

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 August, 1996, in the offices of The University of Texas System, Ashbel Smith Hall, 201 West Seventh St., Austin, 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:

Donald L. Evans  
Robert H. Allen  
Susan M. Byrne

thus, constituting a majority and quorum of the Committee. Also, participating in the meeting was Thomas O. Hicks, Chairman of the Board for The University of Texas Investment Management Company (the "Corporation"), Thomas G. Ricks, President of the Corporation, Jerry E. Turner, Secretary of the Corporation, Charles Preston, attorney with the firm of Vinson & Elkins, Cathy Iberg, Vice-President - Investment Operations of the Corporation, Bill Strange, CPA, partner in the firm of Deloitte & Touche. Donald L. Evans, Chairman, called the meeting to order at 9:40 a.m.

**Approval of Minutes**

The first matter to come before the Committee was approval of the Minutes of the meeting of the Audit and Ethics Committee on July 31, 1996, copies of which had previously been furnished to each Committee member. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee held on July 31, 1996, be and are hereby approved.

**Status of Code of Ethics and Financial Disclosure Statements**

The next item that came before the Committee was the status of the Code of Ethics and Financial Disclosure Statements. There was discussion on the proper completion of the Financial Disclosure Statements and additional clarification was requested by Ms. Byrne. Mr. Evans asked Mr. Ricks to resubmit the disclosure form to external directors of the Corporation and further suggested that the external directors consult with the Corporation's counsel (Vinson and Elkins) if they had any questions concerning the information requested in the form.

### **Discussion on State Auditors Preliminary Report**

Next, Mr. Ricks led a discussion of the State Auditor's Office ("SAO") preliminary report on the investment practices at The University of Texas System. Mr. Allen stated that the Corporation should respond to the final SAO comments as they related to the Corporation's business. In conjunction with the discussion regarding the auditor's findings regarding the calculation of investment performance, Ms. Byrne requested that the performance calculations be verified by independent auditors. The Corporation agreed to request a proposal from Deloitte & Touche on performing this verification. [Deloitte & Touche was subsequently engaged to audit the performance of the funds under management for a fee of \$3,500.]

Mr. Evans instructed the staff to continue working with the SAO to complete finalization of the Corporation's responses to the draft report. Finally, it was agreed that Mr. Evans and Mr. Ricks would determine if any additional actions would be required by the Committee regarding this issue.

### **Deloitte & Touche Presentation**

Mr. Strange discussed their audit approach concerning the audits of the Permanent University Fund, the University of Texas System Long Term Fund, the University of Texas System Short Intermediate Fund (investment funds managed by the Corporation), and the Corporation for the fiscal year ended August 31, 1996. He distributed information concerning the audit client service team to the members of the Committee. He also distributed a Deloitte & Touche booklet which discussed the role of an Audit and Ethics Committee.

There being no further business to come before the Committee, the meeting was adjourned at approximately 10:40 a.m.

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Committee Chairman