

***The University of Texas Investment
Management Company***



Presentation Materials

Board of Directors Meeting

July 14, 2010

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
July 14, 2010**

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas

Time	Item #	Agenda Item
Begin	End	
		OPEN MEETING:
8:00 a.m.	8:05 a.m.	1 Call to Order of the Meeting/Discussion and Appropriate Action related to Minutes of April 15, 2010 Meeting*
8:05 a.m.	8:10 a.m.	2 Discussion and Appropriate Action Related to Corporate Resolutions: - Committee Assignments*,**
8:10 a.m.	8:30 a.m.	3 Discussion of Investment Strategy Review 2011
8:30 a.m.	9:00 a.m.	4 Report from Policy Committee - Discussion and Appropriate Action Related to Investment Policy Statements*,** - Discussion and Appropriate Action Related to the Derivative Investment Policy*,** - Discussion and Appropriate Action Related to the Mandate Categorization Procedure* - Discussion and Appropriate Action Related to the Delegation of Authority Policy* - Discussion and Appropriate Action Related to the Code of Ethics*,**
9:00 a.m.	9:45 a.m.	5 Report from Compensation Committee: Executive Session Pursuant to Section 551.074, <i>Texas Government Code</i> , the Board of Directors may convene in Executive Session to deliberate individual personnel matters. Reconvene into Open Session
9:45 a.m.	9:55 a.m.	6 Report from Audit and Ethics Committee - Discussion and Appropriate Action Related to Corporate Auditor*
9:55 a.m.	10:05 a.m.	7 Report from Risk Committee
10:05 a.m.	11:00 a.m.	8 Endowment and Operating Funds Update Report
11:00 a.m.		Adjourn

* Action by resolution required

** Resolution requires further approval from the Board of Regents of The University of Texas System

Next Scheduled Meeting: October 21, 2010

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **April 15, 2010**, be, and are hereby, approved.

**MINUTES OF THE ANNUAL MEETING OF THE
BOARD OF DIRECTORS OF THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 9:10 a.m. on the **15th day of April 2010**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Erle Nye, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Board:

Erle Nye, Chairman
J. Philip Ferguson, Vice Chairman
Francisco G. Cigarroa, M.D, Vice Chairman for Policy
Paul Foster
Printice Gary
Janiece M. Longoria
Ardon E. Moore

Accordingly, a majority and quorum of the Board was in attendance. Director Clint Carlson did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director - Private Markets; Mark Warner, Senior Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Ryan Ruebsahm, Director - Marketable Alternative Investments; Scott Bigham, Associate - Private Markets; Amanda Hopper, Associate - Public Markets; Bill Edwards, Managing Director - Information Technology; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP; Philip Aldridge, Charlie Chaffin, Jim Phillips, William Huang, Moshmee Kalamkar, Miles Ragland, Anthony DeBruyn and Roger Starkey of the UT System Administration; and Greg Anderson of Texas A&M University System. Bruce Myers of Cambridge Associates attended the meeting by means of conference telephone. Director Charles W. Tate joined the meeting later in the meeting as noted in the minutes. Mr. Nye called the meeting to order at 9:10 a.m.

Minutes

The first item to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on January 26, 2010. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the meeting of the Board of Directors held on
January 26, 2010, be, and are hereby, approved.

Corporate Resolutions

Prior to recommending approval of a corporate resolution electing Officers for the ensuing year, as set forth in the Corporation's Bylaws, Mr. Nye recommended the name of Paul Foster to serve as Chairman and Phil Ferguson to serve as Vice Chairman of the Corporation. Ms. Longoria seconded the nomination. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
Paul Foster	Chairman
J. Philip Ferguson	Vice Chairman
Francisco G. Cigarroa	Vice Chairman for Policy
Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Cathy Iberg	President and Deputy Chief Investment Officer
Joan Moeller	Senior Managing Director, Treasurer and Secretary
Lindel Eakman	Managing Director
Bill Edwards	Managing Director
Christy Wallace	Assistant Secretary

Mr. Nye commended the Board and Staff, and those who had the insight and wisdom of setting up public policy to create UTIMCO years ago, as he handed over the gavel to Mr. Foster as Chairman. The Board Members' voiced thanks and applauded Mr. Nye for his tremendous leadership as Chairman.

Mr. Foster asked Mr. Zimmerman to present the recommended resolution to designate Key Employees for the ensuing year. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that, as required by the Corporation's Code of Ethics, the following persons are designated, by position, as key employees of the Corporation.

<u>Name</u>	<u>Title</u>
Bruce Zimmerman	CEO and Chief Investment Officer
Cathy Iberg	President and Deputy CIO
Lindel Eakman	Managing Director – Private Markets
Bill Edwards	Managing Director - Information Technology
Joan Moeller	Senior Managing Director - Accounting, Finance and Administration
Mark Warner	Senior Director – Natural Resources Investments
Mark Shoberg	Senior Director – Real Estate Investments
Russ Kampfe	Senior Portfolio Manager - Fixed Income Investments
Harland Doak	Portfolio Manager - Fixed Income Investments
Susan Chen	Director – Public Markets Investments
Debbie Childers	Manager -- Portfolio Accounting and Operations
Gary Hill	Manager -- Investment Reporting
Melynda Shepherd	Manager - Finance and Administration

Cissie Gonzalez	General Counsel and Chief Compliance Officer
Mark Newcomb	Senior Associate – Public Markets Investments
Amanda Hopper	Associate – Public Markets Investments
Zac McCarroll	Senior Associate – Natural Resources Investments
Christy Wallace	Executive Assistant

Endowment and Operating Funds Update

Mr. Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Prior to giving the update, Mr. Zimmerman handed out the Annual Report on Major State Investment Funds prepared by the Legislative Budget Board Staff dated April 2010 for the Board's review and summarized the results. The published results of major endowments and investment funds across the State are for the period ending August 31, 2009. He continued by presenting a detailed report of the Corporation's Performance Summary as of February 28, 2010. The Corporation had \$22.2 billion of assets under management at the end of February 28, 2010. Of the \$22.2 billion, \$10.5 billion was in the Permanent University Fund (PUF), \$5.8 billion in the General Endowment Fund (GEF), \$1.7 billion in the Short Term Fund (STF) and \$4.0 billion in the Intermediate Term Fund's (ITF). Mr. Zimmerman presented actual versus benchmark results, tactical asset allocation, and value-add analysis. The net performance for the one-month period ended February 28, 2010, for the PUF was 1.82% and for the GEF was 1.83%, versus benchmark returns of 1.02% for each fund. The net performance for the one year ended February 28, 2010, for the PUF and GEF was 30.52% and 30.43%, respectively, versus benchmark returns of 26.22% for each fund. The ITF's performance was 1.18% versus its benchmark return of 0.68% for the one-month period, and 32.94% versus its benchmark return of 32.09% for the one year ended February 28, 2010. Performance for the STF was 0.01% versus 0.00% for its benchmark return for the one-month period, and was 0.36% versus a benchmark return of 0.20% for the one year ended February 28, 2010. Mr. Zimmerman reviewed the Funds' asset class and investment type targets, ranges and performance objectives. He reviewed the Less Correlated and Constrained portfolio categorizations vs. "look thru" exposures. Mr. Zimmerman also presented risk analytics, a report on derivatives and counterparties, manager exposure, investment activity as of February 28, 2010, and gave an update on liquidity, contracts and the Intermediate Term Fund. Mr. Zimmerman and Staff provided investment team highlights, with Mr. Eakman providing an additional handout with current Private Markets Investments information. Mr. Zimmerman, Mr. Eakman, Mr. Yoeli, Mr. Ruebsahm, Ms. Hopper and Mr. Bigham answered the Directors' questions.

Manager Risk

Mr. Foster asked Mr. Zimmerman to report on Manager Risk. Mr. Zimmerman said that at the last meeting there was discussion on Investment Risk with the focus on portfolio risk management. At this meeting he focused on individual manager risks. He provided an overview of the due diligence and monitoring of the manager selection, how the structure is set within investment guidelines, accounting standards and the various legal vehicles when selecting and monitoring managers. He also provided a manager count by asset class, as of February 28, 2010.

At 11:15 a.m. the open meeting of the Board recessed into a Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments.

The open meeting of the Board reconvened in open session at 11:38 p.m.

Manager Concentration

Mr. Foster asked Mr. Zimmerman to continue the discussion of manager risk and concentration. Mr. Zimmerman said that in preparation for asset allocation review this summer, and as a continuation of Staff's review of sizes and concentration of managers, Staff would like to discuss manager concentration. He said there were no set rules in selecting managers, but the law and the Investment Policy Statements require prudent fiduciary care, including a requirement to diversify; none however, address manager concentration. He reviewed the existing Delegation of Authority Policy requirements and manager concentration issues for each asset class. He summarized a model portfolio for private investments and listed top managers for both the LCC and MCC and potential recommendations Staff may make to the Board in the future, as they continue their asset allocation and manager review. Mr. Zimmerman answered the Directors' questions, but no action by the Board was required.

Policy Committee

Mr. Foster asked Ms. Longoria to report from the Policy Committee. Ms. Longoria reported that at the Committee meeting on April 8, 2010, they discussed three items. The Committee approved the minutes, approved the recommended distribution rates for the Funds subject to further Board approval, and discussed three investment mandates that would also be discussed today. Ms. Longoria stated that Mr. Zimmerman presented the recommended distribution rates for the PUF, Permanent Health Fund (PHF), Long Term Fund (LTF) and ITF for the fiscal year ending August 31, 2011. She asked Mr. Zimmerman to present his Distribution Policy presentation that explained the current distribution rates and methodologies, rationale for distribution methodologies, distribution rate limitations, and a history and projections of distribution rates. Mr. Zimmerman and Mr. Aldridge answered the Directors' questions. Ms. Longoria, on behalf of the Policy Committee, recommended to the Board, subject to further approval by the UT System Board of Regents, approval of the following distribution amounts and rates for the fiscal year ending August 31, 2011: 1) the distribution from the PUF to the Available University Fund be decreased by 1.9% from \$516,419,406 to \$506,395,811; 2) the distribution rate for the PHF be increased from \$0.0541 per unit to \$0.0554 per unit; 3) the distribution rate for the LTF be increased from \$0.3098 per unit to \$0.3172 per unit; and 4) the distribution rate for the ITF remain at 3.0% per annum. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the annual distribution amount for the Permanent University Fund be decreased from \$516,419,406 to \$506,395,811 for fiscal year 2011, effective with the September 1, 2010 distribution; the distribution rate for the Permanent Health Fund be increased from \$0.0541 per unit to \$0.0554 per unit for fiscal year 2011, effective with the November 30, 2010 quarterly distributions; the Long Term Fund be increased from \$0.3098 per unit to \$0.3172 per unit for fiscal year 2011, effective with the November 30, 2010 quarterly distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2011, effective with the September 1, 2010 monthly distributions.

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund and the distribution rates for the Permanent Health

Fund, Long Term Fund, and Intermediate Term Fund be, and are hereby, approved subject to approval by the Board of Regents of The University of Texas System.

Ms. Longoria continued with the Committee report by asking Mr. Zimmerman to briefly explain the investments for three mandates that exceeded Staff's delegated authority. Mr. Zimmerman explained that Staff had identified three managers that were currently above or near their delegated authority limits due to appreciation. Staff desired to make additional commitments to these managers as detailed in the presentation Delegation of Authority Investment Mandates Under Consideration included in the meeting materials. Mr. Zimmerman and Mr. Warner answered the Directors' questions. A revised resolution was handed out at the meeting, and upon motion duly made and seconded, the following resolution, as provided in the handout, was unanimously adopted:

WHEREAS, Corporation staff has identified three managers that currently exceed or upon investment, would exceed Corporation staff's delegated authority to which it would like to make additional commitments as detailed in the *Delegation of Authority Investment Mandates Under Consideration* presentation made to the Board; and

WHEREAS, Corporation staff has recommended an international fixed income investment of up to \$400 million with Old Mutual Asset Managers; and

WHEREAS, Corporation staff has recommended an additional investment of up to \$100 million with Och-Ziff targeting Europe and Asia focused funds; and

WHEREAS, Corporation staff has recommended an additional investment of up to \$250 million across three BlackRock Natural Resources mandates (Small Cap Energy, Global Energy, and Metals and Mining) but not to exceed \$100 million to any individual mandate; and

WHEREAS, the Policy Committee and the Board concur in the recommendation of Corporation staff and wishes to document its approval to increase the investment limits for these managers.

NOW, THEREFORE, BE IT

RESOLVED, that the investments in three mandates for certain More Correlated and Constrained Investments and Less Correlated and Constrained Investments as proposed by Corporation's staff, be, and are hereby approved.

At 12:45 p.m. the open meeting of the Board recessed for lunch. Mr. Zimmerman announced at that time that the discussion of Investment Environment and Opportunities would be included in the discussion of Scenario Analysis.

The open meeting of the Board reconvened in open session at 1:10 p.m.

Scenario Analysis

Mr. Foster asked Mr. Zimmerman to report on Scenario Analysis. Mr. Zimmerman gave a brief overview of the Scenario Analysis and then asked Mr. Yoeli to give the Scenario Analysis presentation. Mr. Yoeli started by explaining two scenarios: the "Lost Decade" scenario and the "Great Depression" scenario. He compared Japan, following the market crash of 1989, when it experienced deleveraging, deflation, and economic contraction and a "lost decade" in its stock market, with the economic problems in the 2000s, which was a "lost decade" for the US stock market, alongside the rest of the developed world. In comparing the "Great Depression" scenario, March 1930 – March 1938, a detailed analysis was performed looking not only at the aggregate returns over the entire scenario, but also looking at the interim effects on the Corpus, levels of distributions, liquidity and cash flows, and asset allocation. Part of the analysis included determining asset class returns, emulated investment type returns, and assumptions in managing the endowment. Mr. Yoeli and Staff provided an asset class preview which included a long-term "base-case" scenario and effects of growth and inflation on asset class returns and optimal portfolios. He ended by presenting key issues going forward in the current environment. Mr. Zimmerman and Mr. Yoeli answered the Board Members' questions.

Risk Committee Report

Mr. Foster asked Mr. Tate to give a report from the Risk Committee. Mr. Tate reported that the Committee met on April 8, 2010. The Committee reviewed performance and risk reporting, reviewed and approved new investment mandate categorizations, took appropriate action related to broker-dealers, and reviewed the institutional compliance report. Mr. Tate reported that the Committee approved the categorization of six new investment mandates prepared by Staff from January 9, 2010 to March 31, 2010. Two mandates included in the "Mandate Categorization Watch-List" would continue to be monitored by Staff for possible recategorization and one mandate was added to the Watch List due to temporal changes in the market. The Committee also reviewed the results of the Annual Review of Existing Mandate Categorizations. No re-categorizations were requested. Mr. Tate said that the Committee received a report on the Approved Fixed Income Broker-Dealer Procedure, effective July 1, 2008 (the "Procedure"), which included an Approved Fixed Income Broker-Dealer List (the "List"). In order to be added to the List, a Broker-Dealer is required to meet the following criteria: (1) usage of delivery versus payment; (2) documentation of overall desirability of sales coverage; (3) adequate financials, which would require a copy of the Broker-Dealer's current FOCUS report on file; (4) a copy of the latest annual report containing an unqualified auditor's opinion; and (5) trading authorization signed by a corporate compliance officer. The Procedure also requires an annual review of the List by a committee comprised of the UTIMCO Traders, the CEO and Chief Investment Officer, the President and Deputy CIO, and the General Counsel and Chief Compliance Officer using the same criteria. Pursuant to the Procedure, no Committee approval was needed to add Broker-Dealers meeting the criteria set forth above. However, per Staff's request, the Committee approved the addition of one and the retention of eight Broker-Dealers highlighted on the Revised Exhibit A, Approved Fixed Income Broker-Dealer List, As of April 8, 2010 that did not meet the criteria set forth above. Mr. Tate asked Ms. Gonzalez to report on any non-compliance items from the Compliance Report for the Quarter Ended February 28, 2010. Ms. Gonzalez reported that there was one exception in the Risk area, in the securities lending area. She noted that once the exception was discovered it was corrected. Mr. Zimmerman and Ms. Gonzalez answered the Board Members' questions.

Organizational Update

Mr. Foster asked Mr. Zimmerman to give the Board an update on the organization. Mr. Zimmerman provided an update on the Corporation's staffing, 2nd Quarter 2010 actual to budgeted expenses, constituent relations, and economic dashboard and indicator decision support. Mr. Zimmerman asked Ms. Chen to review the economic dashboard. Ms. Chen provided a handout of information regarding the Indicator Decision Support Systems used by the Corporation's Staff. Mr. Zimmerman and Ms. Chen answered the Directors' questions.

The Board did not convene in Executive Session for the purpose of deliberating an individual personnel compensation matter related to Eligible Position in UTIMCO Compensation Program for the 2009/2010 Performance Period.

Compensation Committee Report

Mr. Foster asked Mr. Ferguson to provide the report for the Compensation Committee. Mr. Ferguson reported that the Committee met on April 15, 2010, prior to the Board meeting. The Committee discussed and approved change in the designation of an employee's Eligible Position as a Participant in the UTIMCO Compensation Program for the 2009/2010 Performance Period and recommended same to the Board for approval. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (the "Plan") provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "UTIMCO Board") as an "Eligible Position" for that Performance Period and (2) selected by the UTIMCO Board as eligible to participate for that Performance Period; and

WHEREAS, the Compensation Committee of the Board of Directors of UTIMCO (the "Committee") has previously determined that the position of Senior Director, Investments is an Eligible Position in the Plan; and

WHEREAS, the position of Senior Director, Investments, includes the position of Senior Director – Real Estate Investments; and

WHEREAS, Mark Shoberg, currently designated in the Plan in the Eligible Position of Director, Investments has been promoted to Senior Director – Real Estate Investments, and

WHEREAS, the Committee approved the designation of Mark Shoberg in the Eligible Position of Senior Director, Investments for the 2009/2010 Performance Period, effective as of February 16, 2010, and the weighting of Mr. Shoberg's Incentive Award Opportunity and Percentage of Award Deferred for the 2009/2010 Performance Period, based on the time spent by Mr. Shoberg in each Eligible Position for the Performance Period ended June 30, 2010, and has recommended that the UTIMCO Board approve same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the designation of Mark Shoberg in the Eligible Position of Senior Director, Investments for the 2009/2010 Performance Period, effective as of February 16, 2010, and

FURTHER RESOLVED, that the Board approves the weighting of Mr. Shoberg's Incentive Award Opportunity and Percentage of Award Deferred for the 2009/2010 Performance Period, based on the time spent by Mr. Shoberg in each Eligible Position for the Performance Period ended June 30, 2010.

The Committee also heard a report from Nanci Hibschan of Mercer, related to a salary benchmarking study for the 2010/2011 fiscal year. Ms. Hibschan discussed the deliverables, timing and peer group to be used for determining competitive compensation levels.

Audit and Ethics Committee Report

Mr. Foster provided the report on behalf of the Audit and Ethics Committee. He reported that the Committee met on April 8, 2010. The Committee heard a presentation of the unaudited financial statements for the Investments Funds and the Corporation for the three months ended February 28, 2010, a report from the UT System Audit office, and received a report on other ethics and compliance activities from Staff. Mr. Foster asked Ms. Gonzalez to give the compliance report. Ms. Gonzalez summarized the Compliance Report for the Quarter Ended February 28, 2010. Ms. Gonzalez also provided a summary of the Investment Policies Compliance Report for the Quarter Ended February 28, 2010, gave an overview of the updated Institutional Compliance Action Plan for FY 2010 and the Institutional Compliance Program Quarterly Report for the Fiscal Quarter ended February 28, 2010. Mr. Foster reported that the Committee also received a presentation UTIMCO Enterprise Risk Management ("ERM") from Ms. Gonzalez, and he asked her to give the report to the Board.

Ms. Gonzalez began her presentation by stating that ERM is the process of identifying, assessing, and managing risk from an integrated, companywide perspective. She explained that the Corporation had adopted the Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) *Enterprise Risk Management - Integrated Framework* as the model upon which it would develop its ERM, which is designed around four objectives (strategic, operations, reporting and compliance) and eight ERM interrelated components (internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring). She continued by discussing each of the eight interrelated components, with an emphasis on the risk assessment, risk response, and control activities identified by staff. She concluded her presentation by noting that Staff was prepared to accept the responsibilities for the ongoing monitoring and assessment of the appropriateness of risk responses. Mr. Zimmerman and Ms. Gonzalez answered the Board Members' questions.

Educational Program for Board

Mr. Foster asked Mr. Turner to present the Educational Program for UTIMCO Directors to the Board. Mr. Turner stated that the Investment Management Services Agreement between the UT System Board of Regents and the Corporation requires that the Corporation provide training and education to members of

the Board as may be determined in consultation with UT System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and matters related to the legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully. Although Board training is provided during an orientation session when new members of the Board are selected, Mr. Turner's presentation serves as an update and a resource for current Board members.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:25 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
Paul Foster
Chairman, Board of Directors of
The University of Texas Investment
Management Company

Tab 2

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2010

Agenda Item: Discussion and Appropriate Action Related to Board Committee Assignments

Developed By: Staff

Presented By: Chairman Foster

Type of Item: Action required by UTIMCO Board; further action required by the U. T. System Board of Regents related to Audit and Ethics Committee assignments.

Description: Chairman Foster will propose the Board committee assignments. Section 66.08 of the *Texas Government Code* requires that the U. T. System Board of Regents approve the appointment of the members of the Audit and Ethics Committee of the Board of Directors of UTIMCO.

Recommendation: Chairman Foster will recommend approval of the Board committee assignments.

Reference: None

RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Audit and Ethics Committee of the Board of Directors:

subject to approval by the Board of Regents of The University of Texas System at its meeting to be held on July 15, 2010, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that _____ is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Compensation Committee of the Board of Directors:

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that _____ is hereby designated the Chair of the Compensation Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Risk Committee of the Board of Directors:

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that _____ is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Policy Committee of the Board of Directors:

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that _____ is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

Tab 3

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2010

Agenda Item: Discussion of Investment Strategy Review 2011

Developed By: Staff

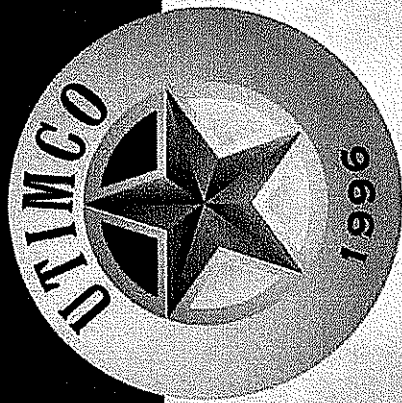
Presented By: Zimmerman

Type of Item: Discussion item

Description: Mr. Zimmerman will present the Investment Strategy Review. The objective of this year's investment strategy review is to assess the portfolio's current position in relation to the recent/expected market conditions and recommend changes to the targets and ranges for FY 2011.

Recommendation: None

Reference: Investment Strategy Review Presentation



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Investment Strategy 2011



Long-Term Strategic Asset Allocation

	More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	2.0%	0.0%	<u>9.5%</u>
	Credit-Related	3.0%	2.5%	<u>5.5%</u>
	Fixed Income Total	5.0%	2.5%	15.0%
Real Assets	Real Estate	0.0%	5.0%	<u>8.5%</u>
	Natural Resources	1.0%	5.0%	<u>11.5%</u>
	Real Assets Total	1.0%	10.0%	20.0%
Equity	Developed Country	20.0%	9.0%	<u>45.0%</u>
	Emerging Markets	4.0%	4.0%	<u>20.0%</u>
	Equity Total	24.0%	13.0%	65.0%
Total	44.5%	30.0%	25.5%	100.0%



Long-Term Strategy

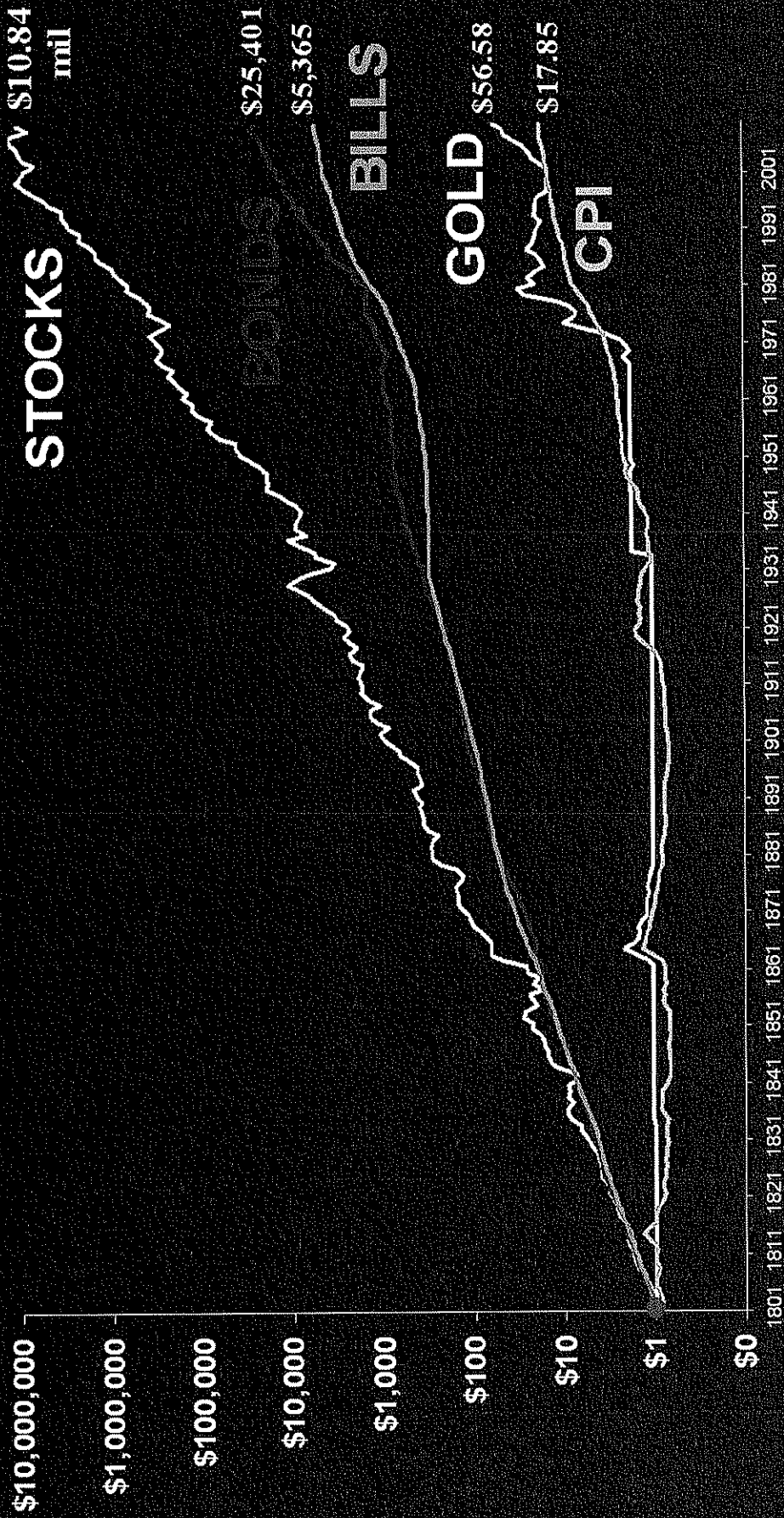
First Principles

- Equity should (and has) outperformed fixed income over the long run; there are periods (which can be decades long), however, of underperformance
- Diversification reduces risk and enhances risk-adjusted returns (stocks, bonds, and real assets)
- Long-term orientation allows for some illiquidity risk which, if assumed, should (and has) been rewarded
- Skill matters



Total Nominal Return Indices

January 1802 - December 2009



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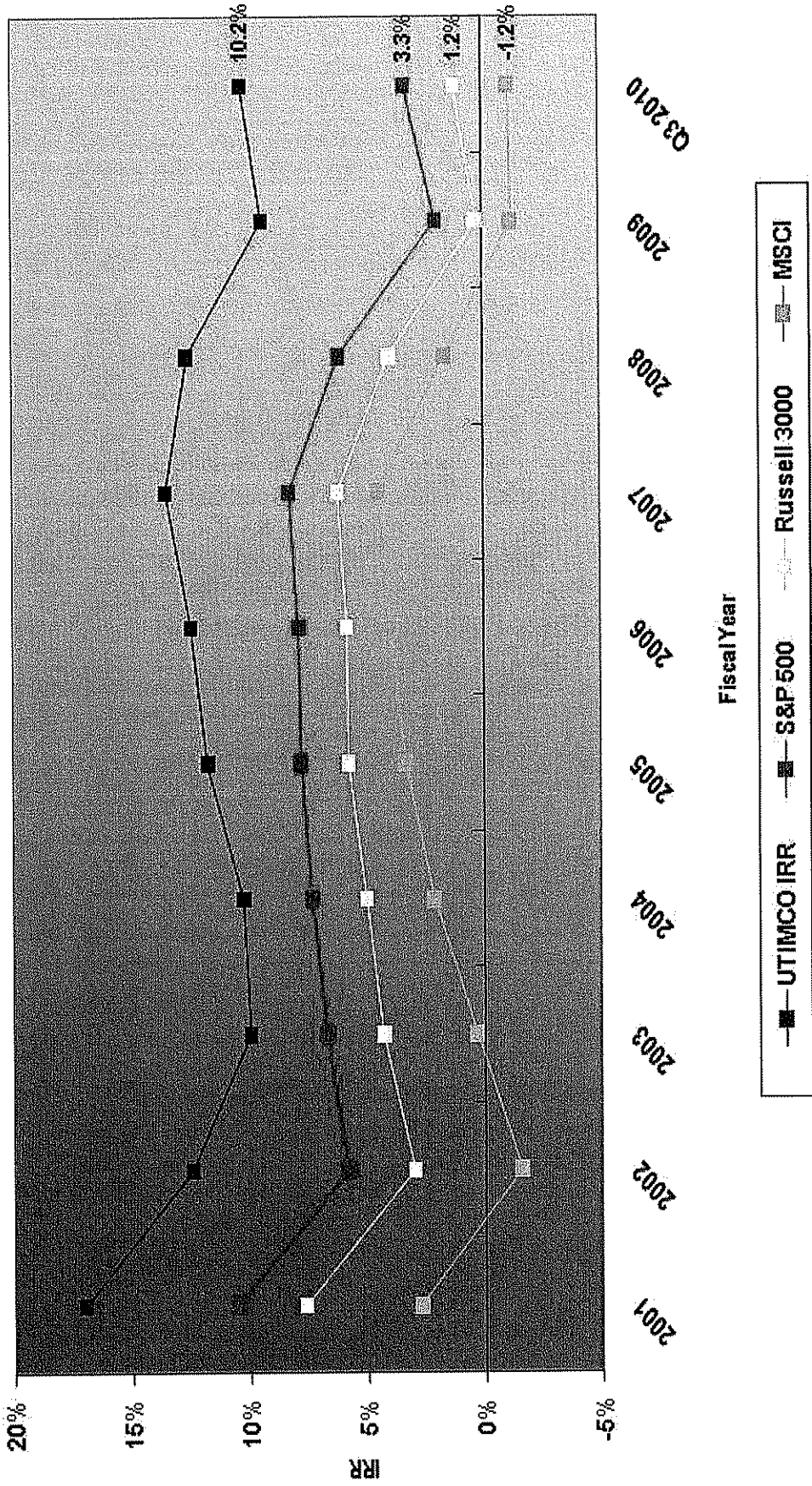


Long-Term Correlation Assumptions

	Total IGFI	Total Credit	Total RE	Total NatRes	Total DC	Total EM	MCC	LCC	PI	GEF
Total IGFI	1.00	0.39	0.19	0.28	0.41	0.26	0.37	0.49	0.27	0.41
Total Credit		1.00	0.23	0.80	0.96	0.82	0.77	0.76	0.94	0.94
Total RE			1.00	0.16	0.33	0.33	0.44	0.32	0.26	0.40
Total NatRes				1.00	0.73	0.72	0.72	0.51	0.80	0.80
Total DC					1.00	0.87	0.88	0.80	0.88	0.98
Total EM						1.00	0.96	0.64	0.78	0.94
MCC							1.00	0.63	0.73	0.94
LCC								1.00	0.52	0.76
PI									1.00	0.88
GEF										1.00



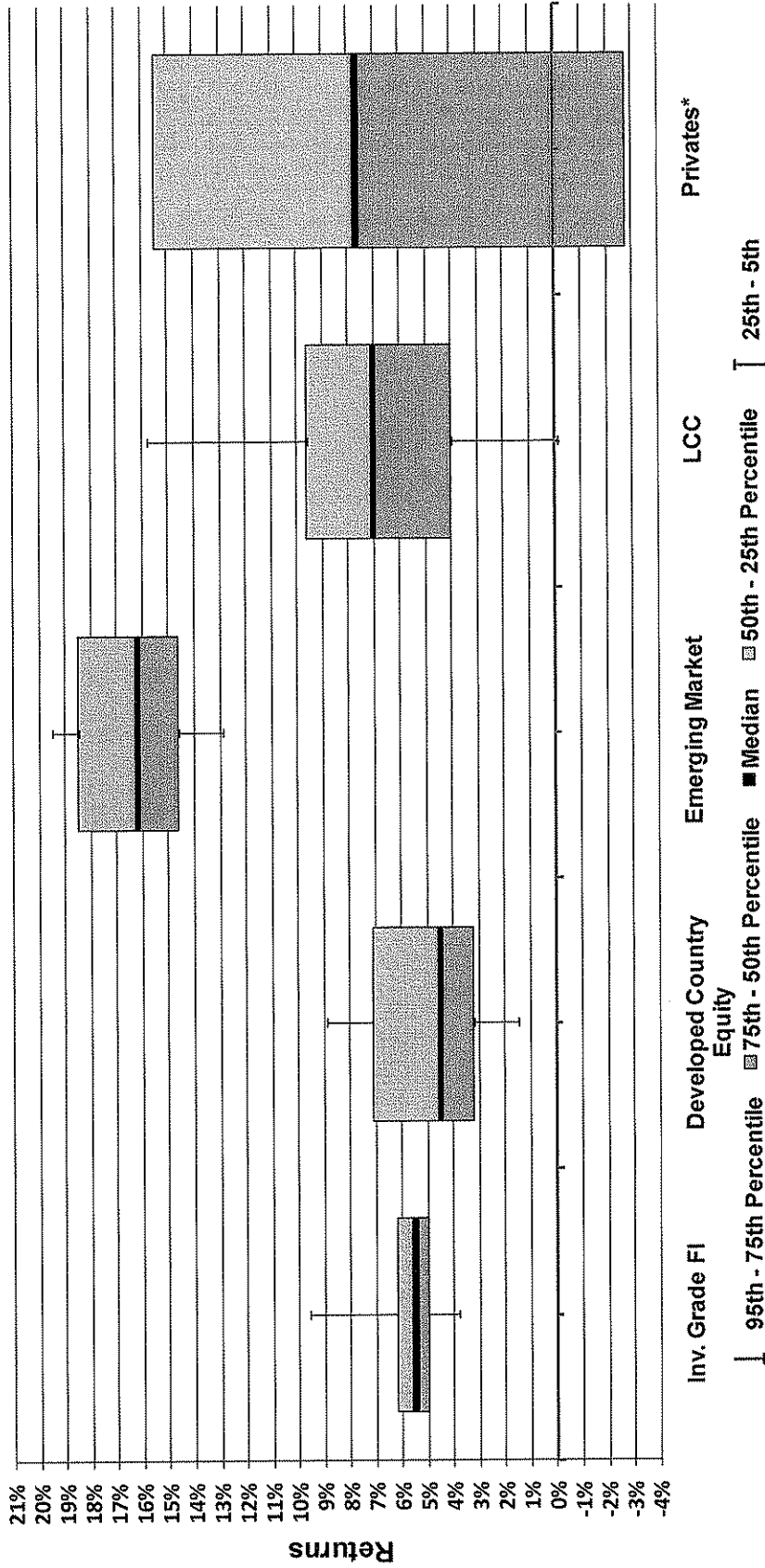
UTIMCO Private Investment Performance vs. Public Markets Indices as of 5/31/10





Skill Matters

Cambridge Associates Manager Universe Statistics By Asset Class Based on 5-Year Returns



*5th Percentile and 95th Percentile Data Unavailable for Privates, IRRs since inception (1993-2008)

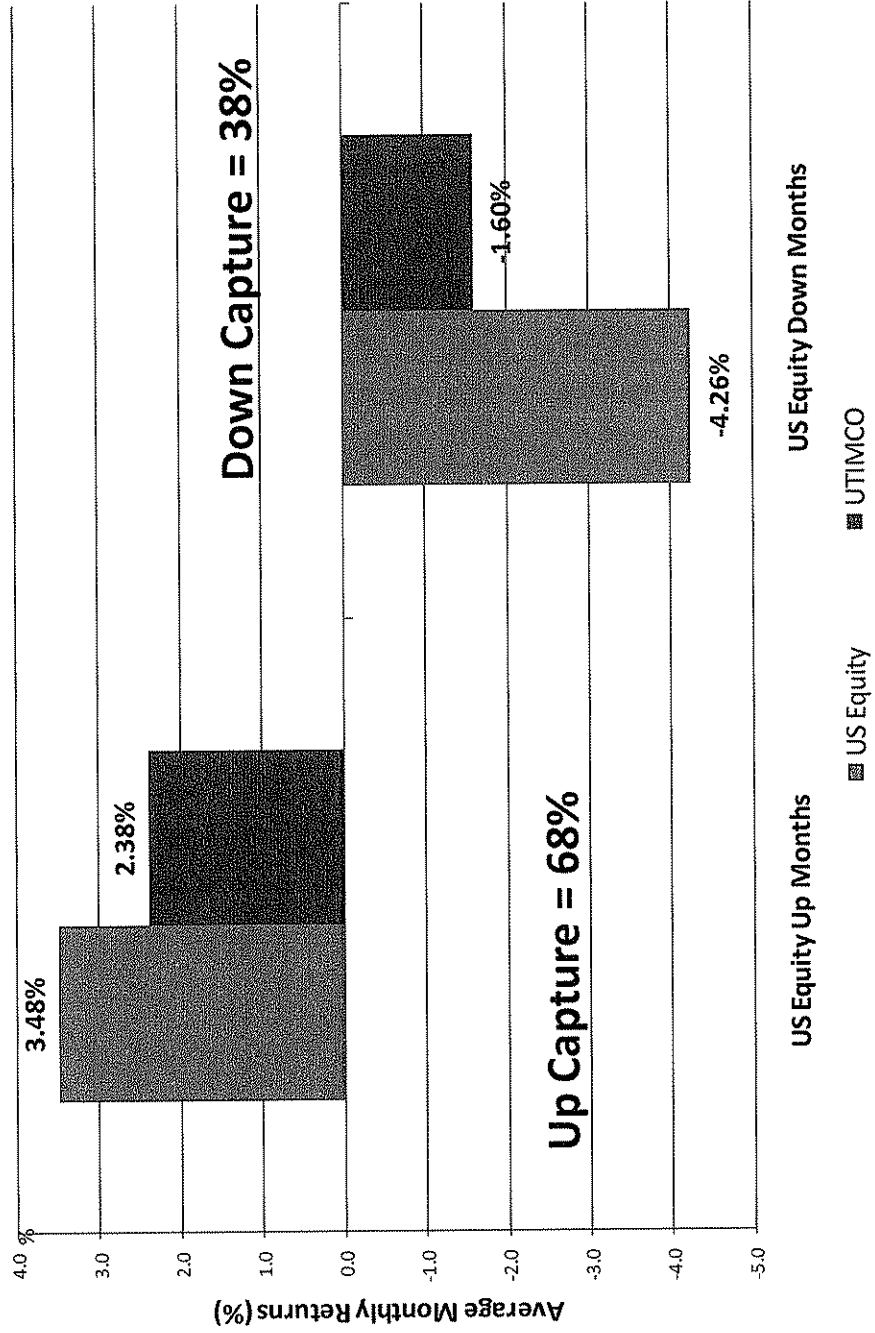


UTIMCO Bias

- Protect Capital
- Value
- Global Orientation
- Capital Structure Agnostic: “Equity-Like” Returns
- Careful, Prudent Use of Illiquidity Risk
- Identify and Access “World Class” Managers



UTIMCO's Up/Down Capture



Data from 8/1996 till 5/2010. US equity had 70 down months and 96 up months

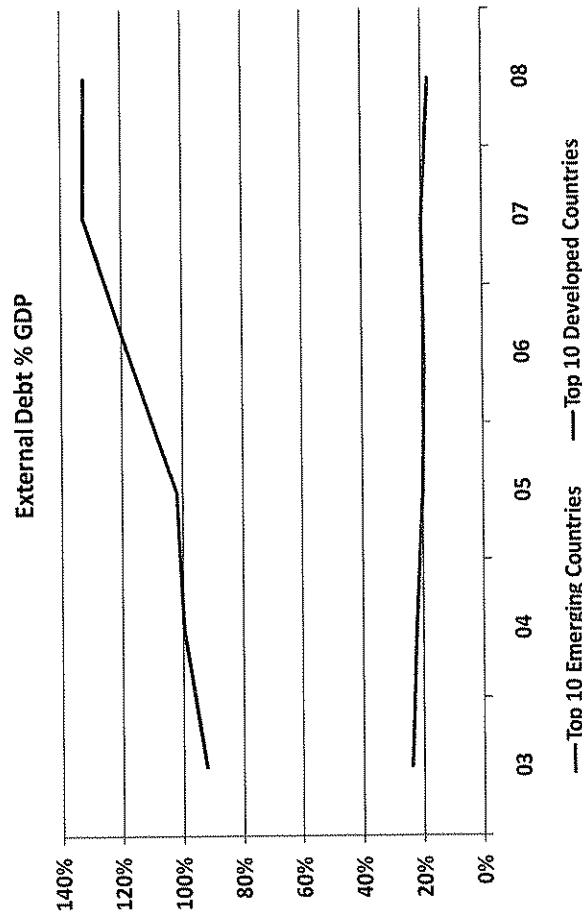
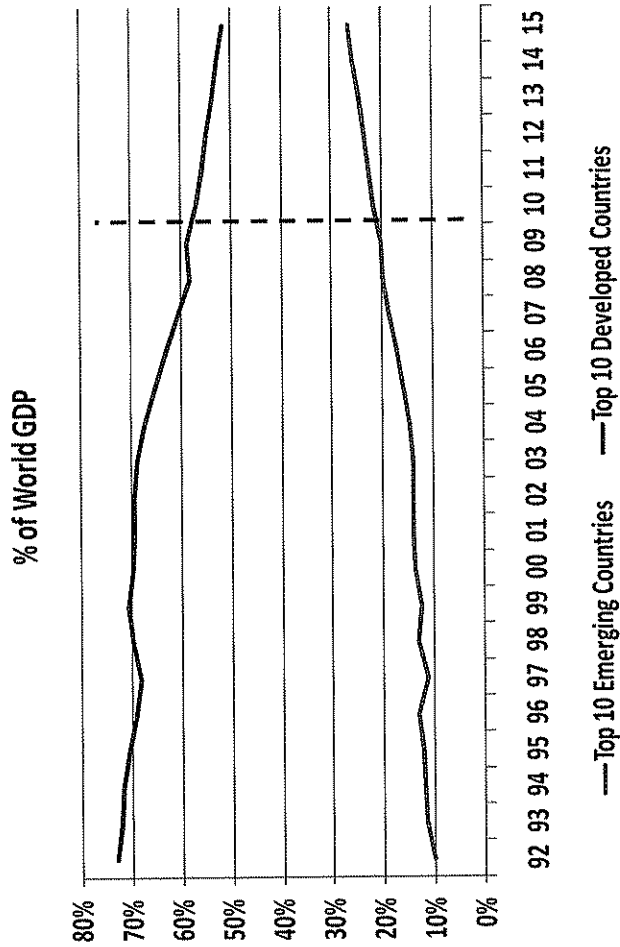


Outlook

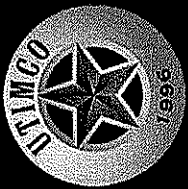
- Uncertainty
 - Deflation and/or Inflation
 - Growth and/or Depression
- Decoupling vs. Flat World
- Role of Government in “Free” Markets



Global GDP/Global Debt

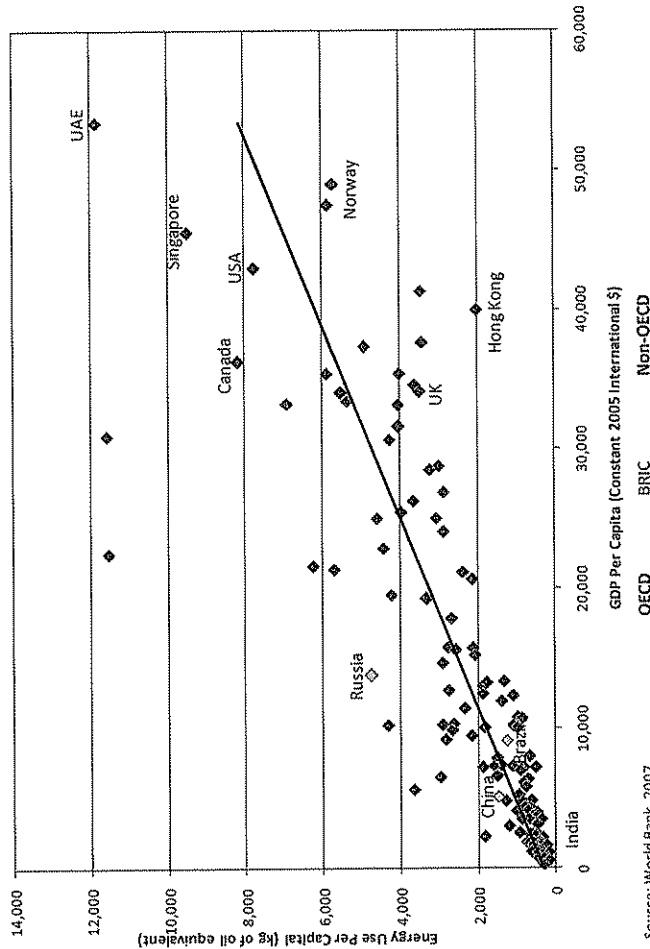


- * Top 10 Emerging include: China, Brazil, South Korea, Taiwan, India, South Africa, Russia, Mexico, Malaysia, Israel
- * Top 10 Developed include: United States, Japan, United Kingdom, Canada, France, Australia, Germany, Switzerland, Spain, Italy
- * Real GDP data from IMF
- * External debt data from Bloomberg/World Bank

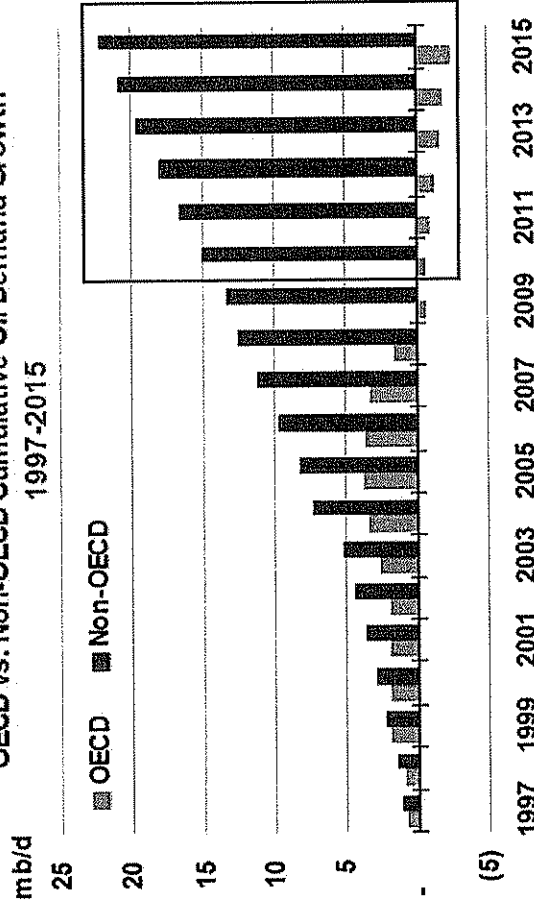


Natural Resources Requirement

Resource Consumption Rises With Economic Development

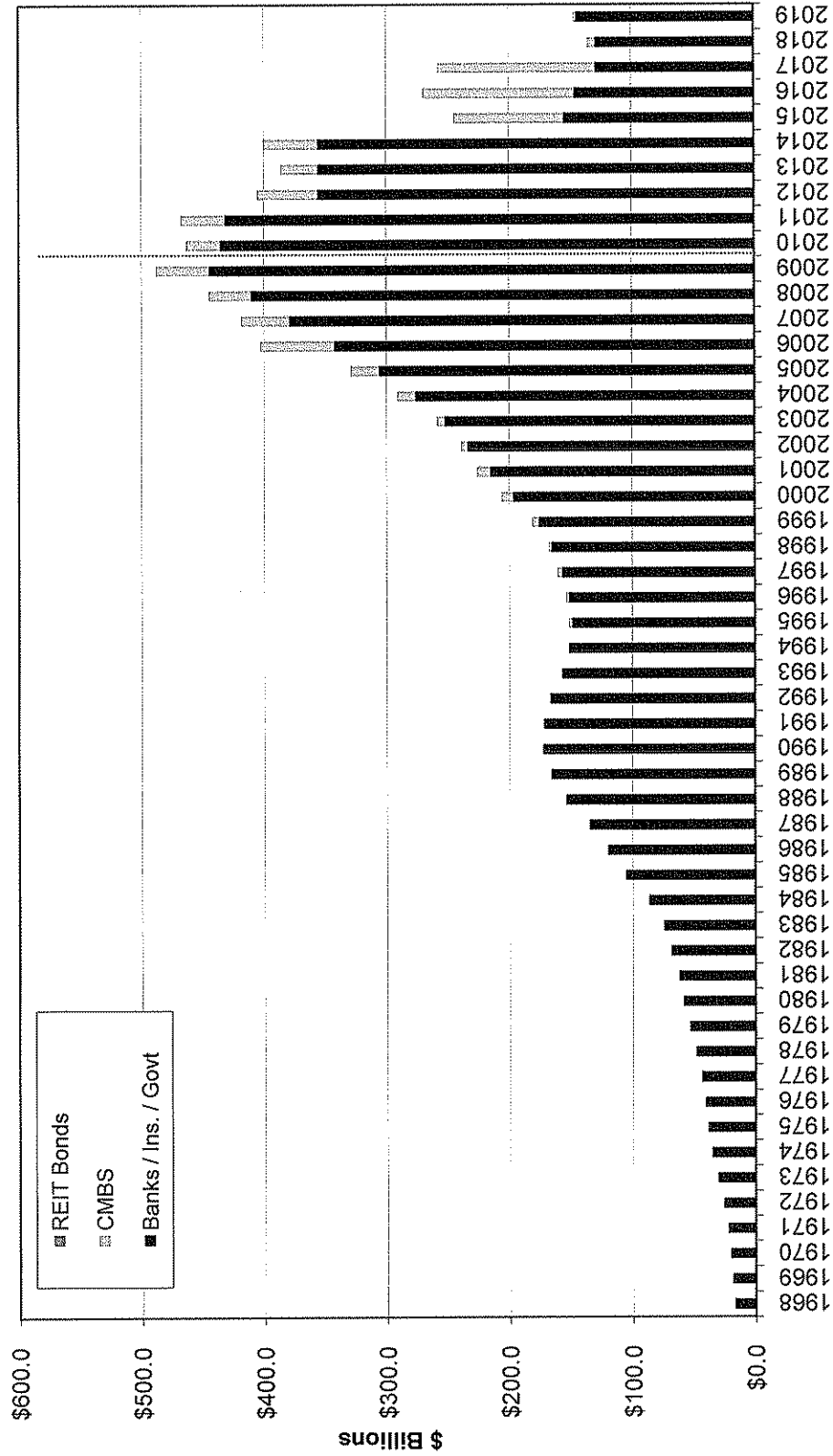


OECD vs. Non-OECD Cumulative Oil Demand Growth 1997-2015





Commercial Real Estate Loan Maturities



Source: Federal Reserve Funds Flow, Trepp, JPMorgan, SNL Financial, Bloomberg, SCR&M



Investment Issues

- “Big Bets”
- Nimbleness
- Hedging



Current Tactical Allocation

May 31, 2010 Actual Allocation vs. FY 10 Policy Targets

	More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments *	Total
Fixed Income				
Investment Grade *	5.3%	(0.5%)	0.0%	4.8%
Credit-Related	1.5%	5.1%	5.1%	11.7%
Fixed Income Total	6.8%	4.6%	5.1%	16.5%
Real Assets				
Real Estate	(0.6%)	0.6%	(0.2%)	(0.2%)
Natural Resources	2.8%	(0.9%)	(0.7%)	1.2%
Real Assets Total	2.2%	(0.3%)	(0.9%)	1.0%
Equity				
Developed Country	(6.5%)	(1.9%)	(3.4%)	(11.8%)
Emerging Markets	(4.0%)	(1.5%)	(0.2%)	(5.7%)
Equity Total	(10.5%)	(3.4%)	(3.6%)	(17.5%)
Total	(1.5%)	0.9%	0.6%	0.0%

* Adjusted for remaining effect of Private Investment secondary sales that settled in June 2010 (\$215 million; 1.3%).



