Master's	Not avail.	Not avail.	117	146	182	223	662	704	716	754
	Doctoral	Not avail.	Not avail.	323	374	424	475	572	549	566	541
	Professional	Not avail.	Not avail.	824	813	838	867	848	899	925	909
UTMB-Galveston	Total	1,987	1,953	1,927	1,927	2,005	2,059	2,121	2,172	2,255	2,422
	Undergraduate	690	654	711	622	624	598	581	547	536	609
	Graduate/Professional	1,297	1,299	1,216	1,305	1,381	1,461	1,540	1,625	1,719	1,813
	Master's	Not avail.	Not avail.	198	268	328	381	441	516	574	652
	Doctoral	Not avail.	Not avail.	208	214	240	260	275	279	281	279
	Professional	Not avail.	Not avail.	810	823	813	820	824	830	861	882
HSC-Houston	Total	3,140	3,170	3,143	3,286	3,334	3,405	3,399	3,587	3,651	3,774
	Undergraduate	246	261	264	332	359	346	381	403	408	792
	Graduate/Professional	2,894	2,909	2,879	2,954	2,975	3,059	3,018	3,184	3,243	2,982
	Master's	Not avail.	Not avail.	1,140	1,148	1,168	1,223	1,167	1,295	1,259	949
	Doctoral	Not avail.	Not avail.	626	637	661	696	720	737	765	793
	Professional	Not avail.	Not avail.	1,113	1,169	1,146	1,140	1,131	1,152	1,219	1,240
HSC-San Antonio	Total	2,717	2,557	2,543	2,665	2,728	2,754	2,837	2,775	2,825	2,822
	Undergraduate	905	742	762	903	907	894	799	677	684	649
	Graduate/Professional	1,812	1,815	1,781	1,762	1,821	1,860	2,038	2,098	2,141	2,173
	Master's	Not avail.	Not avail.	338	322	349	404	560	594	599	588
	Doctoral	Not avail.	Not avail.	217	215	246	251	267	275	286	289
	Professional	Not avail.	Not avail.	1,226	1,225	1,226	1,211	1,229	1,256	1,296	
M.D. Anderson	Total	0	0	41	48	59	75	70	86	108	139
	Undergraduate	0	0	40	48	59	75	70	86	108	139
	Graduate	0	0	1	0	0	0	0	0	0	0
Health Total	Total	9,392	9,232	9,159	9,480	9,763	10,042	10,700	10,970	11,235	11,552
	Undergraduate	2,160	1,903	2,018	2,126	2,142	2,097	2,022	1,911	1,925	2,380
	Graduate/Professional	7,232	7,329	7,141	7,354	7,621	7,945	8,678	9,059	9,310	9,172
	Master's	Not avail.	Not avail.	1,794	1,884	2,027	2,231	2,830	3,109	3,148	2,943
	Doctoral	Not avail.	Not avail.	1,374	1,440	1,571	1,682	1,834	1,840	1,901	1,902
	Professional	Not avail.	Not avail.	3,973	4,030	4,023	4,032	4,014	4,110	4,261	4,327

FALL ENROLLMENT BY LEVEL
System Totals

System Total	Total	145,563	149,411	152,197	158,919	169,593	177,676	182,752	185,816	190,903	194,199
	Undergraduate	112,599	115,948	117,399	122,837	129,633	135,055	139,290	143,045	147,576	150,425
	Graduate/Professional	32,964	33,463	34,798	36,082	39,960	42,621	43,462	42,771	43,327	43,774
	Master's	Not avail.	Not avail.	21,946	22,914	25,704	27,559	27,846	27,228	27,501	27,897
	Doctoral	Not avail.	Not avail.	7,239	7,471	8,242	9,013	9,608	9,577	9,744	9,780
	Professional	Not avail.	Not avail.	5,613	5,697	6,014	6,049	6,008	5,966	6,082	6,097

- 2) Please provide the total cost of undergraduate tuition (including all fees) – both sticker and average, mean and median – year-by-year for the last ten years. Please provide the amount of tuition assistance (not including loans or work study) that the university has provided to undergraduate students year-by-year for the last ten years. For the most recent year, please provide the percentage of students receiving university grants (for example, 25%; 50%; 75% and 100% of tuition and fees). Please provide the average grant amount.

**AVERAGE TOTAL ACADEMIC COST FOR RESIDENT UNDERGRADUATES
Enrolled for 15 Semester Credit Hours**

	Fall 2003	Spring 2004	Fall 2004	Fall 2005	Fall 2006	Fall 2007	Change	
							Fall 2006 to Fall 2007 Amount	Fall 2006 to Fall 2007 Percent
Arlington	\$2,366	\$2,523	\$2,815	\$2,955	\$3,250	\$3,647	\$397	12.2%
Austin	2,721	3,079	3,500	3,643	4,012	4,065	53	1.3
Brownsville	1,490	1,497	1,774	2,036	2,296	2,423	127	5.5
Dallas	2,622	2,914	3,296	3,419	3,845	4,355	510	13.3
El Paso	1,837	2,084	2,378	2,519	2,700	2,876	176	6.5
Pan American	1,560	1,531	1,644	1,776	2,125	2,462	337	15.9
Permian Basin	1,749	1,816	1,967	2,143	2,324	2,489	165	7.1
San Antonio	2,222	2,451	2,849	2,985	3,362	3,621	259	7.7
Tyler	1,795	1,807	2,076	2,320	2,594	2,814	220	8.5
SWMC-Dallas	1,515	1,510	1,888	1,899	2,039	2,216	177	8.7
UTMB-Galveston	1,391	1,399	1,750	1,696	2,196	2,653	457	20.8
HSC-Houston	1,601	1,593	1,634	1,987	2,122	2,302	180	8.5
HSC-San Antonio	2,490	1,825	3,050	3,021	3,780	3,987	207	5.5
M.D. Anderson	940	940	1,120	1,021	1,270	1,270	0	0.0

Notes:

The total academic costs at U. T. Institutions represent the sum of all statutory tuition, designated tuition, and board-authorized tuition (where applicable), along with mandatory fees which now include college and course fees.

Total academic costs for Austin and Brownsville in Fall 2005 are based on flat rate tuition. Prior to Fall 2005, traditional and flat rate tuition were weighted to calculate average costs at Austin.

Cost information is derived from actual fee bills for resident undergraduate students enrolled for 15 semester credit hours.

**AVERAGE NET ACADEMIC COST AND AVERAGE PERCENT DISCOUNT
FOR FULL-TIME UNDERGRADUATE STUDENTS
Academic Institutions, AY 2006-2007**

	Average in-state total academic cost ¹	Full-time Students with Need-Based Grant Aid			All Full-time Students		
		% receiving need-based grant aid	Average need-based grant aid	Average net academic cost	Average percent discount	Average net academic cost ²	Average percent discount
Arlington	\$6,500	39.0%	\$6,160	\$340	94.8%	\$4,096	37.0%
Austin	8,024	46.7	6,300	1,724	78.5	5,084	36.6
Brownsville	4,140	69.7	2,581	1,559	62.3	2,340	43.5
Dallas	7,690	33.6	4,398	3,292	57.2	6,214	19.2
El Paso ³	5,361	46.7	5,361	0	100.0	2,860	46.7
Pan American ³	4,264	71.6	4,264	0	100.0	1,211	71.6
Permian Basin	4,659	46.9	3,700	959	79.4	2,922	37.3
San Antonio ³	6,732	43.7	4,228	2,504	62.8	4,886	27.4
Tyler	5,188	42.6	4,565	623	88.0	3,245	37.5
System Average	\$6,573	47.8%	\$5,120	\$1,454	77.9%	\$4,127	37.2%

Notes:

1 Total academic costs represent the sum of all statutory tuition, designated tuition, and board-authorized tuition (where applicable), along with mandatory fees which now include college and course fees. Academic cost information is derived from actual fee bills for resident undergraduate students enrolled for 15 semester credit hours.

2 The average net cost for all full-time students is derived by subtracting the total need-based grant aid from the total academic costs of all students and dividing by the total number of students.

3 In 2006-07, a total of 7,897 students at U. T. Pan American received an average need-based grant of \$8,662 resulting in \$68,403,814 of aid. Likewise, 5,218 students at U. T. El Paso received an average need-based grant of \$5,542 resulting in \$28,918,156 of aid. Because the average need-based grant was larger than the average academic cost, only those grant funds used to cover the academic costs were included in this analysis for these two institutions.

