REVISED
5/7/04

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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 5/12/2004
Austin, Texas
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Austin, Texas

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

		Committee Meeting	Board Meeting	Page
8.	**Approval to amend the Permanent University Fund and General Endowment Fund Investment Policy Statements (New Item)**	*12:05 p.m.* **Action** *Mr. Boldt*	Not on Agenda	**39a**
9.	**Approval to amend the Short Intermediate Term Fund Investment Policy Statement (New Item)**	*12:10 p.m.* **Action** *Mr. Boldt*	Not on Agenda	**39i**
10.	**Presentation of Restatement of Historical Endowment Policy Portfolio Returns (New Item)**	*12:15 p.m.* **Report** *Mr. Boldt*	Not on Agenda	**39k**
Adjourn		*12:30 p.m.*		

1. U. T. System: Approval of Docket No. 117

RECOMMENDATION

It is recommended that Docket No. 117, printed on green paper at the back of the Agenda Book beginning on Page Docket - 1, be approved.

It is also recommended that the Board 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. System: Monthly Financial Report

The Monthly Financial Report has been prepared since 1990 to track the financial results of the U. T. System component institutions. The March Monthly Financial Report representing the operating results of the institutions follows on Pages 30.1 - 30.25.

REPORT

The Monthly Financial Report compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year both in terms of dollars and percentages.

Consistent with a request at the February 2004 U. T. Board of Regents' meeting, this Report includes the most current information available.

THE UNIVERSITY OF TEXAS
System

Monthly Financial Report

(Unaudited)

System Office:

The University of Texas System Administration

Academic Components:

The University of Texas at Arlington

The University of Texas at Austin

The University of Texas at Brownsville

The University of Texas at Dallas

The University of Texas at El Paso

The University of Texas – Pan American

The University of Texas of the Permian Basin

The University of Texas at San Antonio

The University of Texas at Tyler

Health Components:

The University of Texas Southwestern Medical Center at Dallas

The University of Texas Medical Branch at Galveston

The University of Texas Health Science Center at Houston

The University of Texas Health Science Center at San Antonio

The University of Texas M.D. Anderson Cancer Center

The University of Texas Health Center at Tyler

March 2004

THE UNIVERSITY OF TEXAS SYSTEM

MONTHLY FINANCIAL REPORT

(Unaudited)

FOR THE TWO MONTHS ENDING

March 31, 2004

The University of Texas System
Monthly Financial Report

Foreword

The Monthly Financial Report (MFR) for 2004 compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

In 2004 Long Term Fund (LTF) distributions are being paid entirely from current year investment earnings, rather than a portion being paid from transfers of prior period earnings, as was the case in 2003. This LTF distribution is reflected net of distributions to institutions on System Administration and as positive investment income by the institutions. This prevents double counting of the same income at the system-wide level.

The data is reported in three sections: (1) Operating Revenues, (2) Operating Expenses and (3) Other Nonoperating Adjustments. Presentation of state appropriation revenues are required under GASB 35 to be reflected as nonoperating revenues, so all institutions will report an Operating Loss prior to this adjustment. The MFR provides an Adjusted Income (Loss), which takes into account the nonoperating adjustments associated with core operating activities. An Adjusted Margin (as a percentage of operating and nonoperating revenue adjustments) is calculated for each period and is intended to reflect relative operating contributions to financial health.

UNAUDITED
The University of Texas System
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003 (Restated)	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$533,436,437	$473,607,087	$59,829,350	12.6%
Sponsored Programs	1,137,330,996	1,065,785,178	71,545,818	6.7%
Net Sales and Services of Educational Activities	86,357,331	83,530,793	2,826,538	3.4%
Net Sales and Services of Hospitals	1,051,146,814	918,969,258	132,177,556	14.4%
Net Professional Fees	410,644,381	368,165,705	42,478,676	11.5%
Net Auxiliary Enterprises	151,702,673	148,945,544	2,757,129	1.9%
Other Operating Revenues	107,911,907	128,845,713	(20,933,806)	-16.2%
Total Operating Revenues	**3,478,530,539**	**3,187,849,278**	**290,681,261**	**9.1%**
Operating Expenses				
Salaries and Wages	2,239,936,757	2,130,057,474	109,879,283	5.2%
Payroll Related Costs	544,754,734	552,545,649	(7,790,915)	-1.4%
Professional Fees and Contracted Services	100,827,507	94,530,214	6,297,293	6.7%
Other Contracted Services	180,921,994	170,973,832	9,948,162	5.8%
Scholarships and Fellowships	308,772,579	273,457,467	35,315,112	12.9%
Travel	44,014,410	43,011,175	1,003,235	2.3%
Materials and Supplies	450,082,804	429,510,114	20,572,690	4.8%
Utilities	90,881,825	88,082,373	2,799,452	3.2%
Telecommunications	33,788,857	33,768,298	20,559	0.1%
Repairs and Maintenance	67,037,624	57,225,710	9,811,914	17.1%
Rentals and Leases	43,971,716	40,895,312	3,076,404	7.5%
Printing and Reproduction	19,375,812	20,416,352	(1,040,540)	-5.1%
Bad Debt Expense	9	3,131	(3,122)	-99.7%
Claims and Losses	3,469,870	3,897,187	(427,317)	-11.0%
Federal Sponsored Programs Pass-Throughs	12,225,460	12,843,082	(617,622)	-4.8%
Depreciation and Amortization	201,353,794	188,138,521	13,215,273	7.0%
Other Operating Expenses	238,483,986	231,670,960	6,813,026	2.9%
Total Operating Expenses	**4,579,899,738**	**4,371,026,851**	**208,872,887**	**4.8%**
Operating Loss	**(1,101,369,199)**	**(1,183,177,573)**	**81,808,374**	**6.9%**
Other Nonoperating Adjustments				
State Appropriations	949,932,762	965,544,357	(15,611,595)	-1.6%
Gift Contributions for Operations	112,421,007	117,280,480	(4,859,473)	-4.1%
Net Investment Income	259,273,331	232,809,597	26,463,734	11.4%
Interest Expense on Capital Asset Financings	(53,826,498)	(49,544,276)	(4,282,222)	-8.6%
Net Other Nonoperating Adjustments	**1,267,800,602**	**1,266,090,158**	**1,710,444**	**0.1%**
Adjusted Income (Loss)	**166,431,403**	**82,912,585**	**83,518,818**	**100.7%**
Adjusted Margin (as a percentage)	**3.5%**	**1.8%**		
Long Term Fund Transfer	0	0	0	0.0%
Available University Fund Transfer	0	0	0	0.0%
Realized Investment Gains (Losses)	776,076,731	(309,206,854)	1,085,283,585	351.0%
Adj. Inc. (Loss) with Transfers & Realized Gains (Losses)	**$942,508,134**	**($226,294,269)**	**$1,168,802,403**	**516.5%**
Adj. Margin % with Transfers & Realized Gains (Losses)	**16.9%**	**-5.4%**		

The University of Texas System
Comparison of Year-to-Date FY 2004 Adjusted Income (Loss)
to Year-to-Date FY 2003 Adjusted Income (Loss)
For the Seven Months Ending March 31, 2004

	Year-to-Date FY2004 Adjusted Income (Loss)	Year-to-Date FY2003 Adjusted Income (Loss) (Restated)	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage	
U. T. System Administration	$59,546,051	$68,833,241	($9,287,190)	-13.5%	
U. T. Arlington	10,780,684	9,504,394	1,276,290	13.4%	
U. T. Austin	91,171,273	70,751,497	20,419,776	28.9%	(1)
U. T. Brownsville	2,110,088	1,241,713	868,375	69.9%	
U. T. Dallas	(1,557,868) (2)	417,373	(1,975,241)	-473.3%	
U. T. El Paso	2,180,521	1,687,295	493,226	29.2%	
U. T. Pan American	6,453,362	3,749,269	2,704,093	72.1%	(3)
U. T. Permian Basin	159,237	183,238	(24,001)	-13.1%	
U. T. San Antonio	4,623,941	3,165,314	1,458,627	46.1%	
U. T. Tyler	(517,695) (4)	(411,722)	(105,973)	-25.7%	
U. T. Southwestern Medical Center - Dallas	5,074,881	(1,435,097)	6,509,978	453.6%	(5)
U. T. Medical Branch - Galveston	(14,787,929)	(30,700,132)	15,912,203	51.8%	(6)
U. T. Health Science Center - Houston	8,570,790	(10,992,868)	19,563,658	178.0%	(7)
U. T. Health Science Center - San Antonio	16,001,123	8,241,007	7,760,116	94.2%	(8)
U. T. M. D. Anderson Cancer Center	38,436,920	30,936,529	7,500,391	24.2%	
U. T. Health Center - Tyler	1,979,357	(4,351,348)	6,330,705	145.5%	(9)
Elimination of AUF Transfer	(63,793,333)	(67,907,118)	4,113,785	6.1%	
Total Adjusted Income (Loss)	166,431,403	82,912,585	83,518,818	100.7%	
Realized Investment Gains (Losses)	776,076,731	(309,206,854)	1,085,283,585	351.0%	(10)
Total Adjusted Income (Loss) with Transfers and Realized Gains (Losses)	**$942,508,134**	**($226,294,269)**	**$1,168,802,403**	**516.5%**	

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Seven Months Ending March 31, 2004

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss.

(1) <u>U. T. Austin</u> – The $20.4 million (28.9%) increase in adjusted income over the same period last year was primarily due to a $17 million increase in fall and spring tuition rates and fees. Additionally benefits expense decreased by $4.6 million due to a decline in group insurance premiums, premium sharing and changes in eligibility requirements.

(2) <u>U. T. Dallas</u> – The $1.6 million year-to-date net loss was primarily due to decreased state appropriations and increased depreciation expense. Two new buildings were placed into service in 2003, the Callier North building and the School of Management building. *U. T. Dallas* is anticipating ending the year with a $2 million negative margin, due to the increased depreciation expense and decreased state appropriations. *U. T. Dallas* is in the process of realigning budget spending authority to curtail operating expenses during the remainder of the year to alleviate the negative impact of the reduced appropriations.

(3) <u>U. T. Pan-American</u> - The $2.7 million (72.1%) increase in adjusted income over the same period last year was primarily due to additional revenues resulting from a 9% increase in both headcount and semester credit hours for the fall and spring semesters, as well as an increase in statutory designated tuition rates.

(4) <u>U. T. Tyler</u> - The $518,000 year-to-date net loss was primarily due to the furnishing of two new buildings placed into service in the first month of the year, the Herrington Patriot Center and the Braithwaite Nursing Building. The new buildings created temporarily higher materials costs related to outfitting the buildings with furniture and equipment. In addition, *U. T. Tyler* awarded $1 million of additional institutionally funded scholarships as compared to last year. An anticipated increase in summer enrollment will allow *U. T. Tyler* to end the year with a small positive margin.

(5) <u>U. T. Southwestern Medical Center – Dallas</u> – The $6.5 million (453.6%) increase in adjusted income over the same period last year was primarily due to increased gift contributions of $5.8 million from prior year levels. The largest gifts were for the Clinical Services Initiative, the Continuing Education program, and the Alliance for Cellular Signaling program.

(6) <u>U. T. Medical Branch – Galveston</u> – The $15.9 million (51.8%) improvement in adjusted loss over the same period last year was primarily due to reduced expenses from reductions in force, reduction of discretionary expenses, process improvements and efficiency gains. While it appears that expenses have increased slightly between years, this increase is overstated given the inflationary pressures in clinical operations and the fact that total patient care volumes have grown 8%. Volume driven revenue increases typically result in increased patient expenses. *UTMB Galveston* has also implemented revenue enhancements through increased pricing, improved documentation and coding, renegotiation of managed care contracts, improved eligibility screening and improved follow-up. *UTMB Galveston* is performing better financially despite the significant revenue reductions by the state.

UTMB Galveston's management is projecting a negative margin of $27 million for 2004. This projected loss includes $45.3 million in noncash depreciation expense; therefore, cash flow from operations is projected to be a positive $18.3 million. Additionally, the $27 million loss does not include nonoperating revenue for capital gifts from the Sealy Smith Foundation of $20.6 million. *UTMB Galveston* is the sole beneficiary of the Sealy Smith Foundation, and Foundation gifts are integral to *UTMB Galveston's* financial success. The positive effects of *UTMB Galveston's* revenue improvement and cost reduction plans implemented to offset the effects of the financial challenges discussed above have not fully taken effect. *UTMB Galveston* will continue to have narrow margins as over 80% of clinical revenues are generated from government payors whose rate increases are not keeping pace with inflation. *UTMB Galveston* will continue to modify revenue enhancement and cost reduction plans as necessary to achieve financial goals for FY2004.

(7) <u>U. T. Health Science Center – Houston</u> – The $19.6 million (178%) increase in adjusted income over the same period last year was primarily due to decreased expenses in other contracted services of $7.9 million and materials and supplies of $3.6 million as a result of expense controls in place to limit spending as part of the cost-cutting plan. Additionally, there was an

attributable to an increase in the fee schedule and improved collection efforts.

(8) <u>*U. T. Health Science Center – San Antonio*</u> – The $7.8 million (94.2%) increase in adjusted income over the same period last year was primarily due to a $3.6 million increase in net investment income due to the sale of a security and higher returns on investments. Additionally, there was a $5.5 million increase in contractual revenues resulting from new contracts with the Veterans' Administration Hospital.

(9) <u>*U. T. Health Center – Tyler*</u> – The $6.3 million (145.5%) increase in adjusted income over the same period last year was primarily due to increased state appropriations of $2.3 million due to North East Texas Initiative (NETI) funding being available for current operations, rather than capital expenditures. NETI is the collaborative effort of 15 higher education institutions to bring distance learning instruction to 50 rural Northeast Texas counties. The NETI network was brought on-line in 2003. Additionally, gift contributions increased $1.4 million due to a large gift from the Emaline Chamblee estate. Net sales and services of hospitals increased $1.1 million due to rate increases in January and August 2003. Professional fees and contracted services expense decreased $719,000 due to lower contract nursing charges as *UTHC – Tyler* has hired more full-time nurses.

(10) <u>*Realized Investment Gains (Losses)*</u> – The $1,085.3 million (351%) improvement in realized investment gains/(losses) over the same period last year was due to improved financial market conditions. Of the $776.1 million year-to-date gains, $499.3 million related to the Permanent University Fund (PUF), $222.4 million related to the Long Term Fund (LTF) and $54.4 million related to the Permanent Health Fund (PHF).

GLOSSARY OF TERMS

OPERATING REVENUES:

STUDENT TUITION AND FEES – All student tuition and fee revenues earned at the U.T. component institution for educational purposes.

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES – Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from U.T. health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES – Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at U.T. health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

NET AUXILIARY ENTERPRISES – Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).

OTHER OPERATING REVENUES – Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified non profit healthcare company revenues, donated drugs, interest on student loans, etc.)

TOTAL OPERATING REVENUES – U.T. component institutionally generated funding needed to meet current fiscal year operating expenses.

OPERATING EXPENSES:

SALARIES AND WAGES – Expenses for all salaries and wages of individuals employed by the institution including full-time, part-time, longevity, hourly, seasonal, etc.

PAYROLL RELATED COSTS – Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution.

PROFESSIONAL FEES AND CONTRACTED SERVICES – Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.

OTHER CONTRACTED SERVICES – Payments for services rendered on a contractual basis by a person, firm, corporation or company that possess a lesser degree of learning and responsibility than that required for Professional Fees and Contracted Services. Includes such items as temporary employment expenses, fully insured medical plans expenses, janitorial services, dry cleaning services, etc.

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law.

TRAVEL – Payments for travel costs incurred during travel by employees, board or commission members and elected/appointed officials on state business.

MATERIALS AND SUPPLIES – Payments for consumable items. Includes, but is <u>not</u> limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.

UTILITIES – Payments for the purchase of electricity, natural gas, water, thermal energy and waste disposal.

TELECOMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE – Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities. Includes, but is <u>not</u> limited to repair and maintenance to copy machines, furnishings, equipment – including medical and laboratory equipment, office equipment and aircraft.

RENTALS AND LEASES – Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).

PRINTING AND REPRODUCTION – Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.

BAD DEBT EXPENSE – Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.

CLAIMS AND LOSSES – Payments for claims from self-insurance programs. Other claims for settlements and judgments are considered nonoperating expenses.

FEDERAL SPONSORED PROGRAMS PASS-THROUGHS – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAMS PASS-THROUGHS – Pass-throughs to other Texas state agencies, including Texas universities.

DEPRECIATION AND AMORTIZATION – Estimated depreciation and amortization expense.

OTHER OPERATING EXPENSES – Other operating expenses not identified in other line items above (e.g., certified non profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.).

TOTAL OPERATING EXPENSES – Total operating expenses for U.T. System component institution.

OPERATING LOSS – Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.

<u>OTHER NONOPERATING ADJUSTMENTS</u>:

STATE APPROPRIATIONS – Appropriations from the State General Revenue fund, which supplement the U.T. component institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support. Also includes Higher Education Assistance Funds (HEAF), which is a source of state appropriated general revenue to U.T. Brownsville and U.T. Pan American. HEAF funds are appropriated for construction, library and equipment expenses for Texas public universities that do not benefit from the Permanent University Fund (PUF) bond proceeds.

GIFT CONTRIBUTIONS FOR OPERATIONS – Consist of public and private gifts used in current operations, excluding gifts for capital acquisition and endowment gifts.

NET INVESTMENT INCOME – Interest and dividend income, Long Term Fund and Permanent Health Fund distributions paid from current year income and patent and royalty income.

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS – Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

NET OTHER NONOPERATING ADJUSTMENTS – Sum of the other nonoperating adjustments.

ADJUSTED INCOME (LOSS) – Total operating revenues less total operating expenses plus net other nonoperating adjustments.

ADJUSTED MARGIN (as a percentage) – Percentage of Adjusted Income (Loss) divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

LONG TERM FUND TRANSFER – At the institutional level, includes Long Term Fund fixed payouts approved by the Board of Regents less amounts reported as Net Investment Income. Investment income and realized gains and losses are recognized by System Administration when earned; however, the institutions do not recognize the income until their fixed payout is received. On the MFR, investment income for System Administration has been reduced for the amount of the transfer so as not to overstate investment income.

AVAILABLE UNIVERSITY FUND TRANSFER – Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to U.T. Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.

REALIZED INVESTMENT GAINS (LOSSES) – Realized gains and losses on endowment funds managed by UTIMCO.

TOTAL ADJUSTED INCOME (LOSS) WITH TRANSFERS AND REALIZED GAINS (LOSSES) – Total Adjusted Income including LTF and AUF Transfers and Realized Gains (Losses).

UNAUDITED
The University of Texas System Administration
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	$ 1,071,500	$0	$1,071,500	100.00%
Net Sales and Services of Educational Activities	6,038,897	9,630,658	(3,591,761)	-37.3%
Other Operating Revenues	16,463,941	41,044,601	(24,580,660)	-59.9%
Total Operating Revenues	**23,574,338**	**50,675,259**	**(27,100,921)**	**-53.5%**
Operating Expenses				
Salaries and Wages	12,758,177	11,866,474	891,703	7.5%
Employee Benefits and Related Costs	2,579,242	2,438,314	140,928	5.8%
Professional Fees and Contracted Services	2,580,247	3,123,883	(543,636)	-17.4%
Other Contracted Services	4,263,675	3,492,477	771,198	22.1%
Scholarships and Fellowships	66,657	0	66,657	100.0%
Travel	486,488	374,139	112,349	30.0%
Materials and Supplies	3,555,796	2,085,553	1,470,243	70.5%
Utilities	16,766	15,416	1,350	8.8%
Telecommunications	461,337	604,008	(142,671)	-23.6%
Repairs and Maintenance	487,912	300,610	187,302	62.3%
Rentals and Leases	282,842	280,566	2,276	0.8%
Printing and Reproduction	98,747	115,610	(16,863)	-14.6%
Claims and Losses	3,469,870	3,897,187	(427,317)	-11.0%
Depreciation and Amortization	875,204	925,981	(50,777)	-5.5%
Other Operating Expenses	1,270,399	6,315,572	(5,045,173)	-79.9%
Total Operating Expenses	**33,253,359**	**35,835,790**	**(2,582,431)**	**-7.2%**
Operating Loss	**(9,679,021)**	**14,839,469**	**(24,518,490)**	**-165.2%**
Other Nonoperating Adjustments				
State Appropriations	582,742	534,550	48,192	9.0%
Gift Contributions for Operations	328,040	592,896	(264,856)	-44.7%
Net Investment Income	69,202,429	106,641,012	(37,438,583)	-35.1%
Interest Expense on Capital Asset Financings	(17,172,891)	(18,205,603)	1,032,712	5.7%
Net Other Nonoperating Adjustments	**52,940,320**	**89,562,855**	**(36,622,535)**	**-40.9%**
Adjusted Income (Loss)	**43,261,299**	**104,402,324**	**(61,141,025)**	**-58.6%**
Adjusted Margin (as a percentage)	**46.2%**	**65.9%**		
Long Term Fund Transfer	0	(50,904,934)	50,904,934	100.0%
Available University Fund Transfer	16,284,752	15,335,851	948,901	6.2%
Adjusted Income (Loss) with Transfers	**59,546,051**	**68,833,241**	**(9,287,190)**	**-13.5%**
Adjusted Margin % with Transfers	**54.1%**	**56.0%**		
Realized Investment Gains (Losses)	776,076,731	(309,206,854)	1,085,283,585	351.0%
Adj. Inc. (Loss) with Transfers & Realized Gains (Losses)	**$835,622,782**	**($240,373,613)**	**$1,075,996,395**	**447.6%**
Adj. Margin % with Transfers & Realized Gains (Losses)	**94.3%**	**-129.0%**		

UNAUDITED

The University of Texas at Arlington

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$64,777,168	$59,001,137	$5,776,031	9.8%
Sponsored Programs	29,487,026	27,033,668	2,453,358	9.1%
Net Sales and Services of Educational Activities	3,178,112	3,363,872	(185,760)	-5.5%
Net Auxiliary Enterprises	11,266,272	9,880,489	1,385,783	14.0%
Other Operating Revenues	2,753,623	2,757,026	(3,403)	-0.1%
Total Operating Revenues	**111,462,201**	**102,036,192**	**9,426,009**	**9.2%**
Operating Expenses				
Salaries and Wages	77,499,342	75,931,632	1,567,710	2.1%
Employee Benefits and Related Costs	17,177,522	19,148,894	(1,971,372)	-10.3%
Professional Fees and Contracted Services	1,368,790	1,162,914	205,876	17.7%
Other Contracted Services	2,992,061	3,169,394	(177,333)	-5.6%
Scholarships and Fellowships	28,803,161	25,898,824	2,904,337	11.2%
Travel	1,630,074	1,571,222	58,852	3.7%
Materials and Supplies	9,415,159	8,536,397	878,762	10.3%
Utilities	3,663,653	3,502,815	160,838	4.6%
Telecommunications	1,422,159	1,219,742	202,417	16.6%
Repairs and Maintenance	4,410,145	3,147,594	1,262,551	40.1%
Rentals and Leases	1,003,866	1,033,602	(29,736)	-2.9%
Printing and Reproduction	1,335,149	1,358,903	(23,754)	-1.7%
Depreciation and Amortization	5,964,153	4,966,753	997,400	20.1%
Other Operating Expenses	3,359,473	2,842,965	516,508	18.2%
Total Operating Expenses	**160,061,171**	**153,501,131**	**6,560,040**	**4.3%**
Operating Loss	**(48,598,970)**	**(51,464,939)**	**2,865,969**	**5.6%**
Other Nonoperating Adjustments				
State Appropriations	59,273,297	60,468,179	(1,194,882)	-2.0%
Gift Contributions for Operations	1,098,459	900,189	198,270	22.0%
Net Investment Income	1,914,377	1,141,262	773,115	67.7%
Interest Expense on Capital Asset Financings	(2,906,479)	(2,142,356)	(764,123)	-35.7%
Net Other Nonoperating Adjustments	**59,379,654**	**60,367,274**	**(987,620)**	**-1.6%**
Adjusted Income (Loss)	**10,780,684**	**8,902,335**	**1,878,349**	**21.1%**
Adjusted Margin (as a percentage)	**6.2%**	**5.4%**		
Long Term Fund Transfer	0	602,059	(602,059)	-100.0%
Adjusted Income (Loss) with Transfers	**$10,780,684**	**$9,504,394**	**$1,276,290**	**13.4%**
Adjusted Margin % with Transfers	**6.2%**	**5.8%**		

UNAUDITED
The University of Texas at Austin
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$240,912,224	$220,391,800	$20,520,424	9.3%
Sponsored Programs	219,340,263	212,849,818	6,490,445	3.0%
Net Sales and Services of Educational Activities	45,068,219	40,920,377	4,147,842	10.1%
Net Auxiliary Enterprises	88,873,385	88,127,027	746,358	0.8%
Other Operating Revenues	2,836,194	2,565,678	270,516	10.5%
Total Operating Revenues	**597,030,285**	**564,854,700**	**32,175,585**	**5.7%**
Operating Expenses				
Salaries and Wages	430,327,969	429,569,442	758,527	0.2%
Employee Benefits and Related Costs	95,314,005	99,915,168	(4,601,163)	-4.6%
Professional Fees and Contracted Services	16,653,301	14,114,871	2,538,430	18.0%
Other Contracted Services	26,885,846	23,670,611	3,215,235	13.6%
Scholarships and Fellowships	85,250,352	75,738,966	9,511,386	12.6%
Travel	14,707,267	13,609,272	1,097,995	8.1%
Materials and Supplies	49,633,300	52,197,656	(2,564,356)	-4.9%
Utilities	24,725,732	24,781,131	(55,399)	-0.2%
Telecommunications	7,228,432	6,892,779	335,653	4.9%
Repairs and Maintenance	12,281,163	12,637,490	(356,327)	-2.8%
Rentals and Leases	7,250,582	7,002,083	248,499	3.5%
Printing and Reproduction	5,588,816	6,176,166	(587,350)	-9.5%
Federal Sponsored Programs Pass-Thrus	1,038,904	1,264,130	(225,226)	-17.8%
Depreciation and Amortization	46,583,864	46,647,728	(63,864)	-0.1%
Other Operating Expenses	26,475,497	24,866,191	1,609,306	6.5%
Total Operating Expenses	**849,945,030**	**839,083,684**	**10,861,346**	**1.3%**
Operating Loss	**(252,914,745)**	**(274,228,984)**	**21,314,239**	**7.8%**
Other Nonoperating Adjustments				
State Appropriations	190,350,677	188,218,284	2,132,393	1.1%
Gift Contributions for Operations	41,214,978	42,576,283	(1,361,305)	-3.2%
Net Investment Income	58,218,309	28,207,174	30,011,135	106.4%
Interest Expense on Capital Asset Financings	(9,491,279)	(8,539,045)	(952,234)	-11.2%
Net Other Nonoperating Adjustments	**280,292,685**	**250,462,696**	**29,829,989**	**11.9%**
Adjusted Income (Loss)	**27,377,940**	**(23,766,288)**	**51,144,228**	**215.2%**
Adjusted Margin (as a percentage)	**3.1%**	**-2.9%**		
Long Term Fund Transfer	0	26,610,667	(26,610,667)	-100.0%
Available University Fund Transfer	63,793,333	67,907,118	(4,113,785)	-6.1%
Adjusted Income (Loss) with Transfers	**$91,171,273**	**$70,751,497**	**$20,419,776**	**28.9%**
Adjusted Margin % with Transfers	**9.6%**	**7.7%**		

UNAUDITED
The University of Texas at Brownsville
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$6,487,588	$4,982,069	$1,505,519	30.2%
Sponsored Programs	58,388,507	52,112,224	6,276,283	12.0%
Net Sales and Services of Educational Activities	1,278,452	3,017,047	(1,738,595)	-57.6%
Net Auxiliary Enterprises	431,830	292,644	139,186	47.6%
Other Operating Revenues	4,019	12,245	(8,226)	-67.2%
Total Operating Revenues	**66,590,396**	**60,416,229**	**6,174,167**	**10.2%**
Operating Expenses				
Salaries and Wages	23,759,424	23,412,662	346,762	1.5%
Employee Benefits and Related Costs	4,573,048	4,680,585	(107,537)	-2.3%
Professional Fees and Contracted Services	929,072	998,047	(68,975)	-6.9%
Scholarships and Fellowships	36,514,016	31,157,656	5,356,360	17.2%
Travel	358,842	390,927	(32,085)	-8.2%
Materials and Supplies	1,860,570	2,055,155	(194,585)	-9.5%
Utilities	1,205,168	1,031,491	173,677	16.8%
Telecommunications	698,401	636,021	62,380	9.8%
Repairs and Maintenance	402,849	420,541	(17,692)	-4.2%
Rentals and Leases	1,125,377	1,423,339	(297,962)	-20.9%
Printing and Reproduction	210,771	209,628	1,143	0.5%
Depreciation and Amortization	1,682,744	1,791,494	(108,750)	-6.1%
Other Operating Expenses	4,770,700	4,177,399	593,301	14.2%
Total Operating Expenses	**78,090,982**	**72,397,694**	**5,693,288**	**7.9%**
Operating Loss	**(11,500,586)**	**(11,981,465)**	**480,879**	**4.0%**
Other Nonoperating Adjustments				
State Appropriations	13,519,806	13,495,213	24,593	0.2%
Gift Contributions for Operations	224,076	121,977	102,099	83.7%
Net Investment Income	507,980	240,931	267,049	110.8%
Interest Expense on Capital Asset Financings	(641,188)	(707,397)	66,209	9.4%
Net Other Nonoperating Adjustments	**13,610,674**	**13,150,724**	**459,950**	**3.5%**
Adjusted Income (Loss)	**2,110,088**	**1,169,259**	**940,829**	**80.5%**
Adjusted Margin (as a percentage)	**2.6%**	**1.6%**		
Long Term Fund Transfer	0	72,454	(72,454)	-100.0%
Adjusted Income (Loss) with Transfers	**$2,110,088**	**$1,241,713**	**$868,375**	**69.9%**
Adjusted Margin % with Transfers	**2.6%**	**1.7%**		

UNAUDITED
The University of Texas at Dallas
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$49,798,588	$43,029,307	$6,769,281	15.7%
Sponsored Programs	19,866,937	15,584,253	4,282,684	27.5%
Net Sales and Services of Educational Activities	2,428,667	2,363,650	65,017	2.8%
Net Auxiliary Enterprises	3,071,170	2,628,999	442,171	16.8%
Other Operating Revenues	1,996,061	3,113,655	(1,117,594)	-35.9%
Total Operating Revenues	**77,161,423**	**66,719,864**	**10,441,559**	**15.6%**
Operating Expenses				
Salaries and Wages	59,903,805	57,130,186	2,773,619	4.9%
Employee Benefits and Related Costs	11,469,802	13,265,720	(1,795,918)	-13.5%
Professional Fees and Contracted Services	1,092,169	1,210,742	(118,573)	-9.8%
Other Contracted Services	2,976,578	2,900,986	75,592	2.6%
Scholarships and Fellowships	22,296,556	16,814,155	5,482,401	32.6%
Travel	1,472,995	1,225,311	247,684	20.2%
Materials and Supplies	6,684,635	7,098,467	(413,832)	-5.8%
Utilities	3,353,097	3,027,787	325,310	10.7%
Telecommunications	824,620	807,770	16,850	2.1%
Repairs and Maintenance	2,121,802	1,650,854	470,948	28.5%
Rentals and Leases	403,343	713,229	(309,886)	-43.4%
Printing and Reproduction	543,132	555,422	(12,290)	-2.2%
Federal Sponsored Programs Pass-Thrus	155,135	256,127	(100,992)	-39.4%
Depreciation and Amortization	6,569,500	5,486,577	1,082,923	19.7%
Other Operating Expenses	3,066,857	2,747,441	319,416	11.6%
Total Operating Expenses	**122,934,026**	**114,890,774**	**8,043,252**	**7.0%**
Operating Loss	**(45,772,603)**	**(48,170,910)**	**2,398,307**	**5.0%**
Other Nonoperating Adjustments				
State Appropriations	38,826,141	42,366,488	(3,540,347)	-8.4%
Gift Contributions for Operations	2,497,624	2,969,351	(471,727)	-15.9%
Net Investment Income	4,698,223	2,522,756	2,175,467	86.2%
Interest Expense on Capital Asset Financings	(1,807,253)	(1,573,885)	(233,368)	-14.8%
Net Other Nonoperating Adjustments	**44,214,735**	**46,284,710**	**(2,069,975)**	**-4.5%**
Adjusted Income (Loss)	**(1,557,868)**	**(1,886,200)**	**328,332**	**17.4%**
Adjusted Margin (as a percentage)	**-1.3%**	**-1.6%**		
Long Term Fund Transfer	0	2,303,573	(2,303,573)	-100.0%
Adjusted Income (Loss) with Transfers	**($1,557,868)**	**$417,373**	**($1,975,241)**	**-473.3%**
Adjusted Margin % with Transfers	**-1.3%**	**0.4%**		

UNAUDITED
The University of Texas at El Paso
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 35,807,051	$33,090,911	$2,716,140	8.2%
Sponsored Programs	50,247,545	48,204,087	2,043,458	4.2%
Net Sales and Services of Educational Activities	2,259,251	2,049,770	209,481	10.2%
Net Auxiliary Enterprises	12,696,984	14,817,508	(2,120,524)	-14.3%
Other Operating Revenues	72,109	98,445	(26,336)	-26.8%
Total Operating Revenues	**101,082,940**	**98,260,721**	**2,822,219**	**2.9%**
Operating Expenses				
Salaries and Wages	59,736,124	61,486,089	(1,749,965)	-2.8%
Employee Benefits and Related Costs	13,353,568	15,758,693	(2,405,125)	-15.3%
Professional Fees and Contracted Services	2,844,742	5,116,975	(2,272,233)	-44.4%
Other Contracted Services	6,094,756	5,283,593	811,163	15.4%
Scholarships and Fellowships	37,058,236	34,945,296	2,112,940	6.0%
Travel	2,689,728	2,812,697	(122,969)	-4.4%
Materials and Supplies	9,386,198	10,070,672	(684,474)	-6.8%
Utilities	3,026,471	3,165,789	(139,318)	-4.4%
Telecommunications	505,166	672,954	(167,788)	-24.9%
Repairs and Maintenance	1,891,623	1,616,780	274,843	17.0%
Rentals and Leases	743,744	698,672	45,072	6.5%
Printing and Reproduction	331,550	441,261	(109,711)	-24.9%
Federal Sponsored Programs Pass-Thrus	191,123	389,527	(198,404)	-50.9%
Depreciation and Amortization	5,293,497	4,825,565	467,932	9.7%
Other Operating Expenses	3,004,362	2,129,891	874,471	41.1%
Total Operating Expenses	**146,150,888**	**149,414,454**	**(3,263,566)**	**-2.2%**
Operating Loss	**(45,067,948)**	**(51,153,733)**	**6,085,785**	**11.9%**
Other Nonoperating Adjustments				
State Appropriations	42,271,815	48,242,519	(5,970,704)	-12.4%
Gift Contributions for Operations	3,052,715	2,773,682	279,033	10.1%
Net Investment Income	3,690,347	2,216,408	1,473,939	66.5%
Interest Expense on Capital Asset Financings	(1,766,408)	(1,842,855)	76,447	4.1%
Net Other Nonoperating Adjustments	**47,248,469**	**51,389,754**	**(4,141,285)**	**-8.1%**
Adjusted Income (Loss)	**2,180,521**	**236,021**	**1,944,500**	**823.9%**
Adjusted Margin (as a percentage)	**1.5%**	**0.2%**		
Long Term Fund Transfer	0	1,451,274	(1,451,274)	-100.0%
Adjusted Income (Loss) with Transfers	**$2,180,521**	**$1,687,295**	**$493,226**	**29.2%**
Adjusted Margin % with Transfers	**1.5%**	**1.1%**		

UNAUDITED
The University of Texas-Pan American
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 28,552,321	$24,753,731	$3,798,590	15.3%
Sponsored Programs	45,830,255	42,850,782	2,979,473	7.0%
Net Sales and Services of Educational Activities	3,054,402	3,696,565	(642,163)	-17.4%
Net Auxiliary Enterprises	4,383,512	3,804,066	579,446	15.2%
Other Operating Revenues	655,506	345,395	310,111	89.8%
Total Operating Revenues	**82,475,996**	**75,450,539**	**7,025,457**	**9.3%**
Operating Expenses				
Salaries and Wages	40,947,905	38,854,685	2,093,220	5.4%
Employee Benefits and Related Costs	9,488,635	9,833,482	(344,847)	-3.5%
Professional Fees and Contracted Services	370,544	408,306	(37,762)	-9.2%
Other Contracted Services	2,933,455	2,367,954	565,501	23.9%
Scholarships and Fellowships	39,879,971	37,718,312	2,161,659	5.7%
Travel	1,283,066	1,250,041	33,025	2.6%
Materials and Supplies	6,652,456	6,227,715	424,741	6.8%
Utilities	2,691,395	2,203,657	487,738	22.1%
Telecommunications	526,873	619,026	(92,153)	-14.9%
Repairs and Maintenance	804,237	848,687	(44,450)	-5.2%
Rentals and Leases	250,730	237,974	12,756	5.4%
Printing and Reproduction	419,226	413,708	5,518	1.3%
Depreciation and Amortization	3,893,564	4,304,048	(410,484)	-9.5%
Other Operating Expenses	2,012,328	2,322,906	(310,578)	-13.4%
Total Operating Expenses	**112,194,305**	**107,615,198**	**4,579,107**	**4.3%**
Operating Loss	**(29,718,309)**	**(32,164,659)**	**2,446,350**	**7.6%**
Other Nonoperating Adjustments				
State Appropriations	35,684,856	35,322,009	362,847	1.0%
Gift Contributions for Operations	792,622	536,021	256,601	47.9%
Net Investment Income	1,397,279	1,332,540	64,739	4.9%
Interest Expense on Capital Asset Financings	(1,703,086)	(1,609,189)	(93,897)	-5.8%
Net Other Nonoperating Adjustments	**36,171,671**	**35,581,381**	**590,290**	**1.7%**
Adjusted Income (Loss)	**6,453,362**	**3,416,722**	**3,036,640**	**88.9%**
Adjusted Margin (as a percentage)	**5.4%**	**3.0%**		
Long Term Fund Transfer	0	332,547	(332,547)	-100.0%
Adjusted Income (Loss) with Transfers	**$6,453,362**	**$3,749,269**	**$2,704,093**	**72.1%**
Adjusted Margin % with Transfers	**5.4%**	**3.3%**		

UNAUDITED
The University of Texas of the Permian Basin
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 6,136,189	$5,323,606	$812,583	15.3%
Sponsored Programs	3,803,369	3,365,489	437,880	13.0%
Net Sales and Services of Educational Activities	156,096	136,174	19,922	14.6%
Net Auxiliary Enterprises	651,739	397,370	254,369	64.0%
Other Operating Revenues	174,232	80,583	93,649	116.2%
Total Operating Revenues	**10,921,625**	**9,303,222**	**1,618,403**	**17.4%**
Operating Expenses				
Salaries and Wages	7,747,814	7,261,835	485,979	6.7%
Employee Benefits and Related Costs	1,714,799	1,713,834	965	0.1%
Professional Fees and Contracted Services	597,390	569,000	28,390	5.0%
Other Contracted Services	545,616	470,356	75,260	16.0%
Scholarships and Fellowships	4,479,982	3,722,322	757,660	20.4%
Travel	419,134	272,130	147,004	54.0%
Materials and Supplies	1,529,447	1,284,302	245,145	19.1%
Utilities	862,818	849,849	12,969	1.5%
Telecommunications	231,683	204,660	27,023	13.2%
Repairs and Maintenance	223,763	251,729	(27,966)	-11.1%
Rentals and Leases	197,599	110,767	86,832	78.4%
Printing and Reproduction	229,979	147,521	82,458	55.9%
Depreciation and Amortization	1,275,435	1,211,231	64,204	5.3%
Other Operating Expenses	480,709	351,588	129,121	36.7%
Total Operating Expenses	**20,536,168**	**18,421,124**	**2,115,044**	**11.5%**
Operating Loss	**(9,614,543)**	**(9,117,902)**	**(496,641)**	**-5.4%**
Other Nonoperating Adjustments				
State Appropriations	9,599,177	8,969,408	629,769	7.0%
Gift Contributions for Operations	525,373	422,000	103,373	24.5%
Net Investment Income	326,823	164,064	162,759	99.2%
Interest Expense on Capital Asset Financings	(677,593)	(457,605)	(219,988)	-48.1%
Net Other Nonoperating Adjustments	**9,773,780**	**9,097,867**	**675,913**	**7.4%**
Adjusted Income (Loss)	**159,237**	**(20,035)**	**179,272**	**894.8%**
Adjusted Margin (as a percentage)	**0.7%**	**-0.1%**		
Long Term Fund Transfer	0	203,273	(203,273)	-100.0%
Adjusted Income (Loss) with Transfers	**$159,237**	**$183,238**	**($24,001)**	**-13.1%**
Adjusted Margin % with Transfers	**0.7%**	**1.0%**		

