

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

A meeting of the Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **July 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, Paul Foster, 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:

Paul Foster, Chair
Printice L. Gary
Charles W. Tate

thus constituting a majority and quorum of the Committee. Also attending the meeting was Director Erle Nye. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; and other staff members. Other attendees were Jerry Turner of Andrews Kurth LLP; Charlie Chaffin, Moshmee Kalamkar, Miles Ragland, Jim Phillips, William Huang and Roger Starkey of UT System Administration. Chairman Foster called the meeting to order at 8:47 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Approval of Minutes

The first matter to come before the Committee was the approval of the minutes of the Meeting of the Audit and Ethics Committee meeting held on April 8, 2010. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on **April 8, 2010** be, and are hereby, approved.

Independent Auditor

Mr. Foster asked Ms. Moeller to wait to present the separate unaudited financial statements as the last agenda item of the meeting. He asked her to present the proposed appointment of an independent auditor for the Corporation. Ms. Moeller reported that Staff recommended approval by the Committee of the engagement of Deloitte & Touche LLP as the Corporation's independent auditor for the fiscal year ending August 31, 2010. Mr. Chaffin strongly supported the recommendation. He gave an update on the U. T. System Board of Regent's selection process for hiring an external auditor. Ms. Moeller and Mr. Chaffin answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2010, subject to further approval of the UTIMCO Board.

Code of Ethics

Mr. Foster asked Mr. Zimmerman to review the proposed changes to the Code of Ethics. Mr. Zimmerman summarized the proposed changes and asked Mr. Turner to further explain. Mr. Turner explained that the most significant change to the Code was the deletion of provisions permitting Directors and UTIMCO to hold private investments in the same business entity so long as the Director's private investment did not constitute a pecuniary interest as defined in the Code, thus reversing a change made approximately two years ago. Under the proposed draft, only certain private investments acquired before the Director takes his position on the UTIMCO Board would be permitted. Staff also narrowed the definition of Key Employee to limit it to UTIMCO officers, i.e., the CEO and Chief Investment Officer, the President and Deputy CIO, the Secretary and Treasurer, Assistant Secretary, and all Managing Directors. Other changes included reorganization, clarification, and standardization of existing provisions. Mr. Turner stated that the draft changes to the Code were based on the joint efforts of UTIMCO Staff and Andrews Kurth LLP, with some of the changes made based on recommendations by the State Auditor during their last audit. He also noted that The University of Texas System Office of General Counsel was in the process of reviewing the draft changes to the Code. Mr. Foster recommended approval of the proposed changes to the Code of Ethics by the Committee, subject to further approval of the UTIMCO Board, with final recommendation and approval by the UT System Board of Regents to be considered at its August meeting. Mr. Zimmerman and Mr. Turner answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the charter of the Audit and Ethics Committee requires the Committee to periodically review the Code of Ethics policy of the Corporation and recommend any proposed changes to the Policy Committee for concurrence and submission to the Board for approval; and

WHEREAS, the Committee has reviewed the Code of Ethics policy and desires to recommend changes to the Policy Committee for concurrence and submission to the Board for approval.

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the Policy Committee the Code of Ethics policy in the form previously provided to the Committee for concurrence of the Policy Committee, subject to further approval of the UTIMCO Board.

UT System Audit Office Report

Mr. Foster asked Mr. Chaffin to give a report from the UT System Audit Office. Mr. Chaffin provided an update on the completion of their FY 2010 Audit Plan. He reported that the Audit Office will again assist Deloitte & Touche LLP with the audit of the Funds for the fiscal year ending August 31, 2010. He also

reported that the Audit Office completed the audit of the Derivative Investment Policy and provided results of the follow up on open recommendations from a previous audit of the Corporation's internally managed derivatives. Mr. Chaffin asked Ms. Kalamkar to report on the Derivative Investment Policy compliance. Ms. Kalamkar explained that the objective of the audit was to determine if the Corporation was in compliance with its Derivative Investment Policy. The audit reviewed the specific controls and processes pertaining to the implementation of a derivative, including approval, monitoring, and reporting, as outlined in UTIMCO's Derivative Investments Controls and Processes procedure document and related exhibits. These procedures were used as the testing criteria. The Audit Report was included in the Committee meeting materials. The Corporation was found to be in compliance with its Derivative Investment Policy, with opportunities for enhancement in the area of supporting documentation identified. Mr. Chaffin proposed the audit plan for FY 2011 providing a summary of audits to be performed, stating that there will be a system-wide emphasis of IT security and an audit of one application to be named at a later date. Mr. Chaffin and Mr. Zimmerman answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that The University of Texas System Fiscal Year 2011 Audit Plan for UTIMCO be, and is hereby, approved.

Audit and Ethics Committee's Self-Assessment

Mr. Foster asked Ms. Gonzalez to discuss the Audit and Ethics Committee's Self-Assessment. Ms. Gonzalez explained that the Audit and Ethics Charter requires the Audit and Ethics Committee to evaluate the Committee's performance, both of the individual members and collectively, on a regular basis. The last self assessment was performed in June 2009. Ms. Gonzalez stated that overall the responses were extremely positive and all responses expressed satisfaction with the performance of the Committee. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

Update on Compliance, Reporting and Audit Issues

Mr. Foster asked Ms. Gonzalez to present the update on compliance, reporting and audit issues. Ms. Gonzalez asked Ms. Moeller to report on outstanding audit issues. Ms. Moeller noted that Deloitte and Touche LLP will be starting the audit of FYE August 2010 within the next week. She summarized the procedure that Staff follows each year to compile and submit Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, a report that must be filed annually with the State Auditor's Office. Ms. Gonzalez continued with reporting on Compliance matters. She stated that annual training sessions on the Corporation's Code of Ethics had been held for all staff. A training session had also been held for the summer interns. One securities transaction requiring pre-clearance had not been pre-cleared and three transactional disclosure forms had not been filed on time. No calls were received by the hotline. Ms. Gonzalez reported on the Director Co-investment Log, and presented the Investment Policies Compliance Report for the Quarter Ended May 31, 2010, noting that one lending agent accepted a UK government bond as collateral, but foreign government bonds are not considered permitted collateral. The situation was corrected. She also reported that one director's annual disclosure statements were not received by the deadline, but were received in June. Ms. Gonzalez continued by presenting the Institutional Compliance Program Quarterly Report for the Quarter Ended May 31, 2010, and the update on the Institutional Compliance Action Plan Fiscal Year 2010, which was submitted to UT System. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

Unaudited Financial Statements

Mr. Foster asked Ms. Moeller to present the separate unaudited financial statements as of May 31, 2010, 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), The University of Texas System Intermediate Term Fund (ITF) (collectively, the Funds) and the Corporation. Ms. Moeller presented the financial statements for the Funds and the Corporation. Mr. Zimmerman and Ms. Moeller answered the Committee members' questions.

There being no further business to come before the Committee, the meeting was adjourned at 9:40 a.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Janiece Longoria
Janiece Longoria, Chair

Date: 11-9-2010

Audit and Ethics Committee of The University of Texas Investment
Management Company