

**MINUTES OF MEETING OF
THE COMPENSATION COMMITTEE OF
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

The Compensation Committee (the "Committee") of the Board of Directors of The University of Texas Investment Management Company (the "Corporation") convened in special meeting on the 11th day of October, 1996, at the Crescent Club, 200 Crescent Court, Suite 1600, Dallas, Texas, said meeting having been called by the Chairman, with notice provided to each member in accordance with the Bylaws. Participating in the meeting were the following members of the committee:

Richard W. Fisher, Chairman
Thomas O. Hicks
J. Luther King, Jr.

thus, constituting a majority and quorum of the Committee. Also, participating in the meeting was Thomas G. Ricks, President of the Corporation; and Jerry E. Turner, Secretary of the Corporation. Mr. Fisher called the meeting to order at 8:15 a.m.

Approval of Officer Compensation Policy

Mr. Ricks presented a proposed Officer Compensation Policy, copies of which had previously been furnished to each member of the committee and a copy of which is attached hereto. The Committee members discussed the policy and asked questions of Mr. Ricks. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the adoption of the Officers Compensation Policy be and is hereby approved; and

RESOLVED, FURTHER, that the proper officers of the Corporation be and they are hereby authorized and directed to take such other action and execute such documents as they in their sole discretion may determine advisable to accomplish the purposes of the foregoing resolution.

The policy thus adopted is attached hereto.

Approval of FY1997-97 Base Salaries

Mr. Ricks then presented a proposed base salary budget for fiscal year 1996-97. Mr. Ricks stated that the proposed salary structure was designed to provide a 2.9% cost of living increase for all employees plus merit and/or parity increases for specific employees. The effect of the recommended salary adjustments would be to increase total salary expense by 5.0% and employee benefits expense by 4.1%. The Committee discussed the proposed budget and asked questions of Mr. Ricks. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the adoption of the base salary budget for the fiscal year 1996-97 as presented by the President, be and is hereby approved; and

RESOLVED, FURTHER, that the proper officers of the Corporation be and they are hereby authorized and directed to take such other action and execute such documents as they in their sole discretion may determine advisable to accomplish the purposes of the foregoing resolution.

Review of Performance Compensation Plan

Mr. Ricks briefly reviewed the structure and terms of the performance compensation plan. Mr. Ricks stated that the performance objectives had been established by the Board of Regents of The University of Texas System ("System") for the period October 1, 1995 through September 30, 1996, prior to the establishment of the Corporation. Mr. Ricks further stated that he had represented to transferring System employees that the Corporation would honor the plan's commitments through September 30, 1996. The Committee members discussed the plan and asked questions of Mr. Ricks. After discussion, it was agreed that the Committee would review bonus awards for the annual performance period ended September 30, 1996.

Approval of Engagement of Compensation Consultant

Mr. Ricks stated that the Corporation's ability to attract and retain high caliber investment professionals required a competitive compensation plan. Participation by the System Office of Asset Management in compensation surveys had revealed that base salary and performance compensation levels (assumed by the Corporation) were substantially below industry medians. Mr. Ricks recommended that the Corporation engage William M. Mercer Incorporated, a nationally recognized compensation consultant, to evaluate the Corporation's compensation programs and recommend changes to make the Corporation more competitive. Mr. Ricks stated that recommendation was based on Mercer's leading position in this area and the fact that the firm was in the process of completing a similar project at the Stanford Management Company. Mr. Ricks then responded to questions from Committee members. The Committee concurred with the need for an evaluation of the Corporation's compensation plan but approved the engagement of a consultant upon the conditions that Mercer report directly to the Committee and that fees for the project not exceed the \$56,000 maximum fee quoted by the firm. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the proper officers of the Corporation be and they are hereby authorized and directed to negotiate and enter into an agreement with William M. Mercer, Incorporated providing for the development of a corporate compensation program on the terms and conditions as substantially presented to the Compensation Committee at this meeting; and

RESOLVED, FURTHER, that the proper officers of the Corporation be and they are hereby authorized and directed to take such other action and execute such documents as

they in their sole discretion may determine advisable to accomplish the purposes of the foregoing resolution.

Review of Section 66.08

Mr. Ricks stated that certain subsections within Section 66.08 of the Texas Education Code had the unintended consequence of inhibiting effective recruitment of investment personnel and the cancellation of brokerage and other contracts for reasons beyond the Corporation's control. He indicated that Corporation management would meet with System personnel concerning the desirability of technical corrections to Section 66.08. Mr. Ricks then responded to questions from Committee members.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 9:00 a.m.

Chairman

OFFICER COMPENSATION POLICY

UTIMCO's officer compensation plans shall be administered by the Compensation Committee of the Board of Directors. Pursuant to the Compensation Committee Mandate approved on August 30, 1996, the Committee shall have the responsibility to establish, review and change the compensation programs for UTIMCO's officers.

UTIMCO's officer compensation plans shall be designed to provide a fully competitive total compensation package that reflects UTIMCO's performance against stated financial objectives, reward above-average performance, recognize individual achievements and assist UTIMCO in attracting, motivating and retaining high quality officers.

UTIMCO's officer compensation shall consist of two primary components: base salary and incentive payments.

Base Salary

The Committee shall establish the salary ranges for officer positions in relation to the average pay for similar positions in the investment industry. The base salary for each officer then shall be established around the mid-point based on individual responsibility and performance. The Committee periodically may use outside consultants and published compensation survey data to review competitive rates of pay and establish salary ranges.

Incentive Compensation

Incentive compensation for officers shall be provided through the Incentive Compensation Plan. The Committee shall establish performance goals at the beginning of each fiscal year tied to the attainment of annual company-wide, fund or business unit results. Officers shall be assigned threshold, target and maximum award opportunities. The incentive target, plus base salary, is intended to provide a fully competitive annual compensation program for UTIMCO's officers when business and individual goals are met.