

**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 at 9:50 a.m. on the **21st day of July 2005**, at the offices of the Corporation, Suite 1700, 221 West 6th Street, Austin, Texas, 78701, said meeting having been called by the Chairman, Woody L. Hunt, 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:

Woody L. Hunt, Chairman
H. Scott Caven, Jr., Vice Chairman
J. Philip Ferguson
Erle Nye
Charles W. Tate
Mark G. Yudof

thus, constituting a majority and quorum of the Board. Director Nye attended the meeting by telephone conference call which was audible to the public at the meeting location during each part of the meeting that was required to be open to the public. Directors Clint D. Carlson and Robert B. Rowling were not present at the meeting. Also attending the meeting were Bob Boldt, President, Chief Executive Officer and Chief Investment Officer of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Bill Edwards, Managing Director of Information Technology; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Sara McMahon and Trey Thompson, Co-Managing Directors – Non-Marketable Alternative Investments of the Corporation; several staff members of the Corporation including Gary Hill, Greg Lee, and Glenn Stotts; Bill Volk, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Amy Barrett, Charlie Chaffin, Cathy Swain, and Michael Warden of UT System Administration; Bruce Myers and Hamilton Lee of Cambridge Associates; and Michael Sebastian of EnnisKnupp. Mr. Hunt called the meeting to order at 9:50 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Committee Assignment

The first item to come before the Board was a resolution to designate a new committee chair for the Risk Committee. Action on the proposed resolutions regarding corporation officers will be deferred. Mr. Hunt gave an overview of the governance structure and the importance of the committees. He requested that Director Tate be designated as Chair of the Risk Committee with no change in membership of the Risk Committee, and that Directors Carlson, Ferguson and Rowling be designated as members of the Compensation Committee, with Director Ferguson remaining as Chair. Upon motion duly made and seconded, the following resolution was unanimously adopted:

BE IT RESOLVED, that Charles W. Tate is hereby designated as the Chair of the Risk Committee and shall preside at its meetings and that H. Scott Caven, Jr., Woody L. Hunt and Charles W. Tate shall continue to serve as members of the Risk Committee to serve until the expiration of their terms, or until their successors have been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Clint D. Carlson, J. Philip Ferguson and Robert B. Rowling are hereby designated as the Compensation Committee to serve until the expiration of their terms, or until their successors have been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that J. Philip Ferguson is hereby designated the Chair of the Compensation Committee and shall preside at its meetings.

Minutes

The next matter to come before the Board was approval of the minutes of the meetings of the Board of Directors held on June 16, 2005 and July 8, 2005. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meetings of the Board of Directors held on June 16, 2005 and July 8, 2005, be, and are hereby, approved.

Asset Allocation, Risk and Performance

Mr. Hunt asked Mr. Boldt to report on the Corporation's asset allocation, risk and performance. Mr. Boldt began by discussing portfolio policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. He continued by discussing relative risk analysis, the peer universe and value added. Mr. Boldt reported Cumulative Value Added under the Corporation's management for periods ended May 31, 2005. Current performance information was also presented. The net performance for the one-month period ended May 31, 2005, for the PUF was 1.73% and for the GEF was 1.72%, versus benchmark returns of 1.84% for each fund. The net performance for the one-year period ended May 31, 2005, for the PUF and GEF were 13.41% and 13.38%, respectively, versus benchmark returns of 11.98% for each fund. The Short Intermediate Term Fund's (SITF) performance was 0.43% versus its benchmark return of 0.38% for the one-month period, and was 2.93% versus its benchmark return of 1.82% for the one-year period ended May 31, 2005. Performance for the Short Term Fund (STF) was 0.25% versus 0.26% for its benchmark for the one-month period, and was 1.97% versus a benchmark return of 1.99% for the one-year period ended May 31, 2005. Also presented was performance attribution, manager history performance summary, statistics on liquidity, and total derivatives by type and application. Following a discussion of private equity targets and ranges, Ms. McMahon and Mr. Thompson were asked to bring a report on the Non-Marketable Alternative Investment program to the Board at their next meeting. Mr. Boldt, Mr. Goldsmith, Ms. McMahon, and Mr. Thompson answered the Directors' questions.

