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The University of Texas Investment Management Company

U T I M C O

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Presentation Materials
Board of Directors Meeting

February 24, 2000

UTIMCO
BOARD OF DIRECTORS MEETING
Offices of Vinson & Elkins, Conference Room 3834 - 38th Floor,
2001 Ross Avenue, Dallas, Texas

February 24, 2000

AGENDA

10:00 a.m.	Call to Order/Approval of Minutes of 9/22/99, 11/8/99, 12/9/99 and 1/5/00 Meetings
10:05 a.m. - 10:15 a.m.	Investment Performance Review
10:15 a.m. - 10:30 a.m.	Approval of Increases in PHF and LTF Per Unit Spending Rates
10:15 a.m. - 11:30 a.m.	Summary - UTIMCO 5-Year Business Plan Portfolio Management Approval of JP Morgan S&P500 Enhanced Index Account Approval of 10% GSCI Futures Exposure Approval of Asset Allocation Swap Program
11:30 a.m. - 12:15 p.m.	Alternative Investments Program – Non-Marketable Approval of Commitments to New Funds: JATOTech Ventures, L.P.
12:15 p.m. - 12:45 p.m.	Break for Lunch
12:45 p.m. - 1:30 p.m.	Approval of Commitments to New Funds (cont.) Band of Angels Fund, L.P.
1:30 p.m. - 1:45 p.m.	Approval of Commitments to Follow-on Funds: Morgenthaler Partners VI, L.P., Prism Venture Partners III, L.P., Crescendo IV, L.P.
1:45 p.m. - 2:00 p.m.	Report of the Compensation Committee
2:00 p.m. - 2:15 p.m.	Executive Session
2:15 p.m. - 2:20 p.m.	Reconvene into Open Session Approval of Performance Compensation Appointment of Compensation and Audit Committee Members
2:20 p.m.	Adjournment

Resolution No. 1

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

**MINUTES OF BRIEFING SESSION 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 briefing session on the 22nd day of September, 1999 at the offices of Vinson & Elkins, L.L.P., West Conference Room – 28th Floor, 1001 Fannin, Houston, Texas, said meeting having been called by the Vice Chairman, with notice provided to each Director in accordance with the Bylaws. Participating in the meeting were the following members of the Board of Directors (the "Board"):

Robert H. Allen, Vice Chairman
William H. Cunningham
Woody L. Hunt
J. Luther King, Jr.
A. W. "Dub" Riter, Jr.
A. R. (Tony) Sanchez, Jr.

thus, constituting a majority and quorum of the Board of Directors. Director Susan M. Byrne joined the meeting in progress as indicated below. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; Cathy Iberg, Secretary of the Corporation; Dave Russ 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 9:10 a.m.

Review of Open Meeting Policy Statement

Mr. Allen stated that the purpose of the meeting was an informational question and answer session regarding the Open Meeting Policy Statement adopted by the Board of Regents of The University of Texas System on September 3, 1999. Dr. Cunningham stated that the Board of Regents mandate was for the Corporation's Board to conduct meetings consistent with the open meetings policies and laws that govern the Board of Regents' meetings. Mr. Turner handed out materials which provided an analysis of the Open Meeting Policy Statement and reviewed in detail the analysis with the Board members. During this part of the review, Ms. Byrne joined the meeting by means of conference telephone enabling all persons participating in the meeting to hear each other. Following the review, Mr. Turner and Dr. Cunningham answered the Board members questions. Ms. Byrne left the meeting at 9:54 a.m.

Following the question and answer session the meeting was adjourned at approximately 10:05 a.m.

Secretary: ___________________________

APPROVED:

Vice Chairman: ___________________________

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**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 thereof 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 Meeting 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 reviewed the PUF's 1999 financial activity and stated that the Permanent University Fund (PUF) had its second best year on record. 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 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 Nonmarketable Alternative Investments through FY2004. 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.**; and

WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Short Form Due Diligence Review and Recommendation dated 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.

Approving Hampshire Equity Partners III, 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 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.**; and

WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Short Form Due Diligence Review and Recommendation dated 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.**; and
>
> WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;
>
> NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Due Diligence Review and Recommendation dated 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 ended August 31, 1999. The PUF's write-offs were $47,276 in market value and $494,083 in book value. The LTF's write-offs were $25,071 in market value and $89,788 in book value. Mr. Ricks stated that the losses for the year were based on market value which is the method of reporting used for the funds' investments 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.

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.
>
> 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; and be it further
>
> RESOLVED, that A. W. (Dub) Riter is hereby designated as the Chairman of the Nominating Committee.

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: ____________________________

MINUTES OF BRIEFING SESSION 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 briefing session of the Board on the 8th day of November, 1999 at the offices of Vinson & Elkins, L.L.P., West Conference Room – 28th Floor, 1001 Fannin, Houston, Texas, said session having been called by the Vice Chairman. Participating in the briefing session were the following members of the Board of Directors (the "Board"):

Robert H. Allen, Vice Chairman
Susan M. Byrne
William H. Cunningham
Woody L. Hunt
J. Luther King, Jr.
A. W. "Dub" Riter, Jr.
A. R. (Tony) Sanchez, Jr.

Also participating in the briefing session 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. Also present were Mr. Craig Nickels and Mr. Charles Preston of Corporation's private investments staff. Mr. Allen called the briefing session to order at approximately 12:30 p.m.

Briefing Session on Direct Co-Investment in Songbird Medical Inc.

Mr. Allen stated that the purpose of the meeting was informational in which the members of the Board may ask and receive answers concerning the proposed investment in Songbird Medical Inc.. The Corporation's Open Meeting Policy states that a quorum of the Board may confer with one or more employees of UTIMCO or the third party relating to an investment or potential investment by UTIMCO as provided for in the policy. Mr. Long introduced the representatives for Songbird Medical Inc., who provided a presentation and answered the Board members' questions. Following the presentation, the presenters left the meeting and the Corporation's staff answered additional Board questions. The briefing session concluded at approximately 1:27 p.m.

Secretary: ______________________

APPROVED:

Vice Chairman: ______________________

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 9th of December 1999 at the offices of Vinson & Elkins, L.L.P., West Conference Room – 35th Floor, 1001 Fannin, Houston, Texas, said meeting having been called by the Vice Chairman, with notice provided to each Director in accordance with the Bylaws. Participating in the meeting were the following members of the Board of Directors (the "Board"):

Robert H. Allen, Vice Chairman
William H. Cunningham
Woody L. Hunt
J. Luther King, Jr.
A. W. "Dub" Riter, Jr.
A. R. (Tony) Sanchez, Jr.

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

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

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

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

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

Inflation Hedging Assets

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

> WHEREAS, the Board has reviewed a Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into a limited partnership agreement (the "Agreement") with Energy Option Advisors, LLC to invest up to $25 million of PUF, PHF and LTF assets in **Energy Asset Option Fund I, L.P.**; and
>
> WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;
>
> NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Due Diligence Review and Recommendation dated December 9, 1999 for Energy Asset Option Fund I, L.P. be approved; and be it further
>
> RESOLVED, that the President and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to Energy Asset Option Fund I, L.P.; and be it further
>
> RESOLVED, that the President, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing

resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

Approval of Amendment No. 1 to UTIMCO Code of Ethics

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

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

Approval of Amendment No. 4 to UTIMCO Bylaws

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

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

Section 3. Appointment and Term. Except for those Directors named in the Articles of Incorporation, Directors shall be appointed by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he remains Chancellor of the System. Until otherwise changed by the Board of Regents in compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System. The three (3) Regental Directors shall serve for two-year terms that expire on the first day of February of each odd-numbered year, except that the initially appointed Regental Directors shall serve until February 1, 1997. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year, except that the term of one of the current Directors shall end on April 1, 2001, the term of two (2) of the current Directors shall end on April 1, 2002 and the term of two (2) of current Directors shall end on April 1, 2003. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors. Each person serving as a Director shall serve until the earlier to occur of (i) the expiration of such Director's term or (ii) such Director's death, resignation, or removal as provided in these Bylaws.

Re-Appointment of Directors

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

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

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

Investment Performance Review

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

Endowment Spending Policy

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

Enhance Indexation

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

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

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

> WHEREAS, the Board has reviewed a Short Form Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with SKM Partners LLC, to invest up to $25 million of PUF, PHF and LTF assets in **SKM Equity Fund III, L.P.**; and
>
> WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;
>
> NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Short Form Due Diligence Review and Recommendation dated December 9, 1999 for SKM Equity Fund III, L.P., be approved; and be it further
>
> RESOLVED, that the President and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to SKM Equity Fund III, L.P.; and be it further
>
> RESOLVED, that the President, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

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

Secretary: ____________________________

APPROVED:

Vice Chairman: ____________________________

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 5th of January 2000 at UTIMCO's Board Room, 210 W. Sixth Street, 2nd Floor, Austin, Texas, 78701. All Directors and other participants in the meeting participated by means of conference telephone enabling all persons participating in the meeting to hear each other. The meeting had been called by the Vice-Chairman, with notice provided to each member in accordance with the Bylaws and the Open Meeting Policy Statement of The University of Texas Investment Management Company (the "Corporation"). Participating in the meeting were the following members of the Board of Directors (the "Board"):

Robert H. Allen, Vice-Chairman
Susan M. Byrne
William H. Cunningham
Woody L. Hunt
J. Luther King, Jr.
A. W. "Dub" Riter, Jr.
A. R. (Tony) Sanchez, Jr.

thus, constituting a majority and quorum of the Board of Directors. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation.

Mr. Allen called the meeting to order at 4:30 p.m.

Mr. Allen introduced Mr. Riter, Chairman of the UTIMCO Nominating Committee, and asked for the Report of the Nominating Committee. Mr. Riter stated that the Committee had concluded its assignment to identify two candidates to fill the open positions on the Board. He described the process used by the Committee to identify and evaluate candidates culminating with the Committee's recommendation to have Mr. L. Lowry Mays and Mr. John D. McStay appointed to the Board. Upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the report of the UTIMCO Nominating Committee recommending Mr. L. Lowry Mays and Mr. John D. McStay for appointment to the UTIMCO Board by the U.T. System Board of Regents until the expiration of terms ending April 1, 2003 be and is hereby approved.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 4:45 p.m.

Approved: ______________________________ Date: ____________________

Vice Chairman

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UTIMCO
Assets Under Management

	ENDOWMENT FUNDS				OPERATING FUNDS			TOTAL
			U.T FUNDS					
	PUF	**PHF**	**LTF**	**SIFs**	**STF**	**SITF**	**IIFs**	
Time Horizon	Long 5-30 years	Long 5-30 years	Long 5-30 years	Short-Long 0-30 years	Short 0-120 days	Short/Inter 1-5 yrs.	Long 5-30 years	
Objectives								
Liquidity	x	x	x	Various	xxx	xx	xx	
Income	x	x	x	Various	x	xx	n/a	
Safety of Principal	xx	xx	xx	Various	xxx	xx	n/a	
Growth of Income	xxx	xxx	xxx	Various	-	xx	x	
Growth of Principal	xxx	xxx	xxx	Various	-	xx	n/a	
Asset Allocation								
Cash equivalents	7%	6%	5%	Various	100%	5%	1%	
Fixed Income	24%	22%	19%	Various	0%	95%	38%	
Equities	51%	57%	55%	Various	0%	0%	61%	
Alternative Equities	11%	11%	17%	Various	0%	0%	0%	
Inflation Hedging	7%	4%	4%	Various	0%	0%	0%	
Market Value								
January 31, 2000	**7,548.0**	**946.1**	2,839.5	138.5 (1)	756.9	1,873.4	40.1	**14,142.5**
November 30, 1999	**7,697.9**	**918.2**	2,755.6	157.6	722.0	1,903.3	26.8	**14,181.4**
August 31, 1999	**7,465.6**	**890.3**	2,602.3	165.2	764.5	1,769.4	13.1	**13,670.4**
August 31, 1998	**6,517.1**	-	2,147.7	157.4	655.8	1,809.6	-	**11,287.6**
August 31, 1997	**6,368.3**	-	2,125.0	146.3	569.3	1,631.4	-	**10,840.3**
August 31, 1996	**5,292.1**	-	1,712.1	149.2	561.4	1,332.1	-	**9,046.9**
February 29, 1996	**5,280.7**	-	1,694.9	170.7	593.5	1,266.8	-	**9,006.6**

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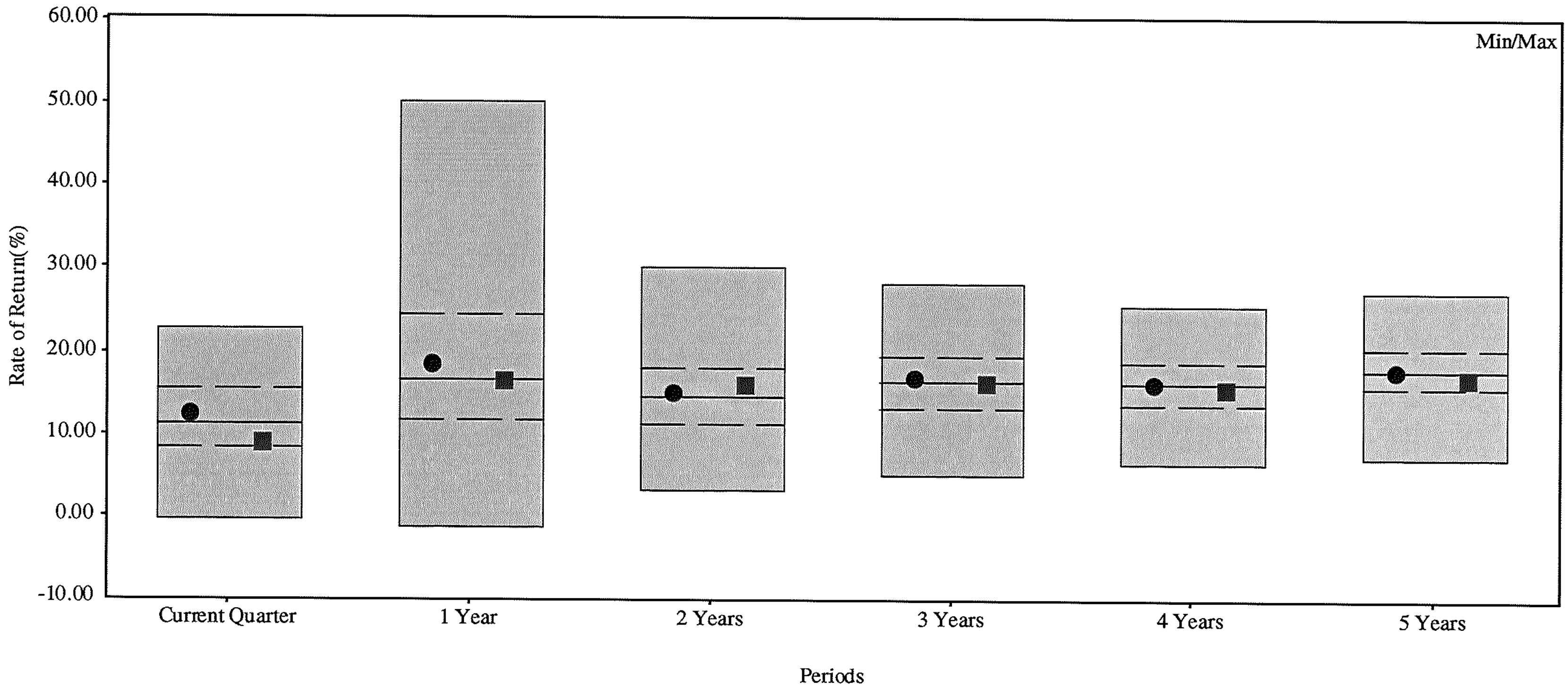
The University of Texas Investment Management Co.
TOTAL FUNDS - FOUNDATIONS AND ENDOWMENTS
Ending Friday, December 31, 1999
Quartile



	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)	Return	(% tile)
Maximum	22.68		50.13		30.08		28.13		25.50		27.36	
25th Percentile	15.51		24.37		18.12		19.39		18.62		20.35	
Median	11.28		16.71		14.45		16.40		16.18		17.72	
75th Percentile	8.43		11.72		11.28		13.03		13.59		15.70	
Minimum	- 0.10		- 1.21		3.28		5.24		6.59		7.45	
# of Portfolios	70		70		59		50		50		49	
● **TOTAL FUND - LTF**	12.48	39	18.75	44	15.24	49	16.98	42	16.34	46	18.04	46
■ **Policy Portfolio**	9.39	72	16.92	50	16.41	40	16.57	50	15.96	55	17.26	62

