

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

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 1:02 p.m. on the **9th day of July 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:

J. Phillip Ferguson, Vice Chairman
Francisco G. Cigarroa, M.D., Vice Chairman for Policy
Clint Carlson
Paul Foster
Janiece M. Longoria
Colleen McHugh
Charles Tate

Accordingly, a majority and quorum of the Board was in attendance. Erle Nye, Chairman, attended the meeting by means of conference telephone enabling all persons participating in the meeting to hear each other. Director Ardon E. Moore 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; Bob Schau, Senior Director - Real Estate Investments; Mark Warner, Senior Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Mark Shoberg, Director - Private Markets; Mark Newcomb, Senior Associate - Public Markets; Courtney Powers, Senior Associate - Marketable Alternative Investments; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Bob Jewell of Andrews Kurth LLP; Jim Phillips, Philip Aldridge, Charlie Chaffin, William Huang, and Roger Starkey of UT System Administration; Bruce Myers and Hamilton Lee of Cambridge Associates; and William Volk of Vinson & Elkins LLP. Mr. Nye called the meeting to order at 1:02 p.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 June 8, 2009. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the meeting of the Board of Directors held on **June 8, 2009**, be, and are hereby, approved.

Investment Strategy Review 2009

Mr. Nye asked Mr. Zimmerman to present the Investment Strategy Review. Mr. Zimmerman condensed his presentation since it was the same presentation that had been given at the Joint Policy and Risk Committee meeting held on June 30, 2009, at which a majority of the Board was present. Mr. Zimmerman handed out and discussed a revised presentation slide entitled *Peer Best Practices: Current Allocation* that was updated based on a request made at the Joint Policy and Risk Committee meeting to include the UT System Endowments' allocations to the presentation slide. Mr. Zimmerman asked Mr. Myers to provide the Board with his perspective on UTIMCO's current policy and the recommended investment policy and strategy. Mr. Zimmerman also handed out a revised *Investment Policy Asset Allocation Targets and Ranges* schedule for the Endowments, including clarified ranges for the ITF. There was discussion regarding the investment strategy for the ITF. Mr. Zimmerman reported to the Board that he had worked with Dr. Kelley, Mr. Aldridge, and the Chief Business Officers of several of the larger UT System institutions prior to recommending the new asset allocation for the ITF. Mr. Zimmerman, Ms. Iberg, Mr. Aldridge, and Mr. Myers answered the Directors' questions.

Risk Committee Report

Mr. Nye asked Mr. Tate, Chair of the Risk Committee, to report on the last meeting of the Risk Committee. The Risk Committee met on June 30, 2009, separately and jointly with the Policy Committee. He reported that the Risk Committee reviewed compliance reporting, reviewed and discussed risk reporting and also discussed and approved mandate categorizations. Mr. Tate asked Ms. Gonzalez to report on the one compliance issue that was discussed at the meeting. Ms. Gonzalez stated that a new board member was appointed in March. When the board member's financial disclosure form was received, a pecuniary interest was disclosed that created a conflict of interest so UTIMCO's investment managers holding the same positions were asked to liquidate them, which they did in May and June. Mr. Tate continued the report by stating there were four new investment mandate categorizations prepared by staff for the period beginning April 9, 2009, and ending June 15, 2009, approved by the Committee. Staff did not request a re-categorization for any existing mandates, but will continue to monitor two mandates for possible re-categorization and requested that they remain on the watch list status.

Policy Committee Report

Mr. Nye asked Ms. McHugh to give a report on behalf of the Policy Committee. Ms. McHugh stated that the Policy Committee last met on June 30, 2009, first separately and then in a joint meeting with the Risk Committee. Due to the fact that most of the Board members were in attendance at the Joint Policy and Risk Committee meeting, Ms. McHugh asked Mr. Zimmerman to quickly summarize the action items of the meeting. Mr. Zimmerman stated that the action item recommended amendments to the various Investment Policy Statements, the Liquidity Policy, the Derivative Investment Policy and the Delegation of Authority Policy. He handed out a revised Exhibit B of the Derivative Investment Policy, which included a limitation on delegated authority to enter into a new Derivative Investment if the notional value of the new Derivative Investment exceeds thirty-three percent of the overall Fund value. This revision was recommended by UT System. Mr. Zimmerman also handed out a revised resolution for review and approval that included a provision authorizing the Corporation's CEO to negotiate with each existing external manager operating under an Agency Agreement that engages in Derivative Investments to ensure the external manager's

Derivative Investments will be in compliance with the new Derivative Investment Policy. Mr. Zimmerman and Ms. Gonzalez answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Exhibits A of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund, Exhibits B of the Investment Policy Statements of the Permanent Health Fund and Long Term Fund, the Liquidity Policy and Derivative Investment Policy, as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

FURTHER RESOLVED, that the Corporation's CEO is authorized to negotiate with each existing external manager operating under an Agency Agreement that engages in Derivative Investments to ensure its Derivative Investments are in compliance with the Derivative Investment Policy; provided however, that for any existing external manager operating under an Agency Agreement that engages in Derivative Investments that is not in compliance with the Derivative Investment Policy on the date of the first 2010 regular meeting of the Corporation's Board, the Corporation's CEO must seek approval from the UTIMCO Board to allow retention of the existing external manager.

FURTHER RESOLVED, that the amendments to the Delegation of Authority Policy, as presented be, and are hereby approved.

Audit and Ethics Committee Report

Mr. Nye asked Mr. Foster to present a report on behalf of the Audit and Ethics Committee. The Audit and Ethics Committee last met on June 30, 2009. Mr. Foster stated that on behalf of the Audit and Ethics Committee, he recommended the engagement of the firm of Deloitte & Touche, LLP as the independent auditor for the Corporation for the year ended August 31, 2009. At its last meeting, the Committee reviewed the unaudited Financial Statements for the nine months ended May 31, 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. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the firm of Deloitte & Touche, LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2009.

Executive Session

At the request of Mr. Nye, Mr. Ferguson, at 1:59 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 matters. This Executive Session meeting of the Board is authorized by *Texas Government Code* Section 551.074. The date is July 9, 2009, and the time is now

1:59 p.m." Attendees other than the Board members, Bruce Zimmerman, Cissie Gonzalez and Bob Jewell left the meeting at this time.

