

**Audubon Area Community Services, Inc.**  
**Investment/Oversight Committee**  
**MINUTES**

December 4, 2008

The Investment/Oversight Committee for the AACS, Inc. met at 9:00 a.m. in the agency's Board Room in Owensboro.

**Members Present:**

Ms. Daisy James  
Mr. Ronald Logsdon

Rev. Jerry Manning \*  
Mr. Byron Mayes \*

Hon. Larry Whitaker \*\*

\* Ex-officio Member

\*\* Entered the meeting late

**Other Person(s) Present:**

Mr. Steve Pierce, Investment Broker, BB&T

Ms. Randy Spaw, Corporate Representative, BB&T

The Committee convened for business at 9:00 a.m. to review its stock portfolio and to discuss its current state, short-range and long-term management, diversification, garnering needed resources for imminent needs from the portfolio for the current Board commitments and building projects and maximizing the resources for future long-term gain and agency benefit.

**COMMITTEE BUSINESS**

The meeting began with the executive director noting the introduction of a current article from *The Atlantic* magazine: "*The magnitude of the current bust seems almost unfathomable—and it was unfathomable, to even the most sophisticated financial professionals, until the moment the bubble popped. How could this happen? And what's to stop it from happening again? A former Wall Street insider explains how the financial industry got it so badly wrong, why it always will—and why all of us are to blame.*" So said Wall Street writer/guru Henry Blodget.

**The AACS Portfolio.** Mr. Pierce presented background on the genesis of the WellPoint stock. He recounted the 2002 "demutualization" of the previously non-profit health insurer, Anthem, to a for-profit publicly traded company. AACS, Inc. ultimately received 20, 129 shared of Anthem stock, which was at the time valued at approximately \$1.49 million. The stock later had a 2-for-1 spit, giving the agency 40,258 shares. Anthem later purchased WellPoint, a California-based health insurer and began listing its combined shares on the New York Stock Exchange under the WellPoint name and symbol (WLP).

The stock's per-share value grew steadily through December 2009. Its current value of \$36 per share roughly equals its value when AACS originally received it, noted Mr. Pierce. So it really hasn't lost its original value in the current bear market, it's lost its accumulated value after AACS received the shares. AACS is actually in about the same position it started with in 2002, he said.

Mr. Pierce said that he manages a \$75 million portfolio that has, overall, seen a 40% decline in value in recent months. He said that the now stagnant market only needed a "little catalyst" to get it moving again. He advised that the WellPoint stock would come back. "It's probably close to its bottom," he said. Like the overall market, it's been affected by 18-month-long market concerns driven by the sub-prime mortgage issues. Right now, WellPoint is at the low end of its 52-week trading range. Its price-to-earning ratio is very good, so it should be expected to rise in value over the next months.

Mr. Logsdon also provided the committee printouts on the stock's steady accumulation into early 2008 and additional information on the stock's recent history of declines. The stock later had a 2-for-1 split, giving the agency 40,258 shares. The stock's per-share value grew steadily, reaching its peak value of \$90 per share on January 8, 2008 — and a portfolio value of \$3,623,220.

**AACS' Imminent Cash Needs.** Mr. Logsdon advised that AACS' predicament was that when the portfolio was valued at more than \$3.5 million the Board had committed \$500,000 toward the construction of the GRITS parking garage being built at 222 St. Elizabeth Street behind BB&T's main office. Now that the portfolio's value is less than \$1.5 million fulfilling that pledge comes at the worst possible time. In addition, AACS' plans for meeting its lease obligations on the 1700 West Fifth Street office building were predicated on the availability of a \$3.5 million or higher stock portfolio. Now with the \$2 million diminishment of its stock portfolio, AACS direly needs the best possible advice how to stretch out the portfolio so as to, hopefully, allow it time and favorable management for it to grow back.

**BB&T Portfolio Assistance.** Mr. Pierce stated that the important thing now was to give the agency's portfolio time for "incentives" to work. He said that he and Mr. Spaw would strategize on ideas that AACS might consider and they would bring those ideas back to another meeting of the Committee, perhaps in a couple weeks. In fact, suggested Mr. Pierce, it would be really good and useful for the Committee and the BB&T representatives to meet monthly over the next few crucial months.

Both BB&T representatives noted that their bank also had an "asset manager," Mr. Rick Wilson. Mr. Wilson could perhaps be brought in to advise AACS on diversification of its portfolio, what to buy and what to sell. He manages a number of client portfolios, said Mr. Spaw.

**AACS Current Obligations and Near-Future Portfolio Transactions.** Mr. Spaw said that it was important for him to get a good sense of AACS' pending cash requirements for both the parking garage and the office building. He said that he and Mr. Pierce needed a good understanding of those needs and the "gap" that AACS was expecting the investment portfolio resources to fill. He noted that he and BB&T's Treasury Management Consultant, Tina Spadie, had a meeting scheduled with the AACS CFO on December 11<sup>th</sup>. That would be a good time to pin down those requirements and give him and Mr. Pierce time to plot some strategies to perhaps help AACS bolster its investment portfolio prospects. He suggested that that would also be a good time for them to be in touch with Mr. Stan Kramer and US Bank in Louisville concerning the Daviess County Public Improvement Corporation bond issue (for the 1700 West Fifth Street building) and get a better handle on the long-term lease obligations there.

**Next Committee Meeting.** The Committee and the BB&T representatives agreed to meet again at 10:00 a.m., Friday, December 19, 2008. At that time, Mr. Pierce and Mr. Spaw will bring their research and recommendations to the Committee. Their recommendation will suggest "conservative risks" appropriate to current market prospects and incentive and equity considerations AACS may wish to take.

## ***ADJOURNMENT***

There being no further business, the Investment/Oversight Committee meeting adjourned at 10:00 a.m.

Rev. Jerry Manning  
Acting Committee Chair