

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, December 11, 2007.

The Board of Trustees of the University of Kentucky met at 10:00 a.m. (Lexington time) on Tuesday, December 11, 2007, in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Ms. Mira Ball, chair, called the meeting to order at 10:00 a.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 (Chair), Stephen Branscum, Penelope Brown, Dermontti Dawson, Jeff Dembo, Ann Haney, James Hardymon, Pamela May, Billy Joe Miles, Sandy Bugie Patterson, Phillip Patton, Erwin Roberts, Charles Sachatello, Frank Shoop, Billy Wilcoxson, Russ Williams, and Ernest Yanarella. Absent from the meeting were Nick Phelps, Myra Leigh Tobin, and JoEtta Wickliffe. 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.

The university faculty was represented by Chair of the University Senate Council Kaveh Tagavi, and the university staff was represented by Chair of the Staff Senate Kenneth Blair.

Members of the various news media were also in attendance.

C. Consent Items

Ms. Ball called attention to the following consent items on the agenda:

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PR 2 Personnel Actions

Mr. Shoop moved that the consent items be approved. Mr. Branscum seconded the motion, and the items were approved without dissent. (See consent items at the end of the Minutes.)

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

President Todd reported that he attended a reception Monday evening with Commerce Lexington and the central Kentucky legislative delegation at Keeneland. Each group had a spokesperson. Mayor Jim Newberry could not attend, but Vice Mayor Jim Gray spoke to the

group. Mr. Gray emphasized that their highest priority is the funding of UK's Top 20 Business Plan. Joe Kelly, who is the director of economic development for the Lexington-Fayette Urban County Government, spoke and reiterated Mr. Gray's remarks.

The university had a reception recently in Chicago with the Alumni Association and Commerce Lexington. The purpose of the reception was to encourage alumni to return to Kentucky with their businesses or send divisions of their businesses to Kentucky. Dr. Len Heller, vice president for commercialization and economic development, and Mayor Jim Newberry were in attendance at the reception. Mayor Newberry spoke to alumni and said that the best thing that can happen to Lexington is for UK to continue on the Top 20 path.

President Todd said that he pointed out at both receptions that the Medical Center payroll has increased \$200 million since 2003, and that represents a lot of households, a lot of construction, and many other things as well as increased intellectual vibrancy.

President Todd recognized Dr. James Tracy, vice president for research, who gave the patent report at the Finance Committee meeting. He noted that this is Dr. Tracy's first time to attend a Board meeting and expressed pleasure in having him as the university's vice president for research.

Dr. Tracy, Director of Federal Relations Bill Schweri, and the deans attended the annual staff reception in Washington, DC for approximately 50 to 60 staffers of the Washington delegation. The staffers are the ones who help the university get things done in Washington. Senator McConnell and Elaine Chao attended the reception as well. The university representatives also met with Senator Mitch McConnell, Senator James Bunning, Congressman Ben Chandler, and Congressman Hal Rogers in their offices.

UK Hosts Conference on Strategies, Tactics to Engage Communities

Under Associate Vice President for University Engagement Philip Greasley's guidance, an engagement conference, which drew upon people that are very heavily involved in engagement, was held in Lexington. A guest speaker from the *New York Times* attended the conference, and this gave the university some additional good exposure in the *New York Times*. The conference featured speakers on topics including Engaging Minority and Underserved Communities, Engaging Communities through the Arts, Building and Sustaining Campus-Community Partnerships, and Assessing the Impact of Engagement.

Engineering's Extended Campus Receives \$2.25 Million for Research Wing

The University of Kentucky College of Engineering Extended Campus Program has had an engineering program in Paducah for a number of years. Fred Paxton, a citizen of Paducah who passed away, left \$600,000 for a research wing. The College of Engineering provided \$1 million, and the remaining \$1.25 million was raised from private donations in the Purchase region in order to build a research wing.

