



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

**November 7, 2008  
JLab CEBAF Center  
Newport News, VA**

*Committee's activities,  
discussions & approvals*



- **Following a thorough evaluation and vetting process of 3 leading regional firms Beers & Cutler (B&C) is now on board as SURA's outsourced internal auditors**
  - **First order of priority is to conduct a risk assessment study of SURA's financial, programmatic, governance and general business operations to identify priorities for an 09 audit plan**
  - **A kick-off meeting was held with the audit team in October and the study will begin mid November .**
  - **A draft of the risk assessment review and an accompanying audit plan are expected for initial review by SURA management sometime in December.**

*Committee's activities,  
discussions and approvals (cont'd)*



- **Reviewed the FY 08 year end financials and discussed key variances and details regarding support and programmatic activities.**
  - **The committee was particular concerned about the \$9.4 decline in net assets and the impact that losses of this magnitude could have on the long term stability of the organization.**
  - **The company's bank debt of \$4.8 million was also discussed extensively. Although not causing an unreasonable or risky debt to equity relationship, the arbitrage advantages enjoyed in past years no longer exist in today's market.**

*Committee's activities,  
discussions approvals, (cont'd)*



- **The committee unanimously agreed that we should begin to unwind our debt starting with a 600K reduction, bringing our balance down to 4.2 Million.**
- **Thereafter we would target more regular monthly or quarterly repayments totaling another 600K ending the year with a 3.6 balance**
- **In order to reduce interest costs it was agreed that the remaining 4.2 million following the first paydown should be consolidated under our existing 3 year revolving credit facility**

*Committee's activities, discussions  
and approvals (cont'd)*



- **Reviewed 12 month investment performance report with our SmithBarney investment advisor, Bob Olson.**
  - **Asset allocations are in line with our guidelines and while we have declined significantly with the market our money managers have nevertheless been able to outperform the market.**
  - **We currently have about 2.9 million in cash and are in the position to fund much of our operating needs without having to sell equities into a declining market.**
  - **It was agreed that following the 600K debt paydown much of the remaining 2.3 million would be placed with our fixed interest money manager in quality 2 to 3 year term securities.**

***Committee's activities, discussions  
and approvals, (cont'd)***



- Reviewed the 09 budget and recommended the following action for approval by the Board
  - That the operating budget be approved as proposed, but that we take a more conservative approach with respect to the forecasted ROI and use an ROI of -5% in lieu of the proposed 0%.
  - It was also recommended that given the precarious financial conditions we are experiencing globally that the performance against budget as well as prevailing market conditions should be reviewed by the Committee quarterly and that revisions could be made if appropriate.

***FY 08 operating results lag plan due to shortfall in fee income and overhead recovery --- ROI drops sharply with market***



	<b>Actual FY08</b>	<b>Budget FY08</b>	<b>Variance</b>
<b>Revenues</b>	<b>4,521</b>	<b>5,265</b>	<b>(744)</b>
<b>Expenses</b>			
<b>Corporate G&amp;A</b>	<b>3,632</b>	<b>3,628</b>	
<b>Program</b>	<b>3,751</b>	<b>4,278</b>	
	<b>7,383</b>	<b>7,906</b>	<b>523</b>
<b>Operating Loss</b>	<b>(2,862)</b>	<b>(2,641)</b>	<b>(221)</b>
<b>Net ROI</b>	<b>(6,538)</b>	<b>3,055</b>	
<b>Change in Net Assets</b>	<b>(\$9,400)</b>	<b>\$414</b>	<b>(\$9,814)</b>

(\$000's)

