

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



Presentation Materials

Board of Directors Meeting

February 3, 2011

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
February 3, 2011**

Mansion at Judges' Hill
1900 Rio Grande
Austin, Texas 78705

Time		Item #	Agenda Item
Begin	End		
11:00 a.m.	11:05 a.m.	1	Convene in Open Session Call to Order/Discussion and Appropriate Action Related to Minutes of November 9, 2010 Meeting*
11:05 a.m.	11:10 a.m.	2	Discussion and Appropriate Action Related to Corporate Resolutions: - Designation of Annual Meeting of the UTIMCO Board*
11:10 a.m.	11:40 a.m.		Recess for Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments
11:40 a.m.	12:30 p.m.	3	Reconvene into Open Session Endowment and Operating Funds Update Report
12:30 p.m.	1:00 p.m.		Recess/Lunch
1:00 p.m.	1:15 p.m.	4	Reconvene into Open Session Report from Risk Committee
1:15 p.m.	1:30 p.m.	5	Report on and Discussion and Appropriate Action Related to Items from Policy Committee: - Proposed Amendments to Separately Invested Funds Investment Policy Statement* ,** - Investment of Debt Proceeds by Internal Portfolio Managers*
1:30 p.m.	1:50 p.m.	6	Convene into Executive Session Pursuant to Section 551.076, <i>Texas Government Code</i> , the Committee may convene in Executive Session for the purpose of deliberating a security audit. Reconvene into Open Session Report on and Discussion and Appropriate Action Related to Items from Audit and Ethics Committee: - Audit of UTIMCO Financial Statements* - Audit of Information Technology
1:50 p.m.	2:20 p.m.	7	Task Force Update
2:20 p.m.	2:30 p.m.	8	Discussion and Appropriate Action Related to Cambridge Contract Renewal*
2:30 p.m.	2:45 p.m.	9	UTIMCO Organization Update
2:45 p.m.	3:00 p.m.	10	Legislative Update
3:00 p.m.			Adjourn

* Action by resolution required

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

Next Scheduled Meeting: April 14, 2011 (Annual Meeting)

Tab 1

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors held on **November 9, 2010**, be, and are hereby, approved.

**MINUTES OF THE 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 9:46 a.m. on **November 9, 2010**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Paul Foster, 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:

Paul Foster, Chairman
J. Philip Ferguson, Vice Chairman
Francisco G. Cigarroa, M.D, Vice Chairman for Policy
Kyle Bass
Printice Gary
Janiece M. Longoria
Ardon E. Moore
Charles Tate

Accordingly, a majority and quorum of the Board was in attendance. Director Erle Nye attended the meeting by means of conference telephone. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Mark Warner, Senior Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Bill Edwards, Managing Director - Information Technology; Ryan Ruebsahm, Director - Marketable Alternative Investments; Susan Chen, Director - Public Markets Investments; Russ Kampfe, Senior Portfolio Manager, Fixed Income Investments; Harland Doak, Portfolio Manager, Fixed Income; Amanda Hopper, Senior Associate - Public Markets Investments; and other Staff members. Other attendees were Kyle Kalkwarf, UT System Student Regent; 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, and Matt Flores of the UT System Administration; and Tom Wagner of Deloitte and Touche LLP. Mr. Foster called the meeting to order at 9:46 a.m.

Corporate Resolution

Mr. Foster first introduced Kyle Bass and welcomed him as the newest member of the Board of Directors. Mr. Foster then read and recommended for approval a resolution of appreciation honoring Clint D. Carlson. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, in recognition of his substantial background and expertise in business and investments, Clint D. Carlson was appointed to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") by the Board of Regents of The University of Texas System ("Board of Regents") in 2004, and was reappointed to serve a second term on the UTIMCO Board by the Board of Regents in 2007; and

WHEREAS, Mr. Carlson served as a Member of the Board's Compensation Committee and Risk Committee, and the Chair of the Advisory Search Committee; and

WHEREAS, as a Member of the Board's Compensation Committee and Risk Committee and the Chair of the Advisory Search Committee, Mr. Carlson provided invaluable insight and counsel, drawing on his immense business experience as President and Chief Investment Officer of Carlson Capital, L.P., a multi-strategy, alternative asset management firm founded in 1993 and based in Dallas, Texas, that manages six hedge fund groups with over \$5 billion in assets under management and has additional offices located in Houston, London, New York, and Greenwich, Connecticut; and

WHEREAS, Mr. Carlson's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work as a Member of the Council of Overseers at the Jones School of Business at Rice University; and

WHEREAS, Mr. Carlson's unselfish contributions are also evidenced by his service on the Board of Trustees of the Dallas Museum of Art and the Management Committee and Board of Governors of the Texas Ballet Theatre; and

WHEREAS, during Mr. Carlson's tenure on the UTIMCO Board, UTIMCO managed the Permanent University Fund and other investments of The University of Texas System with the highest standards of integrity, professionalism, and competency, earning wide praise and recognition from UTIMCO's investment beneficiaries, namely The University of Texas System and The Texas A&M University System, as well as the alumni and patrons of such Systems, the State's legislative leaders, the national credit rating agencies, capital markets, and investment community generally; and

WHEREAS, Mr. Carlson's leadership, judgment, and commitment have greatly benefited UTIMCO and contributed to its success.

NOW, THEREFORE,

BE IT RESOLVED, that the Directors of The University of Texas Investment Management Company, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to Clint D. Carlson their sincerest appreciation for his leadership and service that contributed immeasurably to UTIMCO's success; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that Mr. Carlson has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested and managed in the State of Texas, to the benefit of all of the citizens of the State, particularly the

students and faculty of The University of Texas System and The Texas A&M University System.

PASSED AND ADOPTED this 9th day of November, 2010.

Several Members of the Board expressed appreciation for Mr. Carlson's service and stated that he was a wonderful asset to the Committees on which he served and the Board.

Minutes

The next item to come before the Board was the approval of the minutes of the meetings of the Board of Directors held on July 14, 2010, and August 6, 2010, and the Joint Meeting with the Board of Regents of The University of Texas System held on July 14, 2010. Mr. Ferguson noted that the minutes from the August 6, 2010 meeting should reflect that subsequent to the August 6, 2010 meeting, Mr. Zimmerman notified the Chairman and the Directors of his decision to decline his recommended and approved salary increase for FY 2010. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the meetings of the Board of Directors held on **July 14, 2010**, and **August 6, 2010**, and the Joint Meeting with the Board of Regents of The University of Texas System held on **July 14, 2010**, be, and are hereby, approved.

Corporate Officer

Mr. Foster requested discussion and appropriate action regarding Committee Assignments be tabled until later in the meeting. He recommended approval of Mr. Zimmerman's request to appoint Mark Warner to the office of Managing Director, Natural Resources, effective September 1, 2010, an officer position with the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Mark Warner is hereby appointed to the office of Managing Director of the Corporation to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

Compensation Committee Report

Mr. Foster stated that it was not necessary for the Board to go into Executive Session. He asked Mr. Ferguson to provide the Compensation Committee report. Mr. Ferguson reported that the Committee met on September 21, 2010, November 4, 2010, and on November 9, 2010, just prior to the Board meeting. At the Committee meetings they discussed and approved the Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program (the "Plan") for the 2010/2011 Performance Period; approved the Plan Participants' Qualitative Performance Goals (other than for the CEO) for the 2010/2011 Performance Period; engaged Deloitte & Touche LLP to perform agreed upon procedure services; and received a report related to the findings of the Committee's self-assessment responses. The Committee

also approved Amendments to Appendix B of the Plan (UTIMCO Peer Group), discussed and approved Personnel Performance Incentive Awards for the Performance Period ended June 30, 2010; and updated and amended Appendices C and D of the Plan, effective July 1, 2010. Mr. Ferguson, on behalf of the Committee requested approval by the Board, with further approval needed by the Board of Regents, of Appendices C and D of the Plan. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 7.2. of the UTIMCO Compensation Program (the "Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, Section 5.3.(a) of the Plan requires Table 1 to be revised each Performance Period to set forth the Eligible Positions, the weightings for the Eligible Positions, the Incentive Award Opportunities, and any Applicable Deferral Percentage for each Eligible Position, for that Performance Period as soon as administratively practicable after confirmation of such by the Board for such Performance Period and to be attached as Appendix C to the Plan; and

WHEREAS, Section 5.8.(b)(1) of the Plan requires Table 2 to be revised, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold, target, and maximum performance standards, in effect during the three-year rolling historical period, culminating with the subsequent Performance Period and to be attached as Appendix D to the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed the revised Tables, approves such amendments, and has determined to recommend them to the Board; and

WHEREAS, the Board has reviewed and concurs in the amendments to the revised Tables 1 and 2, as recommended by the Committee.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Tables 1 and 2, copies of which are attached hereto, are hereby adopted and approved to replace the current Appendix C and D, respectively, effective as of July 1, 2010, subject to approval by the Board of Regents of The University of Texas System.

Mr. Ferguson, on behalf of the Committee, recommended approval of the Designation of Employees in Eligible Positions as Participants in the Plan for the 2010/2011 Performance Period, subject to approval by the Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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 "Board") as an "Eligible Position" for that

Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has recommended the individuals who may become Participants for the 2010/2011 Performance Period set forth on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed Exhibit 1 and wishes to select the individuals who may become Participants for the 2010/2011 Performance Period, conditioned upon approval by the Board of Regents of The University of Texas System (the "UT Board") of certain changes to the Plan adopted and approved by the Board at this meeting.

NOW, THEREFORE, be it:

RESOLVED, that, subject to approval by the UT Board of updated and amended Tables 1 and 2 to the Plan, in the forms adopted and approved by the Board, the individuals set forth on Exhibit 1 attached hereto are hereby designated as "Participants" in the Plan for the 2010/2011 Performance Period, effective as of July 1, 2010.

Mr. Ferguson continued, on behalf of the Committee, recommending approval of the updated and amended Appendix B (UTIMCO Peer Group). Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 8.14. of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B (UTIMCO Peer Group) will be amended accordingly; and

WHEREAS, Section 7.2. of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Board wishes to amend Appendix B to conform to the updated Peer Group.

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2010.

Mr. Ferguson next presented the resolutions recommended for approval by the Committee related to the CEO's Personnel Performance Incentive Awards for the Performance Period ended June 30, 2010. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will approve the

"Performance Incentive Award" of the CEO based upon a determination of the level of achievement of the CEO with respect to his or her "Performance Goals" for such Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the CEO during the 2009/2010 Performance Period and has submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the CEO during the 2009/2010 Performance Period and has compared such actual performance relative to each Performance Goal category for the CEO against his corresponding Performance Goal for such Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award for the 2009/2010 Performance Period in the amount of \$1,150,000 and be it

FURTHER RESOLVED, that of the CEO's \$1,150,000 Performance Incentive Award for the 2009/2010 Performance Period, 50% (\$575,000) will be deferred pursuant to the Plan.

And the resolution related to 2009/2010 Performance Incentive Awards for Plan Participants other than the CEO:

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Compensation Committee will approve, subject to further approval of the UTIMCO Board, the "Performance Incentive Award" of each Participant based upon a determination of the level of achievement of such Participant against his or her "Performance Goals" for such Performance Period; and

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the 2009/2010 Performance Period of his or her Performance Incentive Goals for such Performance Period; and

WHEREAS, Sections 5.5.(e) and 5.5.(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a Performance Incentive Award will be calculated for such Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Section 5.5.(f) of the Plan provides that the Compensation Committee will review all calculations of Performance Incentive Awards, make any changes it deems appropriate, and submit its recommendation to the Board for approval; and WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance

benchmarks for the 2009/2010 Performance Period, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for all Participants for the 2009/2010 Performance Period (excluding the CEO) in the total aggregate amount of \$3,987,162 are hereby approved.

Of the \$3,987,162 Performance Incentive Awards for all Participants, \$1,305,255 will be deferred pursuant to the Plan.

Ms. Longoria expressed her thanks to Mr. Ferguson for his hard work, time and effort spent working as the Chairman of the Compensation Committee.

UTIMCO 2010-11 Budget

Mr. Foster asked Mr. Zimmerman to explain the UTIMCO budget handout that was distributed at the meeting. Mr. Zimmerman explained that because of the changes approved in Appendices C and D of the Plan, the UTIMCO 2010-11 Budget would need to be changed. The UTIMCO Board, at its meeting on August 6, 2010, approved the 2010-2011 UTIMCO Annual Budget and the Allocation Schedule for the period beginning September 1, 2010 through August 31, 2011, but the Board of Regents had not yet met to approve the UTIMCO 2010-11 Budget. Staff requested an increase to the UTIMCO Management Fee of \$599,967, for a total UTIMCO Management Fee of \$17,231,272. The increase of \$599,967 consisted of \$591,391 for budgeted Performance Compensation and \$8,576 for Payroll Taxes related to the increase in budgeted Performance Compensation resulting from changes to Appendices C and D of the Plan. If approved by the Board, the amounts will be adjusted and the new budget amounts will be proposed and presented for approval by the Board of Regents at their next meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO Management Fee of \$17,231,272, Other Direct Fund Costs of \$5,504,702, and Anticipated Invoiced External Manager Fees of \$44,158,120, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$66,894,094; Capital Budget of \$215,000; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2010 through August 31, 2011, be, and is hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

Audit and Ethics Committee Report

Mr. Foster asked Ms. Longoria to provide a report on behalf of the Audit and Ethics Committee. Ms. Longoria reported that the Committee convened on November 4, 2010. She asked Mr. Wagner to give a short report to the Board regarding the completed audit of the Permanent University Fund (the "PUF"), the Permanent Health Fund (the "PHF"), The University of Texas System Long Term Fund (the "LTF"), The University of Texas System General Endowment Fund (the "GEF"), and The University of Texas System

Intermediate Term Fund (the "ITF") (collectively, the "Funds"). Ms. Longoria stated that the Committee heard a comprehensive report from Mr. Wagner regarding Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements of the Funds, and the Statement of Performance Statistics for the year ended August 31, 2010. The Committee heard from Mr. Chaffin regarding completion of the Chief Executive Officer and Chief Investment Officer's Expenses for 2010 by the UT System Audit Office, and received a report on other ethics and compliance activities from Staff.

The Committee received a comprehensive report regarding the Institutional Compliance Program (the "Program") Peer Review. Ms. Longoria thanked Ms. Gonzalez for the work she did on the project and the report she provided to the Committee. On August 30-31, 2010, the peer review was conducted onsite at the UTIMCO offices. UTIMCO engaged Bart J. Brunk, Controller, DUMAC, LLC, James P. Feeney, Chief Compliance Officer, Commonfund, and Mark C. Krcmaric, Managing Director & Chief Operating Officer, University of Notre Dame (the "Peer Review Team"), to evaluate its Program. Also included in the review process were Senior Staff and other responsible parties as well as Mr. Chaffin and Ms. Kalamkar of UT System Audit Office, and Mr. Larry Plutko, UT Systemwide Compliance Officer. The Peer Review Team examined UTIMCO's core compliance documentation, administered a compliance effectiveness/awareness survey to all employees, and conducted interviews with senior management and other high-risk area Responsible Parties. After evaluating each of the following objectives, the Peer Review Team concluded that UTIMCO Staff had comprehensive policies and understanding in each of the areas: (1) validation of the Chief Compliance Officer's Self-Assessment of the Program; (2) evaluation of Program effectiveness; (3) identification of opportunities for Program enhancement; and (4) assistance and/or recommendations related to the Employee Ethics and Compliance Committee, staff compliance awareness and training, and risk assessment/risk management in the UTIMCO-identified high-risk areas.

The final item on the Committee's agenda was to approve the CEO's recommendation of the performance incentive award for the performance period ending June 30, 2010, for the General Counsel and Chief Compliance Officer. The Committee submitted its recommendation, jointly with the CEO, to the Compensation Committee. Ms. Longoria recommended, on behalf of the Committee, the following resolution. Upon motion duly made and seconded, the resolution was unanimously adopted:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2010, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2010, and August 31, 2009, and the Statement of Investment Performance Statistics for the year ended August 31, 2010, be, and are hereby approved in the form as presented to the Board.

Risk Committee Report

Mr. Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met on November 4, 2010, with all members of the Committee present. The Committee considered several items, including the Categorization of New Investment Mandates. There were fourteen new investment mandates and one re-categorization submitted by Staff, for the period beginning July 1, 2010, and ending October 15, 2010, for the Committee's review and approval. There were also two mandates included in the "Mandate Categorization Watch-List" that will continue to be monitored by Staff for possible recategorization. Staff also asked the Committee for guidance on a proposed mandate classification of a potential new investment which, based on its investment guidelines, raised the question as to whether it should be classified as a More Correlated and Constrained ("MCC") investment or Less Correlated and Constrained ("LCC") investment. The Committee heard a report from Ms. Gonzalez on non-compliance items from the Compliance Report for the Quarter Ended August 31, 2010. Mr. Zimmerman answered the Board Members' questions.

Selection of Custodian for Additional Bank Services

Mr. Foster asked the Board to advance to Tab 9, and asked Mr. Zimmerman to discuss the recommendation for approval of a possible contract(s) for additional custodian bank services. Mr. Zimmerman explained that Staff had been in discussions with HSBC Bank USA and The Bank of Nova Scotia, acting through its ScotiaMocatta division, for custodian bank services as deemed necessary by staff to perform investment management services for The University of Texas System. Staff was seeking approval to negotiate and execute a contract with HSBC Bank USA and/or The Bank of Nova Scotia. The Master Investment Management Services Agreement (IMSA) between the Board of Regents and the Board requires Board of Regents approval of custodian banks and related custodian agreements. Staff recommended that the Board approve a contract with HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services and direct staff to negotiate the contracts, subject to further approval by the Board of Regents.

WHEREAS, the Board of Directors of the Corporation (the "Board") has determined that additional custodian bank services are necessary to perform investment management services for The University of Texas System; and

WHEREAS, the Master Investment Management Services Agreement between the Board of Regents of The University of Texas System ("U. T. Board") and the Board requires U. T. Board approval of custodian banks and related custodian agreements; and

WHEREAS, the Board has reviewed and concurs in the selection of HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services, as recommended by staff.

NOW, THEREFORE, be it:

RESOLVED that the Board approves the selection of HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services as deemed necessary by staff to perform investment management services for The University

of Texas System and directs staff to negotiate and enter into a contract with HSBC Bank USA and/or The Bank of Nova Scotia (the "Agreement(s)"), subject to approval by the U.T. Board.

FURTHER RESOLVED, that the CEO and Chief Investment Officer, President and Deputy CIO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolution and to perform the obligations of this Corporation under the Agreement(s).

Endowment and Operating Funds Update

Mr. Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman gave the Board a report of the Corporation's Performance Summary as of August 31, 2010. He reported the Corporation had \$23.0 billion of assets under management at the end of August 31, 2010. Of the \$23.0 billion, \$10.7 billion was in the PUF, \$6.0 billion in the GEF, \$1.7 billion in the STF and \$4.2 billion in the ITF. Mr. Zimmerman presented actual versus benchmark results, tactical asset allocation, and value-add analysis. The net performance for the quarter ended August 31, 2010, for the PUF was 2.47% and for the GEF was 2.48%, versus benchmark returns of 2.65% for each fund. The net performance for the one year ended August 31, 2010, for the PUF was 13.04% and for the GEF was 13.02%, versus benchmark returns of 8.76% for each fund. The ITF's performance was 3.79% versus its benchmark return of 3.29% for the quarter ended August 31, 2010, and 11.04% versus its benchmark return of 6.05% for the one year ended August 31, 2010. Performance for the STF was 0.08% versus 0.04% for its benchmark return for the quarter ended August 31, 2010, and was 0.22% versus a benchmark return of 0.14% for the one year ended August 31, 2010.

At approximately 11:20 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 1:15 p.m.

Committee Assignments

Mr. Foster recommended approval of Corporate committee assignments to the Audit and Ethics Committee, Compensation Committee, Risk Committee and the Policy Committee, with the Audit and Ethics Committee appointments subject to further approval by the Board of Regents in accordance with Section 66.08 of the *Texas Government Code*. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Printice L. Gary
Janiece Longoria
Erle Nye
Charles W. Tate

subject to approval by the Board of Regents of The University of Texas System at a future meeting, 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 Janiece Longoria 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:

Kyle Bass
J. Philip Ferguson
Janiece Longoria
Ardon E. Moore

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 J. Philip Ferguson 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:

Kyle Bass
J. Philip Ferguson
Ardon E. Moore
Charles W. Tate

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 Charles W. Tate 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:

Kyle Bass
J. Philip Ferguson
Printice L. Gary
Erle Nye

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 Printice L. Gary is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

Endowment and Operating Funds Update (continued)

Mr. Zimmerman continued reviewing 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. He asked Mr. Kampfe and Mr. Doak to discuss highlights for the More Correlated and Constrained Portfolio. They discussed the Investment Grade Fixed Income Portfolio, the inflation insurance hedge and the Brazilian Sovereign Inflation Linked Bonds. Mr. Warner updated the Board on the Corporation's gold position and Ms. Iberg and Mr. Ruebsahm gave the Board a Less Correlated and Constrained Portfolio performance update. Ms. Chen presented the Board with background on the equity skew trade and explained implementation to date. Mr. Zimmerman gave an update on the Private Markets Portfolio secondary sale. He then asked Mr. Yoeli to present risk analytics for the period ending August 31, 2010. Mr. Zimmerman presented a report on derivatives and counterparties, manager exposure, investment activity as of August 31, 2010, and gave an update on liquidity, contracts and the ITF. Mr. Zimmerman and Ms. Iberg answered the Directors' questions.

Organization Update

Mr. Foster asked Mr. Zimmerman to give an organization update. Mr. Zimmerman provided an update on Corporation's staffing. He asked Ms. Chen to discuss the Portfolio Positioning Task Force. Mr. Ruebsahm reported on the Credit Task Force, including the credit-related fixed income thesis, current outlook and exposure. Mr. Warner discussed the Emerging Markets Task Force, and Mr. Edwards gave an update on technology issues.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:21 p.m.

Secretary: _____
Joan Moeller

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

TABLE 1 – Appendix C (For the Performance Periods beginning after June 30, 2010)

Eligible Position	Entity	Weighting		Incentive Award Opportunity (% of Salary)				Percentage of Award Deferred
		Asset Class/ Investment Type	Qualitative (Individual)	< Threshold	Threshold	Target	Maximum	
<i>Investment Professionals</i>								
CEO & Chief Investment Officer	60%	0%	40%	0%	0%	100%	300%	50%
President & Deputy CIO	40%	40%	20%	0%	0%	95%	250%	50%
Managing Director - Investments	30%	40%	30%	0%	0%	85%	215%	40%
Managing Director - Private Investments	30%	30%	40%	0%	0%	85%	215%	40%
Senior Director - Investments	25%	35%	40%	0%	0%	60%	150%	35%
Senior Portfolio Manager	20%	40%	40%	0%	0%	60%	150%	35%
Senior Director - Risk Management	30%	0%	70%	0%	0%	50%	135%	35%
Portfolio Manager	20%	40%	40%	0%	0%	50%	130%	30%
Director - Investments	20%	40%	40%	0%	0%	50%	130%	30%
Director - Private Investments	20%	30%	50%	0%	0%	50%	130%	30%
Director - Risk Management	30%	0%	70%	0%	0%	40%	90%	30%
Senior Associate - Investments	15%	35%	50%	0%	0%	40%	90%	20%
Senior Associate - Private Investments	15%	25%	60%	0%	0%	40%	90%	20%
Senior Associate - Risk Management	30%	0%	70%	0%	0%	40%	90%	20%
Associate - Investments	15%	30%	55%	0%	0%	35%	85%	15%
Associate - Private Investments	15%	20%	65%	0%	0%	35%	85%	15%
Associate - Risk Management	30%	0%	70%	0%	0%	35%	70%	15%
Senior Analyst - Investments	10%	20%	70%	0%	0%	30%	60%	0%
Analyst - Investments	10%	20%	70%	0%	0%	25%	50%	0%
Analyst - Risk Management	30%	0%	70%	0%	0%	25%	50%	0%
<i>Operations/Support Professionals</i>								
Senior Managing Director	20%	0%	80%	0%	0%	60%	120%	40%
Managing Director	20%	0%	80%	0%	0%	50%	100%	30%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	0%	50%	100%	30%
Senior Manager	20%	0%	80%	0%	0%	40%	90%	25%
Manager	20%	0%	80%	0%	0%	40%	80%	25%
Senior Financial Analyst	20%	0%	80%	0%	0%	30%	60%	20%

TABLE 2 – Appendix D (7/1/08 through 6/30/11)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF	Threshold	Target	Maximum
		(% of Portfolio)	(% of Portfolio)			
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps	+225 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+150 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.5%	30.0%	+0 bps	+25 bps	+62.5 bps
Real Estate	FTSE EPRA/NAREIT Developed Index	2.5%	5.0%	+0 bps	+62.5 bps	+150 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%	7.5%	+0 bps	+62.5 bps	+150 bps
Developed Country Equity	MSCI World Index with net dividends	19.5%	15.0%	+0 bps	+62.5 bps	+150 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	12.0%	7.5%	+0 bps	+62.5 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index*	30.0%	35.0%	+0 bps	+75 bps	+250 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	20.0%	0%	+0 bps	+100 bps	+350 bps
Private Investments Real Estate	NACREIF Custom Index	2.0%	0%	+0 bps	+100 bps	+325 bps
Specific asset class benchmarks:						
Credit-Related Fixed Income	Barclays Capital Global High Yield Index			+0 bps	+37.5 bps	+100 bps
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps

* For the Performance Period beginning 7/01/2008 through 12/31/2008, the benchmark is MSCI Investable Hedge Fund Index

Exhibit 1
Designation of Plan Participants in Eligible Positions
in the 2010/2011 Performance Period

ELIGIBLE POSITION	PARTICIPANTS
<i>Investment Professionals</i>	
CEO & Chief Investment Officer	Bruce Zimmerman
President and Deputy CIO	Cathy Iberg
Managing Director - Private Investments	Lindel Eakman
Managing Director - Investments	Mark Warner
Senior Director - Investments	Mark Shoberg
Senior Director - Risk Management	Uzi Yoeli
Senior Portfolio Manager	Russ Kampfe
Portfolio Manager	Harland Doak
Director - Investments	Ryan Ruebsahm
Director - Investments	Susan Chen
Director - Investments	Zac McCarroll
Senior Associate - Investments	Mark Newcomb
Senior Associate - Investments	Courtney Powers
Senior Associate - Private Investments	Scott Bigham
Senior Associate - Investments	Amanda Hopper
Senior Associate - Risk Management	Kate Wagner
Associate - Private Investments	Mike McClure
Senior Analyst - Investments	Alison Hermann
Senior Analyst - Investments	Mukund Joshi
Senior Analyst - Investments	Daniel Senneff
Analyst - Investments	Natasha Cupps
Analyst - Investments	Siamc Kamalie
Analyst - Investments	Lara Jeremko
Analyst - Investments	Drury Morris
<i>Operations/Support Professionals</i>	
Senior Managing Director	Joan Moeller
Managing Director	Bill Edwards
General Counsel and Chief Compliance Officer	Cissie Gonzalez
Senior Manager	Gary Hill
Manager	Debbie Childers
Manager	Melynda Shepherd
Senior Financial Analyst	Lara McKinney

Participants are eligible as of July 1, 2010

Appendix B

UTIMCO Peer Group

- Columbia University
- Cornell University
- Emory University
- Harvard University
- Massachusetts Institute of Technology
- Northwestern University
- Princeton University
- Rice University
- Stanford University
- The Duke Endowment
- University of California
- University of Chicago
- University of Michigan
- University of Notre Dame
- University of Pennsylvania
- University of Virginia Investment Management Company
- Vanderbilt University
- Washington University in St. Louis
- Yale University

Source: Cambridge Associates. Represents endowment funds (excluding the Total Endowment Assets) with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, all to be determined as of the last day of each fiscal year end June 2008, 2009, 2010.

Tab 2

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

Agenda Item: Discussion and Appropriate Action Related to Corporate Resolutions: Designation of Annual Meeting of the UTIMCO Board

Developed By: Staff

Presented By: Foster

Type of Item: Action required by UTIMCO Board

Description: Chairman Foster will designate the annual meeting of the Board of Directors of the Corporation.

Recommendation: Chairman Foster will recommend designation of the annual meeting.

Reference: None

RESOLUTION RELATED TO ANNUAL MEETING

RESOLVED, that the Annual Meeting of the Board of Directors will be held on April 14, 2011, in Austin, Texas.