UK Researcher Wins Nearly \$4 Million to Develop "Dirty Bomb" Treatments

Michael Jay, a researcher in the UK College of Pharmacy Department of Pharmaceutical Sciences, is one of the university's very involved entrepreneurial faculty members. He has received a \$4 million National Institutes of Health grant to look at dirty bomb treatments.

Terry B. Mobley Development Awards Announced

Four Terry B. Mobley Development Awards for outstanding work at the Development Office were announced.

Lexington Fourth-grader Wins \$40,000 Scholarship to UK

Fayette County School Superintendent Stu Silberman approached the university a few years ago regarding UK providing a scholarship to one student who scored “Distinguished” marks on all subjects of their Commonwealth Accountability Testing System (CATS) tests. Provost Swamy immediately agreed to provide the scholarship. Emily Rogers has been selected in a grand-prize drawing. Although she is in the fourth grade, she knows that her college costs are taken care of if she continues to perform well academically in high school and meets the university’s admission requirements.

UK Cosmetic Surgery Researchers Show Breastfeeding Does Not Cause Sagging

UK plastic surgeon Brian Rinker and his colleagues conducted a study with patients at UK HealthCare Cosmetic Surgery Associates. The study found that breastfeeding does not adversely affect breast shape. The university received a lot of positive PR from that study.

UK Law Grads Excel in Passing Kentucky Bar Exam

UK College of Law graduates had the highest bar-passage rate of all Kentucky law school graduates on the July 2007 bar exam. Among those attempting to pass the bar for the first time, 91 percent of UK law graduates passed on their first attempt compared to 88 percent overall.

Majority of UK’s Pharmacy Students are Kentuckians

At the recent meetings in Washington, Dean Kenneth Roberts, College of Pharmacy, spoke and informed the Washington staffers that 92 percent of UK’s pharmacy students are Kentuckians. The pharmacy students continue to receive top scores in the nation on pharmacy exams.

UK Symphony Orchestra Performs Again with Arlo Guthrie at UK, Carnegie Hall

UK Symphony Orchestra, under the direction of John Nardolillo, presented a second concert with folk icon Arlo Guthrie in November at the Singletary Center for the Arts. The concert celebrated the symphony’s successful collaboration with the artist on the CD *In Times Like These* which was recorded at the Singletary Center. The reviews were very positive about the orchestra’s performance with Mr. Guthrie.

President Todd noted that there are many good things in PR 1 and asked the Board to review the other items that he did not mention.

E. University Staff Emeritus Be Conferred upon Henry Clay Owen (PR 3)

President Todd said that PR 3 relates to personnel actions in PR 2. He asked Henry Clay Owen and his wife Betty to stand and be recognized. Mr. and Mrs. Owen received very lengthy applause and a standing ovation. President Todd reflected on a story about taking his young daughter Kathryn to see Carol Channing perform years ago. When Carol Channing walked out on the stage, everyone stood and gave her a standing ovation for just walking on

the stage. For Mr. Owen to receive such an ovation for just standing speaks highly about the service that he has provided to the university.

President Todd recommended that the Board confer upon Henry Clay Owen the title of University Staff Emeritus in recognition of his many years of service, dedication, and loyalty to the University of Kentucky.

Henry Clay Owen began his service to the University of Kentucky and the people of the Commonwealth on July 1, 1964. Mr. Owen joined the university as a staff accountant in sponsored projects. He was named controller in 1969, with the title of treasurer being added in 1982. Six university presidents have benefitted from Mr. Owen's work. The university has had eleven presidents, and Mr. Owen has served more than half.

Mr. Owen will retire from active service to the university on January 2, 2008. During these last 43 years, his work has been consistently defined by "the wisdom to see right; the courage to choose it; and the strength to make it endure." With keen intellect, integrity, vision, and sheer force of will, Mr. Owen has been the chief steward of the resources of Kentucky's flagship university, constructing a financial foundation that remains strong and stable. While presidents and other executive officers have come and gone, Mr. Owen's thoughtful, steadfast leadership has been integral to the cause of building a flagship university worthy of Kentucky's people. His guidance has shaped the university through times of both growth and challenge. During his tenure, university assets have grown from \$15 million to over \$3.1 billion. His time as treasurer has seen the endowment grow from approximately \$10 million to \$1 billion.

