

**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 **29th day of November 2007**, at the Ritz-Carlton Dallas, 2121 McKinney Avenue, Dallas, Texas, 75201, said meeting having been called by the Chairman, H. Scott Caven, Jr., with notice provided to each member in accordance with the Bylaws.

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 Carlson  
J. Philip Ferguson  
Ardon E. Moore  
Erle Nye  
Charles W. Tate

thus constituting a majority and quorum of the Board. Director Colleen McHugh did not attend the meeting. Also attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cecilia Gonzalez, internal General Counsel for the Corporation; Bill Edwards, Managing Director of Information Technology; Uzi Yoeli, Director - Portfolio Risk Management; Mark Warner, Director of Natural Resources; Mark Shoberg, Director - Private Markets; Russ Kampfe, Senior Portfolio Manager - Fixed Income Investments; Harland Doak, Portfolio Manager - Fixed Income; and Mark Newcomb, Associate - Public Markets Investments, all of the Corporation; Jerry Turner, external General Counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Amy Barrett, Charlie Chaffin, Anthony de Bruyn, and William Huang of UT System Administration; Bruce Myers and Jeanne Rogers of Cambridge Associates; Brandon Bean of TRT Holdings; and Tom Wagner, engagement partner with Deloitte & Touche LLP. 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 September 21, 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  
September 21, 2007, be, and are hereby, approved.

**Corporate Resolution**

Mr. Caven announced that he was resigning as Chairman of the Corporation's Board due to his appointment as Chairman of the UT System Board of Regents. After a few parting words as Chairman, he recommended Vice Chairman Rowling as the new Chairman of the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the following person is hereby appointed to the respective office of the Corporation set forth opposite their name, to serve until the next Annual Meeting of the Corporation or until their resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
Robert B. Rowling	Chairman

As the new Chairman, Mr. Rowling read the following resolution of appreciation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

**WHEREAS**, as a result of his vast business experience and extraordinary talent, Mr. H. Scott Caven, Jr., was appointed by Governor Rick Perry to the Board of Regents of The University of Texas System in 2003, and was appointed by the Board of Regents to the Board of Directors of The University of Texas Investment Management Company in 2005, and was reappointed by the Board of Regents to serve a second term on the UTIMCO Board in 2007; and

**WHEREAS**, Mr. Caven was elected Vice Chairman and subsequently Chairman of the UTIMCO Board during his first term, and was reelected Chairman of the UTIMCO Board in 2006 and again in 2007; and

**WHEREAS**, as Vice Chairman and Chairman of the Board and as Chairman and Member of the Board's Risk Committee (formerly named Liquidity Committee), Mr. Caven provided outstanding leadership and guidance to UTIMCO by drawing upon his substantial business background, including as Managing Director and Regional Manager of Texas for Atlantic Trust Private Wealth Management, Partner in INVESCO PLC, and Vice President of Goldman, Sachs & Co. where he served as Regional Manager for Houston, South Texas, and Mexico from 1981 to 1997, and his additional service as Past Chairman and Member of numerous civic and philanthropic organizations, including as Past Chairman of the Texas Growth Fund Board of Trustees under Governors William P. Clements, Ann Richards, and George W. Bush, and Past Chairman of the Texas Business Hall of Fame Foundation; and

**WHEREAS**, Mr. Caven's commitment and service to UTIMCO was exemplary, reflecting his strong commitment to higher education and deep devotion to The University of Texas System as evidenced by his service as Past Chairman of the Advisory Council and Member of the Business Hall of Fame of The University of Texas at Austin McCombs School of Business, and Member of the Executive Committee of the Chancellor's Council, The University of Texas System; and

**WHEREAS**, during Mr. Caven's tenure on the Board, UTIMCO managed the Permanent University Fund and other investments of The University of Texas System with the highest standards of integrity, professionalism and competency, earning wide praise and recognition from UTIMCO's investment beneficiaries, namely The University of Texas System and The Texas A&M University System, as well as the alumni and patrons of such Systems, the State's legislative leaders, the national credit rating agencies and the capital markets and investment community generally; and

**WHEREAS**, Mr. Caven was elected Chairman of the Board of Regents of The University of Texas System on November 9, 2007, which, much to the great regret of the UTIMCO Board and Staff, has necessitated his resignation from the Board of Directors of UTIMCO; **NOW, THEREFORE**,

**BE IT RESOLVED**, that the Directors of The University of Texas Investment Management Company, on behalf of the grateful people of the State of Texas, particularly the Boards of Regents and Administrators of The University of Texas System and The Texas A&M University System, do hereby express to H. Scott Caven, Jr. their sincerest appreciation and gratitude for his vision, leadership, and service that have contributed to UTIMCO's past successes; and

**BE IT FURTHER RESOLVED**, that all persons who read this Resolution should know that through his outstanding service to UTIMCO, Mr. Caven has made a lasting and fundamental contribution to improve the manner in which public university endowments are invested and managed in the State of Texas, to the benefit of all of the citizens of the State, particularly the students and faculty of The University of Texas System and The Texas A&M University System.

