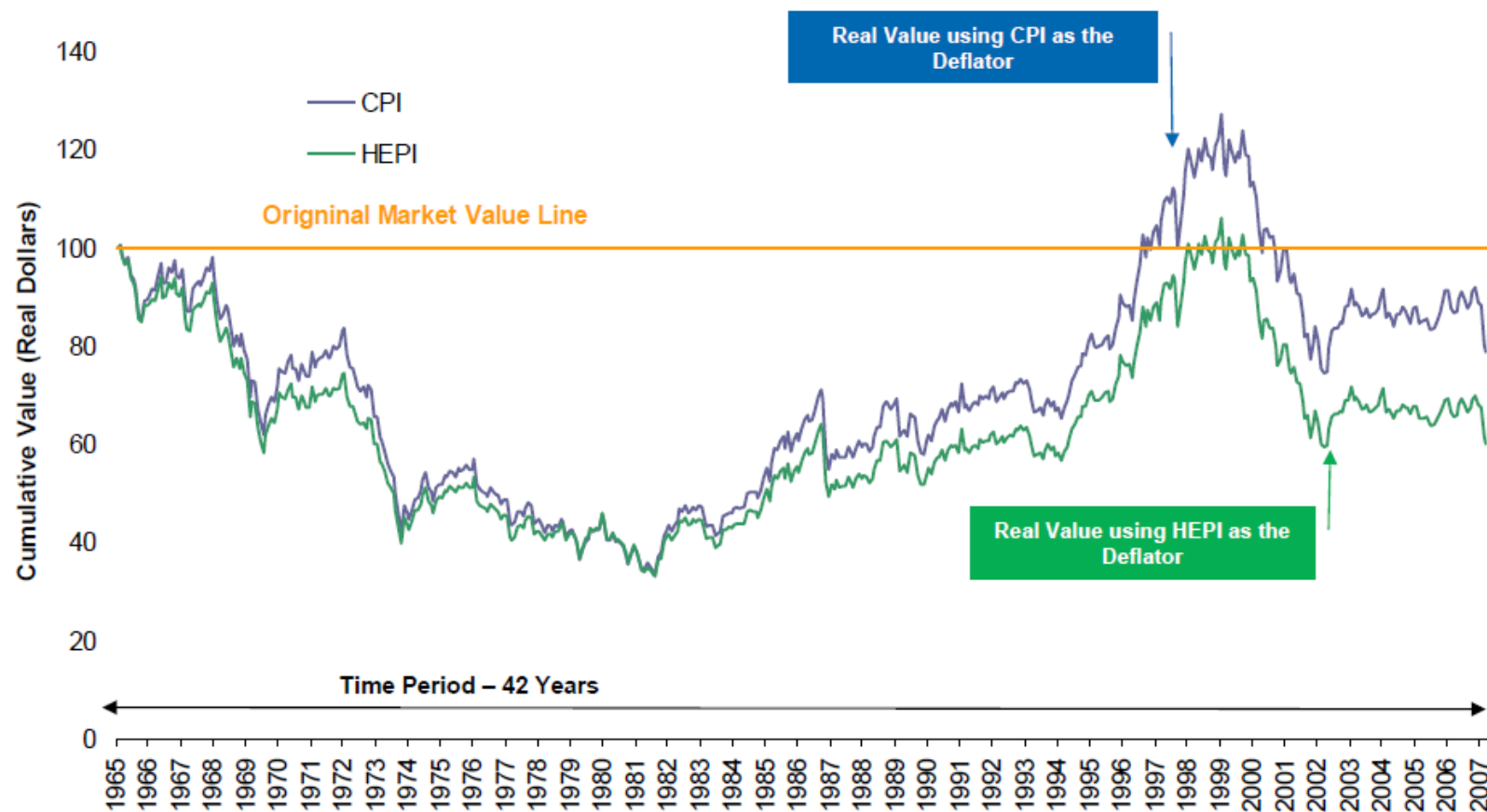


Cumulative Inflation-Adjusted Performance

70% S&P 500, 30% Lehman Aggregate and 5% Spend



Source: Ibbotson, Bloomberg, Commonfund Institute

The equity portion of the hypothetical portfolio is based on monthly returns of the S&P 500 Index (12/65-2/08), and the fixed income portion is based on monthly returns of the Lehman Brothers Aggregate Index (01/73-2/08) and the Ibbotson Associates Long Term Corporate Bond Index (12/65-12/72). HEPI data from 07/06 to 2/08 is estimated using the Commonfund Institute method based on regression analysis. Returns for this hypothetical portfolio assume that it is rebalanced to 70/30 annually on 1/1/yy and 5% is distributed annually on 1/1/yy.

Board of Regents Finance Committee
Long-Term Earnings Requirement and Spending Analysis
March 15, 2009

	Pooled Endowment <u>Funds</u>	Land Grant Endowment <u>Funds</u>
Historic Earnings Rates:		
Ten-Year Actual Earnings Rate June 30, 2008	6.70%	6.70%
Ten-Year Actual Earnings Rate December 31, 2008	3.65%	3.65%
Five-Year Actual Earnings Rate June 30, 2008	10.39%	10.39%
Five-Year Actual Earnings Rate December 31, 2008	3.02%	3.02%
Earnings Requirement Analysis:		
Current Distribution Requirements:		
Spending Rate FY2008	4.50%	5.00%
Endowment Fee	1.00%	0.50%
Investment Costs	0.18%	0.18%
Total Distribution Requirement	5.68%	5.68%
HEPI Inflation Rate (1)	4.30%	4.30%
Total Earnings Requirement (2)	9.98%	9.98%
 Expected Earnings Rate of Target Asset Allocation (1)	 9.50%	 9.50%
Estimated Earnings Shortfall	0.48%	0.48%
Spending Analysis:		
