

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

A meeting of the Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **November 4, 2014**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Committee Chair, John White, 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:

John White, Chair  
R. Steven Hicks  
H. Lee S. Hobson  
Robert L. Stillwell

Morris Foster, Chairman of the Board, also attended the meeting thus constituting a majority and quorum of the Committee and the Board. Committee Chair ("Chairman") White called the meeting to order at 2:02 p.m. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Gary Hill, Senior Manager - Investment Reporting; and other staff members. Other attendees were Mike Peppers, Terry Hull, and Moshmee Kalamkar of The University of Texas System ("UT System") Administration; Jerry Turner of Andrews Kurth LLP; and Verma Elliott of the Texas State Auditor's Office. 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 July 22, 2014. 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 July 22, 2014, be, and are hereby, approved.

**Audit Results and Communications**

Chairman White asked Mr. Robert Cowley, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and communications for the 2014 audits of the Permanent University Fund (PUF), the UT System General Endowment Fund (GEF), the Permanent Health Fund (PHF), the UT System Long Term Fund (LTF), and the UT System Intermediate Term Fund (ITF) (collectively, the "Funds"). Mr. Cowley and Mr. Tom Wagner, the Corporation's relationship partner with Deloitte and Touche LLP, confirmed the completion of the audits of the Funds. Mr. Cowley discussed with the Committee the Statement of Investment Performance Statistics, summarized the audit process, and reviewed with the Committee the Audit Results and Communications Letter covering required communications dated October 31, 2014. Mr. Cowley confirmed that 1) Deloitte & Touche LLP issued

unqualified opinions on the Funds' August 31, 2014, financial statements, 2) there were no changes in accounting policies that impacted the Funds' financial statement balances, and 3) 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. As part of the audit, Deloitte & Touche LLP reviewed and tested the market values of alternative investments and concluded that the Funds' recorded investment values were fairly stated. Mr. Cowley stated that the Funds' financial statements and disclosures were complete in all material respects and there were no material weaknesses regarding internal controls found during their audit procedures. Mr. Cowley reported that there were no concerns regarding management. He also stated they had no difficulties to report and was very complimentary of the Corporation's staff, and the cooperation that Deloitte & Touche LLP had received throughout the audit process. Upon motion duly made and adopted, the following resolution was approved unanimously:

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under the Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2014, be, and are hereby approved in the form as presented to the Audit and Ethics Committee.

#### **Audit Reports**

Chairman White asked Ms. Moeller to present the Audited Financial Statements for the PUF, GEF, PHF, LTF, and the ITF each for the fiscal years ended August 31, 2014 and August 31, 2013, and the Statement of Investment Performance Statistics for the year ended August 31, 2014, and other audit matters. Upon motion duly made and adopted, the following resolution was approved unanimously:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Intermediate Term Fund, each for the fiscal years ended August 31, 2014 and August 31, 2013, and the Statement of Investment Performance Statistics for the year ended August 31, 2014, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

#### **Update on Compliance, Reporting and Audit Matters**

Chairman White asked Ms. Gonzalez to provide an update on compliance, reporting and audit matters. Ms. Gonzalez discussed the Investment Policies Compliance Report for the Quarter Ended August 31, 2014, with no non-compliance items to report. Ms. Gonzalez continued reporting on compliance matters for the fiscal quarter ending August 31, 2014, including the status of employee training, pre-clearance of trades and the Corporation's Compliance Hotline activity. Also provided to the Committee was the Institutional Compliance Program Annual Report for the Year Ended August 31, 2014 and the update on the Institutional Compliance Action Plan for FY2014 and the proposed Institutional Compliance Action Plan for FY2015. She then presented to the Committee an *Update on UTIMCO Fraud Prevention and Detection Program*. The update provided an overview of the program, listing five specific steps in the program. Ms. Gonzalez spoke to each of the steps, providing detailed information for each step. Mr. Zimmerman and Ms. Gonzalez answered the Committee Members' questions.

### Executive Session

Mr. White announced, at 2:47 p.m., that, "The Audit and Ethics Committee of the Board of Directors of The University of Texas 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 matters related to the General Counsel and Chief Compliance Officer's Performance Incentive Award as a Participant in the UTIMCO Compensation Program for the Performance Period ended August 31, 2014, pursuant to *Texas Government Code* Section 551.074 (Personnel Matters); and for the purpose of receiving advice of counsel pursuant to *Texas Government Code* Section 551.071. The date is November 4, 2014, and the time is now 2:47 p.m." With the exception of Mr. Turner and Mr. Zimmerman, all other staff members left the meeting.

### Open Session

The Committee reconvened in open session and Mr. White announced that "The Open Session of the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is November 4, 2014, and the time is now 3:10 p.m. During the Executive Session, the Committee deliberated individual personnel compensation matters and received advice of counsel but no action was taken nor decisions made, and no vote was called for or had by the Committee in Executive Session."

### Performance Incentive Award Related to the General Counsel and Chief Compliance Officer

Mr. White recommended that the Audit and Ethics Committee and the CEO jointly recommend to the Compensation Committee, subject to approval by the UTIMCO Board, the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2013-2014 Performance Period. By motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Audit Charter of the Audit and Ethics Committee requires that the Audit and Ethics Committee and the CEO approve the Chief Compliance Officer's performance goals and achievement of the goals and make a joint recommendation to the Compensation Committee as to the Base Salary and performance incentive award for the Chief Compliance Officer; and

WHEREAS, the Audit and Ethics Committee and the CEO have prepared a joint recommendation regarding the Performance Incentive Award of the General Counsel and Chief Compliance Officer for the 2013/2014 Performance Period; and

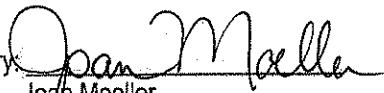
WHEREAS, subject to approval by the UTIMCO Board, the Audit and Ethics Committee and the CEO jointly recommend the Performance Incentive Award of the General Counsel and Chief Compliance Officer; and

WHEREAS, the Audit and Ethics Committee has reviewed the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2013/2014 Performance Period and wishes to document approval of such

Performance Incentive Award and recommend that the Compensation Committee approve the same.  
NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the Performance Incentive Award for the General Counsel and Chief Compliance Officer as recommended by the CEO for the 2013/2014 Performance Period, and the Audit and Ethics Committee and CEO hereby jointly recommend to the Compensation Committee the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2013/2014 Performance Period.

There being no further business to come before the Committee, the meeting was adjourned at 3:14 p.m.

Secretary:   
Joan Moeller

Approved:   
John D. White, Chair  
Audit and Ethics Committee of the Board of Directors of  
The University of Texas Investment  
Management Company

Date: 2/3/15