

**UTIMCO BOARD OF DIRECTORS
MEETING AGENDA
July 25, 2017**

UTIMCO
401 Congress Avenue, Suite 2800
Austin, Texas 78701

Time		Item #	Agenda Item
Begin	End		
11:00 a.m.	11:05 a.m.	1	OPEN MEETING: Call to Order of the Meeting/Discussion and Appropriate Action Related to Minutes of April 20, 2017 and June 16, 2017 Meetings*
11:05 a.m.	11:10 a.m.	2	Discussion and Appropriate Action Related to Audit and Ethics Committee Assignments*,**
11:10 a.m.	11:15 a.m.	3	Discussion and Appropriate Action Related to Corporate Auditor*
11:15 a.m.	11:30 a.m.	4	Discussion and Appropriate Action Related to UTIMCO 2017-2018 Capital Budget*,**
11:30 a.m.			Adjourn

* Action by resolution required

** Resolution requires further approval from the Board of Regents of The University of Texas System

Next Scheduled Meeting: September 11, 2017

RESOLUTION RELATED TO MINUTES

RESOLVED, that the minutes of the Meetings of the Board of Directors held on **April 20, 2017** and **June 16, 2017**, be, and are hereby, approved.

**MINUTES OF ANNUAL MEETING
OF THE BOARD OF DIRECTORS OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY**

The Board of Directors (the "Board") of The University of Texas Investment Management Company (the "Corporation") convened in an open meeting on **April 20, 2017**, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Chairman, Jeffery D. Hildebrand, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded and broadcast over the Internet. Participating in the meeting were the following members of the Board:

Jeffery D. Hildebrand
Phil Adams
David J. Beck
R. Stephen Hicks
H. Lee S. Hobson
Ray Nixon
Ray Rothrock

thus constituting a majority and quorum of the Board. William H. McRaven, Vice Chairman for Policy and Director Kyle Bass did not attend the meeting. Employees of the Corporation attending the meeting were Mark Warner, Interim CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Russ Kampfe, Managing Director - Fixed Income; Susan Chen, Managing Director – MCC, Technology & Deal Legal; Uzi Yoeli, Managing Director – Risk Management; Ryan Ruebsahm, Managing Director – LCC; Eddie Lewis, Senior Director – Real Estate; and other staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth Kenyon LLP; Barry McBee, Allen Hah, Roger Starkey, Terry Hull, Jim Phillips, Evan Fitzmaurice, Eric Polonski and Jenny LaCoste-Caputo of UT System; and David Rejino and Maria Robinson of The Texas A&M University System. Chairman Hildebrand called the annual meeting to order at 10:03 a.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Approval of Minutes

The first item to come before the Board was approval of the Minutes of the Board of Directors Meeting held on February 7, 2017. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the minutes of the Meeting of the Board of Directors held on February 7, 2017, be, and are hereby, approved.

Corporate Resolutions

Chairman Hildebrand announced that the Corporate Resolutions related to Election of UTIMCO Officers and Board Committee assignments were being deferred until a future meeting.

Endowment and Operating Funds Update

Chairman Hildebrand asked Mr. Warner to present the Corporation's endowment and operating funds update. Mr. Warner provided Assets Under Management as of February 28, 2017, reporting that the Corporation had \$39.4 billion of assets under management: \$19.2 billion in the Permanent University Fund ("PUF"), \$8.9 billion in the General Endowment Fund ("GEF"), \$2.0 billion in the Short Term Fund ("STF"), \$0.2 billion in the Separately Invested Funds, \$1.0 billion in the Debt Proceeds Fund, and \$8.1 billion in the Intermediate Term Fund ("ITF"). Mr. Warner then discussed preliminary endowment performance, noting that the portfolio was up 5.81% in the GEF, and 5.62% in the PUF.

Mr. Warner asked colleagues to discuss each investment strategy in more detail. Mr. Kampfe provided an update on the Investment Grade Fixed Income portfolio. Ms. Chen provided an update on the MCC Public Equity – Developed Markets and MCC Public Equity – Emerging Markets portfolios. Mr. Warner provided an update on the MCC Natural Resources portfolio. Mr. Ruebsahm provided an update on the overall LCC portfolio, with sub-strategy details. Mr. Warner provided a preliminary update on the Private Investments portfolios. A more thorough update will be provided at the July Board meeting when benchmark data becomes available. Mr. Warner and Dr. Yoeli provided a Risk update including a review of the Endowment Risk Dashboard, the introduction of a new slide on Scenario Analysis, Expected Risk and Return, and a discussion of downside volatility, fund illiquidity, and current tactical allocation. Mr. Warner then discussed the ITF for the period ending February 28, 2017.

