

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

A meeting of the Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on **December 2, 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 Committee Chair, James P. Wilson, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

James P. Wilson, Chairman
Jeffery D. Hildebrand
Charles W. Tate

thus constituting a majority and quorum of the Committee. Committee Member R. Steven Hicks did not attend the meeting. Chairman Wilson called the meeting to order at 11:04 a.m. Morris Foster, Chairman of the Board, also attended the meeting. Employees of the Corporation attending the meeting were Bruce Zimmerman, CEO and Chief Investment Officer; Joan Moeller, Secretary and Treasurer; Christy Wallace, Assistant Secretary; Cecilia Gonzalez, internal General Counsel and Chief Compliance Officer; Gary Hill, Senior Manager - Investment Reporting; and other staff members. Other attendees were Allen Hah, Terry Hull, Michael Peppers, and Roger Starkey of The University of Texas System ("UT System") Administration; Jerry Turner and Bob Jewell of Andrews Kurth LLP; Verma Elliott and Angelica Ramirez from the State Auditor's Office; and Tom Wagner and Robert Cowley of Deloitte and Touche LLP. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Approval of Minutes

The first matter to come before the Committee was the approval of the minutes of the Audit and Ethics Committee meeting held on October 28, 2013. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on October 28, 2013, be, and are hereby, approved.

Audit Results and Communications

Mr. Wilson asked Mr. Tom Wagner, audit partner from the independent accounting firm of Deloitte & Touche LLP, to present the audit results and necessary communications for the 2013 audits of the investment funds. Mr. Wagner and Robert Cowley, also an audit partner with Deloitte and Touche LLP, confirmed the completion of the audits of the Permanent University Fund (PUF), the UT System General Endowment Fund (GEF), the Permanent Health Fund (PHF), the UT System Long Term Fund (LTF), and the UT System Intermediate Term Fund (ITF) (collectively, the "Funds"). They discussed with the Committee the Statement of Investment Performance Statistics, summarized the audit process, and

reviewed with the Committee the Audit Results and Communication report covering required communications dated October 31, 2013. Mr. Wagner confirmed that 1) Deloitte & Touche LLP issued unqualified opinions on the Funds' August 31, 2013, financial statements, 2) there were no changes in accounting policies that impacted the Funds' financial statement balances, and 3) accounting principles utilized by management are of good quality, are acceptable, and have been consistently applied under accounting principles generally accepted in the United States. As part of the audit, Deloitte & Touche LLP reviewed and tested the market values of alternative investments and concluded that the Funds' recorded investment values were fairly stated. Mr. Cowley stated that the Funds' financial statements and disclosures were complete in all material respects. Mr. Wagner stated that no material weaknesses regarding internal controls were found during their audit procedures. Mr. Wagner reported that there were no concerns regarding management. Mr. Wagner stated they had no difficulties to report and were very complimentary of the Corporation's staff, and the cooperation that Deloitte & Touche LLP had received throughout the audit process. Mr. Zimmerman, Mr. Hill, and Mr. Wagner answered the Committee members' questions. Upon motion duly made and adopted, the following resolution was approved unanimously:

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

Mr. Wilson asked Ms. Moeller to present the Audited Financial Statements for the PUF, GEF, PHF, LTF, and the ITF each for the fiscal years ended August 31, 2013 and August 31, 2012, and the Statement of Investment Performance Statistics for the year ended August 31, 2013, and other audit matters. Mr. Zimmerman and Ms. Moeller answered the Committee Members' questions. Upon motion duly made and adopted, the following resolution was approved unanimously:

RESOLVED, that the separate annual financial statements and audit reports for the Permanent University Fund, The University of Texas System General Endowment Fund, the Permanent Health Fund, The University of Texas System Long Term Fund, and The University of Texas System Intermediate Term Fund, each for the fiscal years ended August 31, 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 Audit and Ethics Committee.

