

**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 **April 7, 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 Committee Chair, Printice L. Gary, 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:

Printice L. Gary, Chair
Kyle Bass
J. Philip Ferguson

thus constituting a majority and quorum of the Committee. Also attending the meeting was Paul Foster, Chairman of the Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Christy Wallace, Assistant Secretary; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer; and various staff members. Also attending were Moshmee Kalamkar, Mark Gentle, Philip Aldridge and Roger Starkey of The University of Texas System (UT System) Administration; and Jerry Turner and Bob Jewell of Andrews Kurth LLP. Chairman Gary called the meeting to order at 11:07 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 January 26, 2011. 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 **January 26, 2011**, be and are hereby, approved.

Recommended Distribution Rates

Mr. Gary asked Mr. Zimmerman to provide Staff's recommendations for the distribution rates for the Permanent University Fund, Permanent Health Fund, Long Term Fund and the Intermediate Term Fund. Mr. Zimmerman stated that although the agenda item was intended to be an action item, Staff requested postponing action on this item at this time. He explained to the Committee that each of the Funds' respective Investment Policy Statement provides guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. The recommendations for the distribution amount and payout rates are outlined in the Recommendation of Distribution Amounts and Rates, included in the Committee meeting materials, and are based on the Investment Policy Statements. Mr. Zimmerman

presented background on distribution rate recommendations, outlining the rationale for distribution methodologies, distribution rate limitations, projections and recommendations. Mr. Zimmerman and Mr. Aldridge answered the Committee Members' questions.

Proposed Amendments to the Derivative Investment Policy

Mr. Gary explained that Staff was recommending Committee approval to increase the delegated authority limits related to the premium budget in item three of Exhibit B to the Derivative Investment Policy. Committee approval was requested to increase the aggregate prorated annual premium for Delegated Derivative Investments included within item three of Exhibit B from 25 to 50 basis points, subject to further approval by the Board. Mr. Zimmerman and Ms. Iberg discussed with the Committee members insurance derivative investments which included current portfolio positions, a summary of the insurance derivatives budget, and prospective trades. Mr. Zimmerman and Ms. Iberg answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Corporation's Derivative Investment Policy ("Policy") sets forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund, the General Endowment Fund, the Intermediate Term Fund, and the Separately Invested Funds; and

WHEREAS, Exhibit B to the Policy lists the five types of Derivative Investments the UTIMCO Board has authorized the CEO to enter into; and

WHEREAS, the third type of Derivative Investment authorized ("Insurance Derivatives") limits the maximum loss that may be suffered to the premium paid for the Insurance Derivative, regardless of notional value; and

WHEREAS, the aggregate prorated annual premium of all Insurance Derivatives may not exceed 25 basis points of the Fund value; and

WHEREAS, Corporation staff would like the authority to invest up to an additional 25 basis points in Insurance Derivatives for a total aggregate prorated annual premium of 50 basis points of the Fund value; and

WHEREAS, Corporation staff has documented and presented to the Policy Committee its reasons for desiring to increase aggregate prorated annual premium limit for Insurance Derivatives, the Committee concurs with the reasons presented by Corporation staff and recommends that the Board approve the same.

NOW, THEREFORE, BE IT

RESOLVED, that an increase in the aggregate prorated annual premium of Insurance Derivatives to a maximum of 50 basis points of the Fund value is hereby approved, subject to further approval of the UTIMCO Board.

Delegation of Authority Limits

Mr. Gary asked Mr. Zimmerman to explain the details regarding Staff's recommendation to increase the investment limit in excess of the limits provided in the Delegation of Authority Policy for a specific manager. Mr. Zimmerman presented background on the Wellington Management Company, LLC ("Manager"), outlined the Corporation's two mandates currently with the Manager, and the Manager's commodity strategy. Mr. Zimmerman explained that the Corporation's current investment with the Manager was \$355 million. Staff requested the ability to make up to a \$250 million commitment to the commodity strategy and the flexibility to allow a potential investment in the Special Equity and/or Emerging account, which would bring the total invested amount above the delegated authority limit of \$600 million. Staff, requested an increase in the delegated authority limit to \$750 million, subject to further approval by the Board. Mr. Zimmerman answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Corporation Delegation of Authority Policy ("Policy") limits the CEO's authority to increase investments and commitments to existing internal and external investment managers; and

WHEREAS, Corporation staff would like to invest up to \$750 million with Wellington Management Company, LLC ("Wellington") but by Policy is limited to \$600 million; and

WHEREAS, Corporation staff has documented and presented to the Policy Committee its reasons for desiring to increase the delegated authority limit for Wellington; and

WHEREAS, the Committee concurs with the reasons presented by Corporation staff for desiring to increase the delegated authority limit for Wellington and recommends that the Board approve the same.

NOW, THEREFORE, BE IT

RESOLVED, that the increase in Corporation staff's delegated authority limit for Wellington Management Company, LLC up to a maximum of \$750 million is hereby approved, subject to further approval of the UTIMCO Board.

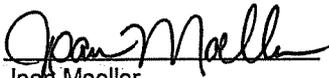
Proposed Amendments to the Charter of the Policy Committee

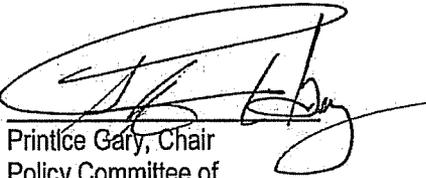
Mr. Gary asked Ms. Gonzalez to review the proposed amendments to the Charter of the Policy Committee. She explained that the proposed changes in the Composition section were to make the language consistent with the Corporation's Bylaws; changes in the Duties and Responsibilities section were made to further define the Committee members' duties and responsibilities; and a section was added in Other Duties to require the Committee to periodically review its Charter and performance and other minor editorial changes. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions. Upon motion

duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Charter of the Policy Committee, as recommended be, and are hereby approved in the form submitted to the Committee, subject to approval by the Corporation's Board of Directors.

There being no further business to come before the Committee, the meeting was adjourned at approximately 11:55 a.m.

Secretary: 
Joan Moeller

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

Date: 7/19/11