

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, December 9, 2008.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, December 9, 2008, 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 1:07 p.m. and asked Ms. Barbara Jones, assistant 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, E. Britt Brockman, Penelope Brown, Jo Hern Curriss, Dermontti Dawson, Ann Haney, James Hardyman, Everett McCorvey, Billy Joe Miles, W. Tyler Montell, Sandy Bugie Patterson, Phillip Patton, Charles R. Sachatello, Frank Shoop, JoEtta Wickliffe, Russ Williams, and Ernest Yanarella. Absent from the meeting were Pamela May and Erwin Roberts. 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 David Randall, and the university staff was represented by Chair of the Staff Senate Bart Miller.

Members of the various news media were also in attendance.

C. Consent Items

Ms. Ball called attention to the consent items on the agenda which included the minutes, personnel actions, and three items listed in the Finance Committee Report. She asked if there were any questions or corrections. Dr. Sachatello moved approval. Mr. Branscum seconded the motion, and it carried without dissent. (See consent items listed below at the end of the agenda.)

Minutes – October 14, 2008

PR 2 Personnel Actions

FCR 1 Alltech, Inc. Pledge

FCR 2 Barnstable Brown Party Diamond Derby, Inc. Gift and Pledge

FCR 3 HGG Family Foundation Pledge

D. President Lee T. Todd, Jr. Announcements

President Todd made some announcements before reviewing PR 1. He informed the Board that an e-mail would be sent to the employees later that afternoon announcing that January 2, 2009 would be an extra paid holiday this year for eligible faculty and staff. He noted that the announcement does not apply to the hospital because it is difficult to extend that benefit to the hospital staff. The hospital staff has other benefits that they receive, and this is part of the equalization program.

President Todd noted that December 24 had already been announced as an extra holiday this year. While the staff could not be financially awarded with salary increases during the 2008-09 fiscal year, the extra two holidays is a way of expressing appreciation to them. It will also allow them to have more time with their families and to possibly attend the Liberty Bowl in Memphis and support the football program.

President Todd announced that the medical campus had collaborated with dozens of health care providers in going tobacco-free on November 20 in Lexington. He said that he was proud to announce that those same steps will be taken to eliminate the use of tobacco from the rest of the campus. He has appointed Dr. Ellen Hahn, a College of Nursing faculty member and director of UK's tobacco policy research program, and Anthony Beatty, assistant vice president for campus services, as co-chairs of the university's Tobacco-free Task Force. He thanked them for their willingness to serve in this capacity. He noted that he will be working with them to select other members of the task force. The task force will be responsible for developing the new tobacco-free policy as well as putting together a timeline for its implementation.

Dr. Hahn has done a yeoman's service across the state of Kentucky in working with communities who are considering going tobacco-free. She has had conferences in Lexington for 50 or 60 different counties. The purpose of the conferences was to learn about what has been done in Lexington. Shortly after the conferences, two or three of those counties became tobacco-free. President Todd said that he is proud of the hospital for taking the initiative and setting a task for the university to do it campus wide.

President Todd informed the Board of another e-mail he had sent to the employees regarding a message to the Council on Postsecondary Education about the impact of an additional 4 percent budget cut. He called attention to a graph that was included in the e-mail, representing the budget cuts and explained the various dots showing six mid-year cuts. He explained that these budget cuts clean out the reserves that are used for deferred maintenance, faculty start-up packages, and other things that come up during the year. He also provided a table showing that the university was cut a total of \$88.5 million dollars throughout the budget for 2007-08.

President Todd called attention to a flyer about the presentation of Our Lincoln at the John F. Kennedy Center for the Performing Arts in Washington, D.C. on February 2, 2009. He thanked Dr. McCorvey for presenting Our Lincoln to the United States and said that it will be a proud moment for the state of Kentucky. The Kentucky congressional delegation is excited about attending the event.

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

President Todd began his report in PR 1 by calling attention to Frank Harris, a special gentleman in the audience. He said that he had known Mr. Harris when he was a student and faculty member at the university, and he was pleased to announce that the Grand Ballroom in the UK Student Center has been named for Frank H. Harris.

Mr. Harris served as the Student Center's director from 1966 to 1973 and again from 1980 to 1997. He is the first chairman of the board of directors of the National Entertainment Conference, which is a national organization with more than 1,000 members comprised of colleges, universities, and agencies that provide entertainment, products, and services to colleges and universities. Mr. Harris also served as the Student Government advisor for many years. The National Association for Campus Activities named an award in his honor: the Frank Harris Outstanding Student Government Advisor Award, which is presented annually to an outstanding professional in the field.

