

**Minutes**  
**McKnight Brain Research Foundation**  
**Board of Trustees Conference Call**  
**September 21, 2005**

The McKnight Brain Research Foundation (MBRF) Conference Call was called to order at 1:00 p.m.

The following members were present:

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

Others Attending:

Mr. Henry H. Raattama, Legal Counsel  
Mr. Michael Sebesta, Managing Director, Trusco Capital Management  
Mrs. Annette Molenaar, SunTrust Bank Endowment & Foundation  
Services Group

**1. Asset Allocation Review**

Mr. Sebesta discussed Mr. Fraser's departure with the Trustees. He then discussed the additional Asset Allocation Analysis which was prepared by Mr. Fraser at the request of the trustees of the MBRF at the July 20, 2005 meeting. The analysis covers two models: one which included Real Estate Investment Trusts (REITs), and one which was an unconstrained model regarding alternative investments (Alternatives). The Trustees requested some clarification on the inflation issue. The existing target rate of return of 11% shows inflation at 4.5%. However, the recommended target rate of return (10%) allows for a 3.5% rate of inflation. Mr. Sebesta assured the Trustees that Trusco is very confident with a rate of 3-3.5% for inflation. The graphs depicting the Efficient Frontier with REITs, and the Efficient Frontier graph of the unconstrained model of Alternatives were reviewed. Progress has been made in making the previously approved adjustments to the asset allocation. Approximately 85% of the changes recommended at the July 20, 2005 meeting have been implemented.

Mr. Sebesta discussed the Lighthouse Diversified Fund which currently has an asset allocation of 12.2%. Mr. Fraser recommended liquidating in favor of the Global Long/Short and Distressed Credit funds. Mr. Sebesta opined if such action were taken, it would mean removing a low risk fund and adding a higher risk in order to try and obtain a higher rate of return. In addition, the fund is now closed to new investors and the MBRF could not get back into the fund at a later date. Mr. Sebesta and upper management at Trusco believe that the Diversified Fund acts as an

anchor for the portfolio. There have been several economic shocks over the past couple of weeks, with possibly more coming. Mr. Sebesta stated that, even though he likes the overall strategy in the long-term, he recommended against making changes regarding the Lighthouse Diversified Fund at this time. He recommended keeping the 12.2% allocation in the Lighthouse Diversified Fund, 4% ZCI (aggressive growth fund, and add 4% in the Lighthouse Global Long/Short Fund. Dr. Lee Dockery proposed a motion to maintain the current holding (12.2%); add 5% to Pimco Global (unhedged) Bond Fund; add 5% holdings in Lighthouse Global Long/Short fund; add 4% to T. Rowe Price (REITs); and add 4% to ZCI aggressive growth fund. Mr. Sebesta indicated that the ZCI purchase had already been made. Dr. Nina Ellenbogen-Raim seconded the motion. The motion passed.

Upon request by the trustees, Mr. Sebesta provided a verbal report on the management fees associated with the various funds which utilize outside managers. The Trustees requested that the Investment Policy be amended to reflect the changes in the ranges and targets. Mr. Sebesta and Mr. Raattama were requested to prepare an amended investment policy document reflecting the approved changes, prior to the October meeting, for the Trustees' review. A formal motion was made by Dr. Lee Dockery to revise the Investment Policy with regard to the asset allocation, targets and benchmarks. The revised policy will be distributed for review in advance of the October meeting. The motion was seconded by Dr. Mike Dockery.

**Action:**

**A. The Alternative investments asset allocation was amended as follows: Maintain the current holding (12.2%) in Lighthouse Diversified; add 5% to Pimco Global (unhedged) Bond Fund; add 5% holdings in Lighthouse Global Long/Short fund; add 4% to T. Rowe Price (REITs); and add 4% to ZCI aggressive growth fund.**

**B. Mr. Sebesta and Mr. Raattama to prepare a revised Investment Policy with regard to the asset allocation, targets and benchmarks for distribution to the Trustees prior to the October 19, 2005 meeting for review and approval at that meeting.**

**2. Review of Minutes: July 20, 2005 Meeting**

The Trustees reviewed the minutes from the July 20, 2005 meeting. The minutes were approved as amended. Mrs. Borcheck will make the changes and forward the final draft to the Trustees.