**PASSED AND ADOPTED** this 29<sup>th</sup> day of November, 2007.

Mr. Rowling and Mr. Nye voiced appreciation to Mr. Caven for his superior leadership as Chairman.

### **Endowment and Operating Funds Update**

Mr. Rowling asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Before Mr. Zimmerman began his presentation, he noted that a number of the investment team from the Corporation were in attendance at the meeting, giving the Board an opportunity to have more interaction with Staff. Mr. Zimmerman reported performance numbers as of October 31, 2007. The net performance for the one-month period ended October 31, 2007, for the PUF was 3.05% and for the GEF was 3.06%, versus benchmark returns of 2.59% for each fund. The net performance for the one-year period ended October 31, 2007, for the PUF and GEF were 20.33% and 20.86%, respectively, versus benchmark returns of 16.72% for each fund. The Intermediate Term Fund's (ITF) performance was 2.83% versus its benchmark return of 2.30% for the one-month period, and was 14.91% versus its benchmark return of 11.47% for the one-year period ended October 31, 2007. Performance for the Short Term Fund (STF) was 0.44% versus 0.30% for its benchmark return for the one-month period, and was 5.39% versus a benchmark return of 5.13% for the one-year period ended October 31, 2007. Mr. Zimmerman 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. During discussion of fixed income, Mr. Kampfe and Mr. Doak introduced themselves and answered the Directors' questions. Mr. Zimmerman continued by reporting information on performance attribution, liquidity, risk, the

Comprehensive Derivative Report, and actions taken under the Delegation of Authority. Mr. Zimmerman, Ms. Iberg, Mr. Myers, and Mr. Yoeli answered the Directors' questions.

### **Secondary Sale Update**

Mr. Zimmerman asked Mr. Shoberg to address the Secondary Sale Update. Mr. Shoberg introduced himself to the Board and handed out a Private Markets Secondary Sale Update. He gave a process overview of the Private Markets Staff's efforts to sell a portion of the Private Markets Portfolio and presented an estimated outcome for the sale. Mr. Shoberg and Mr. Zimmerman answered the Directors' questions.

### **Public Market Investments Report**

Mr. Rowling asked Mr. Zimmerman to report on the Public Markets Investments. Mr. Zimmerman presented a Public Markets Overview of existing public markets investments for the PUF and GEF assets and risk by investment type. Mr. Zimmerman, Ms. Iberg, and Mr. Myers answered the Directors' questions.

### **Organization Update**

Mr. Rowling asked Mr. Zimmerman to give the Board an update on the Corporation's Staff additions and Staff's recent travels. Mr. Zimmerman asked Mr. Warner to introduce himself and tell the Board his background. Mr. Warner is the Corporation's new Director – Natural Resources Investments. Mr. Zimmerman gave the Board a summary of due diligence trips recently taken, or to be taken in the near future, by Staff. Ms. Iberg and Mr. Shoberg gave an overview of their recent travels and answered the Directors' questions.

### **Investment Policy Statements**

Mr. Rowling asked Mr. Zimmerman to report on Investment Policy Statement changes approved by the Joint Policy and Risk Committee Meeting that was held on November 12, 2007. Mr. Zimmerman gave an overview of the process. He handed out a revised Exhibit B for FYE 2009 for each fund, and gave a summary of changes that were made to the Investment Policy Statements. The Investment Policy Statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), and Intermediate Term Fund ("ITF") have been amended to reflect the new investment strategy, and Exhibit A (or Exhibit B, as applicable) attached to each Investment Policy Statement summarized in table format the new investment strategy, which provides for allocation among six Asset Class and three Investment Type allocation targets and ranges for the period ended March 1, 2008, FYE 2008, 2009, and 2010. Mr. Zimmerman explained that in accordance with the new Mandate Categorization Procedure, all mandates will be categorized into these Asset Classes and Investment Types. Mr. Zimmerman asked Mr. Myers to discuss the memorandum prepared by Cambridge Associates regarding the appropriateness of certain benchmarks used in the Investment Policy Statements. Mr. Zimmerman continued by explaining the substantial changes made to the Derivative Investment Policy

Statement, the Liquidity Policy, and the Delegation of Authority that were approved by the Policy and Risk Committees. 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, Permanent Health Fund, Long Term Fund, and Intermediate Term Fund, and the Derivative Investment Policy and the Liquidity Policy, as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System;

RESOLVED, that amendments to the Delegation of Authority, as presented be, and are hereby, approved; and further

RESOLVED, that the Mandate Categorization Policy, as presented be, and is hereby, approved.

