

**MINUTES**  
**MCKNIGHT BRAIN RESEARCH FOUNDATION**  
**BOARD OF TRUSTEES MEETING**  
**July 18 & 19, 2006**

**July 18, 2006**

The quarterly trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 3:15 p.m. on July 18th in Orlando, Florida, in the Sun Room located on the third floor of the SunTrust Park Building.

The following members were present:

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

Others Attending:

Mr. Henry H. Raattama, Jr., Legal Counsel  
Mrs. Annette Molenaar, SunTrust Bank Endowment & Foundation Services Group  
Mr. John B. Floyd, Managing Director, Trusco Capital Management  
Mr. Michael Sebesta, Managing Director, Trusco Capital Management  
Mr. Dan Ledbetter, Product Manager, Lighthouse Partners

Guests:

Dr. Richard J. Hodes, Director, National Institute on Aging  
Ms. Amy L. McGuire, Executive Director, Foundation for the National Institutes of Health  
Dr. Daniel J. Carucci, Director of Science, Foundation for the National Institutes of Health

**1. Approval of Minutes**

The minutes of the April 24 & 25, 2006 Trustees meeting of the McKnight Brain Research Foundation were reviewed. The minutes were approved.

**Action: The Trustees approved the minutes for the April 24 & 25, 2006 Trustees meeting.**

**2. Minimum Distribution Requirement**

Mrs. Borcheck discussed the projected minimum investment return calculation, and explained the process which is used to prepare the calculation (Attachment 1). The excess distribution carryover for the 2005-2006 fiscal year is estimated to be \$196,848.47. Taking into account the grant commitments to the University of Alabama at Birmingham and the University of Miami School of Medicine, the distribution requirement for the next two years should be met; however after that period, additional gifts will be required to fulfill the Internal Revenue Service (IRS) requirements. In reviewing the Grant Commitment Schedule report (Attachment 2), the Trustees noted that the scheduled grant commitment to the University of Miami for 2006 was paid on July 3<sup>rd</sup>, 2006, which added clarification to the report which covered the period through June 30, 2006. Mrs. Borcheck also discussed the spreadsheet showing the Minimum Distribution Calculation for the fiscal years 1999-2005 (Attachment 3). The Trustees found the spreadsheet helpful, and requested that it be included in the materials for future meetings, to which Mrs. Borcheck agreed.

**Action: The Trustees received the Projected Minimum Investment Return Calculation for information (Attachment 1)**

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**Action: The Trustees received the Grant Commitment Schedule report for information (Attachment 2).**

**Action: The Trustees received the Minimum Distribution Calculation spreadsheet for information (Attachment 3), and requested the Minimum Distribution Calculation spreadsheet be provided for all future meetings.**

### **3. Update on the University of Arizona (UA)**

Dr. Lee Dockery discussed the most recent correspondence from Dr. Carol Barnes with the Trustees. Some concerns have been raised by Mr. Treiber at the University of Arizona, regarding the wording in certain areas of the gift agreement. Specifically, the University of Arizona is unable to agree to some of the imposed consultation and approval requirements defined in the gift agreement, if the award from the MBRF is defined as a "gift". Mr. Treiber will "redline" the agreement, with explanations for the reasons of concern and forward this document to Mr. Raattama. Mr. Raattama will share the document with the Trustees for their review and comments, prior to a conference call with Mr. Treiber to discuss the issues. Dr. Lee Dockery expressed interest in being included in the conference call, but will wait until the document has been received to determine whether or not he will participate.

**Action: Mr. Raattama will share the "redline" copy of the gift agreement with the Trustees upon receipt of this document from Mr. Treiber of the University of Arizona.**

**Action: Mr. Raattama will discuss the proposed changes to the UA gift agreement document with Mr. Treiber via conference call, following his review with the trustees.**

### **4. University of Miami Update**

Dr. Clarkson presented the Annual Progress Report on The Evelyn F. McKnight Center for Age-Related Memory Loss at the Miller School of Medicine at the University of Miami (MSMUM), (Attachment 4). He reported that the school has been recruiting two chairs, one for psychiatry and one for neurology, and on May 1, 2006, Julio Licinio, M.D., from UCLA was recruited to become the Chair of Psychiatry. Dr. Licinio has identified Anand Kumar, M.D., as a strong candidate for the position of Scientific Director of the Evelyn F. McKnight Center for Age-Related Memory Loss. Dr. Kumar is currently director of the Division of Geriatric Psychiatry at UCLA. Dr. Clarkson indicated that he would like the Trustees to meet Dr. Licinio and Dr. Kumar, if he indeed becomes the leader of the center.

