

**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 special meeting on the 22nd day of February, 1996, by means of conference telephone enabling all persons participating in the meeting to hear each other, 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
William H. Cunningham
Donald L. Evans
Tom Loeffler

thus constituting a majority and quorum of the Board of Directors. Also participating in the meeting was Thomas G. Ricks, President of the Corporation. Mr. Hicks called the meeting to order at 4:30 p.m.

Approval of Minutes

The first matter to come before the Board of Directors was approval of the minutes of the organizational meeting of the Board of Directors held on November 20, 1995 and of the special meeting of the Board of Directors held on January 18, 1996, copies of which had previously been furnished to each Director. By motion duly made, seconded and carried by a unanimous vote, the Board of Directors duly approved the minutes of such meetings.

Investment Management Services Agreement

The Board of Directors next considered approving an Investment Management Services Agreement between the Corporation and the Board of Regents (the "Board of Regents") of The University of Texas System (the "System"), a copy of which had previously been approved by the Board of Regents and furnished to each Director. By motion duly made, seconded and carried by a unanimous vote, the Board of Directors adopted the following resolution:

RESOLVED, that the form of Investment Management Services Agreement between the Corporation and the Board of Regents, a copy of which was presented to the Board of Directors, is hereby authorized and approved and the President of the Corporation is hereby authorized and directed to execute and deliver such Agreement, on behalf of the Corporation, with such changes therein as the said

President may approve, such approval to be conclusively evidenced by such execution thereof.

Investment Policies

The Board of Directors next considered adoption of investment policies previously approved by the Board of Regents and furnished to each Director. By motion duly made, seconded and carried by a unanimous vote, the Board of Directors adopted the following resolution:

RESOLVED, that the investment policies for the Permanent University Fund, the Long Term Fund, the Separately Invested Funds, the Short/Intermediate Term Fund and the Short Term Fund are hereby adopted and shall be attached to the Investment Management Services Agreement between the Corporation and the Board of Regents, as Exhibit A.

Assignment of Contracts

The Board of Directors next considered accepting the assignment by the Board of Regents of all investment management, brokerage, custodian and other contracts for investment management services and assuming all of the rights and obligations of the System and the Board of Regents thereunder. By motion duly made, seconded and carried by a unanimous vote, the Board of Directors adopted the following resolution:

RESOLVED, that the Corporation, as successor to the functions of the Office of Asset Management of The University of Texas System, hereby accepts the assignment by the Board of Regents of all investment management, brokerage, custodian and other contracts for investment management services and assumes all of the rights and obligations of the System and the Board of Regents thereunder, and that the proper officers of the Corporation are authorized to execute any necessary or appropriate documents or forms in connection with such assignment and assumption.

Code of Ethics

The Board of Directors next considered adoption of a code of ethics previously approved by the Board of Regents and furnished to each Director. By motion duly made, seconded and carried by a unanimous vote, the Board of Directors adopted the following resolution:

RESOLVED, that the attached Standards of Employee Conduct is hereby adopted as the Code of Ethics of the Corporation and shall be attached to the Investment Management Services Agreement between the Corporation and the Board of Regents, as Exhibit G.

Vice Presidents

The Board of Directors next considered the establishment of the office of Vice President of the Corporation and the appointment of certain individuals to that office. By motion duly made, seconded and carried by unanimous vote, the Board of Directors adopted the following resolution:

RESOLVED, that the Corporation shall have one or more Vice Presidents elected or appointed from time to time by the Board of Directors. Subject to the control of the Board of Directors and the supervision of the President, each Vice President shall be responsible for the business and operations of the Corporation assigned to such Vice President by the Board of Directors or the President and shall have all such powers as may be reasonably incident to such responsibilities, including the authority to perform such acts and deeds as may be necessary or appropriate, in the judgment of such officer, to carry out such responsibilities.

