

**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 29th of June 2000 at the Tower Club, Thanksgiving Tower - 48<sup>th</sup> Floor, 1601 Elm Street, 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  
R. D. (Dan) Burck  
Woody L. Hunt  
J. Luther King, Jr.  
John D. McStay  
A. W. "Dub" Riter, Jr.  
A. R. (Tony) Sanchez, Jr.

thus, constituting a majority and quorum of the Board of Directors. Director L. Lowry Mays was absent. 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; Dave Russ of Corporation's management; and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation.

Mr. Allen called the meeting to order at 10:00 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 was approval of the minutes of the meeting of the Board of Directors held on April 27, 2000. 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 27, 2000 be and are hereby approved.

### **Third Quarter Results and Activity**

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 the total value of the assets under the Corporation's management as of May 31, 2000 was \$14.8 billion. He stated that the net investment return for the one-year period ended May 31, 2000 was 10.46% for the Permanent University Fund and 17.05% for the Long Term Fund as compared to the Endowment Policy Portfolio return of 11.91%. Mr. Ricks reviewed the LTF's performance to other endowments greater than \$1 billion as of March 31, 2000. He noted the comparison of the LTF's smaller investment in venture capital versus the other endowment funds, and answered the Directors' questions. During this discussion, Ms. Byrne joined the meeting. Mr. Ricks also reviewed the endowment funds' asset allocation compared to the Neutral Policy Portfolio by dollar exposure to each asset class as of May 31, 2000. Mr. Ricks reviewed the recommended actions toward unitization of endowment funds and answered the Directors' questions. Mr. Ricks also reviewed the material lease provisions for the proposed Corporation office move, scheduled for December 2000 and answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the President and CEO of this Corporation is authorized and directed to enter into an office lease agreement, furniture lease agreement and a letter of credit, on behalf of the Corporation, and

FURTHER RESOLVED, that the President and CEO is authorized to make such further revisions to the terms and provisions of said agreements as may be necessary or in the best interests of this Corporation 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 agreements and the instruments referred to therein.

### **Report of Strategic Review Committee**

Mr. Hunt reported on the status of the Strategic Review Committee and stated that the Committee had met on June 19, 2000 and discussed the role of the Board vs. the role of Corporation's staff. The Committee will meet again before making its recommendations to the full Board.

### **U. S. Small Cap Equity and Non-U.S. Emerging Markets Portfolio**

Mr. Ricks presented the portfolio strategy for the U.S. Small Cap Equities asset class and the Non-U. S. Emerging Markets Portfolio. Mr. Russ presented to the Board for their approval two Non U.S. Equities – Established Markets manager selections, Capital Guardian Trust Company and Oechlse International Advisors, LLC. Mr. Russ also recommended selection of Capital International, Inc. for the Non U. S. Equities – Emerging Markets asset class. Mr. Russ reviewed the selection process and criteria and answered the Directors' questions. Upon motion duly made and seconded, the following resolutions were adopted:

RESOLVED, that the selection of Capital Guardian Trust Company to invest an initial \$160 million of PUF, PHF and LTF assets allocated to the Non U.S. Equities – Established Markets asset class be and is hereby approved.

RESOLVED, that the selection of Oeschle International Advisors, LLC to invest an initial \$160 million of PUF, PHF and LTF assets allocated to the Non U.S. Equities – Established Markets asset class be and is hereby approved.

RESOLVED, that the selection of Capital International, Inc. to invest an initial \$340 million of PUF, PHF and LTF assets allocated to the Non U.S. Equities – Emerging Markets asset class be and is hereby approved.

### **Presentation by Satellite Asset Management**

Mr. Russ and Mr. Ricks introduced Brian Kriftcher, Mark Sonnino and Gabe Nechamkin from Satellite Asset Management, L.P. The Satellite representatives provided presentation materials to the Board and discussed the characteristics of their fund. The Satellite principals discussed the types of transactions in the merger arbitrage and distressed debt areas that they would invest in to add value to the UTIMCO portfolios. They also described some specific transactions to provide Board members with an understanding of their investment process. Following the presentation the presenters answered the Directors' questions and then left the meeting. Upon discussion, the Board members requested that the Corporation's management request additional representations and warranties from Satellite prior to considering this investment for approval.

