

**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 July, 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 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; Uzi Yoeli, Director – Portfolio Risk Management; Philip Aldridge, Jim Phillips and William Huang representing The University of Texas System (the "UT System"); and Nanci Hibschan of Mercer. 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 and approval of the minutes of the Committee meeting held on June 19, 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 June 19, 2008 be, and are hereby, approved.

**Compensation Program**

Mr. Ferguson asked Mr. Zimmerman to begin discussion of the next agenda item, which was the proposed adoption of the Compensation Program (Plan) to be effective on July 1, 2008. Mr. Zimmerman stated that the proposed Plan for the Corporation maintains the structure of the prior plan, with the most significant change relating to the entity performance measurement standards. Other minor editorial changes suggested by Staff and Mercer, and approved by the Committee at a previous meeting, were also included. Also provided in the meeting materials was a mark-up of the Plan which codified the changes previously discussed and agreed to by the Committee. Mr. Ferguson noted that the meeting materials contained a summary of the Committee's recommendations including an overview, performance measures and weightings, and incentives opportunities. Mr. Ferguson asked Mr. Zimmerman to discuss the deferral piece of the Plan. Mr. Zimmerman stated that one of Mercer's recommendations to the Plan

had been to delete the required deferral of 30% of the actual incentive awards and the Committee members concurred with this recommendation. However, Mr. Zimmerman explained that this recommendation had not been incorporated into the draft of the proposed Plan as a result of discussions with several UT System Staff members and members of the UT System Board of Regents. Mr. Zimmerman's recommendation was to retain the deferral piece in the Plan at this time. There was considerable discussion by the Committee Members regarding the retention of the required deferral of 30% of the actual incentive awards in the Plan. This was contrary to the recommendation by Mercer and its elimination had previously been discussed in detail and agreed to by the Committee Members.. Mr. Zimmerman and Mr. Aldridge answered questions of the Committee Members on this issue. The Committee Members agreed to retain the deferral piece for the 2008/2009 performance period but requested further discussion on the deferral piece for the future performance periods after the 2008/2009 year. Mr. Zimmerman suggested that the deferral piece could be revisited at the same time other UTIMCO benefits are addressed. Mr. Zimmerman also noted that the draft Plan included a proposed recommendation for the Corporation's Senior Directors to have the same incentive opportunity as the Corporations' Portfolio Managers in Table 1, attached as Appendix C. Page D-2 was also changed to reflect the new benchmarks. Mr. Zimmerman answered the Committee Members' questions. Ms. Gonzalez stated that Mr. Turner had reviewed and approved the proposed version of the Plan, and Mr. Ferguson confirmed with Ms. Hibschman that Mercer Staff also concurred with the proposed changes. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 7.2 of the UTIMCO Compensation Program effective July 1, 2007 (the "Prior Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Prior Plan or any portion thereof from time to time; and

WHEREAS, the Charter of the Compensation Committee of the Board (the "Committee") requires the Committee to recommend to the Board any proposed amendments to the Prior Plan; and

WHEREAS, UTIMCO's Chief Executive Officer (the "CEO") has proposed certain changes to the Prior Plan to be incorporated into a new UTIMCO Compensation Program effective July 1, 2008 (the "Plan"), in the form previously provided to the Committee; and

WHEREAS, the Committee has reviewed the Plan,

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends that the Board amend the Prior Plan by adopting the changes recommended by the CEO, effective for the 2008/2009 Performance Period.

### **Executive Session**

Mr. Ferguson announced, at 3:46 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 3:46 p.m. and the date is July 15, 2008." At this time, Ms. Gonzalez, Ms. Moeller, Ms. Wallace, Mr. Edwards, Mr. Yoeli, Mr. Aldridge, Mr. Huang, Mr. Phillips, and Ms. Hibschman left the meeting.