Reconvene in Open Session

The Board reconvened at 2:12 p.m. in open session and Mr. Ferguson announced that, "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is July 9, 2009, and the time is now 2:12 p.m. During the Executive Session, the Board deliberated individual personnel matters, but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

Compensation Committee Report

Mr. Nye asked Mr. Ferguson to give a report on behalf of the Compensation Committee, which had previously met on May 26, 2009, June 3, 2009, June 16, 2009 and June 30, 2009. Mr. Ferguson began with the proposed adoption of the Compensation Program, Amended and Restated for fiscal year 2009-2010, to be effective on July 1, 2009 (Plan). The proposed changes to the Plan incorporated recommendations that had been previously discussed in detail during prior Committee meetings in May and June, most significantly, provisions related to the modification and/or deferral of the awards for select Participants when certain extraordinary circumstances occur. The first change discussed was the change to deferred amounts for Plan Participants. Mr. Ferguson and Mr. Zimmerman explained that if the net returns of the Total Endowment Assets are negative at the end of the Performance Period, incentive compensation earned by Plan Participants that would have been paid will be deferred for one year, remain at risk, and be credited (or debited) with an amount equal to the net returns of the Total Endowment Assets. If the net returns of the Total Endowment Assets are below a negative 5% at the end of the Performance Period, incentive compensation earned will be reduced by 10% for each percentage point or portion thereof to the point of being completely eliminated if the return is below negative 14%. The deferred amounts will range from the current 30% level up to 50% for the CEO and President and to 0% for analysts. Conversely, if the net returns of the Total Endowment Assets are greater than 20% at the end of the Performance Period, incentive compensation earned will be increased by 10% for each percentage point or portion thereof up to double if the returns are greater than 29%. Finally, if the net returns of the Total Endowment Assets are a negative 10% or below as measured from the end of the Plan year through the most recent month-end prior to the date the Board approves the incentive compensation awards ("stub period"), the incentive compensation earned that would have been paid, will be deferred until the first anniversary of the Performance Period, remain at risk, and be credited (or debited) with an amount equal to the net returns of the Total Endowment Assets. Also added to the Plan were the following provisions: (1) in the event a Participant is terminated without cause, the Participant's unvested deferred compensation, if any, would vest; and (2) if the Board determines that a Participant engaged in fraud or misconduct during a Performance Period, the Board may recover the Performance Incentive Award paid to or deferred by the Participant.

Mr. Zimmerman, Mr. Myers, and Ms. Moeller answered the Directors' questions. Mr. Nye commended the Compensation Committee and all who worked on the plan in developing an outstanding compensation plan that addressed the concerns of the legislature. Reporting from the Compensation Committee, Mr. Ferguson recommended approval of the Base Salary of the Corporation's CEO for the Fiscal Year 2009-2010. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2009-2010 in the amount of \$575,000.

Mr. Ferguson, on behalf of the Compensation Committee, also proposed approval of the Qualitative Performance Goals for CEO and Chief Investment Officer with the changes as suggested by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 5.4(a) of the UTIMCO Compensation Program (the "Plan") provides that the Compensation Committee (the "Committee") of the Board of Directors of UTIMCO (the "Board") will approve the Performance Goals for each Participant (other than for the CEO) each Performance Period; and

WHEREAS, Section 5.4(c) of the Plan provides that the Board will determine the Performance Goals of the CEO for each Performance Period; and

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Goals for the 2009/2010 Performance Period as prepared by the CEO and recommended by the Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Goals for the CEO for the 2009/2010 Performance Period, effective as of July 1, 2009, as set forth in the document presented to the Board.

Additionally, Mr. Ferguson, on behalf of the Compensation Committee, proposed approval of the adoption of the Plan, incorporating the changes discussed during the meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed certain proposed amendments to the Plan incorporated into an Amended and Restated Plan, effective July 1, 2009 (the "Plan"), in the form previously provided to the Board; and

WHEREAS, the Committee approved the Amended and Restated Plan and made its recommendation to the Board that the Board approve and adopt the Amended and Restated Plan; and

WHEREAS, the Board has reviewed the Plan.

NOW, THEREFORE, be it:

RESOLVED, that the Board hereby approves and adopts the Amended and Restated Plan, effective as of the date stated therein, subject to the approval of the Board of Regents of The University of Texas System.

Budget Review

Mr. Nye asked Mr. Zimmerman to present the 2009-2010 Budget Review. Mr. Zimmerman stated that he had presented the fiscal year 2010 budget in detail earlier in the day at the Joint Meeting with the Board of Regents and the Corporation's Board of Directors and would not go into detail at this meeting, but asked for questions. In summary, for fiscal year 2009-2010, UTIMCO staff (Staff) proposed a total annual budget of \$50,161,299, a 25% decrease over the prior year budget and a 27% increase over the 2008-09 forecast. Included in the total annual budget is a proposed Management Fee Request of \$15,977,125, a 3.4% decrease over FY 2009. Additionally, Staff proposed a capital budget of \$145,000, a decrease of \$75,000 as compared to the prior year budget. The Management Fee Request is the amount paid by the Funds directly to UTIMCO for corporate operations and the Allocation Schedule reports the fees charged to each of the Funds. The UT System Office of Finance Staff had reviewed the annual budget and prepared the "Fiscal Year 2010 UTIMCO Budget Review" which was included in the Board materials. Staff projected UTIMCO's available cash reserves to be \$5,014,581, and recommended that \$5 million of the cash reserves be distributed back to the Funds. Mr. Aldridge and Mr. Huang concurred with this recommendation. Following the discussion, Mr. Nye recommended the Corporation's 2009-2010 Annual Budget, Capital Budget, Management Fee Request, and Allocation Schedule be approved as presented. Upon motion duly made and seconded, the following resolution was approved unanimously:

RESOLVED, that the Corporation's Annual Budget of \$50,161,299, Management Fee Request of \$15,977,125, Capital Budget of \$145,000, and the Allocation Schedule as provided to the Board for the period beginning September 1, 2009 through August 31, 2010, be, and is hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

