

**MINUTES**  
**MCKNIGHT BRAIN RESEARCH FOUNDATION**  
**BOARD OF TRUSTEES MEETING**  
**August 3-4, 2009**

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The quarterly Trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 8:00 a.m. on August 3rd, on the 16<sup>th</sup> floor of the Lincoln Plaza Building, Orlando, Florida.

The following members were present:

Dr. John Clarkson, Trustee (via teleconference)

Dr. J. Lee Dockery, Trustee

Dr. Michael Dockery, Trustee

Dr. Nina Ellenbogen Raim, Trustee

Dr. Judith Salerno, Trustee

Mrs. Teresa Borcheck, Corporate Trustee

SunTrust Bank Institutional Investment Solutions

Others attending:

Mr. Henry H. Raattama, Jr., Legal Counsel

Mr. Michael Hill, Managing Director, SunTrust Institutional Investment Advisors

Ms. Shelly Simpson, Asset Allocation Analyst, SunTrust Institutional Investment Advisors

Mr. Dan Ledbetter, Product Manager, Lighthouse Partners

Ms. Tiffany Ahlfield, SunTrust Bank, Foundations & Endowments Specialty Practice

**1. Investment Review**

Mr. Hill presented the investment review and commented on key economic and investment factors for the second quarter (Attachment 1). Recent economic indicators have depicted a stabilizing economic environment and the Federal Open Market Committee (FOMC) stated that "the pace of economic contraction is slowing." Nevertheless, zero interest-rate policies and a long list of asset-purchase programs were extended amid the continuing concerns regarding rising unemployment, higher interest rates, surging defaults and weak retail sales.

Government budget deficits continue to be funded through large issuance of U.S. Treasuries resulting in a weaker U.S. dollar and rising interest rates. State governments also faced rising shortfalls causing investors to worry that the ultimate effect of government borrowing would be high inflation.

Global equity markets staged a powerful rally with the S&P 500 up almost 16% for the quarter. International developed equities outperformed domestic due to U.S. dollar weakness, while emerging market equities performed best as investors gravitated toward riskier asset

classes. High-yield bonds had its best quarterly performance since the 1930's while corporate bonds had its best quarter in over twenty years.

**Action Item 1: The trustees received the Investment Review for information (Attachment 1).**

## **2. Efficient Frontier**

Ms. Shelly Simpson presented the annual Asset Allocation Analysis/Strategic Allocation Solutions (SAS) update (Attachment 1). This year, the proposed adjustments to the portfolio were fairly minor as Mike Hill has already made a number of the changes that were recommended earlier in the year. With cash flows and the market's volatility, the alternatives portion has grown to over 30% of the portfolio. Therefore, it was suggested that McKnight pare back on the Long Short and Diversified Fund and sell out of REITs completely. The decision to move out of REITs is due to a combination of unattractive risk/reward characteristics and fundamentals including the economic backdrop.

It was proposed that most of the proceeds from the sales in alternatives be allocated to corporate bonds, thus increasing that asset class's weight. Corporate bonds have attractive yields and lower volatility than stocks. Therefore, they are a better value proposition in light of our view of the economic environment. Also, small additions were suggested in midcaps and large cap growth/value – these managers have shown skill in managing risk.

There was discussion on the portfolio's International weight and whether it should be higher. It was explained that much of the out performance of the international markets has come from dollar weakness as the flight to safety trade was abandoned. It's believed that international markets have more risk at this point due to the higher leverage of their financial system and the fact that their bank reviews have not been as rigorous as those in the U.S.

The changes discussed by Ms. Simpson will require changes to the Investment Policy Statement and Appendix B. Mr. Raattama and Mr. Hill will develop a revised Appendix B to the Investment Policy to reflect the changes.

