

**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 **November 5, 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 H. Scott Caven, Jr., Chairman of the Board; Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Cecilia Gonzalez, internal General Counsel for the Corporation; Lindel Eakman, Managing Director – Private Markets; Bill Edwards, Managing Director of Information Technology; Uzi Yoeli, Director – Portfolio Risk Management; Melynda Carter, Debbie Childers, Gary Hill and Kelly Erias of Corporation staff; Jerry Turner, external General Counsel for the Corporation; Tom Wagner, Rodney Lenfant and Tim Coon of Deloitte & Touche LLP; and Philip Aldridge, Amy Barrett, Charlie Chaffin and William Huang representing The University of Texas System (the "UT System").

Chairman Nye called the meeting to order at 9:05 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 the approval of the Audit and Ethics Committee minutes of the September 20, 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 September 20, 2007, be, and are hereby, approved.

Presentation of the UT System Funds' Financial Statements for the Period Ended August 31, 2007

Mr. Nye asked Mr. Tom Wagner, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present their audit results and necessary communications. Mr. Wagner introduced other associates from Deloitte & Touche on the call, and then he confirmed the completion of audits of the funds,

summarized the process and reviewed with the Committee the Audit Results and Communication report covering required communications. As stated in the report, Mr. Wagner confirmed that 1) Deloitte & Touche LLP issued unqualified opinions on the Funds' August 31, 2007 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. The Funds' financial statements and disclosures were complete in all material respects. As part of the audit Deloitte & Touche reviewed and tested the market values of alternative investments and concluded that the Funds' recorded investment values were fairly stated. Mr. Wagner stated that no material weaknesses regarding internal control were found during their audit procedures. Mr. Wagner answered the Committee members' questions.

Mr. Nye stated that he had met with Mr. Wagner earlier and Mr. Wagner did not report to him any concerns regarding management. Mr. Wagner stated they had nothing to report and were very complimentary of the Corporation's staff, and the cooperation that Deloitte & Touche LLP had received throughout the audit process. Upon motion duly made and adopted, the following resolution was approved:

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, 2007, be, and is hereby approved in the form as presented to the Audit and Ethics Committee.

Mr. Nye asked Mr. Wagner to continue by reviewing the separate financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System General Endowment Fund each for the fiscal years ended August 31, 2007 and August 31, 2006, and The University of Texas System Intermediate Term Fund for the fiscal year ended August 31, 2007 and for the period from inception (February 1, 2006) to August 31, 2006. Also presented were the statements of Investment Performance Statistics for the year ended August 31, 2007 for the PUF, GEF, PHF, LTF, and ITF. Ms. Moeller and Mr. Wagner answered questions of the Committee. Upon motion duly made and adopted, the following resolution was approved:

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, and The University of Texas System General Endowment Fund each for the fiscal years ended August 31, 2007 and August 31, 2006, and The University of Texas System Intermediate Term Fund for the fiscal year ended August 31, 2007 and for the period from inception (February 1, 2006) to August 31, 2006, and the Statement of Investment Performance Statistics for the year ended August 31, 2007, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

UT System Audit Office Report

Mr. Nye asked Mr. Chaffin and Ms. Barrett to present a report from the UT System Audit Office. Ms. Barrett presented a summary of recent audits performed by their office. Ms. Barrett also summarized the investment audit plan analysis recently performed by Investment Training and Consulting Institute, Inc. ("ITCI"). ITCI was hired to provide guidance to the UT System Audit Office in analyzing and enhancing the

quality of its audits. Ms. Barrett outlined the observations from ITCI for discussion. Ms. Barrett, Mr. Chaffin, and Ms. Moeller 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 the Investment Policies are being revised and will be brought to the Policy and Risk Committees for review prior to approval by the Board. She gave an overview of the quarterly reports related to compliance, the annual report of institutional compliance program, and the Corporation's annual compliance update and training. Ms. Moeller answered the questions of the Committee members.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 10:00 a.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: 1/25/08