

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, December 12, 2006.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, December 12, 2006, in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Mr. James Hardymon, chair, called the meeting to order at 1:00 p.m. and asked Ms. Pam May, secretary of the Board, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mira Ball, Stephen Branscum, Penelope Brown, Dermontti Dawson, Jeff Dembo, Ann Haney, James Hardymon (chair), Pamela May, Sandy Patterson, Phillip Patton, Erwin Roberts, Frank Shoop, JoEtta Wickliffe, Billy Wilcoxson, Russ Williams, Ernie Yanarella, and Barbara Young. Absent from the meeting were Jonah Brown, Billy Joe Miles, and Myra Leigh Tobin. Ms. May reported that a quorum was present.

The university administration was represented by President Lee T. Todd, Jr., Provost Kumble Subbaswamy, Executive Vice President for Finance and Administration Frank Butler, Executive Vice President for Health Affairs Michael Karpf, and General Counsel Barbara W. Jones.

Members of the various news media were also in attendance.

C. Consent Items

Mr. Hardymon reported that the consent agenda consisted of the minutes, the personnel actions in PR 2, and the first five items of the Finance Committee report. He asked for any comments or questions concerning these items. Mr. Shoop moved approval of the consent agenda. Ms. Haney seconded his motion, and it passed without dissent. The consent agenda items are listed below:

Minutes – October 10, 2006
PR 2 Personnel Actions
FCR 1 Bill and Susan Casner Gift
FCR 2 Gifts and Pledges to the Hardin-Drnevich-Huang Professorship
FCR 3 Michael D. Rankin Pledge
FCR 4 Gifts and Pledges to the Women's Studies Graduate Research Endowment
FCR 5 Estate of Corilla E. English Gift
(See items at the end of the Minutes.)

D. President's Report to the Trustees (PR 1)

President Todd thanked the Board members who attended the crunch brunch on Monday night. The event is the kickoff for finals. Approximately 4,500 students attended the event. He asked Dr. Pat Terrell to comment about the event, and Dr. Terrell reported that 2,400 t-shirts were passed out in 40 minutes to 2,400 students. This number represents a record high for the crunch brunch.

Dr. Terrell mentioned that President Todd is a good pool player and toward the end of the evening he took pity on some students and let them win. President Todd noted that about half of the students were engineers. He said that he learned at MIT that some institutions have reputations but no personality. He wants UK to have both a reputation and a personality, and events like crunch brunch give the university that option.

President Todd reported that the University of Kentucky (UK) had a reception for the staff of the U.S. congressional delegation. This is the sixth year that UK has done this event. The reception is an opportunity for UK to thank the staff for the many things they do for UK throughout the year. The senators and representatives know the event is taking place in case they want to attend, but the reception is strictly for staff, which includes a lot of UK students and Kentuckians. He noted that Senator Mitch McConnell attended the reception. Most of the deans and Bill Schweri were in attendance. He reported that Mr. Schweri has been recognized with a national award for his effort in the federal program. He expressed appreciation to Mr. Schweri and the deans for their attendance and interaction with the congressional delegation staff.

President Todd reported that the research numbers were up 6 percent in November. UK is at \$161 million, compared to \$151 million last year. Given the lack of an NIH budget right now, NIH will have to operate on a continuing resolution. The NIH budget went down or stayed flat at the best last year. One of the ways UK is able to keep the funding up is to hire people who bring grants and contracts with them. President Todd said that he is very pleased that the numbers are up 6 percent at this time of year. That will allow UK to keep on track to break the \$300 million mark.

President Todd mentioned the following items in PR 1:

UK had a groundbreaking for the new Student Health building. This is a much needed facility for preventive and primary health care for students.

The Kentucky Kernel, UK's independent daily student newspaper, won essentially the Pulitzer Prize of college journalism.

The College of Nursing is increasing the nursing enrollment. The provost is adding eight positions to the College of Nursing, which will allow UK to increase enrollment from 80 to 160 students in the fall semester of 2007. This increase in enrollment will help meet a need that is prevalent in the city, the state, and the nation.

UK Astronaut Scholar Ryan Fischer, a native of Hebron, was presented with one of only 18 scholarships given out by NASA this year. Astronaut Bob Crippen, who used to run the firing room at NASA shuttle launches, was on campus to present the scholarship. He spent most of the day on campus visiting with UK students.

UK Opera Theatre students Christopher Conley and Brandy Lynn Hawkins advanced in the Metropolitan Opera's District Auditions. President Todd praised Everett McCorvey for where he has positioned UK with its opera program. UK held the district auditions and had students advance in the Metropolitan Opera competition. UK Opera Theatre student Amanda Balltrip also received the Encouragement Award at this year's competition. Ms. Balltrip is the daughter of Ewell Balltrip from eastern Kentucky who works with Congressman Hal Rogers on his homeland security effort.

West Virginia's Marshall University joins UK's Appalachian Math and Science Partnership program. UK's \$22 million National Science Foundation (NSF) grant has been increased to \$24.5 million. NSF asked UK to add Marshall University to the program. This will allow an even broader reach than previously for UK.

College of Medicine applications for 2007-08 admissions increased 55 percent over those of the previous year. President Todd gave Dr. Karpf and Dean Jay Perman credit for this increase.

He noted that there are many other good things in PR 1 for the Board to review as they have time.

President Todd reported that there is a search in progress for the university's Police Chief. Mr. Butler is meeting with three or four candidates and hopes to have someone named for the position by the end of January.

The search for a Vice President of Research has been initiated by the provost.

David Mohny of the College of Design is stepping down as dean. A search for someone to fill that position is also in progress.

President Todd said that the Board will be kept abreast of these searches.

