

**UTIMCO BOARD OF DIRECTORS  
MEETING AGENDA  
December 3, 2013**

UTIMCO  
401 Congress Ave., Ste. 2800  
Austin, Texas 78701

Time	Item #	Agenda Item
<b>Begin</b>	<b>End</b>	
9:00 a.m.	9:03 a.m.	1 <a href="#">Call to Order/Discussion and Appropriate Action Related to Minutes of the November 4, 2013 Meeting*</a>
9:03 a.m.	9:05 a.m.	2 <a href="#">Discussion and Appropriate Action Related to Corporate Actions*,**</a> - Committee Assignments* - Corporate Officers*
9:05 a.m.	9:25 a.m.	3 <a href="#">Discussion Related to Investment Objectives</a>
9:25 a.m.	9:35 a.m.	4 <a href="#">Report from Risk Committee</a>
9:35 a.m.	9:45 a.m.	5 <a href="#">Report from Audit and Ethics Committee:</a> - Discussion and Appropriate Action Related to Deloitte & Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, and the Statement of Investment Performance Statistics for the year ended August 31, 2013*
9:45 a.m.	11:00 a.m.	6 <a href="#">Discussion Related to Investment Initiatives</a>
11:00 a.m.	12:00 p.m.	<b>Recess for Briefing Session pursuant to Texas Education Code Section 66.08 (h)(2) related to Investments</b>
12:00 p.m.	12:30 p.m.	<b>Lunch</b>
12:30 p.m.	12:45 p.m.	<b>Briefing Session pursuant to Texas Education Code Section 66.08 (h)(2) related to Investments</b>
12:45 p.m.	2:30 p.m.	7 <b>Reconvene into Open Session</b> <b>Executive Session:</b> The Board of Directors may convene in Executive Session to: - Consult with Counsel regarding legal matters or pending and/or contemplated litigation or settlement offers pursuant to Section 551.071, <i>Texas Government Code</i> - Deliberate individual evaluation matters pursuant to Section 551.074, <i>Texas Government Code</i> - Consider individual personnel compensation matters, including Report of Compensation Committee Regarding Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2013, pursuant to Section 551.074, <i>Texas Government Code</i> <b>Reconvene into Open Session</b> <a href="#">Report from Compensation Committee:</a> - Discussion and Appropriate Action Related to Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2013* - Discussion and Appropriate Action Related to Designation of Employees in Eligible Position as Participants in the UTIMCO Compensation Program for the 2013/2014 Performance Period*
2:30 p.m.	2:45 p.m.	8 <a href="#">Discussion Related to Emerging Market Investments</a>
2:45 p.m.	3:00 p.m.	9 <a href="#">Document Management Center Demonstration</a>
3:00 p.m.	3:05 p.m.	10 <a href="#">Discussion and Appropriate Action Related to CEO Board Service*</a>
3:05 p.m.	3:10 p.m.	11 <a href="#">Report on 2014 Meeting Dates</a>
3:10 p.m.		<b>Adjourn</b>

\* Action by resolution required

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

Members of the Board may attend the meeting by telephone conference call pursuant to Tex. Educ. Code Ann. § 66.08(h)(2)(B). The telephone conference will be audible to the public at the meeting location specified in this notice during each part of the meeting that is required to be open to the public.

<b>Next Scheduled Meeting: TBD</b>
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**RESOLUTION RELATED TO MINUTES**

RESOLVED, that the minutes of the meeting of the Board of Directors held on **November 4, 2013**, be, and are hereby, approved.

**MINUTES OF SPECIAL CALLED 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 **November 4, 2013**, 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, Morris E. Foster, with notice provided to each member in accordance with the Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Board:

Morris E. Foster, Chairman  
Ardon E. Moore, Vice Chairman  
Francisco G. Cigarroa, Vice Chairman for Policy  
Kyle Bass  
Jeffery D. Hildebrand  
R. Steven Hicks  
Charles W. Tate  
James P. Wilson

Chairman Foster called the meeting to order at 2:16 p.m. Chairman Foster, Vice Chairman Moore and Directors Bass, Hildebrand, Hicks, Tate and Wilson were in attendance, thus constituting a majority and quorum of the Board. Vice Chairman for Policy Cigarroa joined the meeting later, as noted in the minutes. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; and Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer. Other attendees were Keith Brown of the McCombs School of Business at UT Austin; Jerry Turner and Bob Jewell of Andrews Kurth LLP. Copies of materials supporting the Board meeting agenda were previously furnished to each Director.

**Compensation Committee Report**

Chairman Foster stated that the request for Executive Session would be bypassed at this meeting. He asked Mr. Bass to report on behalf of the Compensation Committee. Director Bass explained that the Committee and Staff believed that a compensation study was warranted for the 2013/2014 fiscal year and Mercer had been engaged to provide the study. Director Bass stated that the Committee had met on August 28, October 29, and on November 4, 2013, prior to the Board meeting, to discuss compensation in detail. At the November 4, 2013 meeting, the Committee passed a resolution to approve the base salaries for the Corporation's Officers and other UTIMCO Compensation Program (the "Plan") Participants (except that of the CEO) for the 2013-14 fiscal year, and a resolution to recommend Board approval of the Committee's proposed base salary for the Corporation's CEO for the 2013-2014 fiscal year. Director Bass noted that the recommended salary amount for the CEO was slightly below Plan policy, and the CEO had not received an increase in salary in the prior year.

Upon motion duly made and seconded, the following resolution was adopted by the Board:

RESOLVED, that the Board of Directors of UTIMCO hereby approves the Base Salary of the Corporation's CEO for the Fiscal Year 2013-2014 in the amount of \$655,000.

Director Bass stated that the Committee also recommended Board approval for the CEO's qualitative performance goals for the performance period ended August 31, 2014. Upon motion duly made and seconded, the following resolution was adopted by the Board:

WHEREAS, Section 5.4.(a) of the UTIMCO Compensation Program (the "Plan") provides that the Compensation Committee (the "Committee") of the Board of Directors of UTIMCO (the "Board") will approve the Performance Goals for each Participant (other than for the CEO) each Performance Period; and

WHEREAS, Section 5.4.(c) of the Plan provides that the Board will determine the Performance Goals of the CEO for each Performance Period; and

WHEREAS, the Board has reviewed the CEO's Qualitative Performance Goals for the Performance Period ended August 31, 2014, as prepared by the CEO, and recommended by the Committee and set forth in the document presented to the Board.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Qualitative Performance Goals for the CEO for the Performance Period ended August 31, 2014, as set forth in the document presented to the Board.

Director Bass also recommended, on behalf of the Compensation Committee, appropriate action from the Board related to the updated and amended Tables 1 and 2 of the Plan, copies of which are attached, to replace the current Appendices C and D, respectively, effective as of September 1, 2013. Upon motion duly made and seconded, the following resolution was adopted by the Board:

WHEREAS, Section 7.2. of the UTIMCO Compensation Program (the "Plan") provides that UTIMCO, by action of its Board of Directors (the "Board"), has the right in its discretion to amend the Plan or any portion thereof from time to time; and

WHEREAS, Section 5.3.(a) of the Plan requires Table 1 to be revised, as necessary, for subsequent Performance Periods to set forth any changes or additions to the Eligible Positions, the weightings for the Eligible Positions, the Incentive Award Opportunities, and any Applicable Deferral Percentage for each Eligible Position, for that Performance Period as soon as administratively practicable after confirmation of such Eligible Positions by the Board for such Performance Period and to be attached as Appendix C to the Plan; and

WHEREAS, Section 5.8.(b)(1) of the Plan requires Table 2 to be revised, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold, target, and maximum performance standards, in effect during the three-year rolling historical period, culminating with the subsequent Performance Period and to be attached as Appendix D to the Plan; and

WHEREAS, the Board has reviewed the revised Tables 1 and 2, and approves the amendments as recommended by the Compensation Committee.

NOW, THEREFORE, be it:

RESOLVED, the updated and amended Tables 1 and 2, copies of which are attached hereto, are hereby adopted and approved to replace the current Appendices C and D, respectively, effective as of September 1, 2013.

On behalf of the Compensation Committee, Director Bass recommended the individuals who may become Participants in the Plan for the Performance Period ended August 31, 2014, as set forth on Exhibit 1, attached, with an effective date of September 1, 2013. Upon motion duly made and seconded, the following resolution was adopted by the Board:

WHEREAS, Section 5.3.(a) of the UTIMCO Compensation Program (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 "Board") as an "Eligible Position" for that Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has recommended the individuals who may become Participants for the Performance Period ended August 31, 2014 set forth on Exhibit 1 attached hereto; and

WHEREAS, the UTIMCO Board has reviewed Exhibit 1 and wishes to select the individuals who may become Participants for the Performance Period ended August 31, 2014.

NOW, THEREFORE, be it:

RESOLVED, that, the individuals set forth on Exhibit 1 attached hereto are hereby designated as "Participants" in the Plan for the Performance Period ended August 31, 2014, effective as of September 1, 2013.

