

**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 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
Printice Gary
R. Steven Hicks
Charles W. Tate

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; Christy Wallace, Assistant Secretary; 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; Jerry Turner of Andrews Kurth LLP; and Tom Wagner and Robert Cowley of Deloitte and Touche LLP. Mr. Wilson called the meeting to order at 9:30 a.m. Mr. Gary joined the meeting in progress, as noted below. 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 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 July 5, 2012, be, and are hereby, approved.

Audit Results and Communications

Mr. Wilson asked Mr. Tom Wagner, audit partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and necessary communications for the 2012 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, 2012. Mr. Gary joined the meeting at this time.

Mr. Wagner confirmed that 1) Deloitte & Touche LLP issued unqualified opinions on the Funds' August 31, 2012, 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 answered the Committee members' questions. Upon motion duly made and adopted, the following resolution was 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, 2012, be, and is hereby approved in the form as presented to the Audit and Ethics Committee.

Mr. Wilson asked Ms. Moeller to present the Audited Financial Statements for the PUF, GEF, PHF, LTF, and the ITF each for the fiscal years ended August 31, 2012 and August 31, 2011, and the Statement of Investment Performance Statistics for the year ended August 31, 2012. Upon motion duly made and adopted, the following resolution was approved unanimously:

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, 2012 and August 31, 2011, and the Statement of Investment Performance Statistics for the year ended August 31, 2012, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

Proposed Amendments to Corporation's Code of Ethics

Mr. Wilson asked Mr. Zimmerman to review the proposed amendments to the Corporation's Code of Ethics. The draft changes to the Code are based on the joint efforts of Corporation's Staff, Andrews Kurth LLP, and UT System Office of General Counsel. Mr. Zimmerman stated that Staff realized recently, based on the Code as currently drafted, that Staff would be prevented from doing business with a publicly traded company merely because an employee's spouse, minor child, or dependent Relative worked for that company; for example, the Corporation would no longer be able to purchase its computer equipment from Dell. Staff believed that in most circumstances, the employment in a business entity of a spouse, minor child, or dependent Relative, who is not in a management or executive officer position and has no ability to influence its operating or financial decisions, should not be treated a prohibited transaction and should, after thoughtful consideration, be able to be waived. For this reason Staff recommended the Code be amended by adding Section 3.01(d) to permit the CEO, with the approval of the Chairman of the Policy

Committee, to waive the application of Section 3.01 with respect to an agreement or transaction with a business entity in which the spouse, minor child, or other dependent Relative of an Employee received more than 5% of his income from the entity in the prior year (i.e., a pecuniary interest) so long as the individual is not in a management or executive officer position and does not have control of the operating or financial decisions of the business entity. Mr. Zimmerman and Mr. Turner answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

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.

Update on Compliance, Reporting and Audit Issues

Mr. Wilson asked for an update on compliance, reporting and audit issues. Mr. Zimmerman reported on the compliance matters for the fiscal quarter ending August 31, 2012, including the status of employee training, preclearance of trades and the Corporation's Compliance Hotline's activity. There were no issues for this quarter. Also provided to the Committee was the Investment Policies Compliance Report for the Quarter Ended August 31, 2012, the Institutional Compliance Program Report for the Period Ended August 31, 2012 and the updated Institutional Compliance Action Plan for FY 2012.

Mr. Zimmerman reported several items of business after the compliance reporting. Mr. Zimmerman reported a phone system outage in the Corporate office two weeks ago. He summarized the procedures Staff took to manage the phone outage, which was not unexpected due to outdated equipment, and the subsequent purchase of a new phone system. Mr. Zimmerman also reported that the investment funds' money market fund at Dreyfus was inaccessible during "Super Storm Sandy". The unavailability of the money market fund created liquidity concerns for UT System. Staff worked with Terry Hull and his staff and BNY/Mellon agreed to provide liquidity essentially by borrowing against the GEF without cost. Mr. Zimmerman gave an update to the Committee on the follow-up audit by the State Auditor. Mr. Turner will be asked to provide legal guidance regarding best practices on personal trading by employees, and will present to the full Board, at a future meeting, any suggested improvements to be made regarding this issue.

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 report from the UT System Audit Office. Mr. Peppers reviewed the proposed 2013 Audit Plan and summarized audits that will be performed over the next year by their office. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that The University of Texas System Fiscal Year 2013 Audit Plan for UTIMCO be, and is hereby, approved.

Mr. Peppers continued by providing a brief report on the completed Chief Executive Officer/Chief Investment Officer Expenses Audit Report. He stated that there were no observations, no recommendations and it was a clean audit report. Mr. Peppers presented the System Administration Information Technology Follow-up Audit as related to UTIMCO during the Executive Session.

Executive Session

Mr. Wilson announced, at 10:19 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 a security audit, and 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, 2012. This Executive Session meeting of the Committee is authorized by Texas Government Code Section 551.076 (Deliberation Regarding Security Devices); and Section 551.074 (Personnel Matters). The date is November 5, 2012, and the time is now 10:19 a.m." With the exception of Mr. Zimmerman, Mr. Turner, Ms. Moeller, Mr. Peppers, Ms. Kalamkar and Mr. Gahagan, all other meeting participants left the meeting at this time. Ms. Moeller, Mr. Peppers, Ms. Kalamkar and Mr. Gahagan left the executive session after discussion of the Information Technology Follow-up Audit as related to UTIMCO.

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 November 5, 2012, and the time is now 10:30 a.m. During the Executive Session, the Committee deliberated security audit matters and 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. Wilson recommended that the Audit and Ethics Committee and the CEO jointly recommend to the Compensation Committee Performance Incentive Award of the General Counsel and Chief Compliance Officer for the 2011/2012 Performance Period. 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 2011/2012 Performance Period; and

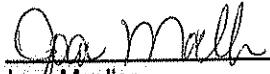
WHEREAS, subject to approval by the UTIMCO Board, the Audit and Ethics Committee and the CEO jointly recommend the performance incentive award of the General Counsel and Chief Compliance Officer; and

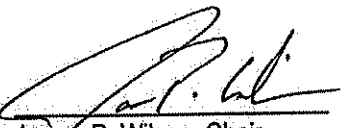
WHEREAS, the Audit and Ethics Committee has reviewed the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2011/2012 Performance Period and wishes to document approval of such Performance Incentive Award and recommend that the Compensation Committee approve the 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 2011/2012 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 2011/2012 Performance Period.

There being no further business to come before the Committee, the meeting was adjourned at 10:33 a.m.

Secretary: 
Joaquin Moeller

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

Date: _____