

**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 **April 8, 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; Gary Hill, Manager – Investment Reporting; and other staff members. Other attendees were Jerry Turner of Andrews Kurth LLP; Charlie Chaffin, Moshmee Kalamkar, Miles Ragland, William Huang and Roger Starkey of UT System Administration. Chairman Foster called the meeting to order at 3:41 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 held on January 19, 2010. 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 January 19, 2010, be, and are hereby, approved.

Unaudited Financial Statements

Mr. Foster asked Ms. Moeller to present the separate unaudited financial statements as of February 28, 2010, 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. Ms. Moeller reported that the Corporation will be required to follow new guidelines of GASB Statement 53 (GASB 53) for FY 2009-2010. Mr. Hill explained the GASB 53 guidelines for the Committee. GASB 53 establishes a comprehensive frame work for measurement, recognition and disclosure of derivative transactions. GASB 53 categorizes derivatives into two broad groups; investment derivative instrument and hedging derivative instrument. Since all of the Funds' investments are measured at fair value for

accounting purposes and financial statement presentation, the hedge accounting requirements of GASB 53 are not applicable to the financial statements and disclosures for the Investment Funds. Mr. Hill focused his discussion on the financial statement presentation and footnote disclosure changes that will be required for investment derivative instruments. Mr. Zimmerman, Ms. Moeller and Mr. Hill answered questions of the Committee.

Enterprise Risk Management

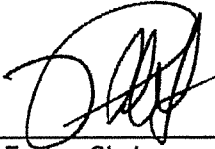
Mr. Foster asked Ms. Gonzalez to give the presentation on UTIMCO Enterprise Risk Management ("ERM"). Ms. Gonzalez began by acknowledging the full cooperation of Staff during the monitoring of the Corporation's enterprise risk management. Ms. Gonzalez began her presentation by stating that ERM is the process of identifying, assessing, and managing risk from an integrated, companywide perspective. She explained that the Corporation had adopted the Committee of Sponsoring Organizations of the Treadway Commission's (COSO's) *Enterprise Risk Management - Integrated Framework* as the model upon which it would develop its ERM, which is designed around four objectives (strategic, operations, reporting and compliance) and eight ERM interrelated components (internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring). She continued by discussing each of the eight interrelated components, with an emphasis on the risk assessment, risk response, and control activities identified by Staff. She concluded her presentation by noting that Staff was prepared to accept the responsibilities for the ongoing monitoring and assessment of the appropriateness of risk responses. The Committee members commended Ms. Gonzalez for her efforts related to the ERM process and the final report. Mr. Zimmerman and Ms. Gonzalez 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 compliance updates and training sessions were held in January and March for three new employees. Ms. Gonzalez reported that all trades were pre-cleared when required and all transactional disclosure forms but one had been timely submitted. She reported that the only activity on the Corporation's Compliance Hotline for the quarter ending February 28, 2010, were hang-ups. Ms. Gonzalez asked Ms. Moeller and the UT System Audit Office to give an update of outstanding audit and reporting issues. Ms. Kalamkar stated that the Audit Office had begun its audit of the Corporation's derivatives transactions with the audit objective of determining whether the Corporation is in compliance with the Derivative Investment Policy and Derivative Investments Controls and Processes document. Ms. Moeller mentioned that the UT System Board of Regents had authorized the Corporation to negotiate a contract with Deloitte & Touche LLP to engage the firm for the 2010 audits of the Funds. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended February 28, 2010. 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 February 28, 2010.

There being no further business to come before the Committee, the meeting was adjourned at 4:42 p.m.

Secretary: Joan Moeller
Joan Moeller

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

Date: 8-2-2010