

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

In Open Session

The members of the University of Louisville Foundation, Inc. Board of Directors met on Thursday, December 6, 2007, in the Bingham Library of the Chancey Center with members present and absent as follows:

Present: Mr. J. Chester Porter, Chairman
Mr. Ulysses L. Bridgeman, Jr.
Mr. Burt Deutsch
Dr. Salem George
Ms. Joyce Hagen
Dr. James Ramsey
Mr. Sam Rechter
Ms. Sandy Metts Snowden
Dr. Barbara Weakley-Jones
Mr. William G. Wilcox

Absent: Mr. Kevin Cogan
Mr. D. Harry Jones
Mr. Eddy Roberts
Mr. Robert Rounsavall, III
Mr. Frank Weisberg

Foundation Legal

Counsel: Mr. Kennedy Helm, Stites & Harbison
Mr. Tyler Whitty, Stites & Harbinson

From the

University: Dr. Shirley Willihnganz, Executive Vice President and Provost
Dr. Manuel Martinez-Maldonado, Executive Vice President for Research
Mr. Mike Curtin, Vice President for Finance
Mr. Larry Owsley, Vice President for Business Affairs
Mr. Keith Inman, Vice President for Advancement
Ms. Susan Magness, Assistant Controller
Mr. Joe Gahlinger, Director of Treasury Management
Mr. Rex Davidson, CPA, Controller's Office
Mrs. Kathleen Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

I. Convene Meeting

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

II. Consent Agenda

- Approval of Minutes of Regular Meeting, 9/26/2007
- Information Item: Investment Performance Report
- Action Item: Approval to Remove Time Constraint on Special Initiative Fund for President
- Action Item: Approval of Additional \$2.5 Million Commitment to the Chrysalis Ventures III Fund
- Action Item: Approval of \$5 Million Commitment to Crow Holdings Realty Partners V, L P.
- Action Item: Approval of Liquidation of Vanguard Core Fixed Income Fund and Reinvestment in an Intermediate to Long Term High Quality Index Bond Fund
- Action Item: Approval of \$2.5 Million Commitment to Capital South III Fund Contingent Upon Legal Review

Chair Porter read the roll of consent agenda items. Mr. Deutsch made a motion, which Ms. Hagen seconded, to approve the consent agenda. The motion passed unanimously. Vice Chair Deutsch noted the Finance Committee met with BKD, external auditors, and are very satisfied with the audit. BKD issued a clean, unqualified audit. Treasurer Hagen commended staff at UofL for doing a great job, as evidenced by the annual audit.

III. Information Item: Update on LMCDC, MetaCyte and Rhino-Cyte

President Ramsey introduced Steve Gailar, President of Metacyte, and Dr. Fred Roisen, Chair of the Department of Anatomy in the School of Medicine and founder of Rhino-Cyte. Highlights of the presentation include:

LMCDC (Louisville Medical Center Development Corporation)

- Established in 1997, LMC hospitals and City of Louisville were the founding partners
- Original mission was to aid health sciences industry defined by 1996 Boyle Report
- Marketing and real estate focus
- In 2002, established MetaCyte Business Laboratory to incubate companies
- In 2003, began acquiring Haymarket properties for eventual research park development
- To make LMCDC the next significant life science commercialization center in the United States, in 2004 it:
 - Created life science seed and venture capital fund

- Recruited sufficient real estate investment capital and development partners to complete Phase II of Life Science Park
- Expanded and formalized Technology Commercialization process
- Established ongoing Life Science business attraction effort based on the selected technologies
- Expanded the number of stakeholders/sponsorships and reposition/brand the Life Science development initiative to ensure wide community buy-in
- In 2006, it proposed rebranding:
 - NUCLEUS proposed to better communicate connection with UofL
 - LMCDC (Nucleus) and MetaCyte brand currently under review with UofL rebranding effort
- In 2007
 - UofL Foundation acquired LMCDC
 - Health Sciences Campus/Haymarket Research Park
 - 2+ billion, 30-year build out
 - TIF application approved November 28, 2007
 - Present Value \$300+ million
- Assets include
 - MedCenter 3 (\$5+ million approximate market value)
 - Haymarket (\$8+ million approximate market value)
- Liabilities include
 - National City LOC (\$4.1 million)
 - Thomas Note (\$4.4 million)
- Operating Income includes:
 - MedCenter 1 (generates \$20,000 - \$24,000 income per quarter)
 - MedCenter 3 (operations generate net income before interest expense)
 - Haymarket (receives \$40,000-\$45,000 parking income per quarter)

Mr. Gailar reported MetaCyte is a health science “manufacturing” company promoting health science start-ups. As of now, MetaCyte has 14 companies in the pipeline. Current and developing companies led by world-class researchers are working on solutions to some of the most pressing health questions, including cardiovascular health, osteoporosis, pediatric sleep disorders and pain management. Mr. Gailar introduced Dr. Fred Roisen for an update on RhinoCyte, Inc.

