

Recap of Foundation Investment Performance for the Quarter Ended December 31, 2006:

Through the second quarter of the 2006-07 fiscal year (the 6-Month Period Ended December 31, 2006), the Foundation's rate of return was 8.9%, which is equivalent to approximately \$9.9 million of realized and unrealized gains. For this six-month period, the Foundation's total fund was in line with the comparable composite financial index, which was at 9.1%. The Foundation's fiscal year-to-date gains are comprised of a 12.9% gain on equities, a 4.0% gain on fixed income investments, and a 5.9% gain on alternative investments.

Foundation Investment Policies:

The Foundation's current asset allocation consists of 51.1% of the total amount invested in equities, 25.3% of the total amount invested in fixed income, and 23.6% 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 increased throughout the quarter ending December 31, 2006 and for the fourth consecutive year, as the S&P 500 Index increased 6.69% for the quarter. The equity market increase was due to stable short term interest rates, moderate inflation, lower energy prices, and indications that the housing market slowdown has stabilized.

The Fed did not change the federal funds rate in October and December when they met and it remains at 5.25%. One factor for the unchanged federal funds rate was due to moderate inflation, which was

due, in part, from lower energy prices and a slowing economy. Crude oil ended the quarter at \$60 per barrel, down 20% from \$78 per barrel prices during the summer. The calendar third-quarter growth estimate for GDP was 2.0% which was lower than figures from the previous two quarters.

Bond prices increased slightly for the quarter. The 10-year U.S. Treasury yield was at 4.71% at the end of the quarter, up 33 basis points from last year. Despite the increase in interest rates, because bond prices usually move inversely to yields, the Lehman Brothers Aggregate Bond Index increased 1.24% by the end of the quarter.

The housing market data indicated that the housing market has slowed, but is stabilizing. The decline in the value of homes while interest rates increased made it difficult for homeowners to get home equity loans, which caused a reduction in consumer spending.

The Consumer Price Index (CPI) increased 0.1% in December 2007 at a level of 201.8, which was 2.5% higher than in December 2005, a moderate inflation year over year increase.

The Foundation's investment performance increased throughout the second quarter of the 2006-07 fiscal year. Monthly investment performance closed in October, November, and December at 5.1%, 7.2%, and 8.9%, respectively.

It has been speculated that during the 2007 calendar year, rising corporate inventories and reduced consumer spending may reduce corporate profits, which may reduce returns in the equity market. 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.