

**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 on **July 14, 2011**, 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 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, Vice Chairman for Policy
Kyle Bass
Printice L. Gary
R. Steven Hicks
Ardon E. Moore
Charles W. Tate
James P. Wilson

Accordingly, a majority and quorum of the Board was in attendance. Also attending the meeting were members of The University of Texas System Board of Regents ("UT System Board"), Chairman Gene Powell, Regent Robert L. Stillwell, and Student Regent John Davis Rutkauskas. 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; Bob Jewell of Andrews Kurth LLP; Mark Gentle, Terry Hull, Charlie Chaffin, Roger Starkey, Matt Flores, and Moshmee Kalamkar of The University of Texas System (UT System) Administration; Greg Anderson of The Texas A&M University System and Joel Sauer of Hayman Capital Management LP. Mr. Foster called the meeting to order at 8:53 a.m.

Minutes

The first item to come before the Board was approval of the minutes of Board of Directors Meeting held on April 14, 2011. 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 **April 14, 2011**, be, and are hereby, approved.

Corporate Resolution

Mr. Foster and Dr. Cigarroa recognized Philip Aldridge for his outstanding leadership, commitment, and service as administrative liaison to the Corporation. Mr. Foster read the Resolution of Appreciation and recommended approval. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, due to his substantial background and expertise in business, Philip Aldridge was hired by The University of Texas System Office of Finance in 2001, to administer departmental programs regarding debt management and other financial services to the Board of Regents of The University of Texas System, the institutions, and System Administration, for the benefit of the citizens of the State of Texas, and subsequently advanced to the position of Vice Chancellor for Finance and Business Development; and

WHEREAS, as the administrative liaison to The University of Texas Investment Management Company, Mr. Aldridge also provided invaluable insight and direction; through his assistance with the drafting and amendment of various investment policies, review of budgets, participation in the investment teams' quarterly meetings, administration of matters pertaining to the management of the Intermediate Term Fund and Chief Business Officers' relations at each of the institutions; preparation of the agenda for the annual Joint Board of Regents/Board of Directors Meeting; analysis and reporting on the UTIMCO Board agenda items for the regental Board members, and attendance and participation in all UTIMCO Committee and Board meetings; and

WHEREAS, Mr. Aldridge's leadership, commitment, and service as Vice Chancellor for Finance and Business Development were exemplary, reflecting his dedication to the success of The University of Texas System for the benefit of and education and development of students at all levels, and further evidenced by his oversight of The University of Texas Investment Management Company.

NOW, THEREFORE,

BE IT RESOLVED, that the Directors of The University of Texas Investment Management Company, do hereby express to Philip Aldridge their sincerest appreciation for his leadership, commitment, and service as administrative liaison to The University of Texas Investment Management Company and Vice Chancellor for Finance and Business Development of The University of Texas System; and

BE IT FURTHER RESOLVED, that all persons who read this Resolution should know that Mr. Aldridge has made a lasting and fundamental contribution to The University of Texas Investment Management Company, 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 14th day of July, 2011.

Investment Strategy Review

Mr. Foster asked Mr. Zimmerman to present the Investment Strategy Review for 2012. Bruce explained that although the investment strategy was discussed in detail at the Joint Policy and Risk Committee meeting held on July 7, 2011, he felt it was important enough to discuss again with the full Board. The final recommendations will be presented, as proposed changes to the Investment Policies, for final approval by the UT System Board at its next meeting. Mr. Zimmerman reviewed the current position of the portfolio in relation to the recent/expected market conditions, policy portfolio decisions, long-term strategic asset allocation and recommended investment policy allocation target and ranges for fiscal year 2012.

Report from the Policy Committee

Mr. Foster asked Mr. Gary to report from the Policy Committee. Mr. Gary reported that the Policy Committee met on July 7, 2011, in a joint meeting with the Risk Committee. Mr. Gary explained that the Investment Management Services Agreement (IMSA) requires a review of current Investment Policies for each Fund at least annually. This year's 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 Investment Fund, and designated performance benchmarks for each Asset Class and Investment Type. He asked Mr. Zimmerman to summarize the amendments to the Investment Policies. Mr. Zimmerman explained the proposed changes for FY 2012, setting forth the revised Policy Portfolio Asset Class and Investment Type targets and ranges for FY 2012 and one policy benchmark change. These changes were reflected in Exhibit A of the Investment Policy Statements for the Permanent University Fund (PUF), General Endowment Fund (GEF), and the Intermediate Term Fund (ITF). Revisions recommended for the Investment Policy Statements for the Permanent Health Fund (PHF) and Long Term Fund (LTF) included changes to Exhibit B for FY 2012 and minor changes to the redemption of units language. Mr. Zimmerman also reviewed proposed changes to the Derivative Investment Policy, the Delegation of Authority Policy, the Liquidity Policy, and the Mandate Categorization Procedure. Mr. Zimmerman and Ms. Iberg answered the Directors' questions. The Short Term Fund (STF) and the Separately Invested Funds (SIF) Investment Policy Statements were reviewed by Staff with no recommended amendments. These proposals were submitted to the Policy and Risk Committees for approval and were now being recommended for approval by the Board.

