

MINUTES OF THE MEETING OF THE FINANCE COMMITTEE OF THE  
UNIVERSITY OF LOUISVILLE FOUNDATION

In Open Session

Members of the Finance Committee of the University of Louisville Foundation, Inc., met at 12 Noon, on August 28, 2008, in the Alumni 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. Sandy Metts Snowden  
Mr. Frank Weisberg  
Mr. William Wilcox

Absent: Ms. Joyce Hagen

Other Board Members

Present: Dr. Salem George

From

Cambridge: Mr. John Tyler  
Mrs. Letitia Johnson

From the

University: Dr. Shirley Willihnganz, EVP and Provost  
Mr. Mike Curtin, Vice President for Finance  
Mr. Joe Gahlinger, Director of Treasury Management  
Mrs. Kathleen Smith, Assistant Secretary  
Mrs. Debbie Dougherty, Board Liaison

I. Call to Order

Chair Deutsch provided a brief media interview with a WHAS TV representative. Upon completion, Chair Deutsch called the meeting to order at 12:20 p.m.

Approval of Minutes, May 29, 2008

Mr. Jones made a motion, which Mr. Rounsavall seconded, to approve the minutes of May 29, 2008. The motion passed.

II. Information Updates

Endowment Performance

Mr. Gahlinger reviewed the Investment Performance Summary, Alternative Investments Summary, and Quarterly Investment Performance Report. Since 1995, the Foundation's portfolio has added \$171.8 million more wealth compared to the Cambridge Associates College and University Median and \$198.3 million compared to the Asset Allocation Benchmark.

Investment Performance & Manager Update

Mr. Tyler and Mrs. Johnson summarized asset allocations. Mr. Tyler suggested committee members take some time to review the reports and offered his availability after the meeting to discuss in further detail.

Non Marketable Asset Report Review

Mrs. Johnson reviewed nonmarketable asset allocations.

III. Other Action

Chair Deutsch discussed the need to increase appropriation of funds for use with advancement activities. Mr. Jones made a motion, which Ms. Snowden seconded, to approve the

**RESOLUTION OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.  
REGARDING INCREASING PERCENTAGE RATE FOR ADVANCEMENT ACTIVITIES**

**WHEREAS, the President and the Provost of the University of Louisville (the “University”) have requested the financial support of the University of Louisville Foundation, Inc. (the “Foundation”) for University fund-raising, academic program enhancement, margin of excellence programs, and other University advancement activities (collectively, the “Advancement Activities”); and**

**WHEREAS, effective July 1, 2008, the Foundation approved the appropriation of funds from the endowment in an amount up to one-and-a-half percent (1.5%) of the three-year rolling average of the total endowment market value (the “Funds”) for the President to use for Advancement Activities; and**

**WHEREAS, the Finance Committee of the Foundation recognizes the short and long term benefits of investing in Advancement Activities, including the advancement of the Foundation’s mission, and acknowledges the increasing costs of such Advancement Activities; and**

**WHEREAS, the Finance Committee of the Foundation deems it to be in the best interest of the Foundation and of the University to increase the Foundation’s support for the University’s Advancement Activities.**

**NOW, THEREFORE, BE IT RESOLVED, that the Finance Committee of the Foundation hereby recommends to the Board of the Foundation that the Foundation increase the Funds appropriation from an amount up to 1.5% to an amount up to one-and-ninety-eight-one-hundredths percent (1.98%).**

The motion passed.

IV. Chair’s Report

Chair Deutsch distributed the following written report.

As you are aware, in January of this year Senators Max Baucus and Chuck Grassley, the leaders of the Senate Finance Committee, sent a letter to the 136 colleges and universities with endowments greater than \$500,000,000. The University of Louisville was among those schools. The letter has provoked appropriate discussion internally at the University of Louisville and has lit a fire of concern and debate externally in press reports throughout

the country. Universities and colleges across the country have been put on the defensive about their endowment policies. They have been questioned about the appearance of hoarding money, not just by members of Congress, but by the press and, perhaps of greatest concern, alumni. Alumni of some schools have already launched campaigns to divert funds from their alma maters to other “more deserving” causes.

This is not merely a matter of public relations, although that is certainly a concern. The Senate Finance Committee’s focus on nonprofit accountability over the last couple of years, along with this recent spate of publicity about college and university endowment hoarding, have inspired the IRS to re-invigorate the long-moribund “commensurate test,” which measures whether a nonprofit is expending enough of its funds to support its public mission. The chatter in the nonprofit sector is that the IRS intends to rigorously apply this test to colleges and universities and their supporting foundations.

Against this backdrop, changes to the Uniform Management of Institutional Funds Act, the act that governs the appropriation, expenditure, and investment of endowment and non-endowment funds, have been adopted by 16 states and proposed here in Kentucky. As you are aware, the Foundation has responsibly monitored its legal duty to manage its funds prudently. The concept of prudence assumes an even more prominent role in the revisions provided for in the new act, the Uniform Prudent Management of Institutional Funds Act.

The Foundation has responsibly set and monitored investment policies over the years, and has set appropriation and expenditure rates based on our assessment of what is prudent for the Foundation, always keeping donors’ expectations and the University’s needs in the forefront. The recent developments in the world of college and university endowment management and resultant concerns expressed by the public have reemphasized this responsibility.

Based on the foregoing, I, as Chairman of the Finance Committee of the University of Louisville Foundation, have asked counsel to the Foundation to (i) review and advise the Foundation on its investment policy, including its use of quasi-endowment and other non-endowment funds and bring back suggested modifications, and (ii) draft a Foundation stewardship policy that will serve to ensure that the Foundation’s appropriation and expenditure decisions are justifiably prudent and reflective of the Foundation’s commitment to serving the educational mission of the University of Louisville. We will be coming back to you at future meetings with the fruits of this review.

The Committee took a brief break at 1:15 and reconvened at 1:30 p.m.

V. MALT Update

Mr. Hasiotis joined the Committee via conference call to update the Committee members regarding MALT assets.

VI. ULF Portfolio in Current Market Conditions

Mr. Tyler discussed the Foundation’s portfolio.