UNAUDITED
The University of Texas at San Antonio
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 59,368,273	$46,900,000	$12,468,273	26.6%
Sponsored Programs	42,048,869	38,166,564	3,882,305	10.2%
Net Sales and Services of Educational Activities	2,266,376	2,120,193	146,183	6.9%
Net Auxiliary Enterprises	2,984,837	2,531,650	453,187	17.9%
Other Operating Revenues	368,632	351,059	17,573	5.0%
Total Operating Revenues	**107,036,987**	**90,069,466**	**16,967,521**	**18.8%**
Operating Expenses				
Salaries and Wages	66,577,859	60,280,163	6,297,696	10.4%
Employee Benefits and Related Costs	14,885,686	14,794,253	91,433	0.6%
Professional Fees and Contracted Services	1,388,994	1,363,853	25,141	1.8%
Other Contracted Services	943,405	1,223,251	(279,846)	-22.9%
Scholarships and Fellowships	38,052,975	32,052,799	6,000,176	18.7%
Travel	1,744,968	1,884,763	(139,795)	-7.4%
Materials and Supplies	7,104,128	6,917,582	186,546	2.7%
Utilities	3,336,667	2,552,289	784,378	30.7%
Telecommunications	1,176,439	1,238,618	(62,179)	-5.0%
Repairs and Maintenance	2,664,996	2,561,186	103,810	4.1%
Rentals and Leases	1,435,782	776,945	658,837	84.8%
Printing and Reproduction	688,217	733,966	(45,749)	-6.2%
Federal Sponsored Programs Pass-Thrus	1,993,741	2,129,720	(135,979)	-6.4%
Depreciation and Amortization	6,502,531	5,960,825	541,706	9.1%
Other Operating Expenses	2,127,237	2,022,305	104,932	5.2%
Total Operating Expenses	**150,623,625**	**136,492,518**	**14,131,107**	**10.4%**
Operating Loss	**(43,586,638)**	**(46,423,052)**	**2,836,414**	**6.1%**
Other Nonoperating Adjustments				
State Appropriations	47,982,543	48,230,099	(247,556)	-0.5%
Gift Contributions for Operations	1,353,306	1,962,930	(609,624)	-31.1%
Net Investment Income	1,886,872	1,622,191	264,681	16.3%
Interest Expense on Capital Asset Financings	(3,012,142)	(2,677,601)	(334,541)	-12.5%
Net Other Nonoperating Adjustments	**48,210,579**	**49,137,619**	**(927,040)**	**-1.9%**
Adjusted Income (Loss)	**4,623,941**	**2,714,567**	**1,909,374**	**70.3%**
Adjusted Margin (as a percentage)	**2.9%**	**1.9%**		
Long Term Fund Transfer	0	450,747	(450,747)	-100.0%
Adjusted Income (Loss) with Transfers	**$4,623,941**	**$3,165,314**	**$1,458,627**	**46.1%**
Adjusted Margin % with Transfers	**2.9%**	**2.2%**		

UNAUDITED
The University of Texas at Tyler
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 8,823,452	$6,671,847	$2,151,605	32.2%
Sponsored Programs	5,231,695	4,384,729	846,966	19.3%
Net Sales and Services of Educational Activities	278,237	205,781	72,456	35.2%
Net Auxiliary Enterprises	731,140	633,549	97,591	15.4%
Other Operating Revenues	149,494	236,258	(86,764)	-36.7%
Total Operating Revenues	**15,214,018**	**12,132,164**	**3,081,854**	**25.4%**
Operating Expenses				
Salaries and Wages	12,991,079	12,958,691	32,388	0.2%
Employee Benefits and Related Costs	3,055,516	3,227,194	(171,678)	-5.3%
Professional Fees and Contracted Services	989,939	617,774	372,165	60.2%
Other Contracted Services	1,251,116	1,037,394	213,722	20.6%
Scholarships and Fellowships	6,225,811	5,323,497	902,314	16.9%
Travel	463,680	360,784	102,896	28.5%
Materials and Supplies	2,694,438	1,358,916	1,335,522	98.3%
Utilities	565,677	544,282	21,395	3.9%
Telecommunications	232,377	213,789	18,588	8.7%
Repairs and Maintenance	741,282	436,414	304,868	69.9%
Rentals and Leases	76,880	75,758	1,122	1.5%
Printing and Reproduction	292,477	344,253	(51,776)	-15.0%
Bad Debt Expense	9	803	(794)	-98.9%
Depreciation and Amortization	2,275,000	1,575,000	700,000	44.4%
Other Operating Expenses	476,273	476,974	(701)	-0.1%
Total Operating Expenses	**32,331,554**	**28,551,523**	**3,780,031**	**13.2%**
Operating Loss	**(17,117,536)**	**(16,419,359)**	**(698,177)**	**-4.3%**
Other Nonoperating Adjustments				
State Appropriations	15,271,541	14,930,545	340,996	2.3%
Gift Contributions for Operations	495,261	256,991	238,270	92.7%
Net Investment Income	1,433,185	418,842	1,014,343	242.2%
Interest Expense on Capital Asset Financings	(600,146)	(370,431)	(229,715)	-62.0%
Net Other Nonoperating Adjustments	**16,599,841**	**15,235,947**	**1,363,894**	**9.0%**
Adjusted Income (Loss)	**(517,695)**	**(1,183,412)**	**665,717**	**56.3%**
Adjusted Margin (as a percentage)	**-1.6%**	**-4.3%**		
Long Term Fund Transfer	0	771,690	(771,690)	-100.0%
Adjusted Income (Loss) with Transfers	**($517,695)**	**($411,722)**	**($105,973)**	**-25.7%**
Adjusted Margin % with Transfers	**-1.6%**	**-1.4%**		

UNAUDITED

The University of Texas Southwestern Medical Center at Dallas

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 8,944,793	$8,124,491	$820,302	10.1%
Sponsored Programs	207,421,280	189,152,164	18,269,116	9.7%
Net Sales and Services of Educational Activities	11,925,796	7,313,965	4,611,831	63.1%
Net Professional Fees	119,019,108	105,326,252	13,692,856	13.0%
Net Auxiliary Enterprises	4,344,097	4,144,741	199,356	4.8%
Other Operating Revenues	5,726,209	6,266,470	(540,261)	-8.6%
Total Operating Revenues	**357,381,283**	**320,328,083**	**37,053,200**	**11.6%**
Operating Expenses				
Salaries and Wages	238,223,127	223,921,588	14,301,539	6.4%
Employee Benefits and Related Costs	67,362,625	64,346,582	3,016,043	4.7%
Professional Fees and Contracted Services	7,597,121	6,706,533	890,588	13.3%
Other Contracted Services	33,560,773	25,123,187	8,437,586	33.6%
Scholarships and Fellowships	4,360,534	4,180,043	180,491	4.3%
Travel	3,926,481	3,905,148	21,333	0.5%
Materials and Supplies	49,709,330	47,016,983	2,692,347	5.7%
Utilities	10,072,777	10,696,114	(623,337)	-5.8%
Telecommunications	3,413,194	2,940,109	473,085	16.1%
Repairs and Maintenance	3,788,998	2,516,872	1,272,126	50.5%
Rentals and Leases	3,477,293	2,947,743	529,550	18.0%
Printing and Reproduction	1,320,612	1,370,562	(49,950)	-3.6%
Federal Sponsored Programs Pass-Thrus	655,763	171,460	484,303	282.5%
Depreciation and Amortization	19,338,809	16,935,054	2,403,755	14.2%
Other Operating Expenses	15,815,586	14,111,202	1,704,384	12.1%
Total Operating Expenses	**462,623,023**	**426,889,180**	**35,733,843**	**8.4%**
Operating Loss	**(105,241,740)**	**(106,561,097)**	**1,319,357**	**1.2%**
Other Nonoperating Adjustments				
State Appropriations	67,700,217	64,612,504	3,087,713	4.8%
Gift Contributions for Operations	17,722,454	11,938,466	5,783,988	48.4%
Net Investment Income	29,439,891	25,124,989	4,314,902	17.2%
Interest Expense on Capital Asset Financings	(4,545,941)	(4,760,326)	214,385	4.5%
Net Other Nonoperating Adjustments	**110,316,621**	**96,915,633**	**13,400,988**	**13.8%**
Adjusted Income (Loss)	**5,074,881**	**(9,645,464)**	**14,720,345**	**152.6%**
Adjusted Margin (as a percentage)	**1.1%**	**-2.3%**		
Long Term Fund Transfer	0	8,210,367	(8,210,367)	-100.0%
Adjusted Income (Loss) with Transfers	**$5,074,881**	**($1,435,097)**	**$6,509,978**	**453.6%**
Adjusted Margin % with Transfers	**1.1%**	**-0.3%**		

UNAUDITED
The University of Texas Medical Branch at Galveston
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 6,284,307	$5,220,955	$1,063,352	20.4%
Sponsored Programs	97,411,158	104,392,366	(6,981,208)	-6.7%
Net Sales and Services of Hospitals	390,373,763	363,646,778	26,726,985	7.3%
Net Professional Fees	57,037,984	54,404,918	2,633,066	4.8%
Net Auxiliary Enterprises	4,334,562	4,205,623	128,939	3.1%
Other Operating Revenues	12,991,876	10,557,487	2,434,389	23.1%
Total Operating Revenues	**568,433,650**	**542,428,127**	**26,005,523**	**4.8%**
Operating Expenses				
Salaries and Wages	384,891,692	375,555,044	9,336,648	2.5%
Employee Benefits and Related Costs	95,187,202	100,107,835	(4,920,633)	-4.9%
Professional Fees and Contracted Services	12,186,594	7,245,045	4,941,549	68.2%
Other Contracted Services	42,712,555	45,255,898	(2,543,343)	-5.6%
Scholarships and Fellowships	2,452,034	2,183,226	268,808	12.3%
Travel	2,878,247	3,684,438	(806,191)	-21.9%
Materials and Supplies	82,914,631	85,733,285	(2,818,654)	-3.3%
Utilities	12,500,774	12,345,525	155,249	1.3%
Telecommunications	5,720,425	5,821,961	(101,536)	-1.7%
Repairs and Maintenance	15,322,527	16,216,891	(894,364)	-5.5%
Rentals and Leases	5,699,020	6,112,869	(413,849)	-6.8%
Printing and Reproduction	1,331,062	1,193,070	137,992	11.6%
Federal Sponsored Programs Pass-Thrus	595,206	728,758	(133,552)	-18.3%
Depreciation and Amortization	27,501,659	28,065,185	(563,526)	-2.0%
Other Operating Expenses	65,151,902	66,325,934	(1,174,032)	-1.8%
Total Operating Expenses	**757,045,530**	**756,574,964**	**470,566**	**0.1%**
Operating Loss	**(188,611,880)**	**(214,146,837)**	**25,534,957**	**11.9%**
Other Nonoperating Adjustments				
State Appropriations	159,810,390	167,575,150	(7,764,760)	-4.6%
Gift Contributions for Operations	2,858,128	2,193,189	664,939	30.3%
Net Investment Income	12,941,315	10,827,795	2,113,520	19.5%
Interest Expense on Capital Asset Financings	(1,785,882)	(1,093,842)	(692,040)	-63.3%
Net Other Nonoperating Adjustments	**173,823,951**	**179,502,292**	**(5,678,341)**	**-3.2%**
Adjusted Income (Loss)	**(14,787,929)**	**(34,644,545)**	**19,856,616**	**57.3%**
Adjusted Margin (as a percentage)	**-2.0%**	**-4.8%**		
Long Term Fund Transfer	0	3,944,413	(3,944,413)	-100.0%
Adjusted Income (Loss) with Transfers	**($14,787,929)**	**($30,700,132)**	**$15,912,203**	**51.8%**
Adjusted Margin % with Transfers	**-2.0%**	**-4.2%**		

UNAUDITED
The University of Texas Health Science Center at Houston
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 8,198,571	$8,059,107	$139,464	1.7%
Sponsored Programs	130,519,644	130,780,847	(261,203)	-0.2%
Net Sales and Services of Educational Activities	5,262,540	5,245,620	16,920	0.3%
Net Sales and Services of Hospitals	19,020,373	19,437,835	(417,462)	-2.1%
Net Professional Fees	58,711,844	51,107,216	7,604,628	14.9%
Net Auxiliary Enterprises	7,317,990	7,494,846	(176,856)	-2.4%
Other Operating Revenues	19,828,041	19,907,280	(79,239)	-0.4%
Total Operating Revenues	**248,859,003**	**242,032,751**	**6,826,252**	**2.8%**
Operating Expenses				
Salaries and Wages	178,223,413	179,813,643	(1,590,230)	-0.9%
Employee Benefits and Related Costs	39,859,640	41,556,295	(1,696,655)	-4.1%
Professional Fees and Contracted Services	30,406,442	31,719,157	(1,312,715)	-4.1%
Other Contracted Services	11,044,611	18,971,590	(7,926,979)	-41.8%
Scholarships and Fellowships	1,350,497	1,767,123	(416,626)	-23.6%
Travel	2,188,254	2,315,165	(126,911)	-5.5%
Materials and Supplies	10,969,643	14,598,538	(3,628,895)	-24.9%
Utilities	3,919,888	3,570,550	349,338	9.8%
Telecommunications	1,759,569	1,898,470	(138,901)	-7.3%
Repairs and Maintenance	1,837,891	2,240,973	(403,082)	-18.0%
Rentals and Leases	5,582,381	5,000,711	581,670	11.6%
Printing and Reproduction	2,430,962	2,934,694	(503,732)	-17.2%
Federal Sponsored Programs Pass-Thrus	6,124,204	6,587,222	(463,018)	-7.0%
Depreciation and Amortization	8,603,382	9,637,890	(1,034,508)	-10.7%
Other Operating Expenses	24,755,135	23,738,455	1,016,680	4.3%
Total Operating Expenses	**329,055,912**	**346,352,804**	**(17,296,892)**	**-5.0%**
Operating Loss	**(80,196,909)**	**(104,320,053)**	**24,123,144**	**23.1%**
Other Nonoperating Adjustments				
State Appropriations	80,356,232	84,620,504	(4,264,272)	-5.0%
Gift Contributions for Operations	4,454,887	3,804,527	650,360	17.1%
Net Investment Income	6,060,335	5,380,048	680,287	12.6%
Interest Expense on Capital Asset Financings	(2,103,755)	(1,670,869)	(432,886)	-25.9%
Net Other Nonoperating Adjustments	**88,767,699**	**92,134,210**	**(3,366,511)**	**-3.7%**
Adjusted Income (Loss)	**8,570,790**	**(12,185,843)**	**20,756,633**	**170.3%**
Adjusted Margin (as a percentage)	**2.5%**	**-3.6%**		
Long Term Fund Transfer	0	1,192,975	(1,192,975)	-100.0%
Adjusted Income (Loss) with Transfers	**$8,570,790**	**($10,992,868)**	**$19,563,658**	**178.0%**
Adjusted Margin % with Transfers	**2.5%**	**-3.3%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 9,168,792	$7,963,667	$1,205,125	15.1%
Sponsored Programs	111,427,856	100,330,654	11,097,202	11.1%
Net Sales and Services of Educational Activities	1,675,388	1,692,314	(16,926)	-1.0%
Net Professional Fees	45,427,388	43,892,751	1,534,637	3.5%
Net Auxiliary Enterprises	1,053,404	1,041,650	11,754	1.1%
Other Operating Revenues	31,242,102	29,078,455	2,163,647	7.4%
Total Operating Revenues	**199,994,930**	**183,999,491**	**15,995,439**	**8.7%**
Operating Expenses				
Salaries and Wages	138,049,679	133,194,534	4,855,145	3.6%
Employee Benefits and Related Costs	35,606,914	35,337,847	269,067	0.8%
Professional Fees and Contracted Services	7,636,354	7,414,600	221,754	3.0%
Other Contracted Services	8,393,891	7,881,476	512,415	6.5%
Scholarships and Fellowships	1,981,797	1,955,248	26,549	1.4%
Travel	2,183,774	2,315,579	(131,805)	-5.7%
Materials and Supplies	13,198,641	12,800,663	397,978	3.1%
Utilities	3,512,519	3,390,434	122,085	3.6%
Telecommunications	5,323,984	5,229,370	94,614	1.8%
Repairs and Maintenance	883,625	576,787	306,838	53.2%
Rentals and Leases	1,213,741	1,108,459	105,282	9.5%
Printing and Reproduction	911,702	1,014,917	(103,215)	-10.2%
Federal Sponsored Programs Pass-Thrus	445,507	650,484	(204,977)	-31.5%
Depreciation and Amortization	11,083,333	10,754,349	328,984	3.1%
Other Operating Expenses	57,295,489	54,460,307	2,835,182	5.2%
Total Operating Expenses	**287,720,950**	**278,085,054**	**9,635,896**	**3.5%**
Operating Loss	**(87,726,020)**	**(94,085,563)**	**6,359,543**	**6.8%**
Other Nonoperating Adjustments				
State Appropriations	80,215,151	83,105,079	(2,889,928)	-3.5%
Gift Contributions for Operations	9,298,852	8,485,644	813,208	9.6%
Net Investment Income	15,448,083	10,646,854	4,801,229	45.1%
Interest Expense on Capital Asset Financings	(1,234,943)	(1,083,157)	(151,786)	-14.0%
Net Other Nonoperating Adjustments	**103,727,143**	**101,154,420**	**2,572,723**	**2.5%**
Adjusted Income (Loss)	**16,001,123**	**7,068,857**	**8,932,266**	**126.4%**
Adjusted Margin (as a percentage)	**5.2%**	**2.5%**		
Long Term Fund Transfer	0	1,172,150	(1,172,150)	-100.0%
Adjusted Income (Loss) with Transfers	**$16,001,123**	**$8,241,007**	**$7,760,116**	**94.2%**
Adjusted Margin % with Transfers	**5.2%**	**2.9%**		

UNAUDITED
The University of Texas M. D. Anderson Cancer Center
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	$ 177,120	$94,459	$82,661	87.5%
Sponsored Programs	111,052,863	92,348,658	18,704,205	20.3%
Net Sales and Services of Educational Activities	881,154	1,034,744	(153,590)	-14.8%
Net Sales and Services of Hospitals	610,713,048	505,961,131	104,751,917	20.7%
Net Professional Fees	122,428,110	106,990,736	15,437,374	14.4%
Net Auxiliary Enterprises	9,039,250	8,468,212	571,038	6.7%
Other Operating Revenues	11,175,437	11,025,353	150,084	1.4%
Total Operating Revenues	**865,466,982**	**725,923,293**	**139,543,689**	**19.2%**
Operating Expenses				
Salaries and Wages	473,487,853	404,271,838	69,216,015	17.1%
Employee Benefits and Related Costs	123,899,632	116,743,058	7,156,574	6.1%
Professional Fees and Contracted Services	11,816,225	9,670,394	2,145,831	22.2%
Other Contracted Services	33,331,760	27,855,497	5,476,263	19.7%
Travel	7,276,611	6,734,612	541,999	8.0%
Materials and Supplies	185,053,648	161,941,041	23,112,607	14.3%
Utilities	16,268,239	15,380,458	887,781	5.8%
Telecommunications	3,937,491	4,382,612	(445,121)	-10.2%
Repairs and Maintenance	18,151,635	10,688,059	7,463,576	69.8%
Rentals and Leases	14,103,776	12,227,657	1,876,119	15.3%
Printing and Reproduction	3,129,408	2,843,499	285,909	10.1%
Federal Sponsored Programs Pass-Thrus	584,619	445,144	139,475	31.3%
Depreciation and Amortization	50,581,902	42,055,916	8,525,986	20.3%
Other Operating Expenses	27,015,044	23,214,430	3,800,614	16.4%
Total Operating Expenses	**968,637,843**	**838,454,215**	**130,183,628**	**15.5%**
Operating Loss	**(103,170,861)**	**(112,530,922)**	**9,360,061**	**8.3%**
Other Nonoperating Adjustments				
State Appropriations	87,096,725	85,779,705	1,317,020	1.5%
Gift Contributions for Operations	24,949,145	37,632,176	(12,683,031)	-33.7%
Net Investment Income	33,939,423	19,329,048	14,610,375	75.6%
Interest Expense on Capital Asset Financings	(4,377,512)	(2,760,699)	(1,616,813)	-58.6%
Net Other Nonoperating Adjustments	**141,607,781**	**139,980,230**	**1,627,551**	**1.2%**
Adjusted Income (Loss)	**38,436,920**	**27,449,308**	**10,987,612**	**40.0%**
Adjusted Margin (as a percentage)	**3.8%**	**3.2%**		
Long Term Fund Transfer	0	3,487,221	(3,487,221)	-100.0%
Adjusted Income (Loss) with Transfers	**$38,436,920**	**$30,936,529**	**$7,500,391**	**24.2%**
Adjusted Margin % with Transfers	**3.8%**	**3.5%**		

UNAUDITED
The University of Texas Health Center at Tyler
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	$ 4,182,229	$4,228,875	(46,646)	-1.1%
Net Sales and Services of Educational Activities	605,744	740,063	(134,319)	-18.1%
Net Sales and Services of Hospitals	31,039,630	29,923,514	1,116,116	3.7%
Net Professional Fees	8,019,947	6,443,832	1,576,115	24.5%
Net Auxiliary Enterprises	522,501	477,170	45,331	9.5%
Other Operating Revenues	1,474,431	1,405,723	68,708	4.9%
Total Operating Revenues	**45,844,482**	**43,219,177**	**2,625,305**	**6.1%**
Operating Expenses				
Salaries and Wages	34,811,495	34,548,968	262,527	0.8%
Employee Benefits and Related Costs	9,226,898	9,677,895	(450,997)	-4.7%
Professional Fees and Contracted Services	2,369,583	3,088,120	(718,537)	-23.3%
Other Contracted Services	2,991,896	2,270,168	721,728	31.8%
Travel	304,801	304,947	(146)	0.0%
Materials and Supplies	9,720,784	9,587,189	133,595	1.4%
Utilities	1,160,184	1,024,786	135,398	13.2%
Telecommunications	326,707	386,409	(59,702)	-15.5%
Repairs and Maintenance	1,023,176	1,114,243	(91,067)	-8.2%
Rentals and Leases	1,124,760	1,144,938	(20,178)	-1.8%
Printing and Reproduction	514,002	563,172	(49,170)	-8.7%
Federal Sponsored Programs Pass-Thrus	384,874	193,584	191,290	98.8%
Depreciation and Amortization	3,329,217	2,994,925	334,292	11.2%
Other Operating Expenses	1,406,995	1,567,400	(160,405)	-10.2%
Total Operating Expenses	**68,695,372**	**68,466,744**	**228,628**	**0.3%**
Operating Loss	**(22,850,890)**	**(25,247,567)**	**2,396,677**	**9.5%**
Other Nonoperating Adjustments				
State Appropriations	21,391,452	19,074,121	2,317,331	12.1%
Gift Contributions for Operations	1,555,087	114,158	1,440,929	1262.2%
Net Investment Income	1,883,708	1,657,832	225,876	13.6%
Interest Expense on Capital Asset Financings	0	(49,416)	49,416	100.0%
Net Other Nonoperating Adjustments	**24,830,247**	**20,796,695**	**4,033,552**	**19.4%**
Adjusted Income (Loss)	**1,979,357**	**(4,450,872)**	**6,430,229**	**144.5%**
Adjusted Margin (as a percentage)	**2.8%**	**-6.9%**		
Long Term Fund Transfer	0	99,524	(99,524)	-100.0%
Adjusted Income (Loss) with Transfers	**$1,979,357**	**($4,351,348)**	**$6,330,705**	**145.5%**
Adjusted Margin % with Transfers	**2.8%**	**-6.8%**		

3. **U. T. Board of Regents: Report on Investments for quarter ended February 29, 2004, and Performance Report by Ennis Knupp + Associates**

REPORTS

Pages 31.1 - 31.7 contain the Summary Reports on Investments for the three months ended February 29, 2004.

Item I on Pages 31.1 - 31.2 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was 8.34%. The PUF's net investment return for the 12 months ended February 29, 2004, was 31.74%. The PUF's net asset value increased by $563.8 million since the beginning of the quarter to $8,218.9 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return, offset by a decrease for the payment of one-quarter of the PUF's annual distribution.

Item II on Pages 31.3 - 31.5 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 8.22%. The GEF's net investment return for the 12 months ended February 29, 2004, was 32.56%. The GEF's net asset value increased $291.9 million since the beginning of the quarter to $4,244.5 million.

Item III on Page 31.6 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 1.20% for the three months. The SITF's net asset value decreased by $260.3 million since the beginning of the quarter to $1,106.2 million. This decrease in net asset value includes withdrawals from the SITF and distributions.

Item IV on Page 31.7 presents book and market value of cash, debt, 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 $466.2 million to $2,274.9 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $286.7 million versus $109.0 million at the beginning of the period; equities: $210.5 million versus $298.1 million at the beginning of the period; and other investments: $6.2 million versus $14.4 million at the beginning of the period.

A Performance Report on investments for the quarter ended February 29, 2004, as prepared by Ennis Knupp + Associates is attached on Pages 31.8 - 31.99. (Blank pages included in the report were not copied.)

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at February 29, 2004 (2)

($ millions)

	FY02-03	FY03-04		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	6,738.3	7,244.8	7,655.1	7,244.8
PUF Lands Receipts (3)	102.1	27.8	23.7	51.5
Investment Return	787.6	475.9	634.3	1,110.2
Expenses	(20.2)	(6.4)	(7.2)	(13.6)
Distributions to AUF	(363.0)	(87.0)	(87.0)	(174.0)
Ending Net Assets	7,244.8	7,655.1	8,218.9	8,218.9
AUF Distribution:				
From PUF Investments	338.4	87.0	87.0	174.0
From Surface Income	8.1	0.8	2.3	3.1
Total	346.5	87.8	89.3	177.1
Total Net Investment Return	12.02%	6.60%	8.34%	15.49%

(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 February 29, 2004: 1,089,255 acres under lease; 519,061 producing acres; 3,073 active leases; and 2,076 producing leases.

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended February 29, 2004

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return
Cash and Cash Equivalents	-1.7%	0.0%	0.25%
U.S. Equities	34.3%	25.0%	7.67%
Global Equities	21.8%	17.0%	13.84%
Equity Hedge Funds	11.2%	10.0%	7.50%
Absolute Return Hedge Funds	9.6%	15.0%	5.10%
Commodities	3.1%	3.0%	10.59%
Fixed Income	11.0%	15.0%	3.92%
Total Marketable Securities	**89.3%**	**85.0%**	**8.48%**
Private Capital	**10.7%**	**15.0%**	**7.31%**
Total	**100.0%**	**100.0%**	**8.34%**

II. GENERAL ENDOWMENT FUND (1) (2)

a.) Summary Investment Report at February 29, 2004

($ millions)

	FY02-03		FY03-04					
	Full Year		1st Qtr		2nd Qtr		Year-to-Date	
Beginning Net Assets	3,293.2		3,584.8		3,952.6		3,584.8	
Net Contributions	(79.0)		209.5		135.8		345.3	
Investment Return	423.5		257.5		327.1		584.6	
Expenses	(5.8)		(2.6)		(2.6)		(5.2)	
Allocations (3)	(47.1)		(96.6)		(168.4)		(265.0)	
Ending Net Assets	3,584.8		3,952.6		4,244.5		4,244.5	
Net Asset Value per Unit	102.539		109.488		118.428		118.428	
Units and Percentage Ownership (End of Period):								
PHF	7,263,383	20.8%	7,174,022	19.9%	7,091,271	19.8%	7,091,271	19.8%
LTF	27,696,705	79.2%	28,926,791	80.1%	28,749,330	80.2%	28,749,330	80.2%
Total	34,960,088	100.0%	36,100,813	100.0%	35,840,601	100.0%	35,840,601	100.0%
Total Net Investment Return	12.81%		6.83%		8.22%		15.61%	

(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 February 29, 2004 (1)

($ millions)

	FY02-03	FY03-04		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
PERMANENT HEALTH FUND				
Beginning Net Assets	698.2	745.0	785.6	745.0
Investment Return	86.0	50.4	64.2	114.6
Expenses	(0.7)	(0.2)	(0.1)	(0.3)
Distributions (Payout)	(38.5)	(9.6)	(9.7)	(19.3)
Ending Net Assets	745.0	785.6	840.0	840.0
Net Asset Value per Unit (2)	0.908489	0.958104	1.024378	1.024378
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Unit	0.04700	0.01175	0.01175	0.02350
Total Net Investment Return	12.67%	6.76%	8.15%	15.45%
LONG TERM FUND				
Beginning Net Assets	2,595.1	2,839.8	3,167.0	2,839.8
Net Contributions	59.6	165.1	17.2	182.3
Investment Return	332.1	204.4	260.5	464.9
Expenses	(3.1)	(3.3)	(0.9)	(4.2)
Distributions (Payout)	(143.9)	(39.0)	(39.2)	(78.2)
Ending Net Assets	2,839.8	3,167.0	3,404.6	3,404.6
Net Asset Value per Unit (2)	5.114	5.388	5.761	5.761
No. of Units (End of Period)	555,329,487	587,747,101	591,003,265	591,003,265
Distribution Rate per Unit	0.25800	0.066125	0.066125	0.132250
Total Net Investment Return	12.78%	6.76%	8.14%	15.45%

(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 February 29, 2004

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return
Cash and Cash Equivalents	-1.9%	0.0%	0.25%
U.S. Equities	33.3%	25.0%	7.69%
Global Equities	22.2%	17.0%	13.89%
Equity Hedge Funds	11.5%	10.0%	7.42%
Absolute Return Hedge Funds	10.2%	15.0%	5.08%
Commodities	3.2%	3.0%	10.72%
Fixed Income	11.4%	15.0%	3.85%
Total Marketable Securities	**89.9%**	**85.0%**	**8.49%**
Private Capital	**10.1%**	**15.0%**	**5.84%**
Total	**100.0%**	**100.0%**	**8.22%**

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at February 29, 2004

($ millions)

	FY02-03	FY03-04		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	1,435.9	1,435.3	1,366.5	1,435.3
Net Contributions (Withdrawals)	26.6	(73.4)	(267.4)	(340.8)
Investment Return	25.8	12.9	14.6	27.5
Expenses	(0.7)	(0.2)	(0.1)	(0.3)
Distributions of Income	(52.3)	(8.1)	(7.4)	(15.5)
Ending Net Assets	1,435.3	1,366.5	1,106.2	1,106.2
Net Asset Value per Unit	9.917	9.947	10.000	10.000
No. of Units (End of Period)	144,736,640	137,378,810	110,618,420	110,618,420
Total Net Investment Return	1.64%	0.88%	1.20%	2.09%

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

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at February 29, 2004

($ thousands)

	FUND TYPE													
	CURRENT PURPOSE DESIGNATED		CURRENT PURPOSE RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
ASSET TYPES	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:														
Beginning value 11/30/03	3,167	3,167	1,452	1,452	25,292	25,292	459	459	79	79	1,778,299	1,778,299	1,808,748	1,808,748
Increase/(Decrease)	(217)	(217)	251	251	13,050	13,050	23	23	20	20	453,043	453,043	466,170	466,170
Ending value 02/29/04	2,950	2,950	1,703	1,703	38,342	38,342	482	482	99	99	2,231,342	2,231,342	2,274,918	2,274,918
Debt Securities:														
Beginning value 11/30/03	-	-	263	197	38,284	40,216	14,850	15,434	-	-	53,516	53,148	106,913	108,995
Increase/(Decrease)	-	-	-	8	(186)	(113)	(236)	(66)	-	-	176,584	177,899	176,162	177,728
Ending value 02/29/04	-	-	263	205	38,098	40,103	14,614	15,368	-	-	230,100	231,047	283,075	286,723
Equity Securities:														
Beginning value 11/30/03	40	9,766	1,900	1,225	38,303	39,599	22,561	21,624	-	-	256,762	225,878	319,566	298,092
Increase/(Decrease)	-	2,083	20	98	546	3,801	(554)	1,254	-	-	(98,800)	(94,825)	(98,788)	(87,589)
Ending value 02/29/04	40	11,849	1,920	1,323	38,849	43,400	22,007	22,878	-	-	157,962	131,053	220,778	210,503
Other:														
Beginning value 11/30/03	11,000	11,000	158	158	3,234	3,234	169	43	-	-	-	-	14,561	14,435
Increase/(Decrease)	(4,900)	(4,900)	(159)	(159)	(3,232)	(3,232)	5	20	-	-	-	-	(8,286)	(8,271)
Ending value 02/29/04	6,100	6,100	(1)	(1)	2	2	174	63	-	-	-	-	6,275	6,164

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

UTIMCO 5/12/2004

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

The University of
Texas System

Quarter Ending
February 29, 2004

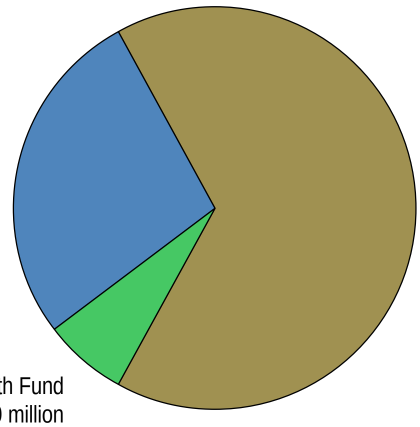
ENNISKNUPP

CONTENTS

All data found in this report has been provided by UTIMCO and Russell Mellon, except for the BGI index fund data shown for the Operating Funds, which has been provided by BGI. All rates of return contained in this report are net-of-fees and annualized for time periods greater than one year.

As of February 29, 2004

ENDOWMENT FUNDS AS OF 2/29/04*



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

Permanent Health Fund: An internal U.T. 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.

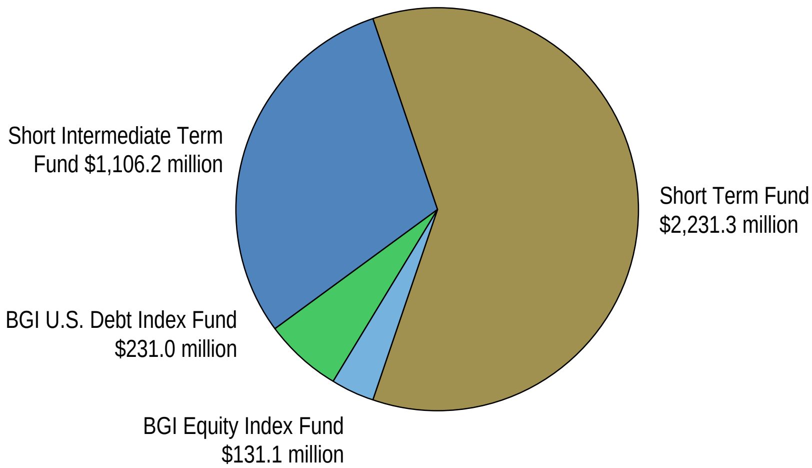
Long Term Fund: An internal U.T. System mutual fund for the pooled investment of over 5,000 privately raised endowments and other long-term funds of the 15 component institutions of the U.T. System. The Fund currently purchases units in the General Endowment Fund in exchange for its contribution of investment 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 U.T. System's Separately Invested Funds is not provided in this report.

As of February 29, 2004

OPERATING FUNDS AS OF 2/29/04



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

Short Intermediate Term Fund: An internal U.T. System mutual fund for the pooled investment of the operating funds held by U.T. 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 U.T. System institutions' permanent working capital and long-term capital reserves.

As of February 29, 2004

SUMMARY OF CHANGES

The U.T. System Board of Regents adopted new investment policies for the PUF and GEF on December 19, 2003. As a result, beginning January 1, 2004, the asset allocations and investment performance of the PUF and GEF will be compared to these new policies, including changes to the Endowment Performance Benchmark.

The changes that have been made to the Endowment Performance Benchmark as of January 1, 2004, are summarized in the table at the bottom of the page. A comprehensive comparison of the PUF and GEF asset allocations to the new Policy Targets can be found on pages 11 and 47, respectively. Changes to the classifications of assets include:

- A new classification of Equity Hedge Funds was created to represent the hedge and structured funds formerly part of the domestic and international public equity asset classes
- Global ex-U.S. Equities includes all international public equity investment accounts, both developed market and emerging market managers
- Asset classifications for Venture Capital and Private Equity were created to distinguish between the investment types included in the Private Capital asset class; however, performance was provided by UTIMCO at the Total Private Capital asset class level.
- A new classification, Commodities, was created
- The Inflation Hedging asset classification was eliminated
- REIT investment strategies were moved to the U.S. Equities category
- The table below highlights the asset class benchmark changes that took place during the quarter.

ENDOWMENT PERFORMANCE BENCHMARK CHANGES

	Current Policy Target	Former Policy Target	Current Benchmark; (Former Benchmark)
U.S. Equities	25.0 %	31.0 %	Russell 3000; (Wilshire 5000)
Global ex-U.S. Equities	17.0	19.0	MSCI All Country World ex-U.S.; (No Change)
Equity Hedge Funds	10.0	0.0	90 Day T-Bills + 4%; (N/A - New Component)
Absolute Return Hedge Funds	15.0	10.0	90 Day T-Bills + 3%; (90 Day T-Bills + 4%)
Private Capital	15.0	15.0	Venture Economics Private Capital; (Wilshire 5000 + 4%)
Commodities	3.0	--	GSCI minus 1%; (N/A - New Component)
Fixed Income	15.0	15.0	Lehman Brothers Aggregate Bond Index; (No change)
Inflation Hedging	--	10.0	N/A - Component Eliminated; (Inflation Hedging Benchmark)
Performance Benchmark	100.0 %	100.0 %	Changes take place as of January 1, 2004

As of February 29, 2004

ENDOWMENT FUNDS RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04
Permanent University Fund	**8.3%**	**31.7%**	**5.3%**	**6.1%**
Endowment Performance Benchmark**	6.6	31.3	4.9	5.8
Long Term Fund	**8.1**	**32.4**	**5.8**	**7.6**
Endowment Performance Benchmark**	6.6	31.3	4.9	5.8
Permanent Health Fund	**8.1**	**32.3**	**5.7**	**--**
Endowment Performance Benchmark**	6.6	31.3	4.9	--

OPERATING FUNDS RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04
Short Term Fund	**0.2%**	**1.1%**	**2.1%**	**3.6%**
ML 90-day T-Bill	0.3	1.1	2.2	3.6
Short Intermediate Term Fund	**1.2**	**2.4**	**3.5**	**4.7**
Composite Index	1.3	2.3	4.9	5.6
BGI U.S. Debt Index Fund	**2.9**	**4.7**	**7.4**	**--**
LB Aggregate Bond Index	2.9	4.5	7.4	--
BGI Equity Index Fund	**8.7**	**38.6**	**-1.0**	**--**
S&P 500 Index	8.7	38.5	-1.0	--

ENDOWMENT FUNDS PERFORMANCE BENCHMARK

The Endowment Policy Portfolio reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. The return is the weighted sum of the benchmark returns for each asset category as described in the Investment Policy Statements approved by the Board of Regents on December 19, 2003. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO. Detailed information on the current and historical composition of the Policy Portfolio can be found in Appendix II.

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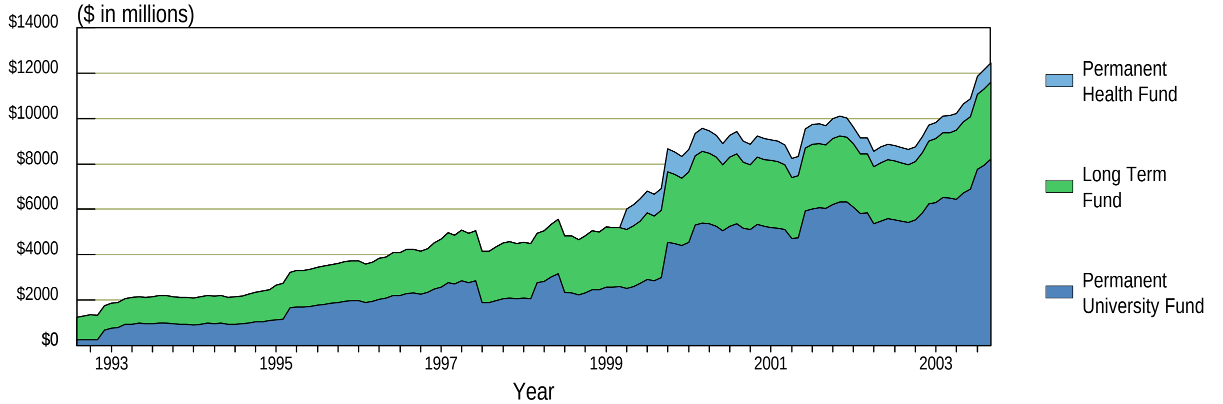
* Time-period represents the total return for the fiscal quarter ending 2/29/04.

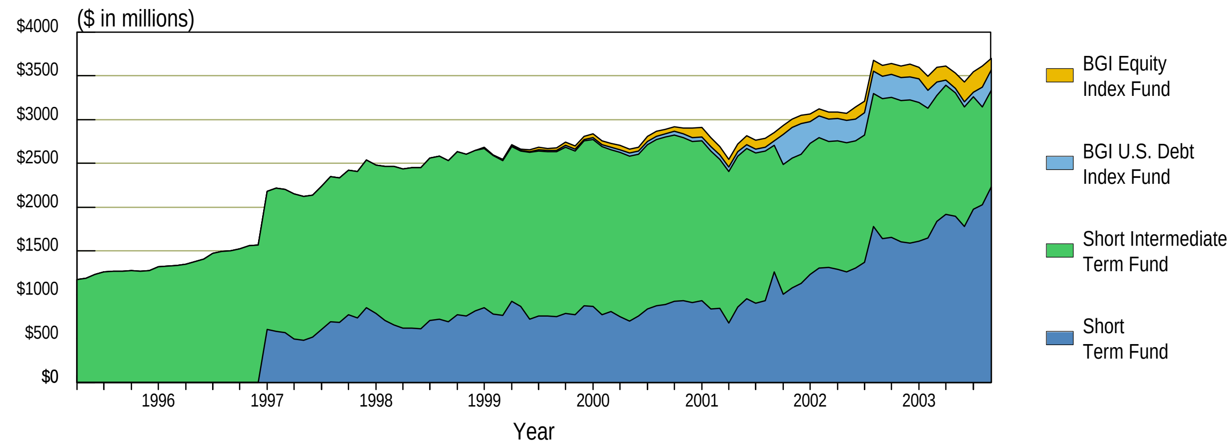
** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

As of February 29, 2004

ENDOWMENT FUNDS ASSET GROWTH (1/1/93 - 2/29/04)



OPERATING FUNDS ASSET GROWTH (1/1/96 - 2/29/04)



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

As of February 29, 2004

MAJOR MARKETS' RATES OF RETURN
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04
Russell 3000 Stock Index	8.2%	41.3%
MSCI All-Country World Ex-U.S. Free	12.1	55.9
LB Aggregate Bond Index	2.9	4.5

- The U.S. equity market advanced in the fiscal second quarter by a measure of 8.2%. All major capitalization, style, and sector indices posted positive returns as a multitude of economic indicators signaled improving economic characteristics during most of the quarter. Reports early in the quarter indicated declining unemployment rates, the ISM manufacturing index reached its highest level since 1983 in January, construction activity advanced, and consumer confidence levels continued to improve. The outlook began to pale slightly in February, however, when it was reported that the trade gap widened more than expected, retail sales began to dip, new jobless claims creeped up, and consumer confidence began to fall. For the three-month period ending February 29, 2004, value stocks outperformed their growth counterparts and the general market. On a sector basis, energy, telecom, and financial stocks led the market outperformers, and technology, consumer discretionary, and industrial stocks led the laggards.

