VANDERBILT MUSEUM ENDOWMENT TRUST FUND

ANNUAL REPORT

JANUARY 1, 2007 THROUGH DECEMBER 31, 2007

February 25, 2008

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Executive Summary

The Suffolk County Vanderbilt Museum Endowment Trust Fund's (Fund) total annual return; dividends and interest, as well as capital appreciation from stocks and bonds, for 2007 was a gain of 7.12% compared to a gain of 11.39% in 2006. During 2007, the market value of the Fund decreased by $337,360 from $12,673,778 at the beginning of January to its year-end market value of $12,336,418, which is net distributions to the Museum and payment of investment management fees. The Fund's performance over the past year has enabled it to provide the Museum with its annual $1.2 million distribution.

The Fund's distribution adversely affects its ability to grow the principal in accordance with the Legislature's investment objectives; however the Museum would not be able to meet its operating expenditures without the Fund's monthly distribution. Current policy, Resolution No. 1266-2007, extends the authorization to provide the Museum with $1.2 million annually, $100,000 each month, through December 31, 2008 as long as the corpus of the Fund does not go below the value of the original bequest, ($8.2 million).

Historically, the Fund has used $12.2 million as an estimated minimum market value necessary to sustain the $100,000 monthly distribution to the Museum. Although this report covers the period January 1, 2007 through December 31, 2007, it is notable to mention that the market value of the Fund decreased below $12.2 million in January 2008 to a month-ending market value of $11,747,785. Current financial market conditions make it difficult for the Fund to maintain a market value above $12.2 million during 2008 when coupled with the $100,000 monthly distribution to the Museum. As a result of the Fund falling below the minimum market value, Bank of America and the Museum are scheduled to appear before the Parks and Recreation Committee on February 27, 2008 to provide a comprehensive review of the Fund, within the context of the current financial market conditions and an update of the financial status of the Museum.

2007 Fund Performance and Asset Allocation

The Suffolk County Vanderbilt Museum Endowment Trust Fund's (Fund) total annual return is the income from investments, dividends and interest, as well as capital appreciation from stocks and bonds. The Fund's total annual return for 2007 was a gain of 7.12% compared to a gain of 11.39% in 2006. During 2007, the market value of the Fund decreased by $337,360 from $12,673,778 at the beginning of January to its year-end market value of $12,336,418, which is net distributions to the Museum and payment of investment management fees. The table that follows details the 2007 month-ending market values for the Fund.

Month-ending Market Values for the Fund in 2007

Month	Total Account Market Value
January	$12,656,075
February	$12,510,753
March	$12,575,824
April	$12,864,189
May	$13,059,244
June	$12,841,735
July	$12,503,859
August	$12,526,335
September	$12,773,254
October	$12,883,486
November	$12,471,874
December	$12,336,418

Correspondence from Stephen V. Malo, past Senior Vice President of Fleet Investment Services, dated November 14, 2002 states, "the necessary cash flow to the Museum ($1.2 million annually) is sustainable as long as assets of approximately $12.2 million remain available." This past year, the Fund was able to stay above the minimum market value and meet the financial demands of maintaining the Museum. As of December 31, 2007, the total account market value of the Fund was $12,336,418, the lowest month-ending value during 2007.

Although this review is for the period January 1, 2007 through December 31, 2007, it is notable to mention that the market value of the Fund decreased below $12.2 million in January 2008 to a month-ending market value of $11,747,785. As a result of the Fund falling below the minimum market value, the Bank of America and the Museum are scheduled to appear before the Parks and Recreation Committee on February 27, 2008.

Current investment management policy allows for the continuation of monthly distributions to the Museum as long as the corpus of the Fund does not go below the value of the original bequest, $8.2 million. As a preventative measure to address the depletion of the Fund's realized capital gains, the Budget Review Office will continue to alert the Legislature when the market value of the Fund falls below $12.2 million and will recommend a comprehensive review of the Fund to include:

- A report to the Legislature from the Fund's investment advisor on:

    - ✓ The Fund's status and ability to continue to supplement the Museum's income from the principal account.
    - ✓ Suggested modifications to the Fund's current investment management policy.
    - ✓ Recommendations for ensuring that the Fund is able to adhere to the Legislature's investment objectives of preserving the principal corpus of the fund, maintaining a high level of steady and predictable income, and increasing the Fund's future income through long-term capital growth.

