



AGENDA for Meeting of the U. T. System Board of Regents

July 14 -15, 2010
Board Room, 9th Floor, Ashbel Smith Hall
Austin, Texas

Wednesday, July 14, 2010

Page

Note: UTIMCO Board of Directors' Meeting 8:00 -11:00 a.m.

- | | | |
|---|--|-----------|
| <p>A. CONVENE JOINT MEETING: BOARD OF REGENTS AND THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO) BOARD OF DIRECTORS FOR A PRE-MEETING LUNCH
<i>Ashbel Smith Hall, 2nd Floor Conference Room</i></p> | <p>11:30 a.m.</p> | |
| <p>B. RECONVENE JOINT MEETING TO CONSIDER AGENDA ITEMS
<i>Ashbel Smith Hall, 9th Floor Board Room</i></p> | <p>12:30 p.m.
<i>Chairman McHugh,
Board of Regents
Chairman Foster,
Board of Directors</i></p> | |
| <p>1. Introductions
UTIMCO Directors; U. T. System and UTIMCO Oversight Staff;
External Advisors: Legal, Audit, Investments, Risk Management</p> | <p>12:30 p.m.
<i>Chairman Foster</i></p> | <p>1</p> |
| <p>2. Briefing on fiduciary responsibilities</p> | <p>12:40 p.m.
Report
<i>Mr. Burgdorf</i></p> | <p>2</p> |
| <p>3. Discussion of U. T. System financial resources</p> | <p>12:45 p.m.
Report/Discussion
<i>Dr. Kelley</i></p> | <p>8</p> |
| <p>4. UTIMCO governance</p> <ul style="list-style-type: none"> • Introduction • Audit and Ethics Committee • Risk Committee • Policy Committee • Compensation Committee | <p>12:55 p.m.
Report
<i>Chairman Foster
Chairman Foster
Chairman Tate
Chairman Longoria
Chairman Ferguson</i></p> | <p>20</p> |
| <p>5. Report on investment performance</p> | <p>1:15 p.m.
Report
<i>Mr. Bruce Myers,
Cambridge
Associates
Mr. Zimmerman</i></p> | <p>22</p> |

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6.	Update on the UTIMCO organization including investment manager activity and expenses	1:30 p.m. Report/Discussion <i>Mr. Zimmerman</i>	39
7.	Discussion of trends in investment management	1:40 p.m. Report/Discussion <i>Dr. Keith Brown</i>	47
8.	Discussion of investment portfolio and strategy	1:50 p.m. Report/Discussion <i>Mr. Zimmerman</i>	57
C.	ADJOURN JOINT MEETING	2:30 p.m.	
D.	CONVENE BOARD OF REGENTS IN OPEN SESSION TO CONSIDER AGENDA ITEM		
	U. T. System: Presentation of the U. T. Academy of Health Science Education	2:35 p.m. Presentation <i>Dr. Shine</i> <i>Dr. Jonathan MacClements,</i> <i>U. T. Health Science Center – Tyler</i>	97
E.	RECESS TO EXECUTIVE SESSION IN ACCORDANCE WITH TEXAS GOVERNMENT CODE, CHAPTER 551	3:00 p.m.	
	1. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072		
	U. T. Austin: Discussion and appropriate action regarding authorization to ground lease approximately 1.43 acres consisting of Lots 1 through 7, Block 48, Division “D”, and known as 600 West 24th Street, Austin, Travis County, Texas, to EDR Austin, LLC, a Delaware limited liability company, for a term of 60 years plus a construction period expiring no later than September 1, 2013, for the construction and operation of residential, ground floor retail, and related parking facilities	<i>President Powers</i> <i>Ms. Mayne</i>	
	2. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073		
	a. U. T. Austin: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features	<i>President Powers</i> <i>Dr. Safady</i>	
	b. U. T. Pan American: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features	<i>President Nelsen</i> <i>Dr. Safady</i>	
	c. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding proposed negotiated gifts	<i>President Mendelsohn</i> <i>Dr. Safady</i>	

Wednesday, July 14, 2010 (continued)

3. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

U. T. System Board of Regents: Discussion with Counsel on pending legal issues

4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074
- a. **U. T. System: Discussion of individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees including employees covered by Regents' *Rules and Regulations*, Rule 20204, regarding compensation for highly compensated employees, and Rule 20203, regarding compensation for key executives**
- b. **U. T. System: Discussion regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees and related personnel aspects of the operating budget for the fiscal year ending August 31, 2011**

F. RECONVENE IN OPEN SESSION FOR ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS

*4:45 p.m.
approximately*

G. RECESS

*5:00 p.m.
approximately*

H.	RECONVENE IN OPEN SESSION TO CONSIDER AGENDA ITEMS	9:00 a.m.	
1.	U. T. Austin: Discussion and appropriate action to consider recommendation to rename Simkins Hall and Simkins Park	9:05 a.m. Action <i>President Powers</i>	108
2.	U. T. Austin: Creation of an advisory council for the School of Undergraduate Studies under Regents' Rules and Regulations, Rule 60302, relating to advisory councils	9:10 a.m. Action <i>President Powers</i>	108
3.	U. T. Austin: Approval of a distribution agreement with the Ex-Students' Association granting an exception to the U. T. System Gift Acceptance Procedures regarding regulation of endowment distributions for one endowment	9:15 a.m. Action <i>President Powers</i> <i>Dr. Safady</i> <i>Mr. Burgdorf</i>	109
4.	U. T. Dallas: Approval to rename streets on campus, including honorific namings for former U. T. Dallas presidents and others who have made significant contributions to U. T. Dallas	9:20 a.m. Action <i>President Daniel</i> <i>Dr. Safady</i>	110
5.	U. T. Health Science Center – San Antonio: Approval to establish a Doctor of Nursing Practice degree program and to submit a change in the institution's Table of Programs to the Coordinating Board for approval	9:25 a.m. Action <i>President Henrich</i>	112
6.	U. T. System Board of Regents: Approval of proposed appointment of members to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)	9:30 a.m. Action	114
I.	If needed, RECESS TO EXECUTIVE SESSION IN ACCORDANCE WITH TEXAS GOVERNMENT CODE, CHAPTER 551 (continued from July 14)	9:35 a.m.	
	1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071		
	U. T. System Board of Regents: Discussion with Counsel on pending legal issues		
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Thursday, July 15, 2010 (continued)

- b. U. T. System: Discussion regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees and related personnel aspects of the operating budget for the fiscal year ending August 31, 2011**

- J. RECONVENE IN OPEN SESSION FOR ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS *11:30 a.m.*

- K. ADJOURN *11:45 a.m.*

JOINT UTIMCO MEETING

July 14, 2010

1. U. T. System Board of Regents: Introductions

U. T. System Board Chairman McHugh and UTIMCO Board Chairman Foster will introduce:

UTIMCO Directors

Vice Chairman J. Philip Ferguson
Vice Chairman for Policy, Chancellor Francisco G. Cigarroa
Mr. Clint D. Carlson
Mr. Printice L. Gary
Ms. Janiece Longoria
Mr. Ardon E. Moore
Mr. Erle Nye
Mr. Charles W. Tate

Texas A&M University System

Regent Phil Adams
Mr. Gregory R. Anderson, Chief Investment Officer and Treasurer

Staff and consultants invited to attend include:

U. T. System Staff

Mr. Philip Aldridge, Vice Chancellor for Finance and Business Development
Mr. William Huang, Treasury Manager
Mr. Barry Burgdorf, Vice Chancellor and General Counsel
Mr. James Phillips, Managing Attorney, Office of General Counsel
Ms. Francie Frederick, General Counsel to the Board of Regents
Ms. Karen Rabon, Assistant General Counsel to the Board of Regents
Mr. Charles Chaffin, Chief Audit Executive
Ms. Moshmee Kalamkar, Manager of Audits
Mr. Anthony de Bruyn, Director of Public Affairs

UTIMCO Management

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer
Ms. Cathy Iberg, President and Deputy Chief Investment Officer
Ms. Cecilia Gonzalez, General Counsel and Chief Compliance Officer
Ms. Susan Chen, Director - Public Markets Investments
Mr. Lindel Eakman, Managing Director - Private Markets Investments
Mr. Bill Edwards, Managing Director - Information Technology
Ms. Joan Moeller, Senior Managing Director - Accounting, Finance, and Administration

Mr. Ryan Ruebsahm, Director - Marketable Alternative Investments
Mr. Mark Shoberg, Senior Director - Real Estate Investments
Mr. Mark Warner, Senior Director - Natural Resources Investments
Mr. Uzi Yoeli, Senior Director - Portfolio Risk Management

UTIMCO Board Advisors and Consultants

Dr. Keith Brown, Advisor to the Chairman of the UTIMCO Board; recipient of a Regents' Outstanding Teaching Award (2009); University Distinguished Teaching Professor and Fayez Sarofim Fellow at the Red McCombs School of Business at U. T. Austin
Mr. Jerry Turner, Counsel, Andrews Kurth LLP
Mr. Bruce Myers, Investment Consultant, Cambridge Associates LLC

2. U. T. System Board of Regents: Briefing on fiduciary responsibilities

REPORT

Mr. Barry Burgdorf, Vice Chancellor and General Counsel, will provide a briefing on fiduciary responsibilities of UTIMCO directors. The Board of Regents' Expectations of UTIMCO Directors follows on Pages 3 - 7 as background information for this discussion.

**U. T. System Board of Regents
Expectations for Appointees to the
UTIMCO BOARD OF DIRECTORS**

Overview of UTIMCO

The University of Texas Investment Management Company (“UTIMCO”), a Texas nonprofit corporation qualified as a tax-exempt entity under Section 501(c)(3) of the *Internal Revenue Code*, was created for the sole purpose of managing the investment of funds under the control and management of the Board of Regents of The University of Texas System pursuant to authorization provided in Section 66.08 of the *Texas Education Code* (the “UTIMCO statute”).

The corporate activities of UTIMCO are managed by its Board of Directors (the “UTIMCO Board”), subject to the Master Investment Management Services Agreement (“IMSA”) between UTIMCO and the Board of Regents, the applicable provisions of the Board of Regents’ *Rules and Regulations*, the UTIMCO statute, UTIMCO’s Articles of Incorporation and Bylaws, and other applicable law.

The Chancellor of the U. T. System serves as the Vice Chairman for Policy.

- The Chancellor is charged by the UTIMCO Bylaws with coordination of responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and to the U. T. System by the Regents’ *Rules* to ensure implementation of UTIMCO’s performance of core investment duties.
- The IMSA between the U. T. System Board of Regents and UTIMCO provides that unless otherwise provided in writing by the U. T. Board, “UTIMCO shall look to the Chancellor to provide primary oversight and management concerning relations with the media, legal issues that implicate policies of the U. T. Board other than the Investment Policies, public disclosure of information and intergovernmental relations. Except for the foregoing matters, the UTIMCO Board of Directors and the CEO of UTIMCO shall be responsible for making all decisions necessary to implement the Investment Policies. The CEO of UTIMCO shall confer with the Chancellor on the above-mentioned matters where the Chancellor has primary oversight and management and on other matters that may implicate broader policies of the U. T. Board.”
- The Regents’ *Rules*, Rule 20101 and Rule 70401 provide additional detail on these duties.

Qualifications and Terms

Pursuant to the UTIMCO statute, the UTIMCO Board consists of nine (9) members. The Chancellor of the U. T. System serves as a Director. The other members of the UTIMCO Board are appointed by the Board of Regents and must include at least three (3) current members of the Board of Regents and at least one person selected by the Board of Regents from a list of candidates with substantial expertise in investments submitted by the Board of Regents of The Texas A&M University System. Pursuant to the UTIMCO bylaws approved by the Board of Regents, the three (3) Regental Directors serve two-year terms that expire on the first day of April of each odd-numbered year, and the external Directors serve three-year staggered terms that expire on the first day of April of the appropriate year. Any UTIMCO Director may be removed as a Director by the Board of Regents with or without cause and at any time.

Operations and Resources

The UTIMCO Board has delegated primary responsibility for certain functions to key chartered Board Committees:

1. Audit and Ethics Committee (Appointments approved by the Board of Regents)
2. Compensation Committee
3. Policy Committee
4. Risk Committee

U. T. System Administration staff provide oversight through the Office of Business Affairs, including the Office of Finance; the Office of General Counsel; Internal Audit; the Systemwide Compliance Officer; and the General Counsel to the Board of Regents. UTIMCO Directors also have the benefit of professional independent consultants, including:

1. Investment consultants (Cambridge Associates);
2. Outside legal counsel (Andrews Kurth, LLP);
3. Compensation consultants (Mercer);
4. External auditors (Deloitte & Touche LLP);
5. Dr. Keith Brown, Professor of Finance at U. T. Austin, Advisor to the Chairman of the UTIMCO Board.

Duties and Responsibilities

By statute and charter, as a fiduciary under the IMSA, UTIMCO is dedicated to the sole purpose of investing funds under the management and control of the Board of Regents. In practice, the fiduciary duties of UTIMCO Directors are focused on the fulfillment of the Board of Regents' investment policy directives. As Directors of a nonprofit corporation, UTIMCO Directors' fiduciary duties also include:

1. Duty of care in prudently managing the corporation's investment management and other affairs;
2. Duty of loyalty, requiring the avoidance of conflicts of interest; and
3. Duty to avoid conduct that exceeds the chartered powers of the corporation.

Investment Management Responsibilities: The Board of Regents is the ultimate fiduciary responsible for all matters relating to the investment of the funds under its control, in accordance with the "prudent investor" standard of care established by the *Texas Constitution*, *Texas Education Code*, and other applicable law. 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.

The Board of Regents delegates to UTIMCO as its fiduciary, under the management of the UTIMCO Board, authority to act for the Board of Regents in the investment of those funds, subject to limitations and restrictions articulated through the IMSA; the Board of Regents' investment policies; and other applicable laws, rules, and agreements. The UTIMCO Board's investment management authority, thus derived, includes the following investment management responsibilities:

- Review of the U. T. Board's current Investment Policies for each Fund at least annually. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges, expected returns for each Asset Class and Investment Type and fund, designated performance benchmarks for each Asset Class and Investment Type and such other matters as the U. T. Board or its staff designees may request.
- After UTIMCO completes its assessment, UTIMCO must forward any recommended changes to U. T. System staff for review and appropriate action.
- Oversee the investment management process pursuant to the Investment Policies. Such oversight shall include without limitation the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each Asset Class and Investment Type within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each Asset Class and Investment Type.
- Monitor and report on investment performance for each of the Funds. With respect to all Funds other than the Separately Invested Funds (“SIFs”), such responsibilities shall include the calculation and evaluation of investment returns for each Asset Class and Investment Type and individual Fund portfolio against approved benchmarks over various periods of time, and the periodic review of performance benchmarks. With respect to all Funds, such responsibilities shall also include the reporting of investment performance of such specific Funds as may be requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.
- Develop and implement a risk management system to measure and monitor overall portfolio derivative exposure, risk levels, liquidity, and leverage.
- Monitor and enforce compliance with all investment and other policies and applicable law.
- Monitor termination of external managers in accordance with Delegation of Authority Policy and investment policies.

Some investment management responsibilities delegated to UTIMCO, including but not limited to the following, are expressly subject to Board of Regents approval:

- Analyze and recommend investment strategies for U. T. System funds managed by UTIMCO, including Asset Class and Investment Type allocation targets, ranges, and performance benchmarks for each Asset Class and Investment Type (Exhibit A of the Fund Investment Policy Statements).
- Consider and recommend investments not covered by investment policy statements.
- Select one or more Custodians, each of which shall be approved by the U. T. Board, which shall also enter into or approve each agreement with the Custodian(s).
- Select, engage, and evaluate External Auditor(s) for the funds.

- Review and propose amendments to Board of Regents' policies related to the investment management of the U. T. System funds, including (not limited to):
 1. Investment Policy Statements for all U. T. System funds.
 2. Distribution (spending) guidelines, rates, and amounts as required.
 3. Liquidity Policy.
 4. Derivative Policy.

Corporate Governance Responsibilities: The UTIMCO Board manages the activities of the corporation, providing the primary governance and oversight of the CEO and Chief Investment Officer, other professionals employed by UTIMCO, and outside investment managers with whom funds have been invested. Management oversight responsibilities of the UTIMCO Board or UTIMCO Board Committees include the following:

- Monitor actual staffing, operating, and capital expenditures relative to approved budgets.
- Monitor compliance with the Delegation of Authority policy.
- Consider and approve actions outside the authority delegated to the CEO as required.
- Select, engage, and evaluate UTIMCO's outside counsel, custodian(s), external auditor(s) for the corporation, investment consultant(s) and risk consultant(s).
- Ensure compliance with UTIMCO's Code of Ethics, including conflict of interest policies and applicable law.
- Develop and administer a compensation plan, consistent with current regulations for determining reasonable compensation, to attract and retain high caliber investment professionals and support staff. With the exception of changes to the appendices, the Compensation Plan is subject to approval by the Board of Regents.
- Appoint, supervise, evaluate and compensate UTIMCO's CEO.
- Evaluate investment results against incentive compensation plan performance objectives; approve and recommend incentive compensation for UTIMCO's officers and other compensation plan participants.
- Review and approve committee charters.
- Assure establishment and implementation of legally compliant and administratively effective personnel policies.
- Oversee implementation of accounting principles, policies, internal financial controls, and reporting in the spirit of the Sarbanes-Oxley Act.
- Oversee implementation of public disclosures in compliance with the Texas Public Information Act and other applicable law, in collaboration with the Chancellor/Vice Chairman for Policy.

Some corporate management responsibilities of the UTIMCO Board, including but not limited to the following, are expressly subject to approval by the Board of Regents:

- Review and approve the proposed annual UTIMCO operating and capital budgets, including incentive compensation, capital expenditures, and management fee allocations.
- Review, approve, and recommend key governance documents such as the Articles of Incorporation, Bylaws, and Code of Ethics.
- Approval of Performance Incentive Awards that will result in an increase of 5% or more of the total performance incentive awards calculated to the approved Performance Incentive Plan contained in the UTIMCO Compensation Program.

Prohibited Transactions -- Conflicts of Interest

The *UTIMCO Code of Ethics* (“Code”) details, among other things, prohibitions on transactions between UTIMCO and entities controlled by UTIMCO Directors, as required by the UTIMCO statute and supplementing the general requirements under the Texas Non-Profit Corporation Act. Amendments to the Code are expressly subject to Board of Regents’ approval.

The Code prohibits any transaction or agreement between UTIMCO and any investment fund or account managed by a UTIMCO Director as a fiduciary or agent for compensation. The Code prohibits agreements or transactions between UTIMCO and a business entity controlled by a UTIMCO Director or in which a UTIMCO Director owns five percent or more of the fair market value of the assets or of the voting stock or from which the UTIMCO Director received more than five percent of his or her gross income for the preceding calendar year.

The Code prohibits a UTIMCO Director from investing in the private investments of a business entity in which UTIMCO contemporaneously owns a private investment if after the investment the UTIMCO Director’s investment constitutes a pecuniary interest (i.e., ownership of five percent or more of the fair market value of the assets or of the voting stock or from which the UTIMCO Director received more than five percent of his or her gross income for the preceding calendar year). The Code also prohibits UTIMCO from investing in the private investments of a business entity in which a UTIMCO Director contemporaneously owns a private investment if the UTIMCO Director’s interest constitutes a pecuniary interest. For this purpose, “private investment” means any debt or equity interest that is not publicly traded, including a private investment in a public company.

Application of the Texas Public Information Act

UTIMCO and its officers, directors and employees are subject to the provisions of the Texas Public Information Act. Corporate documents, correspondence, and emails are subject to public inspection and duplication, unless specifically excepted from disclosure under the Act.

Meeting Requirements

UTIMCO Directors are expected to attend all regularly scheduled Board meetings, which are typically held approximately every three months. In addition, special Board meetings may be scheduled from time to time with prior notice. The Texas Open Meetings Act applies to the UTIMCO Board, requiring that all deliberations of a quorum of the Board take place in open meetings after advance notice of the meeting is posted as required by the Act. Committee meetings are held as needed to address specific items within the Committee charters.

3. **U. T. System Board of Regents: Discussion of U. T. System financial resources**

DISCUSSION

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the importance of investment assets in the context of the U. T. System's overall financial resources. The presentation, set forth on Pages 9 - 19, provides an overview of the U. T. System's assets, liabilities, revenues, and expenditures, and the role that UTIMCO-managed assets play in supporting the financial condition of the U. T. System.