External Board Service

Mr. Nye explained that Mr. Zimmerman had been asked to serve as a Trustee on the Board of Trustees of The Common Fund for Nonprofit Organizations (Commonfund). It was anticipated that Mr. Zimmerman would be asked in December 2009 to serve a three-year term as a Trustee. For his service Mr. Zimmerman will be compensated plus be reimbursed for his expenses incurred in attending the Trustee meetings. UTIMCO has no current business relationship with Commonfund and during Mr. Zimmerman's term (and possibly for two years after his term concludes, if the compensation received by Mr. Zimmerman from Commonfund is a pecuniary interest as defined in the UTIMCO Code of Ethics), will be prohibited from maintaining any business relationship with Commonfund. Service on the Commonfund Board of Trustees meets the requirements for external, compensated board service as set forth in the UTIMCO Code of Ethics and Master Investment Management Services Agreement. Therefore, Mr. Zimmerman's board service creates no conflict of interest with UTIMCO interests. Mr. Zimmerman stated that his service on the Commonfund Board of Trustees will, in fact, benefit UTIMCO due to the increased exposure and access it provides to the investment community, including the other members of the Commonfund Board of Trustees who are some of the leading figures in the investment community. Mr. Zimmerman answered the Directors' questions and stated that he will use personal vacation for days out of the office when attending

Commonfund board meetings. Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the Board of Directors hereby approves external board service for Mr. Bruce Zimmerman, CEO and Chief Investment Officer of the Corporation, as a Trustee on the Board of Trustees of The Common Fund for Nonprofit Organizations; and be it

FURTHER RESOLVED, that all external board service will not give rise to conflicts of interest; and be it

FINALLY RESOLVED, that this external board service will meet all requirements of the Code of Ethics Policy and the Investment Management Services Agreement for the Corporation applicable to external, for-compensation board service.

Endowment and Operating Funds Update

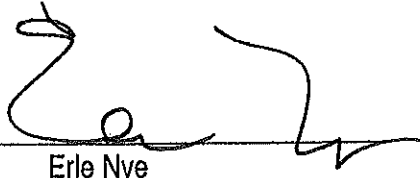
Mr. Nye asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman reported the net asset value and performance numbers as of May 31, 2009. The net performance for the one-month period ended May 31, 2009, for the Permanent University Fund (PUF) was 5.80% and for the General Endowment Fund (GEF) was 5.78%, versus benchmark returns of 5.13% for each fund. The net performance for the one-year period ended May 31, 2009, for the PUF and GEF were -24.75% and -24.97%, respectively, versus benchmark returns of -25.88% for each fund. The Intermediate Term Fund's (ITF) performance was 6.96% versus its benchmark return of 6.75% for the one-month period, and was -18.96% versus its benchmark return of -19.81% for the one-year period ended May 31, 2009. Performance for the Short Term Fund (STF) was 0.05% versus 0.01% for its benchmark return for the one-month period, and was 1.78% versus a benchmark return of 1.12% for the one-year period ended May 31, 2009. Mr. Zimmerman reviewed a new chart presenting the Fiscal Year to Date 2009 Month-by-Month Results. He presented 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 to report on both the More Correlated and Constrained portfolio and the Less Correlated and Constrained portfolio and explain two mandates that were undertaken by Staff since the last report. Mr. Eakman presented the Private Investments portfolio update. Mr. Zimmerman handed out a presentation entitled Global Investment Environment. He asked Mr. Powers, Mr. Newcomb, and Mr. Schau to give an overview of their recent trips to China, Mr. Warner to discuss his trip to Asia including visits to Indonesia, Jakarta, and Australia, and Ms. Iberg and Mr. Shoberg to give an overview of their recent trip to Brazil. Mr. Zimmerman, Ms. Iberg, and Mr. Eakman answered the Directors' questions.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:50 p.m.

Secretary:


Joan Moeller

Approved: _____



Date: _____

10/8/09

Erle Nye
Chairman, Board of Directors of
The University of Texas Investment
Management Company

July 9, 2009 Minutes

MINUTES OF THE JOINT MEETING OF
THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS
AND
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

July 9, 2009

Austin, Texas

Note: These minutes were approved by
The University of Texas System Board of Regents
at its meeting held on August 20, 2009

THURSDAY, JULY 9, 2009.--The members of the Board of Regents of The University of Texas System convened this meeting at 8:35 a.m. on Thursday, July 9, 2009, in the Board Meeting Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present
Chairman Huffines, presiding
Vice Chairman McHugh
Vice Chairman Foster
Regent Dannenbaum
Regent Gary
Regent Hicks
Regent Longoria
Regent Powell
Regent Stillwell
Regent Meijer, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Huffines called the meeting to order.

CONVENE JOINT MEETING: BOARD OF REGENTS AND THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO) BOARD OF DIRECTORS.--At 8:35 a.m., in accordance with a notice being duly posted with the Secretary of State and there being a quorum of both Boards present, Chairman Huffines and Mr. J. Philip Ferguson, Vice Chairman of the Board of Directors of The University of Texas Investment Management Company (UTIMCO), convened the annual joint meeting of The University of Texas System Board of Regents and the UTIMCO Board of Directors. Chairman Huffines then asked Vice Chairman Foster to chair the meeting with Vice Chairman Ferguson.

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

University of Texas System Board Vice Chairman Foster and The University of Texas Investment Management Company (UTIMCO) Board of Directors' Vice Chairman Ferguson welcomed the following members of the UTIMCO Board and staff.

UTIMCO Directors
Chairman Erle Nye (did not attend)
Vice Chairman J. Philip Ferguson
Vice Chairman for Policy, Chancellor Francisco G. Cigarroa

Mr. Clint D. Carlson
Mr. Paul Foster
Ms. Janiece Longoria
Ms. Colleen McHugh
Mr. Ardon E. Moore (did not attend)
Mr. Charles W. Tate

U. T. System

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, Senior 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, Audit Supervisor
Mr. Anthony de Bruyn, Director of Public Affairs

Texas A&M University System

Mr. Gregory R. Anderson, Associate Vice Chancellor and Treasurer (did not attend)

UTIMCO

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
Mr. Lindel Eakman, Managing Director - Private Markets Investments
Mr. Bill Edwards, Managing Director - Information Technology
Ms. Joan Moeller, Managing Director - Accounting, Finance, and Administration
Mr. Ryan Ruebsahm, Director - Marketable Alternative Investments
Mr. Robert Schau, Director - Real Estate Investments
Mr. Mark Shoberg, Director - Private Markets Investments
Mr. Mark Warner, Director - Natural Resources Investments
Mr. Uzi Yoeli, Director - Portfolio Risk Management

UTIMCO Board Advisors and Consultants

Dr. Keith Brown, Advisor to the Chairman, Fayez Sarofim Fellow and Professor of Finance, Red McCombs School of Business, 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: Annual Briefing on Fiduciary Responsibilities of Directors including discussion of the Master Investment Management Services Agreement (IMSA), Board of Regents' Expectations of UTIMCO Directors, Code of Ethics, and Bylaws

Vice Chancellor and General Counsel Barry Burgdorf presented the annual briefing on fiduciary responsibilities of directors including discussion of the Master Investment Management Services Agreement (IMSA), Board of Regents' Expectations of UTIMCO Directors, the Code of Ethics, and the Bylaws. The Board of Regents' Expectations of UTIMCO Directors on Pages 4-8 served 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. No external Director, other than the

Director recommended by The Texas A&M University System Board of Regents, may serve more than three (3) full three-year terms. 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 and assets managed by The University of Texas Investment Management Company (UTIMCO)

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, discussed the importance of investment assets in the context of The University of Texas System's overall financial resources. The presentation provided 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.

