MINUTES
UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS
ENDOWMENT MANAGEMENT COMMITTEE

Tuesday, February 25, 2014 - The members of Endowment Management Committee of the University of Houston System convened at 12:45 p.m. on Tuesday, February 25, 2014, at the Hilton University of Houston Hotel, Conrad Hilton Ballroom, Second Floor, Houston, Texas, with the following members participating:

ATTENDANCE –

Present	Non-Member(s) Present
Roger F. Welder, Chair	Peter K. Taaffe, Regent
Durga D. Agrawal, Vice Chair	Welcome W. Wilson, Jr., Regent
Spencer D. Armour, III, Member	Benjamin P. Wells, Regent
Jarvis V. Hollingsworth, Ex Officio	

In accordance with a notice being timely posted with the Secretary of State and there being a quorum present, the Chair of the Committee, Roger F. Welder, called the meeting to order and moved to the first item requiring committee action, the approval of the minutes from the Endowment Management Committee meeting held on Tuesday, August 13, 2013.

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AGENDA ITEMS

Action Items

1. Approval of Minutes – Item B

   On motion of Regent Agrawal, seconded by Regent Armour and by a unanimous vote of the committee members in attendance, the following minutes from the meeting listed below were approved:

   - August 13, 2013, Endowment Management Committee Meeting

Regent Welder stated there were seven (7) action items and eight (8) information items on the agenda that would be presented to the committee for discussion and their consideration. Regent Welder noted that the agenda would be taken out of order and Item O, the Report on External Audit Report – UH System Endowment Fund, Financial Statements and Independent Auditor's Report for FY2013 and 2012 – University of Houston System, would be presented by Mr. Don Guyton, Chief Audit Executive for the UH System.

Mr. Guyton stated that this item was the financial statements and independent auditor's report for FY2013 of the UH System Endowment Fund. The other supplemental information was excluded from the Endowment Fund financial statements. This information included the schedule of non-current investments and the schedule of changes in net assets by endowment.

These schedules, along with the management letter from the external auditors, BKD, have been filed in the Board of Regents' office with the complete set of financial statements. Mr. Raymond Bartlett, Treasurer, was available to answer any questions on these statements. Mr. Greg Sissel, the BKD engagement partner was scheduled to make a presentation on these statements at the Audit and Compliance Committee meeting that was scheduled for Wednesday, February 26, 2014. It was noted in the financial statements that the Net Asset Value of the Endowment Fund as of August 31, 2013 was $540 million. Mr. Bartlett had informed Mr. Guyton that the value had increased to $585 million as of December 31, 2013.

This item was presented for information only and required no committee action.

Following this presentation, Regent Welder moved to Item C on the agenda, the <u>Report from Cambridge Associates regarding the UH System Endowment portfolio – University of Houston System.</u>

Mr. Hamilton Lee introduced the Cambridge Associates representatives who were present at the meeting and who would be giving their various reports to the committee.

- Hamilton Lee, the Primary Generalist Consultant, who is based in the Dallas office and has worked with the University of Houston for the past nine (9) years;
- Phil Fiske, Specialist Consultant, is based in the Boston office. He is a private equity specialist who has worked with the University of Houston for the past four (4) years;
- Mark Dalton, Specialist Consultant, is based in the Dallas office and is a Houston native. He has recently returned from a three (3) year stint in their Singapore Office where he helped to oversee the development of the hedge fund resources there; and
- Katherine Chu, Specialist Consultant, is also based in the Dallas office. She is a private equity specialist and works closely with Mr. Fiske on developing the UH program.

Mr. Lee presented the committee with a market update and below is a brief summary of his remarks.

- Global equities enjoyed another stellar quarter, capping off their best year since 2009. After a shaky start to 2013, equities rallied in the third and fourth quarters thanks in part to renewed investor optimism in Europe and signs that growth in the Chinese economy would likely avoid a "hard landing."
- U.S. equity returned 10.1% in the fourth quarter despite the government shutdown and the Federal Reserve's decision to taper asset purchases under QE3.
- Hedge Funds, as measured by the HFRI Funds of Funds Composite, captured over a third of the equity market performance, returning 3.5% for the quarter. UH's portfolio outperformed by 110 bps, returning 4.6%.
- Commodities continued to suffer in the fourth quarter, with the Dow Jones-USB Commodity Index returning a muted -1.1%. Energy (+4.4%) was the lone bright spot, while gold continued its free fall, dragging on precious metals performance (-9.8%).
- Yield on ten- and 30-year Treasuries spiked 42 and 48 basis points, respectively, for the quarter following the Federal Reserve's taper announcement. As a result, Long Treasuries subsequently declined -3.1% in the last quarter of the year.
- 2013 saw a substantial dispersion among a wide variety of assets; and in 2013 a spike in S&P 500 ranks as tenth strongest rally since 1928 and is the largest annual gain in 16 years.

- The UH portfolio gained 4.3% and 13.6% for the quarter and year, respectively, lagging the Implementation Benchmark by 70 basis points for the quarter and 150 basis points for the year. The endowment outpaced the inflation + 5.5% spending rate benchmark by 660 basis points.
- In 2013, what had positively impacted performance was the following:
  1. The equity market rally propelled the university's growth-oriented allocations to strong gains, with U.S. equity (+33.3%), developed international equity (+24.0%), and hedged equity (+18.5%) proving most beneficial to overall performance; and
  2. UH's absolute return allocation gained 15.0%, outperforming the HFRI Fund of Funds Composite Index by 620 basis points.
- In 2013, what had detracted performance was the following:
  1. Developing markets equity performance (-7.5%) was muted in 2013 as concerns over Federal Reserve tightening and China's economic slowdown continued to weigh on the asset class; and
  2. Given the threat of rising interest rates and the decline in commodities markets, global bonds and the marketable inflation hedge portfolio posted returns of -6.9% and -3.6%, respectively.

Mr. Lee stated that at the August 13, 2013 meeting, the Endowment Committee had approved new target allocations, an increase from 5% in emerging to 10%, following Cambridge Associates' comprehensive Enterprise Review which had suggested the Endowment may have been too defensively positioned given its limited role within the annual budget. By increasing the allocation to growth drivers, the new targets reduce the risk of diminishing purchasing power over the long-term without impairing the near-term support of current students. As a result, UH is currently underweight developing markets and private investments relative to the recently approved targets as we begin moving towards the new near-term targets. A new manager will be recommended by Cambridge later on in the meeting who will implement the incremental 5% allocation to emerging market equity. A brief discussion followed.

Mr. Lee introduced Mr. Mark Dalton, from Cambridge Associates, who presented the committee with a Hedge Fund Program Update. Below is a summary of his remarks.

- The hedge fund program plays an important role in the total UH Endowment portfolio.
- It is a collection of strategies that were meant to be less correlated to long-only equity and strategies that will provide diversification as well as reduce the overall volatility of the portfolio.
- It is expected that the program over the long-term will have more of an equity-like return with reduced volatility.
- The hedge fund allocation outpaced its HFRI benchmark by 7.6% for 2013. On a 3-year basis, the program had achieved 72% of the return of global equities with approximately 34% of the volatility and a beta of 0.29.
- U.S. Long Short Value – Given the strong upward market, long/short equity performance was primarily based on the strength of those managers' long portfolios. Two managers both posted solid absolute returns for the year, up 26.8% and 18.6%, respectively.
- Event-driven hedge fund managers performed well in 2013, with the HFRI Event-Driven (Total) Index posting a 12.5% gain for the year.
- UH has a total of 16 managers in our hedge fund program which were diversified by strategy, long/short equity, event-driven, and global macro. Scout Capital, one of the long/short managers and one who has been one of the better performing strategies, will be

winding down their hedge fund and are planning to return 95% of the capital to investors on or around April 1, 2014. Scout Capital is managed by two, co-portfolio managers, and one of these managers, Adam Weiss, has decided to retire. The funds final audit is expected no later than June 30, 2014.

Mr. Lee introduced Mr. Phil Fiske, from Cambridge Associates, who presented the committee with a private equity update. Below is a brief summary of his comments.

- The UH private investment program is still building, still adding managers, and still adding exposures.
- The private investment program from inception to date has done quite well. It has generated a 15.4% rate return which is substantially above the market.
- The UH private investment program is on track with Cambridge Associates' suggested commitment pace.
- In 2013, the university made $9 million in commitments to two venture capital managers ($5 million in total) and one private equity manager ($4 million total).
- The suggested commitment pace was outlined and an average of $12 million to $15 million per year was recommended. Private equity / Venture capital would range from $7 million to $9 million per year; Hard assets would range from $5 million to $6 million per year. The suggested commitment pace would also focus on accessing top-tier managers versus meeting a fixed annual budget.
- A forward calendar of private investment managers was addressed.
- Two near-term opportunities – managers under consideration were mentioned: Insight Equity III and JMI Equity VIII. These firms are currently being considered by Cambridge Associates and following their review may be recommended for the committee's consideration at a later date.

Dr. Carlucci stated that there were three (3) new investment managers that would be presented for the committee's consideration which would be added to the endowment portfolio. Mr. Lee presented these recommendations to the committee. Below is a summary of his remarks. The first of the three was a recommendation for a Developing Markets manager intended to build-out the additional 5% in emerging markets.

Currently, UH has approximately 4.5% position in Aberdeen Emerging Markets, the endowment's sole developing markets manager. Aberdeen has done an outstanding job over the past 5 years, they have more than doubled the return of the index and much of that is due to being defensive but they have also unexpectedly and substantially outperformed on the upside as well.

Mr. Lee stated that the goal of adding another manager to the UH portfolio was at least two-fold:

1. Given the size of the mandate going forward, it would not be prudent to have 10% managed in one manager in this asset class. Cambridge would like to diversify manager risk, but they would also like to add an element of diversification to the emerging markets portfolio and add a manager that has a somewhat different return stream.
2. Aberdeen is a growth-at-a-reasonable price manager and they have a very deep team located in Scotland. They have a long and fantastic track record and tend to run the portfolio between 55 -70 stocks which is well diversified but concentrated enough particularly relative to the broader emerging universe of several hundred stocks to add value over and above the index.

Cambridge Associate's first recommendation presented to the committee for their consideration was Oldfield-Oldfield Partners' Emerging Markets Equity Strategy. They believe that Oldfield-Olfield Partners will partner very well with Aberdeen. Oldfield Partners offers a differentiated, lower volatility but high tracking error, satellite strategy that invests across the market capitalization spectrum in emerging markets equities. The process has been consistently applied since the early 2000s. The Oldfield emerging markets portfolio is run by Mr. Tom Taylor, manager and analyst. Mr. Taylor worked with Mr. Richard Oldfield, the founder of the firm, at a British family office for a number of years before Mr. Oldfield left to start Oldfield Partners and brought Mr. Taylor along with him. They have a strong quality bias as does Aberdeen, but they also have some very strong risk controls in place in terms of position sizing; and sell before falling into the value trap.

Mr. Lee stated that Mr. Taylor is the heart of this product and thus there is inherent key-man risk. There is also key-man risk at the organization level with Mr. Oldfield, who continues to hold the majority of the firm equity. Mr. Lee said that he believes that this is actually an area where the university would want to assume key-man risk. We would want to identify a unique and talented individual whose process is not duplicated elsewhere. This is also a concentrated portfolio with approximately 20-30 stocks. This concentration has allowed Mr. Taylor to add substantial value over ten years. However, in a portfolio with this level of concentration, mistakes have a larger impact, and adverse events within any individual holding can have a meaningful impact on Oldfield's total portfolio return. Cambridge will monitor this closely and take any necessary steps when needed. A brief discussion followed.

Mr. Lee also pointed out that fees in emerging markets tend to be higher and Aberdeen charges 110 basis points. Cambridge has negotiated a separate fee for Cambridge clients with Oldfield Partners and it is 20 basis points lower, coming in at 90 basis points. Cambridge recommended adding an additional $2.0 million to Aberdeen and a $30.0 million commitment to Oldfield Partners so that they would both have 5% in the portfolio.

Following Mr. Lee's presentation on this emerging markets manager, Regent Welder stated that before the committee would vote on this item, the committee would also hear two (2) other recommendations from Cambridge for additional investment managers, and once these presentations were completed, the committee would then consider and vote on all three (3) managers together.

The next presentation made by Mr. Lee pertained to a marketable inflation hedge overview. At the Endowment Committee meeting held in August 2013, the committee approved a reduction in the size of the marketable inflation hedge allocation from 10% to a long-term target of 5%, while also re-categorizing private inflation hedge assets under the private investments umbrella. The result is a mix of marketable and private inflation sensitive assets totaling approximately 9.2%.

Currently, the marketable inflation hedge allocation contains the following components:

1. Wellington DIH: $27.9 million (4.8%)
2. Morgan Stanley REITs: $4.3 million (0.7%).

Wellington DIH has been the primary allocation in this category and their product is the diversified inflation hedge. Cambridge stated that what they find attractive about Wellington is that it has a broadly diversified basket of inflation sensitive assets; and Wellington is actively managed both in the asset allocation level and in the stock selection level. Cambridge believes there is a way to add to the current portfolio that would both improve the inflation beta but also give the university an asset that is more likely to have an attractive return regardless of the inflationary environment. A brief discussion followed.

Mr. Lee gave the committee an overview of the Van Eck Global Hard Assets Strategy, the next recommendation for the committee's consideration. The Global Hard Assets (GHA) strategy seeks long-term capital appreciation by investing primarily in hard asset securities, with income being a secondary consideration and the security selection process encompassing bottom-up and top-down analysis. This top-down approach is coupled with a bottom-up value approach. The firm seeks to buy assets at a discount to their replacement cost or at a relative discount to their peer group.

Van Eck remains a family-owned firm, with President Jan van Eck owning the majority stake. GHA's long time CIO/portfolio manager, Derek van Eck, passed away suddenly in 2010 and the individual who developed this product. His successors – current co-PMs, Charlie Cameron and Shawn Reynolds, are experienced and talented investors, and the team has remained stable and cohesive during the transition. The firm absorbed the vast majority of Derek van Eck's ownership stake in exchange for a promissory note issued to his estate, but firm AUM would have to fall by more than half for a sustained period before risking missing payment. While there is no plan to distribute equity to employees, investment professionals on the GHA team have a partner-like compensation structure.

GHA provides diversified natural resource equities exposure, with meaningful allocations to the energy, base metals and precious metals sectors. Relative to peers, the strategy tends to be somewhat more aggressive and tactical, and have a larger exposure to metals. GHA has a long and enviable track record, with top quartile performance over most intermediate- to long-term trailing time horizons. Cambridge outlined a current UH marketable inflation hedge portfolio and the Van Eck Global Hard Assets portfolio. The recommended addition of GHA to the marketable inflation hedge portfolio results in the following allocation among strategies within marketable inflation hedges: natural resource equities at 61.9%, commodities at 11.0%, precious metals at 10.5%, inflation-linked bonds at 8.5% and REITs at 8.1%.

Mr. Lee stated that Cambridge recommended approval of a $12.7 million addition to Van Eck Global Hard Assets Strategy sourcing the majority of that from Wellington but $1.5 million of that from the existing REIT manager, Morgan Stanley.

Regent Agrawal requested that a comparative performance report be compiled prior to the next meeting showing how the UH System compares to other institutions across the country and send this information to the committee members for their reference.

Mr. Fiske presented the third recommendation submitted to the committee, the approval of a $7.0 million commitment to EnCap Flatrock Midstream Fund III (EFM). The university had previously invested $3.0 million to EnCap Flatrock Midstream Fund II; and the university has invested $15.0 million in EnCap Energy Capital Fund VII. The university has a long relationship with the parent company EnCap but also Flatrock.

The EnCap Flatrock team is raising a $3.0 billion fund targeting oil and gas midstream opportunities. They are planning a first and what will undoubtedly be a final close on March 31, 2014. This fund is expected to be oversubscribed with both existing LPs and new prospects. EFM team was formed in 2008 as a partnership between Flatrock Energy Advisors (FEA), a midstream energy consultancy, and private equity firm EnCap Investments LP (EnCap). The venture was created to manage a series of midstream energy-focused private equity funds and combines Flatrock's unique midstream operating expertise with EnCap's depth of energy investment experience.

The EFM team is led by managing partners, Dennis Jaggi, William "Billy" Lemmons, and William Waldrip, who each have over 30 years of experience in the midstream sectors, much of it together. They also have extensive experience developing and operating midstream energy assets. A brief discussion followed.

After this presentation was addressed, Regent Welder called for a motion from the committee to approve the delegation of authority to the Chancellor to negotiate and execute the following contracts for the hiring of three (3) investment managers for the University of Houston System Endowment Fund as follows:

1. Cambridge recommendation for $30.0 million initial investment in Oldfield Emerging Markets Equity Strategy;
2. Cambridge recommendation for $12.7 million initial investment in Van Eck Global Hard Assets Strategy; and
3. Cambridge recommendation for $7.0 million commitment to EnCap Flatrock Fund III.

On motion of Regent Armour, seconded by Regent Agrawal, and by a unanimous vote of the committee members in attendance, the three (3) investment manager recommendations submitted by Cambridge Associates were approved. This action, approved by the committee, requires no further board action.

The next item considered by the committee was Item G, <u>Approval is requested to modify the UH System Investment Policy for Non-Endowed Funds – University of Houston System.</u> Dr. Carlucci introduced item and asked Cambridge Associates to report on the change being requested.

Mr. Lee stated that as part of their collective, ongoing monitoring and assessment of various investment policy guidelines, they have reviewed the guidelines for the non-endowed funds and there was a recommended change which he outlined to the committee. Under Section IV, Risk Control and Investment Limits, A. - Types of issues permitted / Restrictions, Cambridge Associates recommended changing #5 Mortgage Securities Restrictions from 30% to <u>**10%**</u> aggregate limit. Under Section VIII, Investment Collateral and Safekeeping, A. – Collateral or Insurance, the word "<u>**held"**</u> was added to the first paragraph as noted below.

"The System Investment Officer shall ensure that all System fund <u>***"held"***</u> are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:"

Regent Welder called for a motion to approve this item as presented.

On motion of Regent Agrawal, seconded by Regent Armour, and by a unanimous vote of the committee members in attendance, the request to modify the UH System Investment Policy for Non-Endowed Funds was approved.

The following four (4) items listed below were presented by Cambridge Associates for information only. They were:

1. Item H – Report from Cambridge Associates regarding the redemption of the UH System's endowment investment in Asian Century Quest Offshore Fund, Ltd. – University of Houston System;
2. Item I – Report from Cambridge Associates regarding the Fiscal Year 2013 endowment payout – University of Houston System;
3. Item J – Report from Cambridge Associates regarding the UH System's exchange of shares representing the endowment's investment in HBK Offshore Fund II L.P. for shares in HBK Offshore Fund Ltd. – University of Houston System; and
4. Item K – Report from Cambridge Associates regarding rebalancing to new asset allocation targets for the UH System endowment portfolio – University of Houston System.

Dr. Carlucci introduced these items and stated that these items had been acted upon in consultation with the Chair of the Endowment Committee, Regent Welder, and Regent Hollingsworth, who is the immediate past Chair of the Endowment Committee. Dr. Carlucci requested Cambridge Associates report on these items and the rationale behind these decisions.

Mr. Mark Dalton reported on Items H. and J., the redemption of the UH System's endowment investment in Asian Century Quest Offshore Fund, Ltd. and the UH System's exchange of shares representing the endowment's investment in HBK Offshore Fund II L.P. shares in HBK Offshore Fund Ltd.

Mr. Dalton stated that Asian Century Quest Offshore Fund, Ltd. was a firm the UH System had redeemed from; and we have already received 98% of the redemption balance in January 2014. This was a fund that was redeemed due to substantial redemption requests from investors; and the firm has now liquidated. HBK Capital is an existing multi-strategy fund and in an effort to simplify the structure of the multi-strategy feeder funds, HBK Capital Management exchanged the funds from HBK Offshore Fund II L.P. into the HBK Offshore Fund Ltd. This was purely an administrative event with no material effect on the UH System's investment.

Mr. Hamilton Lee reported on Item I, the FY2013 endowment payout and Item K, the rebalancing to new asset allocation targets for the UH System endowment portfolio. The Endowment's annual distribution of $20.5 million was sourced from cash. Pertaining to the rebalancing to new asset allocation targets, Mr. Lee reviewed the implementation schedule which showed the portfolio as of December 31, 2013. First Quarter 2014 transactions reflected rebalancing actions that would be taken in order to reach certain asset allocation targets; and Quarter 2 through Quarter 4, 2014 represented assumptions for gradual growth of private investments and reduction in hedge funds to targets.

Regent Welder thanked Cambridge Associates for their presentations at the meeting and stated that the last four (4) items presented were for information only and required no committee action.

The next item for the committee's consideration was Item L, Campaign Updates, Status of New Support Organization Agreements, and approval of Fiscal Year 2014 University Advancement endowment assessment fee – University of Houston System. Regent Welder requested Ms. Eloise Dunn Stuhr, Vice Chancellor for University Advancement, introduce this item.

Ms. Stuhr stated she would begin with the request for approval of the FY2014 University Advancement endowment assessment fee; and she talked about this through the context of primarily the fundraising results over the past several years. The assessment to be budgeted for FY2015 spending is approximately $6.0 million which represents 40% of the Advancement current total budget. Each year Advancement has raised new gifts for endowments that have added more than the assessment has taken out. The average multiplier since 2007 is three (3) times more new money than was taken out. For the last fiscal year, it was almost four (4) - the multiplier was 3.9%. Total giving for all sources, that is not just endowment but gifts that are for current funds, capital projects, etc., the multiplier payback was 32:1.

Ms. Stuhr requested a 1.5% endowment assessment fee. She stated that in the past she had been asked what other universities' assessments had been; and typically, they range from 0.5% to 2%. There are a number of universities that have other gift taxes but the University of Houston has no other gift tax other than this tax on the endowment.

According to national surveys completed by a Boston-based company Eduventures, a benchmarking firm, public universities' raising somewhere between $100-$150 million have an average development budget of $16.5 million. This only includes the fundraising piece and excludes marketing and alumni relations. Our equivalent would be $10.3 million which is Development's current budget. There are 107 Development full time employees (FTE) compared with the benchmark of institutions who are raising similar amounts - a benchmark total of Development FTE would be 155. Approximately 40% of the current Development staff are front-line positions versus the benchmark of the national average of 35%. The overall budget for Advancement is approximately $15 million.

Regent Welder called for a motion to approve this request for the 1.5% endowment assessment fee as presented.

On motion of Regent Agrawal, seconded by Regent Armour, and by a unanimous vote of the committee members in attendance, the request to approve the Fiscal Year 2014 University Advancement endowment assessment fee of 1.5% was approved.

Ms. Stuhr also updated the committee on the status of the support organization agreements. Approximately two (2) years ago, a project ensued to verify that each of the seven (7) support organizations was in sync with the university in terms of the way in which it was reaching our external constituencies and integrating with the university priorities. The Chancellor will appoint an ex officio member on each of the seven (7) boards as a delegate from the university that will allow communication to be much more frequent.

Ms. Stuhr presented the committee with a brief campaign update. A campaign timeline: feasibility study was shown which outlined the progress of the campaign. We are currently at $284 million toward the presumptive goal of $1 billion. The university has been in the planning stages of the campaign trying to secure all of the volunteer boards; putting new policies and procedures in place and getting everything for the campaign ready. We are now into the feasibility phase of the campaign, in that we are testing partly the money but more importantly the ideas and dreams of the campaign to see whether or not they resonate outside of the university. The timeline for this phase is now through December 2014. Following this phase we will go into the quiet phase for the public launch which is anticipated to begin in 2016.

This part of Ms. Stuhr's report was for information only and required no committee action.

The next item listed on the agenda was Item M, <u>Approval is requested to liquidate four endowments from the UH System endowment fund and transfer three of the endowments to the UH Foundation and one to an operating scholarship at UH – University of Houston System.</u>

Dr. Carlucci introduced this item and stated that occasionally the university will have scholarships that have requirements that are not consistent with Texas law and we transfer those to the UH Foundation. There are three (3) of these scholarships and there is also one scholarship that did not reach the minimum level. Dr. Carlucci asked Mr. Raymond Bartlett, Treasurer for the UH System, to report on this request.

