

**MEMORANDUM
OF AGREEMENT**

University Receivable from the Foundation

This Receivable Agreement (Receivable) is made effective as of the 22 day of May, 2014 (Effective Date) by and between the UNIVERSITY OF LOUISVILLE (University) and the UNIVERSITY OF LOUISVILLE FOUNDATION, INC. (Foundation) as a source of funding for the Foundation activities detailed in Exhibit 1 attached and agrees to repay the Receivable according to the terms outline within this document.

This Receivable shall be repaid in full or satisfied through other financial instruments within five (5) years of the Effective Date of this agreement. The Effective Date shall be defined as the date on which the University transfers \$29,000,000 to the Foundation Real Estate Investment Trust (REIT) program number (X8080).

The unpaid balance on the Receivable shall bear simple interest equal to 75 basis points greater than the University's cash Sweep Rate (25 basis points as of the Effective Date of this agreement) per annum, compounded semi-annually, with interest only payments twice a year (December and June), with a balloon repayment of any unpaid receivable and interest at the end of the fifth year. The Foundation shall reserve the right to make additional payments at any time during the term of the Receivable thereby reducing annual payments. All additional payments will be first applied to unpaid interest and then to outstanding principal. Payment Schedule Exhibit 2 represents the annual financial obligations of the Foundation in the event no Receivable pre-payments are made toward the outstanding balance.

Payment Schedule Exhibit 2 will be revised should the Foundation additional payments towards the Receivable during the term outlined above.

The Foundation will use REIT income generated from the activities detailed in Exhibit 1 as the sources of funds to make their required payments on the Receivable.

or
[Signature]

University of Louisville

transferred to program number _____ on or
[Signature] 5-22/14

Tomlinson Date
University of Louisville Foundation, Inc.

[Signature]

James R. Ramsey Date
University of Louisville and Uoft. Foundation, Inc.

Exhibit 1

Use of Funds:

1. \$8,200,000 to pay off Republic Debt for Cardinal Station
2. \$6,000,000 to purchase North Quad properties
3. \$3,400,000 to purchase Dulworth Property
4. \$4,000,000 to purchase assets of CCG - Louisville, LLC
5. \$7,400,000 Health Science Campus Medical School Renovations

University Returns

1. Interest payments received on investment from the Foundation (1% return) are \$1,377,500 greater than if the money remains invested at the current sweep rate (.25%).
2. Net return on \$36,000,000 of University short term investments in fiscal year 2013 was only \$34,000.
3. Total interest paid to the University is \$1,450,000 over the life of the five year loan; assuming no change in bank sweep rates. University is beneficiary of all interest revenues over the life of the loan rather than payments to an unrelated financial institution as illustrated in the chart below.
4. Interest rate will be allowed to float with current bank sweep rates. The scenario assumes bank sweep rate (.25%) plus .75% margin (total 1% return). If sweep rates increase, the University will still return 75 basis points above sweep rate covering any interest rate risk associated with the loan.
5. Projects financed internally allow for significant cost savings. Interest payments savings are more than \$3,700,000. Additionally, the University will avoid indirect financing charges such as bank fees, compliance fees, and other legal and professional fees.

The chart below illustrates the savings for the Foundation along with the interest revenue the University is expected to receive over the life of the loan compared to financing from an unrelated financial institution.

	Cardinal Station	North Quad	Dulworth	CCG	Medical School	Totals
<u>If funded through University Loan</u>						
Intercompany Loan Total	8,200,000	6,000,000	3,400,000	4,000,000	7,400,000	29,000,000
Interest Rate	1%	1%	1%	1%	1%	
Total Interest Paid to University	410,000	300,000	170,000	200,000	370,000	1,450,000
<u>If funded through Financial Institution</u>						
Bank Loan Total	8,200,000	6,000,000	3,400,000	4,000,000	7,400,000	29,000,000
Foundation's Average Borrowing Rate	3.61%	3.61%	3.61%	3.61%	3.61%	
Total Interest Paid to Bank	1,479,296	1,082,411	613,368	721,607	1,334,974	5,231,654
Interest Savings	1,069,296	782,411	443,368	521,607	964,974	3,781,654

Exhibit 1 (continued)

Foundation Returns

1. AAF won't have to make debt payments to Republic, interest savings of \$158,000 annually. If LIBOR increases, Republic interest rate increases accordingly (annual interest payments can not be less than \$158,000 annually).
2. Long term indebtedness covenant structural deficit is reduced by \$8,200,000.
3. Foundation will save \$3,700,000 in interest payments over the life of the loan (five years).
4. The endowment pool doesn't have to be liquidated to cover these projects. In FY13, Cambridge's return was 11%. Thus, the Foundation's investment return will be \$3,190,000 greater than if funded through the endowment pool and spending policy is not reduced (resulting in fewer underwater endowments).