President Todd asked Mr. Harris and his wife Elsie to stand and be recognized, following which they received a round of applause. He thanked them for attending the Board meeting and said people would be thinking about them when they are in the ballroom. President Todd recognized former Vice President for University Relations Joe Burch sitting with Mr. Harris and said he was glad to see him on campus.

President Todd reported that the university has received a \$10.5 million grant to study obesity, diabetes, and heart disease links. Dr. Lisa Cassis has done a phenomenal job at the UK Graduate Center for Nutritional Sciences, and she will be the principal investigator of the UK Center of Biological Research Excellence (COBRE) in Obesity and Cardiovascular Disease. Dr. Cassis will lead a team of junior investigators, comprising a mix of physicians and basic scientists, and senior researchers who will serve as mentors, advising and overseeing research projects. He said that it is critical that UK do this research. He pointed out that this is a NIH grant, which is hard to get.

Governor Steve Beshear was on campus to announce approximately \$14 million worth of EPSCoR funding for an experimental program to encourage states that have not been high in federal funding to become that way by investing money into young faculty members who have not been previously competitive. UK received \$7 million of the \$14 million.

President Todd reported that the Gatton College of Business and Economics team excelled in the *Wall Street Journal's* National Biz Quiz at The Ohio State University in mid-November. He and Mrs. Todd took three of the students to lunch recently and had a most enjoyable time with them. The Kentucky students placed fourth out of 24, and UK sophomore Jeffrey Howard of Louisville, who is majoring in accounting, won first place in individual competition among 72 other students. President Todd said that he is very pleased that Dr. Gordon Holbein is the senior lecturer that worked with the team and coached them.

UK now has a Phi Kappa Phi charter to start a chapter. It is the nation's oldest, largest, and most selective all-discipline honor society. President Todd thanked Dr. Doug Scutchfield for spearheading this effort.

UK signed an agreement with Bluegrass Community and Technical College (BCTC) to streamline the transfer process. The number of students transferring to UK was short about two years ago; however, the numbers were up 100 this year over last year. The agreement, now called the BCTCblue+ program, allows Bluegrass Community and Technical College students to take classes at a reduced tuition rate at UK. The students jointly register, and this should get the transfer numbers up.

UK Alumna Beverly Perdue is now the Governor of North Carolina.

Vice President for Commercialization and Economic Development Len Heller worked hard to obtain about \$6.5 million from the State Economic Development Cabinet so UK can put redundant power into the Coldstream Research Campus. This is a critically important infrastructure improvement that will make the Coldstream Research Campus very competitive once it is done.

Allylix, Inc. is one of UK's companies that makes high value fragrances and flavors using biotech development. The company licensed the technology developed in the College of Agriculture to a leading clean technology company that plans to develop and commercialize terpene fuels and fuel additives. This is a company that Lexington's Bluegrass Angels invested in with a major deal. UK will receive royalties from the first deal.

Judy "J.J." Jackson, vice president for institutional diversity, is now chair of the new Mayor's Commission on Mortgage Lending Practices, which is vital to segments of the population in Lexington.

Mersive Technologies, Inc. is another start-up company that just received \$5 million in venture capital. Last year, there was \$65 million invested, and \$34 million of that amount was outside venture money. There was zero of that money in Lexington in 2003. Mersive Technologies, Inc. came out of UK's visualization group. It was one of the companies developing technology in UK's computer science engineering department. A lot of researchers will be moving into the new Digital Village building that was announced yesterday. Davis Marksbury, James Hardymon, and Jim McDonald helped with this funding.

The Kentucky Kernel won the 2007-08 Pacemaker award, a prize commonly referred to as the "Pulitzer Prize for college newspapers. A series of articles got them into the competition and allowed them to win. They have won this award several times.

President Todd concluded his report in PR 1 by reporting that UK's Landscape Architecture Department is now officially 15th in the nation. He reiterated a comment that he says often, "We will get to Top 20 one department at a time."

Ms. Ball pointed out that the newly elected Governor of North Carolina, UK alumna Beverly Perdue, is the first female governor of North Carolina.

F. University of Kentucky Gluck Equine Research Foundation, Inc. Amendment to Articles of Incorporation and Bylaws (PR 3)

President Todd said that PR 3 is recommending changes in the articles and bylaws of the Gluck Equine Research Foundation. Basically, it is an effort to correct some titles; to expand the number of members on the board from 25 to 30, which will allow a broader, more inclusive board; and to clarify the duties and obligations of the board members. Since announcing the equine initiatives a few years ago, the population of local thoroughbred farms that want to be actively involved with UK has gone up significantly. He recommended approval of the changes in PR 3 and noted that the changes were approved by the Gluck Equine Research Foundation Board on October 14.

