

**MINUTES OF THE MEETING OF
THE AUDIT AND ETHICS COMMITTEE OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Audit and Ethics Committee (the "Committee") of the Board of Directors of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting on the 10th day of November 2000, via a telephonic meeting enabling all participants to hear each other, at the offices of the Corporation, Main Conference Room 2nd floor, 210 W. Sixth St., Austin, Texas, 78701, said meeting having been called by A. W. "Dub" Riter, Jr., with notice provided to each member in accordance with the Bylaws. Participating in the meeting were the following members of the Committee:

A. W. "Dub" Riter, Jr., Chairman
Susan M. Byrne
Woody L. Hunt

thus, constituting a majority and quorum of the Committee. Also participating in the meeting were Thomas G. Ricks, President of the Corporation; Cathy Iberg, Secretary of the Corporation; Jerry E. Turner, 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"). Sandra Neidhart and Christy Overbagh, internal auditors with the System were also present. Mr. Riter called the meeting to order at 12:40 p.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member or distributed at the meeting.

Approval of the May 30, 2000, Minutes of the Audit and Ethics Committee

The first matter to come before the Committee was approval of the minutes of the May 30, 2000 Meeting of the Committee. Upon motion duly made and adopted, the following resolution was approved:

RESOLVED, that the minutes of the meeting of the Audit and Ethics Committee held on May 30, 2000, be, and are hereby approved in the form presented to the Committee.

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

Mr. Ricks stated that this audit and reporting cycle included the period of restructuring the investments of the Permanent University Fund (the "PUF") and was also a first year audit for The Permanent Health Fund (the "PHF") and then turned the presentation over to Mr. William Strange. Mr. Strange, engagement partner from the independent accounting firm of Deloitte & Touche LLP, reviewed the Statement of Auditing Standards (SAS) 61 letter for required communications of independent auditors with the Committee. He noted two changes in accounting principles: 1) the valuation of Alternative Nonmarketable assets to Corporation's Board of Director's amended policy approved in June of 2000, and 2) the elimination of amortization on the PUF's fixed income securities which is no longer required following the passage of constitutional amendments affecting the PUF. The next three items reported in the letter stated that Deloitte and Touche were not aware of any significant changes in accounting estimates by management, there were no audit adjustments or insignificant uncorrected misstatements and Deloitte and 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.

Mr. Hunt arrived at the meeting during the financial statement presentation. Ms. Iberg presented the separate financial statements and audit reports for the PUF, The PHF, The System Long Term Fund, and The System Short Intermediate Term Fund, each for the years ended August 31, 2000, and August 31, 1999, and the financial statements and audit report for the Corporation for the years ended August 31, 2000, and August 31, 1999. Mr. Strange stated that the footnotes to each of the financial statements were standard and customary. The Committee members' questions were answered and Mr. Ricks and Ms. Iberg left the meeting. Mr. Riter 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. 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, 2000, and August 31, 1999, and the financial statements and audit report for the Corporation for the years ended August 31, 2000, and August 31, 1999, be, and are hereby approved in the form as presented to the Committee.

UTIMCO's Compliance Committee Report

Mr. Ricks and Ms. Iberg returned to the meeting. Ms. Iberg 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. There were no notable items to report.

There being no further business to come before the Committee, the meeting was adjourned at approximately 1:05 p.m.

Approved _____
A. W. "Dub" Riter, Jr.
Chairman, Audit and Ethics
Committee of the Board of Directors of
The University of Texas Investment
Management Company

Date: _____