INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee held its quarterly meeting on Thursday, December 2, 2010, at the Bureau of Investments, Great Lakes Conference Room, 2501 Coolidge Road, Suite 400, East Lansing, Michigan.

Members Present:

David G. Sowerby, Chairman
Glenn P. Murray
Roger Robinson
Susan Corbin, DELEG
Phillip J. Stoddard, DTMB

In attendance from the Department of Treasury: Robert J. Kleine, Jon M. Braeutigam, Ronald C. Jones, Jr., Gregory J. Parker, Vernon Johnson, Brian Liikala, Richard Holcomb, Peter Woodford, Paul Nelson, Jack Behar, Jim Elkins, John Richards, Kevin Fedewa, Giles Feldpausch, Karen Stout, Marge McPhee, and Emma Khavari.

Others in attendance: Andy Dillon, Jim Voytko, Randy Mundt, Chris Michalakis, Frank Cody, Robert Brackenbury, Jason Diotte, Lynette Pitcock, Renaye Manley, and Edgar Hernandez.

<u>Call to Order and Opening Remarks</u>

Chairman David G. Sowerby called the December 2, 2010, meeting to order at 9:32 a.m. He welcomed everyone to the meeting noting this would be Treasurer Kleine's last Investment Advisory Committee (IAC) meeting in the capacity of State Treasurer. On behalf of the entire members of the IAC he thanked him for his dedication, his integrity, and his work for the state pensions. Chairman Sowerby noted that Treasurer Kleine has a background in economics and it was his desire to apply that knowledge to the investment portfolio. Chairman Sowerby presented Treasurer Kleine with a resolution plaque thanking him for his dedicated service, and his contributions to the IAC and the State of Michigan.

Chairman Sowerby noted that the markets have been better in 2010. He noted that once-a-year there is a 10% correction in the market, a 5% correction about 2½ times a year, and a 20% correction on average once every three years. In early July, the markets were difficult with talk of double dips at the beginning of this year. Since July, the markets have recovered anywhere from 15% or better. He discussed the ISI Manufacturing Index, which is one of the best indicators that correlates to growth in the economy and suggests corporate profits may still grow between 9% and 11% over the next year. Chairman Sowerby noted that there is a lag in the recovery in the alternative and real estate spaces. The portfolios are positioned well to take advantage of this recovery in the years to come. Chairman Sowerby turned the meeting over to Treasurer Kleine.

Treasurer Kleine thanked Chairman Sowerby for the kind comments. He thanked Jon, Ron, Greg, and the whole BOI staff for all their great work for the retirees and the State of Michigan. He noted the times have been difficult and scary, but the correct decisions have been made and the State of Michigan Retirement Systems' (SMRS) portfolio is in good shape. He also thanked the Committee members for all the good work they have done for the retirees noting it has been a great group to work with and being able to go out on a high note with the market up 10.6% since the September IAC meeting. The economy is showing signs of improvement in recent months, with the exception of the housing and labor markets. He talked about some of the positive developments in the economy which included the increase in private payroll employment in October, up 159,000; the increase in new jobs created, and the increase in motor vehicle sales with the highest levels reported since the Cash for Klunkers program in September of 2008.

Treasurer Kleine discussed the improvement in corporate profits, which in the third quarter exceeded the all time high reached in 2006, and were up 28% from a year ago. The corporate balance sheets appear to be in the best shape ever with about a trillion dollars in cash. Overall, the economy is looking somewhat stronger. He noted based on historical trends, the outlook for the stock market is positive for the next one-year to five-year periods. He pointed out that next year is the third year of a presidency with the average increase in the stock market in the third year of a presidency being 16.7% since 1935, with the exception of 1939 when it was down 2.9%. The average annual return increase for the five-year period after major stock market declines, between 1932 to 2009, has been 19%; from a low of 9.3% to a high of 35.9%.

