

# MCKNIGHT BRAIN RESEARCH FOUNDATION

October 21 & 22, 2008

University of Alabama  
Shelby Biomedical Research Building  
Birmingham Alabama

## AGENDA

Tuesday, October 21, 2008

12:00 – 12:30	Call to Order/Lunch	Teresa Borcheck
12:30 – 12:45	Approval of Minutes July 22 -23, 2008	Trustees
12:45 – 2:00	Minimum Distribution Calculation	Teresa Borcheck
	Univ. of Miami Miller School of Medicine update	Teresa Borcheck
	Upcoming Dates & Events	Teresa Borcheck
	Society for Neuroscience Event November 17, 2008	Teresa Borcheck
	McKnight Brain Research Foundation Travel Award Program	Teresa Borcheck
	Inter-Institutional Leadership Council Retreat July 2009	Teresa Borcheck
	Inter- Institutional Meeting April 2009	Teresa Borcheck
2:00 – 4:00	Investment Review	Mike Hill
	Lighthouse	Dan Ledbetter
	Amendment to Appendix B	Mike Hill/ Mr. Raattama
4:00 – 4:30	Update from Dr. Rich - tentative	
4:30	Adjournment	
6:30	Dinner at Vulcan	

**MINUTES**  
**MCKNIGHT BRAIN RESEARCH FOUNDATION**  
**BOARD OF TRUSTEES MEETING**  
**JULY 22 & 23, 2008**

The quarterly trustee's meeting of the McKnight Brain Research Foundation (MBRF) was called to order at 1:18 p.m. on July 22<sup>nd</sup>, in Miami, Florida, at the offices of Mr. Hank Raattama, MBRF legal counsel.

The following members were present:

Dr. J. Lee Dockery, Trustee

Dr. Michael Dockery, Trustee

Dr. Nina Ellenbogen Raim, Trustee

Mrs. Teresa Borcheck, Corporate Trustee

SunTrust Bank Institutional Investment Management Administration

Members not present:

Dr. John Clarkson, Trustee

Others attending:

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

Mr. Michael Hill, Managing Director, Trusco Capital Management

Ms. Shelly R. Simpson, Asset Allocation Specialist, Trusco Capital Management

Mrs. Darlene Moulder, SunTrust Bank, Charitable Services Group

**1. Investment Review**

Mr. Hill presented the investment review and key economic and investment factors for the second quarter (Attachment 1). Mid-caps outperformed both Large and Small caps for the quarter while Growth continued to out perform Value and International showed signs of slowing. Commodity-linked sectors tended to outperform, while Financials and Consumer Discretionary trailed.

Mr. Hill informed the trustees of two changes that have been made to the portfolio. The Fidelity Advisor Diversified International fund has been replaced with the DWS International fund and the T Rowe Price Growth Stock fund has been replaced with the DWS Investment Trust Cap Growth fund. Mr. Hill discussed the Peer Group Analysis and the Manager vs. Universe comparison noting that there has been an improvement in the managers' contribution to the performance of the portfolio.

**Action: The trustee received the Investment Review for information (Attachment 1).  
The Lighthouse investment report will be discussed at the next trustees' meeting.**

## **2. Efficient Frontier**

Ms. Shelly Simpson presented the annual Asset Allocation Analysis/Strategic Allocation Solutions (SAS) update (Attachment 2). Ms. Simpson discussed several changes she recommends making to the portfolio in the next twelve to eighteen months. International equities have outperformed domestic equities over the last six years due to currency gains from a weak U.S. dollar, lower interest rates overseas, and stronger earnings growth. Now the environment is changing and the stabilizing dollar could be a drag on international equity returns. Therefore, Ms. Simpson recommended reducing the portfolio's exposure to international equity. Ms. Simpson also recommended selling the international real estate Exchange Traded Fund currently held in the portfolio as the reasons for investing in the ETF are now reversing and this asset class no longer looks attractive. Unhedged global bonds have currency risk and could be hurt by a rising dollar. It was Ms. Simpson's recommendation to switch the unhedged global bonds to hedged global bonds. Furthermore, Ms. Simpson recommended the proceeds from reducing the international equity exposure and the sale of the international real estate ETF be invested in the hedged global bonds. Although this revised portfolio has a lower three to five year forward return, it also has much lower risk.

The changes discussed by Ms. Simpson would require changes to the Investment Policy Statement, Appendix B. The recommended changes are to decrease the International Equity target to 15.1%, decrease the Real Estate – Non U.S. to zero, increase the Fixed Income - International target to 9.4% and change the Fixed Income-International Benchmark to Citi Hedged and/or Unhedged WGBI.

**Action: The trustees unanimously approved the recommended changes to the asset classes and the allocations in the MBRF Portfolio. Amend Investment Policy Statement, Appendix B to reflect the changes.**

## **3. Approval of Minutes**

The minutes of the April 16 – 19, 2008 meeting and the June 11, 2008 conference call of the McKnight Brain Research Foundation were reviewed. The minutes were approved as amended.

**Action: The trustees approved the minutes of the April 16 – 19, 2008 meeting and June 11, 2008 conference call, as amended. (Attachment 3).**

## **4. Updated Compensation Review**

In a follow up, at the request of the trustees, Mrs. Borcheck presented updated compensation information which was compiled from information obtained from the Association of Small Foundations and the Council on Foundations (Attachment 4).

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 which the trustees must review and monitor, without any reduction in the time devoted to investments. The review of currently funded research projects, requests for new grant support, site visits and review of scientific reports for each of the MBRF funded programs are very important functions of the trustees and require continual monitoring. In order to fulfill the purpose and the mission of the MBRF the trustees must continuously educate themselves as to the current status and future direction of the

research initiatives in learning and memory loss in the aging. The trustees continue to expand and develop research partnerships to encourage increased interest and support of research in learning and memory in the aging. The development of the **Research Partnership in Cognitive Aging** between the MBRF and the National Institute on Aging (NIA) through the Foundation for the National Institutes of Health (FNIH) as and outcome of a national Cognitive Aging Summit held in 2007, attended by 250 nationally recognized research scientists, are important initiatives leading to raising the level of public awareness of the importance of cognitive health to society and the development of research proposals leading to the understanding and alleviation of age related memory loss. The trustees discussed the number of hours each spends on Foundation business and confirmed that each spend, on average, 4 to 8 hours per week on Foundation matters.

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.

**Action: The trustees received the updated Annual Compensation Survey for information and agreed to maintain the current level of annual compensation (Attachment 4).**

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

The trustees received the Minimum Distribution Calculation for information (Attachment 5).

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

#### **6. Carol Barnes Summary – McKnight Institution's Group Research**

The trustees reviewed Carol Barnes' Summary of the McKnight Inter-Institutional Group's Research Ideas and plans for the future. (Attachment 6). The trustees endorse the concept but will request clarification on the process.

**Action: The trustees received Carol Barnes' Summary of the McKnight Institutional Group's report for information (Attachment 6).**

#### **7. Inter-Institutional Leadership Council Retreat**

The trustees discussed the potential of a retreat for the Leadership Council of the McKnight Inter-Institutional sponsored research programs in the summer of 2009. The trustees have tentatively set the July 2009 trustees meeting for July 28 and 29 and can add a day on either side for the retreat. Dr. Lee Dockery will provide Dr. Carol Barnes with these dates.

**Action: Dr. Lee Dockery will provide Dr. Carol Barnes with the dates for the July 2009 MBRF trustees meeting.**

## **8. Society for Neuroscience proposal**

The trustees reviewed the request for financial support for an Evelyn F. McKnight sponsored social event for graduate students from each of the four institutions for which the MBRF provides fund who are attending the Annual Society for Neuroscience Meeting. (Attachment 7) The trustees approved the Tier 2 proposal of \$13,000. The event will be similar to the Congressional Reception held at the Cognitive Aging Summit and will feature scientific poster sessions from each of the four institutions. The event will be held on November 17, 2008 at the Renaissance Hotel Grand Ballroom. It was agreed that at least one MBRF trustee will attend.

**Action: Add the Annual Society for Neuroscience Evelyn F. McKnight Social Event to the MBRF website**

**One MBRF trustee will attend the graduate student reception Annual Society for Neuroscience meeting, November 17, 2008**

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

Mrs. Borcheck presented the trustees with the spreadsheet of the Inter-Institutional Meeting Costs for information (Attachment 8). The trustees asked Mrs. Borcheck to express their thanks to Mrs. Moulder for her work in creating the spreadsheet.

**Action: The trustees received the spreadsheet of the Inter-Institutional Meeting Costs for information (Attachment 8).**

## **10. Association of Small Foundations (ASF) proposal**

The trustees reviewed the request from the Association of Small Foundations (ASF) for a grant in the amount of \$500. (Attachment 9). The trustees approved an educational grant in the amount of \$500 to ASF to encourage small foundations to seek resources and continue the mission of ASF.

**Action: The trustees approved an educational grant in the amount of \$500 to the Association of Small Foundations.**

## **11. University of Arizona Grant request follow-up**

The additional \$300,000 Grant will be matched by the University of Arizona and will be used to recruit a replacement for a departing research scientist. The Amended Gift Agreement was executed by the trustees and the funds will be forwarded on or before November 1, 2008.

**Action: The trustees approved and signed the amended gift agreement with the University of Arizona.**

## **12. NIA/NIH update**

Dr. Lee Dockery provided the other trustees with the draft language referencing the MBRF and FNIH text in the NIA's Request for Applications (RFA). The language was approved as presented. It was agreed that Dr. Lee Dockery will follow up with the NIA to provide them with the updated language.

**Action: Dr. Lee Dockery will transmit to the FNIH and the NIA the approved language for the RFA.**

## **13. University of Florida Recruitment update**

Dr. Lee Dockery updated the other trustees on his recent meeting with Dr. Steindler. The University of Florida has announced the hire of a new McKnight Assistant Professor, Dr. Matthew Sarkisian, to join in their mission to better understand and treat age-related memory loss. There is second recruitment effort currently underway and Dr. Steindler hopes to be announcing the next McKnight Assistant or Associate Professor recruit in the near future.

## **14. Univ. of Miami Miller School of Medicine update**

The trustees discussed the status of the match to the \$5 million gift made by the MBRF in 2002 to the University of Miami. The University has secured \$1.4 million in gifts to date and have been assured the remaining \$3.6 million is available to complete the match.

## **15. New Trustee Discussion**

At the April Trustee's meeting it was decided that the process for adding a fifth trustee would be finalized at the July meeting as well as discussing possible candidates, their Curriculum Vitae and any other pertinent information. In this regard, Dr. Lee Dockery nominated Dr. Judith Salerno and Dr. Nina Ellenbogen Raim nominated Dr. Li-Huei Tsai. The nominees will be interviewed during the February 2009 meeting of the MBRF.

## **16. Upcoming Dates & Events**

The next meeting will be October 21- 22, 2008, in Birmingham, Alabama. There being no further business, the meeting adjourned at 5:00 p.m.

**Summary of Action Items:**

**Action:** The trustee received the Investment Review for information (Attachment 1).  
The Lighthouse investment report will be discussed at the next trustees' meeting.

**Action:** The trustees unanimously approved the recommended changes to the asset classes and the allocations in the MBRF Portfolio.  
Amend Investment Policy Statement, Appendix B to reflect the changes.

**Action:** The trustees approved the minutes of the April 16 – 19, 2008 meeting and June 11, 2008 conference call, as amended. (Attachment 3)

**Action:** The trustees received the updated Annual Compensation Survey for information and agreed to maintain the current level of annual compensation (Attachment 4).

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

**Action:** The trustees received Carol Barnes' Summary of the McKnight Institutional Group's report for information (Attachment 6).

**Action:** Dr. Lee Dockery will provide Dr. Carol Barnes with the dates for the July 2009 MBRF trustees meeting.

**Action:** Add the Annual Society for Neuroscience Evelyn F. McKnight Social Event to the MBRF website  
One MBRF trustee will attend the graduate student reception Annual Society for Neuroscience meeting, November 17, 2008

**Action:** The trustees received the spreadsheet of the Inter-Institutional Meeting Costs for information (Attachment 8).

**Action:** The trustees approved an educational grant in the amount of \$500 to the Association of Small Foundations.

**Action:** The trustees approved and signed the amended gift agreement with the University of Arizona.

**Action:** Dr. Lee Dockery will transmit to the FNIH and the NIA the approved language for the RFA.

**Signature** \_\_\_\_\_

Mrs. Teresa Borcheck, Corporate Trustee



**McKnight Brain Research Foundation**  
**Minimum Distribution Calculation**  
**Fiscal years 2000 - 2008**

<u>Market Value</u>	<u>Tax Year</u>	<u>Distributable Amount</u>	<u>Qualifying Distributions</u>	<u>Excess Distributions Carryover</u>	<u>Undistributed Income</u>
<u>Dec 1999 - \$69,126,583</u>					
\$49,585,746	7/1/00 - 06/30/01	\$2,581,909	\$177,042	\$10,128,483.99	\$0.00
\$46,511,035	7/1/01 - 06/30/02	\$2,401,671	\$181,194	\$7,908,007	\$0.00
\$45,973,696	7/1/02 - 6/30/03	\$1,954,735	\$148,481	\$5,953,272	\$0.00
\$51,867,213	7/1/03 - 6/30/04	\$2,352,435	\$1,665,404	\$5,266,241 (last year we could carryover gift to UF)	\$0.00
\$51,898,266	7/1/04 - 6/30/05	\$2,450,345	\$3,026,049	\$575,704	\$0.00
\$55,777,369	7/1/05 - 6/30/06	\$2,620,008	\$2,036,659	\$0	\$7,645.00
\$62,782,831	7/1/06 - 6/30/07	\$2,843,725	\$3,299,931	\$448,561	\$0.00
\$54,753,484	7/1/07 - 6/30/08	\$2,817,569	\$3,110,508	\$741,500 (07&08) (\$292,939 - 2008)	\$0.00
\$47,937,975 as of 9/30/2008	7/1/08-6/30/09	\$2,360,945 (estimate)	\$2,234,827 (estimate)	\$615,381 (estimate)	\$0.00
			\$15,880,095		

**Part XIII Undistributed Income** (see page 27 of the instructions)

	(a) Corpus	(b) Years prior to 2005	(c) 2005	(d) 2006
1 Distributable amount for 2006 from Part XI, line 7				2,843,725.
2 Undistributed income, if any, as of the end of 2005:				
a Enter amount for 2005 only			7,645.	
b Total for prior years: 2004		NONE		
3 Excess distributions carryover, if any, to 2006:				
a From 2001	NONE			
b From 2002	NONE			
c From 2003	NONE			
d From 2004	NONE			
e From 2005	NONE			
f Total of lines 3a through e	NONE			
4 Qualifying distributions for 2006 from Part XII, line 4: \$ 3,299,931.				
a Applied to 2005, but not more than line 2a			7,645.	
b Applied to undistributed income of prior years (Election required - see page 27 of the instructions)		NONE		
c Treated as distributions out of corpus (Election required - see page 27 of the instructions)	NONE			
d Applied to 2006 distributable amount				2,843,725.
e Remaining amount distributed out of corpus	448,561.			
5 Excess distributions carryover applied to 2006 (If an amount appears in column (d), the same amount must be shown in column (a).)	NONE			NONE
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	448,561.			
b Prior years' undistributed income. Subtract line 4b from line 2b		NONE		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		NONE		
d Subtract line 6c from line 6b. Taxable amount - see page 27 of the instructions		NONE		
e Undistributed income for 2005. Subtract line 4a from line 2a. Taxable amount - see page 27 of the instructions				
f Undistributed income for 2006. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2007				NONE
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3) (see page 28 of the instructions)	NONE			
8 Excess distributions carryover from 2001 not applied on line 5 or line 7 (see page 28 of the instructions)	NONE			
9 Excess distributions carryover to 2007. Subtract lines 7 and 8 from line 6a	448,561.			
10 Analysis of line 9:				
a Excess from 2002	NONE			
b Excess from 2003	NONE			
c Excess from 2004	NONE			
d Excess from 2005	NONE			
e Excess from 2006	448,561.			

Form 990-PF (2006)

**Part XIII Undistributed Income** (see page 26 of the instructions)

	(a) Corpus	(b) Years prior to 2006	(c) 2006	(d) 2007
1 Distributable amount for 2007 from Part XI, line 7 . . . . .				2,817,569.
2 Undistributed income, if any, as of the end of 2006:				
a Enter amount for 2006 only . . . . .			NONE	
b Total for prior years: 2005 . . . . .		NONE		
3 Excess distributions carryover, if any, to 2007:				
a From 2002 . . . . .	NONE			
b From 2003 . . . . .	NONE			
c From 2004 . . . . .	NONE			
d From 2005 . . . . .	NONE			
e From 2006 . . . . .	448,561.			
f Total of lines 3a through e . . . . .	448,561.			
4 Qualifying distributions for 2007 from Part XII, line 4: ► \$ 3,110,508.				
a Applied to 2006, but not more than line 2a . . . . .			NONE	
b Applied to undistributed income of prior years (Election required - see page 27 of the instructions) . . . . .		NONE		
c Treated as distributions out of corpus (Election required - see page 27 of the instructions) . . . . .	NONE			
d Applied to 2007 distributable amount . . . . .				2,817,569.
e Remaining amount distributed out of corpus . . . . .	292,939. ✓			
5 Excess distributions carryover applied to 2007 . . . . . (If an amount appears in column (d), the same amount must be shown in column (a).)	NONE			NONE
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5 . . . . .	741,500.			
b Prior years' undistributed income. Subtract line 4b from line 2b . . . . .		NONE		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed . . . . .		NONE		
d Subtract line 6c from line 6b. Taxable amount - see page 27 of the instructions . . . . .		NONE		
e Undistributed income for 2006. Subtract line 4a from line 2a. Taxable amount - see page 27 of the instructions . . . . .			NONE	
f Undistributed income for 2007. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2008. . . . .				NONE
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see page 27 of the instructions) . . . . .	NONE			
8 Excess distributions carryover from 2002 not applied on line 5 or line 7 (see page 27 of the instructions) . . . . .	NONE			
9 Excess distributions carryover to 2008. Subtract lines 7 and 8 from line 6a . . . . .	741,500.			
10 Analysis of line 9:				
a Excess from 2003 . . . . .	NONE			
b Excess from 2004 . . . . .	NONE			
c Excess from 2005 . . . . .	NONE			
d Excess from 2006 . . . . .	448,561.			
e Excess from 2007 . . . . .	292,939.			

