

**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 9:46 a.m. on **November 9, 2010**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Paul Foster, 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:

Paul Foster, Chairman  
J. Philip Ferguson, Vice Chairman  
Francisco G. Cigarroa, M.D, Vice Chairman for Policy  
Kyle Bass  
Printice Gary  
Janiece M. Longoria  
Ardon E. Moore  
Charles Tate

Accordingly, a majority and quorum of the Board was in attendance. Director Erle Nye attended the meeting by means of conference telephone. 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; Mark Warner, Senior Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Bill Edwards, Managing Director - Information Technology; Ryan Ruebsahm, Director - Marketable Alternative Investments; Susan Chen, Director - Public Markets Investments; Russ Kampfe, Senior Portfolio Manager, Fixed Income Investments; Harland Doak, Portfolio Manager, Fixed Income; Amanda Hopper, Senior Associate - Public Markets Investments; and other Staff members. Other attendees were Kyle Kalkwarf, UT System Student Regent; 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, and Matt Flores of the UT System Administration; and Tom Wagner of Deloitte and Touche LLP. Mr. Foster called the meeting to order at 9:46 a.m.

**Corporate Resolution**

Mr. Foster first introduced Kyle Bass and welcomed him as the newest member of the Board of Directors. Mr. Foster then read and recommended for approval a resolution of appreciation honoring Clint D. Carlson. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

WHEREAS, Mr. Carlson served as a Member of the Board's Compensation Committee and Risk Committee, and the Chair of the Advisory Search Committee; and

WHEREAS, as a Member of the Board's Compensation Committee and Risk Committee and the Chair of the Advisory Search Committee, Mr. Carlson provided invaluable insight and counsel, drawing on his immense business experience as President and Chief Investment Officer of Carlson Capital, L.P., a multi-strategy, alternative asset management firm founded in 1993 and based in Dallas, Texas, that manages six hedge fund groups with over \$5 billion in assets under management and has additional offices located in Houston, London, New York, and Greenwich, Connecticut; and

WHEREAS, Mr. Carlson's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work as a Member of the Council of Overseers at the Jones School of Business at Rice University; and

WHEREAS, Mr. Carlson's unselfish contributions are also evidenced by his service on the Board of Trustees of the Dallas Museum of Art and the Management Committee and Board of Governors of the Texas Ballet Theatre; and

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

WHEREAS, Mr. Carlson's leadership, judgment, and commitment have greatly benefited UTIMCO and contributed to its success.

NOW, THEREFORE,

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

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

students and faculty of The University of Texas System and The Texas A&M University System.

PASSED AND ADOPTED this 9th day of November, 2010.

Several Members of the Board expressed appreciation for Mr. Carlson's service and stated that he was a wonderful asset to the Committees on which he served and the Board.

### Minutes

The next item to come before the Board was the approval of the minutes of the meetings of the Board of Directors held on July 14, 2010, and August 6, 2010, and the Joint Meeting with the Board of Regents of The University of Texas System held on July 14, 2010. Mr. Ferguson noted that the minutes from the August 6, 2010 meeting should reflect that subsequent to the August 6, 2010 meeting, Mr. Zimmerman notified the Chairman and the Directors of his decision to decline his recommended and approved salary increase for FY 2010. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the meetings of the Board of Directors held on **July 14, 2010**, and **August 6, 2010**, and the Joint Meeting with the Board of Regents of The University of Texas System held on **July 14, 2010**, be, and are hereby, approved.

### Corporate Officer

Mr. Foster requested discussion and appropriate action regarding Committee Assignments be tabled until later in the meeting. He recommended approval of Mr. Zimmerman's request to appoint Mark Warner to the office of Managing Director, Natural Resources, effective September 1, 2010, an officer position with the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Mark Warner is hereby appointed to the office of Managing Director of the Corporation to serve until the next Annual Meeting of the Corporation or until his resignation or removal.

