

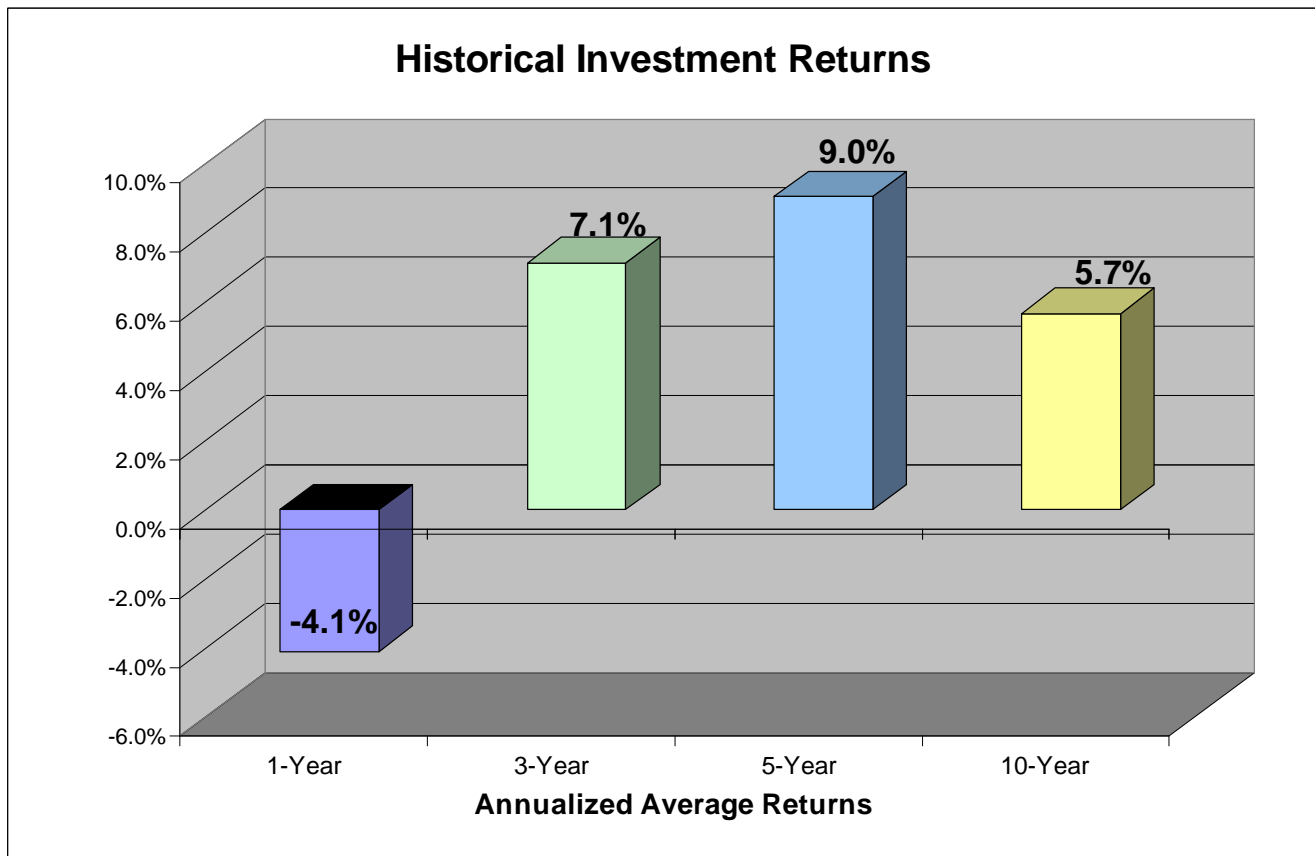
**Recap of Foundation Investment Performance for the Fiscal Year Ended June 30, 2008:**

For the 12-month period ended June 30, 2008, the Foundation's rate of return was (4.1%), which is equivalent to approximately \$5.5 million of realized and unrealized losses. During this period, the Foundation's total fund performance outperformed the comparable composite financial index, which was down 6.0%. The Foundation's fiscal year-to-date losses are comprised of an 11.4% loss on equities, a 5.3% gain on fixed income investments, and a 2.6% gain on alternative investments.

**Foundation Investment Policies:**

The Foundation's current asset allocation consists of 48.8% of the total amount invested in equities, 20.1% of the total amount invested in fixed income, and 31.2% of the total amount invested in alternative investments. The comparable target allocations set forth by the Foundation's Asset Allocation Policy (modified and approved in September 2007) are as follows: 50% to equities, 18% to fixed income, and 32% to 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.



