

**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 23rd day of April, 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
Tom Loeffler
Homer Luther
A. W. Riter, Jr.

thus, constituting a majority and quorum of the Board of Directors. Director J. Luther King, Jr. was absent. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; Jerry E. Turner, legal counsel for the Corporation; Austin Long, and David Russ of Corporation Management. Mr. Hicks called the meeting to order at 1:05 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 February 24, 1998, 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 February 24, 1998 Meeting of the Board of Directors be and are hereby approved in the form presented.

Increase in LTF Payout Rate

Mr. Ricks presented a review of a recommendation to increase the Long Term Fund ("LTF") payout rate from \$0.18 to \$0.21 per unit effective May 31, 1998 from materials previously furnished to each Director. This represents a 16.7% increase in the payout rate. Mr. Ricks discussed the history of the LTF payout rate and the objective of maintaining a stable distribution equal to 4.5% of average LTF market value. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that an increase in the annual distribution rate for the Long Term Fund from \$0.18 per unit to \$0.21 per unit, effective May 31, 1998, be approved and recommended for adoption by the Board of Regents of The University of Texas System.

PUF 1998-2005 Projections

Mr. Ricks presented the Permanent University Fund ("PUF") income projections for the fiscal years 1998-2005 from materials previously furnished to each Director. Mr. Ricks stated that the projections were an extrapolation of current market conditions. Mr. Ricks reported that the major assumption in the projections was a long term interest rate of 6%. Mr. Ricks compared the projected asset values and income levels against the objective of preserving purchasing power through time. Mr. Ricks discussed the fact that as the asset value of the PUF increased, distributable income paid to the AUF under the constitutionally based payout formula would continue to decline as a percentage of total fund market value. Mr. Ricks emphasized that without a change in the payout formula, payout to the AUF was not expected to grow versus a traditional endowment payout based on asset value. Mr. Ricks also stated that should the projections be realized, the purchasing power of PUF income in fiscal year 2005 would equal 60% of income purchasing power in fiscal year 1990. Following discussion and upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the PUF 1998-2005 Income Projections be and are hereby approved.

Year 2000 Compliance

Mr. Ricks reviewed the status of the Year 2000 Compliance project. He stated that the target date for full compliance was December 31, 1998. He stated that the systems associated with portfolio management were virtually all compliant. However, UTIMCO was dependent on outside vendors namely, U. T. Austin, Mellon Trust and Dreyfus, for certain critical accounting and custody services. Management was in the process of obtaining written certification of compliance from all vendors and addressing contingency plans in the event of non-compliance. Based on a review of compliance efforts to date, Mr. Ricks expected the systems employed by UTIMCO would be Year 2000 compliant as required.

Alternative Marketable Equities Program

Mr. Russ discussed the LTF Alternative Marketable Equities ("AME") pilot program from materials previously furnished to each Director. He discussed an efficient frontier analysis that demonstrated for the time period under question that the addition of AME strategies to the LTF multi-asset class portfolio would have added value and reduced risk. Mr. Russ also discussed the low risk factors of the strategies and the low or negative correlations to other asset classes. Mr. Russ and Mr. Ricks indicated that they would return to the next board meeting with specific manager recommendations following the strategy discussion.

Authorized Derivatives Usage in the LTF

Mr. Russ reviewed the LTF policy on derivative usage from materials previously furnished to each Director. Mr. Russ then discussed the implementation of the Goldman Sachs Asset Management Global Asset Allocation mandate and its limited use of derivatives. Mr. Russ then turned to the use of derivatives by PIMCO -- the LTF external bond manager. Following this discussion, Mr. Russ introduced several potential hedging strategies for the Board's interest. Mr. Ricks and Mr. Russ emphasized that they were bringing the hedging topic up as a discussion matter and that they would only act in a hedging capacity with prior approval from the Board. Board members discussed the hedging concept briefly. As long term investors, the Board members agreed that hedging the downside risk of the portfolio was a market timing decision.

Alternative Equities – Non Marketable

Craig Nickels and Charles Preston of Corporation management joined the meeting at this time. Mr. Long and Mr. Ricks discussed the pace of investment commitments to the Alternative Equities – Non Marketable asset class during the fiscal year. To date, \$250 million of a planned \$350 million in commitments had been approved. In addition, invested capital represented approximately 5% to 6% of total PUF and LTF assets versus a neutral allocation of 18%. Mr. Hicks raised the concept of engaging in larger commitments per transaction or engaging in a greater number of commitments. The idea of \$50 to \$200 million commitments with well-known entities was discussed.

