

BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

12 Noon, March 14, 2011
Jefferson Room, Grawemeyer Hall

OPEN SESSION AGENDA

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MINUTES OF THE BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

In Open Session

Members of the University of Louisville Foundation, Inc. Board of Directors met on October 28, 2010, at 12:20 p.m., in the Jefferson Room, of Grawemeyer Hall on Belknap Campus, with members present and absent as follows:

Present: Mr. J. Chester Porter, Chair
Mr. Burt Deutsch
Dr. Salem George
Ms. Joyce Hagen
Ms. Margaret Handmaker
Mr. Harry Jones
Dr. James R. Ramsey
Mr. Sam Rechter
Mr. Eddy Roberts
Dr. William Selvidge
Mr. Frank Weisberg

Absent: Mr. Kevin Cogan
Mr. Owsley Frazier
Mr. William Wilcox

From Legal
Counsel: Mr. David Saffer, Stites & Harbison

Guests: Mr. Mark Mulloy, Peritus Public Relations
Ms. Mary McKinley, CPA, BKD

From the
University: Dr. Shirley Willihnganz
Dr. William Pierce
Dr. Larry Cook
Mr. Mike Curtin
Mr. Keith Inman
Dr. Tom Jackson
Mr. Joe Gahlinger
Mrs. Kathleen Smith

I. Call to Order

Chair Porter called the meeting to order at 12:20 p.m.

II. Consent Agenda

Chair Porter read the consent agenda items.

Approval of Minutes

- June 1, 2010

From the Finance Committee:

- Information Item: Quarterly Investment Performance Report
- Action Item: Approval of Investment in First State Investments and Overlook Investments Limited

From the Audit Committee

- Action Item: Approval of Audited Financial Statements FY 2010

Hearing no objection, Mr. Deutsch made a motion, which Mr. Weisberg seconded, to approve the consent agenda. The motion passed. Mr. Deutsch also recognized the ability of the Foundation's endowment investments to outperform similar endowment funds.

III. Report of the Nominating Committee

President Ramsey reported the Nominating Committee met to discuss reappointments and new members. President Ramsey moved approval of the following nominations for officers for 2010-11. Mr. Deutsch seconded the motion.

Chairman	J. Chester Porter
Vice Chairman	Burt Deutsch
Treasurer	Joyce Hagen
Secretary	Eddy Roberts
Assistant Treasurer	Michael J. Curtin
Assistant Secretary	Kathleen M. Smith
Foundation Counsel	Stites & Harbison

Executive Committee

Chairman	J. Chester Porter
Ex Officio	James R. Ramsey
	Burt Deutsch
	Joyce Hagen
	Eddy Roberts

NEW MEMBERS/REAPPOINTMENTS:

The reappointment of Burt Deutsch and Frank Weisberg for a three-year term as community at-large directors (through June 30, 2013).

The appointment of Charles P. Denny for a three-year appointment as a

community at-large director to fill the expired term of Kevin Cogan (through June 30, 2013).

The appointment of Lalit Sarin as a community at-large director to fill the unexpired term of Robert Rounsavall (through June 30, 2012).

The motion passed.

IV. Action Item: Approval of Signature Authority

President Ramsey explained this was a housekeeping matter. The last update was March, 2008. The resolution updates that authorization, and he recommended its approval. Dr. George made a motion, which Mr. Deutsch seconded, to approve the

Signature Resolution (copy available upon request)

The motion passed.

V. Report of the President

President Ramsey showed a video depicting the University's accomplishments for the past year. The President provided an update on the Tax Increment Financing application for Belknap Campus and Kentucky Trailer properties and the approved TIF for the Health Sciences Center. Dr. Ramsey reviewed the seven strategies the University's leadership team employs for moving the University forward.

He also read the following resolutions of appreciation. Dr. Ramsey moved the approval of the resolutions, and Mr. Jones seconded the motion.

Kevin Cogan

WHEREAS, Kevin Cogan served as a member of the UofL Foundation Board of Directors since 2006;

WHEREAS, his leadership on this board had significant impact on the directions of the Foundation;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the University of Louisville Foundation, Inc. hereby expresses its sincere admiration and deep appreciation to Mr. Kevin Cogan, for the compassionate and insightful interaction during his service on the University of Louisville Foundation Board of Directors; and

BE IT FURTHER RESOLVED, that a copy of this Resolution, appropriately signed, be printed for formal presentation to our good friend and colleague, Mr. Kevin Cogan.