Universe Source: (c) Russell/Mellon Analytical Services

LONG TERM FUND
PERFORMANCE SUMMARY
JANUARY 31, 2000

	Net Asset Value (in Millions)	Allocation %	Periods Ended January 31, 2000 One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Five Months January 31, 2000	Calendar Year To Date One Month Ended January 31, 2000
Long Term Fund (Gross of Fees)			**(2.61)**	**5.95**	**9.19**	**14.74**	**13.40**	**14.94**	**17.07**	**13.68**	**8.91**	**(2.61)**
NET OF FEES PERFORMANCE:												
Long Term Fund	**2,839.5**	**100.0**	**(2.61)**	**5.91**	**9.13**	**14.60**	**13.26**	**14.81**	**16.96**	**13.59**	**8.88**	**(2.61)**
vs. Policy Portfolio			(0.79)	1.46	2.00	1.66	(1.53)	(0.27)	0.25	(1.20)	1.71	(0.79)
Policy Portfolio			**(1.82)**	**4.45**	**7.13**	**12.94**	**14.79**	**15.08**	**16.71**	**14.79**	**7.17**	**(1.82)**
Fixed Income:												
Domestic Fixed Income:												
Internally Managed	28.7	1.0	(0.72)	(1.20)	0.05	(2.05)	2.54	6.18	8.10	6.88	0.07	(0.72)
vs. Lehman Brothers Aggregate			(0.39)	(0.38)	(0.61)	(0.20)	(0.46)	0.67	0.86	0.80	(0.64)	(0.39)
PIMCO	284.4	10.0	(0.54)	(0.72)	0.80	(1.38)	-	-	-	-	0.59	(0.54)
vs. Lehman Brothers Aggregate			(0.21)	0.10	0.15	0.46	-	-	-	-	(0.11)	(0.21)
GSAM	96.1	3.4	(0.26)	(0.59)	0.79	(1.57)	-	-	-	-	1.11	(0.26)
vs. Lehman Brothers Aggregate			0.07	0.22	0.14	0.27	-	-	-	-	0.40	0.07
Lehman Brothers Aggregate			(0.33)	(0.81)	0.66	(1.85)	2.99	5.51	7.24	6.09	0.71	(0.33)
Total Domestic Fixed Income	**409.2**	**14.4**	**(0.49)**	**(0.72)**	**0.75**	**(1.48)**	**3.08**	**6.55**	**8.33**	**7.05**	**0.68**	**(0.49)**
vs. Lehman Brothers Aggregate			(0.16)	0.09	0.09	0.37	0.09	1.05	1.09	0.96	(0.03)	(0.16)
International Fixed Income:												
PIMCO	89.0	3.1	(3.48)	(4.59)	(2.85)	(8.24)	-	-	-	-	(2.93)	(3.48)
vs. Salomon Non-U.S. WGBI Unhedged			(0.47)	(0.16)	(0.71)	(1.76)	-	-	-	-	(0.17)	(0.47)
Salomon Non-U.S. WGBI Unhedged			(3.01)	(4.43)	(2.14)	(6.48)	3.78	2.67	4.80	6.51	(2.76)	(3.01)
Total International Fixed Income	**89.0**	**3.1**	**(3.48)**	**(4.59)**	**(2.85)**	**(8.24)**	-	-	-	-	**(2.93)**	**(3.48)**
Total Fixed Income	**498.2**	**17.5**	**(1.04)**	**(1.44)**	**0.09**	**(2.75)**	**2.60**	**6.22**	**8.13**	**6.90**	**0.01**	**(1.04)**
vs. Lehman Brothers Aggregate			(0.71)	(0.62)	(0.57)	(0.90)	(0.40)	0.71	0.89	0.82	(0.69)	(0.71)
Equities:												
Domestic Equities:												
Large/Med Cap Equities:												
Fayez Sarofim	41.4	1.5	(1.66)	0.51	5.25	5.28	16.21	18.67	25.80	19.30	3.61	(1.66)
vs. S & P 500 Index			3.37	(2.10)	(0.34)	(5.07)	(4.70)	(4.21)	(0.77)	(1.19)	(2.51)	3.37
Greg Cox (Terminated 1/2000)	0.3	0.0	-	-	-	-	-	-	-	-	-	-
Barclays Global Investors S&P	456.5	16.1	(4.99)	2.66	5.65	10.39	21.40	23.20	26.81	21.97	6.17	(4.99)
vs. S & P 500 Index			0.03	0.05	0.06	0.03	0.48	0.32	0.23	1.49	0.05	0.03
MBA Investments	1.0	0.0	(3.84)	8.40	12.54	14.90	21.22	18.69	-	-	14.69	(3.84)
vs. S & P 500 Index			1.18	5.79	6.96	4.55	0.30	(4.19)	-	-	8.58	1.18
GSAM	238.7	8.4	(5.94)	2.84	5.38	11.16	-	-	-	-	6.05	(5.94)
vs. S & P 500 Index			(0.92)	0.22	(0.20)	0.81	-	-	-	-	(0.06)	(0.92)
Total Large/Med Cap Equities	**737.9**	**26.0**	**(5.17)**	**0.98**	**2.82**	**7.13**	**15.05**	**18.78**	**23.22**	**17.97**	**4.08**	**(5.17)**
vs. S & P 500 Index			(0.15)	(1.63)	(2.77)	(3.22)	(5.86)	(4.10)	(3.36)	(2.51)	(2.04)	(0.15)
S&P 500 Index			(5.02)	2.61	5.59	10.35	20.91	22.88	26.58	20.48	6.11	(5.02)
Small Cap Equities:												
Pilgrim Investment Advisors	186.1	6.6	1.73	47.86	82.97	122.18	64.92	-	-	-	76.66	1.73
vs. Russell 2000 Growth			2.66	19.01	53.30	86.52	44.32	-	-	-	41.95	2.66
Russell 2000 Growth			(0.93)	28.85	29.67	35.66	20.60	16.50	19.26	14.51	34.70	(0.93)
Artisan Partners (Terminated 4/1999)	0.3	0.0	-	-	-	-	-	-	-	-	-	-
Schroder	49.5	1.7	(5.65)	3.28	(5.54)	3.22	(2.30)	5.26	13.86	-	(1.45)	(5.65)
vs. Russell 2000 Value			(3.04)	2.38	1.09	5.05	2.09	0.04	1.21	-	1.65	(3.04)
Russell 2000 Value			(2.61)	0.90	(6.64)	(1.83)	(4.39)	5.22	12.65	11.11	(3.09)	(2.61)
BGI Russell 2000 (Start Date 1/15/2000)	51.7	1.8	-	-	-	-	-	-	-	-	-	0.00
vs. Russell 2000			-	-	-	-	-	-	-	-	-	-
GSAM	84.9	3.0	(4.81)	11.50	6.66	10.55	-	-	-	-	10.00	(4.81)
vs. Russell 2000			(3.20)	(4.57)	(5.59)	(7.19)	-	-	-	-	(6.57)	(3.20)
Rosenberg Equity (Terminated 12/1999)	1.1	0.0	-	-	-	-	-	-	-	-	-	-
Russell 2000			(1.61)	16.07	12.25	17.74	8.68	11.73	16.60	13.35	16.57	(1.61)
Total Small Cap Equities	**373.6**	**13.1**	**(1.57)**	**24.91**	**31.38**	**44.35**	**20.66**	**17.26**	**20.09**	-	**32.56**	**(1.57)**
vs. Russell 2000			0.04	8.84	19.13	26.60	11.97	5.53	3.49	-	15.99	0.04
Total Domestic Equities	**1,111.5**	**39.1**	**(4.01)**	**7.39**	**10.25**	**16.28**	**16.98**	**19.27**	**22.93**	**17.69**	**11.51**	**(4.01)**
vs. Russell 3000			(0.09)	2.32	2.69	3.94	(2.79)	(2.39)	(2.46)	(1.83)	2.71	(0.09)
Russell 3000			(3.92)	5.07	7.56	12.33	19.77	21.66	25.38	19.51	8.80	(3.92)

LONG TERM FUND
PERFORMANCE SUMMARY
JANUARY 31, 2000

	Net Asset Value (in Millions)	Allocation %	Periods Ended January 31, 2000 One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Five Months January 31, 2000	Calendar Year To Date One Month Ended January 31, 2000
NET OF FEES PERFORMANCE (continued)												
International Equities:												
Established Markets:												
Barclays Global Investors EAFE International Fund	214.1	7.5	(6.22)	5.32	10.72	16.01	16.67	15.74	13.73	-	10.20	(6.22)
vs. Financial Times Actuaries World (excluding U.S.)			0.06	(0.78)	(1.93)	(7.79)	(0.71)	1.44	1.55	-	(1.22)	0.06
Capital Guardian Trust	57.4	2.0	2.04	20.57	26.71	56.40	19.32	11.52	-	-	20.72	2.04
vs. MSCI EAFE Net			8.39	14.97	15.65	37.15	2.51	(3.08)	-	-	10.07	8.39
GSAM	92.5	3.3	(5.69)	8.39	13.95	20.63	-	-	-	-	11.81	(5.69)
vs. Financial Times Actuaries Europe + Pacific			0.99	3.37	2.43	(1.44)	-	-	-	-	1.75	0.99
Total Established Markets	**364.0**	**12.8**	**(4.87)**	**8.26**	**13.77**	**21.96**	**17.84**	**14.62**	**13.31**	-	**12.15**	**(4.87)**
Financial Times Actuaries World (excluding U.S.)			(6.28)	6.09	12.66	23.81	17.39	14.30	12.17	13.56	11.42	(6.28)
MSCI EAFE Net			(6.35)	5.60	11.06	19.25	16.80	14.59	12.23	13.64	10.65	(6.35)
Financial Times Actuaries Europe + Pacific			(6.67)	5.02	11.52	22.07	17.65	14.61	11.95	13.53	10.07	(6.67)
Emerging Markets:												
Templeton	59.7	2.1	(4.49)	19.19	13.01	57.11	15.49	0.41	-	-	17.17	(4.49)
vs. MSCI Emerging Markets			(4.89)	(3.95)	(9.24)	(10.08)	1.75	1.54	-	-	(4.07)	(4.89)
GSAM	29.5	1.0	(0.08)	27.31	25.58	68.19	-	-	-	-	26.36	(0.08)
vs. MSCI Emerging Markets			(0.49)	4.17	3.32	1.00	-	-	-	-	5.12	(0.49)
Total Emerging Markets	**89.2**	**3.1**	(3.08)	21.76	16.89	60.85	15.30	0.30	-	-	20.06	(3.08)
MSCI Emerging Markets			0.40	23.14	22.25	67.19	13.75	(1.13)	2.24	6.50	21.24	0.40
Total Foreign Equities	**453.2**	**15.9**	**(4.52)**	**10.67**	**14.39**	**27.63**	**17.45**	**11.91**	**12.21**	-	**13.63**	**(4.52)**
Total Equities	**1,564.7**	**55.0**	**(4.16)**	**8.25**	**11.33**	**19.10**	**17.08**	**17.81**	**21.14**	**16.51**	**12.07**	**(4.16)**
Alternative Equities:												
Marketable:												
Maverick Fund	111.1	3.9	(3.25)	7.50	5.97	21.39	-	-	-	-	12.80	(3.25)
vs. 90 Day Treasury Bill + 7%			(4.26)	4.44	(0.21)	8.93	-	-	-	-	7.66	(4.26)
Perry Partners International	50.9	1.8	1.88	5.01	5.45	16.50	-	-	-	-	5.26	1.88
vs. 90 Day Treasury Bill + 7%			0.87	1.95	(0.73)	4.04	-	-	-	-	0.12	0.87
Farallon Capital Offshore Investors	41.8	1.5	1.25	3.86	5.16	19.14	-	-	-	-	4.57	1.25
vs. 90 Day Treasury Bill + 7%			0.24	0.80	(1.02)	6.68	-	-	-	-	(0.57)	0.24
OCM Opportunities Fund III, L.P.	1.8	0.1	1.81	1.81	-	-	-	-	-	-	1.81	1.81
vs. 90 Day Treasury Bill + 7%			0.80	(1.25)	-	-	-	-	-	-	(3.33)	0.80
90 Day Treasury Bill + 7%			1.01	3.06	6.18	12.46	12.57	12.69	12.91	12.45	5.14	1.01
Total Marketable	**205.6**	**7.3**	**(1.12)**	**3.65**	**3.24**	**10.06**	-	-	-	-	**6.09**	**(1.12)**
vs. 90 Day Treasury Bill + 7%			(2.13)	0.59	(2.94)	(2.40)	-	-	-	-	0.95	(2.13)
Nonmarketable	**263.6**	**9.3**	**(0.04)**	**6.04**	**15.98**	**25.68**	**23.84**	**23.74**	**24.99**	**23.37**	**6.69**	**(0.04)**
vs. Benchmark (17%)			(1.36)	2.04	7.81	8.68	6.84	6.74	7.99	6.37	(0.07)	(1.36)
Benchmark (17%)			1.32	4.00	8.17	17.00	17.00	17.00	17.00	17.00	6.76	1.32
Total Alternative Equities	**469.2**	**16.6**	**(0.55)**	**4.85**	**9.10**	**17.02**	**17.86**	**19.73**	**22.54**	**21.64**	**6.46**	**(0.55)**
Inflation Hedging:												
Goldman Sachs Commodity	113.7	4.0	9.67	-	-	-	-	-	-	-	-	9.67
vs. Goldman Sachs Commodity Index			2.44	-	-	-	-	-	-	-	-	2.44
Oil and Gas	6.8	0.2	-	-	-	-	-	-	-	-	-	0.00
vs. 33% * (GSCI Index-100 bp)+(67% * NCREIF)			(2.66)	-	-	-	-	-	-	-	-	(2.66)
Total Inflation Hedging	**120.5**	**4.2**	**6.29**	-	-	-	-	-	-	-	-	**6.29**
vs. 33% * (GSCI Index-100 bp)+(67% * NCREIF)			3.63	-	-	-	-	-	-	-	-	3.63
GSCI Index			7.23	-	-	-	-	-	-	-	-	7.23
NCREIF			0.90	-	-	-	-	-	-	-	-	0.90
33% * (GSCI Index-100 bp)+(67% * NCREIF)			2.66	-	-	-	-	-	-	-	-	2.66
GSAM Global Asset Allocation Overlay[1]	50.1	1.8	(4.21)	16.16	41.05	72.07	-	-	-	-	28.43	(4.21)
Liquidity Reserve	136.8	4.9										
Consumer Price Index			0.24	0.30	1.20	2.68	2.17	1.97	2.34	2.43	0.96	0.24

1 - Performance on all Futures accounts for various asset classes is combined in the GSAM Global Asset Allocation account.

PERMANENT HEALTH FUND
PERFORMANCE SUMMARY
JANUARY 31, 2000

	Net Asset Value (in Millions)	Allocation %	Periods Ended January 31, 2000: One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date: Five Months January 31, 2000	Calendar Year To Date: One Month Ended January 31, 2000
Permanent Health Fund (Gross of Fees)			**(2.60)**	**4.71**	-	-	-	-	-	-	**6.09**	**(2.60)**
NET OF FEES PERFORMANCE:												
Permanent Health Fund	**946.1**	**100.0**	**(2.60)**	**4.70**	-	-	-	-	-	-	**6.07**	**(2.60)**
vs. Policy Portfolio			(0.78)	0.24	-	-	-	-	-	-	(1.10)	(0.78)
Policy-Portfolio			**(1.82)**	**4.45**	**7.13**	**12.94**	**14.79**	**15.08**	**16.71**	**14.79**	**7.17**	**(1.82)**
Fixed Income:												
Domestic Fixed Income:												
PIMCO	121.8	12.9	(0.12)	(0.21)	-	-	-	-	-	-	1.36	(0.12)
vs. Lehman Brothers Aggregate			0.21	0.60	-	-	-	-	-	-	0.65	0.21
BGI US Debt Fund	51.4	5.4	(0.28)	(0.84)	-	-	-	-	-	-	-	(0.28)
vs. Lehman Brothers Aggregate			0.04	(0.03)	-	-	-	-	-	-	-	0.04
Lehman Brothers Aggregate			(0.33)	(0.81)	0.66	(1.85)	2.99	5.51	7.24	6.09	0.71	(0.33)
Total Domestic Fixed Income	**173.2**	**18.3**	**(0.17)**	**(0.38)**	-	-	-	-	-	-	**1.19**	**(0.17)**
vs. Lehman Brothers Aggregate			0.16	0.44	-	-	-	-	-	-	0.48	0.16
International Fixed Income:												
PIMCO	38.3	4.0	(3.99)	(5.30)	-	-	-	-	-	-	(5.53)	(3.99)
vs. Salomon Non-U.S. WGBI Unhedgec			(0.98)	(0.87)	-	-	-	-	-	-	(2.76)	(0.98)
Salomon Non-U.S. WGBI Unhedged			(3.01)	(4.43)	(2.14)	(6.48)	3.78	2.67	4.80	6.51	(2.76)	(3.01)
Total International Fixed Income	**38.3**	**4.0**	**(3.99)**	**(5.30)**	-	-	-	-	-	-	**(5.53)**	**(3.99)**
Total Fixed Income	**211.5**	**22.3**	**(0.89)**	**(1.40)**	-	-	-	-	-	-	**(0.30)**	**(0.89)**
vs. Lehman Brothers Aggregate			(0.56)	(0.59)	-	-	-	-	-	-	(1.00)	(0.56)
Equities:												
Domestic Equities:												
Large/Med Cap Equities:												
BGI S&P - Tobacco Free	205.0	21.7	(5.04)	2.71	-	-	-	-	-	-	6.20	(5.04)
vs. S & P 500 Index			(0.02)	0.10	-	-	-	-	-	-	0.09	(0.02)
BGI S & P Midcap Fund	46.8	4.9	(2.81)	-	-	-	-	-	-	-	-	(2.81)
vs. S & P Midcap Index			0.01	-	-	-	-	-	-	-	-	0.01
Total Large/Med Cap Equities	**251.8**	**26.6**	**(4.63)**	**3.12**	-	-	-	-	-	-	**6.63**	**(4.63)**
vs. S & P 500 Index			0.39	0.51	-	-	-	-	-	-	0.52	0.39
S&P 500 Index			(5.02)	2.61	5.59	10.35	20.91	22.88	26.58	20.48	6.11	(5.02)
S&P Midcap Index			(2.82)	8.36	6.59	16.01	16.35	19.18	22.09	16.85	10.37	(2.82)
Small Cap Equities:												
Pilgrim Investment Advisors	37.1	3.9	1.61	45.57	-	-	-	-	-	-	72.74	1.61
vs. Russell 2000 Growth			2.54	16.71	-	-	-	-	-	-	38.03	2.54
Russell 2000 Growth			(0.93)	28.85	29.67	35.66	20.60	16.50	19.26	14.51	34.70	(0.93)
Schroder	11.6	1.2	(5.93)	2.51	-	-	-	-	-	-	(0.67)	(5.93)
vs. Russell 2000 Value			(3.32)	1.61	-	-	-	-	-	-	2.43	(3.32)
Russell 2000 Value			(2.61)	0.90	(6.64)	(1.83)	(4.39)	5.22	12.65	11.11	(3.09)	(2.61)
Rosenberg Equity (Terminated 12/1999)	0.3	0.0	-	-	-	-	-	-	-	-	-	-
BGI Russell 2000 Index	51.7	5.5	(1.96)	-	-	-	-	-	-	-	-	(1.96)
vs. Russell 2000			(0.35)	-	-	-	-	-	-	-	-	(0.35)
Russell 2000			(1.61)	16.07	12.25	17.74	8.68	11.73	16.60	13.35	16.57	(1.61)
Total Small Cap Equities	**100.7**	**10.6**	**(1.14)**	**23.91**	-	-	-	-	-	-	**34.01**	**(1.14)**
vs. Russell 2000			0.47	7.85	-	-	-	-	-	-	17.44	0.47
Total Domestic Equities	**352.5**	**37.2**	**(3.66)**	**7.59**	-	-	-	-	-	-	**12.02**	**(3.66)**
vs. Russell 3000			0.26	2.52	-	-	-	-	-	-	3.22	0.26
Russell 3000			(3.92)	5.07	7.56	12.33	19.77	21.66	25.38	19.51	8.80	(3.92)

