

**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 November 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, external General 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 September 18, 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 September 18, 2007 be, and are hereby, approved.

Peer Group

Mr. Ferguson recommended amendments to Appendix B to the UTIMCO Compensation Program setting forth a "Peer Group". Mr. Ferguson explained that the Peer Group is a peer group of endowment funds maintained by the Board's external investment advisor, Cambridge Associates, that is composed of all endowment funds with assets greater than \$1 billion as of each fiscal year ending June 2005, 2006 and 2007, excluding Harvard University, Yale University and Total Endowment Assets (PUF and GEF). The Peer Group is updated annually by Cambridge Associates, at the beginning of each performance period

and Appendix B is updated accordingly. The Compensation Plan Universe for 2007/2008 was provided by Cambridge Associates and will be used as the peer group for Appendix B and the 2007/2008 Performance Incentive Award Plan for President, CEO, and CIO. Eight additional endowment funds were added to the Peer Group. The amended Appendix B is attached to these minutes. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 8.14 of the UTIMCO Compensation Program (the "Plan") provides that the "Peer Group" will be updated annually at the beginning of each Performance Period, and Appendix B (UTIMCO Peer Group) will be amended accordingly; and

WHEREAS, Section 7.2 of the Plan provides that the Board has the right to amend the Plan or any portion thereof from time to time; and

WHEREAS, the Committee has reviewed the proposed Appendix B to conform to the updated Peer Group; and

WHEREAS, the 2007/2008 Performance Incentive Award Plan for President, CEO, and CIO (the "CEO's Plan") effective July 1, 2007, for the Performance Period beginning July 1, 2007, and ending June 30, 2008, provides for the selection of an appropriate peer group by the UTIMCO Board; and

WHEREAS, the Committee recommends to the UTIMCO Board that the UTIMCO Peer Group that is adopted and approved as part of the Plan be selected by the UTIMCO Board as the appropriate peer group for the CEO's Plan.

NOW, THEREFORE, be it:

RESOLVED, that the updated and amended Appendix B (UTIMCO Peer Group), a copy of which is attached hereto, is hereby adopted and approved as part of the Plan to replace the current Appendix B, effective as of July 1, 2007, subject to Board approval;

FURTHER RESOLVED, that the Committee recommends to the UTIMCO Board that the UTIMCO Peer Group that is adopted and approved as part of the Plan as amended Appendix B be selected by the UTIMCO Board as the appropriate peer group for the CEO's Plan for the Performance Period beginning July 1, 2007, and ending June 30, 2008.

Executive Session

Mr. Ferguson announced, at 1:05 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 1:05 p.m. and the date is November 15, 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 matters, including the Interim President and CEO's performance incentive award for the 2006/2007 performance period, and performance incentive awards for the participants for 2006/2007 Performance Period (including the Interim President and CEO). 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 November 15, 2007, at 1:40 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 1:40 p.m. During the Executive Session, the Committee discussed individual personnel compensation matters, but did not take any votes, or make any decisions."

Approval of Performance Goals

Mr. Ferguson recommended approval of the interim President and CEO's Performance Incentive Award, subject to further approval from the Board, and presented the suggested amount for the award. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Section 5.5(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will determine the level of achievement of the President and CEO relative to the President and CEO's "Performance Goals" for such Performance Period; and

WHEREAS, Cathy Iberg served as Interim President and CEO of the Corporation from September 1, 2006, through the end of the Performance Period; and

WHEREAS, the Committee has reviewed the actual performance of the Interim President and CEO during the Performance Period and has compared such actual performance relative to each Performance Goal category for the Interim President and CEO against her corresponding Performance Goal for such Performance Period and recommends that the Board review the same; and

WHEREAS, Sections 5.5(e) and 5.5(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a "Performance Incentive Award" will be calculated for each Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Section 5.5(f) of the Plan provides that the Committee will review all calculations of Performance Incentive Awards, based on the certification of its

advisors, make any changes it deems appropriate, and submit its recommendation to the Board for approval; and

WHEREAS, the Committee has reviewed the calculation of the Performance Incentive Award for the Interim President and CEO of the Corporation, approves such calculation, and recommends that the Board approve the Interim President and CEO's Performance Incentive Award.

NOW, THEREFORE, be it:

RESOLVED, that the Interim President and CEO's Performance Incentive Award for the 2006/2007 Performance Period in the total amount of \$607,145 is hereby approved, subject to further approval of the UTIMCO Board.

