

**MINUTES 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 9:08 a.m. on the **26th day of January 2010**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Erle Nye, 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:

Erle Nye, Chairman  
J. Philip Ferguson, Vice Chairman  
Francisco G. Cigarroa, M.D, Vice Chairman for Policy  
Paul Foster  
Printice Gary  
Ardon E. Moore  
Charles W. Tate

Mr. Tate attended the meeting by means of conference telephone enabling all persons participating in the meeting to hear each other. Accordingly, a majority and quorum of the Board was in attendance. Directors Clint Carlson and Janiece M. Longoria did not attend the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Lindel Eakman, Managing Director-Private Markets; Bill Edwards, Managing Director-Information Technology; Mark Warner, Senior Director-Natural Resources Investments; Uzi Yoeli, Senior Director-Portfolio Risk Management; Ryan Ruebsahm, Director-Marketable Alternative Investments; 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, Jim Phillips, Moshmee Kalamkar, Miles Ragland, Anthony DeBruyn and Roger Starkey of the UT System Administration; and Greg Anderson of Texas A&M University System. Bruce Myers and Hamilton Lee of Cambridge Associates also attended the meeting by means of conference telephone. Mr. Nye called the meeting to order at 9:08 a.m.

**Corporate Resolutions**

Mr. Nye recommended approval of two corporate resolutions, the first acknowledging Regent McHugh's outstanding service as a member of the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, in recognition of her substantial background and expertise in business and as a strategic adviser and goal-oriented lawyer, Colleen McHugh was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2005, and was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") in 2005, and was reappointed by the Board of Regents to serve a second term on the UTIMCO Board in 2007; and

WHEREAS, Ms. McHugh has provided invaluable insight and counsel, drawing on her immense experience as a board certified attorney in Labor and Employment Law by the Texas Board of Legal Specialization and as Vice President, Compliance, Risk Management and Privacy Officer for CHRISTUS Spohn Health System; and

WHEREAS, Ms. McHugh's unselfish contributions are also evidenced by her distinguished record of public and professional service, including former President of the State Bar of Texas; the first woman to chair the State Bar of Texas Board of Directors; advisor to the Governor as a member of the Governor's Task Force on Homeland Security; the first woman to serve on and former Chairman of the Texas Public Safety Commission, with its diverse divisions including the Texas Highway Patrol and the Texas Rangers; The Center for American and International Law Board of Trustees and Executive Committee; The American Law Institute; The Philosophical Society of Texas; a member of the American Bank, N.A. Board of Directors; the Corpus Christi Regional Economic Development Corporation Board of Directors; the U.S.S. Lexington Museum Board of Directors Member and Past President; Corpus Christi Bar Association Past President; and

WHEREAS, during Ms. McHugh'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, Ms. McHugh's commitment and service as a Director of UTIMCO were exemplary, reflecting her deep devotion to the education and development of students at all levels, and further evidenced by her work with the Board of Regents of The University of Texas System, including service as Vice Chairman of the Board; Chair of the UT System Health Affairs Committee; member of the UT System Academic Affairs Committee; member of the Special Compensation Committee; and Athletic Liaison; and

WHEREAS, Ms. McHugh has provided outstanding leadership and judgment to UTIMCO through her dedicated service as Chairman of the Policy Committee and Member of the Board's Audit and Ethics Committee. 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 Colleen McHugh their sincerest appreciation for her 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 Ms. McHugh 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 26th day of January, 2010.

Mr. Nye also recommended Board approval to designate the date for the next 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 15, 2010, in Austin, Texas.

### **Minutes**

The next matter to come before the Board was the approval of the minutes of the meeting of the Board of Directors held on November 20, 2009. 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 20, 2009**, be, and are hereby, approved.

### **Investment Risk**

Mr. Nye asked Mr. Zimmerman to begin the discussion on Investment Risk. Mr. Zimmerman and Mr. Yoeli presented an overview of investment risks, beginning with a definition of risk and identifying portfolio-level risks. They included a discussion on returns and volatility, correlations and diversification, leverage (derivatives), and liquidity risk. During the discussion, Mr. Zimmerman passed out the book, Against the Gods: The Remarkable Story of Risk by Peter Bernstein, to all Board members. Mr. Zimmerman and Mr. Yoeli answered the Directors' questions.

