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The University of Texas Investment Management Company

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Presentation Materials
Board of Directors Meeting

November 8, 1999

UTIMCO
BOARD OF DIRECTORS MEETING
**West Conference Room – 28th Floor, at the offices of Vinson & Elkins,
1001 Fannin, Houston, Texas**

November 8, 1999

AGENDA

12:30 p.m.	**Briefing Session** Direct Co-Investment in Songbird Medical Inc.
	Open Session
1:15 p.m.	Call to Order
1:15 p.m. - 1:20 p.m.	Approval of Minutes of September 22, 1999 Meeting
1:20 p.m. - 1:35 p.m.	Fiscal YTD Results
1:35 p.m. - 2:05 p.m	Review of Public Markets Portfolios
2:05 p.m. - 2:25 p.m.	Approval of Investment Programs Using Futures Contracts: - Commodities (GSCI Index) - Cash Equitization (S&P500 Index, Interest Rates)
2:25 p.m. – 2:45 p.m.	Break
2:45 p.m. - 3:15 p.m.	Alternative Investments Program Non-Marketable Approval of Commitment to Direct Co-Investments: Songbird Medical Inc. Approval of Commitments to Follow-on Funds: Baker Communications Fund II, L.P., Halpern Denny Fund III, L.P., Cortec Group Fund III, L.P., Austin Ventures VII L.P.
	Other
3:15 p.m. - 3:30 p.m.	Report of Audit & Ethics Committee
3:30 p.m. – 4:25 p.m.	**Executive Session** Discussion of UTIMCO Director Candidates
4:25 p.m. – 4:30 p.m.	**Recess into Open Session**
4:30 p.m.	**Adjournment**

The University of Texas Investment Management Company

Board of Directors Meeting
November 8, 1999

Presenters

Songbird Medical, Inc.

Fred Fritz	President & CEO
Mike Tardugno	Sr. VP of Operations

Resolution No. 1

RESOLVED, that the minutes of the Meeting of the Board of Directors held on September 22, 1999, be and are hereby approved.

**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 22nd day of September, 1999 at the offices of Vinson & Elkins, L.L.P., 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 H. Allen, Vice Chairman
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 Susan M. Byrne was absent. Director William H. Cunningham 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 and Austin Long of Corporation's management ("Management"); and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation. Mr. Allen called the meeting to order at 10:09 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

Acceptance of Appointment and Resignation of Directors

The first item Mr. Allen presented to the Board was a proposed resolution for the appointment and resignation of Corporation Directors. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

> WHEREAS, Section 66.08 Texas Education Code (the "Code") requires that the Board of Regents of The University of Texas System (the "Board of Regents") appoint and remove all members of the UTIMCO Board; and
>
> WHEREAS, the Board of Regents, on May 13, 1999, appointed Mr. Charles Miller and Mr. Patrick C. Oxford to serve as members of the UTIMCO Board until such time as successor directors were appointed by the Board of Regents; and
>
> WHEREAS, the Board of Regents, on August 12, 1999, appointed Mr. A. R. (Tony) Sanchez, Jr. and Mr. Woody L. Hunt to serve as members of the UTIMCO Board

effective upon the contemporaneous resignation by Mr. Miller and Mr. Oxford and until such time as successor directors were appointed by the Board of Regents; NOW THEREFORE BE IT

RESOLVED, that the appointments of Mr. Sanchez and Mr. Hunt to the UTIMCO Board by the Board of Regents to replace Mr. Miller and Mr. Oxford, are hereby accepted; and

RESOLVED, that the resignations of Mr. Miller and Mr. Oxford from the UTIMCO Board, effective upon the date of appointment of their successors by the Board of Regents, are hereby accepted; and

RESOLVED, that the UTIMCO Board does, on behalf of UTIMCO, express appreciation for the dedication with which Mr. Miller and Mr. Oxford have served on the UTIMCO Board.

At this point, Dr. Cunningham joined the meeting.

Approval of Corporation's Open Meeting Policy Statement

Mr. Allen turned the discussion over to Mr. Turner who reviewed the Open Meeting Policy Statement adopted by the Board of Regents on September 3, 1999. Mr. Turner read part of the policy which states, "although UTIMCO is not subject to the Texas Open Meetings Act, Chapter 551 of the Texas Government Code (TOMA), the Board of Directors of UTIMCO recognizes that the public has a valid interest in the meetings of the Board and its Committees being open to the public." Mr. Turner stated that since the Corporation is not subject to TOMA, the statutory penal provisions do not extend to the Board. Mr. Turner reviewed the policy's briefing session provisions for private investments and stated that the Texas legislature approved these provisions for the Texas Growth Fund, an investor in private investments. Dr. Cunningham stated that the provisions associated with telephonic meetings were more conducive to the Corporation's business as compared with the provisions in the Texas Open Meetings Act. Mr. Turner answered the Directors questions and upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that an open meeting policy as set forth in the Open Meeting Policy Statement presented to this meeting be and is hereby approved

Mr. Ricks reported that notice of this meeting had been provided in the manner set forth in the Open Meetings Policy Statement.

Minutes

The next item to come before the Board of Directors was approval of the minutes of the meeting of the Board of Directors held on June 24, 1999. 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 June 24, 1999 be and are hereby approved in the form provided.

FY 1999 Financial Highlights

Mr. Ricks reported on the financial highlights for the year ended August 31, 1999. Mr. Ricks stated that the value of the assets under Corporation's management had increased by approximately 20% over the previous year with most of the increase attributable to endowment funds. The Permanent Health Fund (PHF), an endowment fund created by the 1999 legislative session, provided $890 million in new endowment contributions. Mr. Ricks stated that the Permanent University Fund (PUF) had its 2nd best year on record and reviewed the PUF's 1999 financial activity. Mr. Ricks reviewed the PUF's asset allocation and total return for the year ended August 31, 1999. He noted that the overweighting in fixed income securities accounted for most of the underperformance of the PUF compared to its neutral policy return. He also stated that the higher than optimal allocation to fixed income was required in order to maintain the distribution stream to the Available University Fund (AUF). Mr. Ricks reviewed the PUF's income distributions to the AUF. Mr. Ricks stated that for the ten years ended August 31, 1999 the PUF's average annual increase in purchasing power gain was 2.95%. Mr. Ricks stated that the PHF received $890 million in new contributions on August 30, 1999 and it earned $.3 million in interest for the final two days of the year. Mr. Ricks reviewed the financial highlights for the Long Term Fund (LTF) and stated that the Fund had a record year producing a total return of 22.1% compared to its policy portfolio of 24.3% and PUF's return of 17.9%. For the ten years ended August 31, 1999 the LTF had an average annual increase in purchasing power of 3.6%. The Short Intermediate Term Fund's return for the year was 2.95% compared to its benchmark of 3.75%. Mr. Ricks answered the Directors' questions.

Approval of Endowment Asset Allocation Guidelines for PUF, PHF and LTF

Mr. Ricks presented the proposed endowment asset allocation guidelines for the PHF, the LTF and the PUF, assuming passage of Proposition 17. Mr. Ricks noted the changes in the proposed asset allocation guidelines and the improved return/risk ratio compared to that proposed in the study by Cambridge and Associates, Inc. Mr. Ricks and Mr. Russ reviewed the efficient frontier analysis supporting the Corporation's recommendations on asset allocation. Mr. Ricks answered the Directors' questions and upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the endowment asset allocation guidelines (as presented to this meeting) for the Permanent Health Fund, the Long Term Fund and the Permanent University Fund (in the event that Proposition 17 is approved in the Constitutional Amendment Election on November 2, 1999) be and are hereby approved.

Approval of Investment Policy Statements for PUF, PHF and LTF

Mr. Ricks reviewed the changes to the endowment investment policies stating that the changes to the PUF's policy were to conform it to the other endowment policy statements. He also mentioned that the PUF, PHF and LTF policies included an inflation hedging asset class. Mr. Ricks answered the Directors' questions and upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the Investment Policy Statements (as presented to this meeting) for the Permanent Health Fund, the Long Term Fund and the Permanent University Fund (in the event that Proposition 17 is approved in the Constitutional Amendment Election on November 2, 1999) be and are hereby approved.

Approval of FY2000 PUF Distribution

Mr. Ricks stated that the PUF's distribution provisions, as provided for in the amended investment policy statement, are designed to take out the volatility in distributions to the AUF. Mr. Ricks answered the Directors' questions and upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that a distribution of $285,923,022 from the Permanent University Fund to the Available University Fund for the fiscal year ended August 31, 2000 be and is hereby approved in the event that Proposition 17 is approved in the Constitutional Amendment Election on November 2, 1999.

Approval of the Nonmarketable Alternative Investments FY2000 Commitment Budget

Mr. Ricks reviewed the projected market values for the endowment funds and the estimated aggregate value for the Non-marketable investments through FY2004. At this point, Mr. Sanchez and Dr. Cunningham left the meeting and returned a few minutes later. Mr. Ricks answered the Directors' questions and upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that a commitment budget for Alternative Investments – Nonmarketable of $296.3 million for the fiscal year ended August 31, 2000 be and is hereby approved.

Approval of Commitments to Windjammer Mezzanine & Equity Fund II, L. P. and Hampshire Equity Partners III, L.P.

The next item presented to the Board was the review and approval of two follow-on investments, Windjammer Mezzanine & Equity Fund II, L. P. and Hampshire Equity Partners III, L.P. Mr. Long and Mr. Ricks answered the Directors' questions and upon motion duly made and seconded, the following resolutions were unanimously adopted:

Approving Windjammer Mezzanine & Equity Fund II, L. P.
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 Windjammer Capital Investors, L.L.C., to invest up to $25 million of PUF, PHF and LTF assets in **Windjammer Mezzanine & Equity Fund II, L.P.;**

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 September 22, 1999 for Windjammer Mezzanine & Equity Fund II, 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 Windjammer Mezzanine & Equity Fund II, 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.

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 Lexington Equity Partners III, L.L.C. to invest up to $40 million of PUF, PHF and LTF assets in **Hampshire Equity Partners III, L.P.;**

Approving Hampshire Equity Partners III, L.P.

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 September 22, 1999 for Hampshire Equity 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 Hampshire Equity 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.

At this point, Dr. Cunningham left the meeting.

Approval of Commitment of OCM Opportunities Fund III, L. P.

The next matter to come before the Board of Directors was a discussion regarding a proposed investment in OCM Opportunities Fund III, L. P. Mr. Russ reviewed the Due Diligence Review and Recommendation prepared by the Corporation's management dated September 22, 1999. Mr. Russ introduced representatives of OCM Opportunities Fund III, L. P., who provided a presentation and handout materials to each Director on OCM Opportunities Fund III, L. P. The representatives of the Fund answered questions of the Directors and then left the meeting. The

Directors discussed the proposed investment 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 an investment agreement (the "Agreement") with Oaktree Capital Management, LLC to invest up to $50 million of PUF, PHF and LTF assets in **OCM Opportunities Fund III, L.P.**;
>
> 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 September 22, 1999 for OCM Opportunities 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 OCM Opportunities 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.

Report on FY 1999 Write-offs of Alternative Investments-Nonmarketable

Mr. Ricks presented a report on the write-offs of Alternative Investments-Nonmarketable investments for the year and answered the Directors' questions. Upon motion duly made and seconded, and the following resolution was unanimously adopted:

RESOLVED, that the write-offs of Alternative Investments – Nonmarketable for the fiscal year ended August 31, 1999, as presented to this meeting, be and are hereby ratified.

disclose those amounts

Amendment to the Corporation's Bylaws: Formation of Nomination Committee

Mr. Allen presented the last item on the agenda proposing an amendment to the Corporation's bylaws to add the creation of a nominating committee section. Following a discussion by the Directors' a motion was duly made and seconded, and the following resolutions were unanimously adopted:

RESOLVED, that the addition of Section 5a to Article III of the Corporation's Bylaws, as presented below, be and is hereby approved.

