

**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 **July 11, 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
Ardon E. Moore, Vice Chairman
Francisco G. Cigarroa, Vice Chairman for Policy
Kyle Bass
Morris E. Foster
Printice L. Gary
R. Steven Hicks
Charles W. Tate
James P. Wilson

Director Ardon E. Moore, Vice Chairman, joined 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. Also attending the meeting was a member of The University of Texas System Board of Regents ("UT System Board"), Regent Wallace Hall. 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; 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; Bob Jewell of Andrews Kurth LLP; Terry Hull, Jim Phillips, Whitney Henry, Anthony de Bruyn, Roger Starkey, and Moshmee Kalamkar of The University of Texas System ("UT System") Administration; and Greg Anderson of The Texas A&M University System. Mr. Foster called the meeting to order at 8:53 a.m.

Minutes

The first item to come before the Board was approval of the minutes of the Board of Directors Meeting held on April 11, 2012. 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
April 11, 2012, be, and are hereby, approved.

Investment Strategy Review

Mr. Foster asked Mr. Zimmerman to present the Investment Strategy Review for Fiscal Year 2013. Mr. Zimmerman stated he had provided a comprehensive analysis, at the Joint Policy and Risk Committee last week, of the portfolio's positioning, return/risk assumptions, and the current and future economic environment considerations used in developing the recommended changes to the Asset Class and Investment Type targets and ranges for FY 2013. In the interest of time, Mr. Zimmerman summarized Staff's recommendations to changes to targets, ranges and risk budgets and answered the Directors' questions.

Policy Committee Report

Mr. Foster asked Mr. Zimmerman to continue by summarizing the changes reported to the Board on behalf of the Policy Committee. The Committee met on July 5, 2012, jointly with the Risk Committee, to discuss and take appropriate action related to the proposed amendments to the Investment Policy Statements. The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Policies for each Fund at least annually. The review includes distribution (spending) 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 Fund, designated performance benchmarks for each Asset Class and/or Investment Type and such other matters as the UT System Board or its staff designees may request. Mr. Zimmerman provided the Board with an overview of current investment policies and policy amendment requests recommended by the Policy Committee, and answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

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 and Liquidity Policy, as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

FURTHER RESOLVED, that the amendments to the Delegation of Authority Policy, as presented be, and are hereby, approved.

Executive Session

Mr. Foster announced, at 9:21 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 for the purpose of deliberating individual personnel matters, including the CEO and Chief Investment Officer. This Executive Session meeting of the Board is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is July 11, 2012, and the time is now 9:21 a.m." With the exception of Regent Hall, Ms. Gonzalez, Mr. Jewell and Dr. Brown, all other meeting participants left the meeting at this time. Mr. Zimmerman left the meeting during discussions regarding his compensation matters.

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 July 11, 2012, and the time is now 9:38 a.m. During the Executive Session, the Board deliberated individual personnel matters, including the CEO and Chief Investment Officer, 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. Hicks to report on behalf of the Compensation Committee. Mr. Hicks stated that the Committee had met on May 24, July 5, and on July 11, 2012, prior to the Board meeting. At the July 5th meeting, the Committee passed a resolution to recommend to the Board approval of the Qualitative Performance Goals for the CEO for the 2012-2013 Performance Period as presented. At the July 11th meeting, action was taken related to base salaries for the UTIMCO Officers and other Plan Participants for 2012-13 fiscal year, and the Committee's recommendation for approval by the Board of the proposed base salary for the Corporation's CEO for the 2012-2013 fiscal year. Upon motion duly made and seconded, the following resolutions were adopted by the Board:

RESOLVED, that the Committee hereby recommends that the Board of Directors of UTIMCO approve the Base Salary of the Corporation's CEO for the Fiscal Year 2012-2013 in the amount of \$600,000.

And,

WHEREAS, Section 5.4.(a) of the UTIMCO Compensation Program (the "Plan") provides that the Compensation Committee (the "Committee") of the Board of Directors of UTIMCO (the "Board") will approve the Performance Goals for each Participant (other than for the CEO) each Performance Period; and

WHEREAS, Section 5.4.(c) of the Plan provides that the Board will determine the Performance Goals of the CEO for each Performance Period; and

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Goals for the 2012-2013 Performance Period, as prepared by the CEO, and recommended by the Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Goals for the CEO for the 2012-2013 Performance Period, as set forth in the document presented to the Board.

At the three Compensation Committee meetings, Mr. Zimmerman led discussions related to possible changes to the UTIMCO Compensation Program, as recommended by Staff. The UTIMCO Compensation Program, effective July 1, 2009 (the "Prior Plan"), consists of two elements: base salary and an annual incentive plan. At the Committee meetings, the Members received a report on proposed changes to the Prior Plan, and the Committee approved the amendments at the meeting on July 11, 2012, prior to the

Board meeting. Mr. Hicks recommended, on behalf of the Compensation Committee, appropriate action from the Board related to the Amended and Restated Plan effective September 1, 2012. Upon motion duly made and seconded, the following resolution was adopted by the Board:

WHEREAS, Section 7.2 of the UTIMCO Compensation Program (the "Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed certain proposed amendments to the Plan incorporated into an Amended and Restated Plan, effective September 1, 2012 (the "Amended and Restated Plan"), in the form previously provided to the Board; and

WHEREAS, the Committee approved the Amended and Restated Plan and made its recommendation to the Board that the Board approve and adopt the Amended and Restated Plan; and

WHEREAS, the Board has reviewed the Amended and Restated Plan.