**Pascal J. Goldschmidt, MD**

Senior Vice President for Medical Affairs and Dean  
Chief Executive Officer, University of Miami Health System

September 8, 2008

John G. Clarkson, M.D.  
J. Lee Dockery, M.D.  
Michael L. Dockery, M.D.  
Nina Ellenbogen Raim, M.D., J.D.  
Teresa W. Borchek  
Trustees, The Evelyn F. McKnight Brain Research Foundation, Inc.  
SunTrust Endowment and Endowment and Foundation Services  
200 S Orange Ave., SOAB-10  
Orlando, Florida 32801

Dear Trustees:

I am writing in response to your letter of June 4, 2008 in which you requested notification of the transfer of funds to complete the \$5 million match to the gift from the Evelyn F. McKnight Brain Research Foundation, Inc. to establish the Evelyn F. McKnight Center for Age Related Memory Loss.

The University has secured a total of \$1.4 million in cash, which has been placed into endowment and is currently being invested in the growth pool. The remainder of the match in the amount of \$3.6 million has been made in the form of a pledge, scheduled to be paid to the University over a period of four years. Once this pledge is received, the University commits to transferring the funds to the Evelyn F. McKnight Center for Age Related Memory Loss account.

In addition, The University agrees that each year it will distribute from other sources the amount that would have been distributable per the UM Endowment Spending Policy on the Unmatched balance or, if greater, the average actual rate of return earned by the Growth Pool for the 3 years ended the prior fiscal year (9.8% for period ended 5/31/08), and then added to the Endowment Balance, in support of the program. The Unmatched Balance will be reduced as actual match payments are transferred into the Growth Pool (The Endowment Balance).

**Office of Senior Vice President for Medical Affairs and Dean  
Executive Office, University of Miami Health System**

Post Office Box 016099 (R-699) | Miami, FL 33101  
Location: 1600 NW 10th Avenue, RMSB 1140 (R-699) | Miami, FL 33136  
Phone: (305) 243-6545 | Fax: (305) 243-4888

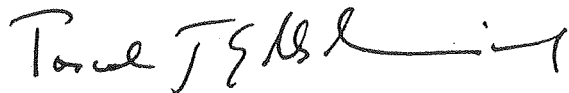
John G. Clarkson, M.D.  
J. Lee Dockery, M.D.  
Michael L. Dockery, M.D.  
Nina Ellenbogen Raim, M.D., J.D.  
Teresa W. Borchek  
Trustees, The Evelyn F. McKnight Brain Research Foundation, Inc.  
September 8, 2008  
Page 2

Enclosed, please find a report outlining the current status of the McKnight Center funds and confirming the commitment by the University of Miami to meet the investment return obligations on the balance of the unmatched funds.

I thank each of the members of the McKnight Brain Research Foundation for your patience, generosity and steadfast commitment to the creation of the McKnight Center for Age Related Memory Loss at the University of Miami Leonard M. Miller School of Medicine. We are deeply grateful and are looking forward to great progress under the leadership of Drs. Sacco and Wright. I look forward to seeing you all again soon.

As always, please feel free to contact me with any questions or comments.

With warmest personal regards,

A handwritten signature in dark ink, appearing to read "Pascal J. Goldschmidt", with a stylized flourish at the end.

Pascal J. Goldschmidt, M.D.  
Senior Vice President for Medical Affairs and Dean  
Chief Executive Officer, University of Miami Health System

cc: Henry H. Raattama, Jr  
Marsha Kegley

**Evelyn F. McKnight Center for Age Related Memory Loss  
at the Miller School of Medicine  
Fund Balance for FYE 5/31/2008**

McKnight Contribution	\$5,000,000.00	(Contributions made between 7/7/2003 - 7/2/2007)
UM Match	\$1,450,913.00	
Investment Return	\$1,760,929.00	
5/31/2008* Endowment Balance	\$8,211,842.00	
Unmatched Balance**	\$3,600,000.00	

\*University's Fiscal Year End is May 31st

\*\* The Unmatched Balance is the University's matching requirement. The University agrees that each year it will distribute from other sources the amount that would have been distributable per the UM Endowment Spending Policy on the Unmatched Balance or, if greater, the average actual rate of return earned by the Growth Pool for the 3 years ended the prior fiscal year (9.8% for period ended 5/31/08) and then added to the Endowment Balance, in support of the program. The Unmatched Balance will be reduced as actual match payments are transferred into the Growth Pool (the Endowment Balance).

The University will provide a report on the Endowment Balance and the Unmatched Balance, annually.

**McKnight Brain Research Foundation  
Upcoming Dates/Events (2008 - 2010)**

**2008**

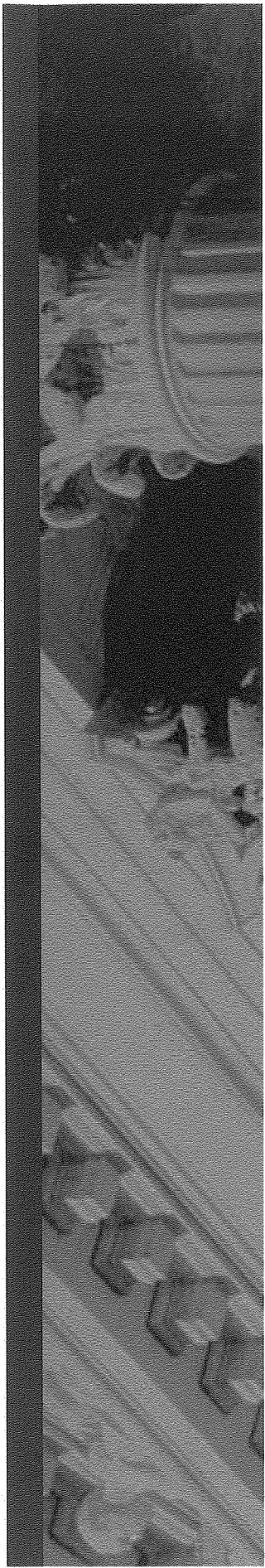
<b>November 17, 2008</b>
Evelyn F. McKnight at the Annual Society of Neuroscience Meeting
JW Marriott Hotel Salon G, Washington, D.C.

**2009**

<b>February 2009</b>	<b>April 2009</b>	<b>July 2009</b>	<b>October 2009</b>
<b>MBRF Board of Trustees Meeting</b> February 17 & 18, 2009	<b>MBRF Board of Trustees Meeting</b> April 21 22 & 23, 2009 UAB Inter-Institutional Meeting	<b>MBRF Board of Trustees Meeting</b> July 28 & 29, 2009	<b>MBRF Board of Trustees Meeting</b> October 20 & 21, 2009
<b>Topics:</b> 1. Annual Compensation Review 2. Annual Reports from Institutions 3. New Trustee Interviews 4. 990 PF		<b>Topics:</b> 1. Asset Allocation Analysis 2. Lighthouse Presentation 3. Leadership Council Retreat (Summer) - tentative	

**2010**

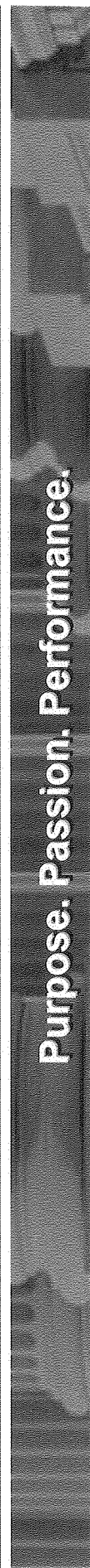
<b>February 2010</b>	<b>April 2010</b>	<b>July 2010</b>	<b>October 2010</b>
<b>MBRF Board of Trustees Meeting</b>	<b>MBRF Board of Trustees Meeting</b>	<b>MBRF Board of Trustees Meeting</b>	<b>MBRF Board of Trustees Meeting</b> <b>Cognitive Aging Summit</b> Washington, D.C.
<b>Topics:</b> 1. Annual Compensation Review 2. Annual Reports from Institutions 3. 990 PF		<b>Topics:</b> 1. Asset Allocation Analysis 2. Lighthouse Presentation	(Will need to review)



# Trusco Capital Management

McKnight Brain Research Foundation  
Third Quarter 2008

Michael T. Hill  
Managing Director  
Trusco Capital Management  
615-748-5243  
[mike.hill@truscocapital.com](mailto:mike.hill@truscocapital.com)



Purpose. Passion. Performance.

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*"Trusco Capital Management is a division of RidgeWorth Capital Management, Inc."*

# Market Snapshot

September 30, 2008

MAJOR EQUITY INDEXES		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
S&P 500		-8.91	-8.37	-19.29	-21.98	0.22	5.15
Russell Top 200		-8.40	-7.85	-19.50	-21.99	0.16	4.32
Russell 1000		-9.53	-9.35	-19.50	-22.10	0.13	5.47
Russell MidCap		-12.26	-12.91	-19.50	-22.36	0.09	8.59
Russell 2000		-7.97	-1.11	-10.38	-14.48	1.83	8.12
Russell 3000		-9.40	-8.73	-18.81	-21.52	0.26	5.68
MSCI EAFE Net		-14.46	-20.56	-29.26	-30.31	1.12	9.65
MSCI EAFE Small Cap Net		-17.15	-23.97	-31.94	-35.02	-3.87	9.13
MSCI Emerging Markets Net		-17.50	-26.95	-35.54	-32.99	8.35	18.59
U.S. CAP & STYLE INDEXES		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
Russell Top 200 Growth		-10.04	-10.00	-19.07	-19.33	0.43	2.94
Russell Top 200 Value		-6.65	-5.54	-19.95	-24.54	-0.03	5.86
Russell 1000 Growth		-11.58	-12.33	-20.27	-20.88	0.04	3.72
Russell 1000 Value		-7.35	-6.11	-18.85	-23.56	0.09	7.09
Russell MidCap Growth		-15.28	-17.75	-23.35	-24.65	-0.75	6.51
Russell MidCap Value		-9.05	-7.52	-15.46	-20.50	0.50	9.93
Russell 2000 Growth		-11.30	-6.99	-15.29	-17.07	1.45	6.61
Russell 2000 Value		-4.69	4.96	-5.37	-12.25	2.00	9.41
Russell 3000 Growth		-11.56	-11.93	-19.90	-20.60	0.15	3.95
Russell 3000 Value		-7.13	-5.26	-17.84	-22.70	0.23	7.26
S&P 500 SECTORS		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
Consumer Discretionary		-7.79	-0.65	-13.79	-22.41	-3.51	1.49
Consumer Staples		-1.28	4.80	-2.99	0.74	8.34	8.89
Energy		-11.96	-24.65	-17.96	-14.33	8.24	22.14
Financials		-4.89	0.80	-29.16	-39.32	-9.38	-1.92
Health Care		-6.26	0.49	-12.18	-12.21	0.87	3.49
Industrials		-11.88	-8.55	-21.03	-24.68	1.72	6.80
Information Technology		-12.72	-11.92	-23.44	-23.38	-0.81	2.44
Materials		-17.04	-22.47	-21.49	-21.43	8.24	10.64
Telecommunication Services		-12.60	-14.78	-29.52	-33.10	2.52	6.70
Utilities		-11.41	-18.01	-20.27	-14.25	2.86	12.49
HEDGE & REAL ESTATE		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
HFRI Fund of Funds Comp		-1.39	-4.12	-6.36	-2.44	5.76	6.56
CS/T Multi-Strategy		-1.26	-3.73	-5.70	-2.57	7.26	7.87
CS/T Equity Market Neutral		-0.59	-0.65	3.11	7.12	8.99	7.84
CS/T Long Short Equity		-2.11	-5.54	-5.91	-0.48	8.60	10.08
FTSE NAREIT Equity Index		-0.19	5.55	1.76	-11.14	5.56	13.41
DJW Global exUS Real Estate Sec.		-13.99	-18.86	-31.32	-38.25	0.36	12.86

U.S. FIXED-INCOME INDEXES		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
Lehman Aggregate		-1.34	-0.49	0.63	3.65	4.14	3.77
Treasury		0.61	2.30	4.58	8.73	5.77	5.00
Government-Related		-0.11	0.98	2.64	6.00	5.13	4.67
Corporate		-7.77	-7.80	-8.58	-6.78	0.04	2.13
Securitized		0.13	0.92	2.23	5.18	4.85	4.69
Lehman Government/Credit		-2.53	-1.64	-0.67	2.41	3.59	3.33
Lehman Intermediate G/C		-2.08	-1.19	0.22	3.13	4.02	3.23
Lehman High Yield		-7.98	-8.89	-10.08	-11.24	1.04	4.36
Lehman Municipal GO Index		-4.21	-2.39	-1.42	0.19	2.57	3.03
ML U.S. Govt. Corp., 1-5		-1.08	-0.23	1.56	4.07	4.52	3.25
ML 1-3 U.S. Treasury		0.81	1.68	3.82	6.25	5.25	3.53
LEHMAN TREASURY RETURNS		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
3 Mo		0.30	0.65	1.96	3.07	4.28	3.29
6 Mo		0.44	0.95	2.60	3.97	4.67	3.52
2 Yr		0.96	2.08	4.30	6.91	5.34	3.51
5 Yr		0.91	2.73	5.07	9.89	5.94	3.84
10 Yr		0.18	2.34	4.42	9.93	5.20	4.16
30 Yr		2.07	4.95	6.11	13.63	5.44	6.13
US TREASURY YIELDS		9/30/08	6/30/08	12/31/07	9/28/07	9/30/05	9/30/03
3-Month		0.90	1.35	3.30	3.82	3.55	0.96
6-Month		1.60	1.51	3.49	4.09	3.93	1.02
2-Year		1.98	1.63	3.07	3.96	4.18	1.47
5-Year		2.98	2.47	3.46	4.23	4.19	2.82
10-Year		3.83	3.43	4.03	4.58	4.33	3.94
30-Year		4.31	4.28	4.45	4.84	4.57	4.89
INTERNATIONAL BONDS		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
Citigroup WGBI (USD)		-1.19	-2.97	1.91	5.85	5.59	5.36
Citigroup WGBI (USD) Hedged		0.28	2.60	2.81	5.18	4.15	4.28
Citigroup WGBI ex US (USD)		-1.65	-4.26	1.20	5.11	5.52	5.57
Citigroup WGBI ex US (USD) Hedged		0.18	2.66	2.37	4.32	3.73	4.23
JP Morgan EMBI Global		-6.84	-5.05	-5.22	-2.72	4.07	7.44
CURRENCY & COMMODITIES		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
Trade-Weighted Dollar (1973=100)		1.42	7.29	3.91	2.35	-3.31	-3.77
DJ-AIG Commodity Index (TR)		-11.53	-27.70	-8.01	-3.63	1.89	10.11
DJ-AIG Energy (TR)		-11.88	-35.81	-0.15	10.48	-16.55	-
DJ-AIG Precious Metals (TR)		1.55	-12.59	-2.44	7.88	20.49	-
Lehman TIPS		-3.83	-3.54	1.17	6.20	4.31	5.13
INFLATION (% / > 1Yr. Ann.)		% MTD	% QTD	% YTD	% 1-Yr.	% Ann. 3-Yr.	% Ann. 5-Yr.
Consumer Price Index (82-84=100)		-0.14	0.68	3.40	5.36	3.71	3.48

\*Hedge Fund & CPI Data Through August 2008. Sources: Lehman Bros, CS/T, BLS, FactSet, MSCI, FRB

This perspective was prepared for clients and prospective clients of RidgeWorth Capital Management. Neither RidgeWorth Capital Management or any of its affiliates make any representation or warranty as to the accuracy or completeness of this analysis for individual use. Past returns are not indicative of future results.

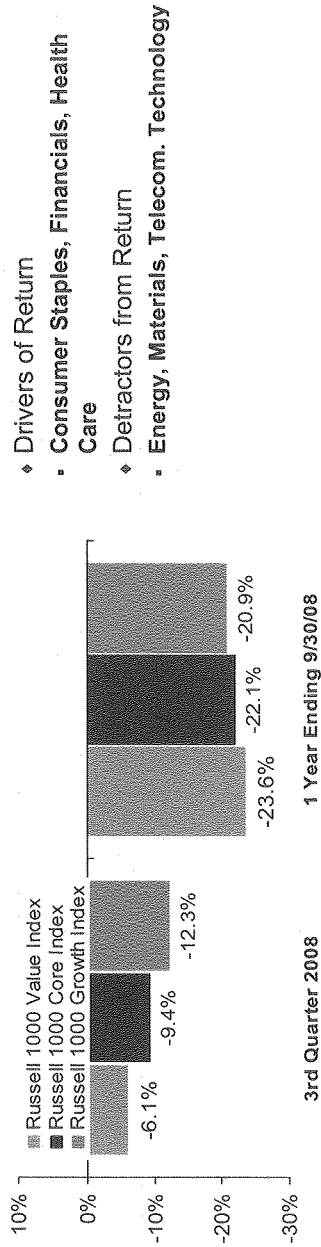
Comments and conclusions were based on information available at the time of writing. RidgeWorth Capital Management does not intend to update this information or conclusions. RidgeWorth Capital Management is not a fiduciary and does not provide investment advice. RidgeWorth Capital Management is not a registered investment advisor. RidgeWorth Capital Management is not a broker-dealer. RidgeWorth Capital Management is not a financial institution. RidgeWorth Capital Management is not a bank. RidgeWorth Capital Management is not a bank. RidgeWorth Capital Management is not a bank.

