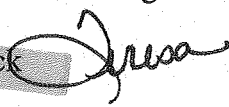


# SUNTRUST

Date: October 24, 2007

To: McKnight Brain Research Foundation Trustees  
Henry H. Raattama, Jr. Legal Counsel

From: Teresa Borcheck 

Subject: MBRF Conference Call: October 31, 2007 (2 p.m.)

---

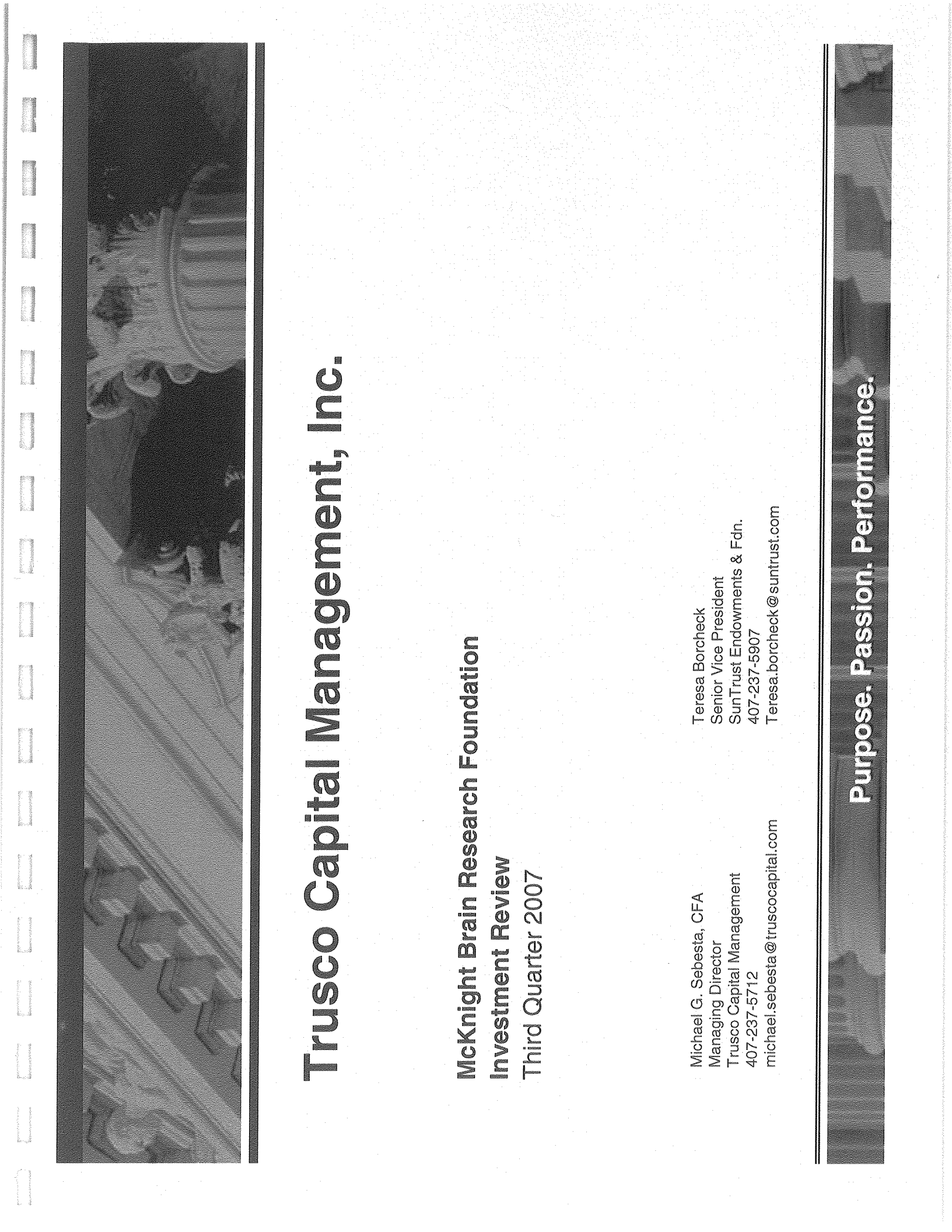
Enclosed you will find the meeting package for the Trustees' conference call to be held on Wednesday, October 31, 2007 at 2 p.m. Included in this package for your review are the following items: the Agenda; the second draft of the minutes of the August 7 & 8, 2007 meeting held in Orlando; the first draft of the minutes of the September 12, 2007 conference call; and the Investment Review.

The call in information is given on the Agenda. If you have any questions, please let me know.

TB/ajm

cc: Mike Sebesta

Enclosures



# Trusco Capital Management, Inc.

## McKnight Brain Research Foundation Investment Review Third Quarter 2007

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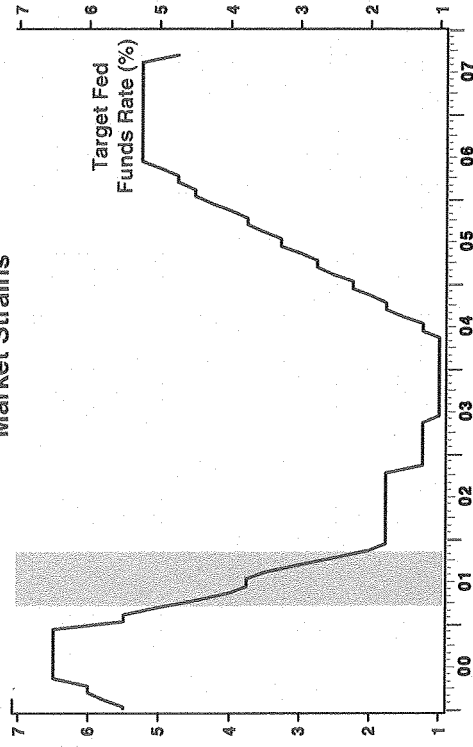
**Purpose. Passion. Performance.**

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# Key Q3 2007 Themes:

Fed Eased in Response to Slower Growth and Credit Market Strains



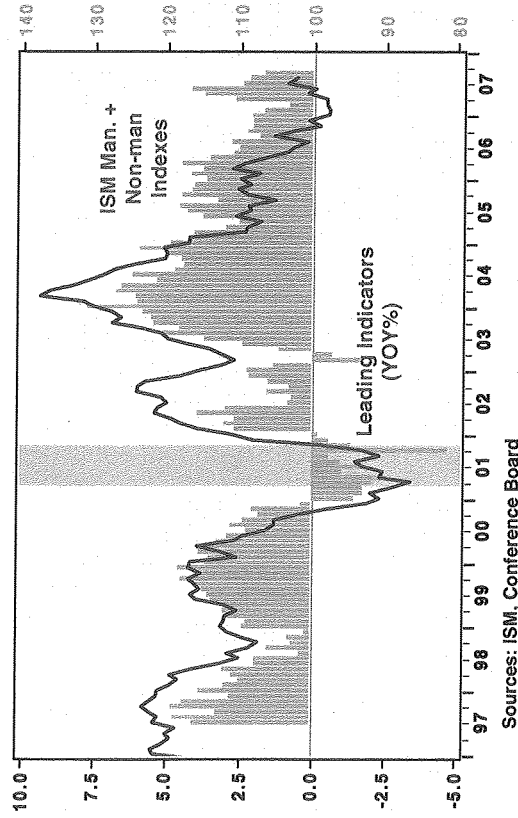
Sources: FRB

- ◆ Stocks moved modestly higher point-to-point in the third quarter, but slowing economic momentum and credit market turbulence generated significant market volatility and sector performance variations.
- ◆ The Federal Reserve cut the overnight federal funds rate by 50 basis points to 4 ¾% and the yield on the 10-Yr. Treasury note fell to 4.55%. Fixed-income markets rallied in response to Fed ease, moderating core inflation and weakening economic momentum.
- ◆ Core inflation remained in the Fed's 1-2% comfort zone, despite record oil prices and further dollar declines. Housing weakness intensified as oversupply kept downward pressure on prices.
- ◆ Stress in the subprime mortgage market increased and spread globally. Quality spreads widened during the quarter, particularly in less liquid markets.
- ◆ Large-Cap stocks outperformed Mid and Small-Cap stocks and the Growth style outperformed Value. International equities slightly outperformed Domestic stocks, and Emerging Market equities led all categories. Commodities and REITS rose.
- ◆ Bottom line: Reasonable valuations and continued profits growth supported stocks in a volatile quarter, but slowing economic momentum and credit market strains initiated a significant adjustment to risk spreads and growth estimates.



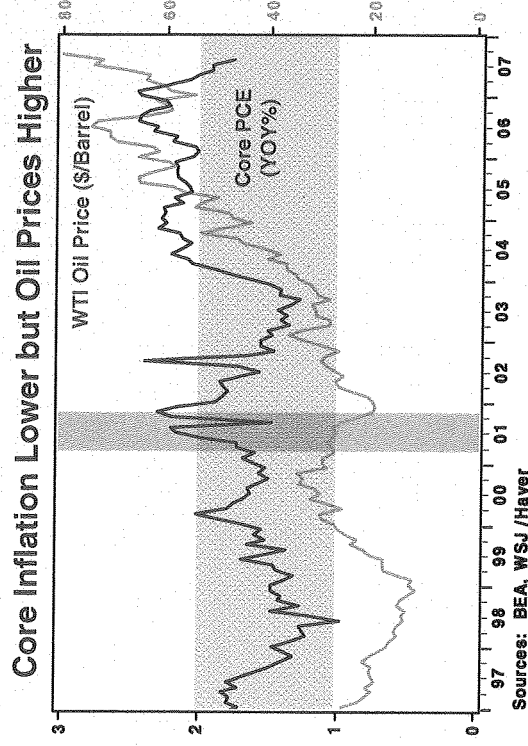
# Economy and Core Inflation Slowed in Q3

## Economy Positive but Momentum Slowed



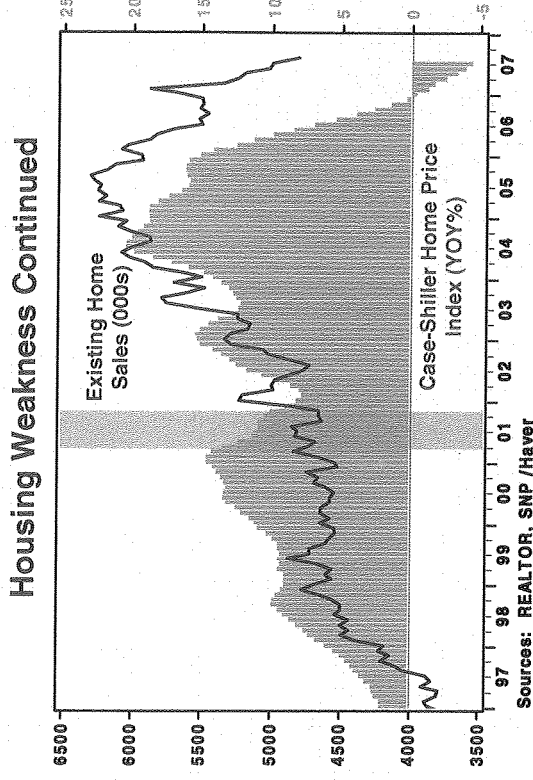
- ◆ Economic growth remained positive in the third quarter but momentum slowed following a relatively firm second quarter.
- ◆ The Index of Leading Indicators was marginally positive compared to a year earlier but was well-below the peak in 2004.
- ◆ Business activity was also firm but again showed signs of fading momentum as measured by the sum of the ISM Manufacturing and Non-Manufacturing Indexes (upper left).

- ◆ Core inflation, as measured by the Core PCE Deflator Index, remained within the Federal Reserve's unofficial 1-2% target range during the third quarter.
- ◆ However, oil prices soared to new nominal highs in the third quarter, raising the risk of higher heating and driving costs in the coming months.

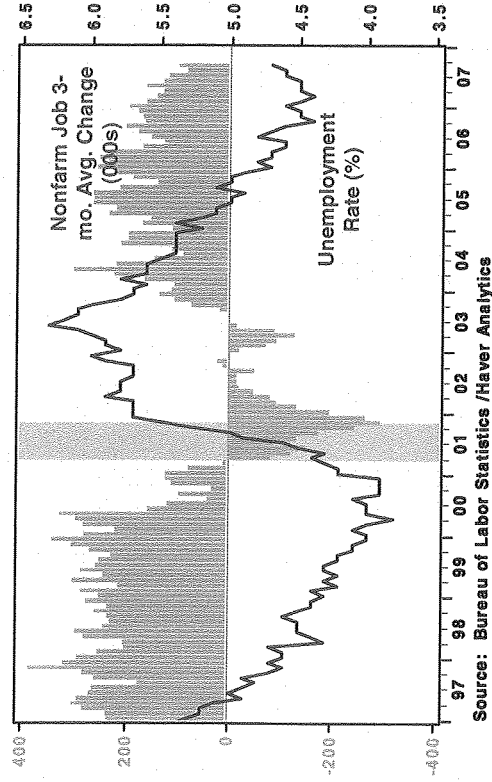


# Consumer Momentum Slowing

- ◆ Housing market weakness intensified in the third quarter as existing home sales fell to multi-year lows. Inventories of unsold homes remain high suggesting continued stress through the end of the year and into 2008.
- ◆ Home prices continued to soften in the third quarter which is likely to impact consumer confidence and spending in the coming months.



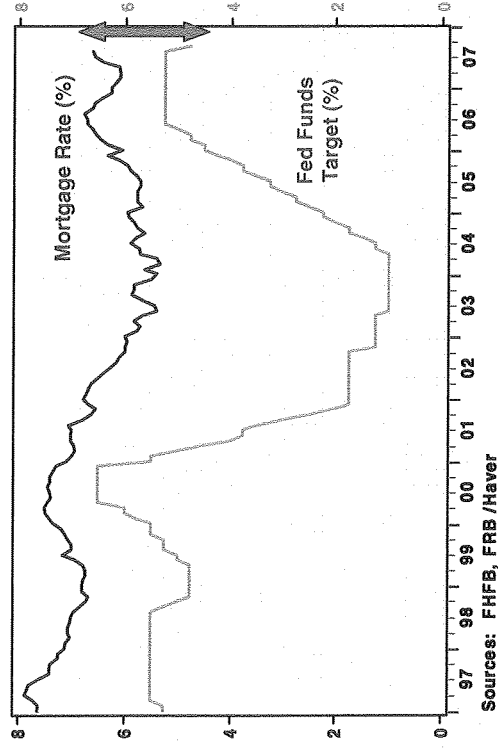
## Job Growth Slowed & Unemployment Rate Rose



- ◆ Job growth is the major, perhaps only, consumer driver at this stage of the cycle.
- ◆ Employment growth remained positive in the third quarter, but decelerated to the slowest pace in three years.
- ◆ The Unemployment Rate drifted higher from the cyclical low set early in the year though it remains below 5%.

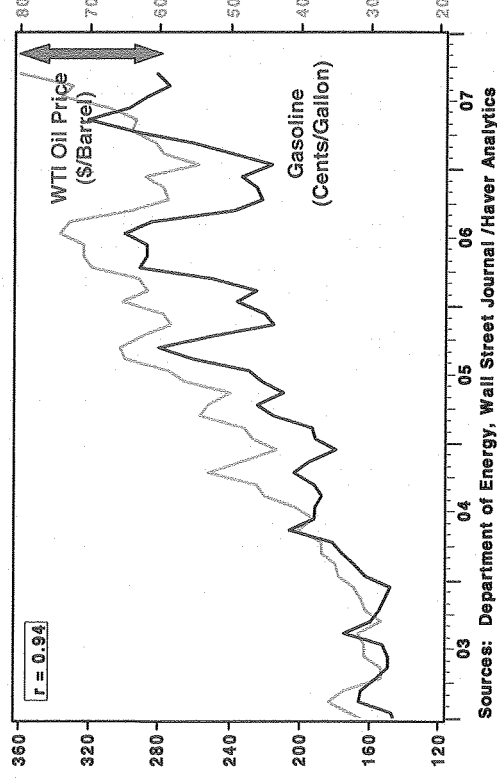
# Consumer Facing Near-Term Headwinds

Fed Ease Has Limited Impact on Housing



- ◆ The weakness in the housing market is a significant headwind for consumer spending.
- ◆ The decision by the Federal Reserve to cut short-term interest rates in September was hailed as an important source of stimulus, but wider credit spreads limited any favorable impact on home financing costs.

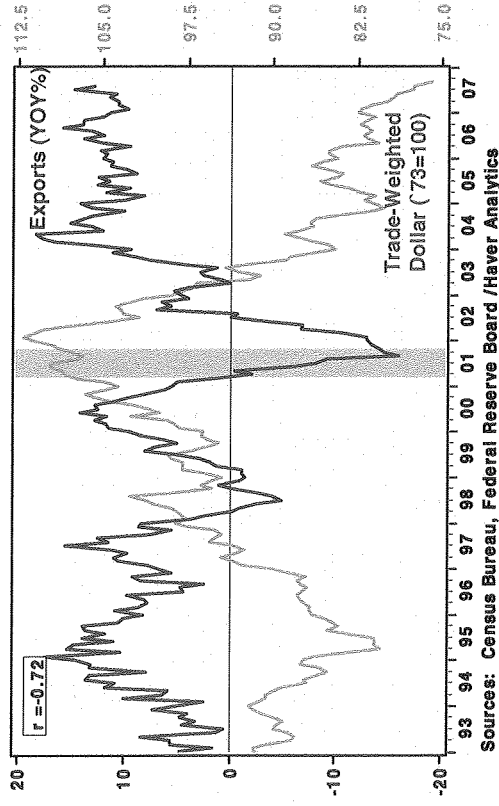
Gasoline Prices Lagging Oil Prices



- ◆ While consumers read headlines of record oil prices, costs at the pump actually fell in the third quarter.
- ◆ History suggests that oil and gasoline prices tend to move together.
- ◆ If gasoline prices “catch up” with oil prices, consumer discretionary spending could suffer as the heating and holiday spending seasons approach.

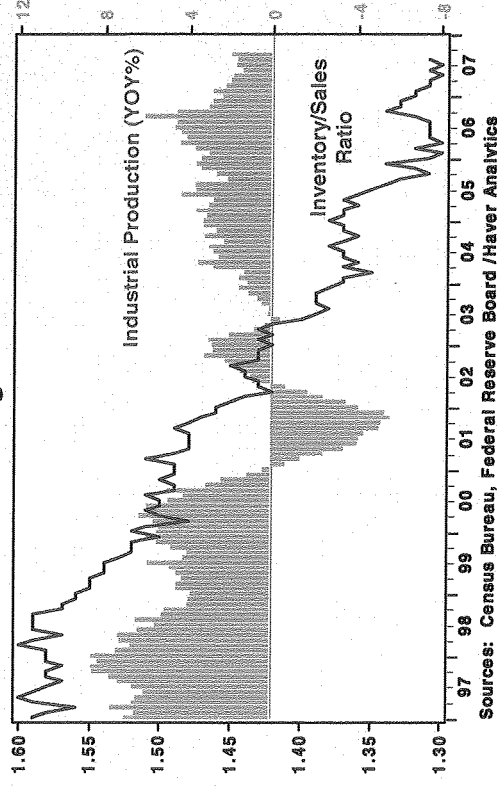
# Strong Exports & Low Inventories Help Business

Exports Benefit from a Weaker Dollar



- ◆ Business activity remained the relative bright spot for the economy in the third quarter, led by double-digit export growth.
- ◆ Further declines in the value of the dollar make U.S. goods more competitive internationally and increase the value of corporate earnings derived from foreign operations.

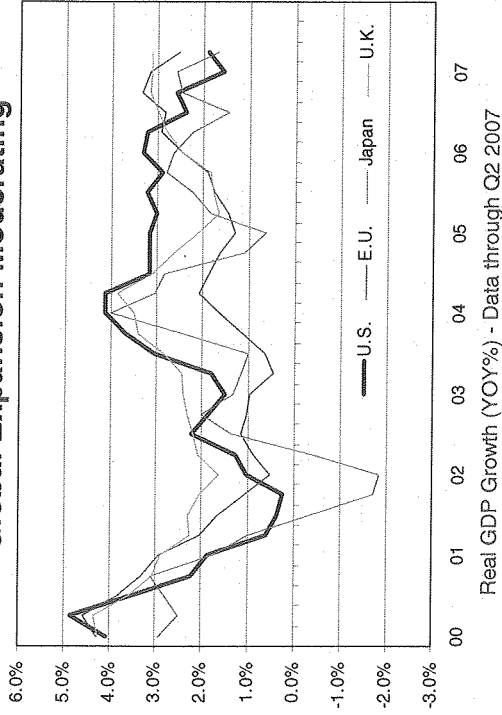
Production Slowing but Inventories Lean



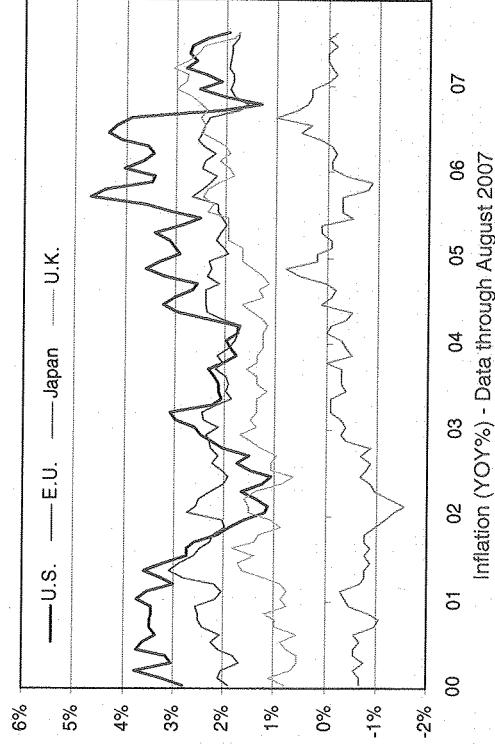
- ◆ Industrial output growth slowed in the third quarter despite the strong export gains mentioned above.
- ◆ However inventories remained very lean relative to total sales, which suggests that production imbalances (translate: downside economic risks) are limited.

# International Economies in Q3, 2007

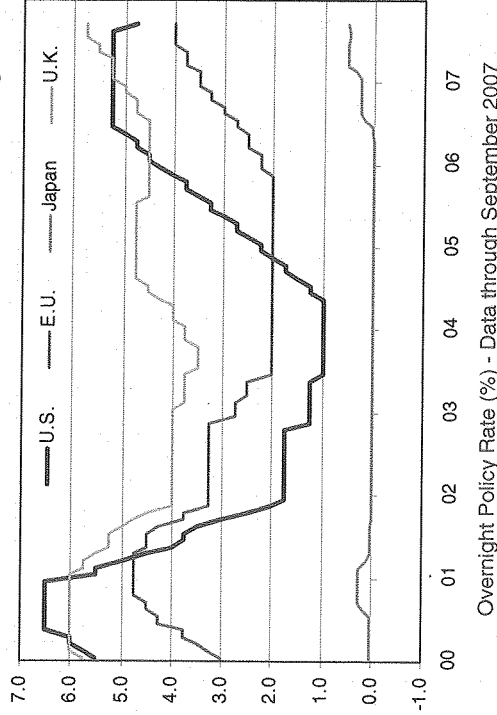
Global Expansion Moderating



Inflation Higher in U.S. and U.K.



## Fed Ease Counter to Global Tightening in Q3



- ◆ Global growth moderating though still positive. ROW continued to grow faster than the U.S in first half.
- ◆ Inflation pressures eased to more comfortable levels in the third quarter outside of Japan, though inflation risks cited as a central bank concern.
- ◆ The September Fed rate cut went counter to the trend of our trading partners, though recent history suggests Fed moves tend to lead global short rates.
- ◆ Expectations of continued growth overseas along with easier U.S. policy could keep downward pressure on the dollar.

\*Source: Haver Analytics



# Federal Reserve Policy Update: 9/18/07

- ◆ The Federal Reserve cut the fed funds rate by 1/2% to 4 3/4% and lowered the discount rate 1/2% to 5 1/4%. It was the first change in the funds rate since June 2006 and the first cut since June 2003.
- ◆ The drop was on the aggressive end of market expectations.
- ◆ Tighter credit conditions now threaten the general economy.
- ◆ The Fed will "monitor inflation developments carefully," though there was no suggestion of worry.
- ◆ The Fed removed inflation from its risk assessment. There were no dissenters on the vote.

## August 7

### FOMC Post-Meeting Statement

#### Rates

"The Federal Open Market Committee decided today to keep its target for the federal funds rate at 5-1/4 percent."

#### Growth

"Economic growth was moderate during the first half of the year. Financial markets have been volatile in recent weeks, credit conditions have become tighter for some households and businesses, and the housing correction is ongoing. Nevertheless, the economy seems likely to continue to expand at a moderate pace over coming quarters, supported by solid growth in employment and incomes and a robust global economy."

#### Inflation

"Readings on core inflation have improved modestly in recent months. However, a sustained moderation in inflation pressures has yet to be convincingly demonstrated. Moreover, the high level of resource utilization has the potential to sustain those pressures."

#### Risks

"Although the downside risks to growth have increased somewhat, the Committee's predominant policy concern remains the risk that inflation will fail to moderate as expected. Future policy adjustments will depend on the outlook for both inflation and economic growth, as implied by incoming information."

#### Vote

Unanimous vote.

## September 18

### FOMC Post-Meeting Statement

"The Federal Open Market Committee decided today to lower its target for the federal funds rate 50 basis points to 4-3/4 percent."

"Economic growth was moderate during the first half of the year, but the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally. Today's action is intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and to promote moderate growth over time."

"Readings on core inflation have improved modestly this year. However, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully."

"Developments in financial markets since the Committee's last regular meeting have increased the uncertainty surrounding the economic outlook. The Committee will continue to assess the effects of these and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth."

Unanimous vote.

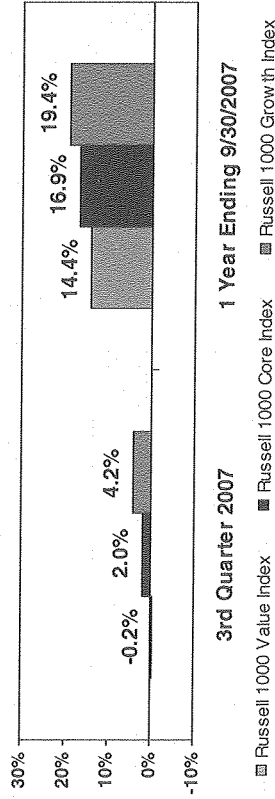
**BOTTOM LINE: Fed policy is now tilted toward ease which will eventually be favorable for growth.**

Sources: Federal Reserve, Trusco Capital Management

Alan M. Gayle – Senior Investment Strategist

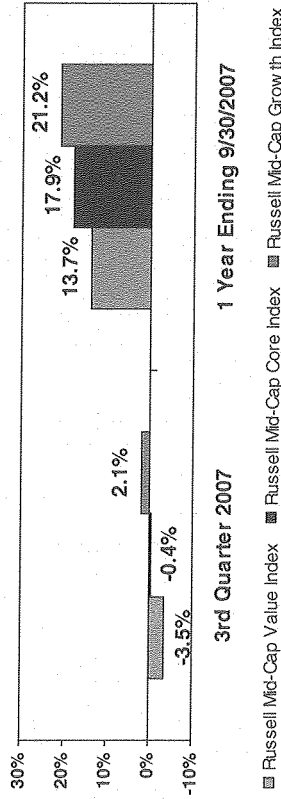
# Domestic Equity Markets in the 3<sup>rd</sup> Quarter, 2007

*Large-cap stocks outperformed both Mid and Small-Caps again in the third quarter. Small-Caps trailed on a 12-month basis following an extended period of outperformance.*



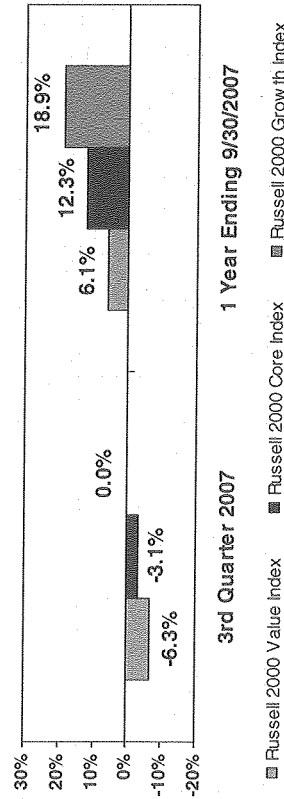
- **Drivers of Return**
  - Energy, Technology, Industrials, Consumer Staples, Materials
- **Detractors from Return**
  - Consumer Discretionary, Financials, Utilities, Health Care

*Energy, Materials, and Technology outperformed across market caps, while Consumer Discretionary and Financials lagged.*



- **Drivers of Return**
  - Energy, Health Care, Technology, Materials, Industrials
- **Detractors from Return**
  - Consumer Discretionary, Financials, Telecom, Utilities

*Growth outperformed Value across all market caps.*



- **Drivers of Return**
  - Health Care, Materials, Telecom, Utilities
- **Detractors from Return**
  - Consumer Discretionary, Financials, Industrials

Past Performance is not indicative of future results. Please refer to appendix for full disclosure.

\*Source: FactSet

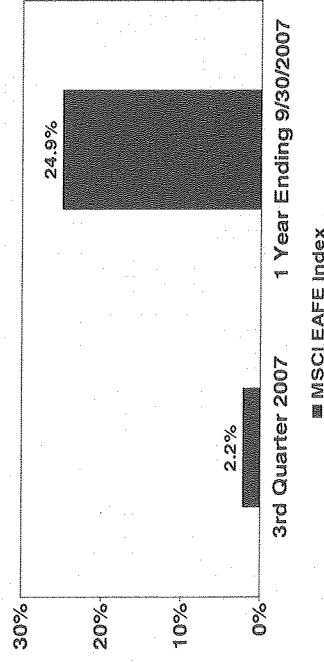


# International Equity Markets in the 3<sup>rd</sup> Quarter, 2007

*Emerging Market stocks rebounded at the end of the third quarter to outperform in the International space. Large-Caps outperformed Small-Caps.*

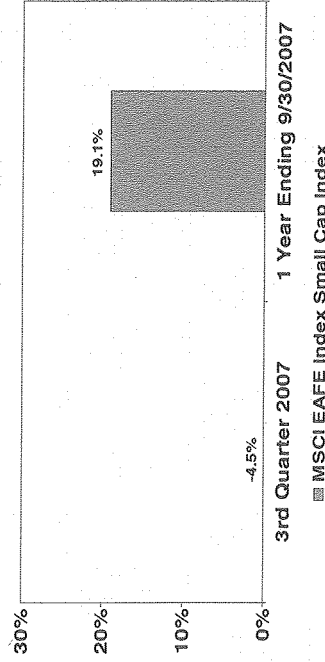
*Hong Kong, Greece, and Canada led the developed markets, while Portugal, Austria, and Japan trailed.*

*3 of the 4 BRIC countries (Brazil, Russia, India, China) again led the Emerging Markets index in the third quarter.*



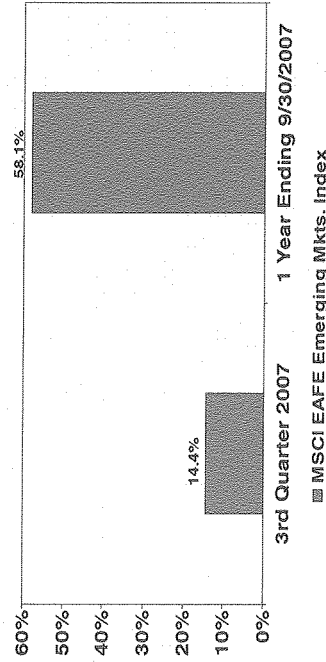
## International Large Cap Core

- ◆ **Drivers of Return**
  - Hong Kong, Finland, Greece, Australia, Canada
- ◆ **Detractors from Return**
  - Ireland, Austria, Portugal, Belgium, Japan



## International Small Cap

- ◆ **Drivers of Return**
  - Greece, Hong Kong, Canada, Australia
- ◆ **Detractors from Return**
  - Portugal, UK, Austria, Italy, Japan



## International Emerging Market

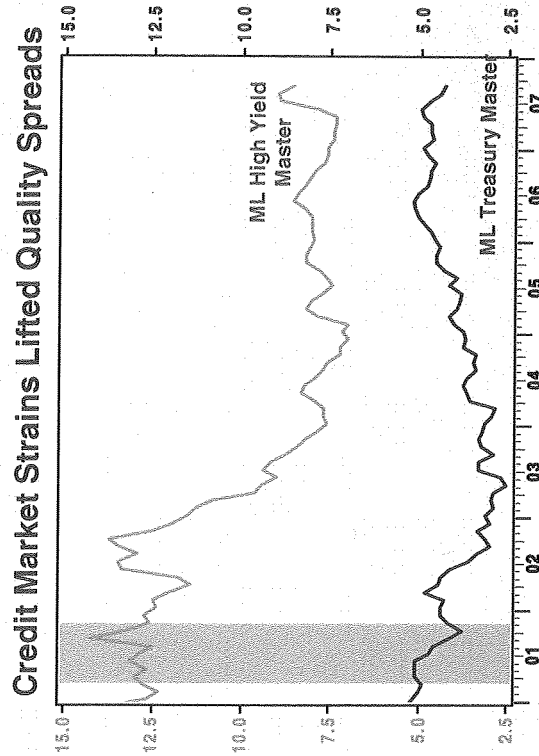
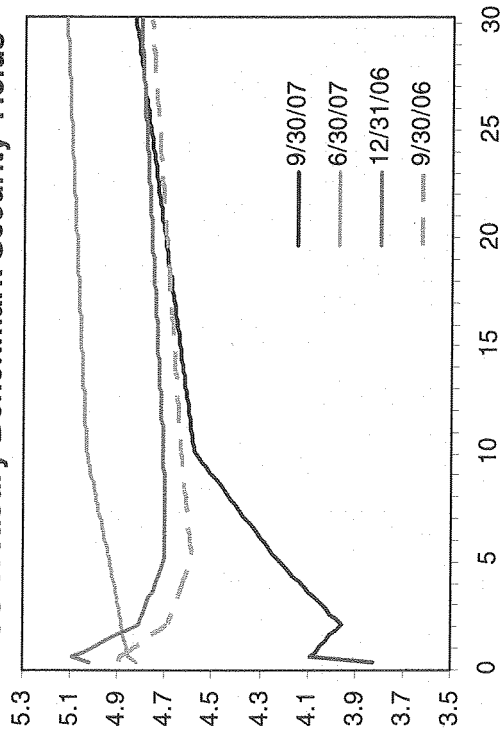
- ◆ **Drivers of Return**
  - China, Turkey, Peru, Brazil, India
- ◆ **Detractors from Return**
  - Venezuela, Sri Lanka, Pakistan, Mexico

Past Performance is not indicative of future results. Please refer to appendix for full disclosure.

