

Texas Southern University Endowment Fund



Statement of Investment Policy

I. OVERVIEW

This statement is made in accordance with the fiduciary requirements under the Uniform Prudent Investor Act of 1995 (UPIA) and the Uniform Management of Institutional Funds Act (UMIFA). Its purpose is to establish a clear understanding between the trustees of Texas Southern University, investment manager(s), advisor(s) and service provider(s) regarding the investment policies, goals, and objectives of Texas Southern University.

Texas Southern University dated March 3, 1947, whose legal address is: 3100 Cleburne Street, Houston, Texas, 77004, will hereafter also be referred to as the "Endowment Fund". The Endowment Fund was established to provide financial aid and support for philanthropy to promote social welfare or education, or otherwise to further the Fund in the manner described within the Texas Southern University mission statement, as revised from time to time by the appropriate committee.

The Endowment Fund's assets will be managed by one or more investment manager(s) and/or advisor(s) with full discretion within the boundaries of the investment policy, as selected by the Board of Regents of Texas Southern University. These investment professionals will invest the assigned assets in accordance with this investment policy, objectives, and guidelines.

This statement of objectives and guidelines is intended to provide meaningful guidance in the management of the Endowment Fund's assets and yet not be overly restrictive given changing economic, business, and investment market conditions.

II. STATEMENT OF RESPONSIBILITIES

The Board of Regents directs the investment activities of Texas Southern University. They recognize this responsibility is best performed by directing professional investment manager(s) and advisor(s), rather than by acting as investment manager(s) themselves. Therefore, this will be accomplished by appointing a Chief Investment and Investment Officer to monitor the performance of the investment advisor(s) and manager(s) to ensure that the investment objectives are being met and taking appropriate action if objectives are not being met over a reasonable period of time. The Board of Regents shall designate the CIO and/or IO.

Texas Southern University's assets will be managed by one or more investment manager(s) with full discretion, as selected by the Board of Regents. These investment professionals will invest the assigned assets in accordance with this statement of investment policy, objectives, and guidelines.

The University may contract with external investment managers or advisors to assist the Chief Investment Officer (CIO)/Investment Officer (IO) in execution of duties. Such contract must be approved by the Board of Regents and may not

be made longer than 2 years. Renewal or extension of the contract must be made by the Board of Regents.

The CIO/IO acting in accordance with the written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations reported immediately and the appropriate actions are taken to control adverse developments.

All investment managers and consultants must sign the Investment Policy certification form acknowledging that the business organization has received and reviewed the University's Investment Policy and implemented reasonable procedures and controls.

A. The Board of Regents on behalf of Texas Southern University are responsible for:

1. Approving investment policy, goals, and objectives.
2. Approving qualified investment manager(s) and investment advisor(s).
3. Receive and review reports about the status of the performance of the Endowment Fund's assets.
4. Approving a uniform and appropriate basis for selecting and evaluating the investment manager(s).
5. Appointing a Chief Investment, and Investment Officer to monitor the performance of the investment advisor(s) and manager(s) to ensure that the investment objectives are being met and taking appropriate action if objectives are not being met over a reasonable period of time and the investment advisor(s) and manager(s) are in compliance with the investment policy. The Chief Investment Officer (CIO) and Investment Officer (IO) may make recommendations based on the under-performance over a reasonable period of time and/or failure to comply with the investment policy, to replace the investment advisor(s) and manager(s). The CIO and IO are to ensure that this investment policy statement is updated when appropriate and communicating these changes to the appropriate parties.

B. Conflict of Interest

The Chief Investment Officer and Investment Officer who have a personal business relationship with an organization seeking to sell investments shall file a statement disclosing that personal business interest. Relationships within the second degree of affinity or consanguinity to individuals seeking to sell an investment to the University shall file a statement disclosing that relationship.

C. The **Custodian(s)** of the Endowment Fund's assets is/are responsible for:

1. Safekeeping of Endowment Fund assets.
2. Accounting for the financial positions of the Endowment Fund; presenting income and expenses and identifying the specific assets in the Endowment Fund and their relative proportion to total assets.
3. Ensuring that the Endowment Fund collects income due from investments held and that disbursements are properly authorized.
4. Preparing the proper reports, as required by the Board of Regents.

