

**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 **November 5, 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, Paul Foster, 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:

Paul Foster, Chair  
Colleen McHugh  
Charles Tate

thus constituting a majority and quorum of the Committee. Also attending the meeting was Erle Nye, Chairman of the Board. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Uzi Yoeli, Senior Director – Portfolio Risk Management; Gary Hill, Manager – Investment Reporting; and other staff members. Other attendees were Bob Jewell of Andrews Kurth LLP; Jim Philips, Charlie Chaffin, Moshmee Kalamkar, Miles Ragland, and Roger Starkey of UT System Administration; and Tom Wagner and George Scott of Deloitte and Touche LLP. Chairman Foster called the meeting to order at 12:00 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 June 30, 2009. 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 June 30, 2009 be, and are hereby, approved.

**Audit Results and Communications**

Mr. Foster asked Mr. Tom Wagner, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and necessary communications. Mr. Wagner and Mr. Scott introduced themselves and Mr. Scott gave a brief background of his career at Deloitte & Touche LLP. Mr. Wagner confirmed the completion of the audits of 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), and The University of Texas System Intermediate Term Fund (ITF) (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, 2009 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. As part of the audit, Deloitte & Touche LLP reviewed and tested the market values of alternative investments and concluded that the Funds' recorded investment values were fairly stated. The Funds' 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 answered the Committee members' questions.

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. He also reported that the assistance provided by the UT System Audit Office added a new dynamic to the process and was a positive addition. Upon motion duly made and adopted, the following resolution was approved unanimously:

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, 2009, be, and is hereby approved in the form as presented to the Audit and Ethics Committee.

Mr. Foster asked Mr. Wagner and Ms. Moeller to continue by reviewing the separate financial statements and audit reports for the PUF, GEF, PHF, LTF, and ITF for the years ended August 31, 2009 and 2008. They also presented the statements of investment performance statistics for the year ended August 31, 2009, for the PUF, GEF, PHF, LTF, and ITF. Mr. Zimmerman, Ms. Moeller, Mr. Wagner, Mr. Hill and Mr. Chaffin 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, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund, each for the fiscal years ended August 31, 2009 and August 31, 2008, and the Statement of Investment Performance Statistics for the year ended August 31, 2009, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

### **UT System Audit Office Report**

Mr. Foster asked Mr. Chaffin to give a report from the UT System Audit Office. Mr. Chaffin asked Ms. Kalamkar to report on the audit of the Chief Executive Officer and Chief Investment Officer's Expenses for 2009. She reported that the audit was complete and no findings were to be reported. Mr. Chaffin reported that the Follow-Up Audit for Fiscal Year 2009 was also complete. Mr. Chaffin and Ms. Kalamkar answered the Committee Members' questions.

**Update on Compliance, Reporting and Audit Issues**

Mr. Foster asked Ms. Gonzalez to present the update on compliance, reporting and audit issues. Ms. Gonzalez reported that all pre-clearance of trades had cleared and all transaction forms had been filled out on time. She reported that the only activity on the Corporation's Compliance Hotline were hang-ups for the quarter ending August 31, 2009. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended August 31, 2009; and the Institutional Compliance Program Annual Report for the Year Ended August 31, 2009, which was submitted to UT System. Ms. Gonzalez presented the Committee Members with Institutional Compliance Action Plans for 2009 and 2010. The 2010 Plan included ERM, Risk Assessment, Peer Review and Self Assessment of the compliance program. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

There being no further business to come before the Committee, the meeting was adjourned at 1:00 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Paul Foster  
Paul Foster, Chair  
Audit and Ethics Committee of The University of Texas Investment  
Management Company

Date: 1/26/2010