- Non-U.S. stocks performed better than their U.S. counterparts, advancing 12.1%. Emerging markets (+15.6%) outpaced developed markets (+11.9%), as the major European markets (United Kingdom, France, and Germany) underperformed. South Korea, Mexico, and Russia earned strong returns among the emerging markets.

- The domestic bond market made consistent advances through February as the Aggregate Bond Index ended the quarter up 2.9%. Corporate bonds outperformed government and mortgage-backed bonds. Within the corporate bond market, lower grade credits marginally outperformed investment grade bonds despite a weak February which saw negative returns in the high yield market. The Federal Reserve's overnight lending rate remained unchanged during the period at 1.00%.

*Time-period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Permanent University Fund	8.3%	31.7%	5.3%	6.1%	9.8%	8/31/91
Endowment Performance Benchmark**	6.6	31.3	4.9	5.8	11.2	
U.S. Equities	7.7	40.0	2.8	4.2	11.1	8/31/91
U.S. Equity Performance Benchmark	8.1	42.1	0.7	1.1	11.0	
Global Ex US Equities	13.8	59.1	4.2	1.5	6.7	3/31/93
MSCI AC World Ex-U.S. Free Index	12.1	55.9	2.7	2.9	6.5	
Equity Hedge Funds	--	--	--	--	4.3	12/31/03
90-Day T-Bill + 4%	--	--	--	--	0.8	
Absolute Return Hedge Funds	5.1	25.1	11.2	--	13.3	2/29/00
Absolute Return Benchmark	1.1	5.1	6.3	--	7.3	
Private Capital***	7.3	8.9	-7.7	4.6	9.8	1/31/89
Private Capital Benchmark	6.5	44.1	3.9	4.7	15.9	
Commodities	--	--	--	--	8.2	12/31/03
Goldman Sachs Commodity Index - 1%	--	--	--	--	7.7	
Total Fixed Income	3.9	9.1	8.6	7.1	9.2	8/31/85
LB Aggregate Bond Index	2.9	4.5	7.4	7.2	8.7	

- The Permanent University Fund outperformed the Endowment Performance Benchmark by 1.7 percentage points in the fiscal quarter ending February 29, 2004. Each asset class except U.S. equities outperformed its benchmark and contributed to the result.

- One-year performance also exceeded the benchmark despite the significant underperformance produced by the Private Capital component. This underperformance was offset by the positive effects produced by the global ex-U.S. equity, equity and absolute return hedge funds, fixed income, and inflation hedging segments.

* Time-period represents the total return for the fiscal quarter ending 2/29/04.

** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

*** Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns through December 31, 2003 represent the Wilshire 5000 +4%.

As of February 29, 2004

POLICY COMPLIANCE
ASSET ALLOCATION AS OF 2/29/04
($ in millions)

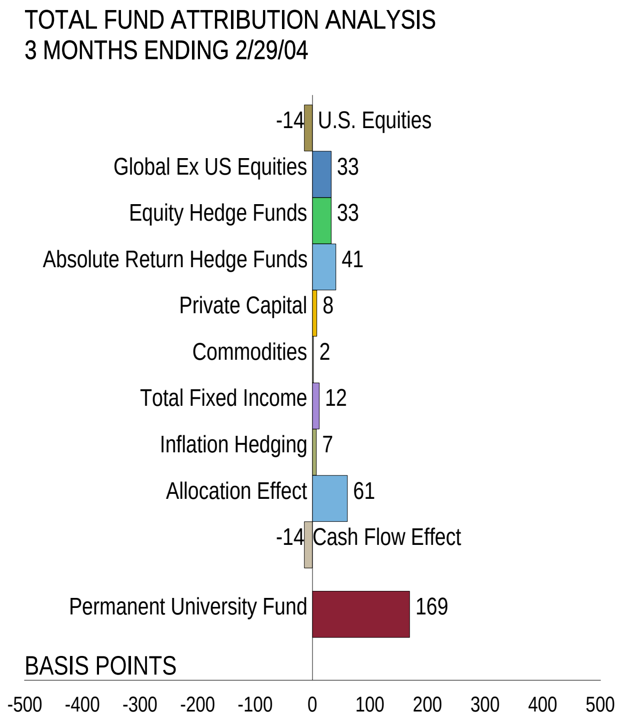
	Total	Percent of Total	Policy	Policy Ranges	In Compliance?
U.S. Equities	$ 2,823	34.3 %	25.0 %	15 - 45%	Yes
Non-U.S. Developed Equity	$ 1,074	13.1 %	10.0 %	5 - 15%	Yes
Emerging Markets Equity	716	8.7	7.0	0 - 10	Yes
Global ex U.S. Equities	$ 1,791	21.8 %	17.0 %	5 - 25%	Yes
Total Traditional Equity	$ 4,614	56.1 %	42.0 %	20 - 60%	Yes
Equity Hedge Funds	$ 781	9.5 %	10.0 %	5 - 15%	Yes
Absolute Return Hedge Funds	792	9.6	15.0	10 - 20	No
Total Hedge Funds	$ 1,573	19.1 %	25.0 %	15 - 25%	Yes
Private Equity	$ 768	9.3 %	9.0 %	0 - 10%	Yes
Venture Capital	109	1.3	6.0	5 - 15	No
Total Private Capital	$ 878	10.6 %	15.0 %	5 - 15%	Yes
Commodities	$ 251	3.1 %	3.0 %	0 - 5 %	Yes
Fixed Income	902	11.0	15.0	10 - 30	Yes
Cash	--	--	--	0 - 5	Yes
Total Permanent University Fund	$ 8,219	100.0 %	100.0 %		

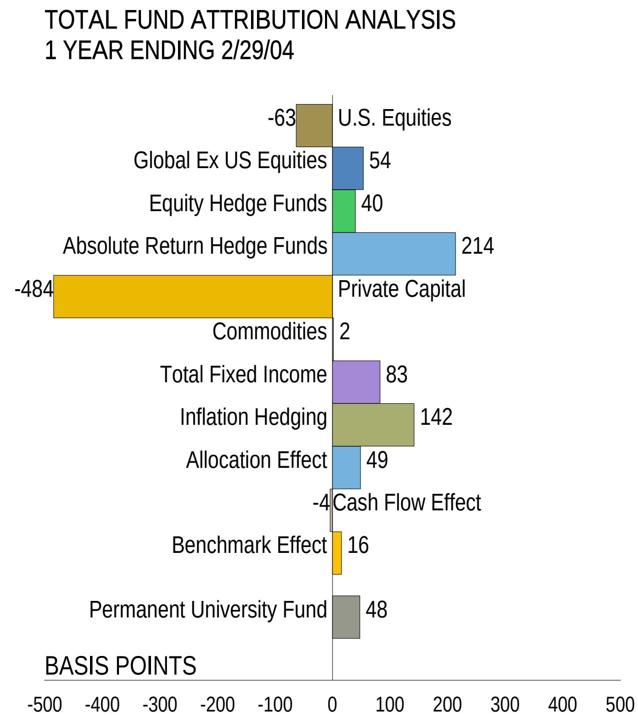
- The table above summarizes and compares the actual asset allocation of the Permanent University Fund to the U.T. System Policy Targets adopted December 19, 2003. As of the end of the fiscal quarter, the actual allocation to the absolute return hedge funds category (9.6%) was below the allowable minimum of 10.0%, and the allocation to venture capital (1.3%) was below the allowable minimum of 5.0%.

- The largest deviation from Policy was the Fund's overweight of U.S. equities. This, combined with the overweight allocations to non-U.S. developed and emerging market equities, resulted in a 14.1 percentage point greater allocation to traditional equity than the Policy's 42.0%. Additionally, the PUF held an underweight allocation in both the Total Hedge Funds and Total Private Capital segments, and a 4.0 percentage point underweight of fixed income securities.

- The PUF grew by over $570 million in the fiscal second quarter. Besides the classification changes that took place during the quarter and are summarized on page 4, the PUF's allocation to fixed income continued to decline. The component's allocation began the fiscal year at 14.3% as of August 31, and ended the second quarter at 11.0%.

As of February 29, 2004





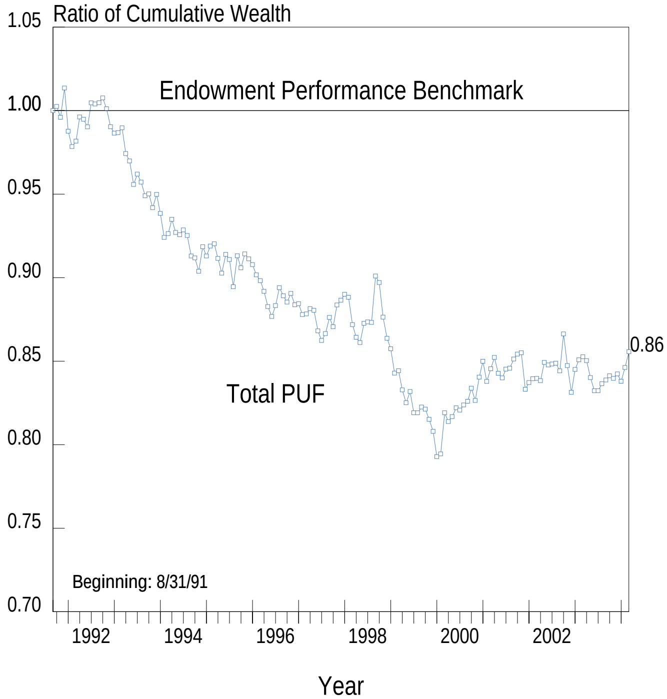
- The Performance Attribution exhibits shown above measure the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the component to the total difference in performance (shown at the bottom of the exhibit). A positive value 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 most of the asset classes benefited performance, collectively offsetting the negative impact produced by the U.S. Equity component's trailing results. The Permanent University Fund also benefited from the overweight allocations to the traditional equity asset classes and the underweight of fixed income securities.

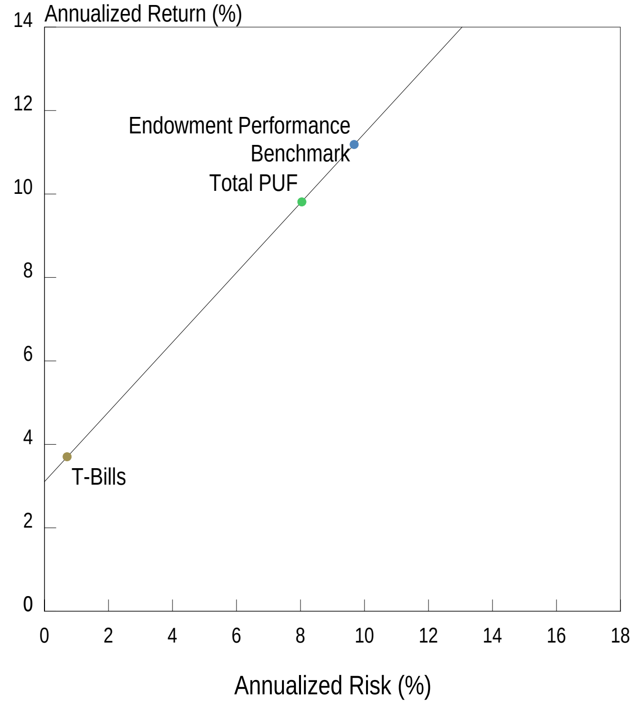
- The one-year attribution analysis shows a similar asset-class relative return story; however, the Private Capital component significantly underperformed its benchmark and offset much of the value-added produced by components such as Absolute Return Hedge Funds, Inflation Hedging, and Fixed Income.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
12 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
12 YEARS 6 MONTHS ENDING 2/29/04



- 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. 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.

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Permanent University Fund	Endowment Performance Benchmark**	Return Difference
	Return	Return	
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	24.5	25.6	-1.1
2004 (2 months)	4.7	2.5	2.2
Trailing 1-Year	31.7%	31.3%	0.4
Trailing 3-Year	5.3	4.9	0.4
Trailing 5-Year	6.1	5.8	0.3
Trailing 10-Year	9.7	10.6	-0.9
Since Inception (8/31/91)	9.8	11.2	-1.4

- 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.

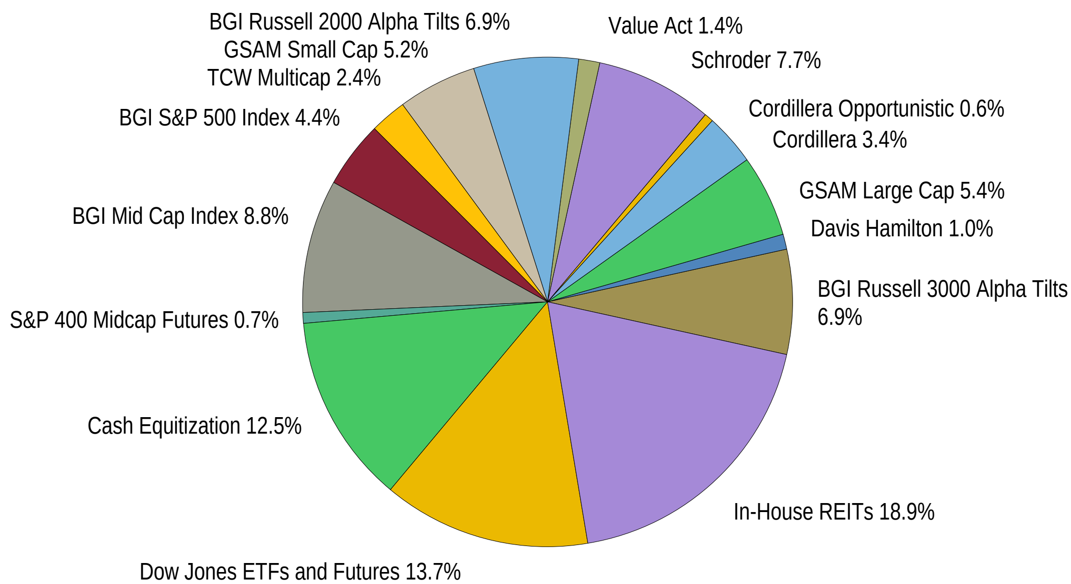
** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
U.S. Equities	7.7%	40.0%	2.8%	4.2%	11.1%	8/31/91
U.S. Equity Performance Benchmark**	8.1	42.1	0.7	1.1	11.0	

MANAGER ALLOCATION AS OF 2/29/04



- The table above details the trailing-period performance of the total domestic equity component relative to the Performance Benchmark.
- The graph above details the allocation to each manager of the U.S. equity component as of quarter-end. Beginning January 1, 2004, REIT investments are included in the U.S. equity component's allocation and performance calculation. In conjunction with this classification change, hedge and structured active domestic equity managers have been moved to a new Equity Hedge Funds asset class.
- The TCW Multicap investment was funded during the quarter.

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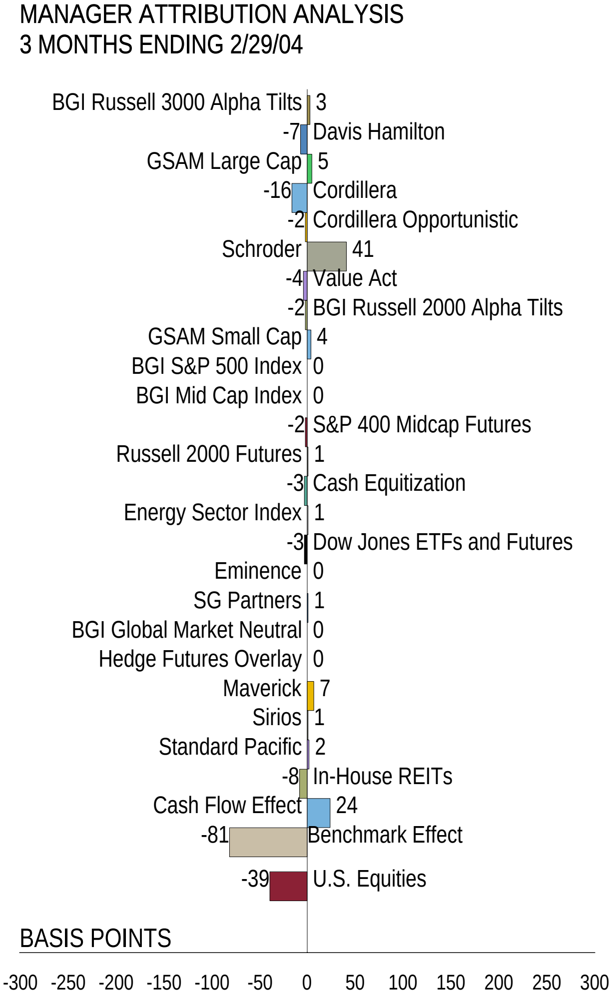
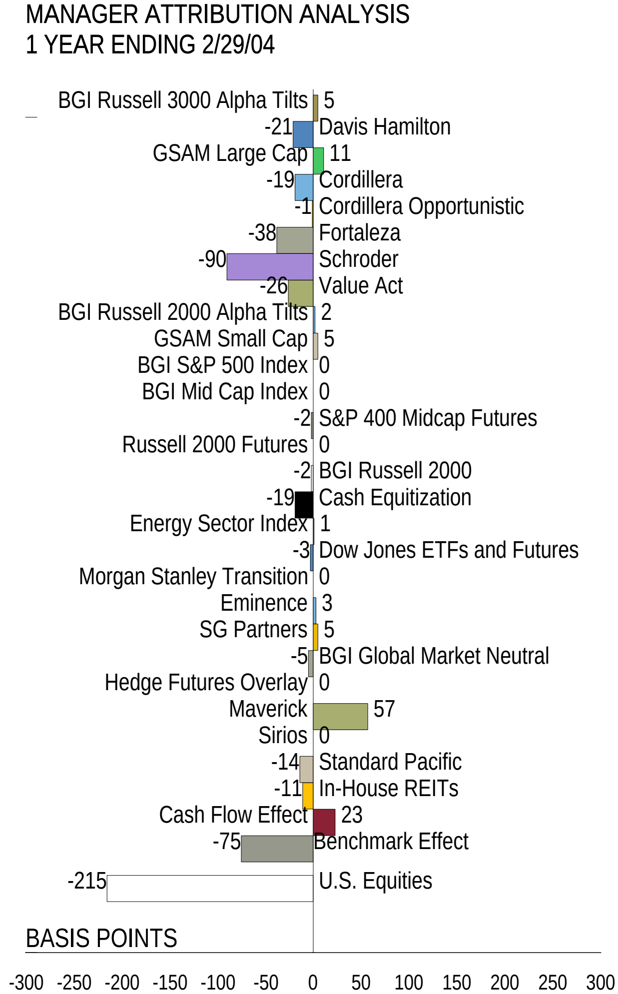
* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The U.S. Equity Performance Benchmark represents the return of the Russell 3000 Index beginning January 1, 2004. Returns through December 31, 2003, represent the Wilshire 5000 Index.

$2,823 Million

As of February 29, 2004



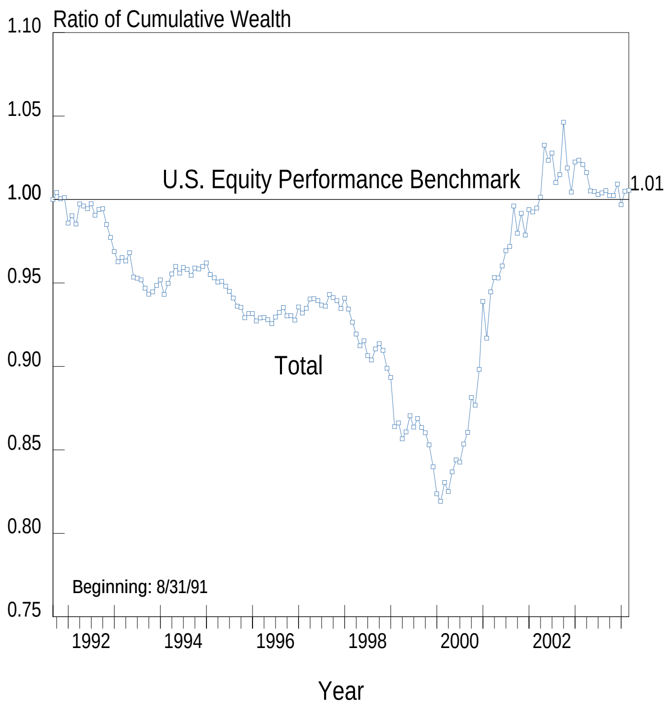


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "U.S. Equities" represents the component's performance relative to the U.S. Equities Performance Benchmark in basis points. The value of the 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 U.S. equity benchmark.

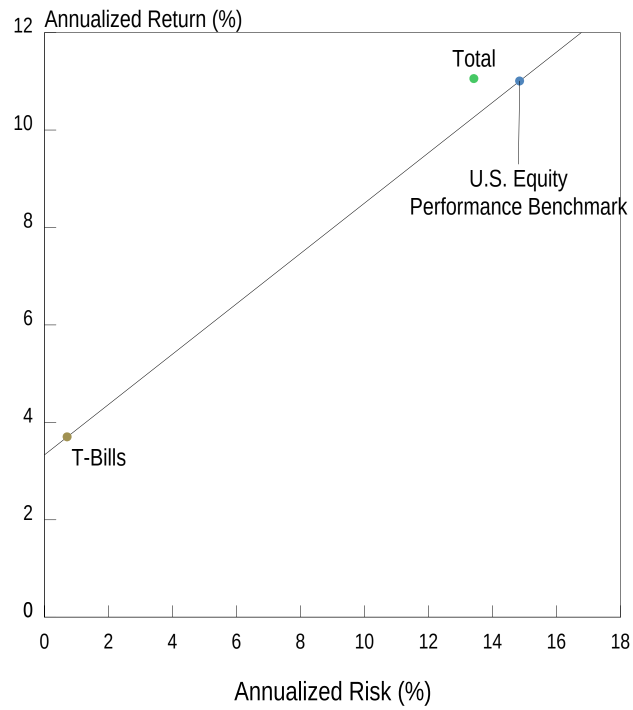
- As shown in the three-month exhibit, relative performance was mixed across investment styles. The greatest contributor was the Schroder small cap portfolio which earned a return that exceeded the benchmark by over five percentage points. The Cordillera small cap portfolio, on the other hand, was the largest single detractor. The benchmark effect is a result of the market-trailing returns earned by mid-cap stocks and the hedge fund benchmarks of T-bills + 4%.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
12 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
12 YEARS 6 MONTHS ENDING 2/29/04



- The Ratio of Cumulative Wealth graph above illustrates the domestic equity component's cumulative performance relative to that of the U.S. Equity Performance 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, 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 U.S. Equity Performance Benchmark. As shown, the component slightly outperformed its benchmark while incurring a lower level of risk.

As of February 29, 2004

HISTORICAL RETURNS*
(BY YEAR)

	U.S. Equities	U.S. Equity Performance Benchmark	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	28.4	31.7	-3.3
2004 (2 months)	4.4	3.5	0.9
Trailing 1-Year	40.0%	42.1%	-2.1
Trailing 3-Year	2.8	0.7	2.1
Trailing 5-Year	4.2	1.1	3.1
Trailing 10-Year	11.5	10.9	0.6
Since Inception (8/31/91)	11.1	11.0	0.1

- The table above compares the annual return history of the total U.S. equity component to that of the U.S. Equity Performance Benchmark.

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

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI Russell 3000 Alpha Tilts	8.6%	--%	--%	--%	15.6%	8/31/03
Russell 3000 Index	8.2	--	--	--	15.1	
Davis Hamilton	4.2	27.3	-3.4	-0.6	9.8	12/31/93
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.2	
GSAM Large Cap	9.5	41.2	0.2	--	-2.1	2/29/00
S&P 500 Index	8.7	38.5	-1.0	--	-2.9	
Cordillera	2.0	61.7	-3.4	9.3	10.4	12/31/93
Russell 2000 Growth Index	5.6	64.9	1.9	2.9	5.9	
Cordillera Opportunistic	4.5	--	--	--	20.6	9/30/03
Russell 2000 Index	7.4	--	--	--	20.6	
Schroder	12.9	52.2	7.7	14.2	12.4	12/31/93
Russell 2000 Index	7.4	64.4	8.7	9.8	9.9	
Value Act	4.7	--	--	--	8.1	7/31/03
Russell 2000 Index	7.4	--	--	--	23.8	
BGI Russell 2000 Alpha Tilts	7.1	63.2	--	--	11.9	12/31/01
Russell 2000 Index	7.4	64.4	--	--	10.1	
GSAM Small Cap	8.5	65.8	12.2	--	6.7	2/29/00
Russell 2000 Index	7.4	64.4	8.7	--	1.7	
TCW Multicap	--	--	--	--	1.2	1/31/04
Russell 3000 Index	--	--	--	--	1.4	
BGI S&P 500 Index	8.7	38.6	-1.0	-0.1	11.5	10/31/92
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.4	
BGI Mid Cap Index	6.4	49.7	7.8	12.3	14.9	11/30/92
S&P 400 Mid Cap Index	6.4	49.7	7.7	12.3	14.4	
S&P 400 Midcap Futures	5.9	--	--	--	17.8	9/30/03
S&P 400 Mid Cap Index	6.4	--	--	--	18.4	
Cash Equitization	8.3	37.1	-1.4	--	-1.4	2/28/01
S&P 500 Index	8.7	38.5	-1.0	--	-1.0	
Energy Sector Index	16.9	--	--	--	19.5	8/31/03
ML 90-day T-Bill	0.3	--	--	--	0.5	
Dow Jones ETFs and Futures	8.3	--	--	--	7.8	10/31/03
Dow Jones Industrial Average	8.7	--	--	--	8.8	
In-House REITs	8.7	48.6	20.9	--	22.0	11/30/99
Wilshire Real Estate Securities Index	9.2	47.2	18.5	--	20.8	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

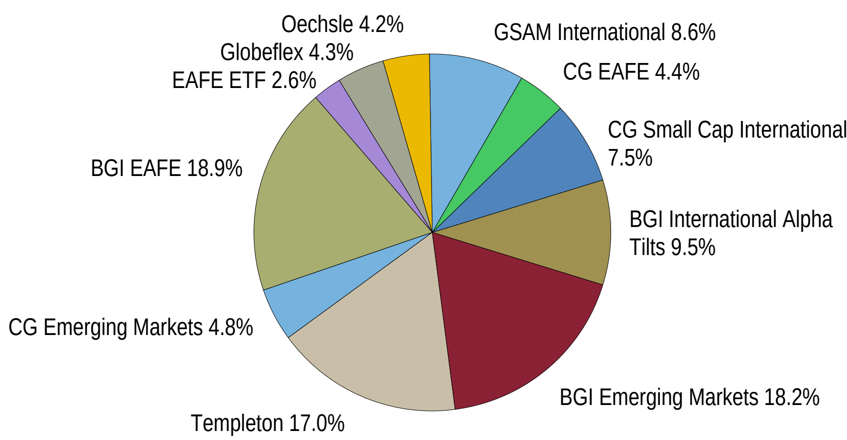
$1,790 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Global Ex US Equities	13.8%	59.1%	4.2%	1.5%	6.7%	3/31/93
MSCI AC World Ex-U.S. Free Index	12.1	55.9	2.7	2.9	6.5	

MANAGER ALLOCATION AS OF 2/29/04



- The table above details the trailing-period performance of the global ex-U.S. equities component relative to the MSCI All-Country World ex-U.S. Index. The current quarter's outperformance was aided by the above-market returns earned by the Capital Guardian Small Cap, Globeflex, and Goldman Sachs portfolios, and positive tracking from the BGI Emerging Markets portfolio. The component has outperformed its benchmark over the one-year and three-year periods.

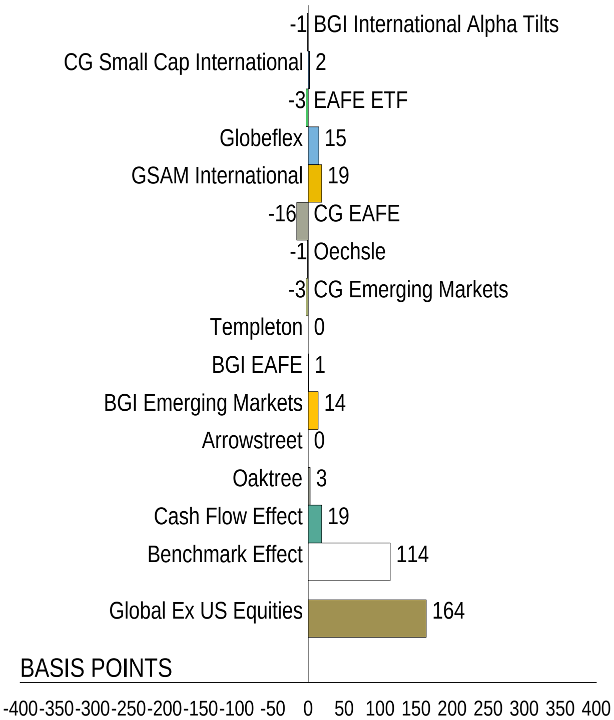
- The graph above details the allocation to each manager of the global ex-U.S. equities component as of quarter-end. Beginning January 1, 2004, hedge and structured active international equity managers have been classified within a new Equity Hedge Funds asset class.

- The EAFE ETF investment was funded during the quarter.

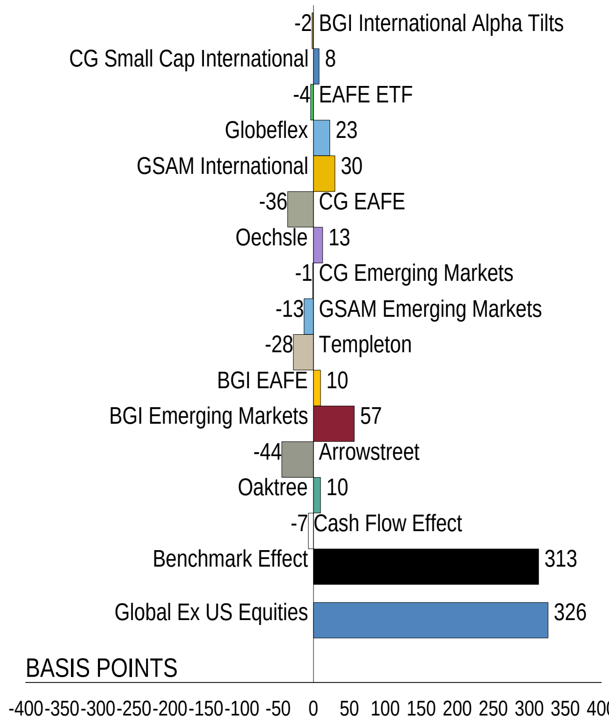
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



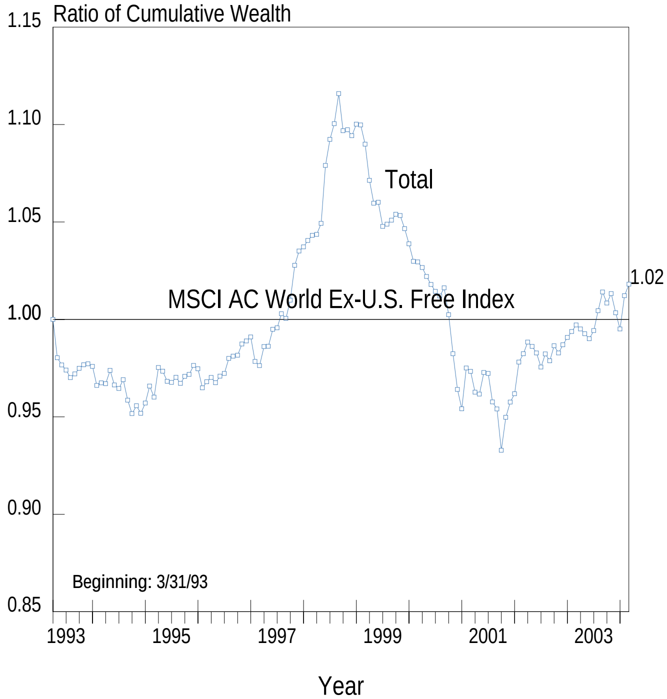
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Global ex-U.S. Equities" represents the component's relative performance to the MSCI All-Country World ex-U.S. Index in basis points. The 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 global ex-U.S. equities benchmark.

- As shown in both exhibits, manager results have been mixed. The Capital Guardian Small Cap, Globeflex, and Goldman Sachs portfolios outperformed their benchmarks over both the quarter and one-year period and made significant contributions to the component's above-benchmark result. The positive benchmark effect during both periods is significantly impacted by the large positive returns earned in the emerging markets.

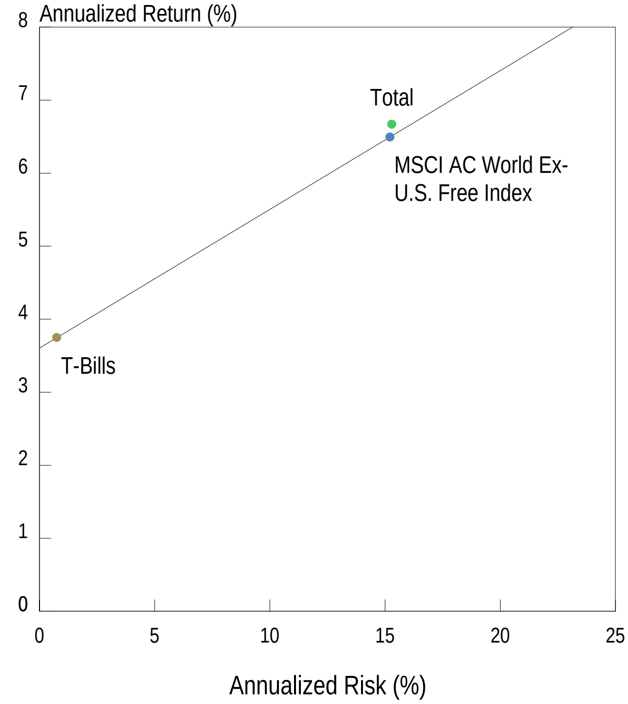
$1,790 Million

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
10 YEARS 11 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
10 YEARS 11 MONTHS ENDING 2/29/04



- The Ratio of Cumulative Wealth graph above illustrates the global ex-U.S. equities 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 matched its benchmark after a period of significant underperformance from 1998-2000.

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

As of February 29, 2004

HISTORICAL RETURNS*
(BY YEAR)

	Global Ex US Equities	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	42.0	41.4	0.6
2004 (2 months)	6.6	4.2	2.4
Trailing 1-Year	59.1%	55.9%	3.2
Trailing 3-Year	4.2	2.7	1.5
Trailing 5-Year	1.5	2.9	-1.4
Trailing 10-Year	4.9	4.3	0.6
Since Inception (3/31/93)	6.7	6.5	0.2

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

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

$1,790 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI EAFE	11.9%	53.9%	1.4%	1.2%	6.5%	3/31/93
MSCI EAFE Index	11.9	53.6	0.9	1.2	6.1	
BGI Emerging Markets	16.5	75.1	--	--	22.7	1/31/02
MSCI Emerging Markets Free Index	15.6	69.8	--	--	19.8	
BGI International Alpha Tilts	11.7	--	--	--	25.0	8/31/03
MSCI EAFE Index	11.9	--	--	--	25.2	
CG Small Cap International	13.4	71.7	3.8	--	-6.3	2/29/00
Citigroup Extended Market World Ex-US	13.2	70.6	9.7	--	3.1	
EAFE ETF	10.5	--	--	--	10.5	11/30/03
MSCI EAFE Index	11.9	--	--	--	11.9	
Globeflex	17.2	--	--	--	19.7	10/31/03
Citigroup Extended Market World Ex-US	13.2	--	--	--	15.1	
GSAM International	14.8	59.1	1.3	--	-4.5	2/29/00
MSCI EAFE Index	11.9	53.6	0.9	--	-4.1	
CG EAFE	9.3	48.8	1.5	--	-3.8	7/31/00
MSCI EAFE Index	11.9	53.6	0.9	--	-3.3	
Oechsle	11.8	56.7	-2.4	--	-6.3	7/31/00
MSCI EAFE Index	11.9	53.6	0.9	--	-3.3	
CG Emerging Markets	15.2	69.2	11.2	--	2.2	7/31/00
MSCI Emerging Markets Free Index	15.6	69.8	11.0	--	3.5	
Templeton	15.7	66.6	15.8	--	8.4	7/31/00
MSCI Emerging Markets Free Index	15.6	69.8	11.0	--	3.5	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

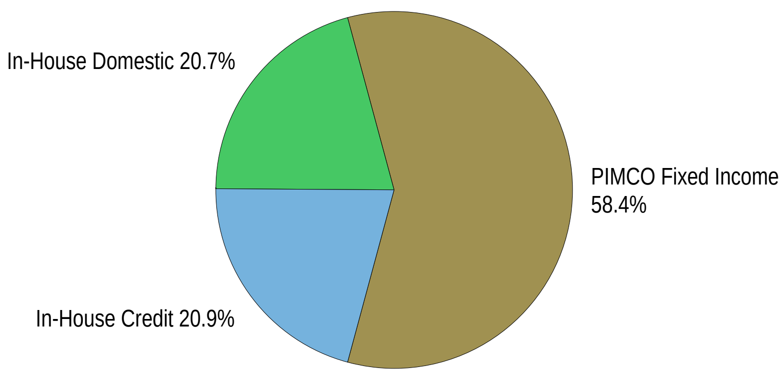
$902 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Total Fixed Income	3.9%	9.1%	8.6%	7.1%	9.2%	8/31/85
LB Aggregate Bond Index	2.9	4.5	7.4	7.2	8.7	

MANAGER ALLOCATION AS OF 2/29/04



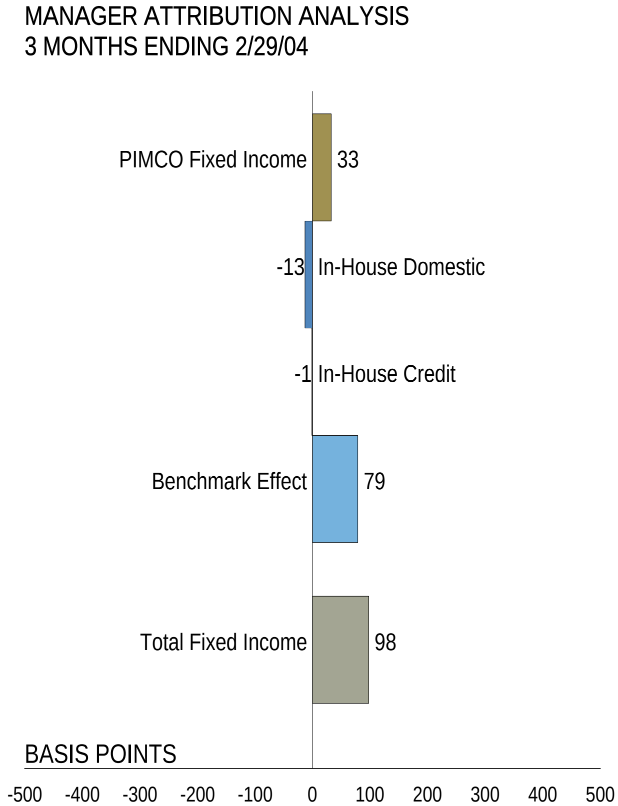
- The table above details the trailing-period performance of the total fixed income component relative to the Lehman Brothers Aggregate Bond Index. The component has outperformed its benchmark over the quarter, one-year, three-year, and since-inception periods. Outperformance has been driven by the relative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

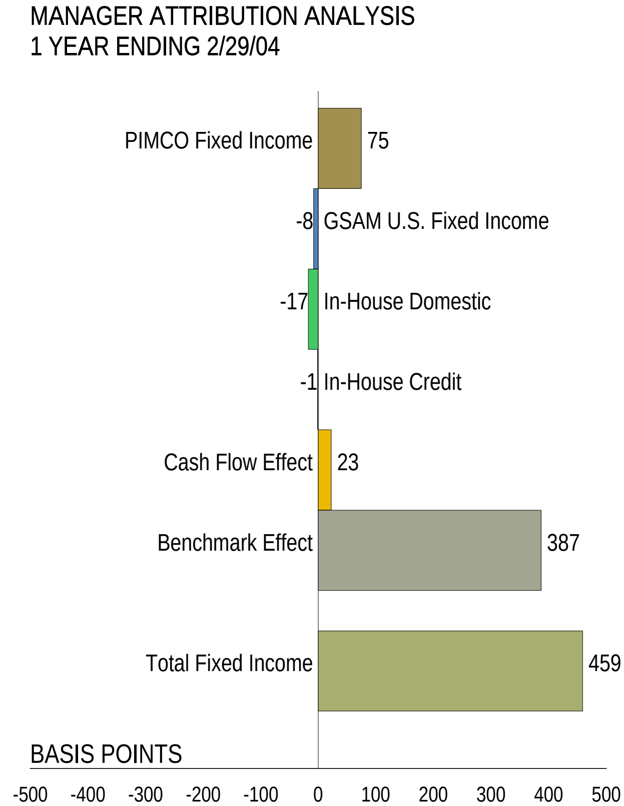
- The graph above details the allocation to each manager of the fixed income component as of quarter-end. As shown, PIMCO manages more than half of the PUF's fixed income assets.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

$902 Million

As of February 29, 2004

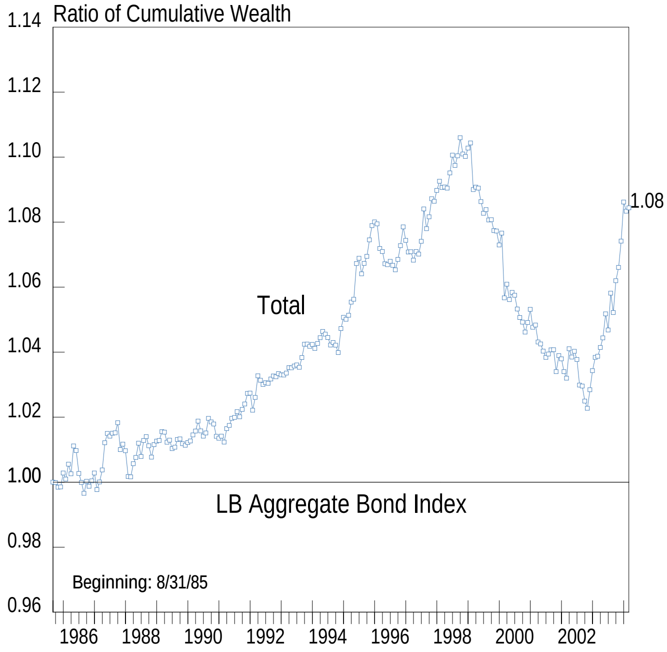




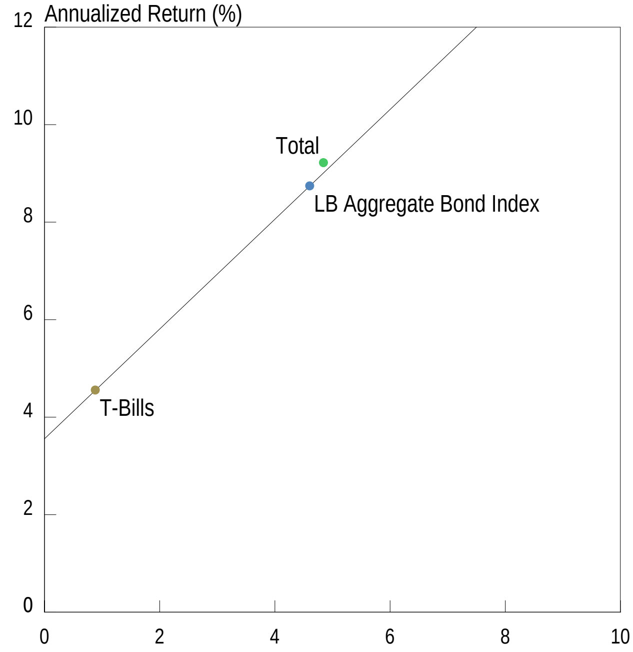
- The Performance Attribution graphs shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Fixed Income" represents the component's relative performance to the Lehman Aggregate Bond Index in basis points. The value of the manager 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. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the fixed income benchmark.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
18 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
18 YEARS 6 MONTHS ENDING 2/29/04



- 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 February 29, 2004

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	9.3	4.1	5.2
2004 (2 months)	1.7	1.9	-0.2
Trailing 1-Year	9.1%	4.5%	4.6
Trailing 3-Year	8.6	7.4	1.2
Trailing 5-Year	7.1	7.2	-0.1
Trailing 10-Year	7.6	7.2	0.4
Since Inception (8/31/85)	9.2	8.7	0.5

- 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.

