

**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 7th of December 2000 at The Tower Club, 48th Floor of Thanksgiving Tower, 1601 Elm Street, 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 (the "Board"):

Robert H. Allen, Chairman
Woody L. Hunt, Vice Chairman
R. D. Burck
Susan Byrne
J. Luther King
Lowry Mays
John D. McStay
A. W. "Dub" Riter, Jr.
A. R. (Tony) Sanchez, Jr., via telephone

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

Mr. Allen called the meeting to order at 10:05 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

Minutes

The first item to come before the Board was approval of the minutes of the meeting of the Board of Directors held on October 27, 2000. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on October 27, 2000 be and are hereby approved.

Performance Review

Mr. Ricks reported on the performance of the endowment funds and the operating funds for various periods ending October 31, 2000. Total assets under management declined from \$15.5 billion to \$14.6 billion from August 31, 2000 to October 31, 2000. The endowment funds

experienced a loss during this time frame of approximately 4%. Mr. Ricks also reported on the performance of the LTF, PUF and PHF net of fees against various benchmarks and other Texas public funds for the one and three-year periods ending September 30, 2000. Mr. Ricks answered the Directors' questions and discussion ensued regarding the current trends in the market place.

Alternative Equities-Marketable

Mr. Russ stated that two of the investment managers for the marketable alternative equity portion of the endowment funds would provide an update on their performance. Mr. Russ introduced Mr. Tom Steyer from Farallon Capital Management who presented Farrallon's strategy and performance for the investment portfolio. He answered the Directors' questions following the presentation and then left the meeting. Mr. Russ introduced Mr. Lee Ainslie from Maverick Fund LTD, who presented Maverick Fund's performance and investment strategy and answered the Directors' questions. During Mr. Steyer's presentation Mr. Sanchez left the meeting.

Unitization of the PHF and LTF

The next item presented to the Board of Directors was an update regarding the status of unitizing the PHF and LTF for investment purposes. Mr. Ricks stated that the PUF would not be unitized along with the PHF and LTF due to its tax arbitrage issue. Ms. Iberg reviewed the execution steps and the required Board approvals and answered the Directors' questions. Mr. Ricks reviewed the proposed investment policy changes and answered the Directors' questions. Upon motion duly made and seconded the following resolutions were unanimously adopted:

RESOLVED, that the establishment of the General Endowment Fund to serve as a pooled fund for the collective investment of long-term funds (other than the Permanent University Fund) under the control and management of the U. T. Board of Regents be and is hereby approved; and

BE IT FURTHER RESOLVED, that the General Endowment Fund Investment Policy Statement as presented be and is hereby approved; and

BE IT FURTHER RESOLVED, that the General Endowment Fund Investment Policy Statement be recommended for approval at the U. T. Board of Regents meeting on February 15, 2001; and

BE IT FURTHER RESOLVED, that the First Amendment to the Amended and Restated Investment Management Services Agreement between the Corporation and the U. T. Board of Regents be and is hereby approved; and

BE IT FURTHER RESOLVED, that this amendment be recommended for approval at the U. T. Board of Regents meeting on February 15, 2001; and

BE IT FURTHER RESOLVED, that the First Amendment to the Investment Management Services Agreement by and between the U. T. Board of Regents and the Office of the Comptroller of Public Accounts for the State of Texas be and is hereby approved; and

BE IT FURTHER RESOLVED, that the amendments to the Investment Policy Statements for the Permanent University Fund, the Permanent Health Fund, and the Long Term Fund as presented be and are hereby approved; and

BE IT FURTHER RESOLVED, that the amended Investment Policy Statements be recommended for approval at the U. T. Board of Regents meeting on February 15, 2001.

Report on the Audit and Ethics Committee

Mr. Riter reported on the Corporation's Audit and Ethics Committee meeting held on November 10, 2000. The Committee approved the minutes of the Audit and Ethics Committee meeting held on May 30, 2000. Mr. Bill Strange from the independent accounting firm of Deloitte & Touche LLP reviewed the required communications of independent auditors with the Committee. He noted two changes in accounting principles: 1) the valuation of the Alternative Nonmarketable assets are reported in accordance with the Board's amended policy approved in June of 2000, and 2) the elimination of amortization on PUF bonds which is no longer required because of the 1999 constitutional amendment. Mr. Riter stated that there were no other significant items to report. The Committee reviewed the audit reports for the Permanent University Fund (PUF), the Permanent Health Fund (PHF), the Long Term Fund (LTF), the Short Intermediate Term Fund (SITF) and the Corporation for the fiscal year ended August 31, 2000. The Committee convened in executive session and received comments from the auditors present. Mr. Strange from Deloitte & Touche and Mr. Chaffin from the U. T. System Internal Audit Office stated they had nothing to report and that the Corporation's staff had been very cooperative throughout the audit processes. The Committee reviewed the Corporation's compliance report, which provided an update on outstanding audit topics, compliance reporting and meetings of the Corporation's internal compliance committee. Mr. Riter stated that there were no notable items to report and answered the Directors' questions.

Approval of Private Equity Investment Program

Mr. Ricks reviewed the prior three years commitment budget for the private equity investment program. He stated that based on Cambridge Associates LLC's analysis he is requesting approval of a \$470 million commitment budget for the year July 1, 2000 through June 30, 2001. Bruce Myers, Astrid Noltemy and Jennifer Urdan from Cambridge Associates presented an update on their assessment of the program to date. They stated that they would like to see an increase in the program's exposure to venture capital on a prudent basis and expand the

program's exposure to non-U. S. markets. Mr. Ricks and the Cambridge individuals answered the Directors' questions. Upon motion duly made and seconded the following resolution was unanimously adopted:

RESOLVED, that a commitment budget of \$470 million for the Alternative Investments – Nonmarketable asset class for the period July 1, 2000 through June 30, 2001 be and is hereby approved.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 2:00 p.m.

Secretary:


Cathy Iberg

APPROVED:

Chairman:


Robert H. Allen