

**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 9:30 a.m. on the **30th day of March, 2006**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, 78701, said meeting having been called to order 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
J. Philip Ferguson
Woody L. Hunt
Colleen McHugh
Erle Nye
Robert B. Rowling
Charles W. Tate

thus, constituting a majority and quorum of the Board. Also attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President 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; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; various staff members of the Corporation; Bill Volk, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Amy Barrett, William Huang, Jim Phillips, and Cathy Swain of UT System Administration; Greg Anderson of Texas A&M University System; and Bruce Myers and Hamilton Lee of Cambridge Associates. Mr. Caven called the meeting to order at 9:30 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 meeting of the Board of Directors held on January 17, 2006. Ms. McHugh stated that the minutes should reflect that Directors Hunt and Rowling expressed clear direction that UTIMCO must not place the portfolios in an exposure position that results in negative cash. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on January 17, 2006, be, and are hereby, approved, subject to revision as requested by the Committee; and

RESOLVED, FURTHER, that the President and the Secretary of the Corporation be, and they are hereby, authorized and directed to revise the minutes in accordance with the foregoing resolution.

Annual Meeting

Mr. Caven continued by recommending approval of three corporate resolutions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that this is the Annual Meeting of the Board of Directors, held on March 30, 2006, in Austin, Texas; and

RESOLVED, that the following persons are hereby appointed to the respective office or offices of the Corporation set forth opposite their names, 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
Mark G. Yudof	Vice-Chairman for Policy
Bob Boldt	President
Cathy Iberg	Managing Director
Bill Edwards	Managing Director
Larry Goldsmith	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Andrea Reed	Risk Manager
Trey Thompson	Managing Director
Christy Wallace	Assistant Secretary; and

FURTHER RESOLVED, as required by the Corporation's Code of Ethics, the Board shall designate, by position, key employees of the Corporation.

Bob Boldt	President, Chief Executive Officer and Chief Investment Officer
Cathy Iberg	Managing Director - Marketable Alternative Investments/Deputy CIO
Bill Edwards	Managing Director - Information Technology
Larry Goldsmith	Managing Director - Public Markets Investments
Joan Moeller	Managing Director - Accounting, Finance and Administration
Andrea Reed	Risk Manager
Trey Thompson	Managing Director - Non-Marketable Alternative Investments
Russ Kampfe	Senior Portfolio Manager - Fixed Income Investments
Harland Doak	Portfolio Manager - Fixed Income Investments
Debbie Childers	Manager of Portfolio Accounting and Operations
Gary Hill	Manager of Investment Reporting
Greg Lee	Manager - Finance and Administration
Laura Patrick	Analyst - Public Markets Investments
Tushar Shah	Analyst - Public Markets Investments
Christy Wallace	Executive Assistant

Asset Allocation and Performance

Mr. Caven asked Mr. Boldt to report on the Corporation's asset allocation and performance. Mr. Boldt presented an investment update and discussed performance information for January 31, 2006. He discussed the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. He continued by discussing asset allocation and attribution analysis, the peer universe and value added. Mr. Boldt reported Cumulative Value Added under the Corporation's management for periods ended January 31, 2006. The net performance for the one-month period ended January 31, 2006, for the Permanent University Fund ("PUF") was 2.87% and for the General Endowment Fund ("GEF") was 2.82%, versus benchmark returns of 3.30% for each fund. The net performance for the one-year period ended January 31, 2006, for the PUF and GEF was 16.31% and 15.98%, respectively, versus benchmark returns of 16.11% for each fund. The Short Intermediate Term Fund's ("SITF") performance was 0.16% versus its benchmark return of 0.17% for the one-month period, and was 2.11% versus its benchmark return of 1.87% for the one-year period ended January 31, 2006. Performance for the Short Term Fund ("STF") was 0.36% versus 0.31% for its benchmark for the one-month period, and was 3.38% versus a benchmark return of 3.22% for the one-year period ended January 31, 2006. Also presented was performance attribution, statistics on liquidity, total derivatives by type and application, actions taken under the Delegation of Authority and manager changes since the last Board meeting. Mr. Boldt, Ms. Iberg, Mr. Goldsmith, Ms. Reed and Mr. Thompson answered the Directors' questions. Mr. Boldt asked Mr. Goldsmith to give a brief update on the Intermediate Term Fund ("ITF") following its launch on February 1, 2006. Mr. Boldt and Mr. Goldsmith answered the Directors' questions.

Report from the Private Markets Group

Mr. Caven asked for a report from the Private Markets Group. Mr. Thompson, Managing Director, gave a detailed update addressing the Private Markets Group's progress towards achieving a 15% allocation to private equity and provided a brief performance update. He also discussed the trends affecting the private equity markets and the department's strategy for positioning the portfolio to take advantage of current and anticipated investment opportunities. Mr. Thompson answered the Directors' questions.