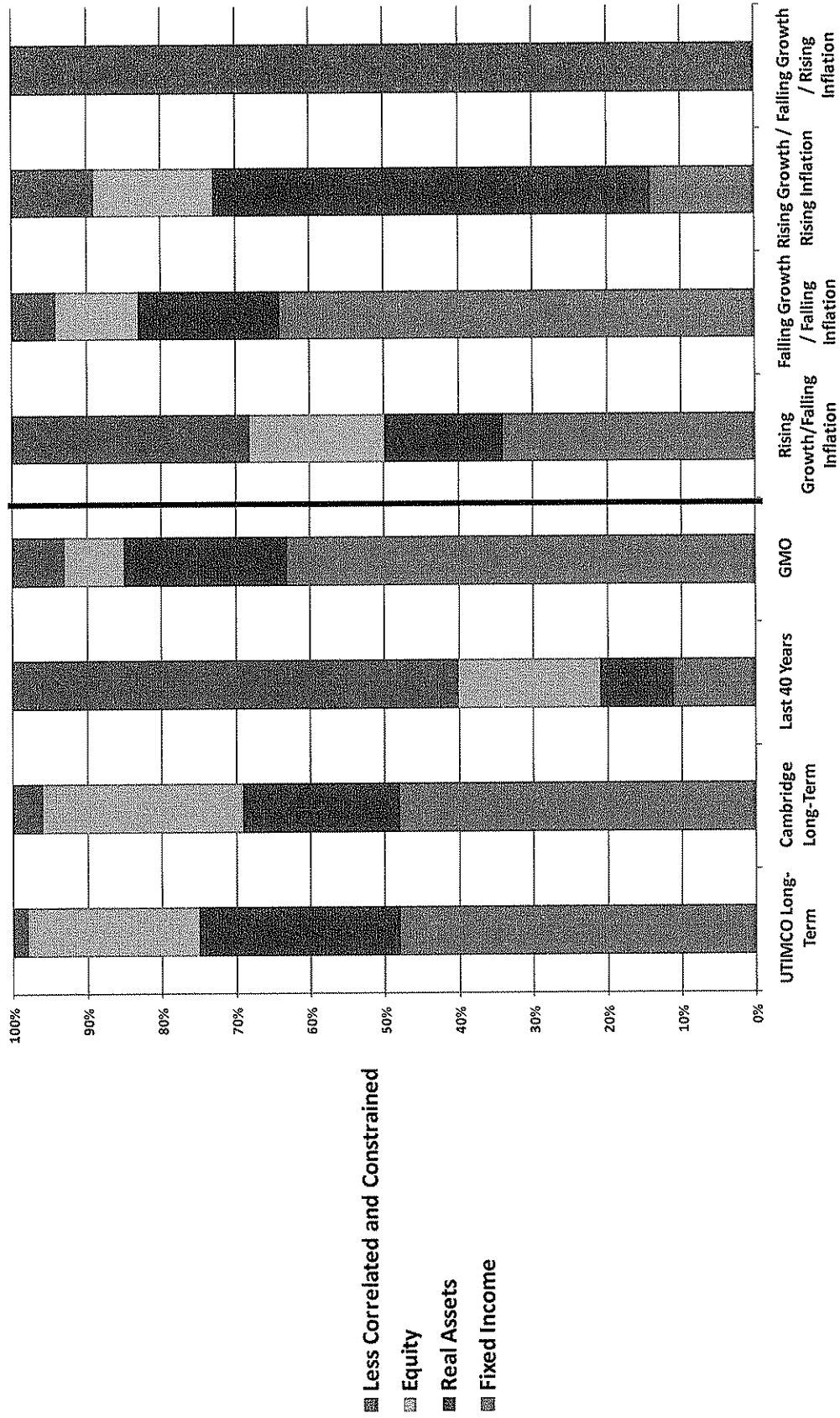
Investment Policy Target Allocation for FY 10

	More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income				
Investment Grade	7.5%	2.0%	0.0%	9.5%
Credit-Related	0.0%	3.0%	2.5%	5.5%
Fixed Income Total	7.5%	5.0%	2.5%	15.0%
Real Assets				
Real Estate	3.5%	0.0%	1.0%	4.5%
Natural Resources	5.5%	1.0%	2.5%	9.0%
Real Assets Total	9.0%	1.0%	3.5%	13.5%
Equity				
Developed Country	19.0%	20.0%	13.5%	52.5%
Emerging Markets	13.0%	4.0%	2.0%	19.0%
Equity Total	32.0%	24.0%	15.5%	71.5%
Total	48.5%	30.0%	21.5%	100.0%

Long-Term Asset Allocation Strategy



“Optimal” Asset Allocation





Recommended Investment Policy Target Allocation for FY 11

	More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income				
Investment Grade Credit-Related	7.5%	2.0%	0.0%	9.5%
Fixed Income Total	<u>7.5%</u>	<u>5.0%</u>	<u>2.5%</u>	<u>15.0%</u>
Real Assets				
Real Estate	2.5%	0.0%	2.0%	4.5%
Natural Resources	6.5%	1.0%	3.5%	11.0%
Real Assets Total	<u>9.0%</u>	<u>1.0%</u>	<u>5.5%</u>	<u>15.5%</u>
Equity				
Developed Country	19.5%	20.0%	11.0%	50.5%
Emerging Markets	12.0%	4.0%	3.0%	19.0%
Equity Total	<u>31.5%</u>	<u>24.0%</u>	<u>14.0%</u>	<u>69.5%</u>
Total	<u>48.0%</u>	<u>30.0%</u>	<u>22.0%</u>	<u>100.0%</u>



Recommended FY 11 Policy Targets vs. FY 10 Policy Targets

	More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	0.0%	0.0%	0.0%
	Credit-Related	0.0%	0.0%	0.0%
	Fixed Income Total	0.0%	0.0%	0.0%
Real Assets	Real Estate	(1.0%)	1.0%	0.0%
	Natural Resources	1.0%	1.0%	2.0%
	Real Assets Total	0.0%	2.0%	2.0%
Equity	Developed Country	0.5%	(2.5%)	(2.0%)
	Emerging Markets	(1.0%)	1.0%	0.0%
	Equity Total	(0.5%)	(1.5%)	(2.0%)
	Total	(0.5%)	0.5%	0.0%



Projected FY 11 Investment Policy Return and Risk

	FY 11	FY 10 Policy	UTIMCO Long-Term	Cambridge Long-Term	Last 40 Years	GMO	Rising Growth / Inflation	Falling Growth / Inflation	Rising Growth / Inflation	Falling Growth / Inflation
Projected Real Return	5.82%	5.86%	5.82%	6.92%	5.76%	4.57%	7.53%	6.79%	4.78%	-1.20%
Projected Volatility	13.10%	13.33%	13.10%	12.38%	12.05%	12.05%	11.87%	11.95%	10.83%	12.73%
Projected Downside Risk	8.94%	9.07%	8.94%	7.76%	8.15%	8.83%	12.10%	7.53%	10.82%	12.94%



Recommended Investment Policy Allocation Target and Ranges for FY11

- Staff is recommending slightly wider Investment Policy minimum and maximum ranges in some areas due to:
 - Experienced and anticipated market volatility
 - Desire to be flexible, given potential for continued market dislocations

	MINIMUM	TARGET	MAXIMUM
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	0.0% -2.5%	4.5%	10.0%
Natural Resources	5.0%	11.0% +2.0%	17.5% +2.5%
Developed Country Equity	35.0%	50.5% -2.0%	60.0%
Emerging Market Equity	10.0%	19.0%	25.0%
		100.0%	
Investment Types			
More Correlated and Constrained	35.0%	48.0% -0.5%	60.0% +5.0%
Less Correlated and Constrained	25.0%	30.0%	37.5% +2.5%
Private Investments	17.5%	22.0% +0.5%	32.5%
		100.0%	

Change from
FY 10 Policy



ITF

- A thorough review of the ITF investment policy was conducted in FY 10, resulting in a decrease in more volatile equity exposures replaced by an increase in Less Correlated and Constrained exposure
- The ITF has performed well in FY 10 to date, generating a 7.0% return
- No change is recommended to the ITF investment policy statement at this time



Priorities

- Predict Future Capital Supply/Demand Imbalances
- Identify Current and Future “Best in Class” Managers
- Continue to Align UTIMCO/Investment Managers’ Interests
- Continue to Enhance Portfolio Risk Management Capabilities

Tab 4

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2010

Agenda Item: Report from Policy Committee, including Discussion and Appropriate Action Related to Investment Policy Statements, Derivative Investment Policy, Mandate Categorization Procedure, Delegation of Authority Policy, and Code of Ethics

Developed By: Staff

Presented By: Longoria

Type of Item: Action item; Action required by UTIMCO Board and by UT System Board of Regents related to proposed amendments to the Investment Policy Statements, Derivative Investment Policy, and UTIMCO Code of Ethics

Description: The Policy Committee ("Committee") will meet on July 8, 2010. The Policy Committee's agenda includes (1) discussion and appropriate action related to proposed amendments to Investment Policies; (2) discussion and appropriate action related to proposed amendments to the UTIMCO Code of Ethics; and (3) discussion of the Policy Committee's self-assessment.

The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Policies for each Fund at least annually. The review includes distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges for each eligible Asset Class and Investment Type, expected returns for each Asset Class, Investment Type, and Fund, designated performance benchmarks for each Asset Class and/or Investment Type and such other matters as the U.T. Board or its staff designees may request. The Investment Policies and Exhibits listed below are enclosed for the approval of the UTIMCO Board with further approval by the U.T. Board required.

Texas Education Code Section 66.08(c)(4) requires that the Board of Regents of The University of Texas System ("U.T. Board") approve the Code of Ethics of The University of Texas Investment Management Company ("UTIMCO"). The Code of Ethics ("Code") sets forth the basic principles and guidelines for Directors and Employees of UTIMCO. In accordance with the Audit Charter of the Audit and Ethics Committee, the Audit and Ethics Committee will have reviewed the Code and recommended its proposed changes to the Policy Committee for concurrence and submission to the UTIMCO Board for approval. The charter of the Policy Committee also requires the Policy Committee to review proposed amendments to the Code and recommend to the UTIMCO Board the approval of such amendments. The current Code was reviewed in July of 2008 and approved by the U.T. Board on August 14, 2008. The Code is submitted for the approval of the UTIMCO Board with further approval by the U.T. Board required.

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Discussion:

Investment Policies

The Investment Policy Statements for the PUF, GEF, ITF, PHF, LTF, STF, and SIF are being amended effective September 1, 2010. Exhibit A of the Investment Policy Statements of the PUF, GEF and ITF and Exhibit B of the Investment Policy Statements for the PHF and LTF have been amended to set forth the revised Policy Portfolio Asset Class and Investment Type targets and ranges for FY 2011.

PUF Investment Policy Statement

- Page 4, PUF Investment Objectives, paragraph 1 language is being changed to clarify the calculation of investment returns and other expenses charged to the fund. The first sentence in paragraph 2 is being deleted. The second sentence in paragraph 2 has been moved to page 6, Performance Measurement.
- Pages 4-5, Asset Class and Investment Type Allocation and Policy, paragraph 2 is being changed to authorize the UTIMCO CEO, with the approval of the UTIMCO Board Chairman, to reduce risk in the fund below the stated policy ranges.

GEF Investment Policy Statement

- Page 2, GEF Investment Objectives, paragraph 1 language is being changed to clarify the calculation of investment returns and other expenses charged to the fund. The first sentence in paragraph 2 is being deleted. The second sentence in paragraph 2 has been moved to page 5, Performance Measurement.
- Pages 3-4, Asset Class and Investment Type Allocation and Policy, paragraph 2 is being changed to authorize the UTIMCO CEO, with the approval of the UTIMCO Board Chairman, to reduce risk in the fund below the stated policy ranges.

ITF Investment Policy Statement

- Page 2, ITF Investment Objectives, paragraph 2 language is being changed to require the calculation of purchasing power of ITF assets over rolling five-year periods rather than three years.
- Page 2, ITF Investment Objectives, paragraph 3 language is being changed to clarify the secondary investment objective of the ITF. The second sentence in paragraph 3 has been moved to page 5, Performance Measurement.
- Page 3, Asset Class and Investment Type Allocation and Policy, paragraph 2 is being changed to authorize the UTIMCO CEO, with the approval of the UTIMCO Board Chairman, to reduce risk in the fund below the stated policy ranges.

PHF Investment Policy Statement

- Page 3, PHF Investment Objectives, paragraph 2 language is being deleted.

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LTF Investment Policy Statement

- Page 2, LTF Investment Objectives, paragraph 2 language is being deleted.

STF and SIF Investment Policy Statements

The Short Term Fund (STF) Investment Policy Statement and the Separately Invested Funds (SIF) Investment Policy Statement are being amended to make the language consistent with the terminology that was previously adopted for the Investment Policy Statements of the PUF, GEF, ITF, PHF, and LTF.

In addition, the following Investment Policies are being submitted to the Policy Committee for approval of amendments:

- Derivative Investment Policy (effective August 11, 2010)
- Delegation of Authority Policy (effective July 14, 2010)
- Mandate Categorization Procedure (effective August 1, 2010)

Derivative Investment Policy

- Page 1, Definition of Derivatives; changed to exclude foreign currency contracts that settle within sixty (60) days from the definition of derivatives.
- Page 2, Permitted Derivative Applications; language added to permit implementation of a derivative investment that causes the Fund to go below its lower risk bound, if approved by the UTIMCO Chairman.
- Page 2, Additional Limitations, Leverage; language has been corrected to refer to "uncollateralized derivative exposure" rather than "leverage" consistent with Exhibits A of the Fund's Investment Policy Statements (Exhibits B in the PHF and LTF).
- Page 3, Risk Management and Compliance; language added to change noncompliance reporting from the UTIMCO Board to the UTIMCO Board Chairman and to allow the UTIMCO Board Chairman to waive immediate remedial action in appropriate circumstances.
- Page 3, Reporting; language has been corrected to refer to "uncollateralized derivative exposure" rather than "leverage" consistent with Exhibits A of the Fund's Investment Policy Statements (Exhibits B in the PHF and LTF).

Delegation of Authority Policy

- Pages 3-4, Investment Authority, New Investment Vehicle and Manager Selection; a definition of "Total assets" is added for Private Investments.
- Page 4, Investment Authority, New Investment Vehicle and Manager Selection; threshold in the first six months for aggregated new manager mandates is changed from \$400 to \$600 million and a definition of "mandate" related to Private Investments is added.
- Pages 4-5, Investment Authority, Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships, Private Investments; language is being standardized with language in New Investment Vehicle and Manager Selection section, mandate increase amount for Less Correlated and Constrained Investments is being changed from \$300 to \$500

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million, mandate increase amount is being changed from \$150 to \$200 million and a definition of "Total assets" is added for Private Investments.

- Page 5, Investment Authority, Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships; threshold after the first six months for aggregated existing internal and external manager mandates is changed from \$200 to \$300 million, and a definition of "total assets" related to Private Investments is added.

Mandate Categorization Procedure

Page 2, Investment Type Characteristics, criteria related to Transparency is being changed in the More Correlated and Constrained and Less Correlated and Constrained Investment/Mandates to add more specificity.

UTIMCO Code of Ethics

The draft changes to the Code are based on the joint efforts of UTIMCO Staff and Andrews Kurth LLP. The University of Texas System Office of General Counsel is currently reviewing the draft changes to the Code. The most significant change to the Code is the deletion of provisions permitting Directors and UTIMCO to hold private investments in the same business entity so long as a Director's private investment does not constitute a pecuniary interest as defined in the Code. Under the proposed draft, only certain private investments acquired before a Director assumes his position on the UTIMCO Board would be permitted. Staff has also narrowed the definition of Key Employee to limit it to UTIMCO officers. Other changes include reorganization, clarification, and standardization of existing provisions. A discussion of the draft changes will be submitted for action to the U.T. Board at its August meeting.

- Page 3, Subchapter A, Section 1.02(11); narrowed definition of "Key Employee" to only include UTIMCO officers.
- Page 9, Subchapter B, Section 1.15; deleted because it is now redundant as the definition of Key Employee has been narrowed to include only UTIMCO Officers, which are designated annually by the UTIMCO Board at its annual meeting.
- Pages 12-15, Subchapter C, Section 3.01-3.06; rewritten and reorganized to clarify existing provisions and delete provisions permitting Directors and UTIMCO to hold private investments in the same business entity so long as a Director's private investment does not constitute a pecuniary interest as defined in Section 1.02(12) of the Code; also added new subsection 3.01(c) to make prohibitions apply to a Director's and Employee's spouse, minor children, and other dependent Relatives with respect to all agreements and transactions with UTIMCO.
- Page 17, Subchapter C, Section 3.08(g); changed "financial futures, and options on futures" to "interest rate, currency, commodity, and stock index futures, and options on those futures" for clarification.

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- Page 18, Subchapter C, Section 3.10(b); changed "A Key Employee" to "An Employee" since all employees are now required to obtain advance written approval from the CEO for any outside employment or business.
- Pages 19-20, Subchapter C, Section 3.12; added language to incorporate state law provisions and penalties provided in *Texas Education Code* subsections 66.08(l)-(o).
- Pages 20-22, Subchapter D, Sections 4.02, 4.03, and 4.05; changes standardize the due dates of and extensions of time to file annual ethics compliance statements required by the Code.
- Page 21, Subchapter D, Section 4.03(f); changed to provide that all ethics compliance statements will be maintained by the Chief Compliance Officer, consistent with UTIMCO practice.
- Miscellaneous nonsubstantive and editorial changes.

Committee Self-Assessment

Each member of the Committee was requested to evaluate the Committee's performance, both of the individual member and collectively. The results of the assessment will be discussed at the Committee meeting.

Recommendation:

Staff recommends approval by the Board of the proposed amendments to the Investment Policy Statements for the PUF, GEF, PHF, LTF, ITF, STF, and SIF for the fiscal year beginning September 1, 2010. Staff also recommends approval of the proposed amendments to the Derivative Investment Policy, effective August 11, 2010, the Delegation of Authority Policy, effective July 14, 2010, and Mandate Categorization Procedure, effective August 1, 2010. Staff recommends approval by the Board of the amendments to the UTIMCO Code of Ethics.

Reference:

Investment Policy Statements for the PUF, GEF, PHF, LTF, ITF, STF, and SIF, effective September 1, 2010
Derivative Investment Policy, effective August 11, 2010
Delegation of Authority Policy, effective July 14, 2010
Mandate Categorization Procedure, effective August 1, 2010
UTIMCO Code of Ethics

RESOLUTION RELATED TO INVESTMENT POLICIES

RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, Short Term Fund, and Separately Invested Funds, and amendments to the Derivative Investment Policy, Delegation of Authority Policy, and Mandate Categorization Procedure, as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

RESOLUTION RELATED TO CODE OF ETHICS

WHEREAS, the charter of the Audit and Ethics Committee requires it to periodically review the Code of Ethics policy of the Corporation and recommend any proposed changes to the Policy Committee for concurrence and submission to the Board for approval; and

WHEREAS, the Audit and Ethics Committee has reviewed the Code of Ethics policy and recommended its changes to the Policy Committee for concurrence and submission to the Board for approval; and

WHEREAS, the Policy Committee has reviewed the changes recommended by the Audit and Ethics Committee and recommends same to the Board for its approval; and

WHEREAS, the Board wishes to document its approval of the amendments to the Code of Ethics policy in the form previously provided to the Board, subject to the approval by the Board of Regents of The University of Texas System.

NOW, THEREFORE, be it:

RESOLVED, that the amendments to the Code of Ethics of the Corporation as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

Tab PUF

THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND INVESTMENT POLICY STATEMENT

Purpose

The Permanent University Fund (the "PUF") is a public endowment contributing to the support of institutions of The University of Texas System (other than The University of Texas - Pan American and The University of Texas at Brownsville) and institutions of The Texas A&M University System (other than Texas A&M University-Corpus Christi, Texas A&M International University, Texas A&M University-Kingsville, West Texas A&M University, Texas A&M University-Commerce, Texas A&M University-Texarkana, and Baylor College of Dentistry).

PUF Organization

The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the PUF were completed in 1883 with the contribution of an additional one million acres of land. Today, the PUF contains 2,109,190 acres of land (the "PUF Lands") located in 19 counties primarily in West Texas.

The 2.1 million acres comprising the PUF Lands produce two streams of income: a) mineral income, primarily in the form of oil and gas royalties and b) surface income, primarily from surface leases and easements. Under the Texas Constitution, mineral income, as a non-renewable source of income, remains a non-distributable part of PUF corpus, and is invested pursuant to this Policy Statement. Surface income, as a renewable source of income, is distributed to the Available University Fund (the "AUF"), as received. The Constitution also requires that all surface income and investment distributions paid to the AUF be expended for certain authorized purposes.

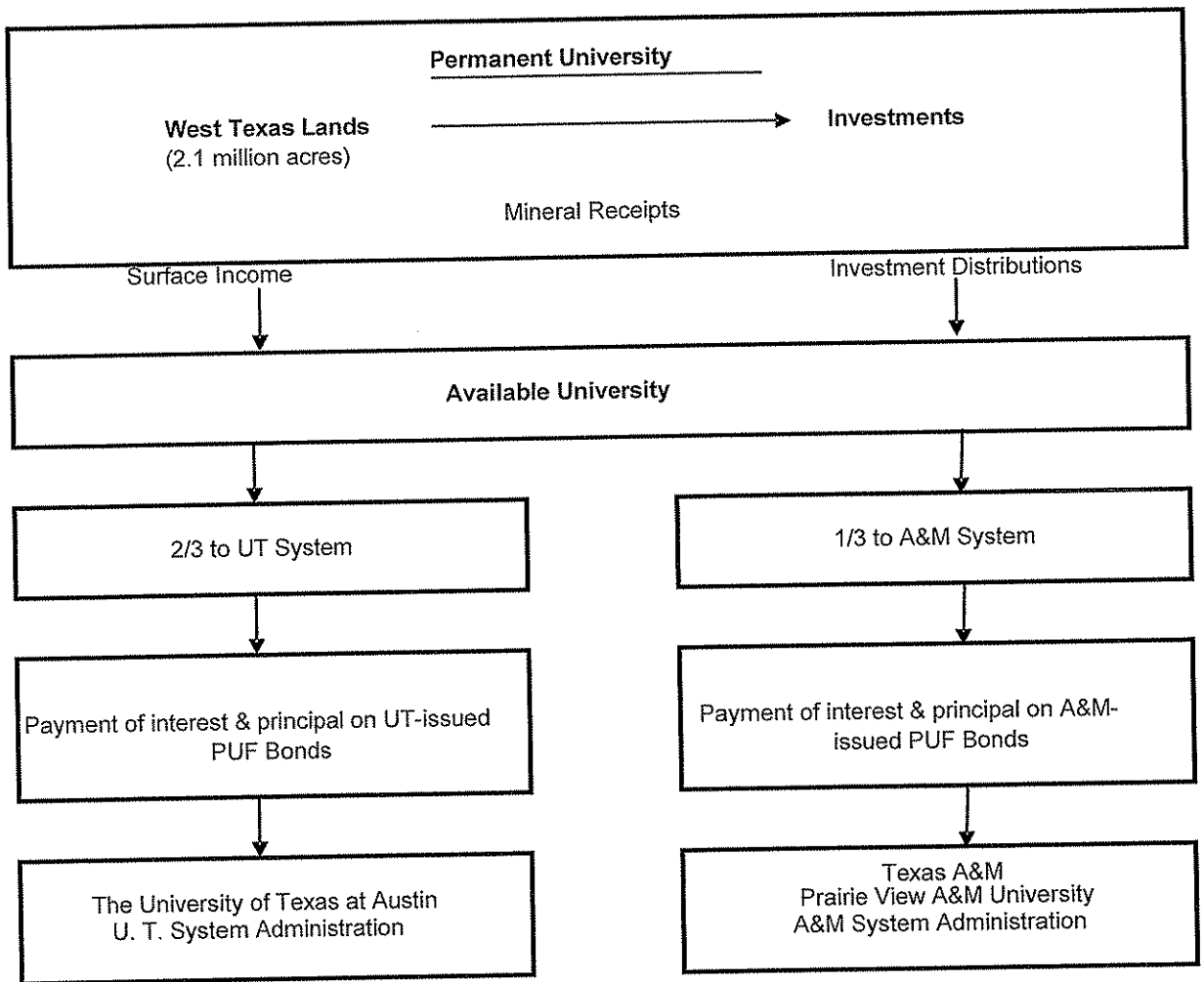
The expenditure of the AUF is subject to a prescribed order of priority:

First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, AUF receipts are expended for debt service on PUF bonds. Article VII of the Texas Constitution authorizes the U. T. System Board of Regents (the "Board of Regents") and the Texas A&M University System Board of Regents (the "TAMUS Board") to issue bonds payable from their respective interests in AUF receipts to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System's interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the interest of the related System in AUF receipts during the preceding fiscal year covers projected debt service on all PUF Bonds of that System by at least 1.5 times.

Second, AUF receipts are expended to fund a) excellence programs specifically at U. T. Austin, Texas A&M University and Prairie View A&M University and b) the administration of the university Systems.

The payment of surface income and investment distributions from the PUF to the AUF and the associated expenditures is depicted below in Exhibit 1:

Exhibit 1



PUF Management

Article VII, Section 11b of the Texas Constitution assigns fiduciary responsibility for managing and investing the PUF to the Board of Regents. Article VII, Section 11b authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

Ultimate fiduciary responsibility for the PUF rests with the Board of Regents. Section 66.08 of the *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PUF shall be managed by UTIMCO, which shall a) recommend investment policy for the PUF, b) recommend specific Asset Class and Investment Type allocation targets, ranges and performance benchmarks consistent with PUF objectives, and c) monitor PUF performance against PUF objectives. UTIMCO shall invest the PUF's assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class and Investment Type allocation targets, ranges, and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

PUF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PUF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

PUF Investment Objectives

The PUF and the General Endowment Fund (the "GEF") are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund plus the annual expected after all expenses. ~~The current 5.1% target was derived by adding the PUF's current target distribution rate of is 4.75% plus an annual expected expense of .35%.~~ The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. Investment returns are expressed net of all investment-related expenses. Additional expenses include U.T. System administrative fees charged to the fund.

~~The secondary investment objectives are to generate (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk over rolling five year periods and (ii) average annual returns in excess of the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five year periods. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices weighted to reflect PUF's Asset Class and Investment Type allocation policy targets as defined in Exhibit A.~~

Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Risk Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO's risk model. Liquidity of the PUF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

PUF return, Asset Class and Investment Type allocations, and risk targets are subject to adjustment from time to time by the Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in Asset Class or Investment Type or the Portfolio Projected Downside Deviation move outside the ranges indicated in

Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PUF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action. Further, UTIMCO's Chief Executive Officer, with the approval of the UTIMCO Board Chairman, may reduce risk in the fund below the stated policy ranges when prudent investment decisions warrant such action. UTIMCO staff will notify the UTIMCO Board and the Board of Regents, reasonably promptly, of any action to reduce risk in the fund below the stated policy ranges.

PUF assets shall be allocated among the following broad Asset Classes and Investment Types based upon their individual return/risk characteristics and relationships to other Asset Classes and Investment Types:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

Investment Types:

More Correlated & Constrained Investments – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities and are less likely to entail lock-ups.

Less Correlated & Constrained Investments – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and leverage, may not have underlying security transparency, are more likely to be in publicly traded securities and may entail lock-ups.

Private Investments – Mandates that invest primarily in non-public securities and typically entail capital commitments, calls and distributions.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

Performance Measurement

The investment performance of the PUF will be measured by the PUF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PUF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices weighted to reflect PUF's Asset Class and Investment Type allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of PUF assets in such investments.

- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The PUF's investments in warrants shall not exceed more than 5% of the PUF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The PUF may utilize derivatives only in accordance with the Derivative Investment Policy.

Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

PUF Distributions

The PUF shall balance the needs and interests of present beneficiaries with those of the future. PUF spending policy objectives shall be to:

- provide a predictable, stable stream of distributions over time;
- ensure that the inflation adjusted value of distributions is maintained over the long term; and
- ensure that the inflation adjusted value of PUF assets after distributions is maintained over rolling 10-year periods.

The goal is for the PUF's average spending rate over time not to exceed the PUF's average annual investment return after inflation and expenses in order to preserve the purchasing power of PUF distributions and underlying assets.

The Texas Constitution states that "The amount of any distributions to the available university fund shall be determined by the board of regents of The University of Texas System in a manner intended to provide the available university fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of permanent university fund investments and annual distributions to the available university fund. The amount distributed to the available university fund in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on bonds and notes issued under this section. If the purchasing power of permanent university fund investments for any rolling 10-year period is not preserved, the board may not increase annual distributions to the available university fund until the purchasing power of the permanent university fund investments is restored, except as necessary to pay the principal and interest due and owing on bonds and notes issued under this section. An annual distribution made by the board to the available university fund during any fiscal year may not exceed an amount equal to seven percent of the average net fair market value of permanent university fund investment assets as determined by the board, except as necessary to pay any principal and interest due and owing on bonds issued under this section. The expenses of managing permanent university fund land and investments shall be paid by the permanent university fund."

Annually, the Board of Regents will approve a distribution amount to the Available University Fund.

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

Following approval of the distribution amount, distributions from the PUF to the AUF may be quarterly or annually at the discretion of UTIMCO Management.

PUF Accounting

The fiscal year of the PUF shall begin on September 1st and end on August 31st. Market value of the PUF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by

UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The PUF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PUF net assets. Valuation of PUF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PUF net assets for a month end close shall normally be completed within five business days but determination may be longer under certain circumstances. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets as approved by the UTIMCO Board and then in effect.

The fair market value of the PUF's net assets shall include all related receivables and payables of the PUF on the valuation. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Securities Lending

The PUF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the PUF shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the PUF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PUF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PUF solely in the interest of the U. T. System and the A&M System, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PUF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~August 20, 2009~~ September 1, 2010 (except for Exhibit A which is effective ~~September 1, 2009~~).

EXHIBIT A
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2009/10

POLICY PORTFOLIO	FYE 2010/1		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	2.5 0%	4.5%	10.0%
Natural Resources	5.0%	9.0 11.0%	15.0 17.5%
Developed Country Equity	35.0%	52.5 50.5%	60.0%
Emerging Markets Equity	10.0%	19.0%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	48.5 0%	55.0 60.0%
Less Correlated & Constrained	25.0%	30.0%	35.0 37.5%
Private Investments	17.5%	21.5 22.0%	32.5%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2010/1
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	3.5 2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI	
World Natural Resources Index	5.5 6.5%
MSCI World Index with net dividends	19.0 19.5%
MSCI Emerging Markets with net dividends	13.0 12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.5 20.0%
NACREIF Custom Index	1.0 2.0%

POLICY/TARGET RETURN/RISKS	FYE 2010/1
Expected Annual Return (Benchmarks) **	8.86 8.82%
One Year Downside Deviation	9.05 8.94%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

EXHIBIT A
(continued)

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2009/10

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010/1

FYE 2010/1		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.0%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (3.5-2.5%)	0.0%	Custom NACREIF 1-2.0%	4.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (5.5-6.5%)	1.0%	2.5-3.5%	9.0-11.0%
Equity	Developed Country	MSCI World Index with Net Dividends (49.0-19.5%)	20.0%	13.5-11.0%	52.5-50.5%
	Emerging Markets	MSCI EM Index with Net Dividends (13.0-12.0%)	4.0%	2.0-3.0%	19.0%
Total		48.5-48.0%	30.0%	21.5-22.0%	100.0%

Hedge Fund Research Indices Fund of Funds Composite Index
Venture Economics Custom Index

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

Tab GEF

THE UNIVERSITY OF TEXAS SYSTEM GENERAL ENDOWMENT FUND INVESTMENT POLICY STATEMENT

Purpose

The General Endowment Fund (the "GEF"), established by the Board of Regents of The University of Texas System (the "Board of Regents") March 1, 2001, is a pooled fund for the collective investment of certain long-term funds under the control and management of the Board of Regents. The GEF provides for greater diversification of investments than would be possible if each account were managed separately.

GEF Organization

The GEF functions like a mutual fund in which each eligible fund purchases and redeems GEF units as provided herein. The ownership of GEF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

GEF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the GEF.

Ultimate fiduciary responsibility for the GEF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the GEF shall be managed by UTIMCO, which shall a) recommend investment policy for the GEF, b) recommend specific Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with GEF objectives, and c) monitor GEF performance against GEF objectives. UTIMCO shall invest the GEF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

GEF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of GEF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase GEF Units

No fund shall be eligible to purchase units of the GEF unless it is under the sole control, with full discretion as to investments, of the Board of Regents.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the GEF.

Currently, the Long Term Fund (the "LTF") and the Permanent Health Fund (the "PHF") purchase units in the GEF.

GEF Investment Objectives

The GEF and the PUF are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund (in case of the GEF, the target distribution rate of the LTF and the PHF) plus the annual expected after all expenses. ~~The current 5.2% target was derived by adding the GEF's current target distribution rate of 4.75% plus an annual expected expense of .45%.~~ The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. Investment returns are expressed net of all investment-

related expenses. Additional expenses include U.T. System administrative fees charged to the fund.

~~The secondary investment objectives are to generate (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk over rolling five year periods and (ii) average annual returns in excess of the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five year periods. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices weighted to reflect GEF's Asset Class and Investment Type allocation policy targets as defined in Exhibit A.~~

Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Risk Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO's risk model. Liquidity of the GEF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

GEF return, Asset Class and Investment Type allocations, and risk targets are subject to adjustment from time to time by the Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in Asset Classes or Investment Types or the Portfolio Projected Downside Deviation move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the GEF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action. Further, UTIMCO's Chief Executive Officer, with the approval of the UTIMCO Board Chairman, may reduce risk in the fund below the stated policy ranges when prudent investment decisions warrant such action.

UTIMCO staff will notify the UTIMCO Board and the Board of Regents, reasonably promptly, of any action to reduce risk in the fund below the stated policy ranges.

GEF assets shall be allocated among the following broad Asset Classes and Investment Types based upon their individual return/risk characteristics and relationships to other Asset Classes and Investment Types:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

Investment Types:

More Correlated & Constrained Investments – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities, and are less likely to entail lock-ups.

Less Correlated & Constrained Investments – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and leverage, may

not have underlying security transparency, are more likely to be in publicly traded securities, and may entail lock-ups.

Private Investments – Mandates that invest primarily in non-public securities and typically entail capital commitments, calls and distributions.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

Performance Measurement

The investment performance of the GEF will be measured by the GEF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the GEF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices weighted to reflect GEF's Asset Class and Investment Type allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of GEF assets in such investments.
- No securities may be purchased or held which jeopardize the GEF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

- The GEF's investments in warrants shall not exceed more than 5% of the GEF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The GEF may utilize derivatives only in accordance with the Derivative Investment Policy.

Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

GEF Accounting

The fiscal year of the GEF shall begin on September 1st and end on August 31st. Market value of the GEF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The GEF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all GEF net assets and the net asset value per unit of the GEF. Valuation of GEF assets shall be based on the books and records of the custodian for the valuation date. The final determination of GEF net assets for a month end close shall normally be completed within five business days but determination may be longer under certain circumstances. Valuation of alternative

assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets as approved by the UTIMCO Board and then in effect.

The fair market value of the GEF's net assets shall include all related receivables and payables of the GEF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of GEF Units

Purchase of GEF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the GEF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the GEF as of the most recent quarterly valuation date. Each fund whose monies are invested in the GEF shall own an undivided interest in the GEF in the proportion that the number of units invested therein bears to the total number of all units comprising the GEF.

Redemption of GEF Units

Redemption of GEF units shall be paid in cash as soon as practicable after the quarterly valuation date of the GEF. Withdrawals from the GEF shall be at the market value price per unit determined at the time of the withdrawal.

Securities Lending

The GEF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the GEF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the GEF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the GEF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the GEF solely in the interest of GEF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the GEF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be August 20, 2009 ~~September 1, 2010~~ (except for Exhibit A which is effective ~~September 1, 2009~~).

EXHIBIT A
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2009/10

POLICY PORTFOLIO	FYE 2010/1		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	2.5 0%	4.5%	10.0%
Natural Resources	5.0%	9.0 11.0%	15.0 17.5%
Developed Country Equity	35.0%	52.5 50.5%	60.0%
Emerging Markets Equity	10.0%	19.0%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	48.5 0%	55.0 60.0%
Less Correlated & Constrained	25.0%	30.0%	35.0 37.5%
Private Investments	17.5%	21.5 22.0%	32.5%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2010/1
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	3.5 2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	5.5 6.5%
MSCI World Index with net dividends	19.0 19.5%
MSCI Emerging Markets with net dividends	13.0 12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.5 20.0%
NACREIF Custom Index	1.0 2.0%

POLICY/TARGET RETURN/RISKS	FYE 2010/1
Expected Annual Return (Benchmarks)**	8.86 8.82%
One Year Downside Deviation	9.05 8.94%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

General Endowment Fund Investment Policy Statement (continued)

EXHIBIT A
(continued)

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2009/10

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010/1

FYE 2010/1		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (3.5-2.5%)	0.0%	Custom NACREIF-4 2.0%	4.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (5.5-6.5%)	1.0%	2.5-3.5%	9.0-11.0%
	Developed Country	MSCI World Index with Net Dividends (19.0-19.5%)	20.0%	13.5-11.0%	52.5-50.5%
Equity	Emerging Markets	MSCI EM Index with Net Dividends (13.0-12.0%)	4.0%	2.0-3.0%	19.0%
Total		48.5-48.0%	30.0%	21.5-22.0%	100.0%

	Hedge Fund Research Indices Fund of Funds Composite Index
	Venture Economics Custom Index

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

Tab PHF

**THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT HEALTH FUND
INVESTMENT POLICY STATEMENT**

Purpose

The Permanent Health Fund (the "PHF"), established by the Board of Regents of The University of Texas System (the "Board of Regents"), is a pooled fund for the collective investment of certain permanent funds for health-related institutions of higher education created, effective August 30, 1999, by Chapter 63 of the *Texas Education Code*. The permanent health funds which have assets in the PHF are:

- A. The Permanent Health Fund for Higher Education (the "PHFHE"), the distributions from which are to fund programs that benefit medical research, health education, or treatment programs at 10 health-related institutions of higher education; and
- B. Eight of the thirteen separate Permanent Funds for Health Related Institutions (the "PFHRIs"), the distributions from which are to fund research and other programs at health-related institutions of higher education that benefit public health. The PFHRIs invested in the PHF are:

- U. T. Health Science Center - San Antonio
- U. T. M. D. Anderson Cancer Center
- U. T. Southwestern Medical Center - Dallas
- U. T. Medical Branch - Galveston
- U. T. Health Science Center - Houston
- U. T. Health Center - Tyler
- U. T. El Paso
- Regional Academic Health Center

The PHF provides for greater diversification of investments than would be possible if each account were managed separately.

PHF Organization

The PHF functions like a mutual fund in which each eligible fund purchases and redeems PHF units as provided herein.

PHF Management

Chapter 63 of the *Texas Education Code* designates: a) the Board of Regents as the administrator for the PHFHE and b) the governing board of an institution for which a PFHRI fund is established as the administrator for its own PFHRI, or if the governing board so elects, the Comptroller of Public Accounts (State Comptroller). It permits the State Comptroller, in turn, to contract with the governing board of any institution that is eligible to receive a grant under Chapter 63. Pursuant to the foregoing and an Investment Management Services Agreement between the Board of Regents and the State Comptroller, the Board of Regents is the administrator responsible for managing the PHF. Chapter 63 further states that the Board of Regents may manage and invest the PHF in the same manner as the Board of Regents manages and invests other permanent endowments. It also requires that the administrator invest the funds in a manner that preserves the purchasing power of the funds' assets and distributions. It further requires that the administrator make distributions in a manner consistent with the administrator's policies and procedures for making distributions to the beneficiaries of its own endowments in the case of the PHFHE or the funds themselves in the case of the PFHRI funds.

