

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, March 9, 2010.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, March 9, 2010, 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 1:00 p.m. and asked Ms. Pamela May, secretary of the Board, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mira Ball (chair), Stephen Branscum, E. Britt Brockman, Penelope Brown, Jo Hern Curriss, Carol Martin “Bill” Gatton, Ann Haney, Pamela T. May, Billy Joe Miles, Sandy Bugie Patterson, Robynn Pease, Erwin Roberts, Charles R. Sachatello, Frank Shoop, Ryan Smith, James W. Stuckert, and Barbara Young. Absent from the meeting were Dermontti Dawson, Everett McCorvey, and Ernest Yanarella. Ms. May announced 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.

C. Consent Items

Ms. Ball called attention to the consent items which included the minutes, personnel actions, and acceptance of a gift and pledge. Ms. Patterson moved approval of the consent items. Mr. Stuckert seconded the motion, and it carried without dissent. (See consent items listed below at the end of the Minutes.)

Minutes – December 1, 2009  
PR 2 Personnel Actions  
FCR 1 Dr. Siby P. and Mrs. Rebecca J. Saha Pledge

D. Recognition of Cheerleaders

Ms. Ball called upon Ms. Haney to read a citation in recognition of the cheerleaders, and Ms. Haney read the following citation:

The Board of Trustees of the University of Kentucky hereby recognizes and honors the University of Kentucky Wildcat Cheerleaders as the 2010 National Champion Cheerleaders at the Universal Cheerleader's Association's National College Cheerleading Championship for NCAA Division IA schools. Having won this prestigious title an unprecedented eighteen times, the cheerleading squad has claimed three consecutive national championships, including 14 out of the last 16 years and winning more than any other Division IA school. Under the direction of head coach Jomo Thompson and cheerleader advisor T. Lynn Williamson, the UK cheerleaders are recognized as some of the finest, intelligent athletes in the University's sports programs. They are model students in the classroom, giving generously of their time to various charitable organizations and serving as public ambassadors of the University of Kentucky and the Commonwealth. They have brought recognition to the University of Kentucky throughout the nation.

The members of the Board of Trustees are delighted in applauding the University of Kentucky Wildcat Cheerleading squad for remarkable athletic accomplishments and hereby express congratulations and gratitude to the Cheerleading Program for its continued dedication and commitment to excellence on behalf of the University and the Commonwealth.

Ms. Haney congratulated the cheerleaders, and they received a round of applause.

Ms. Curris asked to make a comment about a friend who was at a premier institution in the ACC that visited her during the weekend and attended the basketball game. Her friend told her that the UK cheerleaders are absolutely the best in the nation. The cheerleaders received another round of applause.

E. President's Report (PR1)

President Todd called attention to the following items in PR 1:

CAER Receives \$11.8 Million Grant for R&D Efforts at National Battery Center

UK had a press conference with Governor Steve Beshear and Secretary of Energy Leonard Peters regarding the Center for Applied Energy Research receiving an \$11.8 million grant from the National Institute of Standards and Technology, which is stimulus money and very competitive. There were 169 proposals written for approximately \$123 million in this particular competition. UK received the fifth largest amount of money, tying with Purdue University.

Rodney Andrews and his team have done a phenomenal job. The grant will allow the university to build a stand-alone energy building at the Spindletop Research site in Lexington. The \$3 million that the state was going to provide for retrofitting a former Department of Energy office building will be redirected to this project for a total of \$14.8 million.

The university had also reserved \$1 million for renovation of the former Department of Energy office building; therefore, another building will be built at the Spindletop Research site strictly for energy research.

#### UK Distributes Royalties from Outrider's Collaboration with 3M

UK chemistry professor John Anthony and Outrider CEO John Beran were asked to stand and be recognized. Mr. Beran has licenses with global technology giant 3M and other companies. Professor Anthony, considered a pioneer in plastic materials, also collaborates with 3M and other companies. Mr. Beran and Professor Anthony have developed some technology that has resulted in an arrangement with 3M. The university is receiving \$847,000 in royalties from a license agreement for compounds developed by Professor Anthony. This is an example of the university creating businesses for the country out of intellectual property at the university. Professor Anthony and Mr. Beran presented a check in the amount of \$847,000 to President Todd. Mr. Beran and Professor Anthony received a round of applause.

#### UK Researcher Contributes to Developing a Quick Test to Assess Alzheimer's Patients

A UK researcher has helped to develop a quick Alzheimer's test to evaluate the treatment response of patients with Alzheimer's disease. It is a three-minute assessment for patients with severe Alzheimer's disease. The Sanders-Brown Center continues to be a national leader in that arena.

President Todd remembered Dr. William Markesbury, who recently passed away, and talked about his Memorial Service. He said that Dr. Markesbury was truly a gentleman. The Memorial Service was more about the human being than the scientist that he was, but the contributions and the position that he has allowed UK to have in Alzheimer's research is phenomenal.

#### UK Companies Attract 52 Percent of \$47.5 Million in Venture Funding

Entrepreneurial companies in the Lexington area attracted \$47.5 million in venture funding in 2009, including angel and venture capital investments. This is venture capital and federal money from federal government grants, and it is private money from individuals. The \$47.5 million was invested in 88 early stage companies, 39 of which have intellectual property from UK. The UK affiliated companies received 52 percent of the venture funding. Since UK started doing this in 2003, 800 jobs have been created in those 88 companies with the average salary being \$78,500.

