CASTLETON UNIVERSITY
COMMUNITY COLLEGE OF VERMONT
JOHNSON STATE COLLEGE
LYNDON STATE COLLEGE
VERMONT TECHNICAL COLLEGE

VERMONT
STATE COLLEGES SYSTEM

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000
F (802) 224-3035

MEMORANDUM

TO: VSC Finance & Facilities Committee
M. Jerome Diamond
J. Churchill Hindes, Chair
Tim Jerman
Bill Lippert
Christopher Macfarlane, Vice Chair
Linda Milne
Martha O'Connor
Aly Richards

FROM: Steve Wisloski, Chief Financial Officer

DATE: November 22, 2016

SUBJ: Finance & Facilities Committee Meeting on November 30, 2016

The Finance and Facilities Committee of the VSC Board of Trustees is scheduled to meet from 9:00 a.m. to 10:15 a.m. at CCV-Montpelier.

The agenda and materials for this meeting are attached. The consent agenda is the only anticipated approval item, and the meeting otherwise will consist of reviews of first quarter FY2017 operating results, an initial discussion of System-level FY2018 budgets, a quarterly cash and investments review, and the introduction of a proposed debt management policy. We will also provide a progress update on AGB Report recommendations.

Should you have any questions regarding the upcoming meeting or any other matter, or any requested additions to the agenda, please contact me at stephen.wisloski@vsc.edu or (802) 224-3022. Thank you.

Attachments:
1. Agenda
2. Meeting Materials

cc: VSC Board of Trustees, Council of Presidents, and Business Affairs Council
David Beatty, Vermont Department of Finance & Management
The Honorable Douglas Hoffer, Vermont State Auditor

Vermont State Colleges Board of Trustees
Finance and Facilities Committee Meeting
November 30, 2016

AGENDA

1. Call to Order
2. Consent agenda
   a. Approve minutes of October 19, 2016 meeting
   b. Grants and Endowments
   c. Uniform Guidance Policies
3. Review of FY2017 first quarter results
4. Initial discussion of System-level FY2018 budget framework
5. Quarterly cash and investments performance and review of Policy 430
6. Debt management policy proposal and potential bond sale update
7. AGB Report initiatives update
8. Other business
9. Public comment
10. Adjourn

MEETING MATERIALS

Item 1:
Consent Agenda Items

Back to Agenda

UNAPPROVED Minutes of the VSC Board of Trustees Finance and Facilities Committee held Wednesday, October 19, 2016 at Johnson State College

Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.

The Vermont State Colleges Board of Trustees Finance and Facilities Committee met on October 19, 2016 at Johnson State College.

Committee members present: Lynn Dickinson, Church Hindes (Chair), Karen Luneau, Chris Macfarlane (Vice Chair), Linda Milne, Martha O'Connor, Aly Richards

Absent: Bill Lippert

Presidents: Elaine Collins, Joyce Judy

Chancellor's Office Staff:
Sheilah Evans, System Controller/Senior Director of Business Operations
Deb Robinson, Controller
Elaine Sopchak, Administrative Director, Office of the Chancellor
Jeb Spaulding, Chancellor
Steve Wisloski, Chief Financial Officer

From the Colleges:
Scott Dikeman, Dean of Administration, Castleton University
Barb Flathers, Assistant to the Dean of Students, Johnson State College
Loren Loomis Hubbell, Dean of Administration, Lyndon State College
Laura Jakubowski, Director of Finance, Castleton University
Barbara Martin, Dean of Administration, Community College of Vermont
Sandy Noyes, JSC Unit Chair, Staff Federation
Sharron Scott, Dean of Administration, Johnson State College
Lit Tyler, Dean of Administration, Vermont Technical College

1. Chair Hindes called the meeting to order at 11 a.m.

2. Consent agenda
   a. Approve minutes of September 28, 2016 meeting
   b. Grants and Endowments

No items were requested to be removed from the consent agenda. Trustee Diamond moved and Trustee Macfarlane seconded the approval of the consent agenda.

Trustee Diamond requested that the Committee consider requiring that the minutes be more descriptive. Chair Hindes acknowledged the Justin Clayton Memorial Endowment and thanked his family for the opportunity to honor him.

The consent agenda was approved unanimously.

3. LSC/JSC Unification and System Consolidation updates

This item was not discussed. Chancellor Spaulding will send an update to the full Board via email.

4. Review and approval of FY2018 Capital Bill request

Trustee Macfarlane moved and Trustee Diamond seconded the resolution. CFO Wisloski gave a brief description of the capital appropriations process, and reviewed the table on page 11 of the Committee materials, *Capital Appropriations from 1993-2017, and 2018-19 Request.* He informed the Committee the state has been steadily reducing the amount of bonding it authorizes. He stated that the VSC request is reasonable when placed in historical context as shown in the table, and noted that the resolution reflects an additional $3M for enterprise resource planning software.

Trustee Richards pointed out the trend in state appropriations has recently turned in the right direction. CFO Wisloski reminded the Committee that while the trend has begun to be positive, the base appropriation has remained level, with some single incidences of increased funding for individual projects. Trustee Milne left the meeting at this time.

Chancellor Spaulding reminded the Committee that though the capital appropriations request is larger than in the past, it must be acknowledged that the VSC is different from UVM and VSAC in that it does not have access to the same level of philanthropic funds. He stated that the VSC is the extension of the public K-12 system into the postsecondary years; that the system serves more Vermonters than all other higher education institutions in the state combined; and that the system serves the same demographics as the K-12 system. He cited the series of changes the VSC has made to secure its financial standing, including closing the retiree health insurance group; lowering the employer contribution to the defined contribution plan; requiring a high deductible health insurance plan for all new employees; and the ongoing consolidation and unification initiatives. This year's appropriations request acknowledges that even with all these significant changes the system still needs substantial assistance from the state to maintain the facilities where Vermonters go to college.

Trustee Dickinson noted that recent funding includes matching from the colleges. Chancellor Spaulding agreed that college matching provides the legislature with the confidence that the college is invested in attaining matching funds; however, he noted that some VSC colleges are more connected than others to philanthropic resources and that matching is not always a viable option.

Trustee Diamond stated that the third item in the resolved clause of the resolution could be confusing, particularly the phrase "in lieu of." CFO Wisloski explained the phrasing is a way to prioritize the enterprise resource planning software replacement in the capital appropriations funding. Chancellor Spaulding clarified that the VSC asked for both $4M for capital funding and $3M for enterprise resource planning software replacement.

Trustee Diamond inquired whether the resolution under discussion was necessary. Chair Hindes replied that the Chancellor should be able to tell the legislature that the Board supports the appropriations request.

Trustee Diamond moved to amend the resolution to delete the phrase "in lieu of all or a portion of" from item 3 of the resolved clause. Chair Hindes moved to amend the resolution to delete the words "up to" from item 3 of the resolved clause. Trustee Macfarlane seconded these friendly amendments. The resolution was approved as amended unanimously. The revised resolution is attached to these minutes.

5. Requested repeal of Policy 411, Deferred Payment of Tuition and Fees

CFO Wisloski shared with the Committee a revised resolution to allow the amendment of Policy 411 rather than its repeal. The amendment maintains the nondiscrimination portion of the policy. The changes made to the resolution were only to the title and the last resolved clause. The revised resolution is attached to these minutes.

Trustee Jerman moved and Trustee Diamond seconded the amended resolution. The Committee discussed the policy with the deans of administration and the presidents. The amended resolution was approved unanimously.

6. Requested approval of revised debt restructuring resolution

Trustee Macfarlane moved and Trustee Diamond seconded the resolution. CFO Wisloski reviewed the marked up version of the resolution included in the Committee materials. He explained that the VSC debt profile includes five debt instruments but the existing resolution refers to only one instrument. The new resolution before the Committee includes all the VSC debt instruments and allows for more flexibility for future refinancing and bonding.

Trustee Diamond inquired why the VSC wouldn't instead refinance all debt at a lower rate. CFO Wisloski explained the first step is to eliminate the balloon payment, and subsequent steps will be taken to ameliorate constraints in the other debt instruments.

Chair Hindes moved to strike the word "most" from the final resolved clause. Trustee Macfarlane seconded the amendment. The Committee approved the amended resolution unanimously. The revised resolution is attached to these minutes.

7. Final enrollment summary for Fall 2016

CFO Wisloski distributed an updated enrollment report as of 10/15/16, as the materials were distributed to the Committee before the 15th. The new report is attached to these minutes.

The Committee discussed the figures at length with the deans of administration and presidents. Trustee Diamond requested that the Committee see a report on the actual number of enrolled first-year students year-to-year, in order to account for decreases in enrollment caused by larger graduating classes. Chancellor Spaulding stated that is an annual report also compiled on October 15th, and will be shared with the Committee as soon as it is complete.

Increases and decreases in both full time and part time students were discussed. President Collins stated that growth in part time students is an area of emphasis and it is important to acknowledge meeting that goal. Also, there has been an increase in retention and the numbers for first time students are healthy; these will positively affect other measures. Trustee Richards requested information (if available) on whether new programs or other factors might be driving part time enrollment growth.

The presidents and Chancellor Spaulding emphasized that data for enrollment reports are compiled in compliance with federal requirements as set forth by IPEDS. But each college internally analyzes its data in different ways. The Committee would like to see what gauges the college presidents pay the most attention to in addition to federally required statistics.

The presidents reported enrollments relative to budget.

- CCV: Ahead of budget
- JSC: Below, but predict to meet budget
- CU: Level with budget
- VTC: On budget currently; a decline in international students is a long term concern; positive enrollment comes from nursing and other capped programs.
- LSC: Ahead of budget for new students, down returning; overall below budget.

Chair Hindes suggested that a tutorial in the near future for the Board on how to interpret enrollment numbers and the assumptions behind them would be appropriate.

The Committee asked the presidents and deans of administration to share the most important reports (or "levers") they rely upon to gauge where the colleges stand on a regular basis.

- Vermont Tech Dean Tyler: FTE enrollment, tuition/fee revenue year-to-year.
- Castleton University Dean Dikeman: the same reports as Dean Tyler, adding retention.
- Lyndon State Dean Loomis Hubbell: admissions statistics for entrants by components (transfers, first-years, etc); registration; tuition/fee revenue.
- CCV President Judy: depends on audience, cohorts, and financial limitations of each component; tuition/fee report; course placements; teacher salary line, which varies based on course placements and class size averages; in-state versus out-of-state enrollment.
- Johnson State President Collins: residential students; admissions; retention; mix of full time and part time enrollment; students exiting; cash; formulas. President Collins shared that accurately tracking the admissions cycle of deposits, enrollment, and registrations requires better data system processes.

8. <u>Review of Committee meetings for remainder of FY2017</u>

CFO Wisloski reviewed topics for upcoming Committee meetings.

9. <u>Other business</u>

Chair Hindes recognized outgoing VSC Controller Deb Robinson for her service to the Committee and to the VSC.

10. <u>Public comment</u>

There were no public comments.

Chair Hindes adjourned the meeting at 1 p.m.

LYNDON
A vermont STATE COLLEGE

November 1, 2016

Mr. Jeb Spaulding, Chancellor
Vermont State Colleges
P.O. Box 7
Montpelier, VT 05601-0007

Dear Chancellor Spaulding:

I am pleased to send you the New Funding Source Document required for establishing an endowment in the amount of $20,000 to be titled, *The Dr. Bruce F. Berryman Award*

The endowment is funded with $10,000 from William D. Hartranft through his family trust the Blanche and George Jones Fund, Inc. This gift is matched by $10,000 from Lyndon State College's Endowment Development Fund. The total amount available to establish this endowment is $20,000.

I request that the Vermont State Colleges' Board of Trustees accept these gifts and approve the establishment of The Dr. Bruce F. Berryman Award Endowment.

Sincerely,

Nolan Atkins
Interim President

Attachment

Appendix C

New Funding Source Document

College Name: **LYNDON STATE COLLEGE**

Submit to Chancellor's Office for all activities based upon a new funding source.

Place copy in front of any applicable master file.

1. Name of grant, endowment, or other activity: (type in all **CAPS**)

   The Dr. Bruce F. Berryman Award

2. Granting agency/donor/other/funding source: (attach support information)

   The Blanche & George Jones Fund, Inc. on behalf of William D. Hartranft and LSC's Endowment Development Fund

3. Purpose of activity:

   To provide an annual scholarship for an LSC student who meets the following criteria: An incoming 1st year or transfer student who has prepared wisely for success in any area of atmospheric sciences and exhibits a storng interest in serving the public through forecasting, climate mediation, research, education, or other application of their meteorological knowledge. Preferece will be given to students who have expressed a desire to apply their knowledge for positive chance, either personal or societal.

4. a. Proper accounting fund:

   ______ General
   ______ Designated
   ______ Auxiliary
   ______ Restricted
   ______ Agency
   ______ Loan
   ___X___ Regular Endowment
   ______ Term Endowment
   ______ Unrestr'd Quasi-Endwmt
   ______ Restricted Quasi-Endwmt

   b. Why was this fund selected?

   William D. Hartranft is establishing this award to honor the contribution that Dr. Bruce F. Berryman gave to Lyndon State College and LSC Meteorology students during his 33 years at Lyndon.

5. General Ledger account number: (as proposed or assigned) **TBA**

6. a. Beginning date: **May 2016** b. Ending date: **None** c. Duration: **In Perpetuity**

7. Reporting requirements: (format/to whom/frequency/other): **None**

8. a. Funding amount: **$20,000** b. One-time OR Ongoing funding (indicate timeframe:)

9. a. If endowment, is principal use allowed? (w/Board OK?) ___Yes __X__ No

   b. If yes, is replenishment of principal allowed or required: _____ Yes _____ No

10. If investment proceeds generated, indicate intended disposition:

    ______ Fully expend for program as prescribed
    ___X___ Increase principal for inflation and expend remainder
    ______ Fully apply to increasing principal
    ______ Other (describe)

11) President: [signature] 12) Date to Ch's Ofc: 13) Date Board Approved:

TO: VSC Finance and Facilities Committee

FROM: Uniform Guidance Work Group

Christopher Beattie, VTC	Sheilah Evans, OC	Jody Condon, CU
Toby Stewart, JSC	Sharron Scott, JSC	Tim Grover, CU
Nathan Hock, CCV	Steve Wisloski, OC	Kevin Conroy, OC
Greg Voorheis, CCV	David Rubin, OC	

RE: Recommendations for additional VSC policy revisions related to Uniform Guidance implementation

DATE: November 23, 2016

Policy Revision

The UG Work Group has continued to meet regularly and it continues to work toward recommending VSC-level policy revisions in light of 2 CFR 200, the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," as well as revision and introduction of policy-related standards and procedures. As the UG is required to be fully implemented by the VSC in its administration of federal grant awards, it remains critical that we work to ensure that our policies, standards, and procedures unequivocally reflect our compliance.

Per our most recent memorandum to the VSC Finance and Facilities Committee, dated August 16, 2016, the Work Group has drafted and revised policies, standards, and procedures to ensure and demonstrate our compliance with the UG in the following areas:

- *Cash Handling*
- *Time and Effort Reporting*
- *Fraud, Abuse and Criminal Conduct*
- *Equipment*

Cash Handling and *Time and Effort Reporting* are two new draft policies (attached) we identified as critical for demonstrating compliance. We are in the process of drafting standards and procedures to complement the *Cash Handling* policy. *Time and Effort Reporting* is specific to VSC faculty and administrators working directly on federally funded projects. Each VSC institution has already implemented standards and procedures related to Time and Effort Reporting, which will likely continue to evolve as new technological solutions emerge throughout the VSC.

Fraud, Abuse and Criminal Conduct and *Equipment* are both areas the Work Group originally identified as requiring additional VSC policies. However, following consultation with the VSC General Counsel and Region 1 USDOL Federal Project Officers, as well as continued deliberation among Work Group members, our recommendation in both instances is to propose the adoption of standards and procedures, which are attached for your information, to complement existing VSC policies. Additionally, in the case of *Equipment*, the Work Group has drafted revisions to existing VSC Policy 422, including a recommendation to change the title of VSC Policy 422 to "Use and Disposal of Equipment."

In its August memorandum, the Work Group also made reference to a pending draft *General HR Policy,* which would be another new policy recommendation. However, in the intervening months, the Work Group, again in consultation with VSC General Counsel, concluded that existing VSC HR policies already demonstrate compliance with the UG. We may potentially make recommendations regarding the numbering and titles of existing VSC HR policies as part of a broader future exercise to update and improve existing VSC policies, but the Work Group is not recommending a new *General HR Policy* at this time.

- Respectfully submitted by David Rubin, VSC Grants Coordinator, on behalf of the VSC Uniform Guidance Work Group.

VERMONT STATE COLLEGES

Manual of Policy and Procedures

Title	Number	Page
Cash Handling	432	1 of 2
	Date	
	11/30/16	

PURPOSE

This policy governs the Vermont State Colleges' handling, receiving, transporting and depositing of cash through sound cash management practices; safeguarding cash receipts against theft or loss; and maximizing cash flow by timely deposits of receipts. Adherence to this policy is critical in order to meet internal control standards designed to establish clear roles and responsibilities, including the attention to segregation of duties.

DEFINITIONS

The term cash includes currency, checks, money orders, negotiable instruments and charge card transactions. VSC funds are monies received from tuition, contracts and grants, (delivery of) revenues from services, state and federal appropriations, gifts and all other sources of revenue or expense reimbursements, whether restricted or unrestricted as to purpose or use.

STATEMENT OF POLICY

The College's policy on the handling of cash and checks received is as follows:

- Payees shall be instructed to make checks payable to the Vermont State Colleges or one of the VSC institutions.
- Checks shall be endorsed by authorized personnel with the depository stamp immediately upon receipt.
- Funds shall be secured at all times. Deposits shall be made daily and intact. If this is not feasible, the funds shall reside in the College's safe.
- All credit card transactions shall be PCI compliant.

The cash control concept of "segregation of duties" shall be practiced whenever possible. Wherever possible, duties such as collecting funds, custody of funds, maintaining documentation, preparing deposits, recording, and reconciling records, are to be separated and assigned to different individuals. When segregation of duties is not possible, individual accountability and thorough management review is required.

Petty cash funds are for the convenience of the site. The fund is for the purchase or payment of small dollar amount items. The use must be for business purposes ONLY and an invoice or other documentation must support each transaction.

PROCEDURES

The Chancellor shall adopt standards and procedures governing cash handling and from time to time modify them as necessary.

VSC cross-reference:
VSC 404 – Cash Management
VSC 431 – Internal Controls

Signed by:

____

Jeb Spaulding, Chancellor

VSC
VERMONT STATE COLLEGES

Manual of Policy and Procedures

Title	Number	Page
Effort Reporting and Certification Policy	212	1 of 2
	Date	
	11/30/16	

PURPOSE

The Vermont State Colleges (VSC) is required by law to keep and maintain records that accurately reflect work performed on all federally funded projects. Effort reporting is a process that confirms salaries and benefits charged to, or pledged as a cost share to, federally funded projects are reasonable and reflect the actual work performed as prescribed in the applicable sections of 2 CFR 200.430. The VSC must assure federal agencies that the effort commitments in awarded federal grants will be effectively managed within the parameters of the federal agency's requirements.

POLICY STATEMENT

VSC employees performing work on federally funded projects shall provide the funding agency reasonable estimates of the effort necessary to carry out proposed projects and meet these effort commitments in accordance with federal regulations. Further, employees performing work on federally funded projects shall periodically review, adjust if necessary, and certify that salary and wages charged to federal grants are reasonable in relation to the work performed.

POLICY APPLICABILITY

This policy applies to all VSC employees whose salary or wage is charged, in whole or part, directly or indirectly to sponsored agreements.

ELABORATION

All employees are expected to be aware of and comply with this policy without limitation. Financial penalties, expenditure disallowances, and harm to the reputation of the VSC may result from inadequate effort management and reporting methodology or from failure to comply with effort-related policies and requirements. Therefore, violations may result in disciplinary action. Procedures for the investigation of suspected violations, imposition of disciplinary action, and the availability of grievance or appeal channels shall be governed by otherwise applicable institutional policies, handbooks, and collective bargaining agreements.

VSC cross-reference:
VSC 431 – Internal Controls

Signed by:

____

Jeb Spaulding, Chancellor

Vermont State Colleges
Procedures for Use and Disposition of Equipment Purchased through Federal Grants

PURPOSE

These procedures are designed to allow VSC institutions and other affiliated organizations to monitor, record, categorize and account for all equipment acquired for federally funded projects. In implementing these procedures the following policies should be referenced as applicable: 422 (Disposal of Equipment), 428 (Capital Construction), and 429 (Purchasing Policy).

STATEMENT

These procedures are designed to allow VSC institutions and other affiliated organizations to monitor, record, categorize and account for all equipment acquired for federally funded projects.

(a) Title to equipment acquired by a recipient with Federal funds shall rest with the recipient, subject to conditions of this section.

(b) The recipient shall not use equipment acquired with Federal funds to provide services to non-Federal outside organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute, for as long as the Federal Government retains an interest in the equipment.

(c) The recipient shall use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds and shall not encumber the property without approval of the sponsoring agency. When no longer needed for the original project or program, the recipient shall use the equipment in connection with its other federally-sponsored activities, in the following order of priority:

(1) Activities sponsored by the granting Federal Agency, then

(2) Activities sponsored by other Federal Agencies.

