

**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 a special meeting on the 30th day of October, 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, David Russ and Cathy Iberg of Corporation Management. Director Homer L. Luther, Jr. was absent from the meeting. Mr. Hicks called the meeting to order at 12:40 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 September 15, 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 September 15, 1997 be and are hereby approved in the form submitted to the Board.

**Approval of Conflicts of Interest Policy**

Next, Mr. Ricks proposed a conflicts of interest policy, copies of which had previously been furnished to each Director. Mr. Ricks recommended the new policy stating that it

~~would impose a more demanding standard upon the Board regarding the presence of pecuniary interests than that imposed by Section 66.08 of the Texas Education Code.~~ Following a discussion by the Directors and upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Conflicts of Interest Policy of The University of Texas Investment Management Company be and is hereby approved in the form submitted to the Board.

### **Approval of Global Asset Allocation Manager**

Mr. Ricks and Mr. Russ presented an analysis (copies of which had previously been furnished to each Director) supporting their recommendation to engage Goldman Sachs Asset Management (GSAM) to manage a \$500 million global asset allocation mandate for the Long Term Fund. The recommendation to hire GSAM over two other finalists (J.P. Morgan Investment Management (JPIM) and Morgan Stanley Asset Management (MSAM)) was based on management's ranking of each firm's investment performance and capabilities to serve as a strategic partner with the Corporation. Mr. Ricks and Mr. Russ responded to questions from the Directors. Mr. Hicks recused himself from the ensuing discussion and abstained from voting on this matter citing that Goldman Sachs & Co. ("GS") is one of many investment firms that, from time to time, provides financial advisory services or investment banking services (for which GS receives customary compensation) in connection with acquisitions and other transactions that involve entities in which he or his firm (Hicks Muse Tate & Furst Incorporated) have direct or indirect ownership interests. In addition, affiliates of GS have made or have considered making investments in entities in which his firm or he have direct or indirect ownership interests. Finally, Mr. Hicks also disclosed that he maintained normal brokerage accounts with GS and has certain professional and personal relationships with various GS employees. Following a discussion by the remaining Directors, responses to questions by Mr. Ricks and Mr. Russ, and upon motion duly made and seconded, the following resolution was adopted:

WHEREAS, the Board has heard a presentation by the Corporation's management recommending that the Corporation enter into an investment advisory agreement (the "Agreement") with Goldman Sachs Asset Management to manage Long Term Fund assets using a global asset allocation strategy; 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 engagement of Goldman Sachs Asset Management to manage a global asset allocation account for the Long Term Fund in an initial amount of \$500 million, be and is hereby approved; and be it further

RESOLVED, that the President and any Managing Director or Vice President of this Corporation be, and each of them hereby is, authorized to execute the Agreement for and on behalf of the Corporation and, in so doing, to evidence that the terms and provisions of the Agreement are necessary and in the best interests of this Corporation; and be it further

RESOLVED, that the President, any Managing Director or Vice President, 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.

#### **Approval of U.S. Small Cap Equity Manager**

Mr. Ricks and Mr. Russ presented an analysis (copies of which had previously been furnished to each Director) and a recommendation to engage Rosenberg Institutional Equity Management to manage a U.S. small cap equity portfolio for the Long Term Fund. Mr. Ricks and Mr. Russ responded to questions from the Directors. Following a discussion by the Directors and upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has heard a presentation by the Corporation's management recommending that the Corporation enter into an investment advisory agreement (the "Agreement") with Rosenberg Institutional Equity Management to manage Long Term Fund assets using a small capitalization core equity portfolio strategy; 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 engagement of Rosenberg Institutional Equity Management to manage a small capitalization core equity account for the Long Term Fund in an initial amount of \$50 million, be and is hereby approved; and be it further

RESOLVED, that the President and any Managing Director or Vice President of this Corporation be, and each of them hereby is, authorized to execute the

~~Agreement for and on behalf of the Corporation and, in so doing, to evidence that~~  
the terms and provisions of the Agreement are necessary and in the best interests of this Corporation; and be it further

RESOLVED, that the President, any Managing Director or Vice President, 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.

