

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, September 15, 2009.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, September 15, 2009, in the Board Room on the 18<sup>th</sup> Floor of Patterson Office Tower.

A. Meeting Opened

Ms. Mira Ball, chair, called the meeting to order at 1:10 p.m. and asked Ms. Barbara Jones, General Counsel, to administer the oath of office to the newly appointed Trustees who had not taken the oath of office at a public meeting.

B. Oath of Office

General Counsel Barbara Jones administered the Oath of Office to the following members:

Carol Martin “Bill” Gatton, appointed by Governor Steven L. Beshear to replace Phillip Patton, for a term ending June 30, 2015.

Robynn Pease, elected staff representative to fulfill the term of Russ Williams, for a term ending June 30, 2010.

James W. Stuckert, appointed by Governor Steven L. Beshear to replace James Hardyman, for a term ending June 30, 2015.

Ryan Smith, who will serve as Student Trustee for the 2009-10 academic year.

Barbara S. Young, appointed by Governor Steven L. Beshear to replace JoEtta Wickliffe, for a term ending June 30, 2015.

Ms. Ball welcomed the new members, and they received a round of applause. She then asked Ms. Pamela May, secretary of the Board, to call the roll.

C. 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 Curris, Carol Martin “Bill” Gatton, Ann Haney, Pamela T. May, Everett McCorvey, Billy Joe Miles, Sandy Bugie Patterson, Robynn Pease, Charles R. Sachatello, Frank Shoop, Ryan Smith, James W. Stuckert, Ernest Yanarella, and Barbara Young. Absent from the meeting were Dermontti Dawson and Erwin Roberts. 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 David Randall, and the university staff was represented by Chair of the Staff Senate Bryan Back.

Members of the various news media were also in attendance.

D. Consent Items

Ms. Ball called attention to the consent items which included the minutes, personnel actions, and FCRs 1, 2, 3, 4, 5, 6, 7, and 8. She asked for questions about the items, and Ms. Haney moved approval. Mr. Branscum seconded the motion, and it carried without dissent. (See consent items listed below at the end of the Minutes.)

Minutes – June 9, 2009

PR 2 Personnel Actions

FCR 1 Gift from the Estate of Dr. Liliblyce Akers (Consent)

FCR 2 Gift from the Estates of William and Julia Cundiff (Consent)

FCR 3 Dr. F. Joseph III and Mrs. Joan Halcomb Gifts and Pledge (Consent)

FCR 4 Gift from the Estate of Margaret Bell Humphreys (Consent)

FCR 5 Keeneland Foundation Gift and Pledge (Consent)

FCR 6 Kentucky Medical Services Foundation Gifts and Pledge (Consent)

FCR 7 Gift from the Estate of Alice P. Killpatrick (Consent)

FCR 8 Gifts and Pledges to the Byron Young, M.D. Research Endowment for  
Neurosurgery Residents (Consent)

E. 2010 Schedule for Meetings of Board of Trustees

Ms. Ball called attention to the 2010 schedule for the Board of Trustees meetings. She asked if there were any questions or opposition to the schedule of meeting dates. Mr. Stuckert moved that the dates listed be adopted. Mr. Shoop seconded his motion, and the 2010 dates were adopted.

F. Nominating Committee Report

Ms. Ball asked former Chairman Billy Joe Miles to take the chair's seat and receive the Nominating Committee report. Mr. Miles asked Frank Shoop, chair of the Nominating Committee, to give the report.

Mr. Shoop reported that the Nominating Committee met August 28 to discuss the nomination of officers and members of the Executive Committee as well as two action items. Following a poll of the Board and on behalf of the Nominating Committee, Mr. Shoop expressed pleasure in submitting the following slate of officers for re-election:

Chair	Mira Ball
Vice Chair	Steve Branscum
Secretary	Pam May
Assistant Secretary	Barbara Jones

Mr. Shoop moved that the officers be re-elected, and Ms. Patterson seconded the motion. Mr. Miles asked for nominations from the floor. Mr. Stuckert moved that the nominations cease, and the vote was unanimous to cease the nominations. Mr. Miles then called for a vote on the nomination of officers, and it was approved without dissent. The re-elected officers received a round of applause.

Ms. Ball returned to the chair's seat and asked Mr. Shoop to continue his report.

Mr. Shoop congratulated the officers. On behalf of the Nominating Committee, he then submitted the following nominations for members of the Executive Committee and moved approval of the nominations:

Mira Ball, Chair  
 Steve Branscum  
 Britt Brockman  
 Sandy Patterson  
 James Stuckert  
 Pam May, ex officio

Ms. Haney seconded the motion. Ms. Ball asked for nominations from the floor, and the nominations ceased. The nominations for the Executive Committee passed without dissent.

G. Appointment to Board of Directors – University of Kentucky Mining Engineering Foundation, Inc. (NCR 1)

Mr. Shoop said that NCR 1 recommends that the Board approve the appointment of Jo Hern Curriss to the University of Kentucky Mining Engineering Foundation Board of Directors for a two-year term ending September 14, 2011. The bylaws of the foundation require that the Board of Trustees approve appointments to the Board of Directors. On behalf of the Nominating Committee, Mr. Shoop moved approval of NCR 1. Dr. Sachatello seconded the motion, and it carried without dissent. (See NCR 1 at the end of the Minutes.)

H. Appointment to Board of Directors – University of Kentucky Research Foundation (NCR 2)

Mr. Shoop said that NCR 2 recommends that the Board approve the appointment of Pamela May to fulfill former Board member Phillip Patton's term on the University of Kentucky Research Foundation Board of Directors. The term will end June 30, 2010. 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. Stuckert seconded the motion, and it carried without dissent. (See NCR 2 at the end of the Minutes.)

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

President Todd welcomed the new members to the Board. He said that it would be a very rewarding and exciting experience for them to see inside the university. He noted that Barbara

Young served on the Board previously and said he was glad that she is willing to accept another appointment to the Board.

