

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

In Open Session

The members of the Board of Directors of the University of Louisville Foundation, Inc. met on Tuesday, March 18, 2003 in the Bingham Library of the University Club with members present and absent as follows:

Present: Mr. Malcolm Chancey, Jr., Chairman
Mr. H. Scott Davis, Jr.
Mr. Burt Deutsch
Mr. Nathaniel E. Green
Ms. Sandy Metts Snowden
Dr. James R. Ramsey
Mr. William G Wilcox

Absent: Mr. Morris Borowitz
Mr. Ulysses L. Bridgeman, Jr.
Dr. Joseph Kutz
Mr. J. Chester Porter
Mr. Charles Weisberg
Mr. Larry Hayes
Mr. Robert W. Rounsavall, III

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

From the
University: Dr. Shirley Willihnganz, Acting Provost
Mr. Larry Owsley, Vice President for Finance & Administration
Mr. Joe Beyel, Vice President for Development and Alumni
Ms. Susan Magness, Assistant Treasurer, UofL Foundation, Inc.
Ms. Susan Ingram, Office of Planning & Budget
Mrs. Kathleen M. Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chairman Chancey called the meeting to order at 1:10 p.m.

II. Consent Agenda

Approval of Minutes

- Board of Directors Meeting, December 11, 2002
 - Executive Committee Meeting, January 16, 2003
- From the Finance Committee
- Information Item: Interim Financial Statements
 - Information Item: Investment Performance Summary
 - Action Item: Approval of \$5 Million Reallocation From The Commonfund Multi Strategy Bond Fund to the Varde Fund

Chairman Chancey read the roll of consent agenda items. Hearing no objection, he declared the items approved.

III. Action Item: Approval of Overseers Scholarship Development Program Endowment Fund

President Ramsey noted that in September 2002 the Board delegated to him the authority to approve endowments up to \$100,000. In accordance with that policy, this recommendation requests the creation of the Overseers Scholarship Development Program Endowment, which will support 28 of the very best students in UofL Honors. President Ramsey noted the program coaches these students to apply and compete for renowned fellowships and scholarships, such as the Truman, Fullbright, Goldwater, Rhodes and others. President Ramsey said this excellent program is one that the Board of Overseers has adopted and agreed to raise a \$1 million endowment. President Ramsey asked Vice President Beyel for additional comments. Vice President Beyel committed to raising the funds on an ongoing basis to build the endowment into an even larger sum. Dr. Willihnganz noted that these programs are having an early success. Mr. Wilcox made a motion, which Mr. Green seconded, to approve the

President's recommendation that the Board of Directors approve the conversion of Account G0862 to an endowed account restricted for the Overseers Scholars Development Program.

The motion passed unanimously.

IV. Old Business

- Information Item: UMC Investment Agency Agreement

President Ramsey noted that at its June 2002 meeting, the Board approved a request from the UMC Board to have the Foundation serve as investment manager for UMC funds. Working in conjunction with Stites & Harbison, staff prepared a standard agency agreement with UMC to carry out this Board's directive. He noted that since the Board had already taken action, it is provided as information only.

- Follow Up to Minerva Ventures

Ms. Vidra noted that at its December 2002 meeting, the Board referred two questions to Stites & Harbison concerning its investment in Minerva Ventures. The questions were: 1) is fidelity insurance available to replenish misappropriated funds; and 2) does the Foundation have any type of exposure since the ULF is the only limited partner/investor. Currently, fidelity insurance coverage is limited to employees or agents and Stites was unable to locate fidelity insurance to cover the ULF as an investor. Regarding the second item, because of the nature of the agreements, ULF is not in control and Mr. Helm opined that ULF did not have liability. Mr. Green offered to provide contact information of an overseas private investment program in Germany that might provide investors' insurance for this purpose.

Mr. Deutsch shared the Finance Committee's concerns about the issue reported by George Fischer in December. He noted the consensus of the Finance Committee to request legal counsel to investigate further. In response to Chairman Chancey's question concerning audit procedures, Vice President Owsley stated that when Minerva came to ULF, it was without any structure in terms of the agreement. He noted the need to treat it like other venture capital investments. Because of its relationship with University of Louisville Research Foundation, the consideration, however, could go beyond that. In response to Mr. Deutsch's concerns, President Ramsey discussed a recent request to Vice President Owsley to meet with Minerva's management, review its books and examine its processes to assure the necessary checks and balances are present. President Ramsey has requested that Vice President Owsley report back to him by April 30, 2003. Chairman Chancey asked that this be an ongoing procedure. Ms. Vidra said Stites & Harbison staff who normally work with venture capital investors could assist Mr. Owsley with determining the best practices.

Mr. Deutsch noted the uniqueness of these situations where the Foundation is working directly with two venture capital firms. He commented that this was initially an experimental/pilot program with Minerva and Chrysalis. He further stated that Mr. Meyers, Cambridge Associates, estimated it could take 4-5 years to compile comparative data to measure these firms against other venture capital firms. Until that 4-5 years has passed, the Finance Committee would limit direct venture capital firm investments to these two firms.

V. For Directors Only

- Amended Private Option Plan and Update

Ms. Vidra reviewed the amendments to the private option plan. She noted the input provided from William Mercer and the probable need to bring this item back to the board with additional amendments. Mr. Green made a motion, which Ms. Snowden seconded, to approve the

Recommendation to approve the amendments to the Private Option Plan (copy attached).

The motion passed unanimously.

- Litigation Update

Ms. Vidra briefed the Board on the status of the current litigation.

VI. Adjournment

There being no further business to discuss, the meeting adjourned at 2:04 p.m.

BOARD ACTION:

Passed X

Did not pass

Other

Asst. Secretary *Katalin M. Smith*