The meeting was recessed for lunch at 11:55 a.m. Director Moore and Ms. Iberg left the meeting at this time. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:05 p.m.

### **Executive Session**

Mr. Rowling, at 1:05 p.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 to consider individual personnel compensation matters including report of Compensation Committee regarding individual Performance Incentive Awards for the Performance Period ended June 30, 2007. This Executive Session meeting of the Board is authorized by *Texas Government Code* § 551.074. The time is now 1:05 p.m. and the date November 29, 2007."

### **Reconvene in Open Session**

The Board reconvened at 1:35 p.m., in open session and Mr. Rowling announced that, "The Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is November 29, 2007 and the time is now 1:35 p.m. During the Executive Session, the Board deliberated individual personnel matters, but did not take any final action or votes, or make any decisions."

### **Compensation Committee Report**

Mr. Rowling asked Mr. Ferguson to present the Compensation Committee report. Mr. Ferguson stated that the Committee met previously on November 15, 2007. He reported that the Committee approved staffing changes and selected Mercer Human Resource Consulting as the Corporation's Compensation Consultant. The Compensation Committee also reviewed and approved, pending further approval by the Board,

amendments to Appendix B of the UTIMCO Compensation Program (UTIMCO Peer Group). Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 8.14 of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B (UTIMCO Peer Group) will be amended accordingly; and

WHEREAS, Section 7.2 of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the 2007/2008 Performance Incentive Award Plan for President, CEO, and CIO (the "CEO's Plan") effective July 1, 2007, for the Performance Period beginning July 1, 2007, and ending June 30, 2008, provides for the selection of an appropriate peer group by the UTIMCO Board; and

WHEREAS, the Board wishes to amend Appendix B to conform to the updated Peer Group;

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2007;

FURTHER RESOLVED, that the UTIMCO Board selects Appendix B as the appropriate peer group for the CEO's Plan for the Performance Period beginning July 1, 2007, and ending June 30, 2008.

The Compensation Committee also recommended Board approval of personnel performance incentive awards. Upon motion duly made and seconded, the following resolution for the Interim President and CEO's Performance Incentive Award for the 2006/2007 Performance Period was unanimously adopted:

WHEREAS, Section 5.5(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will determine the level of achievement of the President and CEO with respect to his or her "Performance Goals" for such Performance Period; and

WHEREAS, Cathy Iberg served as Interim President and CEO of the Corporation from September 1, 2006, through the end of the Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the Interim President and CEO during the Performance Period and submits its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the Interim President and CEO during the Performance Period and has compared such actual

performance relative to each Performance Goal category for the Interim President and CEO against her corresponding Performance Goal for such Performance Period;

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Interim President and CEO's Performance Incentive Award for the 2006/2007 Performance Period in the amount of \$607,145.

Upon motion duly made and seconded, the following resolution for the Performance Incentive Awards for the Participants (including the Interim President and CEO) for the 2006/2007 Performance Period was unanimously adopted:

WHEREAS, in accordance with Section 5.5(d) of the UTIMCO Compensation Program (the "Plan"), the Compensation Committee has determined each Participant's level of achievement of his or her "Performance Goals" for the 2006/2007 Performance Period, and

WHEREAS, Sections 5.5(e) and 5.5(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a "Performance Incentive Award" will be calculated for each Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Sections 5.5(f) of the Plan provides that the Compensation Committee will review all Performance Incentive Award calculations for all Participants who have met or exceeded their performance benchmarks for such Performance Period and submit its recommendations to the Board for approval; and

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants (including the Interim President and CEO) who have met or exceeded their performance benchmarks for the 2006/2007 Performance Period, approved such Performance Incentive Awards, and recommended that the Board approve the same; and

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for the Participants (including the Interim President and CEO) for the 2006/2007 Performance Period in the total amount of \$1,852,890 are hereby approved.

The Compensation Committee also recommended Board approval of the UTIMCO 457(b) Deferred Compensation Plan. Upon motion duly made and seconded, the following was unanimously adopted:

WHEREAS, the Compensation Committee reviewed the UTIMCO 457(b) Deferred Compensation Plan (the "Plan") in the form provided to the UTIMCO Board, approved the adoption of the Plan, and recommends the Board approve the adoption of the Plan; and

WHEREAS, the UTIMCO Board has reviewed the Plan in the form previously provided to it and wishes to document approval of such UTIMCO 457(b) Deferred Compensation Plan.

