

**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 **July 22, 2014**, 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, John White, 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:

John White, Chairman
R. Steven Hicks
Robert L. Stillwell

thus constituting a majority and quorum of the Committee. 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 Jim Phillips, Mike Peppers, Roger Starkey, Terry Hull, Moshmee Kalamkar and Guillermo Garcia of The University of Texas System ("UT System") Administration; and Jerry Turner of Andrews Kurth LLP. Committee Chair White called the meeting to order at 10:01 a.m. Copies of materials supporting the Committee meeting agenda were previously furnished to each Committee member.

Approval of Minutes

The first matter to come before the Committee was the approval of the minutes of the Audit and Ethics Committee meeting held on April 29, 2014. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the minutes of the Meeting of the Audit and Ethics Committee of the Board of Directors held on April 29, 2014, be, and are hereby, approved.

Independent Auditor

Mr. White asked Ms. Moeller to present the proposed appointment of an independent auditor for the Corporation. Ms. Moeller reported that Staff recommended approval by the Committee of the engagement of Deloitte & Touche LLP as the Corporation's independent auditor for the fiscal year ending August 31, 2014. She noted that this would be the eighth year Deloitte and Touche LLP would be engaged as the Corporation's external auditor. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that the firm of Deloitte & Touche LLP be, and is hereby, engaged as the independent auditor of the Corporation for the year ended August 31, 2014, subject to further approval of the UTIMCO Board.

UT System Audit Office Report

Mr. White asked Mr. Peppers, Chief Audit Executive of the UT System Audit Office, to provide an update on the completion of their FY 2014 Audit Plan and discuss proposed audits for FY 2015 Audit Plan. Mr. Peppers reported on the FY 2014 Audit Plan status as of June 2014. He reported that the Audit Staff had completed the financial statement audit assistance they were to provide to Deloitte & Touche LLP. The one remaining audit for FY 2014 was the CEO travel expenses, which was postponed to FY2015 due to limitations of System Audit Staff resources in FY2014. Mr. Peppers presented the proposed FY 2015 Audit Plan and answered the Committee members' questions. Upon motion duly made and seconded, the following resolution was unanimously adopted by the Committee:

RESOLVED, that The University of Texas System Fiscal Year 2015 Audit Plan for UTIMCO be, and is hereby, approved.

Update of Compliance, Reporting and Audit Matters

Mr. White asked Ms. Gonzalez to provide an update of compliance, reporting and audit matters. Ms. Gonzalez began with a report on non-compliance items in the Investment Policies Compliance Report for the Quarter Ended May 31, 2014. Ms. Gonzalez reported that an external manager violated its duration test because one of its index countries exceeded its duration limit to the investment benchmark. This was the third violation in three quarters by this manager and as requested by the Committee and the Risk Committee, the manager was terminated. Ms. Gonzalez continued reporting on the compliance matters for the fiscal quarter ending May 31, 2014, 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. Also provided to the Committee was the Institutional Compliance Program Report for the Period Ended May 31, 2014, the Director Co-Investment Log FY14, and the updated Institutional Compliance Action Plan for FY 2014. Mr. Zimmerman answered the Committee members' questions. He then requested that they skip to Tab 6 on the agenda.

Unaudited Financial Statements

Mr. White asked Ms. Moeller to present the separate unaudited financial statements as of May 31, 2014, 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, The University of Texas System Intermediate Term Fund and the Corporation. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported.

Executive Session

Mr. White announced, at 10:27 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 and evaluation matters related to the General Counsel and Chief Compliance Officer. This Executive Session meeting of the Committee is authorized by Texas Government Code Section 551.074 (Personnel Matters). The date is July 22, 2014, and the time is now 10:27 a.m."

Open Session

The Committee reconvened in open session and Mr. White announced that "The Open Session of the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company is now reconvened. The date is July 22, 2014, and the time is now 10:42 a.m. During the Executive Session, the Committee deliberated individual personnel compensation and evaluation matters but no action was taken nor decisions made, and no vote was called for or had by the Committee in Executive Session."

