

UTIMCO

Soft Dollar Policy and Procedures

Dated: May 30, 2001

The UT Board delegates investment management responsibility to UTIMCO subject to compliance with UT Board approved investment policies. Day-to-day management of funds is further delegated to UTIMCO management. UTIMCO employs internal investment managers in addition to entering into investment advisory agreements with external investment managers.

UTIMCO provides investment guidelines to external as well as internal investment managers. All investment managers have a fiduciary duty to make a good faith determination that commissions paid to a broker are reasonable and competitive. All investment managers treat the Accounts' they manage as discretionary accounts and have authority to act for UTIMCO for the purpose of placing orders to effect any purchase, sale, exchange, liquidation, or other investment of the assets in the accounts; subject, however, to such limitations and restrictions as set forth in the Investment Guidelines and Restrictions for the particular manager.

UTIMCO requests that all orders for transactions of Account assets be placed in such markets and through such brokers as shall offer the most favorable price, execution and commission cost of each order (best execution). Best execution refers to execution of trades so that the total cost is the most favorable under the circumstances at the time. UTIMCO acknowledges that investment managers may from time to time and in accordance with applicable law pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain research and other services provided by such brokers in the expectation to enhance the long-term value of the Account. These arrangements are referred to as soft dollar arrangements. Annually, UTIMCO reviews investment managers' soft dollar practices and requests information about soft dollars from external managers through the ADV forms filed with the SEC. Currently, internal investment managers do not use soft dollars for third party research, products or other types of services. Internal investment managers may obtain general and proprietary research from brokers with whom they execute trades.

UTIMCO may request that an investment manager direct trades through designated brokers for UTIMCO's Board managed accounts. However, UTIMCO does not engage in directed brokerage arrangements because it believes it is in the best interest of UTIMCO for the Board accounts to allow investment managers to select the broker they use. Selections of brokers serve as a key component of the Investment Manager's ability to add value to the Board accounts. Investment managers must be held accountable for the investment performance of the accounts managed for the benefit of the Board.

Soft Dollars Arrangements for UTIMCO's Internal Investment Managers—

UTIMCO's internal investment managers currently do not use soft dollar arrangements in the execution of trades for the Accounts for third party research, products, and non-research-related items. They may receive investment recommendation or general and proprietary research from the brokers with whom they execute trades. The value of these services is often not tracked by the broker. All brokers receive the same commission (cents per share) on trades executed for discretionary accounts unless the investment manager believes that a higher commission rate must be paid due to the nature of the trade.

Internal managers may propose soft dollar arrangements for the following services if the criteria is documented and the soft dollar arrangement is approved in advance by the UTIMCO's Board of Directors. All soft dollars must benefit the investment accounts. Soft dollar trades must be agency trades.

1. Written documentation describing the product or service and the expected direct benefit obtained by the use of these soft dollars for the account. The services shall include third party research, data service, exchange fees, seminar and conference fees, equipment associated with the investment process, performance measurement and proxy services and investment publications which provide assistance to the investment decision making process.
2. If third party research is to be obtained with the soft dollars the manager must document that the research, product or service, **directly** assists the investment manager in his decision-making process for the account.
3. The manager has documented that they have reviewed the most recent AIMR soft dollar standards and are in compliance with those standards as they pertain to the management of Board accounts. Internal managers do not manage non Board of Regent accounts.
4. The manager must document the broker's capability to provide best execution, taking into consideration the broker's financial responsibility, responsiveness, the commission rate or spread involved, and the range of services offered by such broker.
5. Following the end of each month the manager must report all transactions with brokers involving soft dollar arrangements to the individual designated by the Chief Compliance Officer for UTIMCO in the form or report prescribed by such officer (Exhibit 1).

Soft Dollar Report

Account managed:
Account manager:
Time Period Covered:
Date of Report:

Total amount of commissions generated from the account, detailed by Broker.

<u>Name of Broker</u>	<u>Commissions</u>

Signed: _____

Dated: _____