American Association of Collegiate Registrars and Admissions Officers
Minutes of the Meeting of the Board of Directors
September 14, 2011
Conference Call

Board Members in Attendance: Jim Bouse, Bruce Cunningham, Luisa Havens, Betty Huff, Tracey Jamison, Nora McLaughlin, Nancy Krogh, Brad Myers, Jeff von Munkwitz-Smith, Robert Watkins

Staff Members in Attendance: Matthew Ogle

Call to Order
President McLaughlin called the meeting to order at 3:01 p.m. Eastern Time.

Approval of Agenda
MOTION 2011.09.01 – It was duly moved and seconded to approve the agenda. APPROVED

Approval of Minutes
MOTION 2011.09.02 – It was duly moved and seconded to approve minutes of the August 17, 2011 Board Meeting with one change. APPROVED

Reports of Standing Committees

Finance and Investments Committee
Vice President Nancy Krogh introduced two investment strategy proposals, both of which have the goal of increasing AACRAO's ability to limit downside risk in its investments. She reviewed proposal provided to the Finance Committee by Arun Sardana, AACRAO's investment advisor. Mr. Sardana will join the Board meeting in October, and the Board members were asked to review the information in order to ask any additional questions of Mr. Sardana. The Finance committee intends to make a recommendation at the October Board meeting.

Vice President Krogh will bring preliminary fiscal year 2010-2011 financial reports to the October Board meeting.

Governance Committee
MOTION 2011.09.03—It was duly moved and seconded that the proposed bylaws revisions be approved for submission to the membership. WITHDRAWN

The Board reviewed the bylaws recommendations and made suggestions. The Governance Committee agreed to incorporate these into the document for further review at the October Board meeting.

President-elect Jeff von Munkwitz-Smith brought the record retention policy to the Board. The Board discussed the recommended retention for email and agreed more information should be gathered. In addition, formatting changes for the policy were noted. The policy will be considered again at the October meeting.

Strategic Planning and Program Review Committee
Vice President Brad Myers submitted a written report stating that the committee's meeting minutes were available to Board members on the web. The report also stated that a revised draft of the strategic plan is currently under review and will be presented prior to the October Board meeting. The committee will plan to meet with the Finance Committee in October.

Compensation Committee
Vice President Bruce Cunningham referred the Board to the leadership profile that was sent prior to the meeting. He informed the Board that the leadership profile and nomination process would be announced on Monday, September 19. He requested that any changes be submitted to the Compensation Committee prior to September 15.

MOTION 2011.09.04—It was duly moved and seconded that the Leadership Profile be accepted as submitted. APPROVED

Reports of Officers

Vice President for International Education
Vice President Robert Watkins reported that the Forum on Education Abroad had released a set of guidelines with input from AACRAO. The Board expressed some concern about the language used in the statement on the Forum's website and asked Vice President Watkins to discuss that with the Forum.

Vice President for Admissions and Enrollment Management
Vice President Tracey Jamison notified the Board that she is pulling together a group to review how AACRAO is meeting the needs of admissions professionals. The group will meet on Thursday, December 1, prior to the Leadership and State and Regional meeting in Washington, D.C. Vice President Jamison and the full Board are aware that there is concern among some in the admissions field that it has been neglected. The group will review services, sessions at meetings, and anything else that AACRAO currently provides to ensure a high level of service to this community. She will plan to bring a draft agenda to the October Board meeting so that the Board can help brainstorm topics for the meeting.

President
President McLaughlin reported that Executive Director Sullivan is making progress on a review of job descriptions and pay levels for the AACRAO staff. He will meet with Adnan Bokhari, AACRAO accountant, and Vice President Cunningham, chair of the Compensation Committee, to review the information and to make a recommendation to the Compensation Committee.

President McLaughlin reminded the Board that Vice President Cunningham, President-elect von Munkwitz-Smith, and she will be meeting with senior staff members at the AACRAO office regarding the Executive Director search.

She asked for agenda items for the October Board meeting to be submitted in the week following this meeting.

Unfinished Business
The list of action items was reviewed and updated.

Adjournment
MOTION 2011.09.05 – It was duly moved and seconded that the Board of Directors meeting be adjourned. APPROVED

The Board of Directors meeting adjourned at 4:42 p.m. Eastern Time.

Attachments
Board of Directors Meeting Minutes, August 17, 2011
AACRAO Unified Portfolio Analysis

American Association of Collegiate Registrars and Admissions Officers
Minutes of the Meeting of the Board of Directors
August 17, 2011
Conference Call

Board Members in Attendance: Jim Bouse, Bruce Cunningham, Luisa Havens, Betty Huff, Tracey Jamison, Nora McLaughlin, Nancy Krogh, Brad Myers, Jeff von Munkwitz-Smith, Robert Watkins

Staff Members in Attendance: Matthew Ogle, Jerry Sullivan

Guests in Attendance: Adnan Bokhari

Call to Order
President McLaughlin called the meeting to order at 4:03 p.m. Eastern Time.

Approval of Agenda
MOTION 2011.08.01 – It was duly moved and seconded to approve the agenda. APPROVED

Approval of Minutes
MOTION 2011.08.02 – It was duly moved and seconded to approve the following Board meeting minutes: June 13, 2011; June 15, 2011; June 15, 2011 executive session; July 14, 2011; and July 14 executive session. APPROVED

MOTION 2011.08.03 – It was duly moved and seconded to reconsider and approve the revised minutes of the May 11, 2011 Board Meeting. APPROVED

Reports of Standing Committees

<u>Finance and Investments Committee</u>
Vice President Krogh reviewed the financial statements for the month of June. These reports present data for the end of the third quarter for fiscal year 2010-2011. The Board reviewed the financial dashboard and then reviewed the AACRAO monthly financial update. Vice President Krogh reminded the Board that more detailed information was available in the other distributed financial reports, and asked them to review them for additional information.

On behalf of the Finance and Investments Committee Vice President Krogh provided a revised budget for fiscal year 2011-2012 and a summary of the budget revisions as an informational item to the Board. She explained that the AACRAO staff had engaged in a process to update the fiscal year 2011-2012 budget based on updated information. She noted this is a process that has not been done in the recent past, but that there were benefits to updating our projections. Executive Director Sullivan noted a few of the major changes to the revised budget including a proposed advocacy workshop as well as a possible collaboration with Jossey-Bass for the publication of College & University and SEM Source. Vice President Krogh continued the discussion with a review of the revised budget document and pointed out the bottom line remains the same.

Vice President Krogh explained the Memorandum of Understanding that was included in the Board meeting documents. It outlined the delegation of duties to the Executive Director as described in the Investment Policy and will be updated yearly by the Finance and Investments Committee.

Vice President Krogh informed the Board that the committee would be discussing a new investment strategy with Arun Sardana, AACRAO's financial advisor, in the coming weeks and would bring this information to the Board.

Audit Committee

The Audit Committee met via teleconference on Tuesday, August 2nd to review the IRS Form 990 with Executive Director Sullivan and Adnan Bokhari, AACRAO Accountant. The 990 is required of all tax-exempt and non-profit organizations annually. Mr. Bokhari walked the committee through the 48 page report and answered questions posed by committee members. When the review was complete, the committee voted unanimously to accept the report as written.

Governance Committee

The Record Retention Policy will be reviewed at the September Conference Call.

The bylaws changes to be recommended by the Board to the members at the Annual Meeting will be voted on during the September conference call. President-elect von Munkwitz-Smith discussed the changes briefly. Past President Huff requested copy of the bylaws without changes showing and President-elect von Munkwitz-Smith agreed to provide this copy.

The committee is beginning to review the transition plan and will bring forward updates as they become available.

Strategic Planning and Program Review Committee

Vice President Myers informed the Board about the committee's meeting schedule. Vice President Myers submitted a written report which follows:

Program Review

- The committee agreed to identify one area for an initial review. After that review, the committee can do an analysis among the committee and, with the full Board, determine what adjustments to the framework and process to implement before expanding the reviews.
- It was agreed that the committee would develop an initial framework and timetable for reviews that we present to the Board before conducting our first review.
- The committee discussed ideas for which area we might want to review first and agreed to look at something that might be "evolving," e.g. "Online Courses/Webinars" or one of the business lines.
- The committee reviewed the AACRAO Programs document and discussed what it is trying to accomplish with a Program Review process. Goals and outcomes need to be a key part of the framework we develop for conducting the process.

Strategic Planning

- Vice President Myers reported on a follow-up conversation he had with Bruce Lesley. Mr. Lesley proposed that we take the output from our strategic planning discussion in Philadelphia and take it to the next stage. He particularly focused on our moving forward with the “goals and objectives” review from the 2009 Strategic Plan.
- We should finalize a draft of an update to the Plan and take it to the Board at the October meeting.
- Mr. Lesley also proposed that we review attachments A, B and C to see if all the key points are represented in the “goals and objectives.”
- The group agreed to focus on working more with the “goals and objectives” from the Philadelphia meeting and made group assignments.
- It was also noted that Lisa Rosenberg passed along a copy of the questions for the 2009 membership satisfaction survey. The AACRAO Office would like to conduct an evaluation process in 2011 and welcome the participation of our committee.

Compensation Committee
Vice President Cunningham provided an Executive Director Search update. The search website is up and an email message was sent to the membership. The committee is working on a communication plan, the most critical piece being that updates will be sent regularly to the membership through the website.

Reports of Officers

President-Elect
MOTION 2011.08.04 – It was duly moved and seconded to approved Kathie Beaty as Program Committee Vice-Chair for the 2013 Annual Meeting in San Francisco. APPROVED

President
President McLaughlin reported the chair of the Nominations & Elections Committee, Christine Kerlin, submitted a report detailing the diversity of the nomination pool. The committee is working to encourage nominees to submit applications. President McLaughlin reported she invited the committee to participate in the interview process of the Executive Director search and the response has been positive.