(d) During the time that equipment is used on the project or program for which it was acquired, the recipient shall make it available for use on other projects or programs if such other use will not interfere with the work on the project or program for which the equipment was originally acquired. First preference for such other use shall be given to other projects or programs sponsored by the Federal Agency that financed the equipment; second preference shall be given to projects or programs sponsored by other Federal awarding agencies. If the equipment is owned by the Federal Government, use on other activities not sponsored by the Federal Government shall be permissible if authorized by the granting Federal Agency. User charges shall be treated as program income.

(e) When acquiring replacement equipment, the recipient may use the equipment to be replaced as trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment subject to the approval of the granting Federal Agency.

(f) The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

(1) Equipment records shall be maintained accurately and shall include the following information:

(i) A description of the equipment,

(ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number,

(iii) Funding source of the equipment, including the award number,

(iv) Whether title rests with the recipient or the Federal Government,

(v)) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost,

(vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government),

(vii) Location and condition of the equipment and the date the information was reported,

(viii) Unit acquisition cost, and

(ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the granting Federal Agency for its share.

(2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.

(3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

(4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the granting Federal Agency.

(5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(6) Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

(g) When the recipient no longer needs the equipment, the equipment may be used for other activities in accordance with the following standards. Equipment with a current per-unit fair market value of less than $3000 may be retained, sold or otherwise disposed of with no further obligation to the awarding agency. For equipment with a current per unit fair market value of $3000 or more, the recipient may retain the equipment for other uses provided that compensation is made to the original Federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment. If the recipient has no need for the equipment, the recipient shall request disposition instructions from the granting Federal Agency. The granting Federal Agency shall determine whether the equipment can be used to meet its own requirements. If no requirement exists within the granting Federal Agency, the availability of the equipment shall be reported to the General Services Administration by the granting Federal Agency to determine whether a requirement for the equipment exists in other Federal agencies. The granting Federal Agency will issue instructions to the recipient no later than 120 calendar days after the recipient's request and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the recipient's request, the recipient shall sell the equipment and reimburse the granting Federal Agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the recipient shall be

permitted to deduct and retain from the Federal share $500 or ten percent of the proceeds, whichever is less, for the recipient's selling and handling expenses.

(2) If the recipient is instructed to ship the equipment elsewhere, the recipient shall be reimbursed by the Federal Government by an amount which is computed by applying the percentage of the recipient's participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the recipient is instructed to otherwise dispose of the equipment, the recipient shall be reimbursed by the granting Federal Agency for such costs incurred in its disposition.

(h) The granting Federal Agency reserves the right, at the end of a project, to transfer the title to the Federal Government or to a third party named by the granting Federal Agency when such third party is otherwise eligible under existing statutes. Such transfer shall be subject to the following standards:

(1) The equipment shall be appropriately identified in the award or otherwise made known to the recipient in writing,

(2) the granting Federal Agency shall issue disposition instructions within 120 calendar days after receipt of a final inventory. The final inventory shall list all equipment acquired with award funds and federally-owned equipment. If the granting Federal Agency fails to issue disposition instructions within the 120 calendar day period, the provisions of 10 CFR 600.134(g)(1) apply, and

(3) When the granting Federal Agency exercises its right to take title; the equipment shall be subject to the provisions for federally-owned equipment.

II. Supplies and other expendable property:

(a) Title to supplies and other expendable property purchased with federal funds shall rest with the recipient upon acquisition. If there is a residual inventory of unused supplies exceeding $3000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other federally-sponsored project or program, the recipient shall retain the supplies for use on non-Federal sponsored activities or sell them, but shall, in either case, compensate the Federal Government for its share. The amount of compensation shall be computed in the same manner as for equipment.

(b) The recipient shall not use supplies acquired with Federal funds to provide services to non-Federal outside organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute as long as the Federal Government retains an interest in the supplies.

VERMONT STATE COLLEGES

Manual of Policy and Procedures

Title	Number	Page
USE AND **DISPOSAL OF EQUIPMENT**	422	1 of 3~~2~~
	Date: **11~~5~~/~~236~~30/16**	

PURPOSE

This policy is established to govern:

- ~~-~~the disposal of surplus equipment when it is no longer required by the institution;
- the use of equipment owned by the institution; and
- the use and disposition of equipment purchased through federally funded programs.~~-~~

STATEMENT OF POLICY

A. Disposal of surplus equipment when it is no longer required by the institution.

Each college shall be responsible for the disposition of surplus equipment after it has become obsolete or useless for meeting the needs and purposes of the college. When this occurs, it shall be the responsibility of the President of the College to dispose of the surplus property;

1. The President or President's designee shall have the authority to dispose of surplus equipment with an estimated market value of less than $5,000.

2. Sales of surplus equipment with an estimated market value of $5,000 or more shall be made on the basis of a public bid process.

~~3.~~ Equipment purchased with Federal or State grants must be disposed of in accordance with the applicable regulations.

~~4. The Chancellor may adopt and update as necessary procedures for this policy.~~

B. Use of equipment owned by the institution.

The President of the College may authorize use of equipment owned by the institution on a case-by-case basis.

C. Use and disposition of equipment purchased through federally funded programs.

Any ~~activity or expense related to federal grants or contracts must comply with~~equipment purchased through federally funded programs is subject to *2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* in addition to the provisions above.

D. The Chancellor shall adopt and update as necessary procedures for the implementation of this policy.

Signed by: ______________________ Jeb Spaulding, Chancellor

ATTACHMENT A

DISPOSAL OF EQUIPMENT

PROCEDURE FOR REMOVAL AND DISPOSAL OF SURPLUS EQUIPMENT

1. All departments that determine they have surplus property shall inform the President in writing of the kind of equipment, quantity, location, condition, and if known, estimated value.

2. All surplus equipment will be stored appropriately until disposed of.

3. The President will determine the method by which the surplus equipment will be disposed in accordance with VSC policy and applicable laws.

4. Where appropriate a negotiated transfer of equipment shall be arranged between colleges in advance of offering items in competitive bids.

5. Other property found to be of no further use to the college will be sold under sealed bids to the highest bidder.

6. The proceeds from the sale of any surplus equipment shall be placed in the college's General Fund.

7. At the time the equipment is disposed of it to be written off of the colleges books.

8. Equipment purchased with Federal or State grants must be disposed of in accordance with *2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*~~the applicable regulations~~.

9. Exceptions to this procedure must be approved in writing by the President and may not be inconsistent with any federal requirements.

VERMONT STATE COLLEGES

Manual of Policy and Procedures

Title	Number	Page
USE AND DISPOSAL OF EQUIPMENT	422	1 of 3
	Date 11/30/16	

PURPOSE

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- the disposal of surplus equipment when it is no longer required by the institution;
- the use of equipment owned by the institution; and
- the use and disposition of equipment purchased through federally funded programs.

STATEMENT OF POLICY

A. Disposal of surplus equipment when it is no longer required by the institution.
Each college shall be responsible for the disposition of surplus equipment after it has become obsolete or useless for meeting the needs and purposes of the college. When this occurs, it shall be the responsibility of the President of the College to dispose of the surplus property;

1. The President or President's designee shall have the authority to dispose of surplus equipment with an estimated market value of less than $5,000.

2. Sales of surplus equipment with an estimated market value of $5,000 or more shall be made on the basis of a public bid process.

3. Equipment purchased with Federal or State grants must be disposed of in accordance with the applicable regulations.

B. Use of equipment owned by the institution.
The President of the College may authorize use of equipment owned by the institution on a case-by-case basis.

C. Use and disposition of equipment purchased through federally funded programs.
Any equipment purchased through federally funded programs is subject to *2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* in addition to the provisions above.

D. The Chancellor shall adopt and update as necessary procedures for the implementation of this policy.

Signed by:

____

Jeb Spaulding, Chancellor

ATTACHMENT A

DISPOSAL OF EQUIPMENT

PROCEDURE FOR REMOVAL AND DISPOSAL OF SURPLUS EQUIPMENT

1. All departments that determine they have surplus property shall inform the President in writing of the kind of equipment, quantity, location, condition, and if known, estimated value.

2. All surplus equipment shall be stored appropriately until disposed of.

3. The President shall determine the method by which the surplus equipment will be disposed of in accordance with VSC policy and applicable laws.

4. Where appropriate, a negotiated transfer of equipment shall be arranged between colleges in advance of offering items in competitive bids.

5. Other property found to be of no further use to the college shall be sold under sealed bids to the highest bidder.

6. The proceeds from the sale of any surplus equipment shall be placed in the college's General Fund.

7. At the time the equipment is disposed of it shall be written off of the colleges books.

8. Equipment purchased with Federal or State grants must be disposed of in accordance with *2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

9. Exceptions to this procedure must be approved in writing by the President and may not be inconsistent with any federal requirements.

CHANCELLOR'S PROCEDURES FOR IMPLEMENTATION OF POLICY 211:
PROCEDURES FOR REPORTING ALLEGATIONS OF FRAUD, ABUSE OR CRIMINAL CONDUCT SPECIFIC TO FEDERALLY FUNDED PROGRAMS

PURPOSE

To ensure all Vermont State College (VSC) employees are in compliance with the federal requirements of reporting allegations of fraud, program abuse, or criminal conduct involving grantees and subrecipients receiving funds either directly or indirectly from agencies of the United States federal government.

STATEMENT

VSC employees shall abide by applicable state and federal laws. Furthermore, an employee cannot be compelled by a supervisor or VSC official to violate a VSC policy or applicable law.

Any VSC employee who becomes aware of a situation or behavior that has the potential to cause serious ethical, legal or financial harm to the VSC or any of its member Colleges shall immediately notify their supervisor. In rare instances, employees may report a situation or behavior anonymously.

The purpose of the VSC Whistleblower Hotline (866-215-4016) is to provide an anonymous and confidential method to report suspected serious misconduct and/or breach of VSC policies. EthicsPoint, an independent corporation, will receive and catalog reports submitted electronically or via the hotline. All VSC employees are strongly encouraged to report any issues to their supervisor first. EthicsPoint will provide information on any reports back to the Chancellor's Office on a totally confidential and anonymous basis.

DEFINITIONS

Fraud – has been defined in various ways. Generally Accepted Government Auditing Standards describes fraud as:

A type of illegal act involving the obtaining of something of value through willful misrepresentation. Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is beyond the auditor's professional responsibility.

A false representation of a material fact, whether by words or by conduct, by false or misleading allegations, or by concealment of that which should have been disclosed, which deceives another so that he/she acts, or fails, to act to his/her detriment.

Waste – involves the taxpayers not receiving reasonable value for money in connection with any government funded activities due to an inappropriate act or omission by actors with control over or access to government resources (e.g. executive, judicial, or legislative branch employees, grantees, or other recipients). Importantly, waste goes beyond fraud and abuse and most waste does not involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Abuse – involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement.

Illegal Acts – are violations of laws or government regulations. For example, applicable laws and regulations may affect the amount of revenue accrued under government contracts. However, the auditors considers such laws or regulations from the perspective of their known relation to audit objectives derived from financial statement assertions rather than from the perspective of legality per se. Whether a particular act is, in fact, illegal may have to await final determination by a court of law or other adjudicative body. Disclosing matters that have led auditors to conclude that an act is illegal and is likely to have occurred, is not a final determination of illegality.

Source – Government Accountability Office
Black's Law Dictionary

PROCEDURES

I. Immediate supervisor notification.

   a. All VSC employees shall notify their supervisor immediately if they suspect any incident of fraud, program abuse or criminal conduct involving grantees and subrecipients receiving funds either directly or indirectly from a federal Agency.

   b. Supervisors will immediately document the employee notification of suspected fraud, abuse, or criminal conduct by recording the incident with the respective college's Dean of Administration. If the incident of suspected fraud, abuse, or criminal conduct occurs within the Office of the Chancellor, the incident is to be recorded with the Chief Financial Officer and Vice Chancellor, Finance and Administration.

II. Investigation and determination.

a. The Dean of Administration or Vice President of Finance and Administration shall open an investigation of the alleged incident.

b. The Dean of Administration or Vice President of Finance and Administration shall inform the President and the granting Federal Agency – using the prescribed OIG 1-156 Incident Report form -- of the alleged incident.

c. The Dean of Administration or Vice President of Finance and Administration shall appoint an investigative response team, which shall provide a report to the President. The report will conclude one of two possible outcomes: a finding, which means evidence of an incident exists; or no finding, which means evidence of an incident does not exist.

d. If the investigative response team determines evidence of an incident exists, the Dean of Administration or Vice President of Finance and Administration shall immediately inform the President.

III. Notification to the granting Federal Agency of a verified incident.

If a finding of fraud, program abuse or criminal conduct involving grantees or subrecipients receiving Federal funds either directly or indirectly from the Agency results from the investigation, an OIG 1-156 Incident Report form will be completed by the Dean of Administration or Vice President of Finance and Administration and filed with the Agency within two business days.

VERMONT STATE COLLEGES

BOARD OF TRUSTEES

RESOLUTION

VSC Finance and Facilities Committee Business: Consent Agenda

WHEREAS, At its November 30, 2016 meeting the VSC Finance and Facilities Committee discussed the business items outlined below; therefore, be it

RESOLVED, The Committee has voted to approve the items outlined below and recommends them to the full Board:

- Approval of the minutes of the October 16, 2016 meeting
- Approval of the Dr. Bruce F. Berryman Award Endowment at Lyndon State College
- Approval of recommended new policies and procedures and revised Policy 432 by the Uniform Guidance Group

November 30, 2016

Item 2:
FY2017 First Quarter Results

Back to Agenda

Vermont State Colleges

Consolidated Financial Reports

Period ended
September 30, 2016

Vermont State Colleges
Executive Summary
For the Period Ending September 30, 2016

Total Operating Revenues (Dollars in 1,000s):

First quarter results and projections suggest that enrollments are slightly below budget overall; whereas, student fees are over budget. Waivers are also running over budget, so the overall impact to Net Tuition and Fees revenue is a slightly positive variance to budget of $69k. Auxiliary revenues are greater than budget by approximately $180k, and all other categories of operating revenues are projected to also result in a positive variance to budget.

Enrollment summary:	Budgeted FPE	Projected Actual FPE	Variance-Enrollment FPE	Variance Net Tuition
CCV	3,979	3,998	19	$ 77
CU	1,963	1,938	-25	$ (327)
JSC	1,376	1,312	-64	$ (632)
LSC	1,179	1,165	-14	$ (264)
VTC	1,413	1,476	63	$ 920
TOTALS:	9,910	9,889	-21	$ (226)
FEES:				$ 455
WAIVERS:				$ (159)
AUXILIARY:				$ 180
		STUDENT BASED REVENUE VARIANCE		$ 250
		NON-STUDENT BASED REVENUE VARIANCE		$ 589
		TOTAL OPERATING REVENUE VARIANCE		$ 839

Total Operating Expenses (Dollars in 1,000s):

Overall, operating expenses are projected to come in under budget; although the amounts per college vary considerably. In an attempt to remain within projected revenues and aggregate budget, colleges have trimmed expenses accordingly.

	Budgeted	Projected Actual	Variance
CCV	27,477	27,477	$0
CU	49,578	49,654	($76)
JSC	29,699	29,389	$310
LSC	30,603	29,929	$674
VTC	35,103	35,636	($533)
WFD	1,337	1,337	$0
OC	-	244	($244)
		TOTAL EXPENSE VARIANCE	$131

Projected Change to Net Assets (Dollars in 1,000s):

All colleges are projected to perform better than budget for FY17.

	Projected Total Year	Total Board Approved Budget	Projection vs Budget Variance
CCV	295	243	$52
CU	(198)	(400)	$202
JSC	(1,176)	(1,180)	$4
LSC	(1,544)	(1,913)	$369
VTC	(197)	(784)	$587
WFD	-	-	$0
OC	(244)	-	($244)
		TOTAL PROJECTED BOT VARIANCE	$970

Vermont State Colleges
VSC CONSOLIDATED
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees	57,508	53,930	111,438	111,369	69		110,055	1,383
State Appropriations	6,366	19,793	26,159	25,911	248		25,673	486
Room & Board	13,008	11,825	24,833	24,653	180		24,564	269
Sales and Services	1,529	4,091	5,620	5,465	155		5,454	166
Gifts	320	941	1,261	1,223	38	*	1,870	(609)
Other Revenue	318	973	1,291	1,142	149	*	2,116	(825)
TOTAL REVENUES	79,050	91,552	170,602	169,763	839		169,732	870
EXPENSES								
Employee Wages and Benefits	26,974	87,186	114,160	114,715	555		110,524	(3,636)
Services, Supplies and Travel	9,267	25,119	34,386	34,990	604		37,088	2,702
Scholarships and Fellowships	5,318	5,365	10,683	9,304	(1,379)	*	8,663	(2,020)
Utilities	875	5,177	6,052	6,125	73		6,175	123
Other Expenses	-	-	-	440	440	*	-	-
Debt Service	2,655	7,547	10,202	10,849	647	*	10,191	(11)
Chancellor's Office	(1,378)	1,245	(133)	-	133		639	772
Other Transfers	(836)	(849)	(1,685)	(2,627)	(942)	*	(108)	1,577
TOTAL EXPENSES	42,874	130,790	173,665	173,796	131		173,172	(493)
NET REVENUES	36,175	(39,238)	(3,063)	(4,033)	970		(3,441)	378
NON-RECURRING ITEMS								
Carry-Forward	-	-	-	400			187	
Strategic Reserve	-	1,244	1,244	1,885			-	
All Other	(36,175)	37,994	1,819	1,748			3,254	
TOTAL (must equal zero)	-	-	-	-			-	

VERMONT STATE COLLEGES
FY17 TUITION & FEES REVENUE MONITORING REPORT -

VSC - CONSOLIDATED
9/30/2016

	BUDGETED		ACTUAL/ESTIMATED		VARIANCE	
	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2016						
Vermonter	6,837	$31,277,105	6,849	$31,337,543	12	$60,438
Non-Vrmtr (o/s)	1,052	$11,950,846	1,071	$12,308,844	19	357,998
NEBHE	604	$6,693,101	569	$6,110,860	(35)	(582,241)
Other	5	$25,560	3	$13,856	(2)	(11,704)
Grad Vermonter	176	$1,027,453	130	$786,569	(46)	(240,884)
Grad Non- Vermonter	29	$218,880	38	$306,143	10	87,263
Total	8,703	$51,192,944	8,660	$50,863,815	(42)	($329,130)
SPRING 2017						
Vermonter	6,286	$28,429,315	6,293	$28,532,702	8	$103,387
Non-Vrmtr (o/s)	982	$11,132,647	1,014	$11,558,197	32	425,550
NEBHE	544	$6,013,599	500	$5,446,077	(44)	(567,522)
Other	6	$28,116	6	$28,116	0	0
Grad Vermonter	186	$1,097,114	140	$852,210	(46)	(244,904)
Grad Non- Vermonter	27	$203,520	33	$250,717	6	47,197
Total	8,031	$46,904,311	7,986	$46,668,019	(45)	($236,292)
SUMMER SESSIONS I. (J/Aug)						
Vermonter	779	$2,556,517	788	$2,628,266	10	$71,749
Non-Vrmtr (o/s)	60	$389,047	61	$396,912	2	7,865
NEBHE	20	$166,156	23	$194,766	4	28,610
Grad Vermonter	40	$243,887	62	$386,215	22	142,328
Grad Non- Vermonter	3	$33,974	8	$67,889	5	33,915
Total	901	3,389,581	943	3,674,047	42	284,466
SUMMER SESSIONS II> (May/J)						
Vermonter	815	$3,024,675	820	$3,050,407	5	$25,732
Non-Vrmtr (o/s)	31	$220,685	30	$216,503	(0)	(4,182)
NEBHE	23	$216,054	25	$242,859	2	26,805
Grad Vermonter	26	$171,025	24	$157,381	(2)	(13,644)
Grad Non- Vermonter	(2)	($15,170)	0	$4,528	2	19,698
Total	893	$3,617,269	900	$3,671,678	7	$54,409
FY 2017 TOTAL	(Avg)					
Fall & Spring						
Vermonter	6,562	$59,706,420	6,571	$59,870,244	10	$163,825
Non-Vrmtr (o/s)	1,017	$23,083,493	1,042	$23,867,041	25	783,548
NEBHE	574	$12,706,700	534	$11,556,937	(40)	(1,149,763)
Other	11	$53,676	8	$41,972	(2)	(11,704)
Grad Vermonter	181	$2,124,567	135	$1,638,779	(46)	(485,788)
Grad Non- Vermonter	28	$422,400	36	$556,860	8	134,460
S/T	8,372	$98,097,255	8,327	$97,531,834	(45)	($565,422)
Summer Sessions (annualized)	1,538	7,006,850	1,561	7,345,726	24	338,875
Total Student Tuition	9,910	$105,104,105	9,889	$104,877,559	(21)	($226,546)
Plus: Non-credit tuition & seminars		-		0		0
Student Fees		12,073,520		12,528,392		454,872
Total Tuition and Fees	79,277	$117,177,626	79,110	$117,405,951	(167)	$228,325
Less: Waivers		(5,808,374)		(5,967,056)		(158,682)
Total Net Tuition & Fees		$111,369,252		$111,438,895		$69,643
Auxiliary:						
Room & Board Fall		12,759,955		12,951,417		191,462
Room & Board Spring		11,883,064		11,882,231		(834)
Bookstore		10,000		0		(10,000)
Total Auxiliary		24,653,019		24,833,647		180,628

* FPE: Full Paying Equivalent, i.e. # students at full tuition value
** Summer Sessions charge rates utilized in preceeding Academic Year

Vermont State Colleges

Detailed College Financial Reports

Period ended
September 30, 2016

Community College of Vermont
Septemer 30, 2016
Narrative Highlights for Budget vs. Actual

Projection vs. Budget

Overall, CCV revenue and expenses are on track with the FY17 budget and are projected to remain so.