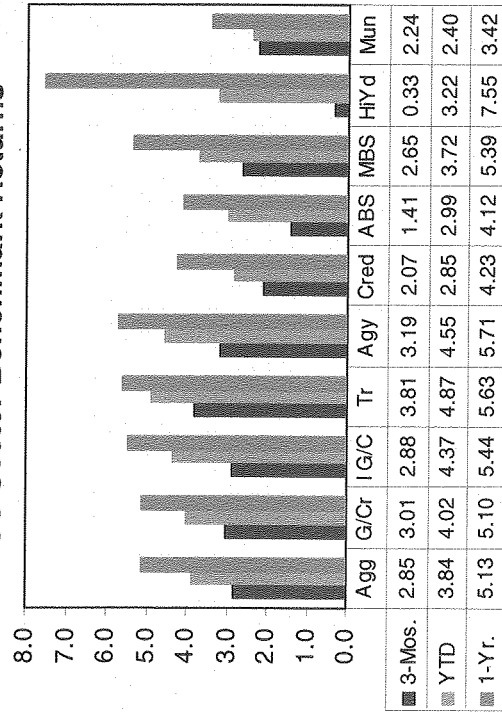
\*Sources: FactSet, MSCI

# Bond Markets in Q3, 2007

US Treasury Benchmark Security Yields



US Sector Benchmark Returns



- ◆ Signs of economic weakness and severe credit market strains related to problems in the subprime mortgage market prompted the Federal Reserve to cut short term interest rates by 50 basis points.
- ◆ Yields fell across the maturity spectrum and longer-term bonds outperformed. The yield curve steepened significantly.
- ◆ Credit spreads widened from narrow levels to reflect the increased risks, though they remained well below previous peaks.
- ◆ Treasuries led the broad bond market advance while High Yield lagged.

\*Sources: FactSet, Lehman Brothers, Merrill Lynch

# Economic Outlook: Slow Growth / Moderating Inflation / No Recession

*Economic momentum slowed in Q3 due to weak housing, credit market tightness and slowing profits growth. Moderate job gains are the key driver at present.*

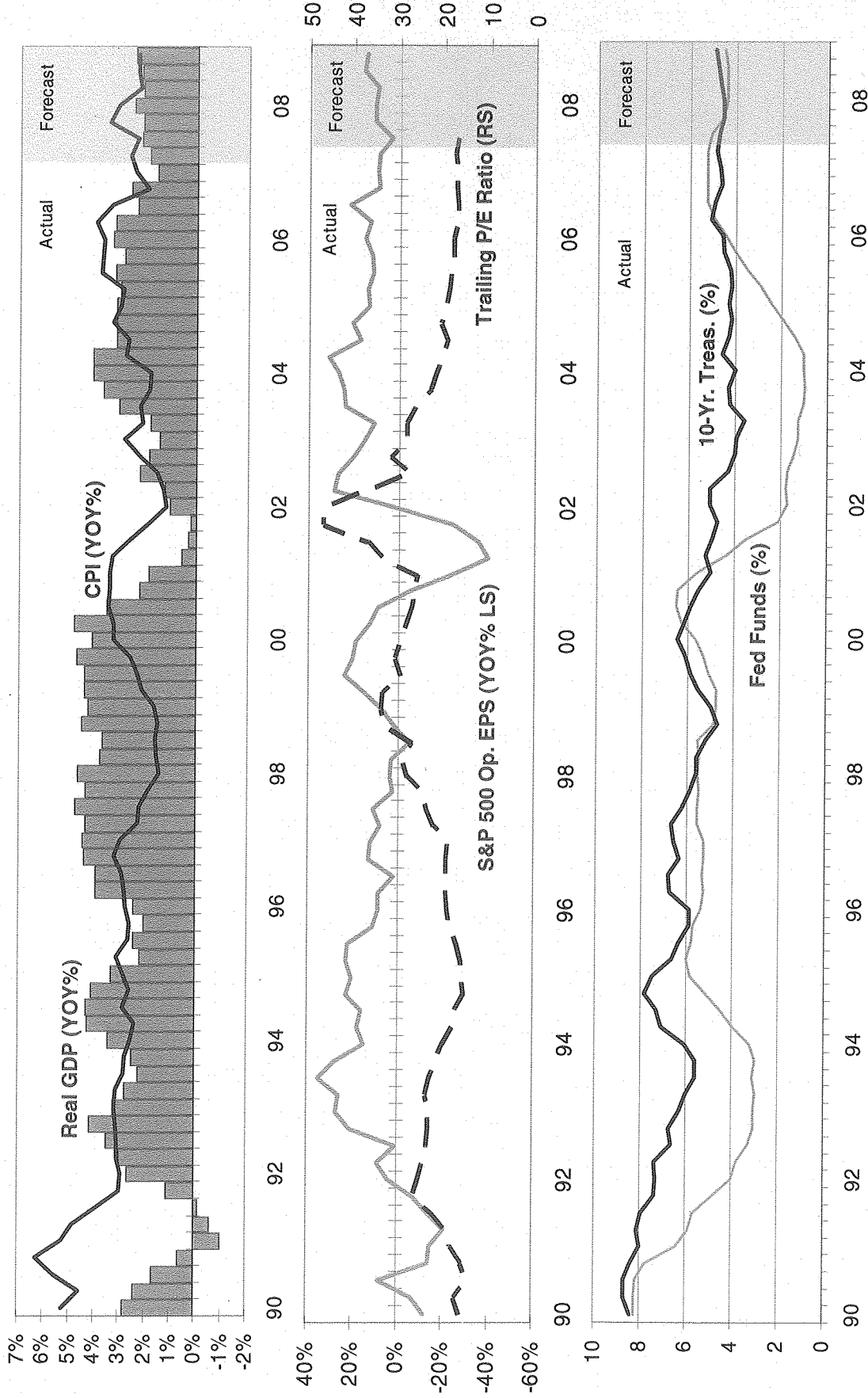
*Core inflation drifted lower, but oil prices hit record.*

*Fed policy shifted to ease due credit market crisis and risks to future growth.*

*The dollar is expected to remain under downward pressure over the near-term.*

| 9/30/07          | Cycle Position      | Short Term  | Intermediate Trend    | Comments                                                                                                                                                                                                                                        |
|------------------|---------------------|-------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer         | Fading              | Fading      | At Risk               | Weak housing and recent energy price rise dampening spending and consumer sentiment. Job growth, a key driver of consumer strength, slowing.                                                                                                    |
| Capital Spending | High                | Fading      | Neutral               | Slower profits growth, after extended period of above-average gains, likely to curb pace of future investment despite high cash positions.                                                                                                      |
| Dollar           | Low                 | Weaker      | Weaker / Neutral      | Weaker domestic growth and Fed ease contrasts with firmer growth and more restrictive monetary policies globally.                                                                                                                               |
| Inflation        | Core Slightly Lower | Core Easing | Core Moderately Lower | Core inflation below 2%, and recent economic softness lowered Fed anxiety over potential upside risks. Slower growth expected to curb future core inflation.                                                                                    |
| Monetary Policy  | Easing              | Easing      | Easing                | Fed cut fed funds rate to 4 ¾% in September following 15 months of steady policy due to credit market strains and weaker economic reports. Future policy remains "data-dependent", but additional eases are likely if recent softness persists. |
| Fiscal Policy    | Neutral             | Neutral     | Neutral / Stimulative | Tax revenues enjoying strong cyclical growth, offset in part by addition to war costs. 2008 presidential race likely to generate new spending proposals.                                                                                        |

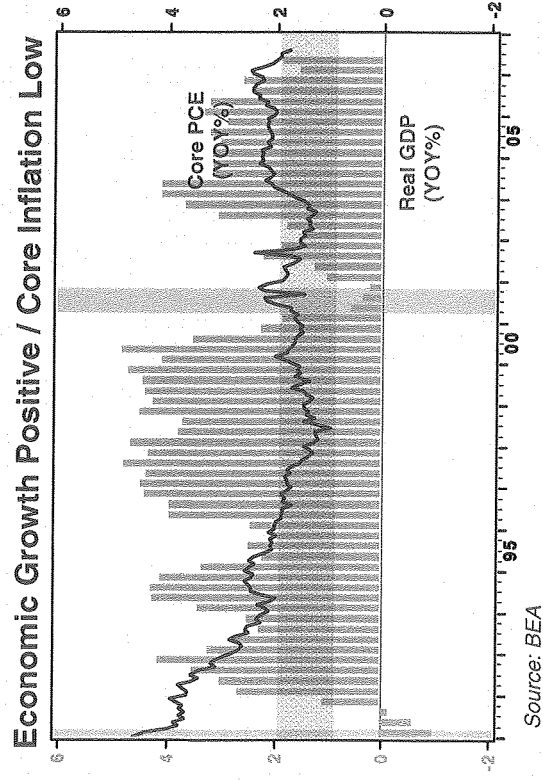
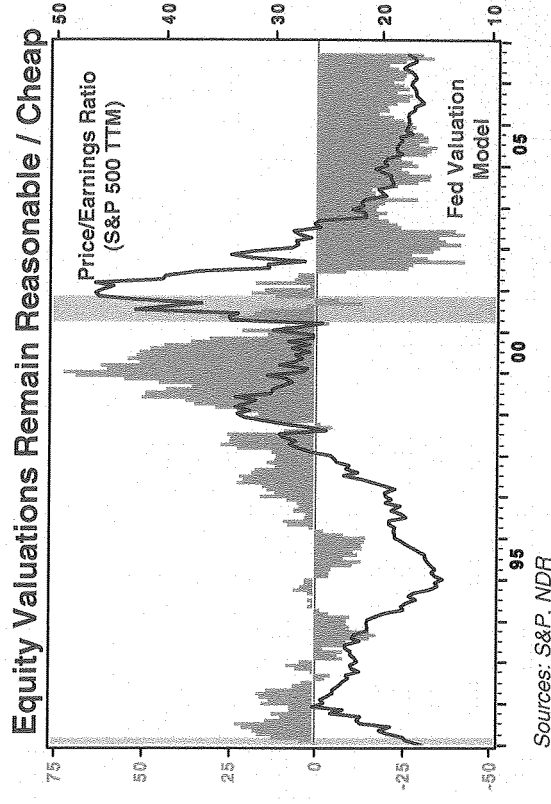
# Perspectives on Growth, Inflation, Profits, & Rates



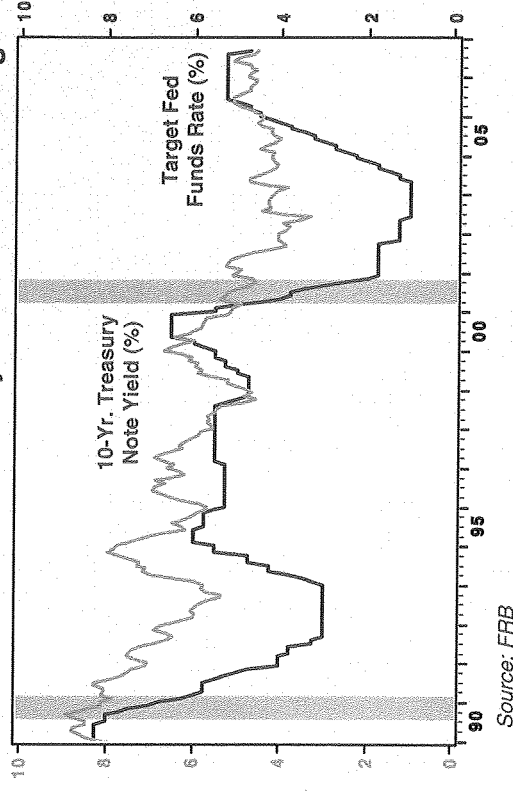
Sources: Trusco, BEA, FRB, S&P, Blue Chip Financial Forecasts

# Underlying Conditions Favor Equities:

- ◆ Equity valuations remain reasonable.
- ◆ Economic and corporate earnings growth is positive and recession is unlikely.
- ◆ Core inflation is low.
- ◆ Interest rates are historically low and the Fed is easing.



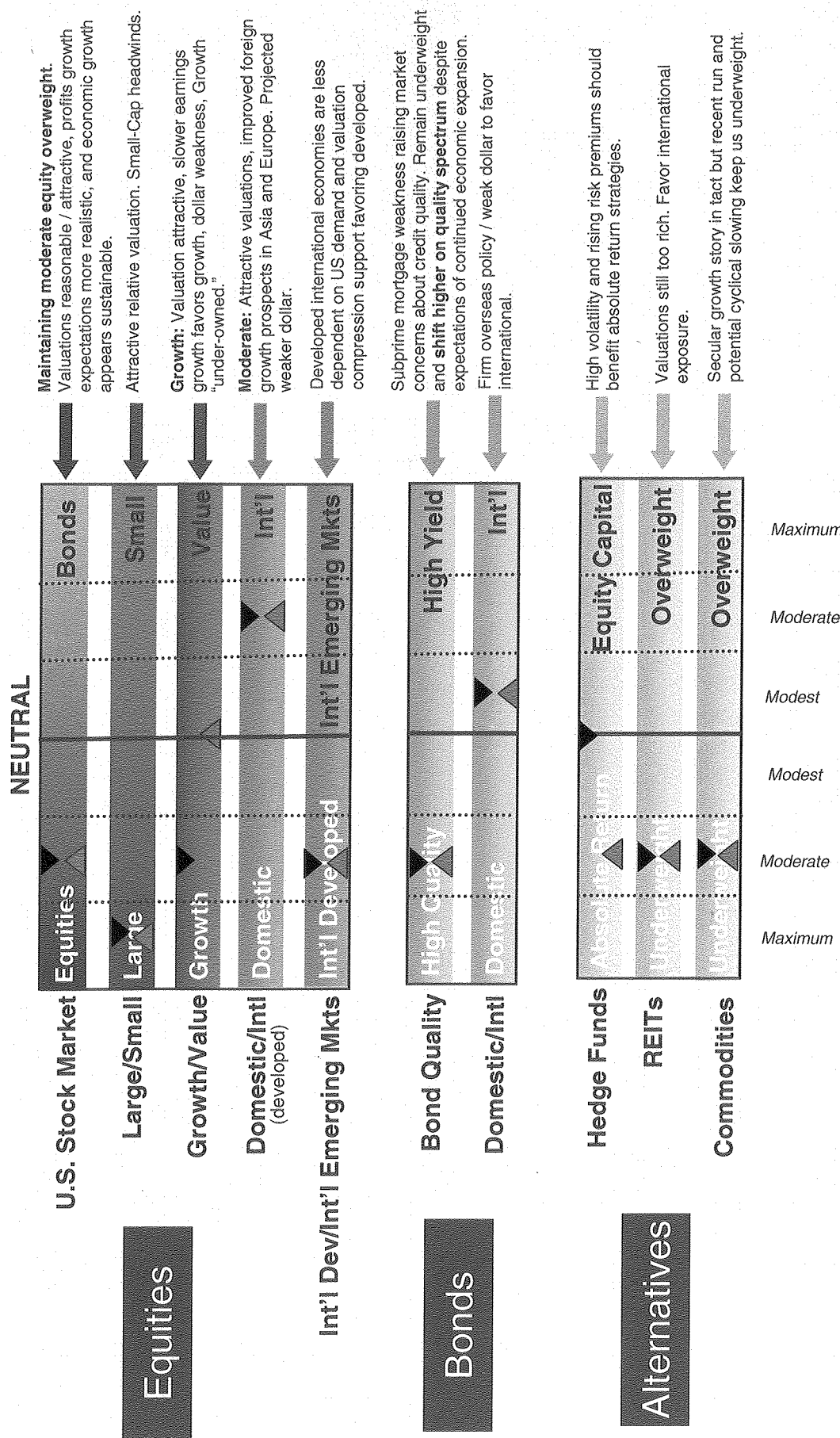
Bond Yields Historically Low & Fed is Easing





# Asset Allocation: Current Strategy

September 30, 2007  
June 30, 2007





# Outlook:

- ◆ Economy and credit markets adjusting to summer subprime credit shock.
- ◆ Slower but positive growth expected. Consumer under greatest downward pressure (weak housing, slower job growth, higher energy prices) while corporations benefit from continued international growth. Recession risks higher but downturn unlikely.
- ◆ Comfortable core inflation likely to moderate further, though weaker dollar could put a floor under prices.
- ◆ Fed expected to ease a bit further in coming months, but will likely complete its moves in the next 3-6 months.
- ◆ Corporate earnings growth forecasts remain positive and relative valuations are reasonable / attractive.
- ◆ Still emphasizing strength and quality in portfolio construction.

*This perspective was prepared for clients and prospective clients of Trusco Capital Management, Inc. Neither Trusco or any affiliations make any representation or warranties as to the accuracy or merit of this analysis for individual use. Past returns are not indicative of future results. Comments and projections were based on information available at the time of writing, are for informational purposes only, are not intended as individual or specific advice, and may not be relied upon for future investing. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions.*

# Downside Risks:

**Economic and financial stress increase recession risks in a slow growth environment.**

- ◆ Recession. Consumer headwinds (housing, energy, jobs) currently the greatest concern.
- ◆ Credit market strains intensify and reduce availability of funds to all borrowers.
- ◆ Dollar weakness evolves into a crisis / flight.
- ◆ Inflation moves higher forcing Fed to shift policy focus.
- ◆ Geopolitical events create uncertainty or affect trade.

*This perspective was prepared for clients and prospective clients of Trusco Capital Management, Inc. Neither Trusco or any affiliations make any representation or warranties as to the accuracy or merit of this analysis for individual use. Past returns are not indicative of future results. Comments and projections were based on information available at the time of writing, are for informational purposes only, are not intended as individual or specific advice, and may not be relied upon for future investing. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions.*

# Market Snapshot: 9/30/2007

| MAJOR EQUITY INDEXES        |  | 9/30/07 | %<br>3-Mos. 6 Mos. YTD |      |      | %<br>1-Yr. 3-Yr. 5-Yr. |      |      |
|-----------------------------|--|---------|------------------------|------|------|------------------------|------|------|
| S&P 500                     |  | 1526.75 | 2.0                    | 8.4  | 9.1  | 16.4                   | 13.2 | 15.5 |
| Russell Top 200             |  | 651.23  | 3.0                    | 9.3  | 9.3  | 16.6                   | 12.4 | 14.2 |
| Russell 1000                |  | 830.59  | 2.0                    | 8.0  | 9.3  | 16.9                   | 13.8 | 16.0 |
| Russell MidCap              |  | 1073.86 | -0.4                   | 4.9  | 9.5  | 17.9                   | 17.3 | 20.9 |
| Russell 2000                |  | 805.45  | -3.1                   | 1.2  | 3.2  | 12.3                   | 13.4 | 18.8 |
| Russell 3000                |  | 882.79  | 1.5                    | 7.4  | 8.8  | 16.5                   | 13.7 | 16.2 |
| MSCI EAFE (Net)             |  | 2300.38 | 2.2                    | 13.2 | 10.9 | 24.9                   | 23.2 | 23.6 |
| MSCI EAFE Small Cap (Net)   |  | 202.97  | -4.5                   | -0.3 | 6.6  | 19.1                   | 23.6 | 27.6 |
| MSCI Emerging Markets (Net) |  | 1204.90 | 14.4                   | 31.8 | 34.5 | 58.1                   | 40.8 | 38.7 |
| U.S. CAP & STYLE INDEXES    |  | 9/30/07 | %<br>3-Mos. 6 Mos. YTD |      |      | %<br>1-Yr. 3-Yr. 5-Yr. |      |      |
| Russell Top 200 Growth      |  | 702.48  | 5.2                    | 12.5 | 12.5 | 18.7                   | 10.6 | 12.0 |
| Russell Top 200 Value       |  | 651.23  | 1.0                    | 6.4  | 6.4  | 14.7                   | 14.3 | 16.7 |
| Russell 1000 Growth         |  | 618.52  | 4.2                    | 11.4 | 12.7 | 19.4                   | 12.2 | 13.8 |
| Russell 1000 Value          |  | 851.00  | -0.2                   | 4.7  | 6.0  | 14.4                   | 15.4 | 18.1 |
| Russell MidCap Growth       |  | 482.04  | 2.1                    | 9.0  | 13.3 | 21.2                   | 17.0 | 20.4 |
| Russell MidCap Value        |  | 1161.43 | -3.5                   | 0.0  | 4.8  | 13.7                   | 17.4 | 21.0 |
| Russell 2000 Growth         |  | 430.85  | 0.0                    | 6.7  | 9.3  | 18.9                   | 14.1 | 18.7 |
| Russell 2000 Value          |  | 1149.07 | -6.3                   | -4.1 | -2.7 | 6.1                    | 12.6 | 18.7 |
| Russell 3000 Growth         |  | 502.73  | 3.8                    | 11.0 | 12.4 | 19.3                   | 12.4 | 14.2 |
| Russell 3000 Value          |  | 1111.81 | -0.8                   | 3.9  | 5.2  | 13.7                   | 15.2 | 18.1 |
| S&P 500 SECTORS             |  | 9/30/07 | %<br>3-Mos. 6 Mos. YTD |      |      | %<br>1-Yr. 3-Yr. 5-Yr. |      |      |
| Consumer Discretionary      |  | 289.95  | -6.3                   | -2.9 | -3.6 | 6.3                    | 6.8  | 11.2 |
| Consumer Staples            |  | 290.10  | 4.8                    | 7.6  | 10.0 | 13.8                   | 12.0 | 9.7  |
| Energy                      |  | 579.47  | 9.8                    | 26.0 | 28.7 | 43.1                   | 30.1 | 30.0 |
| Financials                  |  | 461.49  | -4.3                   | -2.2 | -5.0 | 1.7                    | 9.2  | 13.5 |
| Health Care                 |  | 411.58  | 1.0                    | 6.1  | 7.2  | 8.7                    | 8.9  | 8.6  |
| Industrials                 |  | 373.48  | 5.9                    | 16.2 | 17.5 | 24.4                   | 14.4 | 17.5 |
| Information Technology      |  | 411.97  | 6.3                    | 17.3 | 16.2 | 23.3                   | 13.1 | 18.6 |
| Materials                   |  | 280.99  | 4.9                    | 12.4 | 22.4 | 36.4                   | 18.1 | 21.8 |
| Telecommunication Services  |  | 178.61  | 2.1                    | 9.9  | 17.9 | 28.2                   | 18.2 | 22.0 |
| Utilities                   |  | 202.43  | 2.0                    | 1.6  | 11.0 | 21.2                   | 20.8 | 20.9 |
| HEDGE & REAL ESTATE         |  | 9/30/07 | %<br>3-Mos. 6 Mos. YTD |      |      | %<br>1-Yr. 3-Yr. 5-Yr. |      |      |
| CS/T Equity Market Neutral  |  | Sep '07 | 1.3                    | 3.7  | 6.5  | 8.9                    | 8.3  | 7.8  |
| CS/T Event Driven           |  | Sep '07 | 0.7                    | 6.3  | 11.5 | 18.3                   | 14.6 | 14.8 |
| CS/T Long Short Equity      |  | Sep '07 | 1.2                    | 7.0  | 11.0 | 18.8                   | 14.4 | 13.1 |
| CS/T Multi-Strategy         |  | Sep '07 | 0.1                    | 4.5  | 8.4  | 14.7                   | 11.6 | 11.3 |
| FTSE NAREIT Equity Index    |  | 562.60  | 2.6                    | -6.7 | -3.5 | 5.7                    | 19.0 | 21.5 |

| U.S.                                | Yield     | %      | %      | %    | %     | % Ann. |
|-------------------------------------|-----------|--------|--------|------|-------|--------|
| FIXED-INCOME INDEXES                |           | 3-Mos. | 6 Mos. | YTD  | 1-Yr. | 5-Yr.  |
| Lehman Aggregate                    | 5.31      | 2.84   | 2.31   | 3.85 | 5.14  | 3.86   |
| Treasury                            | 4.30      | 3.81   | 3.36   | 4.86 | 5.62  | 3.72   |
| Government-Related                  | 4.88      | 3.25   | 3.02   | 4.54 | 5.74  | 4.05   |
| Corporate                           | 5.90      | 1.82   | 1.05   | 2.54 | 3.93  | 3.28   |
| Securitized                         | 5.72      | 2.64   | 2.07   | 3.66 | 5.24  | 4.18   |
| Lehman Government/Credit            | 4.99      | 3.01   | 2.50   | 4.00 | 5.08  | 3.66   |
| Lehman Intermediate G/C             | 4.81      | 2.87   | 2.72   | 4.35 | 5.43  | 3.48   |
| Lehman High Yield                   | 8.64      | 0.33   | 0.56   | 3.21 | 7.54  | 7.44   |
| Lehman Municipal GO Index           | 4.12      | 1.82   | 1.15   | 1.97 | 3.09  | 3.86   |
| ML U.S Govt. Corp. 1-5              | 4.51      | 2.66   | 3.06   | 4.67 | 5.74  | 3.50   |
| ML 1-3 U.S. Treasury                | 3.99      | 2.67   | 3.39   | 4.84 | 5.80  | 3.49   |
| LEHMAN TREASURY RETURNS             | Eff. Yld. | 3-Mos. | 6 Mos. | YTD  | 1-Yr. | 5-Yr.  |
| 3 Mo                                | 3.89      | 1.38   | 2.69   | 3.98 | 5.29  | 4.13   |
| 6 Mo                                | 4.07      | 1.56   | 2.92   | 4.21 | 5.52  | 4.17   |
| 2 Yr                                | 3.96      | 2.69   | 3.25   | 4.79 | 5.71  | 3.27   |
| 5 Yr                                | 4.23      | 4.21   | 3.60   | 5.45 | 6.01  | 2.63   |
| 10 Yr                               | 4.58      | 4.71   | 2.72   | 4.23 | 4.69  | 2.64   |
| 30 Yr                               | 4.83      | 5.78   | 2.57   | 2.85 | 3.30  | 4.19   |
| US TREASURY YIELDS                  | Yield     | 3-Mos. | 6 Mos. | YTD  | 1-Yr. | 5-Yr.  |
| 3-Month                             | 3.82      | 4.82   | 5.04   | 5.02 | 4.89  | 1.72   |
| 6-Month                             | 4.09      | 4.86   | 5.01   | 5.09 | 4.88  | 2.02   |
| 2-Years                             | 3.96      | 4.88   | 4.58   | 4.81 | 4.69  | 2.61   |
| 5-Years                             | 4.23      | 4.94   | 4.54   | 4.70 | 4.59  | 3.37   |
| 10-Years                            | 4.58      | 5.03   | 4.65   | 4.71 | 4.63  | 4.12   |
| 30-Years                            | 4.84      | 5.13   | 4.85   | 4.81 | 4.77  | 4.89   |
| INTERNATIONAL BONDS                 | 9/30/07   | 3-Mos. | 6 Mos. | YTD  | 1-Yr. | 5-Yr.  |
| Citigroup WGBI (All maturities) (US | 698.00    | 4.64   | 3.02   | 4.21 | 6.09  | 3.88   |
| JP Morgan EMBI Global               | 398.10    | 2.58   | 1.12   | 3.54 | 7.51  | 9.73   |
| CURRENCY & COMMODITIES              | 9/30/07   | 3-Mos. | 6 Mos. | YTD  | 1-Yr. | 5-Yr.  |
| Trade-Weighted Dollar (1973=100)    | 74.38     | -5.4   | -7.6   | -8.6 | -9.1  | -4.4   |
| Gold Futures                        | 742.80    | 14.6   | 12.0   | 16.9 | 24.1  | 21.1   |
| Crude Oil Futures                   | 81.66     | 15.5   | 24.0   | 33.8 | 29.8  | 18.1   |
| DJ/AIG Commodity Futures            | 178.25    | 5.1    | 3.7    | 7.1  | 11.4  | 5.2    |
| TIPS                                | 4.52      | 4.54   | 3.75   | 6.35 | 4.97  | 4.03   |
| INFLATION (% > 1Yr. Ann.)           | Sep '07   | 3-Mos. | 6 Mos. | YTD  | 1-Yr. | 5-Yr.  |
| Consumer Price Index (82-84=100)    | 208.3     | 0.2    | 1.5    | 2.7  | 2.8   | 3.2    |

\*Sources: FactSet; Lehman Bros. MSC; Merrill Lynch; EBB; BIS

# Account Activity Summary - FYTD

|                                                  |                          |
|--------------------------------------------------|--------------------------|
| <b>Beginning Portfolio Market Value 06/30/07</b> | <b>\$ 63,053,270.70</b>  |
| <b>Net Additions/Withdrawals</b>                 | <b>\$ (2,939,841.77)</b> |
| <b>Portfolio Earnings</b>                        |                          |
| Net Accrued Income                               | \$ 7,707.96              |
| Interest and Dividends                           | \$ 123,826.32            |
| Gains/Losses                                     | \$ 762,086.35            |
| <b>Total Portfolio Earnings</b>                  | <b>\$ 893,620.63</b>     |
| <b>Ending Portfolio Market Value 09/30/07</b>    | <b>\$ 61,007,049.56</b>  |
| <b>Net Change</b>                                | <b>\$ (2,046,221.14)</b> |

Please refer to appendix for full disclosure.

Period ending September 30, 2007.  
 \*Source of data is the First Rate investment performance system.  
 Data includes accrued income.

# Account Activity Summary - YTD

Beginning Portfolio Market Value 12/31/06 \$ 58,547,811.58

Net Additions/Withdrawals \$ (3,418,144.68)

## Portfolio Earnings

Net Accrued Income \$ 7,707.96

Interest and Dividends \$ 383,650.77

Gains/Losses \$ 5,486,023.93

**Total Portfolio Earnings**

**\$ 5,877,382.66**

Ending Portfolio Market Value 09/30/07 \$ 61,007,049.56

Net Change

\$ 2,459,237.98

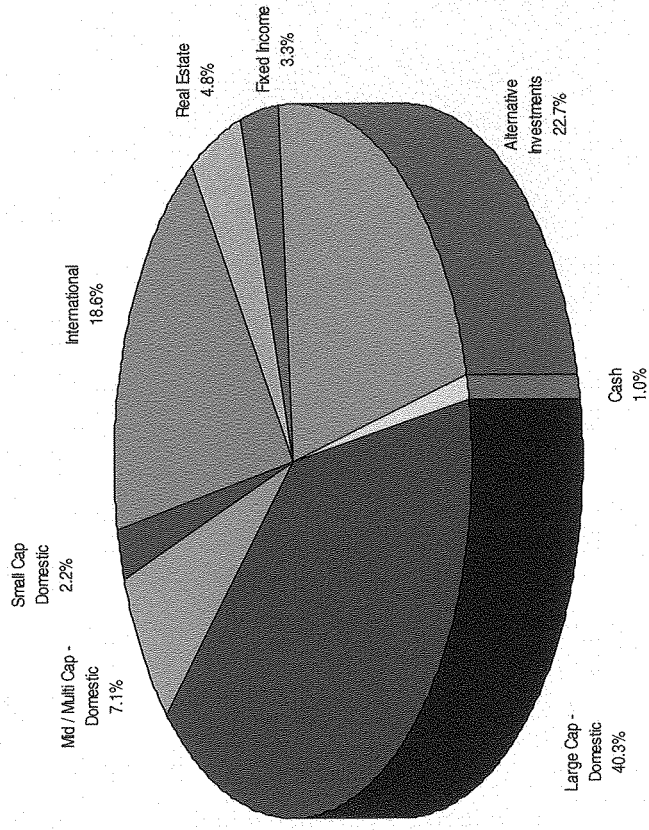
Please refer to appendix for full disclosure.

\*Period ending September 30, 2007.  
\*Source of data is the First Rate investment performance system.  
Data includes accrued income.



# Portfolio Composition

| Assets                            | Current Market Value    | Actual Allocation |
|-----------------------------------|-------------------------|-------------------|
| <b>Total Portfolio</b>            | <b>\$ 60,999,013.10</b> | <b>100.0%</b>     |
| <b>Total Equity</b>               | <b>\$ 41,629,777.90</b> | <b>68.2%</b>      |
| Vanguard 500 Index                | \$ 6,405,564.23         | 10.5%             |
| T. Rowe Growth Stock              | \$ 9,504,825.78         | 15.6%             |
| STI Classic Large Cap Value       | \$ 8,663,282.17         | 14.2%             |
| STI Classic Aggressive Growth     | \$ 2,540,775.36         | 4.2%              |
| Lazard Mid Cap Blend              | \$ 1,815,843.06         | 3.0%              |
| William Blair Small Cap Growth    | \$ 741,173.30           | 1.2%              |
| STI Classic Small Cap Value       | \$ 597,368.68           | 1.0%              |
| Goldman Sachs Emerging Market     | \$ 2,339,406.45         | 3.8%              |
| Fidelity Advisor Diversified Intl | \$ 9,021,538.87         | 14.8%             |
| <b>Total Fixed</b>                | <b>\$ 2,007,477.17</b>  | <b>3.3%</b>       |
| PIMCO Global Bond Unhedged        | \$ 2,007,477.17         | 3.3%              |
| <b>Other Assets</b>               | <b>\$ 16,762,071.00</b> | <b>27.5%</b>      |
| Lighthouse Diversified            | \$ 8,145,948.51         | 13.4%             |
| Lighthouse Global Long Short      | \$ 5,681,902.58         | 9.3%              |
| T Rowe Price REIT                 | \$ 1,899,794.91         | 3.1%              |
| Wilshire International REIT       | \$ 1,034,425.00         | 1.7%              |
| <b>Total Cash</b>                 | <b>\$ 599,687.03</b>    | <b>1.0%</b>       |
| <b>Other</b>                      | <b>\$ 374.93</b>        | <b>0.0%</b>       |



Please refer to appendix for full disclosure

Period ending September 30, 2007.