- A report to the Legislature from the Museum on:

    - ✓ Its financial status and continued need to supplement its income through the use of realized capital gains distributions from the Fund.

During 2007, the market value of stock equities averaged 38.2% and the individual bond portfolio represented 5.9% of the Fund's total market value. Investments in mutual funds (stocks and bonds) represented the other major investment category, averaging 55.0% of the Fund's market value. As of December 31, 2007, stock mutual funds totaled $1.97 million and bond mutual funds totaled $4.59 million.

The year-ending equity portfolio (individual stocks, mutual equity funds, and mutual real estate equity funds) represents 54.3% of the Fund's market value. This is in conformance with Resolution No. 1477-2006, which modified the investment guidelines to allow the investment advisor to maintain a 50/50 split between fixed securities and equities to range between 5-10% of the 50/50 split, as determined by market conditions. The Fund's asset allocation reflects the adopted investment objective of achieving greater growth through capital appreciation as well as providing a steady income from interest and dividends. The Fund's year-ending asset allocation is presented in the table that follows.

2007 Year-Ending Allocation of Fund Assets

Description	Market Value	% Of Portfolio	% Of Portfolio
Individual Stocks (Domestic & Foreign)	$4,727,378	38.32%	
Mutual Funds (Equity)	$1,966,276	15.94%	
Total Equities	**$6,693,654**		**54.26%**
Individual Bonds (Treasury Notes; Asset Backed Securities; Corporate Bonds)	$740,416	6.00%	
Mutual Funds-Fixed (Bond)	$4,588,672	37.20%	
Total Bonds	**$5,329,088**		**43.20%**
Short Term Investments (Money Market)	$313,676	2.54%	
Cash	$0	0.00%	
Total Other Investments	**$313,676**		**2.54%**
Total Portfolio	**$12,336,418**	**100.00%**	**100.00%**

The following table details the Fund's 2007 year-ending asset allocation in comparison to 2006.

2007 Year-Ending Asset Allocation in Comparison to 2006

	2007	2006	Variance
Equities (Stocks)	$6,693,654	$6,888,986	($195,332)
Bonds (Fixed Income)	$5,329,088	$5,546,329	($217,241)
Cash & Cash Equivalents (Money Market Fund)	$313,676	$238,463	$75,214
Total	**$12,336,418**	**$12,673,778**	**($337,359)**

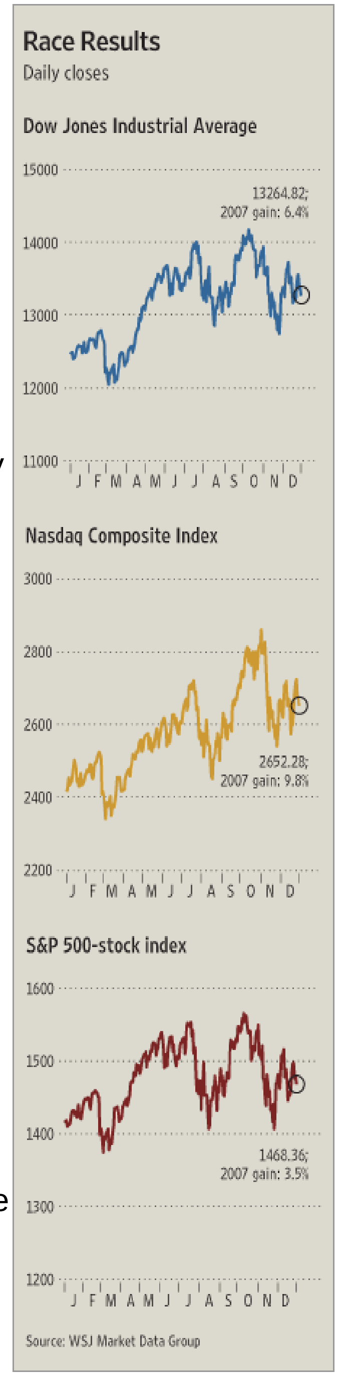
Equities (Stocks)

The Fund's stock portfolio, including stock mutual funds, posted a total return of 10.00% in 2007 after posting a gain of 17.66% in 2006. The Fund's total return from equities this past year compared favorably to the three main equity indexes[1] Standard & Poor's 500 stock index[2] (3.5% gain), NASDAQ composite index[3] (9.8% gain) and the Dow Jones industrial average[4] (6.4% gain), as indicated in the charts that follow from page R1 of the Wall Street Journal on January 2, 2008. "For the Dow industrials, it was the first fourth-quarter decline in 10 years,

