

**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 **March 19, 2007**, 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, 78701, said meeting having been called to order 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
Colleen McHugh
Robert B. Rowling

thus, constituting a majority and quorum of the Committee. Also attending the meeting were Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Cecilia Gonzalez, General Counsel for the Corporation; Melynda Carter, Debbie Childers, Gary Hill and Tushar Shah of Corporation staff; Jerry Turner, outside legal counsel for the Corporation; Ricky Richter of Ernst & Young; Philip Aldridge, Amy Barrett and Cathy Swain representing The University of Texas System (the "UT System").

Chairman Nye called the meeting to order at 3:05 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 November 9, 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 November 9, 2006, be, and are hereby, approved.

Presentation of the Corporation's Financial Statements for the Period Ended August 31, 2006

Mr. Nye asked Mr. Richter from the independent accounting firm of Ernst & Young, LLP, to make a presentation of audit results and necessary communications. Mr. Richter confirmed the completion of audit of the Corporation, summarized the process and reviewed with the Committee the Audit Results and Communication report covering required communications and report on internal controls. As stated in the report, Mr. Richter confirmed that 1) Ernst & Young issued unqualified opinions on the Corporation's August 31, 2006 financial statements, 2) there were no changes in accounting policies that impacted the Corporation's financial statement balances, and 3) accounting principles utilized by management were

reasonable and of good quality, were acceptable, and have been consistently applied under accounting principles generally accepted in the United States. Mr. Richter also confirmed that the Corporation's financial statements and disclosures were complete in all material respects. Mr. Richter also stated that if instances of fraud or allegations of fraud were found during the audit, Ernst & Young would be required to reveal such, but they are not aware of any such instances. No material weaknesses regarding internal control were found during their audit procedures.

Mr. Richter stated that the auditors at Ernst & Young also reviewed the Corporation management's assertions that they have maintained effective internal controls over financial reporting. Mr. Richter observed that UTIMCO management has voluntarily complied with the relevant provisions of Sarbanes-Oxley and the audits of the internal controls are similar to the 404 assessment under Sarbanes-Oxley. Mr. Richter reported on Ernst & Young's reports and findings. Ms. Moeller and Mr. Richter answered the Committee members' questions. Upon motion duly made and adopted, the following resolutions were approved:

Committee resolution related to Audit Results and Communications:

RESOLVED, that Ernst & Young, LLP's Financial Statement Audit Results and Communications on the Corporation for the year ended August 31, 2006, be, and is hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

Committee resolution related to Internal Controls:

RESOLVED, that UTIMCO management's assertions on Internal Control over Financial Reporting and the independent accountant's reports for the Corporation for the year ended August 31, 2006, be, and are hereby, approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

Committee resolution related to Annual Financial Statements:

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2006, and August 31, 2005 be, and are hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

Financial Statements

Mr. Nye asked Ms. Moeller to present the Unaudited Financial Statements as of November 30, 2006, for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), Intermediate Term Fund (ITF) and the Corporation. The financial statements were presented to assist the Committee in monitoring the financial functions of the Corporation. Ms. Moeller and Mr. Hill answered questions of the Committee.

Enterprise Risk Management

Mr. Nye asked Ms. Moeller to report on the Enterprise Risk Management ("ERM"). ERM is the process of identifying and analyzing risk from an integrated company-wide perspective. The Audit Charter of the Committee has outlined responsibilities of the Committee regarding ERM. To assist the Committee in evaluating ERM, Ms. Moeller provided the Committee with an introduction of the eight interrelated components, with detailed analysis of two of the eight interrelated components of ERM. The two were internal environment and objective setting. Ms. Moeller discussed the elements of each and how UTIMCO met the requirements of each element. Ms. Moeller also discussed the significant institutional risks. The identified risks are: investment due diligence, investment risk management, information technology and security, investment compliance, conflicts of interest, and social security numbers. The Committee requested that the Risk Committee review the investment-related risk areas of ERM. Staff will continue reviewing and reporting of ERM. Ms. Moeller answered the Committee members' questions and stated that an update will be given at a future meeting.

Compliance, Reporting and Audit Issues

Mr. Nye asked Ms. Moeller to give an update on internal compliance, reporting and audit issues. Ms. Moeller stated that the UT System Board of Regents had approved the hiring of Ernst & Young for another year, which will be the final year of a four year maximum. Ms. Moeller asked Mr. Richter to provide an update to the Board on Ernst & Young's ability to audit the Funds' financial statements for the year ended August 31, 2007. Mr. Richter explained that Ernst & Young, as a firm, had concerns related to their ability to audit alternative investment portfolios, both hedge funds and private equity. Ernst & Young was not able to provide the Committee with a decision at the time of the meeting, but Mr. Richter wanted the Committee to be aware that the firm is evaluating all relationships that have valuation procedures with hedge funds and alternative investments. Ms. Moeller, Mr. Richter, Mr. Turner and Ms. Barrett answered the questions of the Committee members.

Mr. Nye asked Ms. Barrett to give an Internal Audit report. Ms. Barrett stated that as part of the most recent internal audit on compliance there was a suggestion to hire another person to have sole responsibility of compliance matters and that the Internal Audit staff was pleased to know that progress is being made in that area. As an update of the internal audit plan for the year, part of the plan will be to hire Barb Davison to perform an internal audit on front office policies, procedures and controls. Mr. Nye requested that the Committee be kept apprised of the audit and asked to have a conference call with Ms. Davison after her August review. A request was also made to put this item on a future Risk Committee agenda. Ms. Moeller presented the General Compliance Report for the quarter ended November 30, 2006, the quarterly report of the Institutional Compliance Program Quarterly Report as of November 30, 2006 and Sarbanes-Oxley certifications. Ms. Moeller and Ms. Barrett answered the Committee members' questions.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 4:00 p.m.

Secretary: Jean Moeller
Jean Moeller

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

Date: 12/5/2007