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PERMANENT HEALTH FUND
PERFORMANCE SUMMARY
JANUARY 31, 2000

	Net Asset Value (in Millions)	Allocation %	Periods Ended January 31, 2000 One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Five Months January 31, 2000	Calendar Year To Date One Month Ended January 31, 2000
NET OF FEES PERFORMANCE (continued)												
International Equities:												
Established Markets:												
BGI EAFE International Fund - Tobacco Free	115.4	12.2	(6.39)	5.58	-	-	-	-	-	-	10.79	(6.39)
vs. Financial Times Actuaries World (excluding U.S.)			(0.11)	(0.52)	-	-	-	-	-	-	(0.63)	(0.11)
Capital Guardian Trust	17.9	1.9	2.04	20.72	-	-	-	-	-	-	20.87	2.04
vs. MSCI EAFE Net			8.39	15.12	-	-	-	-	-	-	10.22	8.39
Total Established Markets	**133.3**	**14.1**	**(5.34)**	**7.40**	-	-	-	-	-	-	**12.07**	**(5.34)**
Financial Times Actuaries World (excluding U.S.)			(6.28)	6.09	12.66	23.81	17.39	14.30	12.17	13.56	11.42	(6.28)
MSCI EAFE Net			(6.35)	5.60	11.06	19.25	16.80	14.59	12.23	13.64	10.65	(6.35)
Emerging Markets:												
Templeton	49.3	5.2	(4.50)	18.46	-	-	-	-	-	-	15.89	(4.50)
vs. MSCI Emerging Markets			(4.90)	(4.68)	-	-	-	-	-	-	(5.35)	(4.90)
Total Emerging Markets	**49.3**	**5.2**	**(4.50)**	**18.46**	-	-	-	-	-	-	**15.89**	**(4.50)**
MSCI Emerging Markets			0.40	23.14	22.25	67.19	13.75	(1.13)	2.24	6.50	21.24	0.40
Total Foreign Equities	**182.6**	**19.3**	**(5.11)**	**9.83**	-	-	-	-	-	-	**13.19**	**(5.11)**
Alternative Equities:												
Marketable:												
Maverick Fund	58.9	6.2	(3.25)	7.25	-	-	-	-	-	-	13.96	(3.25)
vs. 90 Day Treasury Bill + 7%			(4.26)	4.19	-	-	-	-	-	-	8.82	(4.26)
Perry Partners International	21.0	2.2	1.90	5.00	-	-	-	-	-	-	6.11	1.90
vs. 90 Day Treasury Bill + 7%			0.89	1.94	-	-	-	-	-	-	0.97	0.89
Farallon Capital Offshore Investor	20.8	2.2	1.22	3.72	-	-	-	-	-	-	4.33	1.22
vs. 90 Day Treasury Bill + 7%			0.21	0.66	-	-	-	-	-	-	(0.81)	0.21
OCM Opportunities Fund III, L.P.	0.6	0.1	1.91	1.91	-	-	-	-	-	-	-	1.91
vs. 90 Day Treasury Bill + 7%			0.90	(1.15)	-	-	-	-	-	-	-	0.90
90 Day Treasury Bill + 7%			1.01	3.06	6.18	12.46	12.57	12.69	12.91	12.45	5.14	1.01
Total Marketable	**101.3**	**10.7**	**(0.52)**	**4.77**	-	-	-	-	-	-	**8.05**	**(0.52)**
vs. 90 Day Treasury Bill + 7%			(1.53)	1.71	-	-	-	-	-	-	2.91	(1.53)
Nonmarketable	**1.5**	**0.2**	-	**(0.04)**	-	-	-	-	-	-	-	-
vs. Benchmark (17%)			(1.32)	(4.04)	-	-	-	-	-	-	-	-
Benchmark (17%)			1.32	4.00	8.17	17.00	17.00	17.00	17.00	17.00	6.76	1.32
Total Alternative Equities	**102.8**	**10.9**	**(0.51)**	**4.74**	-	-	-	-	-	-	**8.02**	**(0.51)**
Inflation Hedging:												
Goldman Sachs Commodity	38.1	4.0	9.61	-	-	-	-	-	-	-	-	9.61
vs. GSCI Index			2.38	-	-	-	-	-	-	-	-	-
Oil and Gas	-	0.0	-	-	-	-	-	-	-	-	-	-
vs. 33% * (GSCI Index-100 bp)+(67% * NCREIF)			(2.66)	-	-	-	-	-	-	-	-	(2.66)
GSCI Index			7.23	-	-	-	-	-	-	-	-	7.23
NCREIF			0.90	-	-	-	-	-	-	-	-	0.90
33% * (GSCI Index-100 bp)+(67% * NCREIF)			2.66	-	-	-	-	-	-	-	-	2.66
Total Inflation Hedging	**38.1**	**4.0**	**6.62**	-	-	-	-	-	-	-	-	6.62
vs. (33%-GSCI Index-100 bp)+(67% NCREIF)			3.96	-	-	-	-	-	-	-	-	-
Total Equities	**676.0**	**71.4**	**(3.06)**	**7.95**	-	-	-	-	-	-	**11.78**	**(3.06)**
Liquidity Reserve	58.6	6.3										
Consumer Price Index			0.24	0.30	1.20	2.68	2.17	1.97	2.34	2.43	0.96	0.24

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PERMANENT UNIVERSITY FUND
PERFORMANCE SUMMARY
JANUARY 31, 2000

	Net Asset Value (in Millions)	Allocation %	Periods Ended January 31, 2000 One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Fiscal Year To Date Five Months January 31, 2000	Calendar Year To Date One Month Ended January 31, 2000
Permanent University Fund (Gross of Fees)			**(2.38)**	**2.44**	**4.53**	**6.80**	**9.93**	**13.00**	**15.65**	**12.55**	**4.48**	**(2.38)**
NET OF FEES PERFORMANCE:												
Permanent University Fund	**7,548.0**	100.0	**(2.38)**	**2.42**	**4.49**	**6.73**	**9.85**	**12.92**	**15.57**	**12.49**	**4.45**	**(2.38)**
vs. Policy Portfolio			(0.56)	(2.03)	(2.64)	(6.21)	(4.93)	(2.17)	(1.13)	(2.31)	(2.72)	(0.56)
Policy-Portfolio			**(1.82)**	**4.45**	**7.13**	**12.94**	**14.79**	**15.08**	**16.71**	**14.79**	**7.17**	**(1.82)**
Fixed Income-Old Account	1,811.2	24.0	0.01	(0.90)	(0.02)	(4.32)	2.24	5.70	7.77	6.71	0.33	0.01
vs. Lehman Brothers Aggregate			0.33	(0.08)	(0.68)	(2.47)	(0.75)	0.19	0.53	0.63	(0.38)	0.33
Lehman Brothers Aggregate			(0.33)	(0.81)	0.66	(1.85)	2.99	5.51	7.24	6.09	0.71	(0.33)
Equities:												
Domestic Equities:												
Large/Med Cap Equities												
Fayez Sarofim	197.4	2.6	(1.52)	(0.18)	5.10	5.40	15.39	17.96	25.47	19.13	3.02	(1.52)
vs. S & P 500 Index			3.51	(2.79)	(0.49)	(4.95)	(5.53)	(4.92)	(1.11)	(1.35)	(3.09)	3.51
Holland Timmins	490.7	6.5	(7.39)	(2.84)	1.01	5.42	16.15	20.68	22.28	16.76	0.91	(7.39)
vs. S & P 500 Index			(2.37)	(5.45)	(4.58)	(4.94)	(4.77)	(2.20)	(4.30)	(3.72)	(5.20)	(2.37)
Davis Hamilton Jackson	90.6	1.2	(3.88)	5.93	11.39	13.53	28.17	28.31	28.18	-	12.19	(3.88)
vs. S & P 500 Index			1.15	3.32	5.81	3.18	7.25	5.43	1.60	-	6.08	1.15
Greg Cox - Internal Equity (Closed 1/2000)	1.0	0.0	-	-	-	-	-	-	-	-	-	-
Barclays Global Investors S&P	1,165.1	15.4	(5.03)	2.62	5.60	10.34	20.88	22.84	26.56	20.43	6.12	(5.03)
vs. S & P 500 Index			(0.01)	0.01	0.02	(0.01)	(0.03)	(0.04)	(0.01)	(0.06)	0.01	(0.01)
Cash Equitization	179.9	2.4	(7.75)	(0.92)	2.53	7.06	-	-	-	-	3.01	(7.75)
vs. S & P 500 Index			(2.72)	(3.53)	(3.06)	(3.29)	-	-	-	-	(3.11)	(2.72)
S&P 500 Index			(5.02)	2.61	5.59	10.35	20.91	22.88	26.58	20.48	6.11	(5.02)
S&P 500 Barra Value			(3.18)	(0.13)	(1.19)	6.98	12.57	15.86	21.49	17.64	1.38	(3.18)
Barclays Global Investors Mid Cap	788.9	10.5	(2.84)	8.36	6.61	16.07	16.41	19.21	22.19	17.34	10.39	(2.84)
vs. S & P Mid Cap Index			(0.03)	(0.00)	0.02	0.07	0.05	0.03	0.09	0.49	0.02	(0.03)
S&P Mid Cap Index			(2.82)	8.36	6.59	16.01	16.35	19.18	22.09	16.85	10.37	(2.82)
Total Large/Med Cap Equities	**2,913.6**	**38.6**	**(4.84)**	**1.08**	**2.17**	**7.15**	**13.41**	**17.53**	**22.09**	**17.17**	**3.58**	**(4.84)**
vs. S & P 500 Index			0.18	(1.53)	(3.41)	(3.20)	(7.50)	(5.35)	(4.49)	(3.31)	(2.54)	0.18
Small Cap Equities												
Cordillera	58.1	0.8	(1.49)	39.62	55.00	74.85	38.69	31.54	27.57	-	62.15	(1.49)
vs. Russell 2000 Growth			(0.56)	10.77	25.33	39.19	18.09	15.04	8.31	-	27.44	(0.56)
Fortaleza	56.2	0.7	1.96	42.95	67.52	44.40	19.82	16.05	18.19	-	68.08	1.96
vs. Russell 2000 Growth			2.89	14.10	37.86	8.74	(0.78)	(0.46)	(1.07)	-	33.38	2.89
Paradigm (Terminated 12/1999)	1.3	0.0	-	-	-	-	-	-	-	-	-	-
Russell 2000 Growth			(0.93)	28.85	29.67	35.66	20.60	16.50	19.26	14.51	34.70	(0.93)
Schroder	226.2	3.0	(5.68)	3.26	(5.63)	3.19	(1.98)	5.89	14.60	-	(1.49)	(5.68)
vs. Russell 2000 Value			(3.07)	2.36	1.00	5.02	2.41	0.67	1.95	-	1.61	(3.07)
Russell 2000 Value			(2.61)	0.90	(6.64)	(1.83)	(4.39)	5.22	12.65	11.11	(3.09)	(2.61)
BGI Russell 2000 (Start Date 1/15/2000)	35.1	0.5	-	-	-	-	-	-	-	-	-	-
vs. Russell 2000			-	-	-	-	-	-	-	-	-	-
Russell 2000			(1.61)	16.07	12.25	17.74	8.68	11.73	16.60	13.35	16.57	(1.61)
Total Small Cap Equities	**376.9**	**5.0**	**(3.49)**	**14.81**	**11.64**	**18.96**	**7.03**	**11.13**	**17.02**	**-**	**15.72**	**(3.49)**
vs. Russell 2000			(1.88)	(1.26)	(0.61)	1.21	(1.65)	(0.60)	0.42	-	(0.85)	(1.88)
Total Domestic Equities	**3,290.5**	**43.6**	**(4.69)**	**2.34**	**3.10**	**8.28**	**12.89**	**16.98**	**21.65**	**16.81**	**4.72**	**(4.69)**
vs. Russell 3000			(0.77)	(2.74)	(4.46)	(4.05)	(6.88)	(4.67)	(3.73)	(2.71)	(4.08)	(0.77)
Russell 3000			(3.92)	5.07	7.56	12.33	19.77	21.66	25.38	19.51	8.80	(3.92)

SHORT INTERMEDIATE TERM FUND
PERFORMANCE SUMMARY
JANUARY 31, 2000

	Net Asset Value (in millions)	Periods Ended January 31, 2000								Fiscal Year To Date	Calendar Year To Date
		One Month	Three Months	Six Months	One Year	Two Years	Three Years	Five Years	Seven Years	Five Months January 31, 2000	One Month Ended January 31, 2000
Short Intermediate Term Fund	**1,873.4**	(0.45)	(0.74)	0.50	0.41	3.83	5.48	6.22	-	0.24	(0.45)
vs Composite Index		(0.42)	(1.09)	(1.11)	(2.18)	(0.64)	0.14	0.03	-	(1.10)	(0.42)
Composite Index		(0.03)	0.35	1.61	2.58	4.47	5.35	6.19	-	1.34	(0.03)
Short Term Fund	**2,444.6**	0.49	1.41	2.76	5.29	5.44	5.53	5.60	-	2.32	0.49
Dreyfus Institutional Preferred Money Market	**2,444.6**	0.49	1.41	2.76	5.29	5.44	-	-	-	2.32	0.49
vs Treasury Bill		0.06	0.13	0.21	0.38	0.43	-	-	-	0.18	0.06
Treasury Bill		0.43	1.28	2.55	4.91	5.01	5.12	5.33	4.90	2.14	0.43
Consumer Price Index		0.24	0.30	1.20	2.68	2.17	1.97	2.34	2.43	0.96	0.24

1 - Not Available

Resolution No. 2

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

GOLDMAN SACHS COMMODITY INDEX FUTURES
ACTIVITY
FROM INCEPTION (December 7, 1999) THROUGH FEBRUARY 15, 2000

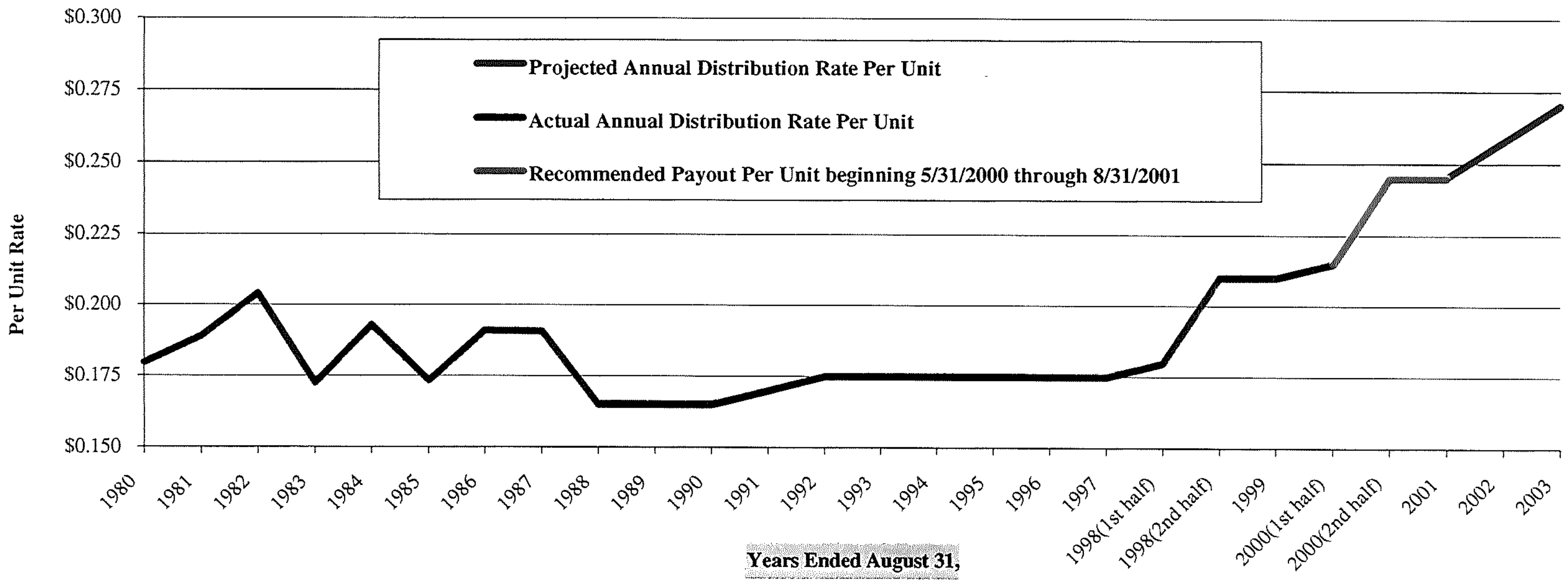
Date	Action	Multiplier	# of Contracts	Average Purchase/(Sale) Price per Contract	Value	Net Realized Gains
12/7-15/1999	BOT Jan	250	8,936	$ 191.31	$ 427,385,520.00	
1/7-13/2000	SOLD Jan	(250)	(8,936)	(192.56)	(430,186,143.00)	
net		-	-	$ 1.25		$ 2,800,623.00
1/7-13/2000	BOT Feb	250	8,936	191.46	$ 427,728,513.00	
2/7-11/2000	SOLD Feb	(250)	(8,936)	(210.17)	(469,514,340.00)	
net		-	-	$ 18.71		41,785,827.00
2/7-11/2000	BOT Mar	250	8,936	$ 207.98	$464,629,863.00	
2/11/00	BOT Mar add'l	250	229	210.35	12,042,537.00	
Total March purchased		250	9,165	208.04	476,672,400.00	
2/15/00	Value of contracts	250	9,165	213.30	488,723,625.00	
net		250	9,165	$ 5.26		12,051,225.00
Net Realized Gains						**56,637,675.00**
Interest earned on margin collateral and money market funds (100% collateralized)						**4,694,984.00**
Total realized gains and interest earned						**$ 61,332,659.00**

<u>Resolution No. 3</u>

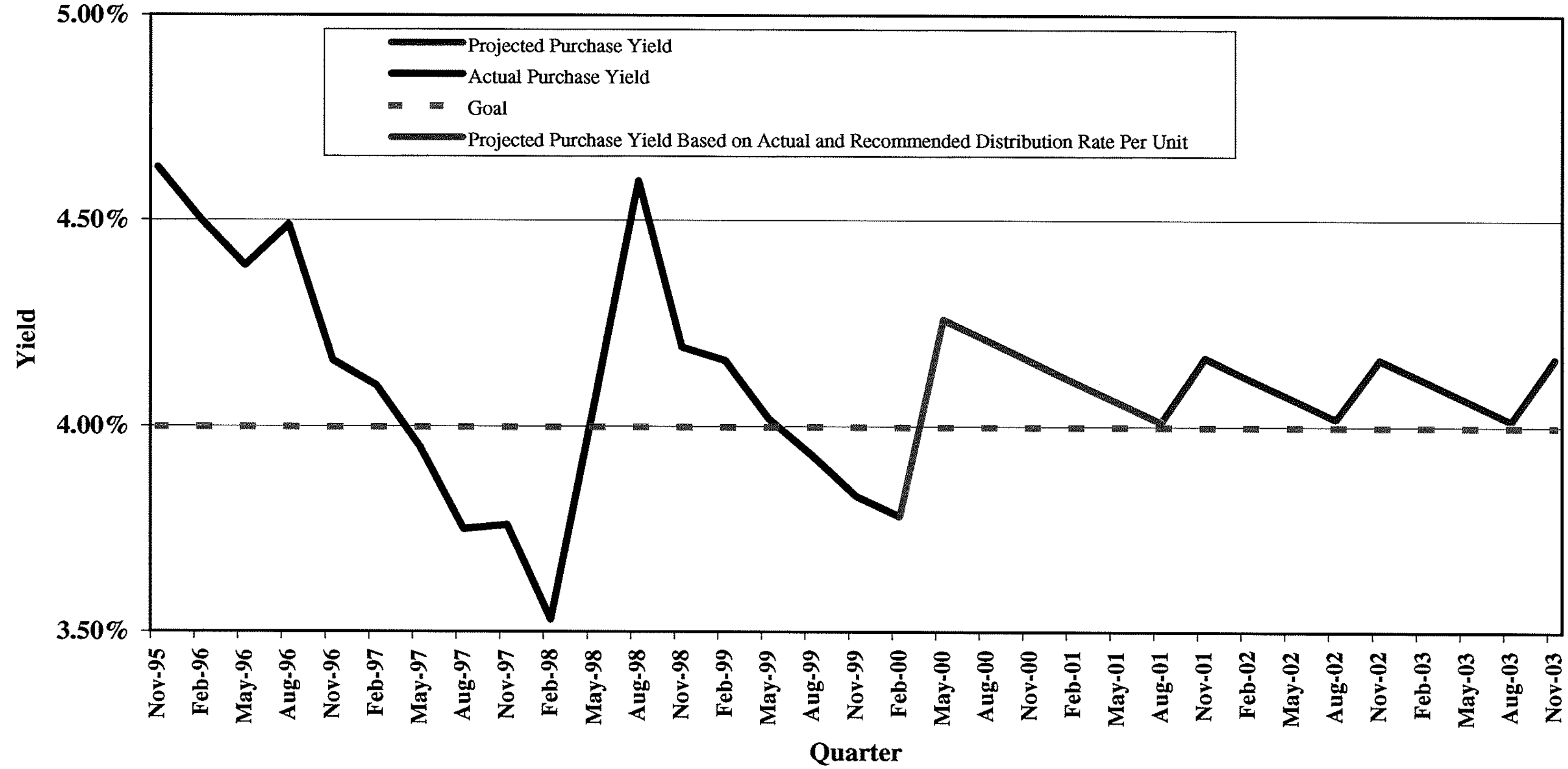
RESOLVED, that the annual distribution rate for the Permanent Health Fund be increased from \$0.45 per unit to \$0.46 per unit, effective November 30, 2000.