#### Officials, Supporters 'Top-out' Marksbury Digital Village Building

UK officials and supporters celebrated the placing of the final steel I-beam in the structural skeleton of the \$18.6 million David Marksbury Building. This building will be built with state match money from the "Bucks for Brains" program and with donations from James Hardyman, Davis Marksbury and his wife Beverly, and Jim McDonald. UK can still make progress even when there are tough times financially in the state.

Six Are Named 'Great Teachers' by UK Alumni Association

Six UK professors have been recognized by the Alumni Association for their excellence in the classroom and are the recipients of the 2010 Great Teacher Award. This is one of the highest honors that teachers can receive because they have to be nominated by students.

Allylix Secures \$6 Million in National Venture Funding

Allylix, which licensed its original technology from the UK College of Agriculture, has raised \$6 million. They have developed a lemon-lime flavoring. It is a unique company that has been around for awhile. The company started with some UK researchers along with some researchers in San Diego, California. They have their product ready to go to market, and they have raised another \$6 million worth of venture funding to make sure they can make it.

DanceBlue Marks Fifth Year as Fundraising Event for Pediatric Cancer Patients

DanceBlue, a student-organized fundraising event that benefits pediatric oncology patients at the Kentucky Children's Hospital, celebrated a milestone last weekend. The event is student driven, and this is the 5<sup>th</sup> year in a row the students have raised over \$2 million total. They made a new record of receiving \$636,000 this year and broke last year's record of approximately \$600,000. There is enough money coming in with the consistency that they could budget some of the money to hire staff members to work with the families of the children who have cancer. This event is a great happening.

Sustainable Manufacturing Institute Wins \$1.5 Million Research Grant

UK's sustainable manufacturing program has been awarded a three-year, \$1.5 million grant from the National Institute of Standards and Technology to develop a common standard to measure and evaluate the sustainability of manufacturing processes and products.

Three Faculty Are Named Fulbright Scholars, Will Teach Overseas

Three UK faculty members have been named Fulbright Scholars for the 2009-2010 academic year. The Fulbright Scholar Program is the flagship international exchange program of the United States. It allows distinguished academics to spend extended periods of time studying and teaching at foreign universities. This is a high honor for the faculty and the institution.

President Todd referred back to PR 2 and called attention to the retirement of Coach Rich Brooks in the Athletics Department. He asked that the minutes reflect that this institution owes Coach Brooks a great deal for what he has done for the institution, for the athletics program, for the state of Kentucky, and for not only the victories that he has had and the bowl games that he has attended but the quality and way in which he has done what he has done. Coach Brooks has put UK in a new platform and thinking for the university as a whole. He was the one that asked to have Joker Phillips named as the coach-in-waiting because he did not want there to be any lag in UK's recruiting. President Todd wished Coach Brooks the very best and said he hoped to see more of him as UK continues its football experiences.

F. University Research Professorships (PR 3)

President Todd asked the Board to approve the naming of Professors Kimberly Anderson, Sumit Das, Pradyumna (Paul) Karan, S. Randal Voss, and Sidney Whiteheart as University Research Professors for 2010-11. He said that the professors will be able to use the title of research professor throughout their entire career, and it is a real testament to the quality of work they do in their labs, offices, and classrooms. He noted that these professors are some of the most esteemed faculty. He asked Vice President for Research James Tracy to introduce the professors.

Dr. Tracy made the following introductions and presented each recipient with a plaque:

Kimberly Ward Anderson - Dr. Anderson has been a member of the UK faculty since 1993 in the Department of Chemical and Materials Engineering in the College of Engineering. In 2002 she was named a Gill Eminent Professor of Chemical Engineering. She was an early proponent of interdisciplinary research pursuing collaborations across multiple colleges on the UK campus. She studies the interactions between cells and proteins with synthetic interfaces to develop and characterize bioactive interfaces for applications as sensors and as therapeutic and diagnostic tools. Professor Anderson will spend the year investigating adhesion and deformation properties of cancer cells in the process of metastasis. Dr. Anderson received a round of applause.

Sumit Das - Dr. Das is a professor in the Department of Physics and Astronomy in the College of Arts and Sciences. He joined the faculty in 2002. He is an internationally recognized scholar in the branch of theoretical physics known as “string theory.” Dr. Das will spend the year extending his research on the application of string theory to cosmology with the goal of predicting the size and distribution of galaxies and the number and size of black holes produced by the Big Bang. Dr. Das received a round of applause.

Pradyumna (Paul) Karan – Dr. Karan has been a member of the UK faculty since 1964. He is a professor and former chairman of the Department of Geography in the College of Arts and Sciences. His research focuses on the analysis of sustainable development in environmental management. Dr. Karan is a pre-eminent scholar of the Himalaya, the world’s highest mountain range. He plans to continue to explore the interrelations between humans, the communities that they inhabit, and the various regions of the Himalaya and the impact on the physical environment. He has been engaged in this work for over 50 years. Dr. Karan received a round of applause.