# Investment Performance Comparisons

|                                          | 3-Mo   | Quarter | YTD    | Trailing 12 Months | Trailing 36 Months | Trailing 48 Months | 100 Months |
|------------------------------------------|--------|---------|--------|--------------------|--------------------|--------------------|------------|
| <b>Total Portfolio</b>                   | 3.03%  | 1.49%   | 10.18% | 18.04%             | 14.57%             | 13.74%             | 4.46%      |
| Blended Benchmark                        | 3.38%  | 1.55%   | 8.60%  | 15.87%             | 13.90%             | 13.92%             | 6.46%      |
| Static Benchmark                         | 2.64%  | 2.00%   | 7.05%  | 12.54%             | 10.28%             | 10.35%             | 4.96%      |
| <b>Total Equity</b>                      | 4.65%  | 2.09%   | 10.70% | 19.36%             | 16.24%             | 15.15%             | 4.80%      |
| Vanguard 500 Index Fund                  | 3.74%  | 2.05%   | 9.13%  | 16.43%             | 13.15%             | 13.31%             | 3.61%      |
| T. Rowe Growth Stock Fund                | 5.15%  | 3.38%   | 12.30% | 19.89%             | 14.88%             | 13.88%             | 6.01%      |
| Russell 1000 Growth Index                | 4.19%  | 4.21%   | 12.68% | 19.35%             | 12.20%             | 11.01%             | 0.29%      |
| S&P 500 Index                            | 3.74%  | 2.03%   | 9.13%  | 16.44%             | 13.13%             | 13.32%             | 3.59%      |
| STI Classic Large Cap Value Fund         | 3.61%  | 0.98%   | 9.81%  | 18.10%             | 14.75%             | 15.97%             | 6.07%      |
| Russell 1000 Value Index                 | 3.43%  | -0.24%  | 5.97%  | 14.45%             | 15.25%             | 16.54%             | 6.98%      |
| STI Classic Aggressive Growth Fund       | 6.76%  | 7.07%   | 21.71% | 27.63%             | 15.80%             | -                  | -          |
| Russell 3000 Growth Index                | 4.08%  | 3.85%   | 12.39% | 19.31%             | 12.37%             | 11.21%             | -          |
| Lazard Mid Cap Blend Fund                | 1.40%  | -5.40%  | 6.09%  | 13.86%             | 14.45%             | 16.46%             | 11.27%     |
| Russell MidCap Index                     | 3.29%  | -0.39%  | 9.48%  | 17.87%             | 17.34%             | 18.13%             | 10.36%     |
| William Blair Small Cap Growth Fund      | 4.10%  | -2.15%  | 6.78%  | 14.34%             | 12.99%             | 16.17%             | -          |
| Russell 2000 Growth Index                | 2.91%  | 0.02%   | 9.35%  | 18.94%             | 14.10%             | 13.55%             | 4.45%      |
| STI Small Cap Value Fund                 | 0.93%  | -2.06%  | 10.78% | 17.79%             | 18.17%             | 20.44%             | 15.89%     |
| Russell 2000 Value Index                 | 0.45%  | -6.26%  | -2.70% | 6.09%              | 12.51%             | 15.66%             | 12.67%     |
| Goldman Sachs Emerging Market            | 9.06%  | 10.61%  | 26.72% | 48.78%             | 39.68%             | 34.89%             | 17.53%     |
| Fidelity Advisors Diversified Intl       | 5.88%  | 1.76%   | 12.89% | 22.25%             | 21.46%             | 21.18%             | -          |
| MSCI Emerging Markets                    | 10.85% | 13.70%  | 32.02% | 54.84%             | 37.44%             | -                  | -          |
| MSCI EAFE Index                          | 5.35%  | 2.18%   | 13.16% | 24.87%             | 23.25%             | 22.95%             | 8.28%      |
| PIMCO Global Bond Unhedged               | 3.35%  | 6.82%   | 5.07%  | 6.65%              | 4.53%              | 5.33%              | -          |
| Citigroup World Government Index         | 2.46%  | 7.20%   | 6.77%  | 8.69%              | 4.61%              | 5.20%              | -          |
| Lehman Government Credit Index           | 0.70%  | 3.01%   | 4.00%  | 5.08%              | 3.66%              | 3.58%              | 5.81%      |
| Lighthouse Diversified Fund              | 0.75%  | -1.42%  | 7.66%  | 13.61%             | 10.84%             | 9.36%              | -          |
| Lighthouse Long Short Fund               | 1.90%  | -0.89%  | 11.55% | 19.22%             | -                  | -                  | -          |
| HFR Fund of Funds Index                  | 2.12%  | 0.50%   | 8.38%  | 13.67%             | 10.18%             | 9.05%              | 8.23%      |
| T. Rowe Price REIT Fund                  | 4.47%  | 1.72%   | -4.45% | 4.17%              | 20.58%             | 22.08%             | 17.19%     |
| Wilshire International REIT <sup>1</sup> | 5.22%  | -0.25%  | 3.66%  | -                  | -                  | -                  | -          |
| Wilshire Real Estate Index               | 3.91%  | 1.42%   | -4.64% | 3.80%              | 19.63%             | -                  | -          |

<sup>1</sup>Wilshire International REIT added on September 2007.

Past performance is not indicative of future results.  
Please refer to Appendix for full disclosure.

Period ending September 30, 2007.  
\*\*Blended benchmark composed of 52% S&P 500, 9% Russell Mid Cap, 2.5 Russell 2000, 10% MSCI EAFE-GDP Weighted, 17.5% HFR Fund of Funds Index, 4% NAREIT - Equity, 5% Citigroup Unhedged WGBI.  
\*\*\*Static benchmark composed of 65% Russell 3000 and 35% Lehman Aggregate Bond Index.  
\*Annualized returns.

# Investment Performance Comparisons

Handwritten: *Stacy*

|                                                  | Sep-07 | Quarter | YTD    | Trailing 12 Months* | Trailing 36 Months* | Trailing 48 Months* | TTD 100 Months |
|--------------------------------------------------|--------|---------|--------|---------------------|---------------------|---------------------|----------------|
| <b>Total Portfolio</b>                           | 3.03%  | 1.49%   | 10.18% | 18.04%              | 14.57%              | 13.74%              | 4.46%          |
| <b>Blended Benchmark</b>                         | 3.38%  | 1.55%   | 8.60%  | 15.87%              | 13.90%              | 13.92%              | 6.46%          |
| <b>Total Equity</b>                              | 4.65%  | 2.09%   | 10.70% | 19.36%              | 16.24%              | 15.15%              | 4.80%          |
| Vanguard 500 Index Fund                          | 3.74%  | 2.05%   | 9.13%  | 16.43%              | 13.15%              | 13.31%              | 3.61%          |
| T. Rowe Growth Stock Fund <sup>3</sup>           | 5.15%  | 3.38%   | 12.30% | 19.89%              | 14.88%              | 13.88%              | 6.01%          |
| Russell 1000 Growth Index                        | 4.19%  | 4.21%   | 12.68% | 19.35%              | 12.20%              | 11.01%              | 0.29%          |
| S&P 500 Index                                    | 3.74%  | 2.03%   | 9.13%  | 16.44%              | 13.13%              | 13.32%              | 3.59%          |
| STI Classic Large Cap Value Fund <sup>3</sup>    | 3.61%  | 0.98%   | 9.81%  | 18.10%              | 14.75%              | 15.97%              | 6.07%          |
| Russell 1000 Value Index                         | 3.43%  | -0.24%  | 5.97%  | 14.45%              | 15.25%              | 16.54%              | 6.98%          |
| STI Classic Aggressive Growth Fund <sup>4</sup>  | 6.76%  | 7.07%   | 21.71% | 27.63%              | 15.80%              | -                   | -              |
| Russell 3000 Growth Index                        | 4.08%  | 3.85%   | 12.39% | 19.31%              | 12.37%              | 11.21%              | -              |
| Lazard Mid Cap Blend Fund <sup>2</sup>           | 1.40%  | -5.40%  | 6.09%  | 13.86%              | 14.45%              | 16.46%              | 11.27%         |
| Russell MidCap Index                             | 3.29%  | -0.39%  | 9.48%  | 17.87%              | 17.34%              | 18.13%              | 10.36%         |
| William Blair Small Cap Growth Fund <sup>2</sup> | 4.10%  | -2.15%  | 6.78%  | 14.34%              | 12.99%              | 16.17%              | -              |
| Russell 2000 Growth Index                        | 2.91%  | 0.02%   | 9.35%  | 18.94%              | 14.10%              | 13.55%              | 4.45%          |
| STI Small Cap Value Fund <sup>2</sup>            | 0.93%  | -2.06%  | 10.78% | 17.79%              | 18.17%              | 20.44%              | 15.89%         |
| Russell 2000 Value Index                         | 0.45%  | -6.26%  | -2.70% | 6.09%               | 12.51%              | 15.66%              | 12.67%         |
| Goldman Sachs Emerging Market <sup>2</sup>       | 9.06%  | 10.61%  | 26.72% | 48.78%              | 39.68%              | 34.89%              | 17.53%         |
| Fidelity Advisors Diversified Intl               | 5.88%  | 1.76%   | 12.89% | 22.25%              | 21.46%              | 21.18%              | -              |
| MSCI Emerging Markets                            | 10.85% | 13.70%  | 32.02% | 54.84%              | 37.44%              | -                   | -              |
| MSCI EAFE Index                                  | 5.35%  | 2.18%   | 13.16% | 24.87%              | 23.25%              | 22.95%              | 8.28%          |
| PIMCO Global Bond Unhedged <sup>5</sup>          | 3.35%  | 6.82%   | 5.07%  | 6.65%               | 4.53%               | 5.33%               | -              |
| Citigroup World Government Index                 | 2.46%  | 7.20%   | 6.77%  | 8.69%               | 4.61%               | 5.20%               | -              |
| Lehman Government Credit Index                   | 0.70%  | 3.01%   | 4.00%  | 5.08%               | 3.66%               | 3.58%               | 5.81%          |
| Lighthouse Diversified Fund <sup>1</sup>         | 0.75%  | -1.42%  | 7.66%  | 13.61%              | 10.84%              | 9.36%               | -              |
| Lighthouse Long Short Fund <sup>1</sup>          | 1.90%  | -0.89%  | 11.55% | 19.22%              | -                   | -                   | -              |
| HFR Fund of Funds Index                          | 2.12%  | 0.50%   | 8.38%  | 13.67%              | 10.18%              | 9.05%               | 8.23%          |
| T. Rowe Price REIT Fund <sup>5</sup>             | 4.47%  | 1.72%   | -4.45% | 4.17%               | 20.58%              | 22.08%              | 17.19%         |
| Wilshire International REIT                      | 5.22%  | -0.25%  | 3.66%  | -                   | -                   | -                   | -              |
| Wilshire Real Estate Index                       | 3.91%  | 1.42%   | -4.64% | 3.80%               | 19.63%              | -                   | -              |

<sup>1</sup> Lighthouse Funds & HFR Index are not audited and subject to revision.  
<sup>2</sup> Lazard MidCap Blend, William Blair Small Cap Growth and Goldman Sachs Emerging Markets funds added on October 2006  
<sup>3</sup> T. Rowe Growth, & STI Large Cap Value funds added on October 2004  
<sup>4</sup> STI Mid Cap Eq, STI Strat Quant, Boston Intl Small Cap, STI Large Cap Rel, Val, STI Aggressive Growth funds added on August 2005  
<sup>5</sup> PIMCO Global, T. Rowe REIT funds added on September 2005

Past performance is not indicative of future results.  
 Please refer to Appendix for full disclosure.

Period ending September 30, 2007.

# Purchases & Sales

## McKnight Brain Research Foundation Purchases and Sales Statement 06/30/07 to 09/30/07

| Security Description                    | Transaction Type  | Face / Shares | Settle Price | Transaction Date | Total Proceeds    | Cost Basis        | Fed LT Gain/Loss | Fed ST Gain/Loss |
|-----------------------------------------|-------------------|---------------|--------------|------------------|-------------------|-------------------|------------------|------------------|
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -873318.66    | \$ 1.00      | 7/2/2007         | \$ 873,318.66     | \$ (873,318.66)   | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -9249.37      | \$ 1.00      | 7/10/2007        | \$ 9,249.37       | \$ (9,249.37)     | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -661.78       | \$ 1.00      | 7/19/2007        | \$ 661.78         | \$ (661.78)       | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -314.3        | \$ 1.00      | 7/23/2007        | \$ 314.30         | \$ (314.30)       | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -367573.91    | \$ 1.00      | 7/25/2007        | \$ 367,573.91     | \$ (367,573.91)   | \$ -             | \$ -             |
| VANGUARD INSTL INDEX FD SH BEN INT      | Sell an Asset     | -2160.294     | \$ 138.87    | 7/25/2007        | \$ 300,000.00     | \$ (250,399.68)   | \$ -             | \$ 49,600.32     |
| PRICE T ROWE GROWTH STK FD INC          | Sell an Asset     | -10063.255    | \$ 34.78     | 7/25/2007        | \$ 350,000.00     | \$ (249,258.80)   | \$ -             | \$ -             |
| STI CLASSIC FDS-LARGE CAP VAL EQTY #512 | Sell an Asset     | -21618.283    | \$ 16.19     | 7/25/2007        | \$ 350,000.00     | \$ (249,258.80)   | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 367573.91     | \$ 1.00      | 7/25/2007        | \$ (367,573.91)   | \$ -              | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 8862.47       | \$ 1.00      | 7/27/2007        | \$ (8,862.47)     | \$ -              | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 1604.22       | \$ 1.00      | 8/1/2007         | \$ (1,604.22)     | \$ -              | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -8879.28      | \$ 1.00      | 8/9/2007         | \$ 8,879.28       | \$ (8,879.28)     | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -1625         | \$ 1.00      | 8/9/2007         | \$ 1,625.00       | \$ (1,625.00)     | \$ -             | \$ -             |
| STI CLASSIC FDS-LARGE CAP VAL EQTY      | Sell an Asset     | -74282.87     | \$ 14.09     | 8/9/2007         | \$ 1,046,645.63   | \$ (1,046,645.63) | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 1046645.63    | \$ 1.00      | 8/9/2007         | \$ (1,046,645.63) | \$ -              | \$ -             | \$ 531.00        |
| ROWE T PRICE REAL ESTATE FD COM         | Sell an Asset     | -27112.517    | \$ 22.13     | 8/10/2007        | \$ 600,000.00     | \$ (612,968.82)   | \$ 87,031.18     | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 600000        | \$ 1.00      | 8/13/2007        | \$ (600,000.00)   | \$ -              | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -2250.93      | \$ 1.00      | 8/14/2007        | \$ 2,250.93       | \$ (2,250.93)     | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -428.15       | \$ 1.00      | 8/20/2007        | \$ 428.15         | \$ (428.15)       | \$ -             | \$ -             |
| VANGUARD INSTL INDEX FD SH BEN INT      | Sell an Asset     | -1885.37      | \$ 132.60    | 8/21/2007        | \$ 250,000.00     | \$ (218,533.24)   | \$ 31,466.76     | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 250000        | \$ 1.00      | 8/22/2007        | \$ (250,000.00)   | \$ -              | \$ -             | \$ -             |
| VANGUARD INSTL INDEX FD SH BEN INT      | Sell an Asset     | -1865.394     | \$ 134.02    | 8/23/2007        | \$ 250,000.00     | \$ (216,217.82)   | \$ 33,782.18     | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 250000        | \$ 1.00      | 8/24/2007        | \$ (250,000.00)   | \$ -              | \$ -             | \$ -             |
| PENDING-LHP GLOBAL LONG/SHORT LP        | Purchase an Asset | 2400000       | \$ 1.00      | 8/31/2007        | \$ (2,400,000.00) | \$ -              | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -2393218.88   | \$ 1.00      | 9/4/2007         | \$ 2,393,218.88   | \$ (2,393,218.88) | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -322.13       | \$ 1.00      | 9/5/2007         | \$ 322.13         | \$ (322.13)       | \$ -             | \$ -             |
| VANGUARD INSTL INDEX FD SH BEN INT      | Sell an Asset     | -3685.957     | \$ 135.65    | 9/6/2007         | \$ 500,000.00     | \$ (427,239.27)   | \$ 72,760.73     | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 500000        | \$ 1.00      | 9/7/2007         | \$ (500,000.00)   | \$ -              | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -8608.14      | \$ 1.00      | 9/11/2007        | \$ 8,608.14       | \$ (8,608.14)     | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -444.93       | \$ 1.00      | 9/12/2007        | \$ 444.93         | \$ (444.93)       | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -400          | \$ 1.00      | 9/14/2007        | \$ 400.00         | \$ (400.00)       | \$ -             | \$ -             |
| MELLON INSTL FDS INVT TR                | Sell an Asset     | -2049.19      | \$ 25.94     | 9/20/2007        | \$ 53,196.00      | \$ (42,918.91)    | \$ 10,237.19     | \$ -             |
| BLAIR WILLIAM MUT FDS INC SMALL CAP     | Sell an Asset     | -579.877      | \$ 27.68     | 9/20/2007        | \$ 16,051.00      | \$ (15,486.51)    | \$ 562.49        | \$ -             |
| FIDELITY ADVISOR SER VII DIVERSIFIE     | Sell an Asset     | -5423.728     | \$ 25.16     | 9/20/2007        | \$ 136,461.00     | \$ (121,220.32)   | \$ 15,240.68     | \$ -             |
| STI CLASSIC FDS-SM CAP VAL EQTY #588    | Sell an Asset     | -1674.604     | \$ 18.20     | 9/20/2007        | \$ 13,111.00      | \$ (13,283.90)    | \$ (172.90)      | \$ -             |
| GOLDMAN SACHS TR EMERGING MKTS EQTY     | Sell an Asset     | -1767.604     | \$ 29.06     | 9/20/2007        | \$ 48,664.00      | \$ (35,987.24)    | \$ 12,676.76     | \$ -             |
| PRICE T ROWE GROWTH STK FD INC          | Sell an Asset     | -5834.474     | \$ 35.07     | 9/20/2007        | \$ 204,615.00     | \$ (159,981.28)   | \$ 44,633.72     | \$ -             |
| PIMCO FDS PAC INVT MGMT SER GLOBAL      | Sell an Asset     | -4342.766     | \$ 9.98      | 9/20/2007        | \$ 43,341.00      | \$ (42,559.30)    | \$ 781.70        | \$ -             |
| STI CLASSIC FDS-LARGE CAP VAL EQTY #512 | Sell an Asset     | -11692.017    | \$ 16.16     | 9/20/2007        | \$ 186,943.00     | \$ (134,808.96)   | \$ 54,134.04     | \$ -             |
| LAZARD FDS INC MID CAP PORTFOLIO INS    | Sell an Asset     | -2630.642     | \$ 15.11     | 9/20/2007        | \$ 39,749.00      | \$ (38,475.15)    | \$ 1,273.85      | \$ -             |
| VANGUARD INSTL INDEX FD SH BEN INT      | Sell an Asset     | -8329.429     | \$ 139.42    | 9/20/2007        | \$ 1,161,289.00   | \$ (965,464.11)   | \$ 195,824.89    | \$ -             |
| STI CLASSIC FD-AGGRESSIVE GRWTH #558    | Sell an Asset     | -3756.254     | \$ 14.31     | 9/20/2007        | \$ 53,752.00      | \$ (39,966.54)    | \$ 13,785.46     | \$ -             |
| T ROWE PRICE REAL ESTATE FD COM         | Sell an Asset     | -1758.477     | \$ 23.24     | 9/20/2007        | \$ 40,867.00      | \$ (33,270.38)    | \$ 7,596.62      | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Purchase an Asset | 1999999       | \$ 1.00      | 9/21/2007        | \$ (1,999,999.00) | \$ -              | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -1000000      | \$ 1.00      | 9/24/2007        | \$ 1,000,000.00   | \$ (1,000,000.00) | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -40000        | \$ 1.00      | 9/26/2007        | \$ 40,000.00      | \$ (40,000.00)    | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -518.15       | \$ 1.00      | 9/29/2007        | \$ 518.15         | \$ (518.15)       | \$ -             | \$ -             |
| FIDELITY ADVISOR SER VII DIVERSIFIE     | Purchase an Asset | 95061.591     | \$ 26.02     | 9/27/2007        | \$ (2,474,023.00) | \$ -              | \$ -             | \$ -             |
| MELLON INSTL FDS INVT TR                | Sell an Asset     | -94500.505    | \$ 26.51     | 9/27/2007        | \$ 2,505,208.39   | \$ (1,929,756.60) | \$ 553,792.98    | \$ 21,656.81     |
| SPDR DJ WILSHIRE INTL REAL ESTATE FD    | Purchase an Asset | 16100         | \$ 62.05     | 9/25/2007        | \$ (999,488.00)   | \$ -              | \$ -             | \$ -             |
| STI CLASSIC FDS-PRIME QUALITY MM FD     | Sell an Asset     | -968302.61    | \$ 1.00      | 9/28/2007        | \$ 968,302.61     | \$ (968,302.61)   | \$ -             | \$ -             |

Please refer to appendix for full disclosure

Period ending September 30, 2007.

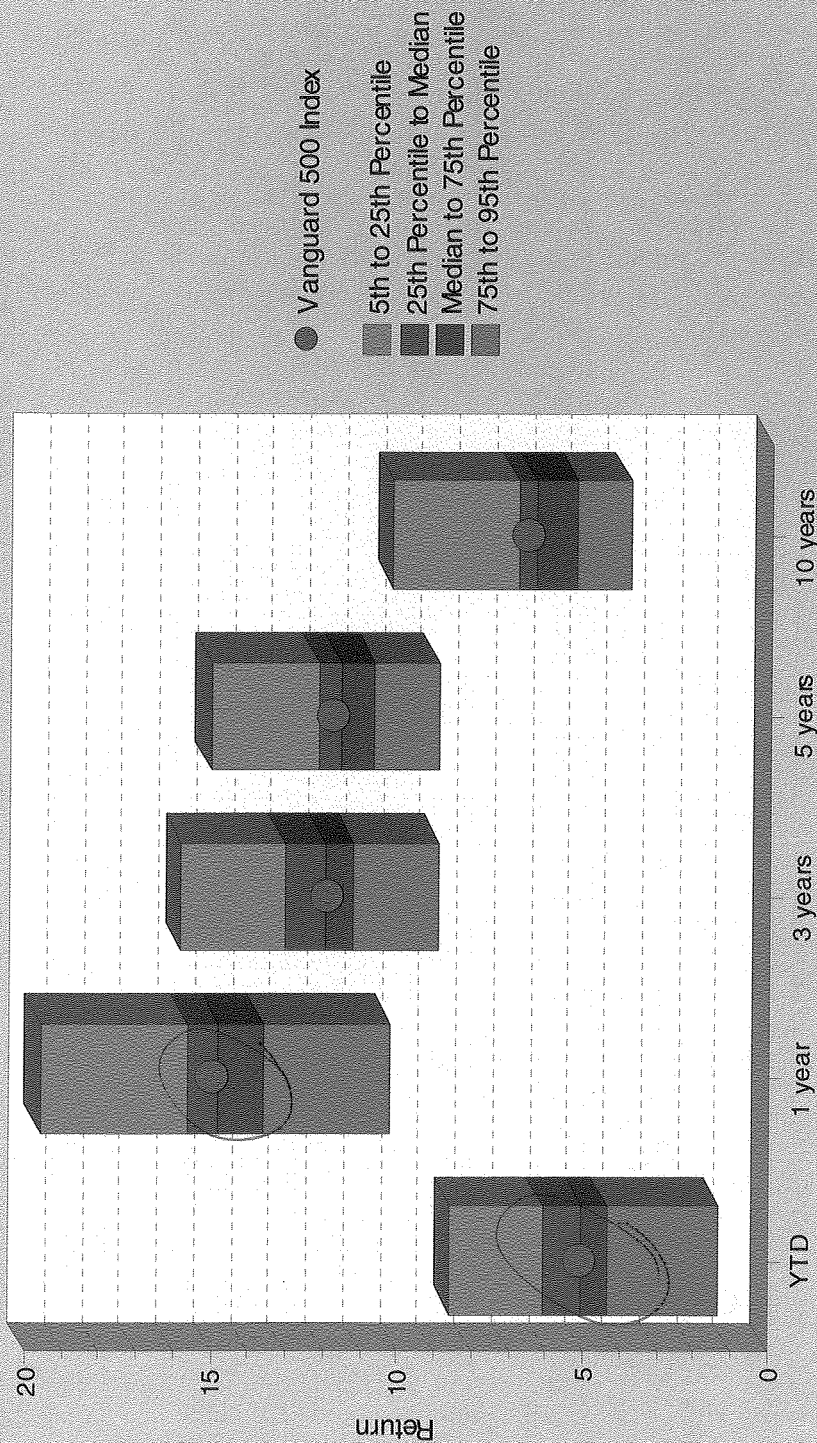


# Manager v. Universe

## Manager vs Universe: Return through August 2007

(not annualized if less than 1 year)

Zephyr Large Core Universe (Morningstar)



Please refer to appendix for full disclosure

Period ending August 31, 2007.

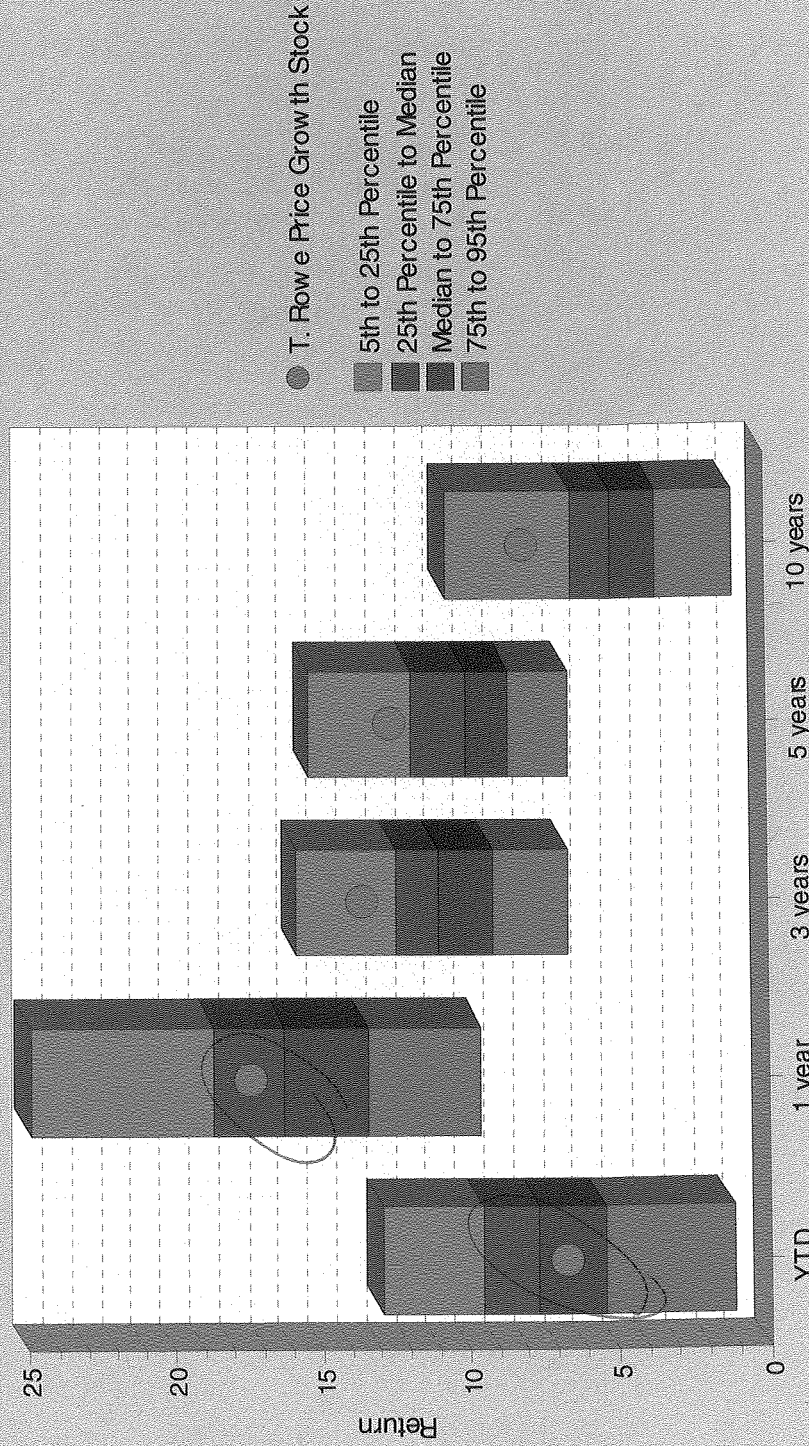


# Manager v. Universe

## Manager vs Universe: Return through August 2007

(not annualized if less than 1 year)

Zephyr Large Growth Universe (Morningstar)



Please refer to appendix for full disclosure

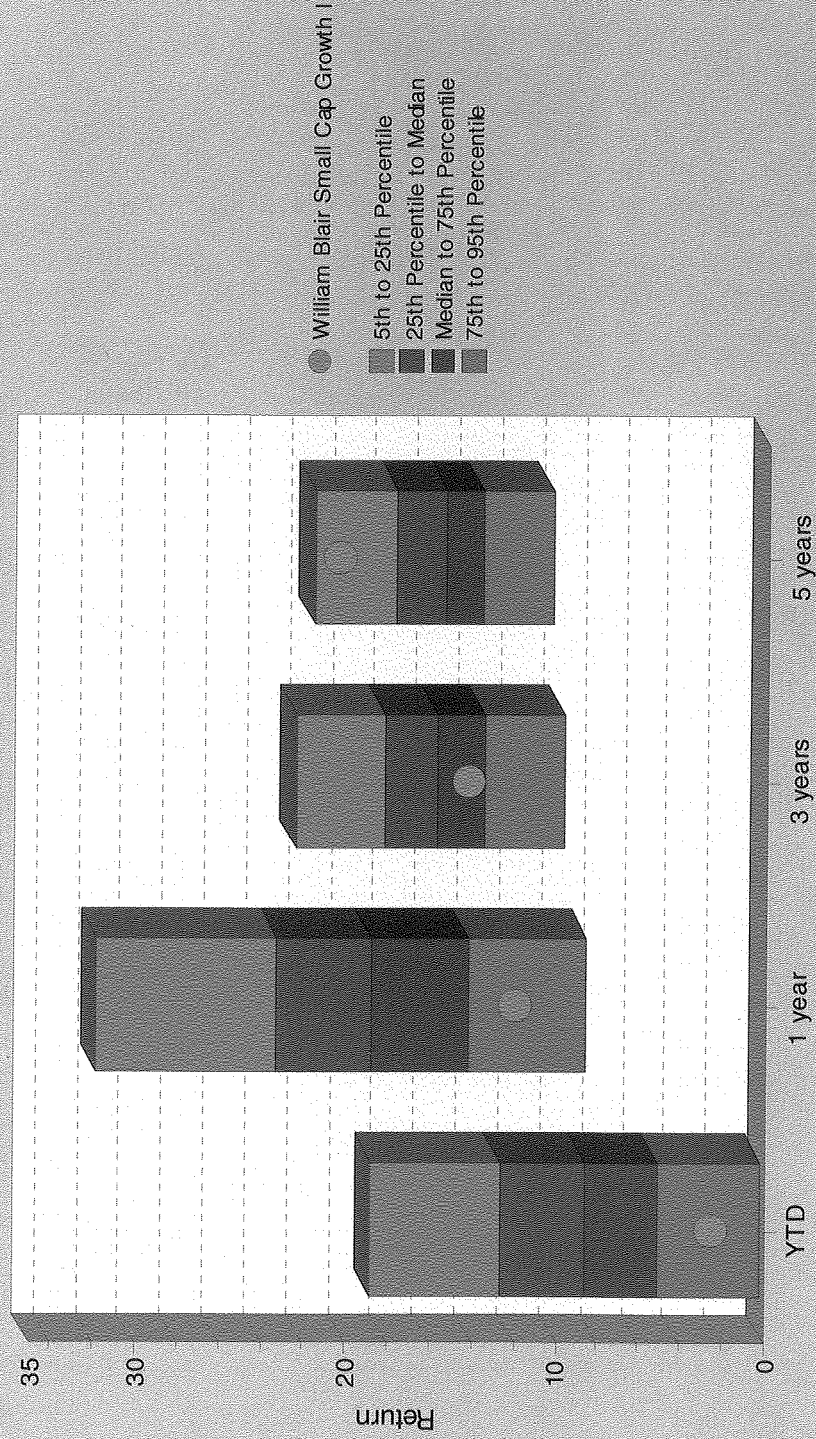
Period ending August 31, 2007.

# Manager v. Universe

## Manager vs Universe: Return through August 2007

(not annualized if less than 1 year)

Zephyr Small Growth Universe (Morningstar)



Please refer to appendix for full disclosure

Period ending August 31, 2007.

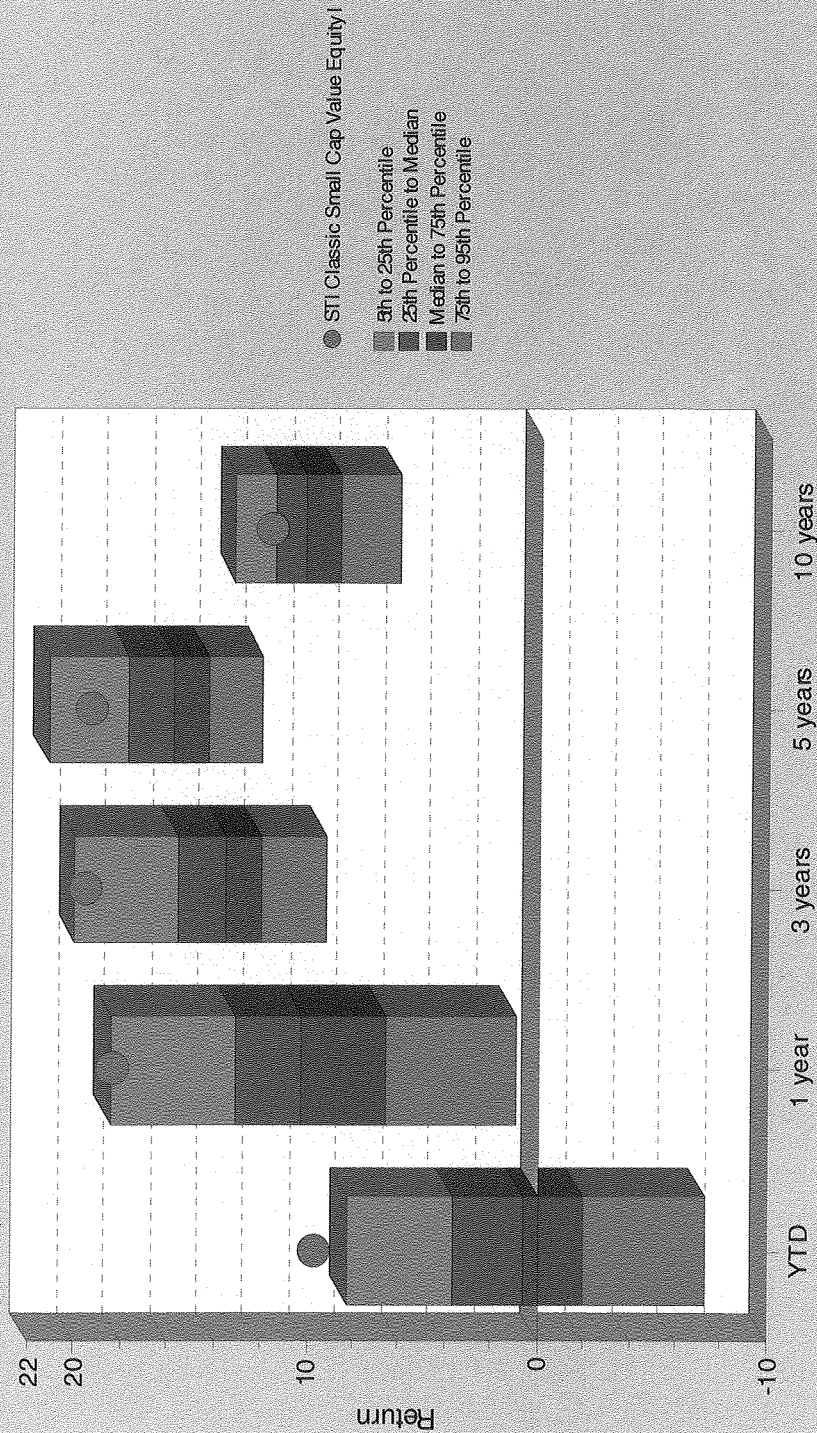


# Manager v. Universe

## Manager vs Universe: Return through August 2007

(not annualized if less than 1 year)

Zephyr Small Value Universe (Morningstar)



Please refer to appendix for full disclosure

Period ending August 31, 2007.

