

**MINUTES**  
**MCKNIGHT BRAIN RESEARCH FOUNDATION**  
**BOARD OF TRUSTEES MEETING**  
**August 8, 2012**

The Trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 8:15 a.m. on August 8, 2012 in the Duncan Room of Citrus Club, Orlando, FL.

The following members were present:

Dr. J. Lee Dockery, Trustee  
Dr. Michael Dockery, Trustee  
Dr. Nina Ellenbogen Raim, Trustee  
Dr. Gene G. Ryerson, Trustee  
Ms. Melanie Cianciotto, Corporate Trustee  
SunTrust Institutional Investment Solutions

Others attending:

Mr. Henry H. Raattama, Jr., Legal Counsel  
Dr. Robert M. Wah, guest of the Trustees  
Mr. Michael Hill, Managing Director, SunTrust Institutional Investment Solutions  
Mr. James L. Savage, Director, SunTrust Institutional Investment Solutions

**1. Investment Review**

Mr. Hill presented the investment review and commented on key economic and investment factors for the second quarter (Attachment 1).

**A. Market Environment**

- US Stocks sold off during the second quarter of 2012 over concerns of global slowing, 2013 fiscal cliff in the US and the on-going crisis in the Euro zone.
- International markets were under pressure as troubles spread to Spain in the Euro zone, China growth slowing and commodity softness impacting emerging markets.
- US Treasury yields declined to new lows as investors continued the flight to quality trade. The 10-year US Treasury ended the second quarter with a yield of 1.66%. Broad market fixed income index returns were positive for the quarter. The Barclays Aggregate Index advanced 2.06%. High yield bond returns lagged higher quality bonds as the Barclays US Corporate High Yield Index increased 1.87%.
- Dollar strength, slowing global and the looming fiscal cliff has shifted SunTrust GDP growth estimates for the second quarter down to 1.1 to 1.8.

- Hedge fund performance was negative during the quarter as measured by the broad Hedge Fund Research, Inc. Fund of Funds (HFRI FOF) Composite Index, down - 2.32%. Year to date the index is up +1%.

## **B. Manager Performance**

- Returns for active managers were mixed relative to benchmarks during the quarter.
- Federated Large Cap Value outpaced the Russell 1000 Value index during the quarter as investors shifted their focus back to high dividend yielding stocks, reversing underperformance during the rally of the first quarter.
- Cambiar Small Cap Value lagged the benchmark by 700 basis points. Major detractors from performance were the portfolio weightings in industrials and technology, two of the worst performing sectors in the benchmark.
- The Lighthouse Hedge Fund of Funds, Global Long/Short, Diversified and Credit Opportunities, outperformed the Hedge Fund Research, Inc. Fund of Funds (HFRI FOF) Index during the quarter.
- Fixed income managers positioned themselves correctly to take advantage of higher coupon securities and high yield bonds. The Pimco Total Return fund continues to make up ground from a dismal second quarter 2011.

**Action Item 1: The trustees received the investment review for information (Attachment 1).**

## **2. Efficient Frontier Analysis**

Mr. Hill presented the Efficient Frontier Analysis. Mr. Hill explained to the trustees the capital market assumptions for various bond and stock indexes, as well as non-traditional asset classes. Bond returns are likely to be below historical averages since yields are currently at secular lows. Equity returns should be better than bond returns due to reasonable stock valuations. Emerging markets equities are likely to maintain higher valuations than other asset classes.

Mr. Hill then discussed how the estimated investment return is factored into the proposed portfolio. The proposed portfolio allocation incorporates the changes from the Efficient Frontier Analysis. Cash is decreased, the allocation to fixed income remains the same and the allocation to alternatives is reduced. The overall allocation to equities is increased slightly. The 2.5% allocation to private equity did not change.

The MBRF proposed asset allocation mix would yield an expected return of 7.06%. Mr. Hill noted that inflation as measured by the Biomedical Research and Development Price Index (BRDPI) has been revised for this year to 2.2%.

After review and discussion, a motion was made to accept the McKnight proposed mix as presented in the asset allocation study with a targeted return of 7.06%. The motion

passed unanimously. A second motion was made to revise Appendix B of the Investment Policy to be compatible with the recommendations and current 2.2% inflation rate. The motion passed unanimously.

Ms. Cianciotto informed that trustees the Uniform Prudent Management of Institutional Funds Act (UPMIFA) went into effect July 1, 2012 in Florida so the Investment Policy will need to be updated to reflect UPMIFA language. A motion was made to approve the amendment in principal and review the final wording at the next trustee's meeting. The motion passed unanimously. A second motion was made to date the amendments to the Investment Policy as of August 8, 2012. The motion passed unanimously.