**Average Net Academic Cost and Average Percent Discount
for Full-Time Undergraduate Students
Fall 2005 and Spring 2006 Combined**

	Full-time Students with Need-Based Grant Aid				All Full-time Students		
	Average in-state total academic cost ¹	Percent receiving need-based grant aid	Average need-based grant aid	Average net academic cost	Average percent discount	Average net academic cost ²	Average percent discount
Arlington	\$5,910	37.0%	\$4,229	\$1,681	71.6%	\$4,346	26.5%
Austin	7,288	46.8	5,890	1,398	80.8	4,534	37.8
Brownsville	3,709	57.9	2,416	1,293	65.1	2,310	37.7
Dallas	6,838	30.3	4,208	2,630	61.5	5,564	18.6
El Paso ³	4,984	47.4	4,984	0	100.0	2,621	47.4
Pan American ³	3,605	65.5	3,605	0	100.0	1,243	65.5
Permian Basin	4,282	36.3	2,327	1,955	54.3	3,437	19.7
San Antonio	6,016	47.0	3,868	2,148	64.3	4,200	30.2
Tyler	4,671	42.0	4,160	511	89.1	2,924	37.4
System Average	\$5,903	46.7%	\$4,540	\$1,363	76.9%	\$3,785	35.9%

¹ Total academic costs represent the sum of all statutory tuition, designated tuition, and board-authorized tuition (where applicable), along with mandatory fees which now include college and course fees. Academic cost information is derived from actual fee bills for resident undergraduate students enrolled for 15 semester credit hours in the fall and spring semesters. Therefore, these figures represent costs for a total of 30 semester credit hours.

² The average net cost for all full-time students is derived by subtracting the total need-based grant aid from the total academic costs of all students and dividing by the total number of students.

³ In 2005-06, students at U. T. El Paso received an average need-based grant of \$5,201 and students at U. T. Pan American received an average need based grant of \$8,252. Because the average need-based grant was larger than the average academic cost at these two institutions, only those grant funds used to cover the academic costs were included in this analysis.

UNDERGRADUATE FINANCIAL AID AWARDS BY TYPE, AY 2006-2007
Academic Institutions

	Scholarships & Grants		Work-Study		Loans		Total	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	18,952	\$38,787,115	826	\$1,153,596	10,939	\$60,460,119	30,717	\$100,400,830
Austin	56,921	162,172,304	1,578	3,094,970	18,917	156,290,046	77,416	321,557,320
Brownsville	14,854	29,347,187	454	852,470	5,476	25,630,711	20,784	55,830,367
Dallas	6,126	12,468,938	230	506,372	7,422	33,269,017	13,778	46,244,327
El Paso	21,365	51,770,286	607	1,249,586	10,198	42,878,638	32,170	95,898,510
Pan American	25,667	64,739,581	1,019	2,088,462	5,958	26,837,136	32,644	93,665,179
Permian Basin	2,239	4,474,688	74	107,978	2,073	9,092,231	4,386	13,674,897
San Antonio	24,452	50,709,515	976	1,816,652	16,309	104,017,721	41,737	156,543,888
Tyler	5,338	10,234,387	87	193,104	2,880	17,758,679	8,305	28,186,170
Academic Total	175,914	\$424,704,000	5,851	\$11,063,190	80,172	\$476,234,298	261,937	\$912,001,488

Note:

Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

SCHOLARSHIPS & GRANTS BY SOURCE
Academic Institutions

	Federal		State		Institutional		Private	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	6,760	\$17,063,458	915	\$3,515,675	9,243	\$14,768,502	2,034	\$3,439,480
Austin	10,921	25,902,699	4,954	20,443,729	36,438	100,953,855	4,608	14,872,021
Brownsville	9,490	22,094,394	1,949	3,820,950	2,466	2,274,560	949	1,157,283
Dallas	2,950	6,601,725	504	2,113,146	2,066	2,580,058	606	1,174,009
El Paso	11,254	27,310,927	2,695	11,089,636	5,931	9,832,873	1,485	3,536,850
Pan American	11,948	30,528,789	5,379	22,686,870	7,636	10,102,990	704	1,420,932
Permian Basin	1,332	3,130,317	128	384,750	458	541,636	321	417,985
San Antonio	12,506	26,958,880	1,653	6,848,984	6,600	9,854,886	3,693	7,046,765
Tyler	2,063	4,848,396	152	649,327	1,647	2,530,044	1,476	2,206,620
Academic Total	69,224	\$164,439,585	18,329	\$71,553,067	72,485	\$153,439,403	15,876	\$35,271,945

Note:

Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

UNDERGRADUATE FINANCIAL AID AWARDS BY TYPE, AY 2005-06
Academic Institutions

	Scholarships & Grants		Work-Study		Loans		Total	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	19,783	\$38,013,118	947	\$1,348,828	9,912	\$58,546,440	30,642	\$97,908,386
Austin	52,613	147,879,833	1,696	2,786,864	18,008	154,999,433	72,317	305,666,130
Brownsville	14,079	27,847,432	541	804,939	5,048	21,076,062	19,668	49,728,433
Dallas	5,944	11,466,915	157	487,448	6,704	30,546,554	12,805	42,500,917
El Paso	21,185	48,559,643	573	1,190,459	11,227	38,409,415	32,985	88,159,517
Pan American	21,707	57,826,371	1,077	2,288,958	5,661	24,360,041	28,445	84,475,370
Permian Basin	2,260	4,570,721	96	125,997	1,947	8,879,499	4,303	13,576,217
San Antonio	24,885	49,602,647	1,109	1,787,322	16,701	102,145,469	42,695	153,535,438
Tyler	4,884	8,782,033	123	204,633	2,321	13,615,351	7,328	22,602,017
Academic Total	167,340	\$394,548,712	6,319	\$11,025,448	77,529	\$452,578,264	251,188	\$858,152,425

Note:

Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

SCHOLARSHIPS & GRANTS BY SOURCE
Academic Institutions

	Federal		State		Institutional		Private	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	6,874	\$16,163,344	1,141	\$4,179,464	10,373	\$14,344,014	1,395	\$3,326,296
Austin	8,830	23,291,344	5,220	18,997,410	33,800	93,117,726	4,763	12,473,353
Brownsville	8,912	21,018,615	2,184	3,840,495	2,560	2,482,451	423	505,871
Dallas	2,559	6,100,245	694	2,481,152	2,099	1,802,126	592	1,083,392
El Paso	9,572	25,149,990	3,082	11,262,485	6,790	9,141,667	1,741	3,005,501
Pan American	9,965	27,079,124	5,658	21,880,311	5,258	7,413,280	826	1,453,655
Permian Basin	1,435	3,248,643	127	372,506	442	511,866	256	437,706
San Antonio	11,148	25,749,407	2,187	8,208,620	8,213	7,936,893	3,337	7,707,727
Tyler	1,811	4,232,619	176	653,917	1,609	2,019,176	1,288	1,876,321
Academic Total	61,106	\$152,033,331	20,469	\$71,876,360	71,144	\$138,769,199	14,621	\$31,869,822

Note:

Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

UNDERGRADUATE FINANCIAL AID AWARDS BY TYPE, AY 2004-05
Academic Institutions

	Scholarships & Grants		Work-Study		Loans		Total	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	18,902	\$34,412,966	817	\$1,419,239	10,301	\$37,690,846	30,020	\$73,523,051
Austin	43,136	130,494,455	1,812	3,084,833	17,244	147,443,243	62,192	281,022,531
Brownsville	10,475	23,596,974	473	754,956	4,721	20,818,161	15,669	45,170,091
Dallas	6,934	12,136,225	161	529,529	7,013	29,485,208	14,108	42,150,962
El Paso	17,886	43,132,769	571	1,248,840	10,301	33,002,637	28,758	77,384,246
Pan American	22,318	55,370,343	1,049	1,867,089	5,453	21,191,331	28,820	78,428,763
Permian Basin	2,260	4,700,527	110	177,635	1,598	7,974,451	3,968	12,852,613
San Antonio	21,380	46,210,977	827	1,626,930	16,155	88,600,783	38,362	136,438,690
Tyler	4,522	8,514,509	76	155,757	2,092	11,508,611	6,690	20,178,877
Academic Total	147,813	\$358,569,745	5,896	\$10,864,808	74,878	\$397,715,271	228,587	\$767,149,824

Note:

Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

SCHOLARSHIPS & GRANTS BY SOURCE
Academic Institutions

	Federal		State		Institutional		Private	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	6,718	\$15,018,174	1,388	\$4,415,331	9,121	\$11,538,153	1,675	\$3,441,308
Austin	8,474	22,527,836	5,244	17,136,374	24,502	78,716,722	4,916	12,113,523
Brownsville	7,882	20,512,782	1,446	2,543,430	996	395,416	151	145,346
Dallas	2,522	5,963,768	690	2,221,888	3,041	2,807,210	681	1,143,359
El Paso	9,109	24,520,487	2,479	7,879,043	4,811	8,145,770	1,487	2,587,469
Pan American	10,243	27,570,978	5,834	19,384,203	5,410	7,109,940	831	1,305,222
Permian Basin	1,369	3,306,121	155	425,462	354	404,832	382	564,112
San Antonio	10,279	25,351,905	1,798	5,707,180	5,392	7,173,193	3,911	7,978,699
Tyler	1,731	4,093,640	178	568,711	1,049	1,266,335	1,564	2,585,823
Academic Total	58,327	\$148,865,691	19,212	\$60,281,622	54,676	\$117,557,571	15,598	\$31,864,861

Note:

Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

UNDERGRADUATE FINANCIAL AID AWARDS BY TYPE, AY 2003-04
Academic Institutions

	Scholarships & Grants		Work-Study		Loans		Total	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	20,490	\$34,412,403	899	\$1,448,772	10,622	\$58,203,021	32,011	\$94,064,196
Austin	41,000	111,268,612	1,667	2,843,994	16,752	139,359,094	59,419	253,471,700
Brownsville	10,376	21,997,401	554	815,835	3,792	15,619,825	14,722	38,433,061
Dallas	5,324	10,705,396	123	369,988	9,295	42,550,215	14,742	53,625,599
El Paso	20,456	39,863,525	582	1,202,845	8,814	27,219,026	29,852	68,285,396
Pan American	19,887	46,618,074	1,102	1,987,277	4,823	17,860,954	25,812	66,466,305
Permian Basin	2,093	4,991,834	96	183,029	2,828	6,945,997	5,017	12,120,860
San Antonio	19,181	40,418,515	545	1,230,815	15,668	89,526,024	35,394	131,175,354
Tyler	4,672	7,561,099	116	132,746	1,777	12,211,306	6,565	19,905,151
Academic Total	143,479	\$317,836,859	5,684	\$10,215,301	74,371	\$409,495,462	223,534	\$737,547,622

Note:

Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

SCHOLARSHIPS & GRANTS BY SOURCE
Academic Institutions

	Federal		State		Institutional		Private	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	6,176	\$14,484,948	1,293	\$3,708,576	10,902	\$11,836,470	2,119	\$4,382,409
Austin	8,779	22,362,927	5,344	15,415,749	21,897	59,209,336	4,980	14,280,600
Brownsville	7,620	18,820,704	1,596	2,421,088	923	559,567	237	196,042
Dallas	2,305	5,500,443	748	2,026,907	1,813	2,675,841	458	502,205
El Paso	9,249	23,473,818	2,940	6,799,841	7,717	8,751,736	550	838,130
Pan American	9,710	25,869,752	4,736	13,669,613	4,704	5,897,687	737	1,181,022
Permian Basin	1,213	3,521,224	218	500,764	306	323,954	356	645,892
San Antonio	10,023	22,800,030	2,152	5,738,126	4,273	4,514,016	2,733	7,366,343
Tyler	1,558	3,568,162	246	688,036	782	722,342	2,086	2,582,559
Academic Total	56,633	\$140,402,008	19,273	\$50,968,700	53,317	\$94,490,949	14,256	\$31,975,202

Note:

Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

UNDERGRADUATE FINANCIAL AID AWARDS BY TYPE, AY 2002-03
Academic Institutions

	Scholarships & Grants		Work-Study		Loans		Total	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	17,649	\$31,088,222	929	\$1,540,467	9,586	\$46,102,349	28,164	\$78,731,038
Austin	35,007	91,252,825	1,588	2,760,106	15,243	120,491,045	51,838	214,503,976
Brownsville	12,185	21,923,621	392	775,750	3,099	12,503,014	15,676	35,202,385
Dallas	6,517	14,146,593	123	369,988	14,195	31,381,441	20,835	45,898,022
El Paso	16,696	36,676,817	638	1,203,235	4,855	22,019,101	22,189	59,899,153
Pan American	21,709	46,740,029	1,073	2,216,182	5,296	16,942,359	28,078	65,898,570
Permian Basin	2,018	4,550,532	64	136,194	2,313	5,960,028	4,395	10,646,754
San Antonio	18,495	32,210,964	408	1,148,328	17,629	68,030,258	36,532	101,389,550
Tyler	4,243	6,440,903	75	137,033	1,764	9,905,228	6,082	16,483,164
Academic Total	134,519	\$285,030,506	5,290	\$10,287,283	73,980	\$333,334,823	213,789	\$628,652,612

Note:
Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

SCHOLARSHIPS & GRANTS BY SOURCE
Academic Institutions

	Federal		State		Institutional		Private	
	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded	# of Awards	Amount Awarded
Arlington	5,526	\$12,251,888	1,477	\$4,013,772	8,209	10,997,249	2,437	\$3,825,313
Austin	8,453	\$20,771,720	5,382	13,705,847	16,239	43,363,655	4,933	13,411,603
Brownsville	7,272	16,868,512	1,660	3,044,014	1,872	795,455	1,381	1,215,640
Dallas	1,691	3,638,022	712	1,899,250	3,656	8,107,116	458	502,205
El Paso	8,677	21,413,374	3,320	7,053,991	3,920	5,135,300	779	3,074,152
Pan American	9,645	23,580,984	5,503	16,419,988	5,748	5,526,829	813	1,212,228
Permian Basin	1,045	3,137,494	163	455,286	274	330,458	536	627,294
San Antonio	8,365	18,778,289	2,600	6,224,874	4,318	3,076,356	3,212	4,131,445
Tyler	1,370	2,946,112	273	714,316	645	519,771	1,955	2,260,704
Academic Total	52,044	\$123,386,395	21,090	\$53,531,338	44,881	\$77,852,189	16,504	\$30,260,584

Note:
Students may receive multiple awards, therefore these figures do not represent unduplicated headcount information.

3) Please explain your university's financial aid policy. How do you inform students and parents of that policy? What outreach efforts does your university take to recruit potential low-income students? How is low-income defined? What is the amount spent on these efforts?

Each UT System institution determines financial aid policy within the framework set by federal and state laws and regulations. UT System institutions package aid to target students with the greatest financial need as determined using the federal student aid methodology. Several state and institutional programs also have a merit component; for example, requiring that a student complete a college preparatory curriculum in high school or maintain a certain minimum grade point average.

In recent years, institutional aid has grown in importance and is now a major source of financial aid at UT System institutions. Each UT System institution has established a financial aid guarantee policy that reflects a commitment to cover the full cost of tuition and fees through grant aid for students whose family income falls below a certain threshold. For most UT institutions, the threshold is \$25,000 a year in family income. However, at the flagship institution - UT Austin - eligible students have had all increases in flat-rate tuition covered by the program if they come from households with incomes of \$40,000 or less per year. Students whose family incomes are in the \$40,000 to \$80,000 range are also eligible for partial financial assistance. Additionally, UT Pan American has announced plans to increase its income threshold to \$30,000 in the coming academic year. Finally, under state law, a portion of "designated tuition" - the amount above "statutory tuition" - (\$50 per semester hour) (more in response to question 4 below on Texas tuition framework) is set aside for financial aid on campus.

Each institution within UT System undertakes a substantial recruitment effort that includes providing prospective students and their families with information on financial aid. These efforts include college fairs at high school campuses and working with high school counselors to provide them with information on the availability of financial aid and how to apply for aid. Institutions target historically under-represented groups in their recruitment and outreach efforts.

TexasCollegeMoney (TCM) (<http://www.texascollegemoney.org/>) is a unique outreach effort of UT System. TexasCollegeMoney is a group of internet and human based services designed to:

- a. provide Texas high school juniors and their families with a realistic estimate of the financial aid they can expect to receive if they are admitted and enroll at any UT System campus;

- b. help students with the transition from high school to college by facilitating personal contacts between participants and college financial aid and admissions professionals; and
- c. join in support of the Department of Education's goal to increase college attendance and the State's higher education goal of Closing the Gaps by 2015, a campaign adopted by the Texas Higher Education Coordinating Board in 2000.

