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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 11/12/2003
MCM Elegante Hotel
Board Meeting: 11/13/2003
U. T. Permian Basin

Woody L. Hunt, Chairman
H. Scott Caven, Jr.
James Richard Huffines
Cyndi Taylor Krier

1. U. T. System: Approval of Docket No. 115

RECOMMENDATION

It is recommended that Docket No. 115 as attached beginning on Page Docket - 1 be approved.

It is requested that the Committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

2. U. T. Board of Regents: Amendments to the Regents' Rules and Regulations regarding disclosure requirements for financial advisors and service providers (Part Two, Chapter IX, Sections 3 and 4)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part Two, Chapter IX, Sections 3 and 4, concerning disclosure requirements for financial advisors and service providers, be amended as set forth below in congressional style:

a. Amend Section 3 to add a new Subsection 3.5 as follows:

Sec. 3. Policy for Investment and Management of the PUF

. . .

3.5 Financial Advisors and Service Providers
Financial advisors and service providers as defined in Texas Government Code Section 2263.002 shall comply with the disclosure requirements contained in Texas Government Code Section 2263.005.

b. Amend Section 4 as follows:

Sec. 4. Policy for Investment and Management of U. T. Investment Pools

4.1 Investment Policy Statement
The policies for the investment of funds for U. T. investment pools shall be those outlined in the applicable Investment Policy Statement.

4.2 Application of Other Regulations
The provisions of Subsections 3.2, 3.3, ~~and~~ 3.4, and 3.5 of this Chapter with respect to the investment and management of the PUF, shall also ~~likewise~~ apply to other U. T. investment pools.

4.3 System Professional Medical Liability Benefit Plan
The Professional Medical Liability Fund shall be administered in a manner consistent with all provisions of the System Professional Medical Liability Benefit Plan.

4.4 Conformance with Trust Indenture and State Law
Each pooled income fund established by U. T. shall be administered according to The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, the fund's trust indenture, and applicable law.

BACKGROUND INFORMATION

The proposed amendments to the Regents' Rules and Regulations, Part Two, Chapter IX, Sections 3 and 4 implement the requirements of Senate Bill 1059, relating to corporate ethics and integrity, which became effective September 1, 2003. Senate Bill 1059 added Chapter 2263 to the Texas Government Code, dealing with ethics and disclosure requirements for outside financial advisors and service providers. The new law requires governing bodies of governmental entities that manage or invest state funds to adopt by rule, no later than January 1, 2004, standards of conduct for financial advisors and service providers (defined as "a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker") who:

a. may be expected to receive more than $10,000 in compensation per year; or

b. who render important investment of funds management advice to the entity.

Senate Bill 1059 requires outside financial advisors and service providers to disclose, in writing, to both the state entity and State Auditor:

a. any relationship the financial advisor or service provider have with any party to a state entity transaction, other than a relationship necessary to the financial services being provided, if a reasonable person could expect the relationship to diminish the advisor's or provider's independence of judgment in the performance of the advisor's or provider's responsibilities to the state entity; and

b. all direct and indirect pecuniary interests the advisor or provider has in any party to a state entity transaction, if the transaction is connected with the advice or service being provided in connection with the management or investment of state funds.

The University of Texas Investment Management Company (UTIMCO) is the Board of Regents' primary investment advisor and the Board of Regents is required, under the statute authorizing UTIMCO, to approve UTIMCO's Code of Ethics. The current UTIMCO Code of Ethics, last approved by the U. T. Board on August 7, 2003, goes beyond the disclosure requirements created by Senate Bill 1059 and satisfies, in large part, the intent behind Senate Bill 1059. However, the definition of "financial advisor or service provider" is sufficiently broad that a number of individuals, firms, or companies that do business with UTIMCO, as well as the independent financial advisor recently hired by the Board of Regents, will be required to file disclosure forms, promulgated by the State Auditor, on an annual basis at minimum. UTIMCO's internal managers and the brokers and dealers they trade with, investment partnerships, hedge funds, and "fund of fund" managers will be subject to the new disclosure requirements. The U. T. System liaison to UTIMCO will coordinate distribution and collection of forms from UTIMCO and the other financial advisors and service providers required to submit them, review the forms, and provide relevant disclosure to the Board of Regents.

3. U. T. Board of Regents: Adoption of Thirteenth Supplemental Resolution authorizing the issuance of additional Revenue Financing System (RFS) Bonds; authorization to execute interest rate swap transactions in connection with the Bonds; authorization to complete all related transactions; and approval as to form for use of documents

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that the U. T. Board of Regents:

a. adopt the Thirteenth Supplemental Resolution to the Master Resolution, substantially in the form presented to the Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds in one or more installments in an aggregate principal amount not to exceed $496,000,000 with a final maturity not to exceed the Year 2035 for the purpose of advance refunding certain outstanding Revenue Financing System Bonds to produce present value debt service savings; to refund a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A; to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program; and to pay the costs of issuance and any original issue discount;

b. authorize issuance of the Bonds with natural or synthetic fixed interest rates and the execution of interest rate swap transactions to convert variable interest rates on the bonds into fixed rate obligations if the Bonds are issued with variable interest rates; and

c. authorize appropriate officers and employees of the U. T. System as set forth in the Thirteenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents, within the limitations and procedures specified therein, make certain covenants and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor also concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the U. T. Board of Regents on February 14, 1991, amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. Board of Regents resolves that:

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

b. the component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt.

The Chancellor further concurs in the recommendation that the forms used for this transaction may be used for future approved transactions, following review by the U. T. System Office of General Counsel and outside bond counsel.

BACKGROUND INFORMATION

On February 14, 1991, the Board adopted a Master Resolution establishing the Revenue Financing System (RFS) to create a cost-effective, System-wide financing structure for component institutions of the U. T. System. Since that time, the Board has adopted 12 supplemental resolutions to provide debt financing for projects that have received the requisite U. T. System Board of Regents and Texas Higher Education Coordinating Board approvals.

Adoption of the Thirteenth Supplemental Resolution (Resolution) would authorize the advance refunding of certain outstanding RFS Bonds provided the refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. The Resolution provides flexibility to execute the transaction using either natural or synthetic fixed rate debt. Natural fixed rate debt involves issuing fixed rate bonds. Synthetic fixed rate debt involves issuing variable rate bonds and executing a corresponding floating-to-fixed interest rate swap agreement to effectively convert the interest rate on the bonds to a fixed interest rate. The determination to issue either natural or synthetic fixed rate debt will be made based on market conditions at the time of pricing. The use of any interest rate swap agreements will be in accordance with the U. T. System Interest Rate Swap Policy approved by the Board in February 2003 using standard International Swaps and Derivatives Association, Inc. (ISDA) documentation.

Concurrently with the consideration of the Resolution, the Board will consider a resolution authorizing master interest rate swap agreements with seven investment banking firms selected through a procurement process. The Board currently has master interest rate swap agreements with three of the firms and these agreements may be amended to conform to the new agreements to be entered into. The Resolution authorizes interest rate swap transactions relating to the Bonds and other Parity Debt under the seven interest rate swap agreements.

In addition, the Resolution authorizes remarketing, tender, auction and broker-dealer agreements customarily utilized in connection with the types of variable rate instruments authorized.

The Resolution also authorizes the refunding of a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A and to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program. Generally, commercial paper debt is issued to fund projects during the construction phase and the debt is not amortized. Once construction is complete, the commercial paper is refunded with bonds. Depending on the level of interest rates at the time of pricing, outstanding commercial paper and new money for construction may be financed with long-term debt.

As provided in the Resolution, the potential bonds to be refunded include up to:

- $42,895,000 of the RFS Bonds, Series 1995A maturing 2008-2017
- $45,950,000 of the RFS Bonds, Series 1996A and $133,460,000 of RFS Bonds, Series 1996B maturing 2007-2016
- $7,010,000 of the RFS Bonds, Series 1998A and $73,660,000 of RFS Bonds, Series 1998B maturing 2008-2018
- $29,520,000 of the RFS Bonds, Series 1998C and $66,400,000 of RFS Bonds, Series 1998D maturing 2009-2019
- $14,130,000 of the RFS Bonds, Series 1999A maturing 2017 and 2018
- $12,895,000 of RFS Bonds, Series 1999B maturing 2018
- $119,955,000 of RFS Bonds, Series 2001B and $56,680,000 of RFS Bonds, Series 2001C maturing 2012-2022.

Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing provided the refunding achieves the minimum 3% savings target.

Note: Based on the opinion of outside bond counsel, the Thirteenth Supplemental Resolution and forms of auction agreement and broker-dealer agreement are required to be provided to the Board to comply with applicable provisions of the Texas Government Code. The proposed Thirteenth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel and is available on-line at http://www.utsystem.edu/bor/agendabook. Following approval of the form of these documents by the Board, succeeding documents that are in substantially the same form will not have to be made available as part of the agenda materials.

See Item 4 on Page 21 related to the adoption of master interest rate swap agreements.

An overview of proposed Revenue Financing System Advanced Refunding is illustrated on Pages 20.1 - 20.7.

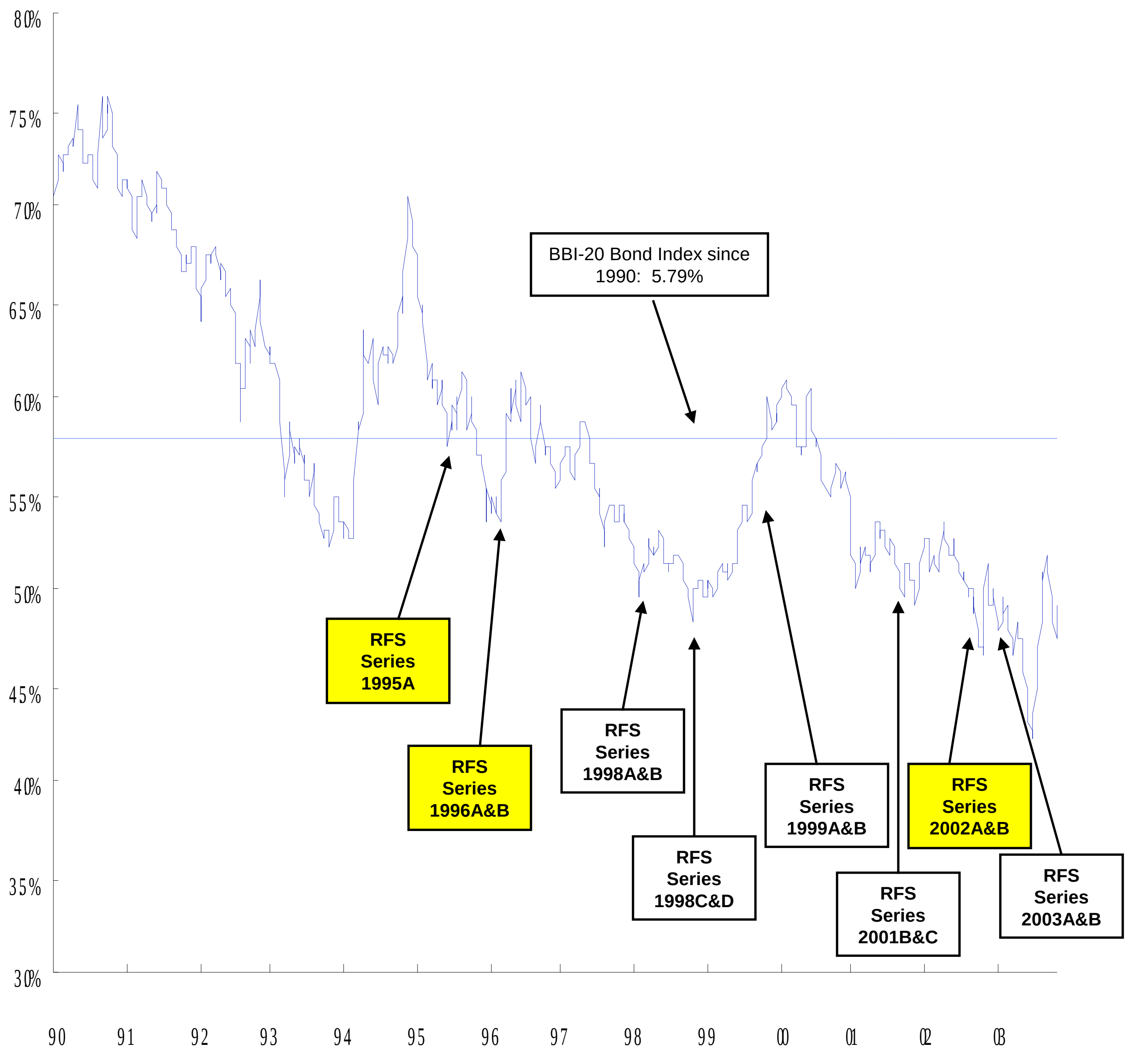
Overview of Proposed Revenue Financing System Advanced Refunding

- The Office of Finance is requesting Board of Regents' approval to issue Revenue Financing System (RFS) debt for the primary purpose of advance refunding certain outstanding RFS bonds (including tuition revenue bonds) to achieve present value debt service savings (assuming 3% minimum present value savings).

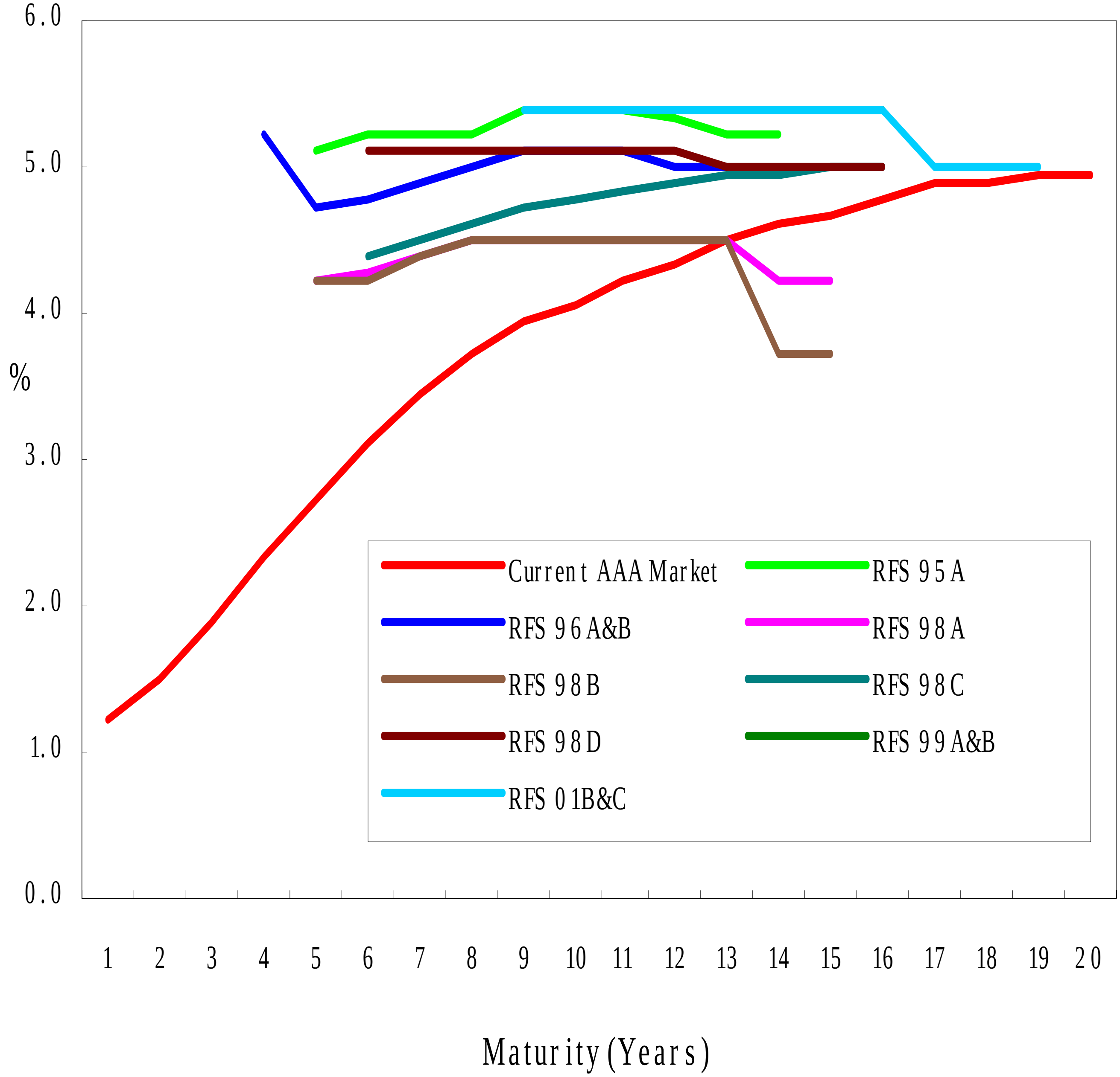
- The System has issued its fixed-rate debt during periods of relatively low interest rates. Additionally, various refunding transactions have been executed to refund the System's highest cost debt.

- The remaining refunding candidates are marginal and can only be refunded for significant savings under certain market conditions. The average coupon rate of the potential refunding candidates is 5.01%.

Sale Dates of Outstanding RFS Bond Issues



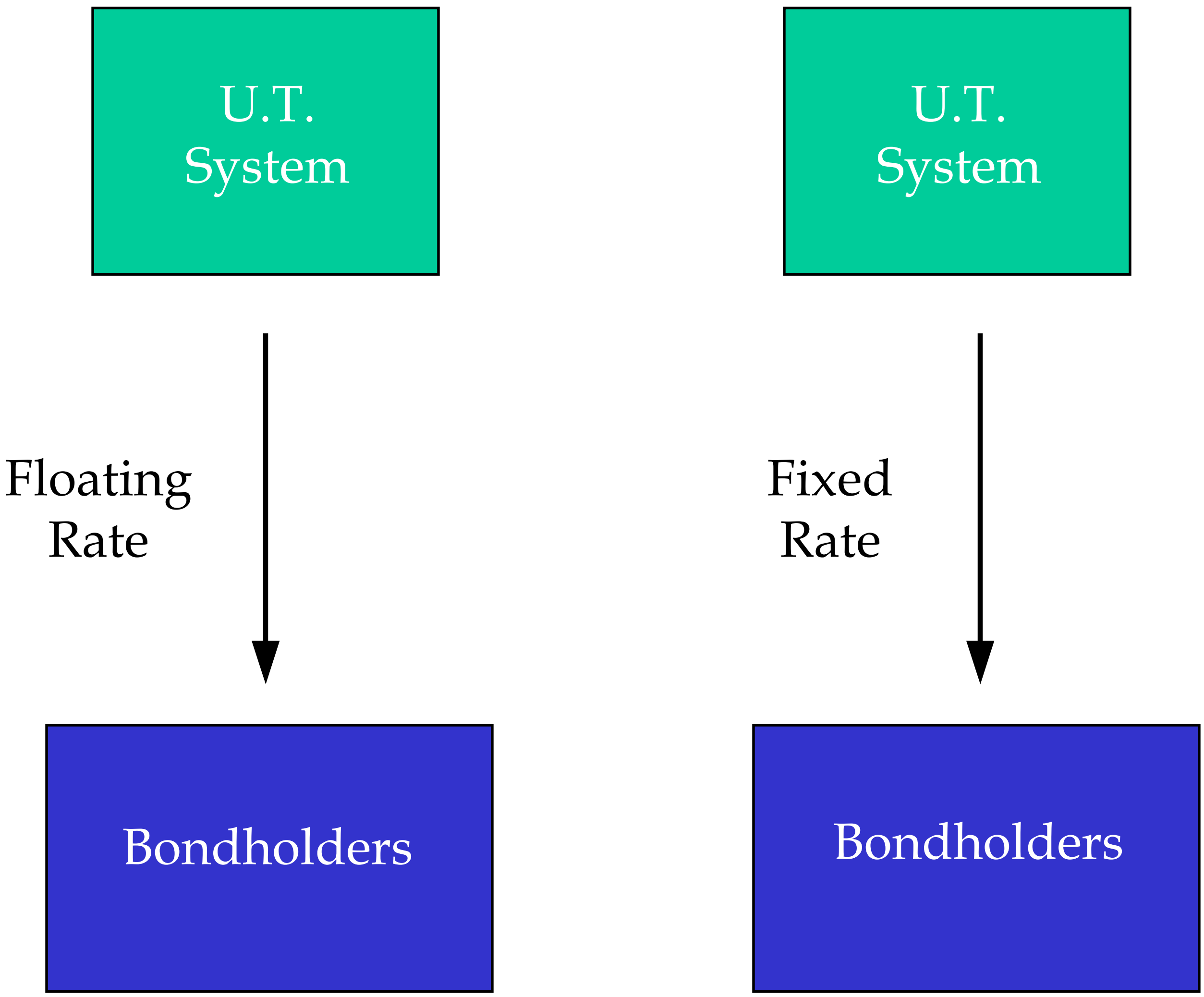
Coupon Rates of Potential RFS Refunding Candidates versus Current Market Rates as of October 16, 2003



Key Points

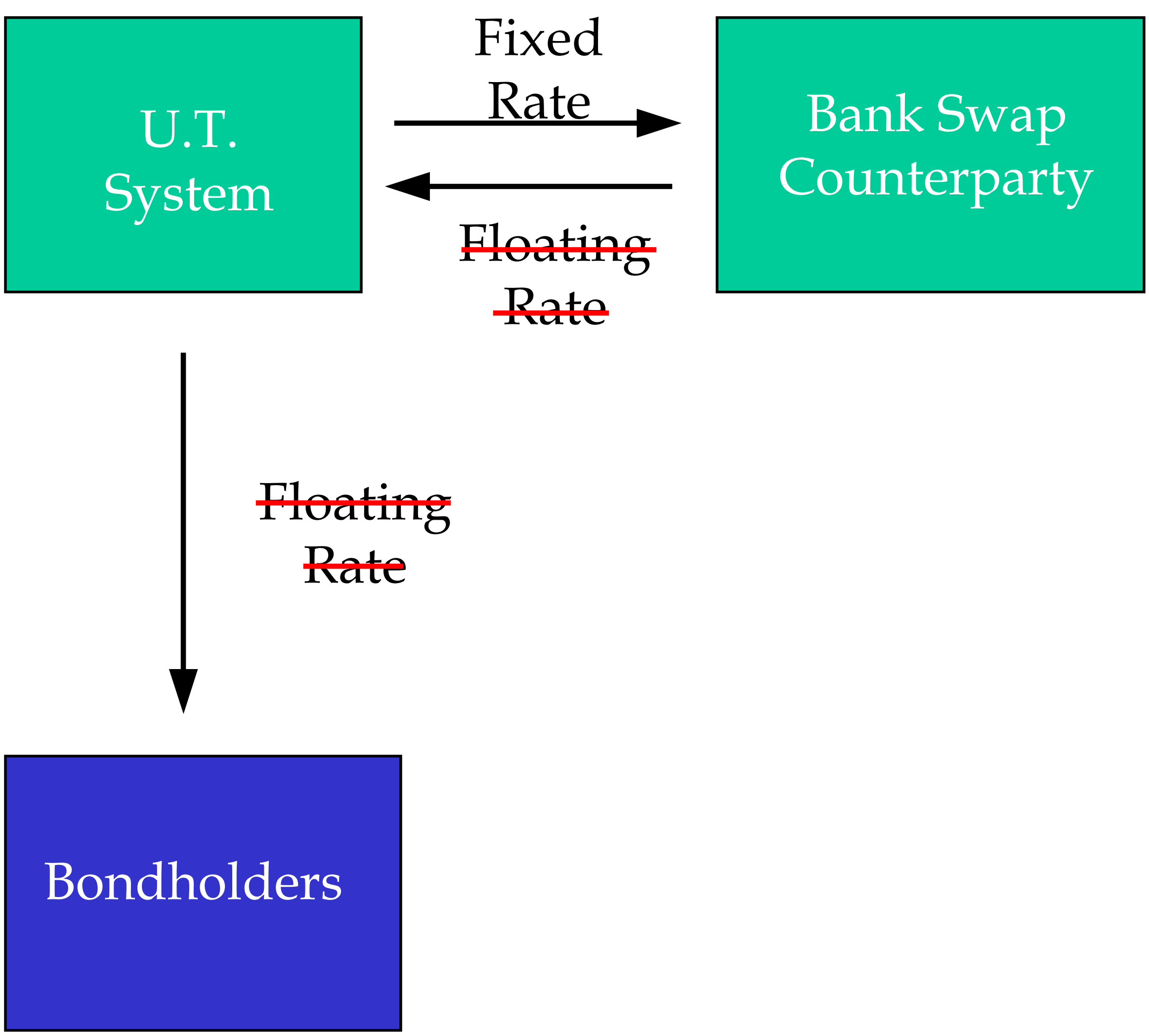
- Interest rates are near all-time lows
- Requesting approval to issue either natural fixed rate debt or issue variable and enter a fixed payer swap to achieve fixed-rate financing
- Having approvals in place will allow the System to quickly respond in favorable market conditions to capture debt service savings
- Size of the transaction is dependent on market interest rates
- Transaction could include new money and/or refunding of outstanding commercial paper

The U.T. System Typically Issues "Natural" Floating Rate Debt or Fixed Rate Debt



“Synthetic” Fixed Rate Debt

(Issue “natural” floating rate debt and swap to a fixed rate)



Refunding Constraints

- The resolution authorizes the issuance of up to $496 million of bonds no later than Nov. 1, 2004.
- Refunding must produce a minimum of 3% present value debt service savings.
- Any transaction must be in compliance with the System's interest rate swap policy approved by the Board in February 2003 and the System's debt policy approved by the Board in May 2003.
- Any transaction requires the approving opinion of outside bond counsel and approval by the Office of the Attorney General.

4. **U. T. Board of Regents: Adoption of Resolution authorizing the execution of Master Interest Rate Swap Agreements and approval as to form for use of documents**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that the U. T. Board of Regents adopt a resolution substantially in the form set out on Pages 23 - 26 (the Resolution) authorizing appropriate officers of the U. T. System to enter into master interest rate swap agreements with Bank of America Securities; Morgan Stanley Capital Services; Lehman Brothers Special Financing Inc.; UBS AG; Goldman Sachs Mitsui Marine Derivative Products, L.P.; J.P. Morgan Chase Bank; and Merrill Lynch Capital Services, Inc.; to execute confirmations under such agreements, and to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents.

The Chancellor also concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and based in part upon the delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. Board of Regents resolves that:

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

b. the component institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of Parity Debt pursuant to the master interest rate swap agreements.

The Chancellor further concurs in the recommendation that the forms used for this transaction may be used for future approved transactions, following review by the U. T. System Office of General Counsel and outside bond counsel.

BACKGROUND INFORMATION

On February 13, 2003, the Board approved the U. T. System Interest Rate Swap Policy, which governs the use by the U. T. System of interest rate swap transactions for the purpose of hedging interest rate risk of existing or planned Revenue Financing System debt. As provided in the policy, each swap agreement shall contain the terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, consistent with the policy limits set forth in the Interest Rate Swap Policy.

The ISDA Master Agreement is a standardized master legal agreement for all derivative transactions between swap counterparties that states standardized definitions, terms, and representations governing swap transactions. In addition to the ISDA Master Agreement, swap counterparties also negotiate 1) a Schedule to the ISDA Master Agreement that sets out specific business terms and conditions governing the derivative transactions executed under the agreement; and 2) a Credit Support Annex that states the provisions regarding the mutual posting of collateral, if required under the ISDA schedule. Individual transactions are evidenced by a Confirmation that lists the specific terms and conditions for a particular transaction.

On February 11, 1999, the Board authorized appropriate officers to enter into master interest rate swap agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P.; Lehman Brothers Financial Products Inc.; and Morgan Guaranty Trust Company of New York (now J.P. Morgan Chase). This item requests approval to expand the list of potential swap counterparties with which the U. T. System may execute interest rate swap transactions by having master swap agreements negotiated with additional counterparties. Expanding the list of potential counterparties is expected to minimize the U. T. System's interest cost by having additional firms compete on future swap transactions. The proposed swap counterparties were selected based on an evaluation of responses to a Request for Qualifications issued in July 2003.

When transactions are entered into under the ISDA Master Agreements, the costs thereof and the amounts payable thereunder shall be paid out of Pledged Revenues under the Master Resolution. The ISDA Master Agreements shall each constitute a "Credit Agreement" as defined under the Master Resolution and Chapter 1371 of the Texas Government Code and Parity Debt under the Master Resolution.

> Note: Based on the opinion of outside bond counsel, the form of the ISDA master agreements is required to be provided to the Board to comply with applicable provisions of the Texas Government Code. The proposed ISDA master agreement is available on-line at http://www.utsystem.edu/bor/agendabook. Following approval of the form of these documents by the Board, succeeding documents that are in substantially the same form will not have to be made available as part of the agenda materials.

See Item 3 on Page 17 related to adoption of the Thirteenth Supplemental Resolution.

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF MASTER INTEREST RATE SWAP AGREEMENTS AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS

November 13, 2003

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "U. T. System") is the governing body of the U. T. System, an institution of higher education under the Texas Education Code and an agency of the State of Texas; and

WHEREAS, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and amended such resolution on October 8, 1993, and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of the institutions now or hereafter constituting components of the U. T. System that are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, simultaneously with the adoption of this Resolution, the Board has adopted the Thirteenth Supplemental Resolution to the Master Resolution authorizing the issuance and delivery of one or more series of additional bonds as Parity Debt (the "2004 Bonds"). The 2004 Bonds, together with the outstanding Parity Debt and any additional Parity Debt to be issued or entered into under the Master Resolution are special, limited obligations of the Board payable solely from, and secured by a lien on and pledge of, the Pledged Revenues. The Pledged Revenues are pledged for the equal and proportionate benefit and security of all owners of Parity Debt; and

WHEREAS, the Chancellor and the Interim Vice Chancellor for Business Affairs have recommended the implementation of a financial plan which involves the possible issuance of a portion of the 2004 Bonds as synthetic fixed rate bonds to refund a portion of the outstanding Parity Debt to achieve debt service savings and the authorization and approval of International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements with Bank of America Securities, Morgan Stanley Capital Services, Lehman Brothers Special Financing Inc., UBS AG, Goldman Sachs Mitsui Marine Derivative Products, L.P., J.P. Morgan Chase Bank, and Merrill Lynch Capital Services, Inc., (the "Potential Swap Providers") pursuant to which the Board could enter into interest rate swap transactions with some or all of the Potential Swap Providers; and

WHEREAS, the Chancellor and the Interim Vice Chancellor for Business Affairs have further recommended that the Board authorize the U. T. System Representative to enter into interest rate swap transactions with one or more of the Potential Swap Providers, when, in the judgment of the U. T. System Representative and in accordance with the U. T. System Interest Rate Swap Policy and Chapter 1371, Texas Government Code, the transaction is expected to result in a lowering of the debt service burden on the U. T. System.

NOW THEREFORE BE IT RESOLVED, that

1. The U. T. System Representative is hereby authorized to enter into ISDA Master Agreements (the "Swap Agreements") with each of the Potential Swap Providers in substantially the forms presented to the Board, including the forms of Schedules and Confirmations attached thereto, with such changes as, in the judgment of the U. T. System Representative, with the advice and counsel of the U. T. System Office of General Counsel and Bond Counsel, are necessary to carry out the intent of the Board as expressed in this Resolution, to receive approval of the Swap Agreements by the Attorney General of the State of Texas, or to satisfy conditions of a credit rating agency relating to the Swap Agreements.

2. The U. T. System Representative is further authorized and directed to enter into one or more interest rate swap transactions and agreements terminating any such interest rate swap transaction, pursuant to the U. T. System Interest Rate Swap Policy, each Swap Agreement, and the Confirmation exchanged between the parties confirming such interest rate swap transactions. The terms of the initial interest rate swap transaction, including interest rate, term, notional amount, and options as to commencement and termination of payments shall be as described in the Swap Agreement and as provided in the related Confirmation. The U. T. System Representative shall not enter into transactions under the Swap Agreements unless he or she determines that the transaction conforms to the U. T. System Interest Rate Swap Policy and that the expected debt service cost as a result of entering into the swap transaction is materially lower than the expected debt service cost if the swap had not been executed.

3. In connection with each proposed transaction, the U. T. System Representative shall either (i) seek competitive bids from each of the Potential Swap Providers under the respective Swap Agreements or (ii) enter into a negotiated transaction with one or more of the Potential Swap Providers. The U. T. System Representative shall determine whether a competitive or negotiated transaction will be of greater benefit to the Board. The U. T. System Representative shall specify in the bid documents for a competitive transaction or in the terms of a negotiated transaction as the standard for determining the variable rate under the transaction the Bond Market Association index, a percentage of London Inter-Bank Offer Rate (“LIBOR”), or a combination of the two as contemplated by the forms of Confirmations attached to the Swap Agreements. The U. T. System Representative's determination of which variable rate standard to be used shall be based upon the U. T. System Representative's opinion as to which standard will result in the Board paying the lowest net effective interest rate on the outstanding Parity Debt.