Treasurer Kleine noted that there are three serious long-term problems to deal with: high unemployment, the large Federal budget deficit, and growing income inequality. He discussed some of the policies that could bring down the unemployment rate; such as, large increases in infrastructure, research and development spending, and targeted tax cuts. The unemployment rate will come down, but at a slow rate. Reducing the Federal budget deficit to a reasonable level over the next five years is doable, but it is going to be difficult with the big issue of extending the Bush tax cuts which will cost $5 trillion over the next 10 years. He noted that income inequality is now more unequal than any time since 1928. From 1980 to 2005, more than 80% of the increase in personal income went to the top 1% and the share of after-tax income earned by the top 1% increased from 7.9% to 17.1%. Treasurer Kleine noted a quote from Plutarch who said: "An imbalance between rich and poor is the oldest and most fatal ailment of all republics." He concluded noting concern about oil prices and how the demand for oil in the future could put more and more pressure on the price of oil.

<u>Approval of Minutes of September 2, 2010</u>

Chairman Sowerby asked for a motion to approve the September 2, 2010, minutes. A motion was made by Mr. Phillip J. Stoddard and seconded by Mr. Glenn P. Murray to accept the minutes as read. The motion passed unanimously.

Performance

Mr. Jon Braeutigam reported on the performance of the SMRS' portfolio for the time period ending September 30, 2010. He thanked Treasurer Kleine and noted he always acted with honor and with the best interest of the retirees. He maintained through some difficult times. Mr. Braeutigam reviewed the Mission Statement for the Bureau of Investments and the Goals, which are set by the Retirement Boards, and Objectives for the State of Michigan Retirement Systems. He noted that the Bureau of Investments manages the State's cash, the 529 Plan, the 401(k) Plan, the DNR Trust Funds to the MET Funds.

Mr. Braeutigam noted that September, which is historically not a good month, was the best in 70 plus years. The S&P 500 at the close of business yesterday was at 1,206, and it was up 8.16% for the year. This is an indication of the volatility in the markets, through September the market was only up 2.34% and as of yesterday it was 8.16%. He noted that many are referring to this market as risk on / risk off. He also noted the 10-year Treasury at the end of September was at 2.5% which is really low; the rate is now up to 3%. On a 30-year Treasury bond, if the rate goes up 1%, you lose 16% in market value and for the 10-year Treasury, if the rate goes up 1% you lose about 8% in market value. It appears bonds are a little bit over-priced at the present time. He pointed out that the stock markets are pretty attractive right now, especially relative to the bond market.

Mr. Braeutigam commented on the asset classes, which have beat their benchmarks over ten years. He noted domestic equities were very close to the index with about 36% of domestic equities in passive equities. He commented that alternatives had a great single year, and there was improvement in real estate. The one-year real estate figures contain fourth quarter 2009 adjustments which appeared in the first quarter of 2010. The NPI adjusts every quarter so all these adjustments came in one quarter which is what is weighing down the one-year number. He added that absolute return had a good year. Real return, which is the commodity portion, had a great quarter along with the opportunistic bucket.

Mr. Braeutigam discussed the standard deviation or the risk of volatility noting that the standard deviation has been calculated for the Michigan Public School Employees' Retirement System for five and ten years. He stated that the return per unit of risk can be calculated by taking the annualized return and divide it by the standard deviation, which is 0.297 and calculating for the median it is 0.288. He concluded noting this is another measure of performance.

Asset Allocation

Mr. Braeutigam reported on the SMRS' asset allocation. The SMRS for the time period ending September 30, 2010, had a market value of $47.482 billion. He noted that the SMRS paid out $2.6 billion in the last fiscal year to retirees. This figure may jump to approximately $3 billion next year, which would be between 6% and 7% of the fund next year to make retirement benefits in excess of employer contributions. He reviewed the closed and open plans for the four different retirement systems and the implications they have on the fund. He discussed the cash flow and the different asset classes and emphasized the net benefit payouts and where some of the funds have been taken to meet the payouts.

Mr. Braeutigam talked about the approved asset allocation targets. The alternative investments asset allocation target has been lowered and the SMRS' fund will be working toward decreasing the allocation over the next year. There will be increases in the asset allocation in the absolute and real return classes to about 6% and 4% respectively. He concluded noting that if alternative investments is break-even on the cash flow basis, then the liquid asset classes have to bear the burden of funding the negative cash flow for contributions.

Chairman Sowerby introduced Mr. Randy Mundt, CIO for Principal Real Estate Investors. He noted that Principal Real Estate Investors is one of the top ten partners on the real estate side working with approximately a $250 million portfolio.