President McLaughlin will be moving forward with a consent agenda for the September meeting.

Unfinished Business
The list of action items was reviewed and updated.

New Business
Vice President Myers reported Sarah Harris will replace Kathie Beaty as a Group III Program Coordinator.

Vice President Havens noted that the Board has received transgender recommendations from the LGBT committee. President McLaughlin will consider next steps for Board consideration. Past President Huff recommended that Vice President Havens prepare a summary to be used for discussion to the Board.

President McLaughlin reviewed the schedule for the October Board meeting in Portland.

Adjournment
MOTION 2011.08.05 – It was duly moved and seconded that the Board of Directors meeting be adjourned. APPROVED

The Board of Directors meeting adjourned at 5:14 p.m. Eastern Time.

Attachments
Board of Directors Meeting Minutes, June 13, 2011
Board of Directors Meeting Minutes, June 15, 2011
Board of Directors Meeting Minutes, July 14, 2011
Board of Directors Meeting Minutes, May 11, 2011
June 2011 Financial Dashboard
June 2011 AACRAO Monthly Financial Update
Revised Budget Fiscal Year 2011-2012
Budget Revisions Summary Fiscal Year 2011-2012
Memorandum of Understanding Delegated Investment Duties and Responsibilities

AACRAO Unified Portfolio Analysis

Asset Allocation Analysis & New Manager Recommendations

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AACRAO Unified Portfolio Asset Allocation Assumptions

When constructing a sample proposal for the AACRAO Unified Portfolio, we used the following assumptions derived from the current AACRAO Investment Policy Statement:

- Investment Objectives:
  - To achieve absolute positive return over a complete market cycle of rolling 3-5 year periods
  - To meet or exceed the performance of the respective blended benchmarks, net of all fees and expenses
- Investment Horizon for Portfolio Performance Measurement:
  - 3-5 Years

Downside risk management is critical. We believe in the **law of irreplaceable capital** - we strongly believe that if we can better control the downside, the portfolio is better positioned to achieve higher long-term values. **The fact that we focus on controlling the downside more than achieving great returns in rising markets, defines our philosophy.** We believe that focusing on downside risk management, even if the portfolio sacrifices some upside potential, will lead to higher long-term returns through the effects of compounding.

Recommendations for Consideration:

- Add equity managers Stadion and NorthCoast to diversify equity exposure while enhancing equity downside risk management.
- Add High Income Strategies to further diversify income streams within the portfolio. High Income Strategies include high dividend and interest investments such as Utilities, Preferred Stocks, Real Estate Investment Trusts (also known as REIT's and currently included in portfolio through Cohen and Steers International Realty Fund,) and Master Limited Partnerships (MLP's) with no unrelated business income tax (UBIT) impact.

Please Note:

- The returns displayed are gross of fees. Gross returns may be reduced by investment advisory fees and other expenses that may be incurred in the management of the portfolio.

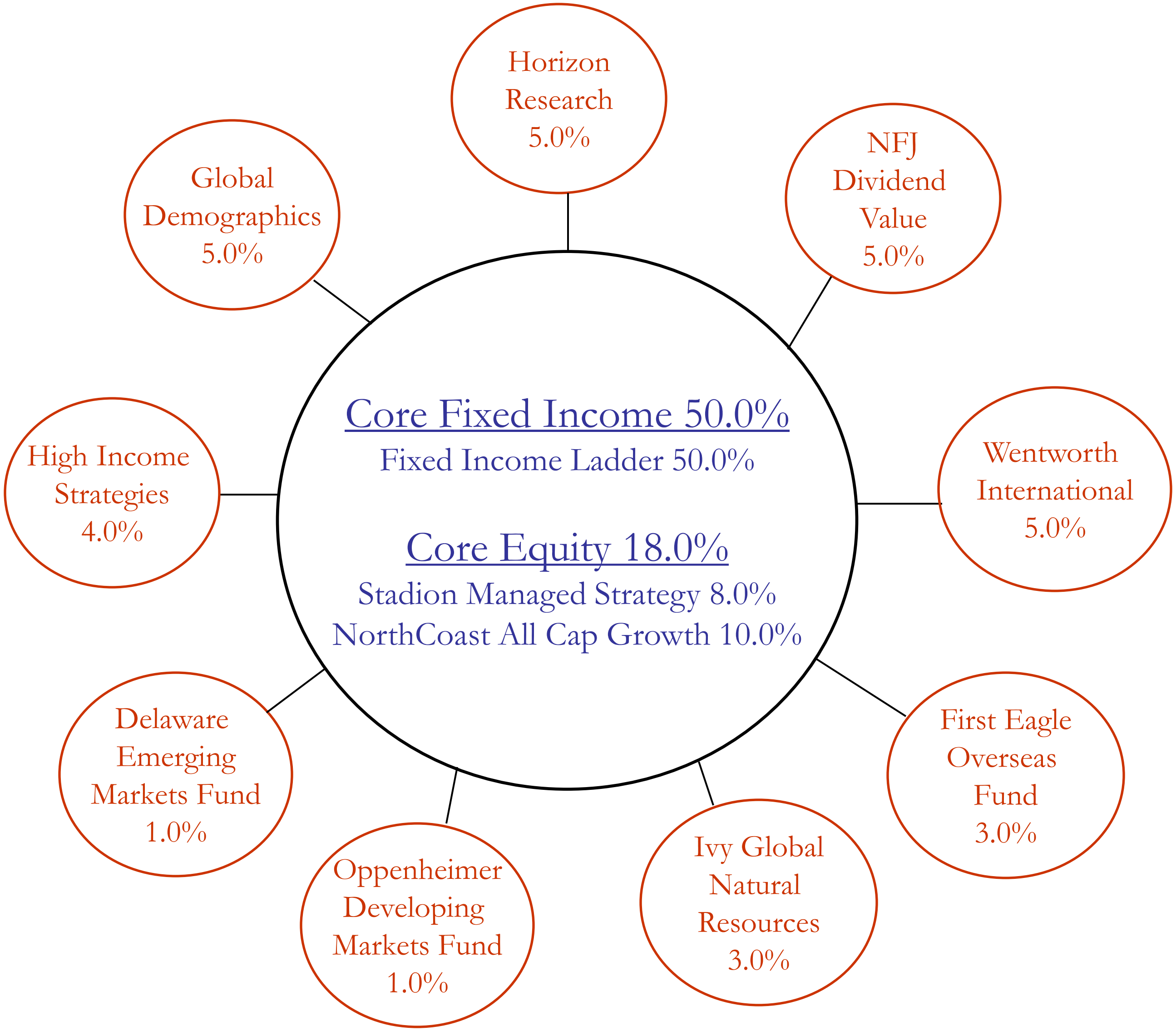
AACRAO Unified Portfolio Asset Allocation Analysis

Asset Class / Investment Manager	Current Portfolio	Proposed 1	Proposed 2
Fixed Income	***55.0%***	***50.0%***	***40.0%***
Fixed Income Ladder	55.0%	50.0%	40.0%
Equity	***36.0%***	***46.0%.***	***56.0%***
Stadion Managed Strategy (New Strategy)	0.0%	8.0%	10.0%
NorthCoast All Cap Growth (New Strategy)	0.0%	10.0%	13.0%
Horizon Research	8.0%	5.0%	5.0%
NFJ Dividend Value	5.5%	5.0%	5.0%
NFJ All Cap Value (Terminating Strategy)	2.0%	0.0%	0.0%
Liberty Street Horizon Fund (Terminating Strategy)	4.0%	0.0%	0.0%
First Eagle Overseas Fund	2.0%	3.0%	4.0%
Wentworth International	6.5%	5.0%	6.0%
Oppenheimer Developing Markets Fund	1.0%	1.0%	2.0%
RS Emerging Markets Fund	1.0%	1.0%	2.0%
Global Demographics	6.0%	5.0%	6.0%
High Income Strategies- Equity (New Strategy)	0.0%	3.0%	3.0%
Alternative Strategies	***9.0%***	***4.0%***	***4.0%***
Barclays I-Shares TIPS (Terminating Strategy)	1.0%	0.0%	0.0%
Cohen & Steers International Realty Fund (Include with High Income Strategies-Alternatives)	3.0%	1.0%	1.0%
Ivy Global Natural Resources Fund	5.0%	3.0%	3.0%
Total	***100.0%***	***100.0%***	***100.0%***

*High Income Strategies are divided evenly between REIT's, MLPs, Preferred Stocks, and Utility Stocks.

New Strategies have been denoted in blue

AACRAO Unified Portfolio Asset Allocation Analysis
Core-Satellite Asset Allocation Breakdown



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AACRAO Unified Portfolio Asset Allocation Analysis

Asset Class	Investment Manager	Proposed 1	Proposed 2	Active Passive	Purpose
	Fixed Income	**50.0%**	**40.0%**		
Core	Fixed Income Ladder	50.0%	40.0%	Active	Income & Principal Preservation
Core	**Equity**	**46.0%**	**56.0%**		
	Stadion Managed Strategy	8.0%	10.0%	Active Passive	Downside Risk Control
	NorthCoast All Cap Growth	10.0%	13.0%	Active	
Satellite	Horizon Research	5.0%	5.0%	Active	Growth
	NFJ Dividend Value	5.0%	5.0%	Active	Growth
	First Eagle Overseas Fund	3.0%	4.0%	Active	Growth
	Wentworth International	5.0%	6.0%	Active	Growth
	Oppenheimer Developing Markets Fund	1.0%	2.0%	Active	Growth
	RS Emerging Markets Fund	1.0%	2.0%	Active	Growth
	Global Demographics	5.0%	6.0%	Active	Tactical Growth
	High Income Strategies- Equity*	3.0%	3.0%	Passive	Income
	Alternative Strategies	**4.0%**	**4.0%**		
	High Income Strategies- Alternatives**	1.0%	1.0%	Passive	Income
	Ivy Global Natural Resources Fund	3.0%	3.0%	Active	Inflation Hedge
	Total	**100.0%**	**100.0%**		

*High Income Strategies- Equity is divided evenly between MLPs, Preferred Stocks, and Utility Stocks.

