

MINUTES
MCKNIGHT BRAIN RESEARCH FOUNDATION
BOARD OF TRUSTEES MEETING
July 20, 2005

July 20th, 2005 – Quarterly Trustee Meeting of the MBRF

The quarterly Trustee's meeting of the McKnight Brain Research Foundation (MBRF) was convened at 8:15 a.m. on July 20th in Orlando, Florida in the 16th Floor Conference Room in the Trusco Capital Management offices.

The following members were present:

Dr. J. Lee Dockery, Trustee
Dr. Michael Dockery, Trustee
Dr. Nina Ellenbogen-Raim, Trustee
Mrs. Teresa Borcheck, Corporate Trustee,
SunTrust Bank Endowment & Foundation Services Group

Others Attending:

Mr. Henry H. Raattama, Jr., Legal Counsel
Mr. Michael Sebesta, Managing Director, Trusco Capital Management
Mr. Gregory Fraser, Vice President, Trusco Capital Management
Dr. Robert Rich, Dean and Senior Vice President of Medicine, University of Alabama at
Birmingham
Dr. William Deal, Senior Vice President and Dean Emeritus, University of Alabama at
Birmingham
Mrs. Annette Molenaar, SunTrust Bank Endowment & Foundation Services Group

1. Approval of Minutes

Editorial comments were made and final approval was given to the minutes of the April 19 & 20, 2005 Trustees meeting of the McKnight Brain Research Foundation. The minutes of the conference call of May 18, 2005 were approved. Changes made to the format and header of The Code of Ethics, Values, Vision and Mission Statements, and the Conflict of Interest Statement were discussed. All documents were approved as modified.

Action:

A. The Trustees made editorial comments and final approval was given to the minutes of the April 19 & 20, 2005 Trustees meeting.

B. The minutes of the conference call of May 18, 2005 were approved.

C. The modified Code of Ethics, Value, Vision and Mission Statements, and Conflict of Interest Statement were approved.

2. Strategic Asset Allocation Analysis Presentation

Mr. Gregory Fraser, Vice President, Trusco Capital Management, presented a Strategic Asset Allocation Analysis for the MBRF Portfolio. (Attachments 1 and 2) Mr. Fraser emphasized the fact that this is a highly engineered product and needs to be followed very closely. Both internal and external managers can be utilized and it is important to stay as diversified as possible. Mr. Fraser went through his presentation in some detail, giving some insight as to Trusco's strategies, and historical data in the various Satellite and Core Asset classes. He discussed the Offense and Defense strategies, and the historical efficient frontier of these strategies. Forward estimated returns using both the bottom-up and top-down methodologies were given. Mr. Fraser stated below average returns are expected over the next 3-5 years. In order to meet the benchmark, the portfolio will have to include more satellite categories. With the current asset allocation, the forward return estimate would be 9.2%. The topic of inflation and how it is calculated was raised and clarification was requested as to what inflation rate would be applicable for the MBRF. Mr. Fraser will do an analysis to obtain the information on influence of inflation rate on the asset allocation analysis for the MBRF. Mr. Fraser then covered the recommended Forward-Looking Efficient Portfolios. His recommendation was Portfolio 4 (Attachment 1) which is a 75-20 alternative – 75% equity, 20% alternatives and 5% in fixed income. This portfolio gives tremendous diversification and is more efficient than the existing portfolio, providing a 10% forward estimated return with the same volatility as the current asset allocation. The satellite/alternative investments will play a more important role because they offer lower volatility and better returns. The portfolio does not include REITS, and the Trustees requested that these be considered. The recommended Target Rate of Return, 10%, is lower than the current 11% Target Rate of Return. There ensued a lengthy discussion regarding the Target Rate of Return, and the Asset Allocation Guidelines as stated in Appendix A and Appendix B of the Investment Policy of the MBRF, respectively. If Real Estate Investment Trusts (REITs) are included (under alternatives), Appendix B of the Investment Policy would need to be modified. Mr. Fraser will perform an analysis of the two models (non-restricted in regard to alternatives and with REITs) which will be distributed to the Trustees in preparation for a conference call with Mr. Fraser prior to the October Board of Trustees meeting. The Trustees thanked Mr. Fraser for his detailed presentation.