President Todd asked for a moment of silence for former President Frank Graves Dickey, who passed away August 7. Dr. Dickey became the fifth president of the University of Kentucky at the age of 38. He served as president from 1956 to 1963. During that time, the College of Medicine was founded, the UK Albert B. Chandler Hospital was constructed, and Spindletop Hall was purchased. Dr. Dickey served as dean of the College of Education prior to becoming president. He was a kind, gentle, thoughtful individual who dedicated not only his life while he was president but also afterwards as an alumnus of the College of Education. The Board joined President Todd in a moment of silence in memory of Dr. Dickey.

President Todd informed the new members that the financial investments and donations were on the consent agenda. They are discussed more thoroughly in the Finance Committee meeting. He pointed out that there was \$835,000 worth of estate gifts received. He applauded Vice President Mike Richey for his focus on working out the estate plans with potential donors and for providing leadership to his development team for this successful achievement.

President Todd said that PR 1 is a collection of significant things that have taken place since the last Board meeting. He reviewed the following items in PR 1 and encouraged everyone to read the entire report:

UK faculty entrepreneurs formed more start-up companies per \$10 million in annual research expenditures than at any of UK's 19 benchmark institutions last year. This is a hallmark to the quality of research that is going on and the intellectual property the university is generating. UK climbed from 39<sup>th</sup> position in 2005 to 7<sup>th</sup> position in 2007 among all public and private universities. UK had a total of 151 licenses and recorded \$1.5 million gross licensing revenue in those areas. As reported by Vice President James Tracy in the Finance Committee meeting, \$1.7 million in royalties have come to the university this year.

UK researchers at the Markey Cancer Center have discovered that human cells are able to secrete a cancer-killing protein. This discovery has been published in the leading journal *Cell* and is being recognized internationally.

President Barack Obama chooses two UK professors for Early Career Awards. Each year the President of the United States awards 100 Presidential Early Career Awards for Scientists and Engineers. These awards are given to 100 young scientists and engineers that hold promise for the future. Chemical and Materials Engineering Associate Professor Bruce Hinds and Plant and Soil Science Assistant Professor David McNear, Jr. were two of 100 researchers chosen nationwide to receive the award. Professors Hinds and McNear will represent the university this fall at a White House ceremony.

Computer Science Professor Brent Seales took another group of researchers overseas this summer to use technology he has developed to "unscroll" ancient manuscripts that had been carbonized at Herculeum, Italy. They found a lot of scrolls in Pompeii that were left

after Mount Vesuvius erupted and covered them. The scrolls look like rock, and they cannot be unrolled. Professor Seales has the technique to “unscroll” these scrolls electronically. He and his group have received some good coverage in the world about their research. There is also a lot of this work at Harvard and other prestigious universities.

UK was given \$5 million by the state in 2007 for research to demonstrate the feasibility of geologic carbon storage and the use of carbon dioxide to enhance oil and gas recovery. Drilling the well in western Kentucky was completed after reaching a total depth of 8,126 feet. The researchers have sequestered some carbon dioxide there and will be measuring it. At the deepest part of the drilling process, they were able to get an approximate 30 foot section of some of the oldest rock ever tapped in the United States. It is a little more precious than moon rock because there is not nearly as much of it as was brought back from the moon. This is a good archaeological project as well as giving some hope for the possibility of fossil fuel and how that could be utilized in the future.

UK’s ‘see blue’ marketing campaign won the Gold Medal in the Advertising Campaign Category for the 2009 Circle of Excellence Awards Program. Vice President for University Relations Tom Harris who oversees Public Relations and the Director of Marketing Kelley Bozeman had a lot to do with this campaign. The campaign has been well worth the effort. Ms. Bozeman and her team were applauded for being able to win the Gold Medal for this effort.

Dr. Jayakrishna Ambati’s research team has discovered the first naturally occurring molecule that selectively blocks lymphatic vessel growth. Their work has been written about in an article in *Nature Medicine*. Dr. Ambati is doing some tremendous research in macular degeneration.

The UK Chandler Hospital is ranked among the nation’s top hospitals again by *U.S. News and World Report*. It is one of only 174 hospitals recognized in a study of almost 5,000 hospitals nationwide to receive this type of a ranking. A couple of the departments are ranked higher this year than previously.

More than 140 HealthCare clinicians, engineering faculty, Blue Grass Angels, and others attended the first annual Clinician Innovation Day and learned how clinicians can turn their ideas into medical devices and diagnostic products. The group heard from Dr. Thomas Fogarty, who invented the balloon process for opening up arteries and now has about 70 patents plus his own venture capital firm and winery. Dr. Gurley is going to develop the Clinician Innovation Initiative and Therix Medical. This is the name of the company that has been set up as a for-profit company where UK professors can take their ideas to Therix, get them accepted into the process, and try to make them into patentable entities.

UK Libraries won three Best of Show awards and an Honorable Mention award by the Library Leadership and Management Association. The UK Libraries continue to give

UK a great reputation, especially the William T. Young Library that was on the front of the Chronicle of Higher Education's annual report last year.

President Todd encouraged the Board to read the other significant items in the report.

President Todd called attention to the elevation of Angie Martin, Tom Harris, and Mike Richey, who have earned the respect of their peers within the institution and throughout the academic world for what they have done in their prior positions. With the phased retirement of Terry Mobley and with the exit of Marc Mathews after Henry Clay Owen retired, these three internal individuals deserve to be promoted. They have been giving the university great leadership and guidance. President Todd asked for a round of applause for Ms. Martin, Mr. Harris, and Mr. Richey, and they received a round of applause.

President Todd talked about the gain in quality and diversity in the incoming freshman class. Associate Provost and Registrar Don Witt attended the Board dinner on Monday evening and summarized the statistics about the incoming freshman class. There is a lot of talk about budget cuts, trials, tribulations, and difficulties, but the real key is the quality going forward in hiring the top faculty and staff and recruiting the top students.

