

**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 **18<sup>th</sup> day of September 2007**, 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 H. Scott Caven, Jr., Chairman of the Board; 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 for the Corporation; Bill Edwards, Managing Director of Information Technology; Lindel Eakman, Managing Director – Private Markets; Uzi Yoeli, Director – Portfolio Risk Management; Jerry Turner, outside legal counsel for the Corporation; and Philip Aldridge and William Huang representing The University of Texas System (the "UT System"). Mr. Ferguson called the meeting to order at 1:00 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 June 13, 2007. 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, 2007 be, and are hereby, approved.

**Engagement of External Auditor**

Mr. Ferguson asked Mr. Zimmerman to discuss the recommendation to engage an external auditor to review the relative performance data and calculations of Performance Incentive Awards for the UTIMCO Compensation Program for the period ended June 30, 2007. Mr. Zimmerman gave an overview, noting that this is an annual requirement. The Corporation's Compensation Program states that the relative performance data and calculations are to be reviewed by the Corporation's external auditor prior to awards

being finalized and approved by the Board. Ms. Moeller provided details of the scope of services. Mr. Zimmerman and Staff recommended appointment of Deloitte & Touche LLP to perform the agreed upon procedure services for the performance period ending June 30, 2007. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the firm of Deloitte & Touche 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, 2007, following satisfactory negotiation of an engagement letter by UTIMCO Staff.

### **Amendments and Restatement of Compensation Program**

Mr. Ferguson asked Mr. Zimmerman to present the proposed revisions to the UTIMCO Compensation Program ("the Plan"). Mr. Zimmerman discussed revisions related to the entity performance measurement standards and other minor clarification changes. He reported that Staff recommended that the performance of the Total Endowment Assets (combination of the Permanent University Fund and General Endowment Fund) be measured based on the Total Endowment Assets relative performance to its benchmark (Total Endowment Assets' Policy Portfolio Return) as well as the Peer Group. The revisions allow the Total Endowment Assets to be measured at a weight of 75% at its benchmark and a weight of 25% at its Peer Group. After discussion and receiving answers to questions from Mr. Zimmerman and Mr. Turner, the Committee decided that should the UTIMCO Board choose to adopt revisions to the Plan, the proposed revisions presented by Mr. Zimmerman were acceptable to the Committee. Mr. Turner was requested to rewrite the resolution provided in the Committee book to conform to the changes discussed by the Committee. Upon motion duly made and seconded, the following revised 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 Charter of the Compensation Committee of the Board (the "Committee") requires the Committee to recommend to the Board any proposed amendments to the Plan; and

WHEREAS, UTIMCO's Chief Executive Officer has proposed certain Plan amendments to be incorporated into an Amended and Restated Plan effective July 1, 2007, in the form previously provided to the Committee; and

WHEREAS, the Committee has reviewed the proposed amendments to the Plan;

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the Board that should the Board determine to amend the Plan effective for the 2007/2008 Performance

Period, the proposed Plan amendments set forth in the Amended and Restated Plan are fair and reasonable and suitable for adoption by the Board.

**Eligible Positions, Weightings of Performance Goals, Incentive Award Opportunities for Eligible Positions and Participants**

Mr. Ferguson asked Mr. Zimmerman to present the next item for consideration. Mr. Zimmerman gave a recommendation to the Committee, as required by the Corporation's Compensation Program, setting forth the Eligible Positions, weightings of Performance Goals, and incentive award opportunities for the 2007/2008 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 Eligible Positions for a Performance Period include certain employment positions as designated by the President and CEO and approved by the Board of Directors of UTIMCO (the "UTIMCO Board") for that Performance Period; and

WHEREAS, Section 5.4(d) of the Plan provides that, subject to the approval of the UTIMCO Board, the Compensation Committee will approve (or adjust as it deems appropriate) the weightings of the Performance Goals (entity, asset class, and individual) for each Participant (other than for the President/CEO) for each Performance Period; and

WHEREAS, Section 5.5(a) of the Plan provides that, subject to the approval of the UTIMCO Board, the Committee will determine the incentive award opportunity for each Performance Goal for each Participant in an Eligible Position; and

WHEREAS, the Committee has reviewed and approves the Eligible Positions, weightings of the Performance Goals, and the incentive award opportunities for each Eligible Position for the 2007/2008 Performance Period as set forth in Table 1 on Exhibit 1 attached hereto;

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the UTIMCO Board that the Eligible Positions, weightings of Performance Goals, and incentive award opportunities for each Eligible Position for the 2007/2008 Performance Period be approved as set forth in Table 1 on Exhibit 1 attached hereto effective as of July 1, 2007.

Mr. Zimmerman also recommended approval of designation of the employees in Eligible Positions as participants in the Plan for the 2007/2008 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 "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 2007/2008 Performance Period set forth on Exhibit 2 attached hereto;

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the UTIMCO Board that the individuals set forth on Exhibit 2 attached hereto be designated by the UTIMCO Board as "Participants" in the Plan for the 2007/2008 Performance Period, effective as of July 1, 2007, except as any other date is specified for any such Eligible Position or Participant on such Exhibit 2.

### **Executive Session**

Mr. Ferguson announced, at 2:13 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 and evaluation matters. This Executive Session meeting of the Committee is authorized by Texas Government Code, Section 551.074 (Personnel Matters). The time is now 2:13 p.m. and the date is the 18th of September, 2007." At this time, Ms. Moeller, Ms. Wallace, Mr. Edwards, Mr. Eakman, Mr. Yoeli, Mr. Aldridge and Mr. Huang left the meeting.