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Chapter 63 of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the PHF.

Ultimate fiduciary responsibility for the PHF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PHF shall be managed by UTIMCO which shall: a) recommend investment policy for the PHF; b) recommend specific Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with PHF objectives; and c) monitor PHF performance against PHF objectives. UTIMCO shall invest the PHF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class and Investment Type allocation

targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

PHF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PHF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase PHF Units

No fund shall be eligible to purchase units of the PHF unless it is a permanent health fund established pursuant to Chapter 63 of the *Texas Education Code*, under the control, with full discretion as to investments, of the Board of Regents.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the PHF.

PHF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of PHF assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF.

~~The secondary investment objectives are to generate (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk over rolling five year periods and (ii) average annual returns in excess of the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five year periods.~~

Asset Allocation and Policy

PHF assets shall be allocated among the following investments:

- A. Cash and Cash Equivalents - Cash and Cash Equivalents has the same meaning as given to the term "Cash" in the Liquidity Policy.
- B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance the Cash and Cash Equivalents positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PHF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the PHF will be measured by the PHF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The PHF must be invested at all times in strict compliance with applicable law. Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

PHF Distributions

The PHF shall balance the needs and interests of present beneficiaries with those of the future. PHF spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time;
- B. ensure that the inflation adjusted value of distributions is maintained over the long term; and
- C. ensure that the inflation adjusted value of PHF assets after distributions is maintained over the long term.

The goal is for the PHF's average spending rate over time not to exceed the PHF's average annual investment return after inflation and expense ratio in order to preserve the purchasing power of PHF distributions and underlying assets.

UTIMCO shall be responsible for calculating the PHF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents, PHF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

- A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest \$.0005 per unit.
- B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5% (computed in the same manner).
- C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the PHF to the unit holders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

PHF Accounting

The fiscal year of the PHF shall begin on September 1st and end on August 31st. Market value of the PHF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The PHF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PHF net assets and the net asset value per unit of the PHF. Valuation of PHF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PHF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the PHF's net assets shall include all related receivables and payables of the PHF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of PHF Units

Purchase of PHF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the PHF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the PHF as of the most recent quarterly valuation date.

Each fund whose monies are invested in the PHF shall own an undivided interest in the PHF in the proportion that the number of units invested therein bears to the total number of all units comprising the PHF.

Redemption of PHF Units

Redemption of PHF units shall be paid in cash as soon as practicable after the quarterly valuation date of the PHF. If the withdrawal is greater than \$5 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$5 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the PHF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the best interests of all PHF unit holders. Withdrawals from the PHF shall be at the market value price per unit determined for the period of the withdrawal.

Investor Responsibility

As a shareholder, the PHF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PHF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PHF solely in the interest of PHF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PHF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~August 20, 2009, except for Exhibit B. Exhibit B follows the effective date of Exhibit A of the GEF~~ September 1, 2010.

EXHIBIT A

PHF ASSET ALLOCATION

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008**

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT B - GENERAL ENDOWMENT FUND

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2009/10

POLICY PORTFOLIO	FYE 2010/1		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	2.5-0%	4.5%	10.0%
Natural Resources	5.0%	9.0 11.0%	45.0 17.5%
Developed Country Equity	35.0%	52.5 50.5%	60.0%
Emerging Markets Equity	10.0%	19.0%	25.0%
Investment Types			
More Correlated & Constrained	35.0%	48.5 0%	55.0 60.0%
Less Correlated & Constrained	25.0%	30.0%	35.0 37.5%
Private Investments	17.5%	21.5-22.0%	32.5%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2010/1
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	3.5 2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI	
World Natural Resources Index	5.5 6.5%
MSCI World Index with net dividends	19.0 19.5%
MSCI Emerging Markets with net dividends	13.0 12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.5 20.0%
NACREIF Custom Index	1.0 2.0%

POLICY/TARGET RETURN/RISKS	FYE 2010/1
Expected Annual Return (Benchmarks) **	8.86 8.82%
One Year Downside Deviation	9.05 8.94%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2009/10

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010/1

FYE 2010/1	Investment Grade	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income		Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (3.5/2.5%)	0.0%	Custom NACREIF-4 2.0%	4.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (5.5-6.5%)	1.0%	2.5/3.5%	9.0/11.0%
Equity	Developed Country	MSCI World Index with Net Dividends (49.0/19.5%)	20.0%	13.5/11.0%	52.5/50.5%
	Emerging Markets	MSCI EM Index with Net Dividends (43.0/12.0%)	4.0%	2.0/3.0%	19.0%
Total		48.5/48.0%	30.0%	24.5/22.0%	100.0%

	Hedge Fund Research Indices Fund of Funds Composite Index
	Venture Economics Custom Index

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

Tab LTF

**THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
INVESTMENT POLICY STATEMENT**

Purpose

The Long Term Fund (the "LTF"), succeeded the Common Trust Fund in February 1995, and was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of private endowments and other long-term funds supporting various programs of The University of Texas System. The LTF provides for greater diversification of investments than would be possible if each account were managed separately.

LTF Organization

The LTF functions like a mutual fund in which each eligible account purchases and redeems LTF units as provided herein. The ownership of LTF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

LTF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the LTF.

Ultimate fiduciary responsibility for the LTF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the LTF shall be managed by UTIMCO, which shall a) recommend investment policy for the LTF, b) recommend specific Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with LTF objectives, and c) monitor LTF performance against LTF objectives. UTIMCO shall invest the LTF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

LTF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of LTF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase LTF Units

No account shall be eligible to purchase units of the LTF unless it is under the sole control, with full discretion as to investments, of the Board of Regents.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the LTF.

LTF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of LTF assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the LTF. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

~~The secondary investment objectives are to generate (i) average annual returns adjusted for downside risk in excess of the Policy Portfolio adjusted for downside risk over rolling five year periods and (ii) average annual returns in excess of the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five year periods.~~

Asset Allocation and Policy

LTF assets shall be allocated among the following investments.

- A. Cash and Cash Equivalents – Cash and Cash Equivalents has the same meaning as given to the term “Cash” in the Liquidity Policy.
- B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the LTF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the LTF will be measured by the LTF’s custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The LTF must be invested at all times in strict compliance with applicable law. Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

LTF Distributions

The LTF shall balance the needs and interests of present beneficiaries with those of the future. LTF spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time;

- B. ensure that the inflation adjusted value of distributions is maintained over the long term; and
- C. ensure that the inflation adjusted value of LTF assets after distributions is maintained over the long term.

The goal is for the LTF's average spending rate over time not to exceed the LTF's average annual investment return after inflation and expense ratio in order to preserve the purchasing power of LTF distributions and underlying assets.

Generally, pursuant to the Uniform Prudent Management of Institutional Funds Act, Chapter 163, *Texas Property Code*, as amended, ("Act"), subject to the intent of a donor in a gift instrument, the Board of Regents may appropriate for expenditure or accumulate so much of the LTF as it determines is prudent for the uses, benefits, purposes, and duration for which the LTF is established. Notwithstanding the preceding sentence, the Board of Regents may not appropriate for expenditure in any year an amount greater than nine percent (9%) of the LTF, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made.

UTIMCO shall be responsible for calculating the LTF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents or prohibited by the Act, LTF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

- A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest \$.0005 per unit.
- B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5% (computed in the same manner).
- C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the LTF to the unit holders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

LTF Accounting

The fiscal year of the LTF shall begin on September 1st and end on August 31st. Market value of the LTF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The LTF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all LTF net assets and the net asset value per unit of the LTF. Valuation of LTF assets shall be based on the books and records of the custodian for the valuation date. The final determination of LTF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances.

The fair market value of the LTF's net assets shall include all related receivables and payables of the LTF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of LTF Units

Purchase of LTF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the LTF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the LTF as of the most recent quarterly valuation date.

Each account whose monies are invested in the LTF shall own an undivided interest in the LTF in the proportion that the number of units invested therein bears to the total number of all units comprising the LTF.

Redemption of LTF Units

Redemption of LTF units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than \$10 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the LTF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the best interests of all LTF unit holders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the LTF for a period less than or equal to one year determined from the date of the contribution to the LTF. Transfer of units between endowment unit holders shall not be considered redemption of units subject to this provision.

Investor Responsibility

As a shareholder, the LTF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the LTF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the LTF solely in the interest of LTF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the LTF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~August 20, 2009, except for Exhibit B. Exhibit B follows the effective date of Exhibit A of the GEF~~ September 1, 2010.

EXHIBIT A

LTF ASSET ALLOCATION

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008**

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

**EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2009/10**

POLICY PORTFOLIO	FYE 2010/1		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	2.5-5.0%	4.5%	10.0%
Natural Resources	5.0%	9.0-11.0%	15.0-17.5%
Developed Country Equity	35.0%	52.5-50.5%	60.0%
Emerging Markets Equity	10.0%	19.0%	25.0%
<u>Investment Types</u>			
More Correlated & Constrained	35.0%	48.5-0%	55.0-60.0%
Less Correlated & Constrained	25.0%	30.0%	35.0-37.5%
Private Investments	17.5%	24.5-22.0%	32.5%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2010/1
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	3.5-2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI	
World Natural Resources Index	5.5-6.5%
MSCI World Index with net dividends	19.0-19.5%
MSCI Emerging Markets with net dividends	13.0-12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.5-20.0%
NACREIF Custom Index	4.0-2.0%

POLICY/TARGET RETURN/RISKS	FYE 2010/1
Expected Annual Return (Benchmarks)**	8.86-8.82%
One Year Downside Deviation	9.05-8.94%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2009/10

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010/1

FYE 2010/1	More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related 0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate FTSE EPRA/NAREIT Developed Index (3.5-2.5%)	0.0%	Custom NACREIF-4 2.0%	4.5%
	Natural Resources 50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (5.5-6.5%)	1.0%	2.5-3.5%	9.0-11.0%
Equity	Developed Country MSCI World Index with Net Dividends (49.0-19.5%)	20.0%	13.5-11.0%	52.5-50.5%
	Emerging Markets MSCI EM Index with Net Dividends (43.0-12.0%)	4.0%	2.0-3.0%	19.0%
Total	48.5-48.0%	30.0%	24.5-22.0%	100.0%

	Hedge Fund Research Indices Fund of Funds Composite Index
	Venture Economics Custom Index

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

Tab ITF

THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND INVESTMENT POLICY STATEMENT

Purpose and Structure

The University of Texas System Intermediate Term Fund (the "ITF") was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by U. T. System institutions and U. T. System Administration.

ITF Organization

The ITF functions as a mutual fund in which each eligible account purchases and redeems ITF units as provided herein. The ownership of ITF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

ITF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the ITF.

Ultimate fiduciary responsibility for the ITF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the ITF shall be managed by UTIMCO, which shall a) recommend

investment policy for the ITF, b) recommend specific Asset Class and Investment Type allocation targets, ranges, and performance benchmarks consistent with ITF objectives, and c) monitor ITF performance against ITF objectives. UTIMCO shall invest the ITF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Authority Policy approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

ITF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of ITF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase ITF Units

No account shall be eligible to purchase units of the ITF unless it is under the sole control, with full discretion as to investments, by the Board of Regents. Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the ITF.

ITF Investment Objectives

The ITF consists of intermediate and long-term funds held by the U. T. System Board of Regents, as a fiduciary, for the benefit of U. T. System institutions, U. T. System Administration, and other affiliated funds. ITF assets are pooled for efficient investment purposes and managed by UTIMCO over the intermediate to longer term.

The primary investment objective of the ITF is to preserve the purchasing power of ITF assets by earning a compound annualized return over rolling ~~three~~five-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3%.

The secondary investment objectives ~~are~~is to generate (i) average annual returns ~~adjusted for downside risk, net of all direct and allocated investment-related expenses, in excess of the approved Policy Portfolio adjusted downside for risk over rolling five-year periods. The Policy Portfolio benchmark will be maintained~~

~~by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices reported by the independent custodian and weighted to reflect ITF's approved Asset Class and Investment Type allocation policy targets as defined in Exhibit A.~~

Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Risk Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO's risk model. Liquidity of the ITF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

ITF return, Asset Class and Investment Type allocations, and risk targets are subject to adjustment from time to time by the Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. The Asset Class and Investment Type allocation is designed to accommodate the intermediate investment horizon of the ITF assets with enhanced returns at moderate managed risk levels. UTIMCO is responsible for measuring actual Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in Asset Class or Investment Type or the Projected Downside Deviation move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the ITF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive remedial action. Further, UTIMCO's Chief Executive Officer, with the approval of the UTIMCO Board Chairman, may reduce risk in the fund below the stated policy ranges when prudent investment decisions warrant such action. UTIMCO staff will notify the UTIMCO Board and the Board of Regents, reasonably promptly, of any action to reduce risk in the fund below the stated policy ranges.

ITF assets shall be allocated among the following broad Asset Classes and Investment Types based upon their individual return/risk characteristics and relationships to other Asset Classes and Investment Types:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated investment grade, including Cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securitities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

Investment Types:

More Correlated & Constrained Investments – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities, and are less likely to entail lock-ups.

Less Correlated & Constrained Investments – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and

leverage, may not have underlying security transparency, are more likely to be in publicly traded securities, and may entail lock-ups.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

Performance Measurement

The investment performance of the ITF will be measured by the ITF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, compared against the stated Policy Benchmarks of the ITF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices reported by the independent custodian and weighted to reflect ITF's approved Asset Class and Investment Type allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The ITF must be invested at all times in strict compliance with applicable law. Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of ITF assets in such investments.
- No securities may be purchased or held which would jeopardize the ITF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The ITF's investments in warrants shall not exceed more than 5% of the ITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.

- The ITF may utilize derivatives only in accordance with the Derivative Investment Policy.

Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

ITF Accounting

The fiscal year of the ITF shall begin on September 1st and end on August 31st. Market value of the ITF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The ITF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of ITF Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all ITF net assets and the net asset value per unit of the ITF. The final determination of ITF net assets for a month end close shall normally be completed within six business days but determination may be longer under certain circumstances. Valuation of ITF assets shall be based on the books and records of the custodian for the valuation date.

The fair market value of the ITF's net assets shall include all related receivables and payables of the ITF on the valuation date and the value of each unit thereof

shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the noncompliant activity within this Policy.

ITF Distributions

The ITF shall provide monthly distributions to the unit holders. The UTIMCO Board will recommend the annual distribution (%) rate to the Board of Regents. Distributions from the ITF to the unit holders shall be made monthly on the first business day of each month. To calculate the monthly distribution, the distribution rate (% divided by 12) will be multiplied by each unit holder's account, determined as follows:

- Net asset value of each unit holder's account on the last business day of the second prior month;
- Plus value of each unit holder's net purchase/redemption amount on the first business day of the prior month;
- Less the distribution amount paid to each unit holder's account on the first business day of the prior month.

Purchase and Redemption of ITF Units

The ITF participants may purchase units on the first business day of each month upon payment of cash or reinvestment of distributions to the ITF, at the net asset value per unit of the ITF as of the prior month ending valuation date. Such purchase commitments are binding. The ITF participants may redeem ITF units on a monthly basis. The unit redemption shall be paid in cash as soon as practicable after the month end valuation date of the ITF. Redemptions from the ITF shall be at the market price per unit determined at the time of the redemption. Such redemption commitments are binding.

Participants of the ITF are required to provide notification of purchases and redemptions based on specific notification requirements as set forth in The University of Texas System Allocation Policy for Non-Endowment Funds.

Securities Lending

The ITF may participate in a securities lending contract with a bank or non-bank security lending agent for purposes of realizing additional income. Loans of securities by the ITF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to ensure compliance with contract provisions.

Investor Responsibility

As a shareholder, the ITF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the ITF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the ITF solely in the interest of ITF unitholders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the ITF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~August 20, 2009~~ September 1, 2010 (except for Exhibit A which is effective September 1, 2009).

**EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE SEPTEMBER 1, 2009/10**

POLICY PORTFOLIO	FYE 2010/1		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	30.0%	37.0%	45.0%
Credit-Related Fixed Income	0.0%	4.0%	12.0%
Real Estate	0.0%	5.0%	10.0%
Natural Resources	2.5%	8.5%	12.5%
Developed Country Equity	25.0%	33.0%	40.0%
Emerging Markets Equity	7.5%	12.5%	17.5%
Investment Types			
More Correlated & Constrained	60.0%	65.0%	70.0%
Less Correlated & Constrained	30.0%	35.0%	40.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105 100% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2010/1
Barclays Capital Global Aggregate Index	35.0%
FTSE EPRA/NAREIT Developed Index	5.0%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	7.5%
MSCI World Index with net dividends	10.0%
MSCI Emerging Markets with net dividends	7.5%
Hedge Fund Research Indices Fund of Funds Composite Index	35.0%

POLICY/TARGET RETURN/RISKS	FYE 2010/1
Expected Annual Return (Benchmarks) **	7.28%
One Year Downside Deviation	5.34%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

EXHIBIT A - INTERMEDIATE TERM FUND
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2009/10

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010/1

FYE 2010/1		More Correlated & Constrained	Less Correlated & Constrained	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (26.0%)	2.0%	37.0%
	Credit-Related	(6.0%)	4.0%	4.0%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (5.0%)	0.0%	5.0%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (7.5%)	1.0%	8.5%
Equity	Developed Country	MSCI World Index with Net Dividends (10.0%)	23.0%	33.0%
	Emerging Markets	MSCI EM Index with Net Dividends (7.5%)	5.0%	12.5%
Total		65.0%	35.0%	100.0%

	Hedge Fund Research Indices Fund of Funds Composite Index
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Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray
UTMCO 08/20/2009/01/2010

Tab STF

**THE UNIVERSITY OF TEXAS SYSTEM
SHORT TERM FUND
INVESTMENT POLICY STATEMENT**

Purpose

The Short Term Fund (the "STF") was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of operating funds and other short and intermediate term funds held by U. T. System institutions and System Administration with an investment horizon of less than one year.

STF Organization

The STF functions like a mutual fund in which each eligible account purchases and redeems STF units as provided herein. The ownership of STF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

STF Management

Article VII Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the STF.

Ultimate fiduciary responsibility for the STF rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the STF shall be managed by UTIMCO, which shall: a) recommend

investment policy for the STF, b) determine specific asset allocation ~~Asset Class~~ targets, ranges and performance benchmarks consistent with STF objectives, and c) monitor STF performance against STF objectives. UTIMCO shall invest the STF assets in conformity with this Policy Statement.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Investment Approval Authority Policy approved by the UTIMCO Board, as amended. Managers shall be monitored for performance and adherence to investment disciplines.

STF Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of STF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase STF Units

No account shall be eligible to purchase units of the STF unless it is under the sole control, with full discretion as to investments, by the Board of Regents and/or UTIMCO.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the STF.

The funds of a foundation structured as a supporting organization described in Section 509(a) of the *Internal Revenue Code of 1986*, which supports the activities of the U. T. System and its institutions, may purchase units in the STF provided that a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the STF.

STF Investment Objectives

The primary investment objective shall be to maximize current income consistent with the absolute preservation of capital and maintenance of adequate STF liquidity. The STF shall seek to maintain a net asset value of \$1.00.

Achievement of this objective shall be defined as a fund return in excess of the average gross return of the median manager of an approved universe of institutional only money market funds.

Asset Class Allocation and Policy

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

STF assets shall be allocated to the following broad assetAsset classClass:

Cash and Cash Equivalents – Short-term (~~generally securities with time to maturity of three months or less~~), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

Performance Measurement

The investment performance of the STF will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the performance benchmarks of the STF. Such measurement will occur at least quarterly.

Investment Guidelines

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

Investment guidelines include the following:

General

- All investments will be U.S. dollar denominated assets.
- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of STF assets in such investments.
- ~~Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of STF assets in such liquid investment fund.~~

- No securities may be purchased or held which would jeopardize the STF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- unaffiliated liquid (Money Market Funds) investment funds rated AAA_M by Standard & Poor's Corporation or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO),
- the Custodian's late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody's Investor Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps,
- ~~Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.~~
- floating rate securities, if they meet the single security duration criteria and are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment;—; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters, and
- —;
- ~~—; Repurchase agreements and reverse repurchase agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent;~~

- Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master repurchase agreement with UTIMCO.
- Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
- The maturity for a repurchase agreement may be from one day to two weeks.
- The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
- All collateral shall be delivered to the STF custodian bank. Tri-party collateral arrangements are not permitted.
- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the STF's total assets.
- Overnight repurchase agreements may not exceed 50% of the STF's total assets.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer, UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the noncompliant activity within this Policy.

STF Distributions

Distributions of income from the STF to the unitholders shall be made as soon as practicable on or after the last day of each month.

STF Accounting

The fiscal year of the STF shall begin on September 1st and end on August 31st. Market value of the STF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board

Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's ~~chief~~ Chief investment officer ~~Officer~~ and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material.

Valuation of Assets

All investments are stated at amortized cost, which in most cases approximates the market value of securities. The objective of the fund is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is neither guaranteed nor insured by UTIMCO.

The STF's net assets shall include all related receivables and payables of the STF on the valuation date, and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

Purchase of STF Units

Purchase of STF units may be made on each business day upon payment of cash to the STF or contribution of assets approved by UTIMCO's ~~chief~~ Chief investment officer ~~Officer~~, at the net asset value per unit of the STF as of the most recent valuation date.

Each account whose monies are invested in the STF shall own an undivided interest in the STF in the proportion that the number of units invested therein bears to the total number of all units comprising the STF.

Redemption of STF Units

Redemption of units may be made on each business day at the net asset value per unit.

Securities Lending

The STF may not participate in a securities lending contract with a bank or nonbank security lending agent.

Investor Responsibility

The UTIMCO Board shall discharge its fiduciary duties with respect to the STF solely in the interest of STF unitholders and shall not invest the STF so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be ~~November 10, 2005~~ September 1, 2010.

Tab SIF

THE UNIVERSITY OF TEXAS SYSTEM SEPARATELY INVESTED FUNDS INVESTMENT POLICY STATEMENT

Purpose

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

Investment Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the Accounts.

Ultimate fiduciary responsibility for the Accounts rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents. The applicable trust/endowment document will apply to the management of each trust or endowment.

Pursuant to an Investment Management Services Agreement between the Board of Regents and UTIMCO, the assets for the Accounts shall be managed by UTIMCO, which shall: a) recommend investment policy for the Accounts, b)

determine specific ~~asset~~ Asset Class allocation targets, ranges and performance benchmarks consistent with the Accounts objectives, and if appropriate c) monitor the Accounts's performance against Accounts objectives. UTIMCO shall invest the Accounts's assets in conformity with this Policy Statement.

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

Accounts Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and ~~A~~ accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of assets in the Accounts shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Investment Objectives

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

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

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

Asset Class Allocation

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

~~If appropriate, t~~The Accounts's assets shall be allocated among the following broad ~~asset classes~~ Asset Classes based upon their individual return/risk characteristics and relationships to other ~~asset classes~~ Asset Classes:

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

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

In addition, life insurance and variable annuities may be acceptable investments.

Asset Class Allocation Policy

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

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

Performance Measurement

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

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, ~~and other commingled funds, limited partnerships, and corporate vehicles~~ managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of SIF assets in such investments.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.
- ~~Investment policies of any unaffiliated liquid investment Account must be reviewed and approved by UTIMCO's chief investment officer prior to investment of Account's assets in such liquid investment Account.~~
- No securities may be purchased or held which would jeopardize, if applicable, the Account's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

~~The Account may utilize derivatives to: a) simulate the purchase or sale of an underlying market index while retaining a collateral balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) hedge risks associated with ITF investments; or f) adjust the market exposure of the asset allocation, including the use of long and short strategies and other such strategies, provided that the Account's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board and the Board of Regents. The Derivative Investment Policy shall serve the purpose of defining permitted applications under which derivatives can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for~~

~~purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives only in accordance with the Derivative Investment Policy.~~

Investment Grade Fixed Income

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

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

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

- a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the ~~LBAGG~~BAGG as issuers of fixed rate securities;
 - b) Medium term notes issued by investment grade corporations;
 - c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
 - d) Structured notes issued by ~~LBAGG~~BAGG qualified entities.
- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service at the time of acquisition.
 - Not more than 35% of the Account's fixed income portfolio may be invested in non-U.S. dollar bonds. Not more than 15% of the Account's fixed income portfolio may be invested in bonds denominated in any one currency other than U.S. dollar.
 - Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.

- Not more than 7.5% of the Account's fixed income portfolio may be invested in Emerging Market debt.
- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.
- Permissible securities for investment include Fixed Income Mutual Funds and Debt Index Funds as approved by UTIMCO's chief investment officer.
- Permissible securities for investment include Fixed Income Variable Annuity Contracts as approved by UTIMCO's chief investment officer.

Equities

~~The Account may purchase equity securities as long as it:~~

- ~~• holds no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market.~~
- ~~• holds no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by UTIMCO's chief investment officer.~~

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

Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

The provisions concerning investment in ~~fixed income~~ Investment Grade Fixed Income and equities securities ~~Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity~~ shall not apply to ~~an Accounts in which the agreement prohibits the sale of an equity or fixed income security when expressly prohibited by the terms and conditions of the applicable trust/endowment or trust document.~~ To the extent determined practical by the U. T. System Office of Development and Gift Planning Services, donor preferences will be considered in determining whether gifts of securities are held or sold.

Distributions

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

Accounting

The fiscal year of the Accounts shall begin on September 1st and end on August 31st. Trusts will also have a tax year end which may be different than August 31st. Market value of the Accounts shall be maintained on an accrual basis in compliance with ~~Financial Accounting Standards Board Statements~~ Generally Accepted Accounting Principles ("GAAP"), Government Accounting Standards Board Statements, industry guidelines, or federal income tax laws, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's ~~chief investment officer~~ Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material.

Valuation of Assets

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

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee,

will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the noncompliant activity within this Policy.

Securities Lending

The Accounts may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the Accounts shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the Accounts ~~has~~ have the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Accounts. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the Accounts solely in the interest of the beneficiaries, in compliance with the Proxy Voting Policy then in effect, and shall not invest the Accounts so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be ~~July 13, 2006~~ September 1, 2010.

Tab Derivative

The University of Texas Investment Management Company

Derivative Investment Policy

Effective Date of Policy: ~~August 20, 2009~~ August 11, 2010

Date Approved by U.T. System Board of Regents: ~~August 20, 2009~~ August 11, 2010

Date Approved by UTIMCO Board: ~~July 9, 2009~~ July 14, 2010

Supersedes: Derivative Investment Policy approved ~~December 6, 2007~~ August 20, 2009

Purpose:

The purpose of the Derivative Investment Policy is to set forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), the General Endowment Fund (GEF), the Intermediate Term Fund (ITF), and the Separately Invested Funds (SIF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds to allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statements for the Funds.

Objective:

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Derivatives can provide the Funds with more economical means to improve the Funds' risk/return profile.

Scope:

This Policy applies to all derivatives in the Funds executed by UTIMCO staff and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivative policies for external managers are established on a case-by-case basis with each external manager, as described below.

This Policy applies to both exchange traded derivatives and over the counter (OTC) derivatives. This Policy shall not be construed to apply to index or other common or commingled funds that are not controlled by UTIMCO. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external manager operating under an Agency Agreement may engage in derivative investments only if (i) such manager has been approved to use derivatives by the UTIMCO Chief Investment Officer and (ii) the investments are consistent with the overall investment objectives of the account and in compliance with this Policy. The use of derivatives by an external manager operating under an Agency Agreement shall be approved by the UTIMCO Chief Investment Officer only for external managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management and valuation policies and procedures, and (iii) effectively monitor and control their use.

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the external managers' use of derivatives, particularly as it relates to various risk controls and leverage. The permitted uses of derivatives and leverage must be fully documented in the limited liability agreements with these managers.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments but shall not include a broader range of securities, including mortgage backed securities, structured notes, convertible bonds, and exchange traded funds (ETFs), and foreign currency contracts that settle within sixty (60) days. Derivatives may be purchased through a national or

The University of Texas Investment Management Company Derivative Investment Policy

international exchange or through an OTC direct arrangement with a counterparty. Refer to the attached Exhibit A for a glossary of terms.

Permitted Derivative Applications:

The primary intent of derivatives should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the Cash market.

Permitted Derivative Applications are Derivative Investments used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds' market (systematic) exposure without trading the underlying Cash market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with Cash market securities;
- To hedge and control risks; or
- To facilitate transition trading;

provided however, that after implementing any Derivative Investment, the Funds' projected downside deviation is within the Funds' projected downside deviation range and risk bounds, and the Asset Class and Investment Type exposures are within permissible ranges as set forth in the Funds' Investment Policy Statements. Notwithstanding, if implementation of a Derivative Investment would cause the Fund to be below its lower risk bound, the UTIMCO Board Chairman may waive compliance with this requirement if the Risk Manager and UTIMCO's Chief Investment Officer determine that the implementation of the Derivative Investment is the prudent investment decision for the Fund.

UTIMCO staff may not enter into any Derivative Investment that is not a Permitted Derivative Application. To the extent that a Derivative Investment is a Permitted Derivative Application but is not within the delegated authority as set forth on Exhibit B, the UTIMCO Board will be provided with an "Option to Review" following the process outlined in Exhibit A to the Delegation of Authority Policy. This "Option to Review" applies to any new Derivative Investment recommended by UTIMCO staff and approved by UTIMCO's Chief Investment Officer that is not within the delegated authority set forth on Exhibit B or the engagement of an external manager operating under an Agency Agreement that seeks to engage in a Derivative Investment that is not within the delegated authority set forth on Exhibit B. Notwithstanding, with respect to any Derivative Investment, UTIMCO's Chief Investment Officer, the Risk Manager, or Chief Compliance Officer may determine that presentation and approval of the proposed Derivative Investment at a UTIMCO Board meeting is warranted before engaging in the Derivative Investment.

Documentation and Controls:

Prior to the implementation of a new Derivative Investment by UTIMCO staff, UTIMCO staff shall document the purpose, valuation method, methods for calculating delta, delta-adjusted exposure, Asset Class and Investment Type exposure, the effect on portfolio leverage (if applicable), risks (including, but not limited to modeling, pricing, liquidity and counterparty risks), the expected increase or reduction in risk resulting from the Derivative Investments, and the procedures in place to monitor and manage the derivative exposure. For any short exposure, UTIMCO staff shall also document the basis risk and appropriate stop-loss procedures. UTIMCO shall establish appropriate risk management procedures to monitor daily the risk of internally managed and of externally managed accounts operating under an Agency Agreement that utilize derivatives. Internal control procedures to properly account and value the Funds' exposure to the Derivative Investment shall be fully documented.

Additional Limitations:

Leverage: Leverage is inherent in derivatives since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the Cash markets, where in most cases the cash outlay is equal to the asset acquired, Derivative Investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional Cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of leverage-uncollateralized derivative exposure that can be utilized by the Funds

The University of Texas Investment Management Company Derivative Investment Policy

whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105% (100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.

Counterparty Risks: In order to limit the financial risks associated with Derivative Investments, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter (OTC) derivatives. Any counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivatives must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds. In the event a counterparty is downgraded below the minimum credit rating requirements stated above, UTIMCO staff will take appropriate action to protect the interests of the Funds, including availing itself of all potential remedies contained in the ISDA agreements. The net market value, net of collateral postings, of all OTC derivatives for any individual counterparty may not exceed 1% of the total market value of the Funds.

Risk Management and Compliance:

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed Derivative Investments in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' custodian and reviewed periodically, but no less frequently than monthly, for accuracy by the UTIMCO Risk Manager. In addition, data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager.

Compliance with this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the custodian and the external risk model.

Any instances of noncompliance with this Policy will be reported immediately to the UTIMCO Chief Compliance Officer and the UTIMCO Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Chairs of the Risk Committee, the Audit & Ethics Committee, and the UTIMCO Board Chairman. The UTIMCO Board Chairman may waive immediate remedial action in appropriate circumstances.

Reporting:

On a quarterly basis, UTIMCO shall provide a comprehensive report to UTIMCO's Board and the Risk Committee. This report shall include all outstanding Derivative Investments, by type, entered into during the period being reported for both internal managers and external managers operating under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of leverage uncollateralized derivative exposure associated with derivatives. For risk reporting purposes, the models used to calculate the expected profit or loss in each scenario will include the effect of delta sensitivity and other derivative sensitivity parameters as appropriate. Risk calculations will take into account leverage, correlation, and exposure parameters such as beta for equities and duration for fixed income. The UTIMCO Risk Manager will calculate risk attribution - i.e., how much of the overall risk is attributed to each Asset Class and Investment Type, including the full effect on risk of the derivatives in each. The UTIMCO Risk Manager will calculate risk attribution for each Derivative Investment.

The University of Texas Investment Management Company
Derivative Investment Policy

Derivative Investment Policy Exhibit A
Glossary of Terms

Agency Agreement – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

Basket – A group of securities and a weighting scheme, or a proprietary index. Baskets are typically defined to achieve a certain investment goal, within certain limitations. For example, a Basket could replicate an emerging market index, excluding certain companies that UTIMCO is not permitted to hold.

Cash market - The physical market for a commodity or financial instrument.

Counterparty - The offsetting party in an exchange agreement.

Derivative Investment – An investment in a futures contract, forward contract, swap, and all forms of options.

Exchange traded derivatives - A Derivative Investment traded on an established national or international exchange. These derivatives “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the derivatives are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

Forward contract - A nonstandardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. The most typical Forward contract is a forward foreign currency contract, which involves the contemplated exchange of two currencies.

Futures contract - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

ISDA Netting Agreement - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted “Master Agreements,” a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each counterparty. These netting agreements require that exposures between counterparties will be “netted” so that payables and receivables under all existing derivatives between two counterparties are offset in determining the net exposure between the two counterparties.

Limited Liability Entity – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors’ investment in the entity.

Option - A derivative that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

Over the counter (OTC) derivatives - A derivative which results from direct negotiation between a buyer and a counterparty. The terms of such derivatives are nonstandard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

The University of Texas Investment Management Company Derivative Investment Policy

Replicating Derivatives – Derivatives that are intended to replicate the return characteristics of an underlying index or any other Cash market security.

Swap - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

The University of Texas Investment Management Company
Derivative Investment Policy

Derivative Investment Policy Exhibit B
Delegated Derivative Investments

Subject to the limitations contained in the Derivative Investment Policy, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the following Derivative Investments:

Delegated Derivative Investments:

1. Replicating Derivatives - Derivative Investments that replicate the return characteristics of a long exposure to an underlying index, Basket or commodity. These investments are generally futures contracts and swaps on a passive index, Basket or commodity.
2. Derivative Investments that upon their expiration would not exceed the loss of a similar investment in the cash index being referred to in the derivative contract. These investments may include swaps whereby the holder of the instrument will forgo potential upside return in exchange for downside protection or receive a multiple of a referenced return should the return of the underlying referenced index be within a certain range and may also include the selling of put options.
3. Derivative Investments whereby the maximum loss is limited to the premium paid for the Derivative Investment, regardless of notional value. The aggregate prorated annual premium of all Derivative Investments under this provision shall not exceed 25 basis points of the Fund value.
4. Futures contracts and forward contracts on foreign currency if used (i) by an external fixed income manager within its investment guidelines, (ii) for hedging purposes by an external equities manager within its investment guidelines, or (iii) to hedge existing or prospective foreign currency risk by UTIMCO staff.
5. Derivative Investments used to manage bond duration or hedge equity exposure to countries, sectors or capitalization factors within the portfolio only if subsequent to the investment the portfolio would not be net short to any one of those factors. An example of such a hedge is selling futures contracts or call options on a country or sector index, provided the manager is exposed to that country or sector.

The delegated authority set forth above should not be construed to permit UTIMCO staff to enter into Derivative Investments that are unhedged or 'naked' short positions containing unlimited loss.

Notwithstanding the delegated authority set forth above, if the notional value of a new Derivative Investment exceeds thirty-three percent (33%) of the overall Fund value, UTIMCO's Chief Investment Officer must request approval from the UTIMCO Chairman before entering into the new Derivative Investment. If the new Derivative Investment is approved by the UTIMCO Chairman and executed, UTIMCO's Chief Investment Officer shall make a presentation to the UTIMCO Board regarding the details of the Derivative Investment at its next regularly scheduled meeting.

Modeling: Each Delegated Derivative Investment must be such that it can be decomposed into one or more components, and each said component can be modeled using a model such as the CDS valuation model, Black-Scholes model, including modifications for foreign currency ("Quanto"), allowing both normal and log-normal distributions (the Black model), and modifications to handle dividends or other model approved by the Policy Committee.

Leverage: Each Delegated Derivative Investment must be modeled on a fully collateralized basis. During the course of the investment, cash collateral backing a Derivative Investment may be utilized to invest in other investments thereby creating leverage at the Fund level. This is only allowed if within the Funds' Investment Policy Statements.

Tab Mandate

The University of Texas Investment Management Company
Mandate Categorization Procedure

Effective Date of Procedure: ~~March 1, 2008~~ August 1, 2010

Date Approved by UTIMCO Board: ~~January 30, 2008~~ July 14, 2010

Supersedes Mandate Categorization Procedure dated ~~November 29, 2007~~ March 1, 2008

Background: The Investment Policy Statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), and Intermediate Term Fund ("ITF") (collectively, the Funds) provide that assets of the Funds shall be allocated among a broad set of Asset Classes and Investment Types based on their individual risk/return characteristics and relationships to other Asset Classes and Investment Types. Asset Classes and Investment Types are defined in the Funds' Investment Policy Statements coupled with policy targets and ranges. Policy targets and ranges are a primary component of the Investment Policy Statements. The Derivative Investment Policy provides guidelines on accepted derivative applications that the Funds may deploy and broadly speaks to the reporting of such applications to the UTIMCO Board.

Individual investment mandates may exhibit a multitude of investment characteristics whereby the classification of such mandates is not entirely straightforward. As investment mandates with managers are less constrained in order to take advantage of capital market opportunities, coupled with the increasing use of derivative instruments and other investment tools, greater transparency regarding the process of classifying an investment mandate is desired.

Purpose: The purpose of this Mandate Categorization Procedure is to provide guidance in determining the classification and reporting of an investment mandate within the Asset Class and Investment Type definitions of the Investment Policy Statements.

Objective: The objective of this Procedure is to provide greater transparency into the process of classifying an investment mandate within the approved Asset Classes and Investment Types as defined in the Funds' Investment Policy Statements.

Scope: Investment mandates shall include derivative applications for both internal and external investment manager mandates.

Investment Mandate Guidelines:

Within the Investment Policy Statements there are six Asset Classes:

- A. Investment Grade Fixed Income
- B. Credit-Related Fixed Income
- C. Natural Resources
- D. Real Estate
- E. Developed Country Equity
- F. Emerging Markets Equity

The definitions of these Asset Classes are more fully described in the Funds' Investment Policy Statements. The six Asset Classes are coupled with three Investment Types:

- 1. More Correlated & Constrained Investments
- 2. Less Correlated & Constrained Investments
- 3. Private Investments

**The University of Texas Investment Management Company
Mandate Categorization Procedure**

Investment mandates shall be classified according to their Asset Class and Investment Type. For example, a manager investing primarily in distressed private securities would be classified as follows:

Asset Class: Credit-Related Fixed Income
Investment Type: Private Investments

Investment mandates that invest in more than one Asset Class shall be classified by the responsible Managing Director in a single Asset Class based on (i) where the majority of the assets will be invested by the manager and/or (ii) UTIMCO's objective/intent when entering into the mandate. The Managing Director may recommend a percentage split of a mandate across Asset Classes, but this should only occur in instances where significant amounts are invested and the mandate does not have an Asset Class concentration or where the Asset Class concentrations are likely to vary over time.

The Investment Type for any given mandate shall be classified based on its investment characteristics. The following investment characteristics will be utilized to assess a particular investment mandate:

Criteria	More Correlated & Constrained Investments/Mandates	Less Correlated & Constrained Investments/Mandates	Private Investments
Single Asset Class	Generally one asset class	Often multiple asset classes	Generally one asset class
Beta	Generally higher levels of beta (e.g., 0.75+)	Often less beta (e.g., <0.75)	Generally higher levels of beta (e.g., 0.75+)
Traded Securities	Generally publicly traded	Majority publicly traded but also non-publicly traded	Generally not publicly traded
Gross Leverage	Limited levels of leverage, typically 160% or less, and typically net long not over 100%	Often utilize leverage and may be net long over 100%	Limited levels of leverage, typically 160% or less, and typically net long not over 100%
Shorting	Limited levels of shorting	Often utilize short positions	Generally do not utilize short positions
Use Derivatives	Limited use of derivatives	Generally use derivatives	Limited use of derivatives
Transparency	Generally <u>Significant</u> position-level transparency for UTIMCO or risk provider	Often <u>no Limited</u> position-level transparency	Generally investment-level transparency
Liquidity	Generally limited use of lock-ups, notice periods and redemption windows	Often lock-ups, notice periods and/or redemption windows	Typically capital commitment/call/distribution structure
Performance Fees	May include performance fees, but often over asset class hurdle	Generally include performance fees	Generally include performance fees

**The University of Texas Investment Management Company
Mandate Categorization Procedure**

Investment Mandate Process

Each new mandate will be assessed as to Investment Type according to the above criteria by the Managing Director recommending or monitoring the investment.

The Managing Director will recommend the Asset Class and Investment Type categorization for each mandate. The Chief Compliance Officer will provide the Chief Investment Officer his/her agreement or recommended categorization. The Chief Investment Officer will designate the Asset Class and Investment Type and will report such, including the recommendations of the Managing Director and Chief Compliance Officer, to the Risk Committee at its next regular meeting for their approval or re-categorization.

All existing mandates will be reviewed annually by the Managing Director, Chief Compliance Officer and Chief Investment Officer. Any recommended re-categorizations will require Risk Committee approval. In addition, if, after an initial or annual Asset Class and Investment Type categorization of a mandate, the Chief Investment Officer, a Managing Director, or the Chief Compliance Officer become aware of a change(s) in the investment characteristics of the mandate that warrant a re-categorization, the Chief Investment Officer will designate the new Asset Class and Investment Type re-categorization and will report such, including the recommendations of the Managing Director and Chief Compliance Officer, to the Risk Committee at its next regular meeting for their approval or re-categorization.

Criteria for Classification of Derivatives¹:

Internally managed Derivative Applications shall be classified in the Asset Class and Investment Type for which the derivative application was intended to replicate exposure or to reduce risk. For equity derivatives, delta adjusted exposure is the most acceptable practice. Fixed Income derivatives shall be accounted for by converting such Fixed Income exposure to its replicating cash exposure

In some cases, this may produce exposure that is greater than or less than what could be replicated in the cash market.

¹ Definitions of the terms used in this section may be found in the Derivative investment Policy Exhibit A Glossary of Terms.

Tab Delegation

**The University of Texas Investment Management Company
Delegation of Authority Policy**

Effective Date of Policy: ~~July 9, 2009~~ July 14, 2010

Date Approved by UTIMCO Board: ~~July 9, 2009~~ July 14, 2010

Supersedes: Delegation of Authority Policy approved by the UTIMCO Board on ~~November 7, 2008~~ July 9, 2009

Purpose:

The purpose of the Delegation of Authority Policy is to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and the UTIMCO staff. Section 66.08(d) of the *Texas Education Code* provides that UTIMCO's duties to the U. T. System Board of Regents with respect to the management of investment funds shall be governed by a contract between the two parties. UTIMCO provides various investment management services to the U. T. System Board as more fully described in the Investment Management Services Agreement by and between the U. T. System Board and UTIMCO. The UTIMCO Board is responsible for management and investment oversight of UTIMCO. The UTIMCO Board recommends amendments to the Investment Policies for approval by the U. T. System Board. The UTIMCO Board is responsible for overseeing the investment process to execute the established Investment Policies. However, to enhance the competitiveness of the investment process, improve management and operational efficiency, and define and concentrate accountability for performance, certain duties, and responsibilities are delegated by the UTIMCO Board to UTIMCO Management. This Policy Statement defines the delegation of authority in the two primary areas of UTIMCO operations:

- (1) Management, Operations, and Finance; and
- (2) Investments.

Objective:

By clearly defining the scope of delegated authority to UTIMCO Management, this Policy Statement enhances operational efficiency and timeliness in decision making, thereby enhancing competitiveness.

Scope:

This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy and any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. System Board, provided that nothing contained in this Policy Statement is intended to, or shall, limit any delegation of authority otherwise set forth in the UTIMCO Bylaws, the Investment Management Services Agreement, any Committee Charter, any Investment Policy, or any formal policy adopted by the UTIMCO Board.

Authority Delegated to UTIMCO Management:

The primary functions of the UTIMCO Board are to formulate, revise, implement, and conduct ongoing oversight of the policies it has established for UTIMCO. The duties and responsibilities of the UTIMCO Board are enumerated in the UTIMCO Bylaws, Articles of Incorporation, Committee Charters, Investment Management Services Agreement, and UTIMCO policies. To execute its responsibilities more efficiently, the UTIMCO Board has delegated the authority to implement UTIMCO policies to UTIMCO Management in two primary areas: (i) Management, Operational, and Financial Authority; and (ii) Investment Authority.

**The University of Texas Investment Management Company
Delegation of Authority Policy**

Management, Operational, and Financial Authority: Final authority for the functions listed below rests with the UTIMCO Board:

- Administration, Accounting and Financial Management;
- Systems Technology Management;
- Personnel Management;
- Compliance;
- Client Relations and Reporting; and
- Public Relations.

However, the UTIMCO Board hereby delegates authority to UTIMCO Management in each functional area as specified below:

Administration, Accounting, and Financial Management: The UTIMCO Board hereby delegates all day-to-day operational decisions to UTIMCO Management. This delegation includes, but is not limited to, all administrative decisions regarding the management of endowment and operating funds as well as all administrative and financial decisions associated with the operation of the UTIMCO organization. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Systems Technology Management: The UTIMCO Board hereby delegates all decisions regarding the operation and management of all systems technology assets to UTIMCO Management. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

Personnel Management: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all personnel management decisions regarding positions included in approved UTIMCO operating budgets, and grants authority to the Chief Executive Officer to add non-budgeted personnel as necessary on an emergency basis, subject to review in the following budget cycle, provided that the addition of any non-budgeted personnel shall be promptly reported to the UTIMCO Board. All compensation decisions for officers of UTIMCO are excluded from this delegation.

Compliance: The UTIMCO Board hereby delegates all compliance operations to UTIMCO Management, while retaining all oversight functions as specified in UTIMCO policies.

Client Relations and Reporting: The UTIMCO Board hereby delegates all client relations and reporting decisions to UTIMCO Management.

Public Relations: The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding public relations matters, except for those matters that are reserved to the UTIMCO Vice Chairman for Policy.