The next proposed resolution presented by Mr. Ferguson was the request to approve the performance compensation award totals under the Compensation Plan for all eligible employees. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, in accordance with Section 5.5(d) of the UTIMCO Compensation Program (the "Plan"), the Compensation Committee has determined each Participant's (including the President and CEO) level of achievement of his or her "Performance Goals" for the 2006/2007 Performance Period; and

WHEREAS, Sections 5.5(e) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a "Performance Incentive Award" will be calculated for each Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Sections 5.5(f) of the Plan provides that the Compensation Committee will review all Performance Incentive Award calculations for all Participants who have met or exceeded their performance benchmarks for such Performance Period and submit its recommendations to the Board for approval; and

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants (including the Interim President and CEO) who have met or exceeded their performance benchmarks for the 2006/2007 Performance Period and wishes to document approval of such Performance Incentive Awards and recommend that the Board approve the same;

NOW, THEREFORE, be it:

RESOLVED, that the Performance Incentive Awards for the Participants for the 2006/2007 Performance Period (including the Interim President and CEO) in the total amount of \$1,852,890 are hereby approved, subject to further approval of the UTIMCO Board.

Staffing Changes

Mr. Ferguson recommended Committee approval of the request by the CEO to use the salary budgeted for the position of Managing Director – Inflation Hedging, plus an additional 25%, to be used to create two positions. These two positions would be Director - Natural Resources and Director - Real Estate. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Committee approves the recommendation of the CEO to use the salary budgeted for Managing Director - Inflation Hedging and approves up to an additional 25% salary increase to create two positions, a Director – Natural Resources and a Director – Real Estate.

Deferred Compensation Plan

Mr. Ferguson asked Mr. Zimmerman to present information regarding the proposed adoption of a 457(b) deferred compensation plan for UTIMCO. Mr. Zimmerman explained that Internal Revenue Code Section 457(b) permits a tax-exempt organization to adopt an unfunded pension benefit plan established and maintained for a select group of management or highly compensated employees. Mr. Zimmerman gave a summary of the proposed plan to the Committee and Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Compensation Committee has reviewed the UTIMCO 457(b) Deferred Compensation Plan in the form previously provided to it and wishes to document approval of such UTIMCO 457(b) Deferred Compensation Plan and to recommend that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Compensation Committee approves the adoption of the UTIMCO 457(b) Deferred Compensation Plan in the form previously provided to the Committee, subject to further approval of the UTIMCO Board.

Compensation Consultant

Mr. Ferguson asked Mr. Zimmerman to discuss results from the Request for Proposal ("RFP") that had been sent out to compensation consultants. Mr. Zimmerman said that the only response to the RFP was received from Mercer Human Resource Consulting. Mr. Zimmerman answered the Committee Members' questions and stated that the Staff made the recommendation to select Mercer Human Resource Consulting. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Compensation Consultant, Mercer Human Resource Consulting, as recommended to the Committee, be, and is hereby, approved.

There being no further business to come before the Committee, the meeting was adjourned at approximately 2:00 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: J. Philip Ferguson Date: 2-6-08
J. Philip Ferguson, Chairman of the
Compensation Committee
of The University of Texas
Investment Management Company

Cambridge Peer Group Greater Than \$1 Billion

As of June 30, 2005, 2006 and 2007
Based on NACUBO Studies

- 1 Amherst College
- 2 Baylor College of Medicine
- 3 Boston College
- 4 Brown University
- 5 California Institute of Technology
- 6 Case Western Reserve University
- 7 Columbia University
- 8 Cornell University
- 9 Dartmouth College
- 10 Duke University
- 11 Emory University
- 12 Grinnell College
- 13 Indiana University and Foundation
- 14 Johns Hopkins University
- 15 Massachusetts Institute of Technology
- 16 New York University
- 17 Northwestern University
- 18 Ohio State University and Foundation
- 19 Pennsylvania State University
- 20 Pomona College
- 21 Princeton University
- 22 Purdue University
- 23 Rice University
- 24 Smith College
- 25 Southern Methodist University
- 26 Stanford University
- 27 Swarthmore College
- 28 The Rockefeller University
- 29 The Texas A&M University System and Foundations
- 30 UNC at Chapel Hill and Foundations
- 31 University of California
- 32 University of Chicago
- 33 University of Cincinnati
- 34 University of Delaware
- 35 University of Illinois and Foundation
- 36 University of Michigan
- 37 University of Minnesota and Foundation
- 38 University of Nebraska and Foundation
- 39 University of Notre Dame
- 40 University of Pennsylvania
- 41 University of Pittsburgh
- 42 University of Richmond
- 43 University of Rochester
- 44 University of Southern California
- 45 University of Virginia
- 46 University of Washington
- 47 University of Wisconsin Foundation
- 48 Vanderbilt University
- 49 Washington University
- 50 Wellesley College
- 51 Williams College
- 52 Yeshiva University