In reference to the constitutional limits on Permanent University Fund (PUF) debt, Regent Dannenbaum asked if the U. T. System is subject to the state-wide constitutional limit on the amount of bonds and Dr. Kelley responded no, although the U. T. System is accountable to the Bond Review Board for approval of issuances. Regent Gary asked how the PUF debt capacity will impact capital projects and Executive Vice Chancellor Kelley said it is a constraint that is constitutionally based but the protection it provides assures that debt issued will never exceed the capacity level. Since PUF debt cannot be issued above the cap, Vice Chairman Foster asked what happens if debt is issued and the book value declines and Dr. Kelley answered the only restriction in that case is that more debt cannot be issued.

4. U. T. System Board of Regents: Reports on The University of Texas Investment Management Company (UTIMCO) Board operations and committees

Mr. J. Philip Ferguson, Vice Chairman of The University of Texas Investment Management Company (UTIMCO) Board of Directors, provided a report from UTIMCO Board Chairman Nye who was not in attendance, and he introduced the UTIMCO Board Committee Chairs for remarks.

- Audit and Ethics Committee: Chairman Paul Foster reported on activities of the Committee since the last joint meeting on July 24, 2008.

Regent Longoria asked about the Committee's process to assess and monitor enterprise risk management and Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of UTIMCO, responded that is the number one goal of the Chief Compliance Officer. The review will be completed this year and brought through the Audit and Ethics Committee to the UTIMCO Board. Further, the review will be coordinated with University of Texas System compliance.

- Risk Committee: Chairman Charles W. Tate reported on the composition, purpose, and activities of the Committee since the last joint meeting on July 24, 2008.

Chairman Tate reported the Risk Committee met with the Policy Committee to review changes in the Investment Policy Statements, the Liquidity Policy, the Derivative Investment Policy, and changes in delegation of authority that would be presented to the UTIMCO Board on July 9, 2009, and to The University of Texas System Board of Regents in August 2009.

- Policy Committee: Chairman Colleen McHugh reported on the composition, purpose, and activities of the Committee since the last joint meeting on July 24, 2008.

Vice Chairman McHugh noted that the committees do not work in isolation of each other and that Board members serve on multiple committees. She remarked that the committee structure is working well.

- Compensation Committee: Chairman J. Phillip Ferguson reported on the composition, purpose, and activities of the Committee since the last joint meeting on July 24, 2008.

Chairman Ferguson previewed major recommendations of the UTIMCO Compensation Program that would be proposed to the UTIMCO Board on July 9, 2009, and to the U. T. System Board of Regents in August 2009.

In response to questions from Regent Gary, Vice Chairman Foster and Mr. Zimmerman discussed the significance of timing related to valuing of private and alternative investments. Mr. Zimmerman said UTIMCO places investment managers in the midway to conservative range with respect to their valuation and pricing practices. Mr. Tate added there is continual, healthy dialog amongst the UTIMCO team on these issues and that the UTIMCO staff does not necessarily accept these valuations at face value. Mr. Charles Chaffin, Chief Audit Executive for the U. T. System, clarified that from a good governance standpoint, the Board of Regents engages and hires the independent auditor of the funds managed by UTIMCO and he noted the auditor engaged concluded UTIMCO engages in best practices, but the information is imperfect at any one time.

Regent Dannenbaum asked about investment opportunities in a government mortgage fund program known as Public-Private Investment Program (PPIP), wherein the U.S. Treasury picked nine money managers to launch its program to buy mortgage-backed securities from banks. Mr. Zimmerman reported UTIMCO is monitoring the program but has not invested in these funds to date. Mr. Tate clarified that UTIMCO, however, does have investment mandates with certain of the entities that plan to

participate in the program although, as Mr. Zimmerman added, those mandates are not necessarily to purchase these assets. Also in response to a question by Regent Dannenbaum about protecting against inflation, Mr. Zimmerman explained the International Swaps and Derivatives Association, Inc. (ISDA) agreements with counterparties.

5. U. T. System Board of Regents: Report on Investment Objectives and Performance for The University of Texas Investment Management Company (UTIMCO)

Mr. Bruce Myers, Cambridge Associates, introduced Cambridge as a consultant to The University of Texas Investment Management Company (UTIMCO) Board of Directors. He reported on the investment objectives and performance of funds managed by UTIMCO including objectives, performance, policy portfolios, benchmark, and asset allocation.

Chairman Huffines asked about the challenging nature of the universe of large educational endowment benchmarks and UTIMCO's performance related to peers. Mr. Myers and Mr. Zimmerman, Chief Executive Officer and Chief Investment Officer of UTIMCO, discussed the differences between the private and public universities in terms of endowments, investment strategies, and accountability to the public. Mr. Myers stated UTIMCO's performance would be more competitive if only compared with other large public universities.

Mr. Bruce Zimmerman then reported on current UTIMCO performance through the fiscal quarter ending May 31, 2009, following the materials on Pages 12-16. He reported for the quarter, endowments were up just under 11.5% and the ITF was up about 15.5%. However, for fiscal year to date, both the endowments and the ITF were down, 18.75% and 13.3%, respectively.

Chairman Huffines asked about the underperformance of the emerging markets portfolio and Mr. Zimmerman explained that UTIMCO's managers tend to be more value-oriented and thus do not do as well in the short term when the markets take off, as did the emerging markets. Conversely, he said these managers tend not to fall as much when the markets are falling. He spoke of future plans to diversify more and to engage more active managers.

