

**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 open session on June 30, 2009, 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 Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

J. Philip Ferguson, Chairman
Clint D. Carlson
Janiece M. Longoria

Also attending the meeting were Erle Nye, Chairman of the Board, and Paul Foster, Director, thus constituting a majority and quorum of the Committee and the Board. Committee Member Ardon E. Moore was not present at the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer; and Melynda Shepherd, Manager – Finance and Administration. Also attending were Philip Aldridge, Mark Gentle, Laura Hartman Stover, and William Huang representing The University of Texas System (the "UT System"); Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP; and Nanci Hibsichman of Mercer. Mr. Ferguson called the meeting to order at 4:30 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 and approval of the minutes of the Compensation Committee meeting held on June 16, 2009. 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 16, 2009 be, and are hereby, approved.

Executive Session

Mr. Ferguson asked Ms. Gonzalez to announce, at 4:39 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 date is June 30, 2009, and the time is now 4:39 p.m." With the exception of Mr. Zimmerman, Chairman Nye, Director Foster, Mr. Turner, Ms. Hibschan, and Dr. Brown, all other meeting participants left the meeting at this time.

Open Session

The Committee reconvened in open session and at Mr. Ferguson's request, Ms. Gonzalez announced that on June 30, 2009, at 5:08 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 date is June 30, 2009, and the time is now 5:08 p.m. During the Executive Session, the Committee deliberated individual personnel compensation matters, but no action was taken nor decisions made, and no vote was called for or had by the Committee in Executive Session."

Base Salaries for the Corporation's Officers and other UTIMCO Compensation Program (Plan) Participants for 2009-2010 Fiscal Year

Mr. Ferguson asked the Committee to approve the proposed base salaries for the Corporation's Officers and other UTIMCO Compensation Program (Plan) Participants for 2009-2010 fiscal year as recommended by Mr. Zimmerman. 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 2009-2010 in the total amount of \$4,309,500 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.

Corporation's CEO's Base Salary

Mr. Ferguson asked the Committee to approve the proposed base salary for the Corporation's CEO for the 2009-2010 fiscal year. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

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 2009-2010 in the amount of \$575,000.

CEO's Qualitative Performance Goals

Mr. Ferguson requested Committee approval of the Corporation's CEO's qualitative performance goals. He recommended that the Committee approve the Corporation's CEO's goals as written and reviewed by the Committee during the 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 2009/2010 Performance Period as prepared by the CEO and set forth in the document presented to 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 2009/2010 Performance Period, effective as of July 1, 2009, as set forth in the document presented to the Committee.

Compensation Program

Mr. Ferguson stated that the next item was the proposed adoption of the UTIMCO Compensation Program, Amended and Restated for 2009-2010 Performance Period, to be effective on July 1, 2009 (Plan). The proposed changes incorporate recommendations that have been previously discussed in detail during prior Committee meetings in May and June. Mr. Ferguson said the most important changes from the UTIMCO Compensation Program that was effective July 1, 2008 (Prior Plan), included language related to four events that trigger extraordinary circumstances provisions, claw back provisions and changes to deferral amounts for Plan Participants. He asked Mr. Zimmerman and Ms. Hibschan to discuss the changes from the Prior Plan. Mr. Zimmerman began by paraphrasing Chairman Nye when he said that the Corporation already had a good plan, but the Committee and Staff had done a lot of work to make it even better. Mr. Zimmerman continued by stating that the Prior Plan was well defined, a good core plan, but after a thorough review, supported by Mercer and Cambridge Associates, Staff addressed several issues and was now recommending a Plan that incorporated language to address these issues, given the extraordinary events experienced over the past year. Mr. Zimmerman outlined the proposed changes, explaining that UTIMCO will retain its use of trailing three-year investment performance as the primary measure of staff performance. These changes, if approved by the Committee and Board, will be recommended to the UT System Board of Regents for its approval at its August meeting.

The first change discussed was the change to deferred amounts for Plan Participants. The deferred amounts will range from the current 30% level up to 50% for the CEO and President and to 0% for analysts.

Mr. Zimmerman followed by discussing the provisions related to the modification and/or deferral of the awards when certain extraordinary circumstances occur. If the net returns of the Total Endowment Assets are negative at the end of the Performance Period, incentive compensation earned by Plan Participants that would have been paid will be deferred for one year, remain at risk, and be credited (or debited) with an amount equal

to the net returns of the Total Endowment Assets. If the net returns of the Total Endowment Assets are below a negative 5% at the end of the Performance Period, incentive compensation earned will be reduced by 10% for each percentage point or portion thereof to the point of being completely eliminated if the return is below negative 14%. Conversely, if the net returns of the Total Endowment Assets are greater than 20% at the end of the Performance Period, incentive compensation earned will be increased by 10% for each percentage point or portion thereof up to double if the returns are greater than 29%. Finally, if the net returns of the Total Endowment Assets are a negative 10% or below as measured from the end of the plan year through the most recent month-end prior to the date the Board approves the incentive compensation awards ("stub period"), the incentive compensation earned that would have been paid, will be deferred until the first anniversary of the Performance Period, remain at risk, and be credited (or debited) with an amount equal to the net returns of the Total Endowment Assets.

Also added to the Plan was a provision to allow for the recovery of Performance Incentive Awards paid to or deferred by a Plan Participant if the Board determines that the employee engaged in fraud or misconduct during a Performance Period.

Mr. Zimmerman explained the changes to the Performance Standards associated with Policy Benchmarks recommended by Cambridge Associates in detail. Ms. Hibsichman concurred with Mr. Zimmerman's comments regarding the Plan changes and said the changes to the deferrals are in line with market practices. She stated that the extraordinary circumstances policy is well designed and also supported by Mercer and although the Corporation is forging a new trend with these changes, she expects other organizations to consider similar changes in the near future. Mr. Zimmerman, Ms. Hibsichman, and Ms. Moeller answered the Committee Members' questions. Mr. Nye and Mr. Foster commended Mr. Zimmerman and Staff on the work performed and the results obtained in developing a compensation plan that addressed the concerns of the legislature. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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

WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed certain proposed amendments to the Plan incorporated into an Amended and Restated Plan, in the form previously provided to the Committee; and

WHEREAS, the Committee approves such amendments and has determined to recommend them to the Board;

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the Board that the Board approve and adopt the Amended and Restated Plan, effective as of the dates stated therein.

There being no further business to come before the Committee, the meeting was adjourned at approximately 5:30 p.m.

Secretary: Joan Moeller
Joan Moeller

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

Date: 9.14.09