

**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 9:55 a.m. on the **15th day of July 2004**, at the offices of the Corporation, Town Lake Conference Room, 221 West 6th Street, Austin, Texas, 78701, said meeting having been called by the Chairman, Woody L. Hunt, with notice provided to each member in accordance with the Bylaws. The audio portion of the open meeting was electronically recorded.

Participating in the meeting were the following members of the Board:

Woody L. Hunt, Chairman
Mark G. Yudof, Vice-Chairman for Policy
Rita C. Clements
J. Philip Ferguson
I. Craig Hester
R. H. (Steve) Stevens, Jr.

thus, constituting a majority and quorum of the Board. Directors J. Luther King, Jr., Vice-Chairman; and Susan M. Byrne were not present at the meeting. Also, attending the meeting were R. D. Burck, Advisory Director; John Barnhill, UT System Regent; Scott Caven, UT System Regent; 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; Larry Goldsmith, Managing Director of Public Markets; Andrea Reed, Risk Manager; Sara McMahon and Trey Thompson, Co-Managing Directors – Non-Marketable Alternative Investments; various other staff members of the Corporation; Jerry Turner, legal counsel for the Corporation; Philip Aldridge, Charlie Chaffin, Brandon Duck, Jerry Modjeski and Michael Warden of U. T. System Administration; Bruce Myers of Cambridge Associates; Greg Anderson of Texas A&M System; and Michael Sebastian of EnnisKnupp. Mr. Hunt called the meeting to order at 9:55 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 May 26, 2004. 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
May 26, 2004 be, and is hereby, approved.

Approval of Non-Marketable Alternative Investments

Mr. Hunt asked Mr. Hester to speak for the Liquidity Committee regarding proposed illiquid investments for both the Non-Marketable Alternative and Public Markets programs. Mr. Hester stated that the Liquidity Committee met before the Board meeting and approved an increase in allowable illiquid investments, should the Board approve the investments. The only action item for the Board was regarding the proposed commitment to Tejas Venture Partners, L.P., a new, early-stage venture capital fund. Mr. Thompson and Mr. Myers answered the Directors' questions and, 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 \$25 million in limited partnership interests (the "Investment") in Tejas Venture Partners, 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 July 1, 2004, for Tejas Venture Partners, 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 Tejas Venture Partners, 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.

Asset Allocation, Risk and Performance

Mr. Hunt asked Mr. Boldt to report on the Corporation's asset allocation. Mr. Boldt discussed market exposure, actual vs. policy, the relative risk analysis and a manager history performance summary.

The latest performance information was presented. Mr. Boldt reported value-added under the Corporation's management for the period ended May 31, 2004. The net performance for the one-month period ended May 31, 2004, for the PUF and the GEF were .52%, and .56%, respectively, versus benchmark returns of 1.41% for each fund. The net performance for one-year ended May 31, 2004, for the PUF and GEF were 20.03% and 20.24%, respectively, versus benchmark returns of 14.72% for each fund. The Short Intermediate Term Fund's (SITF) performance was -0.12% versus benchmark return of -0.17% for the one-month period, and was 1.01% versus benchmark return of 0.38% for the one-year period ended May 31, 2004. Performance for the Short Term Fund (STF) was 0.08% versus 0.09% for its benchmark for the one-month period, and was 1.02% versus benchmark return of 1.06% for the one-year period ended May 31, 2004. Also reported and discussed were value-added from tactical asset allocation decisions, the liquidity profile and the derivative report. Mr. Boldt answered the Directors' questions.

Budget and Fee Request (9/1/04 – 8/31/05)

The recommended Services Budget for the 2004-2005 fiscal year presented by Mr. Boldt included all expenses directly associated with the Corporation's operations. The Direct Funds Budget for the 2004-2005 fiscal year included all expenses directly related to the external management of assets of the endowment and operating funds. The sum of the Corporation's Services Budget and the Direct Funds Budget is a measure of the total expense of managing the non-limited partnership investments of the endowment and operating funds. These expenses are allocated across the Funds under the Corporation's management. Chancellor Yudof asked for Mr. Aldridge to give an analysis of the proposed budget. Mr. Aldridge and Mr. Boldt answered the Directors' questions. Adjustments will be required to the Budgets if the CORE Strategy is approved by the Board and UT System Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Corporation's Budget and Fee Request for the period September 1, 2004 through August 31, 2005 be, and is hereby approved, subject to approval by the U. T. System Board of Regents.