[1] Equity indexes are used as a benchmark to measure stock market performance.
[2] The Standard & Poor's (S&P) 500 is the average value of 500 different large companies; 400 industrial stocks, 60 transportation and utility company stocks, and 40 financial issues.
[3] The NASDAQ, National Association of Securities Dealers Automated Quotation service, is a market value weighted index that tracks the performance of common stocks listed on NASDAQ.
[4] The Dow Jones Industrial Average is a stock market performance indicator that is based on the prices of 30 actively traded blue chip stocks, primarily major industrial companies.

and for the S&P, the first in seven".[5] The economic downturn that adversely impacted equities in the 4th quarter is likely to continue during 2008.

Default rates in the subprime mortgage[6] industry rose sharply in 2007. Additionally, U.S. home prices, sales volume, and housing starts all declined. The problems with the housing, credit and financial markets are expected to slow the national economy in 2008. Consequences of the housing market fallout include the potential for a negative impact on the construction and home improvement industries, decreases in consumer spending supported by home equity loans, and hesitancy towards financial institution lending even to solid borrowers. "The subprime downturn severely hurt many large banks and Wall Street firms, which took billions of dollars in write-downs and losses on the mortgage-related securities they held".[7] Recent media coverage also indicated that one of the biggest concerns for staving off an economic slowdown is spending by consumers, who are said to account for more than two-thirds of the economic activity. In addition to the housing market crisis, consumer expenditures will be hampered by high fuel costs that drain their available spending money. In fact, there are already indications that consumers are cutting back rather than borrowing or spending.



"Investors are entering the new year tired and jittery, preoccupied by seized-up credit markets and building recession[8] fears."[9] The first half of the year is expected to have market volatility with the second half of the year rebounding. Optimistic forecasters are predicting that the national economy will slow further in 2008, while pessimistic forecasters are predicting a recession. The extent of the slowdown is uncertain. According to Merrill Lynch economist, David Rosenberg, "Depending on which econometric model or leading economic indicators

[5] Browning, E. S. "Stocks Leap Obstacles for Gains" The Wall Street Journal. 2 January 2008: PP. R1
[6] Subprime mortgage loans are mortgage loans made to higher-risk borrowers with lower income or lesser credit history than "prime" borrowers.
[7] Ng, Serena. "Bonds Suffer Subprime Hit" The Wall Street Journal. 2 January 2008: PP. R2.
[8] A recession is a downturn in economic activity, defined by many economists as at least two consecutive quarters of decline in a country's gross domestic product.
[9] Browning, E. S. "Stocks Leap Obstacles for Gains" The Wall Street Journal. 2 January 2008: PP. R1.

you prefer, the probabilities for a recession are ‘anywhere from 50 percent to 100 percent’”.[10] Keep in mind though, “Because the U.S. economy is astonishingly complex and subject to many variables, economists can’t predict recessions.” “They can’t even say for certain one is under way until months after it has begun.”[11] With the hope of stimulating the U.S. economy, The Federal Reserve Board has been cutting interest rates. However, rate cuts typically take months to work their way into the economy. Overall, the stock market in 2008 should be approached with cautious optimism.

As last year ended, utilities and consumer staples were among the strongest investment sectors while financials and consumer discretionary stocks were amongst the weakest. The following table details the allocation of equities by category as a percent of the Fund’s equities total market value.

Allocation of Equity Portfolio by Industry

Category	Market Value 12/31/2007	% of Total Common Stocks
Consumer Discretionary	$415,741	8.79%
Consumer Staples	$462,688	9.79%
Energy	$536,702	11.35%
Financials	$843,883	17.85%
Health Care	$591,648	12.52%
Industrials	$543,220	11.49%
Information Technology	$820,029	17.35%
Materials	$161,729	3.42%
Telecommunication Services	$149,613	3.16%
Utilities	$202,127	4.28%
Total of Common Stocks	**$4,727,378**	**100%**

The majority of the common stock investments are “blue chip”, high quality large cap and Fortune 500 companies, with a current dividend yield of 1.91%. As of December 31, 2007, 109 of the Fund’s 143 equity holdings generate dividends with a market yield of 1.72%, which is a slight decrease from last year’s ending dividend yield of 1.77%. In addition to individual stocks, the Fund’s year-end portfolio includes five stock mutual funds with a market value of $1.97 million. The market value for all of the Fund’s equity investments is $6,693,654, which is 54.26% of the Fund’s year-end market value.

