

**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 August 6, 2010, 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 Carlson  
Janiece M. Longoria  
Ardon E. Moore

Also attending the meeting was Paul Foster, Chairman of the Board, thus constituting a majority and quorum of the Committee and the Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; and Cissie Gonzalez, internal General Counsel and Chief Compliance Officer. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Bob Jewell of Andrews Kurth LLP; Philip Aldridge, Anthony DeBruyn and Roger Starkey of the UT System Administration. Mr. Ferguson called the meeting to order at 9:26 a.m. (CDT). 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 30, 2010. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Compensation Committee of the Board of Directors held on June 30, 2010, be, and are hereby, approved.

**Executive Session**

Mr. Ferguson announced, at 9:28 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 matters. This Executive Session meeting of the Committee is authorized by *Texas Government Code* Section 551.074 (*Personnel Matters*). The date is August 6, 2010, and the time is now 9:28 a.m." With the exception of Mr. Zimmerman, all other meeting participants left the meeting at this time. Mr. Zimmerman left the meeting during Executive Session.

## **Open Session**

The Committee reconvened in open session and Mr. Ferguson announced that on August 6, 2010, at 10:44 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 date is August 6, 2010, and the time is now 10:44 a.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 2010-2011 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 2010-2011 fiscal year as recommended by Mr. Zimmerman. Upon motion duly made and seconded, the following resolution was 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 2010-2011 in the total amount of \$4,488,500 as presented by the CEO be, and 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 2010-2011 fiscal year. Upon motion duly made and seconded, the following resolution was 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 2010-2011 in the amount of \$585,000.

## **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 Performance Period ended June 30, 2011, 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 Performance Period ended June 30, 2011, effective as of July 1, 2010, as set forth in the document presented to the Committee.

### **Compensation Program**

Mr. Ferguson recommended approval of the changes to the Compensation Program Appendices as proposed by Staff. The proposed changes were minor changes, summarized in the Committee meeting materials. Appendix C, Table 1, sets forth the Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position. Staff did not propose any changes to the weightings, incentive award opportunities, or percentage of award deferred but recommended the addition of three new Eligible Positions.

Appendix D, Table 2, sets forth two of the Performance Goals categories referenced in Section 5.4.(b) of the Plan for the Plan Participants: the Entity Performance and the Asset Class/Investment Type Performance Goals, including the benchmarks for Asset Class/Investment Type and the Threshold, Target, and Maximum Performance Standards for the Total Endowment Funds, Intermediate Term Fund, and the Asset Class/Investment Type. Policy Portfolio Weights for the Total Endowment Funds in Table 2 were updated consistent with Staff's proposed target adjustments in Exhibits A of the Permanent University Fund and General Endowment Fund Investment Policy Statements. The UTIMCO Board approved the recommended targets at its meeting held July 14, 2010, subject to approval by the Board of Regents of The University of Texas System at its August 11-12, 2010, meeting.

Appendix E, Table 3, sets forth the Eligible Positions of Affected Participants. Table 3 is required to be revised each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to Section 5.11. of the Plan. 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, Section 5.3.(a) of the Plan requires Table 1 to be revised each Performance Period to set forth the Eligible Positions, the weightings for the Eligible Positions, the Incentive Award Opportunities, and any Applicable Deferral Percentage for each Eligible Position, for that Performance Period as soon as administratively practicable after confirmation of such Eligible Positions by the Board for such Performance Period and to be attached as Appendix C to the Plan; and

WHEREAS, Section 5.8.(b)(1) of the Plan requires Table 2 to be revised, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold, target, and maximum performance standards, in effect during the three-year rolling historical period, culminating with the subsequent Performance Period and to be attached as Appendix D to the Plan; and

WHEREAS, Section 5.11.(3) of the Plan requires Table 3 to be revised each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to the Plan provisions pertaining to extraordinary circumstances and to be attached as Appendix E to the Plan; and

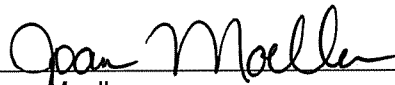
WHEREAS, the Compensation Committee of the Board (the "Committee") has reviewed the revised Tables, approves such amendments and has determined to recommend them to the Board.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Tables 1, 2, and 3, copies of which are attached hereto, are hereby adopted and approved to replace the current Appendix C, D, and E, respectively, effective as of July 1, 2010, subject to Board approval.