If competitive bids are solicited, upon determination of the best bid, the U. T. System Representative will inform each of the Potential Swap Providers of the best bid. If provided in the bid proceedings, the U. T. System Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded a predetermined percentage of the notional amount of the swap transaction, in accordance with the U. T. System Interest Rate Swap Policy. In that event those Potential Swap Providers shall have the right to enter into a Confirmation under its respective Swap Agreement in notional amounts as provided in the bid proceedings, on the same terms as the best bid. The U. T. System Representative shall also accept and execute a Confirmation under the Swap Agreement with the Potential Swap Provider submitting the best bid in a notional amount equal to the total notional amount of the swap transaction less the notional amount, if any, of the Confirmations entered into with the other Potential Swap Providers. Each of the Potential Swap Providers executing a Confirmation is hereafter referred to as a "Counterparty."

4. The actions contemplated in the Swap Agreement, and each Confirmation, are hereby in all respects approved, authorized, adopted, ratified, and confirmed.

5. The U. T. System Representative and all officers or officials of the Board are authorized to execute and deliver (i) the Swap Agreements in the name and on behalf of the Board (ii) the Confirmations for transactions as authorized in paragraph 2, and (iii) such other agreements and documents as are contemplated by this Resolution and the Agreement or are otherwise necessary in connection with entering into the interest rate swap transactions described in paragraph 2, as any such officer or official shall deem appropriate, including without limitation, officer certificates, legal opinions, and credit support documents.

6. All officers or officials of the Board and its agents and counsel are authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order to fully carry out the purposes of this Resolution.

7. When Confirmations are executed on behalf of the Board, the costs thereof and the amounts payable thereunder shall constitute Parity Debt under the Master Resolution and, as such, shall be special, limited obligations of the Board payable solely from, and secured by a lien on and pledge of, the Pledged Revenues.

8. The Board further determines that, in connection with the execution and delivery of the Swap Agreements and the execution of the transactions thereunder:

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

b. The component institutions and U. T. System Administration, which are “Members” as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the Board of Parity Debt pursuant to the Swap Agreements.

9. The Board has previously entered into Master Interest Rate Swap Agreements with Goldman Sachs Capital Markets, L.P. (the "1994 Goldman Swap Agreement"), Goldman Sachs Mitsui Marine Derivative Products, L.P. (the "1999 Goldman Swap Agreement"), Morgan Guaranty Trust Company of New York (the "1999 Goldman Swap Agreement "), and Lehman Brothers Financial Products, Inc. (the "1999 Lehman Swap Agreement" and with the 1994 Goldman Swap Agreement, the 1999 Goldman Swap Agreement, and the 1999 Goldman Swap Agreement the "Existing Swap Agreements"). The Board confirms the authority of the U. T. System Representative to enter into Confirmations under each of the Existing Swap Agreements and to enter into amendments to the Existing Swap Agreements rather than entering into new Swap Agreements with the parties to the Existing Swap Agreements. The other provisions of this Resolution shall govern transactions to be entered into under the Existing Swap Agreements.

5. U. T. Board of Regents: Report on Investments for the three months ended August 31, 2003, and Performance Report by Ennis Knupp

REPORT

Pages 27.1 - 27.9 contain the Summary Reports on Investments for the three months ended August 31, 2003.

Item I on Pages 27.1 - 27.3 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was 5.40% versus its composite benchmark return of 4.60%. The PUF's net asset value increased by $393.9 million since the beginning of the quarter to $7,244.8 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return.

Item II on Pages 27.4 - 27.7 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the three months was 5.45% versus its composite benchmark return of 4.60%. The GEF's net asset value increased $120.8 million since the beginning of the quarter to $3,584.8 million.

Item III on Page 27.8 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was negative .29% for the three months versus the SITF's performance benchmark of negative .71%. The SITF's net asset value decreased by $203.0 million since the beginning of the quarter to $1,435.3 million. This decrease in net asset value includes withdrawals from the SITF, distributions, and net investment return.

Item IV on Page 27.9 presents book and market value of cash, fixed income, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, increased by $410,347 thousand to $2,023,603 thousand during the three months since the last reporting period. Market values for the remaining asset types were fixed income securities: $209,934 thousand versus $321,821 thousand at the beginning of the period; equities: $237,065 thousand versus $211,361 thousand at the beginning of the period; and other investments: $40,536 thousand versus $10,226 thousand at the beginning of the period.

The Ennis Knupp Performance Report is on Pages 27.10 - 20.105.

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at August 31, 2003 (2)

($ millions)

	FY01-02	FY02-03				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-to-Date
Beginning Net Assets	7,540.1	6,738.3	6,397.1	6,300.0	6,850.9	6,738.3
PUF Lands Receipts (3)	80.5	22.2	23.6	31.3	25.0	102.1
Investment Return	(522.9)	4.3	(115.7)	524.8	374.2	787.6
Expenses	(21.0)	(4.7)	(5.0)	(5.2)	(5.3)	(20.2)
Distributions to AUF	(338.4)	(363.0)	-	-	-	(363.0)
Ending Net Assets	6,738.3	6,397.1	6,300.0	6,850.9	7,244.8	7,244.8
AUF Distribution:						
From PUF Investments	338.4	363.0	-	-	-	363.0
From Surface Income	8.1	0.8	2.1	0.9	2.7	6.5
Total	346.5	363.8	2.1	0.9	2.7	369.5
Total Net Investment Return	-7.35%	0.06%	-1.86%	8.23%	5.40%	12.02%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2003 values of $822.4 million and $163.9 million, respectively.

(3) PUF Land Receipts - As of August 31, 2003: 1,116,238 acres under lease; 520,620 producing acres; 3,114 active leases; and 2,077 producing leases.

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2003
(Asset Allocation and Benchmarks Approved by the UTIMCO Board)

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	1.7%	0.0%	0.27%	0.29%	90 Day T-Bills Average Yield
Domestic Public Equities					Wilshire 5000 U.S. Equities Index
Passive Management	14.9%		7.35%	6.42%	
Active Management	12.9%		10.08%	6.42%	
Hedge and Structured Active Management	6.8%		-0.80%	6.42%	
Total Domestic Public Equities	34.6%	31.0%	6.48%	6.42%	
International Public Equities					Morgan Stanley Capital International - All Country World Free ex U.S.
Passive Management	6.9%		10.55%	8.65%	
Active Management	11.4%		13.50%	8.65%	
Hedge and Structured Active Management	0.9%		-3.77%	8.65%	
Total International Public Equities	19.2%	19.0%	11.29%	8.65%	
Absolute Return	9.3%	10.0%	4.60%	1.29%	90 Day T-Bills Average Yield plus 4%
Inflation Hedging	8.1%	10.0%	9.14%	2.93%	25% (Goldman Sachs Commodity Index minus 100 basis points) plus 25% (Treasury Inflation Protected Securities) plus 25% (National Commercial Real Estate Index Fund) plus 25% (Wilshire Associates Real Estate Securities Index)
Fixed Income	15.4%	15.0%	-2.87%	-3.50%	33% (Lehman Brothers Aggregate Bond Index ex U.S. Governments) plus 67% (Lehman Brothers Government Bond Index)
Total Marketable Securities	**88.3%**	**85.0%**	**5.76%**	**4.10%**	
Private Capital	**11.7%**	**15.0%**	**2.80%**	**7.46%**	Wilshire 5000 U.S. Equities Index plus 4% (2)
Total	**100.0%**	**100.0%**	**5.40%**	**4.60%**	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.
(2) Due to valuation and liquidity characteristics associated with Private Capital, short-term benchmark comparisons are not appropriate.

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2003
(Prior Asset Allocation)

	Asset Allocation	Endowment Neutral Policy Portfolio	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash	1.7%	0.0%	0.29%	90 Day T-Bills Average Yield
Domestic Common Stocks:				
Large/Medium Capitalization Equities	18.4%	25.0%	5.07%	Standard and Poor's 500 Index
Small Capitalization Equities	9.4%	7.5%	13.14%	Russell 2000 Index
Total Domestic Common Stocks	27.8%	32.5%		
International Common Stocks:				
Established Markets	10.9%	12.0%	7.43%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	7.4%	3.0%	19.05%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	18.3%	15.0%		
Inflation Hedging	8.1%	7.5%	2.85%	33%(Goldman Sachs Commodity Index minus 100 basis points) plus 67%(National Commercial Real Estate Index Fund)
Fixed Income:				
Domestic	11.2%	15.0%	-2.91%	Lehman Brothers Aggregate Bond Index
International	4.2%	5.0%	-5.23%	Citibank (formerly Salomon) Non-U.S. World Government Bond Index, Unhedged
Total Fixed Income	15.4%	20.0%		
Marketable Alternative Equities	17.0%	10.0%	2.05%	90 Day T-Bills Average Yield plus 7%
Total Marketable Securities	**88.3%**	**85.0%**	**3.95%**	
Nonmarketable Alternative Equities	**11.7%**	**15.0%**	**7.46%**	Wilshire 5000 U.S. Equities Index plus 4%
Total	**100.0%**	**100.0%**	**4.48%**	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

II. GENERAL ENDOWMENT FUND (1) (2)

a.) Summary Investment Report at August 31, 2003

($ millions)

	FY01-02		FY02-03									
	Full Year		1st Qtr		2nd Qtr		3rd Qtr		4th Qtr		Year-to-Date	
Beginning Net Assets	3,723.9		3,293.2		3,287.7		3,209.8		3,464.0		3,293.2	
Net Contributions	(230.7)		(47.4)		(12.5)		(21.6)		2.5		(79.0)	
Investment Return	(245.3)		9.3		(61.2)		284.5		190.9		423.5	
Expenses	(7.2)		(1.2)		(1.4)		(1.5)		(1.7)		(5.8)	
Allocations (3)	52.5		33.8		(2.8)		(7.2)		(70.9)		(47.1)	
Ending Net Assets	3,293.2		3,287.7		3,209.8		3,464.0		3,584.8		3,584.8	
Net Asset Value per Unit	90.932		91.154		89.433		97.253		102.539		102.539	
Units and Percentage Ownership (End of Period):												
PHF	7,676,762	21.2%	7,569,273	21.0%	7,459,839	20.8%	7,358,938	20.7%	7,263,383	20.8%	7,263,383	20.8%
LTF	28,539,389	78.8%	28,498,629	79.0%	28,430,265	79.2%	28,259,455	79.3%	27,696,705	79.2%	27,696,705	79.2%
Total	36,216,151	100.0%	36,067,902	100.0%	35,890,104	100.0%	35,618,393	100.0%	34,960,088	100.0%	34,960,088	100.0%
Total Net Investment Return	-6.96%		0.27%		-1.88%		8.73%		5.45%		12.81%	

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.

(3) The GEF allocates its net investment income and realized gain (loss) to its unit holders based on their ownership of GEF units at month end. The allocated amounts are reinvested as GEF contributions. The allocation is proportional to the percentage of ownership by the unit holders, and therefore, no additional units are purchased.

II. GENERAL ENDOWMENT FUND (continued)

b.) Unit Holders' Summary Investment Report at August 31, 2003 (1)

($ millions)

	FY01-02	FY02-03				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-to-Date
PERMANENT HEALTH FUND						
Beginning Net Assets	881.4	698.2	690.2	667.3	715.9	698.2
Withdrawals	(88.2)	-		-	-	-
Investment Return	(52.6)	1.7	(13.0)	58.4	38.9	86.0
Expenses	(0.6)	(0.1)	(0.2)	(0.2)	(0.2)	(0.7)
Distributions (Payout)	(41.8)	(9.6)	(9.7)	(9.6)	(9.6)	(38.5)
Ending Net Assets	698.2	690.2	667.3	715.9	745.0	745.0
Net Asset Value per Unit (2)	0.851524	0.841653	0.813836	0.873014	0.908489	0.908489
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Unit	0.04700	0.01175	0.01175	0.01175	0.01175	0.04700
Total Net Investment Return	-7.05%	0.22%	-1.91%	8.72%	5.41%	12.67%
LONG TERM FUND						
Beginning Net Assets	2,843.3	2,595.1	2,597.6	2,542.5	2,748.2	2,595.1
Net Contributions	89.3	34.1	30.5	17.2	(22.2)	59.6
Investment Return	(199.7)	6.4	(49.6)	224.9	150.4	332.1
Expenses	(3.0)	(2.6)	(0.1)	(0.2)	(0.2)	(3.1)
Distributions (Payout)	(134.8)	(35.4)	(35.9)	(36.2)	(36.4)	(143.9)
Ending Net Assets	2,595.1	2,597.6	2,542.5	2,748.2	2,839.8	2,839.8
Net Asset Value per Unit (2)	4.788	4.730	4.576	4.912	5.114	5.114
No. of Units (End of Period)	542,049,359	549,178,011	555,609,797	559,537,648	555,329,487	555,329,487
Distribution Rate per Unit	0.25100	0.06450	0.06450	0.06450	0.06450	0.25800
Total Net Investment Return	-6.97%	0.24%	-1.89%	8.75%	5.44%	12.78%

(1) The Permanent Health Fund (PHF) and Long Term Fund (LTF) are internal mutual funds for the pooled investment of endowment funds. The PHF is comprised of endowments for health-related institutions of higher education and the LTF is comprised of privately raised endowments and other long-term funds of U. T. System components.

(2) The asset allocation of the PHF and LTF is representative of the asset allocation for the GEF. A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these funds.

II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2003
(Asset Allocation and Benchmarks Approved by the UTIMCO Board)

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	-0.5% (2)	0.0%	0.27%	0.29%	90 Day T-Bills Average Yield
Domestic Public Equities					Wilshire 5000 U.S. Equities Index
Passive Management	14.1%		7.30%	6.42%	
Active Management	13.4%		10.56%	6.42%	
Hedge and Structured Active Management	7.5%		-0.88%	6.42%	
Total Domestic Public Equities	35.0%	31.0%	6.53%	6.42%	
International Public Equities					Morgan Stanley Capital International - All Country World Free ex
Passive Management	8.0%		10.50%	8.65%	
Active Management	11.9%		13.61%	8.65%	
Hedge and Structured Active Management	1.0%		-3.77%	8.65%	
Total International Public Equities	20.9%	19.0%	11.29%	8.65%	
Absolute Return	10.3%	10.0%	4.62%	1.29%	90 Day T-Bills Average Yield plus 4%
Inflation Hedging	8.6%	10.0%	9.11%	2.93%	25%(Goldman Sachs Commodity Index minus 100 basis points) plus 25%(Treasury Inflation Protected Securities) plus 25%(National Commercial Real Estate Index Fund) plus 25%(Wilshire Associates Real Estate Securities Index)
Fixed Income	15.0%	15.0%	-2.99%	-3.50%	33%(Lehman Brothers Aggregate Bond Index ex U.S. Governments) plus 67%(Lehman Brothers Government Bond Index)
Total Marketable Securities	**89.3%**	**85.0%**	**5.92%**	**4.10%**	
Private Capital	**10.7%**	**15.0%**	**1.58%**	**7.46%**	Wilshire 5000 U.S. Equities Index plus 4% (3)
Total	**100.0%**	**100.0%**	**5.45%**	**4.60%**	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.
(2) Negative cash position does not indicate borrowing, but is the result of certain accrued expenses.
(3) Due to valuation and liquidity characteristics associated with Private Capital, short-term benchmark comparisons are not appropriate.

d.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2003
(Prior Asset Allocation)

	Asset Allocation	Endowment Neutral Policy Portfolio	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash	-0.5% (2)	0.0%	0.29%	90 Day T-Bills Average Yield
Domestic Common Stocks:				
Large/Medium Capitalization Equities	17.9%	25.0%	5.07%	Standard and Poor's 500 Index
Small Capitalization Equities	9.6%	7.5%	13.14%	Russell 2000 Index
Total Domestic Common Stocks	27.5%	32.5%		
International Common Stocks:				
Established Markets	11.9%	12.0%	7.43%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	8.0%	3.0%	19.05%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	19.9%	15.0%		
Inflation Hedging	8.6%	7.5%	2.85%	33%(Goldman Sachs Commodity Index minus 100 basis points) plus 67%(National Commercial Real Estate Index Fund)
Fixed Income:				
Domestic	10.3%	15.0%	-2.91%	Lehman Brothers Aggregate Bond Index
International	4.7%	5.0%	-5.23%	Citibank (formerly Salomon) Non-U.S. World Government Bond Index, Unhedged
Total Fixed Income	15.0%	20.0%		
Marketable Alternative Equities	18.8%	10.0%	2.05%	90 Day T-Bills Average Yield plus 7%
Total Marketable Securities	**89.3%**	**85.0%**	**3.95%**	
Nonmarketable Alternative Equities	**10.7%**	**15.0%**	**7.46%**	Wilshire 5000 U.S. Equities Index plus 4%
Total	**100.0%**	**100.0%**	**4.48%**	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.
(2) Negative cash position does not indicate borrowing, but is the result of certain accrued expenses.

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at August 31, 2003

($ millions)

	FY01-02	FY02-03				
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year-to-Date
Beginning Net Assets	1,704.6	1,435.9	1,449.7	1,594.7	1,638.3	1,435.9
Net Contributions	(261.0)	26.4	143.2	46.2	(189.2)	26.6
Investment Return	60.3	2.5	17.4	10.3	(4.4)	25.8
Expenses	(0.7)	(0.2)	(0.2)	(0.2)	(0.1)	(0.7)
Distributions of Income	(67.3)	(14.9)	(15.4)	(12.7)	(9.3)	(52.3)
Ending Net Assets	1,435.9	1,449.7	1,594.7	1,638.3	1,435.3	1,435.3
Net Asset Value per Unit	10.099	10.013	10.025	10.008	9.917	9.917
No. of Units (End of Period)	142,184,975	144,787,656	159,078,135	163,697,013	144,736,640	144,736,640
Total Net Investment Return	3.75%	0.17%	1.14%	0.62%	-0.29%	1.64%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at August 31, 2003

($ thousands)

	FUND TYPE													
	CURRENT PURPOSE DESIGNATED		CURRENT PURPOSE RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
ASSET TYPES														
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 05/31/03	3,736	3,736	2,578	2,578	19,967	19,967	475	475	79	79	1,586,421	1,586,421	1,613,256	1,613,256
Increase/(Decrease)	(130)	(130)	(645)	(645)	160,363	160,363	10	10	-	-	250,749	250,749	410,347	410,347
Ending value 08/31/03	3,606	3,606	1,933	1,933	180,330	180,330	485	485	79	79	1,837,170	1,837,170	2,023,603	2,023,603
Debt Securities:														
Beginning value 05/31/03	-	-	263	206	38,682	41,892	13,519	14,566	-	-	264,664	265,157	317,128	321,821
Increase/(Decrease)	-	-	-	(14)	145	(1,064)	(604)	(1,236)	-	-	(102,655)	(109,573)	(103,114)	(111,887)
Ending value 08/31/03	-	-	263	192	38,827	40,828	12,915	13,330	-	-	162,009	155,584	214,014	209,934
Equity Securities:														
Beginning value 05/31/03	40	6,833	1,980	1,642	38,082	39,786	23,649	19,386	-	-	185,524	143,714	249,275	211,361
Increase/(Decrease)	-	4,340	(120)	(457)	191	(1,313)	(1,006)	610	-	-	22,144	22,524	21,209	25,704
Ending value 08/31/03	40	11,173	1,860	1,185	38,273	38,473	22,643	19,996	-	-	207,668	166,238	270,484	237,065
Other:														
Beginning value 05/31/03	7,500	7,500	1,899	1,899	784	784	153	43	-	-	-	-	10,336	10,226
Increase/(Decrease)	30,500	30,500	(865)	(865)	675	675	4	-	-	-	-	-	30,314	30,310
Ending value 08/31/03	38,000	38,000	1,034	1,034	1,459	1,459	157	43	-	-	-	-	40,650	40,536

Report prepared in accordance with Texas Education Code Sec. 51.0032.
Details of individual assets by account furnished upon request.

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

The University of Texas System

Quarter and Fiscal Year Ending August 31, 2003

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CONTENTS

All data found in this report has been provided by UTIMCO and Russell Mellon. All rates of return contained in this report are net-of-fees and annualized for time periods greater than one year.

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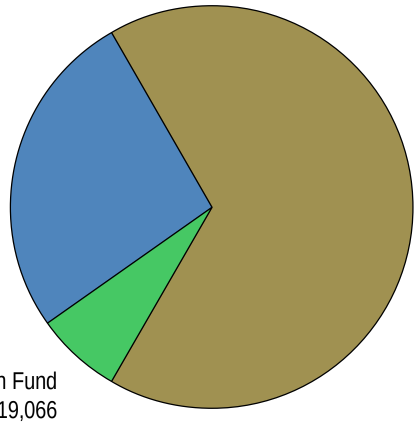
EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

As of August 31, 2003

ENDOWMENT FUNDS AS OF 8/31/03*



Permanent University Fund: State endowment fund contributing to the support of 18 institutions and 6 agencies of the University Texas System and the Texas A&M University System

Permanent Health Fund: An internal UT System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education. The Fund currently purchases units in the General Endowment Fund in exchange for its contribution of investment assets.

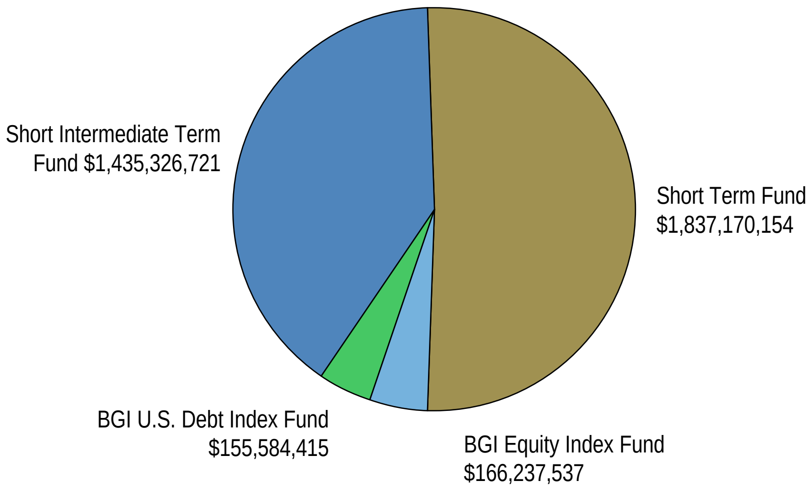
Long Term Fund: An internal UT System mutual fund for the pooled investment of over 5,000 privately raised endowments and other long-term funds of the 15 component institutions of the UT System. The Fund currently purchases units in the General Endowment Fund in exchange for its contribution of investment assets.

General Endowment Fund: Comprised wholly of the Permanent Health Fund and the Long Term Fund. Both the PHF and LTF purchase units in the General Endowment Fund in exchange for the contribution of investment assets.

*Information regarding the UT System's Separately Invested Funds is not provided in this report.

As of August 31, 2003

OPERATING FUNDS AS OF 8/31/03



Short Term Fund (Dreyfus Fund): A money market mutual fund consisting of the working capital and other operating fund balances held by UT System institutions with an investment horizon of less than one year.

Short Intermediate Term Fund: An internal UT System mutual fund for the pooled investment of the operating funds held by UT System institutions with an investment horizon greater than one year and less than five years.

Institutional Index Funds: Consist of index funds for the investment of UT System institutions' permanent working capital and long-term capital reserves.

As of August 31, 2003

ENDOWMENT FUNDS RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03
Permanent University Fund	**5.4%**	**12.0%**	**-1.8%**	**5.4%**
Endowment Performance Benchmark**	4.6	12.8	-2.3	6.9
Long Term Fund	**5.4**	**12.8**	**-1.5**	**7.1**
Endowment Performance Benchmark**	4.6	12.8	-2.3	6.9
Permanent Health Fund	**5.4**	**12.6**	**-1.7**	**--**
Endowment Performance Benchmark**	4.6	12.8	-2.3	--

OPERATING FUNDS RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03
Short Term Fund	**0.3%**	**1.3%**	**3.1%**	**4.1%**
ML 90-day T-Bill	0.3	1.4	3.1	3.9
Short Intermediate Term Fund	**-0.3**	**1.6**	**4.7**	**4.6**
Govt. Bond Index	-4.1	3.0	7.9	6.3
BGI U.S. Debt Index Fund	**-2.8**	**4.7**	**8.3**	**--**
LB Aggregate Bond Index	-2.9	4.4	8.2	--
BGI Equity Index Fund	**5.1**	**12.1**	**-11.4**	**--**
S&P 500 Index	5.1	12.1	-11.4	--

ENDOWMENT FUNDS PERFORMANCE BENCHMARK

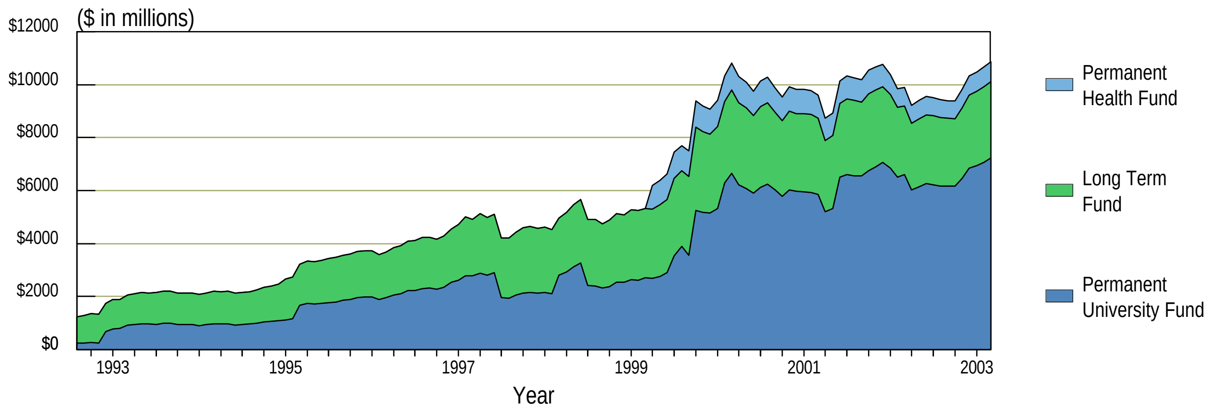
The Endowment Performance Benchmark represents the performance of the UTIMCO Board of Directors approved Endowment Policy Portfolio. The return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio. Currently, the policy portfolio consists of 31% of the Wilshire 5000, 19% of the MSCI All-Country World ex-U.S. Free, 10% of the UTIMCO Absolute Return Benchmark, 15% of the UTIMCO Private Capital Benchmark, 10% of the UTIMCO Inflation Hedging Benchmark, and 15% of the Lehman Brothers Aggregate Bond Index. The historical composition of the benchmark can be found in Appendix II.

* Time-period represents the total return for the fiscal fourth quarter ending 8/31/03.

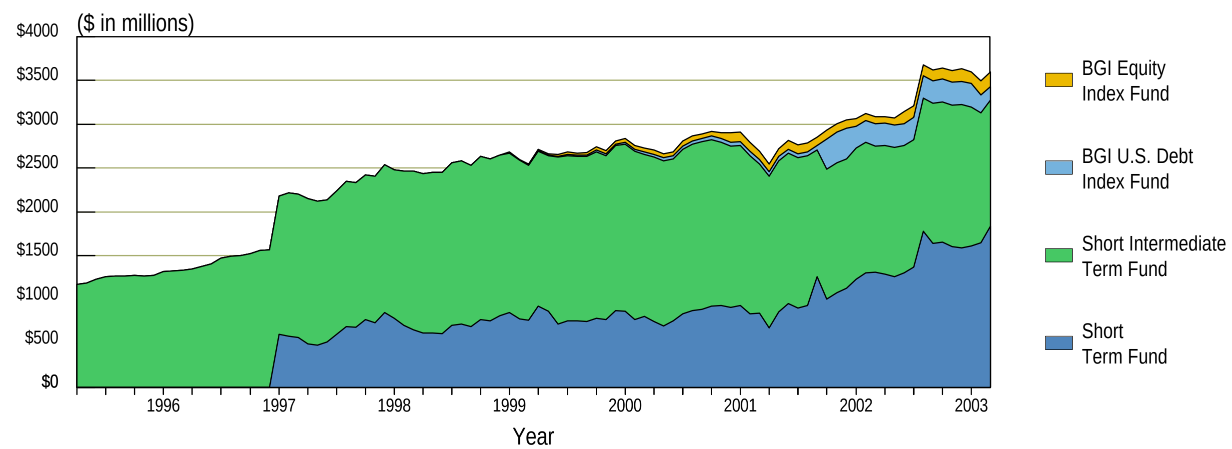
** Performance represents the UTIMCO Board of Directors approved Endowment Policy Portfolio.

As of August 31, 2003

ENDOWMENT FUNDS
ASSET GROWTH
(1/1/93 - 8/31/03)



OPERATING FUNDS
ASSET GROWTH
(1/1/96 - 8/31/03)



- The allocation growth charts above depict the growth of assets experienced by the endowment and operating funds since data was available.

As of August 31, 2003

MAJOR MARKETS' RATES OF RETURN
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03
Wilshire 5000 Stock Index	**6.4%**	**14.9%**
MSCI All-Country World Ex-U.S. Free	**8.7**	**12.2**
LB Aggregate Bond Index	**-2.9**	**4.4**

- The U.S. equity market continued on a steady pace during the fiscal quarter ending August 31 as it advanced 6.4%. Major fighting in Iraq subsided early in the period, business confidence began to rebound, unemployment fell from 6.4% to 6.2% in July, and signals of increased business spending began to emerge in August. Small capitalization stocks outperformed large-cap stocks, while growth stocks outperformed value stocks. The increased confidence gauged by businesses helped spark strong returns in the telecommunication, semiconductor, and industrial sectors.

- Non-U.S. stocks performed better than their U.S. counterparts, advancing 8.7%. Emerging market stocks continued to rally as they advanced nearly 20% during the three-month period. European markets advanced on the tails of positive U.S. optimism as hopes of increased exports aided the industrial and technology sectors. Brazil continued its attempts in reviving its economy as the country's central bank lowered short-term interest rates three times in three months.

- The domestic bond market hit a rough patch in July and declined 2.9% in the fiscal quarter ending August 31. The credit and government bond markets were among the hardest hit as they declined over three and four percent, respectively. Mortgage-backed bonds outperformed the market as the rising rates during July helped slow down pre-payments. High yield bonds continued to perform better than investment grade as they advanced nearly 3% on average. The Federal Reserve lowered the overnight lending rate by 0.25% in June to 1.00%, a level not reached since July 1958. The rate was later left unchanged at 1.00% during a subsequent meeting during August.

*Time-period represents the total return for the fiscal fourth quarter ending 8/31/03.

PERMANENT UNIVERSITY FUND

PERMANENT UNIVERSITY FUND

$7,245 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Permanent University Fund	**5.4%**	**12.0%**	**-1.8%**	**5.4%**	**8.9%**	**8/31/91**
Endowment Performance Benchmark**	4.6	12.8	-2.3	6.9	10.5	
Total U.S. Equity	**6.5**	**13.8**	**-5.9**	**5.6**	**10.2**	**8/31/91**
Wilshire 5000 Index	6.4	14.9	-10.6	3.5	10.2	
Total International Equity	**11.3**	**16.3**	**-10.1**	**-0.8**	**4.7**	**3/31/93**
MSCI AC World Ex-U.S. Free Index	8.7	12.2	-10.0	1.1	4.5	
Total Fixed Income	**-2.9**	**6.6**	**8.3**	**5.6**	**9.0**	**8/31/85**
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	8.7	
Total Absolute Return	**4.6**	**21.3**	**10.5**	**--**	**11.9**	**2/29/00**
90-Day T-Bill + 4%	1.3	5.5	7.3	--	7.7	
Inflation Hedging	**9.1**	**22.2**	**17.1**	**--**	**23.2**	**11/30/99**
UTIMCO Inflation Hedging Benchmark	2.9	13.6	9.1	--	13.0	
Private Capital* **	**2.8**	**-6.3**	**-11.0**	**3.8**	**9.5**	**1/31/89**
Wilshire 5000 Index + 4%	7.5	19.5	-7.0	7.7	15.4	

- The Permanent University Fund outperformed the Endowment Policy Benchmark by 80 basis points in the fiscal quarter ending August 31, 2003. The U.S. equity, non-U.S. equity, absolute return, and inflation hedging components all outperformed their benchmarks and positively impacted relative performance.