**High Income Strategies- Alternatives to be composed of Cohen & Steers International Realty Fund which is owned in the current portfolio

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AACRAO Unified Portfolio Asset Allocation Analysis: Fee Comparison

(Initial Value: approximately $6,700,000)

- Current Portfolio
  - 55% Fixed Income, 36% Equity, 9% Alternative Strategies
  - Estimated Billed Fee (for budget purposes): $44,857 or 0.67%
  - Estimated Internal Investment Cost*: $22,968 or 0.34%
  - **Total Estimated Fee: $67,825 or 1.01%**

- Proposed Portfolio 1
  - 50% Fixed Income, 46% Equity, 4% Alternative Strategies
  - Estimated Billed Fee (for budget purposes): $54,270 or 0.81%
  - Estimated Internal Investment Cost*: $15,611 or 0.23%
  - **Total Estimated Fee: $69,881 or 1.04%**

- Proposed Portfolio 2
  - 40% Fixed Income, 56% Equity, 4% Alternative Strategies
  - Estimated Billed Fee (for budget purposes): $58,323 or 0.87%
  - Estimated Internal Investment Cost*: $19,684 or 0.29%
  - **Total Estimated Fee: $78,008 or 1.16%**

* Estimated Internal Investment Costs include both mutual fund expense ratios and internal trading costs

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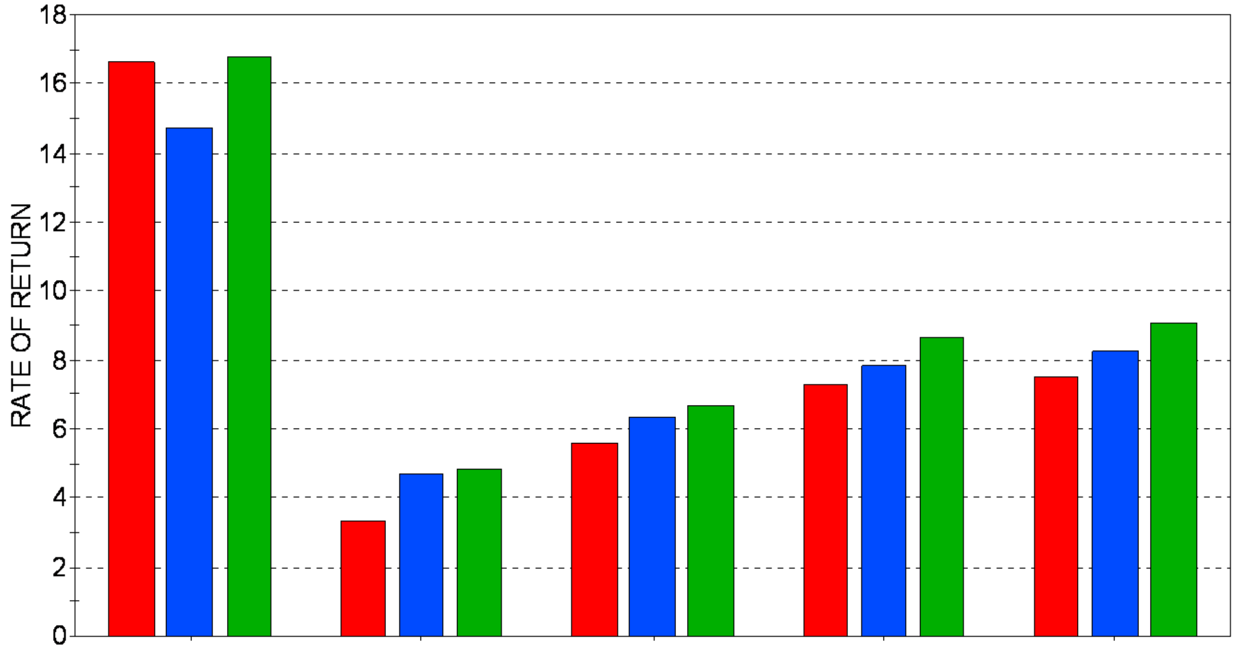
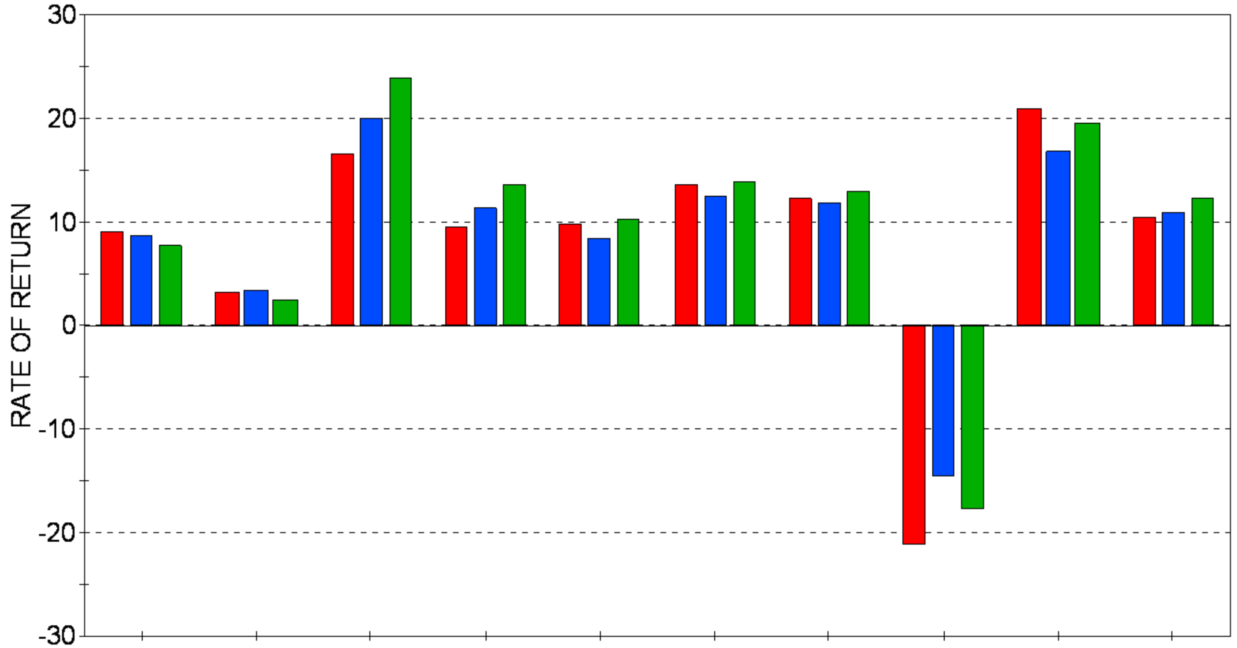
AACRAO UNIFIED PORTFOLIO
CURRENT VS. PROPOSED PORTFOLIO ANALYSIS
TRAILING 1, 3, 5, 7, AND 10-YEAR PERFORMANCE
AS OF JUNE 30, 2011



	1 Year	3 Years	5 Years	7 Years	10 Years
AACRAO Unified Portfolio+	16.62	3.35	5.57	7.32	7.50
AACRAO Unified Proposed 1+	14.71	4.70	6.37	7.81	8.22
AACRAO Unified Proposed 2+	16.78	4.81	6.69	8.63	9.04

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

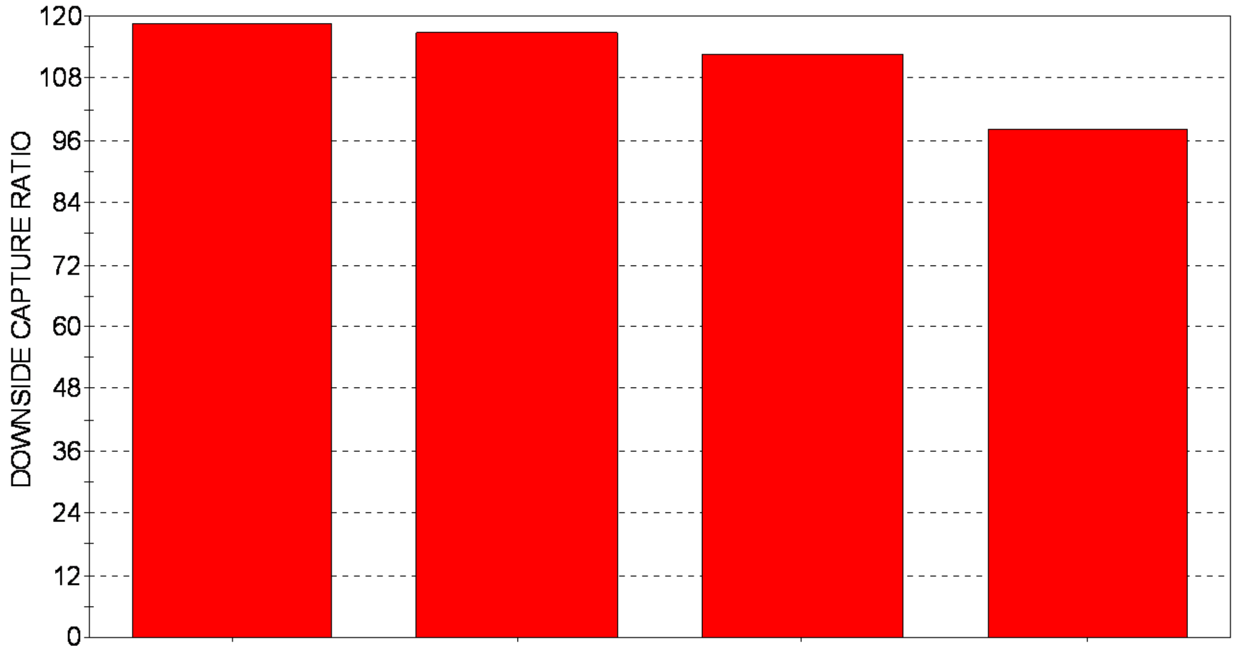
AACRAO UNIFIED PORTFOLIO
CURRENT VS. PROPOSED PORTFOLIO ANALYSIS
CALENDAR YEAR PERFORMANCE
2001 - 2010