Henry Clay Owen has dedicated his time, his talents, and his faithful service to the University of Kentucky since 1964. The university will be forever grateful to him for what he has done and how far it has come during his time of service. Let it be said of Mr. Owen, most of all, that he is a person of remarkable courage. The poet reminds us that courage is not "the marvelous act" or "the bounty of impulse." Courage is instead "The even loyalty. The amazed understanding. The beauty that is of many days. Steady and clear. It is the normal excellence of long accomplishment."

Henry Clay Owen's "normal excellence of long accomplishment" makes him truly deserving of this honor of University Staff Emeritus, as conferred by the Board of Trustees.

President Todd said that former Chair of the Board Billy Joe Miles told him before he took the presidency position that he would enjoy and appreciate Henry Clay Owen. In his preliminary meeting with Mr. Owen, Mr. Owen told it to him straight. Mr. Owen knew where everything was, what needed to be done, and gave his opinion. In the early days, budgets were getting cut after cut, and tough times were pretty challenging. President Todd said that he made a decision to include Mr. Owen in the budgeting process because he knew where the reserves were and how the university could touch money and not have to cut academic spending through the first three cuts. Including Mr. Owen in the budgeting process was an amazing addition, and Mr. Owen appreciated being involved in the budgeting process. The treasurer had not been included in the process prior to this administration.

President Todd asked the Board to confer upon Henry Clay Owen the title of University Staff Emeritus in recognition of all his service to the institution.

On motion made by Mr. Williams and seconded by Ms. Haney, PR 3 passed without dissent. Ms. Ball said that she, as well as every Board member, would like to have presented PR 3; however it is the president's prerogative of presenting the PRs.

President Todd asked Mr. Owen to step forward. He presented a framed copy of PR 3 to him. Mr. Owen declined to make any remarks and received another round of applause.

Mr. Wilcoxson said that this is the first time in his life that he has been at a loss for words. He thanked Mr. Owen for the 16 years of working with him.

President Todd reported that Marc Mathews has been named treasurer, and Mr. Mathews knows that he follows in the footsteps of a giant. During some budget discussions in the last legislative session, people in Frankfort talked about the strength of the treasury organization at the University of Kentucky. It is far superior to any other in the state, and Mr. Mathews has been a key part of the university's organization. The mentoring that he has received from Mr. Owen has been tremendous as well. President Todd said that he looked forward to working with Mr. Mathews in his new role.

F. Candidates for Degrees (AACR 1)

Due to the absence of Myra Tobin, chair of the Academic Affairs Committee, Ms. Ball asked Dr. Yanarella to present the report for the Academic Affairs Committee.

Dr. Yanarella reported that it was an auspicious occasion on Monday when he had an opportunity to sub for someone whom he deeply respects, Myra Tobin. It was auspicious because he was not able to muster a quorum. He did, however, have three recommendations to present for the Board's action.

AACR 1 is a list of candidates for degrees at the University of Kentucky. The list was taken to the University Senate Faculty Senators who duly reviewed, amended, and recommended approval. He noted that AACR 1 is not controversial and moved approval. Ms. Haney seconded his motion, and it carried without dissent. (See AACR 1 at the end of the Minutes.)