U.S. Economic Outlook – Mr. Randy Mundt, CIO, Principal Real Estate Investors

Mr. Mundt thanked David, Jon, and Brian for the opportunity to present his view on the U.S. Economic Outlook. He began by explaining that at Principal Real Estate they spend a lot of time on the global and U.S. economy and how to apply what is going on in the economy to commercial real estate decisions, noting that when researching real estate there must be an understanding of what goes on at the brick and mortar level, and also of the large macro trends and how these affect commercial real estate. He noted that commercial real estate has improved because the broader capitals have improved, and the fall in Treasury rates actually helped real estate cap rates. He discussed the cautious optimism about the broader economy going forward and the possibility of an extended soft patch. He explained that a soft patch is an inability for the economy to consistently break out of a real 3% GDP growth rate. Mr. Mundt talked about the headwinds which are the things that have helped prevent the breakout on the upside. A few of the headwinds discussed included the high unemployment rates, the unresolved issue of small business credit access, and the weak housing market. He elaborated on the weak housing market which affects apartments and multi-family property types and is a significant headwind the economy is facing.

Mr. Mundt discussed the slow growth and staying out of the recession noting the historical and projected U.S. GDP growth. He noted the tremendous depth of the recession in 2008. Personal consumption has been surprisingly strong with GDP numbers revised to 2.5% and consumer spending at 2.8% which is the best consumer spending quarter since the fourth quarter of 2006. He stated that state and local government spending and housing will continue to be a drag which is part of what is preventing the break out on the upside. He discussed the private sector payroll growth with an estimated 1.8 million to 2 million jobs anticipated for 2011, these figures are based on GDP numbers and productivity staying at the present level. Since 2008, there has been a tremendous drop in the private sector payroll with the loss of about 8.5 million jobs. The projected jobs will help the office sector a great deal as these jobs will drive the building occupancy. There will be space needed to work in the office and possible expansion for some businesses.

Mr. Mundt continued discussing the optimism for 2011. A few of the reasons for this is the renewed hope for policy clarity or a rollback of some of the tax issues and extension of the Bush tax cuts. He talked specifically about some of the commercial real estate implications which include consumer households have improved their balance sheets, they have deleveraged. This deleveraging has included some individuals that have been foreclosed out of their homes. With this deleveraging of consumers, automobile and electronic sales are coming back. These factors are an indication that commercial real estate retail will hold up quite well in 2011. He discussed the centers that rely too much on restaurants and discretionary spending and how they may struggle, but the centers that are anchored are the regional malls, drug and grocery centers, and possibly the centers that sell discount-type goods will continue to do fine. He noted that warehouse space has not recovered yet, but 2011 will be the year of recovery particularly in port-oriented markets. He also stated that property, market, and strategy selectivity is very, very important.

Mr. Mundt discussed the two public quadrants of commercial real estate which are REITS and CMBS, which started recovering back in 2009. They participated dramatically in the stock and bond market rallies. Because of the appraisal lag, the private market indicators for property values did not hit bottom until the end of the first quarter of 2010. Mr. Mundt discussed the ten-year Treasury rates relative to the NCREIF implied cap rates. The wide spreads are attracting core investors. When the Feds remove ultra accommodative monitory policy there will likely be upward pressure on discount, cap, and interest rates. This will not happen until there are more signs of life in the economy which will give the real estate space market more time to recover. He noted that the industry also needs to deleverage or de-risk. He discussed the relationship of all commercial real estate borrowing as a percentage of GDP. He noted there was a lot of active lending in the late 1980s and early 1990s. Then there were several years of deleveraging with many properties changing hands, distress, and recapitalization. Equity capital is coming in, both domestically and foreign to help recapitalize portfolios. He concluded his presentation noting that deleveraging will likely be anything but a smooth process. He noted that there will be plenty of decent buying opportunities in the future as the pressure from distressed debt is not going to go away anytime soon.

Economic and Market Review and Outlook

Chairman Sowerby stated in the spirit of time the Economic and Market Review and Outlook will be received and filed.

Capital Markets Overview

Mr. Greg Parker began his discussion with domestic equities noting the outlook for the long-term being in high single-digits over the next several years. The market strength is expected to continue. He talked about international equities in which the developed markets have experienced a rebound over the last year. In the emerging markets the 'V' shaped recovery began in 2008. In the fixed income area the yield curve is steep induced by the Fed, and credit spreads are wide since the announcement of the second round of quantitative easing rates have backed up. Mr. Parker added the valuations in the real estate area are fine. The private real estate markets continue to catch up to the public real estate markets and there should be positive returns in the future.