President Todd reported that he spoke to the General Assembly's Joint Committee on Appropriations and Revenue in Winchester about a month ago. The Committee's co-chairs are Representative Harry Moberly and Senator Charlie Borders. President Todd said that he told the legislators that he wanted them to know how their endorsement of UK's Business Plan and their funding, especially in the second year of this biennium, have affected the culture on campus.

President Todd reported that he met with College of Arts and Sciences faculty to inform them that the college is getting 30 new positions because of the additional 54 positions that UK is adding. The comments on campus have been extremely positive. One gentleman said it is exciting for UK to get the positions, but the process and the plan behind getting them are even more exciting. The faculty can get a sense of where the university is headed.

Another person talked about the strategic process to select where those 30 positions would be placed. When UK brings in a large freshman class, the College of Arts and Sciences gets hammered because those faculty and staff have to accommodate the large enrollments. The 30 positions could have been placed throughout their departments and made everyone semi happy, but five positions were put in a multidisciplinary area shared by Sociology and Psychology where there is a research group to study children at risk. By adding five researchers, that puts them close to UK's Top 20 goal for national prominence. Also, the additional positions will be able to help in the teaching resources for those two departments.

Another five positions will be in the biochemistry and nanotechnology area where there already is a strong research group. That is a very significant push in that direction, but it also helps the Biology and Chemistry departments. The cultural change of thinking about how to meet the teaching needs and help drive the Top 20 agenda is very positive.

President Todd said that alumni, students, and faculty members are asking what they can do to help the university achieve Top 20 status instead of being skeptical about it. Since the budget was passed, people are sending e-mails saying this will help UK achieve its Top 20 mission. That is positive data.

President Todd talked more about his testimony to the Kentucky Appropriations and Revenue Committee. During his remarks to the committee, he said that his concern over the last year or two was that if UK went to sleep, woke up the next morning, and decided that it was not going to push the Top 20 agenda, the effort was dead because nobody was encouraging UK to do it. Representative Moberly agreed. He said that when the university put a plan in front of the legislators, it made them realize that achieving Top 20 status is possible, and they put it back on the table. Those changes are important for UK.

President Todd passed around an ad suggested by Provost Subbaswamy about putting the Top 20 Business Plan in national publications. One of the key sentences in the ad states the need for 100 new faculty and researchers as part of 625 additional hires over the next decade. This action comes at a time when a lot of universities are not creating new faculty positions. UK is creating 54 positions on the main campus and another 30 to 40 positions in the College of Medicine. And 8 new positions in the College of Nursing were committed previously; these 8 do not count in the total number. UK will be recruiting over 100 positions. This will bring at least 300 people to campus to be interviewed. It creates a vision that something is happening at UK. The top three

candidates for each position will come to campus, and the ones who visit campus will get to know what UK is doing. Such activity helps energize the university intellectually.

President Todd said that some of the positive things that are being done now need to be summarized for the legislators. He wants to make sure that each of the legislators, the governor, and the governor's staff see the ad. He said he is pleased with how things are going at the university.

E. Proposed Revision of University of Kentucky Governing Regulation (PR 3)

President Todd recommended that the Board accept as a first reading the newly amended university vision, mission, and values statement to modify the Governing Regulations. The vision, mission, and values statement was approved as a part of the 2006-09 Strategic Plan at the October Board meeting, and the Governing Regulations need to be modified as well.

Mr. Hardymon noted that this is the first reading and called for a motion. Mr. Branscum moved approval of PR 3. His motion, seconded by Ms. May, carried without dissent. (See PR 3 at the end of the Minutes.)

F. Appointment of Executive Director of the University of Kentucky Research Foundation (PR 4)

President Todd recommended that the Board approve the appointment of Provost Subbaswamy as Executive Director of UKRF retroactive to October 1. Dr. Baldwin was previously in that position. Since the research area has been moved to report to the Provost, this change in structure also needs to be made.

Mr. Hardymon called for a motion, and Ms. Ball moved approval of PR 4. Mr. Patton seconded her motion, and it carried without dissent. (See PR 4 at the end of the Minutes.)

G. Appointment of Vice President for Commercialization and Economic Development (PR 5)

President Todd said that it was his pleasure to request that the Board approve the creation of the Vice President for Commercialization and Economic Development and that the Board approve the appointment of Dr. Leonard Heller to that position. He noted that Dr. Heller will report directly to the President of the university. The position must be created and the effective date of Dr. Heller's appointment to that position will be retroactive to December 1.

Dr. Heller is a former UK faculty member. He has been Vice Chancellor for Academic Affairs at the University of Kentucky, a Cabinet Secretary in state government, and a private business entrepreneur. Dr. Heller was a mentor for a number of participants

in the Bluegrass Angel Network. He was mentoring some of the angels about the types of investments they should make, but he will no longer be a member of the Angels because of a conflict of interest with his new position. He has been on the inside of companies that have started and has also invested in them.

Mr. Hardymon called for a motion on PR 5. Ms. Haney moved approval. Mr. Dawson seconded her motion, and it carried without dissent. (See PR 5 at the end of the Minutes.)

President Todd introduced Dr. Heller and asked him to stand and be recognized. He said that Dr. Heller has already been very busy looking at the university's intellectual property efforts and a variety of things on how the university can move more aggressively into the economic development area.