TCM is particularly important in a state such as Texas, where a significant portion of potential college students are the first generation in their family to attend college. According to the National Center for Educational Statistics, parents and students generally either have not considered or overestimated college costs. TCM allows a prospective student to select a university that they are interested in attending, enter some basic information about the student and their financial circumstances, and receive an estimate of the cost of attending that college along with an early estimate of the financial aid package that will be available to assist the student. TexaCollegeMoney is a model program that is being expanded to other universities across the country.

UT System recently (March 20) launched a Web site aimed at helping inform students, parents and others about accessing and paying for college. The Access and Affordability site (<http://www.utsystem.edu/affordability>) also includes campus proposals for tuition and fees at UT System institutions planned for the next two academic years and contains information and resource links on financial aid, how tuition is used, campus cost-saving initiatives, and how to pay for college, among other things. The user-friendly site also includes profiles of current students at each of UT System's nine academic campuses who overcame challenges associated with financing their college educations.

As noted above, UT System institutions have committed to cover the tuition and fees of students from families below a certain income threshold. Generally, that threshold is \$25,000; however, UT Austin's policy covers students with a family income up to \$40,000 and also provides grant aid to students from families whose income is between \$40,000 and \$80,000 to mitigate the impact of any tuition increases.

Moreover, UT System institutions are obligated to make up the difference between investment returns on Texas Tomorrow Fund contracts and the actual cost of tuition and fees. The Texas Tomorrow Fund is a State of Texas administered program that allows parents of college bound children to contractually lock in a tuition and fee rate today. If tuition and fees rise, Texas Tomorrow Fund enrollees still have the right to attend a

public university in Texas at the locked-in rate. Outside of the control and management of UT System, Texas Tomorrow Fund monies are invested. Even if those investments do not fully keep pace with rising tuition and fees, UT System institutions must still honor the guaranteed rate. The Texas Tomorrow Fund transfers to the UT System institutions the investment funds for payment of tuition and fees, leaving the campus to fund any short fall.

Recruitment and outreach efforts are administered by individual campuses. UT System does not maintain data that specifically identifies that portion of recruitment and outreach efforts that are directed at low-income students. However, efforts to attract and graduate diverse and talented students on time are substantial and are a critical part of UT System's strategic plan. In addition, the State's *Closing the Gaps by 2015* plan for higher education includes statewide goals for both participation and success for students from all backgrounds, especially those from groups who historically have been underserved by higher education in Texas. UT System campuses are committed to not only providing access to higher education, but also to ensuring that students are successful once they enter college.

- 4) Who determines and decides when tuition increases are necessary? What is the process for making this decision? Does the full Board of Trustees vote on tuition increases? Are students, parents and the public provided an opportunity to comment on tuition increases prior to final decisions being made? What role does your university endowment play in providing financial assistance to students?**

UT System is governed by a Board of Regents. The nine members of the Board of Regents are individually appointed by the Governor of Texas to staggered six-year terms. As described more fully below, the Board of Regents has final approval over tuition increases. The Board of Regents approves tuition increases by recorded vote in a public meeting.

In Texas, tuition is made up of “statutory” and “designated” tuition. Statutory tuition is a minimum rate set by the Texas legislature. Currently, the statutory rate is \$50 per semester hour. The governing boards of Texas public universities have the power to set higher rates of tuition. The amount of tuition between statutory tuition and the rate set by the governing board is known as designated tuition.

At UT System, the process for setting tuition occurs every two years and begins on each campus within UT System. Campus tuition proposals are put together over several months with extensive, inclusive input from students, faculty, and campus administration. Tuition Policy Advisory Committees (TPACs) made up of students, faculty, staff, and administrators analyze and evaluate fiscal needs and proposals as well as other anticipated revenues. The TPACs conduct consultative, open public forums to explain reports and recommendations. After the TPAC process, the campus proposals are reviewed and approved by the campus Presidents, the Executive Vice Chancellors and Chancellor of UT System. The campus proposals are then presented to the Board of Regents in an open meeting. Each campus president presents the tuition proposal and is questioned by the Board of Regents. Student leaders also speak to the Board of Regents. This year, as in the past years, every student representative endorsed the tuition proposals ultimately approved by the Board of Regents.

Student financial aid benefits from a tuition set aside. This set aside is statutorily provided for as follows:

§ 56.033. SOURCE OF PROGRAM FUNDING. (a) The governing board of each institution of higher education, including the Texas State Technical College System, shall cause to be set aside:

(1) not less than 15 percent nor more than 20 percent out of each resident student's tuition charge under Section 54.051 as provided by the General Appropriations Act for the applicable academic year;

(2) three percent out of each nonresident student's tuition charge under Section 54.051;

(3) not less than six percent nor more than 20 percent out of each resident student's hourly tuition charge exclusive of out-of-district charges, and \$1.50 out of each nonresident student's hourly tuition charge, for academic courses at a public community or junior college; and

(4) not less than six percent nor more than 20 percent of hourly tuition charges exclusive of out-of-district charges for vocational-technical courses at a public community or junior college.

(b) Of the funds set aside under this section by an institution, not less than 90 percent shall be used for Texas Public Educational Grants and not more than 10 percent shall be used for emergency loans under Subchapter D of this chapter.

Of this set aside for financial aid, 90% is used for Texas Public Education Grants (TPEGs) and 10% for emergency loans. TPEGs are awarded solely based on financial need.

There is no one fund called the "university endowment" at UT System. As detailed in response to question 5 below, what may be commonly referred to as the endowment managed by The University of Texas Investment Management Company (UTIMCO) is a diverse collection of funds, endowments, investments, and constitutionally restricted and controlled set asides, some of which directly and indirectly benefit financial aid programs.

5) Please explain how your university's endowment is managed and the role of the Board of Directors? What are your university's endowment payout and investment policies? What is the mission of your university's endowment? When was the last time that the university's endowment policy was reviewed? When will it next be reviewed?

UTIMCO has managed the investment assets for under the fiduciary care of the Board of Regents since 1996. The Board of Regents has delegated investment management responsibility for all investments to UTIMCO, subject to compliance with the Board approved investment policies. UTIMCO is an investment corporation dedicated solely to the management of investment assets controlled by the Board of Regents. UTIMCO was the first external investment corporation formed by a public university system. A board of directors consisting of three Board of Regents, the Chancellor of UT System, and five outside directors with experience in investment management governs UTIMCO. This structure was designed to increase the level of investment expertise in the management of investments while preserving the fiduciary authority of the Board of Regents.

UTIMCO manages four major endowment funds for the Board of Regents. These four endowments are the Permanent University Fund (PUF), the Permanent Health Fund (PHF), the Long Term Fund (LTF), and the Separately Invested Funds (SIF).

The PUF is a State endowment contributing to the support of 14 of the 16 institutions that comprise UT System. The Texas Constitution restricts the income stream from the PUF to be used to secure the payment of principal and interest on the bonds and notes used to finance capital construction at the 14 institutions. Any residual income that remains after paying principal and interest may only be used for operational purposes at UT Austin and for oversight responsibilities at UT System Administration. Consequently, the PUF cannot be used to fund operating expenses (including tuition mitigation) at 15 of the 16 UT System institutions.

The Texas Constitution also limits the total amount of bonds and notes that may be issued to 20% of the cost value of the investments and other assets of the PUF (exclusive of real estate) at the time the debt is issued. As of November 30, 2007, the total remaining debt capacity of the PUF was \$293 million. Due to the aforementioned constitutional debt limitation, an increase in the distribution would not increase the debt capacity of the PUF.

The PUF endowment also includes 2.1 million acres of land located in 24 counties in north and west Texas (the West Texas Lands) valued at \$1.29 billion. Although a part of the PUF, the West Texas Lands are not managed by UTIMCO, but are instead managed by a division at UT System. While the land produces a stream of income, any increase in

the distribution percentage would not include the land value and would not produce additional revenue to offset tuition.

The PHF is a permanent endowment established by the State Legislature from tobacco litigation proceeds restricted for the sole purpose of research at health-related institutions on issues that benefit public health. Due to the legislative restrictions placed on these funds, any increase in the distribution would not be available to mitigate tuition increases at the academic institutions.

The LTF consists of privately raised endowments benefiting the 16 UT System institutions. To meet the institutions' need for a steady, dependable revenue stream, the LTF adheres to an investment policy approved by the Board of Regents. Consistent with the prudent investor fiduciary standards, the objectives of the LTF's spending policy are 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 LTF assets after distributions is maintained over the long term.

To meet these objectives, the LTF's distribution must be set at a rate that is less than the expected average annual investment return, after inflation and investment expenses, in order to preserve the purchasing power of the LTF. Currently, the payout rate on both the PUF and the LTF is 5%.

