

MINUTES OF THE SPECIAL 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. Board of Directors met at 12:00 p.m. on August 24, 2017, in the ULF Boardroom at Cardinal Station, with members present and absent as follows:

Present: Ms. Diane B. Medley, Chair  
Mr. Ronald Abrams  
Mr. Mike Bowers  
Mr. Paul Carrico  
Mr. J. David Grissom  
Ms. Donna Heitzman  
Ms. Alice Houston  
Mr. Tom Meeker  
Dr. Greg Postel  
Mr. Nitin Sahney

Via Video: Mr. Vincent Tyra

Via Phone: Mr. Earl Reed

Absent: Ms. Laura Douglas  
Dr. Mark Lynn  
Mr. John H. Schnatter

From the  
Foundation: Mr. Keith Sherman, Interim Executive Director/COO  
Mr. Jay Barbee, Administrative System 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 & Combs

From the  
University: Ms. Susan Howarth, Interim CFO  
Ms. Cindy Hess, Director of Communications and Marketing  
Mr. Bryan Robinson, Interim Vice President of Advancement

Guests: Ms. Katherine North, RunSwitch

I. Call to Order  
Having determined a quorum present, Chair Medley called the meeting to order at 12:02 p.m.

II. Consent Agenda  
Chair Medley read the consent agenda as follows:

**Consent Agenda**

- **Approval of Minutes, 7-18-2017**

Hearing no objection, Mr. Mike Bowers made a motion, which Mr. Paul Carrico seconded, to approve the Consent Agenda. The motion passed unanimously.

III. Information Item: Conflict of Interest Forms

Mr. Keith Sherman informed the Board it was time to complete their annual conflict of interest forms. He asked that all forms be completed before the end of the month. He also indicated they will be asked about conflicts, real or perceived, at the start of meetings.

IV. Information Item: Banking Signature Authority

Mr. Keith Sherman informed the Board that PNC had requested a Secretary's Certificate. Having the form on file is a housekeeping measure they require.

V. Report of the Governance and Organizational Structure Committee Chair

Ms. Alice Houston, Chair of the ULF Governance and Organizational Committee announced the Committee will meet in September. She reported that since the last Board meeting there has been a conference call with the Association of Governing Boards of Universities and Colleges (AGB) regarding a review of the existing Bylaws. They will have their initial comments for the Committee in about a week.

VI. Report of the Finance Committee Chair

Mr. Vince Tyra, Chair of the ULF Finance Committee, noted that last month he told the Board the Committee had directed the Foundation Staff to report back to the full Board of Directors any significant adjustments to our 2017 financial statements. There were 6 adjustments made:

1. Metacyte's LOC balance was reduced from approx. \$8.3M to \$260k. The remaining LOC balance represents the fair value of Metacyte's remaining investment holdings, primarily the value of the Zynerva holding.
2. JGBCC receivable, previously reported at \$11.5M, was adjusted to \$0, which we believe is its net realizable value.
3. UHI, Inc. owed a \$300k LOC balance which was adjusted to \$0. There is no longer any activity in UHI that would generate any income to reduce the LOC.

4. ULDC's LOC balance was discounted using a 3% interest rate over a 20 year period. ULDC's receivable, net of its discount, was adjusted to \$10.8M, from \$24M. Interest will continue to accrue on the outstanding LOC balance.
5. ULF's receivable from ULREF was discounted using a 3% interest rate over an estimated payback period based on ULREF's projected net free cash flows. The anticipated payback period is 15 years. The receivable from ULREF, net of the discount, is \$24M (a reduction of almost \$4.8M).
6. For consolidated financial reporting, only the ULREF discount adjustment will affect the statement balances. The discount will reduce total assets & increase expense by \$4.8M. All entries to the UHI & JGBCC LOC will eliminate in consolidation.

Mr. Tyra stated the six adjustments total approximately \$37.8MM and that these figures are as of June 30, 2017.

Mr. Tyra also noted that since the last meeting, the Committee has been working with Cambridge & Associates on some new reporting formats that will lend more clarity to our asset values.

Related to investments, Mr. Tyra reported the Foundation continues to benefit from solid market returns. Without the adjustments just reviewed, the fiscal year 2017 returns on the Cambridge advised assets were approximately 12%. The Foundation is still receiving private equity numbers and they have been strong. Overall, because of the adjustments, the net investment returns on the endowment will be approximately 5.4%. He expects these numbers to be what is reported by NACUBO in January.

