

**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 7, 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
Ardon Moore

thus constituting a majority and quorum of the Committee. Committee Member J. Philip Ferguson did not attend the meeting. Also attending the meeting was Paul Foster, Chairman of the Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Cathy Iberg, President and Deputy CIO; 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, Mark Gentle and Helen Bright of The University of Texas System (UT System) Administration; Jerry Turner and Bob Jewell of Andrews Kurth LLP; and Keith Brown of the McCombs School of Business at UT Austin. Mr. Tate called the meeting to order at 9:44 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 January 26, 2011. 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 January 26, 2011, be, and are hereby, approved.

Corporate Insurance

Mr. Tate asked to discuss Tab 3, Corporate Insurance. Mr. Zimmerman explained that Staff, with the assistance of the Corporation's insurance broker, Willis, and benefiting from the expertise of the UT System Office of Risk Management staff, renewed the corporate insurance for the coverage period from February 28, 2011 to February 28, 2012, with an option to cancel at anytime with prorated premiums. Mr. Zimmerman asked Mr. Turner to report as Board's counsel. Mr. Turner said that he and Mr. Jewell agreed with Staff's action to maintain D&O coverage and to renew the current policy at this time. He also reported that Staff would be working with Andrews Kurth and UT System Risk Management in evaluating proposals for a possible new policy to be effective September 1, 2011, replacing the current policy. Mr. Turner and Mr. Jewell provided in the Committee materials a Report on Liability Exposure of UTIMCO Directors which included an overview of the fiduciary duties of Directors, indemnifications provided by UT System, the

Corporation, and law, and UT System insurance coverage for Regental Directors to be discussed in detail at the next Board meeting. Mr. Zimmerman provided current limits, premiums and other options for Directors' insurance coverage, listing the proposed costs associated with possible changes to the coverage amount. Mr. Zimmerman, Ms. Gonzalez, Ms. Bright and Mr. Turner answered the Committee Members' questions.

Proposed Amendments to the Derivative Investment Policy

Mr. Tate asked Ms. Iberg to explain the Insurance Derivative Investments presentation to the Committee, which included current portfolio positions, a summary of the insurance derivatives budget and prospective trades. She stated that Staff's recommendation was to increase the delegated authority limits related to the premium budget in item three of Exhibit B to the Derivative Investment Policy. Committee approval was requested to increase the aggregate prorated annual premium for Delegated Derivative Investments included within item three of Exhibit B from 25 to 50 basis points, subject to further approval by the Board. Mr. Zimmerman and Ms. Iberg answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Corporation's Derivative Investment Policy ("Policy") sets forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund, the General Endowment Fund, the Intermediate Term Fund, and the Separately Invested Funds; and

WHEREAS, Exhibit B to the Policy lists the five types of Derivative Investments the UTIMCO Board has authorized the CEO to enter into; and

WHEREAS, the third type of Derivative Investment authorized ("Insurance Derivatives") limits the maximum loss that may be suffered to the premium paid for the Insurance Derivative, regardless of notional value; and

WHEREAS, the aggregate prorated annual premium of all Insurance Derivatives may not exceed 25 basis points of the Fund value; and

WHEREAS, Corporation staff would like the authority to invest up to an additional 25 basis points in Insurance Derivatives for a total aggregate prorated annual premium of 50 basis points of the Fund value; and

WHEREAS, Corporation staff has documented and presented to the Risk Committee its reasons for desiring to increase aggregate prorated annual premium limit for Insurance Derivatives, the Committee concurs with the reasons presented by Corporation staff and recommends that the Board approve the same.

NOW, THEREFORE, BE IT

RESOLVED, that an increase in the aggregate prorated annual premium of Insurance Derivatives to a maximum of 50 basis points of the Fund value is hereby approved, subject to further approval of the UTIMCO Board.

