MINUTES
MCKNIGHT BRAIN RESEARCH FOUNDATION
BOARD OF TRUSTEES MEETING
August 10-11, 2010

August 10, 2010
The quarterly Trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 12:30 p.m. on August 10, 2010 on the 16th floor of the Lincoln Plaza Building, Orlando, Florida.

The following members were present:

Dr. John Clarkson, Trustee
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
Mr. Dan Ledbetter, Product Manager, Lighthouse Partners
Ms. Tiffany Ahlfield, SunTrust Bank, Foundation & Endowments Specialty Practice
Mr. Mike Batts, CPA, Batts, Morrison, Wales & Lee, P.A.
Ms. Michele Wales, CPA, Batts, Morrison, Wales & Lee, P.A.

Via teleconference:

Ms. Shelly Simpson, Asset Allocation Analyst, SunTrust Institutional Investment Advisors
Mr. Harry B. Leggat, Associate Director of Private Markets, Hammond Associates
Mr. Michael LeVar, Co-Director of Hedge Funds, Hammond Associates

1. Approval of Minutes
The minutes of the April 28, 2010 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 April 28, 2010 meeting as presented (Attachment 1).

2. Investment Review
Mr. Hill presented the investment review and commented on key economic and investment factors for the second quarter (Attachment 2). Equities continued to rally through most of

April as companies reported strong first quarter earnings and economic data was above expectations. In just two months, however, those gains were erased as new concerns arose over Europe's debt crisis and slowing US economic activity arose. Consequently, the fear of the euro zone fiscal crisis spreading to the rest of the globe caused stocks to correct sharply. Mr. Hill stated the European fiscal crisis will not be resolved quickly; however, it is believed it will only moderately affect growth in the US.

The decline in equities has been greater than the marginal weakening in fundamentals and the slight equity overweight and moderately positive investment outlook remains unchanged. The drivers of corporate profits all remain in place. Corporate balance sheets are flush with cash, rates are low, and the yield curve steep. Inflation should remain low, affording the Federal Reserve Board with flexibility on monetary policy. The zero interest rate policy will likely remain in place for several more quarters.

Sluggish bank lending appears to be holding back the recovery in the small business and services sectors. Passage of the financial services regulatory reform bill will ease, but not alleviate the regulatory and tax policy uncertainty which we believe is also impeding the recovery. The problems in Europe have provided an important alert for other countries to get their fiscal houses in order, a longer term positive effect.

Action Item 2: The trustees received the Investment Review for information (Attachment 2).

3. Efficient Frontier

Ms. Shelly Simpson presented the annual Asset Allocation Analysis/Strategic Allocation Solutions (SAS) update. Ms. Simpson explained to the Trustees that the capital market assumptions for various bond and stock indexes, as well as non-traditional asset classes, are below last year's estimated returns. This is because equity markets generally post a substantial rebound the year after a market crash, then contract over the next 3-5 years; therefore, equity returns are expected to be below their historical averages over the next 3-5 years. The same is also true for bonds since the assumption would include the currently low yields and slowly rising rates in the future. Mid-cap and small-cap stocks have slightly higher returns mostly due to an M&A (mergers and acquisitions) premium as companies look for ways to take market share and create synergies. International developed equities have had a higher return than domestic. The difference is mostly due to U.S. dollar weakness, although most advanced economies are hampered by high debt to Gross Domestic Product (GDP) and huge deficit spending. Emerging markets economies, especially in Asia and Latin America, look much more attractive in terms of economic growth and in terms of their debt to GDP ratios.

Ms. Simpson then discussed how the estimated investment return work is factored into the proposed portfolio. First, the overall portfolio returns are lower than the current portfolio. Again, the markets were up strongly last year, while this year the markets have been more volatile. In the proposed portfolio, overall cash is taken down, the alternatives sector is reduced and the funds have been moved into private equities. The fixed income portion remains the same.

The current international bond allocation is transferred moved over to core fixed income. Large cap stock allocations will remain about the same as in the current portfolio. For the Mid-Cap sector, Russell Mid-Cap Growth has been added to the proposed portfolio. This area could continue to be an attractive place for investment in light of continued mergers and acquisitions activity. The Small-Cap equity allocation remains the same. In the international equities sector, both developed markets and emerging markets have been added, but emerging markets is the more attractive asset class. U.S. domestic equities have outperformed the developed equity markets over the last year by a wide margin and also over the last three years. Therefore, the fund has benefited from the lower weight in developed equity markets (as measured by MSCI EAFE Index). To hedge the probabilities, it is proposed that 2% of the portfolio be added to the international developed position. The allocation to Emerging Markets has been raised by 2.5%. This asset class has the best return potential out of all the asset classes, although it can be volatile.

In the Alternatives section, investments in Real Estate Investment Trusts (REITs) were removed from the portfolio last year since there were concerns over commercial real estate mortgages and the amount of debt that would need to be rolled over. Currently, valuations for REITs are extremely high and other more attractive investment opportunities exist in funding a private equity position. For the hedge fund positions, the Lighthouse L/S fund is still favored for performance and liquidity reasons.