UTIMCO Performance Summary

May 31, 2009

	Net Asset Value 5/31/2009 (in Millions)	Periods Ended May 31, 2009 (Returns for Periods Longer Than One Year are Annualized)									
		Short Term		Year to Date		Historic Returns			Historic Returns		
		1 Mo	3 Mos	Calendar	Fiscal	1 Yr	3 Yrs	5 Yrs	10 Yrs		
ENDOWMENT FUNDS											
Permanent University Fund	\$ 9,144	5.80	11.49	4.17	(18.54)	(24.75)	(2.40)	3.86	4.39		
General Endowment Fund		5.78	11.42	4.08	(18.78)	(24.97)	(2.26)	3.92	N/A		
Permanent Health Fund	799	5.78	11.40	4.09	(18.75)	(24.92)	(2.30)	3.87	N/A		
Long Term Fund	4,267	5.78	11.40	4.09	(18.75)	(24.92)	(2.30)	3.87	5.08		
Separately Invested Funds	104	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Total Endowment Funds	14,314										
OPERATING FUNDS											
Short Term Fund	1,498	0.05	0.15	0.34	1.10	1.78	3.92	3.56	3.50		
Intermediate Term Fund	3,365	6.96	15.48	7.19	(13.31)	(18.96)	(0.70)	N/A	N/A		
Total Operating Funds	4,863										
Total Investments	\$ 19,177										
VALUE ADDED											
Permanent University Fund		0.67	(1.69)	(0.09)	0.73	1.13	1.35	1.22	0.85		
General Endowment Fund		0.65	(1.76)	(0.18)	0.49	0.91	1.49	1.28	N/A		
Short Term Fund		0.04	0.07	0.25	0.49	0.66	0.55	0.37	0.22		
Intermediate Term Fund		0.21	(2.39)	0.32	0.58	0.85	1.99	N/A	N/A		
VALUE ADDED (\$ IN MILLIONS)											
Permanent University Fund		58	(137)	(6)	83	138	376	535	N/A		
General Endowment Fund		32	(81)	(9)	31	64	233	309	N/A		
Intermediate Term Fund		7	(70)	10	22	34	192	N/A	N/A		
Total Value Added		97	(288)	(5)	136	236	801	844	N/A		

UTIMCO 6/22/2009

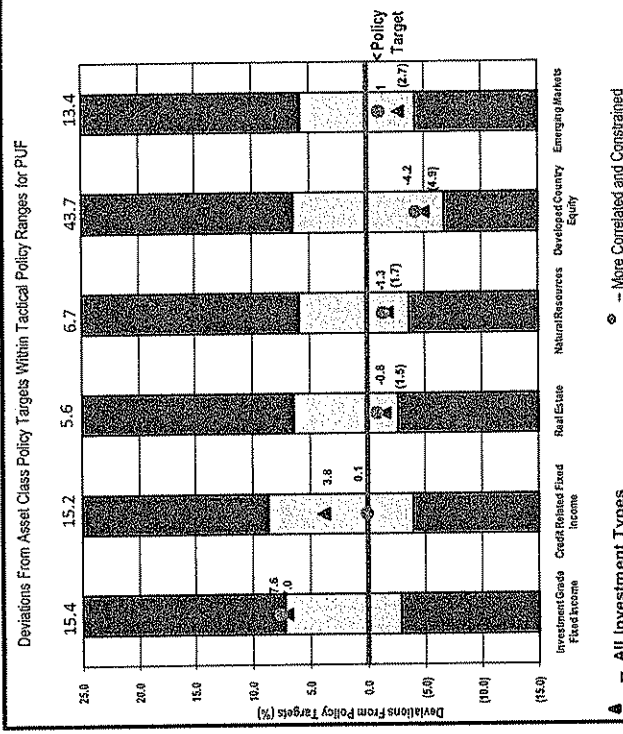
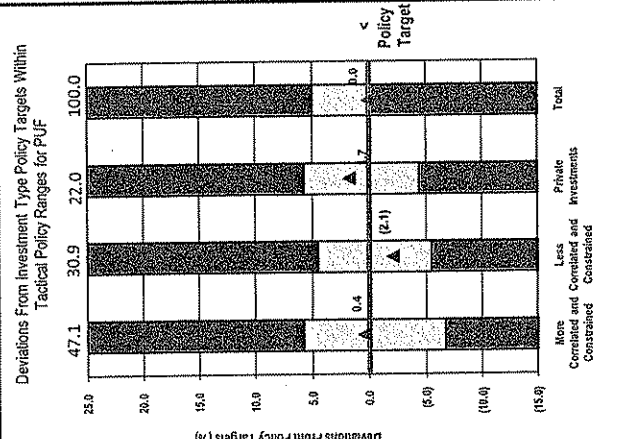
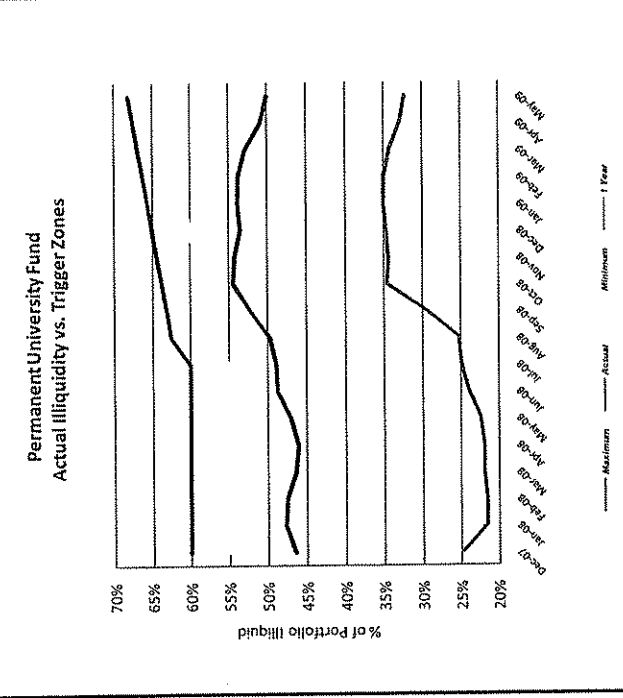
I. PERMANENT UNIVERSITY FUND

