

**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 9:10 a.m. on the **10th day of April, 2007**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, 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
Robert B. Rowling, Vice Chairman
Mark G. Yudof, Vice Chairman for Policy
Clint D. Carlson
J. Philip Ferguson
Colleen McHugh
Ardon E. Moore
Charles W. Tate

thus, constituting a majority and quorum of the Board. Director Erle Nye 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; Cecilia Gonzalez, General Counsel for the Corporation; Uzi Yoeli, Risk Director; Lindel Eakman, Director – Non-Marketable Alternative Investments; various staff members of the Corporation; Jerry Turner, outside legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Barry Burgdorf, Charlie Chaffin, and Cathy Swain of UT System Administration; Bruce Myers, attending the meeting by telephone conference call pursuant to Section 66.08(h)(2)(B), Texas Education Code; Hamilton Lee and Jeanne Rogers of Cambridge Associates; and Greg Anderson of The Texas A&M University System. Ricky Richter, of Ernst & Young, joined the meeting later as noted in the minutes. Mr. Caven called the meeting to order at 9:10 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 January 25, 2007. 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
January 25, 2007 be, and are hereby, approved.

Corporate Resolutions

Mr. Caven continued by recommending approval of various 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 April 10, 2007, in Austin, Texas; and

FURTHER 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
Robert B. Rowling	Vice-Chairman
Mark G. Yudof	Vice-Chairman for Policy
Cathy Iberg	Interim President, Managing Director
Bill Edwards	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Lindel Eakman	Director
Christy Wallace	Assistant Secretary

Mr. Caven asked Ms. Iberg to introduce the key employees by department prior to action by the Board on the following resolutions. After introductions, upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, as required by the Corporation's Code of Ethics, the Board hereby designates, by position, the following as key employees of the Corporation:

Cathy Iberg	Interim President, Managing Director - Marketable Alternative Investments/Deputy CIO
Bill Edwards	Managing Director - Information Technology
Joan Moeller	Managing Director - Accounting, Finance and Administration
Lindel Eakman	Director - Private Markets
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
Melynda Carter	Manager - Finance and Administration
Laura Patrick	Associate - Public Markets Investments
Cissie Gonzalez	General Counsel
Christy Wallace	Executive Assistant

FURTHER RESOLVED, that the following employees be designated as the Plan Administrative Committee, responsible for general administration of 403(b) Tax Sheltered Annuity Plan of the Corporation:

Cathy Iberg

Interim President, Managing Director - Marketable Alternative
Investments/Deputy CIO

Joan Moeller

Managing Director - Accounting, Finance and Administration

Melynda Carter

Manager - Finance and Administration

The last resolution item to come before the Board was a resolution to designate committee assignments. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

BE IT RESOLVED, that Colleen McHugh, Erle Nye, Robert B. Rowling and Charles W. Tate are hereby designated as the Audit and Ethics Committee of the Board of Directors, subject to approval by the Board of Regents at their meeting to be held on May 9-10, 2007, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that Erle Nye is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

BE IT RESOLVED, that Clint D. Carlson, J. Philip Ferguson, and Ardon E. Moore are hereby designated as the Compensation Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such 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.

BE IT RESOLVED, that Clint D. Carlson, J. Philip Ferguson, Erle Nye and Charles W. Tate are hereby designated as the Risk Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that Charles W. Tate is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

BE IT RESOLVED, that Colleen McHugh, Ardon E. Moore and Robert B. Rowling are hereby designated as the Policy Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that Robert B. Rowling is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

Endowment and Operating Funds Update Report

Mr. Caven asked Ms. Iberg to present the Corporation's endowment and operating funds update. Ms. Iberg began by discussing performance reports ending February 28, 2007. 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 February 28, 2007, for the PUF was 0.97% and for the GEF was 1.11%, versus benchmark returns of 0.14% for each fund. The net performance for the one-year period ended February 28, 2007, for the PUF and GEF were 12.45% and 12.81%, respectively, versus benchmark returns of 12.04% for each fund. The Intermediate Term Fund's (ITF) performance was 0.58% versus its benchmark return of 0.39% for the one-month period, and was 6.70% versus its benchmark return of 6.74% for the six-month period ended February 28, 2007. Performance for the Short Term Fund (STF) was 0.40% versus 0.38% for its benchmark for the one-month period, and was 5.24% versus a benchmark return of 5.01% for the one-year period ended February 28, 2007. Ms. Iberg continued by reporting information on performance attribution, liquidity, derivatives, and actions taken under the Delegation of Authority. Ms. Iberg handed out the most recent Risk Dashboard reporting as of February 28, 2007. Ms. Iberg, Mr. Eakman and Mr. Yoeli answered the Directors' questions.

Executive Session

Mr. Caven, at 10:19 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 consulting with legal counsel regarding counsel's advice regarding application of The University of Texas Investment Management Company Code of Ethics to certain investment activities, and to deliberate individual personnel matters. This Executive Session meeting of the Board is authorized by **Texas Government Code** sections 551.071 and 551.074. The time is now 10:19 a.m. and the date is April 10, 2007."

The meeting was recessed for lunch at 12:30 p.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:34 p.m.

Reconvene in Open Session

The Board reconvened at 1:34 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 date is April 10, 2007 and the time is now 1:34 p.m. During the Executive Session, the Board discussed with legal counsel regarding counsel's advice regarding application of The University of Texas Investment Management Company Code of Ethics to certain investment activities, and to deliberate individual personnel matters, but did not take any final action or votes, or make any decisions."

