

**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 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, R. Steven Hicks, 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:

R. Steven Hicks, Chair
Charles W. Tate
James P. Wilson

thus constituting a majority and quorum of the Committee. 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; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Gary Hill, Senior Manager - Investment Reporting; Debbie Childers, Manager - Portfolio Accounting and Operations; Melynda Shepherd, Manager - Finance and Administration; David Gahagan, Acting Head of Information Technology; and other staff members. Other attendees were Charlie Chaffin, Terry Hull, Jim Phillips, and Moshmee Kalamkar of The University of Texas System (UT System) Administration; Jerry Turner and Bob Jewell of Andrews Kurth LLP, and Tom Wagner and Robert Cowley of Deloitte and Touche LLP. Director Printice L. Gary, Committee Member, joined the meeting later, as noted in the minutes, constituting a majority and quorum of the Board. Mr. Hicks called the meeting to order at 11:18 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 Audit and Ethics Committee meeting held on April 7, 2011. 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 7, 2011, be, and are hereby, approved.

Independent Auditor

Mr. Hicks asked Ms. Moeller 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, 2011. 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, 2011, subject to further approval of the UTIMCO Board.

UT System Audit Office Report

Mr. Hicks asked Mr. Chaffin to give a report from the UT System Audit Office. Mr. Chaffin provided an update on the completion of their FY 2011 Audit Plan. Mr. Gary joined the meeting at this time. Mr. Chaffin reported that the Audit Office will again assist Deloitte & Touche LLP with the audit of the Funds for the fiscal year ending August 31, 2011. Mr. Chaffin proposed the audit plan for FY 2012 providing a summary of audits to be performed. 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 University of Texas System Fiscal Year 2012 Audit Plan for UTIMCO be, and is hereby, approved.

Deloitte and Touche LLP Report

Mr. Hicks asked Mr. Wagner of Deloitte and Touche LLP to give a report on the fiscal year 2011 investment fund's audit. Mr. Wagner provided a summary of events to expect with the audit of 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 Investment Funds) for the FY 2011. He reported that interim field work would begin July 2011 with final field work scheduled for the second week of September and issuance of the final report on October 31, 2011. Mr. Wagner reported that Deloitte & Touche LLP would provide written communications to the Committee and Board as in the past with respect to the audit of Investment Funds.

Update on Compliance, Reporting and Audit Issues

Mr. Hicks asked for an update on compliance, reporting and audit issues. Mr. Gahagan reported on The University of Texas System Information Security Assessments and Effectiveness Review performed by Deloitte Development, LLC ("Deloitte"). Mr. Gahagan stated that Deloitte had completed the audit for the information security area of the Corporation, and while Deloitte verbally said the outcome was good, a formal report had not yet been received by Deloitte. Mr. Chaffin explained that the UT System Board of Regents had engaged Deloitte to perform an Information Security Assessments and Effectiveness audit for all UT institutions, UT System administration and UTIMCO. The final report should be issued by the end of August 2011. Ms. Gonzalez reported on the compliance matters for the fiscal quarter ending May 31, 2011, including employee training, the preclearance of trades and the Corporation's Compliance Hotline. She reported a compliance matter regarding the Derivative Investment Policy. There was no activity on the Compliance Hotline for the quarter ending May 31, 2011. Ms. Gonzalez continued by presenting the Investment Policies Compliance Report for the Quarter Ended May 31, 2011. Ms. Gonzalez presented the Institutional Compliance Program report for the Quarter Ended May 31, 2011, and presented the updated Institutional Compliance Action Plan for FY 2011, which included on-going monitoring of the compliance program, ethics training, and an update on the revised records retention plan and new business continuity

plan. Ms. Gonzalez also reported on the Director Co-Investment Log for FY 2011. Mr. Zimmerman reported on the annual Financial Advisor and Service Provider Disclosures Report for 2010.

Executive Session

Mr. Hicks announced, at 11:39 a.m., that "The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Committee, for the purpose of deliberating individual personnel compensation and evaluation matters related to the General Counsel and Chief Compliance Officer. This Executive Session meeting of the Committee is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is July 7, 2011, and the time is now 11:39 a.m." With the exception of Chairman Foster, Mr. Zimmerman, Mr. Turner, and Mr. Jewell, all other meeting participants left the meeting at this time.

Open Session

The Committee reconvened in open session and Mr. Hicks announced that "The Open Session of the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is July 7, 2011, and the time is now 11:56 a.m. During the Executive Session, the Committee deliberated individual personnel compensation and evaluation matters related to the General Counsel and Chief Compliance Officer but no action was taken nor decisions made, and no vote was called for or had by the Committee in Executive Session."

