

FINANCE COMMITTEE  
BOARD OF DIRECTORS  
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

March 12, 2002

The Finance Committee of the University of Louisville Foundation Board of Directors met on Tuesday, March 12, 2002, at 12 Noon in the Alumni Board Room, University Club, with members present and absent as follows:

PRESENT:           Mr. Burt Deutsch, Chairman  
                      Mr. H. Scott Davis  
                      Mr. Nathaniel Green  
                      Mr. Robert W. Rounsavall, III  
                      Mr. William Wilcox

From the  
University:           Mr. Larry Owsley, Vice President for Finance & Administration  
                          Ms. Angela Koshewa, University Counsel  
                          Mr. Joe Beyel, Vice President for Development & Alumni  
                          Mrs. Susan Magness, Associate Controller  
                          Mr. Joe Gahlinger, Special Assistant to the VP for Finance &

Administration           Mrs. Kathleen Smith, Assistant Secretary  
                              Mrs. Debbie Dougherty, Board Liaison

Foundation  
Legal Counsel:       Ms. Leslie Vidra, Stites & Harbison

Others  
Present:              Mr. Kent Meyers, Cambridge Associates

I.     Convene Meeting

Having determined a quorum present, Chairman Deutsch called the meeting to order at 12:15 p.m.

- Minutes for December 5, 2001

Mr. Davis made a motion, which Mr. Wilcox seconded, to approve the minutes of December 5, 2001. The motion passed.

II.    Information Items: Interim Financial Statements

Vice President Owsley summarized the information contained in the Foundation's December 31, 2001 Statement of Financial Position as compared to same date in 2000 (copy attached). He noted during the previous year, the net assets grew from \$510M to \$550M.

### III. Information Item: Investment Performance Summary

- Cambridge Associates Discussion

Vice President Owsley reviewed the Investment Performance Summary as of December 31, 2001 (copy attached). Mr. Owsley stated that since 1995, the Foundation's portfolio has substantially exceeded the national average for foundations. Mr. Owsley briefed the Committee about an article Vice President Beyel and he plan to write for UofL Magazine on the endowment's performance. He further noted that Vice President Beyel recently distributed a Chronicle on Higher Education article which showed the Bucks for Brains' significant impact on the Foundation's endowment.

Mr. Meyers reviewed reports on asset allocations as of February 28, 2002 and December 2001 (copies attached). In response to Mr. Green's inquiry about emerging markets, Mr. Meyers defined them as under-developed markets, e.g., Hong Kong, Singapore, Japan, etc. Mr. Meyers suggested the Committee consider expanding holdings in non-U.S. markets. Because of the Foundation's decision in January 2000 to move funds out of emerging markets, the Foundation avoided a 30% downdraft. Mr. Meyers observed that it may be a good time to reconsider emerging markets; Mr. Green supported this motion. Mr. Myers will review and assemble a formal recommendation. Chair Deutsch noted that seven years ago the Committee changed its equity bond ratio. He requested Mr. Meyers also provide a recommendation regarding the bond ratio allocation. Mr. Meyers agreed.

### IV. Discussion Item: Phase II Student Housing

Vice President Owsley discussed the status of the on-campus housing expansion project. He projected construction to begin by May 2002. He said the bond rating agency might ask for a guarantee. At this time, he was unaware of the number of students waiting for on-campus housing. Provost Garrison remarked that expanding the residential student community would have significant impact on UofL's retention.

### V. Update on Recent Money Manager Placements

- EARNEST
- Chrysalis
- Minerva

VP Owsley reported that the Foundation has moved \$225,000 to EARNEST and Chrysalis, but the Foundation has not received a request from Minerva yet.

Ms. Vidra reported that Minerva has asked her to assist in drafting the necessary paperwork to create a capital fund. Ms. Vidra noted the peculiarity of advising Minerva, but her action could protect the Foundation's interest before transferring Foundation funds to Minerva. Ms. Vidra has worked with Joe Gahlinger and Dee Maynard on this request, and is consistent with the Foundation directors' agreement in December 2001.

Chairman Deutsch praised Minerva Ventures for its dedication to UofL. He noted there should be a good contractual separation between the Foundation and Minerva Ventures.

Chairman Deutsch shared a letter from Mr. Charlie Kane with Limestone. After a brief discussion, Mr. Deutsch recommended deferring on investing with Limestone, because the Foundation already had Chrysalis and Minerva.

VI. Presentation of Money Managers

After a short break, the Finance Committee heard presentations from the following money managers:

- 1:15 p.m. - Laurie Bagley, CommonFund via Conference Call
- 1:45 p.m. - Andy Means, Don Asfahl, Colin Hudson – Hilliard Lyons
- 2:15 p.m. - Lou Paletta – Lone Star
- 2:45 p.m. - Bill Chandler, Mark Lattis – NAM - INVESCO

VII. Review and Discussion of Money Manager Presentations

The Finance Committee reviewed the money managers' presentations and discussed the financial materials. The Committee agreed to make a recommendation to the Board to change the target asset allocation from 75% equity/25% fixed income to 80% equity/20% fixed income over the course of the next year. The Finance Committee further agreed to recommend that the Board add 3% to emerging markets in the endowment equities portfolio.

VIII. Adjournment

There being no further business to discuss, Chairman Deutsch adjourned the meeting at 4:00 p.m.

**BOARD ACTION:**

Passed       X        
Did not pass                       
Other                             

Asst. Secretary           *Katalin M. Smith*