Action:

- A. The Trustees received the Asset Allocation Analysis as information.**
- B. Mr. Fraser will be requested to perform an additional analysis regarding inflation rate, non restrictive percent of allocation for alternative investments, and the inclusion of REITs.**
- C. A conference call will be scheduled after Mr. Fraser's analyses to review the information prior to the October meeting of the Board of Trustees.**

3. Investment Review

Mr. Mike Sebesta, Managing Director, Trusco Capital Management presented the investment review.

(Attachment 3) After a thorough discussion of the Portfolio construction, it was recommended to further reduce the mid-cap and small-cap allocations; shift from large cap value to large cap growth; and reduce the allocation in International investments. In Alternative investments, Mr. Sebesta agreed with Mr. Fraser's recommendation to move the amount invested in Lighthouse Diversified into two other Lighthouse products (Lighthouse Global Long/Short and the Credit Opportunities Fund) and ZCI Aggressive Growth. At this time REITs were not included in the recommendation; however a request was made by the Trustees for Mr. Fraser to perform an asset allocation analysis including REITs also.

Mr. Sebesta then reviewed the activity and performance comparisons in the past quarter for the entire portfolio. When the total portfolio is compared to the blended benchmark for the last quarter, it is almost in line with the benchmark. For the year-to-date period, the portfolio has out-performed the benchmark by .56%. Mr. Sebesta indicated that he expected that the extended period of out-performance for Small- and Mid-Cap stocks (versus Large-Cap) was likely over, and thus recommended moving to a higher allocation for the Large-Cap portfolio. Likewise, it also appears that the extended period of out-performance for the Value style (versus Growth) is also close to an end. Therefore, Mr. Sebesta, and Mr. Fraser, both recommended a modest overweight in all capitalizations toward the Growth style. The recommended Portfolio (Option 4, Attachment 1) from Mr. Fraser's asset allocation analysis was discussed, as well as making possible changes to the Investment Policy to include fixed income allocation.

After a thorough discussion, it was agreed by the Trustees and the SunTrust/Trusco representatives that the following actions would be taken and the Trustees delegated to Trusco authority to select the new managers to implement the Trusco recommendations and the approved actions by the Trustees.

Action:

- A. Mr. Fraser will be requested to perform an Asset Allocation Analysis, without constraints on asset classes, to include REITs and Alternative Investments (i.e., no limitations) to determine the effect on the efficient frontier.**
- B. Mr. Sebesta will implement the recommended changes in the Foundation portfolio as permitted in the existing Investment Policy Statement (as amended on 2/24/04) at the earliest opportunity. These changes include: 1. shifting from the Large Cap Value to Large Cap Growth funds; 2. liquidating the Mid-Cap I-shares, and moving the proceeds to the recommended Mid-Cap Blend funds; 3. trimming the Fidelity Advisor International fund, and adding to the Boston Company International Small-Cap Value fund; 4. beginning the process of liquidating the Lighthouse Diversified Fund, and initiating new subscription agreements for the new Lighthouse funds; purchasing the ZCI Aggressive Growth fund with the excess proceeds.**
- C. Mr. Sebesta agreed to coordinate a conference call with Mr. Fraser and Ms. Borcheck to discuss these action items.**

It is recognized by the Trustees that by implementing these changes in investments, it may be necessary to amend the Investment Policy after a review of the additional analyses of the asset allocation which have been requested.

4. University of Alabama at Birmingham Presentation

Dr. Robert Rich, Dean and Senior Vice President of Medicine, and Dr. William Deal, Senior Vice President and Dean Emeritus, of the University of Alabama at Birmingham, updated the Trustees on the status of their search for the new chair of the department of neurobiology, and the progress in development of the research program in age related memory loss.