Dr. Roisen reported RhinoCyte, Inc. is developing diagnostic tools and therapies for the stem cell treatment of multiple degenerative and traumatic neurological diseases, including spinal cord injuries, Parkinson’s disease, Multiple Sclerosis, and Alzheimer’s disease. Dr. Roisen explained that stem cells can be used to replace or repair lost or damaged cell populations. The technology developed by Rhino-Cyte can provide adult stem cells harvested from a person’s nasal cavity to replace damaged or lost cells in the donor’s nervous system. Dr. Roisen reported funding to date:

- Over \$4 million in grant funding has been obtained which lead to the development of the technology
- Current Research Grant of \$300,000
- June 2006 raised \$1 million in seed funding
- Investors include KY Seed Capital Fund, Queen City Angels, bluegrass Angels, KY Science and Technology Corporation

Dr. Roisen discussed future target markets and growth opportunities.

Mr. Gailar noted MetaCyte holds an equity position in each of its partner companies. Based on most recent financings, the value of MetaCyte holdings approached \$2 million. Mr. Gailar compared MetaCyte's progress:

<u>2004 Base Year</u>	<u>Today</u>
4 companies	14 companies
3 jobs	33 jobs
Less than \$1 million valuation	\$25 million valuation
Less than \$100,000 capital raised	More than \$8 million capital raised

Mr. Gailar recognized the team of professionals contributing to MetaCyte's success. Chair Porter thanked Mr. Gailar and Dr. Roisen for an excellent presentation. The Board gave Mr. Gailar and Dr. Roisen a round of applause.

- IV. Action Item: Approval of the Establishment of a Quasi-Endowment for Endowment for Endowed Chair in Lung Cancer Research in the James Graham Brown Cancer Center, School of Medicine

President Ramsey reported the University of Louisville - James Graham Brown Cancer Center has received \$443,573 in remaining funds from the Kentucky Lung Cancer Program (state tobacco settlement money). The funds are currently sitting in a general use account and not being spent or generating interest. The funds were designated specifically for an endowed chair, not a current use program. While these funds are not actual gift funds, the request to allow them to be invested and participate in the Foundation's spending policy is requested. The funds will pay partial salary and other (research) costs as appropriate for the position. Mr. Rechter made a motion, which Ms. Hagen seconded, to approve the

President's recommendation that the Board of Directors approve the establishment of the following endowment:

Endowed Chair in Lung Cancer Research in the James Graham Brown Cancer Center, School of Medicine

The motion passed unanimously.

V. Ancillary Activities

Chair Porter explained that the Foundation legal counsel has prepared conceptually the actions for the board members to review. Resolutions include the bond arrangements between the UofL Foundation and Museum Plaza, the merger of LMCDC and the UofL Foundation to include all assets and liabilities, and the approval of loans to pay start up and staffing costs for Nucleus, LLC. (Vice President Owlsey, Mr. Gailar, Dr. Roisen, Messrs. Davidson and Gahlinger, and Ms. Magness departed the meeting.) Mr. Helm explained each resolution and fielded questions from board members.

MUSEUM PLAZA

Mr. Rechter made a motion, which Ms. Snowden seconded, to approve the

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.**

December 6, 2007

WHEREAS, Museum Plaza, LLC (the “Developer”), has undertaken the development of a multi-use complex and associated improvements adjacent to the Ohio River in downtown Louisville, known as “Museum Plaza,” to include office space, residential condominiums and hotel space;

WHEREAS, representatives of the Developer have discussed the inclusion, in Museum Plaza, of space dedicated to the display of works of art (the “Art Space”), which space would be operated by a to-be-formed non-profit corporation;

WHEREAS, the acquisition, construction and development of the Art Space is anticipated to cost less than \$35,000,000;

WHEREAS, the University of Louisville Foundation, Inc. (the “Foundation”) has been asked to participate in the financing of the acquisition, construction and development of the Art Space on a limited obligation basis, in which (a) Louisville Metro would issue bonds to raise the amount necessary to acquire, construct and develop the Art Space, (b) Louisville Metro would nominally loan the bond proceeds to the Foundation (in fact, a trustee would disburse the bond proceeds as needed to pay for the acquisition, construction and development of the Art Space), (c) Laura Lee Brown would agree to make annual payments to the Foundation in an amount not less than the amount necessary to pay the principal and interest of the bonds when and as due, and (d) the Foundation would agree to repay the loan from Louisville Metro, but only to the extent that it receives adequate payments from Ms. Brown to do so;