G. Candidates for Degrees -- Bluegrass Community and Technical College (AACR 2)

Dr. Yanarella said that AACR 2 is a degree list from Bluegrass Community and Technical College. He reminded the Board that it will continue to have authority and responsibility to approve the candidates' degrees through 2010 for those individuals who have chosen to have their degrees conferred by the University of Kentucky. The Senate Council and the elected faculty of the University Senate have duly reviewed, amended, and recommended approval. He moved that AACR 2 be approved. Mr. Shoop seconded his motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

H. Proposed Revision to Administrative Regulation: Conflict of Interest/Financial Disclosure Policy – Research (AACR 3)

Dr. Yanarella said that AACR 3 is a proposed revision to an Administrative Regulation that involves conflict of interest and financial disclosure policy regarding research. Although the committee was not able to vote on AACR 3, the members present did have a thorough discussion about it and benefited particularly from having Debbie Davis, director of sponsored projects administration, as a resource person. Ms. Davis provided important information regarding the background to this recommendation.

The proposed revision does several things. It responds to federal regulations that require closer supervision and monitoring of potential conflicts of interests, and it reflects the university's effort to establish a zero threshold with regard to financial interests and potential conflict of interests relating to any research that involves human subjects. Dr. Yanarella said that he was pleased that once again the University of Kentucky is stepping forward and taking a lead on an important issue. He moved approval of AACR 3. Dr. Sachatello seconded the motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

Dr. Yanarella reported that the committee had an opportunity to hear from Dr. James Tracy, vice president for research. Dr. Tracy informed the committee of his developing agenda in his new role of vice president. The committee appreciated the opportunity to meet him and looks forward to working with him.

Dr. Yanarella concluded his report by commenting about the lack of attendance to have a quorum. In addition to Ms. Tobin, who is certainly doing her important work in Rochester, MN, one other member of the committee apparently believed it was more important to take a final examination and perhaps advance UK's efforts not only at retention but also at graduation.

I. Resolution Establishing Authority for Banking and Investment Transactions (FCR 1)

Mr. Branscum reported that the Finance Committee had 8 FCRs to bring before the Board for action. Before beginning with those items, Mr. Branscum took a moment to acknowledge Mr. Henry Clay Owen for his years of service and dedication to the university and the Finance Committee. He thanked him for everything he has done for the university and said that he would have loved to have had the opportunity to serve with him for many years. The committee looks forward to working with Marc Mathews, who has been mentored by Mr. Owen for years.

Mr. Branscum said that FCR 1 is a Resolution Establishing Authority for Banking and Investment Transactions. The committee heard from Mr. Frank Butler, vice president for finance and administration, who clarified several previous actions of the Board.

FCR 1 provides authorization to an officer, which in this case is the university treasurer rather than a specific individual, for various financial transactions and provides

backup authority for the treasurer. Specifically, FCR 1 recommends that the Board of Trustees authorize the treasurer to:

- a) Establish bank accounts;
- b) Be the designated signatory authority for the disbursement of university funds;
- c) Establish investment contracts and authorize endowment and short-term, overnight investment transactions under the supervision of the Investment Committee; and
- d) Assign, sell, or otherwise dispose of securities received as gifts.

FCR 1 also authorizes the treasurer to delegate, in writing, signature authority for the above transactions to the treasury operations director or the assistant treasurer for investments. On behalf of the Finance Committee, he recommended acceptance of FCR 1. Mr. Dawson seconded the motion, and it carried without dissent. (See FCR 1 at the end of the Minutes.)

J. Establishment of University of Kentucky Other Postemployment Benefits (OPEB) Trust Quasi Endowment (FCR 2)

Mr. Branscum said that FCR 2 recommends the Establishment of the University of Kentucky Other Postemployment Benefits (OPEB) Trust Quasi Endowment Fund. The fund will consist of university funds designated for the payment of post employment benefits, primarily health insurance credits. The university is required by accounting standards to report the actuarially determined cost of providing future benefits to employees during their post retirement period. The expense may be reduced by estimated future earning on funds set aside specifically for these purposes.

The university has established and will begin to fund this year the University of Kentucky OPEB Trust, which will be administered by U.S. Bank. This action establishes a quasi endowment within the UK pooled endowment fund and allows U.S. Bank to invest funds of the Trust within the UK endowment. By so doing, administrative and investment costs will be greatly reduced.