Proposed Public Markets Investment

Mr. Caven asked Mr. Goldsmith to discuss the proposed public markets investment in Lansdowne Limited Partners UK Equity Fund. Mr. Goldsmith gave an overview and answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF, GEF and ITF assets to acquire an initial combined \$100 million institutional investment interest (the "Investment") in **Lansdowne Limited Partners UK Equity Fund** and to increase the approved total investment allocation to Lansdowne Limited Partners up to \$750 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 March 27, 2006, for **Lansdowne Limited Partners UK Equity 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 of the proposed Investment as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the initial capital commitment to **Lansdowne Limited UK Equity 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. Boldt handed out a publication entitled The Asset Management Industry in 2010. The meeting was recessed at 12:00 p.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:30 p.m.

Recommended Distribution Rates

Mr. Caven asked Mr. Boldt to present the recommended distribution rates for the Permanent Health Fund (PHF), the Long Term Fund (LTF) and the Intermediate Term Fund (ITF). He explained that each of the Funds' respective Investment Management Policy Statement provides the guidelines to calculate the distribution amount or rate and provides for the spending policy objectives of the Fund. The Permanent University Fund distribution rate will be discussed at a later date. Mr. Boldt answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the distribution rate for the Permanent Health Fund be increased from \$.0482 per unit to \$.0496 and the Long Term Fund be increased from \$0.2764 per unit to \$0.2844 per unit for fiscal year 2007, effective with the November 30, 2006 distributions, and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2007, effective with the September 1, 2006 distribution; and

BE IT FURTHER RESOLVED, that the distribution rates for the Permanent Health Fund, Long Term Fund, and Intermediate Term Fund be approved and adopted by this Corporation's Board of Directors, subject to approval by The University of Texas System Board of Regents.

Investment Policy Statements

Mr. Caven asked that Mr. Boldt review Tab 8, a report on investment policy statements. The Investment Management Services Agreement (IMSA) requires that the Corporation review the current investment policies for each Fund at least annually by June 1 of each year. The Policy Committee met on March 7 and approved all Staff recommended amendments to the policies with the exception of two items. Exhibit A of the Funds and the language in the Delegation of Authority Policy regarding short sales were deferred to the Risk Committee for review and approval. The Risk Committee met prior to the Board meeting and discussed the two items. The first of these two items was Exhibit A which lays out targets and ranges for the Funds and is prepared on a net exposure, not cash basis. The Risk Committee deferred recommendation of proposed changes to Exhibit A until discussion by the full Board. Mr. Boldt explained in detail the recommended changes to Exhibit A. In the discussion regarding proposed changes to Exhibit A of the investment policies, UTIMCO staff requested a lower end of the range for "cash" at -5%, based on an interpretation of the revised Derivative Investment Policy that would permit the creation of exposure up to 120% of portfolio assets. Chancellor Yudof noted that the Policy applied to individual derivatives, and the Derivative Policy was not intended to authorize leveraging of the entire portfolio. He suggested that if there is any doubt, the Derivative Policy should be clarified to make sure that no such portfolio leverage authority is granted. The Chancellor also observed that at each meeting the staff frequently seeks additional discretion with regard to portfolio leveraging, short selling, negative cash balances, and other measures that potentially increase risk and allow leveraged investments without UTIMCO Board oversight. He does not agree with these efforts and is concerned about their cumulative impact on UTIMCO investment strategies. Chancellor Yudof left the meeting at this time. Mr. Rowling reported that the Policy Committee considered that most proposed changes to the policies were positive changes needed for consistency with the Intermediate Term Fund Investment Policy Statement. After discussion of the proposed amendments, the Board recommended that amendments to the policies be approved, with noted exceptions to Exhibit A. 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, General Endowment Fund, Intermediate Term Fund, Long Term Fund, Permanent Health Fund, and Separately Invested Funds and the Derivative Investment Policy as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

The final versions of Exhibit A, as approved, are attached to these minutes.

Mr. Boldt continued with the second item for discussion regarding the amendments to the Delegation of Authority Policy. The language in the Delegation of Authority Policy, regarding short sales, was deferred by the Policy Committee to the Risk Committee for review and approval. The Risk Committee approved the policy as drafted and recommended approval by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that amendments to the Delegation of Authority Policy be, and are hereby, approved in the form submitted to the Corporation's Board of Directors.

Investment Environment and Opportunities

Mr. Caven asked Mr. Boldt to begin the discussion on current investment environment and opportunities by giving his presentation on investment framework guiding the Corporation's decisions and continuing education on risk budgeting. This agenda item provided an opportunity for the Board and Staff to have an open-ended and unstructured discussion on issues, concerns, and opportunities in the current investment environment. Mr. Nye left the meeting at this time.