NOW, THEREFORE, BE IT:

RESOLVED, that it is the judgment of the Board that participation in the financing of the acquisition, construction and development of the Art Space, as and on the terms contemplated above, is in the Foundation’s best interest; and further

RESOLVED, that the Board hereby authorizes and approves the Foundation’s participation in the financing of the acquisition, construction and development of the Art Space, as and on the terms contemplated above; and further

RESOLVED, that the Board authorizes the President to negotiate the terms of, and execute, deliver and perform, for and on behalf of the Foundation, a loan agreement, an agreement for supporting payments from Ms. Brown, and all other agreements, documents or instruments as he, in his discretion may deem necessary or appropriate, to complete the Foundation's participation in the financing of the acquisition, construction and development of the Art Space, as and on the terms contemplated above, which agreements, documents and instruments shall be in such form and on such terms as the President may deem to be in the best interest of the Foundation, such approval to be conclusively evidenced by his execution thereof.

The motion passed unanimously.

LMCDC

Mr. Helm explained the resolution and fielded questions from the board members. Mr. Deutsch made a motion, which Mr. Wilcox seconded, to approve the

RESOLUTION OF THE BOARD OF DIRECTORS REGARDING MERGER WITH LOUISVILLE MEDICAL CENTER DEVELOPMENT CORPORATION

WHEREAS, the Board of Directors of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation (the "Foundation") have determined that it will be beneficial and in the best interests of the Foundation to adopt and approve the Plan of Merger (the "Plan of Merger"), in substantially the form attached hereto as Exhibit A, pursuant to which Louisville Medical Center Development Corporation, a Kentucky non-profit corporation ("LMCDC") shall merge with and into the Foundation, which shall be the surviving non-profit corporation (the "Merger").

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby adopts and approves in its entirety the Plan of Merger and the transactions contemplated thereby; and

FURTHER RESOLVED, that, pending completion of due diligence subject to the satisfaction of James R. Ramsey, President of the Foundation, and counsel to the Foundation, Mr. Ramsey is hereby authorized to execute and deliver such documents, instruments and agreements, including, but not limited to, the Plan of Merger and all required articles of merger, to publish or file all required articles of merger, notices or applications, to obtain any necessary regulatory approvals, to incur such expenses and to take such other action on behalf of the Foundation as may be necessary or appropriate, in the exercise of the discretion of Mr. Ramsey, in order to implement the foregoing resolutions and to consummate the Merger.

The motion passed unanimously.

CARDINAL MANAGEMENT

Mr. Helm discussed the proposed resolution. Mr. Deutsch made a motion, which Ms. Hagen seconded, to approve the

RESOLUTION OF THE BOARD OF DIRECTORS

REGARDING LOANS TO SUBSIDIARIES

WHEREAS, the Board of Directors of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation (the "Foundation") have determined that it will be beneficial and in the best interests of the Foundation to appoint Cardinal Real Estate, Inc., a Kentucky non-profit corporation ("Cardinal") to serve as the manager of various limited liability companies (both existing and to-be-formed limited liability companies) which are, or shall be, wholly owned subsidiaries of the Foundation, including, without limitation, University of Louisville Research Development Company, LLC (the "Subsidiaries"); and

WHEREAS, the Board of Directors of the Foundation desire to authorize the Foundation to make loans to Cardinal from time to time so that Cardinal may pay salaries, benefits, fees and expenses which are necessary and appropriate for the operation of such Subsidiaries.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Foundation hereby authorizes James R. Ramsey, President of the Foundation (the "President"), to make loans (the "Loans") to Cardinal from time to time so as to enable Cardinal to pay salaries, benefits, fees and expense which are necessary and appropriate for the operation of the Subsidiaries;

FURTHER RESOLVED, that the President is hereby authorized to cause the Foundation to make the Loans upon such terms as he deems appropriate and subject to review of counsel to the Foundation as to legality, to negotiate, execute and deliver on behalf of the Foundation any agreements, instruments and documents, if any, as may be necessary, desirable or appropriate to effectuate the Loans, each such agreement, instrument or document to be in such form and on such terms as the President may approve as being necessary, desirable or appropriate, and with such changes, additions, deletions and/or amendments as may be approved by the President, in each case such execution to be conclusive evidence of such approval and the authority therefor hereunder, and when so executed, such agreements, instruments and documents, as modified or amended, shall be binding and enforceable against the Foundation;