Due to time constraints, Item 5, Discussion of the Compensation Committee's Self Assessment, was deferred until the next Compensation Committee meeting.

There being no further business to come before the Committee, the meeting was adjourned at approximately 10:54 a.m.

Secretary:   
Joan Moeller

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

Date: 10-6-10

**Table 1, Appendix C**

Eligible Position	Weighting						Percentage of Award	
	Entity	Asset Class/ Investment Type		Incentive Award Opportunity (% of Salary)			Deferred	
		Individual	< Threshold	Threshold	Target	Maximum		
<i>Investment Professionals</i>								
CEO & Chief Investment Officer	60%	0%	40%	0%	0%	100%	200%	50%
President & Deputy CIO	40%	40%	20%	0%	0%	95%	190%	50%
Managing Director - Investments	30%	40%	30%	0%	0%	85%	170%	40%
Managing Director - Private Investments	30%	30%	40%	0%	0%	85%	170%	40%
Senior Director - Investments	25%	35%	40%	0%	0%	60%	120%	35%
Senior Portfolio Manager	20%	40%	40%	0%	0%	60%	120%	35%
Senior Director - Risk Management	30%	0%	70%	0%	0%	50%	100%	35%
Portfolio Manager	20%	40%	40%	0%	0%	50%	100%	30%
Director - Investments	20%	40%	40%	0%	0%	50%	100%	30%
Director - Private Investments	20%	30%	50%	0%	0%	50%	100%	30%
Director - Risk Management	30%	0%	70%	0%	0%	40%	80%	30%
Senior Associate - Investments	15%	35%	50%	0%	0%	40%	80%	20%
Senior Associate - Private Investments	15%	25%	60%	0%	0%	40%	80%	20%
Senior Associate - Risk Management	30%	0%	70%	0%	0%	40%	80%	20%
Associate - Investments	15%	30%	55%	0%	0%	35%	70%	15%
Associate - Private Investments	15%	20%	65%	0%	0%	35%	70%	15%
Associate - Risk Management	30%	0%	70%	0%	0%	35%	70%	15%
Senior Analyst - Investments	10%	20%	70%	0%	0%	30%	60%	0%
Analyst - Investments	10%	20%	70%	0%	0%	25%	50%	0%
Analyst - Risk Management	30%	0%	70%	0%	0%	25%	50%	0%
<i>Operations/Support Professionals</i>								
Senior Managing Director	20%	0%	80%	0%	0%	60%	120%	40%
Managing Director	20%	0%	80%	0%	0%	50%	100%	30%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	0%	50%	100%	30%
Senior Manager	20%	0%	80%	0%	0%	40%	80%	25%
Manager	20%	0%	80%	0%	0%	40%	80%	25%
Senior Financial Analyst	20%	0%	80%	0%	0%	30%	60%	20%

**Table 2, Appendix D**

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF	Threshold	Target	Maximum
		(% of Portfolio)	(% of Portfolio)			
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps	+150 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+100 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.5%	30.0%	+0 bps	+25 bps	+50 bps
Real Estate	FTSE EPRA/NAREIT Developed Index	2.5%	5.0%	+0 bps	+50 bps	+100 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%	7.5%	+0 bps	+50 bps	+100 bps
Developed Country Equity	MSCI World Index with net dividends	19.5%	15.0%	+0 bps	+62.5 bps	+125 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	12.0%	7.5%	+0 bps	+75 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index	30.0%	35.0%	+0 bps	+75 bps	+150 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	20.0%	0%	+0 bps	+100 bps	+200 bps
Private Investments Real Estate	NACREIF Custom Index	2.0%	0%	+0 bps	+100 bps	+200 bps
Specific asset class benchmarks:						
Credit-Related Fixed Income	Barclays Capital Global High Yield Index			+0 bps	+37.5 bps	+75 bps
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps

**Table 3, Appendix E**

<b>Eligible Position</b>
<i><b>Investment Professionals</b></i>
CEO & Chief Investment Officer
President & Deputy CIO
Managing Director
Managing Director - Private Investments
Senior Director, Investment
Senior Portfolio Manager
Senior Director, Risk Management
Portfolio Manager
Director, Investment
Director - Private Investments
Director, Risk Management
<i><b>Operations/Support Professionals</b></i>
Senior Managing Director
Managing Director
General Counsel & Chief Compliance Officer
Senior Manager
Manager