

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

In Open Session

Members of the University of Louisville Foundation Finance Committee met on Monday, February 27, 2006, at 12 Noon in the Alumni Board Room of the Chancey Center 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

From the
University: Mr. Mike Curtin, Vice President for Finance
Mr. Larry Owsley, Vice President for Business Affairs
Mr. Joe Gahlinger, Controller's Office
Mr. Rex Davidson, Controller's Office
Mrs. Kathleen Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

Others
Present: Mr. John Tyler, Cambridge Associates
Mr. John Fox, Cambridge Associates

I. Convene Meeting

Having determined a quorum present, Chair Deutsch called the meeting to order at 12:10 p.m.

Approval of Minutes, November 23, 2005

Mr. Davis made a motion, which Mr. Rounsavall seconded, to approve the minutes of November 23, 2005. The motion passed unanimously.

II. Interim Financial Statements

Mr. Davidson reviewed the interim financial statements for period ending December 31, 2005 and 2004 (copy available upon request). The Foundation remains in a strong financial position with assets of \$814.2 million and net assets of \$719.4 million. With respect to investments 1) market value (including short-term investments) increased approximately \$72.7 million over December 31, 2004. This 12.9% increase reflects the investment policy of the Foundation; and 2) market value of the Foundation's endowment fund rose to another all-time high of \$653.2 million. This represents a 7.4% increase over the June 30, 2005 market value of \$607.6 million. Net assets increased by 10.4% over December 31, 2004. Total revenues were approximately \$78 million, a gain on

investments represented 62% of total revenues (\$48.2 million), and gifts represented 27% of total revenues (\$21.4 million). Chair Deutsch thanked Mr. Davidson for an excellent report.

II. Information Updates

Performance Review

Mr. Gahlinger reviewed the investment performance following the materials provided (copy available upon request). Mr. Gahlinger noted that since 1995, the Foundation's portfolio has added \$128.5 million more wealth compared to the Cambridge Associates College and University Median, and \$122.7 million compared to the Dynamic Benchmark. As of December 31, 2005, the ending market value was \$615.5 million.

Mr. Fox observed the endowment's very strong quarter and fiscal year. The Foundation's total assets returned 2.6% for the quarter, outperforming the Cambridge Associates' Preliminary Endowment Median return of 2.3% and the CA Preliminary College and University Median return of 2.4%. The portfolio rose 11.5% for the year ending December 31.

Asset Rebalancing Discussion/Recommendations

Messrs. Tyler and Fox reviewed the Foundation's current asset allocation. Upon discussion, Chair Deutsch recommended a subcommittee consisting of Messrs. Davis and Wilcox to participate in a conference call. All committee members are welcome to participate in the conference call. Mr. Tyler will provide a summary to the subcommittee within the next few days.

Non-Marketable Alternative Assets Update

Mr. Tyler reviewed the performance of the non-marketable alternative assets.

Lone Star and Wells Administrative Issues Update

Messrs. Fox and Tyler updated the Committee on Lone Star's and Wells' administrative issues.

III. Discussion and Approval Changes to the Investment Policy Guidelines

Chair Deutsch distributed a copy of the proposed changes to the Investment Policy Guidelines and asked committee members to review. Any questions may be referred to Mr. Gahlinger or Mr. Helm.

IV. Money Managers Presentations

The Committee took a break at 1:15 and reconvened the meeting at 1:30 p.m. The Committee heard presentations from Hilliard Lyons, M. A. Weatherbie, and Chrysalis.

Mr. Rounsavall disclosed his advisory connection with PNC Bank. PNC Bank's direct parent company is Hilliard Lyons. Mr. Davis recused himself from participation and voting regarding investment in Chrysalis Ventures.

V. Adjournment

The meeting adjourned at 3:00 p.m.

BOARD ACTION:

Passed X

Did not pass

Other

Asst. Secretary *Katalin M. Smith*