#### **Approval of Amendment to S/ITF Note Purchase Agreement**

The next item of business presented by Mr. Ricks concerned the amendment to the \$250 million note purchase agreement between The University of Texas System Revenue Financing System and The University of Texas Short Intermediate Term Fund("SITF"). Mr. Ricks reported that the U. T. System had requested that the \$250 million note purchase agreement supporting the U. T. System Revenue Financing System Notes program be increased to \$350 million. Mr. Ricks presented the proposed terms of the amended agreement as well as analysis demonstrating sufficient capacity by the SITF to provide the requested liquidity. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Amendment No. 2 to the Note Purchase Agreement, effective as of November 13, 1997, between The University of Texas System Revenue Financing System and The University of Texas System Short/Intermediate Term Fund (the "Fund"), be and is hereby approved; and be it further

RESOLVED, that the President and any Managing Director or Vice President of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions of Amendment No. 2 as may be necessary or in the best interests of the Fund, excluding an increase in the amount of the note purchase commitment of the Fund; and be it further

RESOLVED, that the President, any Managing Director or Vice President, 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, as amended), 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.

### **Presentation of Revised Projections for the Private Investment Program**

Mr. Ricks reported that management would be recommending consolidation of the inflation hedging asset class into the marketable and nonmarketable alternative equity asset classes. The consolidation would produce an unadjusted neutral weighting of 18% for nonmarketable alternative equities and 7% for marketable alternative equities. At the same time, management would also recommend that the neutral weighting for PUF nonmarketable alternative equities be adjusted down to 15% in recognition of the Fund's payout constraints. Mr. Ricks then presented the Board with revised projections of combined PUF and LTF asset growth through 2002. Using the new asset projections and the proposed asset class weightings, commitments to nonmarketable alternative equities over 1998-2002 would have to equal \$1.784 billion if the neutral weighting was to be achieved. Mr. Ricks concluded by stating that these new projections would be incorporated into the 1998 plan to be considered at the December meeting.

### **Approval of Commitment to Halpern Denny Fund II, L.P.**

The next matter to come before the Board of Directors was consideration of a proposed limited partnership investment in Halpern Denny Fund II, L.P. ("HDFII"). Mr. Long reviewed a Due Diligence Memorandum & Recommendation describing the proposed limited partnership investment, copies of which had previously been furnished to each Director. Mr. Long also introduced representatives of the Halpern Denny Fund II, L.P. who provided a presentation of HDFII to the Directors. The representatives of the Fund answered questions of the Directors and then left the meeting. Following discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed a Due Diligence Review & Recommendation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with Halpern, Denny & Co. IV, LLC to invest \$30 million of PUF and LTF assets in Halpern Denny Fund II, 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 Halpern Denny Fund II, L.P. Due Diligence Review & Recommendation dated October 30, 1997 be approved; and be it further

RESOLVED, that the President and any Managing Director or 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, any Managing Director or Vice President, 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.

### **Asian Corporate Finance Fund, L.P.**

The next item of business was consideration of a proposed \$3.7 million investment in a secondary interest in the Asian Corporate Finance Fund, L.P. Mr. Long reviewed the Short Form Due Diligence Review and Recommendation describing the limited partnership investment, copies of which were furnished to each Director. Following discussion, the consensus of the Board of Directors was not to approve the proposed additional investment in this Fund due to market uncertainties associated with the Asia markets.

### **Election of Officers**

The next item of business concerned the election of officers copies of which had been previously furnished to each Director. 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 earlier resignation or removal.

<u>Name</u>	<u>Office or Offices</u>
Thomas O. Hicks	Chairman
Thomas G. Ricks	President and Chief Executive Officer
Austin M. Long, III	Managing Director
David H. Russ	Managing Director
Cathy A. Iberg	Vice President, Treasurer and Secretary
Robert H. Holland	Vice President

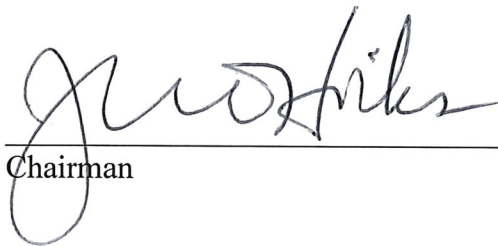
There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:45 p.m.

Secretary



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APPROVED:



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Chairman