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 Thursday, November 29, 2007 at 3:00 p.m. in the Jost Foundation Room, 407 Davis Center.

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

MEMBERS NOT ATTENDING: Jeanette White

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration and Treasurer Michael Gower, Vice President and General Counsel Francine Bazluke, Associate Vice President for Finance and University Controller Bonnie Cauthon, Bets Kent*, Cambridge Associates, and Rebecca Waters*, Cambridge Associates, Randy Goodman, WilmerHale*, and, Mark Langan*, Dinse, Knapp & McAndrews, P.C.

* Participating by teleconference

Chair Robert Cioffi called the meeting to order at 3:00 p.m.

Wilbur Fund
University General Counsel and external counsel joined by teleconference for a discussion of legal and tax issues regarding investment of the Wilbur Trust through purchase of units in the Long Term Investment Pool (LTIP). Vice President Gower provided background on the Wilbur Trust and issues regarding its investment. Both Budget Finance and Investment and the UVM Board will consider resolutions on this matter. This would be beneficial to the Wilbur Trust due to increased diversification available through the LTIP. It was determined that the investment would be allowable subject to the following conditions:

- University of Vermont Board retains ownership and control of assets
- University of Vermont Board will receive regular reports
- Wilbur investment will be treated equitably with other funds in LTIP
- At least one member of the University of Vermont Board shall be on the Investment Subcommittee and the Budget, Finance and Investment Committee.

A plan has been developed for the transfer of Wilbur assets into the LTIP.

A motion was made, seconded and passed to approve a resolution for recommendation to BFI to invest the Wilbur Trust through purchasing units in the Long Term Investment Pool. The resolutions passed were as follows:
Resolution Recommending Approval of Wilbur Fund Investment Management Agreement

WHEREAS, this Investment Subcommittee asked the administration to examine the feasibility and efficacy of Wilbur Fund assets being co-invested with those of the University through purchase by the Wilbur Fund of shares in the University Long-Term Investment Pool; and

WHEREAS, the administration conducted due diligence to determine the terms and conditions, if any, under which such co-investment is appropriate under applicable law and financial accounting principles, obtaining such direction from qualified external consultants and University officials; and

WHEREAS, the Vice President for Finance and Administration has now reported to the Investment Subcommittee the results of this due diligence process and made certain recommendations regarding the proposed funds co-investment;

NOW THEREFORE, BE IT RESOLVED, that this Subcommittee recommends to the Budget, Finance, & Investment Committee as follows:

1. The Budget, Finance, & Investment Committee recommend to the University of Vermont and State Agricultural College Board (“University Board”) approval of the terms and conditions of the Investment Management Agreement attached hereto;

2. The Budget, Finance, & Investment Committee recommend that the University Board authorize the University Board Chair to execute the Investment Management Agreement; and

3. The Budget, Finance, & Investment Committee recommend to the full Board revision of the Investment subcommittee charge so that, for as long as the Investment Management Agreement remains in effect, at least one member of the University of Vermont Board of Trustees be appointed to serve as a member of the Budget, Finance, & Investment Committee and its Investment Subcommittee.

INVESTMENT MANAGEMENT AGREEMENT

THIS AGREEMENT made as of the 1st day of December, 2007, by and between the UNIVERSITY OF VERMONT BOARD OF TRUSTEES (“UVM Board”) and the UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE BOARD OF TRUSTEES (“UVMSAC Board”).

RECITALS:
WHEREAS, the UVM Board is the trustee of the University of Vermont Trust established under the James B. Wilbur Trust Indenture (u/a/d August 12, 1919) (the “Wilbur Fund”);

WHEREAS, the UVMSAC Board has the authority for the investment of the Long-Term Investment Pool (“LTIP”) for the benefit of the University of Vermont;

WHEREAS, the Wilbur Fund and the LTIP are managed separately although similarly;

WHEREAS, the UVM Board and the UVMSAC Board agree that if the Wilbur Fund and the LTIP were managed together there would be several advantages including, but not limited to, the following: (1) the Wilbur Fund would achieve greater diversification through more fund managers and market sectors; (2) to the extent management fees decrease with the size of the managed fund, combining the two funds for investment purposes would decrease fund management fees; (3) to the extent management contracts must be reviewed for the UVMSAC Board and similar contracts must be reviewed for The Wilbur Fund by the UVM Board, there would be economy of administration and reduction of attorney fees reviewing contracts if the two funds were invested together; and (4) if the funds were invested together, the investment committee would be able to monitor the Wilbur Fund’s performance better through quarterly reports; and

WHEREAS, the UVM Board and the UVMSAC Board agree to invest and manage the Wilbur Fund and the LTIP together.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions herein set forth, the parties hereto agree as follows:

1. **Joint Investment.** The UVM Board agrees to invest the assets of the Wilbur Fund together with the LTIP. Shares shall be assigned to represent proportional ownership of the assets. The date of investment into the pool shall set the proportional ownership.

2. **Title to the Wilbur Fund.** The UVM Board retains legal title to the assets of the Wilbur Fund.

3. **Investment Management.** A standing Investment Subcommittee of the Budget, Finance and Investment (“BFI”) Committee has been appointed to manage the investment of the long term pool assets. At least one member of the BFI shall be a UVM Board member. The UVM Board member(s) on the BFI shall act on behalf of the UVM Board with respect to the investment of the Wilbur Fund and shall report to the UVM Board with respect to the investments of the Wilbur Fund.
4. **Allocation of Expenses.** Investment management costs will be allocated to the Wilbur Fund on a pro rata basis (i.e., a percentage of shares).