2 RidgeWorth Capital Management

McKnight Brain Research Foundation

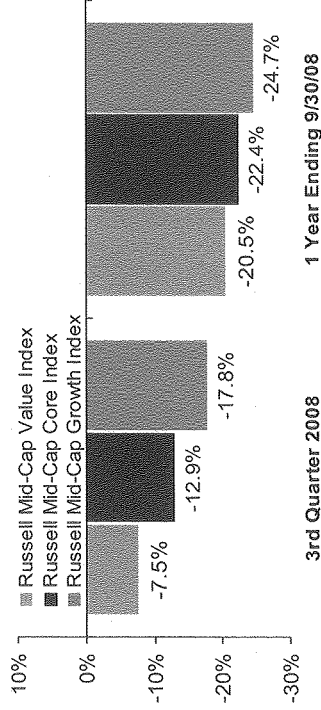
# Domestic Equity Markets in the 3rd Quarter, 2008

- ◆ Small-Caps outperformed Mid- and Large-Caps in the third quarter and over the past twelve months.



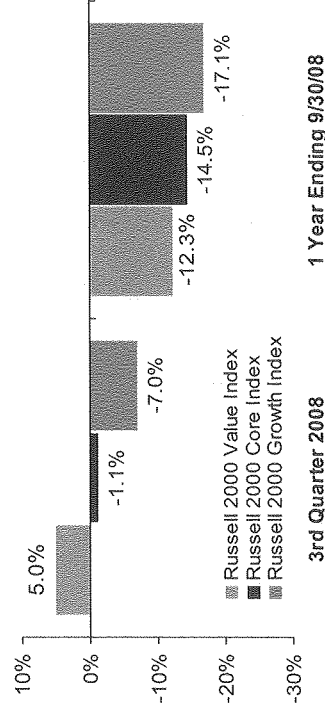
- ◆ Drivers of Return
- Consumer Staples, Financials, Health Care
- ◆ Detractors from Return
- Energy, Materials, Telecom, Technology

- ◆ Stimulus and rescue programs helped financials rebound along with traditional defensive sectors. Weaker growth prospects hurt commodity-related and industrial stocks.



- ◆ Drivers of Return
- Financials, Health Care, Consumer Staples
- ◆ Detractors from Return
- Energy, Industrials, Technology, Materials, Telecom

- ◆ The rebound in financial stocks helped the Value style significantly outperform Growth in the third quarter though twelve month performance was mixed.

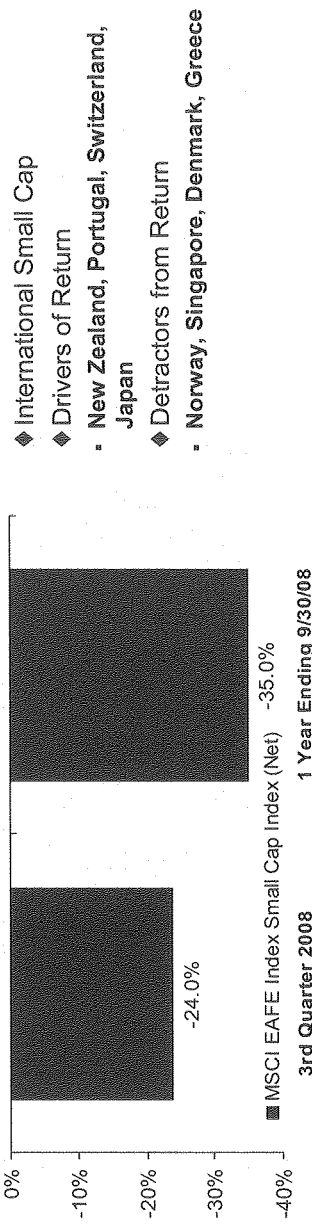
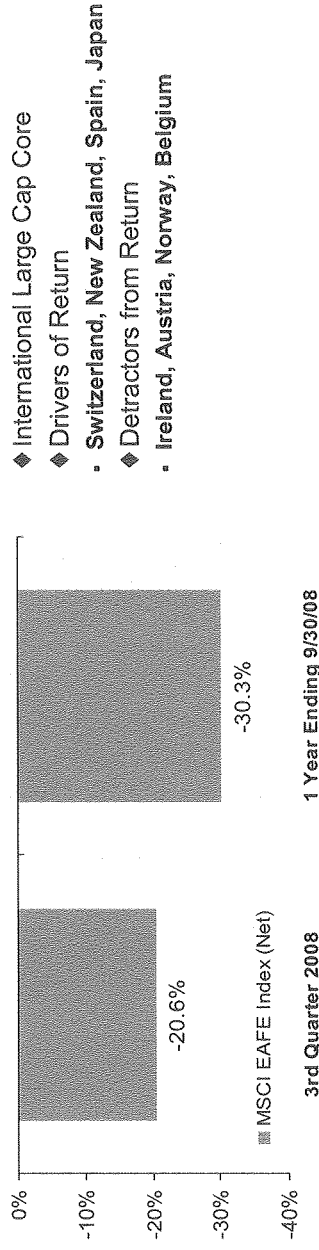


- ◆ Drivers of Return
- Financials, Health Care, Consumer Staples
- ◆ Detractors from Return
- Energy, Materials, Telecom

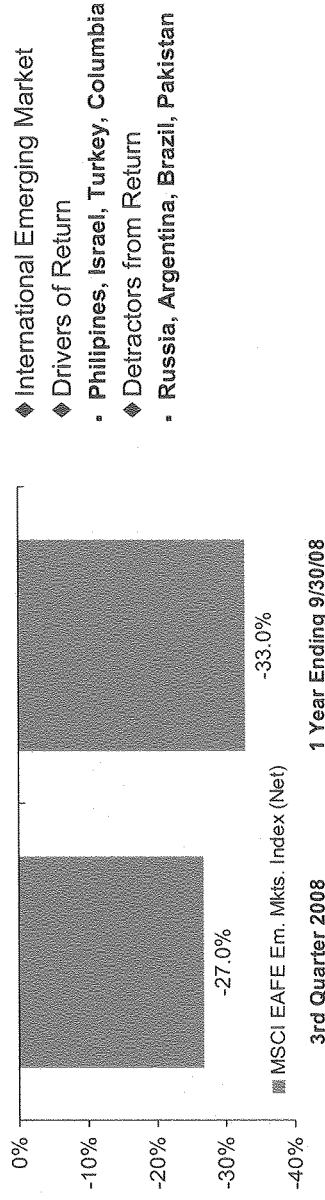
Sources: FactSet, Russell

# International Equity Markets in the 3rd Quarter, 2008

- ◆ Spreading global weakness and a stronger dollar helped international equities lag U.S. stocks in the third quarter. However, in contrast to the Domestic markets, Small-Cap stocks lagged Large-Caps.

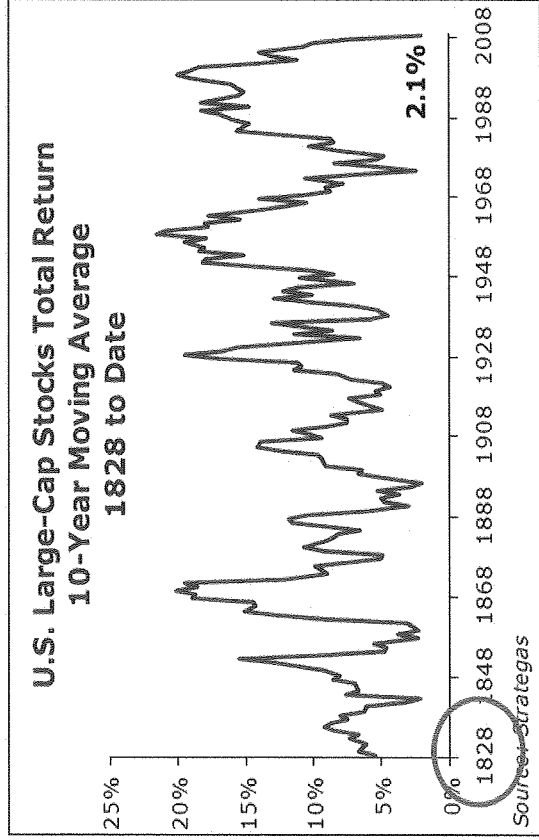


- ◆ Slowing global demand pushed Emerging Market equities sharply in the third quarter.



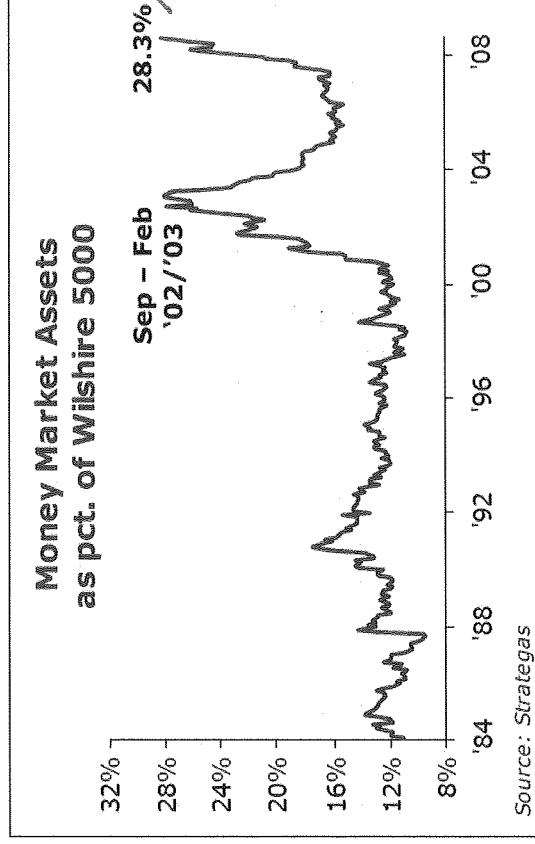
Sources: FactSet, MSCI

# Current Stock Market Volatility an Opportunity for Long-Term Investors



- Significant amounts of money have moved to the “sidelines” and out of the stock market. Money market assets as a percentage of total U.S. market capitalization have now surpassed the extreme levels last seen in late '02 and early '03.
- This suggests a sizable amount of cash is available to invest.

- Equities have underperformed their long term averages in the current decade. Over the last 180 years, the current 10-year period ranks among the worst for large-cap U.S. stock returns.
- However it is worth noting that 10-year returns have fallen to the current range only to bottom and move higher in subsequent years.



# Investment Strategy Review

## October 13, 2008

▪ **Volatility:** The VIX reached historic highs last week as the equity markets continued to sell off. While disconcerting to many investors, history would show that these multi-standard deviation events can provide opportunities for future returns.

▪ **Credit Markets:** We believe that the credit markets will be the key indicator for the health of the overall markets. As you can see in the accompanying slides, the TED spread is at its highest level since the early 1980s. Until the credit markets can begin to function properly and provide adequate liquidity to the system, we will continue to see higher volatility in all corners of the market.

▪ **Equity Markets:** With the Dow having its worst week since 1914, it would be easy to take a dark view of our current situation. Nevertheless, there are still a number of positive indicators including the current state of corporate balance sheets (ex-financials) and current valuation levels for domestic and international equities that provide a glimmer of hope for the markets.

▪ **Outlook:** It is our view that the current stress to the global financial system is a cyclical event that has been exacerbated by the interdependence of global financial institutions. Fortunately, global central banks and governments have already begun to provide the necessary liquidity to the system to quell investor angst. As the credit markets begin to "thaw", we are confident that opportunities will present themselves.

*Handwritten:* TED - measure of diff between 3-Mos T-Bills & Ewig default rates

Market Trough	VIX Level	1-Mos Return After Trough			3-Mos Return After Trough		
		S&P 500	R2000	R2000	S&P 500	R2000	R2000
10/11/1990	33.98	8.13	2.67		6.18	4.36	
10/9/2002	35.70	15.19	15.89		19.25	21.14	
10/10/2008	73.39						

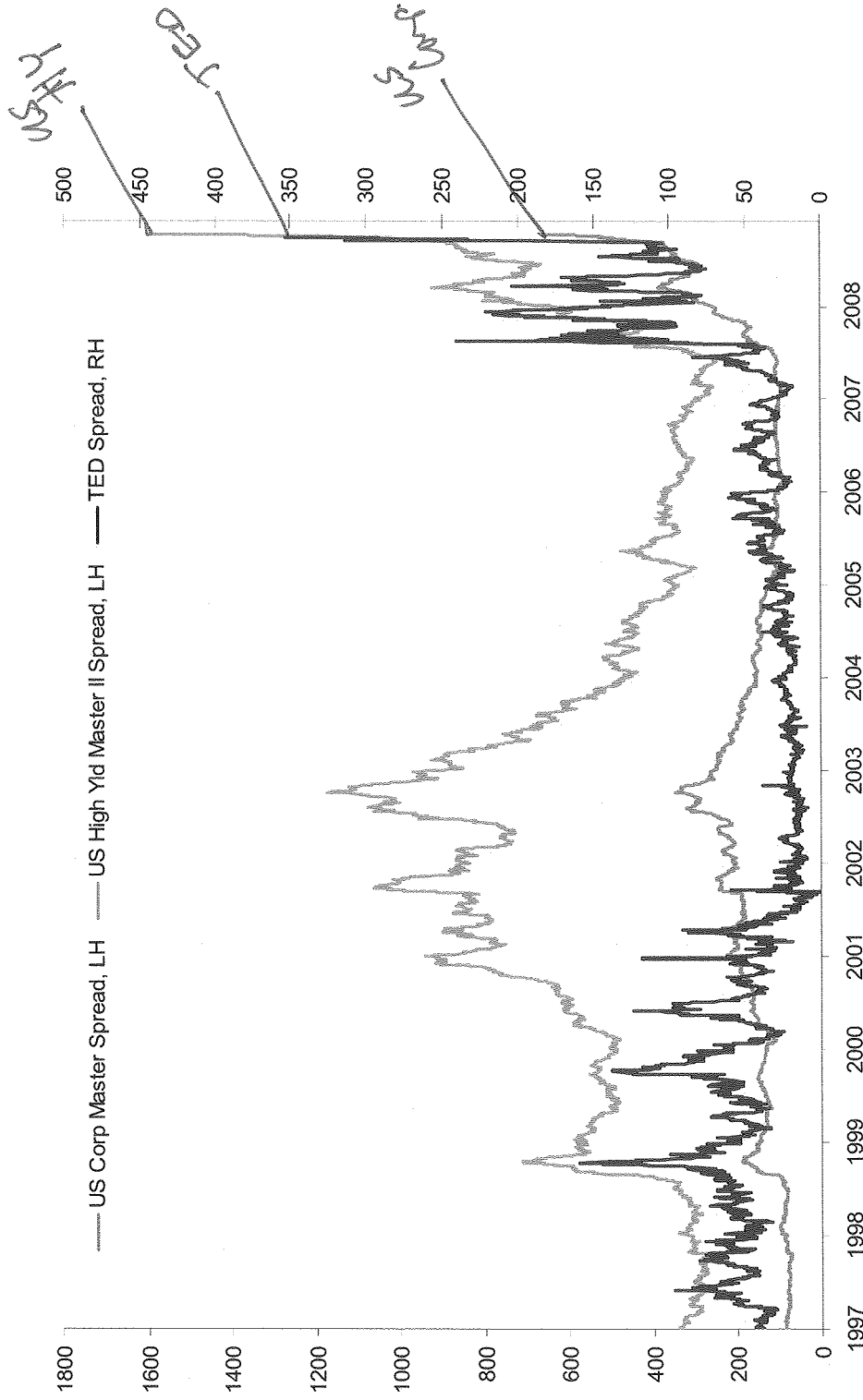
Dow Mon-Fri % Change	
Friday	One-Week % Change
12/18/1914	-22.86
10/10/2008	-20.89
7/21/1933	-15.55
9/21/2001	-14.26
5/17/1940	-14.21
10/23/1987	-13.17
4/8/1932	-12.86
10/7/1932	-12.42
9/16/1932	-11.93
10/2/1931	-11.82
6/20/1930	-11.12
5/27/1932	-10.95
2/2/1917	-10.63
9/18/1931	-10.26

*Handwritten:* 2007-2008 14% - 20% + 10% - 15% - 20% - 25% - 30% - 35% - 40% - 45% - 50% - 55% - 60% - 65% - 70% - 75% - 80% - 85% - 90% - 95% - 100%

# Investment Strategy Review

October 13, 2008

- ◆ TED and corporate spreads rising to historic levels as indicator of tighter lending



US Corp Master Spread and US High Yield Master II spread relative to ML US 3-5 Year Treasury Yield  
TED Spread is the difference between 3-month Eurodollar Futures Contract/LIBOR and 3-month US Treasury Bill

Data as of 10/10/2008

Source: Bloomberg, Merrill Lynch

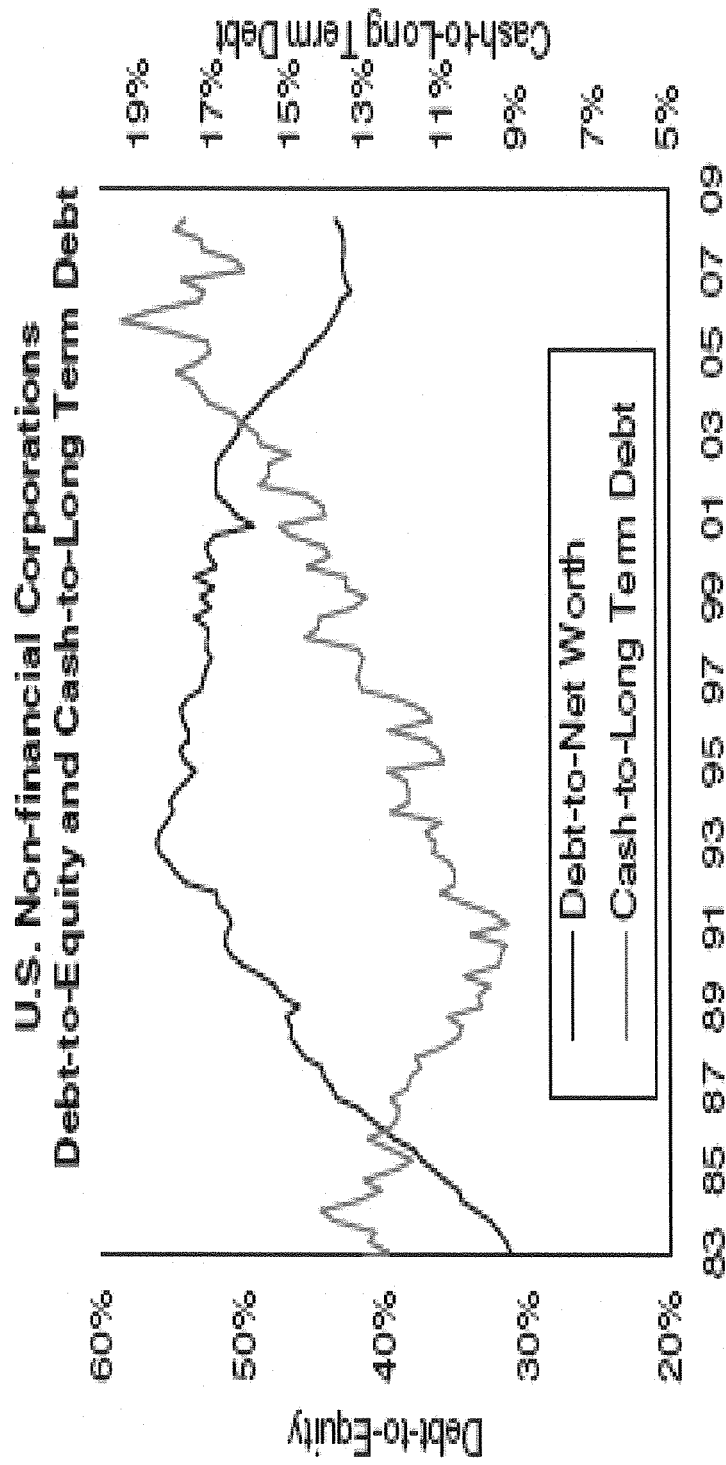
# EESA/TARP: A Major Stimulus but Perhaps Not the Last Initiative

- Treasury Department authorized to buy up to \$700 billion in distressed mortgage-related securities and other related financial assets. Initial authorization is for \$250 billion, with another \$100 at the President's discretion and another \$350 billion subject to Congressional review.
- With regard to mortgages underlying its purchased mortgage-related assets, Treasury Department authorized to promote (but not require) modification of payment terms to help homeowners avoid foreclosure.
- Federal government to receive equity in assisted financial institutions.
- Executive pay restricted for companies aided by securities purchase program.
- Cap for Federal Deposit Insurance Corporation insured deposit coverage temporarily increased from \$100,000 to \$250,000.
- Temporary Alternative Minimum Tax (AMT) relief plus extension of selected expiring tax incentives (e.g., energy and R&D).