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

Mr. Nye asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman handed out the Corporation's Performance Summary (Preliminary) as of December 31, 2009. He began with the net asset value and performance numbers as of December 31, 2009, and then reported in more detail the Corporation's Performance Summary as of November 30, 2009. The Corporation had \$21.7 billion of assets under management at the end of November 30, 2009. Of the \$21.7 billion, \$10.3 billion was in the Permanent University Fund (PUF), \$5.9 billion in the General Endowment Fund (GEF), \$1.6 billion in the Short Term Fund (STF) and \$3.9 billion in the Intermediate Term Fund's (ITF). The net performance for the one-month period ended November 30, 2009, for the PUF was 3.03% and for the GEF was 2.99%, versus benchmark returns of 2.25% for each fund. The net performance for the one year ended November 30, 2009, for the PUF and GEF were 21.04% and 20.88%, respectively, versus benchmark returns of 17.11% for each fund. The ITF's performance was 2.86% versus its benchmark

return of 2.47% for the one-month period, and 26.85% versus its benchmark return of 25.55% for the one year ended November 30, 2009. Performance for the STF was 0.02% versus 0.01% for its benchmark return for the one-month period, and was 0.64% versus a benchmark return of 0.20% for the one year ended November 30, 2009. Mr. Zimmerman presented actual versus benchmark results, portfolio policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. Mr. Zimmerman reviewed the Funds' asset class and investment type targets, ranges and performance objectives. He reported on the Less Correlated and Constrained portfolio categorizations, country exposure and reviewed correlations and diversification on a portfolio level. Mr. Zimmerman also presented risk analytics, a report on derivatives and counterparties, manager exposure, investment activity as of November 30, 2009, and gave an update on liquidity, contracts and the Intermediate Term Fund. Mr. Zimmerman provided investment team highlights, and Mr. Zimmerman, Mr. Eakman and Mr. Ruebsahm answered the Directors' questions.

At 11:58 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 1:30 p.m.

### **Risk Committee Report**

Mr. Nye asked Mr. Tate to give a report from the Risk Committee. Mr. Tate reported that the Risk Committee met on January 19, 2010. The Committee discussed performance and risk reporting, mandate categorization, and reviewed and discussed compliance reporting. Mr. Tate mentioned Committee discussion of an approval request by Staff to increase investment limits for certain managers, but Mr. Zimmerman asked that the topic be tabled at this meeting. Mr. Tate asked Ms. Gonzalez to give the compliance report. Ms. Gonzalez reported that there were two minor items out of compliance related to the Investment Policies Compliance Report for the Quarter Ended November 30, 2009. One manager was out of compliance with its investment guidelines because it held 16 securities but had only been approved to hold up to 15. The manager has since been granted approval to hold the extra security. The other compliance item was related to the ITF, which fell below its risk bounds for one month during the quarter but was back in compliance at the end of the quarter. She also reported that staff discovered that a certificate of compliance had not been sent to the newest Director prior to the funding of a new commitment. The certificate of compliance for the funded commitment as well as the certificates of compliance for other mandates under consideration not previously furnished to the Director were sent immediately upon discovery. No conflicts were reported by the Director. Ms. Gonzalez stated that the UT System is no longer requiring the Quarterly Institutional Compliance Program Report but instead will still require that updates on the Institutional Compliance Action Plan for FY 2010 be submitted. Ms. Gonzalez will continue to include the report in the Audit and Ethics Committee and Risk Committee meeting materials. Mr. Tate asked that the report also be included in the Board materials going forward. Mr. Tate continued by reporting that the Committee approved the categorization of six new investment mandates and discussed two mandates that are currently being watched for re-categorization. He asked Mr. Zimmerman to summarize the new categorizations. Mr. Zimmerman stated that all were More Correlated and Constrained mandates, and all were straightforward categorizations. Mr. Tate asked Mr. Zimmerman to report to the Board the action of the Corporation's Risk Management group, led by Mr. Yoeli. Mr. Zimmerman explained that the group documented the use of derivatives investments by sixteen external managers operating under an Agency Agreement. Nine of the sixteen external managers had been approved by the Chief Investment Officer to use Derivative Investments. Of the nine external managers approved to use Derivative Investments, eight are in compliance with the Policy. One manager, PIMCO, is

engaging in Derivative Investments that are not within the delegated authority set forth on Exhibit B of the Policy due to previously negotiated investment guidelines and restrictions contained in its Investment Advisory Agreement effective October 1, 2003, as amended. The Committee recommended to the Board approval to retain PIMCO as an existing manager with PIMCO's current guidelines and restrictions on the use of Derivative Investments. Mr. Tate stated that the Board had the authority to approve the resolution without further approval by the UT System Board of Regents. Mr. Zimmerman, Ms. Gonzalez and Mr. Yoeli answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