Draft Policy Portfolio Discussion

Chairman Hildebrand asked Mr. Warner to present the Draft FY 2018 Policy Portfolio. Mr. Warner discussed Staff's process over the last few months to develop a Draft Policy Portfolio designed to create an agreed upon asset class portfolio between the Board and Staff. Staff began by attempting to define the role of the Policy Portfolio, the goal of the Policy Portfolio, Staff goals, and a timeline for development of the FY 2018 Policy Portfolio. Prior to the Board meeting, Staff met individually with Board members and partners to solicit guidance and input, prepared Investment Team summaries, and held internal discussions to prepare a draft proposal. Mr. Warner and Staff discussed potential Policy Portfolio scenarios and answered the Directors' questions. Mr. Warner explained that Staff will continue work following this discussion and will make a final, draft Policy Portfolio recommendation, to be approved by the Board at the July meeting. Staff will also prepare updated Investment Policy Statements for approval by the Policy and Risk Committees, and the full Board in July. Director Adams left the meeting during the Policy Portfolio discussion.

At approximately 12:35 p.m. the Board recessed for lunch.

The meeting of the Board reconvened in open session at approximately 12:48 p.m.

Legislative Session Update

Chairman Hildebrand asked Mr. McBee, UT System Vice Chancellor and Chief Governmental Relations Officer, to present an update on the activity of the 85th Texas Legislative Session. Mr. McBee gave a report to the Board, focusing on higher education, investment issues, and the State Budget for FY 2018-2019. Mr. McBee answered the Board member's questions. Director Adams rejoined the meeting during the Legislative Session update.

FY 2017 Liquidity Review

Chairman Hildebrand asked Mr. Warner to discuss the Endowment portfolio liquidity. Mr. Warner presented the Endowment's illiquidity versus policy limit, as well as the evolution of Private Investments in FY 2017. Mr. Warner explained that the pace of commitments to Private investments has slowed to maintain illiquidity thresholds. Policy change scenarios were discussed, as well as options available to Staff to proactively reduce illiquid MCC and LCC exposure. Mr. Warner and Staff answered the Board member's questions.

Portfolio Fee Analysis

Chairman Hildebrand asked Mr. Warner to discuss the portfolio fee analysis. Mr. Warner introduced the topic, stating that each asset class produced net alpha after fees. Mr. Warner then asked colleagues to discuss fees as they related to each investment strategy. Ms. Chen provided an analysis of fees on the MCC Public Equity portfolio. Mr. Ruebsahm provided an analysis of fees on the hedge fund portfolio. Mr. Bondy provided a fund fee structure overview of the Private Investment portfolio.

Policy Committee Report

Chairman Hildebrand asked Director Hicks to provide a report from the Policy Committee. Director Hicks reported that the Committee met on April 13, 2017. At the meeting, the Policy Committee approved the minutes from the January 31, 2017 meeting. During the meeting the Committee also considered and approved the proposed amendments to the Articles of Incorporation and Bylaws of The University of Texas Investment Management Company related to the legal name change of the Corporation, subject to further approval by the UTIMCO Board of Directors and the UT System Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the Corporation's Articles of Incorporation be amended by the Certificate of Amendment attached hereto as Exhibit A, the provisions of which shall be deemed to be incorporated into this resolution by this reference, subject to approval by the Board of Regents of The University of Texas System; and further

RESOLVED, that amendments to the Bylaws of the Corporation as presented be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System; and further

RESOLVED, that the CEO and Chief Investment Officer, any Managing Director, and the Secretary of this Corporation be, and each of them hereby is, authorized and empowered (any one of them acting alone) to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, all such documents, in the name and on behalf of the Corporation, as such officer of this Corporation may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolution, and to comply with all applicable state and federal securities laws; and further

RESOLVED, that all actions heretofore taken in good faith by the officers and directors of the Corporation and all other matters contemplated by the foregoing resolution are hereby approved, adopted, ratified and confirmed, and shall be conclusively deemed to be such corporate act and deed for all purposes.