Robert W. Rounsavall, III

WHEREAS, Robert W. Rounsavall, III, served as a member of the UofL Foundation Board of Directors since 2001;

WHEREAS, his leadership on this board had significant impact on the directions of the Foundation, having served as a member of the Finance Committee;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the University of Louisville Foundation, Inc. hereby expresses its sincere admiration and deep appreciation to Mr. Robert W. Rounsavall, III, for the compassionate and insightful interaction during his service on the University of Louisville Foundation Board of Directors; and

BE IT FURTHER RESOLVED, that a copy of this Resolution, appropriately signed, be printed for formal presentation to our good friend and colleague, Mr. Robert W. Rounsavall, III.

The motion passed.

VI. Adjournment

Mr. Deutsch made a motion, which Mr. Rechter seconded, to adjourn the meeting. The meeting adjourned at 1:00 p.m.



C A M B R I D G E A S S O C I A T E S L L C

University of Louisville Foundation

Quarterly Investment Performance Report

Board of Directors Meeting

March 14, 2011

Endowment Performance Comparison (net returns)



	Last Quarter 10/1/2010 12/31/2010	CYTD 1/1/2010 12/31/2010	3 Year 1/1/2008 12/31/2010	5 Year 1/1/2006 12/31/2010	Annual 7/1/1995- 12/31/2010
University of Louisville Endowment	6.4 %	13.8 %	0.3 %	5.2 %	10.7 %
Asset Allocation Benchmark	7.0 %	12.5 %	-0.1 %	5.3 %	8.5 %
Cambridge Associates Endowment Median	5.7 %	12.1 %	-0.1 %	4.9 %	8.4 %
<i>Pool Size</i>	293	293	284	272	156
<i>Percentile</i>	23	10	41	41	5
CA College and University Median	5.8 %	12.5 %	-0.2 %	4.9 %	8.3 %
<i>Pool Size</i>	94	94	91	90	61
<i>Percentile</i>	26	13	36	42	7
CA College and University \$700-\$900 mm Median	5.8 %	13.2 %	1.2 %	5.6 %	7.5 %
<i>Pool Size</i>	3	3	3	3	2
<i>Percentile</i>	50	50	100	100	0

Note: Periods of ULF Endowment outperformance in green, periods of underperformance in red.

Recent Value Changes in Endowment (in thousands)



	FY 10 Ended 6/30/10	FY 11 To 12/31/10
Beginning Market Value	\$ 571,852	\$ 639,135
Ending Market Value	\$ 639,135	\$ 725,956
Change	\$ 67,283	\$ 86,820
Net Contributions	(\$ 11,602)	
Market Change	(\$ 163,653)	\$ 86,820

