

Recap of Foundation Investment Performance for the Quarter Ended March 31, 2007:

Through the third quarter of the 2006-07 fiscal year (the 9-Month Period Ended March 31, 2007), the Foundation's rate of return was 11.8%, which is equivalent to approximately \$13.1 million of realized and unrealized gains. For this nine-month period, the Foundation's total fund outperformed the comparable composite financial index, which was at 10.9%. The Foundation's fiscal year-to-date gains are comprised of a 16.4% gain on equities, a 5.3% gain on fixed income investments, and a 9.5% gain on alternative investments.

Foundation Investment Policies:

The Foundation's current asset allocation consists of 50.9% of the total amount invested in equities, 25.4% of the total amount invested in fixed income, and 23.7% of the total amount invested in alternative investments. This is in line with our asset allocation policy, which establishes a target allocation of 50% of the assets invested in equities (of which 10% are to be international equities), 25% of the assets invested in fixed income, and 25% of the assets invested in alternative investments.

As a reminder, the Foundation's unrestricted, temporarily restricted and permanently restricted funds are pooled together so that any gains/losses affect all funds in accordance to the ratio of those funds to the total amount invested. It is the Board of Directors' policy to assume responsibility for the unrealized and realized gains/losses related to unrestricted and temporarily restricted accounts. In the same manner, all endowment gains/losses affect endowment balances.

Historical Data:

The following are Foundation **annual** investment gains/losses made in previous years:

06/30/06:	8.5% (gain)
06/30/05:	9.3% (gain)
06/30/04:	14.5% (gain)
06/30/03:	3.7% (gain)
06/30/02:	- 4.66% (loss)
06/30/01:	- 10.9% (loss)
06/30/00:	11.7% (gain)
06/30/99:	11.6% (gain)
06/30/98:	13.6% (gain) *
12/31/97:	15.8% (gain)
12/31/96:	13.1% (gain)

* The Foundation switched from a December 31st year-end to a June 30th fiscal year-end, resulting in a six-month fiscal year ended June 30, 1998.

Quarterly Commentary:

The equity market had much volatility, but increased only slightly by the end of the quarter ending March 31, 2007. At the beginning of the quarter the equity market was positive as falling energy prices and easing inflation concerns outweighed indications that quarterly earnings might be weaker than forecasted. Throughout the quarter the equity market experienced a one-day loss of more than 3%. in reaction to a sharp drop in the Chinese stock market, a weaker than expected U.S. durable goods report, and a statement by former Federal Reserve Board Chairman that a recession was possible, though not likely, later in the year. The market increased in March as there were expectations that the

Fed might soon cut interest rates.

During the early part of the quarter bond yields rose and prices fell. As news developed about the weak housing market and problems with sub-prime lenders, bond yields fell and prices increased which was basically a flight to quality as the stock market fell.

The housing market continued with disappointing reports that that February home sales were the slowest in more than six years. The concerns of sub-prime lenders and homebuilders caused investors to question whether the weak housing market may drag the economy into a recession. Fed chairman Ben Bernanke reported that "the correction in the housing market could turn out to be more severe than we currently expect, perhaps exacerbated by problems in the sub-prime sector." The Federal Reserve left the federal funds rate unchanged at 5.25%.

The fixed income market, as indicated by the Lehman U.S. Aggregate Bond Index, returned 1.59% for the quarter. Consumer spending was up 4.2% compared with a 2.8% gain in the previous quarter. Manufacturing grew in March but at a slower pace than in February. The U.S. economy created 180,000 jobs in March, which was better than expectations at 130,000. The unemployment rate fell to 4.4% in March. Crude oil rose to \$63/barrel and price volatility increased late in the quarter based on an Iranian capture of British soldiers. The CPI rate of inflation increased 0.4% in February, after rising 0.2% in January.

The quarter ending March 31, 2007 had certainly proven to be volatile. It is always a good practice when experiencing good returns to be prudent regarding spending and save operating dollars when possible because it is not expected that returns will consistently remain good and negative returns are foreseeable in the future. Additional information on Foundation investments may be obtained by calling Marisel Lieberman in the Foundation office at 305-348-3338.