Date: July 09, 2010

From: BSA Investment Committee (IC)
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    Mackenzie Taylor <mackenzie@utk.edu> (Member)
    Jack Horner <hth@iastate.edu> (Member and Chair)
    Bill Dahl <wdahl@botany.org> (ex officio, Executive Director)
    Laura Galloway <lgalloway@virginia.edu> (ex officio, Treasurer)
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To: Executive Committee (EC) and Council of the Botanical Society of America (BSA)

Re: Annual Report of the Investment Committee (IC) for 2009-2010 regarding the BSA Endowment Fund

Since the previous 2008-2009 Annual Report, the IC has:

- Monthly monitored the BSA Endowment Fund (EF) invested with Morgan Stanley Smith Barney (MSSB) in Des Moines, IA;
- Added a student voting member to the IC (Mackenzie Taylor)
- Had one conference call on May 26, 2010 with the MSSB staff (Bryan Boesen, CFP, CIMA, Vice President – Wealth Management) in Des Moines, IA;
- Voted to amend the two BSA statements of investment policy objectives & guidelines (see two attachments);
- Voted to provide the EC/Council $75,000 from EF unrestricted funds for 2010-2011 initiatives, pending further discussion and vote by EC/Council in Providence, RI.

Comparison of this year’s value with the EF values for the two previous years* and compared to the highest value in 2007**:

- June 30, 2010 the EF value was $3,108,492*** (this is a yearly increase of $381,810 or 14.1%)
  
  Equities: $ 2,389,761
  Fixed Income: $ 458,900
  Alternatives: $ 171,950
  Cash & Equivalents: $ 87,881

- June 30, 2009 the EF value was $2,724,682*
- June 30, 2008 the EF value was $3,326,358 *
- June 10, 2007 the EF value was $3,633,455 **

*This decline and slight increase in EF value has been the direct result of the erosion of the world economy, especially during 2008-2009, and the first one-half of 2010 (approximate decline of 14.4% over the three-year period).

**The EF is divided into two parts: Unrestricted funds (90.5% of total EF = $2,813,185); and Restricted funds (9.5% = $295,307) which represent Section and special awards funds.
The EF total management fee for this last fiscal year was $41,896.38 (1.4455%).

The chair or any member of the IC will be willing to answer questions about the EF.

Respectfully submitted,

Harry T. (Jack) Horner, IC Chair

**Attachments:** BSA Endowment Fund Overview and BSA Endowment Fund Statement of Investment Policy Objectives and Guidelines
1. **Purpose of Endowment Fund**: The purpose of the Endowment Fund is to increase the monetary assets of the Society in order to provide income to fund major initiatives, travel grants, scholarships, and other activities that enhance the effectiveness of the Society to fulfill its Mission (see Bylaws). The Investment Committee (IC) is responsible to and empowered by the Executive Committee and the Council to manage the Endowment Fund. The IC makes no recommendations for use of the Endowment Fund.

2. **Contributions to Endowment Fund**: All monetary gifts, stocks and bonds designated “Endowment Fund” shall be immediately deposited in either the Endowment Fund Money Market Fund or in the Endowment Fund directly, and then invested in a timely fashion by the IC. Other gifts, such as property, shall be individually handled by appropriate legal procedures to integrate it into the Endowment Fund.

3. **Solicitation of Membership to Contribute to Endowment Fund**: Solicitation shall be carried out two ways: the first, the membership will be provided ‘purpose and giving’ information in each issue of the PSB and on the annual membership form; second, a more select portion of the membership that includes long-time (/>20 years) members, and members whose ages are 50 years or older, will be individually solicited once every other year (odd-numbered).

4. **Use of Endowment Fund Income**: The unrestricted value of the BSA Endowment Fund (all non-restricted, non-sectional funds) will be averaged over the previous twelve (12) quarters, in early July of each year. The ‘averaged unrestricted value’ available for use during the next fiscal year will be a maximum of 4%, and this amount will be reported at the BSA annual Council Meeting. The IC will annually evaluate the annual maximum of 4% (used to generate income such that if growth goals are being met, or if growth is too slow, the annual maximum of 4% will be adjusted accordingly. Any usable income from this averaged unrestricted value unallocated or unused by the end of the fiscal year (June 30) shall revert to the Endowment Fund unrestricted principle. As a means of checks and balances, the % allocated for annual use shall be determined by the IC in keeping with its charge to increase the value of the Endowment Fund at a rate exceeding inflation. Use of the Endowment Fund ‘averaged unrestricted value’ shall be determined by the EC/Council (see Guideline 5. Of Endowment Fund Guidelines).

