

**MINUTES OF THE ANNUAL MEETING OF THE
BOARD OF DIRECTORS OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting on **April 16, 2013**, 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:

Ardon E. Moore, Vice Chairman
Kyle Bass
Morris E. Foster
R. Steven Hicks
Charles W. Tate
James P. Wilson

Accordingly, a majority and quorum of the Board was in attendance. Chairman Paul Foster, Francisco G. Cigarroa, Vice Chairman for Policy, and Director Printice L. Gary joined the meeting later, as noted in the minutes. 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; Mark Shoberg, Managing Director – Real Estate Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Uche Abalogu, Chief Technology Officer; and other Staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner of Andrews Kurth LLP; Barry McBee, Allen Hah, Terry Hull, Moshmee Kalamkar, Spencer Miller-Payne, Jim Phillips, Roger Starkey, and Jeet Vijay of The University of Texas System ("UT System") Administration; and Maria Robinson of The Texas A&M University System. Vice Chairman Moore called the meeting to order at 9:03 a.m.

Minutes

The first item to come before the Board was approval of the minutes of the Board of Directors Meeting held on February 7, 2013. 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
February 7, 2013, be, and are hereby, approved.

Endowment and Operating Funds Update

Mr. Moore asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman presented the Corporation's Performance Summary as of February 28, 2013. Mr. Gary joined the meeting at this time. Mr. Zimmerman reported the Corporation had \$29.2 billion of assets under

management at the end of February 28, 2013. Of the \$29.2 billion, \$14.2 billion was in the Permanent University Fund ("PUF"), \$7.4 billion in the General Endowment Fund ("GEF"), \$1.6 billion in the Short Term Fund ("STF"), \$0.5 in the Debt Proceeds Fund, and \$5.2 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 six month period ended February 28, 2013, for the PUF was 6.29% and for the GEF was 6.43%, versus benchmark returns of 5.80% for the PUF and GEF. The net performance for the one year ended February 28, 2013, for the PUF was 8.37% and for the GEF was 8.54%, versus benchmark returns of 6.11% for each fund. The ITF's performance was 4.57% versus its benchmark return of 3.79% for the six months ended February 28, 2013, and 5.81% versus its benchmark return of 3.03% for the one year ended February 28, 2013. Performance for the STF was 0.07% versus 0.05% for its benchmark return for the six months ended February 28, 2013, and was 0.16% versus a benchmark return of 0.11% for the one year ended February 28, 2013. Mr. Zimmerman asked Dr. Yoeli to review the risk section of the Funds Update. Dr. Yoeli provided risk analytics for the period ending February 28, 2013, beginning with the current risk environment, including 4-way risk decomposition, up/down capture, risk contributions and correlations. Mr. Zimmerman and Ms. Iberg reviewed the Funds' asset class and investment type targets, tactical asset allocation, ranges and performance objectives. Mr. Zimmerman and Senior Staff reported on investment activity as of February 28, 2013, including manager exposure and leverage. He also reported on derivatives and counterparties, and gave an update on liquidity, contracts and the ITF. Mr. Zimmerman, Ms. Iberg, Dr. Yoeli and Senior Staff members answered the Directors' questions.

Risk Committee Report

Mr. Moore asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met on April 11, 2013. He stated that the Risk Committee approved two new investment mandate categorizations prepared by Staff for the period beginning January 19, 2013, and ending March 29, 2013. Mr. Tate stated that Mr. Zimmerman discussed the requirement to perform an annual review of all mandate categorizations with the Committee. Because Staff reviews the categorization of mandates before each quarterly Risk Committee meeting, Staff believes the annual review process is redundant. Mr. Zimmerman will recommend removal of the annual review requirement at the next Policy Committee meeting as part of the required annual review of investment policies. No recommendation or action was requested by Staff at the meeting regarding this possible change. Mr. Tate also stated that the Committee heard a report from Ms. Gonzalez on compliance items for the Quarter Ended ending February 28, 2013. Ms. Gonzalez reported one out of compliance matter in the Compliance Summary Program report for the fiscal quarter ending February 28, 2013, regarding an external manager. The manager was out of compliance with its investment guidelines in December, but was back in compliance in January.