- One-year performance trailed the benchmark as the significant underperformance of the Private Capital component was detrimental to the Total Fund relative result. The component's underperformance offset the positive effects produced by the non-U.S. equity, fixed income, absolute return, and inflation hedging segments.

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* Time-period represents the total return for the fiscal fourth quarter ending 8/31/03.

** Performance represents the UTIMCO Board of Directors approved Endowment Policy Portfolio.

*** The data for Private Capital and its benchmark reflects time-weighted rates of return. On page 34 we also show returns using the internal rate of return (IRR) methodology. Please see pages 33 and 34 for additional information.

As of August 31, 2003

UTIMCO POLICY COMPLIANCE
ASSET ALLOCATION AS OF 8/31/03
($ in millions)

	Total	Percent of Total	UTIMCO Policy*	Variance
Passive Domestic	$ 1,082	14.9 %	11.0 %	+3.9 %
Active Domestic	965	13.3	10.0	+3.3
Hedge & Structured Active Domestic	493	6.8	10.0	-3.2
Domestic Public Equity	$ 2,540	35.0 %	31.0 %	+4.0 %
Passive International	$ 500	6.9 %	6.5 %	+0.4 %
Active International	845	11.7	7.5	+4.2
Hedge & Structured Active International	68	0.9	5.0	-4.1
International Public Equity	$ 1,413	19.5 %	19.0 %	+0.5 %
Fixed Income	$ 1,033	14.3 %	15.0 %	-0.7 %
Absolute Return	670	9.2	10.0	-0.8
Inflation Hedging	589	8.1	10.0	-1.9
Non-Marketable Securities	845	11.7	15.0	-3.3
GSAM Overlay	79	1.1	--	+1.1
Liquidity Reserve	76	1.1	--	+1.1
Total Permanent University Fund	$ 7,245	100.0 %	100.0 %	0.0 %

- The table above summarizes and compares the actual asset allocation of the Permanent University Fund to the UTIMCO Board of Directors approved policy targets of the Fund. As shown, the Fund was overweight both domestic and international public equity.

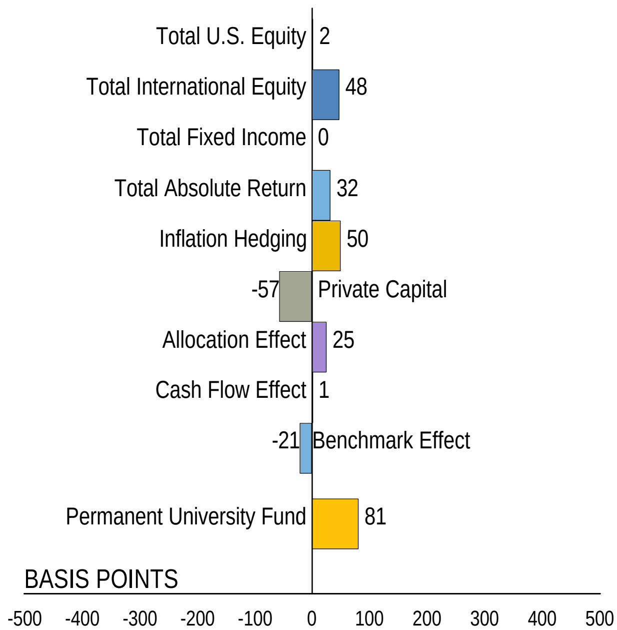
* UTIMCO Policy represents the UTIMCO Board of Directors approved policy targets.

PERMANENT UNIVERSITY FUND

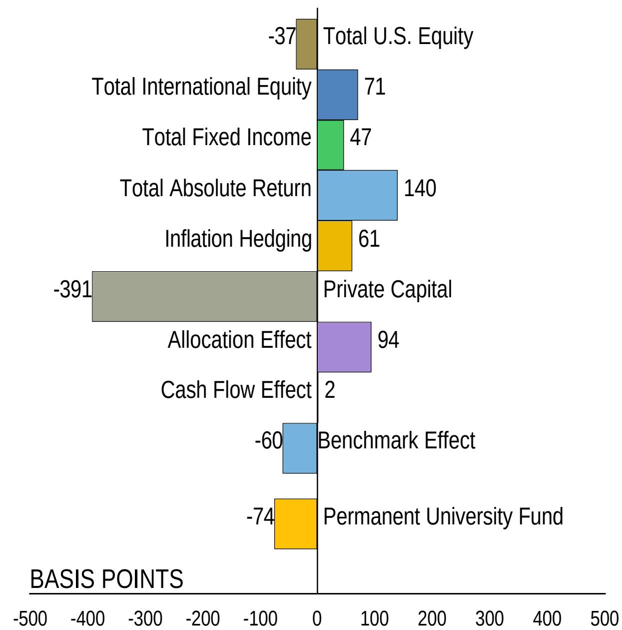
$7,245 Million

As of August 31, 2003

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



TOTAL FUND ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03



- The Performance Attribution exhibits shown above measure the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the component to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The asset class bar amounts are determined by multiplying the relative return of that asset class (actual return - policy benchmark return) by its policy weight. "Allocation Effect" details the degree to which the Fund's asset allocation differed from that of its policy, and what impact this had on performance. "Cash Flow Effect" details what impact any movement in Fund assets had on performance. "Benchmark Effect" details the impact of differences between the composition of the Total Fund benchmark and the benchmarks of the individual asset classes.

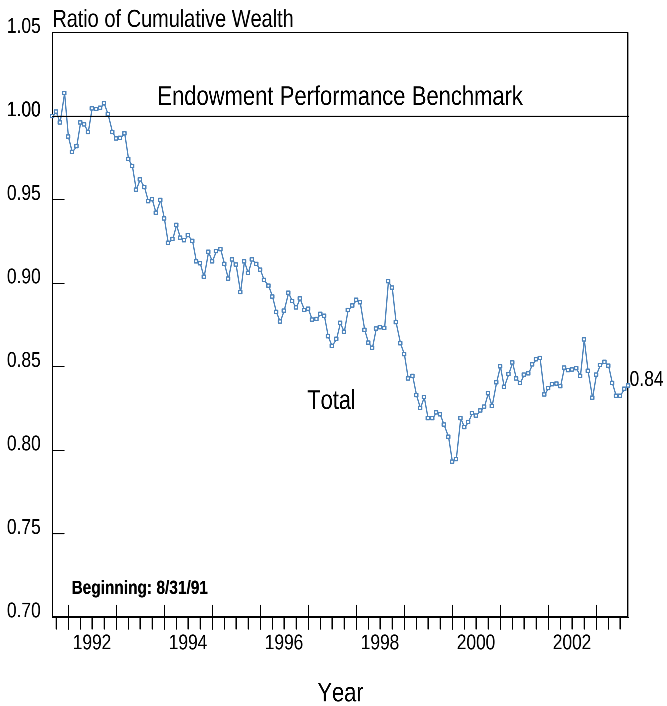
- As shown in the three-month exhibit, the favorable performance earned by each of the marketable-security asset classes benefited performance, collectively offsetting the negative impact produced by the Private Capital component's trailing result. The Permanent University Fund also benefited from the overweight allocation to domestic and international public equities as both markets outpaced the other marketable asset classes invested in by the Fund.

- The one-year attribution analysis shows a similar story; however, the negative impact of the Private Capital component offset the positive effects and led to the underperformance.

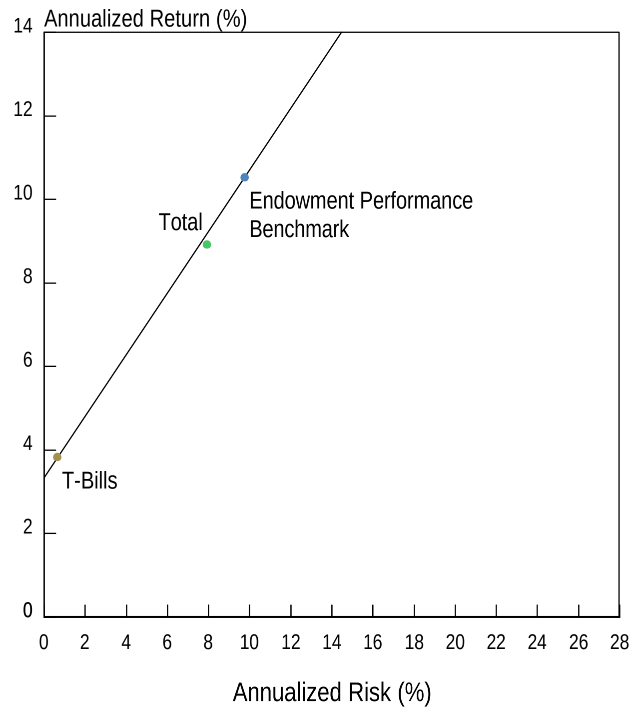
- The data for Private Capital and its benchmark reflects time-weighted rates of return.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
12 YEARS ENDING 8/31/03



ANNUALIZED RISK/RETURN
12 YEARS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the Total Permanent University Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund underperformed its benchmark since inception 12 years ago. A period of underperformance from 1993-1999 led to the result, but the effect has been tempered by recent improved performance.

- The Risk Return graph above exhibits the risk return characteristics of the Total Permanent University Fund, relative to that of the Performance Benchmark. As shown, the Fund has underperformed its benchmark at a comparatively lower level of risk.

PERMANENT UNIVERSITY FUND

$7,245 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Permanent University Fund	Endowment Performance Benchmark**	
	Return	Return	Return Difference
1991 (4 months)	6.4%	7.8%	-1.4
1992	7.2	7.4	-0.2
1993	10.8	16.5	-5.7
1994	-0.4	2.4	-2.8
1995	26.3	27.0	-0.7
1996	12.7	15.7	-3.0
1997	21.0	20.2	0.8
1998	13.4	17.7	-4.3
1999	9.8	18.7	-8.9
2000	5.5	-1.6	7.1
2001	-6.1	-4.7	-1.4
2002	-7.6	-8.4	0.8
2003 (8 months)	12.9	13.7	-0.8
Trailing 1-Year	12.0%	12.8%	-0.8
Trailing 3-Year	-1.8	-2.3	0.5
Trailing 5-Year	5.4	6.9	-1.5
Trailing 10-Year	8.4	9.8	-1.4
Since Inception (8/31/91)	8.9	10.5	-1.6

- The table above compares the annual return history of the Permanent University Fund to that of its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

** The Endowment Performance Benchmark represents the returns of the UTIMCO Board of Directors approved Endowment Policy Portfolio.

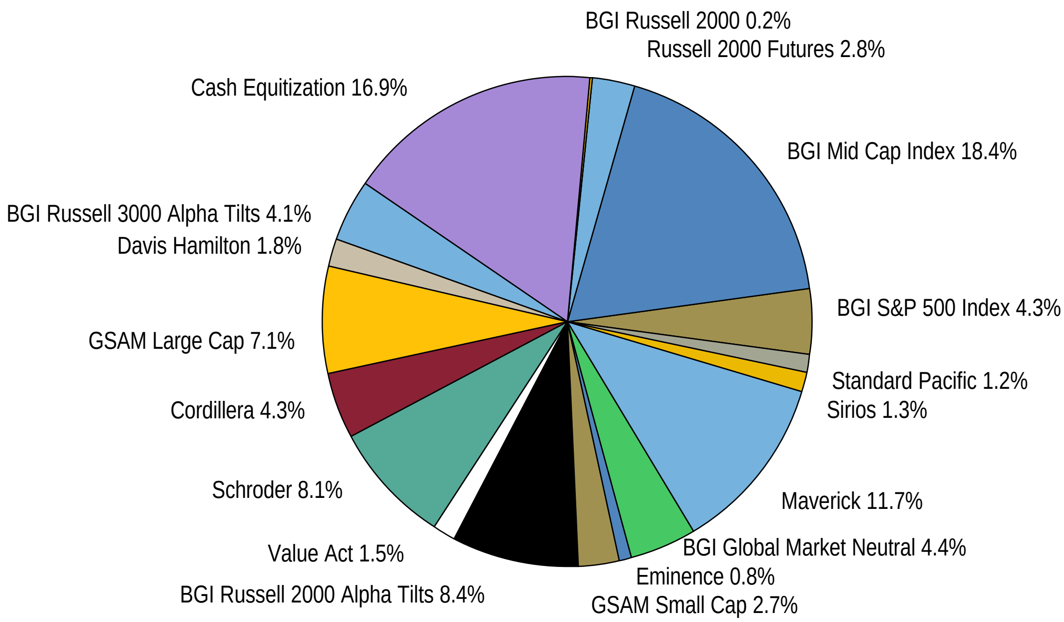
$2,540 Million

As of August 31, 2003

**RETURN SUMMARY
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Total U.S. Equity	**6.5%**	**13.8%**	**-5.9%**	**5.6%**	**10.2%**	**8/31/91**
Wilshire 5000 Index	6.4	14.9	-10.6	3.5	10.2	

MANAGER ALLOCATION AS OF 8/31/03



- The table above details the trailing-period performance of the total U.S. equity component relative to the Wilshire 5000 Index. The component has outperformed its benchmark over the three- and five-year periods, and matches its target since inception. One-year performance, however, is below-benchmark due to the underperformance of the component's active managers.

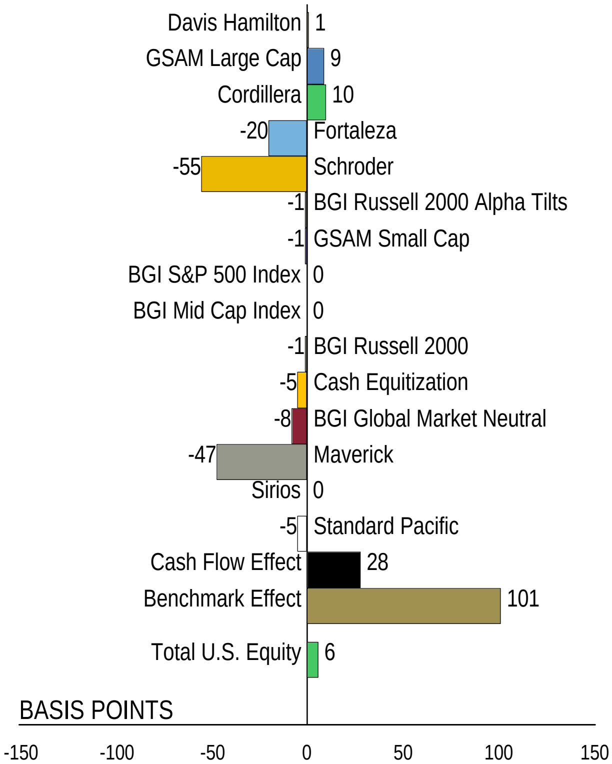
- The graph above details the allocation to each manager of the U.S. equity component as of quarter-end.

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

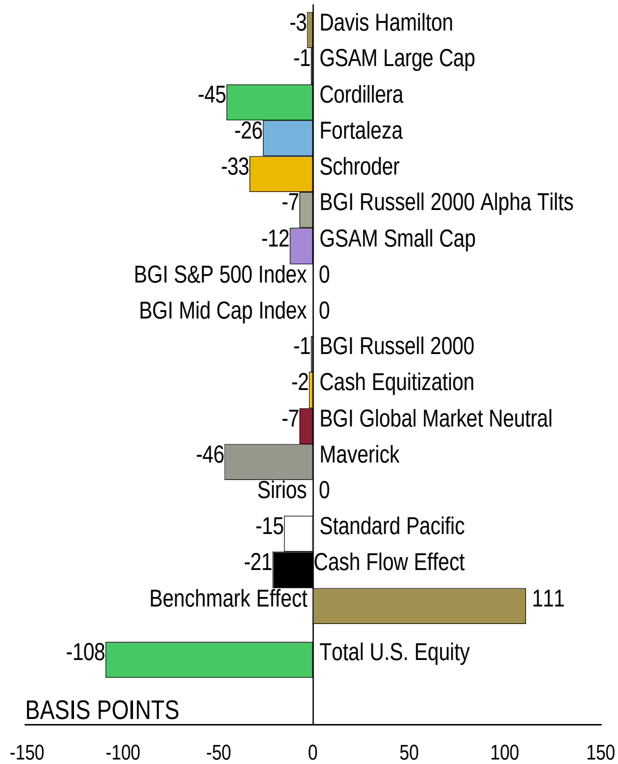
$2,540 Million

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03

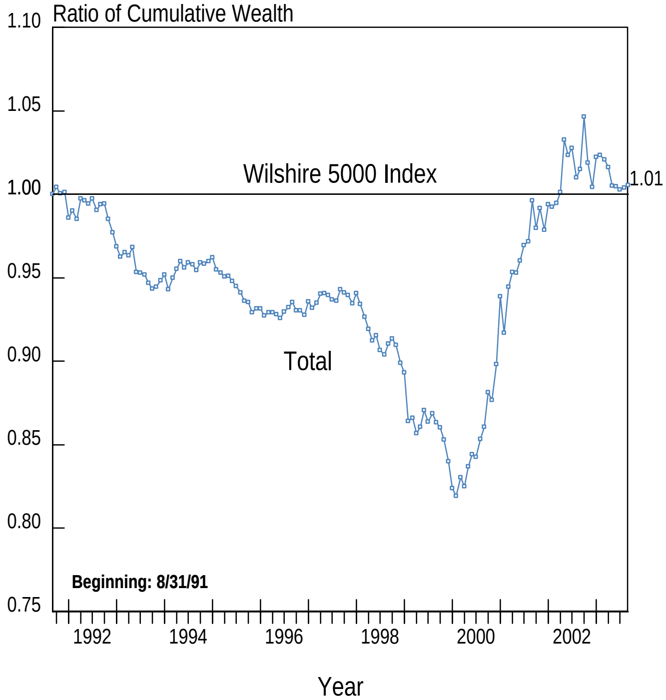


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total U.S. Equity" represents the component's performance relative to the Wilshire 5000 Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the U.S. equity benchmark.

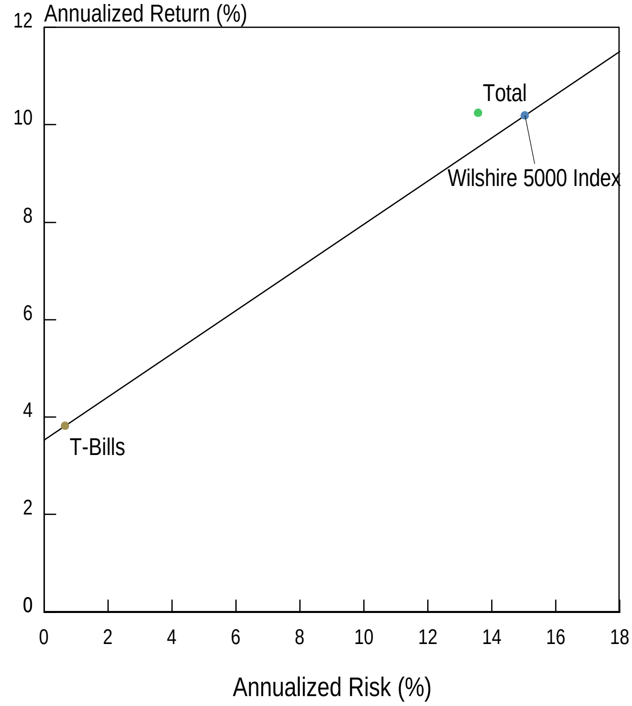
- As shown in the three-month exhibit, underperformance by the Fortaleza and Schroder small-cap and Maverick hedge fund portfolios was offset by the small capitalization bias of the component. The benchmark effect is a result of this bias during a period of which the small cap market outperformed the overall equity market.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
12 YEARS ENDING 8/31/03



ANNUALIZED RISK/RETURN
12 YEARS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the domestic equity component's cumulative performance relative to that of the Wilshire 5000 Index. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, significant relative-performance gains made since the beginning of 2000 have led to the component's outperformance.

- The Risk Return graph above exhibits the risk return characteristics of the total domestic equity component, relative to that of the Wilshire 5000 Index. As shown, the component slightly outperformed its benchmark while incurring a lower level of risk.

$2,540 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Total U.S. Equity	Wilshire 5000 Index	Return Difference
	Return	Return	
1991 (4 months)	5.9%	7.5%	-1.6
1992	7.1	9.0	-1.9
1993	9.3	11.3	-2.0
1994	1.0	-0.1	1.1
1995	32.1	36.4	-4.3
1996	21.7	21.2	0.5
1997	32.0	31.3	0.7
1998	17.2	23.4	-6.2
1999	13.9	23.6	-9.7
2000	1.6	-10.9	12.5
2001	-5.7	-11.0	5.3
2002	-18.6	-20.9	2.3
2003 (8 months)	16.4	18.4	-2.0
Trailing 1-Year	13.8%	14.9%	-1.1
Trailing 3-Year	-5.9	-10.6	4.7
Trailing 5-Year	5.6	3.5	2.1
Trailing 10-Year	10.3	9.6	0.7
Since Inception (8/31/91)	10.2	10.2	0.0

- The table above compares the annual return history of the total U.S. equity component to that of the Wilshire 5000 Index.

* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
BGI S&P 500 Index	**5.1%**	**12.1%**	**-11.4%**	**2.5%**	**10.6%**	**10/31/92**
S&P 500 Index	5.1	12.1	-11.4	2.5	10.6	
BGI Mid Cap Index	**9.6**	**18.4**	**-0.4**	**14.4**	**14.0**	**11/30/92**
S&P 400 Mid Cap Index	9.6	18.4	-0.4	14.3	13.5	
Russell 2000 Futures	**--**	**--**	**--**	**--**	**5.2**	**6/30/03**
Russell 2000 Index	--	--	--	--	11.1	
BGI Russell 2000	**12.8**	**--**	**--**	**--**	**16.1**	**4/30/03**
Russell 2000 Index	13.1	--	--	--	25.3	
Cash Equitization	**4.9**	**11.9**	**--**	**--**	**-6.6**	**2/28/01**
S&P 500 Index	5.1	12.1	--	--	-6.5	
Davis Hamilton	**5.6**	**10.8**	**-12.9**	**3.7**	**9.5**	**12/31/93**
S&P 500 Index	5.1	12.1	-11.4	2.5	10.3	
GSAM Large Cap	**6.3**	**12.1**	**-11.0**	**--**	**-6.7**	**2/29/00**
S&P 500 Index	5.1	12.1	-11.4	--	-7.0	
Cordillera	**19.8**	**20.4**	**-16.4**	**13.2**	**9.9**	**12/31/93**
Russell 2000 Growth Index	15.5	34.9	-13.4	5.3	4.6	
Schroder	**6.2**	**22.7**	**2.3**	**11.1**	**10.9**	**12/31/93**
Russell 2000 Index	13.1	29.1	-1.2	9.5	8.5	
BGI Russell 2000 Alpha Tilts	**13.0**	**27.0**	**--**	**--**	**4.1**	**12/31/01**
Russell 2000 Index	13.1	29.1	--	--	2.5	
GSAM Small Cap	**12.9**	**24.5**	**2.4**	**--**	**1.7**	**2/29/00**
Russell 2000 Index	13.1	29.1	-1.2	--	-2.9	
Eminence	**--**	**--**	**--**	**--**	**-2.0**	**6/30/03**
90-Day T-Bill + 4%	--	--	--	--	0.8	
BGI Global Market Neutral	**3.4**	**--**	**--**	**--**	**11.5**	**12/31/02**
S&P 500 Index	5.1	--	--	--	15.9	
Maverick	**-2.3**	**2.7**	**9.1**	**--**	**11.3**	**2/29/00**
90-Day T-Bill + 4%	1.3	5.5	7.3	--	7.7	
Sirios	**1.1**	**--**	**--**	**--**	**3.6**	**4/30/03**
90-Day T-Bill + 4%	1.3	--	--	--	1.7	
Standard Pacific	**-2.7**	**--**	**--**	**--**	**-6.8**	**1/31/03**
90-Day T-Bill + 4%	1.3	--	--	--	3.1	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

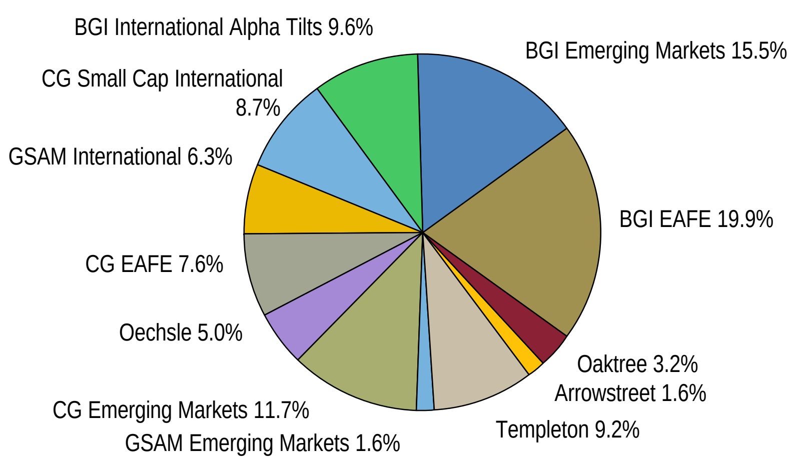
$1,413 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Total International Equity	**11.3%**	**16.3%**	**-10.1%**	**-0.8%**	**4.7%**	**3/31/93**
MSCI AC World Ex-U.S. Free Index	8.7	12.2	-10.0	1.1	4.5	

MANAGER ALLOCATION AS OF 8/31/03



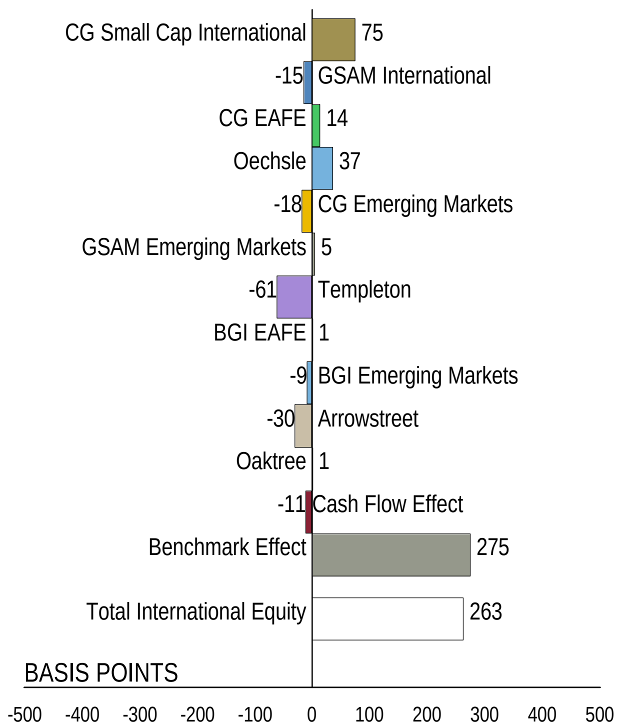
- The table above details the trailing-period performance of the total non-U.S. equity component relative to the MSCI All-Country World ex-U.S. Index. The component has outperformed its benchmark over the one-year and since-inception periods. Outperformance over the past fiscal quarter and one-year period has partly been a result of the component's emerging market exposure as these markets have significantly outperformed their developed counterparts. Relative performance earned by the emerging market managers, however, has been mixed.

- The graph above details the allocation to each manager of the non-U.S. equity component as of quarter-end.

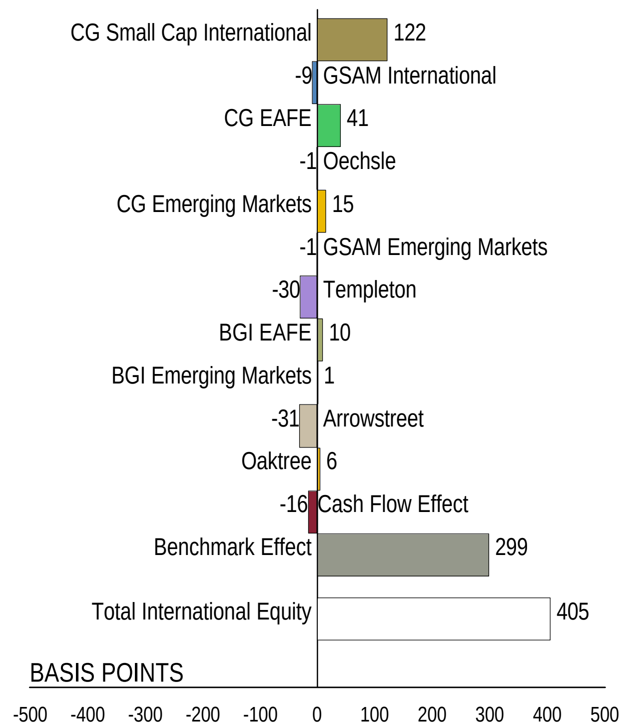
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03

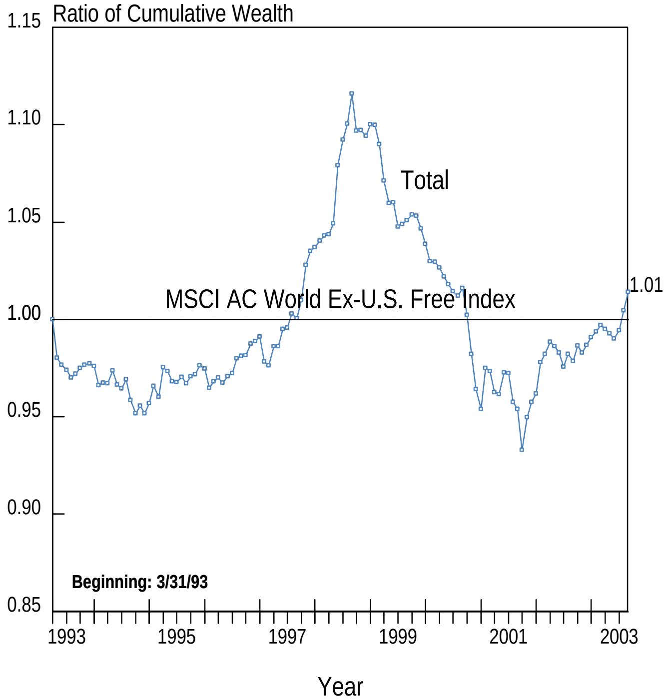


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total International Equity" represents the component's relative performance to the MSCI All-Country World ex-U.S. Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the international equity benchmark.

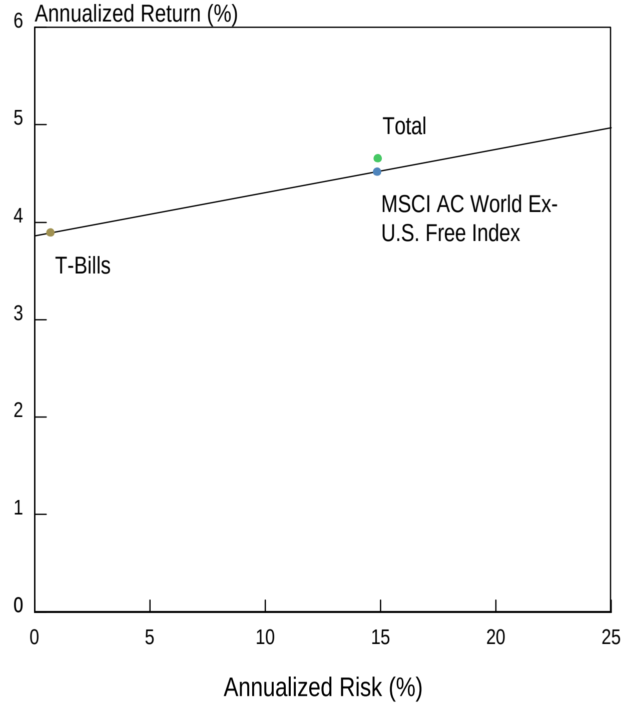
- As shown in both exhibits, manager results have been mixed. The Capital Guardian Small Cap International portfolio has performed best relative to its benchmark. The benchmark effect is a result of the significant emerging market exposure of the component not represented in its benchmark during a period of which these markets outperformed developed markets by a significant margin.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
10 YEARS 5 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
10 YEARS 5 MONTHS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the international equity component's cumulative performance relative to that of MSCI All-Country World ex-U.S. Index. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has outperformed its benchmark after a period of significant underperformance from 1998-2000.

- The Risk Return graph above exhibits the risk return characteristics of the total international equity component, relative to that of the MSCI All-Country World ex-U.S. Index. As shown, the component has slightly outperformed its benchmark while incurring a similar level of risk.