# Conservative asset allocation strategy and solid money manager performance helps offset some of the market volatility



Asset Class	9/30/07 Market Value			YTD Performance			
	Opening Balance	Restated for FY 08 Liq/Trsf	Weighted Average	Market Value 02/29/08	Change from 9/30/07	Benchmark	Indices
Large Cap	\$22,908	\$22,708	\$22,868	\$19,920	-12.19%	-11.35%	Rus. 3000/1000 Value/Growth
Mid Cap	\$7,375	\$7,375	\$7,375	\$6,664	-9.64%	-10.89%	Rus. Mid Cap Value/Growth
Bonds	\$6,294	\$6,294	\$6,294	\$6,566	4.31%	5.07%	1-3yr. Gov't/Corp
<b>Total</b>	<b>\$36,577</b>	<b>\$36,377</b>	<b>\$36,537 *</b>	<b>\$33,150 **</b>	<b>-8.83%</b>	<b>-8.43%</b>	<b>Composite</b>

A                      B                      C                      (C-A)/B

\* Weighted average based on daily outstanding investment balance for the five month period.

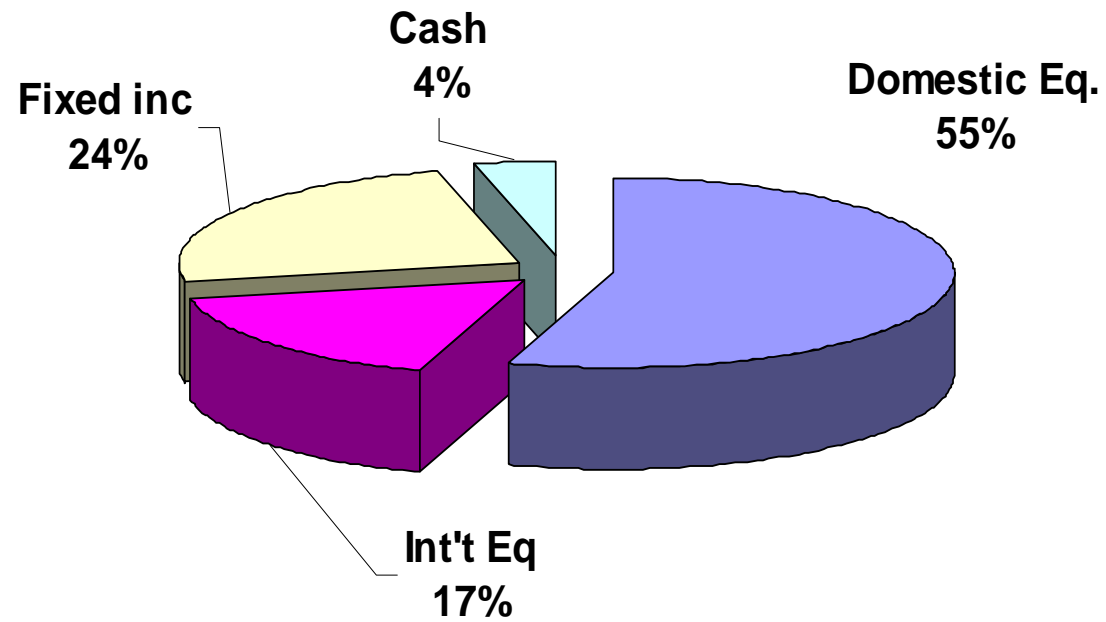
\*\* Average annual growth target (net of advisory fees) pegged at 9%