H. College of Engineering Report

Dean Thomas Lester presented a summary of the current status of the College of Engineering. Included were a summary of the external review of the College, which was conducted during the 2005-06 academic year; a comparison of UK engineering and computer science to engineering programs at UK's 19 benchmark universities; a summary of recent recommendations made by the National Academy of Sciences, National Academy of Engineering, and the Institute of Medicine to counter the declining interest in science and engineering that is putting the United States at risk in a global economy; and a brief discussion on how UK's College of Engineering is partnering with such entities as the UK College of Education, the UK Department of Mathematics, the Kentucky Society of Professional Engineers, the Kentucky Department of Education, and the Kentucky Community and Technical College System in a broad-based initiative to improve the science and math capabilities of graduates of Kentucky's public high schools.

Dean Lester indicated that the goal of the endeavor was to double the number of bachelor's degree recipients in engineering and computer science from Kentucky's universities by 2020. In response to questioning from Board members on how the College's strategic plan would support the newly adopted strategic plan of the university, Dean Lester noted that a recurring theme of the new college strategic plan would be multi-disciplinary collaboration with other colleges at UK in such areas as biopharmaceutical engineering, K-12 math and science teacher education, nano science and engineering, and management of technology.

Dean Lester concluded his remarks by reminding the Board of a few contributions that the college has made to the university. He mentioned the following graduates of the college: President Todd, Mr. Hardymon, James Stuckert, William P. Friedrich, Ralph Anderson, Holloway Fields, Davis Markesbury, Ervin Nutter, and William T. Young. He said he would be please to answer any additional questions.

Dr. Yanarella said that one of the more fascinating aspects of the upcoming strategic plan is the closer linkage between department, college, and university in regard

to strategic planning. He asked Dean Lester to tell the Board about how he sees the College of Engineering's strategic plan dovetailing with the strategic plan for 2006-09.

Dean Lester agreed with Dr. Yanarella that it does require cross disciplinary emphasis, and in fact, that is one of the institution's strengths. The college has a lot of activity going on with chemistry right now and with medicine in the area of nano technology and nano medicine. Those areas are going to be strengthened. The areas that engineering will be focusing on will be those with cross disciplinary challenges. Engineering's involvement will be cross disciplinary. The university is not large enough as an institution or as a College of Engineering to be composed of silos. Many of UK's contemporary institutions or benchmarks have had that luxury: Purdue, Illinois, and those with over 300 engineering faculty. The College of Engineering does not have that. Historically, the college has had multiple ties with Arts and Sciences, Agriculture, and Medicine, and the college will strengthen those ties. That will be a primary focus when the next strategic plan comes out.

President Todd thanked Dean Lester for his report and said that he appreciated the work on the K-12. One of the real drivers for strategy behind the Council on Postsecondary Education numbers was they want to have a large increase in bachelor's degree candidates in the work force by 2020, and that it should require that higher education get involved with K-12 to recruit more actively. UK is recruiting the under represented groups, especially the growing Hispanic population in the state. With engineering doing some of its own recruiting and trying to get the idea of engineering into those areas, it will help with that problem. President Todd said that he is glad the engineering faculty is willing to do that.

I. Congratulations to Mitch Barnhart

President Todd congratulated Mitch Barnhart, Athletics Director, on behalf of the Board for getting UK into a bowl game. It gives everyone something to look forward to between Christmas and New Years. He said that he is extremely pleased. Volleyball had its best year ever. Women's basketball started the season being ranked for the first time ever. UK's athletic program is beginning to show the effort Mr. Barnhart has put into it for the last five years. President Todd expressed appreciation to Mr. Barnhart for that and asked him to give regards to Coach Brooks and the team down in Nashville.

Mr. Hardymon informed Mr. Barnhart that he may call on him for a report later in the meeting.

J. Chair's Remarks about Engineering

Mr. Hardymon said that it is concerning to him that students are not going into the engineering program. He told of his experience about making his decision to go into the field of engineering and talked about the influence the President of the United States had on him when he talked about the United States being short on engineers, and Russians putting sputnik in orbit. A shortage of engineers is a very serious problem.

K. Candidates for Degrees (AACR 1)

In the absence of Myra Tobin, chair of the Academic Affairs Committee, Ms. Haney gave the committee's report. She said that AACR 1 presents candidates for degrees for December graduation. The recommendation is that the President be authorized to confer upon each individual whose name appears on the attached list the degree to which he or she is entitled, upon certification by the University Registrar that the individual has successfully completed all requirements for the degree for which the application has been made and as approved by the elected faculty of the University Senate and the Academic Affairs Committee of the Board of Trustees.

Ms. Haney provided background information. She said that in order to confer degrees upon the individuals completing requirements in December as soon after the close of the semester as possible, it is recommended that the Board of Trustees give its approval contingent upon certification by the University Registrar that all requirements have been satisfactorily completed. The list represents approximately 2,198 graduates ranging from undergraduate and professional degrees. She noted there were approximately 105 names from the College of Engineering.

On behalf of the Academic Affairs Committee, Ms. Haney moved approval of AACR 1. Ms. Young seconded the motion, and it carried without dissent. (See AACR 1 at the end of the Minutes.)

L. Candidates for Degrees – Bluegrass Community and Technical College (AACR 2)

Ms. Haney said that AACR 2 concerns graduates for degrees for the Bluegrass Community and Technical College. The recommendation is that the President be authorized to confer upon each individual whose name appears on the attached list the degree to which he or she is entitled upon certification by the Kentucky Community and Technical College System Board and the University of Kentucky Registrar that the individual has satisfactorily completed all requirements for the degree for which application has been made and as approved by the elected faculty of the University Senate and the Academic Affairs Committee of the Board of Trustees.

She reported that on July 1, 2004, a Memorandum of Agreement among the University of Kentucky, the Kentucky Community and Technical College System, and Lexington Community College (LCC) pursuant to House Joint Resolution 214 was approved. The agreement states that LCC students who were or are officially enrolled on or before September 2004 in associate degree programs approved by the UK Board of Trustees and who complete the associate degree program on or before August 31, 2010, shall have their degrees conferred by the University of Kentucky Board of Trustees.

