

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 November 20, 2007, in the Board Room of the Chancey Center, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chairman  
Mr. Harry Jones  
Mr. Robert W. Rounsavall, III  
Ms. Sandra Metts Snowden  
Mr. Frank Weisberg

Absent: Ms. Joyce Hagen  
Mr. Bill Wilcox

From the  
University: Mr. Keith Inman, Vice President for University Advancement  
Mr. Larry Zink, Controller  
Mr. Joe Gahlinger, Controller's Office  
Mr. Rex Davidson, CPA, Controller's Office  
Mrs. Kathleen M. Smith, Assistant Secretary  
Mrs. Debbie Dougherty, Board Liaison

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

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

- I. Convene Meeting
- Action to Approve Minutes, September 17, 2007, and June 11, 2007

Mr. Jones made a motion, which Mr. Rounsavall seconded, to approve the minutes of September 17, 2007 and June 11, 2007. The motion passed unanimously.

- II. Action Item: Approval of FY 2007 Audited Financial Statements

Chairman Deutsch reported that Vice President Curtin was attending a professional conference and asked Mr. Larry Zink and Ms. McKinley to update the Committee regarding the audited financial statements. Mr. Zink reported the financial condition of the Foundation remained strong. Mr. Zink reviewed the financial statements and introduced Ms. Mary McKinley, account manager/partner for BKD, LLP, Auditors. Ms.

McKinley thanked Mr. Zink for the overview, and concurred with his report. She noted a clean and unqualified audit and complimented Rex Davidson, CPA for his assistance throughout the audit process. In response to Mr. Rounsavall's request, Ms. McKinley agreed to provide a management letter with the current and future audits. Mr. Rounsavall made a motion, which Ms. Snowden seconded to approve the

**The President's recommendation that the Finance Committee approve the attached financial statements for the period ending June 30, 2007 and Independent Auditor's Report as presented by BKD.**

Chair Deutsch requested the external auditors conduct a separate meeting with the committee for a review of the audited financial statements. That meeting will be held December 6.

III. Action Item: Approval to Remove Time Constraint on Special Initiative Fund for President

Chair Deutsch reported in 2004 the Board reauthorized a Special Presidential Initiative Fund of a renewable \$5 million. The intent was to replenish the Fund routinely. The 5-year time period was to assist with budgeting, but the fund was always to be an "evergreen". This action will replenish periodically the Fund at the \$5 million level. Mr. Weisberg made a motion, which Ms. Snowden seconded, to approve the

**Finance Committee's recommendation that the Board of Directors remove the 5-year constraint on the Special Presidential Fund created for the President to carry out significant strategic projects. The reauthorization establishes a renewable "evergreen" fund with a level of \$5 million.**

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 \$177.3 million of wealth compared to the Cambridge Associates' College and University Median and \$139.8 million compared to the Actual Allocation Benchmark. Chair Deutsch thanked Mr. Gahlinger for an excellent report.

Investment Performance & Manager Update

Messrs. Tyler and Hasiotis provided a summary of asset allocations.

Grawemeyer Petition

Chair Deutsch updated the Committee on the status of the Grawemeyer petition, noting the Grawemeyer family supports comanaging funds with the Foundation endowment for investment purposes. Chair Deutsch referenced the court action required for this inclusion.

## Central Station

Chair Deutsch updated the Committee on the progress of the Foundation working with the current owners of Central Station.

### Resolution of Appreciation for Kent Meyers

Chair Deutsch recognized the many years of admirable service provided by Mr. Meyers. In recognition of that service, Mr. Rounsavall made a motion, which Mr. Weisberg seconded, to approve the following resolution

**WHEREAS**, Kent Meyers has enthusiastically served the University of Louisville Foundation Board of Directors and its Finance Committee for thirteen years, giving superior investment advice throughout; and

**WHEREAS**, in concert with the Finance Committee's vision and direction, Kent's leadership as an architect of the restructuring of the Foundation's investment strategy in 1995 led to greatly improved performance that has consistently ranked the endowment in the top quartile of its peers for the last ten years; and