In accordance with Bank of America’s investment policy, the target range for individual stocks held in the portfolio is 3 to 5 percent of the total equity portfolio. This conservative investment policy protects the Fund by restricting exposure in

[10] Miller, James P. “Financial forecasters can’t say how long it will go” Newsday. 25 December 2007

[11] Miller, James P. “Financial forecasters can’t say how long it will go” Newsday. 25 December 2007

any one company. As of the end of 2007, the largest stock holding in the Fund is Exxon Mobil Corporation, with a market value of $152,246, which represented 3.2% of the equity portfolio, excluding stock mutual funds.

Bonds (Fixed Income)

Resolution No. 215-1987 restricts bond investments to investment grade[12], Baa[13] or above, per Moody's Investors Service.[14] This legislation structures the Fund's bond portfolio to provide income that is consistent with a reasonable level of risk. Fixed income investments, individual bonds and bond mutual funds, allow for diversification of the Fund's assets in a type of asset that provides a dependable income. However, the market value for bonds fluctuates with interest rates. The market value may be higher or lower than its book value dependent upon prevailing market interest rates and bond ratings. Generally, the market value of bonds decreases during times of rising interest rates, assuming investment grade bonds. Therefore, it is possible to experience a loss of principal when selling a bond prior to its maturity. Bond prices rise when investors seek the safety of government-backed debt and during times of declining interest rates.

The December 31, 2007 market value of all bond investments is $5,329,088, which is 43.20% of the Fund's total market value. This portion of the portfolio includes one individual Procter and Gamble corporate bond ($606,333) and one Federal National Mortgage Association (FNMA) mortgage backed security considered a bond ($134,084), which when combined ($740,416) represent 6.00% of the Fund's total market value, and three mutual bond funds ($4,588,672) representing 37.20% of the Fund's total market value and yielding 5.62% of book value ($257,994 annually).

The Fund's individual Procter and Gamble corporate bond is rated AA3 by Moody's Investor Service and matures in 14.2 years with a 2008 projected income of $44,534. The FNMA mortgage backed security is not rated by a ratings agency because it is implicitly rated AAA as it is a government backed agency. This FNMA mortgage backed security consists of a "pool" of 30 year mortgages that will be paid off on August 25, 2022. The principal and interest is returned to the owner of the particular security every month as people pay down their mortgage during the life of the security. There is currently no market for this security and it is in pay-down status with 87% of the initial funds paid out. The

[12] An investment grade bond is generally considered suitable for purchase by prudent investors. Moody's Investors Service designate bonds in their top four categories (AAA/Aaa, A/Aa, A and BBB/Baa) as investment grade.
[13] Obligations rated Baa are subject to moderate credit risk.
[14] Moody's Investors Service provides investment grade opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more that address the possibility that a financial obligation will not be honored as promised.

average duration of the FNMA is currently 3.2 years. Its 2008 projected income is $7,842. The mutual bond funds are detailed in the chart that follows.

Mutual Funds - Fixed (Bond) 2007

	Yield at Cost	Estimated Annual Income	Market Value	Original Cost	Variance
CMG Ultra Short Term Bond Fund	4.9%	$147,024	$2,888,308	$2,993,798	($105,490)
Columbia Core Bond Fund Class Z Shares	4.8%	$18,612	$383,529	$384,986	($1,457)
Columbia Conservative High Yield Fund Class Z Shares	6.6%	$92,358	$1,316,835	$1,406,950	($90,115)
Total		**$257,994**	**$4,588,672**	**$4,785,734**	**($197,062)**

The Fund's fixed income assets (individual bonds and bond mutual funds) posted a total return of 3.48% in 2007 after gaining 4.56% in 2006. This component of the Fund's portfolio compares favorably to the 2007 Lehman Brothers Municipal Bond Index[15] (3.36%), and the Merrill Lynch High Yield Bond Index[16] (2.19%) however, it compares unfavorably to the Lehman Brothers Aggregate Bond Index[17] (6.96%).

Cash & Cash Equivalents

Cash and cash equivalents (money market[18], treasury bills[19], and cash) represent the smallest portion of the Fund's portfolio. The December 31, 2007 market value for the cash and cash equivalents portion of the Fund was $313,676, which represented 2.54% of the Fund's year-ending asset allocation.