Investment Reports for Periods Ended May 31, 2009

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2008	Quarter Ended May 31, 2009	Fiscal Year Ended August 31, 2009
Beginning Net Assets (\$ millions)	\$ 11,742.8	\$ 8,286.9	\$ 11,359.5
PUF Lands Receipts	457.7	50.5	285.6
Investment Return	(339.5)	944.4	(2,082.7)
Expenses	(52.6)	(5.3)	(20.4)
Distributions to AUJF	(448.9)	(132.7)	(398.2)
Ending Net Assets	\$ 11,359.5	\$ 9,143.8	\$ 9,143.8

	Fiscal Year to Date			Value Added
	Returns	Portfolio	Policy Benchmark	
More Correlated and Constrained:				
Investment Grade	0.13%	3.91%	0.54%	-0.26%
Credit-Related	-8.42%	-4.75%	-0.21%	-0.19%
Real Estate	-31.52%	-35.03%	-0.16%	0.27%
Natural Resources	-34.94%	-30.66%	-0.03%	-0.24%
Developed Country	-28.46%	-26.37%	0.47%	-0.51%
Emerging Markets	-25.66%	-17.65%	0.14%	-0.90%
Total More Correlated and Constrained	-22.29%	-20.19%	0.75%	-1.59%
Less Correlated and Constrained	-11.22%	-16.07%	-0.03%	1.48%
Private Investments	-19.95%	-19.34%	-0.08%	0.17%
Total	-18.54%	-19.27%	0.64%	0.09%



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

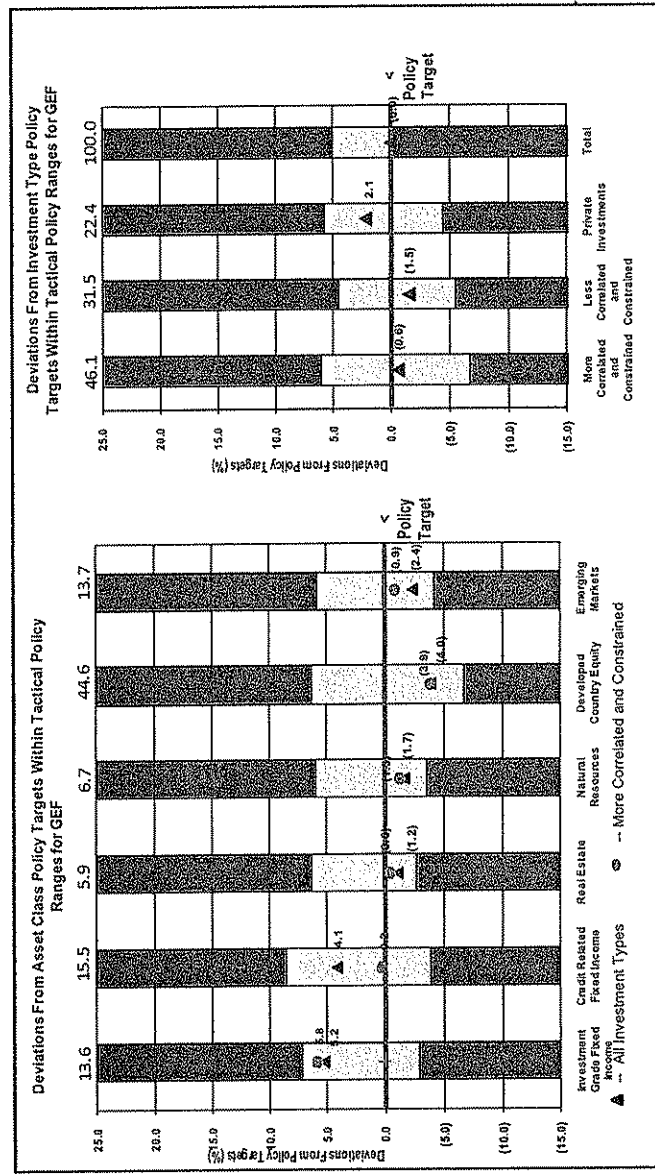
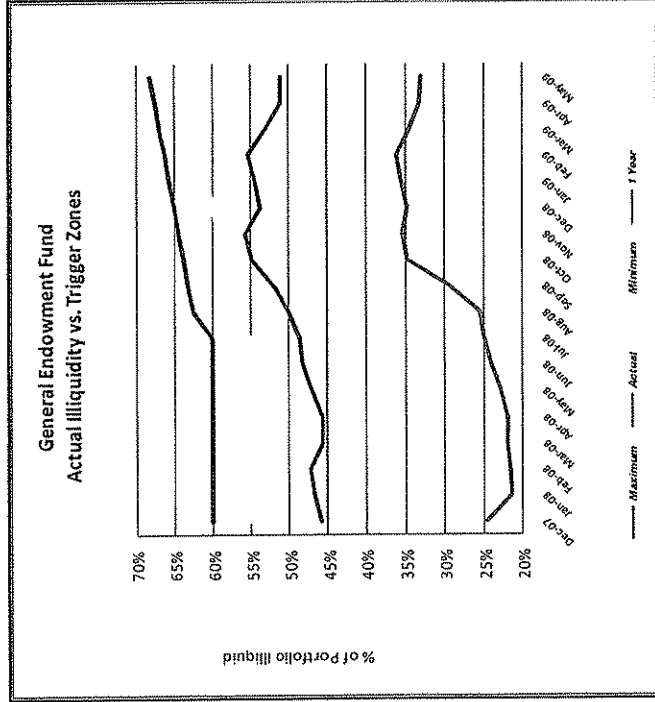
II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended May 31, 2009

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
(\$ millions)	Fiscal Year Ended August 31, 2008	Quarter Ended May 31, 2009	Fiscal Year Ended August 31, 2009
Beginning Net Assets	\$ 6,433.1	\$ 4,557.1	\$ 6,310.4
Contributions	358.6	56.6	161.4
Withdrawals	(20.2)	(4.1)	(6.3)
Distributions	(259.0)	(70.4)	(208.7)
Investment Return	(180.8)	527.4	(1,185.9)
Expenses	(21.3)	(0.4)	(4.7)
Ending Net Assets	\$ 6,310.4	\$ 5,066.2	\$ 5,066.2