Director Bass reported one action item taken by the Compensation Committee that did not require further approval by the Board. The Committee reviewed and approved the Qualitative Performance Goals for the Participants, other than the CEO's goals, of the UTIMCO Compensation Program for the Performance Period ended August 31, 2014.

**Minutes**

The next item to come before the Board was approval of the minutes of the Board of Directors Meeting held on October 10, 2013. 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 **October 10, 2013**, be, and are hereby, approved.

**2013-14 Budget**

Chairman Foster asked Mr. Zimmerman to present the Corporation's FY14 Budget. Director Cigarroa joined the meeting and Director Bass left the meeting at this time. Mr. Zimmerman reported the FY 2014 Budget. His presentation included all estimated expenses associated with the management of the Investment Funds, including the reserve analysis. At the same time the Corporation submits its annual budget, it submits to the UT System Board an allocation formula for charging the annual budget to the Investment Funds. In addition to the annual budget, UTIMCO submits its capital expenditures budget. The Corporation's budget is subject to further approval by the UT System Board. Staff recommended approval of the UTIMCO Management Fee and Other Direct Fund Costs, resulting in Total Fees of \$32,214,480; a Capital Budget of \$1,034,900; and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2013 through August 31, 2014. During the preparation of the annual budget, a reserve analysis is also prepared. Within 90 days after the end of each fiscal year, in the event that there is a surplus, UTIMCO distributes that portion of the cash reserves as may be directed by the UT System Board back to the Funds which generated the surplus. Based on the reserve analysis, no cash reserves were required to be distributed back to the Funds. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the UTIMCO Management Fee of \$24,469,511 and the Other Direct Fund Costs of \$7,744,969, resulting in Total Fees of \$32,214,480, Capital Budget of \$1,034,900 and the Allocation Schedule; as provided to the Board for the period beginning September 1, 2013 through August 31, 2014, be, and are hereby, approved, subject to approval by the Board of Regents of The University of Texas System.

There being no further business to come before the Board, the meeting was adjourned at approximately 2:29 p.m.

Secretary: \_\_\_\_\_  
Joan Moeller

Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Morris E. Foster  
Chairman, Board of Directors of  
The University of Texas Investment Management Company

**Table 1, Appendix C**  
**Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Positions**  
**(for the Performance Periods Beginning After August 31, 2013)**

Eligible Position	Weighting			Incentive Award Opportunity (% of Salary)				Percentage of Award Deferred
	Entity	Asset Class/ Investment Type	Qualitative (Individual)	< Threshold	Threshold	Target	Maximum	
<i>Investment Professionals</i>								
CEO & Chief Investment Officer	60%	0%	40%	0%	0%	<del>100%</del> 125%	340%	50%
President & Deputy CIO	40%	40%	20%	0%	0%	<del>95%</del> 115%	300%	50%
Managing Director - Investments	30%	40%	30%	0%	0%	<del>85%</del> 100%	240%	40%
Managing Director - Private Investments	30%	30%	40%	0%	0%	<del>85%</del> 100%	240%	40%
Senior Director - Investments	25%	35%	40%	0%	0%	<del>60%</del> 70%	185%	35%
Senior Portfolio Manager	20%	40%	40%	0%	0%	<del>60%</del> 70%	185%	35%
Senior Director - Risk Management	30%	0%	70%	0%	0%	<del>50%</del> 55%	170%	35%
Portfolio Manager	20%	40%	40%	0%	0%	<del>50%</del> 80%	170%	30%
Director - Investments	20%	40%	40%	0%	0%	<del>50%</del> 60%	170%	30%
Director - Private Investments	20%	30%	50%	0%	0%	<del>50%</del> 60%	170%	30%
Director - Risk Management	30%	0%	70%	0%	0%	<del>40%</del> 50%	150%	30%
Senior Associate - Investments	15%	35%	50%	0%	0%	<del>40%</del> 50%	150%	20%
Senior Associate - Private Investments	15%	25%	60%	0%	0%	<del>40%</del> 50%	150%	20%
Senior Associate - Risk Management	30%	0%	70%	0%	0%	<del>40%</del> 45%	140%	20%
Associate - Investments	15%	30%	55%	0%	0%	35%	135%	15%
Associate - Private Investments	15%	20%	65%	0%	0%	35%	135%	15%
Associate - Risk Management	30%	0%	70%	0%	0%	35%	120%	15%
Senior Analyst - Investments	10%	20%	70%	0%	0%	30%	100%	0%
Analyst - Investments	10%	20%	70%	0%	0%	25%	75%	0%
Analyst - Risk Management	30%	0%	70%	0%	0%	25%	75%	0%
<i>Operations/Support Professionals</i>								
Senior Managing Director	20%	0%	80%	0%	0%	<del>60%</del> 65%	150%	40%
Chief Technology Officer	20%	0%	80%	0%	0%	<del>50%</del> 55%	100%	30%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	0%	50%	120%	30%
Senior Manager	20%	0%	80%	0%	0%	<del>40%</del> 50%	90%	25%
Manager	20%	0%	80%	0%	0%	<del>40%</del> 50%	80%	25%
<del>Deal Attorney</del> Investment Counsel	20%	0%	80%	0%	0%	40%	80%	25%
Senior Financial Analyst	20%	0%	80%	0%	0%	<del>30%</del> 40%	60%	20%
IT Investment Associate	20%	0%	80%	0%	0%	35%	100%	20%

**Appendix D, Table 2**  
**Benchmarks for Entities and Asset/Class Investment Type**  
**Threshold, Target, and Maximum Performance Standards**  
**(9/1/12~~3~~ through 8/31/13~~4~~)**

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	PIF	Threshold	Target	Maximum
		(% of Portfolio)	(% of Portfolio)			
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	<del>+75</del> +100 bps	<del>+225</del> +250 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+150 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.5%	<del>35.0%</del> 30.0%	+0 bps	+25 bps	+62.5 bps
Real Estate	FTSE EPRA/NAREIT Developed Index NET TRI USD	2.5%	<del>5.0%</del> 3.0%	+0 bps	+62.5 bps	+150 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	7.5%	<del>7.5%</del> 7.0%	+0 bps	+62.5 bps	+150 bps
Developed Country Equity	MSCI World Index with net dividends	<del>15.0%</del> 14.0%	<del>10.0%</del> 9.0%	+0 bps	+62.5 bps	+150 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	<del>12.0%</del> 10.0%	<del>7.5%</del> 6.0%	+0 bps	+62.5 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index	30.0%	<del>35.0%</del> 45.0%	+0 bps	+75 bps	+250 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	<del>21.5%</del> 23.3%	0%	+0 bps	<del>+100</del> +150 bps	<del>+350</del> +450 bps
Private Investments Real Estate	NACREIF Custom Index	<del>4.0%</del> 5.2%	0%	+0 bps	<del>+100</del> +150 bps	<del>+325</del> +450 bps
Specific asset class benchmarks:						
Credit-Related Fixed Income	Barclays Capital Global High Yield Index			+0 bps	+37.5 bps	+100 bps
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps



**Exhibit 1**  
**Designation of Plan Participants in Eligible Positions**  
**in the Performance Period Ended August 31, 2014**

<b>ELIGIBLE POSITION</b>	<b>PARTICIPANTS</b>
<i>Investment Professionals</i>	
CEO & Chief Investment Officer	Bruce Zimmerman
President and Deputy CIO	Cathy Iberg
Managing Director - Private Investments	Lindel D. Eakman
Managing Director - Investments	Mark Warner
Managing Director - Investments	Mark Shoberg
Managing Director - Investments	Ryan Ruebsahm
Managing Director - Investments	Susan Chen
Senior Director - Risk Management	Uzi Yoeli
Senior Portfolio Manager	Russ Kampfe
Portfolio Manager	Harland Doak
Director - Investments	Zac McCarroll
Director - Investments	Courtney F. Powers
Director - Investments	Edward Lewis
Director - Private Investments	Scott Bigham
Director - Investments	Amanda Hopper
Director - Private Investments	Mike McClure
Senior Associate - Risk Management	Kate Wagner
Associate - Investments	Mukund Joshi
Associate - Private Investments	Lara Jeremko
Associate - Investments	Drury Morris
Analyst - Investments	Russell Brown
Analyst - Investments	Rafael Ramirez, Jr.
Analyst - Investments	Spencer Branch
Analyst - Investments	Adrienne Smith
Analyst - Investments	Jena Michels
<i>Operations/Support Professionals</i>	
Senior Managing Director	Joan Moeller
General Counsel and Chief Compliance Officer	Anna Cecilia Gonzalez
Chief Technology Officer	Uche Abalogu
Senior Manager	Gary Hill
Manager	Debbie Childers
Manager	Melynda Shepherd
Senior Financial Analyst	Lara McKinney
Investment Counsel	Jon Ellison
IT Investment Associate	Aman Jain

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

- Agenda Item:** Discussion and Appropriate Action Related to Corporate Actions:  
- Committee Assignments  
- Corporate Officers
- Developed By:** Staff
- Presented By:** Foster, Zimmerman
- Type of Item:** Action required by UTIMCO Board; Further action required by The University of Texas System Board of Regents related to the appointment of the Audit and Ethics Committee
- Description:** Chairman Foster will propose new Board committee assignments since a new Director has been appointed to the UTIMCO Board. The Board of Regents of The University of Texas System appointed Regent Robert Stillwell to the UTIMCO Board as a UT Regent member on November 14, 2013. If a change is made in the composition of the Audit and Ethics Committee, Section 66.08 of the *Texas Government Code* requires that the U. T. System Board of Regents approve the appointment of the members of the Audit and Ethics Committee of the UTIMCO Board.
- Bruce Zimmerman will request that Ryan Ruebsahm and Susan Chen be appointed officers of the corporation. Managing directors are considered officers of the corporation. Mr. Ruebsahm and Ms. Chen have been promoted to the position of Managing Director - Marketable Alternative Investments and Managing Director – Public Markets Investments, respectively, effective September 1, 2013.
- Recommendation:** Chairman Foster will recommend approval of the committee assignments and appointment of officers.
- 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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 \_\_\_\_\_ is hereby designated the Chair of the Audit and Ethics Committee and shall preside at its meetings.