Stimulus  
before 11/4  
Total TARP  
100 cut to  
700

# Investment Strategy Review

October 13, 2008



Source: Federal Reserve, Bernstein analysis

# Manager Due Diligence Overview

## QUANTITATIVE -

Apply criteria against universe databases -

Morningstar, Lipper, PSN

- ✓ Standard Deviation, Beta, Alpha, Sharpe Ratio
- ✓ Information Ratio, and R-Squared are within set ranges relative to style
- ✓ Holdings Based Drift Analysis
- ✓ Risk/Return Profiling Sub-styles

## QUALITATIVE -

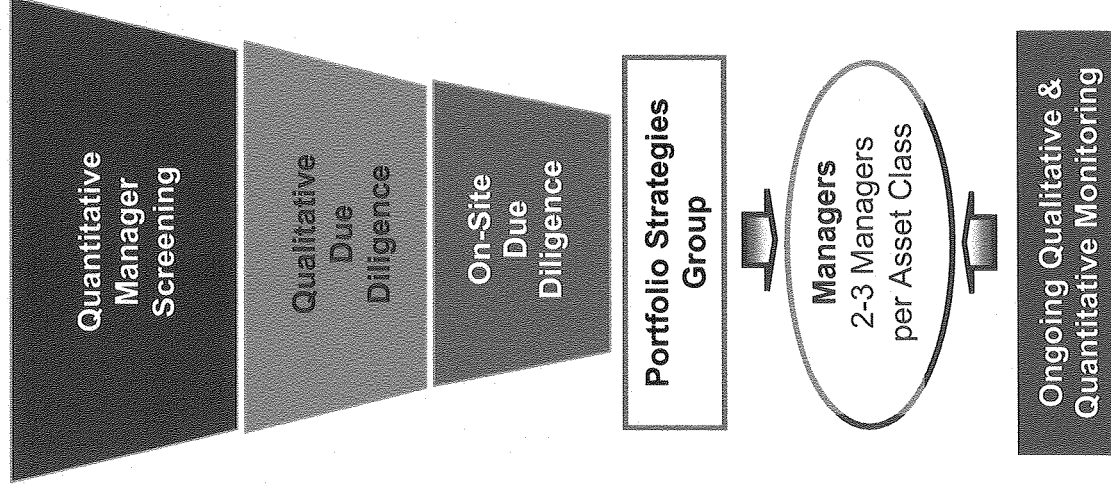
37 page RFP Questionnaire details

- ✓ Breadth & Depth of Staff (PM, Research, Ops)
- ✓ Investment Process-consistency, repeatable and understandable
- ✓ Trading & Operations
- ✓ Legal & Compliance
- ✓ Firm Stability/Culture/Ethics

## ON-SITE DUE DILIGENCE -

Validate RFP and Research

- ✓ Meeting with Key Personnel
- ✓ Review Questionnaire
- ✓ Raise Questions/Concerns
- ✓ Site - View Systems
- ✓ Insight on Firm Culture and Attitudes



## MANAGER EVALUATION GROUP -

PORTFOLIO STRATEGIES GROUP -

Provided by Seasoned Investment

Professionals - Over 20 Years Experience

- ✓ Oversight of Due Diligence Process
- ✓ Debate and Assess Manager Performance and Risk
- ✓ Raise Questions/Concerns around Risk, Performance Relative to Style and Market Environment
- ✓ Analyze Manager's Risk and Process based upon their in-depth knowledge of styles, markets and investment strategies
- ✓ Make informed decisions based on years of knowledge and experience

## ONGOING MONITORING -

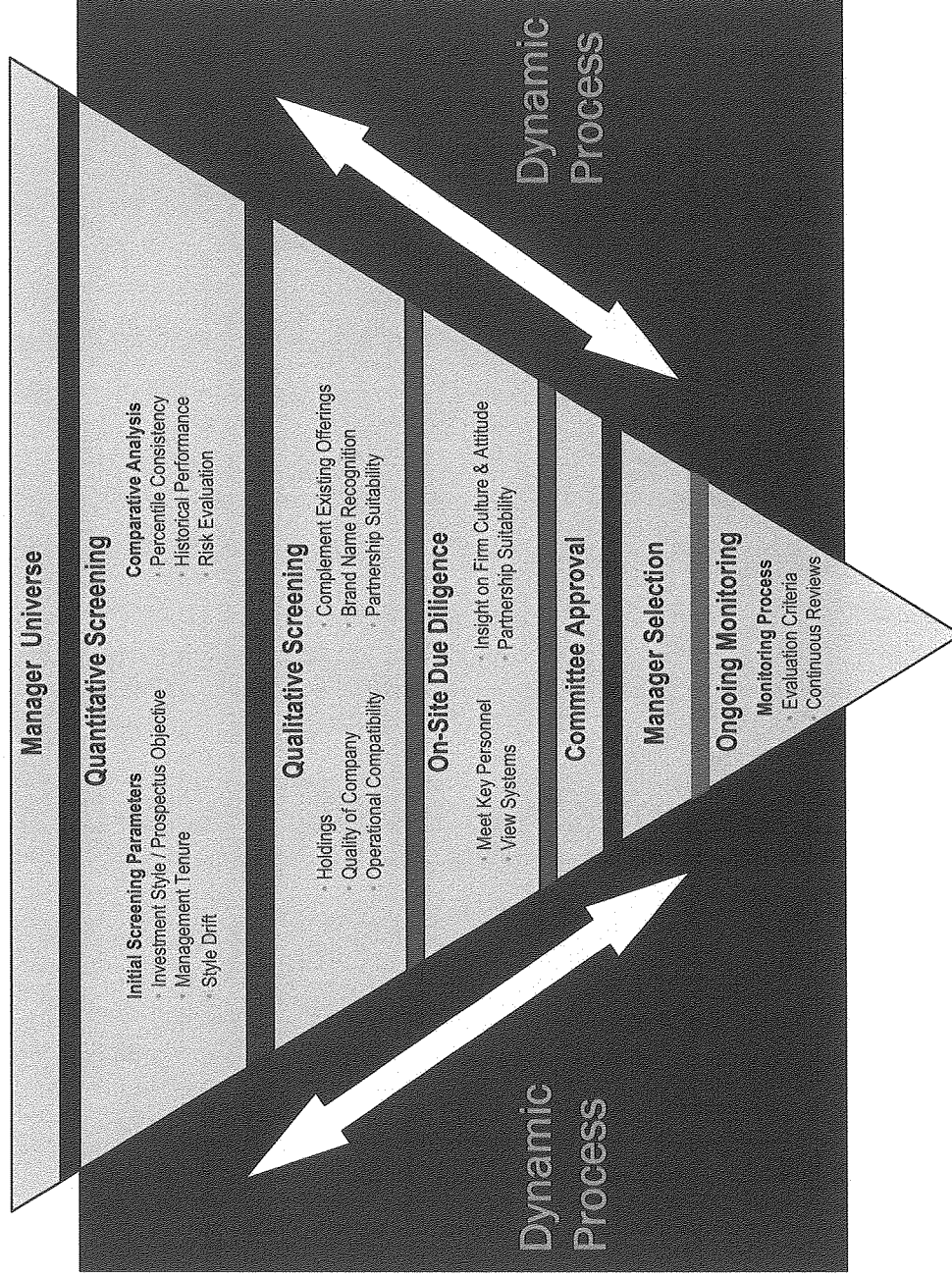
Validate thesis for original hire and risk control and measurement process applied

- ✓ Style Drift and Performance reviewed Quarterly - holdings and returns based analysis
- ✓ Conduct Quarterly Questionnaire and Conference calls
- ✓ Annual Manager full due diligence with on-site and questionnaire

analysis  
6 people  
2

up #winning & focus on  
top 20 managers

# Manager Due Diligence Selection Process



# Manager Replacement Discipline

- ◆ **Manager Due Diligence is an on going process**
  - A Manager will be replaced when they:
    - > Experience sustained period of unexplained underperformance versus benchmark and peer group.
    - > Style drift from stated prospectus policy and original hire criteria
    - > Manager change
    - > Significant compliance or legal violation

# Account Activity Summary

## Fiscal Year-To-Date

Market Value as of 06/30/2008	\$ 54,753,483.65
Beginning Accrued Income	\$ 18,256.24
Portfolio Value	\$ 54,771,739.89
Contributions	\$ 14,829.94
Withdrawals	\$ -2,084,059.92
Gain (Loss)	\$ -4,876,052.67
Interest and Dividends	\$ 129,774.09
Net Accrued Income	\$ -10,718.55
Market Value	\$ 47,937,975.09
Ending Accrued Income	\$ 7,537.69
Portfolio Value on 09/30/2008	\$ 47,945,512.78
Total Return	-8.87 %

## Calendar Year-To-Date

Market Value as of 12/31/2007	\$ 59,602,658.75
Beginning Accrued Income	\$ 14,663.92
Portfolio Value	\$ 59,617,322.67
Contributions	\$ 83,963.26
Withdrawals	\$ -2,431,937.69
Gain (Loss)	\$ -9,684,720.09
Interest and Dividends	\$ 368,010.86
Net Accrued Income	\$ -7,126.23
Market Value	\$ 47,937,975.09
Ending Accrued Income	\$ 7,537.69
Portfolio Value on 09/30/2008	\$ 47,945,512.78
Total Return	-15.86 %

Fiscal Year 06/30

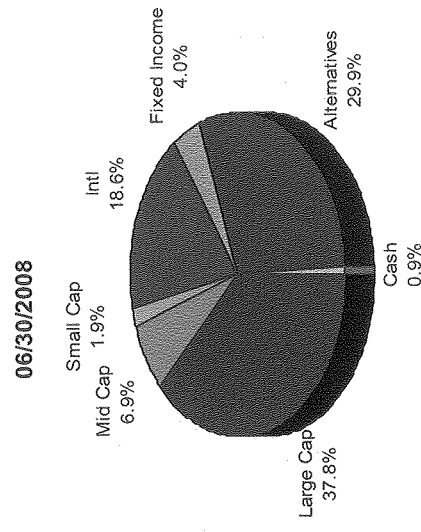
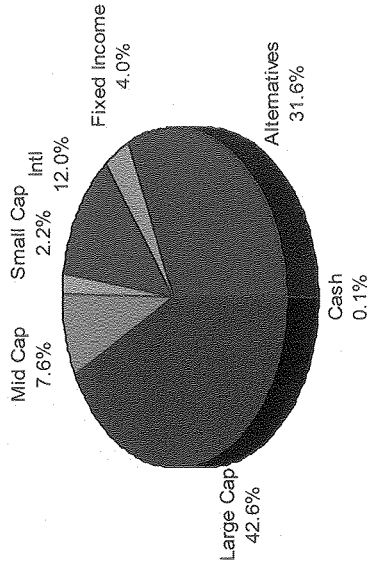
Source: First Rate Investment Performance System. Data Includes Accrued Income

Please refer to appendix for full disclosure

# Portfolio Composition

09/30/2008

Assets	Current Market Value 9/30/2008	Current Allocation 9/30/2008	Previous Allocation 6/30/2008	Δ in Allocation	Target Allocation	Range	Variance from Target
<b>TOTAL PORTFOLIO</b>	<b>\$47,937,975</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>
<b>Large Cap</b>	<b>\$20,493,220</b>	<b>42.62%</b>	<b>37.32%</b>	<b>4.30%</b>	<b>36.3%</b>	<b>30-60%</b>	<b>6.32%</b>
DWS Capital Growth	\$7,749,010	16.16%	14.80%	1.37%			
Vanguard 500 Index	\$6,336,177	13.22%	9.98%	3.24%			
RidgeWorth Large Cap Value	\$6,348,032	13.24%	13.05%	0.19%			
<b>Mid Cap</b>	<b>\$3,626,727</b>	<b>7.57%</b>	<b>6.92%</b>	<b>0.64%</b>	<b>7.1%</b>	<b>5-14%</b>	<b>0.47%</b>
RidgeWorth Aggressive Growth	\$2,320,359	4.84%	4.11%	0.73%			
Dreyfus Premier Midcap Growth	\$639,000	1.33%	1.48%	-0.15%			
RidgeWorth Midcap Value	\$667,368	1.39%	1.33%	0.06%			
<b>Small Cap</b>	<b>\$1,029,424</b>	<b>2.15%</b>	<b>1.94%</b>	<b>0.20%</b>	<b>2.3%</b>	<b>0-15%</b>	<b>-0.15%</b>
RidgeWorth Small Cap Growth	\$519,345	1.08%	1.05%	0.03%			
RidgeWorth Small Cap Value	\$510,078	1.06%	0.89%	0.17%			
<b>International</b>	<b>\$5,754,508</b>	<b>12.00%</b>	<b>18.60%</b>	<b>-6.59%</b>	<b>18.1%</b>	<b>5-20%</b>	<b>-6.10%</b>
MFS International	\$4,678,372	9.76%	14.71%	-4.95%			
Goldman Sachs Emerging Market	\$1,076,136	2.24%	3.88%	-1.64%			
<b>Private Equity</b>	<b>\$0</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>5.0%</b>	<b>0-10%</b>	<b>-5.00%</b>
<b>Alternative Hedge</b>	<b>\$15,141,994</b>	<b>31.59%</b>	<b>29.87%</b>	<b>1.72%</b>	<b>21.8%</b>	<b>10-30%</b>	<b>9.79%</b>
Lighthouse Global Long Short	\$13,578,625	28.33%	25.65%	2.67%	21.8%	10-30%	6.53%
Lighthouse Global Short	\$5,573,882	11.63%	10.37%	1.26%			
Lighthouse Diversified	\$5,399,613	11.26%	10.32%	0.95%			
Lighthouse Credit Opps	\$2,605,130	5.43%	4.97%	0.47%			
<b>Real Estate</b>	<b>\$1,563,369</b>	<b>3.26%</b>	<b>4.22%</b>	<b>-0.96%</b>	<b>6.0%</b>	<b>0-10%</b>	<b>-2.74%</b>
T Rowe Price REIT	\$1,563,369	3.26%	2.84%	0.43%	3.0%	0-10%	0.26%
SPDR DJ Wilshire Intl Real Estate	\$0	0.00%	1.38%	-1.38%	3.0%	0-10%	-3.00%
<b>Total Fixed Income</b>	<b>\$1,912,498</b>	<b>3.99%</b>	<b>3.96%</b>	<b>0.03%</b>	<b>3.4%</b>	<b>0-10%</b>	<b>0.59%</b>
PIMCO Global Bond Hedged	\$1,912,498	3.99%	3.96%	0.03%			
<b>Cash Equivalents</b>	<b>\$59,605</b>	<b>0.08%</b>	<b>0.89%</b>	<b>-0.81%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.00%</b>



\*The RidgeWorth Aggressive Growth Fund is now in Large Cap.  
Period ending September 30, 2008

