

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 10th day of December, 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 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. Mr. Fisher called the meeting to order at 9:05 a.m.

Approval of Minutes

The first item to come before the Committee was consideration of approval of the minutes of the Committee meeting held on April 2, 1997, copies of which had previously been distributed to each Committee member. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the minutes of the meeting of the Compensation Committee held on April 2, 1997 be and are hereby approved in the form presented to the Committee.

Approval of Compensation for Retiring/ Terminating Employees

The Committee then considered compensation arrangements for two employees. The first related to the appropriate compensation to be paid to an employee identified for termination pursuant to the restructuring of the public markets equity portfolios. Mr. Ricks presented a proposed severance package consisting of six months salary and out placement services in addition to a preliminary estimate of \$50,000 for gross performance compensation due under the 1997 Performance Compensation Plan. Following discussion, the Committee agreed that the total package should approximate one year's salary in light of the length of time a portfolio manager would require to find substitute employment.

The Committee then considered a proposal by Mr. Ricks to pay accrued but unused vacation pay of approximately 300 hundred hours to a retiring employee with 24 years of combined service to the U.T. System and UTIMCO. This represented an exception to UTIMCO policy which

provided for carry forward of only 80 hours of unused vacation pay. In addition, Mr. Ricks reported that based on year to date investment performance, the employee would be paid estimated gross performance compensation of approximately \$115,000 earned during 1997. The Performance Compensation Plan provided for a withholding of 40% of gross performance compensation to be applied against under performance in the next year. Since there would be no under performance in the year following the employee's termination, it was appropriate to pay gross performance compensation. The Committee agreed with these terms noting the employee's long history of out performance versus his benchmark.

Approval of FY 1997-98 Salary Budget

The Board next reviewed the salary budget for the period January 1, 1998 through August 31, 1998. Mr. Ricks reported that the salary budget had been predetermined to a large degree by the submittal of the UTIMCO fee schedule as part of the U.T. System budget process in June, 1996. The budget underlying the fee request contained an overall 6% salary increase which encompassed the 16 month period September 1, 1996 through December 31, 1997. Mr. Ricks noted the lack of synchronism between the U.T. System's September to August fiscal year and UTIMCO's January through December fiscal year and stated that management would be recommending a change in the Corporation's year to simplify the budget process. The Committee discussed the open positions, the need to retain information technology personnel and the funding of projected performance compensation and other severance payments from the salary budget. In addition, the Committee discussed the diversity of the staff and encouraged management to consider diversity as a factor in recruiting staff. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:


RESOLVED, that the salary budget for fiscal year 1997-98 be and is hereby approved.

Review of 1997 Year to Date Performance Compensation Results

The final item to come before the Committee was a presentation by Mr. Ricks reviewing the projected payments under the 1997 Performance Compensation Plan. Mr. Ricks reported that the projected amounts were based on performance through October 31st and could change significantly upwards or downwards over the remaining two months of the year. The Committee discussed the disproportionate impact of first year performance as three year results were phased in and the effects of asset allocation and fund weightings on the calculation of excess performance. The Committee requested that Mr. Ricks present the amounts due under the 1997 Plan for their consideration once performance for the entire year had been calculated.

There being no further business to come before the Committee, the meeting was adjourned at approximately 10:10 a.m.

Approved: _____


Committee Chairman

Date: _____

2/24/98