

**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 10:45 a.m. on the **25th day of April 2003**, at the offices of the Corporation, Town Lake Conference Room, 221 West 6th Street, Austin, Texas, 78701, 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  
R. H. (Steve) Stevens, Jr.

thus, constituting a majority and quorum of the Board. Directors Susan M. Byrne, Mark G. Yudof, L. Lowry Mays, and John D. McStay, and Advisory Director R. D. Burck, were not present at the meeting. Also, attending the meeting were 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; Joan Moeller, Managing Director - Accounting, Finance and Administration of the Corporation; Sara Mc Mahon and Trey Thompson, Managing Directors - Non-Marketable Alternative Investments of the Corporation; Greg Lee, Manager of Finance and Administration of the Corporation; Jerry Turner, legal counsel for the Corporation; and Bruce Myers of Cambridge Associates. Mr. Scott Caven, a U.T. System Regent also attended the meeting. Various other staff members joined the meeting from time to time. Mr. Riter called the meeting to order at 10:45 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 February 18, 2003. 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 February 18, 2003, be and are hereby approved.

## **Statement of Appreciation**

Mr. Riter acknowledged Mr. Lowry Mays and Mr. John McStay's contributions made during their tenure as board members of the Corporation. The following Resolutions of Appreciation honoring Mr. Mays and Mr. McStay were distributed as a handout, which resolutions upon motion duly made and seconded, were unanimously adopted:

WHEREAS, L. Lowry Mays graduated from The Texas A&M University in 1957 with a BS in Petroleum Engineering and from the Harvard University Business School in 1962 with an MBA, and then embarked upon a highly successful and distinguished career in private business; and

WHEREAS, in recognition of his many personal and professional achievements, Mr. Mays was appointed by Texas Governor Mark Wells White, Jr. to the Board of Regents of The Texas A&M University System and served as an A&M Regent from February 1985 until February 1991; and

WHEREAS, Mr. Mays was reappointed by Texas Governor Rick Perry to the A&M Board of Regents in February 2001, where he has served as chair of the Public Policy and Planning Committee, as a member of the Committee on Finance, the Committee on Buildings and Physical Plant, the Committee on Health Affairs and the Presidential Library Committee and as the A&M Board's special liaison to the 12th Man Foundation Board; and

WHEREAS, Mr. Mays served on the Investment Advisory Committee of The University of Texas System from 1991 to 1995, and 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 in January 2000; and

WHEREAS, Mr. Mays served UTIMCO in many roles, including as a Member of the Board's Compensation Committee and as a Member of the Board's Chief Executive Officer Search Committee, providing outstanding leadership and guidance to UTIMCO by drawing upon his business background, including his service as Chairman of the Board and Chief Executive Officer of Clear Channel Communications, Inc., which grew under his leadership from one radio station in San Antonio, Texas to a global media and entertainment company that owns and operates more than 1,200 radio stations, 36 television stations and over 770,000 outdoor advertising displays, that does business in over 65 countries and that employs over 50,000 people; and

WHEREAS, Mr. Mays' personal and professional achievements have been widely recognized and have included being named a Distinguished Alumni of The Texas A&M University, a Member of the Texas Business Hall of Fame, a Member of the Broadcasting & Cable Hall of Fame, the International Citizen of the Year by the San Antonio World Affairs Council and the Executive of the Year by Radio Ink Magazine and have also included being awarded the National Radio Award from the National Association of Broadcasters, the C.W. Conn Distinguished New Venture Leader Award from The Texas A&M University and the Golden Mike Award from the Broadcasters' Foundation; and

WHEREAS, Mr. Mays' commitment and service as a Director of UTIMCO was exemplary, reflecting his deep devotion to public service evidenced by his work with the A&M System, as well as his service to many other civic and cultural organizations, including service as a Benefactor of the College of Business at The Texas A&M University,

which college is named in his honor, as past Chairman of the United Way in San Antonio and Bexar County, as a Member and past Chairman of the Greater San Antonio Chamber of Commerce, as a Member of the Board of Directors of the Harvard Business School, as a past Chairman of the Joint Board of the National Association of Broadcasters and as a Member of the Board of the YMCA; and

WHEREAS, during Mr. Mays' tenure on the Board, UTIMCO managed the Texas Permanent University Fund and the other investments of the UT System with the highest standards of integrity, professionalism and competency, earning wide praise and recognition from UTIMCO's investment beneficiaries, namely the UT System and the A&M 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, much of the credit for UTIMCO's success is directly attributable to Mr. Mays' leadership, judgment, direction and commitment; and

WHEREAS, Mr. Mays was recently elected as Chairman of the A&M Board of Regents and, as a result of this added responsibility, has determined not to accept a renomination to the UTIMCO Board, to the great regret of the UTIMCO Board and Staff; 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 L. Lowry Mays 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. Mays 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.

