

**MINUTES OF MEETING OF
THE AUDIT AND ETHICS COMMITTEE OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **November 9, 2006**, in the Benbrook Room of the Four Seasons Hotel, 1300 Lamar, Houston, Texas, said meeting having been called by the Committee Chair, Erle Nye, with notice provided to each member in accordance with the Bylaws. The meeting was also held by means of conference telephone enabling all persons participating in the meeting to hear each other. The audio portion of the open meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Erle Nye, Chair
Colleen McHugh
Robert B. Rowling

thus, constituting a majority and quorum of the Committee. Also attending the meeting were Board Chairman Scott Caven; Cathy Iberg, Interim President of the Corporation; Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Gary Hill and Debbie Childers of Corporation staff; Jerry Turner, legal counsel for the Corporation; Bruce Myers of Cambridge Associates; Ricky Richter of Ernst & Young; Philip Aldridge, Amy Barrett, Charlie Chaffin, William Huang and Cathy Swain representing The University of Texas System (the "UT System"); and Dave Gerber of the State Auditor's Office. Larry Goldsmith, Managing Director of Public Markets and Tushar Shah of the Public Markets Group joined the meeting at the point indicated below.

Chairman Nye called the meeting to order at 8:10 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee Member.

Approval of the Minutes

The first matter to come before the Committee was approval of the Audit and Ethics Committee minutes of the September 27, 2006, meeting. By motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on September 27, 2006, be, and are hereby, approved.

Presentation of the UT System Funds' Financial Statements for the Period Ended August 31, 2006

Mr. Nye asked Mr. Richter from the independent accounting firm of Ernst & Young, LLP, to make a presentation of audit results and necessary communications. Mr. Richter confirmed the completion of audits of the funds, summarized the process and reviewed with the Committee the Audit Results and Communication report covering required communications and report on internal controls. As stated in the report, Mr. Richter confirmed that 1) Ernst & Young issued unqualified opinions on the Funds' August 31,

2006 financial statements, 2) there were no changes in accounting policies that impacted the Funds' financial statement balances, and 3) accounting principles utilized by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. The Funds' financial statements and disclosures were complete in all material respects. As part of the audit Ernst & Young reviewed and tested the market values of non-marketable alternative investments and concluded that the Funds' recorded investment values were fairly stated. Mr. Richter also stated that if instances of fraud or allegations of fraud were found during the audit, Ernst & Young would be required to reveal such, but they are not aware of any such instances. No material weaknesses regarding internal control were found during their audit procedures. Mr. Richter answered the Committee members' questions.

The auditors at Ernst & Young also reviewed the Corporation management's assertions that the Funds have maintained effective internal controls over financial reporting. UTIMCO management has voluntarily complied with the relevant provisions of Sarbanes-Oxley and the audits of the internal controls are similar to the 404 assessment under Sarbanes-Oxley. Mr. Richter reported that auditors at Ernst & Young have also been working with UT System Internal Audit testing controls. Mr. Richter recommended in his report that management hire a full-time associate in its Accounting, Finance and Administration department whose responsibility will include interaction with the Fund's marketable alternative and private markets investments to supplement the Funds' oversight of the existence and valuation of such investments.

Mr. Nye asked Mr. Richter to continue by reviewing the separate financial statements and audit reports for the audited financial statements, as of and for the year ended August 31, 2006, for the Permanent University Fund (PUF), The University of Texas System General Endowment Fund (GEF), the Permanent Health Fund (PHF), The University of Texas System Long Term Fund (LTF), and as of August 31, 2006, and for the period from inception (February 1, 2006) to August 31, 2006 for The University of Texas System Intermediate Term Fund (ITF). Also presented were the statements of investment performance statistics for the year ended August 31, 2006 for the PUF, GEF, PHF, LTF, and for the period from inception (February 1, 2006) to August 31, 2006 for the ITF. Ms. Moeller, Mr. Richter and Mr. Chaffin answered questions of the Committee.

Mr. Nye stated that he had met with Mr. Richter earlier and Mr. Richter did not report to him any concerns regarding management. Mr. Richter stated they had nothing to report and were very complimentary of the Corporation's staff, and the cooperation that Ernst & Young had received throughout the audit process. Upon motion duly made and adopted, the following resolutions were approved:

Committee resolution related to Audit Results and Communications:

RESOLVED, that Ernst & Young, LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2006, be, and is hereby approved in the form as presented to the Audit and Ethics Committee.