# Peer Group Analysis

| Large Cap<br>Universe Percentile | Qtr    | 1 Yr  | 3 Yr  | 5 Yr  |
|----------------------------------|--------|-------|-------|-------|
| Best                             | 17.66  | 56.81 | 31.55 | 30.44 |
| 5th                              | 8.64   | 27.94 | 19.04 | 20.68 |
| 15th                             | 6.38   | 22.73 | 17.28 | 18.92 |
| 25th                             | 5.04   | 20.96 | 15.83 | 18.11 |
| 35th                             | 3.69   | 19.17 | 15.10 | 17.42 |
| 45th                             | 2.73   | 17.80 | 14.48 | 16.64 |
| Median                           | 2.31   | 17.26 | 14.14 | 16.34 |
| 55th                             | 1.93   | 16.83 | 13.85 | 15.88 |
| 65th                             | 1.14   | 15.94 | 13.26 | 15.18 |
| 75th                             | 0.33   | 14.83 | 12.53 | 14.45 |
| 85th                             | -0.79  | 13.35 | 11.51 | 13.24 |
| 95th                             | -2.44  | 11.19 | 9.81  | 11.90 |
| Worst                            | -14.02 | -8.14 | 3.64  | 7.69  |

| Vanguard 500 Index | Qtr  | 1 Yr  | 3 Yr  | 5 Yr  |
|--------------------|------|-------|-------|-------|
| S&P 500 Index      | 2.05 | 16.43 | 13.15 | 15.45 |
|                    | 2.03 | 16.44 | 13.13 | 15.45 |

| Large Cap Value<br>Universe Percentile | Qtr    | 1 Yr  | 3 Yr  | 5 Yr  |
|----------------------------------------|--------|-------|-------|-------|
| Best                                   | 4.64   | 29.49 | 23.41 | 27.05 |
| 5th                                    | 3.15   | 21.82 | 18.53 | 21.39 |
| 15th                                   | 1.92   | 19.29 | 17.30 | 19.68 |
| 25th                                   | 1.31   | 17.86 | 16.12 | 18.92 |
| 35th                                   | 0.73   | 16.82 | 15.50 | 18.42 |
| 45th                                   | 0.35   | 15.98 | 15.03 | 17.95 |
| Median                                 | 0.16   | 15.69 | 14.85 | 17.72 |
| 55th                                   | -0.29  | 15.38 | 14.57 | 17.52 |
| 65th                                   | -0.81  | 14.47 | 14.06 | 17.03 |
| 75th                                   | -1.41  | 13.46 | 13.26 | 16.23 |
| 85th                                   | -2.22  | 12.31 | 12.42 | 15.34 |
| 95th                                   | -4.10  | 9.62  | 10.89 | 13.82 |
| Worst                                  | -14.02 | -8.14 | 5.74  | 10.99 |

| STI Large Cap Value Fund | Qtr   | 1 Yr  | 3 Yr  | 5 Yr  |
|--------------------------|-------|-------|-------|-------|
| Russell 1000 Value Index | 0.98  | 18.10 | 14.75 | 16.98 |
|                          | -0.24 | 14.45 | 15.25 | 18.07 |

| Large Cap Growth<br>Universe Percentile | Qtr   | 1 Yr  | 3 Yr  | 5 Yr  |
|-----------------------------------------|-------|-------|-------|-------|
| Best                                    | 17.66 | 56.81 | 31.55 | 30.44 |
| 5th                                     | 10.56 | 31.21 | 19.14 | 19.92 |
| 15th                                    | 8.51  | 26.23 | 17.38 | 18.00 |
| 25th                                    | 7.43  | 23.99 | 15.49 | 16.83 |
| 35th                                    | 6.60  | 22.13 | 14.56 | 15.74 |
| 45th                                    | 5.87  | 21.20 | 13.87 | 14.99 |
| Median                                  | 5.55  | 20.43 | 13.52 | 14.78 |
| 55th                                    | 5.26  | 19.78 | 13.24 | 14.56 |
| 65th                                    | 4.67  | 18.52 | 12.59 | 13.80 |
| 75th                                    | 3.94  | 17.20 | 11.67 | 12.99 |
| 85th                                    | 2.74  | 15.96 | 10.90 | 12.24 |
| 95th                                    | 1.28  | 12.79 | 9.66  | 11.23 |
| Worst                                   | -2.20 | 6.91  | 3.64  | 7.69  |

| T. Rowe Growth Stock Fund | Qtr  | 1 Yr  | 3 Yr  | 5 Yr  |
|---------------------------|------|-------|-------|-------|
| Russell 1000 Growth Index | 3.38 | 19.89 | 14.88 | 16.41 |
|                           | 4.21 | 19.35 | 12.20 | 13.84 |

| Mid Cap Growth<br>Universe Percentile | Qtr   | 1 Yr  | 3 Yr  | 5 Yr  |
|---------------------------------------|-------|-------|-------|-------|
| Best                                  | 19.00 | 60.99 | 28.81 | 29.55 |
| 5th                                   | 9.73  | 38.63 | 23.27 | 24.56 |
| 15th                                  | 7.60  | 33.50 | 21.55 | 22.12 |
| 25th                                  | 6.54  | 31.14 | 20.48 | 21.42 |
| 35th                                  | 5.99  | 29.35 | 19.57 | 20.66 |
| 45th                                  | 5.25  | 27.57 | 18.93 | 19.70 |
| Median                                | 4.91  | 26.80 | 18.43 | 19.32 |
| 55th                                  | 4.13  | 25.76 | 18.12 | 18.89 |
| 65th                                  | 3.20  | 24.07 | 17.34 | 18.19 |
| 75th                                  | 1.98  | 20.80 | 16.62 | 17.30 |
| 85th                                  | 0.71  | 18.50 | 15.70 | 16.62 |
| 95th                                  | -0.87 | 14.92 | 13.19 | 14.57 |
| Worst                                 | -3.58 | 11.92 | 11.04 | 10.87 |

| STI Aggressive Growth Fund | Qtr  | 1 Yr  | 3 Yr  | 5 Yr  |
|----------------------------|------|-------|-------|-------|
| Russell 3000 Growth        | 7.07 | 27.63 | 15.80 | —     |
|                            | 3.85 | 19.31 | 12.37 | 14.19 |

Please refer to appendix for full disclosure

Period ending September 30, 2007.

# Peer Group Analysis

| Mid Cap Universe<br>Universe Percentile | Qtr    | 1 Yr  | 3 Yr  | 5 Yr  |
|-----------------------------------------|--------|-------|-------|-------|
| Best                                    | 19.00  | 60.99 | 28.81 | 38.97 |
| 5th                                     | 8.07   | 35.00 | 22.78 | 24.54 |
| 15th                                    | 6.11   | 30.12 | 20.71 | 22.33 |
| 25th                                    | 4.32   | 27.36 | 19.48 | 21.42 |
| 35th                                    | 2.43   | 23.87 | 18.54 | 20.72 |
| 45th                                    | 0.72   | 21.56 | 17.57 | 19.98 |
| Median                                  | 0.22   | 20.66 | 17.20 | 19.42 |
| 55th                                    | -0.20  | 19.73 | 16.82 | 19.09 |
| 65th                                    | -1.51  | 17.79 | 16.17 | 18.35 |
| 75th                                    | -2.96  | 15.53 | 15.26 | 17.62 |
| 85th                                    | -3.80  | 13.92 | 14.13 | 16.75 |
| 95th                                    | -5.74  | 11.50 | 12.49 | 15.23 |
| Worst                                   | -17.40 | -1.82 | 4.59  | 10.87 |

| Lazard Mid Cap Blend Fund | Qtr   | 1 Yr  | 3 Yr  | 5 Yr  |
|---------------------------|-------|-------|-------|-------|
| Russell MidCap Index      | -5.40 | 13.86 | 14.45 | 17.87 |
|                           | -0.39 | 17.87 | 17.34 | 20.9  |

| Broad Small Cap Growth<br>Universe Percentile | Qtr   | 1 Yr  | 3 Yr  | 5 Yr  |
|-----------------------------------------------|-------|-------|-------|-------|
| Best                                          | 17.40 | 63.34 | 35.17 | 39.21 |
| 5th                                           | 10.29 | 40.73 | 24.66 | 26.22 |
| 15th                                          | 5.87  | 30.54 | 21.05 | 23.22 |
| 25th                                          | 4.36  | 28.25 | 18.87 | 21.76 |
| 35th                                          | 3.09  | 26.25 | 17.50 | 20.72 |
| 45th                                          | 2.34  | 24.02 | 16.64 | 19.85 |
| Median                                        | 1.80  | 23.09 | 16.06 | 19.20 |
| 55th                                          | 1.58  | 21.85 | 15.37 | 18.74 |
| 65th                                          | 0.72  | 19.58 | 14.48 | 18.00 |
| 75th                                          | -0.51 | 17.44 | 13.68 | 17.21 |
| 85th                                          | -1.75 | 15.93 | 12.27 | 16.24 |
| 95th                                          | -4.64 | 11.06 | 10.68 | 14.06 |
| Worst                                         | -9.48 | 5.91  | 7.22  | 5.56  |

| William Blair Small Cap Growth Fund | Qtr   | 1 Yr  | 3 Yr  | 5 Yr  |
|-------------------------------------|-------|-------|-------|-------|
| Russell 2000 Growth Index           | -2.15 | 14.34 | 12.99 | 23.06 |
|                                     | 0.02  | 18.94 | 14.1  | 18.7  |

| Broad Small Cap Value<br>Universe Percentile | Qtr    | 1 Yr   | 3 Yr  | 5 Yr  |
|----------------------------------------------|--------|--------|-------|-------|
| Best                                         | 9.25   | 44.93  | 26.81 | 28.99 |
| 5th                                          | 1.01   | 23.48  | 19.76 | 25.50 |
| 15th                                         | -1.14  | 19.90  | 17.72 | 23.03 |
| 25th                                         | -2.64  | 16.50  | 16.33 | 21.52 |
| 35th                                         | -3.55  | 14.02  | 15.28 | 20.84 |
| 45th                                         | -4.47  | 12.90  | 14.61 | 20.22 |
| Median                                       | -4.79  | 12.26  | 14.09 | 19.63 |
| 55th                                         | -5.36  | 11.14  | 13.64 | 19.19 |
| 65th                                         | -6.56  | 9.96   | 12.74 | 18.67 |
| 75th                                         | -7.35  | 8.50   | 12.06 | 18.26 |
| 85th                                         | -8.46  | 6.55   | 11.24 | 17.40 |
| 95th                                         | -10.29 | 1.94   | 9.14  | 16.08 |
| Worst                                        | -19.01 | -11.23 | 0.20  | 11.00 |

| STI Small Cap Value Fund | Qtr   | 1 Yr  | 3 Yr  | 5 Yr  |
|--------------------------|-------|-------|-------|-------|
| Russell 2000 Value Index | -2.06 | 17.79 | 18.17 | 21.02 |
|                          | -6.26 | 6.09  | 12.51 | 18.7  |

| World Equity: International<br>Universe Percentile | Qtr    | 1 Yr  | 3 Yr  | 5 Yr  |
|----------------------------------------------------|--------|-------|-------|-------|
| Best                                               | 22.76  | 89.70 | 47.44 | 46.28 |
| 5th                                                | 9.41   | 41.70 | 34.24 | 34.02 |
| 15th                                               | 5.79   | 34.79 | 29.65 | 30.07 |
| 25th                                               | 4.70   | 31.42 | 27.72 | 27.96 |
| 35th                                               | 3.98   | 29.76 | 26.26 | 26.39 |
| 45th                                               | 2.79   | 27.89 | 25.51 | 25.63 |
| Median                                             | 2.36   | 27.01 | 24.93 | 25.32 |
| 55th                                               | 2.20   | 26.33 | 24.61 | 25.03 |
| 65th                                               | 1.52   | 25.16 | 23.82 | 23.98 |
| 75th                                               | 0.72   | 23.78 | 22.98 | 23.21 |
| 85th                                               | -0.21  | 20.81 | 21.75 | 22.02 |
| 95th                                               | -3.18  | 15.98 | 19.59 | 20.34 |
| Worst                                              | -12.13 | 4.05  | 9.39  | 16.18 |

| Fidelity Advisor Int'l Fund | Qtr   | 1 Yr  | 3 Yr  | 5 Yr  |
|-----------------------------|-------|-------|-------|-------|
| Goldman Sachs Emerging Mkt  | 1.76  | 22.25 | 21.46 | 22.96 |
| MSCI Emerging Markets       | 10.61 | 48.78 | 39.68 | 36.71 |
| MSCI EAFE Index             | 13.7  | 54.84 | 37.44 | 35.26 |
|                             | 2.18  | 24.87 | 23.25 | 23.56 |

Please refer to appendix for full disclosure

Period ending September 30, 2007.



# Vanguard Inst Idx

Overall Morningstar Rtg™ Incept Type Total Assets Morningstar Cat  
 ★★★ 07-31-90 MF \$47,366 mil Large Blend  
 1646 Large Blend

## Performance 09-30-2007

| Quarterly Returns | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Total % |
|-------------------|---------|---------|---------|---------|---------|
| 2005              | -2.14   | 1.37    | 3.60    | 2.08    | 4.91    |
| 2006              | 4.21    | -1.44   | 5.66    | 6.69    | 15.79   |
| 2007              | 0.63    | 6.27    | 2.05    | —       | 9.13    |

| Trailing Returns | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr | Incept |
|------------------|-------|-------|-------|-------|--------|
| Std Monthly      | 16.43 | —     | 15.44 | 6.62  | 11.15  |
| Std Quarterly    | 16.43 | —     | 15.44 | 6.62  | 11.15  |
| Total Return     | 16.43 | 13.13 | 15.44 | 6.62  | 11.15  |
| +/- S&P 500      | -0.01 | -0.01 | -0.01 | 0.05  | —      |
| +/- Rus 1000     | -0.47 | -0.64 | -0.54 | -0.24 | —      |
| % Rank Cat       | 43    | 42    | 31    | 32    | —      |
| No. in Cat       | 2090  | 1646  | 1284  | 566   | —      |
| 7-day Yield      | —     | —     | —     | —     | —      |

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and ten-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-997-2798 or visit [www.vanguard.com](http://www.vanguard.com).

## Fees and Expenses

### Sales Charges

|                  |    |
|------------------|----|
| Front-End Load % | NA |
| Deferred Load %  | NA |

### Fund Expenses

|                              |      |
|------------------------------|------|
| Management Fees %            | 0.05 |
| 12b1 Expense %               | NA   |
| Prospectus Gross Exp Ratio % | 0.05 |

## Risk and Return Profile

|                    | 3 Yr       | 5 Yr       | 10 Yr     |
|--------------------|------------|------------|-----------|
|                    | 1646 funds | 1284 funds | 566 funds |
| MorningstarRating™ | 3★         | 4★         | 3★        |
| Morningstar Risk   | Avg        | Avg        | Avg       |
| Morningstar Return | Avg        | + Avg      | Avg       |

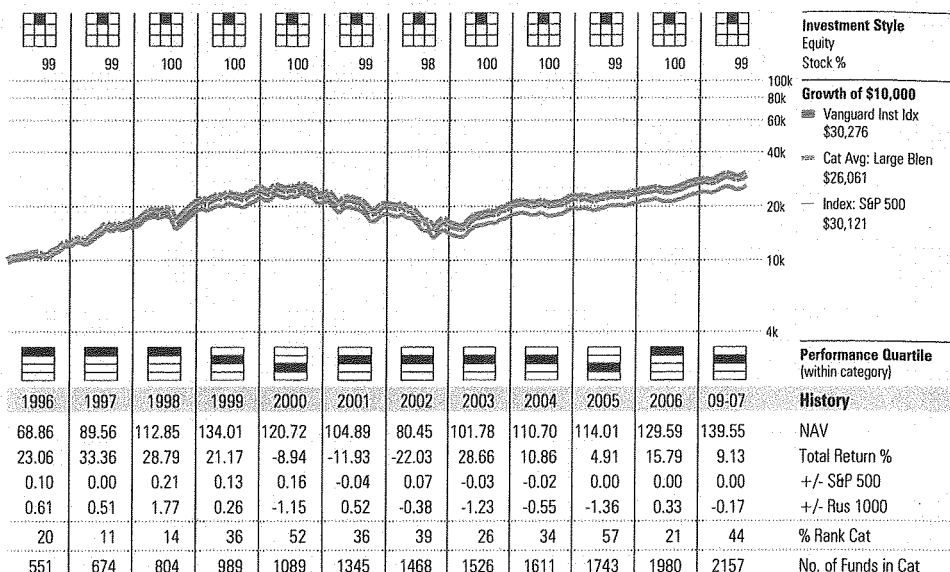
|                    | 3 Yr  | 5 Yr  | 10 Yr |
|--------------------|-------|-------|-------|
| Standard Deviation | 7.52  | 9.71  | 14.75 |
| Mean               | 13.13 | 15.44 | 6.62  |
| Sharpe Ratio       | 1.13  | 1.22  | 0.26  |

| MPT Statistics | Standard Index | Best Fit Index |
|----------------|----------------|----------------|
|                | S&P 500        | S&P 500        |
| Alpha          | 0.00           | 0.00           |
| Beta           | 1.00           | 1.00           |
| R-Squared      | 100.00         | 100.00         |

|                         |               |
|-------------------------|---------------|
| 12-Month Yield          | 1.78%         |
| 30-day SEC Yield        | 1.86          |
| Potential Cap Gains Exp | 27.00% Assets |

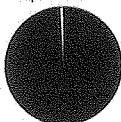
## Operations

|          |                |                           |                   |                           |             |
|----------|----------------|---------------------------|-------------------|---------------------------|-------------|
| Family:  | Vanguard       | Objective:                | Growth and Income | Minimum IRA Purchase:     | \$0         |
| Manager: | Butler, Donald | Ticker:                   | VINIX             | Min Auto Investment Plan: | \$5,000,000 |
| Tenure:  | 2.4 Years      | Minimum Initial Purchase: | \$5,000,000       | Purchase Constraints:     | T/          |



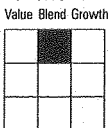
## Portfolio Analysis 06-30-2007

### Composition %



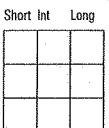
|                   | Share Chg since 03-31-2007 | Share Amount | 500 Total Stocks 1 Total Fixed-Income 8% Turnover Ratio | % Net Assets |
|-------------------|----------------------------|--------------|---------------------------------------------------------|--------------|
| ○ Cash            | 0.00                       |              |                                                         |              |
| ● U.S. Stocks     | 99.00                      |              |                                                         |              |
| ● Non-U.S. Stocks | 0.00                       | 30 mil       | ExxonMobil                                              | 3.54         |
| ● Bonds           | 0.00                       | 55 mil       | General Electric                                        | 2.95         |
| ● Other           | 0.00                       | 33 mil       | AT&T                                                    | 1.91         |
|                   |                            | 26 mil       | Citigroup                                               | 1.90         |
|                   |                            | 45 mil       | Microsoft                                               | 1.86         |
|                   |                            | 24 mil       | Bank of America                                         | 1.62         |
|                   |                            | 17 mil       | Procter & Gamble                                        | 1.44         |
|                   |                            | 14 mil       | American Intl Group                                     | 1.36         |
|                   |                            | 11 mil       | Chevron                                                 | 1.35         |
|                   |                            | 37 mil       | Pfizer                                                  | 1.34         |
|                   |                            | 15 mil       | Johnson & Johnson                                       | 1.34         |
|                   |                            | 32 mil       | Cisco Systems                                           | 1.27         |
|                   |                            | 18 mil       | J.P. Morgan Chase & Co.                                 | 1.24         |
|                   |                            | 11 mil       | Altria Group                                            | 1.10         |
|                   |                            | 7 mil        | IBM                                                     | 1.08         |

### Equity Style



| Portfolio Statistics | Port Avg | Rel Index | Rel Cat |
|----------------------|----------|-----------|---------|
| P/E Ratio TTM        | 17.1     | 1.04      | 1.02    |
| P/C Ratio TTM        | 12.1     | 1.03      | 1.03    |
| P/B Ratio TTM        | 2.9      | 1.04      | 1.00    |
| Geo Avg Mkt          | 55200    | 1.00      | 1.36    |
| Cap \$mil            |          |           |         |

### Fixed-Income Style



|  | Avg Eff Duration | Avg Eff Maturity | Avg Credit Quality | Avg Wtd Coupon | Avg Wtd Price |
|--|------------------|------------------|--------------------|----------------|---------------|
|  | —                | —                | —                  | —              | —             |

### Credit Analysis 09-30-2007

|         | Bond % |
|---------|--------|
| AAA     | —      |
| AA      | —      |
| A       | —      |
| BBB     | —      |
| BB      | —      |
| B       | —      |
| Below B | —      |
| NR/NA   | —      |

### Regional Exposure

|                | Stocks % | Rel S&P 500 |
|----------------|----------|-------------|
| Americas       | 100.0    | 1.00        |
| Greater Europe | 0.0      | —           |
| Greater Asia   | 0.0      | —           |

### Sector Weightings

|                              | Stocks %    | Rel S&P 500 |
|------------------------------|-------------|-------------|
| <b>Information Economy</b>   | <b>20.2</b> | <b>0.96</b> |
| Software                     | 3.7         | 1.00        |
| Hardware                     | 9.7         | 0.92        |
| Media                        | 3.1         | 0.97        |
| Telecommunication            | 3.8         | 1.03        |
| <b>Service Economy</b>       | <b>44.3</b> | <b>1.02</b> |
| Healthcare Services          | 11.8        | 1.01        |
| Consumer Services            | 7.8         | 1.03        |
| Business Services            | 4.2         | 1.02        |
| Financial Services           | 20.5        | 1.02        |
| <b>Manufacturing Economy</b> | <b>35.5</b> | <b>1.00</b> |
| Consumer Goods               | 8.4         | 1.00        |
| Industrial Goods             | 12.7        | 1.02        |
| Energy                       | 10.7        | 0.97        |
| Utilities                    | 3.6         | 1.06        |

# T. Rowe Price Gr Stk

Overall Morningstar Rtg™

★★★★★

1443 Large Growth

Incept Type

04-11-50 MF

Total Assets

\$21,253 mil

Morningstar Cat

Large Growth

## Performance 09-30-2007

| Quarterly Returns | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Total % |
|-------------------|---------|---------|---------|---------|---------|
| 2005              | -4.69   | 3.70    | 3.49    | 4.18    | 6.56    |
| 2006              | 3.94    | -3.01   | 5.97    | 6.75    | 14.05   |
| 2007              | 0.73    | 7.85    | 3.38    | —       | 12.30   |

| Trailing Returns | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr | Incept |
|------------------|-------|-------|-------|-------|--------|
| Std Monthly      | 19.88 | —     | 16.41 | 8.22  | 11.20  |
| Std Quarterly    | 19.88 | —     | 16.41 | 8.22  | 11.20  |
| Total Return     | 19.88 | 14.85 | 16.41 | 8.22  | 11.20  |
| +/- S&P 500      | 3.44  | 1.71  | 0.96  | 1.65  | —      |
| +/- Rus 1000G    | 0.53  | 2.65  | 2.57  | 4.16  | —      |
| % Rank Cat       | 51    | 24    | 19    | 9     | —      |
| No. in Cat       | 1708  | 1443  | 1206  | 507   | —      |
| 7-day Yield      | —     | —     | —     | —     | —      |

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and ten-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-638-5660 or visit NA.

## Fees and Expenses

### Sales Charges

Front-End Load %

NA

Deferred Load %

NA

### Fund Expenses

Management Fees %

0.56

12b1 Expense %

NA

Prospectus Gross Exp Ratio %

0.70

## Risk and Return Profile

|                    | 3 Yr       | 5 Yr       | 10 Yr     |
|--------------------|------------|------------|-----------|
|                    | 1443 funds | 1206 funds | 507 funds |
| MorningstarRating™ | 4★         | 4★         | 5★        |
| Morningstar Risk   | -Avg       | -Avg       | -Avg      |
| Morningstar Return | +Avg       | +Avg       | +Avg      |

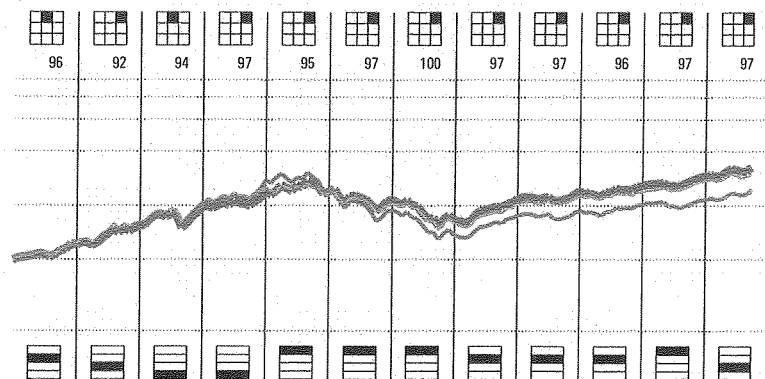
|                    | 3 Yr  | 5 Yr  | 10 Yr |
|--------------------|-------|-------|-------|
| Standard Deviation | 8.59  | 10.32 | 15.81 |
| Mean               | 14.85 | 16.41 | 8.22  |
| Sharpe Ratio       | 1.18  | 1.24  | 0.35  |

| MPT Statistics | Standard Index<br>S&P 500 | Best Fit Index<br>Russ 1000 Gro |
|----------------|---------------------------|---------------------------------|
| Alpha          | 0.87                      | 2.50                            |
| Beta           | 1.09                      | 0.98                            |
| R-Squared      | 91.00                     | 93.00                           |

|                         |               |
|-------------------------|---------------|
| 12-Month Yield          | —             |
| 30-day SEC Yield        | —             |
| Potential Cap Gains Exp | 26.00% Assets |

## Operations

|          |               |
|----------|---------------|
| Family:  | T. Rowe Price |
| Manager: | Smith, Robert |
| Tenure:  | 10.6 Years    |



## Portfolio Analysis 06-30-2007

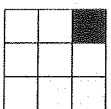
### Composition %



|                   |       |
|-------------------|-------|
| ○ Cash            | 3.30  |
| ● U.S. Stocks     | 80.00 |
| ● Non-U.S. Stocks | 16.70 |
| ● Bonds           | 0.00  |
| ● Other           | 0.00  |

### Equity Style

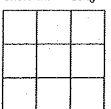
Value Blend Growth



| Portfolio Statistics | Port Avg | Rel Index | Rel Cat |
|----------------------|----------|-----------|---------|
| P/E Ratio TTM        | 13.8     | 0.84      | 0.65    |
| P/C Ratio TTM        | 9.5      | 0.81      | 0.63    |
| P/B Ratio TTM        | 3.9      | 1.39      | 0.97    |
| Geo Avg Mkt          | 43002    | 0.78      | 1.24    |
| Cap \$mil            | —        | —         | —       |

### Fixed-Income Style

Short Int Long



|                    |   |
|--------------------|---|
| Avg Eff Duration   | — |
| Avg Eff Maturity   | — |
| Avg Credit Quality | — |
| Avg Wtd Coupon     | — |
| Avg Wtd Price      | — |

### Credit Analysis 09-30-2007

|         | Bond % |
|---------|--------|
| AAA     | —      |
| AA      | —      |
| A       | —      |
| BBB     | —      |
| BB      | —      |
| B       | —      |
| Below B | —      |
| NR/NA   | —      |

### Regional Exposure

|                | Stocks % | Rel S&P 500 |
|----------------|----------|-------------|
| Americas       | 86.1     | 0.86        |
| Greater Europe | 11.1     | —           |
| Greater Asia   | 2.8      | —           |

| Share Chg since 03-31-2007 | Share Amount | 122 Total Stocks         | 0 Total Fixed-Income | 38% Turnover Ratio | % Net Assets |
|----------------------------|--------------|--------------------------|----------------------|--------------------|--------------|
| ⊕                          | 26 mil       | General Electric         |                      |                    | 4.04         |
| ⊕                          | 6 mil        | Schlumberger             |                      |                    | 2.18         |
| ⊕                          | 961,500      | Google                   |                      |                    | 2.05         |
| ⊕                          | 8 mil        | UBS AG                   |                      |                    | 1.99         |
| ⊕                          | 13 mil       | CVS Caremark             |                      |                    | 1.92         |
| ⊕                          | 6 mil        | WellPoint                |                      |                    | 1.79         |
| ⊕                          | 15 mil       | Microsoft                |                      |                    | 1.77         |
| ⊕                          | 6 mil        | Danaher                  |                      |                    | 1.72         |
| ⊕                          | 6 mil        | American Intl Group      |                      |                    | 1.61         |
| ⊕                          | 9 mil        | Accenture                |                      |                    | 1.58         |
| ⊕                          | 13 mil       | Cisco Systems            |                      |                    | 1.50         |
| ⊕                          | 6 mil        | America Mobile SAB (AMX) |                      |                    | 1.50         |
| ⊕                          | 5 mil        | State Street             |                      |                    | 1.46         |
| ⊕                          | 4 mil        | Total SA                 |                      |                    | 1.39         |
| ⊕                          | 5 mil        | American Express         |                      |                    | 1.31         |

### Sector Weightings

|                              | Stocks %    | Rel S&P 500 |
|------------------------------|-------------|-------------|
| <b>Information Economy</b>   | <b>28.2</b> | <b>1.34</b> |
| Software                     | 7.4         | 2.00        |
| Hardware                     | 11.6        | 1.10        |
| Media                        | 3.0         | 0.94        |
| Telecommunication            | 6.2         | 1.68        |
| <b>Service Economy</b>       | <b>49.8</b> | <b>1.14</b> |
| Healthcare Services          | 13.8        | 1.18        |
| Consumer Services            | 12.8        | 1.68        |
| Business Services            | 5.6         | 1.37        |
| Financial Services           | 17.7        | 0.88        |
| <b>Manufacturing Economy</b> | <b>22.0</b> | <b>0.62</b> |
| Consumer Goods               | 4.3         | 0.51        |
| Industrial Goods             | 10.3        | 0.82        |
| Energy                       | 6.8         | 0.62        |
| Utilities                    | 0.6         | 0.18        |

|                    |       |     |       |
|--------------------|-------|-----|-------|
| Value Blend Growth |       |     |       |
|                    | Large | Mid | Small |
|                    |       |     |       |

**Adviser:** Trusco Capital Management, Inc.

**Portfolio Manager**

• Jeffrey E. Markunas, CFA  
Portfolio manager since 1992

#### Objective

The Fund seeks to provide long-term capital appreciation and, as a secondary objective, current income, by investing primarily in domestic and foreign common stock of companies with market capitalizations of at least \$3 billion.

#### Suitability

This Fund is suitable for investors who are looking for capital appreciation potential and some income with less volatility than the equity market as a whole.

#### Share Class Description

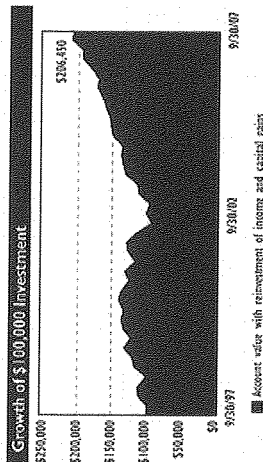
Shares are offered primarily to financial institutions and intermediaries for their own accounts or for the accounts of customers for whom they may act as fiduciary agent, investment adviser or custodian. These accounts primarily consist of assets of a bona fide trust, business entity possessing a tax identification number or employee benefit plan and assets held within select fee-based programs and certain non-discretionary intermediary no-load platforms.

# Large Cap Core Equity Fund

(formerly Large Cap Relative Value Fund)

1 Shares

Third Quarter 2007



The above graph assumes an initial hypothetical investment of \$100,000 from 9/30/97 to 9/30/07.

The performance quoted herein represents past performance.

| Top Ten Holdings (% of Portfolio)* |      |  |
|------------------------------------|------|--|
| Chertron-Texaco Corp.              | 2.6% |  |
| Exxon Mobil Corp.                  | 2.4% |  |
| General Electric Co.               | 2.4% |  |
| AT&T Inc.                          | 2.2% |  |
| Cisco Systems Inc.                 | 1.9% |  |
| Bank of America Corp.              | 1.9% |  |
| Ciigroup Inc.                      | 1.9% |  |
| Sprint Nextel Corp.                | 1.8% |  |
| Intel Corp.                        | 1.8% |  |
| ConocoPhillips                     | 1.7% |  |

| Sector Weightings*     |        |                 |
|------------------------|--------|-----------------|
| Consumer Discretionary | 8.60%  | Benchmark 9.23% |
| Consumer Staples       | 9.82%  | 9.52%           |
| Energy                 | 11.13% | 11.68%          |
| Financial Services     | 18.50% | 19.82%          |
| Health Care            | 12.19% | 11.64%          |
| Industrials            | 12.05% | 11.51%          |
| Information Technology | 18.31% | 16.18%          |
| Materials              | 2.65%  | 3.23%           |
| Telecom Services       | 4.13%  | 3.75%           |
| Utilities              | 2.62%  | 3.44%           |

| Total Returns as of 9/30/07 |                |                   |       |                              |        |        |
|-----------------------------|----------------|-------------------|-------|------------------------------|--------|--------|
| Shares**                    | Inception Date | Aggregate Returns |       | Average Annual Total Returns |        |        |
|                             |                | Latest Quarter    | YTD   | 1 Year                       | 3 Year | 5 Year |
|                             | 9/26/92        | -0.95%            | 7.18% | 14.70%                       | 14.77% | 16.79% |
| S&P 500 Index (benchmark)   |                | 2.03%             | 9.13% | 16.44%                       | 13.14% | 15.45% |
| Russell 1000® Value Index   |                | -0.24%            | 5.97% | 14.45%                       | 15.25% | 18.07% |

\*As of September 30, 2007 and subject to change.