Following the passage of that agreement, the Lexington Community College name has been changed to the Bluegrass Community and Technical College.

On behalf of the Academic Affairs Committee, she moved acceptance of AACR 2. Dr. Yanarella seconded her motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

M. Academic Degree Recommendation (AACR 3)

Ms. Haney said that AACR 3 is a recommendation that the Board of Trustees approve the establishment of a Master of Science in Athletic Training degree in the Department of Rehabilitation Sciences, College of Health Sciences, effective in the spring 2007 semester.

The proposed new degree is a post-baccalaureate program designed to accommodate both National Athletic Trainers Association certified athletic trainers and NATA certification-eligible athletic trainers. Coursework and clinical experiences are designed to develop skills necessary to conduct research and increase proficiency in injury prevention, treatment, and rehabilitation. The goal of the program is to develop critical consumers of research and accepted clinical practices, advanced health care providers, and leaders in the clinical, education, and research endeavors of the profession.

This program has the approval of the appropriate councils and University Senate and has completed the 45-day review required by the Council on Postsecondary Education. The provost of the university supports this recommendation.

On behalf of the Academic Affairs Committee, she moved approval of AACR 3. Ms. Brown seconded her motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

N. Investment Committee Report

Mr. Wilcoxson, chair of the Investment Committee, reported that the university endowment had a market value on September 30, 2006 of \$774.1 million compared to \$746.1 million at June 30, 2006, which is an increase of \$28 million for the fiscal year. That increase of \$28 million is a result of gift additions and matching Research Challenge Trust Funds of \$5.8 million. Investment earnings during that time were \$27.6 million, and there were spending withdrawals of \$5.4 million in support of the UK programs.

Mr. Hardymon asked when the next meeting of the Investment Committee would be held, and Mr. Wilcoxson said the next meeting will probably be in March.

Mr. Hardymon said that he was trying to keep the Board interested in attending the Hospital Committee and Investment Committee meetings. He indicated that he may start having more informational reports at the Board meetings. Instead of a dean's report at the next meeting, he may have to start emphasizing a little more time on some of the bigger things happening at the university, but he will try to continue with the deans also.

O. Appointment to University of Kentucky Business Partnership Foundation, Inc. (NCR 1)

Mr. Shoop, chair of the Nominating Committee, reported that the Nominating Committee met that morning to discuss two items on the agenda. He said that NCR 1 recommends that the Board approve the appointment of Sandy Patterson to the University of Kentucky Business Partnership Foundation Board of Directors for a four-year term ending December 31, 2010. The bylaws of the foundation require that the Board of Trustees approve appointments to the Board of Directors. On behalf of the Nominating Committee, he moved approval of NCR 1.

Mr. Hardymon said that the appointment was discussed with Ms. Patterson, and she agreed to this appointment. He thanked her for agreeing to serve. He said that he had served on that board a few times and thinks that Ms. Patterson will find it very interesting. He called for a vote on NCR 1. Mr. Patton seconded Mr. Shoop's motion, and it passed without dissent. (See NCR 1 at the end of the Minutes.)

P. Appointment to University of Kentucky Mining Engineering Foundation, Inc. (NCR 2)

Mr. Shoop said that NCR 2 recommends that the Board approve the appointment of Erwin Roberts to the University of Kentucky Mining Engineering Foundation Board of Directors for a two-year term ending December 31, 2008. The bylaws of this foundation also require that the Board of Trustees approve appointments to the Board of Directors. On behalf of the Nominating Committee, he moved approval of NCR 2. Mr. Branscum seconded the motion, and it passed without dissent. (See NCR 2 at the end of the Minutes.)

Mr. Hardymon noted that Mr. Roberts agreed to take on this assignment, and he very much appreciated his willingness to serve. Mr. Roberts will report to the Board periodically about the board's meetings.

Q. Finance Committee Report

Ms. Wickliffe, chair of the committee, said that FCR's 1 through 5 are consent items. They are the gifts and pledges that total \$638,918 of which \$456,205 is eligible to be matched by the state. With these funds, UK will have matched \$51.5 million of the state funds from the Endowment Match Program. UK has \$15.15 million of state funds left to match.

R. Renaming of Children's Miracle Network Chair No. 1 (FCR 6)

Ms. Wickliffe said that FCR 6 is the Renaming of Children's Miracle Network Chair No. 1. In December 1998, the Board accepted the Children's Miracle Network Council's pledge which created two Children's Miracle Network Research Chairs in Pediatrics. The council wishes to change the name now to the Jacqueline A. Noonan-

CMN Research Chair in Pediatrics. Dr. Noonan is a former chair of the department and member of the Pediatrics faculty. On behalf of the Finance Committee, she moved the adoption of FCR 6. Ms. Haney seconded her motion, and it carried without dissent. (See FCR 6 at the end of the Minutes.)

S. Acceptance of Audit Report and the Report on Internal Control for the University of Kentucky for 2005-06 (FCR 7)

Ms. Wickliffe said that FCR 7 is the acceptance of the audit report and the report on internal controls for the University of Kentucky. The Audit Committee met with the auditors in October with and without the university's staff. The committee reviewed the financials in depth and discussed all the areas that were audited. The auditors issued a clean audit and stated that the staff cooperated in every way. Copies of all audits were sent to each member of the Board. From the discussion in the Finance Committee, it was obvious that the members of the committee reviewed the audits, and she thanked them for doing so. She asked Marc Mathews, Controller, to go through the details that he discussed in the Finance Committee meeting about the audit.