The resolution honoring Mr. McStay reads as follows:

WHEREAS, John D. McStay graduated from The University of Texas at Austin with B.B.A. and M.B.A. degrees, and then embarked upon a highly successful and distinguished career in investment management, which included working as an officer of Republic National Bank from 1967 to 1970, working as an investment analyst for Underwood Neuhaus from 1970 to 1974, working as an investment manager for The University of Texas System from 1974 to 1977 and working as Senior Vice President and Trust Investment Officer for Mercantile National Bank from 1977 to 1983 where he was involved in establishing a securities subsidiary of the bank, Mercantile Securities Corporation, which he served as President and Chief Executive Officer; and

WHEREAS, in October 1983, Mr. McStay formed his own investment management firm, John McStay Investment Counsel, which manages approximately \$4.5 billion on behalf of corporations, foundations, endowments and high net worth individuals, and has become an investment management subsidiary of American International Group; and

WHEREAS, as a result of his vast business experience and extraordinary talent, Mr. McStay 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, Mr. McStay served UTIMCO in many roles, including as a Member of the Board's Compensation Committee, as a Member of the Board's Nominating Committee and as a Member of the Board's Strategic Review Committee, providing outstanding leadership and guidance to UTIMCO by drawing upon his substantial business background listed above and his additional service as General Partner of Morning Star L.P., as President of Pegasus, Inc. and as a Director of numerous private companies; and

WHEREAS, Mr. McStay's commitment and service as a Director of UTIMCO was exemplary, reflecting his deep devotion to excellence and advancement of the investment profession, evidenced by his work as a Member and Past Director of the Association for Investment Management and Research, as a Director in both the Dallas Association of Investment Analysts and the Austin-San Antonio Association of Investment Analysts, as a Member of the Investment Counsel Association of America, as an Advisor for The MBA Investment Fund, L.L.C. (The University of Texas) and by his receipt of the prestigious Chartered Financial Analyst designation; and

WHEREAS, during Mr. McStay's tenure on the Board, UTIMCO managed the Texas Permanent University Fund and the other investments of the UT System with the highest standards of integrity, professionalism and competency, earning wide praise and recognition from UTIMCO's investment beneficiaries, namely the UT System and the Texas A&M 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, much of the credit for UTIMCO's success is directly attributable to Mr. McStay's leadership, judgment, direction and commitment; and

WHEREAS, to the great regret of the UTIMCO Board and Staff, Mr. McStay's term as a member of the UTIMCO Board expired 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 John D. McStay 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. McStay 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.

### **Appointment of Officers**

The next item to come before the Board was the appointment of officers for the Corporation. Upon motion

duly made and seconded, the following resolution was 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>
Woody L. Hunt	Chairman
J. Luther King, Jr.	Vice-Chairman
Bob Boldt	President
Cathy Iberg	Managing Director and Deputy CIO
Bill Edwards	Managing Director
Sara McMahan	Managing Director
Joan Moeller	Managing Director, Treasurer and Secretary
Andrea Reed	Risk Manager
Trey Thompson	Managing Director
Christy Wallace	Assistant Secretary

At this time, Mr. Riter turned the chairmanship over to Mr. Hunt. Mr. Riter stated what a conscientious leader Mr. Hunt will be as Chairman of the Corporation. Mr. Hunt thanked him, discussed the vision of UTIMCO and stated that the Board's Nominating Committee has taken on a challenge to find and retain excellent candidates with investment experience for the open board seats.

#### **Designation of Key Employees and Plan Administrative Committee**

The next items to come before the Board were the designations of Key Employees and the Plan Administrative Committee for the Corporation. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, as required by the Corporation's Code of Ethics the Board shall designate by position key employees of the Corporation.

Bob Boldt	President, Chief Executive Officer and Chief Investment Officer
Cathy Iberg	Managing Director - Marketable Alternative Investments/Deputy CIO
Bill Edwards	Managing Director - Information Technology
Sara McMahan	Managing Director - Non-Marketable Alternative Investments
Joan Moeller	Managing Director - Accounting, Finance and Administration
Andrea Reed	Risk Manager
Trey Thompson	Managing Director - Non-Marketable Alternative Investments
Greg Cox	Portfolio Manager - Equity Investments
Russ Kampfe	Senior Portfolio Manager - Fixed Income Investments
Harland Doak	Portfolio Manager - Fixed Income Investments
Greg Lee	Manager - Finance and Administration
Christy Wallace	Executive Assistant

