

**MINUTES OF 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 22, 2013**, 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 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
R. Steven Hicks
Charles W. Tate
James P. Wilson

Chairman Foster called the meeting to order at 10:33 a.m. Chairman Foster and Directors Moore, Morris Foster, Hicks and Wilson were in attendance, thus constituting a majority and quorum of the Board. Directors Bass, Cigarroa and Tate 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 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; Allen Hah, Terry Hull, Moshmee Kalamkar, Jim Phillips, and Roger Starkey of The University of Texas System ("UT System") Administration; and Maria Robinson of The Texas A&M University System. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

Minutes

The first item to come before the Board was approval of the minutes of the Board of Directors Meeting held on April 16, 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 **April 16, 2013**, be, and are hereby, approved.

Corporate Resolutions

Chairman Foster recognized Director Printice L. Gary for his outstanding leadership, commitment, and service to the Corporation as a member of the Board of Directors. Directors Bass and Tate joined the meeting at this time. Chairman Foster recommended approval of the Resolution of Appreciation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, in recognition of his substantial background and expertise in business, real estate and construction, Printice L. Gary was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2007, and was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company ("UTIMCO") in 2009, and was reappointed by the Board of Regents to serve a second term on the UTIMCO Board in 2011; and

WHEREAS, Mr. Gary has provided invaluable insight and counsel, drawing on his immense experience as founder of Carleton Residential Properties, serving as its Chief Executive Officer and Managing Partner; and previously as a division partner at Trammell Crow Residential; and

WHEREAS, Mr. Gary's unselfish contributions are also evidenced in the civic arena by his service on the Boards of the Dallas Citizens Council, the North Texas Tollway Authority, Pro-line Corporation, CC Young, the Texas Tax Reform Commission; Southwestern Medical Foundation; the National Equity Fund in Chicago, Illinois; and as a former trustee of Carleton College; and

WHEREAS, during Mr. Gary'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, Mr. Gary's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to the education and development of students at all levels, and further evidenced by his work with the Board of Regents of The University of Texas System, including service as Chair of the Facilities Planning and Construction Committee; Vice Chairman of the Finance and Planning Committee; member of the Health Affairs Committee; member of the Technology Transfer and Research Committee; member of the Special Advisory Committee on the Brackenridge Tract; and a Regental Representative on the Board for Lease of University Lands; and

WHEREAS, Mr. Gary has provided outstanding leadership and judgment to UTIMCO through his 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 Printice Gary their sincerest appreciation for his 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 Mr. Gary 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 22 day of July, 2013.

Risk Committee Report

Chairman Foster asked Mr. Tate to provide a report from the Risk Committee. Mr. Tate reported that the Committee met individually and then jointly with the Policy Committee on July 9, 2013. He stated that the Risk Committee approved six new investment mandate categorizations prepared by Staff for the period beginning March 30, 2013, and ending June 21, 2013. Mr. Tate also stated that the Committee heard a report from Ms. Gonzalez on compliance items for the quarter ending May 31, 2013. Ms. Gonzalez reported one out-of-compliance matter in the Compliance Summary Program report for the fiscal quarter ending May 31, 2013, regarding an external manager. As of May 31, 2013, a fixed income manager's portfolio duration variance was slightly over the investment benchmark. The portfolio duration was back in compliance and procedures were put into place by the manager to ensure compliance going forward. In the future, upon request from the Committee, Staff will identify managers when reporting out-of-compliance matters. Mr. Zimmerman reported the results of the Committee self-assessment. He stated that overall the responses were positive and all responses expressed satisfaction with the performance of the Committee. Outcome of the self-assessment will include review of the Committee Charter, one-on-one meetings with the Committee members and Dr. Yoeli, and review of the risk reporting in the funds update section to consider changes in the data provided to the Committee and Board. Policy changes were discussed jointly with the Policy Committee, and they will be reported in the Policy Committee report. The Committee approved a recommendation from Staff to eliminate annual review of the mandate categorizations since they are reported to the Committee at each quarterly meeting.

Policy Committee Report

Chairman Foster asked Mr. Bass to report on behalf of the Policy Committee. Mr. Bass stated that the Policy Committee met separately and jointly with the Risk Committee on July 9, 2013. Mr. Bass reported that the Committee discussed proposed amendments to various investment policies. He stated that there

was discussion held by the Committee regarding dollar amounts versus percentage amounts with regards to delegation of authority. The Policy Committee approved minutes from the previous meeting, approved amendments to the Bylaws, and jointly with the Risk Committee, discussed and took appropriate action related to proposed amendments to: a) investment policy statements, b) liquidity policy, c) derivative

investment policy, d) delegation of authority policy, and e) mandate categorization procedure. These amendments will need further Board approval. Mr. Zimmerman summarized the changes to the policies, reviewed the results from the Policy Committee Self-Assessment and answered the Directors' questions. The Policy Committee recommended that the Board approve the following resolution related to investment policies and Corporation Bylaws, subject to further approval by the Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that amendments to the Exhibits A of the Investment Policy Statements of the Permanent University Fund, General Endowment Fund, and Intermediate Term Fund and Exhibits B of the Investment Policy Statements of the Permanent Health Fund and Long Term Fund; and amendments to the Liquidity Policy, Derivative Investment Policy, and UTIMCO Bylaws, 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 and Mandate Categorization Procedure, as presented be, and are hereby, approved.

