

**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 **19th day of May 2005**, at the Hotel Crescent Court, Dallas, Texas, 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 meeting was electronically recorded.

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

Woody L. Hunt, Chairman
Clint D. Carlson
H. Scott Caven, Jr.
J. Philip Ferguson
Erle Nye
Robert B. Rowling
Charles W. Tate

thus, constituting a majority and quorum of the Board. Director Mark G. Yudof was not present at the meeting. Also, attending the meeting were Bob Boldt, President, Chief Executive Officer and Chief Investment Officer 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; Sara McMahon and Trey Thompson, Co-Managing Directors – Non-Marketable Alternative Investments of the Corporation; several staff members of the Corporation; Jerry Turner, legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Amy Barrett, Charlie Chaffin, and Cathy Swain of U. T. System Administration; Greg Anderson of The Texas A&M University System; Bruce Myers of Cambridge Associates; and Steven Voss of EnnisKnupp. Mr. Hunt called the meeting to order at 9:10 a.m. and announced that this was the Annual Meeting of the Board. 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 March 31, 2005. 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
March 31, 2005, be, and are hereby, approved.

Audit and Ethics Committee Report

Mr. Nye, Chairman of the Audit and Ethics Committee, reported that the Committee had met previously on April 25, 2005, and discussed and approved the appointment of the firm of Ernst & Young, LLP as the

independent auditor of the Corporation for the year ended August 31, 2005. The Committee recommends that the Board approve the Engagement Letter with Ernst & Young, LLP. Upon motion duly made and seconded; the following resolution was unanimously adopted:

RESOLVED, that the firm of Ernst & Young, LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2005, as recommended by the Audit and Ethics Committee.

Mr. Nye continued by stating that the Committee met again today, prior to the Board meeting. At both meetings, enhancements and clarifications to the Audit Charter of the Audit and Ethics Committee were discussed, primarily due to the voluntary compliance with the Sarbanes Oxley Act of 2002 (SOX), which redefines the role of audit committees. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the revision of the Audit Charter of the Audit and Ethics Committee be, and is hereby, approved in the form submitted to the Board.

Mr. Hunt gave a review of proposed changes to the Code of Ethics that were discussed at the Committee level, but no Board action was requested by the Committee at this time. Mr. Nye also reported on the implementation progress of relevant provisions of SOX.

Appointment of Officers

The next item to come before the Board was the appointment of officers for the Corporation. Mr. Hunt recommended that Mr. Caven be added as Vice-Chairman of the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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>
Woody L. Hunt	Chairman
H. Scott Caven, Jr.	Vice-Chairman
Mark G. Yudof	Vice-Chairman for Policy
Bob Boldt	President
Cathy Iberg	Managing Director
Bill Edwards	Managing Director
Larry Goldsmith	Managing Director
Sara McMahon	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Andrea Reed	Risk Manager
Trey Thompson	Managing Director
Christy Wallace	Assistant Secretary

Designation of Key Employees

The next item to come before the Board was the designation of Key Employees for the Corporation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, as required by the Corporation's Code of Ethics, the Board hereby designates, by position, the following 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
Sara McMahon	Managing Director - Non-Marketable Alternative Investments
Joan Moeller	Managing Director - Accounting, Finance and Administration
Andrea Reed	Risk Manager
Trey Thompson	Managing Director - Non-Marketable Alternative Investments
Greg Cox	Portfolio Manager - Equity 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
Christy Wallace	Executive Assistant

External Investment Consultant Report

Upon request from Mr. Hunt, Ms. Moeller provided to the Board a comprehensive report on Cambridge Associates, the Corporation's external investment consultant, to satisfy the annual requirement in the Delegation of Authority Policy. The report included description of services provided in the contract covering general consulting services, as well as consultant services in the Non-Marketable and Marketable Alternative Investment areas. During discussion, Mr. Boldt, Mr. Myers, Mr. Brown, and members of the Corporation Staff answered the Directors' questions. Upon motion duly made and seconded, with Director Carlson abstaining, the following resolution was adopted:

RESOLVED, that the contract renewal of Cambridge Associates as the external investment consultant, be, and is hereby, approved, subject to negotiation of the contract amount by the President, not to exceed \$1.1 million for the contract period December 2004 through November 2005.

External Counsel Report

Ms. Moeller continued by presenting a comprehensive report on external counsel, to update the Board on the scope of services provided to the Corporation by Vinson & Elkins, with Jerry Turner as lead counsel. Vinson & Elkins provides counsel on both corporate and investment matters and responds to issues and questions brought forth by Directors and Staff.