**Action Item 2: The trustees approved the Efficient Frontier Analysis with the mix of asset classes to produce an anticipated yield of 7.06%.**

**Action Item 3: The trustees recommended Appendix B of the Investment Policy be amended to conform to the approved revised asset allocation within the MBRF portfolio.**

**Action Item 4: The trustees approved in principal the addition of UPMIFA language to the Investment Policy and to review the final wording at the next meeting.**

**Action Item 5: The trustees approved that the amendments to the Investment Policy be dated August 8, 2012.**

### **3. Approval of Minutes**

The minutes of the April 11, 2012 meeting of the McKnight Brain Research Foundation were reviewed. The minutes were approved as presented (Attachment 2).

**Action Item 6: The trustees approved the minutes of the April 11, 2012 as presented (Attachment 2).**

### **4. Minimum Distribution Calculation**

The trustees reviewed the projected minimum distribution calculation for information (Attachment 3).

**Action Item 7: The trustees reviewed the projected minimum distribution calculation for information (Attachment 3).**

### **5. Travel Award Program – Update**

The trustees received the proposed budgets for the Magnetic Resonance Imaging (MRI) Standardization Working Group, Cognitive Test Battery Work Group and Epigenetics Planning Meeting (Attachment 4) for information. The budgets had previously been presented and

approved via electronic mail. The trustees formally approved each budget as they had been previously presented.

**Action Item 8: The trustees formally approved the proposed budgets for the MRI Standardization Working Group, Cognitive Test Battery Work Group and Epigenetics Planning Meeting (Attachment 4).**

#### **6. Electronic Records**

Ms. Cianciotto provided the trustees with an update regarding the electronic records. The trustees had previously approved the creation of a secure website for use by the trustees through Foundation Center. Foundation Center maintains comprehensive databases on grant makers and their grants. In the meantime, SunTrust has identified another provider for online website services but the timeframe for implementation is currently on hold. Ms. Cianciotto discussed the new provider and their services. After discussion, the trustees agreed that Ms. Cianciotto should follow the original instructions of the trustees and establish a secure website for the trustees use through Foundation Center. Ms. Cianciotto will continue to keep the trustees informed concerning the status of the SunTrust implementation plan of an electronic records system and its compatibility with the goals and objectives of the MBRF.

**Action Item 9: Ms. Cianciotto will follow the original instructions of the trustees and establish a secure website for the trustees use through Foundation Center.**

**Action Item 10: Ms. Cianciotto will continue to keep the trustees informed concerning the status of the SunTrust implementation plan of an electronic records system and its compatibility with the goals and objectives of the MBRF.**

#### **7. Cognitive Aging Study Institute of Medicine (IOM)**

The trustees formally reviewed the IOM proposal for the Cognitive Aging: Translating Science into Prevention and Care Planning Meeting (Attachment 5) for information. The proposal received tentative approval after electronic distribution in June for a starting date of July 1, 2012. A progress report will be provided to the MBRF by January 1, 2013. The trustees were informed they would be invited to attend the planning meeting when the members and dates are selected.

**Action Item 11: The trustees formally reviewed and approved the proposal for the Cognitive Aging: Translating Science into Prevention and Care Planning Meeting (Attachment 5) for information.**

#### **8. University of Arizona Evelyn F. McKnight Brain Institute (EMBI) Business Plan**

The trustees reviewed the University of Arizona EMBI Business Plan (Attachment 6) submitted by Dr. Carol Barnes. The trustees raised several questions regarding the business plan which summarized a request for a \$5 million grant to be funded over a five year period. The

business plan was not approved and Dr. J. Lee Dockery will communicate with Dr. Carol Barnes expressing the sentiments of the MBRF.

**Action Item 12: The business plan submitted by the University of Arizona EMBI (Attachment 6) was not approved.**

**Action Item 13: Dr. J. Lee Dockery will communicate with Dr. Carol Barnes expressing the sentiments of the MBRF.**

### **9. Sixth Inter-Institutional Meeting Proposed Budget**

The trustees reviewed the proposed budget submitted by the University of Alabama at Birmingham for the Sixth Inter-Institutional Meeting (Attachment 7). After review and discussion, the trustees approved the budget up to \$104,988.

**Action Item 14: The trustees approved the proposed budget for the Sixth Inter-Institutional Meeting (Attachment 7) up to \$104,988.**

### **10. Strategic Planning**

The trustees revisited the topic of strategic planning. After much discussion, it was agreed that one day of the two day October Trustee's meeting will be devoted to strategic planning.

