

**Minutes**  
**University of Kentucky Athletic Association**  
**Board of Directors Meeting**  
**18<sup>th</sup> Floor Patterson Office Tower**  
**May 13, 2010**  
**10:30 a.m.**

**Meeting Opened and Roll Call**

Frank Butler, Vice President for the Athletic Association Board of Directors, called the meeting to order at 10:30 a.m. He asked Secretary Barbara Jones to call the roll. The following members of the Board answered the roll call: Charles Arnold, Frank Butler, Dermontti Dawson, Luther Deaton, Joseph Fink, Victor Hazard, S. T. Roach, Frank Shoop, Kumble Subbaswamy, Bruce Walcott, and Lionel Williamson. Absent from the meeting were Charles Cassis, Victoria Dunlap, Carol Martin “Bill” Gatton, Tom Hammond, Scott Kelley, Kathi Kern, and Lee T. Todd, Jr. A quorum was present.

Athletics Director Mitch Barnhart, members of his staff, and members of the various news media were also in attendance.

**Approval of Minutes**

Mr. Butler said that the April 12, 2010 Minutes had been circulated and asked for any corrections to the Minutes. Mr. Deaton made a motion that the Minutes be approved. Mr. Dawson seconded the motion, and it carried without dissent.

**Athletics Director’s Report**

Athletics Director Mitch Barnhart thanked the members for attending this year’s CATSPY awards and briefly discussed the sports that were in progress. The Softball team finished 6<sup>th</sup> place in the SEC during the regular season and is competing at the SEC Tournament. Track and Field is also competing at the SEC Tournaments, and Men’s Tennis is hosting the first and second rounds of the NCAA tournament. Baseball is completing their home season.

Mr. Barnhart read a press release regarding the reorganization of Men’s Basketball Operations, with Rob Mullens overseeing day-to-day operations, and Rod Strickland transitioning from assistant coach to an operational position.

**Finance Committee Report**

Mr. Butler asked Deputy Athletics Director Rob Mullens to present the FY10 financial projections and the Operating Budget for Fiscal 2010-11. Following Mr. Mullens presentation, he entertained questions from the Board. Mr. Butler said that the action items would be voted on separately. Mr. Deaton moved approval of the Budget Authority for the FY10 financial projections presented. His motion was seconded by Mr. Shoop and passed. Mr. Butler then recommended approval of the Operating Budget for Fiscal 2010-11. Mr. Deaton moved approval of the recommendation. Mr. Dawson seconded the motion, and it also passed without dissent.

**Other Business**

Mr. Barnhart asked Head Women's Basketball Coach Matthew Mitchell to address the Board and provide a brief recap of the past season. Mr. Mitchell spoke briefly about the Women's Basketball program, including the honesty, hard work, and self-discipline of the players. He thanked President Todd and the Board for providing the necessary resources for student-athletes to prosper. The Board gave Mr. Mitchell a round of applause following his remarks.

Mr. Butler distributed an amendment and resolution to the Articles of Incorporation of the University of Kentucky Athletic Association, Inc. General Counsel Barbara Jones explained that the current articles state that all assets will go to the University of Kentucky Research Foundation (UKRF) if a dissolution occurs. The amendment and resolution calls for the assets to go to the University of Kentucky instead of UKRF. On motion made by Dr. Fink and seconded by Dr. Walcott, the Board unanimously approved the amendment and resolution.

**Meeting Adjourned**

With no further business, the Athletic Association Board of Directors meeting adjourned at 11:20 a.m.