Delegation of Authority Limits

Mr. Tate asked Mr. Zimmerman to explain the details regarding Staff's recommendation to increase the investment limit in excess of the limits provided in the Delegation of Authority Policy for a specific manager. Mr. Zimmerman presented background on Wellington Management Company, LLC ("Manager"), outlined the Corporation's two mandates currently with the Manager, and the Manager's commodity strategy. Mr. Zimmerman explained that the Corporation's current investment with the Manager was \$355 million. Staff requested the ability to make up to a \$250 million commitment to the commodity strategy and the flexibility to allow a potential investment in the Special Equity and/or Emerging account, which would bring the total invested amount above the delegated authority limit of \$600 million. Staff requested an increase in the delegated authority limit to \$750 million, subject to further approval by the Board. Mr. Zimmerman answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Corporation Delegation of Authority Policy ("Policy") limits the CEO's authority to increase investments and commitments to existing internal and external investment managers; and

WHEREAS, Corporation staff would like to invest up to \$750 million with Wellington Management Company, LLC ("Wellington") but by Policy is limited to \$600 million; and

WHEREAS, Corporation staff has documented and presented to the Risk Committee its reasons for desiring to increase the delegated authority limit for Wellington; and

WHEREAS, the Committee concurs with the reasons presented by Corporation staff for desiring to increase the delegated authority limit for Wellington and recommends that the Board approve the same.

NOW, THEREFORE, BE IT

RESOLVED, that the increase in Corporation staff's delegated authority limit for Wellington Management Company, LLC up to a maximum of \$750 million is hereby approved, subject to further approval of the UTIMCO Board.

Mandate Categorizations

Mr. Tate asked Mr. Zimmerman to summarize the Categorization of New Investment Mandates. He stated that there were 11 new investment mandate categorizations prepared by Staff for the period beginning January 11, 2011, and ending March 22, 2011. Staff completed its annual review of mandate categorizations resulting in a recommendation of one re-categorization and one mandate to be added to 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 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 January 11, 2011, through March 22, 2011, 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 the re-categorization of one mandate that was previously approved by the Committee; and

WHEREAS, the Risk Committee has reviewed the new Asset Class and Investment Type Mandate Categorizations of eleven new mandates and the re-categorization of one Mandate Categorization that was 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.

Mr. Moore left the meeting at this time.

Proposed Amendments to the Charter of the Risk Committee

Mr. Tate suggested that the discussion and appropriate action on proposed amendments to the Committee Charter be taken to the full Board at the meeting next week.

Compliance Summary Program

Mr. Tate asked Ms. Gonzalez to discuss the Compliance Summary Program. Ms. Gonzalez reported on the compliance matters for the fiscal quarter ending February 28, 2011, including employee training, the

preclearance of trades and the Corporation's Compliance Hotline. She reported that there had not been any activity on the Compliance Hotline for the quarter ending February 28, 2011. Ms. Gonzalez continued by presenting the Investment Policies Compliance Report for the Quarter Ended February 28, 2011, and reported that there were no material instances of non-compliance related to the report. She presented the Institutional Compliance Program report for the Quarter Ended February 28, 2011, including reporting that Director Steve Hicks had replaced Director Longoria on February 17, 2011, and Director Erle Nye resigned effective February 9, 2011, leaving two vacancies on the Audit and Ethics Committee, including the chairmanship. She also reported on the resignation of Mr. Bill Edwards, Managing Director – Information Technology, on January 20, 2011, and the appointment of Mr. David Gahagan as the Acting Head of Information Technology in the interim. Ms. Gonzalez presented the updated Institutional Compliance Action Plan for FY 2011, which included on-going monitoring of the compliance program, ethics training, revisions to the current records retention schedule and the development of a business continuity plan. She also mentioned that the Intermediate Term Fund was nearing its Asset Allocation upper range limit in the Natural Resources Asset Class due to market valuations. She discussed the proper procedures that would need to be followed if the range limit is breached. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

Funds Update

Mr. Tate asked Mr. Zimmerman to give a summary of the Funds Update. Mr. Zimmerman stated that he would present a detailed report of the Funds Update at the Board meeting. Mr. Zimmerman presented highlights on the Corporation's Performance Summary as of February 28, 2011, actual versus benchmark results, tactical asset allocation, and risk analytics.

There being no further business to come before the Committee, the meeting was adjourned at approximately 10:57 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: 8/23/11