

**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 9:35 a.m. on the **14th day of September 2005**, at the Whitney Meeting Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas, 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
Robert B. Rowling
Charles W. Tate

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. Director Clint Carlson joined the meeting at the point indicated below. Vice Chairman for Policy Mark Yudof was not present at the meeting. Also attending the meeting were R. D. Burck, Advisory Director; 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; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Amy Barrett, and Cathy Swain of UT System Administration; and Bruce Myers and Hamilton Lee of Cambridge Associates. Mr. Hunt called the meeting to order at 9:35 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Minutes

The first matter to come before the Board was approval of the minutes of the meetings of the Board of Directors held on July 21, 2005. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on July 21, 2005, be, and are hereby, approved.

Corporate Resolution

The next item to come before the Board was a resolution to appoint new officers to the Corporation. Mr. Hunt read the resolution proposing that Director Caven be named Chairman of the Corporation and that Mr. Hunt be appointed as Vice Chairman. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the following persons are hereby appointed to the respective office of the Corporation set forth opposite their name, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
H. Scott Caven, Jr.	Chairman
Woody L. Hunt	Vice-Chairman

At this time, Mr. Hunt passed the chairmanship responsibilities to Mr. Caven.

Audit and Ethics Committee Report

Mr. Caven asked for a report from the Audit and Ethics Committee. Director Nye, Chairman, reported that the Audit and Ethics Committee had met the day before, September 13, 2005. The committee received reports of financial statements, an update of the Corporation's Compliance, Reporting and Audit Issues, and a thorough report and update of the implementation of the Sarbanes-Oxley Act of 2002, including a report that documentation of the major processes for the Corporation and the Permanent University Fund had been completed. Director Nye reported that the UT System Audit Office had reviewed and tested these processes and provided a very good report to the Committee. At this point, Director Carlson joined the meeting. Upon motion duly made and seconded, the Board adopted the Committee report.

Asset Allocation, Risk and Performance

Mr. Caven 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 July 31, 2005. He also handed out preliminary performance information for August 31, 2005. The net performance for the one-month period ended July 31, 2005, for the PUF was 2.29% and for the GEF was 2.23%, versus benchmark returns of 2.00% for each fund. The net performance for the one-year period ended July 31, 2005, for the PUF and GEF were 17.56% and 17.49%, respectively, versus benchmark returns of 15.12% for each fund. The Short Intermediate Term Fund's (SITF) performance was -.34% versus its benchmark return of -0.28% for the one-month period, and was 2.24% versus its benchmark return of 1.22% for the one-year period.

ended July 31, 2005. Performance for the Short Term Fund (STF) was 0.27% versus 0.23% for its benchmark for the one-month period, and was 2.31% versus a benchmark return of 2.27% for the one-year period ended July 31, 2005. Also presented was performance attribution, statistics on liquidity, total derivatives by type and application, and actions taken under the Delegation of Authority. In reporting the manager history performance summary, it was noted that Davis Hamilton Jackson was terminated effective August 11, 2005. Mr. Boldt, Mr. Goldsmith, Ms. Reed, and Mr. Myers answered the Directors' questions.

Investing in Affiliated Foundation Funds

Mr. Caven asked Mr. Boldt to continue with the next item. Several associations and foundations have expressed interest in the Corporation managing the funds under their control. Mr. Boldt provided the Board with an update on actions taken by the Staff and UT System Office of General Counsel to allow the Corporation to manage funds held by foundations and associations established to benefit UT System Institutions. The UT System Board of Regents would have full discretion to set all investment, administrative and distribution policies of any arrangements made with each fund's trustees. Mr. Boldt and Ms. Moeller answered the Directors' questions.

Derivative Application

Mr. Boldt then gave a brief background of the Board approval process with regards to derivative applications. Mr. Boldt then introduced a proposed derivative application that would allow Staff to use structured notes and swaps as instruments to gain direct or overlay-related investment exposure on behalf of the UT Endowments or Operating Funds Investments. Mr. Goldsmith presented details of the specific derivative application proposed to the Board. Mr. Boldt, Mr. Goldsmith and Ms. Reed answered the Directors' questions during a lengthy discussion. There was no motion or action taken on this item.