Randal Voss - Dr. Voss joined the UK faculty in 2002 and in 2005 was promoted to associate professor in the Department of Biology, College of Arts and Sciences. Dr. Voss is a leading proponent of ambystomatid salamanders as a versatile and robust model of vertebrate biology. One of the advantages of the salamanders is a limb can be cut off, and it will regenerate. It has a great deal of medical importance. Dr. Voss is director of the National Science Foundation-funded Ambystoma Genetic Stock Center, a biological

resource that is unique in the world on the UK campus. This professorship will allow Dr. Voss a break from his heavy teaching load so that he can devote the year to research. Dr. Voss received a round of applause.

Dr. Sidney (Wally) Whiteheart - Dr. Whiteheart is in the Department of Molecular and Cellular Biochemistry. He came to UK in 1994 and holds the rank of full professor. Wally, as he is better known to most, studies how cells secrete materials. Specifically, his research focuses on blood platelet function in “clotting” both in normal blood vessel repair and in inappropriate clotting that leads to stroke and heart attack. Dr. Tracy added his personal thanks to Dr. Whiteheart for the last two years for chairing the Institutional Animal Care and Use Committee. Dr. Whiteheart received a round of applause.

On motion made by Dr. Brockman and seconded by Ms. Haney, PR 3 was approved without dissent. (See PR 3 at the end of the Minutes.)

G. Honorary Degree Recipients (PR 4)

President Todd recommended that the Board approve awarding the degree of Honorary Doctor of Letters to Judith Clabes, the Honorary Doctor of Arts to Daniel Libeskind, and the Honorary Doctor of Science to Robert Straus.

Judith Clabes graduated from UK in 1967 with a Bachelor of Arts degree in English and Journalism. She was editor of the *Kentucky Post* for many years and CEO of the Scripps Howard Foundation. She helped create UK’s First Amendment Center. Ms. Clabes is recommended for an Honorary Doctor of Letters degree.

Daniel Libeskind is one of the most prolific and accomplished architects practicing today. He began his teaching career at UK as an assistant professor from 1973-75. In 2008, he completed the Ascent building in Covington, Kentucky. In 2004, he was appointed the first Cultural Ambassador for Architecture by the U.S. Department of State. He also won the master plan competition for the area formerly occupied by the World Trade Center Towers in New York City. He designed the Jewish Museum in Berlin, the Imperial War Museum North in Manchester, England. He is an honorary member of the Royal Academy of Arts in London, England. Mr. Libeskind is recommended for an Honorary Doctor of Arts degree.

Dr. Robert Straus came to UK in 1956 as a member of the planning staff for the UK Medical Center, which will celebrate its 50<sup>th</sup> anniversary this coming year. He served as the first coordinator of academic affairs for the Medical Center and was chair of the Department of Behavioral Science for 28 years. He was elected as a member of the Institute of Medicine at the National Academy of Sciences for his groundbreaking studies of alcoholism. Dr. Straus is recommended for an Honorary Doctor of Science degree.

On motion made by Mr. Branscum and seconded by Mr. Stuckert, PR 4 was approved without dissent. (See PR 4 at the end of the Minutes.)

H. Report on Results of Alumni Member Election (PR 5)

President Todd said that PR 5 is a recommendation that the report of the Secretary of the Board on the results of the election authorized by the Alumni Association be received and put to record, and that the Secretary be authorized to certify to Governor Steve Beshear the names of the three persons receiving the largest number of votes, from which list a successor to Ann Haney will be appointed. The individuals are listed in the order in which they received votes, and the top three are Terry Mobley, Marianne Smith Edge, and Franklin Farris. President Todd noted that Ann Haney will be retiring as her term comes to an end June 30, 2010. Mr. Stuckert moved approval of PR 5. Ms. Patterson seconded his motion, and it carried without dissent. (See PR 5 at the end of the Minutes.)

I. Director Emeritus of the Kentucky Transportation Center Title Be Conferred Upon Calvin G. Grayson (PR 6)

President Todd recommended that Calvin Grayson be named Director Emeritus of the Kentucky Transportation Center in recognition of his service and dedication to the College of Engineering at UK. Mr. Grayson came to UK in 1984 after he had been Secretary of Transportation. He was the first professional engineer selected by a governor to be Secretary of Transportation and did a great job. He served as Director of the Kentucky Transportation Center in the College of Engineering until 1997. The center has brought in untold amounts of money in the area of research and transportation. One of his instrumental acts that gained the university a national reputation was called the Advantage I-75 multi-state research program for Intelligent Transportation Systems applications to commercial vehicle operations. Mr. Grayson was able to get the funding for a project that eliminated big trucks from having to stop and be weighed. The truck drivers can now drive by and get the trucks weighed without having to stop.

President Todd recommended that Calvin Grayson be named Director Emeritus of the Kentucky Transportation Center. Ms. Curris moved approval. Dr. Sachatello seconded the motion, and it carried without dissent. (See PR 6 at the end of the Minutes.)

J. College of Design Report

President Todd said that it was a pleasure to introduce the Dean of the College of Design Michael Speaks. Dean Speaks came to Kentucky from California and has been at the university for two years. He loves doing things from designing energy efficient manufactured housing to redoing riverfronts along the Ohio River. He asked Dean Speaks to come forward and give his presentation.