Operating Funds Update

Mr. Hunt stated that the UT System Board of Regents approved a new centralization process for managing the operating funds of the UT System. He gave a short history of the process and applauded those involved in bringing it to fruition. Mr. Boldt continued by giving a current status of the process, and presented staff recommendations for the creation of several new funds for the management of operating and endowment fund reserves and collateral for derivatives position. There was discussion of the asset allocation policy for the new Reserve Plus Fund, specifically of the recommended targets for US Equities, Developed International Equities and Emerging Markets Equities. Ms. Reed ran the risk and return calculations for several recommendations. The final decision, which will be adopted as part of the investment policy approval later in the meeting, was adjusted to be 15% US Equities, 5% Developed International Equities and 5% Emerging Markets Equities. Mr. Boldt, Dr. Kelley, Mr. Myers, Ms. Iberg and Mr. Goldsmith answered the Directors' questions.

Budget and Fee Schedule (9/1/05 – 8/31/06)

Mr. Boldt asked Mr. Greg Lee to present the recommended Operating Budget and Fee Schedule for the 2005-2006 fiscal year. Analyses of historical and projected cash reserves as well as a comprehensive overview of all operating, capital and investment expenses were included in the material provided to the Board, along with summary results from the most recent Cambridge Associates cost study. A complete analysis of all elements of the budget and the reasons for all changes were included in the analysis. Mr. Boldt, Mr. Lee, Mr. Goldsmith, Mr. Thompson, and Mr. Aldridge answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Corporation's Operating Budget and Fee Schedule for the period September 1, 2005 through August 31, 2006 be, and is hereby approved, subject to approval by the U. T. System Board of Regents.

The meeting was recessed at 12:10 p.m. Mr. Nye left the meeting at this time.

The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:10 p.m.

GlobeFlex Capital

Mr. Hunt asked Mr. Goldsmith to present the next item. Mr. Goldsmith presented a proposed international microcap investment and investment ceiling increase. The Staff recommended a \$50 million commitment to GlobeFlex Capital's Microcap mandate and an allocation ceiling increase to \$450 million across all GlobeFlex mandates. Mr. Boldt, Mr. Goldsmith and Mr. Myers answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a \$50 million combined institutional investment interest (the "Investment") in **GlobeFlex**

Capital's Microcap mandate and to increase the approved total investment allocation to GlobeFlex capital up to \$450 million; and

WHEREAS, the Corporation has determined that the Investment does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Investment Memorandum dated July 14, 2005 for **GlobeFlex Capital's Microcap mandate**, including an increase in the approved total investment allocation to GlobeFlex Capital, be approved; and be it further

RESOLVED, that the President and CEO, and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, in the amount of the capital commitment to **GlobeFlex Capital's Microcap mandate**; and be it further

RESOLVED, that the President and CEO, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Investment), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Investment and the instruments referred to therein.

Benchmark Report

Mr. Hunt asked Mr. Bruce Myers of Cambridge Associates to present an analysis of benchmark alternatives for the Absolute Return Hedge Fund, Directional Hedge Fund, Commodities, and Fixed Income asset categories of the UTIMCO Policy Portfolio. Although Mr. Carlson was unable to attend the meeting, he had asked Mr. Boldt to share his comments regarding the hedge fund benchmarks. Mr. Hunt then asked Mr. Sebastian to provide EnnisKnupp's viewpoint on the issue. After a lengthy discussion, the decision was made to accept Cambridge Associate's recommendation for commodities and hedge funds, with no changes to the Fixed Income benchmark. No action was taken at this time, as the benchmarks will be accepted as part of the investment policy statements to be approved later in the meeting. The West Texas Lands Integration discussion was deferred.