Audit and Ethics Committee Report

Mr. Moore asked Mr. Wilson to provide a report on behalf of the Audit and Ethics Committee. Mr. Wilson reported that the Committee convened on April 11, 2013. He stated that the Committee was presented with quarterly compliance reports and an update on the State Auditor's Office audit from Ms. Gonzalez. Ms. Kalamkar gave an update on two audits being conducted by the UT System Audit Office, and Ms. Moeller provided a review of the unaudited financial statements for the second quarter for the Funds and Corporation.

Compensation Committee Report

Mr. Moore asked Mr. Hicks to report on behalf of the Compensation Committee. Mr. Hicks stated that the Compensation Committee had met on April 11, 2013 and again on April 16, 2013. Appropriate action was taken related to the designation of one employee in an Eligible Position as a Participant in the Plan and Qualitative Goals for this Participant for the 2012/2013 Performance Period. Per the Plan, an employee may be selected by the UTIMCO Board to participate in the Plan during the last six months of a Performance Period only when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of the UTIMCO Board meeting. Mr. Zimmerman reported that in order to be able to provide a competitive salary for the new position of Investment Deal Counsel, this position had been previously designated in the Plan as an Eligible Position as Deal Attorney, and now that the position had been filled, it was necessary to recommend designation of Jon Ellison (Deal Attorney) to become an Employee in Eligible Position as Participant in the UTIMCO Compensation Program for the 2012/2013 Performance Period. Upon motion duly made and seconded, the following resolution was adopted by the Board:

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

WHEREAS, an employee may be selected by the UTIMCO Board to participate in the Plan during the last six months of a Performance Period only when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of the UTIMCO Board meeting; and

WHEREAS, the Compensation Committee of the Board has recommended Jon Ellison, Deal Attorney, becoming a Participant for the 2012/2013 Performance Period; and

WHEREAS, the UTIMCO Board has been advised of the compelling individual circumstances and based on same wishes to select Jon Ellison (Deal Attorney) as a Participant for the 2012/2013 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that, Jon Ellison (Deal Attorney), be designated as a "Participant" in the Plan for the 2012/2013 Performance Period, effective as of April 1, 2013.

Organization Update

Mr. Zimmerman provided the Board with an update on staffing and asked the Corporation's two new employees to introduce themselves. He presented the Corporation's second quarter actual vs. budget operating expenses. He then asked Mr. Abalogo to give the Board an update on the Information

Technology infrastructure platform and application development. Mr. Zimmerman, Ms. Gonzalez and Mr. Abalogu answered the Directors' questions.

Review of Public Markets

Mr. Moore asked Mr. Zimmerman to give a brief introduction of the Public Markets team. He then asked Ms. Chen to introduce the team members. Ms. Chen and Staff presented the More Correlated and Constrained portfolio size, details of the portfolio, public equity objectives and approach, and performance in each area including developed country, emerging markets, and fixed income. Chairman Foster and Dr. Cigarroa joined the meeting at this time.

The Board recessed briefly before reconvening in open session.

Presentation by Colchester Global Investors Limited

Mr. Foster introduced Mr. Ian Simms, Chairman and Chief Investment Officer of Colchester Global Investors Limited. Mr. Simms explained the value-oriented, international bond strategy that his company uses to invest primarily in high-quality sovereign bond markets that offer attractive real yields. Mr. Simms answered the Directors' questions.

At approximately 12:30 p.m. the Board recessed for lunch.

The meeting of the Board reconvened in open session at approximately 1:08 p.m.