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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 \_\_\_\_\_ is hereby designated the Chair of the Risk Committee and shall preside at its meetings.

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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 \_\_\_\_\_ is hereby designated the Chair of the Policy Committee and shall preside at its meetings.

<b>RESOLUTION RELATED TO CORPORATION OFFICERS</b>
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RESOLVED, that Ryan Ruebsahm and Susan Chen are hereby appointed to the office of Managing Director of the Corporation to serve until the next Annual Meeting of the Corporation or until his or her resignation or removal.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

**Agenda Item:** Discussion Related to Investment Objectives

**Developed By:** Zimmerman

**Presented By:** Zimmerman

**Type of Item:** Information Item

**Description:** Mr. Zimmerman will lead a discussion related to investment objectives.

**Reference:** Presentation to be distributed at meeting

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

<b>Agenda Item:</b>	Report from Risk Committee
<b>Developed By:</b>	Staff
<b>Presented By:</b>	Tate
<b>Type of Item:</b>	Information item
<b>Description:</b>	The Risk Committee (“Committee”) met on November 18, 2013. The Committee’s agenda included (1) discussion and appropriate action related to minutes; (2) discussion and appropriate action related to categorization of investment mandates; (3) review and discussion of compliance reporting; and (4) discussion regarding structured notes as referenced in the Derivative Investment Policy.
<b>Discussion</b>	<p>The Committee reviewed and approved the 15 mandate categorizations prepared by Staff for the period beginning June 22, 2013, and ending November 1, 2013. In addition to the categorization of new mandates and review of existing mandates, Staff performed an in-depth review of mandates with multiple Investment Type criteria with the objective of determining the integrity of their Investment Type categorizations. Staff reviewed the <i>Mandate Categorization Update</i> presentation with the Committee. The Committee will report to the UTIMCO Board the results of its review of the Investment Mandate Categorizations.</p> <p>The Committee reviewed the quarterly compliance reporting.</p> <p>The Committee heard a report by Uzi Yoeli regarding structured notes, and in particular, whenever a particular instrument should be treated as a “structured note”, hence excluded from the definition of Derivative Investments as provided in the Derivative Policy Statement. Staff determined and the Committee agreed that Participation notes (“P-notes”) should be included within the definition of structured notes; therefore, excluded from the definition of Derivative Investments in the Derivative Investment Policy.</p>
<b>Recommendation:</b>	None
<b>Reference:</b>	None

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

- Agenda Item:** Report from Audit and Ethics Committee; Discussion and Appropriate Action Related to Deloitte and Touche LLP Financial Statement Audit Results and Communications and the Audited Financial Statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Intermediate Term Fund, and the Statement of Investment Performance Statistics for the year ended August 31, 2013.
- Developed By:** Moeller, Hill, Gonzalez
- Presented By:** Wilson
- Type of Item:** Action required by UTIMCO Board related to year end audits; Information item on other items
- Description:** The Audit and Ethics Committee (“Committee”) met on October 28, 2013 to discuss and take appropriate action related to base salary, Performance Incentive Plan participation, and Performance Goals for the General Counsel and Chief Compliance Officer for the 2013-2014 Fiscal Year and Performance Period. The Committee’s meeting scheduled for November 18, 2013 was canceled due to a lack of quorum. The meeting will be rescheduled to take place sometime before the December 3<sup>rd</sup> Board meeting. The Committee’s agenda includes the following: (1) discussion and appropriate action related to minutes; (2) discussion and appropriate action related to Deloitte & Touche LLP’s Audit Results and Communications; (3) discussion and appropriate action related to the audit reports of the Permanent University Fund (“PUF”), General Endowment Fund (“GEF”), Permanent Health Fund (“PHF”), Long Term Fund (“LTF”), Intermediate Term Fund (“ITF”), and the Statement of Investment Performance Statistics for the year ended August 31, 2013; (4) update on UTIMCO’s compliance, reporting and audit issues (5) report from UT System Audit Office, including review of Separately Invested Audit Report FY2013; and (6) discussion and appropriate action related to the General Counsel and Chief Compliance Officer’s Performance Incentive Award for the Performance Period ended August 31, 2013.
- Discussion:** The financial statements were audited by Deloitte & Touche LLP. Tom Wagner, engagement partner, will present to the Committee Deloitte & Touche LLP’s Financial Statement Audit Results and Communications letter (the “Letter”) and answer questions related to the financial statements. Included in these materials is the Letter and Management’s Representation Letter to Deloitte confirming in writing Management’s responsibilities and representations with regard to these audits. Because of the voluminous nature of the audited financial statements, they are not included in the Board book. However, the complete audited financial statements are available on UTIMCO’s website, [www.utimco.org](http://www.utimco.org).

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

As required by the Charter of the Audit and Ethics Committee, the Committee will also discuss and take action related to the CEO's recommendation of the performance incentive award for the performance period ending August 31, 2013 for the General Counsel and Chief Compliance Officer and together make a recommendation to the Compensation Committee.

J. Michael Peppers, UT System Chief Audit Executive will review with the Committee the Separately Invested Audit Report FY 2013.

Routine activities of the Committee include a report from Ms. Gonzalez related to the quarterly and annual compliance reports.

**Recommendation:** The Committee will recommend that the UTIMCO Board take appropriate action related to the Deloitte & Touche LLP Financial Statement Audit Results and Communications and the audited financial statements of the PUF, GEF, PHF, LTF, ITF, and the Statement of Investment Performance Statistics for the year ended August 31, 2013.

**Reference:** Deloitte & Touche LLP's Financial Statement Audit Results and Communications  
Management's Representation Letter  
Institutional Compliance Program Annual Report and Action Plans



**RESOLUTIONS RELATED TO AUDITS OF THE INVESTMENT FUNDS  
FOR FISCAL YEAR 2013**

RESOLVED, that Deloitte & Touche LLP's Financial Statement Audit Results and Communications on the Investment Funds Under Fiduciary Responsibility of The University of Texas System Board of Regents for the year ended August 31, 2013, be, and is hereby approved in the form as presented to the Board; and

FURTHER RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, The University of Texas System General Endowment Fund, and The University of Texas System Intermediate Term Fund each for the fiscal years ended August 31, 2013, and August 31, 2012, and the Statement of Investment Performance Statistics for the year ended August 31, 2013, be, and are hereby approved in the form as presented to the Board.

October 31, 2013

Mr. Bruce Zimmerman  
CEO and Chief Investment Officer  
The University of Texas Investment Management Company

The Audit, Compliance and Management Review Committee of  
The Board of Regents of The University of Texas System

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

401 Congress Avenue, Suite 2800  
Austin, TX 78701

Dear Mr. Zimmerman, Members of The Audit, Compliance and Management Review Committee of The Board of Regents of The University of Texas System as well as Members of The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (the "Board"):

We have performed the audits of the financial statements of 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 (collectively, the "Funds") as of and for the year ended August 31, 2013, in accordance with auditing standards generally accepted in the United States of America and have issued our reports thereon dated October 31, 2013.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Funds is responsible.

## **OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS**

Our responsibility under generally accepted auditing standards has been described in the engagement letter dated February 18, 2011 (Exhibit- A, section B) and in the most recent amendment, the seventh amendment, dated May 17, 2013. As described in Exhibit A -1 – Section B, the objective of a financial statement audit conducted in accordance with auditing standards generally accepted in the United States of America is to express an opinion on the reasonableness of the presentation of the Funds' financial statement for the year ended August 31, 2013 ("generally accepted accounting principles"), in all material respects. 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 Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audits of the financial statements do not relieve management or the Board of their responsibilities.

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 considered internal control over financial reporting relevant to the

Funds' preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

**ACCOUNTING ESTIMATES**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Funds' financial statements include valuation of certain investments which are specifically the Funds' investments in hedge funds, private investments, and private placements recorded at amounts included in the table below which have been estimated by management in the absence of readily determinable fair values.

