

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

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 9:05 a.m. on the **23rd day of April 2009**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Erle Nye, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded.

Participating in the meeting were the following members of the Board:

Erle Nye, Chairman
J. Philip Ferguson, Vice Chairman
Francisco G. Cigarroa, M.D., Vice Chairman for Policy
Clint Carlson
Paul Foster
Colleen McHugh
Ardon E. Moore

Accordingly, a majority and quorum of the Board was in attendance. Directors Janiece M. Longoria and Charles W. Tate did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director - Private Markets; Bill Edwards, Managing Director - Information Technology; Uzi Yoeli, Director – Portfolio Risk Management; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP; Jim Phillips, Philip Aldridge, Charlie Chaffin, William Huang, Moshmee Kalamkar, Miles Ragland, Roger Starkey, Barry McBee and Anthony deBruyn of UT System Administration; Bruce Myers and Hamilton Lee of Cambridge Associates; and Greg Anderson of Texas A&M University System. Mr. Nye called the meeting to order at 9:05 a.m.

Minutes

The first matter to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on February 5, 2009 and February 12, 2009. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the meetings of the Board of Directors held on **February 5, 2009 and February 12, 2009**, be, and are hereby, approved.

Corporate Resolutions

Mr. Nye recommended approval of two corporate resolutions to appoint Corporation Officers and designate Key Employees for the ensuing year. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

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

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

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

<u>Name</u>	<u>Title</u>
Bruce Zimmerman	CEO and Chief Investment Officer
Cathy Iberg	President and Deputy CIO
Lindel Eakman	Managing Director – Private Markets
Bill Edwards	Managing Director - Information Technology
Joan Moeller	Managing Director - Accounting, Finance and Administration
Mark Warner	Senior Director – Natural Resources Investments
Bob Schau	Senior Director – Real Estate Investments
Russ Kampfe	Senior Portfolio Manager - Fixed Income Investments
Harland Doak	Portfolio Manager - Fixed Income Investments
Susan Chen	Director – Public Markets Investments
Debbie Childers	Manager - Portfolio Accounting and Operations
Gary Hill	Manager - Investment Reporting
Melynda Shepherd	Manager - Finance and Administration
Cissie Gonzalez	General Counsel and Chief Compliance Officer
Mark Newcomb	Senior Associate – Public Markets Investments
Amanda Hopper	Associate – Public Markets Investments
Christy Wallace	Executive Assistant

Also recommended for approval by Mr. Nye was a resolution of appreciation honoring Robert B. Rowling. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, in recognition of his substantial background and expertise in business and investments, Robert B. Rowling was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2004, and was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") in 2005, and was reappointed by the Board of Regents to serve a second term on the UTIMCO Board in 2007; and

WHEREAS, Mr. Rowling was elected Vice Chairman of the UTIMCO Board in 2006 and Chairman in 2007 and again in 2008; and

WHEREAS, Mr. Rowling served as Chairman of the Policy Committee and Member of the Board's Audit and Ethics Committee, Compensation Committee and Advisory Search Committee; and

WHEREAS, as Vice Chairman and Chairman of the Board and as Chairman of the Policy Committee and Member of the Board's Audit and Ethics Committee, Compensation Committee and Advisory Search Committee, Mr. Rowling provided invaluable insight and counsel, drawing on his immense business experience as owner and Chairman of TRT Holdings, Inc., a privately owned, diversified holding company located in Irving, Texas, which owns Omni Hotels, luxury hotels and resorts for which Mr. Rowling serves as Chairman, Tana Exploration Company LLC, an independent oil and gas exploration company for which he oversees its active oil and gas exploration program in the Gulf of Mexico, and significant ownership interests in Gold's Gym International, Waldo's Dollar Mart in Mexico, numerous public companies, and various real estate ventures; and

WHEREAS, Mr. Rowling's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work with The University of Texas System, including as a past member of the advisory councils for the Longhorn Foundation and the Red McCombs School of Business at The University of Texas at Austin, his service on the national board of trustees for Young Life, a Christian nonprofit organization committed to middle school and high school ministries, and his service as chair of Southern Methodist University's Willis M. Tate Distinguished Lecture Series, one of the country's leading forums for intellectual inquiry; and