### **Action Item 2:**

**A. The trustees unanimously approved the recommended changes to the asset classes and the allocations in the MBRF Portfolio.**

**B. Mr. Raattama and Mr. Hill will develop a revised Appendix B and Investment Policy to reflect the changes.**

## **3. Lighthouse Partners**

Mr. Ledbetter presented an update on the three Lighthouse funds held in the MBRF portfolio (Attachment 2). The Diversified Fund is currently using the least amount of leverage since inception and was up 8.51% through June, with a cumulative rate of return of 36.13% since May of 2002. The Global Long Short Fund was up 5.13% through June with a cumulative rate of return of 18.75% since October of 2005. This fund managed to do well amid continuing

market volatility and was able to find attractive investment opportunities in select market sectors by utilizing their long short strategy. The Credit Opportunities Fund, which was added to the MBRF portfolio in June 2008, was up 4.68% for the year with a negative cumulative rate of return of 27.76%. There are hopes that liquidity, mostly due to the de-leveraging process, will improve enough to return positive results in a normalizing market.

**Action Item 3: The trustees received the Lighthouse Presentation for information (Attachment 2).**

#### **4. Approval of Minutes**

The minutes of the April 21-23, 2009 meeting of the McKnight Brain Research Foundation were reviewed. The minutes were approved as presented (Attachment 3).

**Action Item 4: The trustees approved the minutes of the April 21-23, 2009 meeting as presented (Attachment 3).**

#### **5. Minimum Distribution Calculation**

The trustees reviewed the projected Minimum Distribution Calculation for information (Attachment 4).

**Action Item 5: The trustees received the projected Minimum Distribution Calculation for information (Attachment 4).**

#### **6. Annual Society for Neuroscience**

The trustees reviewed a proposal from the Evelyn F. McKnight Brain Institute at the University of Alabama in Birmingham and agreed to sponsor the scientific poster/reception at the Tier 3 level for \$13,942 (Attachment 5) in conjunction with the Annual Meeting of the Society for Neuroscience. The event is a MBRF sponsored event for graduate students and faculty who will be attending the meeting from each of the four institutions to which the MBRF provides funding. The trustees are invited to attend the event, which will be held on Sunday, October 18, 2009 from 6:30-8:30pm at the Hyatt Regency Chicago Ballroom in Chicago, IL and will feature scientific poster displays from each of the four institutions. Dr. J. Lee Dockery along with Mrs. Teresa Borcheck will be the trustees in attendance at the event. If other trustees plan to attend, they were requested to notify the corporate trustee so that hotel and travel arrangement can be made.

**Action 6: The trustees approved the proposal from the Evelyn F. McKnight Brain Institute at the University of Alabama in Birmingham and agreed to sponsor the scientific poster/reception at the Tier 3 level for \$13,942 (Attachment 5) in conjunction with the Annual Meeting of the Society for Neuroscience, October 18, 2009.**

## **7. Trustees' Board Meeting October 20 - 21, 2009**

On Tuesday, October 20th, the Board Meeting will be held from 12:00-6:00pm. Mrs. Borcheck has contacted the Hilton Conference Center in Gainesville and reserved rooms and meeting space. A scientific program for the trustees will be held at the Evelyn F. and William L. McKnight Brain Institute of the University of Florida on October 21 from 8:00-1:00pm. Dr Marco Pahor, the Program Coordinator for the Cognitive Aging and Memory Clinical Translational Research Program (CAM-CTRP) and Dr. Thomas Foster, the Evelyn F. McKnight Chair of Age Related Memory Loss, at the University of Florida are in charge of the scientific program. Mrs. Borcheck will coordinate with Dr. Pahor and Dr. Foster on the details for the events on October 21st.

