

**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 **February 2, 2012**, 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. 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; Lindel Eakman, Managing Director – Private Markets Investments; 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; and Terry Hull, Charlie Chaffin, Roger Starkey, and Moshmee Kalamkar of The University of Texas System (UT System) Administration. Mr. Foster called the meeting to order at 8:36 a.m.

**Minutes**

The first item to come before the Board was approval of the minutes of Board of Directors Meeting held on November 8, 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  
**November 8, 2011**, be, and are hereby, approved.

**Corporate Resolutions**

Mr. Foster recognized Phil Ferguson for his outstanding leadership, commitment, and service to the Corporation as a UTIMCO Board of Director member for three terms. Mr. Foster read the Resolution of Appreciation and recommended approval. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, in recognition of his substantial background and expertise in business, J. Philip Ferguson was appointed by the Board of Regents of The University of Texas System to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") in 2003, reappointed to a second term in 2006, and was reappointed for a third and final term in 2009; and

WHEREAS, Mr. Ferguson served as Chairman of the Compensation Committee since 2005, was elected Vice Chairman of the UTIMCO Board in 2008, and served as a member of the Board's Advisory Search, Nominating, Policy, and Risk Committees; and

WHEREAS, during his tenure on the UTIMCO Board, Mr. Ferguson provided invaluable insight and counsel, drawing on his immense business experience in the investment field having held various executive positions with AIM Capital Management Inc. from 2000 to 2007, most recently serving as President and Chief Investment Officer; and previously holding senior positions at several investment firms including Beutel, Goodman & Company, Lehman Brothers, Inc., and Goldman, Sachs & Company; and

WHEREAS, during his tenure as Chairman of the Compensation Committee, Mr. Ferguson worked tirelessly to structure a compensation program to enable UTIMCO to attract and retain key investment and operations staff of outstanding competence and ability in order to maximize real, long-term returns for the funds under management by UTIMCO for the benefit of The University of Texas and The Texas A&M University Systems while satisfactorily addressing the concerns of the Legislature and government officials; and

WHEREAS, Mr. Ferguson'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 Fund Advisory Committee for The MBA Investment Fund at the McCombs School of Business, The University of Texas at Austin, The Development Board of The UT Health Science Center at Houston, on the Advisory Council of the UT School of Nursing, and as a member of the Chancellor's Advisory Council at Texas Christian University; and

WHEREAS, Mr. Ferguson's unselfish contributions are also evidenced in the civic and corporate arenas by his service on numerous boards, including as a member of the Board of Directors and the Audit and Governance Committees of ABM Industries, Inc. ( NYSE: ABM), member of the Investment Committee for the Museum of Fine Arts, Houston, former director of the Memorial Hermann Foundation, former Governor of The Investment Adviser Association, former trustee of the Houston Ballet, trustee for the Memorial Endowment Fund, St. John the Divine Episcopal Church, member of the advisory board of Murphee Venture Partners; and

WHEREAS, during Mr. Ferguson'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, much of the credit for UTIMCO's success is directly attributable to Mr. Ferguson's leadership, judgment, and commitment; 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 J. Phillip Ferguson 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. Ferguson 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 2nd day of February, 2012.

Mr. Foster also asked for a motion to approve the annual meeting date for the Corporation. 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 11, 2012, 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 Corporation's Performance Summary as of November 30, 2011 and a preliminary Performance Summary as of December 31, 2011. He reported the Corporation had \$25.9 billion of assets under management at the end of November 30, 2011. Of the \$25.9 billion, \$12.4 billion was in the Permanent University Fund (PUF), \$6.8 billion in the General Endowment Fund (GEF), \$1.2 billion in the Short Term Fund (STF), \$0.7 in the Debt Proceeds Fund, and \$4.6 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, 2011, for the PUF was -2.63% and for the GEF was -2.66%, versus benchmark returns of -1.60% for the PUF and GEF. The net performance for the one year ended November 30, 2011, for the PUF was 4.51% and for the GEF was 4.58%, versus benchmark returns of 4.02% for each fund. The ITF's performance was -2.40% versus its

benchmark return of -3.10% for the quarter ended November 30, 2011, and 2.99% versus its benchmark return of 0.98% for the one year ended November 30, 2011. Performance for the STF was 0.03% versus 0.00% for its benchmark return for the quarter ended November 30, 2011, and was 0.17% versus a benchmark return of 0.12% for the one year ended November 30, 2011. Mr. Zimmerman reviewed the Funds' Asset Class and Investment Type targets, tactical asset allocation, ranges and performance objectives. He provided a handout that provided attribution analysis between actual and benchmark. Mr. Zimmerman asked Dr. Yoeli to review the section on risk analytics and stress testing. Mr. Zimmerman reported on investment activity as of November 30, 2011, including manager exposure and leverage. He also reported on derivatives and counterparties, and gave an update on liquidity, contracts and the ITF. Mr. Zimmerman and Dr. Yoeli answered the Directors' questions.