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
AACRAO Unified Portfolio+	9.02	3.29	16.70	9.61	9.85	13.68	12.32	-21.23	20.80	10.37
AACRAO Unified Proposed 1+	8.53	3.36	19.92	11.39	8.52	12.52	11.75	-14.62	16.93	10.94
AACRAO Unified Proposed 2+	7.79	2.50	23.83	13.62	10.21	13.97	13.00	-17.71	19.59	12.32

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

AACRAO UNIFIED PORTFOLIO
DOWNSIDE CAPTURE RATIO VS. THE CURRENT PORTFOLIO BLENDED BENCHMARK
PERIODS ENDING JUNE 30, 2011



	3 Years	5 Years	7 Years	10 Years
AACRAO Unified Portfolio+	118.68	116.88	112.67	98.14

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

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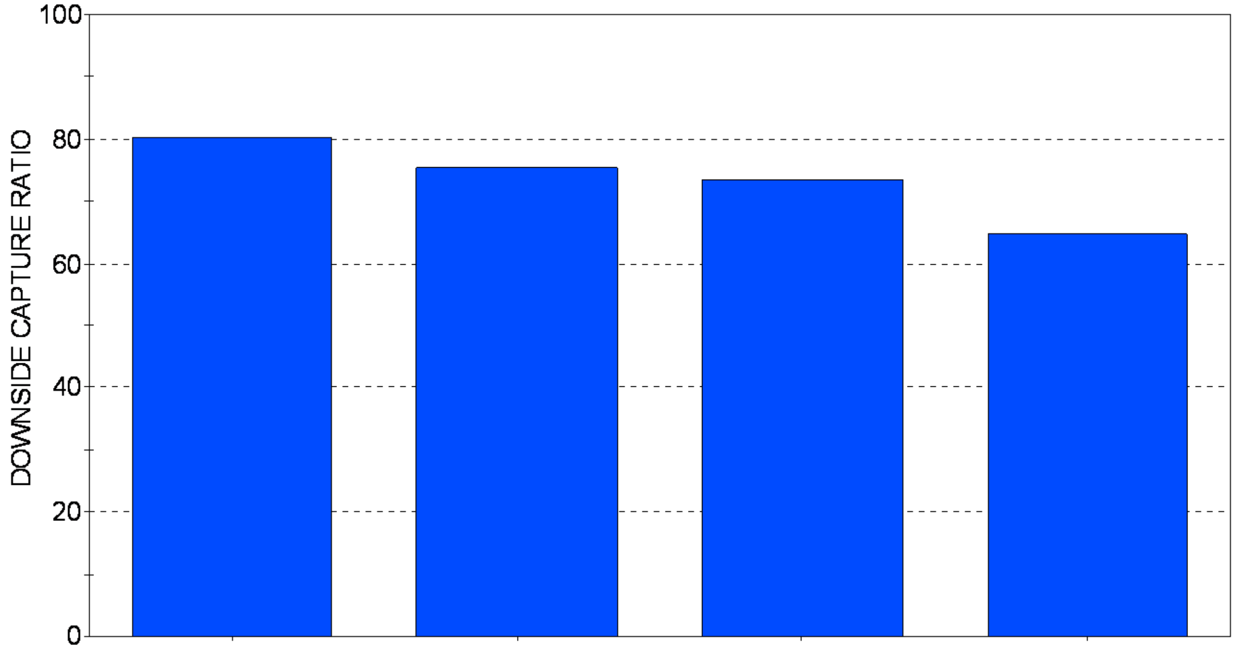
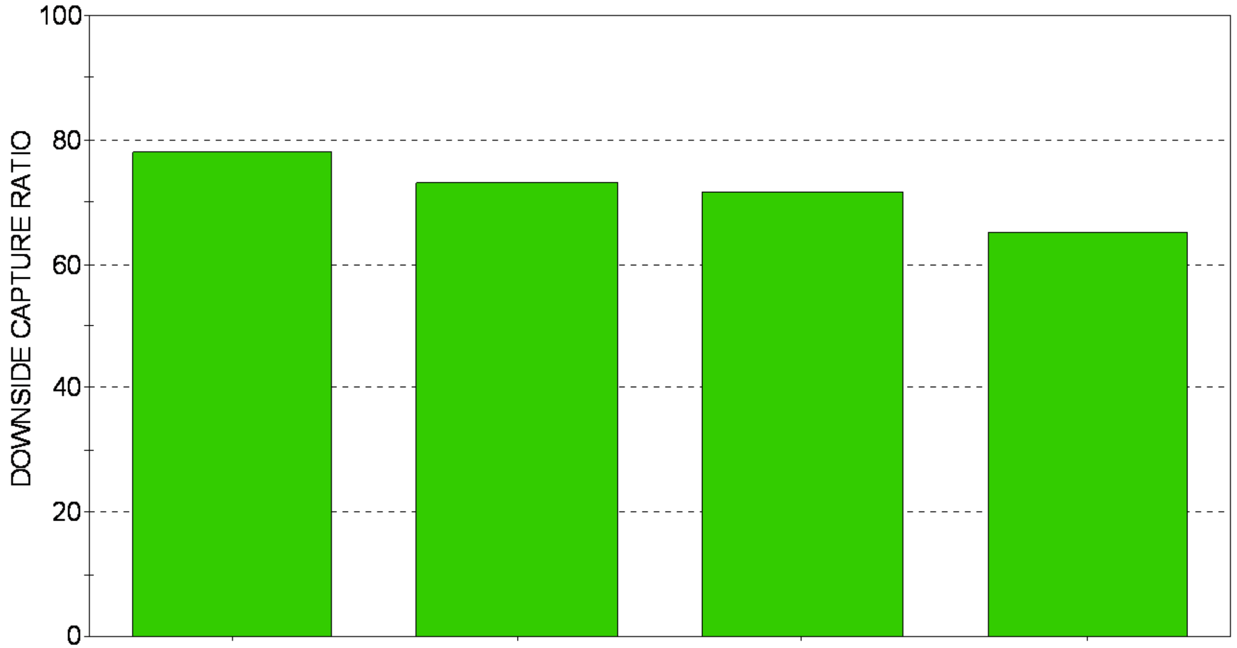
AACRAO UNIFIED PORTFOLIO
DOWNSIDE CAPTURE RATIO VS. THE PROPOSED PORTFOLIO 1 BLENDED BENCHMARK
PERIODS ENDING JUNE 30, 2011



	3 Years	5 Years	7 Years	10 Years
AACRAO Unified Proposed 1+	80.26	75.31	73.55	64.82

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

AACRAO UNIFIED PORTFOLIO
DOWNSIDE CAPTURE RATIO VS. THE PROPOSED PORTFOLIO 2 BLENDED BENCHMARK
PERIODS ENDING JUNE 30, 2011



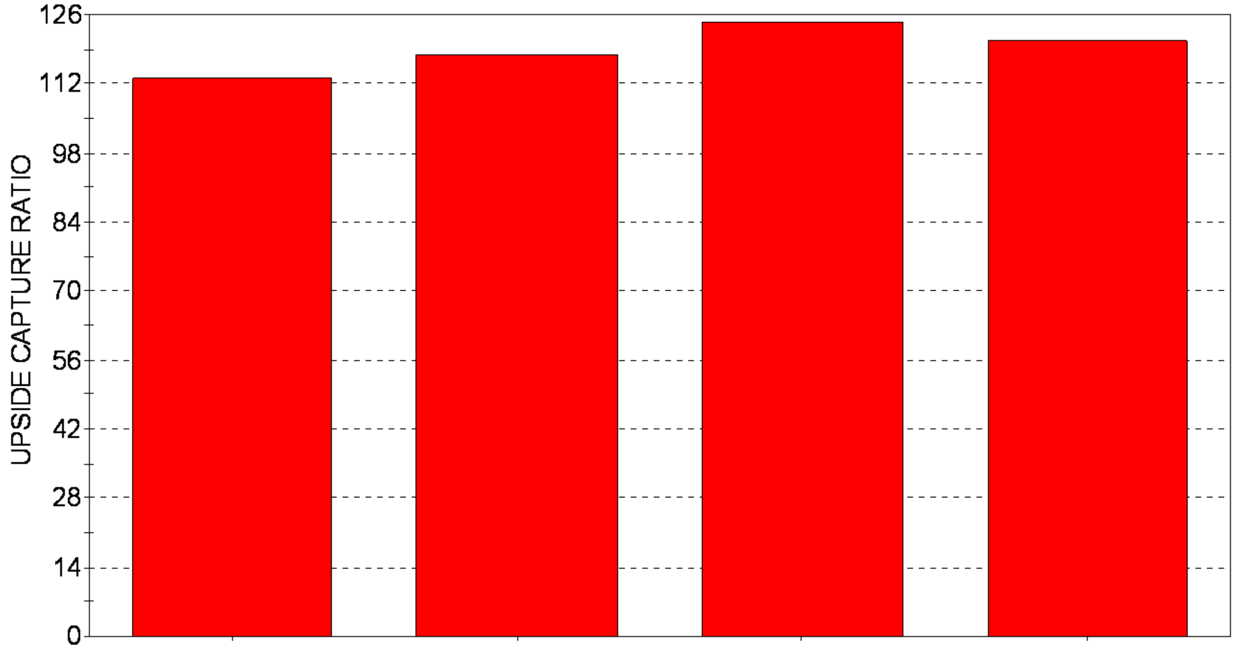
	3 Years	5 Years	7 Years	10 Years
AACRAO Unified Proposed 2+	77.96	73.18	71.74	65.16

