

**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 on the **26th day of October, 2001**, at the offices of the Corporation, 221 W. Sixth Street, Suite 1700, Austin, Texas, said meeting having been called by the Chairman, Robert H. Allen, with notice provided to each member in accordance with the Bylaws. Participating in the meeting were the following members of the Board:

Robert H. Allen, Chairman
A.W. “Dub” Riter, Jr., Vice Chairman
R. D. Burck
Susan M. Byrne
Rita C. Clements
J. Luther King, Jr.
L. Lowry Mays
Woody L. Hunt

thus, constituting a majority and quorum of the Board. Director John D. McStay was not present at the meeting. Also, participating in the meeting was Cathy Iberg, Interim President of the Corporation; Christy Wallace, Interim Secretary of the Corporation; and Jerry Turner, legal counsel for the Corporation. Mr. Allen called the meeting to order at 9:40 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

Alternative Equities – Nonmarketable

The first three items presented to the Board of Directors were review and approval to invest up to \$50 million in Blackstone Capital Partners IV, L.P.; \$40 million in OCM Opportunities Fund IV, L.P.; and \$30 million in Warburg Pincus Private Equity VIII, L.P. Ms. Iberg reviewed the Corporation’s investment recommendations and Cambridge Associates’ concurring recommendations, previously distributed to the Directors, and answered their questions. 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 private equity advisor, Cambridge Associates LLC, recommending that the Corporation enter into a limited partnership agreement (the “Agreement”) with The Blackstone Group to invest up to \$50 million of PUF and GEF assets in **Blackstone Capital Partners IV, L.P.**; 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 Recommendations dated October 26, 2001 for **Blackstone Capital 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 **Blackstone Capital 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 Agreement), 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 Agreement and the instruments referred to therein.

And,

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's private equity advisor, Cambridge Associates LLC, recommending that the Corporation enter into a limited partnership agreement (the "Agreement") with Oaktree Capital Partners, LLC to invest up to \$40 million of PUF and GEF assets in **OCM Opportunities Fund IV, L.P.**; 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 Recommendations dated October 26, 2001 for **OCM Opportunities Fund 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 **OCM Opportunities Fund 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 Agreement), 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 Agreement and the instruments referred to therein.

And,

WHEREAS, the Board has reviewed Investment Recommendations prepared by the Corporation and the Corporation's private equity advisor, Cambridge Associates LLC, recommending that the Corporation enter into a limited partnership agreement (the "Agreement") with Warburg Pincus & Co., LLC to invest up to \$30 million of PUF and GEF assets in **Warburg Pincus Private Equity VIII, L.P.**; 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 Recommendations dated October 26, 2001 for **Warburg Pincus Private Equity VIII, 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 **Warburg Pincus Private Equity VIII, 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 Agreement), 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 Agreement and the instruments referred to therein.

The fourth item presented to the Board of Directors was a review and approval to enter into a stock purchase agreement to invest up to an additional \$4 million of PUF and GEF assets in Songbird Hearing, Inc. Ms. Iberg reviewed the Corporation's investment recommendation previously distributed to the Directors, and answered their questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed the Investment Recommendation prepared by the Corporation recommending that the Corporation enter into a stock purchase agreement (the "Agreement") with Songbird Hearing, Inc. to invest up to an additional \$4 million of PUF and GEF assets in **Songbird Hearing, Inc.**; 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 Recommendations dated October 26, 2001 for **Songbird Hearing, Inc.** 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 **Songbird Hearing, Inc.**; 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, 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.

Ms. Iberg then presented a report on the write-offs of Alternative Investments-Nonmarketable for the year ended August 31, 2001. The PUF's, GEF's and LTF's loss reported for the year ended August 31, 2001 was \$80,704, 79,835 and 3,424 respectively. Ms. Iberg stated that the losses for the year were on fair market value basis of accounting, which is the method of reporting used for the funds' investments. Ms. Iberg answered the Directors'

questions. Upon motion duly made and seconded, and the following resolution was unanimously adopted:

RESOLVED, that compliance with the Corporation's valuation policy provision for book and market value write-offs of Alternative Investments-Nonmarketable for the period ended August 31, 2001, as presented to this meeting, be and are hereby ratified.

Market Update

Ms. Iberg reviewed the current asset allocation, adopted after an asset-allocation study was completed in April of 1999, and comparative asset allocation data from Cambridge Associates, LLC dated March and June 30, 2001 for various college and foundation universes. Mr. Bruce Myers, of Cambridge Associates, LLC, presented a current market valuations summary dated October of 2001 for specific asset classes. Mr. Myers, Ms. Astrid Noltemy and Ms. Jennifer Urdan, also from Cambridge Associates, LLC, discussed future market opportunities for investment by the Corporation. Following the presentation, the Cambridge individuals answered the Directors' questions and left the meeting.

Minutes

The next matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on August 22, 2001. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meetings of the Board of Directors held on August 22, 2001, be and are hereby approved.