Mr. Hicks recommended that the Audit and Ethics Committee and the CEO jointly recommend to the Compensation Committee, subject to approval by the UTIMCO Board, the Base Salary, Performance Incentive Plan Participation, and Performance Goals for the General Counsel and Chief Compliance Officer for the 2011/2012 Fiscal Year and Performance Period. By motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the UTIMCO Board has established a UTIMCO Compensation Program (the "Plan") for certain employees of the Corporation; and

WHEREAS, Section 4.2.(a) of the Plan provides that the Compensation Committee of the Board of Directors of UTIMCO will determine the base salaries of key investment and operations employees; and

WHEREAS, Section 5.3.(a) of the Plan provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "UTIMCO Board") as an "Eligible Position" for that Performance Period and (2) selected by the UTIMCO Board as eligible to participate for that Performance Period; and

WHEREAS, Section 5.4.(a) of the Plan provides that the Compensation Committee of the Board of Directors of UTIMCO will approve the Performance

Goals for each Participant (other than for the CEO) for each Performance Period;
and

WHEREAS, Section 5.4.(d) of the Plan provides that, subject to the approval of the UTIMCO Board, the Compensation Committee will approve (or adjust as it deems appropriate) the Weightings of the Performance Goals (entity, asset class, and individual) for each Participant (other than for the CEO) for each Performance Period; and

WHEREAS, Section 5.5.(a) of the Plan provides that, subject to the approval of the UTIMCO Board, the Compensation Committee will determine the Incentive Award Opportunity for each Performance Goal for each Participant in an Eligible Position;
and

WHEREAS, the charter of the Audit and Ethics Committee (the "Committee") requires the Committee and the CEO to approve the Chief Compliance Officer's performance goals and achievement of the goals, and to make a joint recommendation to the Compensation Committee as to the base salary and performance incentive awards for the Chief Compliance Officer; and

WHEREAS, the Committee and the CEO have prepared a joint recommendation regarding the base salary of the General Counsel and Chief Compliance Officer;
and

WHEREAS, subject to the approval of the Compensation Committee, the Committee and CEO have reviewed and approve the Performance Goals for the General Counsel and Chief Compliance Officer for the 2011/2012 Performance Period as presented to the Committee; and

WHEREAS, subject to approval by the UTIMCO Board, the Audit and Ethics Committee and the CEO jointly recommend the position of General Counsel and Chief Compliance Officer as an Eligible Position and Cecilia Gonzalez as a "Participant" in the Plan for the 2011/2012 Performance Period, effective as of July 1, 2011; and

WHEREAS, subject to the concurrence of the Compensation Committee and approval by the UTIMCO Board, the Audit and Ethics Committee has reviewed and approves the Eligible Position, Weightings of the Performance Goals, and the Incentive Award Opportunities for the position of General Counsel and Chief Compliance Officer for the 2011/2012 Performance Period as presented to the Audit and Ethics Committee.

NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the base salary of the General Counsel and Chief Compliance Officer as recommended by the CEO and the Audit and Ethics Committee and the CEO hereby jointly recommend to the

Compensation Committee the base salary of the General Counsel and Chief Compliance Officer, effective September 1, 2011; and be it

FURTHER RESOLVED, that the Audit and Ethics Committee approves the Performance Goals of the General Counsel and Chief Compliance Officer for the 2011/2012 Performance Period as recommended by the CEO and the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee the Performance Goals of the General Counsel and Chief Compliance Officer, effective as of July 1, 2011; and be it

FURTHER RESOLVED, that the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee that the position of General Counsel and Chief Compliance Officer be designated by the UTIMCO Board as an "Eligible Position" in the Plan for the 2011/2012 Performance Period; and be it

FURTHER RESOLVED, that the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee that Cecilia Gonzalez be designated by the UTIMCO Board as a "Participant" in the Plan for the 2011/2012 Performance Period, effective as of July 1, 2011; and be it

FURTHER RESOLVED, that the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee that the Eligible Position, Weightings of Performance Goals, and Incentive Award Opportunities for the Eligible Position of General Counsel and Chief Compliance Officer for the 2011/2012 Performance Period be approved in the manner presented to the Committee, effective as of July 1, 2011.

Unaudited Financial Statements

Mr. Hicks asked Ms. Moeller to present the separate unaudited financial statements as of May 31, 2011, for the Investment Funds and the Corporation. Ms. Moeller provided highlights of the statements, with no new items or significant changes to be reported. Mr. Zimmerman stated that he would provide a detailed update on the Corporation's budget at the Board meeting next week.

There being no further business to come before the Committee, the meeting was adjourned at 12:02 p.m.

Secretary: Joan Moeller
Joan Moeller

Approved: R. Steven Hicks
R. Steven Hicks, Chair
Audit and Ethics Committee of the Board of Directors of
The University of Texas Investment
Management Company

Date: December 5, 2011