Section 5A. Nominations; Nominating Committee. Upon the occurrence of a vacancy in the office of Director, the Board of Directors shall submit to the Board of Regents the name of a nominee to fill such vacancy. The nominee so submitted shall be selected by the Board of Directors from a list of names compiled by the Chairman of the Board. Prior to selection of the nominee, a nominating committee shall screen the individuals on the list and recommend to the Board a nominee to fill such vacancy. The Chairman of the Board shall appoint three members of the Board to serve as the nominating committee and shall designate the chairman of the committee.

Dub as chairman 6:4

RESOLVED, that Susan M. Byrne, A.W. (Dub) Riter, and A. R. (Tony) Sanchez are hereby designated as the Nominating Committee of the Board of Directors to serve until their successors are chosen and qualify, or until their earlier resignation or removal.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately at 12:30 p.m.

Secretary: ______________________

APPROVED:

Vice Chairman: ______________________

To be distributed at the meeting.

LTF - Public Markets FY 98-99

- The LTF outperformed its Policy Portfolio for the 1, 3, and 6 months period approaching the 8/31/1999 year end.
- The Actual Asset Allocation (AA) is approaching the Policy Asset Allocation
  - This recent out performance is a result of these shifts and is attributable to the Asset Allocation Effect, not specific manager's Security Selection Effect.
  - Although the focus of this report is FY 98-99, longer time horizons should be emphasized.
- The combined AA effects of Public and Private markets manifested in this result.

LONG TERM FUND

GROSS OF FEES PERFORMANCE SUMMARY

AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999: One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 1999	Calendar Year To Date Eight Months Ended August 31, 1999
Long Term Fund	$ 2,602.2	100.0	0.26	3.37	8.15	22.12	11.58	15.93	15.02	13.01	22.12	6.17
vs. Policy			0.55	1.02	0.19	(7.22)	(3.83)	(2.97)	(2.28)	(3.05)	(7.22)	(1.05)
vs. Policy (Restated)			0.29	0.81	0.48	(2.20)	(2.04)	(0.16)	(0.05)	(1.53)	(2.20)	(0.94)
Policy			(0.29)	2.34	7.96	29.33	15.42	18.90	17.31	16.06	29.33	7.22
Policy-Restated[1]			(0.03)	2.55	7.68	24.32	13.62	16.09	15.07	14.53	24.32	7.11

LTF - Fixed Income

- PIMCO hired 4/1998
- Inception to date Performance is better than expectations, + 1.07% Alpha overall (U.S. and Non-U.S.) versus the LBAGG Index. (First full year for PIMCO.)
- Small segment of "internal" - $29.8 MM - is passively managed maturing bonds.

LONG TERM FUND

GROSS OF FEES PERFORMANCE SUMMARY

AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999: One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 1999	Calendar Year To Date Eight Months Ended August 31, 1999
Fixed Income:												
Domestic Fixed Income:												
Internally Managed	29.8	1.1	(0.02)	(0.24)	(1.13)	(0.23)	6.55	8.01	8.29	7.42	(0.23)	(2.82)
vs. Lehman Brothers Aggregate			0.03	0.56	(0.32)	(1.02)	0.98	0.98	1.02	0.93	(1.02)	(0.98)
PIMCO	282.5	10.9	0.21	(0.46)	0.12	1.53	-	-	-	-	1.53	(1.03)
vs. Lehman Brothers Aggregate			0.26	0.33	0.92	0.73	-	-	-	-	0.73	0.81
GSAM	95.0	3.7	(0.26)	(1.12)	(0.73)	0.23	-	-	-	-	0.23	(1.79)
vs. Lehman Brothers Aggregate			(0.21)	(0.33)	0.08	(0.57)	-	-	-	-	(0.57)	0.05
Lehman Brothers Aggregate			(0.05)	(0.79)	(0.80)	0.80	5.57	7.03	7.27	6.49	0.80	(1.84)
Total Domestic Fixed Income	**407.3**	**15.7**	**0.08**	**(0.60)**	**(0.17)**	**1.09**	**6.91**	**8.25**	**8.44**	**7.52**	**1.09**	**(1.35)**
vs. Lehman Brothers Aggregate			0.13	0.19	0.63	0.29	1.34	1.23	1.17	1.03	0.29	0.49
International Fixed Income:												
PIMCO	91.6	3.5	0.09	1.57	(1.42)	5.53	-	-	-	-	5.53	(6.03)
vs. Salomon Non-U.S. WGBI Unhedged			(0.55)	(0.12)	(1.10)	(0.66)	-	-	-	-	(0.66)	(0.69)
Salomon Non-U.S. WGBI Unhedged			0.64	1.69	(0.32)	6.19	6.14	2.86	6.39	6.25	6.19	(5.33)
Total International Fixed Income	**91.6**	**3.5**	**0.09**	**1.57**	**(1.42)**	**5.53**	-	-	-	-	**5.53**	**(6.03)**
Total Fixed Income	**498.9**	**19.2**	**0.08**	**(0.21)**	**(0.40)**	**1.87**	**6.77**	**8.16**	**8.39**	**7.48**	**1.87**	**(2.24)**
vs. Lehman Brothers Aggregate			0.13	0.58	0.40	1.07	1.20	1.13	1.11	0.99	1.07	(0.40)

LTF - Large Cap Managers

- As a group LTF Internal and External Active Large Cap Equity managers have done worse than their respective indices and on the whole worse than the S&P 500 Index, pulling down the overall LTF Total Return by a negative 5.60% relative to the S&P 500. 39.82
- Temporary periods of outperformance do not persist.
- As has been noted in previous meetings, that it is difficult to consistently out perform the efficient U.S. Large Cap Equities markets.
- Without the substantial commitment to the S&P 500 Index, the performance of U.S. Large Cap equities would have been worse.

LONG TERM FUND

GROSS OF FEES PERFORMANCE SUMMARY

AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999: One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 1999	Calendar Year To Date Eight Months Ended August 31, 1999
Equities:												
Domestic Equities:												
Large/Med Cap Equities:												
Fayez Sarofim	39.9	1.5	1.58	3.33	4.58	31.35	19.75	25.85	25.69	19.07	31.35	4.30
vs. S & P 500 Index			2.08	1.59	(2.75)	(8.47)	(3.19)	(2.73)	0.59	(1.58)	(8.47)	(4.04)
Greg Cox (1)	156.7	6.0	(4.58)	(6.24)	(0.63)	16.03	7.29	17.27	18.14	-	16.03	(2.88)
vs. S & P Barra Value			(2.04)	(4.34)	(8.48)	(18.08)	(8.29)	(5.09)	(2.62)	-	(18.08)	(10.53)
Barclays Global Investors S&P	432.1	16.6	(0.48)	1.74	7.31	39.73	23.40	28.89	25.37	-	39.73	8.34
vs. S & P 500 Index			0.01	(0.00)	(0.01)	(0.09)	0.46	0.32	0.27	-	(0.09)	0.00
MBA Investments	0.9	0.0	(1.88)	2.00	4.58	35.88	11.95	20.79	-	-	35.88	6.83
vs. S & P 500 Index			(1.38)	0.25	(2.74)	(3.94)	(10.99)	(7.78)	-	-	(3.94)	(1.51)
GSAM	224.9	8.6	(0.58)	2.06	7.71	39.32	-	-	-	-	39.32	10.19
vs. S & P 500 Index			(0.08)	0.31	0.39	(0.50)	-	-	-	-	(0.50)	1.85
Total Large/Med Cap Equities	**854.5**	**32.7**	**(1.19)**	**0.33**	**5.70**	**34.21**	**17.78**	**24.23**	**22.17**	**18.27**	**34.21**	**6.36**
vs. S & P 500 Index			(0.70)	(1.42)	(1.62)	(5.60)	(5.16)	(4.34)	(2.93)	(2.38)	(5.60)	(1.98)
S&P 500 Index			(0.50)	1.75	7.32	39.82	22.94	28.58	25.10	20.65	39.82	8.34
(1) S&P 500 Barra Value			(2.53)	(1.90)	7.85	34.11	15.58	22.36	20.76	18.67	34.11	7.66

LTF - Small Cap Managers

- Northstar - with a 95.28% total return for FY 98-99 - lifted the entire LTF Small Cap Portfolio to an outperformance of 10.12% greater than the Russell 2000 Benchmark.
- Rosenberg has delivered disappointing performance, despite an excellent long term track record.
  - FY 98-99: 18.38% v. R 2000 28.37%, negative 9.99% relative. (watch list)
- GSAM has been recovering from the 8/1998 market period.
  - FY 98-99: 24.42% v. R 2000 28.37%, negative 3.95% relative.
- Artisan was terminated in April, outperformance attributable to one stock remaining in portfolio.

Greg Cox is managing the REIT, will he buy it?

- Schroder has outperformed its R 2000 Value Index by a large 8.65% margin.
  - FY 98-99: 22.75% v. R 2000 Value 14.09%, positive 8.65% relative.
- The inefficient U.S. Small Cap markets have provided alpha.

LONG TERM FUND
GROSS OF FEES PERFORMANCE SUMMARY
AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999 One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 1999	Calendar Year To Date Eight Months Ended August 31, 1999
Small Cap Equities:												
Northstar	105.4	4.1	3.63	31.06	38.88	95.28	21.89	-	-	-	95.28	36.69
vs. Russell 2000 Growth			7.37	32.85	28.02	51.96	19.12	-	-	-	51.96	31.45
Russell 2000 Growth			(3.74)	(1.80)	10.85	43.32	2.78	8.23	11.81	12.85	43.32	5.24
Artisan Partners (Terminated Ap	0.4	0.0	-	3.02	6.38	9.71	(8.20)	3.32	-	-	9.71	(6.42)
vs. Russell 2000 Value			3.66	5.56	(2.35)	(4.39)	(8.42)	(8.00)	-	-	(4.39)	(5.43)
Schroder	50.1	1.9	(4.05)	(1.19)	16.33	22.75	(3.45)	13.05	13.33	-	22.75	0.37
vs. Russell 2000 Value			(0.39)	1.35	7.60	8.65	(3.68)	1.74	1.01	-	8.65	1.37
Russell 2000 Value			(3.66)	(2.54)	8.73	14.09	0.23	11.31	12.32	14.74	14.09	(1.00)
GSAM	77.2	3.0	(2.98)	0.98	9.91	24.42	-	-	-	-	24.42	1.31
vs. Russell 2000			0.72	3.09	(0.01)	(3.95)	-	-	-	-	(3.95)	(1.04)
Rosenberg Equity	48.7	1.8	(2.95)	2.39	9.35	18.38	-	-	-	-	18.38	(1.04)
vs. Russell 2000			0.75	4.49	(0.56)	(9.99)	-	-	-	-	(9.99)	(3.39)
Russell 2000			(3.70)	(2.10)	9.91	28.37	1.71	10.08	12.30	14.02	28.37	2.35
Total Small Cap Equities	**281.8**	**10.8**	**(0.80)**	**10.27**	**19.65**	**38.49**	**4.00**	**10.61**	**13.48**	-	**38.49**	**9.97**
vs. Russell 2000			2.90	12.38	9.73	10.12	2.29	0.53	1.19	-	10.12	7.62

LTF - International Equities

- Eagle Advisors's (entered as Barclays Global Investors, the fund provider) underweight to Japan assisted in this year's substantial underperformance of minus 7.69% versus the benchmark.
- The Capital Guardian International Small Cap Portfolio outperformed the MSCI EAFE Index by + 6.17%
- The Mark Mobius managed Templeton Emerging Markets portfolio delivered an excellent 65.78% Total Return for FY 98-99, although slightly lower than the benchmark return of 68.66%
- The GSAM Emerging Markets portfolio also returned a large total return of 55.57%, but also slightly less than the benchmark.
- The Total Return for the combined International Equity portfolio was 29.30% for FY 98-99.
- The various International Indices delivered mixed results.
  - FTA 30.42%, EAFE 25.67%, and FTA Europe + Pacific 29.93%

