

**MINUTES**  
**MCKNIGHT BRAIN RESEARCH FOUNDATION**  
**BOARD OF TRUSTEES MEETING**

**October 21 & 22, 2008**

The quarterly trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 12:00 p.m. on October 21<sup>st</sup>, at the Evelyn F. McKnight Brain Institute at the University of Alabama in Birmingham.

The following members were present:

Dr. J. Lee Dockery, Trustee  
Dr. Michael Dockery, Trustee  
Dr. Nina Ellenbogen Raim, Trustee  
Dr. John Clarkson, Trustee  
Mrs. Teresa Borcheck, Corporate Trustee  
SunTrust Bank Institutional Investment Management Administration

Others attending:

Mr. Henry H. Raatama, Jr., Legal Counsel  
Mr. Michael Hill, Managing Director, Trusco Capital Management (via conference call)  
Mr. Dan Ledbetter, Lighthouse Partners (via conference call)  
Mrs. Daphne Shephard, SunTrust Bank, Charitable Services Group (via conference call)  
Dr. Robert A. Rich, Senior Vice President and Dean, University of Alabama at Birmingham  
Dr. David Sweatt, The Evelyn F. McKnight Chair in Learning and Memory in the Aging, Director of  
The Evelyn F. McKnight Brain Institute, University of Alabama at Birmingham

**1. Approval of Minutes**

The minutes of the July 22 – 23, 2008 meeting of the McKnight Brain Research Foundation were reviewed. The minutes were approved as presented (Attachment 1).

**Action Item 1: The trustees approved the minutes of the July 22 – 23, 2008 meeting as presented (Attachment 1).**

**2. Minimum Distribution Calculation**

The trustees reviewed the Minimum Distribution Calculation (Attachment 2).

**Action Item 2: The trustees received the Minimum Distribution Calculation for information (Attachment 2).**

### **3. University of Miami Miller School of Medicine update**

The trustees reviewed the status of the match to the \$5 million gift made by the MBRF in 2002 to the University of Miami and the letter from Dr. Goldschmidt dated September 8, 2008 (Attachment 3). The trustees, after discussion, agreed they are satisfied the letter confirms the University's commitment to complete the match of the gift from the MBRF. The letter reflects the MBRF understanding of the balance to be matched and how the remaining \$3.6 million will be treated in order to complete the match.

**Action Item 3: Corporate Trustee to send a letter confirming the MBRF trustees reviewed and approved the proposal for completion of the match at the October 21, 2008 meeting.**

### **4. Upcoming Dates & Events**

The next meeting will be February 17-18, 2009, at the SunTrust Bank Offices in Orlando, FL. The July 28-29, 2009 MBRF Board of Trustees Meeting was moved to August 2-4, 2009 and will be held in Orlando at the SunTrust Bank Offices. The Leadership Council Retreat will also take place during the August Meeting (Attachment 4).

**Action Item 4: The trustees received the calendar of events for information (Attachment 4).**

### **5. Society for Neuroscience Event November 17, 2008**

The trustees reviewed the final contract (Attachment 5). The event is an Evelyn F. McKnight Brain Research Foundation sponsored event for students from each of the four institutions for which the MBRF provides funding, who are attending the Annual Society for Neuroscience Meeting. The event will feature scientific poster sessions from each of the four institutions. The event will be held on November 17, 2008 at the JW Marriott Hotel on Pennsylvania Avenue in Washington, D.C. Dr. J. Lee Dockery along with Mrs. Teresa Borcheck will be the trustees in attendance at the event.

