

~~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 special meeting on the 27th day of January, 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  
William H. Cunningham  
Donald L. Evans  
J. Luther King, Jr.  
Tom Loeffler  
Homer L. Luther, 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, Secretary of the Corporation; and Austin Long and Craig Nickels of Corporation management. Director Richard W. Fisher was absent at the time the meeting convened. Mr. Hicks called the meeting to order at approximately 1:30 p.m.

**Approval of Evercore Capital Partners, L.P.**

The first matter to come before the Board of Directors was consideration of a proposed limited partnership investment in Evercore Capital Partners, L.P. Mr. Hicks reported to the Board of Directors that he had received a copy of a letter from Mr. Fisher indicating that Mr. Fisher would abstain from voting on the proposed limited partnership investment since two of the principals in Evercore Partners, L.L.P., Roger Altman and Austin Beutner, are investors in Value Partners, Ltd., of which Mr. Fisher is managing partner of the general partner. Mr. Fisher's letter also disclosed that while he had planned to personally invest in Evercore Capital Partners, L.L.P., he had decided not to do so based upon the advice of the Corporation's counsel, Vinson & Elkins L.L.P. Mr. Long and Mr. Nickels then began to review a Due Diligence Review and Recommendation describing the proposed limited partnership investment, copies of which had previously been furnished to each Director. Mr. King noted that the Due Diligence Review and Recommendation pointed out one of the principals in Evercore Partners, L.L.P., David G. Offensend, was a member of the Robert Bass group in New York from 1990 until January 1996 and that Mr. Bass serves on the advisory board of Evercore Partners, L.L.P. Mr. King disclosed that he has a close friendship with Mr. Bass and that Mr. King's management firm serves as a consultant to an investment committee of which Mr. Bass

is a member. Mr. King also disclosed that Mr. Bass' son works as an intern at Mr. King's management firm. Mr. King stated that while he has no personal or private interest in Evercore Partners, L.L.P., or Evercore Capital Partners, L.P., he preferred not to participate in the discussion or deliberation of the proposed investment. Mr. King then withdrew from the meeting room. Mr. Long and Mr. Nickels completed their review of the Due Diligence Review and Recommendation and responded to questions from the Directors. After discussion, Mr. Altman and Mr. Beutner joined the meeting. They reviewed a written presentation to the Corporation, copies of which were distributed to each Director. Their presentation described Evercore Capital Partners, L.P., including the prior performance, experience, capabilities, strategy and commitment of the management team. After responding to questions from Directors, Mr. Altman and Mr. Beutner left the meeting room. Mr. Ricks then made a brief presentation on the proposed investment. Following discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

WHEREAS, the Board of Directors has reviewed a Due Diligence Memorandum and Recommendation prepared by the Corporation's management recommending that the Corporation enter into a Limited Partnership Agreement (the "Agreement") with Evercore Partners, L.L.P., to invest Permanent University Fund ("PUF") and Long Term Fund ("LTF") assets in Evercore Capital Partners, L.P. (the "Fund"), in an amount equal to the lesser of 20% of capital raised by the Fund or \$40 million; and

WHEREAS, on January 27, 1997, the Board heard a presentation from and interviewed representatives of Evercore Partners, L.L.P., concerning the Fund; and

WHEREAS, the Board desires to enter into the Agreement with Evercore Partners, L.L.P., to invest PUF and LTF assets in the Fund in an amount equal to the lesser of 20% of capital raised by the Fund or \$40 million; 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 Evercore Capital Partners, L.P., Due Diligence Review and Recommendation dated January 27, 1997, be approved; and be it further

RESOLVED, that the President and any 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 and any Vice President 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.

(Mr. Fisher joined the meeting, and Mr. King rejoined the meeting.)

### **Approval of Minutes**

Next, the Board of Directors reviewed the minutes of the meeting of the Board of Directors held on December 20, 1996, 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 December 20, 1996, be and are hereby approved in the form presented to the Board.

### **Discussion of Organizational Changes**

Mr. Hicks then called upon Mr. Fisher to report on discussions between Mr. Ricks and the members of the Compensation Committee regarding possible organizational changes affecting the Corporation. Mr. Fisher reported that, as a result of a report provided to the Compensation Committee by William M. Mercer, Incorporated, Mr. Ricks had been requested to consider certain changes in the method by which the Corporation provides investment management service to the Board of Regents of The University of Texas System and to assess the impact of such changes on the functional responsibilities of the Corporation's staff. Mr. Fisher then called upon Mr. Ricks to discuss a memorandum he had written to the Compensation Committee, dated January 15, 1997, copies of which had previously been furnished to each Director. Mr. Ricks then reviewed the memorandum and responded to questions. He recommended that the Corporation, as a multi-asset manager of both endowment and operating funds, adopt an operating strategy that focuses the efforts of the Corporation's staff on high value-added activities, such as asset allocation, risk management, manager selection and pursuit of less efficient markets, rather than security selection. Mr. Ricks also stated that, under the proposed strategy, the Corporation would outsource the delivery of "commodity" services (such as management of indexed portfolios and generic fixed income, equity or money market portfolios where the Corporation may have no efficiency advantage), as well as specialized portfolios (such as emerging markets where the Corporation may have no net return advantage). Mr. Ricks stated that this operating strategy would divide the Corporation's services into portfolio management and portfolio operations. He then reviewed a proposed organizational chart for implementing the new strategy. After discussion, upon motion duly made and seconded, the Board of Directors voted to approve in concept the new operating strategy and organizational

changes recommended by Mr. Ricks. Mr. Ricks stated that he would report to the Board of Directors on the mechanics and timing for implementation of the new operating strategy and organizational changes following additional analysis.

At this point, Mr. Ricks left the meeting.

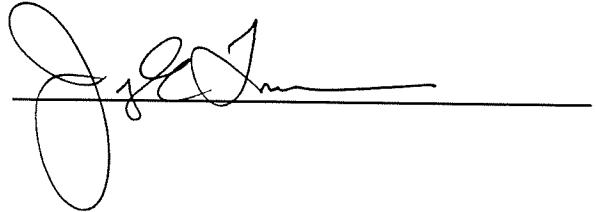
**Consideration and Approval of Compensation Plan**

Next the Board of Directors considered the final Total Compensation Assessment Report by William M. Mercer, Incorporated, which included total cash compensation recommendations (including base salary adjustments and targeted incentives) for certain members of the Corporation staff. Copies of the report had previously been furnished to each Director. Mr. Hicks and Mr. Fisher discussed the report and responded to questions from other Directors. After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

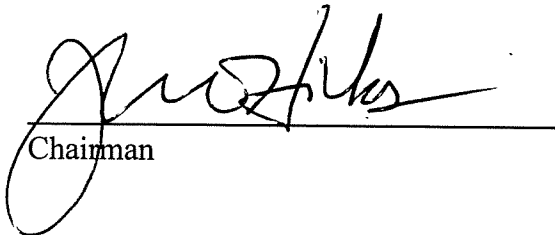
RESOLVED, that the adoption of the recommendations contained in the Total Compensation Assessment Report by William M. Mercer, Incorporated, is hereby approved.

Given the lateness of the hour, the meeting was adjourned at approximately 5:00 p.m.

Secretary



APPROVED:



Chairman