

**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 **November 18, 2014**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Morris Foster, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded and broadcast over the Internet. Participating in the meeting were the following members of the Board:

Morris E. Foster, Chairman
Ardon E. Moore, Vice Chairman
Francisco G. Cigarroa, M.D., Vice Chairman for Policy
Kyle Bass
R. Steven Hicks
Jeffery D. Hildebrand
H. Lee S. Hobson
Robert L. Stillwell
John D. White

thus constituting a majority and quorum of the Board. Chairman Foster called the meeting to order at 10:10 a.m. Director Francisco Cigarroa joined later in the meeting, as noted in the minutes, by conference telephone enabling all persons participating in the meeting to hear each other. 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 Investments; Mark Warner, Senior Managing Director - Natural Resources Investments; Mark Shoberg, Managing Director – Real Estate Investments; Susan Chen, Managing Director – Public Markets Investments; Ryan Ruebsahm, Managing Director – Marketable Alternative Investments; Uzi Yoeli, Managing Director - Portfolio Risk Management; Uche Abalogu, Chief Technology Officer; and other staff members. Other attendees were Jim Phillips, Moshmee Kalamkar, Allen Hah, and Roger Starkey of the UT System Administration; Keith Brown of the McCombs School of Business at UT Austin; and Jerry Turner of Andrews Kurth LLP. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Minutes

The first item to come before the Board was approval of the minutes of the Board of Directors Meeting held on October 9, 2014. 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
October 9, 2014, be, and are hereby, approved.

Chairman Foster welcomed Mr. Hobson to his first in-person Board meeting as a Director.

Investment Initiatives

Chairman Foster asked Mr. Zimmerman to begin discussion of the investment initiatives to the Board. Chancellor Cigarroa joined the meeting at this time. Mr. Zimmerman explained that each of the investment teams would be presenting various investment initiatives. Ms. Chen began by presenting the handout *MCC Equity – Emerging Markets* to the Board. She provided the Emerging Markets (“EM”) strategy, with country and region focus, several years of history for the EM portfolio, equity managers and presented managers and performance by region and country. She then presented the EM pipeline. Mr. Ruebsahm continued with a presentation *LCC “Next Generation” Managers Update*. He explained the “Next Generation” capital allocation, investments since 2008, provided portfolio manager age and experience, firm lineage, assets, capacity and fees, performance comparison, and cited challenges going forward for the portfolio. Mr. Zimmerman began the presentation of the *Private Investments Initiatives Update*, providing general and specific initiatives. Mr. Shoberg discussed the Real Estate FY2014 commitments, portfolio composition, investor status, performance and the real estate pipeline followed by Mr. Warner and Mr. Eakman who presented the same information for the Natural Resources and Private Investments portfolios, respectively. Mr. Zimmerman and Staff answered the Directors’ questions.

Potential Scenarios

Chairman Foster asked Mr. Zimmerman to continue by presenting *Potential Scenario Analysis* to the Board. Mr. Zimmerman and the investment teams discussed with the Board the potential impact on asset class and endowment returns of various scenarios and answered the Directors’ questions.

Organization Update

Chairman Foster asked Mr. Zimmerman to give an organization update to the Board. Mr. Zimmerman and Staff gave an update on the Corporation’s staffing, open records requests for FY2014, and information technology. Staff also provided “next steps” that derived from an offsite meeting of senior management held last April. Mr. Zimmerman and Staff answered the Directors’ questions.

Educational Program for Board

Chairman Foster asked Mr. Turner to present the *Educational Program for UTIMCO Directors* to the Board. Mr. Turner stated that the Investment Management Services Agreement between the UT System Board of Regents and the Corporation requires the Corporation to provide training and education to members of the Board as may be determined in consultation with UT System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and matters related to the legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully. Although Board training is provided during an orientation session when new members of the Board are selected, Mr. Turner’s presentation served as an update and a resource for current Board members.

At approximately 11:46 a.m. the Board recessed for lunch.

The meeting of the Board reconvened in open session at 12:15 p.m.

Risk Committee Report

Chairman Foster asked Mr. Bass to provide a report from the Risk Committee. Mr. Bass reported that the Committee met on November 18, 2014. Minutes were approved from the previous meetings. He stated that the Risk Committee approved 24 new investment mandate categorizations and one re-categorization recommendation prepared by Staff for the period beginning July 10, 2014 and ending October 24, 2014. Mr. Zimmerman also reviewed the five mandates on the watch-list, stating that they continued to be monitored by Staff. The Committee heard a report from Ms. Gonzalez on compliance items for the quarter ending August 31, 2014. Mr. Hicks left the meeting at this time.

Policy Committee Report

Chairman Foster asked for a report from the Policy Committee Chair, Mr. Hildebrand. Mr. Hildebrand stated that the Policy Committee had met on November 3, 2014. The Committee approved minutes from previous meetings, and reviewed the proposed amendments to the Delegation of Authority Policy. Mr. Zimmerman presented the *Delegation of Authority and Concentration Analysis* to the Committee, and also presented it to the Board at this meeting. He began with describing the delegation of authority process and explained that the Corporation's Board had delegated certain investment authority to the CEO, within certain dollar limits and percentage of manager limits, and described the option to review process. He provided a summarized history of options to review, concentration analysis of the portfolio, and explained the proposed new delegated authority limits for new investments and increases to existing investments. Mr. Zimmerman answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Audit and Ethics Committee Report

Chairman Foster asked Mr. White to provide a report on behalf of the Audit and Ethics Committee. Mr. White reported that the Committee convened on November 4, 2014. At that meeting, the Committee approved minutes from their previous meeting and heard a report from Mr. Robert Cowley, engagement partner from the independent accounting firm of Deloitte & Touche LLP, providing the audit results and communications for the Corporation for the fiscal years ended August 31, 2014 and August 31, 2013. Also reviewed and approved were the annual financial statements for the Corporation, presented by Ms. Moeller. The Committee heard an update on compliance for the period ending August 31, 2014 from Ms. Gonzalez. Finally, an executive session was held to allow deliberation of individual personnel evaluation matters, with no action taken by the Committee. The following resolution was recommended by the Audit and Ethics Committee for approval by the Board. Upon motion duly made and seconded, this resolution was unanimously adopted by the Board:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2014, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2014, and August 31, 2013, and the Statement of Investment Performance Statistics for the year ended August 31, 2014, be, and are hereby approved in the form as presented to the Board.

