

MINUTES OF THE REGULAR MEETING OF THE UNIVERSITY OF LOUISVILLE
RESEARCH FOUNDATION, INC. BOARD OF DIRECTORS

In Open Session

The University of Louisville Research Foundation, Inc., Board of Directors met on November 29, 2007, in the Jefferson Room, Grawemeyer Hall, with members present and absent as follows:

Present: Mr. J. Chester Porter, Chair
Ms. Marie Abrams
Mr. Jonathan Blue
Dr. Beth Boehm
Mr. Ron Butt
Mr. Mike Curtin
Dr. Salem George
Mr. Owsley Frazier
Mr. Grant Helman
Mr. Brian Hoffman
Dr. Robert Curtis Hughes
Ms. Rebecca Jackson
Ms. Jessica Loving
Dr. Manuel Martinez Maldonado
Mr. Frank Minnifield
Mr. Larry Owsley
Mr. Steve Poe
Dr. James R. Ramsey
Dr. William Selvidge
Ms. Sandy Metts Snowden
Mr. Bill Stone
Dr. Shirley Willihnganz

Absent: Mr. Ulysses L. Bridgeman, Jr.
Mr. Brent Fryrear
Ms. Margaret Handmaker

From the
University: Dr. Larry Cook, Executive Vice President for Health Affairs
Ms. Angela D. Koshewa, University Counsel
Mr. Dan Hall, Vice President for External Affairs
Dr. Priscilla Hancock, Vice President for Information Technology
Prof. Joe Hagerty, Speed School of Engineering
Dr. Ralph Fitzpatrick, Special Assistant to the President
Mr. David Barker, Director of Audit Services
Ms. Susan Ingram, Director of Budgets
Ms. Terri Rutledge, Asst. VP for Business Affairs

Mr. John Drees, Assoc. VP for Communications and Marketing
Ms. Carolyn Cochran, Office of the Provost
Ms. Susan Rhodes, Office of External Affairs
Mrs. Kathleen M. Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

Guest: Ms. Mary McKinley, BKD, LLP
Mr. Dewey Hensley, Principal, Atkinson Elementary
Mr. Dan Withers, Principal, Central High School
Ms. Beth Johnson, Principal, Western Middle School

I. Call to Order

Having determined a quorum present, Chair Snowden called the meeting to order at 1:15 p.m. Chair Snowden welcomed new members Dr. William Selvidge, Messrs. Brent Fryrear, Frank Minnifield, and Brian Hoffman.

II. Action Item: Approval of Minutes, May 10, 2007

Ms. Abrams made a motion, which Mr. Stone seconded, to approve the minutes of May 10, 2007.

III. Action Item: Approval of Recommendation Regarding Security Clearance and Managerial Group

President Ramsey noted this action amends the security clearance action the board took last month. It was routine in nature and requested by Federal regulations. Ms. Abrams made a motion, which Dr. George seconded, to approve the

President's recommendation that the Board of Directors adopt the attached Resolution revising the Managerial Group of the Board of Directors of the University of Louisville Research Foundation, Inc. and waiving of security clearance for officers, Directors, and directors not a part of the managerial group; and

that the President be authorized to take any other steps necessary with regard to agreements or assurances to the Defense Security Service to effect the facility security clearance of the University of Louisville Research Foundation, Inc. and clearance of its personnel including compliance with the provisions of the National Industrial Security Program Operating Manual or other Federal government policy relating to safeguarding of classified information.

The motion passed unanimously.

IV. Action Item: Approval of Audited Financial Statements for Year Ended June 30, 2007 and Independent Auditor's Report

Chair Snowden asked Vice President Curtin to review the audited financial statements. Vice President Curtin reported the UofL Research Foundation is in strong financial position. BKD has issued a clean, unqualified report with no exceptions. Mr. Curtin asked Ms. McKinley, BKD, to review highlights of the audit. They were:

- \$4.4 million from NIH over the next five years to support research in the area of Environmental Genomics and Integrative Biology. This prestigious award is highly competitive and places the University among a limited number of institutions such as Johns Hopkins, Harvard, and the University of North Carolina to study the specifics of gene-environment interaction with the goal of developing treatments and programs that will lessen the impact of environmental contamination of Kentucky's citizens
- \$2.0 million to support Scaling Up the Implementation of a Pre-Kindergarten Mathematics Intervention in Public Preschool Programs
- \$2.8 million to study the Genetic and Environmental Risk Factors for Progressive Supranuclear Palsy
- \$1.8 million to support the Stonecoal Branch and Slapcamp Creek Watershed project
- \$1.2 million for Development of Neural Recovery rehabilitation and Research for Functional Health and Quality of Life Improvements after Neurologic Injury
- \$0.9 million from NASA to study Rejuvenating Injured tissues for Enhanced Wound Healing

Ms. McKinley reported the Research Foundation's financial position remains strong at June 30, 2007, with total assets of \$115.9 million and liabilities of \$20.8 million as compared to June 30, 2006 at \$113.3 million of total assets and \$24.6 million of liabilities. Net assets, which represent the residual interest in the Research Foundation's assets after liabilities are deducted, were \$95.1 million and \$88.7 million at June 30, 2007 and 2006, respectively.

Ms. McKinley said the Research Foundation's total liabilities of \$20.8 million consist primarily of deferred revenue. Deferred revenue represents the unearned portion of grants and sponsored programs and comprises \$13.0 million or 62% of total liabilities.

Ms. McKinley noted operating revenues amounted to \$320.3 million and \$294.0 million and operating expenditures were \$308.6 million and \$276.8 million resulting in a net operating income of \$11.7 million and \$17.2 million for the years ended June 30, 2007 and 2006, respectively. When adjusted for net nonoperating expenses of \$5.2 million and \$5.0 million, net assets of the Research Foundation increased by \$6.5 million and \$12.2 million for the years ended June

30, 2007 and 2006, respectively. Ms. McKinley thanked Vice President Curtin and the Controller's Office staff for their cooperation in completing the audit process. (Ms. Jackson arrived at 1:25 p.m.)

Chair Snowden thanked Vice President Curtin and Ms. McKinley for an excellent report. Ms. Abrams made a motion, which Dr. Boehm seconded to approve the

President's recommendation that the Board of Directors accept the audited financial statements for the University of Louisville Research Foundation, Inc. for the year ended June 30, 2007 and Independent Auditor's Report as prepared by BKD.

The motion passed unanimously.

- V. Action Item: Approval of the Consolidated Schedule of Expenditures of Federal Awards and Other Reports Required by OMB Circular A-133 for the Year Ended June 30, 2007

Vice President Curtin reviewed the Schedule of Expenditures of Federal Awards for Year Ended June 30, 2007. He noted a clean, unqualified audit, and asked Ms. McKinley to summarize BKD's findings. Ms. McKinley stated the purpose of the Schedule is to present a consolidated summary of those expenditures of the University for the year ended June 30, 2007, which has been federally financed. She reported the University has complied, in all material aspects, with federal requirements; however, the results of the audit disclosed an instance of noncompliance to be reported in accordance with OMB Circular A-133.

The University, which uses the National Clearinghouse and submits the student status change in a roster file, did not notify the National Student Loan Data System (NSLDS) within the 60 day required time frame of some of the withdrawn students. The University had increased the frequency of reporting from the National Clearinghouse to NSLDS to three times per semester for enrollment files and once at the end of each semester for the graduate files; however, for students who withdrew immediately after an enrollment report was submitted, there was not sufficient time to report within the 60 day time frame.

A time lag existed between the National Clearinghouse reporting to the National Student Loan Data System (NSLDS). BKD recommended the University should issue ad hoc reports in between the scheduled reports to capture those students who withdraw shortly after the previous report was submitted. University management concurred with the finding and recommendation. Every month after the Registrar's Office receives confirmation that the National Clearinghouse has accepted the enrollment report, the Registrar's Office will notify the Student Financial Aid Office. The University will log into NSLDS and request an Ad Hoc report be sent to the National Clearinghouse if there is not a regular report scheduled to be sent out within a few days. This new NSLDS procedure should

ensure the enrollment updates are reported to NSLDS within the required 60 day time frame. Ms. Abrams made a motion, which Mr. Minnifield seconded, to approve the

President's recommendation that the Board of Directors accept the Consolidated Schedule of Expenditures of Federal Awards and Other Reports Required by OMB Circular A-133 for the Year Ended June 30, 2007.

The motion passed unanimously.