Recommended Distribution Rates

Mr. Caven asked Ms. Iberg to present the recommended distribution rates for the Permanent University Fund (PUF), the Permanent Health Fund (PHF), the Long Term Fund (LTF) and the Intermediate Term Fund (ITF). She explained that each of the Funds' respective Investment Policy Statement provides the guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. Ms. Iberg answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from \$400,685,603 to \$448,942,761, for fiscal year 2008, effective with the September 1, 2007 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0496 per unit to \$.0511; the Long Term Fund be increased from \$0.2844 per unit to \$0.2929 per unit for fiscal year 2008, effective with the November 30, 2007 distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2008, effective with the September 1, 2007 distribution; and

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund and 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.

Audit and Ethics Committee Report

Mr. Caven asked Mr. Rowling, in Committee Chairman Nye's absence, to give a report from the Audit and Ethics Committee. Mr. Rowling reported that the Audit and Ethics Committee had met on March 19, 2007, and covered several items. One item was the audit of the Corporation. Mr. Rowling asked Mr. Ricky Richter of Ernst & Young ("E&Y"), who joined the meeting at this time, to give an account of the E&Y's Audit Results and Communications letter, internal controls assessment audit, and the financial statement audit for the corporation as of August 31, 2006. Mr. Richter stated that E&Y had issued an unqualified opinion on the financial statements. Also discussed were the quarterly unaudited financial statements for the three months ended November 30, 2006, and enterprise risk management. Mr. Rowling asked Ms. Moeller to report on Enterprise Risk Management ("ERM"). Ms. Moeller explained that ERM is the process of identifying and analyzing risk from an integrated company-wide perspective. To assist the committee in evaluating ERM, Ms. Moeller had provided the committee with an introduction of the eight interrelated components, with detailed analysis of two of the eight interrelated components of ERM. Ms. Moeller also discussed the significant institutional risks. The identified risks are: investment due diligence, investment risk management, information technology and security, investment compliance, conflicts of interest, and social security numbers. Mr. Rowling asked Mr. Richter to provide an update to the Board on Ernst & Young's ability to audit the Funds' financial statements for the year ended August 31, 2007. Mr. Richter explained that he had reported to the Audit and Ethics Committee that Ernst & Young, as a firm, had concerns related to their ability to audit alternative investment portfolios, both hedge funds and private equity. Ernst & Young was not able to provide the Committee with a decision at that time, but Mr. Richter wanted the Committee to be aware that the firm is evaluating all relationships that have valuation

procedures with hedge funds and alternative investments. Mr. Richter reported again at the Board meeting that Ernst & Young had still not yet made a decision. Ms. Moeller, Ms. Iberg and Mr. Richter answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that Ernst & Young, LLP's Financial Statement Audit Results and Communications for the Corporation for the year ended August 31, 2006, be, and are 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 report for the Corporation 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 annual financial statements and audit report for the Corporation for each for the fiscal years ended August 31, 2006 and August 31, 2005, be, and are hereby, approved in the form as presented to the Board.

Risk Committee Report

Mr. Caven asked Mr. Tate to give a report from the Risk Committee. Mr. Tate stated that the Risk Committee had met twice since the last Board meeting, on March 1, 2007 and April 5, 2007. The first meeting was to have Gifford Fong, a risk consultant retained by the Board, report on his review of the risk management processes of the Corporation. Mr. Tate summarized that Mr. Fong reported that the overall risk procedures of the Corporation work well and that the overall process was thoughtful, and in a number of respects "cutting edge". Policy Issues and Tool Kit Suggestions were also discussed during the Risk Committee meeting, including correlation of funding sources, policy on tactical limits and use of risk exposures in asset allocation. Mr. Tate reported that Mr. Fong is also an advocate of risk budgeting. Mr. Fong had stated that the Risk Dashboard is a good management and reporting tool that is already in place, and offered suggestions that could be incorporated to further complement the reporting. Mr. Fong plans to attend the joint Board of Directors and Board of Regents meeting to meet the Directors and the Regents in person and give a report of the overview he has performed on the risk management program. Mr. Tate reported that at the Committee meeting in April, Ms. Iberg gave a presentation of the Corporation's risk process and resources. Mr. Tate stated that progress will be made over the next few months to provide the Board, and ultimately the Board of Regents, confidence with the risk management process. After Mr. Tate's report, there was a short discussion of risk budgeting and correlation.

Asset Allocation Review

Mr. Caven asked Ms. Iberg to continue with the next agenda item. Ms. Iberg passed out a presentation on Asset Allocation Review. The presentation covered an overview of the Risk Committee meeting held on March 1, 2007, an asset allocation framework, issues for consideration, policy amendments and timeline for the asset allocation process. After a lengthy discussion, with Ms. Iberg answering the Directors' questions, it was decided that the topic will be discussed at more length at the next Board meeting.

Legislative Update

Mr. Caven asked Ms. Gonzalez to give the Board an update on legislative activity. Ms. Gonzalez reported on the current status of legislation affecting the Corporation in the 80th Regular Legislative Session.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:15 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: H. Scott Caven, Jr. Date: 7.11.07
H. Scott Caven, Jr.
Chairman, Board of Directors of
The University of Texas Investment
Management Company