

**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 8, 2010**, 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. 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; Mark Warner, Senior Director – Natural Resources Investments; Uzi Yoeli, Senior Director - Portfolio Risk Management; Russ Kampfe, Sr. Portfolio Manager – Fixed Income Investments; Harland Doak, Portfolio Manager – Fixed Income Investments; and various staff members. Also attending were Jim Phillips, Charlie Chaffin, Moshmee Kalamkar, William Huang and Roger Starkey representing The University of Texas System (the "UT System"); and Jerry Turner of Andrews Kurth LLP. Chairman Tate called the meeting to order at 2:04 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 January 19, 2010. 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 19, 2010 be, and are hereby, approved.

Categorization of New Mandates

Mr. Tate asked Mr. Zimmerman to discuss the Categorization of New Investment Mandates and also present the results of the Annual Review of Existing Mandate Categorizations. Mr. Zimmerman reported that the Annual Review was a comprehensive process. Ms. Gonzalez made sure that everyone on the investment team reviewed every mandate. No re-categorizations were requested. There were two mandates included in the "Mandate Categorization Watch-List" that will continue to be monitored by Staff for possible recategorization and one mandate was added to the Watch List due to temporal changes in the market. He stated that there were six 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 January 9, 2010 to March 31, 2010. 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 January 9, 2010, through March 31, 2010, 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 not recommended a re-categorization of any 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.

Use of Broker-Dealers

Mr. Tate asked Mr. Zimmerman to discuss the annual review of the use of broker-dealers. Mr. Zimmerman explained that the UT System Audit Office and Investment Training and Consulting Institute, Inc. ("ITCI"), under a co-sourced arrangement, performed an audit of the internally managed fixed income portfolios managed by UTIMCO in the Spring of 2008. ITCI recommended that UTIMCO develop formal procedures to approve new broker relationships prior to trade execution and maintain an approved broker listing. As a result, Staff adopted an Approved Fixed Income Broker-Dealer Procedure, effective July 1,

2008 (the "Procedure"), which included an Approved Fixed Income Broker-Dealer List (the "List"). In order to be added to the List, a Broker-Dealer was required to meet the following criteria: (1) usage of delivery versus payment; (2) documentation of overall desirability of sales coverage; (3) adequate financials, which would require a copy of the Broker-Dealer's current FOCUS report on file; (4) a copy of the latest annual report containing an unqualified auditor's opinion; and (5) trading authorization signed by a corporate compliance officer. The Procedure also requires an annual review of the List by a committee comprised of the UTIMCO Traders, the CEO and Chief Investment Officer, the President and Deputy CIO, and the General Counsel and Chief Compliance Officer using the same criteria. Mr. Zimmerman asked Mr. Kampfe to briefly review the criteria for all Broker-Dealers on the List and present the results of the annual review of the List and work performed on potential additions to the List with the Committee. The review was performed in accordance with the Procedure. Pursuant to the Procedure, no Committee approval was needed to add Broker-Dealers that met the criteria set forth above. However, Staff requested that the Committee approve the addition of one and the retention of eight Broker-Dealers highlighted on the Revised Exhibit A, Approved Fixed Income Broker-Dealer List, As of April 8, 2010 that did not meet the criteria set forth above. Mr. Zimmerman and Mr. Kampfe answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution, amended to include Mr. Foster's request that it reflect that the Committee knowingly approved the addition of one and the retention of eight Broker-Dealers that did not meet all of the criteria required to be added to or retained on the list, was unanimously adopted:

WHEREAS, the Corporation adopted an Approved Fixed Income Broker-Dealer Procedure, effective July 1, 2008 (the Procedure), which includes an Approved Fixed Income Broker-Dealer List (the List); and

WHEREAS, in order to be added to the List, a Broker-Dealer must meet certain criteria regarding: (1) usage of delivery versus payment; (2) documentation of overall desirability of sales coverage; (3) adequate financials, which would require a copy of the Broker-Dealer's current FOCUS report on file; (4) a copy of the latest annual report containing an unqualified auditor's opinion; and (5) trading authorization signed by a corporate compliance officer; and

WHEREAS, the Procedure requires an annual review of the List by a committee comprised of the UTIMCO traders, the CEO and Chief Investment Officer, the President and Deputy CIO, and the General Counsel and Chief Compliance Officer using the same criteria (Corporation's staff); and

WHEREAS, the Corporation's staff performed the annual review in accordance with the Procedure and has recommended that for the reasons discussed with the Committee, the Committee approve the addition of one and the retention of eight Broker-Dealers that did not meet all of the criteria required to be added to or retained on the List and highlighted on the Revised Exhibit A, Approved Fixed Income Broker-Dealer List, As of April 8, 2010; and

WHEREAS, the Committee concurs in the recommendation of Corporation's staff.

