

**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 **8th day of November 1999**, at the offices of Vinson & Elkins, 1001 Fannin, Houston, Texas 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:

Robert H. Allen
A. W. "Dub" Riter
Susan M. Byrne

thus, constituting a majority and quorum of the Committee. Mr. Tony Sanchez, Director of the Corporation attended the meeting. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; Cathy Iberg, Secretary of the Corporation; Jerry Turner, Vinson & Elkins, legal counsel for the Corporation; William Strange, CPA and Eric Rothe, CPA, representing the firm of Deloitte and Touche LLP; and Charles Chaffin, Director of Internal Audits for The University of Texas System (the "System"). Robert H. Allen, Chairman, called the meeting to order at 10:42 a.m.

Approval of the June 16, 1999 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 16, 1999 meeting, copies of which had previously been furnished to each Committee member. By motion duly made, and seconded, the following resolution was adopted:

RESOLVED, that the minutes of the meetings of the Audit and Ethics Committee held on June 16, 1999, be, and are hereby approved in the form presented to the Committee.

UTIMCO's Compliance Committee Report

The first item to come before the Committee was a report on the UTIMCO's Compliance Committee, copies of which was previously furnished to each member of the Committee. Mr. Ricks presented the report and answered the Committee member's questions.

Presentation by Deloitte & Touche, LLP - Mr. William Strange

The first item presented by Mr. Strange was the Management Report that contained one matter involving the Board of Director's policy for the valuation of private equity investments. Mr. Strange stated that the Board's policy for valuation for certain private equity investments is the partnership's/trust's capital

account at the closest available reporting period, as communicated by the general partner, adjusted for intra-valuation date contributions and withdrawals. Mr. Ricks explained that most partnerships report on a calendar year basis in which the valuations for August 31st are based on the partnerships' June 30th valuation. This results in a two-month gap during which a significant valuation event can occur which may substantially increase or decrease the value of the Funds' interest in a partnership or direct investment. Mr. Strange pointed out that the management letter recommends that the Board policy be revised to require valuation recognition of major events occurring between the latest partnership valuation date and the Funds' year-end August 31 valuation date.

Mr. Strange discussed with the Committee the SAS 61 letter, which explains to the Committee certain matters that may be of interest to the Committee in fulfilling their obligations to oversee the financial and disclosure process for which management is responsible. Copies of this letter were previously distributed to each Committee member. Mr. Strange discussed with the Committee each point disclosed in the letter and answered their questions.

The next items presented by Mr. Strange were the separate financial statements and audit reports for the Permanent University Fund, The University of Texas System Long Term Fund, and The University of Texas System Short Intermediate Term Fund, each for the years ended August 31, 1999 and August 31, 1998, and the financial statements and audit report for the Corporation for the year ended August 31, 1999. Copies of the draft audited financial statements had previously been distributed to each member of the Committee. The members of the Committee asked several questions regarding the audited financial statements. Mr. Strange proceeded to explain the opinion on each of the financial statements and answered the questions of the Committee. In response to several questions from Mr. Allen and Mr. Riter, Mr. Strange explained the footnote disclosures that were different from the prior year financial statements. Mr. Strange stated that the footnotes to each of the financial statements were standard and customary. Mr. Ricks and Ms. Iberg also answered the Committee's questions regarding the financial statements and the footnote disclosures. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University 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, 1999 and August 31, 1998, and the financial statements and audit report for the Corporation for the year ended August 31, 1999 be, and are hereby approved in the form as presented to the Committee.

Other Matters

Mr. Ricks updated the Committee on the status of the State Auditor's follow-up review of the 1996 report on investment practices of six major funds and indicated that no report was issued to date. He informed the Committee that the State Finance Committee is examining policies and practices of major state funds and the report is due in July of 2000. He stated that the Office of the State Auditor plans to produce an annual comparative investment report covering the state's largest long term investment funds and engaged the firm, Independent Fiduciary Services, Inc. (IFS), to assist them in the design of the first report.

(At this point, Mr. Ricks and Ms. Iberg left the meeting.)

Executive Session

Mr. Allen 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.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 11:40 p.m.

Approved _____
Committee Chairman

Date: _____