As of August 31, 2003

HISTORICAL RETURNS*
(BY YEAR)

	Total International Equity	MSCI AC World Ex-U.S. Free Index	Return Difference
	Return	Return	
1993 (9 months)	18.0%	21.0%	-3.0
1994	4.6	6.6	-2.0
1995	12.0	9.9	2.1
1996	8.5	6.7	1.8
1997	6.8	2.0	4.8
1998	21.4	14.5	6.9
1999	23.6	30.9	-7.3
2000	-22.0	-15.1	-6.9
2001	-18.8	-19.5	0.7
2002	-12.1	-14.7	2.6
2003 (8 months)	20.2	17.5	2.7
Trailing 1-Year	16.3%	12.2%	4.1
Trailing 3-Year	-10.1	-10.0	-0.1
Trailing 5-Year	-0.8	1.1	-1.9
Trailing 10-Year	3.3	2.8	0.5
Since Inception (3/31/93)	4.7	4.5	0.2

- The table above compares the annual return history of the international equity component to that of the MSCI All-Country World ex-U.S. Index.

* The annual returns in this exhibit represent calendar-year periods.

$1,413 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
BGI EAFE	**7.5%**	**9.4%**	**-10.6%**	**-0.9%**	**4.6%**	**3/31/93**
EAFE Index	7.4	9.1	-11.1	-0.7	4.1	
BGI Emerging Markets	**19.0**	**30.9**	**--**	**--**	**11.2**	**1/31/02**
MSCI Emerging Markets Free Net	19.8	28.9	--	--	11.7	
CG Small Cap International	**16.3**	**22.5**	**-13.9**	**--**	**-13.2**	**2/29/00**
EAFE Index	7.4	9.1	-11.1	--	-10.6	
GSAM International	**5.2**	**8.5**	**-12.2**	**--**	**-11.9**	**2/29/00**
EAFE Index	7.4	9.1	-11.1	--	-10.6	
CG EAFE	**9.2**	**14.0**	**-11.3**	**--**	**-10.2**	**7/31/00**
EAFE Index	7.4	9.1	-11.1	--	-10.6	
Oechsle	**14.9**	**10.1**	**-13.5**	**--**	**-13.3**	**7/31/00**
EAFE Index	7.4	9.1	-11.1	--	-10.6	
CG Emerging Markets	**18.1**	**29.9**	**-5.5**	**--**	**-4.7**	**7/31/00**
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	--	-1.5	
GSAM Emerging Markets	**22.9**	**29.5**	**-2.8**	**--**	**-6.1**	**2/29/00**
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	--	-5.7	
Templeton	**12.9**	**26.6**	**0.2**	**--**	**0.7**	**7/31/00**
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	--	-1.5	
Arrowstreet	**-12.5**	**--**	**--**	**--**	**-12.5**	**5/31/03**
90-Day T-Bill + 4%	1.3	--	--	--	1.3	
Oaktree	**1.5**	**7.6**	**--**	**--**	**8.8**	**12/31/01**
90-Day T-Bill + 4%	1.3	5.5	--	--	5.7	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

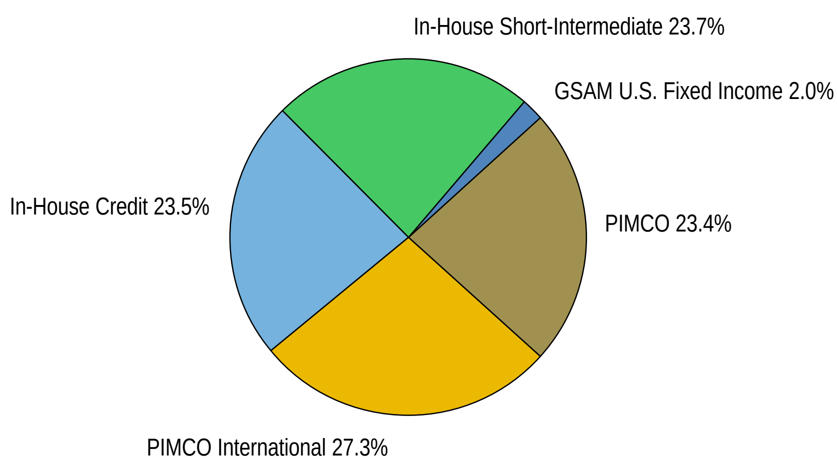
$1,033 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Total Fixed Income	**-2.9%**	**6.6%**	**8.3%**	**5.6%**	**9.0%**	**8/31/85**
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	8.7	

MANAGER ALLOCATION AS OF 8/31/03



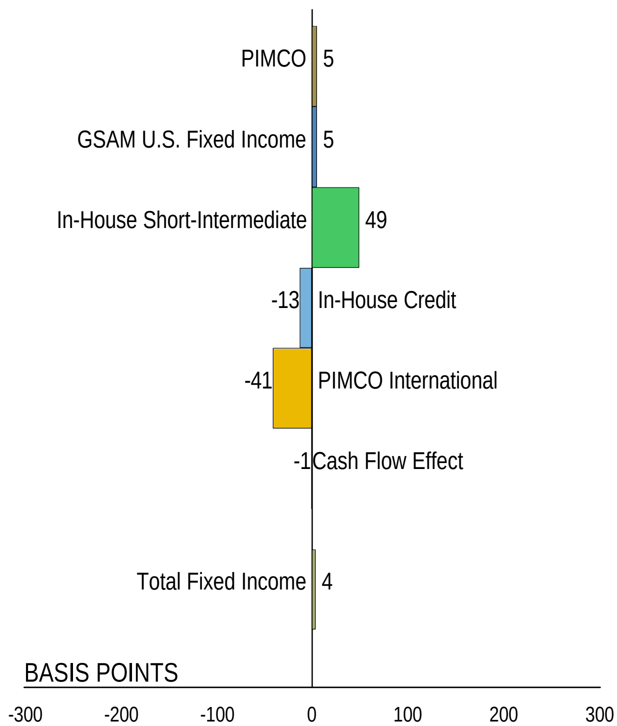
- The table above details the trailing-period performance of the total fixed income component relative to the Lehman Brothers Aggregate Bond Index. The component has outperformed its benchmark over the one-year, three-year, and since-inception periods. Outperformance over the one-year period has been aided by the component's international market exposure as these markets have significantly outperformed the domestic market.

- The graph above details the allocation to each manager of the fixed income component as of quarter-end.

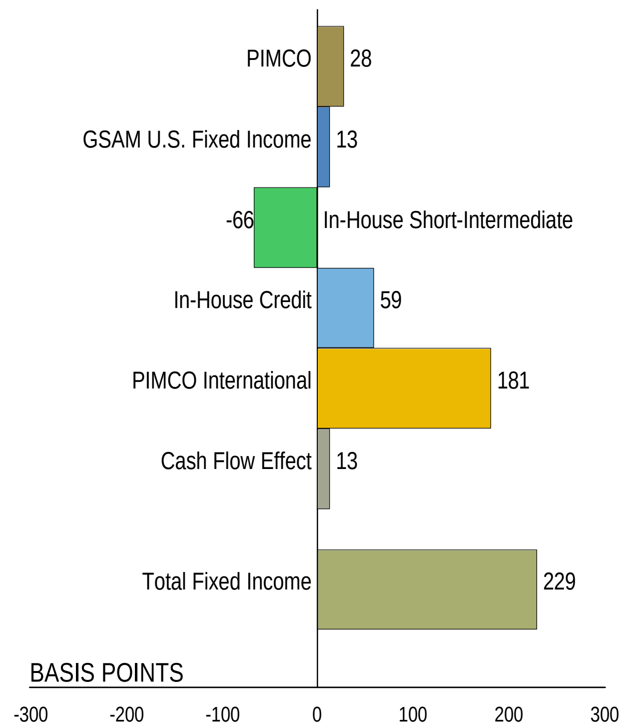
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



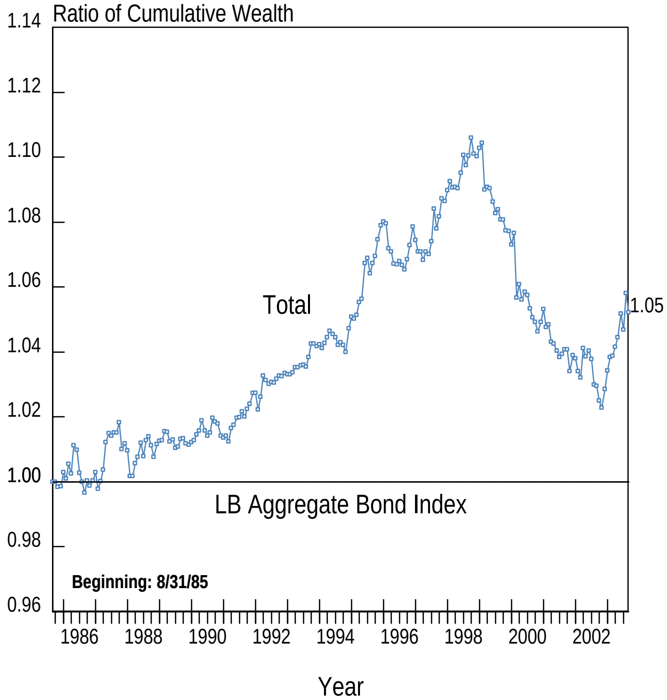
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03



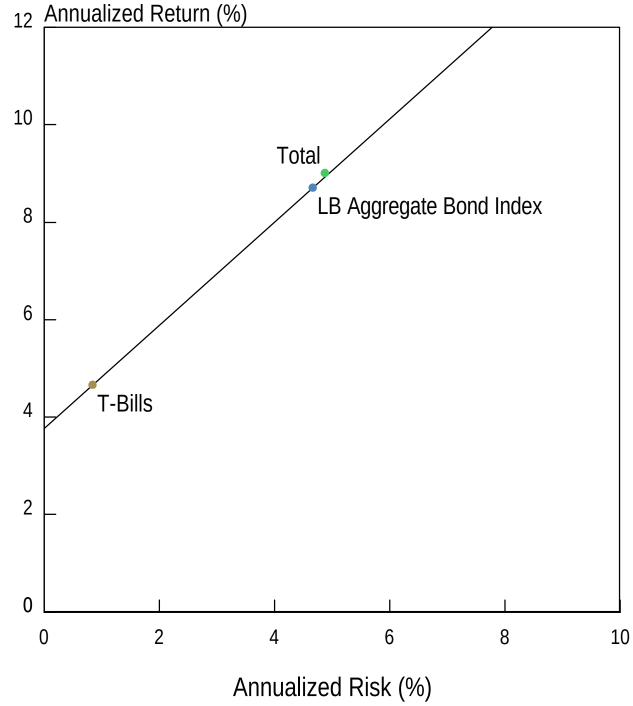
- The Performance Attribution shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Fixed Income" represents the component's relative performance to the Lehman Aggregate Bond Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
18 YEARS ENDING 8/31/03



ANNUALIZED RISK/RETURN
18 YEARS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the fixed income component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the fixed income component's return exceeded that of the benchmark until 1999, then experienced a period of underperformance until the end of 2002. Recent outperformance has resulted in increased value-added relative to the Lehman Aggregate Bond Index since inception.

- The Risk Return graph above exhibits the risk return characteristics of the total fixed income component, relative to those of the performance benchmark. As shown, the component has generated a slightly higher rate of return than the Index while incurring a slightly higher level of risk.

As of August 31, 2003

HISTORICAL RETURNS*
(BY YEAR)

	Total Fixed Income	LB Aggregate Bond Index	Return Difference
	Return	Return	
1985 (4 months)	8.7%	8.4%	0.3
1986	15.3	15.3	0.0
1987	3.5	2.8	0.7
1988	8.2	7.9	0.3
1989	14.5	14.5	0.0
1990	9.1	9.0	0.1
1991	17.6	16.0	1.6
1992	8.0	7.4	0.6
1993	10.7	9.7	1.0
1994	-2.1	-2.9	0.8
1995	21.8	18.5	3.3
1996	3.1	3.6	-0.5
1997	11.2	9.7	1.5
1998	10.0	8.7	1.3
1999	-3.5	-0.8	-2.7
2000	9.6	11.6	-2.0
2001	6.9	8.4	-1.5
2002	9.9	10.3	-0.4
2003 (8 months)	2.8	1.1	1.7
Trailing 1-Year	6.6%	4.4%	2.2
Trailing 3-Year	8.3	8.2	0.1
Trailing 5-Year	5.6	6.6	-1.0
Trailing 10-Year	6.8	6.7	0.1
Since Inception (8/31/85)	9.0	8.7	0.3

- The table above compares the annual return history of the total fixed income component to that of the Lehman Aggregate Bond Index.

* The annual returns in this exhibit represent calendar-year periods.

$1,033 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
PIMCO	**-2.7%**	**5.6%**	**9.2%**	**9.7%**	**1/31/00**
LB Aggregate Bond Index	-2.9	4.4	8.2	8.8	
GSAM U.S. Fixed Income	**-2.3**	**6.2**	**8.3**	**8.7**	**2/29/00**
LB Aggregate Bond Index	-2.9	4.4	8.2	8.7	
In-House Short-Intermediate	**-0.7**	**1.8**	**6.4**	**7.4**	**1/31/00**
LB Aggregate Bond Index	-2.9	4.4	8.2	8.8	
In-House Credit	**-3.5**	**7.0**	**--**	**6.6**	**1/31/01**
LB Aggregate Bond Index	-2.9	4.4	--	6.9	
PIMCO International	**-4.5**	**13.2**	**8.8**	**6.8**	**2/29/00**
LB Aggregate Bond Index	-2.9	4.4	8.2	8.7	
SSB Non-U.S. World Gov't Bond	-5.2	11.4	8.4	6.7	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

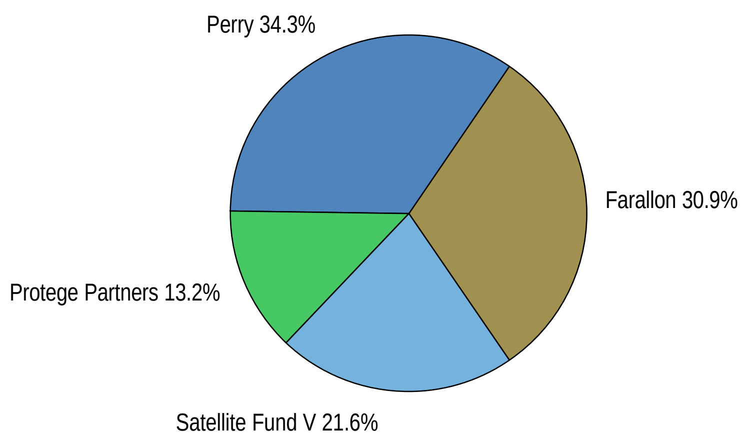
$670 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
Total Absolute Return	**4.6%**	**21.3%**	**10.5%**	**11.9%**	**2/29/00**
90-Day T-Bill + 4%	1.3	5.5	7.3	7.7	

MANAGER ALLOCATION AS OF 8/31/03



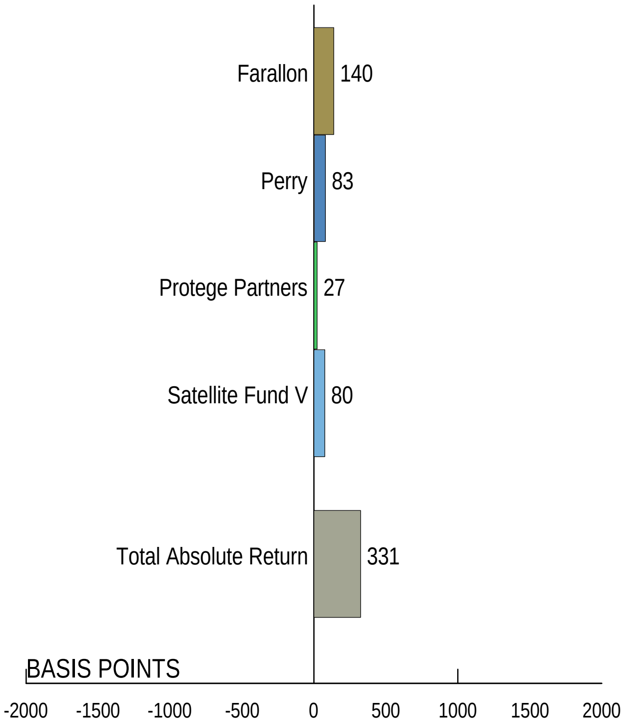
- The total absolute return component outperformed in the recent fiscal quarter as each of the managers earned a return exceeding that of the benchmark during the period. Longer-term performance shown above is also favorable as the component outperformed its benchmark by over four percentage points since inception.

- The graph above details the allocation to each manager of the absolute return component as of quarter-end.

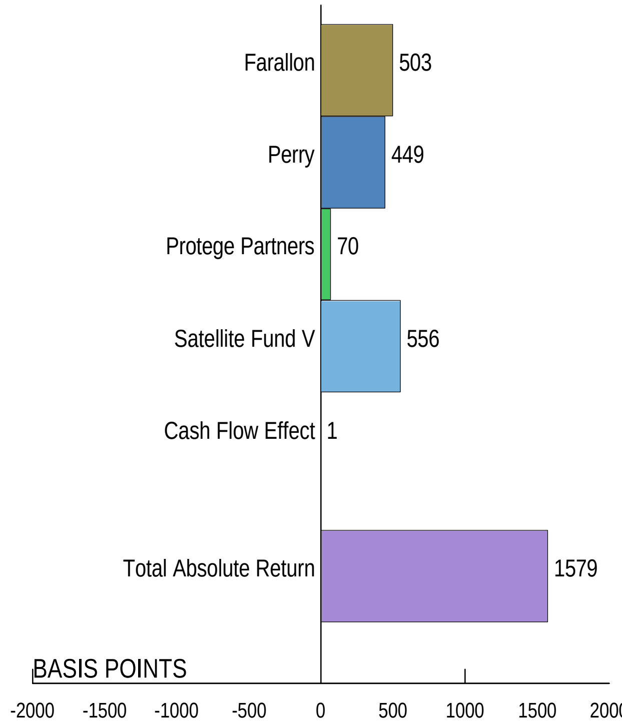
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03

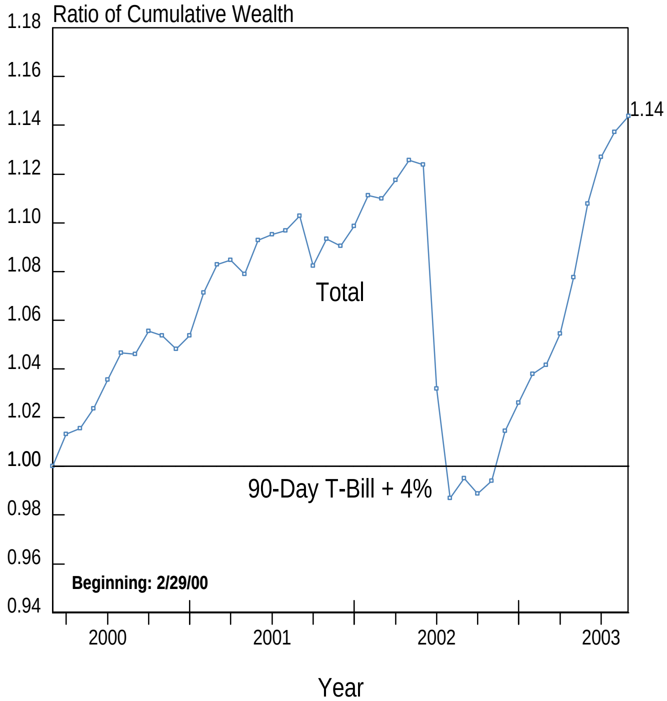


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Absolute Return" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

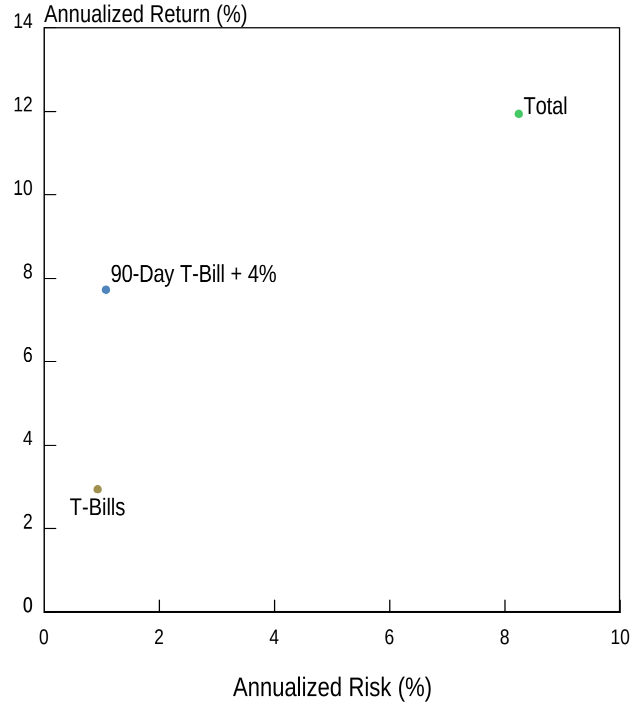
$670 Million

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
3 YEARS 6 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
3 YEARS 6 MONTHS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the absolute return component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has experienced a significant relative-performance gain since mid-2002 and leads its benchmark since inception.

- The Risk Return graph above exhibits the risk return characteristics of the total absolute return component, relative to that of its performance benchmark. As shown, the component has outperformed its benchmark since inception, while incurring a significantly greater level of risk.

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Total Absolute Return	90-Day T-Bill + 4%	
	Return	Return	Return Difference
2000 (10 months)	14.6%	8.8%	5.8
2001	13.3	8.7	4.6
2002	-1.0	6.0	-7.0
2003 (8 months)	15.4	3.5	11.9
Trailing 1-Year	21.3%	5.5%	15.8
Trailing 3-Year	10.5	7.3	3.2
Since Inception (2/29/00)	11.9	7.7	4.2

- The table above compares the annual return history of the total absolute return component to that of the performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

$670 Million

As of August 31, 2003

**RETURN SUMMARY
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
Farallon	**5.9%**	**21.0%**	**12.5%**	**12.8%**	**2/29/00**
90-Day T-Bill + 4%	1.3	5.5	7.3	7.7	
Perry	**3.7**	**17.3**	**12.7**	**14.2**	**2/29/00**
90-Day T-Bill + 4%	1.3	5.5	7.3	7.7	
Protege Partners	**3.4**	**--**	**--**	**7.8**	**2/28/03**
90-Day T-Bill + 4%	1.3	--	--	2.6	
Satellite Fund V	**5.0**	**31.4**	**5.5**	**5.5**	**8/31/00**
90-Day T-Bill + 4%	1.3	5.5	7.3	7.3	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Private Capital	**2.8%**	**-6.3%**	**-11.0%**	**3.8%**	**9.5%**	**1/31/89**
Wilshire 5000 Index + 4%	7.5	19.5	-7.0	7.7	15.4	

- As shown in the table above, Private Capital has underperformed its performance benchmark over all periods shown. The component's return lagged its benchmark by over twenty-five percentage points in the recent fiscal year and trails its benchmark by nearly six percentage points since inception.

- The returns shown in the table above are reported on a time-weighted basis, consistent with the methodology used for returns throughout this report. Time-weighted returns are calculated using monthly asset values and daily cash flows. Time-weighted rates of return are the industry standard for reporting the performance of traditional, marketable investments. For investments such as private equity, the time-weighted return calculation methodology suffers from a number of flaws, including the attribution of control over cash flows to the investor rather than the investment manager. In these cases, the industry standard is to use the internal rate of return (IRR), which is the annualized rate of return implied by a series of cash flows and a beginning and ending market value. The internal rates of return for the Private Capital component are shown in the table on the following page. Each return shown represents a since-inception return ending at a given fiscal year-end. For example, the 10.5% return shown for 2003 corresponds to a 10.5% annualized IRR for the since-inception period ending at fiscal year-end 2003.

- The benchmark results shown represent the return (IRR) earned on the actual cash flows experienced in the Private Capital portfolio, had they been invested in the Wilshire 5000 Index plus 4% annually.

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

HISTORICAL RETURNS
PUF SINCE INCEPTION IRR
FISCAL YEAR ENDING 8/31/03

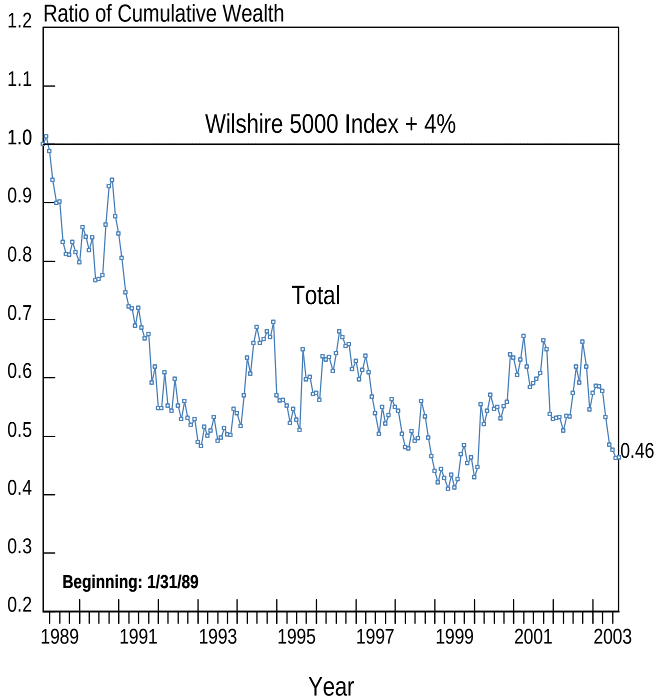
Fiscal Year Ending	Private Capital	Wilshire 5000 Index + 4%	Return Difference
1989	22.2 %	46.2 %	-24.0 %
1990	-5.1	-3.8	-1.3
1991	6.6	17.0	-10.4
1992	-3.9	13.3	-17.4
1993	2.3	15.4	-13.1
1994	12.9	12.7	0.2
1995	18.2	14.5	3.7
1996	20.5	15.1	5.4
1997	20.1	18.0	2.1
1998	18.5	15.6	2.9
1999	19.0	18.7	0.3
2000	22.3	19.2	3.1
2001	17.8	12.2	5.6
2002	13.0	8.0	5.0
2003	10.5	9.3	1.2

- The IRRs shown in the table above were provided by UTIMCO, as with all other data shown in this report.

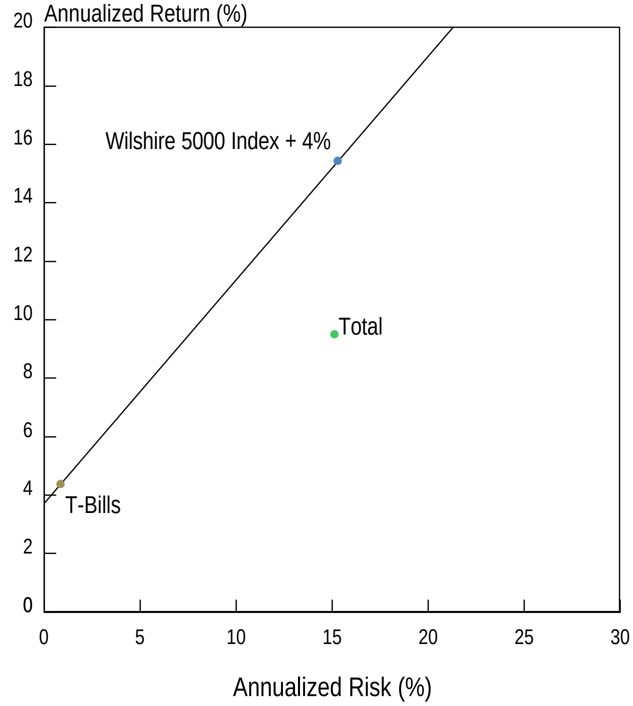
$845 Million

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
14 YEARS 7 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
14 YEARS 7 MONTHS ENDING 8/31/03



- The data shown in the exhibits above reflect time-weighted returns.
- The Ratio of Cumulative Wealth graph above illustrates the private capital securities component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has significantly underperformed since inception. A sizeable portion of the underperformance is a result of below-benchmark returns earned early in the component's life (namely 1990-1991).
- The Risk Return graph above exhibits the risk return characteristics of the private capital component, relative to that of its benchmark. As shown, the component has underperformed the benchmark of the Wilshire 5000 +4% while incurring a similar level of risk.

$845 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Private Capital	Wilshire 5000 Index + 4%	Return Difference
	Return	Return	
1989 (11 months)	0.0%	25.4%	-25.4
1990	3.6	-2.3	5.9
1991	-9.7	39.5	-49.2
1992	1.4	13.4	-12.0
1993	27.4	15.8	11.6
1994	9.9	4.0	5.9
1995	43.0	41.9	1.1
1996	37.9	26.1	11.8
1997	19.4	36.5	-17.1
1998	2.8	28.4	-25.6
1999	25.6	28.5	-2.9
2000	36.8	-7.2	44.0
2001	-22.6	-7.3	-15.3
2002	-10.6	-17.6	7.0
2003 (8 months)	-1.8	21.5	-23.3
Since 5/31/03	2.8%	7.5%	-4.7
Trailing 1-Year	-6.3	19.5	-25.8
Trailing 3-Year	-11.0	-7.0	-4.0
Trailing 5-Year	3.8	7.7	-3.9
Trailing 10-Year	12.9	14.1	-1.2

- The returns shown in the table above reflect time-weighted returns.
- The table above compares the annual return history of the private capital component relative to its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

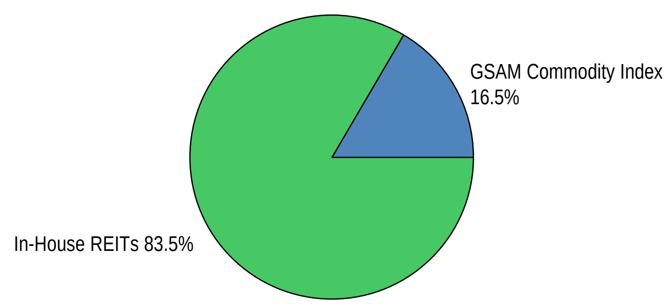
$589 Million

As of August 31, 2003

**RETURN SUMMARY
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
Inflation Hedging	**9.1%**	**22.2%**	**17.1%**	**23.2%**	**11/30/99**
UTIMCO Inflation Hedging Benchmark	2.9	13.6	9.1	13.0	

MANAGER ALLOCATION AS OF 8/31/03

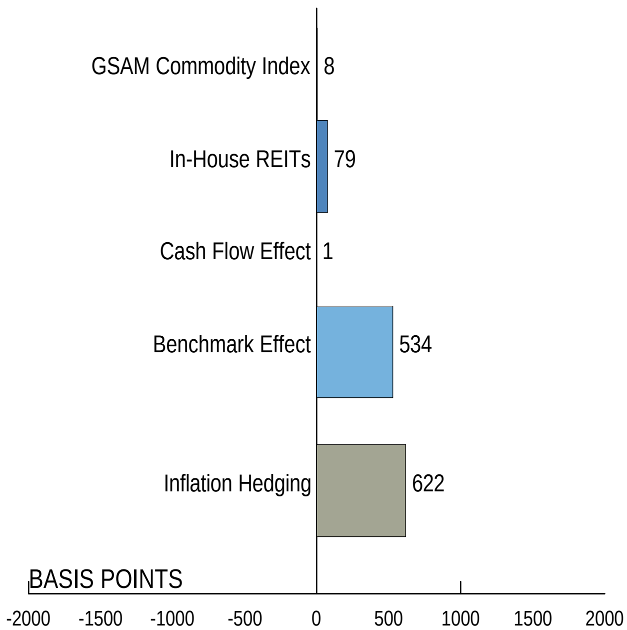


- The total inflation hedging component's return exceeded the performance of the benchmark over all time-periods shown above. The asset class component has outperformed its benchmark by over ten percentage points since inception.
- The graph above details the manager allocations of the inflation hedging asset class as of quarter-end.