### Compensation Committee Report

Mr. Foster stated that it was not necessary for the Board to go into Executive Session. He asked Mr. Ferguson to provide the Compensation Committee report. Mr. Ferguson reported that the Committee met on September 21, 2010, November 4, 2010, and on November 9, 2010, just prior to the Board meeting. At the Committee meetings they discussed and approved the Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program (the "Plan") for the 2010/2011 Performance Period; approved the Plan Participants' Qualitative Performance Goals (other than for the CEO) for the 2010/2011 Performance Period; engaged Deloitte & Touche LLP to perform agreed upon procedure services; and received a report related to the findings of the Committee's self-assessment responses. The Committee

also approved Amendments to Appendix B of the Plan (UTIMCO Peer Group), discussed and approved Personnel Performance Incentive Awards for the Performance Period ended June 30, 2010; and updated and amended Appendices C and D of the Plan, effective July 1, 2010. Mr. Ferguson, on behalf of the Committee requested approval by the Board, with further approval needed by the Board of Regents, of Appendices C and D of the Plan. 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, Section 5.3.(a) of the Plan requires Table 1 to be revised each Performance Period to set forth the Eligible Positions, the weightings for the Eligible Positions, the Incentive Award Opportunities, and any Applicable Deferral Percentage for each Eligible Position, for that Performance Period as soon as administratively practicable after confirmation of such by the Board for such Performance Period and to be attached as Appendix C to the Plan; and

WHEREAS, Section 5.8.(b)(1) of the Plan requires Table 2 to be revised, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold, target, and maximum performance standards, in effect during the three-year rolling historical period, culminating with the subsequent Performance Period and to be attached as Appendix D to the Plan; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed the revised Tables, approves such amendments, and has determined to recommend them to the Board; and

WHEREAS, the Board has reviewed and concurs in the amendments to the revised Tables 1 and 2, as recommended by the Committee.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Tables 1 and 2, copies of which are attached hereto, are hereby adopted and approved to replace the current Appendix C and D, respectively, effective as of July 1, 2010, subject to approval by the Board of Regents of The University of Texas System.

Mr. Ferguson, on behalf of the Committee, recommended approval of the Designation of Employees in Eligible Positions as Participants in the Plan for the 2010/2011 Performance Period, subject to approval by the Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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 "Board") as an "Eligible Position" for that

Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has recommended the individuals who may become Participants for the 2010/2011 Performance Period set forth on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed Exhibit 1 and wishes to select the individuals who may become Participants for the 2010/2011 Performance Period, conditioned upon approval by the Board of Regents of The University of Texas System (the "UT Board") of certain changes to the Plan adopted and approved by the Board at this meeting.

NOW, THEREFORE, be it:

RESOLVED, that, subject to approval by the UT Board of updated and amended Tables 1 and 2 to the Plan, in the forms adopted and approved by the Board, the individuals set forth on Exhibit 1 attached hereto are hereby designated as "Participants" in the Plan for the 2010/2011 Performance Period, effective as of July 1, 2010.

Mr. Ferguson continued, on behalf of the Committee, recommending approval of the updated and amended Appendix B (UTIMCO Peer Group). Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 8.14. of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B (UTIMCO Peer Group) will be amended accordingly; and

WHEREAS, Section 7.2. of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Board wishes to amend Appendix B to conform to the updated Peer Group.

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2010.

Mr. Ferguson next presented the resolutions recommended for approval by the Committee related to the CEO's Personnel Performance Incentive Awards for the Performance Period ended June 30, 2010. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will approve the

"Performance Incentive Award" of the CEO based upon a determination of the level of achievement of the CEO with respect to his or her "Performance Goals" for such Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the CEO during the 2009/2010 Performance Period and has submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the CEO during the 2009/2010 Performance Period and has compared such actual performance relative to each Performance Goal category for the CEO against his corresponding Performance Goal for such Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award for the 2009/2010 Performance Period in the amount of \$1,150,000 and be it

FURTHER RESOLVED, that of the CEO's \$1,150,000 Performance Incentive Award for the 2009/2010 Performance Period, 50% (\$575,000) will be deferred pursuant to the Plan.

And the resolution related to 2009/2010 Performance Incentive Awards for Plan Participants other than the CEO:

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Compensation Committee will approve, subject to further approval of the UTIMCO Board, the "Performance Incentive Award" of each Participant based upon a determination of the level of achievement of such Participant against his or her "Performance Goals" for such Performance Period; and

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the 2009/2010 Performance Period of his or her Performance Incentive Goals for such Performance Period; and

WHEREAS, Sections 5.5.(e) and 5.5.(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a Performance Incentive Award will be calculated for such Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Section 5.5.(f) of the Plan provides that the Compensation Committee will review all calculations of Performance Incentive Awards, make any changes it deems appropriate, and submit its recommendation to the Board for approval; and WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance

benchmarks for the 2009/2010 Performance Period, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for all Participants for the 2009/2010 Performance Period (excluding the CEO) in the total aggregate amount of \$3,987,162 are hereby approved.

