

MINUTES OF THE FINANCE COMMITTEE  
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

In Open Session

The Finance Committee of the University of Louisville Foundation, Inc. met on Wednesday, April 7, 2004, with members present and absent as follows:

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

Absent: Mr. William Wilcox

Other Directors

Present: Mr. Frank Hower, Jr.

From the  
University:

Dr. Shirley Willihnganz, Acting Executive Vice President and Provost  
Mr. Joe Beyel, Vice President for University Advancement  
Mr. Mike Curtin, Vice President for Finance  
Mr. Larry Owsley, Vice President for Business Affairs  
Mr. Dave Barker, CIA, Director of Audit Services  
Mrs. Susan Magness, Controller's Office  
Mr. Rex Davidson, CPA, Controller's Office  
Mr. Joe Gahlinger, CPA, Controller's Office  
Mrs. Kathleen Smith, Assistant Secretary  
Mrs. Debbie Dougherty, Board Liaison

Others

Present: Mr. John Tyler, Cambridge Associates

I. Call to Order

Having determined a quorum present, Chair Deutsch called the meeting to order at 12:15 p.m.

Approval of Minutes, December 3, 2003

Mr. Davis made a motion, which Mr. Green seconded, to approve the minutes of December 3, 2003. The motion passed unanimously.

II. Information Update

Interim Financial Statements

Mr. Curtin reviewed the Combined Statements of Financial Position for December 31, 2003 and 2002, (copy available upon request). He noted that the 2003 statement incorporated data specifically requested by Board members along with comparative figures. Mr. Curtin introduced Rex Davidson, the accounting manager responsible for compiling the financial statements. Because the University implemented Peoplesoft last year, information reported in future will be more comparable for comparison purposes. Mr. Curtin acknowledged the balance sheet is very strong, noting that cash assets were up \$22.5 million and the market value of investments were up over \$100 million. In response to Mr. Hower's question, Mr. Curtin noted the State does not fund maintenance on privately held property. Mr. Curtin stated total net assets were up \$106 million. Chair Deutsch recommended continuing the current report format and suggested if Committee members desired additional information to contact Vice President Curtin directly.

Vice President Curtin reviewed the Combined Statements of Activities for the Six-Month Period Ended December 31, 2003 and 2002 (copy available upon request). Chairman Deutsch noted the decrease in gifts and requested the Committee be kept informed concerning the status of gift philanthropy. Vice President Beyel anticipated additional momentum from faculty and community gifts elected from ongoing campaigns.

#### Quarterly Performance Report

Mr. Curtin reviewed the Investment Performance Report (copy available upon request) and noted the endowment has performed exceptionally well, averaging a 26.4% annual return. ULF's year-end performance beat the preliminary Cambridge Associates Control Endowment median return of 22.8% (20<sup>th</sup> percentile). Mr. Curtin distributed a schedule for Preliminary Gross Investment Returns by Manager and Investment Strategy as of March 31, 2004 (copy available upon request).

Mr. Curtin observed that the Chairman had requested a series of reports analyzing trend data over time. Mr. Curtin offered to provide this additional information, as well as assembling any other data request of the Committee. Mr. Curtin reported the investment analysis would be posted to the soon-to-be-created Foundation website. In the meantime, Mr. Curtin will begin sending the information via email to Committee members. In response to Chairman Deutsch's inquiry about investment amounts containing gifts, Mr. Gahlinger explained the amounts comprised investment in endowments, which was real cash to money managers. Mr. Curtin noted that although these reports do not contain information concerning expenses and gifts formatted like Director Borowitz had requested at an earlier meeting, the reports do contain the data. Chairman Deutsch acknowledged that this information was helpful, but he would like the analysis to

identify the true value of the gift. Mr. Curtin said Mr. Gahlinger would work on a reporting mechanism to incorporate that information.

### Investment Performance Report

Mr. Tyler reviewed the Investment Performance Report (copy available upon request). He stated that relative performance against peers was relatively strong. Over the past 5 years, the endowment was up 9% vs. 6% peer average. He asked Committee members to be mindful of this fact when discussing asset allocations. All managers have performed well and were relatively close to benchmark indices. Mr. Deutsch suggested that if any committee member had questions, he might wish to send the questions as an email through Messrs. Curtin or Gahlinger, who could include all committee members on the Cambridge response.