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Total return figures include change in share price, reinvestment of dividends and capital gains. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For performance data current to the most recent month end, visit our website at [www.sticlassicfunds.com](http://www.sticlassicfunds.com).

\*\*The expense ratio for 1 Shares is 0.85%.

Effective May 31, 2007, the Large Cap Relative Value Fund was renamed the Large Cap Core Equity Fund.

| Composition (% of Net Assets)* |       |
|--------------------------------|-------|
| Equities                       | 99.4% |
| Cash Equivalent                | 0.5%  |

STI Classic Funds



# Large Cap Core Equity Fund

(formerly Large Cap Relative Value Fund)

1 Shares

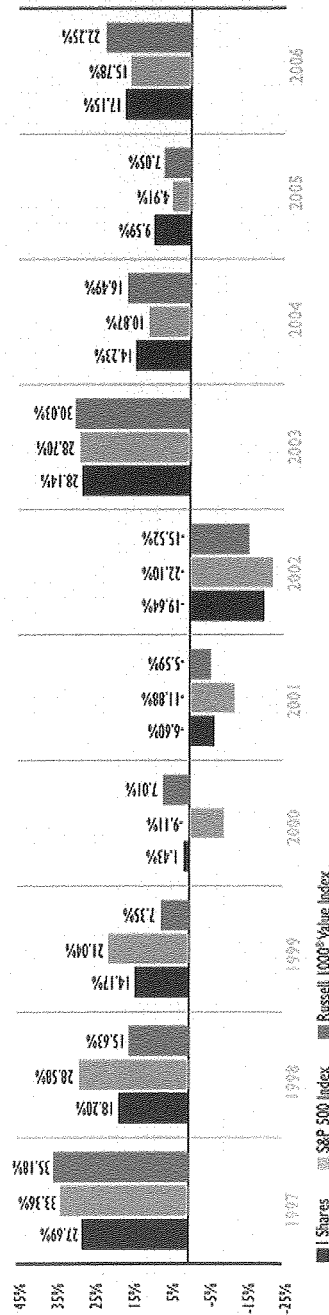
Third Quarter 2007

| Fund Information                      |                      |
|---------------------------------------|----------------------|
| Ticker                                | CRVAX                |
| CUSIP                                 | 784766198            |
| Net Asset Value                       | \$18.86              |
| Portfolio Characteristics*            |                      |
| Total Fund Assets                     | \$1,712,805,594      |
| Lipper Category                       | Large-Cap Core Funds |
| Market Capitalization (\$bl)          | \$97.5(b)            |
| Price-to-Book                         | 2.7                  |
| Price-to-Earnings (12 month trailing) | 17.0                 |
| Return on Equity (12 month trailing)  | 21.4%                |

| Modern Portfolio Theory Statistics (3 years)* |       |
|-----------------------------------------------|-------|
| Alpha                                         | 2.65% |
| Beta                                          | 0.91  |
| R-Squared                                     | 90.32 |
| Sharpe Ratio                                  | 1.53  |
| Standard Deviation                            | 7.07% |

\*As of September 30, 2007 and subject to change.

## Calendar Year Returns



Past performance does not guarantee future results.

An investor should consider the fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the STI Classic Funds can be found in the fund's prospectus. To obtain a prospectus, please call 1-888-STI-FUND or visit [www.sticlassicfunds.com](http://www.sticlassicfunds.com). Please read the prospectus carefully before investing.

The STI Classic Funds are advised by Trusco Capital Management, Inc., which receives a fee for its services, and are distributed by Foreside Distribution Services, L.P., which is not affiliated with Trusco Capital Management, Inc.

• Not FDIC Insured • No Bank Guarantee • May Lose Value

STI Classic Funds

1-888-0907  
10/07

## Investment Terms & Index Definition

**Price-to-Book Ratio** is used to compare a stock's market value to its book value. The higher the ratio the higher the premium the market is willing to pay for a company above its hard assets.

**Price-to-Earnings Ratio ("P/E")** is a valuation ratio of a company's current share price to its per-share earnings. The higher the P/E ratio, the more the market is willing to pay for each dollar of annual earnings.

**Alpha** measures a fund's risk-adjusted performance and represents the difference between a fund's actual performance and its expected performance, given its level of risk as measured by beta.

**Beta** is a means of measuring the volatility of a security or portfolio of securities in comparison with the market as a whole. A beta of 1 indicates that the security will move with the market greater than 1 indicates that it's more volatile than the market, and less than 1 indicates that it's less volatile than the market.

**R-Squared** measures the portion of a fund's movement that is explained by movements in the market index, and helps indicate the accuracy of a fund's alpha and beta.

**Sharpe Ratio** is a risk-adjusted measure that is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

**Standard Deviation** is a statistical measurement of dispersion about an average, which depicts how widely returns varied over a certain period of time.

**Standard & Poor's 500 Index** is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange, and is a measure of the U.S. Stock market as a whole. Investors cannot invest directly in an index.

**Russell 1000® Value Index** is composed of the securities in the Russell 1000 Index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios, higher dividend yields, and lower forecasted growth values. Investors cannot invest directly in an index.

## Investment Concerns

Stocks are more volatile and carry more risk and return potential than other forms of investments. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.



|                    |       |     |       |
|--------------------|-------|-----|-------|
| Value Blend Growth | Large | Mid | Small |
|                    |       |     |       |

# Aggressive Growth Stock Fund

I Shares

Third Quarter 2007

**Adviser:** Trusco Capital Management, Inc.

**Subadviser:**

Zenbergen Capital Investments LLC (ZCI)

**Portfolio Managers**

• Nancy Zenbergen, CFA, CIC  
Portfolio manager since 2004

• Brooke de Boulay, CFA, CIC  
Portfolio manager since 2004

• Leslie Tibbs, CFA, CIC  
Portfolio manager since 2004

**About the Subadviser**

Zenbergen Capital Investments LLC (ZCI) is Subadviser to the STI Classic Aggressive Growth Stock Fund. ZCI, an aggressive growth equity fund manager, was founded in 1987 and is based in Seattle, Washington.

**Objective**

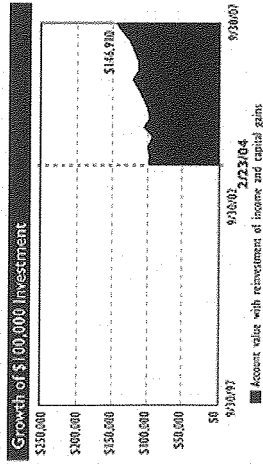
The Fund seeks to provide long-term capital appreciation by investing primarily in common stocks of U.S. multi-cap companies that exhibit strong growth characteristics.

**Suitability**

The Fund is suitable for investors who want to increase the value of their investment, but do not need income, and who are willing to accept more volatility for the possibility of higher returns.

**Share Class Description**

I Shares are offered primarily to financial institutions and intermediaries for their own accounts or for the accounts of customers for whom they may act as fiduciary agent, investment advisor, or custodian. These accounts primarily consist of assets of a bona fide trust, business entity possessing a tax identification number, or employee benefit plan and assets held within select fee-based programs and certain non-discretionary/intermediary no-load platforms.



The above graph assumes an initial hypothetical investment of \$100,000 from the Fund's inception date to 9/30/07.  
The performance quoted herein represents past performance.

| Top Ten Holdings (% of Portfolio)*   |      |
|--------------------------------------|------|
| Apple Computer Inc.                  | 5.5% |
| First Solar Inc.                     | 5.1% |
| Cognizant Technology Solutions Corp. | 4.9% |
| NII Holdings, Inc.                   | 4.5% |
| Google Inc. Class A                  | 4.1% |
| Gilead Sciences Inc.                 | 3.5% |
| Sunpower Corp.                       | 3.4% |
| eBay Inc.                            | 3.4% |
| Genentech Inc.                       | 3.0% |
| Blackrock Inc.                       | 3.0% |

| Sector Weightings*         |       |
|----------------------------|-------|
| Auto/Transportation        | 0.0%  |
| Consumer Discretionary     | 27.8% |
| Consumer Staples           | 0.0%  |
| Energy                     | 0.0%  |
| Financial Services         | 12.2% |
| Health Care                | 18.7% |
| Materials/Processing       | 1.4%  |
| Other                      | 1.0%  |
| Producer Durables          | 1.9%  |
| Technology                 | 30.1% |
| Utilities/Telecom Services | 6.6%  |

**Total Returns as of 9/30/07**

| Shares**                   | Aggregate Returns |                | Average Annual Total Returns |        |                      |
|----------------------------|-------------------|----------------|------------------------------|--------|----------------------|
|                            | Inception Date    | Latest Quarter | 1 Year                       | 3 Year | Since Inception      |
| I Shares                   | 2/23/04           | 7.07%          | 27.63%                       | 15.80% | 11.27%               |
| Russell 3000® Growth Index |                   | 3.85%          | 19.31%                       | 12.36% | 8.72% <sup>***</sup> |

\*As of September 30, 2007 and subject to change.

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Total return figures include change in share price, reinvestment of dividends and capital gains. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For performance data current to the most recent month end, visit our website at [www.sticlassicfunds.com](http://www.sticlassicfunds.com).

\*\*The expense ratio for I Shares is 1.17%.

\*\*\*Return from 2/23/04.

STI Classic Funds

# Aggressive Growth Stock Fund

1 Share

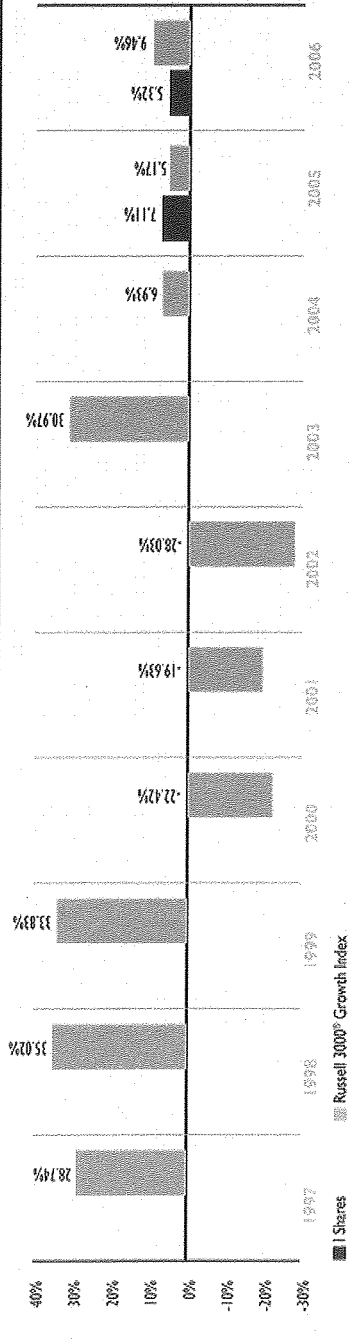
Third Quarter 2007

| Fund Information                      |                        |
|---------------------------------------|------------------------|
| Ticker                                | SCATX                  |
| CUSIP                                 | 784767188              |
| Net Asset Value                       | \$14.69                |
| Portfolio Characteristics*            |                        |
| Total Fund Assets                     | \$368,405,523          |
| Lipper Category                       | Multi-Cap Growth Funds |
| Market Capitalization (\$bl)          | \$36.4(b)              |
| Price-to-Book                         | 5.8                    |
| Price-to-Earnings (12 month trailing) | 37.0                   |
| Return on Equity (12 month trailing)  | 19.2%                  |

| Modern Portfolio Theory Statistics (3 years)* |        |
|-----------------------------------------------|--------|
| Alpha                                         | -1.02% |
| Beta                                          | 1.38   |
| R-Squared                                     | 81.39  |
| Sharpe Ratio                                  | 0.90   |
| Standard Deviation                            | 13.20% |

\*As of September 30, 2007 and subject to change.

## Calendar Year Returns



Post performance does not guarantee future results.

An investor should consider the fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the STI Classic Funds can be found in the fund's prospectus. To obtain a prospectus, please call 1-888-STI-FUND or visit [www.sticlassicfunds.com](http://www.sticlassicfunds.com). Please read the prospectus carefully before investing.

The STI Classic Funds are advised by Trusco Capital Management, Inc., which receives a fee for its services, and are distributed by Foreside Distribution Services, L.P., which is not affiliated with Trusco Capital Management, Inc.

• Not FDIC Insured • No Bank Guarantee • May Lose Value

## Investment Terms & Index Definitions

**Price-to-Book Ratio** is used to compare a stock's market value to its book value. The higher the ratio, the higher the premium the market is willing to pay for a company above its hard assets.

**Price-to-Earnings Ratio ("PE")** is a valuation ratio of a company's current share price to its per-share earnings. The higher the PE ratio, the more the market is willing to pay for each dollar of annual earnings.

**Alpha** measures a fund's risk-adjusted performance and represents the difference between a fund's actual performance and its expected performance, given its level of risk as measured by beta.

**Beta** is a means of measuring the volatility of a security or portfolio of securities in comparison with the market as a whole. A beta of 1 indicates that the security will move with the market; greater than 1 indicates that it's more volatile than the market; and less than 1 indicates that it's less volatile than the market.

**R-Squared** measures the portion of a fund's movement that is explained by movements in the market index, and helps indicate the accuracy of a fund's alpha and beta.

**Sharpe Ratio** is a risk-adjusted measure that is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

**Standard Deviation** is a statistical measurement of dispersion about an average, which depicts how widely returns varied over a certain period of time.

**The Russell 3000® Growth Index** is an unmanaged index that measures the performance of those securities found in the Russell Universe with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000® Growth or the Russell 2000® Growth indices. Investors cannot invest directly in an index.

## Investment Concerns

Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high grade fixed income securities. The net asset value per share of this fund will fluctuate as the value of the securities in the portfolio changes.

Investments in smaller companies may involve greater risks than those in larger, more well-known companies.

STI Classic Funds

I-AGS-0907  
1007

# William Blair Sm-Cp Gr I

Overall Morningstar Rtg\* **★★★★**  
 656 Small Growth  
 Incept 12-27-99 Type MF Total Assets \$652 mil Morningstar Cat Small Growth

## Performance 09-30-2007

| Quarterly Returns | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Total % |
|-------------------|---------|---------|---------|---------|---------|
| 2005              | -4.95   | 0.97    | 7.44    | -1.58   | 1.48    |
| 2006              | 12.04   | -5.43   | 0.86    | 7.07    | 14.43   |
| 2007              | 2.12    | 6.87    | -2.15   | —       | 6.79    |

| Trailing Returns | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr | Incept |
|------------------|-------|-------|-------|-------|--------|
| Std Monthly      | 14.33 | —     | 23.07 | —     | 18.23  |
| Std Quarterly    | 14.33 | —     | 23.07 | —     | 18.23  |
| Total Return     | 14.33 | 12.98 | 23.07 | —     | 18.23  |
| +/- S&P 500      | -2.11 | -0.16 | 7.62  | —     | —      |
| +/- Rus 2000G    | -4.61 | -1.12 | 4.37  | —     | —      |
| % Rank Cat       | 80    | 65    | 3     | —     | —      |
| No. in Cat       | 816   | 656   | 548   | 246   | —      |
| 7-day Yield      | —     | —     | —     | —     | —      |

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and ten-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-635-2886 or visit [www.wmblair.com](http://www.wmblair.com).

## Fees and Expenses

|                              |      |
|------------------------------|------|
| <b>Sales Charges</b>         |      |
| Front-End Load %             | NA   |
| Deferred Load %              | NA   |
| <b>Fund Expenses</b>         |      |
| Management Fees %            | 1.10 |
| 12b1 Expense %               | NA   |
| Prospectus Gross Exp Ratio % | 1.21 |

## Risk and Return Profile

|                    | 3 Yr      | 5 Yr      | 10 Yr     |
|--------------------|-----------|-----------|-----------|
|                    | 656 funds | 548 funds | 246 funds |
| MorningstarRating™ | 3★        | 5★        | —         |
| Morningstar Risk   | Avg       | Avg       | —         |
| Morningstar Return | Avg       | High      | —         |

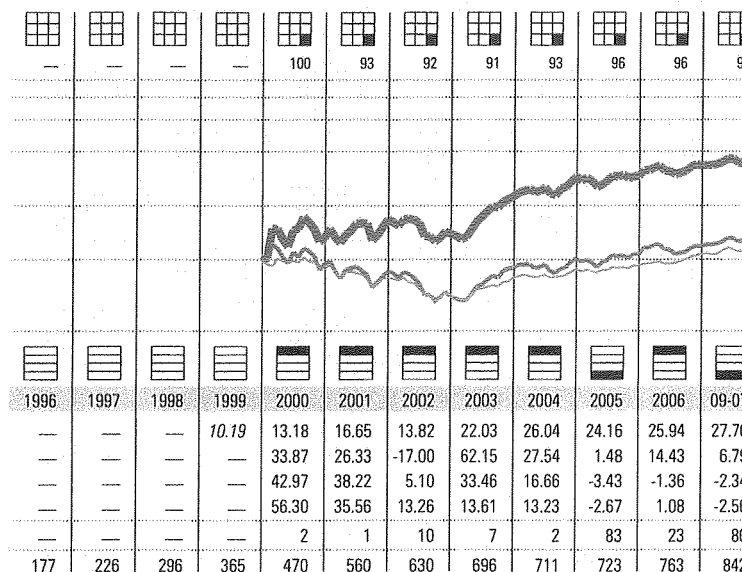
|                    | 3 Yr  | 5 Yr  | 10 Yr |
|--------------------|-------|-------|-------|
| Standard Deviation | 13.11 | 14.89 | —     |
| Mean               | 12.98 | 23.07 | —     |
| Sharpe Ratio       | 0.68  | 1.27  | —     |

| MPT Statistics | Standard Index<br>S&P 500 | Best Fit Index<br>Russ 2000 Gro |
|----------------|---------------------------|---------------------------------|
| Alpha          | -3.22                     | 0.31                            |
| Beta           | 1.43                      | 0.85                            |
| R-Squared      | 67.00                     | 87.00                           |

|                         |               |
|-------------------------|---------------|
| 12-Month Yield          | —             |
| 30-day SEC Yield        | —             |
| Potential Cap Gains Exp | 17.00% Assets |

## Operations

|          |                 |
|----------|-----------------|
| Family:  | William Blair   |
| Manager: | Williams/Brewer |
| Tenure:  | 4.8 Years       |



## Portfolio Analysis 08-31-2007

### Composition %

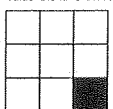


|                   |       |
|-------------------|-------|
| ○ Cash            | 0.50  |
| ● U.S. Stocks     | 81.60 |
| ● Non-U.S. Stocks | 12.10 |
| ● Bonds           | 0.00  |
| ● Other           | 5.80  |

| Share Chg since 07-31-2007 | Share Amount | 81 Total Stocks          | 0 Total Fixed-Income | % Net Assets |
|----------------------------|--------------|--------------------------|----------------------|--------------|
| —                          | 865,525      | 105% Turnover Ratio      | —                    | —            |
| —                          | 671,942      | Air Methods              | —                    | 2.64         |
| —                          | 952,847      | Healthways               | —                    | 2.58         |
| —                          | 2 mil        | J2 Global Communications | —                    | 2.49         |
| —                          | 801,911      | Gigamedia                | —                    | 2.36         |
| —                          | 2 mil        | Silicon Laboratories     | —                    | 2.28         |
| —                          | 2 mil        | Petrohawk Energy         | —                    | 2.19         |
| —                          | 1 mil        | Axcan Pharma             | —                    | 2.07         |
| —                          | 722,900      | Psychiatric Solutions    | —                    | 2.05         |
| —                          | 1 mil        | DG FastChannel           | —                    | 1.98         |
| —                          | 821,861      | Providence Service       | —                    | 1.90         |
| —                          | 501,114      | SurModics                | —                    | 1.86         |
| —                          | 2 mil        | InnerWorkings            | —                    | 1.82         |
| —                          | 468,450      | National Fin Partners    | —                    | 1.76         |
| —                          | 2 mil        | Syniverse Holdings       | —                    | 1.75         |
| —                          | 852,469      | DTS                      | —                    | 1.72         |

### Equity Style

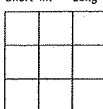
Value Blend Growth



| Portfolio Statistics | Port Avg | Rel Index | Rel Cat |
|----------------------|----------|-----------|---------|
| P/E Ratio TTM        | 25.9     | 1.57      | 1.06    |
| P/C Ratio TTM        | 13.5     | 1.15      | 0.82    |
| P/B Ratio TTM        | 2.6      | 0.93      | 0.76    |
| Geo Avg Mkt          | 715      | 0.01      | 0.53    |
| Cap \$mil            | —        | —         | —       |

### Fixed-Income Style

Short Int Long



| Avg Eff Duration   | — |
|--------------------|---|
| Avg Eff Maturity   | — |
| Avg Credit Quality | — |
| Avg Wtd Coupon     | — |
| Avg Wtd Price      | — |

### Credit Analysis 09-30-2007

|         | Bond % |
|---------|--------|
| AAA     | —      |
| AA      | —      |
| A       | —      |
| BBB     | —      |
| BB      | —      |
| B       | —      |
| Below B | —      |
| NR/NA   | —      |

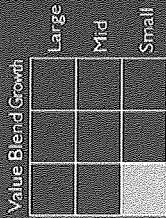
### Regional Exposure

|                | Stocks % | Rel S&P 500 |
|----------------|----------|-------------|
| Americas       | 92.9     | 0.93        |
| Greater Europe | 2.5      | —           |
| Greater Asia   | 4.6      | —           |

### Sector Weightings

|                              | Stocks %    | Rel S&P 500 |
|------------------------------|-------------|-------------|
| <b>Information Economy</b>   | <b>23.7</b> | <b>1.12</b> |
| Software                     | 5.9         | 1.59        |
| Hardware                     | 8.6         | 0.82        |
| Media                        | 1.8         | 0.56        |
| Telecommunication            | 7.4         | 2.00        |
| <b>Service Economy</b>       | <b>60.0</b> | <b>1.38</b> |
| Healthcare Services          | 21.8        | 1.86        |
| Consumer Services            | 8.8         | 1.16        |
| Business Services            | 22.5        | 5.49        |
| Financial Services           | 7.0         | 0.35        |
| <b>Manufacturing Economy</b> | <b>16.3</b> | <b>0.46</b> |
| Consumer Goods               | 6.7         | 0.80        |
| Industrial Goods             | 3.6         | 0.29        |
| Energy                       | 6.0         | 0.55        |
| Utilities                    | 0.0         | 0.00        |





STYLE

# Small Cap Value Equity Fund

I Shares

Third Quarter 2007

**Adviser:** Trusco Capital Management, Inc.

**Portfolio Manager**

• Brett Burner, CFA  
Portfolio manager since 1994

## Objective

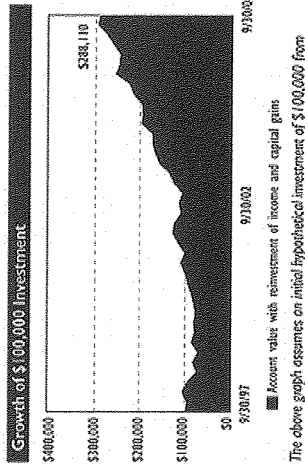
The Fund seeks to provide capital appreciation and income by investing primarily in small capitalization companies that pay regular income dividends and are undervalued in the opinion of the Adviser.

## Suitability

The Fund is suitable for long-term investors seeking to diversify the large-cap portion of their equity portfolios with the addition of a small-cap fund. Investors may also consider the Fund's value focus for additional style diversification.

## Share Class Description

I Shares are offered primarily to financial institutions and intermediaries for their own accounts or for the accounts of customers for whom they may act as fiduciary agent, investment adviser, or custodian. These accounts primarily consist of assets of a bona fide trust, business entity possessing a tax identification number, or employee benefit plan and assets held within select fee-based programs and certain non-discretionary intermediary no-load platforms.



■ Amount with reinvestment of income and capital gains

The above graph assumes an initial hypothetical investment of \$100,000 from 9/30/97 to 9/30/07.

The performance quoted herein represents past performance.

| Top Ten Holdings (% of Portfolio)* |      |
|------------------------------------|------|
| AOR                                | 4.6% |
| Cooper Companies Inc.              | 4.1% |
| Steris Corp.                       | 3.8% |
| Cash America International Inc.    | 2.7% |
| GATX Corp.                         | 2.4% |
| CHC Helicopter Corp.               | 2.3% |
| Dynamic Materials Corp.            | 2.0% |
| Fair Isaac Corp.                   | 2.0% |
| Brown Shoe Co. Inc.                | 2.0% |
| Graco Inc.                         | 1.9% |

| Sector Weightings*     |        |
|------------------------|--------|
| Consumer Discretionary | 14.59% |
| Consumer Staples       | 3.60%  |
| Energy                 | 6.68%  |
| Financial Services     | 16.24% |
| Health Care            | 11.24% |
| Industrials            | 29.20% |
| Information Technology | 7.79%  |
| Materials              | 7.53%  |
| Telecom Services       | 0.89%  |
| Utilities              | 2.24%  |

| Total Returns as of 9/30/07 |                |                   |        |                              |        |        |         |  |  |
|-----------------------------|----------------|-------------------|--------|------------------------------|--------|--------|---------|--|--|
|                             | Inception Date | Aggregate Returns |        | Average Annual Total Returns |        |        |         |  |  |
|                             |                | Latest Quarter    | YTD    | 1 Year                       | 3 Year | 5 Year | 10 Year |  |  |
| Shares**                    |                |                   |        |                              |        |        |         |  |  |
| I                           | 8/31/94        | -2.06%            | 10.78% | 17.79%                       | 18.17% | 21.02% | 11.16%  |  |  |
| Russell 2000® Value Index   |                | -6.26%            | -2.70% | 6.09%                        | 12.51% | 18.70% | 10.07%  |  |  |

\*As of September 30, 2007 and subject to change.

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. Total return figures include change in share price, reinvestment of dividends and capital gains. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For performance data current to the most recent month end, visit our website at [www.sticlassicfunds.com](http://www.sticlassicfunds.com).

\*\*The expense ratio for I Shares is 1.19%.

The performance quoted represents past performance of the SunTrust Bank's internally managed common trust fund, adjusted for fees and expenses for the period prior to 1/3/97. The common trust fund was not registered under the Investment Company Act of 1940 and therefore was not subject to certain investment restrictions which may have adversely affected performance.

| Composition (% of Net Assets)* |       |
|--------------------------------|-------|
| Equities                       | 97.6% |
| Cash Equivalent                | 2.3%  |

STI Classic Funds



# Small Cap Value Equity Fund

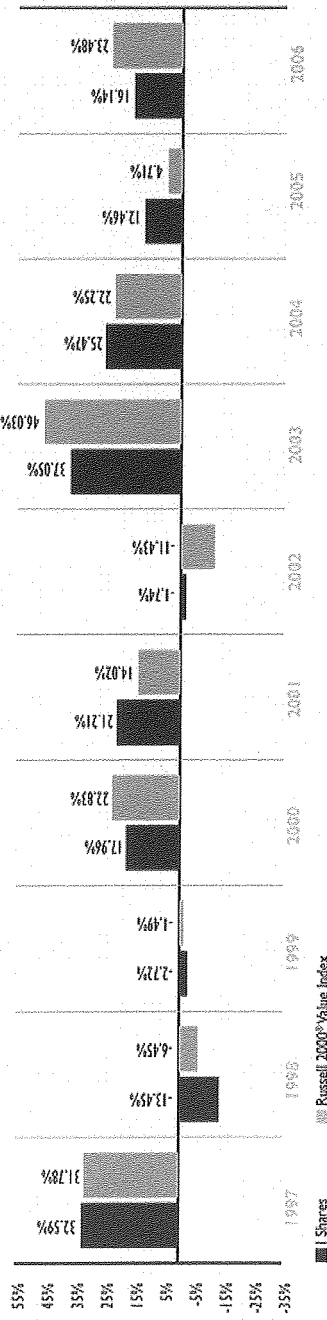
1 Shares

Third Quarter 2007

| Fund Information                      |                       |
|---------------------------------------|-----------------------|
| Ticker                                | SCETX                 |
| CUSIP                                 | 784766370             |
| Net Asset Value                       | \$18.14               |
| Portfolio Characteristics*            |                       |
| Total Fund Assets                     | \$680,798,157         |
| Upper Category                        | Small Cap Value Funds |
| Market Capitalization (\$bil)         | \$17(b)               |
| Price-to-Book                         | 2.1                   |
| Price-to-Earnings (12 month trailing) | 18.0                  |
| Return on Equity (12 month trailing)  | 14.5%                 |

| Modern Portfolio Theory Statistics (3 years)*    |        |
|--------------------------------------------------|--------|
| Alpha                                            | 6.83%  |
| Beta                                             | 0.86   |
| R-Squared                                        | 81.89  |
| Sharpe Ratio                                     | 1.18   |
| Standard Deviation                               | 11.99% |
| *As of September 30, 2007 and subject to change. |        |

## Calendar Year Returns



Post performance does not guarantee future results.

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## Investment Terms & Index Definitions

**Price-to-Book Ratio** is used to compare a stock's market value to its book value. The higher the ratio, the higher the premium the market is willing to pay for a company above its hard assets.

**Price-to-Earnings Ratio ("P/E")** is a valuation ratio of a company's current share price to its per-share earnings. The higher the P/E ratio, the more the market is willing to pay for each dollar of annual earnings.

**Alpha** measures a fund's risk-adjusted performance and represents the difference between a fund's actual performance and its expected performance, given its level of risk as measured by beta.

**Beta** is a means of measuring the volatility of a security or portfolio of securities in comparison with the market as a whole. A beta of 1 indicates that the security will move with the market; greater than 1 indicates that it's more volatile than the market; and less than 1 indicates that it's less volatile than the market.

**R-Squared** measures the portion of a fund's movement that is explained by movements in the market index and helps indicate the accuracy of a fund's alpha and beta.

**Sharpe Ratio** is a risk-adjusted measure that is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

**Standard Deviation** is a statistical measurement of dispersion about an average, which depicts how widely returns varied over a certain period of time.

**The Russell 2000® Value Index** is an unmanaged index which is comprised of the securities in the Russell 2000 index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios. Investors cannot invest directly in an index.

## Investment Concerns

Small capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure.

Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high grade fixed income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value.

STI Classic Funds

1-SCV-0907  
10/07

# Goldman Sachs Emerg Inst

**Overall Morningstar Rtg™** Incept Type Total Assets Morningstar Cat  
 ★★★ 12-15-97 MF \$1,443 mil Diversified Emerging Mkts  
 207 Diversified Emerging Mkts

## Performance 09-30-2007

| Quarterly Returns | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Total % |
|-------------------|---------|---------|---------|---------|---------|
| 2005              | 3.91    | 5.25    | 21.02   | 6.46    | 40.91   |
| 2006              | 13.98   | -7.59   | 3.76    | 17.46   | 28.37   |
| 2007              | 2.29    | 12.00   | 10.61   | —       | 26.72   |

| Trailing Returns | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr | Incept |
|------------------|-------|-------|-------|-------|--------|
| Std Monthly      | 48.84 | —     | 36.63 | —     | 13.42  |
| Std Quarterly    | 48.84 | —     | 36.63 | —     | 13.42  |
| Total Return     | 48.84 | 39.49 | 36.63 | —     | 13.42  |
| +/- MSCI Eafe    | 23.97 | 16.25 | 13.08 | —     | —      |
| +/- MSCI EMID    | -6.00 | 2.05  | 1.37  | —     | —      |
| % Rank Cat       | 77    | 47    | 53    | —     | —      |
| No. in Cat       | 273   | 207   | 184   | 94    | —      |
| 7-day Yield      | —     | —     | —     | —     | —      |

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and ten-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-621-2550 or visit [www.gs.com](http://www.gs.com).