D. The **Investment Manager(s)** is/are responsible for:

1. Managing the Endowment Fund's assets in accordance with this investment policy statement.
2. Complying with the provisions of the Uniform Prudent Investor Act of 1995 (UPIA) and the Uniform Management of Institutional Funds Act (UMIFA) as they pertain to the duties, functions, and fiduciary responsibilities of the manager and the manager's employees assigned to the Endowment Fund's account.
3. Conforming to the standards and responsibilities as established under the Uniform Prudent Investor Act of 1995 (UPIA), the Uniform Management of Institutional Funds Act (UMIFA), and/or appropriate state regulatory bodies.
4. Acting as the Registered Investment Advisor and serving as the Endowment Fund's Investment Fiduciary, as described under the Uniform Prudent Investor Act of 1995 (UPIA) and the Uniform Management of Institutional Funds Act (UMIFA).
5. Investing the Endowment Fund's assets solely in the best interest of the Endowment Fund with the exclusive purpose of:
 - a. Providing benefits to further the stated mission of the Endowment Fund.
 - b. Defraying reasonable expenses of administering the Endowment Fund.
6. Managing the Endowment Fund's assets assigned within the investment strategy, as originally presented to the Board of Regents of Texas Southern University.

E. Ethics Disclosure

The prospective fund manager(s) and advisor(s) shall have the Form ADV on file with the Securities Exchange Commission prior to selling investments to, or managing investments for Texas Southern University. The Form ADV is required to be filed annually with the Securities Exchange Commission. A copy of the most recent Form ADV must be on file with Texas Southern University. In addition, a statement of any other personal business relationship with Texas Southern University shall be filed disclosing that personal business interest and will be kept on file by Texas Southern University.

III. INVESTMENT OBJECTIVES

A. Safety of principal invested is the foremost objective in the investment decisions of Texas Southern University. Each investment transaction shall seek to ensure the preservation of principal in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this Policy, by qualifying the financial institutions with whom Texas Southern University will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on TSU'S investments.

B. Texas Southern University assets are to be invested in a balanced portfolio composed of equity, fixed income, cash equivalent securities, and other investments as determined by the Board of Regents. As such, the portfolio is intended to be more aggressive than short to intermediate fixed income oriented portfolios and less aggressive than equity only oriented portfolios. In this context, the term "aggressive" relates to such issues as expected long-term rates of return and return volatility, principal volatility, investment vehicles, and diversification among economic and industry sectors and individual securities.

C. These objectives recognize the nature of Texas Southern University, its purpose, and source of funds. Since the Endowment Fund exists for the purpose of providing benefits to philanthropic causes or for otherwise furthering institutional goals as outlined in the mission statement, the assets must be invested in the sole interest and benefit of Texas Southern University in a prudent manner consistent with the provisions of the Uniform Prudent Investor Act of 1995 (UPIA) and the Uniform Management of Institutional Funds Act (UMIFA). Within this framework, the principal investment objectives are:

1. All assets of Texas Southern University, except those needed for benefits currently payable and any short term contingent liabilities, shall be treated as available for long-term investment. Income from these assets should be invested in a manner that would achieve the greatest risk-adjusted total return.

2. The overall investment objective is to achieve a reasonably consistent rate of return on total Endowment Fund assets, with a concern for stability and preservation of principal.

3. When selecting securities, the investment manager(s) or investment advisor(s) without discretion (brokers) are expected to prudently diversify the investments of the Endowment fund consistent with the Endowment Fund's guidelines, thus minimizing the risk of large losses.

