

**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 **15th day of September, 2006**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Lone Star Conference Room, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Committee Chair, 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 Tate

thus, constituting a majority and quorum of the Committee. Also attending the meeting were H. Scott Caven, Jr., Chairman of the Board; Cathy Iberg, Interim President and CEO 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; and Jerry Turner, legal counsel for the Corporation. Mr. Ferguson called the meeting to order at 10:05 a.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 June 13, 2006. 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 June 13, 2006, be, and are hereby, approved.

**Engagement of External Auditor**

Mr. Ferguson asked Ms. Moeller to discuss the details regarding the recommendation to engage an external auditor. The Corporation's Compensation Program states that the relative performance data and calculations are to be reviewed by the Corporation's external audit prior to awards being finalized and approved by the Board. Staff recommends appointment of Ernst & Young to perform the agreed upon procedure services for the performance period ending June 30, 2006. Ms. Moeller and Mr. Turner answered the Committee Members' questions. They also stated that they would ask Ernst and Young to make the Committee Members' suggested changes with regards to terminology used in Exhibit A and will distribute the revised Exhibit A to the Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the firm of Ernst & Young, LLP be, and is hereby, engaged to perform agreed upon procedure services involving the recomputation of compensation for certain employees pursuant to the UTIMCO Compensation Program for the performance period ending June 30, 2006.

### **Eligible Positions and Participants**

Mr. Ferguson asked Ms. Moeller to present the next item for consideration. Ms. Moeller gave a recommendation to the Committee, as required by the Corporation's Compensation Program, to confirm the eligible positions and designate the participants filling the eligible positions and recommend to the UTIMCO Board the eligible positions and proposed participants for the 2006/2007 performance period. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 5.3(a) of the UTIMCO Compensation Program (the "Plan") provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "Board") as an "Eligible Position" for that Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has reviewed and approves of the list of recommended "Eligible Positions" and individuals who may become Participants for the 2006/2007 Performance Period set forth on Exhibit 1 attached hereto;

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the Board that the Eligible Positions and the individuals set forth on Exhibit 1 attached hereto be designated by the Board as "Eligible Positions" for and "Participants" in the Plan for the 2006/2007 Performance Period, effective as of July 1, 2006, except as any other date is specified for any such Eligible Position or Participant on such Exhibit 1.

### **Executive Session**

Mr. Ferguson announced, at 10:11 a.m., 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 individual personnel compensation and evaluation matters. This Executive Session meeting of the Committee is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The date is September 15, 2006, and the time is now 10:11 a.m."

In Executive Session, the Committee discussed personnel compensation and evaluation matters. Ms. Iberg did not participate in any portion of the discussion relating to her compensation. No action was taken and no vote was called for or taken by the Committee.

## Open Session

The Committee reconvened in open session and Mr. Ferguson announced that, "on September 15, 2006, at 11:06 a.m. 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 11:06 a.m. During the Executive Session, the Committee discussed individual personnel compensation and evaluation matters, but did not take any votes."

## 2006-2007 Performance Goals

Mr. Ferguson stated that the resolution related to 2006/2007 performance goals for each participant for the performance incentive plan would be deferred until the next meeting of the Compensation Committee.

## Weightings and Incentive Award Opportunities

Mr. Ferguson asked Mr. Turner to continue with the next resolution. Mr. Turner explained that although Ms. Iberg had assumed new duties as Interim President and CEO, her previously approved weightings and incentive award opportunities, including a threshold, target, and maximum opportunity, for determining the 2006/2007 Performance Award as Managing Director for Marketable Alternative Investments and Deputy CIO would remain the same as presented. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 5.4(d) of the UTIMCO Compensation Program (the "Plan") provides that the Compensation Committee (the "Committee") of the Board of Directors of UTIMCO (the "Board") will approve the weightings of the Performance Goals for each Eligible Position for each Performance Period, subject to approval by the Board; and

