

**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 **31st day of May 2007**, at the Hotel Crescent Court, 400 Crescent Court, in the Crescent I Conference Room, Dallas, 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  
Clint D. Carlson  
J. Philip Ferguson  
Colleen McHugh  
Ardon E. Moore  
Charles W. Tate

thus, constituting a majority and quorum of the Board. Directors Mark Yudof and Erle Nye joined the meeting later as noted in the minutes. 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; Cecilia Gonzalez, General Counsel for the Corporation; Uzi Yoeli, Risk Director; Lindel Eakman, Director – Non-Marketable Alternative Investments; various staff members of the Corporation; Jerry Turner, outside legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Scott Kelley, Philip Aldridge, Amy Barrett, Anthony DeBruyn and Cathy Swain of UT System Administration; Bruce Myers, Hamilton Lee and Jeanne Rogers of Cambridge Associates; Greg Anderson of The Texas A&M University System; and Bruce Zimmerman, incoming CEO, President and CIO. 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 meetings of the Board of Directors held on April 10, 2007 and May 2, 2007. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meetings of the Board of Directors held on  
April 10, 2007 and May 2, 2007 be, and are hereby, approved.

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

Mr. Caven asked Ms. Iberg to present the Corporation's endowment and operating funds update. Director Yudof joined the meeting during Ms. Iberg's presentation. Ms. Iberg began by discussing performance reports ending April 30, 2007. 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 April 30, 2007, for the PUF was 2.75% and for the GEF was 2.75%, versus benchmark returns of 2.70% for each fund. The net performance for the one-year period ended April 30, 2007, for the PUF and GEF were 13.90% and 14.37%, respectively, versus benchmark returns of 12.96% for each fund. The Intermediate Term Fund's (ITF) performance was 1.90% versus its benchmark return of 1.58% for the one-month period, and was 11.10% versus its benchmark return of 10.08% for the one-year period ended April 30, 2007. Performance for the Short Term Fund (STF) was 0.43% versus 0.44% for its benchmark for the one-month period, and was 5.35% versus a benchmark return of 5.16% for the one-year period ended April 30, 2007. Ms. Iberg continued by reporting information on performance attribution, liquidity, derivatives, and actions taken under the Delegation of Authority. Ms. Iberg handed out the most recent Risk Dashboard reporting as of April 30, 2007. Ms. Iberg, Mr. Zimmerman, Mr. Myers, Mr. Eakman, and Mr. Yoeli answered the Directors' questions.

## **Asset Allocation Review**

Mr. Caven asked Mr. Zimmerman to begin the Asset Allocation Review. Mr. Zimmerman provided a handout to be used as a guide for discussion, which included both the art and science of investing. Mr. Zimmerman led the discussion that included investment strategies, investment objectives, asset classes, risk management and risk budgeting issues. The presentation was to be a starting point for both the Board and the Corporation Staff to begin review of the asset allocation on a strategic level. The discussion can be used to guide the Staff in their efforts to bring more specific recommendations to the Board at a later meeting. Mr. Zimmerman, Ms. Iberg and Mr. Eakman answered the Directors' questions.

## **Educational Program for UTIMCO Directors**

Mr. Caven asked Mr. Turner to begin his educational program for the Directors. Mr. Turner handed out an Educational Program for UTIMCO Directors and suggested that the Directors' keep the presentation in their briefcase for reference at future Board meetings. Mr. Turner reviewed the legal and fiduciary responsibilities and policy governance for the Board members. He reviewed Directors' Liabilities, Corporate policies, committee charters, and miscellaneous Texas and Federal laws. Mr. Turner and Ms. Iberg answered the Directors' questions.

The meeting was recessed for lunch at 12:35 p.m. The Board of the Corporation reconvened in an open meeting at the same meeting location at 1:25 p.m. Director Nye joined the meeting and Director Yudof left the meeting at this time.

### **Compliance and External Auditor**

Mr. Caven asked Mr. Nye to give the Board an update on the independent chief compliance officer and the external auditor. Mr. Nye said the job description for the chief compliance officer was nearing final draft, and that he and the Audit and Ethics Committee are in agreement with duties and responsibilities of the newly created position, and changes to the corporate policies regarding the new position as described in the materials presented to the Board. Mr. Tate asked that he and the Board, at the next meeting, be presented with clarification of the role of the oversight committee of the UT System. Mr. Nye continued by reporting on the external auditor search. Ernst & Young notified UTIMCO Staff on April 13, 2007, that the firm was withdrawing as the auditors of the UT Board funds managed by the Corporation. UT System has since issued a Request for Qualifications and will hear oral presentations from those firms interested on June 18<sup>th</sup>.

### **Report from Compensation Committee**

Mr. Caven asked Mr. Ferguson, Chairman of the Compensation Committee, to give a report of the last Compensation Committee meeting. Mr. Ferguson told the Board that the Compensation Committee had met on May 16, 2007. The Committee approved an increase of a Staff member's salary at the meeting. The Committee discussed the current Compensation Program, and after discussion, agreed to work closely with the new CEO and Staff to possibly simplify the Compensation Program, focus on peer groups and compensation going forward.

### **Private Markets Presentation**

Mr. Caven then turned the meeting over to Mr. Eakman to begin the Private Markets Presentation to the Board. Mr. Eakman, Scott Bigham and Zac McCarroll presented an overview of the program, staff members, functional area overview, commitment strategy, portfolio update and current activities of the Private Markets Group as a whole. Mr. Eakman, Mr. Bigham, Mr. McCarroll and Ms. Iberg answered the Directors' questions.

### **Legislative Update**

Mr. Caven asked Ms. Gonzalez to give the Board an update on legislative activity. Ms. Gonzalez reported on the current status of legislation affecting the Corporation in the 80<sup>th</sup> Regular Legislative Session. The Session ended on May 28, 2007. Staff will monitor legislation, as finally passed, for changes in the state law affecting the Corporation.

### **Public Markets Presentation**

Mr. Caven asked Ms. Iberg to lead a discussion on the Public Markets Investments area. Ms. Iberg began the review of the public equities by presenting the three year annualized attribution of performance relative to policy benchmark and investment performance summaries of external and active internal managers for U.S., Non-U.S. and emerging equity markets. Ms. Iberg answered the Directors' questions.

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  
Joan Moeller

Approved: H. Scott Caven, Jr. Date: 7/11/07

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