

MINUTES
MCKNIGHT BRAIN RESEARCH FOUNDATION
BOARD OF TRUSTEES MEETING
April 28-30, 2010

April 28, 2010

The quarterly Trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 12:00 p.m. on April 28th in Gainesville, Florida, in the boardroom of The Hilton University of Florida Conference Center.

The following members were present:

Dr. John Clarkson, Trustee
Dr. J. Lee 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. Nicole D'Alessandro, SunTrust Bank, Foundation & Endowments Specialty Practice
Mr. Paul Robell, Vice President, Development and Alumni Affairs, University of Florida

1. Investment Review

Mr. Mike Hill presented the Investment Review and commented on key economic and investment factors for the first quarter (Attachment 1). Employment and housing continue as key indicators of the US economic recovery. Although overall unemployment remains high, new jobless claims are lower and leading indicators show progress. Demand for housing remains tepid while home prices appear to be stabilizing. Domestic equity markets ended the first quarter of 2010 with solid gains, while international equity returns were more modest.

Asset classes and sectors exhibited a wide range of returns in the first quarter 2010. Equities and credit securities rallied during the quarter. Real Estate Investment Trusts (REITs) and smaller-cap stocks posted the largest gains. The macro economic environment currently favors corporate profit growth and momentum appears to be accelerating. As fundamentals improve there is a positive outlook on equities. Consumer spending for the first quarter was responsible for 70% of the GDP and has a substantial impact on the economy. With net worth rebounding due to stock market gains and stabilizing house prices, consumer sentiment is rising.

The Federal Reserve has signaled to the markets that its exit strategy from easy monetary policy may be closer as it increased the discount rate and ended its mortgage-backed securities purchase program. It is expected that the unallocated stimulus funds will contribute to economic growth in 2010 and for interest rates to remain relatively low. While it is believed that the US stock market gains will eventually be moderated by an impending decrease in government stimulus, continued top line-growth, pent up demand in capital expenditures and positive guidance could drive a continued rally into the summer. Mr. Hill then reviewed the MBRF portfolio composition, relative performance and performance attribution analysis for the 3 month period ending March 31, 2010. There were no recommended changes to the investment policy or asset allocation within the portfolio.

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

2. Approval of Minutes

The minutes of the February 2-3, 2010 meeting of the McKnight Brain Research Foundation were reviewed. The minutes were approved as amended (Attachment 2).

Action Item 2: The trustees approved the minutes of the February 2-3, 2010 meeting as amended (Attachment 2).

3. Corporate Trustee Management Fees

Mrs. Borcheck presented a review of the SunTrust Foundations & Endowment Services, a fee analysis and discussed the existing fee schedule for the MBRF which went into effect July 1, 2007, and was guaranteed for three years (Attachment 3). Based on this fee schedule, all individually managed assets and outside mutual funds are charged a flat percentage of 30 basis points, exclusive of the RidgeWorth Funds and Lighthouse funds which are charged at fund level. Mrs. Borcheck indicated SunTrust is recommending no changes be made to the Trustee/Asset Management fee schedule. SunTrust, as Corporate Trustee, has proposed the same fee schedule for the next three years, to begin July 1, 2010 and remain in effect until July 1, 2013.

In executive session among the individual Trustees, the Trustees accepted the fee schedule as presented, effective July 1, 2010-July 1, 2013, and approved the retention of SunTrust as the Corporate Trustee. Mrs. Borcheck will confirm the commitment of the management fee schedule by SunTrust in writing to each of the trustees with a copy to Mr. Raattama.

Action Item 3: In executive session among the individual Trustees, the Trustees accepted the fee schedule as presented, effective July 1, 2010-July 1, 2013, and approved the retention of SunTrust as the Corporate Trustee.

Action Item 4: Mrs. Borcheck will confirm the commitment of the management fee schedule by SunTrust in writing to each of the trustees with a copy to Mr. Raattama.

4. Tax Issues

Mrs. Borcheck addressed the Board regarding the issues with the 990-T for the Foundation and gave an update from Batts, Morrison, Wales & Lee, PA:

1. Amended Forms 990-T for the 2005 (6/30/06), 2006 (6/30/07) and 2007 (6/30/08) tax years to correct errors on originally filed returns.

Batts, Morrison, Wales & Lee, PA determined that the returns for the above-mentioned tax years should be amended as follows:

- To report charitable contributions made by the Foundation in those years, which were not reported on the originally filed returns; and
- To report taxable capital gains, which in returns for two years had been reported as ordinary income, and in the third year were not split between short-term and long-term capital gains. (This correction will result in a more favorable capital gains rates being applied to a portion of the taxable income, resulting in a lower overall tax due than what had been reported on the originally filed returns.)

Batts, Morrison, Wales & Lee, PA further determined that the 2004 (6/30/05) Form 990-T cannot be amended to correct these types of errors due to the expiration of the statute of limitations for that year.

