

**NEBRASKA INVESTMENT COUNCIL  
MINUTES OF THE MEETING OF  
August 19, 2009**

A regular meeting of the Nebraska Investment Council convened at 8:31 a.m. at the Marriott Hotel in Omaha, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on July 27, 2009, and published in the Lincoln Journal Star on August 2, 2009. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

**MEMBERS PRESENT:**

Ms. Gail Werner-Robertson, Chairwoman  
Dr. Richard DeFusco  
Mr. John Maginn (arrived at 10:55 a.m.)  
Mr. John Dinkel  
Mr. Norm Riffel (arrived at 8:34 a.m.)  
Treasurer Osborn  
Ms. Phyllis Chambers

**NONMEMBERS IN ATTENDANCE:**

Mr. Joe Jurich, Acting State Investment Officer  
Ms. Kathy Dawes, Council Secretary  
Mr. Kevin Vandolder, Ennis Knupp + Associates  
Mr. Chris Riley, Ennis Knupp + Associates  
Mr. Christopher Heinrich, Harding & Shultz  
Ms. JoLynn Winkler, Nebraska Investment Council  
Mr. Brett Nelson, Ennis Knupp + Associates  
Mr. Rob Parkinson, Ennis Knupp + Associates  
Mr. Dan Drake, Ennis Knupp + Associates  
Mr. Rob Boston, Ennis Knupp + Associates  
Mr. Jason Hayes, Deputy State Treasurer  
Ms. Rachel Biar, Director, College Savings Program  
Mr. Jay Steinacher, Union Bank

**ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:31 a.m. to 8:32 a.m.** Ms. Werner-Robertson stated that a copy of the Open Meetings Act is located on the side table.

**COUNCIL MEMBER BUSINESS: 8:32 a.m. to 8:35 a.m.** Ms. Werner-Robertson welcomed everyone to the meeting and informed the Council that Mr. Maginn would be arriving late because of a funeral he was attending this morning. Ms. Werner-Robertson stated that because of this, the Opportunistic Portfolio Discussion and PPIP Discussion will be moved to later on the agenda after Mr. Maginn arrives and is available to discuss the different strategies.

**APPROVAL OF THE MINUTES OF THE MAY 19, 2009, AND JUNE 15, 2009: 8:35 a.m. to 8:37 a.m.** Mr. Dinkel moved that the May 26, 2009, draft of the May 19, 2009, and the June 19, 2009, draft of the June 15, 2009, meetings be approved. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Dinkel Mr. Riffel Ms. Werner-Robertson
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ABSENT NOT VOTING:	Mr. Maginn
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ABSTAINING:	Dr. DeFusco
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The motion carried.

**SIO SEARCH COMMITTEE UPDATE: 8:37 a.m. to 8:56 a.m.** Mr. Jurich, as a candidate for the SIO position, excused himself from this portion of the meeting. Dr. DeFusco explained the process being used by the SIO Search Committee for the recruitment of a new State Investment Officer. Dr. DeFusco indicated that the

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Committee is conducting first round interviews with candidates and that the finalists selected will be interviewed by the entire Council on September 2, 2009, at the La Vista Embassy Suites. Ms. Werner-Robertson thanked the members of the Committee, Dr. DeFusco, Ms. Chambers, and Mr. Maginn for the time they have given to the search. Ms. Werner-Robertson stated that the hiring of the State Investment Officer is a very important decision the Council will be making.

**PERFORMANCE UPDATE BY ENNIS KNUPP: 8:56 a.m. to 10:05 a.m.** Mr. Vandolder introduced Mr. Rob Boston, Principal, who recently joined the firm. Mr. Vandolder and Mr. Riley reviewed with the Council the 2<sup>nd</sup> Quarter Performance Report included in the meeting book, commenting on the market environment and the portfolios' investments. Mr. Riley distributed revised pages of the 2<sup>nd</sup> Quarter Performance Report and also a July 2009, Preliminary Performance Summary for the Defined Benefit Plan. Copies of both handouts are included in the attachments to the minutes. Mr. Riley discussed the memos included in the meeting book relating to Acadian, BlackRock, Mondrian, and PIMCO.

The Council took a break and reconvened the Council meeting at 10:15 a.m.

**COLLEGE SAVINGS PLAN UPDATE: 10:15 a.m. to 10:45 a.m.** Mr. Jurich discussed the transition of the fixed income funds within the State Farm College Savings Plan approved by the Council at the May 19 meeting. Mr. Riley informed the Council that Ennis Knupp, as part of the additional due diligence requested by the Council at the May 19 meeting with respect to the State Farm Bond Fund, performed an on-site visit of State Farm. Mr. Jurich informed the Council that, upon completion of the additional due diligence, he received a report from Ennis Knupp which contained a favorable recommendation of the State Farm Bond Fund.

