

**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 27, 2006**, at the offices of Erle Nye, 2651 North Harwood Street, Suite 250, Dallas, Texas, said meeting having been called by the Committee Chair, Erle Nye, with notice provided to each member in accordance with the Bylaws. The meeting was also held by means of conference telephone enabling all persons participating in the meeting to hear each other. The audio portion of the open meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Erle Nye, Chair  
Colleen McHugh  
Robert B. Rowling

thus, constituting a majority and quorum of the Committee. Also attending the meeting were Cathy Iberg, Interim President of the Corporation; Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Gary Hill and Debbie Childers of Corporation staff; Jerry Turner, legal counsel for the Corporation; Philip Aldridge, Amy Barrett, Charlie Chaffin, William Huang 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 3:35 p.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 16, 2006, 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 16, 2006, be, and are hereby, approved.

**Presentation of Unaudited Financial Statements as of May 31, 2006**

Mr. Nye stated asked Ms. Moeller to present the unaudited financial statements as of May 31, 2006, for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), the Intermediate Term Fund (ITF) and UTIMCO. The financial statements were presented to assist the Committee in monitoring the financial functions of the Corporation and the investment funds.

Mr. Nye asked Ms. Moeller if there was anything in the statements that show diversion from normality. Ms. Moeller asked Mr. Richter to comment on an audit interpretation on auditing the alternative investments. Mr. Richter noted that it is the auditor's responsibility to have adequate auditing procedures addressing

hedge funds and private equity funds and verifiable evidence in attaching fair value to a unit. In discussing the financial statements and audit processes, Mr. Richter, Ms. Iberg, Ms. Moeller and Mr. Chaffin answered questions of the Committee.

**UT System Internal Audit Report**

Mr. Nye asked Ms. Barrett to give a report on the recent audits conducted by the UT System Internal Audit Office and status of their FY 2006 audit plan. She reported on the work performed to date, the preliminary results of the audit of the Corporation's internal controls related to the relevant provisions of the Sarbanes-Oxley Act and their report of an audit of the UTIMCO CEO's expenses for fiscal year 2006. Ms. Barrett also presented their proposed audit plan and discussed the associated fees for fiscal year 2007. Ms. Barrett, Mr. Chaffin and Ms. Moeller answered questions of the Committee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that The University of Texas System Fiscal Year 2007 Internal Audit Plan for UTIMCO be, and is hereby, approved.

**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 Ernst & Young had begun the internal control and financial audits and they were expected to be in the Corporation's office for the next month. Mr. Chaffin reminded the Committee that the audited financial statements will be presented to the Audit and Ethics Committee and also to the Board for approval at their respective meetings scheduled for November 9, 2006, and then further presented to the UT System Board of Regents for approval at their November meeting. Ms. Moeller presented the General Compliance Report for the month ended July 31, 2006 and the quarterly update of the Institutional Compliance Program as of June 15, 2006.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 4:45 p.m.

Secretary: Joan Moeller  
Joan Moeller

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

Date: 11/15/06