

**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 **20th day of November 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, Woody L. Hunt, with notice provided to each member in accordance with the Bylaws.

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

Woody L. Hunt, Chairman  
J. Luther King, Jr., Vice-Chairman  
Mark G. Yudof, Vice-Chairman for Policy  
Susan M. Byrne  
Rita C. Clements  
J. Philip Ferguson  
I. Craig Hester  
James R. Huffines

thus, constituting a majority and quorum of the Board. Director R. H. (Steve) Stevens, Jr. joined the meeting at the point indicated below. Also, attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President, Chief Executive Officer and Chief Investment Officer of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Larry Goldsmith, Managing Director - Public Markets Investments; Andrea Reed, Risk Manager; Sara McMahon and Trey Thompson, Managing Directors – Non-Marketable Alternative Investments of the Corporation; Bill Edwards – Managing Director Information Technology; Greg Lee, Manager of Finance and Administration; Cristian Tiu, Intern/Analyst for the Corporation; Jerry Turner, legal counsel for the Corporation; and Bruce Myers of Cambridge Associates. Mr. Scott Caven, a U.T. System Regent; Messrs. Philip Aldridge, Charlie Chaffin, Miles Ragland and Jerry Modjeski of U. T. System Administration; and Mr. Michael Sebastian of EnnisKnupp also attended the meeting. Mr. Hunt 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 October 10, 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  
October 10, 2003 be, and are hereby, approved.

## Approval of Marketable Alternative Investments

Mr. Hunt asked Ms. Iberg to present to the Board three Investment Proposals for investments in Indus Capital Partners LLC; Blue Ridge Limited Partners; and Protégé Partners. After a short discussion, upon motion duly made and seconded, the following resolutions with respect to the investment in Indus Capital Partners, LLC were unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Memorandum to use PUF and GEF assets to acquire interests (the "Investments") of \$20 million in the **Indus Japan Fund, Ltd.**, \$25 million in the **Indus Asia Pacific Fund, Ltd.**, and \$20 million in the **Indus Event Driven Fund, Ltd.**; and

WHEREAS, the Corporation has determined that the Investments do 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 investments as described in the Investment Memorandum dated November 14, 2003 for Indus Japan Fund, Ltd., Indus Asia Pacific Fund, Ltd., and Indus Event Driven 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, excluding an increase in the amount of the capital commitments to Indus Japan Fund, Ltd., Indus Asia Pacific Fund, Ltd., and Indus Event Driven 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 Investments), in the name and on behalf of the Corporation, 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 Investments and the instruments referred to therein.

After a short discussion, upon motion duly made and seconded, the following resolutions with respect to the investment in Blue Ridge Limited Partnership were unanimously adopted by all Directors present other than Mr. Huffines who advised the other Directors that while he had no financial or other business or personal interest in Blue Ridge Limited Partnership, he was a long time acquaintance of the wife of Mr. John Griffin, the founder of Blue Ridge Capital, and consequently, would abstain from any discussion and or vote on this proposed investment:

WHEREAS, the Board has reviewed the Corporation's Investment Memorandum to use PUF and GEF assets to acquire \$100 million in limited partnership interests (the "Investment") in **Blue Ridge Limited Partnership**; 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 Memorandum dated November 14, 2003 for Blue Ridge Limited Partnership 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, excluding an increase in the amount of the capital commitment to Blue Ridge Limited Partnership; 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 Investment), in the name and on behalf of the Corporation, 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 Investment and the instruments referred to therein.

After a short discussion upon motion duly made and seconded, the following resolutions with respect to the investment in Protégé Partners were unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire \$50 million in additional Class A shares (the "Investment") in Protégé Partners Fund, Ltd.; 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 Memorandum dated November 14, 2003 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, 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 Investment), in the name and on behalf of the Corporation, 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 Investment and the instruments referred to therein.