WHEREAS, Section 5.5(a) of the Plan provides that the Committee will determine the "Incentive Award Opportunity," including a threshold, target, and maximum award, for each Performance Goal for each Participant for each Performance Period, subject to approval by the Board; and

WHEREAS, the weightings and the Incentive Award Opportunities for the 2006/2007 Performance Period have previously been determined by the Committee and approved by the Board; and

WHEREAS, as of September 1, 2006, the President and CEO of UTIMCO terminated employment with UTIMCO and currently there is no person holding the position of President/CEO, and the Managing Director, Marketable Alternatives Investments, Deputy Chief Investment Officer ("MD, Marketable Alternatives") has agreed to undertake to fulfill certain of the responsibilities of the President/CEO position in addition to her responsibilities as MD, Marketable Alternatives until the President/CEO position is filled and for a three-month transition period thereafter; and

WHEREAS, the Committee wishes to recommend to the Board that, notwithstanding the alteration of duties of the MD, Marketable Alternatives pending selection of a new President and CEO and for a three-month transition period thereafter, the 2006/2007 "Performance Incentive Award" of the MD, Marketable Alternatives shall be determined under the previously approved terms of the Plan for the Eligible Position of MD, Marketable Alternatives and not for the Eligible Position of President and CEO;

NOW, THEREFORE, be it:

RESOLVED, that, notwithstanding the alteration of duties of the MD, Marketable Alternatives pending selection of a new President and CEO and for a three-month transition period thereafter, the Committee hereby recommends that the Board approve and confirm that the previously approved weightings for the Performance Goals of the MD, Marketable Alternatives (40% Entity Performance, 40% Asset Class Performance, and 20% Individual Performance) and previously approved percentages of base salary for determining the 2006/2007 Incentive Award Opportunities (and the 2006/2007 Performance Incentive Award) for the MD, Marketable Alternatives (18% for Threshold level achievement, 90% for Target level achievement, and 190% for Maximum level achievement) shall remain the same, as indicated on Exhibit 3 attached hereto; and

RESOLVED, that the Committee also wishes to recommend to the Board that, in accordance with the terms of the Plan, for purposes of determining the 2006/2007 Performance Incentive Award for the MD, Marketable Alternatives, the base salary of the MD, Marketable Alternatives shall include the actual base salary she earned during the 2006/2007 Performance Period, including any increased base salary earned in connection with her agreement to undertake to fulfill certain of the responsibilities of the President/CEO position, notwithstanding that the initial projected Award Incentive Opportunities for the MD, Marketable Alternatives may have been based only on her base salary as MD, Marketable Alternatives unadjusted for any such increased responsibilities.

#### **Transition Compensation Adjustments and Retention Incentive Plan**

Mr. Turner continued by explaining the next resolution related to transition compensation adjustments and a retention incentive plan. If adopted, the Committee will approve an increase in salary of the Managing Director for Marketable Alternative Investments and Deputy CIO during the period as acting Interim President and CEO, including a three-month transition period once the position of President and CEO has been filled. The resolution also contains a recommendation to provide a transition bonus per month to the Managing Director of Private Markets and the Managing Director of Public Markets during the same transition period as outlined above. The increase in salary and transition bonuses are described in detail in Exhibit 4 (attached). Mr. Turner noted that although the Managing Director for Marketable Alternative Investments' base salary is being increased, the Managing Director of Private Markets' and the Managing Director of Public Markets' base salaries were not being increased. Therefore, for the purpose of the 2007 performance awards, the Managing Director for Marketable Alternative Investments will be based on the