Ms. Ball called for a motion of approval, and Ms. Curris moved approval. Her motion, seconded by Ms. Haney, passed without dissent. (See PR 3 at the end of the Minutes.)

G. Establishment of Engineering Alumni Association Professorship (PR 4)

President Todd said that PR 4 recommends the establishment of an Engineering Alumni Association Professorship. This professorship is similar to the professorships that the Board approved September 16, 2003 and April 22, 2008. It will be funded by Dean Tom Lester of the College of Engineering using discretionary funds that are available to him on a yearly basis, and the amount will be determined by him. Dean Lester has been very successful with the first two professorships, and by adding a third professorship in the College of Engineering, he can be more competitive. Mr. Dawson moved approval of PR 4. Mr. Branscum seconded the motion, and it carried without dissent. (See PR 4 at the end of the Minutes.)

H. Candidates for Degrees (AACR 1)

Dr. Yanarella, chair of the Academic Affairs Committee, reported that the committee met that morning and entertained three recommendations. The first AACR 1 is a recommendation 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 of the university registrar that the individual has satisfactorily 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. He moved approval of AACR 1. Dr. Sachatello seconded the motion, and it carried without dissent. (See AACR 1 at the end of the Minutes.)

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

Dr. Yanarella said that AACR 2 is a recommendation that the president be authorized to confer upon each individual whose name appears on the attached list of degrees for Bluegrass Community and Technical College the degree to which he or she is entitled, upon certification by

Kentucky Community and Technical College System Board and the University of Kentucky registrar. In accordance with the July 1, 2004 Memorandum of Agreement, the University of Kentucky is able to grant degrees through Bluegrass Community and Technical College for those students who were officially enrolled on or before September 2004 and who complete associate degree programs on or before August 31, 2010. Conferring these degrees is a continuation of the practice of the University of Kentucky Board of Trustees. He moved approval of AACR 2. Ms. Brown seconded his motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

Dr. Yanarella underlined a point that he made at the committee meeting. Despite the fact that this seems to be such a routine part of the Board's business, the Board is dealing with flesh and blood students and also parents. He pointed out that the Board had the honor of assisting in the conferring of a degree of the daughter of Trustee Ann Haney.

J. Establishment and Naming of the Barnstable Brown Kentucky Diabetes and Obesity Center (AACR 3)

Dr. Yanarella said that AACR 3 is the recommendation that the Board of Trustees approve the establishment and naming of the Barnstable Brown Kentucky Diabetes and Obesity Center in the College of Medicine. He called attention to the background information in AACR 3 and said that the committee had a marvelous opportunity to also get background information from Dr. Lisa Tannock, director of the Division of Endocrinology in the College of Medicine's Department of Medicine. She also spoke about Dr. Lisa Cassis and her colleagues receiving the COBRE \$10.5 million grant and the generosity of the Barnstable family in moving this forward. Dr. Tannock outlined a very vigorous strategy for raising the profile of this center, and she spoke about how propitious a time it is for the University of Kentucky and this center to be engaged in this kind of work not only because of state and federal funding that is developing around this area but also because of the important outreach implications that flow from this. On behalf of the Academic Affairs Committee, Dr. Yanarella moved approval of AACR 3. Ms. Haney seconded his motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

K. Finance Committee Report

Mr. Branscum, chair of the Finance Committee, reported that the committee met at 11:00 a.m. and had 11 reports for action. In addition to the members of the committee, most of the entire Board was present. He said that FCR 1, 2, and 3, which included pledges and gifts totaling \$5.48 million, were on the consent agenda. In FCR 1, Alltech, Inc. made a \$700,000 pledge to support the UK Opera Program. FCR 2 was the Barnstable Brown Party Diamond Derby, Inc. gift and pledge of \$3,784,000 to create and support the Kentucky Diabetes and Obesity Center. FCR 3 was the HGG Family Foundation Pledge of \$1 million to create and endow the Paul A. Kearney, M.D. Endowed Chair in Trauma Surgery in the College of Medicine.

L. Acceptance of Interim Financial Report for the University of Kentucky for the Three Months Ended September 30, 2008 (FCR 4)

Mr. Branscum said that FCR 4 is for the acceptance of the Interim Financial Report for the university for the three months ended September 30, 2008. Treasurer Marc Mathews presented the Interim Financial Report to the committee.