Upon their departure, the Trustees discussed the presentation and information received from Dr. Rich. The Trustees agreed it is desirable to extend the gift agreement to the University of Alabama at Birmingham with an additional \$1 million gift from the MBRF to be matched by the UAB, contingent on the following conditions: A. convert the professorship to Endowed Chair; B. request that all space allocated to the neurobiology department (top three floors of the Shelby building) be designated as the Evelyn F. McKnight Brain Institute. Dr. Lee Dockery was requested to talk with Dr. Rich by telephone on behalf of the Trustees and thank him for the visit, and discuss the above points. If Dr. Rich tentatively agrees to these concepts in broad terms, then Dr. Dockery will follow up with a written proposal to Dr. Rich, with copies to Dr. Deal, Dr. Garrison, and Dr. Marchase.

Action:

- A. Dr. Dockery will speak with Dr. Rich by telephone and discuss the proposal to extend the gift agreement and the conditions under which the additional gift will be made.**
- B. Dr. Dockery will follow up with a written proposal from the MBRF to Dr Rich, if the discussions are concluded satisfactorily.**

5. 2004-2005 Minimum Distribution Calculations

Mrs. Borcheck presented the estimated 2004-2005 tax year minimum distribution calculations for review. It was requested that page eight (8) of the 990-PF be added to the minimum calculations in future.

Action:

- A. Trustees received the 2004-2005 Minimum Distribution as information.**
- B. Mrs. Borcheck will include page eight (8) of the 990-PF to the Minimum Distribution Calculation in future.**

6. Developing Other Opportunities

Dr. Lee Dockery reported to the Trustees on his communications with Dr. Carol Barnes at the University of Arizona in Tucson. Dr. Barnes is currently the President of the Society for Neuroscience which has 36,000 members. She is a professor in the Departments of Psychology and Neurology, as well as a Research Scientist at the Arizona Research laboratory, Division of Neural Systems, Memory and Aging at the University. The kind of research that Dr. Barnes is interested in, mirrors the interests of the McKnight Brain Research Foundation. At the University of Arizona Research Laboratories, there are currently 50 people working on brain research in area of learning and memory and the influence of aging. Dr. Dockery discussed with Dr. Barnes her interest in the development of a project proposal to pursue research in age related memory loss for consideration for funding by the MBRF. Dr. Barnes was enthusiastic about the opportunity and indicated she would confirm her

interest in writing to the Trustees by the end of the week. The Trustees look forward to receiving Dr. Barnes' proposal, and would be interested in visiting Dr. Barnes on campus.

Action:

Dr. Lee Dockery will continue communication with Dr. Barnes on behalf of the Trustees, upon receipt of written confirmation of her interest.

7. Other Business

A. MBRF Website - The Trustees discussed whether it would be appropriate to include the Value, Vision and Mission Statements, and the Code of Ethics to the MBRF website. The Trustees agreed that it was appropriate, and Dr. Lee Dockery will coordinate getting the documents on the website.

Action: Dr. Lee Dockery will coordinate getting the Value, Vision and Mission Statements, and the Code of Ethics on the MBRF website.

B. The University of Florida - Dr. Dennis Steindler

- Dr. Steindler stated that a paper by Dr. Bjorn Scheffler from his group, was accepted in May for communication to the Proceedings of the National Academy of Sciences.
- Dr. Steindler was named to a core group of 15 scientists who will be tasked with awarding \$3 billion in grants for stem cell-related research over the next decade through the California Institute for Regenerative Medicine.

C. Activity Report - Dr. Thomas Foster, the Evelyn F. McKnight Professor of Age Related Memory Loss at the Evelyn F. & William L. McKnight Brain Institute of the University of Florida prepared an Activity Report for the period of February 2005 to July 2005.

D. Trigeminal Neuralgia Association - Dr. Lee Dockery shared the gift agreement outline (paragraph headings only) between the University of Florida and the MBRF with Dr. Roger Levy and Dr. Michael G. Pasternak in an effort to assist in their development of a gift agreement with the University of Florida.

