

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

A meeting of the Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **April 15, 2008**, 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, said meeting having been called by the Audit and Ethics Committee Chair, Erle Nye, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Erle Nye, Chair
Colleen McHugh
Charles W. Tate

thus constituting a majority and quorum of the Committee. Director Paul Foster was not present at the meeting. Also attending the meeting were Robert B. Rowling, Chairman of the Board of Directors of the Corporation; Bruce Zimmerman, CEO and Chief Investment Officer of the Corporation; Joan Moeller, Secretary and Treasurer of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Bill Edwards, Managing Director of Information Technology; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer for the Corporation; Uzi Yoeli, Director - Portfolio Risk Management; Melynda Shepherd, Manager – Finance and Administration; Gary Hill, Manager – Investment Reporting for the Corporation; Debbie Childers, Manager – Portfolio Accounting and Operations for the Corporation; Jerry Turner, external General Counsel for the Corporation; Philip Aldridge, Charlie Chaffin, Moshmee Kalamkar, Dean Metzger, Karen Lundquist, Miles Ragland, and Jim Phillips of UT System Administration and Barb Davison of Investment Training and Consulting, Inc. Chairman Nye called the meeting to order at 10:15 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Approval of Minutes

The first matter to come before the Committee was the approval of the minutes of the Audit & Ethics Committee meetings held on January 23, 2008 and on January 30, 2008. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the meetings of the Audit & Ethics Committee of the Board of Directors held on January 23, 2008, and January 30, 2008, be, and are hereby, approved.

Presentation of Unaudited Financial Statements

Mr. Nye asked Ms. Moeller to present the unaudited financial statements as of February 29, 2008, 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. Ms. Moeller reviewed the Funds' financial statements and responded to questions from Committee Members. The interim financial statements excluding footnotes for the Funds and those including footnotes for the Corporation have been prepared by Corporation Staff and have not been audited. Ms. Moeller also reviewed the Corporation's financial statements with the Committee. She highlighted a new item on the Corporation's financial statement, the UTIMCO 457(b) Deferred Compensation Plan, approved November 2007, explaining that those figures are assets of the Corporation. Mr. Zimmerman added that he would address the Corporation's expenses in greater detail at the July meeting of the Board of Directors.

Update on Compliance, Reporting and Audit Issues

Mr. Nye asked Ms. Moeller to present the update on compliance, reporting and audit issues. Ms. Moeller began by asking Mr. Chaffin of UT System Audit Office to report on the external auditor selection. Mr. Chaffin reported that the Board of Regents of the UT System approved the renewal of the auditing services with Deloitte & Touche, LLP for the fiscal year ending August 31, 2008, for the funds managed by the Corporation. Mr. Chaffin continued by reporting that there were two internal audits conducted by UT System Audit Office. Mr. Metzger reviewed the audit of the asset allocation, including review of the Mandate Categorization process, and reported a clean audit with no findings. The second audit was co-sourced with investment auditing firm, Investment Training and Consulting, Inc. ("ITCI"). Ms. Davison, CEO of ITCI, presented an update on the co-managed audit. Ms. Davison reported that the field audit was on-going, no issues to report had been currently identified, and the ITCI staff, with the assistance of the UT System Audit Office, were on schedule for the audit to be completed in May.

Mr. Nye asked Ms. Gonzalez to present the General Compliance Report for the Quarter Ended February 29, 2008. Ms. Gonzalez reported that there were currently no issues with non-compliance.

Ms. Gonzalez also reported that the internal UTIMCO Ethics and Compliance Committee had met twice since she was appointed as Chief Compliance Officer on February 1, 2008. She stated that the Institutional Compliance Program Report for the Quarter Ended February 29, 2008, had been submitted to UT System. Due diligence on the investment side is consistent and responsible. The Information Technology staff will begin to file a report on a quarterly basis. Ms. Gonzalez reported that she is currently working with Risk Management staff to more fully understand the issues with portfolio risk management. Ms. Gonzalez also gave a brief overview of the Annual Employee Ethics and Compliance Training, and she and Mr. Zimmerman answered questions from the Committee Members.

There being no further business to come before the Committee, the meeting was adjourned at 10:40 a.m.

Secretary: 
Joan Moeller

Approved: 
Erle Nye, Chair
Audit & Ethics Committee of The University of Texas Investment
Management Company

Date: 7/24/08