

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

In Open Session

Members of the Finance Committee of the University of Louisville Foundation, Inc., Board of Directors met at 12 Noon on December 12, 2006, in the Board Room of the Chancey Center, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chairman
Mr. Nathaniel Green
Ms. Joyce Hagen
Mr. Harry Jones
Mr. Robert W. Rounsavall, III
Mr. Frank Weisberg
Mr. William Wilcox

From the University: Mr. Mike Curtin, Vice President for Finance
Mr. Keith Inman, Vice President for University Advancement
Ms. Susan Magness, Controller's Office
Mr. Joe Gahlinger, Controller's Office
Mr. Rex Davidson, Controller's Office
Ms. Marie Mathison, Controller's Office
Mrs. Kathleen Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

Foundation Legal Counsel: Mr. Jim Seiffert, Stites & Harbison

Others Present: Ms. Mary McKinley, BKD
Mr. John Tyler, Cambridge Associates
Mr. Kent Meyers, Cambridge Associates
Mr. George Hasiotis, Cambridge Associates

- I. Convene Meeting
- Action to Approve Minutes, November 20, 2006

Mr. Wilcox made a motion, which Mr. Green seconded, to approve the minutes of November 20, 2006. The motion passed unanimously.

- II. Action Item: Approval of FY 2006 Audited Financial Statements

Chairman Deutsch asked Vice President Curtin and Ms. McKinley to update the Committee regarding the audited financial statements. Vice President Curtin reported the financial condition of the Foundation remained strong. Mr. Curtin reviewed the financial statements and introduced Ms. Mary McKinley, account manager/partner for BKD Auditors. Ms. McKinley thanked Mr. Curtin for his overview, and concurred with

his report. She noted a clean and unqualified audit. She complimented Rex Davidson for his assistance throughout the audit process. Mr. Rounsavall made a motion, which Mr. Green seconded to approve the

The President's recommendation that the Finance Committee approve the attached financial statements for the period ending June 30, 2006 and Independent Auditor's Report as presented by BKD.

III. Action Item: Approval of Schoen Gift Investment

Vice President Curtin explained the estate of Arthur M. Schoen, M.D., has contributed a gift of \$1,000,000 for the Arthur M. and Elizabeth Clark Gentry Schoen and Anna Lee Brown Gastroenterology Chair. These funds are currently held in trust with PNC Financial Services Group. The guidelines governing the Research Challenge Trust Fund state that private gifts held in trust by a third party are not eligible for matching. Therefore, PNC has agreed to seek court approval to terminate the trust.

Upon termination of the trust, the University of Louisville will submit the gift for matching funds of \$1,000,000 from the Commonwealth of Kentucky Research Challenge Trust Fund to fund permanently a restricted endowment funds of \$2,000,000. These funds will be invested with the PNC Financial Services Group and support the Arthur M. and Elizabeth Clark Gentry Schoen and Anna Lee Brown Gastroenterology Chair in the School of Medicine. Ms. Hagen made a motion, which Mr. Jones seconded, to approve the

President's recommendation that the Foundation Board of Directors approve utilizing PNC Financial Services Group for the investment of a \$1,000,000 gift from the estate of Arthur M. Schoen, M.D. and its subsequent \$1,000,000 match from the Commonwealth of Kentucky Research Challenge Trust Fund; and

authorize the Chair of the Foundation Board of Directors to execute any documents required to complete this investment.

The motion passed unanimously.

IV. Information Updates

Endowment Performance

Mr. Gahlinger reviewed the Investment Performance Summary, Alternative Investments Summary, and Quarterly Investment Performance Report. Since 1995, the Foundation's diversified portfolio has added \$150.6 million of wealth compared to the Cambridge Associates' College and University Median and \$122.3 million compared to the Actual Allocation Benchmark. Chair Deutsch observed the endowment has had an impressive track record, with an annualized performance since inception of 12.3% and an annualized return for the last 3 years of 14.7%. Chair Deutsch thanked Mr. Gahlinger for an excellent report.

Investment Performance & Manager Update

Messrs. Tyler and Hasiotis provided a summary of asset allocations. The Foundation's total assets returned 2.7% for the quarter, underperforming CA Preliminary Endowment Median return of 3.2%. The portfolio was up 9.8% for the last twelve months, ranking in the 57th percentile of reporting endowments.

The Committee took a brief break. Chair Deutsch reconvened the meeting at 12:35 p.m.

V. Review of ULF and Cambridge Associates Relationship

Upon recommendation of Chair Deutsch, Mr. Tyler gave an overview of the relationship between the UofL Foundation and Cambridge.

VI. Information Items:

The Committee heard a review by Messrs. Meyers and Hasiotis related to the MALT program. Subsequently, the Committee received an update on MALT from Mr. Kent Meyers. Following the discussions with Commonfund by conference call, the Committee analyzed nonmarketable recommendations. The information session concluded with a conference call from EnerVest. Then, the Committee, by consensus, approved and recommended the following actions to the Board of Directors:

That the Board of Directors approve a \$10 million commitment allocated to three new Commonfund Private Equity and Venture Capital funds. The allocation is for \$4 million to the Private Equity Partners VII Fund (focus on domestic U.S. opportunities), \$3 million to the International Private Equity Partners VI Fund (focus on international opportunities) and \$3 million to the Endowment Venture Partners VIII fund (focus on U.S. venture opportunities). Execution of the partnership agreements is contingent upon a favorable review by the Foundation's legal counsel.

And

That the Board of Directors approve a \$3 million commitment to the EnerVest Energy Institutional Fund XI. This is a private oil and gas investment fund that will acquire, develop and operate onshore North American oil and gas properties. Execution of the partnership agreements is contingent upon a favorable review by the Foundation's legal counsel.

VII. Adjournment

The meeting adjourned at 3:30 p.m.

BOARD ACTION:

Passed _____ X _____

Did not pass _____

Other _____

Asst. Secretary Katalin M. Smith