Discussion of U. T. System Financial Resources

Dr. Scott C. Kelley
Executive Vice Chancellor for Business Affairs

Joint Meeting of the U. T. System Board of Regents and
UTIMCO Board of Directors
July 2010



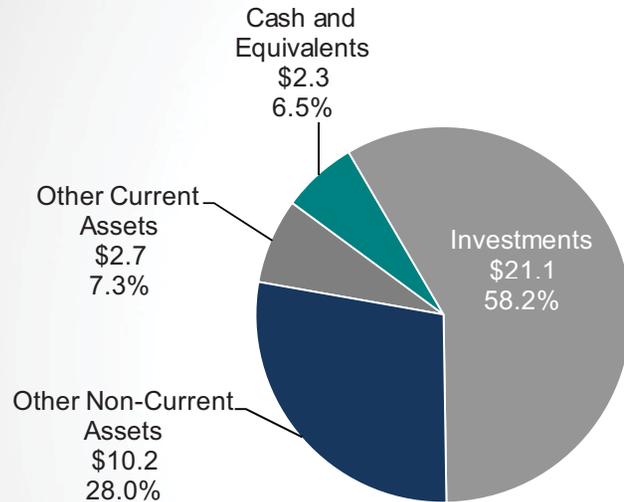
Executive Summary

- The U. T. System is one of three public higher education debt issuers rated AAA/Aaa by the major credit rating agencies.
- This rating has been maintained despite rapid growth in capital expenditures and debt outstanding.
- The strength of the U. T. System is the balance sheet with \$36.3 billion of assets and \$24.0 billion of net assets as of 8/31/09.
- Net assets include \$20.5 billion of investments managed by UTIMCO as of 8/31/09.
- Exclusive of investment income and capital gains, the U. T. System has historically been a break-even operation. This places great importance on UTIMCO's absolute and relative performance.

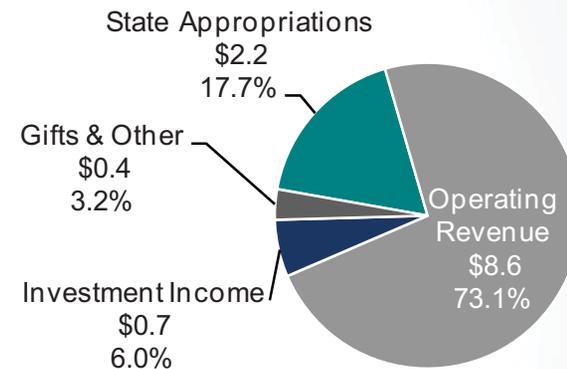


U. T. System Assets and Budgeted Revenue

FYE 2009 Assets: \$36.3 billion



FY 2010 Budgeted Revenue: \$12.2 billion



Investments and Cash represent about 64% of U. T. System's total assets and nearly all of its net assets.

Nevertheless, Investment Income⁽¹⁾ represents about 6% of FY 2010 budgeted revenue.

⁽¹⁾ Investment Income includes interest and dividend income, Long Term Fund (LTF) and Permanent Health Fund (PHF) distributions paid from current year income and patent and royalty income. Distributions from the Permanent University Fund (PUF) are also included for budget purposes.



Debt Programs and Ratings

- The Revenue Financing System (RFS) debt program is secured by a pledge of all legally available U. T. System revenues and balances.
- The Permanent University Fund (PUF) debt program is secured by distributions from the PUF.
- Public ratings on U. T. System RFS and PUF debt are the highest possible:

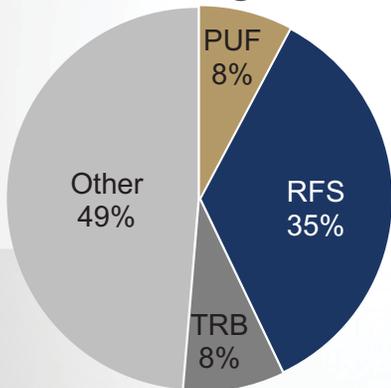
Debt Ratings:	Moody's	S & P	Fitch
Long-Term	Aaa	AAA	AAA
Short-Term	P-1/VMIG1	A-1+	F1+



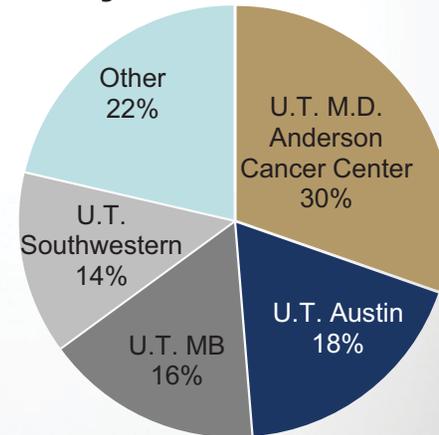
FY 2010-2015 Capital Improvement Program

- Almost one-half of the U. T. System's \$8 billion Capital Improvement Program⁽¹⁾ (CIP) is expected to be funded with Institutional Funds (non-debt sources).
- Of the total CIP, approximately one-half will be funded with debt (35% RFS debt, 8% TRB debt, and 8% PUF debt).

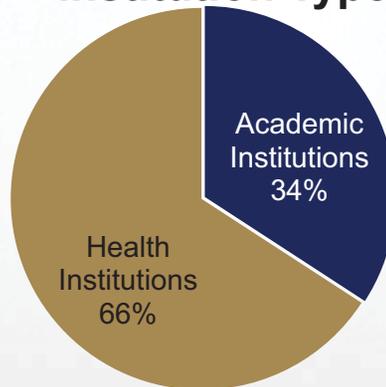
CIP Funding Sources



CIP Breakdown by Institution



CIP Breakdown by Institution Type

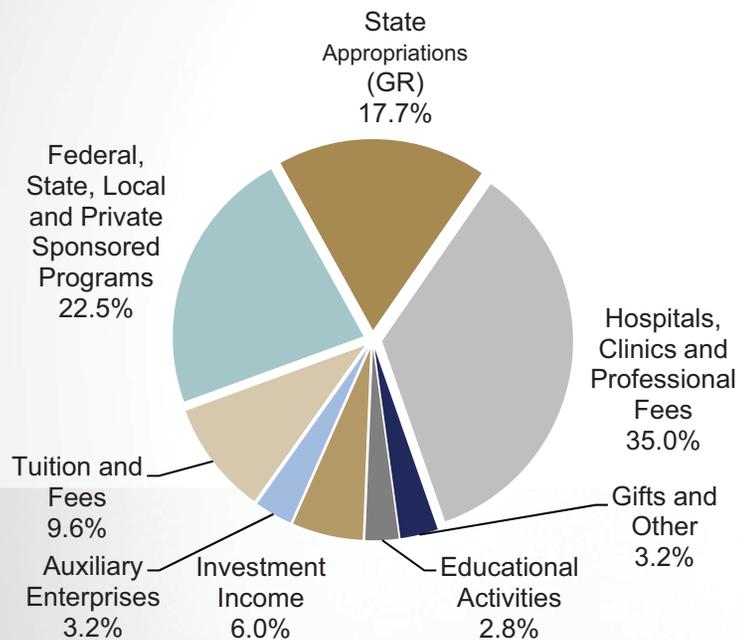


⁽¹⁾ Six-year CIP as of 5/13/10

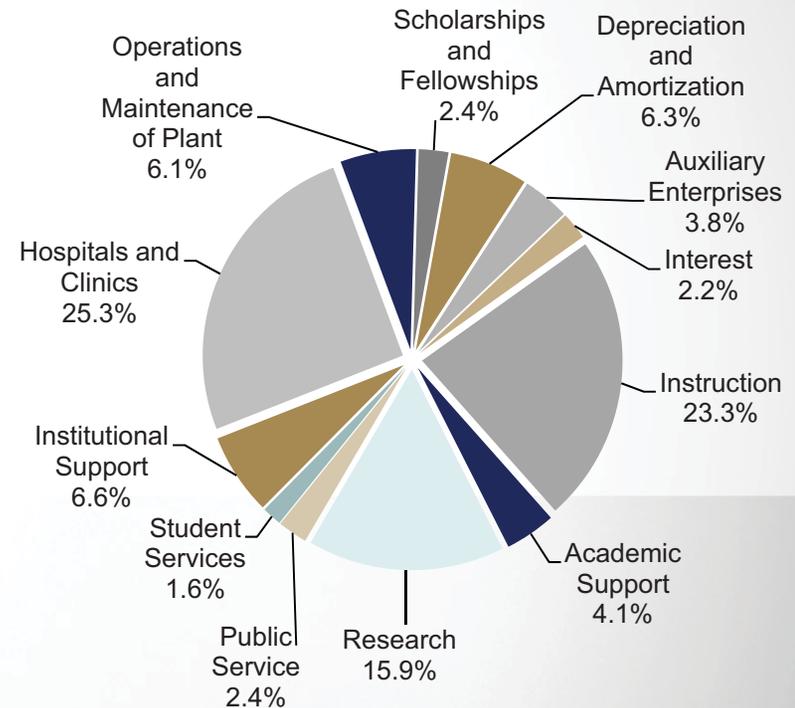


U. T. System Revenue and Expense Composition

**FY 2010 Budgeted Revenue:
\$12.2 billion⁽¹⁾**



**FY 2010 Budgeted Expenses:
\$11.9 billion⁽¹⁾**

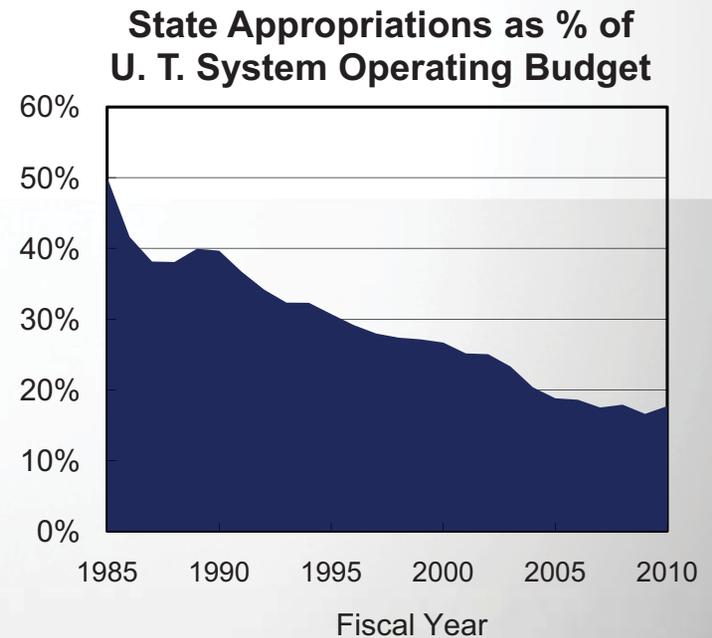
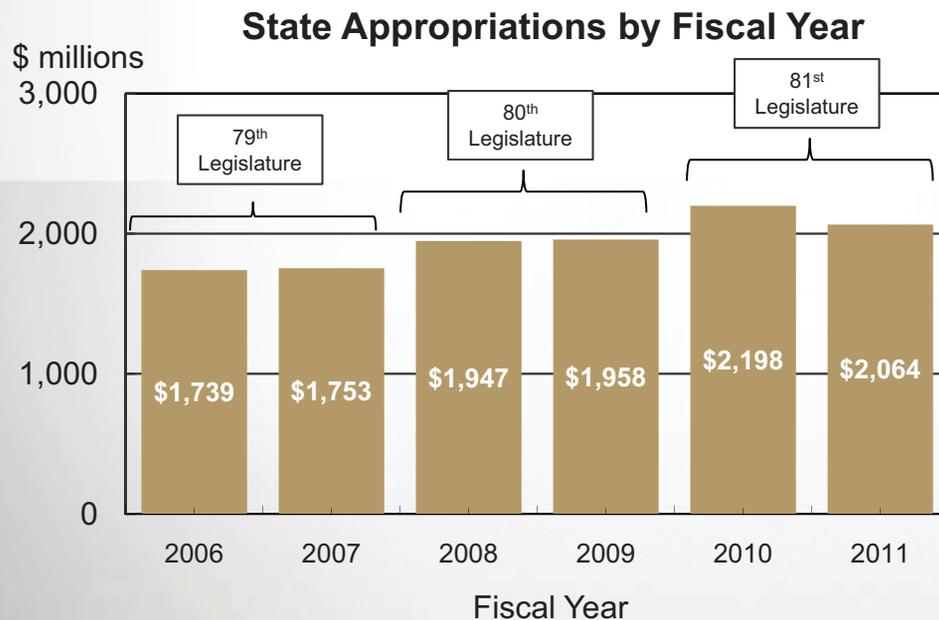


⁽¹⁾ Does not reflect plans for an estimated total budget cut of \$175.3 million across U. T. System as part of the State's directive to reduce State appropriations for the current biennium (FY 2010 and FY 2011) by 5%.



State Appropriations

- In May 2010, the Governor, Lt. Governor and Speaker of the House directed most State agencies, including the U. T. System, to implement 5% budget reductions for the 2010-2011 biennium. For the U. T. System, this equates to \$175.3 million in general revenue appropriations for the 2010-2011 biennium.
- Over the long term, appropriations from the State of Texas (Aaa/AA+/AAA) to U. T. System have increased in dollar terms while decreasing as a percentage of the overall budget.



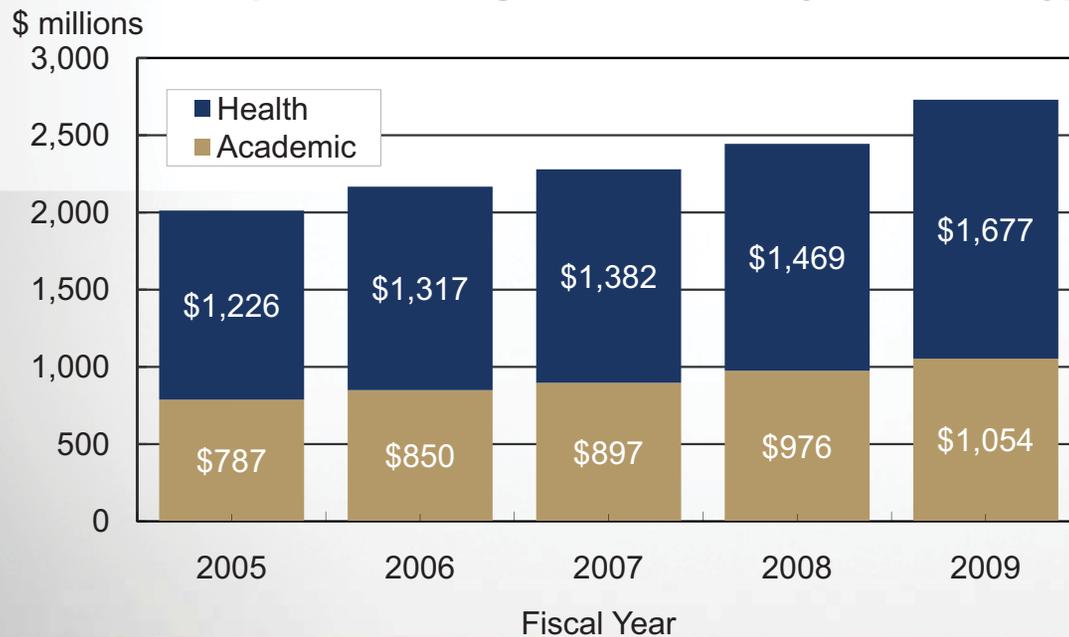
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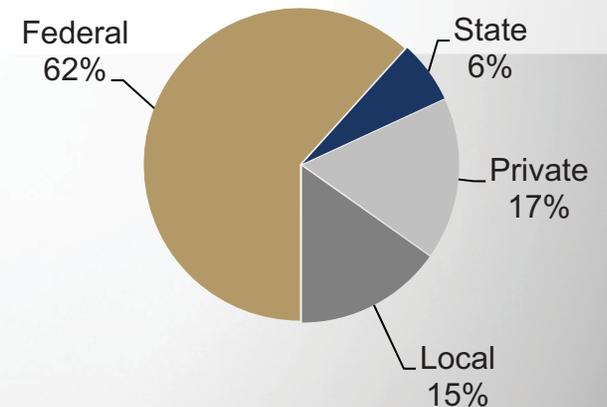
Research

- U. T. System sponsored research revenue has grown 37% over the last five years.
- U. T. System institutions generate 58% of all academic research and development in Texas and 69% of research and development by public universities in Texas.
- Six U. T. System institutions are in the top 100 of National Institutes of Health Awards and National Science Foundation national ranking of total R&D.

Sponsored Program Revenues by Institution Type



FY09 Sponsored Program Revenues



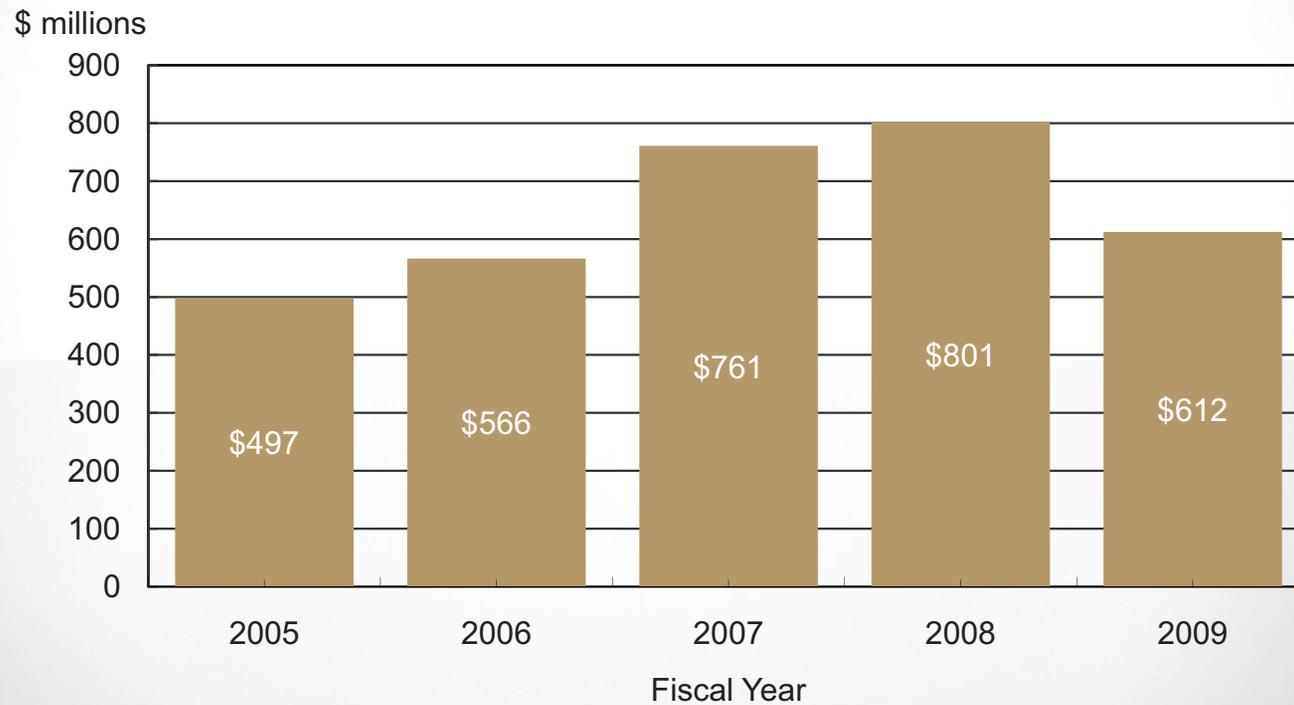
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Philanthropy

- Over the last five years, U. T. System fundraising has averaged \$647 million annually.