### **Approval of Non-Marketable Alternative Investment**

Mr. Hunt asked Mr. Thompson and Ms. McMahon to present to the Board two Investment Proposals for investments. The first non-marketable alternative investment proposal was approval to invest in ArcLight Energy Partners Fund II, L.P. After discussion, upon motion duly made and seconded; the following resolutions were adopted by a vote of seven ayes and one no, with Director Yudof voting against the proposed investment:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire \$50 million in limited partnership interests (the "Investment") in ArcLight Energy Partners Fund 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 Memorandum dated October 23, 2003 for ArcLight Energy Partners II, L.P. 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, excluding an increase in the amount of the capital commitment to ArcLight Energy Partners Fund II, L.P.; 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 Investment), in the name and on behalf of the Corporation, 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 Investment and the instruments referred to therein.

The next non-marketable alternative investment proposal was approval to invest in TPG Partners IV, L.P. After a short discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Board has reviewed the Corporation's Investment Recommendation to use PUF and GEF assets to acquire \$20 million in limited partnership interests (the "Investment") in TPG Partners IV, 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 Memorandum dated November 14, 2003 for TPG Partners IV, L.P. 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, excluding an increase in the amount of the capital commitment to TPG Partners IV, L.P.; 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 Investment), in the name and on behalf of the Corporation, 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 Investment and the instruments referred to therein.

At this point, Director Stevens joined the meeting.

### **Asset Allocation**

Mr. Hunt stated that the next topic on the agenda was asset allocation. Mr. Hunt asked Mr. Boldt to begin the discussion on policy portfolio targets, ranges and benchmarks. Mr. Boldt gave a presentation of suggested ranges and benchmarks, and reviewed the final Asset Allocation Policy that was approved at the October 10, 2003, meeting of the Board. Mr. Boldt answered the Directors' questions during the presentation. Mr. Hunt gave a thorough background of the decision factors leading up to the asset allocation decision and the role of the U. T. System regents in the process of approving the final asset allocation. A discussion among the Board members included the process and governance, policies, and procedures of the Corporation. Minor changes to the Asset Allocation Policy approved at the last meeting

were suggested and discussed. Also included in the discussion were liquidity issues and suggested changes to the existing liquidity policy. In addition, it was suggested that an ad hoc committee be formed to monitor liquidity of the policy portfolio. At this point, Chancellor Yudof left the meeting, asking Mr. Hunt to note that he would abstain from voting on the Asset Allocation Policy topic. The motion for designation of committee members for the Ad Hoc Liquidity Committee was duly made and seconded, and the following resolution was adopted with Chancellor Yudof abstaining:

BE IT RESOLVED, that Susan M. Byrne, J. Philip Ferguson, I. Craig Hester, James R. Huffines and Woody L. Hunt are hereby designated as the Ad Hoc Liquidity Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that I. Craig Hester is hereby designated the Chair of the Ad Hoc Liquidity Committee and shall preside at its meetings.

The Board ultimately agreed on minor changes to the Asset Allocation Policy and changes to the definition of liquidity, all as presented in Exhibit A attached. Upon motion duly made and seconded, the following resolution was adopted with Chancellor Yudof abstaining:

RESOLVED, that the changes to the Asset Allocation Policy, new Targets and Ranges, and changes to the Liquidity Definition, as determined by the Board be, and is hereby, approved.

Approval on the policy portfolio benchmarks and related changes to the Liquidity Policy will be considered at the next Board meeting. Mr. Hunt asked Mr. Myers to bring a report on benchmarks to the Board by the next meeting.

### **New Strategy for Operating Funds Management**

During a working lunch, Mr. Boldt gave a presentation of the current status of the operating funds and the current options that the Chief Business Officers have for investing their operating funds. Included in the presentation were several solutions to consider. Although there was no action necessary, the Board gave the Staff authorization to continue their review of a new strategy for managing operating funds by initiating a due diligence phase and preparing asset allocation recommendations for the new funds.

