

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 13, 2008, in the Jefferson Room, Grawemeyer Hall, with members present and absent as follows:

Present: Ms. Sandy Metts Snowden, Chair
Ms. Marie Abrams
Mr. Jonathan Blue
Mr. Ron Butt
Mr. Mike Curtin
Dr. Salem George
Mr. Brent Fryrear
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

Absent: Mr. Owsley Frazier
Ms. Margaret Handmaker
Dr. Shirley Willihnganz

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
Mr. Mike Curtin, Vice President for Finance
Dr. Dale Billingsley, Associate Provost
Mr. David Barker, Director of Audit Services
Ms. Susan Ingram, Director of Budgets
Ms. Terri Rutledge, Asst. VP for Business Affairs
Mr. Larry Zink, Controller
Ms. Susan Magness, Assistant Controller
Ms. Cheri Jones, Associate Director, Audit Services
Mr. John Drees, Assoc. VP for Communications and Marketing
Ms. Cynthia Hess, Director of Communications

Ms. Anne Rademaker, Manager, General Accounting & Reporting
Ms. Carolyn Cochran, Office of the Provost
Mrs. Kathleen M. Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

Guest: Ms. Mary McKinley, BKD, LLP
Ms. Jennifer Williams, BKD, LLP

I. Call to Order

Having determined a quorum present, Chair Snowden called the meeting to order at 1:00 p.m. Chair Snowden welcomed new members Brucie Moore and Prof. Melissa Laning.

II. Action Item: Approval of Minutes, July 10, 2008

Ms. Abrams made a motion, which Mr. Stone seconded, to approve the minutes of July 10, 2008.

III. Report of the Nominating Committee

Ms. Abrams reported the Nominating Committee met to fill the vacant treasurer's position. On behalf of the Nominating Committee, Ms. Abrams made a motion, which Dr. Hughes seconded, to approve the

Nominating Committee's recommendation of the following addition to the officers for 2008-09:

Treasurer Bill Stone

The motion passed. Chair Snowden congratulated Mr. Stone on the appointment.

IV. 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.

V. Action Items:

Approval of Audited Financial Statements for Year Ended June 30, 2008 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:

- \$2.2 million to support National Research Center and Technical Education
- \$1.4 million from the Environmental Protection Agency to support research in the area of the Atherothrombotic Effects of Particulate Matter
- \$1.4 million to support Development of Neural Recovery Rehabilitation and Research Center for Functional Health and Quality of Life Improvements
- \$1.2 million to support Groundwork Education in Mathematics and Science
- \$1.0 million from the NIH to support research on Fabricated Microvascular Networks
- \$0.8 million from the NIH to study the Role of RANTES in Pneumococcal Immunopathogenesis
- \$0.7 million from the NIH to support research of the role of Epithelial Cell TLRs in Disease Susceptibility
- \$0.6 million from the NIH to support research of the Role of PACAP in the Male Fetal Pituitary Breast Cancer

Ms. McKinley reported the Research Foundation's financial position remains strong at June 30, 2008, with total assets of \$133 million and liabilities of \$22.2 million as compared to June 30, 2007 at \$115.9 million of total assets and \$20.8 million of liabilities. Net assets, which represent the residual interest in the Research Foundation's assets after liabilities are deducted, were \$110.8 million and \$95.1 million at June 30, 2008 and 2007, respectively.

Ms. McKinley said the Research Foundation's total liabilities of \$22.2 million consist primarily of deferred revenue. Deferred revenue represents the unearned portion of grants and sponsored programs and comprises \$13.9 million or 63% of total liabilities.

Ms. McKinley noted operating revenues amounted to \$355.5 million and \$320.3 million and operating expenditures were \$331.1 million and \$308.6 million resulting in a net operating income of \$24.4 million and \$11.7 million for the years ended June 30, 2008 and 2007, respectively. When adjusted for net nonoperating expenses of \$8.7 million and \$5.2 million, net assets of the Research Foundation increased by \$15.7 million and \$6.5 million for the years ended June 30, 2008 and 2007, respectively. Ms. McKinley thanked Vice President Curtin and the Controller's staff for their cooperation in completing the audit process.

Ms. McKinley reported observations as outlined in BKD's written report. Those observations included one material weakness of monitoring of deferred grant revenue, one control deficiency in the area of segregation of duties, and one other matter. Full details were discussed and contained in the written report provided to the board by BKD.