Private Sector Support

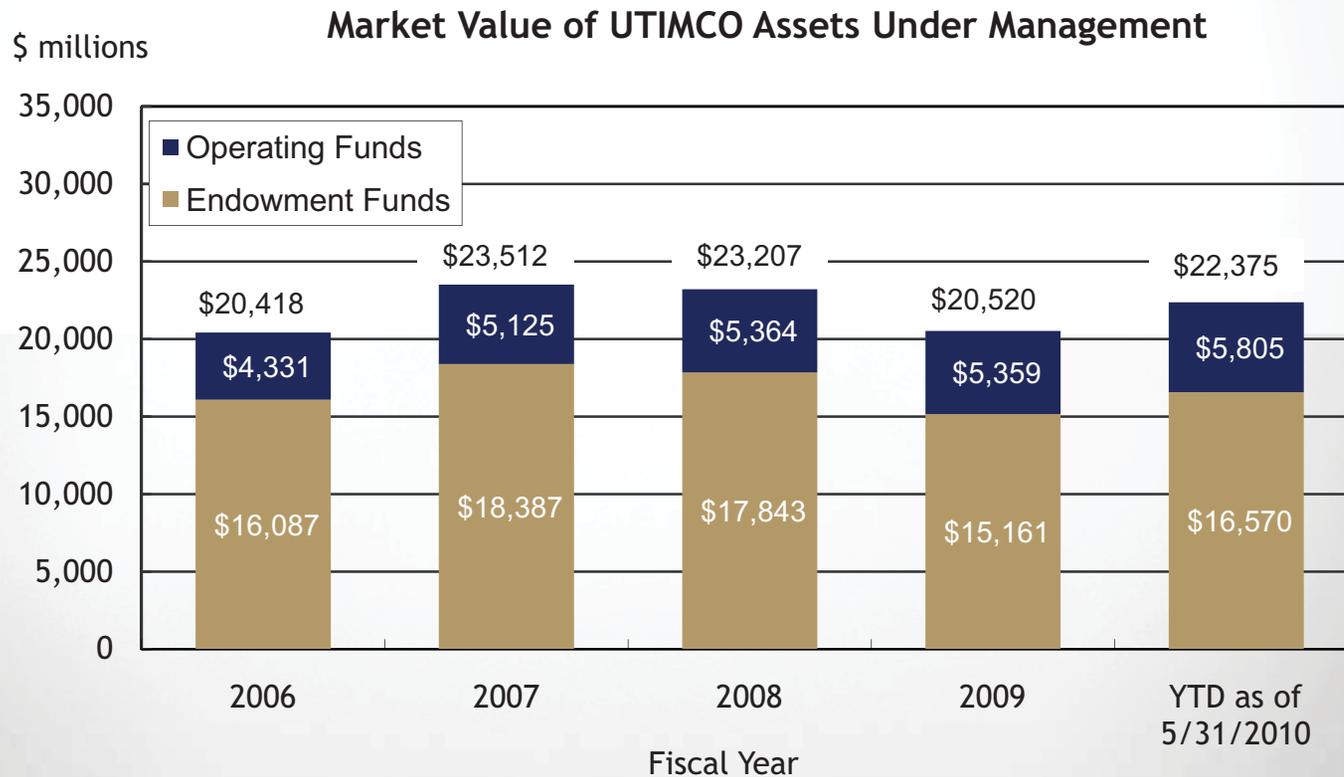


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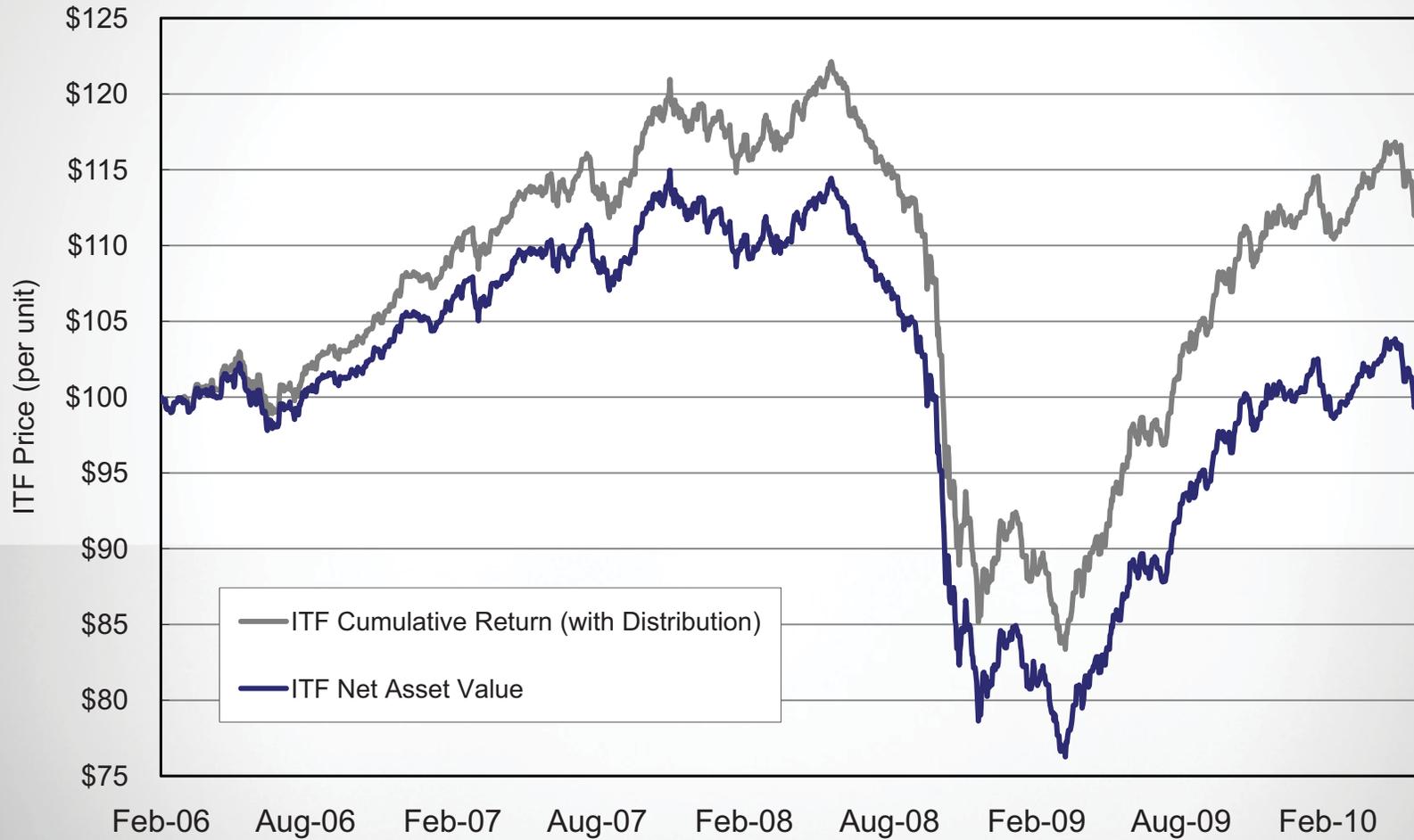


Recent Investment Performance

- For the 12 months ended May 31, 2010, the PUF and General Endowment Fund (GEF) earned 17.8%.
- For the 12 months ended May 31, 2010, the Intermediate Term Fund (ITF) earned 14.7%.



ITF Net Asset Value and Cumulative Return



19



4. U. T. System Board of Regents: UTIMCO governance

University of Texas Investment Management Company (UTIMCO) Chairman Paul Foster will outline the UTIMCO Board Committee structure. Four Board committees assume primary responsibility for overseeing certain aspects of UTIMCO operations. The chairs of the UTIMCO Board committees will describe the roles of their committees as follows:

- Audit and Ethics Committee, Chairman Paul L. Foster
- Risk Committee, Chairman Charles W. Tate
- Policy Committee, Chairman Janiece Longoria
- Compensation Committee, Chairman J. Philip Ferguson

REPORT

The purposes of these four committees, as set forth in their respective charters, are outlined below.

Audit and Ethics Committee Charter Purpose

The primary purpose of the Committee is to assist the UTIMCO Board in monitoring the financial and compliance functions of the Corporation and the investment funds managed on behalf of The University of Texas System Board of Regents (the "U. T. Board") to assure the balance, transparency, and integrity of published financial information. Specifically, the Committee is to assist the Board in monitoring:

- The integrity of the financial reporting process, the system of internal controls, the audit process, and the process for monitoring compliance with laws and regulations;
- The independence and performance of the Corporation's Chief Compliance Officer;
- The independence and performance of the Corporation's independent auditors;
- The independence and performance of the independent auditors selected by the U. T. Board to audit the investment funds managed by UTIMCO on their behalf;
- Internal audit functions performed by the U. T. System Audit Office;
- The Corporation's audit policies, ethics programs, and adherence to regulatory requirements; and
- The Corporation's enterprise risk management.

The Committee is responsible for maintaining free and open communication as well as effective working relationships among the Committee members, the Chief Compliance Officer, independent external auditors, U. T. System's internal auditors, and management of the Corporation. To perform his or her role effectively, each Committee

member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Corporation's activities, operations, and risks.

The Committee will take all appropriate actions to set the overall tone at the Corporation for quality financial reporting, sound risk practices, and ethical behavior.

Risk Committee Charter Purpose

The primary purpose of the Committee is to provide oversight and monitor:

- Investment risk management and compliance;
- The integrity of risk management procedures and controls;
- The integrity of risk models and modeling processes; and
- Liquidity of the Permanent University Fund (PUF), the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF).

Policy Committee Charter Purpose

The primary purpose of the Committee is to provide oversight and to monitor:

- The development and amendment of UTIMCO Board Policies and Corporate Documents;
- Recommendations concerning the development and amendment of investment-related policies of the U. T. Board related to the management of funds under the control and management of the U. T. Board; and
- Recommendations concerning the amendment of the Master Investment Management Services Agreement, Code of Ethics, and Bylaws.

Compensation Committee Charter Purpose

The primary purpose of the Committee is to provide oversight of the compensation system for officers and employees of the Corporation. The Committee has the following duties and responsibilities:

- Recommend to the Board the base salary and performance compensation award of the CEO;
- Approve base salaries of all officers (except the CEO) of the Corporation;
- Recommend to the Board the Performance Compensation Plan and any amendments thereto and the eligible employees; and
- Approve the Performance Compensation Plan awards for eligible employees except the CEO.

5. **U. T. System Board of Regents: Report on investment objectives and performance**

REPORT

Using the materials on Pages 23 - 33, Mr. Bruce Myers, Cambridge Associates, will report on the investment objectives and performance of funds managed by The University of Texas Investment Management Company (UTIMCO), including objectives, performance, policy portfolios, benchmark and asset allocation.

In addition, Mr. Bruce Zimmerman will report on current UTIMCO performance through the fiscal quarter ending May 31, 2010.

The May 31, 2010 UTIMCO Performance Summary Report is set forth on Page 34.

Item I on Page 35 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was .68% versus its composite benchmark return of negative .47%. The PUF's net asset value increased by \$54 million since the beginning of the quarter to \$10,524 million. This change in net asset value includes contributions from PUF Land receipts, increases due to net investment return, and the third payment of the annual distribution to the Available University Fund (AUF) of \$129 million.

Item II on Page 36 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was .67% versus its composite benchmark return of negative .47%. The GEF's net asset value increased during the quarter to \$5,873 million.

Item III on Page 37 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was negative .37% versus its composite benchmark return of negative 1.65%. The net asset value increased during the quarter to \$4,035 million due to net contributions of \$53 million, investment return of negative \$15 million, and net distributions of \$31 million.

For all funds, all exposures were within their asset class and investment type ranges and liquidity was within policy.

Item IV on Page 38 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, increased by \$40 million to \$1,874 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$24 million versus \$24 million at the beginning of the period; equities: \$43 million versus \$44 million at the beginning of the period; and other investments: \$2.2 million versus \$1.7 million at the beginning of the period.

Discussion on Investment Objectives and Performance



July 14, 2010

Overview

As in previous years, we are here to report on the following four funds:

- PUF: The Permanent University Fund
- GEF: The General Endowment Fund
- STF: The Short Term Fund
- ITF: The Intermediate Term Fund

PUF Targets and Ranges

Permanent University Fund as of May 31, 2010

Asset Class	May 31, 2010	May 31, 2010			vs. Target
	ACTUAL	Min	Target	Max	
Investment Grade Fixed Income	13.7%	5.0%	9.0%	18.8%	4.7%
Credit-Related Fixed Income	17.2%	4.8%	7.5%	28.1%	9.7%
Real Estate	4.2%	3.1%	5.2%	11.3%	-1.0%
Natural Resources	10.0%	5.0%	8.9%	15.0%	1.1%
Developed Country Equity	41.7%	36.3%	51.0%	58.1%	-9.3%
Emerging Markets Equity	13.2%	10.6%	18.4%	24.4%	-5.2%
TOTAL	100.0%		100.0%		0.0%
<u>Investment Types</u>					
More Correlated & Constrained	46.1%	35.6%	47.5%	53.8%	-1.4%
Less Correlated & Constrained	30.6%	25.6%	30.8%	35.6%	-0.2%
Private Investments	23.3%	17.6%	21.7%	31.4%	1.6%
TOTAL	100.0%		100.0%		0.0%

GEF Targets and Ranges

General Endowment Fund as of May 31, 2010

Asset Class	May 31, 2010 ACTUAL	May 31, 2010			vs. Target
		Min	Target	Max	
Investment Grade Fixed Income	12.3%	5.0%	9.0%	18.8%	3.3%
Credit-Related Fixed Income	17.5%	4.8%	7.5%	28.1%	10.0%
Real Estate	4.4%	3.1%	5.2%	11.3%	-0.8%
Natural Resources	10.4%	5.0%	8.9%	15.0%	1.5%
Developed Country Equity	42.1%	36.3%	51.0%	58.1%	-8.9%
Emerging Markets Equity	13.3%	10.6%	18.4%	24.4%	-5.1%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	45.2%	35.6%	47.5%	53.8%	-2.3%
Less Correlated & Constrained	31.2%	25.6%	30.8%	35.6%	0.4%
Private Investments	23.6%	17.6%	21.7%	31.4%	1.9%
TOTAL	100.0%		100.0%		0.0%

Current Investment Objectives: PUF + GEF

- “The primary objective for each fund [the PUF and the GEF] shall be to preserve the purchasing power of fund assets and annual distributions by earning an average real return over ten-year periods or longer at least equal to the target distribution rate of such funds plus the annual expected expense.”
- “The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the median return of the universe of the college and university endowments with assets greater than \$2.5 billion as reported by Cambridge Associates.” [Amended in 2008. Prior to 2008, the benchmark was institutions with assets greater than \$1.0 billion]

Performance Summary: PUF & GEF

- The dramatic downturn in 2008 and 2009 substantially eroded the purchasing power that had been accumulating in both the PUF and the GEF since 2002. Rebounding financial markets over the last twelve months have helped restore some of that lost purchasing power, but 10-year returns for the PUF and GEF (and indeed almost all endowed institutions) remain below the objective.
- Both the PUF and the GEF have outperformed their policy benchmarks for the 1, 3, 5 and 10-year periods.
- The most recent twelve-month period was one of strong outperformance versus peer institutions for both the PUF and the GEF (based on preliminary results). This period of outperformance significantly reduced the degree of under-performance relative to the peer benchmark for the 3, 5, and 10-year periods.

PUF and GEF Performance Represented By Excess (Shortfall) In Return

EXCESS (SHORTFALL) IN RETURN

		1 year	3 years	5 years	10 years	Since Inception (4/1/1996)
Purchasing Power						
	PUF	10.51	-9.31	-3.01	-2.71	-0.57
	GEF	10.50	-9.28	-2.94	-2.57	-0.71
Benchmark						
	PUF	6.85	3.01	2.20	1.91	0.33
	GEF	6.84	3.04	2.26	2.10	0.97
Peer Universe						
	PUF	8.94	-0.04	-1.10	-0.79	---
	GEF	8.88	-0.01	-1.05	-0.70	---

Notes: Investment performance data through 5/31/2010. Peer universe data through 3/31/2010. All data represents pool over or underperformance relative to the established benchmarks. Purchasing power represents the excess return or shortfall of the PUF and GEF relative to the real annual return target of 5.1% plus inflation, represented by CPI-U. Benchmark performance represents the excess return or shortfall of the PUF and GEF relative to the respective policy portfolio benchmarks. Peer universe performance represents the excess return or shortfall of the PUF and GEF relative to the performance of the compensation plan peer universe for 2010. Within the peer universe, Cornell, Harvard, MIT, Stanford, University of Michigan, Notre Dame, and Yale are not included. The GEF performance series represents returns from the LTF from April 1996-February 2001, and returns from the GEF from March 2001-present.

STF and ITF

STF

- Performance for the STF has modestly exceeded its benchmark.

ITF

- Asset Allocation for the ITF is in compliance with policy.
- The primary objective for the ITF is to earn at least CPI-U plus 3%. This objective has been met for the 1-year period, but negative returns for 2008 have affected the ability of the ITF to meet this objective for the 3-year period.
- ITF has met its secondary objective of outperforming its Policy Benchmark over both 1 and 3-year periods.

ITF Targets and Ranges

Intermediate Term Fund as of May 31, 2010

Asset Class	May 31, 2010 ACTUAL	May 31, 2010			vs. Target
		Min	Target	Max	
Investment Grade Fixed Income	34.9%	27.5%	37.0%	47.5%	-2.1%
Credit-Related Fixed Income	10.5%	0.0%	4.4%	12.1%	6.1%
Real Estate	5.0%	1.3%	6.2%	11.3%	-1.2%
Natural Resources	8.9%	1.9%	8.1%	11.9%	0.8%
Developed Country Equity	32.7%	23.8%	32.4%	41.3%	0.3%
Emerging Markets Equity	8.0%	5.6%	11.9%	16.9%	-3.9%
TOTAL	100.0%		100.0%		0.0%
<u>Investment Types</u>					
More Correlated & Constrained	66.7%	62.5%	67.5%	72.5%	-0.8%
Less Correlated & Constrained	33.3%	27.5%	32.5%	37.5%	0.8%
TOTAL	100.0%		100.0%		0.0%

STF and ITF Performance Represented By Excess (Shortfall) In Return

EXCESS (SHORTFALL) IN RETURN

		1 year	3 years	5 years	10 years	Since Inception (4/1/1996)
Purchasing Power	ITF	4.48	2.94	2.14	0.87	0.72
	Benchmark	STF	0.10	0.51	0.40	0.22
		ITF	-5.17	-2.63	-1.93	-1.21

Notes: Investment performance data through 5/31/2010. All data represents pool over or underperformance relative to the established benchmarks. Purchasing power represents the excess return or shortfall of the ITF relative to the secondary objective of outperforming the policy benchmark. Benchmark performance represents the excess return or shortfall of the STF and ITF relative to the primary objective of outperforming the ML T-Bills and CPI-U + 3%, respectively. The ITF performance series represents returns from the SITF from April 1996-January 2006, and returns from the ITF from February 2006-present.

Conclusions About Past Performance

- Both the PUF and the GEF have participated meaningfully in the market recovery that began in March of 2009.
- Both the PUF and the GEF continue to out-perform their Policy Portfolio benchmarks, while narrowing the gap between their performance and that of a universe of large educational endowments.
- The STF and ITF have both outperformed their benchmarks as well.
- The purchasing power objective for all funds remains a challenge. The degree of purchasing power erosion has been sharply reduced during the last twelve months.

UTIMCO Performance Summary

May 31, 2010

	Net Asset Value 5/31/2010 (in Millions)	Periods Ended May 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	\$10,524	(3.22%)	0.68%	10.32%	1.46%	17.85%	(2.40%)	4.66%	5.06%
General Endowment Fund		(3.21)	0.67	10.29	1.45	17.84	(2.37)	4.73	N/A
Permanent Health Fund	895	(3.22)	0.63	10.21	1.46	17.65	(2.45)	4.65	N/A
Long Term Fund	4,978	(3.22)	0.63	10.21	1.47	17.64	(2.45)	4.65	5.13
Separately Invested Funds	173	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	16,570								
OPERATING FUNDS									
Short Term Fund	1,770	0.02	0.05	0.14	0.07	0.26	2.21	3.21	2.96
Intermediate Term Fund	4,035	(3.79)	(0.37)	6.99	(0.14)	14.69	(0.55)	N/A	N/A
Total Operating Funds	5,805								
Total Investments	\$22,375								
VALUE ADDED (Percent)									
Permanent University Fund		1.20%	1.15%	4.37%	2.62%	6.85%	3.01%	2.20%	1.90%
General Endowment Fund		1.21	1.14	4.34	2.61	6.84	3.04	2.27	N/A
Short Term Fund		-	0.02	0.04	0.03	0.10	0.51	0.40	0.22
Intermediate Term Fund		0.66	1.28	4.32	2.64	4.48	2.94	N/A	N/A
VALUE ADDED (\$ IN MILLIONS)									
Permanent University Fund		\$130	\$120	\$418	\$272	\$616	\$958	\$1,082	\$1,860
General Endowment Fund		74	67	234	152	346	545	622	N/A
Intermediate Term Fund		28	52	161	106	156	332	N/A	N/A
Total Value Added		\$ 232	\$ 239	\$ 813	\$ 530	\$ 1,118	\$ 1,835	\$ 1,704	\$ 1,860

I. PERMANENT UNIVERSITY FUND

Investment Reports for Periods Ended May 31, 2010

Prepared in accordance with Texas Education Code Sec. 51.0032

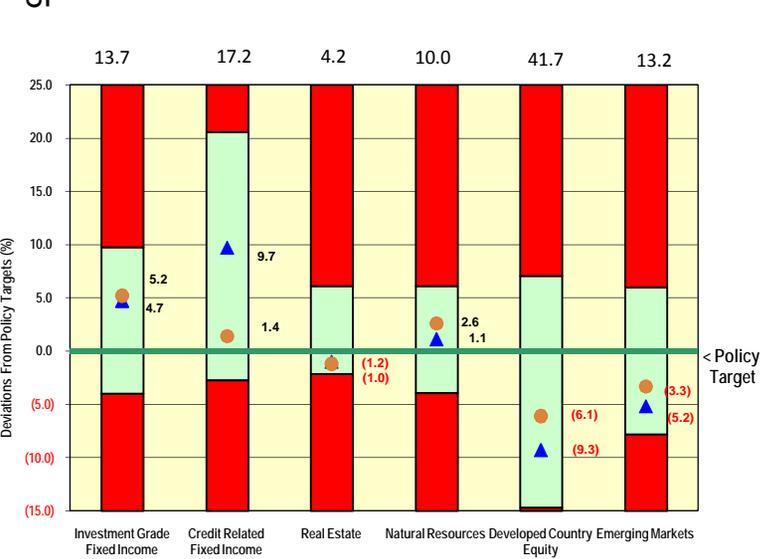
Summary of Capital Flows

(\$ millions)	Fiscal Year Ended August 31, 2009	Quarter Ended May 31, 2010	Fiscal Year to Date May 31, 2010
Beginning Net Assets	\$ 11,360	\$ 10,470	\$ 9,674
PUF Lands Receipts	340	119	263
Investment Return (Net of Expenses)	(1,495)	64	974
Distributions to AUF	(531)	(129)	(387)
Ending Net Assets	<u>\$ 9,674</u>	<u>\$ 10,524</u>	<u>\$ 10,524</u>

