

**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 5, 2012**, 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, James P. Wilson, 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:

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

thus constituting a majority and quorum of the Committee and the Board. Director Printice Gary did not attend the meeting. 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; and other staff members. Other attendees were Terry Hull, Whitney Henry, J. Michael Peppers, Moshmee Kalamkar, and Roger Starkey of The University of Texas System ("UT System") Administration; and Jerry Turner of Andrews Kurth LLP. Mr. Wilson called the meeting to order at 10:28 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 5, 2012. 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 5, 2012, be, and are hereby, approved.

Independent Auditor

Mr. Wilson 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, 2012. 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, 2012, subject to further approval of the UTIMCO Board.

UT System Audit Report

Mr. Wilson asked Mr. Peppers, Chief Audit Executive *ad interim*, and Ms. Kalamkar, Manager of Audits of the UT System Audit Office, to review the Long Term Fund Internal Controls Audit Report FY 2012. They reported that in April and May 2012, the UT System Audit Office conducted an audit of the internal controls of the Long Term Fund. Ms. Kalamkar stated that the audit objectives were met, i.e., to provide assurance to UTIMCO management and the Committee that internal controls over financial reporting were adequately documented and to determine that these controls were sufficient and functioning as intended. Ms. Kalamkar reported that a few suggestions and enhancements were recommended to Staff, but these suggestions were not sufficient enough to include in the audit report. Mr. Peppers provided the Committee with an update on the completion of their 2012 audit plan and discussed proposed audits for the 2013 audit plan.

Update on Compliance, Reporting and Audit Issues

Mr. Wilson asked for an update on compliance, reporting and audit issues. Ms. Gonzalez reported on the compliance matters for the fiscal quarter ending May 31, 2012, including the status of employee training, preclearance of trades and the Corporation's Compliance Hotline's activity. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended May 31, 2012, the Institutional Compliance Program Report for the Period Ended May 31, 2012, and the updated Institutional Compliance Action Plan for FY 2012. Ms. Gonzalez also reported that the only change to the UTIMCO Director Co-Investment Log included in the Committee materials was the removal of information related to a Director whose term had expired. Ms. Moeller reported that Deloitte & Touche LLP would begin the year-end audit on the funds the following week. She also reported on the annual filing to the State Auditor's Office related to disclosure statements for all financial advisors and service providers as required by *Texas Government Code* Section 2263.005. A summary of the current report was included in the meeting materials.

Executive Session

Mr. Wilson announced, at 10:47 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 5, 2012, and the time is now 10:47 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. Wilson 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 5, 2012, and the time is now 10:56 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. Wilson 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 2012/2013 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 2012/2013 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 2012/2013 Performance Period; 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 2012/2013 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, 2012; 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 2012/2013 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; 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 2012/2013 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 2012/2013 Performance Period; 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 2012/2013 Performance Period be approved in the manner presented to the Committee.

Master Custodian

Mr. Wilson asked Ms. Moeller to present Staff's recommendation to approve BNY Mellon as the Custodian for the investment assets under the fiduciary care of the Board of Regents of the UT System. Ms. Moeller explained that Staff established an internal committee to participate in the master custodian review. The Request for Proposal ("RFP") was sent to five global custodians: BNY Mellon, State Street, Northern Trust, JP Morgan, and Citibank. Ms. Moeller reviewed the process with the Committee and discussed reasons for Staff's recommendation to retain BNY Mellon as the Custodian for the investment assets under the fiduciary care of the Board of Regents of the UT System. Further approval of the master custodian is required by the UTIMCO Board and Board of Regents. Mr. Zimmerman and Ms. Moeller answered the Committee Members' questions. By motion duly made and seconded, the following resolution was unanimously adopted:

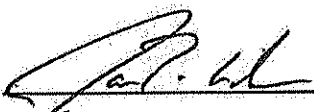
RESOLVED, that the Committee approves the selection of Bank of New York Mellon ("BNY Mellon") as the master custodian for the investment assets under the fiduciary care of Board of Regents of The University of Texas System and directs staff to renegotiate or extend the existing contract with BNY Mellon, as considered necessary, subject to approval of the UTIMCO Board.

Unaudited Financial Statements

Mr. Wilson asked Ms. Moeller to present the separate unaudited financial statements as of May 31, 2012, for the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System Intermediate Term Fund and the Corporation. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported. Mr. Zimmerman answered the Committee Members' questions.

There being no further business to come before the Committee, the meeting was adjourned at 11:09 a.m.

Secretary: 
Joan Moeller

Approved: 

Date: 11-19-2012

James P. Wilson, Chair
Audit and Ethics Committee of the Board of Directors of
The University of Texas Investment
Management Company