Tab 3



Funds Update

	<u>Page</u>
•Returns	2
•Assets	11
•Investment Activity	17
•Manager Exposure	19
•Risk Analytics	22
•Leverage	34
•Liquidity	45
•ITF	49
•Contracts Update	57



Returns



UTIMCO Performance Summary November 30, 2010

	Net Asset Value 11/30/2010 (in Millions)	Periods Ended November 30, 2010 (Returns for Periods Longer Than One Year are Annualized)																		
		Short Term		Year to Date		Calendar		Historic Returns												
		1 Mo	3 Mos	Fiscal	Compensation	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs										
ENDOWMENT FUNDS																				
Permanent University Fund	\$11,620	(0.02%)	6.78%	6.78%	10.01%	11.02%	12.21%	(0.76%)	5.03%	6.02%										
General Endowment Fund		0.02	6.80	6.80	10.01	11.03	12.26	(0.79)	5.14	N/A										
Permanent Health Fund	955	0.01	6.78	6.78	9.98	10.99	12.12	(0.86)	5.07	N/A										
Long Term Fund	5,544	0.02	6.78	6.78	9.98	10.99	12.12	(0.86)	5.07	6.14										
Separately Invested Funds	302	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A										
Total Endowment Funds	18,421																			
OPERATING FUNDS																				
Short Term Fund	2,233	0.02	0.07	0.07	0.13	0.22	0.23	1.38	2.88	2.64										
Intermediate Term Fund	4,411	(1.13)	5.56	5.56	9.72	9.42	9.66	1.23	N/A	N/A										
Total Operating Funds	6,644																			
Total Investments	\$25,065																			
VALUE ADDED (Percent)																				
Permanent University Fund		1.14%	0.84%	0.84%	0.43%	3.53%	3.12%	3.00%	2.17%	2.15%										
General Endowment Fund		1.18	0.86	0.86	0.43	3.54	3.17	2.97	2.28	N/A										
Short Term Fund		0.01	0.04	0.04	0.07	0.11	0.12	0.50	0.39	0.20										
Intermediate Term Fund		0.87	0.90	0.90	1.11	4.32	4.62	2.87	N/A	N/A										
VALUE ADDED (\$ IN MILLIONS)																				
Permanent University Fund		\$133	\$93	\$93	\$48	\$370	\$324	\$1,030	\$1,167	\$2,274										
General Endowment Fund		77	53	53	26	208	184	572	685	N/A										
Intermediate Term Fund		39	38	38	45	174	186	355	N/A	N/A										
Total Value Added		\$ 249	\$ 184	\$ 184	\$ 119	\$ 752	\$ 694	\$ 1,957	\$ 1,852	\$ 2,274										

(1) - Benchmark returns for the PUF, GEF/ITF, 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.



UTIMCO Performance Summary

Preliminary (Pending Private Investment Benchmark Update)

December 31, 2010

	Net Asset Value 12/31/2010 (in Millions)	Periods Ended December 31, 2010 (Returns for Periods Longer Than One Year are Annualized)										
		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	\$ 11,917	3.38%	5.98%	10.39%	14.77%	14.77%	0.41%	5.35%	6.03%			
General Endowment Fund		3.40	6.05	10.43	14.81	14.81	0.36	5.46	N/A			
Permanent Health Fund	984	3.37	6.00	10.38	14.73	14.73	0.28	5.39	6.21			
Long Term Fund	5,841	3.37	6.00	10.38	14.74	14.74	0.28	5.39	6.16			
Separately Invested Funds	184	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Total Endowment Funds	18,926											
OPERATING FUNDS												
Short Term Fund	2,233	0.02	0.07	0.09	0.24	0.24	1.24	2.81	2.58			
Intermediate Term Fund	4,565	3.29	4.32	9.04	13.01	13.01	2.36	N/A	N/A			
Total Operating Funds	6,798											
Total Investments	\$ 25,724											
VALUE ADDED (Percent)												
Permanent University Fund		(0.57%)	1.11%	0.26%	3.03%	3.03%	2.85%	2.04%	1.97%			
General Endowment Fund		(0.55)	1.18	0.30	3.07	3.07	2.80	2.15	N/A			
Short Term Fund		-	0.03	0.04	0.11	0.11	0.45	0.38	0.20			
Intermediate Term Fund		(0.32)	0.65	0.60	4.11	4.11	2.68	N/A	N/A			
VALUE ADDED (\$ IN MILLIONS)												
Permanent University Fund		\$(66)	\$126	\$31	\$318	\$318	\$1,001	\$1,129	\$2,151			
General Endowment Fund		(36)	75	19	179	179	552	667	N/A			
Intermediate Term Fund		(14)	29	25	165	165	340	N/A	N/A			
Total Value Added		\$ (116)	\$ 230	\$ 75	\$ 662	\$ 662	\$ 1,893	\$ 1,796	\$ 2,151			

(1) - Benchmark returns for the PUF, GEF/ITF, and ITF have been restated for certain prior periods. Click for Details related to the restatements and previous policy portfolio benchmark history.

(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.

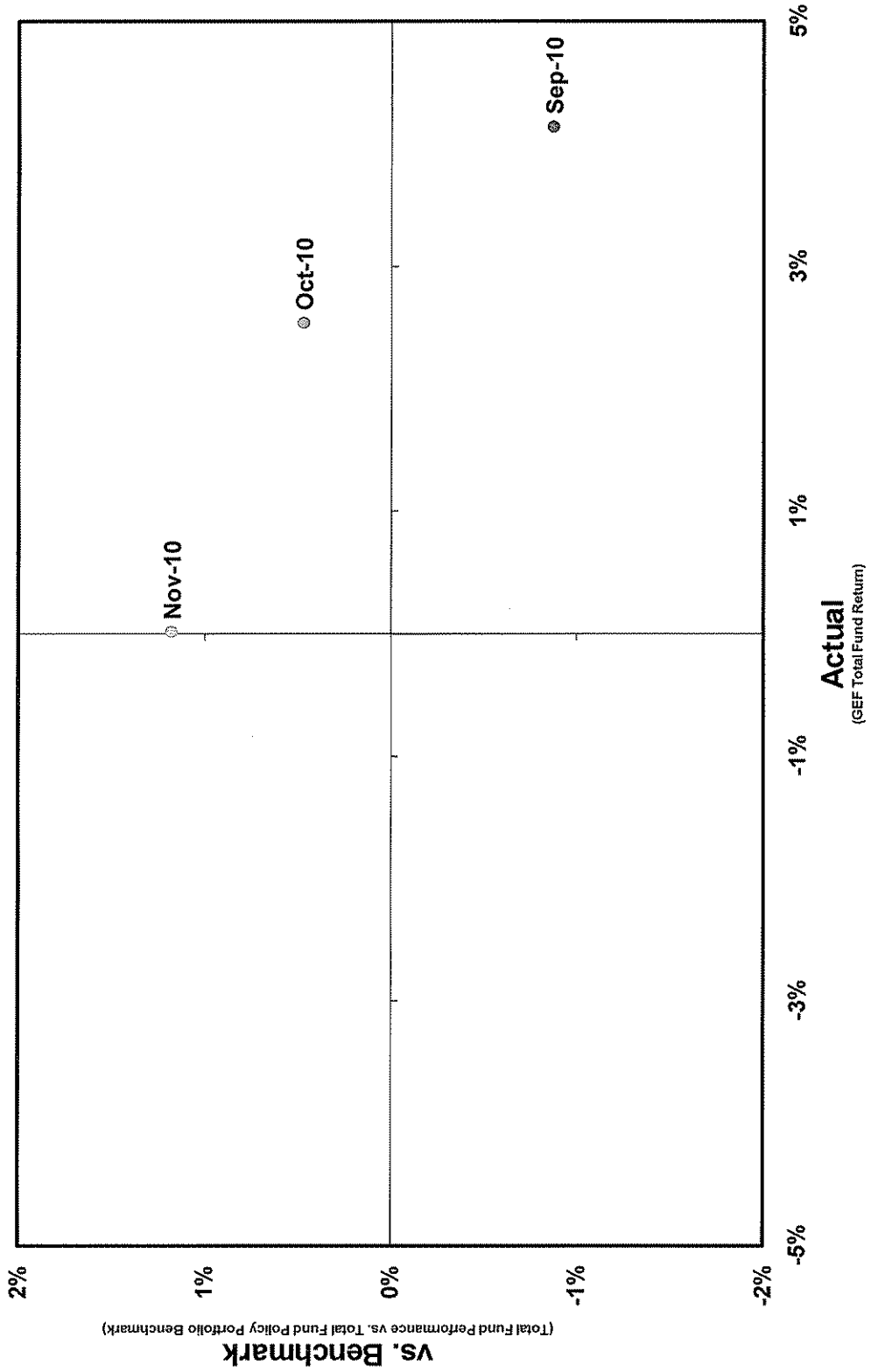


Performance During Last 3 and 12 Months

	3 Months Ended November 2010	Calendar Year 12 Months Ended December 2010
BarCap Global Agg	-0.3%	5.5%
BarCap TIPS	1.5%	6.3%
BarCap High Yield	4.0%	14.8%
Global REITs	8.5%	20.4%
DJ-UBS	12.2%	16.8%
Oil Spot	16.9%	15.1%
Natural Gas	9.7%	-27.4%
Copper	12.5%	30.8%
S&P 500	13.1%	15.1%
Nasdaq 100	19.8%	19.2%
EAFE	8.3%	7.8%
FTSE 100	7.5%	5.2%
DJ Euro Stoxx 50	3.9%	-12.1%
Topix	7.6%	-1.0%
MSCI Emerging Markets	11.3%	18.9%
Brazil Index	6.4%	5.9%
China Index	10.4%	-9.4%
India Index	11.4%	22.2%
Russia Index	12.4%	24.1%
GEF	6.8%	14.8%
ITF	5.6%	13.0%

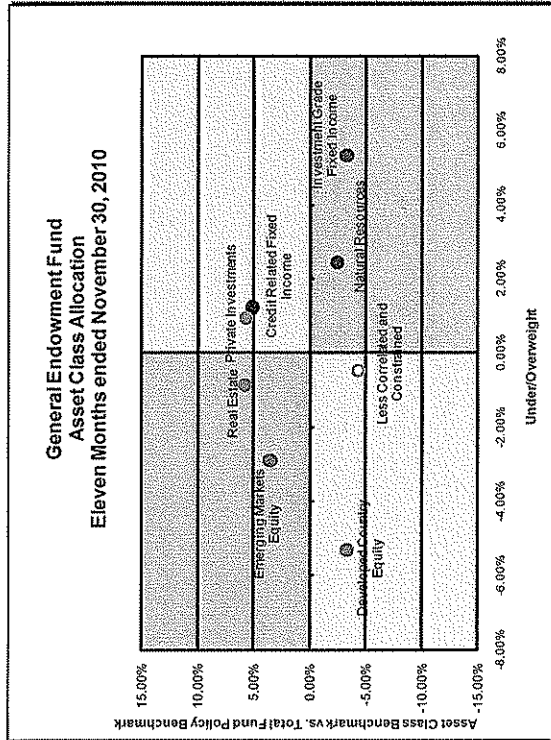


Actual and "vs. Benchmark" Returns by Month Fiscal Year 2011 (GEF)

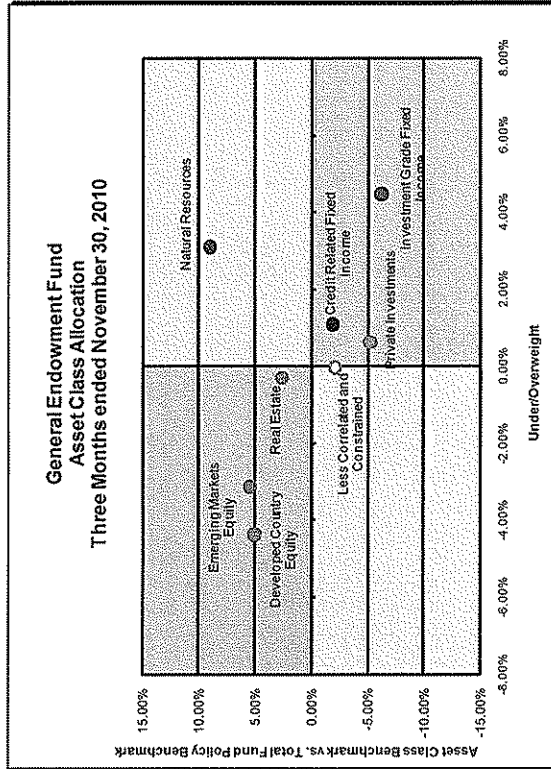




Tactical Asset Allocation



	Actual Returns	Benchmark Returns	Impact on Over/(Under) Performance (bps)
Developed Country Equity	9.41%	4.11%	8
Credit Related Fixed Income	32.74%	12.59%	6
Natural Resources	14.75%	4.97%	2
Subtotal			16
Less Correlated and Constrained	9.23%	3.15%	(3)
Real Estate	14.95%	13.26%	(9)
Investment Grade Fixed Income	4.03%	4.18%	(15)
Emerging Markets Equity	14.03%	10.96%	(28)
Subtotal			(65)
Total Fund excluding Private Investments			(39)
Private Investments	13.29%	13.13%	17
Total Fund	11.03%	7.49%	(22)



	Actual Returns	Benchmark Returns	Impact on Over/(Under) Performance (bps)
Natural Resources	15.73%	14.96%	26
Less Correlated and Constrained	4.95%	3.76%	1
Subtotal			27
Credit Related Fixed Income	5.27%	4.00%	(2)
Real Estate	9.24%	8.49%	(3)
Emerging Markets Equity	11.33%	11.32%	(20)
Investment Grade Fixed Income	0.03%	-0.31%	(29)
Developed Country Equity	11.33%	10.95%	(34)
Subtotal			(68)
Total Fund excluding Private Investments			(61)
Private Investments	4.96%	0.68%	(7)
Total Fund	6.80%	5.94%	(68)



Active Management Value Added Periods Ended November 30, 2010 (GEF)

	3 Months (bps)	Manager (Alpha)
Less Correlated	39	Cadian (5.95), Bridgewater Pure Alpha II (3.69), Farallon FCOI II (2.84)
Developed Country Equity	8	Wellington (.51), Viking Global (.22), Equity Skew (.22)
Natural Resources	4	Blackrock Small Cap (1.11), Energy Opportunities (.78), Blackrock Global Mining (.67)
Investment Grade Fixed Income	3	Inflation Hedge (.74), Brandywine (.41), PIMCO Fixed (.16)
Real Estate	3	MS REITS (1.22), Cohen & Steers Global (.08), Blackrock - US Real Estate (.02)
Credit Related Fixed Income	-	Argelo Gordon (5.22)
Subtotal	57	
Emerging Markets Equity	(1)	Blakeney (.34), Hillhouse (.18), Arohi (.11)
Subtotal	(1)	
Total Fund excluding Private Investments	56	
Private Investments	99	
Total Fund	155	

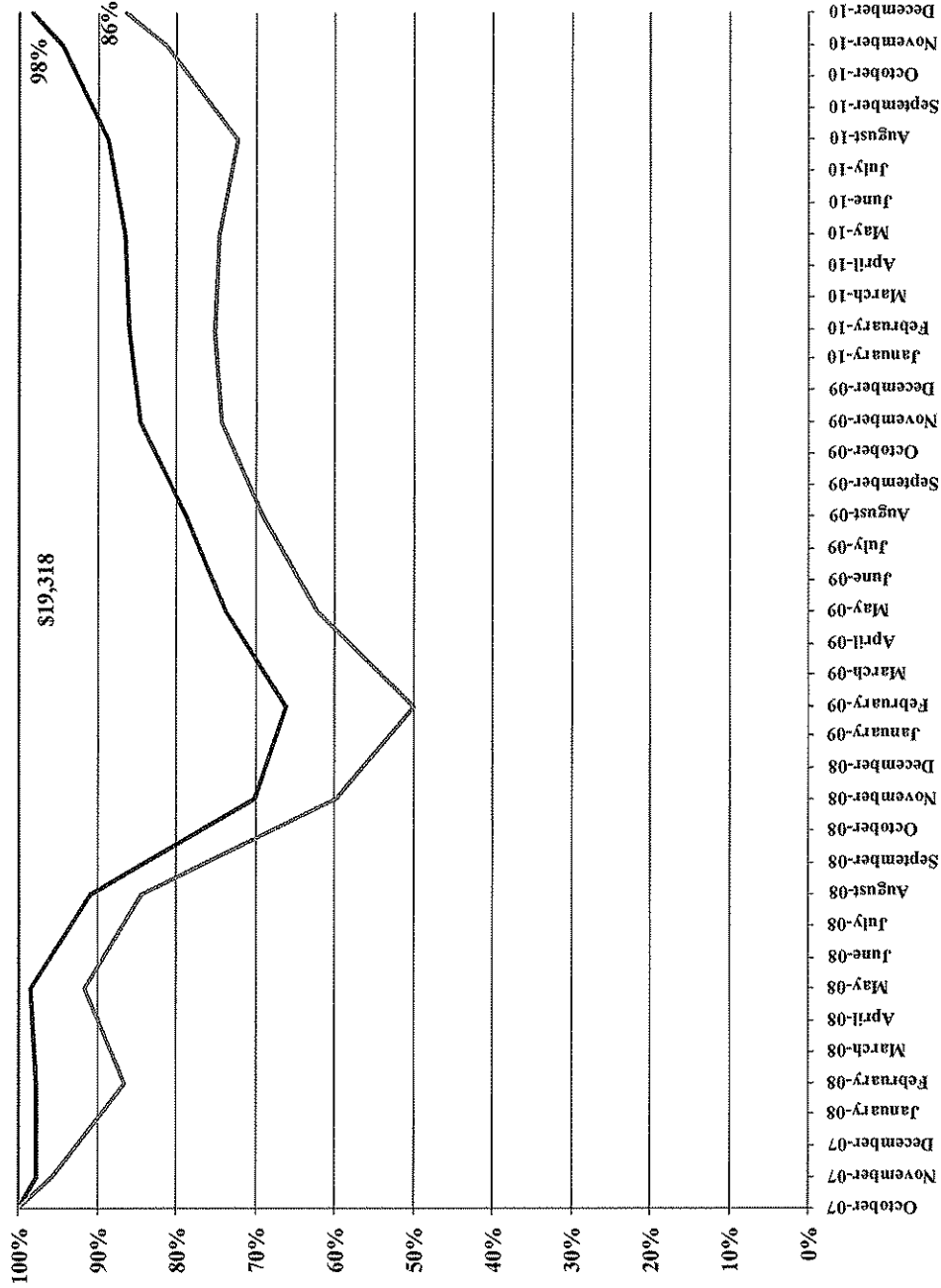
	11 Month (bps)	Manager (Alpha)
Less Correlated	154	Bridgewater Pure Alpha II (31.49), Farallon Credit (15.01), Cadian (12.74), Farallon FCOI II (6.27)
Developed Country Equity	97	Value Act (4.26), Stelliam (.43), Wellington (.39)
Natural Resources	51	Gold Futures (5.41), Blackrock Global Mining (1.35), Energy Opportunities (.81)
Emerging Markets Equity	36	Acadian (.93), Hillhouse (.80), Russian Prosperity (.74)
Real Estate	7	MS REITS (1.56), Security Capital (1.05), Cohen & Steers (.98)
Credit Related Fixed Income	5	Argelo Gordon (19.14), GMO Emerging Debt (.89)
Investment Grade Fixed Income	-	Brandywine (.93), PIMCO Fixed (.90), Internal Investment Grade Credit (.65)
Subtotal	350	
Subtotal	-	
Total Fund excluding Private Investments	350	
Private Investments	(2)	
Total Fund	348	



Value-Add Analysis

	FY05	FY06	FY07	FY08	FY09	FY10	1QFY11
MCC							
Tactical	0.43%	-0.54%	0.14%	0.82%	0.29%	0.01%	-0.61%
Active	0.42%	-0.81%	-0.74%	-0.19%	1.68%	2.02%	0.19%
TOTAL	0.85%	1.35%	-0.60%	0.63%	1.39%	2.02%	-0.42%
LCC							
Tactical	-0.01%	0.07%	-0.02%	-0.09%	0.04%	0.21%	-0.01%
Active	2.09%	0.86%	2.63%	2.02%	1.68%	2.61%	0.37%
TOTAL	2.08%	0.93%	2.61%	1.93%	1.71%	2.82%	0.36%
Private Investments							
Tactical	-0.68%	-0.42%	-0.69%	0.14%	0.35%	0.40%	-0.07%
Active	1.51%	-0.57%	1.20%	-0.59%	1.54%	-0.98%	0.99%
TOTAL	0.83%	-0.99%	0.51%	-0.45%	1.88%	-0.58%	0.92%
Overall GEF							
Tactical	-0.26%	-0.89%	-0.57%	0.87%	0.67%	0.62%	-0.69%
Active	4.02%	-0.52%	3.09%	1.24%	1.53%	3.65%	1.55%
TOTAL	3.76%	1.41%	2.52%	2.11%	2.20%	4.26%	0.86%

Endowments Peak Value Analysis 10/31/2007 – 12/31/2010





Assets



Combined PUF and GEF Asset Allocation as of November 30, 2010 (in millions)

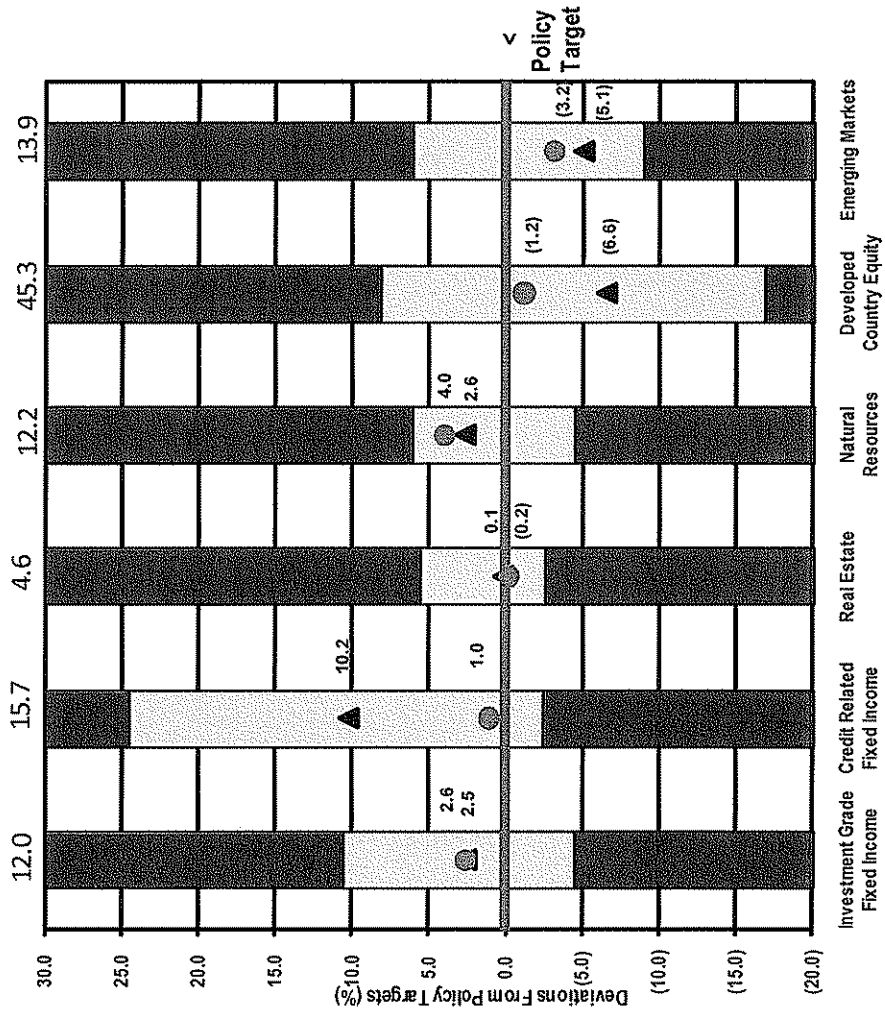
Asset Group	Asset Class	More Correlated and Constrained		Less Correlated and Constrained	Private Investments		Grand Total		
		\$	%		\$	%			
Fixed Income	Investment Grade	\$ 1,772	9.8%	\$ 343	1.9%	\$ -	0.0%	\$ 2,115	11.7%
	Credit-Related	186	1.0%	1,380	7.6%	1,300	7.2%	2,866	15.8%
Fixed Income Total		1,958	10.8%	1,723	9.5%	1,300	7.2%	4,981	27.5%
Real Assets	Real Estate	\$ 555	3.1%	\$ 110	0.6%	\$ 158	0.9%	823	4.6%
	Natural Resources	1,799	9.9%	13	0.1%	405	2.2%	2,217	12.2%
Real Assets Total		2,354	13.0%	123	0.7%	563	3.1%	3,040	16.8%
Equity	Developed Country	\$ 3,231	17.8%	\$ 3,117	17.2%	\$ 1,890	10.4%	8,238	45.4%
	Emerging Markets	1,749	9.7%	469	2.6%	348	1.9%	2,566	14.2%
Equity Total		4,980	27.5%	3,586	19.8%	2,238	12.3%	10,804	59.6%
Grand Total		\$ 9,292	51.3%	\$ 5,432	30.0%	\$ 4,101	22.6%	\$ 18,825	103.9%

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.

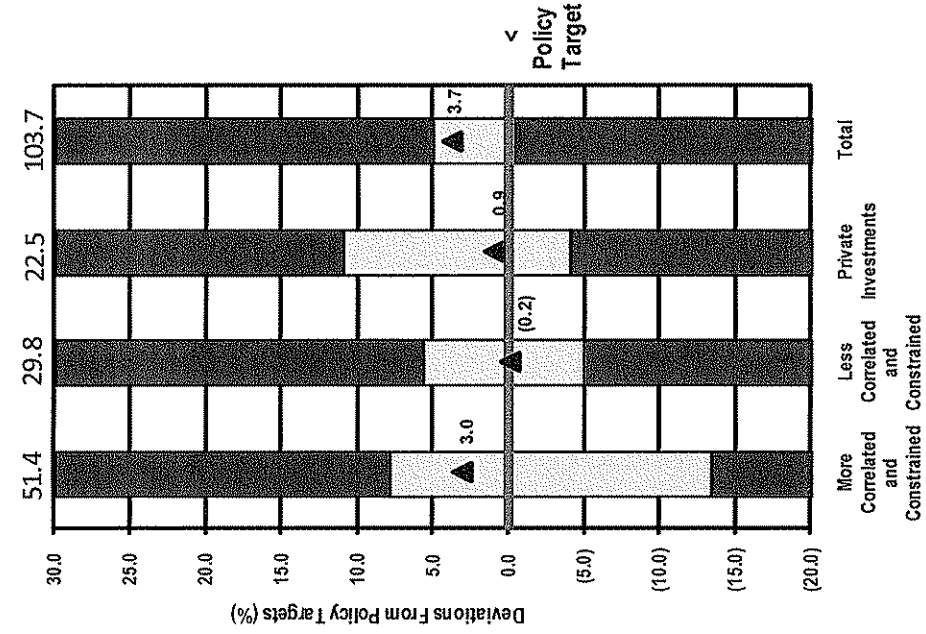


PUF Asset Allocation as of November 30, 2010

Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for PUF

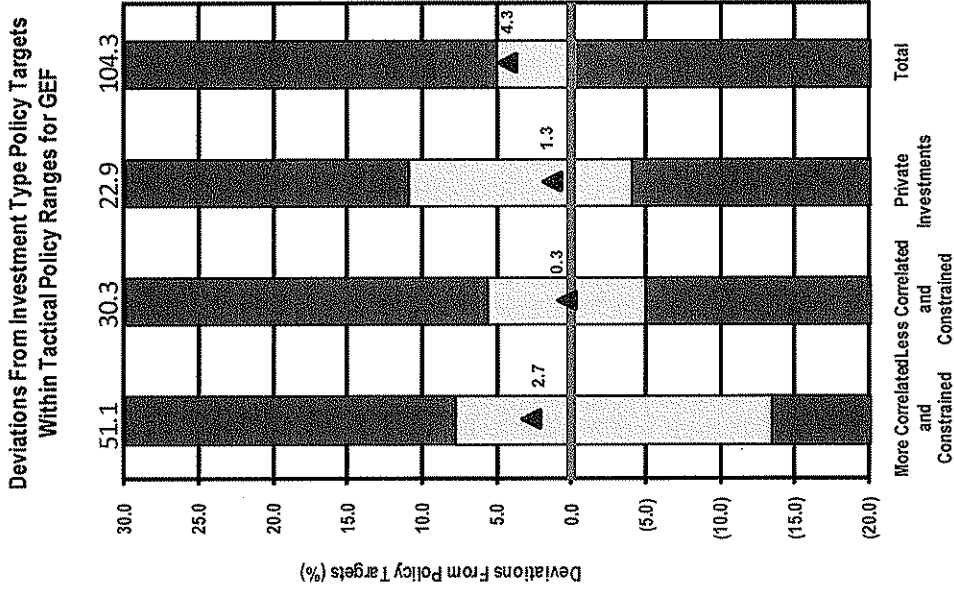


▲ -- All Investment Types ● -- More Correlated and Constrained

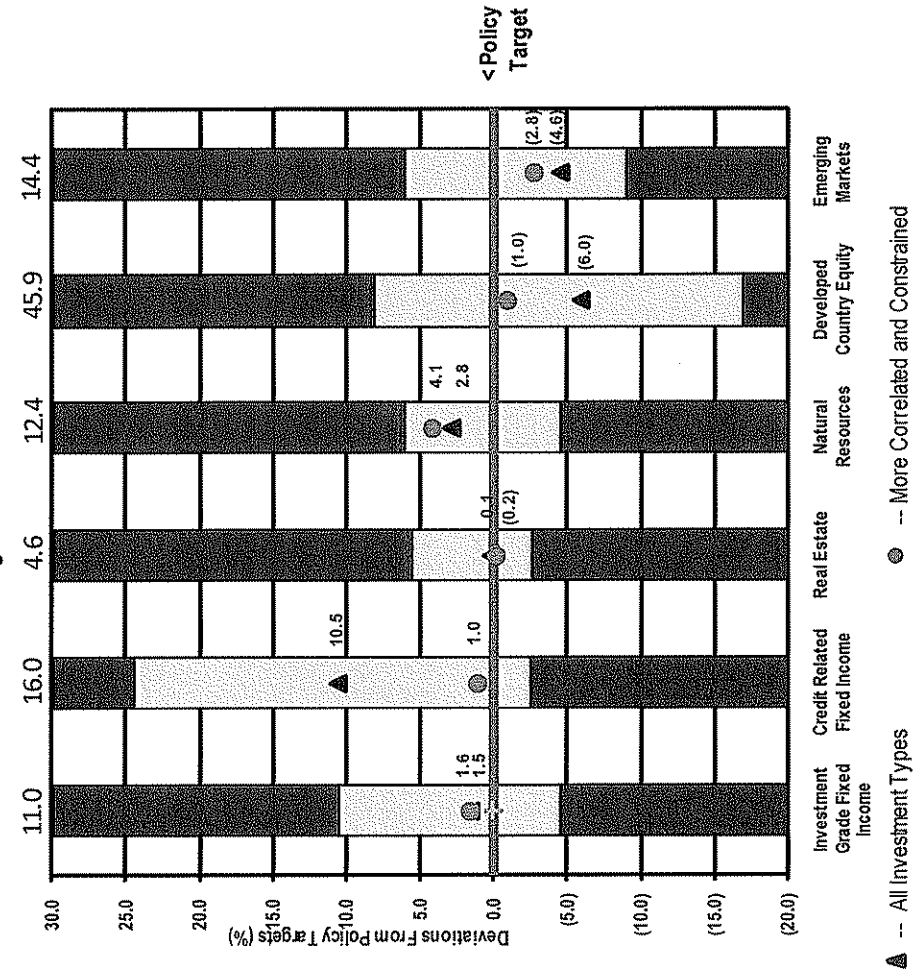


GEF Asset Allocation as of November 30, 2010

Deviations From Investment Type Policy Targets
Within Tactical Policy Ranges for GEF