In addition, to facilitate the execution of the authority granted above, the UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

The University of Texas Investment Management Company Delegation of Authority Policy

- *Contracts:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts, partnership agreements, investment consultant agreements and agreements with independent auditors) for a total obligation of \$1 million or less during the contract term; provided that for purposes of this delegation any contract that does not have a fixed term shall be deemed have a term of one year; provided, further that notice of any such contracts, leases, or other commercial arrangements of \$50,000 or more shall be reported to the UTIMCO Board at its regularly scheduled meetings.
- *Outside General Counsel: Management of UTIMCO's External Counsel:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO external counsel, provided that the UTIMCO external counsel shall continue to have primary reporting responsibility to the UTIMCO Board.

Investment Authority: The UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- *Tactical Asset Allocation:* Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policies, including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer, as long as any decisions do not violate established Investment Policies. Short sales of securities (including exchange traded funds, and individual common stocks and bonds, but excluding derivative instruments) to offset existing long positions for risk control purposes may also be utilized as a vehicle in tactical asset allocation. Prior to implementation of any short security sale strategy and throughout the duration of the strategy, risk analyses shall be performed to verify the expected risk reducing impact of the proposed strategy and that the strategy does not result in the risk position of the total Funds being outside the policy risk range.
- *Risk Management:* The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO Management.
- *New Investment Vehicle and Manager Selection:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to commit UT System funds to new relationships with internal or external investment managers or to new mandates with external investment managers already under existing relationships with UTIMCO, and the accompanying authority to negotiate and execute agency, partnership or subscription agreements as necessary, subject only to the following limitations:
 - *More Correlated & Constrained Investments:* Any new commitments exceeding (i) \$400 million to an individual internal or external manager; (ii) 20% of the total assets managed by an individual external manager; or (iii) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
 - *Less Correlated & Constrained Investments:* Any new commitments exceeding (i) \$200 million; (ii) 20% of the total assets managed by an external manager; or

**The University of Texas Investment Management Company
Delegation of Authority Policy**

- (iii) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
 - Private Investments: Any new commitments exceeding (i) \$100 million or (ii) 20% of the total assets of the subject investment vehicle must follow the process outlined in Appendix A. "Total assets" shall be defined as NAV plus unfunded commitments. All new commitments to direct, Private Investments must follow the process outlined in Appendix A.
 - For the purposes of the above thresholds, new manager mandates shall be aggregated during the first six months following the initial funding of such mandate and shall not exceed \$400-600 million for all Investment Types. With respect to Private Investments, "mandate" shall be defined as NAV plus unfunded commitments. Mandates that exceed \$400-600 million in the aggregate must follow the process outlined in Appendix A.
 - Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class and Investment Type ranges.
 - At any time prior to the closing of a commitment, the Staff will send each Board member a description of the proposed investment and a Certificate of Compliance for the investment.
 - Other Investments: Any investments in Asset Classes not currently defined in the Policy Portfolio must receive specific UTIMCO Board approval regardless of size.
 - Any commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
 - The UTIMCO Chief Executive Officer will report to the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- *Changing Allocations of Investment Funds Among Existing Internal and External Managers and Partnerships:* Subsequent to the first six months of the UTIMCO relationship with a new manager, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to increase investments or commitments to existing internal or external investment managers, and the accompanying authority to renegotiate existing agency, partnership or subscription agreements as necessary, subject only to the following limitations:
 - More Correlated & Constrained Investments: Any increases that (i) exceed \$200 million to existing funds under management by any individual internal or external manager; or (ii) increase the total assets managed to more than (a) \$600 million with an individual internal or external manager or a larger amount approved by the Board for manager exceptions; (b) 20% of the total assets managed by an individual external manager, or (c) 20% of the total assets managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
 - Less Correlated & Constrained Investments: Any increases that (i) exceed \$100 million to existing funds under management; or (ii) increase the total assets managed to more than (a) ~~\$300~~\$500 million with an individual manager; (b) 20% of the assets managed by an external manager; or (c) 20% of the total assets

**The University of Texas Investment Management Company
Delegation of Authority Policy**

- managed under a new investment strategy by an individual external manager, must follow the process outlined in Appendix A.
 - Private Investments: Any increases that (i) exceed \$50 million to existing funds under management in an existing investment vehicle, or (ii) which increases the total ~~assets~~ UTIMCO investment in a single investment vehicle to more than (i) ~~\$150-200~~ million or (ii) 20% of the total assets of the same investment vehicle, must follow the process outlined in Appendix A. "Total assets" shall be defined as NAV plus unfunded commitments.
 - For the purposes of the above thresholds, no increase shall be permitted which (i) exceeds ~~\$200-300~~ million to an existing internal or external manager in the aggregate for all Investment Types or (ii) increases the total assets managed by an existing internal or external manager to more than \$600 million in the aggregate for all Investment Types. With respect to Private Investments, "total assets" shall be defined as NAV plus unfunded commitments. Any increases that exceed these amounts must follow the process outlined in Appendix A.
 - Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class and Investment Type ranges.
 - Any increase in investment ~~of or~~ commitment that would otherwise be permitted under this delegation, but which violates any UTIMCO Policy, is not permitted.
 - The UTIMCO Chief Executive Officer will report to the UTIMCO Board at its regularly scheduled Board meetings regarding all decisions made under this delegated authority.
- *Manager Monitoring and Termination:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- Notwithstanding, on a quarterly basis, manager mandates (excluding passive exposure) shall be aggregated across investment types and any mandate resulting in three percent (3%) or more exposure relative to the total Funds (excluding the ITF for Private Investments) will be reported to the Risk Committee at its next meeting. UTIMCO staff will be required to make a presentation and prepare a recommendation to the Risk Committee regarding an appropriate course of action for any manager mandate resulting in five percent (5%) or more exposure relative to the total Funds (excluding the ITF for the Private Investments). Such presentation and recommendation will include information regarding the manager mandate, including original amount of investment, historical performance, market and economic outlook, and appropriate sizing, with timelines for completion of any recommended action. After discussion and review by the Risk Committee, the Risk Committee may approve the recommendation of UTIMCO staff, determine a different appropriate level of exposure or request additional information to be presented at a subsequent meeting before action may be taken by UTIMCO staff. UTIMCO staff will be responsible for implementing any Risk Committee approved action.
- *Investment in Derivative Investments:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the Derivative Investments of the types set forth in Exhibit B of the Derivative Investment Policy. Any new derivative investment recommended by UTIMCO staff or for the engagement of an external manager operating under an Agency Agreement that has been approved by UTIMCO's Chief Investment Officer but is not

**The University of Texas Investment Management Company
Delegation of Authority Policy**

within the delegated authority set forth in Exhibit B of the Derivative Investment Policy must follow the process outlined in Appendix A.

- *Internal Investment Management:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO Staff.
- *Management of UTIMCO's External Investment Consultant:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO consultant, provided that the UTIMCO consultant shall continue to have primary reporting responsibility to the UTIMCO Board.

Documentation, Controls, and Reporting:

All UTIMCO Management decisions made under this Delegation of Authority Policy will be monitored by UTIMCO's Chief Compliance Officer. Any exceptions to this Policy will be reported to UTIMCO's Chief Executive Officer immediately. The UTIMCO Chief Executive Officer will develop a remedy to the exception, if possible, and report the exception and the remedy to the UTIMCO Chairman immediately. Additionally, the UTIMCO Chief Executive Officer will report any exceptions to this Policy to the UTIMCO Board at its next regularly scheduled meeting, unless the UTIMCO Chairman instructs otherwise.

**The University of Texas Investment Management Company
Delegation of Authority Policy**

**Appendix A
UTIMCO Board Option to Review Proposed Investments**

In instances where a proposed investment exceeds the stated Investment Authority of the UTIMCO Chief Executive Officer, the Staff must follow the procedures listed below to provide the UTIMCO Board the opportunity to review an investment proposal at a UTIMCO Board meeting:

1. Option to Review Investment Proposal

a. For new commitments, Staff will send each UTIMCO Director an investment recommendation, a Certificate of Compliance if one has not previously been provided to each UTIMCO Director, an Option to Review Investment Proposal, and, if required by the UTIMCO Chief Executive Officer, a due diligence report provided by the external consultant. Staff will provide a UTIMCO Director a complete due diligence report upon request.

b. For additional commitments to existing managers and partnerships, Staff will send each UTIMCO Director an executive summary of the proposed investment, an Option to Review Investment Proposal, and, if required by the UTIMCO Chief Executive Officer, a due diligence report provided by the external consultant. Staff will provide a UTIMCO Director a complete due diligence report upon request.

c. For new Derivative Investments, Staff will send to each UTIMCO Director detailed documentation describing the proposed trade and an Option to Review Investment Proposal.

2. Option to Review Investment Proposal Form

The Option to Review Investment Proposal Form will require a UTIMCO Director to choose one of the following alternatives:

(i) I require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment;

(ii) I do not require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment; or

(iii) I do not require a complete review of the investment at a subsequent Board meeting prior to the execution of the investment but request that UTIMCO Staff make a presentation regarding the proposed investment at a future UTIMCO Board meeting.

3. If any UTIMCO Director requires a complete review of the investment prior to the execution of the investment, the Staff shall make a presentation to highlight the attributes of the proposed investment at the next UTIMCO Board meeting. Subsequent to hearing the presentation, the Board shall vote to approve such investment.

Tab Code of Ethics

DRAFT 07/01/10



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

CODE OF ETHICS

Approved by the Board of Regents ~~August 14, 2008~~

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY
CODE OF ETHICS**

Subchapter A. GENERAL PROVISIONS

Sec. 1.01. General Principles. (a) The Board of Regents of The University of Texas System has ultimate fiduciary responsibility for causing the funds within its investment authority to be managed in accordance with applicable law.

(b) The standard mandated by Article VII, Section 11b, of the Texas Constitution concerning the permanent university fund, the standard mandated by the Board of Regents concerning all of the funds within its investment authority under the Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (UTIMCO), and the standard mandated by the Board of Regents' Investment Policy Statements require those funds to be invested in such investments that "prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of the assets of the fund rather than a single investment."

(c) Pursuant to the Investment Management Services Agreement, the Board of Regents has appointed UTIMCO as its investment manager with respect to those funds for which the Board of Regents has investment responsibility. In the agreement, UTIMCO has acknowledged that it acts as a fiduciary of the Board of Regents in the discharge of its investment management responsibilities and is obligated to manage the investments of the funds pursuant to policies of the Board of Regents that incorporate and adhere to the prudent investor standard. Accordingly, both the Board of Regents and UTIMCO have fiduciary interests in assuring that the Directors and Employees of UTIMCO possess the requisite knowledge, skill, and experience to manage the funds in accordance with the prudent investor standard described in Subsection (b) of this section and other applicable law.

(d) This Code of Ethics (Code) sets forth the basic principles and guidelines for Directors and Employees of UTIMCO, in addition to and in accordance with the requirements of Section 66.08 of the *Texas Education Code*, the Texas Non-Profit Corporation Act, and other applicable laws.

(e) This Code of Ethics anticipates that many of UTIMCO's Directors and Employees will be active investors, either individually or on behalf of others, in the same asset categories as the funds managed by UTIMCO on behalf of the Board of Regents. Without seeking to disqualify those Directors and Employees from service to UTIMCO except to the extent necessary or appropriate to avoid conflicts of interest or otherwise conform to applicable law, this Code holds all Directors and Employees to high standards of conduct consistent with their special relationship of trust, confidence, and responsibility to UTIMCO. This Code also recognizes UTIMCO's unique role as the dedicated investment manager of the Board of Regents in investing the funds in furtherance of the education mission of the Board of Regents, the institutions of The University of Texas System, and other beneficiaries of the funds.

(f) In addition to strict compliance with legal requirements, all Directors and Employees are expected to be guided by the basic principles of loyalty, prudence, honesty and fairness in conducting UTIMCO's affairs.

Sec. 1.02. Definitions. In this Code:

- (1) "Audit and Ethics Committee" means the standing Audit and Ethics Committee established by UTIMCO bylaws.
- (2) "Board" means the Board of Directors of UTIMCO.
- (3) "Board of Regents" means the Board of Regents of The University of Texas System.
- (4) "CEO" means the Chief Executive Officer of UTIMCO.
- (5) "Chief Compliance Officer" means the person designated from time to time as the chair of the Employee Ethics and Compliance Committee.
- (6) "Director" means a member of the Board of Directors of UTIMCO.
- (7) "Director entity" means an investment fund or other entity controlled by a UTIMCO Director.
- (8) "Employee" means a person working for UTIMCO in an employer-employee relationship.
- (9) "Employee entity" means an investment fund or other entity controlled by a UTIMCO Employee.

(10) "General Counsel" means the lawyer or firm of lawyers designated from time to time as the external General Counsel of UTIMCO.

(11) "Key Employee" means an Employee who has been designated by the Board as ~~one who exercises significant decision-making authority by virtue of the position the Employee holds with UTIMCO~~an officer of UTIMCO.

(12) "Pecuniary interest" in a business entity means:

(A) ownership of five percent or more of the voting stock or shares of the business entity; or

(B) ownership of five percent or more of the fair market value of the business entity; or

(C) receipt of more than five percent of the person's gross income for the preceding calendar year from the business entity; or

(D) any private investment in the business entity.

~~(12)~~13) "Personal securities transactions" means:

(A) transactions for a Director's or Employee's own account, including an individual retirement account; or

(B) transactions for an account, other than an account over which the Director or Employee has no direct or indirect influence or control, in which the Director or Employee, or the Director's or Employee's spouse, minor child, or other dependent Relative:

(i) is an income or principal beneficiary or other equity owner of the account; or

(ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.

~~(13)~~14) "Private investment" means any debt obligation or equity interest that is not a publicly traded security, including a "private investment" in a publicly traded company.

~~(14)~~15) "Publicly traded company" means a business entity with a class of securities that consists of publicly traded securities.

(1516) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.

(1617) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:

- (i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;
- (ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;
- (iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and
- (iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.

(1718) “UTIMCO” means The University of Texas Investment Management Company.

(1819) “UTIMCO entity” means an investment fund or other entity controlled by UTIMCO.

Sec. 1.03. Definition of “Control.” (a) For purposes of this Code, UTIMCO or a Director or Employee is presumed to control an investment fund or other entity if UTIMCO’s or the Director’s or Employee’s management role with or investment in the fund or entity enables UTIMCO or the Director or Employee, as appropriate, to direct the operating or financial decisions of the fund or entity. However, the presumption of control by a Director or Employee shall be rebutted if the General Counsel advises the Board that, based upon a review and confirmation of relevant facts provided by the respective Director or Employee, it is the opinion of the General

Counsel that the Director or Employee does not have ultimate control of the operating or financial decisions of a particular fund or entity.

(b) Without limiting the provisions of Subsection (a), UTIMCO or a Director or Employee is not presumed to control an investment fund or other entity if UTIMCO or the Director or Employee, as appropriate, does not have a management role, if the terms of the investment do not give UTIMCO or the Director or Employee, as appropriate, the legal right to direct the operating or financial decisions of the fund or entity, and if UTIMCO or the Director or Employee, as appropriate, does not attempt to direct the operating or financial decisions.

Sec. 1.04. Decision-Making Based on Merit. (a) UTIMCO Directors and Employees shall base UTIMCO business transactions on professional integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

(b) UTIMCO Directors and Employees may not base any UTIMCO business decisions on family or personal relationships.

Sec. 1.05. Compliance with Law. Directors and Employees shall comply with all applicable laws, and should be specifically knowledgeable of Section 66.08, *Education Code* (Investment Management), Section 39.02, *Penal Code* (Abuse of Official Capacity), and Section 39.06, *Penal Code* (Misuse of Official Information).

Sec. 1.06. Compliance with Professional Standards. Directors and Employees who are members of professional organizations, such as the CFA Institute, shall comply with any standards of conduct adopted by the organizations of which they are members.

Sec. 1.07. Accounting and Operating Controls. Directors and Employees shall observe the accounting and operating controls established by law and UTIMCO policies, including restrictions and prohibitions on the use of UTIMCO property for personal or other purposes not related to UTIMCO business.

Sec. 1.08. General Standards of Conduct for Directors and Employees.

(a) It is the policy of UTIMCO that a Director or Employee should not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the Director or Employee in the discharge of his or her duties for UTIMCO or that the Director or Employee knows or should know is being offered with the intent to influence the Director's or Employee's conduct on behalf of UTIMCO;

- (2) accept other employment or engage in a business or professional activity that the Director or Employee might reasonably expect would require or induce the Director or Employee to disclose confidential information acquired by reason of his or her position with UTIMCO;
- (3) accept other employment or compensation that could reasonably be expected to impair the Director's or Employee's independence of judgment in the performance of his or her duties for UTIMCO;
- (4) make personal investments that could reasonably be expected to create a substantial conflict between the Director's or Employee's private interest and the interests of UTIMCO; or
- (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the Director's or Employee's authority or performed the Director's or Employee's duties at UTIMCO in favor of another.

Sec. 1.09. Honesty and Loyalty. (a) Directors and Employees shall be honest in the exercise of their duties and may not take actions that will discredit UTIMCO.

(b) Directors and Employees should be loyal to the interests of UTIMCO to the extent that their loyalty is not in conflict with other duties that legally have priority.

Sec. 1.10. Relationship with UTIMCO Not Used for Personal Gain.

(a) Directors and Employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation or any properly authorized expense reimbursement.

(b) This section does not prohibit the use of UTIMCO as a reference or prohibit communicating to others the fact that a relationship with UTIMCO exists as long as no misrepresentation is involved.

Sec. 1.11. Confidential Information. (a) Directors and Employees may not disclose confidential information unless duly authorized personnel determine that the disclosure is either permitted or required by law.

(b) Directors and Employees shall use confidential information for UTIMCO purposes and not for their own personal gain or for the gain of third parties.

(c) Directors and Employees may not copy confidential information, for any reason, except as required to fulfill their duties for UTIMCO.

(d) Employees may not remove confidential information from the premises of UTIMCO, except as required to fulfill their duties for UTIMCO and then only for so long as required to fulfill their duties.

(e) Employees must return to UTIMCO all confidential information in their possession immediately upon request or immediately upon the termination of Employee's employment with UTIMCO, whichever comes first.

Sec. 1.12. Nepotism. (a) UTIMCO may not employ a person who is a Relative of a Director. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days before the date of the related Director's appointment.

(b) UTIMCO may not employ a person who is a Relative of a Key Employee, of a consultant, or of any owner, director, or officer of a consultant. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days:

(1) before the date of the selection of the Key Employee or consultant; or

(2) before becoming a Relative.

(c) An Employee may not exercise discretionary authority to hire, evaluate, or promote a Relative.

(d) An Employee may not directly or indirectly supervise a Relative. In this subsection, "supervise" means to oversee with the powers of direction and decision-making the implementation of one's own or another's intentions, and normally involves assigning duties, overseeing and evaluating work, and approving leave.

(e) This section does not prohibit the employment of a Relative of an Employee for a short-term special project as a non-exempt Employee if the Employee seeking to employ a Relative discloses the relationship in advance to the Chief Compliance Officer and obtains prior approval from that officer for the employment.

Sec. 1.13. Gifts and Entertainment. (a) A Director or Employee may not accept a gift that the Director or Employee knows or should know is being offered or given because of the Director's or Employee's position with UTIMCO. This prohibition applies to gifts solicited or accepted for the personal benefit of the Director or Employee as well as to gifts to third parties.

(b) The prohibitions in this Code do not apply to the following gifts if acceptance does not violate a law:

- (1) gifts given on special occasions between Employees and/or Directors;
- (2) books, pamphlets, articles, or other similar materials that contain information directly related to the job duties of a Director or Employee and that are accepted by the Director or Employee on behalf of UTIMCO for use in performing his or her job duties;
- (3) gifts from the Relatives of a Director or Employee that are based solely on a personal relationship between the Director or Employee and his or her Relative;
- (4) business meals and receptions when the donor or a representative of the donor is present;
- (5) ground transportation in connection with business meetings, meals, or receptions;
- (6) fees for seminars or conferences that relate to the Director's or Employee's job duties and that are sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO; and
- (7) items of nominal intrinsic value, such as modest items of food and refreshment on infrequent occasions, gifts on special occasions, and unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, and pencils, but excluding cash or negotiable instruments.

(c) Attendance of Directors or Employees at seminars, conferences or other sponsored events that involve entertainment or recreation and that are hosted in person and paid for by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities who interests

may be affected by UTIMCO may in some cases be in the best interest of UTIMCO. An Employee must obtain specific written approval to attend such events from the CEO or Chief Compliance Officer. Approval may be withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

(d) A Director or Employee may not accept a gift if the source of the gift is not identified or if the Director or Employee knows or has reason to know that a prohibited gift is being offered through an intermediary.

(e) A Director or Employee who receives a prohibited gift should return the gift to its source or, if that is not possible or feasible, donate the gift to charity.

Sec. 1.14. Communications with General Counsel. When the General Counsel of UTIMCO is a firm of lawyers, one principal within that firm must be identified to receive all written and oral communications made pursuant to this Code.

~~**Sec. 1.15. Key Employees.** The Board shall designate by position with UTIMCO those Employees who exercise significant decision making authority. These Employees are "Key Employees" for purposes of this Code.~~

Subchapter B. CONFLICTS OF INTEREST

Sec. 2.01. Definition of Conflict of Interest. (a) A conflict of interest exists for a Director or Employee when the Director or Employee has a personal or private commercial or business relationship that could reasonably be expected to diminish the Director's or Employee's independence of judgment in the performance of the Director's or Employee's responsibilities to UTIMCO.

(b) For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to UTIMCO or its business and the act or failure to act is or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of UTIMCO.

~~**Sec. 2.02. Exceptions for Minimal Stock Ownership.** It is not a conflict of interest solely because a Director or Employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the Director's or Employee's interest in the stock is not more than five percent of any class and if the Director or Employee is not a director or officer of the company.~~

Sec. 2.032.02. Duty to Avoid Conflicts of Interest. (a) Directors and Employees should avoid personal, employment, or business relationships that create conflicts of interest.

(b) A Director or Employee may not take action personally or on behalf of UTIMCO that will result in a reasonably foreseeable conflict of interest. If a Director or Employee believes that an action is in the best interest of UTIMCO but could foreseeably result in a conflict of interest, the Director must disclose that fact to the General Counsel or the Employee must disclose that fact to the Chief Compliance Officer before taking the action.

Sec. 2.042.03. Duty to Disclose and Cure Conflicts. A Director or Employee who becomes aware of a conflict of interest has an affirmative duty to disclose and cure the conflict in a manner provided for in this Code.

Sec. 2.052.04. Curing Conflicts of Interest. (a) A Director or Employee who becomes aware, or reasonably should have become aware, of a conflict of interest shall cure the conflict by promptly eliminating it, except as provided by Subsection (b).

(b) A Director or Employee may cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists if:

- (1) the Director or Employee may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;
- (3) the nature of the conflict is not such that the Director or Employee must regularly and consistently withdraw from decisions that are normally the Director's or Employee's responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a Director or Employee having a pecuniary interest in a business entity as ~~described~~defined in Section ~~3-011.02(12)~~ of this Code.

(c) A Director or Employee who cannot or does not wish to eliminate or cure a conflict of interest shall terminate his or her relationship with UTIMCO as quickly as responsibly and legally possible.

Sec. 2.062.05. Disclosing and Refraining from Participation. (a) A Director must disclose any conflicts of interest regarding matters that are before the Board, absent himself or herself from any relevant deliberations, and refrain from voting on the matter.

(b) An Employee must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the Board, after consultation with the General Counsel, expressly waives the conflict.

Sec. 2.072.06. Waivers of Conflicts of Interest. (a) The Board shall decide at an official meeting whether to waive any conflict of interest disclosed under Section 2.0605(b) of this Code.

(b) To assist it in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships that do not constitute material conflicts.

(c) Any waiver of a conflict of interest, including the reasons supporting the waiver, must be included in the minutes of the meeting.

(d) The Chief Compliance Officer shall maintain records of all waivers granted, including the reasons supporting the waivers.

Sec. 2.082.07. Procedures for Director's Disclosure of Conflict of Interest. A Director must disclose conflicts of interest in writing to the General Counsel before a UTIMCO Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

Sec. 2.092.08. Procedures for Employee's Disclosure of Conflict of Interest. (a) An Employee must promptly disclose conflicts of interest in writing to the Chief Compliance Officer through the financial disclosure and ethics compliance statement required by Section 4.03 of this Code. The Chief Compliance Officer shall report to the Audit and Ethics Committee regarding the statements the officer receives under this subsection.

(b) If a person with a duty to disclose a conflict has a reasonable cause to believe that disclosure to the Chief Compliance Officer will be ineffective, the person shall disclose the conflict to the Audit and Ethics Committee by filing a written disclosure with the chair of the Committee.

(c) A copy of the disclosure provided to either the Chief Compliance Officer or the Audit and Ethics Committee shall be provided to the Employee's supervisor unless the person with the conflict of interest

believes that the disclosure would be detrimental to the resolution of the conflict.

Sec. 2.09. Procedures for Preventing Conflicts Related to Publicly Traded Companies. UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a Director or Employee has a pecuniary interest.

Sec. 2.10. Exceptions for Minimal Stock Ownership. It is not a conflict of interest solely because a Director or Employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the Director's or Employee's interest in the stock is not more than five percent of any class and if the Director or Employee is not a director or officer of the company.

Sec. 2.102.11. Referrals. Referral of information from a Director related to investment opportunities outside of a posted open meeting of the Board must be made using the procedures provided by the Regents' *Rules and Regulations*, Rule 70201, Section 12.

Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

Sec. 3.01. Prohibitions Related to UTIMCO. (a) Except as provided in Sections 3.04 and 3.05, UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a Director or Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a Director entity, Employee entity, or other business entity, ~~including an investment fund,~~ in which a Director or Employee has, or is in the process of acquiring, a pecuniary interest;

~~(3b)~~ UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with a former Director or Employee, an investment fund or other entity controlled by a former Director or Employee, or a business entity in which a former Director or Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a Director or Employee. ~~or~~

~~(4) an investment fund or account managed by a Director, Director entity, Employee, or Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.~~

~~(b) For purposes of this Code, a person has a "pecuniary interest" in a business entity if the person:~~

~~(1) owns five percent or more of the voting stock or shares of the business entity; or~~

~~(2) owns five percent or more of the fair market value of the business entity; or~~

~~(3) received more than five percent of the person's gross income for the preceding calendar year from the business entity.~~

~~(c) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a current or former Director or Employee.~~

~~Sec. 3.02. UTIMCO Investment Policies for Publicly Traded Companies.~~

~~UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a Director or Employee has a pecuniary interest.~~

~~Sec. 3.02. Prohibitions Related to Directors.~~ (a) ~~Except as provided in Sections 3.04 and 3.05, a Director or a Director entity may not enter into an agreement or transaction with:~~

~~(1) UTIMCO or an Employee acting in other than an official capacity on behalf of UTIMCO; or~~

~~(2) a UTIMCO entity, Employee entity, or other business entity in which UTIMCO owns a private investment or an Employee has, or is in the process of acquiring, a pecuniary interest.~~

~~(b) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a Director or Employee.~~

~~Sec. 3.03. Prohibitions Related to Employees.~~ (a) ~~Except as provided in Sections 3.04 and 3.05, an Employee or Employee entity may not enter into an agreement or transaction with:~~

(1) UTIMCO or a Director acting in other than an official capacity on behalf of UTIMCO; or

(2) a UTIMCO entity, Director entity, or other business entity in which UTIMCO owns a private investment or a Director has, or is in the process of acquiring, a pecuniary interest.

(b) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a Director or Employee.

Sec. 3.033.04. UTIMCO Investments in Private Investments of Certain Business Entities. (a) UTIMCO or a UTIMCO entity may not:

~~(1) invest in the private investments of a business entity if when a Director or Director entity then owns a private investment pecuniary interest in the same business entity as defined by Section 3.01(b) of this Code; or if:~~

(1) the Director or Director entity acquired the private investment before the date on which the Director assumed a position with UTIMCO;

(2) the Director's private investment does not constitute a pecuniary interest in a business entity as defined in Section 1.02(12)(A)-(C) of this Code; and

(3) the Board approves the investment by UTIMCO or the UTIMCO entity by a vote of two-thirds of the membership of the Board after a full disclosure in an open meeting of the relevant facts and a finding by the Board that the investment will not benefit the director or director entity financially.

~~(2) invest in the private investments of a business entity if an Employee or Employee entity then owns a private investment in the same business entity; or~~

~~(3) co invest with a Director or Director entity in the private investments of the same business entity if after the co-investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or~~

~~(4) co invest with an Employee or Employee entity in the private investments of the same business entity.~~

Sec. 3.04. Director Investments in Private Investments of Certain Business Entities. (a) A Director or a Director entity may not:

- ~~(1) invest in the private investments of a business entity if UTIMCO or a UTIMCO entity, then owns a private investment in the same business entity if after the investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or~~
 - ~~(2) co invest with UTIMCO or a UTIMCO entity in the private investments of the same business entity if after the co investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or~~
 - ~~(3) co invest with an Employee or an Employee entity in the private investments of the same business entity.~~
- ~~(b) The prohibitions provided by this section apply to a Director's spouse, minor children, or other dependent Relatives.~~

Sec. 3.05. Employee Investments in Private Investments of Certain Business Entities. (a) An Employee or Employee entity may not:

- ~~(1) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, a Director, or a Director entity then owns a private investment in the same business entity; or~~
 - ~~(2) co invest with UTIMCO, a UTIMCO entity, a Director, or a Director entity in the private investments of the same business entity.~~
- ~~(b) The prohibitions provided by this section apply to an Employee's spouse, minor children, or other dependent Relatives.~~

Sec. 3.065. Divestment Not Required For Certain Private Investments.

~~An~~ Director, Director entity, Employee or Employee entity that owns a private investment in a business entity on the date on which the Director or Employee assumes a position with UTIMCO is not required by Section 3.02 or 3.053.03 of this Code to divest that private investment as long as the private investment does not constitute a pecuniary interest in a business entity as defined by in Section 3.01(b)1.02(12)(A)-(C) of this Code. Any transactions concerning the private investment that might occur after that date are subject to this Code.

Sec. 3.07. Director Personal Securities Transactions. (a) A Director or Director entity may buy or sell a publicly traded security of an issuer that is held by UTIMCO but may not engage in a personal securities transaction if the Director has actual knowledge that an internal portfolio manager of UTIMCO has placed a buy/sell order for execution.

(b) The prohibition provided by this section applies to a Director's spouse, minor child, or other dependent Relative.

Sec. 3.08. Employee Personal Securities Transactions. (a) Employees are prohibited from using advance knowledge of a UTIMCO decision to buy or sell a security for the personal financial gain of the Employee.

(b) An Employee or Employee entity may engage in a personal securities transaction without obtaining preclearance for the transaction from the Chief Compliance Officer with respect to a security that is not a security of an issuer that is held by UTIMCO and included on the UTIMCO maintained list of securities holdings. The UTIMCO list of securities holdings will be posted on the UTIMCO intranet and updated as securities holdings change. An employee may rely on the posted list when engaging in personal securities transactions.

(c) Before an Employee or Employee entity may engage in a personal securities transaction with respect to a security of an issuer that is included on the UTIMCO maintained list of securities holdings, the Employee or Employee entity must obtain preclearance for the transaction from the Chief Compliance Officer. Preclearance is effective for one trading day only.

(d) The Chief Compliance Officer shall verify that no buy/sell order has been placed by a UTIMCO internal manager –with respect to the security of an issuer held by and included on the UTIMCO maintained list of securities holdings that is the subject of the Employee's personal securities transaction. If such a buy/sell order has been placed, an Employee or Employee entity may not conduct the personal securities transaction for those securities until at least one trading day after the buy/sell order has been completed or canceled.

(e) The Chief Compliance Officer shall document preclearances in a personal securities transaction log for each Employee, which will provide a record of all requests and approvals or denials of preclearances.

(f) An Employee who engages in a personal securities transaction must provide transactional disclosure for each transaction by completing a transactional disclosure form and filing it with the Chief Compliance

Officer not later than the tenth calendar day after the trade date. The form must contain the:

- (1) name and amount of the security involved;
- (2) date and nature of the transaction;
- (3) price at which the transaction was effected; and
- (4) name of the broker through whom the transaction was effected.

(g) The preclearance and transactional disclosure requirements apply only to equity or equity-related transactions, including stocks, convertibles, preferreds, options on securities, warrants, and rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The preclearance and transactional disclosure requirements do not apply to bonds other than convertible bonds, mutual funds, commingled trust funds, exchange traded funds, financial interest rate, currency, commodity, and stock index futures, and options on those futures.

(h) This section applies to an Employee's spouse, minor child, or other dependent Relative.

Sec 3.09. Interest in Brokerage Firm (a) A Director may not direct trades or exercise discretion over the selection of brokerage firms.

(b) An Employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the Employee for UTIMCO business if the Employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

(c) The restrictions provided by this section apply to:

- (1) stock held for an Employee's own account;
- (2) stock or other ownership or profit sharing interests held by an Employee's spouse; ~~or~~ and
- (3) stock held for an account, other than an account over which the Employee has no direct or indirect influence or control, in which the Employee has a beneficial interest, such as accounts involving the spouse, minor child, or other dependent Relative.

(d) The restrictions provided by this section do not prohibit the ownership of stock in a company that may own stock in a brokerage firm if the brokerage firm is not the dominant or primary business of the parent company.

Sec. 3.10. Employee's Outside Employment or Business Activity. (a) An Employee may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO.

(b) ~~An Key~~ Employee must obtain advance written approval from the CEO for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. The CEO must obtain advance approval from the Board for any outside employment.

(c) An Employee, with the prior approval of the Board, may serve as a director of a company in which UTIMCO has directly invested its assets. The Board's approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the Employee's service as director of the investee company. All compensation paid to an Employee for service as director of an investee company shall be endorsed to UTIMCO and applied against UTIMCO's fees.

Sec. 3.11. Further Restrictions on Directors and Employees. A Director or Employee may not:

- (1) participate in a matter before UTIMCO that involves a business, contract, property, or investment held by the person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to the person by or through the business, contract, property, or investment;
- (2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a Relative;
- (3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others

under similar circumstances to finance proper and usual activities; or

- (5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

Sec. 3.12. Former Directors and Employees. (a) A former Director or Employee may not make any communication to or appearance before a current Director or Employee before the second anniversary, in the case of a former Director, or the first anniversary, in the case of a former Employee, of the date the former Director or Employee ceased to be a Director or Employee if the communication is made:

- (1) with the intent to influence; and
- (2) on behalf of any person in connection with any matter on which the former Director or Employee seeks action by UTIMCO.

(b) State law provides that a former Director who violates subsection (a) commits an offense. An offense under this subsection is a Class A misdemeanor.

(bc) A Director or Employee who knowingly communicates with a former Director or Employee in violation of this prohibition subsection (a) is subject to disciplinary action, including removal from serving as a Director.

(d) A former officer or Employee may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which the former officer or Employee participated during the period of service or employment with the corporation, either through personal involvement or because the particular matter was within the officer's or Employee's responsibility. In this subsection:

- (1) "Participated" means to have taken action as an officer or Employee through decision, approval, disapproval, recommendation, giving advice, investigation, or similar action.
- (2) "Particular matter" means a specific investigation, application, request for a ruling or determination, rulemaking proceeding, contract, claim, charge, accusation, arrest, or judicial or other proceeding.

(e) State law provides that a former officer or Employee who violates subsection (d) commits an offense. An offense under this subsection is a Class A misdemeanor.

(ef) A former Director or Employee may not disclose confidential information without UTIMCO's written consent or except as permitted or required by law.

Subchapter D. FINANCIAL DISCLOSURE, COMPLIANCE, AND ENFORCEMENT

Sec. 4.01. Employee Ethics and Compliance Committee. (a) The CEO shall appoint an Employee Ethics and Compliance Committee composed of UTIMCO personnel.

(b) The Chief Compliance Officer appointed by the Audit and Ethics Committee shall be the chair of the Employee Ethics and Compliance Committee.

(c) The Employee Ethics and Compliance Committee shall:

- (1) provide ethics training for UTIMCO personnel; and
- (2) issue opinions on the proper interpretation of this Code.

(d) An Employee may file a written request with the Employee Ethics and Compliance Committee for an opinion on the proper interpretation of this Code, and may rely on that opinion with respect to compliance with this Code.

Sec. 4.02. Financial Disclosure Statements. (a) Directors and Employees shall file financial disclosure statements with the Chief Compliance Officer.

(b) Directors and Employees shall file the financial disclosure statement not later than the ~~30th~~60th day after the date of appointment or employment, and not later than April 30 of each year thereafter. The CEO may postpone a filing deadline for not more than ~~60~~30 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) UTIMCO must maintain a financial disclosure statement for at least five years after the date it is filed.

(d) Directors who are required to file disclosure statements with the Texas Ethics Commission shall file those statements in the form prescribed by law.

Sec. 4.03. Ethics Compliance Statements. (a) Directors and Employees, including acting or interim Employees, must file ethics compliance statements with the Chief Compliance Officer.

(b) Directors and Employees shall sign, date, and file the ethics compliance statements not later than the 60th day after the date of appointment or employment. Thereafter, any person who is a Director or Employee on December 31 of any year must file the compliance statement not later than April 30 of the following year. The CEO may postpone a filing deadline for not more than 30 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) In the ethics compliance statement, the Director or Employee must acknowledge that he or she has received and read this Code, that he or she will comply with its provisions, and that it is his or her duty to report any act by other Directors or Employees when he or she has knowledge of a violation of this Code. An Employee must also acknowledge that adherence to this Code is a condition of employment. The statement must also disclose any conflicts of interest or violations of the Code of which the Director or Employee is aware.

(d) Key Employees must acknowledge their Key Employee status in the ethics compliance statement.

(e) The ethics compliance statement must include a reminder that a Director or Employee is required to update a statement if a change in circumstances occurs that would require reporting under this Code.

(f) ~~An Employee's signed statement shall be maintained in the Employee's personnel file.~~ The Chief Compliance Officer shall maintain the Directors' and Employees' signed statements.

Sec. 4.04. Certification of No Pecuniary Interest. ~~(a)~~ Before the Board enters into an agreement or transaction with a business entity, including an investment fund, each Director and Key Employee shall certify that he

Tab Code of Ethics

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**THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

CODE OF ETHICS

Approved by the Board of Regents August 14, 2008

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY
CODE OF ETHICS**

Subchapter A. GENERAL PROVISIONS

Sec. 1.01. General Principles. (a) The Board of Regents of The University of Texas System has ultimate fiduciary responsibility for causing the funds within its investment authority to be managed in accordance with applicable law.

(b) The standard mandated by Article VII, Section 11b, of the Texas Constitution concerning the permanent university fund, the standard mandated by the Board of Regents concerning all of the funds within its investment authority under the Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (UTIMCO), and the standard mandated by the Board of Regents' Investment Policy Statements require those funds to be invested in such investments that "prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of the assets of the fund rather than a single investment."

(c) Pursuant to the Investment Management Services Agreement, the Board of Regents has appointed UTIMCO as its investment manager with respect to those funds for which the Board of Regents has investment responsibility. In the agreement, UTIMCO has acknowledged that it acts as a fiduciary of the Board of Regents in the discharge of its investment management responsibilities and is obligated to manage the investments of the funds pursuant to policies of the Board of Regents that incorporate and adhere to the prudent investor standard. Accordingly, both the Board of Regents and UTIMCO have fiduciary interests in assuring that the Directors and Employees of UTIMCO possess the requisite knowledge, skill, and experience to manage the funds in accordance with the prudent investor standard described in Subsection (b) of this section and other applicable law.

(d) This Code of Ethics (Code) sets forth the basic principles and guidelines for Directors and Employees of UTIMCO, in addition to and in accordance with the requirements of Section 66.08 of the *Texas Education Code*, the Texas Non-Profit Corporation Act, and other applicable laws.

(e) This Code of Ethics anticipates that many of UTIMCO's Directors and Employees will be active investors, either individually or on behalf of others, in the same asset categories as the funds managed by UTIMCO on behalf of the Board of Regents. Without seeking to disqualify those Directors and Employees from service to UTIMCO except to the extent necessary or appropriate to avoid conflicts of interest or otherwise conform to applicable law, this Code holds all Directors and Employees to high standards of conduct consistent with their special relationship of trust, confidence, and responsibility to UTIMCO. This Code also recognizes UTIMCO's unique role as the dedicated investment manager of the Board of Regents in investing the funds in furtherance of the education mission of the Board of Regents, the institutions of The University of Texas System, and other beneficiaries of the funds.

(f) In addition to strict compliance with legal requirements, all Directors and Employees are expected to be guided by the basic principles of loyalty, prudence, honesty and fairness in conducting UTIMCO's affairs.

Sec. 1.02. Definitions. In this Code:

- (1) "Audit and Ethics Committee" means the standing Audit and Ethics Committee established by UTIMCO bylaws.
- (2) "Board" means the Board of Directors of UTIMCO.
- (3) "Board of Regents" means the Board of Regents of The University of Texas System.
- (4) "CEO" means the Chief Executive Officer of UTIMCO.
- (5) "Chief Compliance Officer" means the person designated from time to time as the chair of the Employee Ethics and Compliance Committee.
- (6) "Director" means a member of the Board of Directors of UTIMCO.
- (7) "Director entity" means an investment fund or other entity controlled by a UTIMCO Director.
- (8) "Employee" means a person working for UTIMCO in an employer-employee relationship.
- (9) "Employee entity" means an investment fund or other entity controlled by a UTIMCO Employee.

- (10) "General Counsel" means the lawyer or firm of lawyers designated from time to time as the external General Counsel of UTIMCO.
- (11) "Key Employee" means an Employee who has been designated by the Board as ~~one who exercises significant decision-making authority by virtue of the position the Employee holds with UTIMCO~~an officer of UTIMCO.

(12) "Pecuniary interest" in a business entity means:

- (A) ownership of five percent or more of the voting stock or shares of the business entity; or
- (B) ownership of five percent or more of the fair market value of the business entity; or
- (C) receipt of more than five percent of the person's gross income for the preceding calendar year from the business entity; or
- (D) any private investment in the business entity.

(1213) "Personal securities transactions" means:

- (A) transactions for a Director's or Employee's own account, including an individual retirement account; or
- (B) transactions for an account, other than an account over which the Director or Employee has no direct or indirect influence or control, in which the Director or Employee, or the Director's or Employee's spouse, minor child, or other dependent Relative:
- (i) is an income or principal beneficiary or other equity owner of the account; or
- (ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.

(1314) "Private investment" means any debt obligation or equity interest that is not a publicly traded security, including a "private investment" in a publicly traded company.

(1415) "Publicly traded company" means a business entity with a class of securities that consists of publicly traded securities.

(1516) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.

(1617) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:

- (i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;
- (ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;
- (iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and
- (iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.

(1718) “UTIMCO” means The University of Texas Investment Management Company.

(1819) “UTIMCO entity” means an investment fund or other entity controlled by UTIMCO.

Sec. 1.03. Definition of “Control.” (a) For purposes of this Code, UTIMCO or a Director or Employee is presumed to control an investment fund or other entity if UTIMCO’s or the Director’s or Employee’s management role with or investment in the fund or entity enables UTIMCO or the Director or Employee, as appropriate, to direct the operating or financial decisions of the fund or entity. However, the presumption of control by a Director or Employee shall be rebutted if the General Counsel advises the Board that, based upon a review and confirmation of relevant facts provided by the respective Director or Employee, it is the opinion of the General

Counsel that the Director or Employee does not have ultimate control of the operating or financial decisions of a particular fund or entity.

(b) Without limiting the provisions of Subsection (a), UTIMCO or a Director or Employee is not presumed to control an investment fund or other entity if UTIMCO or the Director or Employee, as appropriate, does not have a management role, if the terms of the investment do not give UTIMCO or the Director or Employee, as appropriate, the legal right to direct the operating or financial decisions of the fund or entity, and if UTIMCO or the Director or Employee, as appropriate, does not attempt to direct the operating or financial decisions.

Sec. 1.04. Decision-Making Based on Merit. (a) UTIMCO Directors and Employees shall base UTIMCO business transactions on professional integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

(b) UTIMCO Directors and Employees may not base any UTIMCO business decisions on family or personal relationships.

Sec. 1.05. Compliance with Law. Directors and Employees shall comply with all applicable laws, and should be specifically knowledgeable of Section 66.08, *Education Code* (Investment Management), Section 39.02, *Penal Code* (Abuse of Official Capacity), and Section 39.06, *Penal Code* (Misuse of Official Information).

Sec. 1.06. Compliance with Professional Standards. Directors and Employees who are members of professional organizations, such as the CFA Institute, shall comply with any standards of conduct adopted by the organizations of which they are members.

Sec. 1.07. Accounting and Operating Controls. Directors and Employees shall observe the accounting and operating controls established by law and UTIMCO policies, including restrictions and prohibitions on the use of UTIMCO property for personal or other purposes not related to UTIMCO business.

Sec. 1.08. General Standards of Conduct for Directors and Employees.

(a) It is the policy of UTIMCO that a Director or Employee should not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the Director or Employee in the discharge of his or her duties for UTIMCO or that the Director or Employee knows or should know is being offered with the intent to influence the Director's or Employee's conduct on behalf of UTIMCO;

- (2) accept other employment or engage in a business or professional activity that the Director or Employee might reasonably expect would require or induce the Director or Employee to disclose confidential information acquired by reason of his or her position with UTIMCO;
- (3) accept other employment or compensation that could reasonably be expected to impair the Director's or Employee's independence of judgment in the performance of his or her duties for UTIMCO;
- (4) make personal investments that could reasonably be expected to create a substantial conflict between the Director's or Employee's private interest and the interests of UTIMCO; or
- (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the Director's or Employee's authority or performed the Director's or Employee's duties at UTIMCO in favor of another.

Sec. 1.09. Honesty and Loyalty. (a) Directors and Employees shall be honest in the exercise of their duties and may not take actions that will discredit UTIMCO.

(b) Directors and Employees should be loyal to the interests of UTIMCO to the extent that their loyalty is not in conflict with other duties that legally have priority.

Sec. 1.10. Relationship with UTIMCO Not Used for Personal Gain.

(a) Directors and Employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation or any properly authorized expense reimbursement.

(b) This section does not prohibit the use of UTIMCO as a reference or prohibit communicating to others the fact that a relationship with UTIMCO exists as long as no misrepresentation is involved.

Sec. 1.11. Confidential Information. (a) Directors and Employees may not disclose confidential information unless duly authorized personnel determine that the disclosure is either permitted or required by law.

