

**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 20th day of December, 1996, in the Regents Conference Room, Ashbel Smith Hall, 9th Floor, 201 West Seventh Street, Austin, 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 were Thomas G. Ricks, President of the Corporation; Jerry E. Turner, Secretary of the Corporation; Charles M. Preston, III of Vinson & Elkins L.L.P.; and Diane Doubleday and Marilyn Evans representing William A. Mercer, Incorporated.

Preliminary Report from William A. Mercer, Incorporated

Ms. Doubleday and Ms. Evans reviewed a preliminary draft of a Report to the Corporation by William A. Mercer, Incorporated entitled “Preliminary Results: Total Compensation Assessment” dated December 1996, copies of which had previously been distributed to each Director. The draft Report indicated that Mercer had interviewed Mr. Fisher, Mr. Ricks and members of the Corporation management staff to gather data to assist in the preparation of the Report. Ms. Doubleday reported that Mercer had also reviewed published compensation survey sources for both the investment management industry and the general industry to assess competitive pay practices for employee positions comparable to the Corporation’s. In addition, she indicated that Mercer had matched the Corporation’s employee positions to the survey positions of similar job content.

The draft Report indicated that the Corporation’s current total cash compensation program is not well-aligned with its business strategy. Overall, the Corporation’s base salaries are below median market practices. Furthermore, the Corporation’s total cash compensation plan is far less leveraged than competitive organizations since its paid and targeted performance compensation bonuses (as a percent of base salary) are significantly below median market practices. Mr. Fisher commented that the Corporation’s Board of Directors is very interested in incentive compensation to encourage superior performance. Committee members and Mr. Ricks asked numerous questions of the Mercer representatives.

Mr. Ricks then left the meeting room. Thereafter, Ms. Doubleday distributed comparative data used in assessing the adequacy of the President's compensation plan. Ms. Doubleday reported that the President's base salary is also below median market practices and does not have sufficient leverage. The Committee members discussed the duties of the President and the role that performance compensation incentives should play in determining his total cash compensation. Ms. Doubleday indicated that the final Report would address questions and comments received from Committee members during her presentation. Mr. Fisher asked the Committee members to furnish any additional comparative data they deem relevant to Ms. Doubleday to assist in her finalization of the Report. Mr. Fisher also indicated that he would call a special meeting of the Committee after the revised Report was circulated.

(At this point, Ms. Doubleday and Ms. Evans left the meeting room and Mr. Ricks returned).

Approval of Minutes

Next, the Committee considered approval of the minutes of the Committee meeting held on October 11, 1996, copies of which had previously been furnished to each Committee member. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Compensation Committee held on October 11, 1996, be and are hereby approved in the form presented to the Committee.

Approval of Compensation Plan Awards for Fiscal Year 1995-96

Mr. Ricks then presented a report in support of recommended Performance Compensation Plan Awards for the annual performance period ended September 30, 1996. After discussion, upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the adoption of the Performance Compensation Plan Awards for the annual performance period ended September 30, 1996, as presented by the President, 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.

Report: Review of Performance Measurement Service

Mr. Ricks stated that, at a previous meeting of the Board, certain members had expressed an interest in contracting with an outside vendor to measure and evaluate manager performance. Mr. Ricks had received sample reports from Cambridge Associates, SEI Corporation, Mercer & Co., Frank Russell Company, Rogers Casey and Richards & Tierney. Mr. Ricks distributed a document entitled "Russell Fund Analysis" as a prototype of the sort of analysis and report generally provided to governing boards. Mr. Ricks expressed his opinion that the reports were all very similar as the performance measurement and reporting services were highly automated and standardized. Following a discussion regarding the content of such reports, the Committee directed Mr. Ricks to engage Frank Russell Company to prepare a sample report of manager performance as of December 31, 1997 for presentation and evaluation by the Board at its next meeting.

There being no further business to come before the Compensation Committee, the meeting was adjourned at approximately 10:30 a.m.

Chairman

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