

**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 **January 26, 2011**, 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 W. 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
Kyle Bass
J. Philip Ferguson
Ardon Moore

Also attending the meeting was Paul Foster, Chairman of the Board, thus constituting a majority and quorum of the Committee and the Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; 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; and various staff members. Also attending were Charlie Chaffin, Moshmee Kalamkar, Miles Ragland, and Jim Phillips of The University of Texas System (UT System) Administration and Jerry Turner of Andrews Kurth LLP. Keith Brown of the McCombs School of Business at UT Austin joined the meeting later, as noted in the minutes. Mr. Tate called the meeting to order at 10:45 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 November 4, 2010. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Risk Committee of the Board of Directors held on November 4, 2010 be, and are hereby, approved.

Categorization of New Mandates

Mr. Tate began the discussion of the Categorization of New Investment Mandates. He stated that there were five new investment mandate categorizations prepared by Staff for the period beginning October 16, 2010, and ending January 10, 2011, and three 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. Mr. Zimmerman clarified that all categorizations are reviewed by Staff on a regular basis. He also stated that the Chief Compliance Officer and Staff will be preparing an annual review of all mandate

categorizations to be discussed at the April meeting. Mr. Zimmerman answered the Directors' 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 October 16, 2010, through January 10, 2011, 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.

Compliance Summary Program

Mr. Tate asked Ms. Gonzalez to discuss the Compliance Report for the Quarter Ended November 30, 2010. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended November 30, 2010, monitoring compliance processes related to the Derivative Investment Policy, risk targets, asset allocation targets and ranges, and investment related restrictions in the Investment Policy Statements noting two minor items out of compliance related to the report. The Intermediate Term Fund (ITF) Investment Policy states that the total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 100%. As of November 30th, the ITF's exposure was 100.06%, but this situation corrected itself the following day when net monthly contributions were received. Mr. Zimmerman explained this unique situation in detail to the Committee and answered their questions. Staff will review policy language regarding exposure and will report to the Committee at a future meeting. Dr. Brown joined the meeting during this discussion. Ms. Gonzalez continued by reporting that one external manager was out of compliance with its contract guidelines because it exceeded the permissible cash position of 20% at the end of the quarter by holding 21.5% in cash. The situation was corrected within a few days. She also presented the Institutional Compliance

Program report for the Quarter Ended November 30, 2010, and the Institutional Compliance Action Plan for FY 2011, which includes on-going monitoring of the compliance program, revisions to the current records retention schedule and the development of a business continuity plan. Ms. Gonzalez also provided Committee the report using the UT Systemwide Plan Objectives template. She explained this would be the only time the Corporation would be reporting using this template because Larry Plutko, UT System Systemwide Compliance Officer had agreed to exempt the Corporation from using the Quarterly Reporting Template. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

Mr. Tate postponed the discussion of Funds Update until later in the meeting.

Intermediate Term Fund Liquidity

Mr. Tate asked Mr. Zimmerman to explain ITF Liquidity. Mr. Zimmerman explained that the Corporation's Liquidity Policy establishes limits on the overall liquidity profile of investments in the Permanent University Fund (PUF), the General Endowment Fund (GEF) and the ITF. The allowable range for illiquid investments is 0% to 45% of the total portfolio for the ITF. Once the ITF illiquid investments move into the trigger zone of 35% to 45%, Staff is required to request approval from the Risk Committee or UTIMCO Board before any additional illiquid investments are made. He presented estimated run-off liquidity as of November 30, 2010, and reported that the ITF's illiquid investments have moved closer to the 35% threshold, primarily due to the Less Correlated and Constrained Investment Type allocation being increased from 25% to 35% in the ITF Investment Policy Statement when it was amended August 2009, without a corresponding increase for illiquid investments in the Liquidity Policy. Mr. Zimmerman asked for guidance from the Risk Committee to determine the appropriate course of action, if any, related to the ITF's liquidity position. Mr. Zimmerman and Mr. Chaffin answered the Committee Member's questions.

Corporate Insurance

Mr. Tate asked Mr. Zimmerman to discuss the Corporation's insurance policies and coverage. Mr. Zimmerman explained that Staff had begun the renewal process, using Willis, the Corporation's broker, to assist with the renewal and subsequent bidding of the insurance to the market. The Committee had been provided with a summary of current limits and annual premiums. Mr. Zimmerman said that at the request of the Corporation's Staff, UT System Office of Risk Management staff had reviewed each of the Corporation's policy, carrier, coverage and premium. Corporation staff received benchmark data and related recommendations from Willis regarding coverage limits carried by other endowments in 2010 and have requested Willis provide an update for 2011. Additionally, UT System Office of Risk Management requested similar information from Chartis, UT System's underwriter, and the data was consistent between the two. The general recommendation was that the Corporation should increase its Directors & Officers (D&O) policy limits to a minimum of \$20 million and EPL limits to \$10 million. According to the data provided by UT System Risk Management, benchmarks for other endowments above \$1 billion showed that coverage limits for Investor Advisor were in the \$25-\$50 million range. Regent Foster and Committee members questioned whether it was necessary to carry D&O and if so, in what amounts. Staff and Mr. Turner will present additional information on D&O coverage at a future Committee meeting. Mr. Zimmerman, Ms. Gonzalez and Mr. Turner answered the Committee Members' questions.

Funds Update

Mr. Tate asked Mr. Zimmerman to give the Funds Update. Mr. Zimmerman said he would be brief due to time constraints. He began by presenting a report of the Corporation's Performance Summary as of November 30, 2010, and preliminary numbers as of December 31, 2010. Mr. Zimmerman presented highlights on actual versus benchmark results, tactical asset allocation, and the endowments' peak value analysis. Mr. Zimmerman answered the Directors' questions.

There being no further business to come before the Committee, the meeting was adjourned at approximately 11:38 a.m.

Secretary: Joan Moeller
Joan 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: 4/14/11