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

Past Performance Is No Guarantee of Future Results

PSN

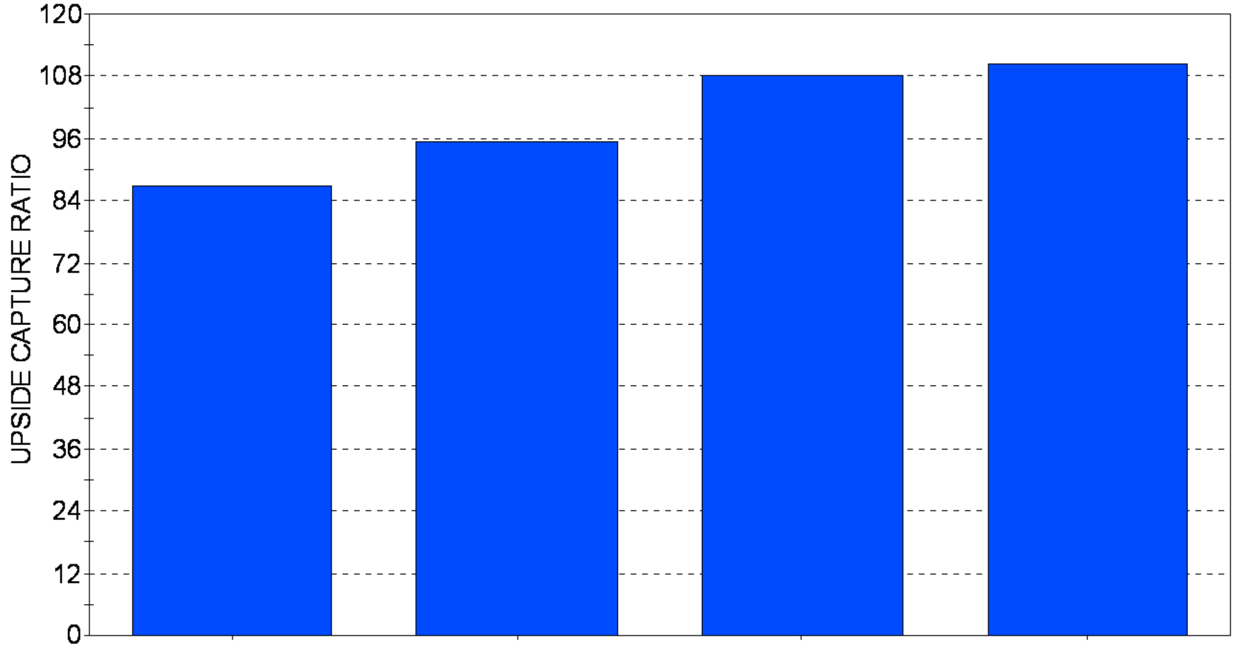
AACRAO UNIFIED PORTFOLIO
UPSIDE CAPTURE RATIO VS. THE CURRENT PORTFOLIO BLENDED BENCHMARK
PERIODS ENDING JUNE 30, 2011



	3 Years	5 Years	7 Years	10 Years
AACRAO Unified Portfolio+	113.21	118.00	124.72	120.68

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

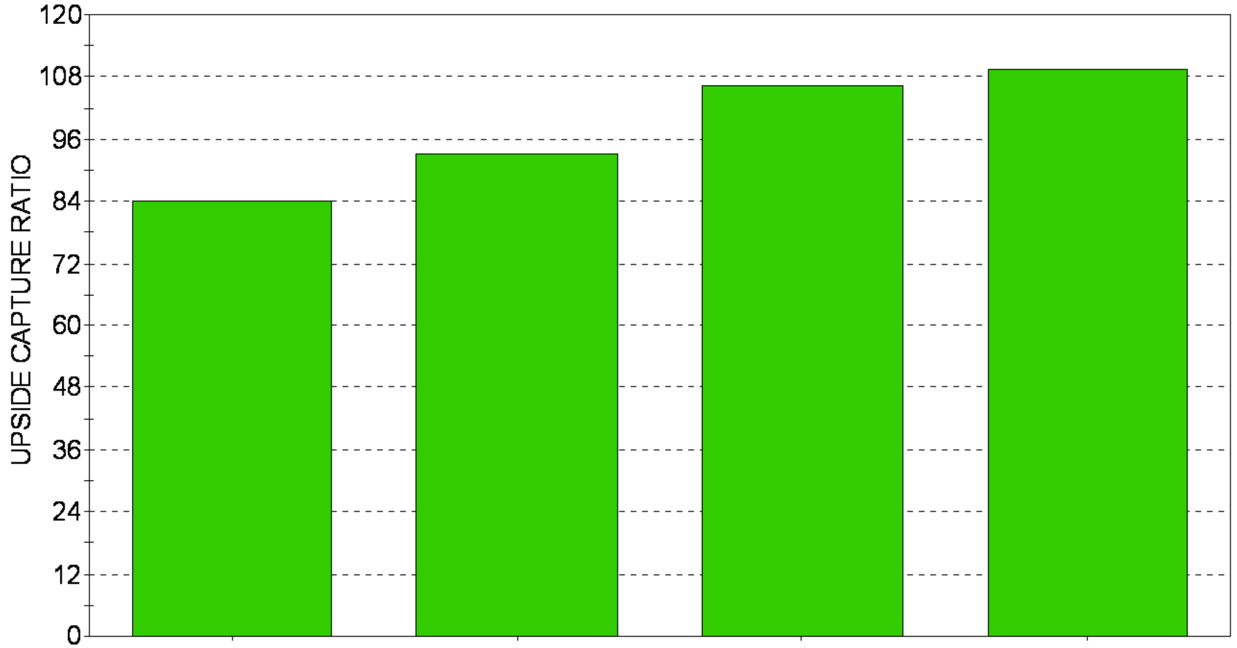
AACRAO UNIFIED PORTFOLIO
UPSIDE CAPTURE RATIO VS. THE PROPOSED PORTFOLIO 1 BLENDED BENCHMARK
PERIODS ENDING JUNE 30, 2011



	3 Years	5 Years	7 Years	10 Years
AACRAO Unified Proposed 1+	86.59	95.51	108.07	110.67

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

AACRAO UNIFIED PORTFOLIO
UPSIDE CAPTURE RATIO VS. THE PROPOSED PORTFOLIO 2 BLENDED BENCHMARK
PERIODS ENDING JUNE 30, 2011



	3 Years	5 Years	7 Years	10 Years
AACRAO Unified Proposed 2+	84.03	93.08	106.45	109.53

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

Past Performance Is No Guarantee of Future Results

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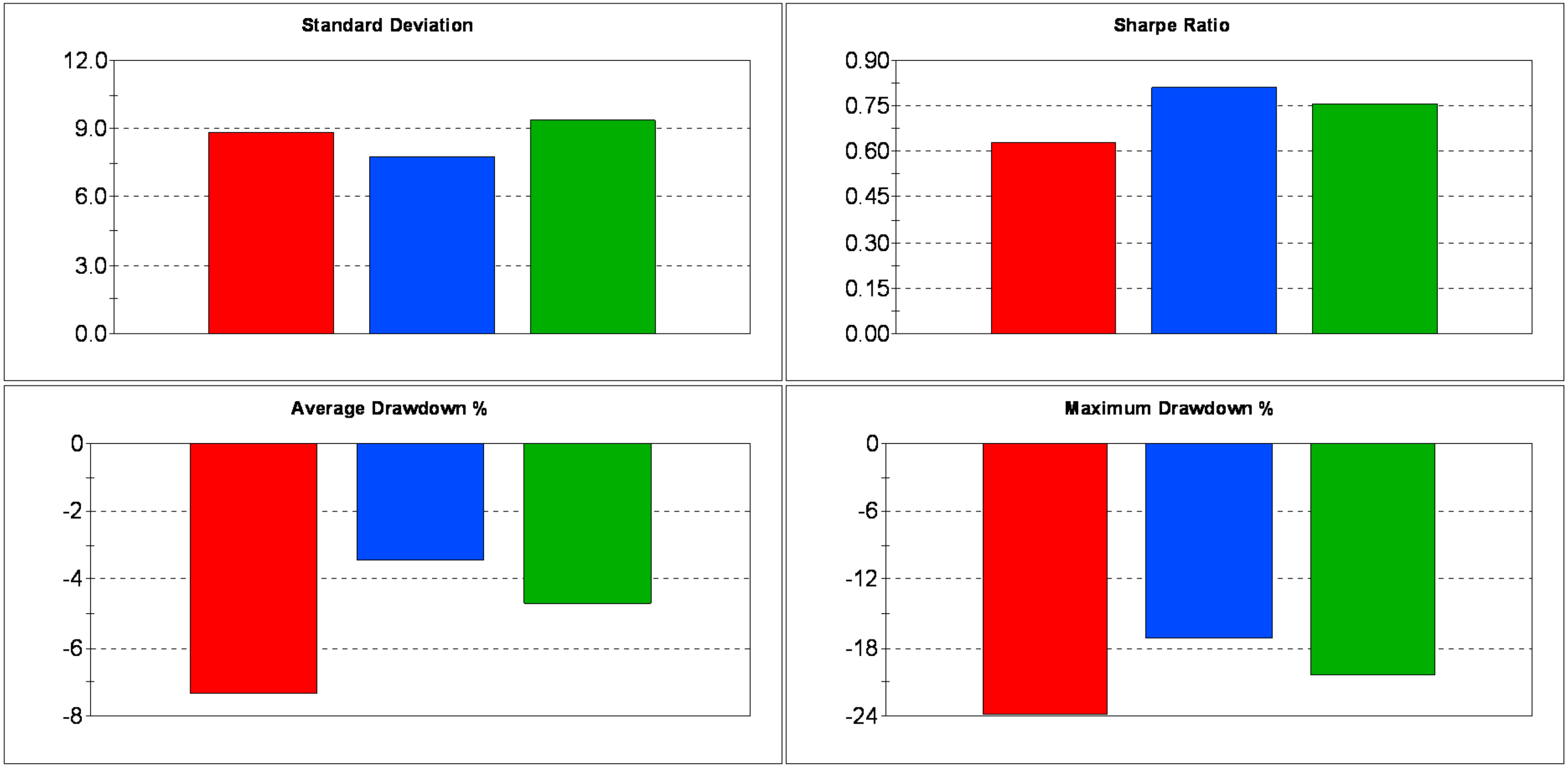
AACRAO UNIFIED PORTFOLIO
CURRENT VS. PROPOSED PORTFOLIO ANALYSIS
RISK ANALYSIS
JUNE 30, 2001 TO JUNE 30, 2011



	Standard Deviation	Sharpe Ratio	Average Drawdown %	Maximum Drawdown %
AACRAO Unified Portfolio++	8.80	0.63	-7.32	-23.74
AACRAO Unified Proposed 1++	7.74	0.81	-3.42	-17.08
AACRAO Unified Proposed 2++	9.38	0.76	-4.69	-20.46

RISK BENCHMARK USED FOR THIS ANALYSIS: STANDARD & POOR'S 500
+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

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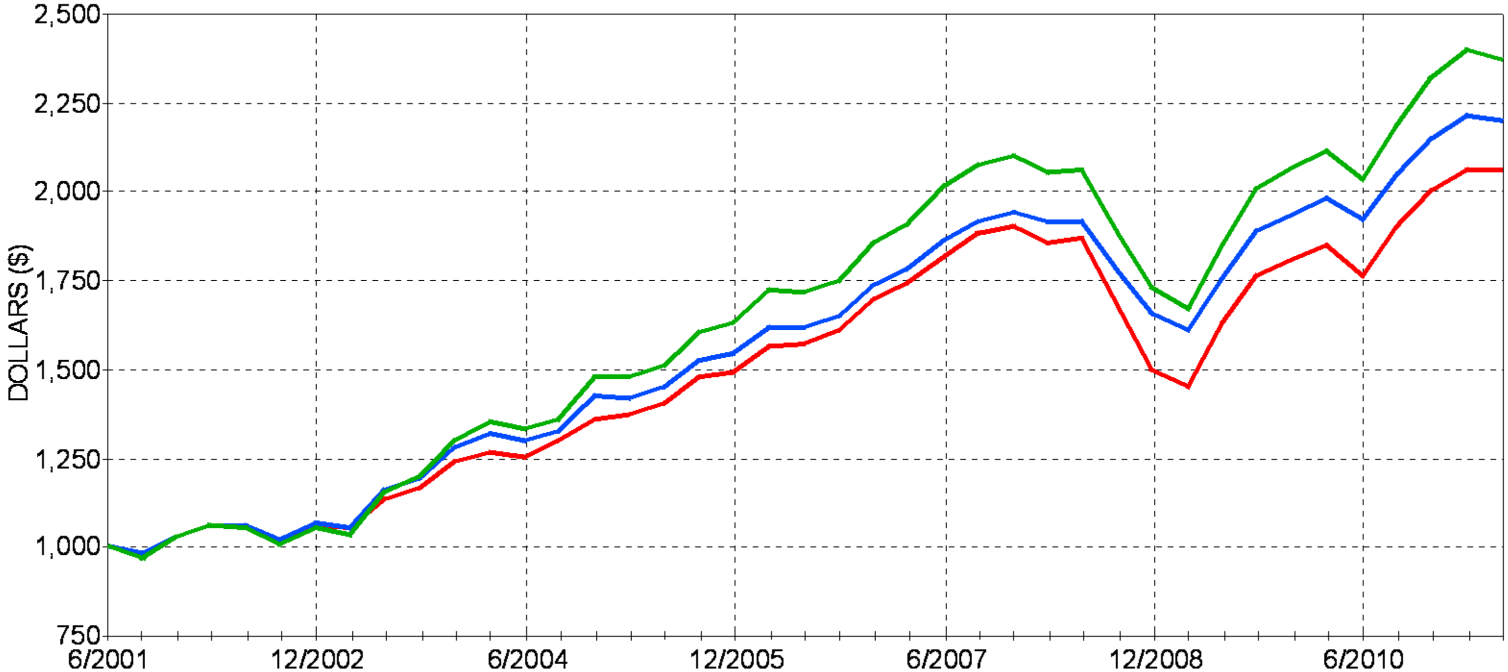
AACRAO UNIFIED PORTFOLIO
CURRENT VS. PROPOSED PORTFOLIO ANALYSIS
GROWTH OF AN INVESTMENT
JUNE 30, 2001 TO JUNE 30, 2011



	1 Year	3 Years	5 Years	7 Years	10 Years
AACRAO Unified Portfolio+	1,166	1,104	1,311	1,640	2,061
AACRAO Unified Proposed 1+	1,147	1,148	1,362	1,693	2,203
AACRAO Unified Proposed 2+	1,168	1,151	1,383	1,785	2,377

+ THIS INVESTMENT OR STRATEGY IS NOT AVAILABLE THROUGH UBS. SEE "IMPORTANT INFORMATION" SECTION FOR ADDITIONAL INFORMATION.

Past Performance Is No Guarantee of Future Results

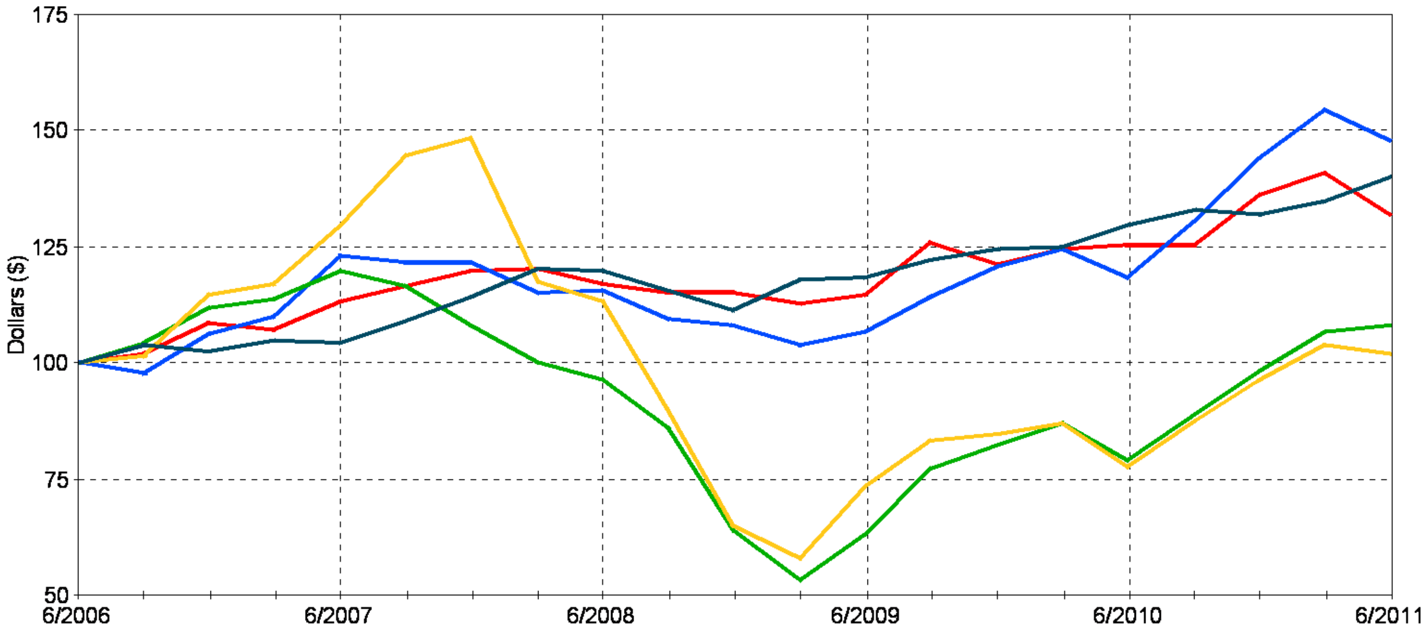
PSN

AACRAO UNIFIED PORTFOLIO

STADION & NORTHCOAST VS. MANAGERS RECOMMENDED FOR TERMINATION

GROWTH OF A $100 INVESTMENT

JUNE 30, 2006 TO JUNE 30, 2011



	Year To Date	1 Year	3 Years	5 Years
Stadion Managed Strategy+	97	105	113	132
NorthCoast All Cap Growth*	103	125	128	148
NFJ All Cap Value+	110	137	112	108
Horizon Core Value*	105	131	90	102
Barclays US Treasury Inflation Notes	106	108	117	140

* Manager Style Or Investment Strategy Reviewed By Ubs Fs. Please Read "important Information" Section. + This Investment Or Strategy Is Not Available Through Ubs. See "important Information" Section For Additional Information.

*Please note that Horizon Core Value has been substituted for Liberty Street Horizon Fund in this illustration due to 5-Year performance being unavailable for Liberty Street Horizon Fund.

Past Performance Is No Guarantee of Future Results

Asset Allocation Analysis:
Glossary of Terms

- **Downside Capture Ratio** – measures the portfolio's performance in down markets relative to the performance of the market (index) itself. The lower the Downside Capture Ratio, the better the portfolio protected capital during a market decline. A value of 90 suggests that a portfolio's losses were only 90% of the market's loss when the market was down.

- **Average Drawdown** - is defined as the average of all the drawdowns experienced over some timeframe. A drawdown is defined the percentage lost from a peak to a valley. Over time, portfolios may experience several peaks and valleys. This statistic is designed to show the average loss during a downturn.

- **Maximum Drawdown** - is the maximum drawdown % over some time frame. A drawdown is defined as the percentage lost from a peak to a valley. Over time, portfolios may experience several peaks and valleys. This statistic is designed to show the maximum loss during a single downturn.

- **Sharpe Ratio** - is a measure of risk-adjusted return. It divides excess return by risk. Excess return is defined as the annualized return of the portfolio minus the annualized return of the risk free rate. Risk is defined by standard deviation. A high value for the Sharpe Ratio is generally considered to be positive since either the excess return is rather large or the level of risk is low.

- **Standard Deviation –** is a measure of the central tendency of a probability distribution. The more a portfolio's return varies from its mean or expected return, the higher the standard deviation. A large dispersion tells us how much the return on the fund is deviating from the expected normal returns. Standard deviation is a statistical measurement that sheds light on historical volatility.

Important Information about this Report

This report includes presentations of managers' performance on a gross fee basis. Since the effects of management fees reduce performance, this report is intended only for one-on-one presentations to institutional and high net worth individuals who understand how the payment of fees, compounded over time, will reduce performance results and have indicated such accreditation in the MEPS questionnaire.

This report is intended as a general guide for your investment plans and is for your use only. This report provides, among other things, a preliminary comparison to various market indexes of the hypothetical investment performance that might have been achieved if the investment managers identified had managed an investor's account in accordance with the asset allocations and investment styles specified. It is not intended to provide and should not be construed as providing tax or legal advice.

The information contained in this report reflects a collaborative process between you and your Financial Advisor. Any recommendations are based upon our understanding of your responses to the profile questions and are current only as of the date printed on the front cover. Unless you make a specific request for an update, this report will not be updated to reflect any changes in any of the accounts covered, your investment objectives, risk tolerances or market conditions.

You should note that UBS Financial Services ("the Firm") has a variety of products and services that provide portfolio review and analysis. The recommendations and types of analyses provided (including recommended asset allocation strategies) may vary depending on the asset allocation model and program used.

This report may cover a number of your existing portfolio , each with potentially different investment objectives and risk parameters. As you instructed, the assets in these accounts have been considered as a whole in developing an overall asset allocation strategy that addresses your specific investment goal.

Investment Manager Performance

Performance results for investment managers that are included in our ACCESS program, which are indicated throughout the report, are based upon the ACCESS manager's time weighted rates of return of fully discretionary ACCESS accounts managed for at least one full calendar quarter. Performance results for non-ACCESS participating investment managers are obtained from Informa Investment Solutions' Plan Sponsor Network (PSN) as reported by each investment manager and do not reflect actual UBS Financial Services account performance. Your returns may vary from these results shown due to timing and other individual account factors. These results are generally net of commissions on securities transactions but do not reflect the deductio n of the investment manager's fee or UBS Financial Services' fee. The payment of these fees and expenses will reduce your return. The net effect of the deduction of fees on annualized performance, including the compounded effect over time, is determined by the relative size of the fee and the account's investment performance. For example, for an account with a 2.8% annual fee deducted quarterly, if the gross performance is 10% on an annual basis, the quarterly compounding effect of the fees will result in a final performance of approximately 7.1% per year, a reduction of 2.9% per year. Compounding will similarly affect the account's performance on a cumulative basis. It should also be noted that where your gross returns are compared to an index, the index performance also does not reflect any transaction costs or management fees.

Some investment managers presented in the strategies may have individual performance track records that are longer than the period shown in the report. Individual investment managers' performance records for longer time periods, if applicable, are available through your Financial Advisor. For complete information regarding these investment managers, their fees and performance, contact your PRIME Consultant and see the manager's Form ADV, Part II.

Important Information Regarding Simulated Performance

The strategy is a new strategy and does not have a track record. The performance information presented is simulated, backtested and was created by applying the same investment perspectiv es and quantitative analysis of valuation, quality and sentiment that are employed in existing strategies managed by the investment manager, though differences exist in portfolio construction. Any improvements that were incorporated into the current investment process and quantitative models were assumed to exist for the entire simulation period. Implementation of the live strategy versus the simulated strategy will be virtually identical with the exception of intramonth trading. The hypothetical performanc e results for the model shown reflect the investment returns that an investor might have achieved by investing in the strategy for the entire period indicated. It assumes that, since inception, no cash was added to or assets withdrawn from the account and that all dividends, gains and other earnings in the account were reinvested. The simulation assumed once a month trading but trading for the live strategy will likely occur more frequently. Returns are simulated for the entire period and assume 1.0% transa ction costs. The testing methodology used both internally and Factset provided data and applications to generate simulated historical portfolios. The results shown do not represent the results of actual trading using client assets, but were achieved by means of the retroactive application of a model that was designed with the benefit of hindsight. The simulated performance was compiled after the end of the period depicted and does not represent the actual investment decisions of the advisor. These results do not reflect the effect of material economic and market factors on decision-making. As a result, there is no reason to believe that your portfolio will perform in a similar manner or that the investment manager would have made the same investment recommendations or achieved the same level of performance if it had been managing the strategy for the entire period for actual clients and charging fees for the advice, with the knowledge that clients would rely on the advice and in light of then-current market conditions. The strategy did not exist during the period presented. In addition, if investors had actually invested based on the strategy, their results would have differed from those shown because of differences in the timing and amounts of their investments. Past performance is never an indicator of future results.

Index Information

An actual investment in the securities included in the index would require an investor to incur transaction costs, which would lower the performance results. Please keep in mind that index information is for illustrative purposes and relates to historical performance of market indexes and not the performance of actual strategies or managers presented. The past performance of the indexes is not a guarantee of future results because each index reflects an unmanaged universe of securities and does not include any deduction for advisory fees or other expenses that would reduce actual returns. The performance shown should not be considered indicative of the performance of an act ively managed portfolio for the same time period. Most managers are not restricted to investment in the same securities or security weightings as the corresponding indexes, so performance will vary. Finally, the performance of the indexes reflects the rein vestment of all income and dividends. A description of each index can be found in the Definitions section at the end of this report.

Recommended Strategies

The Manager Recommendations included in this Report are limited to those managers and strategies in our ACCESS, MAC Researched, and PRIME Reviewed programs. While the due diligence process encompasses managers in each program, the frequency and depth of our due diligence reviews varies depending on which program the manager participates in. The level of due diligence encompasses a quantitative review of composite and actual performance data and portfolio analytics (including responses to a detailed questionnaire) and may also include on-site visits by one or more of our Investment Manager Research Analysts to each manager. For ACCESS managers, on-site visits occur on average at least once every 12 months. On-site visits to MAC Researched managers occur on average at least every 2 years. PRIME Reviewed managers are subject to in-depth review on average at least every 2 years, but no on-site visits are conducted. The evaluation criteria covered in on-site visits are the same for managers in both programs. In addition, for ACCESS managers, a detailed review of portfolio performance and attribution is performed on a quarterly basis to ensure that portfolios continue to be invested consistent with the manager's stated investment style. Portfolio attribution analysis is performed prior to on-site visits and may be done during periods of poor relative performance, but is not systematically performed on a quarterly basis. The strategies presented are hypothetical portfolios, and have not been tracked by UBS Financial Services. They were created as of the date of this report with the benefit of hindsight. The past performance of each recommended investment manager was known to UBS Financial Services when it developed the strategies and was a key factor in the Firm's decision to include each investment manager in a recommended strategy. There is no reason to believe that UBS Financial Services would have been able to develop this same strategy without knowing in advance how the recommended investment managers and the markets would perform, and these results are not an indicator that UBS Financial Services will be able to do so in the future.

The past performance results for the recommended strategy are hypothetical. They reflect the theoretical investment returns that an investor might have achieved by investing the amount and on the dates indicated on the investment profile section of this report, and by following the recommendation for initially allocating, and then reallocating from time to time, the account's assets among the different recommended investment managers. It assumes that, after establishing the account, the investor would not have added any cash to or withdrawn assets from the account and that all dividends, gains and other earnings in the account would have been reinvested in accordance with the Firm's recommendations. The recommended strategy in this format may not have existed as of the dates for which performance is shown. In addition, some of the investment managers recommended may not have been part of any UBS Financial Services sponsored program at that time. Actual assets of actual clients may not have been invested in accordance with these strategies during the time periods shown.

Past performance can never guarantee future results.

Assets Held at Other Financial Institutions

At your direction, we may also have considered assets that you hold at other financial institutions. Information about these assets is based solely on the information you have provided to us. We have not verified, and are not responsible for, the accuracy or completeness of this information.

