

**MINUTES OF THE MEETING OF  
THE BOARD OF DIRECTORS OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting at 3:00 p.m. on the **15th day of September 2004**, 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, Woody L. Hunt, 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 Board:

Woody L. Hunt, Chairman  
J. Luther King, Jr., Vice-Chairman  
Mark G. Yudof, Vice-Chairman for Policy  
John W. Barnhill, Jr.  
Susan M. Byrne  
Rita C. Clements  
J. Philip Ferguson  
I. Craig Hester

thus, constituting a majority and quorum of the Board. Director R. H. (Steve) Stevens, Jr. was not present at the meeting. Also, attending the meeting were R. D. Burck, Advisory Director; Bob Boldt, President of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cathy Iberg, Managing Director – Marketable Alternative Investments and Deputy CIO; Bill Edwards, Managing Director of Information Technology; Trey Thompson, Co-Managing Director – Non-Marketable Alternative Investments; Jerry Turner, legal counsel for the Corporation; Philip Aldridge, Charlie Chaffin, Brandon Duck, and Michael Warden of U. T. System Administration; Bruce Myers of Cambridge Associates; and Greg Smith of Mercer Human Resource Consulting. Mr. Hunt called the meeting to order at 3:00 p.m. Copies of materials supporting the Board meeting agenda were previously furnished to each Director or distributed at the meeting.

**Minutes**

The first matter to come before the Board was approval of the minutes of the meeting of the Board of Directors held on July 15, 2004. 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  
**July 15, 2004** be, and is hereby, approved.

Chairman Hunt explained reasons for delay in providing materials for the meeting, and gave an update on the selection process for the new Director positions.

## **UTIMCO Compensation Program**

Mr. Hunt called for a report of the Compensation Committee. Mr. King delegated the reporting to Ms. Byrne, a member of the Compensation Committee. Ms. Byrne reported that the Compensation Committee met on Monday, September 13, 2004. The Committee approved the minutes of the Compensation Committee meeting of July 14, 2004 and approved the UTIMCO Compensation Program as presented today.

Mr. Hunt then gave an overview of the changes to the proposed plan and the philosophy behind the changes and specifically spoke to the change to peer group comparison versus benchmark. He also noted the proposed effective date of September 1, 2003. Mr. Hunt explained why the plan proposed a past effective date, which was primarily due to the fact that passage was contingent upon the process of developing a new asset allocation which was delayed by more than twelve months and not finalized until December 2003. The Compensation Committee approved a new compensation plan, as soon as it was allowed to do so, also in December 2003, and the Board approved the plan at its next meeting in January 2004. However, the plan could not get on the agenda for subsequent Board of Regents meetings and was never placed into effect. A question was raised during discussion of the proposed plan regarding the fact that some participants were in an administrative capacity rather than investment professionals. Mr. Hunt supported the participants of the proposed plan citing the fact that all are an important part of creating a more competitive environment. Mr. Boldt also added the fact that to maintain top competitiveness, the Corporation is managing a much more diverse, more sophisticated portfolio. For the upper management to do well in investment matters, it is critical that they have correct data and smooth back office support. The administrative responsibilities must remain at a top level as well as the investment management. Although Mr. Yudof praised the performance of the funds over the past two years, he expressed reservations regarding the inclusion of the administration personnel. Mr. Yudof asked if there was data to support including administrative staff in the plan. Mr. Smith of Mercer Human Resource Consulting said that it was a common practice at premier endowments. Mr. Hester concurred as well, speaking as an independent director and owner of an investment firm. At this time, Mr. Ferguson stated that he felt very strongly that the September 1, 2003 effective date should be used. He stated his belief that the Compensation Committee and the Board did their job and approved a new plan as soon as they were allowed to do so in January 2004. If this date is not used, for any reason, he saw it as a serious breach of corporate governance. Mr. King and Ms. Byrne at this time spoke up and said that what Mr. Ferguson set forth in a direct way was the feeling of all members of the Compensation Committee. They felt that due process has been denied, and to be fair to the Staff and to the entire Board, the effective date of the plan needs to be September 1, 2003. (Mr. Ferguson, Mr. King and Ms. Byrne are all independent board members and all members of the Compensation Committee members.) Mr. Hunt thanked the Directors for their participation in the call and the evident importance all Board members have placed on finalizing the process. Mr. Hunt and Mr. Boldt answered the Directors' final questions. Upon motion duly made and seconded, giving Chairman Hunt flexibility to make editorial changes to the plan as necessary, the following resolution was unanimously adopted:

RESOLVED, that UTIMCO Compensation Program, as recommended by the Compensation Committee be, and is hereby, approved in the form as presented to the Board, provided that the Chairman of the Board is granted the authority to

make such non-substantive editorial changes as he deems necessary and appropriate.

There being no further business to come before the Board of Directors, the meeting was adjourned at approximately 3:55 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Woody L. Hunt Date: 10/12/04  
Woody L. Hunt  
Chairman, Board of Directors of  
The University of Texas Investment  
Management Company