

**MINUTES OF  
MEETING OF THE RISK COMMITTEE OF  
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Risk Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **March 1, 2007**, at the St. Regis Hotel, 1919 Briar Oaks Lane, Houston, Texas, said meeting having been called to order by the Committee Chair, Charles Tate, 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:

Charles W. Tate, Chair  
Clint D. Carlson  
J. Philip Ferguson

thus, constituting a majority and quorum of the Committee. Mr. Carlson attended the meeting by telephone conference call pursuant to Section 66.08(h)(2)(B), Texas Education Code. Also attending the meeting were H. Scott Caven, Chairman of the Board; Cathy Iberg, Interim President of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Andrea Reed, Risk Manager; Trey Thompson, Managing Director – Non-Marketable Alternative Investments; Tushar Shah, Director of Public Markets; various staff members of the Corporation; Jerry Turner, outside legal counsel for the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Bruce Myers of Cambridge Associates; Philip Aldridge, Jim Phillips and Cathy Swain of UT System Administration; and Gifford Fong of Gifford Fong Associates. Chairman Tate called the meeting to order at 9:35 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

**Minutes**

The first matter to come before the Committee was approval of the minutes of the meeting of the Risk Committee held on October 27, 2006. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Risk Committee held on October 27, 2006, be, and are hereby, approved.

**Risk Management Consultant**

Mr. Tate opened the meeting by welcoming Mr. Gifford Fong, of Gifford Fong Associates. Gifford Fong Associates was selected in the Fall of 2006 to be the Risk Consultant to the Board by both the Risk Committee and the Board of Directors. Mr. Tate asked Mr. Fong to discuss his progress to date in reviewing the Corporation's risk management activities and provide observations regarding overall risk at the Corporation. Mr. Fong first thanked the Corporation's staff for their time and information while working with him and his associates. The first part of Mr. Fong's presentation was an overview of the Risk Model

and Risk Analytics. All risk models must use framework integrating judgment and quantitative assessment. After reviewing the Corporation's risk framework, he reported that UTIMCO has a very vital framework in place. Mr. Fong found that the risk analytics developed by UTIMCO's risk group were thoughtful and in many respects cutting edge. The next part of his presentation covered Valuation Policies and Procedures. Mr. Fong said that pricing is always an issue with every investment management company, but given today's portfolio, the Committee should take comfort that pricing is being reported correctly. Mr. Fong and Ms. Iberg answered the Committee Members' questions, with Ms. Iberg elaborating on the hedge fund area procedures and due diligence process. Policy Issues and Tool Kit Suggestions were also discussed, including correlation of funding sources, policy on tactical limits and use of risk exposures in asset allocation. Mr. Fong stated that the Risk Dashboard is a good management and reporting tool that is already in place and offered suggestions that could be incorporated to further complement the reporting. More discussion in this area will be done with the next asset allocation study by the Committee and the Board. Dr. Brown left the meeting at this time.

### **Asset Allocation Review**

Mr. Tate asked Ms. Iberg to continue with discussion of the 2007 Asset Allocation Review. Ms. Iberg began by reviewing the current Investment Policy Objectives, Decision Factors and Policy Portfolios. She discussed asset allocation changes over time and compared dollar allocation versus risk allocation. Ms. Iberg also identified various issues for consideration by the Committee as they look forward at revision of the portfolio. She listed the key allocation parameters and discussed the associated investment and derivative policies. Ms. Iberg, Ms. Reed and Mr. Fong answered the Committee Members' questions.

### **Investment Guidelines**

Ms. Iberg explained that for transparency reasons, the Staff brought forward a recommendation to the Committee to broaden the investment guidelines of the existing investment mandate with Global Investment Advisors within the parameters specified by the Risk Committee. Global Investment Advisors ("GIA") is an existing Fixed Income Manager who was hired in May 2006 to manage an opportunistic fixed income mandate on behalf of the Permanent University Fund (PUF), the General Endowment Fund (GEF) and the Intermediate Term Fund (ITF). At the time of hiring, staff limited GIA's ability to utilize leverage and shorting until resolution was made by the Risk Committee as to the limit of discretion with which external Public Markets managers could operate. Since the Risk Committee has now agreed upon classification parameters, staff would like to expand GIA's guidelines to allow for both the use of leverage and shorting. Ms. Iberg, Ms. Reed and Mr. Shah answered the Committee Members' questions. Mr. Turner and Mr. Fong left the meeting at this time. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Investment Guidelines of the Existing Investment Mandate with Global Investment Advisors be broadened, and are hereby, approved within the parameters specified by the Committee.

### **Liquidity Profiles**

Mr. Tate asked Ms. Reed to continue by presenting the Liquidity Profiles as of the end of December 2006. The PUF, GEF and ITF profile reports included certification signatures by the Risk Manager, Chief Compliance Officer, and Interim President of the Corporation. All Managing Directors' signatures were provided certifying the December 31, 2006, reports and supporting documentation. Ms. Reed presented the liquidity profiles, actual liquidity classifications, and pro-forma liquidity profile. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Liquidity Profiles for December 2006 be, and are hereby, approved in the form submitted to the Committee.

### **Risk Dashboard**

Ms. Reed presented the Risk Dashboard for December 2006. The Staff has developed a set of standardized charts and graphs that are provided to the Board on a monthly basis presenting a comprehensive risk analysis of the Endowment Funds. Ms. Reed gave an update of risk in the portfolio with regard to tactical decisions. Ms. Iberg and Ms. Reed answered the Committee Members' questions.

### **Comprehensive Derivative Reports**

Ms. Reed presented the Comprehensive Derivative Reports. The Derivative Investment Policy requires Staff to provide a comprehensive report of all approved derivative applications and all outstanding derivatives positions established under agency agreements. Also prepared was a report on counterparties. The reports are for the period ended December 31, 2006. Ms. Iberg and Ms. Reed answered the Committee Members' questions.

