

**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 of February 2000 at the offices of Vinson & Elkins, L.L.P., Conference Room 3834 - 38th Floor, 2001 Ross Avenue, Dallas, 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
Susan M. Byrne
William H. Cunningham
Woody L. Hunt
J. Luther King, Jr.
L. Lowry Mays
John D. McStay
A. W. "Dub" Riter, Jr.
A. R. (Tony) Sanchez, 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 and Craig Nickels of Corporation's management; and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation.

Mr. Allen called the meeting to order at 10:20 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

Minutes

The first item to come before the Board of Directors was approval of the minutes of the briefing sessions and meetings of the Board of Directors held on September 22, 1999, November 8, 1999, December 9, 1999, and January 5, 2000. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Briefing Sessions and Meetings of the Board of Directors held on September 22, 1999, November 8, 1999, December 9, 1999 and January 5, 2000, be and are hereby approved.

Investment Performance Review

The next item to come before the Board of Directors was a review of investment performance for the Long Term Fund (LTF), the Permanent University Fund (PUF), the Permanent Health Fund (PHF), the Short Term Fund (STF) and the Short Intermediate Term Fund (SITF). Mr. Ricks stated that in February, UTIMCO began the process of converting the PUF to the same asset allocation currently in place for the PHF and the LTF. This process requires that UTIMCO realign portfolio managers to create identical asset allocations and underlying portfolios across all three endowment funds upon completion. This process would be substantially complete by the end of the fiscal year. Mr. Ricks reviewed the LTF's performance against the Russell/Mellon Foundations and Endowments Universe for the periods ended December 31, 1999. Mr. Ricks informed the Board of Directors of investment manager terminations. Mr. Ricks also reviewed with the Board the activity of the GSCI index through February 15, 2000 and requested that the Board approve an increase in the investment allocation to GSCI futures contracts from 3.75% to 10%. He stated that 10% of the PUF's, PHF's and LTF's asset value is the upper range for the inflation hedging asset class as provided in the asset allocation guidelines for endowment funds. Mr. Ricks answered the Board questions during the presentation. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that value of futures contracts invested in the Goldman Sachs Commodity Index ("GSCI") not exceed the GSCI's maximum allocation range (currently 10%) for the Permanent University Fund, Permanent Health Fund, and Long Term Fund.

PHF and LTF Per Unit Spending Rates

Mr. Ricks recommended an increase of 2.2% in the distribution rate per unit for the PHF to \$0.46 per unit, which is based on the PHF's Investment Policy mandate to increase annual distributions by the rate of inflation and in consideration of the Fund's six-month life. Mr. Ricks recommended to the Board of Directors an increase of 14% in the distribution rate per unit for the LTF to \$.245 per unit. He stated that the increase recognizes the above average rate of growth in the market value of LTF assets and provides an expected distribution rate at least equal to 4% of the value of initial endowment contributions through the 15-month period ended August 31, 2001. Mr. Ricks answered the Board's questions and upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the annual distribution rate for the Permanent Health Fund be increased from \$0.45 per unit to \$0.46 per unit, effective November 30, 2000; and

RESOLVED, that the annual distribution rate for the Long Term Fund be increased from \$0.215 per unit to \$0.245 per unit, effective with the May 31, 2000 distribution.

Corporation's Five-Year Business Plan

Mr. Allen recommended to the Board of Directors that an *ad hoc* committee of the Board be formed to review the Corporation's business plan. The committee would make revisions to the Plan in addition to recommendations on procedures to be followed in connection with terminated managers. In the interim, Mr. Allen requested Corporation's management to provide status updates on investment management changes and other changes that the Corporation may undertake until such time as the *ad hoc* committee makes recommendations on procedures to the Board of Directors. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Board of Directors of the Corporation has received a Business Plan for the Corporation dated February 24, 2000, which plan was prepared and submitted by Corporation management; and

WHEREAS, the Board of Directors of the Corporation has determined that an *ad hoc* committee of the Board should be appointed to review the plan; and