Dr. Dockery reiterated the importance of the center at the University of Miami, and asked Dr. Clarkson if it would help the recruiting process if the center were converted to an "institute" and if the director be converted to an "endowed chair". Dr. Clarkson indicated that whatever flexibility can be given to make the position as attractive as possible, would be helpful. He also opined that the Trustees should meet with the new Dean, Pascal J. Goldschmidt, M.D. After some discussion, the Trustees agreed that it was important to meet Dean Goldschmidt as soon as possible, and not to wait until the quarterly meeting in October. Dr. Clarkson will check Dean Goldschmidt's availability to come to Orlando during the last two weeks of August, or the first two weeks in September. Mrs. Molenaar will circulate a calendar indicating Dean Goldschmidt's available dates, and request input from the Trustees as to their availability on those dates. A special meeting of the Board of Trustees will be held at that time to cover Strategic Planning, and the meeting (possibly over lunch) with Dean Goldschmidt. Dr. Clarkson offered to draft a letter, for Mrs. Borcheck's signature, inviting the Dean to meet with the Trustees in Orlando. This letter will be circulated to the Trustees for their review. It was suggested that the letter indicate the Trustees' interest in the center at the University of Miami, and their desire to have it be on a par with other institutes. The Trustees would also like to hear from the Dean if there are any components of the gift agreement that could be modified to enable him to recruit the best candidate to move the process forward and identify any barriers to the success of the center. If possible, the Trustees would be interested in meeting Dr. Licinio and Dr. Kumar at the same time.

Dr. Clarkson indicated that the financial section in the report from the MSMUM, did not reflect the recent gift of \$875,000 from the McKnight Brain Research Foundation. It was noted that \$4M still remains of the MSMUM match of the gift which must be completed by July, 2008. Dr. Clarkson stated that MSMUM will forward the

updated financials, probably in August. The final payment by the MBRF to the University of Miami completing the \$5M gift is due on 7/1/2007.

**Action: The Trustees received the 2006 Progress Report on the Evelyn F. McKnight Center for Age-Related Memory Loss at the Miller School of Medicine at the University of Miami for information (Attachment 4).**

**Action: Dr. Clarkson to draft a letter of invitation to Dean Goldschmidt to meet with the Trustees in Orlando at a mutually agreeable time in conjunction with a special meeting of the Board of trustees to review the strategic plan, and circulate to the Trustees for their review.**

**Action: MSMUM will circulate the updated financial information on the F. McKnight Center for Age-Related Memory Loss at the Miller School of Medicine at the University of Miami to the Trustees following the year end closing.**

## **5. Date, Time and Location of Next Quarterly Meeting**

The next quarterly meeting of the MBRF will be held in Atlanta on Wednesday, October 18<sup>th</sup>, 2006. It will follow the SunTrust Clients Forum which will be held at Reynolds Plantation in Atlanta from October 15<sup>th</sup> – 17<sup>th</sup>. It was subsequently discovered that Mr. Sebesta (Trusco Capital Management) will not be available on that date, but he indicated that he could give his Investment Review on the afternoon of October 17<sup>th</sup>, via conference call. Exact timing will be determined once more information becomes available regarding the SunTrust Clients Forum.

There will be an interim Strategic Planning meeting, and luncheon meeting with Dean Goldschmidt in August or September; exact date still to be determined.

The meeting was adjourned for the day at 5:15 p.m.

## **July 19, 2006**

The meeting of the MBRF Trustees was reconvened at 8:20 a.m., July 19, 2006, in the SunRoom on the 3<sup>rd</sup> floor of the SunTrust Park building.

## **6. Asset Allocation Analysis**

Mr. Floyd presented the annual Asset Allocation Analysis (Attachment 5). Mr. Floyd gave an overview of the strategic allocations solutions process. The Trustees inquired as to whether it is possible to track how this particular asset allocation performs against a broader benchmark and Mr. Floyd indicated that it should be possible to obtain that information. In looking at the location of the current portfolio on the efficient frontier curve, Mr. Floyd indicated that the portfolio is well balanced and placed. This addition of Real Estate Investment Trusts (REITs), investments in alternatives and small cap funds have helped move the portfolio in the right direction, with less risk and higher returns than the portfolio in August 2005. Several different portfolio options were discussed, with the most preferable being Portfolio 3. This portfolio would expand the opportunities, by adding Emerging Markets Equity, Commodities and adding to International Equity. The rebalancing of the asset allocation would be achieved by reducing the allocation in the large cap asset class. The emerging markets offer more rapid growth, are less correlated to domestic stocks and are easier to access. There is expected to be strong global demand for commodities, such as oil and nickel, as emerging economies develop and there is little correlation with traditional investments. Emerging markets also provide a hedge against the weakening dollar. If the choice was made for Portfolio 3, it might be necessary to adjust the upper range of International Equity in the Investment Policy. The Trustees agreed to consider the issue once Mr. Sebesta had given his Investment Review. The Trustees expressed appreciation to Mr. Floyd for the Asset Allocation and the Efficient Frontier analysis presentation, and requested that it be reviewed on an annual basis.