	Fiscal Year to Date			
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection
More Correlated and Constrained:				
Investment Grade	0.12%	3.91%	0.41%	-0.26%
Credit-Related	-8.57%	-4.75%	-0.20%	0.02%
Real Estate	-31.65%	-35.03%	-0.17%	0.24%
Natural Resources	-34.15%	-30.66%	-0.03%	-0.16%
Developed Country	-28.87%	-26.37%	0.44%	-0.59%
Emerging Markets	-25.67%	-17.65%	0.13%	-0.90%
Total More Correlated and Constrained	-22.96%	-20.19%	0.58%	-1.65%
Less Correlated and Constrained				
Private Investments	-11.22%	-16.07%	-0.02%	1.50%
Total	-19.92%	-19.34%	-0.11%	0.08%
	-18.78%	-19.27%	0.45%	0.49%

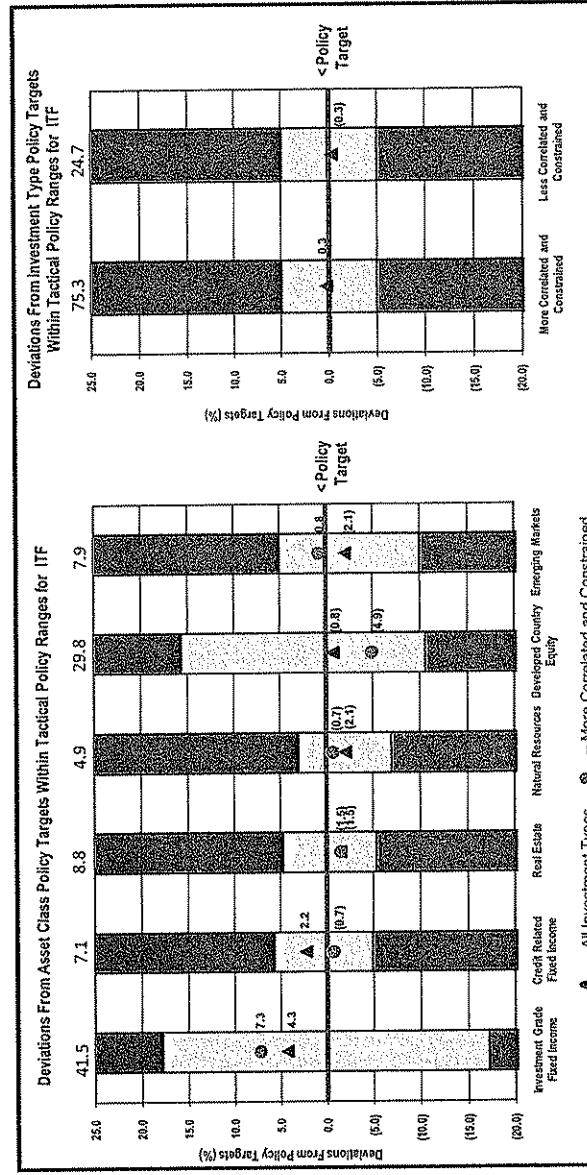
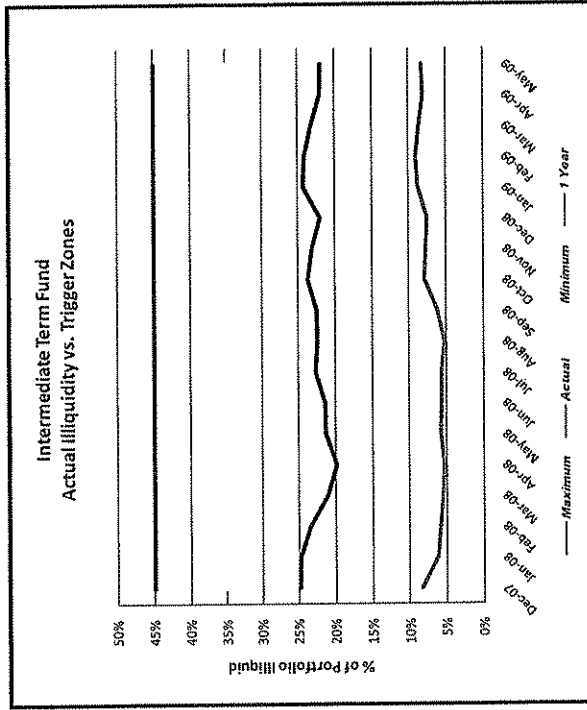


III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended May 31, 2009

Prepared in accordance with Texas Education Code Sec. 51.9032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2008	Quarter Ended May 31, 2009	Fiscal Year Ended August 31, 2009
Beginning Net Assets (\$ millions)	\$ 3,720.6	\$ 2,927.0	\$ 3,874.8
Contributions	1,639.1	22.4	238.0
Withdrawals	(1,335.3)	(13.9)	(158.7)
Distributions	(118.6)	(22.8)	(72.4)
Investment Return	(7.5)	454.7	(507.6)
Expenses	(23.5)	(2.2)	(8.9)
Ending Net Assets	\$ 3,874.8	\$ 3,365.2	\$ 3,365.2

	Fiscal Year to Date				
	Returns	Value Added			
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	1.49%	3.91%	0.33%	-0.79%	-0.46%
Credit-Related	-10.14%	-4.75%	-0.24%	-0.08%	-0.30%
Real Estate	-31.51%	-35.03%	-0.35%	0.48%	0.13%
Natural Resources	-31.60%	-30.66%	0.01%	-0.02%	-0.01%
Developed Country	-24.66%	-26.37%	-0.01%	0.35%	0.34%
Emerging Markets	-25.84%	-17.65%	0.17%	-0.47%	-0.30%
Total More Correlated and Constrained	-14.11%	-13.45%	-0.09%	-0.51%	-0.60%
Less Correlated and Constrained	-11.26%	-16.07%	-0.27%	1.45%	1.18%
Private Investments	0.00%	0.00%	0.00%	0.00%	0.00%
Total	-13.31%	-13.89%	-0.36%	0.94%	0.58%



IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at May 31, 2009
 Report prepared in accordance with Texas Education Code Sec. 51.0032