Audit and Ethics Committee Report

Chairman Hildebrand asked Director Beck to provide a report on behalf of the Audit and Ethics Committee. Director Beck reported that the Committee met via teleconference on April 13, 2017. At the meeting the Committee approved the minutes from the January 31, 2017 meeting. Routine matters of the Committee were also considered, including an update on UTIMCO's compliance, reporting and audit matters, including the quarterly compliance summary, the quarterly report on the institutional compliance program, and an update on the FY17 action plan. Director Beck reported that Ms. Gonzalez notified the Committee about a compliance violation for the quarter ended November 30, 2016, related to a derivative trade by an external manager under an agency agreement. He also stated that the Committee heard a report from Ms. Moeller on the unaudited financial statements for the Corporation and the Investment Funds for the six months ended February 28, 2017. There were no action items related to the Audit & Ethics Committee.

Risk Committee Report

Chairman Hildebrand asked Director Hobson to provide a report from the Risk Committee in Director Bass's absence. Director Hobson reported that the Risk Committee met via teleconference on April 19, 2017. During the meeting the Committee considered two action items; the approval of minutes from the January 31, 2017 meeting and approval of nine (9) new mandate categorizations prepared by Staff for the period beginning January 21, 2017 and ending March 31, 2017. Routine matters before the Committee included a report from the Corporate Counsel and Chief Compliance Officer on compliance matters for the quarter ended February 28, 2017. The Committee also heard a brief update on performance and risk from the Investment Staff. There were no action items related to the Risk Committee.

Employee's Service as a Director on an UTIMCO Investee Company

Chairman Hildebrand asked Mr. Warner to explain his recommendation for Patrick Pace, Senior Director – Healthcare & Lower/Middle Markets, to replace Spencer Swayze, former Director - Natural Resources Investments, to serve as a Series B Manager of the Board of Managers for Agbiome, LLC. Dr. Pace would begin service on May 1, 2017, through the later of April 30, 2018, or until his successor has been elected. It is expected that Dr. Pace will not be appointed for more than one term. There is no compensation for Dr.

Pace's service. Mr. Warner explained that, before an employee may serve as a director of a company in which the Corporation has directly invested its assets, the UTIMCO Code of Ethics requires the employee to obtain Board approval. Board approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the Employee's service as Director of the investee company. UTIMCO's Directors and Officers Insurance Policy coverage has been extended to cover Dr. Pace's service as a director. Mr. Warner answered the Directors' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board:

RESOLVED, that the Board of Directors hereby approves Patrick Pace's service as a Series B Manager of the Board of Managers for Agbiome, LLC.

FURTHER RESOLVED, that this board service on an UTIMCO investee company will meet all requirements of the Code of Ethics for the Corporation applicable to board service on an UTIMCO investee company.

UTIMCO Organization Update

Chairman Hildebrand asked Mr. Warner to provide the Board with an update on the organization. Mr. Warner discussed the current organizational chart and gave a recruiting update on new positions at the Corporation. New staff members Will Mirshak, James Ricker, and Lori Shaver introduced themselves to the Board. Ms. Moeller then reported on Corporate budget vs. actual for the six months ended February 28, 2017. Ms. Shepherd provided an update on the new office space, including a summary of the project timeline and status.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 2:26 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
Jeffery D. Hildebrand
Chairman, Board of Directors of
The University of Texas/Texas A&M Investment Management Company

**EXHIBIT A
CERTIFICATE OF AMENDMENT
OF
THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY**

Entity Information

The name of the filing entity is The University of Texas Investment Management Company (the “**Corporation**”).

The Corporation is a nonprofit corporation. The file number issued to the Corporation by the secretary of state is 137779501. The Corporation was formed in November 15, 1995.

**Amendment
Amended Name**

The amendment changes the certificate of formation to change the article that names the Corporation. The article is amended to read as follows:

The name of the corporation is The University of Texas/Texas A&M Investment Management Company (the “Corporation”).

Statement of Approval

The amendments to the certificate of formation have been approved in the manner required by the Texas Business Organizations Code and by the governing documents of the entity.