Pooling of Hedge Funds

Mr. Caven asked Ms. Iberg to introduce the next item. Ms. Iberg explained that the Staff was proposing to pool for investment purposes the Permanent University Fund (PUF) and General Endowment Fund's (GEF) hedge fund investments as further defined in the investment policies as Directional Hedge Funds and Absolute Return Hedge Funds. The Staff recommended approval to establish up to three internally managed commingled funds for the purpose of holding hedge fund investments. Creating internally managed commingled hedge fund pools will streamline the recordkeeping, reporting and administrative functions associated with hedge fund investments for the PUF and other Board of Regents' investment funds, such as an Intermediate Term Fund ("ITF") currently under consideration. Mr. Hunt noted that the Corporation's Compensation Plan does not take into account ITF performance and that the Compensation Committee should develop a recommendation on whether to include ITF performance as a measurement in the Compensation Plan. After discussion, one requested change was made to the UTS Special Investments Hedge Fund Pool deleting "existing" PUF and GEF non public investments and add "made prior to implementation of the Intermediate Term Fund" with regards to certain hedge fund managers. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Corporation Board approves creation of three internally-managed commingled funds for the purpose of pooling existing hedge fund investments, currently held by the Permanent University Fund (PUF) and the General Endowment Fund (GEF), and for the purpose of making additional hedge fund investments or redeeming hedge fund investments; and, be it further

RESOLVED, that one of such funds shall be designated "The University of Texas System Directional Hedge Fund Pool," which shall be used for pooling existing and future directional hedge fund investments; and, be it further

RESOLVED, that one of such funds shall be designated "The University of Texas System Absolute Return Hedge Fund Pool," which shall be used for pooling existing and future absolute return hedge fund investments; and, be it further

RESOLVED, that one of such funds shall be designated "The University of Texas System Special Investments Hedge Fund Pool," which shall be used for pooling PUF and GEF non-public investments with certain hedge fund managers made prior to implementation of the Intermediate Term Fund and a revenue sharing arrangement with Protégé Partners LLC; and, be it further

RESOLVED, that the foregoing resolutions shall be implemented in accordance with the recommendation of the Corporation staff submitted to the Corporation Board and shall supersede all prior resolutions of the Corporation Board to the extent any such resolutions authorized an existing hedge fund investment for only the PUF or the GEF or prescribed a stated amount or percentage of a hedge fund investment for the PUF or the GEF.

The meeting was recessed at 11:40 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 12:40 p.m.

Discussion of Leverage

Mr. Caven asked Mr. Boldt and Ms. Reed to present a discussion of leverage. Mr. Boldt and Ms. Reed presented the concepts of leverage including various definitions, various accounting-based and risk-based measures of leverage and led a discussion on the role of leverage in the UT Endowment Portfolios. Mr. Boldt and Ms. Reed answered the Directors' questions.

Discussion of Private Equity Exposure

Mr. Caven asked Mr. Thompson and Ms. McMahon to provide information related to the Corporation's exposure to private equity versus the 15% target. They presented a program overview and the endowments' current exposure to private equity and explained why the endowments are under-allocated to the asset class relative to the 15% target. Over the past two years the Corporation's general partners have made significant distributions to the PUF and GEF, thereby decreasing the endowments' exposure to private equity investments. Furthermore, the total value of the endowments has increased more than the

forecasted 8.36% in the 2003 asset allocation study. Mr. Boldt, Mr. Thompson and Ms. McMahon answered the Directors' questions and Mr. Thompson and Ms. McMahon shared their plan for increasing the endowments' exposure to the 15% target.

Discussion of Investment Environment and Opportunities

Mr. Boldt stated that he would like time set aside each meeting to provide an opportunity for an open-ended discussion on issues, expectations, and opportunities in the current investment environment. Concerns in the hedge fund area were discussed with Directors and Staff participating in the discussion.

Policies and Corporate Documents

Mr. Caven asked to defer consideration of the Derivative Policy and the Delegation of Authority. He then asked Mr. Boldt to present the proposed Intermediate Term Fund (ITF) Investment Policy Statement. The ITF Investment Policy Statement is proposed to establish the ITF as a pooled operating fund for the collective investment of operating funds and other intermediate and long-term funds held by UT System institutions and System Administration. After discussion, consideration of the policies and corporate documents were tabled until the next meeting of the Board which will be scheduled in October.

Executive Session

Mr. Caven, at 3:10 p.m., announced 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 of the Board, for the purpose of deliberating personnel compensation matters for corporation employees. This Executive Session meeting of the Board is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The time is now 3:10 p.m."