Dean Speaks said that he wanted to show some things that the faculty and students are doing in the College of Design. He began his presentation by talking about fly ash and the many things that can be done with it. Through a series of photographs, he showed some design + energy related projects that the college is doing around the state and talked about some of the college's design + energy initiatives.

The College of Design has entered strategic partnerships with a number of energy researchers, providers, and manufacturers, to launch "Design + Energy Initiatives." The focus is on developing innovative, energy-related design solutions. Some featured projects are below:

#### Fly Ash Prototypes

The College of Design's Fabrication and Design Workshop has been working with the University of Kentucky Center for Applied Energy Research (CAER) to create prototypes that make use of fly ash. Fly ash is one of the residues generated in the combustion of coal and is generally captured from the chimneys of coal-fired power plants.

[www.uky.edu/Design/FlyAsh](http://www.uky.edu/Design/FlyAsh)

#### Solar Decathlon

One of 20 finalists selected by the U.S. Department of Energy, the College of Design, in collaboration with the College of Engineering and College of Agriculture at the University of Kentucky, designed and built an energy-efficient, solar house, which was displayed in Washington, D.C. in fall 2009. On October 16, 2009 the U.S. Department of Energy announced the winners of the 2009 Department of Energy Solar Decathlon competition on the National Mall in Washington, D.C. The University of Kentucky's SKY BLUE House placed ninth in the competition. [www.uky.edu/Design/Solar\\_Decathlon](http://www.uky.edu/Design/Solar_Decathlon)

[www.uky.edu/solarhouse](http://www.uky.edu/solarhouse)

#### Houseboat to Energy Efficient Residences (HBEER)

Partnering with the Center for Applied Energy Research at UK, and sponsored, in part, by the Kentucky Highlands Investment Corporation and the Kentucky Housing Corporation, the College of Design has initiated a multi-year project to design and build energy efficient, low-income residences. This fall, three architecture studios are developing design concepts for three deliverables: 1) a thousand square foot manufactured housing unit; 2) a community/neighborhood design that will enable the units to take advantage of centralized energy efficiencies as well as geothermal; and 3) factory design where the units can be manufactured. [www.uky.edu/Design/HBEER](http://www.uky.edu/Design/HBEER)

#### The River Cities Project: Henderson, KY

The "River Cities Project" is an extension and expansion of "The Henderson Project," which began in June 2007 when students from the University of Kentucky's College of Design and the Southern California Institute of Architecture in Los Angeles traveled to Henderson for a five-day design workshop. The "River Cities Project" began this year with a one-year studio focused on Henderson. In fall, 2008 a graduate level studio developed strategic design proposals for the city of Henderson. In spring, 2010, the emphasis is on the recently retired HMPL1 Plant and the Henderson riverfront. The graduate studio is now developing designs that will adaptively reuse the recently decommissioned HMPL1 plant situated between two existing parks on the scenic Ohio River in Henderson.

[www.uky.edu/Design/Henderson](http://www.uky.edu/Design/Henderson)



Brown Forman Chair in Urban Design Spring 2009

In Spring 2009 the College of Design at the University of Kentucky conducted a year-long research and design study of the Shippingport area in Louisville, KY. The Shippingport area, located just west of downtown Louisville, has a significant waterfront and extensive infrastructure and enormous potential for future development. Development has been limited, however, because the entire area is cut off from the rest of the city by the freeway. Students analyzed and made strategic design proposals for the Shippingport area intended to stimulate economic development and bring much-needed jobs. Proposals included developing a complex of business incubators and needed vocational schools, including a culinary school with a restaurant; developing a centralized hospitality complex served by light rail that would tie together the many entertainment "events" hosted by the city; creating a network of pocket parks that connect to the existing Olmstead Park system; and developing a new Green Ford Motor Company Campus where a new line of hybrid and electric products would be designed, developed, and built. This past spring, students developed these proposals into design proposals. A large model and video presentations of the proposals were displayed at the 21c Museum in Louisville from May 27 to June 6.

Dean Speaks talked about a symposium called politics at the Lexington Public Library. It is a symposium looking at the relationship between design and public policy. It is called politics because one of the speakers, who is the director of National Spatial Planning in the Netherlands, wrote a book last year called *Design and Politics*.

Dean Speaks thanked President Todd and members of the Board for the opportunity to speak at the meeting, and he received a round of applause.

President Todd expressed pleasure in having someone, who is not a Kentuckian, come into the dean's position and adopt projects which can utilize Kentucky's assets. He thanked Dean Speaks for his presentation.

K. Candidate for Degree - Bluegrass Community and Technical College (AACR 1)

Ms. Brown, chair of the Academic Affairs Committee, reported that the committee met that morning and had three action items as well as an informational update from Geraldine Emachio, the associate dean for the College of Fine Arts. AACR 1 is a recommendation that the president be authorized to confer upon the individual whose name appears on the list the degree to which she is entitled. Since July 1, 2004, there has been an agreement that Lexington Community College students who were or are officially enrolled on or before September, 2004 in associate degree programs approved by the UK Board of Trustees and who complete the associate degree program on or before August 31, 2010 shall have their degrees conferred by the UK Board of Trustees. On behalf of the Academic Affairs Committee, Ms. Brown moved acceptance of AACR 1. Mr. Shoop seconded her motion, and it passed without dissent. (See AACR 1 at the end of the Minutes.)