**WHEREAS**, Kent's sensitivity to the Board's financial investment goals and objectives aided in balancing the desire for superior returns with prudent management of risks and the employment of sound investing principles, investigating and recommending only the highest quality money managers;

**WHEREAS**, Kent has developed and implemented the Foundation's carefully considered entry into the hedge fund market, providing sound advice which realized anticipated returns and steered the Foundation clear of pitfalls other investors have experienced in that asset class;

**NOW, THEREFORE, BE IT RESOLVED**, that the Finance Committee of the University of Louisville Foundation, Inc. hereby expresses its sincere admiration and deep appreciation and respect to Mr. Kent Meyers., for the compassionate and insightful interaction during his service to the University of Louisville Foundation Board of Directors; and

**BE IT FURTHER RESOLVED**, that a copy of this Resolution, appropriately executed and embossed, be spread upon the Minutes of the Foundation and printed for formal presentation to our good friend and colleague, Mr. Kent Meyers.

The motion passed unanimously.

The Committee took a brief break. Chair Deutsch reconvened the meeting at 1:20 p.m.

#### V. Information Update: MALT

Mr. Meyers updated the Committee on the MALT investment.

#### VI. Presentation of Money Managers

The Committee heard a presentation by Messrs. Carlow Rainwater, Ben Diehard and Dodge Carter regarding Crow Holdings.

VII. Action Item: Approval of Additional Commitment to the Chrysalis Ventures III Fund

Chair Deutsch stated that in March 2006 the Board approved a \$2.5 million commitment to Chrysalis Ventures III Fund (CV III), a local firm. To date \$325,000 was drawn against this commitment. Chrysalis has scheduled the final close for CV III for December 31, 2007. This close will include several new investors to the fund, an increase in the General Partners commitments and will offer the opportunity for existing investors to increase their commitment. The Foundation originally invested in the Chrysalis Ventures II fund in 2002 (commitment \$2.5 million, \$2.2 mm contributed to date.) This fund has performed up to expectations and Chrysalis has made significant investments in regional companies including several University of Louisville related firms. CV III will be very similar in approach and philosophy to CV II. This action will increase the Foundation's total commitment to CV III to \$5.0 million and draw down in multiple installments over the next several years as Chrysalis identifies promising investments. This commitment is within the overall target allocation to the venture capital/private equity sector in the investment portfolio. The Finance Committee unanimously recommended that

**The Board of Directors approve an additional \$2.5 million commitment to the Chrysalis Ventures III fund.**

VIII. Action Item: Investment in Capital South

Chair Deutsch reported this is the third stage of the Metro Louisville Mayor's office venture capital and entrepreneurship initiative started in 2003. The UofL Foundation has supported previous stages of this initiative with investments in Triathlon Medical Venture Partners Fund (\$2.5 million) and the Kentucky Seed Capital Fund (\$1,050,000), both of which focus on bio-medical startup and early stage companies in the region.

Metro Louisville issued an RFP was in November 2006 and selected Capital South Partners of Charlotte, North Carolina, in March 2007 to establish a mezzanine capital fund to focus on regional companies in need of unsecured, secondary debt financing. Capital South agreed to open an office in Louisville and has hired Ken Berryman of Louisville to head that office. In addition, Capital South will guarantee investment in Louisville regional companies at least twice the amount invested in Fund III by Louisville investors. The Finance Committee unanimously approved the recommendation that

**The Board of Directors approve a \$2.5 million commitment to the Capital South III Fund contingent upon a favorable review of the investment management agreement by the Foundation's legal counsel.**

IX. Information Item: Dubai Initiative

The Finance Committee discussed the Dubai initiative. No action was required.

X. Discussion Regarding Manager Performance

Cambridge Associates updated the Committee on the following managers' performance:

- Boston Company
- Real Estate
- Seamans (discussions via conference call with Seamans' representatives)
- Other managers

XI. Adjournment

The meeting adjourned at 3:30 p.m.

**BOARD ACTION:**

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

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

Other \_\_\_\_\_

Asst. Secretary *Katalin M. Smith*