## Fees and Expenses

|                              |      |
|------------------------------|------|
| <b>Sales Charges</b>         |      |
| Front-End Load %             | NA   |
| Deferred Load %              | NA   |
| <b>Fund Expenses</b>         |      |
| Management Fees %            | 1.20 |
| 12b1 Expense %               | NA   |
| Prospectus Gross Exp Ratio % | 1.41 |

## Risk and Return Profile

|                     | 3 Yr      | 5 Yr     | 10 Yr |
|---------------------|-----------|----------|-------|
| 207 funds           | 184 funds | 94 funds |       |
| Morningstar Rating™ | 3★        | 3★       | —     |
| Morningstar Risk    | + Avg     | High     | —     |
| Morningstar Return  | Avg       | Avg      | —     |

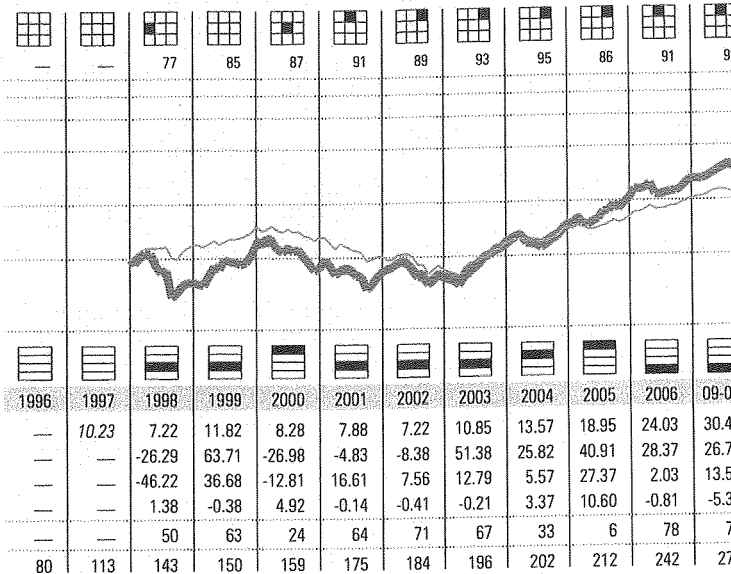
|                    | 3 Yr  | 5 Yr  | 10 Yr |
|--------------------|-------|-------|-------|
| Standard Deviation | 17.77 | 17.58 | —     |
| Mean               | 39.49 | 36.63 | —     |
| Sharpe Ratio       | 1.74  | 1.71  | —     |

| MPT Statistics | Standard Index<br>MSCI Eafe Ndt | Best Fit Index<br>MSCI Em ND |
|----------------|---------------------------------|------------------------------|
| Alpha          | 3.77                            | -1.45                        |
| Beta           | 1.58                            | 1.02                         |
| R-Squared      | 71.00                           | 96.00                        |

|                         |               |
|-------------------------|---------------|
| 12-Month Yield          | —             |
| 30-day SEC Yield        | —             |
| Potential Cap Gains Exp | 28.00% Assets |

## Operations

|          |               |
|----------|---------------|
| Family:  | Goldman Sachs |
| Manager: | Gordon, Maria |
| Tenure:  | 5.8 Years     |



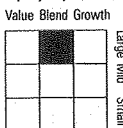
## Portfolio Analysis 06-30-2007

### Composition %



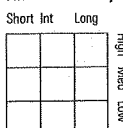
|                   |       |
|-------------------|-------|
| ○ Cash            | 0.00  |
| ● U.S. Stocks     | 0.00  |
| ● Non-U.S. Stocks | 91.80 |
| ● Bonds           | 0.00  |
| ● Other           | 8.20  |

### Equity Style



| Portfolio Statistics | Port Avg | Rel Index | Rel Cat |
|----------------------|----------|-----------|---------|
| P/E Ratio TTM        | 16.7     | 1.12      | 1.16    |
| P/C Ratio TTM        | 10.4     | 1.11      | 1.21    |
| P/B Ratio TTM        | 3.4      | 1.21      | 1.03    |
| Geo Avg Mkt          | 17860    | 0.54      | 1.44    |
| Cap \$mil            |          |           |         |

### Fixed-Income Style



| Avg Eff Duration   | — |
|--------------------|---|
| Avg Eff Maturity   | — |
| Avg Credit Quality | — |
| Avg Wtd Coupon     | — |
| Avg Wtd Price      | — |

### Credit Analysis 09-30-2007

|         | Bond % |
|---------|--------|
| AAA     | —      |
| AA      | —      |
| A       | —      |
| BBB     | —      |
| BB      | —      |
| B       | —      |
| Below B | —      |
| NR/NA   | —      |

### Regional Exposure

|                | Stocks % | Rel MSCI Eafe |
|----------------|----------|---------------|
| Americas       | 22.2     | —             |
| Greater Europe | 29.4     | 0.43          |
| Greater Asia   | 48.4     | 1.50          |

| Share Chg since 03-31-2007 | Share Amount | 60 Total Stocks               | 0 Total Fixed-Income | % Net Assets |
|----------------------------|--------------|-------------------------------|----------------------|--------------|
| 1 mil                      | 81,398       | Gazprom OAO (ADR)             | 101% Turnover Ratio  | 4.61         |
| 415,763                    | 499,894      | Samsung Electnc               |                      | 4.12         |
| 439,691                    |              | iShares MSCI Emerging Markets |                      | 3.75         |
|                            |              | Lukoil Company ADR            |                      | 3.54         |
|                            |              | Kookmin Bank                  |                      | 3.24         |
|                            |              | Erste Bank                    |                      | 2.92         |
|                            |              | Taiwan Semiconductor Mfg.     |                      | 2.67         |
|                            |              | Petroleo Brasileiro S.A. ADR  |                      | 2.51         |
|                            |              | Banco Itau Hldg Fin SA        |                      | 2.45         |
|                            |              | Hon Hai Precision Industry    |                      | 2.36         |
|                            |              | Sberbank Rossii Rub 3000      |                      | 2.31         |
|                            |              | America Mobile SAB (AMX)      |                      | 2.23         |
|                            |              | Absa Grp Ltd                  |                      | 2.16         |
|                            |              | Tele Norte Leste Participaoes |                      | 2.15         |
|                            |              | Cia Vale Rio Doce             |                      | 2.05         |

| Sector Weightings            | Stocks %    | Rel MSCI Eafe |
|------------------------------|-------------|---------------|
| <b>Information Economy</b>   | <b>28.4</b> | <b>2.15</b>   |
| Software                     | 2.3         | 3.29          |
| Hardware                     | 10.9        | 2.87          |
| Media                        | 0.1         | 0.05          |
| Telecommunication            | 15.2        | 2.24          |
| <b>Service Economy</b>       | <b>34.6</b> | <b>0.79</b>   |
| Healthcare Services          | 0.1         | 0.02          |
| Consumer Services            | 5.9         | 1.26          |
| Business Services            | 3.7         | 0.62          |
| Financial Services           | 24.9        | 0.91          |
| <b>Manufacturing Economy</b> | <b>37.0</b> | <b>0.86</b>   |
| Consumer Goods               | 6.8         | 0.50          |
| Industrial Goods             | 8.6         | 0.53          |
| Energy                       | 19.9        | 2.76          |
| Utilities                    | 1.7         | 0.31          |

**PIMCO GI Bd (Unhedged) I**

Overall Morningstar Rtg™

★★★

176 World Bond

Incept

11-23-93

Type

MF

Total Assets

\$826 mil

Morningstar Cat

World Bond

**Performance 09-30-2007**

| Quarterly Returns | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Total % |
|-------------------|---------|---------|---------|---------|---------|
| 2005              | -2.56   | -1.27   | -1.06   | -1.62   | -6.36   |
| 2006              | 0.17    | 3.00    | 1.07    | 1.50    | 5.85    |
| 2007              | 1.08    | -2.49   | 6.82    | —       | 5.29    |

| Trailing Returns | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr | Incept |
|------------------|-------|-------|-------|-------|--------|
| Std Monthly      | 6.87  | —     | 7.51  | 6.08  | 6.87   |
| Std Quarterly    | 6.87  | —     | 7.51  | 6.08  | 6.87   |
| Total Return     | 6.87  | 4.36  | 7.51  | 6.08  | 6.87   |
| +/- LB Agg       | 1.73  | 0.50  | 3.38  | 0.11  | —      |
| +/- CitiNon-\$   | -2.63 | -0.48 | -0.47 | 0.33  | —      |
| % Rank Cat       | 64    | 47    | 38    | 22    | —      |
| No. in Cat       | 217   | 176   | 156   | 108   | —      |
| 7-day Yield      | —     | —     | —     | —     | —      |

**Performance Disclosure**

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and ten-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-927-4648 or visit [www.allianzinvestors.com](http://www.allianzinvestors.com).

**Fees and Expenses**

|                              |      |
|------------------------------|------|
| <b>Sales Charges</b>         |      |
| Front-End Load %             | NA   |
| Deferred Load %              | NA   |
| <b>Fund Expenses</b>         |      |
| Management Fees %            | 0.25 |
| 12b1 Expense %               | NA   |
| Prospectus Gross Exp Ratio % | 0.55 |

**Risk and Return Profile**

|                    | 3 Yr | 5 Yr | 10 Yr |
|--------------------|------|------|-------|
| MorningstarRating™ | 3★   | 3★   | 4★    |
| Morningstar Risk   | +Avg | Avg  | Avg   |
| Morningstar Return | Avg  | Avg  | +Avg  |

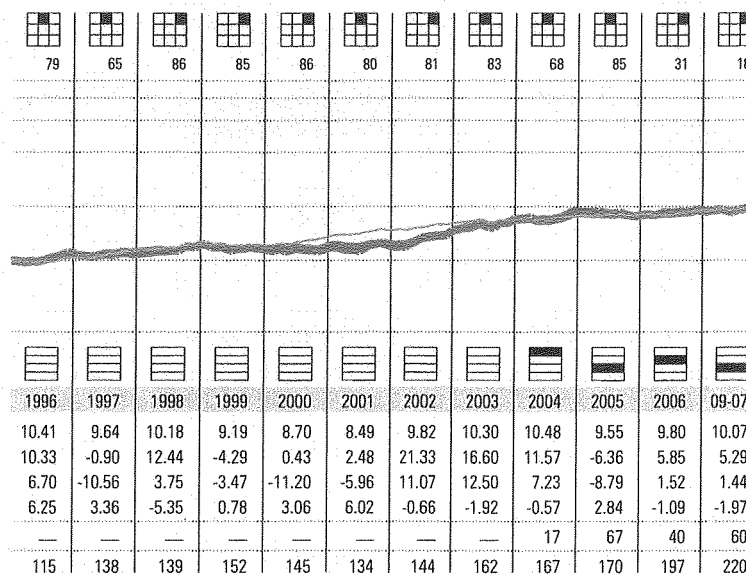
|                    | 3 Yr | 5 Yr | 10 Yr |
|--------------------|------|------|-------|
| Standard Deviation | 6.14 | 6.93 | 6.76  |
| Mean               | 4.36 | 7.51 | 6.08  |
| Sharpe Ratio       | 0.05 | 0.65 | 0.36  |

| MPT Statistics | Standard Index | Best Fit Index |
|----------------|----------------|----------------|
|                | LB Agg         | Citigrp Non\$W |
| Alpha          | 0.63           | -0.39          |
| Beta           | 1.01           | 0.84           |
| R-Squared      | 20.00          | 94.00          |

|                         |              |
|-------------------------|--------------|
| 12-Month Yield          | —            |
| 30-day SEC Yield        | —            |
| Potential Cap Gains Exp | 2.00% Assets |

**Operations**

|          |                |
|----------|----------------|
| Family:  | PIMCO Funds    |
| Manager: | Mariappa, Sudi |
| Tenure:  | 6.8 Years      |

Investment Style  
Fixed Income  
Bond %

Growth of \$10,000

PIMCO GI Bd (Unhedged)

\$19,949

Cat Avg: World Bond

\$19,383

Index: LB Agg

\$19,708

Performance Quartile  
(within category)

History

NAV

Total Return %

+/- LB Agg

+/- CitiNon-\$

% Rank Cat

No. of Funds in Cat

**Portfolio Analysis 06-30-2007**

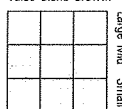
Composition %



|                   |       |
|-------------------|-------|
| ○ Cash            | 78.10 |
| ● U.S. Stocks     | 0.00  |
| ● Non-U.S. Stocks | 0.00  |
| ● Bonds           | 17.80 |
| ● Other           | 4.10  |

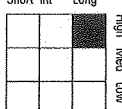
Equity Style

Value Blend Growth



Fixed-Income Style

Short Int Long



Credit Analysis 09-30-2007

|         | Bond % |
|---------|--------|
| AAA     | 64.00  |
| AA      | 31.00  |
| A       | 3.00   |
| BBB     | 0.00   |
| BB      | 2.00   |
| B       | 0.00   |
| Below B | 0.00   |
| NR/NA   | 0.00   |

Regional Exposure

|                | Stocks % | Rel LB Agg |
|----------------|----------|------------|
| Americas       | 98.4     | —          |
| Greater Europe | 1.2      | —          |
| Greater Asia   | 0.4      | —          |

| Share Chg since 03-31-2007 | Share Amount | 0 Total Stocks                 | % Net Assets |
|----------------------------|--------------|--------------------------------|--------------|
| ★                          | 4 bil        | 306 Total Fixed-Income         | 371.40       |
| ★                          | 69 bil       | 543% Turnover Ratio            | 58.39        |
| ★                          | 499 mil      | Fin Fut Euro\$ Cme 3/17/08Curr | 50.16        |
| ★                          | 250 mil      | Fin Fut 3mo Euroyen Tif 12/17  | 26.20        |
| ★                          | 223 mil      | Fin Fut Euro\$ Cme 9/15/08Curr | 22.81        |
| ★                          | 87 mil       | Fin Fut Eur-Bund 10yr Eux 9/6  | 13.86        |
| ★                          | 70 mil       | Fin Fut Uk 90day Lif 12/17/08  | 13.85        |
| ★                          | 66 mil       | Fin Fut Uk 90day Lif 3/19/08C  | 13.15        |
| ★                          | 87 mil       | Fin Fut Euro\$ Cme 9/17/07Curr | 8.73         |
| ★                          | 38 mil       | Fin Fut Uk 90 Day Lif 6/18/08  | 7.47         |
| ★                          | 32 mil       | Currency Contract (British Po  | 6.72         |
| ★                          | 7 bil        | Currency Contract (Japanese Y  | 6.41         |
| ★                          | 36 mil       | BUNDESREPUB BD SER 98 5.62     | 5.72         |
| ★                          | 40 mil       | BUNDESREPUB. DEUTSCHLAND 4.25  | 5.65         |
| ★                          | 7 bil        | JAPANESE GOVT BOND             | 5.65         |

Sector Weightings

|                              | Stocks %    | Rel LB Agg |
|------------------------------|-------------|------------|
| <b>Information Economy</b>   | <b>24.9</b> | —          |
| Software                     | 7.7         | —          |
| Hardware                     | 15.0        | —          |
| Media                        | 0.5         | —          |
| Telecommunication            | 1.7         | —          |
| <b>Service Economy</b>       | <b>48.8</b> | —          |
| Healthcare Services          | 17.4        | —          |
| Consumer Services            | 9.4         | —          |
| Business Services            | 17.4        | —          |
| Financial Services           | 4.6         | —          |
| <b>Manufacturing Economy</b> | <b>26.3</b> | —          |
| Consumer Goods               | 6.0         | —          |
| Industrial Goods             | 14.6        | —          |
| Energy                       | 5.8         | —          |
| Utilities                    | 0.0         | —          |



# Lighthouse Diversified Fund, Ltd.

## INVESTMENT TYPE

Multi-Strategy Fund of Funds

## INVESTMENT OBJECTIVE

LDF is managed to achieve certain portfolio characteristics over a full cycle which include a standard deviation target between 4% and 6%, beta to the S&P500 of <0.25, worst expected decline from peak to trough of 8%, and consistent monthly returns.

## INCEPTION

February 2001

## FIRM AUM

\$8.0 billion

## FUND AUM

\$5.3 billion†

## INVESTMENT MANAGER

Lighthouse Partners  
3801 PGA Boulevard  
Suite 500  
Palm Beach Gardens, FL 33410  
T +1 561 741 0820  
F +1 561 748 9046

New York

Chicago

London

Hong Kong

[www.lighthousepartners.com](http://www.lighthousepartners.com)

## DOMICILE

Cayman Islands

## MANAGEMENT FEE

1.50% per annum

## COUNSEL

Sidley Austin LLP

## Auditor

PricewaterhouseCoopers LLC

## Administrator

Butterfield Fund Services

## Performance Summary

|                                   | September 2007 | Last 12 Months | 2006          | Inception<br>(Feb 2001 to date) |
|-----------------------------------|----------------|----------------|---------------|---------------------------------|
| <b>Diversified Fund Ltd (Net)</b> | <b>1.05%*</b>  | <b>12.27%</b>  | <b>10.05%</b> | <b>7.29%</b>                    |
| <b>S&amp;P 500 (w/dividends)</b>  | <b>3.74%</b>   | <b>16.43%</b>  | <b>15.79%</b> | <b>3.45%</b>                    |
| <b>Lehman Gov/Credit</b>          | <b>0.70%</b>   | <b>5.10%</b>   | <b>3.77%</b>  | <b>5.48%</b>                    |

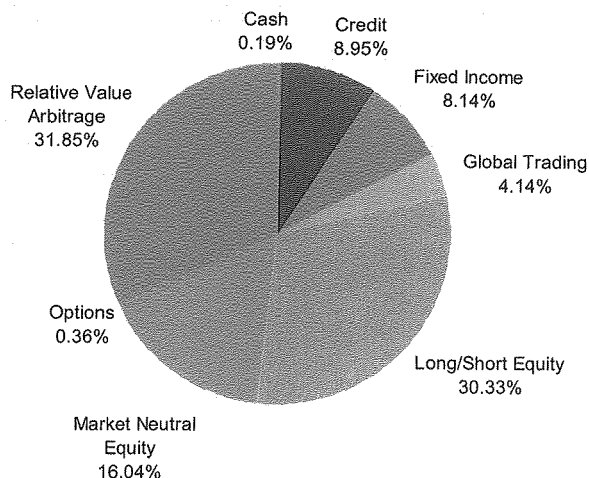
## Lighthouse Diversified Fund Limited Net Historical Performance

|             | Jan   | Feb   | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct    | Nov   | Dec   | YTD           |
|-------------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|---------------|
| <b>2007</b> | 1.58% | 0.92% | 1.35%  | 1.73%  | 2.20%  | 0.90%  | -0.22% | -2.77% | 1.05%* |        |       |       | <b>6.85%*</b> |
| <b>2006</b> | 1.86% | 0.32% | 1.09%  | 0.79%  | -1.04% | -0.14% | -0.03% | 0.68%  | 1.14%  | 1.31%  | 1.68% | 2.00% | <b>10.05%</b> |
| <b>2005</b> | 0.54% | 0.98% | -0.04% | -0.72% | 0.56%  | 1.19%  | 1.07%  | 0.71%  | 1.37%  | -0.42% | 1.13% | 1.33% | <b>7.95%</b>  |
| <b>2004</b> | 1.54% | 1.06% | 0.34%  | -0.53% | -0.57% | 0.13%  | -0.03% | 0.05%  | 0.48%  | 0.72%  | 1.84% | 0.97% | <b>6.13%</b>  |
| <b>2003</b> | 0.95% | 0.56% | -0.25% | 1.20%  | 1.31%  | 0.59%  | -0.72% | 0.30%  | 1.27%  | 0.71%  | 0.72% | 0.12% | <b>6.95%</b>  |
| <b>2002</b> | 0.99% | 0.32% | 0.95%  | 0.79%  | 0.46%  | -0.10% | -0.10% | 0.60%  | 0.31%  | -0.05% | 0.85% | 1.45% | <b>6.65%</b>  |
| <b>2001</b> |       | 0.52% | 0.52%  | 0.41%  | -0.10% | -0.24% | 0.22%  | 1.00%  | -0.18% | 1.08%  | 0.13% | 0.59% | <b>4.01%</b>  |

## Performance Characteristics February 2001 - September 2007

|                                |       |                           |        |
|--------------------------------|-------|---------------------------|--------|
| Annualized Compound Return     | 7.29% | Number of Positive Months | 61     |
| Annualized Standard Deviation  | 2.72% | Number of Negative Months | 19     |
| Sharpe Ratio (annualized)      | 1.53  | % of Positive Months      | 76%    |
| Beta to S&P 500 with dividends | 0.05  | Largest Monthly Return    | 2.20%  |
| Beta to Lehman Gov/Credit      | 0.05  | Smallest Monthly Return   | -2.77% |
|                                |       | Maximum Drawdown          | -2.98% |

## Portfolio Composition September 2007 Strategy Allocations



\*Estimated. †Fund AUM includes onshore and offshore fund assets

The tables and charts herein contain returns and statistics for Lighthouse Diversified Fund, Limited Class A shares ("LDF"). The performance data herein includes the returns to a shareholder in LDF, net of all fees and expenses applicable to a shareholder in LDF. Performance for LDF is net of a 1.5% management fee. Results include reinvestment of all income and capital gains. Past performance is not necessarily indicative of future results. No assurance can be given that LDF's objectives or targets will be achieved. Investing in LDF is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. This document is for internal purposes only. It does not constitute an offer to sell or a solicitation of an offer to buy interests in LDF or any Lighthouse managed investment vehicle. Please refer to LDF's Private Offering Memorandum for details of investment terms and conditions.

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# T. Rowe Price Real Est

**Overall Morningstar Rtg™** Incept Type Total Assets Morningstar Cat  
 ★★★★★ 10-31-97 MF \$2,331 mil Specialty-Real Estate  
 257 Specialty-Real Estate

## Performance 09-30-2007

| Quarterly Returns | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | Total % |
|-------------------|---------|---------|---------|---------|---------|
| 2005              | -6.91   | 14.41   | 3.83    | 3.58    | 14.54   |
| 2006              | 16.14   | -0.38   | 8.36    | 9.07    | 36.75   |
| 2007              | 2.94    | -8.74   | 1.73    | —       | -4.43   |

| Trailing Returns | 1 Yr   | 3 Yr  | 5 Yr  | 10 Yr | Incept |
|------------------|--------|-------|-------|-------|--------|
| Std Monthly      | 4.24   | —     | 22.86 | —     | 14.38  |
| Std Quarterly    | 4.24   | —     | 22.86 | —     | 14.38  |
| Total Return     | 4.24   | 20.59 | 22.86 | —     | 14.38  |
| +/- S&P 500      | -12.20 | 7.45  | 7.41  | —     | —      |
| +/- DJ Wil RE    | 0.44   | 0.96  | 0.98  | —     | —      |
| % Rank Cat       | 56     | 21    | 24    | —     | —      |
| No. in Cat       | 340    | 257   | 176   | 68    | —      |
| 7-day Yield      | —      | —     | —     | —     | —      |

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and ten-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-638-5660 or visit NA.

## Fees and Expenses

|                              |      |
|------------------------------|------|
| <b>Sales Charges</b>         |      |
| Front-End Load %             | NA   |
| Deferred Load %              | NA   |
| <b>Fund Expenses</b>         |      |
| Management Fees %            | 0.61 |
| 12b1 Expense %               | NA   |
| Prospectus Gross Exp Ratio % | 0.78 |

## Risk and Return Profile

|                    | 3 Yr      | 5 Yr      | 10 Yr    |
|--------------------|-----------|-----------|----------|
|                    | 257 funds | 176 funds | 68 funds |
| MorningstarRating™ | 4★        | 4★        | —        |
| Morningstar Risk   | Avg       | Avg       | —        |
| Morningstar Return | + Avg     | + Avg     | —        |

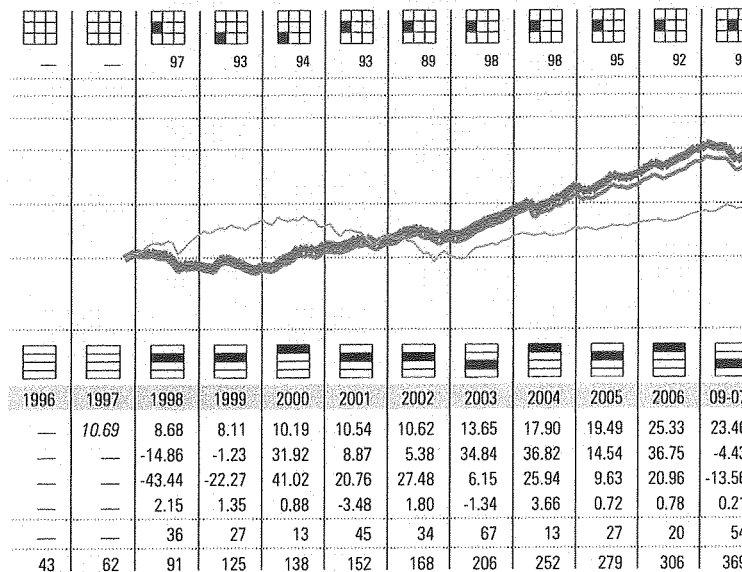
|                    | 3 Yr  | 5 Yr  | 10 Yr |
|--------------------|-------|-------|-------|
| Standard Deviation | 15.80 | 15.28 | —     |
| Mean               | 20.59 | 22.86 | —     |
| Sharpe Ratio       | 1.00  | 1.24  | —     |

| MPT Statistics | Standard Index S&P 500 | Best Fit Index DJ Wil REIT T |
|----------------|------------------------|------------------------------|
| Alpha          | 4.72                   | 1.30                         |
| Beta           | 1.32                   | 0.96                         |
| R-Squared      | 39.00                  | 99.00                        |

|                         |               |
|-------------------------|---------------|
| 12-Month Yield          | —             |
| 30-day SEC Yield        | —             |
| Potential Cap Gains Exp | 17.00% Assets |

## Operations

|          |               |
|----------|---------------|
| Family:  | T. Rowe Price |
| Manager: | Lee, David M. |
| Tenure:  | 9.9 Years     |



**Investment Style**  
 Equity  
 Stock %

**Growth of \$10,000**  
 T. Rowe Price Real  
 \$37,895  
 Cat Avg: Specialty-  
 \$32,905  
 Index: S&P 500  
 \$19,549

**Performance Quartile**  
 (within category)

**History**  
 NAV  
 Total Return %  
 +/- S&P 500  
 +/- DJ Wil RE  
 % Rank Cat  
 No. of Funds in Cat

## Portfolio Analysis 06-30-2007

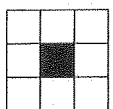
Composition %



|                   |       |
|-------------------|-------|
| ○ Cash            | 1.30  |
| ● U.S. Stocks     | 90.60 |
| ● Non-U.S. Stocks | 4.30  |
| ● Bonds           | 2.30  |
| ● Other           | 1.50  |

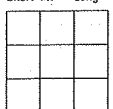
## Equity Style

Value Blend Growth



## Fixed-Income Style

Short Int Long



## Credit Analysis 09-30-2007

|         | Bond % |
|---------|--------|
| AAA     | —      |
| AA      | —      |
| A       | —      |
| BBB     | —      |
| BB      | —      |
| B       | —      |
| Below B | —      |
| NR/NA   | —      |

## Regional Exposure

|                | Stocks % | Rel S&P 500 |
|----------------|----------|-------------|
| Americas       | 98.4     | 0.98        |
| Greater Europe | 0.0      | —           |
| Greater Asia   | 1.6      | —           |

| Share Chg since 03-31-2007 | Share Amount | 42 Total Stocks           | 3 Total Fixed-Income | % Net Assets |
|----------------------------|--------------|---------------------------|----------------------|--------------|
| ⊕                          | 2 mil        | Simon Property Group      | 25% Turnover Ratio   | 5.56         |
| ⊕                          | 2 mil        | Equity Residential        |                      | 4.01         |
| ⊕                          | 1 mil        | Macerich                  |                      | 3.71         |
| ⊕                          | 2 mil        | General Growth Properties |                      | 3.41         |
| ⊕                          | 4 mil        | Host Hotels & Resorts     |                      | 3.36         |
| ⊕                          | 1 mil        | Camden Property Trust     |                      | 3.23         |
| ⊕                          | 684,000      | Essex Property Trust      |                      | 3.15         |
| ⊕                          | 1 mil        | AMB Property              |                      | 2.99         |
| ⊕                          | 729,000      | Boston Properties         |                      | 2.95         |
| ⊕                          | 625,000      | AvalonBay Communities     |                      | 2.94         |
| ⊕                          | 1 mil        | ProLogis Trust            |                      | 2.91         |
| ⊕                          | 3 mil        | Brookfield Properties     |                      | 2.76         |
| ⊕                          | 625,000      | Vornado Realty Trust      |                      | 2.72         |
| ⊕                          | 990,000      | BRE Properties            |                      | 2.33         |
| ⊕                          | 1 mil        | Mack-Cali Realty          |                      | 2.32         |

## Sector Weightings

|                              | Stocks %     | Rel S&P 500 |
|------------------------------|--------------|-------------|
| <b>Information Economy</b>   | <b>0.0</b>   | <b>0.00</b> |
| Software                     | 0.0          | 0.00        |
| Hardware                     | 0.0          | 0.00        |
| Media                        | 0.0          | 0.00        |
| Telecommunication            | 0.0          | 0.00        |
| <b>Service Economy</b>       | <b>100.0</b> | <b>2.30</b> |
| Healthcare Services          | 0.0          | 0.00        |
| Consumer Services            | 3.8          | 0.50        |
| Business Services            | 0.0          | 0.00        |
| Financial Services           | 96.2         | 4.79        |
| <b>Manufacturing Economy</b> | <b>0.0</b>   | <b>0.00</b> |
| Consumer Goods               | 0.0          | 0.00        |
| Industrial Goods             | 0.0          | 0.00        |
| Energy                       | 0.0          | 0.00        |
| Utilities                    | 0.0          | 0.00        |

# Investment Policy

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Tallahassee  
Tampa  
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West Palm Beach

One Southeast Third Avenue  
28th Floor  
Miami, Florida 33131-1714  
www.akerman.com  
305 374 5600 tel 305 374 5095 fax

## MEMORANDUM

**TO:** Trustees,  
McKnight Brain Research Foundation (MBRF)

**FROM:** Henry H. Raattama, Jr.

**DATE:** August 18, 2006

**RE:** Appendix B

The annual asset allocation analysis was presented by Trusco Capital Management (Trusco) at the 7/19/06 Trustee meeting. Based on the analysis, Trusco recommended amending Investment Policy Appendix B by increasing the upper range of International Equity asset class to 20%. A revised Appendix B is attached.

The increased upper range is necessary to accommodate Trusco's implementation of its revised tactical asset tilting as presented to the Trustees. Trusco will increase the current aggregate allocation to international equity to 16.3%.

# Investment Policy

My 11/2/05 memorandum to Trustees described the changes made to Appendix B during a 9/21/05 conference call at which time Trusco's 8/18/05 asset allocation was approved. However, the recommended portfolio was modified by eliminating distressed debt. The modification was thought not to change the expected 10% return and 14.3% standard deviation. The modification, however, did result in a return/standard deviation that is different than that of the recommended portfolio. The current numbers are shown on the 7/19/06 asset allocation analysis of the current portfolio. In addition to the different asset class, the constraints used for the 8/19/05 analysis did not include bonds. Bonds, however, were used in the recommended portfolio. This also caused the return/standard deviation of the recommended portfolio and actual portfolio to differ. The attached attribution analysis, dated August 7, 2006, explains in detail the 46 basis points (bps) difference in the August 2005 and July 2006 portfolios.

This memorandum simply explains why the return/standard deviation for the 8/19/05 recommended portfolio and the 7/15/06 current portfolio are different.

Attachment: Amended, APPENDIX B, July 19, 2006

# Investment Policy

Adopted at 11/02/05 Trustee Meeting

## McKnight Brain Research Foundation Amended and Restated Investment Policy

### The McKnight Brain Research Foundation (the "MBRF")

The MBRF is a Florida trust that, for federal income tax purposes, is an exempt organization (IRC § 501(c)(3)), and classified as a private foundation (IRC § 509(a)). The only tax paid by the MBRF is the annual IRC § 4940 excise tax of 2% (or 1%) of investment income. All of the MBRF assets were contributed by Mrs. Evelyn F. McKnight and no additional contributions are expected. At the present time, it is anticipated that the MBRF will make grants to carry out its charitable purpose. The specific purpose for which the MBRF was established is "to provide support for medical research of the brain to accomplish alleviation of memory loss of the aging". The MBRF expects to exist in perpetuity. The only required distribution is the 5% of fair market value IRC § 4942 annual distribution.

### Governance

The MBRF is a Florida charitable trust. The MBRF is governed by four Trustees. There are three individual Trustees and one Corporate Trustee.

### Introduction

This policy presents the investment process of the MBRF. The Trustees have prepared this policy in consultation with its investment consultants and legal counsel. For purposes of investing assets, the Trustees have looked to the Corporate Trustee as its investment consultant and any references herein to investment counsel are references to the Corporate Trustee.

### Investment Goals



# Investment Policy

The investment goal is to provide a long term real total rate of return that will increase the purchasing power of MBRF assets net of expenses and distributions. In order to achieve its investment goal, the MBRF will adopt a strategic asset allocation that will achieve its long term return goal with acceptable volatility.

## Long Term Investor

The MBRF will exist in perpetuity. As such, it is a long term investor who seeks a high rate of return consistent with reasonable volatility. The MBRF understands that volatility can be reduced by allocating assets among asset classes, among investment styles and strategies within asset classes. The MBRF will adopt strategic targets for each asset class and will, from time to time, rebalance between asset classes, investment styles and strategies to maintain its strategic targets.

## Target Rate of Return

The Trustees will adopt a target rate of return that incorporates the MBRF investment goals and spending policy. It is recognized that the target rate of return, investment goals and volatility are interrelated and must be viewed as such. It is also recognized the investment horizon of the MBRF is long term (perpetuity) and the target rate of return will reflect that long term view. The target rate of return will change from time to time and is set forth on Appendix A.

## Spending Policy

The MBRF will adopt a spending policy that balances a realistic achievable rate of return, expenses, and its investment goals. Appendix A is the current spending policy adopted by the MBRF. The spending policy will be reviewed annually at a minimum.

## Income, Appreciation and Gains

The Trustees recognize that the MBRF pays only a 2% excise tax on investment income and, therefore, the investments are not tax sensitive. Its distributions are not limited by income and, therefore, the Trustees will ignore income and principal analysis when implementing its investment goals and implementing its spending policy.

# Investment Policy

## Cash Flow

Because it will exist in perpetuity, its only cash flow needs will be to cover expenses (and tax) and the annual IRC § 4942 5% of fair market value distribution. It is recognized that additional spending can be controlled and that the MBRF from time to time may distribute more than the minimum required by tax laws.

## Performance/Style Measurement

The Trustees have adopted a market driven benchmark for each asset class and management style. For the portfolio as a whole, the Trustees will adopt a benchmark that consists of a suitable passive index for each asset class weighted in accordance with the strategic asset allocation. The Trustees will also adopt appropriate peer group data to measure the performance of each managed portfolio and passive investment. The Trustees expect performance of each managed portfolio to be in the top one-third of the peer group data base for that particular management style or strategy. The peer group data base is set out in Exhibit B. The Trustees will evaluate ongoing investment performance over a three to five year period, anticipating it will not make changes on the basis of short term (less than two years) results. However, the Trustees recognize there are factors, including, but not limited to, changes in personnel, that would require immediate attention and action.

Performance should be measured in a manner consistent with the standards of the Association of Investment Management and Research (AIMR).

The performance measurement will include an analysis of managers adherence to the investment styles set forth in Exhibit B.

The Foundation recognizes enhanced performance results from asset allocation, as well as selection of particular managers and passive investments. Therefore, the Foundation will compare portfolio returns and the benchmark portfolio, as well as compare individual manager returns and the designated index, as shown on Exhibit B.

## Investment Preference

# Investment Policy

## Specific Functions of the Corporate Trustee

1. The Corporate Trustee shall review regularly all investments of the MBRF.
2. The Corporate Trustee shall recommend to the Board of Trustees such investment and investment related policies, including strategic asset allocations, as it deems appropriate, and as may be requested.
3. The Corporate Trustee shall make periodic investment performance reports (no less than quarterly) to the Board of Trustees.
4. The Corporate Trustee shall implement the investment policy, including selecting and terminating managers and passive investments in accordance with this investment policy.
5. The Corporate Trustee may, in its discretion, "tilt" the strategic asset allocation within the applicable range, as set forth in Exhibit B.

