

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

The Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on the **5th day of November 2001**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, 221 W. 6<sup>th</sup> Street, Suite 1700, Austin, Texas 78701, said meeting having been called by Mr. A. W. "Dub" Riter, Jr., 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:

A. W. "Dub" Riter, Jr.  
Woody L. Hunt

thus, constituting a majority and quorum of the Committee. Director Susan M. Byrne was not present at the meeting. Also participating in the meeting were Cathy Iberg, Interim President of the Corporation; Joan Moeller, Director of Accounting and Operations of the Corporation; Christy Wallace, Interim Secretary of the Corporation; Jerry Turner, legal counsel for the Corporation; Eric Rothe, representing the firm of Deloitte and Touche LLP; and Charlie Chaffin representing the The University of Texas System (the "System") Audit Office.

Chairman Riter called the meeting to order at 10:05 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Director.

**Approval of the 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 June 11, 2001 meeting. By motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the meeting of the Audit and Ethics Committee of the Board of Directors held on June 11, 2001, be and are hereby approved.

**Presentation of the Corporation's Financial Statements for the Period Ended August 31, 2001**

Ms. Iberg turned the meeting over to Mr. Eric Rothe from the independent accounting firm of Deloitte & Touche LLP. Mr. Rothe reviewed the Statement of Auditing Standards (SAS) 61 letter for required communications of independent auditors with the Committee. As stated in the letter, Mr. Rothe confirmed that 1) Deloitte and Touche were not aware of any significant changes in accounting estimates by management, 2) there were no audit adjustments or insignificant uncorrected misstatements, and 3) Deloitte and Touche is required to read any other information or documents which include the audited financial statements to insure that the other information is consistent with the reported financial statements. He also stated that no material weaknesses regarding internal control were found during their audit procedures.

Ms. Iberg presented the separate financial statements and audit reports for the PUF, the PHF, the System Long Term Fund, and the System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2001, and August 31, 2000, the System General Endowment Fund for the period from inception (March 1, 2001) to August 31, 2001, and the financial statements and audit report for the Corporation for the fiscal years ended August 31, 2001, and August 31, 2000. Ms. Iberg discussed accounting and reporting changes that were made with regard to the creation of General Endowment Fund (GEF) (the PHF and LTF were combined to form the GEF). Upon motion duly made and seconded, the following resolution was adopted:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2001, and August 31, 2000, The University of Texas System General Endowment Fund for the period from inception (March 1, 2001) to August 31, 2001, and the financial statements and audit report for the Corporation for the fiscal years ended August 31, 2001, and August 31, 2000, be, and are hereby approved in the form as presented to the Committee.

#### **Update on UTIMCO's Compliance, Reporting and Audit Issues**

Ms. Iberg reviewed the compliance report with the Committee members and provided an update on outstanding audit topics, compliance reporting and meetings of the Corporation's internal compliance committee. There were no notable items to report. At this time, Ms. Iberg, Ms. Moeller and Ms. Wallace left the meeting.

Mr. Riter asked whether there was anything that Mr. Rothe or Mr. Chaffin needed to report to the Committee that gave them any concerns regarding management. Mr. Rothe and Mr. Chaffin stated they had nothing to report. Mr. Rothe also stated that the Corporation's staff was very well prepared for the audit and had cooperated fully throughout the audit processes. At this time, the UTIMCO employees, Ms. Iberg, Ms. Moeller and Ms. Wallace returned to the meeting.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 10:25 a.m.

Interim Secretary: \_\_\_\_\_  
Christy W. Wallace

Approved: \_\_\_\_\_  
A. W. "Dub" Riter, Jr.  
Chairman, Audit and Ethics Committee of the

Date: \_\_\_\_\_

Board of Directors of The University of Texas  
Investment Management Company