Mr. Mathews provided a summary of his comments. He said that FCR 7 does seek the formal acceptance of the university's audited financial statement as of June 30, 2006 as well as the acceptance of the auditors report on internal controls. As Chair Wickliffe pointed out, the audit opinion, which is what the university strives for on page one of the Financial Statement, is a clean, unqualified audit opinion from Deloitte & Touche, the external auditors. The last paragraph of that opinion on page one also gives a no-material-weaknesses certification with regard to UK's system of internal controls. Both of those are the certification that the university strives to obtain from the external auditors. As a Board, it gives a good comfort that it received the highest rating on both of these.

Mr. Mathews provided highlights from the Financial Statement: assets \$2.81 billion and liabilities \$710 million as of June 30, 2006. The difference between those two numbers represents net assets, also referred to as equity or fund balances, of \$2.1 billion.

During the year that ended June 30, 2006, assets grew by \$367 million or 15 percent. Those increases were primarily in cash and cash equivalent, capital assets, and endowment investments.

Liabilities increased \$128 million or 22 percent. That was primarily due to the issuance of the first phase of debt for the new hospital patient care facility.

Net assets (equity or fund balance) increased by \$239 million or 13 percent due to several positive factors: the growth in endowment investments, operating revenues in excess of expenses for both the general fund and the university hospital, and capital grants from the Commonwealth of Kentucky for the Biological Pharmaceutical building and the Livestock Disease Diagnostic Center.

The University of Kentucky ended its fiscal year June 30, 2006 with a very strong financial condition. Assets and fund balances experienced growth during the year. Revenues were over realized. Expenses were controlled, and the cash position remains strong.

Mr. Hardymon said that he had been on a New York Stock Exchange Board 23 years as well as many other boards. He never had to say "Do we accept an unaudited or not a clean audit?" and he hopes he never has to do that.

Mr. Mathews commented that he would not be presenting the report if that had happened.

Mr. Hardymon said that UK is leveraging a lot of things, and it is showing with the quality of the financials, getting more done and putting money in a lot of wise places. He congratulated President Todd and the staff on that.

Mr. Hardymon pointed out that the reports were a little out of timing this year with the new system in place, but they will be back on schedule next year. He called for a motion of approval for FCR 7.

Ms. Wickliffe said that she would like to add that the Audit Committee did meet with the internal auditor, Mr. Joe Reed, and he brought a lot of information to the committee. The internal audit program of the university is going very well. Mr. Reed's work schedule for the coming year was approved by the committee.

The committee also discussed the fact that there is one year remaining on the university's contract with Deloitte & Touche.

On behalf of the Finance Committee, she moved the adoption of FCR 7. Ms. Ball seconded her motion, and it carried without dissent. (See FCR 7 at the end of the Minutes.)

T. Acceptance of Interim Financial Report for the University of Kentucky for the Three Months Ended September 30, 2006 (FCR 8)

Ms. Wickliffe said that FCR 8 is the acceptance of the Interim Financial Report for the university for the three months ending September 30, 2006, the first three months of the 2006-07 fiscal year. Through September 30, the university has realized 30 percent of the revenue estimate and expended 24 percent of the approved budget.

The balance sheet is strong with assets of \$2.9 billion and liabilities of \$703 million. Fund balances of \$2.1 billion represent a nearly 75 percent equity position in total assets. She pointed out that was a 75 percent total equity.

Revenues of \$513.6 million and appropriated fund balances of \$32.5 million have exceeded expenditures to date (\$437.6 million) by \$108 million, creating a strong cash position and balance sheet as of September 30.

At the end of the first three months of the 2006-07 fiscal year, financial operations are consistent with the budget plan, and the university's financial condition is excellent.

On behalf of the Finance Committee, she moved the adoption of FCR 8. Mr. Dawson seconded her motion, and it passed without dissent. (See FCR 8 at the end of the Minutes.)

U. Construct Biological/Pharmaceutical Complex – Update and Authorization Consolidation (FCR 9)

Ms. Wickliffe said that FCR 9 involves the construction of the Biological/Pharmaceutical Complex. At its September 20, 2005 meeting, the Board approved the initiation of Phase I of the Biological/Pharmaceutical Complex project using \$40 million of the state bonds authorized by the 2005 Kentucky General Assembly. On June 13, 2006, the Board approved the initiation of Phase II of the project using \$79.9 million of state bonds authorized by the 2006 Kentucky General Assembly, bringing the total authorized scope to \$119.9 million.

Programming decisions, cost estimating, and budgeting have become clearer as the project has progressed. In order to maximize space and cost efficiency, the recommended square footage of the facility is being increased from 242,000 gross square feet to 279,000 square feet. The recommended facility is a five-story building which will include 1 ½ floors of shelled space.

Consequently, the university is requesting to consolidate the construction projects with needed infrastructure and land acquisition projects bringing the full scope to \$135.3 million. Upon approval of the Board, this request will be taken to the Capital Projects and Bond Oversight Committee for authorization. Mr. Bob Wiseman gave the committee a thorough update on that. On behalf of the Finance Committee, she moved the adoption of FCR 9. Mr. Branscum seconded her motion, and it carried without dissent. (See FCR 9 at the end of the Minutes.)

V. Capital Projects (FCR 10)

Ms. Wickliffe said that FCR 10 involves the university's capital projects. It is to renovate Blazer Hall Cafeteria and Upgrade Clinical Services at the hospital. Mr. Jim Wims gave the committee an update on the projects. He made a presentation on the renovation of Blazer Hall and reported that this project will include installing two new pods: a salad/deli area and a pizza and international food station. The project will also include upgrading electrical, plumbing, and other equipment. The renovation is expected to cost approximately \$1.4 million, which is well within the authorized scope of \$4.5 million, and will be paid for with unrestricted fund balances generated from the dining

enterprise. She noted that the diagrams of the projects were at the front of the room if anyone wanted to see them.