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[15] The Lehman Brothers Municipal Bond Index is a benchmark index that includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than two years) selected from issues larger than $50 million.

[16] The Merrill Lynch High Yield Bond Index is a benchmark index for high yield corporate bonds.

[17] The Lehman Brothers Aggregate Bond Index is a benchmark index made up of the Lehman Brothers Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $100 million.

[18] Money market funds are designed to provide safety of principal and current income by investing in securities that mature in one year or less, such as bank certificates of deposit, commercial paper and U.S. Treasury bills. Money market funds have the lowest risk of any type of mutual fund.

[19] Treasury Bills are short-term government issued debt instruments that have maturities of one year or less.

The 2007 total return for the cash and cash equivalents component of the Fund's portfolio was 4.95%. This total return compares favorably with the Merrill Lynch 91 Day T-Bill[20] (5.00%).

Capital Gains

Capital gains are the profitable difference between an investment's market value and its initial purchase price. The Fund's 2007 year-ending market value includes $1,105,299 in unrealized capital gains, the difference between the market value of the Fund, $12,336,418, and its book value, $11,231,120.

In 1993, the Legislature first authorized the use of capital gains to pay for one half of the investment management fees (Resolution No. 682-1993). Since the inception of this policy through 2007, a total of $359,448 in realized capital gains has been used to pay investment fees.

In 1994, the Legislature first authorized using realized capital gains to augment distributions to the Museum and to provide a guaranteed annual income with the adoption of Resolution No. 933-1994. From 1995 through 2007 a total of $7,721,250 in realized capital gains has been remitted to the Museum.

In 2002, Resolution No. 929-2002 changed the long-standing policy of restricting capital gains distributions to a maximum of the realized capital gains accrued during the current calendar year (total return policy) to allow for distributions of capital gains realized during prior years to be distributed. Without this change the Fund would not have been able to provide the Museum with the $1.2 million income during each of the ensuing years.

The Budget Review Office has historically expressed concern over the Museum's dependence on the use of realized capital gains to augment its income. However, we recognize that the Museum would not be able to meet its operating expenditures without the Fund's $100,000 monthly distribution. Although the Museum continues to concentrate on increasing its revenues from operations and decreasing its expenditures, the Museum still has to rely on the use of realized capital gains from the Fund to supplement its income.

[20] The benchmark Merrill Lynch 91-Day U.S. Treasury Bill Index is an unmanaged index that seeks to measure the performance of U.S. Treasury bills currently available in the marketplace.

Income & Remittances to the Museum

During 2007, a total of $1,195,352.37 was remitted to the Museum, which included the distribution of the Fund's December 2006 income in January 2007, as detailed in the chart that follows.

2007 Monthly Distributions to Museum

2007	Income Account (Interest & Dividends)	Principal Account	Combined
January (1) (2)	$84,148	$111,204	$195,352
February	$2,660	$97,340	$100,000
March (2)	$5,689	$44,311	$50,000
April (2)	$25,931	$24,069	$50,000
May	$25,818	$74,182	$100,000
June	$28,058	$71,942	$100,000
July (2)	$32,808	$117,192	$150,000
August (2)	$50,025	$0	$50,025
September (2)	$4,915	$95,060	$99,975
October	$55,878	$44,122	$100,000
November	$26,536	$73,464	$100,000
December	$28,293	$71,707	$100,000
Grand Total	**$370,757**	**$824,595**	**$1,195,352**

1. Bank of America adjusted the Museum's monthly distribution in January 2007 by reducing it by $4,647.63 to reconcile the $0.12 under payment in February 2006 and the $4,647.75 overpayment in September 2006.
2. Monthly distributions were also adjusted to meet the Museum's cash flows needs.

The 2006 distribution to the Museum exceeded the amount authorized by Resolution 1306-2005. The Museum was provided with $4,647.63 more than its guaranteed fixed income of $1.2 million. The overage was related to authorized adjustments to the distribution schedule to allow for the Museum to meet its payroll requirements. The overpayment was reconciled in January 2007. Bank of America made policy changes to prevent an overpayment from occurring again.