Mr. Hill also discussed selling the Lighthouse Credit Opportunities fund, taking advantage of its good performance over the last year, and funding a diversified hedge fund allocation by possibly using Hammond's hedge fund of funds. He also proposed reducing Lighthouse's Diversified fund by half to fund a private equity position, possibly using Hammond's private equity fund of funds. Hammond's hedge fund of funds would give the portfolio more diversification in terms of managers, although the withdrawal terms appear to be stricter than Lighthouse's. Private equity was added to provide the fund with a higher return potential in order to meet funding goals and objectives over time. The private equity investment, however, would require funding over time. Therefore, completing a fully funded position could take a number of years since the portfolio would benefit by vintage diversity – which would mean that funding would be split among a series of "private equity funds" over several years.

Action Item 3: The trustees unanimously approved the recommended changes to the asset classes and the allocations in the MBRF Portfolio.

<u>4. Lighthouse Partners</u>

Mr. Ledbetter presented an update on the three Lighthouse funds held in the MBRF portfolio. The Diversified Fund is currently using the least amount of leverage since inception and was down .31% through June, with a cumulative rate of return of 46.99% since May of 2002. The

Global Long Short Fund was down 1.39% through June with a cumulative rate of return of 22.70% 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 3.58% for the year with a negative cumulative rate of return of 13.94%.

Action Item 4: The trustees received the Lighthouse presentation for information.

5. Hammond Associates

Mr. Harry Leggat, Associate Director of Private Markets and Mr. Michael LeVar, Co-Director of Hedge Funds from Hammond Associates gave an overview of their private equity offering via teleconference.

Action Item 5: The trustees received the Hammond Associates presentation for information (Attachment 3).

6. Investment Policy Review

After the investment review, a discussion of the recommendations of the Efficient Frontier analysis, Lighthouse Partners and teleconference with representatives from Hammond Associates, the Amended and Restated Investment Policy was reviewed and several changes were made as follows:

-Page 7-Appendix A

-The 3.5% Allowance for Inflation should be changed to 3.1%.

-Page 8-Appendix B

-Large Cap Equity should be changed to 37.1%
-Mid Cap Equity should be changed to 7.1%
-Small Cap Equity should be changed to 4.8%
-International Equity should be changed to 15.6%
-Hedge Funds should be changed to 20%
-Private Equity should be changed to 5%
-Fixed Income should be changed to 9.4%
-Cash should be changed to 1%

The Amended and Restated Investment Policy Statement was approved as amended (Attachment 4).

Action Item 6: The Amended and Restated Investment Policy Statement was approved as amended (Attachment 4).

7. Tax Update

Mr. Mike Batts and Ms. Michele Wales from Batts, Morrison, Wales & Lee, P.A. met with the Trustees to provide them with an update on their progress (Attachment 5):

1. Summary of services provided by BMWL to date
   a) Analysis of IRS notices received for multiple years related to Forms 990-PF and 990-T confirmed that IRS properly refunded approximately $14,000 to MBRF.
   b) Preparation of Form 990-PF and Form 990-T for the FYE 6/30/2009.
   c) Amendment of prior years' Forms 990-T to claim 50% charitable contribution deduction and to correct reporting of long-term capital gains, which are taxed at lower rates.
      i. 6/30/2006 and 6/30/2008 amendments have been filed - resulting in refund claims totaling approximately $37,000
      ii. 6/30/2007 year to be filed (after research completed on potential net operating loss carry back discussed further below) - resulting in a refund claim of approximately $50,000.
   d) Identified Form 990-T filing requirement for 6/30/2003 and 6/30/2004 tax years, which were subsequently prepared by KPMG at the instruction of SunTrust.

2. Items still in process by BMWL
   a) Potential carry back of net operating loss in 6/30/2009 tax year arising from partnership investments - potential additional refunds of approximately $28,000
      i. Research regarding passive activity loss limitations in progress
   b) State tax return filing requirements - initial research indicates that a Florida return, and possibly other state returns, should be filed in connection with Forms 990-T filed by MBRF. Pending additional information from partnership regarding state activity for 6/30/2009 year.

3. Opportunity area - Classification of MBRF as a supporting organization

Mr. Batts explained that by being classified as a supporting organization, the MBRF would be exempt from paying the 2 percent excise tax on net investment income reported on the Form 990-PF. This could potentially save the Foundation up to $60,000 per year.

The Trustees advised Mr. Batts to continue further research in coordination with the corporate trustee (Teresa Borcheck) and MBRF legal counsel (Henry H. Raattama, Jr.) to determine the whether the MBRF would be eligible for classification as a "support organization" and the ramifications of doing so.

8. Minimum Distribution Calculation

The trustees reviewed the projected Minimum Distribution Calculation for information (Attachment 6).