NOW, THEREFORE, BE IT

RESOLVED, that the addition of one and the retention of eight Broker-Dealers as highlighted on the Revised Exhibit A, Approved Fixed Income Broker-Dealer List, As of April 8, 2010 are hereby approved.

Increased Delegation of Authority for Investment Mandates Under Consideration

Mr. Tate asked Mr. Zimmerman to begin discussion of the investments for three mandates that exceeded Staff's delegated authority. Mr. Zimmerman explained that Staff had identified three managers that were currently above or near the delegated authority limit due to appreciation. Staff desired to make additional commitments to these managers as detailed in the presentation Delegation of Authority Investment Mandates Under Consideration included in the Committee meeting materials. He explained that these recommendations would need Board approval at the next meeting, but he wanted to provide information to the Committee for discussion prior to the Board meeting. Mr. Zimmerman asked Mr. Doak, Ms. Iberg and Mr. Warner to discuss with the Committee Staff's rationale for requesting increases in the investment limits for each of the specific managers. Mr. Zimmerman, Ms. Iberg, Mr. Warner and Mr. Doak answered the Committee Members' questions. There was no action necessary by the Committee on this item.

Compliance Summary Program

Mr. Tate asked Ms. Gonzalez to provide highlights of the Compliance Report for the Quarter Ended February 28, 2010. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended February 28, 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. Ms. Gonzalez gave the Committee an overview of the updated Institutional Compliance Action Plan for FY 2010 and discussed the significant changes to the Institutional Compliance Program Quarterly Report for the Fiscal Quarter ended February 28, 2010. She stated that she would be reporting on Enterprise Risk Management at the Audit and Ethics Committee meeting and the Board meeting. She reported that the only activity on the Corporation's Compliance Hotline were hang-ups for the quarter ended February 28, 2010. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

Funds Update

Mr. Zimmerman stated that he would be providing a detailed funds update at the next Board meeting, and asked that the Committee spend the rest of the meeting discussing Scenario Analysis. The Committee Members agreed.

Scenario Analysis

Mr. Tate asked Mr. Zimmerman to report on Scenario Analysis. Mr. Zimmerman asked Mr. Yoeli to give the Scenario Analysis presentation. Mr. Yoeli started by explaining two scenarios: the "Lost Decade" scenario and the "Great Depression" scenario. He compared Japan, following the market crash of 1989, when it experienced deleveraging, deflation, and economic contraction and a "lost decade" in its stock market, with the economic problems in the 2000s, which was a "lost decade" for the US stock market, alongside the rest of the developed world. In comparing the "Great Depression" scenario, March 1930 - March 1938, a detailed analysis was performed looking not only at the aggregate returns over the entire scenario, but also looking at the interim effects on the Corpus, levels of distributions, liquidity and cash flows, and asset allocation. Part of the analysis included determining asset class returns, emulated

investment type returns, and assumptions in managing the endowment. Mr. Yoeli and Staff provided an asset class preview which included a long-term "base- case" scenario and effects of growth and inflation on asset class returns and optimal portfolios. He ended by presenting key issues going forward in the current environment. Mr. Zimmerman and Mr. Yoeli answered the Committee Members' questions.

With there being no further business to come before the Risk Committee, the meeting was adjourned at approximately 3:36 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: 7/23/10

The University of Texas Investment Management Company
Approved Fixed Income Broker-Dealer Procedure

Exhibit A
Approved Fixed Income Broker-Dealer List
As of April 8, 2010

1st Tennessee
Amhearst Securities
Baird, RW
Baker
Banc of America
Barclays
Beal, M.R.
BNP Paribas
Broadpoint Capital
BTIG
Castle Oak Securities
Citigroup
Credit Suisse
Daiwa
Deutsche Bank
First Tryon
Goldman Sachs
HSBC
ISI
Jefferies
JP Morgan Chase
KeyBanc
Knight Libertas
Morgan Keegan
Morgan Stanley
National Banc Financial
Oppenheimer
Piper Jaffray
Raymond James
RBC Capital Markets
Royal Bank of Scotland (Greenwich)
RW Pressprich
Scotia Capital
Simmons 1st Natl
Suntrust
Toronto Dominion
UBS
Wall Street Access
Weller Anderson
Wells Fargo