**Action Item 15: The trustee's will devote one day of the two day October Trustee's meeting to strategic planning.**

### **11. Upcoming Dates & Events**

#### **Society for Neuroscience**

The event is an 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 event will be held Sunday, October 14, 2012 in New Orleans, LA from 6:30 p.m. to 8:30 p.m. and will feature scientific poster displays from each of the four institutions. Dr. J. Lee Dockery, Dr. Gene Ryerson and Dr. Nina Ellenbogen Raim will be the trustees in attendance for this event.

#### **October 2012 Board of Trustees Meeting**

The trustees have agreed to hold the October 2012 meeting of the MBRF in Orlando. The trustees will arrive the evening of October 22, 2012. The trustees will meet October 23, 2012 beginning at 8:00 a.m. to discuss strategic planning. The regular trustees meeting will be held October 24<sup>th</sup> beginning at 8:00 a.m. with breakfast in order to facilitate adjourning at 3:00 p.m. No social activities will be planned on the evening of the arrival.

#### **February 2013 Board of Trustees Meeting**

The trustees have agreed to hold the February 2013 meeting of the MBRF at the University of Miami. The trustees will arrive the morning of February 19<sup>th</sup>, and the meeting will be held the afternoon of February 19<sup>th</sup> beginning at noon. The meeting will conclude on February 20<sup>th</sup> after the scientific program and lunch.

### **2013 Inter-Institutional Meeting**

The sixth annual McKnight Brain Research Foundation Inter-Institutional Meeting will be hosted by the Evelyn F. McKnight Brain Institute at the University of Alabama at Birmingham April 24 – 26, 2013. The trustees will arrive the morning of April 24, 2013 and meet in the afternoon beginning at 12:00 noon. The Inter-Institutional meeting will begin with a reception on the evening of April 24, 2013 followed by the scientific sessions on April 25-26, adjourning at noon on April 26, 2013.

### **12. Correspondence**

Dr. J. Lee Dockery provided the trustees with copies of correspondence (Attachment 7) he had received and responded to for information.

**Action Item 16: Dr. J. Lee Dockery provided the trustees with copies of correspondence (Attachment 7) he had received with his responses for information.**

### **13. Tax Update**

Mr. Henry H. Raattama, Jr. provided an update to the trustees on the cost incurred for correcting tax returns that had previously been prepared by KPMG. The amount spent was \$25,000. Mr. Raattama recommended a good faith letter be sent to KPMG requesting recovery of the funds spent by the MBRF to correct the tax returns. Mr. Raattama will draft a letter to KPMG. Ms. Cianciotto will inquire as to her ability to sign the letter as the corporate trustee without a conflict of interest in her position as an employee of SunTrust since SunTrust is also a client of KPMG.

**Action Item 17: Mr. Raattama will draft a good faith letter to KPMG requesting recovery of the \$25,000 spent by the MBRF to correct tax returns.**

**Action Item 18: Ms. Cianciotto will inquire as to her ability to sign the letter as corporate trustee.**

### **14. Executive Session**

In executive session, the trustees considered the nomination of Dr. Robert M. Wah as trustee of the MBRF. Dr. Wah was an invited guest to attend trustees meeting of the MBRF. The trustees voted unanimously to invite Dr. Wah to accept a three year term as trustee of the MBRF. Dr. Wah was informed of the trustees' decision and indicated he would be honored to join the Board. Dr. J. Lee Dockery will send an official letter of appointment and Ms.

Cianciotto will send the appropriate documents for Dr. Wah's signature confirming his appointment.

**Action Item 19: The trustees voted unanimously to invite Robert M. Wah, MD, to accept a position as trustee of the MBRF. Dr. Wah thanked the trustees for their favorable action on his nomination and indicated he would be honored to join the Board.**

**Action Item 20: Dr. J. Lee Dockery will send an official letter of appointment and Ms. Cianciotto will send the appropriate documents for Dr. Wah's signature confirming his appointment.**

There being no further business, the meeting adjourned at 2:15 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 Efficient Frontier Analysis with the mix of asset classes to produce an anticipated yield of 7.06%.**

**Action Item 3: The trustees recommended Appendix B of the Investment Policy be amended to conform to the approved revised asset allocation within the MBRF portfolio.**

**Action Item 4: The trustees approved in principal the addition of UPMIFA language to the Investment Policy and to review the final wording at the next meeting.**

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**Action Item 19: The trustees voted unanimously to invite Robert M. Wah, MD, to accept a position as trustee of the MBRF. Dr. Wah thanked the trustees for their favorable action on his nomination and indicated he would be honored to join the Board.**



**Action Item 20: Dr. J. Lee Dockery will send an official letter of appointment and Ms. Cianciotto will send the appropriate documents for Dr. Wah's signature confirming his appointment.**

Respectfully Submitted,



Melanie A. Cianciotto  
SunTrust Bank, Corporate Trustee