

**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 **October 27, 2006**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of Carlson Capital, L.P., Suite 1600, 2100 McKinney Avenue, Dallas, 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. 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; various staff members of the Corporation; Keith Brown of the McCombs School of Business at UT Austin; Bruce Myers of Cambridge Associates; Ricky Richter of Ernst & Young; and Philip Aldridge, Amy Barrett, Charlie Chaffin, Cathy Swain and other staff members of UT System Administration. Chairman Tate called the meeting to order at 8:43 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 meetings of the Risk Committee held on July 21, 2006 and October 4, 2006. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meetings of the Risk Committee held on July 21, 2006 and October 4, 2006, be, and are hereby, approved.

Risk Management Consultant

Mr. Tate asked Ms. Reed to introduce the first of the two risk consultant finalists to give a presentation. Ms. Reed introduced Gifford Fong of Gifford Fong Associates. Mr. Fong gave an overview of Gifford Fong Associates, the company's view on investment management process, portfolio management and security analysis, and their team approach to solutions. After Mr. Fong's presentation and a question and answer session, he left the meeting. Ms. Reed then introduced Mr. John Meier and Mr. Peter Keliotis of Strategic Investment Solutions, Inc. They presented the history of their company, consulting philosophies, experience and benefits of using Strategic Investment Solutions, Inc. Mr. Meier and Mr. Keliotis answered the Committee members' questions, and then left the meeting. The Committee discussed both presentations and then passed the following resolution to recommend to the Board the hiring of Gifford

Fong Associates as the UTIMCO Risk Consultant. It was requested by the Committee that the contract be very specific as to the scope of the work by Gifford Fong Associates and the Staff assured the Committee that the contract would be detailed and clear, and that outside counsel would review the contract prior to sending to Gifford Fong Associates for signature. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Risk Committee approve the selection of Gifford Fong Associates as the Risk Consultant for the Corporation, subject to approval by the Corporation's Board of Directors.

Liquidity Profiles

Mr. Tate asked Ms. Reed to continue by presenting the Liquidity Profiles as of the end of August 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 August 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 August 2006, are hereby approved in the form submitted to the Committee.

Risk Dashboard

Ms. Reed presented the most current Risk Dashboard. 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. Iberg 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 amendments approved on October 7, 2005 require that the Staff 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 August 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. Iberg and Ms. Reed answered the Directors' questions.

Update on Investment Policies Compliance Report

Mr. Tate asked Ms. Moeller to present the next item on the agenda, which was an update on Investment Compliance Reporting. At a joint meeting of the Risk Committee and Audit and Ethics Committee, members discussed the oversight responsibility of each committee as it related to investment compliance, enterprise risk management, and investment risk management. Based on the joint meeting held January 16, 2006, the Risk Committee Charter and the Audit and Ethics Committee Charter were amended by the UTIMCO Board. The Risk Committee Charter was amended to include monitoring the compliance processes related to the derivative policy, risk targets, asset allocation targets and ranges, and investment related restrictions in the investment policy statements. Staff previously provided the compliance report covering these items to the Audit and Ethics Committee. Pursuant to the revised charters, the Risk Committee will provide assurances to the Audit and Ethics Committee on a periodic basis so the Audit & Ethics Committee may evaluate them as a part of the Audit and Ethics Committee's evaluation of the Corporation's overall enterprise risk management. The report presented was for the month of August 2006. Dr. Brown left the meeting at this time. Ms. Moeller and Mr. Chaffin answered the Committee Members' questions.

Asset Class Divisions

The final agenda item was the discussion of the Manager Classification Process. Mr. Tate asked Ms. Iberg to provide background on what has transpired over the past few months to come up with a suggested process based on a set of criteria to guide the inclusion (or exclusion) of certain new boutique marketable investment mandates within the public markets portfolio (equity and fixed income). This process is to be used in the interim period until the next full review of asset allocation. After considerable discussion by the Committee members, they requested one additional guideline to those suggested by Staff. The guideline added was a new bullet point to read "Single Market Exposure: In most cases, the manager will have 80% of its portfolio invested in a single market." The Committee then passed a resolution approving the recommended process and criteria, as amended, with further recommendation that this recommended process and criteria be approved by the UTIMCO Board at the November 9 meeting. Ms. Iberg and Mr. Myers answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the recommended process and criteria, as amended, for inclusion of certain new boutique marketable investment mandates within the public markets portfolio (Equity and Fixed Income Asset Classes) be, and are hereby approved and;

BE IT FURTHER RESOLVED, that this recommended process and criteria be further approved by the Corporation's Board of Directors at their November 9, 2006 meeting.

There being no further business to come before the Risk Committee, the meeting was adjourned at approximately 12:13 p.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: 31.10.07