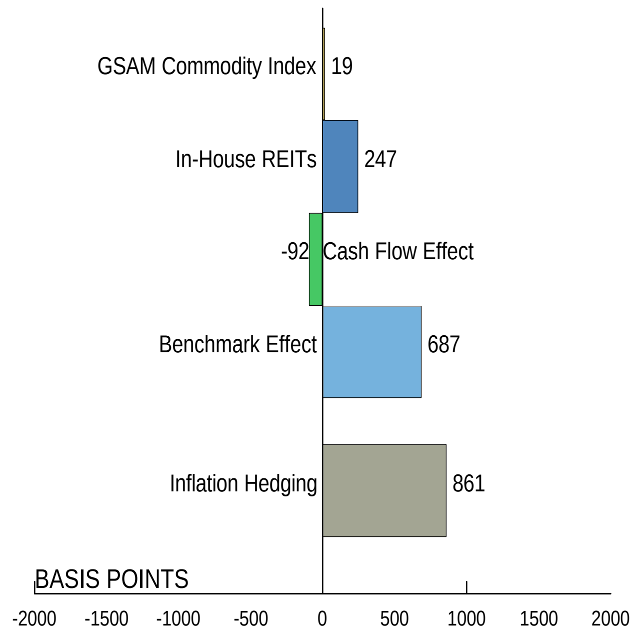
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03

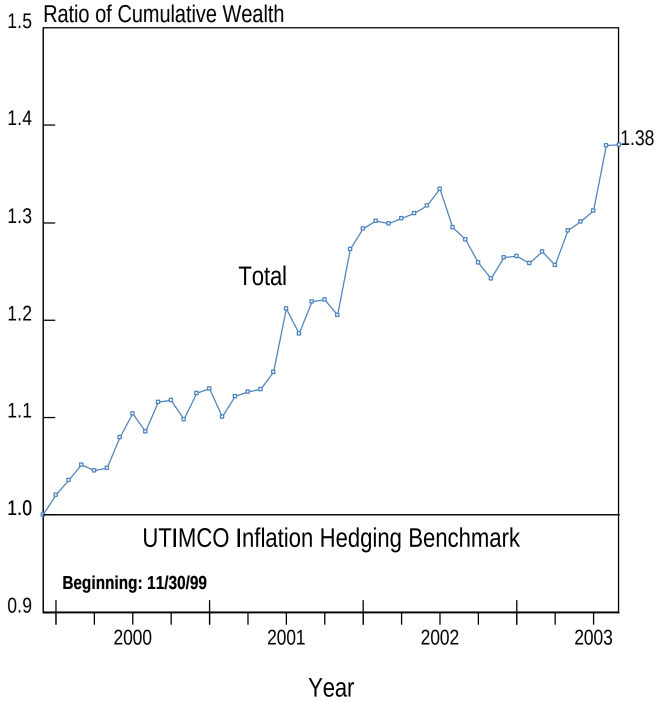


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Inflation Hedging" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the UTIMCO inflation hedging benchmark.

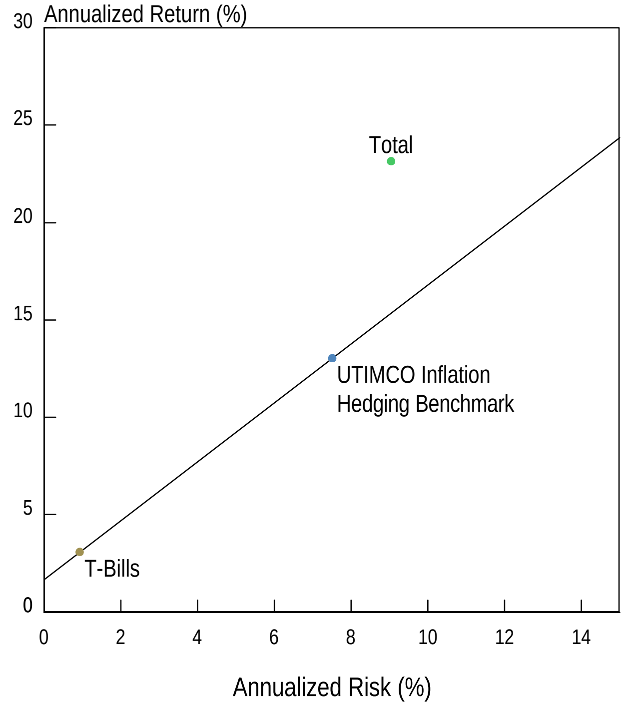
$589 Million

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
3 YEARS 9 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
3 YEARS 9 MONTHS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the inflation hedging component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the total inflation hedging component has significantly outperformed its benchmark since inception.

- The Risk Return graph above exhibits the risk return characteristics of the total inflation hedging component, relative to that of its performance benchmark. As shown, the component has outperformed while incurring a slightly higher level of risk.

$589 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Inflation Hedging	UTIMCO Inflation Hedging Benchmark	
	Return	Return	Return Difference
1999 (1 month)	4.1%	2.0%	2.1
2000	39.5	26.0	13.5
2001	11.8	-2.5	14.3
2002	11.4	13.9	-2.5
2003 (8 months)	20.8	10.9	9.9
Since 5/31/03	9.1%	2.9%	6.2
Trailing 1-Year	22.2	13.6	8.6
Trailing 3-Year	17.1	9.1	8.0
Since Inception (11/30/99)	23.2	13.0	10.2

- The table above compares the annual return history of the inflation hedging component to that of the performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

$589 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
GSAM Commodity Index	**5.3%**	**21.7%**	**--%**	**27.1%**	**3/31/02**
Goldman Sachs Commodity Index - 1%	4.8	20.8	--	19.2	
In-House REITs	**9.9**	**21.1**	**15.8**	**19.3**	**11/30/99**
Wilshire Real Estate Securities Index	9.0	17.3	14.1	18.1	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

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GENERAL ENDOWMENT FUND

GENERAL ENDOWMENT FUND

$3,585 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03
General Endowment Fund	**5.5%**	**12.8%**	**-1.4%**	**7.1%**
Endowment Performance Benchmark**	4.6	12.8	-2.3	6.9
Total U.S. Equity	**6.5**	**13.8**	**-6.8**	**6.4**
Wilshire 5000 Index	6.4	14.9	-10.6	3.5
Total International Equity	**11.3**	**16.3**	**-10.0**	**1.0**
MSCI AC World Ex-U.S. Free Index	8.7	12.2	-10.0	1.1
Total Fixed Income	**-3.0**	**7.1**	**8.3**	**6.4**
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6
Total Absolute Return	**4.6**	**21.3**	**11.3**	**11.7**
90-Day T-Bill + 4%	1.3	5.5	7.3	8.1
Inflation Hedging	**9.1**	**22.1**	**17.2**	**--**
UTIMCO Inflation Hedging Benchmark	2.9	13.6	9.1	--
Private Capital* **	**1.6**	**-6.6**	**-11.2**	**3.6**
Wilshire 5000 Index + 4%	7.5	19.5	-7.0	7.7

- The General Endowment Fund's performance exceeded that of its benchmark during the fiscal quarter ending August 31 by 0.9 percentage points. Strong performance by the U.S. equity and non-U.S. equity asset classes, as well as the absolute return and inflation hedging asset classes contributed to the positive relative performance.

- The Fund's fiscal year performance, ending August 31, matched that of the benchmark. The U.S. equity and private capital asset classes detracted from relative performance, while the non-U.S. equity, fixed income, absolute return and inflation hedging asset classes contributed positively to relative performance.

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* Time-period represents the total return for the fiscal fourth quarter ending 8/31/03.

** Performance represents the UTIMCO Board of Directors approved Endowment Policy Portfolio.

*** The data for Private Capital and its benchmark reflects time-weighted rates of return. On page 70 we also show returns using the internal rate of return (IRR) methodology. Please see pages 69 and 70 for additional information.

As of August 31, 2003

UTIMCO POLICY COMPLIANCE
ASSET ALLOCATION AS OF 8/31/03
($ in millions)

	Total	Percent of Total	UTIMCO Policy*	Variance
Passive Domestic	$ 508	14.2 %	11.0 %	+3.2 %
Active Domestic	497	13.9	10.0	+3.9
Hedge & Structured Active Domestic	269	7.5	10.0	-2.5
Domestic Public Equity	$ 1,274	35.5 %	31.0 %	+4.5 %
Passive International	$ 286	8.0 %	6.5 %	+1.5 %
Active International	432	12.1	7.5	+4.6
Hedge & Structured Active International	35	1.0	5.0	-4.0
International Public Equity	$ 753	21.0 %	19.0 %	+2.0 %
Fixed Income	$ 495	13.8 %	15.0 %	-1.2 %
Absolute Return	369	10.3	10.0	+0.3
Inflation Hedging	309	8.6	10.0	-1.4
Private Capital	385	10.7	15.0	-4.3
GSAM Overlay	41	1.1	--	+1.1
Liquidity Reserve	-41	-1.1	--	-1.1
Total General Endowment Fund	$ 3,585	100.0 %	100.0 %	0.0 %

- The table above summarizes and compares the actual asset allocation of the General Endowment Fund to UTIMCO Board of Directors approved policy targets of the Fund.
- As shown, the Fund was overweight to public equity as of August 31.
- As of August 31, 20.8% of the General Endowment Fund was representative of the Permanent Health Fund and the remaining 79.2% was of the Long Term Fund.

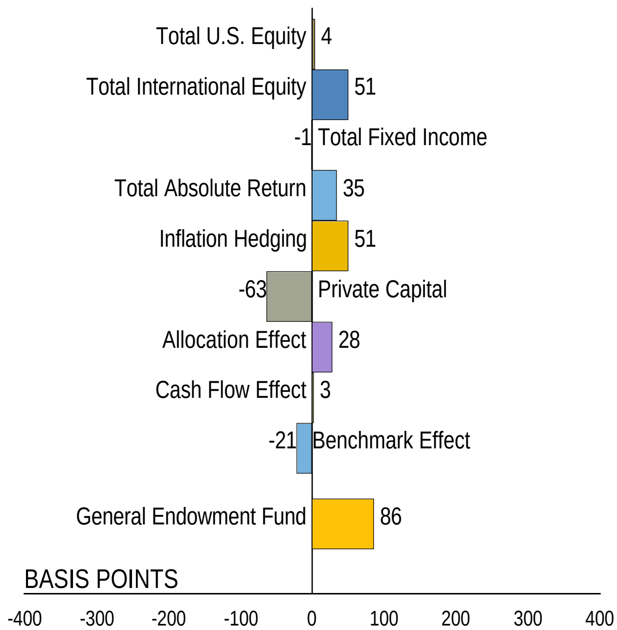
* UTIMCO Policy represents the UTIMCO Board of Directors approved policy targets.

GENERAL ENDOWMENT FUND

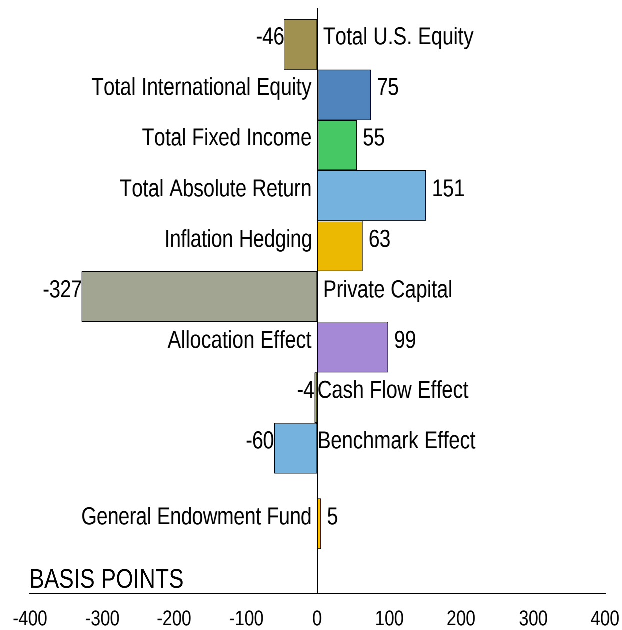
$3,585 Million

As of August 31, 2003

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



TOTAL FUND ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03



- The Performance Attribution exhibits shown above measure the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the component to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The asset class bar amounts are determined by multiplying the relative return of that asset class (actual return - policy benchmark return) by its policy weight. "Allocation Effect" details the degree to which the Fund's asset allocation differed from that of its policy, and what impact this had on performance. "Cash Flow Effect" details what impact any movement in Fund assets had on performance. "Benchmark Effect" details the impact of differences between the composition of the Total Fund benchmark and the benchmarks of the individual asset classes.

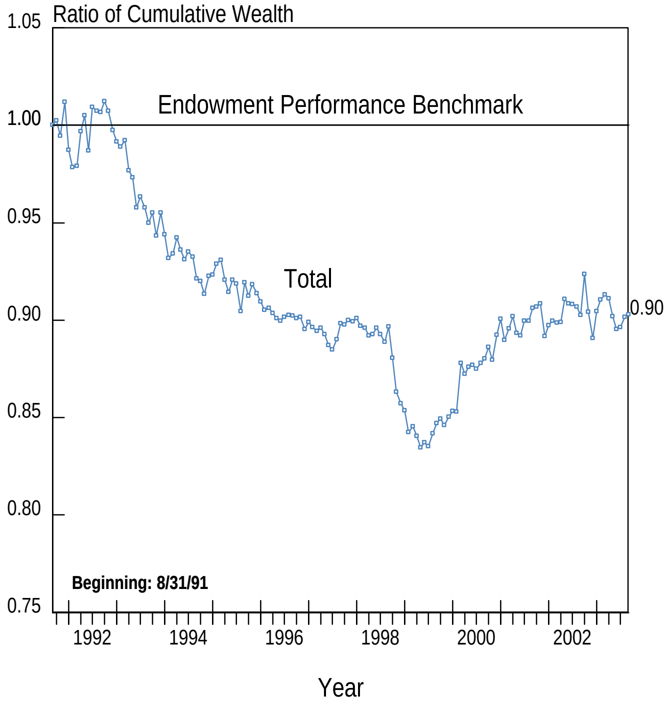
- As shown in the three-month exhibit, the favorable performance earned by the U.S. equity, non-U.S. equity, absolute return, and inflation hedging asset classes benefited performance, collectively offsetting the negative impact produced by the Private Capital component's trailing result. The General Endowment Fund also benefited from the overweight allocation to domestic and international public equities as both markets outpaced the other marketable asset classes invested in by the Fund.

- The one-year attribution analysis shows a similar story; however, the General Endowment Fund only narrowly outperformed its benchmark.

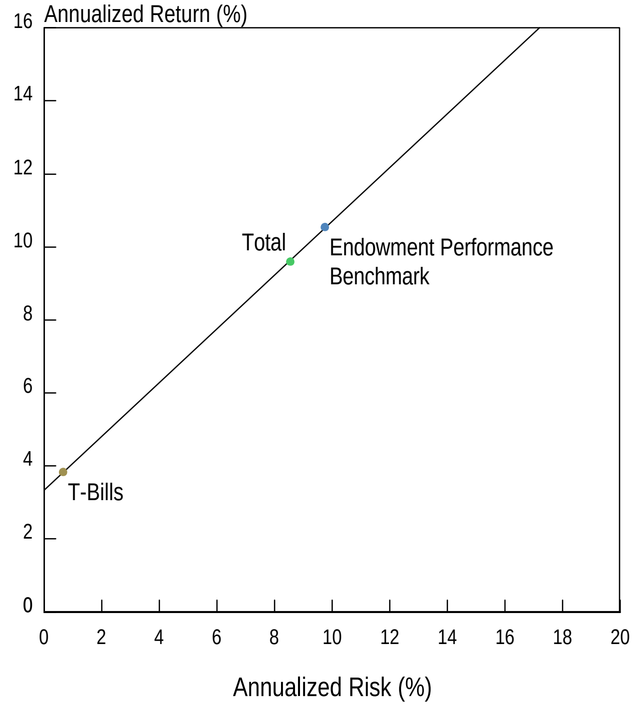
- The data for Private Capital and its benchmark reflects time-weighted rates of return.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
12 YEARS ENDING 8/31/03



ANNUALIZED RISK/RETURN
12 YEARS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the Total General Endowment Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, between 1993 and 1999 the Fund's performance trailed that of the benchmark. Since 1999, the Fund has exceeded the performance of its benchmark.

- The Risk Return graph above exhibits the risk return characteristics of the Total General Endowment Fund, relative to that of the Performance Benchmark. As shown, the Fund earned a slightly lower return at a comparatively lower level of volatility.

GENERAL ENDOWMENT FUND

$3,585 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	General Endowment Fund	Endowment Performance Benchmark**	Return Difference
	Return	Return	
1991 (4 months)	6.4%	7.8%	-1.4
1992	7.8	7.4	0.4
1993	10.9	16.5	-5.6
1994	0.2	2.4	-2.2
1995	25.1	27.0	-1.9
1996	14.3	15.7	-1.4
1997	20.5	20.2	0.3
1998	11.6	17.7	-6.1
1999	18.6	18.7	-0.1
2000	3.9	-1.6	5.5
2001	-5.0	-4.7	-0.3
2002	-7.7	-8.4	0.7
2003 (8 months)	13.5	13.7	-0.2
Trailing 1-Year	12.8%	12.8%	0.0
Trailing 3-Year	-1.4	-2.3	0.9
Trailing 5-Year	7.1	6.9	0.2
Trailing 10-Year	9.2	9.8	-0.6
Since Inception (8/31/91)	9.6	10.5	-0.9

- The table above compares the annual return history of the General Endowment Fund to that of its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

** The Endowment Performance Benchmark represents the returns of the UTIMCO Board of Directors approved Endowment Policy Portfolio.

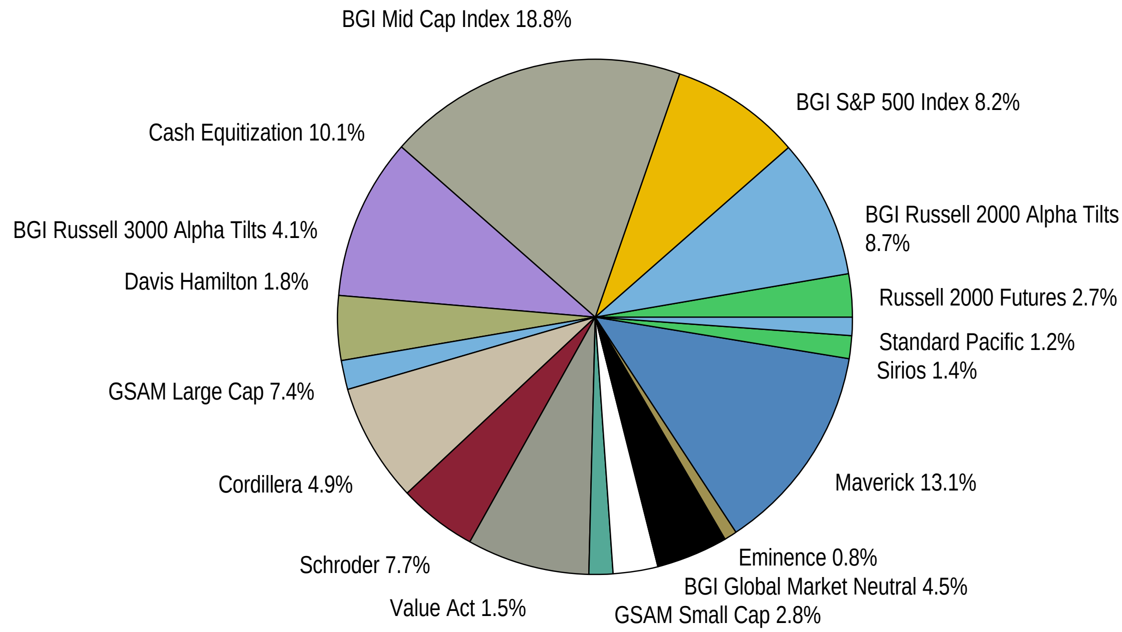
$1,274 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Total U.S. Equity	**6.5%**	**13.8%**	**-6.8%**	**6.4%**	**10.3%**	**8/31/91**
Wilshire 5000 Index	6.4	14.9	-10.6	3.5	10.2	

MANAGER ALLOCATION AS OF 8/31/03



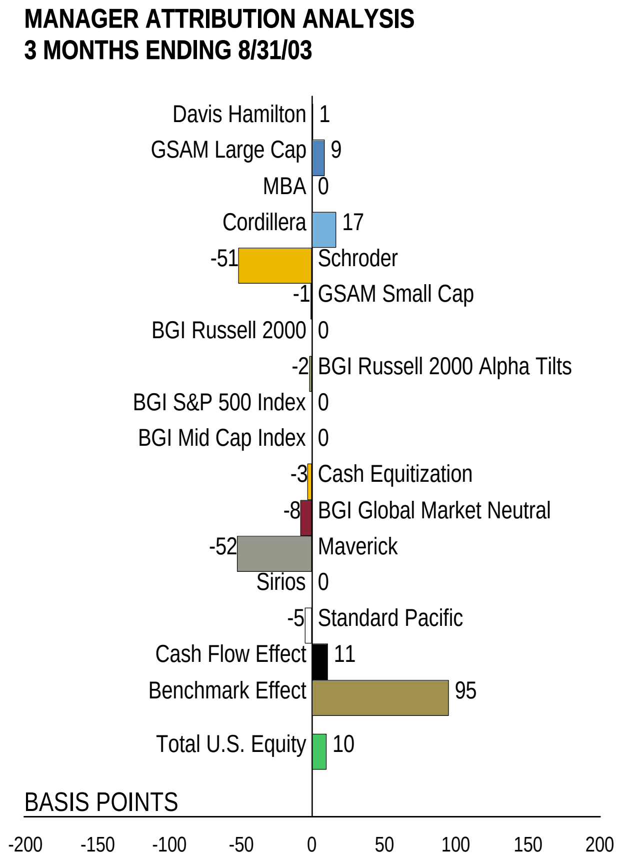
- The total U.S. equity asset class return exceeded the performance of the Wilshire 5000 Index by 0.1 percentage point during the fiscal quarter, though it trailed the benchmark by 1.1 percentage points during the fiscal year.
- The graph above details the manager allocations of the U.S. equity asset class as of August 31.

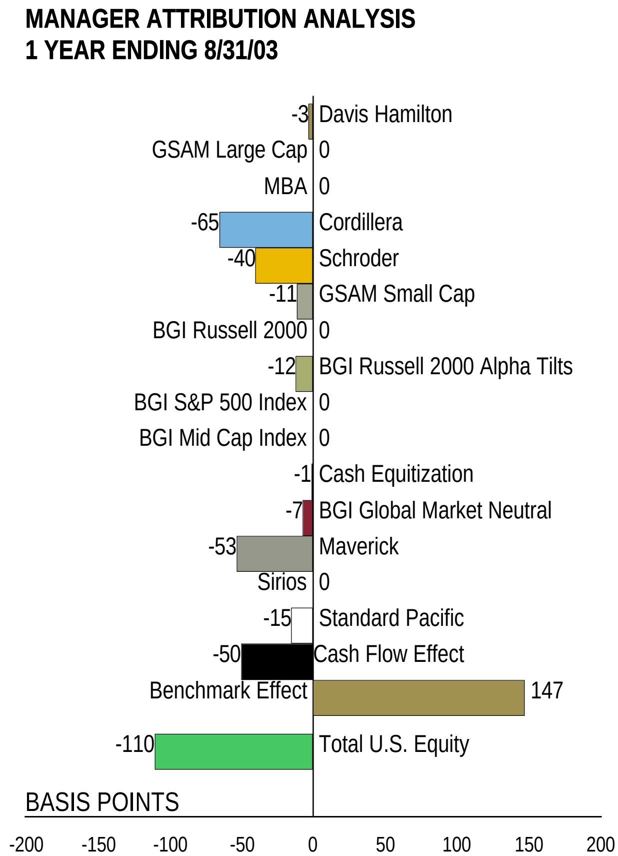
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

DOMESTIC EQUITY SUMMARY

$1,274 Million

As of August 31, 2003



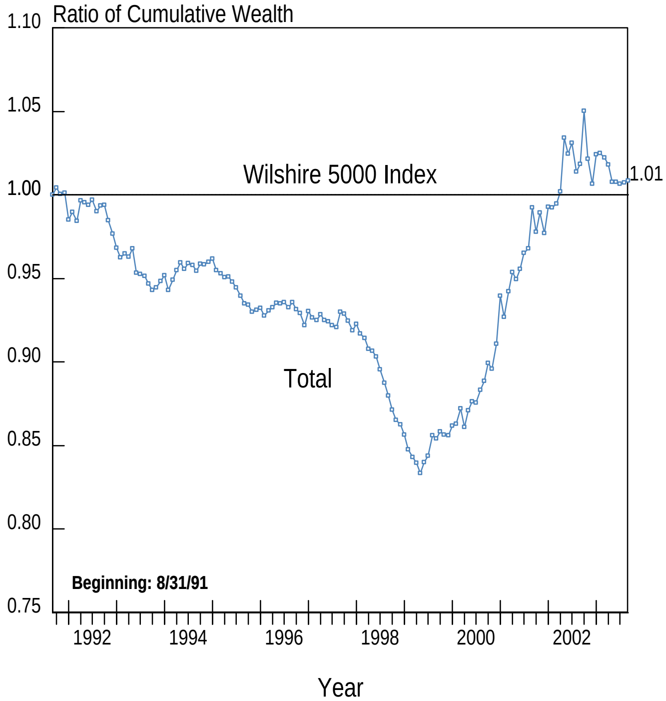


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total U.S. Equity" represents the component's relative performance to the Wilshire 5000 in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the U.S. equity benchmark.

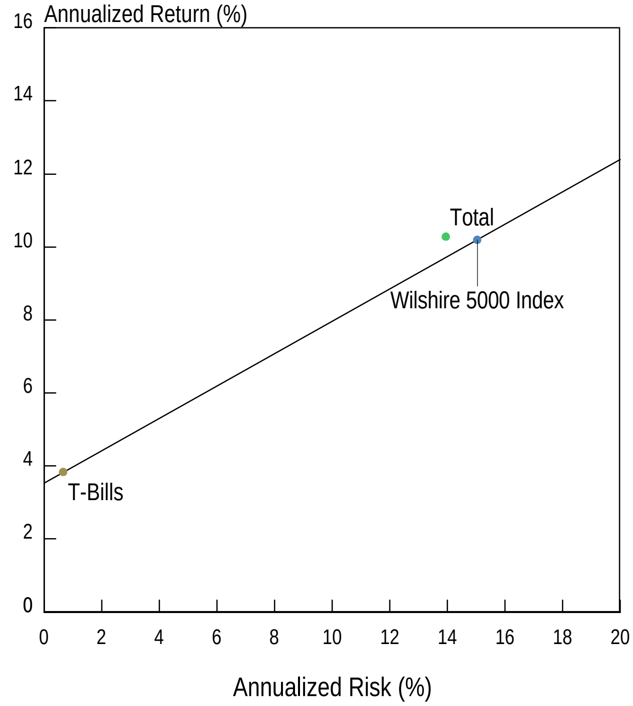
$1,274 Million

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
12 YEARS ENDING 8/31/03



ANNUALIZED RISK/RETURN
12 YEARS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the domestic equity component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance trailed the Index prior to 1999, though it has exceeded that of the Index since 1999.

- The Risk Return graph above exhibits the risk return characteristics of the total domestic equity component, relative to that of the Performance Benchmark. As shown, the asset class has achieved a similar return as the Index at a slightly lower level of volatility.

$1,274 Million

As of August 31, 2003

HISTORICAL RETURNS*
(BY YEAR)

	Total U.S. Equity	Wilshire 5000 Index	
	Return	Return	Return Difference
1991 (4 months)	5.9%	7.5%	-1.6
1992	7.1	9.0	-1.9
1993	9.4	11.3	-1.9
1994	1.0	-0.1	1.1
1995	32.3	36.4	-4.1
1996	21.0	21.2	-0.2
1997	30.2	31.3	-1.1
1998	14.6	23.4	-8.8
1999	24.3	23.6	0.7
2000	-2.8	-10.9	8.1
2001	-5.9	-11.0	5.1
2002	-18.4	-20.9	2.5
2003 (8 months)	16.6	18.4	-1.8
Trailing 1-Year	13.8%	14.9%	-1.1
Trailing 3-Year	-6.8	-10.6	3.8
Trailing 5-Year	6.4	3.5	2.9
Trailing 10-Year	10.3	9.6	0.7
Since Inception (8/31/91)	10.3	10.2	0.1

- The table above compares the annual return history of the total domestic equity component to that of the Wilshire 5000 Index.

* The annual returns in this exhibit represent calendar-year periods.

$1,274 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Russell 2000 Futures	**--**	**--**	**--**	**--**	**5.2%**	**6/30/03**
Russell 2000 Index	--	--	--	--	11.1	
BGI Russell 2000 Alpha Tilts	**13.0**	**26.9**	**--**	**--**	**4.1**	**12/31/01**
Russell 2000 Index	13.1	29.1	--	--	2.5	
BGI S&P 500 Index	**5.1**	**12.1**	**-11.4**	**2.5**	**11.1**	**1/31/93**
S&P 500 Index	5.1	12.1	-11.4	2.5	10.3	
BGI Mid Cap Index	**9.6**	**18.4**	**-0.4**	**14.4**	**14.0**	**11/30/92**
S&P 400 Mid Cap Index	9.6	18.4	-0.4	14.3	13.5	
Cash Equitization	**4.9**	**11.9**	**--**	**--**	**-7.1**	**2/28/01**
S&P 500 Index	5.1	12.1	--	--	-6.5	
Davis Hamilton	**5.6**	**10.5**	**-13.0**	**3.6**	**9.5**	**12/31/93**
S&P 500 Index	5.1	12.1	-11.4	2.5	10.3	
GSAM Large Cap	**6.3**	**12.1**	**-10.9**	**2.7**	**-0.6**	**3/31/98**
S&P 500 Index	5.1	12.1	-11.4	2.5	-0.2	
MBA	**6.8**	**10.4**	**-19.7**	**-2.5**	**2.1**	**10/31/95**
S&P 500 Index	5.1	12.1	-11.4	2.5	9.0	
Cordillera	**19.7**	**20.3**	**-16.7**	**12.9**	**9.8**	**12/31/93**
Russell 2000 Growth Index	15.5	34.9	-13.4	5.3	4.6	
Schroder	**6.3**	**22.3**	**2.0**	**11.0**	**10.4**	**12/31/93**
Russell 2000 Index	13.1	29.1	-1.2	9.5	8.5	
Value Act	**--**	**--**	**--**	**--**	**3.6**	**7/31/03**
Russell 2000 Index	--	--	--	--	4.6	
GSAM Small Cap	**12.8**	**24.4**	**2.1**	**10.6**	**3.4**	**3/31/98**
Russell 2000 Index	13.1	29.1	-1.2	9.5	2.0	
BGI Global Market Neutral	**3.4**	**--**	**--**	**--**	**11.5**	**12/31/02**
S&P 500 Index	5.1	--	--	--	15.9	
Eminence	**--**	**--**	**--**	**--**	**-2.0**	**6/30/03**
90-Day T-Bill + 4%	--	--	--	--	0.8	
Maverick	**-2.3**	**2.7**	**9.1**	**14.5**	**11.5**	**7/31/98**
90-Day T-Bill + 4%	1.3	5.5	7.3	8.1	8.2	
Sirios	**1.1**	**--**	**--**	**--**	**3.6**	**4/30/03**
90-Day T-Bill + 4%	1.3	--	--	--	1.7	
Standard Pacific	**-2.7**	**--**	**--**	**--**	**-6.4**	**2/28/03**
90-Day T-Bill + 4%	1.3	--	--	--	2.6	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

INTERNATIONAL EQUITY SUMMARY

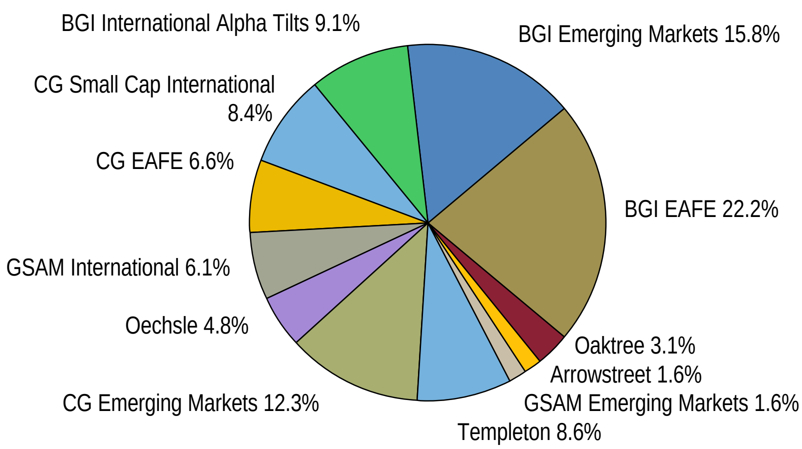
$753 Million

As of August 31, 2003

RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Total International Equity	**11.3%**	**16.3%**	**-10.0%**	**1.0%**	**3.9%**	**3/31/93**
MSCI AC World Ex-U.S. Free Index	8.7	12.2	-10.0	1.1	4.5	

MANAGER ALLOCATION AS OF 8/31/03

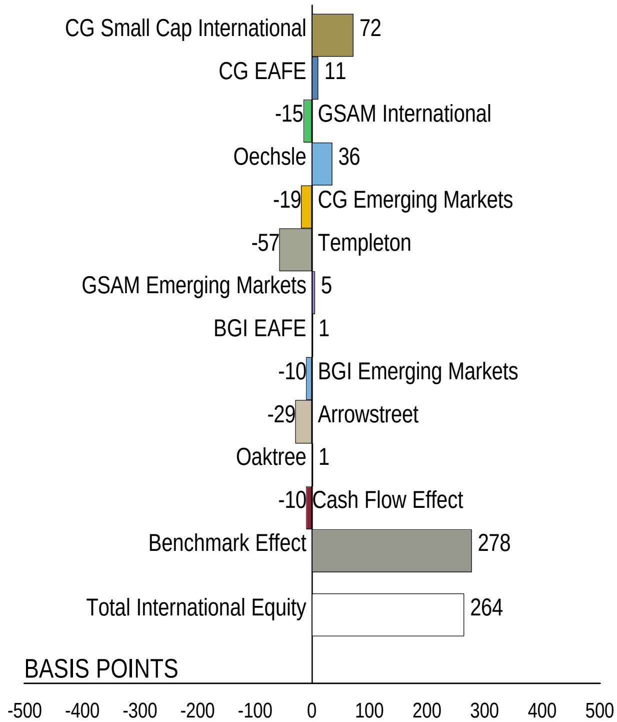


- The total international equity asset class exceeded the performance of the Index during the fiscal quarter by 2.6 percentage points, and by 4.1 percentage points during the fiscal year.
- The graph above details the manager allocations of the international equity asset class as of August 31.