**S&P performance over same 5 month period                      -12.80%**

**NASDAQ performance over same 5 month period                      -15.90%**



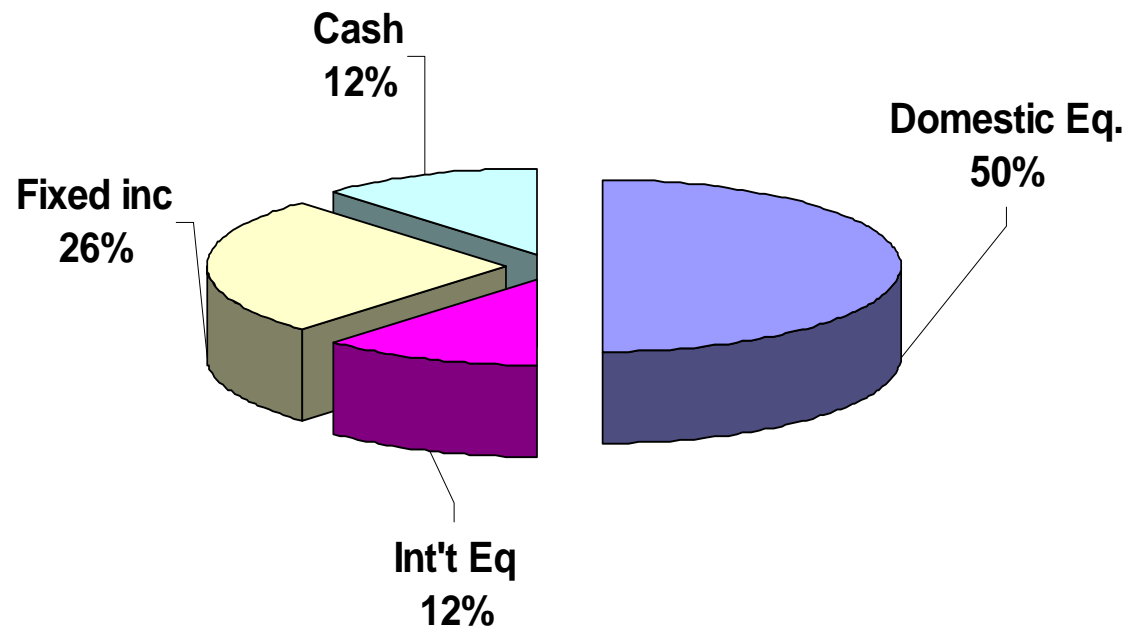
**Asset Allocation at 9/30/08**  
**\$27.7 Million**



**Portfolio declines yet another 13% in October -- Fixed interest and cash positions shelter 38% from market volatility**



**Asset Allocation at 10/31/08  
24.04 Million**



***09 budget reigns in costs, but still provides mission critical support to key programs --- ROI outlook is troublesome***



➤ **Operating Budget**

- **Wage and hiring freeze**
- **Staff count down 1 from 08**
- **Gap funding provided for the Coastal program to maintain momentum while securing new funding**
- **Modest forecast for new revenues (~270K), however pipeline of ~2 million in grant proposals underway for IT and Coastal**

➤ **ROI**

- **Position at 10/31/08 is roughly 13% below FY08's closing FMV of 27.7 million**
- **3 scenarios considered for 09 ... +5%, 0% and -5% from FY08**
- **Proposed budget revised downward to the -5% scenario**

***FY 09 budgeted operating results continue to stress SURA's resources -- net assets continue to decline***



	<b>Budget FY09</b>	<b>Actual FY08</b>	<b>Variance</b>
<b>Revenues</b>	<b>2,946</b>	<b>4,521</b>	<b>(1,575)</b>
<b>Expenses</b>			
<b>Corporate G&amp;A</b>	<b>3,625</b>	<b>3,632</b>	<b>7</b>
<b>Program</b>	<b>2,434</b>	<b>3,751</b>	<b>1,317</b>
	<b>6,059</b>	<b>7,383</b>	<b>1,324</b>
<b>Operating Loss</b>	<b>(3,113)</b>	<b>(2,862)</b>	<b>(251)</b>
<b>Net ROI</b>	<b>(1,588)</b>	<b>(6,538)</b>	<b>4,950</b>
<b>Change in Net Assets</b>	<b>(\$4,701)</b>	<b>(\$9,400)</b>	<b>\$4,699</b>

(\$000's)

***Cash drain from operations, curtailment of bank debt and negative ROI shrinks portfolio by \$5.4 million***



	ROI Growth Scenarios (\$000's)		
	5%	0%	-5%
Beginning Investment Balance	27,736	27,736	<b>27,736</b>
CF from Operations	(2,834)	(2,834)	(2,834)
LOC paydown	(1,200)	(1,200)	(1,200)
ROI	1,386	0	(1,387)
Net Activity	(2,648)	(4,034)	<b>(5,421)</b>
Ending Investment Balance	25,088	23,702	<b>22,315</b>