

**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 an open meeting on the **16th day of February, 2005**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Town Lake Conference Room, 221 West 6th Street, Austin, Texas, 78701, said meeting having been called by the Chairman, J. Philip Ferguson, with notice provided to each member in accordance with the Bylaws. The audio portion of the open meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

J. Philip Ferguson, Chairman
Clint D. Carlson
Charles W. Tate

thus, constituting a majority and quorum of the Committee. Also, attending the meeting were Woody L. Hunt, Chairman of the Board; Bob L. Boldt, President of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Jerry Turner, legal counsel for the Corporation; and Cathy Swain of the U. T. System Administration. Mr. Ferguson called the meeting to order at 3:30 p.m.

Copies of the materials supporting the agenda were previously distributed to each Committee member.

Approval of Minutes

The first item to come before the Committee was consideration of approval of the minutes of the Committee meeting held on September 13, 2004. 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 September 13, 2004, be, and are hereby, approved.

Compensation Program Participants

Next on the agenda was a recommendation to approve the selection of employees currently filling the positions to be eligible to participate in the UTIMCO Compensation Program (participants as of July 1, 2004, and employees hired since July 1, 2004), subject to further approval by the Board. Mr. Boldt answered the Committee members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the eligible positions and participants, with award weights for each, as recommended be, and are hereby, approved in the form submitted to the Committee, subject to approval of the Corporation's Board of Directors.

Peer Group

Mr. Ferguson asked Mr. Boldt to discuss the Peer Group. Mr. Boldt explained that the Peer Group is a peer group of endowment funds maintained by the Board's external investment advisor that is composed of all endowment funds with assets greater than \$1 billion at the beginning of each Performance Period, and is set forth as an appendix to the UTIMCO Compensation Program. (Harvard University, Yale University and Total Endowment Assets (PUF and GEF) are excluded from this peer group.) Several conceptual and technical issues regarding the use of this peer group were presented and discussed. The peer group is updated annually at the beginning of each performance period and Appendix B is amended accordingly. Mr. Boldt and Ms. Moeller answered the Committee members' questions. Prior to voting, the Committee members recommended more specific language on the footnote of Appendix B. The footnote should read "Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale and Total Endowment Assets) with total assets in excess of \$1 billion as of each fiscal year end June 2002, 2003, and 2004." Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the amendments to the footnotes of the Peer Group, Appendix B of the UTIMCO Compensation Program, as presented and recommended be, and are hereby approved, subject to approval of the Corporation's Board of Directors.

Calculation of Awards

Mr. Boldt continued by presenting, as a discussion item, the procedures related to calculation of awards supplementing the Corporation's Compensation Program. The Committee members were asked to review the procedures memorandum presented and provide recommendations. Mr. Boldt and Ms. Moeller answered the Committee members' questions.

Deferred Awards

Mr. Ferguson asked Mr. Boldt to review the next agenda item. Mr. Boldt reviewed the Corporation's Compensation Program (Plan) related to Deferred Awards and explained a technical issue regarding the crediting of the net returns to these deferred awards. According to the Plan, the net returns begin accruing on November 18, 2004. Due to the fact that such date is in the middle of the month, accounting staff must interpolate returns for a portion of the month of November. The Staff recommends a proposal for an amendment to accommodate a change in the crediting of the net returns to reflect crediting the net returns as of July 1, which is the end of the performance period. Mr. Boldt and Ms. Moeller answered the Committee members' questions. Action on this item will be deferred until the next major review of the Plan.

Salary Range Midpoints

Mr. Boldt presented the next issue regarding salary range midpoints for those employees in the Plan. Salary range midpoints are updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. The last study was conducted by Mercer Human Resource Consulting dated August 2003. The Committee may direct the Staff to commission another study. If not, Staff will consult with Cambridge Associates and Mercer to determine salary structure adjustments and present suggested adjustments to salary range midpoints. Mr. Boldt answered the Committee members' questions. After discussion, the Committee requested that the Staff obtain salary adjustments from the consultants and defer the salary benchmark study until next year. The Staff was instructed to recommend approval of adjustments to participants' salaries at the next meeting.

Executive Session - Personnel Compensation

At 4:34 p.m., Mr. Ferguson announced that, "the Compensation Committee of the Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Committee, for the purpose of deliberating personnel compensation matters for corporation employees. This Executive Session meeting of the Committee is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The time is now 4:34 p.m."

In Executive Session, the Committee discussed personnel compensation matters. No action was taken and no vote was called for or taken by the Committee.

The Committee reconvened at 4:45 p.m. in open session and Mr. Ferguson announced that, "the Open Session of the Compensation Committee of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The time is now 4:45 p.m. During the Executive Session, the Committee discussed personnel compensation matters, but did not take any votes."

Performance Goals

Mr. Ferguson stated that the Committee needed to approve certain performance goals as recommended by the President of the Corporation.

Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Individual Performance Goals of the Participants of the UTIMCO Compensation Program as recommended be, and are hereby approved, and further

RESOLVED, that the President and CEO's Performance Goals of the UTIMCO Compensation Program as recommended be, and are hereby approved, subject to approval of the Corporation's Board of Directors.

There being no further business to come before the Committee, the meeting was adjourned at approximately 4:45 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
J. Philip Ferguson, Chairman of the
Compensation Committee
of The University of Texas
Investment Management Company