**Action: The Trustees received the Asset Allocation and Efficient Frontier Analysis for information (Attachment 5).**

**Action: A review of the Asset Allocation and Efficient Frontier Analysis will be performed on an annual basis.**

## **7. Investment Review**

Mr. Sebesta presented the Investment Review for the second quarter (Attachment 6). He reviewed the performance of the portfolio, which showed a reversal of the first quarter with high quality large cap stocks outperforming small cap stocks. Many had hoped that the Federal Reserve Board would take a break in raising interest rates, but that has not happened yet. The second quarter also saw higher oil prices, and the housing market slowed. Recession risks have increased but are not high, although the Gross Domestic Product (GDP) growth is expected to be lower (between 2.5-3%).

Mr. Sebesta discussed the Peer Group Analysis and the Manager vs. Universe comparison. He referenced the language in the Investment Policy regarding fund managers ranking in the top third of their peer group, and felt that perhaps the top median would be more realistic. Mr. Floyd indicated that perhaps this ranking should be qualified by a time period, e.g., 3, 5 or 10 years. Mr. Raattama commented that there is a time period already stated in the policy which ranges from 3-5 years.

Mr. Sebesta also raised the topic of the recent departure from Trusco Capital Management of the small cap growth fund team. There is a new team in place. This fund has been placed "on watch" to monitor the new team's performance, although there is insufficient data at this time to judge their performance.

The current asset allocation is approximately 73% in equities, 3.5% in bond funds, and almost 22% in other assets which comprise of the two Lighthouse funds and REITs. The Trustees discussed the existing portfolio composition, and the other options as outlined by Mr. Floyd during his presentation, primarily the possible increase in International Equity. Mr. Sebesta recommended changing the investment policy to increase the upper range of International Equity to 20%. This is in order to potentially take advantage of additional opportunities in the future as they might occur. The Trustees approved the recommendation unanimously. Mr. Sebesta is planning to implement the changes as outlined in proposed portfolio #3, which are a result of the recent asset allocation and efficient frontier analysis. Mr. Sebesta and Mrs. Borcheck will work with Mr. Raattama to develop a new Investment Policy to incorporate the approved change.

**Action: The Trustees received the Investment Review for information (Attachment 6).**

**Action: The Trustees approved the recommendation to change the Investment Policy to increase the upper range of International Equity asset class to 20%.**

**Action: Mr. Sebesta and Mrs. Borcheck will work with Mr. Raattama to develop a new Investment Policy to incorporate the increase of the upper range of International Equity asset class to 20%.**

## **8. Lunch/Discussion with guests from the NIA and FNIH**

Three guests from the National Institute on Aging (NIA) and the Foundation for the National Institutes of Health (FNIH) met with the Trustees to discuss the possible opportunity of the MBRF partnering with the NIA and/or the FNIH in funding research projects directed toward learning and memory loss in the aging. The guests were: Richard J. Hodes, M.D., Director, National Institute on Aging; Amy L. McGuire, Executive Director, Foundation for the National Institutes of Health; and Daniel J. Carucci, M.D., M.Sc., Ph.D., Director of Science for the FNIH. Ms. McGuire gave an overview of the Foundation for NIH, explaining its mission and partnerships with a variety of organizations. Each of the representatives from the NIA and the FNIH, expressed enthusiasm for the concept of matching funding with the MBRF in support of research in learning and memory loss in the aging. Dr. Hodes agreed to work with the staff of the NIA and the FNIH to develop a list of potential research projects along with descriptive information which would meet the mutual goals and objectives of the MBRF and the NIA for consideration by the Trustees.

Following the meeting with the guests, the Trustees discussed the opportunity of partnering with the NIA and/or the FNIH, and expressed enthusiasm in pursuing this opportunity. Dr. Lee Dockery will draft a letter to Dr. Hodes thanking him, Ms. McGuire and Dr. Carucci for meeting with the Trustees of the MBRF, and confirming the Trustees' interest in pursuing a possible partnership program with the NIA/FNIH.

