

**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 10:30 a.m. on the **18th day of February 2003**, in Salons A&B of the Hotel Crescent Court, 400 Crescent Court, Dallas, Texas, said meeting having been called by the Chairman, A. W. "Dub" Riter, Jr., with notice provided to each member in accordance with the Bylaws.

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

A.W. "Dub" Riter, Jr., Chairman  
J. Luther King, Jr., Vice-Chairman  
Rita C. Clements  
Woody L. Hunt  
L. Lowry Mays  
John D. McStay  
R. H. (Steve) Stevens, Jr.  
Mark G. Yudof

thus, constituting a majority and quorum of the Board. Director Susan M. Byrne was not present at the meeting. Also, attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President, Chief Executive Officer and Chief Investment Officer of the Corporation; Cathy Iberg, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Jerry Turner, legal counsel for the Corporation; and Joan Moeller, Managing Director - Accounting, Finance and Administration of the Corporation. Mr. Riter called the meeting to order at 10:30 a.m. 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 December 12, 2002. Mr. Stevens asked that the minutes reflect that Mark Yudof did not attend the meeting. 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 December 12, 2002, be and are hereby approved, subject to revision as requested by the Board; and

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

## **Statement of Appreciation**

Mr. Hunt acknowledged Mr. A. W. "Dub" Riter, Jr.'s many contributions made during his tenure as a board member of the Corporation. He then read the following Resolution of Appreciation honoring Mr. Riter, which resolution, upon motion duly made and seconded, was unanimously adopted:

WHEREAS, A.W. "Dub" Riter, Jr. was appointed by Texas Governor George W. Bush to the Board of Regents of The University of Texas System in February 1997, where he served as Vice-Chairman of the Board and as a member of the Finance and Planning Committee, the Facilities Planning and Construction Committee and the Internal Audit and Compliance Subcommittee; and

WHEREAS, Mr. Riter had previously been appointed by Texas Governor William P. Clements, Jr. to the Texas Growth Fund Board of Trustees in June of 1989 and to the Texas Teacher Retirement System Board of Trustees in August of 1990; and

WHEREAS, in recognition of his substantial background and expertise in the investment of public funds, Mr. Riter was appointed by the Board of Regents of The University of Texas System to the Board of Directors of The University of Texas Investment Management Company; and

WHEREAS, as a Director of UTIMCO, Mr. Riter provided invaluable insight and counsel, drawing upon his substantial business background, including a distinguished career at NCNB Texas (now Bank of America) where he held numerous leadership positions, including President, Director, Chief Executive Officer, Chairman of the Board and Senior Chairman of the Board; service as a member of the board of directors of TCA Cable TV, Inc. until its merger with Cox Communications in 1999; and service as a Class A Director of the Federal Reserve Bank of Dallas and as Chairman and a member of the Advisory Council of Financial Institutions for the Federal Reserve Bank of Dallas; and

WHEREAS, Mr. Riter's commitment and service as a Director of UTIMCO were exemplary, reflecting his deep devotion to public service evidenced by his work with The University of Texas System, the Texas Teacher Retirement System, the Texas Growth Fund and the State of Texas generally, including service on the Governor's Select Task Force on Public Education, the Governor's Business Council – Executive Committee, the Executive Committee of the Chancellor's Council for The University of Texas System, the Texas Research League, the Texas Association of Taxpayers and the Texas Chamber of Commerce, as well as his service to many other civic and cultural organizations in various roles, including The University of Texas at Tyler Educational Foundation, Inc., The University of Texas Health Center at Tyler Development Board, The University of Texas at Tyler Development Board, Grace Union Presbytery, Tyler Area Chamber of Commerce, Tyler Economic Development Council, Better Business Bureau of Central East Texas, The United Way, All Saints Episcopal School and numerous others; and

WHEREAS, Mr. Riter served UTIMCO in many roles, including as a member and Chairman of the Audit and Ethics Committee, Chairman of the Nominating Committee,

member of the Chief Executive Officer Search Committee, and Vice-Chairman and Chairman of the Board of Directors, providing outstanding leadership, guidance and initiative to UTIMCO by drawing upon his extensive experience in private business and exemplary service to the State and charitable causes; and

WHEREAS, much of the credit for UTIMCO's success is directly attributable to Mr. Riter's leadership, judgment and commitment; and

WHEREAS, to the great regret of the UTIMCO Board and Staff, Mr. Riter's term as a member of the UTIMCO Board will expire as of April 1, 2003; 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 A.W. "Dub" Riter, Jr. their sincerest appreciation and gratitude for his vision, leadership and initiative 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. Riter 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 UT System and the A&M System.

Mr. Riter voiced his appreciation for the opportunity to serve on the Corporation's Board to the benefit of the U. T. and Texas A&M Systems. He enjoyed working with the other members of the board, and specifically thanked the outside directors for their enormous contributions as Board members.