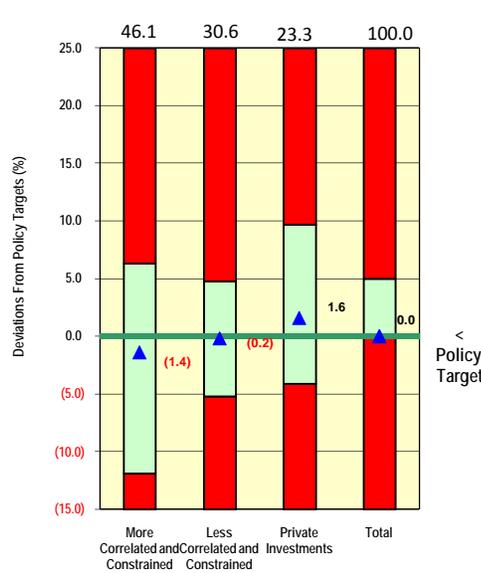
Fiscal Year to Date

	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	2.24%	-0.57%	-0.17%	0.20%	0.03%
Credit-Related	34.55%	13.37%	0.38%	0.07%	0.45%
Real Estate	8.31%	7.68%	-0.06%	0.05%	-0.01%
Natural Resources	10.20%	1.00%	0.02%	0.52%	0.54%
Developed Country	6.24%	1.04%	-0.03%	0.97%	0.94%
Emerging Markets	11.85%	11.92%	-0.06%	-0.02%	-0.08%
Total More Correlated and Constrained	8.18%	4.35%	0.08%	1.79%	1.87%
Less Correlated and Constrained	10.30%	2.74%	0.20%	2.11%	2.31%
Private Investments	14.91%	14.27%	0.51%	-0.32%	0.19%
Total	10.32%	5.95%	0.79%	3.58%	4.37%

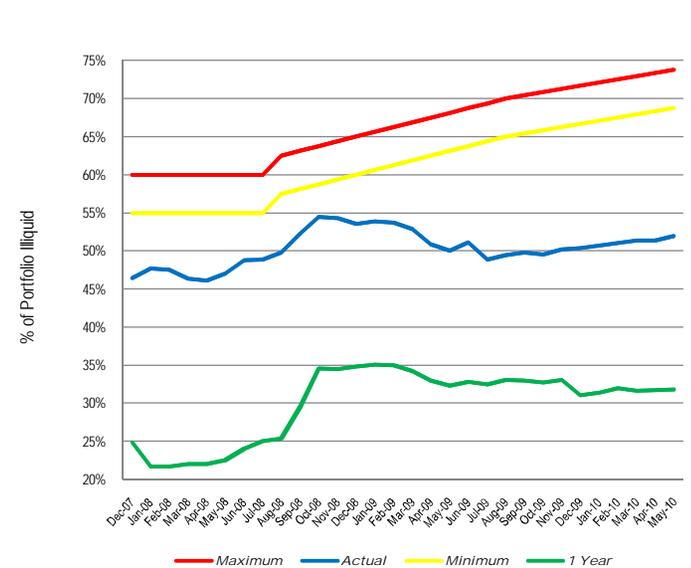
35 Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



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



Permanent University Fund Actual Illiquidity vs. Trigger Zones



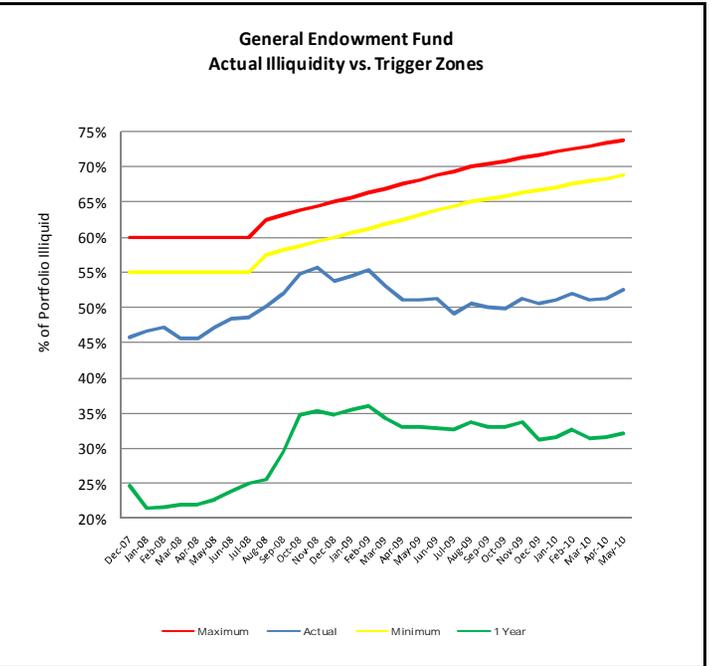
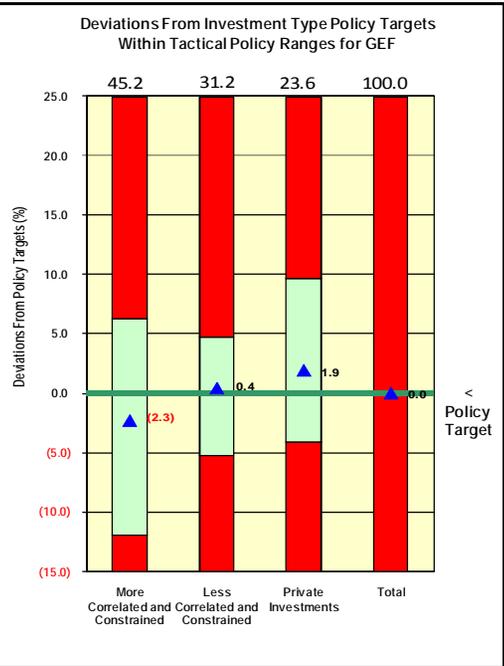
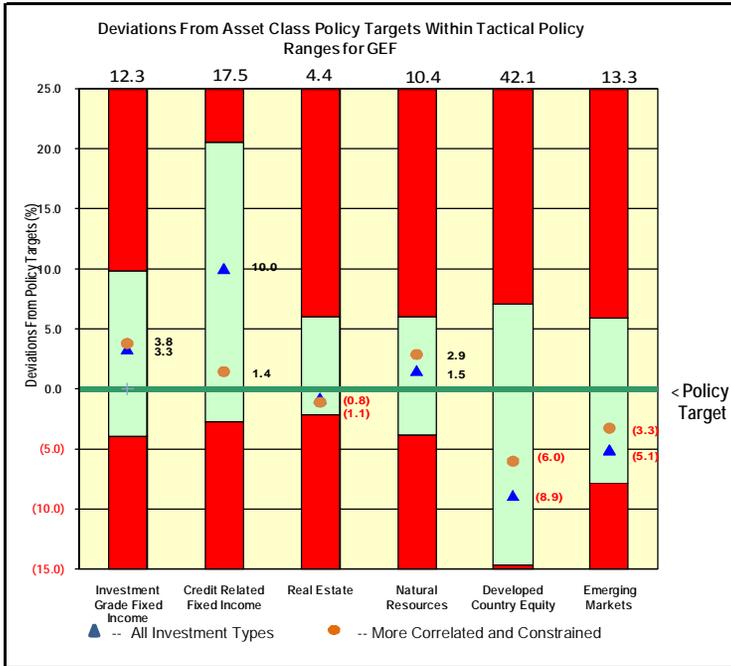
UTIMCO 06/28/2010

II. GENERAL ENDOWMENT FUND Investment Reports for Periods Ended May 31, 2010

Prepared in accordance with *Texas Education Code Sec. 51.0032*

Summary of Capital Flows			
(\$ millions)	Fiscal Year Ended August 31, 2009	Quarter Ended May 31, 2010	Fiscal Year to Date May 31, 2010
Beginning Net Assets	\$ 6,310	\$ 5,794	\$ 5,359
Contributions	185	117	187
Withdrawals	(11)	(2)	(4)
Distributions	(279)	(75)	(222)
Investment Return (Net of Expenses)	(846)	39	553
Ending Net Assets	<u>\$ 5,359</u>	<u>\$ 5,873</u>	<u>\$ 5,873</u>

	Returns		Fiscal Year to Date		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Value Added Total
More Correlated and Constrained:					
Investment Grade	2.37%	-0.57%	-0.20%	0.21%	0.01%
Credit-Related	34.57%	13.37%	0.38%	0.06%	0.44%
Real Estate	8.40%	7.68%	-0.06%	0.03%	-0.03%
Natural Resources	10.14%	1.00%	0.01%	0.51%	0.52%
Developed Country	6.16%	1.04%	-0.02%	0.98%	0.96%
Emerging Markets	11.60%	11.92%	-0.09%	-0.03%	-0.12%
Total More Correlated and Constrained	8.08%	4.35%	0.02%	1.76%	1.78%
Less Correlated and Constrained	10.29%	2.74%	0.23%	2.14%	2.37%
Private Investments	14.91%	14.27%	0.51%	-0.32%	0.19%
Total	10.29%	5.95%	0.76%	3.58%	4.34%

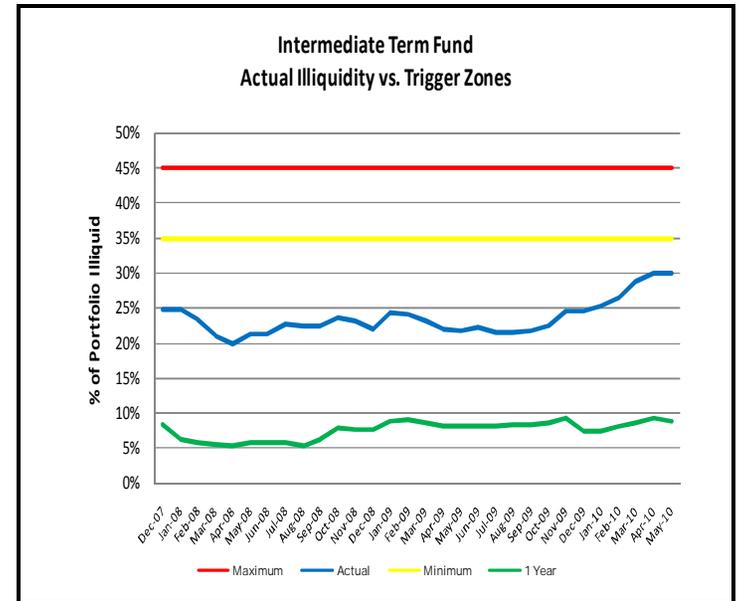
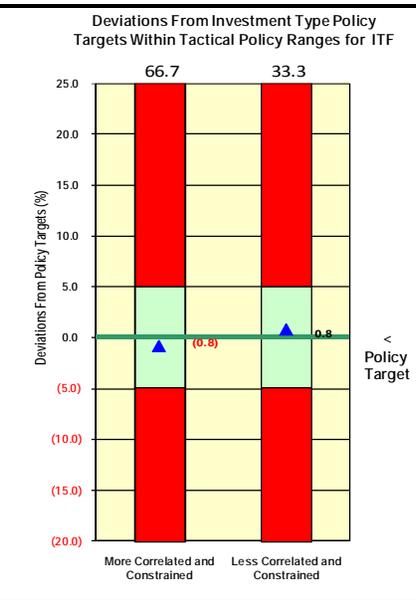
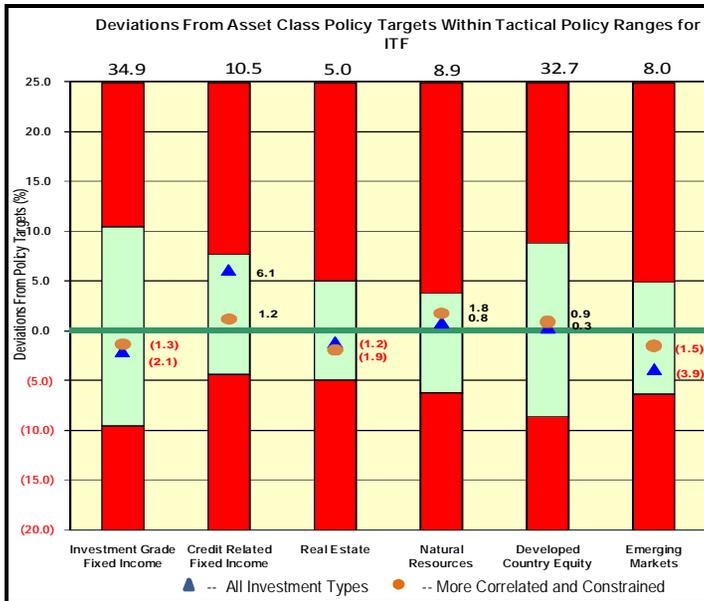


III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended May 31, 2010

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
(\$ millions)	Fiscal Year Ended August 31, 2009	Quarter Ended May 31, 2010	Fiscal Year to Date May 31, 2010
Beginning Net Assets	\$ 3,875	\$ 4,028	\$ 3,572
Contributions	251	75	374
Withdrawals	(178)	(22)	(76)
Distributions	(98)	(31)	(89)
Investment Return (Net of Expenses)	(278)	(15)	254
Ending Net Assets	\$ 3,572	\$ 4,035	4,035

	Returns		Fiscal Year to Date		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	1.90%	-0.57%	-0.14%	0.85%	0.71%
Credit-Related	33.86%	13.37%	0.27%	0.18%	0.45%
Real Estate	8.96%	7.68%	-0.28%	0.13%	-0.15%
Natural Resources	8.66%	1.00%	0.13%	0.50%	0.63%
Developed Country	6.59%	1.04%	-0.14%	0.77%	0.63%
Emerging Markets	11.93%	11.92%	0.02%	0.00%	0.02%
Total More Correlated and Constrained	5.61%	2.38%	-0.14%	2.43%	2.29%
Less Correlated and Constrained	10.26%	2.74%	0.05%	1.98%	2.03%
Private Investments	0.00%	0.00%	0.00%	0.00%	0.00%
Total	6.99%	2.67%	-0.09%	4.41%	4.32%



IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at May 31, 2010

Report prepared in accordance with *Texas Education Code Sec. 51.0032*

ASSET TYPES	(\$ thousands)															
	FUND TYPE															
	CURRENT PURPOSE DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (SHORT TERM FUND)		TOTAL	
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:																
Beginning value 02/28/10	-	-	7,560	7,560	117,077	117,077	1,327	1,327	4,538	4,538	130,502	130,502	1,703,606	1,703,606	1,834,108	1,834,108
Increase/(Decrease)	-	-	(5,902)	(5,902)	(21,614)	(21,614)	(16)	(16)	249	249	(27,283)	(27,283)	67,034	67,034	39,751	39,751
Ending value 05/31/10	-	-	1,658	1,658	95,463	95,463	1,311	1,311	4,787	4,787	103,219	103,219	1,770,640	1,770,640	1,873,859	1,873,859
Debt Securities:																
Beginning value 02/28/10	-	-	301	300	11,305	12,401	10,406	10,822	-	-	22,012	23,523	-	-	22,012	23,523
Increase/(Decrease)	-	-	-	-	411	430	149	294	-	-	560	724	-	-	560	724
Ending value 05/31/10	-	-	301	300	11,716	12,831	10,555	11,116	-	-	22,572	24,247	-	-	22,572	24,247
Equity Securities:																
Beginning value 02/28/10	17	3,546	357	326	28,921	28,409	13,572	11,654	-	-	42,867	43,935	-	-	42,867	43,935
Increase/(Decrease)	-	406	30	19	423	(680)	(664)	(773)	-	-	(211)	(1,028)	-	-	(211)	(1,028)
Ending value 05/31/10	17	3,952	387	345	29,344	27,729	12,908	10,881	-	-	42,656	42,907	-	-	42,656	42,907
Other:																
Beginning value 02/28/10	-	-	638	638	2	2	370	137	918	918	1,928	1,695	-	-	1,928	1,695
Increase/(Decrease)	-	-	(245)	(245)	-	-	-	-	722	722	477	477	-	-	477	477
Ending value 05/31/10	-	-	393	393	2	2	370	137	1,640	1,640	2,405	2,172	-	-	2,405	2,172
Total Assets:																
Beginning value 02/28/10	17	3,546	8,856	8,824	157,305	157,889	25,675	23,940	5,456	5,456	197,309	199,655	1,703,606	1,703,606	1,900,915	1,903,261
Increase/(Decrease)	-	406	(6,117)	(6,128)	(20,780)	(21,864)	(531)	(495)	971	971	(26,457)	(27,110)	67,034	67,034	40,577	39,924
Ending value 05/31/10	17	3,952	2,739	2,696	136,525	136,025	25,144	23,445	6,427	6,427	170,852	172,545	1,770,640	1,770,640	1,941,492	1,943,185

Details of individual assets by account furnished upon request.

6. **U. T. System Board of Regents: Update on the UTIMCO organization including investment manager activity and expenses**

REPORT

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), will report on the UTIMCO organization, investment manager activity, global reach, control and support and expenses using the materials set forth on Pages 40 - 46.



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO UPDATE

Joint Meeting of
The University of Texas System Board of Regents
and
UTIMCO Board of Directors
July 14, 2010

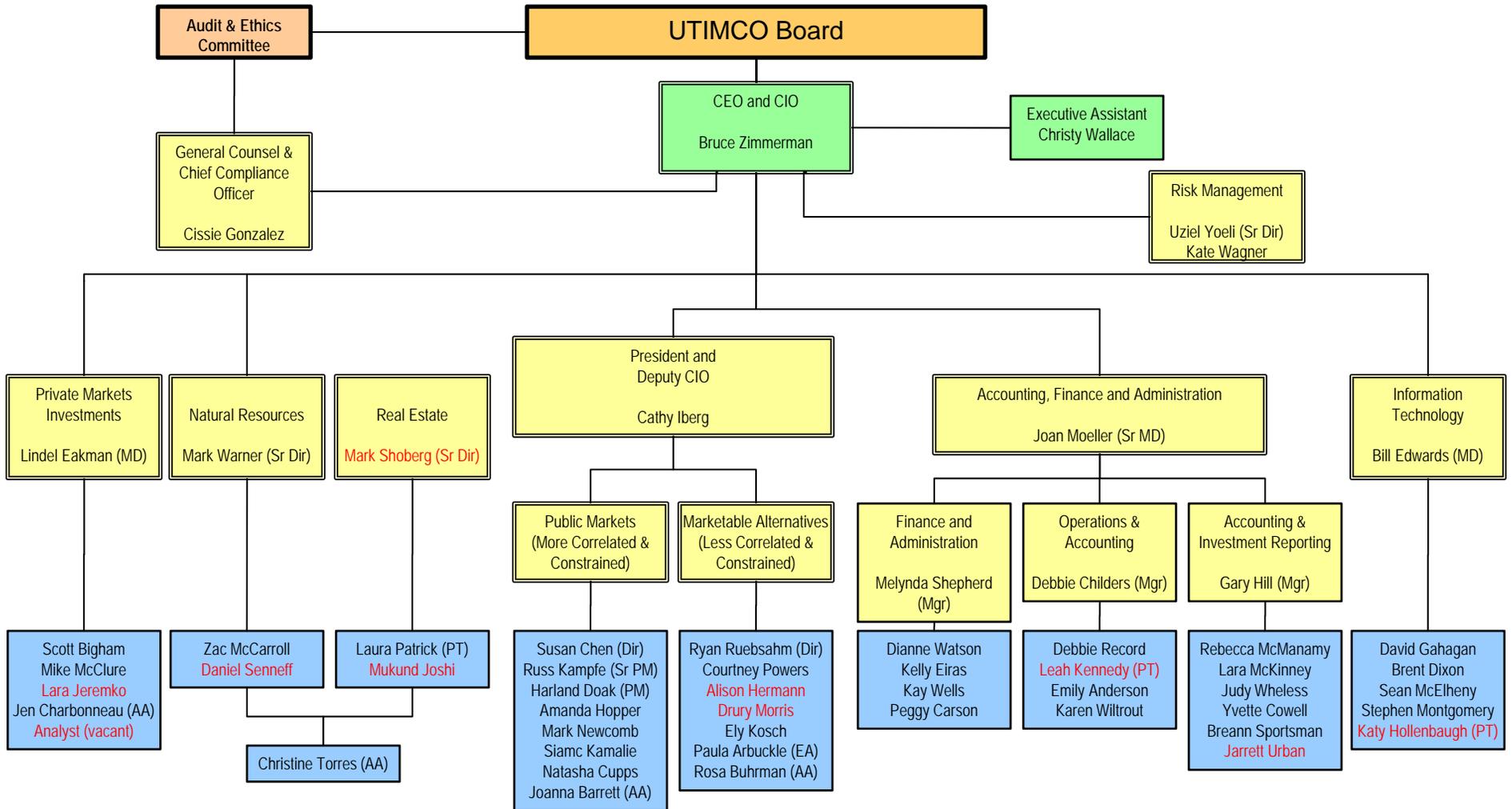


Agenda

- Staff
- Investment Manager Activity
- Global Reach
- Support and Control
- Revenues & Expenses



