

**MINUTES OF MEETING OF THE
AUDIT AND ETHICS COMMITTEE OF THE
BOARD OF DIRECTORS OF
THE UNIVERSITY OF TEXAS /TEXAS A&M INVESTMENT MANAGEMENT COMPANY**

A meeting of the Audit and Ethics Committee (the "Committee") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in open session on **February 21, 2018**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 1700, 210 West 7th Street, Austin, Texas, said meeting having been called by the Committee Chair, Janet Handley, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

Janet Handley, Chair
Phil Adams
James C. "Rad" Weaver

thus constituting a majority and quorum of the Committee. Employees of the Corporation attending the meeting were Britt Harris, President, CEO and Chief Investment Officer; Joan Moeller, Treasurer and Secretary; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Rich Hall, Deputy Chief Investment Officer; Gary Hill, Senior Manager-Investment Reporting; and other employees. Other attendees were Jerry Turner of Orrick, Herrington and Sutcliffe LLP; Keith Brown of The University of Texas at Austin; Robert Cowley and Jason Bell of Deloitte and Touche LLP; J. Michael Peppers, Eric Polanski, and Mark Salamasick of The University of Texas System ("UT System") Audit Office; Allen Hah and Roger Starkey of UT System Administration; David Rejino and Maria Robinson of The Texas A&M University System; and Hillary Eckford of the State Auditor's Office. Committee Chair ("Chairman") Handley called the meeting to order at 8:02 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Approval of Minutes

The first matter to come before the Committee was the approval of the minutes of the Audit and Ethics Committee meeting held on November 16, 2017. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on November 16, 2017, be, and are hereby, approved.

Audit Results and Communications and Audited Financial Statements for the Corporation

Chairman Handley asked Mr. Robert Cowley, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and communications for the August 31, 2017 and 2016 audits of the Corporation's Financial Statements. Mr. Cowley confirmed the completion of the audits. Mr. Cowley reviewed with the Committee the Audit Results and Communications Letter covering required communications dated January 18, 2018. Mr. Cowley confirmed that Deloitte & Touche LLP issued an unqualified opinion on the Financial Statements, and that accounting principles utilized 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 they had no difficulties to report and was very complimentary of the Corporation's employees, and the cooperation that Deloitte & Touche LLP had received throughout

the audit process. Mr. Cowley stated that there were no changes to accounting standards this year, and the biggest change from the prior year was the lease agreement from the new building. Chairman Handley called for approval of the audit results and communications for the Corporation for the fiscal year ended August 31, 2017, and the audited financial statements and audit report for the Corporation for the fiscal years ended August 31, 2017 and August 31, 2016. Upon motion duly made and adopted, the following resolutions were approved unanimously:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Corporation for the year ended August 31, 2017, be, and is hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

And

RESOLVED, that the annual financial statements and audit report for the Corporation for the years ended August 31, 2017 and August 31, 2016, be, and are hereby approved in the form as presented to the Audit and Ethics Committee, subject to approval by the Corporation's Board.

UT System Audit Office Report

Chairman Handley asked Mr. Peppers, Chief Audit Executive of the UT System Audit Office, to provide an update on the initiatives of the UT System Audit Office for FY18. Mr. Peppers said the Audit Office is currently working on two engagements for the FY2018 Audit Plan, the UTIMCO Software Development Life Cycle Review and the biennial review of executive travel and expenses. Mr. Peppers reported that the Software Development Life Cycle Review was considered a consulting engagement and the team had completed its work and a draft report had been prepared. Mark Salamasick, Executive Director of Audit, provided a high-level overview of the software lifecycle development process. The report will be provided and discussed at the next Committee meeting. Mr. Peppers reported that the executive travel and expenses audit would commence in the coming year.