The Policy Committee also met separately on the same day, and discussed and approved proposed amendments to the Corporation's Bylaws, the Corporation's Comprehensive Welfare Benefits Plan, and the recommendation of distribution rates for the investment funds. Mr. Gary asked Ms. Gonzalez to explain changes to the Corporation's Bylaws and the Corporation's Comprehensive Welfare Benefits Plan. Ms. Gonzalez explained that the most significant change was to amend Article III, Sections 3, 4 and 5 (pages 3 and 4) to incorporate the effects of HB 2825, 82nd Legislature, Regular Session, which was signed into law by Governor Rick Perry on June 17, 2011, and which amended Section 66.08 of the Texas Education Code. HB 2825 changed the composition and appointment of the UTIMCO Board of Directors by replacing one or more Texas A&M University System nominee(s) with two Texas A&M University System appointments, at least one of whom would be required to have a substantial background and expertise in investments. HB 2825 established a process for implementing the changes. The change in the law did not affect board members serving on the effective date. As required by HB 2825, the Corporation's Bylaws were being amended to give effect to the requirements of this legislation. The only other change proposed

was to modify the language regarding the requirement to have an annual joint meeting with the UT System Board and instead hold joint meetings when requested by the UT System Board.

Ms. Gonzalez continued by reporting that Staff had hired Vinson & Elkins LLP to review the Corporation's Comprehensive Welfare Benefits Plan and its Constituent Benefit Programs. She summarized changes that were proposed due to recent legislation and newly issued regulations, and other changes needed to be consistent with current benefit offerings under the Plan.

Mr. Gary asked Mr. Zimmerman to brief the Board on the distribution rate recommendations, outline the rationale for distribution methodologies, distribution rate limitations, projections and provide Staff's recommendations for the distribution rates for the PUF, PHF, LTF and the ITF for the next fiscal year. Mr. Zimmerman presented Staff's recommendations for distribution rates for the fiscal year ending August 31, 2012. Mr. Zimmerman explained that the recommendations and payout rates are based on the Investment Policy Statements for all of the Funds with the exception of the PUF. Due to a record year of PUF Lands' lease sales and royalty income, strong investment performance and the constrained State budget situation for the next biennium, an additional 0.75% above the 4.75% rate set forth in the PUF Investment Policy Statement is being recommended for the PUF distribution to the AUF. Mr. Gary, on behalf of the Policy Committee, requested Board approval for the discussed changes, subject to further approval by the UT System Board.

Mr. Foster asked that the Board approve the resolutions accepting the policy amendments, including the Corporation's Bylaws, the Corporation's Comprehensive Welfare Benefits Plan and the recommendation of distribution rates for the investment funds. Upon motion duly made and seconded, the following resolutions were adopted by the Board:

The Policies and Bylaws:

RESOLVED, that the amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Intermediate Term Fund, and the amendments to the Derivative Investment Policy, Liquidity Policy, and UTIMCO Corporate Bylaws, 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 amendments to the Delegation of Authority Policy and Mandate Categorization Procedure, as presented be, and are hereby, approved.

The Corporation's Welfare Benefits Plan:

WHEREAS, The University of Texas Investment Management Company (the "Corporation") has established and currently maintains, on behalf of itself and its participating affiliates, the UTIMCO Comprehensive Welfare Benefits Plan (the "Plan"), which provides various welfare benefits to eligible employees through "Constituent Benefit Programs" (as defined in the Plan); and

WHEREAS, Section 10.1 of the Plan provides that the Board of Directors of the Corporation (the "Board") may amend the Plan and its Constituent Benefit Programs from time to time; and

WHEREAS, the Corporation wishes to amend the Plan and its Constituent Benefit Programs to make certain changes resulting from recent legislation and newly issued regulations and to make certain other changes; and

WHEREAS, the Board has assigned responsibility to review suggested amendments to UTIMCO Board Policies and Corporate Documents and provide guidance and suggested language when necessary to the Policy Committee; and

WHEREAS, the Policy Committee has reviewed the proposed restatements of the Plan and its Constituent Benefit Programs effecting such changes and approved of such changes, subject to approval by the Board; and

WHEREAS, the Board has reviewed the proposed restatements of the Plan and its Constituent Benefit Programs effecting such changes, and wishes to document its approval of same.