Staff



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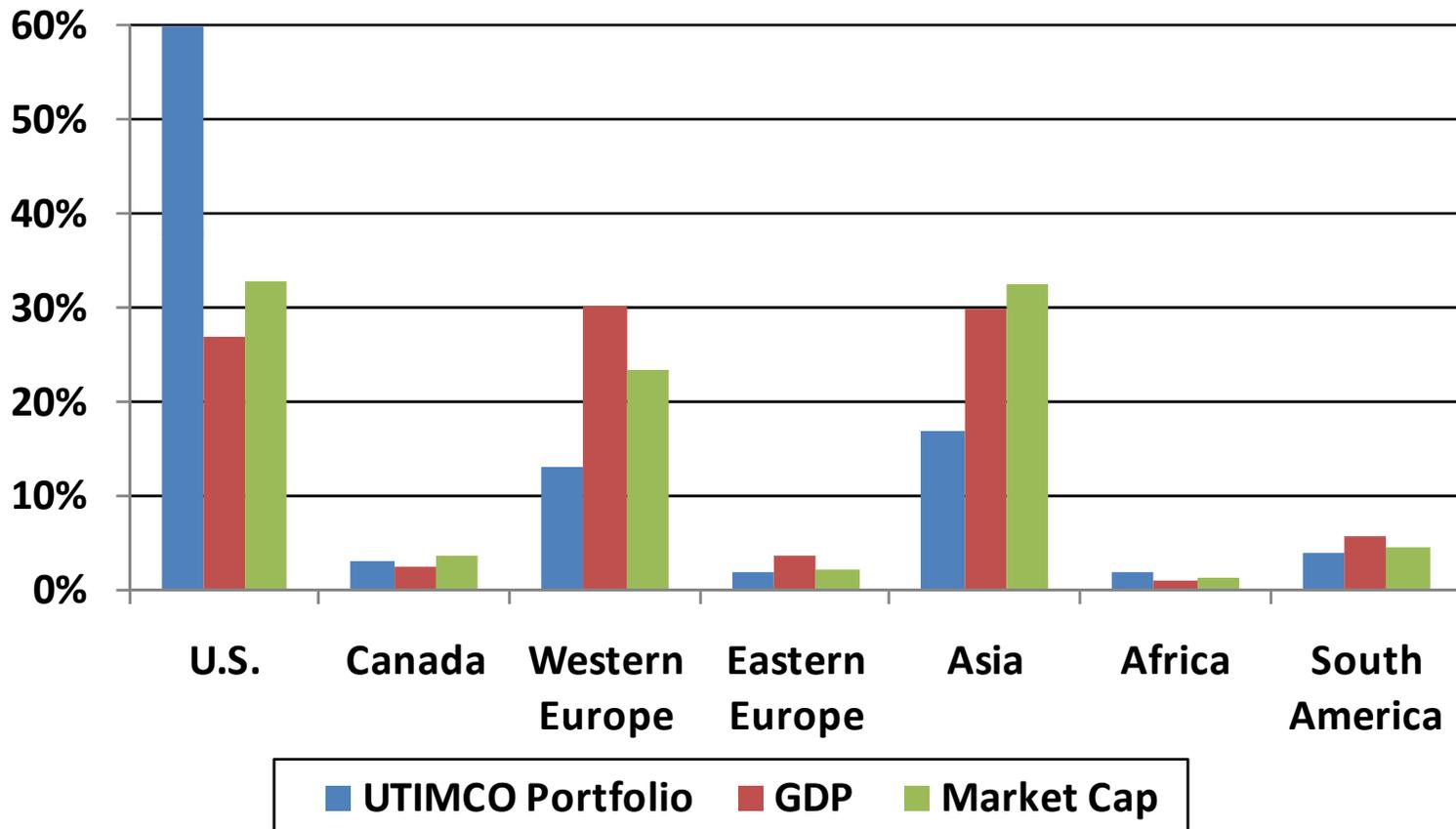
Investment Manager Activity

(Twelve Months Ending May 2010)

	Public Markets	Marketable Alternatives	Real Estate	Natural Resources	Private Equity	Total
Existing Manager Monitoring Meetings	208	225	88	132	392	1,045
Prospective Manager Meetings	268	181	204	267	239	1,159
New Investments	<u>9</u>	<u>2</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>19</u>
New Managers	5	2	0	4	2	13
Existing Managers	4	0	0	0	2	6



Global Portfolio



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Support and Control

- **Technology**
 - UTRaCs: Investment Manager “Institutional Memory”
 - iFAS: Conversion off of Mainframe
- **Audits**
 - External Funds
 - Derivatives
 - CEO Expenses



FY 10 Returns & Expenses

\$ in thousands

	Budget			Forecast	70% of Max Value-Add vs Forecast	
	No Staff Value-Add	Target Value-Add	70% of Max Value-Add		\$	%
	Salaries and Benefits	\$ 8,425	\$ 8,425		\$ 8,425	\$ 8,174
Other	<u>4,069</u>	<u>4,069</u>	<u>4,069</u>	<u>3,971</u>	<u>98</u>	<u>2.4%</u>
Total Fixed Costs	\$ 12,494	\$ 12,494	\$ 12,494	\$ 12,145	\$ 349	2.8%
Incentive Compensation (1)	<u>-</u>	<u>2,822</u>	<u>3,951</u>	<u>3,727</u>	<u>224</u>	<u>5.7</u>
Total UTIMCO Expenses	<u>\$ 12,494</u>	<u>\$ 15,316</u>	<u>\$ 16,445</u>	<u>\$ 15,872</u>	<u>\$ 573</u>	<u>3.5</u>
Staff Value Add - Investment Returns (2)	<u>\$ -</u>	<u>\$107,791</u>	<u>\$ 149,833</u>	<u>\$953,952</u>	<u>\$804,119</u>	<u>536.7%</u>
Expenses as a Percentage of Staff Value - Add	<u>N/A</u>	<u>14.2%</u>	<u>11.0%</u>	<u>1.7%</u>	<u>0.1%</u>	

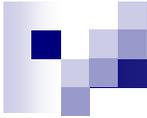
(1) Actual Incentive Compensation is deferred, at risk, over three years.

(2) Actual Incentive Compensation is based on three year rolling staff value-add; therefore, staff value-add is \$1.8 billion as of May 2010, or an annual average of \$600 million.

7. **U. T. System Board of Regents: Discussion of trends in investment management**

DISCUSSION

Dr. Keith Brown, Advisor to the Chairman of the UTIMCO Board; recipient of a Regents' Outstanding Teaching Award (2009); University Distinguished Teaching Professor and Fayez Sarofim Fellow at the Red McCombs School of Business at U. T. Austin, will discuss trends in investment management using the materials on Pages 48 - 56.

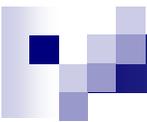


Assessing the Endowment Model as an Investment Strategy: Past, Present, and Future

Keith C. Brown
McCombs School of Business
The University of Texas at Austin

The University of Texas System Board of Regents' Meeting

July 14, 2010



Assessing the Endowment Investment Model: Overview

- Historically, institutional investors such as university endowment and pension funds followed a fairly limited “plain vanilla” investment strategy which concentrated on a *very narrow range of asset classes*
 - A “typical” long-term institutional asset allocation before 1985 would have been something like:
 - 60% invested in domestic publicly traded Equity securities, and
 - 40% invested in domestic publicly traded Fixed-Income securities

- Under the direction of David Swensen, in 1985 the Yale University endowment fund began to develop an *enhanced approach* to investing—called the Yale Model or *Endowment Model*—based on the tenets of Modern Portfolio Theory. The most salient features of this approach are:
 - *Diversify the portfolio into several asset classes, concentrating on equity investments*
 - *Invest in private markets that offer increased long-term return potential per unit of risk*
 - *Use external investment managers for non-indexed investments*

- The Endowment Model approach has been *quite successful* over the past 25 years in building portfolio wealth
 - From 1998-2008, the Yale endowment earned an average of 16.3% vs. 2.9% for the S&P 500

- Due largely to significant recent losses (e.g., the Yale endowment lost approximately 25% in FY 2009), some critics are now saying that the *Endowment Model is “broken”*
 - The *lack of liquidity* in certain asset classes (e.g., Private Equity) has been cited as a particular challenge
 - *Is the Endowment Model still viable in the post-2008 market environment?*

The Endowment Investment Model: Evolution

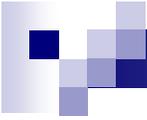
- Major Asset Allocation Trends for Endowment Funds:
 - *Shift away from Fixed-Income and Cash toward Non-US Equity*
 - *Increased use of Alternative Assets, particularly Hedge Funds*

	Portfolio Allocation (%):			
Asset Class:	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>
US Public Equity	47.5%	46.9%	50.7%	45.7%
Non-US Public Equity	2.3	7.9	11.6	12.7
Fixed-Income	35.6	30.0	23.4	21.4
Alternative Assets:				
Hedge Funds	0.3	1.6	0.7	8.9
Private Equity	0.8	0.9	3.4	2.4
Real Estate/ Natural Resources	3.1	2.4	2.2	4.2
Cash/Other	10.3	10.4	8.0	4.8

The Endowment Investment Model: Large vs. Small Funds

- The *largest endowment funds* (over \$1 billion) are **primarily responsible** for implementing these asset allocation trends
 - The move to diversify the portfolio with Non-US Equity and Alternative Assets is particularly notable for large endowment funds

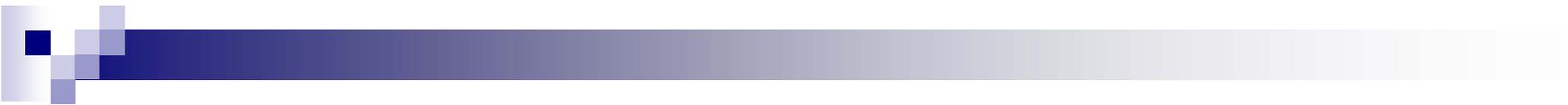
	Portfolio Allocation (%):			
	<u>Large Funds (Top Quartile)</u>		<u>Small Funds (Bottom Quartile)</u>	
Asset Class:	<u>1995</u>	<u>2005</u>	<u>1995</u>	<u>2005</u>
US Public Equity	45.2%	37.0%	45.3%	52.4%
Non-US Public Equity	10.4	16.6	5.6	8.3
Fixed-Income	25.8	16.3	34.8	26.6
Alternative Assets:				
Hedge Funds	3.7	15.2	0.5	3.1
Private Equity	2.3	6.0	0.2	0.6
Real Estate/ Natural Resources	3.1	5.6	1.8	2.4
Cash/Other	9.4	3.3	11.8	6.6



The Endowment Investment Model: Historical Performance

- For the period 1990-2005, the average university endowment fund *substantially outperformed* traditional asset class indexes on a risk-adjusted basis.
 - Asset class *diversification works* over time

	Average Return	Standard Deviation	Sharpe Ratio
Average Endowment Fund	10.0%	7.6%	0.779
Indexes:			
S&P 500 Stock	12.0	17.9	0.439
SBBIG Bond	9.3	8.7	0.594



The Endowment Model: Historical Performance (cont.)

- Recent research [Brown, Garlappi and Tiu (2010)] has shown that endowment funds have also been *excellent active investors* over the 1990-2005 period:

<i>Overall Mean Return:</i>	<i>10.00%</i>
Policy Benchmark Return:	9.35
<i>Active Management Return:</i>	<i>0.65</i>
Sources of Active Return:	
Security Selection	0.77
Tactical Allocation	-0.12

- Recent research [Brown and Tiu (2010)] has also shown that the average endowment fund over this period could have significantly increased its risk-adjusted performance by *devoting more of its “risk budget”* to active management activities
 - This is more true for large endowments than smaller ones
 - Investment policy restrictions and market scale factors serve as constraints

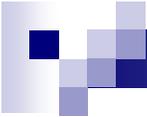


The Endowment Investment Model: Recent Challenges

- The period from July 2008-June 2009 was difficult for investment returns in financial markets throughout the world:

S&P 500 (US stocks)	-26.2%
MSCI World (Non-US Stocks)	-31.6
Barclays Aggregate Bonds	6.1
Wilshire Real Estate Securities	-45.7
Private Equity	-19.4
Natural Resources/Commodities	-33.3

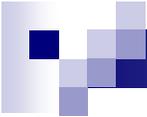
- The average endowment return for the 842 participating NACUBO funds during this period was **-18.7%**
 - For large endowments (over \$1b), average return was a little worse: **-20.5%**
 - This performance has caused some critics to conclude that the *Endowment Model does not work* in the face of “*Black Swan*” events in financial markets when asset class returns tend to become highly correlated with one another
 - Notice that *diversification did work* in helping to *limit losses*, but *could not prevent them* altogether



The Endowment Model: Recent Challenges (cont.)

- One significant problem that plagued endowment investors during this period was the *lack of liquidity* that severely restricted the ability to trade in certain asset classes
 - Illiquidity was particularly acute in private market transactions, including private equity, venture capital, private real estate, and commodities
 - Beyond affecting the ability for endowments to pay for the day-to-day operations of the sponsoring institution, illiquidity also makes it extremely difficult to establish an appropriate valuation for the assets held in the portfolio
 - Recent research [JPMorgan Asset Management (2010)] has concluded that an allocation to liquid fixed-income securities of between 6 and 14% is sufficient to reduce the likelihood of a liquidity crisis in an endowment portfolio to less than 5%

- Another challenge resulting from the market decline in late 2008 is the increased *reluctance to grant and use leverage* to enhance investment strategies
 - This “de-leveraging” trend has impacted certain segments of the Alternative Asset communities (hedge funds, private equity, real estate) particularly heavily, which could alter expected returns, risk, and correlations in these segments
 - Advocates of a *Risk Parity* approach to investing suggest using additional leverage to buy more fixed-income securities and less equity



The Endowment Investment Model: Final Thoughts

- The Endowment Model is a **conceptually appealing** approach to investing that emphasizes the simultaneous use of diversification across asset classes and the investment skills of external active investment managers
 - Because of “**economies of scale**” factors in the financial markets, larger endowment funds are especially well-suited to diversify into private market asset classes and employ the best external managers

- The **investment performance** of the Endowment Model over the past 25 years has been **extremely good**
 - Risk-adjusted performance for the average university endowment has been **substantially better** than that for various asset class indexes
 - The actual return for the average endowment manager over 1990-2005 has also outperformed the passive policy benchmark, suggesting that endowment fund managers possess **tangible active management skills**

- The financial market collapse of late 2008 exposed **some potential flaws** in how the Endowment Model had been deployed over the years
 - The ability of an **asset class diversification** strategy becomes **less effective** when asset classes become highly correlated with one another
 - When **liquidity risk** becomes **more acute**, asset allocation strategies that rely more heavily on **private market transactions** will be **more severely affected**
 - Private market asset classes will also be **relatively more impacted** by changes in the **ability to use leverage**

- Modern Portfolio Theory and the Endowment Model **remain** very much alive and **viable investment tools**
 - Given recent events, it is reasonable to assume that endowment fund managers will **pay more attention** to liquidity risk and the possibility of encountering extreme events in the future
 - More attention will also be paid to the “**real**” **nature of asset classifications** in order to create a more effective diversification strategy

8. **U. T. System Board of Regents: Discussion of investment portfolio and strategy**

DISCUSSION

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), will report on the investment portfolio and investment strategy using materials on Pages 58 - 96.



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Investment Portfolio and Strategy

Joint Meeting of
The University of Texas System Board of Regents and
UTIMCO Board of Directors
July 14, 2010



Agenda

- The Last Three Years
- The Next Three Years



June 30, 2007 Asset Allocation *

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	10.9%	1.4%	0.0%	12.3%
	Credit-Related	<u>0.0%</u>	<u>2.2%</u>	<u>1.6%</u>	<u>3.8%</u>
	Fixed Income Total	10.9%	3.6%	1.6%	16.1%
Real Assets	Real Estate	4.2%	0.1%	0.0%	4.3%
	Natural Resources	<u>5.0%</u>	<u>0.5%</u>	<u>0.9%</u>	<u>6.4%</u>
	Real Assets Total	9.2%	0.6%	0.9%	10.7%
Equity	Developed Country	32.7%	20.2%	8.2%	61.1%
	Emerging Markets	<u>8.5%</u>	<u>3.5%</u>	<u>0.1%</u>	<u>12.1%</u>
	Equity Total	<u>41.2%</u>	<u>23.7%</u>	<u>8.3%</u>	<u>73.2%</u>
Total		<u>61.3%</u>	<u>27.9%</u>	<u>10.8%</u>	<u>100.0%</u>

* Estimated due to different display in existence.



2007 Themes

- + Rebuild Investment Organization and Foster Team-Oriented Culture
 - + Enhance Transparency and Communication
 - + Investment Themes
 - Emerging Markets Growth
 - Natural Resources Supply
 - Illiquidity Capacity
 - “Skill” Matters
- } Prudent Implementation
- Developed Country Indebtedness: Fall 2008 Financial Crisis



Process Changes

- “Uzi” Grid
- Real Asset Teams
- Investment Committee
- Investment Decisioning Best Practices
- UTRaCs
- Liquidity and Derivatives



Portfolio Changes: July 2007 vs. May 2010

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments *	Total
Fixed Income	Investment Grade *	1.9%	0.1%	0.0%	2.0%
	Credit-Related	1.5%	5.9%	6.0%	13.4%
	Fixed Income Total	3.4%	6.0%	6.0%	15.4%
Real Assets	Real Estate	(1.3%)	0.5%	0.8%	0.0%
	Natural Resources	3.3%	(0.4%)	0.9%	3.8%
	Real Assets Total	2.0%	0.1%	1.7%	3.8%
Equity	Developed Country	(20.2%)	(2.1%)	1.9%	(20.4%)
	Emerging Markets	0.5%	(1.0%)	1.7%	1.2%
	Equity Total	(19.7%)	(3.1%)	3.6%	(19.2%)
Total		(14.3%)	3.0%	11.3%	0.0%

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



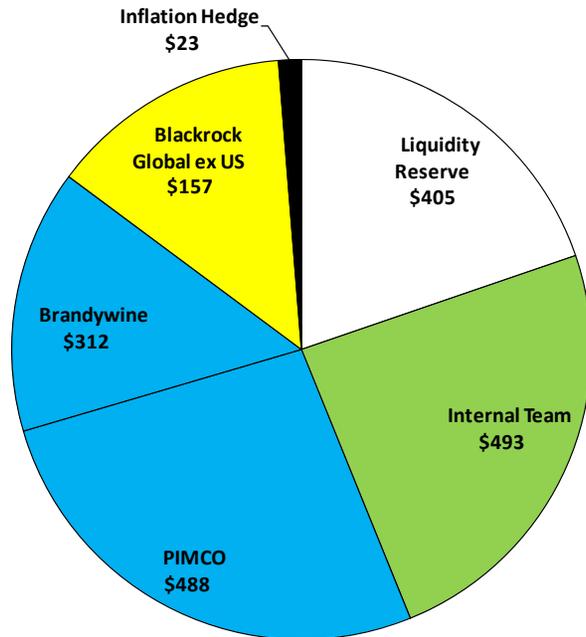
May 31, 2010 Asset Allocation

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments *	Total
Fixed Income	Investment Grade *	1 12.8%	1.5%	0.0%	14.3%
	Credit-Related	1.5%	8.1%	7.6%	17.2%
	Fixed Income Total	14.3%	9.6%	7.6%	31.5%
Real Assets	Real Estate	2.9%	0.6%	0.8%	4.3%
	Natural Resources	8.3%	0.1%	1.8%	10.2%
	Real Assets Total	11.2%	0.7%	2.6%	14.5%
Equity	Developed Country	5 12.5%	6 18.1%	7 10.1%	40.7%
	Emerging Markets	9.0%	2.5%	1.8%	13.3%
	Equity Total	21.5%	20.6%	11.9%	54.0%
Total		47.0%	30.9%	22.1%	100.0%

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



More Correlated and Constrained – Investment Grade Fixed Income (12.8%/\$2.1 B)



Investment Returns				
	One Year		Three Years	
	Actual	Alpha	Actual	Alpha
Internal Team	9.1%	0.7%	9.1%	2.2%
PIMCO	12.6%	8.7%	6.5%	0.9%
Brandywine	12.7%	8.9%	N/A	N/A
Blackrock	0.6%	(3.2%)	N/A	N/A
Total	9.3%	5.5%	6.6%	0.5%

	UTIMCO	BGI Global Aggregate
Duration (yr)	5.23	5.43
Yield-to-Maturity	3.5%	2.7%
Average Quality AA+	AA2	AA1
Sectors		
Cash	5%	0%
Treasury	40%	56%
Government Agency	0%	8%
Mortgages	22%	14%
Credit	19%	17%
Other	14%	5%
	<u>100%</u>	<u>100%</u>
Geographies		
US and Canada	64%	45%
Europe	18%	33%
Asia - Pacific	9%	21%
Emerging Markets	9%	1%
	<u>100%</u>	<u>100%</u>



Credit-Related Fixed Income (17.2%/\$2.8 B)

	More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments *	Total
Corporate				
Loans	\$ -	\$425	\$503	\$928
High-Yield	-	551	185	736
	-	976	688	1,664
Asset Backed				
RMBS	84	173	107	364
CMBS	153	39	89	281
	237	212	196	645
Other	15	137	389	541
Total	\$252	\$1,325	\$1,273	\$2,850
Selected Managers:	Angelo Gordon	Baupost Centerbridge Perry	Oaktree CarVal Varde	

