

**MINUTES OF SPECIAL 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 June, 1999 at the law firm of Vinson & Elkins, West Conference Room – 33rd Floor, 1001 Fannin, Houston, Texas said meeting having been called by the Vice 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 (the "Board"):

Robert Allen, Vice Chairman
Susan M. Byrne
William H. Cunningham
J. Luther King, Jr.
Charles Miller
Patrick Oxford
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; Cathy Iberg, Secretary of the Corporation; Dave Russ, Austin Long, Craig Nickels and Charles Preston of Corporation's management ("Management"); and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation. The meeting was called to order at 11:04 a.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 April 29, 1999, 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 April 29, 1999 be and are hereby approved in the form provided.

Overview

The next item to come before the Board of Directors was an overview presentation by Mr. Ricks on assets under management, copies of which were previously furnished to each Director. Mr. Ricks stated that the endowment funds had increased in value by approximately \$300 million and the operating funds had increased in value by approximately \$100 million over the quarter ended

May 31, 1999. Mr. Ricks clarified for the Board what constituted operating funds and went over the investment performance of the Short/Intermediate Term Fund and the Short Term Fund for the periods ended May 31, 1999. Mr. Ricks updated the Board on the Permanent University Fund's (PUF's) distributions to the Available University Fund, the PUF's Constitutional Amendment and the need to set a new asset allocation for the PUF. Dr. Cunningham also updated the Board on the status of the Constitutional Amendment. Mr. Ricks presented the PUF's performance for the periods ending March 31, 1999 against Frank Russell's Foundations and Endowments Universe and the >\$1 billion Corporate Universe. Mr. Ricks presented the Long Term Fund's (LTF) performance for the periods ending March 31, 1999 against Frank Russell's Foundations and Endowments Universe and the >\$1 billion Corporate Universe. Mr. Ricks reviewed the status of the Permanent Health Fund (PHF) and answered the Directors' questions regarding the overview.

Alternative Investments Program-Evaluation by Cambridge and Associates, Inc.

The next item on the agenda was a presentation on the Alternative Investment's Program by Mr. Bruce Myers and Ms. Kristine Dailey of Cambridge and Associates, Inc. Materials supporting the presentation were previously distributed to each Director. Background information was presented on Cambridge for the benefit of the new Board members. Mr. Myers and Ms. Dailey comprehensively reviewed the firm's analysis and conclusions and answered Directors' questions. Following the presentation on the Nonmarketable Alternative Assets section the Board recessed into executive session with Mr. Bruce Myers and Ms. Kristine Dailey at 12:10 p.m. At this point, Ms. Iberg and Messers. Ricks, Russ, Long, Nickels, and Preston left the meeting room.

During the executive session, the Directors asked questions concerning the performance of the Corporation's Private Equity Group. While Mr. Meyers and Ms. Dailey were generally very complimentary of the group, they did recommend that emphasis should be placed on a more proactive partnership sourcing process, specifically with regard to top quartile venture partnerships. It was also recommended that consideration be given to adding a new associate to the Private Equity Group; to broadening the group mandate with respect to manager strategy (*i.e.*, consider granting staff discretion to opportunistically evaluate managers in a broad range of alternative asset strategies); and to use a subcommittee of the Board of Directors to approve private equity investments.

Following the executive session, Ms. Iberg and Messers. Ricks, Russ, Long, Nickels, and Preston rejoined the meeting. Then, Cambridge reviewed the Marketable Alternative Assets program and answered the Directors' questions. At this point, Mr. Myers and Ms. Dailey left the meeting room.

Approval of Endowment Funds Asset Allocation

Mr. Ricks presented a comparison of the LTF's asset allocation to the endowment funds of other large higher education institutions, to the LTF's proposed neutral policy asset allocation and to Cambridge's proposed neutral policy allocation. Supporting materials were previously

distributed to each Director. Mr. Ricks stated that the proposed neutral policy allocation for the LTF would be recommended for the PHF. Following the presentation, a discussion was held by the Directors, in which a motion was duly made and seconded and the following resolution was unanimously adopted:

RESOLVED, that the current neutral policy asset allocation for the Long Term Fund be kept unchanged and that the neutral policy asset allocation for the Permanent Health Fund be identical with the neutral policy asset allocation for the Long Term Fund.

Approval of the PHF Investment Policy

Mr. Ricks presented the PHF Investment Policy to the Directors for approval. Mr. Ricks stated that the PHF investment policy was identical to the LTF investment policy except for conforming changes and answered the Directors' questions. Upon motion duly made and seconded the following resolutions were unanimously adopted:

RESOLVED, that the Investment Policy Statement for the Permanent Health Fund be and is hereby approved; and

BE IT FURTHER RESOLVED, that the Permanent Health Fund policy be recommended for approval at the U. T. Board of Regents meeting on August 12, 1999.

PHF Transition Program

Mr. Ricks reviewed the transition investment plan for the PHF, copies of the supporting materials were previously furnished to each Director. Mr. Ricks and Mr. Russ presented two options, a gradual conversion to the policy portfolio and an immediate conversion to the policy portfolio, and answered the Directors' questions. Upon motion duly made and seconded the following resolutions were unanimously adopted:

RESOLVED, that the Corporation gradually invest the Permanent Health Funds over a maximum period of six months; and

BE IT FURTHER RESOLVED, that the Corporation accelerate the investment process in the event of a significant market decline.

