

**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 20, 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
Charles W. Tate

thus, constituting a majority and quorum of the Committee. Also attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer of the Corporation; Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Lindel Eakman, Managing Director – Private Markets; Bill Edwards, Managing Director of Information Technology; Cecilia Gonzalez, General Counsel for the Corporation; Uzi Yoeli, Director – Portfolio Risk Management; Melynda Carter, Debbie Childers, Gary Hill of Corporation staff; Jerry Turner, outside legal counsel for the Corporation; Tom Wagner of Deloitte & Touche; Philip Aldridge, Amy Barrett, Charlie Chaffin and William Huang representing The University of Texas System (the "UT System"), and Bruce Myers of Cambridge Associates. H. Scott Caven, Jr., Chairman of the Board and Cathy Iberg, Managing Director – Marketable Alternatives and Deputy CIO for the Corporation joined later in the meeting as noted in the minutes.

Chairman Nye called the meeting to order at 10:00 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 the approval of the Audit and Ethics Committee minutes of the March 19, 2007, 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 March 19, 2007, be, and are hereby, approved.

Financial Statements

Mr. Nye asked Ms. Moeller to give a summary of the Unaudited Financial Statements as of May 31, 2007, 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 asked Ms. Carter to summarize the Corporation statements. Mr. Zimmerman, Ms. Moeller, Mr. Hill, and Ms. Carter answered questions of the Committee.

UT System Audit Office Report

Ms. Moeller asked Ms. Barrett to present an update of the UT System Audit Office 2007 audit plan and proposed audit plan for 2008. Ms. Barrett provided the Committee with the status of the 2007 plan, including a report without audit findings related to the audit of internal controls over financial reporting for the ITF, and the audit of CEO travel and other expenses which was still in progress. Ms. Barrett outlined the items to be covered in the audit plan of 2008. Ms. Barrett, Mr. Chaffin, and Mr. Zimmerman answered the Committee members' questions. By motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that The University of Texas System Fiscal Year 2008 Internal Audit Plan for UTIMCO be, and is hereby, approved.

Report by External Auditor

Mr. Nye asked Ms. Moeller to introduce Mr. Tom Wagner, engagement partner with Deloitte & Touche LLP. Mr. Wagner gave the Committee an overview of Deloitte & Touche's audit plan for the 2007 audits of the investment funds and answered the Committee members' questions. Ms. Iberg joined the meeting at this time.

Audit Charter of the Audit and Ethics Committee

Mr. Nye reviewed the proposed changes to the Audit Charter of the Audit and Ethics Committee (the "Audit Charter") with the Committee. The Staff recommended to the Committee draft language related to the Committee's oversight role of the Chief Compliance Officer and other minor editorial changes to the Audit Charter. Pursuant to the Audit Charter, the Committee is required to annually review and reassess the adequacy of the Audit Charter. The Committee will recommend the proposed changes to the UTIMCO Board. Mr. Caven joined the meeting during this discussion. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the revision of the Audit Charter of the Audit and Ethics Committee, be and is hereby approved, in the form submitted to the Committee, subject to approval by the Corporation's Board of Directors.

Review of the Code of Ethics

Mr. Nye asked Mr. Zimmerman to discuss Staff's suggested changes to the Code of Ethics. Mr. Zimmerman reported that the proposed changes recommended by Staff were for review and discussion only and were being provided to provide additional clarification to certain provisions and make minor

editorial changes. Mr. Zimmerman, Ms. Gonzalez, and Mr. Turner 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 reported that Deloitte & Touche LLP, external auditor for the Corporation, began interim field work in August 2007. Ms. Moeller gave an overview of the quarterly reports related to compliance, the institutional compliance program, and the Corporation's annual compliance update and training. Ms. Moeller, Mr. Zimmerman, and Ms. Carter answered the questions of the Committee members.

Mr. Zimmerman gave a brief update of recent interviews for the independent Chief Compliance Officer position, and reported that a search firm will be engaged to begin a formal search in the near future.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 11:22 a.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: 11/15/07