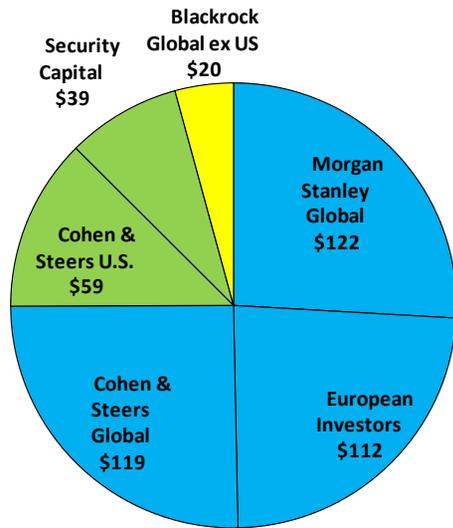
* Unfunded Commitments \$314 million

Investment Returns		
	One Year	Three Years
More Correlated and Constrained	29.1%	N/A
Less Correlated and Constrained	54.1%	0.5%
Private Investments	47.4%	N/A
Total Credit Related Fixed Income	39.6%	N/A
Blackrock Global High Yield Index	27.4%	5.4%
MSCI World Index	13.6%	(10.7%)



Real Estate (4.3%/\$.7 B)

More Correlated and Constrained (Long Only) (2.9%)



Less Correlated and Constrained (Hedge Funds)

(GEM) (.6%)

One Year		Three Years	
Actual	Alpha	Actual	Alpha
4.2%	(7.2%)	6.2%	9.9%

Private Investments (.8%)

Fund	Market Value	Unfunded	Total Exposure
Trophy (China)	\$60	\$6	\$66
Five Mile	23	15	38
Secured Capital (Japan)	19	29	48
Shorenstein	10	27	37
Northwood	9	39	48
Morgan Stanley (Global)	7	35	42
Benson Elliot (Europe)	0	43	43
	<u>\$128</u>	<u>\$194</u>	<u>\$322</u>

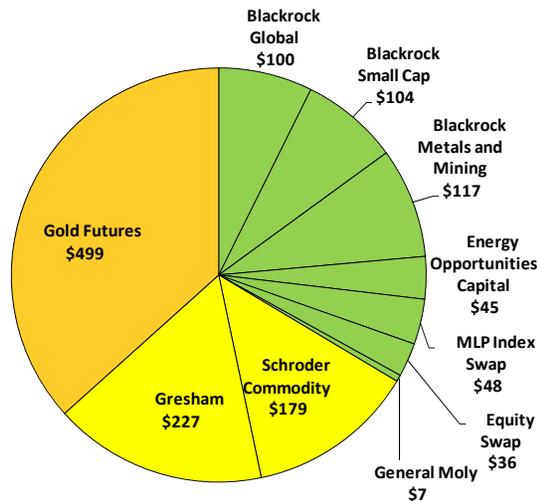
Investment Returns

	One Year		Three Years	
	Actual	Alpha	Actual	Alpha
More Correlated and Constrained	27.4%	-0.1%	(13.9%)	3.2%
Less Correlated and Constrained	4.2%	-1.8%	N/A	N/A
Private Investments	-4.1%	19.4%	N/A	N/A
Total	<u>22.6%</u>	<u>10.4%</u>	<u>N/A</u>	<u>N/A</u>



Natural Resources (10.2%/\$1.7 B)

More Correlated and Constrained (Long Only) (8.3%)



Investment Returns

	One Year		Three Years	
	Actual	Alpha	Actual	Alpha
More Correlated and Constrained	11.4%	8.7%	(3.3%)	1.2%
Private Investments	14.5%	1.1%	N/A	N/A

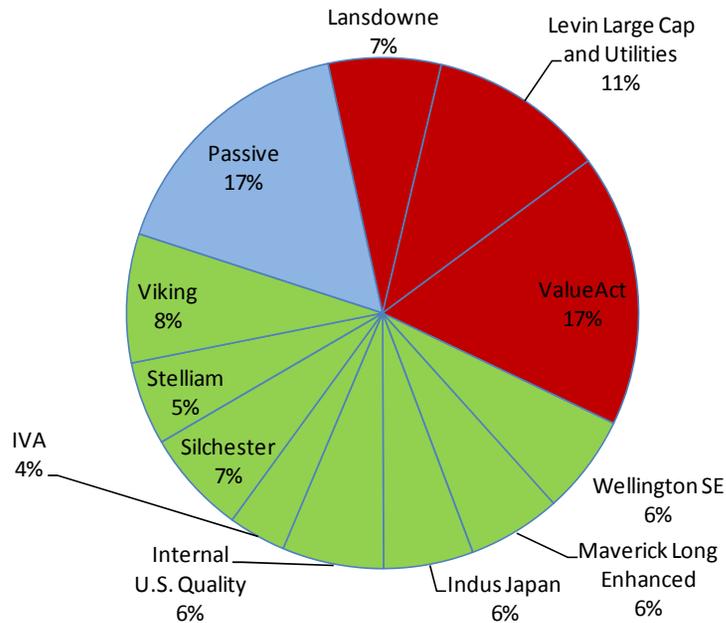
Private Investments (1.9%)

Fund	Market Value	Unfunded	Total Exposure
<u>Energy</u>			
EnCap Investments	\$51	\$112	\$163
SCF Partners	44	54	98
Kern Energy Partners	11	62	73
Oaktree Capital Management	10	38	48
Natural Gas Partners	18	29	47
	<u>134</u>	<u>295</u>	<u>429</u>
<u>Infrastructure</u>			
ArcLight Capital Partners	96	33	129
Tenaska	26	31	57
Sindicatum Carbon & Energy	35	17	52
	<u>157</u>	<u>81</u>	<u>238</u>
<u>Materials</u>			
Resource Capital Funds	6	45	51
Other (3 Managers)	6	-	6
	<u>\$303</u>	<u>\$421</u>	<u>\$724</u>

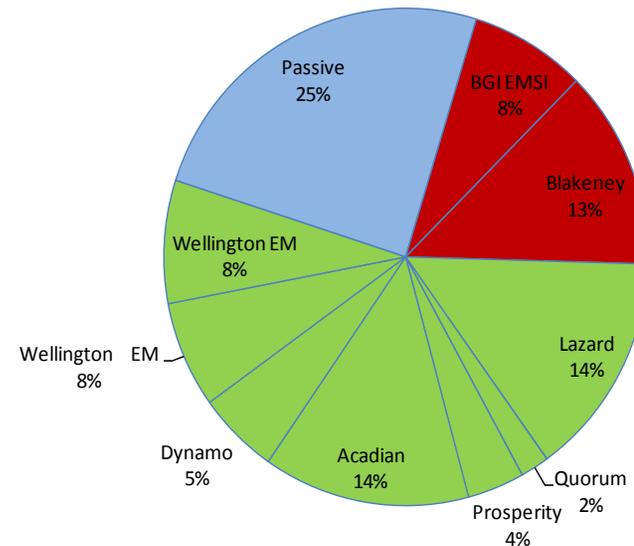


More Correlated and Constrained – Public Equity (21.5%/\$3.5 B)

Developed Country Equity Managers (\$2.0 billion)

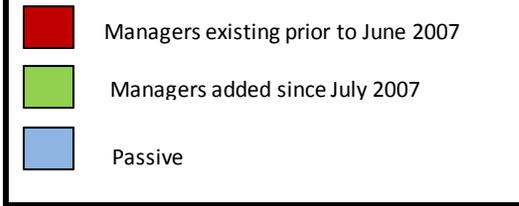


Emerging Markets Equity Managers (\$1.5 billion)



Investment Returns

	One Year		Three Years	
	Actual	Alpha	Actual	Alpha
Developed Country Equity	18.1%	4.5%	(11.6%)	(0.4%)
Emerging Markets	22.6%	0.3%	(5.0%)	(4.2%)

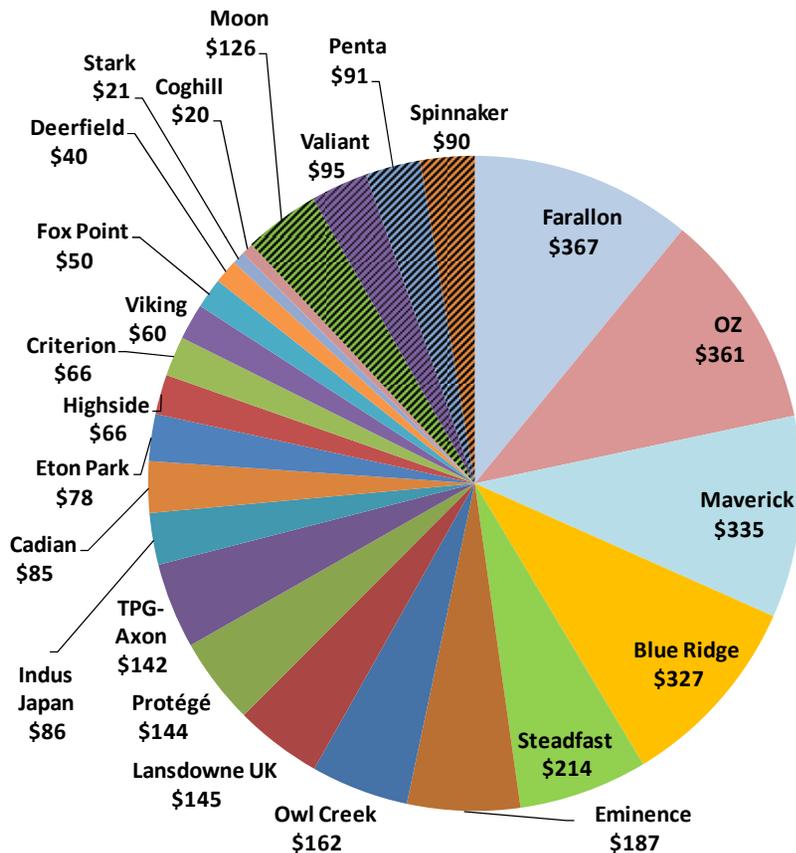


69



Less Correlated and Constrained – Developed and Emerging Market Equity (20.6%/\$3.4 B)

////// Emerging Market Managers



Since Inception

Returns	8.6%
Risk (Volatility)	6.6%
Sharpe Ratio	0.82
<u>Beta (Underlying Market)</u>	
Global Equities	0.24
High Yield Bonds	0.40

Investment Returns

One Year		Three Years	
Actual	Alpha	Actual	Alpha
14.4%	8.4%	1.5%	8.0%



Less Correlated and Constrained Capital Activity

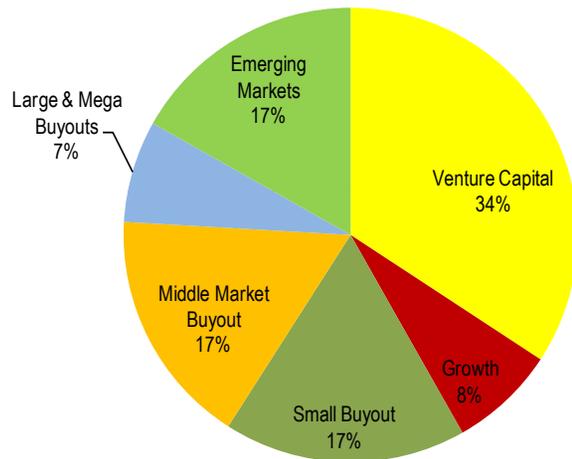
June 2007 – May 2010

	5/31/2007		Full Redemptions		New Mandates		Rebalancing		Reclassification		5/31/2010	
	Funds	NAV	Funds	NAV	Funds	NAV	Funds	NAV	Funds	NAV	Funds	NAV
Investment Grade	3	\$397	(2)	(\$40)	-	\$0	3	\$105	-	\$0	1	\$318
Credit Related	3	141	(3)	(270)	4	673	4	91	3	662	7	1,676
Real Estate	1	28	(1)	(25)	1	125	-	-	-	-	1	135
Natural Resources	1	109	(2)	(153)	2	50	1	25	-	-	-	17
Developed Country	28	4,406	(11)	(807)	6	532	23	190	(2)	(160)	21	3,745
Emerging Market	6	787	(3)	(201)	3	225	1	25	(1)	(503)	5	509
Less Correlated and Constrained Total	42	\$5,869	(22)	(\$1,496)	16	\$1,605	32	\$436	-	\$0	35	\$6,399



Private Investments Developed and Emerging Market Equity* (11.9%/\$2.0 B)

Developed & Emerging Market Value



Secondary Sale:

- \$389M Total Exposure: (\$237M NAV, \$152M Unfunded)
- Six managers (3 U.S. and 3 Europe)/17 funds
- 23% of overall Buyout Exposure

* Pro-forma Post-Secondary sale

Cash Flow Summary

	Beginning Balance	Calls	Distributions	Mark to Market	Ending Balance 5/31/10	Unfunded 5/31/10
Three-Year	\$1,527	\$1,519	\$843	(\$64)	\$2,139	\$1,491
One-Year	1,845	338	268	223	2,139	1,491

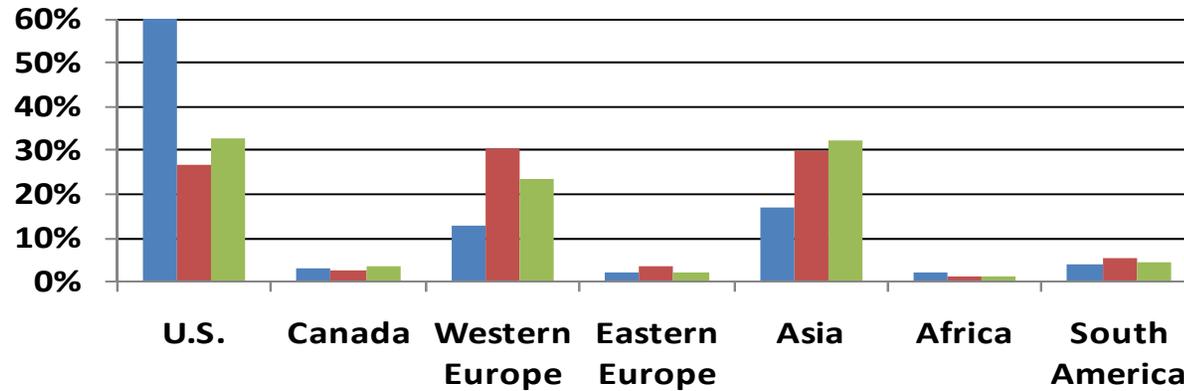
Manager Concentration

	Existing #	Targeted #
VC	25	10 - 15
Growth	1	1 - 2
Small BO	14	6 - 8
MMBO	8	2 - 3
Large & Mega BO	2	1 - 2
Emerging Markets	14	10 - 15
Total	64	30 - 45

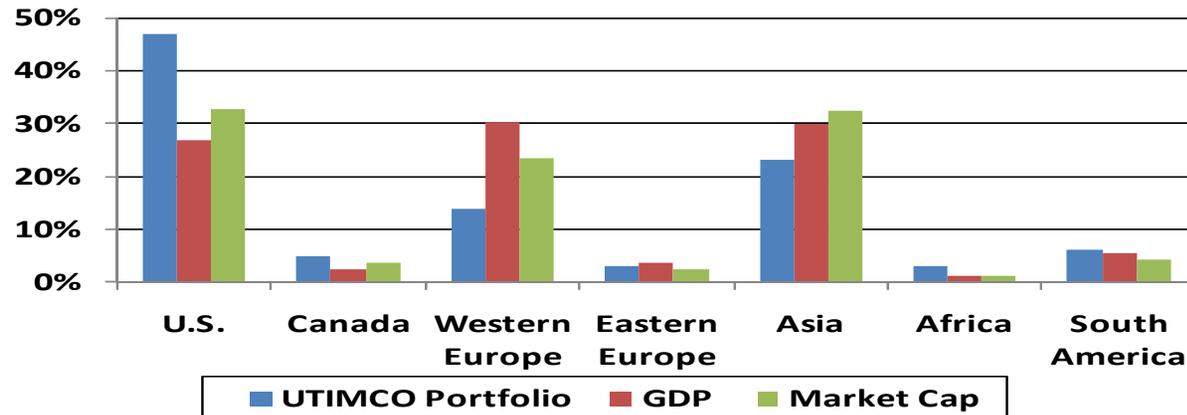


Global Portfolio

Total Portfolio



More Correlated and Constrained





The Next Three Years



Long-Term Strategic Asset Allocation

		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	7.5%	2.0%	0.0%	9.5%
	Credit-Related	<u>0.0%</u>	<u>3.0%</u>	<u>2.5%</u>	<u>5.5%</u>
	Fixed Income Total	7.5%	5.0%	2.5%	15.0%
Real Assets	Real Estate	3.5%	0.0%	5.0%	8.5%
	Natural Resources	<u>5.5%</u>	<u>1.0%</u>	<u>5.0%</u>	<u>11.5%</u>
	Real Assets Total	9.0%	1.0%	10.0%	20.0%
Equity	Developed Country	16.0%	20.0%	9.0%	45.0%
	Emerging Markets	<u>12.0%</u>	<u>4.0%</u>	<u>4.0%</u>	<u>20.0%</u>
	Equity Total	<u>28.0%</u>	<u>24.0%</u>	<u>13.0%</u>	<u>65.0%</u>
Total		<u>44.5%</u>	<u>30.0%</u>	<u>25.5%</u>	<u>100.0%</u>