On behalf of the Finance Committee, he recommended acceptance of FCR 2. Dr. Yanarella seconded the motion, and it carried without dissent. (See FCR 2 at the end of the Minutes.)

Mr. Williams said that he did not want it to go unnoticed that this motion of approval is probably the end of a fairly complicated and at times contentious process of looking at the university's way of supporting current retirees and future retirees when it comes to their health care. At a time when many private companies are abandoning their retirees, this institution continues to make a commitment to see that current retirees and those who desire to retire from the university are going to be looked after. This looks very technical, but it really speaks volumes when it comes to sending a message to the employees. Colleagues Kim Wilson, Joey Payne, Mr. Butler, and Mr. Mathews, as well as a lot of other people, have spent hours and months looking at this.

K. Authorization to Sell 1503 Cochran Road, Lexington, Kentucky (FCR 3)

Mr. Branscum said that Mr. Butler presented FCR 3, which will authorize the executive vice president for finance and administration to sell the house and real property located at 1503 Cochran Road in Lexington for a sale price not less than the appraised fair market value. The house and real property were donated to the university for the benefit of the College of Medicine. On behalf of the Finance Committee, he recommend acceptance of FCR 3. Mr. Dawson seconded the motion, and it carried without dissent. (See FCR 3 at the end of the Minutes.)

L. Acceptance of Interim Financial Report for the University of Kentucky for the Three Months Ended September 30, 2007 (FCR 4)

Mr. Branscum said that FCR 4 requests acceptance of the Interim Financial Report for the University of Kentucky for the three months ending September 30, 2007. Through September 30, the university has realized 31 percent of the revenue estimate and expended 24 percent of the approved budget.

The balance sheet is strong with assets of \$3.2 billion and liabilities of \$796 million. Fund balances of \$2.2 billion represent a nearly 71 percent equity position in the assets. Revenues of \$569.3 million and appropriated fund balances of \$66.9 million have exceeded expenditures to date of \$507.6 million by \$128.6 million, creating a very strong cash position and balance sheet as of September 30, 2007. At the end of the first three months of the 2007-08 fiscal year, financial operations are consistent with the budget plan, and the university's financial condition is excellent.

On behalf of the Finance Committee, he recommended acceptance of FCR 4. Ms. Patterson seconded the motion, and it passed without dissent. (See FCR 4 at the end of the Minutes.)

M. 2007-08 Budget Revisions (FCR 5)

Mr. Branscum said that Ms. Angie Martin, vice president of planning, budget, and policy, presented the budget revisions which will increase the University of Kentucky's total budget by \$23 million – from \$2.072 billion to \$2.095 billion. The budget revisions include:

- During the special session, the Kentucky General Assembly approved a \$2 million increase in state appropriations for the Center for Applied Energy Research to increase the center's research capabilities.
- The 2007-08 Operating Budget approved by the Board of Trustees included a projected fund balance of \$66,927,700. The actual fund balance was higher as a result of unspent funds in various reserve accounts, actual tuition revenue in excess of budget, and other over-realized revenues in many areas of the university. Additional expenditure authority of \$20,498,400 is requested to fully recognize the funds available.

About 50 percent of the increase is dedicated for benefit reserves. The remaining

funds will likely be used for classroom renovations and academic programs. Any capital construction project greater than \$600,000 will be brought to the Board for approval prior to initiation.

On behalf of the Finance Committee, he recommended approval of FCR 5. Mr. Dawson seconded the motion, and it carried without dissent. (See FCR 5 at the end of the Minutes.)

N. Approval of the 2006-07 Endowment Match Program Annual Report (FCR 6)

Mr. Branscum said that FCR 6 is the Approval of the 2006-07 Endowment Match Program Annual Report. He asked Ms. Martin to give that report.