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

Long Term Fund Distribution Rates Per Unit

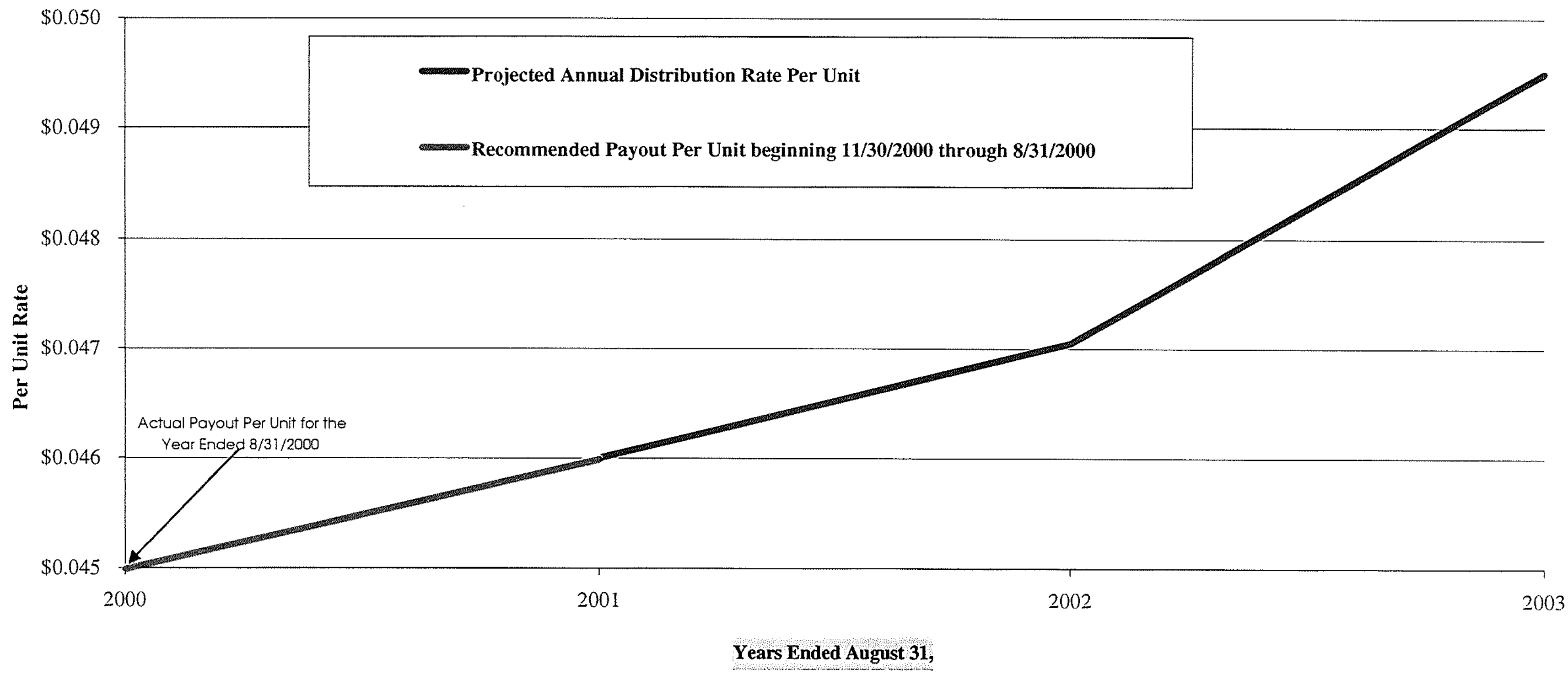


LTF ACTUAL AND PROJECTED PURCHASE YIELD

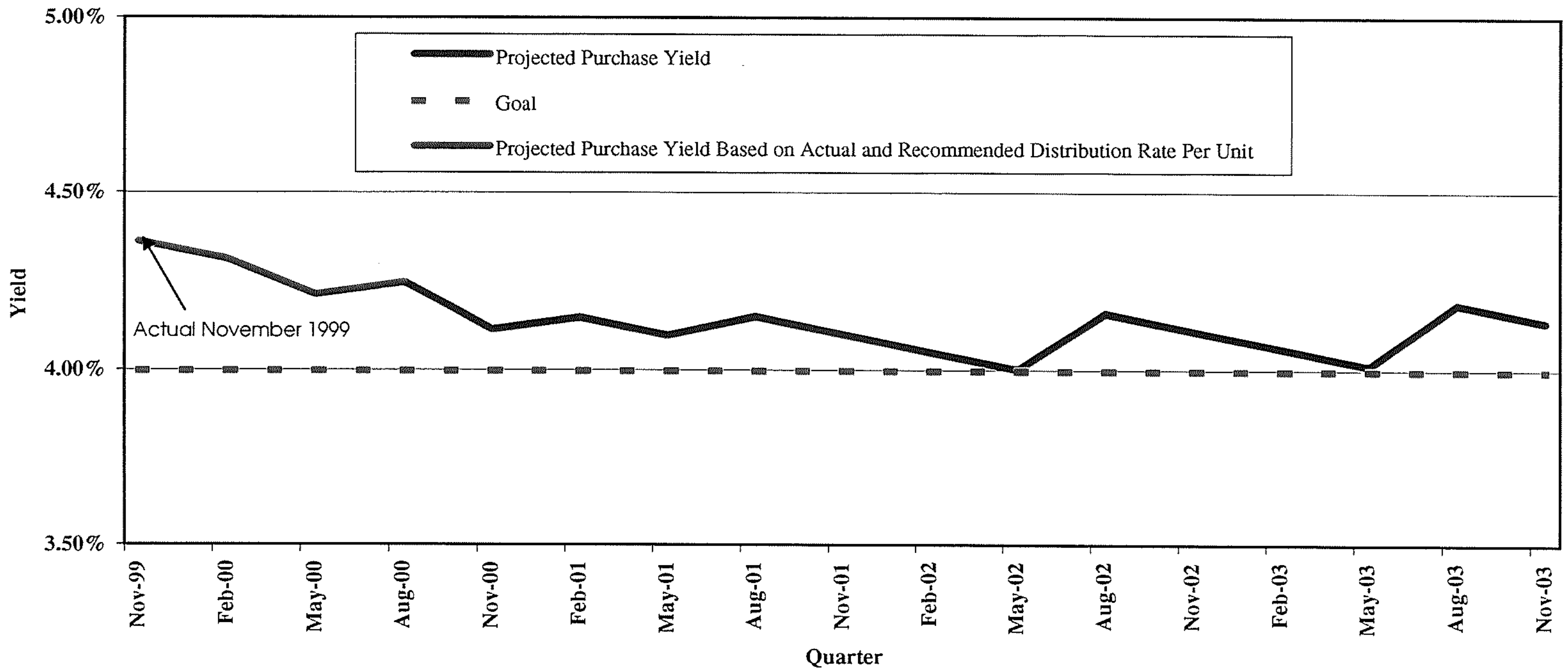


Assumptions:
Investment return of 9.0%.
Includes one time adjustment to the distribution rate per unit to $.245 starting with May 2000 through August 2001.
For fiscal years beginning 9/1/2001, distributions were increased at a rate to provide a current yield of at least 4.0%.

Permanent Health Fund Distribution Rates Per Unit



PHF ACTUAL AND PROJECTED PURCHASE YIELD



Assumptions:
Investment return of 9.0%.
For fiscal years beginning 9/1/2001, distributions were increased at a rate to provide a current yield on market value of at least 4.0%.
Purchase yield shown above for November 1999 based on actual amounts.

Please refer to Business Plan bound separately.

Resolution No. 4

WHEREAS, the Board has reviewed a presentation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with **J.P. Morgan Investment Management Company** ("JPMIM") to invest an initial 5% (approximately $550 million) of PUF, PHF and LTF assets using JPMIM's Research Enhanced Index and Structured Stock Selection investment strategies

WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed Agreement as described in the presentation by the Corporation's management for JPMIM be approved; and be it further

RESOLVED, that the President and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, and be it further

RESOLVED, that the President, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

To be distributed at the meeting.

Resolution No. 5

RESOLVED, that Asset Allocation Swap Program as presented to the Board be and is hereby approved.

ASSET ALLOCATION SWAP PROGRAM

- A DERIVATIVES BASED APPROACH -

February 24, 2000

U T I M C O
The University of Texas
Investment Management Company

INFLATION HEDGING ASSET CLASS (7.5%)

NEUTRAL WEIGHTS

Policy	Neutral Weight	$
Commodities (GSCI)	**2.5%**	295.7
Oil and Gas	**0.0%**	0.0
Real Estate/REITS	**5.0%**	591.4
TIPS	**0.0%**	0.0
Timberland	**0.0%**	0.0
	7.5%	**$887.1**

INFLATION HEDGING ASSET CLASS
RETURN OUTLOOK

Sub -Asset Class	(Policy) Long Term Expected Return	12 mos. Expected Return	Difference
Commodities (GSCI)	8.75%	18.00%	9.25%
Oil and Gas	-	-	-
Real Estate/REITS	9.00%	12.00%	3.00%
TIPS	-	-	-
Timberland	-	-	-

DESIRED POSITION:
OVERWEIGHT GSCI AND UNDERWEIGHT NAREIT

Policy	Neutral Weight	$	Desired Weight	$	Desired Trade $
Commodities (GSCI)	**2.5%**	295.7	**5.00%**	591.4	295.7
Oil and Gas	**0.0%**	0.0	**0.0%**	0.0	0.0
Real Estate/REITS	**5.0%**	591.4	**2.50%**	295.7	-295.7
TIPS	**0.0%**	0.0	**0.0%**	0.0	0.0
Timberland	**0.0%**	0.0	**0.0%**	0.0	0.0
	7.5%	**$887.1**	**7.50%**	**$887.1**	**$0.0**

SHIFT TO DESIRED POSITION WILL INCREASE THE EXPECTED RETURN FROM 16.09% TO 16.54% (+79 BPS)

Neutral Position	Weight	$	Gross Expected Index Return	Expected Excess Return	Trading Cost	Net Expected Portfolio Return	Net Expected Portfolio Return
Commodities (GSCI)	**2.5%**	295.7	18%	0.00%	-1.00%	17.00%	$50.3
Real Estate/REITS	**5.0%**	591.4	12%	3.63%	0.00%	15.63%	$92.4
	7.5%	**$887.1**	**14%**	**2.42%**	**-0.33%**	**16.09%**	**$142.7**
Desired Position							
Commodities (GSCI)	**5.0%**	591.4	18%	0.00%	-1.00%	17.00%	$100.5
Real Estate/REITS	**2.5%**	295.7	12%	3.63%	0.00%	15.63%	$46.2
	7.5%	**$887.1**	**16.00%**	**1.21%**	**-0.67%**	**16.54%**	**$146.8**

CASH MARKET TRADE

METHOD 1: CASH MARKET TRADE

- **Today**
  - Sell $295mn REIT portfolio securities for cash
    - incur trading costs of $5.9 MN (2%)
  - deposit $295mn cash proceeds in collateral account
  - purchase $295mn fully collateralized GSCI futures contracts
- **One Year from Today**
  - Sell $295mn GSCI futures contracts
  - withdraw $295mn cash from collateral account
  - purchase $295mn REIT portfolio securities for cash
    - incur trading costs of $5.9 MN (2%)

CASH MARKET TRADE
ADVANTAGES AND DISADVANTAGES

ADVANTAGES

- Fairly simple

DISADVANTAGES ADVANTAGES

- Costly – must recover estimated trading costs of $11.8 MN (4%)
- Lose REIT manager's ability to produce excess return on $295 MN portion of portfolio that is sold
  - 5 year average excess return over NAREIT Index = +3.62%
  - potential cost = $10.7 MN
- Large Cash Withdrawals and Cash Contributions from and to the REIT Portfolio are disruptive to portfolio strategy

CASH MARKET TRADE *REDUCES* EXPECTED RETURN FROM 16.09% TO 15.21% (-54 BPS)

Cash Market	Weight	$	Gross Expected Index Return	Expected Excess Return	Trading Cost	Net Expected Portfolio Return	Net Expected Portfolio Return
Commodities (GSCI)	**5.0%**	591.4	18%	0.00%	-1.00%	17.00%	$100.5
Real Estate/REITS	**2.5%**	295.7	12%	3.63%	-4.00%	11.63%	$34.4
	7.5%	**$887.1**	**16.00%**	**1.21%**	**-2.00%**	**15.21%**	**$134.9**

METHOD #2: SWAP MARKET TRADE

METHOD 2: TOTAL RETURN SWAP

- **Today**
  - Establish $295mn NAREIT/GSCI swap agreement with counterparty:
    - UTIMCO pays NAREIT index return from REIT portfolio
    - UTIMCO receives GSCI index return less 2.5%
- **During the Year**
  - Incur 1% transaction cost rolling the futures contracts 12 times during the year
- **One Year from Today**
  - Contract expires (or renewed upon consent of both parties)
  - Revert back to original weights

SWAP MARKET
ADVANTAGES AND DISADVANTAGES

ADVANTAGES

- Swap costs are relatively inexpensive (particularly in international investing)
- Flexible – can be unwound w/agreement of counterparties
- REIT Portfolio is untouched - swap is an "overlay"
  - retains opportunity to earn +3.63% or incremental $10.7mn on $295mn of unsold REIT securities
  - avoids trading costs of 4% or $11.8mn

DISADVANTAGES

- Market is OTC - liquidity is not guaranteed
- Subjects UTIMCO to counterparty credit risk

TOTAL RETURN SWAP INCREASES THE EXPECTED RETURN FROM 16.09% TO 17.25% (+116 BPS)

Swap Market	Weight	$	Gross Expected Index Return	Expected Excess Return	Trading Cost	Net Expected Portfolio Return	Net Expected Portfolio Return
Neutral Position							
Commodities (GSCI)	**2.5%**	295.7	18%	0.00%	-1.00%	17.00%	$50.3
Real Estate/REITS	**5.0%**	591.4	12%	3.63%	0.00%	15.63%	$92.4
	7.5%	**$887.1**	**14.00%**	**2.42%**	**-0.33%**	**16.09%**	$142.7
Swap Transaction							
Receive GSCI - 2.5%		295.7	18.00%	0.00%	-2.50%	15.50%	$45.8
Pay REIT Index		-295.7	12.00%	0.00%	0.00%	12.00%	-$35.5
		$0.0				**1.17%**	$10.3
Total Return						**17.25%**	$153.1

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UTIMCO
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY

POLICY GUIDELINES

- Applicable for all indexes associated with asset classes approved in the Investment Policy Statements
- Combined cash market and swap market exposure to each sub-asset or asset class may not exceed its respective maximum allocation limit
- Maximum swap term of 1 year (unless otherwise approved by the Board)
- Counterparty credit risk must be at least AA and applied against parent company credit and total exposure limits.
- ISDA Documentation
- Valuation using standard industry practices

ALTERNATIVE EQUITIES
NONMARKETABLE PROGRAM
(millions)

	Actual			Plan
Endowment Asset Base	**1997**	**1998**	**1999**	**2000e**
PUF	$6,368.3	$6,517.1	$7,465.6	$8,051.3
LTF	$2,125.0	$2,147.7	$2,602.3	$2,923.0
PHF	NA	NA	$890.3	$976.5
Total	$8,493.3	$8,664.8	$10,958.1	$11,950.8
Committed Capital				
Beginning Undrawn Commitments	$460.1	$540.6	$753.0	$665.8
Commitments Added	**$280.0**	**$524.0**	**$306.3**	**$296.3**
Commitments Drawn Down	$199.5	$311.6	$393.5	$339.6
Ending Undrawn Commitments	$540.6	$753.0	$665.8	$622.4
Invested Capital				
Beginning Undistributed Capital	$48.2	$134.5	$224.5	$453.1
Drawn Down	$199.5	$311.6	$393.5	$339.6
Return of Capital	($60.5)	($89.3)	($80.2)	($67.4)
Income/Net Realized Gains	($52.6)	($132.3)	($84.7)	($116.1)
Ending Undistributed Capital	$134.5	$224.5	$453.1	$609.2
Value of Portfolio	$455.0	$626.2	$1,008.1	$1,021.0
UNFUNDED COMMITMENTS AS A % OF EACH FUND				
PUF	8.0%	12.0%	8.0%	6.4%
LTF	6.0%	13.1%	8.9%	7.7%
PHF	0.0%	0.0%	0.0%	3.0%
PORTFOLIO VALUE AS A % OF EACH FUND				
PUF	5.7%	7.4%	10.3%	9.4%
LTF	4.4%	6.6%	9.1%	8.8%
PHF	NA	NA	NA	0.6%

ALTERNATIVE INVESTMENTS - NON MARKETABLE
FY 2000
(MILLIONS)

Date	Action	Entity	Type	Amount Partnership	Amount Direct	Amount Total
09/22/1999	**Authorized**					**$ 296.3**
09/22/1999	Committed	Windjammer Mezz. & Eq. Fund II, L.P.	Mezzanine	(25.0)		(25.0)
09/22/1999	Committed	Hampshire Equity Partners II, L.P.	Special Equities	(40.0)		(40.0)
		sub-total		**(65.0)**	**-**	**(65.0)**
		available capital				**$ 231.3**
11/08/1999	Committed	Songbird Medical Inc.	Venture Capital		(12.0)	(12.0)
11/08/1999	Committed	Baker Communications Fund II, L.P.	Special Equities	(30.0)		(30.0)
11/08/1999	Committed	Halpern Denny Fund III, L.P.	Special Equities	(30.0)		(30.0)
11/08/1999	Committed	Cortec Group Fund III, L.P.	Special Equities	(20.0)		(20.0)
11/08/1999	Committed	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**
12/09/1999	Committed	SKM Equity Fund III, L.P.	Special Equities	(25.0)		(25.0)
		sub-total		**(25.0)**	**-**	**(25.0)**
		cumulative sub-total		**(190.0)**	**(12.0)**	**(202.0)**
		available capital				**$ 94.3**
02/24/2000	*Proposed*	*JATO Tech Ventures, L.P.*	*Venture Capital*	*(10.0)*		*(10.0)*
	Proposed	*Band of Angels Fund, L.P.*	*Venture Capital*	*(10.0)*		*(10.0)*
	Proposed	*Morgenthaler Venture Partners VI, L.P.*	*Venture Capital*	*(10.0)*		*(10.0)*
	Proposed	*Prism Venture Partners III, L.P.*				
	Proposed	*Crescendo IV, L.P.*				
		sub-total		***(50.0)***	***0.0***	***(50.0)***
		cumulative sub-total		***(240.0)***	***(12.0)***	***(252.0)***
		available capital				***$ 44.3***
04/27/2000	*Expected*	*Carlyle Partners III*	*Special Equities*	*(20.0)*		*(20.0)*
	Expected	*TeraStor*	*Venture Capital*		*(5.0)*	*(5.0)*
		sub-total		***(20.0)***	***(5.0)***	***(25.0)***
		cumulative sub-total		***(260.0)***	***(17.0)***	***(277.0)***
		available capital				***$ 19.3***
06/29/2000	*Expected*	*Wand*		*(10.0)*		*(10.0)*
	Expected	*TBD*		*(10.0)*		*(10.0)*
		sub-total		*(20.0)*	*-*	*(20.0)*
		cumulative sub-total		*(280.0)*	*(17.0)*	*(297.0)*
		available capital				*$ (0.7)*
08/24/2000	*None*					

Resolution No. 6

WHEREAS, the Board has reviewed a Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into a limited partnership agreement (the "Agreement") with JATOTech Ventures Management, L.P. to invest up to $10 million of PUF, PHF and LTF assets in **JATOTech Ventures, L.P.**;

WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Due Diligence Review and Recommendation dated February 20, 2000 for **JATOTech Ventures, L.P.** be approved; and be it further

RESOLVED, that the President and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **JATOTech Ventures, L.P.**; and be it further

RESOLVED, that the President, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

Proposed Investment

SUMMARY TERM SHEET

Partnership:	JatoTech Ventures, L.P.
Classification:	Venture capital.
Fund Size:	$50 million.
Investment Strategy:	Acquire the securities of very early-stage (i.e., pre-business plan) technology companies in transactions originated through the principals' network of contacts, primarily in Austin and in Silicon Valley, then provide hands-on managerial guidance and operational support to grow them.
Term:	Until December 31, 2009, plus two one-year extensions at the discretion of the General Partner in order to wind up the partnership.
General Partner:	JatoTech Ventures Management L.P., a Delaware limited partnership.
Management Fee:	2.0% of commitments for 5 years, reduced by 0.25% per year thereafter (but not below 1.5% in any case), with the amount payable reduced by 100% of commitment, break-up, directors, officers, advisory or management fees.
Profit Sharing:	80/20 after portfolio value exceeds 120% of cost (the UTIMCO staff will attempt to negotiate a requirement that the General Partner return the limited partners' capital prior to participating in the carried interest).
Performance History:	Although Walt Thirion has built and sold two businesses (*see* **IV Track Record** below) and he and Molly Pieroni have warehoused two investments for JatoTech using Walt's own money (*also see* **IV Track Record** below), he has no historical track record of principal investing. Molly, although an experienced and capable investment banker and consultant, likewise has no historical track record of principal investing.