WHEREAS, the UTIMCO Board approved an amendment to the Derivative Investment Policy effective August 20, 2009 ("Policy"); and

WHEREAS, the UTIMCO Board authorized the Corporation's CEO to negotiate with each existing external manager operating under an Agency Agreement that engages in Derivative Investments to ensure its Derivative Investments are in compliance with the Derivative Investment Policy subject to the requirement that the Corporation's CEO must seek approval from the UTIMCO Board to allow the retention of any existing external manager that is not in compliance with the Derivative Investment Policy on the date of the first 2010 regular meeting of the Corporation's Board; and

WHEREAS, Corporation staff has reviewed all of the Corporation's external managers operating under an Agency Agreement that engage in Derivative Investments for compliance with the Policy and determined that one external manager operating under an Agency Agreement (PIMCO) is currently allowed to engage in Derivative Investments that are not within the delegated authority set forth on Exhibit B of the Policy due to previously negotiated investment guidelines and restrictions contained in its Investment Advisory Agreement effective October 1, 2003, as amended; and

WHEREAS, Corporation staff has documented and presented to the Risk Committee its reasons for desiring to retain PIMCO as an external manager; and

WHEREAS, the Risk Committee concurred with the reasons presented by Corporation staff for desiring to retain PIMCO as an external manager and recommended that the Board approve the same; and

WHEREAS, the Board concurs in the recommendation of the Risk Committee and wishes to document its approval of retention of PIMCO as an external manager.

NOW, THEREFORE, BE IT

RESOLVED, that the retention of PIMCO as an existing external manager operating under an Agency Agreement with the current investment guidelines and restrictions on the use of derivatives contained in the Investment Advisory Agreement effective October 1, 2003, as amended, is hereby approved.

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

Mr. Nye asked Mr. Foster to give a report on behalf of the Audit and Ethics Committee. Mr. Foster reported that the Committee met on January 19, 2010. The Committee reviewed and heard a report from Mr. Wagner, Deloitte & Touche LLP, regarding Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements for the Corporation. The Committee also heard a presentation of the unaudited financial statements for the Investments Funds and the Corporation for the three months ended November 30, 2009, a report from the UT System Audit office and received a report on other ethics and compliance activities from staff. Upon motion duly made and seconded, the 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, 2009, 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, 2009 and August 31, 2008, be, and are hereby approved in the form as presented to the Board.

### **Cambridge Contract Renewal**

Mr. Nye stated that Cambridge Associates has been, and continues to be, a great partner for years, and he would like to recommend a contract renewal with the same general terms as in the past. UTIMCO will receive access, via the Cambridge Associates consulting team and Cambridge Associate's web site, to proprietary databases on capital markets, investment managers, and partnerships. UTIMCO will also have access to comparative peer performance data and quarterly and annual surveys of investment and financial data. Also included in the contract is 24 hours of consulting time, a variety of research reports and working papers on investment and financial data. One change with this renewal will be that attendance at UTIMCO Board meetings by Cambridge Associates will be at the discretion of the Chairman of the Board, and attendance may be via telephone or in person by Bruce Myers or by an associate. A resolution to approve this contract renewal was handed out at the meeting. 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.

### **Organizational Update**

Mr. Nye asked Mr. Zimmerman to give the Board an update on the organization. Mr. Zimmerman provided an update on the Corporation's first quarter fiscal year 2010 actual to budget expenses, and announced changes in Staff. He discussed an upcoming training session for Staff members on interviewing techniques and he also mentioned that for the second year in a row the Corporation would be co-sponsoring, with Texas Teacher Retirement System, the Texas Investment Conference on January 29. Mr. Zimmerman answered the Directors' questions.

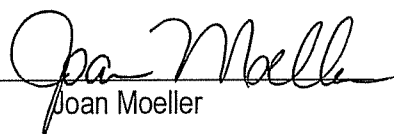
**Investment Environment**

Mr. Zimmerman began the discussion of the investment environment with the current asset allocation. He also presented illiquid commitment activity and discussed unfunded commitments in the areas of Credit Related, Natural Resources, Real Estate, Developed Country Equity and Emerging Markets.

**Other**

As a final matter, Mr. Nye suggested that it would be useful for the organization to review the Code of Ethics during the annual review of all Investment Policies and the Investment Management Services Agreement.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:58 p.m.

Secretary:   
Joan Moeller

Approved:  Date: 4/15/2010  
Erle Nye  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company