

**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 11:28 a.m. on **February 3, 2011**, 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
Kyle Bass
Printice L. Gary
Janiece Longoria
Ardon E. Moore
Charles W. Tate

Accordingly, a majority and quorum of the Board was in attendance. Director Erle Nye 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; Mark Warner, Managing Director - Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP; Philip Aldridge, Charlie Chaffin, Barry McBee, Roger Starkey, Moshmee Kalamkar and Miles Ragland of The University of Texas System (UT System) Administration. Dr. Francisco G. Cigarroa joined the meeting later as noted in the minutes. Mr. Foster called the meeting to order at 11:28 a.m. He asked to postpone the Briefing Session until after lunch.

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 November 9, 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 **November 9, 2010**, be, and are hereby, approved.

Corporate Resolution

Mr. Foster next recommended Board approval to designate the date for the Annual Meeting of the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Annual Meeting of the Board of Directors will be held on April 14, 2011, in Austin, Texas.

Endowment and Operating Funds Update

Mr. Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman presented the net asset value and performance numbers (Preliminary) as of December 31, 2010, and then reported in more detail the Corporation's Performance Summary as of November 30, 2010. He reported the Corporation had \$25.1 billion of assets under management at the end of November 30, 2010. Of the \$25.1 billion, \$11.6 billion was in the Permanent University Fund (PUF), \$6.5 billion in the General Endowment Fund (GEF), \$2.2 billion in the Short-Term Fund (STF) and \$4.4 billion in the Intermediate Term Fund (ITF). Mr. Zimmerman presented actual versus benchmark results, tactical asset allocation, and value-add analysis. The net performance for the quarter ended November 30, 2010, for the PUF was 6.78% and for the GEF was 6.80%, versus benchmark returns of 5.94% for the PUF and GEF. The net performance for the one year ended November 30, 2010, for the PUF was 12.21% and for the GEF was 12.26%, versus benchmark returns of 9.09% for each fund. The ITF's performance was 5.56% versus its benchmark return of 4.66% for the quarter ended November 30, 2010, and 9.66% versus its benchmark return of 5.04% for the one year ended November 30, 2010. Performance for the STF was 0.07% versus 0.03% for its benchmark return for the quarter ended November 30, 2010, and was 0.23% versus a benchmark return of 0.11% for the one year ended November 30, 2010. Mr. Zimmerman reviewed the Funds' Asset Class and Investment Type targets, tactical asset allocation, ranges and performance objectives. He reviewed the Less Correlated and Constrained portfolio categorizations vs. "look thru" exposures. Mr. Zimmerman asked Mr. Yoeli to present risk analytics for the period ending November 30, 2010. Mr. Zimmerman continued reporting on derivatives and counterparties, manager exposure, investment activity as of November 30, 2010, and gave an update on liquidity, contracts and the ITF. Mr. Zimmerman, Ms. Iberg and Mr. Yoeli answered the Directors' questions.

At 12:45 p.m. the open meeting of the Board recessed for lunch.

The open meeting of the Board reconvened in open session at 1:18 p.m.

Risk Committee Report

Mr. Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met on January 26, 2010, with all members of the Committee present. The Committee considered several items, including approval of the Categorization of New Investment Mandates. He stated that there were five new investment mandate categorizations prepared by Staff for the period beginning October 16, 2010, and ending January 10, 2011, and three mandates included in the "Mandate Categorization Watch-List" that will continue to be monitored by Staff for possible recategorization. Another item discussed was the Corporation's Liquidity Policy. Mr. Zimmerman explained to the Committee that the Corporation's Liquidity Policy establishes limits on the overall liquidity profile of investments in the PUF, the GEF and the ITF. The allowable range for illiquid investments is 0% to 45% of the total portfolio for the ITF. Once the ITF illiquid investments move into the trigger zone of 35% to 45%, Staff is required to request approval from the Risk Committee or UTIMCO Board before any additional illiquid investments are made. He presented estimated run-off liquidity as of November 30, 2010, and reported that the ITF's illiquid investments have moved closer to the 35% threshold, primarily due to the Less Correlated and Constrained Investment Type allocation being increased from 25% to 35% in the ITF Investment Policy Statement when it was amended August 2009, without a corresponding increase for illiquid investments in the Liquidity Policy. Mr. Zimmerman asked for guidance from the Risk Committee to determine the appropriate course of action, if any, related to the ITF's liquidity position. The Committee

also heard a report on UTIMCO's corporate insurance. The Corporation's Directors and Officers (D&O) insurance coverage period is from February 28, 2011 to February 28, 2012. After discussion on this topic, the Committee tabled the agenda item and asked Staff and Mr. Turner to present additional information on D&O coverage at a future Committee meeting. The Committee also heard a report from Ms. Gonzalez on non-compliance items from the Compliance Report for the Quarter Ended November 30, 2010. Mr. Tate left the meeting at this time.