The 2009-10 freshman class is 4,145, a slight increase from last year, and Kentuckians make up 75 percent of this class. A commitment has been made to the faculty to hold the freshman class to about 4,000 students until there are resources available to add additional faculty. UK received a record number of 12,000 applications this year, a 10 percent increase. The overall enrollment is now 27,102 students.

The quality of the incoming class continues to improve and is impressive. The average ACT score increased from 24.4 last year to 24.7 this year. The ACT Composite score median range also increased to 22 to 28, up from a range of 22 to 27 last year. The number of Governor's Scholars and Governor's School for the Arts Scholars set another all-time high in 2009-10 with 404 in the freshman class, an increase from last year's total of 389. The attraction of those students, especially the Governor's School for the Arts students, has changed the UK orchestra and other School of Music programs in a tremendous way. There are 27 Singletary Scholars in the freshman class, and these are students that are being sought by everyone. Of those 27, 24 were Governor's Scholars and three were Governor's School for the Arts students.

UK also witnessed a significant increase in minority enrollment, including an all-time high of African-American freshmen this year. A total of 404 African-American students enrolled in the freshman class. This is a 17 percent increase over last year's total. The overall African-American enrollment of 1,774 is a 9 percent increase from last year's total. Hispanic freshman student enrollment increased by 26 percent. The numbers are somewhat small, but they are moving in good percentages. International freshman student enrollment is up by 38 percent. In the faculty area, UK hired 11 African-American faculty. Two of those 11 are deans. UK now has the highest number of African-American faculty in the history of the university.

Provost Subbaswamy's 'War on Attrition' continues to be successful. The retention of last year's freshmen who returned to UK this year continues to hold steady at 80.5 percent, only

a slight decrease from last year's figure of 81 percent. It is going in the right direction, but there is work to do in order to get it up to the 90 percent area.

The College of Engineering freshman class had a 27 percent increase from last year. There are 555 incoming freshmen who have enrolled in the college. Their composite ACT score was 27.5 and their average math score was 28.8. There are students with ACT scores of 31 to 36, which is the far end of the ACT. There are 375 of those students in this freshman class, and those students qualified to be Singletary Scholars.

President Todd reported that Dr. Connie Ray, vice president for institutional research, planning, and effectiveness, said this is a record year because UK has set records in about 10 categories. Almost all of those records were set with the freshman class. President Todd said that he is ecstatic with the report. The Board gave President Todd a round of applause.

#### J. Audit Subcommittee Report

Mr. Branscum, chair of the Audit Subcommittee, reported that the committee met that morning. In addition to the minutes, the committee had an action item to review the engagement letter for the Coldstream Laboratories, Inc. (CLI) from external auditors BKD. The administration had requested that a separate engagement letter with BKD for Coldstream Laboratories, Inc. be approved by the Audit Subcommittee. The engagement letter provides for a compilation of CLI's financial statements for the period from inception, February 7, 2007 through December 31, 2008. BKD will also prepare the corporation's federal, state, and local tax returns. The compilation will be followed by an audit of CLI's December 31, 2009 balance sheet. The Audit Subcommittee unanimously approved the engagement letter. Further, the audit is on schedule and will be completed by the October 1 deadline. The next meeting will be October 27, and at that time, BKD will present the audit statement.

Dr. Sachatello seconded Mr. Branscum's report, and it passed without dissent.

#### K. Candidates for Degrees (AACR 1)

Dr. Yanarella, chair of the Academic Affairs Committee, reported that the committee met that morning and entertained four items for consideration. The committee also had an opportunity to hear from the new Associate Provost for Undergraduate Education Mike Mullen.

Dr. Yanarella said that there were two candidates' names not included on the list in the draft agenda book when AACR 1 was presented to the committee. The list the committee approved was conditional on his opportunity to review the complete list. He reported that a revised AACR 1 with the additional names had been distributed to the Board, and he had reviewed the revised list. He moved approval of AACR 1. Ms. Curris seconded the motion, and it passed with dissent. (See AACR 1 at the end of the Minutes.)

Dr. Sachatello suggested that the university adopt a retirement policy for clinical physicians during the next 12 months. To his knowledge, the university does not have such a policy. Ms. Ball responded that his suggestion would be put on the proper agenda.

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

Dr. Yanarella said that AACR 2 is the candidates for degrees list from the Bluegrass Community and Technical College. For the new Board members, Dr. Yanarella reiterated a point concerning the decision to separate the Community College System from the University of Kentucky. He explained that there was an agreement negotiated to allow students who were officially enrolled on or before September 2004 and wished to have their degrees approved by the UK Board of Trustees to be able to do so until August 31, 2010. On behalf of the Academic Affairs Committee, he moved approval of AACR 2. Ms. Pease seconded the motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

M. Proposed Revision to Governing Regulation: University Organization – Chairs of Departments (AACR 3)

Dr. Yanarella said that AACR 3 involves a second reading regarding a change in the Governing Regulations as it relates to mandatory consultation by an academic unit administrator with the appropriate faculty members of his or her educational unit in faculty personnel matters. The proposed revision, which was brought before the Board on June 9, 2009, redefines the character of “appropriate faculty members” with whom the administrator must consult. There was no controversy within the Academic Affairs Committee, and the Board had no serious questions about the change. On behalf of the Academic Affairs Committee, he moved approval of AACR 3. Mr. Miles seconded the motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

N. Change in Degree – College of Engineering (AACR 4)

Dr. Yanarella said that AACR 4 relates to the name of a degree within the College of Engineering. The recommendation is that the Board of Trustees approve a change in the name of the Bachelor of Science in Biosystems and Agricultural Engineering with a major in Biosystems and Agricultural Engineering to Bachelor of Science in Biosystems Engineering with a major in Biosystems Engineering. This would be effective in the fall 2009 semester. The background and rationale for this involves a change in the accreditation criteria of the Accreditation Board for Engineering and Technology. In their wisdom, they have decided that undergraduate degrees can be in biosystems engineering or in agricultural engineering but not both. On behalf of the Academic Affairs Committee, he moved approval of the change in degree name. Mr. Smith seconded the motion, and it passed without dissent. (See AACR 4 at the end of the Minutes.)

