

**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 **May 10, 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
James C. "Rad" Weaver

thus constituting a majority and quorum of the Committee. Director Gauntt also joined the meeting. 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; Uche Abalogu, Chief Technology Officer; David Gahagan, Chief Information Security Officer; and other employees. Other attendees were Jerry Turner and Jerry Kyle of Orrick, Herrington and Sutcliffe LLP; Eric Polonski of The University of Texas System ("UT System") Audit Office; Roger Starkey of UT System Administration; and David Rejino of The Texas A&M University System. Committee Chair ("Chairman") Handley called the meeting to order at 9:04 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 February 21, 2018. 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 February 21, 2018, be, and are hereby, approved.

Update on Compliance, Reporting and Audit Matters

Chairman Handley skipped to the third item on the agenda and asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez discussed the Investment Policies Compliance Report for the Quarter Ended February 28, 2018, with one compliance violation to report. The Investment Committee Pipeline and forecasted 3-month commitments by team and type are reported to the Board in the monthly transparency report; however, investment decisions made under the Delegation of Authority were not reported at the February 28, 2018 Board meeting. Ms. Gonzalez then presented to the Committee the Institutional Compliance Program Report for the Quarter Ended February 28, 2018, addressing each of the high-risk areas. Ms. Gonzalez reported that all high-risk areas continued to be monitored and well controlled and gave an update on the Institutional Compliance Action Plan for FY2018. Ms. Gonzalez also reported on the annual disclosure statements filed by outside financial advisors and service providers required by Texas Government Code Section 2263.005.

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 six months ended February 28, 2018. 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 six months ended February 28, 2018. Ms. Moeller provided highlights of the statements and noted that currently all furniture, fixtures and equipment related to the move were within the budget approved by the Board in July 2017 and that an actual to budget schedule would be presented related to the capital expenditures budget at the Committee's July meeting.

UT System Audit Office Report

Chairman Handley moved to the second item on the agenda. Chairman Handley asked Eric Polonski, Director of Audit at the UT System Audit Office, to report on the UTIMCO Software Development Life Cycle (SDLC) Review performed by the UT System Audit Office for FY18. Mr. Polonski said the Audit Office had completed their report, which was considered a consulting engagement and completed at the request of UTIMCO. The objectives of the consulting engagement were to determine (1) if the standards for AGILE SDLC were adequate and being followed; (2) if the Agile development processes and maintenance of systems are adequate and identify possible opportunities for process improvement; and (3) if the governance process in place for systems changes is adequate. Mr. Polonski noted that overall, the standards were determined to be sufficient and follow best practices. However, the report included three recommendations that had already been discussed with the Corporation's Chief Technology Officer, Uche Abalogu, the most significant being separating the roles of the Chief Information Security Officer and Manager - Infrastructure. The other two recommendations concerned changing the current migration process for new software to be more automated, and performing more risk analysis of system changes to enhance efficiencies.

Adjourn

There being no further business to come before the Committee, the meeting was adjourned at approximately 9:32 a.m.

Secretary: Joan Moeller
Joan Moeller

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

Date: 8/1/2018