Spending Rate FY2008	4.50%	5.00%
Less Estimated Earnings Shortfall	-0.48%	-0.48%
Calculated Spending Rate	4.02%	4.52%
 Recommended Spending Rate FY2010	 4.00%	 4.50%

(1) Source: Commonfund Asset Planning Model Assumptions

(2) Estimated earnings required to maintain current spending rate

**Land Grant Endowment Trust Funds
Proposed Land Grant Endowment Fee
FY2010**

Valuation of Investment Committee Services:

	December 31, 2008			
Actual 5-Year Return for the Fund	3.02%	3.02%	3.02%	3.02%

Asset Allocation:

	Policy Allocation	Basic Allocation Modest	Basic Allocation Aggressive	5-Year Return 12/31/07	Return Policy Allocation	Return Basic Allocation Modest	Return Basic Allocation Aggressive
Russell 3000	60%	45%	45%	-1.95%	-1.17%	-0.88%	-0.88%
MSCI EAFE		12%	16%	1.66%	0.00%	0.20%	0.27%
MSCI Emerging Mkt.		3%	4%	8.02%	0.00%	0.24%	0.32%
Barclays Aggregate	35%	35%	30%	4.65%	1.63%	1.63%	1.40%
T-bill	5%	5%	5%	3.25%	0.16%	0.16%	0.16%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>		<u>0.62%</u>	<u>1.35%</u>	<u>1.27%</u>

Mean Return - Callan Universe \$100 Mil. - 1 Bil.	<u>1.65%</u>
---------------------------------------------------	--------------

Probable Value Added by the Investment Committee	<u>2.40%</u>	<u>1.67%</u>	<u>1.75%</u>	<u>1.37%</u>
--------------------------------------------------	--------------	--------------	--------------	--------------

Endowment Fee Components:

Direct costs of providing services	0.15%
Intangible Value of Investment Committee Services	<u>0.35%</u>
Proposed Land Grant Endowment Fee	<u>0.50%</u>