### **Derivative Compliance**

Ms. Reed gave a summary of the current Derivative Compliance. She discussed both the Risk Management group's approach to evaluating and testing the risk in the various derivative applications that the Corporation pursues and the spreadsheet detailing the actual derivative tests. Ms. Reed and Mr. Shah answered the Directors' questions.

### **Investment Policies Compliance Report**

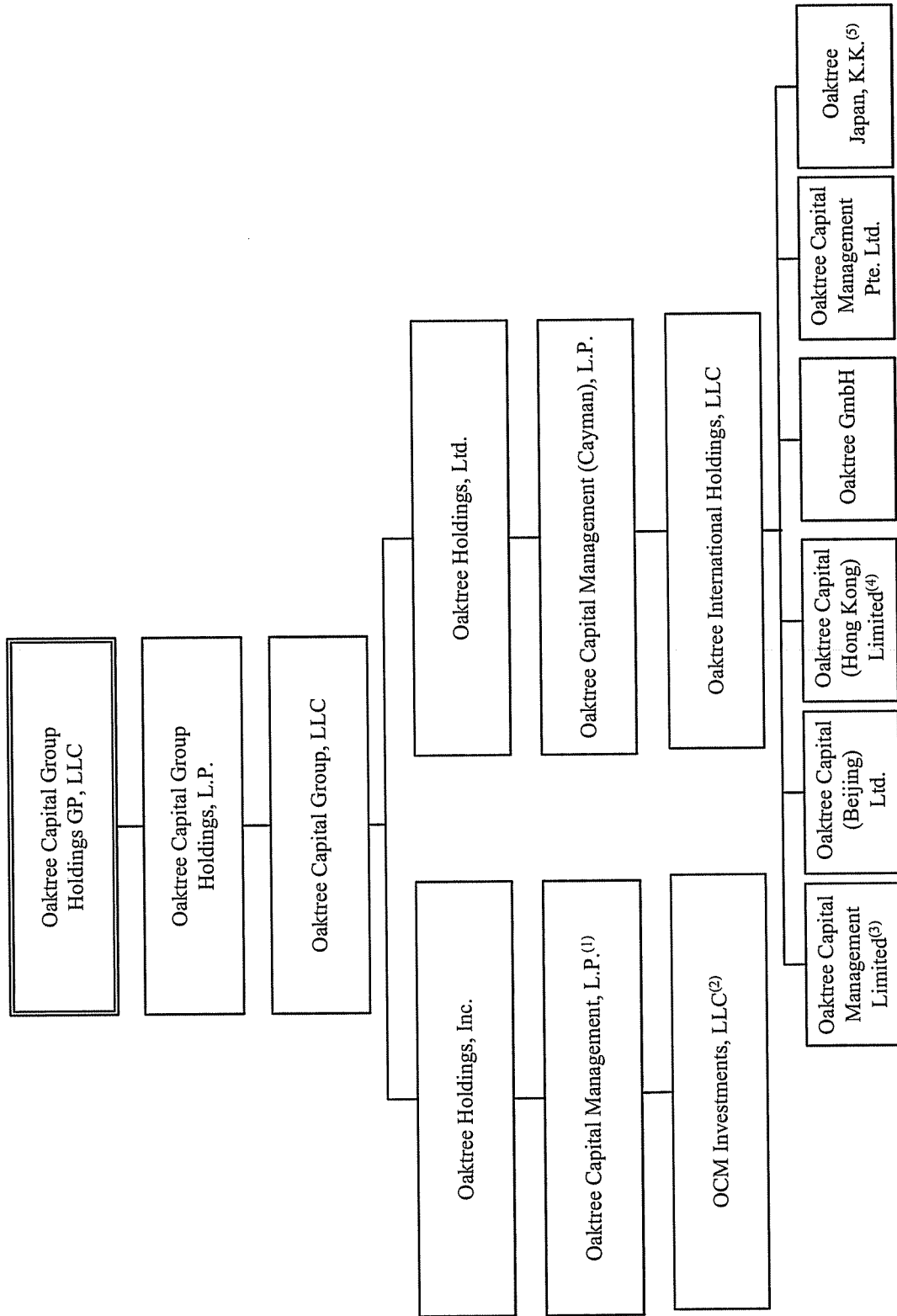
Mr. Tate asked Ms. Moeller to present the last item on the agenda, which was an update on Investment Compliance Reporting. Monitoring investment policies of the Board and the UT Board, as well as the investment managers' investment guidelines, is performed by staff on an ongoing basis. Certain items require daily monitoring, while others are monitored monthly. Staff prepares a monthly Compliance Report which is reported to the Audit and Ethics Committee. Ms. Moeller presented a summary of the Investment Policies Compliance Report for the quarter ended November 2006.

There being no further business to come before the Risk Committee, the meeting was adjourned at approximately 12:35 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Charles W. Tate Date: 4/10/07  
Charles W. Tate, Chair  
Risk Committee  
of the Board of Directors of  
The University of Texas Investment  
Management Company

The following diagram illustrates the corporate structure, based on voting control, of Oaktree's registered broker-dealer and investment adviser entities and does not include all of the entities within the Oaktree group nor does it illustrate all of the economic ownership of such entities.



(1) Registered U.S. Investment Adviser.

(2) Registered broker-dealer and member of FINRA.

(3) Authorized and regulated by the UK Financial Services Authority.

(4) Registered with the Securities and Futures Commission in Hong Kong.

(5) Registered as a non-discretionary investment advisor with the Kanto Local Finance Bureau in Japan.