

**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 19, 2010**, 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  
Printice L. Gary  
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; 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 Jerry Turner of Andrews Kurth LLP; Jim Philips, Charlie Chaffin, Philip Aldridge, Moshmee Kalamkar, Miles Ragland, and Roger Starkey of UT System Administration; and Tom Wagner of Deloitte and Touche LLP. Chairman Foster called the meeting to order at 10:47 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 meetings of the Audit and Ethics Committee held on November 5, 2009 and November 20, 2009. 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 and Ethics Committee of the Board of Directors held on November 5, 2009 and November 20, 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 for the Corporation for the fiscal years ended August 31, 2009 and August 31, 2008. 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, 2009 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. Upon motion duly made and seconded, the following resolutions were unanimously adopted by the Committee:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Corporation for the year ended August 31, 2009, 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, 2009, and August 31, 2008, 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. Foster asked Ms. Moeller to present the separate unaudited financial statements as of November 30, 2009, 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) (collectively, the Funds) and the Corporation. Ms. Moeller presented the financial statements for the Funds and the Corporation. Mr. Zimmerman, Mr. Aldridge, Mr. Chaffin, Ms. Moeller and Mr. Hill answered questions of the Committee.

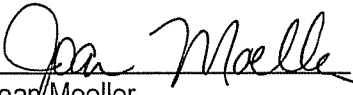
### **UT System Audit Office Report**

Mr. Foster asked Mr. Chaffin to give a report from the UT System Audit Office. Mr. Chaffin reported that at the meetings to be held in February 2010, the UT System Audit, Compliance and Management Review Committee and the Board of Regents will review an agenda item to approve engaging Deloitte & Touche LLP for the FY2010 audit of the Funds. There was a decrease of 3% from last year in the proposed fee from Deloitte & Touche LLP for FY2010. Mr. Chaffin said that although the Board of Regents has the authority to approve the independent auditing firm, it is important that the Audit and Ethics Committee and the Board support the hiring of Deloitte & Touche LLP. He invited the Committee and the Board to express any concerns about the hiring of Deloitte & Touche LLP to him. He also stated that for FY2011 UT System will hire an independent auditor for the first time in three years. The RFP for the System-wide audit will include a carve-out for the Funds and MD Anderson Cancer Center. Mr. Chaffin 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 stated that the UT System is no longer requiring the Quarterly Institutional Compliance Program Report, but they will still require that updates to the annual action plan be submitted. Ms. Gonzalez however, will continue to include the report in the Audit and Ethics Committee and Risk Committee meeting materials. Ms. Gonzalez reported that all trades were pre-cleared when required and all transaction forms had been timely submitted. She reported that the only activity on the Corporation's Compliance Hotline for the quarter ending November 30, 2009 were hang-ups. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended November 30, 2009. She reported that there were two minor items out of compliance related to the report. One manager was out of compliance with its investment guidelines because it held 16 securities but had only been approved to hold up to 15. The manager has since been granted approval to hold the extra security. The other compliance item was the ITF, which fell below its risk bounds for one month but was back in compliance at the end of the quarter. She also reported that staff discovered that a certificate of compliance had not been sent to the newest Director prior to the funding of a new commitment. The certificate of compliance for the funded commitment as well as the certificates of compliance for other mandates under consideration not previously furnished to the Director were sent immediately upon discovery. No conflicts were reported by the Director. Ms. Gonzalez gave the Committee an overview of the updated Institutional Compliance Action Plan for FY 2010 and discussed the significant changes to the Institutional Compliance Program Quarterly Report for the Fiscal Quarter Ended November 30, 2009.

There being no further business to come before the Committee, the meeting was adjourned at 11:30 a.m.

Secretary:   
Joan Moeller

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

Date: 4/15/2010