



***SURA Finance Committee
Report-out***

**December 7, 2007
Washington, D.C.**

Committee's Activities and Discussions



- **Reviewed FY 07 operating results and financial position against plan**
- **Reviewed Smith Barney portfolio performance with Smith Barney investment advisor**
- **Reviewed FY 08 budget and reasonableness of key operating, investment and financing assumptions**
- **Discussed final stages of the SURA/DOE contract close-out and likely outcome**



Priorities and Action Items

Portfolio Management

- **Based on discussions with the SmithBarney investment advisor the following actions are recommended:**
 - **Expand maximum asset allocation for international equities from 10% to 20%**
 - **Begin overweighting growth versus value stock**
 - **Bring equity allocation back into compliance with the 75% allocation guideline**
- **In order to ensure continuity with existing investment strategies quarterly rebalancing procedures will be implemented beginning in early Q1 of 08**

Priorities and Action Items (cont'd)



Internal controls and financial due diligence

- ***Establish written procedures for approval and review of SURA CEO expense reimbursements and time sheet reporting***
- ***Begin process for evaluating outsourcing options for acquiring internal audit advisory and review services***
 - ***Service provider and preliminary audit plan to be in place by early Q1 of 08***

Priorities and Action Items (cont'd)



FY 08 Budget Recommendations

- ***Reduce the proposed budget target for ROI from 10.4% to the approved long term target of 9%***
- ***In anticipation of establishing an internal audit program add funding in the current budget to launch this activity beginning Q1 08 (60K for 9 months)***
- ***Reduce average interest expense on credit facilities from 6% to 5.5% to reflect current market conditions***

FY 07 Operating Results on Target With Plan, But ROI Outpaces Budget



	Actual FY07	Budget FY07	Variance
Revenues	4,423	5,877	(1,454)
Expenses			
Corporate G&A	2,916	3,108	
Program	4,319	5,557	
	<u>7,235</u>	<u>8,665</u>	<u>1,430</u>
Operating Loss	<u>(2,812)</u>	<u>(2,788)</u>	<u>(24)</u>
Net ROI	<u>4,730</u>	<u>3,100</u>	
Change in Net Assets	<u><u>\$1,918</u></u>	<u><u>\$312</u></u>	<u><u>\$1,606</u></u>

(\$000's)

**07 Portfolio Performance Well in Excess
of 9% Target**



Asset Class	Liquidation Adjusted FY 06 balance	Weighted Average FY 07	Market Value 9/30/07	Performance from 9/30/06	Benchmark
Large Cap	\$19,542	\$19,911	\$22,907	16.91%	16.56%
Mid Cap	\$6,059	\$7,022	\$7,375	18.74%	21.21%
Bonds	\$5,881	\$6,133	\$6,295	6.75%	6.22%

Total	\$31,482	\$33,066	\$36,577	15.41%	15.63%
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A

B

C

(C-A)/B

***FY 08 Budget vs. FY 07 Actual (Post
Finance Committee Recommendations)***



	Budget FY08	Actual FY07
Revenues		
DOE Fee/Cost	\$1,454	\$1,484
Programs & Other	3,811	2,939
	<u>5,265</u>	<u>4,423</u>
Expenses		
Corporate G&A	3,451	2,916
Program	4,455	4,319
	<u>7,906</u>	<u>7,235</u>
Operating Loss	<u>(2,641)</u>	<u>(2,812)</u>
Net ROI	3,055	4,730
Change in Net Assets	<u><u>\$414</u></u>	<u><u>\$1,918</u></u>

(\$000's)