$902 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	Since Inception	Inception Date
PIMCO Fixed Income	4.8%	12.3%	11.0%	10.9%	1/31/00
LB Global Aggregate Bond Index	4.2	10.8	10.1	8.8	
In-House Domestic	2.3	3.9	5.1	7.4	1/31/00
LB Aggregate Bond Index	2.9	4.5	7.4	9.0	
In-House Credit	3.3	7.3	7.5	7.7	1/31/01
Credit Related Composite Index**	3.3	7.3	9.0	9.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The description of the composite benchmark can be found in the appendix of this report.

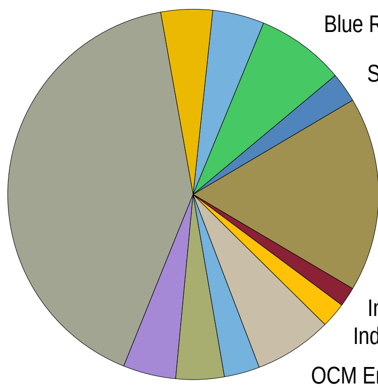
$781 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since Inception	Inception Date
Equity Hedge Funds	4.3%	12/31/03
90-Day T-Bill + 4%	0.8	

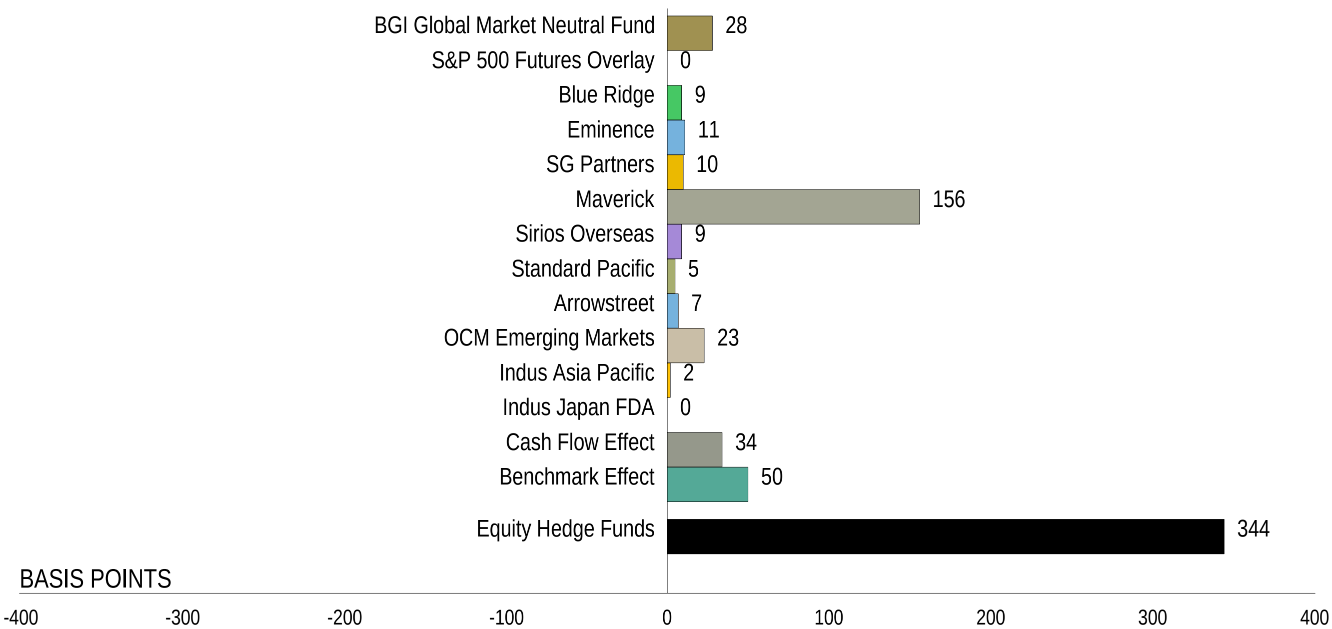
MANAGER ALLOCATION AS OF 2/29/04



- The Equity Hedge Fund component outperformed its benchmark over the two months since its inception as an official asset category. The Maverick portfolio was the greatest contributor to results and represents the largest portion of the component (41.1% as of quarter-end).
- The Blue Ridge, Indus Japan, and Indus Asia Pacific investments were all funded during the quarter.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
2 MONTHS ENDING 2/29/04



- The Performance Attribution exhibit shown above measures the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Equity Hedge Funds" 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 equity hedge fund benchmark.

- As shown, each manager either made a positive contribution or had negligible impact on relative performance; the Maverick portfolio had the largest positive impact on component performance.

$781 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	Since Inception	Inception Date
BGI Global Market Neutral Fund	10.3%	39.5%	--%	26.3%	12/31/02
S&P 500 Index	8.7	38.5	--	27.6	
S&P 500 Futures Overlay	8.4	--	--	9.2	10/31/03
S&P 500 Index	8.7	--	--	9.6	
Blue Ridge	--	--	--	0.7	12/31/03
90-Day T-Bill + 4%	--	--	--	0.8	
Eminence	4.7	--	--	8.4	6/30/03
90-Day T-Bill + 4%	1.3	--	--	3.4	
SG Partners	4.3	--	--	7.1	8/31/03
90-Day T-Bill + 4%	1.3	--	--	2.5	
Maverick	5.5	12.2	6.5	12.0	2/29/00
90-Day T-Bill + 4%	1.3	5.2	6.3	7.4	
Sirios Overseas	3.9	--	--	8.5	4/30/03
90-Day T-Bill + 4%	1.3	--	--	4.3	
Standard Pacific	4.2	-0.4	--	-0.7	1/31/03
90-Day T-Bill + 4%	1.3	5.2	--	5.2	
Arrowstreet	3.4	--	--	-9.0	5/31/03
90-Day T-Bill + 4%	1.3	--	--	3.9	
OCM Emerging Markets	5.6	11.4	--	10.4	12/31/01
90-Day T-Bill + 4%	1.3	5.2	--	5.6	
Indus Asia Pacific	5.9	--	--	5.9	11/30/03
90-Day T-Bill + 4%	1.3	--	--	1.3	
Indus Japan FDA	2.5	--	--	2.5	11/30/03
90-Day T-Bill + 4%	1.3	--	--	1.3	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

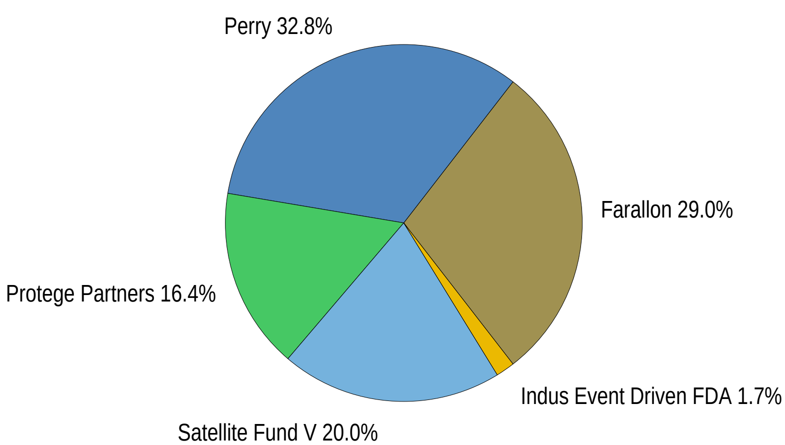
$792 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	Since Inception	Inception Date
Absolute Return Hedge Funds	5.1%	25.1%	11.2%	13.3%	2/29/00
Absolute Return Benchmark**	1.1	5.1	6.3	7.3	

MANAGER ALLOCATION AS OF 2/29/04



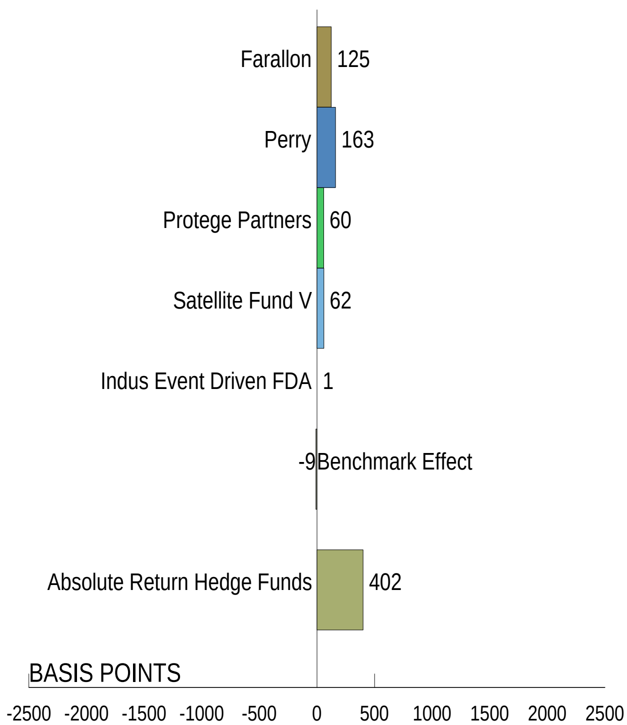
- The total absolute return component outperformed in the recent fiscal quarter as each of the managers earned a return exceeding that of the benchmark during the period. Longer-term performance shown above is also favorable as the component outperformed its benchmark by six percentage points since inception.
- The graph above details the allocation to each manager of the absolute return component as of quarter-end.
- The Indus Event Driven investment was funded during the quarter.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

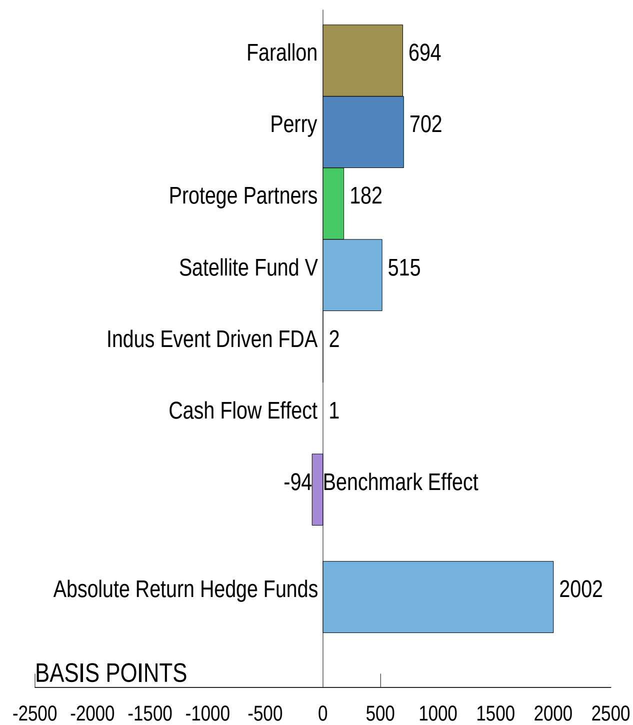
** The Absolute Return Benchmark consists of the returns of 90 Day T-Bills + 3% beginning January 1, 2004. Returns through December 31, 2003, represent 90 Day T-Bills + 4%.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



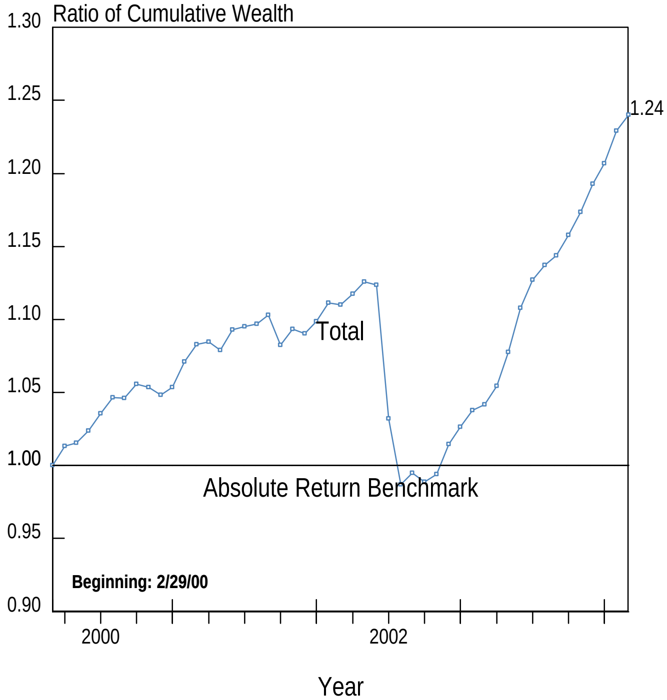
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



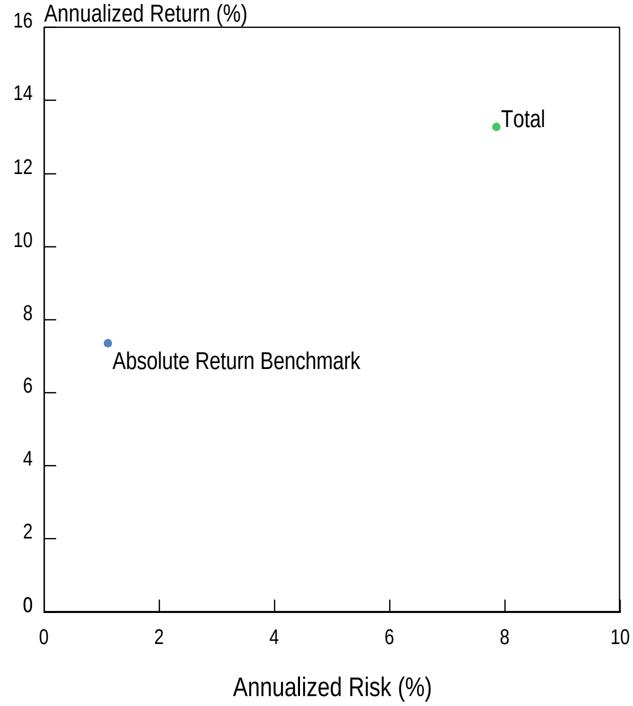
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Absolute Return Hedge Funds" represents the component's relative performance to the performance benchmark in basis points. The value of the 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 manager and the absolute return hedge fund benchmark.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
4 YEARS ENDING 2/29/04



ANNUALIZED RISK/RETURN
4 YEARS ENDING 2/29/04



- 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 and 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 February 29, 2004

HISTORICAL RETURNS*
(BY YEAR)

	Absolute Return Hedge Funds	Absolute Return Benchmark	Return Difference
	Return	Return	
2000 (10 months)	14.6%	8.8%	5.8
2001	13.3	8.7	4.6
2002	-1.0	6.0	-7.0
2003	23.8	5.3	18.5
2004 (2 months)	3.4	0.7	2.7
Trailing 1-Year	25.1%	5.1%	20.0
Trailing 3-Year	11.2	6.3	4.9
Since Inception (2/29/00)	13.3	7.3	6.0

- 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.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	Since Inception	Inception Date
Farallon	5.3%	27.0%	14.2%	14.1%	2/29/00
90 Day T-Bills + 3%	1.0	4.2	5.3	6.3	
Perry	6.0	24.3	13.4	15.9	2/29/00
90 Day T-Bills + 3%	1.0	4.2	5.3	6.3	
Protege Partners	4.6	16.6	--	16.6	2/28/03
90 Day T-Bills + 3%	1.0	4.2	--	4.2	
Satellite Fund V	4.0	28.7	5.4	7.5	8/31/00
90 Day T-Bills + 3%	1.0	4.2	5.3	5.9	
Indus Event Driven FDA	2.0	--	--	2.0	11/30/03
90 Day T-Bills + 3%	1.0	--	--	1.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

$878 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Private Capital	**7.3%**	**8.9%**	**-7.7%**	**4.6%**	**9.8%**	**1/31/89**
Private Capital Benchmark**	6.5	44.1	3.9	4.7	15.9	

- As shown in the table above, Private Capital outperformed its benchmark for the quarter, and trailed the benchmark over all longer periods shown.

- 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.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The Private Capital Benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004. Returns through December 31, 2003, represent the Wilshire 5000 + 4%.

As of February 29, 2004

HISTORICAL RETURNS
PUF SINCE INCEPTION IRR

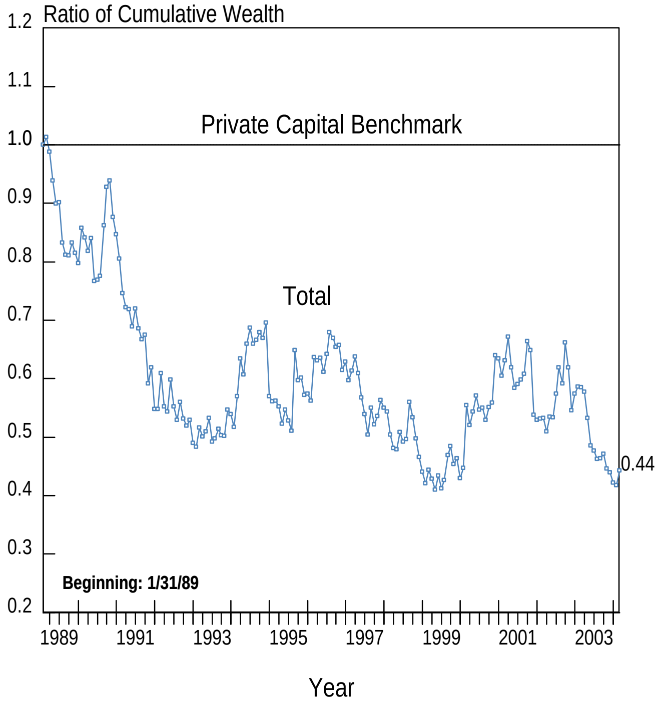
Period Ending	Private Capital	Wilshire 5000 Index + 4%	Return Difference
8/31/1989	22.2 %	46.2 %	-24.0 %
8/31/1990	-5.1	-3.8	-1.3
8/31/1991	6.6	17.0	-10.4
8/31/1992	-3.9	13.3	-17.4
8/31/1993	2.3	15.4	-13.1
8/31/1994	12.9	12.7	0.2
8/31/1995	18.2	14.5	3.7
8/31/1996	20.5	15.1	5.4
8/31/1997	20.1	18.0	2.1
8/31/1998	18.5	15.6	2.9
8/31/1999	19.0	18.7	0.3
8/31/2000	22.3	19.2	3.1
8/31/2001	17.8	12.2	5.6
8/31/2002	13.0	8.0	5.0
8/31/2003	10.5	9.3	1.2
2/29/2004	10.9	10.6	0.3

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

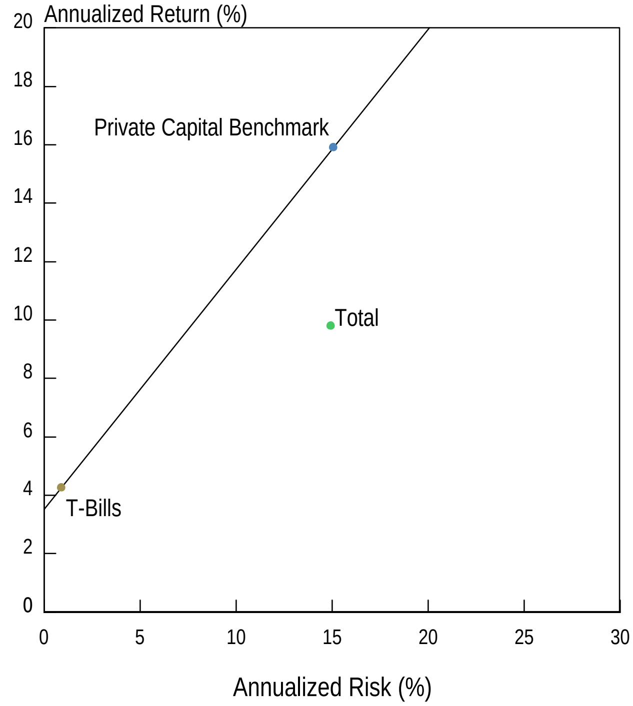
$878 Million

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
15 YEARS 1 MONTH ENDING 2/29/04



ANNUALIZED RISK/RETURN
15 YEARS 1 MONTH ENDING 2/29/04



- 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 while incurring a similar level of risk.

$878 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Private Capital	Private Capital Benchmark	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	0.6	36.9	-36.3
2004 (2 months)	6.4	1.6	4.8
Trailing 1-Year	8.9%	44.1%	-35.2
Trailing 3-Year	-7.7	3.9	-11.6
Trailing 5-Year	4.6	4.7	-0.1
Trailing 10-Year	12.2	15.1	-2.9

- 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.

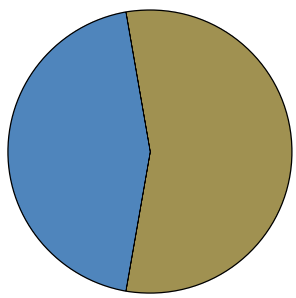
$251 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since Inception	Inception Date
Commodities	**8.2%**	**12/31/03**
Goldman Sachs Commodity Index - 1%	7.7	

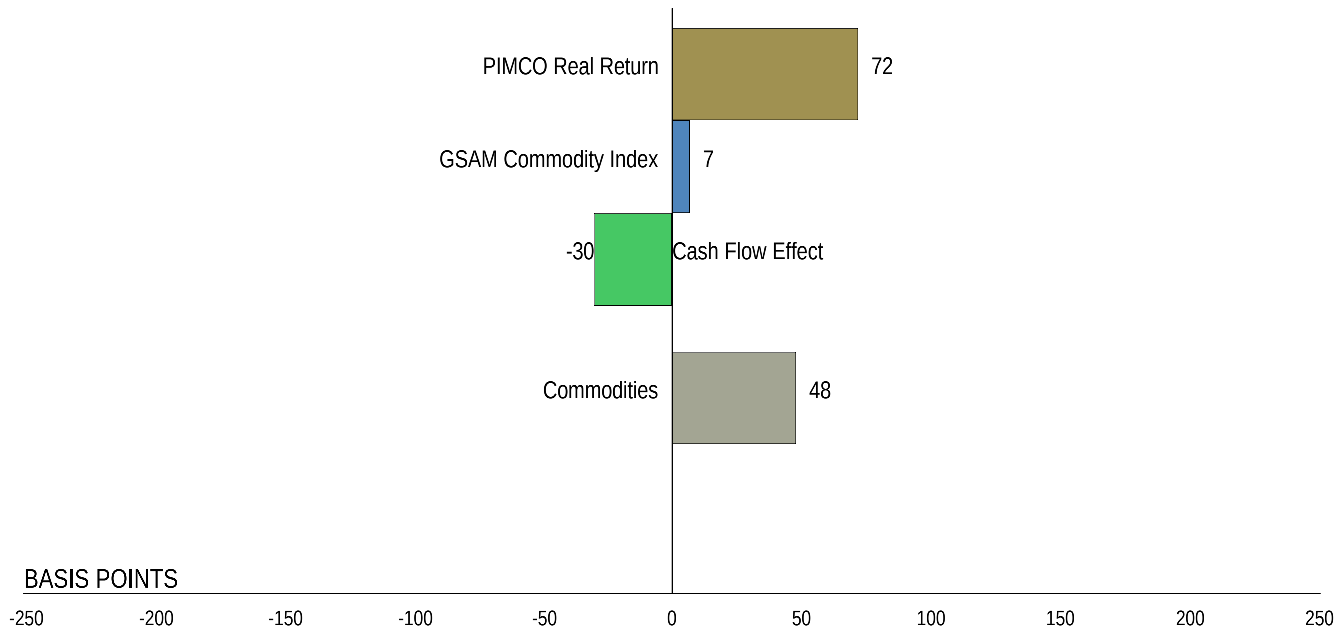
MANAGER ALLOCATION AS OF 2/29/04



- The commodities component outperformed the benchmark over the two months since inception.
- The graph above details the manager allocations of the commodities asset class as of quarter-end. The assets are roughly split between Goldman Sachs and the newly funded PIMCO Real Return investment.
- The PIMCO Real Return investment was funded during the quarter.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
2 MONTHS ENDING 2/29/04



- 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 "Commodities" 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.

$251 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	Since Inception	Inception Date
PIMCO Real Return	--	--	8.4%	12/31/03
Goldman Sachs Commodity Index - 1%	--	--	7.7	
GSAM Commodity Index	15.1	7.4	28.8	3/31/02
Goldman Sachs Commodity Index - 1%	14.6	5.5	22.3	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

GENERAL ENDOWMENT FUND

$4,245 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
General Endowment Fund	8.2%	32.6%	5.9%	7.6%	10.5%	8/31/91
Endowment Performance Benchmark**	6.6	31.3	4.9	5.8	11.2	
U.S. Equities	7.7	40.1	3.0	4.8	11.1	8/31/91
U.S. Equity Performance Benchmark	8.1	42.1	0.7	1.1	11.0	
Global Ex US Equities	13.9	59.5	4.3	3.4	6.0	3/31/93
MSCI AC World Ex-U.S. Free Index	12.1	55.9	2.7	2.9	6.5	
Equity Hedge Funds	--	--	--	--	4.3	12/31/03
90-Day T-Bill + 4%	--	--	--	--	0.8	
Absolute Return Hedge Funds	5.1	25.0	11.1	13.7	11.4	7/31/98
Absolute Return Benchmark	1.1	5.1	6.3	7.7	7.9	
Private Capital***	5.8	6.9	-8.0	3.8	9.7	11/30/86
Private Capital Benchmark	6.5	44.1	3.9	4.7	15.9	
Commodities	--	--	--	--	8.1	12/31/03
Goldman Sachs Commodity Index - 1%	--	--	--	--	7.7	
Total Fixed Income	3.9	9.4	8.7	7.6	11.3	8/31/81
LB Aggregate Bond Index	2.9	4.5	7.4	7.2	10.6	

- The General Endowment Fund outperformed the Endowment Performance Benchmark by 1.6 percentage points in the fiscal quarter ending February 29, 2004. Global ex-U.S. equities, absolute return hedge funds, equity hedge funds, commodities, and fixed income outperformed their benchmarks and contributed to the result.

- One-year performance exceeded the benchmark also despite the significant underperformance produced by the Private Capital component. This underperformance was offset by the positive effects produced by the global ex-U.S. equity, equity and absolute return hedge funds, fixed income, and inflation hedging segments.

* Time-period represents the total return for the fiscal quarter ending 2/29/04.

** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

*** Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns through December 31, 2003 represent the Wilshire 5000 + 4%.

As of February 29, 2004

UTIMCO POLICY COMPLIANCE
ASSET ALLOCATION AS OF 2/29/04
($ in millions)

	Total	Percent of Total	Policy	Policy Ranges	In Compliance?
U.S. Equities	$ 1,414	33.3 %	25.0 %	15 - 45%	Yes
Non-U.S. Developed Equity	$ 555	13.1 %	10.0 %	5 - 15%	Yes
Emerging Markets Equity	388	9.1	7.0	0 - 10	Yes
Global ex U.S. Equities	$ 943	22.2 %	17.0 %	5 - 25%	Yes
Total Traditional Equity	$ 2,357	55.5 %	42.0 %	20 - 60%	Yes
Equity Hedge Funds	$ 418	9.8 %	10.0 %	5 - 15%	Yes
Absolute Return Hedge Funds	434	10.2	15.0	10 - 20	Yes
Total Hedge Funds	$ 852	20.0 %	25.0 %	15 - 25%	Yes
Private Equity	$ 364	8.6 %	9.0 %	0 - 10%	Yes
Venture Capital	63	1.5	6.0	5 - 15	No
Total Private Capital	$ 427	10.1 %	15.0 %	5 - 15%	Yes
Commodities	$ 134	3.1 %	3.0 %	0 - 15%	Yes
Fixed Income	483	11.3	15.0	10 - 30	Yes
Cash	-8	-0.1	--	0 - 5	No
Total General Endowment Fund	$ 4,245	100.0 %	100.0 %		

- The table above summarizes and compares the actual asset allocation of the General Endowment Fund to the U.T. System Policy Targets adopted December 19, 2003. As of the end of the fiscal quarter, the actual allocation to the venture capital category (1.5%) was below the allowable minimum of 5.0%.

- The largest deviation from Policy was the Fund's overweight of U.S. equities. This, combined with the overweight allocations to non-U.S. developed and emerging market equities, resulted in a 13.5 percentage point greater allocation to traditional equity than the Policy's 42.0%. Additionally, the GEF held an underweight allocation in both the Total Hedge Funds and Total Private Capital segments, and a 3.7 percentage point underweight of fixed income securities.

- The GEF grew by over $300 million in the fiscal second quarter. Besides the classification changes that took place during the quarter and are summarized on page 4, the GEF's allocation to fixed income continued to decline. The component's allocation began the fiscal year at 13.8% as of August 31, and ended the fiscal second quarter at 11.3%.

- As of February 29, 19.8% of the General Endowment Fund was representative of the Permanent Health Fund and the remaining 80.2% was of the Long Term Fund.

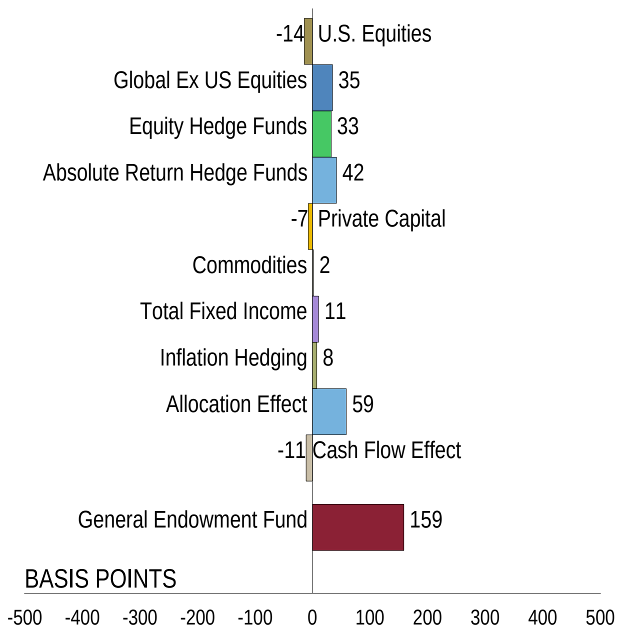
- The negative $8 million cash position represents liabilities accrued at quarter-end and paid shortly following the close of the quarter.

GENERAL ENDOWMENT FUND

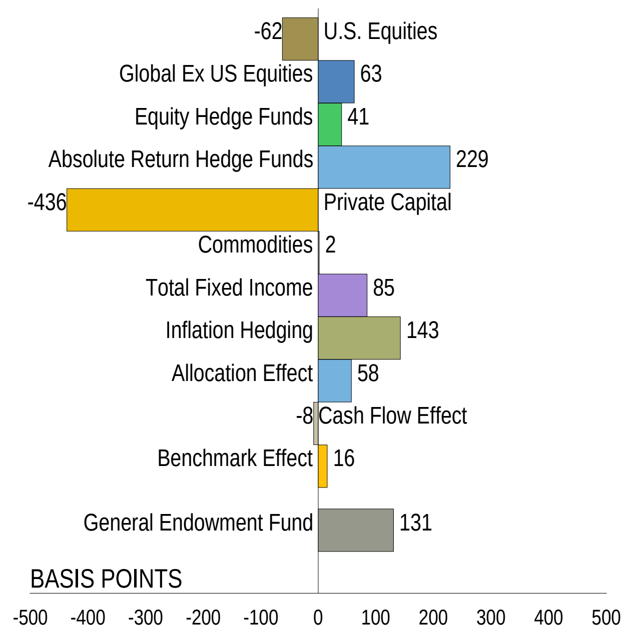
$4,245 Million

As of February 29, 2004

TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



TOTAL FUND ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



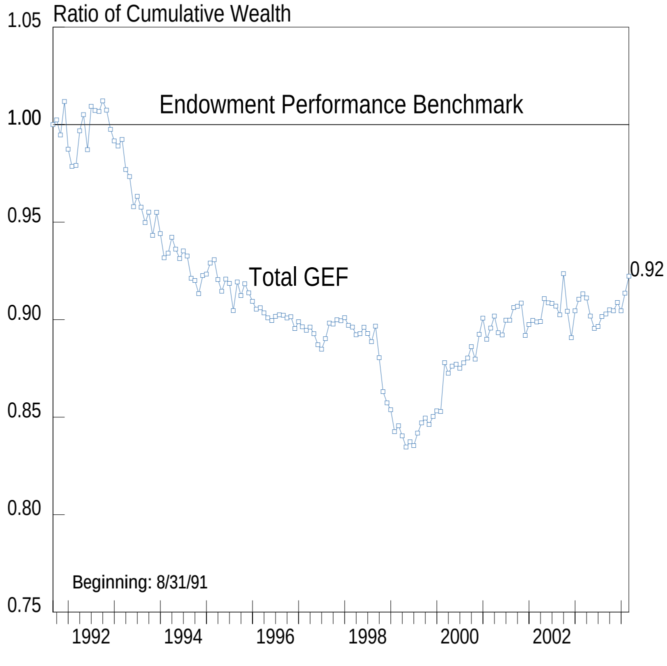
- The Performance Attribution exhibits shown above measure the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the component to the total difference in performance (shown at the bottom of the exhibit). A positive value 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 most of the asset classes benefited performance, collectively offsetting the negative impact produced by the U.S. Equities, and Private Capital components' trailing results. The General Endowment Fund also benefited from the overweight allocations to the traditional equity asset classes and the underweight of fixed income securities.

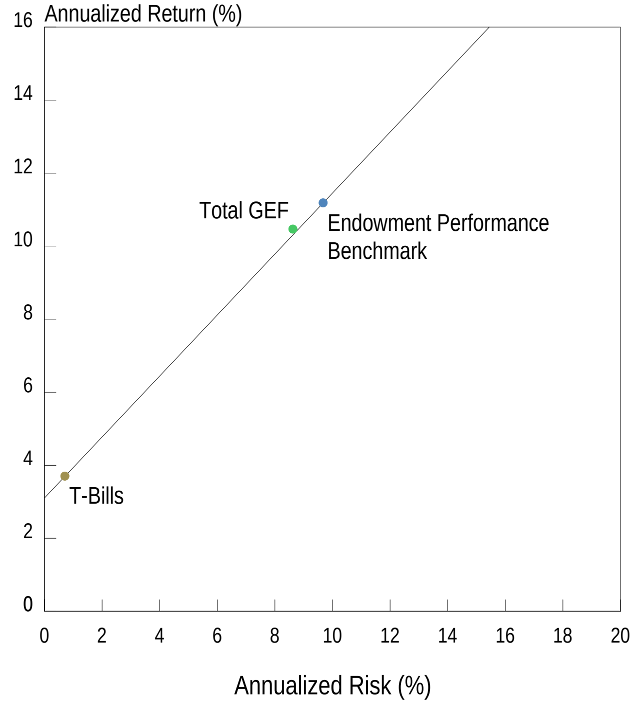
- The one-year attribution analysis shows a similar asset-class relative return story; however, the Private Capital component significantly underperformed its benchmark and offset much of the value-added produced by components such as Absolute Return Hedge Funds, Inflation Hedging, and Fixed Income.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
12 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
12 YEARS 6 MONTHS ENDING 2/29/04



- 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 and 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

$4,245 Million

As of February 29, 2004

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	25.5	25.6	-0.1
2004 (2 months)	4.5	2.5	2.0
Trailing 1-Year	32.6%	31.3%	1.3
Trailing 3-Year	5.9	4.9	1.0
Trailing 5-Year	7.6	5.8	1.8
Trailing 10-Year	10.5	10.6	-0.1
Since Inception (8/31/91)	10.5	11.2	-0.7

- 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.

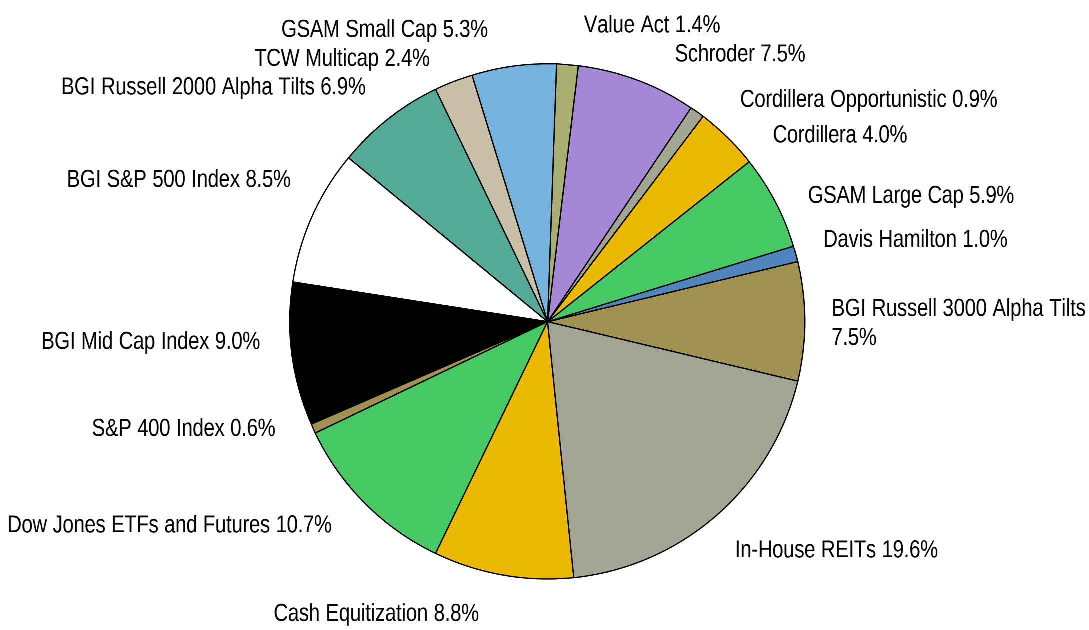
** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

As of February 29, 2004

**RETURN SUMMARY
ENDING 2/29/04**

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
U.S. Equities	**7.7%**	**40.1%**	**3.0%**	**4.8%**	**11.1%**	**8/31/91**
U.S. Equity Performance Benchmark	8.1	42.1	0.7	1.1	11.0	

MANAGER ALLOCATION AS OF 2/29/04



- The table above details the trailing-period performance of the total domestic equity component relative to the Performance Benchmark.