Policy Committee Report

Mr. Foster asked Mr. Gary to provide a report on the behalf of the Policy Committee. Mr. Gary reported that the Committee convened on January 26, 2010. Mr. Gary said that the Committee discussed proposed amendments to the Separately Invested Funds (SIF) Investment Policy Statement, amendments that were requested by the Office of Finance of UT System. Mr. Gary explained details of the suggested amendments stating that UT System currently had approximately \$1.1 billion of bond proceeds, currently invested in the STF. The Office of Finance staff had asked the Corporation to invest a portion of these debt proceeds into a laddered portfolio in the SIF. The laddered portfolio would be invested by the Corporation's internal Portfolio Managers. The Corporation's back office staff would provide the accounting services for the debt proceeds funds. The SIF Investment Policy Statement needed to be amended to allow for the investment of these funds by Staff. The proposed changes to the SIF Investment Policy Statement were approved by the Policy Committee at their meeting. On behalf of the Committee, Mr. Gary recommended approval by the Board of the amendments to the SIF Investment Policy Statement, with further approval required by the UT System Board of Regents. Staff additionally requested delegated authority from the Board for the internal portfolio managers to invest the debt proceeds in the investments authorized by the SIF Investment Policy Statement. Mr. Zimmerman and Mr. Aldridge answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Board:

RESOLVED, that amendment to the Investment Policy Statement of the Separately Invested Funds, as presented be, and is hereby, approved, subject to approval by The University of Texas System Board of Regents.

And,

WHEREAS, UTIMCO Staff has been requested by the Office of Finance of The University of Texas System (UT System) staff to invest a portion of the debt proceeds from UT System bond issuances currently invested in the Short Term Fund into a laddered portfolio; and

WHEREAS, UT System has requested that the laddered portfolio be invested by the UTIMCO internal portfolio managers; and

WHEREAS, UTIMCO internal portfolio managers are currently only authorized to manage an Internal Fixed Income Portfolio of \$750,000,000; and

WHEREAS, in order for the UTIMCO internal portfolio managers to be able to invest the debt proceeds, the Board must delegate authority to Corporation's staff.

NOW THEREFORE,

BE IT RESOLVED, that, subject to approval of the amendment to the Investment Policy Statement of the Separately Invested Funds by The University of Texas System Board of Regents, in addition to the currently authorized Internal Fixed Income Portfolio, the internal portfolio managers be, and each of them hereby is, authorized to invest the debt proceeds from UT System bond issuances as requested by UT System staff in accordance with the terms and restrictions in the Investment Policy Statement of the Separately Invested Funds.

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 January 26, 2011, with all members present. She stated that Mr. Tom Wagner, engagement partner from the independent accounting firm of Deloitte & Touche LLP, presented the audit results and necessary communications for the Corporation for the fiscal years ended August 31, 2010 and August 31, 2009. Mr. Wagner confirmed the completion of the audit of the Corporation, summarized the process and reviewed with the Committee the Audit Results and Communications report covering required communications. Ms. Longoria, on behalf of the Committee, recommended approval of Deloitte and Touche LLP's Financial Statement Audit Results and Communications, and the audited financial statements and audit report for the Corporation. Upon motion duly made and seconded, the resolution was unanimously adopted:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation 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 annual financial statements and audit report for the Corporation for the fiscal years ended August 31, 2010 and August 31, 2009, be, and are hereby approved in the form as presented to the Board.

The Committee was also presented a report from the UT System Audit Office related to a security audit of information technology. The UT System Audit Office reviewed the UTIMCO Information Security Program Index Audit Report with the Committee and briefed the Committee on the preliminary audit work completed related to the audit of three security applications internally developed by the UTIMCO IT department. A handout of the audit results was provided to the Directors at the Board meeting. The Committee also heard a report from Ms. Gonzalez on non-compliance items from the Compliance Report for the Quarter Ended November 30, 2010.

Cambridge Contract Renewal

Mr. Foster asked Mr. Zimmerman to summarize the changes to the contract with Cambridge Associates. Mr. Zimmerman explained that Cambridge Associates had served as UTIMCO's consultant since its inception in 1996. Under the terms of the current contract with Cambridge, UTIMCO has had access, via the Cambridge Associates consulting team and Cambridge Associates web site, to proprietary databases on capital markets, investment managers, and partnerships. UTIMCO has also had access to comparative peer performance data and quarterly and annual surveys of investment and financial data. Also included in

the current contract is 24 hours of consulting time, a variety of research reports and working papers on investment and financial data, and attendance at UTIMCO Board meetings. Mr. Zimmerman stated that the prior Cambridge Associates contract was \$61,000 annually. The new contract, if approved, would include a retainer of \$46,000 with optional services to be "unbundled". These unbundled services would be charged individually at the time of service. Mr. Zimmerman estimated the annual fees would be less than the previous year, even with the optional services. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the contract renewal of Cambridge Associates as the external investment consultant be, and is hereby, approved in the form submitted to the Board.

Legislative Update

Mr. Foster asked Mr. McBee to give a Legislative update to the Board. Mr. McBee provided a handout, *82nd Texas Legislature Session Update*, to the Board which provided headlines of legislative activities, a comparison of the current State Budget and revenue estimates for the next biennium, and a summary of the Legislative Budget Board recommendations on the appropriations in both the House and Senate budget bills. He also provided key activities and dates for the legislative session. Dr. Cigarroa joined the meeting at this time. Mr. Zimmerman, Mr. McBee, Mr. Starkey and Mr. Turner answered the Directors' questions.

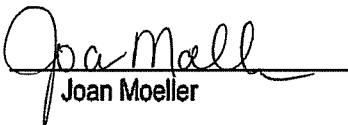
At 2:28 p.m. the open meeting of the Board recessed for a Briefing Session pursuant to Texas Education Code Section 66.08(h)(2) related to Investments.

The open meeting of the Board reconvened in open session at 3:42 p.m.

Organization Update

Mr. Zimmerman provided the Board with a Staff and budget update. Mr. Foster stated that due to time constraints, the Task Force Update would be tabled until the next Board meeting.

There being no further business to come before the Board, the meeting was adjourned at approximately 3:44 p.m.

Secretary: 
Joan Moeller

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

Date: 9-22-2011