Ms. Martin called attention to the Endowment Match Program Annual Report that had been distributed to the Board. The annual report is rather a historical event. It is the 2006-07 fiscal report, and it has been 10 years now since the passage of House Bill 1, the Postsecondary Education Reform Act in May 1997. This is part of the Research Challenge Trust Fund that the state established in 1997. The endowment match program also known as "Bucks for Brains" is one component of the trust fund.

As of June 30, 2007, the market value of the endowments created as part of the Endowment Match Program totaled \$423 million. The university has participated in all three rounds for "Bucks for Brains." The university has received \$176.4 million of state funds. That was matched with \$164.1 million of cash gifts and \$12.3 million of outstanding pledges. Those outstanding pledges represent less than 7 percent of the total matched state funds.

The Development Office staff has done a great job, making sure that the pledges are completed, and if not, the replacement is done in a timely manner. The Council on Postsecondary Education guidelines require UK to return any state funds if a donor defaults on a pledge. The university has not returned any state funds since the inception of the program. Throughout the program, over 12,700 donors have contributed to the endowment match program. With these funds, the university has:

- Created 77 endowed chairs and 190 endowed professorships; and
- Created 215 fellowships, scholarships, and endowments for research support and the William T. Young Library.

Mr. Branscum thanked Ms. Martin for the good report. On behalf of the Finance Committee, he moved approval of FCR 6. Ms. Haney seconded the motion, and it carried without dissent. (See FCR 6 at the end of the Minutes.)

O. Patent Assignment Report (FCR 7)

Mr. Branscum said the committee was glad to welcome Mr. James Tracy to its meeting. Mr. Tracy presented FCR 7 which requests that the Board accept the Patent Assignment Report for the period ending October 21, 2007.

For the fiscal year to date as of October 30, 2007:

- the university filed 3 patent applications;
- 4 patents were issued; and,
- the university received \$284,227 of patent income.

On behalf of the Finance Committee, Mr. Branscum recommended acceptance of FCR 7. Mr. Dawson seconded the motion, and it carried without dissent. (See FCR 7 at the end of the Minutes.)

P. Capital Construction Report (FCR 8)

Mr. Branscum reported that Mr. Bob Wiseman, vice president for facilities management, presented the Capital Construction Report to the committee. The report requests that the Board accept the Capital Construction Report for the three months ending September 30, 2007. This is a very important item that the committee has the oversight of because of the many construction dollars and projects for the university. During the three-month period, there was one new contract, three contracts were completed, and seven change orders greater than \$25,000 were required:

A new \$52,319 contract was executed with Lucas/Schwering Architects for the Fit-up Education Space in Health Science Building project.

The 3 contracts completed were:

- The \$3.3 million contract with Eubank & Steele Construction for the Expand Emergency Services – Hospital project.
- The \$4.4 million contract with Messer Construction for the Patient Care Facility Cooling Plant #1 Modifications project; and,
- The \$540,000 contract with Denham Blythe for the Lease/Purchase Hospital Dining Facilities and Equipment project.

In addition, seven change orders greater than \$25,000 were reported.

Mr. Wiseman said that the last change noted in the FCR should have read Project “2227” rather than 2271 and should have been titled “Fit up Education Space in the BBSRB Building.” The description and costs are accurately described within the body of the report.

On behalf of the Finance Committee, he recommended acceptance of FCR 8. Mr. Miles seconded the motion, and it carried without dissent. (See FCR 8 at the end of the Minutes.)

Q. Proposed Revision to Administrative Regulation: University of Kentucky Retirement Plan (HRCR 1)

Judge Patton reported that the committee met on Monday and had one item, HRCR 1, which was presented to the committee by Mr. Butler. This revision to the Administrative

Regulation reflects the fact that the university is moving to online enrollment of employee benefits in 2008, and to accomplish this, American Century and Fidelity are designated as the plan administrators. This revision to the AR will also require that the university establish by January 2009 a formal plan document that authorizes Mr. Butler to execute the plan documents for the 403(b) retirement plan. On behalf of the Human Resources Committee, he moved adoption of HRCR 1. Mr. Roberts seconded the motion, and it carried without dissent. (See HRCR 1 at the end of the Minutes.)