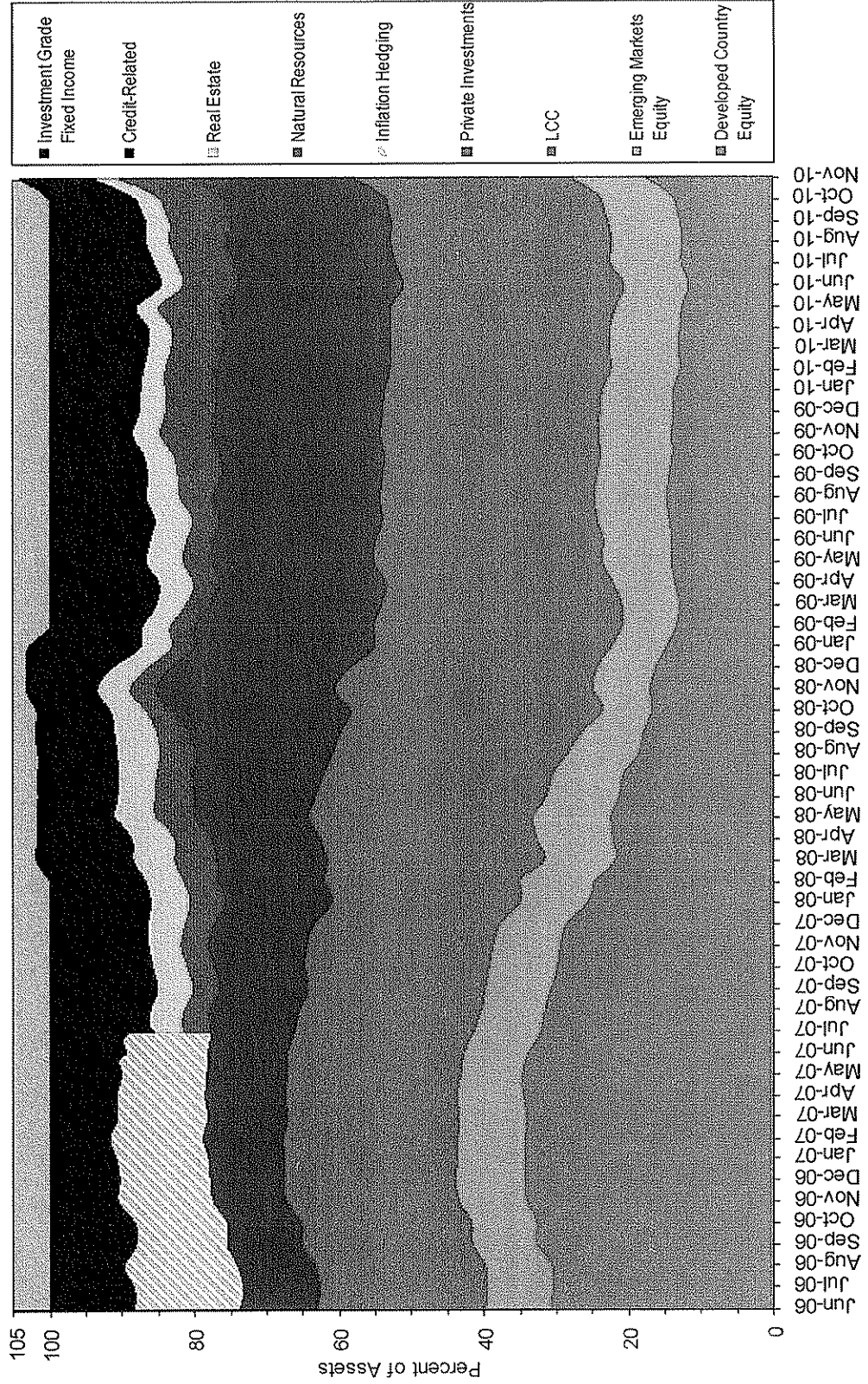


Deviations From Asset Class Policy Targets Within Tactical Policy
Ranges for GEF



▲ -- All Investment Types
● -- More Correlated and Constrained

Asset Allocation Over Time (GEF)





LCC Investment Policy Categorizations vs. "Look Thru" Exposures (11/30/2010)

Exposure Methodology Comparison			
	Policy	Look-Through	Difference
Investment Grade Fixed Income	1.9%	3.2%	1.3%
Credit-Related Fixed Income	7.8%	6.8%	-1.0%
Real Estate	0.6%	0.5%	-0.2%
Natural Resources	0.1%	0.6%	0.5%
Developed Country Equity	17.7%	15.9%	-1.7%
Emerging Markets Equity	2.7%	3.8%	1.1%
Less Correlated & Constrained	30.8%	30.8%	0.0%

UTIMCO FY Target Comparison		
Current per	8/31/11	Difference
Policy	Target	Difference
1.9%	2.0%	-0.1%
7.8%	3.2%	4.6%
0.6%	0.0%	0.6%
0.1%	1.0%	-0.9%
17.7%	20.6%	-2.9%
2.7%	4.2%	-1.5%
30.8%	31.0%	-0.2%

Asset Classification	Hedge Fund Strategy															
	Fixed Income (ex distressed)	Fixed Income (Convertible)	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%	0.7%	0.1%	1.2%	0.0%	-	0.4%	0.1%	0.2%	-	-	-	0.3%	0.0%	1.9%
Real Assets	0.3%	0.2%	0.1%	0.0%	0.6%	4.8%	-	-	0.8%	0.0%	-	0.3%	1.0%	2.1%	0.4%	7.8%
Equity	-	-	-	-	-	0.2%	0.5%	-	-	-	-	-	-	-	-	0.6%
Total LCC	0.7%	0.9%	1.0%	0.6%	3.2%	6.8%	0.5%	0.6%	9.9%	3.5%	-	0.7%	2.3%	15.9%	3.8%	30.8%
Gross Leverage	15.78	2.38	8.49	3.16	7.57	1.08	1.79	1.72	1.91	2.28	0.00	1.37	1.06	1.85	1.62	2.24
Net Leverage	-8.68	0.16	3.04	0.01	-0.98	0.82	0.29	1.60	0.51	0.29	0.00	0.77	1.01	0.55	0.57	0.47



Investment Activity



Report on Investment Transactions Made Under the Delegation of Authority Fiscal Quarter ended November 30, 2010

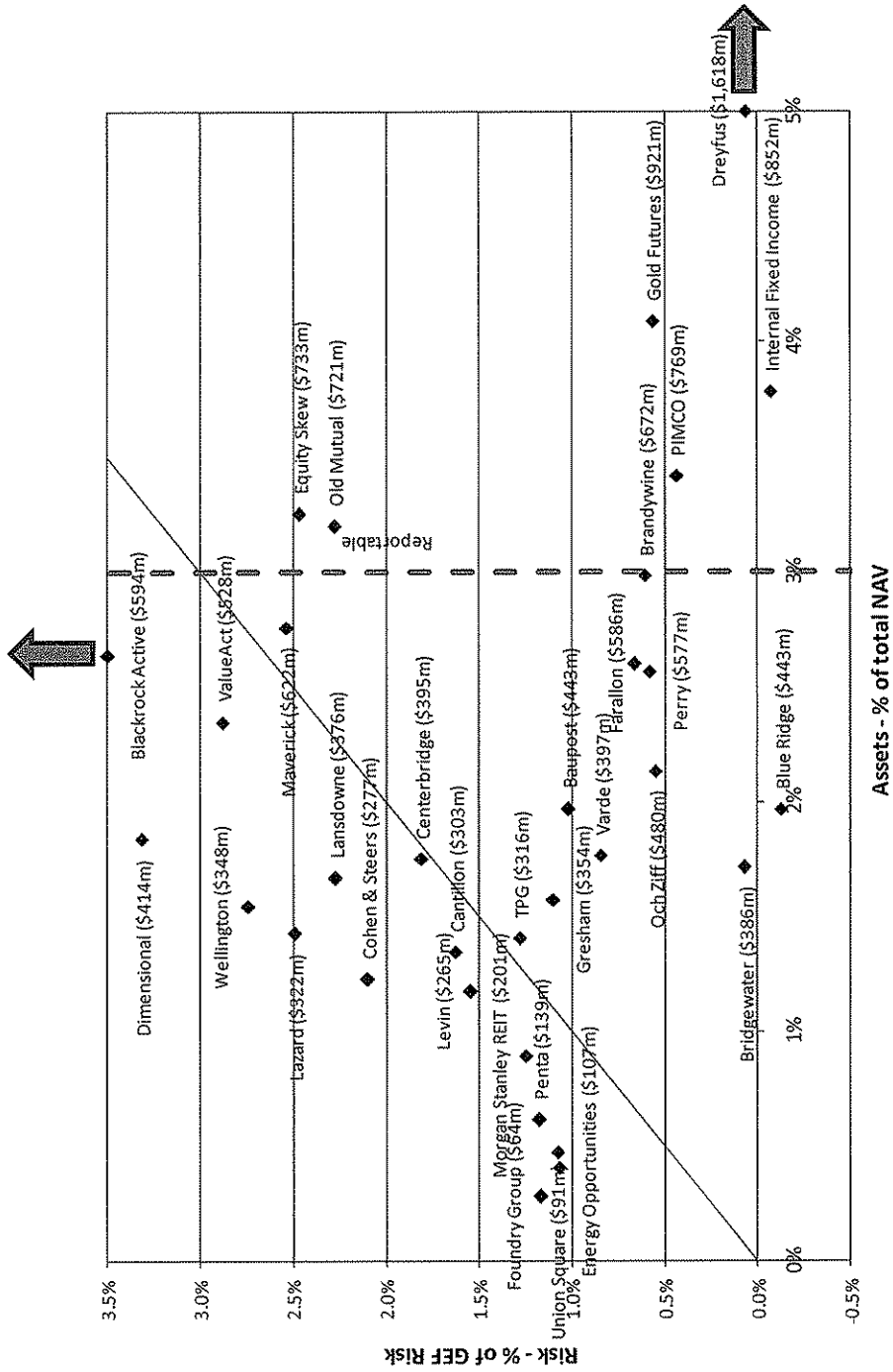
	Redemptions (\$ millions)			Investments / Commitments (\$ millions)			Illiquid		
	MCC	LCC	Private	Total	MCC	LCC		Private	Total
Investment Grade Fixed Income									
Credit Suisse Hedging Griffo	-	-	-	-	200	-	-	200	No
Brandywine	25	-	-	25	-	-	-	-	
	25	-	-	25	200	-	-	200	
Credit-Related Fixed Income									
Watershed RMBS	44	-	-	44	-	-	-	-	
Angelo Gordon CMBS	15	-	-	15	-	-	-	-	
Satellite	-	6	-	6	-	-	-	-	
Blackstone	-	2	-	2	-	-	-	-	
Farallon Asia	-	-	-	-	-	50	-	50	Yes
	59	8	-	67	-	50	-	50	
Real Estate									
Benson Elliot Real Estate Partners III, L.P.	-	-	-	-	-	€	15	15	Yes
	-	-	-	-	-	-	15	15	
Natural Resources									
Global Energy Capital LP	-	-	-	-	-	-	50	50	Yes
Energy Opportunities	-	-	-	-	27	-	-	27	No
Schroders Commodity Portfolio	-	-	-	-	23	-	-	23	No
	-	-	-	-	50	-	50	100	
Developed Country Equity									
Fox Point	-	20	-	20	-	-	-	-	
Levin Utilities	7	-	-	7	-	-	-	-	
Shepherd	-	2	-	2	-	-	-	-	
Rock Creek	-	1	-	1	-	-	-	-	
Brahman	-	1	-	1	-	-	-	-	
Cantillon	-	-	-	-	93	-	-	93	No
International Value Advisors	-	-	-	-	50	-	-	50	No
Deerfield International	-	-	-	-	-	50	-	50	Yes
Foundry Venture Capital 2010 LP	-	-	-	-	-	-	45	45	Yes
Route One	-	-	-	-	-	40	-	40	No
Præsidium	-	-	-	-	20	-	-	20	No
	7	24	-	31	163	90	45	298	
Emerging Markets Equity									
BlackRock EMSt	8	-	-	8	-	-	-	-	Yes
Penta Asia	-	-	-	-	10	25	-	35	Yes
Hillhouse Gaoling Feeder Fund	8	-	-	8	10	25	-	35	Yes
	99	32	-	131	423	165	110	698	



Manager Exposure



Largest Mandates: Risk and Dollar Allocations



Mandates with at least 1.7% of total assets, or at least 1.07% of Risk



Manager Exposures over 3% and 5% November 30, 2010

Managers with exposure >3% relative to total Funds (excluding ITF for Private Investments) 11/30/2010

<u>Manager Name</u>	<u>Investment Amount</u>	<u>%-age</u>
<u>More Correlated and Constrained</u> Internal Fixed Income	851,888,179	3.78%
Pimco	769,173,959	3.41%
Acadian / Old Mutual	720,920,461	3.20%

Less Correlated and Constrained
None

Private Investments
None

Managers with exposure >5% relative to total Funds (excluding ITF for Private Investments) 11/30/2010

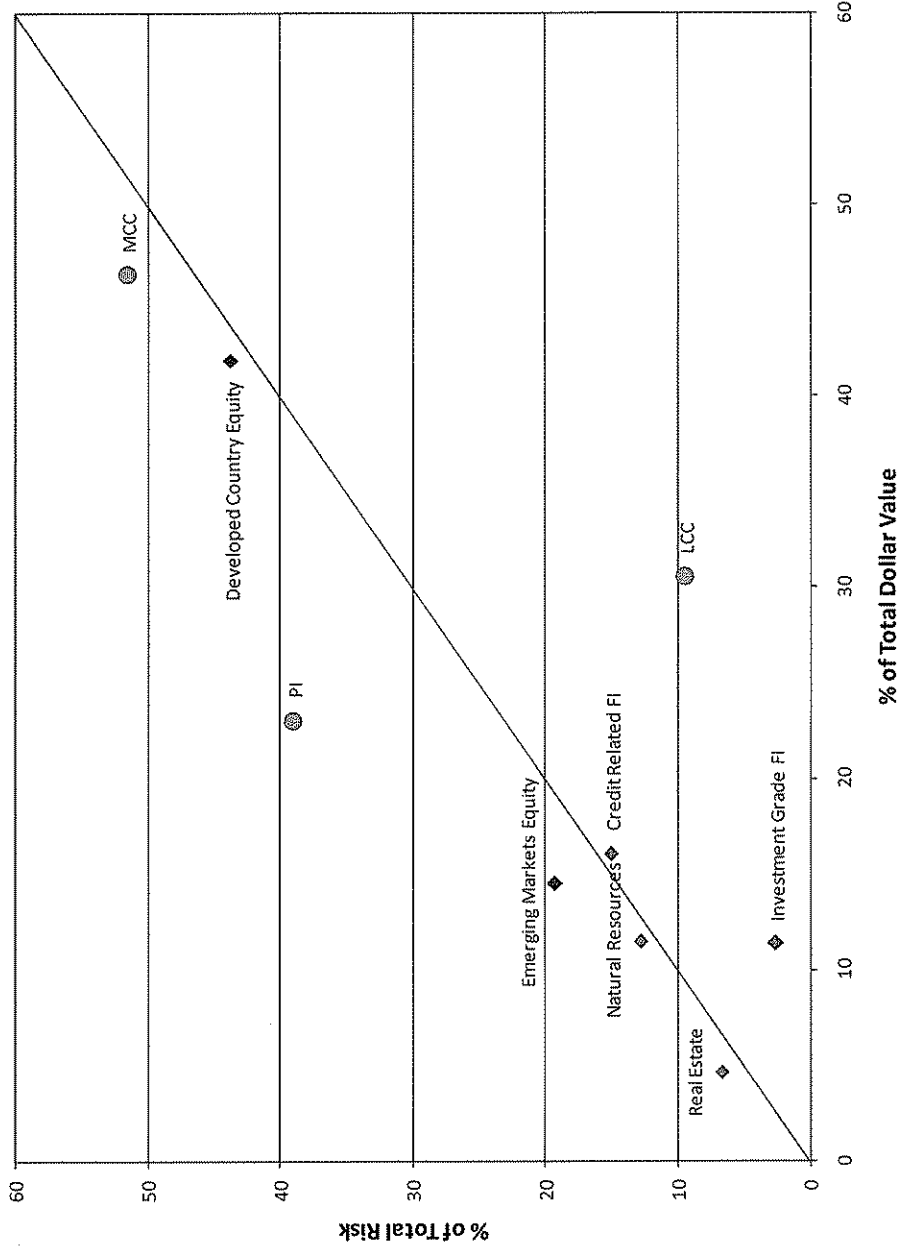
<u>Manager Name</u>	<u>Investment Amount</u>	<u>%-age</u>
None		



Risk Analytics



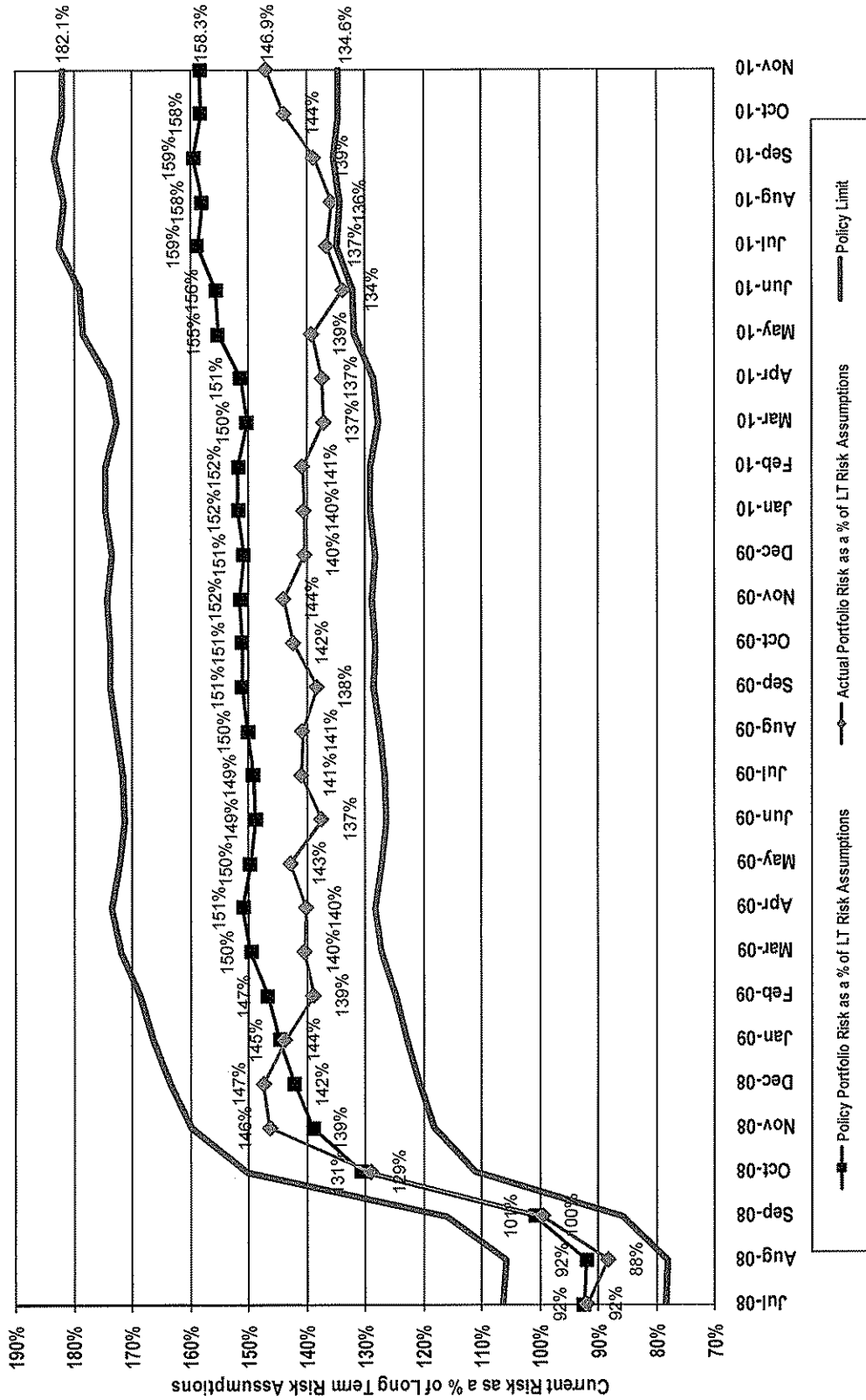
Dollar Allocations Compared to Downside Risk Allocation - GEF





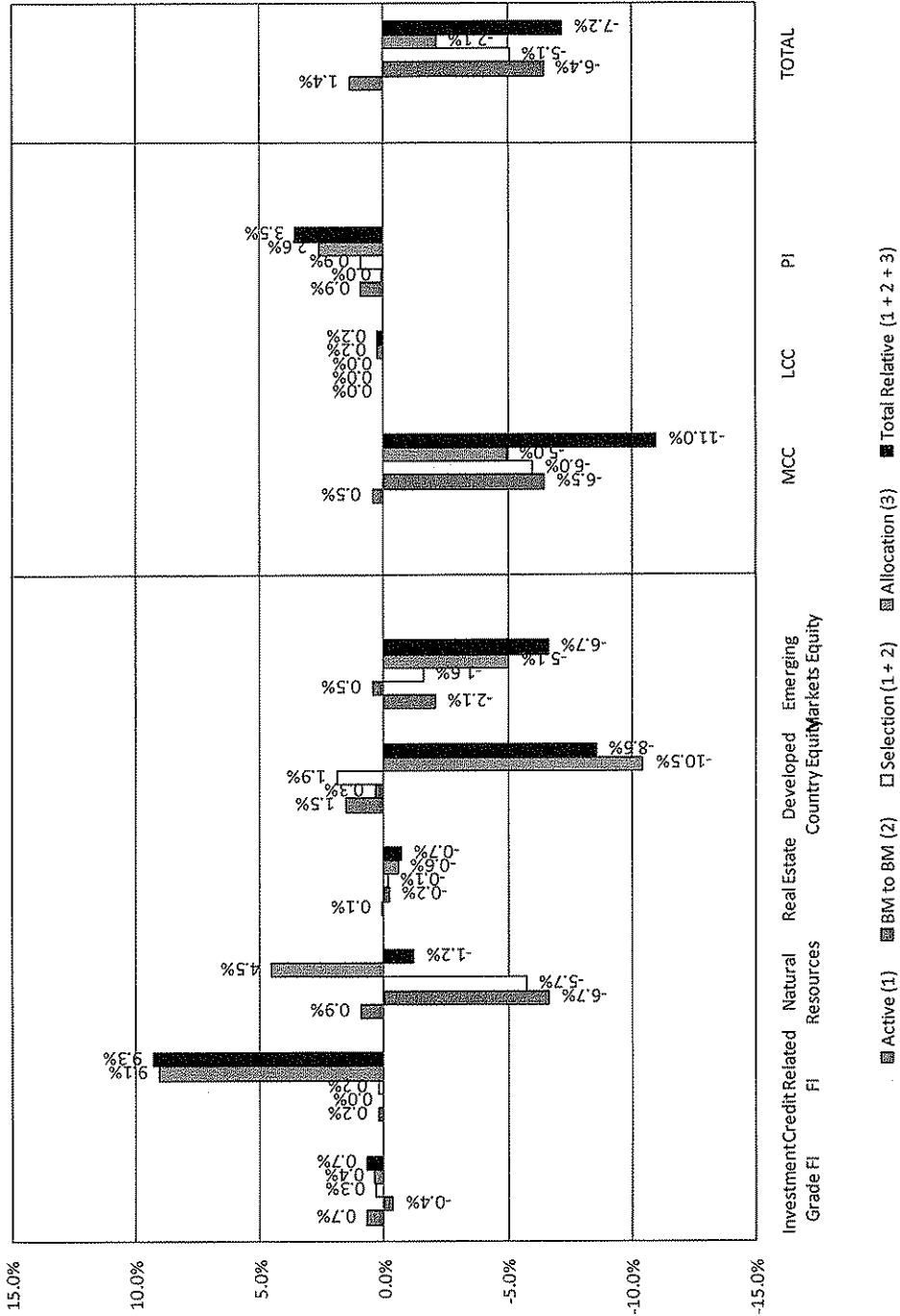
Current Risk Environment of GEF

(Based on Downside Risk; LT assumption = 9.05%)





GEF 4-Way Risk Decomposition as of 11/30/2010



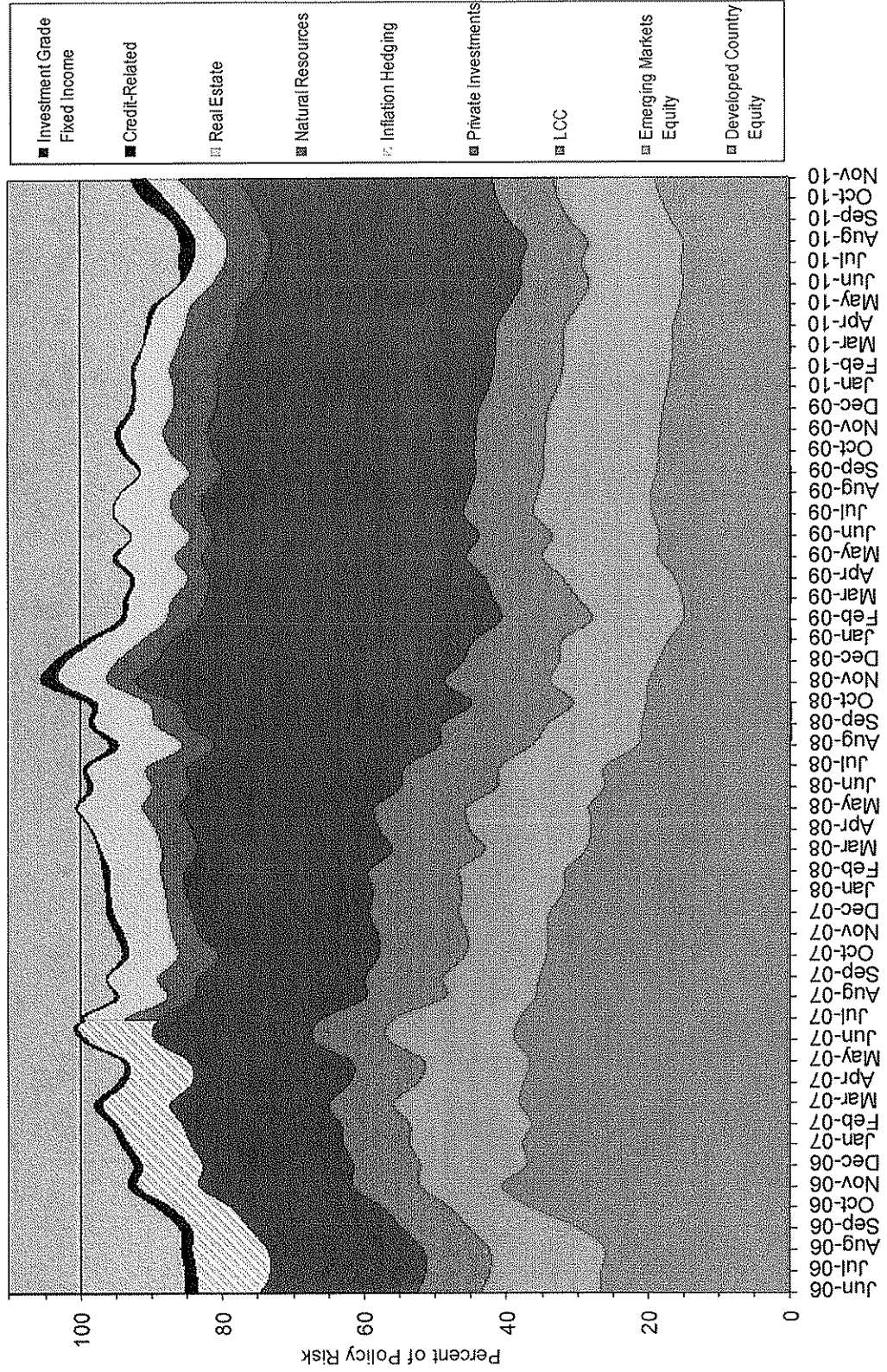


GEF Marginal Risk Contribution

	MCC	LCC	PI	TOTAL
Investment Grade Fixed Income	0.23	0.09		0.21
Credit-Related Fixed Income	0.26	0.45	0.61	0.51
Natural Resources	0.93	0.10	2.41	1.19
Real Estate	1.67	0.18	2.87	1.70
Developed Country Equity	1.18	0.26	2.13	1.05
Emerging Markets Equity	1.59	0.62	3.03	1.61
TOTAL	1.05	0.33	1.78	1.00



