A meeting of the Investment Subcommittee (the Subcommittee) of the Board of Trustees of the University of Vermont State and Agricultural College was held on Wednesday, November 26, 2008 at 8:30 a.m. in 351 Waterman via teleconference.

MEMBERS PRESENT: Chair Robert Cioffi*, Vice Chair John Snow*, and Susan Hudson-Wilson*.

MEMBERS ABSENT: Sam Bain.

PERSONS ALSO PARTICIPATING: Richard Cate, Interim Vice President for Finance and Administration and Treasurer; Kathy Snell, Assistant Controller for Tax and Treasury Services; and LaRoy Brantley*, Bets Kent*, and David DeVaughn* from Cambridge Associates

* Participating by teleconference

Chair Cioffi called the meeting to order at 8:45 a.m.

Approval of October 22, 2008 Meeting Minutes

A motion was made, seconded and approved to accept the minutes of the October 22, 2008 meeting.

Flash Report Long Term Investment Pool as of October 31, 2008

Chair Cioffi asked Cambridge (CA) to lead the Subcommittee through the report. Ms. Kent reported that the portfolio was down 12% for the quarter with the Long Term Pool having a market value of $284 million at September 30, 2008. Ms. Kent reported that almost all of the Wilbur Trust assets have been consolidated into the long term pool.

Non-US equities were down 19% in October in part because of currency movements, with the USD strengthening. The biggest change from the prior month was that hedge funds protected capital more effectively in October than in September. However, marketable alternatives were still down, and public real assets were down significantly, primarily due to energy. There were no new valuations for non-marketable investments, however, Ms. Kent expects that write-downs could be in the range of 10-25% by year-end. Bonds were down in line with the Lehman Aggregate, but are still acting nicely as a volatility reducer.

Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Interim Vice President Richard Cate started the discussion by explaining that UPMIFA is about a proposal of uniform laws across the country. New model legislation was adopted by the National Conference of Commissioners on Uniform State Laws (NCCUSL) which updates and
improves the Uniform Management of Institutional Funds Act of 1972 (UMIFA). The new model legislation, UPMIFA, has been adopted by 26 states and several states have introduced legislation, including Vermont which introduced SB-161 during 2006-07.

Mr. Cate stated that he did not see this as having a significant impact on the way the Subcommittee acts. It is not something that the Subcommittee needs to act upon now. He felt the Subcommittee needed to be aware of this. Subcommittee members agreed that they would not approach their legislative colleagues on this pending legislation; if asked, they would state they view it as positive.

Update on Portfolio Rebalancing

Ms. Kent stated the Long-Term Portfolio is currently overweight in fixed income securities, and underweight in equities, due to current conditions in the market. Trustee Snow suggested that the Subcommittee schedule a review of “Asset Allocation” early in 2009 instead of mid-summer, flipping sequence with the prior years’ NYC manager meetings in light of current market conditions and potential investment opportunities. The Subcommittee will be faced with challenging rebalancing decisions; Trustee Snow foresees there may be a chance for “loading up on equities.”

The Subcommittee discussed Morgan Stanley’s significant downsizing of their real estate specialty group, and the prudence of exiting the Morgan Stanley Prime Properties fund for this reason. It was decided to request full redemption and get in the queue. Ms. Kent asked UVM to confirm Morgan Stanley’s redemption guidelines (quarterly, with written request to be made by the last day of previous quarter (i.e. Dec 31st for March 31st)).

Two new managers have yet to be funded: Gresham and Acadian. The Subcommittee discussed the need for a legal due diligence review given that investors have little opportunity to negotiate terms, and that these investment vehicles have been open for years. It was agreed that Mr. Cate should not sign subscription documents without at least a cursory legal review. Mr. Cate agreed to speak to Ms. Bazlute to see if general counsel’s office can review documents and identify any trouble spots for Chair Cioffi’s review. The Subcommittee agreed that it was comfortable waiting for December 31st 2008 entry.

