

**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 2:05 p.m. on the **7th day of October 2005**, by means of conference telephone enabling all persons participating in the meeting to hear each other, which conference telephone call was audible to the public, at the offices of the Corporation, Suite 1700, 221 West 6th Street, Austin, Texas, 78701, said meeting having been called by the Chairman, H. Scott Caven, Jr., 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:

H. Scott Caven, Jr., Chairman  
Mark G. Yudof, Vice Chairman for Policy  
Clint D. Carlson  
Erle Nye  
Robert B. Rowling  
Charles W. Tate

thus, constituting a majority and quorum of the Board. Director Woody L. Hunt and Advisory Director R. D. Burck were not present at the meeting. Director J. Philip Ferguson joined the meeting at the point indicated below. Also attending the meeting were Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; and Uzi Yoeli, Analyst of the Corporation; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Amy Barrett, and Cathy Swain of UT System Administration; and Bruce Myers of Cambridge Associates. Mr. Caven called the meeting to order at 2:05 p.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 September 14, 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  
**September 14, 2005**, be, and are hereby, approved.

## **Intermediate Term Fund and Short Term Fund Policies**

Mr. Caven began with acknowledging the time and effort made by the Corporation Staff, UT System Oversight Staff and Dr. Brown to finalize the documents provided to the Board for review and consideration at this meeting. The Intermediate Term Fund (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. The proposed changes to the Short Term Fund (the "STF") Investment Policy Statement were for minor language and definition changes. Discussion was held regarding the proposed policy ranges as presented in Exhibit A, Policy Targets, Ranges and Performance Objectives for the ITF. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Investment Policy Statement of the Short Term Fund and the Proposed Investment Policy Statement for the Intermediate Term as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents; and be it further

RESOLVED, that the resolutions of the Board adopted on January 18, 2005, relating to Investment Policy Statements for the proposed CORE Fund, the proposed Core Guarantee Fund, the proposed CORE Plus Fund, the proposed Equity Fund, the Proposed Balanced Fund, a proposed Liquidity Policy for the CORE Fund and Balanced Fund, and a proposed Swap Agreement are hereby rescinded.

## **Delegation of Authority**

Mr. Caven then presented the proposed changes for the Delegation of Authority Policy and the Manager Exception List. During the past ten months, since the current policy has been in place (approved by the Board in November 2004), certain issues have come to the Staff's attention of which the Staff is proposing to clarify. Mr. Goldsmith and Mr. Myers answered the Directors' questions regarding the Manager Exception List. The Board recommended that the Manager Exception List be amended to reflect increases in the Barclays Global Investors ("BGI") Proposed Exception Amount to 15% with a cap set at \$1.75 Billion, and the Pacific Investment Management Co. ("PIMCO") to 10% with a cap set at \$1.5 Billion. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Manager Exception List as designated in the Delegation of Authority Policy be, and is hereby, approved in the form submitted as amended, to the Corporation's Board of Directors.

After discussion of the proposed amendments to the Delegation of Authority Policy, with Mr. Goldsmith answering the Directors' questions, the Board recommended that the Policy be approved as submitted by the Staff with one exception. A parenthetical phrase on page 3 which read "(including short sales of securities to offset existing long positions for risk control purposes)" will be removed. The removed language will be reviewed and considered again at the November Board meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments, with the noted exception, to the Delegation of Authority Policy be, and are hereby, approved by the Corporation's Board of Directors.

The Delegation of Authority Policy and the Manager Exception List, as approved, are attached to these minutes.