Approval of Amendment to the Investment Management Services Agreement

Mr. Ricks recommended approval of the third amendment to the Investment Management Services Agreement between the Board of Regents of The University of Texas System and the Corporation. A copy of the amendment was previously furnished to each Director. Mr. Ricks stated that the amendment delegated investment management authority for the PUF from the

U. T. Board of Regents to the Corporation. Upon motion duly made and seconded the following resolutions were unanimously adopted:

RESOLVED, that the Third Amendment to the Investment Management Services Agreement between the Corporation and the Board of Regents of The University of Texas System be and is hereby approved; and

BE IT FURTHER RESOLVED, that this amendment be recommended for approval at the U. T. Board of Regents meeting on August 12, 1999.

Review of the Conventional Investments Portfolio Performance

Mr. Russ reviewed the conventional investments portfolio performance, copies of the supporting materials were previously furnished to each Director. Mr. Russ presented the performance by asset class for the PUF and the LTF for the periods ending May 31, 1999 and answered the Directors' questions.

Approval of President and CEO's Salary for the Year Ended August 31, 2000

The Board recessed into executive session to consider a report from the Compensation Committee. At this point, Ms. Iberg and Messers. Ricks, Russ, Long, Nickels and Preston left the meeting room.

Mr. King explained that the methodology for approving the Base Salary for Corporation staff during Fiscal Year 2000 included receipt of recommendations from the President, review of those recommendations by William M. Mercer, Incorporated, and then review of the President's recommendations and the Mercer report by the Compensation Committee. Further, Mr. King reminded the Board that the President's Base Salary requires approval by the Board of Directors. Mr. King then reported that at its meeting on June 8, 1999, the Compensation Committee approved the President's Base Salary recommendations for the Corporation staff during Fiscal Year 2000 and recommended that the President's Base Salary during the same year be adjusted consistent with the Mercer report. Following discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Base Salary for the President and CEO for the period September 1, 1999 through August 31, 2000, as recommended by the Compensation Committee be and is hereby approved.

At this point, Ms. Iberg and Messers. Russ, Long, Nickels and Preston rejoined the meeting and Mr. King left the meeting.

Alternative Investments Nonmarketable Program: Approval of Commitments

The next item presented to the Board was a review and approval of one direct investment and three follow-on investments for the Nonmarketable Alternative Assets Program, copies of the supporting materials were previously furnished to each Director. Upon motion duly made and seconded all the Directors present, except for Susan Byrne who abstained from voting, adopted the following resolutions.

(1) WHEREAS, the Board has reviewed a Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with CGW Southeast IV L.L.C. to invest up to \$30 million of PUF and LTF assets in CGW Southeast Partners IV, 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 Due Diligence Review and Recommendation dated June 24, 1999 for CGW Southeast Partners IV, L.P. 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 as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to CGW Southeast Partners IV, L.P.; 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.

(2) WHEREAS, the Board has reviewed a Short Form Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with AMP-IV L.L.C. to invest up to \$20 million of PUF and LTF assets in Ampersand IV, 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 Due Diligence Review and Recommendation dated June 24, 1999 for Ampersand IV, L.P., 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 as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to Ampersand IV, L.P.; 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.

(3) WHEREAS, the Board has reviewed a Short Form Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with 3i Group plc to invest up to Euro \$25 million of PUF and LTF assets in 3i European Fund III; 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 Due Diligence Review and Recommendation dated June 24, 1999 for 3i European Fund III, 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 as may be necessary or in the best interests of this

Corporation, excluding an increase in the amount of the capital commitment to 3i European Fund III; 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.

(4) WHEREAS, the Board has reviewed an Direct Co-Investment Executive Summary and Follow-on prepared by the Corporation's management recommending that the Corporation enter into a stock purchase agreement (the "Agreement") to invest up to \$12 million of PUF and LTF assets to purchase additional equity securities of Terastor Corporation; 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 Terastor Corporation Direct Co-Investment Executive Summary and Follow-on dated June 24, 1999 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.

At this point, Mr. King and Mr. Ricks rejoined the meeting.

Report of the Audit and Ethics Committee

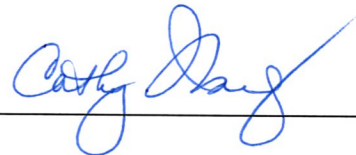
Mr. Allen stated that the Audit and Ethics Committee met on June 16, 1999 during which the following items of business were discussed: Approval of the minutes of the previous meeting; review of the financial statements for the Corporation for the period ended April 30, 1999; report on the Corporation's U. T. System audits; approval of the Corporation's fee request for the year ending August 31, 2000; engagement of the independent auditors for the year ending August 31, 1999; approval of an amendment to the valuation criteria for the Nonmarketable Alternative Assets; and review of a report of the Corporation's Ethics Committee. Mr. Allen stated that there was nothing out of the ordinary to report on the Corporation's financial statements. Mr. Ricks reviewed the Corporation's fee request for the year ended August 31, 2000 and answered the Directors' questions. Mr. Ricks and Mr. Allen explained to the Directors the amendments to the valuation criteria for the Nonmarketable Alternative Assets and stated that ratification would be required by the Corporation's Board for any write down of these investments. Mr. Allen stated that there were no consequential issues regarding the ethics report. Upon motion duly made and seconded the following resolutions were unanimously adopted:

RESOLVED, that the Fee Request for the period September 1, 1999 through August 31, 2000 be and is hereby approved; and

BE IT FURTHER RESOLVED, that the Amendment to the Valuation Criteria for Alternative Assets be and is hereby approved in the form presented to the Board of Directors.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately at 2:45 p.m.

Secretary: _____



APPROVED:

Vice Chairman: _____