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 \$969 million with fund balances of \$2.1 billion representing a nearly 65 percent equity position in the total assets.

Revenues of \$606.3 million and appropriated fund balances of \$81.2 million have exceeded expenditures to date of \$529.7 million by \$157.7 million, creating a strong cash position and balance sheet as of September 30, 2008.

At the end of the first three months of the 2008-09 Fiscal Year, financial operations are consistent with the budget plan, and the university's financial condition is excellent.

On behalf of the Finance Committee, Mr. Branscum recommended the acceptance of FCR 4. Dr. Brockman seconded the motion, and it carried without dissent. (See FCR 4 at the end of the Minutes.)

M. 2008-09 Budget Revisions (FCR 5)

Mr. Branscum said that Vice President for Planning, Budget, and Policy Analysis Angie Martin presented the budget revisions to the committee. The revisions will increase the university's budget by \$22.3 million, or 1 percent, to \$2.23 billion. The primary adjustment is to increase budgeted fund balances by \$22.1 million. The increase is a result of unspent funds in various reserve accounts related primarily to faculty and staff benefits such as health benefits, post retirement benefits, and workers compensation. On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 5. Mr. Williams seconded the motion, and it carried without dissent. (See FCR 5 at the end of the Minutes.)

N. Renovate-Expand the Center for Applied Energy Research (FCR 6)

Mr. Branscum said that Vice President for Facilities Management Bob Wiseman presented FCR 6 which requests approval to increase the scope of the renovation and expansion of the Center for Applied Energy Research capital project from \$2 million to \$3.71 million.

The Board of Trustees approved initiation of this project at the March 4, 2008 meeting. The United States Department of Energy has awarded a \$1.37 million grant, and the Governor's Office of Energy Policy has awarded an additional \$342,516 grant for a facility to house a refinery which will convert coal and shale oil to liquid that can be used to run internal combustion engines. These grants will fund an engineering and design study and construction of

the shell of the facility. The center will request additional federal funds for the fit out of the facility. On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 6. Ms. Patterson seconded the motion, and it carried without dissent. (See FCR 6 at the end of the Minutes.)

O. Digital Village Building #2 (FCR 7)

Mr. Branscum said that FCR 7 recommends approval of the construction of the Digital Village Building #2; acceptance of a pledge of \$6 million from The Marksbury Family Foundation and a gift of \$328,125 from James F. McDonald to support the construction; authorization for the president to submit the Marksbury pledge, the McDonald gift, and the previously accepted pledge of \$2 million from Trustee James F. Hardyman and other non-state General Funds, if necessary, for match from the Research Capital Match Program when those funds become available; and approval of the use of lease/purchase financing, if necessary, to fund the cash flow of the project.

Mr. Branscum mentioned the press conference held on Monday to announce Digital Village Building #2, which is the second of four buildings in the Digital Village, the Hardyman Building being #1. Building #2 will be a 43,000 gross square foot facility housing the research activities of the Center for Visualization and Virtual Environments and selected research activities in the Departments of Computer Science, Electrical Engineering, and Computer Engineering. This facility is estimated to cost \$20 million, the legislatively authorized scope. On behalf of the Finance Committee, Mr. Branscum moved approval of FCR 7. Dr. Sachatello seconded the motion, and it carried without dissent. (See FCR 7 at the end of the Minutes.)

P. Renovate Wildcat Lodge (FCR 8)

Mr. Branscum said that FCR 8 recommends approval to initiate the renovation of the Wildcat Lodge capital project. The Wildcat Lodge is a 20,000 square foot campus residential facility which houses the men's basketball players and other UK students. The facility, which has been in service since 1978, is in need of general refurbishment of the interior finishes, interior lighting improvements in the common areas, and replacement of several non-functional exterior glass doors. This project is estimated to cost approximately \$1.5 million and will be funded with private gifts. The furnishings will be comparable to the new dorms. On behalf of the Finance Committee, he recommended approval of FCR 8.

Ms. Ball noted that the Athletic Association Board of Directors approved this recommendation to go forward to the Board of Trustees at its meeting on Monday. She said that she wanted to make sure everybody understood that this project would be funded from private gifts collected by Athletics.

Mr. Shoop said that the Athletic Association Board had a very detailed presentation about the project and noted that this renovation is very much needed.

Mr. Montell seconded Mr. Branscum's motion, and it carried without dissent. (See FCR 8 at the end of the Minutes.)