Please refer to appendix for full disclosure

# Performance Comparisons

	3rd Qtr. 2008	Year-to-Date 9/30/2008	One Year 9/30/2008	Annualized Two Years 9/30/2008	Annualized Three Years 9/30/2008	Annualized Five Years 9/30/2008	Inception-To-Date 112 Months 9/30/2008
<b>TOTAL PORTFOLIO</b>	<b>-8.9%</b>	<b>-15.9%</b>	<b>-17.6%</b>	<b>-1.4%</b>	<b>2.7%</b>	<b>6.7%</b>	<b>1.8%</b>
*Static Benchmark #1	-8.8%	-12.0%	-18.6%	-1.3%	1.6%	5.0%	2.8%
**Static Benchmark #2	-10.0%	-17.0%	-23.9%	-3.3%	1.1%	6.1%	N/A
<b>Total Equity</b>	<b>-11.4%</b>	<b>-20.9%</b>	<b>-23.9%</b>	<b>-4.7%</b>	<b>0.7%</b>	<b>6.0%</b>	<b>1.3%</b>
<b>Large Cap</b>	<b>-7.3%</b>	<b>-17.0%</b>	<b>-20.0%</b>	<b>-2.7%</b>	<b>2.1%</b>	<b>N/A</b>	<b>N/A</b>
DWS Capital Growth (added 6/08)	-9.1%	-14.6%	-14.6%	0.5%	2.0%	5.8%	N/A
Russell 1000 Growth Index	-12.3%	-20.3%	-20.9%	-2.8%	0.0%	3.7%	-2.2%
Vanguard 500 Instl Index	-8.3%	-19.3%	-22.0%	-4.7%	0.2%	5.2%	0.5%
S&P 500 Index	-8.4%	-19.3%	-22.0%	-4.7%	0.2%	5.2%	0.5%
Ridgeworth Large Cap Value Equity	-4.2%	-16.5%	-21.1%	-3.5%	2.8%	7.4%	2.8%
Russell 1000 Value Index	-6.1%	-18.9%	-23.6%	-6.5%	0.1%	7.1%	3.2%
<b>Mid Cap</b>	<b>-11.2%</b>	<b>-24.2%</b>	<b>-23.3%</b>	<b>-0.9%</b>	<b>1.4%</b>	<b>N/A</b>	<b>N/A</b>
Ridgeworth Aggressive Growth	-10.2%	-21.6%	-20.7%	0.6%	2.7%	N/A	N/A
Russell 3000 Growth Index	-11.9%	-19.9%	-20.6%	-2.7%	0.2%	4.0%	N/A
Dreyfus Premier Midcap Growth (added 2/08)	-21.3%	-28.2%	-29.7%	-7.0%	-0.9%	5.9%	N/A
Russell Midcap Growth Index	-17.8%	-23.4%	-24.7%	-4.4%	-0.8%	6.5%	N/A
Ridgeworth Midcap Value (added 2/08)	-2.6%	-14.9%	-19.3%	-4.7%	4.3%	10.4%	N/A
Russell Midcap Value Index	-7.5%	-15.5%	-20.5%	-4.9%	0.5%	10.0%	N/A
<b>Small Cap</b>	<b>-3.1%</b>	<b>-8.7%</b>	<b>-16.0%</b>	<b>0.1%</b>	<b>1.4%</b>	<b>N/A</b>	<b>N/A</b>
Ridgeworth Small Cap Growth (added 2/08)	-9.8%	-17.7%	-19.0%	-1.7%	-1.3%	6.6%	N/A
Russell 2000 Growth Index	-7.0%	-15.3%	-17.1%	-0.7%	1.5%	6.6%	1.9%
Ridgeworth Small Cap Value	4.8%	-7.3%	-14.6%	0.3%	4.4%	12.4%	12.2%
Russell 2000 Value Index	5.0%	-5.4%	-12.3%	-3.5%	2.0%	9.5%	9.7%
<b>International</b>	<b>-26.7%</b>	<b>-33.5%</b>	<b>-34.7%</b>	<b>-8.9%</b>	<b>-1.2%</b>	<b>9.1%</b>	<b>N/A</b>
MFS International (added 8/08)	-20.3%	-27.6%	-27.8%	-5.1%	3.4%	11.3%	N/A
MSCI EAFE Index (Net)	-20.6%	-29.3%	-30.5%	-6.8%	1.1%	9.7%	3.3%
Goldman Sachs Intl Emerging Markets	-28.2%	-35.6%	-34.8%	-1.2%	4.4%	16.7%	10.4%
MSCI Emerging Markets Index	-27.0%	-35.5%	-33.2%	2.8%	8.4%	18.7%	N/A

McKnight Total Portfolio	3 <sup>rd</sup> Quarter Std. Dev.
Static Benchmark	8.87
	12.08

\*Static Benchmark #1 consists of: 65% Russell 3000 Index and 35% Lehman Aggregate Bond Index.  
 \*\*Static Benchmark #2 consists of: 36.3% S&P500, 7.1% Russell Mid Cap, 2.3% Russell 2000, 18.1% MSCI EAFE GDP, 21.8% HFR Fund of Funds, 3% NAREIT, 3% DJW Global ex-U.S. RE, 5% Cambridge Associates, 3.4% Citi Un-Hedged WGBI.

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

Inception is 112 Months, May 1999. Period Ending September 30, 2008.  
 Source: First Rate investment performance system.

# Performance Comparisons – Continued

Alternative	3rd Qtr. 2008	Year-to-Date 9/30/2008	One Year 9/30/2008	Annualized Two Years 9/30/2008	Annualized Three Years 9/30/2008	Annualized Five Years 9/30/2008	Inception-To-Date 112 Months 9/30/2008
<b>Hedge</b>							
Lighthouse Global Long/Short LP	-3.8%	-4.5%	-1.8%	6.8%	7.2%	7.4%	N/A
Lighthouse Diversified LP	-8.1%	-10.7%	-9.8%	N/A	1.9%	2.4%	N/A
Lighthouse Credit Opps LP	-10.4%	-10.9%	-8.7%	N/A	4.2%	5.6%	N/A
HFRI Fund of Funds Index	-8.8%	-10.2%	-9.9%	N/A	3.3%	7.7%	N/A
<b>Real Estate</b>							
T. Rowe Real Estate	3.3%	-11.1%	-9.3%	1.7%	3.4%	5.2%	6.3%
Wishire Real Estate Index	3.6%	-5.4%	-18.1%	-7.5%	3.5%	N/A	N/A
	4.5%	-0.5%	-15.5%	-6.2%	4.6%	13.4%	13.1%
		1.0%	-12.9%	-4.9%	5.1%	13.6%	13.0%
<b>Total Fixed Income</b>							
Pimco Global Bond Hedged	-5.3%	-1.5%	2.3%	4.6%	3.3%	N/A	N/A
Citigroup World Government Index	-3.2%	-3.0%	-0.3%	1.1%	1.8%	3.2%	N/A
Lehman Govt/Credit Index	-3.0%	1.9%	5.9%	7.3%	5.6%	5.3%	6.0%
	-1.6%	-0.7%	2.4%	3.7%	3.6%	3.3%	5.6%
<b>Cash Equivalents</b>							
91 Day T-Bills	0.2%	1.7%	2.8%	3.6%	3.7%	2.7%	3.1%
	0.4%	1.4%	2.3%	3.5%	3.8%	3.1%	3.2%

*new target*

Note: The Alternative Hedge Funds and the benchmark are estimates.

\*Static Benchmark #1 consists of: 65% Russell 3000 Index and 35% Lehman Aggregate Bond Index.

\*\*Static Benchmark #2 consists of: 36.3% S&P500, 7.1% Russell Mid Cap, 2.3% Russell 2000, 18.1% MSCI EAFE GDP, 21.8% HFR Fund of Funds, 3% NAREIT, 3% DJW Global ex-U.S. RE, 5% Cambridge Associates, 3.4% Citi Un-Hedged WGBI.

Inception is 112 Months, May 1999. Period Ending September 30, 2008.

Source: First Rate investment performance system.

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

# Portfolio Attribution Analysis

Asset	Benchmark	Weights (%)		Asset Qtrly Returns (%)			Attribution Effects		
		Target	Active (1)	Index	Style Index (3)	Portfolio	Weight vs Tgt	Allocation	Style Allocation
Large Cap	LC Policy Index (4)	36.3	40.4	-8.9	-9.1	-7.3	4.10	-0.01	-0.09
	DWS Capital Growth			-12.3		-9.1			-0.52
	Vanguard 500		11.6	-8.4		-8.3			0.06
	Value Equity		13.3	-6.1		-4.2			0.38
Mid Cap	Russell MidCap Index	3.0	2.8	-12.7	-12.7	-12.1	(0.23)	0.01	0.00
	Russell MidCap Value Index		1.4	-7.5		-2.6			0.07
	Russell MidCap Growth Index		1.4	-17.8		-21.3			-0.07
Multi Cap	Russell 3000 Growth Index	4.1	4.5	-11.9	-11.9	-10.2	0.38	-0.01	0.00
	Russell 3000 Value Index		4.5	-11.9		-10.2			0.08
Small Cap	Russell 2000 Index	2.3	2.1	-1.1	-1.2	-2.7	(0.23)	-0.02	0.00
	Russell 2000 Growth Index		1.1	-7.0		-9.8			-0.06
	Russell 2000 Value Index		1.0	5.0		4.8			0.06
International	MSCI EAFE	15.1	15.3	-20.6	-21.9	-21.9	0.20	-0.02	-0.20
	MSCI EAFE		12.2	-20.6		-20.3			0.00
	MSCI Emerging Mkts Index		3.1	-27.0		-28.2			-0.20
Real Estate	Wilshire Real Estate Index	3.0	3.2	4.5	4.5	3.6	0.15	0.02	0.00
			3.2			3.6			-0.03
Alternative	Alternative Policy (5)	21.8	27.0	-8.8	-8.8	-9.3	5.19	-0.01	0.00
	Lighthouse Credit Opportunities		5.2	-8.8		-9.5			0.00
	Lighthouse Global Long/Short		11.0	-8.8		-8.1			0.00
	Lighthouse Diversified		10.8	-8.8		-10.4			0.00
Fixed Income	Citi World Govt Index	9.4	4.9	-3.0	-2.4	-3.1	(4.53)	-0.26	0.03
	Citigroup World Gov Index		4.0	-3.0		-3.2			0.00
	91 Day T-Bills		0.9	0.4		0.2			0.03
Private Equity		5.0	0.0						
Period End Static Return		100.0	100.0	-8.7		-9.7 (2)		-0.30	-0.26
				-8.9		9.8			0.37
Total Fund - Actual Return						-0.8			

Notes:

- (1) Portfolio active weights are an average of beginning and ending quarter percentages
- (2) Portfolio return is estimated using a weighted average and does not take into account the timing of cash flows; therefore, it may not exactly match the actual return.
- (3) The Style Index is the portfolio's fund weight x benchmark style index within each asset class
- (4) Large Cap Policy Index = 33.3% SP500, 33.3% R10000, 33.3% R1000V
- (5) Alternative Policy Index = 40% Multi Strategy, 40% Long/Short, 20% Credit Opportunity

# Quarterly Transactions

Trade Date	Security	Units	Price	Mkt Value	Cost	G/L
8/4/2008	VANGUARD INSTL INDEX FD SH BEN INT	8,669	\$114.32	\$991,071		
8/4/2008	RIDGEWORTH FD-AGGRESSIVE GRWTH #558	26,923	\$12.64	\$340,308		
8/4/2008	PIMCO FDS PAC INVT MGMT SER GLOBAL	208,333	\$9.62	\$2,004,167		
8/11/2008	DWS INVESTMENT TRUST CAP GROWTH FD	8,300	\$54.22	\$450,000		
8/12/2008	VANGUARD INSTL INDEX FD SH BEN INT	3,809	\$118.15	\$450,000		
8/19/2008	MFS SER TR I RESH INTL FD I	322,869	\$16.29	\$5,259,536		
Total Purchases				\$9,495,081		
7/10/2008	T ROWE PRICE REAL ESTATE FD COM	2,287	\$17.49	\$40,000	\$57,718	(\$17,718)
7/10/2008	RIDGEWORTH FD-MIDCAP VAL EQ #412	4,396	\$9.10	\$40,000	\$44,967	(\$4,967)
7/10/2008	RIDGEWORTH FD-LARGE CAP VAL EQTY #512	43,253	\$11.56	\$500,000	\$692,115	(\$192,115)
7/25/2008	PIMCO FDS PAC INVT MGMT SER GLOBAL	209,265	\$10.24	\$2,142,872	\$2,055,116	\$87,756
7/25/2008	SPDR DJ WILSHIRE INTL REAL ESTATE FD	16,100	\$46.74	\$752,178	\$999,488	(\$247,310)
7/29/2008	JOHNSON & JOHNSON COM	5	\$68.66	\$343	\$314	\$30
8/4/2008	GOLDMAN SACHS TR EMERGING MKTS EQTY	17,505	\$22.36	\$391,422	\$449,258	(\$57,835)
8/4/2008	DWS INTERNATIONAL FD INC INTL FD	16,667	\$59.18	\$986,333	\$1,081,833	(\$95,500)
8/11/2008	GOLDMAN SACHS TR EMERGING MKTS EQTY	8,248	\$22.15	\$182,700	\$177,256	\$5,444
8/11/2008	DWS INTERNATIONAL FD INC INTL FD	12,498	\$58.49	\$731,000	\$811,236	(\$80,236)
8/18/2008	DWS INTERNATIONAL FD INC INTL FD	94,817	\$56.22	\$5,330,638	\$6,154,602	(\$823,964)
Total Sales				\$11,097,487	\$12,523,904	(\$1,426,417)
TOTAL TRANSACTIONS				\$20,592,568	\$12,523,904	(\$1,426,417)

Please refer to appendix for full disclosure

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# MFS Research International I MRSIX

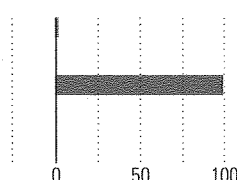
- 2** Snapshot
- 3** Analyst Report
- 4** Stewardship Grade
- 6** Portfolio (Equity)
- 7** Performance
- 8** Operations
- 9** Annotated Snapshot
- 11** Portfolio History (Equity)
- 12** Brokerage Availability

## MFS Research International I MRSIX

## Snapshot

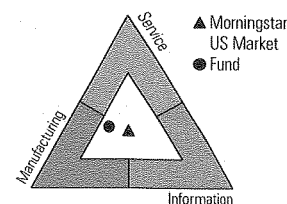
Morningstar Rating™  
★★★★★Morningstar Category™  
Foreign Large BlendNet Assets (Mil)  
2,216

## Portfolio Analysis 06-30-08



	Value	Blend	Growth
Large			
Mid			
Small			

	Short	Interm	Long
High			
Med			
Low			



Asset Allocation	Long %	Short %	Net %
● Cash	1.14	0.00	1.14
● US Stock	0.00	0.00	0.00
● Non US Stock	98.86	0.00	98.86
● Bond	0.00	0.00	0.00
● Other	0.00	0.00	0.00

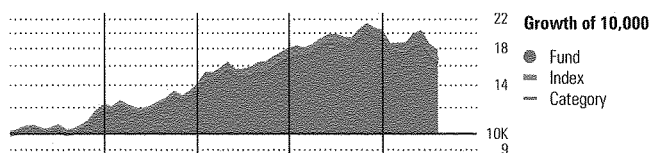
Equity Investment Style	
Market Cap (\$Mil)	32,652

Fixed-Income Investment Style	
Avg Effective Duration (Yrs)	—
Avg Effective Maturity (Yrs)	—
Avg Credit Quality	—

Stock Sectors	% Stocks
Information Economy	13.04
Service Economy	40.26
Manufacturing Economy	46.70

Sector data is calculated only using the long position holdings of the portfolio.

## Performance



2004	2005	2006	2007	07-08	History
20.85	16.62	27.70	13.24	-12.64	Quartile Rank (cat)
3.46	1.90	2.93	0.53	1.71	Total Return %
0.60	3.08	1.36	2.07	1.18	+/- Category
604	973	1,835	2,364	2,216	+/- Index
					Net Assets (Mil)

Trailing Total Returns	Trailing Ret %	+/- Index	+/- Cat	% Rnk Cat	*Std Ret %
YTD	-17.03	1.18	1.63	21	-9.24
12 Mo	-7.83	4.09	2.19	24	-6.86
3 Yr Annualized	9.32	2.06	2.11	16	16.19
5 Yr Annualized	15.09	1.41	2.19	15	18.06
10 Yr Annualized†	8.54	3.16	3.84	6	9.06
Inception	9.42	—	—	—	10.39

\*Quarter-end data through 06-30-08

†10 Year as of 07-31-08

## Stewardship Grade

Overall Grade	Regulatory Issues	Board Quality	Manager Incentives
C	B	B	C
Grade Range: A B C D F	Fees	Corporate Culture	
	B	C	

## Operations

Management	Purchase Information	Fees
Family	Minimum Initial Purchase	Front-End Load
Phone	Minimum IRA Purchase	Deferred Load
Inception	Minimum Auto Investment Plan	12b-1 Fee
Manager		Prospectus Net Expense Ratio
Tenure		

## Ratings and Risk

	Overall	3 Yr	5 Yr	10 Yr
Morningstar Rating™	★★★★★	★★★★★	★★★★★	★★★★★
Number of Funds Rated	561	561	455	239
Morningstar Risk™	Average	Average	Average	Average
Morningstar Return™	High	Above Avg	Above Avg	High
Standard Deviation		13.17	11.94	15.62
Mean		12.90	16.77	8.54

## Top 10 Holdings

YTD Return as of 08-15-08	Sector	YTD Return %	% Assets
E.ON	Utilities	—	3.13
TOTAL	Energy	—	3.11
BHP Billiton	Industrial Materials	—	3.10
Roche Holding Ltd	Health Care	—	2.45
Nestle	Consumer Goods	—	2.28
StatoilHydro	Energy	—	2.17
Vodafone Grp	Telecommunications	-31.00	2.12
Siemens	Hardware	—	2.00
UniCredit	Financial Services	-31.52	1.91
Akzo Nobel	Industrial Materials	-25.31	1.91

% Assets in Top 10 Holdings	24.18
Total Number of Stock Holdings	112
Total Number of Bond Holdings	0
Turnover %	66
12-Month Yield %	1.81
30-Day SEC Yield %	—

# MFS Research International I MRSIX

## Analysis

**Analysis** by Michael Breen 06-27-2007

Strong stock-picking gives MFS Research International an edge. This fund is among a small group in the large-blend category that is run by analysts. The portfolio stays fairly neutral to the sector weightings of the MSCI EAFE Index and tries to add value through individual stock picks made by MFS' 20-plus international analysts. The house style is best described as buying good companies at fair prices. For example, the fund recently added Telefonica TEF, a Spanish telecom firm. Jose Luiz Garcia, one of the MFS managers who supervises the portfolio, says that Telefonica is a market leader with strong management that is growing steadily in emerging markets. On the surface, the portfolio looks ordinary: Its price multiples and growth measures line up evenly with the category average. But strong stock-picking sets the fund apart. The portfolio's long-term returns rank in the category's best quintile and easily top the MSCI EAFE Index. The fund has been tremendously consistent as well. Its returns land in the category's top half in eight of the nine calendar years since its inception. It only underperformed in 2003, when it gained a very solid 32.6% and slipped into the category's bottom half by only a tiny margin. The fund hasn't been excessively volatile and has held up fairly well in such down markets as 2001 and 2002. The analysts have been finding opportunities in a variety of places lately. The fund just added to its stake in Japanese tire maker Bridgestone. Garcia says the team's earlier ownership of competitor Continental helped them better understand Bridgestone. He says the firm is well positioned to benefit from an expected replacement cycle. The fund also has built a stake in Erste Bank, an Austrian firm that is benefiting from rapid growth in eastern Europe. This a solid core international fund. Expenses have dropped as assets have grown, and we'd like to see that trend continue. **■**

**Morningstar Rating™**  
★★★★★

**Morningstar Category™**  
Foreign Large Blend

**Net Assets (Mil)**  
2,216

### Kudos

- Strong performance since inception.
- Diversification across issuers, sectors, and regions has tempered volatility.
- High tax efficiency makes it suitable for taxable accounts.

### Risks

- High expenses when compared with its front-load peers.
- Management ranks are less stable than at other funds given the team-managed approach here.
- Not an ideal diversifier of a typical core, large-cap portfolio, as it has tended to move in the same direction as the S&P 500 Index.
- MFS recently settled charges that it allowed numerous investors to market-time, and late trade, 11 of the firm's offerings, harming long-term investors in the process.

### Management

The fund's portfolio is analyst-driven, representing the best ideas that the research team has at a particular moment. Analyst recommendations are reviewed by a sector committee (analysts are deployed into one of eight different sector groups) and, when necessary, an oversight committee for the fund. MFS is known for the strength of its research culture and regularly promotes new fund managers from within its analyst ranks.

### Strategy

This fund aims to leverage the best ideas of its global analyst team. Employing a bottom-up, growth-at-a-reasonable-price strategy, MFS analysts fan out for names that boast solid fundamentals such as strong cash flow, fast earnings growth, and valuation. The portfolio is widely diversified across regions and sectors and typically tilts toward large multinationals. Management doesn't normally hedge its foreign-currency exposure.

### Inside Scoop

This analyst-run fund sets itself apart through strong stock-picking. MFS was touched by the mutual fund trading scandal, but it has settled charges that it allowed numerous investors to market-time, and late trade, 11 of the firm's funds.

<b>Role In Portfolio</b>	Supporting
<b>Fund Family Score for International Stock</b>	3.63
<b>Number of Funds Scored</b>	9

# MFS Research International I MRSIX

## Stewardship Grade

Morningstar Rating™  
★★★★★

Morningstar Category™  
Foreign Large Blend

Net Assets (Mil)  
2,216

Overall Grade	C
Regulatory Issues	B
Board Quality	B
Manager Incentives	C
Fees	B
Corporate Culture	C

Range: A B C D F

### Stewardship Analysis

#### Regulatory Issues: B

In February 2004, MFS settled fraud allegations with the SEC and two states' regulators after some investors market-timed and late-traded several MFS funds between late 1999 and October 2003. Executives at the company believed that such trades wouldn't affect the funds' performance, but the funds' prospectus suggested that such trading wouldn't be allowed. What's more, some market-timing investors went on to late-trade (place orders for the funds' shares after the market's close) certain MFS funds, although MFS stated that those illegal trades appeared to the fund company to be legitimate. As part of a settlement with regulators, MFS agreed to pay \$225 million to compensate affected shareholders and to cut fees on its funds by \$25 million annually for the next five years. Also, the executives who were involved with the issue, including former CEO John Ballen and president Kevin Parke, were first suspended from their jobs at MFS and later dismissed. MFS has taken notable steps to improve its compliance efforts and better protect long-term shareholders' best interests. The executive team now leading the firm includes chairman Robert Pozen, a former Fidelity vice chairman, and president and CEO Robert Manning, an MFS insider who formerly led the firm's fixed-income group. Since taking over here, Pozen has cleaned up MFS' compliance procedures. He lured veteran Maria Dwyer from Fidelity to head the firm's compliance effort, and she and her staff have instituted a host of new procedures designed to combat market-timing. The funds' board of directors also has grown more independent and is better focused on compliance. We think it would be inappropriate to give the firm a perfect score for the regulatory-history portion of the Stewardship Grade, but we do want to acknowledge the progress it has made toward better protecting long-term shareholders. Several competing mutual fund companies committed similar infractions but have been less honest with shareholders and much slower to take corrective actions.

#### Board Quality: B

MFS' fund board scores well overall. The board is run by an independent chairman with considerable fund-industry experience. What's more, 10 of the funds' 12 trustees have no business affiliation with the fund company, but nearly all trustees have experience in the financial-services industry—which we view as a plus. In addition, the board obtains its legal

counsel from a firm that otherwise doesn't have business dealings with MFS, and the board has its own experienced independent compliance advisor, who counsels the trustees on regulatory matters. We're also pleased with the board members' ownership stakes in the funds they oversee: By the end of 2006, all independent directors had increased their MFS familywide investment to more than \$100,000, which should help keep their interests aligned with shareholders'. Thus, the fund board earns full credit for independence and fund ownership. We think the fund board has done a reasonably good job for shareholders. It has agreed to merge away redundant offerings, and it has approved closing funds that have grown large and have capacity-constrained categories, specifically among MFS' successful international offerings. Where we think the board could be doing better, however, is with part of the funds' fee structures. Specifically, we object to the 0.35% 12b-1 marketing fees on the A shares of some of the family's core offerings, such as MFS Massachusetts Investors Trust MITTX. While that fund's overall expense ratio is reasonable, we don't understand why it's necessary for the fund to charge more than the industry standard 0.25% 12b-1 fee. Thus, the board earns partial credit for serving shareholders well.

#### Manager Incentives: C

A typical MFS mutual fund manager receives less than 33% of his or her pay as base salary, while the remaining two thirds or so of compensation is a performance-based bonus. In recent years, the discrepancy between the highest- and lowest-paid managers has increased as the firm has placed more emphasis on strong performance. About a third of the performance-based bonus is based on qualitative factors, including a peer-review process that assesses how well the manager contributes to the overall company and its investment process. Typically, more than 60% of the bonus depends on how well the manager's fund has performed relative to benchmark indexes and other fund-group rankings primarily over a three-year period, although some consideration is given to the one- and five-year periods as well. Most managers also participate in a companywide equity plan, in which they are awarded private stock in MFS based on tenure, investment contribution, and other factors. It's worth noting that the MFS equity plan likely would reward managers for growing the company as a whole. Asset growth can be beneficial to shareholders because larger funds often carry lower fees, but big funds also are less nimble and sometimes don't perform as well as their smaller peers. We think this pay structure appropriately motivates MFS fund managers. We'd prefer it if the bonus structure put more weight on long-term performance—five years or more—especially as many MFS managers should cross that threshold in the coming few years. All things considered, however, we do think the current scheme adequately aligns manager and shareholder interests. As for manager ownership of this offering, the fund earns no credit for manager investment. Jose Luis Garcia does not invest in the offering, but Thomas Melendez owns shares worth between

# MFS Research International I MRSIX

## Stewardship Grade

Morningstar Rating™  
★★★★★

Morningstar Category™  
Foreign Large Blend

Net Assets (Mil)  
2,216

\$100,000 to \$500,000 in the fund. We like to see managers make substantial investments in the funds they oversee because it signals conviction in the investment process and aligns management's own financial interests with fund shareholders'.

### Fees: B

MFS Research International's expense ratio falls in the second-cheapest quintile for a front-load foreign large blend offering, so the fund earns partial credit for overall cost.

### Corporate Culture: C

MFS, which runs the industry's oldest mutual fund, is known for its "grow our own" management culture that shuns the public spotlight. Rather than hire hotshot outsiders to run its funds, MFS' mutual fund managers traditionally start as analysts at the firm and then rise to the management ranks, often managing funds in teams. The firm's president and CEO, Robert Manning, started working at MFS in college, eventually moved up to the firm's top fixed-income post, and took over the head office in February 2004 in the wake of MFS' market-timing settlement with regulators. MFS has made significant improvements to its corporate culture since that settlement. The firm's senior management team includes as its chairman Robert Pozen, an industry heavyweight who ushered in new compliance procedures designed to ensure the firm follows industry best practices. And the firm's changes in its manager and analyst ranks have borne fruit in recent years. Its equity funds managed by analysts, which include MFS Research MFRFX and MFS Research International MRSAX, are good proxies for the health of its investment personnel. By this account, the firm is doing well: Those funds' relative returns have been strong in recent years, and we have become more confident in the sustainability of that success. MFS has also taken steps to prevent its funds from faring poorly during bear markets, as many of its most prominent did during the early 2000s. Only its most experienced managers now have the flexibility to build their funds exactly as they see fit, and MFS executives have put even them on notice that long-term underperformance will not be tolerated. Less-proven MFS managers must prove both their stock-picking skill and their ability to manage even modest sector bets before they gain additional leeway. While MFS has shown encouraging progress, we are still watching to see whether the firm truly solidifies these gains in coming years. Several of its closest competitors have built well-oiled, very experienced analyst and manager teams, the kind that change very slowly once they have fine-tuned their successful formulas. To its credit, MFS has pushed out underperforming managers and analysts in recent years that have been reluctant to embrace the firm's more risk-aware strategies, so we'll be watching to see that its newer skippers build successful, repeatable processes. Because the firm's culture traditionally hadn't been performance-based, these changes may not be readily accepted by all.

The firm also has been quick to jump on new trends in the fund industry. The firm launched target-date retirement funds and a long-short fund, bought a "sector-rotational" offering, and developed plans to launch several enhanced-index offerings. We're not convinced that these moves all leverage MFS' core competency, which is fundamental analysis. MFS' ownership structure also poses some challenges to the firm's culture. The firm is majority-owned by SunLife Financial, a Canadian insurance company. MFS insiders do control a sizable minority stake in the firm, though. This structure gives MFS the deeper pockets of a larger corporate owner, but it also leaves MFS' executives and fund managers with just partial control of their firm. This potential conflict was highlighted in 2006, when SunLife said it would consider selling MFS. After several weeks of intense speculation, SunLife said it would keep MFS under its wing. To keep SunLife content with MFS, we think MFS is under pressure to grow its assets under management, which explains the new funds that the firm has launched. We would prefer, however, if MFS focused on perfecting its traditional fund lineup rather than branching out into new strategies where it has less experience. In the end, we think MFS has built a satisfactory corporate culture after making significant progress in a few key areas, such as encouraging its fund managers and analysts to be more risk-aware. The firm communicates reasonably well with its shareholders, and its entrenched managers display a renewed focus on delivering enjoyable results for them. Overall, we find this firm's corporate culture satisfactory.

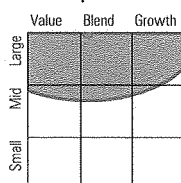
## MFS Research International I MRSIX

## Portfolio

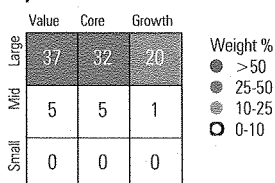
Morningstar Rating™  
★★★★★Morningstar Category™  
Foreign Large BlendNet Assets (Mil)  
2,216

## Equity Style

## Ownership Zone™



## Style Breakdown



## Value Measures

	Stock Portfolio	Rel Category
Price/Prospect Earnings*	9.47	0.80
Price/Book*	1.54	0.84
Price/Sales*	0.97	0.91
Price/Cash Flow*	6.94	0.96
Dividend Yield %*	3.84	1.04

\*Forward-looking based on historical data

## Growth Measures

	Stock Portfolio	Rel Category
Long-Term Earnings %	10.84	0.90
Book Value %	12.03	1.03
Sales %	10.46	1.13
Cash Flow %	14.76	1.15
Historical Earnings %	14.18	0.81

## Market Cap Breakdown

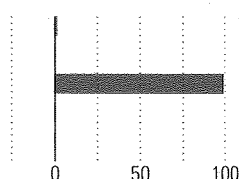
	% Stocks	Rel Cat
Giant	52.56	1.03
Large	36.31	1.08
Medium	10.52	0.77
Small	0.45	0.32
Micro	0.16	1.76

## Size

	\$Mil
Market Cap	32,652

Style and Market Cap Breakdown and Value and Growth Measures are calculated only using the long position holdings of the portfolio.

## Asset Allocation



Asset Allocation	Long %	Short %	Net %
Cash	1.14	0.00	1.14
US Stock	0.00	0.00	0.00
Non US Stock	98.86	0.00	98.86
Bond	0.00	0.00	0.00
Other	0.00	0.00	0.00

## Stock Sectors

	% Stocks	Rel Mkt		% Stocks	Rel Mkt		% Stocks	Rel Mkt
<b>Mfg Economy</b>	<b>46.70</b>	<b>1.17</b>	<b>Service Economy</b>	<b>40.26</b>	<b>0.99</b>	<b>Info Economy</b>	<b>13.04</b>	<b>0.67</b>
Cons Goods	10.94	1.22	Health Care	6.40	0.51	Software	1.11	0.26
Materials	20.66	1.54	Cons Svcs	2.24	0.32	Hardware	4.91	0.51
Energy	10.60	0.78	Bus Svcs	6.93	1.23	Media	1.17	0.44
Utilities	4.50	1.14	Financial	24.69	1.60	Telecom	5.85	1.96

Sector data is calculated only using the long position holdings of the portfolio.

## World Regions

Greater Asia	Americas	Greater Europe	Greater Asia	Americas	Greater Europe	Market Maturity
Japan	15.81	North America	0.67	United Kingdom	14.69	% Developed Markets
Australasia	2.57	Latin America	6.40	Europe Developed	50.68	% Emerging Markets
Asia Developed	5.68			Europe Emerging	0.00	Not Classified
Asia Emerging	2.53			Africa/Middle East	0.97	

Region breakdown data is calculated only using the long position holdings of the portfolio.

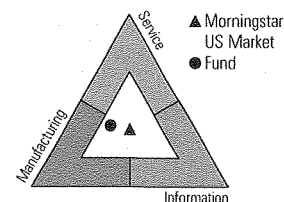
N/C 0-10 10-20 20-50 50-90 &gt;90%

## Top 20 Holdings

YTD Return as of 08-15-08	Sector	YTD Return %	% Assets
⊕ E.ON	Utilities	—	3.13
⊕ TOTAL	Energy	—	3.11
⊕ BHP Billiton	Industrial Materials	—	3.10
⊕ Roche Holding Ltd	Health Care	—	2.45
⊕ Nestle	Consumer Goods	—	2.28
⊕ StatoilHydro	Energy	—	2.17
⊕ Vodafone Grp	Telecommunications	-31.00	2.12
⊕ Siemens	Hardware	—	2.00
⊕ UniCredit	Financial Services	-31.52	1.91
⊕ Akzo Nobel	Industrial Materials	-25.31	1.91
⊕ BNP Paribas	Financial Services	—	1.86
⊕ Linde	Industrial Materials	—	1.77
⊕ Telefonica	Telecommunications	—	1.73
⊕ Merck KGaA	Health Care	—	1.54
⊕ AXA	Financial Services	—	1.54
⊕ UBI Banca Scpa	Financial Services	—	1.45
⊕ Sumitomo Mitsui Financial Grp	Financial Services	—	1.39
⊕ RICOH COMPANY, LTD.	Industrial Materials	—	1.34
⊕ DBS Grp Hldgs Ltd	Financial Services	—	1.33
⊕ Eni	Energy	—	1.33

⊕ Increase ⊖ Decrease \* New Since Last Portfolio

% Assets in Top 10 Holdings	24.18
Total Number of Stock Holdings	112
Total Number of Bond Holdings	0
Turnover %	66
12-Month Yield %	1.81
30-Day SEC Yield %	—

