

~~MINUTES OF 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 special meeting on the 3rd day of June, 1997, in the Regents Meeting Room, Ashbel Smith Hall, 9th Floor, 201 West Seventh Street, Austin, Texas, said meeting having been called by the 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:

Thomas O. Hicks, Chairman
Susan M. Byrne
William H. Cunningham
Richard W. Fisher
J. Luther King, Jr.
Tom Loeffler
Homer L. Luther, Jr.
A.W. Riter, Jr.

thus constituting a majority and quorum of the Board of Directors. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; Jerry E. Turner, Secretary of the Corporation; and Cathy Iberg and David Russ of Corporation management. Director Robert H. Allen was absent from the meeting. Mr. Hicks called the meeting to order at approximately 8:40 a.m.

Approval of Minutes

The first matter to come before the Board of Directors was approval of the minutes of the meetings of the Board of Directors held on April 21, 1997, and May 2, 1997, copies of which had previously been furnished to each Director. 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 April 21, 1997, and May 2, 1997 be, and are hereby, approved in the forms presented to the Board.

Approval of PUF 1998-2004 Income Projections

Next, Mr. Ricks reviewed several tables and charts that provide income projections for the Permanent University Fund ("PUF"), for the years 1998 through 2004, copies of which had previously been distributed to each Director. Mr. Ricks explained that the income projections for the next seven years were being provided at the request of The University of Texas System (the "UT System") to assist the UT System in issuing debt that is payable from the dividends, interest and other income from the PUF. Mr. Ricks stated the basic objective will be to replicate income.

Following discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the PUF 1998-2004 Income Projections be, and are hereby, approved in the form presented to the Board.

(At this point, William H. Cunningham left the meeting room.)

Review of Public Markets -- Strategic Partnerships/Global Asset Allocation

Mr. Ricks reminded the Board of Directors that pursuant to the direction given him at the Board's meeting on April 14, 1997, he had invited three firms to make a presentation on the use of a global balanced multi-asset management structure for a portion of the assets of the PUF and the Long Term Fund. Mr. Ricks then introduced the following officers and employees of Goldman Sachs & Co.: Sharmin Mossavar-Rahmani - Managing Director/Fixed Income Management; Clifford S. Asnes - Managing Director/Head of Quantitative Research; David G. Kabiller - Vice President. They then furnished each Director with a presentation booklet entitled Global Investment Management and Strategic Partnership, which they reviewed with the Board of Directors. Following their presentation, the representatives of Goldman Sachs left the meeting room.

Next, Mr. Ricks introduced the following officers and employees of J.P. Morgan Investment Management Inc.: Martin J. Dowd - Senior Relations Manager; Thomas M. Luddy - Chief Investment Officer; Laurence R. Smith - Managing Director, Head of Global Balanced Group; U. Patrik Jakobson - Vice President, PM Global Balanced Group. They then furnished each Director with a presentation booklet entitled Global Balanced Management, which they reviewed with the Board of Directors. Following their presentation, the representatives of J.P. Morgan left the meeting room.

Next, Mr. Ricks introduced the following officers and employees of Morgan Stanley Asset Management Inc.: Francine Bovich - Principal; Narayan Ramachandaran - Principal; Kimberly Austin - Vice President. They then furnished each Director with a presentation booklet entitled Global Asset Allocation/Strategic Partnerships, which they reviewed with the Board of Directors. Following their presentation, the representatives of Morgan Stanley left the meeting room.

(At this point, Charles M. Preston, Craig Nickels and Austin Long of UTIMCO entered the room)

Approval of Commitment to Prime VIII, L.P.

The next matter to come before the Board of Directors was consideration of a proposed limited partnership commitment in Prime VIII, L.P. At this point Mr. Luther disclosed that he is an investor and director in a company in which a former unrelated Prime partnership is an investor, recused himself from any discussion regarding Prime VIII, L.P. and left the meeting room. Robert W. Hughes, Gregory S. Marchbanks and Dean M. Greenwood, representatives of Prime SKA I, L.L.C., then joined the meeting. They reviewed a written presentation to the Corporation, copies of which were distributed to each Director. Their presentation described Prime VIII, L.P., including the prior performance, experience, capabilities, strategy and commitment of the management team. After

responding to questions from Directors, Mr. Hughes, Mr. Marchbanks, and Mr. Greenwood left the room.

Next, Mr. Long then reviewed a Prime VIII, L.P. Due Diligence Review and Recommendation describing the proposed limited partnership investments, copies of which had previously been furnished to each director. Mr. Long recommended that the Board of Directors approve a \$20 million commitment the limited partnership and that the Board of Directors should not consider how much in total funds the limited partnership raises. Following discussion, upon motion duly made and seconded, the following resolution was adopted:

WHEREAS, the Board has reviewed a Due Diligence Memorandum and Recommendation prepared by the Corporation's management recommending that the Corporation enter into a Limited Partnership Agreement (the "Agreement") with Prime SKA I, L.L.C. to invest Permanent University Fund ("PUF") and Long Term Fund ("LTF") assets in Prime VIII, L.P. (the "Prime Fund"), in an amount equal to \$20 million; and

WHEREAS, on June 3, 1997, the Board heard a presentation from and interviewed representatives of Prime SKA I, L.L.C., concerning the Prime Fund; and

WHEREAS, the Board desires to enter into the Agreement with Prime SKA I, L.L.C. to invest PUF and LTF assets in the Fund in an amount equal to \$20 million; 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 Prime VIII, L.P., Due Diligence Review and Recommendation dated June 3, 1997 be approved; and be it further

RESOLVED, that the President and any Vice President 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 the Prime Fund; and be it further

RESOLVED, that the President and any Vice President, 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.

(At this point Mr. Luther returned to the meeting room.)