(b) Directors and Employees shall use confidential information for UTIMCO purposes and not for their own personal gain or for the gain of third parties.

(c) Directors and Employees may not copy confidential information, for any reason, except as required to fulfill their duties for UTIMCO.

(d) Employees may not remove confidential information from the premises of UTIMCO, except as required to fulfill their duties for UTIMCO and then only for so long as required to fulfill their duties.

(e) Employees must return to UTIMCO all confidential information in their possession immediately upon request or immediately upon the termination of Employee's employment with UTIMCO, whichever comes first.

Sec. 1.12. Nepotism. (a) UTIMCO may not employ a person who is a Relative of a Director. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days before the date of the related Director's appointment.

(b) UTIMCO may not employ a person who is a Relative of a Key Employee, of a consultant, or of any owner, director, or officer of a consultant. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days:

- (1) before the date of the selection of the Key Employee or consultant; or
- (2) before becoming a Relative.

(c) An Employee may not exercise discretionary authority to hire, evaluate, or promote a Relative.

(d) An Employee may not directly or indirectly supervise a Relative. In this subsection, "supervise" means to oversee with the powers of direction and decision-making the implementation of one's own or another's intentions, and normally involves assigning duties, overseeing and evaluating work, and approving leave.

(e) This section does not prohibit the employment of a Relative of an Employee for a short-term special project as a non-exempt Employee if the Employee seeking to employ a Relative discloses the relationship in advance to the Chief Compliance Officer and obtains prior approval from that officer for the employment.

Sec. 1.13. Gifts and Entertainment. (a) A Director or Employee may not accept a gift that the Director or Employee knows or should know is being offered or given because of the Director's or Employee's position with UTIMCO. This prohibition applies to gifts solicited or accepted for the personal benefit of the Director or Employee as well as to gifts to third parties.

(b) The prohibitions in this Code do not apply to the following gifts if acceptance does not violate a law:

- (1) gifts given on special occasions between Employees and/or Directors;
- (2) books, pamphlets, articles, or other similar materials that contain information directly related to the job duties of a Director or Employee and that are accepted by the Director or Employee on behalf of UTIMCO for use in performing his or her job duties;
- (3) gifts from the Relatives of a Director or Employee that are based solely on a personal relationship between the Director or Employee and his or her Relative;
- (4) business meals and receptions when the donor or a representative of the donor is present;
- (5) ground transportation in connection with business meetings, meals, or receptions;
- (6) fees for seminars or conferences that relate to the Director's or Employee's job duties and that are sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO; and
- (7) items of nominal intrinsic value, such as modest items of food and refreshment on infrequent occasions, gifts on special occasions, and unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, and pencils, but excluding cash or negotiable instruments.

(c) Attendance of Directors or Employees at seminars, conferences or other sponsored events that involve entertainment or recreation and that are hosted in person and paid for by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities who interests

may be affected by UTIMCO may in some cases be in the best interest of UTIMCO. An Employee must obtain specific written approval to attend such events from the CEO or Chief Compliance Officer. Approval may be withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

(d) A Director or Employee may not accept a gift if the source of the gift is not identified or if the Director or Employee knows or has reason to know that a prohibited gift is being offered through an intermediary.

(e) A Director or Employee who receives a prohibited gift should return the gift to its source or, if that is not possible or feasible, donate the gift to charity.

Sec. 1.14. Communications with General Counsel. When the General Counsel of UTIMCO is a firm of lawyers, one principal within that firm must be identified to receive all written and oral communications made pursuant to this Code.

~~**Sec. 1.15. Key Employees.** The Board shall designate by position with UTIMCO those Employees who exercise significant decision-making authority. These Employees are "Key Employees" for purposes of this Code.~~

Subchapter B. CONFLICTS OF INTEREST

Sec. 2.01. Definition of Conflict of Interest. (a) A conflict of interest exists for a Director or Employee when the Director or Employee has a personal or private commercial or business relationship that could reasonably be expected to diminish the Director's or Employee's independence of judgment in the performance of the Director's or Employee's responsibilities to UTIMCO.

(b) For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to UTIMCO or its business and the act or failure to act is or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of UTIMCO.

~~**Sec. 2.02. Exceptions for Minimal Stock Ownership.** It is not a conflict of interest solely because a Director or Employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the Director's or Employee's interest in the stock is not more than five percent of any class and if the Director or Employee is not a director or officer of the company.~~

Sec. 2.032.02. Duty to Avoid Conflicts of Interest. (a) Directors and Employees should avoid personal, employment, or business relationships that create conflicts of interest.

(b) A Director or Employee may not take action personally or on behalf of UTIMCO that will result in a reasonably foreseeable conflict of interest. If a Director or Employee believes that an action is in the best interest of UTIMCO but could foreseeably result in a conflict of interest, the Director must disclose that fact to the General Counsel or the Employee must disclose that fact to the Chief Compliance Officer before taking the action.

Sec. 2.042.03. Duty to Disclose and Cure Conflicts. A Director or Employee who becomes aware of a conflict of interest has an affirmative duty to disclose and cure the conflict in a manner provided for in this Code.

Sec. 2.052.04. Curing Conflicts of Interest. (a) A Director or Employee who becomes aware, or reasonably should have become aware, of a conflict of interest shall cure the conflict by promptly eliminating it, except as provided by Subsection (b).

(b) A Director or Employee may cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists if:

- (1) the Director or Employee may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;
- (3) the nature of the conflict is not such that the Director or Employee must regularly and consistently withdraw from decisions that are normally the Director's or Employee's responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a Director or Employee having a pecuniary interest in a business entity as ~~described~~defined in Section ~~3.011.02(12)~~ of this Code.

(c) A Director or Employee who cannot or does not wish to eliminate or cure a conflict of interest shall terminate his or her relationship with UTIMCO as quickly as responsibly and legally possible.

Sec. 2.062.05. Disclosing and Refraining from Participation. (a) A Director must disclose any conflicts of interest regarding matters that are before the Board, absent himself or herself from any relevant deliberations, and refrain from voting on the matter.

(b) An Employee must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the Board, after consultation with the General Counsel, expressly waives the conflict.

Sec. 2.072.06. Waivers of Conflicts of Interest. (a) The Board shall decide at an official meeting whether to waive any conflict of interest disclosed under Section 2.0605(b) of this Code.

(b) To assist it in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships that do not constitute material conflicts.

(c) Any waiver of a conflict of interest, including the reasons supporting the waiver, must be included in the minutes of the meeting.

(d) The Chief Compliance Officer shall maintain records of all waivers granted, including the reasons supporting the waivers.

Sec. 2.082.07. Procedures for Director's Disclosure of Conflict of Interest. A Director must disclose conflicts of interest in writing to the General Counsel before a UTIMCO Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

Sec. 2.092.08. Procedures for Employee's Disclosure of Conflict of Interest. (a) An Employee must promptly disclose conflicts of interest in writing to the Chief Compliance Officer through the financial disclosure and ethics compliance statement required by Section 4.03 of this Code. The Chief Compliance Officer shall report to the Audit and Ethics Committee regarding the statements the officer receives under this subsection.

(b) If a person with a duty to disclose a conflict has a reasonable cause to believe that disclosure to the Chief Compliance Officer will be ineffective, the person shall disclose the conflict to the Audit and Ethics Committee by filing a written disclosure with the chair of the Committee.

(c) A copy of the disclosure provided to either the Chief Compliance Officer or the Audit and Ethics Committee shall be provided to the Employee's supervisor unless the person with the conflict of interest

believes that the disclosure would be detrimental to the resolution of the conflict.

Sec. 2.09. Procedures for Preventing Conflicts Related to Publicly Traded Companies. UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a Director or Employee has a pecuniary interest.

Sec. 2.10. Exceptions for Minimal Stock Ownership. It is not a conflict of interest solely because a Director or Employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the Director's or Employee's interest in the stock is not more than five percent of any class and if the Director or Employee is not a director or officer of the company.

Sec. 2.10.11. Referrals. Referral of information from a Director related to investment opportunities outside of a posted open meeting of the Board must be made using the procedures provided by the Regents' *Rules and Regulations*, Rule 70201, Section 12.

Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

Sec. 3.01. Prohibitions Related to UTIMCO. (a) Except as provided in Sections 3.04 and 3.05, UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a Director or Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a Director entity, Employee entity, or other business entity, ~~including an investment fund,~~ in which a Director or Employee has, or is in the process of acquiring, a pecuniary interest;

~~_____~~(3b) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with a former Director or Employee, an investment fund or other entity controlled by a former Director or Employee, or a business entity in which a former Director or Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a Director or Employee. ~~;~~

~~(4) an investment fund or account managed by a Director, Director entity, Employee, or Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.~~

~~(b) For purposes of this Code, a person has a "pecuniary interest" in a business entity if the person:~~

~~(1) owns five percent or more of the voting stock or shares of the business entity; or~~

~~(2) owns five percent or more of the fair market value of the business entity; or~~

~~(3) received more than five percent of the person's gross income for the preceding calendar year from the business entity.~~

~~(c) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a current or former Director or Employee.~~

~~**Sec. 3.02. UTIMCO Investment Policies for Publicly Traded Companies.** UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a Director or Employee has a pecuniary interest.~~

~~**Sec. 3.02. Prohibitions Related to Directors.** (a) Except as provided in Sections 3.04 and 3.05, a Director or a Director entity may not enter into an agreement or transaction with:~~

~~(1) UTIMCO or an Employee acting in other than an official capacity on behalf of UTIMCO; or~~

~~(2) a UTIMCO entity, Employee entity, or other business entity in which UTIMCO owns a private investment or an Employee has, or is in the process of acquiring, a pecuniary interest.~~

~~(b) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a Director or Employee.~~

~~**Sec. 3.03. Prohibitions Related to Employees.** (a) Except as provided in Sections 3.04 and 3.05, an Employee or Employee entity may not enter into an agreement or transaction with:~~

(1) UTIMCO or a Director acting in other than an official capacity on behalf of UTIMCO; or

(2) a UTIMCO entity, Director entity, or other business entity in which UTIMCO owns a private investment or a Director has, or is in the process of acquiring, a pecuniary interest.

(b) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a Director or Employee.

Sec. 3.033.04. UTIMCO Investments in Private Investments of Certain Business Entities. (a) UTIMCO or a UTIMCO entity may not:

~~(1) invest in the private investments of a business entity if when a Director or Director entity then owns a private investment pecuniary interest in the same business entity as defined by Section 3.01(b) of this Code; or if:~~

(1) the Director or Director entity acquired the private investment before the date on which the Director assumed a position with UTIMCO;

(2) the Director's private investment does not constitute a pecuniary interest in a business entity as defined in Section 1.02(12)(A)-(C) of this Code; and

(3) the Board approves the investment by UTIMCO or the UTIMCO entity by a vote of two-thirds of the membership of the Board after a full disclosure in an open meeting of the relevant facts and a finding by the Board that the investment will not benefit the director or director entity financially.

~~(2) invest in the private investments of a business entity if an Employee or Employee entity then owns a private investment in the same business entity; or~~

~~(3) co invest with a Director or Director entity in the private investments of the same business entity if after the co investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or~~

~~(4) co invest with an Employee or Employee entity in the private investments of the same business entity.~~

Sec. 3.04. Director Investments in Private Investments of Certain Business Entities. (a) A Director or a Director entity may not:

- ~~(1) invest in the private investments of a business entity if UTIMCO or a UTIMCO entity, then owns a private investment in the same business entity if after the investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or~~
 - ~~(2) co invest with UTIMCO or a UTIMCO entity in the private investments of the same business entity if after the co-investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or~~
 - ~~(3) co invest with an Employee or an Employee entity in the private investments of the same business entity.~~
- ~~(b) The prohibitions provided by this section apply to a Director's spouse, minor children, or other dependent Relatives.~~

Sec. 3.05. Employee Investments in Private Investments of Certain Business Entities. (a) An Employee or Employee entity may not:

- ~~(1) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, a Director, or a Director entity then owns a private investment in the same business entity; or~~
 - ~~(2) co invest with UTIMCO, a UTIMCO entity, a Director, or a Director entity in the private investments of the same business entity.~~
- ~~(b) The prohibitions provided by this section apply to an Employee's spouse, minor children, or other dependent Relatives.~~

Sec. 3.065. Divestment Not Required For Certain Private Investments.

~~An~~ Director, Director entity, Employee or Employee entity that owns a private investment in a business entity on the date on which the Director or Employee assumes a position with UTIMCO is not required by Section 3.02 or 3.053.03 of this Code to divest that private investment as long as the private investment does not constitute a pecuniary interest in a business entity as defined by in Section 3.01(b)1.02(12)(A)-(C) of this Code. Any transactions concerning the private investment that might occur after that date are subject to this Code.

Sec. 3.07. Director Personal Securities Transactions. (a) A Director or Director entity may buy or sell a publicly traded security of an issuer that is held by UTIMCO but may not engage in a personal securities transaction if the Director has actual knowledge that an internal portfolio manager of UTIMCO has placed a buy/sell order for execution.

(b) The prohibition provided by this section applies to a Director's spouse, minor child, or other dependent Relative.

Sec. 3.08. Employee Personal Securities Transactions. (a) Employees are prohibited from using advance knowledge of a UTIMCO decision to buy or sell a security for the personal financial gain of the Employee.

(b) An Employee or Employee entity may engage in a personal securities transaction without obtaining preclearance for the transaction from the Chief Compliance Officer with respect to a security that is not a security of an issuer that is held by UTIMCO and included on the UTIMCO maintained list of securities holdings. The UTIMCO list of securities holdings will be posted on the UTIMCO intranet and updated as securities holdings change. An employee may rely on the posted list when engaging in personal securities transactions.

(c) Before an Employee or Employee entity may engage in a personal securities transaction with respect to a security of an issuer that is included on the UTIMCO maintained list of securities holdings, the Employee or Employee entity must obtain preclearance for the transaction from the Chief Compliance Officer. Preclearance is effective for one trading day only.

(d) The Chief Compliance Officer shall verify that no buy/sell order has been placed by a UTIMCO internal manager –with respect to the security of an issuer held by and included on the UTIMCO maintained list of securities holdings that is the subject of the Employee's personal securities transaction. If such a buy/sell order has been placed, an Employee or Employee entity may not conduct the personal securities transaction for those securities until at least one trading day after the buy/sell order has been completed or canceled.

(e) The Chief Compliance Officer shall document preclearances in a personal securities transaction log for each Employee, which will provide a record of all requests and approvals or denials of preclearances.

(f) An Employee who engages in a personal securities transaction must provide transactional disclosure for each transaction by completing a transactional disclosure form and filing it with the Chief Compliance

Officer not later than the tenth calendar day after the trade date. The form must contain the:

- (1) name and amount of the security involved;
- (2) date and nature of the transaction;
- (3) price at which the transaction was effected; and
- (4) name of the broker through whom the transaction was effected.

(g) The preclearance and transactional disclosure requirements apply only to equity or equity-related transactions, including stocks, convertibles, preferreds, options on securities, warrants, and rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The preclearance and transactional disclosure requirements do not apply to bonds other than convertible bonds, mutual funds, commingled trust funds, exchange traded funds, financial interest rate, currency, commodity, and stock index futures, and options on those futures.

(h) This section applies to an Employee's spouse, minor child, or other dependent Relative.

Sec 3.09. Interest in Brokerage Firm (a) A Director may not direct trades or exercise discretion over the selection of brokerage firms.

(b) An Employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the Employee for UTIMCO business if the Employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

(c) The restrictions provided by this section apply to:

- (1) stock held for an Employee's own account;
- (2) stock or other ownership or profit sharing interests held by an Employee's spouse; ~~or~~ and
- (3) stock held for an account, other than an account over which the Employee has no direct or indirect influence or control, in which the Employee has a beneficial interest, such as accounts involving the spouse, minor child, or other dependent Relative.

(d) The restrictions provided by this section do not prohibit the ownership of stock in a company that may own stock in a brokerage firm if the brokerage firm is not the dominant or primary business of the parent company.

Sec. 3.10. Employee's Outside Employment or Business Activity. (a) An Employee may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO.

(b) An ~~Key~~ Employee must obtain advance written approval from the CEO for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. The CEO must obtain advance approval from the Board for any outside employment.

(c) An Employee, with the prior approval of the Board, may serve as a director of a company in which UTIMCO has directly invested its assets. The Board's approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the Employee's service as director of the investee company. All compensation paid to an Employee for service as director of an investee company shall be endorsed to UTIMCO and applied against UTIMCO's fees.

Sec. 3.11. Further Restrictions on Directors and Employees. A Director or Employee may not:

- (1) participate in a matter before UTIMCO that involves a business, contract, property, or investment held by the person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to the person by or through the business, contract, property, or investment;
- (2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a Relative;
- (3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others

under similar circumstances to finance proper and usual activities; or

- (5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

Sec. 3.12. Former Directors and Employees. (a) A former Director or Employee may not make any communication to or appearance before a current Director or Employee before the second anniversary, in the case of a former Director, or the first anniversary, in the case of a former Employee, of the date the former Director or Employee ceased to be a Director or Employee if the communication is made:

- (1) with the intent to influence; and
- (2) on behalf of any person in connection with any matter on which the former Director or Employee seeks action by UTIMCO.

(b) State law provides that a former Director who violates subsection (a) commits an offense. An offense under this subsection is a Class A misdemeanor.

(bc) A Director or Employee who knowingly communicates with a former Director or Employee in violation of this prohibition subsection (a) is subject to disciplinary action, including removal from serving as a Director.

(d) A former officer or Employee may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which the former officer or Employee participated during the period of service or employment with the corporation, either through personal involvement or because the particular matter was within the officer's or Employee's responsibility. In this subsection:

- (1) "Participated" means to have taken action as an officer or Employee through decision, approval, disapproval, recommendation, giving advice, investigation, or similar action.
- (2) "Particular matter" means a specific investigation, application, request for a ruling or determination, rulemaking proceeding, contract, claim, charge, accusation, arrest, or judicial or other proceeding.

(e) State law provides that a former officer or Employee who violates subsection (d) commits an offense. An offense under this subsection is a Class A misdemeanor.

(ef) A former Director or Employee may not disclose confidential information without UTIMCO's written consent or except as permitted or required by law.

Subchapter D. FINANCIAL DISCLOSURE, COMPLIANCE, AND ENFORCEMENT

Sec. 4.01. Employee Ethics and Compliance Committee. (a) The CEO shall appoint an Employee Ethics and Compliance Committee composed of UTIMCO personnel.

(b) The Chief Compliance Officer appointed by the Audit and Ethics Committee shall be the chair of the Employee Ethics and Compliance Committee.

(c) The Employee Ethics and Compliance Committee shall:

- (1) provide ethics training for UTIMCO personnel; and
- (2) issue opinions on the proper interpretation of this Code.

(d) An Employee may file a written request with the Employee Ethics and Compliance Committee for an opinion on the proper interpretation of this Code, and may rely on that opinion with respect to compliance with this Code.

Sec. 4.02. Financial Disclosure Statements. (a) Directors and Employees shall file financial disclosure statements with the Chief Compliance Officer.

(b) Directors and Employees shall file the financial disclosure statement not later than the ~~30th~~ 60th day after the date of appointment or employment, and not later than April 30 of each year thereafter. The CEO may postpone a filing deadline for not more than ~~60~~ 30 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) UTIMCO must maintain a financial disclosure statement for at least five years after the date it is filed.

(d) Directors who are required to file disclosure statements with the Texas Ethics Commission shall file those statements in the form prescribed by law.

Sec. 4.03. Ethics Compliance Statements. (a) Directors and Employees, including acting or interim Employees, must file ethics compliance statements with the Chief Compliance Officer.

(b) Directors and Employees shall sign, date, and file the ethics compliance statements not later than the 60th day after the date of appointment or employment. Thereafter, any person who is a Director or Employee on December 31 of any year must file the compliance statement not later than April 30 of the following year. The CEO may postpone a filing deadline for not more than 30 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) In the ethics compliance statement, the Director or Employee must acknowledge that he or she has received and read this Code, that he or she will comply with its provisions, and that it is his or her duty to report any act by other Directors or Employees when he or she has knowledge of a violation of this Code. An Employee must also acknowledge that adherence to this Code is a condition of employment. The statement must also disclose any conflicts of interest or violations of the Code of which the Director or Employee is aware.

(d) Key Employees must acknowledge their Key Employee status in the ethics compliance statement.

(e) The ethics compliance statement must include a reminder that a Director or Employee is required to update a statement if a change in circumstances occurs that would require reporting under this Code.

(f) ~~An Employee's signed statement shall be maintained in the Employee's personnel file.~~ The Chief Compliance Officer shall maintain the Directors' and Employees' signed statements.

Sec. 4.04. Certification of No Pecuniary Interest. (a) ~~Before the Board enters into an agreement or transaction with a business entity, including an investment fund, each Director and Key Employee shall certify that he~~

or she does not have a pecuniary interest, as defined by Section 3.01(b) of this Code, in the business entity.

~~(b) Before the Board invests in the private investments of a business entity, (i) each Director shall certify that neither the Director nor any Director entity has a pecuniary interest, as defined by Section 3.01(b) of this Code, in the same business entity; and (ii) each Key Employee shall certify that neither the Key Employee nor any Key Employee entity owns a private investment in the same business entity.~~

Sec. 4.05. Disciplinary Action Disclosure Statements. (a) Directors and Key Employees shall file disciplinary action disclosure statements that disclose any proceedings, actions, or hearings by any professional organization or other entity involving the Director or Key Employee.

(b) Directors and Key Employees must file the disciplinary action disclosure statement with the Chief Compliance Officer not later than April 30 of the first year of designation as a Director or Key Employee and not later than April 30 of each year thereafter. The CEO may postpone a filing deadline for not more than 30 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) A Director or Key Employee must promptly update a statement if any action occurs that would cause a Director's or Employee's answers to change.

Sec. 4.06. Custodian of Records. For open records purposes, the Chief Compliance Officer is the custodian of the disclosure statements required by this Code.

Sec. 4.07. Enforcement. (a) The CEO is responsible for implementing this Code with respect to Employees. The Board shall enforce this Code with respect to Employees through the CEO.

(b) An Employee who violates this Code may be subject to the full range of disciplinary options under UTIMCO personnel policies and practices, including termination.

(c) The Board shall enforce this Code with respect to individual Directors through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.

Sec. 4.08. Duty to Report. (a) A Director who has knowledge of a violation of this Code shall report the violation to the General Counsel.

(b) An Employee who has knowledge of a violation of this Code shall report the violation to the Chief Compliance Officer or to a member of the Audit and Ethics Committee.

(c) Retaliatory action may not be taken against a person who makes a good faith report of a violation involving another person.

Sec. 4.09. Notice to Audit and Ethics Committee. (a) The CEO shall notify the Audit and Ethics Committee in writing not later than February 15 of each year concerning:

- (1) any approval given for outside employment by ~~Key~~ Employees, including the nature of the employment; and
- (2) any disciplinary action disclosed by Directors or Key Employees.

Tab 5

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2010

Agenda Item: Report from Compensation Committee

Developed By: Zimmerman, Moeller, Gonzalez

Presented By: Ferguson

Type of Item: Information item

Description: The Compensation Committee (the "Committee") met on June 30, 2010. The agenda for the Compensation Committee meeting on June 30, 2010, included the following:

1. Discussion and Appropriate Action related to the revised and updated Appendices C, D, and E of the UTIMCO Compensation Program (the "Plan"). The Plan, including Appendices, effective July 1, 2009, consists of two elements: base salary and an annual incentive plan. The UTIMCO Board has the discretion to interpret, adopt such rules and regulations it deems necessary to carry out the Plan, and amend the Plan. Staff will present revised and updated Tables for the July 1, 2010 to June 30, 2011 Performance Period in Appendices C, D and E of the Plan. No other revisions to the Plan are being requested by Staff.
2. Discussion and Appropriate Action related to base salaries for the UTIMCO Officers and other Plan Participants (other than the CEO) for 2010-11 fiscal year. Mercer performed a salary benchmarking study, including salary midpoints and salary ranges, to assist UTIMCO in developing a total compensation program that is competitive nationally.
3. Discussion and Appropriate Action related to the CEO's Qualitative Performance Goals. Section 5.4 of the Plan requires that the CEO's performance goals be determined and approved by the UTIMCO Board. There are three categories of performance goals in the Plan: (1) entity performance; (2) asset class performance; and (3) qualitative performance. As provided by the Plan, the Committee will work with the CEO to develop his qualitative performance goals and make a recommendation for approval to the UTIMCO Board.
4. Discussion of Compensation Committee's Self-Assessment. Each member of the Committee has been requested to evaluate the Committee's performance, both of the individual member and collectively.

Discussion: No action was taken by the Committee on any of the action items listed above. The Compensation Committee's Self-Assessment item was tabled for discussion at a later meeting.

Recommendation: None

Reference: Compensation materials will be provided for executive session

Tab 6

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2010

- Agenda Item:** Report from Audit and Ethics Committee, including Discussion and Appropriate Action Related to Corporate Auditor
- Developed By:** Zimmerman, Gonzalez, Moeller
- Presented By:** Foster
- Type of Item:** Action item related to Engaging Corporate Auditor; Discussion item on other items
- Description:** An Audit and Ethics Committee ("Committee") meeting will be held on July 8, 2010. The Committee's agenda includes the following: (1) presentation of unaudited financial statements for the nine months ended May 31, 2010 for the Funds and the Corporation; (2) discussion and appropriate action related to engaging corporate external auditor; (3) discussion and appropriate action related to the UTIMCO Code of Ethics; (4) report by UT System Audit Office related to reports issued, update on 2010 audit plan and discussion and appropriate action related to audit plan for fiscal year 2011; (5) review of Audit and Ethics Committee's self-assessment; and (6) update of compliance, reporting, and audit issues.
- Discussion:** The Committee will discuss hiring Deloitte & Touche LLP as the corporate auditor. If approved by the Committee and the Board, FY 2010 will be the fourth year that Deloitte & Touche LLP serves as the Corporation's independent auditor. Estimated fees for the 2010 audit services are \$30,000 plus out-of-pocket expenses, a reduction of \$1,500 from the 2009 audit. UT System Audit Office will present to the Committee its 2011 audit plan and 2010 activities.
- The Committee will also review the Code of Ethics and recommend any proposed changes to the Policy Committee for concurrence and submission to the UTIMCO Board for approval. The proposed amendments to the Code of Ethics will be discussed in Tab 6 of these materials during the report from the Policy Committee.
- Each member of the Committee has been requested to evaluate the Committee's performance, both of the individual member and collectively. The results of the assessment will be discussed at the Committee meeting.
- Routine activities of the Committee include reviewing the unaudited financial statements for the nine month period for the Funds and the UTIMCO Corporation, and the quarterly compliance reports.
- Recommendation:** Committee will request appropriate action related to the hiring of Deloitte & Touche LLP as the corporate auditor
- Reference:** Deloitte & Touche LLP Engagement Letter; Quarterly Compliance Reports

**RESOLUTION RELATED TO INDEPENDENT AUDITOR
FOR THE CORPORATION**

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2010.



Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue
Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

June 24, 2010

Ms. Joan Moeller
Managing Director—Accounting, Finance and Administration
The University of Texas Investment Management Company
401 Congress Street, Suite 2800
Austin, TX 78701

Dear Ms. Moeller:

Deloitte & Touche LLP (“D&T” or “we” or “us”) is pleased to serve as independent auditors for The University of Texas Investment Management Company (“UTIMCO” or the “Company”). Mr. Thomas J. Wagner will be responsible for the services that we perform for the Company hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Company on issues as they arise throughout the year. Hence, we hope that you will call Mr. Wagner whenever you believe D&T can be of assistance.....

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such conditions shall be effective as of the date of the commencement of such services. The term of this engagement will begin on July 15, 2010 and expire on June 30, 2011.

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the Company’s financial statements for the year ending August 31, 2010, in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects.

Appendix A contains a description of our responsibilities and an audit under generally accepted auditing standards.

Our ability to express an opinion and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we are unable to complete our audit or if the report to be issued by D&T as a result of this engagement requires modification, the reasons therefor will be discussed with the Audit and Ethics Committee of the UTIMCO Board of Directors (the “Audit and Ethics Committee”) and the management of UTIMCO.

Management's Responsibilities

Appendix B describes management's responsibilities for (1) the financial statements, (2) representation letters, (3) independence matters relating to providing certain services, and (4) independence matters relating to hiring.

Responsibility of the Audit and Ethics Committee

As independent auditors of the Company, we acknowledge that the Audit and Ethics Committee is directly responsible for the appointment, compensation, and oversight of our work, and accordingly, except as otherwise specifically noted, we will report directly to the Audit and Ethics Committee.

Communications with the Audit and Ethics Committee

Appendix C describes various matters that we are required by generally accepted auditing standards to communicate with the Audit and Ethics Committee and management.

Fees

We estimate that our fees for the audit of the Company's financial statements will be \$30,000, plus expenses. Engagement-related expenses, such as travel, lodging, transportation, meals, telephone, typing, etc., will be billed in addition to the fees. Expenses will be stated separately on the invoices.

Our continued service on this engagement is dependent upon payment of our invoices within 30 days of the date of the invoice. To the extent that certain circumstances, as listed in Appendix D, arise during this engagement, our fee estimate also may be significantly affected, and additional fees may be necessary. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary. Additional services provided beyond the scope of services described herein will be billed separately.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

If the Company intends to publish or otherwise reproduce in any document our report on the Company's financial statements, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Company agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of our report, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of our report in any such document would constitute the reissuance of our report. The Company also agrees that its management will notify us and obtain our approval prior to including our report on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Company. Any request by the Company to reissue our report, to consent to its inclusion or incorporation by reference in an offering or other document, or to agree to its inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such request; fees for such

services (and their scope) would be subject to the mutual agreement of the Company and D&T at such time as D&T is engaged to perform the services and would be described in a separate engagement letter.

* * * * *

This engagement letter, including the appendices attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes all other prior and contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services outlined are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

Deloitte & Touche LLP

By your signature below, you confirm that the Company, through its Audit and Ethics Committee, has expressly authorized you to enter into this agreement with us on the Company's behalf.

Accepted and agreed to by the Company:

By: _____

Title: _____

Date: _____

**DESCRIPTION OF OUR RESPONSIBILITIES AND AN AUDIT UNDER GENERALLY
ACCEPTED AUDITING STANDARDS
UTIMCO
YEAR ENDING AUGUST 31, 2010**

Our Responsibilities

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

Components of an Audit

An audit includes the following:

- Obtaining an understanding of the Company and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures
- Consideration of internal control over financial reporting, as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- Inquiring directly of the Audit and Ethics Committee regarding its views about the risks of fraud and whether the Audit and Ethics Committee has knowledge of any fraud or suspected fraud affecting the Company
- Assessing the accounting principles used and significant estimates made by management
- Evaluating the overall financial statement presentation

Reasonable Assurance

We will plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. However, because of the characteristics of fraud, a properly planned and performed audit may not detect a material misstatement. Therefore, an audit conducted in accordance with generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. An audit is not designed to detect error or fraud that is immaterial to the financial statements, nor is it designed to provide assurance on internal control or to identify deficiencies in internal control.

**MANAGEMENT'S RESPONSIBILITIES
UTIMCO
YEAR ENDING AUGUST 31, 2010**

Financial Statements

The overall accuracy of the financial statements and their conformity with generally accepted accounting principles are the responsibility of the Company's management. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Establishing and maintaining effective internal control over financial reporting
- Designing and implementing programs and controls to prevent and detect fraud
- Identifying and ensuring that the Company complies with the laws and regulations applicable to its activities and informing us of any known material violations of such laws or regulations
- Adjusting the financial statements to correct material misstatements
- Making all financial records and related information available to us

Representation Letters

We will make specific inquiries of the Company's management about the representations embodied in the financial statements. Additionally, we will request that management provide to us the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. As part of our audit procedures, we will request that management provide us with a representation letter that includes, among other things:

- Acknowledgment of management's responsibility for the preparation of the financial statements
- Affirmation of management's belief that the effects of any uncorrected financial statement misstatements aggregated by us during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

We will also request that management confirm certain representations made to us during our audit. The responses to those inquiries and related written representations of management required by generally accepted auditing standards are part of the evidential matter that D&T will rely on in forming its opinion on the Company's financial statements. Because of the importance of management's representations, the Company agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

Independence Matters Relating to Providing Certain Services

In connection with our engagement, D&T, management, and the Audit and Ethics Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. Management of the Company will ensure that the Company has policies and procedures in place for the purpose of ensuring that the Company will not act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA) or other applicable rules would impair D&T's independence. All potential services are to be discussed with Mr. Wagner.

Independence Matters Relating to Hiring

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the *AICPA Code of Professional Conduct* that would cause a violation of the *AICPA Code of Professional Conduct* or other applicable independence rules. The Company understands and agrees that professional personnel of D&T providing services under this engagement will not be offered employment in a financial reporting oversight role at the Company within one year subsequent to the completion of this engagement. D&T understands and agrees that during the term of this engagement and for a period of one (1) year thereafter, its personnel (in their capacity as such) who had direct and substantive contact in the course of this engagement with personnel of the Company, shall not, without the Company's consent, directly or indirectly employ, solicit, engage, or retain the services of such personnel of the Company. In the event that D&T breaches this provision, it shall be liable to the Company for an amount equal to thirty percent (30%) of the annual base compensation of the relevant personnel in his or her new position. Although such payment shall be the Company's exclusive means of monetary recovery from D&T for breach of this provision, the Company shall be entitled to seek injunctive or other equitable relief. This provision shall not restrict the right of D&T to recruit generally in the media. Any employment opportunities with the Company for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Wagner before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

For purposes of the preceding two paragraphs, "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu, and its member firms; and, in all cases, any successor or assignee.

**COMMUNICATIONS WITH THE AUDIT AND ETHICS COMMITTEE
UTIMCO
YEAR ENDING AUGUST 31, 2010**

Significant Matters

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit and Ethics Committee in overseeing the financial reporting process.

Fraud and Illegal Acts

We will report directly to the Audit and Ethics Committee any fraud of which we become aware that involves senior management and any fraud (whether caused by senior management or other employees) of which we become aware that causes a material misstatement of the financial statements. We will report to senior management any fraud perpetrated by lower-level employees of which we become aware that does not cause a material misstatement of the financial statements; however, we will not report such matters directly to the Audit and Ethics Committee, unless otherwise directed by the Audit and Ethics Committee.

We will inform the appropriate level of management of the Company and determine that the Audit and Ethics Committee is adequately informed with respect to illegal acts that have been detected or have otherwise come to our attention in the course of our audit, unless the illegal acts are clearly inconsequential.

Internal Control Matters

We will report directly to management and the Audit and Ethics Committee all significant deficiencies and material weaknesses identified during the audit as required by AU 325, *Communicating Internal Control Related Matters Identified in an Audit*. Our written communication will identify those matters considered by D&T to be significant deficiencies and those that are considered by D&T to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis.

Other Matters

Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with the Audit and Ethics Committee. However, we will communicate to the Audit and Ethics Committee matters required by AU 380, *The Auditor's Communication with Those Charged with Governance*.

Texas State Auditor's Office

D&T agrees that the Texas State Auditor's Office or any authorized regulatory representative of the State shall at any time have access to and the rights to examine and audit any pertinent books, documents, working papers, and records of D&T relating to this agreement, and to excerpt and transcribe any pertinent books, documents, working papers, and records of D&T. If photocopies of pertinent books, documents, working papers, and records of D&T are requested, D&T will send a letter to the Texas State Auditor's Office or regulatory representative of the state similar (but not identical) in form to that in the American Institute Of Certified Public Accountants auditing section 9339, and such letter will be acknowledged by The Texas State Auditor's office or regulatory representative of the state prior to the provision of any photocopies by D&T. Any photocopies of pertinent books, documents, working papers, and records of D&T will be identified as "confidential treatment requested by Deloitte & Touche LLP."

**CIRCUMSTANCES AFFECTING TIMING AND FEE ESTIMATE
UTIMCO
YEAR ENDING AUGUST 31, 2010**

The fees quoted for the audit are based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates or our fee estimate. As a result, changes to the fees may be necessary. Such circumstances include but are not limited to the following:

Audit Facilitation

1. Changes to the timing of the engagement at the Company's request. Changes to the timing of the engagement usually require reassignment of personnel used by D&T in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, D&T may incur significant unanticipated costs.
2. All audit schedules are not (a) provided by the Company on the date requested, (b) completed in a format acceptable to D&T, (c) mathematically correct, or (d) in agreement with the appropriate Company records (e.g., general ledger accounts). D&T will provide the Company with a separate listing of required schedules, information requests, and the dates such items are needed.
3. Significant delays in responding to our requests for information, such as reconciling variances or providing requested supporting documentation (e.g., invoices, contracts, and other documents).
4. Deterioration in the quality of the Company's accounting records during the current-year engagement in comparison with the prior-year engagement.
5. A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Company's personnel.
6. Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Company's personnel.
7. Electronic files in an appropriate format and containing the information requested are not provided by the Company on the date requested for our use in performing file interrogation. D&T will provide the Company with a separate listing of the required files and the dates the files are needed.
8. The engagement team, while performing work on the Company's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.

Significant Issues or Changes

9. Significant deficiencies or material weaknesses in the design or operating effectiveness of the Company's internal control over financial reporting are identified during our audit that result in the expansion of our audit procedures.
10. A significant level of proposed audit adjustments is identified during our audit.

11. A significant number of drafts of the financial statements are submitted for our review, or we identify a significant level of deficiencies in the draft financial statements.
12. Significant new issues or changes as follows:
 - a. Significant new accounting issues.
 - b. Significant changes in accounting policies or practices from those used in prior years.
 - c. Significant events or transactions not contemplated in our budgets.
 - d. Significant changes in the Company's financial reporting process or Information Technology systems.
 - e. Significant changes in the Company's accounting personnel, their responsibilities, or their availability.
 - f. Significant changes in auditing standards.
 - g. Significant changes in the Company's use of specialists, or the specialists or their work product does not meet the qualifications required by generally accepted auditing standards for our reliance upon their work.
13. Changes in audit scope caused by events that are beyond our control.

Payment for Services Rendered

14. Without limiting its rights or remedies, D&T may halt or terminate its services entirely if payment is not received within 30 days of the date of the invoice.

**GENERAL BUSINESS TERMS
UTIMCO
YEAR ENDING AUGUST 31, 2010**

1. **Independent Contractor.** It is understood and agreed that D&T is an independent contractor and that D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Company or the Audit and Ethics Committee.
2. **Survival.** The agreements and undertakings of the Company and the Audit and Ethics Committee contained in the engagement letter to which these terms are attached (the "engagement letter"), together with the appendices to the engagement letter including these terms, will survive the completion or termination of this engagement.
3. **Assignment and Subcontracting.** Except as provided below, no party may assign, transfer, or delegate any of its rights or obligations relating to this engagement (including, without limitation, interests or claims relating to this engagement) without the prior written consent of the other parties. The Company and the Audit and Ethics Committee hereby consent to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. **Severability.** If any term of the engagement letter, including its appendices, is determined to be invalid or unenforceable, such term shall not affect the other terms hereof or thereof, but such invalid or unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein and therein.
5. **Force Majeure.** No party shall be deemed to be in breach of the engagement letter (including its appendices) as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
6. **Dispute Resolution.** Any controversy or claim between the parties arising out of or relating to the engagement letter, including its appendices, or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix F and made a part hereof.
7. **Governing Law.** This engagement letter, together with the appendices, and all of the rights and obligations of the parties hereto and all of the terms and conditions hereof shall be construed, interpreted and applied in accordance with and governed by and enforced under the laws of the State of Texas.

DISPUTE RESOLUTION PROVISION
UTIMCO
YEAR ENDING AUGUST 31, 2010

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

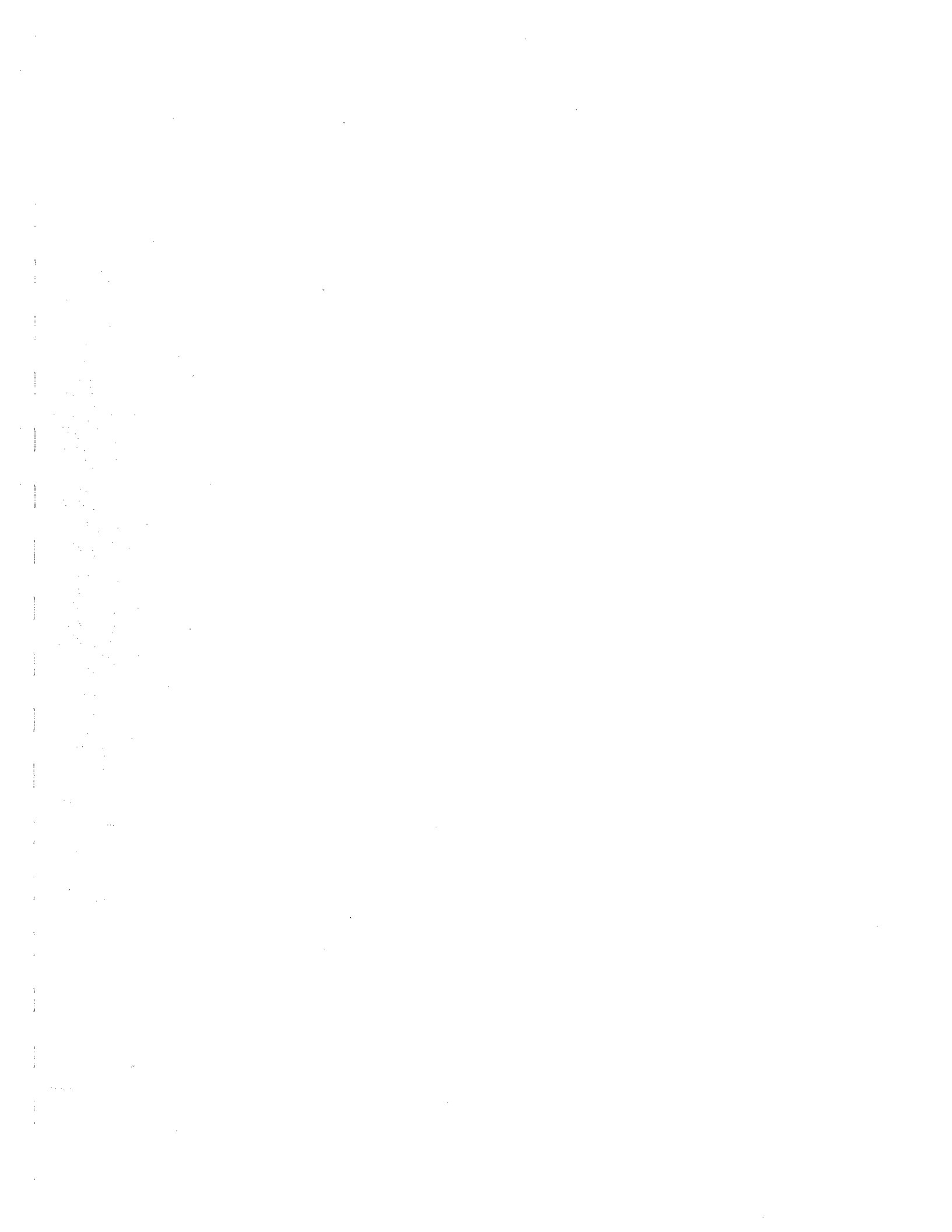
Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in Austin, Texas. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators. Each of the Company and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of Texas (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.



**The University of Texas Investment Management Company
Institutional Compliance Action Plan
Fiscal Year 2010**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>A. RISK ASSESSMENT</i>			
1.	Update risk assessment and map controls identified in the risk assessment to controls identified in the process documentation	09/30/09	Completed 03/23/10
2.	Reevaluate A risks	09/30/09	Completed 03/23/10; No change to the compliance A risks
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
3.	Meet with Responsible Parties for updates	On-going	On-going
4.	Submit Institutional Compliance Program to a peer review	12/31/09	Deadline extended to 08/31/10; scheduling in progress
5.	Revise or create monitoring plans based on updated risk assessment	09/30/09	Drafting continues; expected completion by 07/31/10
6.	Inspect high risk areas A	On-going	On-going
7.	Work with Risk Management to enhance monitoring by CCO	On-going	On-going
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
8.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/10	Completed 04/09/10; individual session held for one employee
9.	Compliance Training for CCO regarding investments	03/31/10	Completed 03/23/10
10.	Identify and network with similarly situated compliance professionals	08/31/10	On-going
<i>D. REPORTING</i>			
11.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	On-going
12.	Provide quarterly/annual reports to the System-wide office	On-going	On-going – UTS will be revising required reporting; CCO will meet with Larry Plutko and David Givens to discuss UTIMCO participation/reporting in System-wide compliance program
<i>E. OTHER / GENERAL COMPLIANCE</i>			
13.	Hotline report investigations	On-going	On-going
14.	Evaluate enterprise risk management and report to UTIMCO audit and ethics	February 2010	Completed 04/15/10

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
	committee		
15.	Control Self Assessment of Compliance program	10/31/09	In progress, will complete in tandem with monitoring plans by 07/31/10
16.	ICAC activities: ICAC and Standing Committee participation	On-going	On-going
17.	Work with IT to enable web-based transmission and completion of Certificates of Compliance electronically	08/31/10	Email reminder sent to IT on 11/06/09; need to develop progress timeline

**The University of Texas Investment Management Company
Institutional Compliance Program Quarterly Report
for the Fiscal Quarter Ended May 31, 2010**

Section I – Organizational Matters

- The last meeting of the Ethics and Compliance Committee was held on March 9, 2010.

Section II - Risk Assessment, Monitoring Activities and Specialized Training (Performed by Responsible Party)

High-Risk Area #1: Investment Due Diligence

Responsible Party: Investment Managing Directors for Public Markets, Private Markets, and Marketable Alternatives and Senior Directors for Natural Resources and Real Estate

Key “A” risk(s) identified:

- *Organization could fail to adequately conduct due diligence on prospective managers.*
- *Organization could fail to adequately conduct continual review and evaluation of external managers hired to manage UT System investment funds.*

Key Monitoring Activities:

Public Markets: The Public Markets groups participated in 157 meetings/calls with potential managers. Initial due diligence was performed on 106 managers and serious due diligence was performed on 51 managers. No managers were hired. Ongoing review of active external managers included 57 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team and a quarterly portfolio review meeting.

Marketable Alternative Investments: The Marketable Alternative Investments group participated in 50 meetings/calls with potential managers. Initial due diligence was performed on three managers and serious due diligence was performed on two managers. No managers were hired. Ongoing review of external managers was conducted in the form of 65 meetings, conference calls, or Annual Meetings with active managers and a quarterly portfolio review meeting.