### **Protégé Partners**

Mr. Riter turned the meeting over to Mr. Boldt. Mr. Boldt stated that several questions had been posed regarding Protégé Partners since the last meeting. Mr. Boldt then provided a handout that listed the latest questions and answers regarding the proposed relationship with Protégé Partners. Mr. Boldt answered the Directors' questions. After discussion, upon motion duly made and seconded, the following resolution was adopted with Mr. McStay voting no (expressing that his issue was structural – his no vote was not to be perceived as a negative toward the investment itself or with partners associated with the Fund), and Chancellor Yudof abstaining:

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's advisor, Cambridge Associates, recommending that the Corporation purchase common shares of **Protégé Partners Fund, Ltd.** (the "Fund"), an exempt company organized under the laws of the Cayman Islands, in the aggregate up to \$175 million of the assets of the Permanent University Fund of the State of Texas ("PUF") and The Board of Regents of The University of Texas System General Endowment Fund ("GEF"); and

WHEREAS, the Corporation has determined that the Agreement 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 for **Protégé Partners Fund, Ltd.** be approved; and be it further

RESOLVED, that the President and CEO, 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, the PUF and the GEF, excluding an increase in the amount of the capital commitment to **Protégé Partners Fund, Ltd.**; and be it further

RESOLVED, that the President and CEO, 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 Agreement), in the name and on behalf of the Corporation in its capacity as investment manager of the PUF and the GEF, 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 this Corporation under the Agreement and the instruments referred to therein.

### **Annual Financial Statements and Audit Report**

Mr. Riter then asked Joan Moeller to review the Annual Financial Statements, Audit Report and Statement of Investment Performance Statistics for UTIMCO. After a short discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2002, and August 31, 2001 be, and are hereby, approved in the forms as presented to the Board.

Mr. Boldt then discussed the auditor selection process with the Board. After discussion, the Board agreed to use the same auditor for the Corporation as will be selected by the UT System Board of Regents for the Funds.

### **Improving Effectiveness of Board Meetings**

Mr. Boldt led a discussion of ways to improve effectiveness of the meetings of the Board. After answering questions and taking suggestions of the Board, Mr. Boldt stated that he will provide to the Board an outline of responsibilities, changes to the Delegation of Authority and a proposed format of future meetings.

BE IT FURTHER RESOLVED, that the annual distribution rates for the Long Term Fund and the Permanent Health Fund be approved and adopted by this Corporation's Board of Directors, subject to approval by The University of Texas System Board of Regents.

### **Client Satisfaction Survey**

Mr. Boldt presented preliminary results of a Client Satisfaction Survey that was launched on January 31, 2003. The survey results will assist Corporation staff to provide clients with the products, services and information they need. When completed, the Board will be given a detailed version of the final survey and a presentation with final results.

### **Core Investment Strategy**

Mr. Riter asked Mr. Boldt to give his presentation of a new strategy for the management of the components' operating funds. Mr. Boldt gave an overview of the current status of operating funds, management options of these funds by the Chief Business Officers, and problems with current assets being underutilized. After discussion, the Board asked Mr. Boldt to pursue the proposed new management strategy, looking at the major issues, and bring forward a possible solution to a future Board meeting.

### **Compensation Committee Report**

Mr. Riter turned the meeting over to Mr. Luther King, Chairman of the Compensation Committee. Mr. King reported that during the last Compensation Committee meeting, discussion was held on the Performance Compensation Plan and the appropriate benchmarks to use for the Plan. No action was taken at the meeting.


At this point, Mr. Jerry Turner distributed a handout for the Board to review regarding Directors' Liability.

### **Fund Performance and Asset Allocation Review**

Mr. Boldt reported on the performance of the assets under the Corporation's management for the periods ended December 31, 2002. The net performance for the three-month period ended December 31, 2002, for the PUF and the GEF were 3.08%, and 3.49%, respectively. The net performance for one year ended December 31, 2002, for the PUF and GEF were -7.59% and -7.73%, respectively. The Short Intermediate Term Fund's (SITF) performance was 0.57% versus benchmark return of .90% for the three-month period ended December 31, 2002. Performance for the Short Term Fund (STF) was 0.39% versus 0.43% for its benchmark for the three-month period ended December 31, 2002. Also reviewed were the PUF's and the GEF's performance attribution for the three-month and fiscal year-to-date periods ended December 31, 2002, and investment manager history performance summary as of December 31, 2002. After the report, Mr. Boldt answered the Director's questions

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:15 p.m.

Assistant Secretary:   
Christy W. Wallace

Approved:  Date: 9/24/03  
Woody L. Hunt  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:15 p.m.

Assistant Secretary: \_\_\_\_\_  
Christy W. Wallace

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
A. W. "Dub" Riter, Jr.  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company