WHEREAS, Mr. Rowling's unselfish contributions are also evidenced in the corporate arena, by his service on numerous boards, including NationsBank of Texas, the J.G. Boswell Company, The University of Texas M.D. Anderson Cancer Center Board of Visitors, the St. Paul and Zale Lipshy University Hospitals, and as past Chairman of the Corpus Christi Area Economic Development Corporation; and

WHEREAS, in recognition of his substantial accomplishments Mr. Rowling has been honored for his professional success and civic awareness as an inductee

into the Texas Business Hall of Fame in October 2003 and a recipient of the 2003 Distinguished Alumni Award from the Dedman School of Law at Southern Methodist University; and

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

WHEREAS, much of the credit for UTIMCO's success is directly attributable to Mr. Rowling's leadership, judgment, and commitment; and to the great regret of the UTIMCO Board and Staff, Mr. Rowling resigned from the UTIMCO Board effective February 5, 2009; **NOW, THEREFORE**,

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

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

PASSED AND ADOPTED this 23rd day of April, 2009.

Endowment and Operating Funds Update

Mr. Nye asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman reported the net asset value and performance numbers as of February 28, 2009. The net performance for the one-month period ended February 28, 2009, for the Permanent University Fund (PUF) was -4.47% and for the General Endowment Fund (GEF) was -4.51%, versus benchmark returns of -4.44% for each fund. The net performance for the one-year period ended February 28, 2009, for the PUF and GEF were -30.64% and -30.74%, respectively, versus benchmark returns of -33.16% for each fund. The Intermediate Term Fund's (ITF) performance was -4.22% versus its benchmark return of -5.17% for the one-month period, and was -28.05% versus its benchmark return of -31.14% for the one-year period ended February 28, 2009. Performance for the Short Term Fund (STF) was 0.08% versus 0.02% for its benchmark return for the one-month period, and was 2.44% versus a benchmark return of 1.41% for the one-year period ended February 28, 2009. Mr. Zimmerman reviewed portfolio policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from

policy targets within tactical policy ranges. Mr. Zimmerman reviewed the Funds' asset class and investment type targets, ranges and performance objectives. Mr. Zimmerman asked Ms. Iberg and Staff to report on both the More Correlated and Constrained portfolio and the Less Correlated and Constrained portfolio. Mr. Eakman and Staff presented the Private Investments portfolio update. Mr. Zimmerman, Ms. Iberg and Mr. Eakman answered the Directors' questions.

At 10:40 a.m. the open meeting of the Board recessed into a Briefing Session pursuant to Texas Education Code Section 66.08 (h)(2) related to Investments.

The open meeting of the Board reconvened in open session at 11:55 a.m.

Mr. Zimmerman continued the Endowment and Operating Funds update by presenting risk analytics, a report on derivatives and counterparties, manager exposure, investment activity as of February 28, 2009, and gave an update on liquidity, contracts and the Intermediate Term Fund. Mr. Zimmerman answered the Directors' questions.

The meeting was recessed at 12:30 p.m. Dr. Cigarroa left the meeting at this time. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:00 p.m.

Report on Factor Analysis

Mr. Nye asked Mr. Yoeli to give his presentation on the effects of economic growth and inflation on asset class returns. Mr. Yoeli presented an analysis of the effects of economic growth and inflation on the Portfolio, based on historical data from 1978 to the present. The presentation examined the portfolio under various scenarios including Rising Growth with Falling Inflation, Falling Growth with Rising Inflation, Rising Growth with Rising Inflation, and Falling Growth with Falling Inflation considering GDP, unemployment, CPI, and hourly wages. The current economy is in the Falling Growth with Falling Inflation environment and from this analysis Mr. Yoeli suggested that the current environment might warrant a tilt toward Fixed Income (both Investment Grade and Credit), as they provide better risk-adjusted returns. Mr. Zimmerman explained the inflation insurance that had been purchased for the portfolio and mentioned possible strategies the Staff may recommend in the future as added protection for the portfolio in the event of increased inflation. Mr. Zimmerman and Mr. Yoeli answered the Director's questions.