Private Markets: The Private Markets group performed initial due diligence on 27 and serious due diligence on 28 potential managers. Five commitments were made and three managers were funded. The Private Markets group also participated in 105 meetings with active external managers and 69 meetings with prospective managers, including site visits, conference calls, and Advisory Board or Annual meetings.

Natural Resources: The Natural Resources group participated in 66 meetings/calls with potential managers. Serious due diligence was performed on two managers. One manager was hired. Ongoing review of active external managers included 45 meetings/calls.

Real Estate: The Real Estate group participated in 54 meetings/calls with potential managers. Serious due diligence was performed on five managers. No managers were hired. Ongoing review of active external managers included 22 meetings/calls.

Specialized Training: Staff attended various industry-related conferences/forums and functions during the quarter.

High-Risk Area #2: Investment Risk Management

Responsible Party: Senior Director, Risk Management

Key "A" risk(s) identified:

- *Organization could fail to accurately perform its assessment of risk due to data and investment instrument modeling error.*
- *Organization could fail to respond to risk levels (manage risk budget).*

Key Monitoring Activities:

- During the quarter, Risk Team reconciled accounting records' market value with market values modeled by IFS; reconciled month end values from IFS to accounting records and identified reasons for all discrepancies. The Risk Team compared each month's risk results with both prior month results and with market activity to determine consistency, and identified reasons for all changes; prepared monthly charts and reports based on inputs from risk model during this quarter, including trend analysis of risk exposure and attribution, as well as analysis of managers' betas and correlations.
- Risk Team continued the renegotiations of ISDAs with counterparties.
- Risk Team is evaluating various tail-hedging strategies; met with several of our leading Hedge Fund managers to better understand "best practices".
- Risk Team is re-evaluating the role and services of our Risk Analytics Provider, and is evaluating alternative systems.
- Derivative positions were monitored on a daily basis. External managers that may use derivatives are monitored daily for spikes in returns or in volatility. Effects of derivatives on the overall portfolio are monitored monthly.
- Fixed income duration and tracking error is being monitored on an ongoing basis. Managers' use of margin and leverage is monitored on an ongoing basis.
- Risk Team confirmed each month downside risk and VaR calculations on total P&L data.
- Risk Team prepared projections on portfolio risk, country exposure, liquidity, and asset allocations; updated projections on a weekly basis.

Specialized Training: None

High-Risk Area #3: Information Technology & Security

Responsible Party: Managing Director, Information Technology

Key "A" risk(s) identified:

- *Organization could fail to adequately secure networks and data to prevent abuse, destruction, and/or theft.*
- *Organization could fail to manage computer software and hardware resulting in internal and external users unable to perform necessary job duties.*

Key Monitoring Activities:

- Applications that monitor virus or malicious software are running. Mechanisms are in place to provide notification if applications are not functioning properly. Additional applications monitor server activity and notify IT staff of any perceived problems.
- Information Security Program Plan FY09/10 was revised.
- Policy for Incident Response was adopted.
- Random laptop security reviews to verify that laptops are physically secured continue. Violations noted and violators notified.
- Compliance checks for nightly shutdown/logout and VPN access continue. Violations noted and violators notified.
- Annual Information Security Compliance training was completed in April 2010. Training for new employees was completed during each employee's orientation.
- Annual reviews/reports with Data Owner's were completed in April 2010.
- Provided topic specific email alerts to employees regarding critical updates.

Final 061610

- Monitoring of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing.
- External code scan and review was completed with Denim group. Findings are being reviewed and a plan to correct needed issues is currently being built.

Specialized Training: ISO attended meetings of the Chief Information Security Officers Council.

High-Risk Area #4: Investment Compliance

Responsible Party: Manager - Portfolio Accounting and Operations

Key "A" risk(s) identified:

- *Organization could fail to comply with investment policies, applicable laws and regulations, and other policies.*
- *Organization could fail to detect non-compliance with applicable policies, etc.*

Key Monitoring Activities:

- Verified that investments are in compliance with rules and guidelines in policies, rules and regulations utilizing custodian's software and in-house developed databases. Fine-tuning of conversion to new custodian software (Compliance Monitor) is ongoing.
- Work continues to verify that custodian software queries and database queries are working properly for manager compliance. Performed cross training with employees who work on manager compliance and will probably train a new employee next quarter.
- Custodian made their annual visit and had meeting with staff members regarding upcoming enhancements to Compliance Monitor and worked with them to further enhance the guidelines being tested.
- Review of monthly and quarterly investment compliance reports prepared by staff.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee.
- Continued participation by the Portfolio Accounting and Operations staff in prospective and active external manager investment due diligence.
- Derivative Investments Controls and Processes are being followed and work continues on improving them. Worked with UT System Audit Office as they performed their audit on these procedures and implemented suggested changes.

Specialized Training: None

High-Risk Area #5: Conflicts of Interest

Responsible Party: Managing Director, Accounting, Finance and Administration

Key "A" risk(s) identified:

- *Organization could fail to comply with conflicts of interest provisions in Code of Ethics and Texas Education Code section 66.08.*

Key Monitoring Activities:

- Certificates of compliance were received from all UTIMCO Board members and key employees for the three investment managers hired and funded during the quarter. An additional manager was hired and funded during the quarter and Certificates were received from all UTIMCO Board members and key employees with the exception of one Director. Staff confirmed with the manager that the Director did not own a pecuniary interest. The CEO, CCO, and UTIMCO Chairman opined that the investment could be made without the Certificate of Compliance. The Director's Certificate of Compliance confirming no pecuniary interest was received subsequent to the funding. Certificates were reviewed for completeness;

no conflicts of interest were noted, i.e., no pecuniary interests identified by any UTIMCO Board member or key employee.

- Verified that two funds committed to during the quarter had the appropriate signed certificates of compliance.
- Internal and external managers operating under agency agreements are provided a list of publicly traded securities of all publicly traded companies in which a UTIMCO Board member or employee has a pecuniary interest in order to prevent the violation of UTIMCO Code of Ethics and *Texas Education Code* section 66.08. During the quarter, no new holdings were added to the restricted list and no new equity managers were hired. Staff reviews holdings for compliance with the restricted list on a daily basis.
- Financial disclosure forms were received timely from all employees during the quarter as required annually by the Code of Ethics.
- Four employees were hired during the quarter and the financial disclosure forms were received timely from all.
- During the quarter as required annually by the Code of Ethics, financial disclosure forms were received timely from all but one Director. Due to the Director's misunderstanding regarding the termination date of his term on the UTIMCO Board, his financial disclosure form was not submitted timely. The form was subsequently received on June 8, 2010.

Specialized Training: None

Section III – Monitoring and Assurance Activities (Performed by Compliance Office)

High-Risk Area #1: Investment Due Diligence

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO designee performed quarterly due diligence monitoring plan for each Investment group. CCO designee reviewed initial due diligence for three (3) managers hired by the Investment groups during the fiscal year. Ongoing due diligence efforts continue. The Senior Director, Risk Management and CCO participated in the bi-weekly Investment Committee meetings, the monthly Investment meetings, the quarterly Marketable Alternatives Group Hedge Funds review and the quarterly Public Markets Investments portfolio review.

Significant Findings: None.

High-Risk Area #2: Investment Risk Management

Assessment of Control Structure: *Opportunity for enhancement*

Assurance Activities Conducted: CCO continues to review documentation maintained by the Risk Team evidencing risk monitoring performed by the Risk Team. Risk Team has completed documenting its procedures. UTIMCO staff has completed work on enhanced Derivative Investments Controls and Processes document.

Significant Findings: Monitoring of external managers operating under agency agreements for compliance with the Derivative Investment Policy should be enhanced. Two external managers have been identified that entered into *fx* forwards transactions, i.e., OTC derivatives, without the ISDA netting agreements that are required by the Derivative Investment Policy. In addition, the UT System Audit Office performed an audit of compliance with the Derivative Investment Policy and Derivative Investments Controls and Processes document. Additional documentation is required to be prepared by the Risk Team to support its conclusions regarding new derivative investments. In addition, the UT System Audit Office identified two derivative investments that caused the funds to be below the lower risk bounds. UTIMCO Staff will meet to discuss enhancements to its documentation and monitoring processes.

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High-Risk Area #3: Information Technology & Security

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO continues to meet with ISO and Managing Director – Information Technology regarding information technology and security practices. CCO reviews quarterly and annual reporting to System-wide Chief Information Security Officer required by UT System policy.

Significant Findings: None

High-Risk Area #4: Investment Compliance

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO is performing monthly review of Compliance Reports. CCO reviews the documentation and work papers supporting the various compliance reports prepared by the Responsible Party. Monthly report (checklist) reviewed and signed off by Debbie Childers to determine that policy requirements have been maintained based on the activity performed by staff. Activities related to procedures implemented as a result of Investment Training and Consulting, Inc. risk-focused audit related to internal Fixed Income and internal Derivatives are being monitored by the CCO.

Significant Findings: See Significant Findings notation in High-Risk Area # 2: Investment Risk Management. Investment Compliance Staff will participate in meetings to discuss enhancements to documentation and monitoring of derivative investments.

High-Risk Area #5: Conflicts of Interest

Assessment of Control Structure: *Well controlled*

Assurance Activities Conducted: CCO designee reviewed the completed sign-offs for completeness for all certificates of compliance received during the fiscal year. All but one UTIMCO Board member and all key employees had appropriately signed off on certificates of compliance. No conflicts of interest were noted. Staff independently verified with the prospective managers hired during the quarter that the Director that did not timely submit his certificates of compliance had no conflict of interest. The Director subsequently submitted the certificates confirming no conflicts of interest. Monitoring for potential conflicts of interest in the areas of personal securities transactions, outside employment and business activities, and manager/third party-paid travel, entertainment and gifts is ongoing.

Significant Findings: None

Section IV – General Compliance Training Activities

Three training sessions on the UTIMCO Code of Ethics were held for new hires. Two annual training sessions on the UTIMCO Code of Ethics were held for all staff. An individual training session was held for an employee unable to attend the entire annual training session.

Section V – Action Plan Activities

- Information Technology Access & Security: Staff member is participating in the Chief Information Security Officers Council.
- Quarterly meeting of the Employee Ethics and Compliance Committee was held in March.
- CCO completed Enterprise Risk Management and reported on same to Audit and Ethics Committee and Board of Directors in April.
- CCO attended compliance training regarding investments at the IA Compliance Best Practices Summit 2010 on March 25-26, 2010.
- CCO drafting of monitoring plans based on updated risk assessments and self-assessment continues with an expected completion date of June 30, 2010. No new “A” compliance risks were identified.

Section VI – Confidential Reporting

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UTIMCO maintains a Compliance Hotline to receive and process complaints. UTIMCO has contracted with an outside vendor to provide the service. The chart below summarizes the calls received through the third quarter:

Type	Number	% of Total
Employee Relations	0	0.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	10	100.00%
Total	10	100.00%

All calls are accepted by the hotline and reported to the UTIMCO Compliance Office. All reports are handled by a 5-person team comprised of the Chief Compliance Officer, Manager of Finance & Administration, the Office Manager, the Executive Assistant to the CEO and Chief Investment Officer, and David Givens from the System-wide Compliance Office.

Tab 7

Agenda Item
UTIMCO Board of Directors Meeting
July 14, 2010

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Tate

Type of Item: Discussion item

Description: The Risk Committee ("Committee") will meet on July 8, 2010. The Committee's agenda includes (1) discussion and appropriate action related to categorization of new investment mandates; (2) review and discussion of compliance reporting; (3) review and discussion of performance and risk reporting; and (4) discussion of Risk Committee's self assessment.

Discussion The Committee will review and approve, as appropriate, the eleven mandate categorizations prepared by staff for the period beginning April 1, 2010, and ending June 30, 2010. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

Each member of the Committee has been requested to evaluate the Committee's performance, both of the individual member and collectively. The results of the assessment will be discussed at the Committee meeting.

The Committee will review the quarterly compliance reporting and the performance and risk reporting.

Recommendation: None

Reference: None

Tab 8



Funds Update

	<u>Page</u>
•Returns	2
•Assets	9
•Risk Analytics	15
•Leverage	27
•Liquidity	36
•Investment Activity	40
•Manager Exposure	45
•ITF	48
•Contracts Update	56



Returns



UTIMCO Performance Summary

May 31, 2010

Periods Ended May 31, 2010											
(Returns for Periods Longer Than One Year are Annualized)											
	Net Asset Value 5/31/2010 (in Millions)	Short Term		Year to Date		Historic Returns					
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs		
ENDOWMENT FUNDS											
Permanent University Fund	\$10,524	(3.22%)	0.68%	10.32%	1.46%	17.85%	(2.40%)	4.66%	5.06%		
General Endowment Fund		(3.21)	0.67	10.29	1.45	17.84	(2.37)	4.73	N/A		
Permanent Health Fund	895	(3.22)	0.63	10.21	1.46	17.65	(2.45)	4.65	N/A		
Long Term Fund	4,978	(3.22)	0.63	10.21	1.47	17.64	(2.45)	4.65	5.13		
Separately Invested Funds	173	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Total Endowment Funds	16,570										
OPERATING FUNDS											
Short Term Fund	1,770	0.02	0.05	0.14	0.07	0.26	2.21	3.21	2.96		
Intermediate Term Fund	4,035	(3.79)	(0.37)	6.99	(0.14)	14.69	(0.55)	N/A	N/A		
Total Operating Funds	5,805										
Total Investments	\$22,375										
VALUE ADDED (Percent)											
Permanent University Fund		1.20%	1.15%	4.37%	2.62%	6.85%	3.01%	2.20%	1.90%		
General Endowment Fund		1.21	1.14	4.34	2.61	6.84	3.04	2.27	N/A		
Short Term Fund		-	0.02	0.04	0.03	0.10	0.51	0.40	0.22		
Intermediate Term Fund		0.66	1.28	4.32	2.64	4.48	2.94	N/A	N/A		
VALUE ADDED (\$ IN MILLIONS)											
Permanent University Fund		\$130	\$120	\$418	\$272	\$616	\$958	\$1,082	\$1,860		
General Endowment Fund		74	67	234	152	346	545	622	N/A		
Intermediate Term Fund		28	52	161	106	156	332	N/A	N/A		
Total Value Added		\$ 232	\$ 239	\$ 813	\$ 530	\$ 1,118	\$ 1,835	\$ 1,704	\$ 1,860		

(1) - Benchmark returns for the PUF, GEF/LTF, and ITF have been restated for certain prior periods. Details of the restatements and previous policy portfolio benchmark history may be found at www.UTIMCO.org

(2) - Value added is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown. Value added is a result of the active management decisions made by UTIMCO staff and external managers.

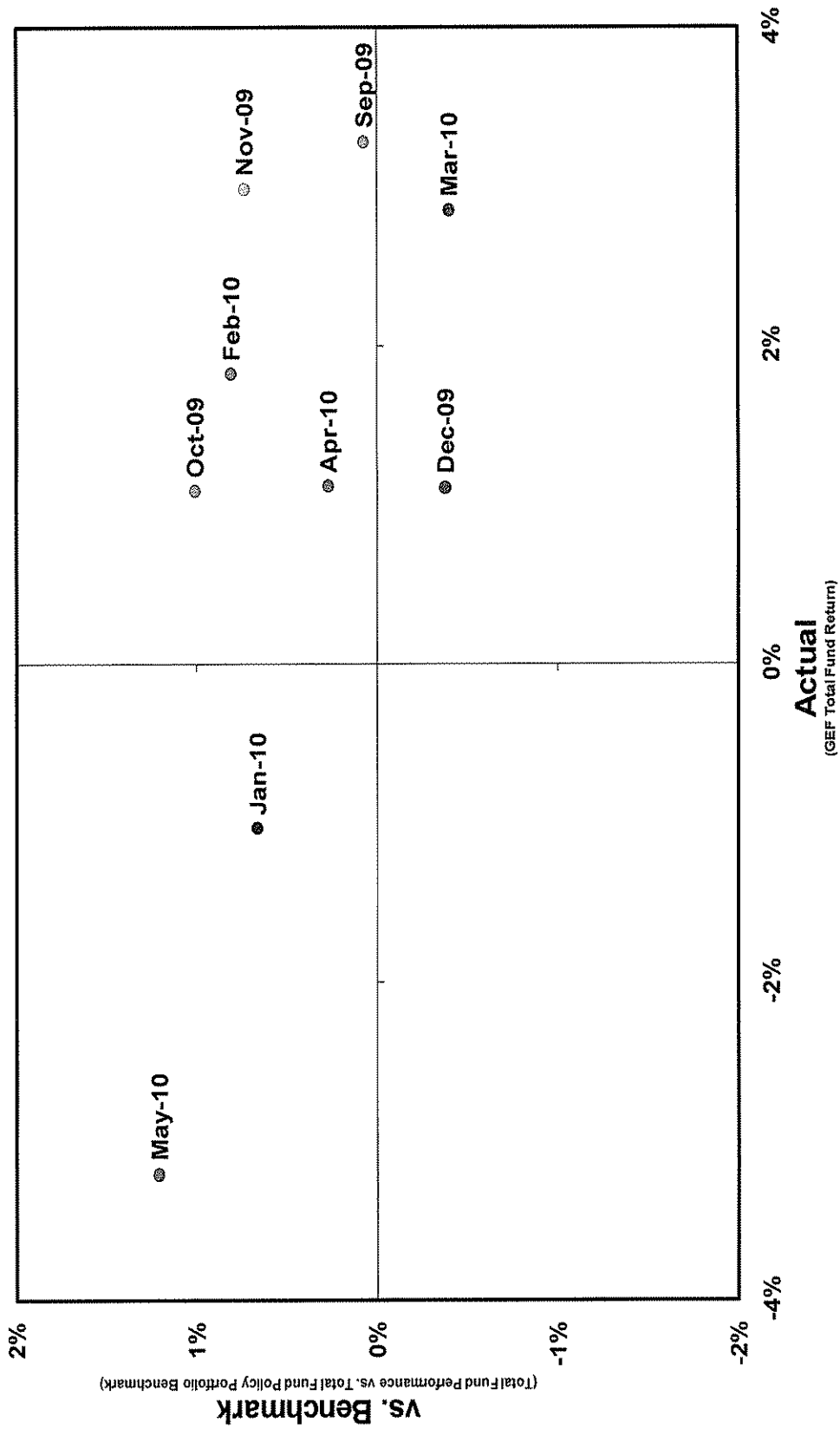


Performance During Last 3 and 9 Months

	3 Months Ended May 2010	9 Months Ended May 2010
BarCap Global Agg	-2.3%	-0.6%
BarCap TIPS	2.5%	7.0%
BarCap High Yield	0.5%	13.4%
Global REITs	0.5%	7.7%
DJ-UBS	-6.3%	-0.2%
Oil Spot	-4.3%	5.7%
Natural Gas	-2.5%	79.6%
Copper	0.2%	7.0%
S&P 500	-0.9%	8.3%
Nasdaq 100	4.8%	14.0%
EAFE	-7.7%	-7.0%
FTSE 100	-11.7%	-6.0%
DJ Euro Stoxx 50	-23.1%	-19.0%
Topix	-0.6%	-7.0%
MSCI Emerging Markets	-0.2%	11.9%
Brazil Index	-11.1%	12.9%
China Index	-18.9%	0.7%
India Index	0.0%	13.4%
Russia Index	-0.6%	28.2%
GEF	0.7%	10.3%
ITF	-0.4%	7.0%

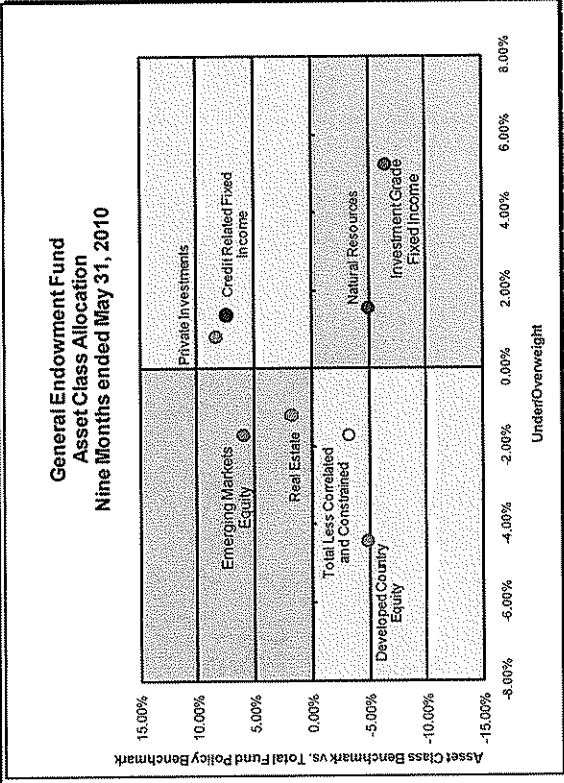
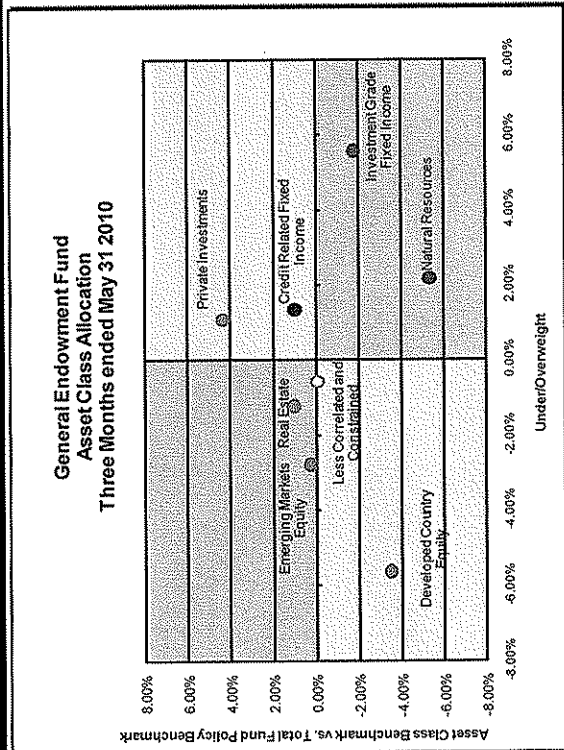


Actual and "vs. Benchmark" Returns by Month Fiscal Year 2010 (GEF)





Tactical Asset Allocation





Active Management Value Added Periods Ended May 31, 2010 (GEF)

	3 Months (bps)	Manager (Alpha)
Developed Country Equity	46	Value Act (1.33), Stelliam (.33), Indus Japan Consolidation (.30)
Natural Resources	24	Gold Futures (4.14), Blackrock Global Mining (.30), General Moly (.23)
Less Correlated	23	Cadian (9.50), Valiant (3.15), Indus Japan (2.72)
Investment Grade Fixed Income	12	Total Internal Fixed Income (.97), Liquidity (.53), Brandywine (.48), PIMCO Fixed (.29)
Emerging Markets Equity	6	Blakeney (.28), Russian Prosperity (.25), Acadian (.20)
Real Estate	3	Cohen & Steers (1.19), Security Capital (.92), MS REITS (.04)
Credit Related Fixed Income	1	Angelo Gordon (7.08), Watershed II (2.47), Watershed I (.25)
Subtotal	<u>115</u>	
Subtotal	-	
Total Fund excluding Private Investments	<u>115</u>	
Private Investments	<u>(38)</u>	
Total Fund	<u>77</u>	

	9 Months (bps)	Manager (Alpha)
Less Correlated and Constrained	214	Bridgewater Pure Alpha II (19.16), Silver Point (14.99), Penta Asia Long/Short (14.90)
Developed Country Equity	98	Value Act (4.01), Wellington (.60), Stelliam (.59)
Natural Resources	51	Gold Futures (5.89), Blackrock Small Cap (1.13), Blackrock Global (1.04)
Investment Grade Fixed Income	21	Total Internal Fixed Income (1.39), PIMCO Fixed (1.07), Brandywine (.97)
Credit Related Fixed Income	6	Angelo Gordon (13.04), Watershed II (5.69), Watershed I (1.98)
Real Estate	3	Cohen & Steers (2.10), Security Capital (1.52), MS REITS (.23)
Subtotal	<u>393</u>	
Emerging Markets Equity	(3)	Lazard (.73), Blakeney (.66), Blackrock EMSI (.60)
Subtotal	<u>(3)</u>	
Total Fund excluding Private Investments	<u>390</u>	
Private Investments	<u>(32)</u>	
Total Fund	<u>358</u>	



Value-Add Analysis

	FY05	FY06	FY07	FY08	FY09	FY05-09	FYTD10
MCC							
Tactical	0.43%	-0.54%	0.14%	0.82%	0.29%	0.23%	-0.13%
Active	0.42%	-0.81%	-0.74%	-0.19%	1.68%	-0.62%	1.91%
TOTAL	0.85%	-1.35%	-0.60%	0.63%	-1.39%	-0.39%	1.78%
LCC							
Tactical	-0.01%	0.07%	-0.02%	-0.09%	0.04%	0.00%	0.16%
Active	2.09%	0.86%	2.63%	2.02%	1.68%	1.89%	2.22%
TOTAL	2.08%	0.93%	2.61%	1.93%	1.71%	1.88%	2.37%
Private Investments							
Tactical	-0.68%	-0.42%	-0.69%	0.14%	0.35%	-0.27%	0.50%
Active	1.51%	-0.57%	1.20%	-0.59%	1.54%	0.62%	-0.31%
TOTAL	0.83%	-0.99%	0.51%	-0.45%	1.88%	0.36%	0.19%
Overall GEF							
Tactical	-0.26%	-0.89%	-0.57%	0.87%	0.67%	-0.04%	0.52%
Active	4.02%	-0.52%	3.09%	1.24%	1.53%	1.89%	3.82%
TOTAL	3.76%	-1.41%	2.52%	2.11%	2.20%	1.86%	4.34%



Assets



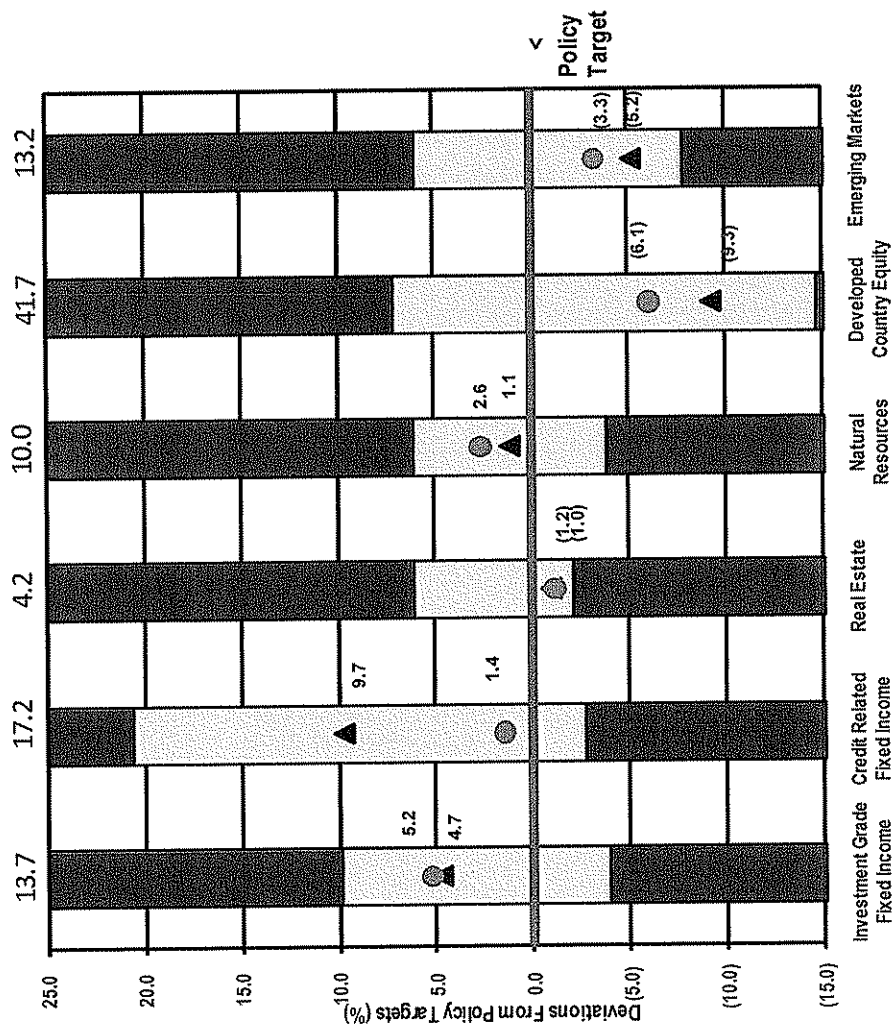
Combined PUF and GEF Asset Allocation as of May 31, 2010 (in millions)

Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained		Private Investments	Grand Total		
		\$	%	\$	%			\$	%
Fixed Income	Investment Grade	\$ 1,878	11.5%	\$ 252	1.5%	\$ -	0.0%	\$ 2,130	13.0%
	Credit-Related	253	1.5%	1,325	8.1%	1,272	7.8%	2,850	17.4%
Fixed Income Total		2,131	13.0%	1,577	9.6%	1,272	7.8%	4,980	30.4%
Real Assets	Real Estate	\$ 470	2.9%	\$ 106	0.6%	\$ 129	0.8%	705	4.3%
	Natural Resources	1,362	8.3%	13	0.1%	303	1.8%	1,678	10.2%
Real Assets Total		1,832	11.2%	119	0.7%	432	2.6%	2,383	14.5%
Equity	Developed Country	\$ 2,055	12.5%	\$ 2,961	18.1%	\$ 1,839	11.2%	6,855	41.8%
	Emerging Markets	1,476	9.0%	403	2.5%	300	1.8%	2,179	13.3%
Equity Total		3,531	21.5%	3,364	20.6%	2,139	13.0%	9,034	55.1%
Grand Total		\$ 7,494	45.7%	\$ 5,060	30.9%	\$ 3,843	23.4%	\$ 16,397	100.0%

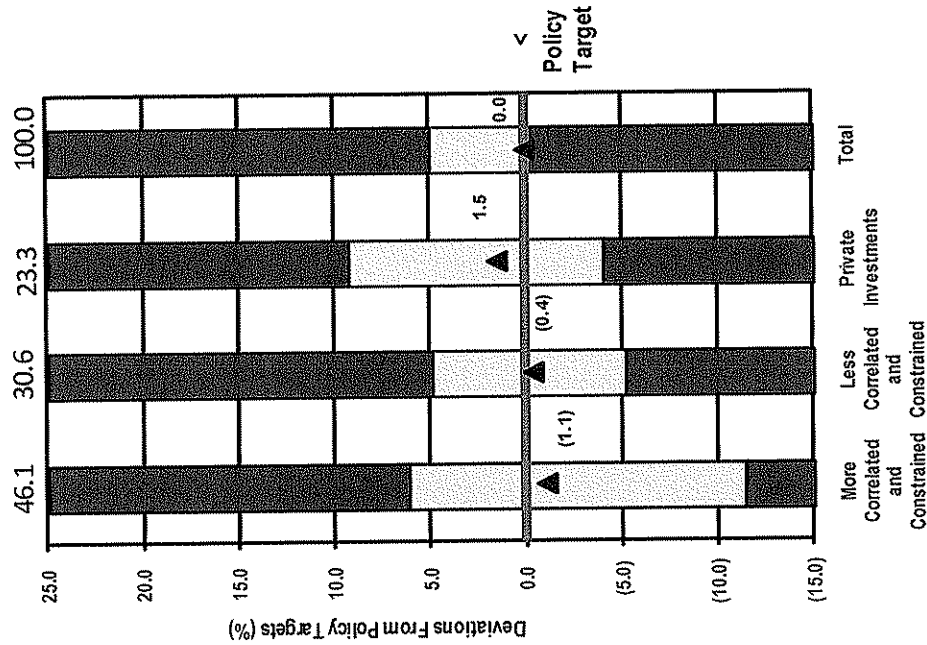


PUF Asset Allocation as of May 31, 2010

Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for PUF

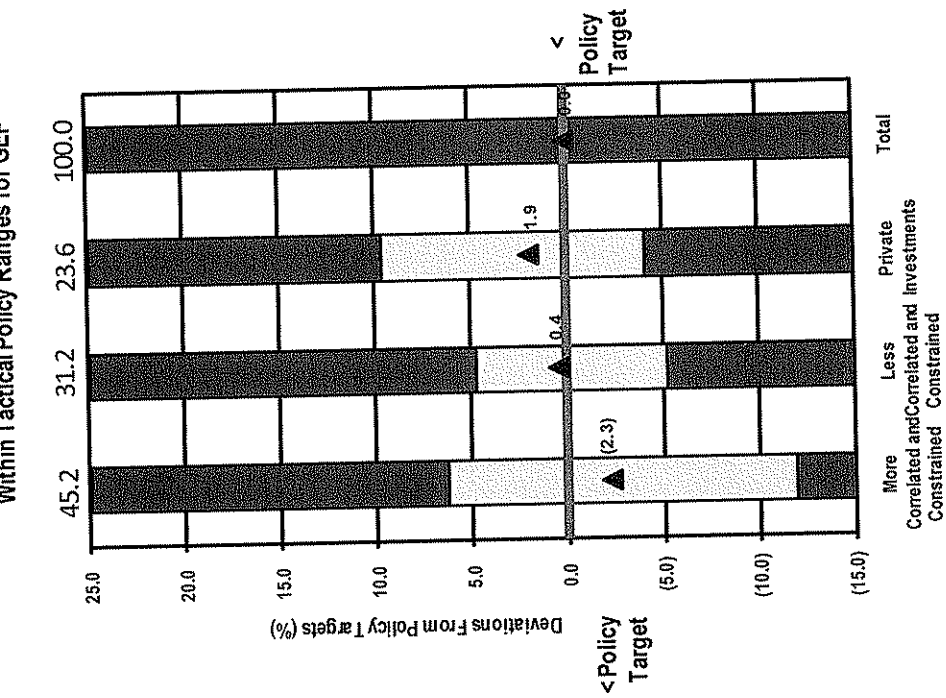


▲ -- All Investment Types ● -- More Correlated and Constrained

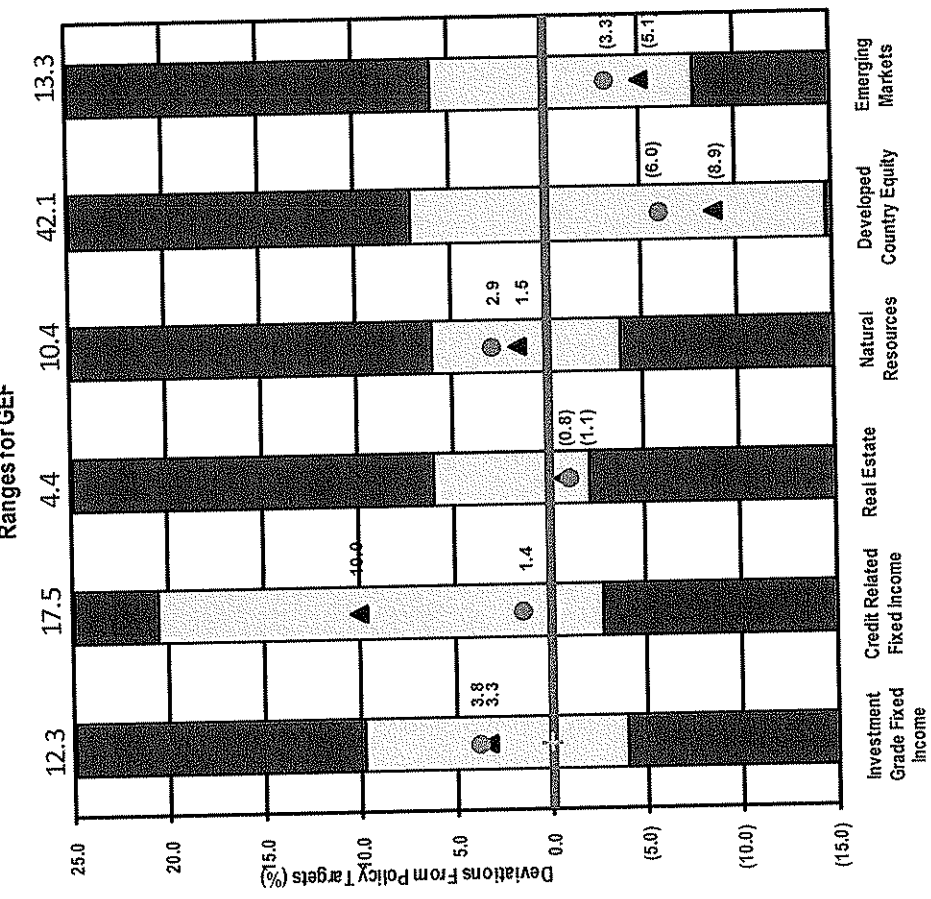


GEF Asset Allocation as of May 31, 2010

Deviations From Investment Type Policy Targets
Within Tactical Policy Ranges for GEF



Deviations From Asset Class Policy Targets Within Tactical Policy
Ranges for GEF



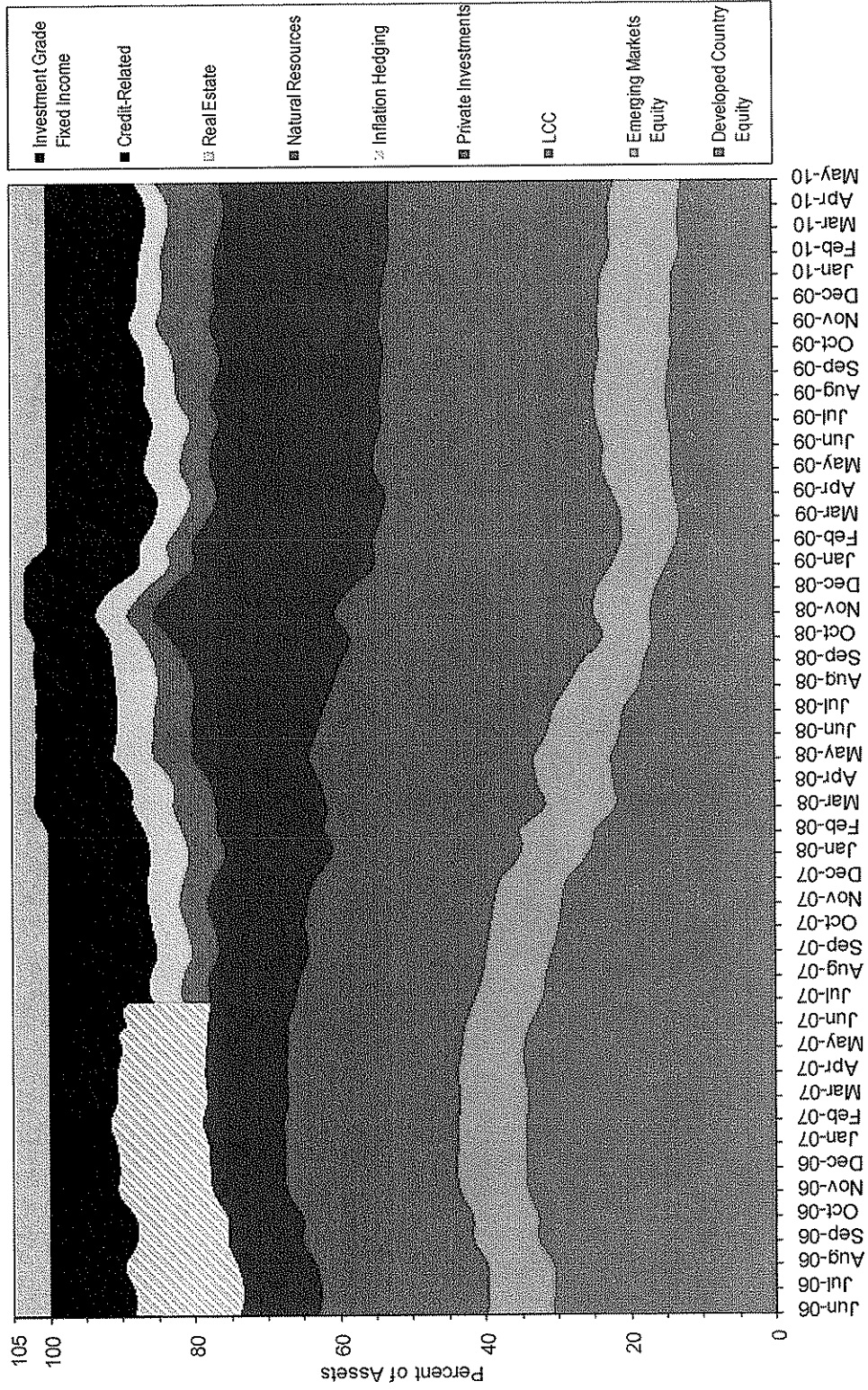
▲ -- All Investment Types

● -- More Correlated and Constrained



Asset Allocation Over Time (GEF)

Asset Allocation Over Time (GEF)





LCC Investment Policy Categorizations vs. "Look Thru" Exposures (4/30/2010)

Exposure Methodology Comparison			
	Policy	Look-Through	Difference
Investment Grade Fixed Income	1.5%	3.2%	1.7%
Credit-Related Fixed Income	8.1%	7.5%	-0.6%
Real Estate	0.6%	0.5%	-0.1%
Natural Resources	0.1%	0.5%	0.5%
Developed Country Equity	18.1%	15.8%	-2.3%
Emerging Markets Equity	2.5%	3.3%	0.9%
Less Correlated & Constrained	30.9%	30.9%	0.0%

UTIMCO FY Target Comparison			
Current per	8/31/10	Target	Difference
Policy			
	1.5%	2.0%	-0.5%
	8.1%	3.2%	4.9%
	0.6%	0.0%	0.6%
	0.1%	1.0%	-0.9%
	18.1%	20.6%	-2.4%
	2.5%	4.2%	-1.7%
	30.9%	30.9%	0.0%

April 30, 2010 Exposures (One Month Lag)

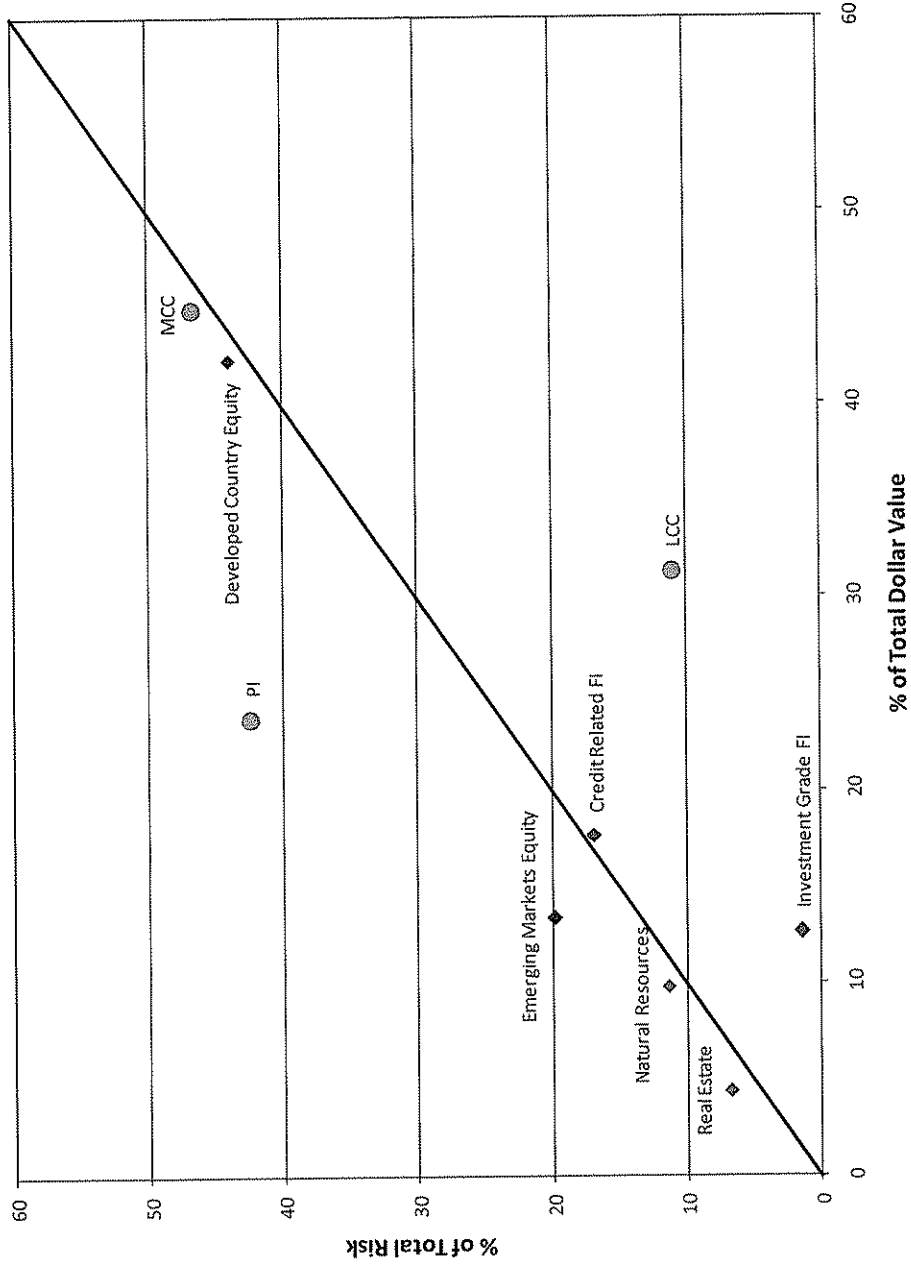
Asset Classification	Hedge Fund Strategy															
	Fixed Income (ex distressed)	Convertible Arbitrage	Currencies	Other Relative Value & Arbitrage	Investment Grade Fixed Income	Credit Related	Real Estate	Commodities	US Long/Short	Developed Int'l Long/Short	Equity Market Neutral	Merger Arbitrage	Privates & Restructurings	Developed Country Equity	Emerging Markets Long/Short	Total LCC
Fixed Income	0.4%	0.2%	0.5%	0.1%	1.0%	-	-	0.4%	0.0%	0.0%	-	-	-	0.1%	-	1.5%
Real Assets	0.5%	-	-	0.1%	0.8%	5.6%	0.5%	-	0.9%	0.1%	-	0.1%	0.5%	1.5%	0.2%	8.1%
Equity	-	-	-	-	-	0.1%	-	-	-	-	-	-	0.1%	-	-	0.6%
Total LCC	0.9%	0.9%	0.9%	0.5%	3.2%	7.5%	0.5%	0.5%	10.0%	3.5%	-	0.5%	1.8%	15.8%	3.5%	30.9%
Gross Leverage	11.45	2.36	9.97	2.59	7.10	1.16	1.96	1.49	2.04	2.43	0.00	1.57	1.18	2.01	1.68	2.28
Net Leverage	-4.08	0.15	2.50	-0.25	-0.54	0.85	0.21	1.40	0.54	0.31	0.00	0.60	1.08	0.55	0.53	0.52