R. Investment Committee Report

Mr. Wilcoxson, chair of the Investment Committee, reported that the endowment had a market value at September 30, 2007 of \$963.5 million, which is an increase of \$46.9 million for the fiscal year. The increase of \$46.9 million is a result of an addition to the hospital quasi-endowment of \$15 million, other additions including gifts and matching RCTF funds of \$23.2 million, and investment earnings of \$15.2 million, less spending withdrawals of \$6.5 million to support UK programs.

For the quarter ending September 30, 2007, the endowment returned 1.5 percent; however, it underperformed the policy benchmark return of 2.2 percent and the endowment/foundation benchmark return of 2.2 percent. The underperformance compared to the benchmarks is primarily due to the poor performance of one of the university's whole stock equity managers, which was terminated at the end of September.

For the four months ending October 31, 2007, the endowment returned 3.2 percent. The endowment had a market value of \$980.3 million at the end of October.

Mr. Wilcoxson provided the following endowment performance return information:

Year ending June 30, 2007	16.8 percent
Three years ending June 30, 2007	11.5 percent
Five years ending June 30, 2007	10.7 percent
Ten years ending June 30, 2007	8.4 percent

He reported that the university was in the RFP process for an endowment investment consultant. That RFP was posted on the university's website on October 16 with proposals due on November 16. There were 13 proposals received. The proposals were reviewed by an RFP evaluation committee, consisting of Frank Butler, Henry Clay Owen, Marc Mathews, and Susan Krauss. The evaluation committee will select three to four finalists to be interviewed by the Investment Committee in a special session to be held Wednesday, January 23.

S. Joint Student Affairs Committee and University Relations Committee Report

Ms. May, chair of the University Relations Committee, reported that the Student Affairs Committee and University Relations Committee had a joint meeting Monday afternoon. She noted that twelve Board members were in attendance at the 4:00 p.m. meeting and thanked the members for being there. She noted that President Todd was also in attendance.

The meeting began with a follow-up to a diversity issue that was discussed at the previous University Relations Committee meeting. Dr. Allan Richards, chair of the President's Commission on Diversity, addressed the joint meeting of the committees on diversity issues. He shared his vision for diversity on campus. He commented that innovation happens when different groups are brought together to intersect, and this must happen in order to have diversity go forward. He stressed that there are many things going on in the university, but there has not been anybody to evaluate all the different things and bring focus and guidance to those things. He shared the membership of a task force and a plan to address diversity. He reported that there was good faculty and staff representation on the task force; however, he felt there needed to be greater student representation and involvement. He promised that he would be looking into greater student involvement and taking action in those areas immediately. At the conclusion of the meeting, Dr. Richards distributed a handout outlining the plan and strategy on which the committees can continue to focus in the future. He said that he would be reporting back to the committee.

Ms. May reported that the committees were brought up-to-date on Robinson Forest and heard remarks by various individuals regarding the Robinson Forest issue. She noted that many trustees had visited Robinson Forest and met with the individuals at the forest.

A tremendous amount of very important information was shared at the meeting. Mr. Williams shared a response to a Green Paper that had been disseminated to the Board, and President Todd shared a list of answers to various questions which he had received. The committees heard from the following individuals:

Scott Beckmeyer, Greenthumb
Wendell Berry, former UK Professor
Tevis Garrett Grady, Ph.D. candidate and Teaching Assistant, Geography, UK
Tina Marie Johnson, Kentucky Heartwood

Their thoughts brought to mind how deeply everybody feels about the forest. The issue is not being treated lightly, and everybody is very convinced of the rightness of their position. It is a very tough issue for all concerned. The committees were very pleased to have the representation from the student body as well as other concerned groups who shared their concerns in a very reasonable manner.