Q. Approval of the 2007-08 endowment Match Program Annual Report (FCR 9)

Mr. Branscum said that Ms. Martin presented FCR 9 to the committee. It recommends acceptance of the 2007-08 Endowment Match Program Annual Report, also known as “Bucks for Brains.” Pursuant to the Council on Postsecondary Education’s guidelines, the university is required to submit an annual report, approved by the Board of Trustees, on UK’s participation in the program. As of June 30, 2008, the market value of the endowments created through the Endowment Match Program totaled \$412.3 million.

The university has fully matched all available funds from the first three rounds of the Endowment Match Program. The university has received \$202.2 million of state funds and \$177.5 million of cash gifts. The university has \$24.5 million of outstanding pledges, representing only 12.1 percent of the matched state funds.

The university has created 83 endowed chairs, 210 endowed professorships, and 240 endowments to support fellowships, research, and the William T. Young Library. On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 9. Mr. Dawson seconded the motion, and it carried without dissent. (See FCR 9 at the end of the Minutes.)

R. Patent Assignment Report (FCR 10)

Mr. Branscum said that Vice President of Research Dr. James Tracy gave a detailed explanation and review of the research projects and the Patent Report for the quarter ending September 30, 2008 to the committee. To date, the university has filed 15 patent applications, had 5 patents issued, and has received \$397,928 of patent income.

On behalf of the Finance Committee, he recommended acceptance of FCR 10. Dr. Sachatello seconded the motion, and it carried without dissent. (See FCR 10 at the end of the Minutes.)

Dr. Sachatello requested that President Todd invite Dr. Sylvia Daunert, whose name was on five patents submitted, to attend the next Board meeting for formal recognition by the Board.

President Todd agreed to invite Dr. Daunert to the next Board meeting. He noted that she is an outstanding undergraduate mentor and special professor who teaches, does research, gets patents, and takes time to mentor undergraduate students.

S. Capital Construction Report (FCR 11)

Mr. Branscum said that Mr. Wiseman presented the lengthy Capital Construction Report to the committee. The report was for the three months ending September 30, 2008. During that period, there was 1 new contract, 2 contracts completed, 2 contracts amended, and 24 change orders greater than \$25,000.

The new contract was for \$2 million with Congleton Hacker Company for the Expand/Upgrade Livestock Disease Diagnostic Lab project.

The 2 contracts completed were:

- The \$20.5 million contract with Turner Construction Company for the Student Health Facility project; and
- The \$1.7 million contract with Denham Blythe for the Upgrade Fume Hoods T. H. Morgan – Life Safety project.

The 2 contracts amended were:

- \$6,770 for additional design services required for revising the north steam tunnel for the Construct Student Health Facility project.
- \$1.6 million for additional design fees to complete the design and construction of the Expand/Upgrade Livestock Disease Diagnostic project after additional funding was authorized by the 2008 General Assembly.

The 24 change orders greater than \$25,000 were:

- Four change orders totaling \$254,461 for the Construct Biological Pharmaceutical Complex project;
- Fourteen change orders totaling \$503,574 for the Patient Care Facility project;
- Four change orders totaling \$128,223 for the Patient Care Facility CUP Expansion project;
- One change order of \$74,833 for the Expand Chemistry-Physics Building – Laboratory Renovation project; and
- One change order of \$29,719 for the Upgrade Fume Hoods T.H. Morgan – Life Safety project.

Mr. Branscum said that all of the change orders are within the change contingent budget. On behalf of the Finance Committee, he recommended acceptance of FCR 11. Ms. Curris seconded the motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

T. Other Business - Finance Committee

Mr. Branscum said the committee received an update and review of a long-term plan to meet student demand for improved housing. Over the next 20 years, most of the current housing inventory will be upgraded, and additional facilities will be constructed. Existing facilities will be renovated using university agency bonds, and new facilities will be constructed using private financing.

The university expects to issue a Request for Proposal to interested developers to construct approximately 1,200 beds on the current 10 acre Cooperstown Apartments site. The

Board will be requested to approve the project prior to its initiation. He complimented Mr. Wiseman, Mr. Ben Crutcher, and their staff for the good report.

Mr. Branscum announced that Mr. Wiseman and his team will be presenting an update on the university's sustainability plan at the next Finance Committee meeting.

U. Investment Committee Report

Ms. Wickliffe, chair of the Investment Committee, reported that the committee met and authorized the Purchasing Division to enter contract negotiations with four new real estate managers to manage value-added and opportunistic real estate allocations. All new managers are hired as a result of an RFP (Request for Proposals) process under the supervision of the university's Purchasing Division.