Payment Schedule Exhibit 2

Period	Principal	Interest	Total Pymt	Interest Pymt	Outstanding	Fiscal Yr.	FY Total Pymt
7/1/2014	-	1%	24,167	24,167	29,000,000		
8/1/2014	-	1%	24,167	24,167	29,000,000		
9/1/2014	-	1%	24,167	24,167	29,000,000		
10/1/2014	-	1%	24,167	24,167	29,000,000		
11/1/2014	-	1%	24,167	24,167	29,000,000		
12/1/2014	-	1%	24,167	24,167	29,000,000	FY14	145,000
1/1/2015	-	1%	24,167	24,167	29,000,000		
2/1/2015	-	1%	24,167	24,167	29,000,000		
3/1/2015	-	1%	24,167	24,167	29,000,000		
4/1/2015	-	1%	24,167	24,167	29,000,000		
5/1/2015	-	1%	24,167	24,167	29,000,000		
6/1/2015	-	1%	24,167	24,167	29,000,000		
7/1/2015	-	1%	24,167	24,167	29,000,000		
8/1/2015	-	1%	24,167	24,167	29,000,000		
9/1/2015	-	1%	24,167	24,167	29,000,000		
10/1/2015	-	1%	24,167	24,167	29,000,000		
11/1/2015	-	1%	24,167	24,167	29,000,000		
12/1/2015	-	1%	24,167	24,167	29,000,000	FY15	290,000
1/1/2016	-	1%	24,167	24,167	29,000,000		
2/1/2016	-	1%	24,167	24,167	29,000,000		
3/1/2016	-	1%	24,167	24,167	29,000,000		
4/1/2016	-	1%	24,167	24,167	29,000,000		
5/1/2016	-	1%	24,167	24,167	29,000,000		
6/1/2016	-	1%	24,167	24,167	29,000,000		
7/1/2016	-	1%	24,167	24,167	29,000,000		
8/1/2016	-	1%	24,167	24,167	29,000,000		
9/1/2016	-	1%	24,167	24,167	29,000,000		
10/1/2016	-	1%	24,167	24,167	29,000,000		
11/1/2016	-	1%	24,167	24,167	29,000,000		
12/1/2016	-	1%	24,167	24,167	29,000,000	FY16	290,000
1/1/2017	-	1%	24,167	24,167	29,000,000		
2/1/2017	-	1%	24,167	24,167	29,000,000		
3/1/2017	-	1%	24,167	24,167	29,000,000		
4/1/2017	-	1%	24,167	24,167	29,000,000		
5/1/2017	-	1%	24,167	24,167	29,000,000		
6/1/2017	-	1%	24,167	24,167	29,000,000		
7/1/2017	-	1%	24,167	24,167	29,000,000		
8/1/2017	-	1%	24,167	24,167	29,000,000		
9/1/2017	-	1%	24,167	24,167	29,000,000		
10/1/2017	-	1%	24,167	24,167	29,000,000		
11/1/2017	-	1%	24,167	24,167	29,000,000		

Payment Schedule Exhibit 2 (continued)

Period	Principal	Interest	Total Pymt	Interest Pymt	Outstanding	Fiscal Yr.	FY Total Pymt
12/1/2017	-	1%	24,167	24,167	29,000,000	FY17	290,000
1/1/2018	-	1%	24,167	24,167	29,000,000		
2/1/2018	-	1%	24,167	24,167	29,000,000		
3/1/2018	-	1%	24,167	24,167	29,000,000		
4/1/2018	-	1%	24,167	24,167	29,000,000		
5/1/2018	-	1%	24,167	24,167	29,000,000		
6/1/2018	-	1%	24,167	24,167	29,000,000		
7/1/2018	-	1%	24,167	24,167	29,000,000		
8/1/2018	-	1%	24,167	24,167	29,000,000		
9/1/2018	-	1%	24,167	24,167	29,000,000		
10/1/2018	-	1%	24,167	24,167	29,000,000		
11/1/2018	-	1%	24,167	24,167	29,000,000		
12/1/2018	-	1%	24,167	24,167	29,000,000	FY18	290,000
1/1/2019	-	1%	24,167	24,167	29,000,000		
2/1/2019	-	1%	24,167	24,167	29,000,000		
3/1/2019	-	1%	24,167	24,167	29,000,000		
4/1/2019	-	1%	24,167	24,167	29,000,000		
5/1/2019	-	1%	24,167	24,167	29,000,000		
6/1/2019	<u>29,000,000</u>	1%	<u>29,024,167</u>	<u>24,167</u>	-	FY19	29,145,000
	29,000,000		30,450,000	1,450,000			