

**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 26, 2011**, 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, Janiece Longoria, 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:

Janiece Longoria, Chair
Printice L. Gary
Erle Nye
Charles W. Tate

Also attending the meeting was Paul Foster, Chairman of the Board, thus constituting a majority and quorum of the Committee and 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; Gary Hill, Senior Manager - Investment Reporting; Debbie Childers, Manager - Portfolio Accounting and Operations; Melynda Shepherd, Manager - Finance and Administration; David Gahagan, Acting Head of Information Technology; and other staff members. Other attendees were Charlie Chaffin, Moshmee Kalamkar, Miles Ragland, Andrew Guinn, Ann Heitke, Jim Phillips and Roger Starkey of The University of Texas System (UT System) Administration; Jerry Turner and Bob Jewell of Andrews Kurth LLP; and Tom Wagner and Stephanie Drake of Deloitte and Touche LLP. Chairman Longoria called the meeting to order at 9:41 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 and Ethics Committee meeting held on November 4, 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 November 4, 2010, be, and are hereby, approved.

Audit Results and Communications

Ms. Longoria 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, 2010 and August 31, 2009. 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, 2010 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 and 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, 2010, 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, 2010, and August 31, 2009 be, and are hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

Mr. Zimmerman suggested that the Committee next address Tab 4, the Report from the UT System Audit Office, and postpone the presentation of the unaudited financial statements until later in the meeting. The Committee Members agreed.

Executive Session

Ms. Longoria asked Ms. Gonzalez to announce, at 9:53 a.m., that "The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Committee, for the purpose of deliberating a security audit. This Executive Session meeting of the Committee is authorized by *Texas Government Code* § 551.076 (Deliberation Regarding Security Devices or Security Audits). The date is January 26, 2011, and the time is now 9:53 a.m." With the exception of Chairman Foster, Mr. Zimmerman, Mr. Turner, Mr. Jewell, Ms. Gonzalez, Mr. Gahagan and UT System Audit Office Staff, all other meeting participants left the meeting at this time. Mr. Nye left the meeting during the Executive Session.

Open Session

The Committee reconvened in open session and Ms. Longoria announced that "The Open Session of the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is January 26, 2010, and the time is now 10:26 a.m. During the Executive Session, the Committee discussed a security audit but did not take any votes."

Mr. Foster asked if the Separately Invested Funds (SIF) had ever been audited, since they are not part of the GEF. Mr. Chaffin said that they had not been audited in the past, but it would be appropriate to have an audit of the SIF. Mr. Foster also asked if there were other Funds that are not audited. Mr. Zimmerman explained that the Short Term Fund (STF) is audited by BNY/Mellon's internal and external auditors, but not by the Corporation's external auditors. Mr. Foster requested that the UT System Audit Office also consider an audit of the STF. Mr. Chaffin will report back to the Committee with a plan of action at a future meeting regarding these additional audits.

Update on Compliance, Reporting and Audit Issues

Ms. Longoria asked Ms. Gonzalez to present an update on compliance, reporting and audit issues. In the interest of time, Ms. Gonzalez was asked to only report on the highlights. Ms. Gonzalez reported on the compliance matters for the fiscal quarter ending November 30, 2010, including the preclearance of trades and reported that the only activity on the Corporation's Compliance Hotline for the quarter ending November 30, 2010, was a hang-up. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended November 30, 2010, and reported that there were two minor items out of compliance related to the report. The Intermediate Term Fund (ITF) Investment Policy states that the total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 100%. As of November 30th, the ITF's exposure was 100.06%, but this situation corrected itself the following day when net monthly contributions were received. Mr. Zimmerman explained this unique situation in detail to the Committee and answered their questions. Staff will review policy language regarding exposure and will report to the Committee at a future meeting. Ms. Gonzalez continued by reporting that there was one external manager out of compliance with its contract guidelines because it exceeded the permissible cash position of 20% at the end of the quarter by holding 21.5% in cash. The situation was corrected within a few days. She presented the Institutional Compliance Program report for the Quarter Ended November 30, 2010, and the Institutional Compliance Action Plan for FY 2011, which includes on-going monitoring of the compliance program, revisions to the current records retention schedule and the development of a business continuity plan. Ms. Gonzalez also provided the Committee the report using the UT Systemwide Plan Objectives template. She explained it would be the only time the Corporation would be using this template because Larry Plutko, the UT System Systemwide Compliance Officer had agreed to exempt the Corporation from using the Quarterly Reporting Template. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

Unaudited Financial Statements

Ms. Longoria asked Mr. Zimmerman if it was necessary to present the separate unaudited financial statements as of November 30, 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 ITF (collectively, the Funds) and the Corporation. Mr. Zimmerman explained that in the interest of time he did not think that a detailed review of the unaudited financial statements was necessary at the time. There was nothing of significance to report.

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

Secretary: Joan Moeller
Joan Moeller

Approved: Charles W. Tate Date: 4/14/11
Charles W. Tate, Acting Chair
Audit and Ethics Committee of the Board of Directors of
The University of Texas Investment
Management Company