### **Presentation by Pilgrim**

Mr. Russ introduced Mary Lisanti of Pilgrim Investment Advisors. Pilgrim manages approximately \$250 million in Small Cap Growth for the Permanent University Fund, the Permanent Health Fund and the Long Term Fund. Ms. Lisanti distributed presentation materials to the Directors and presented Pilgrim's performance compared to Small Cap Market indices for the periods previous to and including May 31, 2000. Following the presentation, Ms. Lisanti answered the Directors' questions and then left the meeting.

### Audit and Ethics Committee Report

Mr. Riter reported on the May 30, 2000 meeting of the Audit and Ethics Committee. Mr. Riter stated that the Committee approved the minutes from the November 8, 1999 Committee meeting. He also stated that the Committee reviewed the Financial Statements for the period ended April 30, 2000 and that there were no significant items to report. The Committee also reviewed and approved the budget for fiscal year 2001. The Committee approved the appointment of Deloitte & Touche, LLP as the independent auditor for the year ended August 31, 2000, subject to approval by the Corporation's Board. Deloitte & Touche's fee will increase by 2%. The Committee approved Amendment No. 2 to the Valuation Criteria for Alternative Assets, subject to approval by the Corporation's Board, which was recommended by Deloitte & Touche to clarify intra-period adjustments to the market value of specific investments. Mr. Riter also reported that the Committee had approved the Audit and Ethics Charter, subject to approval by the Corporation's Board. He noted that the Committee had also received a report from the Corporation's Compliance Committee and that the only notable item to report was fiscal year 2000 write-offs of Alternative Nonmarketable Investments as approved by the Committee. Mr. Riter also referred to the draft Charter of the Audit and Ethics Committee, copies of which had previously been furnished to the Board. He stated that the Audit and Ethics Committee was recommending approval of the following resolutions. A motion was duly made and seconded, and the following resolutions were unanimously adopted:

WHEREAS, the Corporation's Board of Directors established an Audit and Ethics Committee on February 22, 1996; and

WHEREAS, on July 15, 1996 the Board of Directors approved the Audit and Ethics Committee Mandate; and

WHEREAS, this Committee desires to replace the Existing Audit and Ethics Committee Mandate with a Charter of the Audit and Ethics Committee of the Board of Directors (the "Charter");

NOW, THEREFORE, BE IT RESOLVED, that the Charter be and is hereby approved, and further

RESOLVED, that the firm of Deloitte & Touche, LLP be and is hereby appointed as the independent auditor of the Corporation for the year ended August 31, 2000, and further

RESOLVED, that the firm of Deloitte & Touche, LLP be and is hereby appointed as the independent auditor of the financial statements of the Permanent University Fund, Permanent Health Fund, Long Term Fund and Short Intermediate Term Fund, for the fiscal year ended August 31, 2000, and further

RESOLVED, that Amendment No. 2 to the Valuation Criteria for Alternative Assets be and is hereby approved, and further

RESOLVED, that the write-offs of Alternative Investments - Nonmarketable for the period ended May 31, 2000, as presented to this meeting, be and are hereby ratified, and further

RESOLVED, that the Corporation's Fee Request for the period September 1, 2000 through August 31, 2001 be and is hereby approved.

### Compensation Report

Mr. Allen announced that the Board of Directors would meet in executive session to receive compensation information concerning the Corporation's employees. All members of Corporation's staff left the meeting except for Mr. Ricks. Whereupon the Directors continued the meeting in Executive Session at 2:15 p.m.

At 2:30 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 Base Salary for the President and CEO for the period September 1, 2000 through August 31, 2001, as recommended by the Compensation Committee be and is hereby approved.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:35 p.m.

Secretary: Cathy Berg

APPROVED:

Vice Chairman: Robert M. 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 22, 1999.

The Executive Session started at 2:15 p.m. on June 29, 2000 at the Tower Club, Thanksgiving Tower -- 48<sup>th</sup> Floor, 1601 Elm Street, Dallas, Texas, and concluded at 2:30 p.m. on the same date.

Members of the Board present were

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

No votes or final action were taken on any matter.


**Certified Agenda of Executive Session**

The Board received information concerning compensation of the Corporation's employees.

The Executive Session concluded at 2:30 p.m., June 29, 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 June 29, 2000. The Executive Session concluded at 2:30 p.m., June 29, 2000.

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