Negative (Risk) Factors:

- Illiquid investment with losses likely to precede gains.
- Extremely competitive investment environment, especially in Silicon Valley.
- A true first fund, with one principal an experienced and respected operator and the other a former management consultant and investment banker, both with no principal investing experience.

Positive Factors:

- An excellent match between the operational expertise and deal flow of one partner and the investment banking experience and marketing and organizational consulting expertise of the other.
- Puts UTIMCO into an extensive investment relationship network in two leading venture capital deal flow regions: Austin and Silicon Valley.
- Should result in excellent co-investment deal flow.

Limited Partners:

Investor	$mm
Institutions	$10.0
Families	10.7
Individuals	9.5
Walt Thirion (principal)	10.0
Total	$40.2

Recommendation: Invest $10 million ($5.5 million PUF, $3.2 million LTF, $1.3 million PHF).

Expected Return: 34.5%, with a standard deviation of 59.1%.

Exposure v. Target:

	% of total funds	% of total funds in 2/24/00 aggregate
PUF	10.97%	11.26%
LTF	9.40%	9.85%
PHF	0.29%	0.84%

Estimated Closing Date: March 10, 2000.

Approved:

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

I. THE PARTNERS

A. *Walter T. Thirion (Principal)*

1. Experience

a) From October 1972 to June 1976, Walt served as a Staff Sergeant (E-5) in the United States Marine Corps, where he worked in special intelligence with emphasis on electronic warfare and cryptographic analysis. He held Top Secret and codeword clearance designations and was a section leader.

b) From 1976 to 1982, he worked at several part- and full-time positions to put himself through college, including a position as a laboratory assistant in the Kent State University physics department. As a laboratory assistant he assisted in research on liquid crystal systems using x-ray techniques, designed and implemented microprocessor-based data acquisition and control systems for the lab's x-ray and vacuum systems and wrote plotting programs to analyze experimental data.

c) In June, 1982, the summer of his graduation from Kent State, Walt worked as a summer research assistant at the Los Alamos Meson Physics Facility, where he participated in nuclear physics experiments intended to determine certain fine points of nuclear structure. He also assisted in the collection and analysis of experimental data using a variety of computers and languages.

d) In October 1982, he began his business career as a senior software engineer at Eagle Signal Controls (a division of Gulf + Western Manufacturing). He designed and implemented assembly language real-time multi-tasking kernels for industrial/process controllers. Modules included local area network communications control, analog signal processing, PID loop control, pulse width modulation control, fixed point mathematical functions and relay ladder logic interpretation. He also wrote programs in FORTRAN and C to analyze and simulate algorithms used in the kernel.

e) In November 1983, Walt moved to Tracor Aerospace as a senior software engineer. At Tracor, he was a member of the software/hardware team designing a new version of the Omega Navigation system. He was involved primarily with the signal processing section of the design, using standard techniques such as digital filters and transfer functions.

f) From March 1985 to February 1985, he was a senior design engineer at Sennet Systems, where he was a member of a three man team designing a new high-end, microprocessor based residential/commercial security system. The system included sensor monitoring, open/close scheduling with automatic schedule monitoring, fire/police/medical alarm monitoring, a local sensor network and both phone and RF communications capabilities. Walt redesigned critical sections of the hardware to increase reliability while simultaneously reducing manufacturing costs.

g) In February 1985, Walt co-founded Thomas-Conrad Corporation, a contract engineering firm, serving as president, CEO and chairman of the board. The company's contract work included the design of real time security systems and the design and implementation of a 327x communications gateway system based on IBM PC computers and networking. Walt then successfully transformed the company from a contract engineering firm into a leading network equipment supplier with multiple industry awards. He personally supervised the architectural design of the first 100 Mbps networking technology and intelligent hubs and introduced them into the market. He also introduced the concept of network computing and worked with Novell to implement high speed server interconnects for fault tolerant servers. Under his leadership, the company grew to $55 million in revenue and 350 employees with no outside investment.

h) After Compaq Computer acquired Thomas-Conrad in 1995, Walt became a private investor and consultant. He also began research into emerging networking technologies that formed the basis for the founding of Jato Technologies.

i) In September 1996 he founded Jato Technologies, Inc., a leading-edge communication IC company focused on implementing higher-layer networking algorithms and protocols (TCP/IP, Policy Based Management, VLANs) in silicon. The company's first products were gigabit Ethernet controllers with programmable state machines and wire speed packet processing. Jato Tech was the first company to parse gigabit IP streams totally in hardware. It was also a contributor to the IEEE 802.3z gigabit Ethernet standard. Walt brought in Michael Dell, among others, to finance the company's start-up and ultimately successfully merged it into Level One Communications in a transaction valued at $80 million.

j) After the merger, he became Vice President, Strategic Technology Development at Level One. In his new role, he formed an advanced R&D group comprised of Level One fellows and focused it on researching and developing core technology blocks (e.g., high-speed interconnects and 10 Gig controller technology). He also co-led the corporate strategic planning process, merged disparate CAD resources into a centralized group and instituted a corporate-wide, disciplined design methodology that resulted in reducing design cycles. He left the company just before the merger with Intel closed in August 1999 (although Walt continues to consult for Intel on an ongoing basis).

k) .In August 1999, Walt founded JatoTech Ventures to focus on seed and early stage technology investments.

2. Education

a) Walt received a BS in physics from Kent State University in 1982.

b) He later receive pre-admission to a doctoral program at Kent State in 1981 and was a Ph.D. candidate in nuclear physics at The University of Texas at Austin in 1982.

3. Affiliations

a) Public/private company boards:

(1) INH Semiconductor

(2) Locale Systems

b) Awards:

(1) Inc. Magazine Entrepreneur of the Year, 1991

B. MOLLY M. PIERONI (Principal)

1. Experience

a) While still in college, from March 1988 to June 1990, Molly founded and ran Direct Marketing of Williamsburg, which developed and implemented marketing strategies to local businesses trying to access students.

b) In August, 1990 she became a financial analyst at Dean Witter Reynolds in New York. She specialized in private financing for middle market companies in a wide range of industries. She also structured, marketed, and negotiated transactions working on teams of two to four bankers; maintained contact with sources of private equity and debt; modeled financial projections; and composed comprehensive offering memoranda.

c) In the summer of 1993, Molly was a summer associate at McKinsey & Company, where she evaluated the attractiveness of entry options into Mexico for a major U.S. natural gas client.

d) From August 1994 to July 1999, Molly was a consultant at Boston Consulting Group, eventually rising to Manager. She advised Fortune 500 companies (or equivalent) on strategic, marketing and operational issues; managed teams of three to eight consultants on projects of three- to six-month duration; and diagnosed issues, conducted analyses, developed findings and presented recommendations to senior client management. Projects included:

(1) *Telecommunications.* Wholesale-focused strategy for 22,000-mile national fiber optic network. Design and execution of turnaround strategy for $1.5B voice/data equipment distributor.

(2) *Consumer goods and retail.* Market opportunity analysis for blockbuster new product introduction. Analogies for creating ubiquity for a new brand. Market prioritization and international development strategy. Export strategy as a market entry vehicle. Activity costing for headquarters staff functions

(3) *Financial services.* Design of marketing organization patterned after world-class companies to support growth strategy. Opportunity space analysis for commercial

finance business. New product development for bundled product offering.

(4) *Transportation.* Design of capacity management process for airline cargo operations. Valuation of airline loyalty program and synergy effects of a merger.

(5) *Industrial goods.* Growth strategy for multinational commodities business. Customer segmentation and competitive analysis for Mexican chemicals company.

e) Molly joined the Dallas office of BCG during its first year of operation as one of a core team of eight consultants and participated in growing the office to forty-five consultants by 1999. Her position responsibilities included:

- Client relationship management as well as new client identification and marketing.
- Project management of cases including module definition, work planning and development of overall case findings and recommendations.
- Development and dissemination of new strategies and concepts for the firm.
- Recruitment of consultants and associates from MBA and undergraduate programs nationwide.
- Consulting staff development through formal skills training and frequent informal training.

She was active in two worldwide practice areas: High Tech and Consumer Goods/Retail. Molly was appointed Recruiting Director for the Dallas office to identify, evaluate and recruit 18 new consultants/associates for the Class of 1999. Her promotions to Case Leader and Manager were at the earliest tenure levels possible.

2. Education

a) Molly received her BBA in finance from the College of William and Mary in 1990. She was a member of Omicron Delta Kappa Honor Society and won the University of Virginia McIntire Case Competition in 1990.

b) She received her MBA from Harvard Business School in 1994.

II. FUND STRATEGY, TERMS

A. General Commentary

1. Walt Thirion's great strengths include operational expertise and experience, including the ability to forecast technology trends in order to build, run and exit businesses profitably and excellent contacts in industry (both in Austin and in Silicon Valley). Molly Pieroni's strengths include marketing, investment banking and consulting experience, along with an ability to deal with people in an efficient and effective manner in a recruitment role. Taken together, these two accomplished professionals possess every capability required for principal investing at the highest levels, even though (1) they are working together for the first time and (2) they are both untested in their roles as principal investors.

B. Fund Strategy

1. The JatoTech principals will identify promising areas of technology and/or suitable management teams to address them (some of whom may not yet have a business plan) and invest very early (so-called pre-seed investing) to enable the teams to produce a business plan and then seek further funding.

2. Walt and Molly will use all their expertise and experience to assist these fledgling management teams in thinking through operational and strategic problems. They will, if and when necessary, assume active managerial roles in support of their portfolio companies. They will also assist their management teams in identifying exit strategies designed to satisfy the needs of financial investors, while preserving the vitality of their companies in addressing their respective markets.

3. It is highly likely that the sources of the two warehoused transactions discussed in IV Track Record below are likely to be typical of JatoTech's strategy. Both transactions involve executives who proved themselves working for Walt at Thomas-Conrad. This type of tight business relationship is the best source of good transactions, since the principals and the entrepreneurs/managers know one another well and have a track record of working together successfully.

4. It is important to note, in terms of deal flow, that Walt Thirion understands the myriad intimate details of how the Internet is put together, what its equipment and software needs are and will be in the immediate future and how to capitalize on that knowledge. If the Internet were the U.S. western railroad network to which it is so often compared, Walt

knows exactly how the rails are made and laid, where they are likely to go, how the locomotives and cars are manufactured, powered and controlled, etc. By analogy, he is capable of founding a compressor company in the knowledge that air brakes will be used on future trains and compressors will be required to power them. This visionary aspect is one of JatoTech's greatest strengths, especially in light of Walt's proven ability to execute.

5. JatoTech has put together a network of advisers who will serve as resources in evaluating specific market opportunities. Prospective members of the advisory board include Maynard Webb, president of E-Bay; Jeff Thompson of Nortel and others.

C. Fund Terms

1. The term of the fund will extend to December 31, 2009, unless Walt Thirion withdraws or is terminated as the General Partner (in which case the partnership will dissolve before the end of its term.).

2. The target fund size is $30 million, with a cap of $50 million.

3. The partnership will have an advisory committee appointed by the general partner, which will have the authority to approve or disapprove transactions in which the General Partner has a conflict of interest.

    a) The UTIMCO staff will endeavor to negotiate a seat on the advisory board so that the interests of the PUF/LTF/PHF are represented in all important partnership governance matters.

4. The partnership will pay a management fee of 2.0% of aggregate commitments. Beginning the first complete fiscal year after the fifth anniversary of the initial closing, the management fee will be reduced 0.25% (25 basis points) each year, but not below 1.5%.

    a) The UTIMCO staff will attempt to negotiate a decreasing management fee after the commitment period based on capital cost, which will result in a much lower absolute fee amount.

5. The general partner will receive distributions of a carried interest in all gains after the value of the portfolio rises above 120% of cost.

    a) The UTIMCO board will negotiate terms requiring payback of the capital of the limited partners prior to the general partner's participating in its carried interest.

6. Under a clawback provision, when the partnership liquidates the

general partner will repay to the partnership all amounts received in excess of 20% of net gains.

7. Walt Thirion will be expressly permitted to continue to act as a consultant for Intel, Inc.

8. The general partner agrees not to raise another fund to engage in similar investment activities until at least 70% of the committed capital has been invested or commited to follow-on investments, pledged to future expenses or used to pay Fund expenses.

9. The general partner can be removed for cause (acts constituting a felony, fraud, gross negligence in managing the Fund or a breach of fiduciary duty) by a vote of 80% in interest of the partnership.

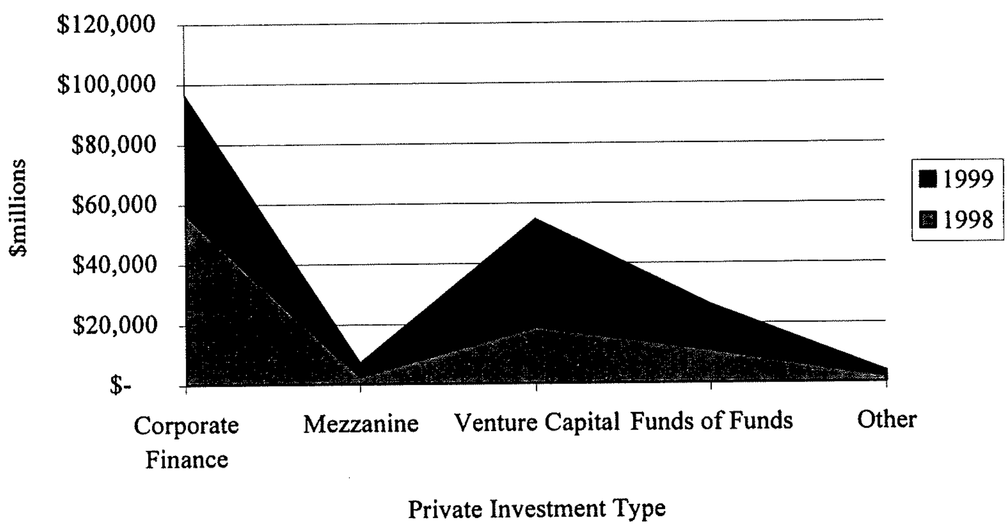
> a) The UTIMCO staff will attempt to negotiate a provision requiring the general partner to abstain from such a vote so that the general partner's position in the partnership as a limited partner cannot be used to veto such a vote.

III. INVESTMENT ENVIRONMENT

A. Domestic market

1. Although, as the table below clearly indicates, total private market fundraising in 1999 was up only 3.6% over the previous year, the graph below demonstrates that there was a dramatic shift to venture capital in the sub-allocation within the asset class.

	1998	1999
Corporate Finance	$ 57,238	$ 39,038
Mezzanine	$ 2,790	$ 4,262
Venture Capital	$ 18,993	$ 35,586
Funds of Funds	$ 11,116	$ 14,864
Other	$ 2,023	$ 1,767
	$ 92,160	$ 95,517



Source: Private Equity Analyst, January 2000

While there may be many influences at work to result in such a dramatic sub-allocation shift, one obvious candidate is the stratospheric returns achieved by the leading venture capital firms during 1999, which resulted in increasing allocations by many of the largest institutional investors. Almost all of those extremely attractive returns went to a handful of Internet content- and/or technology-related investments and the firms that originated them. Investors, pursuing those returns, increased venture capital funds raised 87% year over year, sending the average funds raised per partnership up 62%, from $118 million to $191 million. Finally, in an interesting shift not shown in the graph above, funds raised by early-stage venture funds increased a staggering 179% from 1998, to $16.8 billion.

2. Another influence leading to increased venture capital fundraising is the manic pace at which venture investors are deploying capital in Internet-related technologies and businesses. When combined with the general tendency in the industry to decrease the number of syndicate partners per investment, the result is an ever-increasing velocity of capital out of institutions, through venture partnerships and into a bewildering variety of e-commerce opportunities. So overheated was the atmosphere in 1999 that four venture firms (Crosspoint Ventures, Idealab Capital Partners, U.S. Venture Partners and NEA) raised two funds during the year. Accel Partners closed a $600 million fund in 1999 after raising a $275 million fund just the previous year. Four venture funds, in an effort to obtain sufficient capital to last for an acquisition period longer than one year, raised funds in excess of $1 billion: Benchmark Capital, Meritech Capital, Oak Investment Partners and Softbank Capital Partners.

3. Another industry development related to the current Internet mania is that numerous buyout firms are beginning to encroach on the late-stage venture funds' territory by buying into various Web-related businesses. Attorney Tom Bell, as quoted in Buyouts (January 10, 2000, page 60), noted that "The whole line between buyout and VC is blurring." KKR, for example, invested in both an ISP and a CLEC during 1999. Several diversified private investor groups, including Carlyle Partners, Texas Pacific Group, Blackstone Group and Hicks Muse, launched 1999 funds expressly devoted to making technology investments on a grand scale.

4. The UTIMCO staff believes that the industry trends and crosscurrents noted above point to a strategy of investing in smaller funds with unique deal flow in an effort to avoid the crush of transactions at the larger end of the market and in the Internet-related market space. Walt Thirion's stature in the Austin and Silicon Valley venture capital communities makes it likely that JatoTech Ventures will provide not only interesting deal flow but a whole panoply of private market connections and relationships that will benefit the PUF/LTF/PHF for many years.

IV. TRACK RECORD

Because neither Walt Therion nor Molly Pieroni has a history of principal investing, this group's track record must be inferred from Walt's personal record in founding, running and selling companies and from two warehoused investments he and Molly have already made for the Fund.