increased base salary received, and the Managing Director of Private Markets and the Managing Director of Public Markets will be based on the base salaries previously approved by the Committee. Also included in the recommended resolution was a retention incentive plan, as set forth in Exhibit 5, for Cathy Iberg, Larry Goldsmith, Trey Thompson, Joan Moeller, Bill Edwards and Andrea Reed. Mr. Ferguson stated that the incentive retention plan is important in keeping with industry standards when a similar event such as this occurs. The Committee has a great deal of regard for the Staff. The Corporation is at a critical point in its development, and there is a momentum that the Committee does not want to lose. Events of this nature creates an opportunity for competitors to entice members of the Corporation's Staff to leave, so these incentive retention bonuses are a way to communicate to the Staff that the Committee wants them to stay and remain as a cohesive team. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, effective as of September 1, 2006, the President and CEO terminated employment with UTIMCO, and currently there is no person holding the position of President and CEO; and

WHEREAS, the Managing Director, Marketable Alternatives Investments, Deputy Chief Investment Officer ("MD, Marketable Alternatives") has agreed to undertake to act as Interim President and CEO and to fulfill certain of the responsibilities of the President/CEO position in addition to her responsibilities as MD, Marketable Alternatives until the President and CEO position is filled and for a three-month transition period thereafter, and the duties of certain other employees of UTIMCO have been, or are expected to be, increased on account of the absence of a President and CEO; and

WHEREAS, in connection with the departure of the President and CEO and necessary reallocation of duties during the interim period during which a replacement is sought and for a three-month transition period thereafter, the Compensation Committee (the "Committee") of the Board of Directors of UTIMCO (the "Board") wishes to recommend that the Board temporarily adjust the base salary of the MD, Marketable Alternatives, provide transition bonuses to certain UTIMCO employees, and to establish a retention incentive plan for certain UTIMCO employees;

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends that the Board adjust the base salary of the MD, Marketable Alternatives as scheduled and set forth on Exhibit 4 attached hereto, effective as of September 1, 2006, assuming and contingent on her continued employment with UTIMCO; and

RESOLVED, that the Committee hereby recommends that the Board provided a transition bonus to the Managing Director, Public Markets as scheduled and set forth on Exhibit 4 attached hereto, effective as of September 1, 2006, assuming and contingent on his continued employment with UTIMCO; and

RESOLVED, that the Committee hereby recommends that the Board provided a transition bonus to the Managing Director, Private Capital as scheduled and set forth on Exhibit 4 attached hereto, effective as of September 1, 2006, assuming and contingent on his continued employment with UTIMCO; and

RESOLVED, that the Committee hereby recommends that the Board adopt the "UTIMCO Retention Incentive Plan," as the material terms are summarized on Exhibit 5 attached hereto, effective as of September 1, 2006, and further recommends that the participants in such Retention Incentive Plan hereby shall be: Cathy Iberg, Larry Goldsmith, Trey Thompson, Joan Moeller, Bill Edwards, and Andrea Reed; and

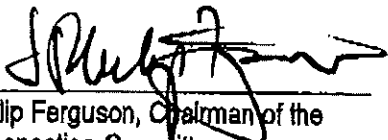
RESOLVED, that the Committee hereby recommends that the Board expressly specify that, (1) because the additional salary provided to the MD, Marketable Alternatives is an increase in her "base salary," there will be a concomitant increase in any Performance Incentive Award under the Performance Incentive Plan (the "Plan") to which the MD, Marketable Alternatives may be entitled under the terms of the Plan, which, if awarded, is based on a percentage of a participant's base salary, and such additional salary will be included in base salary for purposes of the MD, Marketable Alternatives' retention bonus under the Retention Incentive Plan, and (2) because the transition bonuses provided to the Managing Director, Public Markets and to the Managing Director, Private Capital and the retention bonuses provided to the specified employees under the Retention Plan are not payments of base salary, any Performance Incentive Awards under the Plan to which those employees may be entitled under the terms of the Plan will not be increased by reason of any such bonus, and any such bonus will not be considered as base salary of those employees for purposes of the Retention Incentive Plan or any other UTIMCO employee benefit plan, program, or arrangement except as may otherwise be expressly provided in such plan, program, or arrangement.