O. Academic Affairs Updates

Dr. Yanarella reported that the committee had the pleasure of hosting the new Associate Provost for Undergraduate Education Mike Mullen. Dr. Yanarella talked about the search process and thanked those who had filled in while the search was in progress. He said that Dr. Mullen was the ultimate choice of the search committee. He has been very impressed by Dr. Mullen over the years because of the kinds of curricular and other initiatives that Dr. Mullen has taken in the College of Agriculture. Many of the members of the search committee were also



duly impressed by that college's record and look forward to the introduction of some of his initiatives to the whole university in the years to follow.

Dr. Mullen gave the committee an extensive and detailed overview of his portfolio, which is long, wide, and involved. The committee was quite impressed that he has gotten up-to-speed very quickly on those many domains. Dr. Mullen indicated quite explicitly to the committee that he believes that over the next 18 months his top priority will be to help bring the framework of the new general education reform curriculum into being. Dr. Yanarella said that he is very pleased that UK has someone like Dr. Mullen at the helm of the associate provost position for undergraduate education at this very critical time.

Dr. Yanarella said that he was asked to provide an academic year update, which essentially underlined the banner year for the university. In achieving the important steps forward with the very impressive statistics, UK is not sacrificing quality for quantity. It is quite clear that the statistics show that UK is raising the bar. Don Witt, Dr. Judy Jackson, and others with whom they work will have to take this as a provocation to do even better over the coming years. In looking at the very impressive statistics, this is a Top 20 oriented process that has been put in place and that will rebound to UK's benefit in succeeding years.

P. Finance Committee Report

Mr. Branscum, chair of the Finance Committee, reported that the committee and several other members met that morning. FCRs 1 through 8 are consent items and were on the consent agenda. They include gifts and pledges totaling \$2 million of which \$1.35 million is eligible to be matched by the state to the endowment match program. On behalf of the university, he thanked all of the donors for their generous support.

Q. Providing for the Authorization, Issuance, and Sale of Approximately \$105,000,000 General Receipts Obligations (Hospital Phase III Project) of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005 (FCR 9)

Mr. Branscum said that FCR 9 is a recommendation for approval to issue approximately \$105 million of University of Kentucky General Receipts Obligations for the construction of the patient care facility at a date to be determined by the treasurer. The bond issue was authorized by the Kentucky General Assembly during the 2009 Special Session as part of House Bill 4. The Board of Trustees approved a reimbursement resolution in June, stating the intent to issue the bonds. Executive Vice President for Finance and Administration Frank Butler provided comments, and the committee had a discussion about the recommendation. On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 9. Dr. Sachatello seconded the motion, and it passed without dissent. (See FCR 9 at the end of the Minutes.)

R. Lease-Purchase of Health Management System (FCR 10)

Mr. Branscum said that FCR 10 is a recommendation that the Board approve the acquisition of a Health Management System for Good Samaritan Hospital using a lease-purchase financing arrangement. This system is necessary to be compatible with the UK HealthCare

information technology system. The estimated cost is \$7.3 million and will be funded from the UK HealthCare Enterprise. The University's Debt Committee has reviewed this acquisition and determined that it is consistent with the University's Debt Policy. On behalf of the Finance Committee, he recommended approval of FCR 10. Mr. Shoop seconded the motion, and it passed without dissent. (See FCR 10 at the end of the Minutes.)

S. Renovate Third Floor Little Library (FCR 11)

Mr. Branscum said that FCR 11 is a recommendation that the Board approve the initiation of the "Renovate Third Floor Little Library" capital project. He noted that this is the final phase of this project. The project will renovate and fit-up approximately 5,300 square feet of shelled space in the Little Library. The renovated space will house three classrooms and the Center for Applied Information Technology, which is a computer lab, library, and study area for the School of Library and Information Science. The scope of the project is \$800,000 and will be funded with unrestricted University fund balances. On behalf of the Finance Committee, he recommended approval of FCR 11. Mr. Stuckert seconded the motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

T. Changing the Name of Keeneland Drive to Campus Drive (FCR 12)

Mr. Branscum said that FCR 12 is a recommendation to change the name of Keeneland Drive to Campus Drive. Keeneland Drive runs west to east between South Limestone and Martin Luther King Boulevard. Keeneland Drive was named after Keeneland Hall, a residence hall. The construction of Keeneland Hall was partly funded with a \$200,000 gift from the Keeneland Foundation. The foundation has requested the use of the name Keeneland Drive for a road on the Keeneland Racetrack grounds. Upon approval of the Board of Trustees, the Keeneland Foundation will request similar approval from the Lexington-Fayette Urban County Government. On behalf of the Finance Committee, he recommended approval of FCR 12. Dr. Sachatello seconded the motion, and it carried without dissent. (See FCR 12 at the end of the Minutes.)

U. Approval for Proposed Administrative Regulation: University of Kentucky Identity Theft Program ("Red Flags Rule") (FCR 13)

Mr. Branscum said that FCR 13 is a recommendation that the Board approve an Administrative Regulation for a program to help prevent identity theft. Recently enacted Federal Trade Commission rules known as the "Red Flags Rules" require such programs to detect, prevent, or mitigate identity theft attempts on any consumer transaction accounts. For example, student billing accounts or patient care accounts contain records that could be the target of an identity theft attempt. Approval of this Administrative Regulation is necessary to be in compliance with the new rules. Executive Vice President Frank Butler expanded on the regulations at the committee meeting. On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 13. Ms. Patterson seconded the motion, and it carried without dissent. (See FCR 13 at the end of the Minutes.)

