

**MINUTES OF MEETING OF THE
AUDIT AND ETHICS COMMITTEE OF THE
BOARD OF DIRECTORS 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 July 12, 2016, 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, David J. Beck, 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:

David J. Beck, Chairman
Phil Adams
R. Steven Hicks

Ray Rothrock and H. Lee S. Hobson also attended the meeting, thus constituting a majority and quorum of the Committee and the Board. Committee Chair ("Chairman") Beck called the meeting to order at 3:09 p.m. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Treasurer and Secretary; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Gary Hill, Senior Manager - Investment Reporting; and Mark Warner - Senior Managing Director. Other attendees were Michael Peppers, Eric Polonski, Roger Starkey and Terry Hull of The University of Texas System ("UT System") Administration; and Jerry Turner of Andrews Kurth LLP. 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 April 26, 2016. 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 April 26, 2016, be, and are hereby, approved.

Discussion and Appropriate Action Related to Engaging Corporate External Auditor

Chairman Beck asked Ms. Moeller to present the action item related to engaging the external auditor for the Corporation. Ms. Moeller reported staff is in the final stages of negotiations with Deloitte & Touche LLP with regards to the engagement letter for the Corporation's audit for the fiscal year ending August 31, 2016. Ms. Moeller stated that the engagement letter is a \$1,500 increase over the FY 2015 fee. Ms. Moeller answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously approved:

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2016, subject to further approval of the UTIMCO Board.

Update on Compliance, Reporting and Audit Matters

Chairman Beck asked Mike Peppers to give the report from the UT System Audit Office. Mr. Peppers provided an overview and turned it over to Eric Polonski for the detail report. Mr. Polonski reported the Audit Office had performed an audit of the internal controls surrounding the processes over the separately managed accounts ("SMA"). At the time of the audit, UTIMCO had over 30 separately managed accounts valued at \$8 Billion. The objectives of this audit were to gain an understanding of the SMAs and determine whether initial due diligence controls prior to entering into an investment with a new manager were in place and functioning; whether ongoing due diligence, monitoring, and reporting activities were being performed; and processes were operating to help insure the accurate accounting of the funds. The auditors determined that UTIMCO's due diligence controls and accounting processes were in place and most are functioning as intended; however identified a few opportunities and included four recommendations in their report, (1) changes to the Option to Review process; (2) reporting on establishment of LLCs to the Office of the Board of Regents; (3) clarification on certificates of compliance procedures; and (4) documentation of delegation of authority. Mr. Polonski noted that the Audit Office would be following up on implementation of the recommendations. Ms. Gonzalez stated all four recommendations had been implemented but new procedures were still in draft form.

Update on Compliance, Reporting and Audit Matters

Chairman Beck asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez mentioned that the new distribution rates for FY 2017 were approved by the Regents in May 2016 as noted in the Investment Compliance report. Ms. Gonzalez gave an update on the Institutional Compliance Action Plan for FY 2016 and reported that two new Directors were appointed and Kurt Cressotti, Compliance Specialist, was hired March 15, 2016 and doing a terrific job. Ms. Gonzalez mentioned that we continue to monitor five high risk areas: Investment Due Diligence, Investment Risk Management, Information Technology & Security, Investment Compliance and Conflicts of Interest. One violation of the Derivatives Investment Controls and Processes procedure occurred during the quarter. An analyst not on the list of authorized traders put on a derivative investment trade due to a misunderstanding of the approval that he received from the Managing Director and the CIO to move forward with the trade as authorization to put on the trade. Ms. Gonzalez also reported that an investment made did not match the name of the business entity on the certificates of compliance signed by the Directors in March due to a peculiarity in Brazilian law and that new certificates of compliance would be sent to Directors on the Board in March. She also reported that one Director had yet to turn in their annual compliance statements in violation of the Code of Ethics. Ms. Gonzalez provided an update on the FY 16 Action Plan. Ms. Gonzalez also reported on the Director Co-Investment Log and the annual disclosure statements filed by outside financial advisors and service providers. Ms. Gonzalez answered the Committee Members' questions.

