

**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 June 30, 2009, 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 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  
Paul Foster

Also attending the meeting was Erie Nye, Chairman of the Board, thus constituting a majority and quorum of the Committee and Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer; and various staff members. Also attending were Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Charlie Chaffin, Mark Gentle, Moshmee Kalamkar, William Huang, Laura Hartmann and Miles Ragland of UT System Administration; Jerry Turner of Andrews Kurth LLP; and Bruce Myers of Cambridge Associates. Chairman Tate called the meeting to order at 4:00 p.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 April 16, 2009. Mr. Tate requested corrections to the minutes prior to approval. In addition to minor clerical corrections, he requested that in the section entitled Factor Analysis: Effects of Growth and Inflation on Asset Class Returns the following sentence be removed from the minutes: "The take away from the analysis was that the current environment might warrant a tilt toward Fixed Income (both Investment Grade and Credit), as they provide better risk-adjusted returns". He did not think that the statement accurately reflected the "take-away" from the meeting. Upon motion duly made and seconded, accepting the minutes as amended, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Risk Committee held April 16, 2009 be, and are hereby, approved.

**Compliance Summary Program**

Mr. Tate asked Ms. Gonzalez to provide a report on the Compliance Summary Program. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended May 31, 2009. Ms. Gonzalez began by noting that as previously reported to the Chairs of the Audit & Ethics Committee and the Risk

Committee, the portfolios were back in compliance in all Investment Types and Asset Classes. Additionally, the ITF was also back within its risk range at the end of the quarter. Ms. Gonzalez reported that a new board member was appointed in March. When the board member's financial disclosure form was received, a pecuniary interest was disclosed that created a conflict of interest so UTIMCO's investment managers holding the same positions were asked to liquidate them, which they did in May and June. She also mentioned an inflation hedge derivative position, discussed earlier in the day during the Audit & Ethics Committee meeting, believed to be a Permitted Derivative Application as set forth in the Derivative Investment Policy. Although it was unclear whether the inflation hedge derivative position should be deemed to be out of compliance with the Derivative Investment Policy, Staff noted that based on the size of the derivative position and potential for loss, the prudent course would have been for Staff to present the proposed derivative position to the Board before entering into the trade. As such, Staff cancelled the short trade until a full presentation could be made to the Board with a request for delegated authority to enter into the trade. Ms. Gonzalez continued by presenting the Institutional Compliance Program Quarterly Report for the Quarter Ended May 31, 2009. Ms. Gonzalez reported that David Gahagan, Network Manager/Chief Information Security Officer for Information Technology for the Corporation, was commended by Lewis Watkins, the U. T. System Chief Information Security Officer, for the quality of the UTIMCO Information Security Program document and quarterly reports submitted to UT System. Mr. Watkins requested permission to use the UTIMCO Information Security Program document as a model at the UT System Chief Information Security Officers' Council meeting in June and Mr. Gahagan was invited to speak about UTIMCO's Information Security Program. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

#### **Categorization of Mandates**

Mr. Tate and Mr. Zimmerman gave a summary of the four new mandate categorizations prepared by Staff for the period beginning April 9, 2009, and ending June 15, 2009. Although Staff did not request re-categorization for any existing mandates at this time, they will continue to monitor two mandates for possible re-categorization. Mr. Zimmerman answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board adopted a Mandate Categorization Procedure on January 30, 2008, with an effective date of March 1, 2008, to provide greater transparency into the process of classifying an investment mandate within the approved Asset Classes and Investment Types as defined in the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, and the Intermediate Term Fund; and

WHEREAS, the Procedure requires the Managing Directors, the Chief Compliance Officer, and the Chief Investment Officer to review and categorize each new mandate, to recommend re-categorization of any existing mandate if after the initial or annual categorization they become aware of a change(s) in the investment characteristics of the mandate that warrants a re-categorization, and to annually review all existing mandates; and

WHEREAS, a Managing Director, the Chief Compliance Officer, and the Chief Investment Officer have reviewed all new mandates prepared from April 9, 2009, through June 15, 2009, and categorized each as required by the Procedure; and

WHEREAS, the Risk Committee has reviewed the new Asset Class and Investment Type Mandate Categorizations, and concurs in the classifications as proposed by the Corporation's staff.

NOW, THEREFORE, BE IT

RESOLVED, that the Categorizations of the Asset Class and Investment Type for each Investment Mandate are hereby approved.

Funds Update

Mr. Tate asked Mr. Zimmerman to give a Funds Update. Mr. Zimmerman began with presenting the performance summary as of May 31, 2009. He presented charts that included performance during the last three, six, nine, and twelve months, risk/return analysis, asset allocation over time for the General Endowment Fund (GEF), deviations from policy targets for the Permanent University Fund (PUF), the GEF and the Intermediate Term Fund (ITF) (collectively, the Funds). One new chart depicted month-to-month results for fiscal year to date 2009. Mr. Zimmerman then reviewed the Funds with the categorization grids, comparing Asset Class and Investment Type targets, ranges and performance objectives. He discussed several charts explaining the current risk environment of the Funds and their respective liquidity profiles and a chart which illustrated four-way risk decomposition as of May 31, 2009. Also among the reports presented by Mr. Zimmerman were comprehensive derivative reports as of May 31, 2009, a report on risk allocation, and a report on investment transactions made under the Delegation of Authority for the Fiscal Quarter ended May 31, 2009. Mr. Zimmerman and Ms. Iberg answered the Committee Members' questions.

With there being no further business to come before the Risk Committee, the meeting was adjourned at approximately 4:30 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Charles W. Tate Date: 11/23/09  
Charles W. Tate, Chair  
Risk Committee  
of the Board of Directors of  
The University of Texas Investment  
Management Company