Approximately 34% of the LTF is owned by health institutions within UT System, 61% is owned by the academic institutions, and 5% is owned by foundations and affiliated organizations. Of the 61% owned by the academic institutions, 25% is dedicated to scholarships/fellowships and would not necessarily translate into additional operating funds should the distribution be increased. Ninety-eight percent of the remaining portion dedicated to the academic institutions is restricted by donors for specific uses, some of which are scholarships and other forms of student financial aid.

The PHF and the LTF are invested in shares of the General Endowment Fund (GEF), a broadly diversified pooled investment fund managed by UTIMCO. The GEF was created to increase efficiencies in managing investments, reduce costs, and streamline reporting. The management, administration and objectives of each of the endowment funds are discussed in the investment policy statements for each respective fund, including payout policies, which have been attached to this response as Attachments A through E.

Representing a permanent legacy, endowment funds provide the means to create a margin of excellence in higher education for UT System institutions. Because endowment funds are permanent funds by their nature, they must provide for the economic needs of today while remaining intact to provide the same level of economic support for future generations, not just the next ten to twenty years, but hundreds of years in the future. Balancing the competing needs of current beneficiaries, future beneficiaries and donors is the motivating force to achieve the following two objectives:

- a. Provide for current beneficiaries by increasing annual distributions at a rate at least equal to the current rate of inflation so that real purchasing power is maintained, and
- b. Provide for future beneficiaries by increasing the market value of endowment assets (before adding any current contributions and after deducting current distributions) so that future distributions to future beneficiaries will buy the same or better level of goods and services received by today's beneficiaries.

The endowment fund investment policies were reviewed during the fall of 2007, and changes were approved by the Board of Regents in December 2007. Changes to the policies became effective March 1, 2008.

As required by the Investment Management Services Agreement between UTIMCO and the Board of Regents, the investment policies for all funds must be reviewed on an annual basis. The next review is scheduled for summer 2008. The annual review must include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, asset class and investment type allocation targets and ranges, expected returns for each asset class and investment type and fund, and designated performance benchmarks for each asset class and investment type.

- 6) Please provide the year-by-year net growth of the university's endowment for the last ten years (in both percentage and dollars). What is the amount of donations the endowment has received year-by-year for the last ten years? Please provide the percentage of investment in each asset class (equity, fixed income, hedge funds, private equity, venture capital, etc.) and the amount invested outside the United States.

Endowment Growth

(In millions As of June 30,)	Endowment Value		Change in Dollars	Percentage Change
	as Reported	to NACUBO		
1998	\$ 7,647.3	\$ 7,647.3	\$ 937.4	14.0%
1999	8,128.3	8,128.3	481.0	6.3%
2000	10,013.2	10,013.2	1,884.9	23.2%
2001	9,363.6	9,363.6	(649.6)	-6.5%
2002	8,630.7	8,630.7	(732.9)	-7.8%
2003	8,708.8	8,708.8	78.1	0.9%
2004	10,336.7	10,336.7	1,627.9	18.7%
2005	11,611.0	11,611.0	1,274.3	12.3%
2006	13,234.8	13,234.8	1,623.8	14.0%
2007	15,613.7	15,613.7	2,378.9	18.0%

Net Contributions

THE UNIVERSITY OF TEXAS SYSTEM
ENDOWMENT NET CONTRIBUTIONS
YEARS ENDED OF AUGUST 31,

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net Contributions (in millions)										
Permanent University Fund (2/3 of PUF Land Mineral Income)	\$ 52	\$ 35	\$ 51	\$ 77	\$ 55	\$ 65	\$ 96	\$ 124	\$ 136	\$ 169
Long Term Fund	69	90	127	115	118	112	263	181	292	349
Permanent Health Fund (For the Benefit of UT System Institutions)	-	-	660	-	-	-	-	-	-	-
Separately Invested Assets	50	11	147	46	9	112	208	18	98	98
Total	<u>\$ 171</u>	<u>\$ 136</u>	<u>\$ 985</u>	<u>\$ 238</u>	<u>\$ 182</u>	<u>\$ 289</u>	<u>\$ 567</u>	<u>\$ 323</u>	<u>\$ 526</u>	<u>\$ 616</u>

- 7) Please explain how you determine what is considered part of the university endowment. In other words, how is your endowment defined? Are there any other long term investments that are not included in the endowment as reported to NACUBO? If so, what are they and what are their values?**

As indicated earlier, what may be referred to as the endowment is actually a collection of funds with different sources and uses. For purposes of reporting endowment assets annually to NACUBO, UT System includes 2/3 of the PUF (1/3 of these funds benefits Texas A&M University System, which is separate from UT System), the LTF, which is the private endowment investment pool, the portion of the PHF which benefits UT System institutions (approximately 80%), and any separately invested assets or assets that are restricted from being invested in the pooled funds due to donor or other restrictions. The PHF and the LTF are further pooled for investment purposes into the GEF (as discussed in response to question 5 above). The GEF does not represent additional funds for UT System.

8) What has been the cost of management of the endowment year-by-year for the last ten years?

The University of Texas System
Ratio of Expenses to Total Endowment Assets
For Periods Ended August 31,

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Permanent University Fund	0.10%	0.09%	0.17%	0.22%	0.29%	0.31%	0.33%	0.35%	0.41%	0.29%
Investment Management (4)	0.10%	0.09%	0.13%	0.17%	0.22%	0.23%	0.27%	0.29%	0.35%	0.25%
Administrative (1) (5)	0.00%	0.00%	0.04%	0.05%	0.07%	0.08%	0.06%	0.06%	0.06%	0.04%
General Endowment Fund (2)	N/A	N/A	N/A	0.09%	0.20%	0.17%	0.24%	0.27%	0.23%	0.20%
Investment Management (4)	N/A	N/A	N/A	0.09%	0.20%	0.17%	0.24%	0.27%	0.23%	0.20%
Administrative (5)	N/A	N/A	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Permanent Health Fund (3)	N/A	N/A	0.20%	0.11%	0.07%	0.10%	0.08%	0.06%	0.06%	0.08%
Investment Management (4)	N/A	N/A	0.20%	0.11%	0.07%	0.10%	0.08%	0.06%	0.06%	0.08%
Administrative (5)	N/A	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long Term Fund	0.32%	0.34%	0.33%	0.14%	0.19%	0.23%	0.19%	0.15%	0.14%	0.17%
Investment Management (4)	0.30%	0.32%	0.31%	0.12%	0.08%	0.12%	0.10%	0.06%	0.05%	0.08%
Administrative (5)	0.02%	0.02%	0.02%	0.02%	0.11%	0.11%	0.09%	0.09%	0.09%	0.09%
Total	0.16%	0.15%	0.21%	0.22%	0.31%	0.32%	0.35%	0.35%	0.38%	0.31%
Investment Management (4)	0.15%	0.14%	0.18%	0.18%	0.24%	0.24%	0.28%	0.29%	0.32%	0.26%
Administrative (5)	0.01%	0.01%	0.03%	0.04%	0.07%	0.08%	0.07%	0.06%	0.06%	0.05%

- (1) Prior to November 29, 1999, expenses related to PUF Lands were paid from the AUF.
- (2) The inception date for the General Endowment Fund was March 1, 2001.
- (3) The inception date for the Permanent Health Fund was August 30, 1999.
- (4) Management fees that are netted from asset valuations, and are not paid directly by the Funds are not included, as they are a reduction to the Total Investment Return.
- (5) Non investment related expenses.

- 9) What was the payout (both in dollars and percentage) from the endowment year-by-year for the last ten years? What is the targeted payout (in percentage) from the endowment year-by-year for the last ten years? If either the actual and/or targeted payout is below 5%, please explain how this meets the needs of the current student body. If there is a material variation between actual and targeted, please explain. What were the top 10 major expenditures from the endowment last year?