**Action Item 5: Dr. J. Lee Dockery and Mrs. Teresa Borcheck, MBRF trustees, will attend the MBRF sponsored poster session at the Annual Society for Neuroscience meeting, November 17, 2008 in Washington, D.C.**

### **6. McKnight Brain Research Foundation Travel Award Program**

After review of the initial proposal and discussion of suggested changes provided by Dr. Lee Dockery, the concept of a McKnight Brain Research Foundation Collaborative Travel Award Program was approved (Attachment 6). The proposed budget of \$100,000 over two years was tentatively approved. The trustees will ask for a revised application addressing the questions posed by them on October 6, 2008. In addition, they will inquire as to why a representative from the University of Miami was not placed on the proposed selection committee. It is anticipated that a preliminary report could be presented by the Leadership Council at the August 2009 meeting.

**Action Item 6: Dr. Lee Dockery will communicate the request to Dr. John Hablitz at UAB regarding the tentative approval of the MBRF Travel Award pending submission of a revised application which satisfactorily addresses the questions of the trustees.**

## **7. Inter-Institutional Leadership Council Retreat July 2009**

The trustees discussed the Leadership Council retreat in the summer of 2009. The trustees agreed the August 2009 trustees meeting will be on August 2-3 and will plan to add a day on either side for the retreat. Dr. Lee Dockery will provide Dr. Carol Barnes with these dates. The trustees have chosen the Grand Bohemian hotel in Orlando, FL as the location of the Leadership Council Retreat (Attachment 7).

**Action Item 7: Dr. Lee Dockery will communicate the dates and location of the Leadership Council retreat with Dr. Carol Barnes.**

## **8. Inter-Institutional Meeting April 2009**

The Inter-Institutional Meeting will be held April 21-23, 2009 at the University of Alabama at Birmingham. Participation will be determined by the MBRF representative at each institution and it is anticipated that will include many of the same individuals who attended the Arizona Inter-Institutional meeting in 2008. A save-the-date notice has been sent to the Leadership Council and they are forwarding it on to the appropriate individuals (Attachment 8). Mrs. Borcheck is working with Dr. Sweatt and the UAB team on an agenda and budget.

**Action Item 8: Mrs. Borcheck will follow up with Dr. Sweatt and the UAB team on obtaining an agenda and budget for the 2009 inter-institutional meeting.**

## **9. Investment Review**

Mr. Hill presented the investment review and key economic and investment factors for the third quarter (Attachment 9). Equity markets, both domestically and globally sold off during the period. During the period small cap value stocks generated a positive return due in part to their limited exposure to international earnings. The growth and value styles continue to wrestle for control and the volatility is likely to persist into the first part of 2009.

The main driver of the current market sell-off continues to appear to be directly related to the credit crisis and the lack of liquidity for short-term financing. Volatility has increased to historic levels as forced liquidations have depressed values of both stocks and non-government bonds.

During the quarter, exposure to international equity and was reduced and the allocation shifted into high quality large cap U.S. equities. The international bond position was hedged during the 3<sup>rd</sup> quarter by shifting from an unhedged currency for international bond holdings to a hedge currency position expecting further strength in the U.S. Dollar vs. foreign currencies.

Performance of the international equity sector for the period was negative due to the remaining international equity positions. Attribution reports show that active managers added value versus their benchmarks for the period.

With questions from the trustees on continuing to use Lehman as a benchmark, Mr. Hill assured the trustees that we do not have direct exposure to Lehman stocks or bonds. The industry as a whole has not moved away from the Lehman complex of fixed income indices and will undergo continued monitoring of the situation. However, Lehman Bros. is currently viewed as an appropriate benchmark. Trusco continues to review all client portfolios and believes the MBRF has a prudent portfolio construction and asset allocation. At this time, no strategic change in asset allocation or benchmarks is recommended.

**Action Item 9: The trustees received the Investment Review for information (Attachment 9).**

### **10. Lighthouse**

Mr. Dan Ledbetter (Product Manager, Lighthouse Partners), presented an update on the three Lighthouse funds held in the MBRF portfolio (Attachment 10). The Diversified Fund was down 10.92% through September with a cumulative rate of return of 44.31%. The Global Long Short Fund was down 10.70% through September with a cumulative rate of return of 16.02%. The Credit Opportunities Fund which was added to the MBRF portfolio in June of this year was down 10.19% through September. Mr. Ledbetter feels that this fund will provide the best opportunities going forward.