L. Change of Organizational Structure of the Alvin E. Evans Law Library (AACR 2)

Ms. Brown said that AACR 2 recommends that the Board of Trustees approve the transfer of administrative oversight for the Alvin E. Evans Law Library from UK Libraries to the College of Law, effective July 1, 2010.

In the past, the Alvin E. Evans Law Library has been administered as part of the UK Libraries. Under this structure, the Dean of the College of Law, the Director of Law Library, and the law faculty have been responsible for the determination of basic law library policies related to meeting the reference, instructional, research, and service needs of the College of Law faculty, staff, and students.

Only six out of 200 United States law schools have an administrative structure for law library operations similar to the UK's current structure. This structure has raised concerns for UK's American Bar Association (ABA) accreditation process in the past because of the ABA's requirement of autonomy.

This proposal has been reviewed and recommended for approval by the University Senate. The provost of the university supports this recommendation. On behalf of the Academic Affairs Committee, Ms. Brown moved approval of AACR 2. Ms. May seconded her motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

M. Proposed Revision to Administrative Regulation: Research Conflict of Interest and Financial Disclosure Policy (AACR 3)

Ms. Brown said that AACR 3 recommends that the Board of Trustees approve the attached revision of Administrative Regulation (AR) 7:2, Research Conflict of Interest and Financial Disclosure Policy. The proposed revision consists of clarifying the definition of "Significant Financial Interest" pursuant to a recommendation by the Association for the Accreditation of Human Research Protection Programs (AAHRPP).

The university's mission involves three primary functions: instruction, research, and service. In compliance with state and Federal law, AR 7:2 sets forth policies, principles, and procedures to ensure that the personal financial interests of university employees do not compromise: a) the objectivity with which research is designed, conducted, and reported; b) the welfare of research participants; or, c) the objectivity with which intellectual property is developed.

The revision clarifies the definition of "Significant Financial Interest" according to the standards of the Association for the Accreditation of Human Research Protection Programs (AAHRPP). The AR is also renumbered according to the new University Administrative Regulation numbering system. On behalf of the Academic Affairs Committee, Ms. Brown moved approval of AACR 3. Ms. Young seconded her motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

Ms. Brown reported on the information item presented to the committee. She said that Dr. Geraldine Maschio from the College of Fine Arts spoke on arts and creativity in the new general education curriculum. A course in the arts and creativity will be a requirement in the new general education curriculum. Currently, six courses are being developed requiring creative thinking, historical importance, and an experiential component. Students will need to make something in music, art, theatre, or creative writing. The making art experience is designed to encourage students to think differently about problem solving.

She also shared an update on a \$200,000 grant that the College of Fine Arts has applied for from the Association of Performing Arts Presenters funded by the Doris Duke Foundation. The grant focuses on integrating performing arts on campus in transformative ways. UK is currently in round two of the application process and will find out in August about the grant.

N. Audit Subcommittee Report

Mr. Branscum, chair of the Audit Subcommittee, reported that the committee met that morning with several items of business. The committee first heard from Joseph Reed, UK's senior director of internal audit. Mr. Reed summarized both the internal audit and audit subcommittee charters and highlighted the suggested amendments. The charters were last updated five and six years ago respectively, and a draft of the suggested changes is planned for review at the first meeting of the fiscal year 2011.

The committee reviewed and approved an updated 2009-10 work plan to reflect and incorporate the actual work that is being performed. The work plan was adjusted for a more comprehensive review and at management's request. The adjusted work plan focuses on the process consultation information system security and comprehensive audit reviews. The previous 2009-10 work plan activities will be assessed and carried forward on the 2010-11 work plan. The committee had the opportunity to ask questions regarding the 2010-11 work plan process.

The committee also heard from Mary McKinley, who represented the university's external auditors BKD. Ms. McKinley reviewed her firm's preliminary audit plan for the year ending June 30, 2010. The committee had the opportunity to ask questions about the audit engagement in areas of emphasis in this year's audit.

The committee also revised the audit engagement letter for the services BKD will provide for Coldstream Laboratories Inc. (CLI). The new engagement is for a compilation of the balance sheet and related statements of operation, stakeholder's equity, and cash flows for the year ending December 31, 2009. In addition, BKD will perform other agreed upon procedures to review various account balances and transactions of the financial statement.

The next meeting of the Audit Subcommittee will be Tuesday, October 12. At that time, the committee will receive the management's presentation of the audited financial statements for the year ended June 30, 2010 and hear from the external auditors regarding the conduct of the audit.

O. Finance Committee Report

Mr. Branscum, chair of the Finance Committee, reported that the committee met that morning with all members of the committee present as well as many Board members. He thanked everyone for their commitment to the committee. He reported that there were eight reports and action items. FCR 1 regarding a gift and pledge was on the consent agenda. The gift and pledge totals \$1 million of which \$400,000 is eligible to be matched by the state through the Endowment Match Program. On behalf of the university, he thanked Dr. and Mrs. Siby Saha for their generous support.

P. Acceptance of Interim Financial Report for the University of Kentucky for the Six Months Ended December 31, 2009 (FCR 2)

Mr. Branscum said that FCR 2 is a recommendation that the Board accept the consolidated financial report for the six months ended December 31, 2009. A summary of the financial statements was distributed to the committee prior to the meeting. During the first six months, the university has realized 51 percent of the revenue estimate and expended 44 percent of the approved budget.