Based on the total year projection, the FY17 change in net assets is currently expected to be an increase in net assets of $293k (without GASB 45 commitments)

FY17 Total Revenue is projected to be higher than budget by $52k. This due primarily to Tuition & Fees being higher than budget.

YTD Variance

CCV's FY17 Total Revenue is projected and budgeted to be a 4% decrease from FY16

CCV's FY17 Total Expense is projected and budgeted to be a 6% decrease from FY16.

Vermont State Colleges
Community College of Vermont
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees	11,836	10,771	22,607	22,555	52		23,972	(1,365)
State Appropriations	1,194	3,721	4,915	4,915	0		4,775	141
Room & Board	-		-	-	-		-	-
Sales and Services	2	98	100	100	-		77	23
Gifts	3	47	50	50	-		62	(12)
Other Revenue	22	78	100	100	-		125	(25)
TOTAL REVENUES	13,057	14,715	27,772	27,720	52		29,011	(1,238)
EXPENSES								
Employee Wages and Benefits	5,132	15,663	20,795	20,795	-		21,644	849
Services, Supplies and Travel	1,110	2,738	3,848	3,848	-		4,789	941
Scholarships and Fellowships	24	161	185	185	-		138	(47)
Utilities	65	215	280	280	-		304	24
Other Expenses	-	-	-	-	-		-	-
Debt Service	485	644	1,129	1,941	812	*	1,927	798
Chancellor's Office	89	1,098	1,187	1,420	233	*	1,442	255
Other Transfers	(109)	162	53	(992)	(1,045)	*	(1,020)	(1,073)
TOTAL EXPENSES	6,796	20,681	27,477	27,477	-		29,224	1,747
NET REVENUES	6,261	(5,966)	295	243	52		(213)	509
NON-RECURRING ITEMS								
Carry-Forward			-	-			-	
Strategic Reserve			-	-				-
All Other	(6,261)	5,966	(295)	(243)			213	
TOTAL (must equal zero)	-	-	-	-			-	

VERMONT STATE COLLEGES
FY17 TUITION & FEES REVENUE MONITORING REPORT -

Community College of Vermont
9/30/2016

	BUDGETED			ACTUAL/ESTIMATED		VARIANCE	
	Rate	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2016	(Semester)						
Vermonter	3,036	2,579	$7,829,844	2,615	$7,939,444	36	$109,600
Non-Vrmtr (o/s)	6,072	143	868,296	130	790,726	(13)	(77,570)
NEBHE	3,036	29	88,044	43	131,611	14	43,567
Other	-	-	-	0	0	0	0
Grad Vermonter	-	-	-	-	-	-	-
Grad Non- Vermonter	-	-	-	-	-	-	-
Total		2,751	$8,786,184	2,789	$8,861,781	38	$75,597
SPRING 2017	(Semester)						
Vermonter	3,036	2,480	$7,529,280	2,480	$7,529,280	0	$0
Non-Vrmtr (o/s)	6,072	136	825,792	136	825,792	0	0
NEBHE	3,036	29	88,044	29	88,044	0	0
Other	-	-	-	0	0	0	0
Grad Vermonter	-	-	-	-	-	-	-
Grad Non- Vermonter	-	-	-	-	-	-	-
Total		2,645	$8,443,116	2,645	$8,443,116	0	$0
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	2,952	642	$1,895,184	643	$1,897,434	1	$2,250
Non-Vrmtr (o/s)	5,904	52	307,008	52	304,169	(0)	(2,839)
NEBHE	5,904	9	53,136	9	55,078	0	1,942
Grad Vermonter	-	-	-	-	-	-	-
Grad Non- Vermonter	-	-	-	-	-	-	-
Total		703	2,255,328	704	2,256,681	1	1,353
SUMMER SESSIONS II> (May/J)	**						
Vermonter	3,036	550	$1,669,800	550	$1,669,800	0	$0
Non-Vrmtr (o/s)	6,072	24	145,728	24	145,728	0	0
NEBHE	3,036	4	12,144	4	12,144	0	0
Grad Vermonter	-	-	-	-	-	-	-
Grad Non- Vermonter	-	-	-	-	-	-	-
Total		578	$1,827,672	578	$1,827,672	0	$0
FY 2017 TOTAL	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	6,072	2,530	$15,359,124	2,548	$15,468,724	18	$109,600
Non-Vrmtr (o/s)	12,144	140	1,694,088	133	1,616,518	(6)	(77,570)
NEBHE	6,072	29	176,088	36	219,655	7	43,567
Other	-	-	-	0	0	0	0
Grad Vermonter	-	-	-	-	-	-	-
Grad Non- Vermonter	-	-	-	-	-	-	-
S/T		2,698	$17,229,300	2,717	$17,304,897	19	$75,597
Summer Sessions (annualized)		1,281	4,083,000	1,282	4,084,353	0	1,353
Total Student Tuition		3,979	$21,312,300	3,998	$21,389,250	19	$76,950
Plus: Non-credit tuition & seminars			-		0		0
Student Fees			1,702,700		1,702,700		0
Total Tuition and Fees	CP	31,832	$23,015,000	31,988	$23,091,950	156	$76,950
Less: Waivers			(460,000)		(485,000)		(25,000)
Total Net Tuition & Fees			$22,555,000		$22,606,950		$51,950
Auxiliary:							
Room & Board Fall			0		0		0
Room & Board Spring			0		0		0
Bookstore			0		0		0
Total Auxiliary			0		0		0

* FPE: Full Paying Equivalent, i.e. # students at full tuition value

** Summer Sessions charge rates utilized in preceeding Academic Year

Castleton University
September 30, 2016
Narrative Highlights

Tuition and Fees- Enrollment is up from last year, however revenue is slightly below budget due to the mix of in-state vs. out of state. The increase in auxiliary enterprises reflects the increase in students living on campus. With the historical slight decrease in the spring semester enrollment, Castleton is projected to come in slightly under budget for tuition and fees.

Auxiliary- Room and Board is projected to be on budget or better.

Sales and Services – The Polling Institute, Conference and Events, and Center for Schools continue to be revenue generators. Based on Q1 results and work in process, we are optimistic that these areas will exceed their respective budgets. We also expect that gift revenue will increase as a result of enhanced development efforts.

Operating Expenses- Salary and benefits are estimated to stay within the budget amounts. Our scholarships have once again exceeded budget as the percentage of qualifying students continues to rise. To offset this, we will monitor operational budgets to look for additional savings. Year to date, we have spent 8% less through the same period last year and have made an adjustment as a result. In addition, we will rely on usage of last year's carry forward as authorized by the Board. With diligent management, year to date spending in most areas has already declined and we will continue to monitor closely.

Vermont State Colleges
Castleton University
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees	15,991	14,874	30,865	31,138	(273)		30,376	489
State Appropriations	1,194	3,721	4,915	4,891	24		4,775	140
Room & Board	5,505	5,196	10,701	10,637	64		10,368	333
Sales and Services	464	1,536	2,000	1,750	250	*	1,680	320
Gifts	145	505	650	550	100	*	619	31
Other Revenue	42	283	325	212	113	*	703	(378)
TOTAL REVENUES	23,341	26,115	49,456	49,178	278		48,521	935
EXPENSES								
Employee Wages and Benefits	7,386	22,879	30,265	30,265	-		28,582	(1,683)
Services, Supplies and Travel	2,730	5,265	7,995	8,364	369	*	9,458	1,463
Scholarships and Fellowships	2,262	2,133	4,395	3,400	(995)	*	3,590	(805)
Utilities	298	1,602	1,900	2,000	100	*	1,863	(37)
Other Expenses	-		-	440	440	*	-	-
Debt Service	1,027	3,080	4,107	4,107	-		3,959	(148)
Chancellor's Office	(73)	1,493	1,420	1,420	-		1,643	223
Other Transfers	(71)	(357)	(428)	(418)	10		(395)	33
TOTAL EXPENSES	13,559	36,095	49,654	49,578	(76)		48,700	(954)
NET REVENUES	9,782	(9,980)	(198)	(400)	202		(179)	(19)
NON-RECURRING ITEMS								
Carry-Forward			-	400				
Strategic Reserve			-	-				
All Other	(9,782)	9,980	198	-			179	
TOTAL (must equal zero)	-	-	-	-			-	

VERMONT STATE COLLEGES
FY17 TUITION & FEES REVENUE MONITORING REPORT -

Castleton University
9/30/2016

	BUDGETED			ACTUAL/ESTIMATED		VARIANCE	
	Rate	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2016	(Semester)						
Vermonter	5,124	1,374	$7,038,392	1,362	$6,977,583	(12)	($60,809)
Non-Vrmtr (o/s)	12,828	511	6,556,603	551	7,065,739	40	509,136
NEBHE	12,828	50	641,400	3	38,484	(47)	(602,916)
Other		-		0		0	0
Grad Vermonter	4,950	79	391,201	43	210,955	(36)	(180,247)
Grad Non- Vermonter	7,200	24	172,800	31	222,775	7	49,975
Total		2,038	$14,800,396	1,989	$14,515,535	(49)	($284,861)
SPRING 2017	(Semester)						
Vermonter	5,124	1,265	$6,481,721	1,263	$6,470,000	(2)	($11,721)
Non-Vrmtr (o/s)	12,828	471	6,043,483	509	6,530,740	38	487,257
NEBHE	12,828	50	641,400	3	40,000	(47)	(601,400)
Other		-		0		0	0
Grad Vermonter	4,950	79	391,200	43	210,955	(36)	(180,245)
Grad Non- Vermonter	7,200	24	172,800	31	222,775	7	49,975
Total		1,889	$13,730,604	1,848	$13,474,470	(41)	($256,134)
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	4,464	-	$0	17	$74,121	17	$74,121
Non-Vrmtr (o/s)	6,696	-	-	2	12,372	2	12,372
NEBHE			-	0	0	0	0
Grad Vermonter	5,580	-	-	12	65,553	12	65,553
Grad Non- Vermonter	8,352	-	-	7	61,600	7	61,600
Total		0	0	38	213,646	38	213,646
SUMMER SESSIONS II> (May/J)	**						
Vermonter	4,656	-	$0	0	$0	0	$0
Non-Vrmtr (o/s)	6,984	-	-	0	-	0	0
NEBHE	-		-	0	-	0	0
Grad Vermonter	5,803	-	-	-	-	-	-
Grad Non- Vermonter	8,937	-	-	-	-	-	-
Total		0	$0	0	$0	0	$0
FY 2017 TOTAL	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	10,248	1,319	$13,520,113	1,312	$13,447,583	(7)	($72,530)
Non-Vrmtr (o/s)	25,656	491	12,600,086	530	13,596,479	39	996,393
NEBHE	25,656	50	1,282,800	3	78,484	(47)	(1,204,316)
Other		-		0		0	0
Grad Vermonter	9,900	79	782,401	43	421,910	(36)	(360,492)
Grad Non- Vermonter	14,400	24	345,600	31	445,550	7	99,950
S/T		1,963	$28,531,000	1,919	$27,990,005	(45)	($540,995)
Summer Sessions (annualized)		0	0	19	213,646	19	213,646
Total Student Tuition		1,963	$28,531,000	1,938	$28,203,650	(26)	($327,350)
Student Fees			3,285,000		3,356,862		71,862
Total Tution and Fees			$31,816,000		$31,560,512		($255,488)
Less: Waivers			(678,000)		(695,444)		(17,444)
Total Net Tuition & Fees			$31,138,000		$30,865,068		($272,932)
Auxiliary:							
Room & Board Fall			5,313,500		5,450,875		137,375
Room & Board Spring			5,313,500		5,250,000		(63,500)
Bookstore/Arena			10,000		0		(10,000)
Total Auxiliary			10,637,000		10,700,875		63,875

* FPE: Full Paying Equivalent, i.e. # students at full tuition value
** Summer Sessions charge rates utilized in preceeding Academic Year

Johnson State College

Period Ending Date - 9/30/16

Narrative Highlights for Budget vs. Actual

Projection vs. Budget Based on current enrollment and historical trends, Johnson State College is projecting revenues to be approximately $307k below budget for FY17. Johnson State College is experiencing enrollment and revenue growth in both Campus Based Undergraduates and EDP students from FY16 levels. However, the growth fell short of budget and is impacted by a decline in Graduate Students. Actions are being taken to mitigate this revenue shortfall. A targeted increase in Spring EDP starts, combined with holding the line on discretionary spending, is projected to close the budget gap, in order to deliver a budget in line with the original FY17 submission.

Toby C. Stewart, Controller Date

Sharron R. Scott, Dean of Administration Date

Elaine C. Collins, President Date

Vermont State Colleges
Johnson State College
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees	9,135	8,158	17,293	17,545	(252)		16,771	522
State Appropriations	1,194	3,721	4,915	4,915	-		4,775	140
Room & Board	2,590	2,250	4,840	4,895	(55)		4,782	58
Sales and Services	286	224	510	510	-		522	(12)
Gifts	80	270	350	350	-		314	36
Other Revenue	35	269	304	304	(0)		310	(6)
TOTAL REVENUES	13,321	14,892	28,212	28,519	(307)		27,474	739
EXPENSES								
Employee Wages and Benefits	4,248	13,490	17,738	18,246	508		17,229	(509)
Services, Supplies and Travel	1,333	3,496	4,829	4,992	163	*	4,523	(306)
Scholarships and Fellowships	1,324	1,349	2,673	2,353	(320)	*	2,213	(460)
Utilities	246	969	1,215	1,175	(40)	*	1,371	156
Other Expenses	-	-	-	-	-		-	-
Debt Service	332	997	1,329	1,329	-		1,233	(96)
Chancellor's Office	43	1,377	1,420	1,420	-		1,639	219
Other Transfers	(56)	240	184	184	-		356	172
TOTAL EXPENSES	7,469	21,918	29,388	29,699	311		28,564	(824)
NET REVENUES	5,851	(7,027)	(1,175)	(1,180)	4		(1,091)	(85)
NON-RECURRING ITEMS								
Carry-Forward			-	-			187	
Strategic Reserve			-	272				
All Other	(5,851)	7,027	1,175	908			904	
TOTAL (must equal zero)	-	-	-	-			-	

VERMONT STATE COLLEGES
FY17 TUITION & FEES REVENUE MONITORING REPORT -

Johnson State College
9/30/2016

		BUDGETED		ACTUAL/ESTIMATED		VARIANCE	
	Rate	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2016	(Semester)						
Vermonter	5,112	1,032	$5,273,065	974	$4,979,818	(57)	($293,247)
Non-Vrmtr (o/s)	11,340	101	1,143,979	120	1,360,711	19	216,732
NEBHE ($6,696 net)	11,340	113	1,284,822	98	1,108,875	(16)	(175,947)
Other							
Grad Vermonter	6,600	80	525,888	75	491,928	(5)	(33,960)
Grad Non- Vermonter	9,600	5	46,080	4	42,400	(0)	(3,680)
Total		1,330	$8,273,835	1,271	$7,983,732	(59)	($290,102)
SPRING 2017	(Semester)						
Vermonter	5,112	915	$4,676,115	884	$4,516,695	(31)	($159,420)
Non-Vrmtr (o/s)	11,340	93	1,055,981	101	1,148,094	8	92,113
NEBHE ($6,984 net)	11,340	93	1,051,218	86	975,810	(7)	(75,408)
Other							
Grad Vermonter	6,600	86	569,712	77	505,702	(10)	(64,010)
Grad Non- Vermonter	9,600	3	30,720	2	15,942	(2)	(14,778)
Total		1,190	$7,383,745	1,149	$7,162,243	(41)	($221,502)
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	4,992	96	$445,477	79	$393,426	(17)	($52,051)
Non-Vrmtr (o/s)	7,488	3	28,579	2	13,546	(1)	(15,033)
NEBHE	7,488	4	38,176	3	19,832	(1)	(18,344)
Grad Vermonter	6,444	31	186,863	25	163,449	(6)	(23,414)
Grad Non- Vermonter	9,204	3	33,974	1	6,289	(2)	(27,685)
Total		136	733,069	109	596,541	(27)	(136,527)
SUMMER SESSIONS II> (May/J)	**						
Vermonter	5,112	74	$377,939	72	$369,033	(2)	($8,906)
Non-Vrmtr (o/s)	11,340	1	9,221	0	5,039	(0)	(4,182)
NEBHE	11,340	1	7,292	3	30,184	2	22,891
Grad Vermonter	6,600	22	145,057	20	131,413	(2)	(13,644)
Grad Non- Vermonter	9,600	(2)	(15,170)	0	4,528	2	19,698
Total		96	$524,339	96	$540,197	(0)	$15,858
FY 2017 TOTAL	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	10,224	973	$9,949,180	929	$9,496,513	(44)	($452,667)
Non-Vrmtr (o/s)	22,680	97	2,199,960	111	2,508,805	14	308,845
NEBHE	22,680	103	2,336,040	92	2,084,686	(11)	(251,354)
Other							
Grad Vermonter	13,200	83	1,095,600	76	997,629	(7)	(97,971)
Grad Non- Vermonter	19,200	4	76,800	3	58,342	(1)	(18,458)
S/T		1,260	$15,657,580	1,210	$15,145,976	(50)	($511,604)
Summer Sessions (annualized)		116	1,257,408	102	1,136,738	(13)	(120,670)
Total Student Tuition		1,376	$16,914,988	1,312	$16,282,714	(64)	($632,274)
Student Fees			1,513,025		1,837,680		324,655
Total Tution and Fees			**$18,428,013**		**$18,120,394**		**($307,619)**
Less: Waivers			(883,013)		(827,022)		55,991
Total Net Tuition & Fees			**$17,545,000**		**$17,293,372**		**($251,628)**
Auxiliary:							
Room & Board Fall			2,612,315		2,590,397		(21,918)
Room & Board Spring			2,282,685		2,249,601		(33,085)
Bookstore							0
Total Auxiliary			**4,895,000**		**4,839,998**		**(55,002)**

* FPE: Full Paying Equivalent, i.e. # students at full tuition value
** Summer Sessions charge rates utilized in preceeding Academic Year

Lyndon State College
Q1 Variance Analysis, 9/30/16

Narrative - Budget vs. Actual

Lyndon's fall enrollment came in under expected levels and that difference is reflected in lower than budgeted net tuition and fee revenue. A shift in mix also impacted revenue with slightly lower VT revenue and more significantly lower out-of-state revenue. While entering students slightly exceeded entrant headcount budgets, returning student counts were lower. Combined with a much better than budget summer term, the combination of these factors leads to a fiscal year revenue forecast of $467k under budget. However, because of work done to improve residency rates, auxiliary revenues are on a trajectory to provide $225k to offset the impact of the tuition and fee revenue shortfall.

Immediately after submission of the FY17 budget, prior president Joe Bertolino began a process dubbed "the $1 million steering committee" to find ways to decrease the deficit by $1 million, thereby preserving our reserves and setting the college on a better track to meet the objective of a balanced budget for FY18. Interim president Nolan Atkins has continued the effort and to date the committee has recommended, and the presidents have accepted, $672k in budget cuts for the current fiscal year. Very little of the saving identified to date involve one-time money and most will carry forward with somewhat higher budget impact in FY18 with a full year to realize savings. The committee's recommendations have ranged from the higher dollar-value savings of not filling vacant positions to small dollar, high community visibility savings in such areas as water and coffee purchases. Opportunistic restructuring has accompanied the vacancy savings, where possible. Physical plant, the library, and faculty support areas were additionally impacted by two layoffs and the discontinuance of line then held by a probationary employee. The back office consolidation of the accounts payable function has resulted in an additional layoff and the projection of modest savings for the current year. We anticipate that the consolidation initiative will have greater impact though it is premature to project savings for either FY17 or FY18 until more is known. Some revenue expansion is planned through using the presidents house for conference space and harvesting timber in selected lots at the perifery of campus.

One minor note: the return of the remaining balance of the GASB funds was budgeted into transfers instead of into the reserves section. So that the projection of year end matches the final management accounting that we will be using, we have shown $168k more in reserve use than previously budgeted while the expected transfer number is reduced by the same amount (and a smaller variance). This is just a presentation change.

The college will balance its FY17 budget with a combination of the reimbursement of the final $168k from prior year GASB45 payments to the trust, as well as the use of some or all of the strategic reserve. The Board required, 2.5% reserve, will not be tapped.

