

Robert B. Rowling

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FEB 05 2009

Appointments

February 5, 2009

The Honorable J. Rick Perry
Governor
The State of Texas
The Capitol
Austin, TX 78711-2068

The Honorable David Dewhurst
Lieutenant Governor
The State of Texas
The Capitol
Austin, TX 78711-2068

Dear Governor and Lieutenant Governor:

I am in receipt of your letter dated February 4, 2009, a copy of which I have attached to this letter.

I would like to take this opportunity to respond to both your letter and my experience at the Senate Finance Committee meeting this morning.

The bonus compensation which was awarded to UTIMCO staff was based upon a plan put in place in 2007 and covered the period from July 1, 2007 to June 30, 2008. During this period the Permanent University Fund earned a positive return of 2.0% and the General Endowment Fund earned 2.4%, both of which were in excess of UTIMCO benchmarks. The fund performed in the top quarter of all endowment and pension funds nationwide...and these were the metrics of the compensation plan which led to the payment of these bonuses. The bonuses were not finally approved and paid until November 2008 because we do not receive data from competitive endowments to compare our performance until several months following the end of June.

You have characterized the payments as "irresponsible" and "hardly defensible" while Senator Eltife called them "shameful". I completely disagree. It would be irresponsible and shameful to commit to an agreement with employees and then turn your back on the agreement. All of the nine UTIMCO directors (who volunteer countless hours and care about our state) voted for the payments. If I was in the same position again today I would vote to do the same thing.

I have volunteered my time for almost five years on the University of Texas Board of Regents and four years on the UTIMCO Board. I currently chair the finance committee of the Board of Regents and I have worked tirelessly to steward the assets of Texas wisely. I have spent more days away from my family on UT business than I can count.

I accepted my role on these boards as an opportunity to serve the State of Texas. Watching the way Mr. Zimmerman was treated at this morning's hearing truly does meet the definition of "shameful". In the current environment I do not know why any rational person would volunteer their time to serve. Please accept this letter as my resignation from both the Board of Regents and the University of Texas Investment Management Company.

Sincerely,



Robert B. Rowling

Enclosure

cc:

Mr. J. Philip Ferguson, Vice Chairman, Board of Directors, UTIMCO
Mr. Kenneth I. Shine, Vice Chairman for Policy, UTIMCO
Mr. Clint D. Carlson, Member, Board of Directors, UTIMCO
Mr. Paul Foster, Member, Board of Directors, UTIMCO
Ms. Colleen McHugh, Member, Member, Board of Directors, UTIMCO;
Board of Regents, The University of Texas System
Mr. Ardon E. Moore, Member, Board of Directors, UTIMCO
Mr. Erle Nye, Member, Board of Directors, UTIMCO
Mr. Charles W. Tate, Member, Board of Directors, UTIMCO
Dr. Francisco G. Cigarrora, Chancellor, The University of Texas System
Mr. H. Scott Caven, Jr., Chairman Board of Regents, The University
of Texas System
Mr. James R. Huffines, Vice Chairman, Board of Regents, The University
Texas System
Mr. John W. Barnhill, Jr., Member, Board of Regents, The University of
Texas System
Mr. James D. Dannenbaum, Member, Board of Regents, The University of
Texas System

Mr. Paul Foster, Member, Board of Regents, The University of Texas System
Mr. Printice L. Gary, Member, Board of Regents, The University of Texas System
Ms. Janiece Longoria, Member, Board of Regents, The University of Texas System
Mr. Benjamin L. Dower, Student Regent, The University of Texas System
Mr. Steve Ogden, Chairman, Texas Senate Committee on Finance
Mr. Juan Hinojosa, Vice-Chairman, Texas Senate Committee on Finance
Mr. Kip Averitt, Member, Texas Senate Committee on Finance
Dr. Bob Deuell, Member, Texas Senate Committee on Finance
Mr. Robert Duncan, Member, Texas Senate Committee on Finance
Mr. Kevin Eltife, Member, Texas Senate Committee on Finance
Mr. Chris Harris, Member, Texas Senate Committee on Finance
Mr. Eddie Lucio, Jr., Member, Texas Senate Committee on Finance
Ms. Jane Nelson, Member, Texas Senate Committee on Finance
Mr. Kel Seliger, Member, Texas Senate Committee on Finance
Ms. Florence Shapiro, Member, Texas Senate Committee on Finance
Mr. Royce West, Member, Texas Senate Committee on Finance
Mr. John Whitmire, Member, Texas Senate Committee on Finance
Mr. Tommy Williams, Member, Texas Senate Committee on Finance
Ms. Judith Zaffirini, Member, Texas Senate Committee on Finance



STATE OF TEXAS

February 4, 2009

Mr. Robert B. Rowling
Chairman of the Board
UTIMCO
401 Congress Avenue, Suite 2800
Austin Texas 78701

Dear Mr. Rowling:

It has come to our attention that the UTIMCO Compensation Committee recently approved bonus compensation for several of its staff members. Minutes recorded during a November 6, 2008, meeting reflect that bonuses totaling \$3.38 million were approved, including a \$1.05 million bonus for the Chief Executive Officer, Bruce Zimmerman. Another \$2.33 million in bonuses were approved to be dispersed among additional staff members.

We take strong issue with these bonuses for two main reasons.

First, we can't imagine how such compensation is justified considering that in the same month this meeting was held, reports surfaced that UTIMCO's earnings for the year had dropped an estimated 23 percent.

Second, we find it hardly defensible to issue bonuses of this size during a time when state agencies are being asked to tighten their belts, and Texans across the state are facing difficult personal budget decisions.

These decisions are irresponsible given the financial crisis that is spreading across our nation. In times like this, we expect leaders of our public investment funds to act with fiscal restraint and responsibility, especially when the funds you manage are posting double-digit losses.

As many hard-working Texans and business owners face an end to not only their bonuses, but in many cases their jobs and homes, it is inappropriate to excessively reward staff using dollars from a weakening public fund that our higher education institutions and their employees depend upon.

We hope that the UTIMCO Board of Directors will reject the action taken by its Compensation Committee and make the fiscally responsible decision to deny approval of the bonuses as proposed.

Mr. Robert B. Rowling
February 4, 2009
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As UTIMCO leaders stand before the Senate Finance Committee tomorrow, we look forward to hearing the committee's reasoning for granting these bonuses and gaining clarity about who received the bonuses and at what levels.

Sincerely,



Rick Perry
Governor



David Dewhurst
Lieutenant Governor

cc: Mr. J. Philip Ferguson, Vice Chairman, Board of Directors, UTIMCO
Mr. Kenneth I. Shine, Vice Chairman for Policy, UTIMCO
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