**Action Item 7: Mrs. Borcheck will continue to work with appropriate individuals at the Hilton Hotel and at the University of Florida to coordinate specific details for the trustees' meeting on October 20-21, in Gainesville, FL.**

## **8. Trustees' meeting and the Inter-Institutional Meeting April 28-30, 2010**

The Board of trustees will meet in conjunction with the Inter-Institutional Meeting April 28-30, 2010, in Gainesville, FL. The trustees will meet at the Hilton hotel from 12:00-5:00pm on April 28, 2010. The 2010 MBRF Inter-Institutional Meeting will be held at the University of Florida April 28, 29 and 30, 2010. The meeting will begin with a reception on the evening of April 28th and conclude by noon on April 30, 2010. Mrs. Borcheck has been in contact with the Hilton Conference Center in Gainesville and has tentatively reserved 80 rooms, the meeting space and has begun discussing food options for the receptions and dinners. She will continue to work directly with Dr. Tom Foster to coordinate further meeting arrangements.

**Action Item 8: Mrs. Borcheck will work directly with individuals at the Hilton Hotel and Dr. Thomas Foster to coordinate the meeting arrangements for the April 28-30, 2010, Trustees' and Inter-Institutional Meetings at the University of Florida.**

## **9. Inter-Institutional Meeting Actual Costs**

Mrs. Borcheck presented the trustees with the spreadsheet of the costs for the two previous Inter-Institutional Meetings for information (Attachment 6).

## **10. Cognitive Aging Summit II**

The trustees reviewed the Budget and Letter of Agreement (LOA) (Attachment 7) proposed by the Foundation for the National Institutes on Health (FNIH) to hold a second Cognitive Aging Summit, an invitational national scientific program on cognitive aging and age related memory loss to be held in Washington, DC in October 2010. The MBRF approved the LOA as amended and agreed to provide funding at a maximum of \$215,783.79. The National Institute on Aging (NIA) has committed \$37,572.40 toward the Summit and will also organize and fund a planning meeting for the Summit. Any additional funds that FNIH may receive to support the Summit from any other sponsor(s) approved by the MBRF, will be applied toward the \$215,783.79. Upon execution of the agreement, the MBRF has agreed to transfer the FNIH

\$70,000 initially. Within 60 days after completion of the Summit, the FNIH will forward to MBRF a final expense report showing actual versus estimated expenses, as well as funding provided by NIA and other sponsor(s), if any, and the balance of funds needed from MBRF to complete the payment of the agreed upon costs of the Summit. Within 30 days of receipt of the final expense report, MBRF will transfer payment of any balance due for its obligated share of any the remaining costs of the Summit to FNIH.

**Action Item 9:**

**A. The trustees approved the Budget and Letter of Agreement (Attachment 7) proposed by the Foundation for the National Institutes on Health (FNIH) as amended. The MBRF has agreed to provide funding at a maximum of \$215,783.79.**

**B. Dr. J. Lee Dockery will contact Julie Wolff-Rodda with the updated Letter of Agreement and Budget.**

**C. Mrs. Borcheck will send the initial \$70,000 to the FNIH September 1, 2009.**

**D. Dr. L. Dockery and Mrs. Borcheck will continue to work with Ms. Julie Wolf-Rodda and Mr. Richard Scarfo of the Foundation for the National Institutes of Health (FNIH) on further details such as the budget and program format of Cognitive Aging Summit II.**

**11. The Scripps Research Institute**

The proposal from the Scripps Research Institute was reviewed and it was decided that the trustees are not currently able to consider the program because it doesn't match funding criteria and because of prior grant commitments through 2013. Mrs. Borcheck will send the Scripps Research Institute a letter with the trustees' decision to decline funding the proposal.

**Action Item 10: Mrs. Borcheck will send the Scripps Research Institute a letter with the trustees' decision to decline funding the proposal (Attachment 8).**

**12. John Hopkins University**

The proposal to the MBRF for research funds from John Hopkins University was reviewed and it was decided that the trustees are not currently able to consider the proposal because of prior grant commitments through 2013, and will be unable to reconsider the proposal prior to that time. Mrs. Borcheck will send John Hopkins University a letter with the trustees' decision to decline funding the proposal.