Risk Allocation Over Time (GEF)





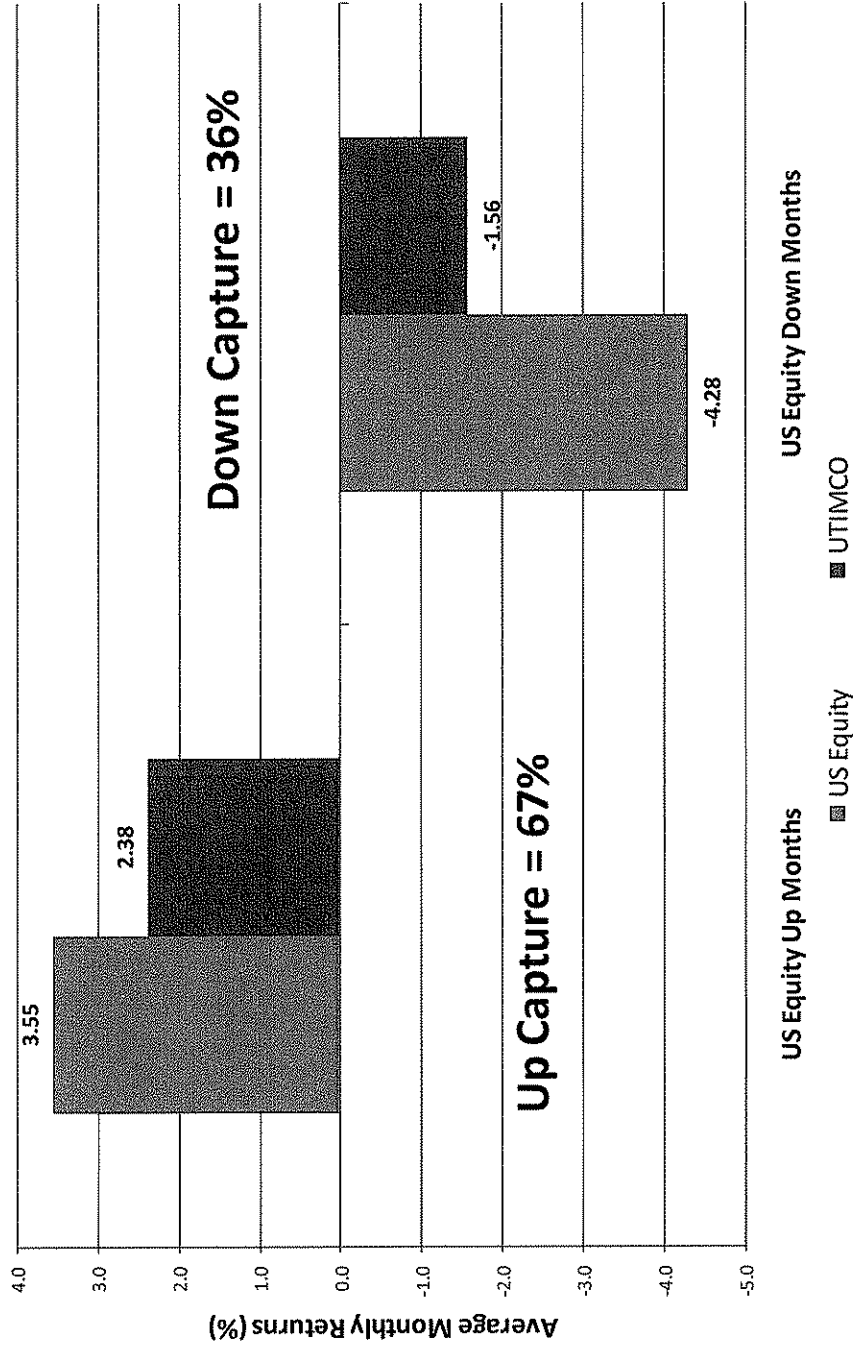
Portfolio Sharpe and Information Ratios

Period Ending November 30, 2010

	Three Months	One Year	Three Years	Five Years	Ten Years
Actual Returns	6.80	12.26	-0.79	5.14	6.14
Risk-free Returns	0.03	0.11	0.88	2.49	2.44
Actual Volatility	3.60	7.03	12.27	10.09	9.17
Portfolio Sharpe Ratio	1.88	1.73	-0.14	0.26	0.40
Policy Returns	5.94	9.09	-3.76	2.86	3.89
Policy Volatility	5.57	9.46	13.35	10.96	9.31
Tracking Error	2.05	2.98	3.26	2.72	2.61
Portfolio Information Ratio	0.42	1.06	0.91	0.84	0.86



UTIMCO's Up/Down Capture



Data from 8/1996 till 11/2010. US equity had 72 down months and 100 up months



Correlations

Measured as of November 30, 2010

	Total IGFI	Total Credit	Total RE	Total NatRes	Total DC	Total EM	MCC	LCC	PI	GEF
Total IGFI	1.00	0.43	0.63	0.64	0.70	0.69	0.76	0.66	0.32	0.75
Total Credit		1.00	0.58	0.66	0.65	0.57	0.60	0.68	0.78	0.71
Total RE			1.00	0.64	0.81	0.84	0.91	0.53	0.47	0.86
Total NatRes				1.00	0.85	0.83	0.84	0.85	0.41	0.88
Total DC					1.00	0.90	0.94	0.88	0.49	0.98
Total EM						1.00	0.97	0.81	0.29	0.95
MCC							1.00	0.79	0.38	0.98
LCC								1.00	0.33	0.87
PI									1.00	0.50
GEF										1.00

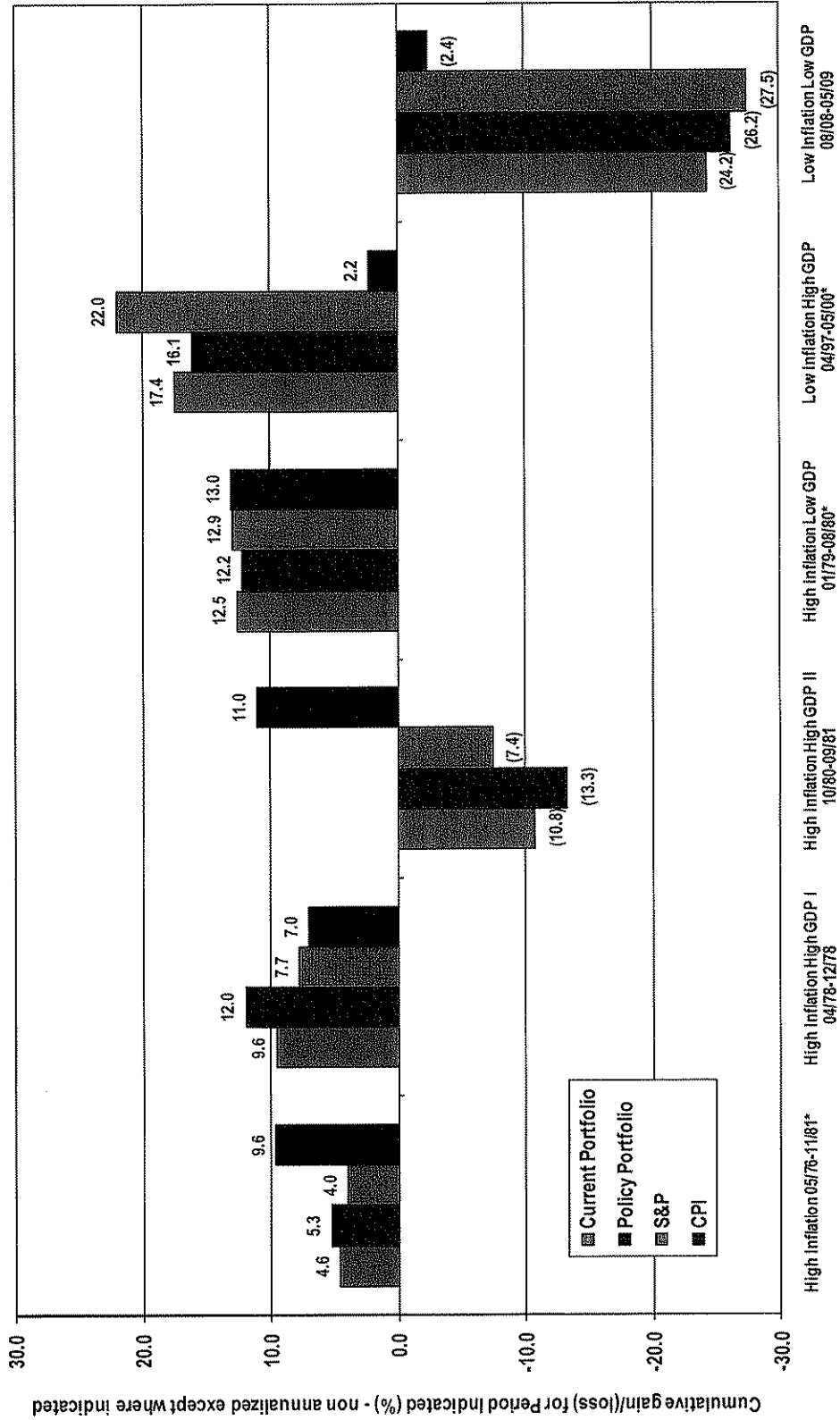


Parametric Stress Tests

<u>Test</u>	<u>Effect on Endowment</u>
• S&P-500 drops 20%	(10.3%)
• Rates rise 100bp	(0.37%)
• Dollar strengthens 5%	(0.90%)
• Dollar weakens 5%	0.99%
• Yield curve flattens – Bull case	0.33%
• Yield curve flattens – Bear case	(0.17%)
• Yield curve steepens – Bull case	0.17%
• Yield curve steepens – Bear case	(0.19%)



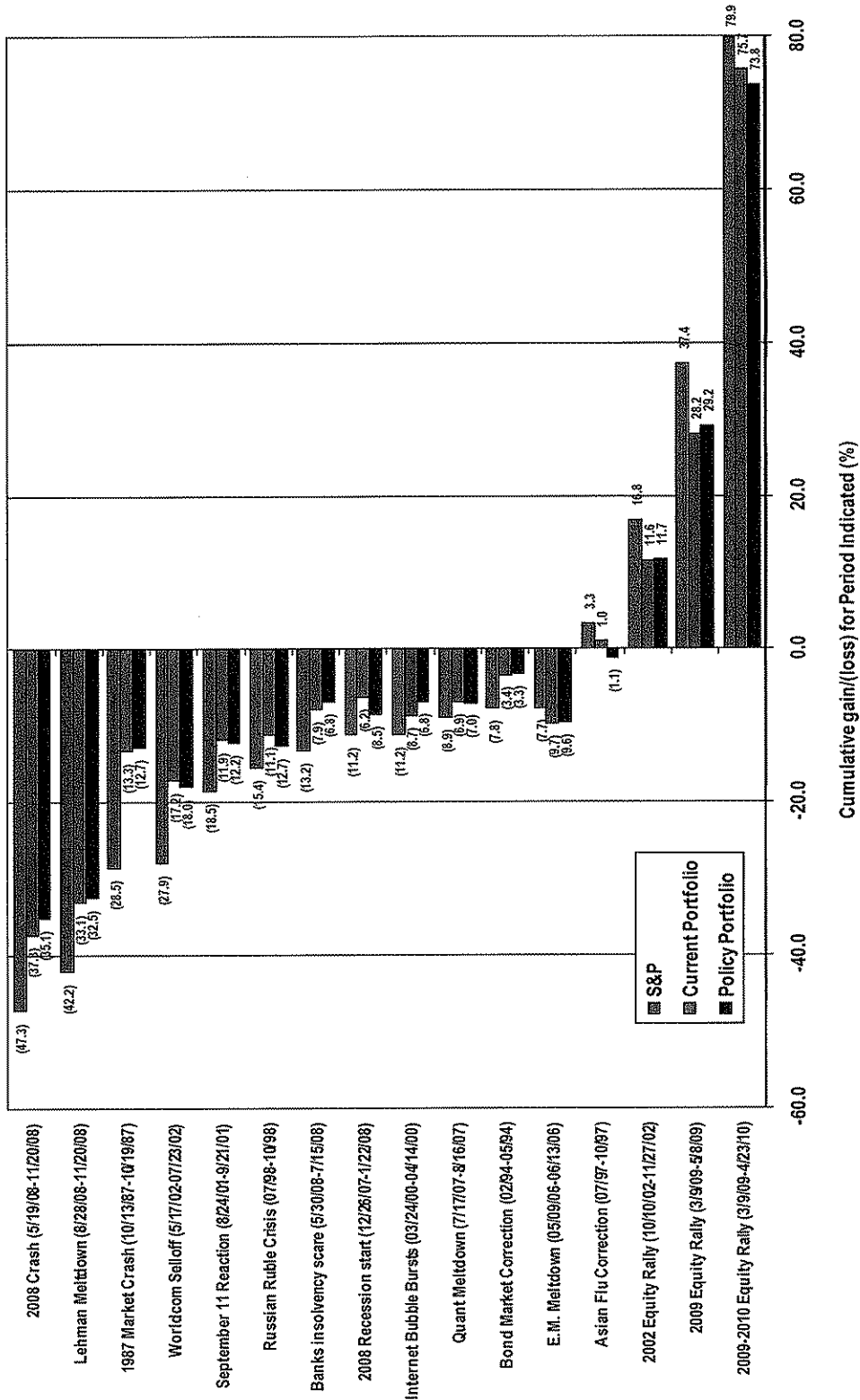
Hypothetical Performance of Current GEF Portfolio in Selected Economic Stress Environments



* Annualized



Hypothetical Performance of Current GEF Portfolio in Selected Market Stress Environments



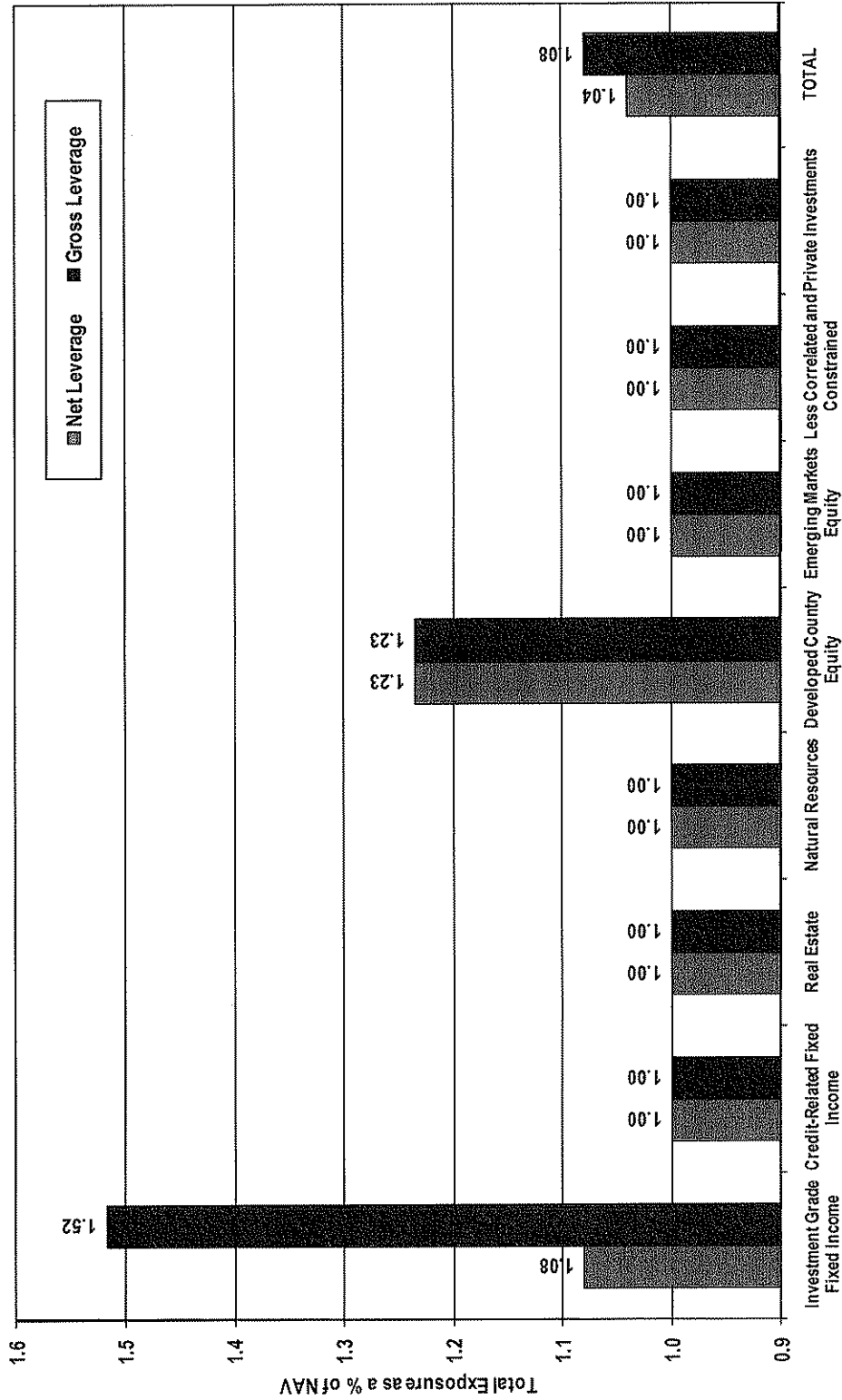


Leverage

- Derivatives
- Counterparty Risk



Net and Gross Leverage of GEF as of November 30, 2010





Comprehensive Derivative Report

November 30, 2010

INTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value (\$ millions)	Activity from previous report (8/31/2010) (\$ millions)
<u>Natural Resources</u>			
MLP/AMZ Index Swap	Long a basket of Infrastructure names (subset of Alerian Index)	71	6
Gold Futures	Long Gold futures	921	280
<u>Developed Country Equity</u>			
S&P 500 Futures	Long S&P 500 futures	92	3
EQUITY SKEW OPTIONS	Long Call and Short Put option trades on the S&P 500 Index	1,200	1,200
EQUITY GROWTH SKEW OPTIONS	Long Call and Short Put option trades on the S&P Growth Index	600	600
<u>Non-US Developed Equity</u>			
Australian Swaps	Long Australian swaps	87	13
Canadian Swap	Long Canadian swaps	101	10
<u>Investment Grade Fixed Income</u>			
Inflation hedge	Long caplets on the 5y10y CMS and on the 7y10y CMS (Constant Maturity Swap)	8,500	4,500
Total Internal Managers		\$ 11,572	

EXTERNAL MANAGERS

Manager	Derivative Strategy	Net Notional Value (\$ millions)
<u>Credit Related</u>		
Credit Suisse Hedging Griffo	Currency futures used to hedge Brazilian Real exposure back to USD	\$ 188
<u>Natural Resources</u>		
Gresham	Long Exchange-traded commodity futures	\$ 354
<u>Non-US Developed Equity</u>		
International Value Advisors	Currency forward contracts for hedging purposes or to provide efficient investment exposure.	(31)



Comprehensive Derivative Report

November 30, 2010

EXTERNAL MANAGERS (cont.)

Manager	Derivative Strategy	Net Notional Value (\$ millions)
Lansdowne	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.	31
Wellington (SPE and Emerging)	Purchased options on single name shares	3
Investment Grade Fixed Income		
Brandywine	Currency forwards used to hedge foreign currency exposure	(53)
Old Mutual	Purchased options to replicate bond exposure. Currency forwards used to create overw eight/underw eight investment exposures and to hedge physical bond positions.	1
		-
PIMCO Global Bonds	Currency forwards used to underw eight the US dollar	140
	Long US and Non-US futures used to overw eight duration in Eurozone	112
	Receive interest rate sw aps used to overw eight duration in the Eurozone and underw eight intermediate portion of the Japanese yield curve	42
	Interest rate sw aps used to overw eight front end of US and UK yield curves	214
	Short/Written credit default sw aps used to overw eight credit risk	99
	Long/Purchased credit default sw aps used to underw eight credit risk	(42)
	Written options used to increase portfolio yield	(467)
	Purchased options used to increase portfolio yield	5
	Total External Managers	\$ 408
	GRAND TOTAL	\$ 11,980



Comprehensive Report on Derivative Investments November 30, 2010

Internal Managers

Derivative Investment (account name)		Purpose of Investment
S&P 500	PUF/GEF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization), possibly without committing capital (i.e. creating financial leverage)
Gold Futures	ITF	Replicate Index exposure by Utilizing Futures and Cash (Cash Equitization)
MLP AMZ Index Swap	PUF/GEF/ITF	Use derivatives to gain market (systematic) exposure without trading the physical commodity
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
Equity Skew	PUF/GEF	Use derivatives to gain market (systematic) exposure without trading the underlying cash market securities and take advantage of skew in volatility



Comprehensive Report on Derivative Investments November 30, 2010 (continued)

External Managers Under Agency Agreement		Primary Use of Derivatives
Arohi	PUF/GEF/ITF	Hedge undesirable foreign currency exposure via forwards
Brandywine	PUF/GEF/ITF	Hedge undesirable foreign currency exposure and/or gain desirable short term fixed income and FX exposure
Cantillon	PUF/GEF/ITF	May hedge up to 5% of equity exposure
Credit Suisse Hedging Griffo	PUF/GEF/ITF	Currency futures used to hedge Brazilian Real exposure back to U.S. Dollar
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
Old Mutual	PUF/GEF/ITF	Currency forwards used to create overweight/underweight investment exposures and to hedge physical bond positions. Purchased options to replicate bond 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. Use interest rate swaps to overweight duration in Eurozone, underweight intermediate portion of Japanese yield curve and overweight front end of US and UK yield curves. Write (short) credit default swaps used to overweight credit risk; purchase (long) credit default swaps to underweight credit risk. Written and purchased options used to increase portfolio yield.
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

November 30, 2010

Counterparty	Manager	S & P Counterparty Rating	\$ millions (net of posted cash collateral)				Notional Value
			Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark-to- Market	Percentage of Total Funds	
INTERNALLY MANAGED							
BARCLAYS	INFLATION HEDGE	A+	\$ (1.2)	\$ -	(1.2)	-0.01%	\$ 3,352
BARCLAYS Total			(1.2)	-	(1.2)	-0.01%	3,352
GOLDMAN SACHS	EQUITY SKEW OPTIONS	A	(1.4)	(1.6)	(3.0)	-0.01%	400
GOLDMAN SACHS	EQUITY GROWTH SKEW	A	5.0	(7.3)	(2.3)	-0.01%	600
GOLDMAN SACHS	INFLATION HEDGE	A	0.6	-	0.6	0.00%	2,500
GOLDMAN SACHS Total			4.2	(8.9)	(4.7)	-0.02%	3,500
J.P. MORGAN, CHASE	AUSTRALIA SWAP	AA-	(1.2)	(3.9)	(5.1)	-0.02%	87
J.P. MORGAN, CHASE	CANADA SWAP	AA-	0.9	-	0.9	0.00%	101
J.P. MORGAN, CHASE	EQUITY SKEW OPTIONS	AA-	3.2	(0.8)	2.4	0.01%	300
J.P. MORGAN, CHASE	INFLATION HEDGE	AA-	1.7	-	1.7	0.01%	648
J.P. MORGAN, CHASE Total			4.6	(4.7)	(0.1)	0.00%	1,136
MERRILL LYNCH	INFLATION HEDGE	A	3.0	-	3.0	0.01%	500
MERRILL LYNCH Total			3.0	-	3.0	0.01%	500
MORGAN STANLEY	EQUITY SKEW OPTIONS	A	4.7	(1.6)	3.1	0.02%	500
MORGAN STANLEY	MLP/AMZ INDEX NR SWAP	A	72.5	-	72.5	0.31%	71
MORGAN STANLEY	INFLATION HEDGE	A	(2.6)	-	(2.6)	-0.01%	1,500
MORGAN STANLEY Total			74.6	(1.6)	73.0	0.32%	2,071
Grand Total Internally Managed			85.2	(15.2)	70.0	0.39%	10,559
EXTERNALLY MANAGED							
BANK OF AMERICA	PIMCO FIXED INCOME	A	0.6	(0.6)	-	0.00%	134
BANK OF AMERICA Total			0.6	(0.6)	-	0.00%	134
BANK OF NEW YORK	PIMCO FIXED INCOME	AA-	-	-	-	0.00%	2
BANK OF NEW YORK Total			-	-	-	0.00%	2
BARCLAYS	PIMCO FIXED INCOME	A+	0.2	(0.4)	(0.2)	0.00%	66
BARCLAYS Total			0.2	(0.4)	(0.2)	0.00%	66



OTC Derivative Counterparty Report by Counterparty and Manager November 30, 2010

Counterparty	Manager	S & P Counterparty Rating	\$ millions (net of posted cash collateral)				Notional Value
			Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark-to- Market	Percentage of Total Funds	
BNP PARIBAS	PIMCO FIXED INCOME	AA	0.4	(0.2)	0.2	0.00%	120
BNP PARIBAS Total			0.4	(0.2)	0.2	0.00%	120
BROWN BROTHERS	COHEN & STEERS GLOBAL	0	-	-	-	0.00%	-
BROWN BROTHERS Total			-	-	-	0.00%	-
CHASE MANHATTAN	PIMCO FIXED INCOME	AA-	0.2	(0.2)	-	0.00%	27
CHASE MANHATTAN Total			0.2	(0.2)	-	0.00%	27
CITIBANK	PIMCO FIXED INCOME	A	-	-	-	0.00%	10
CITIBANK Total			-	-	-	0.00%	10
CITIBANK NY	BRANDYWINE GLOBAL	A	4.7	(2.2)	2.5	0.01%	177
CITIBANK NY	PIMCO FIXED INCOME	A	3.1	(2.3)	0.8	0.00%	230
CITIBANK NY Total			7.8	(4.5)	3.3	0.01%	407
CREDIT SUISSE FIRST	PIMCO FIXED INCOME	A	-	-	-	0.00%	30
CREDIT SUISSE FIRST Total			-	-	-	0.00%	30
CS FIRST BOSTON GBL FOREIGN EXCH	PIMCO FIXED INCOME	A	0.4	-	0.4	0.00%	15
CS FIRST BOSTON GBL Total			0.4	-	0.4	0.00%	15
DEUTSCHE BANK AG	PIMCO FIXED INCOME	A+	0.8	(0.6)	0.2	0.00%	134
DEUTSCHE BANK AG	WELLINGTON EMERGING	A+	0.8	-	0.8	0.00%	1
DEUTSCHE BANK AG Total			1.6	(0.6)	1.0	0.00%	135
GOLDMAN SACHS	PIMCO FIXED INCOME	A	0.1	0.3	0.4	0.00%	18
GOLDMAN SACHS	LANSOWNE EUROPE SIA	A	0.7	-	0.7	0.00%	3
GOLDMAN SACHS	LANSOWNE/GOLDMAN	A	0.5	1.2	1.7	0.01%	12
GOLDMAN SACHS Total			1.3	1.5	2.8	0.01%	33
HSBC BK USA, NEW YORK	BRANDYWINE GLOBAL	AA-	3.9	(1.2)	2.7	0.01%	286
HSBC BK USA, NEW YORK	PIMCO FIXED INCOME	AA-	(0.3)	(0.1)	(0.4)	0.00%	34
HSBC BK USA, NEW YORK Total			3.6	(1.3)	2.3	0.01%	320



