

**MINUTES OF SPECIAL MEETING OF  
THE BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors of The University of Texas Investment Management Company (the "Corporation") convened in a special meeting on the 29th day of April, 1999 in the Boardroom at The Ballpark in Arlington, 1000 Ball Park Way, Arlington, Texas 76011, 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 (the "Board"):

Thomas O. Hicks, Chairman  
Robert Allen  
Susan M. Byrne  
William H. Cunningham  
J. Luther King, Jr.  
Tom Loeffler  
A. W. Ritter, Jr.

thus, constituting a majority and quorum of the Board of Directors. Also participating in the meeting were Don Evans, Chairman of the U. T. System Board of Regents; Charles Miller, U. T. System regent; Patrick Oxford, U. T. System regent; Thomas G. Ricks, President of the Corporation; Cathy Iberg, Secretary of the Corporation; Dave Russ, Austin Long and Charles Preston of Corporation management ("Management"); and Jerry Turner, Vinson & Elkins, legal counsel for the Corporation. The meeting was called to order at 12:50 p.m.

**LTF Asset Allocation**

The first item to come before the Board was a review of LTF asset allocation policy prepared by Cambridge Associates Inc., ("CA"), copies of which had previously been furnished to each Director. Mr. Ricks stated that the LTF asset allocation study is an update to the 1996 asset allocation study also prepared by CA. Mr. Bruce Myers, of CA presented the firm's analysis and recommendations to the Board. The presentation addressed the investment planning process, the derivation of asset allocation through efficient frontier analysis, the benefits of private investments and the "J-curve" return pattern associated with this asset class, the role of inflation hedging assets, and current capital market valuations. Following the presentation Mr. Myers and Mr. Ricks answered the Directors' questions.

**Evaluation of Alternative Assets Program**

Mr. Ricks stated that the Corporation had engaged CA to evaluate the alternative asset program. The firm's written assessment is scheduled to be presented at the Corporation's June 24, 1999 Board meeting.

**Election of Vice Chairman**

Mr. Hicks stated that he and Mr. Loeffler were stepping down as regental directors of the Board. As a result, Mr. Hicks announced that Mr. Patrick Oxford and Mr. Charles Miller had been nominated by Chairman Evans to serve along with Mr. A. W. Riter, Jr. as regental directors of the Corporation. Their appointment was expected to be approved by the full U. T. System Board of Regents at its May 13, 1999 board meeting. Mr. Hicks proposed that a position of Vice Chairman be created for the Corporation's Board until such time as a new chairman for the Board was elected. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Bylaws of the Corporation provide that the officers of the Corporation shall consist of a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint; and

WHEREAS, the Board of Directors has determined to appoint a Vice Chairman of the Board with authority to act as Chairman of the Board upon the absence or unavailability of that officer; Now, therefore

BE IT RESOLVED, that Mr. Robert Allen is hereby appointed as Vice Chairman of the Board and, in that capacity, shall discharge all powers and duties of the Chairman of the Board in the event of such officer's absence or unavailability; and

BE IT FURTHER RESOLVED, that Mr. Robert Allen shall serve as Vice Chairman of the Board until the next annual election of Corporation officers.

**Statement of Appreciation**

Dr. Cunningham then read a statement of appreciation recognizing the contributions of Mr. Hicks. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that The Statement of Appreciation for the Contributions of Thomas O. Hicks be and hereby made part of the minutes of the April 29, 1999 board meeting.

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**Statement of Appreciation for the Contributions of Thomas O. Hicks to UTIMCO**

**April 29, 1999**

The Board of Directors of the University of Texas Investment Management Company wishes to express its heartfelt appreciation to Tom Hicks for his extraordinary contributions as a UTIMCO director and as a member of The University of Texas System Board of Regents. Today marks the final meeting that Tom will attend as a regental representative on the UTIMCO board. On this occasion, it is appropriate to remember the central role that Tom played in the development of the concept of UTIMCO and in its creation three years ago.

Without Tom's personal involvement -- without his energy, his knowledge, and his dedication -- UTIMCO would never have been created. Tom was, in fact, the founder of UTIMCO, as he led the way in developing the concept, adapting the investment experience of private universities, explaining the need for the new investment structure in terms that laypersons could understand, and working with the Texas Legislature to ensure passage of enabling legislation.