Consideration of Proposed Investment in Interlink Communications Partners, LLLP.

The next matter to come before the Board of Directors was a discussion regarding a proposed direct co-investment in Interlink Communication Partners, LLLP. The Board had reviewed Interlink at the February 24, 1998 meeting. Mr. Long reviewed an updated Executive Summary dated April 23, 1998 describing the proposed investment and material changes since the last meeting, copies of which had previously been furnished to each Director. The Directors discussed the proposed investment and upon motion duly made and seconded, the following resolutions were 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 Rifkin & Associates, Inc. to invest \$15 million of PUF and LTF assets in Interlink Communication Partners, LLLP; 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 Interlink Communication Partners, LLLP Due Diligence Review & Recommendation dated February 24, 1998 and supplemented April 23, 1998 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 Interlink Communication Partners, LLLP.; 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.

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. Prime had been discussed at the last meeting of the Board. Mr. Long updated the Board on current events in Indonesia and the returns specific to the Prime group. Mr. Long also introduced representatives of the Prime Enterprises II, L.P., Mr. Hsieh Fu Hua and Mr. Toh Yiu Joe, 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. There followed a discussion of the current and potential future investment climate in Indonesia and the Far East. Mr. Luther expressed concerns regarding the timing of this investment. After further discussion by the Directors, upon motion duly made and seconded, the following resolutions were adopted with all Directors voting for approval, except Mr. Luther who voted against the resolutions:

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 Prime GenPar II, L.P. to invest \$20 million of PUF and LTF assets in Prime Enterprises 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 the short-form Prime Enterprises II, L.P. Due Diligence Review & Recommendation dated February 24, 1998 and supplemented April 23, 1998 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 Prime Enterprises II, L.P.; 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.

Varel Manufacturing Company, Inc. Direct Co-Investment

Mr. Long discussed an updated Executive Summary dated April 23, 1998 describing the proposed investment and material changes since information was last distributed to the Board. Mr. Long reviewed the direct co-investment in Varel alongside 3i Group plc, one of UTIMCO's existing private market partners. Following a discussion of the market for oil and gas roller-cone drill bits, Willie Watt, Director of 3i Group and Jim Nixon, prospective CEO of Varel joined the meeting. Following an informative discussion between Board members and the CEO candidate, the 3i Group representative and the CEO candidate left the room. The Directors discussed the proposed investment and upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Board has reviewed an Executive Summary prepared by the Corporation's management recommending that the Corporation enter into a stock purchase agreement to invest up to \$25 million of PUF and LTF funds to purchase equity and equity equivalents stock in Varel Manufacturing Company, 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 Varel Manufacturing Company, Inc. Executive Summary dated April 7, 1998 and supplemented April 23, 1998 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 of the Agreement as may be necessary or 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.

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

Report of Compensation Committee

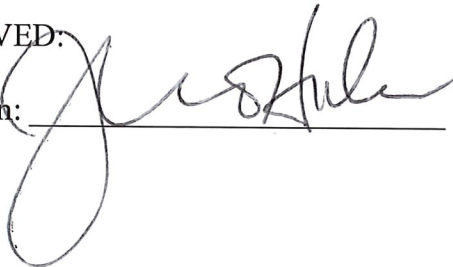
Mr. Hicks reported that the Compensation Committee had concluded that the 1997 Compensation Plan failed to measure performance adequately for Messrs. Ricks and Russ. In addition, there was a desire to convert deferred compensation for private investment staff under Plan B to a current basis. As a result, the Committee had made discretionary bonus awards with respect to these individuals for the 1997 performance period which Mr. Hicks reported to the Board. Mr. Hicks also reported that the Committee had approved Amendment No. 1 to the Performance Compensation Plan (copies of which had previously been distributed to each Director) and that it expected to assert discretion in the award of bonuses for the 1998 performance period as well. Following discussion and upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that Amendment No. 1 to UTIMCO Performance Compensation Plan be and is hereby approved in the form presented.

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

APPROVED:

Chairman:



Secretary:

