INVESTMENT SUBCOMMITTEE
BOARD OF TRUSTEES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

A meeting of the Investment Subcommittee of the Board of Trustees of the University of Vermont State and Agricultural College was held on Wednesday, December 19, 2007 at 8:30 a.m. in the President’s Conference Room, 351 Waterman Building.

MEMBERS PRESENT: Chair Robert Cioffi*, Vice Chair John Snow, Ian Boyce*, Jeffrey Davis*, Jeanette White*, and Susan Hudson-Wilson*

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration and Treasurer Michael Gower and Carl Lisman.

* Participating by teleconference

Chair Robert Cioffi called the meeting to order at 8:39 a.m.

Approval of November 29, 2007 Meeting Minutes

A motion was made, seconded and approved to accept the minutes of the November 29, 2007 minutes.

Long-Term Pool Investment Flash Report

Cambridge Associates did not participate in the meeting due to limitations specified in the contract; ergo a review of the report of performance as of November 30, 2007 did not occur:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LATEST %</th>
<th>CYTD%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>QTR 2 DT 9/30-11/30/07</td>
<td>12/31/06-11/30/07</td>
</tr>
<tr>
<td>Domestic Common Stock</td>
<td>93.1</td>
<td>-2.2</td>
</tr>
<tr>
<td>Global ex U.S. Equity</td>
<td>74.8</td>
<td>2.0</td>
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<tr>
<td>Absolute Return</td>
<td>32.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Hedged Equity</td>
<td>33.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Inflation Hedge</td>
<td>23.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Non-Mkt. Alternative Assets</td>
<td>23.5</td>
<td>-----</td>
</tr>
<tr>
<td>Bonds</td>
<td>41.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Cash</td>
<td>0.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Total Externally Managed Assets 322.4  0.4  13.0
Total Internally Held Assets -1.9

Total Long Term Investment Pool $320.5

Results for the quarter to date (+0.4%), were 310 bps ahead of the S&P 500 Index (-2.7) and 490 bps ahead of the Russell 2000 Index (-4.5). Chair Cioffi communicated how Tremblant, Marketable Alternatives investment manager, is keeping their stance and not engaging in heavy selling during the current market climate.

There was comment on how the SSGA Passive Bond Market is meeting the inflation strategy the committee moved towards in July and is shown in the performance for the month (+1.8%).

There was discussion on Private Equity and Venture Capital; which currently holds 3.2% of the portfolio and has been approved in the resolution of the University Statement of Investment Objectives and Policies at a 10% target allocation. The major characteristics to consider with these assets are: limited valuation because they are not mark to market; illiquid with lockups of 10-12 years; premium returns (usually 5-7% above public market returns); and high volatility due to the equity component versus hedge fund strategy. The committee explains how the University’s portfolio can handle the characteristics of higher return and higher risk due to the long-term view component of the portfolio; which has been shown in the increased target allocations to Emerging Markets and Private Equity in the resolution mentioned above.

Vice Chair Snow decided this be a good lead into the “red herring” or the audit committee’s report on the finding of a deficiency in the control of the valuation in Endowment Assets. The deficiency points to the question: “How much are we able to establish on our own the underlying value of assets?” The underlying value becomes difficult to establish for investments in fund to funds versus single investments. A meeting with Cambridge Associates and KPMG, the University’s independent auditor, will be arranged at the next Board of Trustees meeting in February.

Secondary Private Equity Funds
Chair Cioffi provided a report on the meetings with Arcis, Dover Street, W Capital Partners and Pomona Capital. First, a definition of synthetics was provided for a second time to the committee. Synthetics: a General Partner sells its interest to an outside party by creating a new General Partnership Agreement with the original General Partner becoming the Limited Partner. The role of synthetics is to provide exposure to an asset class without the long-term lock-up.

Pomona (Capital VII) has 140 funds; many of which have been purchased from banks and insurance companies. It is considered highly diversified. There are 20% invested in synthetics. A red flag was raised in regards to IMG’s 50% ownership of the firm; which is a potential issue in retaining quality personnel.
Vice Chair Snow voiced 3 criteria to be used in evaluating Secondary Private Equity Funds:

1) Fill Gaps/ Vintage Years
2) Accelerate Pace/ Exposure
3) Value Opportunities

Habourvest (Dover Street VII) uses linked transactions.

W (Capital Partners II) has a model that shortens the time to maturity (7-8 year lockup). The model assigns value to only 1-2 company(s) and the rest are placed on a shelf. The firm’s founders are actively involved in the valued companies and attend the company’s board meetings. All investments of W Capital are held at cost. One issue the committee would like to discuss further with the firm is the size of the recent fund that is being raised, since it is twice that of any they’ve worked on. The committee will ask for W Capital attendance at the January 11th Investment Manager Meeting in New York City.

Arcis (European Secondary Development Fund IV) is a 100% international fund. The firm is based in France. The 350 million euro fund is composed of 50% synthetics and 50% traditional. Chair Cioffi reported he did not feel as confident in their expertise when comparing to Pomona and Dover.

The committee reported that the available funds for allocations to this strategy would be at least $10 million.

Iridian Fee Schedule

Iridian sent a letter explaining their decision to implement a 5% performance fee on net annual returns in excess of 10% (net of management fees).

Vice Chair Snow addressed the following issues: 1) Put Iridian on a watch list to monitor their performance, 2) Reexamine Iridian’s role in the University’s portfolio by deciding if they should remain in US Equity or be allocated to the Hedge Fund class (specifically absolute return), and 3) Monitor the organizational stability of Iridian.

The committee agreed to not sign Iridian’s amendment to the Investment Advisory Agreement.

Hedge Fund Program

This will be discussed at the January meeting.
**Other Business**

Mr. Gower updated the board on The University Medical Education Associates, Inc. (UMEA) interest in investing $10 million of their endowment assets into the Long Term Pool to support their department’s start-up and research.

Mr. Gower also provided an update on Uniform Management of Institutional Funds Act (UPMIFA). Legislative Trustee Bill Botzow is taking a direct stand and encouraging his colleagues to pass through legislature UPMIFA. Currently, this act has been passed in 17 states and introduced in 10-12 states.

The following managers will be at the January meeting in New York City on January 10-11: Oz, Barlow, HBK, Davidson Kempner, and W Capital.

**Adjournment**

There being no further business, the meeting was adjourned at 10:30 a.m.

Respectfully submitted,

Robert Cioffi, Chair