OTC Derivative Counterparty Report by Counterparty and Manager November 30, 2010

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
J P MORGAN, CHASE	OLD MUTUAL ASSET MANAGERS	AA-	0.2	-	0.2	0.00%	9
J P MORGAN, CHASE	PIMCO FIXED INCOME	AA-	(0.2)	-	(0.2)	0.00%	7
J P MORGAN, CHASE	WELLINGTON EMERGING	AA-	0.2	-	0.2	0.00%	-
J P MORGAN, CHASE Total			0.2	-	0.2	0.00%	16
MELLON BANK	INTERNATIONAL VALUE	AA-	0.5	(0.2)	0.3	0.00%	34
MELLON BANK Total			0.5	(0.2)	0.3	0.00%	34
MERRILL LYNCH	PIMCO FIXED INCOME	A	-	(0.3)	(0.3)	0.00%	33
MERRILL LYNCH Total			-	(0.3)	(0.3)	0.00%	33
MORGAN STANLEY	PIMCO FIXED INCOME	A	(0.4)	(1.4)	(1.8)	0.00%	205
MORGAN STANLEY	LANSOWNE EUROPE SIA	A	0.5	(0.6)	(0.1)	0.00%	16
MORGAN STANLEY	WELLINGTON EMERGING	A	0.4	-	0.4	0.00%	-
MORGAN STANLEY	WELLINGTON SPC E	A	1.4	-	1.4	0.00%	2
MORGAN STANLEY Total			1.9	(2.0)	(0.1)	0.00%	223
ROYAL BANK OF CANADA	PIMCO FIXED INCOME	AA-	0.1	(0.5)	(0.4)	0.00%	16
ROYAL BANK OF CANADA Total			0.1	(0.5)	(0.4)	0.00%	16
ROYAL BANK OF SCOTLAND PLC	PIMCO FIXED INCOME	A	1.3	(0.6)	0.7	0.00%	290
ROYAL BANK OF SCOTLAND PLC Total			1.3	(0.6)	0.7	0.00%	290
UBS A G, ZURICH	PIMCO FIXED INCOME	A+	-	(0.2)	(0.2)	0.00%	13
UBS A G, ZURICH Total			-	(0.2)	(0.2)	0.00%	13
UBS AG, STAMFORD	BRANDYWINE GLOBAL	A+	-	(0.1)	(0.1)	0.00%	14
UBS AG, STAMFORD	PIMCO FIXED INCOME	A+	0.1	(0.4)	(0.3)	0.00%	22
UBS AG, STAMFORD Total			0.1	(0.5)	(0.4)	0.00%	36
Grand Total Externally Managed			20.2	(10.6)	9.6	0.04%	1,960
GRAND TOTAL - ALL MANAGERS			\$ 105.4	\$ (25.8)	\$ 79.6	0.33%	\$ 12,519



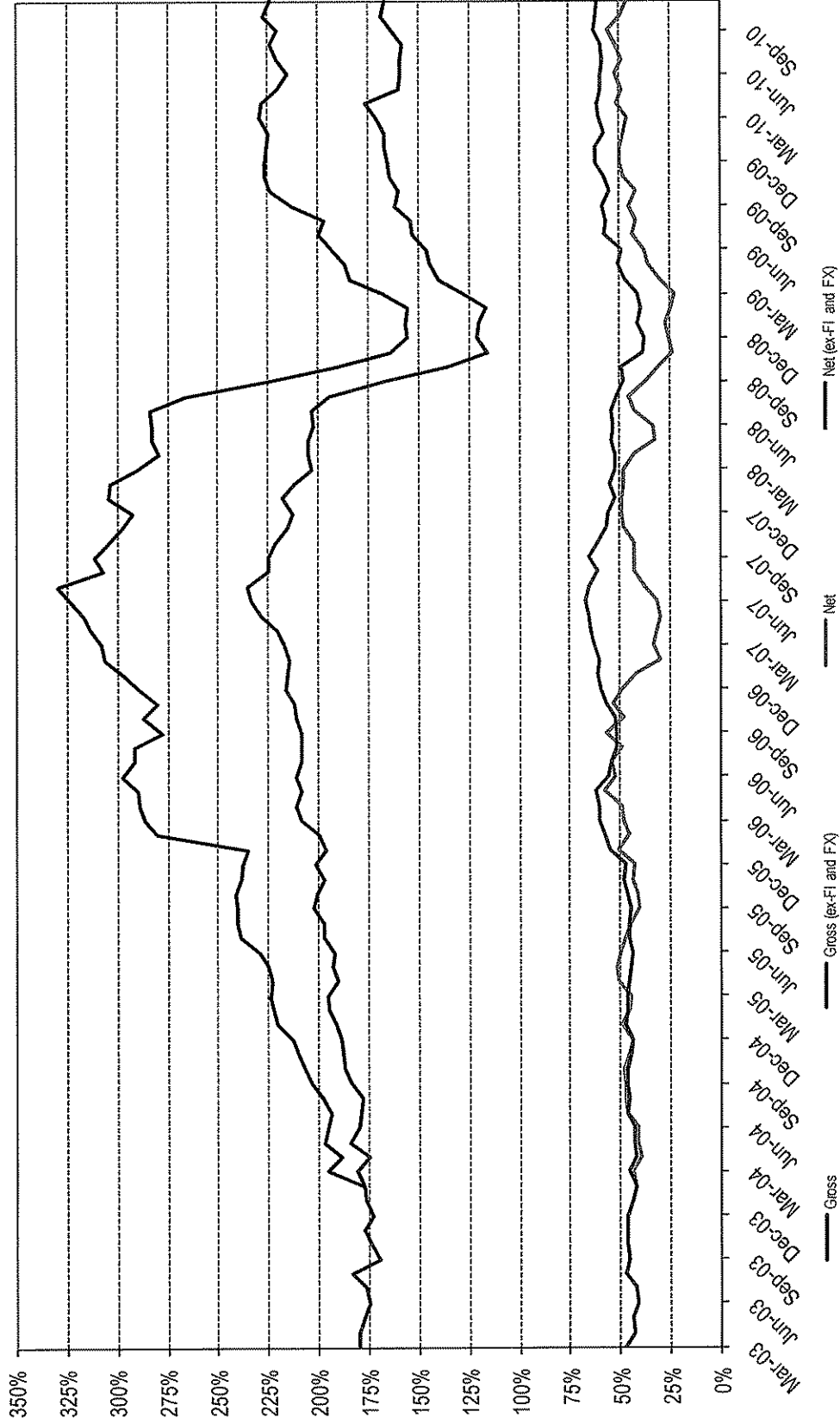
OTC Derivative Counterparty Report by Counterparty and Manager November 30, 2010

Counterparty	Manager	S & P Counterparty Rating	\$ millions (net of posted cash collateral)				Notional Value
			Mark-to- Market Owed by Broker	Mark-to- Market Owed by UTIMCO	Total Mark-to- Market	Percentage of Total Funds	
EXTERNALLY MANAGED							
GOLDMAN SACHS	PIMCO FIXED INCOME	A	0.1	(0.2)	(0.1)	0.00%	24
GOLDMAN SACHS	LANSOWNE EUROPE SIA	A	0.4	-	0.4	0.00%	3
GOLDMAN SACHS	LANSOWNE/GOLDMAN	A	0.4	1.4	1.8	0.01%	6
GOLDMAN SACHS Total			0.9	1.2	2.1	0.01%	33
HSBC BK USA, NEW YORK	BRANDYWINE GLOBAL	AA-	2.1	(2.1)	-	0.00%	172
HSBC BK USA, NEW YORK	PIMCO FIXED INCOME	AA-	0.2	(0.2)	-	0.00%	14
HSBC BK USA, NEW YORK Total			2.3	(2.3)	-	0.00%	186
J P MORGAN, CHASE	PIMCO FIXED INCOME	AA-	(0.7)	-	(0.7)	0.00%	1
J P MORGAN, CHASE	WELLINGTON EMERGING	AA-	0.2	-	0.2	0.00%	-
J P MORGAN, CHASE Total			(0.6)	-	(0.6)	0.00%	1
MELLON BANK	INTERNATIONAL VALUE ADVISORS	AA-	-	(1.3)	(1.3)	0.00%	20
MELLON BANK	OLD MUTUAL ASSET MANAGERS	AA-	0.3	(0.1)	0.2	0.00%	49
MELLON BANK Total			0.3	(1.4)	(1.1)	-0.01%	69
MERRILL LYNCH	PIMCO FIXED INCOME	A	0.1	-	0.1	0.00%	2
MERRILL LYNCH Total			0.1	-	0.1	0.00%	2
MORGAN STANLEY	PIMCO FIXED INCOME	A	2.1	(3.1)	(1.0)	0.01%	86
MORGAN STANLEY	LANSOWNE EUROPE SIA	A	0.3	-	0.3	0.00%	5
MORGAN STANLEY	WELLINGTON EMERGING	A	2.0	-	2.0	0.01%	2
MORGAN STANLEY	WELLINGTON SPC E	A	1.2	-	1.2	0.00%	1
MORGAN STANLEY Total			5.6	(3.1)	2.5	0.02%	94
ROYAL BANK OF CANADA	PIMCO FIXED INCOME	AA-	0.2	-	0.2	0.00%	10
ROYAL BANK OF CANADA Total			0.2	-	0.2	0.00%	10
ROYAL BANK OF SCOTLAND PLC	OLD MUTUAL ASSET MANAGERS	A	-	(1.2)	(0.6)	0.00%	13
ROYAL BANK OF SCOTLAND PLC	PIMCO FIXED INCOME	A	0.6	(1.2)	(0.6)	0.00%	91
ROYAL BANK OF SCOTLAND PLC Total			0.6	(1.2)	(0.6)	0.00%	104
UBS A G, ZURICH	PIMCO FIXED INCOME	A+	-	-	-	0.00%	2
UBS A G, ZURICH Total			-	-	-	0.00%	2
UBS AG, STAMFORD	BRANDYWINE GLOBAL	A+	-	(0.4)	(0.4)	0.00%	13
UBS AG, STAMFORD	PIMCO FIXED INCOME	A+	0.5	-	0.5	0.00%	94
UBS AG, STAMFORD Total			0.5	(0.4)	0.1	0.00%	107
Grand Total Externally Managed			14.5	(13.2)	1.3	0.01%	1,185



LCC Leverage as of November 30, 2010

Total Portfolio Exposures



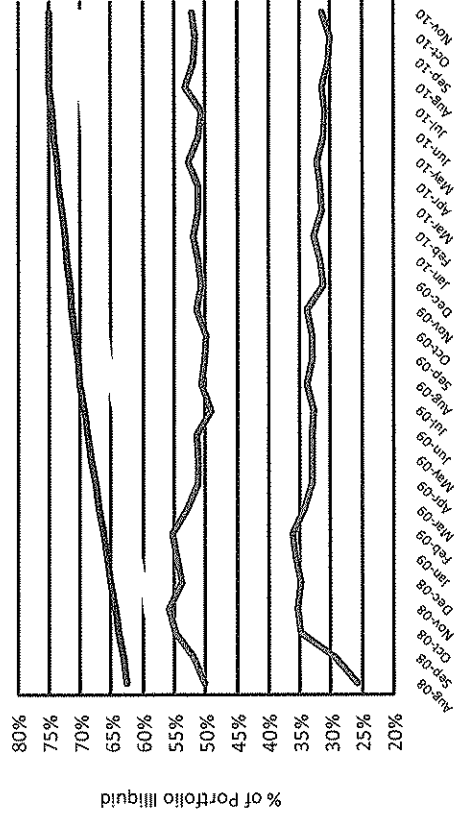


Liquidity



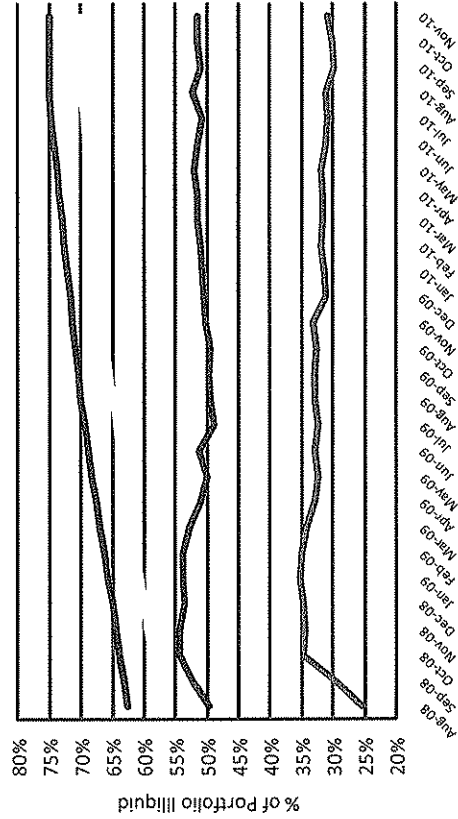
Endowment Fund Liquidity

General Endowment Fund
Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 3,102 million One Year Liquidity \$ 4,460 million

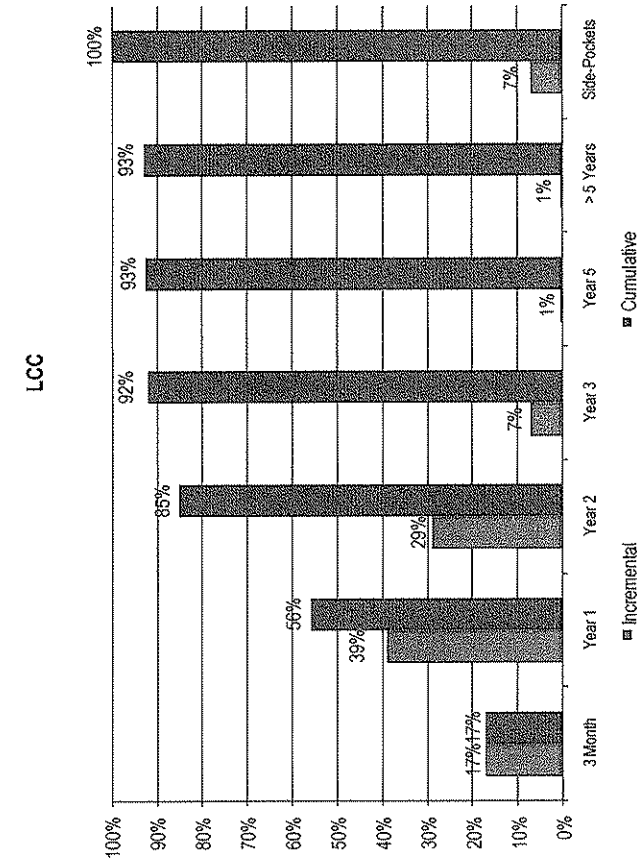
Permanent University Fund
Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 5,648 million One Year Liquidity \$ 8,033 million



Estimated Run-Off Liquidity* As of November 30, 2010



*Actual point in time liquidity varies from “smoothed” Policy Liquidity methodology



Unfunded Commitments As of November 30, 2010

Asset Class	Unfunded Commitment	Unfunded Commitment as % of Total Endowments
<u>PRIVATE INVESTMENTS</u>		
TRADING	\$24	0.1%
CONTROL OPPORTUNISTIC	194	1.1%
CREDIT-RELATED FIXED INCOME	156	0.9%
REAL ESTATE	374	2.1%
NATURAL RESOURCES	225	1.2%
MEGALARGE BUYOUT	459	2.5%
MEDIUM/SMALL BUYOUT	103	0.6%
VENTURE CAPITAL	382	2.1%
GROWTH/OPPORTUNISTIC	380	2.1%
DEVELOPED MARKETS EQUITY	196	1.1%
EMERGING MARKETS EQUITY	1,061	5.9%
TOTAL PRIVATE INVESTMENTS	289	1.6%
	\$2,408	13.3%
<u>LESS CORRELATED AND CONSTRAINED</u>		
INVESTMENT GRADE FIXED INCOME	\$ -	0.0%
CREDIT-RELATED FIXED INCOME	38	0.2%
REAL ESTATE	-	0.0%
NATURAL RESOURCES	-	0.0%
DEVELOPED MARKETS EQUITY	-	0.0%
EMERGING MARKETS EQUITY	7	0.0%
TOTAL LESS CORRELATED AND CONSTRAINED	\$45	0.2%
GRAND TOTAL PI AND LCC	\$2,453	13.5%
TOTAL ENDOWMENTS HOLDINGS	\$18,119	
MAXIMUM AMOUNT OF UNFUNDED COMMITMENTS ALLOWED PER LIQUIDITY POLICY		30.0%

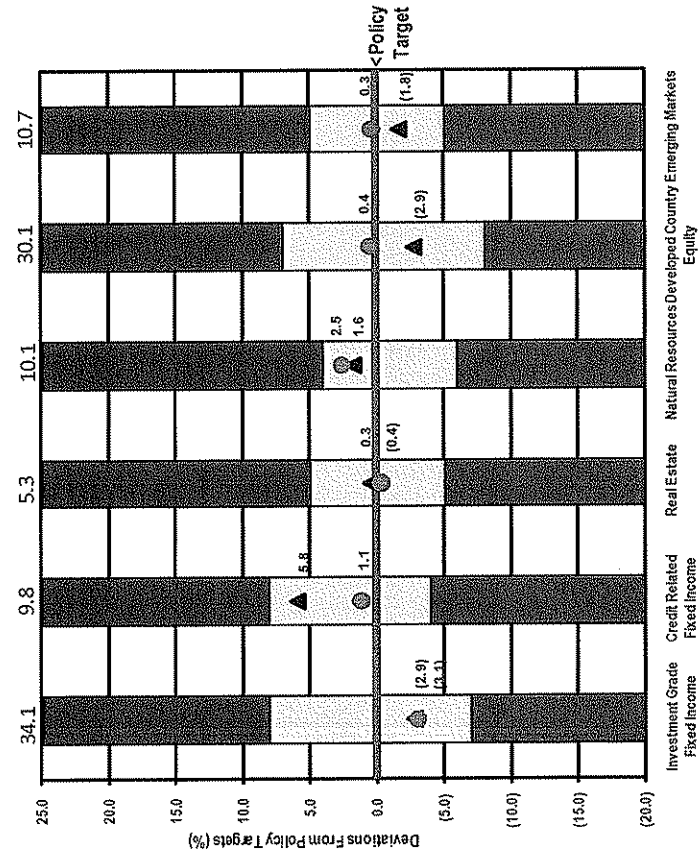


ITF

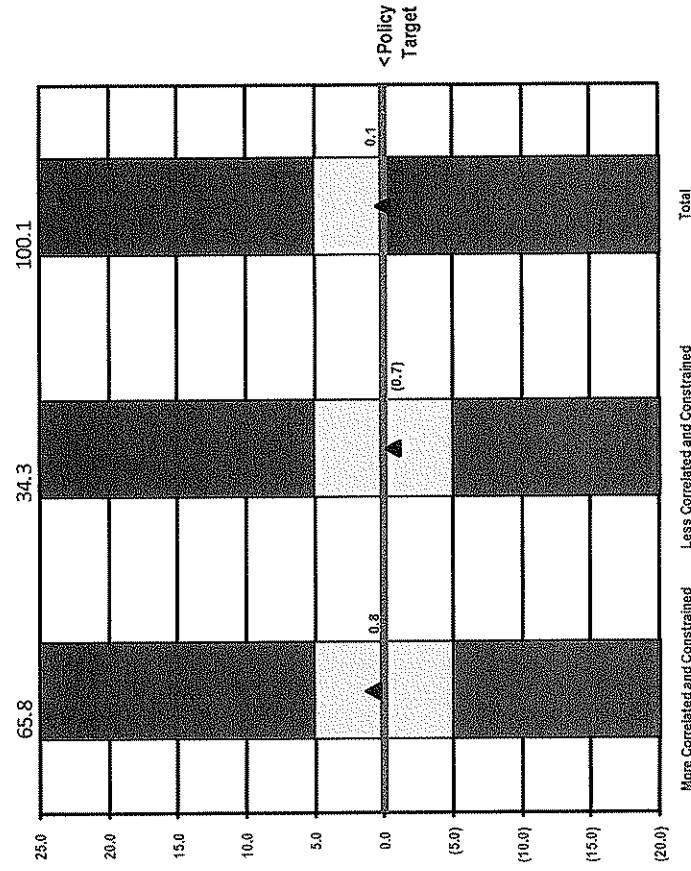


ITF Asset Allocation as of November 30, 2010

Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for ITF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for ITF

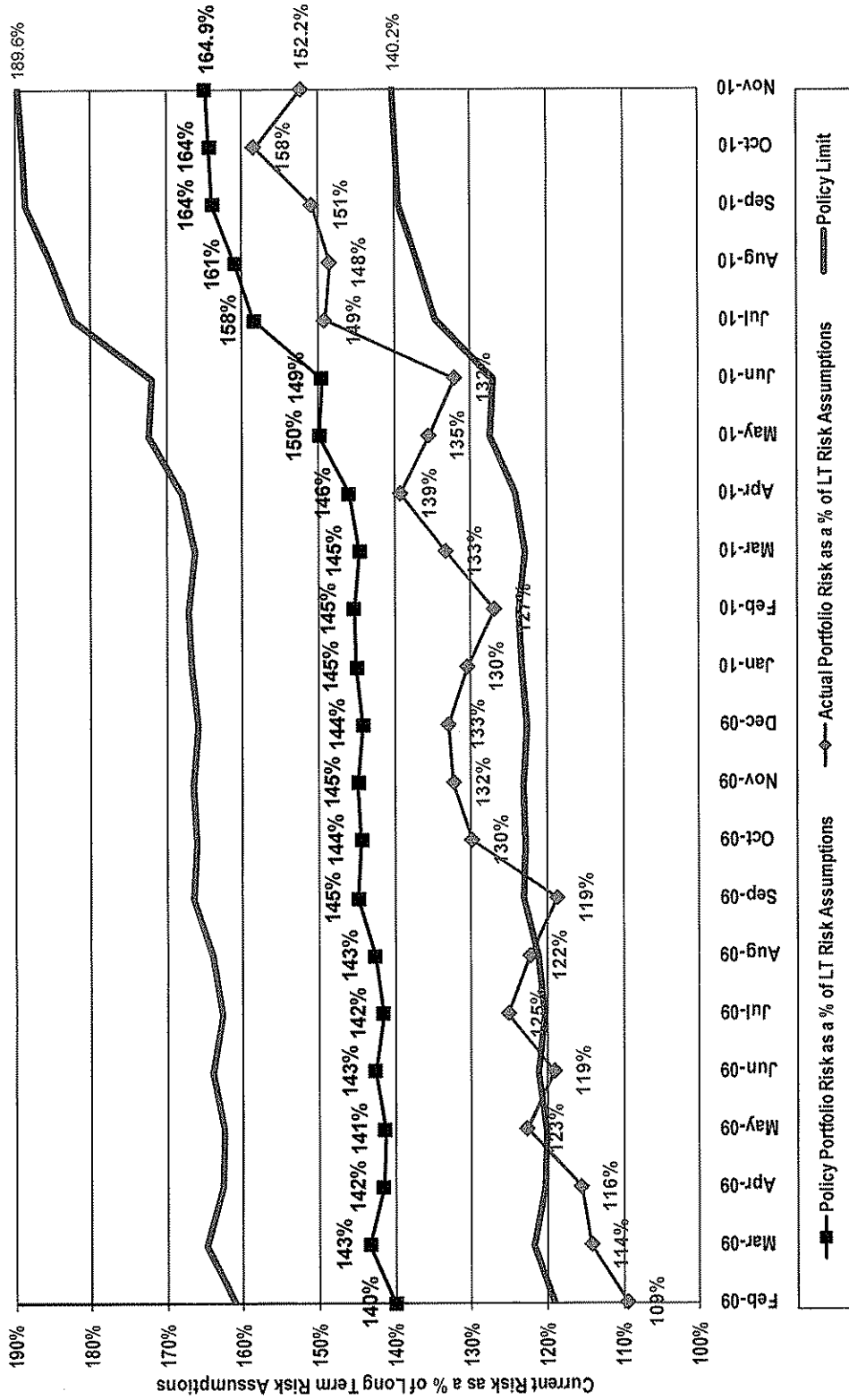


▲ -- All Investment Types ● -- More Correlated and Constrained



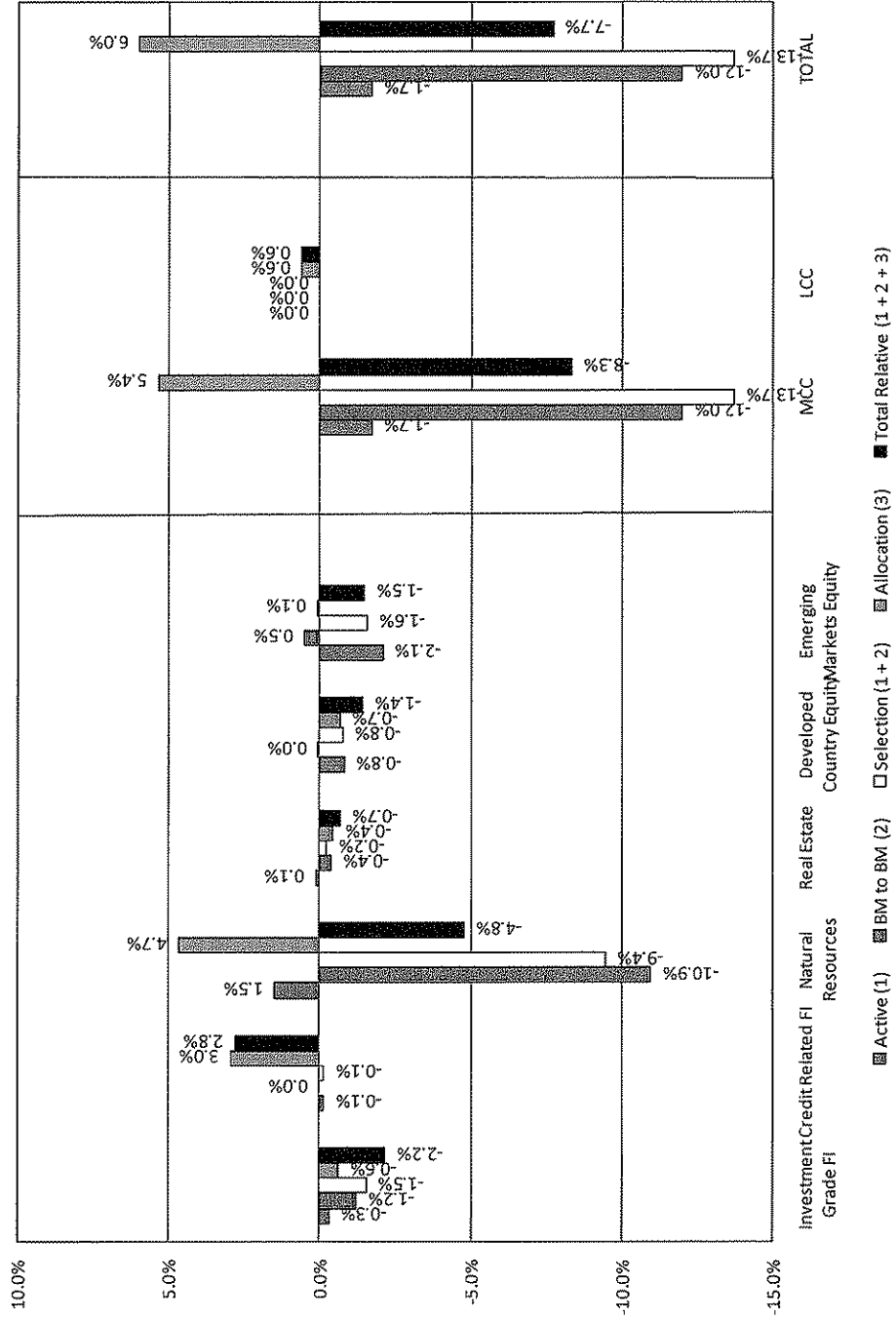
Current Risk Environment of ITF

(Based on Downside Risk; LT assumption = 5.34%)