Update on Compliance, Reporting and Audit Matters

Chairman Handley asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez discussed the Investment Policies Compliance Report for the Quarter Ended November 30, 2017, with no compliance violations to report. She presented to the Committee the Institutional Compliance Program Report for the Quarter Ended November 30, 2017, addressing each of the high-risk areas. Ms. Gonzalez reported three violations in the Conflicts of Interest high risk area: (1) an individual contracted through an employment agency did not submit her ethics and compliance forms timely; (2) a public resources review of the financial disclosure statements filed by two key employees and one new director was not completed by the deadline set out in the procedure; and (3) one employee failed to disclose and receive approval for third party paid expenses. Ms. Gonzalez continued her report on compliance matters for the quarter ending November 30, 2017, including the status of employee training, pre-clearance of trades and the Corporation's Compliance Hotline activity. Ms. Gonzalez also gave an update on the Institutional Compliance Action Plan for FY2018.

Unaudited Financial Statements Reports

Chairman Handley asked Ms. Moeller to present the unaudited financial statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), and the Intermediate Term Fund ("ITF"), each for the quarter ended November 30, 2017. Ms.

Moeller reported on the unaudited financial statements for the PUF, GEF, PHF, LTF, and the ITF. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported. Ms. Moeller then discussed the Corporation's unaudited financial statements for the three months ended November 30, 2017. Ms. Moeller provided highlights of the statements and noted that Prepaid Expenses and Other Assets were considerably higher than in previous year due to deposits and construction-in-progress leasehold improvements related to the move to the new building.

Executive Session

Prior to going into executive session, Chairman Handley announced that, "The Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Committee, for the purpose of deliberating individual personnel compensation and evaluation matters related to the Corporate Counsel and Chief Compliance Officer. This Executive Session meeting of the Committee is authorized by Texas Government Code Section 551.074 (Personnel Matters). The date is February 21, 2018, and the time is now 8:28 a.m." With the exception of Mr. Harris, Ms. Moeller, and Mr. Turner, all other participants left the meeting at this time.

Open Session

The Committee reconvened in open session and Chairman Handley announced that, "The Open Session of the Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now reconvened. The date is February 21, 2018, and the time is now 8:35 a.m. During the Executive Session, the Committee deliberated individual personnel compensation and evaluation matters related to the Corporate Counsel and Chief Compliance Officer, but no action was taken nor decisions made, and no vote was called for or had by the Committee in Executive Session."

Individual Personnel Compensation Matters Related to the Corporate Counsel and Chief Compliance Officer

Chairman Handley and Mr. Harris recommended Qualitative Performance Goals for the Corporate Counsel and Chief Compliance Officer for the Performance Period ended August 31, 2018, as presented to the Committee in Executive Session. This position currently only has qualitative goals. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

WHEREAS, the UTIMCO Board has established a UTIMCO Compensation Program (the "Plan") for certain employees of the Corporation; and

WHEREAS, Section 5.4.(a) of the Plan provides that the Compensation Committee of the Board of Directors of UTIMCO will approve the Performance Goals for each Participant (other than for the CEO) in the Plan for each Performance Period; and

WHEREAS, the charter of the Audit and Ethics Committee (the "Committee") requires the Committee and the CEO to approve the Chief Compliance Officer's performance goals and achievement of the goals, and to make a joint recommendation to the Compensation Committee as to the base salary and performance incentive awards for the Chief Compliance Officer; and

WHEREAS, subject to the approval of the Compensation Committee, the Committee and CEO have reviewed and approve the Qualitative Performance Goals for the Corporate Counsel and Chief Compliance Officer for the 2017/2018 Performance Period as presented to the Committee.

NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the Qualitative Performance Goals of the Corporate Counsel and Chief Compliance Officer for the 2017/2018 Performance Period as recommended by the CEO and the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee the Qualitative Performance Goals of the Corporate Counsel and Chief Compliance Officer.

Adjourn

There being no further business to come before the Committee, the meeting was adjourned at approximately 8:36 a.m.

Secretary: Joan Moeller
Joan Moeller

Approved: Janet Handley Date: 6/21/2018
Janet Handley, Chair
Audit and Ethics Committee of the Board of Directors of
The University of Texas/Texas A&M Investment Management Company