

~~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 24th day of February, 1998, 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  
J. Luther King, Jr.  
Tom Loeffler  
Homer Luther  
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, legal counsel for the Corporation; Cathy Iberg, Secretary of the Corporation; Austin Long, and David Russ of Corporation Management. Mr. Hicks called the meeting to order at 12:51 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 December 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 December 15, 1997 be and are hereby approved in the form submitted to the Board.

**Review of PUF Income**

Mr. Ricks presented a review of PUF income from materials previously furnished to each Director. Mr. Ricks stated that budgeted income for fiscal year 1998, at \$255.9 million, was approximately \$7 million below actual income for fiscal year 1997 of \$263 million. Income for the first five months through January 31, 1998 was \$200,000 above budget. The 100 bps decline in interest rates since the beginning of the year and the resulting low reinvestment yields continued to present a major challenge to income growth. Mr. Ricks reported that the dividend

~~growth continued to be emphasized by management although dividend payout rates had declined~~  
to a post WWII low. Mr. Ricks answered questions from the Board and stated that management would be developing new PUF income projections shortly as part of the U.T. System annual budget process.

### **Investment Performance**

Mr. Ricks then presented investment performance for the PUF, LTF, S/ITF and the STF for the calendar year ended December 31, 1997 from materials previously furnished to each Director. Mr. Ricks reviewed performance against neutral benchmarks, universes of other institutional funds and valued added measures for various funds. Mr. Ricks responded to various questions from the Board.

### **Public Markets Restructuring Program**

The next item to come before the Board was a progress report by Mr. Russ concerning the restructuring of the Public Markets portfolios. Mr. Russ reported that the terminations of U.S. managers was complete. Contract negotiations and funding of the LTF global asset allocation and fixed income managers was also essentially complete. Mr. Russ also reported that he expected to bring forward recommendations concerning a non-U.S. equity manager and the alternative equities – marketable investment program at the next meeting.

### **Alternative Equities – Non Marketable**

The Board then heard a presentation from Mr. Ricks reviewing the investment strategy and performance to date of the alternative equities – non marketable program. Mr. Ricks reviewed the performance of each vintage year portfolio for the years 1995-97 and reported that returns were encouraging with no “j-curve” effect to date. Mr. Ricks also reported that the combined portfolios appeared to be well diversified and that direct co-investment activity would be ramping up over the course of the year.

### **Consideration of Stock Purchase Agreement to Purchase Series E Preferred Stock in Endgate Corporation**

The next matter to come before the Board of Directors was consideration of a proposed purchase of Series E preferred stock in Endgate Corporation. At this point, Charles M. Preston III and Craig J. Nickels of Corporation management joined the meeting. Mr. Long reviewed a Due Diligence Memorandum & Recommendation dated February 24, 1998 describing the proposed stock purchase, copies of which had previously been furnished to each Director. Mr. Long introduced representatives of Endgate Corporation, who provided a presentation concerning Endgate Corporation to the Directors. The representatives of the Fund answered questions of the Directors and then left the meeting. Following discussion, the consensus of the Board of Directors was not to approve the proposed purchase of stock. At this point, Director Allen left the meeting.

**Consideration of Proposed Investment in Interlink Communications Partners, LLP.**

The next matter to come before the Board of Directors was a discussion regarding a proposed investment in Interlink Communication Partners, LLP. Mr. Long reviewed an Executive Summary dated February 24, 1998 describing the proposed investment, copies of which had previously been furnished to each Director. The Directors discussed the proposed investment. Mr. Ricks stated that he would circulate to the Board of Directors a unanimous written consent if management continued to recommend the investment after completion of their due diligence. At this point, Director Riter left the meeting.

**Consideration of Proposed Commitment to Prime Enterprises II, L.P.**

The next matter to come before the Board of Directors was consideration of proposed investment in Prime Enterprises II, L.P. Mr. King stated that he had a long time business relationship with the Bass Family, a limited partner in Prime Enterprises II, L.P. While he did not believe that the relationship constituted either a personal or private interest under the Ethics Policy, he nevertheless preferred to abstain from any discussion or vote regarding this proposed investment. Mr. Long reviewed a Due Diligence Memorandum & Recommendation dated February 24, 1998 describing the proposed investment, copies of which had previously been furnished to each Director. Mr. Long also introduced representatives of the Prime Enterprises II, L.P. who provided a presentation concerning this investment to the Directors. The representatives of the Fund answered questions of the Directors and then left the meeting. Following a lengthy discussion by the Directors it was decided to postpone a decision until the next Board meeting.

**Amendment to Corporation's Cafeteria Plan**

The last item to come before the Board of Directors was a proposed amendment to the Corporation's Cafeteria Plan, copies of which had previously been furnished to each director. Upon motion duly made and seconded, the following resolutions were unanimously adopted.

RESOLVED, that Amendment Number Two, (the "Amendment"), to The University of Texas Investment Management Company Cafeteria Plan, (the "Plan"), is hereby approved and adopted, effective March 1, 1998; and

RESOLVED FURTHER, that the proper officers of the Corporation are hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the Amendment; and

FURTHER RESOLVED, that the proper officers of the Corporation shall act as soon as possible to notify employees of the Corporation of the adoption of the Amendment by delivering to each employee a copy of the summary description of the changes to the Plan in the form of the Summary Plan Description – Material Modification presented to this meeting, which form is hereby approved.

At approximately 4:30 p.m. the Board of Directors went into executive session to discuss the Report of the Compensation Committee. At this point, all members of Corporation staff withdrew from the meeting.

**Report of Compensation Committee**

Mr. King reported that at the meeting of the Compensation Committee on February 24, 1998, he had been elected chairman of the Committee to replace Mr. Fisher who had resigned from the Corporation's Board of Directors. Mr. King also stated that as a result of Mr. Fisher's resignation, the Committee had been reduced to two members. Whereupon, Mr. Hicks moved that Mr. Allen be appointed to the Committee to serve in lieu of Mr. Fisher, which motion was duly seconded and passed unanimously. Continuing, Mr. King reported that at the February 24<sup>th</sup> meeting, the Committee reviewed recommended 1997 Performance Compensation Plan Awards for the Corporation's employees as presented by Mr. Ricks. The Committee was concerned that no plan awards for 1997 were recommended for the Corporation's President and Managing Director – Public Markets. Mr. King reported that following lengthy discussion, the Committee approved the 1997 Performance Compensation Plan Awards recommended by Mr. Ricks, except that no action was taken with respect to plan awards for the Corporation's President and Managing Director-Public Markets. Mr. King also reported that the Committee had directed Mr. Ricks to report back to the Committee on recommended changes to the Performance Compensation Plan that would address concerns expressed by Committee members. Following receipt of such a report, Mr. King stated that he intended to schedule another Committee meeting to consider plan changes as well as 1997 Performance Compensation Plan Awards for the Corporation's President and Managing Director-Public Markets.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 5:00 p.m.

Secretary: Cathy Drey

APPROVED: [Signature]  
Chairman: