

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 Thursday, May 20, 2010, in the Alumni Board Room of the Chancey Center, Belknap Campus, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chair
 Ms. Joyce Hagen
 Mr. Harry Jones
 Mr. Robert W. Rounsavall, III
 Dr. William Selvidge
 Mr. Frank Weisberg
 Mr. William Wilcox

Guests: Mr. John Tyler, Cambridge Associates
 Ms. Letitia Johnson, Cambridge Associates
 Mr. George Hasiotis, Cambridge Associates

From the
University: Dr. Shirley Willinshanz, EVP and Provost
 Dr. William Pierce, Interim EVP for Research
 Mr. Keith Inman, Vice President for University Advancement
 Mr. Mike Curtin, Vice President for Finance
 Ms. Susan Ingram, Director of Budgets
 Ms. Anne Rademaker, CPA, Director of Financial Reporting and Univ. Accg.
 Mr. Michael Kramer, Accountant
 Ms. Kathleen Smith, Assistant Secretary
 Ms. Debbie Dougherty, Board Liaison

I. Call to Order

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

II. Approval of Minutes

Mr. Weisberg made a motion, which Mr. Wilcox seconded to approve the minutes of March 8, 2010. The motion passed.

III. Action Item: Approval of FY 2011 Operating Budget

Vice President Curtin acknowledged the experienced budget staff in his office, recognizing Susan Ingram as the budget director, with Paige Battcher as a new addition to the staff. He also acknowledged the assistance of Kathleen Smith in her capacity as assistant secretary to the board. He called on Ms. Ingram to discuss the high points of the budget.

With a Powerpoint presentation, Ms. Ingram noted the University of Louisville Foundation, Inc. is a key resource in providing such additional resources to help the University achieve its goals. For FY 2010-11, the President is requesting the Foundation provide approximately \$108.7 million in operating funds to various UofL programs. Because of the continued weakened financial market condition, this budget request is less than previous years and represents a decrease of \$6.5 million, or 5% decline, from the FY 2009-10 budget. For FY 2010-11 the proposed total operating budget for the University of Louisville Foundation, Inc. is projected at \$108,765,800. Ms. Ingram noted funding composition of the three sources. She outlined expenditures and discussed historical budget trends.

Provost Willihnganz reported the University has taken over \$100 million in state budget cuts. She thanked the Foundation for its strong support of University programs, noting these funds help provide assistance to graduate students and maintain faculty positions. As Ms. Ingram had noted the state support has either decreased or remained flat, the UofL Foundation support to the University has continued to increase.

Chair Deutsch noted that in addition to the 1.98% funding to Advancement, the Foundation also provides 1.5% funding to Advancement services. Mr. Weisberg made a motion, which Mr. Wilcox seconded, to approve the

President's recommendation that the Board of Directors approve the proposed operating budget for fiscal year 2010-11 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.

The motion passed.

IUI. Information Updates:

Interim Financial Statements

Ms. Rademaker summarized the financial statements through March 31, 2010, noting the Foundation was in sound financial position. The Foundation has \$925 million in total assets, with liabilities of \$170million. During the first nine months of the fiscal year, the Foundation's net assets increased \$110 million to a total of \$755 million. This represents an increase of 17% compared to total net assets at June 30, 2009, and an increase of 27% compared to a total net assets at March 31, 2009.

She noted the market value of Foundation custody investments are \$679 million, an increase of approximately \$114 million, or 20%, compared to March 31, 2009. The market value of the Foundation's endowment fund is \$717 million at March 31, 2009. This represents an increase of 15% compared to the June 30, 2009 market value of \$600 million.

Ms. Rademaker noted new gifts to the Foundation totaled \$25 million, a decrease of \$13 million, or 34%, compared to the same period in fiscal year 2009. This decrease is due mainly to the \$20 million pledge from the James Graham Brown Foundation during fiscal year 2009. Net realized

and unrealized gains increased by \$335 million to a total gain of \$119 million for the first nine months of fiscal year 2009.

Ms. Rademaker noted expenses on behalf of the University of Louisville have remained steady as compared to the prior year, decreasing by 4%. Chair Deutsch thanked Ms. Rademaker for the update.

Endowment Performance and Market Value

Ms. Johnson reviewed the quarterly investment performance report. Since 1995, the Foundation's portfolio has added \$172 million more wealth compared to the Cambridge Associates and University Median, and \$172.9 million compared to the asset allocation. Ms. Johnson reviewed endowment performance by composite, market alternative performance, non-marketable performance, and summarized endowment investment performance by managers.

Update Enervest Fund XII Commitment

Mr. Tyler summarized the Foundation's current private equity program investment and potential new investments in 2010 and 2011. He noted Mr. Kyle Blackburn will discuss further during a conference call later in the meeting.

The Committee took a break.

IV. Hedge Fund Annual Review

Mr. Hasiotis reviewed the performance of hedge fund investments. The Committee heard a presentation from Bennett Offshore Fund representatives.

The Committee voted to approve

The Foundation staff and Cambridge Associates' recommendation to allocate an additional \$25 million to the MALT program. This would be funded by partial redemptions from three US equity managers. The funds will be used to hire a new MALT manager (Eton Park \$11.5 million) with the remaining cash allocated incrementally over most of the existing MALT managers.

The motion passed.

V. Small Cap Search

Via conference call, the Committee heard a presentation from Ms. Nancy Tooke, Eaton Vance presentation. Upon discussion, the Committee voted to approve the following recommendation:

That the Board of Directors approve the hiring of Eaton Vance Management as a core small cap manager. The investment will be funded by terminating the investment in EARNEST Partners (April 30, 2010 market value \$13.6 million) and transferring \$8

million of the proceeds to Eaton Vance. Remaining funds will be used to fund current year spending.

The motion passed.

Investing in Asia Discussion

Mr. Tyler discussed Cambridge's suggestion to consider investing in Asia and hiring a regionally-focused manager. The Committee authorized manager interviews at a future committee meeting.

VII. Adjournment

There being no further business to discuss, the meeting adjourned at 3:45 p.m.

BOARD ACTION:

Passed _____X_____

Did not pass _____

Other _____

Asst. Secretary_ *Kathleen M. Smith*