Of the \$3,987,162 Performance Incentive Awards for all Participants, \$1,305,255 will be deferred pursuant to the Plan.

Ms. Longoria expressed her thanks to Mr. Ferguson for his hard work, time and effort spent working as the Chairman of the Compensation Committee.

### **UTIMCO 2010-11 Budget**

Mr. Foster asked Mr. Zimmerman to explain the UTIMCO budget handout that was distributed at the meeting. Mr. Zimmerman explained that because of the changes approved in Appendices C and D of the Plan, the UTIMCO 2010-11 Budget would need to be changed. The UTIMCO Board, at its meeting on August 6, 2010, approved the 2010-2011 UTIMCO Annual Budget and the Allocation Schedule for the period beginning September 1, 2010 through August 31, 2011, but the Board of Regents had not yet met to approve the UTIMCO 2010-11 Budget. Staff requested an increase to the UTIMCO Management Fee of \$599,967, for a total UTIMCO Management Fee of \$17,231,272. The increase of \$599,967 consisted of \$591,391 for budgeted Performance Compensation and \$8,576 for Payroll Taxes related to the increase in budgeted Performance Compensation resulting from changes to Appendices C and D of the Plan. If approved by the Board, the amounts will be adjusted and the new budget amounts will be proposed and presented for approval by the Board of Regents at their next meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO Management Fee of \$17,231,272, Other Direct Fund Costs of \$5,504,702, and Anticipated Invoiced External Manager Fees of \$44,158,120, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$66,894,094; Capital Budget of \$215,000; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2010 through August 31, 2011, be, and is hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

### **Audit and Ethics Committee Report**

Mr. Foster asked Ms. Longoria to provide a report on behalf of the Audit and Ethics Committee. Ms. Longoria reported that the Committee convened on November 4, 2010. She asked Mr. Wagner to give a short report to the Board regarding the completed audit of the Permanent University Fund (the "PUF"), the Permanent Health Fund (the "PHF"), The University of Texas System Long Term Fund (the "LTF"), The University of Texas System General Endowment Fund (the "GEF"), and The University of Texas System

Intermediate Term Fund (the "ITF") (collectively, the "Funds"). Ms. Longoria stated that the Committee heard a comprehensive report from Mr. Wagner regarding Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements of the Funds, and the Statement of Performance Statistics for the year ended August 31, 2010. The Committee heard from Mr. Chaffin regarding completion of the Chief Executive Officer and Chief Investment Officer's Expenses for 2010 by the UT System Audit Office, and received a report on other ethics and compliance activities from Staff.

The Committee received a comprehensive report regarding the Institutional Compliance Program (the "Program") Peer Review. Ms. Longoria thanked Ms. Gonzalez for the work she did on the project and the report she provided to the Committee. On August 30-31, 2010, the peer review was conducted onsite at the UTIMCO offices. UTIMCO engaged Bart J. Brunk, Controller, DUMAC, LLC, James P. Feeney, Chief Compliance Officer, Commonfund, and Mark C. Krcmaric, Managing Director & Chief Operating Officer, University of Notre Dame (the "Peer Review Team"), to evaluate its Program. Also included in the review process were Senior Staff and other responsible parties as well as Mr. Chaffin and Ms. Kalamkar of UT System Audit Office, and Mr. Larry Plutko, UT Systemwide Compliance Officer. The Peer Review Team examined UTIMCO's core compliance documentation, administered a compliance effectiveness/awareness survey to all employees, and conducted interviews with senior management and other high-risk area Responsible Parties. After evaluating each of the following objectives, the Peer Review Team concluded that UTIMCO Staff had comprehensive policies and understanding in each of the areas: (1) validation of the Chief Compliance Officer's Self-Assessment of the Program; (2) evaluation of Program effectiveness; (3) identification of opportunities for Program enhancement; and (4) assistance and/or recommendations related to the Employee Ethics and Compliance Committee, staff compliance awareness and training, and risk assessment/risk management in the UTIMCO-identified high-risk areas.

The final item on the Committee's agenda was to approve the CEO's recommendation of the performance incentive award for the performance period ending June 30, 2010, for the General Counsel and Chief Compliance Officer. The Committee submitted its recommendation, jointly with the CEO, to the Compensation Committee. Ms. Longoria recommended, on behalf of the Committee, the following resolution. Upon motion duly made and seconded, the resolution was unanimously adopted:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2010, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2010, and August 31, 2009, and the Statement of Investment Performance Statistics for the year ended August 31, 2010, be, and are hereby approved in the form as presented to the Board.