Ms. May mentioned that some Trustees have received e-mails accusing them of many things that are not true. Some perhaps more true for her than others in terms of her lack of knowledge to make a decision wisely, but there was good sharing of thoughts and opinions at the meeting. That is what education is all about. It is the ability to come to the table and share differing view points and walk away knowing that everybody cares. There were some good presentations in terms of handouts from these groups.

The meeting concluded with the University Senate vote being discussed with the committees because the University Senate had taken action on the issue. Dr. Dembo also shared his concerns about where the university needs to be going in the future overall management of environmental issues and property issues. The committees will be looking at all those things in the future.

T. University Health Care Committee

Mr. Hardymon, chair of the University Health Care Committee, reported that the committee met that morning with four of the five members in attendance. Myra Tobin, a member and regular attendee, is in the get well process, and everyone's thoughts are with her. He said that the committee had a good meeting. Most good meetings start with good numbers, and Mr. Sergio Melgar, vice president for health affairs, presented the numbers, indicating that October was a good month. The year-to-date revenues and operating income are over budget. The revenues are over last year's because of the addition of Good Samaritan Hospital.

It is important to note that the margin is year-to-date at 6.6 percent overall. The Good Samaritan Hospital seems to be doing very well. The committee talked about the culture and the people working together. Representatives from Good Samaritan echoed everything that the Albert B. Chandler Hospital representatives reported. Their margin is 9 percent. They are down a bit in revenue versus what was planned, and the main area is outpatient activity.

When comparing budgets, you should look at the consolidated of the two because moving skills and people from one place to another is hard to forecast exactly as to timing, but it seems to be going well. The committee did spend some extra time on the receivables, which were obviously up quite a bit because of more revenue. The committee wanted to be sure that the reserve for bad debt was set properly, and Mr. Mathews and Mr. Melgar addressed the committee's concern about that. For the overall numbers, things are going well.

Mr. Hardymon reported that the Patient Satisfaction Report was the main part of the meeting. He said that he was glad that the hospital has this process, and the committee will continue to look at these reports in the future. He noted that there were some problems, but there are also some good things. Most important, the hospital continues to improve. He provided the following information: 89 percent of the patients' ratings are very good or good, and 11 percent are in the other category. The target is to get the other category down to 5 percent in order to be a world-class hospital. The emergency room received the lowest rating and is the greatest problem. He explained that the rating of good to very good for the emergency room is 70 percent. When the overall number is 89, a 70 number is obviously part of that. He noted that the hospital does have a space problem which probably means that a portion of the survey will not be equal to the rest of the overall rating until the new facilities are available. He mentioned several other items that were discussed in great depth where there could be improvement. He concluded his report by complimenting the staff on presenting everything very positively to the committee, starting in 2003. Patient satisfaction, however, is an area that needs work. The committee will continue to follow-up on it and report back to the Board.

U. Other Business

Ms. Haney reported that the Student Affairs Committee will be a traveling committee again this year because Mr. Williams set a wonderful example last year of seeing the campus through students' eyes. She mentioned the annual crunch brunch held the night before the Board meeting and said she thought there were 2,600 to 2,700 students in attendance this

year, which was more than last year. Most of the student affairs office staff were there serving the students. President Todd once again left the evening with a winning record in his pool matches. The students just do not understand that engineers know how to play pool. The crunch brunch provides the students an opportunity to lighten up for an hour or two and be well feed. Freshmen through seniors attend the event. It is a fantastic, wonderful event that the university puts on for the students, which is why everyone is here. She expressed kudos to the Student Affairs staff.

V. Meeting Adjourned

With no further business, Ms. Ball asked for a motion of adjournment, and the meeting adjourned at 11:13 a.m.

Respectfully submitted,

Pamela R. May
Secretary, Board of Trustees

(PR 2 and 3; AACR 1, 2, and 3; FCR 1, 2, 3, 4, 5, 6, 7, and 8; and HRCR 1 which follow are official parts of the Minutes of the meeting.)