

Minutes of the Regular Meeting of the
University of Louisville Foundation Finance Committee

In Open Session

Members of the Finance Committee of the University of Louisville Foundation, Inc., met on Monday, March 8, 2010, at 8:00 a.m. in the Board Room of the Chancey Center, Belknap Campus, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chair
Mr. Robert W. Rounsavall, III
Dr. William Selvidge
Mr. Frank Weisberg

Absent: Ms. Joyce Hagen
Mr. Harry Jones
Mr. William Wilcox

Guests: Mr. John Tyler, Cambridge Associates
Mr. Kyle Blackburn, Cambridge Associates
Mr. Matt Willinger, Peritus

From the
University: Mr. Keith Inman, Vice President for University Advancement
Mr. Mike Curtin, Vice President for Finance
Mr. Joe Gahlinger, Director of Treasury Management
Mrs. Kathleen M. Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Deutsch called the meeting to order at 8:05 a.m. Chair Deutsch welcomed Dr. Selvidge to the Committee.

Approval of Minutes

Mr. Weisberg made a motion, which Mr. Rounsavall seconded, to approve the minutes of November 17, 2009. The motion passed.

II. Information Updates:

Interim Financial Statements

Vice President Curtin summarized the financial statements through December 31, 2009, noting the Foundation was in sound financial position. Highlights of Vice President Curtin's report include:

- The Foundation has \$906 Million in total assets, with liabilities of \$189 Million.

- During the first six months of the fiscal year, the Foundation's net assets increased \$71 Million to a total of \$717 Million. This represents an 11% increase compared to total net assets at June 30, 2009 and a 16% increase compared to total net assets at December 31, 2008.
- The market value of Foundation custody investments are \$670 Million, an increase of approximately \$80 Million, or 14%, compared to December 31, 2008.
- The market value of the Foundation's endowment fund is \$689 Million at December 31, 2008. This represents an 11% increase compared to the June 30, 2009 market value of \$600 Million.
- New gifts to the Foundation totaled \$13 Million, a decrease of \$13 Million, or 50%, compared to the first six months of fiscal year 2009. This decrease was due mainly to the \$20 Million pledge from the James Graham Brown Foundation during fiscal year 2009. Net realized and unrealized gains/(losses) increased by \$294 Million to a total gain of \$92 Million for the first six months of fiscal year 2010.
- Expenses on behalf of the University of Louisville have remained steady as compared to the prior year, with a decrease of \$352 thousand.

Chair Deutsch thanked Vice President Curtin for an excellent update.

Endowment Performance

Mr. Gahlinger reviewed the quarterly investment performance report. Since 1995, the Foundation's portfolio has added \$144.1 million more wealth compared to the Cambridge Associates' College and University Median and \$170.7 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.

Investment Performance and Manager Update

Mr. Tyler and Mr. Blackburn updated the Committee on capital markets and manager performance.

IV. Review of Wellington International Growth & Axiom

Mr. Tyler discussed the investment performance in Wellington International Growth Fund. With the announcement of its long time portfolio manager's departure, Cambridge Associates conducted due diligence on the transition plans. Based on Cambridge's recommendation and the Finance Committee's review of replacement manager options, Mr. Rounsavall made a motion, which Mr. Weisberg seconded, to approve the

Hiring of Axiom International Equity Fund as an international growth manager. The investment will be funded by terminating the investment in

Wellington International Growth Fund (January 31, 2010 market value \$23.7 million) and transferring all proceeds to Axiom.

The motion passed.

V. Information Update: PSC Procedure

Vice President Curtin distributed a draft copy of the Policy and Procedures for Personal Service Contracts (PSC) for University Units using UofL Foundation funds. He noted at the December board meeting, the Foundation board members approved as a policy requirement that all University units shall use a competitive process for securing certain services funded from UofL Foundation funds authorized in the annual operating budget. The draft document further explained the policy and outlined specific procedures to award a PSC.

VI. Asset Allocation and Proposed Cash Flow

Mr. Tyler and Ms. Johnson discussed asset allocation recommendations with the committee. The Finance Committee conducted a comprehensive review of the strategic asset allocation plan for the investment portfolio and after careful consultation with Cambridge Associates, LLC determined the following recommendation

2 of 3-year Moving Average (Eliminate Low Year), Item #5 of the chart Cambridge Associates presented.

The motion passed.

VII. NMAA Update and Program Discussion

Messrs. Tyler and Blackburn updated the Committee on NMAA investments.

VIII. Report from the Chair

Chair Deutsch discussed Gnarus (Internet-delivered computational toxicology software). He noted Gnarus is seeking a minimum of \$300,000 in a note financing. cat-SAR[®] is currently operational in Dr. Cunningham's laboratory. Funding will allow Gnarus to create a customer-friendly beta SaaS version of cat-SAR[®]. Gnarus has been selected for a \$150,000 investment under the Kentucky Enterprise Fund managed by KSTC, but must raise matching funds on or before April 1, 2010. Gnarus is seeking \$150,000 from ULF to match the Kentucky Enterprise Fund investment. **Chair Deutsch noted the projected return** for convertible note investors assuming a Series A \$750K financing with an acquisition in year five at 2x revenues is 16x. Under this scenario, total return to ULF would be \$4.4M.

Chair Deutsch discussed the Intrepid Bioinformatics (which provides breakthrough data management solutions for the genomics industry.) Intrepid is seeking \$125,000

investment from the University of Louisville Foundation. For this investment, the projected return for Series A investors assuming a Series B \$1M financing with an acquisition in year five at 2x revenues is 14.5x with an IRR of 71%. Under this scenario, total return to ULF would be \$3.1M.

IX. Adjournment

The meeting adjourned at 9:45 a.m.