## **Risk Committee Report**

Mr. Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met on November 4, 2010, with all members of the Committee present. The Committee considered several items, including the Categorization of New Investment Mandates. There were fourteen new investment mandates and one re-categorization submitted by Staff, for the period beginning July 1, 2010, and ending October 15, 2010, for the Committee's review and approval. There were also two mandates included in the "Mandate Categorization Watch-List" that will continue to be monitored by Staff for possible recategorization. Staff also asked the Committee for guidance on a proposed mandate classification of a potential new investment which, based on its investment guidelines, raised the question as to whether it should be classified as a More Correlated and Constrained ("MCC") investment or Less Correlated and Constrained ("LCC") investment. The Committee heard a report from Ms. Gonzalez on non-compliance items from the Compliance Report for the Quarter Ended August 31, 2010. Mr. Zimmerman answered the Board Members' questions.

## **Selection of Custodian for Additional Bank Services**

Mr. Foster asked the Board to advance to Tab 9, and asked Mr. Zimmerman to discuss the recommendation for approval of a possible contract(s) for additional custodian bank services. Mr. Zimmerman explained that Staff had been in discussions with HSBC Bank USA and The Bank of Nova Scotia, acting through its ScotiaMocatta division, for custodian bank services as deemed necessary by staff to perform investment management services for The University of Texas System. Staff was seeking approval to negotiate and execute a contract with HSBC Bank USA and/or The Bank of Nova Scotia. The Master Investment Management Services Agreement (IMSA) between the Board of Regents and the Board requires Board of Regents approval of custodian banks and related custodian agreements. Staff recommended that the Board approve a contract with HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services and direct staff to negotiate the contracts, subject to further approval by the Board of Regents.

WHEREAS, the Board of Directors of the Corporation (the "Board") has determined that additional custodian bank services are necessary to perform investment management services for The University of Texas System; and

WHEREAS, the Master Investment Management Services Agreement between the Board of Regents of The University of Texas System ("U. T. Board") and the Board requires U. T. Board approval of custodian banks and related custodian agreements; and

WHEREAS, the Board has reviewed and concurs in the selection of HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services, as recommended by staff.

NOW, THEREFORE, be it:

RESOLVED that the Board approves the selection of HSBC Bank USA and/or The Bank of Nova Scotia to provide additional custodian bank services as deemed necessary by staff to perform investment management services for The University

of Texas System and directs staff to negotiate and enter into a contract with HSBC Bank USA and/or The Bank of Nova Scotia (the "Agreement(s)"), subject to approval by the U.T. Board.

FURTHER RESOLVED, that the CEO and Chief Investment Officer, President and Deputy CIO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolution and to perform the obligations of this Corporation under the Agreement(s).

### **Endowment and Operating Funds Update**

Mr. Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman gave the Board a report of the Corporation's Performance Summary as of August 31, 2010. He reported the Corporation had \$23.0 billion of assets under management at the end of August 31, 2010. Of the \$23.0 billion, \$10.7 billion was in the PUF, \$6.0 billion in the GEF, \$1.7 billion in the STF and \$4.2 billion in the ITF. Mr. Zimmerman presented actual versus benchmark results, tactical asset allocation, and value-add analysis. The net performance for the quarter ended August 31, 2010, for the PUF was 2.47% and for the GEF was 2.48%, versus benchmark returns of 2.65% for each fund. The net performance for the one year ended August 31, 2010, for the PUF was 13.04% and for the GEF was 13.02%, versus benchmark returns of 8.76% for each fund. The ITF's performance was 3.79% versus its benchmark return of 3.29% for the quarter ended August 31, 2010, and 11.04% versus its benchmark return of 6.05% for the one year ended August 31, 2010. Performance for the STF was 0.08% versus 0.04% for its benchmark return for the quarter ended August 31, 2010, and was 0.22% versus a benchmark return of 0.14% for the one year ended August 31, 2010.

At approximately 11:20 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 1:15 p.m.