Update on Compliance, Reporting and Audit Matters

Mr. Wilson asked Ms. Gonzalez to provide an update on compliance, and reporting matters. The audit matters were discussed earlier in the meeting by Ms. Moeller. Ms. Gonzalez reported one non-compliance item regarding a contract entered into with GlobeArc LLC that exceeded staff's delegated authority and should have been submitted to the Board for approval prior to execution. The GlobeArc services to develop the new investment support system and document management center for the Corporation had been discussed with the Board at several prior Board meetings but the contract had not been presented to the Board for approval as required. The contract was approved by the Board at its meeting in October. Ms. Gonzalez reported on the compliance matters for the fiscal quarter ending August 31, 2013, including the status of employee training, pre-clearance of trades and the Corporation's Compliance Hotline's

activity. She stated that there had been no issues with pre-clearance for five quarters. Also provided to the Committee was the Investment Policies Compliance Report for the Quarter Ended August 31, 2013, the Institutional Compliance Program Report for the Period Ended August 31, 2013 and the updated Institutional Compliance Action Plan for FY 2013 and the Institutional Compliance Action Plan for FY 2014. Mr. Zimmerman and Ms. Gonzalez answered the Committee members' questions.

UT System Audit Report

Mr. Wilson asked Mr. Peppers, Chief Audit Executive of the UT System Audit Office, to report from the UT System Audit Office. Mr. Peppers reviewed the completed audit on the Separately Invested Funds. The objective of this audit was to gain an understanding of the processes and associated controls surrounding the different types of Separately Invested Funds.

Executive Session

Mr. Wilson announced, at 11:45 a.m., that "The Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Committee, for the purpose of deliberating individual personnel compensation matters related to the General Counsel and Chief Compliance Officer's Performance Incentive Award as a Participant in the UTIMCO Compensation Program for the Performance Period ended August 31, 2013. This Executive Session meeting of the Committee is authorized by *Texas Government Code* Section 551.074 (Personnel Matters). The date is December 2, 2013, and the time is now 11:45 a.m." With the exception of Mr. Zimmerman, Mr. Turner and Mr. Jewell, all other meeting participants left the meeting at this time.

Open Session

The Committee reconvened in open session and Mr. Wilson announced that "The Open Session of the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is December 2, 2013, and the time is now 12:07 p.m. During the Executive Session, the Committee deliberated individual personnel compensation and evaluation matters related to the General Counsel and Chief Compliance Officer but no action was taken nor decisions made, and no vote was called for or had by the Committee in Executive Session."

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

Mr. Wilson recommended that the Audit and Ethics Committee and the CEO jointly recommend to the Compensation Committee, subject to approval by the UTIMCO Board, the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2012-2013 Performance Period. By motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Audit Charter of the Audit and Ethics Committee requires that the Audit and Ethics Committee and the CEO approve the Chief Compliance Officer's

performance goals and achievement of the goals and make a joint recommendation to the Compensation Committee as to the Base Salary and performance incentive award for the Chief Compliance Officer; and

WHEREAS, the Audit and Ethics Committee and the CEO have prepared a joint recommendation regarding the Performance Incentive Award of the General Counsel and Chief Compliance Officer for the 2012/2013 Performance Period; and

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


WHEREAS, the Audit and Ethics Committee has reviewed the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2012/2013 Performance Period and wishes to document approval of such Performance Incentive Award and recommend that the Compensation Committee approve the same.

NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the Performance Incentive Award for the General Counsel and Chief Compliance Officer as recommended by the CEO for the 2012/2013 Performance Period, and the Audit and Ethics Committee and CEO hereby jointly recommend to the Compensation Committee the Performance Incentive Award for the General Counsel and Chief Compliance Officer for the 2012/2013 Performance Period.

There being no further business to come before the Committee, the meeting was adjourned at 12:08 p.m.

Secretary: 
Joan Moeller

Approved: 
James P. Wilson, Chair
Audit and Ethics Committee of the Board of Directors of
The University of Texas Investment
Management Company

Date: 2/27/14