Mr. Parker referenced the correlation of stocks to market volatility. He noted at present the correlations are extremely high, this is normally observed when the stock market is highly volatile, and as these correlations normalize, this will help the active stock selection and other active strategies. He discussed the employment market which if it is a 1990s-like recovery will take two years, if it is a 2000s-like recovery it will take three years, or if it stays as it is it will take nine years for recovery. Mr. Parker concluded his presentation discussing inflation and the relation to the CPI. He noted that if the relationship holds as it has historically, the CPI could increase over 5%. He also referenced the CRD Index, which is an equal-weighted commodities basket index. He noted that from the early 2000s up to 2008, the CRB, with some bumps along the way, had an annual appreciation of over 12.5%, which is something that will be closely watched.

Investment Reports

Alternative Investments – Mr. Peter Woodford reported on the SMRS' alternative investments. The total market value as of September 30, 2010, was $9,761 million, which is an increase of $113 million from the previous quarter. This increase is primarily attributed to assets being marked-to-market. Outstanding commitments decreased by $216 million for the quarter. He highlighted the asset strategy noting that the buyout funds, the special situation funds, and the venture capital funds account for 85% of assets under management and outstanding commitments combined. Also noteworthy, is the buyout fund is the largest component of the portfolio asset strategy and still represents the best opportunity for long-term outperformance. This fund continues to produce the best return long term, while the special situations and hedge funds continue to produce the best returns for the short term.

Mr. Woodford noted that there have only been eight new commitments with continued prudence in decisions regarding allocation and still trying to reduce exposure. He also pointed out that the pace of both capital calls and distributions picked up in the third quarter significantly as the window of opportunity for both acquisitions and exits remained open. He noted a few items of focus for the upcoming year will be on operational improvements to drive earnings and on cash flow generation to pay down debt. Secondary market transactions experienced lower discounts to net asset values, which is an indicator of improved fund-raising conditions. He noted that the credit markets remained robust in the third quarter which provides opportunities for maturity extensions and possible recapitalizations. Both purchase price multiples and equity required to fund portfolio acquisitions increased slightly in the third quarter.

Mr. Woodford discussed the strategy for growing capital which will continue to focus on managers that have deep domain expertise, a focused strategy, low turnover, and a superior track record. He noted that while looking for the best managers the focus must remain on being cognizant of the asset allocation, the liquidity concerns, and the unfunded commitments. He highlighted that there are attractive opportunities in the mid to lower end of the buyout market. This is where smaller firms use less leverage, employ more operational expertise, and produce better returns than some of the larger mega-cap funds. He concluded his presentation discussing Invest! Michigan. This program is capitalized with $335 million. Credit Suisse, Beringea, and Glencoe Capital have collectively committed $106 million to 24 deals. They have reserved another $52 million for follow-on investments.

Active Domestic Equity – Mr. Jack Behar reported on the SMRS' active domestic equity investments. The market value for the active domestic equity holdings as of September 30, 2010, was $16,905 million. He reviewed the performance and provided background on how the aggregate portfolio is viewed and how the mid-cap portfolio relates to that bucket. He also discussed the philosophy of play-to-win, which was taken on the internal large cap side roughly three years ago, and it has been a success. He talked about the mid-cap external manager portfolio, which has struggled some over the past five years. The performance numbers indicate that the managers were doing pretty well going into the melt down, but struggled during the melt down. He noted that the mid-cap value composite bucket has done very well while the mid-cap core composite and the mid-cap growth composite both underperformed. He noted there has been some restructuring in the mid-cap core portfolio. He highlighted a few of the obstacles that were encountered and some of the corrections that were made putting the portfolio in a good position to outperform.

Mr. Behar went on to discuss the internal positioning referencing past discussions about how to look at the stock market in terms of a bond equivalent yield, which is about 9.5%. The projected earnings yield for 2011 on the S&P 500 is roughly 8% on a normalized basis. He reviewed how the internal portfolios are positioned relative to what is seen in the market. The internal portfolios combined have a bond equivalent return of roughly 11.5% over the long term, which appears to be positioned to add value over the S&P 500. It is anticipated that the portfolio will earn more in terms of dividends and buybacks than will the index. In addition, these companies are going to be investing more back into their own companies than will the benchmark, so they should grow faster than the index as well. Mr. Behar noted that the portfolio is overweight in the health care sector, in information technology, and financials. He concluded noting technology is less cyclical than it used to be and a little bit defensive given all the cash on the balance sheets.