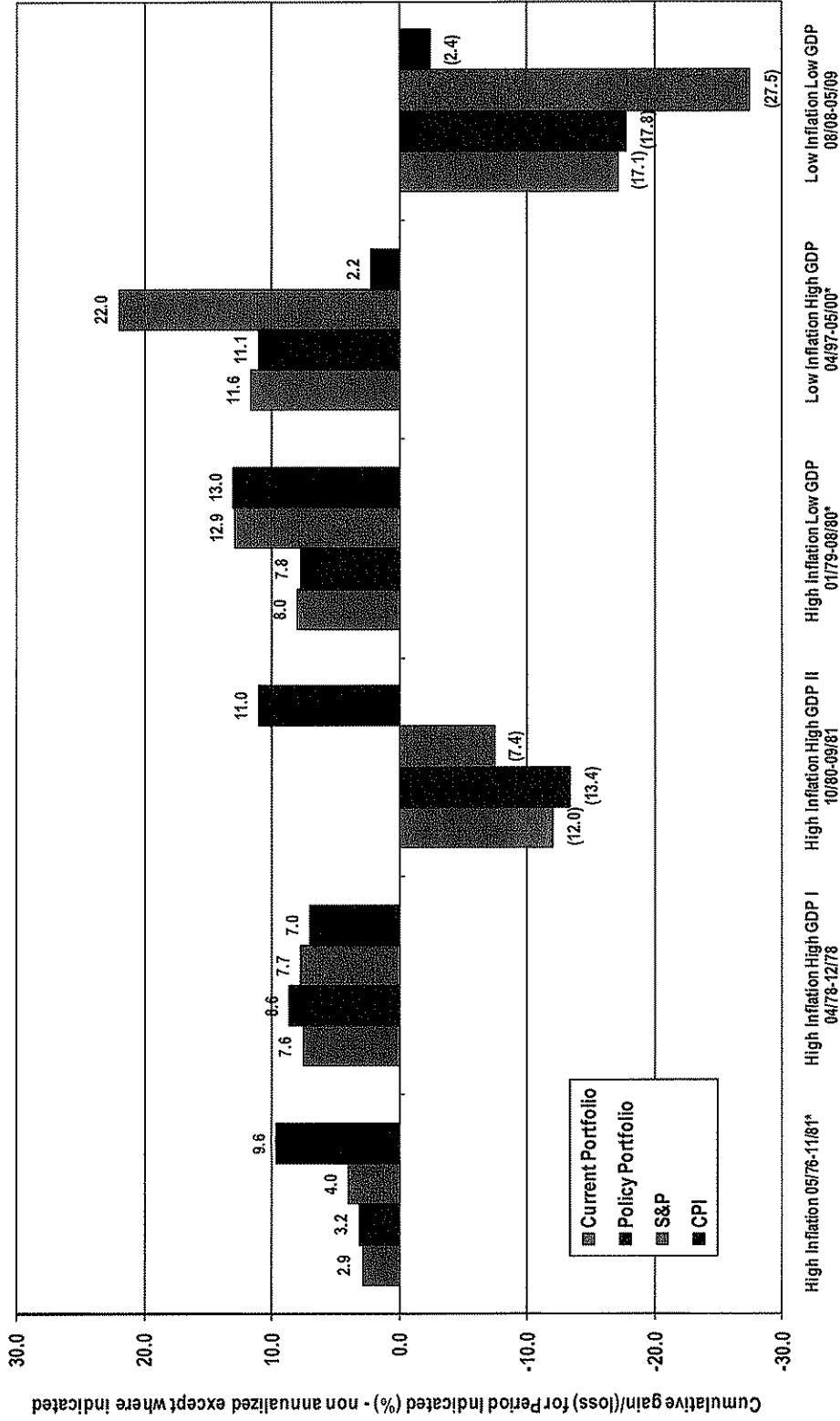


ITF 4-Way Risk Decomposition as of November 30, 2010



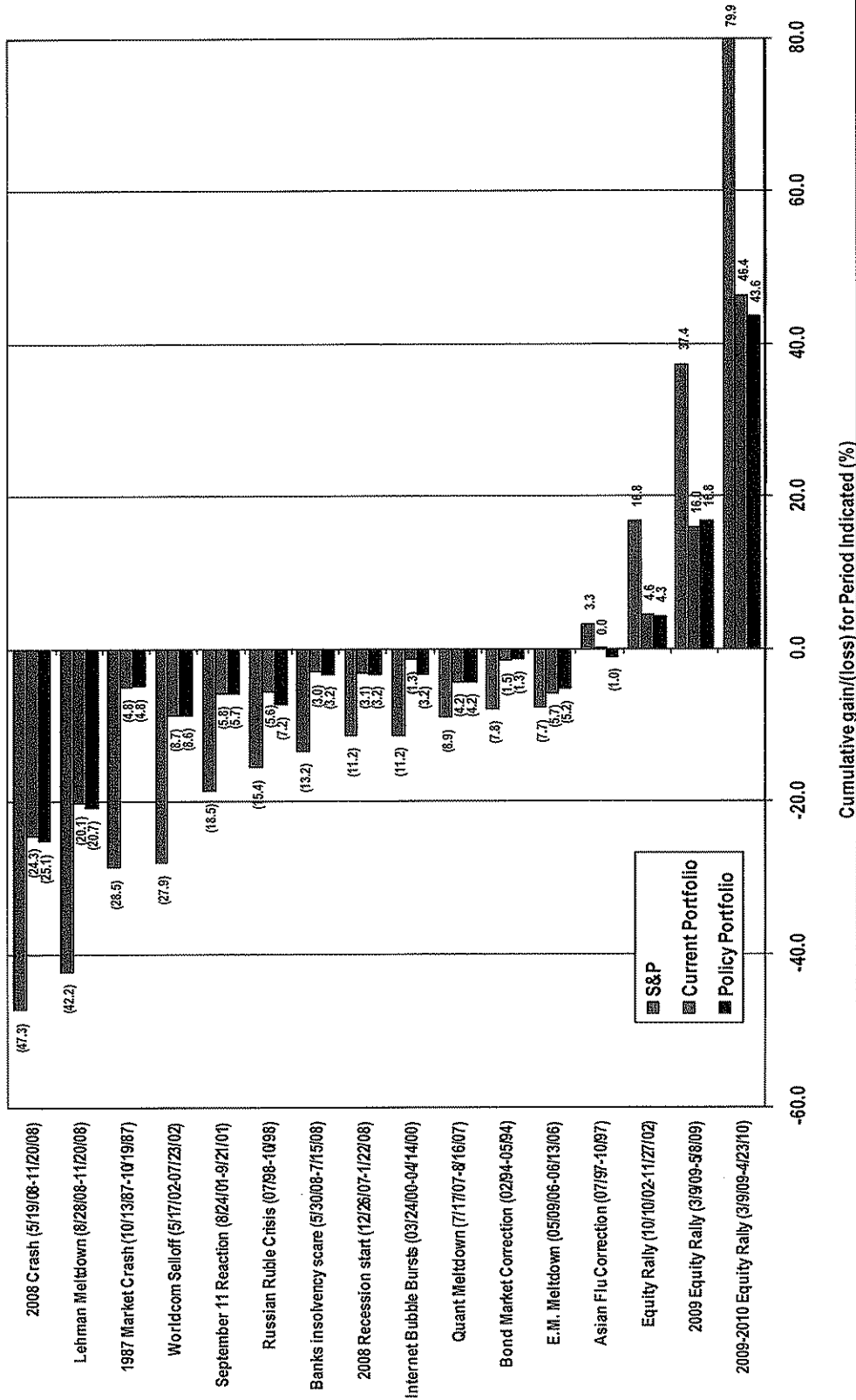


Hypothetical Performance of Current ITF Portfolio in Selected Economic Stress Environments



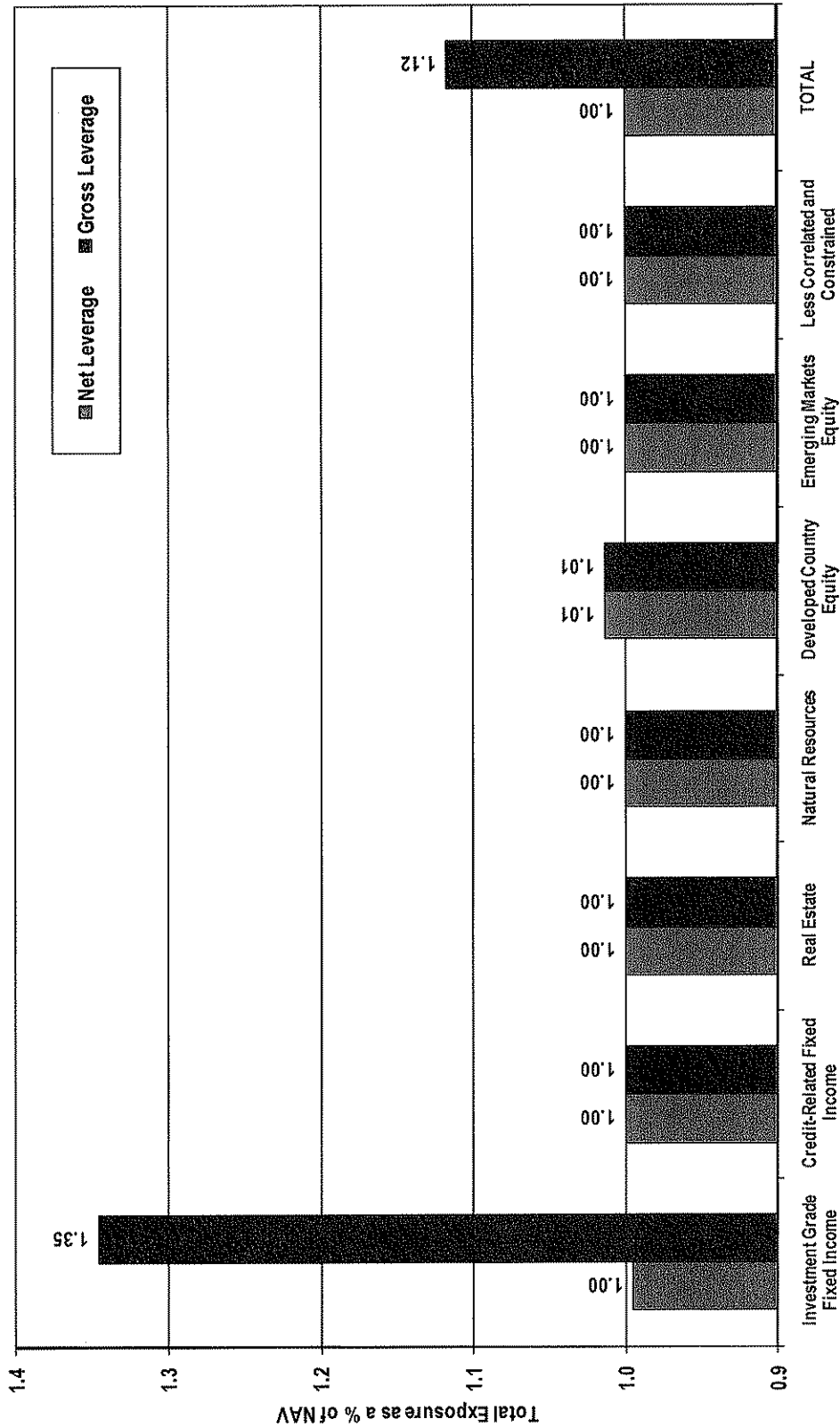


Hypothetical Performance of Current ITF Portfolio in Selected Market Stress Environments





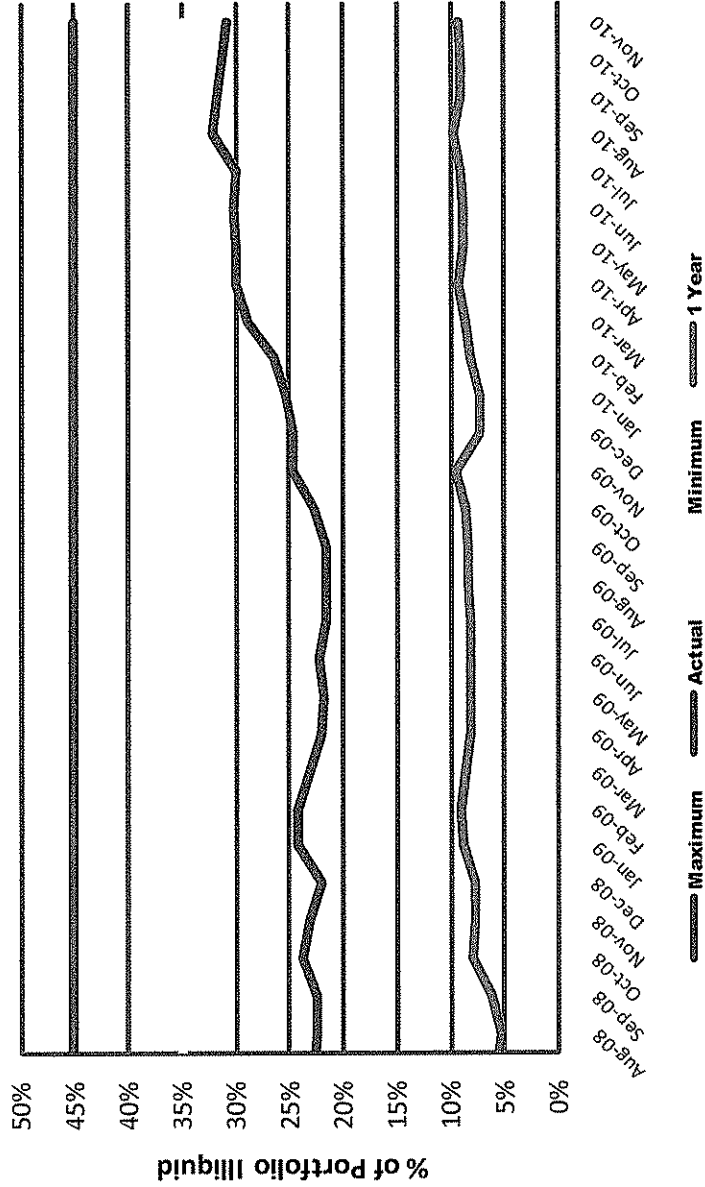
Net and Gross Leverage of ITF as of November 30, 2010





ITF Liquidity

Intermediate Term Fund Actual Illiquidity vs. Trigger Zones



Three Month Liquidity \$ 3,048 million One Year Liquidity \$ 4,003 million



Contracts Update



Report on New Contracts and Existing Contract Renewals, Leases, and Other Commercial Arrangements For October 23, 2010 through January 14, 2011

(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
Factset Research Systems	Analytical tool for performance	Monthly invoice	\$296,620
Albourne LLC	Advisor to Marketable Alternative staff	Monthly invoice	\$400,000

Tab 4

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

Agenda Item: Report from Risk Committee

Developed By: Staff

Presented By: Tate

Type of Item: Information item

Description: The Risk Committee ("Committee") will meet on January 26, 2011. The Committee's agenda includes (1) approval of the Committee minutes; (2) discussion and appropriate action related to categorization of new investment mandates; (3) review and discussion of compliance reporting; (4) review and discussion of performance and risk reporting; (5) report on Intermediate Term Fund (ITF) liquidity; and (6) report on corporate insurance.

Discussion The Committee will review and approve, as appropriate, the five mandate categorizations prepared by staff for the period beginning October 16, 2010, and ending January 10, 2011. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.

The Committee will review the quarterly compliance reporting and the performance and risk reporting.

Mr. Zimmerman will report to the Committee the status of the ITF's overall liquidity profile. The University of Texas Investment Management Company Liquidity Policy establishes limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF) and, (2) the Intermediate Term Fund (ITF.) The current Liquidity Policy Profile ranges and trigger zones for the ITF are defined by the table below:

Liquidity above trigger zone:	65%
Liquidity within trigger zone:	55%-65%
Liquidity below trigger zone:	<55%

The allowable range for **illiquid** investments is 0% to 45% of the total portfolio for the ITF. However, once the ITF illiquid investments move into the trigger zone of 35% to 45%, Staff is required to request approval by the Risk Committee or UTIMCO Board before any additional illiquid investments are made. The ITF's illiquid investments have moved closer to the 35% threshold as reported in the attached ITF Liquidity Actual Illiquidity vs. Trigger Zones chart. The ITF is approaching the trigger zone illiquid threshold of 35% mainly due to the Less Correlated and Constrained Investment Type allocation being increased from 25%

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

to 35% in the ITF Investment Policy Statement when it was amended effective September 1, 2010, without an increase for illiquid investments in the Liquidity Policy. Mr. Zimmerman will seek guidance from the Risk Committee to determine an appropriate course of action, if any, related to the ITF's liquidity position.

The Committee will also hear a report on UTIMCO's corporate insurance. UTIMCO's corporate insurance coverage period is from February 28, 2010 to February 28, 2011 and the staff has begun the renewal process.

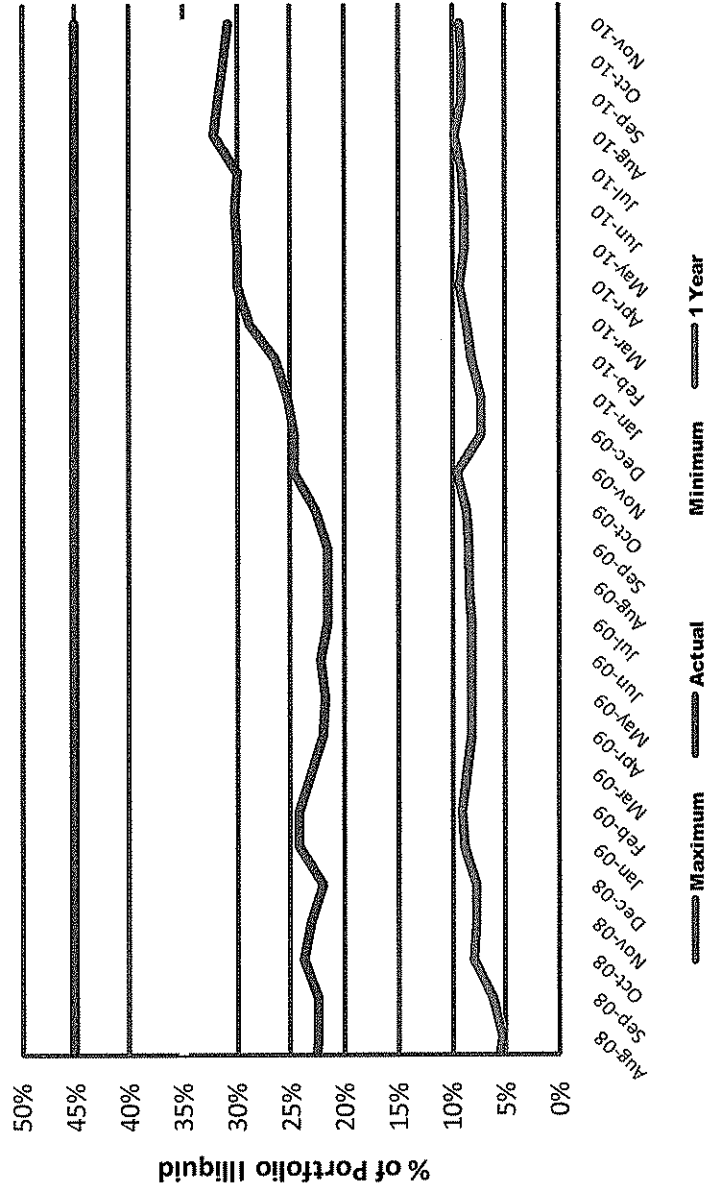
Recommendation: None

Reference: ITF Liquidity Actual Illiquidity vs. Trigger Zones, Estimated Run-Off Liquidity, and the UTIMCO Liquidity Policy



ITF Liquidity

Intermediate Term Fund Actual Illiquidity vs. Trigger Zones

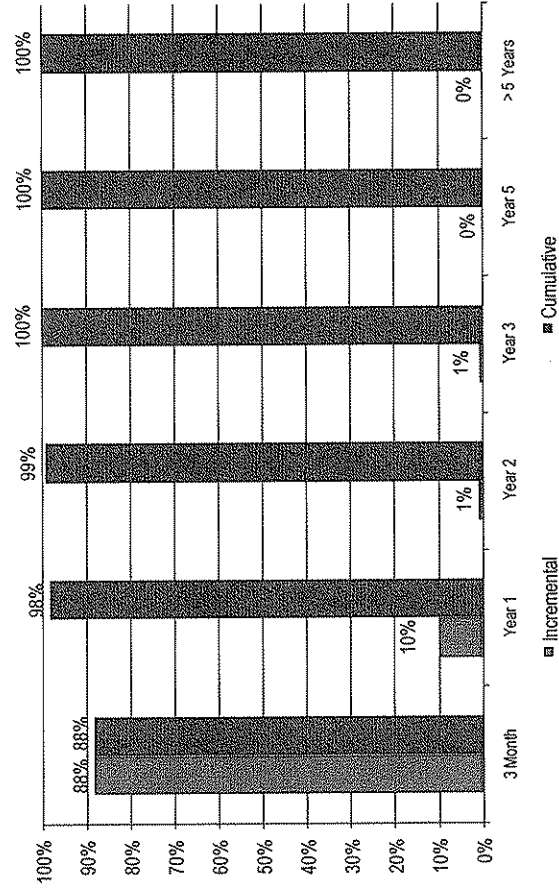


Three Month Liquidity \$ 3,048 million One Year Liquidity \$ 4,003 million

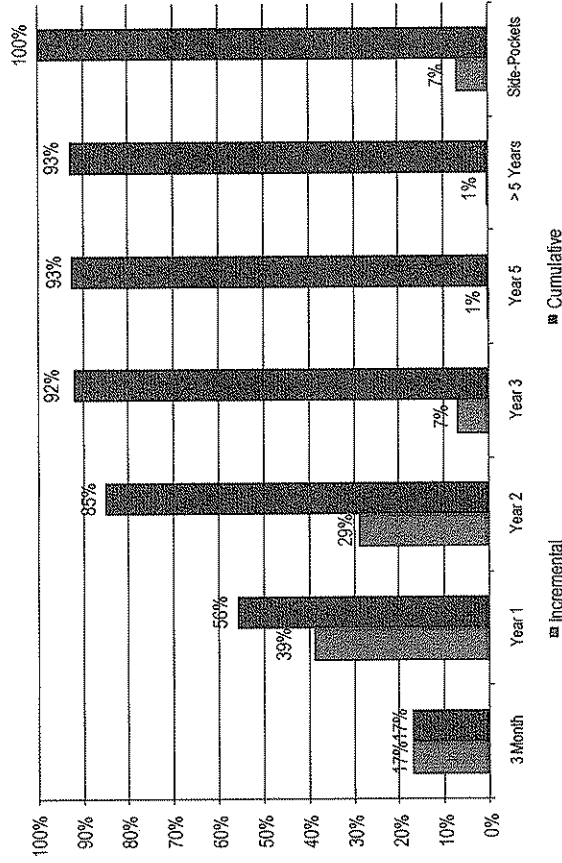


Estimated Run-Off Liquidity* As of November 30, 2010

MCC



LCC



*Actual point in time liquidity varies from "smoothed" Policy Liquidity methodology

The University of Texas Investment Management Company

Liquidity Policy

Effective Date of Policy: August 20, 2009

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

Date Approved by UTIMCO Board: July 9, 2009

Original Effective Date of Policy: August 7, 2003

Supersedes: Liquidity Policy dated August 14, 2008

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, "liquidity" is defined as a measure of the ability of an investment position to be converted into Cash. The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

"Liquidity risk" is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

Definition of Cash:

Cash is defined as short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate and any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAM by Standard & Poors,
- 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, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

The University of Texas Investment Management Company Liquidity Policy

Liquidity Risk Measurement-The Liquidity Profile:

For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to Cash within a period of one day to less than 90 days in an orderly market at a discount of 10% or less.
- **Illiquid:** Investments that could be converted to Cash in an orderly market over a period of 90 days or more or in a shorter period of time by accepting a discount of more than 10%.

UTIMCO staff will report individual investments within the Endowment Funds and ITF categorized as follows:

- **Cash:** Short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value.
- **Liquid (Weekly):** Investments that could be converted to Cash within a period of one day to less than 7 days in an orderly market at a discount of 5% or less.
- **Liquid (Quarterly):** Investments that could be converted to Cash within a period of one day to less than 90 days in an orderly market at a discount of 10% or less.
- **Liquid (Annual):** Investments that could be converted to Cash within a period of one day to less than 365 days in an orderly market at a discount of 10% or less.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies "trigger zones" requiring special review by UTIMCO staff and special action by the UTIMCO Board or the Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones for each of the Endowment Funds are defined by the table below:

	<u>FY 09</u>	<u>FY 10+</u>
Liquidity above trigger zone:	35.0%	30.0%
Liquidity within trigger zone:	30.0%-35.0%	25.0%-30.0%
Liquidity below trigger zone:	<30.0%	<25.0%

Investments that maintain liquidity below the trigger zone do not require any action by the UTIMCO Board or the Risk Committee. Liquidity within the trigger zone requires special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for illiquid investments in FY 09 is up to 70.0% of the total portfolio. However, any illiquid investments made in the 65.0% to 70.0% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

The University of Texas Investment Management Company Liquidity Policy

The current Liquidity Policy Profile ranges and trigger zones for the ITF are defined by the table below:

Liquidity above trigger zone:	<u>FY 09+</u> 65%
Liquidity within trigger zone:	55%-65%
Liquidity below trigger zone:	<55%

The allowable range for **illiquid** investments is 0% to 45% of the total portfolio for the ITF. However, any **illiquid** investments made in the 35% to 45% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

As used herein, "unfunded commitments" refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

Unfunded Commitment as a percent of total invested assets:	<u>FY 09</u> 27.5%	<u>FY 10+</u> 30.0%
--	-----------------------	------------------------

No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments for each Endowment Fund. The determination of liquidity will include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and "soft" and "hard" gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

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

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, including a detailed analysis of liquidity by category, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly.

Tab 5

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

- Agenda Item:** Report on and Discussion and Appropriate Action Related to Items from Policy Committee - Proposed Amendments to Separately Invested Funds Investment Policy Statement and Investment of Debt Proceeds by Internal Portfolio Managers
- Developed By:** Staff
- Presented By:** Gary
- Type of Item:** Action item; Action required by UTIMCO Board and by The University of Texas System ("UT System") Board of Regents related to proposed amendments to the Separately Invested Funds ("SIF") Investment Policy Statement
- Description:** The Policy Committee ("Committee") will meet on January 26, 2011. The Policy Committee's agenda includes (1) approval of the Committee minutes; and (2) discussion and appropriate action related to proposed amendments to the SIF Investment Policy Statement.
- UTIMCO Staff has been requested by the Office of Finance of UT System staff to invest a portion of the debt proceeds from UT System bond issuances currently invested in the Short Term Fund into a laddered portfolio. The laddered portfolio will be invested by UTIMCO's internal portfolio managers. UTIMCO's back office staff will provide the accounting services for the debt proceeds funds. The SIF Investment Policy Statement is being amended to allow for the investment of these funds by Staff. The SIF Investment Policy Statement is enclosed for the approval of the UTIMCO Board and further approval by the UT System Board of Regents is required.
- Discussion:** The Investment Policy Statement for the SIF is being amended effective March 1, 2011 to allow for the investment of UT System debt proceeds.
- Page 1, Purpose; changed to reference debt proceeds as Accounts that are subject to this policy.
 - Page 1, Investment Management, last paragraph; changed to reference the possibility of restrictions on the investment of the Debt Proceeds Accounts and Other Accounts.
 - Page 2-3, Investment Objectives; changed to add the investment objective for the Debt Proceeds Accounts.
 - Page 3, Other Accounts; changed to state that these accounts do not include Debt Proceeds Accounts.
 - Page 3, Asset Class Allocation, second paragraph; changed to recognize the possibility of restrictions on the investment of the Accounts.
 - Page 4, Asset Class Allocation Policy; language in first sentence changed to reference applicability to only Endowment and Trust Accounts, sentence added for Debt Proceeds Accounts and Other Accounts and "trust or endowment" deleted so as to include Debt Proceeds and Other Accounts.

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

- Page 5, Investment Grade Fixed Income; "Taxable Municipal securities" changed to "Municipal securities."
- Page 6, Investment Guidelines, last paragraph; changed to allow for "other controlling" document to limit the Accounts' allowable investments.
- Page 7, Distributions, "to the beneficiaries" deleted, reference to "Debt Proceeds Accounts" added, and "other accounts" capitalized to conform to remainder of document.
- Page 8, Effective Date; changed to March 1, 2011.

Staff will additionally request delegated authority from the UTIMCO Board for the internal portfolio managers to invest the debt proceeds in the investments authorized by the SIF Investment Policy Statement.

Recommendation: The Policy Committee will recommend appropriate action related to the approval of the amendments to the SIF Investment Policy Statement. Staff recommends that the UTIMCO Board approve the investment of the debt proceeds by the internal portfolio managers.

Reference: SIF Investment Policy Statement

**RESOLUTION RELATED TO SEPARATELY INVESTED FUNDS
INVESTMENT POLICY STATEMENT**

RESOLVED, that amendment to the Investment Policy Statement of the Separately Invested Funds, as presented be, and is hereby, approved, subject to approval by The University of Texas System Board of Regents.

**RESOLUTION RELATED TO DELEGATION OF AUTHORITY TO
INVEST DEBT PROCEEDS**

WHEREAS, UTIMCO Staff has been requested by the Office of Finance of The University of Texas System (UT System) staff to invest a portion of the debt proceeds from UT System bond issuances currently invested in the Short Term Fund into a laddered portfolio; and

WHEREAS, UT System has requested that the laddered portfolio be invested by the UTIMCO internal portfolio managers; and

WHEREAS, UTIMCO internal portfolio managers are currently only authorized to manage an Internal Fixed Income Portfolio of \$750,000,000; and

WHEREAS, in order for the UTIMCO internal portfolio managers to be able to invest the debt proceeds, the Board must delegate authority to Corporation's staff.

NOW THEREFORE,

BE IT RESOLVED, that, subject to approval of the amendment to the Investment Policy Statement of the Separately Invested Funds by The University of Texas System Board of Regents, in addition to the currently authorized Internal Fixed Income Portfolio, the internal portfolio managers be, and each of them hereby is, authorized to invest the debt proceeds from UT System bond issuances as requested by UT System staff in accordance with the terms and restrictions in the Investment Policy Statement of the Separately Invested Funds.

THE UNIVERSITY OF TEXAS SYSTEM SEPARATELY INVESTED FUNDS INVESTMENT POLICY STATEMENT

Purpose

The Separately Invested Funds (the "Accounts") include the Endowment, Trust, Debt Proceeds, 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 the inability to sell the gifted investment asset; d) they are assets being migrated upon liquidation into a pooled investment vehicle; e) they are debt proceeds with a short-intermediate investment horizon; or ef) they are 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. The restrictions set forth in this policy and in any separate writing applicable to the Debt Proceeds Accounts and the Other Accounts will apply to the management of those Accounts.

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

UTIMCO may select and terminate unaffiliated investment managers subject to any limitations stated herein. 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 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 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.

Debt Proceeds Accounts – The primary investment objective shall be the safety of principal and maintenance of adequate liquidity sufficient to meet the spend-out schedules of each Account, as provided by the U. T. System Office of Finance. Debt Proceeds Accounts, other than investments in cash as defined in the Liquidity Policy, will be invested in U.S. government obligations, including obligations of an

agency or instrumentality of the United States, taking into consideration the spending needs of the Accounts.