There being no further business to come before the Committee, the meeting was adjourned at approximately 11:20 a.m.

Secretary: \_\_\_\_\_

  
Joan Moeller

Approved: \_\_\_\_\_

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

Date: \_\_\_\_\_

10/2/06

**Exhibit 1**  
**Designation of Eligible Positions and Plan Participants**  
**in the 2006/2007 Performance Period**

ELIGIBLE POSITION	PARTICIPANTS
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*Investment Professionals*

President and CEO	unfilled
MD, Marketable Alternative Investments and Deputy CIO	Cathy Iberg
Risk Manager	Andrea Reed
MD, Public Markets Invest.	Larry Goldsmith
MD, Private Markets (formerly Non-Marketable Alt Inv)	Trey Thompson
Sr. Portfolio Mgr., Fixed Income Invest.	Russ Kampfe
Portfolio Manager, Fixed Income Invest.	Harland Doak
Director, Public Markets	Tushar Shah
Director, Private Markets (formerly Non-Marketable Alt Inv)	Lindel Eakman
Director, Risk Management	Uzi Yoeli
Associate, Public Markets	Laura Patrick
Associate, Marketable Alternative	Glenn Stotts
Associate, Marketable Alternative	Ryan Ruebsahm
Associate, Private Markets (formerly Non-Marketable Alt Inv)	Mark Shoberg
Associate, Private Markets (formerly Non-Marketable Alt Inv)	Zac McCarroll*
Associate, Risk Management	Kathleen Wagner
Analyst, Public Markets	Russell Mollen
Analyst, Marketable Alternative	Eric Dooley
Analyst, Private Markets (formerly Non-Marketable Alt Inv)	Scott Bigham

*Operations/Support Professionals*

MD, Accounting, Finance & Admin.	Joan Moeller
MD, Information Technology	Bill Edwards
Manager, Finance & Administration	Melynda Carter**
Manager, Investment Reporting	Gary Hill
Manager, Portfolio Accounting & Ops.	Debbie Childers

Participants are eligible as of July 1, 2006 unless otherwise notated

\*eligible August 15, 2006

\*\*eligible October 10, 2006

Exhibit 3

Appendix C

Eligible Positions, Weights, and Incentive Award Opportunities for each Eligible Positions  
(for the performance Periods Beginning After June 30, 2006)

Eligible Position	Weighting			Incentive Award Opportunity (% of Salary)			
	Entity	Asset Class	Individual	< Threshold	Threshold	Target	Maximum
<i>Investment Professionals</i>							
President, CEO & CIO	70%	0%	30%	0%	20%	100%	200%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	18%	90%	190%
Risk Manager	70%	0%	30%	0%	18%	90%	190%
MD, Public Markets Invest.	20%	60%	20%	0%	18%	90%	190%
MD, Inflation Hedging Assets	20%	60%	20%	0%	18%	90%	190%
MD, Non-Marketable Alt Inv	30%	50%	20%	0%	18%	90%	190%
St. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Director, Public Markets	20%	60%	20%	0%	8%	40%	80%
Director, Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Inflation Hedging Assets	20%	60%	20%	0%	8%	40%	80%
Director, Non-Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Risk Management	70%	0%	30%	0%	8%	40%	80%
Associate, Public Markets	20%	60%	20%	0%	6%	30%	70%
Associate, Marketable Alternative	20%	60%	20%	0%	6%	30%	70%
Associate, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	70%
Associate, Non-Marketable Alternative	20%	20%	60%	0%	6%	30%	70%
Associate, Risk Management	70%	0%	30%	0%	6%	30%	70%
Analyst, Public Markets	20%	60%	20%	0%	6%	30%	50%
Analyst, Marketable Alternative	20%	60%	20%	0%	6%	30%	50%
Analyst, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	50%
Analyst, Non-Marketable Alternative	20%	20%	60%	0%	6%	30%	50%
Analyst, Risk Management	70%	0%	30%	0%	6%	30%	50%
<i>Operations/Support Professionals</i>							
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	140%
MD, Information Technology	20%	0%	80%	0%	10%	50%	140%
Manager, Finance & Administration	20%	0%	80%	0%	8%	40%	80%
Manager, Investment Reporting	20%	0%	80%	0%	8%	40%	80%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	8%	40%	80%
Manager, Client Services	20%	0%	80%	0%	8%	40%	80%