5. **Accounting.** The UVM Office of the Treasurer will provide regular accounting for the investments of the Wilbur Fund and for its income and expenditures. This accounting will be provided to the UVM Board at its regular meetings or upon request of the Chair. The UVM Office of the Treasurer is responsible for third-party reporting and accounting as required by policy, regulation, or law.

6. **Termination.** This agreement is terminable at will by either party. Upon termination of this Agreement, the Wilbur Fund assets shall be distributed to the UVM Board and invested in such accounts as it may direct.

The parties hereto have signed this agreement all of this the date first above written.

University of Vermont Board of Trustees, Trustees of the University of Vermont Trust Under the James B. Wilbur Trust Indenture (u/a/d August 12, 1919)

University of Vermont and State Agricultural College Board of Trustees

By: ______________________
Name: ____________________
Its: Chairman of the Board

By: ______________________
Name: ____________________
Its: Chairman of the Board

**Approval of the October 17, 2007 minutes**

A motion was made, seconded and approved to accept the minutes of the October 17, 2007 meeting.

**Long-Term Pool Investment Report**

Ms. Kent, Cambridge Associates, reviewed current market conditions and noted that the diversification of the portfolio is intended to protect the endowment through difficult markets such as this. The aggregate portfolio at September 30th was at $352.6 million and it was noted that a decrease in separately invested assets was the result of the Larner fund being moved into the LTIP. Ms. Kent clarified that the chart on page 2 of the Performance Update, Target Asset Allocation, aggregated exposure to emerging markets while the chart on page 3, Asset Allocation, presented only the dedicated emerging markets manager in that category. The Subcommittee asked that it continue to be presented both ways. Ms. Kent reviewed a chart of pro forma planned and completed rebalancing moves and manager fundings, and Chair Cioffi asked that this information be included in future reports.

Ms. Kent reviewed the report of performance for the last quarter and calendar year to date at September 30, 2007:
The total portfolio for the University as of September 30, 2007 included the following:

Long Term Investment Pool $324.9 million
Wilbur Trust 23.9 million
Separately invested funds 3.8 million
Total Portfolio $352.6 million

Results for the quarter (+2.6%), were in line with the Cambridge median (+2.7%). For the calendar year-to-date returns at (+12.5%) were 150 bps ahead of the Cambridge median (+11.0). The flash report for October 31 reflected positive return for the portfolio for the month (+3.7%) and calendar year-to-date (+16.7%). There was a discussion of proposed fee changes expected from Iridian and Highline, with concern voiced concerning the structure proposed by Iridian.

Chair Cioffi reported on meeting with Ark, noting that the management changes and promotion of Nancy Peretz to lead portfolio manager appear to have had a positive effect on the team and the implementation of the process. The group is sticking to the growth bias that this manager was hired for.

Vice-Chair Snow reported on his meeting with our emerging markets manager, Rexiter. Although absolute returns have been very positive- (+9.9%) for the quarter and (+28.3%) cytd – they have trailed the benchmark. This is attributed to their liquidity tiered Fixed Weight Index (neutral) approach which has resulted in them being underweight in the largest markets such as China. There was a discussion of adding another complementary emerging markets manager and Cambridge was asked to bring recommendations to the Subcommittee.
Hedge Fund Review
The Subcommittee performed its annual comprehensive review of the marketable alternatives (MALT) program including reviewing charts presenting a breakout of each manager by strategy and net long position, with the total MALT program 60.9% net long at September 30th. In addition, there was a review of a chart of geographic exposure, showing that the program at September 30th was almost half non-U.S. There was a review of quarterly summary sheets for each manager and Cambridge was asked to begin providing these to the Subcommittee on a quarterly basis. There was a discussion of Och Ziff (OZ), focusing on concerns about its current IPO and on its size – as a result they have been placed on the watch list. In reviewing the geographic exposure of the portfolio there was a question regarding Barlow’s aggregate weight to Developed Europe and Cambridge was asked to look into their strategy in selecting the managers who took these positions. Chair Cioffi asked that Barlow be included on the agenda at the manager meetings in January in New York. Ms. Kent presented two alternative recommendations by Cambridge for further manager diversification. The Subcommittee agreed to consider Alternative 1 which included adding a new multi-strategy manager and a new long/short manager or fund of funds. Cambridge was asked to bring recommendations for these additions.

Energy Funds
Ms. Hudson-Wilson reported on her research on energy funds which would be intended to provide an inflation hedge. She reported that there were not any pure energy funds and that the funds all were natural resource funds that did not show clear evidence of acting as an inflation hedge. She spoke with Commonfund (CF) and Park Street Capital and concluded that Park Street could be considered but that neither fund was open currently. She reported that CF does have a fund that seeks exposure to commodity prices and executes the strategy with swaps. CF is providing information to her on this fund and she will report back after reviewing the information.

Private Equity Secondaries
Chair Cioffi and Cambridge recently had calls with Arcis, Dover Street, W Capital Partners and Pomona Capital and will make a report to the subcommittee at the December meeting.

Other Business
The Subcommittee agreed to have the January meeting in New York City on January 10-11.

Adjournment
There being no further business, the meeting was adjourned at 4:40 p.m.

Respectfully submitted,

Robert Cioffi, Chair