

**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 10:20 a.m. on the **25th day of January, 2007**, in the Austin 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  
Erle Nye  
Charles W. Tate

thus, constituting a majority and quorum of the Board. Director Ardon E. Moore 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; Andrea Reed, Risk Manager; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; Tushar Shah, Director of Public Markets; various staff members of the Corporation; Glenn Opel, outside legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Charlie Chaffin and Jim Phillips of UT System Administration; Bruce Myers, Hamilton Lee and Jeanne Rogers of Cambridge Associates; and Greg Anderson of The Texas A&M University System. Rick Lannamann and Tom Simmons of Spencer Stuart joined the meeting later as noted in the minutes. Mr. Caven called the meeting to order at 10:20 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 November 9, 2006. Mr. Nye requested clarifying language be added to the minutes regarding the Ernst &Young recommendation for additional staff to assist with auditing alternative investments. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the minutes of the meeting of the Board of Directors held on November 9, 2006, be, and are hereby, approved, subject to revision as requested by Director Nye; and

RESOLVED, FURTHER, that the President and the Secretary of the Corporation be, and they are hereby, authorized and directed to revise the minutes in accordance with the foregoing resolution.

### **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 November 30, 2006 and December 31, 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 December 31, 2006, for the PUF was 1.08% and for the GEF was 1.10%, versus benchmark returns of 0.81% for each fund. The net performance for the one-year period ended December 31, 2006, for the PUF and GEF were 13.11% and 13.34%, respectively, versus benchmark returns of 14.65% for each fund. The Intermediate Term Fund's (ITF) performance was 0.08% versus its benchmark return of -0.05% for the one-month period, and was 7.28% versus its benchmark return of 7.40% for the six-month period ended December 31, 2006. Performance for the Short Term Fund (STF) was 0.45% versus 0.44% for its benchmark for the one-month period, and was 5.08% versus a benchmark return of 4.85% for the one-year period ended December 31, 2006. Ms. Iberg continued by reporting Cumulative Value Added under the Corporation's management for periods ended November 30, 2006. Also presented was information on performance attribution, liquidity, derivatives, and actions taken under the Delegation of Authority. Ms. Iberg asked Ms. Reed to give the report on the Risk Dashboard. Ms. Iberg, Ms. Reed, Mr. Thompson and Mr. Shah answered the Directors' questions. Also discussed was the proposed write-down of the Songbird investment. Staff determined that the Songbird investment and related securities have been permanently impaired in value and recommended to the Board that they be written down to \$1.00. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Songbird and Medsite be written down to \$1.00 as of August 31, 2006.

### **Guest Speaker**

Mr. Thompson introduced Mr. Craig Huff, President of Reservoir Capital Group, as a guest speaker. Mr. Huff gave a brief background of Reservoir Capital Group which he co-founded in 1997. He shared his views on the current state of the capital markets, discussed several investment opportunities his firm currently found compelling and gave portfolio highlights. There was a short question and answer session with the Board following his presentation.

The meeting was recessed for lunch at 12:20 p.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:35 p.m.

### **Investment Environment and Opportunities**

Mr. Caven asked Ms. Iberg to begin discussion on current investment environment and opportunities. Ms. Iberg suggested several discussion topics. This discussion gave the Board, Staff and consultants an opportunity to have an open-ended and unstructured discussion on issues, concerns, and opportunities in the current investment environment.

### **Policy Committee Report**

Mr. Caven asked Mr. Rowling to give a report from the Policy Committee. Mr. Rowling reported that the Policy Committee had met prior to the Board meeting. They discussed amendments to the Delegation of Authority, reviewed the Securities Lending Policy, the Soft Dollar Policy and the Proxy Voting Policy, and approved Travel Guidelines. Mr. Rowling asked Ms. Iberg to provide further detail. Ms. Iberg explained that the two internal policies reviewed were the Soft Dollar Policy and the Proxy Voting Policy. Also reviewed and approved by the Policy Committee were the UTIMCO Travel Guidelines. A draft of a Securities Lending Policy was also reviewed. The Securities Lending Policy was prepared based on an existing agreement that is in place with the Master Custodian. Outside counsel is in the process of reviewing the Securities Lending Policy and the Corporation's agreement with the Master Custodian. Further discussion will be held on the policy. Mr. Rowling, speaking for the Policy Committee, then recommended proposed amendments to the Delegation of Authority Policy. He stated that most proposed changes are to provide clarification and make minor editorial changes, and noted two specific changes. After discussion, with Ms. Iberg answering the Directors' questions, 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 the form submitted to the Corporation's Board of Directors.

### **Report from the Advisory Search Committee**

Mr. Caven asked Mr. Carlson for an update from the Advisory Search Committee. Mr. Carlson reported that progress is being made with the search for a new Corporation President, CEO and CIO. At this time, Rick Lannamann and Tom Simmons of Spencer Stuart joined the meeting. Mr. Carlson introduced Mr. Lannamann and Mr. Simmons and asked if they would provide background of their roles with Spencer Stuart and give an update of the search process. Mr. Lannamann answered the Directors' questions. At this time, Mr. Lannamann and Mr. Simmons left the meeting.

### **Approval of Investment Consultant Contract**

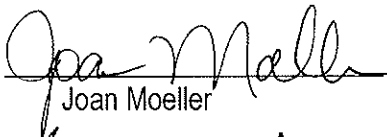
Mr. Caven asked Ms. Iberg to continue by presenting the investment consultant contract. In accordance with the Delegation of Authority, the Board executes the external investment consultant contract. The Board approved retaining Cambridge Associates as its investment consultant at their Board meeting on September 22, 2006. Ms. Iberg summarized the changes to the contract. Staff recommended contract renewal for a twelve month period beginning December 1, 2006. Upon motion duly made and seconded, the following resolution was unanimously adopted:

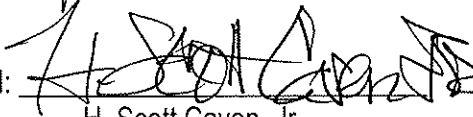
RESOLVED, that the contract renewal of Cambridge Associates as the external investment consultant be, and is hereby, approved in the form submitted to the Board.

**2006 Annual Report**

Mr. Caven asked Ms. Moeller to present the 2006 Annual Report. Ms. Moeller explained that the report is used primarily as a development tool for each of the institutions. The 2006 theme was "Investing in Technology". The report highlighted the UT System institutions' development of technologies in the fields of medicine, natural and physical sciences, information technology, etc. As in previous years, the Staff worked with an advisory group consisting of development staff from several UT System institutions to improve the reporting and Staff continues to have positive feedback. Over 7,800 reports were sent out.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:50 p.m.

Secretary:   
Joan Moeller

Approved:  Date: 4.17.07  
H. Scott Caven, Jr.  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company