

**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 **November 17, 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, Chair
Phil Adams
R. Steven Hicks

thus constituting a majority and quorum of the Committee. Committee Chair ("Chairman") Beck called the meeting to order at 11:02 a.m. Employees of the Corporation attending the meeting were Mark Warner, Interim CEO and Chief Investment Officer; Joan Moeller, Treasurer and Secretary; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Uzi Yoeli, Managing Director – Risk Management; Russ Kampfe, Managing Director – Fixed Income; and Gary Hill, Senior Manager - Investment Reporting. Other attendees were Michael Peppers, Eric Polonski, and Roger Starkey of The University of Texas System ("UT System") Administration; Jerry Turner and Bob Jewell of Andrews Kurth Kenyon LLP; David Rejino of The Texas A&M University System; and Hillary Eckford 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 12, 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 July 12, 2016, be, and are hereby, approved.

Audit Results and Communications

Chairman Beck asked Mr. Robert Cowley, engagement partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and communications for the 2016 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 reviewed with the Committee the Audit Results and Communications Letter covering required communications dated October 28, 2016. Mr. Cowley confirmed that Deloitte & Touche LLP issued unqualified opinions on the Funds' August 31, 2016, Financial Statements and the Statement of Investment Performance Statistics, 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. Mr. Cowley noted one significant change to the Accounting Policies, which was the adoption of GASB Statement No. 72, *Fair Value Measurement and Application*. Mr. Cowley noted that the adoption of GASB Statement No. 72 has no effect on the net position or change in the net position for the Funds. 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. Mr. Cowley and Mr. Wagner answered the Committee Members' questions. 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, 2016, be, and is hereby approved in the form as presented to the Audit and Ethics Committee.

Audit Reports

Chairman Beck asked Mr. Wagner and 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, 2016 and August 31, 2015, and the Statement of Investment Performance Statistics for the year ended August 31, 2016, and other audit matters. Mr. Wagner and Ms. Moeller reported on the Audited Financial Statements for the PUF, GEF, PHF, LTF, and the ITF. Mr. Wagner and Ms. Moeller answered the Committee Members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

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, 2016 and August 31, 2015, and the Statement of Investment Performance Statistics for the year ended August 31, 2016, be and are hereby approved in the form as presented to the Audit and Ethics Committee.

UT System Audit Office Report

Chairman Beck asked Mr. Peppers, Chief Audit Executive of the UT System Audit Office, to provide an update on the completion of their FY 2016 Audit Plan and discuss proposed audits for FY 2017 Audit Plan. Mr. Peppers presented the proposed FY 2017 Audit Plan and answered the Committee members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that The University of Texas System Fiscal Year 2017 Audit Plan for UTIMCO be, and is hereby, approved.

Update on Compliance, Reporting and Audit Matters

Chairman Beck asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez discussed the Investment Policies Compliance Report for the Quarter Ended August 31, 2016, with one minor compliance violation regarding the late filing of a Director's annual ethics compliance statements. The violation was addressed and resolved. She presented to the Committee the Institutional Compliance Program Report for the Year Ended August 31, 2016, reporting that there had been several changes within the organization but all Staff responsibilities had been tracked with regards to compliance due diligence. Within the information technology and security area, there was one malware incident, which had been addressed and resolved. Ms. Gonzalez continued her report on compliance matters for the fiscal year ending August 31, 2016, 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 FY2017. Ms. Gonzalez answered the Committee Members' questions.

Executive Session

Chairman Beck announced 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 November 17, 2016, and the time is now 11:46 a.m." With the exception of Mr. Turner, Mr. Warner and Ms. Moeller, 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 November 17, 2016, and the time is now 12:01 p.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 Goals Related to the Corporate Counsel and Chief Compliance Officer

Chairman Beck recommended that the Audit and Ethics Committee and the Interim CEO jointly recommend to the Compensation Committee the amended 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 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, the Committee and prior CEO reviewed and approved the Performance Goals for the Corporate Counsel and Chief Compliance Officer for the 2016/2017 Performance Period as presented to the Committee at the July 12, 2016 Committee meeting but now wish to amend these Performance Goals; and

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

WHEREAS, the Audit and Ethics Committee has reviewed the Performance Incentive Award for the Corporate Counsel and Chief Compliance Officer for the 2015/2016 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 amended Performance Goals of the Corporate Counsel and Chief Compliance Officer for the 2016/2017 Performance Period as recommended by the Interim CEO and the Audit and Ethics Committee and the Interim CEO hereby jointly recommend to the Compensation Committee the amended Performance Goals of the Corporate Counsel and Chief Compliance Officer.

Corporate Counsel and Chief Compliance Officer's 2015/2016 Performance Incentive Compensation Award

Chairman Beck recommended that the Audit and Ethics Committee and the Interim CEO jointly recommend to the Compensation Committee, subject to approval by the UTIMCO Board, the Performance Incentive Award for the Corporate Counsel and Chief Compliance Officer for the 2015-2016 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 Interim CEO have prepared a joint recommendation regarding the Performance Incentive Award of the Corporate Counsel and Chief Compliance Officer for the 2015/2016 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 Corporate Counsel and Chief Compliance Officer; and

WHEREAS, the Audit and Ethics Committee has reviewed the Performance Incentive Award for the Corporate Counsel and Chief Compliance Officer for the 2015/2016 Performance Period and wishes to document approval of such Performance Incentive Award and recommend that the Compensation Committee approve the same.

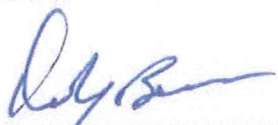
NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the Performance Incentive Award for the Corporate Counsel and Chief Compliance Officer as recommended by the Interim CEO for the 2015/2016 Performance Period, and the Audit and Ethics Committee and Interim CEO hereby jointly recommend to the Compensation Committee the Performance Incentive Award for the Corporate Counsel and Chief Compliance Officer for the 2015/2016 Performance Period.

Adjourn

There being no further business to come before the Committee, the meeting was adjourned at approximately 12:02 p.m.

Secretary: 
Joan Moeller

Approved: 
David J. Beck, Chair

Date: 3/18/17

Audit and Ethics Committee of the Board of Directors of
The University of Texas Investment Management Company