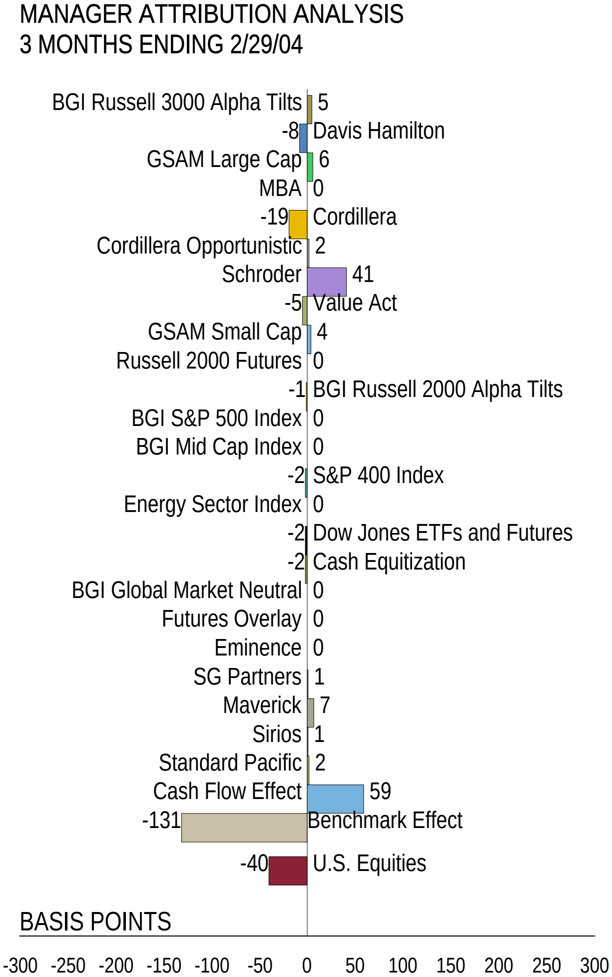
- The graph above details the allocation to each manager of the U.S. equity component as of quarter-end. Beginning January 1, 2004, REIT investments are included in the U.S. equity component's allocation and performance calculation. In conjunction with this classification change, hedge and structured active domestic equity managers have been moved to a new Equity Hedge Funds asset class.

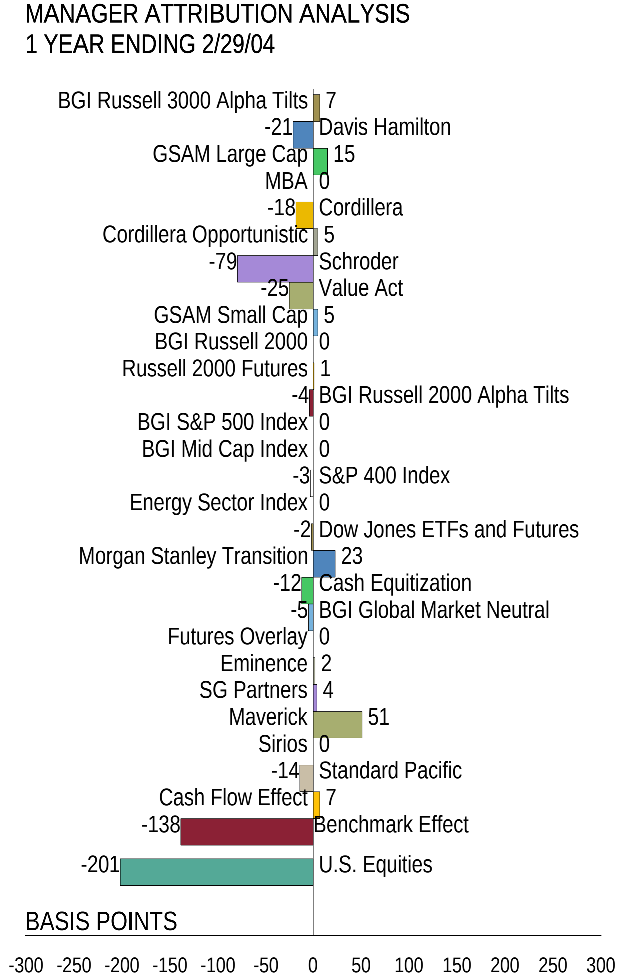
- The TCW Multicap investment was funded during the quarter.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The U.S. Equity Performance Benchmark represents the return of the Russell 3000 Index beginning January 1, 2004. Returns through December 31, 2003, represent the Wilshire 5000 Index.

As of February 29, 2004



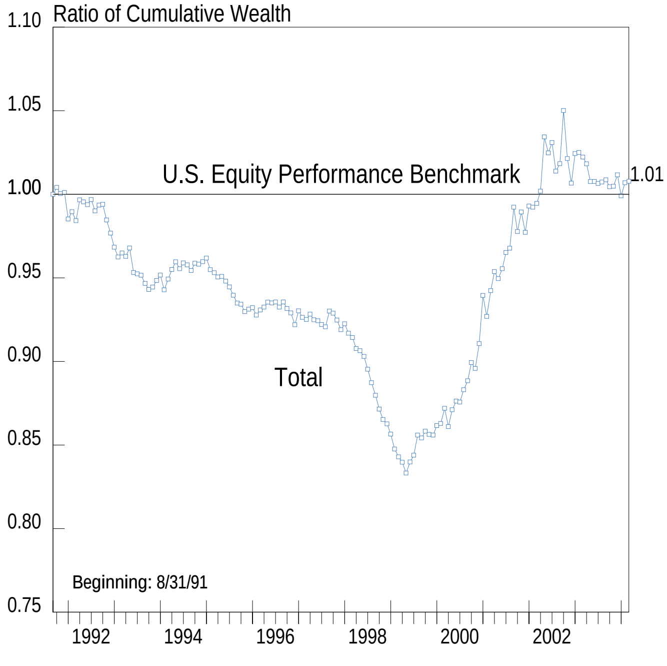


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "U.S. Equities" represents the component's performance relative to the U.S. Equities Performance Benchmark in basis points. The value of the 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 U.S. equity benchmark.

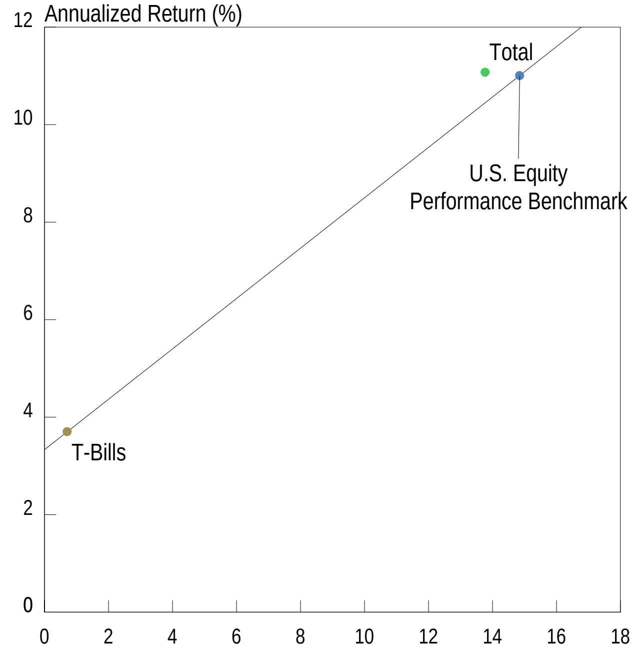
- As shown in the three-month exhibit, relative performance was mixed across investment styles. The greatest contributor was the Schroder small cap portfolio which earned a return that exceeded the benchmark by over five percentage points. The Cordillera small cap portfolio, on the other hand, was the largest single detractor. The benchmark effect is a result of the market-trailing returns earned by mid-cap stocks and the hedge fund benchmarks of T-bills + 4%. This effect is muted in the one-year exhibit as small-cap stocks outperformed the rest of the market during the period.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
12 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
12 YEARS 6 MONTHS ENDING 2/29/04



- 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 return similar to that of the Index at a slightly lower level of volatility.

$1,414 Million

As of February 29, 2004

HISTORICAL RETURNS*
(BY YEAR)

	U.S. Equities	U.S. Equity Performance Benchmark	
	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	28.4	31.7	-3.3
2004 (2 months)	4.4	3.5	0.9
Trailing 1-Year	40.1%	42.1%	-2.0
Trailing 3-Year	3.0	0.7	2.3
Trailing 5-Year	4.8	1.1	3.7
Trailing 10-Year	11.5	10.9	0.6
Since Inception (8/31/91)	11.1	11.0	0.1

- The table above compares the annual return history of the total domestic equity component to that of the U.S. Equity Performance Benchmark.

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

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI Russell 3000 Alpha Tilts	8.6%	--%	--%	--%	15.6%	8/31/03
Russell 3000 Index	8.2	--	--	--	15.1	
Davis Hamilton	4.1	26.9	-3.6	-0.7	9.8	12/31/93
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.2	
GSAM Large Cap	9.5	41.2	0.3	0.7	2.1	3/31/98
S&P 500 Index	8.7	38.5	-1.0	-0.1	2.1	
MBA	5.0	34.1	-3.9	-5.7	3.1	10/31/95
S&P 500 Index	8.7	38.5	-1.0	-0.1	10.2	
Cordillera	1.9	61.3	-3.8	9.0	10.3	12/31/93
Russell 2000 Growth Index	5.6	64.9	1.9	2.9	5.9	
Cordillera Opportunistic	9.8	--	--	--	15.1	10/31/03
Russell 2000 Index	7.4	--	--	--	11.2	
Schroder	12.7	51.5	7.3	14.1	11.9	12/31/93
Russell 2000 Index	7.4	64.4	8.7	9.8	9.9	
Value Act	4.8	--	--	--	8.1	7/31/03
Russell 2000 Index	7.4	--	--	--	23.8	
GSAM Small Cap	8.5	65.7	12.1	12.3	6.7	3/31/98
Russell 2000 Index	7.4	64.4	8.7	9.8	4.7	
TCW Multicap	--	--	--	--	1.2	1/31/04
Russell 3000 Index	--	--	--	--	1.4	
BGI Russell 2000 Alpha Tilts	7.1	63.1	--	--	11.9	12/31/01
Russell 2000 Index	7.4	64.4	--	--	10.1	
BGI S&P 500 Index	8.7	38.6	-1.0	-0.1	12.0	1/31/93
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.1	
BGI Mid Cap Index	6.4	49.7	7.8	12.3	14.9	11/30/92
S&P 400 Mid Cap Index	6.4	49.7	7.7	12.3	14.4	
S&P 400 Index	5.8	--	--	--	9.5	10/31/03
S&P 400 Mid Cap Index	6.4	--	--	--	10.1	
Energy Sector Index	14.7	--	--	--	18.5	9/30/03
ML 90-day T-Bill	0.3	--	--	--	0.4	
Dow Jones ETFs and Futures	8.4	--	--	--	7.8	10/31/03
Dow Jones Industrial Average	8.7	--	--	--	8.8	
Cash Equitization	8.2	37.2	-1.8	--	-1.8	2/28/01
S&P 500 Index	8.7	38.5	-1.0	--	-1.0	
In-House REITs	8.7	48.6	21.0	17.5	14.3	3/31/93
Wilshire Real Estate Securities Index	9.2	47.2	18.5	16.5	11.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

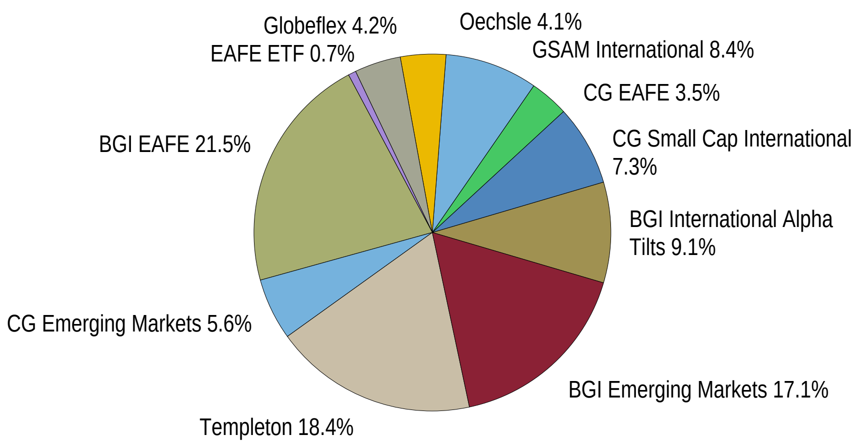
$943 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Global Ex US Equities	13.9%	59.5%	4.3%	3.4%	6.0%	3/31/93
MSCI AC World Ex-U.S. Free Index	12.1	55.9	2.7	2.9	6.5	

MANAGER ALLOCATION AS OF 2/29/04



- The table above details the trailing-period performance of the total international equity component relative to the MSCI All-Country World ex-U.S. Index. The current quarter's outperformance was aided by the above-market returns earned by the Capital Guardian Small Cap and Goldman Sachs portfolios and positive tracking error from the BGI Emerging Markets portfolio. The component has outperformed its benchmark over the one-year, three-year, and five-year periods.

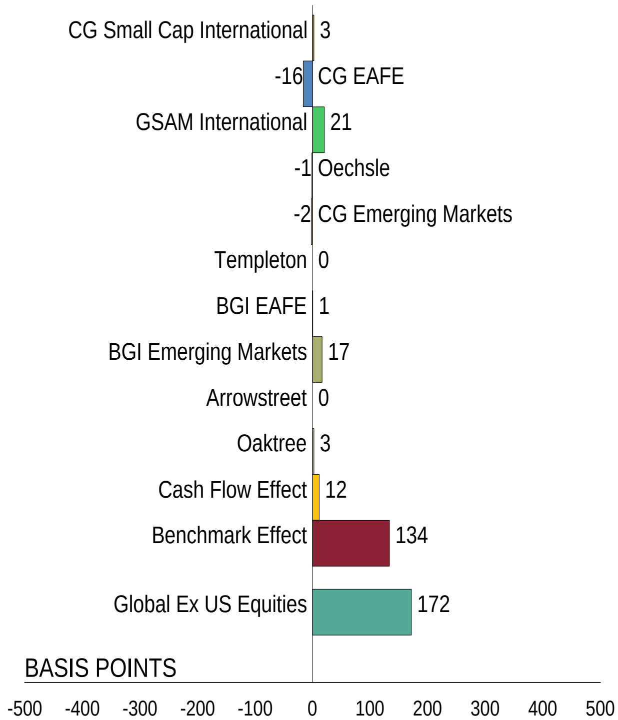
- The graph above details the allocation to each manager of the international equity component as of quarter-end. Beginning January 1, 2004, hedge and structured active international equity managers have been classified within a new Equity Hedge Funds asset class.

- The EAFE ETF investment was funded during the quarter.

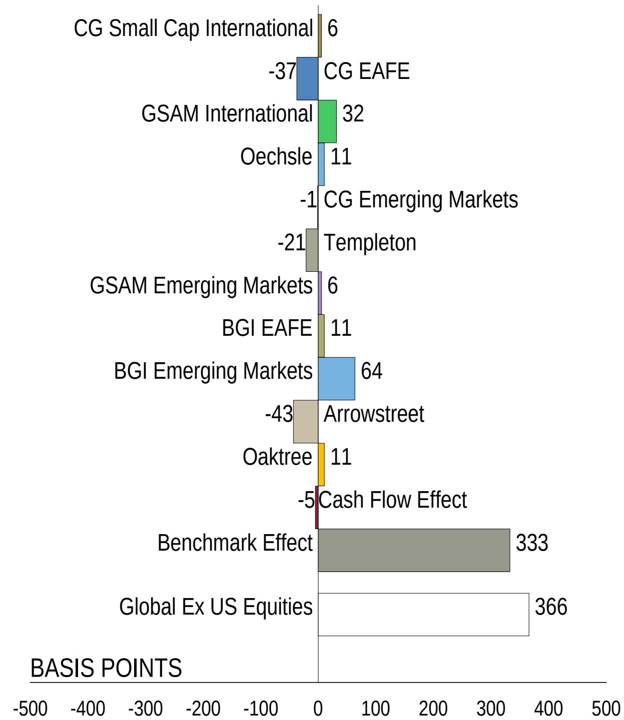
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



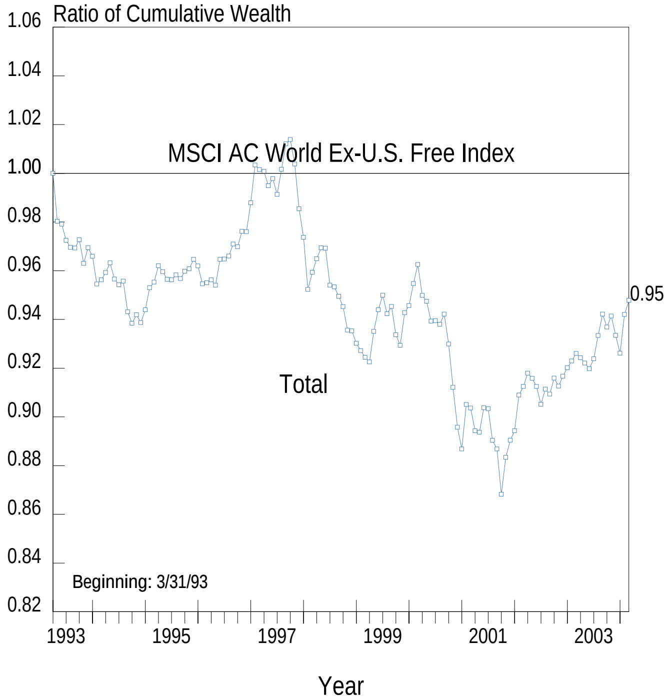
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Global ex-U.S. Equities" represents the component's relative performance to the MSCI All Country World ex-U.S. Free Index in basis points. 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 global ex-U.S. equity benchmark.

- As shown in both exhibits, manager results have been mixed. The Capital Guardian Small Cap and Goldman Sachs portfolios have outperformed their benchmarks over both the quarter and one-year period and contributed the most to the component's above-benchmark result. The positive benchmark effect during both periods is significantly impacted by the large positive returns earned in the emerging markets.

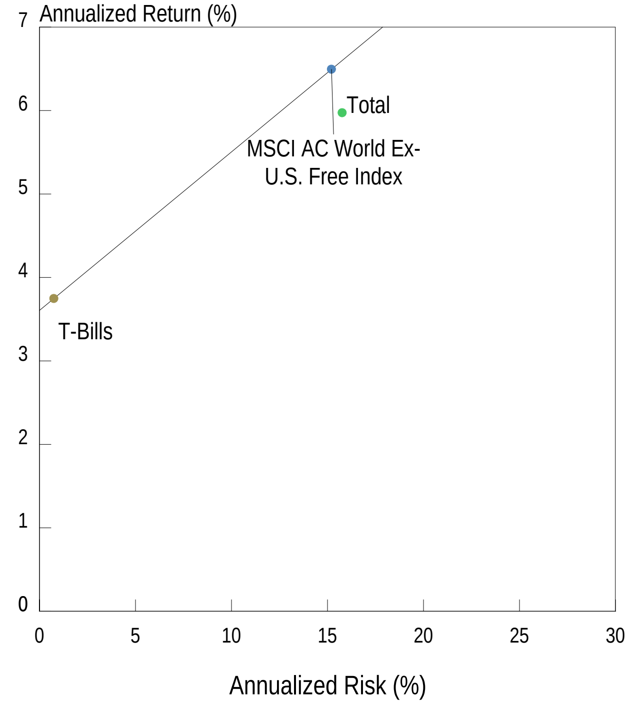
$943 Million

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
10 YEARS 11 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
10 YEARS 11 MONTHS ENDING 2/29/04



- 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 and 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 February 29, 2004

HISTORICAL RETURNS*
(BY YEAR)

	Global Ex US Equities	MSCI AC World Ex-U.S. Free Index	
	Return	Return	Return Difference
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	42.3	41.4	0.9
2004 (2 months)	6.6	4.2	2.4
Trailing 1-Year	59.5%	55.9%	3.6
Trailing 3-Year	4.3	2.7	1.6
Trailing 5-Year	3.4	2.9	0.5
Trailing 10-Year	4.3	4.3	0.0
Since Inception (3/31/93)	6.0	6.5	-0.5

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

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

$943 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI EAFE	11.9%	53.9%	1.4%	1.3%	6.6%	3/31/93
MSCI EAFE Index	11.9	53.6	0.9	1.2	6.1	
BGI Emerging Markets	16.5	75.2	--	--	22.7	1/31/02
MSCI Emerging Markets Free Index	15.6	69.8	--	--	19.8	
BGI International Alpha Tilts	11.7	--	--	--	25.0	8/31/03
MSCI EAFE Index	11.9	--	--	--	25.2	
CG Small Cap International	13.4	71.7	3.9	6.0	2.1	11/30/96
Citigroup Extended Market World Ex-US	13.2	70.6	9.7	7.8	4.9	
CG EAFE	9.3	48.5	1.5	--	-3.9	7/31/00
MSCI EAFE Index	11.9	53.6	0.9	--	-3.3	
EAFE ETF	10.7	--	--	--	10.7	11/30/03
MSCI EAFE Index	11.9	--	--	--	11.9	
Globeflex	17.2	--	--	--	19.7	10/31/03
Citigroup Extended Market World Ex-US	13.2	--	--	--	15.1	
GSAM International	14.8	58.9	1.4	1.4	1.7	3/31/98
MSCI EAFE Index	11.9	53.6	0.9	1.2	1.3	
Oechsle	11.8	56.7	-2.2	--	-6.1	7/31/00
MSCI EAFE Index	11.9	53.6	0.9	--	-3.3	
CG Emerging Markets	15.2	69.2	11.2	--	2.2	7/31/00
MSCI Emerging Markets Free Index	15.6	69.8	11.0	--	3.5	
Templeton	15.7	66.7	15.9	12.3	3.8	12/31/95
MSCI Emerging Markets Free Index	15.6	69.8	11.0	10.0	0.5	

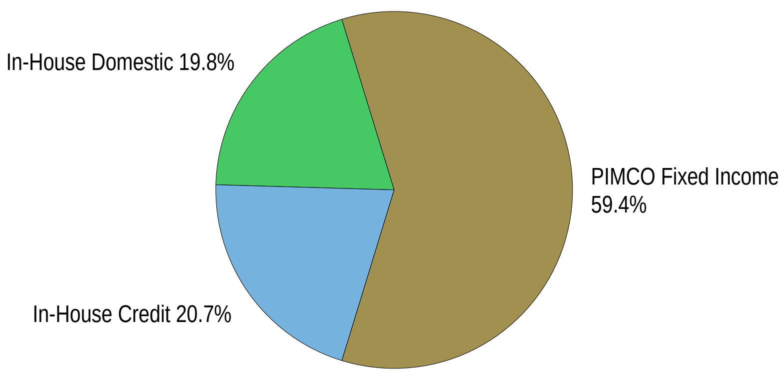
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Total Fixed Income	3.9%	9.4%	8.7%	7.6%	11.3%	8/31/81
LB Aggregate Bond Index	2.9	4.5	7.4	7.2	10.6	

MANAGER ALLOCATION AS OF 2/29/04



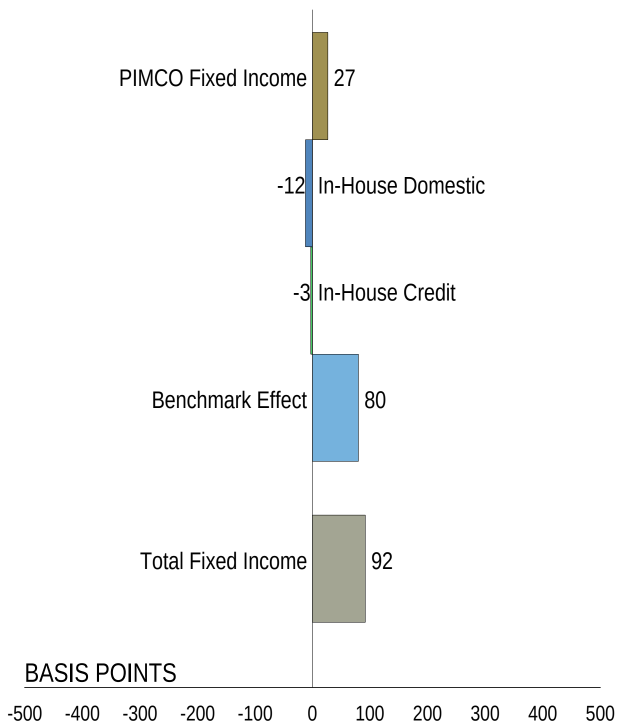
- The table above details the trailing-period performance of the total fixed income component relative to the Lehman Brothers Aggregate Bond Index. The component has outperformed its benchmark over all periods shown above. Outperformance has been driven by the relative performance earned by PIMCO. The manager's international exposure has significantly contributed to the above-benchmark result as these markets have outperformed the domestic market.

- The graph above details the allocation to each manager of the fixed income component as of quarter-end. As shown, PIMCO manages more than half of the GEF's fixed income assets.

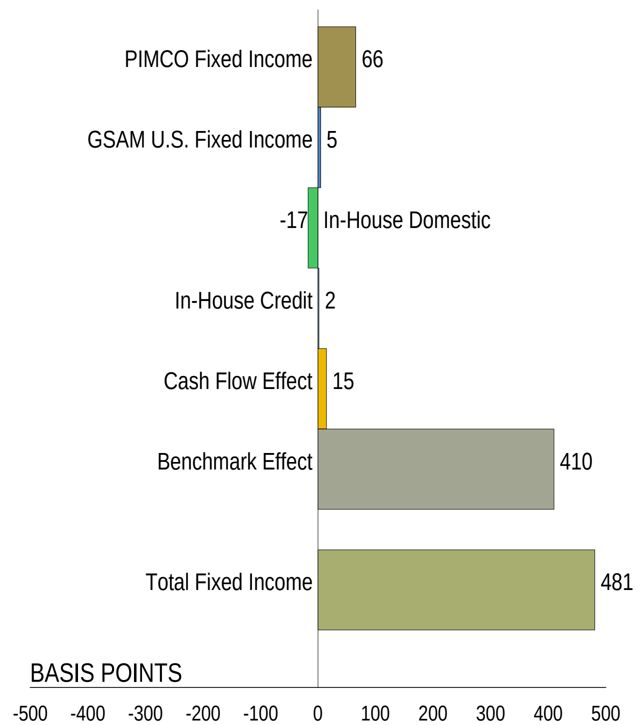
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



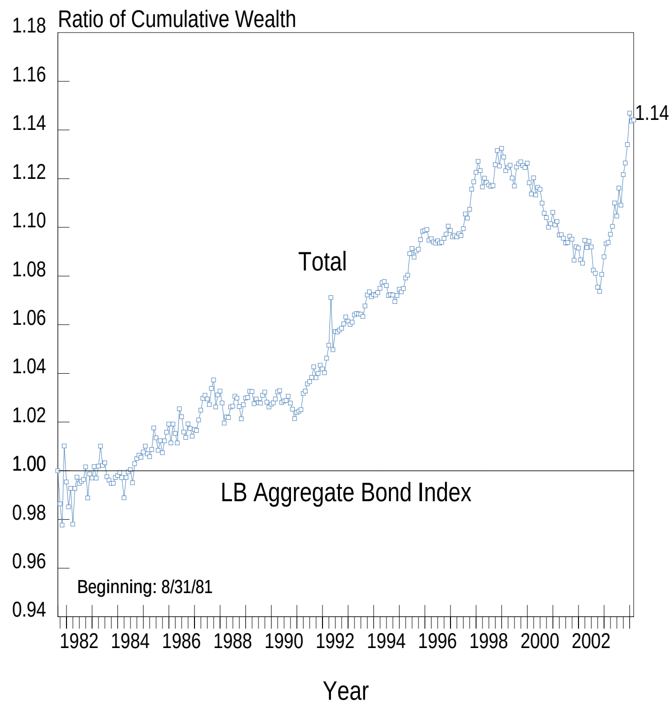
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



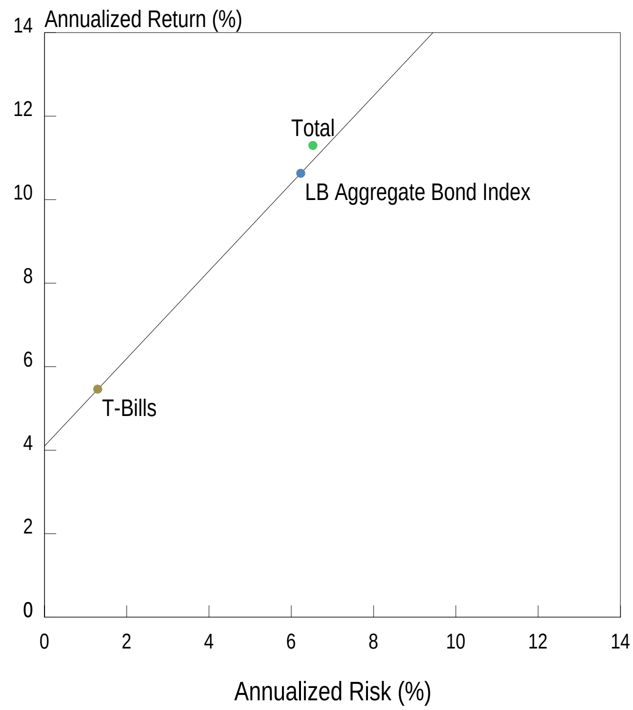
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Fixed Income" represents the component's relative performance to the Lehman Aggregate Bond Index in basis points. The value of the manager 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. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual manager and the fixed income benchmark.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
22 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
22 YEARS 6 MONTHS ENDING 2/29/04



- 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. 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 and return characteristics of the total fixed income asset class, relative to that of the Aggregate Bond Index. As shown, the asset class has earned a slightly greater return than the Index at a slightly greater level of volatility.

As of February 29, 2004

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	9.8	4.1	5.7
2004 (2 months)	1.6	1.9	-0.3
Trailing 1-Year	9.4%	4.5%	4.9
Trailing 3-Year	8.7	7.4	1.3
Trailing 5-Year	7.6	7.2	0.4
Trailing 10-Year	7.9	7.2	0.7
Since Inception (8/31/81)	11.3	10.6	0.7

- 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 February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
PIMCO Fixed Income	4.6%	12.0%	11.0%	8.5%	8.2%	2/28/98
LB Global Aggregate Bond Index	4.2	10.8	10.1	6.3	6.7	
In-House Domestic	2.3	4.0	5.2	--	7.5	1/31/00
LB Aggregate Bond Index	2.9	4.5	7.4	--	9.0	
In-House Credit	3.2	7.4	7.5	--	7.7	1/31/01
Credit Related Composite Index**	3.3	7.3	9.0	--	9.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The description of the composite benchmark can be found in the appendix of this report.

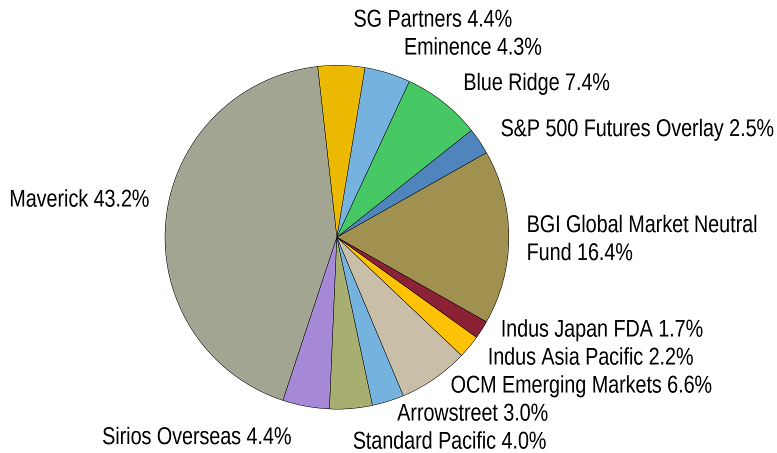
$418 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since Inception	Inception Date
Equity Hedge Funds	4.3%	12/31/03
90-Day T-Bill + 4%	0.8	

MANAGER ALLOCATION AS OF 2/29/04

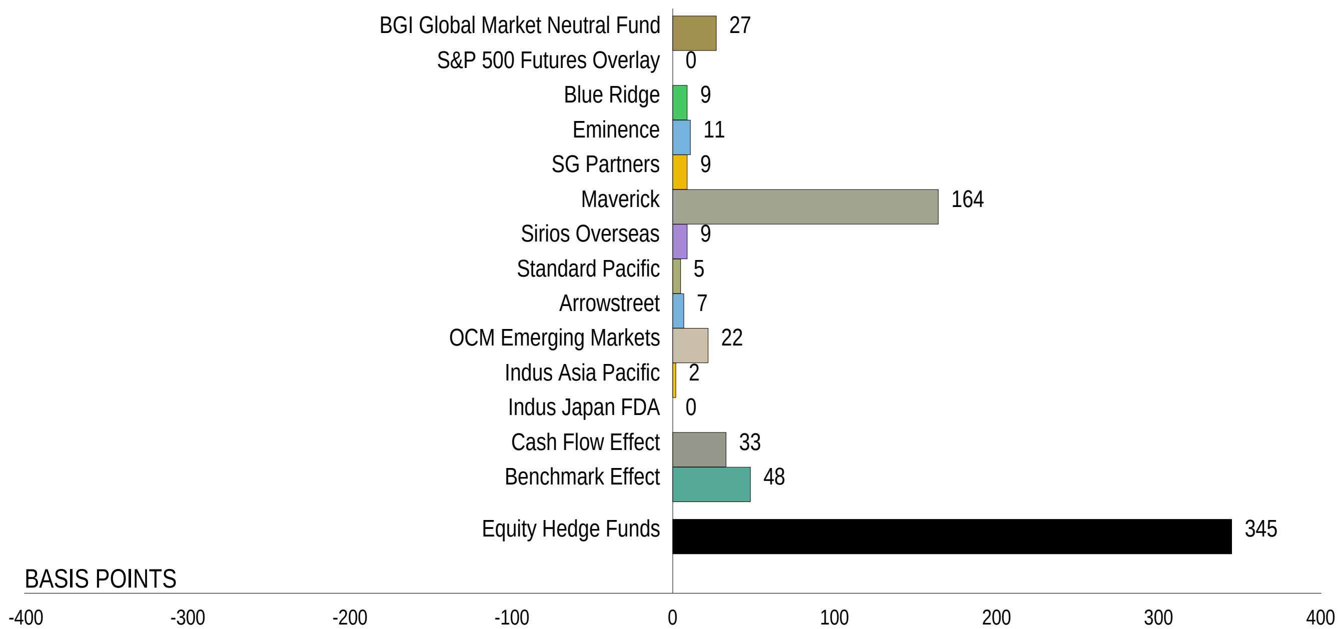


- The Equity Hedge Fund component outperformed its benchmark over the two months since its inception as an official asset category. The Maverick portfolio was the greatest contributor to results and represents the largest portion of the component (43.2% as of quarter-end).

- The Blue Ridge, Indus Japan, and Indus Asia Pacific investments were funded during the quarter.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
2 MONTHS ENDING 2/29/04



- The Performance Attribution exhibit shown above measures the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Equity Hedge Funds" 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 equity hedge fund benchmark.

- As shown, each manager either made a positive contribution or had negligible impact on relative performance; the Maverick portfolio had the largest positive impact on component performance.

$418 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

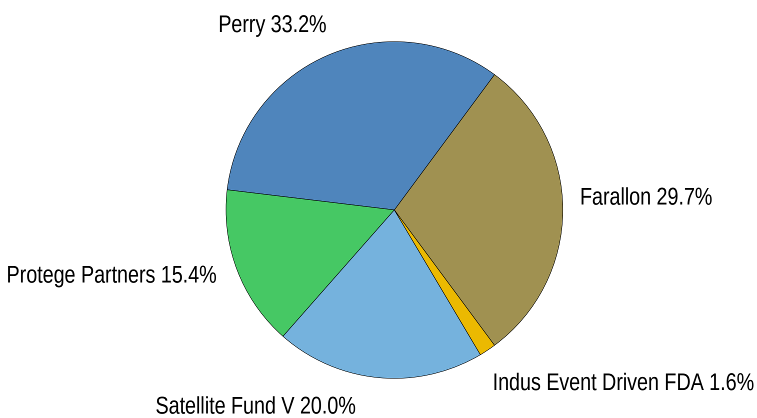
	Since 11/30/03	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI Global Market Neutral Fund	10.3%	39.5%	--%	--%	26.3%	12/31/02
S&P 500 Index	8.7	38.5	--	--	27.6	
S&P 500 Futures Overlay	8.4	--	--	--	9.2	10/31/03
S&P 500 Index	8.7	--	--	--	9.6	
Blue Ridge	--	--	--	--	0.7	12/31/03
90-Day T-Bill + 4%	--	--	--	--	0.8	
Eminence	4.7	--	--	--	8.4	6/30/03
90-Day T-Bill + 4%	1.3	--	--	--	3.4	
SG Partners	4.3	--	--	--	7.1	8/31/03
90-Day T-Bill + 4%	1.3	--	--	--	2.5	
Maverick	5.5	12.2	6.5	14.1	12.0	7/31/98
90-Day T-Bill + 4%	1.3	5.2	6.3	7.8	7.9	
Sirios Overseas	3.9	--	--	--	8.5	4/30/03
90-Day T-Bill + 4%	1.3	--	--	--	4.3	
Standard Pacific	4.2	-0.4	--	--	-0.4	2/28/03
90-Day T-Bill + 4%	1.3	5.2	--	--	5.2	
Arrowstreet	3.4	--	--	--	-9.0	5/31/03
90-Day T-Bill + 4%	1.3	--	--	--	3.9	
OCM Emerging Markets	5.6	11.4	--	--	10.4	12/31/01
90-Day T-Bill + 4%	1.3	5.2	--	--	5.6	
Indus Asia Pacific	5.9	--	--	--	5.9	11/30/03
90-Day T-Bill + 4%	1.3	--	--	--	1.3	
Indus Japan FDA	2.5	--	--	--	2.5	11/30/03
90-Day T-Bill + 4%	1.3	--	--	--	1.3	

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Absolute Return Hedge Funds	5.1%	25.0%	11.1%	13.7%	11.4%	7/31/98
Absolute Return Benchmark	1.1	5.1	6.3	7.7	7.9	

MANAGER ALLOCATION AS OF 2/29/04



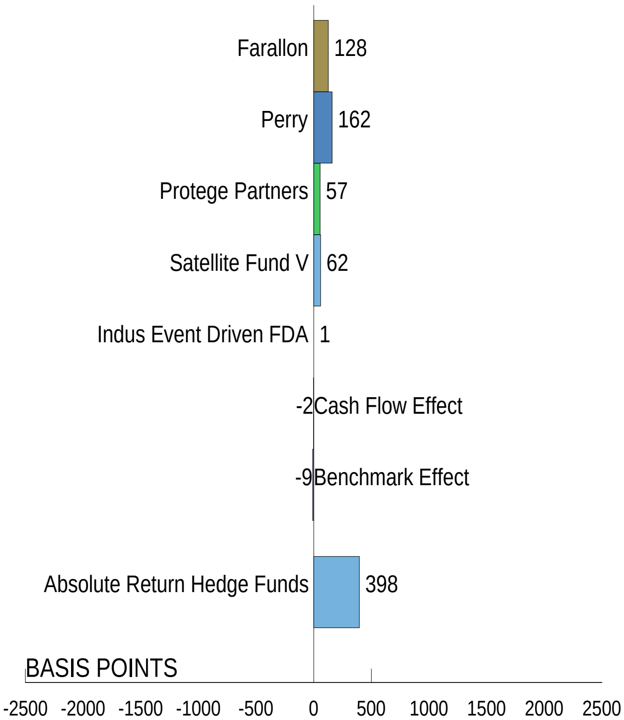
- The total absolute return component outperformed in the recent fiscal quarter as each of the managers earned a return exceeding that of the benchmark during the period. Longer-term performance shown above is also favorable as the component outperformed its benchmark by over three percentage points since inception.
- The graph above details the allocation to each manager of the absolute return component as of quarter-end.
- The Indus Event Driven investment was funded during the quarter.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

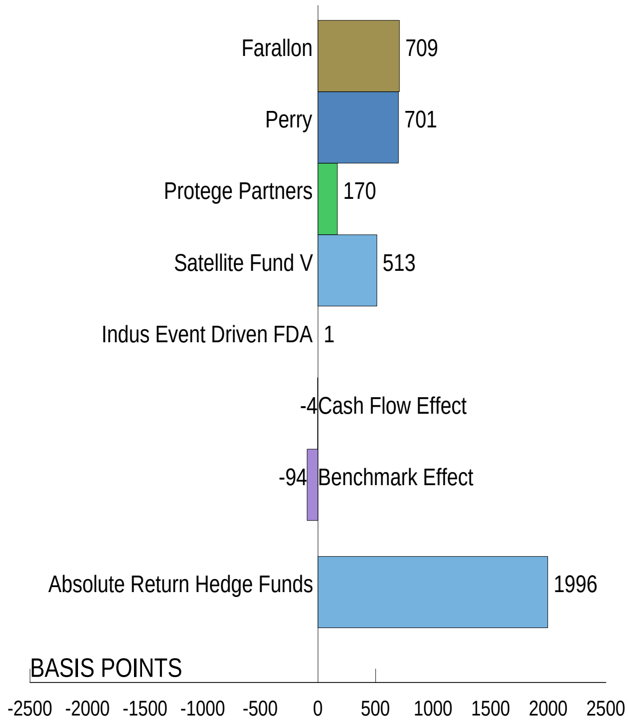
$434 Million

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



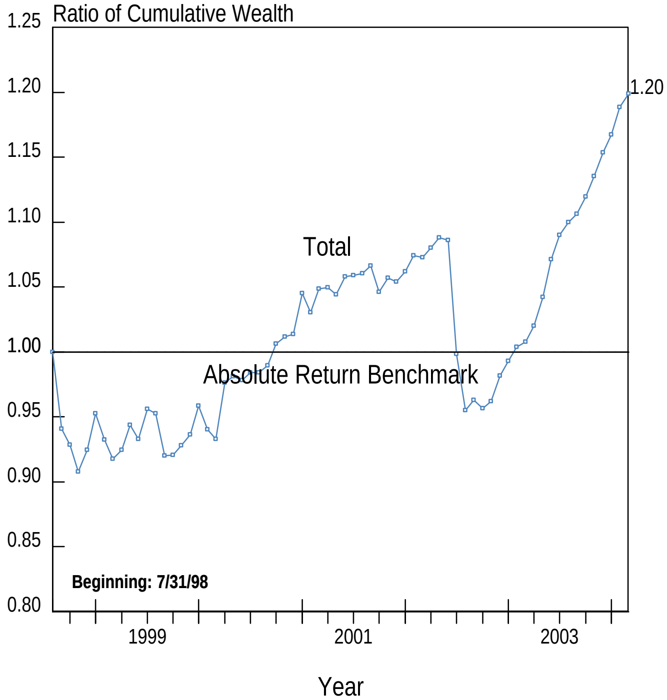
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



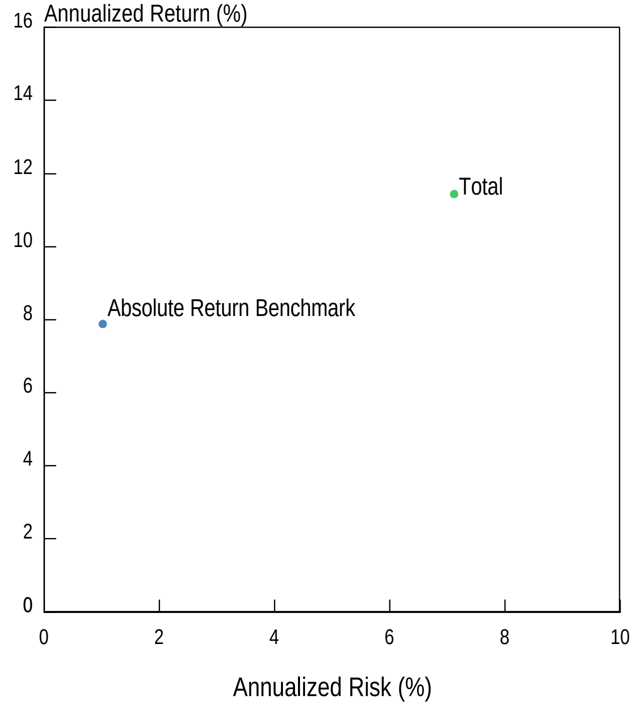
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Absolute Return Hedge Funds" represents the component's relative performance to the performance benchmark in basis points. The value of the 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 manager and the absolute return hedge fund benchmark.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
5 YEARS 7 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
5 YEARS 7 MONTHS ENDING 2/29/04



- 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 benchmark, despite a period of underperformance in 2002.

