

**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 **November 5, 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 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  
Paul Foster

thus constituting a majority and quorum of the Committee. Committee Member J. Philip Ferguson did not attend the meeting. Erle Nye, Chairman of the Board, attended the meeting. 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; Uzi Yoeli, Senior Director - Portfolio Risk Management; Mark Warner, Senior Director - Natural Resources Investments; and various staff members. Also attending were Keith Brown of the McCombs School of Business at UT Austin; Philip Aldridge, Jim Phillips, William Huang, Moshmee Kalamkar and Miles Ragland representing The University of Texas System (the "UT System"); and Bob Jewell of Andrews Kurth LLP. Chairman Tate called the meeting to order at 11:03 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 June 30, 2009, and the Joint Meeting of the Policy and Risk Committee held on June 30, 2009. 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 **June 30, 2009**, and the Joint Meeting of the Policy and Risk Committees held on **June 30, 2009** be, and are hereby, approved.

**Derivative Investments Controls and Processes, ISDA Agreements**

Mr. Tate asked Mr. Zimmerman to begin discussion of the derivative investments controls and processes, and ISDA agreements. Mr. Zimmerman said that beginning last May, Staff focused efforts on enhancing derivative investments controls and processes, and spent time and effort on reviewing the ISDA agreements. Mr. Zimmerman asked Ms. Moeller and Mr. Warner to give the Committee an update on these two areas. Ms. Moeller reported that in conjunction with the review and subsequent amendments to the Derivative Investment Policy (the "Policy"), Staff developed the Derivative Investments Controls and Processes document, effective September 1, 2009. The Policy sets forth the applications,

documentations and limitations for Derivative Investments in the Permanent University Fund, the General Endowment Fund, the Intermediate Term Fund, and the Separately Invested Funds. The Derivative Investments Controls and Processes document provides detailed steps for Staff to follow to comply with the Policy and strengthens internal controls to ensure derivative risks are identified, measured appropriately, properly controlled, and reported. Mr. Warner stated that the review of the ISDA agreements was performed to update the existing counterparty(ies) utilized by the Corporation in the post-Lehman environment and to more closely align Corporation ISDA agreement contracting terms with those of the UT System ISDA agreements. Mr. Zimmerman, Ms. Iberg, Ms. Moeller and Mr. Warner answered the Committee Members' questions.

### **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 August 31, 2009. Ms. Gonzalez began by noting that in June the ITF was under risk capacity, but all Funds were in compliance at the end of the quarter. All Funds were within ranges in both asset class and investment type, and within the risk budget at quarter end. There were no issues reported in Liquidity and no non-compliance reported on the Derivative Investment Policy. With regard to securities lending, Ms. Gonzalez reported that two positions exceeded the 5% limit in equity holdings during the quarter but were in compliance at the time the original position was taken. Ms. Gonzalez continued by presenting the Institutional Compliance Program Annual Report for the Quarter Ended August 31, 2009. Ms. Gonzalez reported that all pre-clearance of trades had cleared and all transaction forms had been filled out on time. She reported that the only activity on the Corporation's Compliance Hotline were hang-ups for the quarter ending August 31, 2009. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

### **Categorization of New Mandates**

Mr. Tate began the discussion on the Categorization of New Investment Mandates by stating that there were nine categorizations of new investment mandates being submitted for the Committee's review and approval. Mr. Zimmerman presented details of the Staff recommendations for new mandate categorizations. These represented the mandate categorizations prepared by staff from June 16, 2009, and ending October 26, 2009. There were two mandates included in the "Mandate Categorization Watch-List" that will continue to be monitored by Staff for possible recategorization. The Chief Compliance Officer and CEO and Chief Investment Officer concurred in the categorizations prepared by the Managing Directors. 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

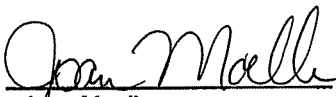
WHEREAS, a Managing Director, the Chief Compliance Officer, and the Chief Investment Officer have reviewed all new mandates prepared from June 16, 2009, through October 26, 2009, and categorized each as required by the Procedure; and

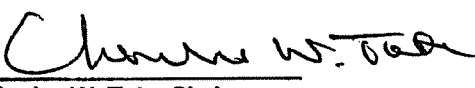
WHEREAS, the Risk Committee has reviewed the new Asset Class and Investment Type Mandate Categorizations, and concurs in the classifications as proposed by the Corporation's staff.

NOW, THEREFORE, BE IT

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

With there being no further business to come before the Risk Committee, the meeting was adjourned at approximately 11:46 a.m.

Secretary:   
Joan Moeller

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

Date: 2/3/10