<b>FUND</b>	<b>VALUE OF INVESTMENTS IN THE ABSENCE OF READILY DETERMINABLE FAIR VALUES AT 08/31/13</b>	<b>PERCENTAGE OF TOTAL ASSETS AT 8/31/13</b>
Permanent University Fund	10,374,753,862	68.0%
The University of Texas System General Endowment Fund	5,320,572,428	68.7%
The University of Texas System Intermediate Term Fund	2,692,219,473	46.1%

Although management believes the accounting estimates reflected in the Funds' 2013 financial statements are reasonable, there can be no assurances that the Funds could ultimately realize these values. The basis for our conclusions as to the reasonableness of these estimates when considered in the context of the financial statements taken as a whole, as expressed in our auditors' reports on the financial statements, is our understanding and testing of the process used by management to develop the estimates.

Management uses a process to estimate the fair value of these entities which includes, but is not limited to, consideration of financial information from the underlying funds provided at various interim dates during the year, other information from the underlying funds, as well as information from other relevant sources. We feel this valuation process is reasonable based on the requirements of the AICPA Practice Aid for Auditors Alternative Investments – Audit Considerations and investment management industry general practices.

We are not aware of any significant changes in accounting estimates or changes in management's judgments relating to such estimates during the year ended August 31, 2013.

## **UNCORRECTED MISSTATEMENTS**

Our audits of the financial statements were designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audits.

## **MATERIAL CORRECTED MISSTATEMENTS**

Our audits of the financial statements were designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

## **SIGNIFICANT ACCOUNTING POLICIES**

The Funds' significant accounting policies are set forth in the footnotes to the Funds' 2013 financial statements. During the year ended August 31, 2013, there were no significant changes in previously adopted accounting policies or their application.

## **OTHER INFORMATION IN THE ANNUAL REPORT**

When audited financial statements are included in documents containing other information such as the Funds' Management Discussion & Analysis and the Supplemental Schedules, we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the Funds' financial statements and have inquired as to the methods of measurement and presentation of such information. We did not note any material inconsistencies or obtain knowledge of a material misstatement of fact in the other information.

## **DISAGREEMENTS WITH MANAGEMENT**

We have not had any disagreements with management related to matters that are material to the Funds' 2013 financial statements.

## **OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS**

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2013.

## **SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

## **OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT**

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board.

## **SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

In our judgment, we received the full cooperation of the Funds' management and staff and had unrestricted access to the Funds' senior management in the performance of our audits.

## **MANAGEMENT'S REPRESENTATIONS**

We have made specific inquiries of the Funds' management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Funds are required to provide to their independent auditors under generally accepted auditing standards.

## **EMPHASIS-OF-MATTER OR OTHER-MATTER PARAGRAPH**

We have decided to include the following emphasis-of-matter in our opinion on the financial statements:

1. As discussed in Note 1, the financial statements of the funds are intended only to present the fiduciary net position of the funds as of August 31, 2013 and 2012, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States and do not purport to, and do not, present the financial position of UTIMCO or The University of Texas System, as of August 31, 2013 or 2012, or the changes in their fiduciary net position for the years then ended – ***This emphasis of matter is applicable to all the funds – PUF, GEF, ITF, LTF & PHF.***
2. As also discussed in Note 1, the financial statements of the PUF include only the investment related assets and liabilities and changes therein which are being managed by UTIMCO and do not include the PUF's 2.1 million acres of land. This report, therefore, is not intended to be a complete presentation of the PUF's assets, liabilities, income, and expenses – ***This emphasis of matter is applicable only to PUF.***
3. As discussed in Note 2, the financial statements include investments (refer to the table on page 2 for the market value of investments by fund) as of August 31, 2013 and August 31, 2012, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on procedures performed by management which use information provided by the fund managers or the general partners – ***This emphasis of matter is applicable to applicable all the funds – PUF, GEF, ITF, LTF & PHF.***

Our opinion is not modified with respect to these three matters.

\* \* \* \* \*

This report is intended solely for the information and use of the Funds' management, as well as The Audit, Compliance and Management Review Committee of the Board of Regents of The University of Texas System, and The Audit and Ethics Committee of the Board of The University of Texas Investment Management Company, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte & Touche LLP*

October 31, 2013



October 31, 2013

Deloitte & Touche LLP  
400 West 15<sup>th</sup> Street, Suite 1700  
Austin, TX 78701

We are providing this letter in connection with your audits of the statements of fiduciary net position as of August 31, 2013 and August 31, 2012, of the entities (the "Funds") listed in Appendix A, and statements of changes in fiduciary net position for the Funds for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the fiduciary net position and the changes in the fiduciary net position of the Funds in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

We are also providing this letter in conjunction with your audits of the detailed schedule of investment securities of the Permanent University Fund as of August 31, 2013 and the statement of investment performance statistics for the Funds for the year ended August 31, 2013.

We confirm that we are responsible for the following:

- a. The fair presentation in the financial statements of fiduciary net position, changes in fiduciary net position, detailed schedule of investment securities, and investment performance statistics in conformity with GAAP
- b. The fair presentation of the supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud
- d. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP.
2. The Funds have provided to you:

- a. All relevant information and access as agreed in the terms of the contract entered into by The University of Texas System, as amended on May 17, 2013
  - b. Financial records and related data
  - c. Minutes of the meetings of directors/trustees, and committees of directors/trustees; or summaries of actions of recent meetings for which minutes have not yet been prepared
  - d. Information relating to the Funds' compliance with all statutes, laws, or regulations that have a direct effect on our financial statements
  - e. All new or revised governance documents and agreements
  - f. Information relating to contracts with and results of work by management's experts.
3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
  4. There were no uncorrected financial statement misstatements and/or differences in estimating valuations aggregated by you during the current audit engagement and pertaining to the latest period in the current year which, individually and in the aggregate, are material to the financial statements taken as a whole.
  5. The Funds have provided to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  6. We have no knowledge of any fraud or suspected fraud affecting the Funds involving:
    - a. Management
    - b. Employees of the University of Texas Investment Management Company ("UTIMCO"), the Funds' investment manager, who have significant roles in the Funds' internal control over financial reporting
    - c. Others if the fraud could have a material effect on the financial statements.
  7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Funds received in communications from UTIMCO employees, former UTIMCO employees, analysts, regulators, or others.
  8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 10 (paragraph 53) *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.
  9. All investments during the period were made in accordance with the investment policies.
  10. Significant assumptions used by us in making accounting estimates are reasonable.

Except for the statement of investment performance statistics and where otherwise stated below, matters less than the materiality limits indicated in Appendix A for each Fund collectively are not considered to be exceptions that require disclosure for the purpose of the following



representations. These amounts are not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

11. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
12. The Funds have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
13. We have disclosed to you any change in the Funds' internal control over financial reporting that occurred during the Funds' most recent fiscal year that have materially affected, or are reasonably likely to materially affect, the Funds' internal control over financial reporting.
14. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
  - a. Portfolio securities are stated at fair value as determined in accordance with the valuation method set forth in the Funds' respective investment policies
  - b. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with GAAP
  - c. The completeness and adequacy of the disclosures related to fair values are in conformity with GAAP
  - d. No events have occurred subsequent to August 31, 2013 that require adjustment to the fair value measurements and disclosures included in the financial statements.
15. Private investment funds are fair valued by management. The fair values of these investments are estimated by management using the individual private investment fund's capital account balance at the closest available reporting period, as communicated by the investment fund's general partner or investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting period as well as consideration of any other information which has been provided. In rare cases the private market funds are valued at cost but only when management feels this is the best approximation of fair value.
16. The following, to the extent applicable, have been appropriately identified, properly accounted for, and disclosed in the financial statements:
  - a. Related parties and all related-party relationships and transactions of which management is aware, including fees, commissions, sales, purchases, loans, transfers, leasing arrangements, side agreements, and guarantees (written or oral)
  - b. Restricted securities that may not be publicly sold without registration under the federal Securities Act of 1933
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements


- d. All derivative financial instruments (e.g., futures, options, swaps), including bank loan commitments and other outstanding commitments to purchase or sell securities under forward placement and standby commitments
  - e. Financial instruments with significant individual or group concentration of credit risk, whether from an individual counterparty or group of counterparties
  - f. The amounts receivable from or payable to related parties
  - g. Guarantees, whether written or oral, under which the Funds are contingently liable (e.g., shortfall agreements).
17. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
- a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
  - b. The effect of the change would be material to the financial statements.
18. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
- a. The concentration exists at the date of the financial statements
  - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact
  - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
19. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency
  - b. Known actual or possible litigation and claims whose effects should be considered and accounted for and disclosed in the financial statements and that have not been disclosed to the auditor
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed under GASB Statement No. 10 (paragraph 53), *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.
20. The Funds have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except for those disclosed in the financial statements.