Compensation Committee Report

Mr. Caven asked Mr. Ferguson, Chairman of the Compensation Committee, to give a report from the Compensation Committee. The Compensation Committee met on March 7, 2006. In conjunction with the UTIMCO Board's request to review and evaluate the relationship of all outside service contractors, Requests for Proposals were distributed to compensation consulting firms interested in providing services to UTIMCO. The Committee approved the compensation consultant, selecting Mercer Human Resources Consulting. The UTIMCO Compensation Program requires that salary ranges for key management, investment and operations positions be updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. Mercer Human Resources Consulting performed the last study 2½ years ago. The Compensation Committee has directed the staff to negotiate the contract with Mercer Human Resources Consulting. Upon completion of the contract, Mercer will be in contact with Chairman Ferguson to direct the services related to the benchmarking study. As requested by the Compensation Committee, Mercer Human Resources Consulting will report directly to the Committee.

Recommended Changes to Charters of the Risk Committee and the Audit and Ethics Committee

Mr. Caven asked Mr. Tate to make the recommendation regarding proposed change to the Charter of the Risk Committee. Mr. Tate stated that the Risk Committee, at their meeting this morning, considered the proposed changes to the Charter of the Risk Committee and recommended the Board to accept the changes as drafted. The Charter of the Audit and Ethics Committee will be deferred until the next meeting of the Audit and Ethics Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

Report on the External Investment Consultant and Consideration of Contract Renewal

The Comprehensive Report on the External Investment Consultant is being submitted to update the UTIMCO Board on the current scope of work performed by the external consultant. This report covers the period March 1, 2005 to February 28, 2006. The investment consultant is Cambridge Associates LLC and the lead consultant is Bruce Myers. Under the Delegation of Authority Policy, the execution of investment consultant agreements is not delegated to the UTIMCO CEO and, therefore, the contract is being submitted for approval by the UTIMCO Board. The Staff recommends the approval of the external investment

consultant contract. Details and changes of the contract were discussed, with Mr. Boldt, Ms. Moeller and Mr. Myers answering the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the contract renewal of Cambridge Associates, LLC as the external investment consultant be, and is hereby, approved in the form submitted to the Board.

Report on External Counsel

Mr. Caven asked Ms. Moeller to report on the Corporation's external counsel. The Comprehensive Report on External Counsel is being submitted to update the UTIMCO Board on the scope of services provided by external counsel. This is the second year the report has been prepared and covers the period of March 1, 2005 to January 31, 2006. The external counsel is Vinson & Elkins and Jerry Turner is lead counsel. Vinson & Elkins has been the Corporation's counsel since the Corporation's inception. Jerry Turner is lead counsel and manages the relationship with UTIMCO. He assigns specialized attorneys to work on various matters related to UTIMCO. Vinson & Elkins provides counsel on both corporate and investment matters and responds to issues and questions brought forth by both UTIMCO directors and staff.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:35 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: H. Scott Caven, Jr. Date: 9-22-06
H. Scott Caven, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company

EXHIBIT A

**PERMANENT UNIVERSITY FUND AND GENERAL ENDOWMENT FUND
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 27.5	
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 15	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	Dow Jones Wilshire 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
Liquidity Reserve	0.0	-1 to 10	90 Day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

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

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

* 3 trading days or less

EXHIBIT A

**LONG TERM FUND AND PERMANENT HEALTH FUND
POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Liquidity Reserve	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

Expected Annual Return (%)	8.34
1yr Downside Deviation (%)	-7.6
Standard Deviation (%)	10.8

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	128%
Lower Risk Bound: 1 yr Downside Deviation (%)	74%

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

*3 trading days or less

EXHIBIT A

**INTERMEDIATE TERM FUND
POLICY TARGETS, RANGES, AND PERFORMANCE OBJECTIVES**

Asset Categories	Percent of Policy (%)		Benchmarks
	Policy Targets	Policy Ranges	
U. S. Equities	15	5 to 20	Russell 3000 Index
Global ex U. S. Equities	10	0 to 15	
Non - U. S. Developed Equity	5	0 to 10	MSCI EAFE Index with net dividends
Emerging Markets Equities	5	0 to 10	MSCI Emerging Markets Index with net dividends
Hedge Funds	25	10 to 27.5	
Directional Hedge Funds	12.5	5 to 20	Combination index: 50% S&P Event-Driven Hedge Index plus 50% S&P Directional/Tactical Hedge Fund Index
Absolute Return Hedge Funds	12.5	5 to 20	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index
Inflation Linked	25	10 to 35	
REITS	10	0 to 15	Dow Jones Wilshire Real Estate Securities Index
Commodities	5	0 to 10	Combination Index: 66.7% GSCI minus .5% plus 33.3% DJ-AIG Commodity Index
TIPS	10	5 to 15	Lehman Brothers US TIPS Index
Fixed Income	25	15 to 40	Lehman Brothers Aggregate Bond Index
Liquidity Reserve	0.0	-1 to 20	90 Day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

Expected Annual Return (%)	7.08
1 yr Downside Deviation (%)	-5.0
Standard Deviation (%)	7.5

	% of Target Risk
Upper Risk Bound: 1 yr Downside Deviation (%)	127%
Lower Risk Bound: 1 yr Downside Deviation (%)	69%

* 3 trading days or less