

Minutes
Board of Trustees Investment Committee
Special Session
October 13, 2008

IN ATTENDANCE:

Investment Committee
Members: Ms. JoEtta Y. Wickliffe, Chair
Mr. Stephen P. Branscum
Mr. Dermontti F. Dawson
Mr. James F. Hardymon
Mr. Billy B. Wilcoxson (Community Advisory Member)

Board of Trustees
Members: Ms. Mira S. Ball
Dr. Charles R. Sachatello*

*Attended the beginning of the meeting, prior to the closed session.

Investment Staff &
Consultants: Mr. Marc A. Mathews
Ms. Susan I. Krauss
Mr. Russ Kuhns (R. V. Kuhns & Associates)
Mr. Rob Palmeri (R. V. Kuhns & Associates)
Mr. Bruno Grimaldi (R. V. Kuhns & Associates)

Others: Mr. Frank A. Butler
Ms. Barbara W. Jones
Mr. Sergio Melgar
Mr. John Deans

The meeting was called to order at 11:00 a.m.

Ms. Wickliffe asked for a motion to approve the September 9, 2008 minutes. Mr. Branscum made a motion to approve the minutes, Mr. Hardymon seconded the motion and all approved.

Dr. Sachatello provided the Committee with copies of a Wall Street Journal article dated October 11, 2008, titled "What History Tells Us About the Market". Dr. Sachatello then departed the meeting, prior to the closed session.

At 11:05 a.m., Ms. Wickliffe indicated that the committee needed to go into closed session in order to hear reports on the evaluation of proposals for the absolute return and opportunistic private equity manager searches. The Committee will also hear presentations from the absolute return search finalists. Ms. Wickliffe made a motion that the investment committee go into closed session pursuant to KRS 61.810 (1) (g). (This statutory citation is the exception in the open meetings law that permits a closed session to discuss a specific proposal with a business entity, if, an open discussion would jeopardize the selection of the business entity.) Mr. Dawson seconded the motion and all approved.

Following the closed session, Ms. Wickliffe announced that the closed meeting had concluded, that no matters other than the announced matters were discussed during the closed session and that no actions were taken during the closed session. Ms. Wickliffe indicated that the committee was now back in open session.

Mr. Hardymon made a motion to approve IC 1, which authorizes the investment staff to perform on-site visits of three absolute return managers and subsequently authorize the University's Purchasing Division to enter into contract negotiations with the new managers if the results of the on-site visits are satisfactory. Mr. Dawson seconded the motion and all approved.

Mr. Dawson made a motion to approve IC 2, which authorizes the University's Purchasing Division to enter into contract negotiations with two new managers for the management of the opportunistic private equity allocation. Mr. Hardymon seconded the motion and all approved.

With no further business, the meeting adjourned at 3:10 p.m.

Susan I. Krauss
Office of the Treasurer

IC 1

Office of the Treasurer
October 13, 2008

Members, Investment Committee

AUTHORIZATION FOR INVESTMENT STAFF TO PERFORM ON-SITE VISITS
OF THREE ABSOLUTE RETURN MANAGERS AND SUBSEQUENTLY AUTHORIZE
THE PURCHASING DIVISION TO ENTER CONTRACT NEGOTIATIONS WITH
THE MANAGERS IF RESULTS OF ON-SITE VISITS ARE SATISFACTORY

Recommendation: that the Investment Committee authorize the investment staff to perform on-site visits of three absolute return managers and subsequently authorize the University's Purchasing Division to enter into contract negotiations with the new managers if the results of the on-site visits are satisfactory.

Background: The Investment Committee approved a revised asset allocation and manager structure on June 16, 2008, which includes a new allocation to the absolute return asset class of 10%. Investment staff and R. V. Kuhns & Associates ("RVK") issued a Request for Proposals for absolute return fund-of-funds managers in July 2008 and received proposals from 24 firms on 27 different strategies. Staff and RVK performed the evaluation of proposals and selected three finalist firms: two for a core allocation of 4% each and one for an opportunistic allocation of 2%.

The recommendation of the three absolute return managers, along with a description of the RFP process, is included in a confidential memo from RVK dated October 1, 2008, which was distributed to the Investment Committee. Disclosure of the names of the managers could jeopardize the contract negotiations with these firms.

Action Taken: Approved Disapproved Other _____

IC 2

Office of the Treasurer
October 13, 2008

Members, Investment Committee

AUTHORIZATION TO ENTER CONTRACT NEGOTIATIONS WITH TWO NEW MANAGERS FOR
THE MANAGEMENT OF OPPORTUNISTIC PRIVATE EQUITY ALLOCATION

Recommendation: that the Investment Committee authorize the University's Purchasing Division to enter into contract negotiations with two new managers for the management of the opportunistic private equity allocation.

Background: The Investment Committee approved a revised asset allocation and manager structure on June 16, 2008, which includes a new opportunistic private equity allocation of 1.12%. Investment staff and R. V. Kuhns & Associates ("RVK") issued a Request for Proposals for opportunistic private equity fund-of-funds managers in August 2008 and received proposals from 4 firms on 5 different strategies. Staff and RVK performed the evaluation of proposals and selected two firms to manage the opportunistic private equity allocation. Based on private equity forecasting recently completed by staff and RVK, staff needs to commit \$5-7 million in each of the next five years to an opportunistic private equity fund-of-funds manager, therefore establishing a relationship with two managers is beneficial.

The recommendation of the two managers, along with a description of the RFP process, is included in a confidential memo from RVK dated October 1, 2008, which was distributed to the Investment Committee. Disclosure of the names of the managers could jeopardize the contract negotiations with these firms.

Action Taken: Approved Disapproved Other _____