

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

A meeting of the Audit and Ethics Committee (the "Committee") of The University of Texas Investment Management Company (the "Corporation") convened in open session on April 13, 2017, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 2800, 401 Congress Avenue, Austin, Texas, said meeting having been called by the Committee Chair, David J. Beck, with notice provided to each member in accordance with the Corporation's Bylaws. The audio portion of the meeting was electronically recorded. Participating in the meeting were the following members of the Committee:

David J. Beck, Chair  
Phil Adams  
R. Steven Hicks

thus constituting a majority and quorum of the Committee. Employees of the Corporation attending the meeting were Mark Warner, Interim CEO and Chief Investment Officer; Joan Moeller, Treasurer and Secretary; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; Gary Hill, Senior Manager - Investment Reporting; and other team members. Other attendees were Roger Starkey of The University of Texas System ("UT System") Administration; and Jerry Turner and Bob Jewell of Andrews Kurth Kenyon LLP. Committee Chair ("Chairman") Beck called the meeting to order at 12:00 p.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 January 31, 2017. 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 January 31, 2017, be, and are hereby, approved.

**Update on Compliance, Reporting and Audit Matters**

Chairman Beck asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez discussed the Investment Policies Compliance Report for the Quarter Ended February 28, 2017, noting that UTIMCO is in compliance with all of the Board of Regents' investment policies and guidelines, custodian compliance with security lending guidelines, compliance with the liquidity policy, and compliance with the Code of Ethics and Delegation of Authority. Ms. Gonzalez also updated the Committee on a compliance violation by an external manager reported at a previous meeting. UTIMCO requested and received a waiver from Board Chairman Hildebrand to allow this manager to continue using this security to access the regional market. The manager also exited all positions with Deutsche Bank due to the bank's rating below the Policy requirement of an A- rating or above. Deutsche Bank is now rated at A- or above, allowing the manager to hold positions with Deutsche Bank again.

Ms. Gonzalez then presented to the Committee the Institutional Compliance Program Report for the Quarter Ended February 28, 2017, including a quarterly compliance update, the status of training, pre-clearance of trades, and compliance hotline activity. Ms. Gonzalez notified the Board that the Compliance Specialist resigned at the end of February and that UTIMCO is recruiting to fill the position. Ms. Gonzalez also reported that one manager notified Staff that some UTIMCO information had been inadvertently shared with a third party. The mistake was discovered promptly, reported to UTIMCO, all information was destroyed, and the manager has begun developing better procedures to prevent this from happening in the future. Finally, Ms. Gonzalez updated the Board on the status of the Institutional Compliance Action Plan for Fiscal Year 2017. As a result of the loss of the Compliance Specialist a couple of deadlines in Institutional Compliance Action Plan have been extended. Ms. Gonzalez and Mr. Warner answered the Committee Members' questions.

### Unaudited Financial Statements

Chairman Beck asked Ms. Moeller to present the unaudited financial statements for the Permanent University Fund ("PUF"), the General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), and the Intermediate Term Fund ("ITF") for the six months ended February 28, 2017. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported.

Ms. Moeller then discussed the Corporation's unaudited financial statements for the six months ended February 28, 2017 and February 29, 2016. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported. Mr. Warner and Ms. Moeller answered the Committee Members' questions.

### Adjourn

There being no further business to come before the Committee, the meeting was adjourned at approximately 12:22 p.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Jane Handley Date: 12/20/2017  
Jane Handley, Chair  
Audit and Ethics Committee of the Board of Directors of  
The University of Texas/Texas A&M Investment Management Company