

MINUTES OF THE ANNUAL MEETING OF THE UNIVERSITY OF LOUISVILLE
FOUNDATION, INC. AND THE ULH, INC. BOARDS OF DIRECTORS

In Open Session

Members of the University of Louisville Foundation, Inc. and ULH, Inc. Board of Directors met at 12:08 p.m. on September 28, 2017, in the ULF Boardroom at Cardinal Station, with members present and absent as follows:

Present: Dr. Mark Lynn, Vice Chair
Mr. Ronald Abrams
Mr. Mike Bowers
Ms. Laura Douglas
Mr. J. David Grissom
Ms. Donna Heitzman
Ms. Alice Houston
Mr. Tom Meeker
Mr. Earl Reed
Mr. Nitin Sahney
Mr. Vincent Tyra

Via Phone: Mr. Paul Carrico
Ms. Diane B. Medley
Mr. John H. Schnatter

Absent: Dr. Greg Postel

From the
Foundation: Mr. Keith Sherman, Interim Executive Director/COO
Mr. Jay Barbee, Administrative Systems Analyst
Mr. Mike Kramer, Director of Investment & Financial Management
Ms. Julie Kroger, Executive Assistant
Ms. Gina Lankswert, Project Manager
Ms. Susan Magness, Director of Budget & Compliance
Mr. Justin Ruhl, Director of Accounting Operations

From Legal
Counsel: Mr. Franklin Jelsma, Wyatt Tarrant & Comb

Guests: Mr. Scott Jennings, RunSwitch
Ms. Katherine North, RunSwitch

I. Call to Order

Having determined a quorum present, Dr. Mark Lynn called the meeting to order at 12:08 p.m.

II. Consent Agenda

Dr. Lynn reminded all members of the board of their responsibility to avoid conflicts of interest and appearances of conflicts of interest. He stated each member has received the agenda and related information for this meeting. He requested if any board member knows of any conflict of interest or appearance of conflict of interest with respect to any matter coming before the Board at this meeting, to please identify the conflict or appearance of conflict at this time. No conflicts were identified.

Next, Dr. Mark Lynn read the consent agenda as follows:

Consent Agenda

- **Approval of Minutes, 9-6-2017**

Hearing no objection, Ms. Alice Houston made a motion, which Mr. Vince Tyra seconded, to approve the Consent Agenda. The motion passed.

III. Report of the Nominating Committee

Mr. Keith Sherman reported the Nominating Committee, chaired by Dr. Greg Postel, met on September 27 and recommends the following as officers and executive committee members for the upcoming year for the Board of Directors of the UofL Foundation, Inc. and ULH, Inc.:

Ms. Diane Medley	Chair
Dr. Mark Lynn	Vice Chair
Mr. Mike Bowers	Treasurer
Ms. Laura Douglas	Secretary

IV. Action Item: Elect Officers and Executive Committee Members

Mr. Tom Meeker made a motion, which Mr. Vince Tyra seconded, to approve the slate of officers and executive committee members as reported by Mr. Keith Sherman. The motion passed with Ms. Diane Medley, Dr. Mark Lynn, Mr. Mike Bowers, and Ms. Laura Douglas abstaining from voting for themselves.

V. Report on Advancement and Fundraising

Mr. Bryan Robinson briefed the Board using the attached presentation. Since becoming Interim University Vice President for Advancement on August 1, 2017 he has deleted “campus priorities” as a philanthropy counting category. He also informed the Board he is creating an Office of Stewardship that will have five full-time employees.

VI. Report of Finance Committee Chair

Mr. Vince Tyra, Chair of the Finance Committee, reported the Committee received an update from Cambridge & Associates at their September 28 meeting. He reported the investment returns have been strong as has the overall market. He informed the Board they are well ahead of their budgeted returns after the first two months of the year and expect September’s results to be equally strong.

Mr. Tyra reported the Committee also reviewed the year-end financials and the year-end audit does not appear to require any material adjustments. He credited the Foundation staff for their hard work and discipline in stewarding the financial process appropriately.

Mr. Tyra reported the Committee also reviewed the year-to-date financials. They are tracking to the budget of gifts and endowment. He informed the Board they have included projected new gift dollars in the forecast as well. Mr. Tyra reported that the Foundation staff has made great strides in sanitizing the endowment. Specifically, after September the endowment will no longer include any gift carryover. He also noted the Foundation is measurably reducing the endowment carryover in the fund as well.

Mr. Tyra concluded his report by noting the investment strategy, coupled with disciplined spending is resulting in continued growth in the Foundation's endowment value.

VII. Report of Governance and Organizational Structure Committee Chair

Ms. Alice Houston, Chair of the Governance and Organizational Committee, reported the Committee has been reviewing and substantially revising the Foundation's existing bylaws to incorporate changes based on the Memorandum of Understanding with the University, special committee recommendations, and industry best practices.

She stated the Committee is also reviewing newly created committee charters that clarify the roles of each Board committee.

