A meeting of the Investment Subcommittee of the Board of Trustees of the University of Vermont State and Agricultural College was held on Wednesday, October 17, 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, Associate Vice President for Finance and University Controller Bonnie Cauthon, Bets Kent*, Cambridge Associates, and Rebecca Waters*, Cambridge Associates.

Chair Robert Cioffi called the meeting to order at 8:30 a.m.

Approval of the September 6, 2007 minutes

A motion was made, seconded and approved to accept the minutes of the September 6, 2007 meeting, with amendments to include a note that Vice Chair Snow abstained from the motion made, seconded and passed to transfer the funds to the current passive bond manager, State Street Global Advisors.

Long-Term Pool Investment Report

Ms. Kent reviewed the final report of performance for the Long Term Pool for the month ended as of August 31, 2007:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>LATEST % MONTH</th>
<th>CYTD%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Common Stock</td>
<td>102.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Global ex U.S. Equity</td>
<td>65.4</td>
<td>-1.5</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>31.7</td>
<td>-1.1</td>
</tr>
<tr>
<td>Hedged Equity</td>
<td>31.1</td>
<td>-1.1</td>
</tr>
<tr>
<td>Inflation Hedge</td>
<td>21.4</td>
<td>-1.7</td>
</tr>
<tr>
<td>Non-Mkt. Alternative Assets</td>
<td>9.8</td>
<td>-----</td>
</tr>
<tr>
<td>Bonds</td>
<td>40.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Cash</td>
<td>8.2</td>
<td>0.4</td>
</tr>
</tbody>
</table>

| Total Externally Managed Assets | 310.1 | -0.5 | 8.0   |
| Total Internally Held Assets   | -2.6  |      |       |
| Total Long Term Investment Pool| $307.5|      |       |

The results for the month lagged the benchmarks however outperformance continued on a calendar year to date basis. The portfolio lagged compared to indexes such as the S&P 500 (1.5%), Russell 2000 (2.3%) and composite S&P 500 75%/LB Agg 25% (1.4%). Notably, Global ex U.S. Equity (-1.5%) and within Marketable Alternatives: Absolute Return and Hedged Equity both returned the same (-1.1%). The return on Bonds (1.2%) helped alleviate the negative total return for the portfolio.
Secondary Private Equity

Harbourvest is raising a new fund for Secondary Private Equity investments, Dover Street VII, with a first closing anticipated for October 23rd. The University has submitted an indication of interest for an investment of $3 million in the fund. Ms. Kent led the discussion by first providing a brief overview of synthetic secondaries. There was a discussion of synthetics and the committee concluded that they would still need more clarification before considering a manager who used this strategy. Vice-Chair Snow reminded the group that the purpose in looking at secondaries was to try to move toward the target allocation to private equity and that we would not be looking at secondaries if we were at target with primaries. However, he noted that we were not likely to meet the target utilizing only primaries. Ms. Hudson-Wilson suggested that the group could continue to look at individual managers but should bear in mind that we still needed a better understanding of synthetics, including “stapled” secondaries. Ms. Kent agreed to do more research on this topic and would also talk with Harbourvest. Chair Cioffi noted that Pomona was a pure secondary player and that it was invested in both Europe and the U.S.

Chair Cioffi suggested that the subcommittee dig deeper into W Capital, Pomona, Arcis and Harbourvest before moving forward and the group agreed that they were not ready to move forward with Harbourvest closing on October 23.

The subcommittee discussed the best way to approach the topic 1) Decide whether or not there was value, shown in the performance attribution test, in covering the target allocation within a shorter time period, and 2) Decide the subcommittee’s comfort with the strategic alignment of the secondary private equity investment within the University’s portfolio.

Cambridge Associates will research into Newbury Secondary Fund and Paul Capital Partners IX to determine whether they are pure secondary funds; if so, the subcommittee will be looking at them in addition to W Capital Partners II, Dover Street VII, Arcis European Secondary Development Fund IV, and Pomona Capital VII. Chair Cioffi and Cambridge Associates will continue to research into the selected funds.

Performance Attribution

Chair Cioffi noted that this analysis was a good indicator of where the subcommittee should be spending its time. It was agreed that the performance attribution should be reviewed on an annual basis to avoid responding to short term volatility. It will be made available in the September meeting, so that it will include data on the complete fiscal year.

There was a question on whether a mechanism should be in place regarding allocations when there are down markets; specifically regarding Rexiter Active Emerging markets. Vice-Chair Snow will be meeting with Rexiter the first week in November and will provide a report to the subcommittee in the next meeting.

Fixed Income

In the last meeting, a motion was made, seconded and passed to discontinue the strategy of active management for fixed income resulting in a need to exit Dwight. Vice-Chair Snow abstained from the additional motion made, seconded and passed to transfer the funds to the current passive manager, State Street.

Dwight Investment Management was thanked by Chair Cioffi for their willingness to accommodate the University in order to keep the investment, but the subcommittee is fully committed to the decision to discontinue the active fixed management strategy. Cambridge Associates provided a
short list of other passive managers along with their fee structures to review. It was determined that there is no need to move the funds from State Street based upon the fact that the fee rates are the lowest with this passive manager versus the others shown.

**Energy Investing**

In response to the group’s prior meeting discussion on the importance of defining what we mean by “energy” and that it not just oil and gas. Ms. Kent proposed that energy be considered in the following groups: 1) Pure Inflation Hedge divided into private and public and 2) Value Added (broader energy exposure) divided into private and public.

As shown in the graphs; the exploration/production of oil is a better inflation hedge. Ms. White asked for clarification regarding whether energy referred only to gas and oil investing. Ms. Kent noted that some of the managers reserved percentages for alternative energy sources. Ms. Kent will research into the question posed on whether nuclear energy was included in any of the funds for the managers highlighted.

Vice Chair Snow communicated two observations 1) Reinforce that the investment in Energy is to serve as an Inflation Hedge, and 2) Consider the time spent as a committee on the decision related to a portfolio allocation when the % and type is inmaterial. An additional inquiry was raised regarding the fund management compensation structure, specifically are the managers paid based on an absolute return or based on return relative to an inflation index. Ms Hudson-Wilson volunteered to spend some time on this subject and Chair Cioffi asked her to do so, with agreement that the subcommittee with Cambridge assistance would work on getting some of the fund managers to speak on Energy Investing for the morning part of the January meeting in New York.

**Other Business**

The Wilbur Trust may be moved into the Long Term Pool without jeopardizing the trust based upon the legal opinion obtained from a tax attorney. This will be discussed further in the November meeting. At that time Mr. Gower will present a plan for executing this change and the attorneys will be available to speak to the full board regarding the legal aspects.

The Subcommittee will be meeting December 19th and a date still to be determined in January. Chair Cioffi asked that dates be established for the January meeting and the next year of monthly meetings.

**Adjournment**

There being no further business, the meeting was adjourned at 10:00 a.m.

Respectfully submitted,

Robert Cioffi, Chair