Dr. Sachatello asked if the university had any buildings that require a card for admittance, and President Todd replied that the university does have some buildings, such as medical facilities, research facilities, some student housing, etc., that require cards for admittance.

V. Renovation of Equine Barns (FCR 14)

Mr. Branscum said that FCR 14 is a recommendation that the Board approve the renovation of two equine barns. This capital project includes renovation of a barn to house the Maxwell H. Gluck Center's Equine Mare Reproductive Biology Program and the renovation of another barn to create a Stallion Research Facility. The renovated facilities will house wet laboratories, animal holding stalls, breeding areas, graduate student workspace, and meeting rooms. The state-of-the-art facilities will enable the Gluck Equine Center to conduct research on a variety of fertility problems in mares and stallions which will benefit breeders and owners in the Commonwealth. The project is expected to cost \$1.2 million and will be funded with state matching funds from the Research Capital Match Program, pledges, gifts, and available unrestricted fund balances. On behalf of the Finance Committee, he recommended approval of FCR 14. Ms. Haney seconded the motion, and it carried without dissent. (See FCR 14 at the end of the Minutes.)

W. Approval of Related Transactions (FCR 15)

Mr. Branscum said that FCR 15 is a recommendation that the Board authorize a transfer up to \$2.35 million to the University of Kentucky Research Foundation to be used as paid-in capital for Coldstream Laboratories, Inc. (CLI). Additionally, approval of the forgiveness of \$1,468,088 University of Kentucky equipment lease agreements is requested. The loan forgiveness will provide additional paid-in capital with a corresponding decrease of liabilities for CLI.

CLI was formed to expand and commercialize pharmaceutical manufacturing, research, and development at the College of Pharmacy's Center for Pharmaceutical Science and Technology. This investment will be funded by the UK HealthCare Enterprise. On behalf of the Finance Committee, he recommended approval of FCR 15. Mr. Shoop seconded the motion, and it carried without dissent. (See FCR 15 at the end of the Minutes.)

X. Easement Authorization for Legacy Trail (FCR 16)

Mr. Branscum said that FCR 16 is a recommendation that the Board authorize the conveyance at no cost of permanent easements on Maine Chance Farm/Spindletop Properties to the Lexington-Fayette Urban County Government to construct a bikeway trail and walking path from the Coldstream Research Campus north through the farm to Iron Works Pike, commonly known as the Legacy Trail. Vice President Bob Wiseman gave a PowerPoint presentation about the trail to the committee.

Mr. Gatton asked about the specifications of the width of the easements to protect the university's property, and Mr. Wiseman replied that there are specifications on both sides to protect the farm.

On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 16. Ms. Brown seconded the motion, and it carried without dissent. (See FCR 16 at the end of the Minutes.)

Y. Patent Assignment Report (FCR 17)

Mr. Branscum said that FCR 17 is a recommendation that the Board accept the patent assignment report. Vice President for Research James Tracy presented the interesting report to the committee. For the April 1 through June 30 period,

- the university has filed 37 patent applications (compared to 12 patent applications for the previous year),
- 19 patents were issued (compared to 14 patents last year), and
- the university has received \$1.7 million of patent income (\$500,000 more than the prior year).

On behalf of the Finance Committee, he recommended acceptance of FCR 17. Ms. Patterson seconded the motion, and it carried without dissent. (See FCR 17 at the end of the Minutes.)

Dr. Sachatello asked about the number of active patents the university has, and Dr. Tracy replied 151.

Z. Capital Construction Report (FCR 18)

Mr. Branscum said that FCR 18 recommends that the Capital Construction Report be accepted. Vice President for Facilities Management Bob Wiseman presented the report for the quarter ended June 30, 2009. During this period, there were six new contracts executed:

- a \$899,900 contract with Lagco, Inc. for the Replace Steam and Condensate Pipe - Farm Road project;
- a \$1.2 million contract with Denham Blythe Co. for the Renovate/Expand the Center for Applied Energy Research project;
- a \$887,300 contract with Churchill-McGee, LLC for the Renovate Koinonia House (aka Schmidt Vocal Art Center) project;
- a \$984,400 contract with Congleton-Hacker Co. for the Digital Village Building 2 project;
- a \$35,068 contract with M2D Design Group for the design of the Construct Children's Garden at the Arboretum project; and
- a \$48,500 contract with CMTA Engineers for the design of the Renovate Central Computing Facility project.

In addition to these contracts, there were two contracts completed, four amendments to contracts, and 26 change orders to contracts greater than \$25,000. All of the contracts were reviewed in detail at the meeting.

On behalf of the Finance Committee, Mr. Branscum recommended the acceptance of FCR 18. Dr. Brockman seconded the motion, and it carried without dissent. (See FCR 18 at the end of the Minutes.)

AA. Sustainability Newsletter

Mr. Branscum called attention to the sustainability newsletter that had been distributed to the Board and reminded them of Mr. Wiseman's presentation at the last committee meeting regarding the university's sustainability program.

Dr. Yanarella congratulated the team of staff and students who helped put the newsletter together. It is very much an organ of the President's Sustainability Advisory Committee but in moving from concept into realization of this as a continuing publication to highlight the extraordinarily wide and varied number of sustainability oriented projects. He talked about Kathleen Cohen, a SCIP intern at the Tracy Farmer Institute for Sustainability in the Environment and an undergraduate student who took his summer on-line course on urban sustainability, and said that she proved to be the best student in the class. She very patiently and methodically went through all of the changes the committee recommended at the last meeting, and the proof of the pudding is in the reading in the newsletter. Dr. Yanarella said that she had done a good job, and he congratulated her in particular for the publication.

BB. Investment Committee Report

Dr. Brockman, interim chair of the Investment Committee, reported that the Endowment had a market value of \$668.0 million as of June 30, 2009. Consistent with the overall market decline, the Endowment lost 20.9 percent for the fiscal year ended June 30, 2009. The Endowment recovered some of the prior market losses in July and August, returning 8.9 percent during the two-month period. The Endowment value net of liabilities as of August 31, 2009 is \$728.5 million. It is a \$60 million gain in the last two months.

While the Investment Committee is concerned about the significant decline in the value of the Endowment, it is important to remember two factors that were discussed at previous meetings relating to the overall strength of the Endowment. First, the time horizon for the Endowment is perpetuity; therefore, the Endowment will, over time, recoup the recent market losses. In other words, even though their value has declined, the assets themselves remain intact and will regain their value. Second, in order to temper the impact of market fluctuations, the longstanding policy of the university is to calculate spending distributions from the Endowment at 4.5 percent of the average market value over a 36-month period that ends each December 31<sup>st</sup>. Therefore, the impact of the recent downturn will not have a dramatic impact on distributions in the current fiscal year.

For Fiscal Year 2011, distributions from the Endowment are expected to decrease by more than 10 percent based on the current market value and spending rate of 4.5 percent. In light of continuing market difficulties, the Investment Committee will review the spending policy at the December 1<sup>st</sup> Committee Meeting. Investment staff and external consultant R.V. Kuhns & Associates are currently benchmarking other institutions' spending policies and are calculating projections of endowment market value and spending at different spending rates. The committee will provide an update on UK's spending policy review at the December 1<sup>st</sup> Board Meeting.

The committee approved the issuance of a Request For Proposals (RFP) for a value-added real estate manager. The investment staff and consultant R.V. Kuhns & Associates will issue the RFP, evaluate proposals received, and bring a final manager recommendation to the committee at a future meeting. In June 2008, the committee approved new value-added and opportunistic real estate allocations of 4.0 percent each and will build these allocations prudently over the next few years.

The committee also received an update on the implementation of the new target asset allocation approved in June 2008. The new target allocation includes a 36 percent allocation to various alternative investments, which is comparable to similar institutions across the country.

#### CC. Student Affairs Committee Report

Ms. Haney, chair of Student Affairs Committee, reported that the committee met that morning and had two items on the agenda. Ryan Smith, new student Trustee and Student Government Association (SGA) President, shared his upcoming plans and goals for this academic year. He talked about a new initiative called the TallyCats Program. This program is the fruition of students who have been involved in the leadership summit in the past. In this program, students are rewarded for attending events throughout campus such as athletic events, lectures, philanthropic events, philanthropic challenges, etc. The student's ID is scanned at each event, and the student receives points for the events they attend. The points accumulate over time, and they are linked to each student's e-portfolio of activities outside the classroom. SGA partnered with the provost and the president, along with other departments, as part of the 'war on attrition' with our students. The goals of TallyCats are to improve retention rates, place UK at the forefront of Students Affairs programs nationally and gain some notoriety, set examples for other schools to follow, create a campus spirit, and as time goes on, be a self-sustaining program.

SGA is partnering with UK's Development Office to establish a scholarship endowment. They are targeting former SGA members for donations but will take any contribution that comes their way. They hope to establish a \$250,000 endowment for scholarships.

SGA offers legal services for students. An attorney in town, who is a former SGA member, will schedule appointments with students. This service will host seminars several times a semester.

SGA has increased the financial amount of childcare grants and scholarships. They recognized an increased need on campus for the non-traditional students. This issue is very important to students.

Other ongoing initiatives are for SGA to work with the New Student and Parent Programs next year on retention efforts with the new freshmen class. Student Affairs covers about 350 different student organizations on campus. The SGA president and vice president are attending various student organization meetings every month on a random basis to connect and communicate on new projects. They also want to survey students to help match students with organizations. Students that find their niche tend to like UK better, stay in school, and improve the retention and graduation rates.

Associate Dean of Students Becky Jordan discussed the Common Reading Experience (CRE), a new initiative for incoming freshmen. This program is coordinated by Michelle Ashcraft in the New Student and Parent Programs. The title of the book this year is “The Color of Water: Meditations on Identity” by James McBride. The books were distributed to the students at the advising conferences and merit weekends. Each student received a letter and reading assignment to complete before returning to campus. The program will run the entire semester. The book is also part of the UK 101 classes, and students are required to write a paper about the book. Students will also be making identity masks, and the masks will be displayed at the Singletary Center President’s Room when Mr. McBride comes to campus October 1<sup>st</sup> to deliver a lecture. A group of students, faculty, and staff are already looking at 15 books to determine a selection for next year.

There were over 150 faculty and staff volunteers that worked during K Week.

Ms. Haney concluded her report by informing the Board about club sports in the Student Affairs area. Club sports involve students that get together and play for the love of the game. Last year, the University of Kentucky baseball club sport team won the national championship. There are no scholarships for these sports, and these young men should be congratulated for their accomplishment.

#### DD. University Health Care Committee Report

Sandy Patterson, interim chair of the University Health Care Committee, reported that Vice President for Health Affairs and Chief Financial Officer Sergio Melgar reviewed the June and July financials and the preliminary statistics for August. Despite the economic downturn, the winter ice storms, and a change to the vacation policy, which made for a really tough third quarter, the fiscal year closed with a slight positive operating margin. The July financials reported a very strong operating income of \$4 million and a very strong market performance. The August close is not yet available, but the volumes appear to be strong. September is off to a very good start.

Dr. Karpf noted that although the volumes have come back nicely in the past several months, the organization continues to focus on the fundamentals of increasing volumes and productivity and keeping the cost structure under control.

Dr. Lofgren presented a report on the quality indicators that have demonstrated significant improvements across the board for both hospitals. Dr. Karpf reinforced that UK is

fundamentally committed to quality for patients, and he and his staff will have to show this through more hard data in the next few months. They are making tremendous progress in that regard.