VIII. Report of Audit Committee Chair

Ms. Donna Heitzman, Chair of the Audit Committee, reported the weekly meetings with the Ernst & Young and Foundation team have continued since the last Board meeting. She reported the audit is proceeding well and no material adjustments are anticipated. She noted this is a significant accomplishment. Ms. Heitzman concluded by stating Ernst & Young will present the audited financials to the Audit Committee in October.

IX. Report of ULREF Chair

Mr. Earl Reed, Chair of the UofL Real Estate Foundation (ULREF) Board, reported the Board reviewed their current financials at their September 28 meeting. He stated they are tracking with their approved budget.

Mr. Reed informed the Board the ULREF Board discussed the future acquisition or sale of real property and potential litigation in an executive session. He noted they have authorized Keith and the staff to continue with proceeding to analyze and pursue the potential disposition of some properties. This will occur in conjunction with a committee of University leaders including Dr. Postel.

X. Report of Special Committee to Address the A&M Audit

Mr. Earl Reed, Chair of the Special Committee to Address the A&M Audit, stated the Special Committee was formed shortly after the release of the A&M forensic investigation report in June. The purpose of the Special Committee is to consider the A&M report and all of its findings and recommendations, and then oversee the implementation of appropriate remedial actions at the Foundation. The Committee also studied the recommendations and findings of the Kentucky Auditor's December 2016 report.

The Committee has also been charged with dealing with potential litigation relating to the investigation, both responding to potential litigation against the Foundation and exploring the possibility of the Foundation initiating litigation. Mr. Reed stated, with regard to potential litigation either by the Foundation against third parties or by the UofL Board of Trustees against the Foundation, the Special Committee is continuing to rely on outside legal counsel for advice, while also reviewing the facts and gathering more information. This is a deliberative process and one they are taking very seriously.

While there will be more to report in the future, Mr. Reed said the Committee has determined that it will be critical to examine the reasonableness of compensation paid to Foundation employees. Outside counsel has arranged to obtain expert assistance in this area to inform and assist in guiding the actions the Committee will recommend in regard to past compensation, including grants of deferred compensation and tax gross-ups.

Mr. Reed expressed his appreciation for the work done by A&M on their investigation, as well as the Kentucky auditor's office. Using these two reports as a guide, and informed by the combined experience of our Committee members and staff, the Committee has identified what they believe are the key changes necessary to prevent a reoccurrence of past events. These changes will be committed to writing and the Board and staff will be accountable for their implementation now and in the future.

Mr. Reed noted any changes to the Memorandum of Understanding (MOU) with the University will need to be in agreement with the UofL Board of Trustees. He stated the Committee looks forward to continuing to work collaboratively with the University to ensure that both the University and the Foundation adopt reforms that will prevent the reoccurrence of the issues highlighted by the recent reports. Once any additional input from the Board and the University is received, the Committee will document the proposed changes in the Foundation's Bylaws, the MOU and in written operational policies. All of these documents will then be brought before the full Board for approval. The Committee will also make clear assignments for compliance responsibility.

Utilizing the attached presentation, Mr. Keith Sherman reviewed the two reports highlighting the findings and recommendations, as well as the Foundation actions subsequently taken. He also highlighted the key transformative changes at the Foundation and summarized fifteen policies that will be memorialized in the Bylaws, MOU, or Policies & Procedures Manual.

Ms. Alice Houston stated the Governance and Organizational Committee will be scheduling a meeting to further review the policies and develop a recommendation for the Board on how to memorialize the policies.

Ms. Diane Medley expressed her appreciation to the Committee for their work and time.

Dr. Mark Lynn noted it's been a Herculean task. He thanked the members of the Board, noting they are volunteers with a great depth of business experience, excellent reputations, and a mutual love of the University of Louisville. Each has embraced a clean-up duty that many others would have avoided. He acknowledged that all of the Board members are very busy with their professions, their businesses, and their families and that serving on the Foundation Board wasn't necessarily something they planned on doing. He thanked each of them for making the University of Louisville a priority in their lives.

XI. Executive Session to Discuss Potential Litigation Pursuant to KRS 61.810(1)(c)

Dr. Mark Lynn asked for a motion to go into executive session to discuss potential litigation pursuant to KRS 61.810(1)(c).

Ms. Laura Douglas made the motion, which Ms. Donna Heitzman seconded, to go into executive session at 1:14 p.m. The motion passed.

XII. Reconvene Open Session

After open session was reconvened at 2:13 p.m., Dr. Mark Lynn reported that potential litigation was discussed during the executive session but no action was taken.

XIII. Adjournment

Having no other business before the Board, Dr. Mark Lynn asked for a motion to adjourn. Mr. Earl Reed made a motion to adjourn, which Ms. Laura Douglas seconded. The motion passed. Meeting adjourned at 2:14 p.m.

Approved by: *Signature on File*

Secretary