Dean of Administration
Loren Loomis Hubbell

Interim President
Nolan A. Atkins

Vermont State Colleges
LyndonState College
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees	8,909	7,841	16,750	17,237	(487)		16,850	(100)
State Appropriations	1,194	3,721	4,915	4,915	0		4,775	140
Room & Board	2,884	2,541	5,425	5,200	225	*	5,406	19
Sales and Services	414	505	919	894	25		1,036	(117)
Gifts	34	105	139	208	(69)	*	139	-
Other Revenue	93	144	237	236	1		322	(85)
TOTAL REVENUES	13,528	14,857	28,385	28,690	(305)		28,528	(143)
EXPENSES								
Employee Wages and Benefits	4,033	13,308	17,341	17,804	463		17,437	96
Services, Supplies and Travel	1,181	4,988	6,169	6,326	157		5,945	(224)
Scholarships and Fellowships	1,170	1,108	2,278	2,307	29		1,803	(475)
Utilities	67	1,352	1,419	1,452	33		1,230	(189)
Other Expenses	-	-	-	-	-		-	-
Debt Service	433	1,236	1,669	1,731	62	*	1,597	(72)
Chancellor's Office	355	1,065	1,420	1,420	-		1,584	164
Other Transfers	(401)	34	(367)	(437)	(70)	*	399	766
TOTAL EXPENSES	6,838	23,091	29,929	30,603	674		29,995	66
NET REVENUES	6,690	(8,234)	(1,544)	(1,913)	369		(1,467)	(77)
NON-RECURRING ITEMS								
Carry-Forward		-	-	-			-	
Strategic Reserve		1,244	1,244	1,613				
All Other	(6,690)	6,990	300	300			1,467	
TOTAL (must equal zero)	-	-	-	-			-	

VERMONT STATE COLLEGES
FY17 TUITION & FEES REVENUE MONITORING REPORT -

Lyndon State College
9/30/2016

		BUDGETED		ACTUAL/ESTIMATED		VARIANCE	
	Rate	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2016	(Semester)						
Vermonter	5,112	638	$3,261,456	628	$3,212,323	(10)	($49,133)
Non-Vrmtr (O/S)	10,956	210	2,300,760	179	1,961,850	(31)	(338,910)
NEBHE	10,956	292	3,199,152	300	3,285,681	8	86,529
OTHER -NECC	5,112	5	25,560	3	13,856	(2)	(11,704)
Grad Vermonter	6,492	17	110,364	13	83,687	(4)	(26,677)
Grad Non- Vermonter	13,656	-	-	3	40,968	3	40,968
Total		1,162	$8,897,292	1,126	$8,598,365	(36)	($298,927)
SPRING 2017	(Semester)						
Vermonter	5,112	581	$2,968,845	575	$2,938,845	(6)	($30,000)
Non-Vrmtr (O/S)	10,956	199	2,180,244	181	1,980,244	(18)	(200,000)
NEBHE	10,956	266	2,914,296	271	2,964,296	5	50,000
OTHER -NECC	5,112	6	28,116	6	28,116	0	0
Grad Vermonter	6,492	21	136,202	21	135,553	-	(649)
Grad Non- Vermonter	13,656	-	-	1	12,000	1	12,000
Total		1,072	$8,227,703	1,053	$8,059,054	(18)	($168,649)
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	4,992	31	$155,196	40	$199,897	9	$44,701
Non-Vrmtr (O/S)	10,692	5	53,460	6	66,825	1	13,365
NEBHE	10,692	7	74,844	11	119,856	4	45,012
Grad Vermonter	6,336	9	57,024	25	157,213	16	100,189
Grad Non- Vermonter	13,656	-	-	-	-	-	-
Total		52	340,524	82	543,792	30	203,267
SUMMER SESSIONS II> (May/J)							
Vermonter	5,112	40	$206,525	40	$206,525	0	$0
Non-Vrmtr (O/S)	10,956	6	65,736	6	65,736	0	0
NEBHE	10,956	10	109,560	10	109,560	0	0
Grad Vermonter	6,492	4	25,968	4	25,968	-	-
Grad Non- Vermonter	13,656	-	-	-	-	-	-
Total		60	$407,789	60	$407,789	0	$0
FY 2017 TOTAL	(Acad Yr)						
Fall & Spring							
Vermonter	10,224	609	$6,230,301	602	$6,151,168	(8)	($79,133)
Non-Vrmtr (o/s)	21,912	205	4,481,004	180	3,942,094	(25)	(538,910)
NEBHE	21,912	279	6,113,448	285	6,249,977	6	136,529
Other-NECC	5,112	11	53,676	8	41,972	(2)	(11,704)
Grad Vermonter	12,984	19	246,566	17	219,240	(2)	(27,326)
Grad Non- Vermonter	27,312	-	-	2	52,968	2	52,968
S/T		1,122	$17,124,995	1,094	$16,657,419	(29)	($467,576)
Summer Sessions (annualized)		56	748,313	71	951,581	15	203,268
Total Student Tuition		1,179	$17,873,308	1,165	$17,609,000	(13)	($264,308)
NEKSDC Tuition & Misc			50,000		0		(50,000)
Student Fees		11,005	1,895,717		1,841,000		(54,717)
Total Tuition and Fees			$19,819,025		$19,450,000		($369,025)
Less: Waivers			(2,581,965)		(2,700,000)		(118,035)
Total Net Tuition & Fees			$17,237,060		$16,750,000		($487,060)
Auxiliary:							
Room & Board Fall			2,756,122		2,860,346		104,224
Room & Board Spring			2,444,108		2,564,884		120,776
Bookstore							
Total Auxiliary			5,200,230		5,425,230		225,000

* FPE: Full Paying Equivalent, i.e. # students at full tuition value
** Summer Sessions charge rates utilized in preceeding Academic Year

VTC FY17 First Quarter Budget Narrative

November 21st, 2016

Entering FY 2017 with an approved budgetary loss of $685k, Vermont Technical College's first quarter position appears comparably strong. Enrollment in Nursing and Allied Health majors has increased by more than 10%, largely due to continued growth in our on-line Nursing BS which is now enrolling 80 students, and our Dental Hygiene program, which is now enrolling 76 students. Overall tuition & fee revenue is up 8.3% from FY16. Residential enrollment, particularly in Randolph Center, continues to be a challenge, with Auxiliary Revenue down 3.5% from FY16. Total expenses are close to budget, up 2.5% from FY16.

In aggregate VTC is projecting a $322k deficit for the year, improving on budget by more than $300k. The improvement is largely due to strong enrollment.

Vermont State Colleges
Vermont Technical College
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees	11,637	12,286	23,923	22,894	1,029	*	22,086	1,837
State Appropriations	1,483	4,587	6,070	5,847	223	*	6,146	(76)
Room & Board	2,029	1,838	3,867	3,921	(54)		4,008	(141)
Sales and Services	267	915	1,182	1,302	(120)	*	1,438	(256)
Gifts	58	14	72	65	7	*	321	(249)
Other Revenue	126	199	325	290	35	*	656	(331)
TOTAL REVENUES	15,600	19,839	35,439	34,319	1,120		34,655	784
EXPENSES								
Employee Wages and Benefits	5,042	17,662	22,704	22,558	(146)		20,855	(1,849)
Services, Supplies and Travel	1,685	5,986	7,671	7,551	(120)		7,781	110
Scholarships and Fellowships	538	614	1,152	1,059	(93)	*	919	(233)
Utilities	190	1,012	1,202	1,192	(10)		1,339	137
Other Expenses	-	-	-	-	-		-	-
Debt Service	378	1,590	1,968	1,741	(227)	*	1,475	(493)
Chancellor's Office	(17)	1,537	1,520	1,420	(100)	*	1,226	(294)
Other Transfers	(185)	(396)	(581)	(418)	163	*	1,047	1,628
TOTAL EXPENSES	7,631	28,005	35,636	35,103	(533)		34,642	(994)
NET REVENUES	7,969	(8,166)	(197)	(784)	587		13	(210)
NON-RECURRING ITEMS								
Carry-Forward			-					
Strategic Reserve			-					
All Other	(7,969)	8,166	197	784			(13)	
TOTAL (must equal zero)	-	-	-	-			-	

VERMONT STATE COLLEGES
FY17 TUITION & FEES REVENUE MONITORING REPORT -

Vermont Technical College
9/30/2016

	BUDGETED			ACTUAL/ESTIMATED		VARIANCE	
	Rate	FPE*	Revenue	FPE*	Revenue	FPE*	Revenue
FALL 2016	(Semester)						
Vermonter	6,480	1,215	$7,874,347	1,270	$8,228,375	55	$354,027
Non-Vrmtr (o/s)	12,396	87	1,081,208	91	1,129,818	4	48,611
NEBHE	12,396	119	1,479,683	125	1,546,209	5	66,526
Other		-		0		0	0
Grad Vermonter							
Grad Non- Vermonter							
Total		1,422	$10,435,237	1,486	$10,904,402	64	$469,164
SPRING 2016	(Semester)						
Vermonter	6,480	1,045	$6,773,355	1,092	$7,077,882	47	$304,527
Non-Vrmtr (o/s)	12,396	83	1,027,147	87	1,073,327	4	46,180
NEBHE	12,396	106	1,318,641	111	1,377,927	5	59,286
Other		-		0		0	0
Grad Vermonter							
Grad Non- Vermonter							
Total		1,235	$9,119,143	1,290	$9,529,136	56	$409,993
SUMMER SESSIONS I. (J/Aug)	**						
Vermonter	6,228	10	$60,660	10	$63,387	0	$2,727
Non-Vrmtr (o/s)	11,916	-	-	0	0	0	0
NEBHE	11,916	-	-	0	0	0	0
Grad Vermonter							
Grad Non- Vermonter							
Total		10	60,660	10	63,387	0	2,727
SUMMER SESSIONS II> (May/J)	***						
Vermonter	5,103	151	$770,411	158	$805,049	7	$34,637
Non-Vrmtr (o/s)	10,773	-	-	0	-	0	0
NEBHE	10,773	8	87,058	8	90,972	0	3,914
Grad Vermonter							
Grad Non- Vermonter							
Total		159	$857,469	166	$896,020	7	$38,551
FY 2016 TOTAL	(Acad Yr)	(Avg)					
Fall & Spring							
Vermonter	12,960	1,130	$14,647,702	1,181	$15,306,256	51	$658,555
Non-Vrmtr (o/s)	24,792	85	2,108,355	89	2,203,146	4	94,791
NEBHE	24,792	113	2,798,324	118	2,924,135	5	125,812
Other		-		0		0	0
Grad Vermonter	-	-	-	-	-	-	-
Grad Non- Vermonter	-	-	-	-	-	-	-
S/T		1,328	$19,554,380	1,388	$20,433,537	60	$879,157
Summer Sessions (annualized)		84	918,129	88	959,408	4	41,279
Total Student Tuition		1,413	$20,472,509	1,476	$21,392,945	64	$920,436
Student Fees			3,627,078		3,790,150		163,072
Total Tuition and Fees			**$24,099,588**		**$25,183,096**		**$1,083,508**
Less: Waivers			(1,205,396)		(1,259,590)		(54,194)
Total Net Tuition & Fees			**$22,894,192**		**$23,923,506**		**$1,029,314**
Auxiliary:							
Room & Board Fall			2,078,018		2,049,799		(28,220)
Room & Board Spring			1,842,771		1,817,746		(25,025)
Bookstore			0		0		0
Total Auxiliary			3,920,789		3,867,545		(53,245)

* FPE: Full Paying Equivalent, i.e. # students at VTC non-nursing tuition value
** Summer Sessions charge rates utilized in preceeding Academic Year
*** Primarily LPN 3rd term.

Vermont State Colleges
VTC_Workforce Development
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees			-	-	-		-	-
State Appropriations	107	321	428	428	-		428	-
Room & Board			-	-	-		-	-
Sales and Services	96	813	909	909	-		701	208
Gifts	-		-	-	-		415	(415)
Other Revenue	-		-	-	-		-	-
TOTAL REVENUES	203	1,134	1,337	1,337	-		1,544	(207)
EXPENSES								
Employee Wages and Benefits	221	942	1,163	1,163	-		938	(225)
Services, Supplies and Travel	92	628	720	720	-		1,086	366
Scholarships and Fellowships	-		-	-	-		-	-
Utilities	-		-	-	-		-	-
Other Expenses	-		-	-	-		-	-
Debt Service	-		-	-	-		-	-
Chancellor's Office	-		-	-	-		-	-
Other Transfers	(14)	(532)	(546)	(546)	-		(495)	51
TOTAL EXPENSES	299	1,038	1,337	1,337	-		1,529	192
NET REVENUES	(96)	96	-	-	-		15	(15)
NON-RECURRING ITEMS								
Carry-Forward			-					
Strategic Reserve			-					
All Other	96	(96)	-	-			(15)	
TOTAL (must equal zero)	-	-	-	-			-	

Vermont State Colleges
Office of the Chancellor
Period Ending Date 9/30/16
Narrative Highlights for Budget vs. Actual

The Office of the Chancellor expects to be over budget by $244k. This is the net of a projected salaries/benefits overage and a slightly better than budget projection in the services, supplies and travel line. The utilities line was under budgeted.

Salaries and benefits represent positions coming to the Office of the Chancellor as part of the consolidation efforts, as well as some unbudgeted changes in IT personnel.

Vermont State Colleges
Office of the Chancellor
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees			-	-	-		-	-
State Appropriations			-		-		-	-
Room & Board			-	-	-		-	-
Sales and Services			-		-		-	-
Gifts	-		-	-	-		-	-
Other Revenue	-		-	-	-		-	-
TOTAL REVENUES	-	-	-	-	-		-	-
EXPENSES								
Employee Wages and Benefits	912	3,242	4,154	3,884	(270)	*	3,839	(315)
Services, Supplies and Travel	1,136	2,018	3,154	3,190	36		3,506	352
Scholarships and Fellowships	-		-	-	-		-	-
Utilities	9	27	36	26	(10)	*	68	32
Other Expenses			-	-	-		-	-
Debt Service	-		-	-	-		-	-
Chancellor's Office	(1,775)	(5,325)	(7,100)	(7,100)	-		(6,895)	205
Other Transfers			-	-	-		-	-
TOTAL EXPENSES	282	(38)	244	-	(244)		518	274
NET REVENUES	(282)	38	(244)	-	(244)		(518)	274
NON-RECURRING ITEMS								
Carry-Forward			-					
Strategic Reserve			-					
All Other	282	(38)	244	-			518	
TOTAL (must equal zero)	-	-	-	-			-	

Vermont State Colleges
JSC & LSC (Informational Only)
For the Quarter Ending September 30, 2016
Budget vs Actual Report
(Amounts rounded to 1,000's)

	Actual thru Sep 2016	Projected Balance of 2017	Projected Total Year 2017	Total Board Approved Budget 2017	Projection vs Budget Variance Fav/(Unfav)	Var > 3%	Total Year 2016 Actual	Variance FY16 Actual to Projected FY17 Fav/(Unfav)
REVENUES								
Tuition and Fees	18,044	15,999	34,043	34,782	(739)		33,621	422
State Appropriations	2,388	7,443	9,830	9,830	0		9,550	281
Room & Board	5,474	4,791	10,265	10,095	170		10,188	77
Sales and Services	700	729	1,429	1,404	25		1,558	(129)
Gifts	114	375	489	558	(69)	*	453	36
Other Revenue	128	413	541	540	1		632	(91)
TOTAL REVENUES	26,849	29,749	56,598	57,209	(611)		56,002	596
EXPENSES								
Employee Wages and Benefits	8,281	26,798	35,079	36,050	971		34,666	(413)
Services, Supplies and Travel	2,514	8,484	10,998	11,318	320		10,468	(530)
Scholarships and Fellowships	2,494	2,457	4,951	4,660	(291)	*	4,016	(935)
Utilities	313	2,321	2,634	2,627	(7)		2,601	(33)
Other Expenses	-	-	-	-	-		-	-
Debt Service	765	2,233	2,998	3,060	62		2,830	(168)
Chancellor's Office	398	2,442	2,840	2,840	-		3,223	383
Other Transfers	(457)	274	(183)	(253)	(70)	*	755	938
TOTAL EXPENSES	14,307	45,009	59,317	60,302	985		58,559	(758)
NET REVENUES	12,541	(15,260)	(2,719)	(3,093)	374		(2,558)	(161)
NON-RECURRING ITEMS								
Carry-Forward	-	-	-	-			187	
Strategic Reserve	-	1,244	1,244	1,885				
All Other	(12,541)	14,016	1,475	1,208			2,371	
TOTAL (must equal zero)	-	-	-	-			-	

Vermont State Colleges System
(Amounts rounded to $1,000)

	Pct of Expenses	FY2017 FY17 Q1	Pct Chg	FY2018 Roll-Forward
REVENUES				
Tuition and Fees	64%	111,438	4.0%	116,475
Enrollment Growth			0.5%	
State Appropriation	15%	25,935	3.0%	26,713
Room and Board	14%	24,833	3.0%	25,642
All Other Revenue	4%	7,576	2.0%	7,728
TOTAL REVENUES	98%	169,782		176,558
EXPENSES				
Salaries and Benefits	65%	113,364	3.6%	117,445
Services, Supplies and Travel	20%	33,994	2.0%	34,673
All Other Expenses	3%	4,984	2.0%	5,084
Sub-total	88%	152,342		157,202
Efficiency improvements			0.3%	(472)
Scholarships and Fellowships	6%	10,683	2.3%	10,923
Debt Service	6%	10,202	0.0%	10,202
TOTAL EXPENSES	100%	173,227		177,856
NET REVENUES/(DEFICIT)		(3,445)		(1,299)
Percent of Total Expenses		**-2.0%**		**-0.7%**
CUMULATIVE SURPLUS/(DEFICIT)		(3,445)		(4,743)

Item 3:
Quarterly Cash and Investments Review

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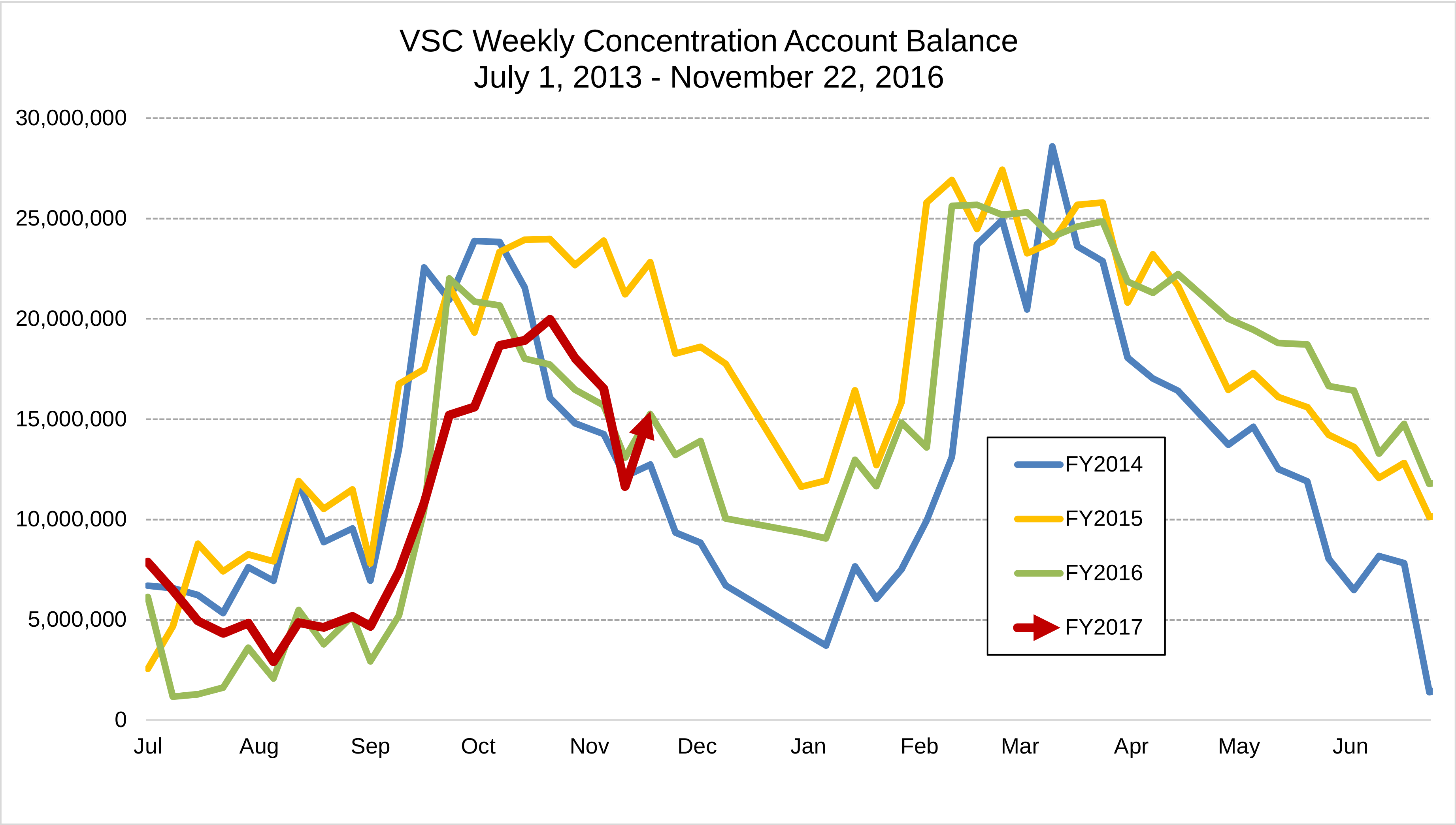
VERMONT STATE COLLEGES
CASH & INVESTMENT REPORT: As of 10/31/2016

(Excludes non-operating/non-endowment investments made by VSC capital bond trustees)

	FY2015			FY2016			FY2017		
	CASH Avg Daily Balance	INV'MT Avg Daily Balance	CASH & INV'MT Avg Daily Balance	CASH Avg Daily Balance	INV'MT Avg Daily Balance	CASH & INV'MT Avg Daily Balance	CASH Avg Daily Balance	INV'MT Avg Daily Balance	CASH & INV'MT Avg Daily Balance
JULY	5,693,454	49,867,648	55,561,102	3,355,541	46,380,924	49,736,465	5,802,598	48,252,972	54,055,570
AUGUST	10,617,091	50,457,909	61,075,000	4,592,608	46,127,004	50,719,612	4,771,979	48,240,933	53,012,912
SEPTEMBER	15,870,921	49,854,030	65,724,951	11,165,432	45,681,768	56,847,200	10,524,995	48,953,239	59,478,234
OCTOBER	23,455,481	50,257,327	73,712,808	20,198,716	46,848,645	67,047,361	19,921,855	48,422,041	68,343,896
NOVEMBER	22,488,791	50,662,244	73,151,035	15,282,537	46,770,232	62,052,769	0	0	0
DECEMBER	16,582,373	50,599,560	67,181,933	11,965,241	46,325,445	58,290,686	0	0	0
JANUARY	13,982,318	50,470,073	64,452,391	12,107,286	45,698,086	57,805,372	0	0	0
FEBRUARY	25,288,139	51,191,635	76,479,774	22,520,132	45,771,201	68,291,333	0	0	0
MARCH	25,813,245	51,040,377	76,853,622	25,540,713	47,312,657	72,853,370	0	0	0
APRIL	33,001,582	51,196,107	84,197,689	22,137,233	47,488,459	69,625,692	0	0	0
MAY	16,613,579	50,630,767	67,244,346	18,899,541	47,627,944	66,527,485	0	0	0
JUNE	12,181,645	50,099,272	62,280,917	14,118,440	47,984,522	62,102,962	0	0	0
Cash & Inv Avg thru 4 months	$13,909,237	$50,109,229	$64,018,465	$9,828,074	$46,259,585	$56,087,660	$10,255,357	$48,467,296	$58,722,653

Summary of October Average Daily Balances

TD Bank Concentration Account	18,760,333
TD Wealth Medical	352,987
TD Bank Enterprise Money Market	4,717,587
TD Wealth Investments	19,640,450
Morgan Stanley (Endowment)	24,064,004
Total Investment	$67,535,361
Remainder of money at local college banks	$808,535
	$68,343,896


VSC Weekly Concentration Account Balance
July 1, 2013 - November 22, 2016
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
FY2014
FY2015
FY2016
FY2017

Item 4:
Quarterly Endowment Report

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WEALTH MANAGEMENT

Morgan Stanley

Quarterly Report - 3Q16

Prepared on October 26, 2016

Prepared For: **VSC All Accounts (Including Operations)**

Danielle Hogan
Financial Advisor
Vice President
Tel: +1 802 652-6002
Danielle.A.Hogan@morganstanley.com

John Myhre
Financial Advisor
Vice President
Tel: +1 802 652-6040
John.O.Myhre@morganstanley.com

Brian Pelkey
Financial Advisor
Senior Vice President
Tel: +1 802 652-6035
Brian.A.Pelkey@morganstanley.com
http://www.morganstanleyfa.com/pelkey

Your Branch:
105 WEST VIEW RD, 5TH FL
COLCHESTER, VT 05446

Please review the disclosures and definitions throughout this Document.