Board of Directors Annual Meeting Date

The next item presented to the Board was the designation of the annual meeting for the purposes of electing officers for the ensuing year and transacting such other business as may be properly brought before such Annual Meeting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the next Annual Meeting of the Corporation be held the third Thursday of April 2002, in Austin, Texas.

Open Meetings Act

The next item brought forward to the Board was adoption of a resolution for the Corporation to comply with all laws subject to the Texas Public Information Act and Texas Open Meetings Act and that any resolutions or actions previously adopted or taken by the Board pertaining to this

subject matter are repealed and superceded. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, this Corporation and the various funds (the "UTIMCO Funds") that it administers and manages have recently become subject to the Open Meetings Act, Chapter 551, Texas Government Code (the "Open Meetings Act"), and since 1997 have been subject to the Public Information Act, Chapter 552, Texas Government Code (the "Public Information Act" and together with the Open Meetings Act, the "Acts"); and

WHEREAS, jointly, the Acts contain the "open government" laws of the State of Texas as the Public Information Act contains the "open records" laws of the State of Texas and the Open Meetings Act contains the "open meetings" laws of the State of Texas; and

WHEREAS, prior to becoming subject to the Acts this Board of Directors adopted resolutions designed to cause this Corporation and the UTIMCO Funds to substantially comply with the Acts as applicable to the Board of Regents of the University of Texas System; and

WHEREAS, this Board of Directors desires to restate the policy of this Corporation and the UTIMCO Funds to comply with the Acts;

NOW, THEREFORE, BE IT

RESOLVED, that management for this Corporation is hereby directed to cause this Corporation and the UTIMCO Funds to comply in all respects with the provisions of the Public Information Act, Chapter 552, Texas Government Code, and the Open Meetings Act, Chapter 551, Texas Government Code; and be it further

RESOLVED, that any resolutions or actions previously adopted or taken by this board pertaining to the subject matter of the immediately preceding resolution be and the same hereby are repealed and superceded in favor of such preceding resolution.

Amendments to Corporate Bylaws

Mr. Turner then discussed proposed changes to the Corporate Bylaws. These changes will be subject to approval by the U. T. System Board of Regents in November 2001. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Corporation's Bylaws as presented to the Board, be and are hereby approved.

Performance Review

Ms. Iberg reported on the performance of the assets under the Corporation's management for the periods ended September 30, 2001. The net performance for the three-month period ending September 30, 2001, for the Permanent University Fund (PUF), Permanent Health Fund (PHF) and Long Term Fund (LTF) were (7.90)%, (8.18)%, and (8.16)%, respectively. The net investment returns for the fiscal year-to-date period ending September 30, 2001, for the PUF, PHF, and the LTF were (5.62)%, (5.91)%, and (5.87)%, respectively. The Short Intermediate Term Fund's (SITF) performance was 0.93% versus 1.62% for its benchmark for the fiscal year-to-date period ended September 30, 2001. Performance for the Short Term Fund (STF) was 0.28% versus 0.43% for its benchmark for the fiscal year-to-date period ended September 30, 2001. Ms. Iberg reviewed the PUF's performance attribution for the year ended August 31, 2001, and reported on the returns for the various periods ended June 30, 2001, for the PUF, PHF and the LTF against various Russell/Mellon and Cambridge universes. Ms. Iberg also reported on the asset allocation of the Permanent University Fund and the General Endowment Fund (GEF) as of September 30, 2001, comparing actual versus their respective neutral policy portfolio. After her report, Ms. Iberg answered the Directors' questions.

At this point, Ms. Byrne and Mr. Mays left the meeting.

Executive Session

Mr. Allen requested that the Directors convene in executive session to discuss the search for the President and Chief Executive Officer position of the Corporation. At 11:20 a.m. Mr. Allen announced that "the Board of Directors of The University of Texas Investment Management Company have been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a Closed Meeting as an Executive Session of the Board to consider personnel issues related to the search for the President and Chief Executive Officer of The University of Texas Investment Management Company. This Executive Session meeting of the Board is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The time is now 11:20 a.m."

The Board reconvened at 12:15 p.m. in open session and Mr. Allen announced that, "the Open Session of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The time is now 12:15 p.m. During the Executive Session, the Board discussed the search for the Corporation's President and CEO position, but did not take any votes."

Report of Compensation Committee

Mr. King reported that at its meeting on October 10, 2001, the Compensation Committee reviewed and approved the 2001 Performance Compensation Awards for all Corporation employees (other than the Interim President and CEO) as recommended by Ms. Iberg.

Performance Compensation Award for Interim President and CEO

Next, the Board considered the 2001 Performance Compensation Award for the Interim President and CEO. After discussion, the following resolution was adopted:

RESOLVED, that in view of her outstanding leadership and service to the Corporation and in recognition of her immeasurable contributions during the current year, a special performance compensation award of \$50,000 be paid to the Interim President and CEO of The University of Texas Investment Management Company and that such award should be paid during the current year, without deferral of any amount.

There being no further business to come before the Board, the meeting was adjourned at approximately 12:20 p.m.

Interim Secretary: _____
Christy W. Wallace

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