

**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 **November 3, 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
Printice Gary
Charles W. Tate
James P. Wilson

thus constituting a majority and quorum of the Committee. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Uzi Yoeli, Senior Director – Portfolio Risk Management; Gary Hill, Senior Manager - Investment Reporting; Debbie Childers, Manager - Portfolio Accounting and Operations; David Gahagan, Acting Head of Information Technology; and other staff members. Other attendees were Charlie Chaffin, Terry Hull, Roger Starkey and Moshmee Kalamkar of The University of Texas System (UT System) Administration; Jerry Turner of Andrews Kurth LLP, and Tom Wagner and Robert Cowley of Deloitte and Touche LLP. Mr. Hicks called the meeting to order at 8:32 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 July 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 July 7, 2011, be, and are hereby, approved.

Audit Results and Communications

Mr. Hicks asked Mr. Tom Wagner, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and necessary communications for the 2011 audits of the investment funds. Mr. Wagner confirmed the completion of the audits of the Permanent University Fund (PUF), the UT System General Endowment Fund (GEF), the Permanent Health Fund (PHF), the UT System Long Term Fund (LTF), and the UT System Intermediate Term Fund (ITF) (collectively, the "Funds"). He discussed with the Committee the Statement of Investment Performance Statistics,

summarized the audit process, and reviewed with the Committee the Audit Results and Communication report covering required communications dated October 31, 2011. Mr. Wagner confirmed that 1) Deloitte & Touche LLP issued unqualified opinions on the Funds' August 31, 2011, 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. As part of the audit, Deloitte & Touche LLP reviewed and tested the market values of alternative investments and concluded that the Funds' recorded investment values were fairly stated. The Funds' financial statements and disclosures were complete in all material respects. Mr. Wagner stated that no material weaknesses regarding internal controls were found during their audit procedures.

Mr. Wagner reported that there were no concerns regarding management. Mr. Wagner stated they had no difficulties to report and were very complimentary of the Corporation's staff, and the cooperation that Deloitte & Touche LLP had received throughout the audit process. He also reported that the assistance provided by the UT System Audit Office was very helpful. Mr. Wagner, Mr. Zimmerman, Ms. Moeller, Mr. Hill, Mr. Hull, Mr. Chaffin and Mr. Turner answered the Committee members' questions. Upon motion duly made and adopted, the following two resolutions were approved unanimously:

RESOLVED, that Deloitte & Touche 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, 2011, be, and is hereby approved in the form as presented to the Audit and Ethics Committee.

And,

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, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund, each for the fiscal years ended August 31, 2011 and August 31, 2010, and the Statement of Investment Performance Statistics for the year ended August 31, 2011, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

UT System Audit Office Report

Mr. Hicks asked Mr. Chaffin to give a report from the UT System Audit Office. Mr. Chaffin provided a review of the completed UTIMCO Chief Executive Officer/Chief Investment Officer Expenses Audit Report for FY 2011, which received a clean opinion. Mr. Chaffin also stated that the Audit Office had followed up on a previous recommendation related to the FY 2010 UTIMCO Derivatives Policy Audit and confirmed that UTIMCO staff had implemented the recommendation.

Update on Compliance, Reporting and Audit Issues

Mr. Hicks asked for an update on compliance, reporting and audit issues. Ms. Gonzalez reported on the compliance matters for the fiscal quarter ending August 31, 2011, including employee training, the preclearance of trades and the Corporation's Compliance Hotline. She reported that there were no compliance issues for the quarter. There was no activity on the Compliance Hotline for the quarter ending August 31, 2011, and only two calls reported for the fiscal year which were both hang-ups. Ms. Gonzalez continued by presenting the Investment Policies Compliance Report for the Quarter Ended August 31, 2011. Ms. Gonzalez presented the Institutional Compliance Program annual report for the Period Ended August 31, 2011, noting that the Assessment of Control Structure for High Risk Area #2: Investment Risk Management had been changed from "Opportunity for Enhancement" to "Well Controlled", due to the efforts made by the Risk Team to develop procedures and document work performed in the Risk Management area. She also presented the updated Institutional Compliance Action Plan for FY 2011 and the Action Plan for 2012.

Executive Session

Mr. Hicks announced, at 9:11 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 matters related to the General Counsel and Chief Compliance Officer's Performance Incentive Award as a Participant in the UTIMCO Compensation Program for the Performance Period ended June 30, 2011. This Executive Session meeting of the Committee is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is November 3, 2011, and the time is now 9:11 a.m." With the exception of Mr. Zimmerman and Mr. Turner, 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 November 3, 2011, and the time is now 9:23 a.m. During the Executive Session, the Committee deliberated individual personnel compensation 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 asked Mr. Zimmerman to read the joint recommendation of the Audit and Ethics Committee and the CEO to recommend to the Compensation Committee, subject to approval by the UTIMCO Board, the General Counsel and Chief Compliance Officer's performance incentive award for the Performance Period ended June 30, 2011. By motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Audit Charter of the Audit and Ethics Committee requires that the Audit and Ethics Committee and the CEO approve the Chief Compliance Officer's performance goals and achievement of the goals and make a joint

recommendation to the Compensation Committee as to the Base Salary and performance incentive award for the Chief Compliance Officer; and

WHEREAS, the Audit and Ethics Committee and the CEO have prepared a joint recommendation regarding the Performance Incentive Award of the General Counsel and Chief Compliance Officer for the 2010/2011 Performance Period; and

WHEREAS, subject to approval by the UTIMCO Board, the Audit and Ethics Committee and the CEO jointly recommend the performance incentive award of the General Counsel and Chief Compliance Officer; and

WHEREAS, the Audit and Ethics Committee has reviewed the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2010/2011 Performance Period and wishes to document approval of such Performance Incentive Award and recommend that the Compensation Committee approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the Performance Incentive Award for the General Counsel and Chief Compliance Officer as recommended by the CEO for the 2010/2011 Performance Period, and the Audit and Ethics Committee and CEO hereby jointly recommend to the Compensation Committee the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2010/2011 Performance Period.

There being no further business to come before the Committee, the meeting was adjourned at 9:25 a.m.

Secretary: 
Joan Moeller

Approved:  Date: 2/2/2012
R. Steven Hicks, Chair
Audit and Ethics Committee of the Board of Directors of
The University of Texas Investment
Management Company