

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 June 1, 2009, in the Board Room of the Chancey Center, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chairman
Ms. Joyce Hagen
Mr. Harry Jones
Mr. Robert W. Rounsavall, III
Ms. Sandy Metts Snowden
Mr. Frank Weisberg
Mr. William Wilcox

From
Cambridge: Mr. John Tyler
Mrs. Letitia Johnson

Via Teleconference: Mr. George Hasiotis

Guest: Mr. Scott Jennings, Peritus Public Relations

From the
University: Dr. Manuel Martinez, Executive Vice President for Research
Mr. Mike Curtin, Vice President for Finance
Ms. Susan Howarth, Director of Budgets
Mr. Joe Gahlinger, Director of Treasury Management
Ms. Anne Rademaker, Manager, General Accounting and Reporting
Ms. Paula Quisenberry, Office of VP Finance
Ms. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Deutsch called the meeting to order at 12:05 p.m.

Approval of Minutes, March 9, 2009

Mr. Weisberg made a motion, which Ms. Metts seconded, to approve the minutes of March 9, 2009. The motion passed.

II Information Updates

Interim Financial Statements

Ms. Rademaker reported the Foundation's statement of financial position as of March 31, 2009 reflects the stable position. The Foundation has \$767 million in total assets, with liabilities of \$171 million. During the first nine months of the fiscal year, the Foundation's net assets decreased \$228 million to a total of \$596 million. This represents a 28% decrease. The market value of the Foundation custody investments are \$566 million, a decrease of approximately \$218 million, or 28%, compared to March 31, 2008.

The market value of the Foundation's endowment fund is \$543 million at March 31, 2009. This represents a 31% decrease compared to March 31, 2008. Ms. Rademaker reported that new gifts to the Foundation totaled \$39 million, an increase of \$9 million, or 30%, over the first nine months of fiscal year 2008. Net

realized and unrealized losses increased by \$191 million to a total loss of \$216 million for the first nine months of fiscal year 2009.

Ms. Rademaker said expenses on behalf of the University have increased \$7 million, or 17% as compared to the prior year. The majority of this increase is related to research. Chair Deutsch thanked Ms. Rademaker for her report.

Endowment Performance

Mr. Gahlinger discussed the new format of the customary report. The proposed changes streamline the report to take advantage of Cambridge's data collection and analytical capabilities. Since 1995, the Foundation's portfolio has added \$99.5 million more wealth compared to the Cambridge Associates' College and University Median and \$168.7 million compared to the Asset Allocation Benchmark. Mr. Gahlinger reviewed endowment performance by composite, market alternative performance, non-marketable performance, and summarized endowment investment performance by managers. Chair Deutsch thanked Mr. Gahlinger for the update.

MALT Update

Mr. Hasiotis updated the committee on MALT investments.

Capital Markets Update & Mgr Performance

Mr. Tyler and Ms. Johnson updated the committee on capital markets and manager performance.

III. Action Item: Approval of 2009-10 Operating Budget

Vice President Curtin called upon Ms. Howarth to review highlights of the 2009-10 Operating Budget. She said the recommended budget was projected at \$115 million. Because of the financial market decline, overall this budget request is less than previous years and represents a decrease of \$2.5 million, or 2% decline, from the FY 2008-09 budget.

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 2009-2010 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.

The Committee took a brief break.

IV. Inflation Hedge Discussion

Mr. Tyler and Ms. Johnson led the discussion regarding inflation hedge.

V. Seamans Update Via Conference Call

The Committee heard a presentation by Richard Seamans, Founder & Managing Director.

VI. Wellington Update

Via Conference Call, the Committee heard a presentation from Greg LeBlanc (Portfolio Manager, Energy), Anne Mahoney (Portfolio Advisor, Energy), and Andy Offitt (Portfolio Manager, Int'l Group) with Wellington.

VII. Adjourn

The meeting adjourned at 3:30 p.m.

BOARD ACTION:

Passed _____ X _____

Did not pass _____

Other _____

Asst. Secretary *Katalin M. Smith*