The details of Walt's founding, building and selling Thomas-Conrad and Jato Technologies are contained in his biographical summary in A.1 (g)-(j) under **I. The Principals** above.

The first warehoused investment is **Locale Systems,** a "virtual CIO" business that performs outsourced IT functions, including software, hardware and management services, for small- and medium-sized businesses. The founder/entrepreneur worked for Walt Thirion at Thomas-Conrad. The investment funded on November 16, 1999 in a $1.6 million mega-seed round (i.e., a very large seed round designed to counter a competitor's $20 million financing and to provide a cushion against the company's cash burn).

Two of the research documents in JatoTech's files are from IDC, a commercial information provider; the remainder, which are voluminous, are all from various Web sources. The JatoTech documentation shows that Locale is building a server farm at an Exodus location; the company's products will be downloaded from there at a cost to the customer of $165 per month, a figure that includes all hardware and software for a single installation seat. The company is therefore, at least in part, an Applications Service Provider (ASP); margins are in the 40% range according to JatoTech.

At this point, the company's entire revenue base is 100 seats. The strategic objective is to make the transition to a sales and marketing company by outsourcing almost all of the products the company sells. After sales volume is up and the business model is proven, this may make a good franchise opportunity.

JatoTech's records reflect that Walt and Molly, after extensive negotiations with the company, insisted that the founder/entrepreneur increase the bonus pool to 18% from 9%. Their purpose in doing so was to decrease employee turnover, a strategy which the UTIMCO staff endorses.

The company has agreed to put Walt on its board; JatoTech will conduct quarterly review sessions with the management in addition to attending all the board meetings. Walt and Molly are recruiting an outside director who can help the company.

The second warehoused investment is **Infiniband Network Hardware**, which makes an ASIC that enables network servers to talk to each other at a much faster rate than current hardware and software configurations will permit. Walt recruited Eric Johnson, the CEO, who used to work for him at Thomas-Conrad and who also has experience at 3Com. Walt is the chairman of the board. JatoTech will fund a bridge loan to the company next week, alongside Austin Ventures. JatoTech is the lead in this financing.

V. CO-INVESTORS

A. Committed

Investor	$mm
Institutions	$10.0
Families	10.7
Individuals	9.5
Walt Thirion (principal)	10.0
Total	$40.2

The JatoTech Ventures principals have requested the UTIMCO staff to omit the exact names of their investors from this memorandum in an effort to keep them confidential. The staff has, however, reviewed the names of all the investors and we believe that all the investors are of high quality and strong business reputation.

Note that Walt Thirion is investing $10 million of his own money alongside the limited partners, always a welcome and encouraging sign of an alignment of interests between the general partner and the limited partners.

VI. DUE DILIGENCE AND REFERENCE CHECKS

A. Due Diligence

1. General

JatoTech Ventures represents a unique due diligence assignment because neither of its principals has a track record of principal investing. As a result, the UTIMCO staff reviewed carefully the documentation for the two warehoused transactions with a view to establishing a basis for opining on the process the principals will use in evaluating Fund investments.

2. Partner interviews

The UTIMCO staff interviewed the JatoTech Ventures principals in our offices in Austin on December 29, 1999; January 5, 2000; and January 10, 2000; we also talked with the principals in various telephone conversations aggregating to several hours. In addition, the staff reviewed and discussed the firm's strategy, which is stated in detail in Section III above. Our due diligence process focused on JatoTech's a) overall infrastructure, b) deal inflow and review process, c) investment approval, structuring and execution process, d) investment monitoring process, e) investment realization process, f) relationship maintenance, and g) culture. The summary results of this due diligence is set forth below.

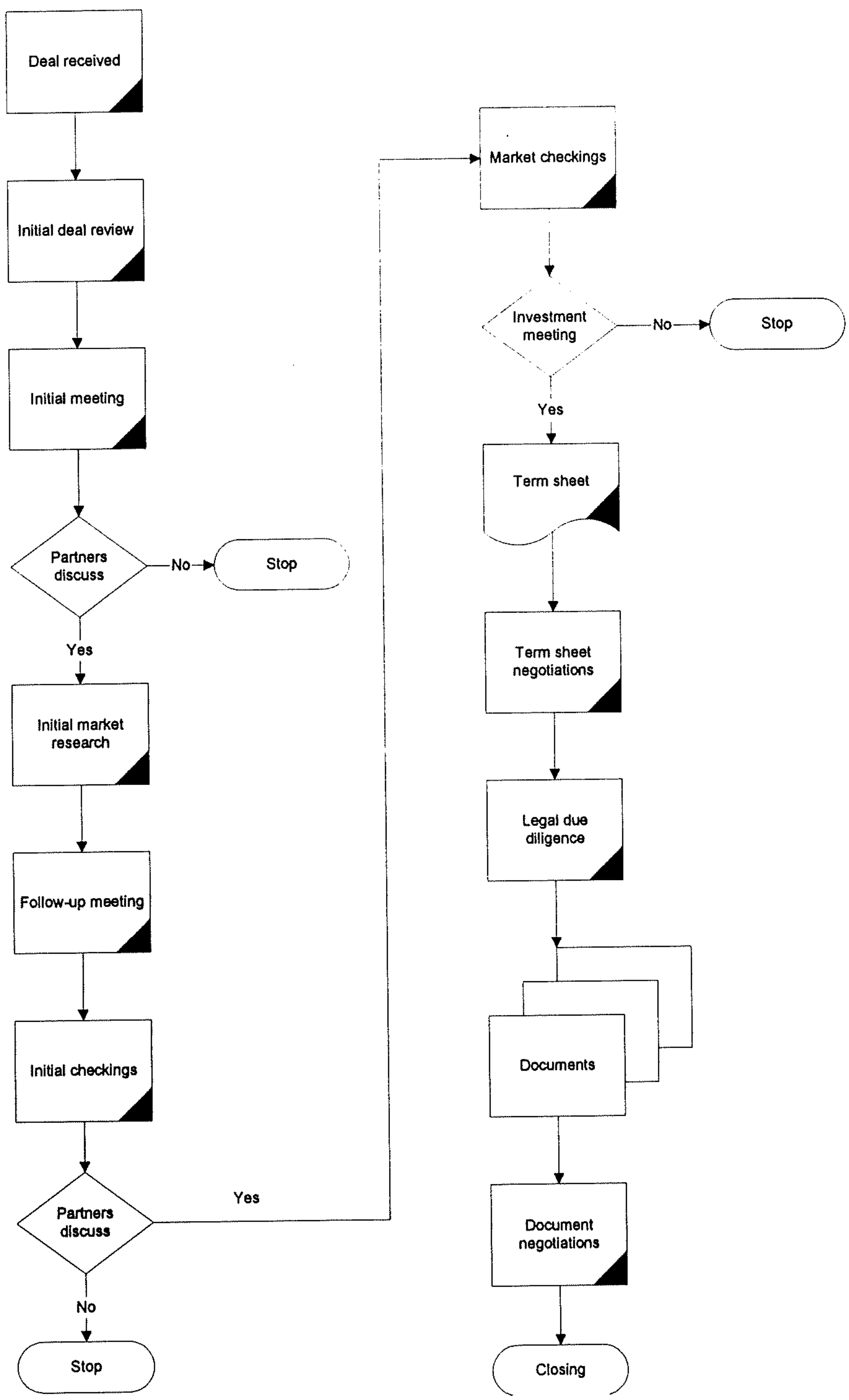
a) Infrastructure

(1) JatoTech Ventures is just developing its investment infrastructure. The Austin office will be located at 301 Congress Avenue; the location of the Dallas office has not yet been determined. As noted in **IV Track Record** above, the UTIMCO staff reviewed the files kept by the JatoTech principals on their two warehoused investments and determined that their records are well-kept and accurate, reflecting well the nature of their due diligence inquiry and the detailed results.

(2) In all of our interviews, the partners appeared to complement each other well.

b) Deal Inflow and Review – see c) below.

c) Approval, structuring and execution



(1) The above flowchart conforms to good practice in the venture capital industry. The UTIMCO staff had the

opportunity to review and correlate the documentation on two warehoused investments already in the Fund (Locale Systems and Infiniband Network Hardware) in order to evaluate the principals' adherence to this process. We noted no discrepancies. The major decision points (triangles in the flowchart above) were all well documented, as was the research that went into the decisions.

(2) JatoTech's valuation model works backward from the number of financings and the form and timing of the ultimate liquidity event to determine the valuation at which the seed round will be invested. The principals underwrite each transaction to return 10x to 20x invested capital over its life in the portfolio.

d) Monitoring

(1) While the JatoTech Ventures principals have no current documentation related to the monitoring of the two warehoused investments, it is important to note that Walt Thirion has build and sold two substantial business (Thomas-Conrad and Jato Technologies – see **IV Track Record** above) and, as a skilled and experienced operator who has sold two businesses, is virtually certain to possess the skills necessary to monitor the portfolio and to document the process. As an accomplished consultant, Molly Pieroni's organizational and documentation skills are well established.

(2) Note that Walt has taken a board seat on each of the two warehoused investments. The JatoTech style seems to be one of hands-on involvement of the principals in the management and growth of the portfolio company.

e) Investment Realization

(1) As stated above, because neither Walt Thirion nor Molly Pieroni has principal investment experience, it follows that they do not have any realizations in the normal sense of that term. However, Walt's ability to achieve a return for investors is unquestionable, given his performance with Thomas-Conrad and Jato Technologies, which were both extremely successful from the investors' perspective.

f) Relationship Maintenance

(1) Walt Thirion is extremely well-connected in the electronics design and manufacturing industry. His ability to maintain his relationships over the years speaks well to his ability to generate deal flow for the Fund.

g) Culture and Other

(1) While it is early to judge precisely what the Fund's culture will be, the fact that Walt and Molly are beginning as equal partners bodes well for their ability to work in a collegial manner.

h) Other areas

(1) It is too soon to say what the firm's accounting and systems software and/or its reports will look like. The UTIMCO staff, if the board approves an investment in JatoTech Ventures, will carefully monitory developments in this category.

B. Reference Checks

1. Walt Thirion has an extremely good reputation in the Austin business community as a visionary founder and an effective operator in electronic equipment design and manufacturing. Molly Pieroni checks out well as an extremely bright and disciplined business organizational- and marketing-oriented talent.

VII. RECOMMENDATION

A. Rationale

a) Management recommends that the Board approve a $10 million investment in JatoTech Ventures, L.P. ($5.5 million PUF, $3.2 million LTF and $1.3 million PHF).

b) The JatoTech Ventures principals have substantial industry contacts and relationships that have been proven through the founding, operating and selling of two extremely successful businesses.

B. Portfolio effect

1. Should the UTIMCO board approve JatoTech Ventures, the investment recommended by Management would have the following portfolio effect:

	% of total funds	% of total funds in 2/24/00 aggregate
PUF	10.97%	11.26%
LTF	9.40%	9.85%
PHF	0.29%	0.84%

a) The left column in this table can be read to mean that, should the entire commitment to JatoTech Ventures be drawn down at the close, PUF alternative investments, for example, would comprise 10.97% of the total PUF. Such an occurrence is virtually impossible, but as a stress test of whether the private investment portfolio is operating within strategic guidelines this computation is a useful exercise.

b) The right column assumes that all investments recommended at today's meeting of the UTIMCO board (Crescendo IV, Morgenthaler VI, Prism III and JatoTech Ventures, as well as Band of Angels Fund) be drawn in cash at the close, LTF alternative investments, for example, would comprise 9.85% of total LTF investments. Again, such an occurrence is virtually impossible, but as a stress test of whether the private investment portfolio is operating within strategic guidelines this computation is a useful exercise.

VIII. CONFLICTS OF INTEREST

After extensive due diligence, Management believes that an investment in JatoTech Ventures, L.P. by the LTF and PUF 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 JatoTech Ventures Management L.P., the general partner of JatoTech Ventures, 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 the LTF and PUF can abstain from the transaction in compliance with Texas law.

Resolution No. 7

WHEREAS, the Board has reviewed a Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into a limited partnership agreement (the "Agreement") with Band of Angels Management LLC to invest up to $10 million of PUF, PHF and LTF assets in **Band of Angels Fund, L.P.**;

WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Due Diligence Review and Recommendation dated February 20, 2000 for **Band of Angels Fund, L.P.** be approved; and be it further

RESOLVED, that the President and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **Band of Angels Fund, L.P.**; and be it further

RESOLVED, that the President, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

Proposed Investment

SUMMARY TERM SHEET

Partnership: Band of Angels Fund, L.P.

Classification: Venture capital.

Fund Size: $50 million.

Investment Strategy: Acquire the securities of early-stage technology companies in transactions originated, investigated and invested in by the Band of Angels, an association of over 140 founders and former executives of leading Silicon Valley high-tech companies; then selectively invest disproportionately larger sums in later rounds of financing as Band members reach their participation limits.

Term: Until December 31, 2008, plus two one-year extensions at the discretion of the General Partner in order to wind up the partnership.

General Partner: Band of Angels Management L.L.C., a Delaware limited liability company.

Management Fee: 2.5% of commitments for 5 years, reduced by 0.25% per year thereafter (but not below 1.5% in any case), with the amount payable reduced by 100% of commitment, break-up, directors, officers, advisory or management fees.

Profit Sharing: 80/20 after return of capital to the limited partners.

Performance History:

Fund	Net Invested ($MM)	Net Realized ($MM)	FMV ($MM)	IRR	S&P 500 + 500 bps
Band of Angels (1995)	$37.5	$41.1	$220.0	99.26%	29.73%

Negative (Risk) Factors:

- Illiquid investment with losses likely to precede gains.
- Extremely competitive investment environment, especially in Silicon Valley.
- Untested and unusual fund structure with no exclusivity.

Positive Factors:

- Extensive track record supports validity of investment thesis and strategy.
- Puts UTIMCO into an extensive investment relationship network at the center of one of the world's best venture capital deal flow regions.
- Should result in excellent co-investment deal flow.

Limited Partners:

Investor	$mm
Siemens	2.5
Tyco International	2.0
Techno Venture Management	2.0
Dieckell	1.0
Ann Bowers	1.0
Asia Technology Ventures	2.0
Critical Path Investments	2.0
China Technology Ventures	2.0
Eurycheia	2.0
Total	16.5

Recommendation: Invest $10 million ($5.5 million PUF, $3.2 million LTF, $1.3 million PHF).

Expected Return: 37%, with a standard deviation of 53.5%.

Exposure v. Target:

	% of total funds	% of total funds in 2/24/00 aggregate
PUF	10.97%	11.26%
LTF	9.40%	9.85%
PHF	0.29%	0.84%

Estimated Closing Date: March 10, 2000.

Approved:

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

I. THE PARTNERS

A. *Johannes C. Severiens (Principal)*

1. Experience

a) After graduate school, from 1956 to1959 Hans conducted post-doctoral research in Europe at the Niels Bohr Institute (Denmark) and at Leiden University (Netherlands).

b) From 1959 to 1964 he was a U.S. Atomic Energy Commission Staff Scientist in Washington D.C.

c) In 1964, Hans became a Columbia University Research Professor in High Energy Physics.

d) From 1966 to 1968 he was Assistant Chief Scientist at the Perkin Elmer Corporation in Connecticut, responsible for technology planning, acquisitions, and government contracts.

e) In 1968 Hans was hired as a Vice President at Mitchell Hutchins (now part of Paine Webber), responsible for the analysis of high technology stocks. He was elected an Institutional Investor All Star analyst in 1972.

f) In 1973, he was hired as a Vice President at Morgan Stanley in the research department, responsible for analysis of high technology stocks. Hans was elected to the Institutional Investor All Star team in 1973 and 1974.

g) Hans went to Merrill Lynch in New York in 1975, after which he spent two years in investment banking for high technology companies and three years as an investment analyst in the Research Department. He was elected an Institutional Investor All Star analyst in 1975 and 1976.

h) In 1980, Hans was hired as Vice-President for High Technology investment banking at Dean Witter Reynolds in San Francisco. There he coordinated many of the firm's high technology activities and was responsible for a number of IPOs, secondary offerings, private placements, venture capital investments and, to a lesser extent, merger and acquisition activities.

i) In 1983, Hans became a partner in Bay Ventures II, a small seed-oriented venture capital fund with a portfolio of 12 investments. BV II was closed in 1990, five years after his departure.

j) In 1985 he was made President, US Investments for MIP Equity Fund, a large Dutch Venture Capital Fund owned approximately 50/50 by the Dutch Government and some of the larger Netherlands financial institutions. Hans was responsible for investing $62 million in 13 U.S. high technology venture-backed companies willing to transfer technology to the Netherlands. The IRR on the capital invested was in the upper quartile for the venture capital industry at that time. However, in 1990 due to the devalued dollar as well as a change of political parties in the Netherlands , the Fund ceased operations in the US and shortly thereafter merged its U.S. and Netherlands portfolio positions into an entity called Alp Investments.

k) From 1990 to 1994, Hans was a partner in Fort Point Financial (1990-1992) and Dakin Securities (1992-1994), two small boutique investment banking firms in San Francisco involved in the financing of small, high technology companies.

l) In 1994, Hans became an individual private investor in small, emerging high-technology companies located predominantly in the San Francisco Bay Area. He was a founder and coordinator of the Band of Angels, a San Francisco Peninsula group of 140 high-tech executives actively investing in high-tech start-ups. Since July 1999 he has been a Managing Member of Band of Angels Fund, L.P., a fund paralleling certain, selected Band of Angels investments.

2. Education

   a) Hans received a B.A. in Physics from Harvard College in 1951.

   b) He received a Ph.D. in Nuclear Physics from Johns Hopkins University in 1955.

3. Affiliations

   a) Public/private company boards:

      (1) Z-Land.com (sells a suite of hosted e-commerce tools to other companies, enabling them to conduct many of their

transactions and internal services on line).

(2) Mobius Technology (holds a patented methodology for recycling plastic at the end of a fabrication line increasing total yield).

b) Charitable boards/service:

(1) Trustee, Golden Gate University (San Francisco)

(2) Director, the Enterprise Network (Cupertino, California)

(3) Director, Los Alamos Technology Commercialization Office (Los Alamos, New Mexico)

B. Ian Patrick Sobieski (Principal)

1. Experience

a) In 1991, Ian began his career as a Research Engineer at Modeling and Computing Services, which had a DOE contract to develop models to predict the structural decay of vessel walls in nuclear power plants.

b) In 1992, he was hired as a Research Scientist at Kaman Aerospace Corporation, where he was granted a SECRET security clearance and helped to build mathematical models to predict high explosive initiation under contract to the U.S. Army. He left near the end of 1993 to pursue a Ph.D.

c) In 1995, Ian joined Enact Health Management Systems (now called LifeChart.com) as an engineering consultant to support the development of a digital asthma monitoring device (AirWatch™). His line driver board was installed in at the Singapore assembly facility. He also developed mathematical models to calibrate the peak flow meter.

d) In 1997, he joined Ootleworks Software, Inc. (later renamed Evite.com) as the company's primary business person, with the title of VP Business Development. He initiated and negotiated the company's exclusive license with the web portal Excite and helped develop the growth strategy for the next product (Evite™). After hiring a replacement and a CEO in December 1998, Ian assumed a seat on the company's board of directors, where he served until the company's large VC funding, by August Capital, in June of 1999

e) From 1997 to the present, Ian has been a Managing Director for Band of Angels. His responsibilities have included evaluation of prospective deals, negotiation of investment terms and management of portfolio companies, as well as setting direction for and administering policy of the group. Since 1997, the Band has grown from 65 investors to over 140 and has invested more than $30 million. Ian is also a founding partner of the Band of Angels Fund, L.P., the institutional arm of the Band of Angels that has raised $17million from institutions such at Siemens, Tyco and TVM.

