ADDENDUM TO THE AGENDA

UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

May 6, 2000

SECTION II –FINANCIAL MATTERS

M. APPROVAL OF VOLUNTARY EMPLOYEES' BENEFIT ASSOCIATION (VEBA) TRUST INVESTMENT POLICY

The Finance Committee will review the VEBA Trust Investment Policy in its meeting on May 6, 2000.

Based on the recommendation of the Committee, approval of the University of Southern Indiana VEBA Trust Investment Policy in Exhibit II-F is recommended.

UNIVERSITY OF SOUTHERN INDIANA
VEBA TRUST INVESTMENT POLICY

INVESTMENT POLICY - GENERAL

The purpose of the investment policy is to define the attitudes, philosophy, and goals of the Finance Committee of the University of Southern Indiana Board of Trustees for investing the VEBA (Voluntary Employees' Benefit Association) Trust Fund. In addition, the policy defines the investment guidelines that will be provided to the investment managers. These guidelines address the structure necessary to achieve a diversified portfolio, including asset classes, allocation targets, and management styles. This portfolio should be capable of achieving significant long-term returns while maintaining acceptable levels of risk. The policy will further define measurable industry standards that will be used to monitor and evaluate the performance attained by the investment managers. While this policy defines the current guidelines for managing the fund investments, it is intended that it will be reviewed regularly and modified to meet the evolving financial environment.

INVESTMENT PHILOSOPHY

The VEBA Trust Fund was established with the intent of providing a revenue stream that will be utilized to partially fund future costs of the University's retiree benefit plans. It is anticipated that the fund assets will be allowed to grow through additional investments, reinvestment of current income from the asset base, and capital appreciation of the asset base. It is further anticipated that there will be no need to take distributions from this fund for a period of at least ten years after July 1, 2000. Therefore, the investment philosophy for this fund will be based upon investment decisions that will maximize the long-term growth and appreciation of the fund.

Investment decisions for this fund will be based upon the continuing belief in a free enterprise society supported by publicly owned businesses; therefore, the fund's assets should be invested in high quality equity and debt securities of these businesses. It is also recognized that in any economy or over any appreciable time period there will probably be an inflationary loss of purchasing power of the fund's assets. Historically, over extended periods of time, equity investments generally have grown through dividends and appreciation at a faster pace than inflation, and it is expected that such a trend will continue. Consequently, over the long run, equity investments generally provide the best hedge against inflation and a deterioration of the asset base.

The investment objectives of the fund call for a disciplined and consistent management philosophy that accommodates the occurrence of those events that might be considered reasonable and probable. They do not call for a philosophy that represents extreme positions or opportunistic styles of investing.

The investment portfolio shall be diversified as to both fixed income and equity holdings. The purpose of diversification is to provide reasonable assurance that no single investment or class of investments will have a disproportionate or significant impact on the total portfolio. The purpose of fixed income investments is to provide a highly predictable and dependable source of income, to reduce the volatility of the total portfolio market value, and, when appropriate, to provide a source of funds for other investments. The purpose of equity investments is to provide current income, growth of income, and appreciation of principal with the recognition that this requires the assumption of greater market volatility and risk of loss.

The fund will not be directly or internally managed by the Board of Trustees, the Finance Committee, or University officials. One or more investment advisors will be retained by the fund to manage the assets to (1) provide greater diversification of investment judgment, investment opportunity, and risk exposure; and (2) create a positive influence on performance through independent monitoring of each advisor.

Investment advisors shall be selected from strongly established and financially sound organizations that have a proven and demonstrable record in managing funds with characteristics similar to those of this fund. Selection will depend upon factors established by the Finance Committee from time to time. These factors will include the competitive structure of the investment advisor's custodial and management fee schedules.

FUND INVESTMENT OBJECTIVES

The long-term investment objectives of the VEBA Trust Fund are:

(1) To exceed the general rate of inflation;

(2) To establish a diversified investment portfolio between fixed and equity securities;

(3) To establish further diversification among various asset classes within the fixed and equity pools; and

(4) To maximize total return utilizing prudent levels of risk.

ASSET ALLOCATION MIX

Historical performance results and future expectations suggest that equities will provide higher total investment returns than fixed-income securities over a long-term investment horizon. Investments in equities also carry with them increased exposure to market volatility and risk of loss of principal. Based upon the time horizon for future distributions of the VEBA Trust Fund, the investment goals of the fund, and prudent risk tolerances, the following asset allocation guidelines are deemed appropriate for the investment of fund assets.

