

**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 10th day of December, 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
Susan M. Byrne
William H. Cunningham
J. Luther King, Jr.
Homer Luther
A. W. Riter, Jr.

thus, constituting a majority and quorum of the Board of Directors. Directors Robert Allen and Tom Loeffler were absent. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; Cathy Iberg, Secretary of the Corporation; Dave Russ and Austin Long of Corporation management ("Management"); and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation. The meeting was called to order at 1:05 p.m.

Minutes

The first item to come before the Board of Directors was approval of the minutes of the meeting of the Board of Directors held on October 22, 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 Meeting of the Board of Directors held on October 22, 1998 be and are hereby approved in the form presented.

Funds Review

The next item was a report on Fund performance through the third calendar quarter of 1998, copies of which were previously furnished to each Director.

Permanent University Fund (PUF) - Mr. Ricks presented a comparison of the PUF returns against the Frank Russell Co. universe of \$1 billion funds and the UTIMCO neutrally weighted policy portfolio for periods ended September 30, 1998. He next reviewed with the Directors the PUF's income through November 30, 1998, which was \$65.5 million compared

to \$63.1 million for the prior period ending November 30, 1997. Mr. Ricks indicated that there had been strong growth in dividends from U. S. equities, which included the impact of implementing the REIT equity portfolio. Interest income declined 3.8% when compared to the prior November 30, 1997 period. Mr. Ricks then reviewed the return on the cash equitization program using S&P 500 futures and stated that it was working as planned in delivering incremental income to the Available University Fund (AUF). Mr. Ricks then discussed with the Directors the asset allocation policy guidelines for the PUF and how income management was taking precedence over total return generation for the PUF. He outlined for the Directors how the conventional optimization methods to maximize return/risk trade-off do not work for the PUF. He also discussed the impact of variable expenses, particularly management fees, in reducing net cash flow to the AUF. Following Mr. Rick's discussion Dr. Cunningham proceeded to update the Directors on PUF legislative issues. Mr. Ricks and Dr. Cunningham responded to the Directors' questions.

Long Term Fund (LTF) - Mr. Ricks reviewed the LTF's performance against the Frank Russell Co. universe of \$1 billion funds and the UTIMCO neutrally weighted policy portfolio for periods ended September 30, 1998. Mr. Ricks stated that the LTF was close to its neutral policy allocation and reviewed with the Directors actual asset allocations relative to the neutral policy allocation. Mr. Ricks then proceeded to discuss Goldman Sachs Asset Management's performance and answered the Directors' questions.

Operating Funds - Mr. Ricks presented the performance of the S/ITF and the STF for the various periods ending October 31, 1998. He stated that UTIMCO had made a presentation to the Business Management Council on December 8, 1998 concerning investment alternatives for the operating funds. These alternatives were the BGI-Debt Index Fund and the BGI-Equity Index Fund. He stated that the component institutions would need to analyze their operating fund balances to determine whether these index funds would be a suitable investment. Mr. Ricks then answered the Directors' questions.

Approval of PUF, LTF, and SIA Investment Policies - Mr. Ricks proceeded to discuss the amendments to the investment policies for the PUF, LTF and Separately Invested Accounts (SIA), copies of which were previously furnished to each Director and are attached to these minutes. He stated that the policies are reviewed annually and approved at the February U. T. System Board of Regents meeting. He reviewed in detail with the Directors each proposed amendment to the policy, and answered their questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the Permanent University Fund, Long Term Fund, and Separately Invested Funds investment policies to be and are hereby approved in the forms presented.

Public Markets

Mr. Russ reviewed with the Directors the positive and negative performance attributes of the portfolio managers in each asset class for the PUF and the LTF. Mr. Russ then proceeded to review the portfolio characteristics, particularly the stock selection and risk control processes, of the small cap portfolio managers. Mr. Russ then answered the Directors' questions.

Mr. Luther then introduced a discussion regarding the technology sector of the market. He stated that this sector would be highly attractive over the next five years and encouraged the Directors to evaluate technology as a separate asset category. Mr. Hicks requested that Management evaluate this sector of the market and bring an evaluation to the Directors at the next Board meeting.

Private Markets

At this point, Craig Nickels and Charles Preston of Corporation Management entered the meeting room. The next matter to come before the Board of Directors was a discussion regarding a proposed co-investment in City Truck Holdings, Inc. Mr. Long reviewed the Direct Co-Investment Executive Summary dated December 10, 1998 describing the proposed investment, copies of which had previously been furnished to each Director. Mr. Long then introduced representatives of City Truck Holdings, Inc., who provided a presentation concerning City Truck Holdings. These representatives answered questions of the Directors and then left the meeting room.

The Directors discussed the proposed investments and upon motion duly made and seconded, the following resolutions were adopted with all Directors voting for approval.

WHEREAS, the Board has reviewed a Direct Co-Investment Executive Summary prepared by the Corporation's management recommending that the Corporation enter into a stock purchase agreement, (the "Agreement"), to invest up to \$25 million of PUF and LTF funds to purchase preferred and common stock of City Truck Holdings, 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 City Truck Holdings, Inc. Direct Co-Investment Executive Summary dated December 10, 1998 be approved; and be it further

RESOLVED, that the President and any Managing Director 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, 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.

The Directors then proceeded to discuss a proposed co-investment in Terastor Corporation. Mr. Long reviewed the Short Form Due Diligence Review and Recommendation dated December 10, 1998 describing the proposed investment, copies of which had previously been furnished to each Director. Mr. Long introduced representatives of Terastor Corporation, who provided a presentation on Terastor. These representatives answered questions of the Directors and then left the meeting room.

The Directors tabled the approval of the Terastor investment pending further due diligence by Management.

Report of Audit and Ethics Committee

The last item to come before the Directors was a presentation by Dub Riter regarding the October 30, 1998 meeting of the Corporation's Audit and Ethics Committee. He stated that there were four items of business considered at the meeting: first, approval of the minutes of the May 19, 1998 meeting; second, a report from the Corporation's Ethics Committee regarding two minor items; third, a presentation by Mr. Bill Strange of Deloitte and Touche, the auditors for the Corporation, during which Mr. Strange reviewed with the Committee the auditor's responsibilities under the auditing standards, presented the firm's Management Report (which reported no material weaknesses regarding the Corporation's internal controls or operations), and presented the financial statements and audit reports for the Permanent University Fund, Long Term Fund, and Short/Intermediate Fund and for the Corporation; and fourth, an executive session with Mr. Bill Strange who stated that management had been very cooperative throughout the audit process and that he had no concerns to express privately to the Committee. Mr. Riter also mentioned that subsequent to the meeting, the Committee received Deloitte and Touche's audit report of performance calculations for the fiscal year ended August 31, 1998. Their opinion was that the statement of investment performance statistics presented fairly the investment performance of the funds.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 5:15 p.m.

Secretary: _____

Cathy Aug

APPROVED:

Chairman: _____

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