21. Regarding supplementary information:
  - a. We are responsible for the fair presentation of the supplementary information
  - b. We believe the supplementary information, including its form and content, is fairly presented
  - c. The method of presentation of the supplemental information has not changed from that used in the prior year.
22. We have disclosed all soft-dollar arrangements to you. We confirm to you that the usage of soft-dollar credits are restricted to activities that are specified in the "Soft Dollar Policies and Procedures" manual. The Funds have not utilized soft-dollar credits to offset direct Fund expenses. As of August 31, 2013, there were no soft-dollar commissions paid, which the Funds plan to recapture at a later date.
23. UTIMCO as investment manager of the Funds under the control and management of The University of Texas System Board of Regents ("UT Board"), entered into a security purchase agreement with the UT Board. The agreement committed the Funds to purchase UT System notes and bonds outstanding up to \$3,059,210,000. The PUF also has an agreement with the Texas A&M University (TAMU) System Board of Regents which commits the PUF to acquire up to \$125,000,000 of Texas A&M System flexible rate notes in the event of a failed remarketing of such notes. No UT System notes and bonds or Texas A&M System flexible rate notes have been or are expected to be purchased by the Funds under their required purchase commitment.
24. For those private investment funds where the Funds' combined investment exceeds 5% of the investment fund's equity, management does not have, and does not intend to obtain, effective control of these entities.
25. None of the entities which have borrowed from the Funds, subject to their securities lending programs, have defaulted during the year ended August 31, 2013.
26. The Funds have complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance. The Funds enter into certain contracts that contain a variety of indemnifications. The Funds have not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.
27. All trades made by the Funds during the year were appropriately authorized by management.
28. In conjunction with the Funds' investments in the private investment and hedge fund pools, there are no instances where the Funds would be required to assume additional commitment responsibility should other limited partners or shareholders default on their own commitments.
29. As of August 31, 2013, the Funds do not have any deposits or investments that are exposed to custodial credit risk.
30. No events have occurred after August 31, 2013, but before October 31, 2013, the date the financial statements were available to be issued, that require consideration as adjustments to or disclosures in the financial statements.



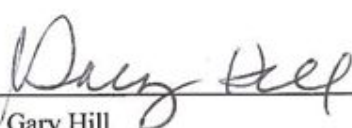
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Bruce Zimmerman  
Chief Executive Officer and Chief Investment Officer



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Joan Moeller  
Senior Managing Director – Accounting, Finance, &  
Administration



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Gary Hill  
Senior Manager – Investment Reporting

APPENDIX A

Entity Name	Materiality Limit
Permanent University Fund ("PUF")	\$ 30,000,000
The University of Texas System General Endowment Fund ("GEF")	15,000,000
The University of Texas System Long Term Fund ("LTF")	13,000,000
Permanent Health Fund ("PHF")	2,000,000
The University of Texas System Intermediate Term Fund ("ITF")	10,000,000

**The University of Texas Investment Management Company  
Institutional Compliance Program Annual Report  
for the Year Ended August 31, 2013**

**Section I – Organizational Matters**

- Four meetings of the Ethics and Compliance Committee have been held during this fiscal year: September 13, 2012, December 18, 2012, March 18, 2013, and June 18, 2013.
- Director changes included the following: Director Printice Gary's appointment ended on May 29, 2013, effective with the confirmation of and taking of oath by new regents to the Board of Regents of The University of Texas System. Steve Hicks was reappointed to the Board on September 12, 2013. Alex Cranberg and Jeff Hildebrand were each appointed to a three-year term on September 12, 2013. Chairman Paul Foster's appointment ended on September 12, 2013, when new Regents were appointed to the UTIMCO Board of Directors.
- Investment Policy Statements were amended during the fiscal year, effective September 1, 2013. The Delegation of Authority Policy was amended effective July 22, 2013. The Derivative Investment Policy and Liquidity Policy and Mandate Categorization Procedure were amended effective August 22, 2013. The Mandate Categorization Procedure was amended effective July 22, 2013.
- The State Auditor performed a Follow-up Audit Report on Ethics Policies for Trustee Investing Practices at the Employees Retirement System, the Teacher Retirement System, and The University of Texas Investment Management Company, SAO Report No. 13-030. The State Auditor concluded that UTIMCO fully or substantially implemented 12 (93 percent) of the 13 recommendations tested. UTIMCO implemented the final recommendation with a written procedure to enforce penalties for violations of personal trading policies and track verbal warnings given to employees regarding their personal trades.

**Section II - Risk Assessment, Monitoring Activities and Specialized Training (Performed by Responsible Party)**

**High-Risk Area #1: Investment Due Diligence**

**Responsible Party:** President and Deputy CIO for Public Markets and Marketable Alternatives, Managing Directors for Private Markets, Natural Resources Investments, and Real Estate Investments

**Key "A" risk(s) identified:**

- *Organization could fail to adequately conduct due diligence on prospective managers.*
- *Organization could fail to adequately conduct continual review and evaluation of external managers hired to manage UT System investment funds.*

**Key Monitoring Activities:**

**Public Markets:** The Public Markets groups participated in 238 meetings/calls with potential managers. Serious due diligence was initiated on four managers. Five managers were hired. Ongoing review of active external managers included 210 meetings/calls. Additional efforts included monthly performance tracking, reviews and analyses by the team, two portfolio review meetings, and participation in six annual meetings.

**Marketable Alternative Investments:** The Marketable Alternative Investments group participated in 238 meetings/calls with potential managers. Serious due diligence was initiated on six managers. Four managers were hired. Ongoing review of external managers was conducted in the form of 270 meetings/calls/site visits. Additional efforts included monthly performance tracking, reviews and analyses by the team, participation in eight annual meetings/functions with active managers and two portfolio review meetings.

**Private Markets:** The Private Markets group initiated serious due diligence on five potential managers. Eight commitments were made. The Private Markets group also participated in 330 meetings with active external

managers and 245 meetings with potential managers, including site visits, conference calls, and Advisory Board and Annual meetings. The team also participated in 47 ILPA meetings and two portfolio review meetings.

**Natural Resources:** The Natural Resources group participated in 166 meetings/calls with potential managers. Serious due diligence was initiated on ten managers. Eleven managers were hired. Ongoing review of active external managers included 343 meetings/calls. Additional efforts included participation in 13 annual meetings with active managers and two portfolio review meetings.

**Real Estate:** The Real Estate group participated in 190 meetings/calls with potential managers. Serious due diligence was initiated on eight managers. Four managers were hired. Ongoing review of active external managers included 205 meetings/calls. Additional efforts included participation in 14 annual meetings and three portfolio review meetings.

**Specialized Training:** Staff attended 46 industry-related conferences/forums during the year.

**High-Risk Area #2: Investment Risk Management**

**Responsible Party:** Senior Director - Risk Management

**Key "A" risk(s) identified:**

- *Organization could fail to accurately perform its assessment of risk due to data and investment instrument modeling error.*
- *Organization could fail to respond to risk levels (manage risk budget).*

**Key Monitoring Activities:**

- Risk Team reconciled accounting records' market value with market values modeled by IFS; reconciled month end values from IFS to accounting records and identified reasons for all discrepancies. Compared each month's risk results with both prior month results and with market activity to determine consistency, and identified reasons for all changes; prepared monthly charts and reports based on inputs from risk model, as well as analysis of managers' portfolio-level risk and performance.
- Risk Team implemented an improved proxy for LCC, and is working with the investment teams and IFS on improving proxies for Private Investments.
- Risk Team continued to engage in discussions with Regulatory Entities, current counterparties and other Risk Management teams regarding the compliance requirements for the Business Conduct Rules of Dodd Frank. Risk Team continued to monitor UTIMCO counterparties for potential downgrades and to support investment staff in understanding the risks inherent in managers operating under agency agreements.
- Risk Team developed a framework to better understand Illiquidity Risk and the returns required to compensate for this risk. Risk Team is leading a UTIMCO-wide effort to develop tools and processes to better monitor and manage illiquidity exposure, and mitigate negative effects such an exposure could have.
- Risk Team led a Natural Resources reporting initiative with the managers by creating a standardized template.
- Risk Team conducted an analysis of the commodity allocation of the Natural Resources MCC portfolio, which was discussed at the NR portfolio review and with the Portfolio Positioning Task Force.
- Risk Team continued to monitor the current macro environment. This process involves continuing education by participating in conferences, and sharing thoughts with other risk teams.
- Risk Team coordinated and facilitated the semi-annual Risk Management working group calls.
- All internal derivatives were reviewed and analyzed in detail prior to initiation. The insurance budget is continuously tracked.
- Derivative positions are monitored on a daily basis. External managers that may use derivatives are monitored daily for spikes in returns or in volatility. Effects of derivatives on the overall portfolio are monitored monthly. Fixed income duration and tracking error is being monitored on an ongoing basis.

Managers' use of margin and leverage is monitored on an ongoing basis. Risk Team confirmed each month downside risk and VaR calculations.

- Risk Team participated in the due diligence of eight new managers. Risk Team prepared projections on portfolio risk, country exposure, liquidity, and asset allocations; updated projections on a weekly basis.
- Risk Team worked with UT System to create potential pools of daily liquidity to meet the stricter classifications and requirements of the Ratings Agencies.
- Risk Team presented the "risk process" to the Operations staff and UTIMCO's analysts to establish better understanding of UTIMCO's risk management.