Throughout this process, Tom's drive and determination were of fundamental importance in moving the initiative forward and bringing it to fruition.

His distinguished service during the past three years as the first chairman of the UTIMCO Board of Directors has been crucial to the success of the corporation. The many contributions that Tom has made in assisting the U. T. System to maximize the return on its investments will continue to benefit Texans for generations to come. He has brought to both the Board of Regents and the UTIMCO board an unparalleled understanding of investments and other financial issues. The increasing fiscal strength of the U. T. System is to a very large degree a result of his experience and wisdom.

Over the years, UTIMCO's efforts will be translated into enhanced academic and health care services for the citizens of Texas. The students, faculty, and staff of both The University of Texas System and The Texas A&M University System will be among the principal beneficiaries of these efforts.

By providing the vision that led to the formation of UTIMCO and continuing to provide wise guidance for this new structure, Tom has left Texas higher education a legacy of lasting importance.

Through all the history of The University of Texas System, Tom is among the members of the Board of Regents who have made the most dramatic contributions to the vitality of higher education. The Board of Directors of UTIMCO is grateful to Tom for all that he has done, and the people of Texas will continue to be in his debt for generations to come.

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Mr. Loeffler, Mr. King and Mr. Allen then spoke individually about the positive contributions that the Corporation's Board has made to date to benefit the U. T. and Texas A&M Systems.

At this point in the meeting, Messrs. Evans, Loeffler, Oxford and Cunningham departed the meeting.

### Minutes

The next item to come before the Board of Directors was approval of the minutes of the meetings of the Board of Directors held on February 24, 1999 and March 25, 1999, 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 Meetings of the Board of Directors held on February 24, 1999 and March 25, 1999 be and are hereby approved in the forms provided.

### Recent Developments/Legislation

The next item to come before the Board of Directors was a discussion of recent legislative developments affecting the Corporation, copies of relevant materials had previously been furnished to each Director. Mr. Ricks stated that the U. T. System Board of Regents would receive approximately \$850 million of State of Texas tobacco litigation settlement proceeds to invest as permanent health funds on behalf of certain U. T. System institutions and four non-U. T. System institutions. Mr. Ricks also discussed the pending constitutional amendment for the Permanent University Fund (PUF). This amendment would provide for conversion to a total return based distribution policy and investment in accordance with the prudent investor standard. Mr. Ricks proposed that the permanent health funds, the Long Term Fund (LTF) and the PUF be considered for pooling into a single master endowment mutual fund. He stated that this approach would be very efficient in that the funds were all endowment funds with expected similar investment objectives and spending policies. A discussion regarding the pooling concept ensued with Mr. Ricks answering the Directors' questions. Several of the Directors expressed concern regarding the potential loss of individual fund identity that could result from pooling as well as other factors. The Board concluded that these permanent endowment funds should be managed separately with the recognition that these funds could be pooled at a later date.

### Alternative Assets-Nonmarketable/Private Equity

The next item presented to the Board was a review of the private equity program, copies of the relevant materials had previously been furnished to each Director. Mr. Ricks stated that performance and related information on the Alternative Equities Nonmarketable Program as of February 28, 1999 was to be made available to the media upon request and will be published on the Corporation's Internet site. Mr. Ricks stated that this information would be updated and

published on a fiscal year basis via the Corporation's Internet site. Mr. Preston then updated the Directors on certain aspects of the Corporation's Direct Co-Investment Program and responded to questions from the Directors.

### Alternative Assets-Marketable

Next, Mr. Ricks presented the investment performance by portfolio of the LTF Alternative Assets - Marketable asset class for the seven months ended March 31, 1999. Copies of the materials had previously been furnished to each Director.

### Amendments to Investment Policies

The last item presented to the Board was a recommendation to approve amendments to the Investment Policy Statements for the Permanent University Fund, the Long Term Fund, and the Separately Invested Endowment, Trust, and Other Accounts, copies of the which had previously been furnished to each Director. Mr. Ricks noted the amendments were essentially housekeeping items and then answered the Directors' questions. 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 Long Term Fund, and the Separately Invested Endowment, Trust, and Other Accounts be and are hereby approved in the form presented.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately at 5:30 p.m.

Secretary: Cathy Duff

APPROVED:

Chairman: Robert C. Allen