D. In order to meet the financial objective stated above, the primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the costs of managing the investment fund, and expressed in real (or inflation adjusted) terms. Given the current University's all inclusive spending rate of 7% (which includes 5% spending rate, 1.5% university advancement assessment, and 0.5% costs of managing the investment fund), the objective of this fund will be to earn a real (inflation adjusted) return of 7.0% when measured over rolling periods of at least five years. It is also understood that due to market conditions there may be five-year periods where this objective is exceeded and purchasing power is enhanced, as well as five-year periods where the objective is not met and purchasing power is diminished. The medium-term objective for the endowment is to outperform each of the capital markets in which assets are invested, measured over rolling periods of three to five years or complete market cycles, with emphasis on whichever measure is longer. In addition, the performance of the overall endowment is expected to be consistently in at least the second quartile of the NACUBO Annual Comparative Performance Survey of all educational endowments over rolling five-year time periods. Thus, the Chief Financial Officer is responsible for allocating assets to segments of the market and to managers who will provide superior performance when compared with both managers of other educational endowments and with capital markets generally.

Finally, the total return of the University's investment portfolio should be evaluated against the return of a composite index consisting of appropriate benchmarks weighted according to the University asset allocation targets.

IV. INVESTMENT POLICY

A. GENERAL

1. The assets must be invested in compliance with:

- The Uniform Prudent Investor Act of 1995 (UPIA) as amended
- The Public Funds Investment Act
- The written investment policy statement of Texas Southern University

2. The investment manager(s) is/are granted full investment discretion regarding the purchase and sale of individual securities, which is consistent with the described objectives and directives of the Endowment Fund trustees.

3. The investment manager(s), as the Endowment Fund's investment fiduciary, is/are responsible for the purchase and sale of such securities as they are so entrusted.

4. The investment manager(s) is/are not permitted to deviate from specifically announced investment strategies without prior written approval of the Board of Regents (e.g. fixed income only managers are not to purchase equity or convertible securities, and domestic equity only managers are not to purchase international stocks or U.S. Government bonds).

5. The assets of the Endowment Fund shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibilities. The safeguards which guide a prudent investor shall be observed.

6. All equity, fixed income, and cash equivalent assets must have readily ascertainable market values from commonly accepted market sources, and be readily marketable.

7. Preservation of capital is the primary long-term investment objective for the portfolio. Therefore, capital gains are to be protected once earned. As an example, during periods of protracted market declines, cash may be raised up to the maximum permissible level so that the potential for capital losses is reduced.

8. In order to preserve purchasing power parity, the Endowment's spending policy shall not exceed 5%. The calculation of the 5% spending rate will be based upon a three year moving average of the Endowment Fund earnings—with the most recent year removed.

The 5% annual spending rate is required to be applied to each individual endowment. The University will calculate the average market value based upon the time period that these endowments are in existence.

9. The asset value of the portfolio, exclusive of contributions or withdrawals, is expected to increase in value over a period of years.

10. Realization of gains or losses should be reviewed solely in terms of investment merits and long-term expectations.

11. Prohibited alternative investments shall include, but not be limited to, investments in:

- Managed Futures Funds
- Energy Investment Funds
- Life Insurance Contracts
- Tangible Assets (Gold & Silver)
- Equity Long Short Funds
- Equity Market-Neutral Funds
- Equity Pairs Trading Funds

- Equity Arbitrage and Merger Arbitrage Funds
- Event-Driven Strategy Funds
- Fixed Income/Mortgage Arbitrage Funds
- Emerging Markets Funds
- Distressed Securities Funds
- Global Macro Funds

12. In addition to the equity securities and fixed income securities, as discussed in section D and section E, acceptable alternative investments may also include:

- Real Estate (REIT's)
- Venture Capital Investment Funds
- Funds of Funds
- Convertible Bond Strategy Funds

13. Texas Southern University has determined that lending and/or hypothecation of assets by its custodian(s) is permissible as an additional means of portfolio income and to reduce normal portfolio expenses. Such arrangements shall be described by a written agreement between the Endowment and the custodian(s).

B. PORTFOLIO YIELD AND CASH FLOW

Market conditions permitting, cash flow from interest and dividends for the total portfolio should be in the range of two to four percent (2-4%).