LONG TERM FUND

GROSS OF FEES PERFORMANCE SUMMARY

AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999 One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 1999	Calendar Year To Date Eight Months Ended August 31, 1999
International Equities:												
Established Markets:												
Barclays Global Investors International Fund(2)	189.3	7.3	0.49	6.62	8.90	22.72	13.19	13.02	9.57	-	22.72	5.23
vs. Financial Times Actuaries World (excluding U.S.)			(0.62)	(2.09)	(4.77)	(7.69)	1.88	2.45	1.67	-	(7.69)	(5.60)
Capital Guardian Trust(3)	47.5	1.8	5.10	18.42	32.20	31.85	3.79	-	-	-	31.85	28.81
vs. MSCI EAFE Net			4.73	11.04	21.80	6.17	(8.23)	-	-	-	6.17	21.36
Barclays Global Investors Money Market	4.7	0.2	0.44	1.32	2.61	5.38	5.66	5.54	-	-	5.38	3.42
GSAM(4)	82.7	3.2	1.96	8.62	10.98	24.55	-	-	-	-	24.55	9.57
vs. Financial Times Actuaries Europe + Pacific			0.64	(0.62)	(2.42)	(5.38)	-	-	-	-	(5.38)	(0.88)
Total Established Markets	**324.2**	**12.5**	**1.49**	**8.56**	**12.05**	**24.12**	**10.91**	**11.79**	**8.99**	-	**24.12**	**9.09**
(2) Financial Times Actuaries World (excluding U.S.)			1.11	8.71	13.67	30.42	11.31	10.57	7.90	10.85	30.42	10.83
(3) MSCI EAFE Net			0.37	7.38	10.40	25.67	12.03	11.03	8.21	11.06	25.67	7.45
(4) Financial Times Actuaries Europe + Pacific			1.32	9.24	13.40	29.93	12.57	10.92	8.14	11.02	29.93	10.45
Emerging Markets:												
Templeton	50.9	2.0	(3.55)	1.15	34.09	65.78	(9.81)	(0.24)	-	-	65.78	27.64
vs. MSCI Emerging Markets			(4.38)	(7.71)	(2.57)	(2.88)	(0.83)	5.05	-	-	(2.88)	(7.93)
GSAM	23.5	0.9	(0.85)	9.21	34.18	55.57	-	-	-	-	55.57	29.35
vs. MSCI Emerging Markets			(1.68)	0.35	(2.48)	(13.09)	-	-	-	-	(13.09)	(6.21)
Total Emerging Markets	**74.4**	**2.9**	**(2.71)**	**3.56**	**34.23**	**63.00**	**(11.18)**	**(1.25)**	-	-	**63.00**	**28.21**
MSCI Emerging Markets			0.84	8.86	36.66	68.66	(8.98)	(5.29)	(6.64)	4.72	68.66	35.57
Total Foreign Equities	**398.6**	**15.4**	**0.70**	**7.61**	**15.26**	**29.30**	**6.59**	**9.35**	**7.62**	-	**29.30**	**11.90**

LTF - Alternative Marketable Equities

- Farallon Capital, Maverick Capital, and Perry Partners exceeded the benchmark return by substantial margins, 6.74%, +8.31%, and +7.96 respectively.
- RIEM disappointed with a negative 16.71% return, effecting the overall portfolio.
  - RIEM is on the watch list with negative implications.
  - Staff is reviewing other Market Neutral managers

gross - net more

- Recall that the AME strategy is NEGATIVELY correlated with the S&P 500 Index by design.
- Inception of this program 8/1998.

(higher fee burden)

LONG TERM FUND

GROSS OF FEES PERFORMANCE SUMMARY

AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 1999	Calendar Year To Date Eight Months Ended August 31, 1999
			Periods Ended August 31, 1999									
Alternative Equities:												
Marketable:												
Maverick Fund	103.4	4.0	(6.05)	(2.14)	9.51	20.62	-	-	-	-	20.62	7.62
vs. 90 Day Treasury Bill + 7%			(7.04)	(5.15)	3.47	8.31	-	-	-	-	8.31	(0.35)
RIEM	69.2	2.7	(1.17)	0.56	(8.11)	(16.71)	-	-	-	-	(16.71)	(13.68)
vs. 90 Day Treasury Bill + 7%			(2.16)	(2.45)	(14.15)	(29.02)	-	-	-	-	(29.02)	(21.65)
Perry Partners International	48.4	1.9	0.18	4.63	11.75	20.27	-	-	-	-	20.27	12.97
vs. 90 Day Treasury Bill + 7%			(0.81)	1.62	5.71	7.96	-	-	-	-	7.96	5.00
Farallon Capital Offshore Investors	40.0	1.5	0.57	5.48	13.76	19.05	-	-	-	-	19.05	14.55
vs. 90 Day Treasury Bill + 7%			(0.42)	2.47	7.72	6.74	-	-	-	-	6.74	6.58
90 Day Treasury Bill + 7%			0.99	3.01	6.04	12.31	12.60	12.73	12.93	12.34	12.31	7.97
Total Marketable	**261.0**	**10.1**	**(2.65)**	**0.89**	**4.86**	**6.73**	-	-	-	-	**6.73**	**2.36**
vs. 90 Day Treasury Bill + 7%			(3.64)	(2.12)	(1.18)	(5.58)	-	-	-	-	(5.58)	(5.61)

PUF - Public Markets

- The PUF has been managed with the focus on generating income, rather than as a pure total return portfolio.
- Therefore, the Fixed Income portion of the PUF asset allocation at 30.2% is higher than the LTF's allocation of 19.2% as of 8/31/1999.
- This asset allocation effect in turn affected the overall return of the PUF, for FY 98-99 PUF Total Return was 17.91% vs. 22.12% for the LTF and 24.32% for the Policy Portfolio:

PERMANENT UNIVERSITY FUND
GROSS OF FEES PERFORMANCE SUMMARY
AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999: One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date: Year Ended August 31, 1999	Calendar Year To Date: Eight Months Ended August 31, 1999
Permanent University Fund	$ 7,465.6	100.0	0.05	1.05	5.14	17.91	11.28	15.32	14.53	12.55	17.91	2.61
vs. Policy			0.34	(1.30)	(2.82)	(11.43)	(4.13)	(3.59)	(2.78)	(3.51)	(11.43)	(4.61)
vs. Policy (Restated)			0.08	(1.51)	(2.53)	(6.41)	(2.34)	(0.78)	(0.54)	(1.98)	(6.41)	(4.50)
Policy			(0.29)	2.34	7.96	29.33	15.42	18.90	17.31	16.06	29.33	7.22
Policy-Restated²			(0.03)	2.55	7.68	24.32	13.62	16.09	15.07	14.53	24.32	7.11

PUF - Fixed Income

- PUF Fixed Income Investments are managed internally. This is cost effective in that the portfolio is a "buy and hold" strategy in keeping with the Constitutionally mandated "pay all income" rule.
- The PUF bonds are not managed on a total return basis.
- Long Run performance has kept pace with the index.
- FY 98-99 was a poor performing period for US Bonds resulting in a negative 1.00% total return for the PUF portfolio, or a negative 1.80% relative to the LBAGG.
  - Recall that when yields rise, the value of bonds in a buy and hold portfolio fall to reflect current interest rate markets.

PERMANENT UNIVERSITY FUND

GROSS OF FEES PERFORMANCE SUMMARY

AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999: One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 1999	Calendar Year To Date Eight Months Ended August 31, 1999
Fixed Income-Interna	2,256.5	30.2	(0.35)	(1.32)	(1.66)	(1.01)	5.70	7.54	8.03	7.19	-1.01	(3.81)
vs. Lehman Brothers Aggregate			(0.30)	(0.52)	(0.86)	(1.80)	0.13	0.52	0.76	0.70	(1.80)	(1.97)
Lehman Brothers Aggregate			(0.05)	(0.79)	(0.80)	0.80	5.57	7.03	7.27	6.49	0.80	(1.84)

PUF - Large Cap Managers

- In the past the PUF has emphasized a "value-tilt" that increases the dividend payout of this portion of the portfolio.
- The PUF also shares some of the same Active investment managers as the LTF, who also delivered poor performance in the PUF portfolios.
- Fayez Sarofim delivered less than benchmark returns for FY 98-99 of 30.39% versus 39.82%, or negative 9.42% on a relative basis.
- Internal Large Cap Equity portfolio also performed poorly relative to the S&P 500 Index:
  - Internal Large Cap Growth total return of 32.43% or negative 7.39% relative to the S&P 500
  - Internal Equity Income total return of 19.95% or negative 19.87% relative to the S&P 500
- On the upside, Davis Hamilton & Jackson outperformed the S&P 500 Index by 1.99%
- The Internally managed REIT portfolio outperformed on a relative basis by 0.93%.
- Finally the Cash Equitization Portfolio exceeded the benchmark by 0.29% program to date. (11/1/1998 to 8/31/1999)

PERMANENT UNIVERSITY FUND
GROSS OF FEES PERFORMANCE SUMMARY
AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999 One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 1999	Calendar Year To Date ight Months Ende August 31, 1999
Equities:												
Domestic Equities:												
Large/Med Cap Equities												
Fayez Sarofim	192.4	2.6	2.02	3.30	4.63	30.39	19.59	25.43	25.61	19.01	30.39	4.29
vs. S & P 500 Index			2.51	1.56	(2.69)	(9.42)	(3.35)	(3.14)	0.51	(1.64)	(9.42)	(4.05)
Holland Timmins	489.5	6.6	0.10	2.03	5.53	32.43	21.93	26.87	22.87	-	32.43	5.21
vs. S & P 500 Index			0.60	0.29	(1.79)	(7.39)	(1.01)	(1.71)	(2.23)	-	(7.39)	(3.14)
Davis Hamilton Jackson	80.9	1.1	(0.71)	3.57	6.67	41.81	26.62	29.50	24.09	-	41.81	7.20
vs. S & P 500 Index			(0.21)	1.82	(0.66)	1.99	3.68	0.93	(1.01)	-	1.99	(1.14)
Greg Cox - Internal Real Estate Ir	226.5	3.0	(1.20)	(6.35)	4.04	3.67	(3.22)	11.37	12.67	-	3.67	0.04
vs. NAREIT Equity			0.07	(0.40)	(0.72)	0.93	1.18	5.05	3.92	-	0.93	(0.12)
Greg Cox - Internal Equity (2)	487.7	6.5	(3.37)	(4.39)	1.20	19.95	10.92	18.88	19.35	-	19.95	(1.38)
vs. S & P 500 Barra Value			(0.83)	(2.49)	(6.64)	(14.15)	(4.66)	(3.48)	(1.41)	-	(14.15)	(9.04)
Greg Cox - Combined	**714.2**		**(2.69)**	**(5.01)**	**2.08**	**14.16**	**5.38**	**15.90**	**17.20**	-	**14.16**	**(0.94)**
Barclays Global Investors S&P	1,102.9	14.8	(0.48)	1.74	7.31	39.72	22.90	28.53	25.14	-	39.72	8.34
vs. S & P 500 Index			0.01	(0.00)	(0.01)	(0.10)	(0.04)	(0.05)	0.04	-	(0.10)	0.00
Cash Equitization	178.0	2.4	(0.47)	2.00	7.40	-	-	-	-	-	-	7.41
vs. S & P 500 Index			0.03	0.25	0.08	-	-	-	-	-	-	(0.93)
S&P 500 Index			(0.50)	1.75	7.32	39.82	22.94	28.58	25.10	20.65	39.82	8.34
(1) NAREIT Equity			(1.27)	(5.96)	4.76	2.74	(4.40)	6.32	8.74	10.61	2.74	0.16
(2) S&P 500 Barra Value			(2.53)	(1.90)	7.85	34.11	15.58	22.36	20.76	18.67	34.11	7.66
Barclays Global Investors Mid C	718.2	9.6	(3.42)	(0.45)	10.95	41.52	13.33	20.82	19.04	-	41.52	1.11
vs. S & P Mid Cap Index			0.00	(0.03)	0.03	(0.06)	0.06	0.05	0.16	-	(0.06)	0.09
S&P Mid Cap Index			(3.43)	(0.42)	10.92	41.58	13.27	20.77	18.88	17.50	41.58	1.02
Total Large/Med Cap Equities	**3,476.1**	**46.6**	**(1.35)**	**(0.01)**	**6.42**	**32.20**	**16.17**	**23.00**	**21.21**	**17.71**	**32.20**	**4.03**
vs. S & P 500 Index			(0.86)	(1.76)	(0.90)	(7.61)	(6.77)	(5.57)	(3.89)	(2.94)	(7.61)	(4.31)

PUF - Small Cap Managers

- Cordillera delivered a 59.01% Total Return (TR) versus the Benchmark Russell 2000 Growth TR of 43.32%
- Fortaleza underperformed dramatically with an 18.10% TR for a negative relative performance of minus 25.22% versus the Russell 2000 Growth Index. Fortaleza has been struggling for several years.
- Paradigm is closet indexer that has underperformed the index slightly for FY 98-99. In the long run after fees, Paradigm is essentially an index manager.
- Schroder has outperformed its R 2000 Value Index by a large 9.05% margin.
- Cordillera and Schroder pulled the combined Small cap portfolio to break even with the Russell 2000 Index, 27.17% v. 27.17%.

