

**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 **31st day of October 2002**, in the Hunt Room of the Hotel Crescent Court, 400 Crescent Court, Dallas, Texas, 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, Managing Director - Accounting, Finance and Administration 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 Charlie Chaffin representing the The University of Texas System (the "UT System") Audit Office.

Chairman Hunt called the meeting to order at 10:25 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 5, 2002 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 5, 2002, be and are
hereby approved.

Presentation of the Corporation's Financial Statements for the Period Ended August 31, 2002

Mr. Hunt introduced Mr. Strange from the independent accounting firm of Deloitte & Touche LLP. Mr. Strange reviewed the Statement of Auditing Standards (SAS) 61 letter for required communications of

independent auditors with the Committee. As stated in the letter, Mr. Strange confirmed that 1) Deloitte & Touche was not aware of any significant changes in accounting estimates by management, 2) there were no audit adjustments or insignificant uncorrected misstatements, and 3) Deloitte & 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. Mr. Strange answered the Committee members' questions.

Mr. Hunt asked Ms. Moeller to review the separate financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, the UT System Long Term Fund, and the UT System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2002, and August 31, 2001, the UT System General Endowment Fund for the fiscal year ended August 31, 2002, and the period from inception (March 1, 2001) to August 31, 2001. Ms. Moeller, Mr. Strange and Mr. Chaffin answered questions of the Committee. After which Ms. Moeller, Ms. Iberg and Ms. Wallace left the meeting. Mr. Hunt asked whether there was anything that Mr. Strange or Mr. Chaffin needed to report to the Committee that gave them any concerns regarding management. Mr. Strange and Mr. Chaffin stated they had nothing to report and that the Corporation's staff had been very cooperative throughout the audit processes. At this time, the UTIMCO employees, Ms. Moeller, Ms. Iberg and Ms. Wallace returned to the meeting.

Upon motion duly made and adopted, the following resolution was approved:

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, 2002, and August 31, 2001, and The University of Texas System General Endowment Fund for the fiscal year ended August 31, 2002, and the period from inception (March 1, 2001) to August 31, 2001, be and are hereby approved in the form as presented to the Committee, with annual financial statements for the Permanent University Fund subject to approval by the UT System Board of Regents.

The Charter of the Audit and Ethics Committee and the Code of Ethics Policy

Mr. Hunt asked Mr. Turner to give a review of the Corporation's Charter of the Audit and Ethics Committee and the Code of Ethics Policy. Mr. Turner stated that Vinson and Elkins has reviewed the charter and does not recommend any changes at this time. Mr. Turner will have further discussions with Ms. Moeller regarding a more thorough review of the Code of Ethics Policy. Changes to the Code of Ethics Policy will need to be approved by the Corporation's Board of Directors, following approval by the UT System Board of Regents. Mr. Hunt asked Mr. Turner to inform the UT System Office of General Counsel that the

Audit and Ethics Committee has asked Mr. Turner to review the Code of Ethics Policy.

Update on UTIMCO's Compliance, Reporting and Audit Issues

Chairman Hunt asked Ms. Moeller to update the Committee on the Corporation's compliance, reporting and outstanding audit issues. Ms. Moeller 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. Ms. Moeller reported that the President had appointed her as the new Chief Compliance Officer of the Corporation's Internal Compliance Committee and Sara McMahon and Trey Thompson had been named as new members of the committee and pre-clearance had been approved for all trades. Ms. Moeller and Mr. Chaffin answered the Committee members' questions. There were no notable items to report.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 11:12 a.m.

Assistant Secretary: _____
Christy W. Wallace

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

Date: _____