2. Education

a) Ian received both a B.S. degree in Aerospace Engineering and a B.A. in Philosophy from Virginia Tech in 1991; he was also named the University's Man of the Year.

b) He received an M.S. in Aeronautics and Astronautics from Stanford University in 1992.

c) Ian completed the coursework for a Ph.D. in Aerospace Engineering at Stanford University in 1995 and completed his dissertation, while involved in numerous other activities (see above), in 1998. He is the author of 10 technical publications

3. Affiliations

a) Public/private company boards:

(1) Searchbutton.com (an ASP of local site search).

(2) dNet, Inc. (provides solutions that enable e-commerce vendors to provide same day fulfillment of orders).

b) Charitable boards/service:

(1) Mentor: Silicon Valley Scholars Program

(2) Outdoor Emergency Medical Technician, Homewood Volunteer Ski Patrol

(3) Regular Lecturer; San Jose Software Developers Forum

(4) Trilogy/Stanford Entrepreneurial Challenge Business Plan Judge

II. FUND STRATEGY, TERMS

A. General Commentary

1. The Band of Angels is an association of over 140 well-connected, talented and accomplished high technology entrepreneurs and corporate managers who, for the past five years, have pooled their resources to back promising early-stage companies in Silicon Valley. Instead of participating in early-stage start-ups as individual "angel" investors, members of the Band of Angels hired two full-time investment professionals to coordinate their investment activities: Hans Severiens, the founder of the Band, and Ian Sobieski (see **I. Principals** above). Together, Hans and Ian have been responsible for selecting the most attractive opportunities from among literally thousands of potential investments brought to them by Band members, and for investing approximately $38 million in over 80 early-stage technology companies. The results have been outstanding (see **IV. Track Record** below).

2. Members of the Band must apply to be accepted and the applications are reviewed by a membership committee on which Hans Severiens, one of the Fund principals, sits. The UTIMCO staff has reviewed the highly confidential membership listing; its contents include luminaries from almost every area of technology and business. All Band members are considered to be accredited investors under the SEC rules and they all have a track record of successful independent angel investing prior to applying for membership. Successful applicants are required to bring at least one meritorious investment to the Band coordinators per year and to share due diligence and analysis on proposed opportunities.

Members represent such institutions as:

CEO	-	Prism Solutions
President	-	Read-Rite Corp
CEO	-	DataQuest
CEO	-	Phillips Electronics
Vice President	-	UUNET
CEO	-	Pyramid Technology
Vice President	-	Quantum Corp.
CEO	-	Silicon Valley Bank
Vice President	-	Times-Mirror Corp.
CEO	-	Macys California
President	-	Sun Microsystems
Vice President	-	Intel Corp.

COO	-	Hewlett-Packard
CFO	-	Ascend Communications
Chairman	-	RAMBUS
CFO	-	Intuit
Vice President	-	3COM
Vice President	-	Silicon Graphics, Inc.
Vice President	-	Cisco Systems
President	-	Apple Computer USA
Vice President	-	Yahoo!
Chairman	-	Compaq Computers

The following are companies founded or co-founded by members of the Band of Angels:

Sierra Semiconductors
Logitech
McKenna Group
C-Cube
Genentech
Prism Solutions
Xilinx
Meridian Data Systems
Vector Graphic
Resound
General Magic
KLA-Tencor
Nellcor
Cirrus Logic
Symantec
National Semiconductor
DSP Group
Rasna
Silicon Valley Bank
California Microwave
DataQuest
VLSI Technologies
Power Computing
Cadence Design
Advanced Cardiovascular Systems

The following leading venture capital firms and corporations have funded businesses originated by the Band of Angels:

Dell Computer
Adobe
Draper Fisher
NEA
ITV
Brentwood
Vantage Point Venture Partners
Bessemer Venture Partners
Advanced Technology Ventures
Credit Suisse
Hambrecht & Quist
Intel
Scripps Ventures
US Venture Partners
Communications Ventures
El Dorado
Venrock
Goldman Sachs
NBC
Inktomi
Apple Computer
OnSet
Guidant
US Surgical
Sumitomo
Texas Instruments Ventures
Cambridge Technology Partners
Deutsche Bank
Walden Group
VeriSign
GE Equity Capital Group
Capstone Ventures
Crescendo
Walden

3. Over the past five years, Hans noticed that on many occasions, as successful companies required further rounds of financing, various Band members have dropped out of the investment group as the capital calls in later rounds began to exceed their financial capabilities. Replacing those Band members who had dropped out of a particular investment became a time-consuming activity that introduced new risks into the investment

process. After some discussion among the Band members, the association voted to raise a fund, the Band of Angels Fund, to invest alongside the Band members in the early stages of a company's life and to take up the Band members' allocations in later rounds in order to decrease the risk that companies might not be fully funded over time.

4. Band of Angels Fund therefore represents a unique opportunity for the PUF/LTF/PHF to participate directly in the Band's high volume of early-stage, high-quality, proprietary Silicon Valley venture capital deal flow. As Fund investors, the PUF/LTF/PHF will be exposed, not only to the opportunities presented to official meetings of the Band but also to the nonpareil due diligence expertise and connections to be found in the Band membership itself.

B. Fund Strategy

1. As they have for the last five years, Band members will bring business plans in which they have decided to invest to Ian Sobieski and Hans Severiens, the professional coordinators hired to process the association's deal flow (who are also the principals investing the Fund, see **I. Principals** above). Each month, Ian and Hans will form a due diligence team of knowledgeable Band members to review the business plans submitted in this way and to winnow them down to the three most promising. The three winning business plans will then be presented to the entire Band membership at a monthly dinner at the Los Altos Golf and Country Club. These dinners will usually be attended by 70 to 90 Band members, who will ask questions and make comments before, during and after the 20-minute presentations.

2. In the week following the monthly meeting, interested Band members will gather for a lunch with the entrepreneurs who made the dinner presentations to make further due diligence inquiries. Interested Band members may meet separately as well, either before or after the lunch (or both), to share their due diligence resources and to debate the merits of a particular opportunity.

3. If the consensus is that a particular opportunity is attractive, the sponsoring Band member will frequently act as the lead investor, negotiating terms for the entire group (although occasionally the Band staff – Hans and/or Ian – will be asked to perform this function).

4. Hans and Ian, as the Fund's investment managers, will select investments for the Fund from among the opportunities that survive the first three steps outlined above and will co-invest on the same terms as the Band members. The Fund's investment decision will be based on

independent due diligence performed by Hans and Ian, the Fund managers; the lead Band member or his or her organization; the quality and level of support of the sponsoring Band member(s); the risk/return profile of the investment; and the strength of the post-transaction management support provided by the Band. Investment sizes at this early stage will be approximately $600,000 or so.

5. In later financing rounds, normally at higher valuations, the Fund will be eligible to take up the preemptive rights of Band members without the financial wherewithal to participate. The Fund will also, in carefully selected opportunities, provide bridge loans of approximately $1 million in order to enable a company to attract late-stage venture capital investment or to file an S-1 and issue an IPO.

6. Hans and Ian, the Fund principals, intend to invest in approximately 15 transactions each year in the $300,000 range characteristic of a first round. They believe that approximately 5 investments each year will be in the $1 million size typical for a bridge loan to either a later-stage venture funding or an IPO.

7. Up to 5% of the Fund's profits (i.e., 25% of the general partner's 20% promoted interest) will be made available to the Band member(s) sponsoring transactions invested in by the Fund in order to encourage the maximum participation of the most knowledgeable and effective members of the association.

C. Fund Terms

1. The term of the Fund will extend until December 31, 2008, although the General Partner, solely for winding-down purposes, can extend the term for up to two one-year periods.

2. Although the normal procedure for capital calls will be to call for funds only when needed, the Fund will call for 12.5% of commitments on the day of the closing (unless it is required to qualify as a Venture Capital Operating Company, in which case it will call 12.5% of commitments upon the closing of the first investment).

3. The Fund will have an advisory committee composed of up to seven members, a majority of which will be selected by limited partners representing at least 2/3 in interest. The balance of the advisory board members will be selected by the General Partner. The UTIMCO staff, if the UTIMCO board approves a commitment to the Fund, will seek representation on this committee.

4. The limited partners will pay an initial management fee of 2.5% of commitments per annum. Beginning the first quarter after the fifth anniversary of the initial closing, the management fee will be reduced by 0.25% (25 basis points) per year, but not to less than 1.5%.

5. All fees received by the General Partner (including, but not limited to, commitment, break-up, directors, officers, advisory and management fees paid by a portfolio company) will reduce the management fee due by up to 100%.

6. The General Partner will receive a 20% carried interest in the Fund's gains after payback of capital to the limited partners; until payback, gains and income will be distributed pro rata to the partners' respective commitments. The General Partner's carried interest is subject to a claw-back provision in the event that it amounts to more than 20% of total distributions.

7. While the Fund does not have a preferential right to investment opportunities originated by members of the Band of Angels, the managing principals will seek to make co-investments alongside sponsoring Band members on a merit basis. The investment history of the Band of Angels indicates that there are likely to be sufficient co-investment opportunities in the future to employ the funds targeted to be raised.

8. A UTIMCO representative will be permitted to attend all official Band of Angels functions, including the monthly dinners and luncheons and all special events. UTIMCO will also receive regular, detailed reports on Band activities and will be able to seek access to the Band members through use of the membership listing.

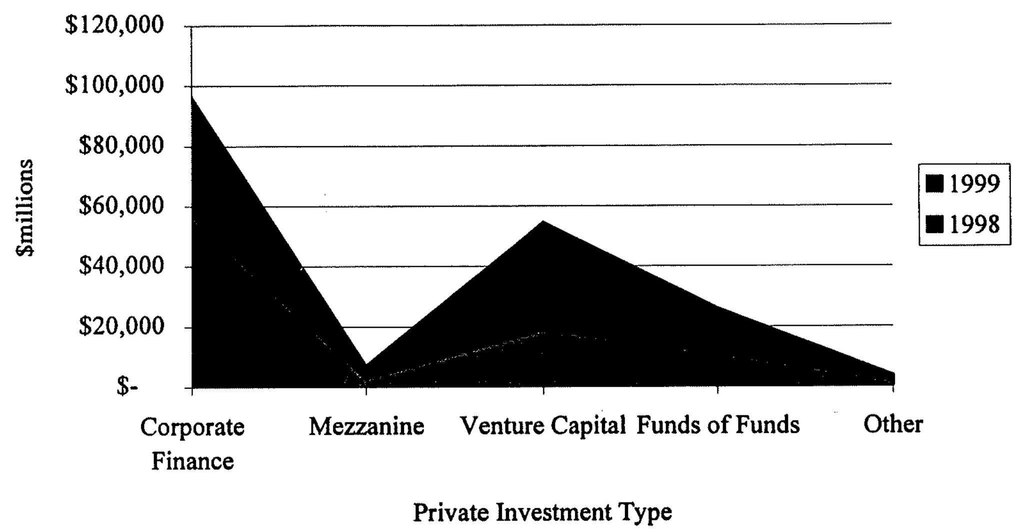
9. The General Partner may be removed for cause (fraud, a felony conviction, gross negligence in the management of the Fund or a willful breach of fiduciary duty under the partnership agreement) at any time by a vote of 80% in interest of the limited partners.

III. INVESTMENT ENVIRONMENT

A. Domestic market

1. Although, as the table below clearly indicates, total private market fundraising in 1999 was up only 3.6% over the previous year, the graph below demonstrates that there was a dramatic shift to venture capital in the sub-allocation within the asset class.

	1998	1999
Corporate Finance	$ 57,238	$ 39,038
Mezzanine	$ 2,790	$ 4,262
Venture Capital	$ 18,993	$ 35,586
Funds of Funds	$ 11,116	$ 14,864
Other	$ 2,023	$ 1,767
	$ 92,160	$ 95,517



Source: Private Equity Analyst, January 2000

While there may be many influences at work to result in such a dramatic sub-allocation shift, one obvious candidate is the stratospheric returns achieved by the leading venture capital firms during 1999, which resulted in increasing allocations by many of the largest institutional investors. Almost all of those extremely attractive returns went to a handful of Internet content- and/or technology-related investments and the firms that originated them. Investors, pursuing those returns, increased venture capital funds raised 87% year over year, sending the average funds raised per partnership up 62%, from $118 million to $191 million. Finally, in an interesting shift not shown in the graph above, funds raised by early-stage venture funds increased a staggering 179% from 1998, to $16.8 billion.

2. Another influence leading to increased venture capital fundraising is the manic pace at which venture investors are deploying capital in Internet-related technologies and businesses. When combined with the general tendency in the industry to decrease the number of syndicate partners per investment, the result is an ever-increasing velocity of capital out of institutions, through venture partnerships and into a bewildering variety of e-commerce opportunities. So overheated was the atmosphere in 1999 that four venture firms (Crosspoint Ventures, Idealab Capital Partners, U.S. Venture Partners and NEA) raised two funds during the year. Accel Partners closed a $600 million fund in 1999 after raising a $275 million fund just the previous year. Four venture funds, in an effort to obtain sufficient capital to last for an acquisition period longer than one year, raised funds in excess of $1 billion: Benchmark Capital, Meritech Capital, Oak Investment Partners and Softbank Capital Partners.

3. Another industry development related to the current Internet mania is that numerous buyout firms are beginning to encroach on the late-stage venture funds' territory by buying into various Web-related businesses. Attorney Tom Bell, as quoted in Buyouts (January 10, 2000, page 60), noted that "The whole line between buyout and VC is blurring." KKR, for example, invested in both an ISP and a CLEC during 1999. Several diversified private investor groups, including Carlyle Partners, Texas Pacific Group, Blackstone Group and Hicks Muse, launched 1999 funds expressly devoted to making technology investments on a grand scale.

4. The UTIMCO staff believes that the industry trends and crosscurrents noted above point to a strategy of investing in smaller funds with unique deal flow in an effort to avoid the crush of transactions at the larger end of the market and in the Internet-related market space. A close examination of the Band of Angels track record (see **IV. Track Record** below) indicates that the Fund is likely to provide not only interesting deal flow but a whole panoply of private market connections and relationships that will benefit the PUF/LTF/PHF for many years.

IV. TRACK RECORD

A. Overall record

	Net		Remaining	IRR	
Company	Invested	Realized	Valuation	Fund	S&P +5
Band of Angels	**$37.5**	**$41.1**	**$220.0**	**99.26%**	**29.73%**

Given the fact that Band of Angels has only been investing since 1995, it is remarkable to note that its investors have already received return of their capital plus a small cash gain, in addition to substantial appreciation (using valuations based on the share price set by the last round of private financing).

B. Realized investments

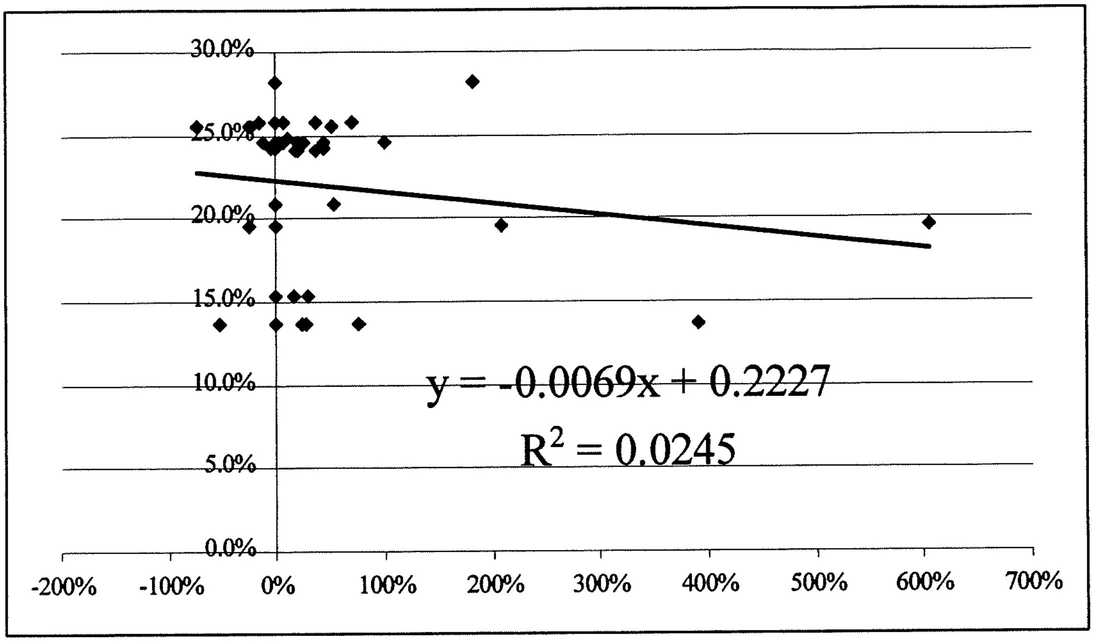
	Net		Remaining	IRR	
Company	Invested	Realized	Valuation	Fund	S&P +5
Affinity	$.1	$.0	$.0	-100.00%	30.36%
AutoTown	$.5	$.6	$.0	10.38%	-4.26%
Baystone	$2.0	$.8	$.0	-30.62%	25.39%
ChipScale	$.3	$.0	$.0	-100.00%	26.90%
Diagonal Systems	$.3	$.0	$.0	-100.00%	30.36%
Insight Imaging	$.1	$.0	$.0	-100.00%	30.41%
Invision Interactive	$.4	$.0	$.0	-100.00%	32.07%
Knowledge Revolution	$1.1	$2.8	$.0	84.69%	NA
Power Computing	$.4	$1.0	$.0	57.79%	NA
Sandpiper Networks	$.6	$36.0	$.0	23272.50%	NA
Scott's Valley	$.3	$.0	$.0	-100.00%	31.09%
Virtual Golf	$.2	$.0	$.0	-100.00%	31.09%
Realized	**$6.1**	**$41.1**	**$.0**	**91.26%**	**30.42%**

One of the most basic tenets of venture capital portfolio management is that losses occur early, while gains are harvested late. Band of Angels' realized portfolio reinforces that truism, with 7 complete write-offs out of a total of 12 realizations. Under these circumstances, it is no surprise that a single transaction, Sandpiper Networks, carried almost all of the entire realized portfolio's return (88% of total dollars returned).