PERMANENT UNIVERSITY FUND

GROSS OF FEES PERFORMANCE SUMMARY

AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	Periods Ended August 31, 1999: One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 19	Calendar Year To Date Eight Months Ended August 31, 1999
Small Cap Equities												
Cordillera	35.9	0.5	(4.34)	9.68	21.26	59.01	10.71	17.61	17.37	-	59.01	12.04
vs. Russell 2000 Growth			(0.60)	11.48	10.41	15.68	7.93	9.38	5.56	-	15.68	6.79
Fortaleza	33.5	0.4	(0.26)	1.35	(1.65)	18.10	(9.77)	0.45	6.75	-	18.10	(14.53)
vs. Russell 2000 Growth			3.48	3.15	(12.50)	(25.22)	(12.54)	(7.78)	(5.06)	-	(25.22)	(19.77)
Paradigm	26.8	0.4	(0.13)	5.84	15.36	43.08	3.87	8.38	12.57	-	43.08	6.92
vs. Russell 2000 Growth			3.61	7.64	4.51	(0.24)	1.09	0.15	0.75	-	(0.24)	1.67
Russell 2000 Growth			(3.74)	(1.80)	10.85	43.32	2.78	8.23	11.81	12.85	43.32	5.24
Schroder	230.8	3.0	(4.10)	(1.12)	16.16	23.14	(3.17)	13.59	14.17	-	23.14	0.41
vs. Russell 2000 Value			(0.44)	1.42	7.43	9.05	(3.40)	2.28	1.85	-	9.05	1.41
Russell 2000 Value			(3.66)	(2.54)	8.73	14.09	0.23	11.31	12.32	14.74	14.09	(1.00)
Total Small Cap Equities	**327.0**	**4.3**	**(3.43)**	**0.77**	**14.50**	**27.17**	**(1.91)**	**11.11**	**13.54**	-	**27.17**	**0.26**
vs. Russell 2000			(3.43)	0.77	14.50	27.17	(1.91)	11.11	13.54	-	27.17	0.26

PUF - International Equities

- Again, Eagle Advisors (entered as Barclays Global Investors, the fund provider) underweight to Japan assisted in this year's substantial underperformance of minus 7.73% versus the benchmark.
- No Emerging Market Investments currently in PUF.

PERMANENT UNIVERSITY FUND
GROSS OF FEES PERFORMANCE SUMMARY
AUGUST 31, 1999

	Net Asset Value (in millions)	Allocation %	One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Year Ended August 31, 199	Calendar Year To Date Eight Months Ended August 31, 1999
			Periods Ended August 31, 1999									
International Equities:												
Barclays Global Investo	496.7	6.7	0.56	6.64	8.84	22.69	13.15	13.04	9.58	-	22.69	5.21
vs. Financial Times Actuaries World (excluding U.S.)			(0.56)	(2.07)	(4.82)	(7.73)	1.84	2.47	1.68	-	(7.73)	(5.62)
Barclays Global Investo	11.8	0.2	0.44	1.37	2.67	5.49	5.74	5.65	-	-	5.49	3.49
Financial Times Actuaries World (excluding U.S.)			1.11	8.71	13.67	30.42	11.31	10.57	7.90	10.85	30.42	10.83
Total Foreign Equiti	**508.5**	**6.9**	**0.55**	**6.52**	**8.70**	**22.29**	**12.98**	**12.87**	**9.57**	-	**22.29**	**5.19**

Attribution Analysis

- "Bars" denote Benchmark, Bar-less denotes Underlying Portfolio
- Asset Allocation effects:

$$\boxed{\sum_i (w_{it} - \overline{w}_{it}) * (\overline{R}_{it} - \overline{R}_t) = A_t}$$

- Security Selection Effects = Effectively "Manager Security Selection Effect"

$$\boxed{\sum \overline{w}_{it} * (R_{it} - \overline{R}_{it}) = S_t}$$

- Interaction Effects:

$$\boxed{\sum (w_{it} - \overline{w}_{it}) * (R_{it} - \overline{R}_{it}) = I_t}$$

LTF: Attribution Analysis Summary
Focus on Large Cap Asset Allocation and Security Selection

	LTF 1999	LTF 1998	LTF 1997	LTF 1999	LTF 1998	LTF 1997
	ASSET ALLOCATION EFFECT	ASSET ALLOCATION EFFECT	ASSET ALLOCATION EFFECT	SECURITY SELECTION EFFECT	SECURITY SELECTION EFFECT	SECURITY SELECTION EFFECT
CASH AND EQUIVALENTS	-0.30%	0.39%	-0.15%	0.00%	0.00%	0.00%
EQUITIES:						
US COMMON STOCKS:						
MEDIUM/LARGE CAP STOCKS	**0.29%**	**1.44%**	**2.54%**	**-1.56%**	**-1.36%**	**-0.64%**
SMALL CAP STOCKS	-0.02%	-0.59%	0.03%	0.94%	-0.30%	-0.26%
INTERNATIONAL COMMON STOCKS:						
ESTABLISHED MARKETS	-0.05%	-0.12%	0.10%	-0.76%	0.50%	0.47%
EMERGING MARKETS	-0.29%	0.21%	-0.01%	-0.17%	-0.06%	0.50%
ALTERNATIVE EQUITIES:						
NONMARKETABLE	0.85%	-1.55%	0.50%	1.02%	2.38%	-0.06%
MARKETABLE	-0.55%	-0.07%	0.51%	-0.44%	-1.25%	0.00%
FIXED INCOME:						
U.S. (DOMESTIC)	-0.59%	-0.25%	-1.17%	0.05%	0.35%	0.14%
INTERNATIONAL	0.21%	0.15%	1.15%	-0.04%	-0.36%	0.17%
TOTAL FUND	-0.47%	-0.32%	3.50%	-0.96%	-0.10%	0.32%

PUF: Attribution Analysis Summary
Focus on Large Cap Asset Allocation and Security Selection

	PUF 1999	PUF 1998	PUF 1997	PUF 1999	PUF 1998	PUF 1997
	ASSET ALLOCATION EFFECT	ASSET ALLOCATION EFFECT	ASSET ALLOCATION EFFECT	SECURITY SELECTION EFFECT	SECURITY SELECTION EFFECT	SECURITY SELECTION EFFECT
CASH AND EQUIVALENTS	-0.30%	-0.02%	-0.03%	0.00%	0.00%	0.00%
EQUITIES:						
US COMMON STOCKS:						
MEDIUM/LARGE CAP STOCKS	**2.00%**	**0.73%**	**1.81%**	**-2.10%**	**-1.78%**	**-0.73%**
SMALL CAP STOCKS	-0.30%	1.16%	-0.35%	-0.07%	-0.58%	1.07%
INTERNATIONAL COMMON STOCKS:						
ESTABLISHED MARKETS	-0.39%	0.40%	0.54%	-0.95%	1.13%	0.39%
EMERGING MARKETS	-1.25%	1.99%	0.47%	0.00%	0.00%	0.00%
ALTERNATIVE EQUITIES:						
NONMARKETABLE	0.76%	-1.24%	0.47%	0.87%	-1.25%	0.06%
MARKETABLE	0.85%	-0.55%	0.51%	0.00%	0.00%	0.00%
FIXED INCOME:						
U.S. (DOMESTIC)	-4.94%	0.96%	-2.62%	-0.33%	0.31%	0.19%
INTERNATIONAL	0.93%	-0.09%	1.15%	0.00%	0.00%	0.00%
TOTAL FUND	-2.64%	3.34%	1.95%	-2.58%	-2.17%	0.99%

Summary

- In the Efficient U.S. Large Cap Equities Markets:
  - Asset Allocation has worked.
  - Security Selection in the form of Manager Selection has not performed.
  - Staff is reviewing proven Enhanced Equity managers and similar strategies.
- The Inefficient Markets offer active manager strategies that continue to demonstrate skill relative to the benchmarks.
  - Fixed Income, U.S. Small Cap, Alternative Marketable Equities, International Developed, International Small Cap, and Emerging Markets

Attribution Analysis Supporting Detail

LTF and PUF

FY 1997

FY 1998

FY 1999

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
LONG TERM FUND ASSET ALLOCATION AND ATTRIBUTION ANALYSIS
YEAR ENDED AUGUST 31, 1997

	AVERAGE PORTFOLIO ASSET ALLOCATION 8/31/97	PORTFOLIO TOTAL RETURN	POLICY PORTFOLIO ASSET ALLOCATION	POLICY RETURN	ASSET ALLOCATION EFFECT	SECURITY SELECTION EFFECT	INTERACTIVE EFFECT	TOTAL EFFECT
CASH AND EQUIVALENTS	0.81%	6.17%	0.00%	5.40%	-0.15%	0.00%	0.00%	-0.15%
EQUITIES:								
US COMMON STOCKS:								
MEDIUM/LARGE CAP STOCKS	46.13%	38.22%	30.00%	40.63%	2.54%	-0.64%	-0.11%	1.79%
SMALL CAP STOCKS	8.43%	25.11%	10.00%	28.95%	0.03%	-0.26%	0.17%	-0.06%
INTERNATIONAL COMMON STOCKS:								
ESTABLISHED MARKETS	10.66%	13.56%	12.00%	9.11%	0.10%	0.47%	-0.01%	0.56%
EMERGING MARKETS	3.05%	22.06%	3.00%	2.54%	-0.01%	0.50%	0.01%	0.50%
ALTERNATIVE EQUITIES:								
NONMARKETABLE	4.71%	16.33%	18.00%	17.00%	0.50%	-0.06%	0.02%	0.46%
MARKETABLE	0.00%	0.00%	7.00%	12.99%	0.51%	-0.85%	0.85%	0.52%
FIXED INCOME:								
U.S. (DOMESTIC)	26.21%	10.99%	15.00%	10.00%	-1.17%	0.14%	0.20%	-0.84%
INTERNATIONAL	0.00%	0.00%	5.00%	-3.39%	1.15%	0.17%	-0.17%	1.15%
TOTAL FUND	100.00%	25.14%	100.00%	21.20%	3.50%	-0.53%	0.98%	3.94%

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

LONG TERM FUND ASSET ALLOCATION AND ATTRIBUTION ANALYSIS

YEAR ENDED AUGUST 31, 1998

	AVERAGE PORTFOLIO ASSET ALLOCATION	PORTFOLIO TOTAL RETURN	POLICY PORTFOLIO ASSET ALLOCATION	POLICY RETURN	ASSET ALLOCATION EFFECT	SECURITY SELECTION EFFECT	INTERACTIVE EFFECT	TOTAL EFFECT
CASH AND EQUIVALENTS	1.36%	6.17%	0.00%	5.31%	0.39%	0.00%	0.01%	0.40%
EQUITIES:								
US COMMON STOCKS:								
MEDIUM/LARGE CAP STOCKS	44.69%	3.36%	30.00%	8.10%	1.44%	-1.36%	-0.65%	-0.61%
SMALL CAP STOCKS	11.75%	-21.90%	10.00%	-19.41%	-0.59%	-0.30%	0.01%	-0.89%
INTERNATIONAL COMMON STOCKS:								
ESTABLISHED MARKETS	11.89%	-0.89%	12.00%	-4.99%	-0.12%	0.50%	0.06%	0.43%
EMERGING MARKETS	2.47%	-51.60%	3.00%	-50.88%	0.21%	-0.06%	0.02%	0.16%
ALTERNATIVE EQUITIES:								
NONMARKETABLE	5.27%	32.78%	18.00%	17.00%	-1.55%	2.38%	-1.79%	-0.97%
MARKETABLE	0.48%	N/A	7.00%	12.89%	-0.07%	-1.25%	0.86%	-0.46%
FIXED INCOME:								
U.S. (DOMESTIC)	19.98%	13.07%	15.00%	10.56%	-0.25%	0.35%	0.15%	0.22%
INTERNATIONAL	1.78%	N/A	5.00%	6.08%	0.15%	-0.36%	0.21%	0.00%
GLOBAL ASSET ALLOCATION ACCOUNT	0.33%	N/A	0.00%	0.00%	0.08%	0.00%	-0.25%	-0.17%
TOTAL FUND	100.00%	1.96%	100.00%	3.85%	-0.32%	-0.10%	-1.37%	-1.89%

