

Date: July 10, 2008

To: BSA FAC Members (Armstrong, Chapman, Dahl, Galloway and Soltis)

From: Jack Horner, FAC Chair

Subject: Summary of Conference Call with Smith Barney on July 10, 2008

The conference call started at about 1:35 pm CDT with all FAC members calling in. The Smith Barney (SB) representatives were Mike Chenchar and Bryan Boesen.

Mike and Bryan reviewed the status of the BSA Endowment Fund (EF) and discussed where it was as of today. They went over the issues dealing with the world events which have led to uncertainty, nervousness and volatility in the world markets and the difficulty of predicting what will happen in the near future. They indicated that the EF was 'less worse of' than other investment portfolios. Many of these day-to-day fluctuations are attributed to knee-jerk reactions based on the ever increasing daily world-wide media exposure of them.

Questions from FAC members centered around the *Asset Allocation and Investment Performance Goal* categories in the BSA Statement of Investment Policy Objectives & Guidelines (developed when the EF was created a number of years ago). The discussion identified that:

- FAC should discuss and possibly change the %s in the Asset Allocation classes;
- FAC should determine whether the absolute rate of return (9.44%) in the Investment Performance Goal category should be changed.

These two items will be part of the agenda at the FAC meeting in Vancouver

Based on these issues there was sentiment to reconsider reducing the amounts of Fixed Income and Cash in the EF, to create a more aggressive portfolio. Again, this issue will be discussed at the Vancouver meeting and by email afterwards.

The SB's five recommendations, presented on page 34 of the BSA Investment Portfolio Review (May 31, 2008), were explained by Mike and Bryan – to bring the portfolio in line with the 9.44% absolute rate of return identified in the Policy Objectives & Guidelines.

The FAC was asked if it wanted to have a voice vote on these recommendations during the phone call or do it by email ballot afterwards. The decision was for a voice vote which was a unanimous YES. A follow-up email confirming this vote was sent to SB right after the conference call requesting this be done as soon as appropriate.

No other questions were raised, so the conference call was terminated after SB and the entire committee were thanked for their participation.

