

**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 9<sup>th</sup> of December 1999 at the offices of Vinson & Elkins, L.L.P., West Conference Room – 35th 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 H. Allen, Vice Chairman  
William H. Cunningham  
Woody L. Hunt  
J. Luther King, Jr.  
A. W. "Dub" Riter, Jr.  
A. R. (Tony) Sanchez, Jr.

thus, constituting a majority and quorum of the Board of Directors. Director Riter participated in the meeting by means of conference telephone enabling all persons participating in the meeting to hear each other. Director Susan M. Byrne joined the meeting in progress as indicated below. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; Cathy Iberg, Secretary of the Corporation; Dave Russ, Austin Long of Corporation's management; and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation.

Mr. Allen called the meeting to order at 11:45 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

**Approval of Minutes of September 22, 1999 and November 8, 1999 Meetings**

The first item to come before the Board of Directors was approval of the minutes of the meetings of the Board of Directors held on September 22, 1999 and November 8, 1999. The September 22, 1999 minutes were resubmitted with corrections as noted from the last regular meeting held by the Board. Mr. Allen requested that minutes be prepared for the informational meeting held on September 22, 1999 on the Corporation's Open Meeting Policy. He also requested that minutes be prepared for the briefing session held by the Board on November 8, 1999. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meetings of the Board of Directors held on September 22, 1999 and November 8, 1999, be and are hereby approved

## Inflation Hedging Assets

The next item to come before the Board was a review and approval of an investment in Energy Asset Option Fund I, L.P. The Board members questioned Mr. Turner about any conflict of interest concerning this investment. One of the principals of the Energy Asset Option Fund I investments is Mr. Jeff Sandefer who is an adjunct professor at UT Austin. Mr. Turner stated there was not a conflict of interest associated with Mr. Sandefer's employment by UT Austin. Mr. Long reviewed the summary term sheet with the members of the Board and introduced Mr. Sandefer who made a presentation on the Energy Asset Option Fund I, L.P. and answered the Board members questions. Following the presentation Mr. Sandefer left the meeting. During this discussion, Ms. Byrne joined the meeting. Mr. Long and Mr. Ricks answered additional questions as presented by the Board. Upon motion duly made and seconded, the Directors adopted the following resolution.

WHEREAS, the Board has reviewed a Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into a limited partnership agreement (the "Agreement") with Energy Option Advisors, LLC to invest up to \$25 million of PUF, PHF and LTF assets in **Energy Asset Option Fund I, 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 December 9, 1999 for Energy Asset Option Fund I, 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 Energy Asset Option Fund I, 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.

#### **Approval of Amendment No. 1 to UTIMCO Code of Ethics**

The next item to come before the Board was a review and approval of a revised Code of Ethics for the Corporation. Mr. Turner distributed an updated version of the Code of Ethics for review and approval by the Board. Mr. Turner also distributed a letter dated December 7, 1999, from Mr. Turner addressed to the Board of Directors and the Board of Regents which provided an explanation of the proposed revised Code of Ethics. Mr. Turner reviewed the revised sections of the Code with the Board members and answered their questions. Mr. Turner stated that the Executive Secretary for the Board of Regents had also reviewed the Corporation's proposed amended Code of Ethics. Following a discussion and upon motion duly made and seconded the Directors adopted the following resolution.

RESOLVED, that the amendments to the Corporation's Code of Ethics, as presented to the Board, be and are hereby approved.

#### **Approval of Amendment No. 4 to UTIMCO Bylaws**

The next item to come before the Board was approval of an amendment to the Corporation's bylaws. Mr. Ricks stated that this amendment changes the terms of the outside Directors. All the terms will expire on April 1<sup>st</sup> of the appropriate year as provided by the amended bylaws. Upon motion duly made and seconded the Directors adopted the following resolution.

RESOLVED, that the amendment to Section 3 to Article III of the Corporation's Bylaws, as presented below, be and is hereby approved.

Section 3. Appointment and Term. Except for those Directors named in the Articles of Incorporation, Directors shall be appointed by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he remains Chancellor of the System. Until otherwise changed by the Board of Regents in compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System. The three (3) Regental Directors shall serve for two-year terms that expire on the first day of February of each odd-numbered year, except that the initially appointed Regental Directors shall serve until February 1, 1997. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate

year, except that the term of one of the current Directors shall end on April 1, 2001, the term of two (2) of the current Directors shall end on April 1, 2002 and the term of two (2) of current Directors shall end on April 1, 2003. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors. Each person serving as a Director shall serve until the earlier to occur of (i) the expiration of such Director's term or (ii) such Director's death, resignation, or removal as provided in these Bylaws.

### **Re-Appointment of Directors**

The next item presented to the Board was a recommendation to reappoint Mr. King, Mr. Allen and Ms. Byrne to the Corporation's Board of Directors. Upon motion duly made and seconded the Directors adopted the following resolution.

RESOLVED, that the recommendation of Mr. J. Luther King, Jr. for re-appointment to the UTIMCO Board by the U.T. System Board of Regents until the expiration of a term ending April 1, 2001 be and is hereby approved.

RESOLVED, that the recommendation of Mr. Robert H. Allen and Ms. Susan M. Byrne for re-appointment to the UTIMCO Board by the U.T. System Board of Regents until the expiration of a term ending April 1, 2002 be and is hereby approved.

### **Investment Performance Review**

Mr. Ricks distributed and reviewed preliminary performance information for PUF, LTF, PHF and SITF for the periods ended November 30, 1999, and answered the Directors' questions. Mr. Russ updated the Board members on the GSCI futures programs for the endowment funds and Mr. Ricks updated the Board on GSAM's performance in the LTF.

### **Endowment Spending Policy**

Mr. Ricks presented the current spending policy for the PUF. He reviewed the PUF's distribution history, the PUF's expected annual return, the PUF's financial objectives and how spending rate impacts the achievement of the PUF's financial objectives. He stated that the current spending policy for the PUF is the same as that for the PHF and LTF. Mr. Ricks reviewed with the Board the impact that different spending rates have on the endowment value and the endowment spending over long periods of time. He presented charts on the comparison of the PUF's and the LTF's spending rates to other colleges and universities as provided by Cambridge Associates Inc. Dr. Cunningham stated that the Business Affairs Committee of the UT System would review the spending policy for the PUF.

## Enhance Indexation

Mr. Russ introduced representatives from J.P. Morgan Securities who provided a presentation on enhanced indexation. Following the presentation the representatives answered the Board members' questions and left the meeting. The purpose of the presentation was educational.

## Approval of Commitment to Follow-on Fund: SKM Equity Fund III, L.P.

The last item presented to the Board was the review and approval of one follow-on investment, SKM Equity Fund III, L.P. Mr. Long answered the Directors' questions and upon motion duly made and seconded, the following resolution was unanimously adopted:

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 SKM Partners LLC, to invest up to \$25 million of PUF, PHF and LTF assets in **SKM Equity Fund III, 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 December 9, 1999 for SKM Equity Fund III, 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 SKM Equity Fund III, 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.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately at 3:15 p.m.

Secretary: Cathy Drey

APPROVED:

Vice Chairman: Robert A. Allen

Secretary: Cathy Drey