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
LONG TERM FUND ASSET ALLOCATION AND ATTRIBUTION ANALYSIS
YEAR ENDED AUGUST 31, 1999

	AVERAGE PORTFOLIO ASSET ALLOCATION 8/31/99	PORTFOLIO TOTAL RETURN	POLICY PORTFOLIO ASSET ALLOCATION	POLICY RETURN	ASSET ALLOCATION EFFECT	SECURITY SELECTION EFFECT	INTERACTIVE EFFECT	TOTAL EFFECT
CASH AND EQUIVALENTS	1.53%	6.04%	0.00%	4.77%	-0.30%	0.00%	0.00%	-0.30%
EQUITIES:								
US COMMON STOCKS:								
MEDIUM/LARGE CAP STOCKS	33.10%	34.21%	30.00%	39.89%	0.29%	-1.56%	-0.12%	-1.39%
SMALL CAP STOCKS	10.91%	38.50%	10.00%	28.32%	-0.02%	0.94%	0.00%	0.92%
INTERNATIONAL COMMON STOCKS:								
ESTABLISHED MARKETS	12.69%	24.13%	12.00%	30.53%	-0.05%	-0.76%	-0.04%	-0.85%
EMERGING MARKETS	2.41%	63.09%	3.00%	72.31%	-0.29%	-0.17%	0.00%	-0.46%
ALTERNATIVE EQUITIES:								
NONMARKETABLE	7.43%	21.82%	18.00%	17.00%	0.85%	1.02%	-0.50%	1.37%
MARKETABLE	10.61%	6.71%	7.00%	12.31%	-0.55%	-0.44%	-0.26%	-1.25%
FIXED INCOME:								
U.S. (DOMESTIC)	16.74%	1.10%	15.00%	0.81%	-0.59%	0.05%	0.00%	-0.54%
INTERNATIONAL	3.77%	5.52%	5.00%	6.21%	0.21%	-0.04%	0.01%	0.18%
GLOBAL ASSET ALLOCATION ACCOUNT	0.81%	10.21%	0.00%	0.00%	-0.02%	0.00%	0.00%	-0.02%
TOTAL FUND	100.00%	22.11%	100.00%	24.44%	-0.47%	-0.96%	-0.91%	-2.34%

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
PERMANENT UNIVERSITY FUND ASSET ALLOCATION AND ATTRIBUTION ANALYSIS
YEAR ENDED AUGUST 31, 1997

	AVERAGE PORTFOLIO ASSET ALLOCATION 8/31/97	PORTFOLIO TOTAL RETURN	POLICY PORTFOLIO ASSET ALLOCATION	POLICY RETURN	ASSET ALLOCATION EFFECT	SECURITY SELECTION EFFECT	ADJUSTED INTERACTIVE EFFECT	ADJUSTED TOTAL EFFECT
CASH AND EQUIVALENTS	0.22%	6.17%	0.00%	5.40%	-0.03%	0.00%	0.00%	-0.03%
EQUITIES:								
US COMMON STOCKS:								
MEDIUM/LARGE CAP STOCKS	42.33%	37.90%	30.00%	40.63%	1.81%	-0.73%	-0.06%	1.02%
SMALL CAP STOCKS	4.60%	42.58%	10.00%	28.95%	-0.35%	1.07%	-0.52%	0.20%
INTERNATIONAL COMMON STOCKS:								
ESTABLISHED MARKETS	6.64%	12.64%	12.00%	9.11%	0.54%	0.39%	-0.15%	0.78%
EMERGING MARKETS	0.00%	0.00%	3.00%	2.54%	0.47%	0.00%	0.00%	0.47%
ALTERNATIVE EQUITIES:								
NONMARKETABLE	5.65%	17.25%	18.00%	17.00%	0.47%	0.06%	-0.05%	0.48%
MARKETABLE	0.00%	0.00%	7.00%	12.99%	0.51%	0.00%	0.00%	0.51%
FIXED INCOME:								
U.S. (DOMESTIC)	40.56%	11.32%	15.00%	10.00%	-2.62%	0.19%	0.47%	-1.96%
INTERNATIONAL	0.00%	0.00%	5.00%	-3.39%	1.15%	0.00%	0.00%	1.15%
TOTAL FUND	100.00%	23.83%	100.00%	21.20%	1.95%	0.99%	-0.32%	2.63%

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
PERMANENT UNIVERSITY FUND ASSET ALLOCATION AND ATTRIBUTION ANALYSIS
YEAR ENDED AUGUST 31, 1998

	AVERAGE PORTFOLIO ASSET ALLOCATION 8/31/98	PORTFOLIO TOTAL RETURN	POLICY PORTFOLIO ASSET ALLOCATION	POLICY RETURN	ASSET ALLOCATION EFFECT	SECURITY SELECTION EFFECT	ADUSTED INTERACTIVE EFFECT	ADJUSTED TOTAL EFFECT
CASH AND EQUIVALENTS	0.50%	6.17%	0.00%	5.31%	-0.02%	0.00%	0.00%	-0.02%
EQUITIES:								
US COMMON STOCKS:								
MEDIUM/LARGE CAP STOCKS	46.04%	2.08%	30.00%	8.10%	0.73%	-1.78%	-0.92%	-1.97%
SMALL CAP STOCKS	5.17%	-24.35%	10.00%	-19.41%	1.16%	-0.58%	0.28%	0.87%
INTERNATIONAL COMMON STOCKS:								
ESTABLISHED MARKETS	6.51%	4.38%	12.00%	-4.99%	0.40%	1.13%	-0.51%	1.01%
EMERGING MARKETS	0.00%	0.00%	3.00%	-50.88%	1.99%	0.00%	0.00%	1.99%
ALTERNATIVE EQUITIES:								
NONMARKETABLE	6.44%	8.71%	18.00%	17.00%	-1.24%	-1.25%	0.74%	-1.75%
MARKETABLE	0.00%	0.00%	7.00%	12.89%	-0.55%	0.00%	0.00%	-0.55%
FIXED INCOME:								
U.S. (DOMESTIC)	35.34%	12.86%	15.00%	10.56%	0.96%	0.31%	0.43%	1.70%
INTERNATIONAL	0.00%	0.00%	5.00%	6.08%	-0.09%	0.00%	0.00%	-0.09%
TOTAL FUND	100.00%	5.03%	100.00%	3.84	3.34%	-2.17%	0.02%	1.19%

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
PERMANENT UNIVERSITY FUND ASSET ALLOCATION AND ATTRIBUTION ANALYSIS
YEAR ENDED AUGUST 31, 1999

	AVERAGE PORTFOLIO ASSET ALLOCATION 8/31/99	PORTFOLIO TOTAL RETURN	POLICY PORTFOLIO ASSET ALLOCATION	POLICY RETURN	ASSET ALLOCATION EFFECT	SECURITY SELECTION EFFECT	INTERACTIVE EFFECT	TOTAL EFFECT
CASH AND EQUIVALENTS	1.19%	6.00%	0.00%	4.77%	-0.30%	0.00%	0.00%	-0.30%
EQUITIES:								
US COMMON STOCKS:								
MEDIUM/LARGE CAP STOCKS	46.03%	32.21%	30.00%	39.89%	2.00%	-2.10%	-1.10%	-1.20%
SMALL CAP STOCKS	4.23%	27.17%	10.00%	28.32%	-0.30%	-0.07%	0.04%	-0.33%
INTERNATIONAL COMMON STOCKS:								
ESTABLISHED MARKETS	6.58%	22.29%	12.00%	30.53%	-0.39%	-0.95%	0.43%	-0.91%
EMERGING MARKETS	0.00%	0.00%	3.00%	72.31%	-1.25%	0.00%	0.00%	-1.25%
ALTERNATIVE EQUITIES:								
NONMARKETABLE	8.45%	21.04%	18.00%	17.00%	0.76%	0.87%	-0.32%	1.31%
MARKETABLE	0.00%	0.00%	7.00%	12.31%	0.85%	0.00%	0.00%	0.85%
FIXED INCOME:								
U.S. (DOMESTIC)	33.52%	-1.02%	15.00%	0.81%	-4.94%	-0.33%	-0.37%	-5.64%
INTERNATIONAL	0.00%	0.00%	5.00%	6.21%	0.93%	0.00%	0.00%	0.93%
TOTAL FUND	100.00%	17.90%	100.00%	24.44%	-2.64%	-2.58%	-1.32%	-6.54%

Resolution No. 2a

RESOLVED, that a GSCI futures program in an amount not to exceed 3.75% of the value of Permanent University Fund, Permanent Health Fund and Long Term Fund Assets be and is hereby approved.

Resolution No. 2b

RESOLVED, that an S&P 500 Index and interest rate futures program to equitize cash balances in an amount not to exceed 5.00% of the value of Permanent University Fund, Permanent Health Fund and Long Term Fund Assets be and is hereby approved.

Commodity, Financial, and Interest Rate Futures

- The Asset Allocation for endowments includes 7.5% for Inflation Hedging Assets
  - Both UTIMCO and Cambridge and Associates used the GSCI as the proxy for inflation hedging assets in the recent Asset Allocation study.
- The Neutral Policy Portfolio position would be about $825 Million across all Endowment Portfolios
- Inflation Hedging Assets include:
  - Real Estate
  - Goldman Sachs Commodity Index
  - Treasury Inflation Protected Notes (TIPS)
  - Timberland

GSCI Description

- The GSCI is a diversified index of various commodities:

GSCI Components and Dollar Weights (%)(November 1, 1999)

