Date: July 16, 2014

To: Board of Directors and Council of the Botanical Society of America (BSA)

From: BSA INVESTMENT COMMITTEE (6 members, 3 year terms; 3 ex officio members, varies)

- Russell Chapman (2015; member) <chapman@lsu.edu>
- Jon Giddens Student Representative (2015; member) GIDD8708@gmail.com [918-277-9731]
- Harry T. (Jack) Horner (2014; member, Chair) <hth@iastate.edu> [515-294-8635]
- Larry Hufford (2016; member) <hufford@wsu.edu> [509-335-2183]
- Karl Niklas (2017; member) kjn2@cornell.edu [607-255-8727]
- Mackenzie Taylor (2014; member) <mackenzietaylor@creighton.edu> [402-340-5963]
- Pamela Diggle (2014, ex officio), President <pamela.diggle@uconn.edu> [303-550-3065]
- Joe Williams (2016, ex officio), Treasurer joewill@utk.edu
- Bill Dahl (continuous, ex officio), Executive Director wdahl@botany.org [928-963-0940]

Re: Annual Report of the Investment Committee (IC) for 2013-2014 regarding the BSA Endowment Fund and its year-to-date activities

Since the previous 2012-2013 Annual Report, the IC has during 2013-2014:
- monitored monthly the BSA Endowment Fund (EF) invested with Morgan Stanley (MS; changed from Morgan Stanley Smith Barney-MSSB) in Des Moines, IA, and reviewed reinvestments by MS;
- approved making changes in the endowment portfolio per recommendations from MS;
- supplied MS with a series of questions regarding the investments during Spring 2014;
- received both the answers to the questions and an Investment Portfolio Review from MS dated April 30, 2014 prior to the May 30, 2014 IC conference call with MS (Bryan Boesen, CFP, CIMA, Vice President – Wealth Management) in Des Moines, IA;
- renegotiated a lower MS management fee. When the Endowment Fund (EF) reaches $5M, a lower fee and additional benefits will be available to it.

Comparison of this year’s value with the EF values for the five previous years

As of June 30, 2014 the EF value was $4,859,277 (this represents a 17.7% [$730,713] increase from last year [see below]). This increase was due to major changes in the global economic conditions during the past year and several changes in the endowment portfolio investment categories. The EF has increased 78.3% from its low point five years ago (see below) of June 30, 2009.

- June 30, 2013 the EF value was $4,128,564
- June 30, 2012 the EF value was $3,787,307
- June 30, 2011 the EF value was $3,915,427
- June 30, 2010 the EF value was $3,108,492
- June 30, 2009 the EF value was $2,724,682
The BSA EF Assets (as of 6/30/14) as invested by MS are divided into the following categories (details are available on an individual basis):

- Cash, Deposits, Money Market Funds $105,555.04
- Stocks $1,834,675.26
- ETFs & CTFs* $2,736,313.08
- Mutual Funds $182,733.82

$4,859,277.20

*ETF = exchange-traded fund; CTF = commodity (exchange) traded funds

Society and Sectional Funds as part of Total Endowment

- TOTAL MS Endowment Funds $4,859,277.20*
- Unrestricted Funds (30.5%) $1,441,243.04**
- Restricted Funds (66.2%) $3,216,339.65**
- Permanent Restriction (3.3%) $161,694.52**

- Sectional Cash $118,635.03
- Sectional Allotments $17,736.92
- Awards $2,286,016.51
- Endowments $397,180.38

*as of June 30, 2014

**These categories and percentages have been established by the Board of Directors and Council

Summary of BSA EF monthly totals from July 2013 through June 2014

The EF total management fee for this last fiscal year (2013-2014) was $65,635.90. This represents 1.453% of the average portfolio value during this yearly period.
BSA Total Giving includes Endowment Fund and Special Endowment Drive Spring 2014, and Other Giving During 2013-2014 (October 2013- June 2014; 8 months, BSA Office time frame)

- Total giving in all categories = $30,769; = 378 individual donors
- All Endowment Giving 2013- June 2014 + Special Spring 2014 Endowment Drive = Total Endowment donations = $18,810; = 230 gifts

As of May 31, 2014 the EF continues to be divided into two parts within BSA accounting: Unrestricted funds (82% of total EF = $3,182,294); and Restricted funds (18% = $697,152) that represent BSA section and special award funds.

<table>
<thead>
<tr>
<th>2013-2014 All-Society and Endowment Giving</th>
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<tbody>
<tr>
<td>Donor Giving Levels</td>
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<tr>
<td>---------------------</td>
</tr>
<tr>
<td>$10,000 or less</td>
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<td>$5,000 or less</td>
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<td>$100 or less</td>
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<tr>
<td>Total Donors</td>
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<tr>
<td>Total Contributions</td>
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</tbody>
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*This column includes all contributions to the endowment (including**)
Finally, the IC would like to thank Pamela Diggle (BSA President, 2013-2014) for serving on the IC during this past year. Her one-year term expires as of this annual meeting. The remaining committee members (identified previously) have provided excellent service to the BSA through this committee during the past year. Thank you all.

The chair or any member of the IC present will be willing to answer questions about the EF. You are invited to attend the IC meeting on Sunday morning, July 27, 8-9 am in Cattails Room, The Grove Hotel (Session MO2).

Respectfully submitted,

[Signature]

Harry T. (Jack) Horner, BSA IC Chair