9. Grant Inquiries-Medical College of Georgia

The proposal submitted by Ricardo Azziz from the Medical College of Georgia was reviewed and it was decided that the trustees are not currently able to consider the program because of prior grant commitments through 2013. Mrs. Borcheck will send the Medical College of Georgia a letter congratulating Dr. Joe Tsien and his team on their advancements, as well as inform them of the trustees' decision to decline funding the proposal.

Action Item 7: Mrs. Borcheck will send the Medical College of Georgia a letter with the trustees' decision to decline funding the proposal (Attachment 7).

10. 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. 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.

Dr. J. Lee Dockery provided the agenda and an update on the status of the arrangements for Summit. He informed the trustees that flash drives will be used in place of binders in an effort to use a more agile, electronic approach to sharing the speakers PowerPoint presentations. The suggestion was made to have the wording, "McKnight Brain Research Foundation" imprinted on each of the flash drives. The trustees also thought the idea of posting the slides on the FNIH web site with a link to the MBRF web site would be beneficial and hope it will be possible without violating the 508 compliance requirements of the NIA.

Action Item 8: Dr. J. Lee Dockery will contact Julie Wolf-Rodda at the FNIH to finalize the arrangements for the Cognitive Aging summit II.

11. 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 begin at 1:00 PM on the afternoon of Monday, October 25^{th} followed up with a reception and dinner and continued discussions that evening. The board meeting will begin the morning of October 26th and conclude not later than 12:00 noon.

12. 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.

13. University of Miami Gift Agreement

Mrs. Borcheck and Mr. Raattama advised the Trustees 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. Mr. Raattama and Mrs. Borcheck will continue to work with the University to resolve the issue.

Action Item 9: Mr. Raattama and Mrs. Borcheck will continue to work with the University of Miami (UM) to resolve the understanding and the commitment by the University of Miami regarding the investment return and spendable dollars for the unmatched portion of the MBRF gift to the University of Miami.

14. MBRF Endowment to University of Alabama (UAB)

The MBRF Trustees discussed the second of five $1,000,000 payments, plus the second and last payment of $500,000 for operational costs by the MBRF, due on October 1, 2010, to fund the MBRF Endowment to the UAB. The trustees unanimously agreed to make the second payment on schedule. Mrs. Borcheck will prepare a letter notifying Dr. Shirley Salloway Kahn, vice president for development, alumni and external relations at the UAB of the MBRF's intentions to make the second payment on schedule (Attachment 8).

Action Item 10: Mrs. Borcheck will prepare a letter notifying Dr. Shirley Salloway Kahn, vice president for development, alumni and external relations at the UAB of the MBRF's intentions to make the second payment on schedule (Attachment 8).

15. Tag Line to Accompany the MBRF Logo

The trustees reviewed a list of suggested tag lines suggested by a faculty member at the University of Miami to be printed in conjunction with the MBRF logo (Attachment 9). Each of the trustees submitted votes for their first three choices and requested Ms. Borcheck and Ms. Ahlfield to perform and informal survey among the SunTrust employees to determine a favorite tag line among individuals representing the Public.

Examples: McKnight Brain Research Foundation, *Preserving Memory Through Research.* Or: *Preserving Memory, Enhancing Life* **General Electric**: *"We light up your life."*

Action Item 11: The Corporate trustee will tabulate the choices of the trustees for a tag line to accompany the MBRF logo, seek public reaction among the employees of SunTrust and report the findings at a future meeting of the MBRF.

There being no further business, the meeting adjourned at 6:15 p.m.

Summary of Action Items:

Action Item 1: The trustees approved the minutes of the April 28, 2010 meeting as presented (Attachment 1).

Action Item 2: The trustees received the Investment Review for information (Attachment 2).

Action Item 3: The trustees unanimously approved the recommended changes to the asset classes and the allocations in the MBRF Portfolio.

Action Item 4: The trustees received the Lighthouse presentation for information.

Action Item 5: The trustees received the Hammond Associates presentation for information (Attachment 3).

Action Item 6: The Amended and Restated Investment Policy Statement was approved as amended (Attachment 4).

Action Item 7: Mrs. Borcheck will send the Medical College of Georgia a letter with the trustees' decision to decline funding the proposal (Attachment 7).

Action Item 8: Dr. J. Lee Dockery will contact Julie Wolf-Rodda at the FNIH to finalize the arrangements for the Cognitive Aging summit II.

Action Item 9: Mr. Raattama and Mrs. Borcheck will continue to work with the University of Miami (UM) to resolve the understanding and the commitment by the University of Miami regarding the investment return and spendable dollars for the unmatched portion of the MBRF gift to the University of Miami.

Action Item 10: Mrs. Borcheck will prepare a letter notifying Dr. Shirley Salloway Kahn, vice president for development, alumni and external relations at the UAB of the MBRF's intentions to make the second payment on schedule (Attachment 8).

Action Item 11: The Corporate trustee will tabulate the choices of the trustees for a tag line to accompany the MBRF logo, seek public reaction among the employees of SunTrust and report the findings at a future meeting of the MBRF.

Respectfully Submitted,

Teresa W. Borcheck
SunTrust Bank, Corporate Trustee