Further, by motion duly made, seconded and carried by unanimous vote, the Board of Directors elected the following individuals Vice Presidents of the Corporation to serve from March 1, 1996 until the next succeeding annual meeting of the Board of Directors at which officers are elected

Austin M. Long, III	:	Vice President for Private Investments
Robert W. Holland	:	Vice President for Fixed Income Investments
Cathy A. Iberg	:	Vice President for Investment Operations

Budget for 1996

The Board of Directors next considered adoption of an operating budget for the remainder of Fiscal Year 1996. Mr. Ricks presented a proposed budget covering all operating expenses, including, without limitation, salaries, benefits and performance compensation, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll and other general services expenses, travel, insurance, capital expenditures, and other miscellaneous expenses. After discussion, by motion duly made, seconded and carried by a unanimous vote, the Board of Directors approved the budget for the remainder of Fiscal Year 1996, attached hereto.

Lease and Service Agreements

The Board of Directors next considered approving an office lease agreement, a furniture lease agreement, an information systems services agreement and other services agreement, each between the Corporation and the Board of Regents. By motion duly made, seconded and carried by a unanimous vote, the Board of Directors adopted the following resolution:

RESOLVED, that the President of the Corporation is hereby authorized and directed to negotiate, execute and deliver, on behalf of the Corporation, an office

lease agreement, a furniture lease agreement, an information systems services agreement and other services agreement, each between the Corporation and the Board of Regents.

New Directors

The Board next considered recommending individuals for appointment by the Board of Regents as Directors of the Corporation. Mr. Hicks reminded the Directors that the Board of Regents of The Texas A&M University System had submitted the name of Regent Robert H. Allen as their sole nominee. Further, Mr. Hicks reminded the Directors of the interviews with potential Directors conducted during the special meeting of the Board of Directors held on January 18, 1996. After discussion, by motion duly made, seconded and carried by unanimous vote, the Board of Directors recommended the following slate of Directors for appointment by the Board of Regents, subject to replacement of the Interim Directors (indicated below) by the Board of Regents based upon recommendations for replacement by the Board of Directors following additional interviews of candidates, and, subject to appointment by the Board of Regents, set the following terms for each Director:

<u>Name</u>	<u>Term Expiration</u>
Donald L. Evans (Regent)	February 1, 1997
Thomas O. Hicks (Regent)	February 1, 1997
Tom Loeffler (Regent)	February 1, 1997
William H. Cunningham (Chancellor)	—
Arthur H. Dilly (Interim Director)	February 1, 1997
R.D. Burck (Interim Director)	February 1, 1998
Susan M. Byrne (Director)	February 1, 1998
Robert H. Allen (A&M Regent)	February 1, 1999
Richard W. Fisher (Director)	February 1, 1999

Audit and Ethics Committee

The Board next considered the creation of an audit and ethics committee and the appointment of the members of that committee. By motion duly made, seconded and carried by unanimous vote, the Board of Directors adopted the following resolution:

RESOLVED, that there is hereby created an audit and ethics committee consisting of three members of the Board of Directors, which committee shall be

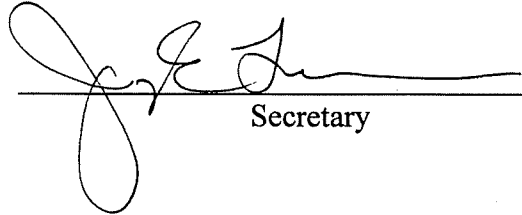
charged with responsibility for oversight of the financial procedures of the Corporation and compliance with the Corporation's Code of Ethics.

Further, by motion duly made, seconded and carried by unanimous vote, the Board of Directors appointed the following Chairman and members of the audit and ethics committee, subject, however, to approval by the Board of Regents:

Donald L. Evans, Chairman
Susan M. Byrne
Robert H. Allen


Adjournment

There being no further business to come before the Board of Directors, the meeting was adjourned.



Secretary

APPROVED:



President