

**MINUTES OF 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 15th day of December, 1997, at the offices of Hicks, Muse, Tate & Furst Incorporated, 200 Crescent Court, Suite 1600, Dallas, Texas, said meeting having been called by the 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:

Thomas O. Hicks, Chairman
Robert H. Allen
Susan M. Byrne
J. Luther King, Jr.
Homer Luther
A.W. Riter, 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; Jerry E. Turner, legal counsel for the Corporation; Cathy Iberg, Secretary of the Corporation; Austin Long, and David Russ of Corporation Management. Director's Tom Loeffler, Richard W. Fisher, and William H. Cunningham were absent from the meeting. Mr. Hicks called the meeting to order at 11:30 a.m.

Approval of Minutes

The first matter to come before the Board of Directors was approval of the minutes of the meeting of the Board of Directors held on October 30, 1997, copies of which had previously been furnished to each Director. 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 October 30, 1997 be and are hereby approved in the form submitted to the Board.

Approval of Amendments to Investment Policy Statements

Next, Mr. Ricks discussed the proposed amendments to the investment policy statements for the Permanent University Fund, The University of Texas System Long Term Fund, The University of Texas System Short/Intermediate Term Fund, The University of Texas System Short Term Fund, and The University of Texas System Separately Invested Endowment, Trust, and Other Accounts, copies of which had previously been furnished to each Director and are attached hereto. Mr. Ricks stated that the proposed amendments were the result of an annual policy review. Following a discussion by the Directors and upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the investment policy statements for the Permanent University Fund, The University of Texas System Long Term Fund, The University of Texas System Short/Intermediate Term Fund, The University of Texas System Short Term Fund and The University of Texas System Separately Invested Endowment, Trust, and Other Accounts be and are hereby approved.

Approval of Fixed Income Manager for the Long Term Fund

Mr. Ricks and Mr. Russ presented an analysis (copies of which had previously been furnished to each Director) and a recommendation to engage Pacific Investment Management Company to manage \$350 million of Long Term Fund assets using a global fixed income strategy. Mr. Hicks recused himself from the ensuing discussion and abstained from voting on this matter citing a relationship between Hicks, Muse, Tate & Furst Equity Fund II, L.P. and Pacific Life Insurance Company which is a minority owner in PIMCO Advisors, L.P. This relationship is more fully described in the Certificate of Compliance statement signed by Mr. Hicks for the December 15, 1997 Board meeting. Following a discussion by the remaining Directors, responses to questions by Mr. Ricks and Mr. Russ, and upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has heard a presentation by the Corporation's management recommending that the Corporation enter into an investment advisory agreement (the "Agreement") with Pacific Investment Management Company to manage Long Term Fund assets using a global fixed income strategy;

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 engagement of Pacific~~
Investment Management Company to manage a global fixed income account for the Long Term Fund in an initial amount not to exceed \$350 million, be and is hereby approved, and be it further

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

RESOLVED, that the President, any Managing Director or Vice President, 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 of Compensation Committee

Mr. Hicks, in Mr. Fisher's absence, summarized the meeting of the Compensation Committee held on December 10, 1997. Mr. Hicks stated that the Committee reviewed and discussed personnel issues associated with the restructuring of the PUF and LTF public markets portfolios approved by the Board at its September, 1997 meeting. Mr. Hicks also reported that the Committee had reviewed and approved the Corporation's base salary budget for each employee and had received a presentation from Mr. Ricks concerning preliminary performance calculations for the one year performance period ended December 31, 1997.

Report of Audit and Ethics Committee

Mr. Allen summarized for the Directors the Audit and Ethics Committee meetings held on November 4, 1997 and December 11, 1997. During the meeting held on November 4, 1997, Committee members approved the financial statements and the audit reports for the Permanent University Fund, The University of Texas System Long Term Fund, and The University of Texas System Short/Intermediate Term Fund for the fiscal year ended August 31, 1997, and for the Corporation for the short period of September 1, 1996 through December 31, 1996. Mr. Allen stated that the management letter issued by

~~Deloitte and Touche, LLP reported that a fixed income security was mispriced and~~
resulted in a non-material error. The Committee was concerned that the error may have resulted from an internal control weakness and requested that the U. T. System internal audit staff investigate the matter further. The report of the U.T. System internal audit staff was presented to the Committee at its December 11, 1997 meeting. It concluded that the error was isolated and did not indicate a weakness in internal controls. Mr. Allen also reported that the Committee discussed the Corporation's conflict of interest policy at the November meeting. At the December meeting the Committee reviewed an update on the actions taken to date by the Corporation in response to the State Auditor's recommendations to the U.T. System regarding the investment practices audit completed in November 1996, approved a revised Code of Ethics (copies of which had previously been provided to each Director and a copy is attached hereto), selected Ms. Iberg as the Chief Compliance Officer for the Corporation, and approved a change in the fiscal year of the Corporation to the annual period September 1 through August 31. The revised Code of Ethics was recommended for approval to the Board of Directors. Mr. Turner responded to questions by the Directors concerning the revised Code of Ethics policy. By motion duly made, and seconded, the following resolution was unanimously adopted:

RESOLVED, that the adoption of the Corporation's revised Code of Ethics be and is hereby approved.