WHEREAS, Article IV, Section 1, of the Corporation's Bylaws states that the Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; now, therefore,

BE IT RESOLVED, that there is hereby created an *ad hoc* committee consisting of four members of the Board of Directors, which committee shall be charged with reviewing the Business Plan of the Corporation dated February 24, 2000 and reporting to the Board any recommended revisions to the Plan; and

FURTHER RESOLVED, that, as part of its report, the *ad hoc* committee shall specifically recommend to the Board on procedures to be followed in connection with the termination of any external investment managers; and

FURTHER RESOLVED, that Susan M. Byrne, John McStay, Luther King and Woody Hunt are hereby designated as the members of the *ad hoc* committee of the Board of Directors to serve until their successors are chosen and qualify, or until their earlier resignation or removal; and

FURTHER RESOLVED, that Woody Hunt is hereby designated the Chairman of the *ad hoc* committee and shall preside at its meetings.

Portfolio Management

Mr. Ricks provided background information on J.P. Morgan Investment Management Company for which the Corporation is recommending a large cap manager mandate for the endowment funds. J.P. Morgan made a presentation to the Board of Directors on their enhanced indexation strategies at the December 9, 1999 Board of Directors' meeting. Mr. Russ provided additional information on the two J.P. Morgan investment strategies for which the Funds would invest, the Research Enhanced Index and Structured Stock Selection. Mr. Ricks and Mr. Russ answered the Director's questions and upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Board has reviewed a presentation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with **J.P. Morgan Investment Management Company** ("JPMIM") to invest an initial 5% (approximately \$550 million) of PUF, PHF and LTF assets using JPMIM's Research Enhanced Index and Structured Stock Selection investment strategies; 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 Agreement as described in the presentation by the Corporation's management for JPMIM 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; 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 Board did not take action on the proposed corporate resolution for the Asset Allocation Swap Program and referred this item to the *ad hoc* committee as part of the review of the Corporation's business plan.

The Board adjourned for a short break at 12:10 p.m. Mr. Allen reconvened the meeting to order at approximately 12:25 p.m.

Alternative Investments Program- Non-Marketable

Mr. Ricks reviewed the Alternative Equities Non-Marketable Program with the Directors. He stated that the current value of the program was \$1.1 billion. He reviewed the planned commitment schedule for the remainder of the fiscal year with the Directors.

Approval of JATOTech Ventures Management, L.P.

Mr. Long and Mr. Ricks introduced two representatives of JATOTech Ventures Management, L.P. who made a presentation to the Directors and answered their questions. Following the presentation, the presenters left the room and upon motion duly made and seconded, the following resolution was unanimously adopted:

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 JATOTech Ventures Management, L.P. to invest up to \$10 million of PUF, PHF and LTF assets in **JATOTech Ventures, 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 February 20, 2000 for **JATOTech Ventures, 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 **JATOTech Ventures, 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 Band of Angels Fund, L.P.

Mr. Long and Mr. Ricks introduced two representatives for the Band of Angels Fund, L.P. who made a presentation to the Directors and answered their questions. Mr. Lowry Mays left the meeting at approximately 1:20 p.m. Following the presentation, the presenters left the room and upon motion duly made and seconded, the following resolution was unanimously adopted:

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 Band of Angels Management LLC to invest up to \$10 million of PUF, PHF and LTF assets in **Band of Angels Fund, 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 February 20, 2000 for **Band of Angels Fund, 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 **Band of Angels Fund, 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 Commitment to Follow-on Fund: Prism Venture Partners III, L.P.

The next item presented to the Board was the review and approval of one follow-on investment, Prism Venture Partners 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 **Prism Investment Partners III, L.P.** to invest up to \$10 million of PUF, PHF and LTF assets in **Prism Venture Partners 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 February 24, 2000 for **Prism Venture Partners 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 **Prism Venture Partners 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.