### **Clarification of Scope of U.S. Equity Derivative Application**

At the June 26, 2003, meeting of the Board a derivatives application for U.S. Equity Applications (Select Index Futures and Index-derived Exchange Traded Funds (ETFs)) was approved. Mr. Goldsmith requested clarification by the Board that acceptable ETFs and baskets of securities extend to all U.S. – based equity ETFs and futures that adhere to the Purpose/Justification/Baseline Portfolio and Risk measures outlined at that time. Although there was no action necessary, the Board agreed to the clarification language.

## **Audit and Ethics Committee Report**

Prior to the Audit and Ethics report, Ms. Clements left the meeting. Mr. Stevens, Chairman of the Audit and Ethics Committee, reported that the Committee met on November 3, 2003 and approved the audited financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Short Intermediate Term Fund, and the Statement of Performance Statistics. Ernst and Young, L.L.P. issued unqualified opinions on the August 31, 2003 financial statements. Ms. Byrne added that the auditors were very complimentary of the Corporation's staff and audit process. Upon motion duly made and seconded; the following resolution was unanimously adopted:

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, The University of Texas System General Endowment Fund, and The University of Texas System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2003, and August 31, 2002, and the Statement of Investment Performance Statistics for the year ended August 31, 2003, be and are hereby approved in the form as presented to the Board.

## **Committee Appointments**

Mr. Hunt brought the next item to come before the Board, which was designation of committee members and chair designations for the Compensation Committee and the Nominating Committee; and subject to the U. T. System Board of Regents' approval, the Audit and Ethics Committee. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

BE IT RESOLVED, that J. Luther King, Jr., Susan M. Byrne, J. Philip Ferguson and James R. Huffines are hereby designated as the Compensation Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal.

FURTHER RESOLVED, that J. Luther King, Jr. is hereby designated the Chair of the Compensation Committee and shall preside at its meetings; and

FURTHER RESOLVED, that Rita C. Clements, Susan M. Byrne, J. Philip Ferguson and I. Craig Hester are hereby designated as the Nominating Committee of the Board of Directors to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that Rita C. Clements is hereby designated the Chair of the Nominating Committee and shall preside at its meetings; and

FURTHER RESOLVED, that I. Craig Hester, James R. Huffines and R. H. (Steve) Stevens, Jr. are hereby designated as the Audit and Ethics Committee of the Board of Directors, subject to approval by the U. T. System Board of Regents, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until such their earlier death, resignation or removal; and

FURTHER RESOLVED, that R. H. (Steve) Stevens, Jr. is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

**Compensation Committee Report**

Mr. King, Chairman of the Compensation Committee, reported that the Committee met prior to the Board Meeting. During the Committee meeting, Mr. King reported that they reviewed a report from Mercer Human Resources Consulting and were very close to finalizing the performance compensation guidelines for the Fiscal Year 2003-2004. No action was taken at the meeting.

**Endowment and Operating Funds Update**

Mr. Hunt asked Mr. Boldt to give an endowment and operating funds update. The latest performance information was presented. Mr. Boldt reported value added under the Corporation's management for the period ended October 31, 2003. The net performance for the one month period ended October 31, 2003, for the PUF and the GEF were 3.89%, and 4.02%, respectively. The net performance for one year ended October 31, 2003, for the PUF and GEF were 19.57% and 20.73%, respectively. The Short Intermediate Term Fund's (SITF) performance was -0.22% versus benchmark return of -0.43% for the one-month period ended October 31, 2003. Performance for the Short Term Fund (STF) was 0.08% versus 0.08% for its benchmark for the one-month period ended October 31, 2003. Also reviewed were manager history performance summary and a liquidity profile as of October 31, 2003. He then provided a handout of a memorandum from Charles G. Chaffin, Director of Audits for The University of Texas System Administration, regarding an audit of UTIMCO Investments in WorldCom. After providing copies of the report, Mr. Boldt answered the Directors' questions.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:35 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Woody L. Hunt Date: 2/20/04  
Woody L. Hunt  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company