The upgrade of Clinical Services will expand the Clinical Decision Unit (CDU) in the University Hospital. The CDU is a transition unit which accommodates patient flow through the hospital. This project will allow for the expansion of the CDU with the addition of 8-10 patient care spaces and related staff support areas. The \$1.4 million project will be paid for with University Hospital funds.

On behalf of the Finance Committee, she moved the adoption of FCR 10. Ms. Ball seconded her motion, and it carried without dissent. (See FCR 10 at the end of the Minutes.)

W. Authorization to Sell Approximately 16.8 Acres More or Less of Maine Chance Farm for Fee Simple Right-of-Way Purposes along Newtown Pike in Addition to Temporary Construction/Utility Easements of an Additional 10.6 Acres More or Less to Allow for a Kentucky Transportation Cabinet Newtown Pike Reconstruction Project from I-75 North to Iron Works Pike (FCR 11)

Ms. Wickliffe said that FCR 11 is the authorization to sell approximately 16.8 acres more or less of Maine Chance Farm for fee simple right-of-way purposes along Newtown Pike in addition to temporary construction/utility easements of an additional 10.6 acres more or less to allow for a Kentucky Transportation Cabinet Newtown Pike reconstruction project from I-75 North to Iron Works Pike. She asked Mr. Wiseman to comment on FCR 11.

Mr. Wiseman said that it is an approximate 66 foot right-of-way strip adjacent to the roadway from I-75 North to Iron Works Pike. In July of this year, the state approached UK for this purchase of property in association with their design build project, which they were trying to fast track in order to meet the schedule for the world equestrian games.

This is a \$7.3 million project in the state budget. There will be a two-lane road with shoulders. That is the key difference from what we have now. The bridge will also be rebuilt. The start of construction is in 2007, and construction will be finished in 2008. All of the stone walls on the Maine Chance farm will be rebuilt, and 146 trees of various species will be planted adjacent to the walls on the farm side of the walls. UK had eight conditions.

1. State appropriately appraises and pays for all right-of-way taken.
2. Plans shall not include relocation of cemetery.
3. The "no-till" fields shall be avoided to maximum extent possible.
4. Improvements to farm entrances must be included in project plans as a project cost.
5. Farm operations during construction shall not be hampered, and the College of Agriculture will receive 14-day advance notice of any

significant construction events.

6. Bridge replacement must not raise farm flood plain levels or increase post-construction run-off.
7. All stone walls must be replaced in same manner.
8. College of Agriculture shall be allowed advance input on all landscaping plans.

Ms. Young asked for confirmation that the trees are behind the walls.

Mr. Wiseman said that the trees are on UK's property as opposed to being along the right-of-way. The cabinet wanted to keep the right-of-way clear. He pointed out that there have been eight collisions into the current stone wall within the past two years. This reconstruction should preclude most collisions.

Mr. Hardymon thanked Mr. Wiseman for his report and for providing the picture.

On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 11. Mr. Dawson seconded her motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

X. Authorization to Convey 14.89 Acres to the Center for Rural Development, Inc. (FCR 12)

Ms. Wickliffe said that FCR 12 is the authorization to convey 14.89 acres to the Center for Rural Development, Inc. In 1994, the university received 16.59 acres from the City of Somerset to be used for the site for the Center for Rural Development. On October 10, 2006, the Board honored a request from the center for title to 1.7 acres to construct a hotel. After further discussion with the center, the university proposes to transfer the remaining balance of 14.89 acres to the center. She noted that the land is not needed by the university. On behalf of the Finance Committee she moved the adoption of FCR 12. Ms. Haney seconded her motion, and it carried without dissent. (See FCR 12 at the end of the Minutes.)

Y. 2006-07 Budget Revisions (FCR 13)

Ms. Wickliffe said that FCR 13 is the 2006-07 Budget Revisions. The recommended budget revisions increased the University of Kentucky's total budget by \$55.18 million, a 3 percent increase. The major components of the budget revision include:

An increase of \$52.89 million in expenditure authority to fully recognize the June 30, 2006 fund balances.

The additional funds are a result of:

- the sale of the Lexell Building, which was \$10.4 million
- tuition revenue in excess of budget, in the amount of \$7.3 million

Investment income in excess of budget, \$4.7 million
Funds collected for miscellaneous benefits which will be required in future periods. That totals \$11 million.
Unspent funds in various reserve accounts throughout the university.
An increase of \$863,000 in county appropriations to support field programs in our Extension Service.

She noted that President Todd called to the committee's attention that UK had budgeted for 3,700 freshmen this year, and there were actually 4,200 freshmen.

On behalf of the Finance Committee, she moved the adoption of FCR 13. Ms. Ball seconded her motion, and it carried without dissent. (See FCR 13 at the end of the Minutes.)

Z. Approval of the 2005-06 Endowment Match Program Annual Report (FCR 14)

Ms. Wickliffe said that FCR 14 is for approval of the 2005-06 Endowment Match Program Annual report. Pursuant to the Council on Postsecondary Education's Endowment Match Program Guidelines, the university is required to compile an annual report on UK's participation in the program. This report must be accepted by the Board of Trustees.

As of June 30, 2006, the market value of the endowments created as a result of the Endowment Match Program was \$351 million.

The university had received \$160.9 million of state funds and \$153.7 million of cash gifts. The university had \$7.2 million of outstanding pledges, representing only 4.4 percent of the matched state funds.