Non-Marketable Alternatives Updates

Ms. Kent started this discussion by stating that it would be appropriate and prudent to hold off on considering new NMAA products as existing funds (Commonfund) are extending their enrollment deadlines. To-date, the University has $41.5M of unfunded commitments. She suggested that the subcommittee refocus on this in the beginning of the year as the funds that are open now are staying open longer than expected. Trustee Snow agreed stating that current market conditions are likely to create a secondary market that will be very attractive and by waiting there will be a much bigger supply. The Subcommittee discussed potential “secondary strategy” next year to get the asset allocation for NMAAs up quickly. There could be attractive deals since other institutional investors (endowments) are aggressively selling private equities to raise liquidity. The Subcommittee discussed the attractiveness of ING Clarion Lion.
Trustee Hudson-Wilson suggested that we start a dialogue with Clarion about buying more units directly. Trustee Hudson-Wilson offered to contact ING Clarion Lion to find out if they are making provision for existing participant clients to sell to/from each other. The Subcommittee approved of her starting the dialogue with Clarion.

**Other Business**

The following resolutions for Signatory Authority were presented:

**Signatory Authority – Endowment Funds and Other Invested Funds**

WHEREAS, the Board of Trustees has fiduciary responsibility for the University of Vermont and State Agricultural College Endowment Funds and Other Invested funds, such as Long Term Investment Pool, including Consolidated Endowment Funds, and The University of Vermont Trust, certain Separately Invested Endowment funds, certain Charitable Trusts and the Pooled Income Fund; and

WHEREAS, from time to time documents relating to securities transfers, purchases, and sales are required in connection with the operation of these funds;

BE IT RESOLVED, that the President, Senior Vice President and Provost, Vice President for Finance and Administration and Treasurer, Controller, and Assistant Controller for Tax and Treasury Services, or any officer holding any of the above positions on an interim basis, singly is authorized to execute any and all instruments necessary, proper, and desirable for that purpose.

This resolution supersedes all previous authorizations.

**Signatory Authority - Proxy Votes on Shareholder Resolutions**

BE IT RESOLVED, that, when offered shareholder resolutions, the Vice President for Finance and Administration and Treasurer, Controller, Senior Accountant, or Endowment Accountant of the University shall commit the proxy votes of the University in accord with specific guidelines approved by the Investment Subcommittee of the Budget, Finance, and Investment Committee of the Board of Trustees.

BE IT RESOLVED, that, in the absence of such specific guidelines, except for matters of routine corporate business, the Vice President for Finance and Administration and Treasurer, Controller, Senior Accountant, or Endowment Accountant shall cast an abstaining vote.

BE IT FURTHER RESOLVED, that, in any instance when such specific guidelines do not exist, the Socially Responsible Investing Work Group may study the issue and develop a recommendation for the Investment Subcommittee.
A motion was made, seconded and it was unanimously voted to approve both resolutions as presented.

- Socially Responsible Investing Work Group (SRIWG) update – Trustee Snow reported that two proposals have been presented to the work group. Another meeting will be scheduled to continue the presentations and discussions. The SRIWG is not ready to recommend any action yet.
- Endowment Statement of Changes – The Subcommittee reviewed the statement.
- Update on Operating Funds – drawdowns from Commonfund STF Operating account have totaled $50.6M, or approximately 60% as of November 18, 2008.
- December 17th schedule and agenda – No special items are set for the December agenda; Chair Cioffi to provide agenda item(s). Cambridge will not be participating in that call.
- Planning for January 27, 2009 Manager Meetings in New York City - The Subcommittee decided to change the location of the January meeting from New York to Boston, and to focus on asset allocation, rather than meeting with several managers. The Subcommittee would like to meet with one manager, either Iridian or Eaton Vance. Cambridge will host the meeting.
- Sigular Guff’s request for extension of final closing date – Ms. Kent thought it was fine to provide consent.

Adjournment

There being no further business, the meeting was adjourned at 10:15 a.m.

Respectfully submitted,

Robert Cioffi, Chair