- The Risk Return graph above exhibits the risk and 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.

$434 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Absolute Return Hedge Funds	Absolute Return Benchmark	Return Difference
	Return	Return	
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	23.8	5.3	18.5
2004 (2 months)	3.4	0.7	2.7
Trailing 1-Year	25.0%	5.1%	19.9
Trailing 3-Year	11.1	6.3	4.8
Trailing 5-Year	13.7	7.7	6.0

- 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.

$434 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Farallon	5.3%	27.0%	14.2%	15.9%	14.2%	7/31/98
90 Day T-Bills + 3%	1.0	4.2	5.3	6.7	6.8	
Perry	5.9	24.1	13.2	16.3	14.2	7/31/98
90 Day T-Bills + 3%	1.0	4.2	5.3	6.7	6.8	
Protege Partners	4.6	16.6	--	--	16.6	2/28/03
90 Day T-Bills + 3%	1.0	4.2	--	--	4.2	
Satellite Fund V	4.0	28.7	5.4	--	7.5	8/31/00
90 Day T-Bills + 3%	1.0	4.2	5.3	--	5.9	
Indus Event Driven FDA	2.0	--	--	--	2.0	11/30/03
90 Day T-Bills + 3%	1.0	--	--	--	1.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

$427 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Private Capital	**5.8%**	**6.9%**	**-8.0%**	**3.8%**	**9.7%**	**11/30/86**
Private Capital Benchmark**	6.5	44.1	3.9	4.7	15.9	

- As shown in the table above, Private Capital has underperformed its performance benchmark over all periods shown.

- 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 and a beginning and ending market value.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The Private Capital Benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004. Returns through December 31, 2003, represent the Wilshire 5000 + 4%.

As of February 29, 2004

HISTORICAL RETURNS
GEF SINCE INCEPTION IRR

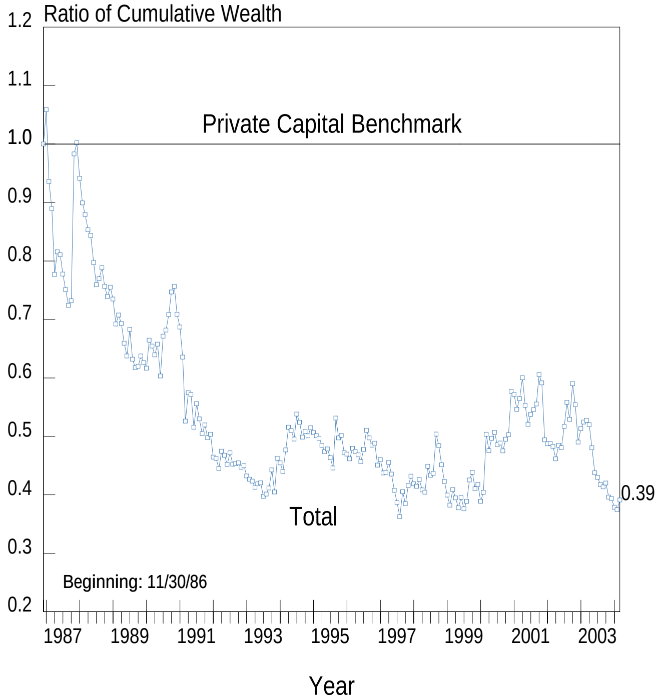
Period Ending	Private Capital	Wilshire 5000 Index + 4%	Return Difference
8/31/1987	31.6 %	31.0 %	0.6 %
8/31/1988	8.1	0.0	8.1
8/31/1989	3.1	20.3	-17.2
8/31/1990	9.5	8.2	1.3
8/31/1991	5.6	14.0	-8.4
8/31/1992	4.4	12.8	-8.4
8/31/1993	6.1	14.1	-8.0
8/31/1994	10.7	12.8	-2.1
8/31/1995	13.0	13.8	-0.8
8/31/1996	13.6	14.2	-0.4
8/31/1997	13.9	16.2	-2.3
8/31/1998	15.5	15.1	0.4
8/31/1999	16.1	17.0	-0.9
8/31/2000	18.5	17.5	1.0
8/31/2001	15.4	12.1	3.3
8/31/2002	11.1	8.1	3.0
8/31/2003	8.6	9.6	-1.0
2/29/2004	9.1	11.1	-2.0

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

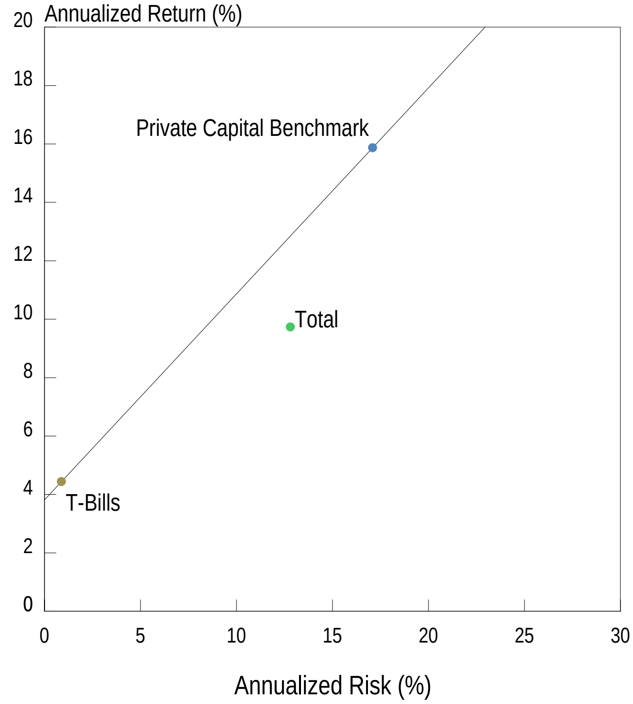
$427 Million

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
17 YEARS 3 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
17 YEARS 3 MONTHS ENDING 2/29/04



- 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 February 29, 2004

HISTORICAL RETURNS*
(BY YEAR)

	Private Capital	Private Capital Benchmark	Return Difference
	Return	Return	
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	1.0	36.9	-35.9
2004 (2 months)	4.9	1.6	3.3
Trailing 1-Year	6.9%	44.1%	-37.2
Trailing 3-Year	-8.0	3.9	-11.9
Trailing 5-Year	3.8	4.7	-0.9
Trailing 10-Year	12.8	15.1	-2.3

- 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.

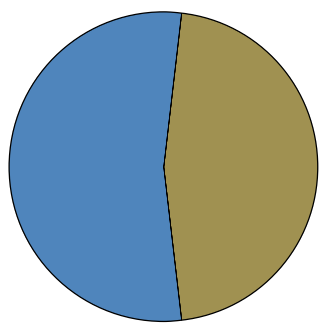
$134 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since Inception	Inception Date
Commodities	**8.1%**	**12/31/03**
Goldman Sachs Commodity Index - 1%	7.7	

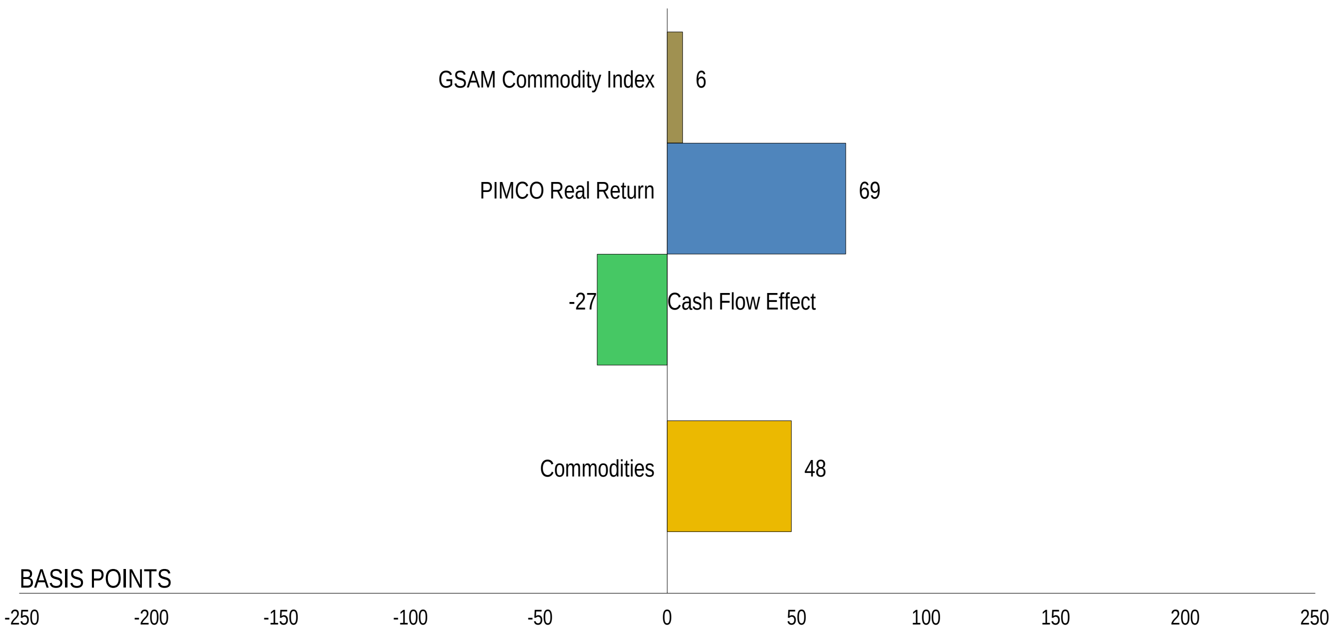
MANAGER ALLOCATION AS OF 2/29/04



- The commodities component outperformed the benchmark over the two months since inception as an asset category.
- The graph above details the manager allocations of the commodities asset class as of quarter-end. The assets are roughly split between Goldman Sachs and the newly funded PIMCO Real Return investment.
- The PIMCO Real Return investment was funded during the quarter.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
2 MONTHS ENDING 2/29/04



- 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 "Commodities" 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.

$134 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	Since Inception	Inception Date
GSAM Commodity Index	**15.1%**	**7.4%**	**28.9%**	**3/31/02**
Goldman Sachs Commodity Index - 1%	14.6	5.5	22.3	
PIMCO Real Return	**--**	**--**	**8.4**	**12/31/03**
Goldman Sachs Commodity Index - 1%	--	--	7.7	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

OPERATING FUNDS

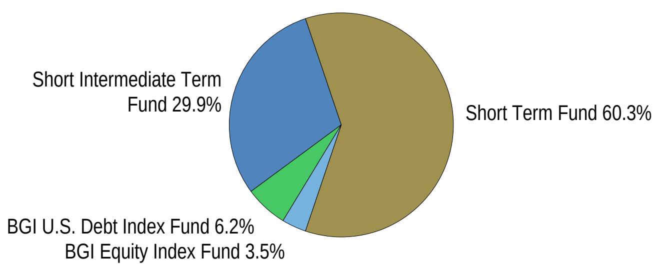
$3,670 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Short Term Fund	0.2%	1.1%	2.1%	3.6%	4.4%	8/31/92
ML 90-day T-Bill	0.3	1.1	2.2	3.6	4.3	
Short Intermediate Term Fund	1.2	2.4	3.5	4.7	5.3	2/28/93
Composite Index	1.3	2.3	4.9	5.6	5.6	
BGI U.S. Debt Index Fund	2.9	4.7	7.4	--	7.7	5/31/99
LB Aggregate Bond Index	2.9	4.5	7.4	--	7.6	
BGI Equity Index Fund	8.7	38.6	-1.0	--	-1.2	5/31/99
S&P 500 Index	8.7	38.5	-1.0	--	-1.2	

ASSET ALLOCATION AS OF 2/29/04

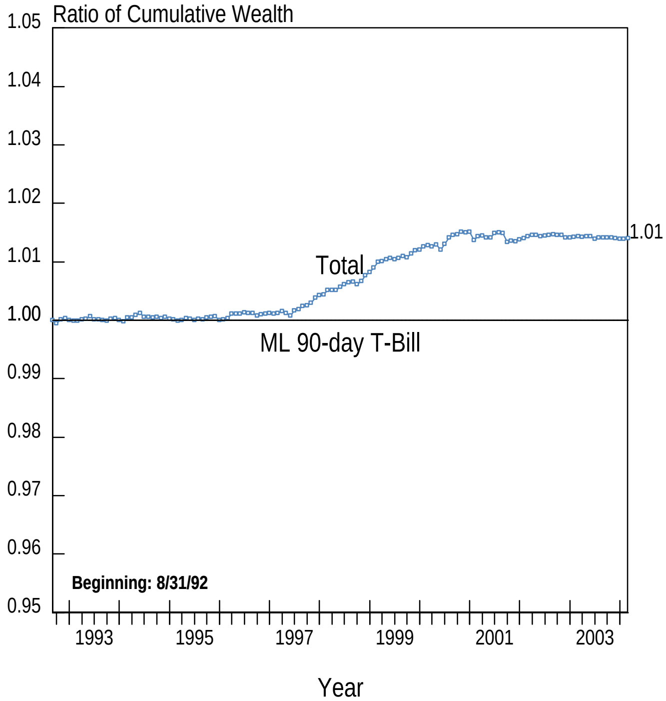


- The Short Term Fund has approximated the performance of the benchmark during the periods shown above.
- The Short Intermediate Fund underperformed the Index during the fiscal quarter by 0.1 percentage points, yet outperformed over the trailing one-year period. Longer term performance is below-benchmark.
- 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 quarter-end.

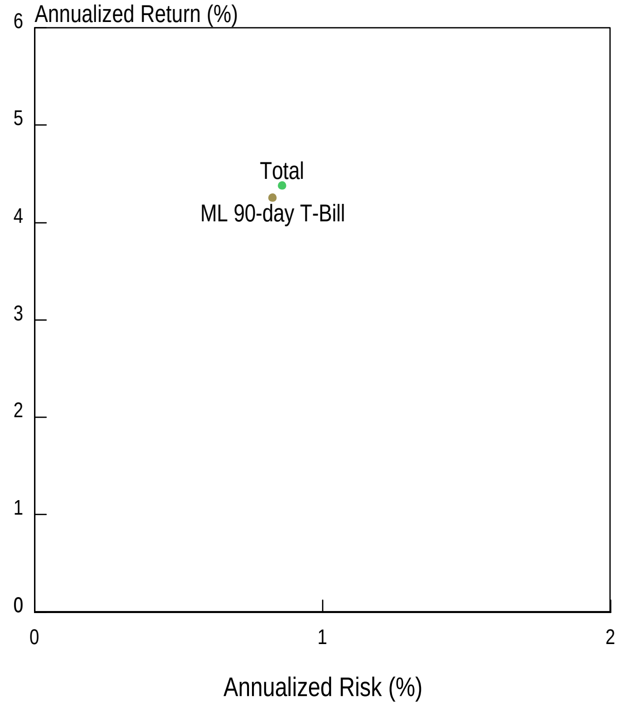
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
11 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
11 YEARS 6 MONTHS ENDING 2/29/04



- 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 and return characteristics of the Short Term Fixed Income Fund, relative to that of the Performance Benchmark. As shown, the Fund has marginally exceeded the performance of the benchmark at a marginally greater level of volatility.

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

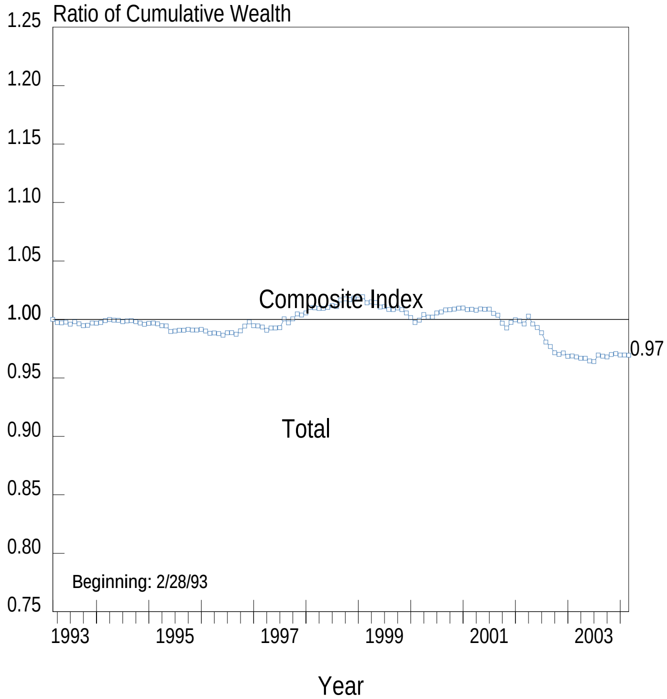
	Short Term Fund	ML 90-day T-Bill	Return Difference
	Return	Return	
1992 (4 months)	1.1%	1.1%	0.0
1993	3.2	3.2	0.0
1994	4.3	4.3	0.0
1995	6.0	6.0	0.0
1996	5.4	5.3	0.1
1997	5.7	5.3	0.4
1998	5.6	5.2	0.4
1999	5.2	4.8	0.4
2000	6.5	6.2	0.3
2001	4.3	4.4	-0.1
2002	1.9	1.8	0.1
2003	1.1	1.2	-0.1
2004 (2 months)	0.2	0.2	0.0
Trailing 1-Year	1.1%	1.1%	0.0
Trailing 3-Year	2.1	2.2	-0.1
Trailing 5-Year	3.6	3.6	0.0
Trailing 10-Year	4.6	4.4	0.2

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

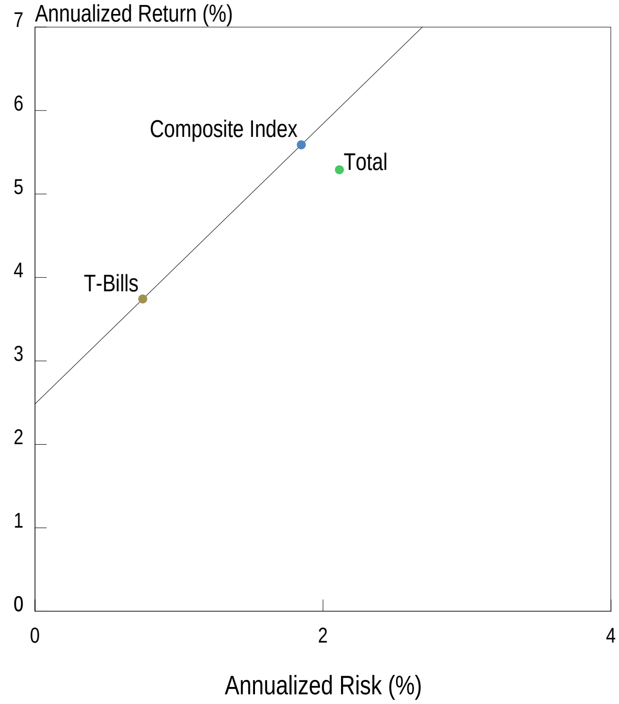
* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
11 YEARS ENDING 2/29/04



ANNUALIZED RISK/RETURN
11 YEARS ENDING 2/29/04



- 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 and 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 higher level of volatility.

As of February 29, 2004

HISTORICAL RETURNS*
(BY YEAR)

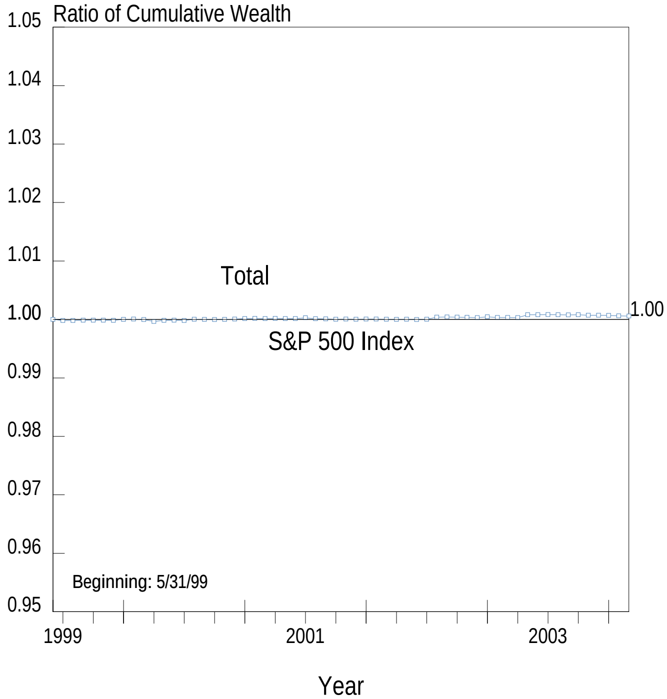
	Short Intermediate Term Fund	Composite Index	Return Difference
	Return	Return	
1993 (10 months)	3.4%	3.7%	-0.3
1994	0.6	0.7	-0.1
1995	10.3	10.8	-0.5
1996	5.3	5.0	0.3
1997	7.8	6.6	1.2
1998	8.2	6.9	1.3
1999	1.5	3.1	-1.6
2000	9.2	8.3	0.9
2001	6.8	7.8	-1.0
2002	2.8	6.1	-3.3
2003	2.1	2.0	0.1
2004 (2 months)	0.8	0.8	0.0
Trailing 1-Year	2.4%	2.3%	0.1
Trailing 3-Year	3.5	4.9	-1.4
Trailing 5-Year	4.7	5.6	-0.9
Trailing 10-Year	5.5	5.8	-0.3

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

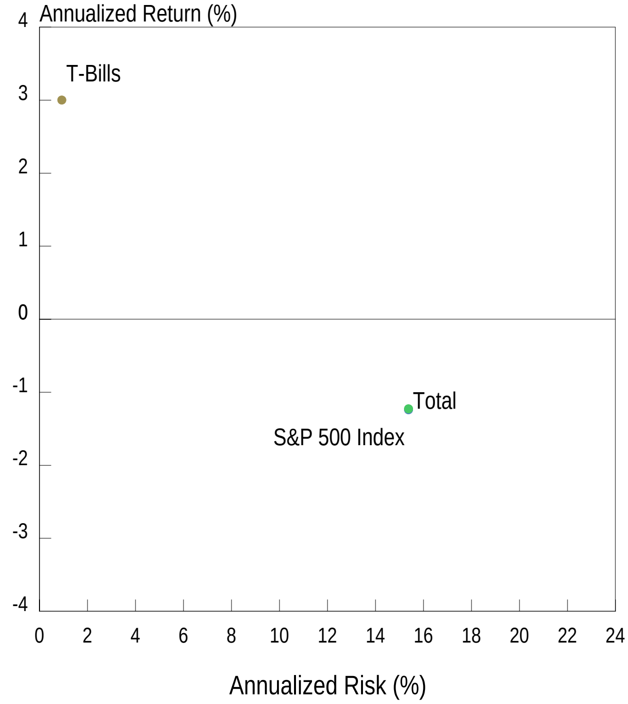
* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
4 YEARS 9 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
4 YEARS 9 MONTHS ENDING 2/29/04



- 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 and 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.

As of February 29, 2004

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	28.7	28.7	0.0
2004 (2 months)	3.2	3.3	-0.1
Trailing 1-Year	38.6%	38.5%	0.1
Trailing 3-Year	-1.0	-1.0	0.0

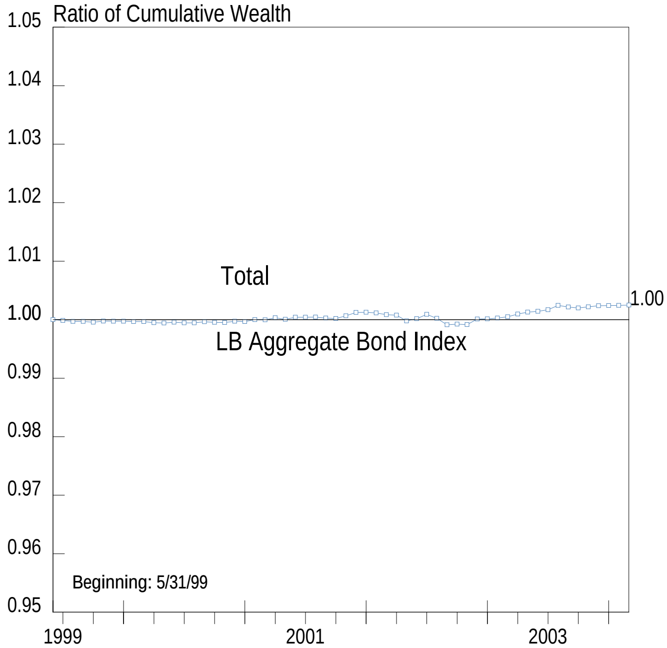
- The table above compares the annual return history of the BGI Equity Index Fund to that of the performance benchmark.

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

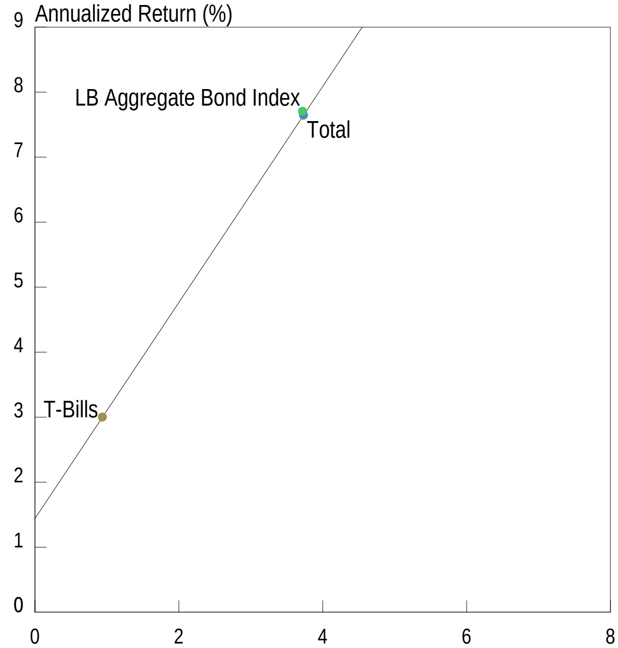
$231 Million

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
4 YEARS 9 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
4 YEARS 9 MONTHS ENDING 2/29/04



- The Ratio of Cumulative Wealth graph above illustrates the BGI U.S. Debt 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 and return characteristics of the BGI U.S. Debt Index Fund, relative to that of the benchmark. As shown, the Fund has approximated the return and volatility of the benchmark.

$231 Million

As of February 29, 2004

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	4.3	4.1	0.2
2004 (2 months)	1.9	1.9	0.0
Trailing 1-Year	4.7%	4.5%	0.2
Trailing 3-Year	7.4	7.4	0.0

- The table above compares the annual return history of the BGI U.S. Debt 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 2/29/04			
		1-Year	3-Year	5-Year	10-Year
Stock Indices:					
Wilshire 5000 Index	8.4%	42.5%	0.8%	1.2%	10.9%
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.4
Russell 3000 Index	8.2	41.3	0.1	1.1	11.1
Russell 1000 Value Index	10.3	42.3	3.4	4.5	12.3
Russell 1000 Growth Index	6.2	37.2	-4.8	-4.8	9.5
Russell MidCap Value Index	9.7	51.9	10.6	10.8	13.5
Russell MidCap Growth Index	6.2	52.7	-0.2	3.4	9.8
Russell 2000 Value Index	9.3	64.0	14.9	15.6	12.9
Russell 2000 Growth Index	5.6	64.9	1.9	2.9	5.7
Bond Indices:					
Lehman Brothers Aggregate	2.9%	4.5%	7.4%	7.2%	7.2%
Lehman Brothers Gov't/Credit	3.2	5.0	7.8	7.5	7.3
Lehman Brothers Long-Term Gov't/Credit	5.1	6.6	9.5	8.4	8.6
Lehman Brothers Intermed. Gov't/Credit	2.6	4.6	7.4	7.2	6.8
Lehman Brothers Mortgage-Backed	2.6	3.6	6.4	6.8	7.0
Lehman Brothers 1-3 Yr Gov't	1.4	2.3	5.1	5.7	5.8
Lehman Brothers Universal	3.0	6.0	7.6	7.5	7.3
Real Estate Indices:					
Wilshire Real Estate Securities Index	9.2%	47.2%	18.5%	16.5%	11.7%
Foreign Indices:					
MSCI All Country World ex-U.S. Index	12.1%	55.2%	2.3%	2.6%	4.0%
MSCI EAFE Free	11.9	53.6	0.9	1.2	4.0
MSCI Emerging Markets Free Net	16.1	74.4	13.7	12.3	0.7
MSCI Hedged EAFE Foreign Stock Index	7.6	33.8	-7.5	-0.8	4.4
SSB Non-U.S. World Gov't Bond	4.8	14.9	12.1	6.3	6.6
Citigroup Non-US World Gov't Bond Hedged	2.3	1.8	4.7	5.6	7.9
Cash Equivalents:					
Treasury Bills (30-Day)	0.2%	0.9%	1.8%	3.1%	3.8%
EnnisKnupp STIF Index	0.3	1.2	2.4	3.8	4.6
Inflation Index					
Consumer Price Index	0.9%	1.7%	1.9%	2.5%	2.4%

DESCRIPTION OF INDICES

Endowment Performance Benchmark- Beginning January 1, 2004, represents the policy targets as set forth in the Investment Policy Statements approved by the Board of Regents on December 19, 2003. This benchmark is comprised of 25% Russell 3000 Index, 17% MSCI All Country World ex-U.S. Index, 10% 90 Day T-Bills + 4%, 15% 90 Day T-Bills + 3%, 15% Venture Economics Private Capital Benchmark, 3% GSCI minus 1%, and 15% Lehman Brothers Aggregate Bond Index.

Returns through December 31, 2003, represent 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.

DESCRIPTION OF INDICES CONTINUED

U.S. Equity Performance Benchmark- Beginning January 1, 2004, returns are of the Russell 3000 Index. Returns through December 31, 2003, are those of the Wilshire 5000 Index.

Absolute Return Benchmark- Beginning January 1, 2004, returns are 90 Day T-Bills + 3%. Returns through December 31, 2003, are of 90 Day T-Bills + 4%.

Private Capital Benchmark - Beginning January 1, 2004, returns are the Venture Economics Private Capital Benchmark, which represents a mixture of venture capital and private equity investments, and is calculated on a quarterly periodic IRR basis. Periodic IRRs are calculated between two points in time; in this case, IRRs are calculated on a quarterly basis, and the resulting returns are linked to present performance over longer periods (similar to the time-weighted rates of returns shown for all other asset categories). Returns through December 31, 2003 are of the Wilshire 5000 +4%.

UTIMCO Credit Composite Benchmark- Returns for this benchmark have been supplied by UTIMCO. The composition of the benchmark is understood as including the asset-backed, collateralized mortgage-backed, and U.S. credit components of the Lehman Aggregate Bond Index in a weighted average composite.

UTIMCO Short-Intermediate Term Fund Composite Benchmark- Returns for this benchmark have been supplied by UTIMCO. The composition of the benchmark is understood as including six government bond components obtained from Bloomberg in a weighted average composite.

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 500 large capitalization 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.

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.

4. <u>U. T. System: Permanent University Fund quarterly update</u>

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 February 29, 2004, the market value of the PUF was $8.2 billion compared to $7.65 billion as of November 30, 2003 (Figure A on Page 32.1). During Fiscal Year 2005, $341.2 million is expected to be distributed to the AUF, compared to $348 million in Fiscal Year 2004 (Figure B on Page 32.2). PUF distributions to the AUF are projected to steadily increase beginning in Fiscal Year 2006. Unlike previous forecasts, PUF distributions are not projected to be capped due to constitutional purchasing power restrictions as a result of higher than expected PUF investment returns and lower than expected inflation (Figure B on Page 32.2).

Incorporating both the updated PUF distribution forecast and the new debt structure as a result of the PUF Bonds, Series 2004A&B transaction, there is an estimated $365 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 8.36% investment return (Figure C on Page 32.3). This PUF debt capacity includes using $55 million of AUF balances to cash defease outstanding PUF debt, similar to cash defeasance transactions previously approved by the Board. 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 D on Page 32.4).

Projected Trailing 12-Quarter PUF Market Value Average

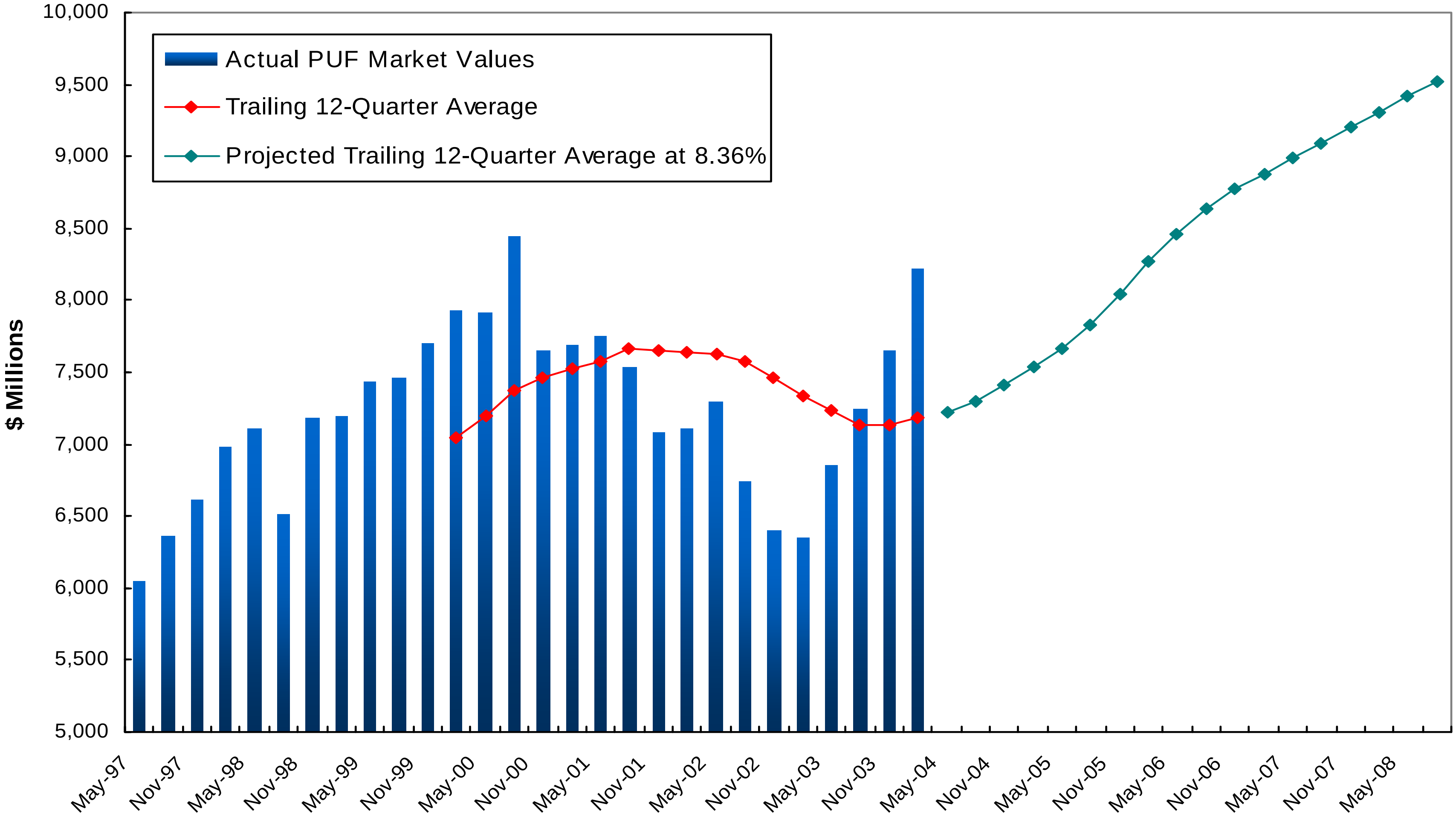
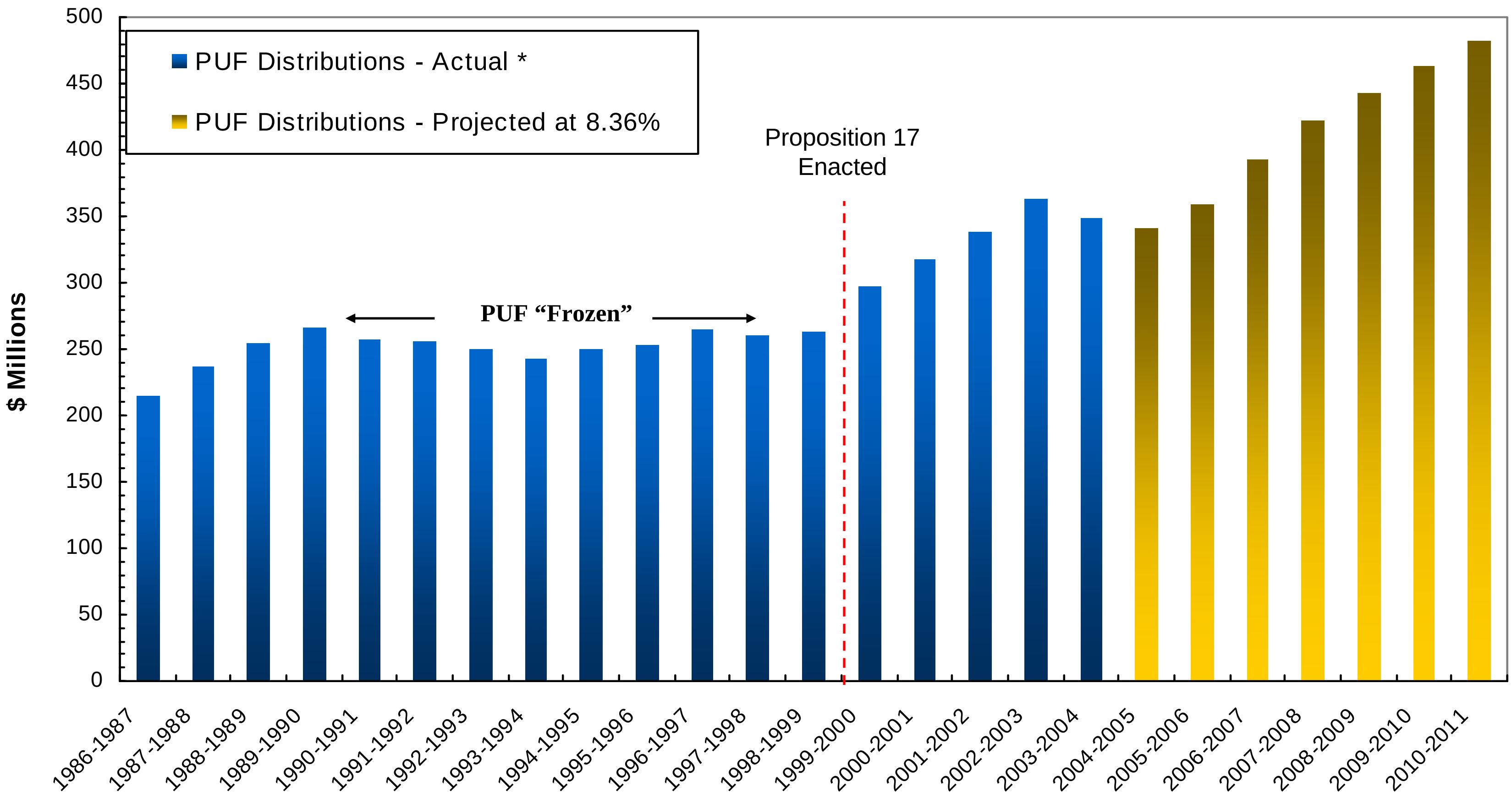


Figure A

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 8.36%

Additional PUF Debt Capacity ($365.1 Million)			$98.7	$0.0	$81.0	$89.9	$50.7	$44.8
Cumulative Additional PUF Debt Capacity			$98.7	$98.7	$179.7	$269.6	$320.3	$365.1

Available University Fund Operating	Actual	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	$341.2	$358.1	$392.9	$421.7	$442.2	$462.5
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	347.8	364.8	399.6	428.4	448.9	469.2
UT System Share (2/3)	246.4	236.4	231.9	243.2	266.4	285.6	299.3	312.8
AUF Interest Income	5.1	2.4	2.1	3.3	4.3	5.1	5.2	5.4
Income Available to U.T.	251.5	238.8	233.9	246.5	270.7	290.7	304.5	318.2
TRANSFERS:								
UT Austin Excellence Funds (45%)	(114.8)	(108.3)	(105.3)	(110.9)	(121.8)	(130.8)	(137.0)	(143.2)
PUF Debt Service on Approved Projects	(69.7)	(71.2)	(94.4)	(101.0)	(103.8)	(106.4)	(108.8)	(111.6)
PUF Cash Defeasance	-	(55.0)	-	-	-	-	-	-
PUF Debt Service on Add. Debt Capacity	-	-	(7.9)	(7.9)	(14.6)	(22.3)	(26.7)	(30.6)
System Administration	(29.1)	(27.9)	(27.9)	(28.6)	(29.3)	(30.1)	(30.8)	(31.6)
Other	(1.6)	(4.4)	(1.1)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)
Debt Service (Bldg Rev)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	32.8	(31.4)	(2.6)	(3.0)	0.0	0.0	(0.0)	(0.0)
Ending AUF Balance - System	82.0	50.6	48.0	45.0	45.0	45.0	45.0	45.0
PUF Debt Service Coverage	3.61:1	3.35:1	2.29:1	2.26:1	2.29:1	2.26:1	2.25:1	2.24:1

Figure C

PUF Debt Capacity Sensitivities at 8.36%

Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent								
Annual LERR	**U.T. Austin Excellence**	**PUF Distribution Rate**	**PUF Investment Return**	**Change in Tax-Exempt Rates**	**Additional Debt Capacity ($ Millions)**						**TOTAL FY 2005-FY 2010**	**Projected PUF Market Value in FY 2030**
					FY2005	**FY2006**	**FY2007**	**FY2008**	**FY2009**	**FY2010**		
$30 Million	45.0%	4.75%	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
$30 Million	45.0%	4.75%	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
$20 Million	45.0%	4.75%	8.36%	NA	108.7	10.0	91.0	99.9	60.7	54.8	425.1	23,263,299,456
$10 Million	45.0%	4.75%	8.36%	NA	118.7	20.0	101.0	109.9	70.7	64.8	485.1	23,263,299,456
None	45.0%	4.75%	8.36%	NA	128.7	30.0	111.0	119.9	80.7	74.8	545.1	23,263,299,456
$30 Million	**40.0%**	4.75%	8.36%	NA	249.2	0.0	99.5	101.7	58.7	52.7	561.8	23,263,299,456
$30 Million	**45.0%**	4.75%	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
$30 Million	**50.0%**	4.75%	8.36%	NA	0.0	0.0	0.0	1.8	130.6	37.0	169.3	23,263,299,456
$30 Million	45.0%	**4.50%**	8.36%	NA	13.4	0.0	72.4	86.1	50.2	45.0	267.1	24,746,567,916
$30 Million	45.0%	**4.75%**	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
$30 Million	45.0%	**5.00%**	8.36%	NA	184.0	0.0	89.4	93.5	50.6	44.2	461.7	21,856,250,638
$30 Million	45.0%	4.75%	**7.36%**	NA	98.1	0.0	73.9	77.0	32.1	24.3	305.3	18,102,036,365
$30 Million	45.0%	4.75%	**8.36%**	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
$30 Million	45.0%	4.75%	**9.36%**	NA	99.2	0.0	88.1	102.9	69.5	65.9	425.7	29,792,473,377
$30 Million	45.0%	4.75%	8.36%	**+ 50 bps**	82.6	0.0	78.1	85.2	47.5	42.1	335.5	23,263,299,456
$30 Million	45.0%	4.75%	8.36%	**NA**	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
$30 Million	45.0%	4.75%	8.36%	**-50 bps**	116.0	0.0	83.9	95.0	54.1	47.7	396.7	23,263,299,456

Figure D

5. **U. T. Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, and the Long Term Fund**

RECOMMENDATION

The Chancellor and the Interim Vice Chancellor for Business Affairs concur in the recommendation of The University of Texas Investment Management Company (UTIMCO) and the UTIMCO Board of Directors that:

a. The fiscal year distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be decreased by 1.97% from $348,033,578 to $341,174,270 effective September 1, 2004. The distribution is an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF. The decline in the distribution is a direct result of the decline in the market value of the PUF, as reflected in the trailing 12-quarter average.

b. The distribution rate for the Permanent Health Fund (PHF) remain at its current rate per unit of $0.047.

c. The distribution rate for the U. T. System Long Term Fund (LTF) be increased from $0.2645 per unit to $0.2697 per unit effective November 30, 2004.