Approval of Performance Compensation for the President and CEO of the Corporation

Mr. King presented a report to the Directors on the Corporation's Compensation Committee. Mr. Allen announced that the Board of Directors would meet in a closed meeting as an executive session to receive the Compensation Committee report. All members of Corporation's staff left the meeting and the Directors continued the meeting in Executive Session at 2:09 p.m.

At 2:19 p.m., the Board of Directors reconvened in open session. Mr. Allen announced that all Directors (other than Mr. Mays) were still present and that the Committee did not take any vote on any matter during the Executive Session. In the open session a motion was duly made and seconded, and the following resolution was unanimously adopted:

RESOLVED, that the 1999 Performance Compensation for the Corporation's President and CEO as recommended by the Compensation Committee be and is hereby approved.

The last two items presented to the Directors were recommendations by Mr. Allen on appointments to the Corporation's Compensation Committee and Audit and Ethics Committee, subject to the U. T. System Board of Regents' approval. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

BE IT RESOLVED, that J. Luther King, Jr., L. Lowry Mays and A. R. (Tony) Sanchez, Jr. are hereby designated as the Compensation Committee of the Board of Directors to serve until their successors are chosen and qualify, or until their earlier resignation or removal; and

FURTHER RESOLVED, that J. Luther King, Jr. is hereby designated the Chair of the Compensation Committee and shall preside at its meetings; and

FURTHER RESOLVED, that Susan M. Byrne, Woody L. Hunt and A. W. "Dub" Riter, Jr. are hereby designated as the Audit and Ethics Committee of the Board of Directors, subject to approval by the U. T. System Board of Regents at their May 10-11, 2000 meeting, to serve until their successors are chosen and qualify, or until their earlier resignation or removal; and

FURTHER RESOLVED, that A. W. "Dub" Riter, Jr. is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately at 2:20 p.m.

Secretary: Cathy Jones

APPROVED:

Vice Chairman: Robert A. Allen

**Announcement of Executive Session
of
The Board of Directors
of
The University of Texas Investment Management Company**

Vice Chairman Robert H. Allen convened the Board of Directors in Executive Session by reading the following:

The Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Board. This Executive Session meeting of the Board is authorized by the Open Meeting Policy Statement of The University of Texas Investment Management Company adopted on September 3, 1999 by the U. T. System Board of Regents and on September 22, 1999 by the UTIMCO Board of Directors.

The Executive Session started at 2:09 p.m. on February 24, 2000 at the offices of Vinson & Elkins, L.L.P., Conference Room 3834 -- 38th Floor, 2001 Ross Avenue, Dallas, Texas, and concluded at 2:19 p.m. on the same date.

Members of the Board present were

- ✓ Robert H. Allen, Vice Chairman
- ✓ Susan M. Byrne
- ✓ William H. Cunningham
- ✓ Woody L. Hunt
- ✓ J. Luther King
- L. Lowry Mays
- ✓ John D. McStay
- ✓ A.W. (Dub) Ritter, Jr.
- ✓ A. R. (Tony) Sanchez, Jr.

No votes or final action were taken on any matter.

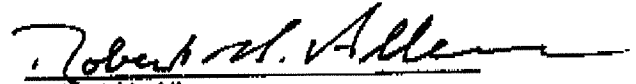
Certified Agenda of Executive Session

Mr. King presented the Compensation Committee Report regarding 1999 Performance Compensation for the President and CEO

The Executive Session concluded at 2:19 p.m., February 24, 2000. No action was taken and no vote was called for or taken by the Board during the Executive Session.

Certification of Agenda

I, Robert H. Allen, Vice Chairman of the Board of Directors of The University of Texas Investment Management Company, hereby certify that the above and foregoing agenda is a true and correct record of all matters considered in Executive Session on February 24, 2000. The Executive Session concluded at 2:19 p.m., February 24, 2000.



Robert H. Allen
Vice Chairman, Board of Directors
The University of Texas Investment
Management Company