

**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 **June 20, 2019**, 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 7th 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.
James C. "Rad" Weaver

thus constituting a majority and quorum of the Committee. Director Robert Gauntt joined the meeting later as noted in the minutes. Chairman Handley called the meeting to order at 9:01 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; Gary Hill, Senior Director – Accounting; Yvette Cowell, Director - Accounting; and other employees. Other attendees were Jerry Kyle of Orrick, Herrington & Sutcliffe LLP; Robert Cowley and Jason Bell of Deloitte and Touche LLP; Jennifer Freel and Tyler Somes of Vincent and Elkins LLP; Moshmee Kalamkar, Allen Hah and Roger Starkey of The University of Texas System ("UT System"); and David Verghese 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 February 14, 2019. 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 February 14, 2019, be, and are hereby, approved.

Engaging Corporate External Auditor

Chairman Handley asked Ms. Moeller to present the Corporate external auditor item. Ms. Moeller stated that, if approved by the Board, fiscal year 2019 would be the 13th year that Deloitte & Touche LLP serves as the Corporation's auditor. Estimated fees for UTIMCO's FY 2019 audit services are \$45,000 plus out of pocket costs, which is a \$1,500 increase over the FY 2018 fee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

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, 2019, subject to further approval of the UTIMCO Board.

Master Custodian

Chairman Handley asked Ms. Moeller to provide an update on the process and recommendation related to the selection of a master custodian. Ms. Moeller said that an internal committee was created to participate in the master custodian review. The last review was conducted in 2012. The Request for Proposal ("RFP") was sent to four global custodians: BNY Mellon, State Street, Northern Trust, and JP Morgan. Ms. Moeller, Mr. Hill, and Ms. Cowell reviewed the process with the Committee and discussed the reasons for the Team's recommendation to retain BNY Mellon as the master custodian. The selection of the master custodian also needs to be approved by the Board of Directors and the Board of Regents. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the Committee approves the selection of Bank of New York Mellon ("BNY Mellon") as the master custodian for the investment assets under the fiduciary care of Board of Regents of The University of Texas System and directs UTIMCO to renegotiate or extend the existing contract with BNY Mellon, as considered necessary, subject to approval of the UTIMCO Board.

Update on Compliance, Reporting and Audit Matters

Chairman Handley introduced the fourth item on the agenda and asked Ms. Gonzalez to provide an update on compliance and reporting matters. Ms. Gonzalez presented the investment compliance summary for items monitored by the Committee. Ms. Gonzalez next reported on the Institutional Compliance Program Report for the quarter ended February 28, 2019, the status of training, pre-clearance of trades, and compliance hotline activity. 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 continues to show an opportunity for enhancement but noted that progress is being made. In addition, Ms. Gonzalez reviewed with the Committee the updated Institutional Compliance Action Plan for Fiscal Year 2019. Ms. Gonzalez reported on the annual disclosure statements filed by outside financial advisors and service providers and Director co-investments for the Fiscal Year 2019. Finally, Ms. Gonzalez reported there were no new contracts, leases or other commercial arrangements of \$250,000 or more for the period beginning February 5, 2019 through June 5, 2019.

Moshmee Kalamkar, Assistant Director of Audits, for the UT System Audit Office reported on the follow up of the UTIMCO Software Development Life Cycle Review report, which resulted in three recommendations. Two of the recommendations have been implemented and one has been partially implemented. The Audit Office and members of the Team previously discussed the implementation of the third recommendation related to role-based access for the Chief Information Security Officer ("CISO"). The Team will develop a remediation plan for the outstanding recommendation by the end of the fiscal year to limit system access rights for the CISO to monitoring rather than administrative rights for those systems requiring monitoring by the CISO. Ms. Kalamkar also reported on the upcoming review related to the Risk Team's monitoring plan and activities used to monitor key risks identified for Investment Risk Management as part of the Institutional Compliance Program.

Unaudited Financial Statement 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 quarter ended February 28, 2019. Ms. Moeller provided highlights of the statements, with no new items or significant changes reported. She discussed the Corporation's unaudited financial statements for the quarter ended February 28, 2019. Ms. Moeller answered the Committee Members' questions.

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; to receive an update on computer security assessments related to information resources technology, including security audits; and to consult with legal counsel regarding legal matters and pending and/or contemplated litigation. This Executive Session meeting of the Committee is authorized by *Texas Government Code* Section 551.074 (Personnel Matters), Sections 551.076 and 551.089 (Security Devices or Security Audits), and Section 551.071 (Consultation with Attorney). The date is June 20, 2019, and the time is now 9:40 a.m." Director Gauntt joined the meeting at this time. With the exception of Mr. Harris, Ms. Moeller, Mr. Hall, Ms. Gonzalez, Ms. Freel, Mr. Somes, and Mr. Gahagan, all other participants left the meeting at this time. Ms. Gonzalez, Ms. Freel, Mr. Somes, and Mr. Gahagan left and Mr. Kyle joined the meeting during the deliberation of individual personnel compensation and evaluation matters related to the Corporate Counsel and Chief Compliance Officer.

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 June 20, 2019, and the time is now 10:05 a.m. During the Executive Session, the Committee deliberated individual personnel compensation and evaluation matters, received an update on computer security assessments, and consulted with legal counsel 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 2019-2020 fiscal year. Upon 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, the charter of the Audit and Ethics Committee (the "Committee") requires the Committee and the CEO to make a joint recommendation to the Compensation Committee as to the base salary for the Chief Compliance Officer; and

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

NOW, THEREFORE, be it:

RESOLVED, that the Audit and Ethics Committee approves the base salary of the Corporate 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 Corporate Counsel and Chief Compliance Officer, effective September 1, 2019.

Adjourn

There being no further business to come before the Committee, the meeting was adjourned at approximately 10:06 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: October 4, 2019