Effectiveness of Filing

This document becomes effective when the document is filed by the secretary of state.

Execution

The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument and certifies under penalty of perjury that the undersigned is authorized under the provisions of law governing the entity to execute the filing instrument.

**THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

Date: _____

By: _____

Name: _____

Title: _____

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

The Board of Directors (the "Board") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in an open meeting on **June 16, 2017**, 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 Chairman, Jeffery D. Hildebrand, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded and broadcast over the Internet. Participating in the meeting were the following members of the Board:

Jeffery D. Hildebrand
Phil Adams
Kyle Bass
Janet Handley
R. Stephen Hicks
H. Lee S. Hobson
Ray Nixon
Ray Rothrock
Rad Weaver

thus constituting a majority and quorum of the Board. Employees of the Corporation attending the meeting were Mark Warner, Interim CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; and other staff members. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth Kenyon LLP; Roger Starkey and Jenny LaCoste-Caputo of UT System. Chairman Hildebrand called the meeting to order at 12:02 p.m. Copies of materials supporting the Board meeting agenda were previously furnished to each member of the Board.

Executive Session

Chairman Hildebrand announced that, "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 to consider individual personnel compensation and evaluation matters related to the employment of a new President, Chief Executive Officer and Chief Investment Officer, pursuant to Section 551.074, *Texas Government Code*. The date is June 16, 2017, and the time is now 12:03 p.m." With the exception of Mr. Turner, Mr. Jewell, and Dr. Brown, all other meeting participants left the meeting.

Reconvene in Open Session

The Board reconvened in open session and Chairman Hildebrand announced that, "The Open Session of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now

reconvened. The date is June 16, 2017, and the time is now 12:27 p.m. During the Executive Session, the Board deliberated individual personnel compensation and evaluation matters related to the employment of a new President, Chief Executive Officer and Chief Investment Officer, but no action was taken nor decisions made, and no vote was called for or had by the Board in Executive Session."

Search Committee Recommendation

Chairman Hildebrand reported that the Search Committee was recommending the appointment of Thomas Britton Harris IV as President, Chief Executive Officer and Chief Investment Officer of the Corporation. Upon motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED that Thomas Britton Harris IV be appointed President, Chief Executive Officer and Chief Investment Officer of UTIMCO to serve until the next Annual Meeting of the Board of Directors of UTIMCO or until his earlier resignation or removal; and

BE IT FURTHER RESOLVED that the Chairman of the Board of Directors be authorized to execute and deliver to Thomas Britton Harris IV an employment letter encompassing the terms of employment as agreed to between the Chairman and Thomas Britton Harris IV; and

BE IT FURTHER RESOLVED that Mark Warner shall continue to serve as Interim Chief Executive Officer and Chief Investment Officer of UTIMCO until Thomas Britton Harris IV assumes the office of President, Chief Executive Officer and Chief Investment Officer of UTIMCO.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at approximately 12:28 p.m.

Secretary: _____
Joan Moeller

Approved: _____ Date: _____
Jeffery D. Hildebrand
Chairman, Board of Directors of
The University of Texas/Texas A&M Investment Management Company

Agenda Item
UTIMCO Board of Directors Meeting
July 25, 2017

Agenda Item: Discussion and Appropriate Action Related to Audit and Ethics Committee Assignments

Developed By: Warner, Gonzalez, Moeller

Presented By: Hildebrand

Type of Item: Action item; further action required by the Board of Regents of The University of Texas System ("U.T. Board")

Description: Chairman Hildebrand will propose new assignments for the Audit and Ethics Committee. When a change is made in the composition of the Audit and Ethics Committee, Section 66.08 of the *Texas Education Code* requires that the U. T. Board approve the appointment of the members of the Audit and Ethics Committee of the UTIMCO Board.

Recommendation: Chairman Hildebrand will recommend approval of the Audit and Ethics Committee assignments.

