

**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 **April 8, 2004**, at the offices of the Corporation, 221 W. 6th Street, Suite 1700, 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
I. Craig Hester

thus, constituting a majority and quorum of the Committee. Committee member James R. Huffines did not participate in the meeting. Also attending the meeting were Bob Boldt, President of the Corporation; Joan Moeller, Secretary of the Corporation; Christy Wallace, Assistant Secretary of the Corporation; Greg Lee, Manager of Finance and Administration; Gary Hill, Manager of Investment Reporting; Jerry Turner, legal counsel for the Corporation; Ricky Richter of Ernst & Young, LLP; and Charlie Chaffin, Sandra Neidhart, Philip Aldridge and Jerry Modjeski representing The University of Texas System (the "UT System").

Chairman Stevens called the meeting to order at 8:55 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 November 3, 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 November 3, 2003, be and are hereby approved.

Engagement of Corporation's Independent Auditor

Mr. Stevens asked Mr. Richter to review the engagement letter from Ernst & Young. After reviewing the engagement letter, Mr. Richter and Ms. Moeller answered the Directors' questions. Contract details were then discussed and Ms. Moeller and Mr. Chaffin answered the Directors' questions. In response to

questions from Mr. Hester, Mr. Richter stated Ernst & Young does not provide any other services to the Corporation or to any officer or employee of the Corporation. Mr. Richter stated that he was available at any time for questions from the Committee members.

Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the firm of Ernst & Young, LLP be and is hereby appointed as the independent auditor of the Corporation for the year ended August 31, 2004, subject to approval by the Corporation's Board of Directors.

Financial Statements

Mr. Stevens asked Ms. Moeller to review the Corporation's financial statements for the period ended January 31, 2004. Ms. Moeller presented key points of the financial statements and she and Mr. Lee answered the Directors' questions.

The Sarbanes-Oxley Act of 2002

Mr. Stevens asked Ms. Moeller to provide an update on the Sarbanes-Oxley Act of 2002 compliance. As reported in the past, although not required to comply with this act, the Corporation has elected to voluntarily comply with applicable provisions in a continued effort to demonstrate its commitment to integrity in financial operations and reporting. Ms. Moeller stated that she was working with Mr. Chaffin and his staff to complete a Section 302 Certification with the year ending August 31, 2004. The Corporation plans to formally comply with Section 404 Evaluation and Attestation beginning with the year ending August 31, 2005. The delay is related to the SEC postponed implementation, allowing adequate time for the accounting industry to address standards for review and attestation by public accounting and other external audit firms. There is no advantage for UTIMCO to comply by an earlier date. Mr. Lee described the certification process and explained the specifics of the SEC delay. The Committee also discussed the need for routine updates from the Sarbanes Implementation Team and considered formation of a working committee to be more involved with Sarbanes-Oxley issues and progress toward full implementation.

Amendments to the Charter of the Audit and Ethics Committee

Mr. Stevens asked Ms. Moeller to explain the proposed amendments to the Charter of the Audit and Ethics Committee. Ms. Moeller stated that the amendments are to reflect changes consistent with relevant provisions set forth in the Sarbanes-Oxley Act of 2002. These suggested changes have been reviewed by Ernst & Young, the Director of Internal Audit at UT System, and Vinson & Elkins. The Staff is not requesting the Committee to approve the proposed amendments at this time, but wanted to give them an opportunity to review the Staff's work in implementing Sarbanes-Oxley and its effect on the Committee's responsibilities. The Directors' questions were answered by Mr. Richter, Mr. Chaffin, Ms. Moeller and Mr. Turner.

Compliance, Reporting and Audit Issues

Mr. Stevens asked Ms. Moeller to give an update on internal compliance, reporting and audit issues. Mr. Chaffin discussed UT System Internal Audit hours and stated that the General Controls Audit of the Information Technology Environment went well.

Ms. Moeller reported that the Employee Ethics Committee had met and she then gave an overview of the Quarterly Update of the Institutional Compliance Program. Ms. Moeller and Mr. Lee answered the Directors' questions.

Mr. Stevens asked Mr. Chaffin to provide input on the Internal Audits performed. Mr. Chaffin said no recommendations or findings were noted in the WorldCom Investment Audit.

There being no further business to come before the Audit and Ethics Committee, the meeting was adjourned at approximately 10:05 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: _____