

WASHINGTON STATE HISTORICAL SOCIETY
BOARD OF TRUSTEES

MINUTES

ENTITY: WSHS Board of Trustees
 DATE: September 27, 2011
 LOCATION: Tacoma, Peter Simpson Board Room, Washington State History Museum
 TRUSTEES PRESENT: Daniel Grimm, Chairman; Senator Randi Becker; Charles Bingham; Robert Carriker; Melanie Dressel; Leonard Forsman; John Hughes; Jane Jacobsen; Larry Kopp; Corky Mattingly; Alex McGregor; George Moynihan; Victoria Woodards
 STAFF PRESENT: David Nicandri, Director; Christopher Lee, Chief Financial Officer; Misty Dawn Reese, Chief Administrative Officer; Garry Schalliol, Outreach Services Director
 GUESTS: Jennifer Kilmer; Natalie Holm and Philip Gray, Laird Norton Tyee
 PREPARED BY: Misty Dawn Reese

I. Call to Order and Introductions

The meeting was called to order at 3:06 p.m.

II. Consent Items

- a. Minutes, June 18, 2011 Meeting [Exhibit 1]*
The minutes of the June 18, 2011 meeting were approved as submitted.
- b. Minutes, August 9, 2011 Special Meeting [Exhibit 2]*
The minutes of the August 9, 2011 special meeting were approved as submitted.
- c. Future Board Meeting Schedule [Exhibit 3]
No new future meetings were proposed.
- d. Committee Roster [Exhibit 4]
Chairman Grimm distributed the new committee roster.

III. Policy, Planning & Governance

Finance Committee

- a. Investment Report [Exhibit 5]
Chairwoman Melanie Dressel submitted a Finance Committee recommendation to authorize a ten percent allocation of Society endowment funds to managers who specialize in one or both of two investment strategies intended to improve portfolio performance and reduce volatility: “directional hedging” and “absolute return hedging”.

Directional hedging involves the purchase and sale of public equities in selected countries and industry sectors that offer opportunities to take advantage of market inefficiencies.

Absolute return hedging involves the sale of borrowed public equities (short selling); the use of borrowed money to purchase public equities (leverage); and the purchase and sale of public equities at specified prices and times (options).

Chairwoman Dressel said the allocation would reduce the volatility of the Society’s endowment funds with little or no probable adverse effect on long-term appreciation of value. To maintain ready access to endowment assets, all directional and absolute return

funds would be invested in “hedge” mutual funds. Because of the complexity and risks associated with hedge fund strategies, the Finance Committee would closely monitor hedge fund managers.

Following questions and discussion, Chairwoman Dressel moved adoption of the Finance committee recommendation to allocate ten percent of the endowment portfolio to hedge fund strategies, with five percent to directional hedge mutual funds and five percent to absolute return hedge mutual funds. She explained the ten percent allocation would be in addition to an identical allocation previously authorized by the Finance Committee.

The motion was seconded by Jane Jacobsen and adopted unanimously by the board.

b. Treasurer’s Report [Exhibit 6]

Chief Financial Officer Christopher Lee presented the Treasurer’s report and answered questions.

c. Supplemental Capital Budget Request [Exhibit 7]*

Mr. Nicandri recommended the Board submit to Governor Gregoire a request to include funding for local heritage projects in her supplemental capital budget proposal. Of the original \$10 million request submitted last year, the Legislature appropriated only \$1.1 million in the regular biennial capital budget. He said requesting the balance of the \$10 million would demonstrate the Society’s commitment to local heritage projects even though there is little likelihood of a supplemental appropriation.

George Moynihan moved to approve the supplemental request. Dan Grimm seconded the motion, which was unanimously approved by the board.

IV. Operations/Performance/Trend Assessments

Transition Report

Mr. Nicandri said he has met with Ms. Kilmer several times since her appointment in August. He said he will work in the Olympia office his last week of employment ending October 7 and Ms. Kilmer will be in the Tacoma office starting October 3.

Ms. Kilmer expressed her gratitude to Mr. Nicandri for his support and guidance as she prepares to assume her responsibilities as Director. She said she has met with numerous stakeholder groups, local government officials and the staff of neighboring museums. She is looking forward to getting started and has set up meetings with every member of the staff and is planning to meet with legislators.

Mr. Bingham suggested Ms. Kilmer should meet with local community leaders who may not be directly involved with the museum. Ms. Dressel asked how she is going to introduce herself around to the state. Ms. Kilmer responded that she will be requesting from each member of the board a list of five individuals she should meet with and plans to continue expanding relationships with affiliated organizations in the state.

V. Valedictories

Mr. Nicandri expressed gratitude for the support of the Board and the personally rewarding relationships with trustees past and present. He praised the selection of Ms. Kilmer and

offered to assist and contribute to the success of the Society in any way possible. He thanked Misty Reese and Marie DeLong for their invaluable contributions to the Society, Christopher Lee for his expertise on budget and finance matters and Garry Schalliol for his counsel and exemplary work with interested groups and individuals throughout the state.

Mr. McGregor recalled Mr. Nicandri's extensive list of achievements and his passionate leadership.

Chairman Grimm expressed his gratitude to Mr. Nicandri for his leadership skills as director and noted that while he is retiring, he is not going away. He said he is looking forward to Mr. Nicandri's continuing contributions to the mission of the Society.

VI. Adjournment

The meeting was adjourned at 4:51 p.m.