

**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 10:50 a.m. on the **26th day of May 2004**, at the Hotel Crescent Court, 400 Crescent Court, Dallas, Texas, said meeting having been called by the Chairman, Woody L. Hunt, 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:

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. was not present at the meeting. Also, attending the meeting were R. D. Burck, Advisory Director; Scott Caven, UT System Regent; 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 of Public Markets; Andrea Reed, Risk Manager; Sara McMahon and Trey Thompson, Co-Managing Directors – Non-Marketable Alternative Investments of the Corporation; Jennifer Mandeville and Darren Myers, Analysts for the Marketable Alternative Investments for the Corporation; Jerry Turner, legal counsel for the Corporation; Philip Aldridge, Charlie Chaffin, and Michael Warden of U. T. System Administration; Bruce Myers of Cambridge Associates; and Michael Sebastian of EnnisKnupp. Mr. Hunt called the meeting to order at 10:50 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 May 6, 2004. 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  
**May 6, 2004** be, and are hereby, approved.

### **Compensation Committee Report**

Mr. King, Chairman of the Compensation Committee, reported that the Committee met on May 24, 2004, and recommended approval of the Charter of the Compensation Committee. There was discussion among the Board regarding review of compensation decisions by the full board as recommended by the Committee. The adoption of the Charter was tabled until later in the meeting.

### **Liquidity Committee Report**

Mr. Hunt asked Mr. Hester, Chairman of the Liquidity Committee, to report on the meeting of the Liquidity Committee. Mr. Hester reported that the committee had met prior to the Board Meeting. The Committee reviewed the Liquidity Profile report and discussed at length the specific ranges and "trigger zones" for liquid and illiquid investments. Mr. Hester reported that the Liquidity Committee had discussed the fact that the proposed alternative asset investments to be considered by the Corporation's Board today, if approved, would cause the illiquid profile of the PUF and GEF to increase to approximately 21.68% and 21.39%, respectively (based on April 30 valuations), and the Committee does not object to such increase. Upon motion duly made and seconded, the following resolution, was unanimously adopted:

RESOLVED, that the Liquidity Committee has discussed the fact that the proposed alternative asset investments to be considered by the Corporation's Board today, if approved, would cause the illiquid profile of the PUF and GEF to increase to approximately 21.68% and 21.39%, respectively (based on April 30 valuations), and the Committee does not object to such increase; and

RESOLVED FURTHER, that the Board authorizes an increase in the illiquid profile of the PUF and GEF to the extent considered by the Liquidity Committee.

### **Asset Allocation, Risk and Performance**

Mr. Hunt asked Mr. Boldt to report on the Corporation's asset allocation. Mr. Boldt walked the Board through changes made over the past year and discussed the substantial changes made in the asset allocation. Mr. Boldt discussed past tactical decisions made by the staff, value-added, and future plans for the portfolio which will include active management decisions to increase value-added.

The latest performance information was presented. The reports presented reflected the restatement of the Endowment Policy Portfolios or benchmarks as approved by the Board at the May 6, 2004 meeting. Mr. Boldt reported value-added under the Corporation's management for the period ended April 30, 2004. The net performance for the one-month period ended April 30, 2004, for the PUF and the GEF were - 2.71%, and -2.70%, respectively, versus benchmark returns of -1.85 for each fund. The net performance for one-year ended April 30, 2004, for the PUF and GEF were 24.15% and 24.63%, respectively, versus benchmark returns of 16.27% for each fund. The Short Intermediate Term Fund's (SITF) performance was -0.95% versus benchmark return of -1.08% for the one-month period, and was 1.51% versus benchmark return of 1.18% for the one-year period ended April 30, 2004. Performance for the Short Term Fund (STF) was 0.08% versus 0.08% for its benchmark for the one-month period, and was 1.04% versus benchmark

return of 1.07% for the one-year period ended April 30, 2004. Also reported was a manager history performance summary.

### **Liquidity Profiles**

Reports on PUF and GEF liquidity profiles as of April 30, 2004 were presented to the Board by Mr. Boldt. The liquidity reports were certified by the Corporation's President, Risk Manager and Chief Compliance Officer. In addition, all Managing Directors' signatures were provided certifying the April 30, 2004 report and supporting documentation.

### **CORE Fund Strategy**

Mr. Boldt then presented an update on the progress of the development of the CORE Fund Strategy. This update included results of two meetings that the staff held with the UT System Chief Business Officers ("CBO's) and provided a timeline for development of the Strategy. Mr. Boldt and Mr. Aldridge answered the Directors' questions regarding the new investment options for the CBO's to use in managing their respective operating fund assets.

### **Client Satisfaction Survey**

Mr. Hunt asked Mr. Boldt to provide information to the Board regarding the 2004 Client Satisfaction Survey. The survey has been designed to solicit frank, anonymous input from UTIMCO clients throughout the UT System and Texas A&M System. The responses will be collected via the internet through a third party data collection firm and tabulated results will be available to UTIMCO. The survey will assist the staff in achieving one of their three primary goals – to achieve high satisfaction scores from clients in investment skill, innovation, and client communication. Mr. Boldt answered the Directors' questions.

### **Adoption of Compensation Committee Charter**

The topic of adoption of a Charter for the Compensation Committee as recommended by the Compensation Committee was revisited. A recommendation was made to include an additional bullet point to the Charter, stating that the Compensation Committee would provide the Board with full supporting materials for each of the foregoing recommendations of the Charter in sufficient time to allow such materials to be considered by the Board prior to its full discussion and review of such recommendations. Upon motion duly made and seconded; the following resolution was unanimously adopted:

RESOLVED, that the Charter of the Compensation Committee, as recommended by the Compensation Committee, is hereby approved in the form submitted to the Corporation's Board of Directors with the so noted change.

The Charter of the Compensation Committee so approved is attached to these minutes.

Aug-03-2004 01:42pm From-HUNT BUILDING CORPORATION

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**Venture Capital Update**

Mr. Hunt asked Trey Thompson and Sara McMahon to update the Board on the Corporation's venture capital strategy. They presented the staff's strategic efforts to increase exposure to venture capital and to take advantage of current market opportunities. During the presentation, Mr. Thompson, Ms. McMahon, Mr. Boldt and Mr. Myers answered the Directors' questions.

**Marketable Alternatives Program**

Mr. Hunt asked Ms. Iberg to present an overview of the current status of the Marketable Alternatives Investment Program. The Marketable Alternatives Investment Program, since inception in August 1998, has generated superior risk-adjusted returns. A crucial element of the program's success has been the ability to identify and select top-quartile managers through a comprehensive and thorough due diligence process, which will become even more important as the hedge fund industry experiences rapid asset growth. Ms. Iberg and Mr. Boldt answered the Directors' questions.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:00 p.m.

Secretary:

  
Joan Moeller

Approved:



Date:

8/4/04

Woody L. Hunt  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company