VSC All Accounts

Prepared on October 26, 2016 | Reporting Currency: USD

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Please review the disclosures and definitions throughout this Document.
Various sub-sections of this Document may not contain information on all accounts/positions covered in this Document.

WEALTH MANAGEMENT

Morgan Stanley

ACCOUNT(S) INCLUDED IN THIS REPORT

VSC All Accounts **Reporting Currency: USD**

ACCOUNT(S) DETAIL

Account Name and Address	Account Type/Manager Name	Advisory/ Brokerage	Account Number	Date Opened	Date Closed
IRONWOOD PO BOX 7 MONTPELIER	Alternative Investments Advisory	Advisory	383-020918	09/17/14	
SKYBRIDGE PO BOX 7	Alternative Investments Advisory	Advisory	383-020919	09/17/14	
VERMONT STATE COLLEGES	Consulting Group Advisor	Advisory	383-108872	12/20/02	
ATTN STEPHEN WISLOSKI PO BOX 7 MONTPELIER	Delaware Intl ADR -London	Advisory	383-108874	12/20/02	
	AAA	Brokerage	383-108873	12/20/02	
	Anchor Mid Cap Value	Advisory	383-108918	02/06/03	
	AAA	Advisory	383-108920	02/06/03	
	ClearBridge Multi Growth	Advisory	383-110533	04/19/06	
	Seix Advisors - High Yield Bond	Advisory	383-110534	04/19/06	
	ThomasPartners	Advisory	383-122584	03/07/12	
		Advisory	999-209262		10/27/10

Capital Markets Overview: 3Q 2016

Introduction

As of 3Q 2016

- Risk markets emerged from June's historic Brexit vote with a vengeance, surging to new highs in the beginning of July and holding those gains through the end of the third quarter. Japanese and emerging market equities were the top performers across asset classes, registering returns more than double that of the S&P 500. The laggards for the quarter included commodities and managed futures. For the one-year period ended September 30, 2016, global REITs and emerging market debt and equities generated the strongest returns.

- With a relatively quiet third quarter, the market is now gearing up for the uncertainty that the US Presidential election and the US Federal Reserve meeting may bring. While there may be some short-term market volatility surrounding these events, the GIC does not believe they will derail the gains risk markets have made year to date. The GIC puts a December Fed rate hike on the table, as they continue to monitor inflation expectations and labor market conditions.

- The Dow Jones Industrial Average increased 2.8% in the third quarter. The NASDAQ Composite Index was up 10.0% for the quarter. The S&P 500 Index increased 3.9% for the quarter.

- Seven of the 11 sectors within the S&P 500 generated positive returns in the third quarter of 2016. The top-performing sector was Technology, which was up 12.9%. Financials rose 4.6% and was also among the top-performing sectors. The biggest laggards were Utilities, which decreased 5.9%, and Telecom, which fell 5.6%.

- The bond market registered positive returns during the third quarter. The Barclays U.S. Aggregate Bond Index, a general measure of the bond market, increased 0.5% for the quarter.

- Morgan Stanley & Co. economists expect U.S. real GDP will be 1.7% in 2016 and 1.5% in 2017. They forecast global GDP growth to be 2.9% in 2016 and 3.2% in 2017.

- After posting strong second quarter returns, Commodities registered negative returns in the third quarter; the Bloomberg Commodity Index decreased 3.9%.

- For the third quarter of 2016, global mergers and acquisitions (M&A) deal volume was $813 billion, compared to $835 billion for the second quarter of 2016. Global M&A activity increased to $4.3 trillion in 2015 from $3.3 trillion in 2014.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 3Q 2016

US Equity Markets

As of 3Q 2016

The Dow Jones Industrial Average increased 2.8% in the third quarter. The NASDAQ Composite Index was up 10.0% for the quarter. The S&P 500 Index increased 3.9% for the quarter.

Seven of the 11 sectors within the S&P 500 generated positive returns in the third quarter of 2016. The top-performing sector was Technology, which was up 12.9%. Financials rose 4.6% and was also among the top-performing sectors. The biggest laggards were Utilities, which decreased 5.9%, and Telecom, which fell 5.6%.

Growth-style stocks of large-cap companies increased during the third quarter. The large-cap Russell 1000 Growth Index rose 4.6%. The Russell 1000 Index, a large-cap index, increased 4.0% for the quarter. The Russell 1000 Value Index, also a large-cap index, increased 3.5% for the quarter.

The Russell Midcap Growth Index rose 4.6% for the quarter. The Russell Midcap Index also increased 4.5% for the quarter. The Russell Midcap Value Index increased 4.5% for the quarter. The Russell 2000 Growth Index, a small-cap index, increased 9.2% for the quarter. The small-cap Russell 2000 Index rose 9.0% for the quarter. The Russell 2000 Value Index, also a small-cap index, increased 8.8% for the quarter.

Key US Stock Market Index Returns (%) for the Period Ending 9/30/2016

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized
S&P 500	3.9%	15.4%	16.4%	13.2%
Dow Jones	2.8%	15.5%	13.7%	12.3%
Russell 2000	9.0%	15.5%	15.8%	12.5%
Russell Midcap	4.5%	14.2%	16.7%	14.1%
Russell 1000	4.0%	14.9%	16.4%	13.2%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 3Q 2016

Global Equity Markets

As of 3Q 2016

In the third quarter, emerging markets (EM) and international developed regions both delivered positive returns. The MSCI EAFE Index (a benchmark for international developed markets) increased 6.5% for U.S.-currency investors and 6.1% for local-currency investors, as the U.S. dollar slightly depreciated in relation to the currencies of many nations in the index.

For the third quarter, the MSCI Emerging Markets Index increased 9.2% for U.S.-currency investors and 7.7% for local-currency investors, as the U.S. dollar depreciated in relation to the currencies of the nations in the index. The MSCI Europe Index increased 5.4% for U.S.-currency investors and 5.7% for local-currency investors during the third quarter of 2016.

The S&P 500 Index increased 3.9% for the quarter.

Emerging economy equity market indices were also up in the third quarter. The MSCI BRIC (Brazil, Russia, India and China) Index rose 11.6% for the quarter in U.S. dollar terms and 11.5% in terms of local currencies. In comparison, for the third quarter, the MSCI EM Asia Index was up 10.6% in U.S. dollar terms and 8.9% in local terms.

Key Global Equity Market Index Returns (%) for the Period Ending 9/30/2016

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
MSCI EAFE	6.5%	7.1%	7.9%	4.7%
MSCI EAFE Growth	5.0%	9.9%	9.1%	6.4%
MSCI EAFE Value	8.1%	4.2%	6.6%	3.0%
MSCI Europe	5.4%	3.1%	8.1%	4.4%
MSCI Japan	8.8%	12.5%	7.6%	5.4%
S&P 500	3.9%	15.4%	16.4%	13.2%
MSCI Emerging Markets	9.2%	17.2%	3.4%	2.6%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 3Q 2016

The US Bond Market

As of 3Q 2016

The bond market registered positive returns during the third quarter. The Barclays U.S. Aggregate Bond Index, a general measure of the bond market, increased 0.5% for the quarter.

Interest rates increased during the third quarter, as the yield on the 10-year U.S. Treasury note rose to a quarter-end 1.59% from 1.47% at the end of the 2Q 2016.

Riskier parts of the bond market such as U.S. high yield debt increased in the third quarter. The Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, rose 5.6%.

Mortgage-backed securities also posted positive returns during the third quarter. The Barclays Capital Mortgage Backed Index increased 0.6% for the quarter. During the third quarter, the municipal bond market decreased. As a result, the Barclays Capital Muni Index generated a negative 0.3% return for the quarter.

Key US Bond Market Index Returns (%) for the Period Ending 9/30/2016

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
Barclays Capital US Aggregate	0.5%	5.2%	3.1%	4.1%
Barclays Capital High Yield	5.6%	12.7%	8.3%	8.7%
Barclays Capital Government/Credit	0.4%	5.8%	3.2%	4.2%
Barclays Capital Government	-0.3%	4.1%	2.2%	3.4%
Barclays Capital Intermediate Govt/Credit	0.2%	3.5%	2.4%	3.3%
Barclays Capital Long Govt/Credit	1.2%	14.7%	6.3%	8.2%
Barclays Capital Mortgage Backed Securities	0.6%	3.6%	2.6%	3.5%
Barclays Capital Muni	-0.3%	5.6%	4.5%	4.6%

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

Morgan Stanley

VERMONT STATE COLLEGES
PORTFOLIO SUMMARY - ASSET ALLOCATION
Septemer 30, 2016

	Large Cap Growth	Large Cap Value	Small / Mid Growth	Small / Mid Value	International	International Emerging	Domestic and High Yield Fixed	International Fixed	Alternatives	Cash	Total	% of Total Portfolio
CG Advisor												
I shares Russell 1000 Growth	$ 2,688,107										$ 2,688,107	**11.1%**
I shares Russell 1000 Value		$ 3,203,455									$ 3,203,455	**13.2%**
I shares Trust S&P Mid Cap 400			$ 29,005								$ 29,005	**0.1%**
iShares Russell 2000			$ 189,979	$ 189,979							$ 379,958	**1.6%**
William Blair Int Growth					$ 1,340,751						$ 1,340,751	**5.5%**
Oppenheimer Developing Mkts						$ 562,261					$ 562,261	**2.3%**
I shares MSCI EAFE						$ 411,013					$ 411,013	**1.7%**
Dreyfus Standish GLB Fix Inc I								$ 784,100			$ 784,100	**3.2%**
Loomis Bond Fund							$ 1,118,681				$ 1,118,681	**4.6%**
Ishares Dj US Real Estate									$ 368,525		$ 368,525	**1.5%**
Vanguard REIT ETF									$ 389,636		$ 389,636	**1.6%**
Vanguard Sh Tm Invt Gr Inv							$ 1,112,130				$ 1,112,130	**4.6%**
Vanguard Total Bd Mkt Indx Inv							$ 2,368,156				$ 2,368,156	**9.7%**
Lazard Emerging Markets						$ 570,805					$ 570,805	**2.3%**
Money Funds										$ 40,445	$ 40,445	**0.2%**
Ironwood HF									$ 499,766		$ 499,766	**2.1%**
Skybridge HF									$ 460,454		$ 460,454	**1.9%**
Anchor				$ 757,854							$ 757,854	**3.1%**
Delaware					$ 1,127,005						$ 1,127,005	**4.6%**
Clearbridge	$ 815,009	$ 396,491	$ 484,600	$ 506,627						$ 113,228	$ 2,315,955	**9.5%**
Seix							$ 1,491,302				$ 1,491,302	**6.1%**
Thomas Partners	$ 628,129.89	$ 987,061	$ 87,432	$ 271,499	$ 299,109					$ 27,610	$ 2,300,842	**9.5%**
Total Fund	**$ 4,131,246**	**$ 4,587,007**	**$ 791,016**	**$ 1,725,960**	**$ 2,766,866**	**$ 1,544,078**	**$ 6,090,270**	**$ 784,100**	**$ 1,718,381**	**$ 181,282**	**$ 24,320,205**	**100.00%**
Allocation	16.99%	18.86%	3.25%	7.10%	11.38%	6.35%	25.04%	3.22%	7.07%	0.75%	100.00%	
Strategic Target Allocation a/o 6.30.11												
By Percent	*12.00%*	*12.00%*	*6.00%*	*6.00%*	*17.00%*	*7.00%*	*28.00%*	*4.00%*	*8.00%*	*0.00%*	*100.00%*	
By Dollar	*$ 2,918,425*	*$ 2,918,425*	*$ 1,459,212*	*$ 1,459,212*	*$ 4,134,435*	*$ 1,702,414*	*$ 6,809,657*	*$ 972,808*	*$ 1,945,616*	*$ -*	*$ 24,320,205*	
Current Tactical Allocation	***18%***	***18%***	***4%***	***4%***	***12%***	***4%***	***28%***	***4%***	***8%***	***0%***	***100%***	
Revised Tactical a/o 6.30.16	18%	18%	4%	4%	14%	5%	25%	4%	8%	0%	100%	
Operations Account		$ 101,171.68	(common stock)		$ 132,705.28	(money funds)					$ 233,877	
Total All Accounts											**$ 24,554,082**	

Basic Asset Allocation:	**Stocks**	**64%**
	Alternatives	**7%**
	Fixed Income/Cash	**29%**

 Prepared by: John O. Myhre, Vice President, Financial Advisor

WEALTH MANAGEMENT

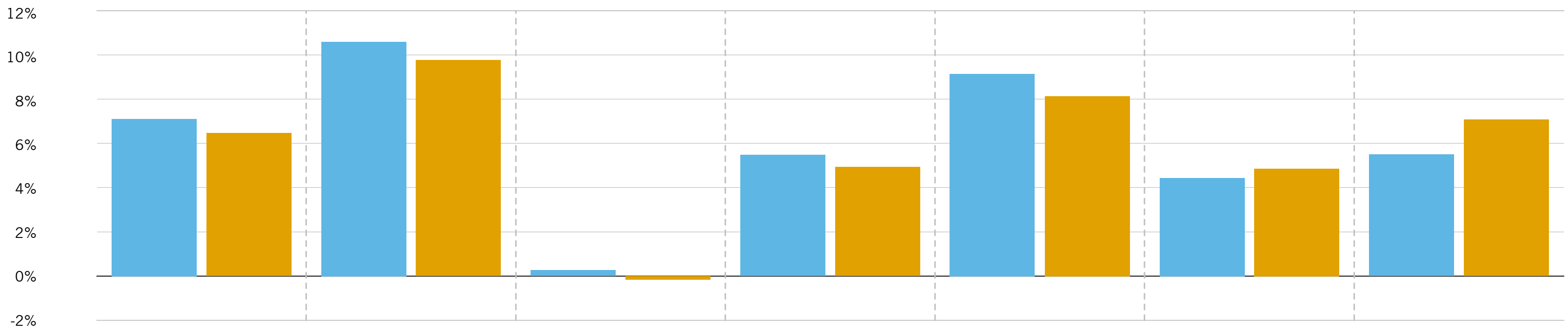
Morgan Stanley

TIME WEIGHTED PERFORMANCE SUMMARY

VSC All Accounts

As of September 30, 2016 | Reporting Currency: USD

RETURN % (NET OF FEES) VS. BENCHMARKS



	Year to Date 12/31/15 - 09/30/16	Last 12 Months 09/30/15 - 09/30/16	Custom Period 06/30/15 - 06/30/16	Last 3 Years 09/30/13 - 09/30/16	Last 5 Years 09/30/11 - 09/30/16	Last 10 Years 09/30/06 - 09/30/16	Performance Inception 12/26/02 - 09/30/16
Beginning Total Value	**$22,808,017.00**	**$22,071,977.38**	**$23,521,823.31**	**$20,955,407.72**	**$17,214,550.88**	**$15,943,845.85**	**$5,616,088.35**
Net Contributions/Withdrawals	163,904.31	175,214.61	12,489.46	-32,641.94	-1,639,237.80	-362,185.77	6,882,604.61
Investment Earnings	1,605,439.68	2,330,168.99	64,139.60	3,654,595.21	9,002,047.91	8,995,700.91	12,078,668.03
Ending Total Value	**$24,577,360.99**	**$24,577,360.99**	**$23,598,452.38**	**$24,577,360.99**	**$24,577,360.99**	**$24,577,360.99**	**$24,577,360.99**

Return % (Net of Fees)	**7.10**	**10.59**	**0.27**	**5.48**	**9.14**	**4.43**	**5.49**
65% MSCI AC World/35% Barclays Agg	*6.46*	*9.76*	*-0.16*	*4.93*	*8.13*	*4.85*	*7.07*

The investment returns shown on this page are time-weighted measurements which exclude the effect of the timing and amount of your contributions and withdrawals.

WEALTH MANAGEMENT

Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

VSC All Accounts

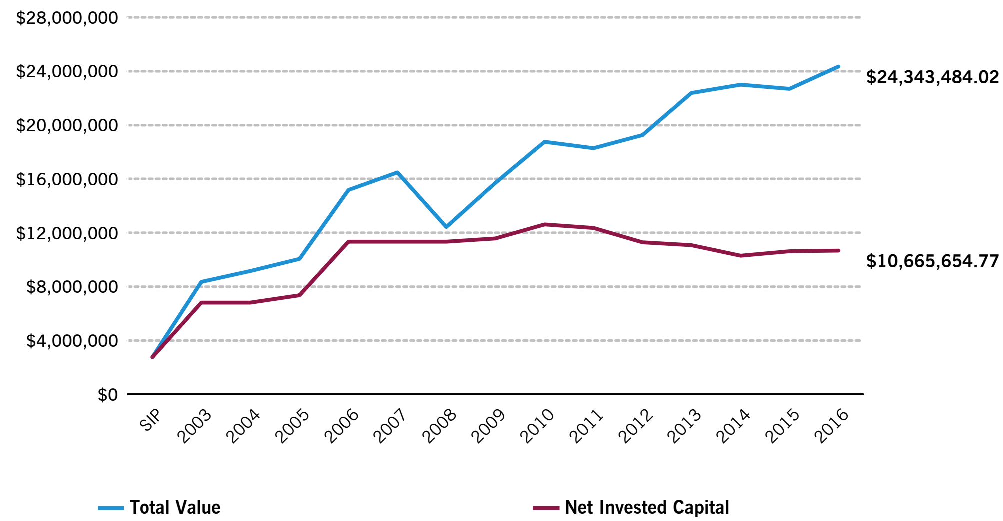
As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 02/27/03-09/30/16
Beginning Total Value	**$22,687,417.15**	**$17,146,168.52**	**$2,759,923.00**
Net Contributions/Withdrawals	46,259.15	-1,656,079.17	7,905,731.77
Investment Earnings	1,609,807.73	8,853,394.68	13,677,829.26
Ending Total Value	**$24,343,484.03**	**$24,343,484.03**	**$24,343,484.03**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	7.13%	9.17%	6.52%

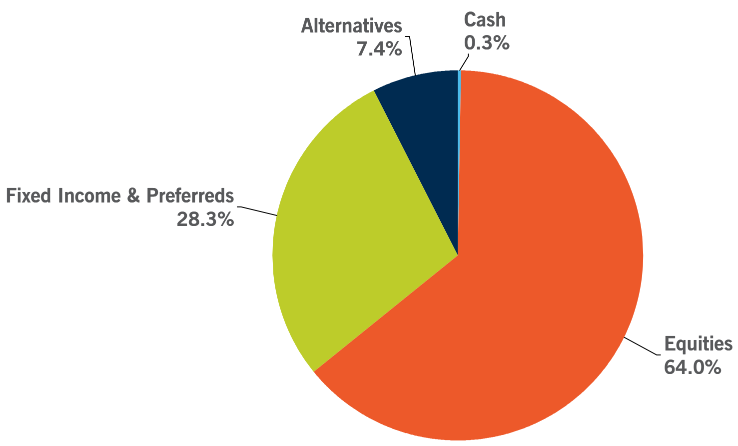
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	$102.41	$0.00	-
Equities	198,252.63	74,927.00	298,957.00
Fixed Income & Preferreds	143,644.27	33,386.00	191,419.00
Alternatives	26,659.19	9,605.00	40,036.00
Total Income	**$368,658.50**	**$117,918.00**	**$530,412.00**
INCOME BY TAX CATEGORY			
Taxable	368,658.50	117,918.00	530,412.00
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**$368,658.50**	**$117,918.00**	**$530,412.00**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