State appropriations reflect a decrease of \$15 million or 8 percent as compared to the prior year actual. By June 30, 2010, state funds will be reduced by a total of \$30 million as compared to the original FY 2009-10 budget. However, \$21 million of the \$30 million cut is offset by federal stimulus funds.

The balance sheet remains sound with assets of \$3.5 billion and liabilities of \$1.1 billion. Fund balances of \$2.2 billion represent a nearly 63 percent equity position in the total assets.

Revenues and appropriated fund balances have exceeded expenditures to date by \$173.1 million. At the end of the first six months of the 2009-10 Fiscal Year, financial operations are consistent with the budget plan, and the university's financial condition remains excellent.

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

Q. Construct Center for Applied Energy Research Laboratory Building #2 (FCR 3)

Mr. Branscum said that FCR 3 is a recommendation that the Board approve the initiation of the Construct Center for Applied Energy Research Laboratory Building #2 capital project. The project is to construct a new 36,000 square foot facility at the Spindletop Research site. This facility will house labs for the process development and prototype manufacturing and testing to support applied research on batteries, capacitors, solar energy materials, and biofuels. The Kentucky Biofuels Laboratory will also be located within this new facility.

The project is estimated to cost \$16.27 million of which \$11.8 million is funded from a federal stimulus funds grant, \$3.5 million from the Kentucky Energy and Environment Cabinet, and the remaining \$944,000 from the university's Office of the Vice President for Research.

Additionally, a \$3.5 million grant from the Energy and Environment Cabinet is being negotiated to allow expanded energy efficiency and renewable energy technology implementation within the new facility. If successful, this will bring the total scope of the project to \$19.77 million.

Normally, the capital approval process begins with the Board of Trustees and upon the Board's approval, the project is submitted to the Council on Postsecondary Education (CPE) and the Capital Projects and Bond Oversight Committee. However, due to the requirements of the federal grant regarding when the project is initiated and completed, and after consultation with Board Chair Mira Ball, President Todd submitted this project to CPE at its February 11, 2010 meeting. CPE approved the project contingent upon the Board's approval at this meeting. Assuming the Board approves the project, it will be submitted to the Capital Projects and Bond Oversight Committee on March 15. On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 3. Mr. Shoop seconded the motion, and it carried without dissent. (See FCR 3 at the end of the Minutes.)

R. Renovate 4<sup>th</sup> Floor Sanders-Brown Center (FCR 4)

Mr. Branscum said that FCR 4 recommends that the Board approve the initiation of the Renovate 4<sup>th</sup> Floor Sanders-Brown Center capital project. This project will renovate 9,000 square feet on the 4<sup>th</sup> floor of the Sanders-Brown Center on Aging. The project will include retrofitting outdated research support space and mechanical equipment to meet current regulatory requirements.

The project is estimated to cost \$6.4 million and will be fully funded with a grant from the National Institutes of Health through the American Recovery and Reinvestment Act federal stimulus package.

Contingent upon approval from the Board, the project will be submitted to CPE on April 23 and the Capital Projects and Bond Oversight Committee on May 18. On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 4. Dr. Brockman seconded the motion, and it carried without dissent. (See FCR 4 at the end of the Minutes.)

S. Kentucky Cabinet of Health and Family Services Lease (FCR 5)

Mr. Branscum said that FCR 5 authorizes the Executive Vice President for Finance and Administration or his designee to negotiate and execute a lease between UK and the Kentucky Cabinet of Health and Family Services for Lot 35 in the Coldstream Research Campus and to execute all appropriate final record plats as to the future dedication of roadways and rights of way to the Lexington-Fayette Urban County Government necessary to access the property.

As background information, the 2008 Kentucky General Assembly authorized \$129 million to construct a new Eastern State Hospital at the Coldstream Research Campus. As part of an agreement between the state, the Kentucky Community and Technical College System, the Lexington-Fayette Urban County Government and the University of Kentucky, new KCTCS buildings will be constructed at the current Eastern State Hospital site. While KCTCS will continue to have a presence at UK, the university and KCTCS will collaborate to designate and reallocate KCTCS buildings on the university's main campus.

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

T. Renovate Parking Structure #3 – Hospital (FCR 6)

Mr. Branscum said that FCR 6 is for the project to renovate Parking Structure #3 which is the Kentucky Clinic parking structure located between Rose Street and South Limestone. The renovation will include repairing the concrete topping on levels 2 and 3; painting of pre-cast connections, and other repairs necessary to protect the structure from moisture penetration. The project is estimated to cost \$1 million and will be funded by UK HealthCare. On behalf of the Finance Committee, he recommended approval of FCR 6. Mr. Stuckert seconded the motion, and it carried without dissent. (See FCR 6 at the end of the Minutes.)

U. Capital Construction Report (FCR 7)

Mr. Branscum said that Mr. Wiseman gave a very detailed update on the capital construction report for the three months ending December 31, 2009. There were three new contracts; two contracts completed; one contract amended; and 33 change orders greater than \$25,000.

The three new contracts were:

- A \$40,000 contract with Denham Blythe to design the Renovate/Expand Center for Applied Energy Research – Phase II project;
- A \$407,000 contract with Meyer Midwest to construct the Children's Garden at the Arboretum project; and,
- A \$276,300 contract with TP Mechanical to renovate the Central Computing Facility project.