Respectfully submitted,




Barbara W. Jones  
Secretary

**University of Kentucky Athletics  
FY11 Projections**

	<b>FY11 Budget</b>	<b>FY11 as of 4/30/2011</b>	<b>FY11 Projections</b>
<b>REVENUES:</b>			
Football	\$29,440,000	\$15,803,509	\$29,781,250 (1)
Men's Basketball	\$16,035,000	\$12,406,564	\$17,102,750 (2)
Women's Basketball	\$200,000	\$254,304	\$255,000
Student Activity Fees	\$750,000	\$821,570	\$822,000 (3)
Corporate/Multi-Media Rights	\$11,795,000	\$7,693,313	\$11,871,000
K Fund	\$14,975,000	\$10,489,417	\$16,860,000 (4)
Concessions/Novelties	\$950,000	\$938,063	\$950,000
Licensing	\$1,100,000	\$1,719,053	\$2,125,000 (5)
Other Men's Sports	\$60,000	\$86,035	\$90,000
Other Women's Sports	\$25,000	\$49,444	\$48,000
Camps	\$2,000,000	\$0	\$2,000,000
Other	\$2,050,000	\$1,686,376	\$2,050,000
<b>Total Gross Revenues</b>	<b>\$79,380,000</b>	<b>\$51,947,648</b>	<b>\$83,955,000</b>
<b>EXPENSES:</b>			
Football	\$9,048,732	\$8,810,529	\$9,773,042 (6)
Men's Basketball	\$10,165,526	\$8,794,418	\$10,893,420 (7)
Women's Basketball	\$2,345,790	\$1,932,000	\$2,347,178
Other Men's Sports	\$3,406,283	\$2,842,728	\$3,457,203
Other Women's Sports	\$4,293,875	\$3,467,463	\$4,366,823
Administrative Support	\$9,108,286	\$4,703,701	\$9,293,416 (8)
External Operations	\$4,425,474	\$3,297,496	\$4,513,989
Support Services	\$5,326,586	\$4,515,500	\$5,529,782 (9)
Facilities and Operations	\$13,174,315	\$8,906,976	\$13,719,863 (10)
Scholarships	\$9,849,632	\$8,006,031	\$9,849,631
Post-Season	\$3,250,000	\$2,296,408	\$3,550,000 (11)
Transfer to President's Office	\$1,000,000	\$1,000,000	\$1,000,000
Camps	\$2,000,000	\$0	\$2,000,000
<b>Total Expenses</b>	<b>\$77,394,500</b>	<b>\$58,573,250</b>	<b>\$80,294,347</b>
<b>Net Income/(Loss) from Operations</b>	<b>\$1,985,500</b>	<b>(\$6,625,602)</b>	<b>\$3,660,653</b>
<b>NON-OPERATING EXPENSES/TRANSFERS:</b>			
Prevailing Wage Settlement	n/a		n/a
Non-Recurring Restricted Fund Budget Tax	n/a		n/a
Transfer to Capital Projects	\$1,985,500		\$3,265,000 (10)
Mid-State Steel Settlement (CWS Project)	n/a		n/a
<b>Total Non-Operating Expenses/Transfers</b>	<b>\$1,985,500</b>		<b>\$3,265,000</b>
<b>Net Income/(Loss)</b>	<b>\$0</b>		<b>\$395,653</b>
<b>Fund Balance (7/1/2010)</b>	<b>\$9,702,780</b>		<b>\$9,702,780</b>
<b>Net Income/(Loss)</b>	<b>\$0</b>		<b>\$395,653</b>
<b>K Fund Transfer</b>	<b>n/a</b>		<b>n/a</b>
<b>Transfer to Athletics Quasi Endowment</b>	<b>n/a</b>		<b>n/a</b>
<b>Fund Balance (6/30/2011)</b>	<b>\$9,702,780</b>		<b>\$10,098,433</b>

**UNIVERSITY OF KENTUCKY ATHLETICS**  
**FY11 Financial Projections/Variance Notes (as of 4/30/11)**

**Summary:**

-  During the fiscal year UK Athletics received several additions to revenue – adjustment in men’s basketball tickets, continued growth of the annual fund, additional money from SEC distribution and record licensing royalties. UK Athletics is projected to exceed budget revenues by nearly \$4.6M.
-  Operating in a highly competitive environment, UK Athletics was forced to make decisions throughout the fiscal year which impacted the budget, including a coaching transition in football, accrual of deferred compensation, increased costs for student-athlete tutors, unsold tickets for football bowl game and several facility projects.
-  UK Athletics is seeking to use the additional FY11 revenues to increase the FY11 operating expenditure authority by 5.8% (or \$4.6M) for the programmatic adjustments noted above.

**Revenues:**

- 1) **Football:** Ticket revenue increased over \$850K from last year, however, fell short of the aggressive FY11 budget. UK’s share from the SEC surplus distribution generated \$450,000.
- 2) **Men’s Basketball:** For the 15<sup>th</sup> time in the past 16 seasons, Kentucky Basketball led the nation in attendance. We had one less game in Rupp Arena than budgeted, due to a late NCAA ruling, however, the board had approved a ticket adjustment after the budget process. The change combined with the incredibly loyal fans, increased budgeted revenue by over \$1M.
- 3) **Student Activity Fees:** Student fees contribute approximately 1% of the operating budget at UK, which is well below the national Division I-A average of 6% as reported in the NCAA Annual Report on Revenues and Expenses in Intercollegiate Athletics.
- 4) **K Fund:** The FY11 annual fund budget of \$14.4M ranked UK 10<sup>th</sup> in the SEC. The board approved an adjustment for the K Fund seats at men’s basketball after the budget was approved and the loyal UK donor base and the demand for men’s basketball season tickets will generate an additional \$1.9M. UK will continue to be ranked 10<sup>th</sup> in the SEC.
- 5) **Licensing:** While royalties earned from licensing the use of UK trademarks has steadily grown over the past decade, the change last year in aggressively managing product categories by granting exclusive rights to licensees coupled with on-field/on-court successes and the positivity surrounding UK Athletics in the last fiscal year have garnered a second year of record royalty dollars for UK, nearly \$1.3M increase from last year. Licensing royalties are split 50% with the University and 50% Athletics.