WEALTH MANAGEMENT
Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

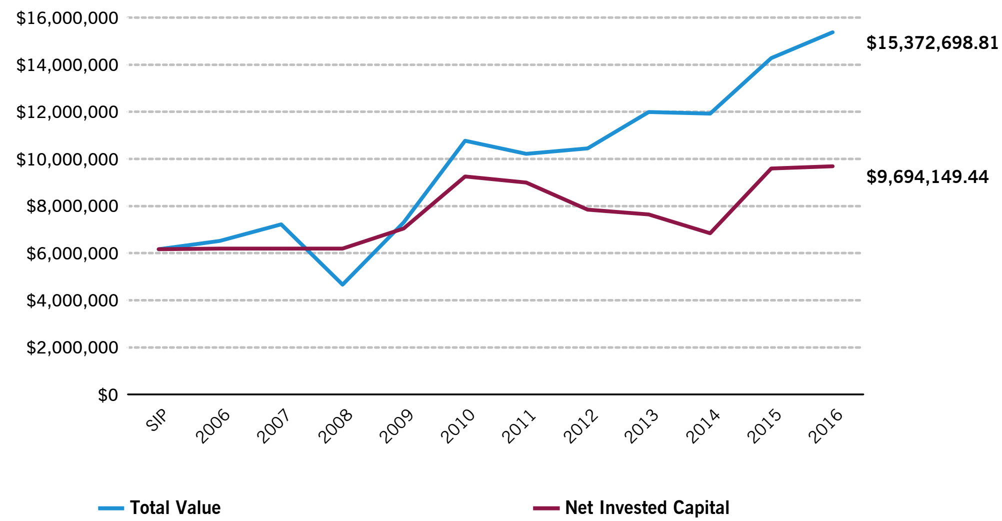
VSC All Accounts-VERMONT STATE COLLEGES 383-108872-Consulting Group... | As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 04/21/06-09/30/16
Beginning Total Value	**$14,276,291.83**	**$9,407,236.92**	**$6,166,191.00**
Net Contributions/Withdrawals	92,823.09	737,686.26	3,527,958.44
Investment Earnings	1,003,583.89	5,227,775.63	5,678,549.37
Ending Total Value	**$15,372,698.81**	**$15,372,698.81**	**$15,372,698.81**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	7.08%	9.80%	5.55%

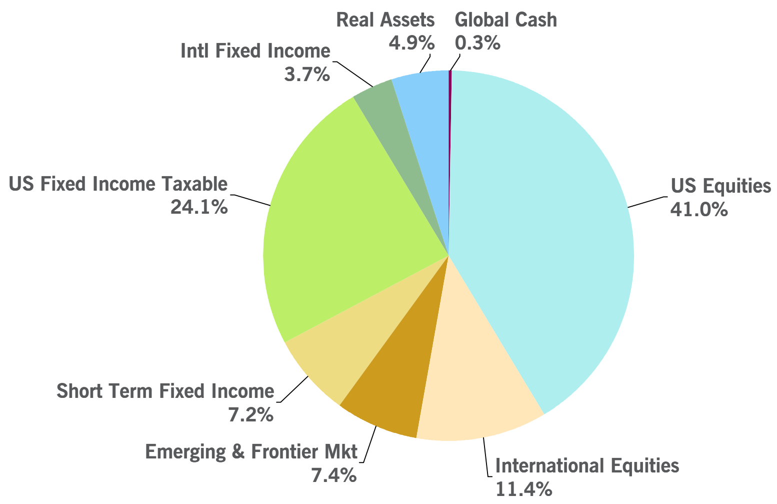
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	$28.39	$0.00	-
Equities	87,932.51	54,304.00	155,663.00
Fixed Income & Preferreds	81,320.49	18,681.00	111,725.00
Alternatives	20,829.70	7,538.00	30,152.00
Total Income	**$190,111.09**	**$80,523.00**	**$297,540.00**
INCOME BY TAX CATEGORY			
Taxable	190,111.09	80,523.00	297,540.00
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**$190,111.09**	**$80,523.00**	**$297,540.00**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

WEALTH MANAGEMENT

Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

VSC All Accounts-VERMONT STATE COLLEGES 383-122584-ThomasPartners

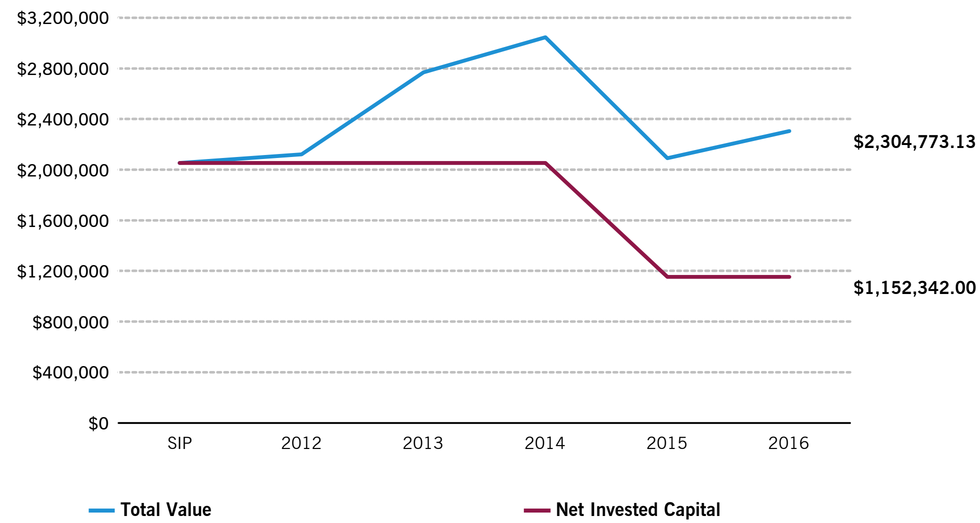
As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 03/13/12-09/30/16
Beginning Total Value	**$2,092,143.31**	**-**	**$2,052,342.00**
Net Contributions/Withdrawals	0.00	-	-900,000.00
Investment Earnings	212,629.82	-	1,152,431.13
Ending Total Value	**$2,304,773.13**	**-**	**$2,304,773.13**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	10.16%	-	11.37%

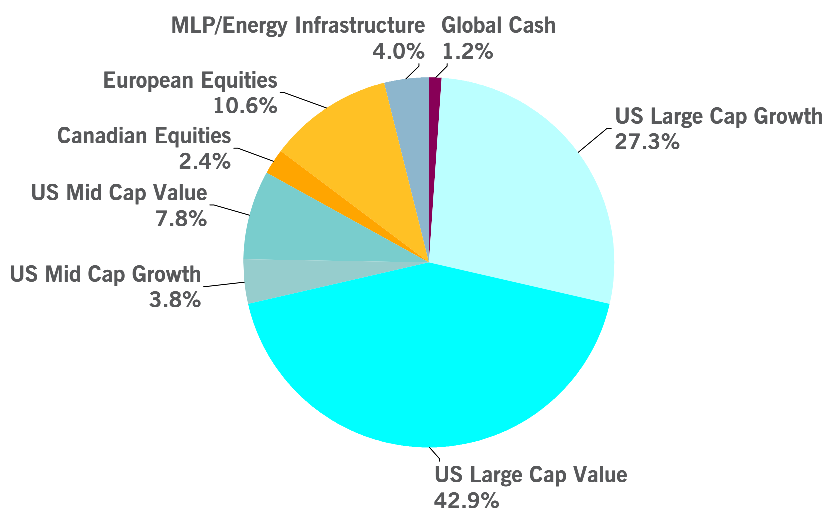
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	$25.06	$0.00	-
Equities	47,902.09	12,053.00	63,258.00
Alternatives	3,787.10	1,958.00	7,832.00
Total Income	**$51,714.25**	**$14,011.00**	**$71,090.00**
INCOME BY TAX CATEGORY			
Taxable	51,714.25	14,011.00	71,090.00
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**$51,714.25**	**$14,011.00**	**$71,090.00**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

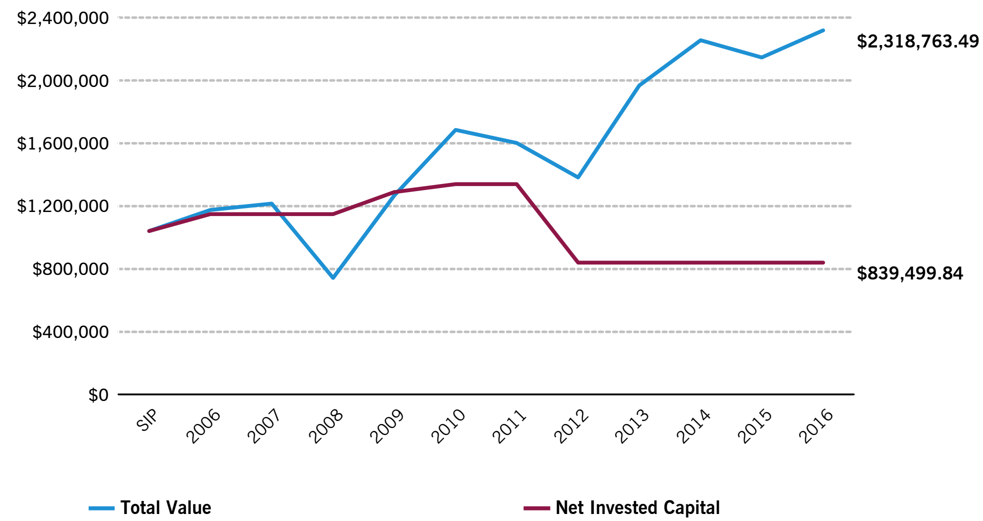
VSC All Accounts-VERMONT STATE COLLEGES 383-110533-ClearBridge... As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 04/21/06-09/30/16
Beginning Total Value	**$2,146,181.43**	**$1,439,483.14**	**$1,040,220.00**
Net Contributions/Withdrawals	0.00	-500,000.00	-200,720.16
Investment Earnings	172,582.06	1,379,280.35	1,479,263.65
Ending Total Value	**$2,318,763.49**	**$2,318,763.49**	**$2,318,763.49**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	8.04%	18.88%	8.53%

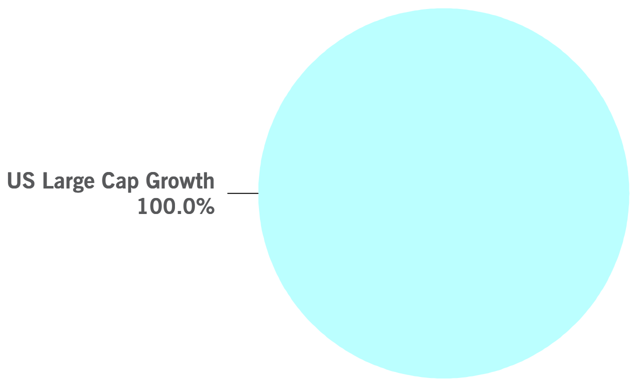
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	$21.82	$0.00	-
Equities	18,904.41	3,892.00	25,788.00
Total Income	**$18,926.23**	**$3,892.00**	**$25,788.00**
INCOME BY TAX CATEGORY			
Taxable	18,926.23	3,892.00	25,788.00
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**$18,926.23**	**$3,892.00**	**$25,788.00**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

WEALTH MANAGEMENT Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

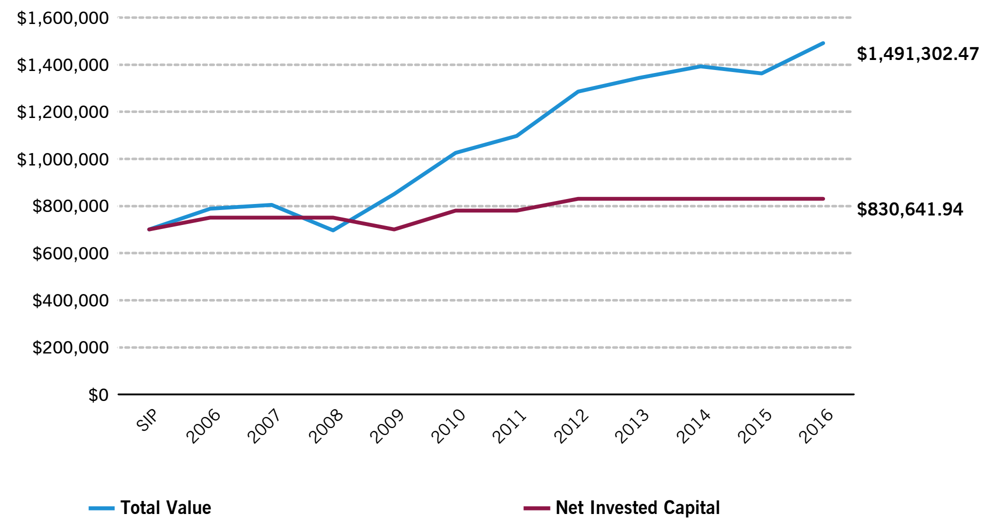
VSC All Accounts-VERMONT STATE COLLEGES 383-110534-Seix Advisors -... As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 04/21/06-09/30/16
Beginning Total Value	**$1,363,102.03**	**$1,044,158.68**	**$700,952.00**
Net Contributions/Withdrawals	0.00	50,000.00	129,689.94
Investment Earnings	128,200.44	397,143.79	660,660.53
Ending Total Value	**$1,491,302.47**	**$1,491,302.47**	**$1,491,302.47**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	9.41%	6.42%	6.07%

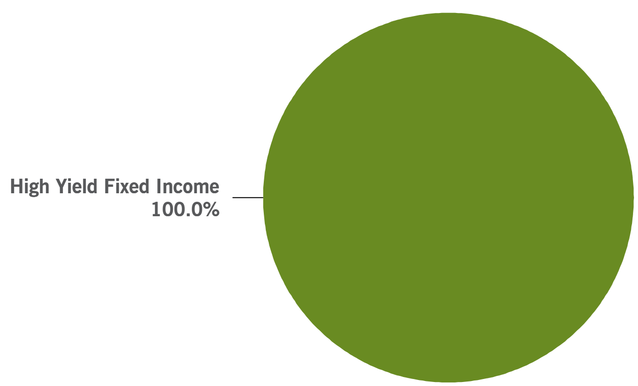
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	$6.15	$0.00	-
Fixed Income & Preferreds	62,323.78	14,705.00	79,694.00
Total Income	**$62,329.93**	**$14,705.00**	**$79,694.00**
INCOME BY TAX CATEGORY			
Taxable	62,329.93	14,705.00	79,694.00
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**$62,329.93**	**$14,705.00**	**$79,694.00**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

VSC All Accounts-VERMONT STATE COLLEGES 383-108874-Delaware Intl...

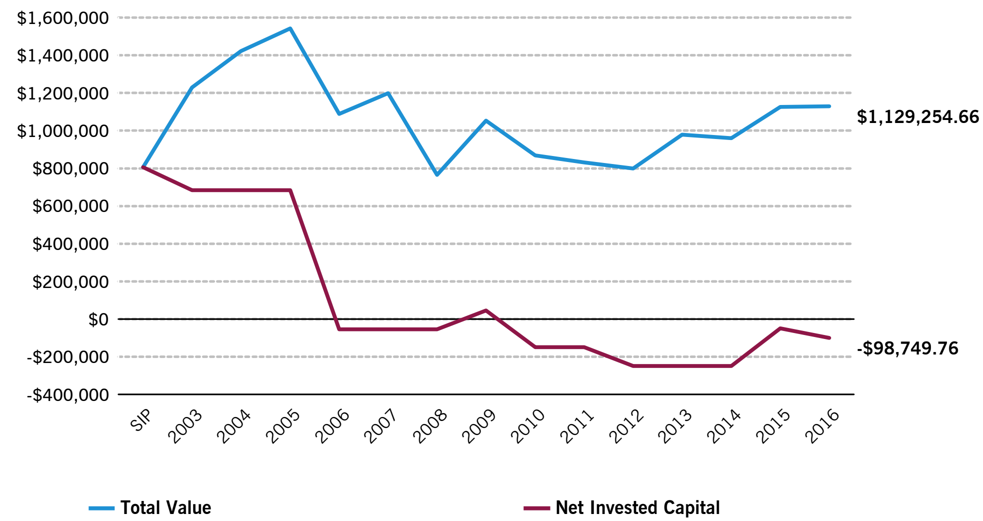
As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 02/27/03-09/30/16
Beginning Total Value	**$1,126,018.49**	**$801,043.66**	**$806,021.00**
Net Contributions/Withdrawals	-50,000.00	49,972.03	-904,770.76
Investment Earnings	53,236.16	278,238.97	1,228,004.42
Ending Total Value	**$1,129,254.66**	**$1,129,254.66**	**$1,129,254.66**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	4.79%	6.33%	14.51%

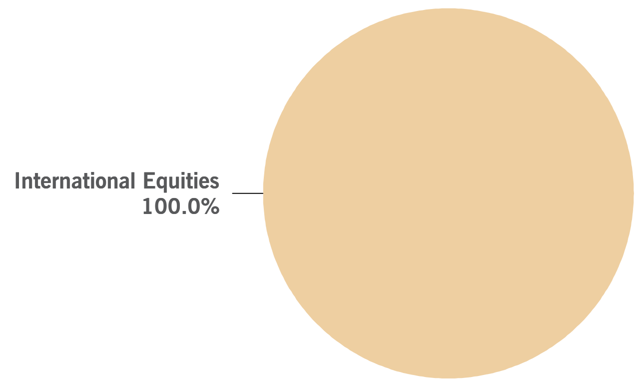
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	$3.68	$0.00	-
Equities	32,230.72	1,852.00	39,348.00
Total Income	**$32,234.40**	**$1,852.00**	**$39,348.00**
INCOME BY TAX CATEGORY			
Taxable	32,234.40	1,852.00	39,348.00
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**$32,234.40**	**$1,852.00**	**$39,348.00**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

WEALTH MANAGEMENT

Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

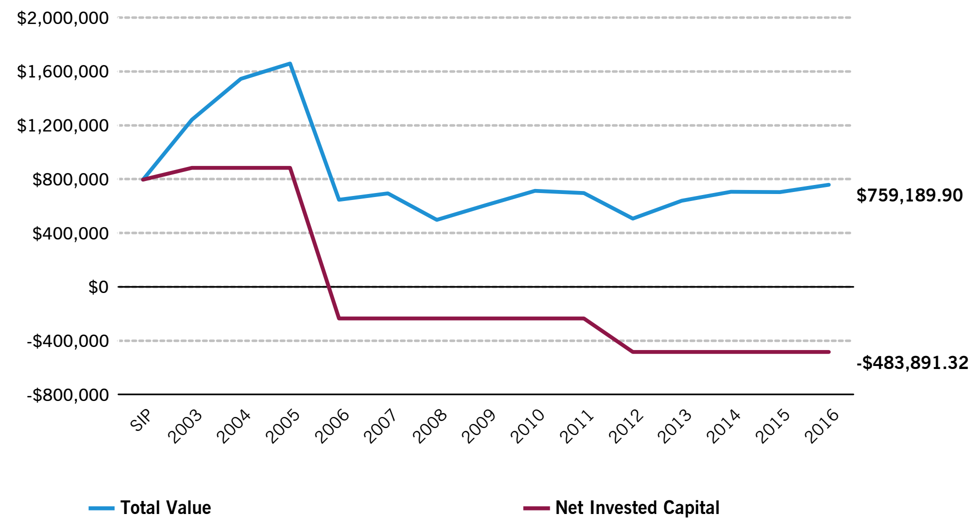
VSC All Accounts-VERMONT STATE COLLEGES 383-108918-Anchor Mid Cap... As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 02/27/03-09/30/16
Beginning Total Value	**$704,073.24**	**$640,587.91**	**$795,409.00**
Net Contributions/Withdrawals	0.00	-250,000.00	-1,279,300.32
Investment Earnings	55,116.66	368,601.99	1,243,081.22
Ending Total Value	**$759,189.90**	**$759,189.90**	**$759,189.90**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	7.83%	13.44%	15.49%

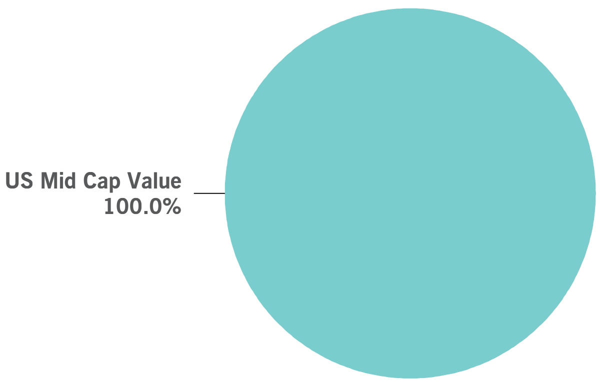
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	$12.93	$0.00	-
Equities	9,908.18	2,368.00	13,068.00
Alternatives	2,042.39	109.00	2,052.00
Total Income	**$11,963.50**	**$2,477.00**	**$15,120.00**
INCOME BY TAX CATEGORY			
Taxable	11,963.50	2,477.00	15,120.00
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**$11,963.50**	**$2,477.00**	**$15,120.00**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