## **Quarterly Commentary:**

U.S. stocks attempted to rally during the second quarter of 2008, but surging energy prices and ongoing weakness in the financial sector obstructed the advance. Near the end of the quarter, crude oil traded above \$140 per barrel, roughly double the price of a year earlier. In turn, sharply higher fuel prices hindered the auto and airline industries, as well as consumer confidence in general. On a positive note, the U.S. dollar did show renewed strength versus other major benchmark currencies.

Exposure to financials and the auto industry were two factors pressuring the Dow Jones Industrial Average<sup>SM</sup> ("Dow"), which declined 7.44%. In the process, the Dow finished the quarter just above bear market status, at nearly 20% below its October 2007 peak. Other market barometers fared better, though. The S&P 500® Index, a broader measure of large-cap activity, lost only 2.72%. The NASDAQ Composite® Index, reflecting the relative strength of technology stocks, finished above break-even, with a 0.61% gain. Small-cap stocks, as measured by the Russell 2000® Index, also resisted the selling pressure, posting a +0.58% return. The surprising strength of the U.S. dollar during the quarter muted the returns of the MSCI® EAFE® Index, a measure of foreign developed markets, which declined 2.25%. Emerging markets were slightly stronger but still lost ground.

During April and May, the market was sustained by optimism resulting from the Federal Reserve's rescue of investment bank Bear Stearns in mid-March and from the aggressive attempts of the Fed to add liquidity to the financial system during the first quarter. However, the May employment report unnerved investors, as the nation's unemployment rate moved meaningfully higher from 5.0% to 5.5% and fueled concerns that the U.S. economy might enter a recession after all. Also weighing on investor sentiment in June was a worsening inflation picture.

While the so-called "core" numbers for May consumer and producer prices, which exclude volatile food and energy prices, both registered 0.2% increases, broader inflation figures for the month were much higher. Elsewhere, home prices continued their decline, with the April S&P/Case-Shiller 20-city Home Price Index registering a year-over-year drop of more than 15%, leaving home prices where they were in the summer of 2004. A weaker jobs market, rising inflation and sagging home prices all contributed to slumping consumer confidence and falling stock prices to end the quarter.

The market's increasing focus on inflation - along with easing concerns about a systemic failure due to the subprime mortgage crisis - had a negative impact on the bond market. The yield of the 10-year Treasury note climbed to end the quarter just below 4.00%. At the same time, short-term rates declined modestly, prompted by the Fed's 0.25% cut in its target federal funds rate - a key overnight bank lending rate - on April 30. At the central bank's June meeting, though, the Fed held that key rate steady amid speculation that it could begin raising rates as early as the fall to curb inflation. Against this backdrop, the Lehman Brothers® U.S. Aggregate Index finished the quarter with a -1.02% return.

**Market Performance as of 6/30/08\***

<b>Index</b>	<b>2Q 2008</b>	<b>One Year</b>	<b>Five Years (annualized)</b>	<b>Ten Years (annualized)</b>
Lehman Agg.	-1.02%	7.12%	3.86%	5.68%
DJIA	-7.44%	-15.35%	4.78%	2.40%
S&P 500	-2.72%	-13.11%	7.58%	2.88%
Nasdaq Comp.	0.61%	-11.92%	7.16%	1.93%
Russell 2000	0.58%	-16.20%	10.29%	5.53%
MSCI EAFE	-2.25%	-10.61%	16.67%	5.83%

\* Source: S&P Micropal

Hampered in part by the weakness of large financial stocks, the large-cap value group struggled, as reflected in the Russell 1000® Value Index's -5.31% return. The Russell 1000 Growth Index, which tracks activity in the large-cap growth arena, gained 1.25% on the strength of energy and information technology stocks. Growth outpaced value in smaller stocks as well. Small-cap growth stocks tracked by the Russell 2000 Growth Index finished at +4.47%, versus -3.55% for the Russell 2000 Value Index. Meanwhile, the Russell Midcap® Growth Index's +4.65% result was well ahead of the Russell Midcap Value Index's +0.07% mark. Among S&P 500 Index sectors, financials and industrials both declined substantially. On the positive side, energy posted a double-digit gain, making it by far the Index's strongest-performing sector.

In the midst of rising yields and a reversal of the flight to quality evident in the previous quarter, Treasuries lagged comparatively lower-quality bond sectors. Consequently, the Lehman Brothers 1-3 Year Government Bond Index, at -0.84%, trailed the Lehman Brothers High Yield Bond Index, which managed a return of +1.76%. For comparison purposes, 3-month Treasury Bills returned +0.40%.