

**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 June 2002**, 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, Town Lake Conference Room, Austin, Texas 78701, 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:

Woody L. Hunt, Chairman  
Susan M. Byrne  
R. H. (Steve) Stevens, Jr.

thus, constituting a majority and quorum of the Committee. Also participating in the meeting were Cathy Iberg, Secretary of the Corporation; Joan Moeller, Accounting and Security Operations Manager of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Jerry Turner, legal counsel for the Corporation; William Strange and Eric Rothe, representing the firm of Deloitte and Touche LLP; and Christine Overbagh and Charlie Chaffin representing the The University of Texas System (the "System") Audit Office.

Chairman Hunt called the meeting to order at 3:30 p.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 November 5 2001 meeting. By motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Committee held on  
November 5, 2001 are hereby approved.

**Presentation of the Corporation's Financial Statements for the Period Ended April 30, 2002**

Ms. Iberg presented the Corporation's financial statements for the period ended April 30, 2002. Ms. Iberg reported on the Statements of Activities and Statements of Cash Flows for the Corporation, as well as the Supplemental Schedules. She noted that the Corporation tracks direct expenses to each of the funds, which is beneficial should the Corporation rebate a portion of its management fee to the investment funds as it did last year. The Corporation's goal is to have a capital reserve equal to one year of investment management fees. Ms. Iberg noted that there were no significant financial statement items to report and answered the Committee members' questions.

**Engagement of Independent Auditors**

Chairman Hunt recommended the engagement of Deloitte and Touche LLP as the independent auditor for the Corporation, the Permanent University Fund, the U. T. System General Endowment Fund, the Permanent Health Fund, the U. T. System Long Term Fund, and the U. T. System Short Intermediate Term Fund. Upon motion duly made and seconded, the following resolutions were adopted:

RESOLVED, that the firm of Deloitte & Touche LLP be and is hereby appointed as the independent auditor of the Corporation for the year ended August 31, 2002, subject to approval by the Corporation's Board of Directors, and further

RESOLVED, that the firm of Deloitte & Touche LLP be and is hereby appointed as the independent auditor of the funds managed by the Corporation on behalf of the U. T. System Board of Regents for the fiscal year ended August 31, 2002, subject to approval by the Corporation's Board of Directors.

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

Chairman Hunt asked Ms. Iberg to update the Committee on the Corporation's compliance, reporting and outstanding audit issues. Ms. Iberg reported that the State Auditors' Office comparative investment report on the state's major investment funds, including the Permanent University Fund and the U. T. System Long Term Fund, has an estimated completion date of June 2002. The report will be prepared based on June 2001 data. She also gave a report regarding audit reports from the U. T. System Audit Office. Mr. Chaffin stated that due to change in management at the Corporation, U. T. System Audit Office will be conducting an audit to determine the adequacy of internal controls related to the Corporation's key financial information. Ms. Iberg and Mr. Chaffin answered the Committee members' questions.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 3:50 p.m.

Secretary: \_\_\_\_\_  
Cathy Iberg

Approved: \_\_\_\_\_  
Woody L. Hunt, Chairman  
Audit and Ethics Committee  
of the Board of Directors of  
The University of Texas Investment

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

Management Company