## Asset Allocation

1. To achieve its investment objective, the Foundation's assets shall be allocated among various asset classes, including, but not limited to, equity, cash/cash equivalents, fixed income and alternative investments/hedge funds. The current strategic asset allocation adopted by the Board is contained in Appendix B. The strategic asset allocation and asset classes will change periodically based upon monitoring and objective analysis of changes in the economy.
2. The Foundation investments will be allocated among asset classes and diversified within asset classes. Within each asset class, securities, for example, will be allocated further by economic sector, industry, quality and size. The purpose of allocation and diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on performance of the total fund. As a result, the unsystematic risk (volatility associated with diversification risk) level associated with the portfolio should be significantly reduced.
3. In any asset class, no more than 5% at investment cost or 10% at market may be held in the securities of a single issuer.

# Investment Policy

4. Allocation by investment style is also an important step in reducing the risk (volatility) of the Foundation's portfolio. Investment styles within equity asset classes are defined in Appendix C.

## Custodian

The Corporate Trustee will be the custodian for the MBRF. The Corporate Trustee shall recommend to the Board appropriate policies and procedures for custodianship and access to securities held by the Foundation as it may deem appropriate.

## Soft Dollars

The Corporate Trustee will annually review the "soft dollar" policy and activity of each actively managed portfolio and report the findings to the Trustees. Each active manager is expected to enter into equity transactions on a best execution basis. The Trustees may designate certain brokers by which commissions may be recaptured or provide for the payment of services rendered to the MBRF.

## Guidelines for Corrective Action

Corrective action will be taken during the review of active management. The following are instances where immediate corrective action, or termination of active management, may be in order:

- Organizational and/or personnel changes in the active manager. Failure to notify the MBRF of such changes is grounds for immediate termination.
- Violation of terms of any investment management agreement between the Trustees and an active manager.
- Change by an active manager in the management style for which the manager was selected. The MBRF, through the Corporate Trustee, will closely track the investments of each active manager to insure adherence to management style for which the active manager was retained.



# Investment Policy

Corrective action ordinarily will be taken by all of the Trustees. If, in an emergency, it is not feasible to contact one or more of the Individual Trustees, action may be taken by the Corporate Trustee acting alone.

## Rebalancing Procedure

Should the range for a particular management style be violated by reason of gains, losses, changes in an active management, or any other reason, the Trustees will meet or conference to decide whether to rebalance the assets to the target class and style allocation policies. In addition, the Trustees shall review the actual allocations at each quarterly meeting in order to insure conformity with the adopted strategic allocation. The assets will not be automatically rebalanced on any set schedule.

## APPENDIX A

### Spending Policy of McKnight Brain Research Foundation

|                              |             |
|------------------------------|-------------|
| Expenses as Permitted        | 1.5%        |
| Allowance For Inflation      | 3.5%        |
| Distribution From Foundation | <u>5.0%</u> |
| Target Total Return          | 10.0%       |

# Investment Policy

## Benchmark Portfolio

| <u>Index</u>             | <u>Weight</u> |
|--------------------------|---------------|
| S & P 500                | 52%           |
| Russell Mid Cap          | 9%            |
| Russell 2000             | 2.5%          |
| MSCI EAFE - GDP Weighted | 10%           |
| HFR Fund of Funds Index  | 17.5%         |
| NAREIT - Equity          | 4%            |
| Citi Un-Hedged WGBI      | 5%            |

### \* Mobius Group

M-Search Data Base System - Universes

Universes for peer group comparison - recommended by Trusco Capital Management ("Trusco") and adopted by Trustees on 7/12/00. Trusco advises there are no Alt/Hedge Fund, Real Estate or International Fixed Income Peer Groups.

# Important Disclosure Information

This material must be preceded or accompanied by a prospectus. An investor should consider the fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the STI Classic Funds can be found in the fund's prospectus. To obtain a prospectus, please call 1-800-STI-FUND, or by visiting [www.sticlassicfunds.com](http://www.sticlassicfunds.com). Please read the prospectus carefully before investing. Mutual fund investing involves risk, including possible loss of principal.

STI Classic Funds are advised by Trusco Capital Management, Inc., which receives a fee for its services, and are distributed by BISYS Fund Services, LP, which is not affiliated with Trusco Capital Management, Inc.

## MPT STATISTICS/OTHER MEASUREMENTS

Alpha - is defined as the difference between the average realized return of a portfolio manager with private information and the expected return of the passive strategy based upon public information with equal systematic risk.

Beta - is a measure of an investment's volatility, relative to an appropriate asset class.

R-Squared - a statistical measure of how well a regression line approximates real data points; an r-squared of 1.0 (100%) indicates a perfect fit. r-squared measures how well the Capital Asset Pricing Model predicts the actual performance of an investment or portfolio.

Sharpe Ratio - also known as Reward-to-Volatility-Ratio, indicates the excess return per unit of risk associated with the excess return. The higher the Sharpe Ratio, the better the performance.

Standard Deviation - a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time.

## PORTFOLIO CHARACTERISTICS DEFINITIONS

30 Day SEC Yield - is calculated by dividing the net investment income per share for the 30 days ended on the date of calculation by the offering price per share on that date. The figure is compounded and annualized.

5 Year EPS Growth - is the five-year reported earnings per share growth rate for each company in percent per year.

Price-to-Book - is used to compare a stock's market value to its book value. This ratio gives some idea of whether you're paying too much for what would be left if the company went bankrupt immediately.

P/E (12 months trailing) - is the price of a stock divided by its historical earnings per share.

Return on Equity - is a measure of a corporation's profitability, calculated by taking a company's net income and dividing it by the shareholder's equity.

**Investments in the STI Classic Funds are not insured by the FDIC or any other Federal agency nor are they guaranteed by any bank, and may lose value.**

Period Ending September 30, 2007

# Important Disclosure Information

## INVESTMENT PERFORMANCE

Past performance is not indicative of future results. Performance data related to accounts managed by Trusco represents returns gross of investment management fees, unless otherwise stated as net-of-fees. See Trusco's Form ADV, Part II for a description of investment advisory fees. The performance information reported herein may be for a variety of products which have different methods of presenting performance data, i.e. net of fees, gross of fees, or a combination of these. This information should not be evaluated independent of or without reference to the investment advisory agreement that more specifically addresses applicable investment advisory fees.

Fees have a compounding effect on cumulative results. For example, assume the account achieves a 10% annual return prior to the deduction of fees each year for a period of ten years. If an annual fee of 0.5% of assets under management were charged each of the ten years, the resulting annual average return net of fees would be reduced to 9.48%.

## YIELD INFORMATION

Yield information more closely reflects the current earnings of the Fund than the total return.

In the absence of current fee waivers the yield would be reduced.

A SEC Yield relates aggregate net earnings of a fund to its aggregate net assets. In any given period a fund may distribute more or less than its actual income.

## SECTOR WEIGHTINGS AND PORTFOLIO CHARACTERISTICS

The sector weightings and portfolio characteristics are presented as of the date shown in the left-hand corner of this presentation, and may change without notice. A complete list of sector weightings and individual security positions for any specific period are available upon request.

## ECONOMIC AND MARKET REVIEW

This perspective was prepared for clients and prospective clients of Trusco Capital Management, Inc. Neither Trusco nor any affiliations make any representation or warranties as to the accuracy or merit of this analysis for individual use. Comments and projections are based on information available at the time of writing and believed to be accurate, are for informational purposes only, and may not be relied upon for future investing. Investors are advised to consult with their investment professional about their specific circumstances before making any investment decisions.

## COMMON AND COLLECTIVE FUNDS

Are operated by SunTrust Bank as Trustee and managed by Trusco Capital Management, in accordance with the laws of Georgia and applicable banking regulations. They open to investment only by trusts for which SunTrust Bank serves as trustee or qualified retirement plans which adopt the terms of a collective trust. They are not subject to direct regulation by the United States Securities and Exchange Commission and are exempt from registration as securities. The Plan and Declaration documents which govern their operations are available upon request.

The sheets should not be used by anyone who is a registered rep absent approval from the compliance office of the broker through whom they are registered. Recent experience suggests that such approval is unlikely.

Period Ending September 30, 2007



# MCKNIGHT BRAIN RESEARCH FOUNDATION

October 31, 2007

Conference call-in Number: 866-564-7610

Passcode: 449130

## Agenda

2 p.m. – 3 p.m.      Investment Review      Michael G. Sebesta

### Other topics for consideration as time allows:

- Approval of Minutes
- MBRF Board of Trustees Meeting  
in Gainesville (February, 2008)
- Cognitive Aging Summit
- Inter-Institute Meeting (revised budget)
- Neurobiology of Aging (Yale University)
- Dr. Michela Gallagher (John Hopkins University)

3:00 p.m.      Adjournment

**MINUTES**  
**MCKNIGHT BRAIN RESEARCH FOUNDATION**  
**BOARD OF TRUSTEES MEETING**  
**August 7 & 8, 2007**

**August 7, 2007**

The quarterly trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 7:30 p.m. on August 7<sup>th</sup> in Orlando, Florida, following dinner at Ruth's Chris Steakhouse.

The following members were present:

Dr. J. Lee Dockery, Trustee  
Dr. Michael Dockery, Trustee  
Dr. Nina Ellenbogen Raim, Trustee  
Dr. John G. Clarkson, Trustee  
Mrs. Teresa Borcheck, Corporate Trustee,  
SunTrust Bank Endowment & Foundation Services Group

Others Attending:

Mr. Henry H. Raattama, Jr., Legal Counsel  
Mr. Michael Sebesta, Managing Director, Trusco Capital Management  
Mr. John B. Floyd, Managing Director, Trusco Capital Management  
Mr. Dan Ledbetter, Product Manager, Lighthouse Partners  
Mrs. Annette Molenaar, SunTrust Bank Endowment & Foundation Services Group

**1. Approval of the Minutes**

The minutes of the April 17 & 18, 2007, Trustees' meeting of the McKnight Brain Research Foundation were reviewed. The minutes were approved as amended.

**Action: The Trustees approved the minutes for the April 17 & 18, 2007 Trustees meeting, as amended.**

**2. Update on Cognitive Aging Summit**

The Trustees discussed the various items which needed to be clarified.

The Trustees agreed to pay for their own travel and hotel expenses, and not utilize the \$7,200 which was allocated in the original budget. It was also agreed that the Trustees should pay for their

own dinner on Thursday evening (October 11). The dinner will be limited to approximately 50 people, and Dr. Lee Dockery suggested that it would be an excellent opportunity to disperse the Trustees at different tables with the opportunity to listen and determine the status of knowledge that exists and research being conducted in age-related memory loss at other institutions. It will be a highly visible and important event, which the Trustees should attend.

The Trustees indicated that they should be listed as Trustee, MBRF, and no other affiliation should be used in the summit materials.

Following a discussion, it was decided that the Trustees should plan to arrive on October 9<sup>th</sup>, in time for the opening reception that evening. It was determined that there would be no opportunity to break away for a board meeting during the summit, but that the Trustees should attempt to hold a debriefing session at the Ronald Reagan Washington National Airport on the afternoon of Friday, October 12<sup>th</sup>, following the conclusion of the summit. Mrs. Borcheck indicated that she would reserve a conference room in the Delta Crown Room at the airport which could be used for the meeting. However, if a roundtable session is held on Friday afternoon following the summit, the debriefing session would need to be rescheduled. The Trustees should try to make flight reservations departing after 5 p.m. on Friday, October 12.

There was some discussion regarding the National Public Radio (NPR) program. NPR will not commit until closer to the time, and may still pull out if another topic is deemed more newsworthy on the day. Representatives from the National Institute on Aging (NIA) have indicated that they will do a roundtable discussion of the important topics developed from the Summit, if NPR does not.

The Trustees also discussed the possibility of local stations providing coverage. Dr. Dockery informed the other Trustees that he had discussed various options such as live streaming, podcasts/camcasts with the NIA representatives, and they are researching the options and costs. They should be able to at least produce CDs, as that should be relatively inexpensive to do, and they could be distributed around the country.

There was a lengthy discussion on the congressional event. Mrs. Borcheck updated the Trustees on her conversations with Mr. Thomas Pennekamp (Senior Vice President, Government Relations, SunTrust Bank) and Dr. Tamara Jones (Senior Public Health Advisor, NIA). Dr. Jones had forwarded a list of congressional members and staff to Mr. Pennekamp and Mrs. Borcheck for their review. Following an extensive review of this list, it was decided that Mr. Pennekamp will contact the chiefs of staff of four offices (Martinez, Weldon, Nelson and Shelby) as these individuals serve on the Special Committee of Aging. The format of the session will be a poster event, with each poster hosted by the individual MBRF research chairs. A handout will be prepared for the event. Dr. Jones will be responsible for sending out "save the date" cards to invitees; Mrs. Borcheck will follow up with Dr. Jones to establish the timing. Dr. Judy Salerno (Deputy Director of the NIA) will be giving the opening remarks at the start of the summit, as well as the congressional event. The MBRF has been requested to nominate one of the Trustees to also participate in the opening remarks; Dr. Clarkson recommended that Dr. Lee Dockery represent the Trustees and the Trustees were unanimous in their approval.

**Action: Mrs. Borcheck to reserve a conference room in the Delta Crown Room at Ronald Reagan Washington National Airport in Washington, D.C., for the afternoon of October 12, 2007.**

**Action: Mrs. Borcheck to follow up with Dr. Tamara Jones regarding the mailing of the "save the date" cards for the congressional event.**

### **3. Grant Request from the University of California at Los Angeles (UCLA)**

The Trustees discussed the formal grant proposal which was submitted by Dr. Gary Small (Director, UCLA Center on Aging). The Trustees indicated that they were very impressed with the research that is being undertaken at UCLA with regards to age-related cognitive dysfunction. However, the Trustees felt that it was not clear anywhere in the proposal that a grant from the MBRF would make any noticeable difference to the future direction of the research in age-related memory loss at UCLA.

After a lengthy discussion, it was decided that Dr. Clarkson would formulate a response to Dr. Small on behalf of the MBRF, rejecting the proposal.

**Action: Dr. Clarkson to draft a letter to Dr. Gary Small rejecting the proposal.**

#### **4. Update on Inter Institute Meeting in Arizona**

It was agreed that the Trustees board meeting would be held in the afternoon of April 16, 2008, to allow the Trustees to travel to Tucson that morning.

The Trustees then discussed the format they thought should be followed for the two-day event. It was suggested that on the first day, April 17, the four organizations should give an update (two organizations in the morning and two in the afternoon, i.e. University of Miami, University of Florida, University of Alabama at Birmingham and the University of Arizona). On the second day, April 18, a round table could be held among investigators in the morning to discuss any new developments, with the event adjourning around noon to allow participants to catch flights out of Tucson. It is important to have each institute be aware of what the other institutes are doing, and to promote collaboration among the institutes. Dr. Clarkson also indicated that it would be worthwhile to have the investigators debrief the Trustees on what happened at the Cognitive Aging Summit, and how we ought to move forward together.

The Trustees discussed the various items needing clarification regarding the logistics for the Inter Institute Meeting to be held in Tucson, Arizona on April 17-18, 2008. They agreed that the contract for the accommodation and meeting rooms should be between the Arizona Inn and the MBRF, and the MBRF will pay the Arizona Inn directly. There will be a master account set up for the hotel accommodations, and participants will be asked to submit an expense report to SunTrust Bank for other expenses.

There being no further business, the meeting was adjourned at 9:45 p.m.



**Wednesday, August 8, 2007**

The meeting of the MBRF Trustees was reconvened at 8 a.m. in the SunRoom on the 3<sup>rd</sup> floor of the SunTrust Bank Park Building in Orlando.

## **5. Efficient Frontier**

Mr. John Floyd presented the annual Asset Allocation Analysis/Strategic Allocation Solution (SAS) Update (Attachment 1). Mr. Floyd gave an overview of the SAS process, and stressed its importance in achieving long-range investment goals. In looking at the current portfolio, he indicated that it is very well diversified and is already very efficient. Mr. Floyd discussed several small adjustments which would enhance the performance of the existing portfolio, while further reducing the standard deviation (risk) factor. It was proposed to increase the allocation to the Lighthouse Long/Short Fund, add international real estate (SSG DJ Wilshire International REIT) and possibly introduce private equity. Mr. Floyd felt that by increasing the allocation to the long/short hedge fund, it would allow them to take advantage of the market's rising volatility. The portfolio currently holds domestic REITs (T. Rowe Price Real Estate), and with stronger economic growth outside the U.S. and the weak U.S. dollar, Mr. Floyd believes that the addition of international real estate would improve the overall risk/return characteristics of the portfolio. Mr. Floyd indicated that as the REIT structure rolls out around the world, it is making international real estate more attractive as it offers liquidity and transparency. The addition to international real estate and the Lighthouse Long/Short fund would be offset by reductions in the large cap stocks.

The possibility of also adding private equity to the portfolio was discussed at length. Private equity is a very long-term investment (8-10 years) with good return characteristics, but it can affect liquidity. Mr. Floyd indicated that it is one of the most complex asset classes he has looked at, due to liquidity and lack of transparency. He informed the Trustees that he would provide the Trustees with more details on private equity, and would prepare a revised Risk/Return Study to reflect the inclusion of private equity in the modified portfolio.

The Trustees deferred voting on the proposals made by Mr. Floyd, until after Mr. Sebesta's review and discussion of the Investment Report.

**Action: The Trustees received the Asset Allocation Analysis/Strategic Allocation Solution for information (Attachment 1).**

## **6. Investment Review**

Mr. Sebesta presented the Investment Review for the second quarter (Attachment 2). He reviewed the market performance, which was strong for the quarter, with large cap stocks outperforming Small- and Mid-Cap stocks and bond prices fell. The quarter also saw high levels of merger and acquisition activity. The economy re-accelerated during the quarter, but housing and sub-prime lending are still causing concerns. The Federal Reserve policy remains unchanged, although they have left the option of cutting interest rates open should the contagion from the housing market spread. Gross Domestic Product (GDP) has accelerated, but is expected to finish the full year at a below-average pace at about 2.25/2.5%. The risk of a recession has recently increased, although it remains a low probability. Even though core inflation moderated in the 2<sup>nd</sup> quarter, the Federal Reserve still cites inflation as their major concern.

Mr. Sebesta distributed additional year-to-date investment performance comparisons (Attachment 3). The overall portfolio has outperformed the blended benchmark by 1.28% YTD. Most funds have outperformed the benchmark, with the exception of the Large Cap Quantitative Equity Fund. Mr. Sebesta indicated that he would like to remove this fund from the portfolio as it has not met its benchmark. The Goldman Sachs Emerging Market Fund has also under-performed in comparison to the benchmark, but is a solid performer. The Fidelity Advisors Diversified International Fund has also caused concern in the past, but recently has been outperforming. The performance of the STI Large Cap Value Fund has also been monitored; however, it has shown very good recent performance.

Following Mr. Sebesta's presentation, the Trustees discussed the proposals suggested by Mr. Floyd. A motion was made by Dr. Clarkson to create a new asset class for private equity that has a target of 5%, with a range of 0-10%. To accommodate this addition, the existing large cap asset class range will be reduced from 52% to 47%, with the range remaining the same. Dr. Ellenbogen-Raim seconded the motion; the motion passed unanimously. Dr. Lee Dockery proposed a motion to accept and implement the recommendation to add international real estate and increase the holding in the Lighthouse Long/Short Fund, as provided by the report on the Efficient Frontier. Dr. Clarkson seconded the motion. The motion carried unanimously. Mr. Raattama will develop a revised Appendix B to the Investment Policy.

Mr. Floyd will provide the various private equity options to the Trustees, and give his recommendations on the most suitable choice, after which the Trustees can give input prior to a decision being made on the most appropriate vehicle for investment.

**Action: The Trustees received the Investment Review for information (Attachment 2), and additional Investment Performance data (Attachment 3).**

**Action: The Trustees approved the recommendations to add a new asset class for private equity; add international real estate to the portfolio and increase the holding in the Lighthouse Long/Short Fund.**

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

**Action: Mr. Floyd will provide various private equity options to the Trustees consideration prior to the final decision on the most appropriate vehicle for investment.**

## **7. Lighthouse Partners Update**

Mr. Ledbetter (Product Manager, Lighthouse Partners) presented an update on the two Lighthouse funds in the MBRF current portfolio (Attachment 4). The Diversified Fund has lower volatility and

lower drawdown, and a low correlation to stocks and bonds. The fund has performed very well, showing growth of 8.99% through June 2007.

The Global Long/Short Fund has more volatility. The goal is to keep the standard deviation about half of other equities. This fund performed very well in February and March, but lost 30 bps in the last month. However, relative to other similar funds, it has performed well. It is a well diversified fund, geographically as well as by style. This fund showed growth of 12.28% through June 2007.

Mr. Ledbetter also discussed recent developments at Lighthouse Partners. HFA Holdings is a company in Australia which has partnered with Lighthouse for the last eight years. HFA Holdings is in the process of buying Lighthouse, although Lighthouse will still retain much of the control with Sean McGould holding the position of Chairman in the new firm. The existing 24.9% holding by SunTrust Bank will be sold; however, the way Lighthouse works with SunTrust will not change. The existing arrangements/fees that are in place will continue and will not change.

The Trustees thanked Mr. Ledbetter for his report on Lighthouse Partners, and requested that he return next year to give an update at the July/August meeting.

**Action: The Trustees received the Lighthouse Partners report for information (Attachment 4).**

#### **8. 990 PF for FY ending 6/30/2006**

The Trustees reviewed and received the 990 PF for fiscal year ending 6/30/2006 for information.

**Action: The Trustees received the 990 PF for FY ending 6/30/2006 for information (Attachment 5).**

#### **9. Minimum Distribution Requirement/Estimated Projection**

The Trustees received the Minimum Distribution calculation for information (Attachment 6). Mrs. Borcheck indicated that there will be an estimated excess distribution carryover of \$589,173 for the fiscal year ending June 30, 2007. As requested at the previous Board meeting, Mrs. Borcheck

presented a "Crystal Ball" Projection, which will be known as an estimated projection in the future (Attachment 7). In conjunction with this Mr. Sebesta prepared a bar chart showing historical market values and projected market values for the MBRF portfolio from June, 2000 through June, 2012 (Attachment 8). The projection showed that without any additional grants being made, there is a possibility that the foundation will have undistributed income in the fiscal year which starts on July 1, 2009. The Trustees requested that Mrs. Borcheck provide this estimated projection at future board meetings. In addition, it was suggested that an annual and cumulative total of distributions by the MBRF be included on all future reports.

**Action: The Trustees received the Minimum Distribution calculation for information (Attachment 6).**

**Action: The Trustees received the estimated projection of minimum distribution for information (Attachment 7), and the bar chart showing market values for the MBRF portfolio (Attachment 8).**

**Action: Annual and cumulative totals of distributions by the MBRF be included in all future reports.**

## **9. Renewal of D&O Insurance**

The Trustees approved the renewal of the Directors & Officers Liability Insurance policy, payment of which is due prior to October 17, 2007.

## **10. Date of Next Meeting**

The next meeting will be held via conference call on October 31<sup>st</sup> at 2 p.m. Mrs. Borcheck will provide the call-in information to the Trustees. The call will be one hour in duration, with an abbreviated Investment Review discussion with Mr. Sebesta.



## **11. Strategic Planning Session**

The Trustees reviewed the ranked strategies which had been prepared following the previous meeting. They also reviewed the Mission Statement bullet points. Under the bullet point: "Promote collaboration and communication among research scientists, institutions, and organizations engaged in research in age-related memory loss", the strategy, **Annual Inter-Institute Research Symposium**, was added.

After reviewing multiple ways that this could be accomplished, the Trustees determined seven priorities to monitor progress:

1. Standardize the annual report received from grantees. Dr. Clarkson to draft a template.
2. Annual Inter-Institute Research Symposium – serve as a catalyst for being a leader.
3. Annual Board self-assessment; Mrs. Borcheck to provide samples of various self-assessment templates and modify to match the requirements of the MBRF. It was agreed that this self-assessment should take place at the April meeting when the annual compensation review occurs.
4. Evaluate the outcome of the Cognitive Aging Summit (short term), and determine the availability of strategic partnerships with the NIA/Foundation for the National Institutes of Health (FNIH).
5. Review and analyze the recommendations from NIA/FNIH for \$1 million grant to fund agencies in conjunction with age-related memory loss.
6. On-going management of the Foundation's assets to ensure sufficient funds to accomplish the goals of the foundation.
7. Publicity; continue efforts to increase awareness of the issue of age-related memory loss.

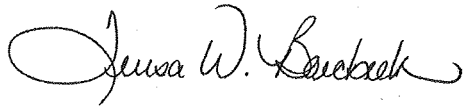
**Action: Dr. Clarkson to draft template for annual report from grant recipients .**

**Action: Mrs. Borcheck to provide samples of self-assessment templates of similar organizations.**

There being no further business, the meeting adjourned at 1:35 p.m.

**Summary of action items will be included in the final draft.**

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Teresa W. Borchek". The signature is fluid and cursive, with a large initial "T" and a stylized "B".

Teresa W. Borchek  
SunTrust Bank, Corporate Trustee

**MINUTES**  
**MCKNIGHT BRAIN RESEARCH FOUNDATION**  
**BOARD OF TRUSTEES CONFERENCE CALL**  
**September 12, 2007**

The McKnight Brain Research Foundation (MBRF) Conference Call to discuss the Asset Allocation Analysis was called to order at 4 p.m.

The following members were present:

Dr. Michael Dockery, Trustee  
Dr. Nina Ellenbogen-Raim, Trustee  
Dr. John G. Clarkson, Trustee  
Mrs. Teresa Borcheck, Corporate Trustee,  
SunTrust Bank Endowment & Foundation Services Group

Others Attending:

Mr. Henry H. Raattama, Jr., Legal Counsel  
Mr. Michael Sebesta, Managing Director, Trusco Capital Management  
Mr. John B. Floyd, Managing Director, Trusco Capital Management  
Ms. Shelly R. Simpson, Trusco Capital Management  
Mrs. Annette Molenaar, SunTrust Bank Endowment & Foundation  
Services Group

*Asset Class* Mrs. Borcheck stated that the purpose of this call was to look at what effect the addition of private equity to the portfolio would have on the Efficient Frontier Analysis, and to reach a decision on which vehicle would be the most suitable for private equity.

Mr. Floyd introduced Shelly Simpson, Research Analyst at Trusco Capital Management. Ms. Simpson discussed the updated Efficient Frontier information which had been sent to the Trustees prior to the conference call. She indicated that by adding private equity, it will be possible to increase returns over the long-term while reducing standard deviation. She emphasized that when one invests in private equity, it is a long-term

commitment. Ms. Simpson indicated that the funds which would be invested in private equity would be taken from the large cap allocation in the portfolio.

Mr. Floyd discussed the three fact sheets which had been sent to the Trustees which covered the different options for Private Equity. These three options are: Goldman Sachs Private Equity Group, Permal Capital Management (Private Equity) and Credit Suisse Private Equity. Following a discussion with the Trustees, Mr. Floyd indicated that all three are good firms, but he would recommend Permal Capital Management.

Mr. Raattama indicated that Appendix B needs to be changed; he will make the adjustments.

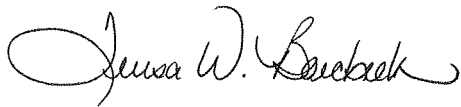
**Action: Mr. Raattama to adjust Appendix B.**

*Rec. by*  
*Adopted rec. to add*  
*approve the product*  
*August*  
*Meeting*  
*Amend 100 IPS & MBLF*

**Summary of Action Items will be provided in the final draft.**

There being no further business, the meeting was adjourned at 4:45 p.m.

Respectfully submitted,



Teresa W. Borchek  
SunTrust Bank, Corporate Trustee

**MINUTES**  
**MCKNIGHT BRAIN RESEARCH FOUNDATION**  
**BOARD OF TRUSTEES MEETING**  
**April 17 & 18, 2007**

**April 17, 2007**

The quarterly trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 8 a.m. on April 17<sup>th</sup> in Miami, Florida, in the offices of Mr. Hank Raattama.

The following members were present:

Dr. J. Lee Dockery, Trustee  
Dr. Michael Dockery, Trustee  
Dr. Nina Ellenbogen Raim, Trustee  
Dr. John G. Clarkson, Trustee  
Mrs. Teresa Borchek, Corporate Trustee,  
SunTrust Bank Endowment & Foundation Services Group

Others Attending:

Mr. Henry H. Raattama, Jr., Legal Counsel  
Mr. Michael Sebesta, Managing Director, Trusco Capital Management  
Mrs. Annette Molenaar, SunTrust Bank Endowment & Foundation Services Group

**1. Correspondence from FNIH**

Dr. Lee Dockery distributed e-mail correspondence from Julie Wolf-Rodda, Director of Research Development and Research Initiatives of the Foundation for the National Institutes of Health (FNIH) and a letter which was received from Amy McGuire, Executive Director of the FNIH, (Attachments 1 and 2). The letter was an invitation to attend the annual meeting of the Board of Directors of the FNIH which is being held in Washington, DC on May 11<sup>th</sup>, and to participate in a discussion regarding the Cognitive Aging Summit, supported by the MBRF and the National Institute on Aging (NIA) and funded by the MBRF, scheduled for October 10-12, 2007. Following a discussion, the Trustees requested that Dr. Lee Dockery and Dr. Nina Ellenbogen-Raim represent the MBRF at the meeting; Mr. Raattama suggested that copies of the pages from the MBRF website and the MBRF brochure be distributed at the meeting.

**Action: The Trustees received the e-mail correspondence and letter from the FNIH for information (Attachments 1 and 2).**

**Action: Dr. Lee Dockery and Dr. Nina Ellenbogen-Raim will represent the MBRF at the May 11<sup>th</sup> FNIH Board Meeting to discuss the Cognitive Aging Summit and distribute MBRF descriptive literature.**



## **2. Discussion regarding meeting with Dean Goldschmidt**

The Trustees reviewed the various topics which they wished to discuss with Dr. Pascal Goldschmidt, Senior Vice President and Dean of the University of Miami, Miller School of Medicine, at lunch later in the day. The topics to be addressed are as follows:

1. The Dean's vision for the McKnight Center.
2. The temporary nature of Dr. Maudsley's appointment as the Director of the Evelyn F. McKnight Center for Age Related Memory Loss at the University of Miami.
3. Matching funding.
4. Space allocation.

Dr. Clarkson informed the Trustees of the recent hiring of Dr. Ralph Sacco to head up the Neurology Department. The Trustees also discussed the possibility of elevating the center to an institute, and the director position to an endowed chair. It was suggested that Dr. Lee Dockery lead the discussions with Dean Goldschmidt.

## **3. Strategic Planning Session**

The Trustees discussed the new MBRF grant guidelines in relation to each of the mission statements and the respective strategies for achieving the goals of the MBRF. The strategies were also ranked in order of importance. Mrs. Borcheck indicated that the strategies are flexible, and should be discussed on an annual basis. The Trustees requested that Mrs. Borcheck and Mrs. Molenaar prepare a grid with the ranked strategies. Mrs. Borcheck informed the Trustees that she would also work on developing suggested methods to monitor and update the MBRF Strategic Plan, and distribute this information for discussion by the Trustees at a future meeting.

## **4. Investment Review**

Mr. Sebesta presented the investment review, and commented on the key economic and investment factors for the first quarter (Attachment 3). He also distributed an updated investment review book (Attachment 4). According to Mr. Sebesta, the Trusco forecast is for moderate, positive growth for the calendar year 2007. Current expectations are for overall inflation to moderate. The combination of a slowing economy and lower inflation will allow the Federal Reserve the opportunity to possibly cut rates later in the year.

During the first quarter, mid cap stocks performed best, while small-cap continued to outperform large cap stocks. International stocks continued to do very well, and emerging markets are becoming more stable and therefore better growth prospects. Japan, which last quarter was seen as a detractor, performed much better this quarter allowing the Fidelity Advisors Diversified International fund (overweight in Japan) to outperform. Bonds had a good quarter.

Mr. Sebesta also discussed the portfolio composition which he feels is well diversified. He indicated that the Trusco Investment Policy Group (IPG) has re-evaluated the large cap sector, which did have a bias towards growth style, and is more neutral now relative to the Value style. Despite the fact that Value has outperformed Growth for seven straight calendar years, the IPG believes that valuations, the shape of the yield curve and investor sentiment currently favor the Value style. Therefore, Mr. Sebesta recommended a more neutral position in Growth and Value. Mr. Sebesta will rebalance the style categories over the next week or so, between growth, core and value. There will

be no other changes to the existing allocation with regard to capitalization. Mr. Sebesta indicated that he is very comfortable with the current overweight position in International.

As a result of recent underperformance, three current fund holdings are on a "watch list":

1. The STI Classic Large Cap Quantitative Fund: Performance was solid in the first quarter of 2007, as the fund outperformed its benchmark and was in the 15<sup>th</sup> percentile in its peer group.
2. The STI Classic Aggressive Growth Fund: Fund outperformed benchmark, moved up in rankings.
3. The Fidelity Advisors Diversified International Fund: Fund outperformed benchmark, moved up in rankings.

Mr. Sebesta gave an update on Lighthouse Partners. Five years ago SunTrust Bank bought Lighthouse Partners, giving SunTrust 75% ownership, and Lighthouse 25%. In 2005, Lighthouse Partners approached SunTrust with the desire to earn back equity in the company to give them up to 75% ownership. In 2006, SunTrust agreed to allow senior managers in Lighthouse to regain ownership over a three year period. Earlier this year, SunTrust managers agreed to accelerate this process, as they were concerned that there was a risk that the senior management team might leave. As of March 31, 2007, Lighthouse management owns 75.1% of Lighthouse and SunTrust owns 24.9%. The Trustees asked Mr. Sebesta about the net worth of Lighthouse, and he indicated that he would forward the requested information to them.

Mr. Sebesta also indicated that he would forward the fund fact sheets on the STI funds to the Trustees once they become available. He will be doing an analysis of the efficient frontier during the summer months.

**Action: The Trustees received the Investment Review for information (Attachments 3 and 4).**

**Action: Mr. Sebesta to forward information about the net worth of Lighthouse to the Trustees.**

**Action: Mr. Sebesta to forward the fund fact sheets on the STI funds to the Trustees.**

## **5. Approval of Minutes**

The minutes of the February 20 & 21, 2007 Trustees meeting of the McKnight Brain Research Foundation were reviewed. The minutes were approved as amended.