FURTHER RESOLVED, that the President is hereby authorized to take all steps and do all things, in the name and on behalf of the Foundation as the President may approve as being necessary, desirable or appropriate to carry out the aforesaid resolutions and to fully effectuate the Loans, including, without limitation, as set forth in any agreements, instruments and documents aforementioned, in each case such execution or action when made or taken to be conclusive evidence of such approval and of the authority therefor hereunder; and

FURTHER RESOLVED, that all acts and deeds heretofore done by the President for and on behalf of the Foundation with respect to the negotiation, preparation, execution and delivery of any arrangements, agreements, instruments or documents relating to the subject matter of the foregoing resolutions be, and they hereby are, in all respects, approved, ratified and confirmed.

EXHIBIT A

PLAN OF MERGER

THIS PLAN OF MERGER (this "*Plan*") is made as of the ____ day of _____, 200_, by and between LOUISVILLE MEDICAL CENTER DEVELOPMENT CORPORATION, a Kentucky non-profit corporation ("*LMCDC*"),

and UNIVERSITY OF LOUISVILLE FOUNDATION, INC., a Kentucky non-profit corporation (the “*Foundation*”).

PRELIMINARY STATEMENTS

WHEREAS, LMCDC shall merge with and into the Foundation (the “*Merger*”);
and

WHEREAS, the respective boards of directors of the Foundation and LMCDC, and the members of LMCDC, respectively, have approved and adopted this Plan and the Merger.

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I MERGER

Section 1.1 Merger. At the Effective Time (as defined below), and upon the terms and conditions set forth in this Plan, LMCDC shall be merged with and into the Foundation and the separate corporate existence of LMCDC shall thereupon cease. The Foundation shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the “*Surviving Corporation*”), and the separate corporate existence of the Foundation, with all rights, privileges, immunities, powers and franchises, shall continue unaffected by the Merger. The Merger shall have the effects specified in Chapter 273 of the Kentucky Revised Statutes (the “*KRS*”).

Section 1.2 Effective Time of Merger. The Foundation and LMCDC shall cause Articles of Merger (the “*Articles of Merger*”) to be executed, acknowledged and filed with the Secretary of State of the Commonwealth of Kentucky as provided in Section 273.287 of the KRS. The Merger shall become effective upon the date and at the time when the Articles of Merger have been delivered to and duly filed with the Secretary of State of the Commonwealth of Kentucky or such later time as may be specified as the effective time in the Articles of Merger (the “*Effective Time*”).

ARTICLE II ARTICLES OF INCORPORATION AND BY-LAWS

Section 2.1 Articles of Incorporation. At the Effective Time, the articles of incorporation of the Foundation in effect immediately prior to the Effective Time shall be the articles of incorporation of the Surviving Corporation (the “*Charter*”), until thereafter amended as provided therein or by applicable law.

Section 2.2 By-Laws. At the Effective Time, the by-laws of the Foundation in effect immediately prior to the Effective Time shall be the by-laws of the Surviving Corporation (the “*By-Laws*”), until thereafter amended as provided therein or by applicable law.

ARTICLE III BOARD OF DIRECTORS AND OFFICERS

Section 3.1 Directors. The directors of the Foundation at the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and the By-Laws.

Section 3.2 Officers. The officers of the Foundation at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors shall have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and the By-Laws.

**ARTICLE IV
GOVERNING LAW**

This Plan shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky applicable to agreements to be made and entirely to be performed in such jurisdiction.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this Plan of Merger as of the date first set forth above.

The motion passed unanimously.

VI. Report of the Chair

The Chair had no report.

VII. Other Business

President Ramsey discussed a potential business opportunity in a foreign country and requested Vice Chair Deutsch and the Finance Committee conduct due diligence on behalf of the Foundation. He further asked that Executive Vice President and Provost Willihnganz be included in the discussion and review. Vice Chair Deutsch accepted the assignment and noted due diligence may include consultation from Cambridge Associates, Stites & Harbison and possibly other sources. He will report the Finance Committee's findings to the Board.

VIII. Adjournment

Dr. George made a motion, which Ms. Metts seconded, to adjourn the meeting at 12:50 p.m. The motion passed unanimously.

BOARD ACTION:

Passed _____ X _____
Did not pass _____
Other _____

Asst. Secretary Katalin M. Smith