Treasurer Osborn updated the Council on the status of July 6, 2009, Request for Proposal (RFP) and related schedule for investment and administrative services for the College Savings Plan of Nebraska. The AIM Plan is scheduled to terminate effective December 4, 2009. Treasurer Osborn indicated that at that time account owners in the AIM Plan will have several options: (1) transfer their assets to the College Savings Plan of Nebraska (CSPN); (2) take a distribution; or (3) rollover their assets to a new AIM Plan not affiliated with the State of Nebraska (if AIM establishes a new plan with a different state) or to any other 529 plan. Treasurer Osborn stated that with this transition, the Council and the Treasurer have protected the best interests of the plan participants.

Mr. Jurich and Mr. Heinrich reviewed with the Council the conversion agreement and reimbursement agreement for the transfer of assets in the AIM Plan to the CSPN Advisor Plan. The conversion agreement calls for the AIM accounts to be liquidated on December 4, 2009, and transferred to Union Bank to be reinvested in the CSPN. Mr. Heinrich stated that the AIM Plan account owners will be receiving two notices regarding the transition, one dated August 4, 2009, and another one dated October 4, 2009. On or before October 20, 2009, the CSPN will provide AIM Plan account owners with materials regarding the transition. Mr. Jurich indicated that Mr. Jay Steinacher, Union Bank will be reviewing with the Council Union Bank's proposed mapping of assets, which will require Council approval. Additional information on the RFP and conversion are available on the State Treasurer's website [www.treasurer.org](http://www.treasurer.org).

Mr. Jurich introduced Mr. Jay Steinacher, Union Bank. Mr. Steinacher discussed the proposed mapping of assets from the AIM Plan portfolios into the most comparable CSPN portfolios on December 4, 2009. Mr. Steinacher reviewed the comparable funds within the respective portfolios. The proposed asset mapping strategy from Union Bank was included in the meeting book. Following discussion by the Council, Dr. DeFusco moved to approve Union Bank's proposed mapping of assets. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Dinkel Mr. Riffel Ms. Werner-Robertson Dr. DeFusco
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ABSENT NOT VOTING:	Mr. Maginn
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The motion carried.

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**STATE INVESTMENT OFFICER'S REPORT: 10:45 a.m. to 11:20 a.m.**

**Agency Budget Report:** Mr. Jurich reviewed with the Council the FY10 Budget Report included in the meeting book.

**Investment Manager Agreements:** Mr. Jurich indicated that he recently executed documents for the following: Galliard Capital Management, New Enterprise Assoc., McCarthy Capital, CVC Capital Partners, Wayzata, Abbott Capital and Quantum Energy Partners.

**Proxy Voting Report:** Mr. Jurich reviewed with the Council the annual Proxy Voting Report, which was included in the meeting book. Mr. Jurich indicated that the voting of proxies is delegated to the investment managers in accordance with the Council's Proxy Voting Policy and gave a brief overview of the policy. Mr. Jurich indicated that all manager's proxy voting policies and voting records are on file in the NIC's office and available for review.

**Discussion of Use of Executive Session:** Mr. Heinrich discussed the Council's policy on the use of closed session, which is under Article III of the *Code of Ethics, Policy on Conflicts of Interest and Council Procedures* and the State statutes relating to the use of closed session.

**Commission Recapture Report:** Mr. Jurich reviewed with the Council the Commission Recapture Report included in the meeting book.

**University Funds Update:** Mr. Jurich informed the Council that going forward the University funds will be included in the quarterly performance report.

**Galliard and Global Equity Transition:** Mr. Jurich updated the Council on the recent transition to Galliard Capital Management, Inc. and noted that the OIP Investment Policy will be reviewed at the September 29, 2009, Council meeting. Mr. Jurich indicated that the global equity transition has been completed.

**Miscellaneous:** Mr. Jurich indicated that the Auditor of Public Accounts (APA) has contacted him about beginning the FY09 audit. Dr. DeFusco and Mr. Maginn, members of the NIC Audit Committee, plan to attend the entrance conference once it's scheduled with the APA. Mr. Jurich also reported that Ms. JoLynn Winkler was recently notified that she had passed Level III of the CFA exam. The next regular Council meeting is scheduled for Tuesday, September 29, 2009. The meeting will be held in the Columbus Room at the Omaha Marriott Hotel.

Mr. Maginn arrived at 10:55 a.m.

**PRIVATE EQUITY PRESENTATION BY ENNIS KNUPP: 11:20 a.m. to 12:00 p.m.** Mr. Nelson and Mr. Parkinson reviewed with the Council the 2<sup>nd</sup> Quarter Performance Report for private equity which was included in the meeting book. Their presentation included a market overview, portfolio policy objectives and performance update.

**BACK OFFICE SUPPORT:** Mr. Parkinson updated the Council on the expanded services being provided by Ennis Knupp since March 2009. He reported on called capital, distributions, advisory board meetings attended, and other activities being provided by Ennis Knupp during the SIO transition period.

