

**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 9:10 a.m. on the **15th day of April 2010**, 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
Paul Foster
Printice Gary
Janiece M. Longoria
Ardon E. Moore

Accordingly, a majority and quorum of the Board was in attendance. Director Clint Carlson did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director - Private Markets; Mark Warner, Senior Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Ryan Ruebsahm, Director - Marketable Alternative Investments; Scott Bigham, Associate - Private Markets; Amanda Hopper, Associate - Public Markets; Bill Edwards, Managing Director - Information Technology; 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; Philip Aldridge, Charlie Chaffin, Jim Phillips, William Huang, Moshmee Kalamkar, Miles Ragland, Anthony DeBruyn and Roger Starkey of the UT System Administration; and Greg Anderson of Texas A&M University System. Bruce Myers of Cambridge Associates attended the meeting by means of conference telephone. Director Charles W. Tate joined the meeting later in the meeting as noted in the minutes. Mr. Nye called the meeting to order at 9:10 a.m.

Minutes

The first item to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on January 26, 2010. 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 **January 26, 2010**, be, and are hereby, approved.

Corporate Resolutions

Prior to recommending approval of a corporate resolution electing Officers for the ensuing year, as set forth in the Corporation's Bylaws, Mr. Nye recommended the name of Paul Foster to serve as Chairman and Phil Ferguson to serve as Vice Chairman of the Corporation. Ms. Longoria seconded the nomination. Upon motion duly made and seconded, the following resolution was 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>
Paul Foster	Chairman
J. Philip Ferguson	Vice Chairman
Francisco G. Cigarroa	Vice Chairman for Policy
Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Cathy Iberg	President and Deputy Chief Investment Officer
Joan Moeller	Senior Managing Director, Treasurer and Secretary
Lindel Eakman	Managing Director
Bill Edwards	Managing Director
Christy Wallace	Assistant Secretary

Mr. Nye commended the Board and Staff, and those who had the insight and wisdom of setting up public policy to create UTIMCO years ago, as he handed over the gavel to Mr. Foster as Chairman. The Board Members' voiced thanks and applauded Mr. Nye for his tremendous leadership as Chairman.

Mr. Foster asked Mr. Zimmerman to present the recommended resolution to designate Key Employees for the ensuing year. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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	Senior Managing Director - Accounting, Finance and Administration
Mark Warner	Senior Director – Natural Resources Investments
Mark Shoberg	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
Zac McCarroll	Senior Associate – Natural Resources Investments
Christy Wallace	Executive Assistant

Endowment and Operating Funds Update

Mr. Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Prior to giving the update, Mr. Zimmerman handed out the Annual Report on Major State Investment Funds prepared by the Legislative Budget Board Staff dated April 2010 for the Board's review and summarized the results. The published results of major endowments and investment funds across the State are for the period ending August 31, 2009. He continued by presenting a detailed report of the Corporation's Performance Summary as of February 28, 2010. The Corporation had \$22.2 billion of assets under management at the end of February 28, 2010. Of the \$22.2 billion, \$10.5 billion was in the Permanent University Fund (PUF), \$5.8 billion in the General Endowment Fund (GEF), \$1.7 billion in the Short Term Fund (STF) and \$4.0 billion in the Intermediate Term Fund's (ITF). Mr. Zimmerman presented actual versus benchmark results, tactical asset allocation, and value-add analysis. The net performance for the one-month period ended February 28, 2010, for the PUF was 1.82% and for the GEF was 1.83%, versus benchmark returns of 1.02% for each fund. The net performance for the one year ended February 28, 2010, for the PUF and GEF was 30.52% and 30.43%, respectively, versus benchmark returns of 26.22% for each fund. The ITF's performance was 1.18% versus its benchmark return of 0.68% for the one-month period, and 32.94% versus its benchmark return of 32.09% for the one year ended February 28, 2010. Performance for the STF was 0.01% versus 0.00% for its benchmark return for the one-month period, and was 0.36% versus a benchmark return of 0.20% for the one year ended February 28, 2010. Mr. Zimmerman reviewed the Funds' asset class and investment type targets, ranges and performance objectives. He reviewed the Less Correlated and Constrained portfolio categorizations vs. "look thru" exposures. Mr. Zimmerman also presented risk analytics, a report on derivatives and counterparties, manager exposure, investment activity as of February 28, 2010, and gave an update on liquidity, contracts and the Intermediate Term Fund. Mr. Zimmerman and Staff provided investment team highlights, with Mr. Eakman providing an additional handout with current Private Markets Investments information. Mr. Zimmerman, Mr. Eakman, Mr. Yoeli, Mr. Ruebsahm, Ms. Hopper and Mr. Bigham answered the Directors' questions.