#### VII. Report of the UofL Real Estate Foundation, Inc. (ULREF) Chair

Mr. Earl Reed, Chair of ULREF, reported the ULREF Board held their annual meeting on August 16, 2017. They re-elected Bob Koetter to a full 3-year term and elected one new at-large director, Mr. Craig Hawley. The ULREF Board also elected officers for 2017-2018. Mr. Reed reported he will continue as Chair, Mr. Ken Payne is Vice Chair, Mr. Steve Gault is Secretary and Mr. Mike Bowers is Treasurer.

Mr. Reed told the Board that the ULREF Board had a special meeting on August 22, 2017 during which they passed a resolution stating that ULREF will not be participating in the future development of 3 additional office buildings on ShelbyHurst campus. Rather, NTS will develop these sites alone. A few background and key facts:

There were legally binding agreements in place that provided fixed land lease rental rates with no escalators that had been executed in mid-2016;

The ULREF Board did not believe the rent levels were at current market competitive rates;

These agreements also committed the ULREF to approximately \$2M in cash contributions for each of the three buildings and approximately \$8M in debt guarantees per building;

ULREF was also committed to 51% of any other costs, fees or expenses related to the ongoing management of the new buildings to the extent they did not cash flow;

NTS, despite not having an obligation to do so, agreed to restructure the per acre value and increase them by 20%. They also agreed to increase the cap rates by 33%. And they agreed to rent rate escalators at different junctures of the lease. These changes address concerns from the A&M report and certain public perceptions;

ULREF has no financial obligations, including guarantees going forward on these three properties;

NTS is returning to ULREF approximately \$339k that ULREF has invested in these three sites;

Mr. Reed informed the Board this resolution demonstrates the Real Estate Foundation's continued focus on their short and long term financial stability. This includes positioning themselves to pay their debts as quickly as possible while still providing strategic support to the University.

Chair Medley commended ULREF for their work. Mr. David Grissom stated it was a significant accomplishment.

VIII. Report of the Special Committee to Address the A&M Report Chair

Mr. Earl Reed, Chair of the ad hoc Special Committee to Address the A&M Report, told the Board the Committee met on August 16, 2017. They reviewed the A&M report further and discussed policy recommendations that have resulted from it. He told the Board they expect to have a significant number of policies to review at the next meeting. He believe the policies will address the operational concerns raised by the Report and help ensure what happened in the past does not re-occur.

IX. Report of the Audit Committee Chair

Ms. Donna Heitzman, Chair of the ULF Audit Committee, reported she has been having weekly meetings with the Ernst & Young and Foundation team. She reported the audit is proceeding well and the Foundation staff is ahead of schedule with respect to providing E&Y with what they need. The Foundation also has done some restructuring of duties to ensure we have the necessary resources to meet our timelines. Ms. Heitzman and Ms. Medley expressed their appreciation for the leadership role Justin Ruhl has taken on in regards to the audit.

The Board briefly discussed the timeline for completing the audit. It was noted the audit would not be completed prior to the Southern Association of Colleges and Schools accreditation visit in September. However, it will be completed within three weeks after the visit.

X. Report of the Chair

Ms. Diane Medley informed the Board she didn't have updates to report.

XI. Executive Session to Discuss Personnel Matters and Potential Litigation Pursuant to KRS 61.810(l)(f) and KRS 61.810(l)(c)

Chair Medley asked for a motion to go into executive session to discuss personnel matters and potential litigation pursuant to KRS 61.810(l)(f) and KRS 61.810(l)(c).

Mr. David Grissom made the motion, which Mr. Tom Meeker seconded, to go into executive session at 12:31 p.m. The motion passed.

XII. Reconvene Open Session

After open session was reconvened at 1:22 p.m., Chair Medley reported that personnel matters and potential litigation were discussed during the executive session. The Board discussed a settlement agreement with Mr. David Adams. She asked for a motion and a second.

Mr. David Grissom made a motion to approve the **attached** settlement agreement and authorize the Executive Director to execute the settlement agreement with Mr. David Adams. Mr. Tom Meeker seconded the motion. The motion passed.

XIII. Adjournment

Having no other business before the Board, Chair Medley asked for a motion to adjourn. Mr. Ron Abrams made a motion to adjourn, which Ms. Alice Houston seconded. The motion passed. Meeting adjourned at 1:24 p.m.

Approved by:

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Secretary