

**MINUTES OF THE ANNUAL 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 9:20 a.m. on the **25th day of April 2008**, in the Whitney Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas, said meeting having been called by the Chairman, Robert B. Rowling, 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:

Robert B. Rowling, Chairman
Clint Carlson
J. Philip Ferguson
Colleen McHugh
Ardon E. Moore
Erle Nye
Charles W. Tate

Director Erle Nye participated by means of conference telephone enabling all persons participating in the meeting to hear each other. Accordingly, a majority and quorum of the Board was in attendance. Directors Mark Yudof and Paul Foster did not attend the meeting. Also attending the meeting were H. Scott Caven, Jr., Chairman of the UT System Board of Regents; 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 and Chief Compliance Office for the Corporation; Bill Edwards, Managing Director of Information Technology for the Corporation; Uzi Yoeli, Director - Portfolio Risk Management; Mark Warner, Director of Natural Resources Investments; Lindel Eakman, Managing Director – Private Markets; Bob Schau, Director – Real Estate Investments; Mark Shoberg, Director – Private Markets; other Staff members, all of the Corporation; Jerry Turner, external General Counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Jim Phillips, Charles Chaffin, Philip Aldridge, Anthony de Bruyn, William Huang, and John Slettebo of UT System Administration; Bruce Myers, Hamilton Lee, and Jeanne Rogers of Cambridge Associates; Greg Anderson of The Texas A&M University System; Brandon Bean of TRT Holdings; and James H. Lee, Chairman of the TRS Board of Trustees.

Mr. Rowling called the meeting to order at 9:20 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 January 30, 2008. 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 January 30, be, and are hereby, approved.

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 April 15, 2008. The Committee reviewed the unaudited financial statements for the six months ended February 29, 2008 for the Investment Funds and the Corporation, as well as other compliance, reporting and audit issues. Staff and Mr. Chaffin also updated the Committee on the contract discussions with Deloitte & Touche, LLP. Mr. Chaffin reported that the UT System Board of Regents approved the renewal of the auditing services with Deloitte & Touche, LLP for the fiscal year ending August 31, 2008, for the funds managed by the Corporation, although fee negotiations were ongoing at the time of the meeting. The Committee heard reports from Ms. Gonzalez regarding general compliance and institutional compliance reporting and from UT System Audit office and Barb Davison of Investment Training and Consulting, Inc. ("ITCI") regarding their co-managed audit with UT System Audit Office.

Risk Committee Report

Mr. Rowling asked Mr. Tate to report on the last meeting of the Risk Committee. Mr. Tate stated that the Committee met on April 15, 2008 and had received and discussed a risk report update, compliance reporting update, and new mandate categorizations. The materials provided to the Committee represented the mandate categorizations prepared by Staff through March 31, 2008, that had not previously been presented to the Committee for review and approval or re-categorization, as appropriate. The Staff requested that the Committee recommend any additional changes and approve, or re-categorize, as appropriate, the mandate classifications. The Committee approved the Staff's recommendations. The Committee also requested that the CIO report separately at each subsequent Committee meeting if there has not been a mandate re-categorization.

Also discussed at the Committee meeting were recommended distribution rates for the Permanent University Fund (PUF), Permanent Health Fund (PHF), Long Term Fund (LTF) and Intermediate Term Fund (ITF) for the fiscal year ending August 31, 2009. Mr. Zimmerman had given the Committee an overview of the calculation process and details of the recommended distributions rates and the Committee approved the distribution rates at its meeting. Mr. Zimmerman explained to the Board that each of the Funds' respective Investment Policy Statements provide guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. He also stated that the UT System Board of Regents recently approved an increase in the distribution rate for the Permanent University Fund from 4.75% to 5.0% if certain criteria are met. The Committee recommended Board approval for the following, for fiscal year ending August 31, 2009: 1) the distribution from the PUF to the Available University Fund be increased by 18.3% from \$448,942,761 to \$530,932,622; 2) the distribution rate for the PHF be increased from \$0.0511 per unit to \$0.0528 per unit and the distribution rate for the LTF be increased from \$0.2929 per unit to \$0.3024 per unit, both effective with the November 30, 2008 distributions; and 3) the distribution

rate for the ITF remains at 3.0% per annum. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the annual distribution amount for the Permanent University Fund be increased from \$448,942,761 to \$530,932,622, for fiscal year 2009, effective with the September 1, 2008 distribution; the distribution rate for the Permanent Health Fund be increased from \$.0511 per unit to \$.0528 per unit and the distribution rate for the Long Term Fund be increased from \$0.2929 per unit to \$0.3024 per unit for fiscal year 2009, both effective with the November 30, 2008 distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2009, effective with the September 1, 2008 distribution; and

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund and the distribution rates for the Permanent Health Fund, Long Term Fund, and Intermediate Term Fund be, and are hereby, approved subject to approval by the Board of Regents of The University of Texas System.