Other Accounts – These are all accounts which are not Endowment Accounts, or Trust Accounts, or Debt Proceeds 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 return and subject to the Asset Class allocation ranges specified herein, is the responsibility of UTIMCO. Specific Asset Class allocation positions may be changed from time to time based on the economic and investment outlook.

Unless otherwise restricted herein, The the Accounts' assets shall be allocated among the following broad Asset Classes based upon their individual return/risk characteristics and relationships to other Asset Classes:

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 Class allocation policy and ranges for the Endowment and Trust Accounts are dependent on the terms and conditions of the applicable trust/endowment or trust document. The Asset Class allocation policy and ranges for the Debt Proceeds and Other Accounts will be determined by the terms and conditions of any applicable controlling documents. If possible, the Accounts' 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 Class allocation targets and ranges for each ~~trust or endowment~~ Account. UTIMCO may establish specific Asset Class allocation targets and ranges for or within the Asset Classes listed above as well as the specific performance benchmarks for each 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, 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.

- 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 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 Barclays 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 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 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.

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 Investment Grade Fixed Income, Credit-Related Fixed Income, and Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity shall not apply to Accounts when expressly prohibited by the terms and conditions of the applicable trust/endowment, ~~or trust~~ or other controlling 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 the Debt Proceeds Accounts and other Other accountsAccounts.

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 Generally Accepted Accounting Principles ("GAAP"), Governmental 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 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 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 this Policy Statement as it deems necessary or advisable.

Effective Date

| The effective date of this policy shall be ~~September~~March 1, 2010~~2011~~.

Tab 6

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

Agenda Item: Report on and Discussion and Appropriate Action Related to Items from Audit and Ethics Committee - Audit of UTIMCO Financial Statements and Audit of Information Technology

Developed By: Staff

Presented By: Longoria

Type of Item: Action required by UTIMCO Board related to year end audits; information item on other items

Description: The Audit and Ethics Committee ("Committee") will meet on January 26, 2011. The Committee's agenda includes (1) approval of the Committee minutes; (2) the review and consideration of Deloitte & Touche LLP's Financial Statement Audit Results and Communications and Audited Financial Statements for the Corporation; (3) a presentation of the unaudited financial statements for the three months ended November 30, 2010, for the Investment Funds and the Corporation; (4) report from the UT System Audit Office related to audits of information technology; and (5) an update of other compliance, reporting, and audit issues.

Discussion: The UTIMCO financial statements were audited by Deloitte & Touche LLP. Deloitte & Touche LLP issued an unqualified opinion on the August 31, 2010 and 2009 financial statements. Tom Wagner, the engagement partner, is scheduled to present to the Committee the Deloitte & Touche LLP's Audit Results and Communications letter and answer questions related to the financial statements. A copy of the Audit Results and Communications and the audited financial statements are included.

The UT System Audit Office will review the UTIMCO Information Security Program Index Audit Report with the Committee and brief the Committee on the preliminary audit work completed related to the audit of three security applications internally developed by the UTIMCO IT department.

Routine activities of the Committee will include reviewing the unaudited financial statements for the first quarter for the Funds and UTIMCO Corporation and the quarterly compliance reports.

Recommendation: The Committee will request the UTIMCO Board take appropriate action based on the Committee's action from its meeting related to approval of Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation.

Reference: Audit Results and Communications; Audited financial statements and audit report for the Corporation; Quarterly Compliance Reports

**RESOLUTIONS RELATED TO AUDIT OF THE CORPORATION FOR
FISCAL YEAR 2010**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2010, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that the annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2010 and August 31, 2009, be, and are hereby approved in the form as presented to the Board.



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January 12, 2011

Mr. Bruce Zimmerman
CEO and Chief Investment Officer
The University of Texas Investment Management Company

The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company
401 Congress Avenue, Suite 2800
Austin, TX 78701

Dear Mr. Zimmerman and Members of the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company:

We have performed an audit of the financial statements of The University of Texas Investment Management Company (the "Company") as of and for the year ended August 31, 2010, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated December 17, 2010.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Company is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America has been described in our engagement letter dated June 24, 2010, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with auditing standards generally accepted in the United States of America is to express an opinion on the fairness of the presentation of the Company's financial statements for the year ended August 31, 2010 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. 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.

We considered the Company's 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. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Company's 2010 financial statements include the recoverability of long-term assets such as property and equipment and liabilities related to accrued compensation and related accounts. During the year ended August 31, 2010, there were no significant changes in accounting estimates or in management's judgments relating to such estimates.

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are set forth in Note 2 to the Company's 2010 financial statements. During the year ended August 31, 2010, there were no significant changes in previously adopted accounting policies or their application.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Company's 2010 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during the year ended August 31, 2010.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

OTHER SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Audit and Ethics Committee.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Company's management and staff and had unrestricted access to the Company's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Company's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards.

* * * * *

This report is intended solely for the information and use of management, the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

Years ended August 31, 2010 and 2009

The University of Texas Investment Management Company

Financial Statements

Years Ended August 31, 2010 and 2009

Contents

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Independent Auditors' Report

The Board of Directors of The University of Texas Investment Management Company

We have audited the accompanying Balance Sheets of The University of Texas Investment Management Company ("UTIMCO"), as of August 31, 2010 and 2009, and the related Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UTIMCO's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UTIMCO as of August 31, 2010 and 2009, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

December 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the financial performance for The University of Texas Investment Management Company (UTIMCO) provides an overview of its activities for the year ended August 31, 2010. This discussion was prepared by UTIMCO management and should be read in conjunction with the UTIMCO financial statements and notes. UTIMCO is a 501(c) (3) investment management corporation whose sole purpose is the management of investment assets that are under the fiduciary care of the Board of Regents of The University of Texas System (UT Board).

Created in March 1996, UTIMCO is the first external investment corporation formed by a public university system. It invests endowment and operating funds in excess of \$22 billion. UTIMCO is governed by a nine-member Board of Directors appointed by the UT System Board of Regents. The UTIMCO Board of Directors includes three members of the UT Board, the Chancellor of The University of Texas System, and five outside investment professionals (including one representative from the Texas A&M University System). The UTIMCO Board and the UT Board have entered into an Investment Management Services Agreement delegating investment management responsibility for all investments to UTIMCO.

The purpose of the MD&A is to provide an objective and easily readable analysis of the UTIMCO financial statements based upon currently known facts, decisions or conditions.

Financial Highlights

Net assets decreased by \$5.6 million from \$11.0 million to \$5.4 million, or approximately 50.9%, for the year ended August 31, 2010. This is compared to an increase of \$1.5 million from \$9.4 million to \$10.9 million, or approximately 16.0%, for the year ended August 31, 2009. The change in net assets from 2009 to 2010 is mainly attributable to the fact that UTIMCO rebated \$5,000,000 during the year ended December 31, 2010 back to the funds per the contractual requirements of the Investment Management Services Agreement with the UT Board. The change in net assets from 2008 to 2009 resulted mainly from budgeted personnel costs that were not incurred and reductions in travel expenditures.

Use of Financial Statements and Notes

UTIMCO financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). Three financial statements are typically required under GASB: Statement of Net Assets or Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

The notes to the financial statements contain supplemental information that is essential for the fair presentation of the financial statements.

Balance Sheets

The Balance Sheets present assets, liabilities, and the net assets of UTIMCO as of the end of the fiscal year. These statements have been prepared using the accrual basis of accounting.

The following summarizes the Balance Sheets:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Cash & Cash Equivalents	\$ 8,773,743	\$ 12,618,433	\$ 10,907,042
Other Assets	<u>3,076,643</u>	<u>3,423,832</u>	<u>4,043,880</u>
Total Assets	<u>\$ 11,850,386</u>	<u>\$ 16,042,265</u>	<u>\$ 14,950,922</u>
Liabilities & Net Assets			
Accounts Payable & Deferred Compensation Plan Obligations	\$ 5,101,374	\$ 3,510,534	\$ 3,779,637
Deferred Rent	1,351,461	1,576,705	1,801,948
Unrestricted Net Assets	<u>5,397,551</u>	<u>10,955,026</u>	<u>9,369,337</u>
Total Liabilities & Net Assets	<u>\$ 11,850,386</u>	<u>\$ 16,042,265</u>	<u>\$ 14,950,922</u>

The changes in Balance Sheet components are primarily the result of the following:

- Cash decreased in 2010 as a result of a \$5,000,000 rebate to the funds as per the provisions of the Investment Management Services Agreement between UTIMCO and the Board of Regents of the University of Texas System and as a result of a net operating loss for the current fiscal year. Unrestricted net assets decreased for the same reasons.
- Other Assets decreased by approximately \$347,000 in 2010 as a result of several fixed assets becoming fully depreciated. Other Assets decreased by approximately \$620,000 in 2009 as a result of lower pass through legal expenses and related accounts receivable at year end from UT System on the West Texas Lands project. Additionally, UTIMCO added a deferred compensation program in FY 2008, which caused an increase in both other assets and other accrued expenses. This balance continues to increase annually.
- Accounts payable and deferred compensation plan obligations increased by approximately \$1,591,000 in 2010 as a result of an increase in performance compensation. Accounts payable and deferred plan obligations decreased by approximately \$269,000 primarily as a result of lower balances due related to the West Texas Lands project at August 31, 2009 versus 2008.

Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets are based upon the financial activities of the organization. The purpose of these statements is to present details comprising the revenue, expenses, and changes to net assets for the years reported. The following table summarizes the Statements of Revenues, Expenses and Changes in Net Assets:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue			
Management Fees	\$ 15,984,625	\$ 16,551,209	\$ 15,377,329
Net Non-operating Revenues	<u>24,348</u>	<u>157,174</u>	<u>424,065</u>
	16,008,973	16,708,383	15,801,394
Expenses			
Salaries & Benefits	12,569,998	11,253,722	9,702,764
General Operating	1,850,104	1,570,137	1,952,991
Depreciation	579,925	588,684	548,487
Other	<u>1,566,421</u>	<u>1,710,151</u>	<u>1,672,249</u>
	16,566,448	15,122,694	13,876,491
Management Fee Rebate	<u>(5,000,000)</u>	-	-
Decrease/Increase in Unrestricted Net Assets	(5,557,475)	1,585,689	1,924,903
Net Assets, Beginning of Year	<u>10,955,026</u>	<u>9,369,337</u>	<u>7,444,434</u>
Net Assets, End of Year	<u>\$ 5,397,551</u>	<u>\$ 10,955,026</u>	<u>\$ 9,369,337</u>

The changes in the Statements of Revenues, Expenses and Changes in Net Assets are primarily the result of the following:

- Management Fees revenue for each year presented are based upon the operating budget and management fee approved in advance each year by both the UTIMCO Board of Directors and the UT System Board of Regents. Revenue fluctuations are the direct result of these approved budgets.
- Salary and Benefit expenses increased as a result of cost of living adjustments in all three fiscal years and from increases in performance based compensation in fiscal year 2010. Additionally, staff additions and promotions contributed to the increase in fiscal year 2008. Staff levels were primarily constant in fiscal years 2010 and 2009.
- General Operating Expenses increased in 2010 as travel increased to normal business levels. Online data services also increased from 2009. These same expenses decreased in fiscal 2009 primarily as a result of reduced travel and multiple cost-savings initiatives.
- In FY 2010, UTIMCO issued a \$5,000,000 rebate to the funds as per the provisions of the Investment Management Services Agreement between UTIMCO and the Board of Regents of the University of Texas System.

Statements of Cash Flows

The Statements of Cash Flows are presented to identify the cash flows from operating, financing and investing activities. The following table summarizes the Statements of Cash Flows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities			
Proceeds from management fees	\$ 15,984,625	\$ 16,551,209	\$ 15,377,329
Payments to and for employees	(11,156,007)	(11,122,513)	(8,774,723)
Other payments	<u>(3,623,927)</u>	<u>(3,740,551)</u>	<u>(3,518,350)</u>
	1,204,691	1,688,145	3,084,256
Cash Flows from (used for) Capital and Related Financing Activities and Investing Activities			
Purchase of property & equipment, net	(75,186)	(136,174)	(656,081)
Rebate of management fees to the funds	(5,000,000)	-	-
Interest	<u>25,805</u>	<u>159,420</u>	<u>432,028</u>
	<u>(5,049,381)</u>	<u>23,246</u>	<u>(224,053)</u>
Net Change in Cash & Cash Equivalents	(3,844,690)	1,711,391	2,860,203
Cash & cash equivalents, beginning of year	<u>12,618,433</u>	<u>10,907,042</u>	<u>8,046,839</u>
Cash & cash equivalents, end of year	<u>\$ 8,773,743</u>	<u>\$ 12,618,433</u>	<u>\$ 10,907,042</u>

The changes in the Statements of Cash Flows are primarily the result of the following:

- Payments to and for employees increased in fiscal year 2009 as a result of being fully staffed for the entire fiscal year and the increase in compensation and other personnel expenses that are directly related.
- The rebate of management fees to the funds for the fiscal year 2009 was paid in the first quarter of fiscal year 2010.
- Purchases of property and equipment increased in fiscal year 2008 as the organization completed the expansion of leased facilities and as a result decreased thereafter.
- Interest income decreased in 2010 and 2009 as a direct result of market conditions in the fiscal year.

Contacting UTIMCO

The above financial highlights are designed to provide a general overview of the UTIMCO corporate results and insight into the following financial statements. Additional information may be found on our website and inquiries may be directed to UTIMCO via www.utimco.org.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Balance Sheets

August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 8,773,743	\$ 12,618,433
Prepaid expenses and other assets	<u>437,944</u>	<u>421,723</u>
Total Current Assets	9,211,687	13,040,156
Non-Current Assets:		
Assets of deferred compensation plan	317,500	174,715
Property and equipment, net of accumulated depreciation of \$3,126,026 and \$2,644,771, respectively	<u>2,321,199</u>	<u>2,827,394</u>
Total Non-Current Assets	<u>2,638,699</u>	<u>3,002,109</u>
Total Assets	<u>\$ 11,850,386</u>	<u>\$ 16,042,265</u>
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,783,874	\$ 2,932,957
Current portion - deferred rent	<u>225,244</u>	<u>225,244</u>
Total Current Liabilities	5,009,118	3,158,201
Non-Current Liabilities:		
Deferred compensation plan obligations	317,500	174,715
Long-term portion – deferred compensation	-	402,862
Long-term portion – deferred rent	<u>1,126,217</u>	<u>1,351,461</u>
Total Non-Current Liabilities	<u>1,443,717</u>	<u>1,929,038</u>
Total Liabilities	6,452,835	5,087,239
Net Assets:		
Unrestricted	<u>5,397,551</u>	<u>10,955,026</u>
Total Liabilities and Net Assets	<u>\$ 11,850,386</u>	<u>\$ 16,042,265</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Revenues, Expenses and Changes in Net Assets

For the years ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues		
Management fee	\$15,984,625	\$16,551,209
Total Operating Revenues	15,984,625	16,551,209
Operating Expenses		
Salaries	10,944,666	9,689,126
Employee benefits	1,145,533	1,114,750
Payroll taxes	479,799	449,846
General operating	1,850,104	1,570,137
Depreciation	579,925	588,684
Lease	1,003,831	962,184
Professional fees	314,465	507,750
Insurance	<u>248,125</u>	<u>240,217</u>
Total Operating Expenses	<u>16,566,448</u>	<u>15,122,694</u>
Operating Income (Loss)	(581,823)	1,428,515
Nonoperating Revenues		
Interest	25,805	159,420
Loss on disposal of equipment	<u>(1,457)</u>	<u>(2,246)</u>
Net Nonoperating Revenues	<u>24,348</u>	<u>157,174</u>
Income (Loss) Before Other Changes in Net Assets	(557,475)	1,585,689
Other Changes in Net Assets		
Rebate of management fees to the funds	<u>(5,000,000)</u>	<u>-</u>
Decrease/Increase in Unrestricted Net Assets	(5,557,475)	1,585,689
Net assets at beginning of year	<u>10,955,026</u>	<u>9,369,337</u>
Net assets at end of year	<u>\$ 5,397,551</u>	<u>\$ 10,955,026</u>

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows

For the years ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Proceeds from management fees	\$ 15,984,625	\$ 16,551,209
Payments to suppliers for goods and services	(2,394,853)	(2,553,123)
Payments for facility	(1,229,074)	(1,187,428)
Payments to employees, net	(9,530,671)	(9,491,157)
Payments for employees, net	<u>(1,625,336)</u>	<u>(1,631,356)</u>
Net cash provided by operating activities	<u>1,204,691</u>	<u>1,688,145</u>
Cash flows from noncapital financing activities:		
Rebate to investment funds	<u>(5,000,000)</u>	<u>-</u>
Net cash used in noncapital financing activities	<u>(5,000,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from return of property and equipment	5,151	-
Purchase of property and equipment	<u>(80,337)</u>	<u>(136,174)</u>
Net cash used in capital and related financing activities	<u>(75,186)</u>	<u>(136,174)</u>
Cash flows from financing activities:		
Interest	<u>25,805</u>	<u>159,420</u>
Net cash from financing activities	<u>25,805</u>	<u>159,420</u>
Net increase/(decrease) in cash and cash equivalents	(3,844,690)	1,711,391
Cash and cash equivalents at beginning of year	<u>12,618,433</u>	<u>10,907,042</u>
Cash and cash equivalents at end of year	<u>\$ 8,773,743</u>	<u>\$ 12,618,433</u>

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Financial Statements

Statements of Cash Flows, Continued

Reconciliation of operating income to net cash provided by operating activities:

	<u>2010</u>	<u>2009</u>
Operating income (loss)	\$ (581,823)	\$ 1,428,515
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	579,925	588,684
Change in assets and liabilities:		
(Increase)/decrease in prepaid expenses and other assets	(16,221)	298,791
Increase in assets of deferred compensation plan	(142,785)	(66,749)
Increase/(decrease) in accounts payable and accrued expenses	1,850,916	(805,463)
Increase/(decrease) in deferred compensation	(402,862)	402,862
Increase in liabilities of deferred compensation plan	142,785	66,749
Decrease in deferred rent	<u>(225,244)</u>	<u>(225,244)</u>
Net cash provided by operating activities	<u>\$ 1,204,691</u>	<u>\$ 1,688,145</u>

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 1 - Organization

The University of Texas Investment Management Company (UTIMCO) is a not-for-profit corporation organized to invest funds that are under the control and management of the Board of Regents of The University of Texas System (UT Board). UTIMCO commenced business on March 1, 1996. The financial statements of UTIMCO have been prepared on the accrual basis of accounting. The significant accounting policies are described in Note 2.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of UTIMCO are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). UTIMCO applies all applicable GASB pronouncements and Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Cash and cash equivalents

For purposes of the statements of cash flows, UTIMCO considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. UTIMCO invests excess cash in an interest-bearing money market account.

Prepaid expenses and other assets

Prepaid expenses consist of expenses paid in advance for insurance and various services. The prepaid expenses will be ratably expensed over the period to which they relate.

Property and equipment, net of accumulated depreciation

Net property and equipment consists of office furniture, office equipment, software, and leasehold improvements and is stated at net book value. Depreciation and amortization is computed using the straight-line method over the useful lives of the assets. The following is a schedule of the property and equipment at August 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Office furniture	\$ 862,578	\$ 856,371
Office equipment	1,118,808	1,144,804
Software	309,180	314,331
Leasehold improvements	<u>3,156,659</u>	<u>3,156,659</u>
Total property and equipment	5,447,225	5,472,165
Less accumulated depreciation	<u>(3,126,026)</u>	<u>(2,644,771)</u>
Net property and equipment	<u>\$ 2,321,199</u>	<u>\$ 2,827,394</u>

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Income taxes

The exclusive purposes for which UTIMCO is organized and is to be operated are charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Service Code, and therefore, UTIMCO is not subject to federal income taxes on normal operations. UTIMCO may, however, incur federal income taxes on unrelated business income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 3 - Related Party Transactions

a) Pursuant to a Master Investment Management Services Agreement with UTIMCO, the UT Board has appointed UTIMCO as its investment manager with complete authority to act for the UT Board in the investment of all funds. The amount of the management fees for the periods ended August 31, 2010 and 2009 were \$15,977,125 and \$16,543,709, respectively. This represents fees for the following:

	<u>2010</u>	<u>2009</u>
Permanent University Fund	\$ 7,846,504	\$ 8,134,921
The University of Texas System Long Term Fund	4,439,641	4,640,564
Permanent Health Fund	809,630	910,209
The University of Texas System Intermediate Term Fund	<u>2,881,350</u>	<u>2,858,015</u>
	<u>\$ 15,977,125</u>	<u>\$ 16,543,709</u>

b) UTIMCO contracts for internet and mainframe connection services with The University of Texas System and The University of Texas at Austin. The expense for these services for the periods ended August 31, 2010 and 2009 were \$45,830 and \$47,512, respectively.

c) As of August 31, 2009, UTIMCO had pass-through receivables for legal fees due from UT System of approximately \$15,500. The fees were incurred by UT System in connection with the West Texas Lands project. The law firms billed UTIMCO for these legal fees, and in turn UTIMCO paid the fees and then subsequently billed UT System for reimbursement. There were no such receivables as of August 31, 2010.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 4 – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, UTIMCO will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, UTIMCO will not be able to recover the value of its investment or collateral securities that are in the possession of another party. UTIMCO does not have a deposit policy for custodial credit risk. As of August 31, 2010 and 2009, the FDIC insures deposits up to \$250,000. As of August 31, 2010 and 2009, there were no uninsured deposits. Additionally, UTIMCO does not have any investments that are exposed to custodial credit risk.

Note 5 - Deferred Revenue

UTIMCO assesses on or before the first day of The University of Texas System's fiscal quarter one-fourth of the annual management fee. The fee is deferred and is ratably credited to revenue monthly. As of August 31, 2010 and 2009, there was no deferred revenue.

Note 6 – Deferred Compensation

Effective March 1, 1996, UTIMCO established a tax-sheltered annuity arrangement, which provides retirement benefits for its employees by contributing to a custodial account invested in mutual funds. The employer matches 8.5% of gross compensation on behalf of an employee. Employees are required to contribute 6.5% of their total gross compensation to receive the company match. Employer contributions for the periods ended August 31, 2010 and 2009 were \$487,207 and \$478,096, respectively.

Effective December 1, 2007, UTIMCO adopted a deferred compensation plan under Internal Revenue Code Section 457(b) (the Plan). The UTIMCO Plan is an unfunded deferred compensation plan that is established and maintained for a select group of management employees. Participants are determined by the Administrative Plan Committee. Participants are permitted to make tax-deferred contributions to the Plan, but until Plan benefits are paid out, these contributions remain part of UTIMCO's general assets and can be used to satisfy claims of the general unsecured creditors of UTIMCO. The assets and obligations of the Plan are reported on the balance sheets at current values.

Deferred compensation of \$402,862 consists of compensation earned by certain UTIMCO employees under the terms of the UTIMCO Performance Compensation Plan during the year ending August 31, 2009 that has been voluntarily deferred until 2011 and therefore such amounts are included in accounts payable and accrued expenses as of August 31, 2010.

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

Note 7 – Lease Expense

Effective September 1, 2005, UTIMCO entered into an eleven year lease for its office space and parking with a third party. Under the terms of the lease, the lease expense and building operating expenses for the first 14 months were provided by the new landlord as a lease incentive, except for specific electricity costs incurred by UTIMCO. The lease expense incentive is recorded as a deferred rent liability as detailed in Note 8.

UTIMCO began paying lease and operating costs related to UTIMCO's current lease effective November 2006. For the periods ended August 31, 2010 and 2009, related operating expenses were \$547,863 and \$517,309, respectively. The net lease expense related to the lease incentive and amortization of the tenant allowance for both the periods ending August 31, 2010 and 2009 was \$348,028. For the periods ended August 31, 2010 and 2009, parking expense was \$107,940 and \$96,847, respectively.

The 132 month lease expires August 31, 2016. Commencing November 1, 2006, the minimum rental commitment was \$43,135 per month through December 31, 2007. The commitment increased to \$47,773 per month effective January 1, 2008, with the increase in rentable space.

The following is a schedule by years of the future minimum lease payments under the lease term:

Years ending August 31,	
2011	\$ 573,272
2012	573,272
2013	573,272
2014	573,272
2015	573,272
Thereafter	<u>573,272</u>
Total	<u>\$3,439,632</u>

Note 8 – Deferred Rent

Under the terms of the office lease effective September 1, 2005, the landlord provided UTIMCO with rent holidays and a tenant improvement allowance. The property was placed in service on November 14, 2005. Additional tenant improvement allowance was provided in August 2008 in connection with the expansion. UTIMCO has recorded the rent holidays and tenant improvement allowances as a deferred rent liability.

As of August 31, 2010 and 2009, the total deferred rent was \$1,351,461 and \$1,576,705, respectively. The portion of the deferred rent related to the rent holidays as of August 31, 2010 and 2009 was \$329,395 and \$384,295, respectively. The remaining portion of the deferred rent as of August 31, 2010 and 2009, was \$1,022,066 and \$1,192,410, respectively, and relates to the tenant improvement allowance. UTIMCO was initially provided an allowance of \$1,612,985 to be used and applied toward the cost of leasehold improvements

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

Notes to Financial Statements

in the new space. In August 2008, an additional allowance of \$156,074 was provided in connection with the expansion. The deferred rent is amortized over the term of the lease.

Note 9 – Management Fee Rebate

On November 25, 2009, UTIMCO rebated \$5 million back to the UT Investment Funds as required by the Investment Management Services Agreement between UTIMCO and the UT System Board of Regents. The rebate was returned to the funds in the amounts detailed below:

Permanent University Fund	\$ 2,648,238
The University of Texas System Long Term Fund	1,393,602
Permanent Health Fund	311,124
The University of Texas System Intermediate Term Fund	<u>647,036</u>
	<u>\$ 5,000,000</u>



The University of Texas Investment Management Company
Institutional Compliance Program Annual Report
for the Quarter Ended November 30, 2010

Section I – Organizational Matters

- Significant personnel changes: Senior Director – Natural Resources Investments, Mark Warner was appointed to the position of Managing Director – Natural Resources Investments.

Section II - Risk Assessment, Monitoring Activities and Specialized Training (Performed by Responsible Party)

High-Risk Area #1: Investment Due Diligence

Responsible Party: Managing Directors for Public Markets, Private Markets, Marketable Alternatives and Natural Resources, and Senior Director for 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 91 meetings/calls with potential managers. Initial due diligence was performed on 59 managers and serious due diligence was performed on 32 managers. One manager was hired. Ongoing review of active external managers included 51 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 64 meetings/calls with potential managers. Initial due diligence was performed on two managers and serious due diligence was performed on 5 managers. Two managers were hired. Ongoing review of external managers was conducted in the form of 55 meetings, conference calls, or Annual Meetings with active managers and a quarterly portfolio review meetings.

Private Markets: The Private Markets group performed initial due diligence on 20 and serious due diligence on eight potential managers. Two commitments were made. The Private Markets group also participated in 78 meetings with active external managers and 50 with potential managers, including site visits, conference calls, and Advisory Board or Annual meetings.

Natural Resources: The Natural Resources group participated in 79 meetings/calls with potential managers. Serious due diligence was performed on three managers. One manager was hired. Ongoing review of active external managers included 60 meetings/calls.

Real Estate: The Real Estate group participated in 106 meetings/calls with potential managers. Serious due diligence was performed on three managers. No managers were hired. Ongoing review of active external managers included 29 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. 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 negotiations of ISDAs with new counterparties, and performed its annual credit check on all existing counterparties.
- Risk Team is evaluating various tail-hedging strategies, and alternatives to asset allocation methodology.
- Risk Team is investigating ways to look at asset allocation using scenario analysis.
- Derivative positions are 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: Risk Team participated in two conferences during the quarter.

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.
- Continued training of users on the procedures and proper use of encrypted USB drives on an as needed basis.
- Provided topic specific email alerts to employees regarding encryption of social security numbers and credit card numbers, computer viruses, potential attacks, and critical updates.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. Violations are reported to the CCO and staff is reminded to transmit via encrypted means.
- Laptop security reviews continue. At random, the ISO and CCO verify laptops are physically secured to the desk. Violators notified when necessary.
- Compliance checks for nightly shutdown/logout and VPN access continue. Violations noted and violators notified.
- UTIMCO completed the audit fieldwork for our ISPI audit by UT System auditors this quarter. The final report has yet to be released.

- Denim Group was retained to complete a security review of the eFAS mainframe replacement web application prior to moving to production.

Specialized Training: CISO attended several UT System configuration management user group meetings and 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. Continue to work with custodian on getting a few remaining tests moved from old system to new Compliance Monitor. Met with custodian on a routine visit to discuss these and other upgrades to Compliance Monitor.
- 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. Training a new employee did not occur as planned, but it is still planned in the future.
- 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 Investment Controls and Processes are being followed and work continues on improving them.

