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 10:12 a.m. on the **9th day of November, 2006,** in the Whitney Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas, 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
Robert B. Rowling, Vice Chairman
Mark G. Yudof, Vice Chairman for Policy
Clint D. Carlson
J. Philip Ferguson
Colleen McHugh
Ardon E. Moore
Erle Nye

thus, constituting a majority and quorum of the Board. Director Charles W. Tate was not present at the meeting. Also attending the meeting were Cathy Iberg, Interim President and CEO and Managing Director – Marketable Alternative Investments; 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; various staff members of the Corporation; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Ricky Richter of Ernst & Young; Philip Aldridge, Charlie Chaffin, and Cathy Swain of UT System Administration; Bruce Myers and Jeanne Rogers of Cambridge Associates; and Greg Anderson of The Texas A&M University System. Mr. Caven called the meeting to order at 10:12 a.m.

Minutes

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on September 22, 2006. 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 22, 2006, be, and are hereby, approved.

Proposed Marketable Alternatives Investment

Mr. Caven asked Ms. Iberg to discuss the proposed marketable alternatives investment in Blue Ridge Offshore L.P. Ms. Iberg 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 invest an additional $75 million investment (the "Investment") in **Blue Ridge Offshore L.P.**; and
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> 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;
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> NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the original Investment Memorandum dated November 10, 2003, for **Blue Ridge Offshore L.P.** be approved; and be it further
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> 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 **Blue Ridge Offshore L.P.**; and be it further
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> 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.

Proposed Private Markets Investment

Mr. Caven asked Mr. Thompson to discuss the proposed private markets investment in Southwest Opportunity Fund I, L.P. Mr. Thompson advised the Directors that the proposed investment was not covered by the Corporation's Delegation of Authority Policy because the amount of the proposed investment exceeded 20% of the aggregate of all investment commitments to the fund. Director Carlson expressed a preference for limiting the proposed investment to the 20% level. Mr. Thompson gave an overview and answered the Directors' questions, including questions raised by Director Yudof regarding the relative amount of commitments by other investors in the fund. Upon motion duly made and seconded, the following resolutions were adopted with a 6-1 vote, with Director Carlson opposing and Director Yudof abstaining:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire up to a $30 million combined institutional investment interest (the "Investment") in **Southwest Opportunity Fund I, L.P.**; 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 October 11, 2006, for **Southwest Opportunity Fund I, L.P.** 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 **Southwest Opportunity Fund I, L.P.**; 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.

Endowment and Operating Funds Update

Mr. Caven asked Ms. Iberg to present the Corporation's endowment and operating funds update. Ms. Iberg began by discussing performance information for September 30, 2006. She reviewed 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. The net performance for the one-month period ended September 30, 2006, for the PUF was .22% and for the GEF was .27%, versus benchmark returns of 0.70% for each fund. The net performance for the one-year period ended September 30, 2006, for the PUF and GEF were 9.61% and 9.62%, respectively, versus benchmark returns of 11.43% for each fund. The Intermediate Term Fund's (ITF) performance was .26% versus its benchmark return of .40% for the one-month period, and was 2.94% versus its benchmark return of 2.49% for the six-month period ended September 30, 2006. Performance for the Short Term Fund (STF) was 0.44% versus 0.46% for its benchmark for the one-month period, and was 4.73% versus a benchmark return of 4.50% for the one-year period ended September 30, 2006. Ms. Iberg continued by reporting Cumulative Value Added under the Corporation's management for periods ended September 30, 2006. Also presented was information on performance attribution, liquidity, the Comprehensive Derivative Report, and actions taken under the Delegation of Authority. Ms. Iberg asked Ms. Reed to give the report on the risk dashboard. The request for approval of write-down of investments was postponed until the next board meeting. Ms. Iberg, Mr. Goldsmith, Ms. Reed and Mr. Thompson answered the Directors' questions.

Securities Lending Overview

Mr. Goldsmith continued with a brief overview of Securities Lending and its current role within the Corporation's portfolio. He addressed the purpose, mechanics, risks, and safeguards of the Securities Lending practice, and compared the Corporation's policies with those of the industry. Director Yudof suggested that the Board adopt a formal policy for Securities Lending. Staff will bring proposed policies regarding securities lending and soft dollars to the Policy Committee for discussion and consideration.