**PRIVATE EQUITY FUND PRESENTATION BY ENNIS KNUPP: 12:00 p.m. to 12:10 p.m.** Mr. Nelson and Mr. Parkinson reviewed with the Council a new fund being offered by Longroad Asset Management, LLC, a private equity firm specializing in distressed situations where it can achieve effective control over the governance of lower middle-market companies located primarily in the United State and Canada. Longroad Capital Partners III, L.P., ("Fund III") will seek to acquire debt securities, obligations, and assets of distressed companies with the goal of obtaining control through a restructuring process. Fund III will seek to raise \$400 million in capital commitments and is targeting a final close by October 2009. Mr. Parkinson indicated that Ennis Knupp has conducted a thorough qualitative and quantitative assessment of Longroad Asset Management, LLC. Mr. Nelson discussed the investment merits and concerns associated with the firm. Mr. Parkinson indicated that Ennis Knupp recommends that the Council commit \$20 million to Fund III. A copy of their presentation was included in the

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meeting book.

**PRESENTATION BY LONGROAD ASSET MANAGEMENT, LLC: 12:10 p.m. to 12:50 p.m.** Mr. Jurich introduced Mr. Paul Coughlin, III, Founder and Managing Partner. Mr. Coughlin's presentation gave an overview of the firm, organization, investment criteria, investment strategy, and performance. A copy of the presentation was included in the meeting book.

Following the presentation by Longroad and discussion by the Council, Mr. Maginn moved to commit \$20 million to Longroad Capital Partners III, L.P., as an additional private equity manager for the Defined Benefit Plan and Cash Balance Benefit, pending legal review of the Limited Partnership Agreement by counsel provided by Ennis Knupp and by the Council's attorney. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Ms. Werner-Robertson Dr. DeFusco Mr. Maginn
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VOTING NAYE:	Mr. Dinkel Mr. Riffel
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The motion carried.

The Council took a break and reconvened the Council meeting at 1:00 p.m.

**PPIP DISCUSSION AND BLACKROCK VISIT: 1:00 p.m. to 2:00 p.m.** Mr. Jurich introduced from BlackRock, Ms. Kate Jonas, Managing Director and Mr. Curtis Arledge, Managing Director. Ms. Jonas and Mr. Arledge discussed the Public-Private Investment Program for Legacy Assets (PPIP). The PPIP is one of the initiatives coming out of the implementation of the Troubled Asset Relief Program (TARP). On March 23, 2009, the U.S. Department of Treasury in conjunction with the Federal Deposit Insurance Corporation and the Federal Reserve announced the PPIP as part of its broader effort to repair balance sheets throughout the financial system and ensure that credit is available to households and businesses. Their presentation also included an overview of the firm, purchase of Barclays Global Investors, market and portfolio review, BlackRock Mortgage Investors and BlackRock's new fund being offered under the PPIP. A copy of the presentation was included in the meeting book.

**REAL ESTATE DISCUSSION AND PRUDENTIAL REAL ESTATE INVESTORS: 2:00 p.m. to 2:45 p.m.** Mr. Drake discussed with the Council the memo included in the meeting on Prudential's PRISA fund.

Mr. Jurich introduced members of the PRISA team, Mr. Mark Oczkus and Ms. Kathy Marcus. Their presentation gave an overview of PRISA and PRISA II, which included investment philosophy, performance objectives and strategy. A copy of the presentation was included in the meeting book.

**OPPORTUNISTIC PORTFOLIO DISCUSSION BY ENNIS KNUPP: 2:45 p.m. to 3:05 p.m.** Mr. Vandolder discussed an opportunistic allocation, which allows access to investment strategies that do not fit into traditional asset class categories. The Council decided to continue this discussion at the September 29, 2009, Council meeting. At the September meeting the Council also requested that Ennis Knupp discuss the pros and cons of the NIC's current investments in this asset class.

**PERB UPDATE: 3:05 p.m. to 3:10 p.m.** Ms. Chambers invited the Council to the PERB Retreat being held on August 24, 2009, at the Cornhusker Hotel in Lincoln. Ms. Chambers stated that Mr. Vandolder would be presenting at the Retreat. Ms. Chambers reported on the IT maintenance and support agreement and on the number of teacher retirements NPERS is currently working on.

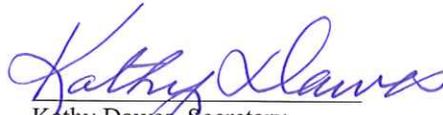
**PUBLIC COMMENT ON THE AGENDA: 3:10 p.m. to 3:12 p.m.** Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

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At 3:12 p.m. Mr. Dinkel moved to adjourn the meeting. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:           Mr. Riffel  
                              Ms. Werner-Robertson  
                              Dr. DeFusco  
                              Mr. Maginn  
                              Mr. Dinkel

The motion carried.

  
Kathy Dawes, Secretary