Executive Session

Chairman Foster announced, at 12:34 p.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 to consider individual personnel compensation matters, including a Report of the Compensation Committee Regarding Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2014, pursuant to Section 551.074, *Texas Government Code*. The date is November 18, 2014, and the time is now 12:34 p.m." With the exception of Mr. Zimmerman, Mr. Turner 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 Chairman 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 November 18, 2014, and the time is now 12:50 p.m. During the Executive Session, the Board deliberated individual personnel matters 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

Chairman Foster asked Mr. Hobson to report on behalf of the Compensation Committee. Mr. Hobson stated that the Committee had met on November 3, November 17, and November 18, 2014. At its meeting on November 3, 2014, and November 14, 2014, the Committee approved the minutes of its previous meeting and convened in Executive Session to consider the Performance Incentive Awards for the Performance Period ended August 31, 2014. At its November 18th meeting, held prior to the Board meeting, the Committee discussed and took appropriate action regarding the Qualitative Performance Goals for a new employee as a Participant of the Plan for the Performance Period ending August 31, 2015, discussed and took appropriate action related to Designation of Employee in Eligible Position as a Participant in the Plan for the Performance Period ending August 31, 2015, and discussed and took appropriate action regarding individual personnel compensation and evaluation matters related to the Performance Incentive Awards for the UTIMCO Compensation Program ("Plan") Participants for the Performance Period ended August 31, 2014 for Staff and CEO. The Committee recommended approval of the following resolutions by the Board. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will approve the "Performance Incentive Award" of the CEO based upon a determination of the level of achievement of the CEO with respect to his or her "Performance Goals" for such Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the CEO during the 2013/2014 Performance Period and has submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the CEO during the 2013/2014 Performance Period and has compared such actual performance relative to each Performance Goal category for the CEO against his corresponding Performance Goal for such Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award for the 2013/2014 Performance Period in the amount of \$1,694,155 and be it

FURTHER RESOLVED, that of the CEO's \$1,694,155 Performance Incentive Award for the 2013/2014 Performance Period, 50% (\$847,077.50) will be deferred pursuant to the Plan.

And,

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Compensation Committee will approve, subject to further approval of the UTIMCO Board, the "Performance Incentive Award" of each Participant based upon a determination of the level of achievement of such Participant against his or her "Performance Goals" for such Performance Period; and

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the 2013/2014 Performance Period of his or her Performance Goals for such Performance Period; and

WHEREAS, Sections 5.5.(e) and 5.5.(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a Performance Incentive Award will be calculated for such Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Section 5.5.(f) of the Plan provides that the Compensation Committee will review all calculations of Performance Incentive Awards, make any changes it deems appropriate, and submit its recommendation to the Board for approval; and

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance benchmarks for the 2013/2014 Performance Period, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Incentive Awards for all Participants for the 2013/2014 Performance Period (excluding the CEO) in the total aggregate amount of \$7,339,132 and be it

FURTHER RESOLVED, that of the Performance Incentive Awards for the 2013/2014 Performance Period (excluding the CEO), 24% (\$1,753,230) will be deferred pursuant to the Plan.

And also,

WHEREAS, Section 5.3.(a) of the UTIMCO Compensation Program (the "Plan") provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "Board") as an "Eligible Position" for that Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has recommended Richard Rincon (Senior Associate – Investments) to become a Participant for the 2014/2015 Performance Period; and

WHEREAS, the UTIMCO Board wishes to select Richard Rincon (Senior Associate – Investments) as a Participant for the 2014/2015 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that, Richard Rincon (Senior Associate – Investments) be designated as a "Participant" in the Plan for the 2014/2015 Performance Period, effective as of November 10, 2014.

Investment Initiatives (continued)

Chairman Foster asked Mr. Zimmerman to continue with the *Optimizing Illiquidity Recap of 2012-2013 Analysis* handout. Mr. Zimmerman stated that the Board had raised questions in the Investment Initiatives discussion held earlier in the meeting related to the Corporation's hedge fund investments and private investments strategy and how these would be implemented. Mr. Zimmerman stated that Staff had done work previously related to Staff's general approach in private investments and documented it in the *Optimizing Liquidity* handout shared with the Board in earlier meetings. The handout outlined three fundamental issues in determining optimal illiquidity in the portfolio: 1) what returns are sufficient to support

what levels of illiquidity risk, 2) what liquidity needs limit illiquidity exposure, and 3) what is staff's ability to deploy illiquidity risk and generate sufficient returns. Mr. Zimmerman invited Board members to review and discuss the handout with him at their convenience. He also thanked the Board on behalf of all of Staff for their support throughout the year.

2015 Meeting Dates

The 2015 board and committee meeting dates were handed out to the Board.

Chairman Foster acknowledged that this was the last meeting for Chancellor Cigarroa. He thanked him for his wisdom, counsel and leadership throughout his term.

There being no further business to come before the Board, the meeting was adjourned at approximately 1:00 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Morris E. Foster Date: 2/10/15
Morris E. Foster
Chairman, Board of Directors of
The University of Texas Investment Management Company