In Executive Session, the Committee discussed individual personnel compensation and evaluation matters, including the CEO's recommended performance goals for each participant in the UTIMCO Compensation Program for the 2007/2008 Performance Period. 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 18, 2007, at 2:27 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 2:27 p.m. During the Executive Session, the Committee discussed individual personnel compensation and evaluation matters, but did not take any votes, or make any decisions."

## **Performance Goals**

Mr. Ferguson asked Mr. Zimmerman to discuss the next agenda item. Mr. Zimmerman stated that Staff recommends to the Committee approval of the UTIMCO Compensation Program Participants' individual performance goals, entity performance goals, and asset class performance goals. 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 will approve the Performance Goals for each Participant (other than for the President/CEO) for each Performance Period; and

WHEREAS, the Committee has reviewed the proposed Performance Goals for the Participants for the 2007/2008 Performance Period set forth on Exhibit 3 attached hereto (for their Entity and Asset Class Performance Goals) and the individual Performance Goals document as presented to the Committee (for their Individual Performance Goals);

NOW, THEREFORE, be it:

RESOLVED, that the Performance Goals for each Participant (other than the President/CEO) for the 2007/2008 Performance Period as set forth on Exhibit 3 attached hereto (for his or her Entity and Asset Class Performance Goals) and the individual Performance Goals document as presented to the Committee (for his or her individual Performance Goal) are hereby approved, effective July 1, 2007; provided, however, that should the Board determine not to amend the Plan effective for the 2007/2008 Performance Period in the manner proposed by UTIMCO's Chief Executive Officer and considered by the Committee at this meeting, the Entity Performance Goal (Total Endowment Funds) should continue to be benchmarked against a Peer Group for the 2007/2008 Performance Period in the same manner as it was for the 2006/2007 Performance Period.

## **Compensation Consultant**

Mr. Ferguson asked Mr. Zimmerman to present the request to issue a Request for Proposal (RFP) for a compensation consultant. Mr. Zimmerman stated that in conjunction with undertaking a comprehensive review of UTIMCO's Compensation Program, a compensation consultant will be retained to assist in the review. Staff requested that the Compensation Committee review the Request for Proposal and provide comments and edits and provide additional names of consultants to send the Request for Proposal. The Committee instructed Staff to send out the RFP as presented.

Mr. Zimmerman asked that item number 7 on the agenda be withdrawn, due to the fact that the potential candidate was no longer an option.

There being no further business to come before the Committee, the meeting was adjourned at approximately 3:13 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: J. Philip Ferguson Date: 11/27/2007  
J. Philip Ferguson, Chairman of the  
Compensation Committee  
of The University of Texas  
Investment Management Company

## Exhibit 1

**Table 1**  
**Eligible Positions, Weights, and Incentive Award Opportunities for each Eligible Positions**  
**(for the Performance Periods Beginning After June 30, 2007)**

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% <del>30%</del>	0%	30% <del>70%</del>	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, Private Markets	30%	50%	20%	0%	18%	90%	190%
Sr. 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, Private Markets	20%	60%	20%	0%	8%	40%	80%
Director, Risk Management	70% <del>30%</del>	0%	30% <del>70%</del>	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, Private Markets	20%	20%	60%	0%	6%	30%	70%
Associate, Risk Management	70% <del>30%</del>	0%	30% <del>70%</del>	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, Private Markets	20%	20%	60%	0%	6%	30%	50%
Analyst, Risk Management	70% <del>30%</del>	0%	30% <del>70%</del>	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%
General Counsel	0%	0%	100%	0%	8%	40%	80%
Chief Compliance Officer	0%	0%	100%	0%	8%	40%	80%
Manager, Client Services	20%	0%	80%	0%	8%	40%	80%

**Exhibit 2**  
**Designation of Plan Participants in Eligible Positions**  
**in the 2007/2008 Performance Period**

**ELIGIBLE POSITION**

**PARTICIPANTS**

***Investment Professionals***

SR MD, Marketable Alternative Investments and Deputy CIO	Cathy Iberg
MD, Private Markets	Lindel Eakman
Sr. Portfolio Mgr., Fixed Income Invest.	Russ Kampfe
Portfolio Manager, Fixed Income Invest.	Harland Doak
Director, Private Markets	Mark Shoberg
Director, Risk Management	Uzi Yoeli
Director, Marketable Alternative	Ryan Ruebsahm
Associate, Public Markets	Laura Patrick
Associate, Public Markets	Mark Newcomb
Associate, Marketable Alternative	Courtney Powers*
Associate, Private Markets	Scott Bigham
Associate, Private Markets	Zac McCarroll
Associate, Risk Management	Kathleen Wagner
Analyst, Marketable Alternative	Eric Dooley
Analyst, Marketable Alternative	Aman Jain

***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
Internal General Counsel	Cissie Gonzalez

Participants are eligible as of July 1, 2007 unless otherwise notated

\*eligible August 20, 2007



**Exhibit 3**

**UPDATED TABLE 4 (7/1/07 through 8/31/08)**

Asset Class	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment	ITF	Threshold	Target	Maximum
		Assets				
		(% of Portfolio)	(% of Portfolio)			
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>>\$1 B assets)	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+100 bps	+150 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+32.5 bps	+65 bps
US Public Equity	Russell 3000 Index	20%	15%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	5%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	5%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	MSCI Investable Hedge Fund Index	10%	12.5%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	MSCI Investable Hedge Fund Index	15%	12.5%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	0%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	0%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	10%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	5%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	10%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	25%	+0 bps	+12.5 bps	+25 bps
Internal Credit	Credit Related Composite Index	0%	0%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	0%	+0 bps	+0 bps	+0 bps