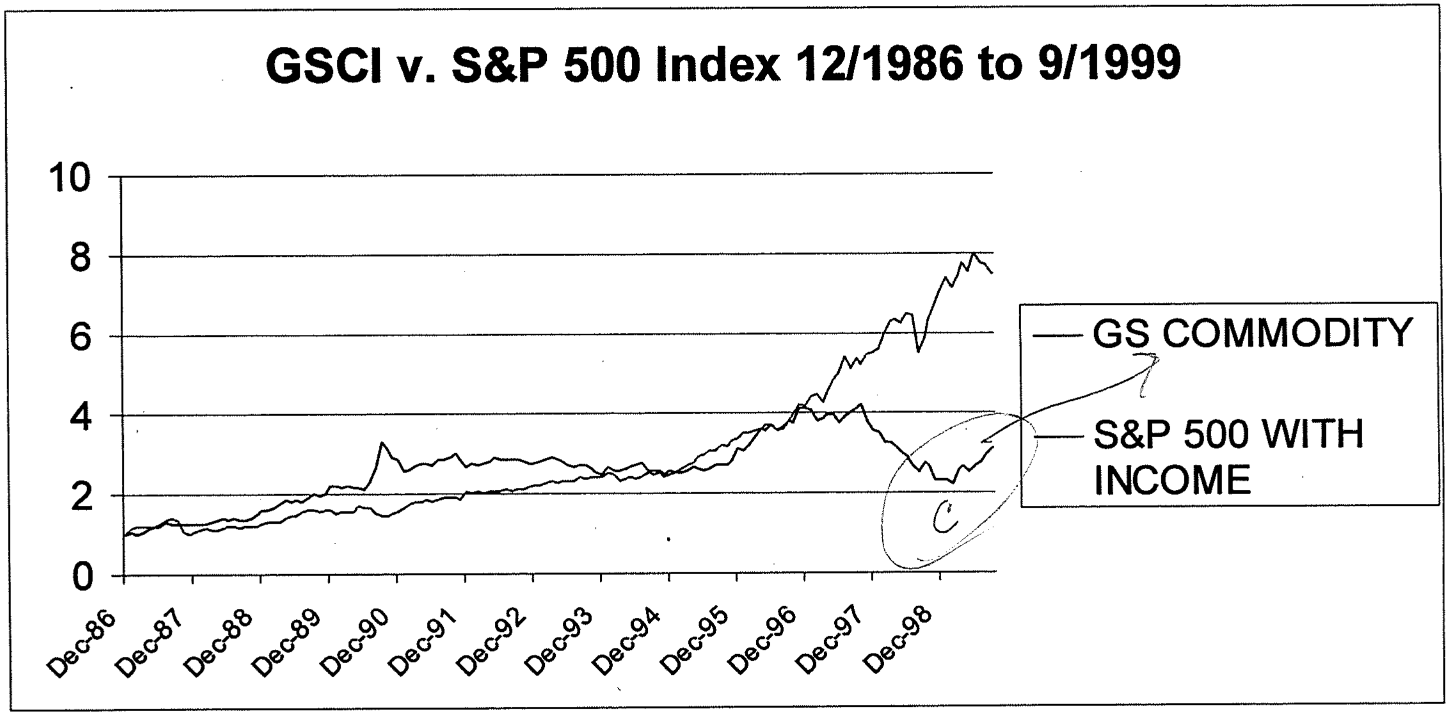
Energy	59.27	Industrial Metals	8.35	Precious Metals	2.75	Agriculture	19.27	Livestock	10.35
Crude Oil	24.5								
				Gold	2.29	Wheat	4.02	Live Cattle	7.57
Brent Crude Oil	10.59	Aluminiur	4.1						
				Platinum	0.19	Red Wheat	1.6	Lean Hogs	2.79
Unleaded Gas	5.61	Copper	2.16						
				Silver	0.27	Corn	4.39		
Heating Oil	7.8	Lead	0.3						
						Soybeans	2.28		
GasOil	2.66	Nickel	0.74						
						Cotton	2.37		
Natural Gas	8.1	Tin	0.13						
						Sugar	1.95		
		Zinc	0.92						
						Coffee	1.57		
						Cocoa	0.24		
						Orange Juice	0.86		

GSCI Futures

- The GSCI is purchasable in the form of Commodity Futures.
  - The index is the made up of a the basket of commodities listed on the previous page.
- Fully Collateralized GSCI Futures are unlevered.

trade monthly

- Highly liquid, daily liquidity, traded on the CME.
  - Open Interest: 36,141 Contracts = $3,025,543,815.00
- Investing in the GSCI would be identical to the PUF Cash Equitization program:
  - A GSCI Futures position fully collateralized by an underlying Cash investment portfolio, the AAA-rated SITF.
- UTIMCO staff recommends a maximum of 3.75% - or currently about $412.5 MM across all Endowment portfolios - of the the overall Inflation Hedging Asset Class be placed in the highly liquid fully collateralized GSCI portfolio.


GSCI v. S&P 500 Index 12/1986 to 9/1999
10
8
6
4
2
0
Dec-86
Dec-87
Dec-88
Dec-89
Dec-90
Dec-91
Dec-92
Dec-93
Dec-94
Dec-95
Dec-96
Dec-97
Dec-98
GS COMMODITY
S&P 500 WITH INCOME
C

S&P 500 Index Financial Futures

- UTIMCO staff recommends that the successful PUF Cash Equitization program be extended to all endowment portfolios to reduce the "cash drag" inherent to Equity management.
- Currently, Investment managers are permitted to hold up to 5% of their individual portfolios in cash.
- In the long run Cash-holdings reduce portfolio performance.
- UTIMCO staff recommends that up to 5% of the overall Asset Allocation dedicated to Equity be permitted to be Equitized with S&P 500 Futures
  - 5% would offset the potential 5% Cash-holdings of Equity Managers

Interest Rate Futures in Fixed Income Portfolios

- Current Endowment Policies permit up to 15% of the overall portfolio to be invested in Interest Rate Derivatives.
  - "The net market value of exposure of Derivative Securities purchased or sold over the counter may not represent more than 15% of the net assets of the Fund."
  - And: ".........i) no leverage is employed in the implementation of such Derivative purchases or sales; ii) no more than 5% of Fund assets are required as an initial margin deposit for such contracts......"

- UTIMCO staff proposes that the UTIMCO Board approve limited use, up to 10% of the Fixed Income portfolios or 2% overall, of interest rate futures for duration management of the internally managed Fixed Income portfolios.
- Specific Contract limitations will be added to investment manager guidelines if this change is approved.

ALTERNATIVE INVESTMENTS - NON MARKETABLE
FY 2000 ACTIVITY
(MILLIONS)

				Amount		
Date	**Action**	**Entity**	**Type**	**Partnership**	**Direct**	**Total**
9/22/99	**Authorized**					**$296.3**
9/22/99	Committed	Windjammer Mezz. & Eq. Fund II, L.P.	Mezzanine	(25.0)		(25.0)
9/22/99	Committed	Hampshire Equity Partners II, L.P.	Special Equities	(40.0)		(40.0)
		sub-total		**(65.0)**	**$ -**	**$ (65.0)**
		available capital				**$231.3**
11/8/99	Proposed	Songbird Medical Inc.	Venture Capital		(12.0)	(12.0)
11/8/99	Proposed	Baker Communications Fund II, L.P.	Special Equities	(30.0)		(30.0)
11/8/99	Proposed	Halpern Denny Fund III, L.P.	Special Equities	(30.0)		(30.0)
11/8/99	Proposed	Cortec Group Fund III, L.P.	Special Equities	(20.0)		(20.0)
11/8/99	Proposed	Austin Ventures VII L.P.	Venture Capital	(20.0)		(20.0)
		sub-total		**(100.0)**	**(12.0)**	**(112.0)**
		cumulative sub-total		**(165.0)**	**(12.0)**	**(177.0)**
		available capital				**$119.3**

Resolution No. 3

WHEREAS, the Board has reviewed a Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into a stock purchase agreement (the "Agreement") with Songbird Medical Inc. to invest up to $12 million of PUF, PHF and LTF assets in **Songbird Medical, Inc.**;

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 November 8, 1999 for Songbird Medical, Inc. 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 Songbird Medical, Inc.; 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.

Proposed Direct Co-Investment

Summary Term Sheet

Name:	Songbird Medical, Inc., a Delaware corporation (the "Company" or "Songbird").
Classification:	Venture Capital/Expansion Equity – Co-Investment.
Total Investment Request:	Up to $12 million ($6.6 million PUF, $3.84 million LTF, $1.56 million PHF) of a $24.5 million round; the existing investors will invest a minimum of $12.5 million pro rata.
Valuation:	Approximately $69.9 million post-financing.
Ownership:	The PUF/LTF/PHF will own up to 17.2% of the company fully diluted (including management options).
Use of Proceeds:	To fund production scale-up, including the acquisition of capital equipment, product rollout expenses and working capital requirements.
Investment Thesis:	Songbird has designed, tested and produced test quantities of the first low-cost (less than $1 per day), high quality, disposable hearing aid. Songbird's development of its initial product line, in conjunction with Sarnoff Laboratories, has resulted in substantial intellectual property, trade secrets and technical knowhow. Songbird's management believes that the Company's initial product will change the hearing aid industry in the same manner and to the same degree as disposable contact lenses changed the vision market.
Exit Strategy:	IPO or sale to a strategic buyer.
Co-Investors (Ownership):	Prism Venture Partners, a UTIMCO general partner, has been the lead investor in the two previous rounds. Other investors include Oak Investment Partners, Tredegar/TGI Fund, J&J Development Corp (Johnson & Johnson's investment group) and management. All existing investors are expected to invest in this round. Management and the employees own 13% of the company, fully diluted.

Summary Financial Data (in 000's, conservative case):

	1998	1999e	2000e	2001e	2002e
Revenues	$-	$-	$19.5	$78.9	$156.9
EBITDA	$(4.1)	$(10.8)	$(10.8)	$9.2	$31.9
Net Income	$(3.9)	$(10.7)	$(11.8)	$5.8	$19.7

The Company's EBITDA deficit will widen in 1999 and 2000 due to an increase in spending for personnel, equipment and product development in advance of the product rollout. The major factor increasing the 2000 deficit is a projected large increase in advertising expenses as the product comes to market. The business plan forecasts positive cash flow and a 54% gross margin in 2001, after which gross margins will increase to 70% as the Company fully realizes its manufacturing efficiencies.

Management:

Songbird Medical has a strong and experienced management team. **Fred Fritz**, President and CEO, is a consumer goods general manager with experience in consumer medical devices and over-the-counter pharmaceuticals. Fred was VP Marketing and Sales at the contact lens division of Schering Plough, a Senior VP of Schering OTC Pharmaceuticals and a Senior VP of Schering Plough Footcare. Most recently he was President of Coleman North America. **Tom Squeglia,** Vice President of Sales and Marketing, was most recently Vice President of Sales for Vistakon, Johnson & Johnson's disposable contact lens business. **Mike Tardugno**, Senior Vice President of Operations, was most recently Senior Vice President of Worldwide Technical Operations for a division of Bristol-Myers Squibb. Mike has over 20 years of experience in pharmaceutical and medical device manufacturing. **E. Ronald Goldfuss**, Vice President & CFO, is an operations-oriented financial executive with experience in medical devices, consumer software and other information technology and health sciences industries. **David A. Preves**, Vice President of R&D, brings 30 years of hearing aid R&D and engineering experience to Songbird. Finally, **Sarnoff Laboratories** (an independent research organization that was formerly the R&D unit of RCA Corporation), a significant stakeholder in the Company, employs a team of over 10 scientists devoted exclusively to Songbird's research and development activities.

Negative (Risk) Factors:

Illiquid investment, with loss of capital possible. The greatest risk of loss is in the early years.

Developing domestic market. While market research indicates that the market for disposable hearing aids is enormous, there can be no assurance that a significant market for the Company's products will develop.

Distribution. The Company must implement a new business model in its industry in order to be successful. The hearing aid industry's current business model features a 100% mark-up by the dispensing audiologist. Because conventional hearing aids currently retail for up to $3,500 each, versus Songbird's $40, the short-term economic incentive for the audiologist will be to prescribe a conventional hearing aid (a $1,700 margin for the audiologist) rather than Songbird's product (a $20 margin for the initial sale). Audiologists must be convinced of the fact that a similar mark-up on continuing sales of Songbird's line of inexpensive disposable hearing aids will, in the long run, produce a long-term annuity that is economically superior to the one-time sale of an expensive conventional hearing aid. One important factor in favor of the Songbird model from the audiologist's perspective is that, in addition to its annuity characteristics, its product, a comfortable, low-priced, high-quality hearing aid that will address approximately 80% of the market with minimal adaptation, will greatly expand the market and thus the audiologist's income.

Competition. UTIMCO management knows of no other competitor with the technology, the fit and the low-cost production to compete with Songbird in its market (i.e., the low price, comfortable, disposable, high quality hearing aid market). However, significant, well-capitalized competitors to Songbird have proven and substantial distribution networks already in place.

Dependence on key Company personnel (especially Fred Fritz, the CEO) **and personnel at Sarnoff Labs** (most notably John Aceti, the inventor of the Company's product and its champion at Sarnoff).

Early stage investment. Songbird is currently in the pre-production stage of the product cycle. There is therefore a chance that an unforeseen production problem may arise. Additionally, the Company is in the early, unprofitable stage of the business development cycle, with a current $970,000 per month cash burn rate.

Technological obsolescence. While Songbird's technology is proven, competitors may, in the future, develop technology that is superior to Songbird's.

Intellectual property infringement. While Songbird has a proactive intellectual property protection policy and substantial intellectual property; infringement issues may arise in the future.

Dependence on key suppliers. Songbird currently depends on a relatively small number of suppliers for certain key components, particularly the transducer (microphone). Disruption in the supply of the Company's components could signficantly impact the Company's operations.