Endowment and Operating Funds Update

Mr. Rowling asked Mr. Zimmerman to present the Corporation's endowment and operating funds update. Mr. Zimmerman reported performance numbers as of the end of the quarter, February 29, 2008. The net performance for the one-month period ended February 29, 2008, for the Permanent University Fund (PUF) was 1.64% and for the General Endowment Fund (GEF) was 1.58%, versus benchmark returns of 0.83% for each fund. The net performance for the one-year period ended February 29, 2008, for the PUF and GEF were 8.86% and 9.26%, respectively, versus benchmark returns of 6.72% for each fund. The Intermediate Term Fund's (ITF) performance was 1.21% versus its benchmark return of 0.62% for the one-month period, and was 7.42% versus its benchmark return of 3.34% for the one-year period ended February 29, 2008. Performance for the Short Term Fund (STF) was 0.31% versus 0.15% for its benchmark return for the one-month period, and was 5.20% versus a benchmark return of 4.86% for the one-year period ended February 29, 2008. 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. Mr. Zimmerman continued by presenting a private markets exposure report as of February 29, 2008, and then reviewed the Funds in a new reporting format with the new categorization grids, comparing asset class and investment type targets, ranges and performance objectives. Also presented was a comprehensive derivative report as of February 29, 2008. Mr. Zimmerman, Ms. Iberg, Mr. Eakman, Mr. Yoeli and Mr. Myers answered the Directors' questions.

Private Markets Presentation

Mr. Rowling asked Mr. Eakman to give his presentation on the Private Markets group. A Private Markets Presentation was handed out. Mr. Eakman introduced new employees, gave a program overview and a portfolio update of the existing private markets portfolio. Mr. Eakman, Mr. Shoberg and Mr. Bigham also

gave an update on portfolio performance and the secondary sale and discussed commitment strategy. Mr. Nye left the meeting during this presentation.

The meeting was recessed at 11:30 a.m. Mr. Tate left the meeting at this time. The Board of the Corporation reconvened in an open meeting at the same meeting location at 2:05 p.m.

Proposed Investment

Mr. Rowling called for a motion approving a proposed investment in Emerald Hill Capital Partners II, L.P. The recommendation and resolution for this item was handed out at the meeting. The Private Markets Investments Staff is requesting approval to commit up to \$60,000,000 to Emerald Hill Capital Partners II, L.P. (the "Fund"). The UTIMCO Board had previously been provided with the investment recommendation and a Board member had requested Staff discuss this proposed investment with the Board at its next meeting. The Permanent University Fund ("PUF") and the General Endowment Fund ("GEF") will invest in the Fund. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use assets of the Permanent University Fund of the State of Texas and the Board of Regents of The University of Texas System General Endowment Fund (the "UT Funds") to acquire up to a \$60 million combined institutional investment interest (the "Investment") in **Emerald Hill Capital Partners II, 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 Recommendation dated April 2, 2008, for **Emerald Hill Capital Partners II, L.P.** be approved; and be it further

RESOLVED, that the CEO and Chief Investment Officer, the President and Deputy CIO, 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 **Emerald Hill Capital Partners II, L.P.**; and be it further

RESOLVED, that the CEO and Chief Investment Officer, the President and Deputy CIO, 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, in its capacity as the investment manager of the UT Funds 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 the UT Funds under the Investment and the instruments referred to therein.

Funds Update Continued

Mr. Zimmerman completed the Funds Update by discussing the investment activities and report on investment transactions made under the Delegation of Authority for the period beginning January 16, 2008, and ending March 31, 2008 and an update on ITF including ranges, target allocations, risk budget and a four-way risk decomposition as of February 29, 2008 using new investment strategy. Mr. Nye re-joined the meeting at this time, participating by means of conference telephone enabling all persons participating in the meeting to hear each other. Mr. Zimmerman completed the funds update by reporting on new contracts and existing contract renewals, leases, and other commercial arrangements for January 16, 2008 through April 7, 2008.