WEALTH MANAGEMENT

Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

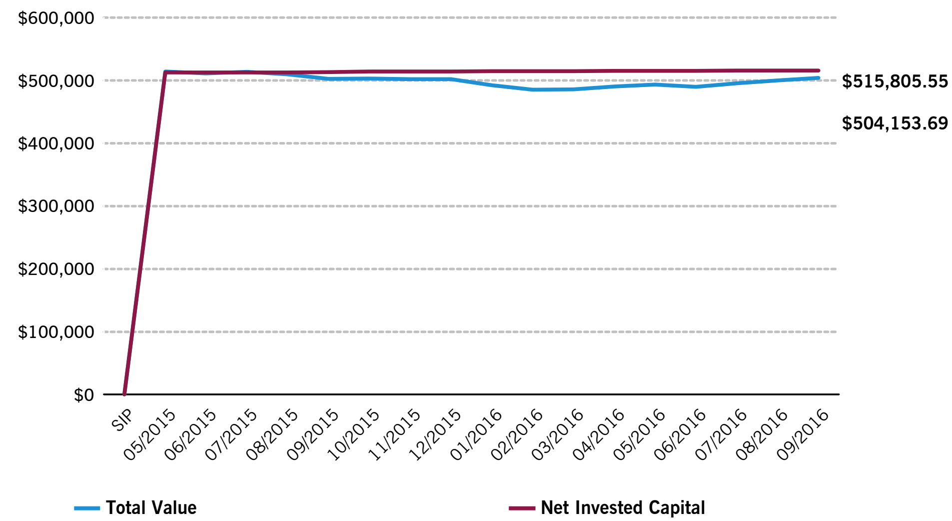
VSC All Accounts-IRONWOOD 383-020918-Alternative Investments Advisory | As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 05/21/15-09/30/16
Beginning Total Value	**$501,853.14**	**-**	**$0.00**
Net Contributions/Withdrawals	1,773.25	-	515,805.55
Investment Earnings	527.30	-	-11,651.86
Ending Total Value	**$504,153.69**	**-**	**$504,153.69**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	0.10%	-	-1.66%

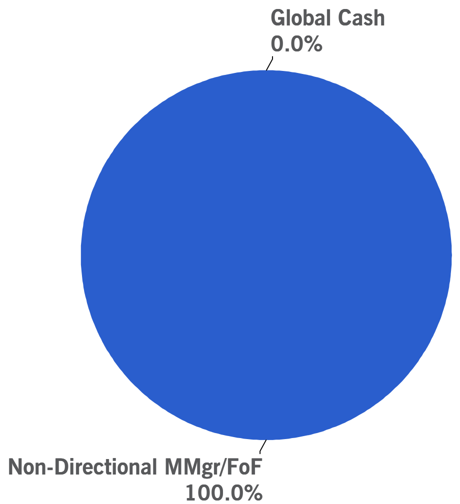
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	-	$0.00	-
Alternatives	-	0.00	-
Total Income	**-**	**-**	**-**
INCOME BY TAX CATEGORY			
Taxable	-	-	-
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**-**	**-**	**-**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

WEALTH MANAGEMENT

Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

VSC All Accounts-SKYBRIDGE 383-020919-Alternative Investments Advisory

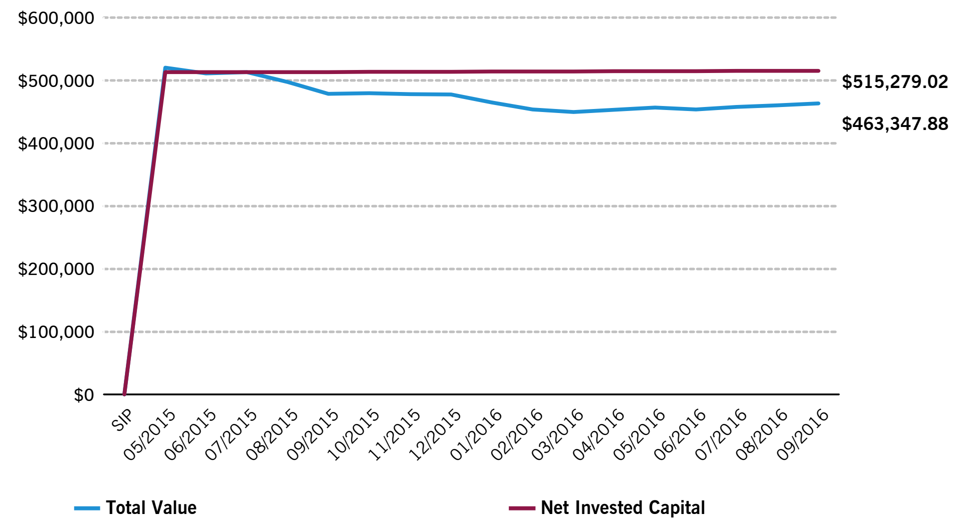
As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 05/21/15-09/30/16
Beginning Total Value	**$477,753.67**	**-**	**$0.00**
Net Contributions/Withdrawals	1,662.81	-	515,279.02
Investment Earnings	-16,068.60	-	-51,931.14
Ending Total Value	**$463,347.88**	**-**	**$463,347.88**
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-3.36%	-	-7.56%

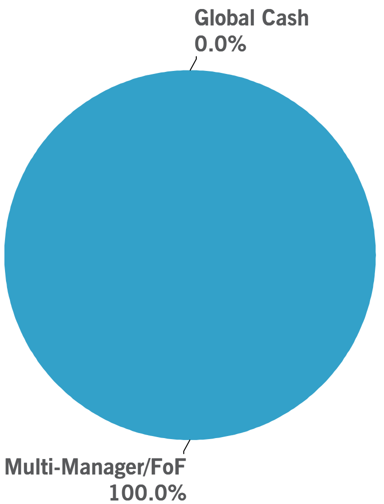
Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION



INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Cash	-	$0.00	-
Alternatives	-	0.00	-
Total Income	**-**	**-**	**-**
INCOME BY TAX CATEGORY			
Taxable	-	-	-
Non Taxable	-	-	-
Tax Deferred	-	-	-
Total Income	**-**	**-**	**-**

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

WEALTH MANAGEMENT

Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

VSC All Accounts-VERMONT STATE COLLEGES 383-108873 | **Reporting Currency: USD**

This exhibit is not applicable for this portfolio

WEALTH MANAGEMENT

Morgan Stanley

INVESTMENT SUMMARY DOLLAR WEIGHTED RETURNS - ADVISORY ASSETS ONLY

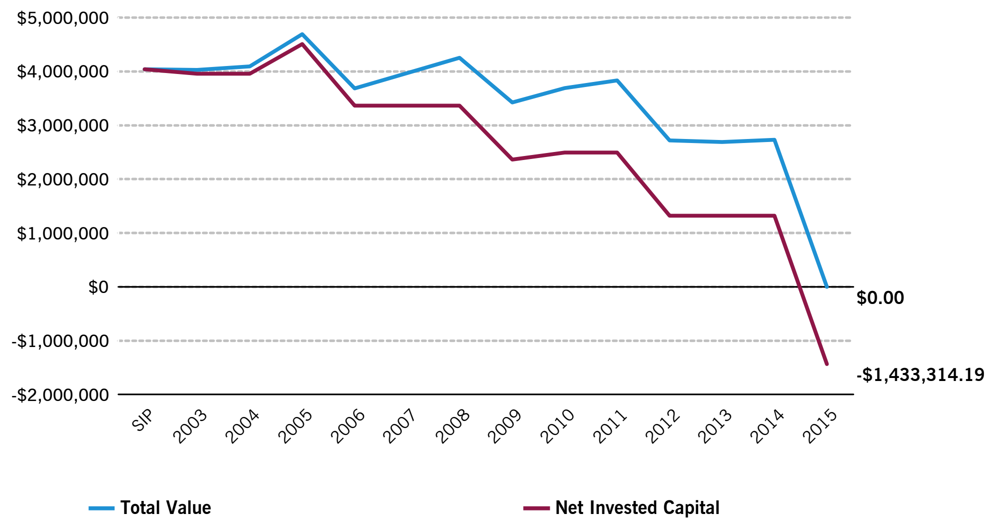
VSC All Accounts-VERMONT STATE COLLEGES 383-108920-AAA — As of September 30, 2016 | Reporting Currency: USD

CHANGE IN VALUE AND RETURN % (NET OF FEES)

	Year to Date 12/31/15-09/30/16	Last 5 Years 09/30/11-09/30/16	Performance Inception 02/28/03-09/30/16
Beginning Total Value	-	-	-
Net Contributions/Withdrawals	-	-	-
Investment Earnings	-	-	-
Ending Total Value	-	-	-
DOLLAR WEIGHTED RATE OF RETURN			
Return % (Net of Fees)	-	-	-

Does not include Performance Ineligible Assets.

TOTAL VALUE VS. NET INVESTED CAPITAL



Does not include Performance Ineligible Assets.

ASSET ALLOCATION

This exhibit is not applicable for this portfolio

INCOME SUMMARY

	Year To Date 01/01/16-10/25/16	Projected Remaining Year (Until 12/31) 10/26/16-12/31/16	Projected Next 12 Months 11/01/16-10/31/17
INCOME BY ASSET CLASS			
Total Income	-	-	-
INCOME BY TAX CATEGORY			
Total Income	-	-	-

Income Summary does not include income from external assets.

Inception dates for advisory account(s) reflect the most recent advisory program or discretion change.

VSC All Accounts

Prepared on October 26, 2016 | Reporting Currency: USD

DISCLOSURES

Explanatory Notes and Disclosure: This document is designed to assist you and your Financial Advisor in understanding portfolio positions, composition and subsets thereof. It is designed solely for your individual use, is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Do not take action relying on this information without confirming its accuracy and completeness. Please read carefully all accompanying notes and disclosures provided in this Document.

For convenience purposes, your Financial Advisor may have assigned a designated name for this Document. The list of the accounts covered in this document is noted herein and may not include all of your accounts with us. Furthermore, the information included in this document may not include all asset classes/securities held by you at the firm. Please review this document carefully and discuss any questions you may have with your Financial Advisor. If you do not understand an entry, suspect an error, or want more details on current values or other information, contact your Financial Advisor.

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Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY.

Additional information about your Floating Rate Notes: For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

Important Information About Auction Rate Securities: For certain Auction Rate Securities there is no or limited liquidity. Therefore, the price(s) for these Auction Rate Securities are indicated as not available by a dash "-". There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security.

Important Pricing Information: Prices of securities not actively traded may not be available, and are indicated by a dash "-".

Morgan Stanley Wealth Management: Morgan Stanley Wealth Management (custodian type "Morgan Stanley Wealth Management") refers to Morgan Stanley Smith Barney LLC.

Asset Classification: We classify assets based on general characteristics such as: income generation, underlying capital structure, or exposure to certain market sectors. As many assets contain characteristics of more than one asset class, allocations may be under or over inclusive. These classifications do not constitute a recommendation and may differ from the classification of instruments for regulatory or tax purposes. In addition, the Other asset class contains securities that are not included in the various asset class classifications. This can include, but is not limited to, non-traditional investments such as some Equity Unit Trusts, Index Options and Structured Investments issued outside of Morgan Stanley. Additionally, investments for which we are unable to procure market data to properly classify them will appear in the Other category.

Performance: Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Please contact your Financial Advisor for up to date performance information. Past performance is not a guarantee of future results.

Market values used for performance calculation do not include performance ineligible assets and thus may differ from asset allocation market values. Common examples of performance ineligible assets include life insurance, some annuities and assets held externally. Unless otherwise indicated, performance is a composite calculation on the entire portfolio and may include brokerage and

investment advisory accounts, as well as assets for different accounts included in this report. The accounts included in the composite may have (or have had) different investment objectives and strategies, been subject to different restrictions, and incurred different types of fees, markups, commissions and other charges. Accordingly, performance results may blend the performance of assets and strategies that may not have been available in all of the accounts at all times during the reporting period. In addition, accounts in the composite may have changed from brokerage to advisory or vice versa. Accounts may also have moved from one advisory program to another (including from a discretionary program to a non-discretionary program).
Performance information may cover the full history of the account(s) or just the performance of an account(s) since the inception of the current program(s). Performance results on individual accounts will vary and may differ from the composite returns. Your Financial Advisor can provide you with individual account portfolio composition and performance information. For investment advisory accounts, please see the Morgan Stanley Smith Barney Form ADV Part 2 or applicable disclosure brochure and any applicable account statement for more information on transaction costs, fees and expenses. Your Financial Advisor will provide those documents to you upon request. For brokerage accounts, please speak to your Financial Advisor for more information on commissions and other account fees and expenses. Performance inception date does not necessarily correspond to the account opening date. Where multiple accounts are included in performance calculations, the inception date is the oldest performance inception. Performance data may not be available for all periods as some accounts included in performance may have more recent performance inception dates. Consequently, the actual performance for a group of accounts may differ from reported performance. Please ask your Financial Advisor for the performance inception date for each account.

Indices: Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). In some circumstances, the benchmark index may not be an appropriate benchmark for use with the specific composite portfolio. For instance, an index may not take into consideration certain changes that may have occurred in the portfolio since the inception of the account(s), (e.g., changes from a brokerage to an advisory account or from one advisory program to another, asset class changes, or index changes for individual managers). The volatility of the index used for comparison may be materially different from that of the performance shown. Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance. Please see the Benchmark Definitions section of this material for additional information on the indices used for comparison.

Projected 12 Month Income: Projected Next 12 Months income includes cash income such as interest and cash dividends, based on current yields and may include income from Morgan Stanley & Co. and Externally Held accounts where data is available. These are projections based on historical data and the actual income may be lower or higher than the projections. Projected income for Morgan Stanley & Co. and Externally Held accounts is calculated based upon data obtained from sources that we believe to be reliable, however, Morgan Stanley Wealth Management does not guarantee its accuracy or timeliness. As such, Morgan Stanley Wealth Management recommends confirming projected income information with the custodian institution prior to taking any action. Projections will not include income from Manually Added assets.

Additional information about your Alternative Investments: An alternative investment is any non-traditional asset beyond stocks, bonds, and cash, and may include derivatives such as options and futures, leveraged equity or bonds, private equity, currencies, commodities, less common types of stocks such as natural resources stocks, master limited partnerships (MLPs), and real estate investment trusts (REITs), or even collectibles such as paintings or other works of art, or luxury items such as wine and spirits. Many of these alternative investments typically have eligibility requirements that cannot be met by the average investor and are therefore not appropriate for all investors. Typical alternative investment vehicles are generally private offerings and can include hedge funds and funds of hedge funds, managed futures funds, and other vehicles. They utilize alternative strategies and investing techniques such as long/short, hedged equity and event driven, to name just a few. Often, alternative strategies seek to provide competitive returns relative to a given benchmark, while at the same time limiting downside risk in the event of a market downturn, although objectives vary widely depending on the type of strategy. In recent years, certain open-end mutual funds can now be classified as another type of alternative investment vehicle as they seek alternative-like exposure and these may be included in the Alternative Investments category. They are publicly offered and more accessible by a larger number of investors. Both types of alternative investment vehicles often seek investment returns that have lower correlation to traditional markets and increased diversification in an overall portfolio. However, unlike hedge funds, open-end mutual funds that seek alternative-like exposure do not require investor pre-qualifications, enable efficient tax reporting, are subject to lower investment minimums and lower fees, provide greater portfolio transparency, daily liquidity, and are required to provide daily NAV pricing. While alternative mutual funds offer some advantages, generally they must utilize a more limited investment universe and, therefore, will have relatively higher correlation with traditional market returns. Additionally, open-end mutual funds are statutorily limited in their use of leverage, short sales, and the use of derivative instruments as compared to hedge funds.
Potential benefits to hedge funds include greater flexibility in terms of seeking enhanced returns through the use of leverage, exposure to less liquid investments, and the more flexible use of complex instruments such as derivatives. Because of the differences noted above, performance for a mutual fund that seeks alternative-like exposure and its portfolio characteristics may vary from a hedge fund that is seeking a similar investment objective. Historically, hedge funds in certain categories have enjoyed a performance advantage relative to their mutual fund counterparts.
It is important to note in this report that Morgan Stanley categorizes both types of alternative investment vehicles under the category "Alternatives" in the asset classification based view and under the category "Other" in a Product based view. This differs from your official Morgan Stanley account statement, which assigns alternative mutual funds under the category of "Mutual Funds" and typical

alternative investment vehicles such as hedge funds, under the category "Alternatives".
Please note that no formal trading markets exist for private alternative investments. They are generally illiquid and may not be currently priced and values may not necessarily have been reduced to reflect prior distributions. If values and prices are assigned to the investments, they are estimates, based on information typically received from the funds' general partners, managing members, sponsors, administrators, or advisors of the funds and/or underlying funds, are typically subject to change and are as-of a date prior to the date of this report. Where applicable, see the particular fund statement for the final prices. Values and prices may not be realized upon the sale or ultimate disposition of the securities. For investment in funds valued in non-US Dollar currencies, the valuations received have been converted to US Dollars using then prevailing foreign exchange rates. If index values are illustrated in the report, they may be more up to date than the data for the alternative investments illustrated. Private Alternative Investments listed in this report may not be not in our possession, and are included solely as a service to the client, are not covered by the Securities Investor Protection Corporation (SIPC), and information contained herein is derived from an external service for which we are not responsible. If you have any questions regarding these investments, please contact your Financial Advisor.

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Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at www.morganstanley.com/ADV. **Sources of Data.** Information in this material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. All opinions included in this material constitute the Firm's judgment as of the date of this material and are subject to change without notice. This material was not prepared by the research departments of Morgan Stanley & Co. LLC or Morgan Stanley Smith Barney LLC. Some historical figures may be revised due to newly identified programs, firm restatements, etc.**Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy.** GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a '**Watch**" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process".The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.**The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs** GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.**Strategy May Be Available as a Separately Managed Account or Mutual Fund** Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. In most

Morgan Stanley Wealth Management investment advisory accounts, fees are deducted quarterly and have a compounding effect on performance. For example, on an advisory account with a 3% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.93% after one year, 1 after three years, and 21.23% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, clients should not use this profile as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be a suitable asset allocation for you, whether CGCM is a suitable program for you. **No obligation to notify** – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at www.morganstanley.com. Please read it carefully before investing.

KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. As regards **Securities Based Lending**, you need to understand that: (1) Sufficient collateral must be maintained to support your loan(s) and to take future advances; (2) You may have to deposit additional cash or eligible securities on short notice; (3) Some or all of your securities may be sold without prior notice in order to maintain account equity at required maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed; (4) Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association or Morgan Stanley Smith Barney LLC (collectively referred to as

"Morgan Stanley") reserves the right not to fund any advance request due to insufficient collateral or for any other reason except for any portion of a securities based loan that is identified as a committed facility; (5) Morgan Stanley reserves the right to increase your collateral maintenance requirements at any time without notice; and (6) Morgan Stanley reserves the right to call securities based loans at any time and for any reason. **Options** and margin trading involve substantial risk and are not suitable for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases shares of a closed-end fund, shares may have a market price that is above or below NAV. **Alternative investments** often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; and Risks associated with the operations, personnel, and processes of the manager. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Smith Barney LLC and certain of its affiliates. In Consulting Group's advisory programs, alternative investments are limited to US-registered mutual funds, separate account strategies and exchange-traded funds (ETFs) that seek to pursue alternative investment strategies or returns utilizing publicly traded securities. Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not suitable for all investors. **Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached.**Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are suitable only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. **Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustration purposes only and do not show the performance of any specific investment. Reference to an index does not imply that the portfolio will achieve return, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error target, all of which are subject to change over time.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate

us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.
Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.
Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS: The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC. **HYPOTHETICAL MODEL PERFORMANCE (GROSS):** Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date. **FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS:** None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material. **INSURANCE PRODUCTS AND ETF DISCLOSURES:** An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. **Variable annuities, mutual funds and ETFs are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges and expenses, and other information regarding the variable annuity contract and the underlying investments, or the ETF, which should be considered carefully before investing. Prospectuses for both the variable annuity contract and the underlying investments, or the ETF, are available from your Financial Advisor. Please read the prospectus carefully before you invest. Variable annuities** are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value. **Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk. **Master Limited Partnerships (MLPs): I**ndividual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. **Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors,

including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. **REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security.** Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds.
For index definitions to the indices referenced in this report please visit the following: http://www.morganstanleyfa.com/public/projectfiles/id.pdf
Asset-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments. **Yields** are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Floating-rate securities.** The initial interest rate on a floating-rate security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. Companies paying **dividends** can reduce or cut payouts at any time. **Nondiversification:** For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected. Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. This material is disseminated in the United States of America by Morgan Stanley Smith Barney LLC. Morgan Stanley Wealth Management is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule. This material, or any portion thereof, may not be reprinted, sold or redistributed without the written consent of Morgan Stanley Smith Barney LLC.

GENERAL DEFINITIONS

Dollar-Weighted Return (Internal Rate of Return): A return calculation that measures the actual performance of a portfolio over the reporting period. Since dollar weighted returns include the impact of client contributions and withdrawals, they should not be compared to market indices or used to evaluate the performance of a manager, but can be used to evaluate progress toward investment goals.

Investment Earnings: A combination of the income received and total portfolio value increase or decrease, excluding net contributions and withdrawals, over the reporting period.

Net Contributions/Withdrawals: The net value of cash and securities contributed to or withdrawn from the account(s) during the reporting period. Net contributions and withdrawals may include advisory fees for advisory accounts.

Net of Fees: Performance results depicted as "net" of fees shall mean that any wrap fee, investment management fees, trade commissions, and/or other account fees have been deducted. Any other fees or expenses associated with the account, such as third party custodian fees, may not have been deducted. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Performance ineligible assets: Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of these include life insurance, some annuities and some assets held externally.