Associate Vice President for Medical Center Operations Murray Clark presented the committee an update on the building project. The committee was pleased to hear that it is on schedule and within budget with only a small amount of dollars in bids outstanding. The topping out of the steel will be celebrated on September 30<sup>th</sup>. Ms. Patterson encouraged Board members to take the hospital tour.

The committee acted on a measure to elect a patient safety organization, which will allow UK HealthCare to participate with its peers in open reviews and benchmarking of patient safety and quality activities.

Ms. Patterson reported that the committee also approved the credentials for several new physicians at the hospital.

#### EE. University Relations Committee Report

Pam May, chair of the University Relations Committee, reported that the committee meeting started late and ran over because most of the members went to the Investment Committee and stayed there to see what Dr. Brockman was doing with that committee.

The committee followed up on a project that will go live at the university in November. The University of Kentucky's entire campus, not just buildings but entire campus in Fayette county, will become tobacco free the day of the great smoke out. The project had been presented to the committee earlier. Several members on the committee are attorneys and were questioning the whole aspect of enforcement, particularly on the smokeless tobacco products and where they were going to go with that. Assistant Vice President for Public Safety Mr. Anthony Beatty spoke to the committee about the work that has gone into this project. There is no doubt that there has been a tremendous amount of work by many people throughout the organization to do what is believed to be probably fundamentally correct. There is still a little concern about how the administration is going to enforce the project. Measurable progress has been made to make sure that this tobacco free project is going to work because it certainly is a bigger challenge than going smokeless. The University Hospital has done an amazing job with going smokeless, but this is going to be a big step for the university, particularly in light of the fact that 64 percent of students support going tobacco free but 35 percent of students smoke and use tobacco.

The committee also talked about the town and gown relations and the work of the task force. The fact that the task force is still meeting and things are being reviewed with the city government is important. The university is not acting in isolation from the city.

#### FF. Executive Committee Report

Ms. Ball, chair of the Executive Committee, reported that the committee met Monday, and several Board members, along with the members of the committee, were in attendance. Ms.



Ball said that her report was sort of old news because it had been in the press. She reported that 19 responses were sent in from 19 total possibilities, including four who had rotated off the Board. This is kind of unique and great. President Todd was given a very high mark for his performance this past year. In totaling everything, his rating came to 95.71, which rounded off to 96. She noted that President Todd had said that he is not going to take his bonus, but the Executive Committee voted and recommends a bonus of 96 percent, which would be \$175,000.

Dr. Sachatello moved that the 96 percent rating be approved and that President Todd receive the \$175,000 bonus. He said that President Todd could cash the check, donate it, or do what he wants with it. Mr. Shoop seconded the motion, and Ms. Ball asked for any comments.

Mr. Stuckert said that he did not know how the university could try to develop a Top 20 institution and pay Top 500 compensation. He understands that President Todd is under a lot of pressure from faculty and other people that are being pinched in a lot of areas. Mr. Stuckert emphasized that he wants leadership at the University of Kentucky. President Todd has provided that leadership and is the CEO of a \$2.4 billion entity. In his opinion, anything under a million dollars is paltry. For anybody at the meeting that has not been a CEO of an entity, they should be a CEO and understand the totality of the pressures upon one. Being a CEO of a university is even beyond that of a regular company. He said that President Todd should be very proud of the 95.71 percent rounded up to 96 percent results from the Board that observed him for the full year. He said that he found no shrinking violets on the Board, and if there were someone who had an ax to grind, it would have been reflected in the results. He said that he is appalled that performance is not being paid for to the degree that it should be even with the bonus level.

Mr. Gatton said that he would like to ditto what Mr. Stuckert pointed out. He and Mr. Stuckert were not on the Board last year, but if they had been, the rating would have been higher. If you compare President Todd's salary to other public and private universities, his pay is probably below where it should be, and that issue should be addressed sometime in the future. He understands that President Todd is concerned about what the faculty and others are saying, but he has been paid probably too low for a few years.

Dr. Yanarella said that he had to speak on behalf of faculty who are disgruntled and who sometimes generate that disgruntlement out of ignorance rather than knowledge. He is in his fourth year of serving on the Board, and he thinks in evaluating the president he has time and again tried to balance what seems to be constructive criticism against the extremely impressive efforts that President Todd has brought to the university.

Dr. Yanarella said that he made mention of the Top 20 Business Plan at the Academic Affairs Committee meeting and also to some people at the Board dinner the previous night. He reiterated the catalytic role of President Todd's willingness to inject \$75,000 into the general education reform effort, which has effectively cut in half the average time it takes for a major university to embark upon and sometimes reach confirmation on such a significant curricular innovation. At the same time, the Board has to acknowledge that faculty, who have been giving good weight to their work as teachers, as researchers, and as both, engaged in the outside community, have been dealing with the second year of no salary increase. When push comes to shove, he genuinely believes that when sacrifices are called for there needs to be sacrifices that

all are willing to make. Dr. Yanarella said that he read President Todd's letter as part of the process, and he took President Todd at his word that he was going to refuse any bonus that might be offered by the Board. In his opinion, that is the right thing to do in this particular situation. It will signal to faculty that indeed everyone is on the same boat and that despite events that were totally out of the control of this administration, everyone has to bite the bullet on issues of salary increases. Dr. Yanarella said that this in no way undercuts the enormous support that President Todd has heard from him and other Board members. He genuinely hopes that President Todd will hold fast to his decision to refuse the bonus.

Dr. McCorvey said that for the President to be in solidarity with the faculty in a sense is quite amazing because the percentage he is losing is quite large. He said that he knows the faculty appreciates it. He thinks the process is perhaps a bit flawed, and maybe the Board should look at another way of measuring his salary so that UK can have a Top 20 president that is paid an amount he should be paid. Perhaps when the Board looked at this scoring system, President Todd was a new president, and it was his first time being president of a university. Having it this way, made it possible for President Todd to understand the will and the interest of the Board in terms of directing the university. Now that President Todd has definitely proven that he knows how to be president, and the Board would like for him to stay at UK and be president, he would like to suggest that the Board look at another way for President Todd's compensation so that he can be aptly paid.