### **Committee Assignments**

Mr. Foster recommended approval of Corporate committee assignments to the Audit and Ethics Committee, Compensation Committee, Risk Committee and the Policy Committee, with the Audit and Ethics Committee appointments subject to further approval by the Board of Regents in accordance with Section 66.08 of the *Texas Government Code*. Upon motion duly made and seconded, the following resolution was unanimously adopted:

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Audit and Ethics Committee of the Board of Directors:

Printice L. Gary  
Janiece Longoria  
Erle Nye  
Charles W. Tate

subject to approval by the Board of Regents of The University of Texas System at a future meeting, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Janiece Longoria is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Compensation Committee of the Board of Directors:

Kyle Bass  
J. Philip Ferguson  
Janiece Longoria  
Ardon E. Moore

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that J. Philip Ferguson is hereby designated the Chair of the Compensation Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Risk Committee of the Board of Directors:

Kyle Bass  
J. Philip Ferguson  
Ardon E. Moore  
Charles W. Tate

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Charles W. Tate is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Policy Committee of the Board of Directors:

Kyle Bass  
J. Philip Ferguson  
Printice L. Gary  
Erle Nye

to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Printice L. Gary is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

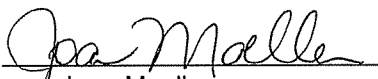
**Endowment and Operating Funds Update (continued)**

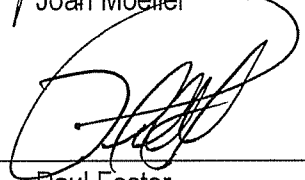
Mr. Zimmerman continued reviewing the Funds' Asset Class and Investment Type targets, ranges and performance objectives. He reviewed the Less Correlated and Constrained portfolio categorizations vs. "look thru" exposures. He asked Mr. Kampfe and Mr. Doak to discuss highlights for the More Correlated and Constrained Portfolio. They discussed the Investment Grade Fixed Income Portfolio, the inflation insurance hedge and the Brazilian Sovereign Inflation Linked Bonds. Mr. Warner updated the Board on the Corporation's gold position and Ms. Iberg and Mr. Ruebsahm gave the Board a Less Correlated and Constrained Portfolio performance update. Ms. Chen presented the Board with background on the equity skew trade and explained implementation to date. Mr. Zimmerman gave an update on the Private Markets Portfolio secondary sale. He then asked Mr. Yoeli to present risk analytics for the period ending August 31, 2010. Mr. Zimmerman presented a report on derivatives and counterparties, manager exposure, investment activity as of August 31, 2010, and gave an update on liquidity, contracts and the ITF. Mr. Zimmerman and Ms. Iberg answered the Directors' questions.

**Organization Update**

Mr. Foster asked Mr. Zimmerman to give an organization update. Mr. Zimmerman provided an update on Corporation's staffing. He asked Ms. Chen to discuss the Portfolio Positioning Task Force. Mr. Ruebsahm reported on the Credit Task Force, including the credit-related fixed income thesis, current outlook and exposure. Mr. Warner discussed the Emerging Markets Task Force, and Mr. Edwards gave an update on technology issues.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:21 p.m.

Secretary:   
Joan Moeller

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

Date: 02-03-2011

**TABLE 1 – Appendix C (For the Performance Periods beginning after June 30, 2010)**

Eligible Position	Weighting			Incentive Award Opportunity (% of Salary)				Percentage of Award Deferred
	Entity	Asset Class/ Investment Type	Qualitative (Individual)	< Threshold	Threshold	Target	Maximum	
<i>Investment Professionals</i>								
CEO & Chief Investment Officer	60%	0%	40%	0%	0%	100%	300%	50%
President & Deputy CIO	40%	40%	20%	0%	0%	95%	250%	50%
Managing Director - Investments	30%	40%	30%	0%	0%	85%	215%	40%
Managing Director - Private Investments	30%	30%	40%	0%	0%	85%	215%	40%
Senior Director - Investments	25%	35%	40%	0%	0%	60%	150%	35%
Senior Portfolio Manager	20%	40%	40%	0%	0%	60%	150%	35%
Senior Director - Risk Management	30%	0%	70%	0%	0%	50%	135%	35%
Portfolio Manager	20%	40%	40%	0%	0%	50%	130%	30%
Director - Investments	20%	40%	40%	0%	0%	50%	130%	30%
Director - Private Investments	20%	30%	50%	0%	0%	50%	130%	30%
Director - Risk Management	30%	0%	70%	0%	0%	40%	90%	30%
Senior Associate - Investments	15%	35%	50%	0%	0%	40%	90%	20%
Senior Associate - Private Investments	15%	25%	60%	0%	0%	40%	90%	20%
Senior Associate - Risk Management	30%	0%	70%	0%	0%	40%	80%	20%
Associate - Investments	15%	30%	55%	0%	0%	35%	85%	15%
Associate - Private Investments	15%	20%	65%	0%	0%	35%	85%	15%
Associate - Risk Management	30%	0%	70%	0%	0%	35%	70%	15%
Senior Analyst - Investments	10%	20%	70%	0%	0%	30%	60%	0%
Analyst - Investments	10%	20%	70%	0%	0%	25%	50%	0%
Analyst - Risk Management	30%	0%	70%	0%	0%	25%	50%	0%
<i>Operations/Support Professionals</i>								
Senior Managing Director	20%	0%	80%	0%	0%	60%	120%	40%
Managing Director	20%	0%	80%	0%	0%	50%	100%	30%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	0%	50%	100%	30%
Senior Manager	20%	0%	80%	0%	0%	40%	90%	25%
Manager	20%	0%	80%	0%	0%	40%	80%	25%
Senior Financial Analyst	20%	0%	80%	0%	0%	30%	60%	20%