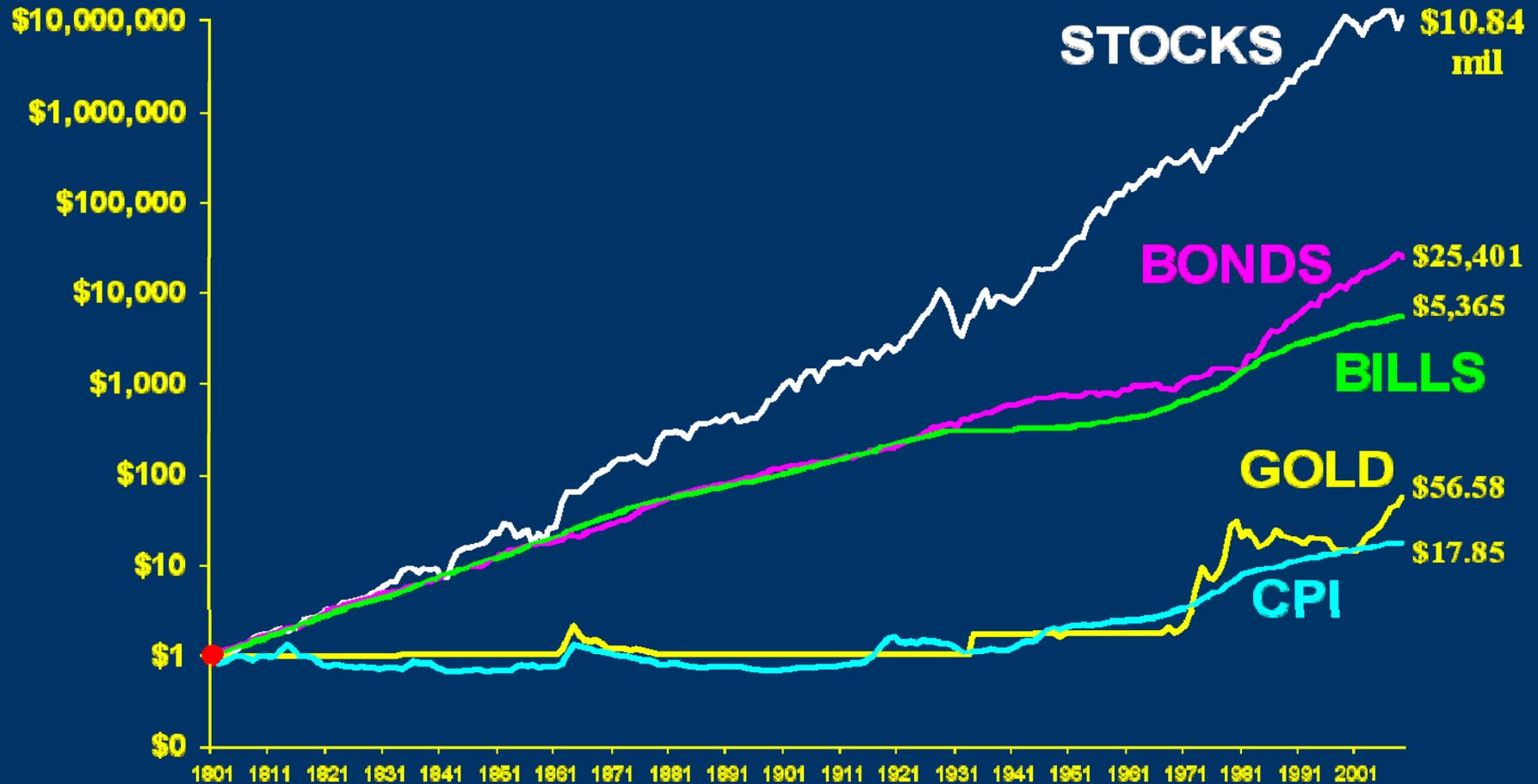
Long-Term Strategy First Principles

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



Total Nominal Return Indices

January 1802 - December 2009



Copyright Jeremy J. Siegel

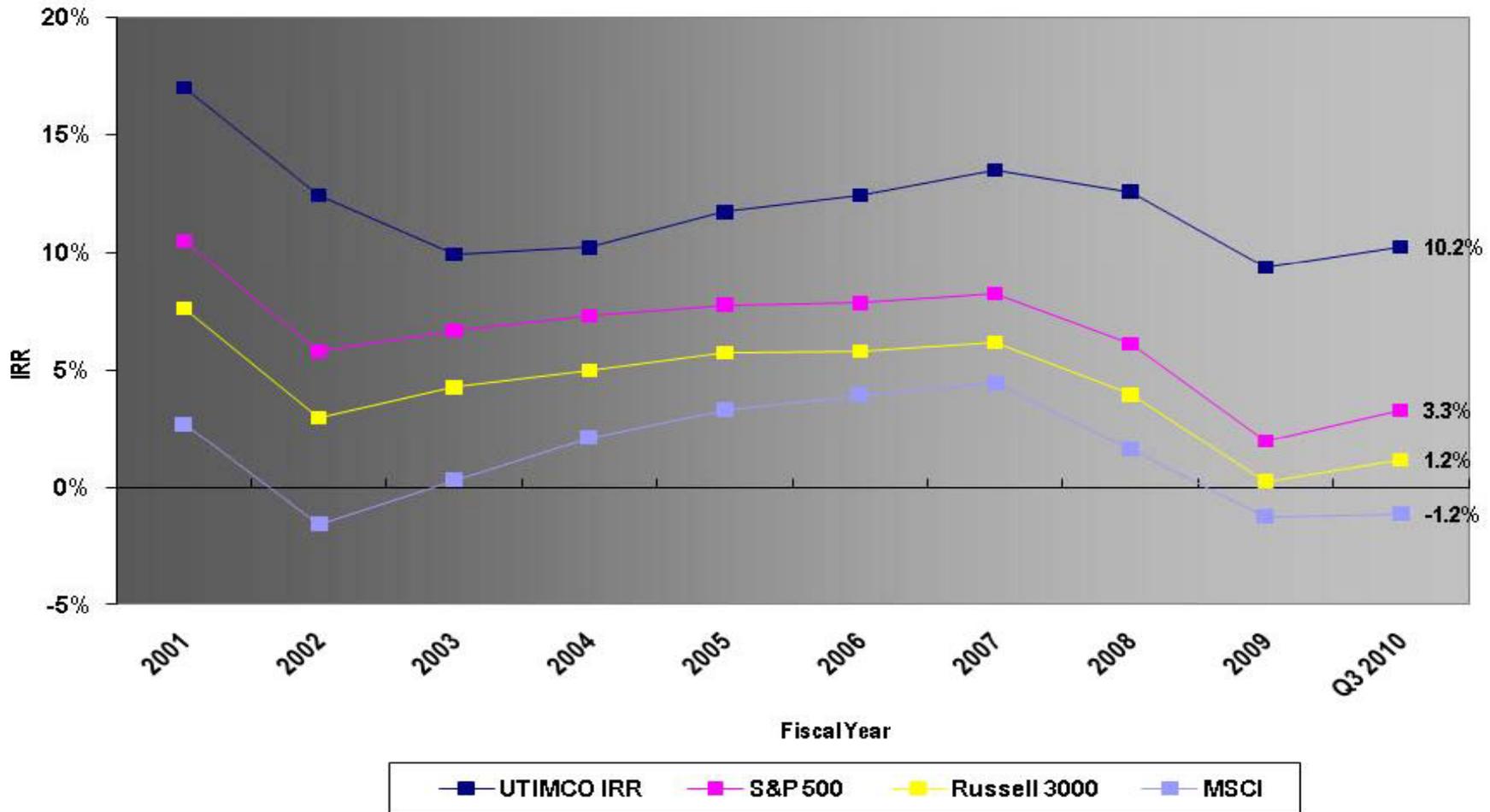


Long-Term Correlation Assumptions

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



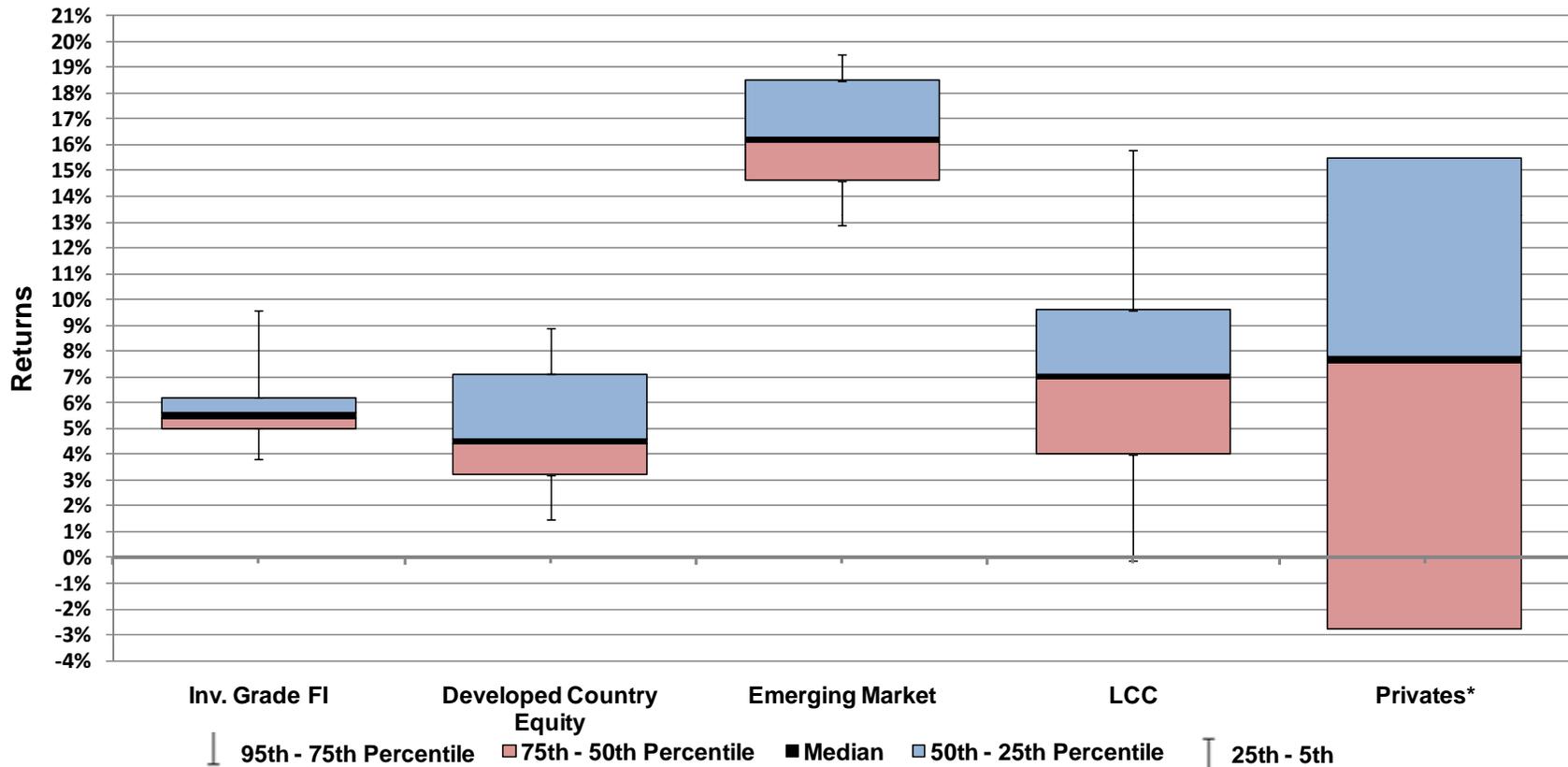
UTIMCO Private Investment Performance vs. Public Markets Indices as of 5/31/10





Skill Matters

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



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

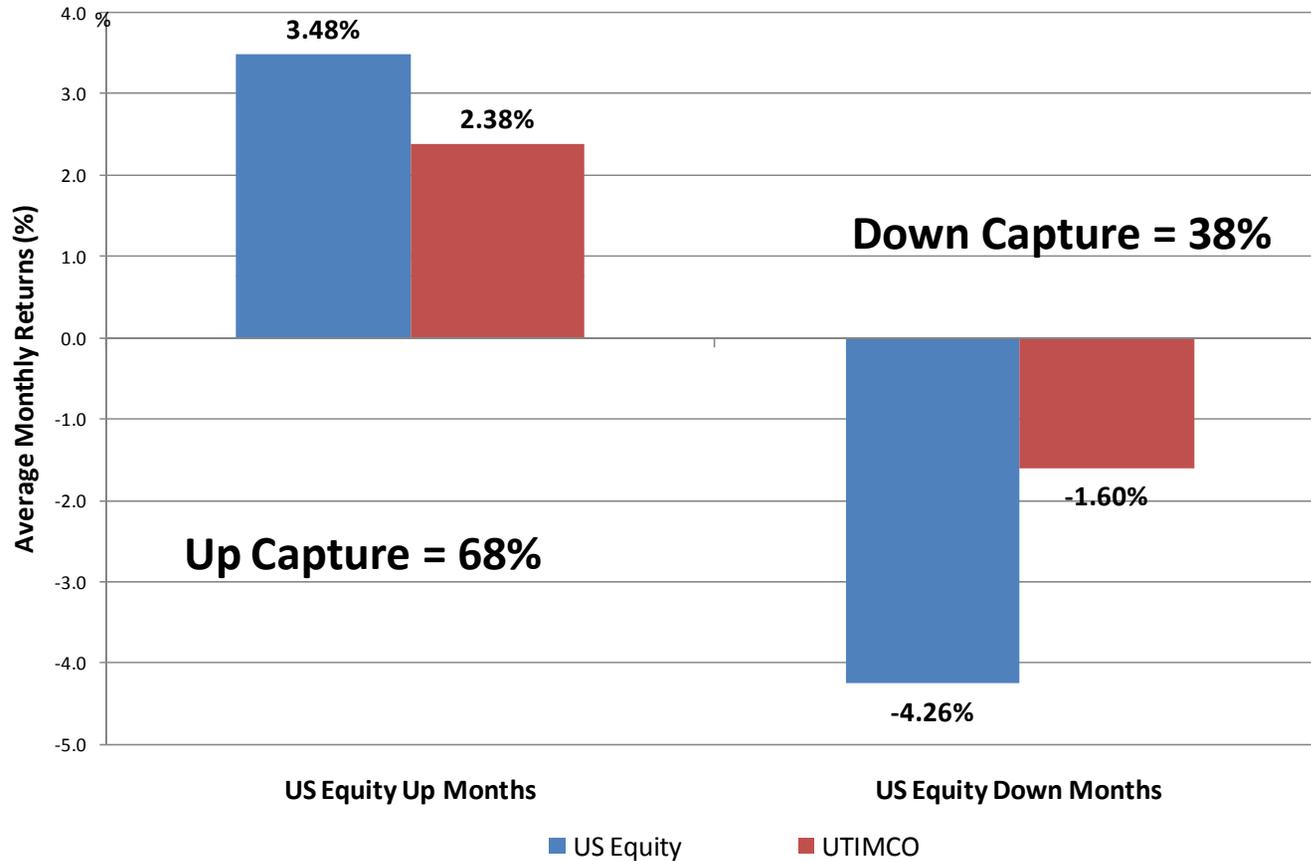


UTIMCO Bias

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



UTIMCO's Up/Down Capture



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



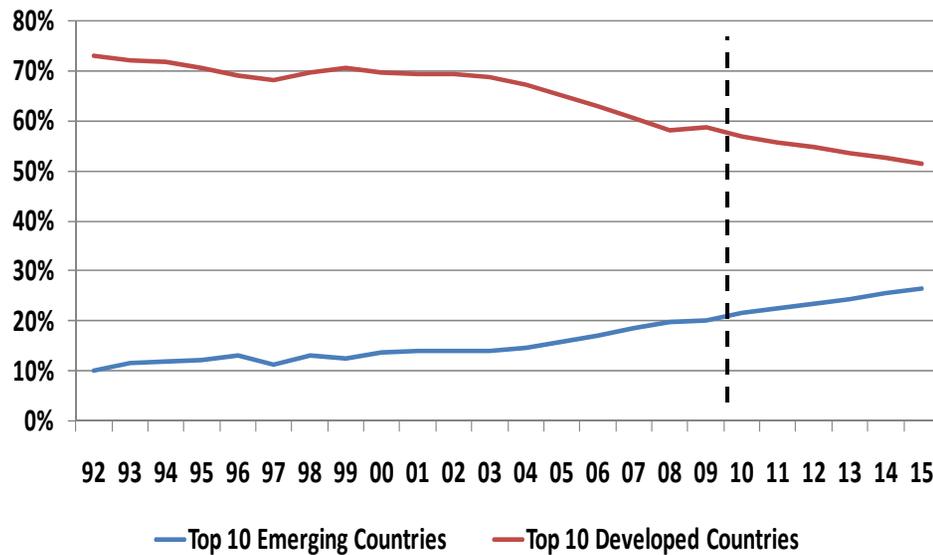
Outlook

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

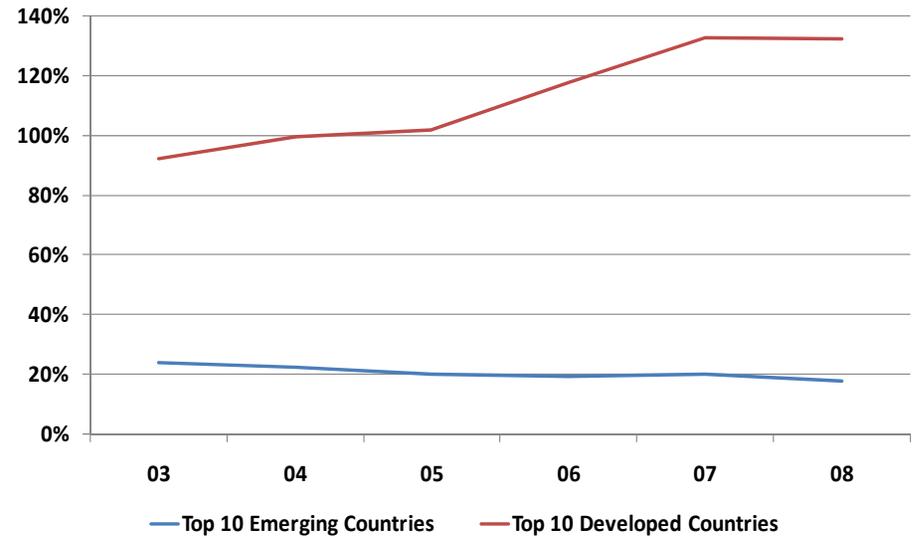


Global GDP/Global Debt

% of World GDP



External Debt % GDP

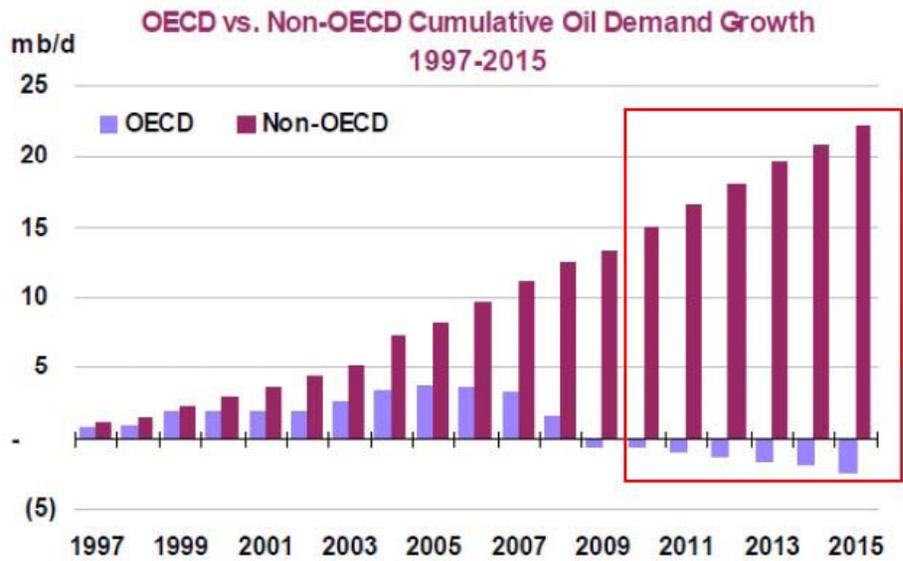
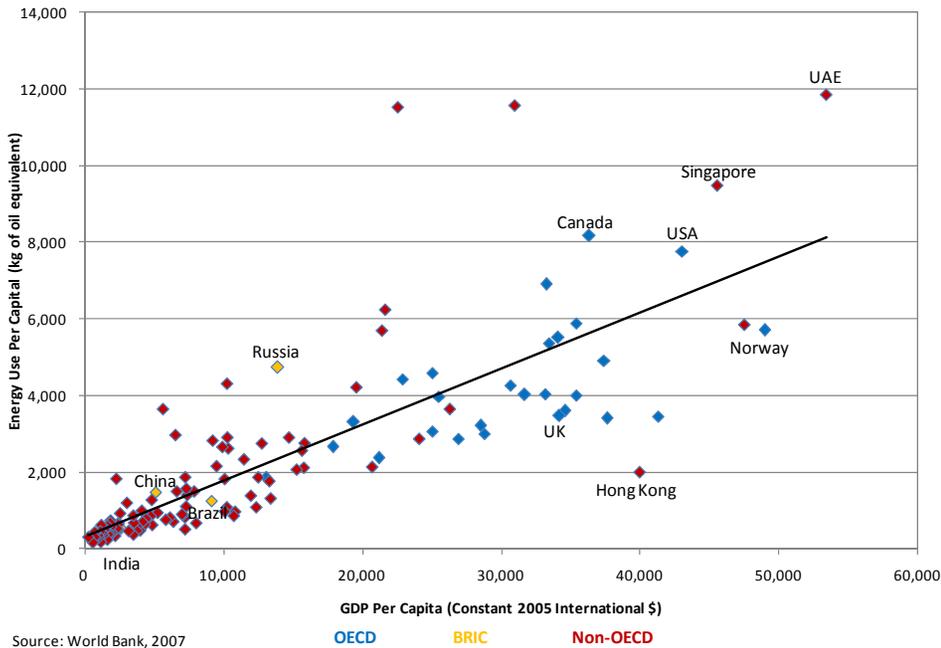


- * Top 10 Emerging include: China, Brazil, South Korea, Taiwan, India, South Africa, Russia, Mexico, Malaysia, Israel
- * Top 10 Developed include: United States, Japan, United Kingdom, Canada, France, Australia, Germany, Switzerland, Spain, Italy
- * Real GDP data from IMF
- * External debt data from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