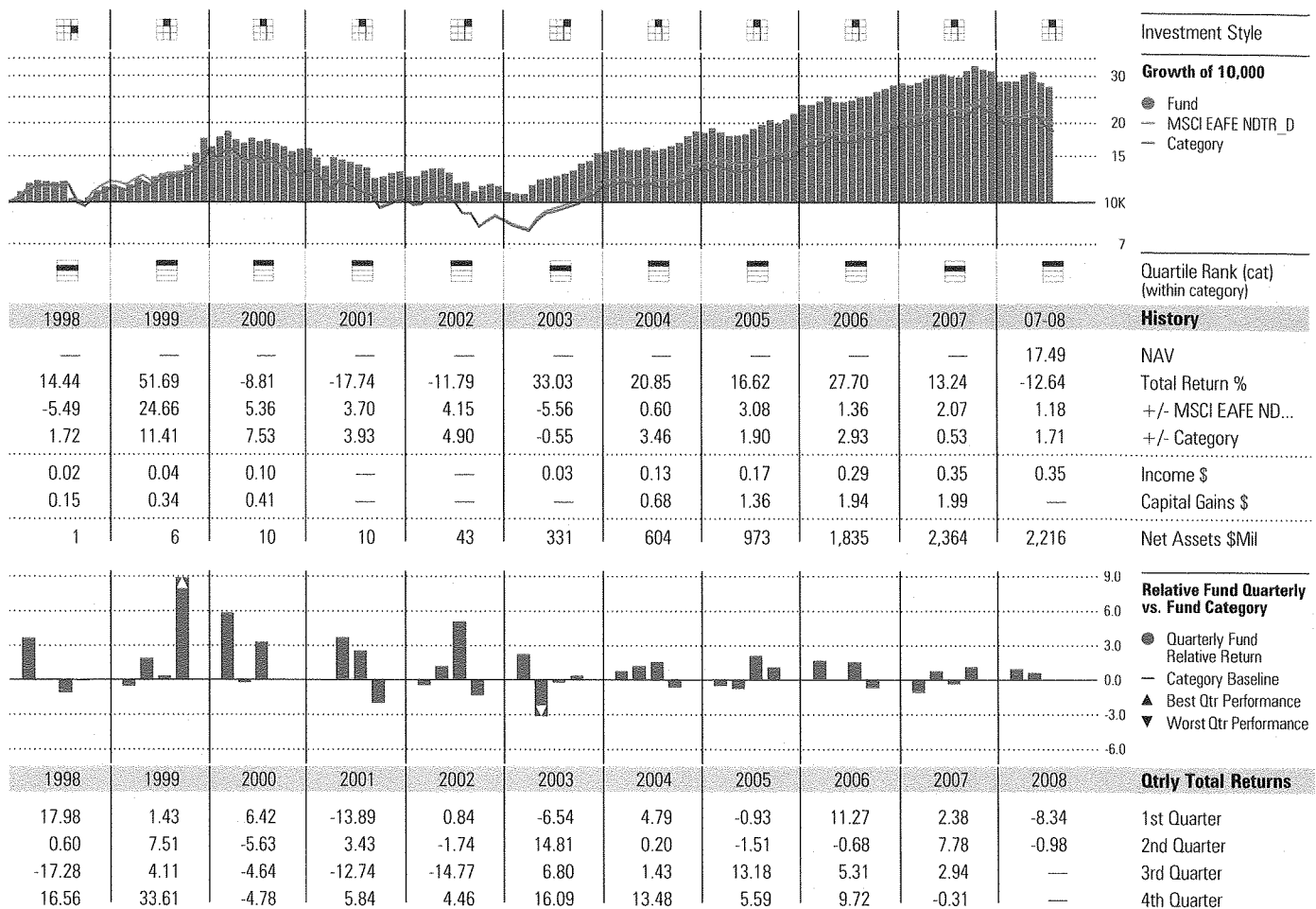


# MFS Research International I MRSIX

## Performance

**Morningstar Rating™**  
 ★★★★★

**Morningstar Category™**  
 Foreign Large Blend

**Net Assets (Mil)**  
 2,216


### Trailing Total Returns

	Trailing Ret %	+/-Index	+/- Cat	% Rnk Cat	*Std Ret %
YTD	-17.03	1.18	1.63	21	-9.24
1 Mo	-2.01	0.43	0.91	31	-8.74
3 Mo	-17.24	-0.92	-0.07	48	-0.98
12 Mo	-7.83	4.09	2.19	24	-6.86
3 Yr Annualized	9.32	2.06	2.11	16	16.19
5 Yr Annualized	15.09	1.41	2.19	15	18.06
10 Yr Annualized†	8.54	3.16	3.84	6	9.06
15 Yr Annualized†	—	—	—	—	—
Inception	9.42	—	—	—	10.39

\*Quarter-end data through 06-30-08

†10 and 15 Year as of 07-31-08

### Ratings and Risk 07-31-08

	Overall	3 Yr	5 Yr	10 Yr
Morningstar Rating™	★★★★★	★★★★★	★★★★★	★★★★★
Number of Funds Rated	561	561	455	239
Morningstar Risk™	Average	Average	Average	Average
Morningstar Return™	High	Above Avg	Above Avg	High

### Volatility Measurements

	3 Yr	5 Yr	10 Yr
Standard Deviation	13.17	11.94	15.62
Mean	12.90	16.77	8.54
Sharpe Ratio	0.68	1.10	0.38

Bear Market Decile Rank (5 Yr)

4

### Tax Analysis

	3-Yr Avg %	5-Yr Avg %	10-Yr Avg %
Pretax Return	12.90	16.77	8.54
Tax-Adjusted Return	10.16	14.84	7.38
% Rank in Category	29	22	6
Tax Cost Ratio	2.43	1.65	1.07
Potential Cap Gains Exp %	0.54		

### Modern Portfolio Theory Statistics

	Standard Index MSCI EAFE NDTR_D	Best Fit Index MSCI EAFE NDTR_D
R-Squared	95.98	95.98
Beta	1.04	1.04
Alpha	2.01	2.01
Trailing 3-Yr through 07-31-08		

# MFS Research International I MRSIX

## Operations

Morningstar Rating™  
★★★★★

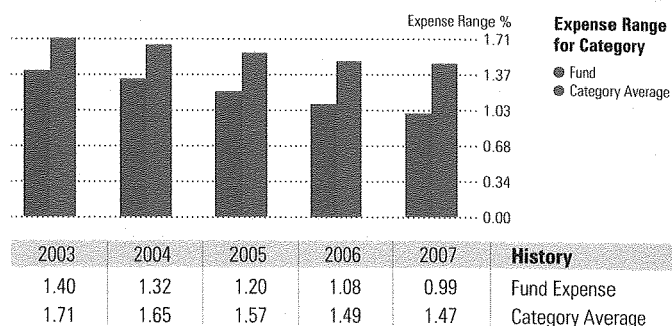
Morningstar Category™  
Foreign Large Blend

Net Assets (Mil)  
2,216

### Fees & Expenses

Maximum Sales Fees	%	Total Cost Projection	\$ per \$10,000
Initial	None	3-Year	322
Deferred	None	5-Year	558
Redemption	None	10-Year	1,236
Other Fees/Expenses	%	Minimum Investments	\$
Expense Ratio: Annual Report	0.99	Initial	0
Management Actual	0.77	Additional	0
Management Maximum	0.90	Initial IRA	—
12b-1 Actual	None	Additional IRA	—
12b-1 Maximum	None	Initial AIP	—
Administrative Maximum	0.02	Additional AIP	—

### Expense Relative to Category



### Advisor Information

**Fund Inception** 01-02-97  
**Fund Advisor(s)** MFS Investment Management  
**Subadvisor(s)**

**Contact Information**  
 500 Boylston St  
 15 Th Fl  
 Boston MA 02116  
 United States  
 800-225-2606  
 www.mfs.com

### Management

#### Jose Luiz Garcia 05-31-05

Garcia is vice president of MFS. He employed in the investment management area of MFS since 2002. Garcia was emerging market product specialist for Schroders Investment Management (North America) from 1999 to 2002.

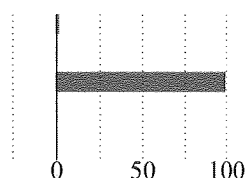
#### Thomas Melendez 05-31-05

investment officer; institutional portfolio manager Communicates investment policy, strategy, and positioning. Participates in the research process and strategy discussions. Assesses portfolio risk, customizes portfolios to client objectives and guidelines, and manages daily cash flows. Joined MFS in 2002 Previous experience includes: three years as an Emerging Markets Product Specialist for Schroders North America; two years as a General Manager for Schroders Argentina.

# MFS Research International I MRSIX

## Appendix A: Annotated Snapshot

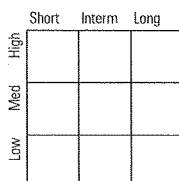
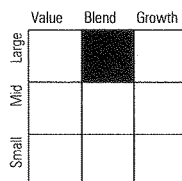
### Asset Allocation



Asset Allocation	Long %	Short %	Net %
Cash	1.14	0.00	1.14
US Stock	0.00	0.00	0.00
Non US Stock	98.86	0.00	98.86
Bond	0.00	0.00	0.00
Other	0.00	0.00	0.00

This offering has a fairly standard asset allocation for a foreign large blend fund.

### Investment Style 06-30-08



#### Equity Investment Style

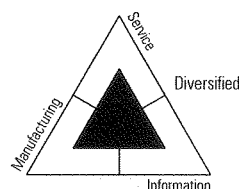
Market Cap (\$Mil) 32,652

#### Fixed-Income Investment Style

Avg Effective Duration (Yrs) —  
Avg Effective Maturity (Yrs) —  
Avg Credit Quality —

This fund's investment style is best characterized as large-cap blend. That means it invests in the biggest and most established companies and that the stocks it buys have on average moderate valuations compared with their competitors. You may want to compare this fund's returns with those of other offerings in its category that have the same style. This will allow you to better assess whether the manager has added value.

### Stock Sectors 06-30-08



Stock Sectors	% Stocks
Information Economy	13.04
Service Economy	40.26
Manufacturing Economy	46.70

This fund's sector weightings are fairly standard compared with those of its peers. Moreover, its peers are fairly index-like on average. The offering is well-diversified and, at least from the standpoint of its sector weightings, is a suitable core holding.

Sector data is calculated only using the long position holdings of the portfolio.

### Fund Concentration

% Assets in Top 10 Holdings 24.18

Compared with its peers, this fund has a large number of portfolio holdings and small positions in those holdings. Funds like this tend to be less volatile than funds with more-concentrated portfolios.

Morningstar Rating™  
★★★★★

Morningstar Category™  
Foreign Large Blend

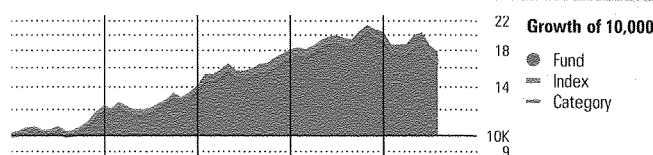
Net Assets (Mil)  
2,216

### Ratings and Risk

	Overall	3 Yr	5 Yr	10 Yr
Morningstar Rating™	★★★★★	★★★★★	★★★★★	★★★★★
Number of Funds Rated	561	561	455	239
Morningstar Risk™	Average	Average	Average	Average
Morningstar Return™	High	Above Avg	Above Avg	High

This fund earns 5 stars under Morningstar's rating methodology, meaning that compared with other funds in its category, it has historically generated excellent returns given the amount of risk it has taken on. In this case, the fund has gotten its rating by turning out very strong returns while being only moderately volatile.

### Performance



2004	2005	2006	2007	07-08	History
20.85	16.62	27.70	13.24	-12.64	Quartile Rank (cat)
3.46	1.90	2.93	0.53	1.71	Total Return %
0.60	3.08	1.36	2.07	1.18	+/- Category
604	973	1,835	2,364	2,216	+/- Index
					Net Assets (Mil)

Trailing Total Returns	Trailing Ret %	+/- Index	+/- Cat	% Rnk Cat	*Std Ret %
3 Yr Annualized	9.32	2.06	2.11	16	16.19
5 Yr Annualized	15.09	1.41	2.19	15	18.06
10 Yr Annualized†	8.54	3.16	3.84	6	9.06

\*Quarter-end data through 06-30-08

†10 Year as of 07-31-08

This fund sports an outstanding five-year performance record. We focus on five-year returns because longer records have greater predictive power than shorter records. Be sure to consider the fund's risk level to determine what role it played in producing these results. You can get an idea of this by looking at the risk component of the star rating and fundamental risk factors such as the P/E ratio, the size of individual stock bets, and the extent to which certain sectors are overweighted. In assessing this fund's performance, it is also a good idea to compare its results to peers with the same style box location, as investment styles go in and out of favor and can sometimes be a big factor in relative performance.

# MFS Research International I MRSIX

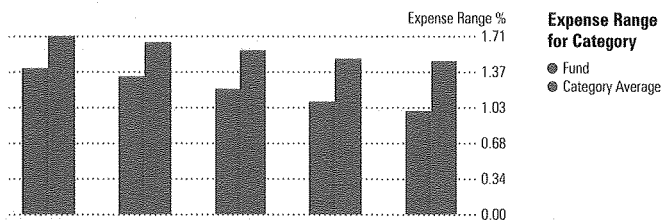
## Appendix A: Annotated Snapshot cont.

Morningstar Rating™  
★★★★★

Morningstar Category™  
Foreign Large Blend

Net Assets (Mil)  
2,216

### Expense Relative to Category



2003	2004	2005	2006	2007	History
1.40	1.32	1.20	1.08	0.99	Fund Expense
1.71	1.65	1.57	1.49	1.47	Category Average

This fund has a fairly standard expense ratio for a no-load offering in its category. That's fine, but not great. Expenses are a big factor in long-term, relative performance, and funds with lower expenses generally outperform those with higher expenses.

### Management

Manager Name	Start Date
Jose Luiz Garcia	05-31-05
Thomas Melendez	05-31-05

This fund's managers have an average tenure of 3 years. You should look at the tenure of the individual managers in trying to determine how much of the fund's long-term performance record really reflects the abilities of those currently at the helm.

# MFS Research International I MRSIX

## Appendix B: Portfolio History

Morningstar Rating™  
★★★★★

Morningstar Category™  
Foreign Large Blend

Net Assets (Mil)  
2,216

### Equity Style History

	Value	Blend	Growth
Large			
Mid			
Small			

Geometric Average Cap	\$
Historical Avg	30,477
2007	35,448
2006	34,912
2005	29,164
2004	20,210

Historical Range

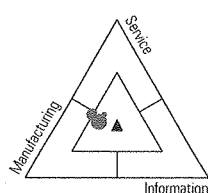
- Latest Portfolio
- Earliest Portfolio

### Asset Allocation

	Cash	US Stock	NonUS Stk	Bond	Other	Allocation
	1.88	0.67	96.95	0.00	0.50	Historical Avg
	1.95	2.12	95.93	0.00	0.00	2007
	1.00	0.00	98.50	0.00	0.50	2006
	1.74	0.00	98.26	0.00	0.00	2005
	2.81	0.57	95.11	0.00	1.52	2004

100% Historical Range  
● Range  
► Current

### Stock Sector History



Historical Range

- Latest Portfolio
- Earliest Portfolio
- ▲ Index

	Software	Hardware	Media	Telecom	Health	Cons Srv	Biz Serv	Financial	Cons Gds	Ind Matls	Energy	Utilities	Sector
	0.63	2.56	1.91	6.62	7.23	3.10	3.90	28.37	14.12	18.34	8.85	4.37	Historical Avg
	1.11	4.91	1.17	5.85	6.40	2.24	6.93	24.69	10.94	20.66	10.60	4.50	2008
	1.75	3.98	1.15	6.47	5.71	2.25	4.73	26.80	12.84	20.07	9.67	4.57	2007
	0.00	2.28	1.51	5.58	8.11	1.63	3.24	30.43	17.77	17.06	7.85	4.55	2006
	0.29	1.63	1.55	5.94	7.67	4.23	2.43	30.53	15.69	16.98	8.50	4.56	2005
	0.00	0.00	4.15	9.25	8.28	5.12	2.17	29.39	13.38	16.93	7.64	3.68	2004

100% Historical Range  
● Range  
► Current

### World Regions History

	North America	Latin America	UK	Europe Developed	Europe Emerging	Africa/Middle East	Japan	Australasia	Asia Developed	Asia Emerging	Region
	1.54	5.45	18.46	45.13	1.24	0.56	17.50	1.16	6.92	2.03	Historical Avg
	0.67	6.40	14.69	50.68	0.00	0.97	15.81	2.57	5.68	2.53	2008
	2.79	3.61	17.22	51.10	0.00	1.49	13.41	2.46	5.63	2.27	2007
	1.31	3.22	20.74	47.99	1.18	0.36	17.55	0.79	5.87	0.99	2006
	1.29	6.69	18.74	41.18	2.91	0.00	16.79	0.00	11.61	0.79	2005
	1.62	7.32	20.92	34.70	2.10	0.00	23.92	0.00	5.83	3.59	2004

100% Historical Range  
● Range  
► Current

Equity Style, Stock Sector and World Regions breakdown data are calculated only using the long position holdings of the portfolio. Asset Allocation breakdown is calculated using the net of the long and short positions.

**MFS Research International I MRSIX****Brokerage Availability****Morningstar Rating™**  
★★★★★**Morningstar Category™**  
Foreign Large Blend**Net Assets (Mil)**  
2,216**Brokerage Availability**CommonWealth PPS  
CommonWealth Universe  
DailyAccess Corporation FRIAG  
DailyAccess Corporation RTCEdward Jones  
Federated TrustConnect  
Fidelity Institutional FundsNetwork  
Matrix Financial SolutionsPrincipal Advantage  
Raymond James  
Raymond James WRAP Eligible  
SunGard Transaction Network

Trade PMR Transaction Fee

# 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 RidgeWorth Funds can be found in the fund's prospectus. To obtain a prospectus, please call 1-888-784-3863, or by visiting [www.ridgeworth.com](http://www.ridgeworth.com). Please read the prospectus carefully before investing. Mutual fund investing involves risk, including possible loss of principal.

RidgeWorth Funds are advised by RidgeWorth Capital Management, Inc., which receives a fee for its services, and are distributed by Citi Fund Services, which is not affiliated with RidgeWorth Capital Management, Inc.

Effective 3/31/08, Trusco Capital Management, Inc. became RidgeWorth Capital Management, Inc.

Effective 3/31/08, the STI Classic Funds became RidgeWorth Funds.

## 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 RidgeWorth 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, 2008

**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 five Trustees. There are four 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

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.

### 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

The Foundation prefers, but does not require, that managers avoid investment in companies whose primary or significant (greater than 30% of gross revenue) businesses are the growing, cultivation, manufacture, or distribution of tobacco or tobacco products. This shall not apply to investments in index funds.

#### Security Voting

The Corporate Trustee will vote on securities when a vote is requested. The Trustees will receive an annual report of voting decisions.

#### Specific Functions of the Board of Trustees

1. Establish investment objectives for the portfolio.
2. Establish and review its spending policy.
3. Set strategic asset allocation for the Trust.
4. Establish and continue to update the investment policy.
5. Establish, monitor and update the investment process.
6. Review investment performance in accordance with its performance measurement policy.
7. Review at least quarterly investment activity to insure compliance with the investment policy and adherence to investment style.

8. Terminate managers and passive investments in accordance with this 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.
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.