Audit and Ethics Committee Report

Chairman 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 9, 2013. He stated that the Committee was presented with three action items. The minutes from the April meeting were approved, Deloitte and Touche LLP was approved as the independent auditor for the Corporation, pending further Board approval, and approval of the FY 2014 Audit Plan submitted by the UT System Audit Office. Ms. Gonzalez provided quarterly compliance reports, and Mr. Turner provided an update on personal trading. Mr. Peppers gave an update on the FY 2013 audits being conducted by the UT System Audit Office, and provided the proposed FY 2014 Audit Plan which was approved by the Committee. Ms. Gonzalez also gave an annual review on the UTIMCO Director Co-Investment Log for FY 2013, required by the Master Investment Management Services Agreement between the Corporation and the UT System Board of Regents. Ms. Shepherd presented a summary of the Financial Advisor and Service Provider Disclosures for 2012 that had been compiled and submitted to the State Auditor's Office by April 15, as per the Texas Government Code, Section 2263.00. Ms. Moeller provided a brief update on the upcoming external audit for 2013. Mr. Zimmerman reported on the results of the Committee's self-assessment. He stated that overall the responses were positive and all responses expressed satisfaction with the performance of the Committee. The Committee requested review of the Committee Charter, and encouraged input, dialogue and comments from Corporation management, and internal and external auditors. Ms. Moeller provided a review of the unaudited financial statements for the nine months ending May 31, 2013, for the Funds and Corporation, and Mr. Wilson, on behalf of the Committee, recommended approval by the Board of the engagement of Deloitte and Touche LLP as independent auditor for the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

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, 2013.

Compensation Committee Report

Chairman Foster asked Mr. Hicks to report on behalf of the Compensation Committee, even though the item was not on the agenda. Mr. Hicks stated that the Compensation Committee had met on July 17, 2013. Mr. Hicks explained that the Committee and Staff believed that a peer group study was warranted for the 2013/2014 fiscal year and Mercer had been engaged to provide the study. Ms. Hibschan, the principal consultant for Mercer, advised that peer groups for purposes of compensation should be revisited on a periodic basis to ensure continued relevance. She summarized the peer group study criteria, and asked questions of the Committee for consideration to arrive at a confirmed peer group. She also gave the Committee peer group options. The Committee confirmed with Ms. Hibschan the peer group to use in the benchmark study and requested further data. Mr. Hicks reported that Ms. Hibschan would take into consideration all of the Committee members' questions and requests, and she would return to the Committee with additional data to review at a future meeting.

Endowment and Operating Funds Update

Chairman Foster asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Director Cigarroa joined the meeting at this time. Mr. Zimmerman presented the Corporation's Performance Summary as of May 31, 2013, and preliminary numbers as of June 30, 2013. Mr. Zimmerman reported the Corporation had \$29.8 billion of assets under management at the end of May 31, 2013. Of the \$29.8 billion, \$14.6 billion was in the Permanent University Fund ("PUF"), \$7.6 billion in the General Endowment Fund ("GEF"), \$1.6 billion in the Short Term Fund ("STF"), \$0.4 billion in the Debt Proceeds Fund, and \$5.4 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 nine month period ended May 31, 2013, for the PUF was 8.88% and for the GEF was 9.04%, versus benchmark returns of 7.54% for the PUF and GEF. The net performance for the one year ended May 31, 2013, for the PUF was 12.92% and for the GEF was 13.15%, versus benchmark returns of 12.91% for each fund. The ITF's performance was 6.05% versus its benchmark return of 4.02% for the nine months ended May 31, 2013, and 10.64% versus its benchmark return of 8.16% for the one year ended May 31, 2013. Performance for the STF was 0.09% versus 0.09% for its benchmark return for the nine months ended May 31, 2013, and was 0.14% versus a benchmark return of 0.12% for the one year ended May 31, 2013. Mr. Zimmerman asked Dr. Yoeli to review the risk section of the Funds Update. Dr. Yoeli provided risk analytics for the period ending May 31, 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 reported on investment activity as of May 31, 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 Ms. Chen answered the Directors' questions.

There being no further business to come before the Board, the meeting was adjourned at approximately 12:00 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Ardon E. Moore Date: 10/16/13
Ardon E. Moore
Vice Chairman, Board of Directors of
The University of Texas Investment Management Company