Risk Analytics

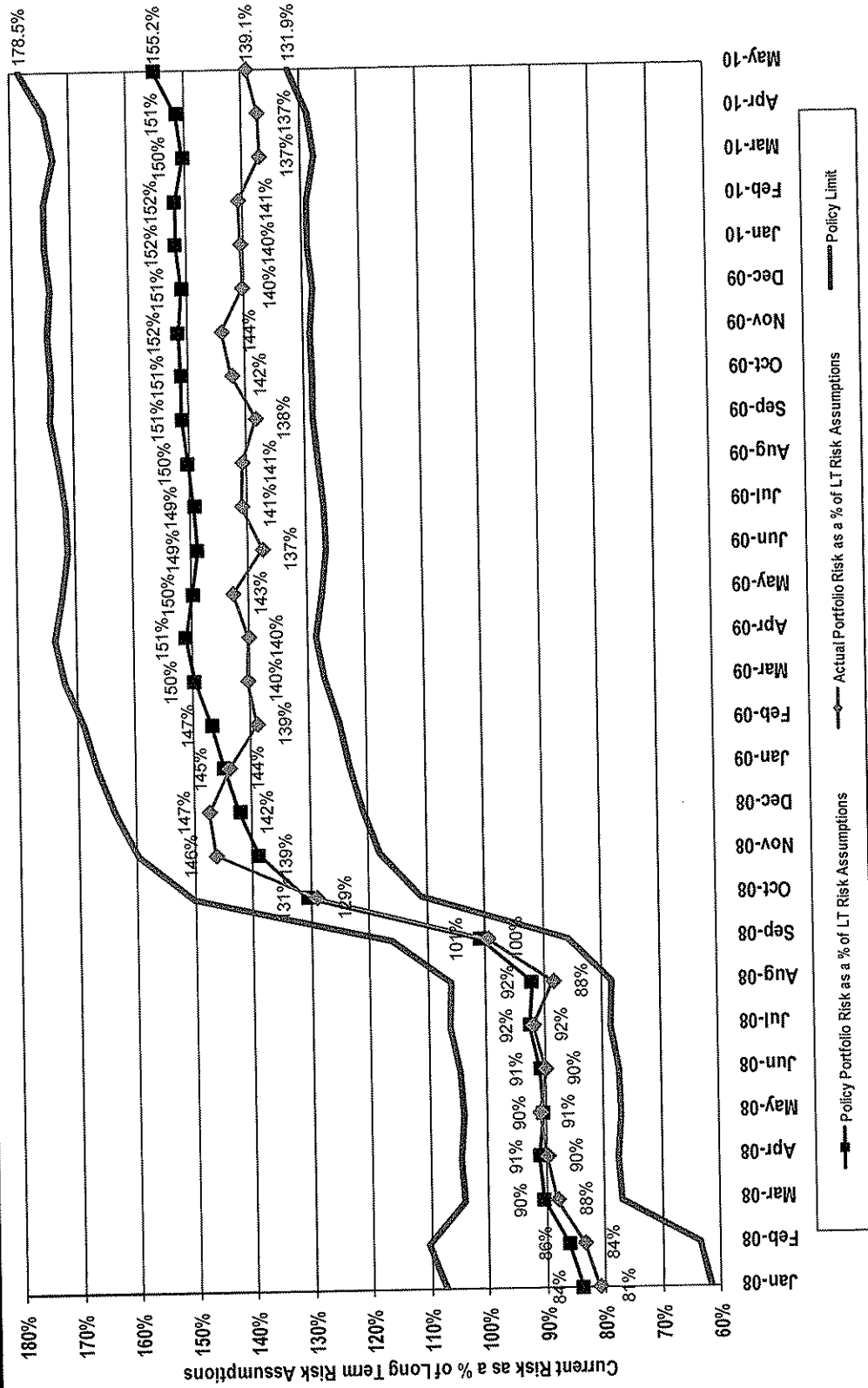


Dollar Allocations Compared to Downside Risk Allocation - GEF



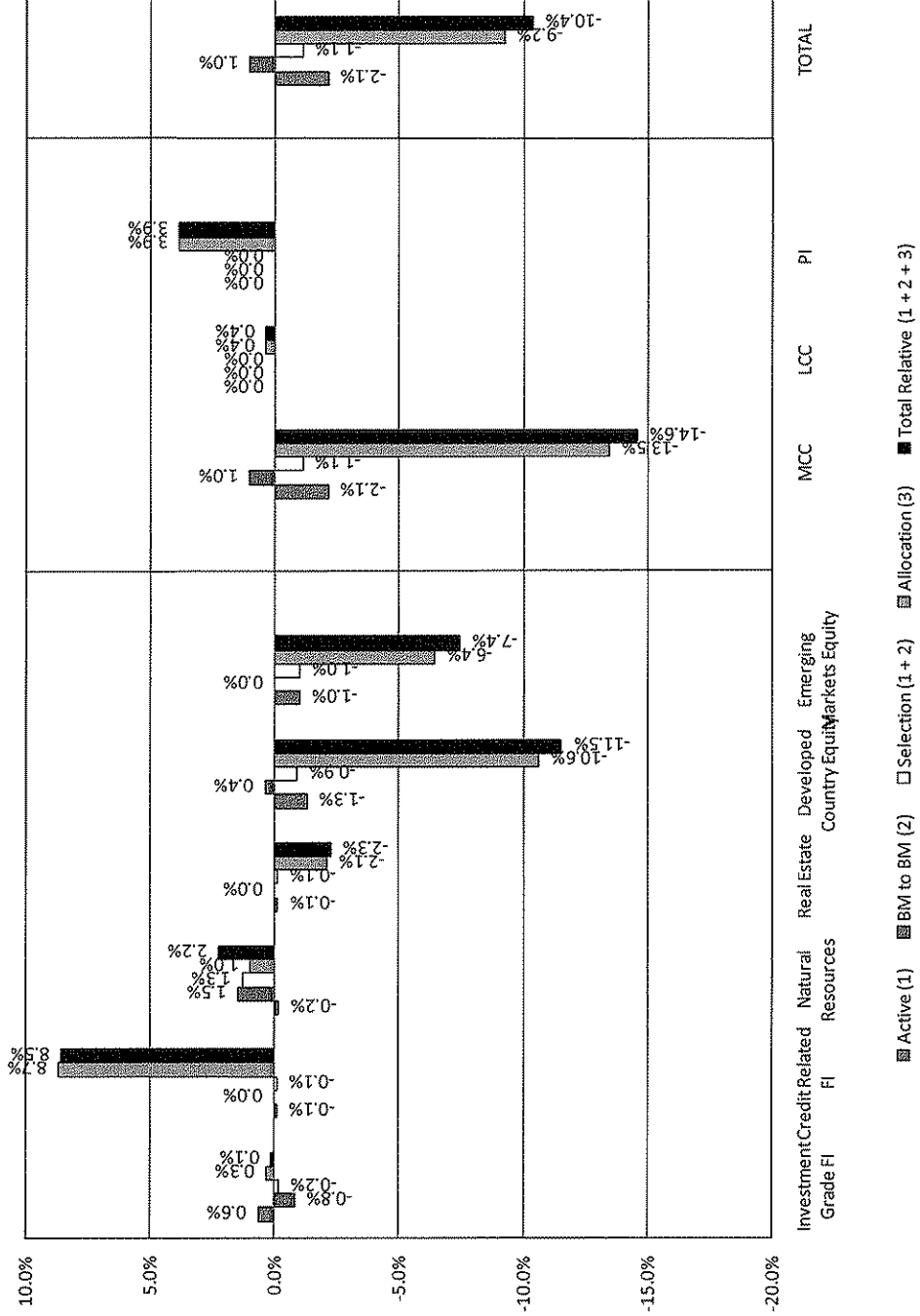


Current Risk Environment of GEF (Based on Downside Risk; LT assumption = 9.0%)





GEF 4-Way Risk Decomposition as of 5/31/2010



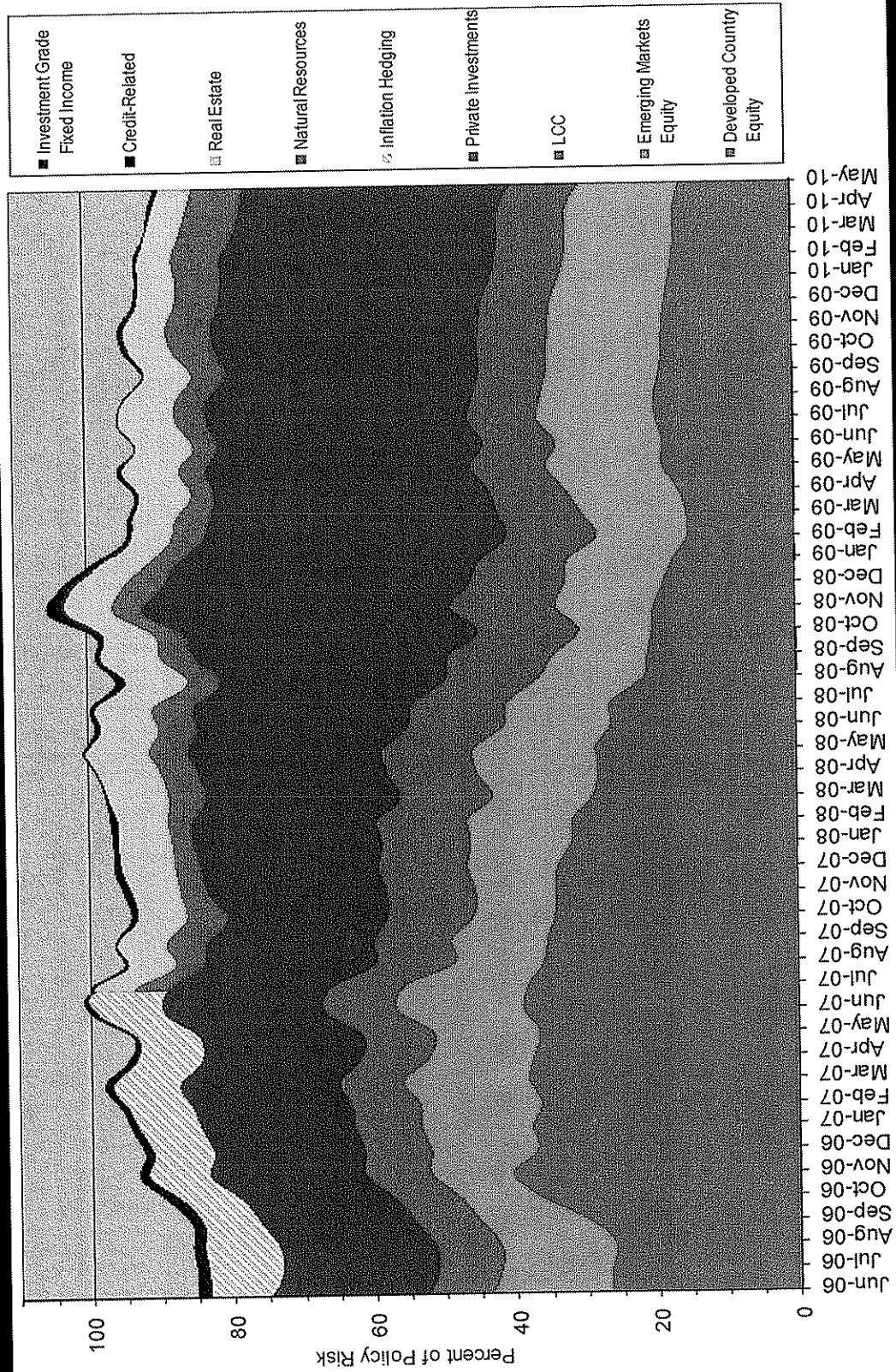


GEF Marginal Risk Contribution

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.08	0.03		0.07
Credit-Related Fixed Income	-0.06	0.52	0.58	0.50
Natural Resources	0.96	0.16	2.59	1.24
Real Estate	1.76	0.13	3.09	1.75
Developed Country Equity	1.37	0.30	2.14	1.11
Emerging Markets Equity	1.73	0.46	3.48	1.73
TOTAL	1.03	0.35	1.79	1.00



Risk Allocation Over Time (GEF)





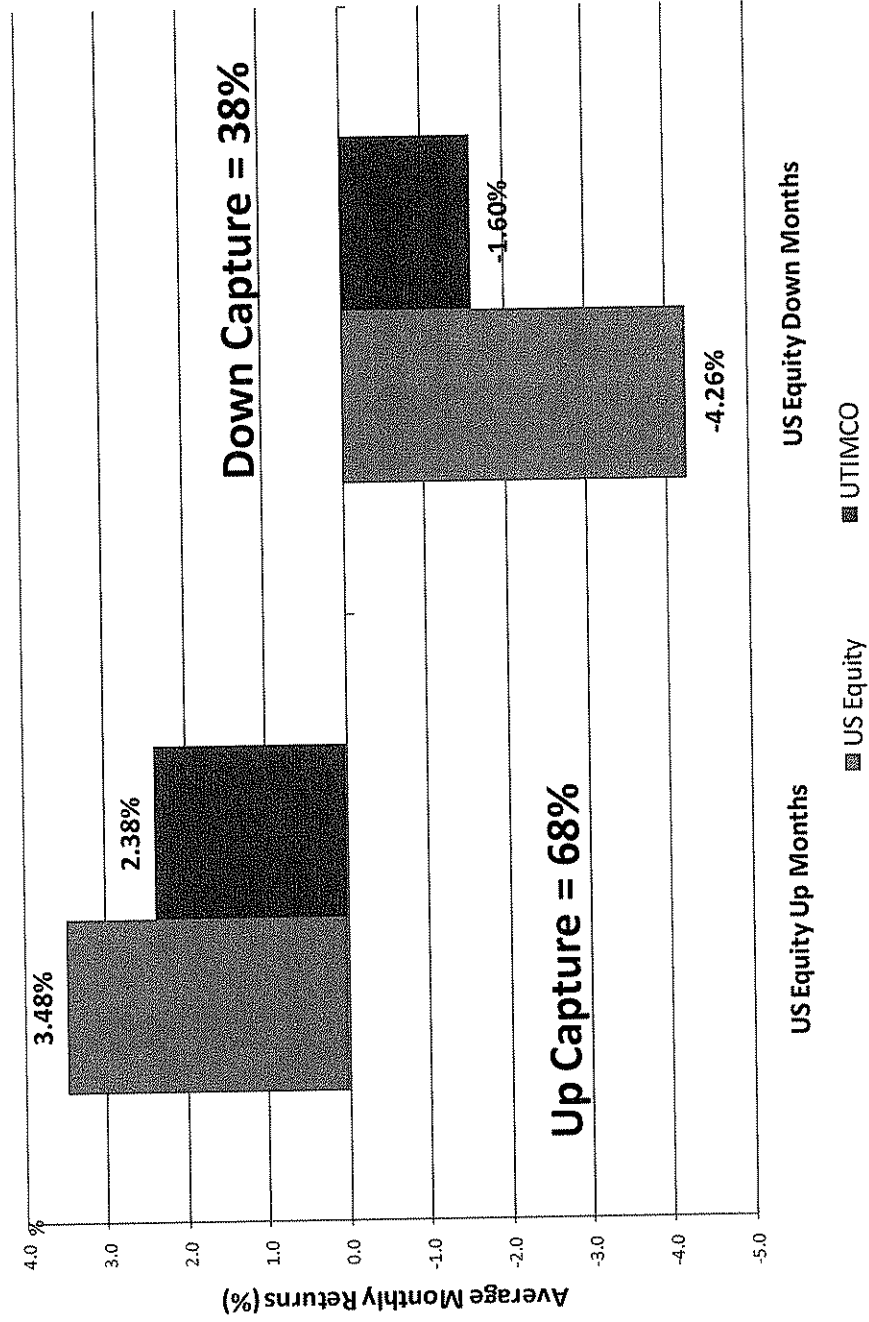
Portfolio Sharpe and Information Ratios

Periods Ending May 31, 2010

	Three Months	One Year	Three Years	Five Years	Ten Years
Actual Returns	0.67	18.84	-2.36	4.73	5.13
Risk-free Returns	0.03	0.16	1.70	2.81	2.74
Actual Volatility	5.41	7.09	12.15	10.00	9.30
Portfolio Sharpe Ratio	0.12	2.49	-0.33	0.19	0.26
Policy Returns	-0.47	11.00	-5.41	2.46	3.11
Policy Volatility	6.89	8.14	12.93	10.65	9.24
Tracking Error	1.51	2.06	2.97	2.53	2.56
Portfolio Information Ratio	0.76	3.32	1.02	0.90	0.79



UTIMCO's Up/Down Capture



Data from 8/1996 thru 5/2010. US equity had 70 down months and 96 up months



Correlations

Measured as of May 31, 2010

	Total IGFI	Total Credit	Total RE	Total NatRes	Total DC	Total EM	MCC	LCC	PI	GEF
Total IGFI	1.00	0.47	0.68	0.81	0.93	0.79	0.83	0.94	0.89	0.92
Total Credit		1.00	0.58	0.67	0.67	0.58	0.60	0.69	0.79	0.72
Total RE			1.00	0.74	0.80	0.88	0.92	0.65	0.63	0.84
Total NatRes				1.00	0.90	0.90	0.91	0.88	0.73	0.92
Total DC					1.00	0.90	0.93	0.97	0.87	0.99
Total EM						1.00	0.98	0.84	0.66	0.94
MCC							1.00	0.85	0.71	0.96
LCC								1.00	0.86	0.95
PI									1.00	0.86
GEF										1.00

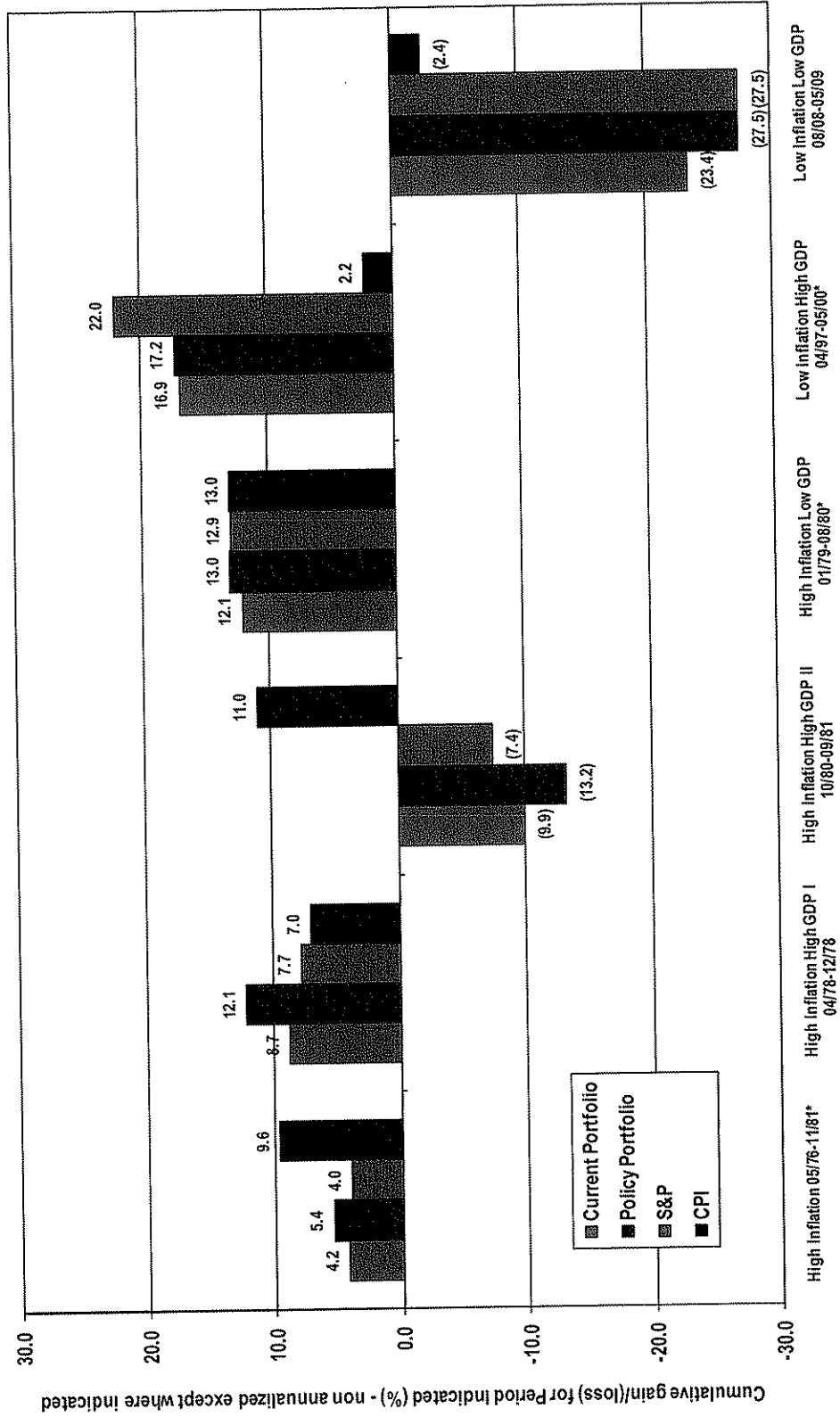


Stress Testing

- Stress testing library enhanced to 20 stress scenarios
 - 14 of the stress scenarios are short-term market shocks, ranging from a few days up to three months
 - 6 stress scenarios are longer terms economic shocks. The longest is 5½ years of high inflation, from 5/1976 till 11/1981



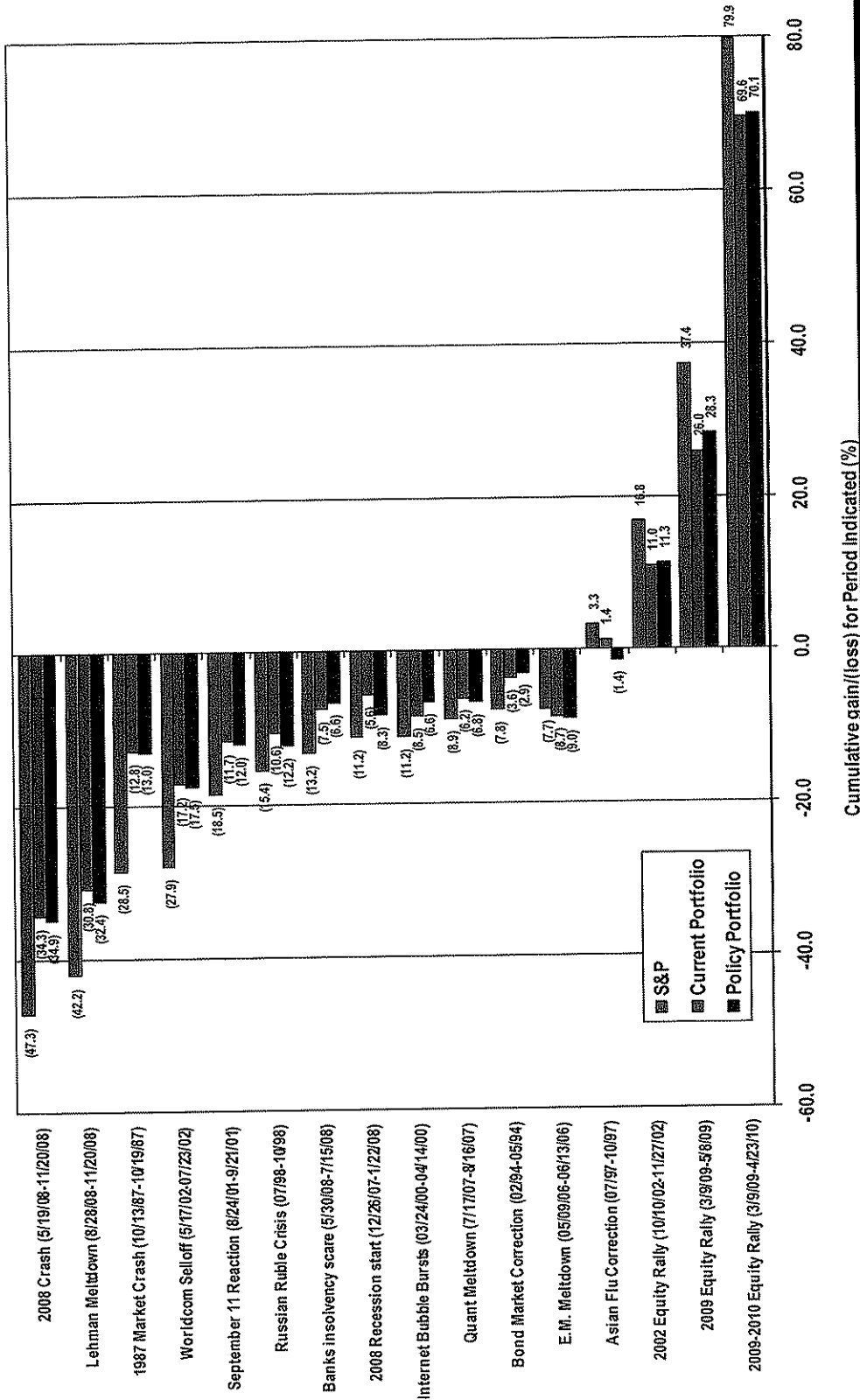
Hypothetical Performance of Current GEF Portfolio in Selected Economic Stress Environments



* Annualized



Hypothetical Performance of Current GEF Portfolio in Selected Market Stress Environments



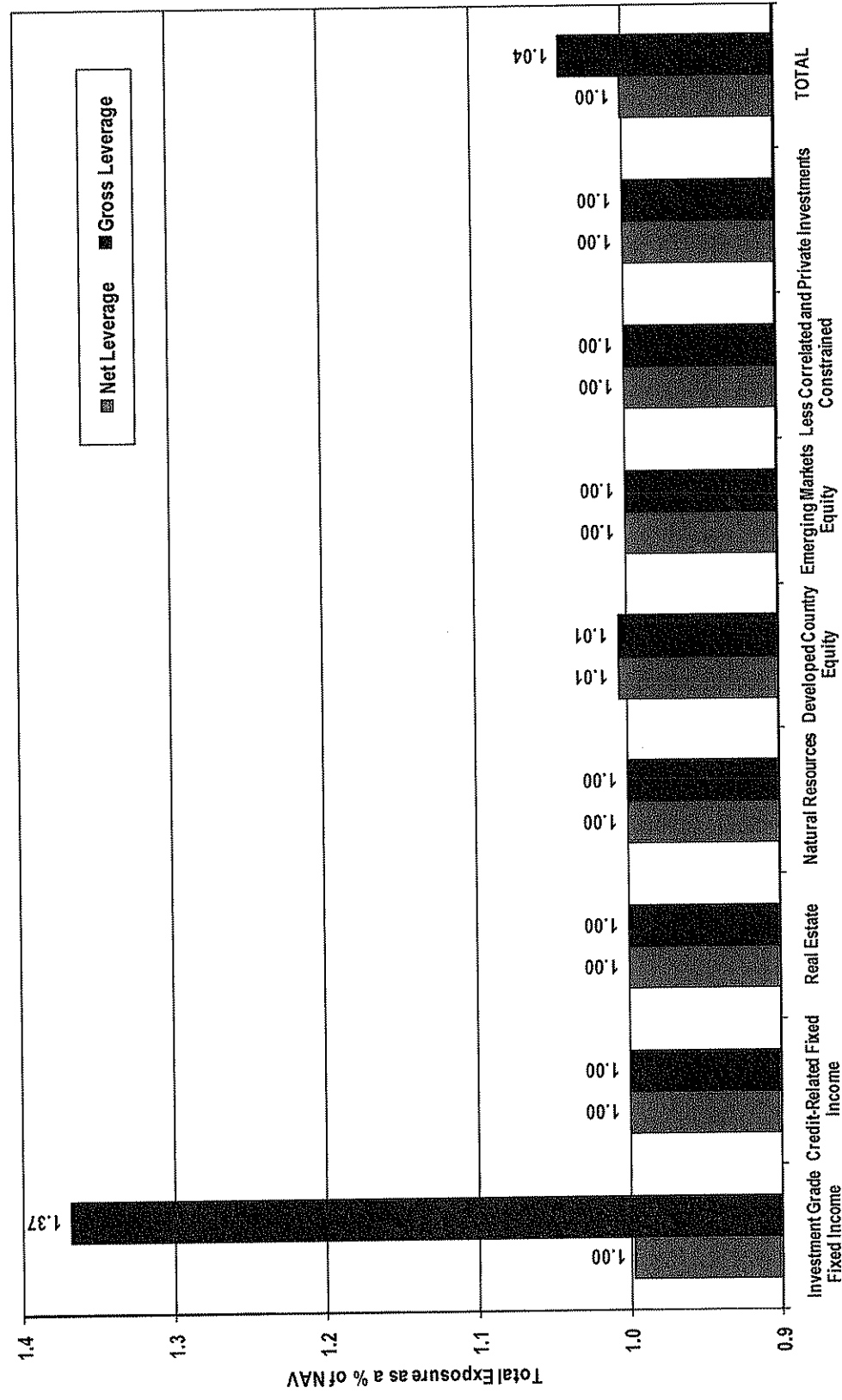


Leverage

- Derivatives
- Counterparty Risk



Net and Gross Leverage of GEF as of May 31, 2010





Comprehensive Derivative Report

May 31, 2010

<u>INTERNAL MANAGERS</u>	Derivative Strategy	Net Notional Value (\$ millions)	Activity from previous report (2/28/2010) (\$ millions)
<u>Manager</u>			
<u>Natural Resources</u>			
NR Swap	Long Natural Resource Equity / Short Libor	\$ -	(114)
MLP AMZI Index Swap	Long a basket of Infrastructure names (subset of Alerian Index)	57	57
Gold Futures	Long Gold futures	623	235
<u>Developed Country Equity</u>			
S&P 500 Futures	Long S&P 500 futures	122	(209)
<u>Non-US Developed Equity</u>			
Australian Swaps	Long Australian swaps	76	76
Canadian Swap	Long Canadian swaps	96	96
Japan Futures	Long Topix Index futures	-	(17)
India Japan FX Forwards	Currency forwards used to hedge foreign currency exposure	-	102
<u>Investment Grade Fixed Income</u>			
Inflation hedge	Long caplets on the 5y 10y CMS and on the 7y 10y CMS (Constant Maturity Swap)	4,000	-
Total Internal Managers		\$ 4,974	



Comprehensive Derivative Report

May 31, 2010

EXTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value (\$ millions)
Natural Resources		
Gresham	Long Exchange-traded commodity futures	\$ 301
Non-US Developed Equity		
International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure. Options for hedging purposes or to provide efficient investment exposure.	(13) 2
Lansdowne Europe	OTC sw aps to replicate long exposure to an underlying index or commodity; or contracts for differences (CfDs) on single name shares or a basket of shares.	13
Wellington (SFE and Emerging)	Purchased options on single name shares	3
Investment Grade Fixed Income		
Brandywine	Currency forwards used to hedge foreign currency exposure Short futures to reduce duration at the front end of the yield curve	(12) (637)
FIMCO Global Bonds	Currency forwards used to underwrite the US dollar Long US and Non-US futures used to overwrite duration in Eurozone Long futures used to overwrite front end of US and UK yield curves Receive interest rate sw aps used to overwrite duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve Pay interest rate sw aps used to overwrite duration in the Eurozone and underwrite intermediate portion of the Japanese yield curve Interest rate sw aps used to overwrite front end of US and UK yield curves	91 153 2 48 -
	Short/Written credit default sw aps used to overwrite credit risk	208
	Long/Purchased credit default sw aps used to underwrite credit risk	28
	Written options used to increase portfolio yield	(58)
	Purchased options used to increase portfolio yield	(192)
		-
	Total External Managers	\$ (63)
	GRAND TOTAL	\$ 4,911



Comprehensive Report on Derivative Investments May 31, 2010

Internal Managers		Purpose of Investment	
Derivative Investment (account name)	PUF/GEF	ITF	Purpose of Investment
S&P 500	PUF/GEF	ITF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization), possibly without committing capital (i.e. creating financial leverage)
Gold Futures	PUF/GEF/ITF		Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
NR Swaps	PUF/GEF/ITF		Use derivatives to gain market (systematic) exposure without trading the physical commodity
MLP AMZ Index Swap	PUF/GEF/ITF		Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities or the physical commodities and add value over the index by taking advantage of the borrow rate.
Australian Swap	PUF/GEF/ITF		Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of the borrow rate.
Canadian Swap	PUF/GEF/ITF		Use derivatives in order for Funds to gain market (systematic) exposure without trading the underlying cash market securities and add value over the index by taking advantage of the borrow rate.
Currency forwards	PUF/GEF/ITF		Hedge foreign currency exposure on investment made in local foreign equity markets
Inflation hedge	PUF/GEF/ITF		Purchase options on forward 10 year swap rates to generate an "insurance" payoff if rates rise significantly in response to inflation expectations - downside limited to premium paid

External Managers Under Agency Agreement		Primary Use of Derivatives	
Derivative Investment (account name)	PUF/GEF	ITF	Primary Use of Derivatives
Brandywine	PUF/GEF/ITF		Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX exposure
Dynamo	PUF/GEF/ITF		May invest in listed and OTC swaps and other equity and fixed income instruments, CFDs, MBS, currencies and commodities for the purpose of replicating long exposure and for hedging purposes
Gresham	PUF/GEF/ITF		Use derivatives to gain market (systematic) exposure without trading the physical commodity
International Value Advisors	PUF/GEF/ITF		May invest in currency forward contracts, futures, options and swaps for hedging purposes or to provide efficient investment exposure
Lansdowne	PUF/GEF/ITF		Currency forwards used to hedge non-USD exposure; may invest in swaps or CFDs to replicate long equity exposure; may purchase options to obtain efficient market exposure
PIMCO Global Bonds	PUF/GEF/ITF		May invest in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates among foreign currencies
Wellington Management Company	PUF/GEF/ITF		May invest in currency forward contracts, fully collateralized futures, options and swaps to reduce risk or provide efficient investment exposure



OTC Derivative Counterparty Report

May 31, 2010

\$ millions (net of posted cash collateral)

Counterparty	S & P Counterparty Rating	Mark-to-Market Owed by Broker	Mark-to-Market Owed by UTIMCO	Total Mark-to-Market	Percentage of Total Funds	Notional Value
BARCLAYS	A+	\$ 14.4	(1.2)	\$ 13.2	0.06%	\$ 1,848
MORGAN STANLEY	A	4.1	(1.0)	3.1	0.02%	1,169
CITIBANK NY	A+	4.0	(5.0)	(1.0)	0.00%	242
DEUTSCHE BANK AG	A+	1.5	(0.7)	0.8	0.00%	89
MELLON BANK	AA-	1.0	-	1.0	0.00%	14
ROYAL BANK OF SCOTLAND PLC	A	1.0	(1.1)	(0.1)	0.00%	268
GOLDMAN SACHS	A	0.7	1.0	1.7	0.01%	1,564
CS FIRST BOSTON GBL FOREIGN EXCH	A	0.4	(0.1)	0.3	0.00%	5
BANK OF AMERICA	A	0.3	(0.1)	0.2	0.00%	60
CHASE MANHATTAN	A+	0.3	(0.2)	0.1	0.00%	16
HSBC BK USA, NEW YORK	AA-	0.2	(2.9)	(2.7)	-0.01%	156
J P MORGAN, CHASE	A+	0.2	(3.7)	(3.5)	-0.02%	184
BNP PARIBAS	AA	0.1	(0.2)	(0.1)	0.00%	14
UBS A G, ZURICH	A+	-	-	-	0.00%	6
ROYAL BANK OF CANADA	AA-	-	(0.1)	(0.1)	0.00%	6
MERRILL LYNCH	A	-	-	-	0.00%	3
CREDIT SUISSE FIRST	A	(0.3)	(0.1)	(0.4)	0.00%	10
UBS AG, STAMFORD	A+	(0.5)	(0.4)	(0.9)	0.00%	44
Grand Total		\$ 27.4	\$ (15.8)	\$ 11.6	0.06%	\$ 5,698



OTC Derivative Counterparty Report by Counterparty and Manager May 31, 2010

\$ millions (net of posted cash collateral)

Counterparty	Manager	S & P Counterparty Rating	Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark- to-Market	Percentage of Total Funds	Notional Value
INTERNALLY MANAGED							
BARCLAYS	INFLATION HEDGE	A+	9.5	\$ -	\$ 9.5	0.05%	\$ 1,500
BARCLAYS Total			9.5	-	9.5	0.05%	1,500
GOLDMAN SACHS	INFLATION HEDGE	A	0.4	-	0.4	0.00%	1,500
GOLDMAN SACHS Total			0.4	-	0.4	0.00%	1,500
J P MORGAN, CHASE	AUSTRALIA SWAP	A+	-	(2.1)	(2.1)	-0.01%	76
J P MORGAN, CHASE	CANADA SWAP	A+	-	0.9	0.9	0.00%	96
J P MORGAN, CHASE Total			-	(1.2)	(1.2)	-0.01%	172
MORGAN STANLEY	NR EQUITY SWAP	A	-	(0.1)	(0.1)	0.00%	-
MORGAN STANLEY	MLP AMZL INDEX NR SWAP	A	2.1	-	2.1	0.01%	57
MORGAN STANLEY	INFLATION HEDGE	A	(0.3)	-	(0.3)	0.00%	1,000
MORGAN STANLEY Total			1.8	(0.1)	1.7	0.01%	1,057
Grand Total Internally Managed			11.7	(1.3)	10.4	0.05%	4,229
EXTERNALLY MANAGED							
BANK OF AMERICA	PMCO FIXED INCOME	A	0.3	(0.1)	0.2	0.00%	60
BANK OF AMERICA Total			0.3	(0.1)	0.2	0.00%	60
BARCLAYS	BRANDYWINE GLOBAL	A+	5.2	(0.3)	4.9	0.02%	77
BARCLAYS	PMCO FIXED INCOME	A+	(0.3)	(0.9)	(1.2)	-0.01%	271
BARCLAYS Total			4.9	(1.2)	3.7	0.01%	348
BNP PARIBAS	PMCO FIXED INCOME	AA	0.1	(0.2)	(0.1)	0.00%	14
BNP PARIBAS Total			0.1	(0.2)	(0.1)	0.00%	14
CHASE MANHATTAN	PMCO FIXED INCOME	A+	0.3	(0.2)	0.1	0.00%	16
CHASE MANHATTAN Total			0.3	(0.2)	0.1	0.00%	16
CITIBANK NY	BRANDYWINE GLOBAL	A+	3.6	(4.5)	(0.9)	0.00%	176
CITIBANK NY	PMCO FIXED INCOME	A+	0.4	(0.5)	(0.1)	0.00%	68
CITIBANK NY Total			4.0	(5.0)	(1.0)	0.00%	242
CREDIT SUISSE FIRST	PMCO FIXED INCOME	A	(0.3)	(0.1)	(0.4)	0.00%	10
CREDIT SUISSE FIRST Total			(0.3)	(0.1)	(0.4)	0.00%	10
CS FIRST BOSTON GBL FOREIGN EXCH	PMCO FIXED INCOME	A	0.4	(0.1)	0.3	0.00%	5
CS FIRST BOSTON GBL Total			0.4	(0.1)	0.3	0.00%	5



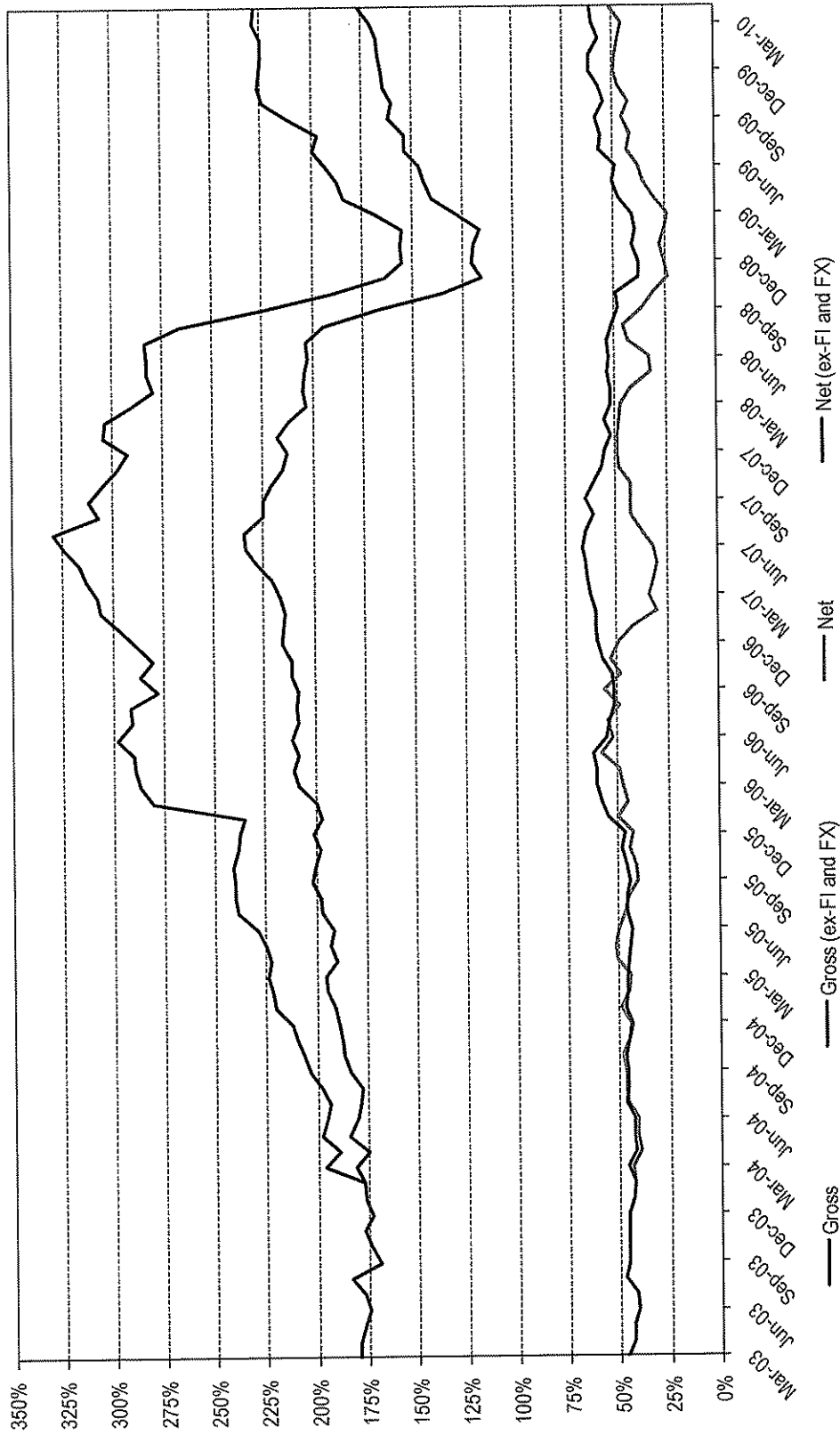
OTC Derivative Counterparty Report by Counterparty and Manager May 31, 2010

\$ millions (net of posted cash collateral)

Counterparty	Manager	S & P Counterparty Rating	Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark- to-Market	Percentage of Total Funds	National Value
DEUTSCHE BANK AG	PMCO FIXED INCOME	A+	0.4	(0.7)	(0.3)	0.00%	88
DEUTSCHE BANK AG	WELLINGTON EMERGING	A+	0.3	-	0.3	0.00%	-
DEUTSCHE BANK AG	WELLINGTON SFC E	A+	0.8	-	0.8	0.00%	1
DEUTSCHE BANK AG Total			1.5	(0.7)	0.8	0.00%	89
GOLDMAN SACHS	PMCO FIXED INCOME	A	0.2	(0.2)	-	0.00%	54
GOLDMAN SACHS	LAUSDOWNE EUROPE SA	A	0.1	-	0.1	0.00%	2
GOLDMAN SACHS	LAUSDOWNE/GOLDMAN	A	-	1.2	1.2	0.01%	8
GOLDMAN SACHS Total			0.3	1.0	1.3	0.01%	64
HSBC BK USA, NEW YORK	BRANDYWINE GLOBAL	AA-	0.1	(2.7)	(2.6)	0.00%	130
HSBC BK USA, NEW YORK	PMCO FIXED INCOME	AA-	0.1	(0.2)	(0.1)	0.00%	26
HSBC BK USA, NEW YORK Total			0.2	(2.9)	(2.7)	-0.01%	156
J P MORGAN, CHASE	PMCO FIXED INCOME	A+	-	(2.5)	(2.5)	0.00%	12
J P MORGAN, CHASE	WELLINGTON EMERGING	A+	0.2	-	0.2	0.00%	-
J P MORGAN, CHASE Total			0.2	(2.5)	(2.3)	-0.01%	12
MELLON BANK	INTERNATIONAL VALUE ADVISORS	AA-	1.0	-	1.0	0.00%	14
MELLON BANK Total			1.0	-	1.0	0.00%	14
MERRILL LYNCH	PMCO FIXED INCOME	A	-	-	-	0.00%	3
MERRILL LYNCH Total			-	-	-	0.00%	3
MORGAN STANLEY	BRANDYWINE GLOBAL	A	1.5	-	1.5	0.01%	17
MORGAN STANLEY	PMCO FIXED INCOME	A	0.3	(0.7)	(0.4)	0.00%	92
MORGAN STANLEY	WELLINGTON EMERGING	A	0.4	-	0.4	0.00%	-
MORGAN STANLEY	LAUSDOWNE EUROPE SA	A	0.1	(0.2)	(0.1)	0.00%	3
MORGAN STANLEY Total			2.3	(0.9)	1.4	0.01%	112
ROYAL BANK OF CANADA	PMCO FIXED INCOME	AA-	-	(0.1)	(0.1)	0.00%	6
ROYAL BANK OF CANADA Total			-	(0.1)	(0.1)	0.00%	6
ROYAL BANK OF SCOTLAND PLC	PMCO FIXED INCOME	A	1.0	(1.1)	(0.1)	0.00%	288
ROYAL BANK OF SCOTLAND PLC Total			1.0	(1.1)	(0.1)	0.00%	288
UBS A G, ZURICH	PMCO FIXED INCOME	A+	-	-	-	0.00%	6
UBS A G, ZURICH Total			-	-	-	0.00%	6
UBS AG, STAMFORD	BRANDYWINE GLOBAL	A+	-	(0.4)	(0.4)	0.00%	13
UBS AG, STAMFORD	PMCO FIXED INCOME	A+	(0.5)	-	(0.5)	0.00%	31
UBS AG, STAMFORD Total			(0.5)	(0.4)	(0.9)	0.00%	44
Grand Total Externally Managed			15.7	(14.5)	1.2	0.01%	1,469
GRAND TOTAL - ALL MANAGERS			\$ 27.4	\$ (15.8)	\$ 11.6	0.06%	\$ 5,688



