

**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 April 16, 2009, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of Andrews Kurth LLP, One Congress Plaza, 111 Congress Ave., 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
J. Philip Ferguson
Erle Nye

thus constituting a majority and quorum of the Committee. 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, Director - Portfolio Risk Management; and various staff members. Also attending were Keith Brown of the McCombs School of Business at UT Austin; Charlie Chaffin, Philip Aldridge, Jim Phillips, Moshmee Kalamkar and Miles Ragland representing The University of Texas System (the "UT System"); and Jerry Turner of Andrews Kurth LLP. Chairman Tate called the meeting to order at 2:05 p.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member. Mr. Zimmerman suggested a change in the order of the agenda items and Mr. Tate agreed.

Minutes

The first matter to come before the Committee was approval of the minutes of the meeting of the Risk Committee held on January 29, 2009, and the Joint Meeting of the Policy and Risk Committee held on February 5, 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 **January 29, 2009**, and the Joint Meeting of the Policy and Risk Committees held on **February 5, 2009** be, and are hereby, approved.

Compliance Summary Program

Mr. Tate asked Mr. Zimmerman to provide a report on the Compliance Summary Program. Mr. Zimmerman presented the Investment Policies Compliance Report for the Quarter Ended February 28, 2009, noting that the Private Investments continued to exceed its asset allocation ranges for both the Permanent University Fund (PUF) and General Endowment Fund (GEF), More Correlated and Constrained (MCC) for the GEF was slightly below its minimum range, and Investment Grade Income for the PUF remained above its maximum range set by the Investment Policy Statements. These were all reported and

managed as per policy requirements. No additional Private Investments were made during the reported quarter. As of March, Private Investments was back within range and MCC was back above minimum. Investment Grade Fixed Income for the PUF remained above its maximum range in March but Staff projects that this will correct itself. The Intermediate Term Fund's (ITF) risk capacity as set by the Investment Policy Statement fell below its minimum. This was reported and managed as per policy requirements. The Institutions' Chief Business Officers, the UT System Office of Business Affairs and Office of Finance all agreed with Staff to take no action at this time to bring the ITF's risk capacity back within range. Ms. Gonzalez reported that during the reported quarter the Securities Lending Policy had two positions that exceeded 5% due to a decrease in collateral, but was back in range at the time of the meeting. Ms. Gonzalez continued by presenting the Institutional Compliance Program Quarterly Report for the Quarter Ended February 28, 2009, which was submitted to UT System. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

Categorization of Mandates

Mr. Tate asked Mr. Zimmerman to begin the discussion of the categorization of four new investment mandates, re-categorization recommendations and the annual review of existing mandate categorizations. Mr. Zimmerman stating that the new mandate categorizations prepared by staff were for the period beginning January 16, 2009 to April 8, 2009. He also presented three recommended re-categorizations of existing mandates being submitted for the Committee's review and approval or re-categorization, and two mandates on the "watch-list", which are categorizations that may be considered for re-categorization in the future. Mr. Zimmerman presented the Annual Review of Mandate Categorizations for More Correlated and Constrained (MCC), Less Correlated and Constrained (LCC), and Private Investments, reviewing with the Committee Members the criteria considered by Staff during the annual review to determine if a re-categorization is warranted. He reported that the Chief Compliance Officer concurred in the categorizations prepared by the Managing Directors, as did he. Mr. Zimmerman and Ms. Iberg 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 January 16, 2009, through April 8, 2009, and categorized each as required by the Procedure; and

WHEREAS, a Managing Director, the Chief Compliance Officer, and the Chief Investment Officer have performed the annual review of all existing mandates and have recommended a re-categorization of three mandates that were previously approved by the Committee; and

WHEREAS, the Risk Committee has reviewed the new Asset Class and Investment Type Mandate Categorizations and the re-categorization of the Mandate Categorizations that were previously approved by the Committee, 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.

