

**MINUTES OF MEETING OF
THE POLICY COMMITTEE OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

A meeting of the Policy Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **July 8, 2010**, 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 Committee Chair, Janiece Longoria, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Janiece Longoria, Chair
Printice L. Gary
Ardon E. Moore

Also attending the meeting was Paul Foster, Chairman of the Board; J. Philip Ferguson, Vice Chairman of the Board; Director Clint Carlson; Director Erle Nye; and Director Charles Tate thus constituting a majority and quorum of the Committee and the Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer; Uzi Yoeli, Senior Director – Portfolio Risk Management; and various staff members. Also attending were Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Charlie Chaffin, William Huang, Moshmee Kalamkar, Jim Phillips and Roger Starkey of UT System Administration; and Jerry Turner of Andrews Kurth LLP. Chair Longoria called the meeting to order at 10:00 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Minutes

The first matter to come before the Committee was the approval of the minutes of the Policy Committee meeting held on April 8, 2010. Upon motion duly made and seconded, the following resolution was adopted by the Committee:

RESOLVED, that the minutes of the meeting of the Policy Committee held on
April 8, 2010, be and are hereby, approved.

Code of Ethics

Ms. Longoria asked Mr. Zimmerman to lead the discussion on the proposed amendments to the Code of Ethics. Mr. Zimmerman explained that the Audit and Ethics Committee approved the changes at their meeting held earlier that morning. Mr. Zimmerman asked Mr. Turner to summarize the proposed changes. Mr. Turner explained that the most significant change to the Code was the deletion of provisions permitting Directors and UTIMCO to hold private investments in the same business entity so long as the Director's private investment did not constitute a pecuniary interest as defined in the Code. This proposed amendment reversed a change made approximately two years ago. Mr. Turner noted that the change

made two years ago never produced any real benefit to the Corporation; it was not one that was ever exercised, so to alleviate any concerns, the decision was made to recommend reversing the amendment. Under the proposed draft, only certain private investments acquired before the Director takes his position on the UTIMCO Board would be permitted. Staff also narrowed the definition of Key Employee to limit it to Corporation officers, i.e., the CEO and Chief Investment Officer, the President and Deputy CIO, the Secretary and Treasurer, Assistant Secretary, and all Managing Directors. Other changes included reorganization, clarification, and standardization of existing provisions. Mr. Turner stated that the draft changes to the Code were based on the joint efforts of UTIMCO Staff and Andrews Kurth LLP, with some of the changes made based on recommendations by the State Auditor during their last audit. He also noted that The University of Texas System Office of General Counsel was in the process of reviewing the draft changes to the Code. Mr. Turner assured the Committee that if any changes were made after the Committee meeting they would be reported to the Board prior to requesting approval. Ms. Longoria asked Mr. Nye if he was satisfied with the recommended changes, which he was. Mr. Zimmerman, Mr. Turner and Ms. Gonzalez answered the Committee Members' questions. Ms. Longoria recommended approval of the proposed changes to the Code of Ethics by the Committee, subject to further approval of the UTIMCO Board, with final recommendation and approval by the UT System Board of Regents to be considered at its August meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the charter of the Audit and Ethics Committee requires the Audit and Ethics Committee to periodically review the Code of Ethics policy of the Corporation and recommend any proposed changes to the Policy Committee (the "Committee") for concurrence and submission to the Board for approval; and

WHEREAS, the Audit and Ethics Committee has reviewed the Code of Ethics policy and recommended changes to the Committee for concurrence and submission to the Board for approval; and

WHEREAS, the Committee concurs in the recommended changes to the Code of Ethics policy.

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby concurs in the changes to the Code of Ethics policy recommended by the Audit and Ethics Committee in the form previously provided to the Committee, and recommends the approval of such changes by the UTIMCO Board.

Amendments to Investment Policies

Ms. Longoria asked Mr. Zimmerman to present the next agenda item. Mr. Zimmerman began his presentation by stating that the Investment Management Services Agreement (IMSA) requires an annual review of all policies related to investments. The policies with recommended changes included the Investment Policy Statements for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), Intermediate Term Fund (ITF) (collectively, the

"Investment Funds"), the Short Term Fund (STF), the Separately Invested Funds (SIF), the Derivative Investment Policy, the Delegation of Authority Policy, and the Mandate Categorization Procedure. He explained that last year Staff had performed a very thorough review of the policies and made changes to the targets while looking long term, therefore, the changes recommended this year were marginal. He stated that the Board might want to consider a more fundamental review of the Policies in the future. 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 each of the Investment Funds, and designated performance benchmarks for each Asset Class and/or Investment Type. Mr. Zimmerman explained each of the suggested amendments, and he and Mr. Yoeli answered the Committee Members' questions. After a lengthy discussion on a recommended change to the Investment Funds Policies to allow the Corporation's CEO, with the approval of the Board Chairman, to "reduce risk in the fund below the stated policy ranges when prudent investment decisions warrant such action", the new language was withdrawn from recommendation. Similar language proposed in the Derivative Investment Policy was also withdrawn from recommendation. Staff will review and reconsider language to recommend in the future. Mr. Zimmerman also discussed Staff's recommendation to change the definition of derivatives to exclude foreign currency contracts that settle within sixty days from the definition of derivatives. After comments from Mr. Brown and further discussion by the Committee Members, the definition of derivatives was changed to exclude foreign currency contracts that settle within thirty days rather than sixty days. Upon motion duly made and seconded, subject to the above changes, the following resolution was unanimously adopted by the Policy Committee:

RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, Short Term Fund and Separately Invested Funds, and amendments to the Derivative Investment Policy, Delegation of Authority Policy, and Mandate Categorization Procedure, as presented be, and are hereby, approved, subject to approval by the Corporation's Board of Directors.

Policy Committee's Self-Assessment

Ms. Longoria asked Ms. Gonzalez to share the findings of the Committee's self-assessment responses. Based on the recommendation by the Board, each Committee of the Board evaluated its own performance. This was the first time the Policy Committee had performed a self-assessment. Ms. Gonzalez summarized the responses she had received. Committee Members were generally satisfied with the performance of the Committee. One area for improvement noted in the self-assessment pertained to the circulation of meeting materials by Staff with sufficient time for all Committee Members to study and understand them. Mr. Zimmerman said that Staff would work to improve the process and procedures to provide meeting materials to the Committee Members in adequate time for them to review.

There being no further business to come before the Committee, the meeting was adjourned at approximately 11:25 a.m.

Secretary: 
Joan Moeller

Approved: 
Printice Gary, Chair
Policy Committee of
The University of Texas Investment
Management Company

Date: 4-19-11