**Action: The Trustees approved the minutes for the July 20, 2005 Trustees meeting with corrections.**

**3. New Brochure for the McKnight Brain Research Foundation**

The fifth draft of the new MBRF brochure was discussed. Dr. Lee Dockery mentioned that the typeface of the names of the Trustees on page 8 differed from the typeface used throughout the brochure. Mrs. Borcheck stated that we would make the printers aware of his concerns. The

Trustees approved of the content of the new brochure. Mrs. Borcheck will send this draft to the printers and request a proof back prior to the next meeting of the trustees.

**Action: Mrs. Borcheck to forward the draft brochure to the printers and request a proof for review and discussion at next Trustee meeting to be held on October 19, 2005.**

#### **4. Next Meeting of the MBRF Board of Trustees**

The next meeting of the Trustees will be held in Tucson, Arizona at the University of Arizona, on October 18<sup>th</sup> and 19<sup>th</sup>. The Trustees discussed the possible options for the meeting, and the various travel options. It was decided that the best schedule would be to arrive in Tucson on October 18 by 11:30 a.m., followed by a 3 hour scientific session in the afternoon and dinner that evening. The Board meeting will be held the following day (October 19) in the morning, with the Trustees departing for the airport around 12 noon. Mrs. Borcheck stated that she has a conflict with the meeting date. She had committed to a meeting, based on the earlier decision to hold the MBRF Board meeting in Orlando. When the venue was changed to Tucson, it became very difficult to arrive in Tucson in time to attend the dinner on the evening of October 18<sup>th</sup>. Mrs. Borcheck will research flight options and advise the Trustees if she will be able to attend in person or by conference call.

**Action: Mrs. Borcheck will research flight options to Tucson, and advise the Trustees of her ability to attend the site visit to the University of Arizona and the board meeting of the trustees on October 18 and 19, 2005.**

#### **5. Gift Agreement with The University of Alabama at Birmingham**

Mrs. Borcheck stated that the next payment to the University of Alabama at Birmingham is scheduled to be paid on or before October 1, 2005. The Trustees requested that the payment not be made until a response was received from UAB regarding the amended agreement. Efforts will be made to obtain a response prior to October 1, 2005.

**Action: Mrs. Borcheck to hold the scheduled payment to the University of Alabama until receiving word from the Trustees to proceed.**

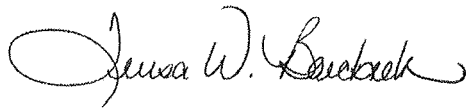
#### **Summary of Action Items**

- 1. The Alternative investments asset allocation was amended as follows: Maintain the current holding (12.2%) in Lighthouse Diversified; add 5% to Pimco Global (unhedged) Bond Fund; add 5% holdings in Lighthouse Global Long/Short fund; add 4% to T. Rowe Price (REITs); and add 4% to ZCI aggressive growth fund.**

2. **Mr. Sebesta and Mr. Raattama to prepare a revised Investment Policy with regard to the asset allocation, targets and benchmarks for distribution to the Trustees prior to the October 19, 2005 meeting for review and approval at that meeting.**
3. **The Trustees approved the minutes for the July 20, 2005 Trustees meeting with corrections.**
4. **Mrs. Borcheck to forward the draft brochure to the printers and request a proof for review and discussion at next Trustee meeting to be held on October 19, 2005 in Tucson, Arizona.**
5. **Mrs. Borcheck will research flight options to Tucson, and advise the Trustees of her ability to attend the site visit to the University of Arizona and the board meeting of the trustees on October 18 and 19, 2005.**
6. **Mrs. Borcheck to hold the scheduled payment to the University of Alabama until receiving word from the Trustees to proceed.**

There being no further business, the meeting was adjourned at 3:10 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Teresa W. Borcheck".

Teresa W. Borcheck  
SunTrust Bank, Corporate Trustee