BACKGROUND INFORMATION

For comparative purposes, the recommended distributions from the PUF, PHF and LTF represent 4.15%, 4.59%, and 4.68% of the respective funds' market value as of February 29, 2004.

The PUF Investment Policy states that the annual distribution from the PUF to the AUF 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 fiscal year. Per this formula, the amount to be distributed from the PUF for Fiscal Year 2005 is $341,174,270 as calculated on the following page.

Quarter Ended		PUF Net Asset Value
5/31/01	$	7,749,573,154
8/31/01		7,540,148,091
11/30/01		7,079,157,437
2/28/02		7,114,025,229
5/31/02		7,303,322,636
8/31/02		6,738,274,515
11/30/02		6,397,124,818
2/28/03		6,299,971,921
5/31/03		6,850,946,583
8/31/03		7,244,827,576
11/30/03		7,655,088,067
02/29/04		8,218,934,425
	$	86,191,394,452
Number of Quarters		12
Average Net Asset Value	$	7,182,616,204
Distribution Percentage		4.75%
FY 2004-05 Distribution	**$**	**341,174,270**

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the U. T. Board of Regents (U. T. Board) in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of $341,174,270 is substantially greater than PUF bonds debt service of $119,050,836 projected for Fiscal Year 2005.

System		**Debt Service**
U. T.	$	84,167,084
TAMU		34,883,752
Total	$	119,050,836

Sources: U. T. System Office of Finance
Texas A&M University System Office of Treasury Services

2. The U. T. Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 29, 2004, was 3.86%.

Average Annual	Percent
Rate of Total Return	9.85%
Mineral Interest Receipts	1.25%
Expense Rate	(0.12)% (1)
Inflation Rate	(2.41)%
Distribution Rate	(4.71)%
Net Real Return	**3.86%**

(1) Paid from AUF until 1/01/00

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. Board, except as necessary to pay PUF bonds debt service. The annual distribution rate calculated using the trailing 12-quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
$7,182,616,204	$341,174,270	**4.75%**	7.00%

(1) Source: UTIMCO

The spending policy objectives of the PHF and the LTF are to:

1. provide a predictable stable stream of distributions over time;

2. ensure that the inflation-adjusted value of the distributions is maintained over the long term; and

3. ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.

The goal is for the average spending rate of the PHF or the LTF, as appropriate, over time not to exceed the average annual investment return of such fund after inflation in order to preserve the purchasing power of such fund's distributions and underlying assets.

Unless otherwise established by UTIMCO and approved by the U. T. Board, the spending formula under the PHF Investment Policy and the LTF Investment Policy increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the PHF assets and LTF assets for each Fund's respective trailing 12 fiscal quarters. The Investment Policies expressly reserve to the U. T. Board the ability to approve a per unit distribution amount for the PHF and the LTF, as appropriate, that, in the Board's judgment, would be more appropriate than the formula rate calculated by the spending policy provisions.

The PHF's net asset value of $785.6 million at November 30, 2003, is less than the original PHF contributions of $820.0 million due to difficult financial markets since its inception. As a consequence, the recommendation is to depart from the spending formula and not to increase the PHF rate of $0.047 per unit for Fiscal Year 2005. The PHF's average distribution rate calculated using the prior 12-quarter average value of the PHF is 5.1%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy. The recommended distribution rate of $0.047 per unit was approved by the UTIMCO Board on April 8, 2004.

In addition to the spending policy objectives for the LTF (described above), the LTF Investment Policy expressly recognizes that, under the Uniform Management of Institutional Funds Act, the U. T. Board may distribute from the LTF the net appreciation, realized and unrealized, in the fair market value of LTF assets over the historic dollar value of the Fund. At November 30, 2003, the net asset value of the LTF was $3,167.0 million. The 2.0% increase in LTF distribution rate from $0.2645 per unit to $0.2697 is recommended based on the investment policy to increase the distribution by the average rate of inflation for the trailing 12 fiscal quarters. The consumer price index for the prior three years as of November 30, 2003, was 2.0%. The LTF's average distribution rate calculated using the prior 12-quarter average value of the LTF is 5.2%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy. The recommended distribution rate of $0.2697 per unit was approved by the UTIMCO Board on April 8, 2004.

6. U. T. System: Authorization to establish a deferred compensation plan under Internal Revenue Code Section 457(b), to delegate authority to administer the plan, and to authorize conforming changes to Part Two, Chapter VI, Section 9 (Deferred Compensation Plan) of the Regents' Rules and Regulations

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Administration, and the Interim Vice Chancellor for Business Affairs that the Board of Regents authorize the establishment of a voluntary deferred compensation plan pursuant to Internal Revenue Code Section 457(b) for all employees of the U. T. System Administration and the component institutions, to be known as UTSaver. It is further recommended that the Board delegate to the Vice Chancellor for Administration the authority for the administration of UTSaver and the power to take all action and to make all decisions and interpretations that may be necessary or appropriate to administer and maintain the plan, consistent with State and federal law.

It is further recommended that the Counsel and Secretary to the Board be authorized to make conforming changes to the Regents' Rules and Regulations to reference the plan and the delegation to the Vice Chancellor for Administration.

BACKGROUND INFORMATION

In 2003, the 78th Texas Legislature, Regular Session, enacted Senate Bill 1652, codified as Chapter 609, Subchapter D, Texas Government Code. One provision of Chapter 609 authorizes an institution of higher education to establish a deferred compensation plan for its employees pursuant to Internal Revenue Code Section 457(b).

The state legislation followed the enactment of federal legislation known as the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001, which changed existing law and created an additional retirement savings opportunity for public employees. Prior to the enactment of EGTRRA, contributions to a voluntary 403(b) tax-sheltered annuity program and a voluntary 457(b) deferred compensation retirement savings program were subject to coordinated limits. This resulted in one contribution limit for both programs. EGTRRA repealed the coordinated limits for 403(b) and 457(b) programs thereby providing a separate contribution limit for each program for years beginning after December 31, 2001. Prior to the enactment of Senate Bill 1652, the only 457(b) plan option available to U. T. System employees was the deferred compensation plan provided by the Employees Retirement System of Texas known as TexaSaver. Senate Bill 1652 authorizes U. T. System to establish its own deferred compensation plan for employees. The proposed name for the plan is UTSaver.The purpose of the UTSaver deferred compensation plan is to provide employees who elect to participate in the plan the option to defer taxation on compensation subject to federal contribution limits. Employees may elect to contribute up to the maximum amount that may be deferred under the plan for the taxable year. The plan will be established pursuant to Chapter 609 of the Texas Government Code and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Internal Revenue Code. All contributions to the plan will be employee contributions.

7. U. T. Board of Regents: Adoption of Fifth Supplemental Resolution to the Master Resolution establishing the Revenue Financing System Taxable Commercial Paper Note Program and authorization for officers of U. T. System to complete all transactions related thereto

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 Fifth Supplemental Resolution to the Master Resolution, substantially in the form presented to the Board and as originally approved by the Board in 1996, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Taxable Commercial Paper Notes, Series B, in an aggregate principal amount not to exceed $50 million; and

b. authorize appropriate officers and employees of the U. T. System as set forth in the Fifth 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 Notes.

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 resolve 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 Parity Debt.

BACKGROUND INFORMATION

The use of tax-exempt debt for projects is limited by the Internal Revenue Code to facilities employed for governmental purposes. Projects with nongovernmental or private use beyond established limits are denied the benefits of tax-exempt debt and must employ taxable debt. Taxable debt is anticipated to be issued for certain projects in the FY 2004-2009 Capital Improvement Program that will have space rented to nongovernmental entities for a period of time.

The Fifth Supplemental Resolution, which is available for review on-line at http://www.utsystem.edu/bor/AgendaBook/5-12-04Meetingpage.htm or in hard copy upon request, authorizing a Revenue Financing System taxable commercial paper note program was originally approved by the Board of Regents in November 1996. No taxable notes were issued under the program and the authorization under the Fifth Supplemental Resolution is deemed to have lapsed. The reauthorization of the Fifth Supplemental Resolution will establish an interim financing program for the projects in the FY 2004-2009 Capital Improvement Program involving nongovernmental use. Liquidity for the program will be provided by the U. T. System through an arrangement with The University of Texas Investment Management Company consistent with the provisions governing liquidity for the tax-exempt commercial paper program.

The U. T. System's Revenue Financing System tax-exempt commercial paper note program was established on April 12, 1990. Since that time, the size of the program has been increased periodically, up to the current authorization of $750 million, to meet the financing needs of the U. T. System.

The proposed Fifth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

ADDITIONAL AGENDA ITEM

FINANCE AND PLANNING COMMITTEE

MAY 12, 2004

8. Approval to amend the Permanent University Fund and General Endowment Fund Investment Policy Statements

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the U. T. Board of Regents approve the proposed amendments to the Asset Allocation and Policy section of the following Investment Policy Statements as set forth in congressional style on Pages 39e - 39g:

a. Permanent University Fund (PUF)

b. General Endowment Fund (GEF)

It is further recommended that the U. T. Board of Regents approve the revised Exhibit A of the PUF Investment Policy Statement and the GEF Investment Policy Statement as set forth in congressional style on Page 39h.

BACKGROUND INFORMATION

Section 3(a) of the Investment Management Services Agreement dated March 1, 1996, second amended and restated effective August 7, 2003, between the Board of Regents of The University of Texas System and UTIMCO provides that UTIMCO shall review the investment policies of the assets under its management and recommend any changes of such policies for approval by the U. T. Board of Regents. The Investment Policy Statements for the PUF and the GEF provide that UTIMCO "shall...determine specific asset allocation targets, ranges, and performance benchmarks consistent with PUF (and GEF) objectives...". The Board of Regents adopted amendments to the Investment Policy Statements for the PUF and GEF at its December 19, 2003 meeting which established new asset allocation targets for several asset categories. However, there were also changes made to performance benchmarks and asset category definitions in the revised Investment Policy Statements which the UTIMCO Board believes would have negative unintended consequences. In exercising its delegated responsibility to determine benchmarks, UTIMCO recommends the technical corrections to the PUF and GEF Investment Policy Statements set forth in this agenda item. There are no changes to any Regents-approved asset allocation targets recommended in this agenda item and there are no changes to the expected return or expected risk measures. The only recommended changes are technical corrections to benchmark categories and definitions.

The recommended changes to the PUF and GEF Investment Policy Statements segregate two individual asset categories which were grouped under broader asset classes, and provide asset definitions and benchmarks for the revised asset categories. The proposed definitional changes are reflected in Exhibit A of both the PUF and GEF Investment Policy Statements. In addition, a change in the benchmarks for Private Equity and Venture Capital asset categories as reported in Exhibit A is proposed.

During the construction of the new policy portfolio, it became apparent that two unintended consequences resulted from the movement of Real Estate Investment Trusts (REITS) and Treasury Inflation Protected Securities (TIPS) from the inflation hedge asset category to the U.S. Equities and Fixed Income categories, respectively. The benchmarks of the U.S. Equities and Fixed Income classes were not adjusted correspondingly to account for the asset allocation percentage weights of the asset categories added.

1. Under the asset classification scheme of the new Investment Policy Statement, the actual U.S. Equities portfolio for the PUF and GEF would consist of approximately 21.6% of REITS (REITS' value of $859.2 versus total U.S. Equities with REITS of $3,974.1 as of March 31, 2004) while the Benchmark for the asset class, the Russell 3000 Index, has a weight of approximately 2% in REITS. This difference in weights between the actual portfolios and the policy portfolios creates a substantial risk concentration requiring transactions totaling more than $1.5 billion to correct. In addition to the expenses associated with the transactions which would total several million dollars, there would be three additional negative effects:

    a. REITS have been an important part of the endowment funds' portfolios for more than 10 years. They are the endowments' only investment in real estate and substantially reducing this position would lower the diversification and increase the risk of the overall portfolios with no expected increase in returns.

    b. Because the proceeds of the sale of the existing REIT portfolio would be transferred from internal management to external active management, the total UTIMCO and Fund budgets would immediately increase by about 8.7% (approximately $2.7 million per year), reflecting the difference in costs between internal and external active management. In addition, total internally managed assets would be reduced by about one-third with no decrease in costs.

c. An important source of value added over the past two years, REITS managed internally by Mr. Greg Cox, Portfolio Manager - Equity Investments, would be reduced to about one-tenth of its previous weight, thus limiting UTIMCO's ability to add value in the future.

2. The second issue relates to TIPS. Although UTIMCO does not currently have a TIPS position in the endowment portfolios, the intention was to introduce TIPS as part of the portfolio allocation, and a 5% allocation was originally approved by the UTIMCO Board. However, moving TIPS to the Fixed Income category would make it unlikely that the intended 33.3% allocation to TIPS (5% for TIPS out of 15% total for fixed income) would occur since the Lehman Brothers Bond Index does not contain any TIPS in its construction. TIPS would be more appropriately measured against the Lehman Brothers US TIPS Index. Therefore, implementing the 5% allocation to TIPS intended by the Asset Allocation Policy would create a substantial risk concentration position relative to the Lehman Brothers Aggregate Bond benchmark, making it less likely that TIPS would actually be purchased under the risk budgeting procedure used by UTIMCO. This would be an unintended negative result because TIPS have unique and attractive strategic characteristics which would improve diversification and lower the overall risk of the portfolio. The Investment Policy should encourage, not discourage, a TIPS position. The changes recommended in this agenda item would encourage TIPS positions.

The changes to the Asset Allocation and Policy sections of the PUF and GEF Investment Policy Statements are proposed to correct the negative unintended consequences.

Clarification on the use of the Venture Economics Benchmark for the Private Capital asset category is also proposed. During the recently completed Asset Allocation Review process, a new benchmark based on Venture Economics data was approved. The UTIMCO Board approved the use of Venture Economics' Vintage Year Venture Capital Index for the benchmark of Venture Capital and the use of Venture Economics' Vintage year Private Equity Index for Private Equity. At the time of the approval, the UTIMCO Board noted that staff would have to determine the most appropriate way to incorporate the Venture Economics benchmark into the endowment policy portfolio benchmark. The incorporation of Private Capital returns into the overall policy portfolio presents technical challenges due to differences in the methodology used to calculate return.

The best solution to the technical challenges is to use the Venture Economics' Periodic IRR Index for the entire Private Capital asset category rather than separate indices for venture capital and private equity. Although still not a perfect solution to the benchmarking problems of private equity, the Venture Economics Index does have an important characteristic necessary in any good benchmark: high correlation with the actual portfolio segment for which it has been selected as the benchmark. The table below indicates the correlation of actual private equity returns in the endowment funds with the Venture Economics Index over individual 1, 3, and 5-year periods over the past 10 years:

Correlation Coefficients	UTIMCO and Venture Economics
1 Year	0.9229
3 Years	0.8931
5 Years	0.9520

Correlation coefficients are statistical measures of how closely two variables change as measured at different points in time. A correlation coefficient of 1.0 indicates the two variables are moving in exact lockstep; a correlation coefficient of 0.0 indicates the two variables are moving completely independently. The high correlation measures above for the historical returns of the private capital portfolios and the Venture Economics benchmark indicate that the Venture Economics benchmark should be an effective benchmark for the endowments' private capital investments.

The UTIMCO Board of Directors approved the proposed amendments to the Investment Policy Statements for the PUF and GEF, and the revised Exhibit A of these Investment Policy Statements, on May 6, 2004.

Asset Allocation and Policy

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. Specific asset allocation positions may be changed from time to time, within the ranges specified in Exhibit A, based on the economic and investment outlook.

PUF [GEF][*] assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

A. U.S. Equities - U.S. equities represent ownership in U.S. companies that are traded in public markets~~.~~: ~~Equities include stocks that are further identified by size of the company and are classified as large capitalization, medium capitalization, and small capitalization. U.S. equities may further be delineated by style (growth or value). Warrants, rights, options, futures and hedge funds are also included if the underlying assets are equities. In addition, Derivative Applications approved by the UTIMCO Board that serve as a U.S. equity substitute will be classified as U.S. equities. Equities provide both current income and growth of income.~~

Traditional U.S. Equities – Traditional U.S. equities include common stocks and derivatives based on common stocks including warrants, rights, options, exchange traded funds, and futures. In addition, Derivative Applications approved by the UTIMCO Board that serve as a U.S. Equity substitute will be classified as traditional U.S. equity. Equities provide both current income and growth of income.

REITS – REITS are real estate investment trusts. REITS are companies which own, and in most cases operate, income producing real estate.

B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established and emerging markets. ~~Equities include stocks that are further identified by size of the company and are classified as large capitalization, medium capitalization, and small capitalization. Global ex U.S. equities may further be delineated by style (growth or value) or region (Latin America, Asia etc.) or state of economic development (Emerging Markets).~~ Warrants, rights, options, exchange traded funds, and futures ~~and hedge funds~~ are also included if the underlying assets are equities. In addition, Derivative Applications approved by the UTIMCO Board that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Equities provide both current income and growth of income.

[*] Reference for GEF policy only

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

<u>Equity Hedge Funds</u> – Equity hedge fund investments include U.S. and international long/short equity strategies. These strategies attempt to exploit profits from stock selection skills by taking long and short positions in various equity securities. These strategies may also include fund of hedge fund investments. Equity hedge fund investments are made through private placement agreements.

<u>Absolute Return Hedge Funds</u> – Absolute return hedge fund investments include arbitrage and event driven strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discreet events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements.

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

<u>Venture Capital</u> – Venture capital investments consist of investments in companies, both U.S. and non-U.S. that are in the early stages of development. Venture Capital investments are held either through limited partnership or as direct ownership interests.

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

E. <u>Commodities</u> – Natural resource investments which include oil and gas interests, commodities, and other hard assets.

F. Fixed Income – Fixed income investments include debt issued by the U.S. Treasury, various government agencies and domestic and foreign corporations.

Traditional Fixed Income - The principal securities include bonds, notes, bills and mortgage and asset-backed securities. ~~Fixed income investments also include hedge funds if the underlying assets are fixed income investments, and treasury inflation protected securities (TIPS) which are marketable securities with a return linked to the inflation rate.~~ In addition, Derivative Applications approved by the UTIMCO Board that serve as a fixed income substitute will be classified as traditional fixed income.

TIPS - TIPS are treasury inflation protected securities which are marketable securities with a return linked to the inflation rate.

EXHIBIT A

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

	Percent of Portfolio (%)		
Asset Category	**Policy Targets**	**Policy Ranges**	**Benchmarks**
US Equities:	**25.0**	**15 to 45**	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Associates Real Estate Securities Index ~~Russell 3000 Index~~
Traditional US Equities	20.0	15 to 45	Russell 3000 Index
REITS	5.0	0 to 10	Wilshire Associates Real Estate Securities Index
Global ex US Equities:			MSCI All Country World Index ex US
Non-US Developed Equity	10.0	5 to 15	
Emerging Markets Equity	7.0	0 to 10	
Total ~~Traditional~~ Equity	**42.0**	**20 to 60**	
Equity Hedge Funds	10.0	5 to 15	90 Day T-Bills + 4%
Absolute Return Hedge Funds	15.0	10 to 20	90 Day T-Bills + 3%
Total Hedge Funds	**25.0**	**15 to 25**	
Venture Capital	6.0	0 to 10	~~Venture Economics Vintage Year Venture Capital Index~~
Private Equity	9.0	5 to 15	~~Venture Economics Vintage Year Private Equity Index~~
Total Private Capital	**15.0**	**5 to 15**	Venture Economics' Periodic IRR Index
Commodities	**3.0**	**0 to 5**	GSCI minus 1%
Fixed Income:	**15.0**	**10 to 30**	Combination benchmark: 66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Tips Index ~~Lehman Brothers Aggregate Bond Index~~
Traditional Fixed Income	10.0	10 to 30	Lehman Brothers Aggregate Bond Index
TIPS	5.0	0 to 10	Lehman Brothers US Tips Index
Cash	**0.0**	**0 to 5**	90 Day T-Bills

Expected Annual Return (%)	**8.36**
Downside Deviation (%)	**4.22**
Standard Deviation (%)	**10.30**

ADDITIONAL AGENDA ITEM

FINANCE AND PLANNING COMMITTEE

MAY 12, 2004

9. Approval to amend the Short Intermediate Term Fund Investment Policy Statement

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the U. T. Board of Regents approve the proposed amendments to the Investment Objectives section of the Short Intermediate Term Fund (SITF) Investment Policy Statement as set forth below in congressional style:

SITF Investment Objectives

The primary investment objective shall be to provide both income through investment in high grade fixed income and floating rate obligations and capital appreciation when consistent with income generation. ~~, reasonable preservation of capital and maintenance of adequate SITF liquidity. In seeking to achieve its objectives, the SITF shall attempt to minimize the probability of a negative total return over a one-year period.~~ Within the exposure limits contained herein, investments shall be diversified among authorized asset classes and issuers (excluding the U. S. Government) in order to minimize portfolio risk for a given level of expected return. This objective will be achieved by adding value through active management including duration and yield curve management, sector rotation, security selection, and cost efficient trading.

Achievement of this objective shall be defined by a fund return over a market cycle in excess of the Short Term Fund ("STF") and the Policy Portfolio benchmark. ~~and the average return of the median manager of the MorningStar universe of government bond funds restricted to an average maturity of less than or equal to three years.~~ The SITF will attempt to achieve a return in excess of the STF primarily through a longer average maturity/duration and through UTIMCO active portfolio management efforts. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect SITF asset allocation policy targets.

It is important to note that the SITF return will be more volatile than the STF fund returns, and under very unusual capital market conditions, the total return of the SITF could be negative over a 12-month period.

BACKGROUND INFORMATION

Section 3(a) of the Investment Management Services Agreement dated March 1, 1996, second amended and restated effective August 7, 2003, between the Board of Regents of The University of Texas System and UTIMCO provides that UTIMCO shall review the investment policies of the assets under its management and recommend any changes of such policies for approval by the U. T. Board of Regents.

The recommended changes are to clarify the investment objectives of the SITF Investment Policy. The UTIMCO Board of Directors approved the proposed amendments to the SITF Investment Policy Statement on May 6, 2004.

ADDITIONAL AGENDA ITEM

FINANCE AND PLANNING COMMITTEE

MAY 12, 2004

10. **<u>Presentation of Restatement of Historical Endowment Policy Portfolio Returns</u>**

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) presents the Report below on the Restatement of Historical Endowment Policy Portfolio (EPP) and Returns for the Permanent University Fund (PUF) and the General Endowment Fund (GEF) as an information item to the U. T. Board of Regents. The EPPs are the policy benchmarks against which the returns of the PUF, GEF, the Long Term Fund (LTF), and the Permanent Health Fund (PHF) are measured. The establishment of EPPs for the PUF and GEF and monitoring performance of the Funds relative to stated objectives are delegated to UTIMCO by the Investment Policy Statements of the PUF and GEF.

The UTIMCO Board of Directors approved the Restatement of Historical Endowment Policy Portfolio Returns for the PUF and GEF on May 6, 2004.

<u>REPORT</u>

The reasonableness of the historical benchmark returns has been questioned by the State Auditors as well as others. The State Auditors report, *<u>A Report Comparing Texas's Five Largest Long-Term Investment Funds</u>*, issued February 2003, noted that the PUF and LTF underperformed when compared with the returns of their policy index and briefly discussed the reasons. In response in the comment section, UTIMCO agreed that it would attempt to deal with several technical benchmark issues in order to provide more accurate performance comparisons in the future. UTIMCO has now completed a thorough review of the asset class weights and benchmarks used in the establishment of EPPs. The overall issues with the EPPs were:

- With the first Policy Portfolio published in 1997, return for periods prior to 1997 were calculated using the policy portfolio allocation which existed in 1997, not to policy allocations that actually existed in the prior periods. In periods after 1997, the target weights approved by the UTIMCO Board were used immediately in calculating EPP returns rather than incorporating a phase-in period.

- Establishing the same target weights in a single EPP for the PUF and LTF/GEF without consideration that the PUF was not managed as a total return fund prior to November 1999 although the LTF/GEF was managed as a total return fund.

- Appropriateness of the benchmarks used for Private Capital in the EPPs.

Issues:

- With the first Policy Portfolio published in 1997, return for periods prior to 1997 were calculated using the policy portfolio allocation which existed in 1997, not to policy allocations that actually existed in the prior periods. In periods after 1997, the target weights approved by the UTIMCO Board were used immediately in calculating EPP returns rather than incorporating a phase-in period.

EPP returns are calculated on a monthly basis by multiplying the policy weights of each asset category with Asset Allocation Policy times the return for the benchmark index defined for each asset category and summing the results. UTIMCO began reporting EPP returns in 1997. At that time, the method used to calculate EPP returns prior to 1997 was to apply the asset allocation targets in existence in 1997 to selected benchmark returns in previous years. In years subsequent to 1997, it was standard procedure to apply then-current asset allocation targets to then-defined benchmarks. As asset allocation targets were changed through time, the changes were reflected immediately in the EPPs. Because benchmark changes were reflected immediately in historical EPPs but actual portfolios changed more gradually as investments were made at a measured pace, particularly in the relatively illiquid alternative asset categories, there was often a mismatch between the composition of the benchmark portfolio and actual portfolios, and hence differences in actual versus policy index returns. In periods where the benchmark returns of the illiquid asset categories are increasing rapidly relative to other categories in the policy portfolio, the comparison between actual returns and policy portfolio returns will be unrealistically biased in favor of the policy benchmark portfolio return. Of course, the opposite bias would occur in the opposite market conditions. The combination of these two factors incorrectly biased return comparisons for both the LTF/GEF and the PUF relative to the Policy Portfolio.

- Establishing the same target weights in a single EPP for the PUF and LTF/GEF without consideration that the PUF was not managed as a total return fund prior to November 1999 although the LTF/GEF was managed as a total return fund.

Before the passage of the constitutional amendment in November 1999, achievement of the PUF's investments objectives was substantially hindered by the inability to make distributions to the Available University Fund on a total return basis. The objective of preserving the purchasing power of the distribution stream subordinated the PUF's allocation among various asset classes to the production of current income to meet distribution needs. In the environment of low or declining interest rates which has existed in the past several years, a higher than optimal percentage of PUF investment assets were allocated to higher-yielding, fixed income securities in order to maintain distributions on a level-dollar basis. Throughout the 1980s and through 1992, in order to maintain above average payout rates, the majority of the LTF/GEF was invested in fixed income securities. After 1992, a more aggressive asset rebalancing program was put into place. Under the amended provisions of the Texas Uniform Management of Institutional Funds Act, which were amended in 1993, the Board of Regents was permitted to adopt a total return investment strategy. The Board of Regents adopted a total return spending policy in February of 1995 and recommended a long-term equity allocation goal to be achieved in five years. Accordingly, the LTF/GEF portfolio often differed in composition as compared to the PUF over the period 1993 through 1999. Therefore, it is inappropriate to compare past results of the PUF and LTF/GEF to the same policy benchmark. Because the 1999 Constitutional amendment converted PUF distributions to a total return basis, recent results are identical for the PUF and LTF/GEF benchmarks.

- Appropriateness of the benchmarks used for Private Capital in the EPP.

In the State Auditor's report, the benchmark utilized for Private Capital was an absolute return of 17%. The 17% was established by applying a 400-500 basis point premium to an estimated public markets return of 12%-13%. This static benchmark proved to be problematic given the reality of dynamic public market returns. To improve the benchmark, the Wilshire 5000 plus 4% was implemented in August 2002 to replace the static 17%. Although an improvement over the 17%, the Wilshire 5000 plus 4% is still problematic over shorter periods as a result of the inherent valuation lag between the private markets and the public markets.

The third item, the appropriateness of the benchmark for Private Capital, has been problematic since the inception of the asset class, not just for UTIMCO but for all other investment funds benchmarking a similar private capital portfolio. It has been recognized by the UTIMCO Board for some time that the previous benchmarks used were not appropriate for comparison, especially over periods of less than 10 years. In fact, the private equity industry uses an entirely different method of calculating returns than the traditional public markets industry. The challenge for funds incorporating both private equity and public market assets has been, and continues to be, to integrate the two different return calculation methodologies to produce a composite return for the funds. In situations where returns are evaluated only over very long time periods such as 10 years, a public markets based proxy such as Wilshire 5000 plus 4% might be appropriate. However, for short time period comparisons such as 1 to 5 years, the use of a more direct measure of the actual conditions in the private equity market is essential to avoid inappropriate conclusions. An important function of a policy benchmark is to provide a reliable yardstick for observers to judge how well UTIMCO management is performing relative to reasonable objectives. These comparisons are often made over periods as short as one year or less. Therefore, the proxy benchmarks, such as Wilshire 5000 plus 4%, and the flat rate benchmark, such as 17%, are inappropriate for the shorter term evaluations and may result in incorrect conclusions by these observers. As the table below indicates, both the flat 17% and the Wilshire 5000 + 4% benchmarks have low correlations to the actual historical private capital returns in the endowment portfolios.

Correlation Coefficients	UTIMCO and Venture Economics	UTIMCO and Wilshire +4%	UTIMCO and 17%
1 Year	0.9229	0.5162	0.0000
3 Years	0.8931	0.8882	0.0291
5 Years	0.9520	0.9710	0.0000

Correlation coefficients measure the statistical tendency of two variables to move in tandem over certain time periods. Two variables moving in perfect synchronization (but not necessarily at the same level) would have a correlation coefficient of 1.0; two variables with no relationship would have a correlation coefficient of 0.0. The table shows correlation coefficients for the actual UTIMCO private capital returns and returns for three benchmarks for all 1, 3, and 5 year time periods over the past 10 years. Returns for a well defined benchmark will have a relatively high correlation with the actual portfolio returns being evaluated by the benchmark. Note that the flat 17% is a poor benchmark over all time periods. The Wilshire 5000 + 4% benchmark has a high correlation for longer periods such as 5 years, but is a poor choice for shorter time periods. Only the Venture Economics Index meets the criteria of having high correlations across all time periods.

The Venture Economics Index has an important additional advantage relative to the Wilshire 5000 + 4% proxy benchmark. Since all private capital portfolios have well known valuation issues in calculating interim performance results, comparing actual private capital returns in the endowment portfolios to the Wilshire-based proxy index, which as a public markets index has no such valuation issues, could magnify the effects of the valuation issues. On the other hand, comparing the endowment funds' private capital results to the Venture Economics Index, which has the same valuation issues since it is based on all private capital investments in the marketplace, would effectively offset the valuation problems, and thus provide a more reliable measure of the relative performance of the private capital portion of the endowment portfolios.

UTIMCO recognizes that it is unusual to restate EPP or benchmark returns. However, this restatement addresses errors in the construction of the EPP and inappropriate benchmark selections. Because UTIMCO regularly provides returns for periods including one month, one quarter, one year, three years, five years and ten years, it is important not only to adopt appropriate benchmarks for future returns, but to restate prior benchmark returns as well so that observers have a correct basis for comparison not only prospectively, but for the past as well. The problems with phase-ins of asset allocation changes will be treated carefully in the future, but adjustments to past benchmark returns are necessary for data integrity. Because both the PUF and GEF are now total return Funds, there will be no need to maintain different EPPs in the future, however, because historical returns are shown for periods before 1999, it will be necessary to show two distinct historical EPP return series until at least 2009. The private capital benchmark issue is so severe, and would result in materially misleading comparisons over shorter term time periods, that, in UTIMCO's opinion, the change to the Venture Economic Index is essential for both future and past comparisons.

It is important to note that accounting rules recognize and require restatement in accounting situations similar to this. Accounting Principles Board (APB) pronouncements #9 and #20 address changes and corrections to previously reported information. Generally, these pronouncements state that if the impact of the restatement would be material, which is the case with the performance difference in this scenario, restatement is required.

The rules from the Association for Investment Management Research (AIMR) regarding benchmark constructions and restatement are less clear. UTIMCO requested an opinion from AIMR regarding the appropriateness of restating benchmarks and received the following reply:

> "Please see Standard 5.A.7., which provides, in part, that if the firm changes the benchmark that is used for a given composite in the performance presentation, the firm must disclose both the date and the reasons for the change.
>
> A benchmark can serve as a tool that measures the firm's effectiveness in implementing a style or strategy, or it can serve as the defining style to which the portfolios in the composite are managed. If a change in the benchmark represents a change in the composite's investment style or strategy, the firm must create a new composite.
>
> If the investment management style has not changed but the firm believes a new benchmark is a more appropriate comparative measure for the composite, the firm must explain in the composite presentation its reasons for changing the benchmark. In most cases, the firm should change the benchmark going forward and not change historical presentations of the original benchmark. However, because benchmarks are continually evolving, if the firm deems the new benchmark to be a better representation of an investment strategy, the firm may consider changing the benchmark retroactively. Firms must disclose any changes to the benchmark over time. The firm must disclose the date the benchmark is changed and the reason it has been retroactively applied. In addition, firms are encouraged to continue to present the old benchmark. Changes to the benchmark primarily intended to make historical performance look better by lowering the benchmark return, violate the spirit of the Standards."

For the reasons identified earlier, UTIMCO believes that the benchmark changes indicated would provide a much more accurate and reliable representation of the endowment funds investment strategy both prospectively and retrospectively, are not being done primarily to make investment results look better, meet both Accounting Principles Board and AIMR standards for being retroactively applied, and are therefore appropriate and in the best interests of the endowment funds.

The specific actions taken to restate EPP returns were:

- To correct the issues of using 1997 asset allocation targets for all prior Policy Portfolio calculations, not incorporating appropriate phase in periods, and establishing the same target weights for the PUF and GEF/LTF, UTIMCO staff consulted Board of Regents and UTIMCO Board minutes and materials to determine the policy provisions in place through the period under review. Quarterly reports from 1992 through the current period were accumulated to determine actual asset allocations for the PUF and LTF/GEF for the same quarterly periods as the policy allocations. The PUF and LTF/GEF were treated differently in regards to a phase in. Based on the fact that PUF was restrained due to the distribution of income requirement, the benchmark weights were phased in more closely with actual percentage weights of the PUF. In the asset classes, such as the Private Capital area, where it was not possible to build a portfolio immediately, LTF/GEF asset allocations were phased in straight-line over time periods that were deemed reasonable in consideration of the time it would take to adjust the actual Fund allocation to reflect those changes. The benchmark indices used in the calculations were those approved in the Policy statements except for Private Capital. By the year 2000, the benchmarks have been completely phased in.

- To correct the problem with the Private Capital benchmark, the prior period benchmark indices were replaced with the Venture Economics Periodic IRR index. This replacement occurred in both the PUF and LTF/GEF policy portfolios beginning with 1993.

The results of these restatements are indicated in the table below for several periods ending February 29, 2004:

	Periods Ended February 29, 2004 (Returns for Periods Longer Than One Year are Annualized)						
	One Month	**Three Months**	**Six Months**	**One Year**	**Three Years**	**Five Years**	**Ten Years**
Permanent University Fund	2.49	8.34	15.49	31.74	5.29	6.05	9.74
Permanent University Fund Policy Portfolio	1.36	5.50	10.64	21.34	1.63	5.12	10.48
General Endowment Fund	2.33	8.22	15.61	32.56	5.89	N/A	N/A
Permanent Health Fund	2.31	8.15	15.45	32.31	5.74	N/A	N/A
Long Term Fund	2.31	8.14	15.45	32.38	5.81	7.56	10.44
General Endowment Fund Policy Portfolio	1.36	5.50	10.64	21.34	1.69	5.34	10.44
Policy Portfolio Before Restatement	1.36	6.12	11.89	27.38	4.21	5.37	10.41

The general form of performance reporting, including a footnote indicating that benchmarks were restated and offering restatement details and prior Policy Portfolio returns, is presented on the following page.

	Periods Ended February 29, 2004 (Returns for Periods Longer Than One Year are Annualized)						
	One Month	Three Months	Six Months	One Year	Three Years	Five Years	Ten Years
Permanent University Fund	2.49	8.34	15.49	31.74	5.29	6.05	9.74
Permanent University Fund Policy Portfolio *	1.36	5.50	10.64	21.34	1.63	5.12	10.48
General Endowment Fund	2.33	8.22	15.61	32.56	5.89	N/A	N/A
Permanent Health Fund	2.31	8.15	15.45	32.31	5.74	N/A	N/A
Long Term Fund	2.31	8.14	15.45	32.38	5.81	7.56	10.44
General Endowment Fund Policy Portfolio *	1.36	5.50	10.64	21.34	1.69	5.34	10.44

* Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.

If additional information is requested, a document in the form of Attachment A will be provided.

UTIMCO requested Bruce Myers of Cambridge Associates, Inc. to review the methodology and supporting calculations and documentation and opine on restatement of EPPs. Mr. Myers explained that although it may not be general industry practice to restate benchmarks, he concurred with this retroactive restatement and the methodology used since it corrected errors in the construction of the historical EPP returns and would result in a more fair and accurate representation of historical relative performance for the endowment funds.