International Equity – Mr. Richard Holcomb reported on the SMRS' international equity investments. The total international equity exposure as of September 30, 2010, was $6,462 million. He stated the theme for international right now is restructuring for additional liquidity, flexibility, and return. About 10.5% of the portfolio is now invested in emerging markets. This is a major change since the last report, with passive international emerging market exposure going from 3.7% to 9.6%, not including the active component. The next change in the international portfolio will be the restructuring of the internal stock plus combination. The stock plus concept, which runs on potentially opportunistic fixed income, is an attractive strategy where equity exposure is constructed with an overlay for a passive return. The goal is to try to diversify but in a way that meets the goals of liquidity and good returns along with adding fundamental managers advantages and expertise.

Mr. Holcomb highlighted that this is the first time that the net unrealized gains for the combined position were positive at $69 million, which is a turning point. He noted that completed agreements had losses on equity and fixed income of $255 million in the third quarter, and a total of $45 million of interest in excess of counterparty obligations was recognized. Recognized but unrealized gains from Libor notes 'remarked at lower carrying values' in fixed income holdings are now $81 million. As swap agreements mature, continuing fixed income holdings are shown with a new marked-to-market cost with a pricing discount as appropriate throughout the market disruption. Emerging markets are a difficult area and caution must be used to gain exposures. Performance of the total international equity position resulted in a +46 basis points (bp) tracking error and +155 bp for the trailing year. He noted the Emerging Market Index (EMI) returns were +18% for the quarter and +20.2% for the trailing year. Passive and active exposure of $676 million to emerging markets is starting to play a diversification role and increased investment is planned.

Mr. Holcomb concluded his presentation discussing taking advantage of the availability of attractive corporate spreads in Libor notes that reset quarterly, and continued recognition of improvements in pricing from earlier disruption levels. Focus is on one year periods with standardized structures, collateral, and cash flow requirements.

Indexed Domestic Equity – The market value of the indexed domestic equity portfolio as of September 30, 2010, was $5,875 million. Chairman Sowerby stated in the spirit of time the indexed domestic equity report will be received and filed.

Absolute and Real Return – Mr. James Elkins reported on the SMRS' absolute and real return investments. The market value as of September 30, 2010, was $1,794 million. There was approximately $80 million in net growth in the hedge fund portfolio as the fund-of-fund partnership added a couple of new relationships and increased exposure. The real return and opportunistic portfolio grew roughly $50 million from the addition of two new partnerships. He discussed the TALF fund, which the Federal Reserve just disclosed the participants and the SMRS' fund was number seven on the list. There was roughly $2.6 billion of securities purchased within the program with $203 million of equity and it netted a profit of about $53 million over the course of eight months. This was accomplished through team work and a lot of effort on the part of everyone involved. He summarized the absolute return portfolio noting that the Sand Hill investment has grown about $120 million over the quarter. Two new managers were also added, one in the event-driven space and one in credit. There are now 19 managers in the fund, with the potential to add one more. He noted that the portfolio now has 39 managers in five different strategies. The average position size of the portfolio is 2.4% with the largest position at 7.3%. He referenced the current strategy allocation noting that additional exposure would be in the macro strategy, which is a work in progress to find the best fit for the portfolio.

Mr. Elkins discussed the breakdown of the real return and opportunistic portfolio noting that two new partnerships have been added in the portfolio over the quarter. One fund is a direct lending fund that provides credit to middle market companies. The second fund is similar in nature to the manager-of-manager programs, the fund targets smaller alternative asset managers with good track records. He talked about the correlations and lack of dispersion in the equity markets noting that the long short equity managers in the portfolio had a decent quarter. Managers were able to make money on both long and short positions as some dispersion began to show. Also, event-driven managers generated gains during the quarter as credit positions led the portfolio, with additional contributions coming from the completion of several merger arbitrage positions. The convertible arbitrage allocation performed well, with U.S. convertibles outperforming Asian convertibles. He noted the Dow Jones UBS Total Return Index was up over 11% for the third quarter. Return correlations with the S&P 500 Index have been very high so far this year, challenging the idea that commodities are providing the desired diversification. He concluded his presentation noting the opportunistic investments continue to look attractive though return potential has moved down considerably from the 2009 levels.

