

**MINUTES
MCKNIGHT BRAIN RESEARCH FOUNDATION
BOARD OF TRUSTEES MEETING
October 18 & 19, 2005**

October 18, 2005

The Trustees convened in the conference room of the Arizona Research Laboratories at 1:30 P.M., to begin a site visit to the University of Arizona at the request of Dr. Carol A. Barnes. The purpose of the meeting was to review the current and future potential research programs under Dr. Barnes' direction in age related memory loss. Dr. Barnes, Professor in Psychology and Neurology at the University of Arizona, and several research scientists presented summaries of the status of their research with the opportunity for questions and discussion by the trustees. Following the scientific presentations, Dr. Barnes escorted the Trustees on a tour of the research laboratories occupied by her and her colleagues and the newly installed Magnetic Resonance Imaging facility used in the study of human memory loss in the aging. The scientific presentations and tour of the facilities were followed by a dinner meeting for the trustees, hosted by the University of Arizona. Also in attendance were the leadership of the college of Medicine, chairs of the departments of Neurology and Psychiatry and the Vice President for Research for the University and the research scientists. The discussions with representatives of the University of Arizona provided important information to the trustees about the interest and potential for successful research support from the MBRF in age related memory loss. The meeting concluded at 9:30 P.M. The agenda and presentation are attached as #1.

October 19, 2005

The quarterly trustee's meeting of the McKnight Brain Research Foundation was called to order at 9:00 a.m. October 19, 2005, in Tucson, Arizona at the Arizona Inn.

The following members were present:

Dr. J. Lee Dockery, Trustee

Dr. Michael Dockery, Trustee

Dr. Nina Ellenbogen Raim, Trustee

Ms. Teresa Borcheck (via conference phone), SunTrust Bank Endowment & Foundation Trust
Services Group

Others Attending:

Mr. Henry Raattama, Legal Counsel

Mr. Michael Sebesta, Managing Director, Trusco Capital Management

1. Approval of Minutes

After some modifications, the minutes of the September 21, 2005 conference call of the McKnight Brain Research Foundation were approved.

Action – The Trustees made comments and final approval was given to the minutes of the September 21, 2005 Trustees' conference call, with modifications. (Attachment 2).

2. Investment Review – Michael Sebesta

Mr. Sebesta began with a review of the updated Investment Policy Statement (IPS). The Trustees, Mr. Raattama and Mr. Sebesta discussed these modifications, which included changes in the sections titled "Specific Functions of the Trustees," "Specific Functions for the Corporate Trustees", "Asset Allocation" and "Guidelines for Corrective Action." (See Memorandum from Mr. Raattama dated October 20, 2005, attached is the revised IPS with Appendix A and B).

Additionally, changes to Appendices A and B were presented to the Trustees. The "Target Rate of Return" section was discussed, and everyone agreed with the recommendation to remove the fixed-return from the language in the policy, and instead make reference that the "target rate of return will change from time to time as set forth in the IPS, Appendix A."

There was a broad discussion on the modifications to Appendix B. The modifications were made as a result of the approved asset allocation recommendations from the Trustees' meeting on September 21, 2005. New asset classes, targets, benchmarks and peer groups were added to reflect the new portfolio structure. (See IPS, Appendix B) The Trustees agreed with the proposed changes.

Next, Mr. Sebesta reviewed the performance of the portfolio for the month of September and the third quarter of 2005. As of September 30, most of the allocation recommendations had been implemented, except for the additional allocation to the Lighthouse Global Long/Short Fund. For the quarter and Year-to-Date periods, the portfolio returned 4.5% and 4.68%, respectively. The trailing 12-month return was 14.42%. For the transition month of September, the portfolio returned .93%, slightly trailing the old benchmark of 1.18%.

In reviewing the current asset allocation, Mr. Sebesta commented that the current allocation is consistent with the recommended portfolio as presented to the Trustees in the efficient frontier analysis, dated August 18,

2005. No new recommendations were made to the investment policy or asset allocation.

Mr. Sebesta presented the Peer group charts. Dr. Mike Dockery commented that some of the charts appeared to be inconsistent with the returns on the performance page. (After researching this issue, Mr. Sebesta determined that the Peer group charts were as of August 31, yet the performance was through the end of September.)

Mr. Sebesta concluded his presentation.

Action – The Trustees received the investment report for information.

Action - No new changes were recommended to the investment policy or asset allocation at this time.