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%

This Appendix B to the 7/19/06  
Investment Policy was adopted at  
2/19/08 Board Meeting

## APPENDIX B

### McKnight Brain Research Foundation Equity Portfolio Guidelines

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>	<u>Benchmark</u>	<u>Peer Group*</u>
Large Cap Equity	36.3%	30% - 60%	S & P 500	Pure Large Cap Core
Mid Cap Equity	7.1%	5% - 14%	Russell Mid Cap	Mid Cap
Small Cap Equity	2.3%	0% - 15%	Russell 2000	Broad Small Cap
International Equity	18.1%	5% - 20%	MSCI - EAFE GDP Weighted	Broad International Equity
Hedge Funds	21.8%	10% - 30%	HFR Fund of Funds Index	
Real Estate – U.S.	3%	0% - 10%	NAREIT Equity	
Real Estate – Non U.S.	3%	0% - 10%	DJW Global ex- U.S. Real Estate	
Private Equity	5%	0% - 10%	Cambridge Associates U.S. Private Equity	
Fixed Income – Int'l	3.4%	0% - 10%	Citi Un-Hedged WGBI	

### Static Benchmarks

<u>Static Benchmark #1</u>	<u>Weight</u>
Russell 3000 Index	65%
Lehman Brothers U.S. Aggregate Index	35%

### Static Benchmark #2

Distribution	5%
Expenses	1%
Inflation**	<u>3.5%</u> 9.5%

McKnight Brain Research Foundation  
Amended and Restated Investment Policy  
Adopted at 7/19/06 Trustee Meeting  
Page 9 of 11

\* 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.

\*\* Real inflation is Biomedical Research and Development Price Index ("BRDPI") published by the U.S. Bureau of Economic Analysis. 3.5% is the projected 2008 BRDPI.

## **APPENDIX C**

Market Capitalization – Market value of a corporation calculated by multiplying the number of shares outstanding by the current market price. The classification\* of the capitalization ranges is as follows:

- \* Large Capitalization Classification – Market cap of \$10 billion and greater
- \* Mid Capitalization Classification – Market cap of \$2 billion to \$10 billion
- \* Small Capitalization Classification – Market cap of \$50 million to \$2 billion

International Equity – International equity investments are permitted in listed equity securities traded on developed non U.S. markets. Developed markets are defined as those included in the Morgan Stanley Capital International, Inc. Europe Asia Far East (MSCI EAFE) Index plus Canada. American depository receipts (ADRs) traded on major U.S. markets are considered to be domestic securities.

Growth Equity Style – Investment in companies that are expected to have above average prospects for long term growth and earnings and profitability.

Value Equity Style – Investment in companies believed to be undervalued or possessing lower than average price/earnings ratios, based on their potential for capital appreciation.

Core Equity Style – Investment in companies whose characteristics are similar to that of the broader market as represented by the Standard's & Poor's 500 Index, with the objective of adding value over and above the Index, typically from sector or issue selection. The core portfolio exhibits similar risk characteristics to the broader market as measured by low residual risk with Beta and R-squared values close to 1.00.

*Alternative Investments/Hedge Funds* – Hedge funds are strategies utilized by professional money managers or group of managers that permit the management of a private, unregistered investment pool of capital and/or securities, and investments in a variety of investment techniques normally prohibited in other types of funds. Hedge funds are typically skill-based investment strategies attempting to provide “absolute” return based on the specialized strategy of the trader or manager and offer diversification and reduce systematic risk due to a low correlation to traditional asset classes. The following are some of the hedge fund strategies utilized by managers:

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\* From Morningstar Analytical Services, Inc.

*Direct Hedge* - Hedging one asset, such as common stock, with another asset that has similar price movements and trades similarly. Example: using call options to hedge a common stock position.

*Cross Hedge* - Hedging an investment with an unlike instrument. Example: Buying stocks and hedging the position with Treasury futures.

*Static Hedge* - Hedging out every dollar of a portfolio in an effort to eliminate risk.

*Dynamic Hedge* - Changing the amount of puts in a position over time as the market changes.

*Market Neutral* - As a long/short strategy, equal amounts of capital are invested long and short in an attempt to neutralize market risk. The goal is to purchase undervalued securities and short overvalued securities.

*Market Timing* - Anticipates market movements and allocates assets by switching between stocks, bonds and cash as the market and economic outlook change.

*Short Selling* - Identifying overvalued securities and "shorting" or selling these stocks. This involves borrowing the stocks to sell them, in the hope of buying them back later at a lower price.

*Growth Fund* - Investing in growth stocks with the basic goal of capital appreciation. This may include hedging by short selling or using options.

*Distressed Securities* - Investing in securities of a company in bankruptcy or facing it. These securities are purchased inexpensively and with the hope that they will appreciate as the company emerges from bankruptcy.

*Sector Funds* - Concentrated investments in various sectors. May involve long and short investments and options.

*Emerging Markets* - Investing in securities of companies in emerging or developing countries. This could involve purchasing government or corporate debt and/or equity.

*Global Fund* - Investing in shifts in global economies. Derivatives may be used to speculate on interest rate and currency movements. These funds search for and exploit opportunistic investment possibilities wherever they may arise.

*Opportunistic* - Using a variety of strategies as opportunities arise. Several strategies could be used simultaneously.

This Appendix B was adopted at  
 \_\_\_\_\_ Board Meeting

## APPENDIX B

### McKnight Brain Research Foundation Equity Portfolio Guidelines

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>	<u>Benchmark</u>	<u>Peer Group*</u>
Large Cap Equity	36.3%	30% - 60%	S & P 500	Pure Large Cap Core
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Fixed Income – Int'l	3.4%	0% - 10%	Citi Un-Hedged WGBI	

#### Static Benchmarks

##### Static Benchmark #1

##### Weight

Russell 3000 Index	65%
Lehman Brothers U.S. Aggregate Index	35%

##### Static Benchmark #2

Distribution	5%
Expenses	1%
Inflation	<u>?</u> %

\* 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.

\*\* real inflation is NIH or GDP

Teresa's copy -

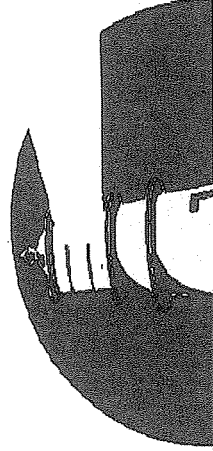
LIGHTHOUSE INVESTMENT PARTNERS, LLC

SEPTEMBER 2008

• 6/ long short - sig. opp. = new owners - not much impact

feels like damage has been done - de-leverage about done - possibly 80%

opp. set is better than ever. Lit & mgr. have done a good job of managing cash. Set-up w/ good risk adjusted returns for the future



# LIGHTHOUSE

PARTNERS

• part: returns down - more in Sept.  
• clogs - stay the course - Approp. space to be in -

Real risks:

• Leverage - lowest

• It's even been

• Counter party exposure

• Assets frozen because

• They had assets of

Lehman etc.

• D.V. - Lehman - 10%

Risk -

• no managers have

blown up

• Overall redemption

activity

• excellent year on

asset raising for

them - cash balance

mgt.

Update Prepared for:

Evelyn F. McKnight Brain Research Foundation

Stable in ~~line~~ line  
w/ portfolio - Redemptions

Underlying portfolio  
sig. diff. from  
make use  
overriding  
Mar. 2008

When reviewing these materials, please refer to the Important Notice section herein

• Credit 30%

30% full

• Their overall  
redemption activity

DIV - 100%

- 20% ...

# Evelyn F. McKnight Brain Research Foundation, ST as Ttee - Investment Update

## Lighthouse Investment Experience

## Statistical Profile May-02 through Sep-08

Fund:	Diversified, LP	AROR net:	5.88%
Initial Allocation:	May 2002	Cumulative ROR net:	44.31%
Period Invested:	77 Months	STD Dev (annualized):	4.59%
Initial Investment:	\$5,199,289	Sharpe (annualized):	.65
Additions / Withdrawals:	-\$2,750,000 (06/01/08)	Worst Drawdown:	-(11.08%)
Current Total Value: (thru 8/31/2008)	\$5,399,628	Correlation to Bonds:	.19
Net Profit / Loss: (thru 8/31/2008)	+\$2,950,339	Beta to Bonds:	.20
	-34,000	Correlation to Stocks:	.41
		Beta to Stocks:	.15

Note: Bond data used is the LB Gov't Credit Index: Stock data used is S&P 500 Index w/dividends

## Performance Context through September 2008

Investment Option	2007 YTD	2008 YTD	Return Since May-02 (cumulative)	Return Since May-02 (annualized)	Max Drawdown Since May-02	Volatility Since May-02	Sharpe Ratio
Lighthouse Diversified Master Fund, LP (net)*	10.45%	-(10.92%)	44.31%	5.88%	-(11.08%)	4.59%	.65
LB Govt Credit	7.25%	-(.67%)	35.03%	4.79%	-(4.57%)	4.35%	.45
S&P 500 (w Dividends)	5.50%	-(19.28%)	22.02%	3.15%	-(23.72%)	12.71%	.09
T-Bill 91 Days	5.03%	1.83%	19.89%	2.87%		.48%	.00
ML High Yield Master II	2.19%	-(10.64%)	41.50%	5.56%	-(12.88%)	7.76%	.37

When reviewing these materials, please refer to the Important Notice section herein

# Evelyn F. McKnight Brain Research Foundation, ST as Ttee - Investment Update

## Lighthouse Investment Experience

Statistical Profile Oct-05 through Sep-08

<b>Fund:</b>	Global Long Short, LP	AROR net:	5.08%
<b>Initial Allocation:</b>	October 2005	Cumulative ROR net:	16.02%
<b>Period Invested:</b>	36 Months	STD Dev (annualized):	7.77%
<b>Initial Investment:</b>	\$2,600,000	Sharpe (annualized):	.14
<b>Additions / Withdrawals:</b>	\$2,400,000 (09/01/07)	Worst Drawdown:	-(12.66%)
<b>Current Total Value: (thru 8/31/2008)</b>	\$5,573,893	Correlation to Bonds:	.10
<b>Net Profit / Loss: (thru 8/31/2008)</b>	+\$573,893	Beta to Bonds:	.24
		Correlation to Stocks:	.68
		Beta to Stocks:	.46

- 353,000

Note: Bond data used is the LB Govt Credit Index: Stock data used is S&P 500 Index w/dividends

## Performance Context through September 2008

Investment Option	2007 YTD	2008 YTD	Return Since Oct-05 (cumulative)	Return Since Oct-05 (annualized)	Max Drawdown Since Oct-05	Volatility Since Oct-05	Sharpe Ratio
Lighthouse Global Long Short Fund, LP (net)*	12.64%	-(10.70%)	16.02%	5.08%	-(12.66%)	7.77%	.14
LB Govt Credit	7.25%	-(.67%)	11.21%	3.60%	-(3.13%)	3.33%	-.16
S&P 500 (w Dividends)	5.50%	-(19.28%)	.66%	.22%	-(23.19%)	11.39%	-.29
T-Bill 91 Days	5.03%	1.83%	13.17%	4.21%		.41%	.00
ML High Yield Master II	2.19%	-(10.64%)	2.75%	.91%	-(12.88%)	7.08%	-.42

When reviewing these materials, please refer to the Important Notice section herein

*Nov-95*  
*1.8% cap.*  
*no 100.*  
*Nov-95*  
*1.8% cap.*  
*no 100.*

# Evelyn F. McKnight Brain Research Foundation, ST as Ttee - Investment Update

## Lighthouse Investment Experience

## Statistical Profile Jun-08 through Sep-08

<b>Fund:</b>	Credit Opportunities, LP	<b>AROR net:</b>	-(28.93%)
<b>Initial Allocation:</b>	June 2008	<b>Cumulative ROR net:</b>	-(10.76%)
<b>Period Invested:</b>	4 Months	<b>STD Dev (annualized):</b>	7.89%
<b>Initial Investment:</b>	\$2,750,000	<b>Sharpe (annualized):</b>	-4.54
<b>Additions / Withdrawals:</b>	2,440,221	<b>Worst Drawdown:</b>	-(10.76%)
<b>Current Total Value: (thru 8/31/2008)</b>	\$2,605,141	<b>Correlation to Bonds:</b>	.89
<b>Net Profit / Loss: (thru 8/31/2008)</b>	-\$144,859	<b>Beta to Bonds:</b>	1.59
		<b>Correlation to Stocks:</b>	.63
		<b>Beta to Stocks:</b>	.30

Note: Bond data used is the LB Gov't Credit Index: Stock data used is S&P 500 Index w/dividends

## Performance Context through September 2008

Investment Option	2007 YTD	2008 YTD	Return Since Jun-08 (cumulative)	Return Since Jun-08 (annualized)	Max Drawdown Since Jun-08	Volatility Since Jun-08	Sharpe Ratio
Lighthouse Credit Opportunity Fund LP (net)*	7.72%	-(10.19%)	-(10.76%)	-(28.93%)	-(10.76%)	7.89%	-4.54
LB Gov't Credit	7.25%	-(.67%)	-(1.53%)	-(4.53%)	-(2.53%)	5.17%	-1.35
S&P 500 (w Dividends)	5.50%	-(19.28%)	-(16.09%)	-(40.92%)	-(16.09%)	18.25%	-2.88
T-Bill 91 Days	5.03%	1.83%	.81%	2.46%		.23%	.00
ML High Yield Master II	2.19%	-(10.64%)	-(11.90%)	-(31.63%)	-(11.90%)	12.83%	-3.06

When reviewing these materials, please refer to the Important Notice section herein

# Important Notice

## **IMPORTANT NOTICE & DISCLAIMER:**

Lighthouse Investment Partners, LLC ("Lighthouse") manages investment vehicles considered funds of hedge funds (the "Lighthouse Funds") and invests in hedge funds (collectively, "Alternative Investments"). Alternative Investments can be highly illiquid and may engage in leveraging and other speculative investment practices which may involve volatility of returns and significant risk of loss, including the potential for loss of the principal invested. No assurances can be given that the investment objectives of the Lighthouse Funds will be achieved, and investment results may vary substantially over time. Investors should be aware that there is no secondary market currently available for interests in the Lighthouse Funds and that there may be restrictions on transferring interests in the Lighthouse Funds. Additional information can be found in a confidential private placement memorandum. Alternative Investments are not suitable for all investors. Investing in Alternative Investments 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. These risks may include: losses due to leveraging, short-selling, and other speculative practices, lack of liquidity, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, and less regulation.

Performance data, if any, presented herein includes reinvestment of all dividends and other earnings and is net of all management fees and performance fees. Past performance is not necessarily indicative of future results. The information contained herein is neither an offer to sell nor a solicitation of an offer to purchase any securities. Such an offer will only be made to Qualified Purchasers by means of a private placement memorandum and related subscription documents. An investment in the Lighthouse Funds should be made only after consultation with independent qualified sources of investment, legal and tax advice.

Performance for the Lighthouse Managed Futures Fund from Jan 2004 to Dec 2005 is PRO FORMA. Hypothetical performance results presented herein have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can adversely affect actual trading results. There are numerous other factors related to the markets in general or the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

Any pro-forma results provided herein are net of all management and performance fees.

This presentation has been prepared to provide general information about certain types of investment products to a limited number of sophisticated prospective investors in order to assist them in determining whether they may have an interest in the types of products described herein. Nothing in this presentation constitutes an offer or solicitation for the purchase or sale of any financial instrument or a commitment by Lighthouse to enter into any investment products referenced herein.

When considering whether to purchase any financial instrument no reliance should be placed on the information in this presentation. Such information is preliminary and subject to change without notice and does not constitute all the information necessary to evaluate the consequences of purchasing any financial instrument referenced herein. In addition, this presentation includes information obtained from sources believed to be reliable, but Lighthouse does not warrant its completeness or accuracy. Accordingly, any decision to purchase any financial instrument referenced herein should be based solely on the final documentation related to such financial instrument which will contain the definitive terms and conditions thereof.

Nothing in this presentation should be construed as tax, regulatory or accounting advice. Any prospective investor or transaction participant must make an independent assessment of such matters in consultation with its own professional advisors.

This presentation is not intended for distribution to, or use by, any person in any jurisdiction where such distribution or use is prohibited by law or regulation. This presentation may contain confidential or proprietary information and its distribution, or the divulgence of its contents to any person, other than the person to whom the presentation was originally delivered, is prohibited. Additional information is available upon request.



**When reviewing these materials, please refer to the Disclaimer section herein**

McKnight Brain Research Foundation  
Amended and Restated Investment Policy  
Adopted at 7/22/08 Trustee Meeting

*Trusco's copy*

This Appendix B to the 7/19/06  
Investment Policy was adopted at  
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APPENDIX B

McKnight Brain Research Foundation  
Equity Portfolio Guidelines

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>	<u>Benchmark</u>	<u>Peer Group*</u>
Large Cap Equity	36.3% ✓	30% - 60%	S & P 500	Pure Large Cap Core
Mid Cap Equity	7.1% ✓	5% - 14%	Russell Mid Cap	Mid Cap
Small Cap Equity	2.3% ✓	0% - 15%	Russell 2000	Broad Small Cap
International Equity	15.1% ✓	5% - 20%	MSCI - EAFE GDP Weighted	Broad International Equity
Hedge Funds	21.8% ✓	10% - 30%	HFR Fund of Funds Index	
Real Estate - U.S.	3% ✓	0% - 10%	NAREIT Equity	
Real Estate - Non U.S.	0%	0% - 10%	DJW Global ex- U.S. Real Estate	
Private Equity	5% ✓	0% - 10%	Cambridge Associates U.S. Private Equity	
Fixed Income - Int'l	9.4% ✓	0% - 10%	Citi Hedged WGBI	
	100%			

Static Benchmark #1

Russell 3000 Index	65%
Lehman Brothers U.S. Aggregate Index	35%

Weight

Static Benchmark #2

Distribution	5.0%
Expenses	1.0%
Inflation**	3.5%
	9.5%

*30,000 ft. approach  
to a balanced benchmark  
as a reference tool*

\* 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.

\*\* Real inflation is Biomedical Research and Development Price Index ("BRDPI") published by the U.S. Bureau of Economic Analysis. 3.5% is the projected 2008 BRDPI.