ASSET TYPES	FUND TYPE																				
	CURRENT PURPOSE			ENDOWMENT & SIMILAR FUNDS			ANNUITY & LIFE INCOME FUNDS			AGENCY FUNDS			TOTAL EXCLUDING OPERATING FUNDS			OPERATING FUNDS (SHORT TERM FUND)			TOTAL		
	DESIGNATED	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	
Cash & Equivalents:																					
Beginning value 02/28/09	6	2,111	2,111	54,677	54,677	1,853	1,853	5,843	5,843	64,490	64,490	1,607,638	1,607,638	1,672,128	1,672,128						
Increase/(Decrease)	5	(348)	(348)	(29,763)	(29,763)	(612)	(612)	(3,547)	(3,547)	(34,265)	(34,265)	(110,056)	(110,056)	(144,321)	(144,321)						
Ending value 05/31/09	11	1,763	1,763	24,914	24,914	1,241	1,241	2,296	2,296	30,225	30,225	1,497,582	1,497,582	1,527,807	1,527,807						
Debt Securities:																					
Beginning value 02/28/09	-	-	265	11,356	11,947	15,824	15,102	-	-	27,445	27,318	-	-	27,445	27,318						
Increase/(Decrease)	-	-	(8)	1,064	1,286	(18)	544	-	-	1,046	1,822	-	-	1,046	1,822						
Ending value 05/31/09	-	-	265	12,420	13,233	15,806	15,646	-	-	28,491	29,140	-	-	28,491	29,140						
Equity Securities:																					
Beginning value 02/28/09	17	3,488	463	28,260	18,241	19,009	10,467	-	-	47,749	32,614	-	-	47,749	32,614						
Increase/(Decrease)	-	(516)	1,036	(1,792)	3,415	(130)	3,906	-	-	(886)	7,869	-	-	(886)	7,869						
Ending value 05/31/09	17	2,972	1,499	26,468	21,656	18,879	14,373	-	-	46,863	40,483	-	-	46,863	40,483						
Other:																					
Beginning value 02/28/09	-	-	370	8	8	337	134	437	437	1,152	949	-	-	1,152	949						
Increase/(Decrease)	-	-	(192)	1,647	1,647	-	-	1,573	1,573	3,028	3,028	-	-	3,028	3,028						
Ending value 05/31/09	-	-	178	1,655	1,655	337	134	2,010	2,010	4,180	3,977	-	-	4,180	3,977						
Total Assets:																					
Beginning value 02/28/09	23	3,494	3,209	94,301	84,873	37,023	27,556	6,280	6,280	140,836	125,371	1,607,638	1,607,638	1,748,474	1,733,009						
Increase/(Decrease)	5	(511)	496	(28,844)	(23,415)	(760)	3,838	(1,974)	(1,974)	(31,077)	(21,546)	(110,056)	(110,056)	(141,133)	(131,602)						
Ending value 05/31/09	28	2,983	3,705	65,457	61,458	36,263	31,394	4,306	4,306	109,759	103,825	1,497,582	1,497,582	1,607,341	1,601,407						

Details of individual assets by account furnished upon request.

6. U. T. System: Update regarding centralization of operating funds

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, provided an update on the centralization of University of Texas System operating funds, which was implemented on February 1, 2006. The presentation provided a brief overview of centralization and detailed the value added from centralization through May 31, 2009.

7. U. T. System Board of Regents: Report on The University of Texas Investment Management Company (UTIMCO) organization and activities

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), reported on the UTIMCO organization, investments, control and support and Fiscal Year 2010 priorities.

In response to a question from Chairman Huffines, Mr. Zimmerman listed the following recent audit activities:

- Deloitte & Touche, external auditors, audit the funds and UTIMCO's work.
- The University of Texas System audits the Permanent University Fund (PUF) controls, chief executive officer (CEO) expenses, and internal fixed income and derivatives.
- The State audits the Code of Ethics.

Regent Dannenbaum inquired about information technology security and Mr. Zimmerman explained there is only one system that deals with money and that works only with the U. T. System institutions. He said security enhancements have been made to the website. The funds systems are located at the funds managers and at the custodian, BNY Mellon, and UTIMCO endeavors to understand as much about their technology platforms as possible.

Regent Gary endorsed the allocation of resources for due diligence necessary to find opportunities in such areas as emerging markets.

8. U. T. System Board of Regents: Report on The University of Texas Investment Management Company (UTIMCO) Fiscal Year 2010 budget and fees, and U. T. System Office of Finance review

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO),

presented the preliminary UTIMCO Annual Budget for Fiscal Year 2010. Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, provided a review of the UTIMCO budget including an analysis of budget trends.

The UTIMCO Board will seek approval of the budget at The University of Texas System Board of Regents' August 2009 meeting.

Mr. Zimmerman said some of the management fees are higher than they should be and this is an area of focus for UTIMCO. Chairman Huffines asked if some of the endowment managers are receptive to driving down some of the management fees and Mr. Zimmerman replied they are. He noted improvements in the hedge funds and noted that the tide is turning in the U. T. System's favor.

9. U. T. System Board of Regents: Discussion of U. T. System Funds' Investment Strategy

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), reported on the investment strategy with respect to asset allocation, downside risk, liquidity (and unfunded commitments), leverage, and use of derivatives, including proposed changes to Delegation of Authority, Liquidity Policy, and the Derivative Investment Policy. Mr. Zimmerman's PowerPoint presentation is on file in the Office of the Board of Regents.

In response to a question from Vice Chairman Foster about the University's investments in oil and gas assets in West Texas, Mr. Zimmerman said those assets are qualitatively taken into consideration in developing the investment portfolio and he explained that along with other natural resources, these assets allow diversification from stocks and bonds and contribute to the strategic view that natural resources is a good place to invest.

Regent Dannenbaum asked about investments in master limited partnerships and Mr. Zimmerman and Mr. Mark Warner, Director - Natural Resources Investments, responded they are reviewing such investments.

Mr. Zimmerman elaborated on the strategy of UTIMCO, saying that the corporation is not set up to trade, rather UTIMCO depends on their managers to move in and out of trade, particularly multistrategy hedge fund managers. He explained that UTIMCO is more set up for long-term investments. Regent Gary asked about the length of the investment period for unfunded commitments and Mr. Zimmerman answered typically the period is four to six years from the final closing. Regent Powell asked about the time, effort, and cost of interviewing and hiring managers particularly with respect to the number of fund managers recently replaced in the hedge fund book, and

Mr. Zimmerman explained that UTIMCO recently downsized the hedge fund book and that UTIMCO's strategy has been to hire a core of proven managers and hire and test newer, less experienced managers. In this environment, UTIMCO decided when reducing its hedge fund book to have fewer bets on newer managers. He also noted that some of the managers just did not work out.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 12:25 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
J. Philip Ferguson
Vice Chairman, Board of Directors of
The University of Texas Investment
Management Company