Growth Management. Songbird is positioned for rapid growth. Failure by Songbird's management to meet the demands of the market or to manage the rapid expansion of its business and operations could have a material adverse impact on the Company.

Positive factors:

Strong and experienced management team backed by an outstanding group of investors.

Significant involvement of Prism Venture Partners, a highly regarded UTIMCO general partner. Prism found the technology at Sarnoff, led the first and second rounds, hired the existing management and brought in the existing investors.

Audiologist and customer enthusasim for the initial product as indicated by test marketing of the initial prototype, market surveys and interviews with audiologists.

Joint Efforts with Sarnoff. The company has a very close relationship with Sarnoff Laboratories, a world-renowned research and development institution. The basic technology and the manufacturing expertise for the product came from Sarnoff. The Company has exclusive rights for any technology Sarnoff develops that is applicable to hearing aids. In addition, Sarnoff is expending significant resources to further develop Songbird's technology.

Excellent upside potential. The Company's business plan assumes a 10% market penetration rate of existing users of conventional hearing aids, a 5% penetration rate of current non-users and a market share in disposable hearing aids of 50%. Even with these conservative assumptions, the valuation of the Company could exceed $1 billion, which would represent a 15X return on the PUF/LTF/PHF invested capital.

Superior technology and manufacturing processes will make Songbird's products the low-cost producer in its markets and will constitute a significant barrier to entry. The Company's first-to-market advantage, in a market similar to the disposal contact lens market, will develop into a key barrier to entry.

Potential domestic market size. As the average age of the U.S. rises due to the aging of the Baby Boom generation, the demand for hearing aids will increase at a rapid rate.

Another important environmental/demographic trend is that in recent years the onset of hearing loss seems to be occurring at an earlier age. Finally, because of the high front-end costs of conventional hearing aids (i.e., $2,500 and up) and the difficulty of using and maintaining them (an uncomfortable fit and requiring frequent changes of tiny, expensive, hard-to-handle batteries), the vast majority (approximately 80%) of Americans with mild to moderate hearing loss do not currently own or use a hearing aid. The Songbird management believes that these three trends, taken together, indicate a vast, untapped market for the Company's products, and that the potential for increased market penetration substantially mitigates the risk of adopting an untested distribution model (cited above).

Large foreign market. The potential hearing aid market in third world countries is enormous. It has been difficult, if not impossible, to address this market with currently available conventional products, given their cost. The Company's low-priced, high-quality initial product could capture a significant portion of this market.

Reasonable entry price. The LTF/PUF/PHF are acquiring their positions at $3.60 per share (a $45 million pre-money valuation) if the pricing proposal is accepted. Investors in the previous round bought their shares at $2.60. The step-up in value represents the Company's progress since the earlier financing, including the production of a working prototype, establishment of a manufacturing facility and completion of market studies.

Low price encourages new users. Hearing aid purchases are generally not reimburseable by either insurance companies or the various government-sponsored health plans. A low-priced, high-quality product that consumers can afford out of their own pockets will help increase the percentage of hearing aid owners who actually wear their hearing aids as well as expand the market by bringing in users who do not currently own hearing aids.

Flexibility of exit. Exit opportunities include an IPO or a sale to a strategic buyer.

Status: Songbird has received over $16 million through two venture-capital financing rounds. The cash flow burn, at today's rate, is $970,000 per month. Songbird is now seeking an additional $24.5 million to enable the Company to fund operations until it achieves positive cash flow.

Risk: Moderately high.

Exposure v. Target:

	% of total fund
LTF	10.14% v. 15%
PUF	8.90% v. 15%
PHF	0.18% v. 15%

Expected Return: 94% to 276% (see tables below).

Selling Valuation	$150	$250	**$400**	**$500**	**$600**	$700	$800	$900
Money Earned	2.1 X	3.6 X	**5.7 X**	**7.2 X**	**8.6 X**	10.0 X	11.4 X	12.9 X
Year	IRR Table							
2000	239.5%	669.2%	**1532.3%**	**2233.1%**	**3023.9%**	3898.3%	4851.2%	5878.6%
2001	60.0%	119.1%	**192.6%**	**235.7%**	**275.6%**	312.9%	348.3%	382.0%
2002	33.8%	62.5%	94.4%	111.6%	126.8%	140.6%	153.1%	164.7%
2003	23.4%	42.1%	61.8%	72.1%	81.0%	88.8%	95.9%	102.4%
2004	17.9%	31.7%	45.8%	53.0%	59.1%	64.5%	69.3%	73.7%

			P/S Ratios corresponding to the Selling Valuation							
		Year	Times Sales							
Sales in Millions	$19	2000	8.0 X	13.3 X	**21.2 X**	**26.5 X**	**31.9 X**	37.2 X	42.5 X	47.8 X
	$77	2001	1.9 X	3.2 X	**5.2 X**	**6.5 X**	**7.8 X**	9.1 X	10.4 X	11.7 X
	$155	2002	1.0 X	1.6 X	**2.6 X**	**3.2 X**	**3.9 X**	4.5 X	5.2 X	5.8 X
	$218	2003	0.7 X	1.1 X	1.8 X	2.3 X	2.7 X	3.2 X	3.7 X	4.1 X
	$264	2004	0.6 X	0.9 X	1.5 X	1.9 X	2.3 X	2.6 X	3.0 X	3.4 X

			Discounted Cash Flow Ratios corresponding to the Selling Valuation							
		Year	Times DCF Valuation at %							
DCF Valuation in Millions	$415	2000	0.4 X	0.6 X	**1.0 X**	**1.2 X**	**1.4 X**	1.7 X	1.9 X	2.2 X
	$479	2001	0.3 X	0.5 X	**0.8 X**	**1.0 X**	**1.3 X**	1.5 X	1.7 X	1.9 X
	$553	2002	0.3 X	0.5 X	**0.7 X**	**0.9 X**	**1.1 X**	1.3 X	1.4 X	1.6 X
	$637	2003	0.2 X	0.4 X	0.6 X	0.8 X	0.9 X	1.1 X	1.3 X	1.4 X
	$733	2004	0.2 X	0.3 X	0.5 X	0.7 X	0.8 X	1.0 X	1.1 X	1.2 X

Est. Commitment Date: November 15, 1999.

Conflicts of Interest: After extensive due diligence, UTIMCO management believes that an investment in Songbird Medical, Inc. by the LTF, PUF and PHF represents no conflict of interest under either TEX. EDUC. CODE ANN. §66.08 (Vernon 1995) or TEX. GOVT CODE ANN. §572 *et. seq.* (Vernon 1993) as interpreted by the Texas courts and by the Attorney General of the State of Texas.

UTIMCO management has put the principals of Prism Ventures and the management team of Songbird Medical, Inc. on notice that, should any apparent violation of the statutes cited above arise in connection with any future transaction, they must notify the responsible UTIMCO officer so that the LTF, PUF and PHF can abstain from the transaction in compliance with Texas law.

Y2K Compliance: UTIMCO management has inquired about Songbird Medical, Inc.'s Y2K readiness and has been assured by the Songbird management that issues relating to Y2K problems will not have a material adverse effect on the Company's business.

Approved:

Charles M. Preston III	
Craig J. Nickels	
Austin M. Long, III	
Thomas G. Ricks	

Resolution No. 4

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 Baker Capital Partners II, LLC, to invest up to $30 million of PUF, PHF and LTF assets in **Baker Communications Fund II, L.P.;**

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 November 8, 1999 for Baker Communications Fund II, 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 Baker Communications Fund II, 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.

Proposed Follow-on Investment

SUMMARY TERM SHEET

Name: Baker Communications Fund II, L.P. a Delaware limited partnership.

Classification: Special Equity.

Fund Size: $800 million.

Investment Strategy: Make privately negotiated investments in the equity securities of high-growth companies that provide communications-related services, equipment and applications.

Term: 10 years from the date of the final closing, plus two one-year extensions at the discretion of the general partner with the approval of a majority in interest of the limited partners.

General Partner: Baker Capital Partners II, LLC, a Delaware limited liability company.

Management Fee: 2.0% of commitments for five years; then 2.0% of invested capital less distributions constituting a return of capital thereafter, further reduced by (1) 50% of all fees received by the general partner up to $1.5 million, then (2) 80% of such fees.

(180 day lock 2 yr 144 holding period)

Profit Sharing: 80/20 after return of capital to the limited partners plus a 7% compound annual preferred return, with an 80/20 general partner catch up.

Performance History:

	Net Invested ($mm)	Net Realized ($mm)	FMV ($mm)	IRR	S&P 500 + 500 bps
Pre-fund (1981-1997)	$377.4	$789.8	$163.8	38.1%	N/M
Fund I through 9/30/99 (1997)	$203.4	$13.2	$329.6	66.8%	22.5%
Fund I through 10/31/99 (1997)[1]	$203.4	$13.2	$1,131.3	270.8%	27.8%

[1] Includes the Oct. 29, 1999 IPO of Akamai Technologies, Inc. (NASDAQ: AKAM) at the Nov. 2, 1999 price of $187/share, net of GP carry and further reduced by a 20% discount.

Negative (Risk) Factors:

- Illiquid investment with losses likely to precede gains.
- Communications industries are an especially competitive investment environment.

Positive factors:

- Principals widely regarded as trustworthy, astute and value-added investors.
- Extensive relationships and contacts in the communications community and a demonstrated history of building communications companies, which have in the past and should in the future result in attractive investment opportunities.
- An investment strategy characterized by an investment focus on areas of the rapidly growing communication industry with little technological risk.
- History of proprietary deal flow.
- Excellent track record. Two of Fund I's investments could return over five times the entire fund.[2]
- Excellent long-term relationship that has resulted in significant direct co-investment opportunities.

Recommendation: Invest $30 million ($16.5 million in the PUF; $9.6 million LTF; and $3.9 million PHF).

Exposure v. Target:

	% of Total Fund
LTF	9.1% v. 15%
PUF	10.3% v. 15%
PHF	0.44% v. 15 %

Estimated First Closing Date: December 15, 1999.

Expected Return: 31%, with a standard deviation of 26%.

[2] Note that the PUF/LTF is the largest Fund I investor ($40 million).

Conflicts of Interest:

After extensive due diligence, UTIMCO management believes that an investment in Baker Communications Fund II, L.P. by the LTF, PUF and PHF represents no conflict of interest under either TEX. EDUC. CODE ANN. §66.08 (Vernon 1995) or TEX. GOVT CODE ANN. §572 *et. seq.* (Vernon 1993) as interpreted by the Texas courts and by the Attorney General of the State of Texas.

UTIMCO management has put the principals of Baker Capital Partners II, LLC on notice that, should any apparent violation of the statutes cited above arise in connection with any future transaction, they must notify the responsible UTIMCO officer so that the LTF, PUF and PHF can abstain from the transaction in compliance with Texas law.

Y2K Compliance:

UTIMCO management has inquired about Baker Capital Partners II, LLC's Y2K readiness and has been assured by the Baker Capital Partners II, LLC management that issues relating to Y2K problems will not have a material adverse effect on either its business or the businesses of any of its portfolio companies.

Approved:

Charles M. Preston III	CP
Craig J. Nickels	CJN
Austin M. Long, III	AL
Thomas G. Ricks	TR

Resolution No. 5

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 Halpern Denny & Co. IV, LLC to invest up to $30 million of PUF, PHF and LTF assets in **Halpern Denny Fund III, L.P.;**

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 November 8, 1999 for Halpern Denny 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 Halpern Denny 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.

Proposed Follow-on Investment

SUMMARY TERM SHEET

Name:	Halpern Denny Fund III, L.P., a Delaware limited partnership.
Classification:	Special Equity.
Fund Size:	$350 million.
Investment Strategy:	Leverage expertise and relationships to acquire equity securities of low-technology, high-growth companies in the consumer products, media/publishing, retail, wholesale distribution, restaurant and specialty manufacturing industries.
Term:	10 years, plus two one-year extensions at the discretion of the General Partner.
General Partner:	Halpern, Denny & Company IV, L.L.C., a Delaware limited liability company.
Management Fee:	2.0% of commitments for the lesser of five years or the committing of 80% of the fund (including amounts reserved for follow-on), reduced by 10% per year thereafter and further reduced by a portion of fees received by the General Partner.
Profit Sharing:	80/20 after the return of capital to the limited partners or portfolio value in excess of 115% of contributed capital.

