

Date: June 6, 2007

From: Financial Advisory Committee (FAC)

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To: Executive Committee and Council of the Botanical Society of America

Re: Annual Report of the FAC for 2006-2007

Since the previous 2006-2007 Annual Report, the FAC has:

- monthly monitored the BSA Endowment Fund (EF) invested with Smith Barney (SB);
- had two conference calls, one in the fall and one in the spring, with the SB staff in Des Moines, IA;
- made decisions on how the portfolio was to be configured to meet the changing global markets
- not recommended an amount of the EF for 2007-2008 to the EC/Council for initiatives, pending further discussion in Chicago prior to Council meeting
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As of June 6, 2007 the EF value was \$3,633,455. As of June 30, 2006 (about one year ago) the EF value was \$3,097,239, an *increase of \$536,216* for the present fiscal year. This represents a *gross 17.3 percent annual increase* in the value of the EF. The Endowment Fund total management fee for last fiscal year was \$38,000 (1.1%) which means for 2006-2007, the net gain is 16.2%.

Presently, the EF is divided into three categories:

- Stocks + Money Funds = \$2,613,166
- Stocks + Money Funds = \$ 610,960
- Fixed Income + Money Funds = \$ 409,329
- **Total = \$3,633,455** (as of end of June 6, 2007)

During the spring conference call, rebalancing of the EF to come closer to its expected 9.44% net return goal was discussed and approved. There were four areas within the entire portfolio that were changed to accomplish the rebalance: decrease Legg Mason custom MDA portfolio; decrease Delaware-International; Increase Madison-Intermediate Fixed Income; and acquire iShares Emerging Market Index Fund. These changes are reflected in the numbers above. Even though the increase this past year is above the FAC/SB goal of 9.44% for this year, the latter number is based on an average goal to be maintained over a much longer period of time.

The FAC believes the EF is growing at a reasonably steady rate but needs infusion by the membership to reach the 5 million mark it established two years ago.

There is *no recommendation at this time* to provide the EC/Council with an amount of money from the Endowment Fund for BSA initiatives for fiscal 2007-2008. A recommendation may be forthcoming at the FAC's meeting in July, in Chicago, and before the Council meeting. The reason for this is that Bill Dahl and Kent Hollinger requested a delay in any recommendation until they were able to pursue one or more initiatives before the July meeting.

The FAC has scheduled a committee meeting at the Chicago Meeting, at 8:30 am, Sunday morning, July 8, in the Chicago Hilton (location to be determined).

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

Respectfully submitted,

Harry T. (Jack) Horner, FAC Chair