A meeting of the Investment Subcommittee (the Subcommittee) of the Board of Trustees of the University of Vermont and State Agricultural College was held on Wednesday, April 21, 2010, at 8:30 a.m. in the President’s Conference Room, 351 Waterman Building, Burlington, VT.

MEMBERS PRESENT: Chair Samuel Bain*, Vice Chair Susan Hudson-Wilson*, Ian Boyce* and David Daigle*

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration and Treasurer, Richard Cate; Controller, Claire Burlingham; Assistant Controller for Tax and Treasury Services, Kathy Snell; and Vice President of Legal Affairs and General Counsel, Francine Bazluke

*By means of conference telephone.

Chair Samuel Bain called the meeting to order at 8:36 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the March 17, 2010 meeting.

Update on Portfolio Rebalancing

Mr. Bain opened the meeting and provided an update to the Subcommittee on the portfolio rebalancing in regards to the Morgan Stanley Prime Property account. Mr. Bain reported on the two companies in the secondary market with whom he has had communication with regarding their offers to buy the asset. Several Subcommittee members opined that the real estate market may have reached the bottom and is rebounding. Some members also noted that the risk premiums in the credit market have decreased. Mr. Cate reminded the Subcommittee that the current net asset value reflects a 39% loss on the purchase price of the asset, and asked about the opportunity to recover the value; the consensus was that the funds would be reinvested in the same asset class, yet with a different asset manager. Following the discussion, the members unanimously agreed that a nominal discount offer on the Morgan Stanley Prime Property would be acceptable, otherwise the University would wait and attempt to redeem the asset at the net asset value. The redemption request will remain with Morgan Stanley Prime Property.

Mr. Bain then updated the Subcommittee on the recent transactions of the portfolio rebalancing with the $5 million initial investment with BlackRock All-Cap Global Resources (All-Cap Energy and Resources) Fund. The target amount to invest with BlackRock is $7 million. Based on the cash availability, the Subcommittee unanimously agreed to have UVM initiate an additional $1 million investment with BlackRock.
The University’s Vanguard Total Bond Market Index Fund account was opened with a $4.1 million initial subscription amount. The minimum balance to participate in the institutional share class for this fund is $5 million, with a 90-day waiver ending on May 5th. A 4% redemption request has been placed with the State Street Passive Bond fund which will yield approximately $1 million and will arrive by the end of April 2010. The $1 million will be invested with the Vanguard Total Bond Market Index Fund to fulfill the $5 million initial investment requirement.

**Real Assets Benchmark Discussion**

A discussion of the Real Assets benchmark was deferred until the May 19th meeting. A request was put forth for Cambridge Associates to investigate and provide a synopsis of the Investment Property Databank (IPD) All Property Index benchmark versus the NCREIF Property Index, as a Real Asset benchmark. Mr. Bain will submit the request with Cambridge Associates.

**Executive Session Rules**

Ms. Francine Bazluke, Vice President for Legal Affairs and General Counsel, joined the meeting to briefly explain the rules surrounding executive sessions of Board meetings. She noted that all meetings of the Board and committees at UVM must be held open. Ms. Bazluke recommended that she should be consulted prior to a meeting, when considering the option of an executive session, by noting the specific item on the agenda. She noted a few of the many criteria that allow for an executive session which include discussion of an investment manager’s performance; review of proposed terms of contracts; performance of an individual employee or UVM official with investment responsibilities. Executive sessions are not appropriate for Socially Responsible Investing Work Group (SRIWG) recommendations, portfolio investment performance, or protocol for RFPs. Ms. Bazluke then explained the proper procedure for calling executive session during a meeting. The chair of the committee requests a motion to go into executive session, and then would request a motion to go out of executive session. The motions must be taken in open session. It was noted that a resolution may be discussed during executive session, however, the action for any resolution must be taken once out of executive session.

**Annual Reaffirmation of Divestiture Resolutions**

Ms. Burlingham reviewed Attachment 2 and updated the Subcommittee on the Socially Responsible Investing Work Group activities from the April 1st meeting. She reported that the Work Group reviewed the resolutions, appended to this document, which are being considered for annual reaffirmation, and determined that both resolutions are still active and well supported. Discussion ensued about the Work Group tracking the activity surrounding any SRIWG resolution to ensure that they are active, have continued advocacy and are relevant on an ongoing basis.

Following the discussion, the Subcommittee unanimously agreed to reaffirm the Resolution for Divestment from Sudan and the Resolution Regarding Divestment from Companies Manufacturing or Distributing Cluster Munitions and/or Military Items Containing Depleted Uranium to present to the Budget, Finance & Investment Committee at the May Board meeting.
Ms. Burlingham next reported that the SRIWG has recommended to the Investment Subcommittee that the ISC make its best effort to improve access to information about the UVM endowment especially online access in the effort to move UVM closer to the best practices of fund disclosure as illustrated by funds such as Alaska Permanent Fund and the Norway government Pension Fund.

Ms. Burlingham recommended that the asset category balances be listed on the website as of a certain date, June 30th for example. Discussion ensued on addressing the spirit of the request, while ensuring that the contracts with investment managers are not violated. Following discussion about recommendation, Mr. Bain requested postponing further discussion or any action until the May meeting.

Executive Session

A motion was made to enter into executive session as of 9:21 a.m. for the purpose of discussing contracts. A motion was made at 9:37 a.m. to leave the executive session and re-open the meeting to the public.

Other Business

The Subcommittee members identified the following managers as candidates to attend the July 20th meeting in NYC:

- Forester
- Iridian
- ING Clarion
- Varde
- Highline
- Tremblant

A special meeting was scheduled for 8:00 a.m. on Wednesday, May 5th to review proposals submitted in response to the RFP for investment advisory services.

Ms. Burlingham reported the Underwater Endowments as of 12/31/2009.

Mr. Cate updated the Subcommittee on the University’s Operating Funds, and noted that proposals received from the RFP for Brokerage Services have been received, and interviews are being scheduled. Mr. Bain requested that the list of approved managers/products for Operating cash be sent to Subcommittee members.

Adjournment

There being no further business, the meeting was adjourned at 9:46 a.m.

Respectfully submitted,

Samuel Bain, Chair
Reaffirm Divestiture from Sudan

RESOLVED, that the Board of Trustees reaffirms its Resolution for Divestment from Sudan, as adopted by the Board on May 18, 2006, and amended by the Executive Committee on June 12, 2006 (stated below);

BE IT FURTHER RESOLVED, that the Budget, Finance and Investment Committee, as successor to the Committee on Socially Responsible Investing, will review this resolution on an annual basis.

Resolution for Divestment from Sudan

WHEREAS, the University’s Policy Statement on Moral, Social and Ethical Considerations in Investment and Shareholder Resolutions holds that the primary objective of investment by the University is to provide a satisfactory return on investment for the support of University operations based upon the Prudent Investor Rule; and

WHEREAS, the Policy Statement also holds, however, that the policy of fiscal prudence shall not preclude the University from considering moral, ethical, and social criteria in determining companies in which to invest; and

WHEREAS, a balanced group of the University community has been convened as the Committee on Socially Responsible Investing and has studied the issue of genocide in the Darfur region of Sudan and has made recommendations to the Investment Committee of the Board of Trustees;

THEREFORE, BE IT RESOLVED, that the University adopt and implement a policy of targeted divestment from companies doing business with or otherwise aiding the governing regime of Sudan based on the model developed by the Sudan Divestment Task Force;

BE IT FURTHER RESOLVED, that the University implement its divestment policy to the fullest extent consistent with its fiduciary responsibilities; and

BE IT FURTHER RESOLVED, that the Socially Responsible Investment Work Group will review and reaffirm this resolution on an annual basis.

Reaffirm Divestiture from Companies Manufacturing or Distributing Cluster Munitions and/or Military Items Containing Depleted Uranium

RESOLVED, that the Board of Trustees reaffirms its Resolution for Divestment from Companies Manufacturing or Distributing Cluster Munitions and/or Military Items Containing Depleted Uranium as adopted by the Board on May 15, 2009 (stated below);
BE IT FURTHER RESOLVED, that the Budget, Finance and Investment Committee will review this resolution on an annual basis.

**Resolution Regarding Divestment from Companies Manufacturing or Distributing Cluster Munitions and/or Military Items Containing Depleted Uranium**

WHEREAS, the board reaffirms its commitment to “Our Common Ground” and its stated values of “justice” and “responsibility”; and

WHEREAS, the University’s policy of fiscal prudence shall not preclude the consideration of moral, ethical and social criteria in determining companies in which to invest, and that the University will take an active role on request in pursuing shareholder resolutions through proxy resolutions and other means in order to further its goal of investing in firms that produce safe and useful products in accord with moral, ethical and social criteria; and

WHEREAS, reaffirming the Declaration of the Oslo Conference on Cluster Munitions, by which, inter alia, States recognized the grave consequences caused by the use of cluster munitions and committed themselves to conclude by 2008 a legally binding instrument that would prohibit the use, production, transfer, and stockpiling of cluster munitions that cause unacceptable harm to civilians, and would establish a framework for cooperation and assistance that ensures adequate provision of care and rehabilitation for victims, clearance of contaminated areas, risk reduction education, and destruction of stockpiles; and

WHEREAS, weapons containing depleted uranium have potentially harmful effects on human health and the environment and do so indiscriminately;

BE IT RESOLVED, that the Budget, Finance & Investment Committee recommends University divestment from companies that are materially engaged in the manufacture of:

a) Cluster munitions as defined by the Oslo Treaty of December 2008.

b) Military equipment and/or weapons containing depleted uranium.

BE IT FURTHER RESOLVED, that the Socially Responsible Investment Work Group will review and reaffirm this resolution on an annual basis.