**Action: Dr. Lee Dockery will draft a letter to Dr. Hodes of the NIA, thanking him , Ms. McGuire and Dr. Carucci for meeting with the Trustees of the MBRF, and confirming the Trustees' interest of the MBRF in pursuing a possible partnership program in funding research in learning and memory loss in the aging with the NIA/FNIH.**

## **9. Lighthouse Partners Update**

Mr. Ledbetter (Product Manager, Lighthouse Partners) presented an update of the two Lighthouse funds in the MBRF current portfolio (Attachment 7). The Diversified Fund has lower volatility and lower drawdown, and a low correlation to stocks and bonds. The fund has done well relative to historic performance, showing growth of 9.5% through June 2006. Lighthouse Partners are very optimistic about the outlook of this fund.

The Global Long-Short fund had a tough quarter, but overall through June 2006, is showing growth of 8.2%. Mr. Ledbetter explained that this fund will show more spikes and dips in performance, but Lighthouse feels that they have a good position now. A lot of what happened in the market last quarter was the result of people taking liquidity out of the market. Mr. Raattama requested that Lighthouse Partners use the same measure to use as a benchmark as Trusco Capital Management. The Trustees requested that Mr. Ledbetter give an update on Lighthouse Partners next year in July.

**Action: The Trustees received the Lighthouse Partners update for their review (Attachment 7).**

**Action: Mr. Ledbetter will discuss the benchmark measurement with Mr. Sebesta and develop a similar benchmark as Trusco Capital management in evaluating performance.**

**Action: Mr. Ledbetter will give another update on Lighthouse Partners next year in July.**

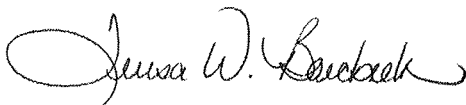
There being no further business, the meeting was adjourned at 3:30 p.m..

### **Summary of action items:**

- 1. The Trustees approved the minutes for the April 24 & 25, 2006 Trustees meeting.**
- 2. The Trustees received the Projected Minimum Investment Return Calculation for information (Attachment 1)**
- 3. The Trustees received the Grant Commitment Schedule report for information (Attachment 2).**
- 4. The Trustees received the Minimum Distribution Calculation spreadsheet for information (Attachment 3), and requested the Minimum Distribution Calculation spreadsheet be provided for all future meetings.**
- 5. Mr. Raattama will share the "redline" copy of the gift agreement with the Trustees upon receipt of this document from Mr. Treiber of the University of Arizona.**
- 6. Mr. Raattama will discuss the proposed changes to the UA gift agreement document with Mr. Treiber via conference call, following his review with the trustees.**
- 7. The Trustees received the 2006 Progress Report on the Evelyn F. McKnight Center for Age-Related Memory Loss at the Miller School of Medicine at the University of Miami for information (Attachment 4).**
- 8. Dr. Clarkson to draft a letter of invitation to Dean Goldschmidt to meet with the Trustees in Orlando at a mutually agreeable time in conjunction with a special meeting of the Board of trustees to review the strategic plan, and circulate to the Trustees for their review.**

9. **MSMUM will circulate the updated financial information on the F. McKnight Center for Age-Related Memory Loss at the Miller School of Medicine at the University of Miami to the Trustees following the year end closing.**
10. **The Trustees received the Asset Allocation and Efficient Frontier Analysis for information (Attachment 5).**
11. **A review of the Asset Allocation and Efficient Frontier Analysis will be performed on an annual basis.**
12. **The Trustees received the Investment Review for information (Attachment 6).**
13. **The Trustees approved the recommendation to change the Investment Policy to increase the upper range of International Equity asset class to 20%.**
14. **Mr. Sebesta and Mrs. Borcheck will work with Mr. Raattama to develop a new Investment Policy to incorporate the increase of the upper range of International Equity asset class to 20%.**
15. **Dr. Lee Dockery will draft a letter to Dr. Hodes of the NIA, thanking him , Ms. McGuire and Dr. Carucci for meeting with the Trustees of the MBRF, and confirming the Trustees' interest of the MBRF in pursuing a possible partnership program in funding research in learning and memory loss in the aging with the NIA/FNIH.**
16. **The Trustees received the Lighthouse Partners update for their review (Attachment 7).**
17. **Mr. Ledbetter will discuss the benchmark measurement with Mr. Sebesta and develop a similar benchmark as Trusco Capital management in evaluating performance.**
18. **Mr. Ledbetter will give another update on Lighthouse Partners next year in July.**

Respectfully Submitted,



Teresa W. Borcheck  
SunTrust Bank, Corporate Trustee