**Action: The Trustees approved the minutes for the February 20 & 21, 2007 Trustees meeting, as amended.**

## **6. UCLA Update**

The Trustees reviewed the follow-up letter which was received from Dr. Gary Small at UCLA giving clarification regarding a potential proposal to the MBRF. Following a discussion, the Trustees requested that Dr. Clarkson and Mrs. Borchek conduct a preliminary on-site visit to UCLA for evaluation of the research programs in age related memory loss.

**Action: Dr. Clarkson and Mrs. Borcheck to arrange a site visit to UCLA to evaluate the research programs in age related memory loss and report their findings to the other Trustees.**

#### **7. Update on Jancy Houck, Yale University**

Mrs. Borcheck gave the Trustees an update on a visit from Jancy Houck, who was formerly with the University of Florida Foundation, and is now Vice President for Development and Alumni Affairs with Yale University. Ms. Houck indicated that there were some similarities with the programs at Yale, and the Vision/Mission of the MBRF. The Trustees requested that Mrs. Borcheck communicate with Ms. Houck that if there were opportunities in the future that would be of mutual interest to Yale and the MBRF, they would be happy to receive them.

**Action: Mrs. Borcheck to communicate with Jancy Houck requesting that she contact the MBRF if she identifies any opportunities that would be of mutual interest to Yale and the MBRF.**

#### **8. Call from Dr. Estelle Toby Goldstein**

Mrs. Borcheck advised the Trustees that she had just received a message that Dr. Goldstein in San Diego had called, indicating that she has reviewed the MBRF website and felt that her research interests were aligned with the MBRF. Mrs. Borcheck will follow up with Dr. Goldstein to ascertain the purpose of her call.

**Action: Mrs. Borcheck will follow up with Dr. Goldstein to ascertain the purpose of her call.**

#### **9. 990 PF Review**

Mrs. Borcheck discussed the 990 PF return for the fiscal year ending June 30, 2006. She indicated that Lighthouse had not been able to provide the figures which were requested. Following the discussion, the Trustees agreed that the issue had been resolved to the best of our ability; minor changes will be made to the return, the refund will be accepted, and the return filed.

**Action: Mrs. Borcheck to follow up with KPMG to proceed with filing the return, for the tax year ending June 30, 2006.**

#### **10. Minimum Distribution Calculation**

Mrs. Borcheck discussed the minimum distribution calculation (Attachment 5). It is estimated that there will be approximately \$670,159 excess distribution carried over to the next fiscal year. The Trustees expressed an interest in receiving an estimated projection of the amount available and required for distribution, in the future. Mrs. Borcheck will discuss the possibility of developing tentative projections with Mr. Sebesta. The Trustees also received the grant commitment schedule for information (Attachment 6).

**Action: The Trustees received the minimum distribution calculation (Attachment 5) and the grant commitment schedule (Attachment 6) for information.**

**Action: Mrs. Borcheck to follow up with Mr. Sebesta to request a projection of income for required distributions in the future.**

## **11. Annual Compensation Review**

The next agenda item was Trustee compensation. The Trustees first discussed and heard from legal counsel as to the applicable IRS rules regarding reasonable compensation, including the information previously provided to the IRS and the IRS "no change" response to that information. Each individual Trustee confirmed that they devote the same or more hours to MBRF business as they have in the past. It was generally recognized the work has become more demanding because of the increased volume and enhanced sophistication of the scientific material required to be reviewed by the Trustees. It was pointed out that in 2000 the MBRF supported one Institute. Today the MBRF supports four Institutes and a national symposium on age-related memory loss. It was also noted that administration expenses including Trustee fees and excluding investment management fees are approximately 4/10 of 1%, which by any measure are extremely low.

Mrs. Borcheck presented the Annual Compensation Survey which is compiled from information obtained from the Association of Small Foundations (Attachment 7). Mrs. Borcheck discussed the efforts to locate comparable compensation data. All known sources, including Council of Foundations, Association of Small Foundations, various national consulting firms, Guidestar Nonprofit Compensation Report and similar resources have been reviewed. No comparable compensation data was identified from any source.

The Trustees discussed their current compensation. The nature of the work continues to emphasize the research grant support relative to the programs funded to date in fulfilling the mission of the MBRF. The scientific research being funded by the MBRF is producing more research outcomes that the Trustees must review and monitor, without any reduction in the time devoted to investments. The funded research projects and the consideration of new grant support include review of scientific reports for each of the MBRF funded programs and the continual general consideration of status and future direction of the research initiatives in learning and memory loss in the aging. This relates to consideration of when and what research grants the MBRF should be funding to fulfill its mission. The Trustees agreed that the \$200 per hour benchmark for Trustee compensation initially agreed to in 2000 is, although low today, certainly within the range of the hourly charge that the MBRF would incur if it retained persons, either as staff or independent contractors, with the necessary scientific knowledge and experience to provide the services to the MBRF provided by the Trustees. It was noted the MBRF has not retained staff or independent contractors for any scientific purpose. Based on the amount of time devoted to the MBRF business and comparable charges for that type of scientific work and other duties and responsibilities, the Trustees unanimously agreed that \$40,000 per Trustee is reasonable and appropriate compensation for the fiscal year beginning July 1, 2007 and ending June 30, 2008.

**Action: The Trustees received the Annual Compensation Survey for information (Attachment 7).**

**Action: The Trustees approved the same rate of compensation for all Trustees, in the amount of \$40,000 annually, effective 7/1/2007, based upon the amount of time each Trustee spends on foundation business and the complexity of the duties and responsibilities of the Trustees.**

## **12. SunTrust Fee Schedule**

Mrs. Borcheck discussed the existing SunTrust Bank fee schedule for the MBRF which went into effect July 1, 2004, and was guaranteed for three years. Based on this fee schedule, all individually

managed assets are charged a flat percentage of 30 basis points, exclusive of the STI Classic Funds and Lighthouse funds which are charged at fund level. Mrs. Borcheck, Corporate Trustee on behalf of SunTrust Bank, indicated that she was recommending no change 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 remain in effect until July 1, 2010. In addition to the fee schedule outlined above, Mrs. Borcheck, on behalf of SunTrust as Corporate Trustee, requested that expenses incurred for one person from SunTrust traveling on Foundation business, be reimbursed.

Following an executive session among the individual Trustees, the Trustees approved the motion to pay for the travel expenses incurred for one person from SunTrust Bank traveling on Foundation business. The Trustees asked wherever possible or appropriate, this would cover the travel costs of an administrative staff person from SunTrust.

**Action: The Trustees approved the proposal for the SunTrust Bank fee schedule; Mrs. Borcheck to confirm in writing.**

**Action: The Trustees approved a motion to reimburse travel expenses for one person from SunTrust traveling on Foundation business. Wherever possible or appropriate, the travel costs would be for an administrative staff person from SunTrust.**

### **13. Upcoming Dates**

The Trustees discussed the upcoming Cognitive Aging Summit which will be held in Washington, DC from October 10-12. Once the details of the agenda become known, the Trustees will discuss whether they will be able to hold their Board meeting during the Summit.

### **14. Correspondence with Dr. Carol Barnes**

Dr. Lee Dockery shared his e-mail correspondence with Dr. Carol Barnes with the Trustees (Attachment 8). Dr. Barnes had requested clarification on whether the MBRF planned to cover some of the costs of the Inter-Institute meeting of the McKnight Brain Institutes which is scheduled for April 2008. The Trustees requested that Dr. Barnes submit a budget and a plan for the meeting for review by the Trustees. This will be considered at the July meeting in Orlando.

**Action: The Trustees received the e-mail correspondence from Dr. Carol Barnes for information (Attachment 8).**

**Action: Dr. Lee Dockery will communicate with Dr. Barnes, and request a budget and plan for the Inter-Institute meeting scheduled in April 2008.**

### **15. Date, Time and Location of Next Quarterly Meeting**

The next quarterly meeting of the Board of Trustees of the McKnight Brain Research Foundation will be held in Orlando on July 16, 2007.

There being no further business, the meeting was adjourned at 4:45 p.m.



**April 18, 2007**

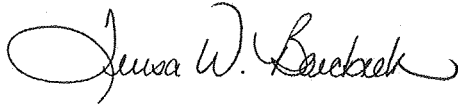
The MBRF Trustees and legal counsel convened at 8:30 a.m. for breakfast at the Lois Pope LIFE Center Auditorium at the University of Miami, Miller School of Medicine with members of the faculty and staff. The breakfast was followed by a scientific program which was introduced by Dr. Pascal Goldschmidt, Senior Vice President for Medical Affairs and Dean of the Miller School of Medicine. A copy of the scientific presentations is attached and made a part of these minutes (Attachment 9). A buffet lunch was served prior to the afternoon presentations which concluded at 2:45 p.m. with remarks by Dr. Julio Licinio, Professor and Chairman of the Department of Psychiatry and Behavioral Sciences. On behalf of the MBRF, Dr. Lee Dockery thanked the staff and faculty who participated in the scientific program and announced representatives of the Evelyn F. McKnight Center for Age Related Memory Loss at the University of Miami will receive invitations to attend the Cognitive Aging Summit, October 10-12, 2007 and the Inter-Institutional meeting of the Center and the McKnight Brain Institutes, April 17-18, 2008.

**Summary of action items:**

1. **The Trustees received the e-mail correspondence and letter from the FNIH for information (Attachments 1 and 2).**
2. **Dr. Lee Dockery and Dr. Nina Ellenbogen-Raim will represent the MBRF at the May 11<sup>th</sup> FNIH Board Meeting to discuss the Cognitive Aging Summit and distribute MBRF descriptive literature.**
3. **The Trustees received the Investment Review for information (Attachments 3 and 4).**
4. **Mr. Sebesta to forward information about the net worth of Lighthouse to the Trustees.**
5. **Mr. Sebesta to forward the fund fact sheets on the STI funds to the Trustees.**
6. **The Trustees approved the minutes for the February 20 & 21, 2007 Trustees meeting, as amended.**
7. **Dr. Clarkson and Mrs. Borcheck to arrange a site visit to UCLA to evaluate the research programs in age related memory loss and report their findings to the other Trustees.**
8. **Mrs. Borcheck to communicate with Jancy Houck requesting that she contact the MBRF if she identifies any opportunities that would be of mutual interest to Yale and the MBRF.**
9. **Mrs. Borcheck will follow up with Dr. Goldstein to ascertain the purpose of her call.**
10. **Mrs. Borcheck to follow up with KPMG to proceed with filing the return, for the tax year ending June 30, 2006.**
11. **The Trustees received the minimum distribution calculation (Attachment 5) and the grant commitment schedule (Attachment 6) for information.**
12. **Mrs. Borcheck to follow up with Mr. Sebesta to request a projection of income for required distributions in the future.**
13. **The Trustees received the Annual Compensation Survey for information (Attachment 7).**
14. **The Trustees approved the same rate of compensation for all Trustees, in the amount of \$40,000 annually, effective 7/1/2007, based upon the amount of time each Trustee spends on foundation business and the complexity of the duties and responsibilities of the Trustees.**
15. **The Trustees approved the proposal for the SunTrust Bank fee schedule; Mrs. Borcheck to confirm in writing.**

16. The Trustees approved a motion to reimburse travel expenses for one person from SunTrust traveling on Foundation business. Wherever possible or appropriate, the travel costs would be for an administrative staff person from SunTrust.
17. The Trustees received the e-mail correspondence from Dr. Carol Barnes for information (Attachment 8).
18. Dr. Lee Dockery will communicate with Dr. Barnes, and request a budget and plan for the Inter-Institute meeting scheduled in April 2008.

Respectfully Submitted,

A handwritten signature in cursive script, reading "Teresa W. Borcheck".

Teresa W. Borcheck  
SunTrust Bank, Corporate Trustee

October 19, 2007

J. Lee Dockery, M.D.  
Trustee, The McKnight Brain Research Foundation  
c/o SunTrust Bank  
PO Box 62005  
Orlando, FL 32862-0005

Dear Lee,

As we spoke about briefly in Washington, DC at the Cognitive Aging Summit, the enthusiasm has grown, as has our projected attendance, for the April 2008 McKnight Inter-Institute Meeting. As I indicated in my October 15 email to Tom, David and Ralph (that I copied you on), I am gathering statistics on a more realistic estimate for meeting expenses. Each of the Institute Director's have assured me that all proposed attendees have potentially substantive contributions to make and will surely each benefit tremendously from exposure to the breadth of research on normal aging that will be discussed in Tucson. Additionally, the other Institute Directors have agreed to compile short biosketches of each attendee to document their expertise. Luann has prepared a table with the additional lodging and airfare expenses for the out-of-town attendees and the additional meal expenses for all of us during the meeting.

I hope the Trustees share our excitement about this new avenue for fostering interdisciplinary work in the field of memory and the aging brain. I look forward to hearing of your decision.

Sincerely,



C.A. Barnes, Ph.D.  
Regents' Professor, Psychology and Neurology  
Director, Evelyn F. McKnight Brain Institute

CC: John G. Clarkson, M.D.  
Michael L. Dockery, M.D.  
Nina Ellenbogen Raim, M.D., J.D.  
Teresa W. Borchbeck



Evelyn F. McKnight  
Brain Institute

Oct 07 est.

# McKnight Brain Institutes - Inter-Institute Meeting April 17 - 18, 2008

| Hotel Rooms                        | Catering (meeting room included) |               |            |            | Total      |
|------------------------------------|----------------------------------|---------------|------------|------------|------------|
|                                    | 4/16/2007                        | 4/17/2007     | 4/17/2007  | 4/18/2007  |            |
| Arizona Inn                        |                                  |               |            |            |            |
| Estimates @ 50 rooms<br>x 3 nights | \$249                            |               |            |            |            |
|                                    | \$37,350 *                       |               |            |            |            |
|                                    |                                  | Board Meeting | Meeting    | Dinner     |            |
|                                    |                                  | Trustees      | 100 people | 100 people | 60 people  |
|                                    |                                  | \$466.99      | \$7,783.00 | \$8,500.00 | \$4,668.00 |
|                                    |                                  |               |            |            | \$58,768   |
| Travel*                            |                                  |               |            |            |            |
| from University of Miami           | 8 @ \$500                        | Airfare       |            |            |            |
| from University of Alabama         | 21 @ \$425                       |               |            |            |            |
| from University of Florida         | 15 @ \$865                       |               |            |            |            |
| Trustees and staff                 | 6 @ 600                          |               |            |            |            |
| Ground Transportation (taxi)       | 50 x 30                          |               |            |            |            |
| Incidental Meals                   |                                  |               |            |            |            |
|                                    |                                  |               |            |            | \$33,000   |
| Total                              |                                  |               |            |            | \$91,768   |

| Hotel rooms      | Day #1* |                | Day #2 |    |
|------------------|---------|----------------|--------|----|
|                  | Meeting |                |        |    |
| Trustees + staff | 6       | 5              | 5      |    |
| UAB              | 21      | 21             | 15     |    |
| Florida          | 15      | 15             | 10     |    |
| Miami            | 8       | 8              | 8      |    |
| Total            | 50      | 37             | 22     |    |
|                  |         | AZ admin/staff | 14     | 0  |
|                  |         | Total          | 100    | 60 |

Day 1\*: Trustees, faculty, postdocs, students staff  
Day 2\*: Trustees and faculty

ORIGINAL BUDGET  
(submitted in  
May, 2007)

# McKnight Brain Institutes - Inter-Institute Meeting April 17 - 18, 2008

|                              | Hotel Rooms | Catering (meeting room included) |                 |                 | AV        | Total    |
|------------------------------|-------------|----------------------------------|-----------------|-----------------|-----------|----------|
|                              |             | 4/16/2007                        | 4/17/2007       | 4/18/2007       |           |          |
| Arizona Inn                  | \$249       | Board Meeting                    | All day Meeting | All day Meeting |           |          |
| Estimates @ 33 rooms         | \$24,651    | 6 people                         | 54 people       | 54 people       |           |          |
| x 3 nights                   |             | \$466.99                         | \$4,202.93      | \$4,202.93      | get quote | \$37,991 |
| Travel*                      |             |                                  |                 |                 |           |          |
| from University of Miami     | 3 @ \$500   | Airfare                          |                 |                 |           |          |
| from University of Alabama   | 12 @ \$425  |                                  |                 |                 |           |          |
| from University of Florida   | 12 @ \$865  |                                  |                 |                 |           |          |
| Trustees and staff           | 6 @ 600     |                                  |                 |                 |           |          |
| Ground Transportation (taxi) | 27 x 30     |                                  |                 |                 |           |          |
| Incidental Meals             |             |                                  |                 |                 |           | \$22,390 |
| Total                        |             |                                  |                 |                 |           | \$60,381 |

Attendees (54-56 total)  
McKnight Brain Research Foundation Trustees (5)  
University of Arizona (24)  
Affiliate Faculty (14)  
Ahern, Barnes, Glisky, Fellous, Fregosi, Fuglevand, Gothard, Kaszniak, McNaughton, Nadel, Rance, Reiman, Ryan, Yool  
McKnight Staff (10)  
Chawla, Lister, Hirschaw, Walther, Olson, Penner, Burke, Khoboko, Thome, Letts  
University of Alabama (12)  
Sweatt...  
University of Florida (12)  
Foster...  
University of Miami (3)  
Licinio, Maudsley, Sacco



RECEIVED OCT 05 2007



Yale University

OFFICE OF DEVELOPMENT

October 2, 2007

Ms. Teresa Borcheck  
Corporate Trustee  
The SunTrust Bank  
Post Office Box 620005  
Orlando, Florida 32862-0005

P.O. Box 2038  
New Haven, Connecticut 06521-2038

Campus address:  
157 Church Street  
New Haven, Connecticut 06510-2100

Telephone: 203 432-5436  
Fax: 203 432-5685

Dear Ms. Borcheck,

I write in order to introduce myself and to express my interest in meeting to discuss opportunities for collaboration between The Evelyn F. McKnight Brain Research Foundation and Yale University School of Medicine. As the Associate Vice President of Corporate and Foundation Relations at the University, I work closely with both foundations and corporations to support Yale's medical and scientific research.

Our Associate Vice President in the Medical Development division, Jancy Houck, recently had the pleasure of speaking with you. Following your conversation, she informed me that you generously encouraged a discussion of many of the exciting medical initiatives and advancements at Yale University and the ways in which they may align with the mission of the Foundation.

The School of Medicine is a world leader in discoveries leading to significant advancements in the biomedical sciences. One of our areas of expertise is neuroscience, particularly, the neurobiology of learning and memory. Researchers at Yale have made phenomenal contributions towards increasing our understanding of the neurobiology of aging, and we have been vital in designing treatments to overcome the associated cognition deficits. I hope that I may soon meet you and relate in person these and many more important innovations.

I plan to telephone your office next week to answer any questions you may have and to determine a mutually convenient time to present to you Yale's critical research. In the interim, please do not hesitate to call me at (203) 436-8518.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'Patty Pedersen', with a long, sweeping horizontal line extending to the right.

Patty Pedersen, Ph.D.  
Associate Vice President of Development  
University Director of Corporate  
and Foundation Relations



**Yale University**

## **Excellence in Neurobiology of Aging**

Prepared for McKnight Brain Research Foundation  
October 2007

Over its more than 300-year history, Yale University has matured into one of the world's leading universities. It has become world-renowned for its innovation and discovery, excelling in biomedical science, humanities, and social sciences for much of its history. The faculty is comprised of a richly diverse group of men and women who are leaders in their respective fields. Their research and practical engagement have had national and global impact. The University has produced 8 US presidents, 16 US Supreme Court Justices, 18 Pulitzer Prize recipients and 16 Nobel Laureates, six of whom received the Nobel Prize in Physiology or Medicine. One of the pillars of excellence and accomplishment is Yale's expertise in the field of neuroscience, specifically the neurobiology of learning and memory as it relates to aging. We provide here an overview of Yale's contributions to date and our commitment to the future in this critical area.

## NEUROBIOLOGY OF AGING AT YALE UNIVERSITY

### *Background*

Healthy older adults often experience mild decline in some areas of cognition. The most prominent cognitive deficits of normal aging include forgetfulness, vulnerability to distraction and other types of interference, as well as impairment in multi-tasking and mental flexibility. These cognitive functions are the domain of the most evolved part of the human brain known as the prefrontal cortex, the brain region that is the last to fully mature in children and the first to decline as we age. Indeed, prefrontal cortical cognitive abilities begin to weaken already in middle age, and are especially impaired when we are stressed. Loss of these organizational abilities is a particular liability in this Information Age, when our demanding lives require that we multi-task and navigate through endless interferences. Thus, understanding how the prefrontal cortex changes with age is a top priority for rescuing the memory and attention functions we need to survive in our fast-paced, complex world. To unravel the functions of the prefrontal cortex, investigators at Yale University have been conducting pioneering research since the 1930's and have studied age-related changes in this brain region for more than 20 years.

### *History of Excellence*

Yale University researchers were the very first to identify the role the prefrontal cortex plays in memory. In the 1930s, Carlyle Jacobsen and John Fulton invented the spatial delayed response task, a test of spatial memory that required constant updating of memory for spatial position. They found that lesions of the prefrontal cortex in primates produced a striking loss of short-term spatial memory. Thirty years later, Karl Pribram and Mortimer Mishkin characterized the complexity of such memory deficits and identified areas in the cerebral cortex that are essential for perception and memory. In addition, they established the importance of the prefrontal cortex in inhibitory and organizational abilities.

In the early 1960's, developmental neuroscience was largely descriptive; scientists knew where the neurons in the cortex were at various stages in development, but not how they arrived there. Pasko Rakic, M.D., Ph.D., Duberg Professor of Neuroscience and Chairman of the Department of Neurobiology at Yale University School of Medicine, conceived an out-of-the-



box strategy to elucidate this process. Using a radioactive tracer to map the migration pattern of individual neurons in the developing cerebral cortex of nearly 200 rhesus monkeys, Dr. Rakic identified the pathways that developing neurons use to migrate into the various layers of the cortex and determined how these cells establish specific neuronal identities. The research material gathered from this extensive landmark study, for which Dr. Rakic was co-awarded the distinguished Ralph W. Gerard prize in 2002, has been used by other neuroscientists to study cortical development, and has become a foundation for generating new scientific discoveries.

Beginning in the 1970's, pioneering studies conducted in the laboratory of Professor Patricia Goldman-Rakic, co-recipient with her husband of the 2002 Gerard prize for her own independent contribution, revealed the circuitry in the prefrontal cortex that subserves abstract thought. Professor Goldman-Rakic dispelled the notion that the highest of cognitive functions were not amenable to scientific analysis, and revealed both the anatomical and physiological basis of representational knowledge. She defined cortical networks by which primates are able to represent information that is not present in the environment. These networks are made up of cells shaped like pyramids – thus called pyramidal cells – with tree-like structures called dendrites, which connect with other neural cells. Patricia Goldman-Rakic also discovered that the chemical environment within the prefrontal cortex is key to its proper function, and that loss of the neuromodulator dopamine is as devastating to cognition as removing the cortex itself. Her studies of dopamine and its receptors in the brain have provided important insights into aging as well as into potential treatments for neurological diseases that progress with age, such as Parkinson's disease.

### *Innovations in Aging and Memory Research*

The prevalence of prefrontal cortical deficits in normal aging is related to the tremendous sensitivity of the prefrontal cortex to stress. Exposure to even mild uncontrollable stress markedly impairs the cognitive functioning of the prefrontal cortex, making us forgetful, distracted, and disorganized. Stress can also trigger mental illnesses such as bipolar disorder and schizophrenia in susceptible individuals, and can greatly exacerbate the memory and attention problems of normal aging. Amy Arnsten, Professor of Neurobiology at the Yale University



School of Medicine, and her colleagues are making unprecedented scientific advances in understanding the molecular events initiated by stress, which take the prefrontal cortex "off-line." She pays special attention to how stress factors relate directly to cognitive deficits in normal aging. For the last 10 years, Dr. Arnsten has held a MERIT Award from the National Institute of Aging in recognition of the importance of her contribution to aging research. She has determined that stress pathways become "unleashed" in the aging prefrontal cortex, impairing cognition and disconnecting the prefrontal cortical networks first discovered by Professor Goldman-Rakic. Chronic exposure to stress destroys many of the small protrusions on prefrontal cells, called dendritic spines. These dendritic spines are the loci where connections are made with other neurons to form networks. In a recent paper in the journal *Cell*, Professor Arnsten describes how these networks disconnect by opening ion channels that make the dendritic spines "leaky," thus leading to their destruction. Preliminary evidence suggests that a similar biochemical process precedes the normal aging process.

By identifying the precise interactions of prefrontal cells at the molecular level, and how these change with age and stress, Professor Amy Arnsten has been able to develop rational drug therapies for prefrontal cortical disorders, such as Intuniv® for Attention Deficit Hyperactivity Disorder (ADHD) and prazosin for Post Traumatic Stress Disorder (PTSD). These two drugs are now administered to our returning veterans from Iraq as well as to elderly patients with PTSD, e.g. survivors of Auschwitz. In addition to these drugs, her group has also developed two new therapeutics that improve cognition in aged monkeys. One treatment is currently approved for human use and is ready for testing in elderly humans in the Yale Alzheimer Disease Research Unit and Cognitive Disorders Clinic. Her work reflects a remarkable success for an academic laboratory in translating academic research into therapeutic applications in humans.

### *Unique Methodologies*

In humans, pyramidal projection neurons make up 80% of the neurons in the cerebral cortex, and selective loss of these neurons is characteristic of many cognitive and motor disorders, including Alzheimer's disease, schizophrenia, and stroke. Embryonic stem (ES) cells, with their pluripotent capability to differentiate into many cell types, present hope for restoration of



neuronal cells during aging, disease, and injury. However, the prospect of using human ES cells for cell replacement therapy in the cerebral cortex is limited because to date only spinal motoneurons and midbrain dopaminergic neurons have been successfully derived from human ES cells *in vitro*. To direct the differentiation of human ES cells, research in the laboratory of Professor Nenad Sestan is aimed at exploiting the knowledge of genes that control differentiation of pyramidal neurons in mouse embryos. Previous studies in Professor Sestan's laboratory have shown that in mice a gene, termed *Fezf2*, is critical for specification of pyramidal neurons. Professor Sestan hypothesizes that the human homolog of the mouse *Fezf2* gene may direct the differentiation of human ES cells into pyramidal neurons. Based on this hypothesis, he is spearheading efforts to produce homogeneous populations of human pyramidal neurons in order to serve as a renewable source of neurons for transplantations and gene therapies. This research is expected to greatly facilitate the study of aging and neurodegenerative diseases.

Various modalities of imaging have enhanced our understanding of the brain's anatomy and function in health and disease for many decades. Yale is one of very few academic institutions where state-of-the-art imaging capabilities are available at the whole body and cellular scale to visualize anatomic (or structural) metabolic and functional changes in the brain. Dr. Christopher van Dyck, Founder and Director of the Yale Alzheimer Disease Research Unit and Cognitive Disorders Clinic, for example, has performed imaging studies of normal aging brains. He discovered that over the adult lifespan humans exhibit 50% loss of a critical neurotransmitter, dopamine, and this loss directly relates to the cognitive and motor slowing that develops with normal aging. As reaction time is key to safety (e.g. during driving), his research is highly relevant to skills necessary for independent living. Dr. van Dyck is now engaged in PET imaging of amyloid protein deposits in the brain, which may provide the opportunity to differentiate Alzheimer's disease from normal aging earlier in the aging process when treatments may be most beneficial.

To perform key studies in neurobiology, Yale University maintains a large, longstanding primate colony, and much of the invaluable research on the aged prefrontal cortex has come from studies of aged monkeys. Non-human primates are an ideal model to study the neurobiology of aging as



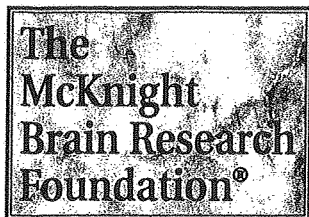


they have a highly developed prefrontal cortex. In addition, age-related cognitive, chemical, and architectural changes in their prefrontal cortex are very similar to those occurring in humans except that there is no clinical evidence of Alzheimer's disease in non-human primates, which is fortunate as evidence of this disease can confound studies of normal aging in humans.

### *Summary*

Yale's long, productive history of multidisciplinary collaboration between basic and applied sciences has made Yale a world leader in neuroscience research. At Yale University researchers have the unique possibility to relate cognitive changes not only to molecular but also to physiological and architectural changes in the primate cortex. Thus, the understanding of the regulation of our highest order cognitive functions can be advanced at a level never seen before, resulting in Yale's unprecedented track record in the successful translation of basic discoveries to human health. The select examples of seminal Yale research integrate molecular, cellular, and neuroanatomical data to provide an in-depth understanding of the neuronal circuitry that governs working memory of the prefrontal cortex. But Yale's contributions to neurobiology extend well beyond normal brain function as related to age, and stimulate novel hypotheses about the molecular and cellular development of the brain's circuitry and the pathogenesis of disorders of higher brain functions. The historic and unique multidisciplinary approach to the study of the frontal lobe paves the way for other scientists to understand the neurobiological basis of normal behavior as well as of diseases such as schizophrenia, Alzheimer's and Parkinson's disease in addition to attention deficit-hyperactivity disorder.





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*Established by  
Evelyn F. McKnight  
to Alleviate Memory Loss  
in the Aging.*

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September 10, 2007

Dr. Michela Gallagher  
Krieger-Eisenhower Professor  
Psychology and Neuroscience  
The Department of Psychological and  
Brain Sciences

John Hopkins University  
Ames Hall  
3400 N. Charles Street  
Baltimore, MD 21218-2686

Dear Dr. Gallagher:

Your recent letter to Dr. Clarkson was forwarded to me, as Corporate Trustee for the McKnight Brain Research Foundation.

We appreciate your interest in the Foundation, and look forward to meeting you at the Cognitive Aging Summit, and hearing your presentation. While attending the Summit, the Trustees will have a very busy schedule, and do not believe that this venue will be suitable to engage in an in-depth meeting. However, following the Summit, I would be happy to follow up with you on opportunities for further discussions.

Sincerely,

A handwritten signature in cursive script, reading "Teresa W. Borchek".

Teresa W. Borchek

TB/ajm

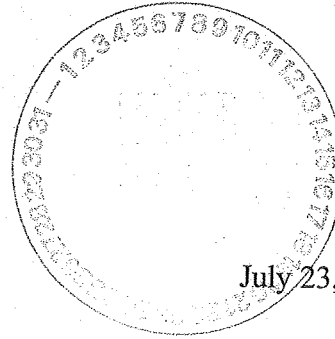
Cc: MBRF Trustees  
Henry H. Raattama, Esquire

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**The Department of Psychological  
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July 23, 2007

Dr. John G. Clarkson  
Dean Emeritus and Professor of Ophthalmology  
Miller School of Medicine  
Clinical Research Building  
1120 N.W. 14th Street, Suite 1560B  
Miami, FL 33136

Dear Dr. Clarkson:

On behalf of Johns Hopkins University and the Department of Psychological and Brain Sciences, I wanted to take this opportunity to introduce myself – and our pioneering research on neurocognitive aging – to you and the McKnight Brain Research Foundation. As a former fellow of the Wilmer Eye Institute, you are well acquainted with the reach and rigor of Johns Hopkins' research initiatives. We believe there are significant synergies between the goals and vision of the McKnight Foundation and the work of our Department in finding ways to improve cognitive function in the elderly. The program of research I head at Hopkins has had a transforming impact in recent years on the study of the aging brain and is now breaking new ground in translating basic research in laboratory animals to the human condition.

Our research program has centered on an animal model, using outbred Long-Evans rats, which reproduces the increased cognitive variability of aging observed in clinical populations. Because rats maintained under uniform conditions have widely different aging outcomes, the model opened the way for understanding the biology of individual differences. The published work on this model has become part of the established literature on normal aging and shifted research from studies of neurodegeneration as a cause of memory loss to uncovering functional mechanisms.

Our work is now poised to advance effective approaches to restore optimal function in the aged brain. Our progress to date has come from an integrated experimental and computational approach, all tied to the cognitive assessment in our model that is unparalleled in its power to discern the condition of brain aging. The conclusion that neurocognitive aging is the consequence of a functional bias in critical brain networks to recover previous encoding at the expense of new encoding/plasticity is strongly supported by our data, spanning from the molecular/genomics/cellular level, grounded in structural and mechanistic knowledge of individual molecules and cellular pathways, to a systems level analysis of the affected neural circuits. Key discoveries in our work are not only revealing new entry points for remedy, but also suggest remarkable concordance between the basic research findings in animals and indicators in human

studies. We are now advancing the use of powerful tools, from broad molecular screening to high-resolution functional neuroimaging, to directly demonstrate how the condition of human neurocognitive aging aligns with the animal research.

While aging can be associated with a range of cognitive difficulties, studies of the elderly have also stimulated a growing interest in high-performing older individuals. What adaptive or compensatory resources, biologically-based or rooted in life experience, sustain the functions of the mind in some at older ages – factors that could teach us new ways to alter the prospects for aging well? In a second area of key discovery, our recent work has provided the first major insight into cellular adaptations in aged animals with preserved cognitive capacities. Evidence of a biological basis for “successful” aging holds promise for novel interventions, modeled on such naturally occurring adaptations, to prevent age-related neurocognitive impairment. In a scientifically well-grounded approach, we now have the tools in hand to see whether critical features of neurobiology in high performing aged animals similarly exist in the human brain. Indeed we believe the time is ripe to make decisive and meaningful progress by bridging basic research and its application to the problem of neurocognitive aging.

Opportunities today build on unprecedented discoveries in brain research; many foresee that the first half of the 21<sup>st</sup> century will be a ‘golden era’ in neuroscience. Both the vision and commitment of the McKnight Brain Research Foundation align with the challenge of making progress now in the field of neurocognitive aging. Beyond its program of funding research, your foundation is taking the leadership role in supporting the *Cognitive Aging Summit* to focus on a pressing need and opportunity. It would be a great privilege to further discuss how the prestige and power of my institution, along with the reach and rigor of its scientific work, can be used in this important undertaking to make a real difference.

I would welcome the opportunity to meet with you in person – either in Miami later this summer or at the *Cognitive Aging Summit* in Washington D.C. in October where I will be among the invited speakers – to discuss our work in greater depth. I will contact you soon to explore this possibility, or if you prefer to reach me directly, please e-mail me at [michela@jhu.edu](mailto:michela@jhu.edu) or call 410-516-0167. More comprehensive information about our work is available at [www.psy.jhu.edu/fs/faculty/gallagher.htm](http://www.psy.jhu.edu/fs/faculty/gallagher.htm).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michela Gallagher", with a stylized, flowing script.

Michela Gallagher,  
Krieger-Eisenhower Professor  
Psychology and Neuroscience