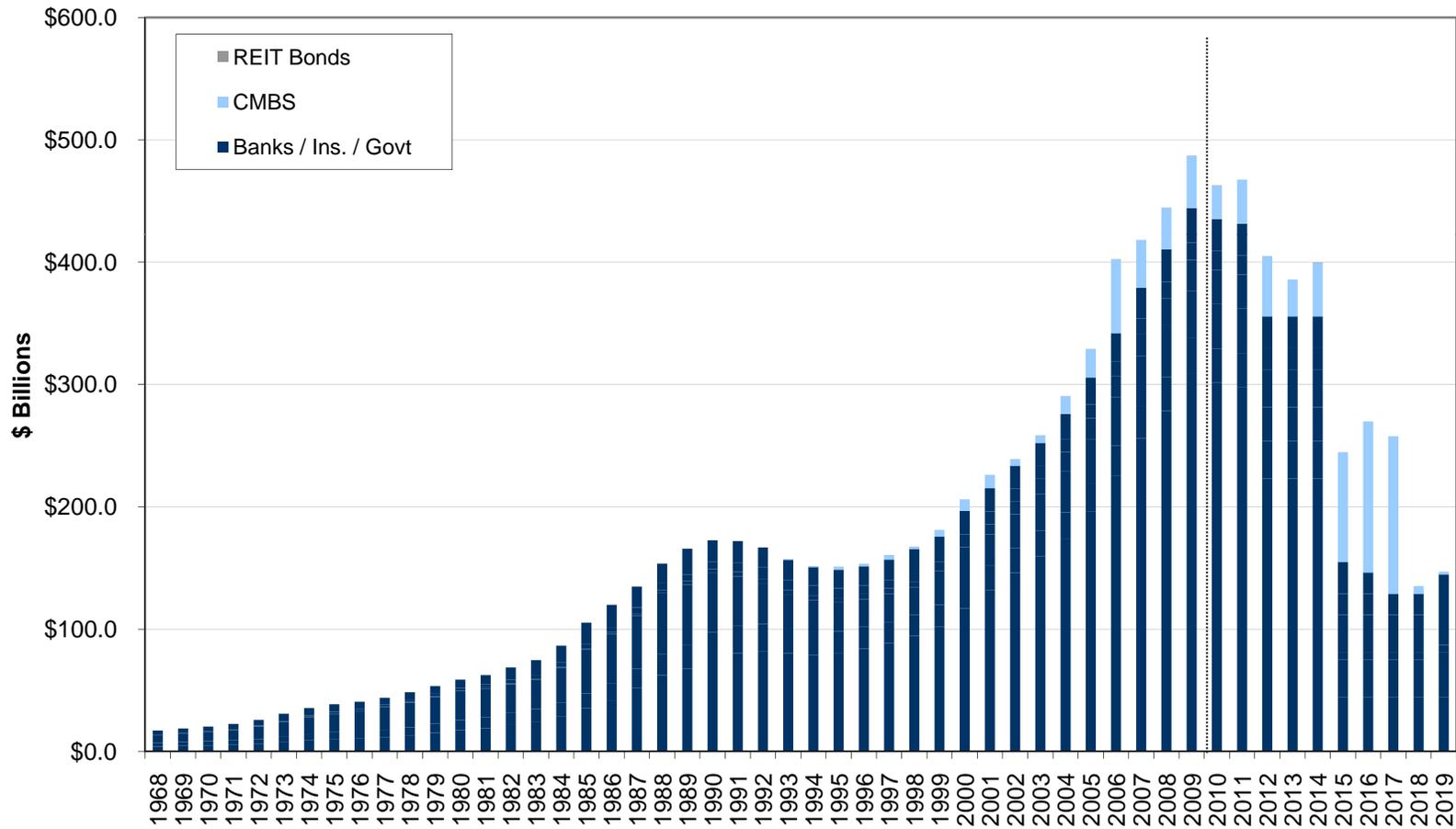
Natural Resources Requirement

Resource Consumption Rises With Economic Development





Commercial Real Estate Loan Maturities



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



Investment Issues

- “Big Bets”
- Nimbleness
- Hedging



Current Tactical Allocation

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

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

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



Investment Policy Target Allocation for FY 10

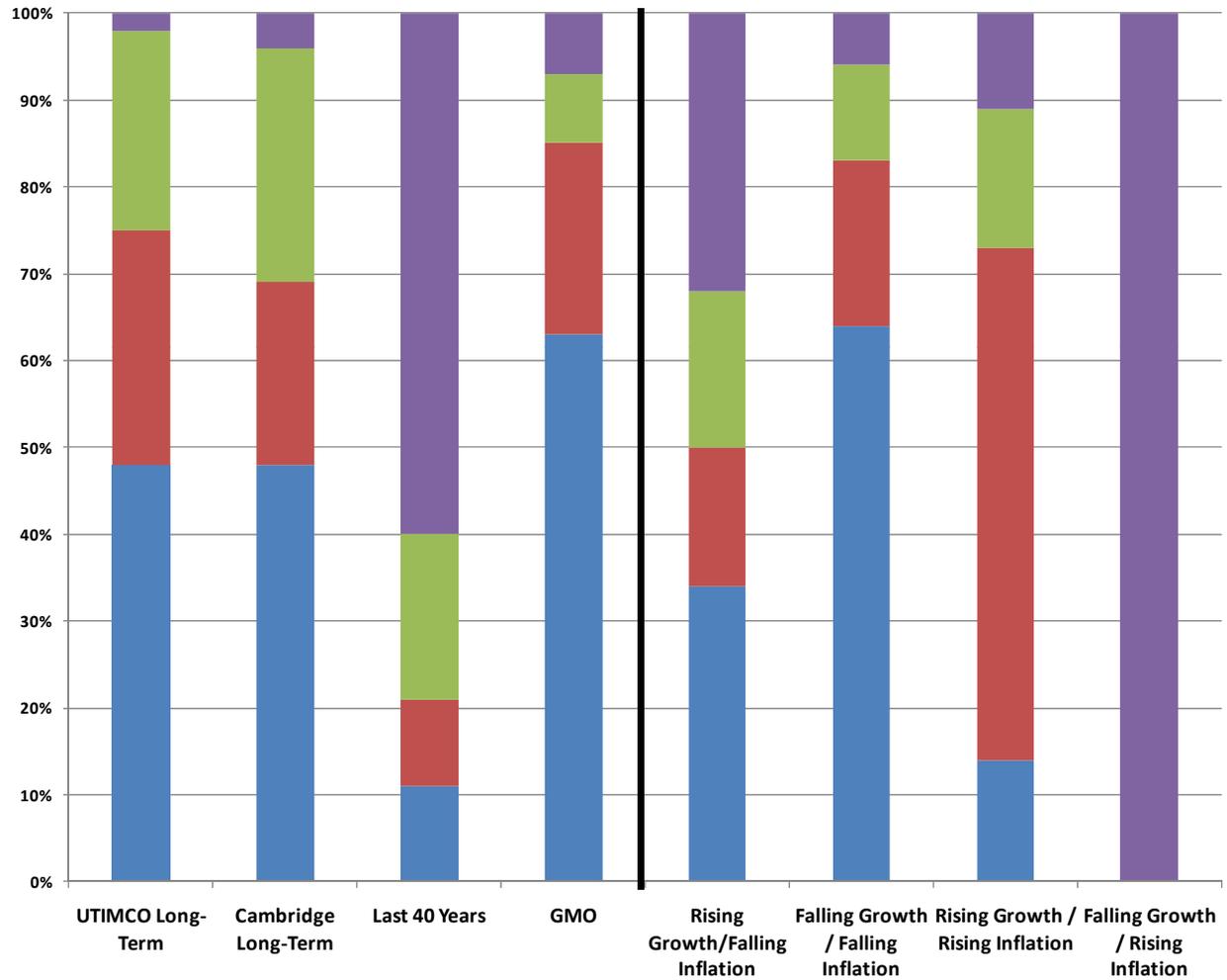
		More Correlated and Constrained (Long Only)	Less Correlated and Constrained (Hedge Funds)	Private Investments	Total
Fixed Income	Investment Grade	7.5%	2.0%	0.0%	9.5%
	Credit-Related	<u>0.0%</u>	<u>3.0%</u>	<u>2.5%</u>	<u>5.5%</u>
	Fixed Income Total	7.5%	5.0%	2.5%	15.0%
Real Assets	Real Estate	3.5%	0.0%	1.0% 5.0%	4.5%
	Natural Resources	<u>5.5%</u>	<u>1.0%</u>	<u>2.5%</u> 5.0%	<u>9.0%</u>
	Real Assets Total	9.0%	1.0%	3.5% 10.0%	13.5%
Equity	Developed Country	19.0% 16.0%	20.0%	13.5% 9.5%	52.5%
	Emerging Markets	<u>13.0%</u> 12.0%	<u>4.0%</u>	<u>2.0%</u> 4.0%	<u>19.0%</u>
	Equity Total	<u>32.0%</u> 28.0%	<u>24.0%</u>	<u>15.5%</u> 13.5%	<u>71.5%</u>
Total		<u>48.5%</u>	<u>30.0%</u>	<u>21.5%</u>	<u>100.0%</u>

Long-Term Asset Allocation Strategy



"Optimal" Asset Allocation

- Less Correlated and Constrained
- Equity
- Real Assets
- Fixed Income





Recommended Investment Policy

Target Allocation for FY 11

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



Recommended FY 11 Policy Targets vs. FY 10 Policy Targets

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



Projected FY 11 Investment Policy Return and Risk

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



Recommended Investment Policy Allocation Target and Ranges for FY11

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

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

**Change from
FY 10 Policy**



ITF

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



Priorities

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

BOARD OF REGENTS' MEETING

July 14, 2010

U. T. System: Presentation of the U. T. Academy of Health Science Education

PRESENTATION

Executive Vice Chancellor Shine will introduce the President of The University of Texas Academy of Health Science Education, Jonathan MacClements, M.D. Dr. MacClements is the Director of Medical Education in the Department of Family Medicine at U. T. Health Science Center – Tyler.

Dr. MacClements will provide a brief history of the Academy, including an introduction of current officers and past presidents, using the PowerPoint presentation on Pages 98 - 107.

The University of Texas Academy of Health Science Education

Jonathan MacClements, M.D.

Director of Medical Education, Department of Family Medicine

U. T. Health Science Center – Tyler

President, The University of Texas Academy of Health Science Education



THE UNIVERSITY of TEXAS SYSTEM

Nine Universities. Six Health Institutions. Unlimited Possibilities.

U. T. System
Board of Regents'
Meeting
July 2010



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

The University of Texas Academy of Health Science Education

Origins:

- Maximillian Buja, M.D., U. T. Health Science Center – Houston
Chancellor’s Health Fellow for Education
- October 4, 2004 – Conference for Innovations in Health Science Education
- Steering Committee committed to maintain effort



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Establishment of System Academy

- The mission of The University of Texas Academy of Health Science Education is to foster excellence in education in the health sciences by recognition of outstanding educators and advancement of knowledge and innovation in the field of education.



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Six Pillars, Six Campuses, Six Concepts



Six Pillars
Six Campuses
Six Concepts



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Six Concepts

1. Professus – a person who professes something; a teacher
2. Philosophia – love of wisdom and knowledge
3. Hygienia – the science of health and its maintenance
4. Scientia – systemized knowledge derived from observation, study, and experimentation
5. Humanus – a system or way of thought or action concerned with the interests and ideals of people
6. Diversitas – collegial interaction among all



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Goals

- Recognize and reward outstanding educators for their exceptional contributions
- Support faculty development for education
- Promote the academic advancement of teachers
- Encourage development and implementation of innovative education projects, including collaboration between disciplines and institutions



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Goals (cont.)

- Promote curriculum design and reform
- Foster educational scholarship and research of teaching faculty and provide financial assistance for new and innovative educational projects



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Activities of Academy

- Annual Conference
- Outstanding Innovation Awards
- Small Grants Program
- Peer Review of New Programs
- Advance Educational Innovation on Each Campus



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Membership

- 13 founding members
- 24 members per year for first two years
- 12 members elected per year
- Total members – 92

- Membership honorific with commitment to service



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Current Priority Projects

- Transformation in Medical Education (TIME)
- Multiprofessional undergraduate experience
- Competency-based instruction
- Professionalism
- Decreasing time
- Decreasing cost
- Increasing quality and relevance

1. **U. T. Austin: Discussion and appropriate action to consider recommendation to rename Simkins Hall and Simkins Park**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Powers that the U. T. System Board of Regents rename Simkins Hall and Simkins Park at U. T. Austin as Creekside Dormitory and Creekside Park, respectively.

BACKGROUND INFORMATION

Simkins Hall at U. T. Austin was named by the U. T. System Board of Regents on September 18, 1954, for Mr. William Stewart Simkins, a Law School professor at U. T. Austin from 1899 - 1929. The residence hall was built to house male law and graduate students and is a small, outdated building that will be reviewed in the near future to determine if continued use as a residence is viable.

On March 26, 1976, the Board of Regents named Simkins Park for Judge Eldred Simkins, a member of the Board from 1882-1896. The Park is a small triangle of land near the dormitory.

2. **U. T. Austin: Creation of an advisory council for the School of Undergraduate Studies under Regents' Rules and Regulations, Rule 60302, relating to advisory councils**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Powers that the U. T. System Board of Regents approve the creation and operation of a School of Undergraduate Studies Advisory Council at U. T. Austin.

BACKGROUND INFORMATION

The creation of the School of Undergraduate Studies was approved by the Texas Higher Education Coordinating Board on May 13, 2008. It is an official college-level unit reporting directly to the Executive Vice President and Provost and is the initial home for students who choose not to select a major on applying to U. T. Austin or for those who are admitted to the University but not into the majors they have chosen. The School serves students by sustaining a dynamic common curriculum and by enriching the undergraduate experience through innovative advising, learning communities,

interdisciplinary programs, and undergraduate research. Special advising resources are offered to help new students explore potential majors before making a selection and to support continuing students who are considering a change of major. In Fall 2009, the School of Undergraduate Studies accepted its first cohort of 800 students. With a projected enrollment of 1,500-2,000 in 2010-11, the School would become the sixth largest college at U. T. Austin.

The School of Undergraduate Studies Advisory Council will assist the School in the continuing enhancement and support of its goals, including providing advice and counsel to the Dean, center directors, and the development officer to connect the School's programs and students to the community at-large. The Council will serve as an advocacy group both on and off campus, and will assist in promoting good relations between the School and the rest of the University, the state, and the nation. The Council will generate financial assistance for the School's mission of undergraduate excellence, by taking an active role in private fundraising efforts and by advocating for increased support. By assisting the School's undergraduates in finding internships and other job opportunities, the Council will serve as a liaison with business, industry, and government agencies and will acquaint students with leadership opportunities. The Advisory Council will achieve these aims through a membership of diverse individuals whose stature and contributions will foster valuable connections and bring credit to the School of Undergraduate Studies.

Proposed approval of this advisory council is pursuant to Regents' *Rules and Regulations*, Rule 60302, relating to advisory councils.

3. **U. T. Austin: Approval of a distribution agreement with the Ex-Students' Association granting an exception to the U. T. System Gift Acceptance Procedures regarding regulation of endowment distributions for one endowment**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for External Relations, the Vice Chancellor and General Counsel, and the President of U. T. Austin that the U. T. System Board of Regents determine that distributions from a certain endowment for the benefit of U. T. Austin to the Ex-Students' Association ("Texas Exes") serve the educational purposes of U. T. Austin, and pursuant to Regents' *Rules and Regulations*, Rule 70101, Section 6, directs that such distributions be held and managed by the Texas Exes to provide for scholarships to U. T. Austin students thereby granting an exception to any other provisions of the U. T. System Gift Acceptance Procedures that may be to the contrary. Such determination and direction is conditioned upon the Texas Exes signing an agreement, approved by the Office of External Relations and the Office of General Counsel, with the Board of Regents that, among

other things, maintains sufficient controls by the Board of Regents to ensure that the educational purposes, endowment restrictions, and Texas and federal nondiscrimination restrictions are met.

BACKGROUND INFORMATION

The Ex-Students' Association Endowed Scholarships ("Scholarship") was established by the U. T. System Board of Regents on August 11, 1988, with a \$25,000 gift from the Texas Exes for the award of scholarships to students at U. T. Austin. The funds contributed by the Texas Exes to the Scholarship over the years have come from contributions from local chapters. Contributing local chapters have established local selection committees that award scholarships to graduates from local high schools. Some of the gifts received a 50% match from The Regents' Endowed Student Fellowship and Scholarship Program, a former matching program. The current market value of the Scholarship is approximately \$2,400,000, and U. T. System issues to the Texas Exes about 90 checks a year to fund individual chapter scholarships.

To simplify the administration of the Scholarship, the Texas Exes has requested that the Board of Regents authorize a quarterly distribution from the Scholarship each year to the Texas Exes, which it will hold to fund the scholarship payments for the various scholarship recipients during the year.

The Chancellor, the Vice Chancellor for External Relations, the Vice Chancellor and General Counsel, and the President of U. T. Austin have determined that i) quarterly distributions from the Scholarship directly to the Texas Exes to pool for payment of scholarships for selected U. T. Austin students would serve the educational purposes of U. T. Austin, and ii) quarterly distributions to the Texas Exes to pool for ultimate distribution to numerous scholarship recipients are the most efficient method of administering the endowed scholarship distributions.

4. **U. T. Dallas: Approval to rename streets on campus, including honorific namings for former U. T. Dallas presidents and others who have made significant contributions to U. T. Dallas**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Daniel that the U. T. System Board of Regents approve the renaming of streets on the U. T. Dallas campus to enhance campus navigation and to honor former U. T. Dallas presidents and individuals who have made significant contributions to the institution.

BACKGROUND INFORMATION

Currently, many of the streets names on the U. T. Dallas campus are generic in nature, such as Drive A, Drive E, Drive F, and Drive L. In an effort to make street names more meaningful and memorable, U. T. Dallas is requesting approval to rename some streets for former U. T. Dallas presidents and other individuals who have made significant contributions to the institution. Other proposed street names encompass school spirit or are functional in nature. The proposed names will make streets easier to remember and more easily identified and navigated by visitors and emergency responders.

The following is a listing of proposed street names that would replace selected generic street names as determined by the institution:

- Gifford Avenue, to be named for Dr. Gifford Johnson, a past President of the Graduate Research Center of the Southwest, the precursor for U. T. Dallas. He was a loyal supporter of U. T. Dallas until his death in 2009.
- Johnson Avenue, to be named for the first Acting President of U. T. Dallas, Dr. Francis S. Johnson. Dr. Johnson was an eminent space scientist who served from 1969-1971. He died in 2009.
- Hite Avenue, to be named for Mr. Morris Hite, who served as U. T. Dallas' first development board chair and who was instrumental in securing State approval for U. T. Dallas' establishment and for advancing the School of Management. He died in 1983.
- Jordan Avenue, to be named for President Emeritus Bryce Jordan, the first President of U. T. Dallas who served from 1971-1981. Dr. Jordan was a visionary academic and campus planner who crafted the first strategic plan, which called for an interdisciplinary campus to complement its stellar reputation for science and mathematics.
- Jenifer Avenue, to be named for the third President of U. T. Dallas, President Emeritus Franklyn G. Jenifer, who served from 1994-2005. Dr. Jenifer saw enrollment increase 61% during his tenure and saw a dramatic physical transformation of the campus as major new facilities were constructed.

(Note: Rutford Avenue was named for President Emeritus Robert H. Rutford, the second President of U. T. Dallas who served from 1982-1994.)

- Comet Avenue, Orange Avenue, Green Avenue, and Whoosh Way to be named after the U. T. Dallas Comets (athletic teams) whose colors are orange and green and whose rallying cry is "UTD Whoosh."
- Loop Road for the new loop road to be constructed on the campus to ease traffic flow and enhance safety.

- Various functional names for very short access roads off main streets that lead to buildings, such as "Student Union Road," "Facilities Services Road," "Library Circle," and "Callier Drive," named after the buildings to which the roads provide access.

The proposed namings are consistent with the Regents' *Rules and Regulations*, Rule 80307, Section 4, regarding the naming of streets.

5. **U. T. Health Science Center – San Antonio: Approval to establish a Doctor of Nursing Practice degree program and to submit a change in the institution's Table of Programs to the Coordinating Board for approval**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Henrich that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, be granted to

- a. establish a Doctor of Nursing Practice (DNP) degree program at U. T. Health Science Center – San Antonio; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

In addition, the Coordinating Board will be asked to change the U. T. Health Science Center – San Antonio's Table of Programs to reflect authorization for the proposed DNP program.

BACKGROUND INFORMATION

Program Description

U. T. Health Science Center – San Antonio proposes to offer the new DNP degree program through its School of Nursing. The purpose of the DNP program is to prepare graduates for a tripartite advanced practice, advanced administrative, or public health role. The practice-focused DNP curriculum is based on *The Essentials of Doctoral Education for Advanced Nursing Practice* developed by the American Association of Colleges of Nursing (AACN, 2006). The new DNP degree would replace the current advance practice concentrations in the Master of Nursing (MSN) degree and provides an alternative to the research-focused doctorate (Ph.D.) for nurses who desire a terminal degree in specialty nursing practice.

Need and Student Demand

Advanced practice nurses and leaders in public health organizations play a vital role in the provision of health care in South Texas. However, higher education opportunities for nursing leaders in South Texas are limited, and nursing administrators and advanced practice nurses in South Texas must travel elsewhere to seek DNP education. Focused on indirect and direct care and with seven tracks designed for post-baccalaureate nurses and post-master's nurses in primary and acute care, administrative leaders in hospitals, and public health leaders in other health care settings, the DNP degree proposed by U. T. Health Science Center – San Antonio is expected to draw nursing student recruits and nursing faculty to the medically underserved regions in South Texas while enabling nurses already working in South Texas to seek higher education. Based on a survey including alumni, graduating students, and current students, U. T. Health Science Center – San Antonio estimates there are approximately 300 individuals who are awaiting approval of the DNP degree program.

Program Quality

The focus of the DNP degree program is expected to be core leadership courses in public policy advocacy, improving organizational effectiveness, health informatics, financial and business management, scientific inquiry based on translational science and evidenced-based practice, population-based research, and advanced specialty clinical practice.

All students in the DNP program would complete required core courses and must meet the student learner objectives and the AACN essentials foundational outcome competencies; total semester credit hours would vary by specific track, post-baccalaureate or post-master's entry. The current advanced practice majors would transition to the DNP program, and students in these majors are expected to graduate in the next three years.

The U. T. Health Science Center – San Antonio School of Nursing has 112 faculty members organized into three departments: acute, chronic, and family nursing care. Forty-five faculty members hold doctoral degrees, nine are enrolled in doctoral education, and two are completing DNP programs out-of-state.

Program Cost

During the first two years of operation, the DNP degree program is expected to be sustained financially by a combination of institutional tuition funds and graduate school tuition generated by the School of Nursing Master's and Ph.D. in Nursing programs. The cost for transitioning to the DNP is not expected to increase dramatically and, rather than requesting additional funding, the institution plans on reallocating expenditures to pay the costs to the School of Nursing for the DNP program. Faculty salaries are expected to be the primary cost; secondary costs include program administration, clinical support, and information technology resources.

6. **U. T. System Board of Regents: Approval of proposed appointment of members to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Board of Directors will make recommendations to the U. T. System Board of Regents for the appointment of members to the Audit and Ethics Committee of the UTIMCO Board of Directors.

Members are expected to be appointed by the UTIMCO Board of Directors on July 14, 2010.

BACKGROUND INFORMATION

Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the appointment of members of the Audit and Ethics Committee of the UTIMCO Board of Directors.