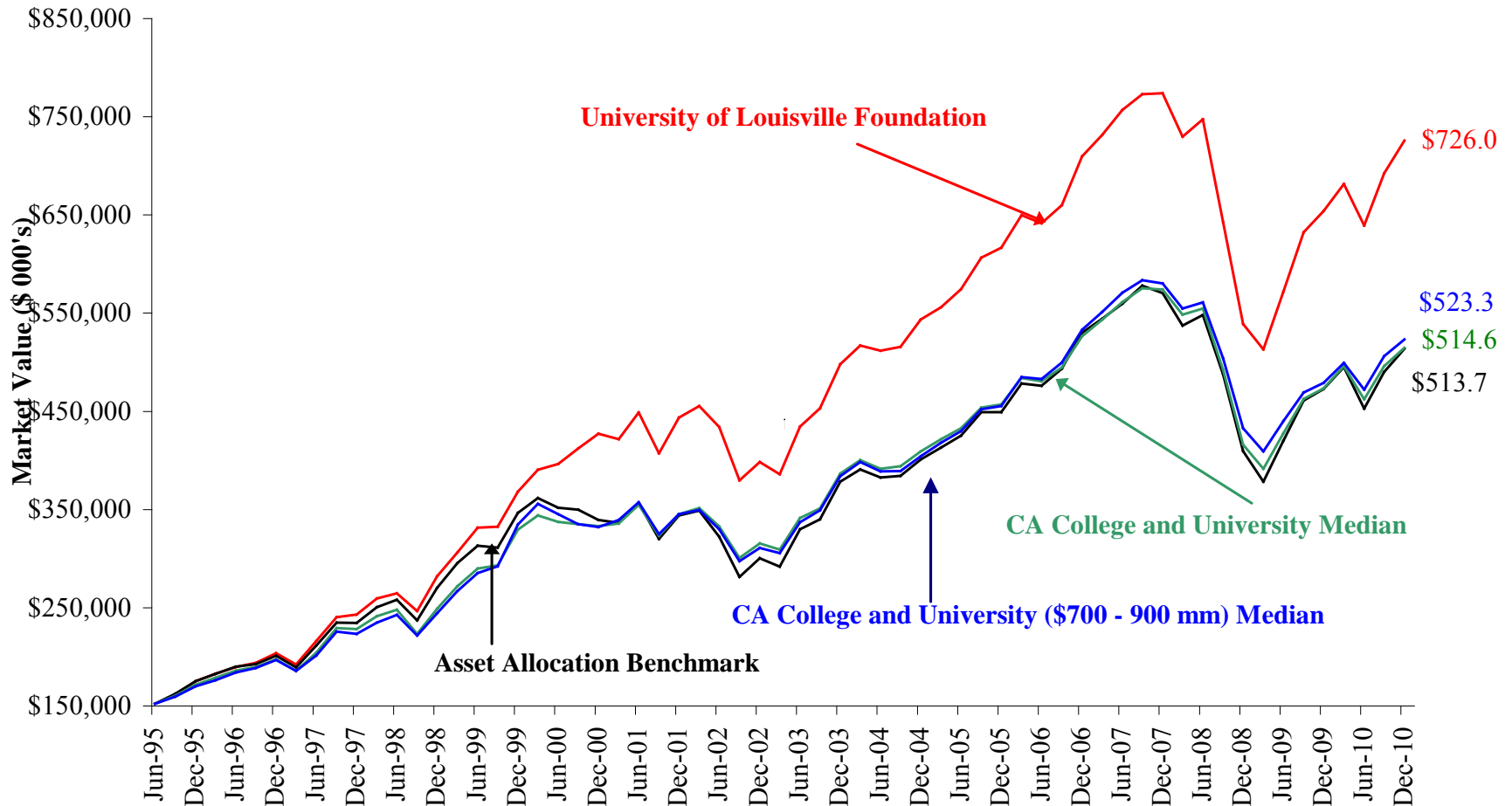
Total Return Analysis

July 1, 1995- December 31,2010



Since 1995, the Foundation's portfolio has added \$ 211.4 mm. more wealth compared to the CA College and University Median, and \$212.3 mm. compared to the Asset Allocation Benchmark.

TOTAL RETURN ANALYSIS
July 1, 1995 - December 31, 2010



Endowment Performance by Composite



<u>Asset Class</u>	<u>Market Value (\$ mm.)</u>	<u>% of Total Portfolio</u>	<u>Target Asset Allocation</u>	09/30/10-12/31/2010	06/30/10-12/31/2010	12/31/09-12/31/2010	01/01/08-12/31/2010	01/01/06-12/31/2010	Annualized
				<u>Latest Quarter</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Since 1990</u>
U.S. Equity	161.4	22.2%	18.0 %	13.4 %	28.7 %	21.9 %	2.9 %	5.1 %	10.9 %
Russell 3000 Index				11.6 %	24.5 %	16.9 %	(2.0 %)	2.7 %	8.8 %
<i>CA U.S. Equity Manager Median</i>				12.5 %	25.5 %	19.3 %	(0.9 %)	3.6 %	10.2 %
Developed Global Ex. U.S. Equity	103.1	14.2%	15.0 %	6.8 %	20.5 %	14.0 %	(2.9 %)	4.9 %	9.7 %
MSCI EAFE Index				6.6 %	24.2 %	7.8 %	(7.0 %)	2.5 %	4.8 %
<i>CA Global Ex. U.S. Equity Manager Median</i>				7.4 %	25.0 %	11.3 %	(5.5 %)	3.4 %	---
Emerging Markets Equity	63.9	8.8%	9.0 %	7.0 %	28.6 %	22.6 %	2.0 %	11.2 %	18.6 %
MSCI Emerging Markets Index				7.4 %	26.9 %	19.2 %	(0.0 %)	13.1 %	20.7 %
<i>CA Emerging Markets Equity Manager Median</i>				7.6 %	28.2 %	20.6 %	(0.4 %)	12.5 %	---
Fixed Income	75.1	10.3%	13.0 %	(2.9 %)	2.4 %	9.4 %	6.2 %	6.2 %	7.2 %
BC Agg. 65% /Citi Wld. Government 35% Blended Index				(1.4 %)	3.0 %	6.1 %	6.0 %	6.3 %	7.1 %
<i>CA Core Bond Manager Median</i>				(1.2 %)	1.4 %	6.8 %	6.4 %	6.0 %	7.0 %