Executive Session

Mr. Caven, at 11:40 a.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 for the purpose of deliberating individual personnel compensation matters. This Executive Session meeting of the Board is authorized by Texas Government Code Section 551.074 (Personnel Matters). The time is now 11:40 a.m. and the date is November 9, 2006."

Reconvene in Open Session

The Board reconvened at 12:30 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 12:30 p.m. During the Executive Session, the Board deliberated individual personnel compensation matters, but did not take any final action or votes, or make any decisions."

Report from Compensation Committee

Mr. Caven asked Mr. Ferguson, Committee Chair, to give a report of the Compensation Committee. The Compensation Committee met previously on November 6, 2006. Mr. Ferguson reported that the Compensation Committee recommended that the Board, as required by the Corporation's Compensation Program, approve the proposed entity portion of the performance compensation award of the former President and CEO, and the proposed 2005/2006 performance compensation award totals. Upon motion duly made and seconded, the following resolution for the former President and CEO was 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 determine the level of achievement of the President and CEO with respect to his "Performance Goals" for such Performance Period; and
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> WHEREAS, the Board has reviewed the actual performance of the former President and CEO during the Performance Period and has compared such actual

performance relative to each Performance Goal category for the President and CEO against his corresponding Performance Goal for such Performance Period;

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the former President and CEO's Performance Incentive Award for the 2005/2006 Performance Period in the amount of $471,789; and

Upon motion duly made and seconded, the following resolution for the 2005/2006 performance compensation award totals was unanimously adopted:

WHEREAS, in accordance with Section 5.5(d) of the UTIMCO Compensation Program (the "Plan"), the Compensation Committee has determined each Participant's level of achievement of his or her "Performance Goals" for the 2005/2006 Performance Period, except the level of achievement of the President and CEO with respect to his Performance Goals for such 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 each Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Sections 5.5(e) and 5.5(g) of the Plan provide that the Compensation Committee will review all Performance Incentive Award for all Participants who have met or exceeded their performance benchmarks for such Performance Period and submit its recommendations 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 2005/2006 Performance Period, approved such Performance Incentive Awards, and recommended that the Board approve the same; and

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for the Participants (including the former President and CEO) for the 2005/2006 Performance Period in the total amount of $2,087,384 are hereby approved.

Mr. Ferguson continued with recommendation from the Compensation Committee to approve the peer group for the 2006/2007 Compensation Program as determined by Cambridge Associates. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 8.14 of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B will be amended accordingly; and

WHEREAS, Section 7.2 of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Board wishes to amend Appendix B to conform to the updated Peer Group;

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2006.

The meeting was recessed for lunch at 12:35 p.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:38 p.m.

Risk Committee Report

Mr. Caven asked Mr. Ferguson to give the report from the Risk Committee for Committee Chairman Tate. Mr. Ferguson reported that the Risk Committee had met on October 27, 2006. At the meeting, the Committee heard presentations from the two finalists that were selected from responses from the Risk Consultant Request for Proposal. The Committee recommended approval of hiring Gifford Fong Associates for the Corporation's Risk Consultant. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that as recommended by the Risk Committee, the UTIMCO Board approves the selection of Gifford Fong Associates as the Risk Consultant for the Corporation and directs staff to negotiate the contract with so mentioned Consultant.

Mr. Ferguson continued with recommendation from the Committee for the Board to adopt a resolution approving a process and criteria for inclusion of certain new marketable alternative investment mandates within the public markets portfolio (equity and fixed income asset classes). Upon adoption of the proposed resolution, the Risk Committee must approve the inclusion of certain new alternative investment mandates in the public markets portfolio, and will use the criteria suggested as guidelines in its decision-making process. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that as recommended by the Risk Committee, the process and criteria for inclusion of certain new marketable alternative investment mandates within the public markets portfolio (Equity and Fixed Income Asset Classes) in the form as presented in the Discussion section of the Agenda item, be, and are hereby approved.