NOW, THEREFORE, be it:

RESOLVED, that the UTIMCO Board approves the adoption of the UTIMCO 457(b) Deferred Compensation Plan in the form previously provided to the UTIMCO Board.

#### **Audit and Ethics Committee Report**

Mr. Rowling asked Mr. Nye to give a report from the Audit and Ethics Committee. Mr. Nye stated that the Audit and Ethics Committee met on November 5, 2007. Tom Wagner, engagement partner, presented to the Audit and Ethics Committee the Deloitte & Touche LLP Audit Results and Communications letter and answered questions related to the financial statements. Deloitte & Touche LLP issued unqualified opinions on the August 31, 2007 financial statements. The Committee approved the Deloitte & Touche LLP's Financial Statement Audit Results and Communications and the audited financial statements of the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), Intermediate Term Fund ("ITF"), and the Statement of Performance Statistics for the year ended August 31, 2007, and recommended that the Board approve the same. Mr. Wagner was in attendance at the meeting and gave an overview of the audit to the Board. Upon motion duly made and seconded, the following was unanimously adopted:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2007, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System General Endowment Fund each for the fiscal years ended August 31, 2007, and August 31, 2006, The University of Texas System Intermediate Term Fund for the year ended August 31, 2007, and the period ending August 31, 2006, and the Statement of Investment Performance Statistics for the year ended August 31, 2007, be, and are hereby approved in the form as presented to the Board.



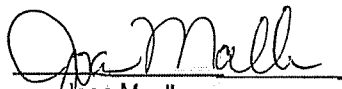
**2008 Meeting Dates**

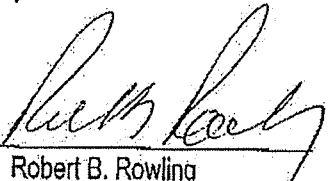
Mr. Rowling asked Mr. Zimmerman to present the proposed 2008 Meeting Dates for future Board meetings and Committee meetings. Mr. Zimmerman explained the new schedule and the basis for changing some meetings to a quarterly basis. Mr. Rowling stated that he will appoint a Vice Chairman and announce Committee assignments at the next Board meeting. Mr. Caven stated that he will be making a new Regental Director recommendation for the Corporation in the next week.

**2007 Annual Report**

Mr. Rowling asked Ms. Moeller to present the 2007 Annual Report. Ms. Moeller gave background on the process for preparing the Annual Report. The theme selected for this year's report was "An Enduring Legacy". Staff worked with an advisory group from several development offices within the UT System to make improvements to the report. Based on input from the group, this year's report had more of an academic or institutional focus, and highlighted students, professors, and buildings across the UT System.

The Directors briefly discussed current investment theses prior to adjournment. There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:10 p.m.

Secretary:   
Joan Moeller

Approved:  Date: February 4, 2008  
Robert B. Rowling  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company

## **Cambridge Peer Group**

### **Greater Than \$1 Billion**

As of June 30, 2005, 2006 and 2007

Based on NACUBO Studies

- 1 Amherst College
- 2 Baylor College of Medicine
- 3 Boston College
- 4 Brown University
- 5 California Institute of Technology
- 6 Case Western Reserve University
- 7 Columbia University
- 8 Cornell University
- 9 Dartmouth College
- 10 Duke University
- 11 Emory University
- 12 Grinnell College
- 13 Indiana University and Foundation
- 14 Johns Hopkins University
- 15 Massachusetts Institute of Technology
- 16 New York University
- 17 Northwestern University
- 18 Ohio State University and Foundation
- 19 Pennsylvania State University
- 20 Pomona College
- 21 Princeton University
- 22 Purdue University
- 23 Rice University
- 24 Smith College
- 25 Southern Methodist University
- 26 Stanford University
- 27 Swarthmore College
- 28 The Rockefeller University
- 29 The Texas A&M University System and Foundations
- 30 UNC at Chapel Hill and Foundations
- 31 University of California
- 32 University of Chicago
- 33 University of Cincinnati
- 34 University of Delaware
- 35 University of Illinois and Foundation
- 36 University of Michigan
- 37 University of Minnesota and Foundation
- 38 University of Nebraska and Foundation
- 39 University of Notre Dame
- 40 University of Pennsylvania
- 41 University of Pittsburgh
- 42 University of Richmond
- 43 University of Rochester
- 44 University of Southern California
- 45 University of Virginia
- 46 University of Washington
- 47 University of Wisconsin Foundation
- 48 Vanderbilt University
- 49 Washington University
- 50 Wellesley College
- 51 Williams College
- 52 Yeshiva University