C. PORTFOLIO LIQUIDITY

1. Investments in cash and cash equivalents should be in the minimum range of five to twenty percent (5-20%).

D. FIXED INCOME INVESTMENTS

1. Acceptable fixed income investments.

a. Fixed income securities are securities that pay and/or accrue interest and/or dividends. Examples of fixed income securities would be U.S. Treasury obligations, obligations of government-sponsored enterprises, federal agency obligations, domestic corporate debentures, notes and preferred stock (unless otherwise specified below and within the minimum quality rating as stated in #3 of this section), commercial paper, commercial bank certificates of deposit, money market funds, and investment company funds which invest in the above. Fixed income securities allowed may include the following:

- U.S. Government Treasury Obligations
- U.S. Government Agency Obligations

- Corporate Bonds, Debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to graduations within those categories
- Guaranteed Interest Contracts (GIC's)
- Hi-Yield, Lower Quality Corporate Bonds
- Foreign Government Bonds
- Foreign Corporate Bonds
- Cash Management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501 (f), Internal Revenue Code of 1986 (26 U.S.C. 501(f))
- Negotiable Certificates of Deposits issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency

b. Prohibited fixed income investments shall include, but not be limited to:

- Fixed Income Annuities
- Yield Enhancement Techniques (options and futures)

2. Fixed income securities are to be selected and managed as to ensure an appropriate balance of quality, maturity, and coupon. This balance should be consistent with current market and economic conditions, as well as this document.

3. The minimum rating for investments in interest bearing obligations shall be “Baa” and Commercial Paper “A1,P1”.

4. Convertible securities shall be considered equity derivatives, and as such, shall not be an acceptable investment in the fixed income allocation.

5. Average bond duration of the portfolio is expected to be less than 5 years.

6. Prohibited fixed income investments.

The fixed income manager(s) are prohibited from investing in fixed income derivative securities, which are designed to enhance or magnify price movements in relation to underlying markets. The investment managers are authorized to invest in securities such as: the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and non-U.S. Government or Agency sponsored collateralized and asset backed securities. Furthermore, such securities must meet the additional restrictions within this statement. Additionally, such securities must have a

readily ascertainable market valuation from multiple recognized sources and be readily liquid.

E. EQUITY SECURITIES

1. Equity securities investments are to be selected, and consistently applied, on the basis of the criteria and declared strategy of the investment manager (i.e. growth managers buy growth equities and value managers buy value equities). The investment manager(s) is/are directly responsible for the purchases and sales of such investments, under the discretion granted within the investment manager contract.

2. Equity securities are defined to include convertible issues as well as common stocks and shall be acceptable investments within the equity securities category. Equity securities may include common or convertible preferred stock, convertible debentures, or investment company funds which invest in the above. Receipt of stock rights or warrants from existing equity holdings may be held, or sold, solely at the discretion of the investment manager(s).

3. Funds available for investment in equity securities may be temporarily invested in short-term U.S. Treasury obligations, short-term obligations of government-sponsored enterprises, federal agencies, commercial paper, commercial bank certificates of deposit, money market funds, and other generally accepted money market instruments.

4. The list of acceptable equity alternatives and prohibited equity securities are:

a. Additional equity alternatives that are acceptable may include:

- Large Cap Domestic Equities (S&P 500)
- Medium Cap Domestic Equities (Russell 1000)
- Small Cap Domestic Equities (Russell 2000)
- Equity Mutual Funds/Co-Mingled Funds
- Equity Rights and Warrants
- Global Equity Funds
- International Equities
- Index Funds/Exchange Traded Funds (ETF's)
- Stock/Index Options (Hedging)
- Hedge Fund Investment

b. Prohibited equity alternatives shall include, but not be limited to:

- Variable Annuities

- Stock/Index Options (Speculation)
- Margin Trading
- Short Selling

5. The Board of Regents has determined that the investment manager(s) are to vote the shareholders' proxies. Such voting is to be solely in the best interest of Texas Southern University within the given stated policy, goals, and objectives. It is further expected that each of the investment manager(s) will report back to the Board of Regents, on an annual basis regarding the results of these proxy votes.