8. New MBRF Brochure

Draft copies of the new MBRF brochure were presented to the Trustees. Two options were discussed:

1. The same format as the existing brochure, substituting the Application Procedures and Proposal Review with the Value, Vision and Mission Statements and Code of Ethics. This new brochure would have eight (8) pages, as does the existing brochure.
2. A different format utilizing inserts (tombstone style) with the Value, Vision and Mission Statements and Code of Ethics as inserts.

Dr. Michael Dockery was concerned that the new format would be expensive to produce. Dr. Lee Dockery requested that Mrs. Molenaar obtain pricing information for both options, using two (2) part color as is used in the existing brochure.

Action: Mrs. Molenaar to obtain pricing information from the printers and communicate with the Trustees.

9. Date, Time and Location of Next Quarterly Meeting

The next quarterly meeting of the MBRF will tentatively be held in Orlando, Florida on October 19th, 2005. This date/location may change depending on the dedication of the Shelby building or a possible trip to Arizona to visit with Dr. Barnes. These issues should be clarified soon. It has been reported that Dr. Clarkson will be unable to attend this meeting.

Action: Meeting date tentatively scheduled for October 19, 2005, in Orlando and will be confirmed once outstanding issues have been clarified.

There being no further business, the meeting was adjourned at 4:20 p.m.

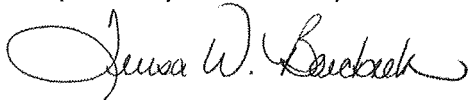
Summary of Action Items:

- 1. The Trustees made editorial comments and final approval was given to the minutes of the April 19 & 20, 2005 Trustees meeting.**
- 2. The minutes of the conference call of May 18, 2005 were approved.**
- 3. The modified Code of Ethics, Value, Vision and Mission Statements, and Conflict of Interest Statement were approved.**
- 4. The Trustees received the Asset Allocation Analysis as information.**
- 5. Mr. Fraser will be requested to perform an additional analysis regarding inflation rate, non restrictive percent of allocation for alternative investments, and the inclusion of REITs.**
- 6. A conference call will be scheduled after Mr. Fraser's analyses to review the information prior to the October meeting of the Board of Trustees.**
- 7. Mr. Fraser will be requested to perform an Asset Allocation Analysis, without constraints on asset classes, to include REITs and Alternative Investments (i.e., no limitations) to determine the effect on the efficient frontier.**
- 8. Mr. Sebesta will implement the recommended changes in the Foundation portfolio as permitted in the existing Investment Policy Statement (as amended on 2/24/04) at the earliest opportunity. These changes include: 1. shifting from the Large Cap Value to Large Cap Growth funds; 2. liquidating the Mid-Cap I-shares, and moving the proceeds to the recommended Mid-Cap Blend funds; 3. trimming the Fidelity Advisor International fund, and adding to the Boston Company International Small-**

Cap Value fund; 4. beginning the process of liquidating the Lighthouse Diversified Fund, and initiating new subscription agreements for the new Lighthouse funds; purchasing the ZCI Aggressive Growth fund with the excess proceeds.

9. Mr. Sebesta agreed to coordinate a conference call with Mr. Fraser and Ms. Borcheck to discuss these action items.
10. Dr. Dockery will speak with Dr. Rich by telephone and discuss the proposal to extend the gift agreement and the conditions under which the additional gift will be made.
11. Dr. Dockery will follow up with a written proposal from the MBRF to Dr Rich, if the discussions are concluded satisfactorily.
12. Trustees received the 2004-2005 Minimum Distribution as information.
13. Mrs. Borcheck will include page eight (8) of the 990-PF to the Minimum Distribution Calculation in future.
14. Dr. Lee Dockery will continue communication with Dr. Barnes on behalf of the Trustees, upon receipt of written confirmation of her interest.
15. Dr. Lee Dockery will coordinate getting the Value, Vision and Mission Statements, and the Code of Ethics on the MBRF website.
16. Mrs. Molenaar to obtain pricing information from the printers and communicate with the Trustees.
17. Meeting date tentatively scheduled for October 19, 2005, in Orlando and will be confirmed once outstanding issues have been clarified.

Respectfully Submitted,



Teresa W. Borcheck
SunTrust Bank, Corporate Trustee