Endowment Performance by Composite

(cont.)



Asset Class	Market Value (\$)	% of Total Portfolio	Target Asset	09/30/10-12/31/2010	06/30/10-12/31/2010	12/31/09-12/31/2010	01/01/08-12/31/2010	01/01/06-12/31/2010	Annualized
				Latest Quarter	FYTD	1 Year	3 Year	5 Year	Since 1990
Marketable Alternatives	161.1	22.2%	20.0 %	4.3 %	8.3 %	8.4 %	2.4 %	5.6 %	6.2 %
HFRI Fund of Funds Index				3.6 %	7.0 %	5.7 %	(2.5 %)	2.4 %	3.3 %
CA Fund of Funds Hedge Fund Manager Median				3.7 %	7.3 %	6.9 %	(0.5 %)	4.5 %	5.1 %
Real Assets	74.7	10.3%	13.0 %						
Marketable Real Assets	66.3	9.1%		16.0 %	31.0 %	22.1 %	(0.9 %)	4.0 %	---
Total Non-Marketable Real Assets	8.4	1.2%		---	4.0 %	10.8 %	(3.1 %)	(0.2 %)	3.4 %
Total Non-Marketable Assets ex. Real Assets	66.7	9.2%	12.0 %	---	3.9 %	5.5 %	(1.5 %)	8.3 %	23.8 %
PNC Schoen	1.7	0.2%		8.1 %	20.2 %	6.1 %	---	---	(7.7 %)
Cash Pending Placement	-8.5	-1.2%		---	---	---	---	---	---
Unitrust	5.2	0.7%		10.9 %	23.8 %	15.8 %	(2.4 %)	2.5 %	1.5 %
UHI Line of Credit	21.5	3.0%		0.8 %	1.7 %	3.3 %	---	---	3.6 %
TOTAL Assets	726.0	100.0%	100.0 %	6.4 %	16.0 %	13.8 %	0.3 %	5.2 %	10.7 %

GDP Deflator	0.3 %	0.3 %	1.3 %	1.1 %	1.7 %	2.1 %
Total Spending Rate	1.9 %	3.7 %	7.5 %	7.0 %	6.0 %	6.0 %
Real Growth	4.3 %	12.0 %	5.0 %	(7.8 %)	(2.5 %)	2.5 %

LAND & BUILDING HOLDINGS

Cost	Depreciation	Income
81,611,870	6,169,066	1,150,834

Marketable Alternative Performance



Asset Class	<u>Market Value</u> (\$ mm.)	<u>% of Total</u> <u>Portfolio</u>	<u>09/30/10-</u> <u>12/31/2010</u> <u>Latest</u> <u>Quarter</u>	<u>06/30/10-</u> <u>12/31/2010</u> <u>FYTD</u>	<u>12/31/09</u> <u>12/31/2010</u> <u>1 Year</u>	<u>01/01/08</u> <u>12/31/2010</u> <u>3 Year</u>	<u>01/01/06</u> <u>12/31/2010</u> <u>5 Year</u>	<u>Annualized</u> <u>Since 1990</u>
<u>ABSOLUTE RETURN</u>								
Multi-Strategy Arbitrage	39.0 mm	24.2%	4.5 %	6.9 %	9.0 %	3.2 %	6.4 %	6.3 %
Event-Driven	22.0 mm	13.6%	5.8 %	12.5 %	11.1 %	4.8 %	6.5 %	6.8 %
Credit Arbitrage	1.0 mm	0.6%	---	(0.1 %)	1.0 %	8.9 %	8.0 %	7.5 %
Distressed	20.8 mm	12.9%	2.3 %	7.0 %	13.4 %	4.3 %	8.0 %	8.6 %
<u>LONG/ SHORT</u>								
U.S. Long/Short	33.6 mm	20.9%	5.9 %	9.2 %	10.6 %	2.6 %	5.6 %	6.3 %
Global/Regional Long/Short	44.8 mm	27.8%	3.1 %	7.7 %	3.2 %	(1.6 %)	2.7 %	4.2 %
TOTAL	161.1 mm	100.0%	4.3 %	8.3 %	8.4 %	2.4 %	5.6 %	6.2 %