4. The University of Arizona Proposal

The trustees and Mr. Raattama met with Dr. Barnes at 8:00 a.m. for a breakfast meeting to discuss the process for grant application to the MBRF for consideration of research support in age related memory loss. The trustees expressed their appreciation to Dr. Barnes and her colleagues for the invitation to visit the University of Arizona and to become more knowledgeable about her interest and success in pursuing research initiatives in age related memory loss at the University of Arizona. Dr. Barnes was informed that an application for consideration for research support from the MBRF should be received by December 31, 2005, to be considered at the first meeting of the MBRF in the first quarter of 2006.

5. The New MBRF Brochure

Two samples of the new brochure layout were reviewed. The Trustees approved the layout and requested the use of glossy paper.

Action – The new MBRF brochure was approved.

6. Distribution Calculations

The projected minimum investment return calculations for the period ending June 30, 2006 were reviewed. It was noted the payments to the University of Alabama and the University of Miami were made on schedule and the remaining distribution requirements for 2005-2006 are estimated to be \$632,069.56.

7. The University of Alabama update

The trustees reviewed the communication from Dr. Robert Rich, Senior Vice President and Dean of the University of Alabama (UAB) School of Medicine at Birmingham announcing the acceptance of the appointment of Dr. David Sweatt as the chair of the Department of Neurobiology and the Evelyn F. McKnight Chair for

Learning and Memory in Aging. The amended gift agreement, converting the endowed professorship to the endowed chair, with an additional \$1 million dollar grant from the MBRF to also be matched by the UAB, was approved by the UAB and was signed by the trustees present at the meeting. The signed document will be forwarded to Ms. Borcheck for signature and distribution. It was also noted that the completion of the Shelby Interdisciplinary Biotechnology Research Building, in which the Evelyn F. McKnight Brain Institute will be located, is anticipated in the spring of 2006. The Trustees will be invited to the dedication and Dr. Sweatt will be introduced to the trustees at that time or at a future meeting of the trustees. Dr. Rich expressed his gratitude, on behalf of the UAB, to the MBRF for the additional contribution which was critical to the successful recruitment of Dr. Sweatt.

Action – The amended gift agreement with the UAB was signed by the trustees present and will be forwarded to Ms. Borcheck for her signature and distribution.

8. Internal Revenue Service (IRS) Notice

A notice from the IRS was received requesting additional information regarding the Trustee fees charged for tax year-ending. Mr. Raattama presented an initial draft of a response to the IRS. The Trustees reviewed the preliminary response and asked Mrs. Borcheck to schedule a conference call for November 2, 2005 to review and give final approval.

Action – Mr. Raattama will modify the draft of the IRS response and forward to the Trustees for their review prior to the November 2, 2005 conference call.

9. Other Business

The University of Florida –Dr. Dennis Steindler

A proposal was received from Dr. Steindler on October 17, 2005 requesting approval to reallocate MBRF research grant support to recruit faculty to enhance the research initiatives in age related memory loss. Trustee Dr. Lee Dockery will contact Dr. Steindler to review the request and clarify the proposed terms. The Trustees will review the additional information on their November 2, 2005 conference call.

10. Date, Time and Location of Next Quarterly Meeting

The Trustees delayed their decision on the next quarterly meeting date, pending contact with University of Florida representatives for suggested available dates.

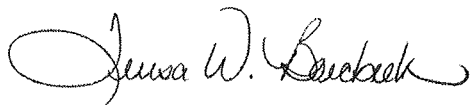
Action – Meeting dates to be decided at a future date, pending contact with University of Florida representatives for suggested available dates.

Summary of Action Items:

- 1. Action – The Trustees made comments and final approval was given to the minutes of the September 21, 2005 Trustees' conference call, with modifications. (Attachment 2).**
- 2. Action – The Trustees received the investment report for information.**
- 3. Action - No new changes were recommended to the investment policy or asset allocation at this time.**
- 4. Action – The new MBRF brochure was approved.**
- 5. Action – The amended gift agreement with the UAB was signed by the trustees present and will be forwarded to Ms. Borcheck for her signature and distribution.**
- 6. Action – Mr. Raattama will modify the draft of the IRS response and forward to the Trustees for their review prior to the November 2, 2005 conference call.**
- 7. Action – Meeting dates to be decided at a future date, pending contact with University of Florida representatives for suggested available dates.**

There being no further business, the meeting was adjourned at 11:30 a.m.

Respectfully Submitted,



Teresa W. Borcheck

SunTrust Bank, Corporate Trustee