F. PORTFOLIO DIVERSIFICATION

1. General

a. The strategic asset mix (minimum and maximum allocations) of fixed income, equities, alternative investments, and cash equivalents shall be at the discretion of Texas Southern University trustees, and be reflected within this investment policy statement.

b. At this time the total portfolio allocations are a stated maximum of:

Investment Type	Allocation Maximum
Domestic Equity Investments	75%
Domestic Fixed Income Investments	75%
Cash Equivalent Investments	20%
Global/International Fixed Income Investments	15%
Global/International Equity Investments	15%
*Alternative Investments	15%

* Denotes Alternative Investments as stated in Section IV (A) 11 and 12

c. At this time, the total portfolio allocations are a stated minimum of:

Investment Type	Allocation Minimum
Domestic Equity Investments	25%
Domestic Fixed Income Investments	25%
Cash Equivalent Investments	5%
Global/International Fixed Income Investments	0%
Global/International Equity Investments	0%
*Alternative Investments	0%

* Denotes Alternative Investments as stated in Section IV (A) 11 and 12

d. On an annual basis (or more frequently if determined necessary), the Board of Regents will re-assess and re-balance, in accordance with this statement, Endowment Fund assets as deemed necessary.

e. No more than ten percent (10%) of the total Endowment Fund assets shall be invested in the securities (equities, debentures, preferred stock) of one issuing corporation at the time of purchasing (excluding U.S. Government and U.S. Government Agency debt).

f. No more than twenty percent (20%) of the market value of total Endowment Fund assets should be invested in any one industry sector (excluding U.S. Government and U.S. Government Agency debt).

2. Equity Investments

A. Rebalancing

1. It is generally expected that no more than five percent (5%) of a manager's assigned assets shall be invested in one issuing company at the time of purchase. Any one industry sector that becomes more than twenty percent (20%) of an equity portfolio, due to its price appreciation, shall have shares sold to reduce it back to the maximum initial exposure of twelve percent (12%).

2. It is generally expected that the investment manager(s) will not exceed individual industry sector weighting by more than twenty percent (20%) compared to the relevant Benchmark Index. If sector holdings exceed the 20% threshold, then the investment manager shall sell shares to reduce it back to the policy guidelines.

B. Asset Allocation

At this time, the total allocations of all domestic equities are a stated maximum of:

- Forty percent (40%) Large/Mid Capitalization Domestic Equity
- Ten percent (10%) Mid/Small Capitalization Domestic Equity
- At this time, the total allocations of all domestic equities are a stated minimum of:
 - Twenty percent (20%) Large/Mid Capitalization Domestic Equity
 - Zero percent (0%) Mid/Small Capitalization Domestic Equity
- Typically, the securities in each equity portfolio should number at least 25 issues.

Large and mid-cap equities are defined as the 1000 largest companies traded in the United States, while small cap equities are considered to be the next 2000 stocks in terms of size. This characterization is compatible with the constitution of the Russell 1000, Russell 2000 and Russell 3000 Indexes.

3. Fixed Income Investments

- a. The fixed income portfolio manager(s) is/are expected to diversify corporate debt investments, or to purchase those investments which themselves are diversified, across a prudently constructed portfolio.
- b. Excluding U.S. Government and U.S. Government Agency securities, fixed income securities exceeding one year in maturity are not to exceed twenty percent (20%) of an individual portfolio's assets in one corporation or industry sector.

V. INVESTMENT PERFORMANCE EXPECTATIONS

A. TOTAL PORTFOLIO

In order to meet the financial objective, the primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus the costs of managing the investment fund, and expressed in real (or inflation adjusted) terms. Given the current University's all inclusive spending rate of 7% (which includes 5% spending rate, 1.5% university advancement assessment, and 0.5% costs of managing the investment fund), the objective of this fund will be to earn a real (inflation adjusted) return of 7.0% when measured over rolling periods of at least five years. It is also understood that due to market conditions there may be five-year periods where this objective is exceeded and purchasing power is enhanced, as well as five-year periods where the objective is not met and purchasing power is diminished. The medium-term objective for the endowment is to outperform each of the capital markets in which assets are invested, measured over rolling periods of three to five years or complete market cycles, with emphasis on whichever measure is longer. In addition, the performance of the overall endowment is expected to be consistently in at least the second quartile of the NACUBO Annual Comparative Performance Survey of all educational endowments over rolling five-year time periods. Thus, the Chief Financial Officer is responsible for allocating assets to segments of the market and to managers who will provide superior performance when compared with both managers of other educational endowments and with capital markets generally.