Mr. Deutsch said that at the December 2003 meeting, the Finance Committee agreed to interview two to three global commodities money managers at its March 2004 meeting for a 2% allocation in this market sector. Cambridge Associates was authorized to conduct a manager search and is recommending two managers for consideration: the Price-Rogers Raw Materials Fund and Western Asset Management Company. Pending the Finance Committee's satisfactory due diligence review, the Committee requested that the Board authorize the Committee to select one, or possibly both, of the managers for a total 2% allocation. The 2% would likely be funded by trimming holdings in the European International Investors II Real Estate Fund. The Board authorized the Finance Committee through a one-time approval to fund a 2% allocation from existing investments to global commodities and approve the selection and hiring of a global commodities money manager(s).

### III. Report of the Foundation Employees

Vice President Curtin reported that resulting from the intense series of open records requests related to Foundation employees, legal counsel advised the Foundation to analyze and allocate employee time according to the pro rata conduct of Foundation business. Mr. Curtin provided a budget allocation report for Fiscal Year 2004 for the current budgeted amount of \$321,000 with an additional \$2 Million for fundraising activities. Mr. Curtin said Stites & Harbison recommended reporting those employees at percentages relative to their work on Foundation related activities. Chairman Deutsch acknowledged this change in reporting reflected a more sensible approach. Mr. Deutsch asked Committee members to review and to propose any changes before the June meeting. Vice President Beyel observed that the report reflects only Development employees paid out of the ½%. Chairman Deutsch acknowledged that administrators and Foundation counsel will review and consider this. Chairman Deutsch acknowledged this report was the first step in documenting practice.

IV. Information Item: Report on Minerva Ventures

At Chairman Deutsch's request, Vice President Owsley reported that of the original \$3 Million allocation, \$644,000 has been used; \$2,356,000 remains. Mr. Owsley said that President Ramsey and he met with officials from the University of Kentucky, the Office of the New Economy, and Jewish Hospital to discuss the development of a Kentucky life sciences venture capital fund. Mr. Owsley provided a handout to the Committee. Mr. Owsley noted that the UofL Foundation and University of Kentucky would be the lead investors and would submit a Request for Proposal to select a professional manager. The ultimate investment pool is proposed to be \$20 Million. Mr. Owsley stated that President Ramsey wished to confirm the Foundation's reinvesting of \$2,356,000 would be consistent with its original objective. Chairman Deutsch recapped the proposal and asked Committee members to express any concerns directly to Mr. Owsley. In response to Mr. Hower's inquiry to include only one hospital, Mr. Owsley said there could be additional investors. This information was preliminary.

V. Information Item: Policy Proposal Recommendations from State Auditors

Chairman Deutsch noted the information responding to the state auditor's report. There were no questions.

VI. Presentations of Money Managers

The Committee heard presentations from Rogers Raw Materials Fund, L.P. and Western Asset Management Company, U.S. Commodity Plus Index. The Finance Committee adopted the following resolution:

**WHEREAS, The board of directors of the University of Louisville Foundation, Inc. (the "Foundation") at its meeting held March 29, 2004 authorized the board's Finance Committee to re-allocate up to two percent (2%) of assets to global commodities and to select one or more global commodities money managers;**

**AND WHEREAS, The Finance Committee pursuant to this authority interviewed global commodities money managers at its meeting held April 7, 2004;**

**NOW THEREFORE, BE IT RESOLVED, That the Finance Committee hereby engages The Rogers Raw Materials Fund, L.P. as money manager to manage an initial \$5,000,000 allocation of the Foundation's assets to global commodities, provided the Rogers Fund grandfathers the Foundation at the existing management fee of 65 basis points (0.65%) for both the initial allocation and any subsequent investment in the Rogers Fund;**

**FURTHER RESOLVED, That this allocation be funded by re-allocating \$5,000,000 from the E.I.I. Reality Fund to the Rogers Fund. The committee will consider an additional \$5.5 million allocation to Rogers at the June 2004 meeting.**

The above motion passed by unanimous consent subsequent to this meeting.

VII. Adjournment

The meeting adjourned at 4:00 p.m.

**BOARD ACTION:**

Passed \_\_\_\_\_ X \_\_\_\_\_

Did not pass \_\_\_\_\_

Other \_\_\_\_\_

Asst. Secretary *Katalin M. Smith*