Mr. Bartlett stated that this request had come to Finance as a recommendation through the Advancement Office and working with the donors, the donors did not wish to modify those restrictions. In working with Legal Counsel, the recommendation to move them to the UH Foundation was the most appropriate action. The total of the three (3) scholarships that will be moved to the UH Foundation is approximately $600,000 market value. The fourth scholarship was very small – less than $2,000 – that never reached its full pledge. These funds will be moved to an operating account at the university and will be used for purposes consistent with the intent of the endowment when it was originally established.

On motion of Regent Armour, seconded by Regent Agrawal, and by a unanimous vote of the committee members in attendance, the request to liquidate four endowments from the UH System endowment fund and transfer three of the endowments to the UH Foundation and one to an operating scholarship at UH was approved.

The final action item listed on the agenda was Item N, <u>Approval is requested to renew investment resolutions for the University of Houston System – University of Houston System.</u>

Dr. Carlucci presented this item to the committee requesting to renew investment resolutions for the UH System. These are annual resolutions which list the individuals who are authorized to sign transactions with J.P. Morgan and we are also changing the Board of Regents' secretary designation from Regent Jarvis V. Hollingsworth to Regent Welcome W. Wilson, Jr.

On motion of Regent Armour, seconded by Regent Agrawal, and by a unanimous vote of the committee members in attendance, the request to renew investment resolutions for the University of Houston System was approved.

Following the approval of this item, Regent Welder called for a motion to place the following action items unanimously approved by the committee on the Board of Regents' Consent Docket Agenda for final board approval at the Board of Regents meeting scheduled for Wednesday, February 26, 2014. They are as follows:

1. Approval is requested to modify the UH System Investment Policy for Non-Endowed Funds – UH System;
2. Approval of Fiscal Year 2014 University Advancement Endowment Assessment Fee of 1.5% - UH System;
3. Approval is requested to liquidate four endowments from the UH System endowment fund and transfer three of the endowments to the UH Foundation and one to an operating scholarship at UH – UH System; and
4. Approval is requested to renew investment resolutions for the University of Houston System – UH System.

On motion of Regent Welder, seconded by Regent Armour, and unanimously approved by the committee members in attendance, the above four action items will be placed on the Board's Consent Docket Agenda for final Board approval at the February 26, 2014 Board of Regents meeting.

The final item for presentation was for information only. Item P, Report on the UH System's Invested Funds and Bank Deposits – University of Houston System.

Mr. Bartlett presented this item to the committee and this report summarized these funds by group: endowment, non-endowed, bond, and debt service funds for the last fiscal quarter ending November 30, 2013. It demonstrates where all of our investments and deposits are within the System and as of this date the Endowment was $578 million; $493 million in non-endowed funds (operating funds); $191 million in bond proceeds project funds (construction dollars raised from bond proceeds that are spent down over time); and $476 thousand in debt service funds (to be used for the next cycle of debt service). On the non-endowed funds, they have daily liquidity to up to three days maximum to trade out of those securities. $200 million of it is managed by J.P. Morgan and the remaining funds are invested in money market funds or Tex Pool which is a local government investment pool overseen by the State Comptroller of Public Accounts.

This item was for information only and required no committee action.

There was no Executive Session held.

There being no further business to come before the Committee, the meeting adjourned at 2:41 p.m.

All documentation submitted to the Committee in support of the foregoing action items, including but not limited to "Passed" agenda items and supporting documentation presented to the Committee, is incorporated herein and made a part of these minutes for all purposes; however, this does not constitute a waiver of any privileges contained herein.

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Others Present:

Renu Khator	Hamilton Lee	Mark Dalton
Carl Carlucci	Katherine Chu	Phil Fiske
Dona Cornell	Raymond Bartlett	Tom Ehardt
Rathindra Bose	David Ellis	Leroy Mays
Eli Ciprano	Brian Thomas	Jon Aldrich
Marquette Hobbs	Brenda Robles	Gerry Mathisen