**Specialized Training:** Staff participated in four conferences during the year.

**High-Risk Area #3:** Information Technology & Security

**Responsible Party:** Chief Technology Officer

**Key "A" risk(s) identified:**

- *Organization could fail to adequately secure networks and data to prevent abuse, destruction, and/or theft.*
- *Organization could fail to manage computer software and hardware resulting in internal and external users unable to perform necessary job duties.*

**Key Monitoring Activities:**

- The annual financial report audit with Deloitte & Touche, LLP was completed.
- Annual Information Security Plan was submitted to UT System.
- Annual risk assessments were completed.
- Annual and new employee security training sessions were completed for all new employees and interns.
- Full disk encryption rolled out and moved to maintenance mode. All laptops and desktops are encrypted; new machines will be encrypted during installation and configuration.
- Desktop encryption plan submitted to UT System as required. UTIMCO has already completed desktop encryption. Based on risk profile, UTIMCO's CISO is exempting the Bloomberg terminals from the encryption requirement.
- Several alerts to staff about information security issues, including Windows Updates for mobile, personal device security and phishing attacks.
- Applications that monitor virus or malicious software are running. Mechanisms are in place to provide notification if applications are not functioning properly. Additional applications monitor server activity and notify IT staff of any perceived problems.
- Continued training of users on the procedures and proper use of encrypted USB drives on an as-needed basis.
- Provided topic specific email alerts to employees regarding encryption of social security numbers and credit card numbers, computer viruses, potential attacks, and critical updates.
- Monitoring and blocking of unencrypted electronic transmissions of social security numbers and credit card numbers is ongoing. Violations are reported to the CCO and staff is reminded to transmit via encrypted means.
- Laptop security reviews continue. At random, the CISO and CCO verify laptops are physically secured to the desk. Violators are notified when necessary.
- Compliance checks for nightly shutdown/logout and VPN access continue. Violations noted and violators notified when necessary.
- Random checks for confidential data storage continue and CISO continues to work with development staff to limit access to source code.
- Random checks for software compliance were completed.
- CISO worked with UTIMCO staff on the completion of the Business Continuity Plan.
- Classic VPN continues to be phased out and replaced with Citrix and Remote Desktop.



- Exchange upgraded to 2013, not without issues. Most issues have been resolved. Outlook Web Access (OWA) is currently available. Will re-evaluate the security posture of OWA and public access. OWA still available from inside UTIMCO and via Citrix.
- Lastpass for secure password management was rolled out and has now moved to maintenance mode. Most users are installed and using the tool. Some one-on-one training continues. Transition of all credentials off the intranet to Lastpass will be continued for the next few months.
- Continuing to monitor and address policy violations for unauthorized software, sharing of credentials, and use of network resources.
- UT System is replacing ISAAC with RSA Archer for risk assessments for all institutions, UTIMCO is included. UTIMCO staff will need to get up to speed on RSA Archer once it has been rolled out.
- Few minor malware infections during the year. IT staff continues to look for a better desktop AV/AM tool.
- Secunia patch management tool has been installed and is being tested on IT computers. This will provide a much needed means to centrally manage updates to Java, Flash, and other 3rd party software. UTIMCO was able to take advantage of the UT System agreement which provides the software at no cost.
- Disaster Recovery sited identified at ARDC and disaster recovery site hardware has been installed. Services are being brought online.

**Specialized Training:** CISO attended several teleconference meetings of the Chief Information Security Officers Council and attended the UT System Information Security Conference. CISO also attended training on DuoSecurity, Lastpass, ShoreTel, VMware security, SharePoint, Citrix, Juniper, and PaloAlto. Three staff attended Microsoft Technical Education Conference.

**High-Risk Area #4: Investment Compliance**

**Responsible Party:** Manager - Portfolio Accounting and Operations

**Key "A" risk(s) identified:**

- *Organization could fail to comply with investment policies, applicable laws and regulations, and other policies.*
- *Organization could fail to detect non-compliance with applicable policies, etc.*

**Key Monitoring Activities:**

- A revised restricted stock list was sent to the appropriate managers due to the removal of one security from the list.
- Annual compliance letters were sent to 26 managers. All were returned timely and no exceptions were noted.
- Verified that investments are in compliance with rules and guidelines in policies, rules and regulations utilizing custodian's software and in-house developed databases and reports.
- Work continues to verify that custodian software queries and database queries are working properly for manager compliance.
- Review of monthly and quarterly investment compliance reports prepared by staff.
- All mandates submitted to the Chief Compliance Officer were reviewed and categorized pursuant to asset class and investment type in accordance with the Mandate Categorization Procedure and approved by the UTIMCO Risk Committee.
- Continued participation by the Portfolio Accounting and Operations staff in prospective and active external manager investment due diligence.
- Derivative Investment Controls and Processes are being followed and work continues on improving them.
- Periodic meetings were held with BNY Mellon to discuss changes/improvements that could be made to manager compliance.

**Specialized Training:** None

**High-Risk Area #5: Conflicts of Interest**

**Responsible Party:** Senior Managing Director - Accounting, Finance and Administration

**Key “A” risk(s) identified:**

- *Organization could fail to comply with conflicts of interest provisions in Code of Ethics and Texas Education Code section 66.08.*

**Key Monitoring Activities:**

- The financial disclosure statements and ethics compliance statements were received from all directors on a timely basis. No new directors were appointed during the year. Two directors filed additional disclosures during the quarter.
- The financial disclosure statements and ethics compliance statements were received from all employees, including interns, on a timely basis with the exception of one temporary worker whose assignment ended after approximately three weeks.
- All new employees, including interns received employee training within a reasonable time after hire. All employees attended annual training sessions.
- All Certificates of Compliance were received timely from all UTIMCO Board members and key employees for all investment managers hired and funded. Certificates were reviewed for completeness; no conflicts of interest were noted, i.e., no pecuniary interests were identified by any UTIMCO Board member or key employee.
- List of publicly traded securities of all publicly traded companies in which a UTIMCO Board member or employee has a pecuniary interest (the “restricted list”) was maintained. Internal and external managers under agency agreements are provided the restricted list in order to prevent the violation of UTIMCO Code of Ethics and *Texas Education Code* Section 66.08. One security was removed from the restricted list during the year. The restricted list was sent to all managers as required.
- On a daily basis, accounting staff reviewed security holdings of internal and external managers for compliance with the restricted list. No exceptions noted.
- Effective April 1, 2013, a new procedure regarding the periodic review of public resources for comparison with financial disclosure statement information provided by Directors and Key Employees was adopted, which requires review of these statements within 90 days after the deadline for filing the statements. The majority of these financial disclosure statements were due by April 30, 2013. CCO performed the review of public resources within the required 90 days for all Directors and Key Employees.
- All employee securities transactions requiring preclearance were appropriately requested. All transaction disclosures forms were turned in by the required ten days.
- Forty-seven (47) trips/events containing vendor reimbursed/paid expenses, which required documentation and supervisor approval, had appropriate documentation and approval. Five (5) additional trips occurred that were not preapproved; the vendor paid the expenses but the travelers were not aware in advance the trip expenses would be covered by the vendor. Thirty-five (35) sponsored entertainment events that required CEO or CCO approval occurred, three (3) of which were not preapproved but were subsequently approved by the CEO.

**Specialized Training:** None

**Section III – Monitoring and Assurance Activities (Performed by Compliance Office)**

**High-Risk Area #1: Investment Due Diligence**

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO reviewed results of quarterly due diligence monitoring plans for each Investment group. Ongoing due diligence efforts on multiple managers continue. The Senior Director, Risk

Management and CCO participated in the bi-weekly Investment Committee meetings and semi-annual portfolio reviews.

**Significant Findings:** None.

**High-Risk Area #2: Investment Risk Management**

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO continues to review documentation maintained by the Risk Team evidencing risk monitoring performed by the Risk Team.

**Significant Findings:** None

**High-Risk Area #3: Information Technology & Security**

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO continues to meet with CISO regarding information technology and security practices.

**Significant Findings:** None

**High-Risk Area #4: Investment Compliance**

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO is performing monthly review of Compliance Reports. CCO reviewed the documentation and workpapers supporting the various compliance reports prepared by the Responsible Parties. Monthly report (checklist) reviewed and signed off by Debbie Childers to determine that policy requirements have been maintained based on the activity performed by staff.

**Significant Findings:** None

**High-Risk Area #5: Conflicts of Interest**

**Assessment of Control Structure:** *Well controlled*

**Assurance Activities Conducted:** CCO designee reviewed the completed sign-offs for completeness for all certificates of compliance received. Monitoring for potential conflicts of interest in the areas of personal securities transactions, outside employment and business activities, and manager/third party-paid travel, entertainment and gifts is ongoing.

**Significant Findings:** None

**Section IV – General Compliance Training Activities**

One annual training, three make-up annual training sessions, and five additional training sessions for new hires were held during the year.

**Section V – Action Plan Activities**

See updated Institutional Compliance Action Plan Fiscal Year 2013.