As of June 30, the university had created 74 endowed chairs and 169 endowed professorships and awarded 119 with these funds. There have been 200 fellowships, scholarships, and endowments for research support and the William T. Young Library created.

As of June 30, 2006, the university had matched \$25.4 million of the \$66.67 million available from the last round of matching funds. With the gifts accepted by the Board at this meeting, the university will have matched \$51.5 million.

On behalf of the Finance Committee, she moved the adoption of FCR 14. Mr. Roberts seconded her motion, and it carried without dissent. (See FCR 14 at the end of the Minutes.)

AA. Patent Assignment Report (FCR 15)

Ms. Wickliffe said that FCR 15 is the quarterly Patent Assignment Report. Dr. Chuck Staben gave the committee a great report. The report includes 15 patent applications.

As of October 30, 2006, 8 patents had been issued, and the university had received \$297,539 of patent income. On behalf of the Finance Committee, she moved the adoption of FCR 15. Dr. Dembo seconded her motion, and it carried without dissent. (See FCR 15 at the end of the Minutes.)

BB. Capital Construction Report (FCR 16)

Ms. Wickliffe said that FCR 16 is the Capital Construction Report. The report covers the period from July 1, 2006 through September 30, 2006. During this period there were 3 new contracts; 1 contract completed; 2 contract amendments; and 3 change orders over \$25,000.

The new contracts include:

- A \$3.3 million contract with Woodford Builders for the Upgrade Surgical Services project.
- A \$10.2 million contract with EOP Architects to construct the Biological/Pharmaceutical Complex building project, and
- A \$275,000 contract with EOP Architects for the Expansion of the Boone Faculty Center project.

She noted that the \$1.4 million Commonwealth Stadium Waterproofing/Concrete Sealing project has been completed.

There were two contract amendments:

Expand Emergency Services – Hospital

Design greeter/security desk, revised electrical drawings for additional patient monitoring equipment, and commissioning of new air-handling units. That added \$17,952.

Construct Patient Care Facility

Addition of two floors to the Parking Garage and additional reviews on impact of wind and storm water which was \$299,044.

There were three change orders greater than \$25,000:

Commonwealth Stadium Waterproofing/Concrete Sealing

Addition of epoxy leveling fill which was \$46,055

Memorial Coliseum Expansion

Addition of light fixtures which was \$26,744

Provision for engraved brick pavers which was \$26,385

On behalf of the Finance Committee, she moved the adoption of FCR 16. Dr. Yanarella seconded her motion, and it carried without dissent. (See FCR 16 at the end of the Minutes.)

Mr. Hardymon thanked Ms. Wickliffe for her very thorough report and for the very good Finance Committee meeting.

CC. Student Affairs Committee Report

Mr. Williams, chair of the committee, reported that the committee met that morning; however, there were no action items. The committee took the opportunity of this meeting to become familiar with student facilities on campus and visited the Johnson Recreational Center. A brochure about the facility was distributed to the Board. He asked Ms. Brown to tell the Board about the facility and provide her impressions of it.

Ms. Brown said Mr. Williams probably asked her to give the report because she is passionate about fitness. The tour was really exciting for her. She noted that she worked out at the facility at 6:30 a.m. prior to the committee's tour just to get an impression of the center.

The facility is something that the Board really needs to see. It is kind of like saying UK has a nice library. You have to see it to get a good feel of what it is like. It is a very beautiful, striking building. The staff is friendly. It is clean and has well maintained equipment. A lot of times you go to a facility, and the equipment is out of order. All of the equipment was working and in nice shape.

The committee met with Ron Lee, Recreation Director, for a tour of the facility. The building is only for students' use. It is not for intramurals, and it is not for the Athletic Department. It is for the students.

It has a multi-purpose gym, a four-lane elevated jogging track above it, a lot of cardio machines, two aerobics studios, a weight room downstairs, four racquetball courts, a climbing wall, and locker and shower facilities. It also has a really nice lobby and lounge.

The facility offers outstanding equipment, and all of it is new. They offer anything you would ever need in the fitness world, including climbing shoes and basketballs. They also offer employment opportunities for the students to work there. Membership is open to students. Employees, spouses, and dependents can obtain a guest pass. There are also alumni passes available.

The facility also offers personal training, fitness assessments, and group fitness classes. About 35 classes are offered each week, and the classes are up-to-date. Hip hop will be offered next semester.

There are also outdoor pursuits programs involving adventure trips such as whitewater rafting, etc.

Ms. Brown said that the facility is a great recruiting tool, and when students visit campus, the Johnson Center and the William T. Young Library are the two places they do tour. She said that the center is a great wellness facility for the students.

She mentioned that the *Men's Health Magazine* listed UK as the fattest university. She said she did not know the accuracy of the magazine, but it is something to think about. The article was published prior to the center opening.

Ms. Brown concluded her remarks by reporting that the center has 3,500 visits a day. It is much more crowded at the beginning of the semester with all the New Year's resolutions.

Ms. Haney said that it was interesting to see students studying for their finals while they were working out. They had little bookracks on their machines flipping notes and flash cards.

Mr. Williams said that it was a great visit. He expressed appreciation to Dr. Pat Terrell, Vice President for Student Affairs, and her staff for arranging the tour. It was nice to see one more thing that enhances the life of the students on campus.

Mr. Hardymon said that it sounded like more of a fun committee than the Finance Committee. He thanked Mr. Williams for the committee's report.

DD. University Hospital Committee Report

Ms. Young, chair of the committee, reported that the University Hospital Committee met Monday afternoon. The hospital continues to operate at a very high level operating margin of 8.5 percent for the first four months of the fiscal year. The hospital is doing extremely well and is supporting the construction project. She said that Sergio Melgar, Chief Financial Officer for UK HealthCare Enterprise, was present if anyone had specific questions.