Mr. Shoop said that the Board talked about the compensation package numerous times and the so called bonus has been a real misconception of a bonus for performance. It never was thought that it was going to be a bonus for the people that helped set it up. Being the longest serving Board member, he was one of the people that helped set it up. Somewhere in the newspaper and the media, it got talked about as a performance bonus. President Todd's goal was to push the state and the university forward.

Mr. Shoop said that it did not surprise him that President Todd would refuse his bonus. He has done some version of this previously. President Todd is not up to the median salary of some of the other university presidents. Mr. Shoop said he hoped the Board could make some adjustment in the future to pay President Todd what he deserves or close to what he deserves.

Mr. Shoop said that he has served on the Board with different presidents, and other presidents have done good jobs, too, but it has been such an honor for him to serve with Lee Todd and watch him as he faces the everyday matters. President Todd keeps striving to push the university forward.

Mr. Shoop said at first he thought some of the Board members needed to talk to President Todd about declining the bonus, but he knew that once President Todd made up his mind, he was not going to change it.

Mr. Miles explained that the reason the Board did the bonus was because the state has a policy that you cannot pay a university president more than the president of the Council on Postsecondary Education. The Board paid President Todd less than the CPE president and gave him a bonus.

Mr. Shoop stated that the bonus was part of the salary package.

Mr. Miles noted that the University of Louisville pays part of their president's salary through their private foundation.

Ms. Ball noted that President Todd wants to be transparent.

Mr. Stuckert said there had been a lot of wonderful points made; however, the Board is talking about President Todd's salary and bonus. As someone mentioned earlier that morning, the newly appointed Board members will probably still be Board members when the university begins looking for a new president. He hoped not, but it is going to be a cultural shock to what the Board is going to have to compensate the next president.

Ms. Young said that it is an issue with CPE. It is not a discussion for the Board now, but it is something that the Board will need to discuss later.

Mr. Stuckert said that it is something that the Board should keep in mind. He wants the university to be competitive in every respect. When there is a weakness, the Board should address it.

Dr. Brockman mentioned that it may be an appropriate discussion for the Executive Committee.

Ms. Ball agreed and said she would take all of the comments and definitely address the issue during this next year.

Dr. Sachatello commented about the salaries of presidents and deans when Albert B. Chandler was Governor of Kentucky and noted that Governor Chandler personally picked the first dean of the College of Medicine and made the decision about the salary.

Ms. Ball called for the vote on the motion that President Todd receive a 96 percent bonus, and the motion passed. Dr. Yanarella voted against the motion.

Ms. Ball said that President Todd's institutional goals for 2009-2010 would be postponed until the October meeting. There was a discussion about whether or not the goals should be weighed differently rather than each goal being a 10. She asked that the Board send her their comments about the process.

Ms. Ball thanked the Faculty Senate for its input and noted that she did share that input with President Todd. She said that she also shared the Board's comments with President Todd. One person's comment was, "We are indeed fortunate to have Lee and Patsy Todd leading this university." She said that statement probably says it all. President and Mrs. Todd received a round of applause and standing ovation.

President Todd said he appreciated his wife Patsy going through the process. It is not the favorite process for a Board chairman. It takes work, and it takes thought. He said that he really appreciated knowing that the Board is doing it the way it does things in many ways. He also appreciates the comments made on the evaluation forms and at the meeting.

President Todd said that it is a tough time now. His highest priority is to find a way that is competitive to compensate the faculty and staff. There is not much money out there. The administration is doing all it can and asking everybody to influence the revenues for the state. He said that he did not feel comfortable taking a bonus at a time when the university has not given raises for two years. He said he did appreciate the willingness of the Board to look at the history of the compensation package because there is history to it. It is complex, and it is not understood by an awful lot of people.

President Todd said that it would be good for him if people understood that it is not a bonus that he focuses on during the year. The bonus does not drive him. It does not wake him up in the morning. He does not worry about it. That is just part of the package. He did say that it pretty much wipes him out when he gets a 96 rating and gets beaten up in the press, e-mails, and things of that nature. That is not a fun part of the job. That is what keeps him awake at night. That is what keeps him from wondering why he sometimes does what he is doing. But, he closes his eyes, wakes up the next morning, decides it is the best job in the state, and goes after it.

President Todd reiterated that the Board's comments are very much appreciated. His wife Patsy is very much appreciated by him, especially for what she does and puts up with, and he also appreciates his family for putting up with everything that goes with his job.

He said that it is an honor to be the president of the University of Kentucky. The salary issue is something that he hopes the Board can turn around for the good of the state and for the Board, too, because the Board is willing to serve the university by putting time and dedication into it. He noted that Board members do not get paid for serving on the Board.

President Todd said that he had to give credit to this evaluation to the faculty, the staff, and the students who are choosing to come here and choosing to perform in exceptional ways. Everyone is doing a wonderful job keeping focused. The country is in a mess right now. This state and university has a chance to pass a few states and universities, but tough decisions have to be made and people need to keep pushing forward. He said that he could not ask the faculty and staff to do more than has been asked of them. They are doing a tremendous job. He greatly appreciates what they have done and the role that they played in putting the evaluation together. He concluded his remarks by reiterating his thanks and appreciation to everyone.

GG. Other Business

Ms. Ball thanked the Board for their attention and again welcomed the new members to the Board. With no further business, Ms. Ball asked for a motion of adjournment, and the meeting adjourned at 2:40 p.m.

Respectfully submitted,

Pamela T. May  
Secretary, Board of Trustees

(NCR 1 and 2, PR 2; AACR 1, 2, 3, and 4; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, and 18 which follow are official parts of the Minutes of the meeting.)