



Finance

August year-to-date operating results and investment/financing activities

Eleven Month Operating Results: The year end glide path for operating results continues to track closely to plan with a year-to-date (YTD) loss of ~\$2,923M representing a negative variance of \$52K compared to budget. This variance represents the combined affect of a \$115K shortfall in revenues (mostly due to lower business development revenues and a lag in new grant revenues) offset by a net positive cost variance of \$63K (mostly attributable to travel and procurement related belt-tightening measures as well as lower than planned space costs.) Had it not been for the extraordinary costs we incurred in connection with the restructuring of the SURA/JSA retirement plan and the transfer of conferencing services to JLab, operating results would have been roughly \$100K ahead of budget.

	8/31/09 YTD (\$000's)		
	Actual	Budget	Variance
Revenues	\$2,647	\$2,762	(\$115)
Corp G&A costs	3,234	3,351	117
Program costs	2,336	2,282	(54)
Sub total costs	5,570	5,633	63
Net Operating Results	(\$2,923)	(\$2,871)	(\$52)

Looking to the last month of the fiscal year, we expect that our negative operating variance will widen by another ~\$37K owing primarily to lower than planned grant revenues for the 4th quarter. Accordingly, our latest estimate for FY09 is for an operating loss of about \$3.2M versus a budgeted loss of \$3.11M.

Investment Performance and Financing Activities: At the end of August our YTD negative ROI had narrowed to ~-6.3%, representing about another two percentage point improvement over the July close of -8.1%. (This brings us very close to our fiscal year budget target of -5%.) Our August YTD net ROI loss is ~\$1.8M as shown in the "actual column" below, and represents a negative variance of ~\$108K against budget. It is noteworthy that our current loss of \$1.8M represents a \$4.7M recovery from the \$6.5M loss registered this past February.

	8 /31/09 (\$000's)		
	Actual	Budget	Variance
ROI Net of Mngr. Fees	(\$1,768)	(\$1,580)	(\$188)
Less: Bank interest exp.	63	143	80
Net ROI	(\$1,831)	(\$1,723)	(\$108)

Our money managers continue to perform well during these difficult market conditions. But, for the first time this year, their composite performance fell slightly behind their performance benchmarks which were established independently by SmithBarney, taking into account the respective investment styles of each manager as well as SURA's existing asset allocation. However, as we have been pointing out over the past few months, because our current investment posture remains very conservative, overweighting fixed income and cash, the performance advantage of our money managers is narrowing in comparison to the recent upturn in the market's performance. Clearly, the time is now approaching for a recalibration of our asset allocations so that we will be better positioned to capture the momentum of a market recovery once we are comfortable that market conditions have truly stabilized.

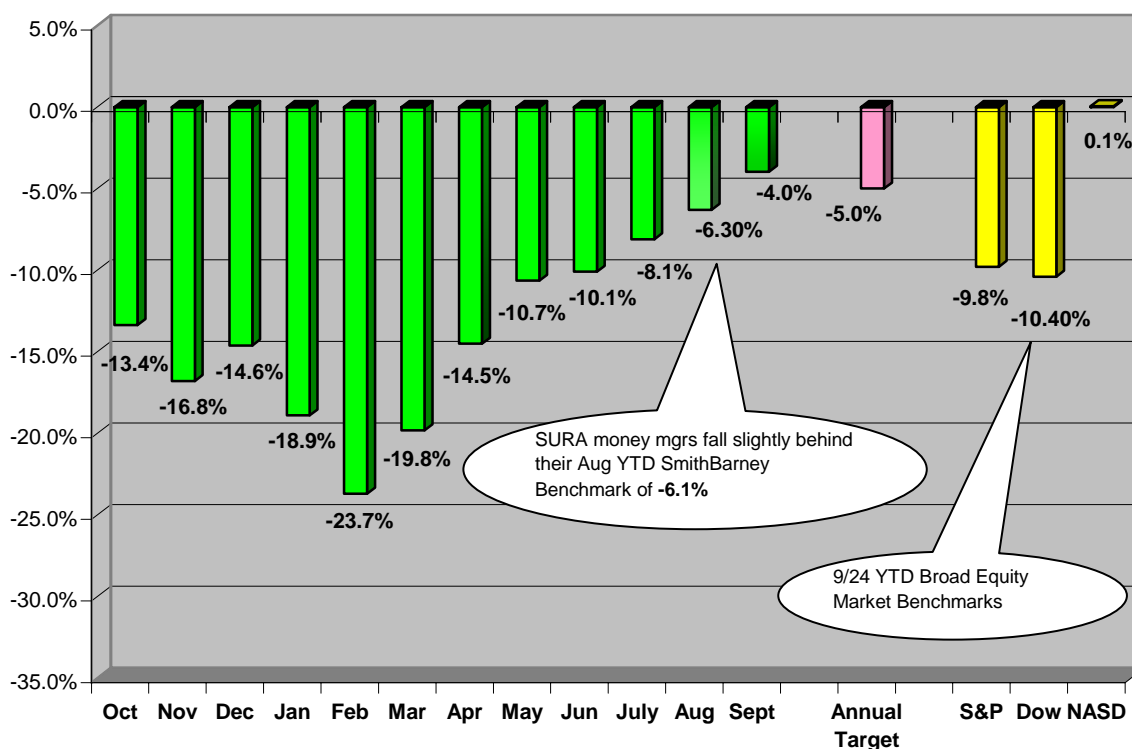
Taking into account year-to-date withdrawals for working capital (~\$2.9M) and pay-down of bank debt (~\$1.1M), the current value of the portfolio at the end of July was ~\$22.0M versus a budget of \$22.3M.

SURA's bank debt at the end of August was \$3.75M, down \$250K from July. This reduction brings our outstanding bank debt to its lowest level in more than three years. Interest rates remain at historic lows and our annual cost saving against plan is now estimated at \$95K.

Interim investment performance and financing update as of COB 9/24/09

Continuing the trend of the past five months, the market is showing steady improvement and the chart below points to a September close that is tracking to another month-over-month positive up tick of 1 to 2 percentage points. In anticipation that the recession may be nearing its end, our SmithBarney investment advisors are completing recommendations for alternate asset allocations and investment strategies that will be suitable for SURA's consideration once economic recovery is clearly underway. These investment scenarios will be presented to the Finance Committee for review at the upcoming October Board meeting. In the meantime, we continue to maintain a relatively defensive posture with about 36% invested in fixed income securities and cash equivalents, but nevertheless down from ~48% earlier in the fiscal year when the markets were much more volatile.

FY09 Cumulative Monthly ROI Performance
COB Sept 24, 2009



During September we liquidated another \$150K from the investment portfolio to cover working capital needs as well as the possibility of another \$50K to \$100K reduction in bank debt before the end of the fiscal year. Our approved line of credit at SunTrust remains at \$8 million.