Attachment A

Procedures Used to Restate Prior Policy Portfolio Returns

Policy Portfolio returns for all periods beginning June 1993 were restated in 2004 to correct three technical errors in previously reported Policy Portfolio returns:

1. UTIMCO began publishing Policy Portfolio returns in 1997. At that time, Policy Portfolio returns for periods prior to 1997 were calculated using the policy asset allocation targets in place in 1997 rather than the actual approved allocations in prior years. In addition, when changes were made in asset allocation targets subsequent to 1997, those changes were implemented immediately in calculating Policy Portfolio returns, despite that fact that the changes might take years to actually implement especially in less liquid asset categories. As a result, prior Policy Portfolio returns did not accurately reflect either the true Asset Allocation Policies in place at each point in time in history or the practical implementation of those Policies. In order to correct these errors, UTIMCO analyzed Board of Regents minutes, UTIMCO Board minutes, and actual quarterly asset statements for the PUF and GEF/LTF for the period 1992 through 2003. Changes in Policy Allocations for liquid asset categories such as public equities and bonds were implemented almost immediately in the LTF/GEF's Policy Portfolio. However, changes in allocations to the LTF/GEF's private equity and hedge funds were phased in on a straight-line basis over time periods that were deemed reasonable to reflect the actual time it would take to implement those changes in the actual endowment portfolios. The PUF was phased-in more closely aligned with actual asset allocation due to the restraints placed on it from the distribution requirements. A senior consultant at Cambridge Associates reviewed the phase in procedures and found them to be reasonable.
2. Since the time it began reporting Policy Portfolio returns in 1997, UTIMCO has reported a single Policy Portfolio return for each time period for comparison to both the PUF and GEF/LTF. However, prior to Texas State Proposition 17 in 1999, the PUF asset allocation was constrained by the necessity to maintain a relatively level annual distribution which could be paid only out of current income. Proposition 17 converted the PUF to a so-called "total return" basis in which distributions could be paid out of either income or principal. The GEF/LTF had paid distributions on a "total return" basis since 1987. In a period of generally declining interest rates over the late 1990's, the PUF was forced into asset allocation positions that differed substantially from stated Investment Policy Targets which were apparently set without consideration of the income requirements (there was no differentiation in Asset Allocation Policy for the PUF and the GEF/LTF) in order to meet income requirements to pay distributions. To correct this error in Policy Portfolio construction, the phase-in process described above was done differently for the PUF Policy Portfolio than for the GEF/LTF Policy Portfolio, resulting in different returns for the two benchmarks. Phase-ins for the PUF were defined to more closely mirror the actual holdings in the PUF since the need to generate current income sometimes precluded a smooth linear phase-in as used in the case of the GEF/LTF. A senior consultant from Cambridge Associates reviewed the assumptions for both the PUF and GEF/LTF and found them to be appropriate.
3. Like many investors in the private capital asset category, UTIMCO has had difficulty determining an appropriate benchmark for the asset category. Over the 1993 through 2004 time period, UTIMCO has used at various times a flat 17% benchmark, a Wilshire 5000 +4% benchmark, and has recently adopted the Venture Economics Periodic IRR Index to evaluate actual private capital performance. Both the flat 17% benchmark and the Wilshire 5000 + 4% proxy benchmark have serious flaws. An essential trait of any appropriate benchmark is that returns for the benchmark should have a high degree of correlation with the actual returns of the portfolio to which the benchmark is being used as a comparison. As the table on the following page indicates, the flat 17% and Wilshire 5000 + 4% benchmarks fail this essential test, especially over shorter time frames. These correlation measures were calculated from actual data over the 1993 to 2003 time period.

Correlation Coefficients	UTIMCO and Venture Economics	UTIMCO and Wilshire +4%	UTIMCO and 17%
1 Year	0.9229	0.5162	0.0000
3 Years	0.8931	0.8882	0.0291
5 Years	0.9520	0.9710	0.0000

While the Wilshire proxy benchmark might be appropriate for longer term time periods such as 5 to 10 years, it is clearly not appropriate over shorter time periods such as one year. The flat 17% benchmark is not appropriate over any time period. On the other hand, the Venture Economics Index passes this important test over all time periods. Since we know that this Index has been a good benchmark over the ten year period that historical results are provided by the statistics above, the Venture Economics Index has been applied retroactively as the private capital asset category benchmark.

The composite result of the restatements of historical Policy Portfolio returns are indicated in the table below. The table also presents Policy Portfolio returns under the prior methods of calculation.

	Periods Ended February 29, 2004 (Returns for Periods Longer Than One Year are Annualized)						
	One Month	Three Months	Six Months	One Year	Three Years	Five Years	Ten Years
Permanent University Fund	2.49	8.34	15.49	31.74	5.29	6.05	9.74
Permanent University Fund Policy Portfolio	1.36	5.50	10.64	21.34	1.63	5.12	10.48
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General Endowment Fund Policy Portfolio	1.36	5.50	10.64	21.34	1.69	5.34	10.44
Policy Portfolio Before Restatement	1.36	6.12	11.89	27.38	4.21	5.37	10.41

THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
DOCKET NO. 117

April 15, 2004

TO MEMBERS OF THE FINANCE AND PLANNING COMMITTEE:

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

The Docket for The University of Texas System Administration and the Dockets recommended by the Presidents concerned and prepared by the component institutions listed below are submitted for approval as appropriate at the meeting of the U. T. Board of Regents on May 13, 2004. The Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel, and I concur in these recommendations.

M. G. Y.

Mark G. Yudof
Chancellor

xc: Other Members of the Board

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U. T. SYSTEM ADMINISTRATION

CONTRACTS

The following contract or agreement has been administratively approved by the Chancellor or his delegate and the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS

FUNDS GOING OUT

1. Agency: Wireless Generation, Inc.
   Funds: $1,350,000
   Period: May 13, 2004 through September 30, 2004
   Description: In conjunction with the Texas Reading First Initiative, Wireless Generation, Inc., will provide a technology-based observational assessment infrastructure, develop updates to existing Texas Primary Reading Inventory software, and update customized user documentation including training and materials. Wireless Generation, Inc., will also develop and implement a Tejas Lectura En Espanol software application and pilot program. Funds will be reimbursed to The University of Texas System through the Texas Education Agency from grant funds awarded to The University of Texas System for the Texas Reading First Initiative.

AMENDMENT TO THE 2003-04 BUDGET

TRANSFERS OF FUNDS

The following Request for Budget Change (RBC) has been administratively approved by the appropriate Executive Vice Chancellor and the Chancellor and is recommended for approval by the U. T. Board of Regents.

Description	$ Amount	RBC #
ROLLING OWNER CONTROLLED INSURANCE PROGRAM (ROCIP)		
1. Amount of Transfer:	3,000,000	6

From: Income Account - ROCIP III

To: Expense Account - ROCIP IV

Transfer funds from ROCIP III to fund expenses associated with ROCIP IV until such time as premiums are collected to repay ROCIP III.

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following items have been approved by the Chancellor in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and are submitted for approval by the U. T. Board of Regents. It has been determined that the holding of these offices or positions is of benefit to the State of Texas and The University of Texas and there is no conflict between holding the positions and the appointment of Dr. Shine with The University of Texas System Administration. By approval of these items, the Board is also asked to find that holding these positions are of benefit to the State of Texas and The University of Texas and there is no conflict between the positions and Dr. Shine's appointment.

1. Name: Kenneth I. Shine, M.D.
   Title: Executive Vice Chancellor for Health Affairs
   Position: Special Government Employee Member
   Period: February 5, 2004 through February 5, 2005
   Compensation: None
   Description: Mr. Charles E. McQueary, Under Secretary for Science and Technology, Department of Homeland Security, appointed Dr. Shine to serve as an inaugural member of the Homeland Security Science and Technology Advisory Committee. The mission of this newly-formed committee is to be a source of independent, scientific, and technical planning advice for the Department.

2. Name: Kenneth I. Shine, M.D.
   Title: Executive Vice Chancellor for Health Affairs
   Position: Chair
   Period: February 2, 2004 through January 31, 2006
   Compensation: None
   Description: Mr. Peter J. Pitts, Associate Commissioner for External Relations, Department of Health and Human Services, appointed Dr. Shine to serve as Chair of the Science Board of the Food and Drug Administration. The Board advises the Commissioner of the Food and Drug Administration in discharging his/her responsibilities as they relate to addressing specific and technically complex scientific issues of regulatory importance.

OTHER MATTERS (CONTINUED)

APPROVAL OF NEWLY COMMISSIONED U. T. SYSTEM PEACE OFFICERS

In accordance with Chapter 51.203 of the Texas Education Code, the U. T. Board of Regents is requested to approve the commissioning of the individuals listed below as peace officers effective December 12, 2003. The following officers have completed a course of training that included mandated Texas Commission on Law Enforcement Officer Standards and Education courses at The University of Texas System Police Training Academy and have successfully passed the State of Texas Peace Officer Licensing Examination.

Name	Component Institution
Michael J. Armendariz	U. T. Health Science Center - Houston
Charles Christopher Bonnet	U. T. Austin
Wesley J. Braunsdorf	U. T. Medical Branch - Galveston
Joel Alberto Campos	U. T. Brownsville
Jacob M. Corbitt	U. T. Medical Branch - Galveston
Jacob Karl Criswell	U. T. San Antonio
Timothy L. Crowell	U. T. Austin
Jorge A. Cruz	U. T. Pan American
Ricardo Delgadillo	U. T. Brownsville
Kevin B. Gray	U. T. Health Science Center - Houston
Joseph I. P. Hansen	U. T. Permian Basin
Bobby M. Hudson	U. T. Tyler
Covell W. Johnson	U. T. Health Science Center - Houston
Felix J. Jones	U. T. Health Science Center - Houston
Noel J. Layer	U. T. Medical Branch - Galveston
Guillermo R. Lyne, III	U. T. Brownsville
Diego N. Mata	U. T. Pan American
Megan J. L. Meixsell	U. T. Austin
Jimmy Lee Moore, Jr.	U. T. Austin
Michael Mulla	U. T. Health Science Center - Houston
Maria Del Carmen Perez	U. T. Brownsville
Wesley Ray Schlather	U. T. Austin
Russell Brooks Whitehair	U. T. San Antonio

REAL ESTATE REPORT

THE UNIVERSITY OF TEXAS SYSTEM
REAL ESTATE ASSETS

Managed by U. T. System Real Estate Office

Summary Report at February 29, 2004

FUND TYPE

	Current Purpose Restricted				Endowment & Similar Funds				Annuity & Life Income Funds				TOTAL			
		Book		Market		Book		Market		Book		Market		Book		Market
Land & Buildings:																
Ending Value 11/30/03	$	6,191,822	$	24,388,537	$	25,166,108	$	120,417,643	$	1,249,644		858,515	$	32,607,575	$	145,664,695
Increase or Decrease		(836,810)		(1,200,000)		(103,187)		82,575,431		-		-		(939,997)		81,375,431
Ending Value 2/29/04	$	5,355,012		23,188,537	$	25,062,921	$	202,993,074	$	1,249,644-	$	858,515	$	31,667,578	$	227,040,126
Other Real Estate:																
Ending Value 11/30/03	$	140,945	$	140,945	$	306,290	$	306,290	$	-	$	-	$	447,235	$	447,235
Increase or Decrease		(7,847)		(7,847)		50,596		50,596		-		-		42,749		42,749
Ending Value 2/29/03	$	133,098	$	133,098	$	356,886	$	356,886	$	-	$	-	$	489,984	$	489,984

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

Details of individual assets by account furnished on request.

U. T. ARLINGTON

GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

1.	Donor Name:	Seismic Micro-Technology, Inc.
	College/School/ Department:	College of Science, Geology Department
	Purpose:	Research
	Asset Type:	Gift-in-kind (software)
	Value:	$704,000

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

				Full-time Salary		
Description		Effective Date	% Time	No. Mos.	Rate $	RBC #
COLLEGE OF ENGINEERING						
Mechanical and Aerospace						
1.	Roger D. Goolsby (T)					37
From:	Professor		100	09	77,200	
To:	Professor and	9/1-5/31	100	09	77,200	
	Director, Material Science and Engineering	12/1-5/31	SUPLT	06	5,000	

OTHER FISCAL ITEMS

EMPLOYMENT AGREEMENTS

The following agreement has been awarded, has been approved by the Chancellor, and is recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas at Arlington.

1. Item: President

   Funds: $239,000 annually

   Period: Beginning February 1, 2004

   Description: Agreement for employment of James D. Spaniolo as President of The University of Texas at Arlington. The President reports to the Chancellor and the Executive Vice Chancellor for Academic Affairs and shall hold office without fixed term subject to the pleasure of the Chancellor. President Spaniolo will receive $35,400 as a salary supplement in lieu of a housing allowance pursuant to approved policy. All reasonable moving expenses from East Lansing, Michigan to Arlington, Texas will be reimbursed. Medical insurance premiums will be paid for the first 90 days of employment. President Spaniolo is also appointed as a Professor, with tenure, in the Department of Communication, College of Liberal Arts, with an initial academic rate of $90,000 per year. During his presidency, President Spaniolo will not be paid a salary as Professor.

OTHER FISCAL ITEMS (CONTINUED)

PURCHASE ORDERS OVER $1,000,000

The following purchase of new equipment has been administratively approved by the Executive Vice Chancellor for Academic Affairs or her designee and is recommended for approval by the U. T. Board of Regents.

1. Company: Leo Electron Microscopy Inc.
   Item: Crossbeam with Electron Beam Writer and Scanning Electron Microscope
   Amount: $1,500,000
   Department: Nanofab Center
   Description: This new equipment enables Nanofab Center researchers to expand their research capabilities.

U. T. AUSTIN

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: Michael & Susan Dell Foundation
   College/School/
   Department: College of Natural Sciences
   Purpose: Dell Center for New Teacher Success
   Asset Type: Cash
   Value: $280,000 (represents first payment of $503,000 commitment)

2. Donor Name: Houston Endowment Inc.
   College/School/
   Department: Vice President for Resource Development
   Purpose: UTOPIA (formerly called Digital Knowledge Gateway)
   Asset Type: Cash
   Value: $700,000

CONTRACTS

The following contracts or agreements have been awarded, have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs, and are recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS

FUNDS GOING OUT

1. Agency: Capital Metropolitan Transportation Authority
   Funds: $5,521,805
   Period: September 1, 2004 through August 31, 2005
   Description: Amend the current agreement, whereby Capital Metropolitan Transportation Authority provides shuttle bus service for U. T. Austin for an additional year.

2. Agency: URS Corporation, Austin, Texas
   Funds: $1,588,050
   Period: March 12, 2004 through February 11, 2005
   Description: Agreement between College of Engineering and URS Corporation to provide for the installation of seven air monitoring stations and two surveillance cameras along the Corpus Christi ship channel. U. T. Austin is performing a research project titled "Corpus Christi Air Monitoring and Surveillance Camera Installation and Operation Project" under the direction of Dr. David T. Allen, funded through the Federal Court of the Southern District of Texas for $6.7 million. Funds for project provided as a result of a court-ordered condition of probation for Koch Petroleum under *United States v. Koch Petroleum Group, L.P.*

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
RED McCOMBS SCHOOL OF BUSINESS					
Finance					
Associate Professor					
1. John M. Griffin (T)	1/16-5/31	100	09	170,000	70

TRANSFERS OF FUNDS

Description	$ Amount	RBC #
EDUCATIONAL AND GENERAL FUNDS		
Advanced Technology Program		
2. Amount of Transfer:	4,352,519	93

From: Advanced Technology Program

To: Legislative Appropriation –
Advanced Research and Advanced Technology Program

To record the appropriation transfer from the Texas Higher Education Coordinating Board for 2003-04 Grants, Advanced Research Program, and the Advanced Technology Program.

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS (CONTINUED)

Description	$ Amount	RBC #
DESIGNATED FUNDS		
Liberal Arts		
3. Amount of Transfer:	974,595	73
From: Flat Rate Tuition Fee Distribution - Operating Income		
To: Flat Rate Tuition Fee Distribution - Allocation for Budget Adjustment		
Transfer balance forward income to make funds available for expenditures. Transfer of final 2002-03 flat rate adjustment.		
Vice President for Research		
4. Amount of Transfer:	756,000	72
From: Washington Advisory Group - Operating Income		
To: Washington Advisory Group - Visiting Lecturers and Consultants		
Transfer from income account to expense account to provide funding for payments to Washington Advisory Group consultants. Income account funded by inter-branch transfer from U. T. System Investment Income account.		
PLANT FUNDS		
Physical Plant Repair Projects		
5. Amount of Transfer:	10,000,000	77
From: Designated Funds - Designated Tuition - Academic Sustainability Tuition - Resident		
To: Physical Plant - Repair Projects Funded From Designated Tuition		
Fiscal Year 2003-04 Maintenance funding from Academic Sustainability Tuition (AST) - Resident Tuition.		

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS (CONTINUED)

Description	$ Amount	RBC #
PLANT FUNDS (Continued)		
Renewals and Replacements		
6. Amount of Transfer:	3,500,000	76

From: Building Renewals and Replacements Fund-Indirect Cost Recovery

To: Physical Plant Academic Space Improvements

Transfer of funds for Fiscal Year 2003-04 Academic Space Improvements from Indirect Cost Recovery.

Physical Plant – ADA CIP Phase 3		
7. Amount of Transfer:	650,000	74

From: Designated Funds - Designated Tuition – Academic Sustainability Tuition Nonresident

To: ADA CIP Phase 3 – Designated Tuition

Fiscal Year 2003-04 allocation to the Americans with Disabilities Act (ADA) Capital Improvements Projects (CIP) Phase 3 from Academic Sustainability Tuition – Nonresident tuition.

Academic Space Improvements		
8. Amount of Transfer:	900,000	97

From: Designated Funds - Designated Tuition

To: Physical Plant – Academic Space Improvements

To provide one-time funding, as approved by Provost Sheldon Ekland-Olson, for the High Bay Laser Research Laboratory.

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS (CONTINUED)

Description	$ Amount	RBC #
LIBRARY, EQUIPMENT, REPAIR, AND REHABILITATION		
School of Social Work Fire and Safety Project		
9. Amount of Transfer:	1,025,000	100

From: LERR Allocation – Battle Hall Fire and Life Safety Project

To: LERR Allocation – School of Social Work Fire and Life Safety Project

Transfer LERR allocation from the Battle Hall Fire and Safety Life Project to the School of Social Work Fire and Life Safety Project. A revised assessment of campus-wide fire and life safety issues has determined deficiencies associated with the School of Social Work building, particularly the Child Care Facility housed in this building, are a more pressing campus priority. This project will correct fire and safety deficiencies and will include, but are not limited to the following: installation of a fire sprinkler system, improved fire separation between the child care and academic areas, emergency ventilation in the stage contained in the public assembly area, and an upgrade of the smoke detection system and emergency lighting.

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Academic Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding the position and the appointment of Dr. Butler with The University of Texas at Austin. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University appointment.

1.	Name:	Dr. John Sibley Butler
	Title:	Professor, McCombs School of Business
	Position:	J. William Fulbright Foreign Scholarship Board
	Period:	December 11, 2003 through September 22, 2006
	Compensation:	$128.00 per eight-hour day for hours in attendance at the quarterly Board meetings and other official meetings or conferences.
	Description:	President George W. Bush appointed Dr. Butler to serve as a member of the J. William Fulbright Foreign Scholarship Board. This Board supervises the Fulbright Program and certain programs authorized by the Fulbright-Hayes Act and selects students, scholars, teachers, trainees, and other persons to participate in the educational exchange programs.

U. T. BROWNSVILLE

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

	Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SCHOOL OF EDUCTION						
School of Specialties						
1.	Gayle L. Brogdon (T)					19
From:	Assistant Dean	9/1-8/31	100	12	80,851	
To:	Assistant Dean and	9/1-8/31	100	12	80,851	
	Department Chair ad interim	1/5-8/31	SUPLT	12	8,000	
2.	Sylvia C. Peña (T)					24
From:	Dean and Houston		100	12	102,577	
	Endowment Chair		SUPLT	12	25,000	
To:	Professor and	9/1-5/31	100	09	75,353	
	Houston Endowment Chair	9/1-8/31	SUPLT	12	25,000	
3.	Carl A. Stockton (T)					27
To:	Dean	1/2-8/31	100	12	105,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

		Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
Description						
SCHOOL OF EDUCATION (Continued)						
School of Specialties (Continued)						
3.	Olivia Rivas (T)					25
From:	Professor		100	12	75,353	
	and Dean ad interim		SUPLT	12	8,438	
To:	Professor	1/2-8/31	100	12	75,353	
SCHOOL OF BUSINESS						
Business Technology						
4.	Beatriz Castillo (T)					20
From:	Associate Master Technical Instructor		100	09	54,537	
To:	Associate Master Technical Instructor and	9/1-5/31	100	09	54,537	
	Department Chair ad interim	1/2-8/31	SUPLT	08	4,000	
5.	Mary Sullivan (T)					26
From:	Associate Professor and		100	09	63,942	
	Department Chair		SUPLT	12	8,000	
To:	Associate Professor	9/1-5/31	100	09	63,942	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

Description		Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
COLLEGE OF LIBERAL ARTS						
English and Speech						21
6.	Charles Dameron (T)					
From:	Professor and		100	09	55,577	
	Department Chair		SUPLT	12	12,000	
To:	Interim Dean	1/2-8/31	100	12	92,290	
8.	William H. Harris (T)					22
From:	Associate Master					
	Technical Instructor		100	09	49,497	
To:	Associate Master					
	Technical Instructor and	9/1-5/31	100	09	49,497	
	Department Chair	1/2-8/31	SUPLT	08	6,000	
Office of the Dean						
9.	Farhat Iftekharuddin (T)					23
From:	Dean		100	12	92,290	
To:	Professor and	9/1-5/31	100	09	68,110	
	Special Assistant to Provost	1/2-8/31	SUPLT	08	24,180	

U. T. DALLAS

CONTRACTS

The following contracts or agreements have been awarded, have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs, and are recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS
SPONSORED RESEARCH AGREEMENT WITH FOREIGN CORPORATION

FUNDS COMING IN

1. Agency: Samsung Advanced Institute of Technology, a division of Samsung Electronics Corporation, a Korean corporation
   Funds: $81,851
   Period: January 4, 2004 through January 3, 2005
   Description: Sponsored research agreement – *"Proton Conducting Membrane for Fuel Cells"*

2. Agency: Samsung Advanced Institute of Technology, a division of Samsung Electronics Corporation, a Korean corporation
   Funds: $180,000
   Period: January 4, 2004 through December 31, 2006
   Description: Sponsored research agreement – *"New DNA Hybridization Detection Method Research Using CNT for Micro-Array Use"*

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SOCIAL SCIENCES					
Professor					
1. Douglas J. Watson (T)	1/1-5/31	100	09	93,500	9

U. T. EL PASO

AMENDMENTS TO THE 2003-2004 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Changes (RBC) have been administratively approved as required by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

Description		Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
COLLEGE OF LIBERAL ARTS						
Criminal Justice						
1.	Martha Smithey (T)					16
From:	Associate Professor Criminal Justice and		WOS	09	49,652	
	Associate Professor Sociology and Anthropology		100	09	49,652	
To:	Interim Director of Women's Studies and	1/16-5/31	SUPLT	09	2,000	
	Associate Professor Criminal Justice and	1/16-5/31	WOS	09	49,652	
	Associate Professor Sociology and Anthropology	1/16-5/31	100	09	49,652	
COLLEGE OF HEALTH SCIENCES						
School of Allied Health						
2.	Joseph W. Tomaka (T)					17
From:	Associate Professor		100	09	51,191	
To:	Associate Professor and	1/16-5/31	100	09	60,000	
	Coordinator of the Health Sciences Program	1/16-5/31	SUPLT	09	2,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS

Description		$ Amount	RBC #
INTERCOLLEGIATE ATHLETICS			
3.	Amount of Transfer:	1,474,000	19
From:	Intercollegiate Athletics – Beginning Balance	474,000	
	Student Service Fee	819,237	
	Stanton Building – Rental Income	180,763	
To:	Intercollegiate Athletics – Estimated Income and Transfers	790,000	
	Intercollegiate Athletics – Event Management	241,000	
	Intercollegiate Athletics – Sports Medicine	35,000	
	Intercollegiate Athletics – Football	408,000	

Budget adjustment is necessary to reflect the decrease in revenue, increased expenses, and a related increase in transfers for Intercollegiate Athletics.

U. T. PAN AMERICAN

OTHER FISCAL ITEMS

EMPLOYMENT AGREEMENTS

The following agreement has been awarded, has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas - Pan American is a member, and the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas - Pan American. The violation of the provisions of such constitution, bylaws, rules, or regulations shall be grounds for suspension without pay or dismissal.

1. Item: Head Women's Volleyball Coach

   Funds: $33,314 annually

   Period: February 1, 2004 through January 31, 2005

   Description: Agreement for employment of Head Women's Volleyball Coach, David M. Thorn, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

U. T. PERMIAN BASIN

AMENDMENTS TO THE 2003-04 BUDGET

TRANSFERS OF FUNDS

The following Request for Budget Change (RBC) has been administratively approved as required by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents.

Description		$ Amount	RBC #
PLANT FUNDS			1
1.	Amount of Transfer:	1,090,000	
From:	Unexpended Plant Funds		
To:	Baseball Sports Complex	425,000	
	Parking Lots	440,000	
	University Marquee Signage	225,000	

This transfer is needed to adjust revenues and expenses resulting from additional students on campus and to provide infrastructure improvements.

U. T. SAN ANTONIO

GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

1.	Donor Name:	Sony Semiconductor San Antonio
	College:	College of Engineering
	Purpose:	Semiconductor equipment to be used for educational and research purposes in the microelectronics manufacturing systems area
	Asset Type:	Equipment Gift
	Value:	$1,983,337.00

PARKING AND TRAFFIC REGULATIONS

The following listing summarizes the substantive changes proposed to Parking and Traffic Regulations of U. T. San Antonio. They have been approved by the Executive Vice Chancellor for Academic Affairs and the Office of General Counsel and are incorporated in model regulations approved by the U. T. Board of Regents. These amended regulations supersede all prior Parking and Traffic Regulations and continue in effect until modified.

Parking and Traffic Regulations for 2004-05

Page Number(s)	Summary of Proposed Substantive Change
1	Section I proposed addition of Student A and B classes of permits.
3	Section I(13) amended parking permit renewal rules for employees with outstanding citation balances.
6	Section III(11) designation of Student A and B parking lots.
7	Section V addition of referral of unpaid citations to a national collection agency.
11	Section VII concerning Code 2000 amended citation process received after census date.
13	Section VIII to include issuance of Court Appearance citations for fraudulent use of disabled parking placard.

FEES AND MISCELLANEOUS CHARGES

STUDENT SERVICES FEES

Approval is recommended for the following student services fee revision to be effective beginning with the Fall Semester 2004. The statutory requirements for involvement of a student services fees committee have been met and an affirmative vote of the student government has been secured for increases of more than 10%. The fees have been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect these new fees.

COMPULSORY STUDENT SERVICES FEES

	Current Rates $	Proposed Rates $	Percent Increase
For each regular or summer semester			
Per Semester Credit Hour	20.50	13.50	*
Maximum	217.80	162.00	

*Student Services Fee to be split into two fees (Student Services Fee and separate Athletics Fee as proposed on Page Docket - 28); although there is no increase in the combined amount of the fees per credit hour, the cap will be set at 12 semester credit hours for both fees rather than the current 10.6 for Student Services Fee. This results in a 12.8% increase for the Student Services Fee and Athletics Fee over the current approved Fall 2004 Student Services Fee.

ATHLETICS FEE

Approval is recommended for the following new athletics fee to be effective beginning with the Fall Semester 2004. The statutory requirements for a student referendum have been met. The fee has been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect this new fee.

	Current Rates $	Proposed Rates $	Percent Increase
For each regular or summer semester			
Per Semester Credit Hour	n/a	7	*
Maximum	n/a	84	

*Student Services Fee to be split into two fees (Student Services Fee and Athletics Fee); although there is no increase in the combined amount of the fees per credit hour, the cap will be set at 12 semester credit hours for both fees rather than the current 10.6 for Student Services Fee. This results in a total 12.8% increase for the Student Services Fee and Athletics Fee over the current approved Fall 2004 Student Services Fee.

FEES AND MISCELLANEOUS CHARGES (CONTINUED)

RECREATION CENTER FEE

Approval is recommended for the following recreation center fee to be effective beginning with the Fall Semester 2004. The fee increase has been administratively approved by the Executive Vice Chancellor for Academic Affairs. The proposed rates are consistent with applicable statutory requirements under Texas Education Code Section 54.543.

Following Regental approval, the appropriate component catalog will be amended to reflect these new fees.

	Current Rates $	Proposed Rates $	Percent Increase
For each regular or summer semester			
Per Semester Credit Hour	9	0	
Maximum	54	60 (flat fee)	11.1%

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Academic Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding this position and the appointment of Dr. Steve Murdock with The University of Texas at San Antonio. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University appointment.

1.	Name:	Dr. Steve H. Murdock
	Title:	Professor, Holder of the Lutcher Brown Distinguished Chair, Director of the Institute for Demographic and Socioeconomic Research
	Position:	Appointed State Demographer for Texas
	Period:	January 2004
	Compensation:	None
	Description:	In October 2001 Governor Rick Perry appointed Professor Murdock as State Demographer for Texas. This position was created during the 2001 Legislative Session through Senate Bill 656, codified as Texas Government Code, Section 468.001. Section 468.001 requires the Governor to appoint an employee or officer of a state agency from a list submitted by the Speaker and the Lieutenant Governor. The State Demographer is responsible for population estimates and projections for the State of Texas and advises government officials on demographic changes and implications of such changes.

U. T. TYLER

FEES AND MISCELLANEOUS CHARGES

HOUSING RATES
(INCLUDING APARTMENTS, DORMITORY ROOMS, RESIDENCE HALLS)

Approval is recommended for the following housing, board, and rental rates to be effective beginning with the Fall Semester 2004. The proposed rates are consistent with applicable statutory requirements under Section 55.16 of the Texas Education Code and have been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect these new rates.

	Current Rates $	Proposed Rates $	Percent Increase
Student Apartments (New) Per month			
4 bedroom	n/a	550*	n/a
2 bedroom	n/a	650*	n/a

*The recommended rates are up to but not exceeding $550 per month for a 4 bedroom apartment unit and up to but not exceeding $650 per month for a 2 bedroom apartment unit.

U. T. SOUTHWESTERN MEDICAL CENTER - DALLAS

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: Aventis Pharmaceuticals, Inc.
   College/School/ Department: Pharmacology
   Purpose: To support The Alliance for Cellular Signaling
   Asset Type: Cash
   Value: $625,000

2. Donor Name: Biovail Pharmaceuticals, Inc.
   College/School/ Department: Continuing Education
   Purpose: To support Continuing Education activities
   Asset Type: Cash
   Value: $587,187

3. Donor Name: Eli Lilly and Company
   College/School/ Department: Pharmacology
   Purpose: To support The Alliance for Cellular Signaling
   Asset Type: Cash
   Value: $625,000

4. Donor Name: Merck Genome Research Institute, Inc.
   College/School/ Department: Pharmacology
   Purpose: To support The Alliance for Cellular Signaling
   Asset Type: Cash
   Value: $625,000

5. Donor Name: Ortho-McNeil Pharmaceuticals, Inc.
   College/School/ Department: Pharmacology
   Purpose: To support The Alliance for Cellular Signaling
   Asset Type: Cash
   Value: $500,000

GIFTS (CONTINUED)

6.	Donor Name:	Bernard and Audre Rapoport
	College/School/ Department:	Cardiovascular Surgery
	Purpose:	To support the Audre and Bernard Rapoport Center for Cardiovascular Research
	Asset Type:	Cash
	Value:	$500,000 (represents the final payment on a $2,000,000 commitment)
7.	Donor Name:	Southwestern Medical Foundation
	College/School/ Department:	Institution
	Purpose:	The Foundation's grant to The University of Texas Southwestern Medical Center at Dallas for the 2003-2004 academic year
	Asset Type:	Cash
	Value:	$805,000 (represents the first payment on a $1,610,000 commitment)

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

	Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SOUTHWESTERN MEDICAL SCHOOL						
Pediatrics						
1.	Brett P. Giroir (T)					13
From:	Associate Professor, Thomas Fariss Marsh, Jr. Professorship in Pediatrics, Associates First Capital Corporation Distinguished Chair in Pediatrics, Kathryne and Gene Bishop Distinguished Chair in Pediatrics		100	12	230,000	
To:	Professor, Associates First Capital Corporation Distinguished Chair in Pediatrics	12/1-8/31	100	12	230,000	

U. T. MEDICAL BRANCH - GALVESTON

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: The Sealy & Smith Foundation
   College/School/ Department: John Sealy Hospital
   Purpose: Payment in full of the $2,131,000 grant for the acquisition of an electronic medical record information system
   Asset Type: Cash
   Value: $2,131,000

2. Donor Name: The Sealy & Smith Foundation
   College/School/ Department: John Sealy Hospital
   Purpose: Payment on $6,101,452 grant for the purchase of hospital equipment
   Asset Type: Cash
   Value: $1,000,000

CONTRACTS

The following contract or agreement has been awarded, has been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs, and is recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS

FUNDS COMING IN

1. Agency: Correctional Managed Health Care Committee
   Funds: $532,781,962
   Period: September 1, 2003 through August 31, 2005
   Description: The University of Texas Medical Branch at Galveston (UTMB) will provide health care services to Texas Department of Criminal Justice (TDCJ) offenders in units located in their designated geographical service areas 3, 4, 5, 6, 7, and 8 operated by TDCJ. UTMB will also provide centralized services via Hospital Galveston for the TDCJ offenders in service areas 1 through 10 operated by TDCJ. This is the 6th interagency contract for comprehensive medical care provided to TDCJ offenders and includes medical record services, primary care, specialty care, hospitalization, pharmacy, autopsy, emergency medical services, and burials. Reimbursement rates are set on a capitated basis. As in the past, should the cost of health care services provided by UTMB exceed the contract amount, the Correctional Managed Health Care Committee and TDCJ are permitted to cover any excess costs. Should adequate funds not become available, UTMB may cancel the agreement with 90 days notice.

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

Description		Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SCHOOL OF MEDICINE						
Anesthesiology						
1.	Edward R. Sherwood (T)					12
From:	Associate Professor		100	12	253,000	
To:	James F. Arens Chair in Anesthesiology and Associate Professor	11/1-8/31	100	12	253,000	
Family Medicine						
2.	Victor S. Sierpina (T)					11
From:	Associate Professor		100	12	160,000	
To:	W. D. and Laura Nell Nicholson Family Professorship in Integrative Medicine and Associate Professor	11/1-8/31	100	12	160,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

Description		Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SCHOOL OF MEDICINE (Continued)						
Anatomy and Neurosciences						
3.	Henry F. Epstein (T)					14
From:	Professor and Chair		100	12	275,000	
To:	Professor, Chair and Chair ad interim Physiology and Biophysics	1/1-8/31	100	12	275,000	
Human Biological Chemistry and Genetics; Neurology						
4.	Claudio Soto (T)					18
From:	Professor		100	12	150,000	
To:	Charlotte Warmoth Professorship in Neurology and Professor	1/1-8/31	100	12	150,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SCHOOL OF MEDICINE; GRADUATE SCHOOL OF BIOMEDICAL SCIENCES					
Microbiology and Immunology; Office of the Dean of Graduate School					
5. David W. Niesel (T)					13
From: J. Palmer Saunders Professor, Chair ad interim and Vice Dean		100	12	171,358	
To: J. Palmer Saunders Professor, Chair and Vice Dean	1/1-8/31	100	12	171,358	

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas Medical Branch at Galveston and there is no conflict between holding the position and the appointment of Dr. Raimer with The University of Texas Medical Branch at Galveston. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University appointment.

1. Name: Ben G. Raimer, M.D.
   Title: Vice President for Community Outreach
   Position: Chairman of the Statewide Health Coordinating Council
   Period: January 30, 2004 through August 1, 2009
   Compensation: None
   Description: Governor Rick Perry has reappointed Dr. Raimer to the Statewide Health Coordinating Council as chairman. The Council developed the Texas State Health Plan and works to integrate planning, education and regulation of the health care work force to ensure quality health care for all Texans.

2. Name: Clifford W. Houston, Ph.D.
   Title: Associate Vice President for Educational Outreach
   Position: Appointment to the National Aeronautics and Space Administration Office of Education, Code N as the Deputy Associate Administrator for Education Programs, through contract with The University of Texas Medical Branch at Galveston
   Period: February 18, 2003 through February 17, 2005
   Compensation: $291,104
   Description: The Deputy Associate Administrator for Education Programs (DAA/EP) provides oversight, guidance, and program integration, and day-to-day management for the three primary divisions: Elementary and secondary education, higher education, and Educational Support (Informal Education) Division. Additionally, the DAA/EP is responsible for the Enterprise Education Leads, initiative programs (the Educator Astronaut and Explorer Academies Programs), crosscutting programs (Technology and Products Development), and external partnerships and collaborations.

U. T. HEALTH SCIENCE CENTER - HOUSTON

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: The Cullen Foundation
   College/School/ Department: Institution
   Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases
   Asset Type: Cash
   Value: $2,000,000

2. Donor Name: Houston Endowment Inc.
   College/School/ Department: Institution
   Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases
   Asset Type: Cash
   Value: $3,600,000

3. Donor Name: Memorial Hermann Healthcare System
   College/School/ Department: Institution
   Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (first payment of a $10 million commitment)
   Asset Type: Cash
   Value: $1,000,000

4. Donor Name: Anonymous
   College/School/ Department: Institution
   Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (first payment of a $25 million commitment)
   Asset Type: Cash
   Value: $2,500,000

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Request for Budget Change (RBC) has been administratively approved as required by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

	Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
MEDICAL SCHOOL						
Anesthesiology						
1.	Bruce Butler (T)					25
From:	Director, Office of Technology Management and Professor		100	12	140,000	
	in Anesthesiology		SUPLT	12	11,000	
To:	Assistant Vice President of Research, Office of Technology Management and Professor	1/1/04	100	12	154,000	
	in Anesthesiology		SUPLT	12	11,000	

U. T. HEALTH SCIENCE CENTER - SAN ANTONIO

GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

1. | | |
|---|---|
| Donor Name: | The USAA Foundation, A Charitable Trust |
| College/School/ Department: | President's Office |
| Purpose: | Invest in the Best – Health Science Center Campaign |
| Asset Type: | Cash |
| Value: | $1,000,000 |

U. T. M. D. ANDERSON CANCER CENTER

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. System Board of Regents.

1. Donor Name: Timken Foundation of Canton
   College/School/ Department: Development Office
   Purpose: The George and Barbara Bush Endowment for Innovative Cancer Research.
   Asset Type: Cash
   Value: $800,000

2. Donor Name: Commonwealth Foundation for Research on behalf of Mr. William H. Goodwin, Jr.
   College/School/ Department: Translational Research
   Purpose: Cancer Research
   Asset Type: Cash
   Value: $1,250,000

3. Donor Name: Commonwealth Foundation for Research on behalf of Mr. William H. Goodwin, Jr.
   College/School/ Department: Translational Research
   Purpose: Targeted Molecular Diagnosis & Therapeutics
   Asset Type: Cash
   Value: $1,250,000

4. Donor Name: Samsung Electronics America, Inc.
   College/School/ Department: Department of Cancer Medicine
   Purpose: Samsung Distinguished University Chair
   Asset Type: Cash
   Value: $1,000,000

GIFTS (CONTINUED)

5.	Donor Name:	The Cockrell Foundation
	College/School/ Department:	Institution
	Purpose:	Capital Improvement Program – Basic Science Research Building
	Asset Type:	Cash
	Value:	$1,000,000
6.	Donor Name:	T. L. L. Temple Foundation
	College/School/ Department:	Institution
	Purpose:	Capital Improvement Program – Basic Science Research Building
	Asset Type:	Cash
	Value:	$750,000
7.	Donor Name:	Cynthia & George Mitchell Charitable Remainder UniTrust
	College/School/ Department:	Institution
	Purpose:	Capital Improvement Program – Basic Science Research Building
	Asset Type:	Cash
	Value:	$3,000,000
8.	Donor Name:	The Cynthia & George Mitchell Foundation
	College/School/ Department:	Institution
	Purpose:	Capital Improvement Program – Basic Science Research Building
	Asset Type:	Cash
	Value:	$1,000,000

CONTRACTS

The following contracts or agreements have been awarded, have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs, and are recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS

FUNDS GOING OUT

1.	Agency:	The Texas A&M University System Health Science Center
	Funds:	$1,379,997 in base rent
	Period:	April 1, 2004 through March 31, 2007
	Description:	Leasing 17,037 feet of office and laboratory space from Texas A&M University in the building known as the Institute of Biosciences and Technology at 2121 West Holcombe Boulevard.
2.	Agency:	The University of Texas Health Science Center at Houston
	Funds:	Approximately $1,218,294 in base rent
	Period:	9 years
	Description:	Subleasing of space for the Mohs Clinic from The University of Texas Health Science Center at Houston in the building known as the Houston Medical Center Building at 6655 Travis Street, Suite 650.

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved as required by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
THE TUMOR INSTITUTE – MEDICAL STAFF					
Gynecologic Medical Oncology					
Vice President, Clinical Research, and Professor					
1. Maurie Markman (T)	1/1-12/31	100	12	325,000	20
Lymphoma/Myeloma					
Chair, Professor					
2. Larry Kwak (T)	3/1-2/28	100	12	280,000	21
Radiation Oncology					
Professor					
3. Shiao You Woo (T)	3/1-2/28	100	12	325,000	30

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
THE TUMOR INSTITUTE – MEDICAL STAFF					
Experimental Therapeutics Office					
4. Zahid Siddik (T)					24
From: Chair ad interim, Professor		100	12	184,960	
	1/1-12/31	SUPLT	12	10,000	
To: Professor	1/1-12/31	100	12	184,960	
	1/1-12/31	SUPLT	12	10,000	
Bioimmunotherapy					
5. Moshé Talpaz (T)					26
From: Chair, Professor, and David Burton, Jr. Endowed Chair		100	12	282,932	
To: Professor, and David Burton, Jr. Endowed Chair	1/1-12/31	100	12	282,932	
Thoracic Head & Neck Medical Oncology					
6. Reuben Lotan (T)					27
From: Professor and Irving & Nadine Mansfield and Robert David Levitt Cancer Research Chair		100	12	231,720	
To: Chair ad interim, Professor and Irving & Nadine Mansfield and Robert David Levitt Cancer	1/1-12/31	100	12	231,720	
Research Chair	1/1-12/31	SUPLT	12	10,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

Description		Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
THE TUMOR INSTITUTE – RESEARCH						
Science Park Veterinary Sciences						
7.	William C. Satterfield (T)					28
From:	Associate Professor		100	12	115,040	
To:	Chair ad interim and	1/1-12/31	100	12	115,040	
	Associate Professor	1/1-12/31	SUPLT	12	20,000	