

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

The Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **September 13, 2005**, at the offices of the Corporation, Town Lake Conference Room, 221 West 6th Street, Austin, Texas, 78701, said meeting having been called by the Committee Chair, Erle Nye, with notice provided to each member in accordance with the Bylaws. The audio portion of the open meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Erle Nye, Chair
Woody L. Hunt
Robert B. Rowling

thus, constituting a majority and quorum of the Committee. Also attending the meeting were H. Scott Caven, Jr., Vice Chairman of the Board; Bob Boldt, President of the Corporation; Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Gary Hill, Debbie Childers and Greg Lee of Corporation staff; Jerry Turner, legal counsel for the Corporation; Philip Aldridge, Amy Barrett, Charlie Chaffin, and Cathy Swain representing The University of Texas System (the "UT System"); and Ricky Richter of Ernst and Young.

Chairman Nye called the meeting to order at 11:05 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee Member.

Approval of the Minutes

The first matter to come before the Committee was approval of the Audit and Ethics Committee minutes of the May 19, 2005 meeting. By motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on May 19, 2005, be, and are hereby, approved.

Amendments to Audit Charter

Mr. Nye asked Ms. Moeller to present the financial statements. Ms. Moeller reviewed the interim financial statements, without footnotes, for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and the Short Intermediate Term Fund (SITF) for the nine months ended May 31, 2005, and Mr. Lee gave a review of unaudited financial statements with footnotes for UTIMCO corporate for the nine months ended May 31, 2005. Also presented by Ms. Moeller

were new investment risk disclosure requirements related to a new Governmental Accounting Standards Board statement No. 40. Ms. Moeller, Mr. Hill, and Mr. Lee answered the Committee members' questions.

The Sarbanes-Oxley Act of 2002 Update

Ms. Moeller asked Mr. Lee to continue with a status report on the Corporation's implementation of Sarbanes-Oxley Act of 2002. Mr. Lee and Ms. Barrett updated the Committee on the progress of the project team (which consists of Corporation Staff, external auditors from Ernst & Young, and the UT System Audit Office), and UT System Internal Audit findings. Mr. Lee, Mr. Chaffin and Ms. Barrett answered the Committee members' questions.

Compliance, Reporting and Audit Issues

Mr. Nye asked Ms. Moeller to give an update on internal compliance, reporting and audit issues. Ms. Moeller noted that the 2005-2006 Audit Plan of the UT System Audit Office needed approval by the Committee. Ms. Barrett explained that the FY 2006 Audit Plan has budgeted 2,780 audit and consulting hours for the Corporation and 1,760 hours have been marked as priority projects for the year. The largest project listed, at 1,000 hours, is evaluation of compliance with the Sarbanes-Oxley Act of 2002. Ms. Barrett said the number of audit hours for this project should decrease over time. By motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that The University of Texas System Fiscal Year 2006 Internal Audit Plan for UTIMCO be, and is hereby, approved.

Ms. Moeller stated that field work for annual financial statements by Ernst & Young was expected to commence on September 26, 2005, with a completion date tentatively scheduled for October 31, 2005. Mr. Lee also noted that for the current fiscal year, the Staff will be implementing a plan to review and/or request proposals related to its primary consultant and professional service providers. Ms. Moeller, Mr. Lee, Mr. Richter and Mr. Chaffin answered the Committee members' questions.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 12:00 p.m.

Secretary: _____
Joan Moeller

Approved: _____
Erle Nye, Chair
Audit and Ethics Committee
of the Board of Directors of
The University of Texas Investment
Management Company

Date: _____