

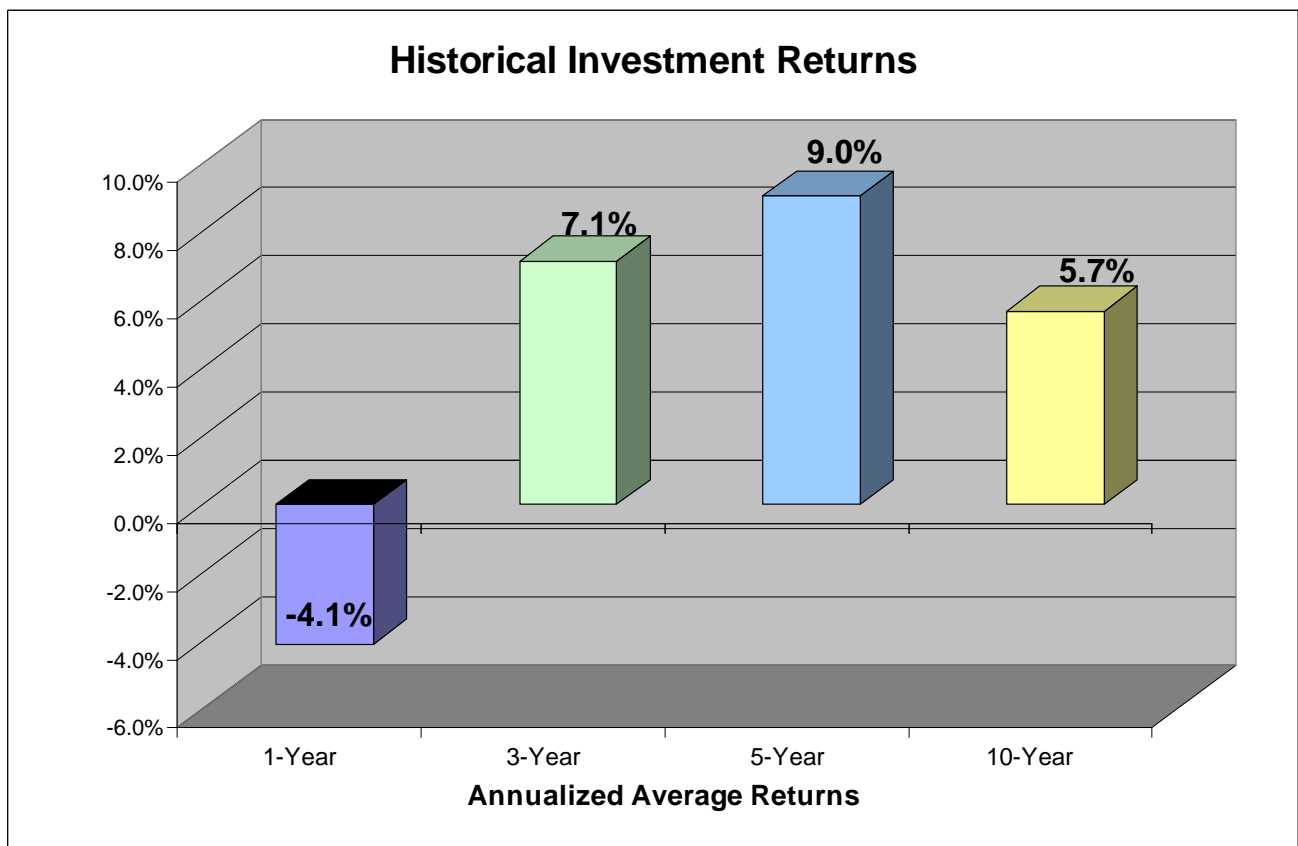
Recap of Foundation Investment Performance for the Quarter Ended September 30, 2008:

For the 3-month period ended September 30, 2008, the Foundation's had a loss of (9.3%), which is equivalent to approximately \$12.0 million of realized and unrealized losses. During this period, the Foundation's total fund performance underperformed the comparable composite financial index, which was down 5.5%. Over longer periods (three and five years), the fund performance has outperformed this benchmark, inclusive of this quarter. The Foundation's fiscal year-to-date losses are comprised of an 11.0% loss on equities, a 1.3% loss on fixed income investments, and an 11.5% loss on alternative investments.

Foundation Investment Policies:

The Foundation's current asset allocation consists of 49.7% of the total amount invested in equities, 19.2% of the total amount invested in fixed income, and 31.1% 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. Modest variations in allocation compared to policy are routine, particularly in the volatile markets we are currently experiencing.

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:

The stock market treaded water in July and August but fell sharply in September, as a flurry of government-sponsored rescues and corporate takeovers changed the face of Wall Street. Earlier in the quarter, investors found some comfort in the declining prices of crude oil and other commodities. With inflationary pressures easing, it seemed that the Federal Reserve Board might be less inclined to raise interest rates and consumer spending would be less constrained by high energy costs, both potentially supportive factors for stock prices.

In the quarter's final weeks, however, a number of household names in the financial sector ran aground, unnerving investors, driving share prices lower, and triggering corporate takeovers and unprecedented U.S. Government intervention. While news of the Treasury Department's \$700 billion economic rescue plan proposal resulted in a sharp rally near quarter-end, its positive impact on the stock market was fleeting. When the House of Representatives failed to come up with the necessary votes to pass the measure on the second-to-last day of the quarter, the Dow Jones Industrial AverageSM ("the Dow") posted its largest point loss ever and shed almost 7% of its value. The dizzying volatility spilled over to the final day of the period, when the market regained much of the ground lost on the previous day.

During the quarter, the Dow, a measure of blue-chip activity, suffered a decline of 4.40%. In the process, the venerable benchmark closed as low as 10,365, almost 27% below its all-time high above 14,164, set on October 9, 2007. The S&P 500[®] Index, a measure of large-cap activity, fell 8.36%, while the technology-heavy Nasdaq Composite[®] Index lost 8.77%. Small-cap stocks, as measured by the Russell 2000[®] Index, held up better, but still lost 1.11%. Foreign shares struggled against the headwinds of slumping economic activity abroad and a sharp rally in the U.S. dollar, resulting in a decline of 20.56% for the MSCI[®] EAFE[®] Index, a measure of foreign developed markets.

The present crisis has its roots in a combination of factors, including accommodative monetary policy, loose lending practices, extreme complacency among homebuyers and Wall Street's fascination with complex "derivative" securities that few people fully understand. Derivative securities derive their value from one or more underlying assets, such as mortgages, for example. Following the dot-com bubble of the late-1990s, the Fed slashed short-term interest rates in an effort to soften the 2001 recession and get the U.S. economy growing again. With interest rates in bargain-basement territory, home loans were easy to get, regardless of a borrower's qualifications. Many of the loans in the subprime category - those made to individuals with troubled credit histories - had extremely low teaser rates that were set to adjust sharply higher in a year or two. So-called "liar loans" - mortgages for which the lender required little or no documentation to prove the borrower's income and assets - also were prevalent. Many of these loans fell into the "Alt-A" category, meaning the borrowers were considered somewhere between prime and subprime credit risks.

Lenders made risky loans and borrowers took on excessive debt assuming that real estate prices would continue to spiral upward, creating the equity necessary to refinance or sell at a profit. In fact, U.S. consumers became so complacent that they began to spend more than they earned, resulting in a negative savings rate in 2005.

Investment banks such as Bear Stearns and by government-sponsored entities Fannie Mae and Freddie Mac, which bought groups of mortgage loans and packaged them into securities that were sold to investors, created another layer of risk. While Fannie and Freddie were limited to buying "conforming" loans - those that met certain standards for credit quality and loan size - private investment banks bought large quantities of riskier subprime and Alt-A mortgage loans.

These mortgage-backed securities ("MBS") were popular investments and also helped increase liquidity among mortgage lenders, adding fuel to the housing boom. For these reasons, MBS as a percentage of total mortgage debt outstanding rose from just over 10% in 1980 to about 55% by the end of 2006, according to the Fed.

Unfortunately, none of the players - investors, lenders or borrowers - was prepared for what might happen if the housing boom ran out of steam. With the economy on the mend in the middle of 2004, the Fed embarked on a two-year campaign to raise interest rates. As financing became more expensive, housing prices rose more slowly at first then began actually falling in many parts of the country. At the same time, loans with teaser rates began to reset at higher levels, triggering a rash of delinquencies and defaults. Because of the interconnected web of loans and investments based on mortgages, what was initially a seemingly manageable problem for the subprime lending industry metastasized into a broader crisis that has shaken the very foundations of Wall Street.

Investors had hoped that the March 2008 takeover of investment bank Bear Stearns by JPMorgan Chase marked the turning point of the crisis in the financial sector and a durable low for the stock market, but an extraordinary series of events in the third quarter of 2008 kept downward pressure on stock prices:

July 11 - Federal regulators seize IndyMac Bank, the most expensive bank failure since Continental Illinois failed in 1984

September 7 - The U.S. Government rescues Fannie Mae and Freddie Mac, the two government-sponsored entities that jointly issued roughly 40% of mortgage-backed securities in 2006.

September 14 - Fearful of its prospects for survival, brokerage and investment bank Merrill Lynch arranges to be bought by Bank of America.

September 15 - Lehman Brothers, the fourth-largest U.S. investment bank, files for Chapter 11 bankruptcy protection, the largest corporate bankruptcy filing ever in the United States.

September 16 - Insurer American International Group ("AIG") receives an emergency \$85 billion loan from the U.S. Government after its stock plunges and its debt is downgraded by all three major credit-rating agencies. The loan is seen as offering AIG a lifeline to gradually unwind its complex operations and gives the government almost an 80% stake in the company.

September 19 - Treasury Secretary Henry Paulson unveils a sweeping \$700 billion proposal to purchase hard-to-sell mortgage assets from banks. The government hopes to buy the assets at a discount and sell them at a profit when the housing market returns to health.

September 21 - Federal regulators agree to allow the last two surviving U.S. investment banks, Goldman Sachs and Morgan Stanley, to become bank holding companies. The move is intended to help the banks survive the financial crisis and gives them easier access to credit. The action also aims at increasing regulatory supervision of the two banks, streamlining their borrowing from the Fed, and bolstering investor confidence. The conversion marks the end of the separation of investment banking from commercial banking in the United States.

September 25 - Savings and loan Washington Mutual, on the 119th anniversary of its founding in Seattle, is seized by federal regulators, becoming the largest bank failure in U.S. history. Its loan portfolio and retail branches are sold to JP Morgan Chase.

September 29 - Citigroup agrees to acquire the banking assets of Wachovia, the nation's fourth-largest bank, which experienced large losses in part due to its exposure to the mortgage market. The deal excludes Wachovia's brokerage and asset management businesses, which will remain independent. On the same day, the U.S. House of Representatives defeats the Bush administration's economic rescue plan, sending stocks sharply lower.

What this means for FIU

The markets have continued in a downward spiral in October, more so than September, driven by continued problems in the financial sector as well as fears of a recession. As such, we are advising all departments to be prudent in their spending and save operating dollars whenever possible in order to remain viable in the near future.