**Action Item 11: Mrs. Borcheck will send John Hopkins University a letter with the trustees' decision to decline funding the proposal (Attachment 9).**

**13. University of Florida Gift Agreement Modification**

Dr. J. Lee Dockery reported that he has had several conversations with Dr. David S. Guzick, the newly appointed Senior Vice President for Health Affairs and President of the University of Florida and the Shands Health System, concerning the MBRF's Gift Agreement with the University of Florida. Dr. Dockery shared with the trustees the copy of an e-mail from Dr.

Guzick, and confirmed in a telephone conversation, in which he expressed his intent for the University of Florida to comply with the Purpose of the MBRF gift and pledged to work cooperative with the trustees to comply with the conditions of the McKnight gift in providing research support for age related memory loss intended for clinical application. Dr. Guzick will meet with the trustees personally at their scheduled meeting in Gainesville on October 20-21, 2009.

#### **14. University of Alabama (UAB) New Gift Agreement**

Mr. Raattama presented the Trustees with copies signed by the representatives of the UAB the final amended and restated Gift Agreement with the University of Alabama (Attachment 10). A Copy of the final agreement was previously distributed to the trustees for review and approval via email. Four copies of the agreement were signed and Mrs. Borcheck will transmit the signed agreements to the University of Alabama.

#### **Action Item 12:**

**A. The trustees signed copies of the final amended and restated Gift Agreement with the University of Alabama (Attachment 10)**

**B. Mrs. Borcheck will transmit the signed amended and restated Gift Agreement to the University of Alabama (Attachment 10).**

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

Mrs. Borcheck reported that Dr. Marsha Penner (University of Arizona) has been the only person to receive an award and that there were no further updates on the program.

#### **16. Leadership Council**

The Trustees met with the members of the Leadership council and engaged in a discussion regarding ways in which the interaction and collaboration between the research scientists in each of the McKnight supported institutions could be improved. The written report from the leadership council was received for information (Attachment 11).

**Action Item 13: The trustees received the Leadership Council's report for information (Attachment 11).**

There being no further business, the meeting adjourned at 4:30 p.m.

## **Summary of Action Items:**

**Action Item 1: The trustees received the Investment Review for information (Attachment 1).**

### **Action Item 2:**

**A. The trustees unanimously approved the recommended changes to the asset classes and the allocations in the MBRF Portfolio.**

**B. Mr. Raattama and Mr. Hill will develop a revised Appendix B and Investment Policy to reflect the changes.**

**Action Item 3: The trustees received the Lighthouse Presentation for information (Attachment 2).**

**Action Item 4: The trustees approved the minutes of the April 21-23, 2009 meeting as presented (Attachment 3).**

**Action Item 5: The trustees received the projected Minimum Distribution Calculation for information (Attachment 4).**

**Action 6: The trustees approved the proposal from the Evelyn F. McKnight Brain Institute at the University of Alabama in Birmingham and agreed to sponsor the scientific poster/reception at the Tier 3 level for \$13,942 (Attachment 5) in conjunction with the Annual Meeting of the Society for Neuroscience, October 18, 2009.**

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**B. Dr. J. Lee Dockery will contact Julie Wolff-Rodda with the updated Letter of Agreement and Budget.**

**C. Mrs. Borcheck will send the initial \$70,000 to the FNIH September 1, 2009.**

**D. Dr. L. Dockery and Mrs. Borcheck will continue to work with Ms. Julie Wolff-Rodda and Mr. Richard Scarfo of the Foundation for the National Institutes of**

**Health (FNIH) on further details such as the budget and program format of Cognitive Aging Summit II.**

**Action Item 10: Mrs. Borcheck will send the Scripps Research Institute a letter with the trustees' decision to decline (Attachment 8).**

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Respectfully Submitted,



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Teresa W. Borcheck  
SunTrust Bank, Corporate Trustee