Non-Marketable Performance

As of September 30, 2010



Reporting Currency: U.S. Dollars (\$), in millions

<u>Asset Classes</u>	<u>Commitment(s)</u>	<u>Paid-In Capital</u>	<u>Unfunded Commitment(s)</u>	<u>Distributions at Market</u>	<u>Current Net Asset Value (NAV)</u>	<u>Asset Class IRR</u>	<u>CA Mean</u>	<u>Total Value/ Paid In Multiple</u>
U.S. Venture Capital	40.3	34.8	5.4	37.8	15.5	36.0%	16.2%	1.5
U.S. Private Equity	17.5	11.9	5.6	7.1	9.1	11.2%	7.4%	1.4
Non-U.S. Private Equity	11.0	4.4	6.6	0.2	4.1	-0.8%	1.8%	1.0
Opportunistic	42.5	40.0	2.5	41.8	31.9	21.0%	20.2%	1.8
Inactive/Liquidated Investments	1.0	1.0	0.0	1.9	0.0	9.6%	9.2%	1.9
Direct Investments⁹	3.0	3.0	0.0	0.0	3.0	1.7%	NA	1.0
Total NMAA ex Real Assets	115.3	95.0	20.2	88.8	63.6	22.4%	16.2%	1.6
Total Private Real Assets	26.0	16.5	9.5	6.4	11.3	3.2%	-3.1%	1.1
TOTAL PORTFOLIO	141.3	111.5	29.7	95.2	75.0	19.0%	14.9%	1.5

Paid-In Capital: Capital paid in to the partnership, which includes fees and capital for investments.

Distributions at Market: Capital distributed to an investor from the partnership.

Current Net Asset Value (NAV): The residual value of an investor's interest, which is reported by the partnership in its financial statements.

IRR: The investor's return on its investment in the partnership, net of fees, expenses, and carried interest received by the general partners.

Total Value: Total value is calculated by adding the NAV and Distributions at Market.



University of Louisville Foundation, Inc. and Affiliates

Financial Statements December 31, 2010 and 2009

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University of Louisville Foundation, Inc. and Affiliates

Financial Highlights

December 31, 2010

The Foundation's statement of financial position as of December 31, 2010 reflects the stable position of the Foundation. The Foundation has \$957 million in total assets, with liabilities of \$170 million.

During the first six months of the fiscal year, the Foundation's net assets increased \$75 million to a total of \$787 million. This represents an 11% increase compared to total net assets at June 30, 2010 and a 10% increase compared to total net assets at December 31, 2009.

Cash and cash equivalents decreased \$26 million due mainly to the payment on amounts due to the University of Louisville, which decreased \$25 million.

The market value of Foundation custody investments are \$748 million, an increase of approximately \$78 million, or 12%, compared to December 31, 2009.

The market value of the Foundation's endowment fund is \$762 million at December 31, 2010. This represents a 14% increase compared to the June 30, 2010 market value of \$669 million.

Net realized and unrealized gains/(losses) increased by \$7 million to a total gain of \$98 million for the first six months of fiscal year 2010.

Expenses on behalf of the University of Louisville have remained steady as compared to the prior year, with an increase of \$550 thousand.