Specialized Training: None

High-Risk Area #5: Conflicts of Interest

Responsible Party: Senior 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:

- All Certificates of Compliance were received timely from all UTIMCO Board members and key employees for all investment managers hired. Certificates were reviewed for completeness; no conflicts of interest were noted, i.e., no pecuniary interests were identified by any UTIMCO Board member or key employee.
- Verified that the funds committed during the quarter had the appropriate signed certificates of compliance.
- List of publicly traded securities of all publicly traded companies in which a UTIMCO Board member or employee has a pecuniary interest (the "restricted list") was maintained. Internal and external managers under agency agreements are provided the restricted list in order to prevent the violation of UTIMCO Code of Ethics and Texas Education Code section 66.08. No changes to the restricted list occurred during the quarter and no new managers hired which required the list to be sent.
- On a daily basis, accounting staff reviewed security holdings of internal and external managers for compliance with the restricted list. No exceptions noted.
- During the fiscal quarter, a new Director was appointed by the Board of Regents of The University of Texas System. Since the appointment was effective on August 12, 2010, the financial disclosure statement and ethics compliance was due no later than 30th day after the date of appointment or

September 11th unless a postponement was requested. In accordance with provisions in Sec. 4.02 (b) and Sec. 4.03 (b) of the Code of Ethics, Bruce Zimmerman, as CEO, postponed the filing deadline until September 30, 2010. The Director filed the financial disclosure statement and ethics compliance statement timely.

- Periodic review of public resources for comparison with financial disclosure statement information provided by Directors and employees was not performed during the quarter.
- There were no requests for preclearance of securities transactions and none were required. One security transactional disclosure form was not filed within the required 10 days.
- One employee requested outside employment approval by CEO.
- One business trip included business partner paid travel without approval by supervisor.
- One business trip included entertainment provided by business partners without approval by CEO or CCO approval.
- Director training was held during the quarter.

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 five (5) managers hired by the Investment groups and reviewed ongoing due diligence for three (3) existing managers during the quarter. Ongoing due diligence efforts continue. The Senior Director, Risk Management and CCO participated in the bi-weekly Investment Committee meetings, the monthly Investment meetings, and quarterly portfolio reviews.

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.

Significant Findings: None

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 workpapers supporting the various compliance reports prepared by the Responsible Parties. 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: None

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 quarter. All UTIMCO Board members and all employees had timely signed off on certificates of compliance; no conflicts of interest were noted. CCO reviewed ethics compliance and financial disclosure statements received from new UTIMCO Board member. 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

No training sessions were required to be held during the quarter.

Section V – Action Plan Activities

- Meetings of the Employee Ethics and Compliance Committee are held quarterly.
- Information Technology Access & Security: Staff member is participating in the Chief Information Security Officers Council.

Section VI – Confidential Reporting

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 during the fiscal year:

Type	Number	% of Total
Employee Relations	0	0.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	1	100.00%
Total	1	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.

**The University of Texas Investment Management Company
Institutional Compliance Action Plan
Fiscal Year 2011**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<i>A. RISK ASSESSMENT</i>			
1.	As needed, update risk assessment and map controls identified in the risk assessment to controls identified in the process documentation	On-going	
<i>B. MONITORING ACTIVITIES / ASSURANCE</i>			
2.	Meet with Responsible Parties for updates	On-going	
3.	Inspect high risk areas A	On-going	
4.	Work with Risk Management to enhance monitoring by CCO	On-going	
<i>C. COMPLIANCE TRAINING / AWARENESS</i>			
5.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/11	
6.	Identify and network with similarly situated compliance professionals	On-going	
<i>D. REPORTING</i>			
7.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	
8.	Provide quarterly/annual reports to the System-wide office	On-going	
<i>E. OTHER / GENERAL COMPLIANCE</i>			
9.	Hotline report investigations	On-going	
10.	Periodic Re-evaluation of enterprise risk management and regular reporting to UTIMCO Audit and Ethics committee	06/30/11	
11.	ICAC activities: ICAC and Standing Committee participation	On-going	
12.	Work with IT to enable web-based transmission and completion of Certificates of Compliance electronically; Review of Directors Desk and other comparable products	12/31/10	
13.	Update and Monitor Records Retention Procedures	01/31/11	
14.	Draft and implement business continuity plan	06/30/11	

Quarterly Reporting Template Instructions

Overall

Red Font - Highlights areas for institutional input

Section 1 - Work Plan

- 1 Section 1.1 lists the Systemwide (SW) Compliance Work Plan initiatives. Provide updates in this section if your institutional work plan includes activities in support of these initiatives
- 2 Section 1.2 - Provide updates on any institution-specific objectives that are **separate** from the Systemwide work plan objectives
- 3 Section 1.3 - Provide any institution-specific commentary (any institution-specific activities/wins/milestones/issues/concerns/other to be communicated)

Section 2 - General Metrics (modeled after the Federal Sentencing Guideline elements)

- 1 The expectation is to provide metrics you already capture or can easily capture at your institution (sample metrics provided)
- 2 At your discretion, you can modify the wording of any of the metrics that have been provided, or change the metric value (e.g. from a numerical value to a %)
- 3 **You are not expected to provide metrics for every row. Simply leave those rows blank.**
- 4 If you do not already capture any of the metrics provided, additional rows have been added to each subsection to allow you to enter institutional specific metrics
E.g. <Input alternative Institutional metric(s)> Note: Feel free to add additional rows as necessary
- 5 Provide current quarter metrics only (Q1.11 highlighted in yellow). We will keep prior quarter metrics for historical/trending purposes
You do not need to provide prior quarter metrics, we will use Q410 as a starting point
Some metrics are not quarterly in nature (e.g. risk assessments). If you choose, prior quarter columns can be used to provide the quarter in which the metric was established
- 6 Provide any clarifying comments you have on any of the metrics in the notes/comment column (column L)

Section 3 - Best Practices

- 1 Provide anything you do/use, projects you've completed, practices you've employed, etc. to enhance compliance that other institutions might benefit from
- 2 Input best practice area: Then describe the best practice identified for that high risk area/compliance issue/etc.

UTIMCO

Section 1 - Work Plan Update

Institution <Select Institution>
 Quarter 1st Quarter FY 2011

1.1 Institutional work plan objectives in support of UT Systemwide work plan objectives

Systemwide Plan Objectives	Authoritative Guidance	Corresponding Institutional Work Plan Objective	Status update	Target Milestones/Completion Date
I. RESEARCH CONFLICTS OF INTEREST <ul style="list-style-type: none"> Study and make recommendations regarding policy, practice, procedures, and enforcement of the UT System institutions' research conflicts of interest policies. Collaborate with the Office of General Counsel (OGC) to develop a model policy with performance standards/principles which will enhance and standardize institutional compliance for research conflicts of interest. Devise a state-of-the-art policy implementation process with standardized procedures combined with legal/compliance oversight. 	<ul style="list-style-type: none"> National Science Foundation Public Health Services Act National Institutes of Health Office of Research Integrity Department of Justice 	N/A	N/A	N/A
II. VENDOR RELATIONS <ul style="list-style-type: none"> Study and make recommendations regarding policy, practice, procedures, and enforcement of the UT System institutions' policies on vendor relations. Collaborate with OGC to develop a model policy and guidelines to govern and offer guidance on the interactions between the institutions and personnel with vendors providing financial support for educational activities, educational materials, preceptorships, fellowships, scholarships, and other similar areas. 	<ul style="list-style-type: none"> Anti-kickback Statute PhRMA Code on Interactions with Healthcare Professionals OIG Program Guidance for Pharmaceutical Manufacturers ACCME Standards for Commercial Support 	N/A	N/A	N/A
III. RECOVERY AUDIT CONTRACTOR PROGRAM <ul style="list-style-type: none"> Collaborate with the Office of Health Affairs to develop a best practices framework to deal with CMS Claim Review Programs with a particular focus on the Recovery Audit Contractor (RAC) Program. Design an interdisciplinary team model to provide overall guidance and direction to oversee RAC readiness and coordinate the intricate RAC appeals process. 	<ul style="list-style-type: none"> Medicare Prescription Drug, Improvement and Modernization Act (MIMA, 2003) Tax Relief and Health Care Act (2006) 	N/A	N/A	N/A

Systemwide Plan Objectives	Authoritative Guidance	Corresponding Institutional Work Plan Objective	Status update	Target Milestones/Completion Date
IV. EXPORT CONTROLS COMPLIANCE <ul style="list-style-type: none"> Collaborate with the Office of Research and Technology Transfer to develop a model UT System Export Controls program for the benefit of the institutions. 	<ul style="list-style-type: none"> Department of State/ITAR Department of Treasury/OFAC Department of Commerce/EAR 	N/A	N/A	N/A
V. CLINICAL RESEARCH BILLING COMPLIANCE <ul style="list-style-type: none"> Collaborate with the Office of Health Affairs to develop a model UT System Clinical Research Billing Compliance program for the benefit of the institutions. Conduct a compliance effectiveness review once the enhanced program is in place. 	<ul style="list-style-type: none"> Medicare General Rules Medicare Investigational Devices Medicare National Coverage Determinations Medicare Secondary Payor Rules Medicaid General Rules 	N/A	N/A	N/A
VI. HITECH ACT HIPAA PROVISIONS <ul style="list-style-type: none"> Collaborate with the Office of Health Affairs and OGC to study and prepare for the major revisions to the HIPAA Privacy and Security Rules delineated in the new provisions. Update changes to the Notice of Privacy Practices (NOPP), standard Business Associate Agreements (BAA), and other mechanisms. Develop a Breach Notification Policy and other policies as required. 	<ul style="list-style-type: none"> Health Information Technology for Economic and Clinical Health Act (HITECH Act, 2009) 	N/A	N/A	N/A
VII. SYSTEMWIDE COMPLIANCE PROGRAM CHARTER <ul style="list-style-type: none"> Develop an action plan in collaboration with the Institutional Compliance Officers to implement the new Systemwide Compliance Program Charter and implement the same. Revise U. T. System Policy UTS119, Institutional Compliance Program. 	<ul style="list-style-type: none"> Compliance Charter for the Systemwide Compliance Office (2009) U. T. System Policy UTS119, Institutional Compliance Program 	N/A	N/A	N/A
VIII. VIRTUAL COMPLIANCE ACADEMY <ul style="list-style-type: none"> Establish a "Virtual Compliance Academy" to serve as an education and communication tool to vet and discuss compliance programs objectives and initiatives, provide professional development opportunities, and sponsor continuing education compliance webinars on emerging topics. 	<ul style="list-style-type: none"> N/A 	N/A	N/A	N/A

1.2 Institution-specific objectives (any institution-specific objectives separate from UT Systemwide work plan objectives)

Institutional Work Plan Objective	Authoritative Guidance	Status update	Target Milestones/Completion Date
RISK ASSESSMENT - As needed, updated risk assessment and map controls identified in the risk assessment to controls identified in the process documentation	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program •UTIMCO Institutional Compliance Manual 	Participated in continuing education focused on ERM in October; provided materials will be reviewed and updates prepared as needed	Ongoing
MONITORING ACTIVITIES/ASSURANCE - Meet with Responsible Parties for updates	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program •UTIMCO Institutional Compliance Manual 	Periodic meetings held	Ongoing
MONITORING ACTIVITIES/ASSURANCE - Inspect high risk areas A	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program •UTIMCO Institutional Compliance Manual 	Review of high risk areas is ongoing	Ongoing
MONITORING ACTIVITIES/ASSURANCE - Work with Risk Management to enhance monitoring by CCO	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program •UTIMCO Institutional Compliance Manual 	Review of Risk Management documentation continues	Ongoing
COMPLIANCE TRAINING/AWARENESS - Provide Code of Ethics training and information to improve staff awareness of compliance program	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program 	No employees hired during the quarter	4/30/2011

<p>COMPLIANCE TRAINING/AWARENESS - Identify and network with similarly situated compliance professionals</p>	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program 	<p>Ongoing; continuing to maintain relationship with Peer Review Team</p>	<p>Ongoing</p>
<p>REPORTING - Conduct quarterly meetings with the internal ethics and compliance committee</p>	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program 	<p>Meetings are held quarterly</p>	<p>Ongoing</p>
<p>REPORTING - Provide quarterly/annual reports to the System-wide office</p>	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program •UTIMCO Institutional Compliance Manual 	<p>Reporting is provided quarterly; annual report was provided in September 2010 for FY 2010</p>	<p>Ongoing</p>
<p>OTHER/GENERAL COMPLIANCE - Hotline report investigations</p>	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program •UTIMCO Institutional Compliance Manual •UTIMCO Compliance Hotline Procedures 	<p>Monitoring of Hotline continues; no actionable calls</p>	<p>Ongoing</p>
<p>OTHER/GENERAL COMPLIANCE - Periodic Re-evaluation of enterprise risk management and regular reporting to UTIMCO Audit and Ethics Committee</p>	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program •UTIMCO Institutional Compliance Manual 	<p>Participated in continuing education focused on ERM in October; provided materials will be reviewed and updates prepared as needed; reporting is provided to UTIMCO Audit and Ethics Committee on a regular basis</p>	<p>6/30/2011</p>
<p>OTHER/GENERAL COMPLIANCE - ICAC and Standing Committee participation</p>	<ul style="list-style-type: none"> • Compliance Charter for the Systemwide Compliance Office (2009) • U. T. System Policy UTS119, Institutional Compliance Program •UTIMCO Institutional Compliance Manual 	<p>No meetings were held during the quarter</p>	<p>Ongoing</p>

OTHER/GENERAL COMPLIANCE - Work with IT to enable web-based transmission and completion of Certificates of Compliance electronically; Review of Directors Desk and other comparable products	<ul style="list-style-type: none"> • UTIMCO Code of Ethics (certificates of compliance) • UTIMCO Institutional Compliance Manual 	IT is currently reviewing various vendor products	12/31/2010
OTHER/GENERAL COMPLIANCE - Update and monitor records retention procedures	UTIMCO Records Retention Policy	Current draft is being vetted/updated by each department; Drafting of procedures is continuing	1/30/2011
OTHER/GENERAL COMPLIANCE - Draft and implement business continuity plan	UTIMCO ERM	In planning stage	6/30/2011

1.3 Institution-specific commentary (any institution-specific activities/wins/milestones/issues/concerns/other to be communicated)

Comment
Senior Director - Natural Resources Investments, Mark Warner was appointed to the position of Managing Director - Natural Resources Investments.
<ul style="list-style-type: none"> • [Input comments. E.g. Non-work plan compliance successes, organizational matters/staffing changes in compliance office, changes or other events impacting your institution's compliance program]
<ul style="list-style-type: none"> • [Input comments. E.g. Non-work plan compliance successes, organizational matters/staffing changes in compliance office, changes or other events impacting your institution's compliance program]

UTIMCO
Section 2 - Key Compliance Statistics / General Metrics

Institution <Select Institution>
 Quarter 1st Quarter FY 2011

2.1 Policies and Procedures

The development and distribution of written standards of conduct, as well as written policies and procedures that promote the institution's commitment to compliance (incl. preventing and detecting criminal conduct)

	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
2.1.1 New employees receive compliance introduction within 30 days of employment.					No new EE				
2.1.2 New employees sign Standard of Conduct acknowledgement within 30 days of employment					No new EE				
2.1.3 Compliance manual (or Proof of Plan) documents the compliance structure with relevant policies, monitoring and reporting activities, and the role of the compliance officer (include revision date)					Yes (updated August 2010)				
2.1.4 All new institution-wide compliance policies and procedures are communicated to affected employees per policy / procedure					Yes				On Intranet
2.1.5 <input alternative institutional metric(s)>					-				

2.2 High Level Oversight

The designation of a chief compliance officer and other appropriate bodies (e.g. an ECC) charged with the responsibility of operating and monitoring the compliance program

	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
2.2.1 Quarterly Executive Compliance Committee meeting held and minutes maintained (or monthly)					Yes				
2.2.2 A responsible party (RP) has been assigned to oversee each major/high compliance risk					Yes				
2.2.3 <input alternative institutional metric(s)>					-				

2.3 Due Care in Delegation of Authority

Use care to avoid delegating substantial discretionary authority to individuals whom the organization knows, or should have reason to know, have a propensity to engage in illegal activities

	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
2.3.1 Criminal background checks (% of new hires screened)					No new EE				
2.3.2 Screening new hires against the OIG and/or GSA exclusion list (% screened)					N/A				
2.3.3 Screening existing employees against the OIG and/or GSA exclusion list (% screened)					N/A				
2.3.4 Screening vendors/contractors against the OIG and/or GSA exclusion list (% screened)					N/A				
2.3.5 <input alternative institutional metric(s)>					-				

2.4 Conducting Effective Training and Education
The development and implementation of regular, effective education and training programs for all affected employees

	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
2.4.1					Mar-10				
2.4.2					No new EE				
2.4.3					N/A				
2.4.4					-				

2.5a Developing Effective and Accessible Lines of Communication (NOTE: This section is specific to received compliance allegations that warrant compliance investigations)
The maintenance of a process, such as a hotline, to receive complaints which are addressed in a timely and meaningful way

Reporting Intake Method *	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
Hotline					-				
Letter/Email					-				
Walk-in/Direct Call					-				
<Other>					-				
Total					-				

* Input number of allegations received during that quarter (date that the allegation was received)

Compliance Investigation Type **	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
Human Resources					-				
Financial (excluding COI)					-				
Conflict of Interest					-				
Research (excluding COI)					N/A				
Healthcare					N/A				
Academic Misconduct					N/A				
Information Systems					-				
Privacy/HIPAA/FERPA					-				
Safety					-				
Athletics					N/A				
<Other>					-				
Total					-				

** Note that a single investigation may include multiple investigation types, so compliance investigation type may exceed the number of allegations received during a quarter

Compliance Investigation Resolution	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
Compliance allegation substantiated					-				
Compliance allegation not substantiated					-				
Compliance allegation inconclusive due to insufficient information					-				
Compliance allegation withdrawn					-				
Compliance investigation remains open					-				
<Other>					-				
Total					-				

Compliance investigation timeliness	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
Allegation triaged per policy/procedure					N/A				
<Other>					-				

2.5b Auditing and Monitoring

The use of audits and/or other evaluation techniques to identify problem areas, to monitor compliance and assist in the reduction of identified problem areas

2.5b.1	Risk Assessment / Risk Management Plans	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
	Documentation maintained establishing that an institutional risk assessment has been performed with key compliance risks identified (date)					Yes (April 2010)				
	Number of major/high compliance risks identified					5				
	Number (or %) of major/high compliance risks with risk management plans					100%				
	<input alternative institutional metric(s)>					-				

2.5b.2	Auditing (Performed by Internal Audit)	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
	Compliance related audits completed during Q					-				
	Compliance related audits in process during Q					-				
	<input alternative institutional metric(s)>									

2.5b.3	Monitoring / Other Assurances	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
	Were reports received from each of the major/high compliance risk RPs detailing monitoring performed by the RP during the quarter?					Yes				
	Were certifications received from major/high compliance risk RPs that they executed to the risk management plan (incl. monitoring)?					Yes				
	Have assurances been provided by compliance office/other external provider on major/high compliance risks within the past year?					100%				
	<input alternative institutional metric(s)>					-				

2.6 Enforcing Standards through well-publicized Disciplinary Guidelines

Consistently enforcing the standards through appropriate incentives and disciplinary actions

2.6.1	Do policies reflect that compliance violations may result in disciplinary action?	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
	Do policies reflect that compliance violations may result in disciplinary action?					Yes				
	For verified offenses identified in compliance investigations, did employees receive appropriate disciplinary action?					N/A				
	Did the institution implement any new incentives for compliance this quarter?					No				
	<input alternative institutional metric(s)>					-				

2.7 Responding to Detected Offenses and Developing Corrective Action Initiatives

Take all reasonable steps to respond promptly and appropriately to detected offenses and to prevent future similar offenses

2.7.1	For detected offenses resulting from compliance investigations, corrective action plans on track per agreed upon schedule	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes
	For detected offenses resulting from compliance investigations, corrective action plans on track per agreed upon schedule					N/A				
	<input alternative institutional metric(s)>					-				

2.8 Compliance Effectiveness / Culture of Compliance
 Evaluate periodically the effectiveness of the organization's compliance and ethics program

2.8.1	Employee Compliance Awareness	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
	Has an employee compliance awareness survey been conducted within the past 2 years?					Yes (August 2010)				Awareness survey was conducted by Peer Review Team so that responses remained anonymous. 95% of employees responded; overall positive response rate was 89%
	Are employees aware that this institution has a compliance program/compliance office and an executive compliance committee									
	Are employees aware who the compliance officer is									
	Do employees know where to go with ethics/compliance questions or to report violations									
	Are employees willing to report legal violations									
	Are employees aware of the compliance hotline number									
	Are employees aware of how to locate their institution's policies and procedures and rules									
	Employees believe they have sufficient training to identify potential noncompliance									
	Employees perceive that ethical behavior is rewarded and unethical behavior will be punished									
	Employees perceive that ethical behavior is rewarded and unethical behavior will be punished at all levels									
	Employees believe they will be protected from retaliation if they report a suspected violation									
	<input alternative institutional metric(s)>					-				

2.8.2	Other	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Notes/comments
	Number of compliance exit interviews triggering a compliance review									
	Has an annual assessment of the Institutional Compliance Office been conducted and the results provided to the Executive Compliance Committee?					Yes; Included as part of Peer Review				
	<input alternative institutional metric(s)>					-				

UTIMICO

Section 3 - Compliance Best Practices

Institution <Select Institution>
Quarter <Select Quarter>

3.1 Compliance Best Practices

Note: This is an open forum for sharing "compliance enhancers" with other institutions. That is, things that you do/use, projects you've completed, practices you've employed, etc. to enhance compliance that other institutions might benefit from

Comment
<ul style="list-style-type: none">• [Input best practice area: Then describe the best practice identified for that high risk area/compliance issue/etc.] E.g. • Compliance Training - Improved general compliance training completion rates by publishing "VIP List" of senior faculty/staff noncompliant with their training at the quarterly ECC meeting
<ul style="list-style-type: none">• [Input best practice area: Then describe the best practice identified for that high risk area/compliance issue/etc.]
Insert additional rows as necessary

Tab 7

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

Agenda Item: Task Force Update

Developed By: Staff

Presented By: Zimmerman, Chen, Ruebsahm, Warner

Type of Item: Information item

Description: UTIMCO Staff created three investment task forces in the summer of 2010: Portfolio Positioning, Credit, and Emerging Markets.

Discussion: During the November 9, 2010 Board meeting, Susan Chen, chair of Portfolio Positioning Task Force, Ryan Ruebsahm, chair of the Credit Task Force, and Mark Warner, chair of Emerging Markets Task Force introduced the Board to the newly formed investment task force committees and discussed the activities, members, and objectives. Chen, Ruebsahm, and Warner will update the Board on the activities of the Task Forces.

Reference: None

Tab 8

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

Agenda Item: Discussion and Appropriate Action Related to Cambridge Contract Renewal

Developed By: Staff

Presented By: Zimmerman

Type of Item: Action required by UTIMCO Board

Description: In accordance with the Delegation of Authority, the UTIMCO Board executes the investment consultant contract. This agenda item renews the contract expiring on November 30, 2010. The renewal contract is for the twelve month period beginning December 1, 2010.

Discussion: Cambridge Associates has served as UTIMCO's consultant since its inception in 1996. Under the terms of the current contract with Cambridge, UTIMCO receives access, via the Cambridge Associates consulting team and Cambridge Associate's web site, to proprietary databases on capital markets, investment managers, and partnerships. UTIMCO also has access to comparative peer performance data and quarterly and annual surveys of investment and financial data. Also included in the current contract is 24 hours of consulting time, a variety of research reports and working papers on investment and financial data, and attendance at UTIMCO Board meetings.

The prior Cambridge Associates contract was for \$61,000 annually. Negotiations on the new contract, including contract amount and services provided, are ongoing. Staff will present to the Board the new contract at its meeting.

Recommendation: Staff recommends the approval of the external investment consultant contract with Cambridge Associates.

Reference: None

**RESOLUTION REGARDING RENEWAL OF CAMBRIDGE
ASSOCIATES CONTRACT**

RESOLVED, that the contract renewal of Cambridge Associates as the external investment consultant be, and is hereby, approved in the form submitted to the Board.

Tab 9



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO ORGANIZATION UPDATE

February 3, 2011

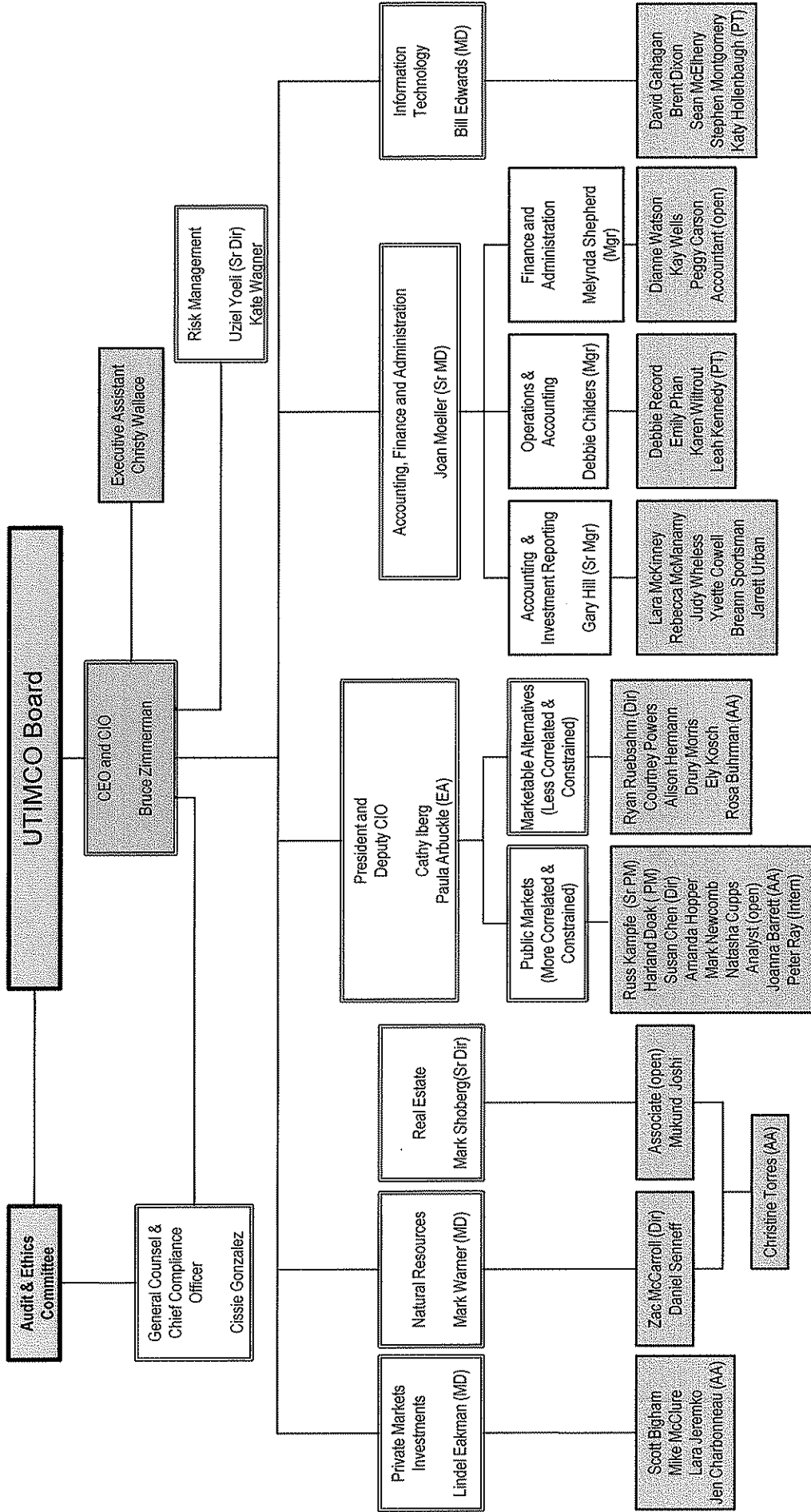


UTIMCO Update

- Staffing
- Budget
- Technology



UTIMCO – Organizational Structure





UTIMCO Actual v Budget 1st Quarter 2011

FYTD November 2010 <i>(in thousands)</i>	Actual v. Budget	
	Actual	Favorable/(Unfavorable)
	Budget	\$ %
Salaries	\$1,681	\$42 2%
Performance Compensation - Policy Accruals	1,096	34 3%
Earnings on Deferred Compensation	98	(61) -165%
Other Employee Related	<u>347</u>	<u>39</u> 10%
Total Employee Related Expenses	3,222	54 2%
Travel and Meetings	134	42 24%
Data and Subscriptions	256	0 0%
Office Expenses	79	(7) -10%
Lease and Depreciation	400	(4) -1%
Legal	73	(35) -92%
Other	<u>68</u>	<u>1</u> 1%
Total UTIMCO	4,232	51 1%
Custodian	962	(351) -57%
Performance Measurement, Analytics and Risk Management	263	1 0%
Consultants	116	7 6%
Legal and Background Checks	260	(57) -28%
Audit	373	0 0%
Other	<u>1</u>	<u>1</u> 50%
Total Direct Costs Excluding Investment Manager Fees	<u>1,975</u>	<u>(399)</u> -25%
Total	\$6,207	\$5,859 (\$348) -6%



Technology

- Director's Desk
- FAS
- Video Conferencing

Tab 10

Agenda Item
UTIMCO Board of Directors Meeting
February 3, 2011

Agenda Item: Legislative Update

Developed By: Staff

Presented By: McBee

Type of Item: Information item

Description: The 82nd Regular Legislative Session started on January 11th and ends May 30, 2011. Barry McBee, Vice Chancellor and Chief Governmental Relations Officer for UT System, will update the UTIMCO Board on issues and potential legislation of interest to UTIMCO.

Discussion: Staff will monitor legislative activity for possible changes in state law affecting UTIMCO.

Recommendation: None

Reference: None