Manager Risk

Mr. Foster asked Mr. Zimmerman to report on Manager Risk. Mr. Zimmerman said that at the last meeting there was discussion on Investment Risk with the focus on portfolio risk management. At this meeting he focused on individual manager risks. He provided an overview of the due diligence and monitoring of the manager selection, how the structure is set within investment guidelines, accounting standards and the various legal vehicles when selecting and monitoring managers. He also provided a manager count by asset class, as of February 28, 2010.

At 11:15 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 11:38 p.m.

Manager Concentration

Mr. Foster asked Mr. Zimmerman to continue the discussion of manager risk and concentration. Mr. Zimmerman said that in preparation for asset allocation review this summer, and as a continuation of Staff's review of sizes and concentration of managers, Staff would like to discuss manager concentration. He said there were no set rules in selecting managers, but the law and the Investment Policy Statements require prudent fiduciary care, including a requirement to diversify; none however, address manager concentration. He reviewed the existing Delegation of Authority Policy requirements and manager concentration issues for each asset class. He summarized a model portfolio for private investments and listed top managers for both the LCC and MCC and potential recommendations Staff may make to the Board in the future, as they continue their asset allocation and manager review. Mr. Zimmerman answered the Directors' questions, but no action by the Board was required.

Policy Committee

Mr. Foster asked Ms. Longoria to report from the Policy Committee. Ms. Longoria reported that at the Committee meeting on April 8, 2010, they discussed three items. The Committee approved the minutes, approved the recommended distribution rates for the Funds subject to further Board approval, and discussed three investment mandates that would also be discussed today. Ms. Longoria stated that Mr. Zimmerman presented the recommended distribution rates for the PUF, Permanent Health Fund (PHF), Long Term Fund (LTF) and ITF for the fiscal year ending August 31, 2011. She asked Mr. Zimmerman to present his Distribution Policy presentation that explained the current distribution rates and methodologies, rationale for distribution methodologies, distribution rate limitations, and a history and projections of distribution rates. Mr. Zimmerman and Mr. Aldridge answered the Directors' questions. Ms. Longoria, on behalf of the Policy Committee, recommended to the Board, subject to further approval by the UT System Board of Regents, approval of the following distribution amounts and rates for the fiscal year ending August 31, 2011: 1) the distribution from the PUF to the Available University Fund be decreased by 1.9% from \$516,419,406 to \$506,395,811; 2) the distribution rate for the PHF be increased from \$0.0541 per unit to \$0.0554 per unit; 3) the distribution rate for the LTF be increased from \$0.3098 per unit to \$0.3172 per unit; and 4) the distribution rate for the ITF remain at 3.0% per annum. 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 \$516,419,406 to \$506,395,811 for fiscal year 2011, effective with the September 1, 2010 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0541 per unit to \$.0554 per unit for fiscal year 2011, effective with the November 30, 2010 quarterly distributions; the Long Term Fund be increased from \$0.3098 per unit to \$0.3172 per unit for fiscal year 2011, effective with the November 30, 2010 quarterly distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2011, effective with the September 1, 2010 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.

Ms. Longoria continued with the Committee report by asking Mr. Zimmerman to briefly explain the investments for three mandates that exceeded Staff's delegated authority. Mr. Zimmerman explained that Staff had identified three managers that were currently above or near their delegated authority limits due to appreciation. Staff desired to make additional commitments to these managers as detailed in the presentation Delegation of Authority Investment Mandates Under Consideration included in the meeting materials. Mr. Zimmerman and Mr. Warner answered the Directors' questions. A revised resolution was handed out at the meeting, and upon motion duly made and seconded, the following resolution, as provided in the handout, was unanimously adopted:

WHEREAS, Corporation staff has identified three managers that currently exceed or upon investment, would exceed Corporation staff's delegated authority to which it would like to make additional commitments as detailed in the *Delegation of Authority Investment Mandates Under Consideration* presentation made to the Board; and

WHEREAS, Corporation staff has recommended an international fixed income investment of up to \$400 million with Old Mutual Asset Managers; and

WHEREAS, Corporation staff has recommended an additional investment of up to \$100 million with Och-Ziff targeting Europe and Asia focused funds; and

WHEREAS, Corporation staff has recommended an additional investment of up to \$250 million across three BlackRock Natural Resources mandates (Small Cap Energy, Global Energy, and Metals and Mining) but not to exceed \$100 million to any individual mandate; and

WHEREAS, the Policy Committee and the Board concur in the recommendation of Corporation staff and wishes to document its approval to increase the investment limits for these managers.