In Executive Session, the Committee discussed individual personnel compensation matters, including base salaries for Corporation officers and other Compensation Program participants for 2008-2009 fiscal year, designation of employees in eligible positions as participants in the Corporation's Compensation Program for the 2008/2009 performance period, and the CEO's Qualitative Performance Goals. 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 July 15, 2008, at 4:15 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 4:15 p.m. During the Executive Session, the Committee discussed individual personnel compensation matters, but did not take any votes, or make any decisions."

Mr. Ferguson stated that Agenda Item 7, the discussion related to ability to allow the investment of employee funds in the General Endowment Fund, would be deferred to a subsequent meeting.

### **Base Salaries for the UTIMCO Officers and other UTIMCO Compensation Program (Plan) Participants for 2008-2009 Fiscal Year**

Mr. Ferguson asked the Committee to approve the proposed base salaries for the UTIMCO Officers and other UTIMCO Compensation Program (Plan) Participants for 2008-2009 fiscal year. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the base salaries of the Corporation's Officers' and other UTIMCO Compensation Program Participants' (except that of the CEO) for the Fiscal Year 2008-2009 in the total amount of \$4,423,000 as presented by the CEO be, and the joint recommendation of the Audit and Ethics Committee and CEO for the CCO's Base Salary, are hereby, approved; and further

RESOLVED, that the Committee hereby recommends that the Board of Directors of UTIMCO approve the Base Salary of the Corporation's CEO for the Fiscal Year 2008-2009 in the amount of \$575,000.

**Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the 2008/2009 Performance Period**

Mr. Ferguson continued the meeting by requesting Committee approval for designation of employees in eligible positions as participants in the UTIMCO Compensation Program for the 2008/2009 performance period, as presented in Executive Session. 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 "UTIMCO Board") as an "Eligible Position" for that Performance Period and (2) selected by the UTIMCO Board as eligible to participate for that Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approves of the list of individuals who may become Participants for the 2008/2009 Performance Period set forth on Exhibit 1 attached hereto.

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the UTIMCO Board that the individuals set forth on Exhibit 1 attached hereto be designated by the UTIMCO Board as "Participants" in the Plan for the 2008/2009 Performance Period, effective as of July 1, 2008.

**CEO's Qualitative Performance Goals**

Mr. Ferguson requested Committee approval of the Corporation CEO's qualitative performance goals. Said goals are to be amended by the CEO to reflect discussion held in Executive Session. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 5.4(a) 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 Performance Goals for each Participant (other than for the CEO) each Performance Period; and

WHEREAS, Section 5.4(c) of the Plan provides that the Board will determine the Performance Goals of the CEO for each Performance Period; and

WHEREAS, the Committee has reviewed and approves the CEO's Qualitative Performance Goals for the 2008/2009 Performance Period as prepared by the CEO and set forth in the document presented to and amended by the Committee.

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the Board that the Board approve the Qualitative Performance Goals for the CEO for the 2008/2009 Performance Period, effective as of July 1, 2008, as set forth in the document presented to and amended by the Committee.

**Benefit Study**

Mr. Ferguson asked Ms. Hibsichman to present the results of the benefit study performed by Mercer. Ms. Hibsichman explained that Mercer had been retained by the Corporation to evaluate the benefits available to investment and operating positions, including retirement and savings benefits, health and group benefits, and time loss benefits including vacation, holidays, personal/sick leave, short and long term disability. She gave an executive summary of the scope and methodology of the study, including a list of peer group organizations, the current benefits of the Corporation, and a benefits assessment. Ms. Hibsichman and Mr. Zimmerman answered the Committee Member's questions. The Compensation Committee gave approval for Staff and Mercer to further review the complete benefit package and will expect proposed recommendations submitted to the Committee for approval within the next year.

There being no further business to come before the Committee, the meeting was adjourned at approximately 4:32 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: J. Philip Ferguson Date: 9/19/08  
J. Philip Ferguson, Chairman of the  
Compensation Committee  
of The University of Texas  
Investment Management Company