The University of Texas System
Endowment Fund Distributions
For Periods Ended August 31,

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Permanent University Fund	\$ 173.3	\$ 175.9	\$ 198.4	\$ 211.4	\$ 225.6	\$ 242.0	\$ 232.0	\$ 227.4	\$ 238.2	\$ 267.1
Long Term Fund	83.8	93.8	107.4	119.3	126.7	136.1	152.2	163.3	177.2	198.9
Permanent Health Fund	-	-	29.7	30.4	31.0	31.0	31.0	31.0	31.8	32.7
Separately Invested Assets	8.0	7.9	8.4	8.8	7.4	7.4	10.3	13.0	13.4	12.4
	<u>\$ 265.1</u>	<u>\$ 277.6</u>	<u>\$ 343.9</u>	<u>\$ 369.9</u>	<u>\$ 390.7</u>	<u>\$ 416.5</u>	<u>\$ 425.5</u>	<u>\$ 434.7</u>	<u>\$ 460.6</u>	<u>\$ 511.1</u>
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Ratio of Distributions to Average Net Assets (One Year Average)										
Permanent University Fund (1)	3.87%	3.68%	3.77%	4.06%	4.73%	5.41%	4.44%	3.89%	3.64%	3.55%
Long Term Fund	4.04%	4.19%	3.99%	4.31%	4.86%	5.40%	4.89%	4.51%	4.27%	4.00%
Permanent Health Fund	N/A	N/A	4.28%	4.51%	5.05%	5.48%	4.81%	4.39%	4.13%	3.86%
Target Distribution Rates (Three Year Average)										
Permanent University Fund	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%
Long Term Fund	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%
Permanent Health Fund	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%

(1) Prior to the fiscal year ending August 31, 2000 the Texas Constitution required the distribution of 100% of investment income to the Available University Fund and prohibited the distribution of capital gains. The passage of Proposition 17 in November 1999 allowed the Permanent University Fund to convert to a total return based methodology allowing the distribution of realized and unrealized appreciation from the fund.

The actual ratio of distributions is based on a one year average. The target distributions are based upon a trailing 12 quarter average. The trailing 12 quarter average is used to calculate the distributions in order to reduce the volatility of the annual distribution.

In February of 2008, the Board of Regents increased the payout from 4.75% to 5%.

The expenditures and the legal and donor limitations on those expenditures are discussed in the responses to both questions 5 and 10.

10) How much of the endowment is subject to permanent spending restrictions or limitations set by the original donor? Of the portion subject to permanent limitations, what percentage is restricted for need-based scholarships? What portion is restricted for undergraduate financial aid? Please provide the top five types of restrictions on endowment by category. What percentage of the endowment is subject to significant limitations placed on it due to a decision by the board (or a subcommittee of the board) or a college or university official – such as a set-aside for a specific program? Please provide the investment return to the endowment year-by-year for the last ten years.

As reported in the 2007 NACUBO Endowment Study, UT System has total endowment holdings totaling \$15.61 billion. Of that total, \$7.78 billion (49.8%) is limited by the Texas Constitution to capital construction (with the exception of UT Austin, which receives distributions for operations – see discussion of the PUF in response to question 5 above), \$1.29 billion (8.3%) is in the form of perpetual land holdings (the West Texas Lands), \$890 million (5.7%) is restricted to research at public health related institutions, \$1.93 billion (12.4%) belongs to UT health institutions, \$294 million (1.9%) belongs to foundations and affiliated organizations, and \$849 million (5.4%) is dedicated to scholarships at the academic institutions. The remaining \$2.58 billion (16.5%) has restrictions placed by donors on how 98% of the income produced by those funds may be spent.

At the academic institutions, the portion of the \$849 million dedicated to scholarships is not segregated between need-based and non-need-based scholarships. The health institutions' total above includes \$122 million dedicated to scholarships; therefore, the amount dedicated to scholarships for both academic and health institutions totals \$971 million. Approximately \$812 million of that total is dedicated to undergraduates.

The restrictions placed on UT System's endowments fall into two broad categories: (1) Texas Constitutional restrictions for the PUF and PHF, as discussed in response to question 5 above; and (2) donor restrictions.

A vast majority of the remaining endowments have restrictions in place that dictate how earnings may be spent. Only about 4% of funds invested in endowments have flexibility in how they may be spent by the academic and health institutions. The donor restrictions generally relate to three areas: scholarships and fellowships (discussed above); chairs and professorships; and research and excellence.

Distributions from endowment earnings for chairs and professorships are used for professional support for the holder of the endowed position, including assistance in the

holder's research. Endowment earnings are also allocated to support research, in general, besides the amounts dedicated to chair holders. Additionally, some endowment distributions are used to support excellence throughout the institution which would capture funds earmarked for support for various purposes such as: support for a particular program in a college or department; a special initiative such as curriculum development initiated by a dean; to pay for travel expenses for visiting lecturers; to pay salaries to teaching assistants; or to provide funding to purchase materials, supplies or equipment for the department.

As discussed above, limitations are placed on UT System's endowment funds by both the Texas Constitution and by donors, leaving only a small percentage of funds available for institution officials to dedicate to a particular purpose. These funds are mostly comprised of funds invested in *Funds Functioning as Endowments*, or "quasi" endowments, which totaled \$210 million as of August 31, 2007. As previously mentioned, this represents about 4% of the endowments not restricted by the Texas Constitution. Typically, quasi endowments have specific planned uses for their earnings documented by the institution. These uses include the same types of items that "true" endowments are dedicated to support such as scholarships and excellence programs at the institution.

The investment returns for UT System's endowments are tracked in two separate funds, the PUF and the GEF. Information related to the PUF was provided above. The GEF is made up of two sub-funds, the PHF and the LTF, also discussed in response to question 5 above.

THE UNIVERSITY OF TEXAS SYSTEM
ENDOWMENT FUNDS NET RETURNS
YEARS ENDING JUNE 30,

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Permanent University Fund	19.20%	8.12%	11.45%	-3.32%	-4.85%	2.30%	20.05%	13.52%	12.87%	17.96%
Long Term Fund	18.76%	7.87%	16.51%	-3.52%	-4.34%	2.91%	19.88%	13.43%	12.64%	18.28%
Permanent Health Fund	N/A	N/A	N/A	-4.21%	-4.42%	2.78%	19.93%	13.43%	12.63%	18.28%

11) Please explain the fee arrangement to investment advisors. How is the fee and compensation measured and determined? What is the process to review reasonableness of the fee and compensation and what comparables are used? Who reviews and approves the fee? Who pays the fee (the endowment, general funds)? Please explain what relationship, if any, exists between endowment size and/or growth and the compensation given to the college or university president and the endowment manager. Please list what endowment-related bonuses, if any, either the college or university president or the investment manager has received year-by-year for the last ten years.

The Board of Regents contracts with UTIMCO (as discussed in response to question 5 above) to manage the investment assets under the fiduciary care of the Board of Regents. As provided in response to question 8 above, the investment management costs consist of three types of fees: UTIMCO management fees, external investment manager fees, and other external service provider fees. UTIMCO's management fees cover the management costs of UTIMCO including personnel costs, travel, subscriptions, office occupancy, professional expenses, hiring costs, etc.

In addition to the UTIMCO fee, there are fee arrangements with the investment advisors that UTIMCO hires. All investment advisors under agency agreements (external managers) charge a "base fee" which is either a flat rate or decelerating rate schedule that is applied to the dollar amount (or market value) of the funds managed by the manager. The base fees are billed on a calendar quarter basis. The market value used can be either the 3-month average market value or the market value as of the last day of the quarter. Several external managers charge a performance/incentive fee. This fee is based on whether the manager's performance exceeds their benchmark, which is stipulated in their Investment Advisory Agreements (IAA). There are various ways incentive fees are calculated among the managers used. With some managers, a flat rate is applied to "excess" performance. Other managers must achieve a hurdle (i.e. performance of 200 basis points over a benchmark) before earning an incentive fee. These fees are based on the market values and performance over a period of one to three years, also stipulated in their IAA.

Fees incurred by partnerships, mutual funds, and other unit or share based funds, such as hedge funds, are netted directly against returns by the manager in accordance with standard industry practice.

As part of the overall costs related to UTIMCO's management of the investment funds, costs are also incurred for external service providers such as custodians, consultants, performance and risk measurements, audit fees, etc.

The investment management costs consist of three types of fees: UTIMCO management fees, external investment manager fees and other external service provider fees. The UTIMCO fee is based on the actual costs incurred by UTIMCO. An annual budget is prepared by UTIMCO staff which is reviewed by UT System staff. The UTIMCO budget, including budgeted investment management fees, is approved by the UTIMCO Board and the Board of Regents.

External manager fees vary according to the complexity, strategy, sector of the market involved, the risk adjusted expected returns of each investment manager, and the overall market demand for investment manager services. Fee proposals from potential investment managers are compared to other potential manager proposals as well as the existing managers in the endowment fund portfolios. Fee differences between managers are analyzed to reconcile qualitative and quantitative aspects of the prospective managers, including, but not limited to, region or country specific elements or specialized type strategy elements. UTIMCO's investment management staff maintains a good perspective of the market through discussions with the many potential and existing external investment managers they meet with over the course of time. Other external service provider fees are negotiated and reviewed by UTIMCO staff to ensure that they are both competitive and reasonable.