University of Louisville Foundation, Inc. and Affiliates
Statements of Financial Position
December 31, 2010 and 2009
(In Thousands)

ASSETS:	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,913	\$ 28,571
Accounts, notes and accrued interest receivable	874	1,825
Loan receivable from the ULAA, Inc	2,205	2,205
Prepaid expenses	1,163	1,008
Contributions receivable	33,536	34,345
Investments	747,529	669,568
Funds held in trust by others	43,398	43,698
Restricted investments	4,544	5,950
Other assets	383	958
Capital assets, net	120,015	116,456
Total assets	<u>\$ 956,560</u>	<u>\$ 904,584</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 4,314	\$ 4,034
Funds held in trust for others	51,590	46,765
Other liabilities	17,937	14,281
Due to University of Louisville	13,446	38,819
Bonds and notes payable	82,289	83,237
Total liabilities	<u>169,576</u>	<u>187,136</u>
Net Assets:		
Unrestricted:		
Unrestricted-designated	173,548	306,010
Unrestricted-undesignated	15,645	19,108
Total unrestricted	189,193	325,118
Temporarily restricted	222,667	43,207
Permanently restricted	375,124	349,123
Total net assets	786,984	717,448
Total liabilities and net assets	<u>\$ 956,560</u>	<u>\$ 904,584</u>

University of Louisville Foundation, Inc. and Affiliates
Statements of Activities
Six Months Ended December 31, 2010 and 2009
(In Thousands)

	Unrestricted		Temporarily Restricted		Permanently Restricted		Totals	
	2010	2009	2010	2009	2010	2009	2010	2009
REVENUES, GAINS, AND OTHER SUPPORT:								
Gifts	\$ 6,301	\$ 6,139	\$ 239	\$ 569	\$ 5,615	\$ 6,467	\$ 12,155	\$ 13,175
Research Challenge Trust Fund	-	55	-	-	500	-	500	55
Investment income	468	529	-	-	-	-	468	529
Endowment income	15	3,067	2,848	-	18	9	2,881	3,076
Gain on investments	25,221	80,393	67,911	5,344	4,965	5,508	98,097	91,245
Residence hall income	4,167	3,434	-	-	-	-	4,167	3,434
Real estate income	853	638	-	-	-	-	853	638
Actuarial loss on annuity and trust obligations	-	-	(449)	(404)	-	-	(449)	(404)
Other revenues	1,494	1,258	-	-	-	-	1,494	1,258
Net assets released from restrictions:								
Satisfaction of program restrictions	9,707	758	(9,707)	(758)	-	-	-	-
Reclassifications	392	(659)	(529)	(10)	137	669	-	-
Expiration of time restrictions	3,729	5,111	(3,729)	(5,111)	-	-	-	-
Total revenues, gains, and other support	<u>52,347</u>	<u>100,723</u>	<u>56,584</u>	<u>(370)</u>	<u>11,235</u>	<u>12,653</u>	<u>120,166</u>	<u>113,006</u>
EXPENSES:								
Contributions to various University of Louisville departments	1,235	148	-	-	-	-	1,235	148
Payments on behalf of the University of Louisville for:								
Instruction	2,649	2,168	-	-	-	-	2,649	2,168
Research	8,958	9,947	-	-	-	-	8,958	9,947
Public service	1,515	1,476	-	-	-	-	1,515	1,476
Academic support	6,199	5,781	-	-	-	-	6,199	5,781
Student services	148	125	-	-	-	-	148	125
Institutional support	6,755	5,345	-	-	-	-	6,755	5,345
Operation and maintenance of plant	1,569	2,622	-	-	-	-	1,569	2,622
Scholarships/fellowships	3,455	3,234	-	-	-	-	3,455	3,234
Interest expense	1,908	1,781	-	-	-	-	1,908	1,781
Residence hall operations	2,576	2,625	-	-	-	-	2,576	2,625
Real estate operations	2,926	2,098	-	-	-	-	2,926	2,098
General and administrative	4,960	3,845	-	-	-	-	4,960	3,845
Total expenses	<u>44,853</u>	<u>41,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,853</u>	<u>41,195</u>
Net change in assets from operations	7,494	59,528	56,584	(370)	11,235	12,653	75,313	71,811
Change in accounting principle	(121,518)	-	120,919	-	599	-	-	-
Net change in assets	<u>(114,024)</u>	<u>59,528</u>	<u>177,503</u>	<u>(370)</u>	<u>11,834</u>	<u>12,653</u>	<u>75,313</u>	<u>71,811</u>
Net assets at beginning of year	<u>303,217</u>	<u>265,590</u>	<u>45,164</u>	<u>43,577</u>	<u>363,290</u>	<u>336,470</u>	<u>711,671</u>	<u>645,637</u>
Net assets at end of period	<u>\$ 189,193</u>	<u>\$ 325,118</u>	<u>\$ 222,667</u>	<u>\$ 43,207</u>	<u>\$ 375,124</u>	<u>\$ 349,123</u>	<u>\$ 786,984</u>	<u>\$ 717,448</u>

**RECOMMENDATION TO THE BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC., CONCERNING
DEFINITION OF PERMANENTLY RESTRICTED FUNDS**

**FINANCE COMMITTEE – FEBRUARY 28, 2011
BOARD OF DIRECTORS - MARCH 14, 2011**

RECOMMENDATION:

The Finance Committee recommends that the Board of Directors approve the following resolution disclosing the Board's definition of Permanently Restricted Funds in accordance with FASB ASC 958-205.