Asset Allocation, Risk and Performance

Mr. Hunt asked Mr. Boldt to report on the Corporation's asset allocation, risk and performance. Mr. Boldt began by discussing policy ranges and policy targets, and then presented the Market Exposure chart showing market exposure and deviations from policy targets within tactical policy ranges. He continued by discussing relative risk analysis, the peer universe and value added. Mr. Boldt reported Cumulative Value

Added under the Corporation's management for periods ended March 31, 2005. Current performance information was also presented. The net performance for the one-month period ended March 31, 2005, for the PUF was -.57% and for the GEF was -.54%, versus benchmark returns of -.50% for each fund. The net performance for the one-year period ended March 31, 2005, for the PUF and GEF were 10.12% and 10.23%, respectively, versus benchmark returns of 9.13% for each fund. The Short Intermediate Term Fund's (SITF) performance was 0.08% versus benchmark return of 0.01% for the one-month period, and was .92% versus benchmark return of -0.38% for the one-year period ended March 31, 2005. Performance for the Short Term Fund (STF) was 0.22% versus 0.24% for its benchmark for the one-month period, and was 1.65% versus benchmark return of 1.67% for the one-year period ended March 31, 2005. Also presented was performance attribution, manager history performance summary, statistics on liquidity, and total derivatives by type and application. Mr. Boldt also gave a report on existing contracts, leases and other commercial arrangements. Mr. Boldt, Mr. Goldsmith, Ms. Iberg, and Mr. Voss answered the Directors' questions.

Name Change of Liquidity Committee to Risk Committee

Mr. Hunt asked Mr. Boldt to present the next item. Mr. Boldt brought forth a suggestion made by Chancellor Yudof regarding changes to the Liquidity Committee. A recommendation by the Corporation's Staff was made to consider a name change from Liquidity Committee to Risk Committee and amendments to the Charter of the Committee relating to additional duties and responsibilities delegated to oversight and monitoring of investment risk management. The existing members of the Liquidity Committee would remain the same. The proposed changes to the Charter would enhance the Charter to reflect the changes regarding investment risk management only, and are not intended to duplicate the enterprise risk management duties of the Audit and Ethics Committee. Mr. Boldt answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Liquidity Committee be renamed the Risk Committee;

AND FURTHER RESOLVED, that the Charter of the Liquidity Committee be amended and renamed the Charter of the Risk Committee, and is hereby, approved in the form submitted to the Board.

Director Nye left the meeting at this time.

Asset Allocation Review

Mr. Hunt asked Mr. Boldt to begin the Asset Allocation Review. Mr. Boldt reviewed the objectives, time frame and issues to address in the asset allocation review process. He presented recommended return and risk assumptions, developing return correlations and recommended constraints. Mr. Boldt continued with details of the specific decision factors and how they are related to the asset allocation review process. Mr. Boldt and Mr. Kelley answered the Directors' questions. The Directors' cast their first straw vote for the decision factors on the form provided by the Staff.

The meeting was recessed at 12:40 p.m.

The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:35 p.m.

Compensation Committee Report


Mr. Hunt asked for a report from the Compensation Committee. Committee Chairman Ferguson reported that the Compensation Committee met during the lunch recess and approved the Corporation's Officers' and Other UTIMCO Compensation Program Participants' Base Salaries (except that of the President) for the Fiscal Year 2005-2006 in the amount of \$3,666,500. The Committee also submitted a recommended base salary for the Corporation's President for the 2005-2006 Fiscal Year. 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 for the Fiscal Year 2005-2006, in the amount of \$495,000, be, and is hereby, approved.

Asset Allocation Review Continued

Mr. Hunt asked Mr. Boldt to continue with the asset allocation review process. Mr. Boldt reported that during the recess, Ms. Reed and her staff began calculating the decision factor votes that were taken before lunch. He presented first an unconstrained portfolio, then the asset allocation selected by the Board, providing comparison with candidate policy portfolio options and recommended benchmark changes. While final calculations were compiled, Mr. Hunt asked Mr. Myers to give a short presentation regarding trends, issues that similar institutions are grappling with, and the return opportunities (and risks) that are unique to the current environment. Mr. Boldt then continued by presenting the final asset allocation selections from the Board votes. During discussions on asset allocation, targets and benchmarks, and peer trends, Mr. Boldt, Mr. Myers and other Staff members answered the Directors' questions. The Board requested that the Staff prepare a formal recommendation with the final asset allocation decision including tactical value added, targets, ranges, and actual benchmarks and present it to the Board at a later date for a vote. No action was taken at this time.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:15 p.m.

Secretary: 
Joan Moeller

Approved:  Date: 6/17/05
Woody L. Hunt
Chairman, Board of Directors of
The University of Texas Investment
Management Company