

**MINUTES OF SPECIAL MEETING OF  
THE BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors of The University of Texas Investment Management Company (the "Corporation") convened in a special meeting on the 27th of October 2000 at the Headliners Club, 21st Floor, 221 W. 6<sup>th</sup> Street, Austin, Texas, said meeting having been called by the Vice Chairman, with notice provided to each Director in accordance with the Bylaws. Participating in the meeting were the following members of the Board of Directors (the "Board"):

Robert H. Allen, Vice Chairman  
R. D. (Dan) Burck  
Woody L. Hunt  
J. Luther King  
John D. McStay  
A. W. "Dub" Riter, Jr.  
A. R. (Tony) Sanchez, Jr.

thus, constituting a majority and quorum of the Board of Directors. Directors Susan Byrne and Lowry Mays were absent. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; Cathy Iberg, Secretary and Treasurer for the Corporation; David Russ and Greg Cox of Corporation's management; and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation.

Mr. Allen called the meeting to order at 10:05 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

**Executive Session**

Mr. Allen requested that the Directors convene in executive session at 10:06 a.m. to discuss the election of Corporate officers and the fiscal year 2000 performance compensation award for the Corporation's President and CEO. All staff members left the meeting except for Mr. Ricks, who left the meeting during the discussion of his performance compensation award.

The Directors reconvened the meeting in open session at 11:03 a.m. It was noted that Mr. Sanchez joined the meeting at 11:00 a.m. Mr. Allen stated that the Directors did not take any action in the closed session.

**Minutes**

The first item to come before the Board was approval of the minutes of the meeting of the Board of Directors held on September 26, 2000. Mr. Allen requested that the portfolio manager monitoring guidelines circulated to the Board members following the September meeting be incorporated as an integral part of the September meeting minutes. 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 September 26, 2000 be and are hereby approved.

### **Report of Compensation Committee**

Mr. King summarized the meeting of the Board's Compensation Committee held on October 24, 2000. Mr. King stated that the committee approved the fiscal year 2000 bonus awards for Corporation's staff. The committee also approved a budget for performance compensation to employees not covered by the Corporation's performance compensation plan for the fiscal year 2001 of \$123,750. Mr. King stated that the committee had approved bonus compensation for Mr. Ricks and now recommended approval of the following resolution by the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the 2000 Performance Compensation (for the period January 1, 2000 through August 31, 2000) for the Corporation's President and CEO as recommended by the Compensation Committee be and is hereby approved.

Following the resolution, the Directors discussed the fiscal year 2001 Performance Compensation Plan. The Directors determined that the 2001 Performance Compensation Plan required further review and should be revisited at a subsequent board meeting.

### **Election 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>
Robert H. Allen	Chairman
Woody L. Hunt	Vice-Chairman
Thomas G. Ricks	President and Chief Executive Officer
Cathy A. Iberg	Managing Director, Treasurer and Secretary
David H. Russ	Managing Director

### Inflation Hedging Assets

The next item to come before the Board was a presentation on the inflation hedging asset class. Mr. Ricks stated that this new asset class was approved by the Board in September of 1999, and turned the presentation over to Mr. Russ. Mr. Russ stated that the Goldman Sachs Commodities Index (GSCI) futures and REITs are the primary investment portfolios comprising the inflation hedging asset class. Mr. Russ reviewed in detail the strategy and implementation of the GSCI program. Mr. Russ concluded his discussion by stating that the inflation hedging asset class added 90, 100, and 98 basis points of outperformance versus its benchmark for the fiscal year 2000 for the LTF, PUF and the PHF, respectively.

Mr. McStay left the meeting during the inflation hedging asset presentation. Mr. Russ turned the presentation over to Mr. Cox, investment manager for the REIT portfolios. Mr. Cox presented the portfolios' objectives, his investment philosophy, his stock selection process and the returns for the REIT portfolios for each of the last six years starting with the year ended September 30, 1995.

### Executive Report

Mr. Ricks stated that the excess returns for fiscal year 2000 were 1.72%, 1.28%, 5.78%, -.03% and .40% for the PUF, PHF, LTF, SITF and STF, respectively. The investment in non-conventional asset classes for the endowment funds produced the greatest benefit. The combined excess return of the PUF, PHF, LTF, SITF translated to \$270.4 million of economic value added ("EVA"). EVA was calculated by subtracting the weighted average cost of capital and investment management expenses for each fund from its gross investment return. Mr. Ricks also presented the preliminary performance results for the one-month ended September 30, 2000. Mr. Ricks reviewed the Corporation's plans for the next six months and answered the Directors' questions.

### Endowment Risk Profile

Mr. Russ distributed a value at risk analysis report on the LTF for the fiscal year 2001 time horizon. He stated that the Corporation was beginning to measure risk of the endowment funds using value at risk measurement tools. He reviewed the information presented in the report with the Directors and answered their questions.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 1:00 p.m.

Secretary: Cathy Imig

APPROVED:

Vice Chairman: Frank M. Allen

**Announcement of Executive Session  
of  
The Board of Directors  
of  
The University of Texas Investment Management Company**

Vice Chairman Robert H. Allen convened the Board of Directors in Executive Session starting at 10:06 a.m. on October 27, 2000 at the Executive Room of The Headliners Club, located on the 21<sup>st</sup> floor of the Bank One Tower, 221 W. 6<sup>th</sup> Street, Austin, Texas, and concluded at 11:03 a.m. on the same date.

Members of the Board present were

- ✓ Robert H. Allen, Vice Chairman
- ✓ R. D. (Dan) Burck
- Susan M. Byrne (absent)
- ✓ Woody L. Hunt
- ✓ J. Luther King
- ✓ John D. McStay
- L. Lowry Mays (absent)
- ✓ A.W. (Dub) Riter, Jr.
- ✓ A. R. (Tony) Sanchez, Jr.

No votes or final action were taken on any matter.

**Certified Agenda of Executive Session**

The Board received information concerning performance compensation of the Corporation's President and CEO for the fiscal year 2000 and discussed the annual election of officers for the Corporation.

The Executive Session concluded at 11:03 a.m., October 27, 2000. No action was taken and no vote was called for or taken by the Board during the Executive Session.

**Certification of Agenda**

I, Robert H. Allen, Vice Chairman of the Board of Directors of The University of Texas Investment Management Company, hereby certify that the above and foregoing agenda is a true and correct record of all matters considered in Executive Session on October 27, 2000. The Executive Session concluded at 11:03 a.m., October 27, 2000.



Robert H. Allen  
Vice Chairman, Board of Directors  
The University of Texas Investment  
Management Company