

September 5, 2016

**By Electronic Mail**

Dr. Robert Hughes

David E. Saffer, Esq.

**Independent Accounting/Personnel Matters**

Gentlemen:

As you know, the governance and financial management of the University of Louisville Foundation, Inc. ("Foundation") is a significant concern to the University of Louisville ("University"). The Foundation apparently plans on discussing some matters that are related to concerns raised by the Board of Trustees and others, such as the James Graham Brown Foundation, at an Executive Committee meeting today at 5 p.m. However, despite concerns raised by me in writing, and prior discussions between us, no member of the Executive Committee has communicated with me about any contemplated action.

This letter is to advise you of the University of Louisville's ("University") position regarding a forensic accounting and certain personnel matters. With respect to the forensic accounting and as recognized by the James Graham Brown Foundation in its letter, the University must be the entity that selects the forensic accounting firm and has the power to direct and control the engagement. The purpose of the exercise is to ensure transparency and to provide the public with confidence that all issues have been fully and fairly examined. This may only occur if the accounting firm is wholly independent, nationally recognized and not directed by the Foundation. As all Foundation assets are held for the benefit of the University, it is the University that must direct any examination of the Foundation.

In addition, with respect to personnel matters involving Dr. Ramsey and Kathleen Smith, please be advised of the following. By statute, specifically KRS 42.540, the Foundation and its affiliates are "non-profit fiduciar[ies] holding funds for the benefit" of the University. As a fiduciary that is obligated to act for the primary benefit of the University, the continued payment by the Foundation of any money, which is money that is held by the Foundation for the benefit of the University, to Dr. Ramsey or Ms. Smith, is not proper as it is not a use of money that benefits the University.

Moreover, under Section 7.1(c) of Dr. Ramsey's employment agreement, all financial and other obligations of the Foundation to Dr. Ramsey immediately cease upon the Foundation terminating Dr. Ramsey "for cause." Under Section 7.3(e) of Dr. Ramsey's employment agreement, "for cause" is defined as Dr. Ramsey's resignation as President of the University. Therefore, because Dr. Ramsey has resigned as President of the University, the Foundation may immediately terminate Dr. Ramsey as President of the Foundation without owing Dr. Ramsey any financial or other obligation. In light of these provisions, if the Foundation agrees to pay Dr. Ramsey any amount of money in connection with an agreed upon resignation, such an agreement

would constitute a breach of fiduciary duty owed by the Foundation to the University with respect to the Foundation's obligation to hold funds for the benefit of the University.

Lastly, while the details of the called Executive Meeting are unknown to me, none of the non-executive committee members of ULF were notified and asked to participate and because the matters appear to potentially involve removing a member or officer of the corporation, a special meeting involving all ULF Board members should have been called. ULF bylaws specifically state: "The Executive Committee shall have and may exercise all of the authority of the Board, but shall not have the authority of the Board in reference to amending, altering, or repealing the By-Laws; electing, altering or removing any member of that Committee or any Director or officer of the Corporation. In light of the explicit nature of these bylaws, a reconsideration of today's meeting should be made and substituted with a 24 hour notice for a special meeting of ULF full board.

Sincerely,

Dr. Larry Benz  
Chair  
Board of Trustees

cc: Dr. Neville Pinto  
Ms. Joyce Hagan  
Mr. Ulysses Bridgeman, Jr.  
Mr. Frank Weisberg  
Mr. Jonathan Blue  
Dr. Salem George  
Ms. Margaret Handmaker  
Dr. Mark Lynn  
Mr. Frank Minnifield (by U.S. Mail)  
Ms. Brucie Moore  
Dr. William Selvidge