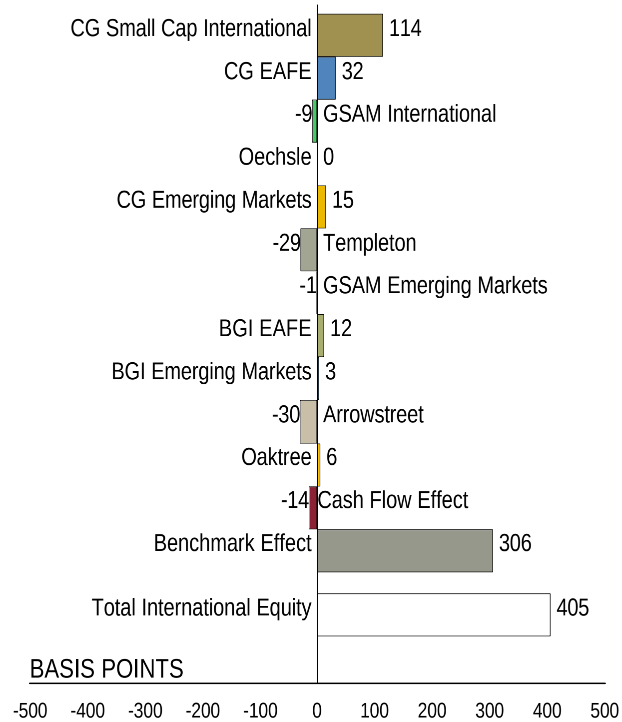
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03

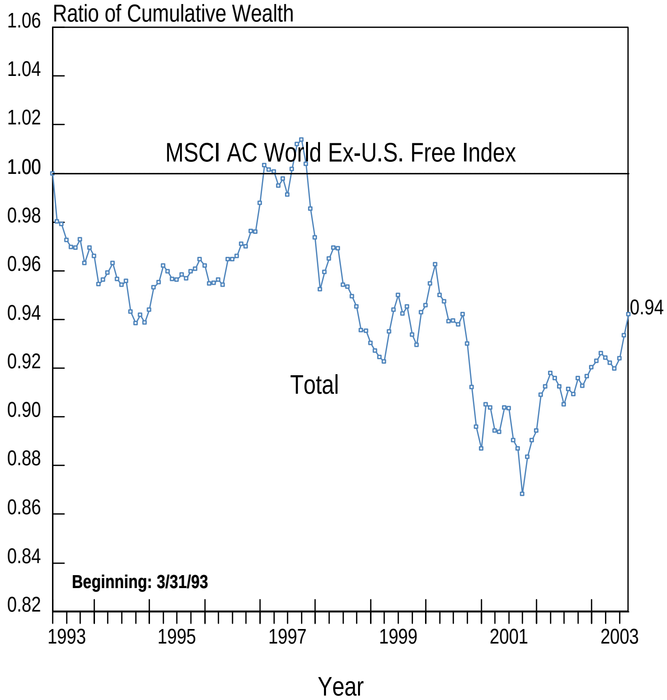


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total International Equity" represents the component's relative performance to the MSCI All Country World ex-U.S. Free Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the international equity benchmark.

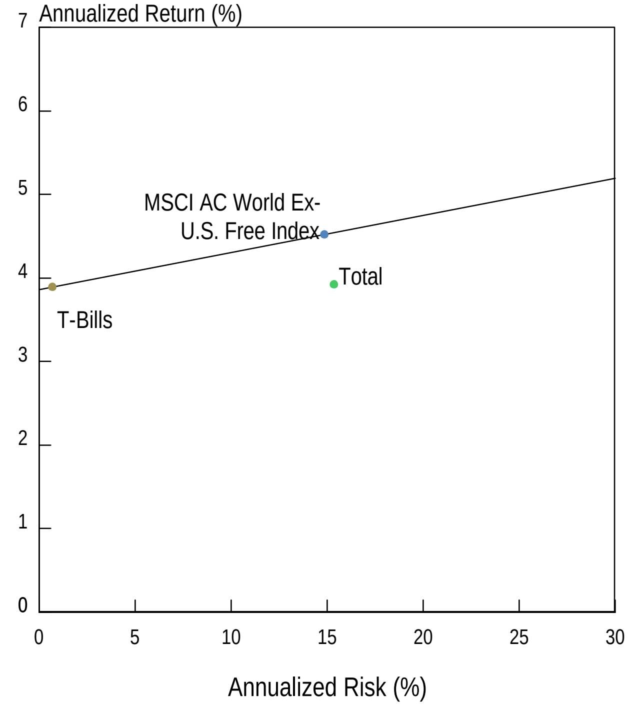
$753 Million

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
10 YEARS 5 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
10 YEARS 5 MONTHS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the international equity component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance exceeded that of the Index from 1994 to 1997, trailed it from 1997 to 2001 and has exceeded it since 2001.

- The Risk Return graph above exhibits the risk return characteristics of the total international equity component, relative to that of the Performance Benchmark. As shown, the asset class has earned a lower return than the Index at a similar level of volatility.

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Total International Equity	MSCI AC World Ex-U.S. Free Index	Return Difference
	Return	Return	
1993 (9 months)	16.8%	21.0%	-4.2
1994	4.2	6.6	-2.4
1995	12.0	9.9	2.1
1996	9.6	6.7	2.9
1997	0.6	2.0	-1.4
1998	9.3	14.5	-5.2
1999	33.1	30.9	2.2
2000	-20.4	-15.1	-5.3
2001	-18.8	-19.5	0.7
2002	-12.2	-14.7	2.5
2003 (8 months)	20.3	17.5	2.8
Trailing 1-Year	16.3%	12.2%	4.1
Trailing 3-Year	-10.0	-10.0	0.0
Trailing 5-Year	1.0	1.1	-0.1
Trailing 10-Year	2.6	2.8	-0.2
Since Inception (3/31/93)	3.9	4.5	-0.6

- The table above compares the annual return history of the international equity component to that of its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

$753 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
BGI EAFE	**7.5%**	**9.4%**	**-10.6%**	**-0.9%**	**4.6%**	**3/31/93**
EAFE Index	7.4	9.1	-11.1	-0.7	4.1	
BGI Emerging Markets	**19.0**	**30.9**	**--**	**--**	**11.2**	**1/31/02**
MSCI Emerging Markets Free Net	19.8	28.9	--	--	11.7	
CG Small Cap International	**16.3**	**22.4**	**-13.9**	**1.0**	**-1.2**	**11/30/96**
EAFE Index	7.4	9.1	-11.1	-0.7	-0.1	
CG EAFE	**9.0**	**13.4**	**-11.3**	**--**	**-10.2**	**7/31/00**
EAFE Index	7.4	9.1	-11.1	--	-10.6	
GSAM International	**5.1**	**8.4**	**-12.1**	**-1.5**	**-2.9**	**3/31/98**
EAFE Index	7.4	9.1	-11.1	-0.7	-2.7	
Oechsle	**14.9**	**10.2**	**-13.3**	**--**	**-13.1**	**7/31/00**
EAFE Index	7.4	9.1	-11.1	--	-10.6	
CG Emerging Markets	**18.1**	**29.9**	**-5.5**	**--**	**-4.7**	**7/31/00**
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	--	-1.5	
Templeton	**12.9**	**26.6**	**0.2**	**11.0**	**0.5**	**12/31/95**
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	11.6	-0.6	
GSAM Emerging Markets	**22.9**	**29.5**	**-2.6**	**12.5**	**0.6**	**3/31/98**
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	11.6	-0.6	
Arrowstreet	**-12.5**	**--**	**--**	**--**	**-12.5**	**5/31/03**
90-Day T-Bill + 4%	1.3	--	--	--	1.3	
Oaktree	**1.5**	**7.6**	**--**	**--**	**8.8**	**12/31/01**
90-Day T-Bill + 4%	1.3	5.5	--	--	5.7	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

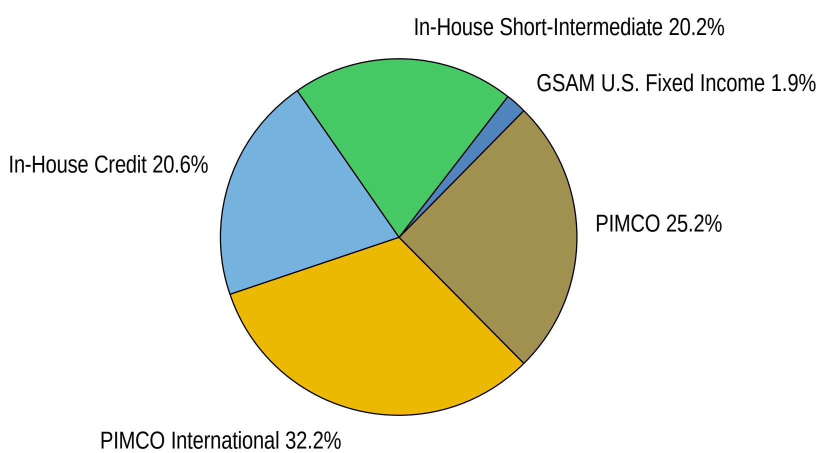
$495 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Total Fixed Income	**-3.0%**	**7.1%**	**8.3%**	**6.4%**	**11.2%**	**8/31/81**
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	10.6	

MANAGER ALLOCATION AS OF 8/31/03

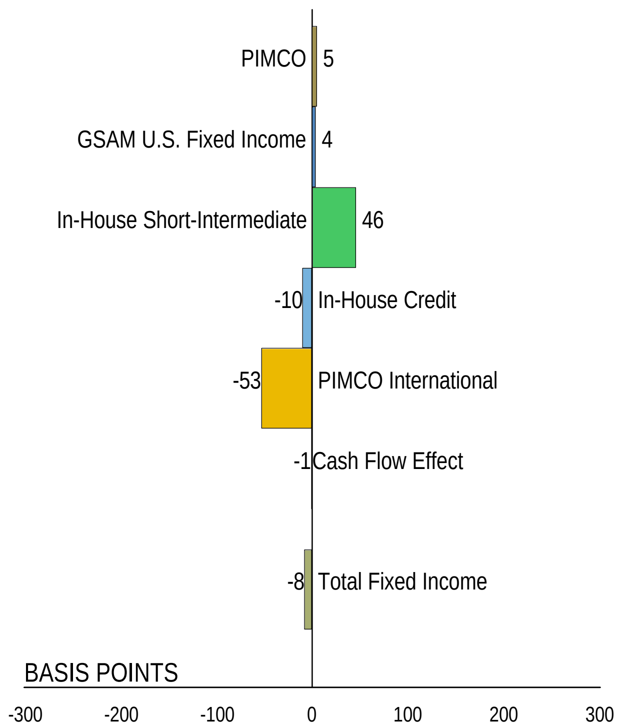


- The total fixed income asset class trailed the performance of the Index during the fiscal quarter by 0.1 percentage points, though exceeded it by 2.7 percentage points during the fiscal year.
- The graph above details the manager allocations of the fixed income asset class as of August 31.

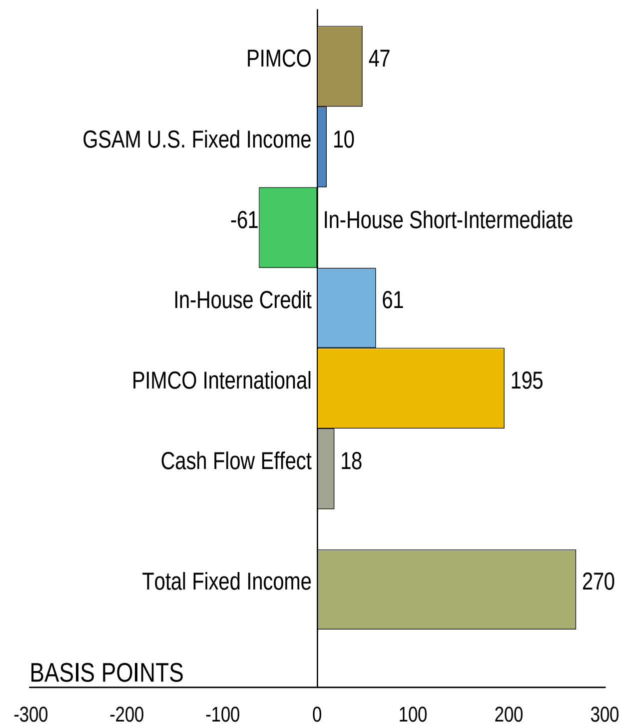
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



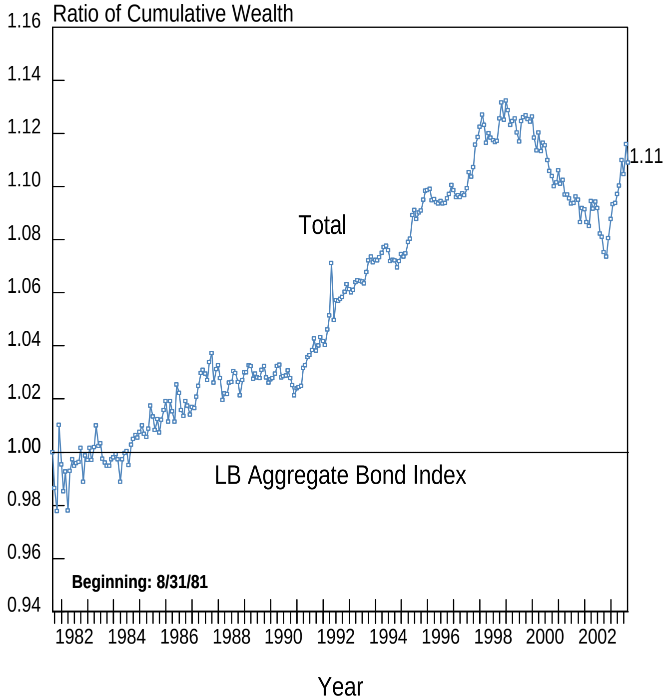
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03



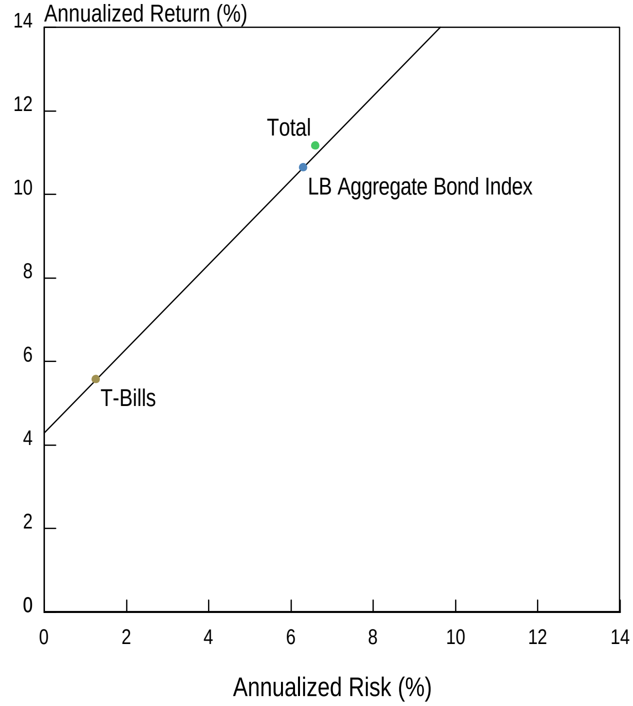
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Fixed Income" represents the component's relative performance to the Lehman Aggregate Bond Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
22 YEARS ENDING 8/31/03



ANNUALIZED RISK/RETURN
22 YEARS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the fixed income component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally been favorable relative to the Index, despite a period of underperformance in 2000 and 2001.

- The Risk Return graph above exhibits the risk return characteristics of the total fixed income asset class, relative to that of the Performance Benchmark. As shown, the asset class has earned a slightly greater return than the Index at a slightly greater level of volatility.

$495 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Total Fixed Income	LB Aggregate Bond Index	Return Difference
	Return	Return	
1981 (4 months)	10.0%	10.5%	-0.5
1982	32.8	32.6	0.2
1983	8.5	8.4	0.1
1984	16.3	15.1	1.2
1985	23.5	22.1	1.4
1986	15.0	15.3	-0.3
1987	4.3	2.8	1.5
1988	7.6	7.9	-0.3
1989	14.2	14.5	-0.3
1990	8.6	9.0	-0.4
1991	18.0	16.0	2.0
1992	9.4	7.4	2.0
1993	10.9	9.7	1.2
1994	-2.7	-2.9	0.2
1995	21.1	18.5	2.6
1996	3.6	3.6	0.0
1997	12.0	9.7	2.3
1998	9.6	8.7	0.9
1999	-1.3	-0.8	-0.5
2000	9.6	11.6	-2.0
2001	7.0	8.4	-1.4
2002	9.9	10.3	-0.4
2003 (8 months)	3.1	1.1	2.0
Trailing 1-Year	7.1%	4.4%	2.7
Trailing 3-Year	8.3	8.2	0.1
Trailing 5-Year	6.4	6.6	-0.2
Trailing 10-Year	7.1	6.7	0.4
Since Inception (8/31/81)	11.2	10.6	0.6

- The table above compares the annual return history of the total fixed income component to that of the Lehman Aggregate Bond Index.

* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
PIMCO	**-2.7%**	**6.2%**	**9.2%**	**7.4%**	**7.7%**	**2/28/98**
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	6.8	
GSAM U.S. Fixed Income	**-2.4**	**5.6**	**8.0**	**6.5**	**6.8**	**3/31/98**
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	6.9	
In-House Short-Intermediate	**-0.4**	**2.1**	**6.4**	**--**	**7.4**	**1/31/00**
LB Aggregate Bond Index	-2.9	4.4	8.2	--	8.8	
In-House Credit	**-3.4**	**7.3**	**--**	**--**	**6.7**	**1/31/01**
LB Aggregate Bond Index	-2.9	4.4	--	--	6.9	
PIMCO International	**-4.7**	**13.0**	**9.0**	**5.1**	**4.4**	**2/28/98**
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	6.8	
SSB Non-U.S. World Gov't Bond	-5.2	11.4	8.4	5.0	5.0	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

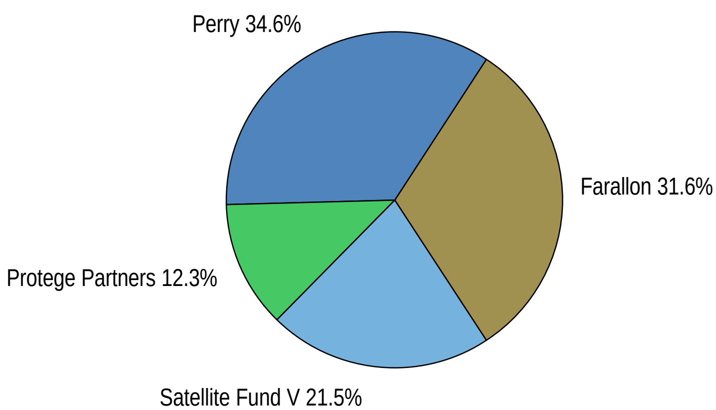
$369 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Total Absolute Return	**4.6%**	**21.3%**	**11.3%**	**11.7%**	**10.3%**	**7/31/98**
90-Day T-Bill + 4%	1.3	5.5	7.3	8.1	8.2	

MANAGER ALLOCATION AS OF 8/31/03



- The total absolute return asset class exceeded the performance of the benchmark during the fiscal quarter by 3.3 percentage points, and exceeded it by 15.8 percentage points during the fiscal year.

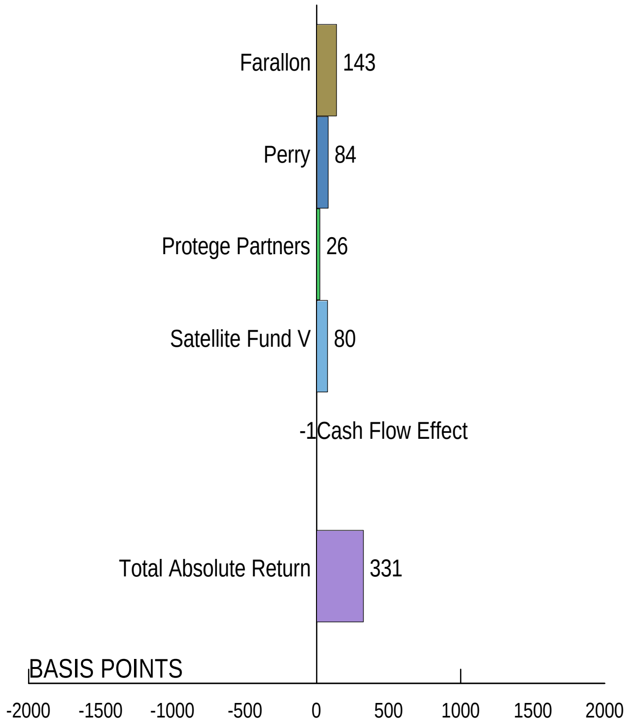
- The graph above details the manager allocations of the absolute return asset class as of August 31.

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

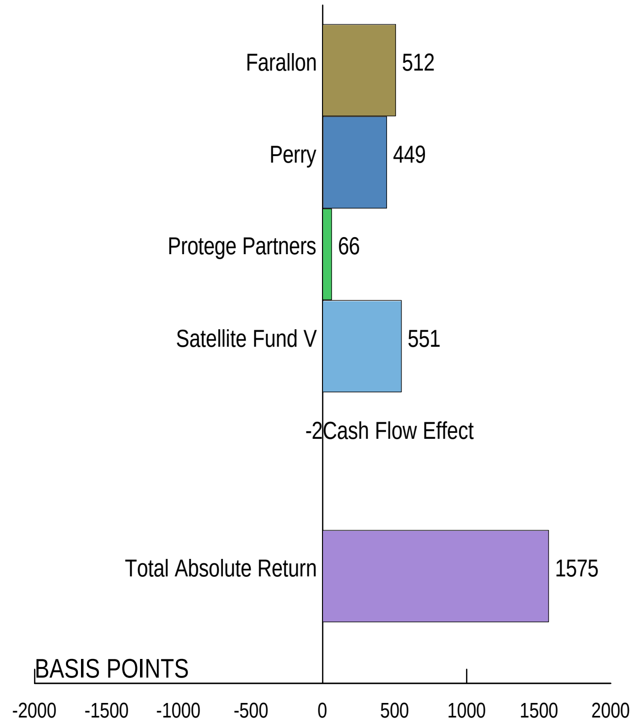
$369 Million

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03

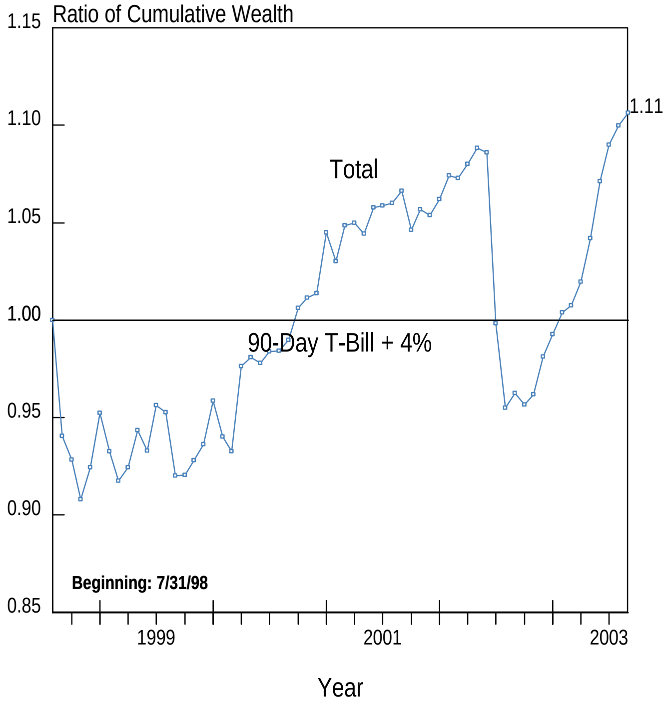


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Absolute Return" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

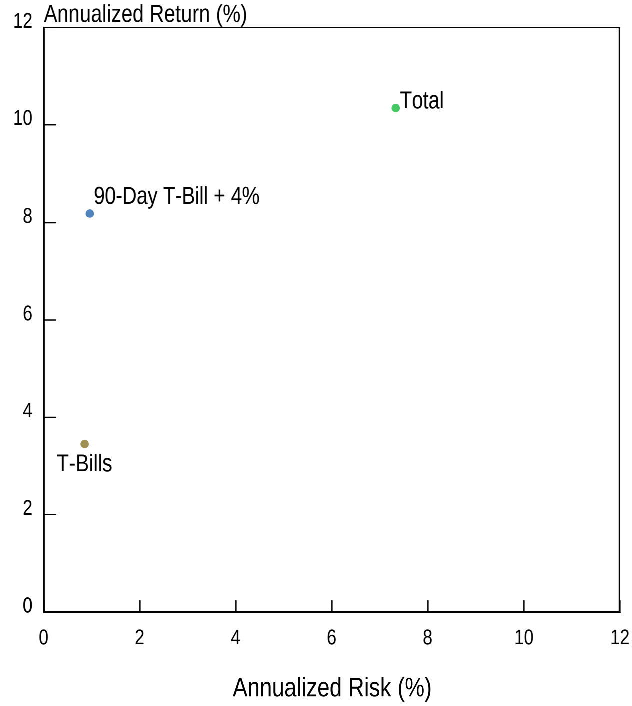
$369 Million

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
5 YEARS 1 MONTH ENDING 8/31/03



ANNUALIZED RISK/RETURN
5 YEARS 1 MONTH ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the absolute return component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally been favorable relative to the Index, despite a period of underperformance in 2002.

- The Risk Return graph above exhibits the risk return characteristics of the absolute return asset class, relative to that of the benchmark. As shown, the asset class has earned a greater return than the benchmark at a greater level of volatility.

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Total Absolute Return	90-Day T-Bill + 4%	
	Return	Return	Return Difference
1998 (5 months)	-1.1%	3.8%	-4.9
1999	9.8	9.1	0.7
2000	20.5	10.5	10.0
2001	10.4	8.7	1.7
2002	-1.0	6.0	-7.0
2003 (8 months)	15.4	3.5	11.9
Since 5/31/03	4.6%	1.3%	3.3
Trailing 1-Year	21.3	5.5	15.8
Trailing 3-Year	11.3	7.3	4.0
Trailing 5-Year	11.7	8.1	3.6

- The table above compares the annual return history of the total absolute return component to that of the performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

$369 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Farallon	**5.9%**	**21.0%**	**12.5%**	**14.5%**	**13.3%**	**7/31/98**
90-Day T-Bill + 4%	1.3	5.5	7.3	8.1	8.2	
Perry	**3.7**	**17.3**	**12.5**	**15.2**	**12.9**	**7/31/98**
90-Day T-Bill + 4%	1.3	5.5	7.3	8.1	8.2	
Protege Partners	**3.4**	**--**	**--**	**--**	**7.8**	**2/28/03**
90-Day T-Bill + 4%	1.3	--	--	--	2.6	
Satellite Fund V	**5.0**	**31.4**	**5.5**	**--**	**5.5**	**8/31/00**
90-Day T-Bill + 4%	1.3	5.5	7.3	--	7.3	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

**RETURN SUMMARY
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Private Capital	**1.6%**	**-6.6%**	**-11.2%**	**3.6%**	**9.5%**	**11/30/86**
Wilshire 5000 Index + 4%	7.5	19.5	-7.0	7.7	15.4	

- The private capital asset class trailed the performance of the benchmark during the fiscal quarter by 5.9 percentage points, and by 26.1 percentage points during the fiscal year.

- The returns shown in the table above are reported on a time-weighted basis, consistent with the methodology used for returns throughout this report. Time-weighted returns are calculated using monthly asset values and daily cash flows. Time-weighted rates of return are the industry standard for reporting the performance of traditional, marketable investments. For investments such as private equity, the time-weighted return calculation methodology suffers from a number of flaws, including the attribution of control over cash flows to the investor rather than the investment manager. In these cases, the industry standard is to use the internal rate of return (IRR), which is the annualized rate of return implied by a series of cash flows and a beginning and ending market value. The internal rates of return for the Private Capital component are shown in the table on the following page. Each return shown represents a since-inception return ending at a given fiscal year-end. For example, the 8.6% return shown for 2003 corresponds to a 8.6% annualized IRR for the since-inception period ending at fiscal year-end 2003.

- The benchmark results shown represent the return (IRR) earned on the actual cash flows experienced in the Private Capital portfolio, had they been invested in the Wilshire 5000 Index plus 4% annually.

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

HISTORICAL RETURNS
GEF SINCE INCEPTION IRR
FISCAL YEAR ENDING 8/31/03

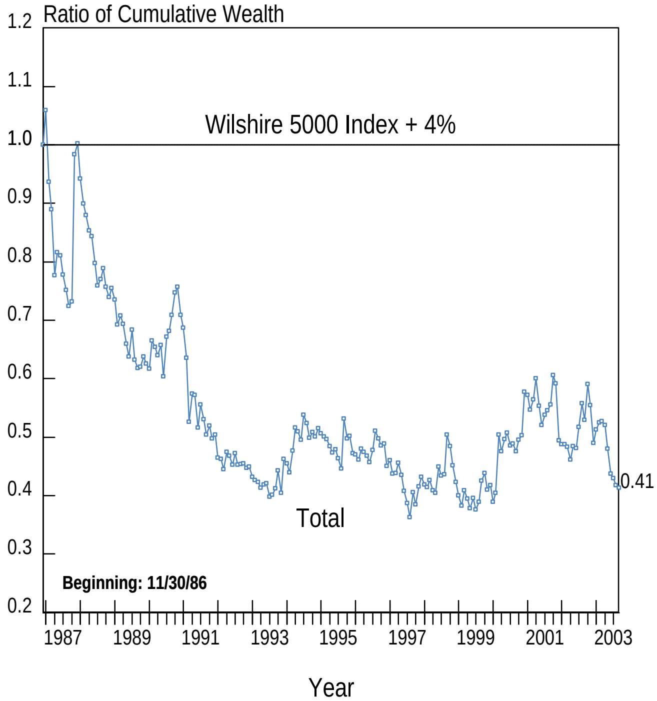
Fiscal Year Ending	Private Capital	Wilshire 5000 Index + 4%	Return Difference
1987	31.6 %	31.0 %	0.6 %
1988	8.1	0.0	8.1
1989	3.1	20.3	-17.2
1990	9.5	8.2	1.3
1991	5.6	14.0	-8.4
1992	4.4	12.8	-8.4
1993	6.1	14.1	-8.0
1994	10.7	12.8	-2.1
1995	13.0	13.8	-0.8
1996	13.6	14.2	-0.4
1997	13.9	16.2	-2.3
1998	15.5	15.1	0.4
1999	16.1	17.0	-0.9
2000	18.5	17.5	1.0
2001	15.4	12.1	3.3
2002	11.1	8.1	3.0
2003	8.6	9.6	-1.0

- The IRRs shown in the table above were provided by UTIMCO, as with all other data shown in this report.