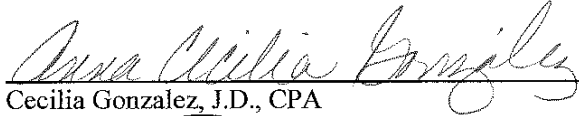
**Section VI – Confidential Reporting**

UTIMCO maintains a Compliance Hotline to receive and process complaints. UTIMCO has contracted with an outside vendor to provide the service. The chart below summarizes the calls received during the **fiscal year**:

Type	FYTD Number	% of Total
Employee Relations	0	0.00%
Policy Issues	0	0.00%
Hang ups or wrong numbers	2	100.00%
Total	2	100.00%

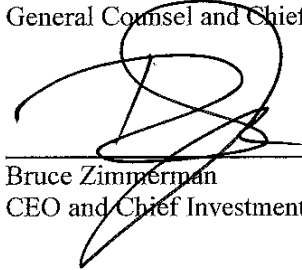
All calls are accepted by the hotline and reported to the UTIMCO Compliance Office. All reports are handled by a 5-person team comprised of the Chief Compliance Officer, Manager of Finance & Administration, the Office Manager, the Executive Assistant to the CEO and Chief Investment Officer, and David Givens from the System-wide Compliance Office.

This 2013 Annual Report is submitted by:



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Cecilia Gonzalez, J.D., CPA  
General Counsel and Chief Compliance Officer



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Bruce Zimmerman  
CEO and Chief Investment Officer

**The University of Texas Investment Management Company  
Institutional Compliance Action Plan  
Fiscal Year 2013**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<b><i>A. RISK ASSESSMENT</i></b>			
1.	Review risk assessments to determine if updates are needed and map controls identified in the risk assessment to controls identified in the process documentation where needed	08/31/13	<i>In process; with the exception of Public Markets and Accounting and Operations, risk assessments have been completed</i>
<b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b>			
2.	Continual enhancement of compliance monitoring and reporting	On-going	<i>On-going; Monitoring plans are being reviewed for needed updates due to changes in business processes</i>
3.	Periodic review of Responsible Party Monitoring Plan documentation for high risk areas A	On-going	<i>Fourth quarter FY 2013 reports have been reviewed</i>
<b><i>C. COMPLIANCE TRAINING / AWARENESS</i></b>			
4.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/13	<i>Two training sessions were held during the quarter for new hires</i>
5.	Identify and network with similarly situated compliance professionals	On-going	<i>Ongoing; connecting via Council of Pension Fund Compliance Officers teleconferences and hosting site and other compliance professionals</i>
<b><i>D. REPORTING</i></b>			
6.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	<i>Meetings for all quarters have been held</i>
7.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	On-going	<i>Reports for all quarters have been sent to UTS</i>
<b><i>E. OTHER / GENERAL COMPLIANCE</i></b>			
8.	Manage and transition compliance work from Back Office staff to Compliance Office after Legal and Compliance Specialist is hired	08/31/13	<i>Currently reviewing résumés</i>
9.	Update and report to UTIMCO Audit and Ethics Committee on enterprise risk management	11/30/12	<i>Completed; Report was presented at the November 5, 2012, Audit &amp; Ethics Committee meeting</i>

Updated 09/20/13

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
10.	ICAC activities: ICAC and Standing Committee participation	On-going	<i>No current activities</i>
11.	Manage implementation and assist with live testing of Business Continuity Plan; update as business processes change	04/30/13	<i>Completed with the exception of changes needed to the disaster recovery plan for Information Technology because of significant changes in strategy due to the implementation of a new disaster recovery site at the Arlington Regional Data Center</i>
12.	Manage implementation of Records Retention Procedures	08/31/13	<i>Completed</i>
13.	Hotline reporting	On-going	<i>Reporting included in quarterly Institutional Compliance Program reports</i>

Updated 09/20/13

**The University of Texas Investment Management Company  
Institutional Compliance Action Plan  
Fiscal Year 2014**

#	ACTION ITEM	TARGET COMPLETION DATE	STATUS
<b><i>A. RISK ASSESSMENT</i></b>			
1.	Review risk assessments to determine if updates are needed and map controls identified in the risk assessment to controls identified in the process documentation where needed	11/30/13	
<b><i>B. MONITORING ACTIVITIES / ASSURANCE</i></b>			
2.	Continual enhancement of compliance monitoring and reporting	On-going	
3.	Periodic review of Responsible Party Monitoring Plan documentation for high risk areas A	On-going	
<b><i>C. COMPLIANCE TRAINING / AWARENESS</i></b>			
4.	Provide Code of Ethics training and information to improve staff awareness of compliance program	04/30/14	
5.	Identify and network with similarly situated compliance professionals	On-going	
<b><i>D. REPORTING</i></b>			
6.	Conduct quarterly meetings with the internal ethics and compliance committee	On-going	
7.	Provide quarterly/annual reports to the Audit and Ethics Committee and System-wide compliance office	On-going	
<b><i>E. OTHER / GENERAL COMPLIANCE</i></b>			
8.	Manage and transition compliance work from Back Office staff to Compliance Office after Legal and Compliance Specialist is hired	08/31/14	
9.	Update/revise Institutional Compliance Program Manual as needed	08/31/14	
10.	Update/review UTIMCO Fraud Prevention and Detection Program as needed	08/31/14	
11.	Manage implementation and assist with live testing of Business Continuity Plan; update as business processes change	08/31/14	
12.	ICAC activities: ICAC and Standing Committee participation	On-going	
13.	Hotline reporting	On-going	

Updated 09/20/13

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

**Agenda Item:** Discussion Related to Investment Initiatives

**Developed By:** Staff

**Presented By:** Staff

**Type of Item:** Information Item

**Description:** The investment teams will discuss with the Board various investment initiatives.

**Reference:** None



**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

**Agenda Item:** Report from Compensation Committee; Discussion and Appropriate Action Related to Performance Incentive Awards for UTIMCO Compensation Program Participants for the Performance Period ended August 31, 2013; and Discussion and Appropriate Action Related to Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program for the 2013/2014 Performance Period

**Developed By:** Zimmerman, Gonzalez, Moeller

**Presented By:** Bass

**Type of Item:** Action Item; Action Required by UTIMCO Board

**Description:** The Compensation Committee (the "Committee") met on November 18, 2013, and will meet on December 3, 2013. At its meeting on November 18, 2013, the Committee approved the minutes of its October 29, 2013 and November 4, 2013 meetings and convened in Executive Session to consider the Performance Incentive Awards for the Performance Period ended August 31, 2013.

At its December 3<sup>rd</sup> meeting, the Committee will (1) discuss and take appropriate action related to the minutes of the November 18, 2013 meeting; (2) discuss and take appropriate action related to the Personnel Performance Incentive Awards for the Performance Period ended August 31, 2013; and (3) discuss and take appropriate action related to the Designation of Employees in Eligible Positions as Participants in the UTIMCO Compensation Program (the "Plan") and Qualitative Performance Goals for Participants of the Plan for the Performance Period ending August 31, 2014. The Committee will also convene in Executive Session for the purpose of deliberating individual personnel compensation and evaluation matters related to the Performance Incentive Awards for the Plan Participants for the Performance Period ended August 31, 2013.

**Discussion:** The Committee will make its recommendation to the UTIMCO Board related to the Performance Incentive Awards under the Plan for all Plan Participants. Performance Incentive Awards in the Plan for the 2012/2013 Performance Period are calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weightings for the Participant's Entity Performance, Asset Class/Investment Type Performance, and Qualitative Performance Goals. Action is required by the UTIMCO Board related to the Performance Incentive Awards.

The Compensation Committee, at its October 29, 2013 meeting, and the UTIMCO Board, at its November 4, 2013, meeting, approved the Designation of Employees in Eligible Positions in the Plan for the 2013/2014 Performance Period and approved the Qualitative Performance Goals of the Participants. Mr. Zimmerman is requesting that two additional individuals be designated in Eligible Positions. Section 5.3 of the

**Agenda Item**  
 UTIMCO Board of Directors Meeting  
 December 3, 2013

Plan provides that the Board may designate a newly hired or promoted employee as eligible to participate in the Plan for a Performance Period (or remainder of a Performance Period) within 30 days of such hire or promotion or, if later, as soon as administratively feasible. Section 5.4 of the Plan requires that the CEO recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants at the time those employees are designated as Participants (with such Performance Goals subject to confirmation by the Compensation Committee as soon as administratively feasible after such Performance Goals are recommended). The Committee will take appropriate action at its meeting on December 3, 2013, and requests that the UTIMCO Board take action related to the designation of the two additional employees as Participants in the Plan. The Qualitative Goals do not require Board approval. Mr. Zimmerman is requesting that the following two individuals be designated as Participants in the Plan for the 2013/2014 Performance Period as set forth below:

<b>ELIGIBLE POSITION</b>	<b>PARTICIPANTS</b>	<b>EFFECTIVE DATE</b>
Senior Associate - Investments	Spencer Swayze	December 2, 2013
Analyst - Investments	Kyle Burhop	January 2, 2014

UTIMCO staff will forward supporting materials to the Committee members for Executive Session discussion.