Finally, the total return of the University's investment portfolio should be evaluated against the return of a composite index consisting of appropriate benchmarks weighted according to the University asset allocation targets.

At least 2 of the 3 investment goals, as described below, are to be achieved over a period of ten years or more.

1. Absolute annualized total returns of the Endowment Fund's assets are to equal or exceed eight to ten percent (8-10%) over a period of ten years or more. One, three, and five year returns rolling quarterly shall be used as

interim measures to determine appropriate returns for different investment horizons.

2. Investment returns shall be above the median return of similarly balanced portfolios (equities, bonds, and cash). This performance criterion is to be achieved over a period of one, three and five years, rather than the ranking in any one year.

3. Volatility, as measured by standard deviation, shall be kept within the historical range of similarly styled balanced growth portfolios. In any event, portfolio volatility should not exceed a relevant index standard deviation over an 18-month timeframe without a commensurate increase in the total portfolio return.

B. FIXED INCOME ASSETS

At least 2 of the 4 investment goals, as described below, are to be achieved over a period of ten years or more.

1. The total fixed income component is to equal or exceed the return of whichever is the most appropriate index(es) as determined by the portfolio allocations, net of management fees, over a period of ten years or more. One, three, and five year returns rolling quarterly shall be used as interim measures to determine appropriate returns for different investment horizons.

2. The absolute annualized total rate of return for the fixed income portfolio are expected to equal or exceed six to seven percent (6-7%) over a period of ten years or more.

3. The risk-adjusted returns of the fixed income manager(s) should be above the median returns of similarly styled fixed income manager(s) on an annual basis.

4. Volatility, as measured by standard deviation, shall be kept within the historical range of similarly styled balanced growth portfolios. In any event, portfolio volatility should not exceed a relevant index standard deviation over an 18-month timeframe without a commensurate increase in the total portfolio return.

C. EQUITY ASSETS

At least 2 of the 4 investment goals, as described below, is/are to be achieved over a period of ten years or more.

1. The total rate of return of the equity component is to equal or exceed whichever is the most appropriate index over a period of ten years or more. One, three, and five year returns rolling quarterly shall be used as interim measures to determine appropriate returns for different investment horizons.

2. The absolute annualized total rate of return for the equity manager(s) is to equal or exceed ten to twelve percent (10-12%) over a period of ten years or more.
3. The risk-adjusted returns of the equity manager(s) should be above the median returns of similarly styled equity manager(s) on an annual basis, net of all fees.
4. Volatility, as measured by standard deviation, shall be kept within the historical range of similarly styled balanced growth portfolios. In any event, portfolio volatility should not exceed a relevant index standard deviation over an 18-month timeframe without a commensurate increase in the total portfolio return.

D. PERFORMANCE BENCHMARKS

All investments of the Endowment Fund portfolio must use at least one of the following relative bench marks for performance measurement:

Investment Type	Benchmark
Equities	S&P 500 Russell 3000 Russell 2000 Russell 1000 Growth Index
Fixed Income	Barclays Aggregate Barclays 1-3 Yr Government Barclays High Yield Barclays Government/Corporate Bond Index
Cash	Salomon Brothers 3 Month T-Bill

VI. REPORTING

A. The Chief Investment Officer is required to report to the Board of Regents on a quarterly basis the current investment position of the university using the university’s fiscal year end date of August 31 prepared in accordance with GAAP. The report will include the following defined criteria:

- The quarterly investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner which will allow the University to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the Board of Regents. Additionally, this report will comply with any requirements mandated by any laws of the State of Texas. The report will include but not be limited to the following:

- A listing of individual securities held at the end of the reporting period.
 - Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period.
 - Additions to the Endowment and changes to the market value during the period.
 - Account, fund, or pooled group fund.
 - Average weighted yield to maturity of portfolio as compared to applicable benchmark.
 - Listing of investments by maturity date.
 - Fully accrued interest for the reporting period
 - The percentage of the total portfolio which each type of investment represents.
 - Statement of compliance of the University's investment portfolio with state law and the investment strategy and policy approved by the Board of Regents.
- B. The investment manager(s) is/are required to submit any information necessary to prepare quarterly reports or reports in addition to the requirements stated in Section VI (A). Quarterly report information will be required to be submitted within forty-five days after a current fiscal quarter has ended.