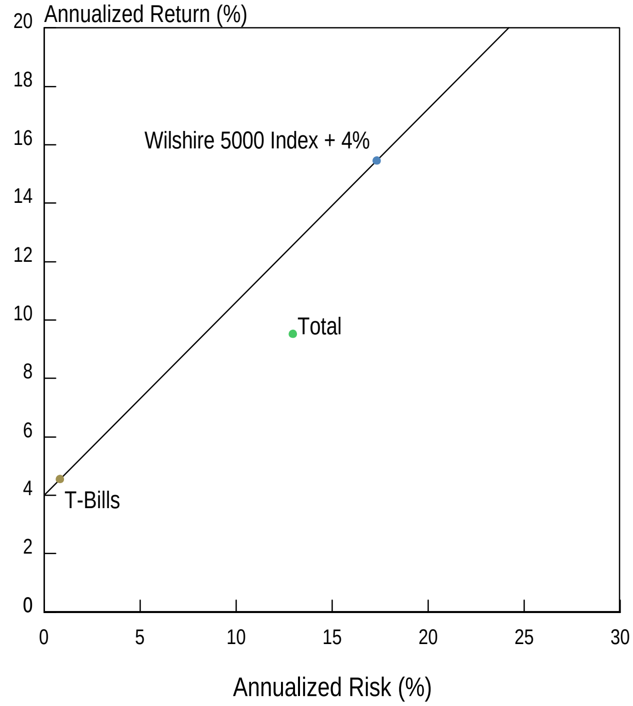
$385 Million

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
16 YEARS 9 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
16 YEARS 9 MONTHS ENDING 8/31/03



- The data shown in the exhibits above reflect time-weighted returns.
- The Ratio of Cumulative Wealth graph above illustrates the private capital component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally trailed the benchmark.
- The Risk Return graph above exhibits the risk return characteristics of the private capital asset class, relative to that of the benchmark. As shown, the asset class has earned a lower return than the benchmark at a slightly lower level of volatility.

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Private Capital	Wilshire 5000 Index + 4%	
	Return	Return	Return Difference
1986 (1 month)	3.6%	-2.1%	5.7
1987	-5.4	6.5	-11.9
1988	-4.3	22.7	-27.0
1989	12.7	34.3	-21.6
1990	8.8	-2.3	11.1
1991	-5.7	39.5	-45.2
1992	5.5	13.4	-7.9
1993	21.8	15.8	6.0
1994	15.9	4.0	11.9
1995	31.5	41.9	-10.4
1996	23.5	26.1	-2.6
1997	24.3	36.5	-12.2
1998	22.4	28.4	-6.0
1999	25.1	28.5	-3.4
2000	36.4	-7.2	43.6
2001	-21.0	-7.3	-13.7
2002	-13.1	-17.6	4.5
2003 (8 months)	-2.1	21.5	-23.6
Since 5/31/03	1.6%	7.5%	-5.9
Trailing 1-Year	-6.6	19.5	-26.1
Trailing 3-Year	-11.2	-7.0	-4.2
Trailing 5-Year	3.6	7.7	-4.1
Trailing 10-Year	14.1	14.1	0.0

- The returns shown in the table above reflect time-weighted returns.
- The table above compares the annual return history of private capital to that of its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

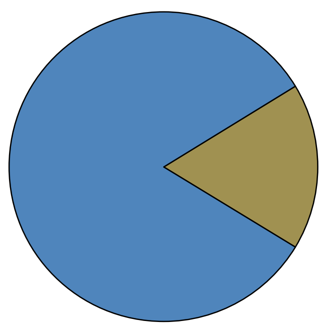
$309 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
Inflation Hedging	**9.1%**	**22.1%**	**17.2%**	**23.7%**	**11/30/99**
UTIMCO Inflation Hedging Benchmark	2.9	13.6	9.1	13.0	

MANAGER ALLOCATION AS OF 8/31/03

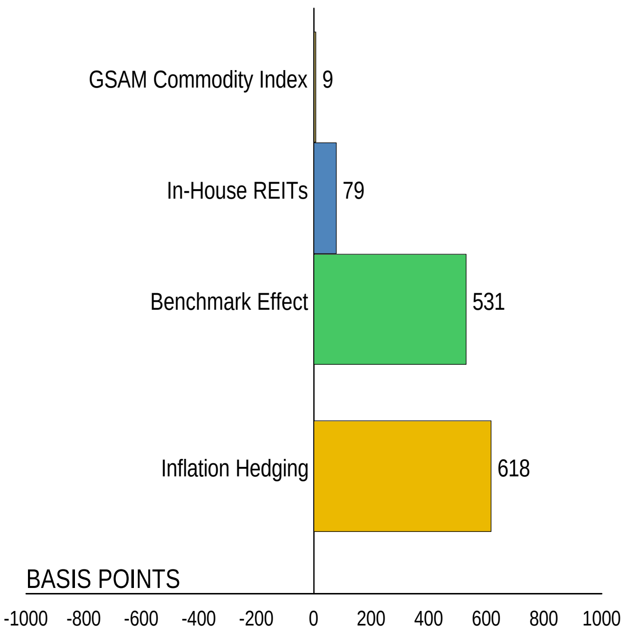


- The total inflation hedging asset class exceeded the performance of the benchmark during the fiscal quarter by 6.2 percentage points, and exceeded it by 8.5 percentage points during the fiscal year.
- The graph above details the manager allocations of the inflation hedging asset class as of August 31.

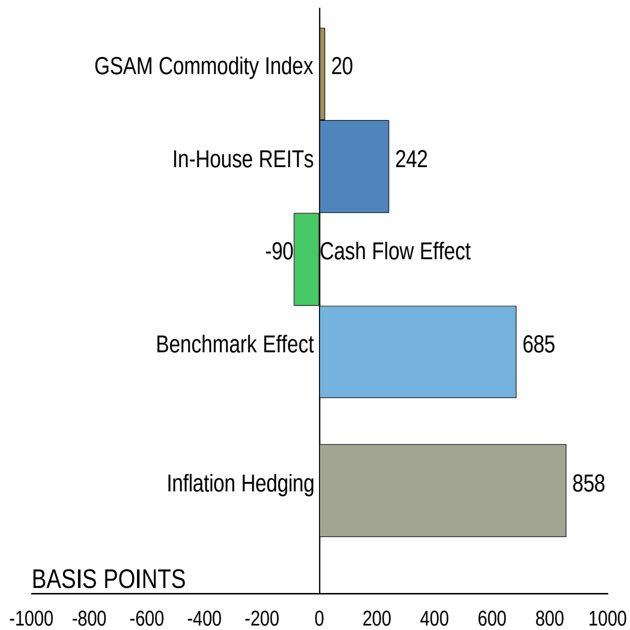
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 8/31/03



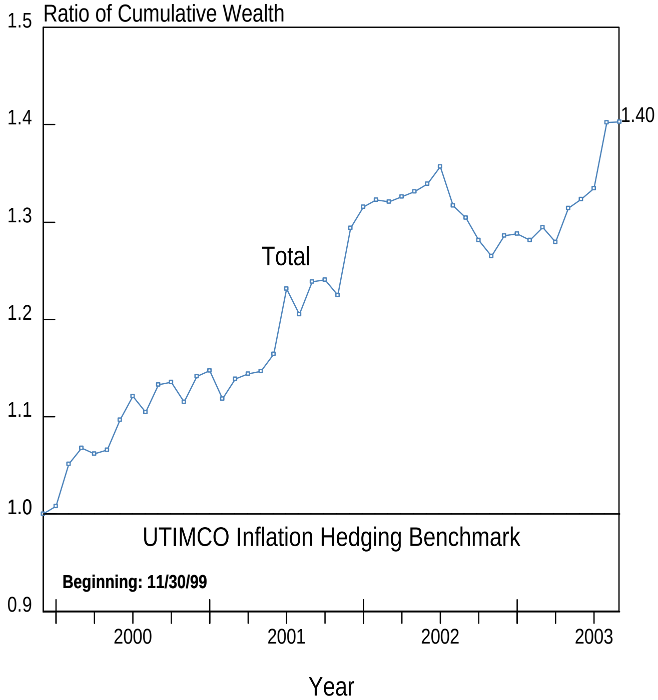
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 8/31/03



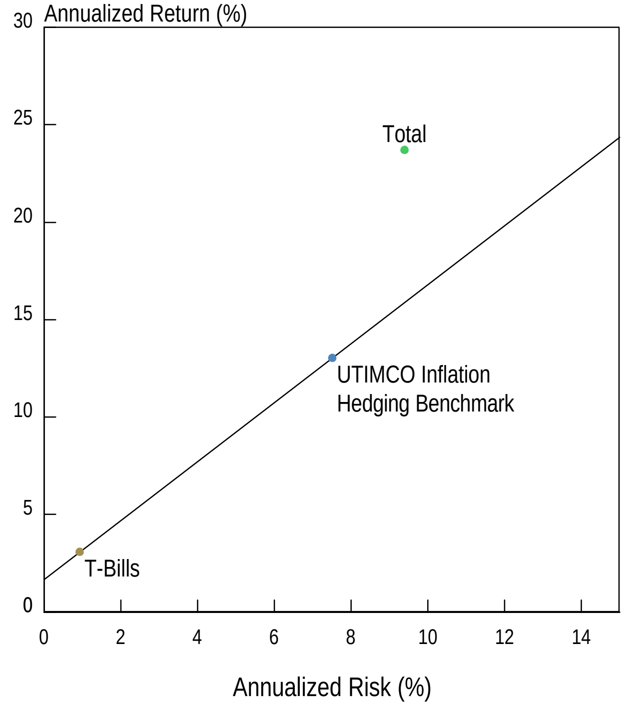
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Inflation Hedging" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the UTIMCO inflation hedging benchmark.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
3 YEARS 9 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
3 YEARS 9 MONTHS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the inflation hedging component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally been favorable relative to the Index.

- The Risk Return graph above exhibits the risk return characteristics of the inflation hedging asset class, relative to that of the benchmark. As shown, the asset class has earned a greater return than the benchmark at a greater level of volatility.

$309 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	Inflation Hedging	UTIMCO Inflation Hedging Benchmark	Return Difference
	Return	Return	
1999 (1 month)	2.8%	2.0%	0.8
2000	43.5	26.0	17.5
2001	11.9	-2.5	14.4
2002	11.5	13.9	-2.4
2003 (8 months)	20.8	10.9	9.9
Since 5/31/03	9.1%	2.9%	6.2
Trailing 1-Year	22.1	13.6	8.5
Trailing 3-Year	17.2	9.1	8.1

- The table above compares the annual return history of the inflation hedging component to that of the performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

$309 Million

As of August 31, 2003

RETURN SUMMARY
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
GSAM Commodity Index	**5.3%**	**21.8%**	**--%**	**27.3%**	**3/31/02**
Goldman Sachs Commodity Index - 1%	4.8	20.8	--	19.2	
In-House REITs	**9.9**	**21.0**	**15.8**	**13.8**	**4/30/93**
Wilshire Real Estate Securities Index	9.0	17.3	14.1	10.4	

* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

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OPERATING FUNDS

OPERATING FUNDS

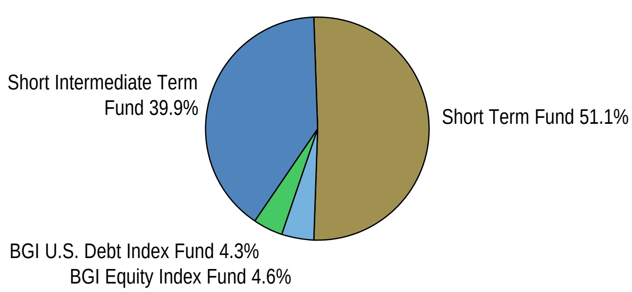
$3,594 Million

As of August 31, 2003

RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
Short Term Fund	**0.3%**	**1.3%**	**3.1%**	**4.1%**	**4.5%**	**8/31/92**
ML 90-day T-Bill	0.3	1.4	3.1	3.9	4.4	
Short Intermediate Term Fund	**-0.3**	**1.6**	**4.7**	**4.6**	**5.3**	**2/28/93**
Govt. Bond Index	-4.1	3.0	7.9	6.3	6.8	
BGI U.S. Debt Index Fund	**-2.8**	**4.7**	**8.3**	**--**	**7.4**	**5/31/99**
LB Aggregate Bond Index	-2.9	4.4	8.2	--	7.4	
BGI Equity Index Fund	**5.1**	**12.1**	**-11.4**	**--**	**-4.5**	**5/31/99**
S&P 500 Index	5.1	12.1	-11.4	--	-4.5	

ASSET ALLOCATION AS OF 8/31/03



- The Short Term Fund has approximated the performance of the benchmark during the periods shown above.
- The Short Intermediate Fund exceeded the performance of the Index during the fiscal quarter by 3.8 percentage points, though it has trailed the performance of the Index over all longer periods shown above.
- The BGI Index funds have approximated the performance of their respective indices during all periods shown above.
- The graph above details the individual Fund allocations of the Operating Funds as of August 31.

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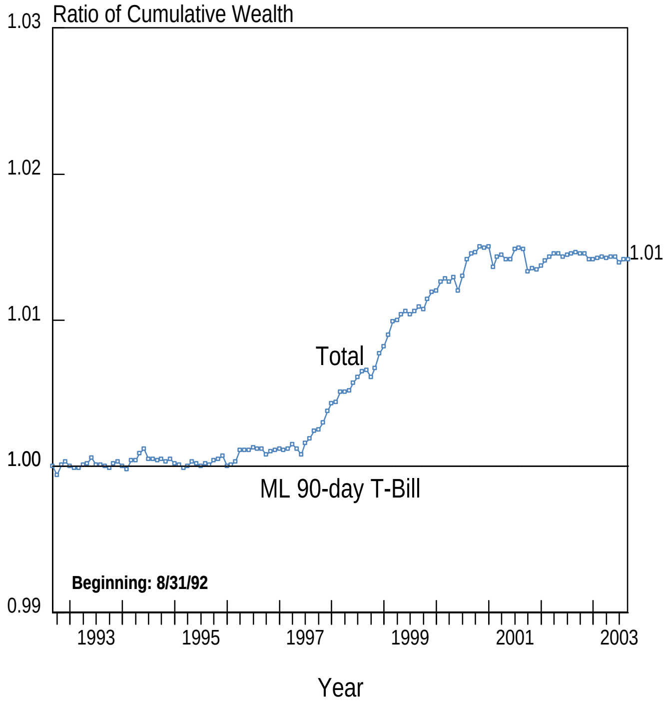
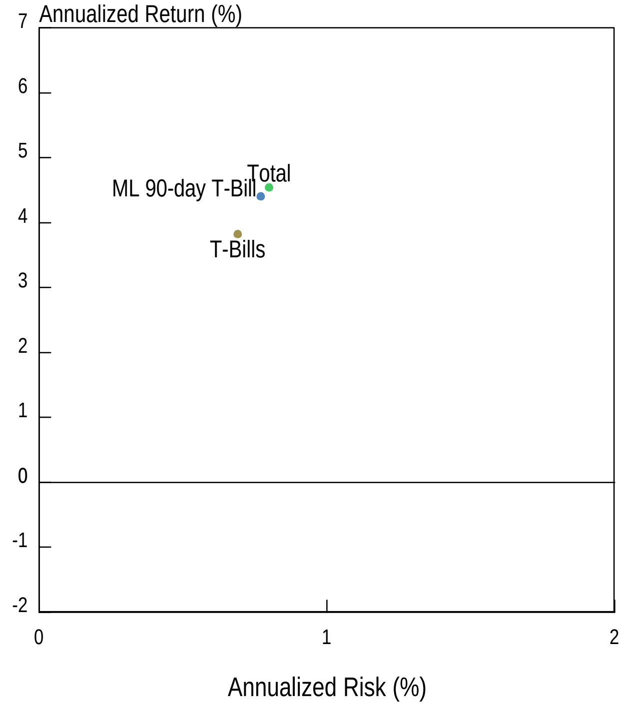
* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
11 YEARS ENDING 8/31/03



ANNUALIZED RISK/RETURN
11 YEARS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the Short Term Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund has exceeded the performance of the benchmark.

- The Risk Return graph above exhibits the risk return characteristics of the Short Term Fixed Income Fund, relative to that of the Performance Benchmark. As shown, the Fund has approximated marginally exceeded the performance of the benchmark at a marginally greater level of volatility.

$1,837 Million

As of August 31, 2003

HISTORICAL RETURNS*
(BY YEAR)

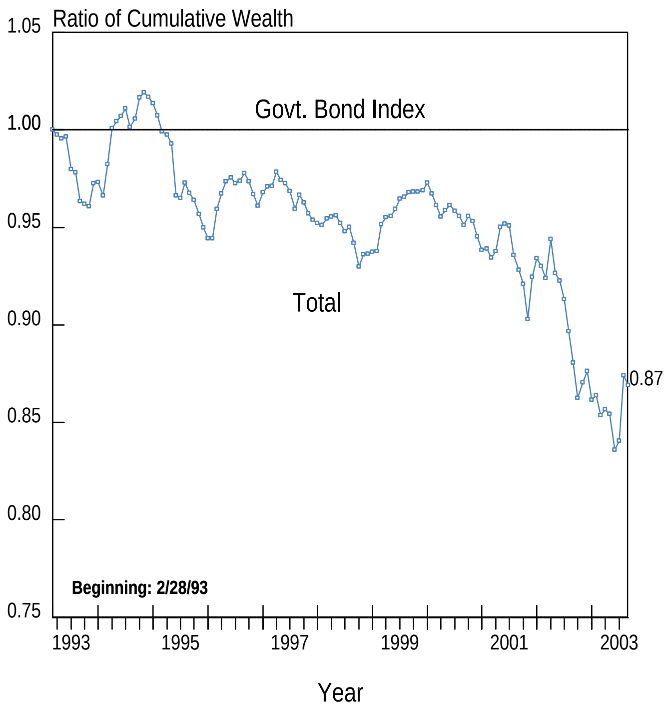
	Short Term Fund	ML 90-day T-Bill	
	Return	Return	Return Difference
1992 (4 months)	1.1%	1.1%	0.0
1993	3.2	3.2	0.0
1994	4.3	4.3	0.0
1995	6.0	6.0	0.0
1996	5.4	5.3	0.1
1997	5.7	5.3	0.4
1998	5.6	5.2	0.4
1999	5.2	4.8	0.4
2000	6.5	6.2	0.3
2001	4.3	4.4	-0.1
2002	1.9	1.8	0.1
2003 (8 months)	0.8	0.8	0.0
Since 5/31/03	0.3%	0.3%	0.0
Trailing 1-Year	1.3	1.4	-0.1
Trailing 3-Year	3.1	3.1	0.0
Trailing 5-Year	4.1	3.9	0.2
Trailing 10-Year	4.7	4.5	0.2

- The table above compares the annual return history of the Short-Term Fixed Income Fund to that of the performance benchmark.

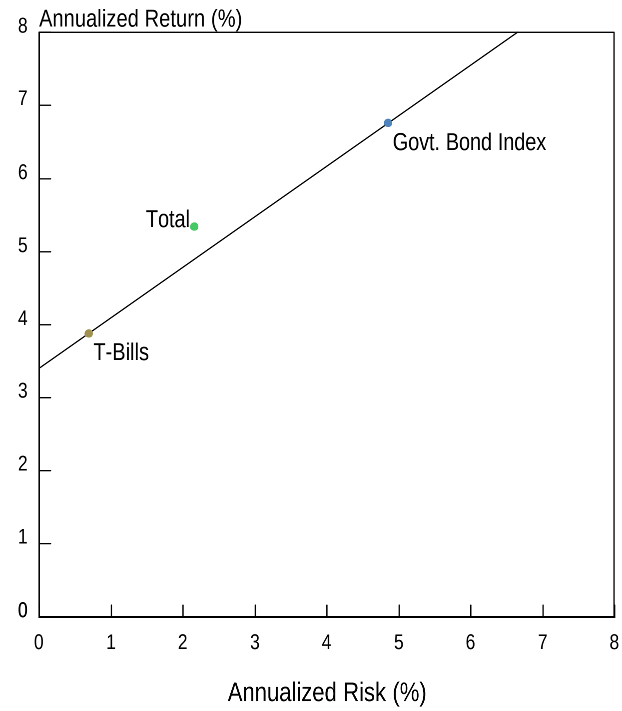
* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
10 YEARS 6 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
10 YEARS 6 MONTHS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the Short Intermediate Term Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund has trailed the performance of the benchmark.

- The Risk Return graph above exhibits the risk return characteristics of the Short Term Fixed Income Fund, relative to that of the Performance Benchmark. As shown, the Fund has earned a lower return than the benchmark at a lower level of volatility.

$1,435 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

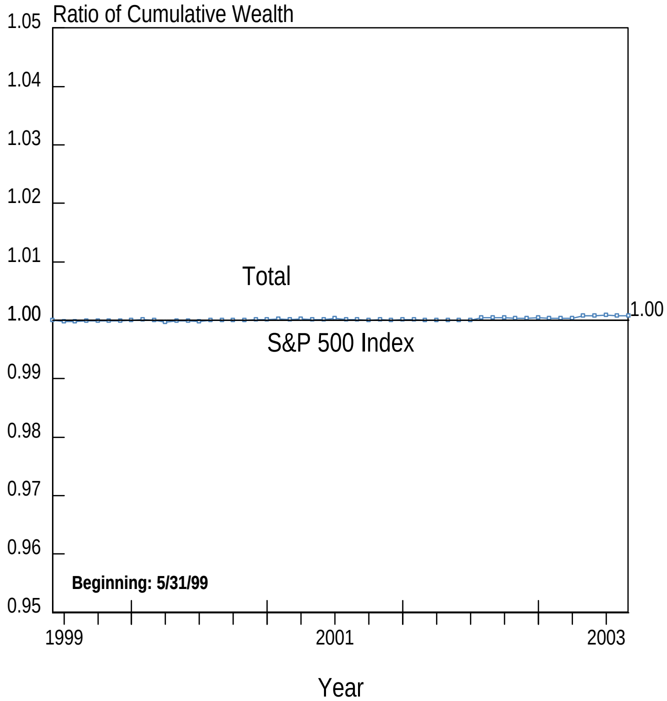
	Short Intermediate Term Fund	Govt. Bond Index	Return Difference
	Return	Return	
1993 (10 months)	3.4%	6.2%	-2.8
1994	0.6	-3.4	4.0
1995	10.3	18.3	-8.0
1996	5.3	2.8	2.5
1997	7.8	9.6	-1.8
1998	8.2	9.9	-1.7
1999	1.5	-2.2	3.7
2000	9.2	13.2	-4.0
2001	6.8	7.2	-0.4
2002	2.8	11.5	-8.7
2003 (8 months)	0.8	-0.1	0.9
Since 5/31/03	-0.3%	-4.1%	3.8
Trailing 1-Year	1.6	3.0	-1.4
Trailing 3-Year	4.7	7.9	-3.2
Trailing 5-Year	4.6	6.3	-1.7
Trailing 10-Year	5.4	6.5	-1.1

- The table above compares the annual return history of the Short-Intermediate Fund to that of the performance benchmark.

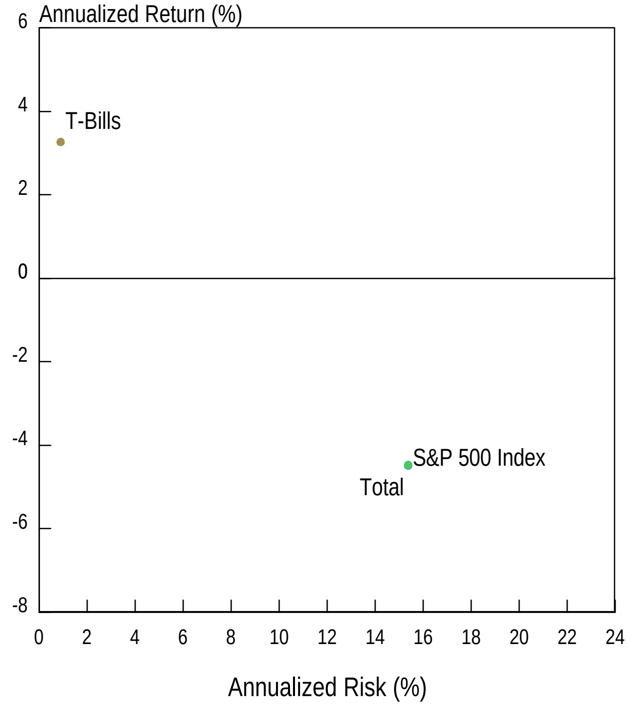
* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
4 YEARS 3 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
4 YEARS 3 MONTHS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the BGI Equity Index Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund approximated the performance of the benchmark.

- The Risk Return graph above exhibits the risk return characteristics of the BGI Equity Index Fund, relative to that of the benchmark. As shown, the Fund has approximated the return and volatility of the benchmark.

$166 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	BGI Equity Index Fund	S&P 500 Index	Return Difference
	Return	Return	
1999 (7 months)	13.7%	13.7%	0.0
2000	-9.1	-9.1	0.0
2001	-11.9	-11.9	0.0
2002	-22.1	-22.1	0.0
2003 (8 months)	16.0	15.9	0.1
Since 5/31/03	5.1%	5.1%	0.0
Trailing 1-Year	12.1	12.1	0.0
Trailing 3-Year	-11.4	-11.4	0.0

- The table above compares the annual return history of the BGI Equity Index Fund to that of the performance benchmark.

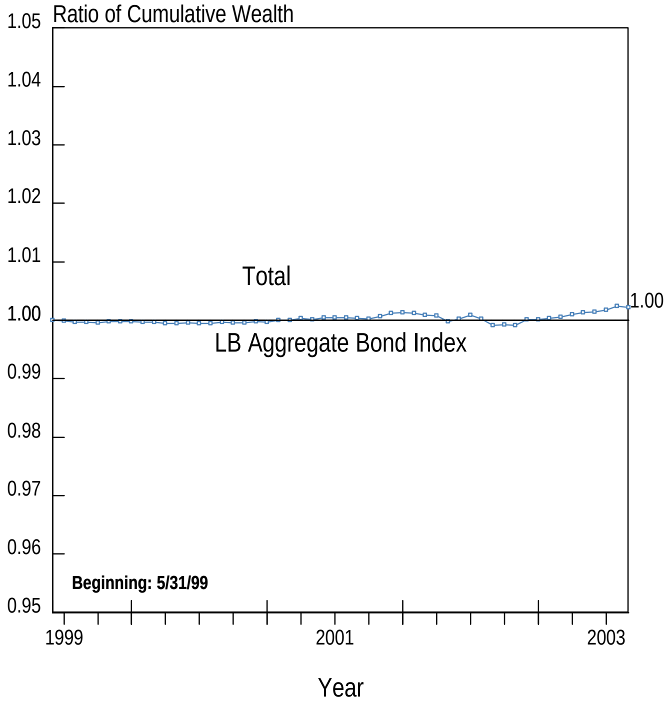
* The annual returns in this exhibit represent calendar-year periods.

BGI FIXED INCOME FUND

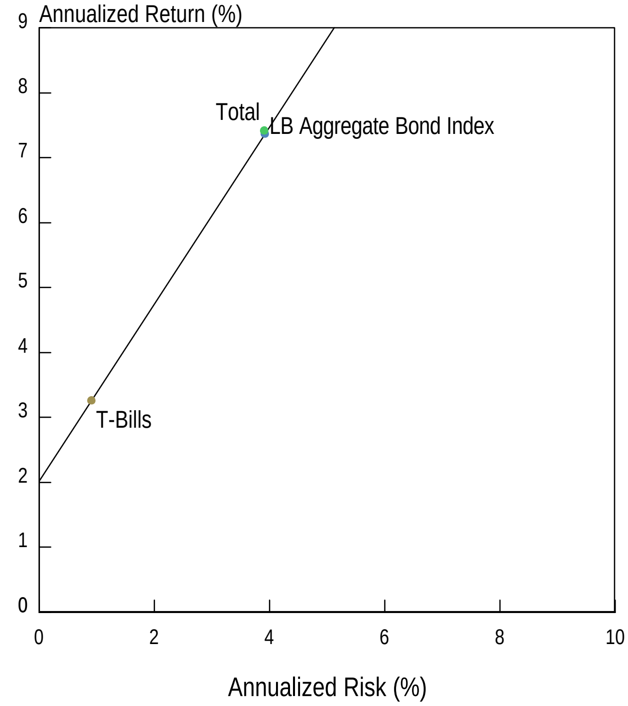
$156 Million

As of August 31, 2003

RATIO OF CUMULATIVE WEALTH
4 YEARS 3 MONTHS ENDING 8/31/03



ANNUALIZED RISK/RETURN
4 YEARS 3 MONTHS ENDING 8/31/03



- The Ratio of Cumulative Wealth graph above illustrates the BGI Fixed Income Index Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund approximated the performance of the benchmark.

- The Risk Return graph above exhibits the risk return characteristics of the BGI Fixed Income Index Fund, relative to that of the benchmark. As shown, the Fund has approximated the return and volatility of the benchmark.

$156 Million

As of August 31, 2003

HISTORICAL RETURNS*

(BY YEAR)

	BGI U.S. Debt Index Fund	LB Aggregate Bond Index	Return Difference
	Return	Return	
1999 (7 months)	0.2%	0.2%	0.0
2000	11.6	11.6	0.0
2001	8.6	8.4	0.2
2002	10.1	10.3	-0.2
2003 (8 months)	1.3	1.1	0.2
Since 5/31/03	-2.8%	-2.9%	0.1
Trailing 1-Year	4.7	4.4	0.3
Trailing 3-Year	8.3	8.2	0.1

- The table above compares the annual return history of the BGI Fixed Income Index Fund to that of the Lehman Aggregate Bond Index.

* The annual returns in this exhibit represent calendar-year periods.

RETURNS OF THE MAJOR CAPITAL MARKETS

	Fiscal Quarter	Annualized Periods Ending 8/31/03			
		1-Year	3-Year	5-Year	10-Year
Stock Indices:					
Wilshire 5000 Index	6.4%	14.9%	-10.6%	3.5%	9.6%
S&P 500 Index	5.1	12.1	-11.4	2.5	10.1
Russell Top 200 Value Index	3.0	9.7	-4.9	3.6	10.2
Russell Top 200 Growth Index	5.4	10.3	-22.2	-2.3	9.0
Russell MidCap Value Index	7.5	16.2	7.2	9.8	11.5
Russell MidCap Growth Index	10.8	30.4	-18.1	6.4	8.8
Russell 2000 Value Index	10.8	23.7	11.3	12.3	11.7
Russell 2000 Growth Index	15.5	34.9	-13.4	5.3	5.1
Bond Indices:					
Lehman Brothers Aggregate	-2.9%	4.4%	8.2%	6.6%	6.7%
Lehman Brothers Gov't/Credit	-3.9	5.5	8.6	6.6	6.7
Lehman Brothers Long-Term Gov't/Credit	-8.2	6.1	9.3	6.6	7.4
Lehman Brothers Intermed. Gov't/Credit	-2.6	5.2	8.4	6.7	6.4
Lehman Brothers Mortgage-Backed	-1.0	2.5	7.4	6.4	6.7
Lehman Brothers 1-3 Yr Gov't	-0.4	2.6	6.3	5.7	5.7
Lehman Brothers Universal	-2.5	5.8	8.2	6.8	6.7
Foreign Indices:					
MSCI All Country World ex-U.S. Index	8.6%	11.8%	-10.3%	0.8%	2.5%
MSCI EAFE Free	7.4	9.1	-11.1	-0.7	2.4
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	11.6	1.4
MSCI Hedged EAFE Foreign Stock Index	10.9	0.9	-14.3	-0.7	4.0
SSB Non-U.S. World Gov't Bond	-5.2	11.4	8.4	5.0	5.6
SSB Non-U.S. World Gov't Bond - Hedged	-2.3	3.5	6.1	5.8	7.8
Cash Equivalents:					
Treasury Bills (30-Day)	0.2%	1.0%	2.6%	3.4%	3.9%
EnnisKnupp STIF Index	0.3	1.6	3.3	4.2	4.7
Inflation Index					
Consumer Price Index	0.6%	2.2%	2.2%	2.5%	2.5%

DESCRIPTION OF INDICES

Endowment Performance Benchmark - Represents the returns of the UTIMCO Board of Directors approved Endowment Policy Portfolio. The return history of this benchmark has been supplied by UTIMCO, and the composition of the benchmark is understood as follows:

Returns prior to December 1, 1999, were comprised of 30% S&P 500 Index, 10% Russell 2000 Index, 12% FT World ex-U.S. Index, 3% MSCI Emerging Markets Free Index, 7% Merrill Lynch T-Bill Index + 7%, 18% Wilshire 5000 Index + 4%, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective December 1, 1999, returns were comprised of 25% S&P 500 Index, 7.5% Russell 2000 Index, 12% FT World ex-U.S. Index, 3% MSCI Emerging Markets Free Index, 10% Merrill Lynch T-Bill Index + 7%, 15% Wilshire 5000 Index + 4%, 2.5% Goldman Sachs Commodity Index, 5% NCREIF Index, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective October 1, 2000, returns were comprised of 25% S&P 500 Index, 7.5% Russell 2000 Index, 12% MSCI EAFE Index, 3% MSCI Emerging Markets Free Index, 10% Merrill Lynch T-Bill Index + 7%, 15% Wilshire 5000 Index + 4%, 2.5% Goldman Sachs Commodity Index, 5% NCREIF Index, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective September 1, 2002, returns are comprised of 31% Wilshire 5000 Index, 19% MSCI All Country World Free ex-U.S. Index, 15% Wilshire 5000 Index + 4%, 10% Merrill Lynch T-Bill Index + 4%, 2.5% Goldman Sachs Commodity Index, 2.5% Lehman Brothers TIPS Index, 2.5% NCREIF Index, 2.5% Wilshire Real Estate Securities Index, 5% Lehman Brothers Aggregate Bond ex-Government Index and 10% Lehman Brothers Government Bond Index.

