

**MINUTES OF MEETING OF
THE AUDIT AND ETHICS COMMITTEE OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Audit and Ethics Committee of The University of Texas Investment Management Company (the "Committee") convened on the **30th day of October 1998**, by means of conference telephone enabling all persons participating in the meeting to hear each other, said meeting having been called by the Committee Chairman, with notice provided to each member in accordance with the Bylaws. Participating in the meeting were the following members of the Committee:

Robert H. Allen
A. W. "Dub" Riter

thus, constituting a majority and quorum of the Committee. Committee member Susan Bryne was absent from the meeting. Also participating in the meeting were Thomas G. Ricks, President of The University of Texas Investment Management Company (the "Corporation"); Cathy Iberg, Vice President - Investment Operations and Secretary of the Corporation; Jerry Turner, legal counsel for the Corporation; William Strange CPA, representing the firm of Deloitte and Touche LLP; and Charles Chaffin, Director of Internal Audits, and Sandra Brown, auditor for The University of Texas System (the "System"). Robert H. Allen, Chairman, called the meeting to order at 10:05 a.m.

Approval of the May 19, 1998 Minutes of the Audit and Ethics Committee

The first matter to come before the Committee was approval of the Audit and Ethics Committee Minutes of the May 19, 1998 meeting, copies of which had previously been furnished to each Committee member. By motion duly made, and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meetings of the Audit and Ethics Committee held on May 19, 1998, be, and are hereby, approved in the form presented to the Committee.

Report of UTIMCO Ethics Committee

The first item to come before the Committee was a report on the UTIMCO Ethics Committee, copies of which were previously furnished to each member of the Committee. Mr. Ricks presented the report and answered the Committee member's questions.

Presentation by Deloitte & Touche, LLP - Mr. William Strange

Mr. Strange discussed with the Committee the SAS 61 letter, which explains to the Committee certain matters which may be of interest to the Committee in fulfilling their obligations to oversee the financial and disclosure process for which management is responsible. Copies of this letter were previously distributed to each Committee member. Mr. Strange discussed with the Committee each point disclosed in the letter and answered their questions.

The next item presented by Mr. Strange was the Management Report which contained no matters involving the Corporation's internal controls and its operations that Deloitte and Touche considered to be a material weakness in the Corporation's internal control components as defined in the management letter. Copies of this report were previously furnished to each member of the Committee.

The next items presented by Mr. Strange were the separate financial statements and audit reports for the Permanent University Fund, The University of Texas System Long Term Fund, and The University of Texas System Short/Intermediate Fund, each for the year ended August 31, 1998, and the financial statements and audit report for the Corporation for the period of January 1, 1997 through December 31, 1997 and for the short period of January 1, 1998 through August 31, 1998. Copies of the draft audited financial statements had previously been distributed to each member of the Committee. The members of the Committee asked several questions regarding the audited financial statements. Mr. Strange proceeded to explain the opinion on each of the financial statements and answered the questions of the Committee. In response to several questions from Mr. Allen and Mr. Riter, Mr. Strange explained the footnote disclosures that were different from the prior year financial statements, most notably for the Long Term Fund. Mr. Strange stated that the footnotes to each of the financial statements were standard and customary. Mr. Ricks and Ms. Iberg also answered the Committee's questions regarding the financial statements and the footnote disclosures. Upon motion duly made and the seconded, the following resolution was unanimously adopted:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, The University of Texas System Long Term Fund, and The University of Texas System Short/Intermediate Funds, each for the fiscal year ended August 31, 1998, and the financial statements and audit report for the Corporation for the period of January 1, 1997 through December 31, 1997 and for the short period of January 1, 1998 through August 31, 1998, be, and are hereby, approved in the form as presented to the Committee.

(At this point, Mr. Ricks and Ms. Iberg left the meeting.)

Executive Session

Mr. Allen asked whether there was anything that Mr. Strange needed to report to the Committee that gave him discomfort. Mr. Strange stated he had nothing to report and that the Corporation staff had been very cooperative throughout the audit process.

Next, a brief discussion ensued regarding the Corporation's internal audit procedures. Since the Corporation has no internal audit staff, Mr. Chaffin indicated that the System's audit staff would be available to perform any internal audit requested by System administration. In response to a question from Mr. Allen, Mr. Chaffin stated that the Corporation's Board of Directors could rely upon Mr. Chaffin and the System's internal audit staff to advise the Board of the results of any internal audit performed by them.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 11:15 p.m.

Approved _____

Date: _____

Committee Chairman