Individual Personnel Compensation and Evaluation Matters Related to the General Counsel and Chief Compliance Officer

Mr. White recommended that the Audit and Ethics Committee and the CEO jointly recommend to the Compensation Committee, subject to approval by the UTIMCO Board, the Base Salary, Performance Incentive Plan Participation, Weightings and Incentive Award Opportunities, and Performance Goals for the General Counsel and Chief Compliance Officer for the 2014-2015 Performance Period. By motion duly made and seconded, the following resolution was unanimously adopted:

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

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

WHEREAS, Section 5.3.(a) of the Plan provides that, in order to become a "Participant" in the Plan for a Performance Period, a UTIMCO employee must be (1) employed in a position designated by the Board of Directors of UTIMCO (the "UTIMCO Board") as an "Eligible Position" for that Performance Period and (2) selected by the UTIMCO Board as eligible to participate for that Performance Period; and

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

WHEREAS, the charter of the Audit and Ethics Committee (the "Committee") requires the Committee and the CEO to approve the Chief Compliance Officer's performance goals and achievement of the goals, and to make a joint

recommendation to the Compensation Committee as to the base salary and performance incentive awards for the Chief Compliance Officer; and

WHEREAS, the Committee and the CEO have prepared a joint recommendation regarding the base salary of the General Counsel and Chief Compliance Officer; and

WHEREAS, subject to the approval of the Compensation Committee, the Committee and CEO have reviewed and approve the Performance Goals for the General Counsel and Chief Compliance Officer for the 2014/2015 Performance Period as presented to the Committee; and

WHEREAS, subject to approval by the UTIMCO Board, the Audit and Ethics Committee and the CEO jointly recommend the position of General Counsel and Chief Compliance Officer as an Eligible Position and Cecilia Gonzalez as a "Participant" in the Plan for the 2014/2015 Performance Period; and

WHEREAS, subject to the concurrence of the Compensation Committee and approval by the UTIMCO Board, the Audit and Ethics Committee has reviewed and approves the Eligible Position for the position of General Counsel and Chief Compliance Officer for the 2014/2015 Performance Period as presented to the Audit and Ethics Committee.

NOW, THEREFORE, be it:

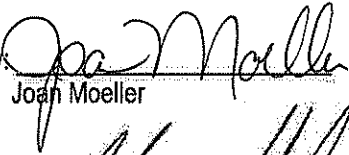
RESOLVED, that the Audit and Ethics Committee approves the base salary of the General Counsel and Chief Compliance Officer as recommended by the CEO and the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee the base salary of the General Counsel and Chief Compliance Officer, effective September 1, 2014; and be it

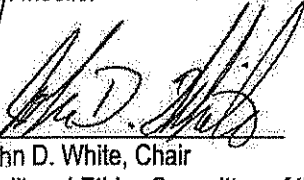
FURTHER RESOLVED, that the Audit and Ethics Committee approves the Performance Goals of the General Counsel and Chief Compliance Officer for the 2014/2015 Performance Period as recommended by the CEO and the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee the Performance Goals of the General Counsel and Chief Compliance Officer; and be it

FURTHER RESOLVED, that the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee that the position of General Counsel and Chief Compliance Officer be designated by the UTIMCO Board as an "Eligible Position" in the Plan for the 2014/2015 Performance Period; and be it

FURTHER RESOLVED, that the Audit and Ethics Committee and the CEO hereby jointly recommend to the Compensation Committee that Cecilia Gonzalez be designated by the UTIMCO Board as a "Participant" in the Plan for the 2014/2015 Performance Period.

There being no further business to come before the Committee, the meeting was adjourned at 10:44 a.m.,

Secretary: 
Joan Moeller

Approved: 

Date: _____

John D. White, Chair
Audit and Ethics Committee of the Board of Directors of
The University of Texas Investment
Management Company