NOW, THEREFORE, BE IT

RESOLVED, that the investments in three mandates for certain More Correlated and Constrained Investments and Less Correlated and Constrained Investments as proposed by Corporation's staff, be, and are hereby approved.

At 12:45 p.m. the open meeting of the Board recessed for lunch. Mr. Zimmerman announced at that time that the discussion of Investment Environment and Opportunities would be included in the discussion of Scenario Analysis.

The open meeting of the Board reconvened in open session at 1:10 p.m.

Scenario Analysis

Mr. Foster asked Mr. Zimmerman to report on Scenario Analysis. Mr. Zimmerman gave a brief overview of the Scenario Analysis and then asked Mr. Yoeli to give the Scenario Analysis presentation. Mr. Yoeli started by explaining two scenarios: the "Lost Decade" scenario and the "Great Depression" scenario. He compared Japan, following the market crash of 1989, when it experienced deleveraging, deflation, and economic contraction and a "lost decade" in its stock market, with the economic problems in the 2000s, which was a "lost decade" for the US stock market, alongside the rest of the developed world. In comparing the "Great Depression" scenario, March 1930 – March 1938, a detailed analysis was performed looking not only at the aggregate returns over the entire scenario, but also looking at the interim effects on the Corpus, levels of distributions, liquidity and cash flows, and asset allocation. Part of the analysis included determining asset class returns, emulated investment type returns, and assumptions in managing the endowment. Mr. Yoeli and Staff provided an asset class preview which included a long-term "base-case" scenario and effects of growth and inflation on asset class returns and optimal portfolios. He ended by presenting key issues going forward in the current environment. Mr. Zimmerman and Mr. Yoeli answered the Board Members' questions.

Risk Committee Report

Mr. Foster asked Mr. Tate to give a report from the Risk Committee. Mr. Tate reported that the Committee met on April 8, 2010. The Committee reviewed performance and risk reporting, reviewed and approved new investment mandate categorizations, took appropriate action related to broker-dealers, and reviewed the institutional compliance report. Mr. Tate reported that the Committee approved the categorization of six new investment mandates prepared by Staff from January 9, 2010 to March 31, 2010. Two mandates included in the "Mandate Categorization Watch-List" would continue to be monitored by Staff for possible recategorization and one mandate was added to the Watch List due to temporal changes in the market. The Committee also reviewed the results of the Annual Review of Existing Mandate Categorizations. No re-categorizations were requested. Mr. Tate said that the Committee received a report on the Approved Fixed Income Broker-Dealer Procedure, effective July 1, 2008 (the "Procedure"), which included an Approved Fixed Income Broker-Dealer List (the "List"). In order to be added to the List, a Broker-Dealer is required to meet the following criteria: (1) usage of delivery versus payment; (2) documentation of overall desirability of sales coverage; (3) adequate financials, which would require a copy of the Broker-Dealer's current FOCUS report on file; (4) a copy of the latest annual report containing an unqualified auditor's opinion; and (5) trading authorization signed by a corporate compliance officer. The Procedure also requires an annual review of the List by a committee comprised of the UTIMCO Traders, the CEO and Chief Investment Officer, the President and Deputy CIO, and the General Counsel and Chief Compliance Officer using the same criteria. Pursuant to the Procedure, no Committee approval was needed to add Broker-Dealers meeting the criteria set forth above. However, per Staff's request, the Committee approved the addition of one and the retention of eight Broker-Dealers highlighted on the Revised Exhibit A, Approved Fixed Income Broker-Dealer List, As of April 8, 2010 that did not meet the criteria set forth above. Mr. Tate asked Ms. Gonzalez to report on any non-compliance items from the Compliance Report for the Quarter Ended February 28, 2010. Ms. Gonzalez reported that there was one exception in the Risk area, in the securities lending area. She noted that once the exception was discovered it was corrected. Mr. Zimmerman and Ms. Gonzalez answered the Board Members' questions.

Organizational Update

Mr. Foster asked Mr. Zimmerman to give the Board an update on the organization. Mr. Zimmerman provided an update on the Corporation's staffing, 2nd Quarter 2010 actual to budgeted expenses, constituent relations, and economic dashboard and indicator decision support. Mr. Zimmerman asked Ms. Chen to review the economic dashboard. Ms. Chen provided a handout of information regarding the Indicator Decision Support Systems used by the Corporation's Staff. Mr. Zimmerman and Ms. Chen answered the Directors' questions.