VII. Information Item: Research Update

Executive Vice President Martinez presented an update on research activities. Dr. Martinez provided research and development (R&D) expenditure comparisons for the years 1999, 2004, 2005 and 2006 for 1) all universities, 2) UK, and 3) University of Louisville. He discussed award comparisons and noted the following earmarks received:

- Bio/Nano MEMS Center for Defense Applications (Walsh) \$3.2 million
- Digital Directed Manufacturing (Davis/Garnett) \$1.28 million
- Regional NMR Facility (Pack) \$1 million
- Spatial Acquisition & Measurement of Power Sources (Genscape) (Alphenaar) \$1 million
- Composite Tissue Allotransplantation Research & Clinical Program (Jewish Hospital Foundation) (Ildstadt) \$2 million

Chair Snowden thanked Executive Vice President Martinez for an informative report.

VIII. Report of the President

President Ramsey asked Vice President Hall and Dr. Ralph Fitzpatrick to update the board on the Signature Partnership Initiative (SPI). Dr. Ramsey praised their outstanding work and observed the excellent community interaction. President Ramsey said the Research Foundation provided \$250,000 in seed funding to launch this initiative with the hope the program can evolve into a self-funded operation from grants, contracts and philanthropy.

Vice President Hall thanked President Ramsey and the Board for their strong support of the SPI. Mr. Hall recognized the team effort and support of Dr. Fitzpatrick, Dr. Ann Banks, Ms. Susan Rhodes and Ms. Susan Jenkins. Vice President Hall stated the goal of the SPI is to work with various community partners to improve the educational, health, economic and social status of individuals and families who live in our urban core. Working closely with community residents, the Jefferson County Public Schools, Louisville Metro

Government, Metro United Way, the Urban League, faith based organizations, and many others, the University has launched several new programs designed to eliminate or reduce disparities that West Louisville residents experience in education, health, economic and social conditions. The University draws upon the expertise and energy of faculty, staff, and students from every school and college of UofL to address quality of life issues affecting our community.

Mr. Hall reported during FY 2003-2004, the University engaged in more than 1,400 community partnerships or programs. However, many of these projects were the efforts of individual faculty, staff, or departments rather than part of a coordinated University strategy. The establishment of the SPI expected to build further upon the outstanding work of the University's faculty and staff within the Louisville metro community. This initiative provides the University's colleges and schools with a mechanism for collaborative interdisciplinary scholarship and outreach to urban/metropolitan issues. The partnership initiative has engaged a significant number of corporate/business leaders, public sector officials, community and university leaders in a focused effort to improve the quality of life for residents of West Louisville. Currently, over 450 faculty and staff are involved in this initiative, while 1700 UofL students have participated. Community impact has been significant. Mr. Hall expressed his desire to involve every school in the west end of Louisville.

The SPI fits well with the University's strategic plan and Challenge for Excellence goals, Kentucky Higher Education Improvement Act 1997, the Kentucky Council on Postsecondary Education's advancement of the new economy and Greater Louisville Inc.'s 2005 Competitive City Agenda.

Vice President Hall introduced principals from three area schools participating in the program. Each principal reported remarkable success with the initiative and praised the collaborative efforts of the University and community.

Ms. Abrams thanked Mr. Hall and his staff for their work with this effort and inquired regarding funding for KERA family resource and youth services centers. Principal Withers acknowledged the Youth Service Center, which assists children in a positive environment. Dr. Hughes commended the principals for their work and encouraged them to compliment the students, teachers and parents for their dedication to the project and for the improvements.

IX. Adjournment

Ms. Handmaker made a motion, which Mr. Porter seconded, to adjourn the meeting at 1:40 p.m. The motion passed unanimously.

BOARD ACTION:

Passed _____ X _____

Did not pass _____

Other _____

Asst. Secretary Katalin M. Smith

RECOMMENDATION TO THE BOARD OF DIRECTORS OF THE
UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.,
CONCERNING MANAGERIAL GROUP

November 29, 2007

RECOMMENDATION:

The President recommends:

That the Board of Directors adopt the attached Resolution revising the Managerial Group of the Board of Directors of the University of Louisville Research Foundation, Inc., and waiving of security clearance for officers, Directors, and directors not a part of the managerial group; and

That the President be authorized to take any other steps necessary with regard to agreements or assurances to the Defense Security Service to effect the facility security clearance of the University of Louisville Research Foundation, Inc. and clearance of its personnel including compliance with the provisions of the National Industrial Security Program Operating Manual or other Federal government policy relating to safeguarding of classified information.