Report from the Audit and Ethics Committee

Mr. Caven requested that Mr. Nye, Chairman of the Audit and Ethics Committee, give a report to the Board. Mr. Nye stated that the Audit and Ethics Committee had held meetings on September 27, 2006 and on November 9, 2006, prior to the Board Meeting. Mr. Nye asked Mr. Richter of Ernst & Young to present the Audit Results and Communications letter and answer questions related to the financial statements and internal controls. Mr. Richter noted that Ernst & Young issued unqualified opinions on the August 31, 2006 financial statements. Mr. Richter also reported on auditing marketable alternative investments. Mr. Chaffin gave a review of issued reports, and the audit hours from 2006 and audit plans for 2007. He stated that the Corporation has strong internal controls. Mr. Nye and Mr. Chaffin commended the entire accounting staff.

Mr. Nye asked Mr. Turner to give the Board the same report he had given earlier to the Audit and Ethics Committee regarding partnership structure formed alongside commingled funds. Mr. Turner stated that generally the Code of Ethics prohibits the Corporation and entities controlled by the Corporation from investing in the publicly traded securities of a public company in which a Director has a "pecuniary interest" (as defined in the Code of Ethics). The Corporation's public markets Staff requires external investment managers, acting under agency arrangements, to implement procedures to insure that they comply with the foregoing prohibition when executing their mandates. On occasion, Staff will require such an external investment manager to create a single-member limited partnership for making the Corporation's investments. In such circumstances, the limited partnership is treated as an entity controlled by the Corporation and the general partner (external manager) is required to comply with the above-mentioned prohibition when executing its mandate. Mr. Turner then contrasted the foregoing arrangements with situations in which Staff invests in a commingled fund (in which the fund manager pools the assets of several investors to permit more efficient management) or invests through a single-member limited partnership created for the purpose of allowing the Corporation to invest in such a commingled fund. Mr. Turner stated that just as the Corporation does not control the commingled fund and, consequently, is not able to require the commingled fund manager to implement procedures to insure that the fund does not invest in publicly traded securities of a company in which a Director has a pecuniary interest, therefore a limited partnership through which the Corporation invests in a commingled fund should not be considered as giving the Corporation any control over the commingled fund.

Mr. Turner stated that he had made his report to the Audit and Ethics Committee because it is important to understand that Counsel and Staff had drawn a distinction between two categories of single-member limited partnerships. One is the partnership that is controlled by the Corporation, which is the surrogate for the agency arrangement, and the other is the partnership that is not controlled, which is the vehicle for allowing the Corporation to invest in a commingled fund. Mr. Nye stated that although there was no action necessary by the Committee, this seemed entirely reasonable to the Committee. He also added that it was important to understand and document the distinction that has been made by Counsel and Staff. Mr. Nye also reported that the Audit and Ethics Committee had received, reviewed and approved the separate annual financial statements and audit reports of Ernst & Young LLP for the Permanent University Fund, the Permanent Health Fund, the Long Term Fund and the General Endowment Fund for Fiscal Years 2006 and 2005. Mr. Richter recommended in his report that management hire a full-time associate in its Accounting, Finance and Administration department whose responsibility will include interaction with the Fund's marketable alternative and private markets investments to supplement the Funds' oversight of the existence and valuation of such investments. Mr. Richter, Ms. Iberg, Ms. Moeller and Mr. Chaffin answered questions of the Committee. Mr. Nye recommended a resolution for approval. Prior to the vote, Chancellor Yudof wanted to make sure that Ms. Iberg had complete authority to hire the staff recommended by Ernst & Young, which Mr. Turner confirmed. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that Ernst & Young, 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, 2006, be, and is hereby approved in the form as presented to the Board; and further

RESOLVED, that UTIMCO management's assertions on Internal Control over Financial Reporting, and the independent accountant's reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System General Endowment Fund for the year ended August 31, 2006, be, and are 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, and The University of Texas System General Endowment Fund each for the fiscal years ended August 31, 2006 and August 31, 2005, The University of Texas System Intermediate Term Fund for the period ending August 31, 2006, and the Statement of Investment Performance Statistics for the year ended August 31, 2006, be, and are hereby approved in the form as presented to the Board.

Report from the Advisory Search Committee

Mr. Caven asked Mr. Carlson for an update from the Advisory Search Committee. Mr. Carlson reported that the Committee had received six proposals from executive search firms in response to the Request for Information and had met with three of those six firms in person on October 27, 2006. After hearing the presentations and discussion, the Advisory Search Committee would like to recommend to the staff to negotiate a contract to hire Spencer Stuart for the President, CEO and CIO search.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:15 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: H. Scott Caven Date: 4/3/07
H. Scott Caven, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company