Whereas, ASC 958-205 requires the annual financial statements for non-profit organizations issued for years ending after December 15, 2008, to include a description of the governing board's interpretation of the law underlying the organization's net asset classification of donor-restricted endowment funds;

Whereas, UPMIFA was adopted by the Commonwealth of Kentucky and became effective July 15, 2010;

Whereas, the language of a specific endowment agreement is the primary determinant of the application of spending policy to a donor-restricted endowment;

Whereas, the standard endowment agreement between donors and the foundation agrees to follow the board approved spending policy, and the policy permits temporary use of historic-dollar-value and takes a long term view towards protecting the principal;

Whereas, historic-dollar-value is defined as the fair value of the original gift and subsequent gifts as of the gift date, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor instrument;

Whereas, this resolution is consistent with the recommended guidance provided by the FASB for ASC 958-205;

Resolved, that the University of Louisville Foundation, Inc., has interpreted KRS 273, 1-10 as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University of Louisville Foundation, Inc., classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets, is classified as temporarily restricted net assets.

**RECOMMENDATION TO THE BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC., CONCERNING
SPENDING CALCULATIONS FOR UNDERWATER ENDOWMENTS**

**FINANCE COMMITTEE – FEBRUARY 28, 2011
BOARD OF DIRECTORS - MARCH 14, 2011**

RECOMMENDATION:

The Finance Committee recommends that the Board of Directors approve the following addition to the University of Louisville Endowment Fund Statement of Investment Objectives and Guidelines (dated June 15, 2006, amended December 1, 2009.)

added: Section III. B. 2. (a) In the event that an endowment's market value as of December 31st of the annual spending rate calculation year falls below its permanently restricted net asset value (as defined by separate Board Resolution), and in the absence of any donor restriction or direction to the contrary, the endowment will be deemed to be 'Underwater' and the following spending rate calculation will be used:

1. The Underwater Percentage will be determined by dividing the endowment's December 31st market value by its established permanently restricted net asset value.
2. No spending will be authorized for any endowment with an Underwater Percentage equal to or less than 80%.
3. For endowments with an Underwater Percentage between 80% and 99% , the authorized spending amount will be pro-rated based on the following table:

Underwater Percentage	Pro-rated Percentage	Underwater Percentage	Pro-rated Percentage
99	95	89	45
98	90	88	40
97	85	87	35
96	80	86	30
95	75	85	25
94	70	84	20
93	65	83	15
92	60	82	10
91	55	81	5
90	50	80	0

**RECOMMENDATION TO THE BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC., CONCERNING
ONE TIME SPENDING CALCULATION MODIFICATION**

MARCH 14, 2011

RECOMMENDATION:

The Finance Committee recommends that the Board of Directors approve a one-time change to the standing spending policy calculation methodology for Fiscal Year 2012 (FY12). Specifically, the standing three-year rolling average of endowment market values will be replaced by dropping the year with the lowest market value between 2008 and 2010 and averaging over the remaining two years. This is a one-time modification applicable to the FY12 budget year only.

**RECOMMENDATION TO THE
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
CONCERNING THE ESTABLISHMENT OF
THE PNC PROFESSORSHIP IN BANKING AND FINANCE**

Board of Directors – March 14, 2011

RECOMMENDATION:

The President recommends the Board of Directors approve the establishment of the following endowment:

PNC Professorship in Banking and Finance

**RECOMMENDATION TO THE
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
CONCERNING THE ESTABLISHMENT OF
THE HARRY S. FRAZIER COLLEGE OF BUSINESS FUND**

Board of Directors – March 14, 2011

RECOMMENDATION:

The President recommends the Board of Directors approve the establishment of the following endowment:

Harry S. Frazier College of Business Fund