Reference: None

RESOLUTION RELATED TO COMMITTEE ASSIGNMENTS

BE IT RESOLVED, that the following Directors of the Corporation are hereby designated as the Audit and Ethics Committee of the Board of Directors:

Janet Handley
Phil Adams
Rad Weaver

subject to approval by the Board of Regents of The University of Texas System at a future meeting, to serve until the expiration of their term, or until their successor has been chosen and qualified, or until their earlier death, resignation or removal; and

FURTHER RESOLVED, that Janet Handley is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

Agenda Item
UTIMCO Board of Directors Meeting
July 25, 2017

Agenda Item: Discussion and Appropriate Action Related to Corporate Auditor

Developed By: Warner, Moeller

Presented By: Warner

Type of Item: Action item

Description: The Audit Charter of the Audit and Ethics Committee (“Committee”) sets forth the responsibilities of the Committee and UTIMCO Board with respect to hiring the Corporation’s independent auditor. Since the Committee did not meet in July to take action on the selection of the Corporation’s auditor, the Board will select the Corporation’s auditor. The auditor is ultimately accountable to the Committee and the Board. In addition, the engagement letter has to be submitted to the State Auditor’s Office for its approval of the external audit. The external auditors for the investment funds managed by UTIMCO are selected by the Board of Regents of The University of Texas System.

Discussion: FY 2017 is the eleventh year that Deloitte & Touche LLP will serve as the Corporation’s auditor. The University of Texas System issued an RFQ in February 2016 for audit services related to UT System, including the audit of the investment funds, and Deloitte & Touche LLP was selected in April 2016 as the auditor for UT System. Estimated fees for the FY 2017 audit services are \$42,000 plus out-of-pocket expenses. This is a \$1,500 increase over the FY 2016 fee.

Recommendation: Mr. Warner will request appropriate action related to the hiring of Deloitte & Touche LLP as the Corporation’s auditor for the year ended August 31, 2017.

Reference: Deloitte & Touche LLP Engagement Letter

**RESOLUTION RELATED TO INDEPENDENT AUDITOR
FOR THE CORPORATION**

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, 2017.



Deloitte & Touche LLP
400 West 15th Street
Suite 1700
Austin, TX, 78701-1648
USA

Tel: +1 512 691 2330
Fax: +1 512 708 1035
www.deloitte.com

July 14, 2017

Ms. Joan Moeller
Senior Managing Director—Accounting, Finance and Administration
The University of Texas/Texas A&M Investment Management Company
401 Congress Street, Suite 2800
Austin, TX 78701

Dear Ms. Moeller:

Deloitte & Touche LLP (“D&T” or “we” or “us”) is pleased to serve as independent auditors for The University of Texas/Texas A&M Investment Management Company (“UTIMCO”), (the “Company” or “you” or “your”). Mr. Robert Cowley will be responsible for the services that we perform for the Company hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the Company on issues as they arise throughout the year. Hence, we hope that you will call Mr. Cowley whenever you believe D&T can be of assistance.

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such terms and conditions shall be effective as of the date of the commencement of such services.

Audit of Financial Statements

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on whether the Company’s financial statements for the year ending August 31, 2017, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”).

Appendix A contains a description of the auditor’s responsibilities and the scope of an audit in accordance with generally accepted auditing standards.

D&T Reports

We expect to issue a written report upon the completion of our audit. Our ability to express an opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete our audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue any report as a result of this engagement. If we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the Audit and Ethics Committee of the UTIMCO Board of Directors (“Audit and Ethics Committee”) and the Company’s management.

Management’s Responsibilities

Appendix B describes management’s responsibilities.

Communications with the Audit and Ethics Committee

Appendix C describes various matters that we are required by generally accepted auditing standards to communicate with the Audit and Ethics Committee and management.

Fees

We estimate that our fees for this engagement will be \$42,000, plus expenses. Based on the anticipated timing of the work, our fees will be billed approximately as follows:

Invoice Date	Amount
September, 2017	\$20,000
November, 2017	22,000

We anticipate sending invoices according to the above schedule, and payments are due 30 days from the date of the invoice. Engagement-related expenses, such as travel, lodging, transportation, meals, telephone, typing, and technology and administrative related charges will be billed in addition to the fees and will be stated separately on the invoices.

Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms. Our estimated fees are based on certain assumptions, including (1) timely and accurate completion of the requested entity participation schedules and additional supporting information, (2) no inefficiencies during the audit process or changes in scope caused by events that are beyond our control, (3) the effectiveness of internal control over financial reporting throughout the period under audit, (4) a minimal level of audit adjustments (recorded or unrecorded), and (5) no changes to the timing or extent of our work plans. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary.

Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites

If the Company intends to publish or otherwise reproduce in any document any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the Company agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The Company also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the Company. Any request by the Company to reissue any report issued as a result of this engagement, to consent to any such report's inclusion or incorporation by reference in an offering or other document, or to agree to any such report's inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any procedures that would need to be performed in connection with any such request. Should D&T agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the Company and D&T.

* * * * *

The parties acknowledge and agree that D&T is being engaged under this engagement letter to provide only the services described herein. Should the Company or the Audit and Ethics Committee request, and should D&T agree to provide, services (including audit services) beyond those described herein, such services will constitute a separate engagement and will be governed by a separate engagement letter.

This engagement letter, including Appendices A through E attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes any other prior or contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,



Accepted and agreed to by The University of Texas/Texas A&M Investment Management Company

By: _____

Title: _____

Date: _____

cc: The Audit and Ethics Committee of The University of Texas/Texas A&M Investment Management Company

**AUDITOR'S RESPONSIBILITIES AND SCOPE OF AN AUDIT IN ACCORDANCE WITH
GENERALLY ACCEPTED AUDITING STANDARDS**

This Appendix A is part of the engagement letter dated July 14, 2017, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

Auditor's Responsibilities

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Ethics Committee are presented fairly, in all material respects, in accordance with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Ethics Committee of their responsibilities.

Scope of an Audit

Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement, whether caused by fraud or error. However, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole are detected.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated July 14, 2017, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

Financial Statements

Management is responsible for the preparation, fair presentation, and overall accuracy of the financial statements in accordance with generally accepted accounting principles. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identifying and ensuring that the Company complies with the laws and regulations applicable to its activities and informing us of all instances of identified or suspected noncompliance with such laws or regulations
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the Company from whom we determine it necessary to obtain audit evidence.

Management's Representations

We will make specific inquiries of the Company's management about the representations embodied in the financial statements. In addition, we will request that management provide us with the written representations the Company is required to provide to its independent auditors under generally accepted auditing standards. The responses to those inquiries and the written representations of management are part of the evidential matter that D&T will rely on in forming its opinion on the Company's financial statements. Because of the importance of management's representations, the Company agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

Independence Matters

In connection with our engagement, D&T, management, and the Audit and Ethics Committee will assume certain roles and responsibilities in an effort to assist D&T in maintaining independence. D&T will communicate to its partners, principals, and employees that the Company is an attest client. Management of the Company will ensure that the Company, together with its subsidiaries and other entities that comprise the Company for purposes of the consolidated financial statements, has policies and procedures in place for the purpose of ensuring that neither the Company nor any such subsidiary or other entity will act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA) or other applicable rules would impair D&T's independence. All potential services are to be discussed with Mr. Cowley.

In connection with the foregoing paragraph, the Company agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the Company's affiliates, as defined in AICPA *Code of Professional Conduct* Interpretation No. 101-18 (e.g., parents, subsidiaries, investors, or investees) ("Company Affiliates"), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable independence rules.

Management will coordinate with D&T to ensure that D&T's independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*. Management of the Company will ensure that the Company, together with its subsidiaries and other entities that comprise the Company for purposes of the consolidated financial statements, also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in a key position that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. Any employment opportunities with the Company for a former or current D&T partner, principal, or professional employee should be discussed with Mr. Cowley before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

For purposes of the preceding section entitled "Independence Matters", "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited and its member firms; and, in all cases, any successor or assignee.

COMMUNICATIONS WITH THE AUDIT AND ETHICS COMMITTEE

This Appendix C is part of the engagement letter dated July 14, 2017, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

We are responsible for communicating with the Audit and Ethics Committee significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Audit and Ethics Committee in overseeing the financial reporting process.

In connection with the foregoing, we will communicate to the Audit and Ethics Committee any fraud we identify or suspect that involves (1) management, (2) employees of the Company who have significant roles in internal control, or (3) other employees of the Company when the fraud results in a material misstatement of the financial statements. In addition, we will communicate with the Audit and Ethics Committee any other matters related to fraud that are, in our professional judgment, relevant to their responsibilities. We will communicate to management any fraud perpetrated by lower-level employees of which we become aware that does not result in a material misstatement of the financial statements; however, we will not communicate such matters to the Audit and Ethics Committee, unless otherwise directed by the Audit and Ethics Committee.