NOW, THEREFORE, be it:

RESOLVED, that the restatement of the "UTIMCO Comprehensive Welfare Benefits Plan," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Health Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO TeleDoc Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Dental Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Vision Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Cafeteria Program," a copy of which is attached hereto and which is hereby directed to be marked for

identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Health Care Spending Account Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Dependent Care Spending Account Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Short-Term Disability Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Long-Term Disability Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that the merger of the "UTIMCO Accidental Death and Dismemberment Program (Basic)" into the "UTIMCO Life Insurance Program (Basic)" (now named the "UTIMCO Life/AD&D Program") and the restatement of the "UTIMCO Life/AD&D Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby are, approved, effective as of May 1, 2011; and

RESOLVED, that the merger of the "UTIMCO Dependent Life Insurance Program" and the "UTIMCO Accidental Death and Dismemberment Program (Supplemental)" into the "UTIMCO Life Insurance Program (Supplemental)" (now named the "UTIMCO Voluntary Life/AD&D Program") and the restatement of the "UTIMCO Voluntary Life/AD&D Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby are, approved, effective as of May 1, 2011; and

RESOLVED, that the restatement of the "UTIMCO Employee Assistance Program," a copy of which is attached hereto and which is hereby directed to be marked for identification and filed with the records of the Corporation, be, and the same hereby is, approved, effective as of May 1, 2011; and

RESOLVED, that an authorized officer of the Corporation, be, and he or she hereby is, authorized and directed to (i) do and perform all such acts and things, (ii) draft, amend, and/or execute, or cause to be drafted, amended, or executed,

any such documents or instruments, (iii) employ and solicit the services of outside consultants or advisers, and (iv) take all other steps as he or she may deem necessary, advisable, convenient, or proper to effectuate the same and accomplish the purposes of the foregoing resolutions, and to comply with all provisions of all applicable documents and all applicable law, and any and all such actions heretofore taken and any such actions to be taken are hereby approved, ratified, and reaffirmed without need for further action by the Board.

And Distribution Rates:

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from \$506,395,811 to \$575,511,336 for fiscal year 2012, effective with the September 1, 2011 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0554 per unit to \$.0561 per unit for fiscal year 2012, effective with the November 30, 2011 quarterly distributions; the distribution rate for the Long Term Fund be increased from \$0.3172 per unit to \$0.3215 per unit for fiscal year 2012, effective with the November 30, 2011 quarterly distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2012, effective with the September 1, 2011 monthly distribution.

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.

Executive Session

Mr. Foster announced, at 9:43 a.m., 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 for the purpose of deliberating individual personnel matters. This Executive Session meeting of the Board is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is July 14, 2011 and the time is now 9:43 a.m." With the exception of Mr. Zimmerman, Student Regent Rutkauskas, Mr. Jewell and Dr. Brown, all other meeting participants left the meeting at this time. Mr. Zimmerman left the meeting during discussions regarding his compensation matters.

Open Session

The Board reconvened in open session and Mr. Foster 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 14, 2011, and the time is now 9:52 a.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. Foster asked Mr. Ferguson to provide a report from the Compensation Committee. Mr. Ferguson reported that the Committee met on July 7, 2011, and again on July 14, 2011, prior to this meeting. The Committee discussed and approved base salaries for the UTIMCO Officers and Other UTIMCO Compensation Program Participants for the 2011-2012 fiscal year, the CEO's Qualitative Performance Goals for the Performance Period ended June 30, 2012, and its recommendation of the CEO's base salary for approval by the Board. Mr. Ferguson stated that on behalf of the Committee, they were recommending for approval by the Board proposed amendments to Appendix D of the UTIMCO Compensation Program (the "Plan") and amendments to the Charter of the Compensation Committee. Mr. Ferguson reported that the Committee had spent a significant amount of time with its compensation consultant, Mercer, to obtain a perspective on the nationwide market to assist it in setting appropriate base salaries to attract and retain top tier professionals. The Committee approved the base salaries of the Corporation's Officers' and other Plan Participants' (except that of the CEO) for the Fiscal Year 2011-2012 in the total amount of \$4,783,500. He asked Mr. Zimmerman to provide more detail on the proposed changes to the appendix to the Plan. Mr. Zimmerman explained that Appendix D, Table 2, sets forth two of the Performance Goals categories referenced in Section 5.4.(b) of the Plan for the Plan Participants: the Entity Performance and the Asset Class/Investment Type Performance Goals, including the benchmarks for Asset Class/Investment Type and the Threshold, Target, and Maximum Performance Standards for the Total Endowment Funds, Intermediate Term Fund, and the Asset Class/Investment Types. Staff recommended a benchmark change to the Real Estate Asset Class and an update to the Total Endowment Fund Policy Portfolio Weight. These updated Benchmark and Policy Portfolio Weights are consistent with Staff's proposed target adjustments in Exhibits A of the Permanent University Fund and General Endowment Fund Investment Policy Statements. Changes in the Policy Portfolio Weights and Benchmarks follow the changes in the Exhibits A of the Endowment Funds and the Intermediate Term Fund Investment Policy Statements. Although the change has no effect on prior year performance standards and calculations, Staff was also adjusting the ITF's Policy Portfolio Weights in Table 2, retroactive to the prior Performance Period, for Investment Grade Fixed Income and Developed Country Equity. The actual entity benchmarks used for the calculation of performance will be based on Exhibit A of the ITF. Appendix C, Table 1, sets forth the Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position. Staff did not propose any changes to Table 1. Appendix E, Table 3, setting forth the Eligible Positions of Affected Participants is required to be revised each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to Section 5.11. of the Plan. Staff did not recommend any changes to Table 3 other than an update of the effective date.