VII. COMMUNICATIONS

- A. The investment manager(s) is/are required to be available to meet with Texas Southern University at least semiannually, unless otherwise directed.
- B. Any significant change in investment strategy by the investment manager(s) should be communicated to Texas Southern University in writing, for approval, prior to the enactment of the strategy.
- C. Any significant changes in investment professionals within the investment management firm or those assigned to this account should be communicated to Texas Southern University within thirty days for their approval.
- D. Performance results, portfolio listings, valuations, and transaction summaries consistent with the American Institute of Management and Research (AIMR) guidelines should be provided promptly on a quarterly basis.

VIII. PERFORMANCE REVIEW

The Board of Regents of Texas Southern University may request that performance reports be prepared by an independent agency on a quarterly basis, to ascertain current and long-term absolute levels of achievement toward the stated goals. Further comparisons will be made on a relative basis to general market indices and other managed fund results.

XI. REVISIONS

This statement will be reviewed annually by the Board of Regents of Texas Southern University and any appropriate modifications will be made. It is the responsibility of Board of Regents to communicate such revisions, in writing, to the investment manager(s) and advisor(s) within thirty days. Texas Southern University investment policy statement of investment goals and objectives is hereby approved on 11/16/2008 by a majority of the trustees of Texas Southern University.

Signature

Print Name

FOR THE ENDOWMENT FUND INVESTMENT MANAGERS

I hereby acknowledge and accept receipt of Texas Southern University investment goals and objectives policy statement dated 3/3/1947 (date of approval by the Board of Regents). I have read, understood, and will comply with all approved sections. Furthermore, it is understood by all parties that I, as a representative of my firm, will exercise the care, skill, prudence, and diligence under prevailing circumstances that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims. The aforementioned firm that I represent is a registered investment advisor under the Securities Act of 1940 and will serve as an investment fiduciary for the Endowment Fund under the Uniform Prudent Investor Act of 1995 (UPIA) and the Uniform Management of Institutional Funds Act (UMIFA).

Signature of Principal of
The Investment Firm

Print Name

Title

Firm Name

Today's Date

Firm Address

Phone Number

FOR THE ENDOWMENT FUND SERVICE PROVIDERS

I hereby acknowledge and accept receipt of Texas Southern University investment goals and objectives policy statement dated 3/3/1947 (date of approval by the Board of Regents).

Signature

Print Name

Title

Firm Name

Today's Date

Firm Address

Phone Number

RECOMENDATION FOR THE IMPLEMENTATION OF OUR INVESTMENT POLICY STATEMENT

In order to implement your investment policy statement, the following steps are recommended:

1. Each member of the Board of Regents of Texas Southern University should independently review this statement.
2. This investment policy statement should then be discussed amongst the trustees concerning any necessary changes.
3. This investment policy statement should be voted upon and when approved, the vote should be noted in the Endowment Fund sponsor's minutes or written consent.
4. The investment policy statement should then be dated and signed by all Endowment Fund Board of Regents members, and included within the Endowment Fund sponsor's minutes or written consents.
5. Each service provider to the Endowment Fund (custodian, portfolio manager, investment advisor, investment consultant, broker, and actuary) should sign the receipt of and the acknowledgement of this investment policy statement. These acknowledgements should be included within the Endowment Fund sponsor's minutes or written consents.

EXHIBIT A



In accordance with sec. 2256.023 of the Public Funds Investment Act, It is hereby certified that this Quarterly Investment Report for the quarter ended, _____, _____ was jointly prepared by all Investment Officers, and Fund Managers for Texas Southern University in accordance with the university Endowment and Investment Policies.