5. **Approval of use of Endowment Fund**: Any member, committee, section, or ruling body of the Society may submit a request to use the Endowment Fund for purposes outlined in 1. The request(s) must be submitted to the Executive Committee for consideration and recommendation to the Council. The Council at its annual summer meeting, or at a special called meeting, or by e-mail vote in unusual circumstances, will act on the recommendation(s). Approval of any recommendation(s) by the latter three ways will be determined by a majority (51%) of all eligible voting members. If the recommendation(s) is/are approved, the Treasurer of the Society will be empowered to distribute the money according to the approved recommendation(s). If an individual member of either the Executive Committee of the Council submits a recommendation, that member is excused from voting on the recommendation.

6. The IC consists of four appointed, voting members (three regular members, including a chair, and a student member) all with three-year, renewable terms, and three non-voting *ex officio* members with terms identified by their positions (Executive Director, President and Treasurer).
7. This document, along with BOTANICAL SOCIETY OF AMERICA ENDOMENT FUND STATEMENT OF INVESTMENT POLICY OBJECTIVES and GUIDELINES, serve as the documents that guide the BSA IC.

The Botanical Society of America (BSA) is a nonprofit 501c3, scientific society founded in 1893. Society was incorporated in Connecticut in 1939. The BSA business office mailing address is: The Botanical Society of America. PO Box 299, St. Louis, MO 63166-0299 · Voice: 314-577-9566 · FAX: 314-577-9515

The BSA -

- presently consists of about 3000 members worldwide divided into five voting membership categories (student, professionals, emeritus, life, corresponding) and three non-voting membership categories (amateur, affiliated and associate);
- has an organizational structure that consists of management and governance which are carried out by a paid business staff and an all-volunteer executive committee, council, and numerous standing and ad hoc committees;
- has two publications, a monthly journal (American Journal of Botany) and quarterly bulletin Plant Science Bulletin);
- provides outreach programs for both education and research;
- obtains its income from journal subscriptions, annual membership dues, operating an annual meeting, various education related grants and gifts from its members;
- has an endowment fund (EF) under the direction of the Investment Committee (IC) and an investment program managed by an external source;
- has a development committee that provides information to potential benefactors and members, and active contributors for the purpose of increasing the endowment fund, and for making contributions to non-endowment BSA projects.

The IC has approved the following objectives, guidelines and reporting for the EF for the Investment Firm/Manager(s)

**Primary Investment Objective**

Long-term growth of capital: to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

**Secondary Investment Objective**

Aggressive growth of capital: to maximize total return while expecting return volatility to exceed that of the stock market both in the short-term and over the entire investment horizon.
**Investment Projection**

The investment time horizon is the amount of time from today during which it is expected that the majority of the invested assets will remain in this portfolio. If a substantial portion of the portfolio were expected to be liquidated, the investment time horizon would be the number of years until that event. This plan will continue in perpetuity.

**Investment Performance Goal and Data Expected from Investment Firm on an Annual Basis**

Over the investment horizon established in this statement, it is the goal of the EF assets to equal or exceed: an annual absolute/net rate of return of \(8.00\%\). In addition, IC/BSA expects an annual report during the spring of each year that shows exact dollar amounts for the annual net gains/losses of the EF (all accounts) and the exact dollar amount (not percentage) of the cost of the investment services for managing the EF during the previous 12-month period (from date of annual report).

**Requested Income**

The BSA Executive Committee/Council may request a single, annual withdrawal of funds from the EF, consistent with recommendations from the IC. The amount requested may not exceed 4\% of the value of the EF, averaged over the previous three fiscal (June 30) years.

**Spending Policy**

The BSA Executive Committee and Council will use the funds received from the EF request to support activities consistent with BSA policies and goals.

**Allocation of Assets**

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<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Maximum</th>
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</thead>
<tbody>
<tr>
<td>Equities</td>
<td>15%</td>
<td>100%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>0%</td>
<td>45%</td>
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<tr>
<td>Cash &amp; Equivalents</td>
<td>0%</td>
<td>20%</td>
</tr>
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**Review and Evaluation of Performance**

Performance reports generated of the investment firm/consultant will be compiled at least quarterly and communicated to the IC for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration will be given to the extent to which the investment results are consistent with the objectives, goals, and guidelines as set forth in this document. The IC intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reasons.

This document, along with **BOTANICAL SOCIETY OF AMERICA ENDOWMENT FUND OVERVIEW**, serve as the documents that guide the BSA IC.

*The information provided in this document is proprietary and intended for evaluation, discussion and plan development only between the BSA and your organization BSA has designated for these purposes.*