Resolution No. 1266-2007 continues the policy of using realized capital gains to augment the Museum's income as long as the corpus of the Fund does not go below the value of the original bequest ($8.2 million) and any unused funds are returned to the Fund for reinvestment. This authorization expires December 31, 2008. If the Legislature desires to continue the $1.2 million annual distribution to the Museum past 2008, the adoption of a resolution will be required by the end of this year.

The estimated income for the Fund in 2008 is $430,473, which is a yield of 3.5% of the market value. Using this 2008 estimated income level as an indication of the Fund's financial status in the coming year, it is estimated that the Fund will require a distribution of $769,527 from capital gains to augment income from interest and dividends to provide the guaranteed $1.2 million annual income to the Museum.

Investment Management Services Contract

Investment Objectives

The current investment objectives are to preserve the principal corpus of the Fund, maintain a high level of income that is steady and predictable and provide for future growth of income through long-term capital growth.

- Resolution No. 215-1987 restricts bond investments to investment grade, Baa or above, per Moody's Investors Service.

- Resolution No. 1477-2006 modified the investment guidelines to allow a 50/50 split between fixed securities (bonds) and equities (stocks) to range between 5-10% of the 50/50 split, as determined by market conditions.

- Resolution No. 1266-2007 set the Fund's 2008 investment policy. It authorizes the Vanderbilt Museum Trust Fund's Investment Advisor, Bank of America, to:

    - ✓ Utilize a total return concept, meaning investing for a comprehensive return, including interest and dividends earned on stocks and bonds, plus realized and unrealized gains and losses.

    - ✓ Provide a fixed annual income of $1.2 million, as requested by the Suffolk County Vanderbilt Museum, to be paid to the Suffolk County Vanderbilt Museum at $100,000 per month.

    - ✓ Use realized capital gains to augment the monthly income distribution to the Museum, as long as the corpus of the Fund does not go below the value of the original bequest ($8.2 million). Resolution No. 1266-2007 extends this authorization from January 1, 2008 through December 31, 2008. If the Legislature desires to continue the $1.2 million annual distribution to the Museum past 2008, the adoption of a resolution will be required by the end of this year.

Terms of the Contractual Agreement

Fleet Investment Services (Fleet) entered into a contractual agreement in 1996 with the Suffolk County Legislature to provide investment management services for the Vanderbilt Museum Endowment Trust Fund. The two year agreement included two options to renew for a period of two years for each renewal. In 2004, Fleet Investment Services was selected through an RFP. In September of 2004, Fleet merged with Bank of America, which is now the investment manager for the Endowment Trust Fund. The contract agreement with Bank of America expires at the end of 2008. The Budget Review Office recommends issuing an RFP this spring.

Advisory Fees

Investment management fees during 2007 totaled $22,359. The annual fee is 40 basis points (.40%), calculated on both principal value and accrued income, and taken quarterly. Resolution No. 682-1993 authorizes the use of capital gains to pay 50 percent of the investment management fees. A total of $11,179 in investment fees was paid during 2007 from the principal account (realized capital gains from previous years) and a total of $11,179 was paid from the Fund's income account. Bank of America does not receive any remuneration for the Fund's equity trades. However, a nominal commission is paid to an independent financial institution for equity market transactions.