Committee resolution related to Internal Controls:

RESOLVED, that UTIMCO management's assertions on Internal Control over Financial Reporting and the independent accountant's reports for the Permanent University Fund, The University of Texas System General Endowment Fund, the

Permanent Health Fund, and The University of Texas System Long Term Fund for the year ended August 31, 2006, be, and are hereby approved in the form as presented to the Audit and Ethics Committee.

Committee resolution related to Annual Financial Statements:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System General Endowment Fund, each for the fiscal years ended August 31, 2006, and August 31, 2005, and The University of Texas System Intermediate Term Fund for the period from inception (February 1, 2006) to August 31, 2006, and the Statement of Investment Performance Statistics for the year ended August 31, 2006, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

UT System Internal Audit Report

Mr. Nye asked Mr. Chaffin to give a report on the recent Sarbanes-Oxley Act Section 404 audit conducted by the UT System Internal Audit Office. He reported on the work performed on the audit of the Funds' and the Corporation's internal controls related to the relevant provisions of the Sarbanes-Oxley Act. Mr. Chaffin reported that although the records were in excellent shape last year, they were in even better shape this year. He asked Ms. Barrett to further report on the audit. Ms. Barrett reviewed the appendix to the audit including recommendations, responses and follow-up from last year. Ms. Moeller, Ms. Barrett, and Mr. Chaffin answered questions of the Committee.

Compliance, Reporting and Audit Issues

Mr. Nye asked Ms. Moeller to give an update on internal compliance, reporting and audit issues. Ms. Moeller presented the General Compliance Report for the month ended August 31, 2006 and the annual report of the Institutional Compliance Program as of August 31, 2006. Mr. Chaffin stated that his office would be directing a peer review in the future looking at institutional compliance.

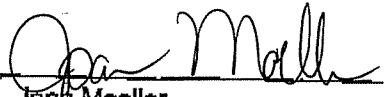
Report from External Counsel

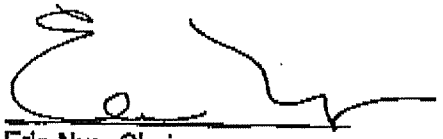
Mr. Turner asked Mr. Nye if Mr. Turner could give the Committee a report regarding partnership structure formed alongside commingled funds. Mr. Turner stated that generally the Code of Ethics prohibits the Corporation and entities controlled by the Corporation from investing in the publicly traded securities of a public company in which a Director has a "pecuniary interest" (as defined in the Code of Ethics). The Corporation's public markets Staff requires external investment managers, acting under agency arrangements, to implement procedures to insure that they comply with the foregoing prohibition when executing their mandates. On occasion, Staff will require such an external investment manager to create a single-member limited partnership for making the Corporation's investments. In such circumstances, the limited partnership is treated as an entity controlled by the Corporation and the general partner (external manager) is required to comply with the above-mentioned prohibition when executing its mandate. Mr. Turner then contrasted the foregoing arrangements with situations in which Staff invests in a commingled

fund (in which the fund manager pools the assets of several investors to permit more efficient management) or invests through a single-member limited partnership created for the purpose of allowing the Corporation to invest in such a commingled fund. Mr. Turner stated that just as the Corporation does not control the commingled fund and, consequently, is not able to require the commingled fund manager to implement procedures to insure that the fund does not invest in publicly traded securities of a company in which a Director has a pecuniary interest, a limited partnership through which the Corporation invests in a commingled fund should not be considered as giving the Corporation any control over the commingled fund. Mr. Goldsmith and Mr. Shah joined the meeting during Mr. Turner's report. Mr. Turner and Mr. Goldsmith answered the Committee members' questions.

Mr. Turner stated that he had made his report to the Committee because it is important to understand that Counsel and Staff have drawn a distinction between two categories of single-member limited partnerships. One is the partnership that is controlled by the Corporation, which is the surrogate for the agency arrangement, and the other is the partnership that is not controlled, which is the vehicle for allowing the Corporation to invest in a commingled fund. Mr. Nye stated that although there was no action necessary by the Committee, this seemed entirely reasonable to the Committee.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 9:10 a.m.

Secretary: 
Joan Moeller

Approved: 
Erle Nye, Chair
Audit and Ethics Committee
of the Board of Directors of
The University of Texas Investment
Management Company

Date: 9/9/07