**TABLE 2 – Appendix D (7/1/08 through 6/30/11)**

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment	ITF	Threshold	Target	Maximum
		Assets	(% of Portfolio)			
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps	+225 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+150 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.5%	30.0%	+0 bps	+25 bps	+62.5 bps
Real Estate	FTSE EPRA/NAREIT Developed Index	2.5%	5.0%	+0 bps	+62.5 bps	+150 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%	7.5%	+0 bps	+62.5 bps	+150 bps
Developed Country Equity	MSCI World Index with net dividends	19.5%	15.0%	+0 bps	+62.5 bps	+150 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	12.0%	7.5%	+0 bps	+62.5 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index*	30.0%	35.0%	+0 bps	+75 bps	+250 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	20.0%	0%	+0 bps	+100 bps	+350 bps
Private Investments Real Estate	NACREIF Custom Index	2.0%	0%	+0 bps	+100 bps	+325 bps
Specific asset class benchmarks:						
Credit-Related Fixed Income	Barclays Capital Global High Yield Index			+0 bps	+37.5 bps	+100 bps
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps

\* For the Performance Period beginning 7/01/2008 through 12/31/2008, the benchmark is MSCI Investable Hedge Fund Index

**Exhibit 1**  
**Designation of Plan Participants in Eligible Positions**  
**in the 2010/2011 Performance Period**

**ELIGIBLE POSITION**

**PARTICIPANTS**

*Investment Professionals*

CEO & Chief Investment Officer	Bruce Zimmerman
President and Deputy CIO	Cathy Iberg
Managing Director - Private Investments	Lindel Eakman
Managing Director - Investments	Mark Warner
Senior Director - Investments	Mark Shoberg
Senior Director - Risk Management	Uzi Yoeli
Senior Portfolio Manager	Russ Kampfe
Portfolio Manager	Harland Doak
Director - Investments	Ryan Ruebsahm
Director - Investments	Susan Chen
Director - Investments	Zac McCarroll
Senior Associate - Investments	Mark Newcomb
Senior Associate - Investments	Courtney Powers
Senior Associate - Private Investments	Scott Bigham
Senior Associate - Investments	Amanda Hopper
Senior Associate - Risk Management	Kate Wagner
Associate - Private Investments	Mike McClure
Senior Analyst - Investments	Alison Hermann
Senior Analyst - Investments	Mukund Joshi
Senior Analyst - Investments	Daniel Senneff
Analyst - Investments	Natasha Cupps
Analyst - Investments	Siamc Kamalie
Analyst - Investments	Lara Jeremko
Analyst - Investments	Drury Morris

*Operations/Support Professionals*

Senior Managing Director	Joan Moeller
Managing Director	Bill Edwards
General Counsel and Chief Compliance Officer	Cissie Gonzalez
Senior Manager	Gary Hill
Manager	Debbie Childers
Manager	Melynda Shepherd
Senior Financial Analyst	Lara McKinney

Participants are eligible as of July 1, 2010

## Appendix B

### UTIMCO Peer Group

- Columbia University
- Cornell University
- Emory University
- Harvard University
- Massachusetts Institute of Technology
- Northwestern University
- Princeton University
- Rice University
- Stanford University
- The Duke Endowment
- University of California
- University of Chicago
- University of Michigan
- University of Notre Dame
- University of Pennsylvania
- University of Virginia Investment Management Company
- Vanderbilt University
- Washington University in St. Louis
- Yale University

Source: Cambridge Associates. Represents endowment funds (excluding the Total Endowment Assets) with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, all to be determined as of the last day of each fiscal year end June 2008, 2009, 2010.