Mr. Ledbetter also discussed the effects of the current environment on the Lighthouse Funds. The well documented de-leveraging in the financial markets has negatively impacted virtually every asset class over the last 18 months. Asset prices have been significantly depressed and the financial markets have been downsized as liquidity disappeared. During this period, Lighthouse fund managers were actively reducing their leverage while putting together portfolios with high internal rates of return. This has been a good year for Lighthouse as there have been minimal redemptions. There is more liquidity at both the fund and manager fund levels, mostly due to the de-leveraging process. It is belief of the Lighthouse managers that a lot of Hedge Funds will be going out of business which should mean significantly less competition for those groups that continue.

**Action Item 10: The trustees received the Lighthouse Package for information (Attachment 10).**

### **11. Amendment to Appendix B**

The modified Appendix B was reviewed. One change was made: What is referred to as Static Benchmark #2 should be titled Target Policy Benchmark. Appendix B was approved as amended (Attachment 11).

**Action Item 11: Appendix B was approved as amended (Attachment 11).**

### **12. Update from Dr. Rich and Dr. Sweatt**

Dr. Rich provided the trustees with an update on the Evelyn F. McKnight Institute at the University of Alabama (Attachment 12). They are requesting renewed funding for the Institute, the majority of which would be endowed, to continue new initiatives and collaborative pilot projects as well as to continue to recruit new faculty. The trustees determined that a formal proposal should be submitted in order to clearly understand the need and use of funds. The discussion will continue once a written proposal is received. Dr. Lee Dockery will advise Dr. Rich that the MBRF trustees would consider reviewing a written proposal.

**Action Item 12: Dr. Lee Dockery to advise UAB to submit a more formal proposal for review.**

### **13. New Trustee Discussion**

Dr. Ellenbogen decided to withdraw the name of her previous nominee Dr. Li-Huei Tsai. Dr. Judith Salerno is the final candidate for the new trustee position. She is expected to attend the February

2009 meeting, arriving at 11:30 AM for a formal interview to be followed by lunch on February 18, 2009, at which time the trustees will have the opportunity to continue their discussions in an informal setting. The goal will be to develop a standardized set of questions. Each trustee was asked to help create two questions and submit to Mrs. Borcheck. The complete list will be circulated for review and comment. A final list of interview questions will be created and shared with the trustees prior to the meeting. The MBRF has agreed to cover all of Dr. Salerno's costs.

**Action Item 13: Dr. Dockery will provide Dr. Salerno with the details for this trip.**

**Action Item 14: Each trustee will need to submit two questions prior to the February 2009 meeting for the interview process with Dr. Salerno.**

There being no further business, the meeting adjourned at 5:00 p.m.

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

**Action Item 1: The trustees approved the minutes of the July 22 – 23, 2008 meeting as presented (Attachment 1).**

**Action Item 2: The trustees received the Minimum Distribution Calculation for information (Attachment 2).**

**Action Item 3: Corporate Trustee to send a letter confirming the MBRF trustees reviewed and approved the proposal for completion of the match at the October 21, 2008 meeting.**

**Action Item 4: The trustees received the calendar of events for information (Attachment 4).**

**Action Item 5: Dr. J. Lee Dockery and Mrs. Teresa Borcheck, MBRF trustees, will attend the MBRF sponsored poster session at the Annual Society for Neuroscience meeting, November 17, 2008 in Washington, D.C.**

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**Action Item 8: Mrs. Borcheck will follow up with Dr. Sweatt and the UAB team on obtaining an agenda and budget for the 2009 inter-institutional meeting.**

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Respectfully Submitted,



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Teresa W. Borcheck

SunTrust Bank, Corporate Trustee