NOW, THEREFORE, be it:

RESOLVED, that the Board hereby approves and adopts the Amended and Restated Plan, effective as of the date stated therein, subject to the approval of the Board of Regents of The University of Texas System.

Audit and Ethics Committee Report

Mr. Foster asked Mr. Wilson to provide a report on behalf of the Audit and Ethics Committee. Mr. Wilson reported that the Committee convened on July 5, 2012. He stated that the Committee discussed and took appropriate action regarding engaging a corporate external auditor, heard a report from the UT System Audit Office, received an update of compliance, reporting, and audit issues; held discussion and took appropriate action related to base salary, performance incentive plan participation, and performance goals for the General Counsel and Chief Compliance Officer for the 2012-13 fiscal year; discussed the selection of master custodian; and was given a presentation of unaudited financial statements for the nine months ended May 31, 2012, for the Funds and the Corporation. On behalf of the Committee, Mr. Wilson recommended to the Board approval of the firm of Deloitte & Touche LLP to be engaged as the independent auditor for the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2012.

Mr. Hicks also recommended on behalf of the Committee that the Board approve their selection for master custodian. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the UTIMCO Board approves the selection of Bank of New York Mellon ("BNY Mellon") as the master custodian for the investment assets under the fiduciary care of Board of Regents of The University of Texas System and directs staff to renegotiate or extend the existing contract with BNY Mellon, as considered necessary, subject to approval of the Board of Regents of The University of Texas System.

Risk Committee Report

Mr. Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met separately and jointly with the Policy Committee, on July 5, 2012. He stated that the Risk Committee approved 16 new investment mandate categorizations prepared by Staff for the period beginning March 24, 2012, and ending June 25, 2012. Staff provided an annual review of the Broker-Dealer List ("List"), discussing the use of Broker-Dealers and work performed on potential additions to the List. Mr. Tate also reported that the Committee heard a report from Ms. Gonzalez on compliance items for the Quarter Ended May 31, 2012. Regarding the preclearance of securities transactions procedures in the UTIMCO Code of Ethics, Mr. Zimmerman suggested adding compliance with the procedures to each employee's qualitative goals for the next fiscal year, or the adoption of a penalty for failure to comply with the procedures, including a possible fine. Mr. Zimmerman and Ms. Gonzalez answered the Directors' questions. Mr. Tate concluded the report, stating that there was no action required by the Board.

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 May 31, 2012. He reported the Corporation had \$26.9 billion of assets under management at the end of May 31, 2012. Of the \$26.9 billion, \$12.8 billion was in the Permanent University Fund (PUF), \$7.0 billion in the General Endowment Fund (GEF), \$1.5 billion in the Short Term Fund (STF), \$0.8 in the Debt Proceeds Fund, and \$4.8 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 May 31, 2012, for the PUF was -1.69% and for the GEF was -1.72%, versus benchmark returns of -4.47% for the PUF and GEF. The net performance for the one year ended May 31, 2012, for the PUF was -3.17% and for the GEF was -3.17%, versus benchmark returns of -5.11% for each fund. The ITF's performance was -3.02% versus its benchmark return of -4.53% for the quarter ended May 31, 2012, and -3.63% versus its benchmark return of -5.63% for the one year ended May 31, 2012. Performance for the STF was 0.05% versus 0.03% for its benchmark return for the quarter ended May 31, 2012, and was 0.14% versus a benchmark return of 0.05% for the one year ended May 31, 2012. Mr. Zimmerman and Senior Staff reviewed the Funds' Asset Class and Investment Type targets, tactical asset allocation, ranges and performance objectives. Mr. Zimmerman reported on investment activity as of May 31, 2012, 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.

Organization Update

Mr. Foster asked Mr. Zimmerman to provide the Board with an update on staffing and the Corporation's budget, including FY 12 Forecast and FY 12 & 13 Budget, and a technology update. Mr. Abalogu provided and explained a handout detailing the Information Technology Strategic Plan Infrastructure and Applications. Mr. Zimmerman and Mr. Abalogu answered the Directors' questions.


2012-13 Budget

Mr. Foster asked Mr. Zimmerman to explain the budget handout that was distributed at the meeting. Mr. Zimmerman presented the UTIMCO 2012-13 Budget. His presentation included all estimated expenses associated with the management of the Investment Funds, including the reserve analysis. At the same time UTIMCO submits its annual budget, it submits to the UT System Board an allocation formula for charging the annual budget to the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget. The Corporation's budget is subject to further approval by the UT System Board. Staff recommended approval of the UTIMCO Management Fee of \$24,125,675, Other Direct Fund Costs of \$7,138,770, and Anticipated Invoiced External Manager Fees of \$59,576,816, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$94,483,284; a Capital Budget of \$1,350,000; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2012 through August 31, 2013. During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year, in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the UT System Board back to the Funds which generated the surplus. Based on the reserve analysis, no cash reserves were required to be distributed back to the Funds. Mr. Zimmerman answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO Management Fee of \$24,125,675, Other Direct Fund Costs of \$7,138,770, and Anticipated Invoiced External Manager Fees of \$59,576,816, resulting in Total Fees, excluding UT System Direct Expenses to the Funds, of \$94,483,284; Capital Budget of \$1,350,000; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2012 through August 31, 2013, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

There being no further business to come before the Board, the meeting was adjourned at approximately 11:20 a.m.

Secretary: 
Joan Moeller

Approved:  Date: 10-12-2012
Paul Foster
Chairman, Board of Directors of
The University of Texas Investment Management Company