The Endowment pool had an estimated market value at October 31, 2008 of \$697 million. Consistent with the overall market decline, the Endowment lost an estimated -13.6 percent in the month of October and -21.6 percent for the four months ended October 31, 2008.

The recent market downturn underscores the importance of the asset allocation changes the Investment Committee approved in June and is in the process of implementing. As reported previously, the committee approved increasing the exposure to alternative investments by 23 percent and reducing the exposure to traditional stock and bond investments, which are more volatile. The committee approved new allocations to absolute return and real return investments and increased the allocations to private equity and real estate.

The committee discussed the timing of the new asset allocation implementation, which will involve three phases. Phase 1 will occur in December and January and involves the transition to new strategies whose values have declined more than existing US equity and fixed income investments, which will be sold to fund the new strategies. Phase 2 of the transition will be deferred until the US equity market rebounds somewhat, as the new strategies have not experienced losses to the extent of existing US equity and fixed income investments, which will be sold to fund the new strategies. Phase 3 will occur over the next few years as private equity and real estate capital calls are funded.

It is important to note that the time horizon for the Endowment is perpetuity; therefore, the Endowment has the benefit of time to recoup recent market losses. Additionally, spending distributions from the Endowment are calculated at 4.5 percent of the average market value over a 36 month period that ends each December 31st, so distributions in the current fiscal year are not being impacted and distributions for fiscal year 2009-2010 are not expected to be significantly impacted.

Ms. Ball encouraged the members to attend the Investment Committee meeting and get more familiar with what is happening with investments.

V. Nominating Committee Report

Mr. Shoop, chair of the Nominating Committee, reported that the committee met November 24 at 11:00 a.m. in the Board Room on the 18th floor of Patterson Office Tower. There was one item on the agenda, and it was to put forth a recommendation to Chair Mira Ball and President Lee Todd for an appointment to the University of Kentucky Athletic Association Board of Directors. Since he was eligible to serve another term, the committee voted to reappoint him to the Athletic Association Board. Chair Ball approved the committee's recommendation, and in accordance to the Articles of Incorporation and Bylaws of the Athletic Association, President Todd reappointed him to another term on the Athletic Association Board.

W. Student Affairs Committee Report

Ms. Haney, chair of the Student Affairs Committee, reported that the committee met that morning and had another full schedule. The committee focused on student involvement. Rhonda Strouse, Student Services Director, shared the missions, priorities, and learning outcomes of the Office of Student Involvement. Basically, the Office of Student Involvement wants students to have learning experiences beyond the classroom and to feel connected with the university while they are on campus. It is felt that student involvement plays a key role in retention efforts in keeping students at the university and operates under the belief that students have the ability to lead on campus from wherever they are at the university. Student Involvement encourages involvement from students from all walks of life. A large area of involvement includes:

- Student Activities Board
- Student Government Association
- WRFL radio station
- Channel 50 (campus television station)
- The Center for Community Outreach
- The Center for Student Involvement
- The Kentucky Leadership Academy
- Student Assistant Employment Program
- Wild Card ID Center
- Ticket Office

Lauren Goodpaster, program director for Leadership and Service, gave an overview of the Center for Student Involvement. They sponsor things such as:

- Emerging Leadership Institute,
- Peer Resource Team, and
- Leadership Summit

Kristen Fulcher, student coordinator for Leadership Summit this year, spoke on the mission for the Summit which is to have students connect and create positive change for the

university community. This is a positive group, and the students are not allowed to say too much that is negative.

Zach Brien, student facilitator for the Leadership Summit, shared what occurs at the Summit retreat. Students discuss value statements and passion statements and have group discussions and decisions on initiatives that can be explored for students on campus. When students return to campus, they meet on their own throughout the year to keep the group focused and motivated.

Bryan Kennedy, another student facilitator for the Leadership Summit, discussed what he felt were some of the strongest parts of the Summit. Basically, it was bringing people and relationships from around campus together. These students would not normally have any contact with each other. They focus on things people have in common. It was noted that there was no cell phone service during the retreat, and the students were not able to use their blackberries.

Some of the projects that have come from the Summits in the past include plans for a Student Memorial, the K-Book which is a wonderful publication for incoming students, and the Traditions T shirt.