The two completed contracts were:

- the \$1 million contract with LAGCO, Inc., for the Replace Steam and Condensate Pipe – Farm Road project; and
- the \$1.89 million contract with Denham Blythe for the Convert Hunt Morgan Space to Class Lab project.

While the number of change orders appears large, over 20 of the 33 change orders are associated with the patient care facility and total less than \$1.5 million. When the project was initiated, the Board was advised that there would be many such change orders as the project progressed. The project is on schedule and on budget and contingencies as well. On behalf of the Finance Committee, Mr. Branscum recommended approval of FCR 7. Ms. Haney seconded the motion, and it carried without dissent. (See FCR 7 at the end of the Minutes.)

V. Patent Assignment Report (FCR 8)

Mr. Branscum said that Vice President for Research James Tracy gave the committee an exciting, amazing quarterly Patent Report about the research program. As of December 31, 2009, the university has filed 16 patent applications and had 12 patents issued. The university received \$603,077 of patent income. On behalf of the Finance Committee, Mr. Branscum recommended acceptance of FCR 8. Ms. Pease seconded the motion, and it carried without dissent. (See FCR 8 at the end of the Minutes.)

W. Investment Committee Report

Dr. Brockman, chair of the Investment Committee, reported that the Endowment had a net market value of \$768.8 million as of January 31, 2010. Consistent with the overall market decline, the Endowment lost 8.2 percent for the fiscal year ended June 30, 2008 and 20.9 percent for the fiscal year ended June 30, 2009. The Endowment has recovered some of the prior market losses in the current fiscal year, returning 13.6 percent for the seven-month period that ended January 31st.

He said that the Investment Committee met that morning to review performance results and hear an update on the implementation of the new target asset allocation approved in June 2008. The new target allocation, with a lower equity allocation and higher allocation to alternative investments, is expected to modestly increase returns; but more importantly, the new target allocation is expected to decrease the volatility of future returns.

For the year ended December 31, 2009, the Endowment pool returned 22.4 percent, compared to the policy benchmark return of 17.1 percent. The policy benchmark is a weighted average of various market index returns that are representative of the university's target asset allocation. The 2009 outperformance against the policy benchmark is due to an overweight to equities because the decision was made to delay full implementation of the new asset allocation so that the equity assets could benefit from the market rally and recover some of the prior losses. This decision proved to be beneficial. In June 2009, after three months of market recovery, the investment staff initiated a transition plan to implement the new absolute and real return strategies in four quarterly installments. The fourth and final quarterly installment will be completed this month. By gradually reducing the exposure to equities and funding the new absolute and real return strategies, the Endowment participated in the market recovery during the second half of calendar year 2009 and is positioned well for 2010, which looks to be a challenging market environment.

Prior to the Investment Committee meeting, the Office of the Treasurer provided an investment overview session for interested Board members on the university's endowment and overnight and short-term investment programs.

X. Student Affairs Committee Report

Ann Haney, chair of the Student Affairs Committee, reported that the committee met that morning and received an Overview of the Education Abroad Program presented by Dr. Susan Carvalho, associate provost for international affairs, and Dr. David Bettez, international affairs director. Dr. Carvalho presented the following information about the program:

- UK needs to be a global institution because it reaches out globally.
- A Focused Plan for internationalization was created four years ago, and one of the main goals of that plan is to have students be able to study abroad.
- Student Affairs is working with international affairs to remove barriers reported to be family, friend, finances, and fear.
- In the 2008-09 school year, UK had almost 600 students participate in Study Abroad program.
- It is hoped that the recently approved International Education fee that all students pay when they pay their tuition will help close the gap with the funding and the finance part by supplying students with small scholarships toward international study.
- There is a program called Revenue Neutral, which is devising programs with other universities in other countries whereby UK's students pay UK tuition to study at international universities and vice versa for their students as well. This makes it more affordable for students on both sides of the world to be able to study in other countries.
- Smith Hall is home to the Global Village Community in the Living Learning Communities. A domestic student can request an international student as a roommate and live there. This helps make the transition a little easier, and American students also have much to learn culturally. It is not just international students learning from us, it is us learning from them as well. Smith Hall has been a great success for UK students.

Ms. Haney said the committee had a lively question and answer session about the Study Abroad program. The goal of that office is to have every UK student who desires to study abroad at some point during their tenure on campus, to be able to study abroad. Studying abroad is becoming much more important in the world today.

Ms. Haney said that the committee received a report from Student Government President Ryan Smith. She commended the DanceBlue team for their record raising amount of approximately \$2 million in five years. She noted that much of those five years have been during tough economic times. This accomplishment is absolutely phenomenal.

For Board members who have not attended a DanceBlue event, Ms. Haney strongly urged them to go next year. It is an amazing experience. She said that she went at the beginning, and the energy level was high. She also went back about three hours before it concluded to see how the students were doing, and they absolutely exhausted her. There were



approximately 200 student organizations to take part in the event this year. That is almost half of the registered student organizations. It was a heartwarming, wonderful event.