Risk Committee Report

Mr. Nye asked Mr. Ferguson to report on the last meeting of the Risk Committee in the absence of Mr. Tate, Chair of the Risk Committee. Mr. Ferguson stated that the Risk Committee last met on April 16, 2009. He reported that the Risk Committee reviewed compliance reporting, reviewed and discussed risk reporting, and discussed and approved mandate categorizations. Mr. Zimmerman reviewed the report made to the Committee. During the quarter ended February 28, 2009, the Private Investments continued to exceed its asset allocation ranges for both the Permanent University Fund (PUF) and General Endowment Fund (GEF), More Correlated and Constrained (MCC) for the GEF was slightly below its minimum range, and Investment Grade Income for the PUF remained above their maximum range set by the Investment Policy Statements. These were all reported and managed as per policy requirements. No additional Private Investments were made during the reported quarter. As of March, Private Investments was back within range and MCC was back above minimum. Investment Grade Income for the PUF remained above

its maximum range in March but Staff projects that this will correct itself. The Intermediate Term Fund's (ITF) risk capacity fell below its minimum as set by the Investment Policy Statement. This was reported and managed as per policy requirements. Mr. Ferguson asked Ms. Gonzalez to give a report on the Institutional Compliance Program Quarterly Report for the Quarter Ended February 29, 2009, and she gave a summary of reviews she had performed as Chief Compliance Officer, with no significant findings. Mr. Ferguson reported that the Committee reviewed the categorization of four new investment mandates, re-categorization recommendations and the annual review of existing mandate categorizations. The new mandate categorizations prepared by staff were for the period from January 16, 2009 to April 8, 2009. The Committee heard the report on Factor Analysis that Mr. Yoeli just presented. The Committee also discussed and approved the following distribution rates for fiscal year ending August 31, 2010: 1) the distribution from the PUF to the Available University Fund be decreased by 2.7% from \$530,930,622 to \$516,419,406; 2) the distribution rate for the PHF be increased from \$0.0528 per unit to \$0.0541 per unit; 3) the distribution rate for the LTF be increased from \$0.3024 per unit to \$0.3098 per unit; and 4) the distribution rate for the ITF remain at 3.0% per annum, subject to approval by the Board and the UT System Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the annual distribution amount for the Permanent University Fund be decreased from \$530,932,622 to \$516,419,406 for fiscal year 2009, effective with the September 1, 2009 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0528 per unit to \$.0541 per unit for fiscal year 2010, effective with the November 30, 2009 quarterly distributions; the Long Term Fund be increased from \$0.3024 per unit to \$0.3098 per unit for fiscal year 2010, effective with the November 30, 2009 quarterly distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2010, effective with the September 1, 2009 monthly distributions.

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund and the distribution rates for the Permanent Health Fund, Long Term Fund, and Intermediate Term Fund be, and are hereby, approved subject to approval by the Board of Regents of The University of Texas System.

Information Technology Peer Review Presentation

Mr. Nye asked Mr. Edwards to explain the Corporation's information technology platform. Mr. Edwards introduced the Information Technology staff members and provided detail on the technology platform. He also provided comparisons and results from an Information Technology peer review that was held on March 23 and 24, 2009, with participants including Harvard, University of California and Notre Dame. Mr. Edwards and Mr. Zimmerman answered the Directors' questions.

Legislative Update

Mr. Nye asked Mr. McBee, UT System Vice Chancellor for Governmental Relations, to give a legislative update. Mr. Nye and Mr. Zimmerman voiced their appreciation to Mr. McBee, Mr. Starkey and Mr. Steve Collins for the hard work and support they have given over the past several weeks regarding governmental

relations. Mr. McBee gave an update to the Board on the status of legislation in the 81st Regular Legislation Session of interest to the Corporation.

Organization Update

Mr. Nye asked Mr. Zimmerman to give an update on the Corporation's activities. Mr. Zimmerman compared the 2nd Quarter of the 2009 Fiscal Year Actual vs. Budget, and provided an update of several Staff projects. Mr. Aldridge and Mr. Chaffin noted that the relationships between UT System offices and the Corporation were better than ever, and Mr. Foster acknowledged that the relationship is also good with the UT System Board of Regents. Mr. Zimmerman answered the Directors' questions.