Mr. Ferguson then asked Ms. Gonzalez to characterize the proposed changes to the Charter of the Compensation Committee. Ms. Gonzalez stated that several of the proposed changes were consistent with the changes made to the charters of the other committees of the Board in April. Other proposed changes, related to the Committee's responsibility to select a qualified compensation consultant to advise the Committee and periodically perform a benchmarking study, were responsibilities that had previously been assigned to the Committee in the UTIMCO Compensation Program and were now being incorporated into the Charter.

Mr. Ferguson concluded his Committee report by speaking on behalf of the Committee, giving accolades to the Staff and CEO for providing good absolute returns amidst the national landscape in which we are operating. On behalf of the Committee, Mr. Ferguson recommended Board approval of the CEO's base

salary. Upon motion duly made and seconded, the following resolution was adopted by the Board:

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2011-2012 in the amount of \$600,000.

The Committee also recommended Board approval of the CEO's Qualitative Performance Goals. Upon motion duly made and seconded, the following resolution was adopted by the Board:

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 Performance Period ended June 30, 2012, 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 Performance Period ended June 30, 2012, effective as of July 1, 2011, as set forth in the document presented to the Board.

The Committee then recommended Board approval of the amendments to the UTIMCO Compensation Program as discussed. Upon motion duly made and seconded, the following resolution was adopted by the Board:

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 Eligible Positions 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, Section 5.11.(3) of the Plan requires Table 3 to be revised each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to the Plan provisions pertaining to extraordinary circumstances and to be attached as Appendix E to the Plan; and

WHEREAS, the Board has determined that no revisions to Appendix C and Appendix E, Tables 1 and 3, respectively, are required; and

WHEREAS, the Board has reviewed the revised Table 2, and approves the amendments as recommended by the Compensation Committee.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Table 2, a copy of which is attached hereto, is hereby adopted and approved to replace the current Appendix D, effective as of July 1, 2011.

And finally, the Committee recommended approval by the Board of the proposed amendments to the Charter of the Compensation Committee. Upon motion duly made and seconded, the following resolution was adopted by the Board:

RESOLVED, that the amendments to the Charter of the Compensation Committee be, and are hereby approved, in the form submitted to the Corporation's Board of Directors.

Audit and Ethics Committee Report

Mr. Foster asked Mr. Hicks to provide a report on behalf of the Audit and Ethics Committee. Mr. Hicks reported that the Committee convened on July 7, 2011, with all members participating. He stated that Mr. Chaffin provided an update on the completion of the FY 2011 Audit Plan for the UT System Audit Office and presented the audit plan for FY 2012. The Committee approved and recommended to the Compensation Committee the Base Salary, Performance Incentive Plan Participation, and Performance Goals for the General Counsel and Chief Compliance Officer for the 2011/2012 Fiscal Year and Performance Period. The Committee heard a report on compliance matters and the presentation of the unaudited financial statements as of May 31, 2011. The Committee also discussed and approved the proposed appointment of an independent auditor for the Corporation. On behalf of the Committee, Mr. Hicks recommended to the Board approval of the engagement of Deloitte & Touche LLP as independent auditor for the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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, 2011.