Corporate Resolution

Mr. Foster asked Mr. Zimmerman to present the corporate resolution for Corporation officers. Mr. Zimmerman explained that this meeting was the Annual Meeting of the Board; therefore it was necessary to approve the Corporation officers to serve for the next year. Upon motion duly made and seconded, the following resolution was adopted by the Board:

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

Name	Office or Offices
Paul Foster	Chairman
Ardon E. Moore	Vice-Chairman
Francisco G. Cigarroa	Vice-Chairman for Policy
Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Cathy Iberg	President and Deputy Chief Investment Officer
Joan Moeller	Senior Managing Director, Treasurer and Secretary
Lindel Eakman	Managing Director
Mark Warner	Managing Director
Mark Shoberg	Managing Director

Uche Abalogu
Christy Wallace

Chief Technology Officer
Assistant Secretary

Optimal Illiquidity

Mr. Foster asked Dr. Yoeli to present the report on optimizing illiquidity. Mr. Zimmerman explained that this presentation was the third and final update to the Board on this topic. Illiquidity is one element of portfolio risk and a potential source of return. Dr. Yoeli presented three key issues that are fundamental in determining optimal illiquidity in the portfolio; 1) what returns are sufficient to support what levels of illiquidity risk, 2) what liquidity needs limit illiquidity exposure, and 3) what is staff's ability to deploy illiquidity risk and generate sufficient returns. He provided the Board with activities since the last update, and discussed required premium, liquidity supply and demand, and ability to deploy capital. Mr. Hicks left the meeting at this time. Mr. Zimmerman, Dr. Yoeli and Mr. Eakman answered the Directors' questions.

Legislative Update

Mr. Foster asked Mr. McBee, UT System Vice Chancellor and Chief Governmental Relations Officer, to give an update on activity from the 83rd Texas Legislature. Mr. McBee gave a report to the Board focusing on higher education and investment issues and the State Budget FY 2014-2015.

Policy Committee Report

Mr. Foster asked Mr. Gary to report on behalf of the Policy Committee. Mr. Gary asked Mr. Zimmerman to explain what was discussed at the Policy Committee meeting held on April 11, 2013. The Policy Committee approved minutes from the previous meeting and then discussed and took appropriate action related to proposed amendments to distribution rates and amount, which also require Board approval. Mr. Zimmerman discussed the distribution rate policy and procedures. Mr. Zimmerman explained that each year Staff recommends the distribution rates for the Funds to the Policy Committee; the Policy Committee recommends the rates to the Board, which in turn requests approval by the Board of Regents. The distribution rate decision will be on the agenda at a future meeting of the UT System Board of Regents. Each of the Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. The Staff's recommendations for the distribution amount and payout rates were discussed. Mr. Zimmerman answered the Directors' questions. The Policy Committee recommended that the Board approve the following distribution rates for fiscal year ending August 31, 2014. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the annual distribution amount for the Permanent University Fund be based on 5% of the trailing twelve-quarter average net asset value or \$626,695,580 for fiscal year 2014, effective with the September 1, 2013 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0573 per unit to \$.0585 per unit for fiscal year 2014, effective with the November 30, 2013 quarterly distributions; the distribution rate for the Long Term Fund be increased from \$0.3283 per unit to \$0.3352 per unit for fiscal year 2014, effective with the November 30, 2013 quarterly distributions; and the distribution

rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2014, effective with the September 1, 2013 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.

Educational Program for Board

Mr. Foster asked Mr. Turner to present the Educational Program for UTIMCO Directors to the Board. Mr. Turner stated that the Investment Management Services Agreement between the UT System Board of Regents and the Corporation requires the Corporation to provide training and education to members of the Board as may be determined in consultation with UT System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and matters related to the legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully. Although Board training is provided during an orientation session when new members of the Board are selected, Mr. Turner's presentation served as an update and a resource for current Board members.

There being no further business to come before the Board, the meeting was adjourned at approximately 2:37 p.m.

Secretary: 
Joan Moeller

Approved: 
Paul Foster Date: 7-29-2013
Chairman, Board of Directors of
The University of Texas Investment Management Company