Tyler Montell gave a presentation on updates and plans for Student Government for 2009. Some of the highlights include:

- Student Sustainability Committee has been formed. This committee will have various groups on campus and other interested students come together to discuss what they think needs to be done. The students will organize some plans and present them to the Student Government and perhaps the Board.
- Channel 50 will work with students and have some public service announcements.
- Various student organizations will be showcased during the athletic ticket lottery.
- Work with the Campus Camp Wellstone program, which is a new initiative this year.
- Work with various university units to have a strong connection with the
 - University Senate
 - Campus Safety Program
 - Off Campus Housing
 - Parking and Transportation
 - Dining Services
 - The Board of Student Body Presidents, a state-wide organization, is connecting with state legislators to learn how to best communicate the needs of the university to the legislators.

Ms. Haney concluded her report by saying that the committee is very proud of the students' activities, leadership, and progress they make while on campus. It is amazing and gratifying.

X. University Health Care Committee Report

Mr. Hardymon, chair of the University Health Care Committee, reported the committee met Monday afternoon. All of the members of the committee and three of the four advisory members were present. Five other Board members, Dr. Karpf, and a few others were also present.

Mr. Hardymon began with the financial report by saying that this is a tough economic time in the world. UK HealthCare has some ups and downs in performance, but it is doing better than most because it has many more positives than negatives.

On the positive side, the revenues were up \$21 million year-to-date. That is all organic growth because it is past the time when Good Samaritan joined UK HealthCare. It is very important that cash is up \$10.5 million from operations -- operations versus one year ago.

The margin of the operating profit line year-to-date is 5.5 percent. Most hospitals shoot for 2 percent so UK HealthCare is in a very good select group at 5.5 percent.

On the negative side, the university's investment drop-off affects the hospital. The \$225 million that the hospital has put into the endowment is down 27 percent -- from \$225 million to \$167 million. That is on a year-to-year basis, October 2007 to October 2008, and it is a haunting figure. It is less than the New York Stock Exchange, which is 50 percent down, but it is still not good. The administration and the committee are watching this closely. If decline of investment continues, there will be significant operational and tactical adjustments at the hospital. Reports will be made to the Board about this situation.

Another negative is UK HealthCare had to take provision for uncollectible accounts up \$5 million so far in FY 09. That is because the percent of revenues in charity cases has increased so much. Again, this is probably driven by the current economic situation. That is still in the 5.5 percent margin that UK HealthCare is maintaining. Overall, it is an o.k. picture but probably not as glowing as reported in the recent past.

Mr. Hardymon said the committee followed the quality report, which consisted of 21 items at each meeting. The goal is to stay within 5 percent of the national mean on the bottom side. Lower rating is called the red area. There were six of those in the first quarter and only three in the second quarter. That is progress.

The committee concentrates on a particular item in each meeting, and congestive heart failure was the item at this meeting. On a national basis, there is 20 to 30 percent mortality six months past discharge for congestive heart patients. There is also a 30 percent re-hospitalization in 60 to 90 days. UK HealthCare has not tracked the percentages long enough to provide percentages, but the administration believes our percentages are a little better than the national percentages. It is still a major problem.

In tracking this problem, there are two areas of concern. The first area is discharge instructions. Patients are in such a hurry to get dismissed from the hospital that they do not listen to instructions carefully. This includes instructions about smoking, diet, activity level, and most importantly, the accurate use of prescribed medicines. In leaving the hospital after congestive heart failure, a patient may need to have as much as 30 to 40 pills a day. It is a great trial to get the right quantity of pills at the right time. The administration has appointed a task force with a plan of action to track UK's progress in these areas and to report back to the committee and Board.

Mr. Hardymon reported that the committee had a detailed annual report on Graduate Medical Education. He explained that Graduate Medical Education is required to go through accreditation cycles. There are 42 areas that a visiting accreditation team reviews. All of the areas must have an accreditation visit within five years. Presently, 32 percent of the 42 categories are on a five-year cycle, 24 percent are on a four-year cycle, 20 percent on a three-year cycle, and 24 percent on a 2-year cycle. There are none on a one-year cycle. The committee approved the report.

Mr. Hardymon reported that the facilities project is on time and on budget, and the contingency is in place. At the last meeting, the committee requested a project status schedule which will allow the members to keep informed of the progress versus the forecast. The committee is very interested in keeping the project on schedule.

The committee received an update on the hospitals' tobacco-free campus policy. While there are some complaints, the policy seems to be accepted.

The privileges and appointments for the Chandler Hospital and Good Samaritan were discussed. These were appropriately reviewed by the Medical staff, and the committee approved them.

