

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 19th day of September, 1996, 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:

Donald L. Evans
Susan M. Byrne

thus, constituting a majority and quorum of the Committee. Robert H. Allen, a Committee member was unable to attend. Also, participating in the meeting was Thomas O. Hicks, Chairman of the Board for The University of Texas Investment Management Company (the "Corporation"), Dr. William H. Cunningham, Chancellor of the University of Texas System (the "System"), Mr. R. D. (Dan) Burck, Executive Vice Chancellor for Business Affairs of the System, Thomas G. Ricks, President of the Corporation, and Cathy Iberg, Vice-President - Investment Operations of the Corporation. Donald L. Evans, Chairman, called the meeting to order at 3:00 p.m.

Discussion on State Auditors Preliminary Report

Mr. Ricks and Dan Burck jointly led the discussion concerning the State Auditor's Office ("SAO") revised report on the investment practices at The University of Texas System.

Mr. Ricks proceeded to go over each section of the report with the meeting participants. There was some discussion and clarification requested as Mr. Ricks proceeded through the document.

Mr. Evans inquired about the status of the opinions requested from the Corporation's counsel (Vinson and Elkins) as well as from the Corporation's accounting firm (Deloitte and Touche) on the legal and accounting issues raised by SAO concerning the private equity partnerships. Ms. Iberg responded to this question by stating that such opinions were expected in a few weeks. Questions were also raised concerning the SAO preliminary recommendation that an Attorney General's opinion addressing these issues also be obtained. (Subsequent to this meeting the Attorney General's office agreed to the legal opinion submitted by Vinson and Elkins which supported the Corporation's practice and SAO advised Mr. Ricks that the recommendation for such an opinion should be deleted from the report.)

In conclusion, Dr. Cunningham stated that he would send the final responses to the SAO report on behalf of both the UT System Board of Regents and the Corporation.

There being no further business to come before the meeting was adjourned at approximately 3:35 p.m.

APPROVED: _____
Committee Chairman

DATE: _____