FUND MANAGER

Gray & Company

Date

CHIEF INVESTMENT OFFICER Jim C. McShan, Chief Financial Officer

Date

INVESTMENT OFFICER Darrell Dortch, Executive Director, Budget and Treasury

Date

EXHIBIT B

**Office of Compliance
TEXAS SOUTHERN UNIVERSITY
Due Diligence Profile**

Please complete the due diligence questionnaire below as it pertains to your business. We request you respond to each question as accurately as possible.

1. Business/Entity Name, Address and EIN/TIN:

COMPANY NAME
COMPANY ADDRESS
CITY, STATE, ZIP
Tax I.D. #: _____

2. Description of Business/Entity:

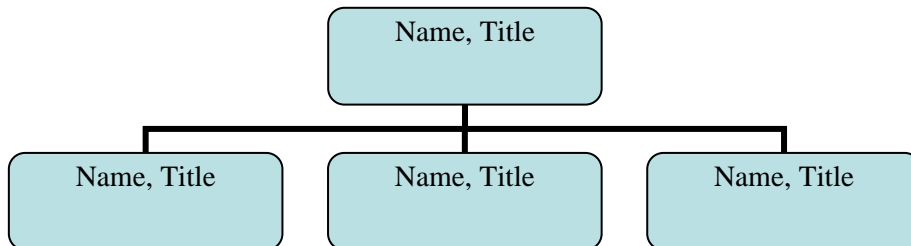
Corporation Partnership Sole Proprietorship
Affiliation

Other Please explain: _____

3. State the number of years (months if less than one year) the entity has been in existence?

RESPONSE:

4. Attach a copy of your organizational chart of Key Executive Administration/Personnel to accompany the above information:



5. Please provide a copy of your most recent audited financial statements, disclosures, and the opinion issued. If the financial statements have not been

audited, please submit your income statements and balance sheets for the past three years PLUS federal tax returns for the past two years.

RESPONSE:

6. Attach a copy of all relevant certificates of insurance and letter of bondability.

RESPONSE:

7. Litigation:

Within the last five years, has your business, any predecessor of your business, or any member of your business:

- a. Been the subject of any disciplinary action by court, professional organization or regulatory agency? Yes No If yes, please describe: _____

- b. Been a party to any litigation directly or indirectly related to the conduct of your business? Yes No If yes, please describe: _____

- c. Is your business, predecessor of your business, or any member of your business currently a party to any litigation that is in progress? Yes No
If yes, please describe: _____

8. Parent/Subsidiary companies and or other company affiliations. Please include address, organizational structure and contact information:

RESPONSE:

9. Please provide the following information for the “ultimate” owner(s) of the bidding entity:

Name	Ownership Description (Principal/Associate, General/Limited Partner, etc...)	Board Member (Position / Title)	% Interest or Ownership in Business

10. Conflict of Interest

Section 51.923 of the Texas Education Code, Contracts between Institutions of Higher Education and Corporations, provides an exception to the common-law rule invalidating contracts in which a member of the governing board of an institution of higher education is pecuniarily interested. The governing board of an institution of higher education may enter into a contract or another transaction with a for-profit corporation even though one or more members of the institution’s governing board also serves as a stockholder or director of the corporation, provided that no member of the governing board owns or has a beneficial interest in more than five percent (5%) of the corporation’s outstanding capital stock and further provided that the contract or transaction is: (1) an affiliation, licensing, or sponsored research agreement; or (2) awarded by competitive bidding or competitive sealed proposals.

Furthermore, in accordance with Section 51.923 of the Texas Education Code, a Board Member with an interest in the contract or transaction must be disclosed and shall refrain from voting on the contract or transaction.

Therefore, please disclose if any Member of the TSU Board of Regents, President or Executive Administration that has an interest of more than five percent (5 %) in your business/entity:

Name	Position or Title	% Interest and/or Affiliation

CERTIFICATION OF QUALIFICATIONS:

I, the undersigned certify under penalty of law that the above and foregoing information for (COMPANY NAME) is true and correct representation and complete disclosure of the facts to the best of my knowledge.

Please sign below as the designated Representative/Agent of your business:

SIGNATURE

DATE

NAME (Typed)

TITLE