

**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 **November 3, 2003**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, 221 W. 6<sup>th</sup> Street, Suite 1700, Town Lake Conference Room, Austin, Texas 78701, said meeting having been called by the Committee Chair, with notice provided to each member in accordance with the Bylaws. Participating in the meeting were the following members of the Committee:

R. H. (Steve) Stevens, Jr., Chair  
Susan M. Byrne  
Woody L. Hunt

thus, constituting a majority and quorum of the Committee. Also participating in the meeting were Director Craig Hester; Bob Boldt, President of the Corporation; Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Gary Hill, Manager of Investment Reporting of the Corporation; Greg Lee, Manager of Finance and Administration; Jerry Turner, legal counsel for the Corporation; Anne Bergin, Mike Blue, Martha King, and Ricky Richter of Ernst & Young; and Charlie Chaffin representing The University of Texas System (the "UT System") Audit Office.

Chairman Stevens called the meeting to order at 10:30 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 September 4, 2003 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 September 4, 2003, be, and are hereby, approved.

**Presentation of the Corporation's Financial Statements for the Period Ended August 31, 2003**

Mr. Stevens introduced Mr. Richter from the independent accounting firm of Ernst & Young, LLP. Mr. Richter confirmed the completion of audits of the funds and reviewed with the Committee the Audit Results and Communication report covering required communications and report on internal controls. As

stated in the report, Mr. Richter confirmed that 1) Ernst & Young issued unqualified opinions on the Funds' August 31, 2003 financial statements, 2) there were no changes in accounting policies that impacted the Funds' financial statement balances, and 3) accounting principles selected by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. He also stated that no material weaknesses regarding internal control were found during their audit procedures. Mr. Richter answered the Committee members' questions.

Mr. Stevens asked Mr. Richter to review the separate financial statements, audit reports and performance statistics for the Permanent University Fund, the Permanent Health Fund, the UT System Long Term Fund, the UT System Short Intermediate Term Fund, and the UT System General Endowment Fund, each for the fiscal years ended August 31, 2003, and August 31, 2002. Ms. Moeller, Mr. Richter and Mr. Chaffin answered questions of the Committee. Mr. Stevens stated that he had met with Ernst & Young the week earlier and that they did not report to him any concerns regarding management. Mr. Richter and Mr. Chaffin stated they had nothing to report and were very complimentary of the Corporation's staff and cooperation 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, The University of Texas System General Endowment Fund, and The University of Texas System Short Intermediate Term Fund, each for the fiscal years ended August 31, 2003, and August 31, 2002, and the Statement of Investment Performance Statistics for the year ended August 31, 2003, be and are hereby approved in the forms as presented to the Committee.

### **Internal Compliance**

Mr. Stevens asked Mr. Chaffin to comment on internal compliance. Mr. Chaffin stated that he was very impressed with the enterprise and strategic risk guidelines that were being set in place by the Corporation's staff. Other changes in reporting may be expected with the implementation of the Sarbanes- Oxley voluntary compliance initiative in August 2004. Mr. Lee reported on the work in progress regarding internal compliance. He stated that, in coordination with the UT System Audit Office, a Sarbanes-Oxley Implementation Team has been assembled. This team will begin work in November 2003 toward implementation of the relevant provisions of the Sarbanes-Oxley Act.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 11:00 a.m.

Secretary: \_\_\_\_\_

Joan Moeller

Approved: \_\_\_\_\_

R.H. (Steve) Stevens, Jr., Chair  
Audit and Ethics Committee  
of the Board of Directors of  
The University of Texas Investment  
Management Company

Date: \_\_\_\_\_