The Board did not convene in Executive Session for the purpose of deliberating an individual personnel compensation matter related to Eligible Position in UTIMCO Compensation Program for the 2009/2010 Performance Period.

Compensation Committee Report

Mr. Foster asked Mr. Ferguson to provide the report for the Compensation Committee. Mr. Ferguson reported that the Committee met on April 15, 2010, prior to the Board meeting. The Committee discussed and approved change in the designation of an employee's Eligible Position as a Participant in the UTIMCO Compensation Program for the 2009/2010 Performance Period and recommended same to the Board for approval. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (the "Plan") provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "UTIMCO Board") as an "Eligible Position" for that Performance Period and (2) selected by the UTIMCO Board as eligible to participate for that Performance Period; and

WHEREAS, the Compensation Committee of the Board of Directors of UTIMCO (the "Committee") has previously determined that the position of Senior Director, Investments is an Eligible Position in the Plan; and

WHEREAS, the position of Senior Director, Investments, includes the position of Senior Director – Real Estate Investments; and

WHEREAS, Mark Shoberg, currently designated in the Plan in the Eligible Position of Director, Investments has been promoted to Senior Director – Real Estate Investments, and

WHEREAS, the Committee approved the designation of Mark Shoberg in the Eligible Position of Senior Director, Investments for the 2009/2010 Performance Period, effective as of February 16, 2010, and the weighting of Mr. Shoberg's Incentive Award Opportunity and Percentage of Award Deferred for the 2009/2010 Performance Period, based on the time spent by Mr. Shoberg in each Eligible Position for the Performance Period ended June 30, 2010, and has recommended that the UTIMCO Board approve same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the designation of Mark Shoberg in the Eligible Position of Senior Director, Investments for the 2009/2010 Performance Period, effective as of February 16, 2010, and

FURTHER RESOLVED, that the Board approves the weighting of Mr. Shoberg's Incentive Award Opportunity and Percentage of Award Deferred for the 2009/2010 Performance Period, based on the time spent by Mr. Shoberg in each Eligible Position for the Performance Period ended June 30, 2010.

The Committee also heard a report from Nanci Hibschan of Mercer, related to a salary benchmarking study for the 2010/2011 fiscal year. Ms. Hibschan discussed the deliverables, timing and peer group to be used for determining competitive compensation levels.

Audit and Ethics Committee Report

Mr. Foster provided the report on behalf of the Audit and Ethics Committee. He reported that the Committee met on April 8, 2010. The Committee heard a presentation of the unaudited financial statements for the Investments Funds and the Corporation for the three months ended February 28, 2010, a report from the UT System Audit office, and received a report on other ethics and compliance activities from Staff. Mr. Foster asked Ms. Gonzalez to give the compliance report. Ms. Gonzalez summarized the Compliance Report for the Quarter Ended February 28, 2010. Ms. Gonzalez also provided a summary of the Investment Policies Compliance Report for the Quarter Ended February 28, 2010, gave an overview of the updated Institutional Compliance Action Plan for FY 2010 and the Institutional Compliance Program Quarterly Report for the Fiscal Quarter ended February 28, 2010. Mr. Foster reported that the Committee also received a presentation UTIMCO Enterprise Risk Management ("ERM") from Ms. Gonzalez, and he asked her to give the report to the Board.


Ms. Gonzalez began her presentation by stating that ERM is the process of identifying, assessing, and managing risk from an integrated, companywide perspective. She explained that the Corporation had adopted the Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) *Enterprise Risk Management - Integrated Framework* as the model upon which it would develop its ERM, which is designed around four objectives (strategic, operations, reporting and compliance) and eight ERM interrelated components (internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring). She continued by discussing each of the eight interrelated components, with an emphasis on the risk assessment, risk response, and control activities identified by staff. She concluded her presentation by noting that Staff was prepared to accept the responsibilities for the ongoing monitoring and assessment of the appropriateness of risk responses. Mr. Zimmerman and Ms. Gonzalez answered the Board Members' questions.

Educational Program for Board

Mr. Foster 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 serves as an update and a resource for current Board members.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:25 p.m.

Secretary: 
Joan Moeller

Approved:  Date: 8.2.2010
Paul Foster
Chairman, Board of Directors of
The University of Texas Investment
Management Company