

**MINUTES OF MEETING OF THE
AUDIT AND 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 **January 29, 2009**, 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 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
Paul Foster
Colleen McHugh
Charles W. Tate

thus constituting a majority and quorum of the Committee. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cissie Gonzalez, internal General Counsel and Chief Compliance Officer; and other staff members; Charlie Chaffin, Moshmee Kalamkar, and Jim Phillips of UT System Administration; Jerry Turner of Andrews Kurth LLP; and Tom Wagner from Deloitte & Touche LLP. 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 Minutes

The first matter to come before the Committee was the approval of the minutes of the Meeting of the Audit and Ethics Committee meeting held on November 6, 2008. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on November 6, 2008 be, and are hereby, approved.

Audit Results and Communications

Mr. Nye asked Mr. Tom Wagner, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and necessary communications for the Corporation for the fiscal years ended August 31, 2008 and August 31, 2007. Mr. Wagner confirmed the completion of the audit of the Corporation, summarized the process and reviewed with the Committee the Audit Results and Communications report covering required communications. As stated in the report, Mr. Wagner confirmed that 1) Deloitte & Touche LLP issued an unqualified opinion on the Corporation's August 31, 2008 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 are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the

United States. The Corporation's financial statements and disclosures were complete in all material respects. Mr. Wagner stated that no material weaknesses regarding internal control were found during their audit procedures. Mr. Wagner reported that there were no concerns regarding management. Mr. Wagner stated they had no difficulties to report and were very complimentary of the Corporation's Staff, and the cooperation that Deloitte & Touche LLP had received throughout the audit process. Mr. Wagner answered the Committee Members' questions.

Mr. Nye asked Ms. Moeller if she would like to comment further. Ms. Moeller explained that the financial statements and footnotes were very similar to last year. She reported the budget to actual comparisons (unaudited) for the year ended August 31, 2008 for the Corporation. Mr. Zimmerman and Ms. Moeller answered questions of the Committee. Upon motion duly made and adopted, the following resolutions were approved:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Corporation for the year ended August 31, 2008, be, and is hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board, and

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2008, and August 31, 2007 be, and are hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

Unaudited Financial Statements

Mr. Nye asked Ms. Moeller to continue by reviewing the separate unaudited financial statements as of November 30, 2008, for the Permanent University Fund (PUF), The University of Texas System General Endowment Fund (GEF), the Permanent Health Fund (PHF), The University of Texas System Long Term Fund (LTF), The University of Texas System Intermediate Term Fund (ITF) and the Corporation. Ms. Moeller and Mr. Wagner answered questions of the Committee.

Internal Auditor Report

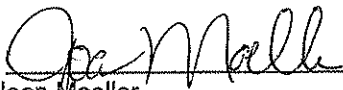
Mr. Nye asked Mr. Chaffin to give a report from the UT System Audit Office. Mr. Chaffin discussed the status of the 2009 Audit Plan previously approved by the Committee. He explained that an audit of the internal controls of the PUF had been added to the Audit Plan at the request of the Audit, Compliance and Management Review Committee of the UT System Board of Regents. He also reported that the same committee of the UT System Board of Regents had recommended hiring Deloitte & Touche LLP as the external auditor for the investment funds for the year ended August 31, 2009. Mr. Chaffin answered the Committee Members' questions.

Update on Compliance, Reporting and Audit Issues

Mr. Nye asked Ms. Gonzalez to present the update on compliance, reporting and audit issues. Ms. Gonzalez presented the Compliance Summary Program and the Institutional Compliance Program Quarterly Report, both for the Quarter Ended November 30, 2008. She informed the Committee that there were no instances of non-compliance with the policies as they related to Audit and Ethics. During the quarter there were ranges that had been breached in More Correlated and Constrained Investments and Private Markets Investments for the PUF and GEF. More Correlated and Constrained Investments were below the minimum range and Private Markets Investments continued to be above the maximum range. This was reported and managed as per policy requirements. All Investment Types were back within range at the time of the meeting. The Corporation has halted any new private investment commitments. Two external manager contracts were out of compliance with investment guidelines during the quarter. Mr. Zimmerman explained the details and answered the Committee Members' questions. Both instances were minor and the exceptions were allowed after discussion with the managers. Ms. Gonzalez gave a brief update of pre-clearance of trades and the Corporation's Compliance Hotline activity. She referenced the UT System's Action Plan to Enhance Institutional Compliance and the Institutional Compliance Program Quarterly Report for the Quarter Ended November 30, 2008. All were included in the presentation materials for Committee review. Ms. Gonzalez also mentioned that representatives of the State Auditor's Office were beginning field work to see if the Corporation's ethics policies are in compliance with State statutes.

Mr. Zimmerman asked the Committee to note that as part of the Institutional Compliance program, in the first quarter of FY 2009 Staff conducted approximately 200 monitoring meetings with managers, in addition to regular information flow. He also mentioned two initiatives: 1) a new software product that was being implemented to assist with tracking these meetings and potential investments, and 2) a newly formed Investment Best Practices group, which had made progress in creating a new policy on background checks, a new very comprehensive due diligence questionnaire, a new investment memo and side letter template as well as specific guidelines on terms.

There being no further business to come before the Committee, the meeting was adjourned at 4:10 p.m.

Secretary: 
Joan Moeller

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

Date: 4-27-09