C. Unrealized investments

Company	Net Invested	Net Realized	Remaining Valuation	IRR Fund	IRR S&P +5
Alere	$.2	$.0	$.2	6.63%	32.07%
Alpine Microsystems	$.6	$.0	$2.2	44.55%	30.78%
Aura	$.1	$.0	$.1	0.00%	30.80%
Austin-James	$.7	$.0	$2.8	51.45%	31.76%
Berkeley HeartLab	$.6	$.0	$.6	0.00%	25.58%
Cepheid	$.4	$.0	$1.0	36.09%	32.07%
Cheetah	$.4	$.0	$.2	-25.64%	25.58%
Citizen One	$.4	$.0	$.2	-25.66%	31.76%
ClearVox Communicatio	$.4	$.0	$.4	0.00%	19.33%
CookePharma	$.4	$.0	$.4	22.77%	19.33%
Decisis	$.0	$.0	$.0	-23.58%	31.76%
Digital Records	$.3	$.0	$.2	-5.01%	30.47%
Digital Think	$1.2	$.0	$3.6	52.79%	26.90%
Encelle	$.5	$.0	$.2	-53.65%	19.33%
EndoTex	$.2	$.0	$.3	20.76%	30.78%
Evoke Software (forme	$1.5	$.0	$1.9	7.35%	30.78%
Fourth Communications	$.2	$.0	$.6	37.53%	30.36%
Futuresmart.com (Intel	$.4	$.0	$.4	0.00%	34.53%
Ganter	$.5	$.0	$1.0	25.17%	30.80%
GeoVector	$.3	$.0	$.3	0.00%	19.33%
GlobalCast	$.8	$.0	$.5	-11.23%	30.80%
Hobby Markets	$.5	$.0	$.5	0.00%	21.12%
Interact Simulation	$.3	$.0	$.3	0.00%	30.41%
Keynote Systems	$.9	$.0	$82.2	605.52%	25.58%
Kids Park	$.5	$.0	$.5	0.00%	34.53%
LeveLite	$.0	$.0	$.0	0.00%	30.47%
LightSpeed Semicondu	$.2	$.0	$.8	36.77%	30.36%
Market Tools	$.4	$.0	$.4	0.00%	30.80%
Mind Steps	$.3	$.0	$.4	27.88%	19.33%
Momentum Interactive	$.0	$.0	$.0	-16.46%	32.07%
MorphICs	$1.5	$.0	$2.2	28.52%	21.12%
Neoforma	$.2	$.0	$54.4	1991.14%	20.88%
Net Buy	$1.4	$.0	$1.4	0.00%	25.58%
Neuromark	$.5	$.0	$2.1	70.32%	32.07%
Nevasoft	$.2	$.0	$.2	0.00%	32.07%
Notify	$.1	$.0	$.2	18.35%	30.36%
OASys	$.6	$.0	$1.3	19.89%	30.36%
Pollo Rey	$2.3	$.0	$2.6	3.03%	30.80%
Quantum Vision	$.5	$.0	$.5	0.00%	21.12%
Reflectivity	$.2	$.0	$1.0	389.79%	19.33%
Sendmail	$4.0	$.0	$16.0	181.44%	34.53%
Sensys Instruments	$1.3	$.0	$1.3	0.00%	34.53%
Smart Machines	$.3	$.0	$.4	10.92%	31.09%
Taecan	$.7	$.0	$.8	16.01%	21.12%
The EC Company	$.2	$.0	$.0	-73.40%	31.76%
TimeShift	$.2	$.0	$.3	76.34%	19.33%
TriQuest	$.3	$.0	$.5	19.78%	30.41%
Virtual Silicon	$.5	$.0	$.5	0.00%	21.12%
Voelker Technologies	$.4	$.0	$.4	0.00%	26.90%
Wit Capital	$1.1	$.0	$15.8	208.93%	25.58%
WorldRes (Originally P	$.1	$.0	$.4	43.77%	30.41%
Zland	$1.2	$.0	$14.5	100.80%	30.78%
Z'NYX	$1.2	$.0	$1.3	3.33%	30.78%
Unrealized	**$31.4**	**$.0**	**$220.0**	**101.66%**	**29.62%**

As industry experience would predict, the unrealized portfolio's distribution of returns is much less skewed to total losses than those of the realized portfolio. Note that the UTIMCO index comparison computation shown in the table above results in a direct calculation of alpha on an investment by investment basis and also on a total portfolio basis. By plotting the relationship between the internal rate of return to each private investment against its S&P 500 index comparison internal rate of return it is possible to determine, by linear regression, the capital market line and the goodness of fit (R^2), a measure of the correlation of private market returns with S&P 500 returns. As the graph below shows, the historical returns of the Band of Angels is almost completely uncorrelated with S&P 500 returns, a desirable portfolio trait.



V. CO-INVESTORS

A. Committed

Investor	$mm
Siemens	2.5
Tyco International	2.0
Techno Venture Management	2.0
Dieckell	1.0
Ann Bowers	1.0
Asia Technology Ventures	2.0
Critical Path Investments	2.0
China Technology Ventures	2.0
Eurycheia	2.0
Total	16.5

Ann Bowers is the widow of Jim Noyce, former CEO of Intel; she is herself a former VP of Intel and extremely well-connected in Silicon Valley. Siemens and Tyco International are strategic investors looking for early exposure to interesting deal flow, particularly in technology areas of specific interest. None of the other investors is well known in the institutional investor community; UTIMCO would therefore be the only institution participating in the Fund unless other institutions express an interest. The UTIMCO staff views the PUF/LTF/PHF's being a dominant institutional presence in this case as an extremely positive feature of the Fund, since competing endowments will not be exposed to the deal flow and due diligence expertise that is at the heart of the Fund.

VI. DUE DILIGENCE AND REFERENCE CHECKS

A. Due Diligence

1. General

Band of Angels Fund represented a challenging due diligence assignment because of the sheer number of investment participants, including the 140+ Band of Angels members, and the size of the track record portfolio.

2. Site Visit

The UTIMCO staff interviewed the Band of Angels Fund principals in their offices in downtown Palo Alto, California, which they sublease from their attorneys. Their offices are quite spartan but are in a central location in terms of the Band of Angels membership, which is almost exclusively limited to Silicon Valley. The staff reviewed and discussed the firm's strategy, which is stated in detail in Section III above. Our due diligence process focused on Band of Angels Fund's a) overall infrastructure, b) deal inflow and review process, c) investment approval, structuring and execution process, d) investment monitoring process, e) investment realization process, f) relationship maintenance, and g) culture. The summary results of this due diligence is set forth below.

a) Infrastructure

(1) Band of Angels Fund has a solid, extremely efficient investing infrastructure. Subleasing space from their attorneys, a practice that the principals intend to continue after the Fund is raised, enables them to minimize expenses while maximizing their ability to leverage their resources. The UTIMCO staff reviewed a sample of the Band coordinators' files and determined that their records are well-kept and accurate, reflecting well the detailed results of their due diligence inquiries.

(2) In all of our interviews, the partners appeared to complement each other well. Staff contacts in the industry confirmed this impression.

b) Deal Inflow and Review

participate; and

c) substantial industry contacts and relationships.

B. Portfolio effect

1. Should the UTIMCO board approve Band of Angels Fund, the investment recommended by Management would have the following portfolio effect:

	% of total funds	% of total funds in 2/24/00 aggregate
PUF	10.97%	11.26%
LTF	9.40%	9.85%
PHF	0.29%	0.84%

a) The left column in this table can be read to mean that, should the entire commitment to Band of Angels Fund be drawn down at the close, PUF alternative investments, for example, would comprise 10.97% of the total PUF. Such an occurrence is virtually impossible, but as a stress test of whether the private investment portfolio is operating within strategic guidelines this computation is a useful exercise.

b) The right column assumes that all investments recommended at today's meeting of the UTIMCO board (Crescendo IV, Morgenthaler VI, Prism III and JatoTech Ventures, as well as Band of Angels Fund) be drawn in cash at the close, LTF alternative investments, for example, would comprise 9.85% of total LTF investments. Again, such an occurrence is virtually impossible, but as a stress test of whether the private investment portfolio is operating within strategic guidelines this computation is a useful exercise.

(1) Deal flow is, as outlined above, the Fund's very strongest attribute. As an affiliate of the 140+ members of the Silicon Valley-based Band of Angels, the Fund will be exposed to a continuous stream of high-quality deal flow.

(2) Both Ian and Hans have demonstrated the ability to perform triage on the volume of business plans to which they are subjected on a monthly basis, consistently eliminating all but the most promising business plans by engaging each other and the sponsoring Band members in a series of constructive debates on the merits of each. Neither Hans nor Ian consistently takes one side of these discussions; rather, they often change roles, depending upon particular expertise, experience or relationship. This ability to disagree frequently while communicating consistently to find common ground is one of the hallmarks of an excellent investment shop.

c) Structuring

(1) Sponsoring Band members usually structure and price the transactions in which the Fund will invest. However, the Fund principals are sometimes called upon to fulfill that function. We noted no important differences in control, returns or risk between transactions structured by Band members and transactions structured by the Fund principals.

d) Monitoring

(1) The Fund principals are actively involved in monitoring their portfolio companies. They frequently attend board meetings in order to keep abreast of developments.

e) Investment Realization

(1) The fact that the Band investors have already received full payback plus some cash gain in an investment program only five years old is a clear indication that the Fund principals understand how to manage investment realization.

(2) However, a single transaction drove most of the value distributed from the realized portion of the investment portfolio. It is therefore not entirely clear just how skilled in

managing realizations the Fund principals are. Hans has a great deal of realization experience, though, and both he and Ian can call upon some of the most talented and successful high-technology business managers in the world in support of the Fund.

f) Relationship Maintenance

(1) Investment relationships are, at the end of the say, what the Band of Angels is all about. The ability of the Fund principals to deal directly with extremely skilled and well-connected entrepreneurs and executives with interests aligned with the Fund is one of the Fund's greatest strengths.

g) Culture and Other

(1) The Fund culture is one of collegiality and informality, combined with extreme diligence and grace under pressure.

h) Other areas

(1) The Fund's financial/accounting and computer systems appear to be adequate.

B. Reference Checks

1. The Fund principals were universally lauded as trustworthy, honest, hardworking, intelligent, and value added and astute investors.

VII. RECOMMENDATION

A. Rationale

1. Management recommends that the Board approve a $10 million investment in Band of Angels Fund, L.P. ($5.5 million PUF, $3.2 million LTF and $1.3 million PHF). The Band of Angels Fund principals have a proven investment strategy and:

a) An excellent investment record;

b) An in-depth knowledge of the technical aspects of the industries and niches in which their early-stage companies

VIII. CONFLICTS OF INTEREST

After extensive due diligence, Management believes that an investment in Band of Angels Fund, L.P. by the LTF and PUF 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 Band of Angels Management L.L.C., the general partner of Band of Angels Fund, 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 the LTF and PUF can abstain from the transaction in compliance with Texas law.

Resolution No. 8

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 **Morgenthaler Management Partners VI, LLC** to invest up to $10 million of PUF, PHF and LTF assets in **Morgenthaler Partners VI, 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 February 24, 2000 for **Morgenthaler Partners VI, 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 **Morgenthaler Partners VI, 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
February 24, 2000

Name:	Morgenthaler Partners VI, L.P., a Delaware limited partnership with offices in Cleveland, OH and Palo Alto, CA.
Classification:	Venture Capital.
Fund Size:	$450 million.
Investment Strategy:	Purchase securities across all stages of development (i.e., seed/start-up, product development, market development and mature, including recapitalisations and buyouts) in companies in the information technology, health care and industrial productivity industries.
Term:	Ten years with three one-year extensions possible on the approval of the Advisory Committee.
General Partner:	Morgenthaler Management Partners VI, LLC, a Delaware limited liability company.
Management Fee:	1.8% of commitments until Dec. 2001, increasing to 2.0% until 12/31/03, then 2.2 % until 12/31/07 and 2.4% until 12/31/08. In the remaining three years the fee will be 2.4% of invested capital. The management fee will be reduced by 100% of all investment banking, break-up, commitment or similar fees at all times.
Profit Sharing:	20% promoted interest after a return of contributed capital.

Performance History ($mm): Fund	Invested	Realized	FMV	Fund IRR	S&P500 +5%
All	$332.4	$227.1	$284.6	25.6%	22.7%
Morgenthaler Venture Partners III (1989)	$66.5	$172.4	$13.7	26.8%	20.98%
Morgenthaler Venture Partners IV (1995)	$129.6	$54.7	$142.9	28.3%	28.0%
Morgenthaler Venture Partners V (1998)	$136.3	-	$127.9	-12.1%	22.1%

Although the Morgenthaler V portfolio is still in the J-curve, it is performing well, with substantial value in several highly promising investments that are currently held at cost. Note that, in any case, the performance of the preceding two funds is sufficiently strong to result in excellent performance overall, even including Fund V.

Negative (Risk) Factors: Highly illiquid, long-term investment with losses likely to precede gains.

Significant competition in principal areas of investment.

Extremely aggressive pricing in recent market due to a combination of factors, including a strong IPO market and the substantial flow of funds into the asset class.

Positive factors: Trustworthy, astute and value-added investors with a demonstrated ability to create value.

Unsurpassed industry knowledge, expertise and contacts; sought out by others investors for their industry/operating/financial expertise.

Longstanding UTIMCO relationship, dating from October 1989, that has generated some of the best performance in the private markets portfolio.

Significant Co-Investors ($mm):

J.P. Morgan	$42.0
Lucent Technologies	30.0
MIT	25.0
The Common Fund	25.0
Ohio State Teachers Retirement	25.0
Stanford Management	20.0
Others	69.0
Total	$236.0

Recommendation: Invest $10.0 million ($5.5 million PUF, $3.2 million LTF, $1.3 million PHF).

Expected Return: 25% IRR with a standard deviation of 30%.

Exposure v. Target:

	% of total fund	% of total funds in 2/24/00 aggregate
PUF	10.97%	11.26%
LTF	9.40%	9.85%
PHF	0.29%	0.84%

Estimated Closing Date: February 18, 2000 first close; March 30,2000 second close.

Conflicts of Interest:

After extensive due diligence, the staff believes that an investment in Morgenthaler Partners VI, L.P. by the LTF and PUF 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.

The staff has put the principals of Morgenthaler Management Partners VI, LLC, the general partner of Morgenthaler Partners VI, 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 the LTF and PUF can abstain from the transaction in compliance with Texas law.

Approved:

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

Resolution No. 9
WHEREAS, the Board has reviewed a Short Form Due Diligence Review and Recommendation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with **Prism Investment Partners III, L.P.** to invest up to $10 million of PUF, PHF and LTF assets in **Prism Venture Partners III, L.P.**;

WHEREAS, the Corporation has determined that the Agreement does not constitute an agreement or transaction entered into in violation of Subsection 66.08(i) of the Texas Education Code;

NOW, THEREFORE, BE IT RESOLVED, that the terms and provisions of the proposed investment as described in the Short Form Due Diligence Review and Recommendation dated February 24, 2000 for **Prism Venture Partners III, L.P.** be approved; and be it further

RESOLVED, that the President and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **Prism Venture Partners III, L.P.**; and be it further

RESOLVED, that the President, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

Proposed Follow-On Investment

SUMMARY TERM SHEET

February 24, 2000

Name: Prism Venture Partners III, L.P., a Delaware limited partnership with offices in Wellesley, MA.

Classification: Venture Capital.

Fund Size: $250 million.

Investment Strategy: Acquire securities in private companies in the healthcare and telecommunications/information systems industries, regardless of stage of maturity.

Term: Ten years, with three one-year extensions possible on the approval of a majority in interest.

General Partner: Prism Investment Partners III L.P., a Delaware limited partnership.

Management Fee: 2.25% of commitments, decreasing by 10% per year beginning on the seventh anniversary of the initial closing.

Profit Sharing: 20% promoted interest after a return of contributed capital.

Performance History ($mm):

Fund	Invested	Realized	FMV	Fund IRR	S&P500 +5%
All	$106.1	$.7	$98.6	-5.4%	23.9%
Prism Ventures I, L.P. (1997)	$77.4	$.6	$71.6	-4.8%	24.3%
Prism Ventures II, L.P. (1998)	$28.8	$.2	$27.1	-9.9%	19.5%

First quarter events have driven the IRRs to 31% and 145% for Prism I and II respectively.

Negative (Risk) Factors:

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

Investment emphasis on businesses with significant technological, developmental and operating risk.

Significant competition in principal areas of investment.

Extremely aggressive pricing in recent market due to a combination of factors, including a strong IPO market and the substantial flow of funds into the asset class.

Positive factors:

Trustworthy, astute and value-added investors with a demonstrated ability to create value.

Excellent investment history, especially in medical devices.

Substantial industry expertise and contacts.

Good portfolio fit because of geographic and industry emphases, as well as diversification across all stages of investment.

Significant Co-Investors ($mm):

New Hampshire Retirement System*	$25.0
Forstman Leff International	$30.0-$40.0
Bank Boston	$15.0
Vencap International	$13.0
Bank of America Ventures	$10.0
Phoenix Mutual	$7.5-$10.0
Others (firm)	$49.5
Others (soft)	$90.0
Total	$240.0-$252.5

Recommendation: Invest $10.0 million ($5.5 million PUF, $3.2 million LTF, $1.3 million PHF).

Expected Return: 27% IRR with a standard deviation of 46%.

Exposure v. Target:

	% of total fund	% of total funds in 2/24/00 aggregate
PUF	10.97%	11.26%
LTF	9.40%	9.85%
PHF	0.29%	0.84%

Estimated Closing Date: March 27, 2000

Conflicts of Interest:

After extensive due diligence, the staff believes that an investment in Prism Venture Partners III, L.P. by the LTF and PUF 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.

The staff has put the principals of Prism Investment Partners III L.P., the general partner of Prism Venture Partners III, 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 the LTF and PUF can abstain from the transaction in compliance with Texas law.

Approved:

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

Resolution No. 10

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 **Crescendo Ventures IV, LLC** to invest up to $10 million of PUF, PHF and LTF assets in **Crescendo IV, 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 February 24, 2000 for **Crescendo IV, L.P.** be approved; and be it further

RESOLVED, that the President and any Managing Director of this Corporation be, and each of them hereby is, authorized to make such further revisions to the terms and provisions as may be necessary or in the best interests of this Corporation, excluding an increase in the amount of the capital commitment to **Crescendo IV, L.P.**; and be it further

RESOLVED, that the President, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, instruments and certificates (including, without limitation, all notices and certificates required or permitted to be given or made under the terms of the Agreement), in the name and on behalf of the Corporation, or otherwise, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of this Corporation under the Agreement and the instruments referred to therein.

Proposed Follow-On Investment

SUMMARY TERM SHEET

February 24, 2000

Name: Crescendo IV, L.P., a Delaware limited partnership with offices in Minneapolis, MN; Palo Alto, CA; and London, UK.

Classification: Venture Capital.

Fund Size: $500 million.

Investment Strategy: Acquire securities, primarily in early stage companies, in the software and telecommunications industries, as well as companies producing Internet business to business (b2b) products and services.

Term: Ten years, with three one-year extensions on the approval of a majority in interest.

General Partner: Crescendo Ventures IV, LLC , a Delaware limited liability company.

Management Fee: 2.25% of commitments until Dec. 2006, then 2.25% on the cost basis of securities held by the fund. All partnership fees will be reduced by 100% of all investment banking, break-up, commitment or similar fees at all times.

Profit Sharing: 20% promoted interest after a return of all contributed capital.

Performance History ($mm):

Fund	Invested	Realized	FMV	Fund IRR	S&P500 +5%
All	$156.6	$33.1	$163.2	22.9%	26.7%
Crescendo II, L.P. (1997)	$78.5	$15.9	$88.7	21.1%	28.2%
Crescendo III, L.P. (1998)	$78.1	$17.2	$74.5	28.5%	21.7%

The Crescendo II and III portfolios both contain substantially appreciated portfolio investments that are still held at cost in determining the returns shown above.

Conflicts of Interest:

After extensive due diligence, the staff believes that an investment in Crescendo IV, L.P. by the LTF and PUF 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.

The staff has put the principals of Crescendo Ventures IV, LLC, the general partner of Crescendo IV, 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 the LTF and PUF can abstain from the transaction in compliance with Texas law.

Approved:

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

Resolution No. 11

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

To be distributed at the meeting.