Approval of the Commitment to Prism Venture Partners I, L.P.

The next matter to come before the Board of Directors was consideration of a proposed limited partnership commitment in Prism Venture Partners I, L.P. Robert Fleming, Laurie Thomsen and Duane Mason, representatives of Prism Venture Partners, L.L.C. joined the meeting. They reviewed a written presentation to the Corporation, copies of which were distributed to each Director. Their presentation described Prism Venture Partners I, L.P., including the prior performance, experience, capabilities, strategy and commitment of the management team. After responding to questions from Directors, Mr. Fleming, Mr. Thomsen and Mr. Mason left the room.

Next, Mr. Long then reviewed a Prime Venture Partners I, L.P. Due Diligence Review and Recommendation describing the proposed limited partnership investments, copies of which had previously been furnished to each director. Mr. Long recommended that the Board of Directors approve a \$20 million commitment the limited partnership. Following discussion, upon motion duly made and seconded, the following resolution was adopted:

WHEREAS, the Board has reviewed a Due Diligence Memorandum and Recommendation prepared by the Corporation's management recommending that the Corporation enter into a Limited Partnership Agreement (the "Agreement") with Prism Venture Partners, L.L.C. to invest Permanent University Fund ("PUF") and Long Term Fund ("LTF") assets in Prism Venture Partners I, L.P. (the "Prism Fund"), in an amount equal to \$20 million; and

WHEREAS, on June 3, 1997, the Board heard a presentation from and interviewed representatives of Prism Venture Partners, L.L.C., concerning the Prism Fund; and

WHEREAS, the Board desires to enter into the Agreement with Prism Venture Partners, L.L.C., to invest PUF and LTF assets in the Prism Fund in an amount equal to \$20 million; 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 Prism Venture Partners I, L.P., Due Diligence Review and Recommendation dated June 3, 1997 be approved; and be it further

RESOLVED, that the President and any Vice President 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 interest of this Corporation, excluding an increase in the amount of the capital commitment to the Prism Fund; and be it further

RESOLVED, that the President and any Vice President, 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.

(At this point, Mr. Riter left the meeting room.)

Report of Audit and Ethics Committee

Ms. Byrne reported that the Audit and Ethics Committee had met on May 21, 1997. She also reported that the audit of the Corporation had been satisfactorily completed by Deloitte & Touche L.L.P. Next, Ms. Byrne stated the Committee recommends that the Board approve the engagement of Deloitte & Touche L.L.P. as independent auditor to audit the Corporation's financial statements for the four months ended December 31, 1996, as well as the financial statements for the PUF, the Long Term Fund, and the Short Term Fund for the year ending August 31, 1997 at a fee of \$96,500 pursuant to an engagement letter dated May 8, 1997, a copy of which had been previously distributed to each Director. Mr. Ricks reported that pursuant to Section 66.08(f) of the Texas Education Code, the UT System and The Texas A&M University System had approved by letter dated May 6, 1997 the engagement of Deloitte & Touche L.L.P. as their auditors, a copy of the letter had been previously distributed to each Director. Following discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the firm of Deloitte & Touche, L.L.P., be, and is hereby, appointed as the independent auditor of the Corporation for the fiscal year ended December 31, 1996, in accordance with the form of engagement letter presented to the Board; and be it further

RESOLVED, that the firm of Deloitte & Touche, L.L.P., be, and is hereby, appointed as the independent auditor of the funds managed by the Corporation on behalf of the U.T. System Board of Regents for the fiscal year ended August 31, 1997, in accordance with the form of engagement letter presented to the Board.

Approval of UTIMCO FY 1997-1998 Management Fee Request

The next item to become before the Board was the consideration of the Corporation's Fiscal Year 1997-1998 Management Fee Request. It was reported that the Corporation's budget increased from \$5,108,031 during 1997 to \$5,635,811 during 1998. Also, direct expenses of the Corporation increased from \$7,359,748 during 1997 to \$10,905,634 during 1998, a copy of the report was distributed to each Director. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO FY 1997-98 Management Fee Request be, and is hereby approved in the form presented to the Board.

(Mr. Ricks, Mr. Long, Mr. Nickels, Mr. Preston, Ms. Iberg and Mr. Russ left the meeting room.)

Executive Session

The Board held a brief executive session to discuss certain issues relating to a performance compensation plan for employees, during which no action was taken. Following the executive session, Mr. Ricks returned to the meeting room.

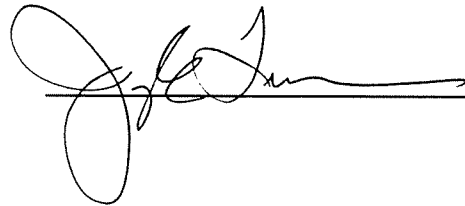
Approval of 1997 UTIMCO Performance Compensation Plan

Mr. Ricks presented the "1997 UTIMCO Performance Corporation Plan", a copy of which had been previously distributed to each Director. Mr. Turner stated that Vinson & Elkins L.L.P. had reviewed and approved the plan. Upon motion duly made and seconded, the following resolution was unanimously adopted:

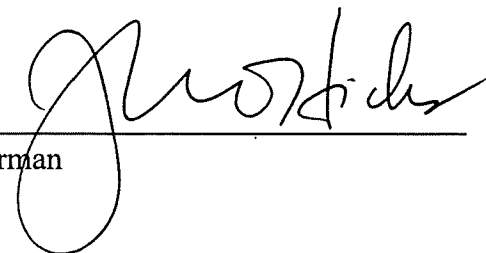
RESOLVED, that the 1997 UTIMCO Performance Compensation Plan be and is hereby approved in the form presented to the Board.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 1:20 p.m.

Secretary



APPROVED:



Chairman