**Recommendation:** The Committee will recommend appropriate action related to the 2012/2013 Performance Incentive Awards, including the 2012/2013 Performance Incentive Award proposed for the CEO of UTIMCO, and the designation of Employees in Eligible Positions as Participants in the Plan for the 2013/2014 Performance Period.

**Reference:** Materials provided for Executive Session

**RESOLUTION RELATED TO THE  
CEO'S 2012/2013 PERFORMANCE INCENTIVE AWARD**

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Board will approve the "Performance Incentive Award" of the CEO based upon a determination of the level of achievement of the CEO with respect to his or her "Performance Goals" for such Performance Period; and

WHEREAS, the Compensation Committee has reviewed and approved the actual performance of the CEO during the 2012/2013 Performance Period and has submitted its recommendation to the Board for approval; and

WHEREAS, the Board has reviewed the actual performance of the CEO during the 2012/2013 Performance Period and has compared such actual performance relative to each Performance Goal category for the CEO against his corresponding Performance Goal for such Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the CEO's Performance Incentive Award for the 2012/2013 Performance Period in the amount of \$ \_\_\_\_\_ and be it

FURTHER RESOLVED, that of the CEO's \$ \_\_\_\_\_ Performance Incentive Award for the 2012/2013 Performance Period, 50% (\$ \_\_\_\_\_) will be deferred pursuant to the Plan.

**RESOLUTION RELATED TO  
2012/2013 PERFORMANCE INCENTIVE AWARDS**

WHEREAS, Section 5.5.(d) of the UTIMCO Compensation Program (the "Plan") provides that, at the end of each "Performance Period," the Compensation Committee will approve, subject to further approval of the UTIMCO Board, the "Performance Incentive Award" of each Participant based upon a determination of the level of achievement of such Participant against his or her "Performance Goals" for such Performance Period; and

WHEREAS, in accordance with Section 5.5.(d) of the Plan, the Compensation Committee has determined the level of achievement by each Participant in the Plan during the 2012/2013 Performance Period of his or her Performance Incentive Goals for such Performance Period; and

WHEREAS, Sections 5.5.(e) and 5.5.(f) of the Plan provide that, based on the percentage achieved of each Participant's Performance Goals for a Performance Period, a Performance Incentive Award will be calculated for such Participant for such Performance Period in accordance with the calculation methodology set forth in Appendix A of the Plan; and

WHEREAS, Section 5.5.(f) of the Plan provides that the Compensation Committee will review all calculations of Performance Incentive Awards, make any changes it deems appropriate, and submit its recommendation to the Board for approval; and

WHEREAS, the Compensation Committee has reviewed the Performance Incentive Awards for all Participants who have met or exceeded their performance benchmarks for the 2012/2013 Performance Period, made changes it deemed appropriate, approved such Performance Incentive Awards, and recommended that the Board approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Board approves the Performance Incentive Awards for all Participants for the 2012/2013 Performance Period (excluding the CEO) in the total aggregate amount of \$\_\_\_\_\_ and be it

FURTHER RESOLVED, that of the Performance Incentive Awards for the 2012/2013 Performance Period (excluding the CEO), \_\_\_\_\_% (\$ \_\_\_\_\_) will be deferred pursuant to the Plan.

**RESOLUTION RELATED TO  
2013/2014 PARTICIPANTS IN  
UTIMCO COMPENSATION PROGRAM**

WHEREAS, Section 5.3.(a) of the UTIMCO Compensation Program (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 “Board”) as an “Eligible Position” for that Performance Period and (2) selected by the Board as a Participant for that Performance Period; and

WHEREAS, the Compensation Committee of the Board has recommended Spencer Swayze (Senior Associate – Investments) and Kyle Burhop (Analyst – Investments) becoming Participants for the 2013/2014 Performance Period; and

WHEREAS, the UTIMCO Board wishes to select Spencer Swayze (Senior Associate – Investments) and Kyle Burhop (Analyst – Investments) as Participants for the 2013/2014 Performance Period.

NOW, THEREFORE, be it:

RESOLVED, that, Spencer Swayze (Senior Associate – Investments) and Kyle Burhop (Analyst – Investments) be designated as “Participants” in the Plan for the 2013/2014 Performance Period, effective as of December 2, 2013 and January 2, 2014, respectively.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

**Agenda Item:** Discussion Related to Emerging Market Investments

**Developed By:** Ellison, Warner

**Presented By:** Ellison, Warner

**Type of Item:** Information Item

**Description:** Overview of practices and protections relating to investments in emerging markets.

**Reference:** *Discussion Related to Emerging Market Investments* presentation



THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

# Discussion Related to Emerging Market Investments



# FCPA and UK Bribery Act

## Foreign Corrupt Practices Act (FCPA)

- Governs the activities of US entities doing business abroad. Prohibits among other things, making payments to foreign officials for the purposes of obtain preferential treatment in a business setting

## UK Bribery Act

- Similar to the FCPA. Includes criminal penalties





# Possible Sources of Exposure

- A breach by the manager of a fund in which we are a limited partner: exposure would primarily lie with the principals of the manager
- A breach by a portfolio company of a fund in which we are a limited partner: exposure would primarily lie with the management team/board of the portfolio company
- A breach by the management team of a co-investment operating company: exposure would primarily lie with the management team and the board of the operating company



# Current UTIMCO Procedures

## Pre-Commitment Diligence

- Review registrations (FSA, SEC) and compliance policies and practices and discuss details with UTIMCO back office personnel
- Assess due diligence questionnaire
- Perform background checks on key investment professionals and entities in order to pick up any previous regulatory actions



# Current UTIMCO Procedures

## Legal Structuring – Protections

- Investments (particularly in private investments) generally made via special purpose vehicles that provide us with structural protection
- Representations and warranties from managers with respect to past actions and future compliance (i.e. – the duty of compliance lies with our partners)
- Limits on indemnities and requirements for D&O insurance



# Follow Up

## UTIMCO Best Practices

- Mark Warner and Jon Ellison will continue taking the lead in developing best practices with respect to due diligence, legal structuring and manager/partner practices and compliance

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

**Agenda Item:** Document Management Center Demonstration

**Developed By:** Abalogu

**Presented By:** Abalogu

**Type of Item:** Information Item

**Description:** Demonstration of some features of the UTIMCO Investment Support System's (ISS) Document Management Center.

**Reference:** None

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

**Agenda Item:** Discussion and Appropriate Action Related to CEO Board Service

**Developed By:** Staff

**Presented By:** Zimmerman

**Type of Item:** Action required by UTIMCO Board

**Description:** Employees may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO. The UTIMCO Code of Ethics requires an employee to obtain advance written approval from the CEO for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. The CEO must obtain advance approval from the Board of any outside employment. Outside employment includes service as an officer or director of a nonprofit entity, paid or unpaid. Mr. Zimmerman will request UTIMCO Board approval to serve on the Board of Anti-Defamation League Austin (ADL). ADL is a nonprofit membership corporation that fights anti-Semitism and all forms of bigotry in the U.S. and abroad through information, education, legislation, and advocacy. ADL serves as a resource for government, media, law enforcement, educators and the public.

It is anticipated that Mr. Zimmerman will be appointed to a two-year term. Mr. Zimmerman will not be compensated for his services. Mr. Zimmerman's board service will not require or induce Mr. Zimmerman to disclose confidential UTIMCO information or impair Mr. Zimmerman's independence of judgment in the performance of his duties for UTIMCO. UTIMCO has no current business relationship with ADL. His service meets the requirements for external service as set forth in the UTIMCO Code of Ethics and Master Investment Management Services Agreement. Therefore, Mr. Zimmerman's board service creates no conflict of interest with UTIMCO interests.

**Recommendation:** Mr. Zimmerman will recommend approval of his service as a Board member of ADL.

**Reference:** None

**RESOLUTION RELATED TO CEO SERVICE AS A BOARD MEMBER  
OF THE ANTI-DEFAMATION LEAGUE AUSTIN**

RESOLVED, that the Board of Directors hereby approves external board service for Mr. Bruce Zimmerman, CEO and Chief Investment Officer of the Corporation, as a board member of the Anti-Defamation League Austin; and be it

FURTHER RESOLVED, that all external board service will not give rise to conflicts of interest; and be it

FINALLY RESOLVED, that this external board service will meet all requirements of the Code of Ethics and the Master Investment Management Services Agreement for the Corporation applicable to external board service.

**Agenda Item**  
UTIMCO Board of Directors Meeting  
December 3, 2013

**Agenda Item:** Report on 2014 Meeting Dates

**Developed By:** Zimmerman

**Presented By:** Zimmerman

**Type of Item:** Information item

**Description:** This agenda item presents the 2014 UTIMCO Board Meeting schedule and the Committee meetings schedule.

**Recommendation:** None

**Reference:** UTIMCO Meeting Dates 2014 to be distributed



2014 UTIMCO BOARD DATES TO BE DISTRIBUTED AT  
THE MEETING