LCC Leverage as of April 30, 2010



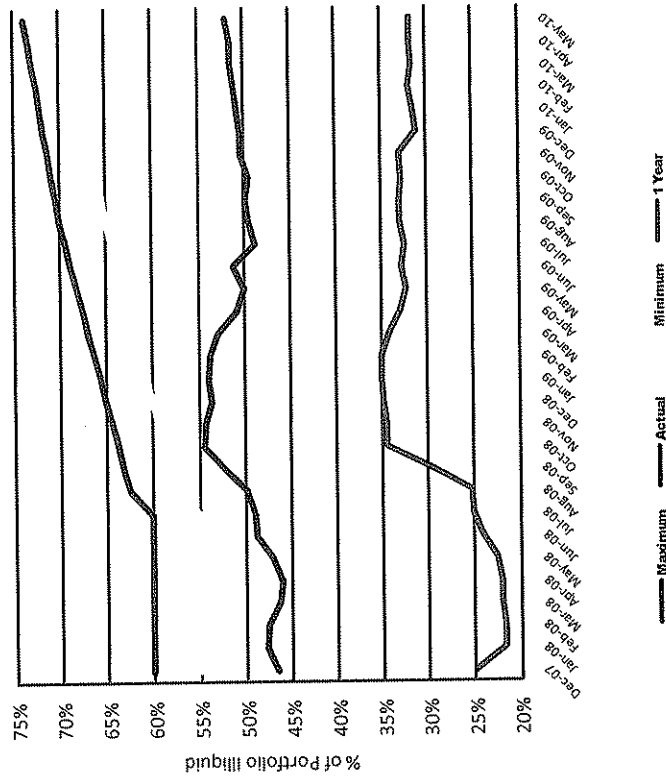


Liquidity



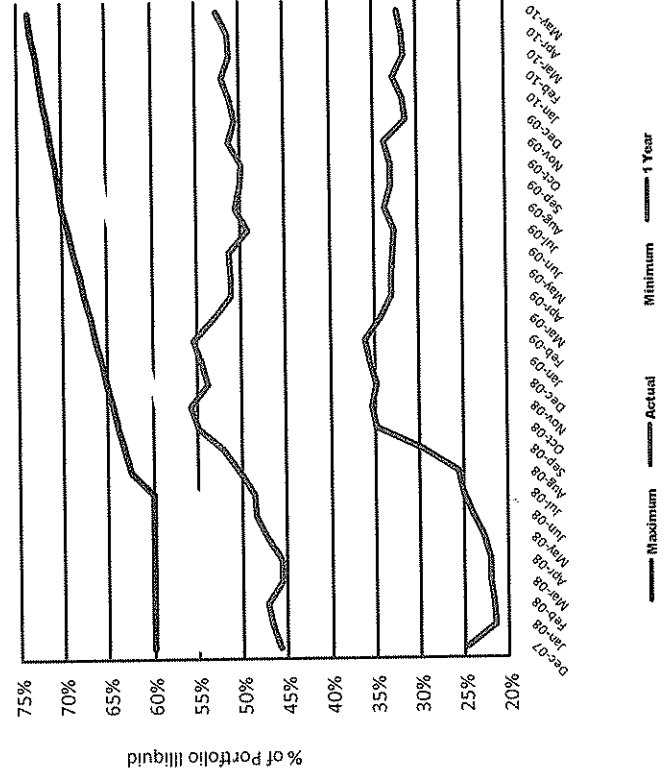
Endowment Fund Liquidity

**Permanent University Fund
Actual Illiquidity vs. Trigger Zones**



Three Month Liquidity \$ 5,061 million One Year Liquidity \$ 7,180 million

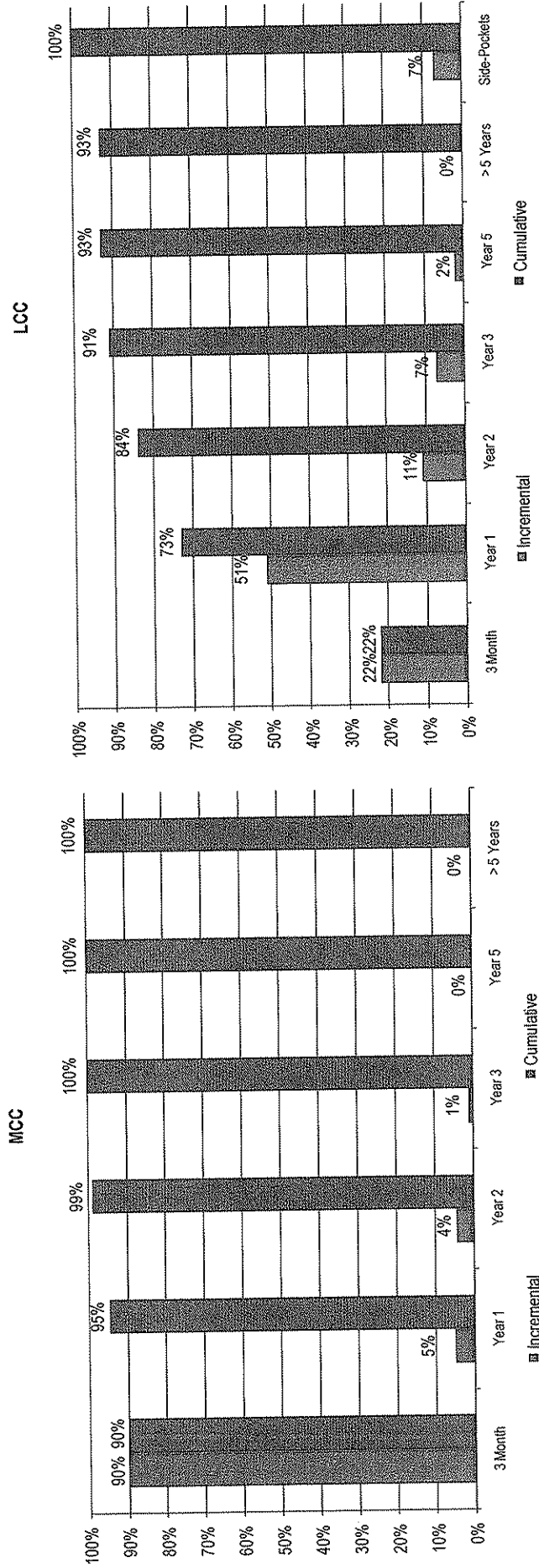
**General Endowment Fund
Actual Illiquidity vs. Trigger Zones**



Three Month Liquidity \$ 2,786 million One Year Liquidity \$ 3,984 million



Estimated Run-Off Liquidity* As of May 31, 2010



*Actual point in time liquidity varies from "smoothed" Policy Liquidity methodology



Unfunded Commitments As of May 31, 2010

Asset Class	Unfunded Commitment	Unfunded Commitment as % of Total Endowments
PRIVATE INVESTMENTS		
TRADING	\$28	0.2%
CONTROL	102	0.6%
OPPORTUNISTIC	184	1.1%
CREDIT-RELATED FIXED INCOME	314	1.9%
REAL ESTATE	194	1.2%
NATURAL RESOURCES	421	2.6%
MEGALARGE BUYOUT	201	1.2%
MEDIUM/SMALL BUYOUT	467	2.9%
VENTURE CAPITAL	349	2.1%
GROWTH/OPPORTUNISTIC	142	0.9%
DEVELOPED MARKETS EQUITY	1,159	7.1%
EMERGING MARKETS EQUITY	332	2.0%
TOTAL PRIVATE INVESTMENTS	\$2,420	14.8%
LESS CORRELATED AND CONSTRAINED		
INVESTMENT GRADE FIXED INCOME	\$ -	0.0%
CREDIT-RELATED FIXED INCOME	6	0.0%
REAL ESTATE	-	0.0%
NATURAL RESOURCES	-	0.0%
DEVELOPED MARKETS EQUITY	-	0.0%
EMERGING MARKETS EQUITY	8	0.1%
TOTAL LESS CORRELATED AND CONSTRAINED	\$14	0.1%
GRAND TOTAL PI AND LCC	\$2,434	14.9%
TOTAL ENDOWMENTS HOLDINGS	\$16,397	
MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY		29.4%



Investment Activity



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Quarter ended May 31, 2010

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid	
	MCC	LCC	Private	Total	MCC	LCC		Private
Investment Grade Fixed Income								
BGI Global Agg Bond Fund	300	-	-	300	-	-	-	-
	300	-	-	300	-	-	-	-
Credit-Related Fixed Income								
Watershed	37	-	-	37	-	-	-	-
Angelo Gordon	20	-	-	20	-	-	-	-
Satellite	-	3	-	3	-	-	-	-
Blackstone	-	1	-	1	-	-	-	-
Fortress Credit Opportunities	-	-	-	-	-	100	-	100
OCM Opportunities	-	-	-	-	-	30	-	30
Perry Partners	-	-	-	-	-	25	-	25
Silver Point	-	-	-	-	-	25	-	25
	57	4	-	61	-	50	130	180
Real Estate								
GEM Realty	-	-	-	-	-	25	-	25
	-	-	-	-	-	25	-	25
Natural Resources								
Gresham	50	-	-	50	-	-	-	-
Schroders Commodity Portfolio	-	-	-	-	50	-	-	50
BlackRock Mining & Metals	-	-	-	-	50	-	-	50
Resource Capital	-	-	-	-	-	-	50	50
	50	-	-	50	100	-	50	150



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Quarter ended May 31, 2010

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid	
	MCC	LCC	Private	Total	MCC	LCC		Private
<u>Developed Country Equity</u>								
BlackRock EAFE	70	-	-	70	-	-	-	-
Wellington Special Eq	60	-	-	60	-	-	-	-
Carlyle Partners	-	-	50	50	-	-	-	-
Lansdowne Europe	35	-	-	35	-	-	-	-
Highside	-	31	-	31	-	-	-	-
Shepherd Investments (Stark)	-	5	-	5	-	-	-	-
Rock Creek	-	4	-	4	-	-	-	-
Internal US Quality basket	-	-	-	-	175	-	-	175
Francisco Partners III	-	-	-	-	-	75	-	75
Viking Long Only	-	-	-	-	60	-	-	60
Indus Japan Long Only	-	-	-	-	50	-	-	50
OZ Europe	-	-	-	-	-	50	-	50
OZ Asia	-	-	-	-	-	50	-	50
Cadian	-	-	-	-	-	25	-	25
Eminence	-	-	-	-	-	25	-	25
Indus Japan	-	-	-	-	-	25	-	25
Owl Creek	-	-	-	-	-	25	-	25
Steadfast	-	-	-	-	-	25	-	25
Stelliam	-	-	-	-	-	25	-	25
Maverick Long Enhanced	-	-	-	-	25	-	-	25
International Value Advisors	-	-	-	-	20	-	-	20
	165	40	50	255	355	225	75	655
<u>Emerging Markets Equity</u>								
BlackRock EMSI	96	-	-	96	-	-	-	-
Northstar Equity	-	-	-	-	-	-	40	40
Hillhouse	-	-	-	-	8	-	-	8
	96	-	-	96	8	-	40	48
	\$ 668	\$ 44	\$ 50	\$ 762	\$ 463	\$ 300	\$ 295	\$ 1,058



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Year To Date May 31, 2010

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid	
	MCC	LCC	Private	Total	MCC	LCC		Private
Investment Grade Fixed Income								
BGI Global Agg Bond Fund	339	-	-	339	-	-	-	-
PIMCO	75	-	-	75	-	-	-	-
Bridgewater II	-	-	-	-	15	-	-	15
	414	-	-	414	-	15	-	15
Credit-Related Fixed Income								
BlackRock High Yield Bond Fund	114	-	-	114	-	-	-	-
Watershed RMBS	69	-	-	69	-	-	-	-
Satellite	-	39	-	39	-	-	-	-
Angelo Gordon CMBS	20	-	-	20	30	-	-	30
Blackstone	-	5	-	5	-	-	-	-
Fortress Credit Opportunities	-	-	-	-	-	100	-	100
Silver Point	-	-	-	-	-	50	-	50
OCM Opportunities	-	-	-	-	-	-	30	30
Perry Partners	-	-	-	-	-	25	-	25
Watershed	-	-	-	-	-	25	-	25
	203	44	-	247	30	100	130	260
Real Estate								
BlackRock ex-US Real Estate Index Fund	143	-	-	143	7	-	-	7
Credit Suisse	104	-	-	104	-	-	-	-
Cohen & Steers	72	-	-	72	21	-	-	21
Morgan Stanley REITs	52	-	-	52	-	-	-	-
European Investors	23	-	-	23	-	-	-	-
Security Capital	21	-	-	21	15	-	-	15
GEM Realty	-	-	-	-	-	75	-	75
	415	-	-	415	43	75	-	118
Natural Resources								
Gresham	250	-	-	250	93	-	-	93
Black River	-	2	-	2	-	-	-	-
Schroders Commodity Portfolio	-	-	-	-	250	-	-	250
BlackRock Mining & Metals	-	-	-	-	95	-	-	95
EnCap Energy	-	-	-	-	-	-	67	67
Energy Opportunities	-	-	-	-	60	-	-	60
Resource Capital	-	-	-	-	-	-	50	50
	250	2	-	252	498	-	117	615



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Year To Date May 31, 2010

	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid
	MCC	LCC	Private	MCC	LCC	Private	
Developed Country Equity							
BlackRock EAFE	240	-	-	-	-	-	-
Westport	153	-	-	-	-	-	-
Blue Ridge	-	75	-	-	-	-	-
Value Act	75	-	-	-	-	-	-
Lansdowne Europe	65	-	-	-	-	-	-
Wellington Special Eq	60	-	50	-	-	-	-
Carlyle Partners	-	-	-	-	-	-	-
Levin Utilities	40	-	-	-	-	-	-
New Mountain	38	-	-	-	-	-	-
Shepherd Investments (Stark)	-	33	-	-	-	-	-
Highside	-	31	-	-	-	-	-
Rock Creek	-	7	-	-	-	-	-
FCOI II	-	3	-	-	-	-	-
Viking Long Fund III	-	-	-	210	-	-	210
Internal US Quality basket	-	-	-	175	-	-	175
Indus Japan Long	-	-	-	150	-	-	150
Stelliam Offshore Long Fund	-	-	-	125	-	-	125
Owl Creek	-	-	-	-	115	-	115
International Value Advisors	-	-	-	95	-	-	95
Viking Global III	-	-	-	-	75	-	75
Francisco Partners III	-	-	-	-	-	75	75
Steadfast	-	-	-	-	65	-	65
OZ Europe	-	-	-	-	50	-	50
OZ Asia	-	-	-	-	50	-	50
Deerfield International	-	-	-	-	50	-	50
Cadian	-	-	-	-	50	-	50
Emittance	-	-	-	-	45	-	45
Indus Japan	-	-	-	-	25	-	25
Maverick Long Enhanced	-	-	-	25	-	-	25
Criterion	-	-	-	-	-	20	20
	671	149	50	780	545	75	1,400
Emerging Markets Equity							
BlackRock EMSI	190	-	-	-	-	-	-
Lazard	120	-	-	-	-	-	-
Rexiter	118	-	-	-	-	-	-
Wellington Emerging	-	-	-	144	-	-	144
Hillhouse Gicing Feeder Fund	-	-	-	108	-	-	108
Helios Investors II	-	-	-	-	-	50	50
Northstar Equity	-	-	-	-	-	40	40
Valiant	-	-	-	-	25	-	25
Russian Prosperity	-	-	-	20	-	-	20
	428	-	-	272	25	90	387
	\$ 2,381	\$ 195	\$ 50	\$ 1,623	\$ 760	\$ 412	\$ 2,795

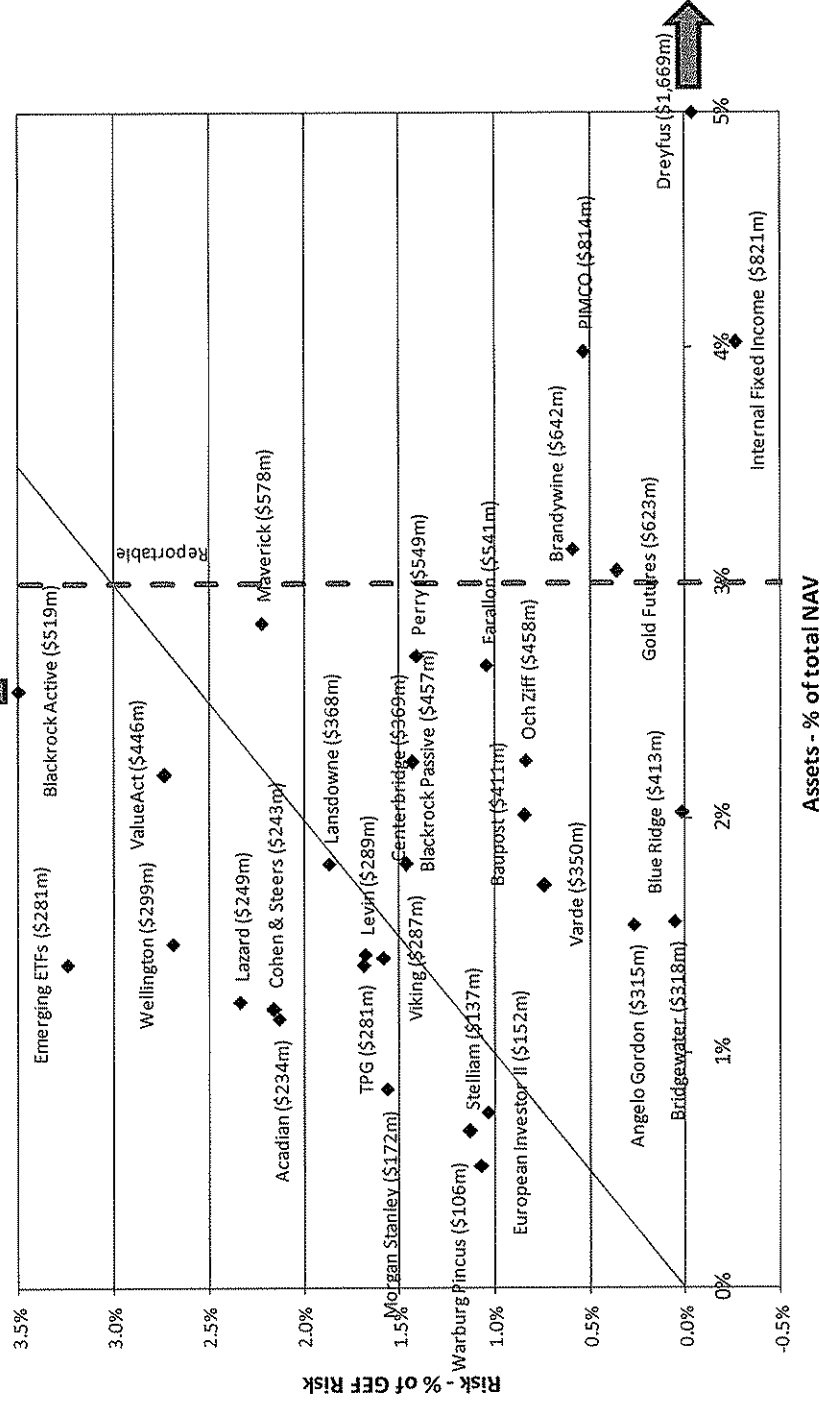


Manager Exposure



Largest Mandates: Risk and Dollar Allocations

Largest Mandates: Risk and Dollar Allocations



Mandates with at least 1.46% of total assets, or at least 1.03% of Risk



Manager Exposures over 3% and 5% May 31, 2010

Managers with exposure >3% relative to total Funds (excluding ITF for Private Investments) As of 5/31/2010

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%-age</u>
<u>More Correlated and Constrained</u>		
Internal Fixed Income	821,494,345	4.02%
Pimco	813,554,424	3.98%
Brandywine	641,859,253	3.14%

Less Correlated and Constrained None

Private Investments None

Managers with exposure >5% relative to total Funds (excluding ITF for Private Investments) As of 5/31/2010

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%-age</u>

None



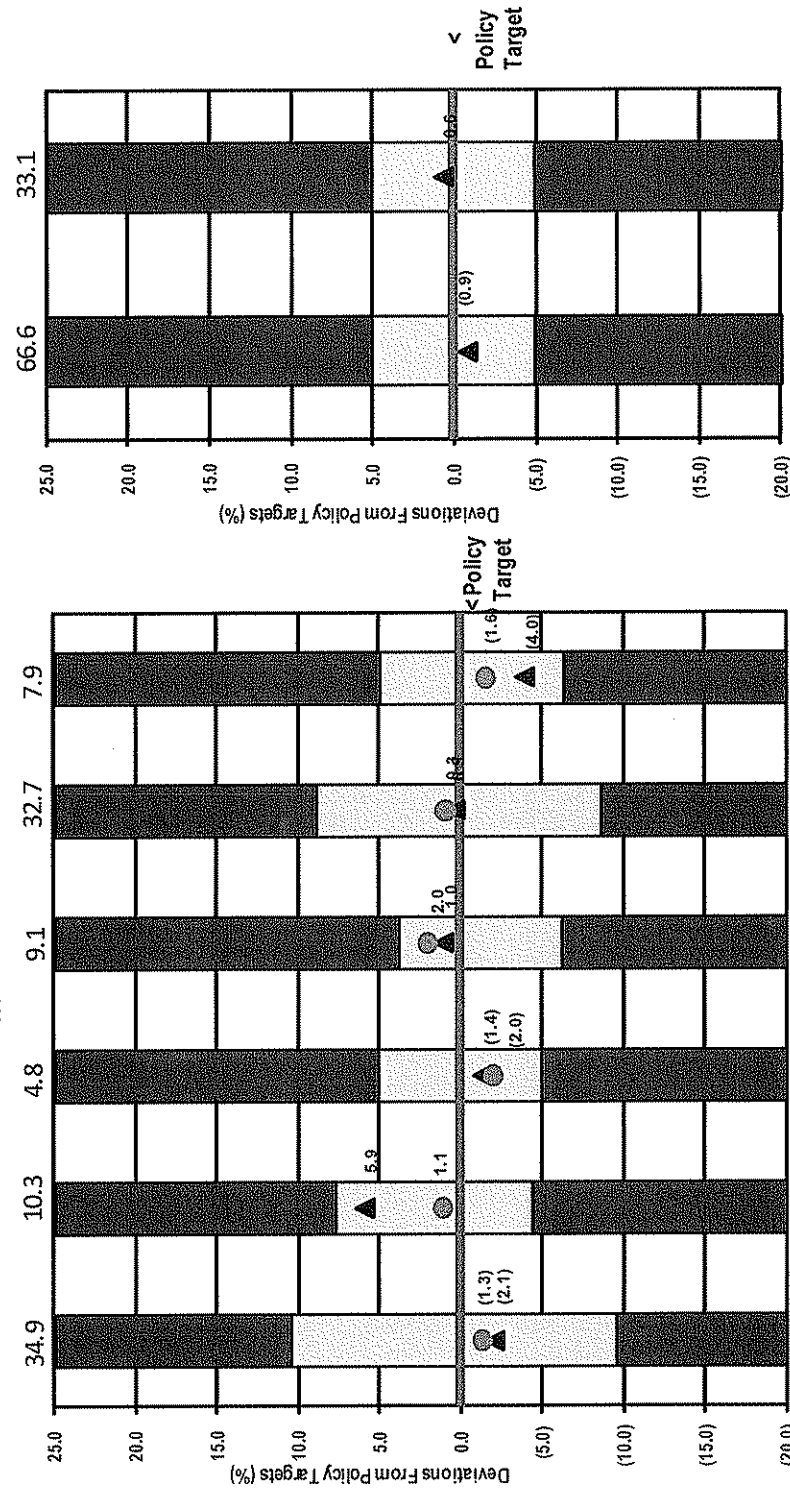
ITF



ITF Asset Allocation as of May 31, 2010

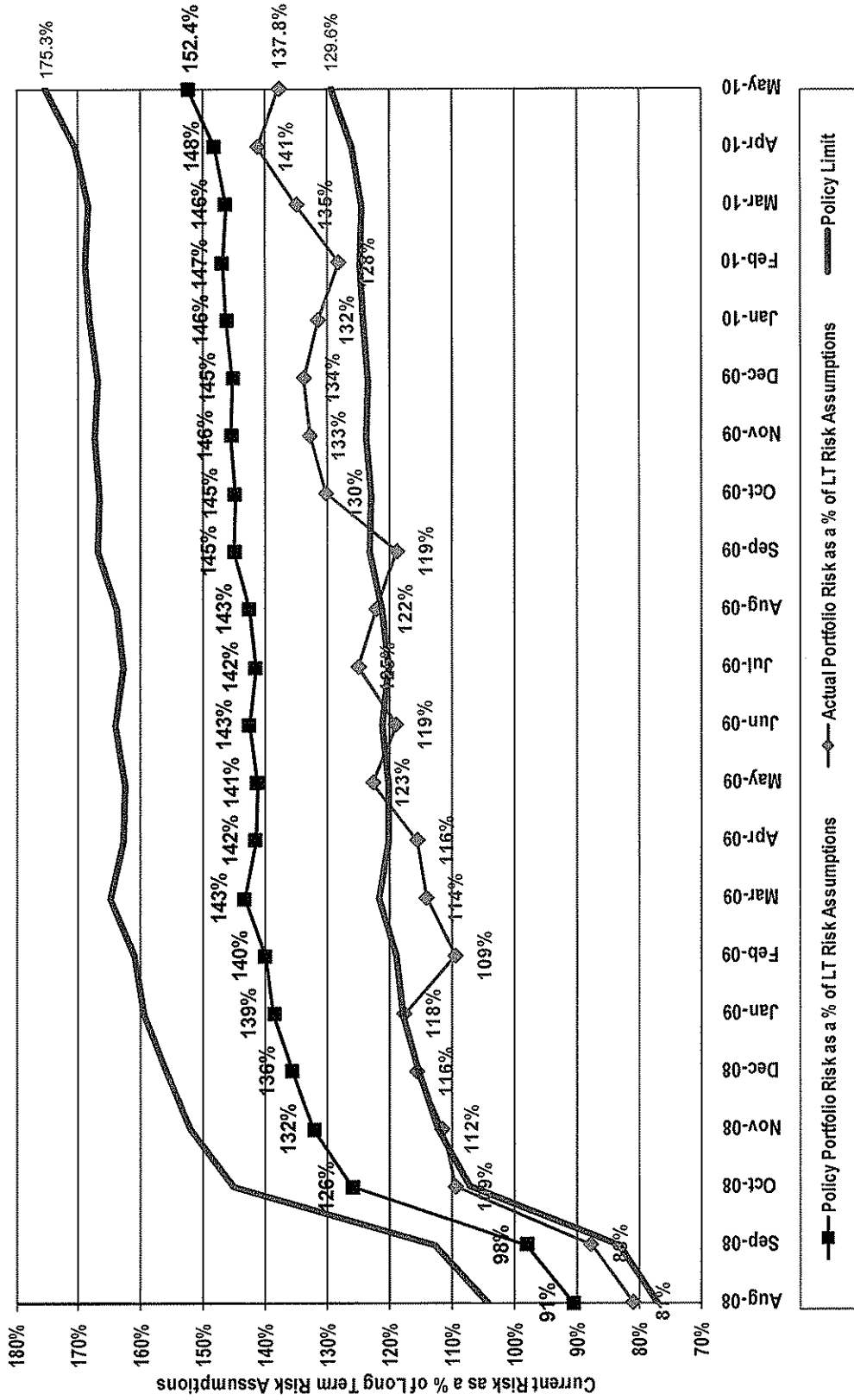
Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for ITF

Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for ITF



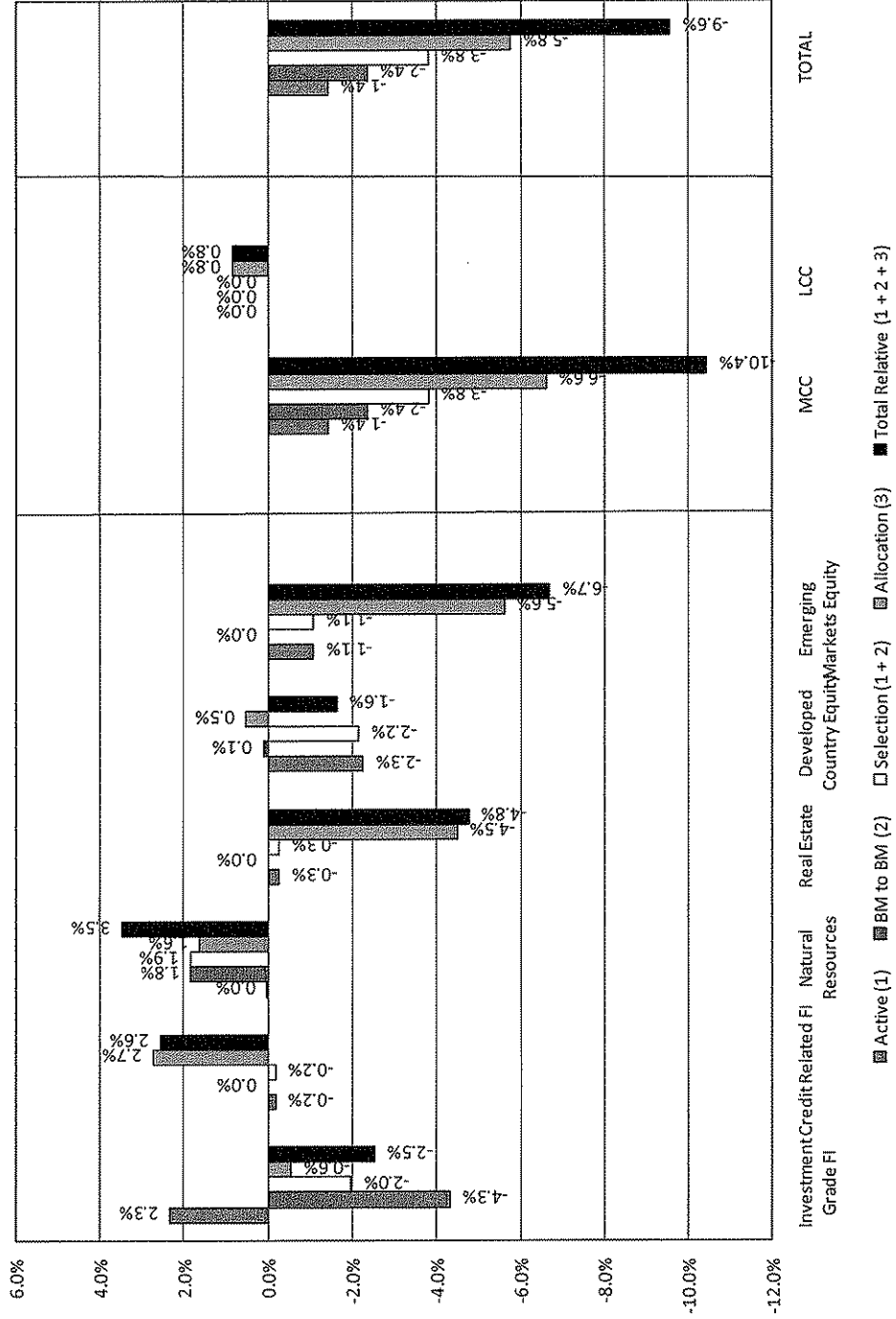


Current Risk Environment of ITF (Based on Downside Risk; LT assumption = 5.5%)



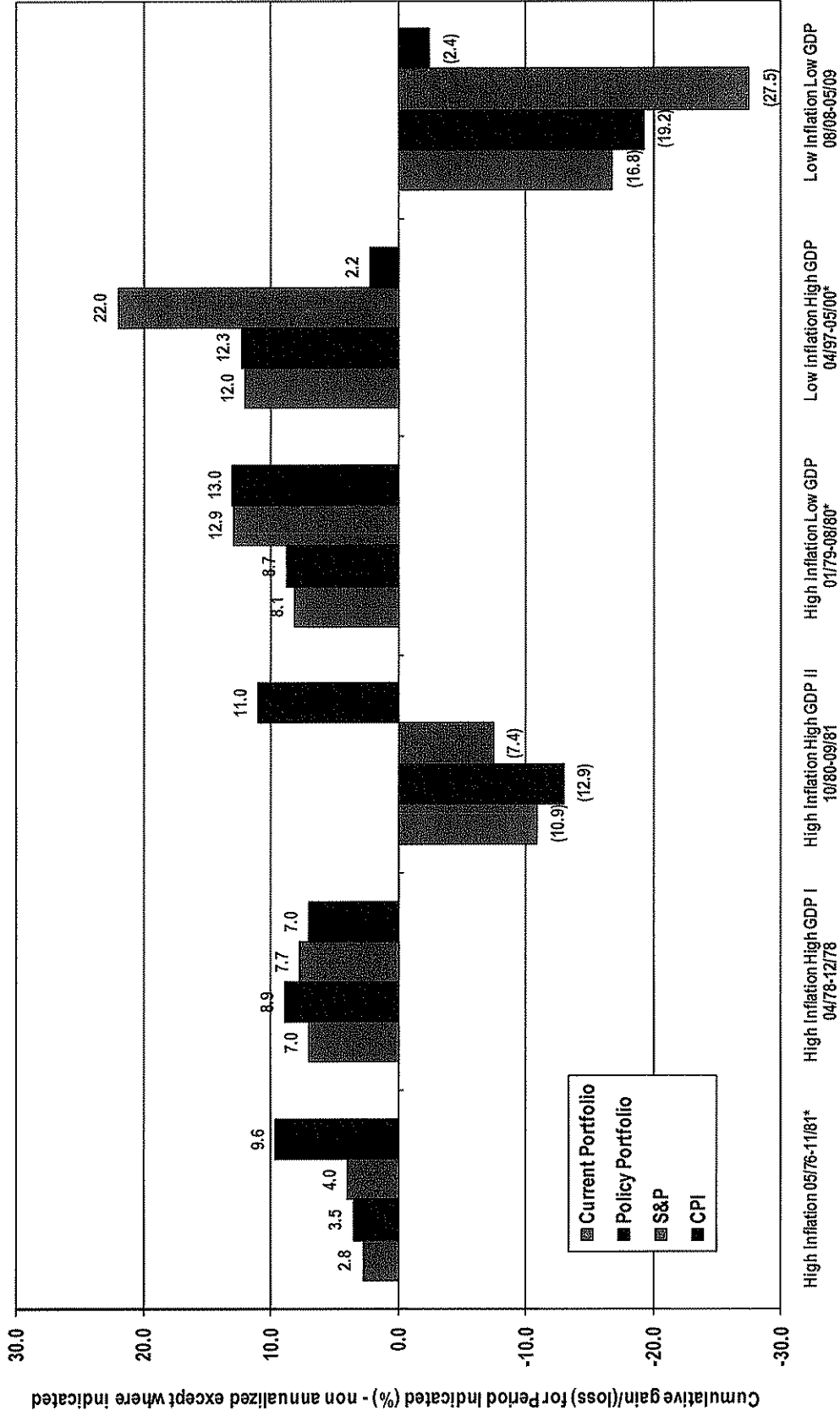


ITF 4-Way Risk Decomposition as of 5/31/2010





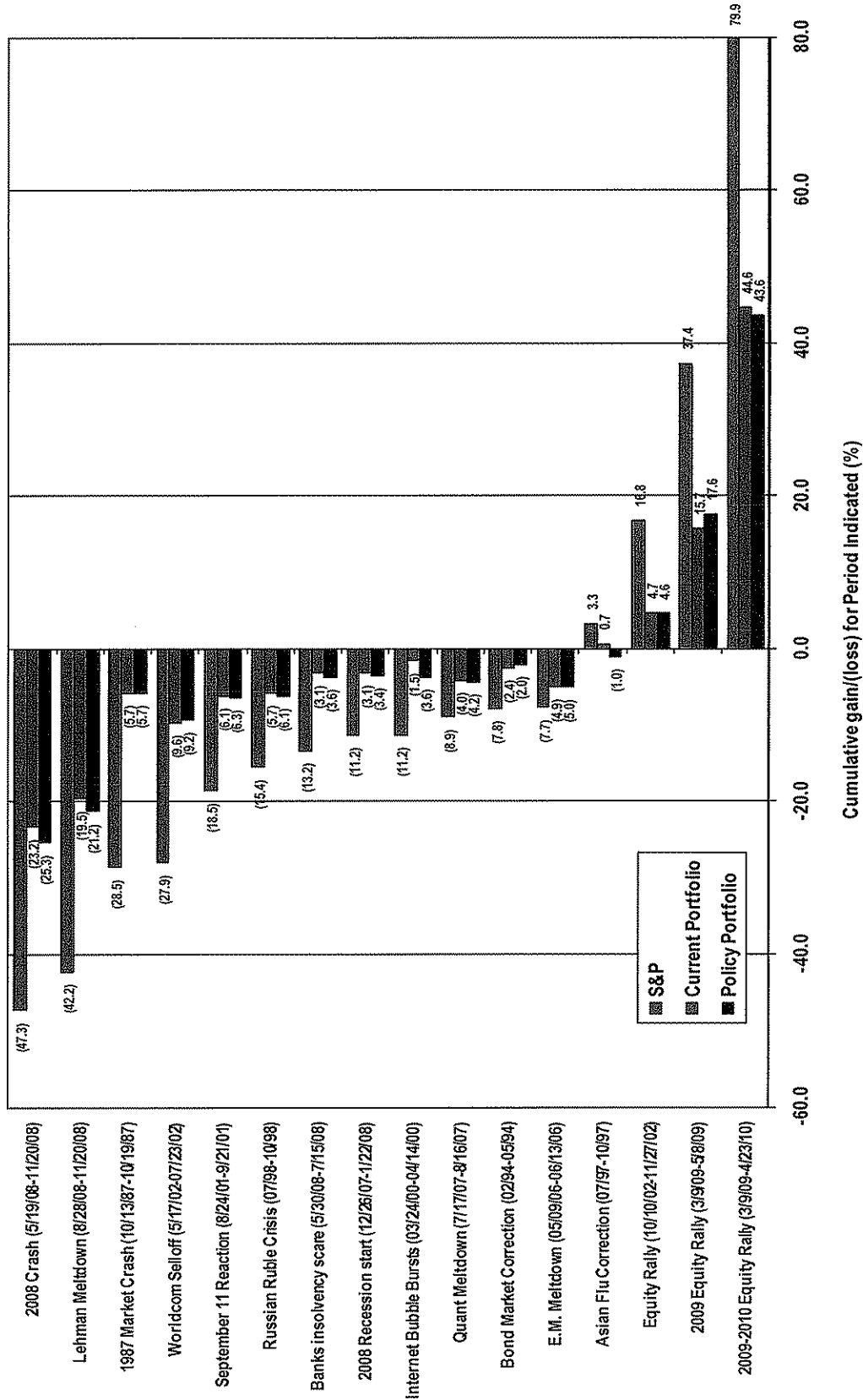
Hypothetical Performance of Current ITF Portfolio in Selected Economic Stress Environments



* Annualized

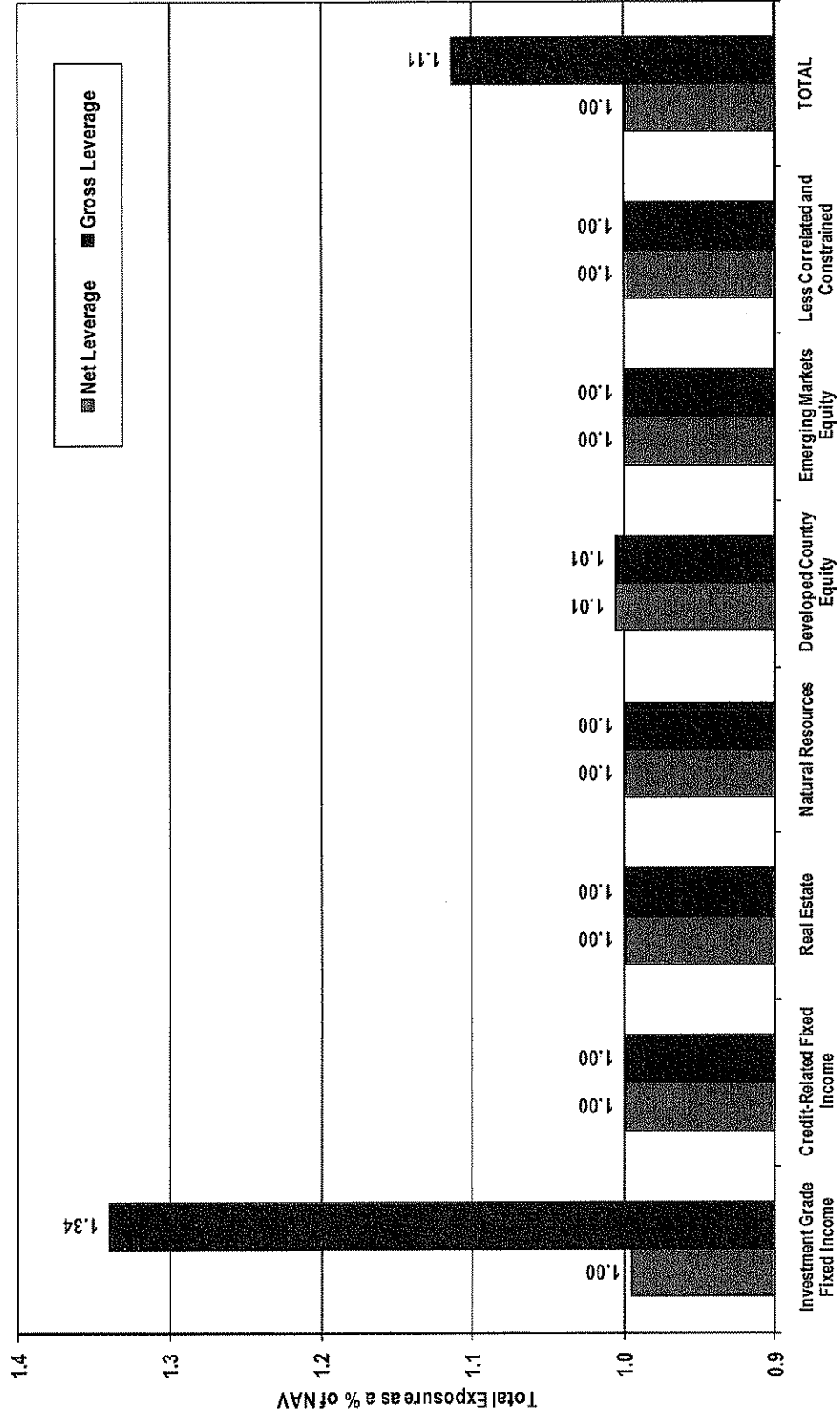


Hypothetical Performance of Current ITF Portfolio in Selected Market Stress Environments





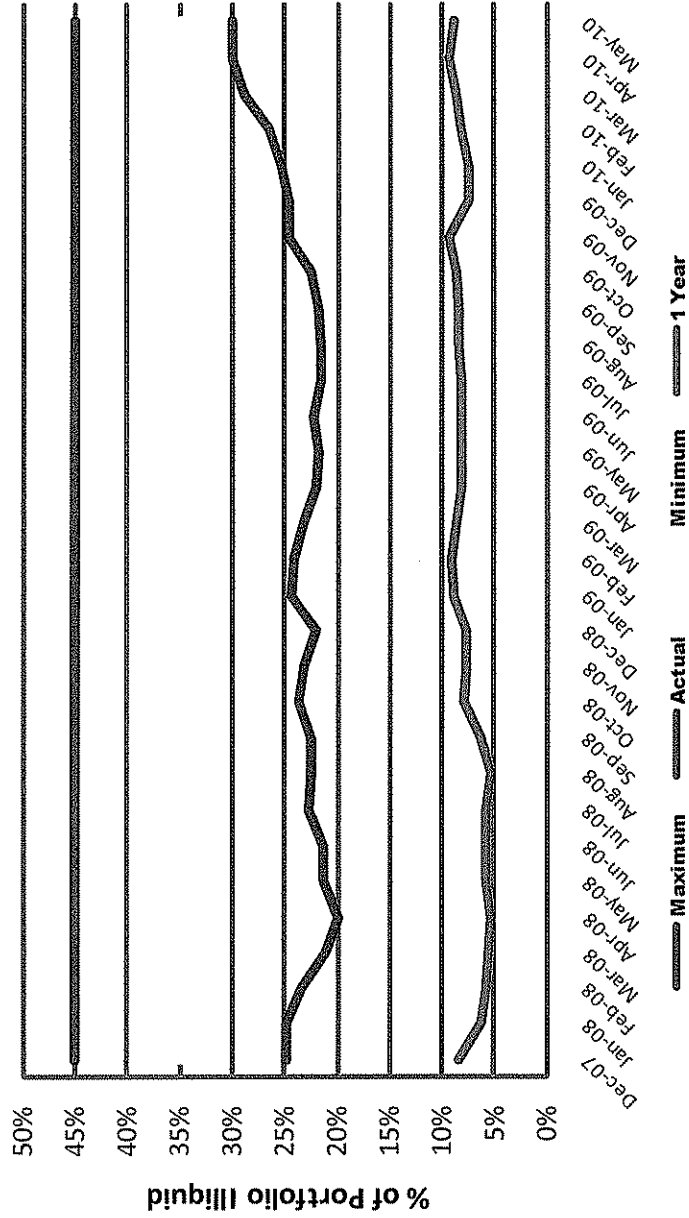
Net and Gross Leverage of ITF as of May 31, 2010





ITF Liquidity

Intermediate Term Fund Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 2,827 million One Year Liquidity \$ 3,680 million



Contracts Update



Report on New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements For April 1, 2010 through June 30, 2010

(Total Obligation per Agreement greater than \$50,000)

Agreement	Purpose	Contract Term	Annual Amount
None			

Services that renew via invoice on a monthly or quarterly basis:

Agreement	Purpose	Contract Term	Annual Amount
Bloomberg	Portfolio Order Management System	Renews quarterly via invoice	\$125,000
Bloomberg	All-in-one investment platform for trading, analysis and information	Renews quarterly via invoice and may be canceled at any time	\$309,840
International Fund Services	Risk System	Quarterly invoice – fees increased as underlying accounts are added	\$292,000
Faciset Research Systems	Analytical tool for performance	Monthly invoice	\$311,032
Albourne LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$400,000