<u>Fixed Income</u> – Mr. Paul Nelson reported on the SMRS' fixed income investments. The total market value for the fixed income portfolio as of September 30, 2010, was $7,867 million. He stated that roughly $1.6 billion to $1.7 billion was taken out of the fixed income area for pension payments and it appears the upcoming year could be very similar. Given this situation, one of the key factors that the fixed income area has had to work with is having a portfolio that has liquidity to be able to make these payments. He reviewed the bond market information noting there are several factors that must be considered in order to achieve a liquid portfolio. These factors include, but are not limited to, the interest levels and potential direction, the shape of the yield curve, and the quality spreads. He reviewed the quality of the spreads and the risks involved. Mr. Nelson looked at the short term area where there are negative real rates of return. He referenced the new chart 'Total Public Debt Outstanding as a Percentage of GDP' noting how the peaks correspond to the troughs of the 30-year Treasuries chart. The government portfolio at the last meeting and currently in the two categories has increased and in the longer-term categories has decreased. In the corporate portfolio there was a decline since the last quarter as pension payments had to be made.

Mr. Nelson looked at the top ten issues at the quarter end. He looked at the maturities and the durations of the government fund which are less than the benchmark. Coupon and the yield of maturity are higher. The corporate fund, the quality Moody's and the S&P are slightly higher for the SMRS' fund than is the benchmark. He looked at the one-year period ending September 30, 2010, noting there was $312 million in income added to the fund. He summarized that the portfolio has a little higher percentage of A than in the past, but it is because the quality of spreads have made it interesting. The portfolio is somewhat shorter than it would be in a different environment because of the liquidity needed. He concluded noting there must be issues that are reasonably short and reasonably good quality to provide liquidity.

<u>Real Estate</u> – Mr. Brian Liikala reported on the SMRS' real estate investments. The market value as of September 30, 2010, was $4,035 million which is up $151 million. This was driven by the $112 million in appreciation. The real estate portfolio delivered a strong total return of 3.8%. This is the second strong quarter in a row for the SMRS' fund. He noted that this increase was driven by the apartment and the limited service hotel portfolios. He noted that three of the largest investments in limited service hotel, apartments, and grocery-anchored retail composed about one-third of the portfolio, this is spread in over 300 properties across the nation.

He reviewed the strategy going forward noting that there are distressed opportunities in the debt market. There are reports that there is an increase in the amount of equity and debt available. Mortgage rates for quality properties are approximately 4% for the five-year fixed and the CMBS market has ten major lenders originating new CMBS. This activity will be necessary to refinance the amount of debt coming due over the next 24 months. Opportunities for investors lie in the ability to recapitalize portfolios, consistently communicate with lenders for distressed assets, sell properties to REITs flush with capital, and exhibit patience in order to find properties in markets that will be first to recover. He noted that focus is now on capital flows and where there is excess capital flows to one product or one market, it is time to recognize this and take advantage by selling assets. The NPI and the ODCE index turned into positive territory earlier this year, and the trend continued into the third quarter. He concluded noting that the unfunded capital commitments are $489 million. Real estate managers are seeking distressed owners that are overleveraged and in need of recapitalization.

<u>Basket Clause</u> – The fair market value of the basket clause investments as of September 30, 2010, was $3,238 million or 6.819% of the total portfolio market value of $47.482 billion. Chairman Sowerby stated in the spirit of time the basket clause report will be received and filed.

<u>Next Meeting Date and Adjournment</u>

Chairman Sowerby noted the next meeting is scheduled for Thursday, March 3, 2011. He thanked everyone for attending the meeting.

Chairman Sowerby again thanked State Treasurer Robert Kleine for all the terrific years of being able to work together and also for his dedication to the pension fund. Hopefully, Treasurer Kleine will be able to make some of the 2011 IAC meetings.

Chairman Sowerby sought adjournment of the meeting. A motion was made to adjourn by Mr. Phillip J. Stoddard and seconded by Mr. Glenn P. Murray; all were in favor. The meeting was adjourned at 12:10 p.m.

Approved:

David G. Sowerby

David G. Sowerby, Chairman