We will also communicate to the Audit and Ethics Committee matters involving the Company's noncompliance with laws and regulations that have come to our attention during the course of our audit, other than when such matters are clearly inconsequential.

We will also communicate in writing to management and the Audit and Ethics Committee any significant deficiencies or material weaknesses in internal control (as defined in generally accepted auditing standards) that we have identified during the audit, including those that were remediated during the audit.

Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with the Audit and Ethics Committee. However, we will communicate to the Audit and Ethics Committee matters required by AICPA AU-C 260, *The Auditor's Communication with Those Charged with Governance*.

Texas State Auditor's Office

D&T agrees that the Texas State Auditor's Office or any authorized regulatory representative of the State of Texas (the "State") shall at any time have access to and the rights to examine and audit any pertinent books, documents, working papers, and records of D&T relating to this engagement letter, and to excerpt and transcribe any pertinent books, documents, working papers, and records of D&T. If photocopies of pertinent books, documents, working papers, and records of D&T are requested, D&T will send a letter to the Texas State Auditor's Office or regulatory representative of the State similar (but not identical) in form to that in the American Institute Of Certified Public Accountants AU-C Section 9230, and such letter will be acknowledged by the Texas State Auditor's Office or regulatory representative of the State prior to the provision of any photocopies by D&T. Any photocopies of pertinent books, documents, working papers, and records of D&T will be identified as "confidential treatment requested by Deloitte & Touche LLP."

D&T understands that the Texas State Auditor's Office may opt to rely on the work of D&T to support the Texas State Auditor's Office's opinion on the Comprehensive Annual Financial Report for the State of Texas, and D&T agrees to cooperate with the Texas State Auditor's Office in a joint effort to comply with American Institute of Certified Public Accountants standard AU-C 600, Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors). D&T acknowledges that the Texas State Auditor's Office has informed it that it is serving in the capacity of the group

engagement auditor. As a component auditor, information D&T agrees to provide to the Texas State Auditor's Office includes information necessary to facilitate determinations regarding D&T's understanding and compliance with ethical requirements and professional competence.

GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated July 14, 2017, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

1. Independent Contractor. D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the Company or the Audit and Ethics Committee.
2. Survival. The agreements and undertakings of the Company contained in the engagement letter will survive the completion or termination of this engagement.
3. Assignment and Subcontracting. Except as provided below, no party may assign any of its rights or obligations (including, without limitation, interests or claims) relating to this engagement without the prior written consent of the other parties. The Company hereby consents to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. Severability. If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.
5. Force Majeure. No party shall be deemed to be in breach of the engagement letter as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
6. Confidentiality. To the extent that, in connection with this engagement, D&T comes into possession of any confidential information of the Company, D&T shall not disclose such information to any third party without the Company's consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The Company hereby consents to D&T disclosing such information (1) as may be required by law or regulation, or to respond to governmental inquiries, or in accordance with applicable professional standards or rules, or in connection with litigation or arbitration pertaining hereto; (2) to the extent such information (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to D&T on a nonconfidential basis from a source that D&T believes is not prohibited from disclosing such information to D&T, (iii) is already known by D&T without any obligation of confidentiality with respect thereto, or (iv) is developed by D&T independently of any disclosures made to D&T hereunder; or (3) to contractors providing administrative, infrastructure, and other support services to D&T and subcontractors providing services in connection with this engagement, in each case, whether located within or outside of the United States, provided that such contractors and subcontractors have agreed to be bound by confidentiality obligations similar to those in this paragraph.

7. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix E and made a part hereof.
8. Governing Law. This engagement letter, together with the appendices, and all of the rights and obligations of the parties hereto and all of the terms and conditions hereof shall be construed, interpreted and applied in accordance with and governed by and enforced under the laws of the State of Texas.

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated July 14, 2017, between Deloitte & Touche LLP and The University of Texas/Texas A&M Investment Management Company.

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in Austin, Texas. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators. Each of the Company and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of Texas (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.

