

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

June 4, 2012

In Open Session

Members of the Finance Committee of the University of Louisville Foundation, Inc., met at 1:30 p.m. on June 4, 2012, in the Board Room of the University Club, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chair  
Mr. Sam Rechter  
Dr. William Selvidge  
Mr. Frank Weisberg

Absent: Ms. Joyce Hagen

By Phone: Ms. Letitia Johnson, Cambridge Associates  
Mr. Jeff Meade, Cambridge Associates

From the  
Foundation: Dr. James R. Ramsey, President  
Mr. Mike Curtin, Assistant Treasurer  
Mrs. Kathleen Smith, Assistant Secretary

Legal  
Counsel: Mr. Jim Seiffert, Stites & Harbison

From  
Metacyte: Mr. Steve Gailar, President and CEO

From the  
University: Dr. William Pierce, Executive Vice President for Research & Innovation  
Mr. Keith Inman, VP for University Advancement  
Ms. Susan Howarth, Director of Budgets  
Ms. Anne Rademaker, Director of Financial Reporting and Univ. Accounting  
Ms. Becky Simpson, Senior Assoc. VP, University Advancement  
Mr. Mark Hebert, Director of Media Relations  
Ms. Karen Wilkerson, Policy and Budget Analyst  
Ms. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Deutsch called the meeting to order at 1:30 p.m.

Approval of Minutes, February 29, 2012

Mr. Rechter made a motion, which Mr. Weisberg seconded, to approve the minutes of February 29, 2012.

II. Action Item: Approval of Modifications to Spending Policy

Vice President Curtin discussed the proposed one-time change to the standing spending policy calculation methodology for Fiscal Year 2013 (FY13). Mr. Curtin noted the standing three-year rolling average of endowment market values will be replaced by dropping the year with the lowest market value between 2009 and 2011 and averaging over the remaining two years. In addition, no endowment will have a spending policy allocation less than the amount received in FY 2012. Underwater Research Challenge Trust Endowments will not receive spending policy for FY2013. This is a one-time modification applicable to the FY13 budget year only. Mr. Weisberg made a motion, which Mr. Rechter seconded, to approve the

**The standing spending policy calculation for endowments is based on appropriating 5.5% of the three-year moving average of endowment market value as of December 31<sup>st</sup> of the three most recent calendar years. For FY13 spending calculations, the years 2009, 2010 and 2011 would be used. The unprecedented market decline in 2008 resulted in a 29.4% decline in the year over year market value as of December 31, 2008. Since then, the spending policy has been modified so that only the two highest market values of the past three years were used in the calculation. Given the recovery of the endowment market value, the Finance Committee believes it prudent to authorize spending more in line with historic levels. This can be achieved by eliminating 2009 from the FY13 calculations and averaging over the remaining two years (2010 and 2011.) This will result in \$1.3 million more being made available to departments for spending as compared to using the standard 3-year average.**

The motion passed.

III. Action Item: Approval of FY 2013 Budget

President Ramsey expressed his sincere appreciation for the leadership of the UofL Foundation board of directors and its finance committee members. He thanked committee members for approving the modifications to the spending policy, which will allow the availability of additional funds for programmatic use. With the difficult fiscal environment and decreases in state funding, the support of the UofL Foundation is more critical than ever. Referencing a chart displaying state funding and ULF funding amounts, Dr. Ramsey noted private funding through the UL Foundation was crucial as state funding continued to decline.

The President recognized Chair Deutsch for his leadership role. Dr. Ramsey commended Vice President Curtin and Ms. Howarth for their dedication and experience through the budgeting process.

As part of a Powerpoint presentation, Ms. Howarth gave an overview of the operating budget. While state appropriations to the University have declined, she reported the UL Foundation has increased its support of University projects. She fielded questions from the directors. Ms. Howarth introduced Ms. Karen Wilkerson, Policy and Budget Analyst. Chair Deutsch noted the budget was distributed prior to the meeting, allowing directors the opportunity for review. He further noted proposed restricted endowment fund distributions are on an annual basis. Those recommendations are made to the President by various deans and unit heads regarding appropriate endowments. Mr. Rechter made a motion, which Dr. Selvidge seconded, to approve the

**President recommends that the Board of Directors approve the proposed operating budget for the fiscal year 2012-2013 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.

#### IV. Information Updates

##### Interim Financial Statements

Ms. Rademaker reviewed the interim financial statements, noting the Foundation has \$977 Million in total assets, with liabilities of \$ 168 Million. Overall, assets remained steady as compared to the prior year. She noted the market value of Foundation custody investments are \$756 Million, a decrease of approximately \$6 Million, or 1%, compared to March 31, 2011. She provided a report on expenses. Chair Deutsch thanked Ms. Rademaker for an excellent update.

##### Endowment Performance

Mr. Kramer reported since 1995, the Foundation's portfolio has added \$ 212 million more wealth compared to the CA College and University Median, and \$256.4 million compared to the Asset Allocation Benchmark. Chair Deutsch thanked Mr. Kramer for an excellent report.

##### Portfolio Investment Update

Mr. Gailar discussed the process for funding considerations for start-up companies. The Foundation's direct investments in start ups:

- Began in 2008
- Includes equity and convertible note investments
- Is the lead and follow-on investor
- Facilitates additional investment from other sources

Type of Investment	Amount
Equity	\$3,475,000
Convertible Note	\$975,000
Total	\$4,450,000

Giving a brief overview of these companies, he provided statistics for investments through May 30, 2012. Investment in companies included ApoVax, Inc., Gnarus Systems, Intrepid Bioinformatics, PGxL Laboratories, Rhinocyte, Inc., Edumedics, and Advanced Cancer Therapeutics. Mr. Gailar thanked the UL Foundation for its commitment to these companies.

The Committee took a short break at 2:30 p.m. Mr. Rechter departed.

#### V. ULF Portfolio and Performance Review

Ms. Johnson and Mr. Meade briefed the Committee on the performance of the ULF portfolio.

#### VI. Market Update and Expectations for 2012

Mr. Tyler and Ms. Johnson provided a market update and shared expectations for 2012.

#### VII. Strategic Asset Allocation Review

Vice President Curtin reported this recommendation stems from the Finance Committee's review of asset allocations for the investment portfolio. This review was in consultation with Cambridge Associates. Mr. Curtin said the recommended changes are based on current market considerations, combined with an effort to increase the pools risk-adjusted returns. The major changes recommended are: 1) a 5% increase in Emerging Markets Equity, raising the target from 9% to 14%; and 2) a 2% increase in Real Assets, raising the target from 13% to 15%. The increased targets will be funded from: 1) a 4% decrease in U.S. Equity, reducing the target from 18% to 14%, 2) a 1% decrease in Global ex. U.S. Equity, reducing the target from 15% to 14% and 3) a 2% decrease in Fixed Income, reducing the target from 13% to 11%. Mr. Weisberg made a motion, which Dr. Selvidge seconded, to approve the following changes:

Asset Class	Current Long-Term Targets (%)	Recommended Long-Term Targets (%)
U.S. Equity	18	14
Global ex U.S. Equity	15	14
Emerging Markets Equity	9	14
Private Investments ex Real Assets	12	12
Marketable Alternatives	20	20
Real Assets	13	15
Fixed Income	13	11

The motion passed.

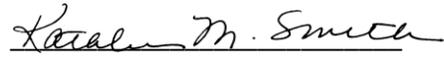
IX. Questions/discussion

Cambridge Associates representatives fielded questions from the Committee.

X. Adjourn

The meeting adjourned at 4:00 p.m.

Approved by:



Asst. Secretary