UTIMCO Inflation Hedging Benchmark- Returns for this benchmark have been supplied by UTIMCO. The composition of the benchmark is understood as 25% of the Goldman Sachs Commodity Index -100 basis points, 25% of the Lehman Brothers TIPS Index, 25% of the NCREIF Index, and 25% of the Wilshire Real Estate Securities Index.

DESCRIPTION OF INDICES CONTINUED

Wilshire 5000 Stock Index - A capitalization-weighted stock index representing all domestic common stocks traded regularly on the organized exchanges. The Index is the broadest measure of the aggregate domestic stock market.

S&P 500 Stock Index - A capitalization-weighted stock index representing the 500 largest stocks in the U.S. equity market.

Russell 2000 Stock Index - A capitalization-weighted index of the 2000 smallest stocks in the Russell 3000 Index. This index excludes the largest and smallest capitalization issues in the domestic stock market.

MSCI All-Country World Ex-U.S. Index - A capitalization-weighted index of stocks representing a broad range of developed and emerging country markets, excluding the U.S. market.

MSCI Europe, Australasia, Far East (EAFE) Index - A capitalization-weighted index of stocks representing 21 developed markets in Europe, Australia, Asia and the Far East.

MSCI Emerging Markets Free Index - A capitalization-weighted index of stocks representing 26 emerging markets.

Lehman Brothers Aggregate Bond Index - A market value-weighted index consisting of the Lehman Brothers Corporate, Government, and Mortgage-Backed Securities Indices. The index also includes asset-backed securities, and is the broadest measure of the aggregate U.S. fixed-income market.

Lehman Brothers Government Bond Index - A market value-weighted index consisting of all public obligations of the U.S. Treasury, excluding flower bonds, foreign targeted issues, debt of U.S. Government Agencies and corporate debt guaranteed by the U.S. Government.

Lehman Brothers Aggregate Bond ex-Government Index - A market value-weighted index consisting of the Lehman Brothers Corporate and Mortgage-backed Securities Indices and includes asset-backed securities.

APPENDIX II
GLOSSARY OF TERMS

DESCRIPTION OF TERMS

Performance Comparison - Ratio of Cumulative Wealth: An illustration of a portfolio's cumulative, unannualized performance relative to that of its benchmark. An upward sloping line indicates fund outperformance. Conversely, a downward sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Risk-Return: The horizontal axis, annualized standard deviation,is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As most investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return tradeoffs associated with market portfolios, or index funds.

Performance Attribution - A measure of the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the manager to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The magnitude of each component's contribution is a function of (1) the performance of the component relative to its benchmark, and (2) the weight of the component in the aggregate.

6. U. T. System: Permanent University Fund quarterly update

Mr. Philip R. Aldridge, Interim Vice Chancellor for Business Affairs, will update the Committee on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund (AUF) and the resulting impacts on remaining PUF debt capacity, U. T. Austin excellence funds, and the AUF balance.

REPORT

As of August 31, 2003, the market value of the PUF was $7.24 billion compared to $6.85 billion as of May 31, 2003 (Figure A on Page 28.1). During Fiscal Year 2004, $348 million will be distributed to the AUF, compared to $363 million in Fiscal Year 2003 (Figure B on Page 28.2). PUF distributions to the AUF are projected to decline in Fiscal Year 2005 to $336 million before increasing thereafter. Beginning in Fiscal Year 2009, PUF distributions may be capped for a period of time because the purchasing power of the PUF will not have been maintained as required by the Texas Constitution (Figure B on Page 28.2). Based on the current assumptions and anticipated Library, Equipment, Repair and Rehabilitation allocations, there is an estimated $137-$181 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 7.40% or 9.35% investment return, respectively (Figures C and D on Pages 28.3 - 28.4). PUF debt capacity is affected by various factors, some of which are determined by the Board while others are dependent on future market conditions (Figure E on Page 28.5).

Annually, the U. T. Board of Regents approves a distribution amount to the AUF. The PUF investment policy provides that, in conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the U. T. Board each May an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation on the annual distribution shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each year. The AUF spending policy provides that a minimum of 45% of the projected income available to the U. T. System is distributed to U. T. Austin for excellence programs, the projected PUF debt service coverage ratio must not be less than 1.50 times, and the AUF balance must not be less than $30 million.

Comparison of Projected Trailing 12Q Market Averages

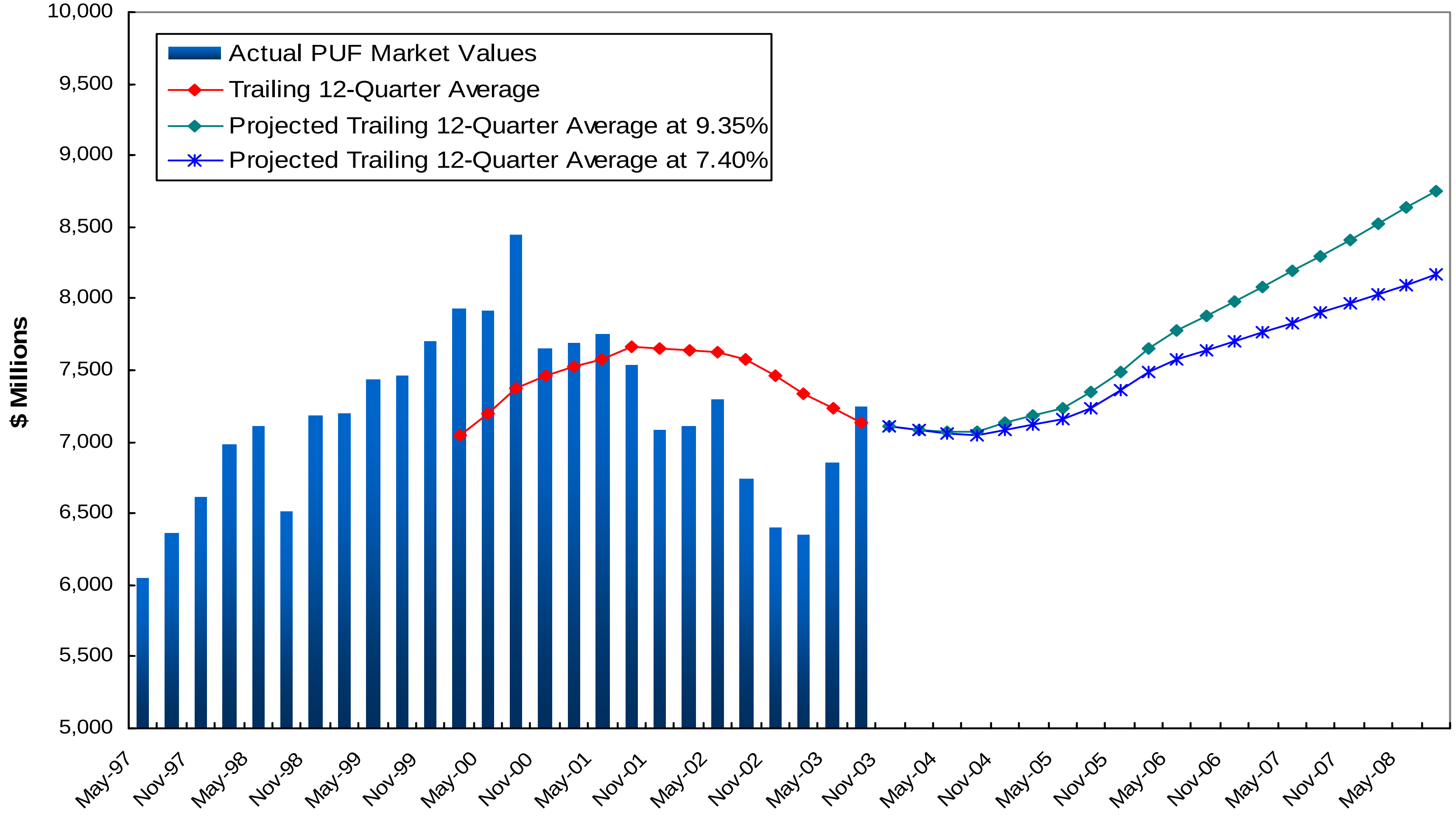
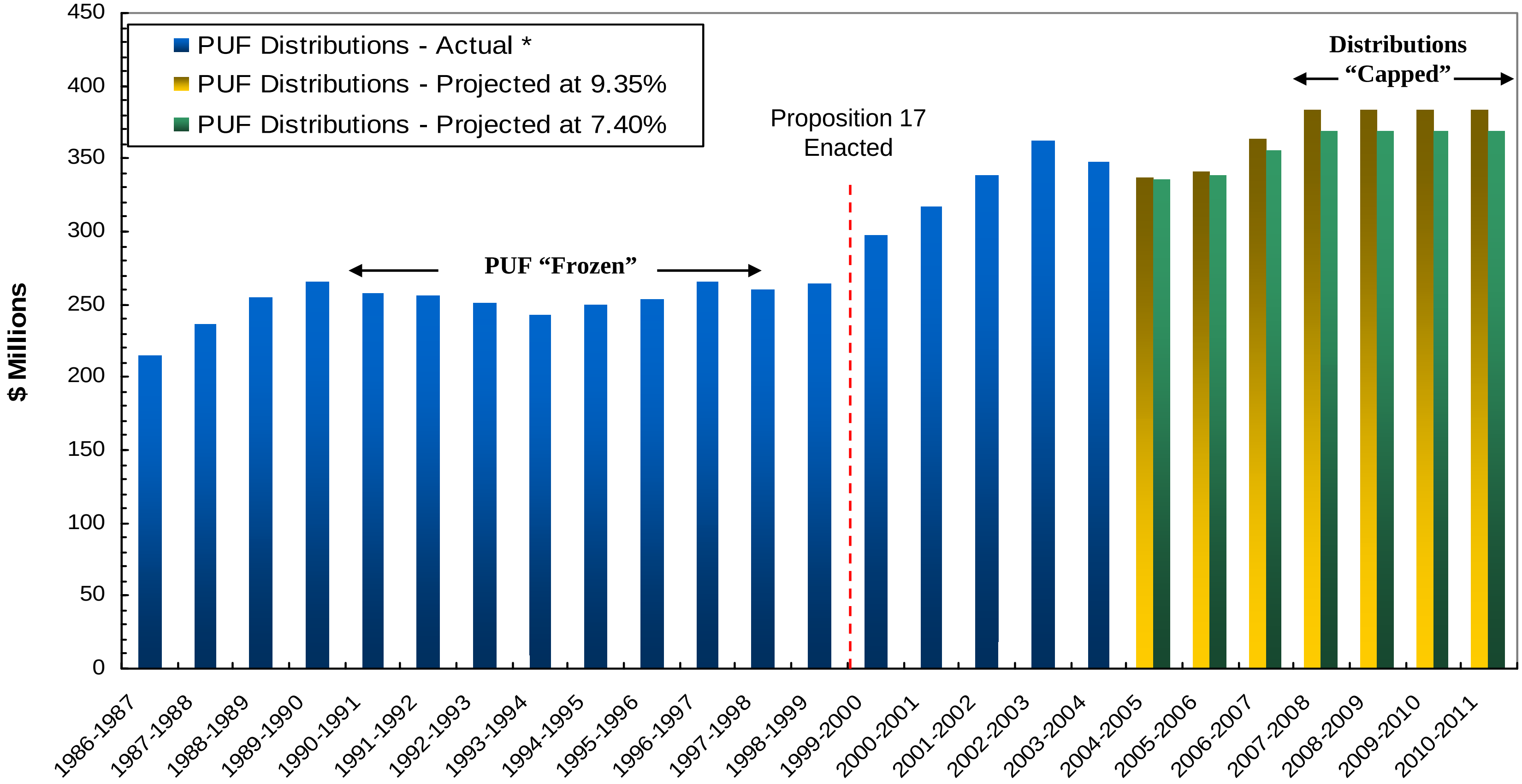


Figure A

Permanent University Fund Distributions



* Effective September 1, 1997, a statutory amendment changed the distribution of income from cash to an accrual basis, resulting in a one-time distribution adjustment to the AUF of $47.3 million, which is not reflected.

Figure B

PUF Debt Capacity-Base Case at 9.35%

Additional PUF Debt Capacity ($180.6 Million)			$180.6	$0.0	$0.0	$0.0	$0.0	$0.0
Cumulative Additional PUF Debt Capacity			$180.6	$180.6	$180.6	$180.6	$180.6	$180.6

Available University Fund Operating	Preliminary	**Projected**						
Statement Forecast Data ($ Millions)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FYE 10
PUF Distribution Amount	$363.0	$348.0	$336.8	$341.4	$363.4	$384.0	$384.0	$384.0
Surface & Other Income	6.5	6.6	6.6	6.6	6.7	6.7	6.7	6.7
Divisible Income	369.6	354.6	343.4	348.0	370.1	390.7	390.7	390.7
UT System Share (2/3)	246.4	236.4	228.9	232.0	246.7	260.5	260.5	260.5
AUF Interest Income	5.1	4.7	6.9	9.6	11.9	13.6	13.4	13.0
Income Available to U.T.	251.5	241.1	235.8	241.7	258.6	274.0	273.9	273.5
TRANSFERS:								
UT Austin Excellence Funds (45%)	(114.8)	(108.5)	(106.1)	(108.8)	(116.4)	(123.3)	(123.3)	(123.1)
PUF Debt Service on Approved Projects	(69.8)	(78.4)	(98.1)	(105.2)	(108.8)	(112.1)	(114.8)	(117.7)
PUF Debt Service on Add. Debt Capacity	-	-	(14.4)	(14.4)	(14.4)	(14.4)	(14.4)	(14.4)
System Administration	(29.1)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)
Other	(1.6)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Debt Service (Bldg Rev)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	32.8	22.0	(11.6)	(15.5)	(9.7)	(4.5)	(7.3)	(10.4)
Ending AUF Balance - System	82.0	104.0	92.4	76.9	67.2	62.7	55.4	45.0
PUF Debt Service Coverage	3.60:1	3.08:1	2.10:1	2.02:1	2.10:1	2.17:1	2.12:1	2.07:1

Figure C

PUF Debt Capacity-Base Case at 7.40%

Additional PUF Debt Capacity ($137.1 Million)			$137.1	$0.0	$0.0	$0.0	$0.0	$0.0
Cumulative Additional PUF Debt Capacity			$137.1	$137.1	$137.1	$137.1	$137.1	$137.1

Available University Fund Operating	Preliminary	**Projected**						
Statement Forecast Data ($ Millions)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FYE 10
PUF Distribution Amount	$363.0	$348.0	$336.4	$338.5	$355.6	$369.0	$369.0	$369.0
Surface & Other Income	6.5	6.6	6.6	6.6	6.7	6.7	6.7	6.7
Divisible Income	369.6	354.6	343.0	345.2	362.3	375.7	375.7	375.7
UT System Share (2/3)	246.4	236.4	228.7	230.1	241.5	250.4	250.4	250.4
AUF Interest Income	5.1	4.7	6.9	9.7	12.0	13.5	13.3	12.7
Income Available to U.T.	251.5	241.1	235.6	239.8	253.5	263.9	263.7	263.1
TRANSFERS:								
UT Austin Excellence Funds (45%)	(114.8)	(108.5)	(106.0)	(107.9)	(114.1)	(118.8)	(118.7)	(118.4)
PUF Debt Service on Approved Projects	(69.8)	(78.4)	(98.1)	(105.2)	(108.8)	(112.1)	(114.8)	(117.7)
PUF Debt Service on Add. Debt Capacity	-	-	(10.9)	(10.9)	(10.9)	(10.9)	(10.9)	(10.9)
System Administration	(29.1)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)
Other	(1.6)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Debt Service (Bldg Rev)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	32.8	22.0	(8.2)	(13.0)	(9.0)	(6.6)	(9.4)	(12.6)
Ending AUF Balance - System	82.0	104.0	95.7	82.7	73.7	67.1	57.6	45.0
PUF Debt Service Coverage	3.60:1	3.08:1	2.16:1	2.06:1	2.12:1	2.15:1	2.10:1	2.05:1

Figure D

PUF Debt Capacity Sensitivities at 9.35%

Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent								
					Additional Debt Capacity ($ Millions)							
Annual LERR	U.T. Austin Excellence	PUF Distribution Rate	PUF Investment Return	Change in Tax-Exempt Rates	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	TOTAL FY 2005-FY 2010	Projected PUF Market Value in FY 2030
$30 Million	45.0%	4.75%	9.35%	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
$30 Million	45.0%	4.75%	9.35%	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
$20 Million	45.0%	4.75%	9.35%	NA	190.6	10.0	10.0	10.0	10.0	10.0	240.6	26,403,121,562
$10 Million	45.0%	4.75%	9.35%	NA	200.6	20.0	20.0	20.0	20.0	20.0	300.6	26,403,121,562
None	45.0%	4.75%	9.35%	NA	210.6	30.0	30.0	30.0	30.0	30.0	360.6	26,403,121,562
$30 Million	**40.0%**	4.75%	9.35%	NA	343.2	0.0	0.0	0.0	0.0	0.0	343.2	26,403,121,562
$30 Million	**45.0%**	4.75%	9.35%	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
$30 Million	**50.0%**	4.75%	9.35%	NA	18.0	0.0	0.0	0.0	0.0	0.0	18.0	26,403,121,562
$30 Million	45.0%	**4.50%**	9.35%	NA	92.1	0.0	0.0	0.0	0.0	0.0	92.1	28,083,650,633
$30 Million	45.0%	**4.75%**	9.35%	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
$30 Million	45.0%	**5.00%**	9.35%	NA	268.9	0.0	0.0	0.0	0.0	0.0	268.9	24,806,326,769
$30 Million	45.0%	4.75%	**8.35%**	NA	158.0	0.0	0.0	0.0	0.0	0.0	158.0	20,286,359,140
$30 Million	45.0%	4.75%	**9.35%**	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
$30 Million	45.0%	4.75%	**10.35%**	NA	261.3	0.0	0.0	0.0	0.0	0.0	261.3	33,804,997,440
$30 Million	45.0%	4.75%	9.35%	**+ 50 bps**	149.1	0.0	0.0	0.0	0.0	0.0	149.1	26,403,121,562
$30 Million	45.0%	4.75%	9.35%	**NA**	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
$30 Million	45.0%	4.75%	9.35%	**-50 bps**	214.3	0.0	0.0	0.0	0.0	0.0	214.3	26,403,121,562

Figure E

7. U. T. System: Report of the Energy Utility Task Force for Fiscal Year 2003

REPORT

Mr. Philip R. Aldridge, Interim Vice Chancellor for Business Affairs, will report on the progress of the Energy Utility Task Force for Fiscal Year 2003 using materials attached on Pages 29.1 - 29.7. The Energy Utility Task Force was created in February 2001 to evaluate and recommend strategies for U. T. System component institutions to reduce energy consumption, better manage commodity price risk, and leverage its purchasing power to reduce energy costs. Initial recommendations and energy consumption reduction goals were presented to the Board in November 2001. A 2-4% reduction in System-wide energy usage per square foot was targeted for Fiscal Year 2003. An annual update is presented to the Finance and Planning Committee of the Board each year.

Energy Utility Task Force

- The EUTF was created in February 2001 to evaluate and recommend strategies for U.T. System institutions to:
    1. Reduce energy consumption
    2. Better manage commodity price risk
    3. Leverage System-wide purchasing power

- In order to facilitate the achievement of these goals, a series of recommendations and energy consumption reduction goals were presented to the Board of Regents in November 2001.

- Energy Management Plans were completed by each component institution as of 5/31/02. These serve as the "road map" for accomplishing the objectives of the EUTF.

Goal # 1: Reduce Energy Consumption

- A 2.0% to 4.0% reduction in System-wide energy usage per square foot was targeted by the EUTF for FY 2003. The current estimate for FY 2003 shows a <u>6.5% reduction</u> from FY 2001 levels.

- Literally hundreds of energy efficiency projects have been initiated across the U.T. System since FY 2001.

- Several dozen discrete capital projects have also been initiated to reduce energy costs. These projects range in size from several thousand dollars to $25 million.

Goal # 2: Better Manage Energy Price Risk

- U.T. Austin has signed a new natural gas contract with the General Land Office that provides a fixed price for 81% of its expected natural gas usage in FY 2004 at $3.61 per MMBtu. This price is well below the current and forward prices for natural gas.

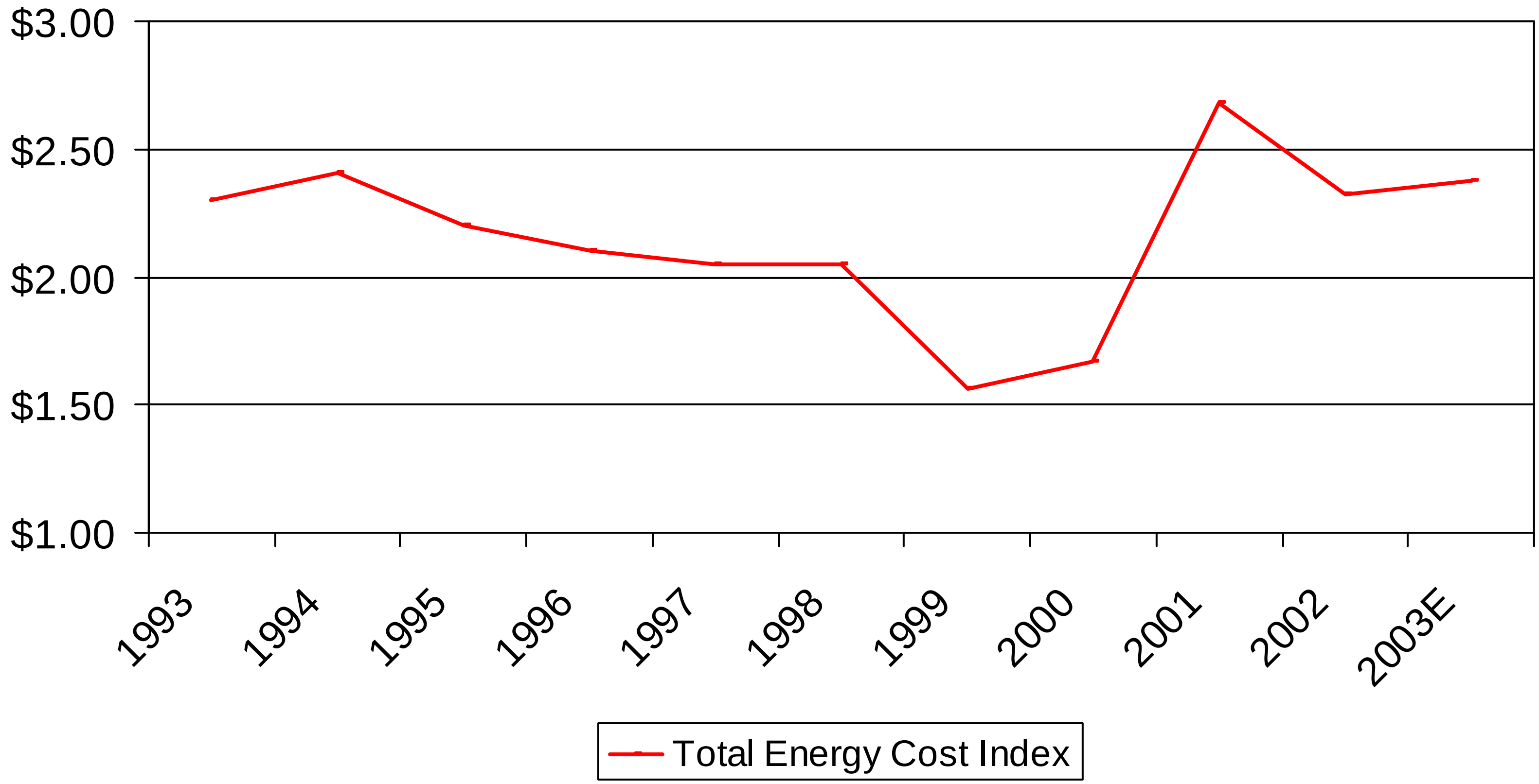
- All three Houston-area institutions signed new electricity contracts with the General Land Office (through its agent, Reliant Energy Solutions). Generally, these contracts lock in a fixed price for a portion of the electricity cost for periods of up to 46 months. Savings are approximately 2.2% off of local utility rates.

Goal # 3: Leverage Purchasing Power

- U. T. Southwestern Medical Center - Dallas, U. T. Arlington, U. T. Dallas, U. T. Permian Basin, U. T. Tyler and U. T. Health Center - Tyler have issued a joint RFP for the purpose of procuring electricity from a single provider. The contract will provide for a discounted rate for electricity at each institution for a period of up to three years. Savings in the first year are estimated to be $3.5 million.

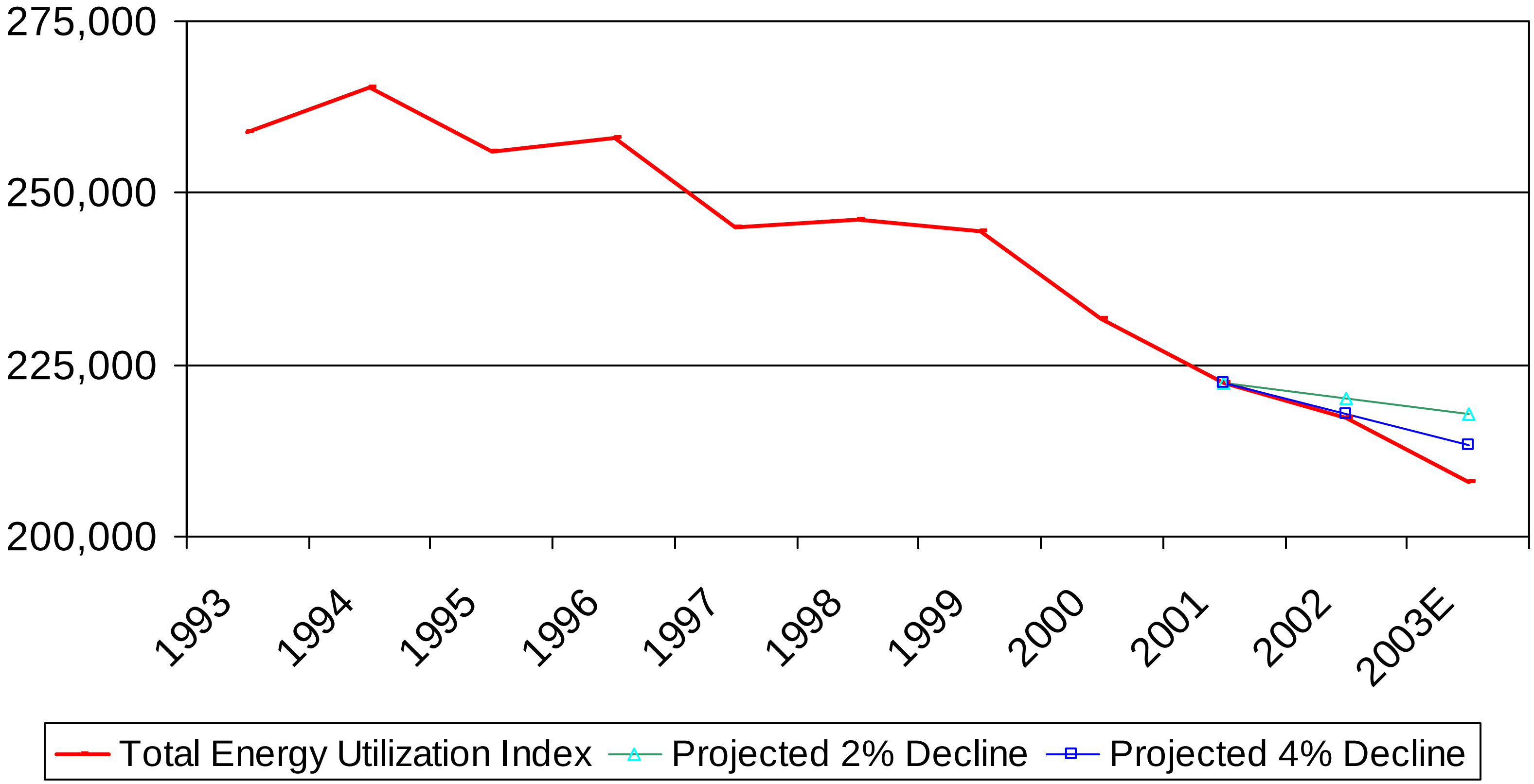
Updated Energy Cost Index (ECI)

($ / ft² /year)



Updated Energy Utilization Index (EUI)

(Btu / ft^2 /year)



Updated Energy Consumption and Costs

Fiscal Year	Electricity Usage (Kwh)	Natural Gas Usage (Mcf)	Electricity Cost ($/Kwh)	Natural Gas Cost ($/Mcf)	Total Electricity Cost	Total Natural Gas Cost	Other Energy (MMBtu)	Other Energy Cost	Total Energy Cost	Gross Square Footage	Total Energy Utilization Index (Btu / ft2 / yr.)	Total Energy Cost Index ($ / ft2 / yr.)
1993	758,530,624	5,853,351	$0.0513	$2.5104	$ 38,935,177	$ 14,694,160	13,089	$ 20,417,665	$ 99,749,453	43,391,126	258,814	$ 2.30
1994	769,038,496	6,206,141	$0.0532	$2.4911	$ 40,904,405	$ 15,460,025	337	$ 22,402,366	$ 104,788,726	43,546,488	265,351	$ 2.41
1995	808,741,916	6,042,415	$0.0487	$1.9311	$ 39,375,137	$ 11,668,437	40,677	$ 24,128,388	$ 97,624,796	44,244,580	256,299	$ 2.21
1996	827,474,008	6,339,050	$0.0432	$2.3751	$ 35,713,888	$ 15,056,131	52,915	$ 22,256,631	$ 95,411,303	45,315,436	258,345	$ 2.11
1997	929,746,528	6,773,047	$0.0447	$2.7372	$ 41,591,080	$ 18,539,034	27,059	$ 24,583,570	$ 97,767,351	48,171,597	244,217	$ 2.03
1998	1,003,307,037	7,146,175	$0.0449	$2.7220	$ 45,026,159	$ 19,451,796	49,426	$ 26,131,767	$ 101,093,039	49,684,186	245,742	$ 2.03
1999	1,006,136,057	6,972,357	$0.0445	$2.4820	$ 44,763,535	$ 17,305,073	28,863	$ 25,298,997	$ 99,614,128	50,930,293	242,971	$ 1.96
2000	1,059,087,750	7,057,246	$0.0460	$3.4032	$ 48,672,004	$ 24,017,260	7,804	$ 27,862,519	$ 114,201,844	54,146,443	233,740	$ 2.11
2001	1,054,912,766	7,173,448	$0.0569	$5.9528	$ 60,042,574	$ 42,701,958	13,640	$ 29,463,687	$ 149,802,396	57,348,051	222,277	$ 2.61
2002	1,084,875,822	7,155,613	$0.0562	$3.8175	$ 61,024,225	$ 27,316,386	9,853	$ 32,089,508	$ 136,953,021	59,104,344	217,331	$ 2.32
2003E	1,100,798,728	6,784,043	$0.0558	$5.0002	$ 61,471,425	$ 33,921,734	9,040	$ 31,173,666	$ 143,874,574	60,481,359	207,861	$ 2.38
2004E	1,179,970,332	7,294,028	$0.0566	$4.8848	$ 66,815,577	$ 35,630,074	7,677	$ 31,991,297	$ 155,211,083	64,311,462	211,909	$ 2.41