AND RESOLVED, that the following employees be designated as the Plan Administrative Committee, responsible for general administration of 403(b) Tax Sheltered Annuity Plan of the Corporation:

Bob Boldt	President, Chief Executive Officer and Chief Investment Officer
Cathy Iberg	Managing Director - Marketable Alternative Investments/Deputy CIO
Joan Moeller	Managing Director - Accounting, Finance and Administration
Greg Lee	Manager - Finance and Administration

### **Approval of Alternative Marketable Investments**

Mr. Hunt asked Ms. Iberg to present to the Board two Investment Proposals for investments in Arrowstreet Global Opportunities Fund, LLC and Sirios Overseas Fund, Ltd. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's advisor, Cambridge Associates, recommending that the Corporation purchase an interest in **Arrowstreet Global Opportunities Fund, L.L.C.** (the "Fund"), a Delaware limited liability company, in the aggregate up to \$40 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 dated April 25, 2003 for **Arrowstreet Global Opportunities Fund, L.L.C.** 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 **Arrowstreet Global Opportunities Fund, L.L.C.**; 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.

The resolution approving the investment in Sirios Overseas Fund, Ltd., reads as follows:

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's advisor, Cambridge Associates, recommending that the Corporation purchase Class A Shares of **Sirios Overseas Fund, Ltd.** (the "Fund"), an exempted limited company incorporated under the laws of the Cayman Islands, in the aggregate up to \$50 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 dated April 25, 2003 for **Sirios Overseas 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 **Sirios Overseas 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.

### **Delegation of Authority Policy**

Mr. Hunt asked Mr. Boldt to discuss the changes to the Delegation of Authority Policy. Mr. Boldt outlined the changes, explained responsibilities specific to the Board and management and answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the revised Delegation of Authority Policy be, and is hereby approved in the form as presented to the Board.

## **Working Lunch Discussion Topics**

During a working lunch, three topics were discussed. Ms. Iberg gave an update to the Board on the latest developments in the Corporation's WorldCom investments. She answered the Directors' questions. Mr. Boldt then gave a verbal presentation regarding the current status of the CORE Fund Strategy and provided an update from his visits to the Chief Business Officers at each UT component. Mr. Boldt then offered information to the Directors regarding an investment opportunity to hedge the oil and gas production from the UT System West Texas Lands. He answered the Directors' questions and received consensus by the Board to conduct further research on both the CORE fund strategy and the oil and gas investment opportunity.

## **Liquidity Policy**

Mr. Hunt asked Mr. Boldt to lead the discussion on the recommended Liquidity Policy. Mr. Boldt explained that the Liquidity Policy would define liquidity categories and set asset weight limits for each category in order to control the assumed aggregate amount of liquidity risk in each portfolio. After discussion with the Board, Mr. Hunt recommended that Mr. Boldt evaluate the Directors' comments, incorporate them in the new Liquidity Policy and bring back a revised version to the next Board meeting.

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

Mr. Boldt reported on the performance of the assets under the Corporation's management for the periods ended March 31, 2003. The net performance for the three-month period ended March 31, 2003, for the PUF and the GEF were -1.46%, and -1.35%, respectively. The net performance for one year ended March 31, 2003, for the PUF and GEF were -10.55% and -10.61%, respectively. The Short Intermediate Term Fund's (SITF) performance was 0.50% versus benchmark return of .66% for the three-month period ended March 31, 2003. Performance for the Short Term Fund (STF) was 0.32% versus 0.30% for its benchmark for the three-month period ended March 31, 2003. Also reviewed were the PUF's and the GEF's performance attribution for the three-month and fiscal year-to-date periods ended March 31, 2003, and investment manager history performance summary as of March 31, 2003. After the report, Mr. Boldt answered the Director's questions.

## **Client Satisfaction Survey**

Mr. Boldt presented the key results of the Client Satisfaction Survey, discussed how the results will assist Corporation staff and outline what the Corporation's staff will change as a result of the survey results. Mr. Boldt then asked Greg Lee to give a verbal update on current legislative issues.

## **Discussion of Letter from UT System Office of General Counsel**

There was a short discussion of a letter that was sent from Mike Godfrey, UT System General Counsel, to Mr. Boldt. The letter indicates that the UT System advises the Corporation to no longer seek an Attorney General ruling on future requests for disclosure of internal rates of return information and remaining value information with respect to the Corporation's private equity investments, and all new private equity confidentiality agreements to be reviewed by the UT System Office of General Counsel. Mr. King



commented that he felt that the requirement to send all future private equity agreements to the OGC was unnecessary because the Corporation's Board and Staff fully understood what UT System wanted those contracts to say with regard to disclosure.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:20 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Woody L. Hunt Date: 6/26/03  
Woody L. Hunt  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company