UTIMCO's accounting manager reviews all invoices. The payment is approved by two authorized people from UTIMCO's accounting management group.

There is not a relationship between the endowment size and/or growth and the compensation of UTIMCO as the endowment manager or the UT System Chancellor or any UT System institution president. Most of the employees (investment and manager level back office personnel) of UTIMCO have base salaries set with reference to the median level for similar job functions in a universe of endowments, foundations, and private investment management firms constructed by a compensation consultant. Bonuses are based on investment and individual performance. Investment performance includes peer benchmarks and benchmark level returns in the asset classes. Target total compensation (salary plus target bonus) is positioned at the market median. Maximum total compensation (salary plus maximum bonus) is targeted at the market 75th percentile if performance is outstanding. Target and maximum total compensation levels are also based on a benchmarking study conducted by a nationally recognized compensation consultant.

Neither the presidents of the individual campuses nor the Chancellor earn a bonus based on endowment performance. Employees of UTIMCO do have the potential to earn

incentive bonuses based on UTIMCO's performance. The following chart sets forth the bonuses paid by UTIMCO to all UTIMCO employees.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
UTIMCO	241,276	437,283	495,020	101,985	239,416	1,088,343	1,685,659	1,994,894	2,159,647	2,082,700

**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.

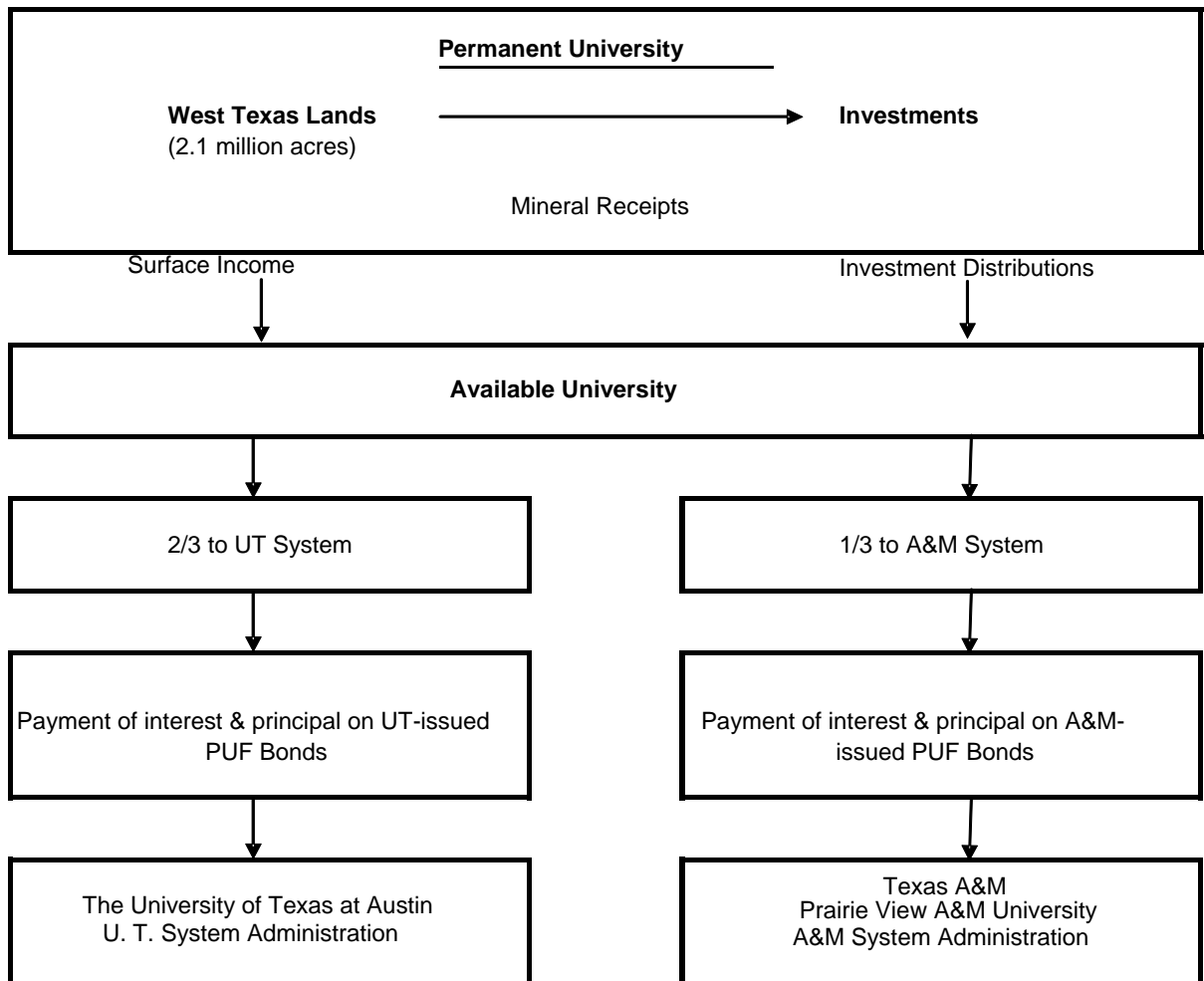
The expenditure of the AUF is subject to a prescribed order of priority:

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 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 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 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 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 Available University Fund.

In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the Board of Regents each May, or at other times as needed, an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation to the Board of Regents shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each year unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case the distribution shall be 5.0% of the trailing 12-quarter average. "Expected Return" is the Expected Annual Return or Benchmarks set out in Exhibit A to this Policy Statement.

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
<u>Asset Classes</u>												
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%
<u>Investment Types</u>												
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 (5.0%)	0.0%	0.0%	5.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (4.0%)	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)
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 (5.5%)	2.0%	0.0%	8.5%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.5%	2.5%	6.5%
Real Assets	Real Estate	NAREIT Equity Index (5.5%)	0.5%	1.0%	8.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	1.5%	2.0%	9.5%
Equity	Developed Country	MSCI World Index with Net Dividends (18.0%)	23.5%	8.5%	50.0%
	Emerging Markets	MSCI EM Index with Net Dividends (13.0%)	3.0%	1.5%	17.5%
Total		51.5%	33.0%	15.5%	100.0%

	MSCI Investable Hedge Fund Index
	Venture Economics Customer Index

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

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

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

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

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 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
<u>Asset Classes</u>												
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%
<u>Investment Types</u>												
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%
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POLICY/TARGET RETURN/RISKS	March 1, 2008	FYE 2008	FYE 2009	FYE 2010
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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 (5.0%)	0.0%	0.0%	5.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (4.0%)	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%

	MSCI Investable Hedge Fund Index
	Venture Economics Customer Index

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

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

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (6.5%)	2.0%	0.0%	8.5%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.5%	2.5%	6.5%
Real Assets	Real Estate	NAREIT Equity Index (6.5%)	0.5%	1.0%	8.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	1.5%	2.0%	9.5%
Equity	Developed Country	MSCI World Index with Net Dividends (18.0%)	23.5%	8.5%	50.0%
	Emerging Markets	MSCI EM Index with Net Dividends (13.0%)	3.0%	1.5%	17.5%
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

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 UTIMCO 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 PHF 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 PHF. 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
<u>Asset Classes</u>												
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%
<u>Investment Types</u>												
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 (5.0%)	0.0%	0.0%	5.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (4.0%)	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%	8.5%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.5%	2.5%	6.5%
Real Assets	Real Estate	NAREIT Equity Index (6.5%)	0.5%	1.0%	8.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	1.5%	2.0%	9.5%
Equity	Developed Country	MSCI World Index with Net Dividends (18.0%)	23.5%	8.5%	50.0%
	Emerging Markets	MSCI EM Index with Net Dividends (13.0%)	3.0%	1.5%	17.5%
Total		51.5%	33.0%	15.5%	100.0%

MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

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

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

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

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

MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

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

**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
<u>Asset Classes</u>												
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%
<u>Investment Types</u>												
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 (5.0%)	0.0%	0.0%	5.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (4.0%)	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%