Executive Session

Mr. Nye, at 2:36 p.m., announced that, "The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session to deliberate individual personnel compensation matters related to the CEO and Chief Investment Officer. This Executive Session meeting of the Board is authorized by *Texas Government Code* Section 551.074. The date is April 23, 2009, and the time is now 2:36 p.m." Dr. Cigarroa re-joined the meeting at this time. Attendees other than the Board members and external legal counsel left the meeting at this time.

Reconvene in Open Session

The Board reconvened at 3:19 p.m. in open session and Mr. Nye announced that, "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is April 23, 2009, and the time is now 3:19 p.m. During the Executive Session, the Board deliberated individual personnel compensation matters related to the CEO and Chief Investment Officer, but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

Mr. Nye called on Mr. Ferguson to propose a resolution on behalf of the Compensation Committee related to the voluntary deferral of a performance incentive award. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Board of Directors of UTIMCO approve a letter agreement with the CEO and Chief Investment Officer pursuant to which the CEO and Chief Investment Officer would voluntarily defer 63% of his Paid Performance Incentive Award (i.e., seventy percent of any Performance Incentive Award to which CEO and Chief Investment Officer would be entitled), if any, for the Performance Period ended June 30, 2009.

Educational Program for Board

Mr. Nye asked Mr. Turner to present the "Educational Program for UTIMCO Directors" to the Board. Mr. Turner stated that the Investment Management Services Agreement between the UT System Board of Regents and the Corporation requires that the Corporation provide training and education to members of the Board as may be determined in consultation with UT System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and matters related to the legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully. Although Board training is provided during an orientation session when new members of the Board are selected, Mr. Turner's presentation will serve as an update and a resource for current Board members.

Audit and Ethics Committee Report

Mr. Nye presented a report on behalf of the Audit and Ethics Committee. Mr. Nye stated that the Audit and Ethics Committee met on April 16, 2009. He reported that the Committee reviewed the unaudited Financial Statements for the three months ended February 28, 2009, for the Investment Funds and the Corporation, and received a report by the UT System Audit Office and an update of other compliance, reporting, and other audit issues by Ms. Gonzalez. Also discussed at the meeting was the State Auditor's report. Mr. Nye stated the overall outcome was good and the report confirmed that the Corporation meets all regulatory ethics requirements and, as Mr. Turner stated in his earlier report, even adopts more stringent requirements than are required by law.

Investment Environment

Mr. Zimmerman asked Mr. Myers to provide his thoughts on the external investment environment. Mr. Myers distributed a handout which gave a few answers to the question: "What are peer institutions doing and thinking?" relative to asset allocation, general partners/limited partners relationships, market opportunities and operational issues. Mr. Myers discussed that peer institutions would be looking back and reviewing their asset allocations to determine whether they are appropriate and that Cambridge is seeing a trend towards modestly higher cash and fixed income balances given the liquidity crisis that is rolling through much of higher education. Mr. Aldridge added to Mr. Myers' discussion of the liquidity crisis by pointing out that last fall several private institutions encountered problems related to the funding of capital calls and posting of collateral. In some instances, these problems occurred due to a lack of coordination between the university finance offices and the university's investment management companies. Unlike private institutions that are able to issue taxable bonds to meet working capital needs, as a public institution, UT System cannot issue taxable debt for this purpose. UT System, therefore, relies on UTIMCO's management of the UT System assets for its liquidity needs. Mr. Aldridge pointed to two measures that have been put in place to avoid a worst-case scenario liquidity crisis: (1) increased communication between UT System's Office of Finance and UTIMCO, which has been very productive; and (2) diversification of the Dreyfus money market account to add a second fund that can provide additional liquidity. Mr. Myers answered the Directors' questions.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:18 p.m.

Secretary: 
Joan Moeller

Approved:  Date: 7/16/09
Erle Nye
Chairman, Board of Directors of
The University of Texas Investment
Management Company