### **Derivative Investment Policy**

Mr. Caven asked Mr. Goldsmith to present the proposed changes to the Derivative Investment Policy. Discussion focused on the permitted derivative application and limitations sections of the policy. Mr. Ferguson joined the meeting at this time. Mr. Goldsmith and Dr. Brown answered the Directors' questions. The Directors requested new language within the section Permitted Derivative Applications as follows:

"The primary intent of derivative transactions should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market. Except as provided below, only the above derivative applications are permitted until such time as this policy is amended and approved by UTIMCO's Board and the UT System Board of Regents. The Chief Investment Officer shall recommend and the UTIMCO Board must approve any new internal derivative applications prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application. Derivative policies of external managers that engage in derivative applications not otherwise permitted by this Policy, or a Policy subsequently broadened by the UTIMCO Board, must be approved by the UTIMCO Board and the UT System Board of Regents. Existing external managers as of November 10, 2005, will comply with this policy on or before January 1, 2006."

And within the section of Limitations, the Board recommended that the net market value of all OTC derivative positions for any individual counterparty may not exceed 1% of the total market value of the Funds. The approved Derivative Investment Policy is attached to these minutes. 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 as amended, subject to approval of the U.T. System Board of Regents.

The Derivative Investment Policy, as approved, is attached to these minutes.

### **Liquidity Policy and the Charter of the Risk Committee**

Mr. Caven presented proposed amendments to the Liquidity Policy and the Charter of the Risk Committee. The proposed amendments relate to the addition of the ITF. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Liquidity Policy as presented be, and are hereby, approved subject to approval by the U. T. System Board of Regents; and

FURTHER RESOLVED, that the amendments to the Charter of the Risk Committee be, and are hereby, approved in the form submitted to the Corporation's Board of Directors.

### **Investment Management Services Agreement**

The next item to come before the Board was to ratify certain changes to the Investment Management Services Agreement (the "IMSA") adopted by the Board of Regents. Ms. Moeller presented amendments proposed by the Staff to clarify language and to incorporate the ITF as a new fund to be included in the IMSA. She also stated that the UT System Office of General Counsel and Baker Botts are in the process of reviewing the document and will suggest modifications in the near future to include language to accommodate investing of outside foundations which the Board of Regents will consider at their November meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Investment Management Services Agreement as presented be, and are hereby, ratified except for any additional items approved by the Board which are subject to approval by the U. T. System Board of Regents; and be it

FURTHER RESOLVED, that the resolution of the Board adopted on January 18, 2005, for the Investment Management Services Agreement is rescinded.

### **Cohen and Steers' U.S. Total Realty Fund**

Mr. Caven continued the meeting by providing background for the proposed investment for the current internal REIT portfolio. A REIT investment alternative was necessary due to the departure of Mr. Greg Cox who had successfully managed the Endowments' REIT portfolios since 1993. Mr. Goldsmith continued by presenting details of the optimal near-term solution in bridging the gap from current to future REIT management for the endowments and proposing a commitment of the total internal REITs assets to Cohen & Steers' U.S. Total Realty Fund. 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 \$722 million (total internal REIT assets) combined institutional investment interest (the "Investment") in **Cohen & Steers' U.S. Total Realty Fund**; 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 September 29, 2005 for **Cohen & Steers' U.S. Total Realty Fund** 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, excluding an increase in the amount of the capital commitment to **Cohen & Steers' U.S. Total Realty Fund**; 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.

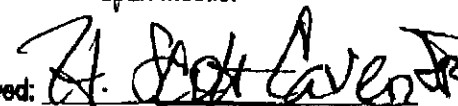
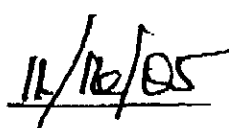
Mr. Caven asked Director Nye, Chairman of the Audit and Ethics Committee, to review and consider moving the investment risk management oversight to the responsibility of the Risk Committee at the January Audit and Ethics Committee meeting.

Mr. Caven announced that although Dr. Brown's Consulting Position Agreement with the Board of Directors expired at the end of October 2005, he has agreed to continue serving for another year.

Mr. Caven also announced that he would be proposing a new standing committee for Board approval at the next meeting. The new committee will be a Policy Committee to serve on an adhoc basis when necessary to review existing policies and proposed changes.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:55 p.m.

Secretary:   
Jean Moeller

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