**EXHIBIT 4**  
**TRANSITION COMPENSATION ADJUSTMENTS**

**Adjusted Base Salary (Contingent on Continued Employment with UTIMCO) For:  
Managing Director, Marketable Alternatives Investments, Deputy Chief Investment  
Officer**

Period of Base Salary	Base Salary
9/1/06 through end of month during which a new President and CEO commences employment with UTIMCO (or an existing employee of UTIMCO assumes the position of President and CEO)	\$43,750 per month (\$525,000 annualized)
For three full months beginning with the month immediately following the month during which a new President and CEO commences employment with UTIMCO (or an existing employee of UTIMCO assumes the position of President and CEO)	\$43,750 per month (\$525,000 annualized)
Beginning with the fourth month immediately following the month during which a new President and CEO commences employment with UTIMCO (or an existing employee of UTIMCO assumes the position of President and CEO)	\$25,000 per month (\$300,000 annualized) (or, if after 8/31/07, any increased amount determined by the Compensation Committee)

**Transition Bonus (Contingent on Continued Employment with UTIMCO) For:  
Managing Director, Public Markets and Managing Director, Private Capital**

Months of Transition Bonus	Transition Bonus
For each month beginning with September 2006 and ending with the third month following the month during which a new President and CEO commences employment with UTIMCO (or an existing employee of UTIMCO assumes the position of President and CEO)	\$10,000 per month

## **EXHIBIT 5 RETENTION INCENTIVE PLAN**

### **PARTICIPANTS**

Cathy Iberg  
Larry Goldsmith  
Trey Thompson  
Andrea Reed  
Joan Moeller  
Bill Edwards

### **RETENTION BONUS**

For Iberg: Lump sum payment of 25% of total base salary (exclusive of Performance Incentive Plan awards and all other special or incentive compensation) paid to her for services performed during the "Retention Period" (9/1/06 through 8/31/07), less applicable withholdings

For Goldsmith, Thompson, Reed, Moeller, and Edwards: Lump sum payment of 25% of annualized base salary (exclusive of Performance Incentive Plan awards, transition bonuses, any other bonus, and all other special or incentive compensation) in effect on 9/1/06, less applicable withholdings

### **DATE PAID**

As soon as administratively practicable after September 1, 2007

### **CONDITIONS**

- Continuous employment with UTIMCO from 9/1/06 through 9/1/07
- Must not have accepted other employment prior to 9/1/07
- Must not have actively sought other employment prior to 9/1/07

### **INVOLUNTARY TERMINATION OF EMPLOYMENT WITHOUT CAUSE**

- Prorated Retention Bonus for each full month of employment during Retention Period
- Prorated Retention Bonus amount offset by any severance amount received under employment agreement or other UTIMCO severance plan, policy, or arrangement
- Conditions: Execution of Release; must not have accepted or actively sought employment prior to termination date; must not be termination for "cause" (as defined below)
- "Cause" means a determination by the Board in its sole discretion that a participant has (i) violated any securities law or any other law, rule, or regulation; (ii) engaged in substandard performance of his UTIMCO employment position; or (iii) engaged in willful misconduct that reflects negatively on the public image of UTIMCO or The University of Texas System.

**DEATH, TERMINATION FOR DISABILITY, TERMINATION FOR CAUSE, OR  
VOLUNTARY TERMINATION**

No Retention Bonus paid (neither full nor prorated) regardless of date of event