In Executive Session, the Board discussed matters regarding personnel compensation matters. No action was taken and no vote was called for or taken by the Board.

Reconvene in Open Session

The Board reconvened at 3:22 p.m. in open session and Mr. Caven announced that, "the Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The time is now 3:22 p.m. During the Executive Session, the Board discussed matters regarding personnel compensation matters, but did not take any votes."

Compensation Committee Report

Mr. Caven asked for a report from the Compensation Committee. Director Ferguson, Chairman, reported that the Compensation Committee had held a meeting the day before, on September 13, 2005. At the

Committee meeting, the Committee members reviewed and approved two amendments to the UTIMCO Compensation Plan subject to approval by the Board. They also approved Exhibit 2 for the 2005/2006 Plan and the President and CEO's performance goals for the period ending June 30, 2006, both subject to final approval by the Board. The Committee recommended all items for approval by the Board. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

Two amendments to the UTIMCO Compensation Plan:

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, UTIMCO and the Board wish to amend the Plan in certain respects; and

WHEREAS, the Compensation Committee of the Board has reviewed the proposed amendments to the Plan and has recommended that such amendments be adopted by the Board;

NOW, THEREFORE, be it:

RESOLVED, that the "First Amendment to UTIMCO Compensation Program," a copy of which is attached hereto and which is directed to be marked for identification and filed with the records of UTIMCO, is hereby approved and adopted, effective as of September 1, 2004; and

RESOLVED, that the "Second Amendment to UTIMCO Compensation Program," a copy of which is attached hereto and which is directed to be marked for identification and filed with the records of UTIMCO, is hereby approved and adopted, effective as of the dates specified therein; and

RESOLVED, that the appropriate officers of UTIMCO be, and they hereby are, authorized and directed to do and perform all such acts and things, to execute all documents and instruments, and to take all other steps as they or any of them may deem necessary, advisable, convenient, or proper to effectuate the same and accomplish the purposes of the foregoing resolutions, and to comply with all applicable provisions of all related documents and all applicable law, and any and all such actions heretofore taken shall be, and they hereby are, ratified and approved, and

Exhibit 2 for the 2005/2006 Plan:

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (the "Plan") provides that the Board will confirm the "Eligible Positions" for participation in the Plan each Performance Period; and

WHEREAS, Section 5.3(a) of the Plan provides that a UTIMCO employee must be selected by the Board in order to become a "Participant" in the Plan; and

WHEREAS, Section 5.5(a) of the Plan provides that the Board will determine the "Incentive Award Opportunity," including a threshold, target, and maximum award, for each Participant each Performance Period; and

WHEREAS, the Compensation Committee of the Board has reviewed the proposed Eligible Positions, Participants, and Incentive Award Opportunities for the 2005/2006 Performance Period and has recommended that the Board approve the same;

NOW, THEREFORE, be it:

RESOLVED, that the Eligible Positions for the 2005/2006 Performance Period as set forth on Exhibit 2 attached hereto are hereby approved, effective as of July 1, 2005, except as any other effective date is specified on such Exhibit 2; and

RESOLVED, that the UTIMCO employees set forth on Exhibit 2 attached hereto are hereby selected or reconfirmed, as applicable, as Participants in the Plan, effective as of July 1, 2005, except as any other effective date is specified on such Exhibit 2; and

RESOLVED, that the Eligible Positions and the associated Incentive Award Opportunities for the 2005/2006 Performance Period as set forth on Exhibit 2 attached hereto are hereby approved, effective as of July 1, 2005, except as any other effective date is specified on such Exhibit 2, and

President and CEO's performance goals for the period ending June 30, 2006:

WHEREAS, Section 5.4(c) of the UTIMCO Compensation Program (the "Plan") provides that the Board will determine the "Performance Goals" of the President and CEO for each Performance Period; and

WHEREAS, the Compensation Committee of the Board has reviewed the proposed Performance Goals for the President and CEO for the 2005/2006 Performance Period and has recommended that the Board approve the same;

NOW, THEREFORE, be it:

RESOLVED, that the Performance Goals for the President and CEO for the 2005/2006 Performance Period as set forth in Section 5.8(b)(1) of the Plan and on Exhibit 1 and the individual Performance Goals document as presented to the Board are hereby approved, effective as of July 1, 2005.

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

Approved: _____ Date: _____
H. Scott Caven, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company