

**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 **27th day of May 2008**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 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  
Ardon E. Moore

thus constituting a majority and quorum of the Committee. Also attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer for the Corporation; Bill Edwards, Managing Director of Information Technology; Lindel Eakman, Managing Director – Private Markets; Melynda Shepherd – Manager, Finance and Administration; Jerry Turner, external General Counsel for the Corporation; Philip Aldridge and William Huang representing The University of Texas System (the "UT System"); Nanci Hibschan and Marley Komreich of Mercer; and Bruce Myers of Cambridge Associates. Cathy Iberg, President and Deputy CIO joined the meeting later as noted in the minutes. Mr. Ferguson called the meeting to order at 3:05 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 April 25, 2008. 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 April 25, 2008 be, and are hereby, approved.

**Discussion of Compensation Policy and Plan Review**

Mr. Zimmerman asked Ms. Hibschan to summarize the proposed changes made to the Compensation Program (the "Plan") since the last meeting held on April 25, 2008. Ms. Hibschan discussed the suggested modifications regarding performance measures and weightings, award calculations and payout, and administration. Mr. Ferguson stated that they would all like to simplify the Plan and some of the discussed changes were an attempt to do that. Mr. Zimmerman and Ms. Hibschan answered the Committee Members' questions.

## **Performance Measurement Standards**

Mr. Ferguson asked Mr. Myers to lead the discussion on Performance Measurement Standards for the Plan. Mr. Myers began by discussing the current Plan, which has three categories of performance goals: entity performance, asset class performance, and individual performance. The benchmarks for each asset class and the entities are set forth in Appendix D of the Plan with the threshold, target, and maximum standards. Cambridge Associates proposed performance measurement standards based on the new Investment Policy Statement asset classes adopted March 1, 2008. The performance measurement standards represent the excess basis points an asset class or the entity must earn over its benchmark to achieve threshold, target, and maximum performance. Ms. Hibsman discussed the overall results of Mercer's compensation benchmarking study as well. Ms. Iberg joined the meeting during this discussion. After an in-depth discussion, the Committee agreed to the target and maximum standards associated with policy benchmarks proposed by Mr. Myers with the exception of modifications to the MSCI – Investable Hedge Fund Index for one asset class and entity level performance of the total endowment assets. The target and maximum standards for the MSCI – Investable Hedge Fund Index were changed by the Committee from 100 to 125 basis points and 200 to 250 basis points, respectively. Additionally, the Committee decided that the target entity level performance standards for the total endowment assets should approximate the summed results of the weighted individual asset class allocations multiplied by the target and that the maximum entity level performance standards for the total endowment assets should approximate the summed results of the weighted individual asset class allocations multiplied by the maximum performance standards. This necessitated changing the target entity level performance for the total endowment assets from 100 to 75 basis points. Mr. Myers supported the Committee's changes. Mr. Zimmerman, Ms. Iberg, Mr. Myers, and Ms. Hibsman answered the Committee Members' questions.

## **Executive Session**

Mr. Ferguson announced, at 4:50 p.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 matters. This Executive Session meeting of the Committee is authorized by *Texas Government Code*, Section 551.074 (Personnel Matters). The time is now 4:50 p.m. and the date is May 27, 2008." At this time, Ms. Iberg, Ms. Moeller, Ms. Wallace, Mr. Edwards, Mr. Eakman, Ms. Shepherd, Mr. Aldridge, Mr. Huang, and Mr. Myers left the meeting.

In Executive Session, the Committee discussed individual personnel compensation matters, including individual salary recommendations and maximum performance compensation for the upcoming fiscal year. 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 May 27, 2008, at 5:11 p.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 5:11 p.m. During the Executive Session, the Committee discussed individual personnel compensation matters, but did not take any votes, or make any decisions."

There being no further business to come before the Committee, the meeting was adjourned at approximately 5:12 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: J. Philip Ferguson Date: 6/29/08  
J. Philip Ferguson, Chairman of the  
Compensation Committee  
of The University of Texas  
Investment Management Company