Following this resolution Mr. Allen left the meeting for the remainder of the day.

Approval of Commitment to Baker Communications Fund, L.P.

The next matter to come before the Board of Directors was consideration of a proposed limited partnership investment in Baker Communications Fund, L.P. Mr. Long reviewed a Due Diligence Memorandum & Recommendation dated December 15, 1997 describing the proposed limited partnership investment, copies of which had previously been furnished to each Director. Mr. Long also introduced representatives of the Baker Capital Partners, LLC who provided a presentation concerning Baker Communications Fund, L.P. to the Directors. The representatives of the Fund answered questions of the Directors and then left the meeting. Following discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed a Due Diligence Review & Recommendation prepared by the Corporation's management recommending that the Corporation enter into an investment agreement (the "Agreement") with Baker Capital Partners, LLC to invest \$40 million of Permanent University Fund and Long Term Fund assets in Baker Communications Fund, L.P. (the "Fund"); 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 Baker Communications Fund,
L.P. Due Diligence Review & Recommendation dated December 15, 1997
be approved; and be it further

RESOLVED, that the President and any Managing Director or Vice
President 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 the Fund; and be it further

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

Approval of Commitment to Inverness/Phoenix Partner, L.P.

The next matter to come before the Board of Directors was consideration of a proposed
limited partnership investment in Inverness/Phoenix Partner, L.P. Mr. Long reviewed a
Due Diligence Memorandum & Recommendation, dated December 15, 1997 describing
the proposed limited partnership investment, copies of which had previously been
furnished to each Director. Mr. Long also introduced representatives of the
Inverness/Phoenix Capital LLC who provided a presentation of Inverness/Phoenix
Partner, L.P. to the Directors. The representatives of the Fund answered questions of the
Directors and then left the meeting. Following discussion, upon motion duly made and
seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has reviewed a Due Diligence Review &
Recommendation prepared by the Corporation's management
recommending that the Corporation enter into an investment agreement
(the "Agreement") with Inverness/Phoenix Capital LLC to invest \$40

~~million of Permanent University Fund and Long Term Fund assets in~~
Inverness/Phoenix Partners, L.P. (the "Fund"); 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 Inverness/Phoenix Partners, L.P. Due Diligence Review & Recommendation dated December 15, 1997 be approved; and be it further

RESOLVED, that the President and any Managing Director or Vice President 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 the Fund; and be it further

RESOLVED, that the President, any Managing Director or Vice President, 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 FY 1998 Budget and Change in Fiscal Year for the Corporation

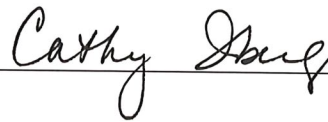
At 3:15 p.m. the Board of Directors recessed into executive session with only Mr. Turner, Mr. Ricks and Ms. Iberg in attendance. Mr. Ricks reviewed with the Directors the major accomplishments and future initiatives underway by the Corporation. He also reviewed with the Board the 1998 Annual Fee Budget, (copies of which has been previously furnished to each Director) which incorporated the salary budget for the Corporation. Mr. Ricks reviewed with the Board compensation for all employees of the Corporation and then answered their questions. Following this discussion Mr. Ricks left the meeting. The Directors reviewed Mr. Ricks compensation and proposed salary increase. Following a discussion by the Directors, upon motion duly made and seconded, the following resolutions were unanimously adopted.

~~RESOLVED, that the adoption of the Corporation's fiscal 1998 Budget, as submitted by the President be and is hereby approved; and be it further~~

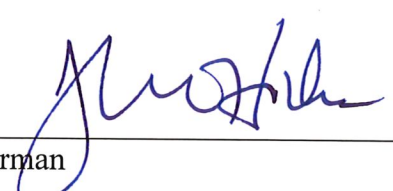
RESOLVED, that effective January 1, 1998, the fiscal year end of the Corporation shall be August 31st.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:50 p.m.

Secretary



APPROVED:



Chairman