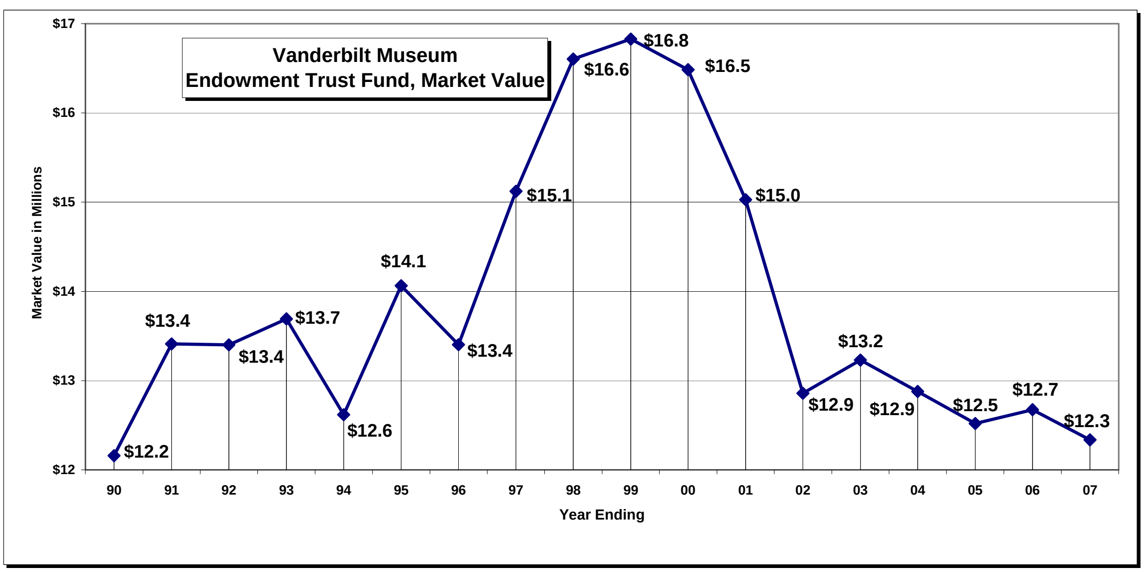
Summary Table and Graph

The following table summarizes the Fund's 2007 $337,359 net change (decrease) in market value and the chart that follows plots the Fund's year-end market values during the period 1990-2007.

2007 Endowment Trust Fund Summary

Beginning Market Value			
Market Value December 31, 2006		$12,673,778	
Income			
Dividends	$431,016		
Interest	$54,483		
Other Income (Money Market interest & dividends)	($1,821)	$483,678	
Distributions			
Income Remitted to the Museum	($370,757)		
Realized Capital Gains Remitted to the Museum	($824,595)		
Fees	($22,359)		
Foreign Taxes	$0	($1,217,711)	
Capital			
Capital Appreciation		$396,674	
Ending Market Value			
Market Value December 31, 2007		$12,336,418	
2007 Net Change in Market Value			($337,359)

The following graph plots the Fund's market values for the past 18 years ending in December 31, 2007.



Findings and Recommendations

1. The Fund's stock portfolio, including stock mutual funds, posted a total return of 10.00% in 2007 after posting a gain of 17.66% in 2006. The Fund's total return from equities this past year compared favorably to the three main equity indexes.

2. The Fund's fixed income assets (individual bonds and bond mutual funds) posted a total return of 3.48% in 2007 after gaining 4.56% in 2006. This component of the Fund's portfolio compares unfavorably to the Lehman Brothers Aggregate Bond Index (6.96%).

3. The Fund's total annual return for 2007 was a gain of 7.12% compared to a gain of 11.39% in 2006.

4. During 2007, the market value of the Fund decreased by $337,360 from $12,673,778 at the beginning of January to its year-end market value of $12,336,418 net distributions to the Museum and payment of investment management fees.

5. This past year, the Fund was able to stay above the minimum market value and meet the financial demands of maintaining the Museum.

6. Although this review is for the period January 1, 2007 through December 31, 2007, it is notable to mention that the market value of the Fund decreased below $12.2 million in January 2008 to a month-ending market value of $11,747,785.

7. Bank of America and the Museum are scheduled to appear before the Parks and Recreation Committee on February 27, 2008 to address financial market conditions and the Museum's operating budget.

8. Current investment management policy allows for the continuation of monthly distributions to the Museum as long as the corpus of the Fund does not go below the value of the original bequest, $8.2 million.

9. As of December 31, 2007, 109 of the Fund's 143 equity holdings generate dividends with a market yield of 1.72%, which is a slight decrease from last year's ending dividend yield of 1.77%.

10. As of the end of 2007, the largest stock holding in the Fund is Exxon Mobil Corporation, with a market value of $152,246, which represented 3.2% of the equity portfolio, excluding stock mutual funds.

11. The Fund's 2007 year-ending market value includes $1,105,299 in unrealized capital gains, the difference between the market value of the Fund, $12,336,418, and its book value, $11,231,120.

12. In 1993, the Legislature first authorized the use of capital gains to pay for one half of the investment management fees (Resolution No. 682-1993). Since the inception of this policy through 2007, a total of $359,448 in realized capital gains has been used to pay investment fees.

13. In 1994, the Legislature first authorized using realized capital gains to augment distributions to the Museum and to provide a guaranteed annual income with the adoption of Resolution No. 933-1994. From 1995 through 2007 a total of $7,721,250 in realized capital gains has been remitted to the Museum.