Time-Weighted Return: A return calculation that measures the investment performance of a portfolio over the reporting period. Time weighted returns do not include the impact of client contributions and withdrawals and therefore, may not reflect the actual rate of return the client received. Time weighted returns isolate investment actions and can be compared to benchmarks and used to evaluate the performance of a manager.

Total Value: Total Value represents the Market Value of the portfolio or of a given Asset Class inclusive of interest and dividend accruals. Total Value for Asset Allocation before January 2014 does not include accruals. Total Value for Morgan Stanley & Co. and Externally Held accounts may not include accruals.

BENCHMARK DEFINITIONS

65% MSCI AC World/35% Barclays Agg: The current allocation is comprised of 65.00% MSCI AC World Net, 35.00% Barclays Aggregate.

Barclays Aggregate: The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

MSCI AC World Net: The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates (as of June 2014). Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. For historical return purposes the AC World gross returns are being used from 1/31/1988 to 12/31/1998 and the net returns begin as of 1/31/1999.

Item 5:
VSC Policy 430 (Investment Policy Statement)

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VSC
VERMONT STATE COLLEGES

Manual Of Policies And Procedures

Title	Number	Page
ENDOWMENT INVESTMENT AND SPENDING POLICY	430	1
	Date: 6/2/2011	

PURPOSE

The VSC Endowment Investment and Spending Policy is designed to establish the parameters within which the VSC endowed funds are managed, invested and distributed.

STATEMENT OF POLICY

The overall financial objective of the VSC endowment is to provide funding for scholarships or other purposes in accordance with donor wishes. The endowments will be managed on a 10 year horizon, will have moderate risk, and will be maintained and managed for perpetuity. The value of the VSC portfolio will have a target allocation of 60% equity securities, 32% fixed income securities and 8% alternative investments (real estate, commodities); however, the equity securities will not exceed 75% in value, the fixed income securities will not exceed 55% in value, and the alternative investments will not exceed 12% in value. The annual withdrawal and spending shall be the lesser of 5% of the current market value or 5% of the average market value over the last three years, provided there are earnings to support such withdrawals.

The Chancellor shall, after review and approval from the Board of Trustees, adopt written investment guidelines relating to this policy. The Chancellor will review these guidelines with the Finance and Facilities Committee on an annual basis or in the interim whenever substantial changes to the guidelines are proposed.

Signed by: Timothy J. Donovan
Chancellor

INVESTMENT POLICY STATEMENT

For

The Endowed Funds of the

Vermont State Colleges

Amended and Restated
May 26, 2011

Purpose

The purpose of this Investment Policy Statement (the "IPS") is to assist the Vermont State Colleges (VSC) in effectively supervising, monitoring and evaluating the investment of the Endowed Funds of the VSC system. This IPS supports VSC Endowment Investment and Spending Policy #430.

The IPS represents the prudent investment process that implements the investment goals set by the Board of Trustees. The IPS sets forth the investment structure for managing assets, including appropriate asset classes, asset allocation and acceptable ranges. Together, these investment principles are expected to produce a sufficient level of overall diversification and total investment return over the long-term to meet the investment goals of the VSC.

The IPS is intended to comply with all applicable fiduciary, ethical and due diligence requirements that experienced investment professionals would employ. It will also adhere to all applicable laws, rules and regulations from various local, state, federal and international government entities that may impact the Plan's assets. It seeks to be in full compliance with all aspects of the Uniform Prudent Management of Institutional Funds Act as adopted in the State of Vermont.

Background

The VSC holds endowed funds to be managed for the benefit of VSC system. These assets are managed with a long-term time horizon of ten years or greater and are maintained and managed for perpetuity. Within this Investment Policy Statement these assets shall be referred to as the Fund.

Duties and Responsibilities of Involved Parties

<u>The Vermont State Colleges Board of Trustees</u>

The Board is responsible for setting overall Investment Policy and acting on advisory recommendations made by the Finance Committee.

<u>The Finance Committee of the Board of Trustees</u>

The Finance Committee shall be responsible for developing advisory recommendations to the Board of Trustees in the following areas:

- Fiduciary oversight of the Fund.
- Investment objectives and policies of the Fund.
- Changes in investment policy, guidelines, and objectives.
- Responsibility to exercise all rights, including voting rights, as are acquired through the purchase of securities.

The Chancellor

The Chancellor shall be responsible for developing the IPS, day-to-day communications with the Advisor, day-to-day oversight of the Fund, and making decisions not otherwise vested in the Board of Trustees.

The Advisor

The Advisor is a Registered Investment Advisor and shall act as the investment advisor to the Board of Trustees, the Finance Committee and the Chancellor until it is decided otherwise. The Advisor may, or the Chancellor may at the advice of the Adviser, employ either investment managers that actively select securities or utilize index funds that passively track an appropriate benchmark index.

The Advisor shall be responsible for:

- Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Advising the Board of Trustees, Finance Committee, and Chancellor about the selection of and the allocation of asset categories.
- Identifying specific assets and investment managers within each asset category.
- Providing “due diligence”, or research, on the investment manager(s)
- Monitoring the performance of all selected assets the advisor consults to.
- Periodically reviewing the suitability of the investments and report to the Board of Trustees and/or Finance Committee thereon.
- Being available to meet with the Board of Trustees and/or Finance Committee at least four times each year.
- Being available at such other times within reason at the Board of Trustees and/or Finance Committee's request.
- Preparing and presenting appropriate reports.
- Assisting in the development and periodic review of investment policy.

The Advisor shall not:

- Have discretionary control of the portfolio.
- Have authority to withdraw funds from the Fund’s accounts, except to cover payment of previously agreed to fees or to rebalance the portfolio or at the Board of Trustees or its designee’s specific direction.
- Change the investment policy, including the targeted asset allocation, of the Fund without the Board of Trustees prior approval.

The Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Managers shall maintain the general investment style and risk level as stated at time of hiring unless VSC is specifically notified in advance otherwise. Specific responsibilities of the Investment Manager(s) include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, periodic investment performance results.
- Communicating any major changes in investment strategy or any other factor which might affect implementation of investment process.
- Informing the Advisor regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment policy, etc.
- Voting proxies, unless otherwise directed by the Board of Trustees or the Chancellor.

Selection of Investment Managers

The Chancellor, after the recommendation of the Advisor will select appropriate investment managers to manage the fund assets. Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of comparable investments, and reported net and gross of fees.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Maintain minimum assets under management of $250 million.

Plan Objectives and Time Horizon

Time Horizon

The investment time horizon of the Fund is ten years or greater, as the existence and obligations of the Plan are long term and ongoing. The Board of Trustees may alter this time horizon if factors change making shorter-term liquidity more important.

Risk Tolerances

In establishing the market risk tolerances of the Plan, the ability to withstand short and intermediate term variability was analyzed. The Board of Trustees and Finance Committee recognize that "moderate" risk and volatility, including periods of portfolio declines, must be assumed in order to achieve the long-term investment objective of prudent capital appreciation.

As a general guideline, the assumed risk on Fund assets is targeted to be less than the projected volatility of U.S. domestic equities as measured by the Standard & Poor's 500 Stock Index and greater than a portfolio comprising 50% of the Standard & Poor's 500 Stock Index and 50% the Barclay's Aggregate Bond Index.

Performance Expectations and Investment Objectives

The rate of return on the Fund is expected to meet or exceed the rate of return for the composite of 45% of the Standard & Poor's 500 Stock Index, 20% the MS EAFE International Stock Index and 35% the Barclays Intermediate Aggregate Bond Index. Over the long run, the investment goal for the average annual rate of return is 7½%.

Spending Policy

The Board of Trustees has set the annual withdrawal and spending to be the lesser of 5% of the current market value or 5% of the average market value over the last three years. Actual spending will be limited by the amount of unspent earnings available at the time the spending allocation is made, unless the donor stipulates otherwise. Distributions from the Fund will be made as needed.

Strategic Asset Allocation

Asset allocation of the Fund will be determined based on the time horizon, moderate risk tolerances, performance expectations and investment objectives. The structure of the portfolio will follow modern portfolio theory and attempts to maximize return while limiting risk over time. The current allocation grid is set forth in Exhibit A. The asset allocation will be reviewed from time to time, but no less frequently than once per year. The Board of Trustees may adjust the Target Strategic Allocation in order to meet fund objectives.

Rebalancing of Plan Assets

The value of each asset class will change depending upon asset performance. When necessary and/or available, cash inflows/outflows will be deployed to rebalance the portfolio in a manner consistent with the Target Strategic Allocation of this IPS. Additionally, at the recommendation of the Advisor and with the approval of the Chancellor, the assets will be reviewed quarterly and rebalanced, in order to more closely align with the Target Strategic Allocation.

Investment Policies and Guidelines for the Investment Managers

Every investment manager selected to manage fund assets must adhere to the following investment policy and guidelines. If mutual funds are employed, only those that meet the following relevant criteria shall be selected:

- Equity holdings in any one company should not exceed more than 10% of the market value of the Plan's equity portfolio.

- The manager shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. Cash is to be employed productively at all times by investment in short term cash equivalents to provide safety, liquidity and return. Nonetheless, the managers will be evaluated against their peers on the performance of the total funds under their direct management.

Prohibited Assets

Private Placements
Limited Partnerships
Venture Capital Investments

Brokerage Policy

All transactions effected for the Fund will be subject to the best price and execution.

Monitoring of Investment Managers

Quarterly performance will be evaluated to monitor progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on performance comparisons with managers employing similar styles.

On a timely basis the Advisor will assess each asset manager relative to the following:

- Overall adherence to the IPS guidelines.
- Material changes in the managers' organization, investment philosophy and/or personnel.
- Comparisons of the managers' results to appropriate indices and peer groups.
- Comparison of Up/Down market capture ratios.
- Other comparisons as agreed to by the Chancellor and the Advisor.

Review of this Investment Policy Statement

The Finance and Facilities Committee will review these guidelines on an annual basis or in the interim whenever substantive changes to the guidelines are proposed by the Chancellor.

EXHIBIT A

Asset Allocation	Lower Limit	Target Strategic Allocation	Upper Limit
Large Cap Equities	15%	24%	50%
Small/Mid Cap Growth Equities	3%	6%	10%
Small/Mid Cap Value Equities	3%	6%	10%
International Equities	10%	17%	25%
International Emerging Equities	0%	7%	15%
Domestic Fixed Income	10%	23%	45%
High Yield Fixed Income	0%	5%	8%
International Fixed Income	0%	4%	10%
Real Estate	0%	4%	8%
Commodity	0%	4%	8%
Cash	0%	0%	10%

With the individual asset class maximum and minimum thresholds notwithstanding, the following broad sector limits shall not be violated:

Maximums: Equities – 75%; Fixed Income/Cash – 55%; Alternative (Real Estate, Commodity) – 12%

Minimums: Equities – 40%; Fixed Income/Cash – 25%; Alternative (Real Estate, Commodity) – 0%

Evaluation Benchmarks

Individual investments with asset classes will be compared to the most appropriate benchmark including:

Standard & Poor's 500 Stock Index
Russell 2000 Small Capitalization Equity Index
Russell 2000 Small Capitalization Value Index
MS EAFE Index

MSCI Emerging Markets Index
Barclay's Aggregate Bond Index
Barclay's High Yield Bond Index
JPM Non-US Govt. Index
HFRI Fund of Funds Index – Conservative
Dow Jones Real Estate Index
S&P GSCI

The most appropriate benchmark will be used to evaluate individual manager performance.

Item 6:
Proposed Debt Management Policy

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VERMONT STATE COLLEGES SYSTEM
MANUAL OF POLICIES AND PROCEDURES

Title: **DRAFT** DEBT MANAGEMENT POLICY

POLICY STATEMENT:

The Vermont State Colleges System (hereinafter, the "System") may incur debt when necessary to fulfill the System's strategic mission. The System's debt management objectives are to:

1) Maintain access to capital;

2) Maintain a credit rating that minimizes the risk-adjusted cost of capital and maximizes favorable business terms; and

3) Limit financial risk.

This policy assigns debt management responsibilities, and sets forth guidelines with respect to debt limits, structuring, issuance, management and use of derivatives.

PROCEDURES:

1) Approval from the Finance and Facilities Committee and the Board of Trustees is required for all debt transactions.

2) The Officer of the Chancellor will initiate and manage all debt transactions.

3) The Chief Financial Officer is responsible for debt portfolio management and compliance with this policy.

DEBT LIMIT:

1) The System's debt limit will target medians and ratios appropriate to a rating of A or the equivalent from Standard & Poor's Ratings Group.

2) The System will maintain a debt service ratio (annual principal plus interest, divided by total expenses) of not more than 6%.

STRUCTURING:

1) Any System debt with a term longer than three (3) years shall be fixed rate.

2) The maximum maturity of any debt issue shall be the shorter of 30 years, or the useful life of the asset being financed.

3) Debt principal shall amortize such that annual debt service on a total portfolio basis is either level or declining over time, and not increasing.

<u>ISSUANCE:</u>

1) The System shall engage a qualified, nationally-recognized independent financial advisor to assist with any debt transaction.

2) Debt generally should be tax-exempt, however taxable debt may be used to take advantage of special programs (e.g., Build America Bonds) or for economic savings (e.g., refunding tax-exempt debt that is ineligible for tax-exempt refunding), or to comply with Federal tax law.

3) Debt may be publicly sold or privately placed, however privately placed debt may not include business terms less favorable than for public debt (e.g., additional financial covenants beyond those contained in the System’s bond resolution).

4) Public debt should generally be sold competitively. If a sale is negotiated, the underwriter must provide an estimate of interest rates for each maturity expressed as a spread to AAA-MMD™ or another widely-recognized and readily available independent index (for tax-exempt debt) or U.S. Treasury yields (for taxable debt) prior to the sale, and the independent financial advisor must concur with these rates prior to award.

<u>MANAGEMENT AND COMPLIANCE:</u>

The Chief Financial Officer shall create procedures regarding the investment of bond proceeds, ensuring compliance with all necessary Federal, State of Vermont and applicable regulations, primary and secondary market disclosure practices, and arbitrage rebate monitoring and filing, and report to the Chancellor and the Finance and Facilities Committee at least annually, and also immediately following any material event (e.g., a credit rating change).

<u>DERIVATIVES:</u>

Derivatives (e.g., interest rate swaps) are not permitted. Any derivatives in place prior to the approval of this policy shall be valued no less frequently than annually, and may be held to maturity or terminated with the approval of the Board of Trustees. The System must engage a qualified independent derivative advisor to manage any such termination, and to provide a fairness opinion documenting that the derivative was terminated at fair market value.

<u>OTHER PROVISIONS:</u>

The Finance and Facilities Committee will review this policy on an annual basis or in the interim whenever substantive changes to the guidelines are proposed by the Chancellor.

Any activity or expense related to federal grants or contracts must comply with *2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, in addition to the provisions above.

Item 7:
AGB Report Update

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Vermont State Colleges
AGB Institutional Strategies, Inc.
External Review and Revenue Enhancement Project Report (as of Nov. 30, 2016)

#	Entity	Strategy	Brief Description	Cost or Needed Re/Investment	Revenue or Savings Target	Target Net Revenue	Timeframe	Update
1	Chancellor's Office	System Efficiencies	Review wages & benefits, cost reduction synergies to eliminate duplication, collaboration on supplies and services	750,000	3,000,000	2,250,000	FY2017	Added High Deductible Health Plan and reduced employer 403b contribution for PAT/SUP, VSEA and Non-Union staff. Consolidated A/P from 5 to 2 FTEs.
2	Chancellor's Office	Programming	System-wide online strategy, credentials & certificates, revenue sharing/buy vs. build, residential Associates degree programs					Established new cross-enrollment reimbursement rates. Engaged CampusWorks to assess IT infrastructure necessary develop online programs.
3	Castleton	Graduate Students	Add 500 students, increase marketing, add one or two graduate admissions staff; cost includes $200k new investment	3,350,000	5,000,000	1,650,000	5-7 years	Assigned admissions rep to graduate recruiting & increased marketing. Graduate headcount increased by 82 to 373 in 2016, while FTE increased by 37 to 125.
4	Johnson	Online Programs	Add 1,000 students, increase servicing and marketing to target adding first 150; cost includes $200k new investment	3,476,000	5,200,000	1,724,000	5-7 years	Hired Assoc. Dean for Distance Ed, more academic advising for online, new Wellness & Alternative Medicine (WAM) online, implemented marketing campaign
5	Johnson	Residential Capacity	Add 120 students room & board	480,444	1,163,520	683,076	5-7 years	Offered discounts to juniors & seniors, expanded "renewable" housing scholarship, new 2017-18 offerings, adjusting campus apartment rates.
6	Lyndon	Residential Capacity	Add 100 students room & board	400,370	969,600	569,230	5-7 years	Implemented 2-year residency requirement with class entering fall 2016. Major impact will be 2017-18.
7	Vermont Tech	Residential Capacity	Add 120 students room & board	480,444	1,163,520	683,076	5-7 years	Implementing several new recruitment initiatives including a Transfer Initiative and a Vertical Marketing Initiative.
8	Systemwide	Transfer Students	Add 275 transfer students across the system	976,800	2,640,000	1,663,200	5-7 years	Transfers to VSC (ex CCV) increased by 53 from 622 in Fall 2015 to 675 in Fall 2016; this comprised an increase of 67 out-of-state transfers less a drop of 14 in-state.
9	VSC Board	Tuition Increases	From Report: "…it is recommended that the VSC Board continue to approve modest increases in tuition each year <u>until</u> real student enrollment growth is achieved."				FY2018 and beyond	BOT granted relief from tuition freeze for FY17 (except CU, did not request), and approved System-wide average tuition increase of 4.0% for FY18.
10	VSC Board	Prior Prior FAFSA	From Report: "To stay competitive the VSC Board will need to make the decision on fiscal 2018 tuition in the summer of 2016."				Summer 2016	BOT Approved FY18 T&F effective 7/20; F&F is scheduled to discuss FY19 tuition in April & May 2017, and make recommendation to BOT in June.
			AGB Report Cost	150,000				
			TOTALS:	10,064,058	19,136,640	<u>9,222,582</u>		

Item 8:
Updated Finance & Facilities Committee Meetings Calendar

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Finance and Facilities Committee
Meeting Schedule for Fiscal Year 2017
as of November 30, 2016

Mtg #	Date	Topic Count	JSC-LSC Unification	System Consolidation	FY18 Budget Development	FY19 Tuition, Fees, Room & Board	Quarterly Results**, Metrics	Appropriation Requests	Cash, Investments, Endowment	Debt Management	Capital Planning and Projects***	Facilities Management	Grants and Gifts	Policies and Procedures	Special Topics
1	Wed, Aug 24, 2016 (1:56pm - 3:00pm)	5	Standing Topic/Regular Updates	Standing Topic/Regular Updates					Regular quarterly report (per Policy 404)	Debt "101" discussion		Deferred maintenance update	(as needed)	(as needed)	(as needed)
2	Wed, Sep 28, 2016 (1:15pm - 2:30pm) *	7	Unification report to BOT due Sep 29	Standing Topic/Regular Updates			Q4 FY16 Results, reserves and system loans	(Budget Adjustment and Appropriations Bills discussed at BOT)		TD Debt Coverage Covenant for FY16	Discussion of Policy 405 and Legislative Report	Preliminary capital projects list		Policy 411 discussion	
3	Wed, Oct 19, 2016 (11:00am - 12:30pm)	6	Standing Topic/Regular Updates	Standing Topic/Regular Updates			Review of final Fall 2016 enrollment	Capital appropriation request due October 14 (subject to BOT approval)		TD Bank loan refinancing resolution amended to include all debt	Capital Projects list submitted			Repeal of Policy 411, Deferred Payment of Tuition and Fees	
4	Wed, Nov 30, 2016 *	7	(Covered at BOT meeting)	Accounts payable consolidation target date of Nov. 18	Initial discussion informed by Q1 FY17 results		Q1 FY17 Results	(Election results covered at BOT meeting)	Regular quarterly report (per Policy 404)	Debt policy discussion			Addition of Uniform Guidance Compliance Policies	Investment policy review and debt policy discussion	AGB Report update
5	Mon, Jan 9, 2017	5	Standing Topic/Regular Updates	Standing Topic/Regular Updates				Responses to Budget Adjustment Act (if any)		Debt issuance vote (if any)	Legislative Report due January 15				
6	Mon, Feb 6, 2017	3	Standing Topic/Regular Updates	Standing Topic/Regular Updates					Regular quarterly report (per Policy 404)						
7	Mon, Mar 13, 2017 *	3	Standing Topic/Regular Updates	Standing Topic/Regular Updates			Q2 FY17 Results								AGB Report update
8	Mon, Apr 10, 2017	4	Standing Topic/Regular Updates	Standing Topic/Regular Updates	Preliminary FY18 Budgets presented	Initial FY19 Tuition discussion									
9	Wed, May 31, 2017	6	Standing Topic/Regular Updates	Standing Topic/Regular Updates	Vote on FY18 Budgets	Preliminary FY19 Tuition request	Q3 FY17 Results		Regular quarterly report, Annual Banking & Investment Resolution (per Policy 404)						
10	Wed, Jun 21, 2017 *	3	Standing Topic/Regular Updates	Standing Topic/Regular Updates		Vote on FY19 Tuition									AGB Report update

* Last meeting before quarterly Board of Trustees Meeting
*** Unification report due September 28 BOT (done)*
** Report due to Joint Fiscal Committee during November 2016 on use of $700,000 "to increase need-based aid for Vermont students"
*** "Long term strategic plan… for the most effective use of capital funds…" due January 15, 2017 to Institutions Committees (also from UVM)