Code of Ethics Policy

Mr. Hunt asked Mr. Boldt to present each of the policies and corporate documents and summarize proposed changes. Mr. Boldt asked Ms. Moeller to give an overview of the Code of Ethics. During discussion, Chancellor Yudof recommended modifications of the policy as presented and asked that Barry Burgdorf, UT System General Counsel, draft new language for Section III. Prohibited Transactions and Interest and edit the document. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Code of Ethics as presented be, with modifications as requested by the Chancellor, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Permanent University Fund and General Endowment Fund Policies

Mr. Boldt next presented proposed changes to the Permanent University Fund (PUF) Investment Policy Statement noting that the suggested benchmark changes by Cambridge Associates would be reflected in Exhibit A on page 16. During discussion on the policy, questions regarding risk reporting were raised and Mr. Boldt, Mr. Myers and Ms. Reed answered the Directors' questions. At the Directors' request, a report on risk management will be presented to the Board at the September meeting. Mr. Boldt then proposed the same changes be made to the General Endowment Fund. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Investment Policy Statements of the Permanent University Fund, and the General Endowment Fund, subject to revision as requested by the Board be, and are hereby, approved, subject to approval by the U. T. System Board of Regents; and be it further

RESOLVED, that the foregoing resolution supersedes so much of the resolution of the Board, adopted on January 18, 2005, that approved amendments to the Investment Policy Statement of the General Endowment Fund are rescinded.

The revised Exhibit A is attached. Mr. Hunt requested that all policies related to the centralization of funds be deferred until the next meeting of the Board.

Risk Committee Report

Mr. Hunt and Director Caven, Chairman of the Risk Committee, reported that the Risk Committee had met prior to the Board meeting that morning. The Committee recommended that the Board approve the proposed changes in the Liquidity Policy to be consistent with the new asset allocation, including changing the illiquid trigger zone and maximum allowable range. Mr. Boldt and Mr. Myers answered the Directors' questions. The Directors agreed to accept the Liquidity Policy as proposed, changing the illiquid trigger zone to 30% - 35% and capping the maximum allowable range for illiquidity at 35%. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Liquidity Policy for the Endowment Funds, subject to revision as requested by the Board be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Discussion of the Risk Charter was deferred.

Derivative Policy

Mr. Boldt summarized the proposed changes to the Derivative Policy. There was discussion and agreement that Exchange Traded Funds (ETF's) do not qualify as a derivative instrument. The Board also agreed that the total gross value (without netting counter positions) of all internal derivatives positions shall not exceed 45% of the net asset value of the Funds. Mr. Boldt, Mr. Goldsmith and Dr. Brown answered the Directors' questions. Upon motion duly made and seconded; the following resolution was unanimously adopted:

RESOLVED, that amendments to the Derivative Investment Policy be, and are hereby, approved in the form submitted to the Corporation's Board of Directors; and be it further

RESOLVED, that the resolution of the Board adopted on January 18, 2005, is rescinded for the Derivative Investment Policy.

The Investment Management Services Agreement will be taken to the UT System Board of Regents meeting in August for approval and tendered to the Corporation Board at their next meeting.

Compensation Committee Report

Mr. Hunt asked for a report from the Compensation Committee. Director Ferguson, Chairman, reported that the Compensation Committee met that morning, prior to the Board meeting. The President and CEO's Qualitative Goals for the period ending June 30, 2006, were discussed but deferred at this time. The Committee approved a resolution regarding employee salary matters.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:25 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Woody L. Hunt Date: 9/19/05
Woody L. Hunt
Chairman, Board of Directors of
The University of Texas Investment
Management Company

EXHIBIT A

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
US Equities	20.0	10 to 30	Russell 3000 Index
Global ex US Equities	17.0	10 to 30	
Non-US Developed Equity	10.0	0 to 30	MSCI EAFE Index with net dividends
Emerging Markets Equity	7.0	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	25.0	15 to 30	
Directional Hedge Funds	10.0	5 to 15	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	15.0	10 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Private Capital	15.0	5 to 20	Venture Economics' Periodic IRR Index
Venture Capital	4.0	0 to 8	
Private Equity	11.0	5 to 15	
Inflation Linked	13.0	5 to 20	
REITS	5.0	0 to 10	Wilshire Associates Real Estate Securities Index
Commodities	3.0	0 to 6	Combination index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	5.0	0 to 10	Lehman Brothers US TIPS Index
Fixed Income:	10.0	5 to 15	Lehman Brothers Aggregate Bond Index
Cash	0.0	0 to 10	90 Day T-Bills

Expected Annual Return (%)	8.34
Downside Deviation (%)	7.6
Standard Deviation (%)	10.8