Chair Snowden thanked Vice President Curtin and Ms. McKinley for an excellent report. Ms. Abrams made a motion, which Prof. Laning 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, 2008 and Independent Auditor's Report as prepared by BKD.

The motion passed.

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, 2008

Vice President Curtin reviewed the Schedule of Expenditures of Federal Awards for Year Ended June 30, 2008. 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, 2008, which has been federally financed. She reported the University has complied, in all material aspects, with federal requirements; the results of the audit; however, disclosed an instance of noncompliance to be reported in accordance with OMB Circular A-133. Ms. Abrams made a motion, which Dr. Selvidge 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, 2008.

The motion passed.

VI. Report of the President

President Ramsey asked Executive Vice President Martinez to present an update on research activities. Dr. Martinez reported the following comparison of grants awarded during the first quarter of FY 09 and FY 08.

	First Quarter FY09	First Quarter FY08
Federal Non research	\$17,259,052	\$ 4,523,929
Federal Research	\$24,705,143	\$22,345,061
Total Federal G&C	\$41,964,195	\$26,868,990
Non Federal Non Research	\$ 8,341,463	\$10,591,373
Non Federal Research	9,399,863	7,265,851
Total Non Federal G&C	17,741,326	17,857,224
Total Grants and Contracts	\$59,705,421	\$44,726,214

Major federal research grants awarded since the start of FY 2008-09 follows:

7/1	NIH Cancer Research Grant	\$10.1M
7/31	NIH Birth Defects Research Grant	\$10.3M
10/1	NSF Education Research Grant	\$ 3.1M
10/3	NIH National Children’s Study Grant	\$13.1M
10/22	NIH Diabetes and Obesity Research Grant	\$11.6M
10/27	NSF Nanotechnology Research Grant	<u>\$ 5.9M</u>
	Total	\$54.1M

Dr. Martinez discussed the R-24 “Pre-clinical Consortium to Facilitate Translational of Cardioprotective Therapies” grant of \$10.23 million. The principal lead site is UofL and the lead principal investigator is Roberto Bolli. Other sites collaborating in this study include Albert Einstein College of Medicine, Emory University, Johns Hopkins University, Medical College of Wisconsin, and Virginia Commonwealth University.

Dr. Martinez also stated the \$19.8 Million grant awarded over a five year period to the Clinical and Translational Science Institute will include collaboration from several departments and schools of the University. Other universities will partner in this research initiative, including Bellarmine, Spaulding, Sullivan, Jefferson Community College, Metroversity, Murray State, Morehead State, Northern Kentucky, Pikeville, Western Kentucky University, and Vanderbilt University.

He recognized several clinical health partners, Metro Louisville/government as a partner, as well as corporate partners. The specific objectives of this grant are:

1. Expand and fully integrate the academic home for clinical and translational research that was created with the UofL CTSA planning grant
2. Create a multidisciplinary program in research education and career development, utilizing advanced degrees that train the next generation of clinical and translational investigators
3. Provide the necessary clinical research resources and translational technologies including support in areas such as bioinformatics, biostatistics and ethics to create novel and clinical and translational research; and
4. Fully engage the unique and highly diverse population of Kentucky in research, and translate our research findings into the community to improve the overall health and well being of its populace.

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

VII. Adjournment

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

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 13, 2008

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 13, 2008

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:

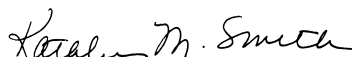
Marie K. Abrams
Jonathan Scott Blue
Ronald Dean Butt
Owsley Brown Frazier
Brent A. Fryrear
Salem M. George, Sr.
Daniel Hall
Priscilla Hancock
Margaret Handmaker
Robert Curtis Hughes
A. Keith Inman
Rebecca Day Jackson
Thomas Mark Jurich
Melissa Laning
Jessica Stum Loving
Frank Minnifield
Bruce Moore
Steven Poe
Jack Chester Porter
Debbie Scoppechio
William Selvidge
Sandra Metts Snowden
Rudolph Spencer, III
William Allen Stone

THAT this Resolution supersedes the Resolution of November 29, 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 13th day of November, 2008, 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 13th day of November, 2008.



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