Based on preliminary calculations, the Foundation will be entitled to a refund of approximately \$85,000 for the 3 tax years being amended.

2. Preparation of 2008 (6/30/09) Form 990-PF and Form 990-T

Batts, Morrison, Wales & Lee, PA is in the process of completing these returns. The final filing deadline for the returns is May 17th.

3. Possible requirement to file state income tax returns

Batts, Morrison, Wales & Lee, PA is in the process of completing their research regarding whether the Foundation is required to file state income tax returns in connection with the federal Unrelated Business Taxable Income (UBTI) generated by the Foundation. If it is determined that state returns are required to be filed in Florida

to report all UBTI of the Foundation, the taxes due in connection with the filing of the required returns would amount to approximately \$25,000 plus penalties and interest.

4. IRS notices related to prior tax years

Batts, Morrison, Wales & Lee, PA is in the process of completing their analysis of the various IRS notices received by the Foundation and whether the IRS refund check in the amount of \$14,241.49 currently being held by the Foundation should be deposited. Preliminary research indicates that this refund is being generated in connection with the 2005 (6/30/06) Form 990-T, which is a year in which the tax was computed incorrectly on the originally filed return. The IRS recomputed the tax due and then applied a portion of an estimated tax payment made by the Foundation related to the 2008 (6/30/09) tax year to cover the additional tax due. In addition, it appears that the IRS has applied a payment made in November 2006 to the 6/30/06 Form 990-T which was not reported on the originally filed Form 990-T. The combination of these factors appears to have created an overpayment for the 6/30/06 year, which the IRS has refunded. Batts, Morrison, Wales & Lee, PA will advise the Foundation as to how the refund check should be handled when their research is complete regarding this issue.

5. 990-T for the 2002 (6/30/03) and 2003 (6/30/04) tax years

Mrs. Borcheck reported that these returns were never completed by KPMG. They are currently being done and will be sent to Mrs. Borcheck for review. Mrs. Borcheck provided details regarding the cover letter that will accompany the returns and areas of concern. She will work with Mr. Raattama on the letter which will come from the MBRF or Mr. Raattama on behalf of the MBRF.

The Trustees also asked Mrs. Borcheck to have Batts, Morrison, Wales & Lee, PA review the 2002 & 2003 990-T for accuracy prior to mailing.

Action Item 5: Batts, Morrison, Wales & Lee, PA will advise the Foundation as to how the refund check from the Internal Revenue Service should be handled when their research is complete regarding this issue.

Action Item 6: Mr. Raattama, in collaboration with Mrs. Borcheck, will draft the cover letter from the MBRF to the IRS regarding the unfiled 990-T's for 2002 & 2003.

Action Item 7: Mrs. Borcheck will request Batts, Morrison, Wales & Lee, PA review the 2002 & 2003 990-T for accuracy prior to mailing.

5. University of Florida Investment Corporation

Mr. Paul Robell, Vice President, Development and Alumni Affairs, presented the University of Florida Foundation's (UFF) Quarterly Report (Attachment 4). Mr. Robell reviewed the Investment Objective and Performance Goals for the Endowment Pool, which is to provide a target net, annual real return of 5.3% (nominal return 8.3%). The UFF Endowment Pool gained 2.5% for the quarter ended March 31, 2010, trailing the Policy Benchmark of 4.3% and the 70/30 (domestic stock/bonds) Benchmark of 4.8%. Mr. Robell then reviewed the Investment Objective and Performance Goals for the Non-endowment Pool, which is to achieve a total rate of return equal to UFF's Non-endowed overhead fee, currently 2.0%, on an annual basis. There was a 0.28% return for the quarter ended March 31, 2010 as compared to a Policy Benchmark of 0.18% and a nominal return benchmark of 0.5%. The University of Florida Investment Corporation (UFIC) continues to reduce the Non-endowed Pool's Hedged Strategies allocation in accordance with the UF Foundation's desire to lower the portfolio's risk and increase its liquidity. Mr. Robell is retiring after 23 years with the UFF as the Vice President, Development and Alumni Affairs. It was through Mr. Robell's efforts that the gift from the MBRF was able to receive the state matching funds which doubled the value of the gift in support of the research in age related memory and the naming of the Evelyn F. and William L. McKnight Brain Institute at the University of Florida. The trustees thanked Mr. Robell for his enduring support and interest in the MBRF activities at the University of Florida and wished him well in his retirement.

6. Minimum Distribution Calculation

The trustee reviewed and received the projected Minimum Distribution Calculation for the MBRF for information (Attachment 5).

Action Item 8: The trustees reviewed and received the projected Minimum Distribution Calculation for the MBRF for information (Attachment 5).

