

**MINUTES OF
MEETING OF THE POLICY COMMITTEE OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Policy Committee (the "Committee"), of The University of Texas Investment Management Company (the "Corporation"), convened in open session on **March 7, 2006**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Lone Star Conference Room, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Committee Chair, Robert Rowling, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Robert B. Rowling, Chair
Colleen McHugh

thus, constituting a majority and quorum of the Committee. Committee member Erle Nye was not present at the meeting. Also attending the meeting were H. Scott Caven, Jr., Chairman of the Board; Bob Boldt, President of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Andrea Reed, Risk Manager; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; and Philip Aldridge, Amy Barrett, William Huang, and Cathy Swain of UT System Administration. Chairman Rowling called the meeting to order at 1:33 p.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Director.

Approval of the Minutes

The first matter to come before the Committee was approval of the Policy Committee minutes of the January 17, 2006 meeting. By motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Policy Committee of the Board of Directors held on January 17, 2006, be, and are hereby, approved.

Delegation of Authority

Mr. Rowling asked Mr. Boldt to describe the proposed amendments to the Delegation of Authority. The purpose of the Delegation of Authority is to provide a clear delineation of responsibilities of the Corporation's Board and Staff. Mr. Boldt summarized the Staff's proposed changes including clarification that the risk analysis should be done throughout the short strategy and that the short strategy does not result in the risk position of the Funds being outside the policy risk range, with recommendation to add the policy risk range to Exhibit A of the Investment Policies; investment levels for new commitments be increased for each area due to increase in value and addition of the Intermediate Term Fund; and language to determine an appropriate time frame for proposed additional commitments. Mr. Rowling suggested that the Risk Committee provide their recommendation regarding the short strategy to the Policy Committee before the Policy Committee acted on this amendment. Mr. Boldt agreed. Accordingly, after the Committee reviewed the remainder of suggested amendments, and changes were discussed by the Committee with Mr. Boldt answering the questions of the Committee members, the amendments to the

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policy were approved, with the exception of the short sale changes on page 3. 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 substantially the form submitted to the Policy Committee, with such changes as were discussed and agreed to during the Committee's deliberation, subject to approval by the Corporation's Board of Directors.

Investment Policy Statements

Mr. Boldt continued by discussing proposed amendments to the Investment Policy Statements. The Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Policy for each Fund at least annually by June 1 of each year. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, asset allocation targets and ranges for each eligible asset class, expected returns for each asset class and fund, designated performance benchmarks for each asset class and such other matters as the U.T. Board or its staff designees may request. After UTIMCO completes its assessment, it shall forward any recommended changes to U. T. System staff for review and appropriate action, following the established schedule for the submission of proposed agenda topics for meetings of the Board of Regents. The following Investment Policies were included for the Policy Committee's review and approval with further approval by the UTIMCO Board and Board of Regents: Permanent University Fund (PUF), General Endowment Fund (GEF), Intermediate Term Fund (ITF), Long Term Fund (LTF), Permanent Health Fund (PHF), Separately Invested Fund (SIF) and Derivative Policy. Staff also recommended revisions to Exhibit A for the PUF, GEF, LTF and ITF to more accurately portray the exposure result of the implementation of the approved Derivative Policy. Mr. Boldt answered the Committee Members' questions. The Committee approved all proposed revisions to the policies, with the exception of Exhibit A. The Policy Committee requested that the Risk Committee review this proposed change. The Risk Committee will recommend the appropriate action related to the Exhibit A based on its review. 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, the Permanent Health Fund, Separately Invested Funds, and the Derivative Investment Policy as presented, with the exception of Exhibit A, be, and are hereby, approved, subject to approval by the Corporation's Board of Directors.

There being no further business to come before the Policy Committee, the meeting was adjourned at approximately 1:58 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Robert B. Rowling
Robert B. Rowling, Chair
Policy Committee of the Board of Directors of
The University of Texas Investment Management Company

Date: Wednesday, May 17, 2006