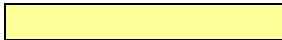

 MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

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%	8.5%
	Credit-Related	Lehman Brothers Global High-Yield (1.5%)	2.5%	2.5%	6.5%
Real Assets	Real Estate	NAREIT Equity Index (6.5%)	0.5%	1.0%	8.0%
	Natural Resources	DJ-AIG Commodity Index Total Return (6.0%)	1.5%	2.0%	9.5%
Equity	Developed Country	MSCI World Index with Net Dividends (18.0%)	23.5%	8.5%	50.0%
	Emerging Markets	MSCI EM Index with Net Dividends (13.0%)	3.0%	1.5%	17.5%
Total		51.5%	33.0%	15.5%	100.0%

 MSCI Investable Hedge Fund Index
 Venture Economics Customer Index

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

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

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

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

	MSCI Investable Hedge Fund Index
	Venture Economics Customer Index

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

THE UNIVERSITY OF TEXAS SYSTEM SEPARATELY INVESTED FUNDS INVESTMENT POLICY STATEMENT

Purpose

The Separately Invested Funds (the "Accounts") include the Endowment, Trust, and Other Accounts established in the name of the Board of Regents of The University of Texas System (the "Board of Regents"), as trustee, and are Accounts which are not solely invested in one of the pooled investment vehicles. These Accounts are not invested in the pooled investment vehicle because: a) they are charitable trusts; b) of investment restrictions incorporated into the trust/endowment document; c) of inability to sell the gifted investment asset; d) they are assets being migrated upon liquidation into a pooled investment vehicle; or e) assets held by The University of Texas Investment Management Company ("UTIMCO") at the request of a University of Texas System institution for which UTIMCO does not have investment discretion (for example, tech stock). This policy covers the Accounts collectively. However, specific guidelines are applied to each individual account. Specific Account restrictions may not fall within the guidelines established in this policy.

Investment 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 Accounts.

Ultimate fiduciary responsibility for the Accounts 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. The applicable trust/endowment document will apply to the management of each trust or endowment.

Pursuant to an Investment Management Services Agreement between the Board of Regents and UTIMCO, the assets for the Account shall be managed by UTIMCO,

which shall: a) recommend investment policy for the Accounts, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with the Account objectives, and if appropriate c) monitor the Account's performance against Account objectives. UTIMCO shall invest the Account's assets in conformity with this Policy Statement.

Unaffiliated investment managers may be hired by UTIMCO to improve the Account's return and risk characteristics. Such managers shall have complete investment discretion unless restricted by the terms of their management contracts. Managers shall be monitored for performance and adherence to investment disciplines.

Account 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 assets in the Account shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Investment Objectives

Endowment Accounts - The primary investment objective shall be to invest the Account in assets that comply with the terms of the applicable trust/endowment document, taking into consideration the investment time horizon of the Account.

Trust Accounts - Trust Accounts are defined as either Foundation Accounts or Charitable Trusts ((Charitable Remainder Unitrusts (CRUT), Charitable Remainder Annuity Trusts (CRAT), Pooled Income Funds (PIF), or Charitable Trusts (CT)). The Board of Regents recognizes that the investment objective of a trust is dependent on the terms and conditions as defined in the trust document of each trust. The conditions that will affect the investment strategy are a) the trust payout provisions; b) the ages of the income beneficiaries; c) the ability to sell the gifted assets that were contributed to the trust; and d) consideration to investment preferences of the income beneficiaries. Taking these conditions into consideration, the fundamental investment objectives of the trust will be to generate a low to moderate growth in trust principal and to provide adequate liquidity in order to meet the payout provisions of the trust.

Other Accounts – These are all accounts which are not Endowment Accounts or Trust Accounts that hold assets not invested in one of the pooled investment vehicles. These accounts include agency funds, institution current purpose accounts, and tech stock accounts.

Asset Allocation

Asset allocation is the primary determinant of investment performance and subject to the asset allocation ranges specified herein is the responsibility of UTIMCO. Specific asset allocation targets may be changed from time to time based on the economic and investment outlook.

If appropriate, the Account's assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

- A. Cash and Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.
- B. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of income for the Account. Such bonds should be high quality, with reasonable call protection in order to ensure the generation of current income and preservation of nominal capital even during periods of severe economic contraction. This classification shall include fixed income mutual funds.
- C. Equities - provide both current income and growth of income, but their principal purpose is to provide appreciation for the Account. Historically, returns for equities have been higher than for bonds over all extended periods. Therefore, equities represent the best chance of preserving the purchasing power of the Account. This classification shall include equity mutual funds.
- D. Variable Annuities - These are insurance contracts purchased on the life or lives of the income beneficiaries and for which the funds underlying the contract are invested in various mutual funds which offer diversification of the Account's assets. These contracts offer some downside market risk protection in case of the income beneficiary's death in the early years of the contract. These investment assets are only appropriate for the charitable remainder trusts.

Asset Allocation Policy

The asset allocation policy and ranges for each Account herein is dependent on the terms and conditions of the applicable trust/endowment or trust document. If possible, the Account's assets shall be diversified among different types of assets whose returns are not closely correlated in order to enhance the return/risk profile of the Account.

The Board of Regents delegates authority to UTIMCO to establish specific asset allocation targets and ranges for each trust or endowment Account. UTIMCO may establish specific asset allocation targets and ranges for or within the asset classes listed above as well as the specific performance benchmarks for each asset class.

Performance Measurement

The investment performance of the actively managed Accounts, where cost effective, will be calculated and evaluated quarterly.

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index and other commingled funds managed externally shall be governed by the terms and conditions of the respective investment management contracts.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment Account must be reviewed and approved by UTIMCO's chief investment officer prior to investment of Account's assets in such liquid investment Account.
- No securities may be purchased or held which would jeopardize, if applicable, the Account'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 Account may utilize derivatives to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with ITF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies, provided that the Account's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

Eligible Investments

Cash and cash equivalents

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA_M by Standard & Poor's Corporation.
- Approved Tax Exempt unaffiliated liquid investment fund.
- Highly liquid internal pooled investment fund managed by UTIMCO.
- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.
- Floating rate securities, if they are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.
- Repurchase agreements and reverse repurchase agreements must be transacted with a dealer that is approved by UTIMCO and selected by the

Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

- Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
 - Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
 - The maturity for a repurchase agreement may be from one day to two weeks.
 - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
 - All collateral shall be delivered to the Account's custodian bank. Tri-party collateral arrangements are not permitted.
 - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the Account's total assets.
 - Overnight repurchase agreements may not exceed 10% of the Account's total assets.
- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

Fixed income securities

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

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

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

- a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;
 - b) Medium term notes issued by investment grade corporations;
 - c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
 - d) Structured notes issued by LBAGG qualified entities.
- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service at the time of acquisition.
 - Not more than 35% of the Account's fixed income portfolio may be invested in non-U.S. dollar bonds. Not more than 15% of the Account's fixed income portfolio may be invested in bonds denominated in any one currency other than U.S. dollar.
 - Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.
 - Not more than 7.5% of the Account's fixed income portfolio may be invested in Emerging Market debt.
 - International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.
 - Permissible securities for investment include Fixed Income Mutual Funds and Debt Index Funds as approved by UTIMCO's chief investment officer.
 - Permissible securities for investment include Fixed Income Variable Annuity Contracts as approved by UTIMCO's chief investment officer.

Equities

The Account may purchase equity securities as long as it:

- holds no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market.

- holds no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by UTIMCO's chief investment officer.

The Account may purchase Equity Mutual Funds and Equity Variables Annuity Contracts as approved by UTIMCO's chief investment officer.

The provisions concerning investment in fixed income and equities securities shall not apply to an Account in which the agreement prohibits the sale of an equity or fixed income security. To the extent determined practical by the U. T. System Office of Development and Gift Planning Services, donor preferences will be considered in determining whether gifts of securities are held or sold.

Distributions

Distributions of income or amounts from the Accounts to the beneficiaries shall be made as soon as practicable, either: a) based on the terms of the applicable trust instrument; b) following the fiscal quarter end for endowments; or c) based on specific requirements for other accounts.

Accounting

The fiscal year of the Accounts shall begin on September 1st and end on August 31st. Trusts will also have a tax year end which may be different than August 31st. Market value of the Accounts shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or federal income tax laws, 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.

Valuation of Assets

As of the close of business for each month, UTIMCO shall determine the fair market value of all assets in the Accounts. Such valuation of assets shall be based on the bank trust custody agreement in effect or other external source if not held in the bank custody account at the date of valuation. The final determination of the Accounts net assets for a month end close shall normally be completed within ten business days but determination may be longer under certain circumstances.

Securities Lending

The Account 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 Accounts 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 Account 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 Account. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the Account solely in the interest of the beneficiaries, in compliance with the Proxy Voting Policy, and shall not invest the Account so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be July 13, 2006.