Unaudited Financial Statements

Chairman Beck asked Ms. Moeller to present the separate unaudited financial statements for the Permanent University Fund ("PUF"), the General Endowment Fund ("GEF"), Permanent University Fund ("PHF"), Long

Term Fund ("LTF"), the Intermediate Term Fund ("ITF"), and the Corporation for the six months ended May 31, 2016. Ms. Moeller mentioned that Deloitte & Touche LLP started yesterday, July 11, 2016. She stated that books and records are kept such that they can be audited anytime but that the Deloitte auditors are currently here to audit the due diligence that the investment teams handle. Ms. Moeller provided highlights of the statements, with a few updates to the budget. Mr. Hill discussed GASB Statement No. 72, which establishes principles related to the measurement of fair value, and the accounting and financial reporting required for assets and liabilities measured at fair value. Ms. Moeller and Mr. Hill answered the Committee Members' questions.

Executive Session

Chairman Beck announced at 3:49 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 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 July 12, 2016, and the time is now 3:49 p.m." With the exception of Mr. Turner, Ms. Moeller, and Mr. Zimmerman, all other staff members left the meeting.

Open Session

The Committee reconvened in open session and Chairman Beck 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 July 12, 2016, and the time is now 4:02 p.m. During the Executive Session, the Committee deliberated individual personnel compensation and evaluation matters 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 and Evaluation Matters Related to the Corporate Counsel and Chief Compliance Officer

Chairman Beck recommended that the Audit and Ethics Committee and the CEO jointly recommend to the Compensation Committee, subject to approval by the UTIMCO Board, the Base Salary, Performance Incentive Plan Participation, Weightings and Incentive Award Opportunities, and Performance Goals for the Corporate Counsel and Chief Compliance Officer for the 2016-2017 Performance Period. By motion duly made and seconded, the following resolution was unanimously adopted:

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

WHEREAS, Section 4.2.(a) of the Plan provides that the Compensation Committee of the Board of Directors of UTIMCO will determine the base salaries of key investment and operations employees; and

WHEREAS, Section 5.3.(a) of the Plan provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position

designated by the Board of Directors of UTIMCO (the "UTIMCO Board") as an "Eligible Position" for that Performance Period and (2) selected by the UTIMCO Board as eligible to participate for that Performance Period; 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) 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, the Committee and the CEO have prepared a joint recommendation regarding the base salary of the Corporate Counsel and Chief Compliance Officer; and

WHEREAS, subject to the approval of the Compensation Committee, the Committee and CEO have reviewed and approve the Performance Goals for the Corporate Counsel and Chief Compliance Officer for the 2016/2017 Performance Period as presented to the Committee; and

WHEREAS, subject to approval by the UTIMCO Board, the Audit and Ethics Committee and the CEO jointly recommend the position of Corporate Counsel and Chief Compliance Officer as an Eligible Position and Cecilia Gonzalez as a "Participant" in the Plan for the 2016/2017 Performance Period; and

WHEREAS, subject to the concurrence of the Compensation Committee and approval by the UTIMCO Board, the Audit and Ethics Committee has reviewed and approves the Eligible Position for the position of Corporate Counsel and Chief Compliance Officer for the 2016/2017 Performance Period as presented to the Audit and Ethics Committee.

NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the base salary of the Corporate Counsel and Chief Compliance Officer as recommended by the CEO and the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee the base salary of the Corporate Counsel and Chief Compliance Officer, effective September 1, 2016; and be it

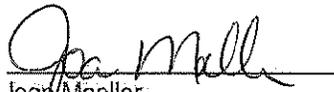
FURTHER RESOLVED, that the Audit and Ethics Committee approves the Performance Goals of the Corporate Counsel and Chief Compliance Officer for the 2016/2017 Performance Period as recommended by the CEO and the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee the Performance Goals of the Corporate Counsel and Chief Compliance Officer; and be it.

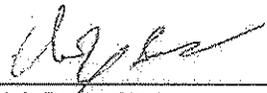
FURTHER RESOLVED, that the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee that the position of Corporate Counsel and

Chief Compliance Officer be designated by the UTIMCO Board as an "Eligible Position" in the Plan for the 2016/2017 Performance Period; and be it

FURTHER RESOLVED, that the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee that Cecilia Gonzalez be designated by the UTIMCO Board as a "Participant" in the Plan for the 2016/2017 Performance Period.

There being no further business to come before the Committee, the meeting was adjourned at approximately 4:06 p.m.

Secretary: 
Joan Moeller

Approved: 
David J. Beck, Chair
Audit and Ethics Committee of the Board of Directors of
The University of Texas Investment Management Company

Date: 11-21-16