Recommended Distribution Rates

Mr. Tate asked Mr. Zimmerman to present the recommended distribution rates for the Permanent University Fund (PUF), Permanent Health Fund (PHF), Long Term Fund (LTF) and Intermediate Term Fund (ITF) for the fiscal year ending August 31, 2010. Mr. Tate reminded the Committee that once the recommended distribution rates were approved by the Committee, they must then be recommended to and adopted by the Corporation's Board of Directors, subject to further approval by the Board of Regents of The University of Texas System. Mr. Zimmerman explained that each of the Funds' respective Investment Policy Statement provides guidelines to calculate the distribution amount or rate and provides the spending policy objectives of the Fund. UTIMCO staff recommended that the Committee approve the following for fiscal year ending August 31, 2010: 1) the distribution from the PUF to the Available University Fund be decreased by 2.7% from \$530,930,622 to \$516,419,406; 2) the distribution rate for the PHF be increased from \$0.0528 per unit to \$0.0541 per unit; 3) the distribution rate for the LTF be increased from \$0.3024 per unit to \$0.3098 per unit; and 4) the distribution rate for the ITF remain at 3.0% per annum. Mr. Tate left the meeting at this time due to a telephone malfunction. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the annual distribution amount for the Permanent University Fund be decreased from \$530,932,622 to \$516,419,406, for fiscal year 2010, effective with the September 1, 2009 distribution; the distribution rate for the Permanent Health Fund be increased from \$0.0528 per unit to \$0.0541 per unit for fiscal year 2010, effective with the November 30, 2009 quarterly distributions; the distribution rate for the Long Term Fund be increased from \$0.3024 per unit to \$0.3098 per unit for fiscal year 2010, effective with the November 30, 2009 quarterly distributions; and the distribution rate for the Intermediate Term Fund remain at 3.0% per annum for fiscal year 2010, effective with the September 1, 2009 monthly distribution.

BE IT FURTHER RESOLVED, that the annual distribution amount for the Permanent University Fund and the distribution rates for the Permanent Health Fund, Long Term Fund, and Intermediate Term Fund be, and are hereby,

Directors, and subject to approval by the Board of Regents of The University of Texas System.

Factor Analysis: Effects of Growth and Inflation on Asset Class Returns

Mr. Zimmerman began the discussion of Factor Analysis: Effects of Growth and Inflation on Asset Class Returns by explaining that a major initiative of UTIMCO's Risk Management has been to enhance investment decision support systems through the use of factor analysis techniques. He explained that factor analysis attempts to isolate the impact of specific dynamics as opposed to assessing the overall portfolio performance during certain time periods. Mr. Zimmerman presented different definitions of factor analysis that exist. UTIMCO's initial factor analysis efforts have focused on Global Macro economic factors. Mr. Tate re-joined the meeting at this time. Mr. Zimmerman asked Mr. Yoeli to give his presentation on the effects of economic growth and inflation on asset class returns. Mr. Yoeli presented an analysis of the effects of economic growth and inflation on the Portfolio based on historical data from 1970 to the present. The presentation examined the portfolio under various scenarios including Rising Growth with Falling Inflation, Falling Growth with Rising Inflation, Rising Growth with Rising Inflation, and Falling Growth with Falling Inflation considering GDP, unemployment, CPI, and hourly wages. The current economy is in the Falling Growth with Falling Inflation environment. Mr. Zimmerman and Mr. Yoeli answered questions of the Committee Members.

Funds Update

Due to time constraints, Mr. Zimmerman did not give a detailed Funds Update. He reported that four managers had greater than 3% exposure relative to total Funds, but no managers had exposure greater than 5%. This was reported as per policy requirements. Mr. Zimmerman stated that he will give a detailed report at the Board meeting to be held next week.

With there being no further business to come before the Risk Committee, the meeting was adjourned at approximately 3:25 p.m.

Secretary: Jean Moeller
Jean Moeller

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

Date: August 8, 2009