

**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 5, 2012**, 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, R. Steven Hicks, 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:

R. Steven Hicks, Chair  
Printice Gary  
James P. Wilson

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; Uzi Yoeli, Senior Director - Portfolio Risk Management; Gary Hill, Senior Manager - Investment Reporting; Debbie Childers, Manager - Portfolio Accounting and Operations; and other staff members. Other attendees were Whitney Henry, Jim Phillips, Charlie Chaffin and Moshmee Kalamkar of The University of Texas System ("UT System") Administration; and Jerry Turner and Bob Jewell of Andrews Kurth LLP. Mr. Hicks called the meeting to order at 8:32 a.m. Director Charles W. Tate, Committee Member, joined the meeting later, as noted in the minutes. 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 January 26, 2012. 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 26, 2012, be, and are hereby, approved.

**Deloitte & Touche LLP Audit Engagement Partners**

Mr. Hicks asked Mr. Zimmerman to give the Committee background information regarding the resolution request from Staff to affirm Tom Wagner, lead audit partner, and Brian Gallagher, reviewing partner, of Deloitte & Touche LLP to continue in their respective roles for the 2012 and 2013 year end audits rather than rotate off of the audit engagements for both the Investment Funds and UTIMCO as would be required by the Charter of the Committee (the "Charter"). Mr. Zimmerman explained that the Charter sets forth certain responsibilities of the Committee related to auditor independence and the selection of the external auditors. The Charter requires that the lead audit partner and reviewing partner rotate off of the audit every 5 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not

required. The 2012 audits will be the sixth year that Deloitte & Touche LLP has audited the Investment Funds and the UTIMCO corporate audit. Tom Wagner has been the lead partner and Brian Gallagher has been the reviewing or concurring partner during this five year tenure. Staff recommended that Mr. Wagner and Mr. Gallagher continue as the lead audit partner and lead reviewing partner, respectively, for the 2012 and 2013 year end audits. Mr. Chaffin concurred with Staff's recommendation. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

WHEREAS, the Charter of the Audit and Ethics Committee (the "Charter") requires that the lead audit partner and reviewing partner rotate off of the audit every 5 years, unless the Committee adopts a resolution affirmatively determining that such rotation is not required; and

WHEREAS, Deloitte & Touche LLP ("Deloitte") has served the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Intermediate Term Fund (the "Investment Funds") and UTIMCO as external auditors for the past five years and upon satisfactory completion of the annual contracts for the Investment Funds and approval of Deloitte as external auditor for UTIMCO by the UTIMCO Board of Directors, Deloitte will continue to serve as external auditors for the Investment Funds and UTIMCO; and

WHEREAS, UTIMCO Staff wishes to continue to retain Mr. Tom Wagner as the Deloitte lead audit partner and Mr. Brian Gallaher as the Deloitte reviewing partner for the Investment Funds and UTIMCO audits for the years ended August 31, 2012 and 2013.

NOW, THEREFORE, be it

RESOLVED, that the Committee affirms the continuance of Mr. Tom Wagner as the Deloitte lead audit partner and Mr. Brian Gallaher as the Deloitte reviewing partner for the Investment Funds and UTIMCO audits for the years ended August 31, 2012 and 2013, and that rotation off of the audits after five years is not required.

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

Mr. Hicks asked for an update on compliance, reporting and audit issues. Director Charles W. Tate joined the meeting at this time. Ms. Gonzalez reported on the compliance matters for the fiscal quarter ending February 29, 2012, including the status of employee training, preclearance of trades and the Corporation's Compliance Hotline's activity. Ms. Gonzalez presented the Investment Policies Compliance Report for the Quarter Ended February 29, 2012, the Institutional Compliance Program Report for the Period Ended February 29, 2012, and the updated Institutional Compliance Action Plan for FY 2012. She reported that the Chief Technology Officer, Uche Abalogu, had been hired, with a start date of March 5th. Mr. Hicks asked Mr. Chaffin to give a report from the UT System Audit Office. Mr. Chaffin reported that the UT System Audit Office had just started the field work for the audit of UTIMCO's internal controls over financial reporting related to The University of Texas System Long Term Fund (the "LTF"). Ms. Moeller continued

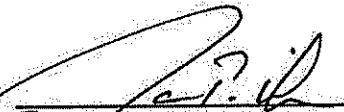
with a discussion regarding the Corporation's Custodian. Ms. Moeller reported that the Corporation's Purchasing Policy requires a review of the Custodian every five years. Staff has sent out a request for proposals (the "RFP") for a Custodian to five custodians with a return date of April 30. One custodian solicited declined to respond. Ms. Moeller will update the Committee Chair on the progress of the RFP after the review process has been completed. Mr. Zimmerman and Ms. Moeller answered the Committee members' questions.

**Unaudited Financial Statements**

Mr. Wilson asked Ms. Moeller to present the separate unaudited financial statements as of February 29, 2012, for the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, LTF, The University of Texas System Intermediate Term Fund (the "ITF") (collectively, the "Funds") and the Corporation. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported. Mr. Zimmerman stated that he would provide a detailed update on the Corporation's budget at the Board meeting next week. Mr. Zimmerman stated that the office lease will be up for renewal in 2016 and he discussed several options that will be reviewed in the coming months. Mr. Zimmerman, Ms. Moeller and Mr. Hill answered the Director's questions.

There being no further business to come before the Committee, the meeting was adjourned at 8:58 a.m.

Secretary:   
Joan Moeller

Approved:   
James P. Wilson, Chair  
Audit and Ethics Committee of the Board of Directors of  
The University of Texas Investment  
Management Company

Date: 7-11-12