**UNIVERSITY OF KENTUCKY ATHLETICS**  
**FY11 Financial Projections/Variance Notes (as of 4/30/11)**

**Expenses:**

- 6) **Football:** This was the first year with Joker Phillips as head coach. Following the season, there was transition with assistant coach positions and the salary pool was adjusted to remain competitive in the SEC. The additional salary expense during this period was \$470,000, however, it will aid UK to remain competitive in the marketplace. In addition, there was significant emphasis put on the health of our student-athletes through training table meals by UK Catering, resulting in additional expenses of over \$50,000 with some other minor changes in how the program is operated.
- 7) **Men's Basketball:** The deferred compensation in men's basketball contract is now being recognized as an accrued liability. Due to the change after the approval of FY11 budget, there is an additional expense of \$500,000 in this fiscal year. In addition, there was staff changes after the budget process.
- 8) **Administrative Support:** With the enthusiastic fan base we have in football, UK was fined \$25,000 by the SEC when fans stormed the field following the win over South Carolina. Last fall we experienced database failure and our computer servers were down for two days. We are in the process of upgrading our servers to a VMWare software platform cluster, which will provide failover protection. This is the same system being used by other large departments on campus. In addition, there were salary and contract adjustments after the budget process (over \$200,000), including a non-benefited Compliance position which helps monitor our student-athlete facebook and twitter pages and one-time payments approved by the Board of Trustees for staff members.
- 9) **Support Services:** The emphasis continues to be on providing the support necessary to assist our student-athletes in succeeding in the classroom, causing an increased expense of approximately \$100,000 for tutors. Additionally, there was new furniture for the Shively Weight Room offices and additional weight equipment purchased for our men's basketball team usage, (\$25,000) as well as salary changes for team doctors.
- 10) **Facilities and Operations:** Expenses related to game day operations (police, security, parking and physical plant) and Big Blue Madness ticket distribution were higher than expected, \$95,000. In addition, budgeting for capital projects continues to be a challenge. This year included the Nutter Field House re-lamping project (\$110,000), Soccer Stadium playing surface (\$120,000), as well as the track and field project (\$1.05M).
- 11) **Post season:** With the uncertainty of post season appearances, historical data is used to estimate the budget for all teams that qualify to participate in post season games. Although we played in a record-setting 5<sup>th</sup> straight football bowl game, the date and the bowl revenues were less than anticipated, \$300,000.

Resolution of the Directors of the  
University of Kentucky Athletic Association, Inc.

Pursuant to the applicable provisions of the Kentucky Revised Statutes, the Directors of the University of Kentucky Athletic Association, Inc, a Kentucky nonprofit corporation (the "Association"), at its meeting on May 13, 2010 adopt the following resolution and take the following actions by and on behalf of the Association:

WHEREAS, the Association was incorporated in 1945 under the provisions of Chapter 273, Kentucky Revised Statutes, as a Kentucky nonprofit corporation to, inter alia, promote intercollegiate athletics and education; and

WHEREAS, the Association has amended its Articles of Incorporation several times including in 2005 and Amended and Restated its Articles of Incorporation in 2007; and

WHEREAS, in the original and subsequent revisions and restatements of its Articles of Incorporation, in the event of dissolution, the assets of the Association are to be distributed to the University of Kentucky Research Foundation; and

WHEREAS, the functions of the Association now are being performed directly by the University of Kentucky; thus, the need for the Association no longer exists; and

WHEREAS, if the Association was to be dissolved, it would be more efficient and prudent from a business perspective for the assets of the Association to be distributed to the University of Kentucky, directly, rather than to one of its other support organizations; and

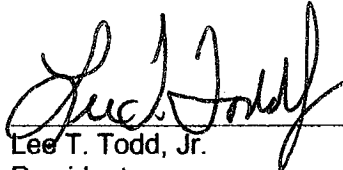
WHEREAS, in order to accomplish the same, the Articles of Incorporation of the Association must be amended; and