2011-12 Budget

Mr. Foster asked Mr. Zimmerman to explain the budget handout that was distributed at the meeting. Mr. Zimmerman presented the UTIMCO 2011-12 Budget. His presentation included all estimated expenses associated with the management of the Investment Funds, including the reserve analysis. At the same time UTIMCO submits its annual budget, it submits to the UT System Board an allocation formula for charging the annual budget to the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget. The Corporation's budget is subject to further approval by the UT System Board. Staff recommended approval of the UTIMCO Management Fee of \$18,298,701, Other Direct Fund Costs of \$7,576,268, and Anticipated Invoiced External Manager Fees of \$52,617,791, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$60,194,059; a Capital Budget of \$260,000; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2011 through August 31, 2012. During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year, in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the UT System Board back to the Funds which generated the surplus. Based on the reserve analysis, no cash reserves were required to be distributed back to the Funds. Mr. Zimmerman and Ms. Iberg answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO Management Fee of \$18,298,701, Other Direct Fund Costs of \$7,576,268, and Anticipated Invoiced External Manager Fees of \$52,617,791, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$78,492,760; Capital Budget of \$260,000; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2011 through August 31, 2012, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

Risk Committee Report

Mr. Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met on July 7, 2011. The Committee met separately and also jointly with the Policy Committee. Mr. Tate stated that the Risk Committee approved 13 new investment mandate categorizations prepared by Staff for the period beginning March 23, 2011, and ending June 30, 2011. Mr. Tate reported that the Committee also approved a Revised Exhibit A, Approved Fixed Income Broker-Dealer List as of July 7, 2011, to the Approved Fixed Income Broker-Dealer Procedure (the Procedure), to retain as eligible or add a Broker-Dealer that does not meet all eligibility criteria set out in the Procedure. The Committee approved retention of eight broker-dealers and the addition of two broker-dealers not meeting all eligibility criteria. Mr. Tate reported that the Committee also heard a report from Ms. Gonzalez on compliance items for the Quarter Ended May 31, 2011.

Organization Update

Mr. Foster asked Mr. Zimmerman to provide the Board with the update on staffing, the technology platform, and meeting and investment activity. Mr. Zimmerman asked Ms. Gonzalez to summarize the details of the Business Continuity Plan being developed for the Corporation. Mr. Zimmerman and Ms. Gonzalez answered the Directors' questions.

Endowment and Operating Funds Update

Mr. Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman presented the Corporation's Performance Summary as of May 31, 2011. He reported the Corporation had \$27.5 billion of assets under management at the end of May 31, 2011. Of the \$27.5 billion, \$12.9 billion was in the PUF, \$7.2 billion in the GEF, \$1.4 billion in the STF and \$4.9 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 May 31, 2011, for the PUF was 3.60% and for the GEF was 3.63%, versus benchmark returns of 2.88% for the PUF and GEF. The net performance for the one year ended May 31, 2011, for the PUF was 20.71% and for the GEF was 20.80%, versus benchmark returns of 19.18% for each fund. The ITF's performance was 2.69% versus its benchmark return of 2.02% for the quarter ended May 31, 2011, and 18.28% versus its benchmark return of 15.96% for the one year ended May 31, 2011. Performance for the STF was 0.05% versus 0.05% for its benchmark return for the quarter ended May 31, 2011, and was 0.26% versus a benchmark return of 0.16% for the one year ended May 31, 2011. Mr. Zimmerman reviewed the Funds' Asset Class and Investment Type targets, tactical asset allocation, ranges and performance objectives. Mr. Zimmerman reported on investment activity as of May 31, 2011, manager exposure and leverage with Mr. Zimmerman, Ms. Iberg and Dr. Yoeli answering the Directors' questions. Mr. Zimmerman continued reporting on derivatives and counterparties, and investment activity as of May 31, 2011, and gave an update on liquidity, contracts and the ITF. He then handed out a presentation on Stress Testing and asked Dr. Yoeli to lead the discussion. The presentation included stress testing scenarios, probability of sovereign default, downside market risk and possible courses of action.

Mr. Foster asked to table the report on Special Purposes Entities until a future meeting.

There being no further business to come before the Board, the meeting was adjourned at approximately 11:33 a.m.

Secretary: 
Joan Moeller

Approved:  Date: 12.26.2011
Paul Foster
Chairman, Board of Directors of
The University of Texas Investment Management Company

TABLE 2 – Appendix D (9/1/11 through 6/30/12)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	PIF	Threshold	Target	Maximum
		(% of Portfolio)	(% 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%	35.0%	+0 bps	+25 bps	+62.5 bps
Real Estate	FTSE EPRA/NA REIT Developed Index NET TRI USD	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	18.5%	10.0%	+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	3.0%	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