### **Investment Environment and Opportunities**

Mr. Foster asked Mr. Zimmerman to begin the discussion on the investment environment and opportunities. Mr. Zimmerman discussed detailed information from two charts, Wall Street 2012 Forecasted Returns and Wall Street 2012 Rate Forecasts. Ms. Iberg then discussed a handout of a chart displaying Tactical Positioning of Portfolio Risk. Mr. Zimmerman, Ms. Iberg and Dr. Yoeli discussed Staff's views on risk and positioning of the portfolio, and answered the Directors' questions.

### **Executive Session**

Mr. Foster announced, at 10:36 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 of the Board to consider Individual Personnel Compensation Matters related to CEO and Chief Investment Officer Offer of Employment. This Executive Session meeting of the Board is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is February 2, 2012 and the time is now 10:36 a.m." With the exception of Ms. Gonzalez, Mr. Turner, Mr. Jewell and Dr. Brown, all other meeting participants left the meeting at this time.

### **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 February 2, 2012, and the time is now 11:01 a.m. During the Executive Session, the Board considered Individual Personnel Compensation Matters related to CEO and Chief Investment Officer Offer of Employment 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 give a report on behalf of the Compensation Committee. Mr. Ferguson reported that the Committee met on January 26, 2012. The Committee discussed three possible

amendments to the Compensation Program on a preliminary basis, and discussed the CEO and Chief Investment Officer Offer of Employment, but no action was taken.

At approximately 11:12 a.m. the Board adjourned to a Briefing Session.

The open meeting of the Board reconvened in open session at 12:45 p.m.

### **Less Correlated and Constrained Review**

Mr. Foster asked Ms. Iberg to provide an update on the Less Correlated and Constrained ("LCC") portfolio. Ms. Iberg and the Marketable Alternatives team presented the Board with a presentation which focused on portfolio construction, investment performance and hedge fund industry trends. The team answered the Directors' questions.

### **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, 2012, with all members present. He stated that the Risk Committee approved 11 new investment mandate categorizations prepared by Staff for the period beginning October 22, 2011, and ending January 13, 2011. One new LCC mandate, Bridgewater Pure Alpha Major Markets II, Ltd., was discussed in detail, with Mr. Zimmerman and Ms. Iberg answering the Directors' questions. Mr. Tate also reported that the Committee heard a report from Ms. Gonzalez on compliance items for the Quarter Ended November 30, 2011. He asked her to summarize her report. Mr. Zimmerman and Ms. Gonzalez answered the Directors' questions. Mr. Tate concluded the report, stating that there was no action required by the Board.

### **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 January 26, 2012. He stated that the Committee heard a report from Deloitte & Touche LLP regarding completion of the audit of the Corporation, heard a review of accounting and compliance considerations related to internal investment pools and special purpose entities, an update on the Audit Plan for FY 2012 from the UT System Audit Office, a review of the unaudited financial statements for the first quarter for the Funds and Corporation, and the quarterly compliance reports. On behalf of the Committee, Mr. Hicks recommended to the Board approval of the audit of the Corporation for the fiscal years ended August 31, 2011 and August 31, 2010. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2011, 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, 2011 and August 31, 2010, be, and are hereby approved in the form as presented to the Board.

### **Peer Analysis**

Mr. Foster asked Mr. Zimmerman to present the Peer Analysis. Mr. Zimmerman discussed the annual returns, investment style and asset allocation data for the Corporation and the UTIMCO Peer Group and summarized observations learned from the analysis.

### **Organization Update**

Mr. Foster asked Mr. Zimmerman to provide the Board with an update on staffing and the Corporation's budget, comparing Actual to Budget for the first quarter of FY 2012. Mr. Zimmerman answered the Directors' questions.

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### **Information Technology Review**

Mr. Foster asked Mr. Zimmerman to discuss Information Technology Review. Mr. Zimmerman lead a discussion related to an overview of the technology platform, including infrastructure and application systems. He reported that Staff had been tasked with providing a "Wish List" for technology wants and needs. Mr. Zimmerman answered the Directors' questions.

### **Cambridge Contract Renewal**

Mr. Foster stated that Staff was recommending approval of the external investment consultant contract with Cambridge Associates, and recommended Board approval of the contract. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED that the Board approves the renewal of the contract with Cambridge Associates to serve as an external investment consultant for the Corporation and directs staff to negotiate and enter into a contract with Cambridge Associates (the "Agreement").

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, 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.


There being no further business to come before the Board, the meeting was adjourned at approximately 2:06 p.m.


Secretary: \_\_\_\_\_  
Joan Moeller

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

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There being no further business to come before the Board, the meeting was adjourned at approximately 2:06 p.m.

Secretary:   
Joan Moeller

Approved:  Date: 4/11/12  
Paul Foster  
Chairman, Board of Directors of  
The University of Texas Investment Management Company

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