WHEREAS, the Directors of the Association have determined that it is in the best interests of the Association and the University of Kentucky to authorize such an amendment of the Articles to facilitate possible future dissolution;

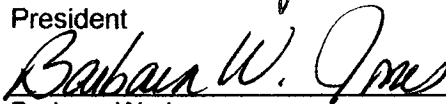
NOW, THEREFORE, BE IT RESOLVED, that the Directors of the Association approve and adopt the Amendment to the Amended and Restated Articles of the Association (the, "Amendment"), including the resolutions included, therein, which Amendment is attached hereto as Exhibit A and incorporated, herein, by reference; and

FURTHER RESOLVED, that the President of the Association is authorized along with the other officers of the Association and executive management of the University of Kentucky to file said Amendment with the Kentucky Secretary of State and take such other and further actions as reasonably necessary to cause the Articles of Incorporation of the Association to be so amended.

Dated: May 13, 2010



Lee T. Todd, Jr.  
President



Barbara W. Jones  
Secretary

AMENDMENT  
TO  
SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION  
OF  
UNIVERSITY OF KENTUCKY ATHLETIC ASSOCIATION, INC.

The undersigned officers of the above nonprofit corporation, in accordance with KRS 273.264 (4) and 273.273 and the Corporation's Bylaws, do hereby certify that at a meeting of the Board of Directors of said Corporation, duly held on the 13th day of May, 2010, the following Amendment to the Second Amended and Restated Articles of Incorporation of said Corporation was adopted by receiving the vote of a majority of the Directors in office, there being no members entitled to vote thereon, by the following resolution:

"BE IT RESOLVED that the Articles of Incorporation of the University of Kentucky Athletic Association, Inc. be amended by changing ARTICLE XI which reads as follows:

The Corporation shall exist in perpetuity unless sooner dissolved by a vote of two thirds of its Board of Directors. 13

In the event of the dissolution of the Corporation, all of its property, real, personal, and mixed and wheresoever situated shall vest immediately and absolutely in the University of Kentucky Research Foundation if then in existence, or to such other qualified 501 (c) (3) charitable, scientific or educational exempt organization chosen by majority vote of the Board of Directors, subject to all the limitations and uses by which it is held by the Corporation at the time of dissolution. No person shall possess any property right in the property or assets of the Corporation, and none of the property of the Corporation shall ever inure to the benefit of any officer or member of the Corporation or other individual.

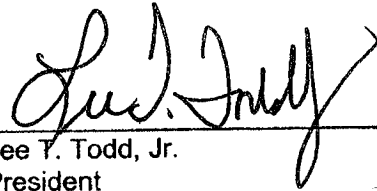
To read as follows:

The corporation shall exist in perpetuity unless sooner dissolved by a vote of two thirds of its Board of Directors. 13

In the event of the dissolution of the Corporation, all of its property, real, personal, and mixed and wheresoever situated shall vest immediately and absolutely in the University of Kentucky, a Kentucky governmental entity established by acts of the Kentucky General Assembly as an institution of higher learning, or, if said University of Kentucky ceases to exist, in the Commonwealth of Kentucky, subject to all limitations and uses by which it is held by the corporation at the time of dissolution. No person shall possess any property right in the property or assets of the Corporation and none of the property of the Corporation shall ever inure to the benefit of any officer or member of the Corporation or other individual."

IN WITNESS WHEREOF, the below officers of the Corporation have signed this Amendment to the SECOND AMENDED and RESTATED ARTICLES on May 13, 2010 in their capacities as noted.

Dated this 13th day of May 2010.



Lee T. Todd, Jr.  
President



Barbara W. Jones  
Secretary

Commonwealth of Kentucky )  
County of Fayette )



The foregoing Amendment to the Second Amended and Restated Articles of Incorporation were subscribed, sworn to and acknowledged before me in and for the Commonwealth and County aforesaid by Lee T. Todd, Jr., as President of the University of Kentucky Athletic Association, Inc this 13th day of May, 2010.

My commission expires: March 17, 2012

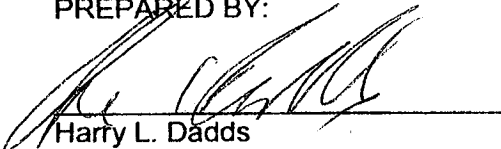
**CONSENT OF REGISTERED AGENT:**

I consent to serve as the registered agent for the University of Kentucky Athletic Association, Inc. as of this 13th day of May, 2010.



Barbara W. Jones  
General Counsel

PREPARED BY:



Harry L. Dadds  
Senior Associate General Counsel  
University of Kentucky  
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