Y. UK HealthCare Risk Management Committee (UHCCR 1)

Mr. Hardymon reported that the committee had one item to bring to the Board for consideration. In 1976, the Board established a basic compensation fund involving malpractice and approved the designation of a claims committee to serve as the delegated agent to approve settlements to be paid out of the basic compensation fund. UHCCR 1 is to update and rename the Medical Malpractice Claims Committee the "UK HealthCare Risk Management Committee." This recommendation provides a broader designation of members of the committee and authorizes the committee to delegate agents to approve settlements and to determine whether an appeal should be taken. The committee will be charged with the responsibility to manage all aspects of the risk of liability arising from health care malpractice. Mr. Hardymon pointed out that the members of the committee are listed by titles and not by the individuals' names. While malpractice was briefly discussed at the meeting, the committee requested that it be on the committee's agenda for the next meeting so it can be discussed in greater depth.

Z. Athletic Association Board of Directors Report

Mr. Dawson, a trustee representative on the Athletic Association Board of Directors, reported that the board met Monday afternoon. The minutes of the May 2008 meeting were unanimously approved.

President Todd welcomed the new board members, which included two outstanding student-athletes. He congratulated several former UK student-athletes that competed in world events such as the Olympics and the Ryder Cup and said that never before has Kentucky athletes reined as world champions in football, baseball, basketball, golf, soccer, and Olympics concurrently. He commended football player Tim Masthay for being named a finalist for the Senior CLASS Award. Mr. Masthay became one of only 11 Division 1-A football players named to the national Good Works Team recognizing community service. He is the 10th player in school history to earn a spot on the National Good Works Team. He is an academic All American and is to be commended for his accomplishments on and off the field.

Athletic Director Mitch Barnhart discussed several upcoming projects, and Russ Pear presented the Wildcat Lodge Renovation Plan to the Athletic Board for approval. The renovations will be approximately \$1.5 million in cosmetic updates and will improve the entire appearance and functionality of the Wildcat Lodge. The Athletic Board approved the proposal which was presented in FCR 8 to the Finance Committee and Board for approval earlier.

Mr. Barnhart updated the Athletic Board on the fall sports season and congratulated the volleyball team for hosting the NCAA First and Second Rounds at Memorial Coliseum.

He reported that the search is currently underway for a new head women's soccer coach. He expects to name a new head coach within 2 weeks.

Mr. Barnhart discussed the progress the Athletics Department has made over the last six years and stressed his desire to achieve even more in the future. He explained the Athletics Departments' new 15 x 15 x 15 mission, which is to earn 15 championships by 2015, placing UK in the top 15 in the nation. He also has challenged the athletes and coaches to have every athlete obtain a 3.0 GPA by 2015. In addition, he has challenged many of the athletes to be more involved in the community.

Frank Shoop expressed his pleasure with the Athletics Department and their progress over the last six years. He congratulated President Todd and Mr. Barnhart for hiring excellent staff and commended them for their accomplishments.

President Todd announced that SEC and ESPN Incorporated and ABC sports have reached a 15-year television agreement. The television agreement between ESPN and the SEC is the longest national rights agreement in ESPN history and will carry over 5,500 SEC events, including football, men's and women's basketball, and all SEC championship games.

AA. Other Business

Dr. Sachatello announced that two University of Kentucky medical faculty Dr. Thomas Waid and Dr. Emery Wilson, former dean of the College of Medicine, were elected to senior positions in the Lexington Medical Society. Dr. Waid is a transplant specialist and is the only person in town practicing in the area of transplantation rejection.

Ms. Ball reminded the Board to take the flyer regarding the presentation of Our Lincoln on February 2, 2009 in Washington, D.C. Having seen the performance, she said that it is magnificent. She encouraged the Board to plan a trip to Washington to see it and assured them that they would not be disappointed.

President Todd mentioned that the Alltech \$700,000 pledge in FCR 1 to the Opera program is a result of Dr. McCorvey's relationship with Alltech. He expressed appreciation to Alltech and thanked Dr. McCorvey and Terry Mobley for helping work out the details of that particular transaction. External funds are another way of funding some of the important programs at the university.

Dr. McCorvey thanked Alltech and said that he is delighted that the arts are represented at this level in Lexington. To have great communities, you have to have great businesses and great art and culture. Lexington is a wonderful community that supports the arts. He thanked the businesses that recognize and support the arts.

BB. Meeting Adjourned

With no further business, Ms. Ball asked for a motion of adjournment, and the meeting adjourned at 2:14 p.m.

Respectfully submitted,

Barbara W. Jones
Assistant Secretary, Board of Trustees

(PR 2, 3, and 4; AACR 1, 2, and 3; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11; and UHCCR1 which follow are official parts of the Minutes of the meeting.)