

Herff Trust
Board of Directors Meeting

Board Members Present:

| Board Members | | <u>In Attendance</u> |
|----------------------|------------------------|-----------------------------|
| Richard A. Spell | President | Yes |
| John Hartney | Vice-President | Yes |
| Fred A. Towler | Secretary | Absent |
| Raajkumar Kurapati | Treasurer | Yes |
| Tim Argo | | Yes |
| Dr. Bill Hardgrave | UofM President | Yes |
| Holly Ford | AVP, UMF & ASF | Yes |
| Steve McDaniel | Retained Legal Counsel | Yes |

A quorum was present, and Vice-President Hartney called the Herff Trust Board Meeting to order at 2:30pm. President Spell joined by phone, but was unable to join by video to see the screen, so Vice-President Hartney ran this meeting.

Herff Trust Items

- I. **Approval of Minutes –** **John Hartney, Herff Trust VP**
 Vice-President Hartney asked if there were any revisions to the minutes provided before the meeting and on the floor to be approved. There were no revisions. Vice-President Hartney asked for a motion to approve the minutes.
 Minutes from December 2, 2021 – EXHIBIT C **MOTION TO APPROVE:** Mr. Kurapati
SECOND: President Spell

- II. **Herff Trust Operations Updates** **Raaj Kurapati, UofM EVP & CFO**
Holly Ford, AVP
 - Herff Trust Audit and 990/990T – EXHIBIT D
 - Herff Trust Audit Firm
 - Herff Trust Legal Counsel

Mr. Kurapati reported to the Board the Herff Trust Audit had been filed with the state, along with the proper tax filing documents to the IRS.

Ms. Ford provided an Audit Firm selection update to the Board, stating ForVIS would be the audit firm for the Herff Trust for FY22 and FY23. This had been approved via e-mail previously, but Ms. Ford wanted the firm selection to be documented in the minutes.

Mr. Kurapati then spoke to the need for the Herff Trust to have retained legal counsel and

proposed Steve McDaniel as the retained legal counsel for the Herff Trust. He is familiar with the business operations and legal needs of the Herff Trust, having provided some legal counsel in the past. Vice-President Hartney commended Steve McDaniel's unofficial leadership for the Herff Trust to be invaluable. Dr. Hardgrave made the motion to approve, and Raaj seconded the motion, which carried.

III. **Herff Trust FY23 Budget Discussion**

Raaj Kurapati, UofM EVP & CFO

Mr. Kurapati stated a proposed budget for FY23 of \$50k, of which \$25k has already been approved by the Board in a previous e-mail vote. Costs would include General Liability and Directors and Officers insurance policies for the Herff Trust, website development, audit / tax prep fees and an appropriate percentage of salary for staff working on the Herff Trust. Mr. Kurapati reminded the Board the Herff Trust was not officially consolidated in the University's books until approximately three years ago. And in doing so, the Herff Trust has also been audited annually since then. With Foundation staff, currently Ms. Ford, but adding responsibilities to additional Foundation Staff in FY23, the Herff Trust should be responsible for administrative costs incurred by staff performing work for the benefit of the Herff Trust.

Dr. Hardgrave made the motion to approve the budget, President Spell gave the second on the motion, all were in favor and the motion carried.

IV. **Herff Trust Quarterly Update**

Jonathan Lyons, Raymond James

Mr. Lyons stated the portfolio for the quarter outperformed the benchmark by 47 basis points and we are in line with the IPS. Mr. Lyons reminded the board we've still had some cash on hand and wait until it makes sense before putting it back into the portfolio based on the Board's Direction. Mr. Kurapati added \$400k of the cash in-hand was from a repayment of the Perkins Loan. Mr. Lyons confirmed this to be accurate.

Mr. Lyons reported over allocating to the USA Min Vol ETF, as well as to the Schwab US Dividend Equity ETF and a position in the USA Small Cap Min Vol ETF allowing the equity portion of the portfolio to outperform. In addition, there was a reallocation of long bonds last quarter to shorter duration, which allowed us to capitalize on gains on the long end of the fixed income curve as the Fed started its first of possibly 5 rate increases for the year.

Mr. Lyons also provided updates on the liquidation of Ironwood and Sustainable Woods. He is expecting to receive funds from each between now and the 3rd quarter of this calendar year. As the cash comes in Mr. Lyons stated he would make recommendations on where to allocate based on the market at the time of receiving the funds and based on rebalancing the portfolio, ensuring it is within the IPS.

Mr. Lyons made the recommendation to take \$500K of cash on-hand and place it in intermediate bonds on the fixed income side. In addition, he made the recommendation to reduce the international allocation in the portfolio to be 10% of the overall portfolio and reallocating evenly in domestic.

In response to Mr. Lyons recommendations, Mr. Kurapati made a two-part motion, the first part being with the current cash position of the Herff Trust being over-prescribed, to place \$500K into our fixed income allocation and as funds are received from the liquidated alternatives, Mr. Lyons will be authorized to use those funds to rebalance the portfolio in alignment with the IPS. In addition, on the passing of this motion, Mr. Lyons would be authorized to reduce international allocation and reallocate domestically. Dr. Hardgrave gave the second, all were in favor and the motion carried.

V. **Adjourn**

John Hartney, Herff Trust VP

Being there was no additional business, Vice-President Hartney called for a motion to adjourn the meeting. Dr. Hardgrave made the motion, Mr. Kurapati seconded the motion, the motion carried, and the meeting was adjourned at 3:00pm

FY23 Dates will be forthcoming.