14. In 2002, Resolution No. 929-2002 changed the long-standing policy of restricting capital gains distributions to a maximum of the realized capital gains accrued during the current calendar year (total return policy) to allow for distributions of capital gains realized during prior years to be distributed. Without this change the Fund would not have been able to provide the Museum with the $1.2 million income during each of the ensuing years.

15. During 2007, a total of $1,195,352.37 was remitted to the Museum, which included recapturing a prior year overpayment of $4,647.63.

16. Resolution No. 1266-2007 continues the policy of using realized capital gains to augment the Museum's income as long as the corpus of the Fund does not go below the value of the original bequest ($8.2 million) and any unused funds are returned to the Fund for reinvestment. This authorization expires December 31, 2008.

17. The estimated income for the Fund in 2008 is $430,473 (a yield of 3.5% of the market value), which will require a distribution of $769,527 from capital gains to provide the guaranteed $1.2 million annual income to the Museum.

18. Investment management fees during 2007 totaled $22,359.

19. The Budget Review Office recommends issuing an RFP for investment management service in the spring of 2008 as the current agreement expires on December 31, 2008.

Appendix A

Historical Information

William Kissam Vanderbilt II (1878-1944) referred to his 43-acre summer estate in Centerport, which overlooks the Northport Harbor and the Long Island Sound, as the “Eagle’s Nest”. Mr. Vanderbilt traveled extensively throughout the world collecting artifacts to develop his own personal museum at Eagles Nest. In Mr. Vanderbilt’s last will and testament, he recognized the potential for his vast estate to become a museum “for the use, education and enjoyment of the general public”. Mr. Vanderbilt died in 1944 of a heart attack and his wife whom he married in Paris in September of 1927, Rosamund, died three years later in 1947 at “Eagle’s Nest”. She was the last Vanderbilt to live there.

In his last will and testament, Mr. Vanderbilt bequeathed his estate in Centerport, together with its real property, furnishings, exhibits, and works of art, artifacts, memorabilia and certain moneys either to the State of New York, County of Suffolk or Town of Huntington. Suffolk County accepted the generous bequest in accordance with the terms of the agreement dated August 3, 1949.

The estate was opened as a public museum in 1950. The Museum includes a Spanish revival style mansion with a Memorial Wing constructed in 1936 to commemorate Mr. Vanderbilt’s only son who died in 1933 from an automobile accident in South Carolina, a planetarium, outbuildings as well as landscaped grounds.

The Vanderbilt planetarium was erected in 1971 for less than one million dollars on the site of the former Vanderbilt family tennis courts and was paid for from the Endowment Trust Fund. The planetarium is a 238-seat 60-foot diameter domed sky theatre with a central GOTO projector supplemented by dozens of perimeter slide projectors and a video projector.

In November of 1986, Local Law No. 35-1986, designated and renamed the museum "Suffolk County Vanderbilt Museum". The Suffolk County Vanderbilt Museum Commission evolved from the former Suffolk County Park Commission, which was established by resolution of the Board of Supervisors on June 27, 1949, and enlarged by resolution of the Board of Supervisors on December 28, 1959. The Commission is responsible for the management and control of the Suffolk County Vanderbilt Museum, pursuant to Local Law No. 1-1966. The Board of Trustees of the Suffolk County Vanderbilt Museum Commission has the sole power and control over the development, maintenance and operation of the Suffolk County Vanderbilt Museum and Planetarium and to conduct its programs and activities, subject only to the contractual conditions under which the County accepted the Vanderbilt bequest. The Board of Trustees is the appointing body with respect to all personnel engaged in the maintenance and operation of the programs and activities of the museum and planetarium, including the Director. The employees of the Museum are not employees of Suffolk County, but are employees of a privately endowed institution. The Suffolk County Legislature appoints fifteen members to the Commission for four-year terms of office to govern the Vanderbilt Museum.

The Legislature has the sole power and control over Museum property and the distribution of Trust Funds for its operation, care and perpetuation, subject only to the contractual conditions under which the County accepted the Vanderbilt bequest. Mr. Vanderbilt's bequest included $2 million to establish an endowment fund for the maintenance and care of the estate. In 1973, the Fund had an additional bequest of $6.2 million from the estate of Muriel Vanderbilt Adams, William K. Vanderbilt's daughter, raising the corpus of the Fund to $8.2 million. Today, distributions from the Fund partially defray the Museum's operating expenses.

The Museum's operating budget receives no funds from County real property taxes; however the County general fund assumes all debt service for the Museum's capital projects.