

**MINUTES OF MEETING OF
THE POLICY COMMITTEE OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

A meeting of the Policy Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **June 30, 2009**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Policy Committee Chair, Colleen McHugh, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Colleen McHugh, Chair
Paul Foster

Also attending the meeting were Erle Nye, Chairman of the Board; J. Philip Ferguson, Vice Chairman of the Board; Clint D. Carlson, Director; and Charles W. Tate, Director; thus constituting a majority and quorum of the Committee and Board. Committee Member Ardon E. Moore was not present at 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; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer; and various staff members. Also attending were Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Charlie Chaffin, Mark Gentle, Moshmee Kalamkar, William Huang, Laura Hartmann and Miles Ragland of UT System Administration; Jerry Turner of Andrews Kurth LLP; and Bruce Myers of Cambridge Associates. Chair McHugh called the meeting to order at 2:19 p.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Minutes

The sole matter to come before the Committee was the approval of the minutes of the Policy Committee meeting held on November 6, 2008, and the Joint Meeting of the Policy and Risk Committees held on February 5, 2009. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the meeting of the Policy Committee held on November 6, 2008, and the Joint Meeting of the Policy and Risk Committees held on February 5, 2009, be, and are hereby, approved.

There being no further business to come before the Committee, the meeting was adjourned at approximately 2:21 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Janiece Longoria
Janiece M. Longoria, Chair
Policy Committee of
The University of Texas Investment
Management Company

Date: April 15, 2010

**MINUTES OF THE JOINT MEETING
OF THE POLICY AND RISK COMMITTEES OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

A joint meeting of the Policy and the Risk Committees (the "Committees") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **June 30, 2009**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Policy Committee Chair, Colleen McHugh, and the Risk Committee Chair, Charles Tate, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committees:

Colleen McHugh, Chair, Policy Committee
Charles Tate, Chair, Risk Committee
Clint D. Carlson
J. Philip Ferguson
Paul Foster

Also attending the meeting was Erle Nye, Chairman of the Board, thus constituting a majority and quorum of the Committee and Board. Policy Committee Member Ardon E. Moore was not present at the meeting. Employees of the Corporation attending were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer; and various staff members. Also attending were Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Charlie Chaffin, Mark Gentle, Moshmee Kalamkar, William Huang, Laura Hartmann, and Miles Ragland of UT System Administration; Jerry Turner of Andrews Kurth LLP; and Bruce Myers of Cambridge Associates. Chair McHugh called the meeting to order at 2:22 p.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Amendments to Investment Policies

Mr. Tate and Ms. McHugh asked Mr. Zimmerman to present the first agenda item. Mr. Zimmerman began his presentation by stating that the Investment Management Services Agreement (IMSA) requires an annual review of all policies related to investments. The policies with recommended changes included the Investment Policy Statements for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), Intermediate Term Fund (ITF) (collectively, the "Investment Funds") and the Liquidity Policy, Delegation of Authority Policy, and the Derivative Investment Policy. No changes to the Short Term Fund and Separately Invested Funds Investment Policy Statements were recommended. He discussed the policy review process, which began with Staff initiating the review with the assistance of Cambridge Associates and Dr. Brown, external advisors to the Board, resulting in the proposed recommended amendments to the Policy Committee for consideration and action. Although the approval of the policies is the domain of the Policy Committee, the Staff utilized a joint meeting forum with both the Policy and Risk Committees in order to enhance the review and discussion of the recommended

amendments in light of the Risk Committee's expertise in investment matters. Once the Policy Committee has approved the amendments, inclusive of modifications requested by both committees, the amendments require further approval by the Board and the UT System Board of Regents. Mr. Zimmerman continued by explaining that this year Staff had performed a very thorough review of the policies, being mindful of the events that had occurred over the past nine months. The internal investment committee met each week for months reviewing quantitative models regarding events from the past year, and looking at assumptions from differing markets. The review included distribution guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges for each eligible Asset Class and Investment Type, expected returns for each Asset Class, Investment Type, and each of the Investment Funds, designated performance benchmarks for each Asset Class and/or Investment Type, and other matters that came up during the discussions. Mr. Zimmerman discussed in detail peer best practices, the Corporation's investment strategy context, private investment portfolio exposure, and long term strategic asset allocation. He presented Staff's recommended investment policy Asset Class and Investment Type allocation targets and ranges for FY 2010 for the Investment Funds. Mr. Zimmerman reported that he had also worked with Dr. Kelley, Mr. Aldridge, and the Chief Business Officers of several of the larger U. T. System institutions prior to recommending the new asset allocation for the ITF. Committee members questioned the width of certain Asset Class and Investment Type ranges in the Investment Policy Statements. After discussion, Mr. Zimmerman proposed new ranges for the Natural Resources, Developed Country Equity, and Emerging Markets Equity Asset Classes and all three Investment Types in the Investment Policy Statements other than the ITF. Mr. Zimmerman then presented various changes to the ITF targets and ranges. Mr. Zimmerman continued by explaining Staff's proposed changes to the Liquidity Policy, the Delegation of Authority Policy, and the Derivative Investment Policy. Dr. Kelley mentioned one item of concern regarding a limit on the notional value of delegated derivative investments he believed should be included in the Derivative Investment Policy. He requested language be added to the Policy to require UTIMCO Staff to request approval from the Board Chairman to enter into a new derivative investment if the notional value of the new derivative investment exceeds 33% of the overall fund value. Mr. Zimmerman, Mr. Myers, Dr. Brown, and Dr. Kelley answered the Committee Members' questions. Upon motion duly made and seconded, subject to the modifications proposed by Mr. Zimmerman and/or requested by the Committee Members in the Investment Policy Statements for the Investment Funds and the Derivative Investment Policy, the following resolution was unanimously adopted by the Policy Committee:

RESOLVED, that amendments to the Exhibits of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Intermediate Term Fund, and amendments to the Liquidity Policy, Derivative Investment Policy, and Delegation of Authority Policy as presented be, and are hereby, approved, subject to approval by the Corporation's Board of Directors.

There being no further business to come before the Policy or the Risk Committees, the joint meeting was adjourned at approximately 3:58 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Janiece Longoria Date: April 15, 2010
Janiece M. Longoria, Chair
Policy Committee of
The University of Texas Investment Management Company

Approved: Charles Tate Date: 4/15/10
Charles Tate, Chair
Risk Committee of
The University of Texas Investment Management Company