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 12:55 p.m.

Executive Session - Personnel Compensation

After reconvening, Mr. Hunt 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 of the Board, for the purpose of deliberating personnel compensation matters for corporation employees. This Executive Session meeting of the Board is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The time is now 12:58 p.m."

In Executive Session, the Board discussed personnel compensation matters. No action was taken and no vote was called for or taken by the Board.

The Board reconvened at 1:40 p.m. in open session and Mr. Hunt 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 1:40 p.m. During the Executive Session, the Board discussed personnel compensation matters, but did not take any votes."

Mr. Hunt asked Mr. Ferguson, a member of the Compensation Committee, to give a report of the Compensation Committee to the Board. Mr. Ferguson reported that the Compensation Committee met on July 14, 2004, and approved the Corporation's Officers' and Managing Directors' Base Salaries for Fiscal Year 2004-2005 (excluding the President). He also proposed that the following resolution regarding compensation for the Corporation's President be approved. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Corporation's President's Base Salary submitted by the Compensation Committee in the amount of \$470,000 be, and is hereby, approved.

Risk Management

Mr. Hunt asked to move to the next item on the agenda. Mr. Boldt asked Ms. Reed begin the presentation on the future of risk management at the Corporation. The presentation described the overall plan for managing investment risk at the Corporation. There was a discussion of various risk metrics and their use in a risk budgeting framework, sample risk reports, and a brief overview of current and potential risk systems. Mr. Boldt, Ms. Reed and Mr. Myers answered the Directors' questions. At this point, Chancellor Yudof left the meeting.

Investment Policy Statements

Mr. Hunt asked Mr. Boldt to present the proposed changes to the Investment Policy Statements. The investment policy statements are required to be reviewed annually. In addition, the Working Group (a working group formed by the UT System Board of Regents comprised of representation from UT System administration, Ennis Knupp & Associates, Baker Botts L.L.P. and UT Austin) recommended that the UT System staff and its consultants should be involved in UTIMCO issues, including a key role regarding creation of investment policies. The Corporation's management also requested Vinson & Elkins to review the policies. Mr. Boldt pointed out major changes that were proposed from the Working Group, Corporation's Staff, and Vinson & Elkins, and Mr. Boldt and Mr. Turner answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Investment Policy Statements for the Permanent University Fund, the U. T. System General Endowment Fund, the U. T. System Long Term Fund, the Permanent Health Fund, the U. T. System Short Intermediate Term Fund, the U. T. System Short Term Fund, and the U. T. System Separately Invested Funds as presented be, and are hereby, approved, subject to approval by the U. T. System Board of Regents.

Liquidity Committee Report

Mr. Hunt asked Mr. Hester, Chairman of the Liquidity Committee, to report on the meeting of the Liquidity Committee. Mr. Hester reported that the committee had met prior to the Board Meeting. The Charter of the Liquidity Committee and the Liquidity Policy were handed out, both reflecting changes recommended by the Committee in their meeting. Mr. Hester discussed the proposed changes. In discussing the proposed changes to the policy, questions were also raised by the Directors regarding committee authority vs. delegation of authority to Staff. Mr. Hunt and Mr. Boldt answered the Directors questions. However, due to time constraints, approval of the proposed changes to the Liquidity Policy and the Charter of the Liquidity Committee were deferred until the next Board meeting.

Derivative Investment Policy

Mr. Hunt asked Mr. Boldt to present the proposed changes to the Derivative Investment Policy. The Derivative Investment Policy enumerates the applications, documentation and limitations for investment in derivative securities in the PUF and GEF. The proposed changes were based on review by Corporation Management and Jerry Turner with Vinson and Elkins. After discussion regarding the policy, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Derivative Policy be, and is hereby, approved in the form as presented to the Board.

Discussion and approval of the Delegation of Authority was tabled until the next meeting of the Board. There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:30 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Woody L. Hunt Date: 10/12/04
Woody L. Hunt
Chairman, Board of Directors of
The University of Texas Investment
Management Company