Agenda Item
UTIMCO Board of Directors Meeting
July 25, 2017

Agenda Item: Discussion and Appropriate Action Related to UTIMCO 2017-2018 Capital Budget

Developed By: Staff

Presented By: Warner, Shepherd

Type of Item: Action Item; further action required by Board of Regents of The University of Texas System ("U.T. Board")

Description: The Master Investment Management Services Agreement with UTIMCO ("IMSA") sets forth the requirements related to UTIMCO's annual operating budget and capital expenditures budget. The presentation and appropriate action related to the annual operating budget has been postponed to a future meeting per Chairman Hildebrand's request. Staff is presenting the capital expenditures budget because the majority of the proposed expenditures relate to the new office space, and the timing of the move (February 2018) requires that purchase commitments be made beginning early September 2017.

Discussion: Mr. Warner and Ms. Shepherd will present the UTIMCO proposed FY2018 capital budget.

Recommendation: UTIMCO staff recommends that the Board take appropriate action related to the proposed UTIMCO FY18 Capital Budget.

Reference: *Proposed UTIMCO FY18 Capital Budget presentation*

RESOLUTION RELATED TO BUDGET

RESOLVED, that the UTIMCO Capital Budget of \$5,000,000 and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2017 through August 31, 2018, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.



The University of Texas/Texas A&M Investment Management Company

Proposed FY 2018 Capital Budget

Process Overview



- UTIMCO Staff hired Page Southerland Page, Inc. (Page) to assist with furniture and equipment planning. Page is also the project Architect.
 - Services include:
 - Evaluation of current furniture inventory and recommended disposition
 - Programming and furniture cost estimates
 - Selection, specification, bidding/negotiation, mock-up and shop drawing review and assistance with procurement, contract administration and installation

- UTIMCO IT Staff worked with long-standing technology vendors, Page and OFPC to develop the technology plan for the new space.

- UTIMCO Staff have obtained cost estimates for relocating all current furniture & fixtures inventory to the new office and/or to consignment/resale/disposal.
 - Staff is working with Endeavor to broker a sale of furnishings to future tenant at Frost Tower.
 - Staff is working with brokers to sell existing furnishings.
 - Actual costs will likely not be known until February 2018

Recommendation



- Furniture & Fixtures:
 - Procure new furniture for all private offices & open workstations
 - Retain existing task seating for all private offices & open workstations
 - Procure new custom conference room furnishings & seating
 - Procure new breakroom equipment & seating
 - Reasoning
 - Majority of private office furniture is custom to the space in the Frost Tower and will not fit in the new offices.
 - Significant percentage of inventory will be 13 years old or older at time of move.

- Technology:
 - Procure new firewall & other equipment for server room
 - Procure new AV equipment
 - Procure new computer equipment and applicable accessories
 - Procure new telecom equipment & licenses
 - Procure new copiers
 - Reasoning
 - Upgrades have been delayed in anticipation of office relocation.
 - Additional equipment will be needed for a larger office footprint.

The Numbers



- Office Floorplan Data

	<u>UTS Building</u>	<u>Frost Tower</u>
Net Leasable Area	56,825 sf	32,480 sf
Private Offices	85	61
Open Workstations	26	24
Conference Rooms	15	7
Team Work /Huddle Spaces	10	0
Breakroom / Kitchens	3	5
Copy / File / Work Rooms	10	5
Reception / Seating Areas	6	2

- Budget Request

<u>Capital Expenditures</u>	<u>Budget</u>
Server Room Equipment; Firewall, Switches & Router Systems	\$ 1,096,000
Audio Visual Equipment	408,000
Telecom Equipment (additions needed for existing systems)	64,600
Staff Desktop Computers	48,400
Copiers/Printers	180,000
Furniture & Fixtures	3,150,000
Contingency	53,000
FY18 Capital Expenditures	\$ 5,000,000

Allocation Schedule



**UTIMCO Capital Budget
Allocation Schedule
For the fiscal year ending August 31, 2018**

<u>Proposed Capital Budget</u>	<u>Fund Name</u>				<u>Total</u>
	PUF	GEF		ITF	
		PHF	LTF		
<u>Market Value 6/30/17 (\$ millions)</u>	19,467	1,124	8,088	8,595	
<u>UTIMCO Capital Budget</u>					
Dollars	2,611,338	150,775	1,084,939	1,152,948	5,000,000
Allocation Ratio	52.2%	3.0%	21.7%	23.1%	100.0%