Organization Update

Mr. Rowling asked Mr. Zimmerman to give background on new hires. Mr. Zimmerman then presented Corporation expenses versus budget, hiring summary, and an updated Organization Chart summarizing recent hires. He briefly touched on Corporation facility upgrades, the Investment Committee, technology, travel and legislative/public affairs.

Corporate Resolutions

Mr. Rowling and Mr. Zimmerman continued by recommending approval of two corporate resolutions. Upon motion duly made and seconded, the following resolutions were 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>
Robert B. Rowling	Chairman
J. Philip Ferguson	Vice-Chairman
Kenneth I. Shine	Vice-Chairman for Policy (effective May 1, 2008)
Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Cathy Iberg	President and Deputy Chief Investment Officer
Lindel Eakman	Managing Director
Bill Edwards	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Christy Wallace	Assistant Secretary

BE IT FURTHER RESOLVED, that, as required by the Corporation's Code of Ethics, the following persons are designated, by position, as key employees of the Corporation.

Bruce Zimmerman	Chief Executive Officer and Chief Investment Officer
Cathy Iberg	President and Deputy CIO
Lindel Eakman	Managing Director – Private Markets
Bill Edwards	Managing Director - Information Technology
Joan Moeller	Managing Director - Accounting, Finance and Administration
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
Melynda Shepherd	Manager - Finance and Administration
Cissie Gonzalez	General Counsel and Chief Compliance Officer
Mark Newcomb	Associate – Public Markets Investments
Christy Wallace	Executive Assistant

Policy Committee Report

Mr. Rowling asked Ms. McHugh to give a report from the Policy Committee. Ms. McHugh stated that the Policy Committee met on April 15, 2008. At the meeting, the Committee discussed at length proposed amendments to the UTIMCO Travel Guidelines. Ms. McHugh gave an overview of proposed changes recommended by the Staff, using the rule of thumb to be conservative but fair. These Guidelines provide UTIMCO employees with information regarding, and guidance about, the procedures and responsibilities for traveling on company business. The proposed amendments were approved by the Committee.

Joint Policy and Audit and Ethics Committee Report

Mr. Rowling reported that the Policy Committee and Audit and Ethics Committee participated in a joint meeting to review and discuss proposed changes to the Code of Ethics, but no action was taken. The draft changes will be reviewed by the UT System Board of Regents at their next meeting.

Compensation Committee Report

Mr. Rowling asked Mr. Ferguson to give a report from the Compensation Committee. Mr. Ferguson said the Compensation Committee has met twice since the last Board meeting, on April 1 and again this morning. He commended the committee members for their time and the knowledge they provide to the Committee. The Committee's agendas have included discussion and review of the Corporation's peer group, discussion and review of the compensation policy and plan design, discussion and review of performance measurement standards for the Compensation Program and discussion of employee benefits. Also discussed by the Committee were the performance measurement standards for the Compensation Program. The Committee updated the Board on the Committee's progress related to the plan design.

Investment Consultant Contract Renewal

Mr. Rowling asked Mr. Zimmerman to give an overview on the Cambridge Associates contract renewal. Mr. Zimmerman reported that the prior Cambridge Associates contract was for \$650,000 annually. The renewal contract proposed by Cambridge is \$310,000 annually, a net decrease of \$340,000. The non-marketable services provided have been reduced to a specialist consultant format. The current team of consultants will remain available on a monthly basis via telephone to serve as a sounding board for ideas sourced by UTIMCO's staff. The general consulting services have also been reduced. A comprehensive asset allocation review was not included in this year's contract. In addition, the attendance at the Board and committee meetings has been reduced from eleven in person and two conference calls to eight meetings (six in person and two via conference call.) Additional consulting services, if any, will be provided and billed at Cambridge Associate's standard fees. Mr. Zimmerman and Staff recommended approval of Cambridge Associates as the external investment consultant for the Corporation. 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.

Investment Environment Discussion

Mr. Zimmerman stated that this agenda item is to allow the Board members to discuss current investment environment issues. He opened the discussion with opportunities the Staff sees and how those opportunities play out in relation to the portfolio allocation. A handout was provided that showed trends in Private Markets Investments as a percentage of the total endowment, percentage of change in value and target by asset class. The Directors discussed this specific topic and the current market environment prior to adjournment.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:26 p.m.

Secretary: Joan Moeller
Joan Moeller

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

Date: August 25, 2008