You have provided the names of investment managers managing your assets at other financial institutions. This report provides performance information derived from a third party database, which is believed to be reliable, but which UBS Financial Services has not verified. The managers listed are in comparative portfolios and are for illustrative purposes. You may not have received the performance returns presented here because they are gross of any management fees and other charges that have been assessed to your account. Therefore, any evaluation or analysis provided in this report regarding separate account managers, which includes assets

Please note that any discrepancies between the information you provided and the actual value of those assets at the time you choose to implement the strategy may also affect the outcome of the asset allocation strategy we discuss with you. As such, the results may differ from any illustrations shown on this report.

Taxes Implementing any strategy presented, including changing any strategy may result in incurring gains or losses for income tax purposes. UBS Financial Services does not provide tax advice. We recommend that you evaluate this report with your legal and/or tax advisor before taking any action because of the significance and complexity of tax considerations.

Periodic Reviews Since this report is based on information provided as of the date indicated on the cover, assumptions and estimates may change. For this reason, with your Financial Advisor, you should periodically revisit your current fin ancial situation, your current strategy, and the assumptions it contains.

Definitions

General Definitions

Alpha – A measure of the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates the fund's underperformance, given the expectations established by the fund's beta. All MPT statistics (alpha, beta, and R-squared) are based on a least-squared regression of the fund's return over Treasury bills.

Beta – A measure of a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. Morningstar calculates beta by comparing a fund's excess return over T-bills to the market's excess return over T-bills, so a beta of 1.10 shows that the fund has performed 10% better than its benchmark index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the fund's excess return is expected to perform 15% worse than the market's excess return during up markets and 15% better during down markets.

Blend – A Blend is several managers allocated to percentages of a whole. The performance of the managers is weighted to create the blended performance.

Downside Risk – Downside Risk, or Semi-variance is the standard deviation (see Standard Deviation) of the portfolio's negative returns. Many consultants find the statistic extremely useful since it measures volatility in undesirable situations. The higher the value, the greater the historical Downside Risk.

Down Market Capture Ratio – A measure of managers' performance in down markets relative to the market itself. A down market is one in which the market's quarterly return is less than zero. The lower the manager's down-market capture ratio, the better the manager protected capital during a market decline. A value of 90 suggests that a manager's losses were 90% of the market loss when the market was down.

Information Ratio – The ratio of annualized expected residual return to residual risk. To calculate the IR the active return and tracking error must be annualized.

R-Squared – Reflects the percentage of a strategy's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, portfolios invested in S&P 500 stocks will typically have an R-squared close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that movements in the benchmark index can explain only 35% of the portfolio's movements.

Sharpe-Ratio – A risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance is. The Sharpe Ratio is calculated for the past 36-month period by dividing a portfolio's annualized excess returns by its annualized standard deviation. Since this ratio uses standard deviation as its risk measure, it is most appropriately applied when analyzing a portfolio that is an investor's sole holding. The Sharpe Ratio can be used to compare two portfolios directly on how much risk a fund has to bear to earn excess return over the risk-free rate.

Standard Deviation – A measure of risk. A statistical measurement of dispersion about an average, which, for a portfolio, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given portfolio. When a portfolio has a high standard deviation, the predicted range of performance is wide, implying greater risk and volatility.

Tracking Error – Measures the divergence between the price behavior of a portfolio to the price behavior of a benchmark.

Up Market Capture Ratio – Up-market capture ratio is a measure of managers' performance in up markets relative to the market itself. An up market is one in which the market's quarterly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager capitalized on a rising market. For example, a value of 110 suggests that the manager captured 110% of the up market (performed ten percent better than the market) when the market was up.

Index Definitions

First Boston Convertible Securities (FBCB) This is a performance benchmark for convertible accounts. This index generally includes 250 to 300 issues. To be included, convertible bonds and preferreds must be rated B- or better by Standard & Poor's (quality-related adjustments are made at the end of each calendar year), convertibles must have a minimum issue size of $50 million (new issues are added in the month following their issuance), and preferreds must have a minimum of 500,000 shares outstanding. Eurobonds are also included if they are issued by US-domiciled companies, rated B- or higher by Standard & Poor's, and have an issue size greater than $100 million.

Lehman Brothers Aggregate Bond Index (LBAG) Composed of securities from Lehman Brothers government/corporate bond index, mortgage-backed securities index, and the asset-backed securities index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.

Lehman Brothers Corporate Int (LBIC) A subset of the Lehman Brothers Corporate Bond Index covering all corporate, publicly issued, fixed-rate, nonconvertible US debt issues rated at least Baa with at least $50 million principal outstanding and maturity less than 10 years.

Lehman Brothers Corporate Long Term (LBLTC) A subset of the Lehman Brothers Corporate Bond Index covering all corporate, publicly issued, fixed-rate, nonconvertible US debt issues rated at least Baa with at least $50 million principal outstanding and maturity greater than 10 years.

Lehman Brothers Government Corporate Bond Index (LBGC) Composed of all bonds that are investment grade (rated Baa or higher by Moody's or BBB or highest by S&P, if unrated by Moody's). Issues must have at least one year to maturity. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.

Lehman Brothers Government/Corporate Int (LBIGC) Composed of all bonds covered by the Lehman Brothers Government/Corporate Bond Index with maturities between one and 9.99 years. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.

Lehman Brothers Government/Corporate Long Term (LBLTGC) Composed of all bonds covered by the Lehman Brothers Government/Corporate Bond Index with maturities of 10 years or greater. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.

Lehman Brothers Mortgage Backed (LBMBS) Composed of all fixed-rate, securitized mortgage pools by GNMA, FNMA, and FHLMC, including GNMA graduated payment mortgages. The minimum principal amount required for inclusion is $50 million. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.

Lehman Brothers Municipal Bond (LBM) Computed twice monthly from prices on approximately 1,100 bonds. Prices are supplied by Kenny Information Systems, Inc. The index is composed of approximately 60% revenue bonds and 40% state government obligations.

Lehman Brothers Municipal 5 Year (LBMB) A subset of the Lehman Brothers Municipal Bond Index where the average maturity of the bonds are five years.

MSCI (EAFE) An arithmetic, market value-weighted average of the performance of over 900 securities listed on the stock exchanges of the following countries in Europe, Australia and the Far East: Australia, Hong Kong, Norway, Austria, Ireland, Singapore, Belgium, Italy, Spain, Denmark, Japan, Sweden, Finland, Malaysia, Switzerland, France, Netherlands, United Kingdom, Germany, New Zealand.

MSCI Emerging Markets (EMF) The MSCI Emerging Markets (EMF) is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of April 2002 the MSCI EMF Index consisted of the following 26 emerging market country indexes: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela.

MSCI World S/B Net (MSCIW) The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of April 2002 the MSCI World Index consisted of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

S&P 500 (SWPI) Covers 500 industrial, utility, transportation, and financial companies of the US markets (mostly NYSE issues). The index represents about 75% of NYSE market capitalization and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total return basis with dividends reinvested.

Russell 1000 (R1000) Consists of the 1,000 largest securities in the Russell 3000 index. This large cap (market-oriented) index represents the universe of stocks from which most active money managers typically select. The Russell 1000 is highly correlated with the S&P 500 index.

Russell 1000 Growth (R1000G) Contains those Russell 1000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the value universe.

Russell 1000 Value (R1000V) Contains those Russell 1000 securities with a less-than-average growth orientation. It represents the universe of stocks from which value managers typically select. Securities in this index tend to exhibit low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the growth universe.

Russell 2000 (R2000) Consists of the smallest 2,000 securities in the Russell 3000 index, representing approximately 11% of the Russell 3000 total market capitalization. This index is widely regarded in the industry as the premier measure of small cap stocks.

Russell 2000 Growth (R2000G) Contains those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the value universe.

Russell 2000 Value (R2000V) Contains those Russell 2000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the growth universe.

Russell 2500 (R2500) Consists of the bottom 500 securities in the Russell 1000 index and all 2,000 securities in the Russell 2000 index, representing approximately 23% of the Russell 3000 total market capitalization. This index is a good measure of small to medium-small stock performance.

Russell 2500 Growth (R2500G) Measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2500 Value (R2500V) Measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000 (R3000) Measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98% of the investable US equity market.

Russell 3000 Growth (R3000G) Measures the performance of those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000® Growth or the Russell 2000® Growth indexes.

Russell 3000 Value (R3000V) Measures the performance of those Russell 3000® Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000® Value or the Russell 2000® Value indexes.

Russell Midcap (RMID) Consists of the smallest 800 securities in the Russell 1000 index, as ranked by total market capitalization. This index accurately captures the medium-sized universe of securities and represents approximately 35% of the Russell 1000 total market capitalization.

Russell Midcap Growth (RMIDG) Contains those Russell Midcap securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the value universe. The stocks are also members of the Russell 1000 Growth Index.

Russell Midcap Value (RMIDV) Contains those Russell Midcap securities with a less-than-average growth orientation. Securities in this index tend to exhibit low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the growth universe. The stocks are also members of the Russell 1000 Value Index.

Salomon Brothers World Government Bond (SWGB) A market capitalization-weighted index consisting of government bond markets of the following countries: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, United Kingdom, United States.

U.S. Treasury Bill (USTB): Represents 90-day return for Treasury Bills issued by the United States government.

Wilshire RE Securities Index (WRESI) A broad measure of the performance of publicly traded real estate securities, such as Real Estate Investment Trusts (REITs) and Real Estate Operating Companies (REOCs). The index is capitalization-weighted. The beginning date, January 1, 1978, was selected because it coincides with the Russell/NCREIF Property Index start date. The Index is rebalanced monthly, and returns are calculated on a buy and hold basis.