Ms. Young reported that the hospital transferred over \$150 million to a UK quasi-endowment, and it has returned remarkably well. There was an approximate \$10 million return on that the first four months, and that is self-supporting.

Ms. Young said that the building project is on schedule. There will soon be an area close to the existing parking structure closed off by fencing. Preliminary work will begin on the new structure in this area. They are trying to time it with this preliminary work so everything will move quickly and smoothly.

The closing of Rose Street was accomplished, and it seems to be working very well. The light at Huguelet and Rose Streets definitely helps with pedestrian crossing. All in all the feeling is that was a very good move.

The committee had a very interesting report on information technology services at the UK Medical Center. It is a very complex state-of-the-art system and is integrated with the university's system. While it never will be completely finished, UK is on the path of becoming one of the most fully integrated and sophisticated hospital systems in the country.

She concluded her remarks by saying that it was a very upbeat meeting, and the Board should be proud of what is going on at the hospital with a combined budget of \$800 million at the hospital and another \$400 million at the Medical School for a combined budget of over \$1 billion.

EE. Athletic Department Report

Mr. Hardymon asked Mitch Barnhart to expand on his previous comments about athletics.

Mr. Barnhart said the Volleyball team got back to the NCAA for the second year in a row with the highest finish in a couple of decades. Coach Craig Skinner did a great job getting the Volleyball team to take another step. They won their first round match of the NCAA but lost in the second round to Purdue University. The team had a really nice year.

One of the highlights of the fall was the Women's Soccer team. Coach Warren Lipka made the turn this year, and the team won the Southeastern Conference (SEC) tournament. Coach Lipka was named SEC coach of the year. UK had three first-team all SEC players, including the SEC player of the year. The team went to the NCAA regional tournament for the first time in over a decade.

The Men's Soccer team had a great year and an unbelievable twist of fate by not getting into the NCAA tournament. They were the only team ranked in the top 25 in all four polls, and for some reason they were left out. It was one of the more disappointing moments to sit in a room with the team and not get selected. The team is ready to put that behind them and move on. There was a dinner for the team, and it was a nice night to celebrate what they had accomplished during the season.

Coach Rich Brooks did a phenomenal job with the football team. He rallied them into a five-game season, and they played the last five games probably as well as anybody in the league, achieving a four and one record. Mr. Barnhart said he was very proud of the way the team finished the year. They have an opportunity to play in the Music City Bowl on December 29 in Nashville, Tennessee. The Music City Bowl sold out two days after the announcement, and without exception, that is one of the fastest sell outs in the history of the Music City Bowl. This is the first time they have sold out. The UK fans

have purchased 25,000 tickets through UK and probably another 15,000 tickets through the Music City Bowl. He said he anticipated about 40,000 fans attending the bowl game. It should be a Big Blue crowd in Nashville. He noted that opponent Clemson University sold 11,000. He advised everyone to purchase a parking pass in advance because there is no on-site parking. He said that the traffic would be very heavy that day and encouraged everyone to leave early. The game will be 12:00 o'clock central time and 1:00 o'clock eastern time.

Mr. Barnhart said that Penny Bradford, a member of the swim team, represented UK remarkably well. She set a school record for UK in two areas at Charlotte, North Carolina. She is a phenomenal athlete, and one to pay attention to. She is very gifted, and UK is fortunate to have her in the program.

The Cy Young Award winner in the National League this year was Brandon Webb. Brandon Webb played baseball at the University of Kentucky. UK took out an ad in *USA Today* congratulating him. He will visit campus sometime during the baseball season and will be acknowledged for this accomplishment at that time. He is the first Cy Young Award winner from the University of Kentucky.

The new facility expansion at Memorial Coliseum is on schedule to open January 10 for the basketball programs on the bottom floor. Later in the month or the first day of February, the remaining departments will make a transition to the new facility.

The facility has been named in honor of a gentleman that made a signature gift to the program. It will be the Joe Craft Center because of what he did for UK's athletics. He and his family are very appreciative.

Mr. Barnhart said he would look forward to giving the Board a tour of the facility. He thanked the Board members for their support and said he hoped to see them at Music City.

President Todd asked Mr. Barnhart to mention what he is doing for the football team that won seven games but was ineligible to attend a bowl.

Mr. Barnhart reminded the Board that in 2002, the football team won seven games and was not eligible to attend a bowl game because of the NCAA probation. That was his first year at the university, and he committed to seniors on that team that he would bring them back when UK got to attend a bowl game. The former players will provide their own transportation, and they will be coming from all parts of the country. UK will provide their rooms and tickets. Out of the 22 seniors, 14 or 15 of them are on their way back for the game. They are excited and thankful to be remembered. Those players did not get the opportunity to play in a bowl game, and it was not their fault. This is to thank them for the things they did for UK. Mr. Barnhart said he was glad they are going to get to be a part of the excitement.

FF. Holiday Reception Reminder

Dr. Dembo reminded the Board of the annual Board and Senates holiday reception that afternoon. It will be from 2:00 p.m. until 5:00 p.m. at the UK Art Museum. There will be food, music, art, and conversation. He encouraged the Board to attend.

GG. Meeting Adjourned

Mr. Hardymon wished the Board happy holidays and adjourned the meeting at 2:30 p.m.

Respectfully submitted,

Pamela R. May
Secretary, Board of Trustees

(PR 2, 3, 4, and 5; AACR 1, 2, and 3; and FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16; and NCR 1 and 2 which follow are official parts of the Minutes of the meeting.)