7. Trustees' Board Meeting August 10-11, 2010

The trustees have agreed to hold the August meeting of the MBRF on August 10-11, 2010 in Orlando, FL. The trustees will arrive on the morning of August 10, 2010 and meet in the afternoon, beginning with lunch at 12:00 noon. The trustees' meeting will continue in the morning of August 11, 2010, to review and update the strategic plan of the MBRF with Mr. Robert Moser (Chief Client Service Officer and President, Laird Norton Tyee). The meeting on Wednesday, August 11, 2010, will adjourn at 1:00 pm.

8. Cognitive Aging Summit II

The Second Cognitive Aging Summit will be held on October 3-5, 2010 at the JW Marriott in Washington, DC. The trustees will arrive on the morning of October 3, 2010 and meet in the afternoon, beginning with lunch at 12:00. The Board meeting will begin immediately following lunch. The Summit will begin the morning of October 4, 2010 running through lunch on October 5, 2010. An executive session involving the program participants, the trustees and

the respective staff from the National Institute on Aging (NIA) and the Foundation for the National Institutes of Health (FNIH) will be held in the afternoon of October 5, 2010.

Dr. J. Lee Dockery presented the preliminary agenda for the Summit and suggested adding titles and institutional affiliations to the agenda. The trustees agreed and Dr. J. Lee Dockery will contact Julie Wolf-Rodda at the FNIH to make the suggested revisions to the preliminary agenda of the Summit.

The trustees have also been notified by Ms. Molly Wagster, chief of the Neurobiology Section of the NIA and program coordinator for the Summit, that the reports from the grant recipients awarded through the Research Partnership on Cognitive Aging between the MBRF and the NIA will be reviewed on October 6, 2010 and the trustees are invited and encouraged to attend.

Action Item 9: Dr. J. Lee Dockery will contact Julie Wolf-Rodda at the FNIH to make the suggested revisions to the preliminary agenda of the Summit.

9. University of Arizona

The trustees discussed the board meeting that will be held October 25-26, 2010 in Tucson, AZ in conjunction with a site visit at the University of Arizona. The site visit, hosted by Dr. Carol Barnes, will take place on the afternoon of Monday, October 25th followed up with dinner and a recap that evening. The board meeting will begin the morning of October 26th and conclude not later than 12:00 noon.

10. Society for Neuroscience 2010 McKnight Poster Session

The event is a MBRF sponsored and hosted 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, November 14, 2010 from 6:30-8:30 pm at the San Diego Marriott Ballroom in San Diego, CA and will feature scientific poster displays from each of the four institutions.

11. University of Miami Gift Agreement

Dr. J. Lee Dockery and Mrs. Borcheck advised the Trustees that Marsha Kegley and Susan Fox-Rossellini joined them in Gainesville on Friday, March 19, 2010 for a tour of the William L. & Evelyn F. McKnight Brain Institute and lunch. Ms. Kegley and Ms. Fox-Rossellini reviewed a previous conversation with the MBRF Trustees regarding the naming of the Evelyn F. McKnight Center at the University of Miami, and questioned if the Miami Center should it be designated an Institute, consistent with the designation at the other MBRF funded institutions.

Mrs. Borcheck reported she received an e-mail from Ms. Fox-Rossellini earlier that day confirming the University of Miami would prefer using "Institute" vs. "Center" and will begin the necessary internal paperwork to gain approval for that change.

Mrs. Borcheck also advised that there is still some confusion at the University of Miami regarding the spendable dollars for the Center from the unfunded (unmatched) portion of the endowment. She is working with Ms. Rossellini-Fox on some proposed language to clarify the formula to be used and will circulate updates to the Trustees and Mr. Raattama.

Action Item 10: The trustees approved the University of Miami's request to begin the necessary internal paperwork to gain approval by the University of Miami for the change from the Evelyn F. McKnight Center for Age Related Memory Loss to the Evelyn F. McKnight Brain Institute at the University of Miami.

Action Item 11: Mrs. Borcheck will continue working with Ms. Fox- Rossellini on proposed language to clarify the formula to be used for disbursement of spendable income for the Center from the unmatched portion of the gift and will circulate updates to the Trustees and Mr. Raattama.

12. The Michael A. Cusanovich Endowment Fund

The Trustees discussed making a donation in memory of Dr. Michael A. Cusanovich, a Regents' Professor and a vocal advocate for advancing biotechnology research and economic development at the University of Arizona. The Trustees agreed to make a \$100 donation to The Michael A. Cusanovich Endowment Fund on behalf of the Foundation.

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: The trustees approved the minutes of the February 2-3, 2010 meeting as amended (Attachment 2).

Action Item 3: In executive session among the individual Trustees, the Trustees accepted the fee schedule as presented, effective July 1, 2010-July 1, 2013, and approved the retention of SunTrust as the Corporate Trustee.

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Respectfully Submitted,



Teresa W. Borcheck
SunTrust Bank, Corporate Trustee