BACKGROUND:

This resolution updates the “Managerial Group” of the University of Louisville Research Foundation, Inc., with full authority and responsibility for administering contracts involving access to classified material. The persons designated in the managerial group will be required to undergo government security clearance if they have not already done so. Due to the high cost of these clearances to the government—both in terms of money and tying up personnel—the Federal Government would prefer to avoid processing security clearances for every officer, trustee, and director. To carry out the purposes of this delegation and to meet federal regulations, the Board takes formal action waiving access to classified information for all officers, Directors, and directors not designated in the managerial group and must take action waiving access to classified information for each new officer, trustee, or director.

BOARD ACTION:

Passed X

Did not pass

Other

Asst. Secretary Katalin M. Smith

RESOLUTION
BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.

November 29, 2007

WHEREAS the Defense Security Service, Department of Defense of the Federal Government requires security clearance with the Federal Government for persons constituting the Managerial Group of the University of Louisville; and

WHEREAS, the Managerial Group must undergo government security clearance at the same level as the Facility Security Clearance; and

WHEREAS the Board of Directors desires to delegate all of its duties and responsibilities pertaining to the protection of classified information to the Managerial Group; and

WHEREAS because of this designation the Board of Directors will not be in a position to affect adversely the performance of classified contracts; and

WHEREAS the University of Louisville has been informed that the Federal Government will not process security clearances for members of the Board of Directors who are not in a position to affect adversely the performance of classified contracts;

BE IT RESOLVED that the following personnel shall constitute the Managerial Group for industrial security responsibilities as described in the National Industrial Security Program Operating Manual for Safeguarding Classified Information:

Name	Position
James Richard Ramsey	President
Shirley Chilton Willihnganz	Executive Vice President and Provost
Larry N. Cook	Executive Vice President
Manuel Martinez-Maldonado	Executive Vice President
Michael Joseph Curtin	Vice President
Larry L. Owsley	Vice President
Lisa J. Braden	Facilities Security Officer
Bruce W. Edwards	Assistant Facilities Security Officer

THAT the said Managerial Group shall be and hereby is delegated the full authority and responsibility for negotiating, executing and administering classified contracts of the Department of Defense or other User Agencies of the United States Government awarded to the University of Louisville Research Foundation, Inc.

THAT all other officers of the University of Louisville Research Foundation, Inc. and members of the Board of Directors shall not require, shall not have, and can be effectively excluded from access to all classified information released to, in the possession or under the control of the University of Louisville Research Foundation, Inc., and do not occupy positions that would enable them to affect adversely the policies and practices of the University of Louisville in the performance of classified contracts for the Department of Defense and other User Agencies of the United States Government, Inc. need not be processed for an access

authorization in accordance with previous actions taken by the Board regarding the members of the Board of Directors, including the following officers and/or directors:

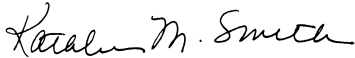
Marie K. Abrams
Jonathan Scott Blue
Beth A. Boehm
Ulysses Lee Bridgeman, Jr.
Ronald Dean Butt
Owsley Brown Frazier
Brent A. Fryrear
Salem M. George, Sr.
Daniel Hall
Priscilla Hancock
Margaret Handmaker
Grant Helman
Brian Hoffman
Robert Curtis Hughes
A. Keith Inman
Rebecca Day Jackson
Thomas Mark Jurich
Jessica Stum Loving
Frank Minnifield
Steven Poe
Jack Chester Porter
William Selvidge
Sandra Metts Snowden
William Allen Stone

THAT this Resolution supersedes the Resolution of May 10, 2007, as it relates to the Managerial Group. All other provisions of that Resolution remain in full force and effect.

Certificate

I certify that I am the duly qualified Assistant Secretary to the Board of Directors of the University of Louisville Research Foundation, Inc., that the foregoing is a true copy of the Resolution adopted at the regular meeting of such Board, which was held the 29th day of November, 2007, at which meeting a quorum was present and a majority of members present voted in favor of the adoption of such resolution. I further certify that such Resolution is still in full force and effect.

Dated this 29th day of November, 2007.



Assistant Secretary
Board of Directors
University of Louisville Research Foundation, Inc.