ALLOCATION

Investment Type	Target	Range
Equities	70%	65% - 75%
Fixed Income	30%	25% - 35%

Investments should not exceed the minimum and/or maximum levels for more than 30 days without the written authorization of the Finance Committee. The investment advisor has discretion to move within the ranges as an expression of the advisor's confidence or concern for the securities markets.

ASSET CLASS DIVERSIFICATION

Within the equity portion of the portfolio, the fund seeks to further diversify among different asset classes. These asset classes and their target allocations are presented below.

Asset Class/Style	Target
Equities	
Large Capitalization Domestic	42%
International	18%
Small Capitalization Domestic	10%
Total Equities	70%

These target allocations are intended to be general guidelines. Movement among the various asset classes from time to time will be considered normal. The asset class target mix percentages are long-term in nature. The Finance Committee does not believe that short-term market timing will add value to the portfolio over the long run.

INVESTMENT RESTRICTIONS

The investment advisor is specifically prohibited from investing trust assets in the following securities and transactions:

(1) Short sales or purchases on margin
(2) Purchase of options
(3) Direct investments in commodities or real estate
(4) Letter stock or other unregistered securities
(5) Private placements
(6) Bonds rated less than "A"
(7) Foreign debt issues
(8) Derivatives for speculative purposes
(9) Other investments which would appear to violate the fiduciary responsibility of the fund

USE OF MUTUAL FUNDS

During the early growth period of the fund, the investment advisor may find it necessary to utilize mutual funds to meet the desired diversification necessary to reduce risk in one or more of the equity classes. When using mutual funds, the investment advisor should select funds with a proven track record for performance in its investment style. Each fund chosen is expected to adhere to the investment constraints and style as outlined in the fund prospectus. In choosing a fund, the investment advisor should be alert to any recent changes in the fund manager and evaluate how these changes may affect the future performance of the fund.

PERFORMANCE OBJECTIVES

The Finance Committee will periodically review the performance of the investment advisors based upon the performance objections detailed below. It is generally expected that the performance objectives will be achieved over the period of three to five years.

Large Capitalization Domestic
The annualized total return of the large capitalization domestic portfolio should exceed the Standard & Poor's 500 Stock Index. Mutual funds in this category should exceed the median of the universe of funds utilizing a similar style, net of any fees.

International
The portfolio's total return should exceed the annualized return of the Morgan Stanley Capital International Europe, Australia, Far East (EAFE) Index by 1.0 percent, net of fees. Mutual funds in this class should rank in the upper half of the universe of international mutual funds, net of fees.

Small Capitalization Domestic
The performance target for these assets should equal or exceed the total return generated by the Russell 2000 Index, net of fees. Mutual funds in this category should rank in the upper half of a comparable universe of small cap mutual funds, net of fees.

INVESTMENT ADVISOR RESPONSIBILITIES

It is expected that the investment advisors will assume the following responsibilities in managing the VEBA Trust assets:

- Comply with the provisions of the Investment Advisors Act of 1940.
- Invest the assets with the due diligence of a prudent professional manager of investment assets.
- Communicate in writing with the Finance Committee of the University of Southern Indiana Board of Trustees when suggesting significant changes in the investment objectives of the portfolio.
- On at least a quarterly basis, report to the Finance Committee the performance results and current holdings in the portfolio.

ROLE OF THE FINANCE COMMITTEE

The responsibility of the Finance Committee of the Board of Trustees is to provide direction for the investment of the financial assets of the University of Southern Indiana VEBA Trust Fund. The specific responsibilities are as follows:

- To establish and maintain policies and guidelines for the investments of the fund assets
- To determine the appropriate allocation ranges among classes of investments
- To engage and terminate the services of investment advisors
- To monitor investment returns and review the performances of investment advisors
- To report to the Board of Trustees

MONITORING OF INVESTMENT ADVISORS

The Finance Committee of the Board of Trustees is responsible for monitoring the stewardship of the investment advisors. From time to time, the Finance Committee may meet individually with the investment advisors. During these meetings, the Committee will focus on reports about:

- The advisor's compliance with the investment policies developed by the Committee.
- The most recent economic environment and projected future changes in that environment.
- Significant changes in the advisor's organization, investment philosophy, and/or key personnel.
- Comparisons of the investment advisor's results with the appropriate benchmark standards as outlined in the investment policy.