

MINUTES OF THE MEETING OF THE
FINANCE COMMITTEE OF THE BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

September 10, 2002

The Finance Committee of the University of Louisville Foundation Board of Directors met on Tuesday, September 10, 2002 at 12 Noon in the Alumni Board Room of the University Club with members present and absent as follows:

Present: Mr. Burt Deutsch, Chairman
Mr. H. Scott Davis
Mr. Nathaniel Green
Mr. Robert W. Rounsavall, III
Mr. William Wilcox

Foundation
Board of
Directors: Mr. Malcolm B. Chancey, Jr.
Mr. Larry Hayes

From the
University: Dr. James R. Ramsey, Acting President
Dr. Shirley Willihnganz, Acting Provost
Mr. Larry L. Owsley, Vice President for Finance & Administration
Mr. Joe Beyel, Vice President for Development & Alumni
Mr. David Barker, Director, Audit Services
Ms. Cheri Jones, Assistant Director, Audit Services
Ms. Susan Magness, UofL Foundation Assistant Treasurer
Mr. Joe Gahlinger, Special Assistant to the VP for Finance &
Administration
Ms. Kathleen M. Smith, Assistant Secretary
Ms. Debbie Dougherty, Board Liaison

Foundation
Legal Counsel: Ms. Leslie Vidra, Stites & Harbison

Others
Present: Mr. Kent Meyers, Cambridge Associates

I. Convene Meeting

Having determined a quorum present, Chairman Deutsch called the meeting to order at 12:05 p.m. Chairman Deutsch welcomed University of Louisville Acting President James Ramsey and Acting Provost Shirley Willihnganz.

Chairman Deutsch acknowledged the positive Courier-Journal article highlighting the Foundation's support to the University. He then welcomed Mr. Barker and Ms. Jones from Audit Services.

Approval of Minutes

Mr. Davis made a motion, which Mr. Green seconded, to approve the minutes of June 18, 2002. The motion passed.

II. Information items:

Vice President Owsley asked Mr. Meyers to review the Foundation's investment performance. Mr. Meyers highlighted information contained in the Cambridge Control Report. Noting the downward trend of the market, he reviewed the status of the Foundation's money managers and issues for the Committee's consideration: 1) receive presentations and review materials about two money managers; and 2) follow up on previous discussion about MFS series of manager changes. He stated MFS still had a good research team, but the portfolio managers are relatively new to the firm. In response to Chairman Deutsch, Mr. Davis commented that MFS's 3-year and 5-year returns were well within the Foundation's boundaries. Mr. Meyers observed a change would not relate to performance, but more to hedge because of organizational issues. He expressed diminished confidence in the MFS management.

III. Analysis of NAM-Invesco Mid-Cap Equity Fund

Mr. Meyers referred to Cambridge's report on four small-cap growth managers. In reviewing the charts provided in this report, he noted Cambridge Associates' recommendation that the Foundation should discontinue a separate mid-cap account with NAM and fold the current allocation into the large cap account. Such action would further reduce the allocation to small-mid cap stocks in the equity portfolio. He further stated that if the Committee decided to maintain a separate allocation to mid-cap growth, Cambridge recommended replacing the manager. Mr. Davis made a motion, which Mr. Wilcox seconded, to approve the

Recommendation to liquidate the NAM-INVESCO Mid-Cap account and move 100% of proceeds to the existing NAM-INVESCO equity account.

The motion passed.

Foundation Chairman Chancey praised the good work of Cambridge and asked about the future of the federal interest rates. Mr. Meyers said he didn't foresee the federal government raising rates.

Mr. Davis inquired about other foundations' spending policies. Mr. Meyers reported that other Cambridge clients have reduced their spending policies.

(Dr. Ramsey retired from the meeting)

IV Directors and Officers Only: Recruitment of Endowed Chair in Bioethics

Acting Provost Willihnganz briefed the board about a strong African-American candidate for an endowed chair in bioethics. Dr. Willihnganz shared the importance of this recruitment. Because of the personal financial circumstances, the candidate has asked the Foundation to consider making a personal loan to finance a house. Vice President Owsley stated the Foundation has taken this action in the past, but expressed reservation about the frequency of such action. Mr. Green made a motion, which Mr. Wilcox seconded, to approve the

Recommendation to approve \$100,000 loan at 5% interest rate pending clarification of the specifics of the agreement, and secured by a second mortgage on the real estate, with the candidate and his present wife co-signing the second mortgage.

The motion passed.

V. Directors and Officers Only: Project Report from Audit Services

Foundation Chairman Chancey noted that a couple of years have passed without an audit on philanthropy. In response to his request, the Director of Audit Services will routinely audit philanthropy and report biannually. Mr. Barker acknowledged the Development staff helped with his review.

VI. Presentation of Money Managers

The Committee heard presentations from EII Realty, Wellington Fund, M. A. Weatherbie & Co., and Times Square.

VII. Review and Discussion of Money Manager Presentations

Mr. Wilcox made a motion, which Mr. Green seconded, to approve the

Recommendation to terminate the MFS small cap growth account and invest 100% of proceeds in a new small cap money manager, M. A. Weatherbie & Co.

The motion passed.

VIII. Adjournment

There being no further business to discuss, the meeting adjourned at 3:50 p.m.

BOARD ACTION:

Passed _____X_____

Did not pass _____

Other _____

Asst. Secretary *Katalin M. Smith*