

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

A meeting of the Audit and Ethics Committee (the "Committee") of The University of Texas/Texas A&M Investment Management Company (the "Corporation") convened in open session on **July 19, 2018**, by means of conference telephone enabling all persons participating in the meeting to hear each other, at the offices of the Corporation, Suite 1700, 210 West 7<sup>th</sup> Street, Austin, Texas, said meeting having been called by the Committee Chair, Janet Handley ("Chairman"), 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:

Janet Handley, Chair  
Clifton L. Thomas, Jr.

thus constituting a majority and quorum of the Committee. Chairman Handley called the meeting to order at 8:02 a.m. Employees of the Corporation attending the meeting were Britt Harris, President, CEO and Chief Investment Officer; Rich Hall, Deputy Chief Investment Officer; Joan Moeller, Treasurer and Secretary; Cecilia Gonzalez, Corporate Counsel and Chief Compliance Officer; and other employees. Other attendees were Jerry Kyle of Orrick, Herrington & Sutcliffe LLP; Eric Polonski and J. Michael Peppers of The University of Texas System ("UT System") Audit Office; Roger Starkey of UT System Administration; and David Rejino of The Texas A&M University System. 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 May 10, 2018. 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 May 10, 2018, be, and are hereby, approved.

**Engaging Corporate External Auditor**

Chairman Handley moved to the second item on the agenda. The Audit Charter of the Committee sets forth the responsibilities of the Committee and UTIMCO Board with respect to hiring the Corporation's independent auditor. Fiscal year 2018 (FY 2018) will be the 12<sup>th</sup> year that Deloitte & Touche LLP will serve as the Corporation's auditor. The UT System issued an RFQ in February 2016 for audit services related to UT System, including the audit of the investment funds, and Deloitte & Touche LLP was selected in April 2016 as the auditor for UT System. Estimated fees for UTIMCO's FY 2018 audit services are \$43,500 plus out of pocket costs, which is a \$1,500 increase over the FY 2017 fee. 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, 2018, subject to further approval of the UTIMCO Board.

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

Chairman Handley introduced the third item on the agenda and asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez discussed the Investment Policies Compliance Report for the Quarter Ended May 31, 2018, with two compliance violations to report. The Investment Committee Pipeline and forecasted 3-month commitments by team and type are reported to the Board in the monthly transparency report; however, investment decisions made under the Delegation of Authority were not reported at the February 28, 2018 Board meeting. Under the Code of Ethics, the Board and Directors and employees of UTIMCO are required to submit annual ethics and compliance forms. Two Directors and one employee failed to submit their forms timely. Ms. Gonzalez then presented to the Committee the Institutional Compliance Program Report for the Quarter Ended May 31, 2018, addressing each of the high-risk areas. Ms. Gonzalez reported that all high-risk areas continued to be monitored and remain well controlled with the exception of Information Technology and Security, which was changed to show an opportunity for enhancement. She then gave an update on the Institutional Compliance Action Plan for FY2018 and the annual report on Director Co-investments required by the Master Investment Services Management Agreement between the Board of Regents of UT System and the Corporation.

### **Unaudited Financial Statements Reports**

Chairman Handley asked Ms. Moeller to present the unaudited financial statements for the Permanent University Fund ("PUF"), General Endowment Fund ("GEF"), Permanent Health Fund ("PHF"), Long Term Fund ("LTF"), and the Intermediate Term Fund ("ITF"), each for the nine months ended May 31, 2018. Ms. Moeller reported on the unaudited financial statements for the PUF, GEF, PHF, LTF, and the ITF. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported. Ms. Moeller noted that the PHF reached a milestone when it distributed \$824 million in the last quarter. The current amount of distributions has exceeded the amount originally given to the fund. Ms. Moeller then discussed the Corporation's unaudited financial statements for the nine months ended May 31, 2018. Ms. Moeller provided highlights of the statements.

### **Executive Session**

Chairman Handley announced that, "The Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company having been duly convened in Open Session and notice of this meeting having been duly given, I hereby announce the convening of a closed meeting as an Executive Session of the Committee, for the purpose of deliberating individual personnel compensation and evaluation matters related to the Corporate 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 19, 2018, and the time is now 8:24 a.m." With the exception of Mr. Harris, Ms. Moeller, Mr. Hall, and Mr. Kyle, all other participants left the meeting at this time.

### **Open Session**

The Committee reconvened in open session and Chairman Handley announced that, "The Open Session of the Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company is now reconvened. The date is July 19, 2018, and the time is now 8:28 a.m. During the Executive Session, the Committee deliberated individual personnel compensation and evaluation matters

related to the Corporate 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."

**Corporate Counsel and Chief Compliance Officer Base Salary**

Chairman Handley 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 for the Corporate Counsel and Chief Compliance Officer for the 2018-2019 Fiscal Year. By motion duly made and seconded, the following resolution was unanimously adopted:

**Adjourn**

There being no further business to come before the Committee, the meeting was adjourned at approximately 8:29 a.m.

Secretary: Joan Moeller  
Joan Moeller

Approved: Janet Handley  
Janet Handley, Chair  
Audit and Ethics Committee of the Board of Directors of  
The University of Texas/Texas A&M Investment Management Company

Date: 1/9/2019