

~~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 15th day of September, 1997, at the offices of Hicks, Muse, Tate & Furst Incorporated, 200 Crescent Court, Suite 1600, Dallas, 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
Robert H. Allen
Susan M. Byrne
William H. Cunningham
Richard W. Fisher
J. Luther King, Jr.
Tom Loeffler
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 Austin Long and David Russ of Corporation Management. Director Homer L. Luther, Jr. was absent from the meeting. Mr. Hicks called the meeting to order at 1:00 p.m.

Approval of Minutes

The first matter to come before the Board of Directors was approval of the minutes of the meeting of the Board of Directors held on August 6, 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 Meeting of the Board of Directors held on August 6, 1997, be and are hereby approved in substantially the form presented to the Board.

Restructuring Plan — Public Markets Portfolios

Next, Mr. Ricks and Mr. Russ reviewed a report, copies of which had previously been furnished to each Director, recommending a plan to restructure the public markets portfolios of the Permanent University Fund and the Long Term Fund. Mr. Ricks and Mr. Russ also responded to questions from the Directors. (Mr. King left the meeting during the course of the presentation by Mr. Ricks and Mr.

Russ.) Following discussion by the Directors and upon motion duly made and seconded, the following resolutions were unanimously adopted.

RESOLVED, that the plan to restructure the Permanent University Fund public markets portfolios, substantially in the form presented to the Board of Directors, be and is hereby approved, with the following modifications:

- (i) Apodaca Johnston Capital Management, Inc. shall be terminated as a small capitalization growth equity investment advisor and the funds previously managed by it shall be allocated pro rata among the remaining emerging managers of the small capitalization portfolios; and
- (ii) in rebalancing the large/mid capitalization portfolios, the proposed adjustments to the S&P 500 Indexed Fund and the S&P Mid Capitalization Indexed Fund shall be reversed such that the amount allocated to the S&P 500 Indexed Fund shall be reduced by approximately \$229.6 million and the amount allocated to the S&P Mid Capitalization Indexed Fund shall be increased by approximately \$190 million; and be it further

RESOLVED, that the plan to restructure the Long Term Fund public markets portfolios, substantially in the form presented to the Board of Directors, be and is hereby approved.

Alternative Equities - Marketable

Mr. Ricks then introduced Matthew D. Lincoln and Lindsay I. Van Voorhis of Cambridge Associates, Inc., who had entered the meeting room. They distributed to each Director a booklet on "Absolute Return Investing", which they reviewed with the Directors. Mr. Ricks indicated that, if the Corporation decided to pursue absolute return investment strategies, he believes such strategies should be applied first with respect to the Long Term Fund, in order to test the impact upon income flow, before being applied to the Permanent University Fund. Mr. Lincoln, Mr. Van Voorhis and Mr. Ricks then responded to questions from Directors.

(At this point, Mr. Lincoln and Mr. Van Voorhis left the meeting room.)

Report of the Private Markets Group

Next, Mr. Long distributed to each Director a Report of the Private Markets Group, dated September 15, 1997. Mr. Long reviewed the report with the Directors and answered their questions.

Approval of Commitment to Doughty Hanson & Co. Funds III, L.P.

The next matter to come before the Board of Directors was consideration of a proposed limited partnership investment in Doughty Hanson & Co. Funds III, L.P. Mr. Long reviewed a Short Form Due Diligence Memorandum & Recommendation describing the proposed limited partnership investment, copies of which had previously been furnished to each Director. Following discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed a Short Form Due Diligence Memorandum & Recommendation prepared by the Corporation's management recommending that the Corporation enter into a Limited Partnership Agreement (the "Agreement") with Doughty Hanson & Co. Limited to invest Permanent University Fund ("PUF") and Long Term Fund ("LTF") assets in Doughty Hanson & Co. Funds III, L.P. (the "Fund"), in an amount equal to \$40 million; and

WHEREAS, the Board desires to enter into the Agreement with Doughty Hanson & Co. Limited to invest PUF and LTF assets in the Fund in an amount equal to \$40 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 Doughty Hanson & Co. Funds III, L.P. Short Form Due Diligence Review & Recommendation dated September 15, 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 Fund; and be it further

RESOLVED, that the President and any Vice President 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.

Approval of Restatement of UTIMCO 403(b) Plan

Next, Mr. Ricks reviewed with the Directors an Amended and Restated UTIMCO 403(b) Tax Sheltered Annuity Plan, copies of which had previously been furnished to each Director. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the Restatement of the UTIMCO 403(b) Tax Sheltered Annuity Plan (the "Plan"), a copy of which is attached and which is hereby directed to be marked for identification and filed with the records of the Corporation, be and hereby is approved and adopted on behalf of the Corporation; and be it further

RESOLVED, that Thomas G. Ricks, Cathy A. Iberg and Christy W. Wallace are hereby designated as the Administrative Committee of the Plan to serve until their successors are chosen and qualify or until their earlier resignation or removal, and be it further

RESOLVED, that any actions taken by the appropriate officers of the Corporation are hereby approved in the execution of the restatement of the Plan on behalf of the Corporation and any and all other acts and things necessary, in their opinion, to effectuate and accomplish the purposes of the foregoing resolution and to acquire and maintain a qualified status for the Plan under section 403(b) and other applicable provisions of the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended.

Annual Meeting

Mr. Hicks then reminded the Directors that the Corporation's Bylaws permit the Board of Directors to designate by resolution the time and place of the Annual Meeting of the Board of Directors. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Annual Meeting of the Board of Directors of the Corporation shall be held on Thursday, October 30, 1997, beginning at 12:30 p.m., at the offices of Hicks, Muse, Tate & Furst Incorporated, 200 Crescent Court, Suite 1600, Dallas, Texas.

Long Term Fund Distribution Rate

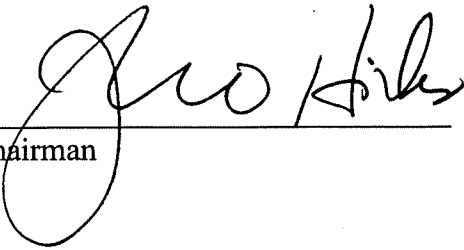
Mr. Ricks recommended to the Board of Directors that the Long Term Fund distribution rate for the current fiscal year be increased to \$0.180 per unit. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Board of Directors of the Corporation recommend to the Board of Regents of The University of Texas System that the Long Term Fund distribution rate

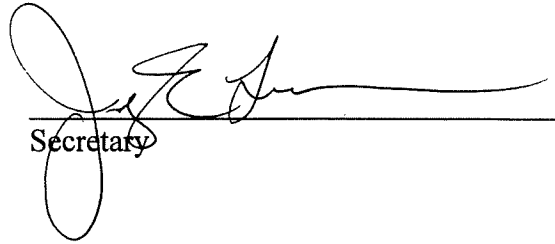
for the fiscal year beginning September 1, 1997 be increased from \$0.175 per unit to \$0.180 per unit.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 6:00 p.m.

APPROVED:



Chairman



Secretary