Performance History:

Fund	Net Invested ($mm)	Net Realized ($mm)	FMV ($mm)	IRR	S&P 500 + 500 bps
Pre-fund (1991-1997)	$166.7	$344.6	$76.5	56.2%	N/M
Fund II (1997)	$146.0	$0.0	$184.1	28.5%	22.5%

Negative (Risk) Factors:

- Illiquid investment, with losses likely to precede gains.
- Competitive investment environment.
- Consumer recession would adversely affect returns.

Positive factors:

- Principals widely regarded as trustworthy, astute and value-added investors.
- Extensive relationships and contacts in the corporate community, which should result in attractive investment opportunities. Four of the five principals were previously employed by Bain & Company, of which John Halpern was a co-founder.
- Viable strategy characterized by (a) an investment focus on the less competitive consumer-oriented areas where the principals have significant experience and (b) the active involvement by the principals as ongoing strategic consultants.
- Four of the five principals have worked together since 1991.
- Solid track record.
- $10 million commitment by the General Partner.
- Excellent long-term relationship that has resulted in significant direct co-investment opportunities.

Recommendation: Invest $30 million ($16.5 million in the PUF; $9.6 million LTF; and $3.9 million PHF).

Exposure v. Target:

	% of total fund
LTF	9.12% v. 15%
PUF	10.3% v. 15%
PHF	0.44% v. 15%

Estimated Initial Closing Date: December 15, 1999.

Expected Return: 34%, with a standard deviation of 26%.

Conflicts of Interest:

After extensive due diligence, UTIMCO management believes that an investment in Halpern Denny Fund III, L.P. by the LTF, PUF and PHF represents no conflict of interest under either TEX. EDUC. CODE ANN. §66.08 (Vernon 1995) or TEX. GOVT CODE ANN. §572 *et. seq.* (Vernon 1993) as interpreted by the Texas courts and by the Attorney General of the State of Texas.

UTIMCO management has put the principals of Halpern, Denny & Company IV, L.L.C. on notice that, should any apparent violation of the statutes cited above arise in connection with any future transaction, they must notify the responsible UTIMCO officer so that the LTF, PUF and PHF can abstain from the transaction in compliance with Texas law.

Y2K Compliance:

UTIMCO management has inquired about Halpern, Denny & Company IV, L.L.C.'s Y2K readiness and has been assured by the Halpern, Denny & Company IV, L.L.C. management that issues relating to Y2K problems will not have a material adverse effect on either its business or the businesses of any of its portfolio companies.

Approved:

Charles M. Preston III	
Craig J. Nickels	
Austin M. Long, III	
Thomas G. Ricks	

Resolution No. 6

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 Cortec Management (III) L.L.C. to invest up to $20 million of PUF, PHF and LTF assets in **Cortec Group Fund III, L.P.;**

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 November 8, 1999 for Cortec Group 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 Cortec Group 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.

Proposed Follow-on Investment

SUMMARY TERM SHEET

Name:	Cortec Group Fund III, L.P., a Delaware limited partnership.
Classification:	Special Equity.
Fund Size:	$250 million.
Investment Strategy:	Make investments in the equity securities of small and middle market manufacturing and distribution companies to which the principals can add value by applying their significant operating expertise.
Term:	11 years from the date of the final closing, plus two one-year extensions at the discretion of the general partner.
General Partner:	Cortec Management (III), L.L.C., a Delaware limited liability company.
Management Fee:	2.0% of commitments for six years; then 1.50%, further reduced by 50% of all fees received by the general partner.
Profit Sharing:	80/20 after return of capital to the limited partners plus an 8% compound annual preferred return, with a 100% general partner catch up.

Performance History (as of 6/30/99):

	Net Invested ($mm)	Net Realized ($mm)	FMV ($mm)	IRR	S&P 500 + 500 bps
All (1980)	$112.2	$314.2	$69.3	50.1%	N/M
Fund I (1980)	$35.5	$314.2	$0.0	50.4%	N/M
Fund II (1995)	$76.7	$0.0	$69.3	-4.9%	34.55%

The Cortec investment style, which leans heavily on the effect of operating improvements, requires a lengthy investment period and has the effect of extremely conservative valuations in the interim periods. Like Wingate, Cortec's portfolio returns will increase at about the same time its investments are realized.

Negative (Risk) Factors:

- Illiquid investment, with losses likely to precede gains.
- Investment style mandates an extremely long holding period.

Positive factors:

- Principals widely regarded as trustworthy, astute and value-added investors.
- Extensive relationships and contacts in the small and middle market, which have in the past and should in the future result in attractive investment opportunities.
- Solid long term track record.
- Excellent long-term relationship that has resulted in direct co-investment opportunities.

Recommendation: Invest $20 million ($11 million in the PUF; $6.4 million LTF; and $2.6 million PHF).

Exposure v. Target:

	% of Total Fund
LTF	9.0% v. 15%
PUF	10.2% v. 15%
PHF	0.29% v. 15%

Estimated First Closing Date: December 15, 1999.

Expected Return: 31%, with a standard deviation of 26%.

Conflicts of Interest: After extensive due diligence, UTIMCO management believes that an investment in Cortec Group Fund III, L.P. by the LTF, PUF and PHF represents no conflict of interest under either TEX. EDUC. CODE ANN. §66.08 (Vernon 1995) or TEX. GOVT CODE ANN. §572 *et. seq.* (Vernon 1993) as interpreted by the Texas courts and by the Attorney General of the State of Texas.

UTIMCO management has put the principals of Cortec Management (III), L.L.C. on notice that, should any apparent violation of the statutes cited above arise in connection with any future transaction, they must notify the responsible UTIMCO officer so that the LTF, PUF and PHF can abstain from the transaction in compliance with Texas law.

Y2K Compliance:	UTIMCO management has inquired about Cortec Management (III), L.L.C.'s Y2K readiness and has been assured by the Cortec Management (III), L.L.C. management that issues relating to Y2K problems will not have a material adverse effect on either its business or the businesses of any of its portfolio companies.

Approved:

Charles M. Preston III	
Craig J. Nickels	
Austin M. Long, III	
Thomas G. Ricks	

Resolution No. 7

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 AV Partners VII, L.P. to invest up to $20 million of PUF, PHF and LTF assets in **Austin Ventures VII, L.P.** ;

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 November 8, 1999 for Austin Ventures VII, 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 Austin Ventures VII, 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.

Proposed Investment

SUMMARY TERM SHEET

Name:	Austin Ventures VII, L.P., a Delaware limited partnership.
Classification:	Special Equity.
Fund Size:	$750 million.
Investment Strategy:	Acquire a diversified portfolio of Austin/Texas based technology companies with focus on: IT Applications and Infrastructure, Business to Business E- Commerce, Business to Consumer E-Commerce/Media, Communications and Semiconductors.
Term:	Ten years, with three one-year extensions with the consent of a majority in interest of the Limited Partners.
General Partner:	AV Partners VII, L.P.
Management Fee:	Years 1-2, 1.5% of committed capital; years 3-6, 2.5%. Years 7-10, 2.5% of the acquisition cost of the portfolio.
Profit Sharing:	25% of gains after payback of capital to the limited partners or when the portfolio valuation exceeds 120% of capital (both excluding $50 million AV Labs fund) with a general partner clawback.

Performance History (6/30/99):

Fund	Invested	Realized	FMV	Net IRR
ALL Funds: I - IV: $768 million	**$479.8**	**384.5**	**833.3**	
Fund I - 1984: $27.7 million	$27.7	56	0.3	11.3%
Fund II - 1987: $60 million	$59.4	147.3	147.4	19.2%
Fund III - 1991: $75 million	$74.3	127.6	81.3	27.7%
Fund IV - 1994: $115 million	$113.9	36.7	319.7	47.5%
Fund V - 1997:$170 million	$112.9	16.9	188.2	64.3%
Fund VI - 1998: $320 million	$91.6	-	96.4	23.2%

reserve 20090

Negative (Risk) Factors:

Highly illiquid, long term investment, with losses likely to precede gains.

Increasing portfolio concentration in Texas (85%) and Austin (50%) companies.

Competitive investment environment Success of Texas/Austin Tech sector will eventually attract competing private equity firms.

Management of Firm's Growth AV is expanding rapidly to meet exploding Austin market opportunities.

Positive factors:

Texas is a large and rapidly growing private equity market – but still underserved by venture firms

- a substantial net importer of capital
- 3 year growth rate in investment disbursements to Texas venture companies is greater than for national average and California companies.
- Austin is emerging as one of the most important technology centers in the U.S.

Leading venture capital firm with 15-year history in private equity investing

- managing six funds with $768 million of aggregate capital since 1984
- six partners average 12 years of venture experience (among the highest in the venture industry)

Long-term, successful track record – Funds I - VI are top quartile performers (Venture Economics)

Dominant market position

- 15% share of Austin market
- Has 19 investment professionals vs. 29 at 11 other firms investing in Austin venture capital

Aggressive pursuit of emerging early stage opportunities

- Establishment of AV Labs: affiliate fund with separate staffing, facilities, identity. $50 million from AV VII and $10 million from prominent individuals

Principals are well known by the staff,
PUF/LTF is an investor in the last three Austin Ventures funds (Funds IV-VI)

Partners:

General Partner:	
AV Partners VII	6.4
Limited Partners:	
Abbott Capital Management(1)	48.0
Ameritech Pension Trust	25.0
Bank of America	9.8
Bell Atlantic Master Trust	30.0
Brinson Partners	18
California Institute of Technology	10.0
Crossroads Investment Advisors	20.0
Dartmouth College	4.0
Dietrich Foundation	3.0
Fry Lewis Capital	2.5
General Motors	60.0
GIC Special Investments	25.0
California ERS	15.0
Hamilton Lane(2)	25.0
Harbour Vest	50.0
Harvard Management Private Equity Corp.	30.0
Hirtle Callaghan	4.0
JP Morgan	20.0
Lucent Technologies	70.0
Liberty Mutual	25.0
Nationwide Financial	10.0
Pathway Capital (3)	50.0
Phoenix Life	7.5
Rennselear Polytechnic Institute	5.0
UTIMCO	20.0
Tucker Anthony	10.0
Wellcome Trust	20.0
Rice University	15.0
Total	638.2

(1) On behalf of Abbott Private Equity Fund, State of Alaska, BONY, Brown & Williams, Carleton College, Guayacan, State of Hawaii, State of Illinois, LA Fire & Police, State of Utah
(2) On behalf of Carpenters Ptnrship, LA County Employees, Princess Private Eq., Textron, UniSys Pension Plan
(3) On behalf of JC Penney, LA City Employees, Nevada Employees Retirement System, Novartis, Tokio Marine

Recommendation: (Invest $20 million: $11million PUF; $6.4 million LTF and $2.6 million PHF).

Exposure v. Target:

Fund	% of Fund	Neutral Allocation
LTF	9.00%	15%
PUF	10.20%	15%
PHF	0.29%	15%

Estimated Closing Date: November 15, 1999.

Conflicts of Interest:

After extensive due diligence, Management believes that an investment in Austin Ventures VII, L.P. by UTIMCO represents no conflict of interest under either TEX. EDUC. CODE ANN. §66.08 (Vernon 1995) or TEX. GOVT CODE ANN. §572 *et. seq.* (Vernon 1993) as interpreted by the Texas courts and by the Attorney General of the State of Texas. Management has put the principals of AV Partners VII, L.P. the general partner of Austin Ventures VII, L.P., on notice that, should any apparent violation of the statutes cited above arise in connection with any future transaction, they must notify the responsible UTIMCO officer so that UTIMCO can abstain from the transaction in compliance with Texas law.

Y2K Compliance:

UTIMCO management has inquired about AV Venture Partners VII L.P.'s Y2K readiness and has been assured by AV Venture Partners VII L.P.management that issues relating to Y2K problems will not have a material adverse effect on either its business or the businesses of any of its portfolio companies.

Approved:

Charles M. Preston III	
Craig J. Nickels	
Austin M. Long, III	
Thomas G. Ricks	