

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 May 29, 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
Ms. Sandy Metts Snowden
Mr. William Wilcox

Absent: Ms. Joyce Hagen
Mr. Robert Rounsavall, III
Mr. Frank Weisberg

Guests: Mr. John Tyler
Ms. Letitia Hall

From the
University: Mr. Keith Inman, Vice President for Advancement
Mr. Mike Curtin, Vice President for Finance
Mr. Larry Owsley, Vice President for Business Affairs
Ms. Susan Magness, Assistant Controller
Ms. Paula Quisenberry, Vice President for Finance Office
Mr. Joe Gahlinger, Director of Treasury Management
Ms. Anne Rademaker, Manager, General Accounting & Reporting
Mrs. Kathleen Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

I. Convene Meeting

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

Approval of Minutes

Ms. Snowden made a motion, which Mr. Weisberg seconded, to approve the minutes of March 7, 2008. The motion passed.

II. Information Item: Interim Financial Statements

Vice President Curtin introduced Anne Rademaker. Ms. Rademaker reviewed the financial statements and noted a stable position. The Foundation's statement of financial position as of March 31, 2008, reflects net assets decreased \$4.1 million to a total of \$849.1 million. This represents a 0.4% decrease compared to total net assets at June 30, 2007, and a 3.1% increase over total net assets at March 31, 2007.

The market value of Foundation custody investments increased approximately \$12.6 million, or 1.6% over March 31, 2007.

Ms. Rademaker reported the market value of the Foundation's endowment fund is \$771.7 million at March 31, 2008. This represents a 3.2% decrease compared to the June 30, 2007 market value of \$796.8 million.

Vice President Curtin said total revenues of the Foundation were approximately \$17.8 million for the period ended March 31, 2008. New gifts to the Foundation totaled \$29.6 million, while a loss of \$24.4 million was recognized on investments. Chair Deutsch thanked Vice President Curtin and Ms. Rademaker for the report.

III. Action Item: Approval of FY 09 Operating Budget

Vice President Curtin reviewed highlights of the 2008-09 Operating Budget. The recommended budget was projected at \$118 million. This represents a \$16 million increase, or 16%.

Chairman Deutsch stated that all board members received this material prior to the meeting which allowed them the opportunity to review it in detail. He confirmed there are three components to the budget: Unrestricted Funds, which the Board of Directors will approve or change; Restricted Endowment Funds, which represent funds carrying a stipulation that the gift's principal will be held inviolate and invested for the purpose of producing income; and Gifts, which represent accounts established from unrestricted donations. Mr. Jones made a motion, which Mr. Wilcox seconded, to approve the

President's recommendation that the Finance Committee approve the proposed operating budget for the fiscal year 2008-2009 for the University of Louisville Foundation, Inc. as specified in the attached budget document and supporting schedules; and

That the President be authorized to make adjustments for discretionary programmatic expenditures from budgeted reserves up to the balance available in the reserve. All such adjustments shall be reported to the Board quarterly.

The motion passed. Chairman Deutsch thanked Vice President Curtin and his staff for an excellent job with the operating budget.

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 portfolio has added \$167.7 million more wealth compared to the Cambridge Associates College and University Median and \$188.6 million compared to the Asset Allocation Benchmark.

Investment Performance and Manager Update

Mr. Tyler and Ms. Hall summarized asset allocations.

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

V. Presentation by Money Managers

The Committee heard a presentation from Messrs. Barry Oliff and Richard Murphy, City of London, and Ms. Meg Reynolds and Mr. Bryan Ward of Westwood.

VI. MALT Review/Recommendations

Mr. Tyler and Ms. Hall discussed MALT.

VII. Adage Discussions/Recommendation

The Committee discussed reducing allocations to the U.S. Equity sector in favor of diversification into more alternative assets in order to consider ways to achieve the most value from the Foundation's investments in the U.S. equity market. As a core holding with benchmark-neutral sector exposure, Adage would "anchor" satellite managers such as Sands, Iridian, and EARNEST which invest in more targeted sectors of the U.S. Equity market. This mix of managers will provide a measure of defense in down markets while offering the opportunity to fully participate in up markets. The Committee approved

Recommending that the Board of Directors approve a \$25 to \$30 million investment in Adage Capital Management, L.P., a U.S. Equity Long/Short manager. The actual investment amount will be determined by the Foundation staff after year-end liquidity needs are determined. The funding will be from the liquidation of the

remaining holdings in Hilliard-Lyons (\$29.7 million as of March 31, 2008.)

The motion passed.

VIII. Adjournment

The meeting adjourned at 3:30 p.m.

BOARD ACTION:

Passed X

Did not pass

Other

Asst. Secretary *Katalin M. Smith*