Ms. Haney reported that the Student Government Association is also working on a scholarship drive. The goal is to raise \$250,000 for general student scholarships. She said that Ryan Smith had thanked UK officials for allowing the students to take part in the selection process for the new vice president of student affairs. Mr. Smith has also been working closely on the housing issue with local government. She asked Mr. Smith to give the Board an update on the housing issue.

Mr. Smith said that the student housing issue has become a point of contention over the past several months. The city is attempting to redefine the definition of family and communal living. The city is attempting to cap student housing around campus on State Street and University Street to no more than four students. He believes that this might displace a lot of students, but the Student Housing Task Force that the city developed made a recommendation that the university create an off campus housing office. He commended the university for doing that and for following the recommendation of the Student Housing Task Force in creating an off campus housing office.

Mr. Smith commended UK Police Chief Joe Monroe for organizing a forum for students to come and speak with him about any concerns they might have whether it be safety concerns or another subject. Chief Monroe has a great program called "Coffee with the Chief," and anytime any student has an issue or a problem or they just want to talk to him about something on campus, he schedules appointments with students. He thanked Chief Monroe for the openness and his willingness to work with students.

Mr. Smith informed the Board that the students held a rally for higher education in Frankfort this past month, and it was a great success. The students had meetings with Senator David Williams, Governor Steve Beshear, and Representative Carl Rollins, as well as various other legislators. The students voiced their concern and support for funding for secondary education.

Mr. Stuckert asked for clarification on Mr. Smith's previous comment about capping student housing to no more than four students.

Mr. Smith explained that it would be four per house. Currently, there are not any regulations on R1 and R2 zone properties, and the city is looking at capping unrelated individuals living together in a home. This would primarily affect students, particularly on State Street and University Street where there is 80 to 90 percent students living on those streets. If there are homes occupied by five, six, or seven students, it is going to be capped at four, and those students are going to be forced to find other living arrangements under the current proposal that has been passed. He noted that it is a proposal at this time, and there are many other meetings it has to go through.

Ms. Haney concluded her remarks by saying that the Student Government Association is looking at ways that student athletic tickets can be distributed, particularly for basketball.

Students are interested in having a tweaked or new procedure. She noted that this goes back to 1967 when she started at UK, and the students did not like the ticket distribution process at that time.

Y. University Health Care Committee Report

Ms. Young, chair of the University Health Care Committee, reported that the Health Care Committee met Monday afternoon. There were eight trustees and three community members present. The committee had one action item. UHCCR 1 is a recommendation that the Board approve a new appointment and reappointment of those listed in exhibit A to the University of Kentucky Center on Aging Foundation Board of Directors. The corporation is a not-for-profit support organization of the university, established to support the university's Center on Aging and related programs.

Mrs. Mollie Jameson, who is a community volunteer and Alzheimer's Disease advocate from Lexington, Kentucky, is recommended for appointment. Ms. Jameson graduated from Eastern Kentucky University in 1980. She is married to Tom Jameson. She has served on the Family Care Center Board, Lexington Ball Committee, International Museum of the Horse Board, Black Stallion Foundation and has been active in many community projects and fundraising activities.

Mr. Robert Quick, president and CEO of Commerce Lexington, Lexington, Kentucky is recommended for reappointment.

On behalf of the committee, Ms. Young moved approval of UHCCR 1. Mr. Gatton seconded her motion, and it carried without dissent. (See UHCCR 1 at the end of the Minutes.)

Mr. Young reported that Mr. Sergio Melgar gave the financial report for January. Volume for the system has weakened in the last couple of months, but there has continued to be an increase in discharges on a year-to-year basis of about 1.5 percent. Surgery volume continues very strong and growth year-to-year is just under 5 percent, which is great.

The patient scene continues to increase in acuity indicating UK HealthCare continues to become a more important referral center for the Commonwealth.

On the revenue side, the numbers continue very strong with January recording \$67 million. January revenue this year was \$8 million higher than last year.

Expenses have remained stable and consequently the strong revenue has translated to a year-to-year bottom line of approximately \$26 million, an increase of \$12 million over the prior year.

There was an investment loss for the month, but investment income for the year is now at \$20 million.

Ms. Young reported that the committee heard a report from Mr. Murray Clark about the building project. As Mr. Branscum reported previously, the project is on schedule and on budget.

Ms. Young said that a good portion of the meeting was devoted to Dean Jay Perman, who is leaving Kentucky and going to Maryland. Dr. Perman reported on the state of the College of Medicine and key achievements during his tenure. He reported improvements in the quality and number of applicants to the college, noting that applications had doubled to over 2,000 in each of the last four years for 115 available openings, while the MCAT score had risen to 31, an increase of 10 percent in four years and the highest level ever for UK. There are now over 3,100 UK College of Medicine graduates practicing in Kentucky. There has been a significant growth in research with grants this year, totaling almost \$100 million after seven months, while the past five years have averaged \$110 million for the entire year. NIH grants are up significantly from the same period two years ago nearly doubling.

Ms. Young said that the college will miss Dean Perman. He has really done a remarkable job, and the college has come a long way during his tenure. The good news is that he has left the college in very good shape. UK will be a very attractive position for recruitment.

Susan McDowell, the assistant dean of graduate medical education, presented a report card for the College of Medicine. Among other statistics, she reported that the class of 2008-09, which consisted of 149 students, had graduated, and 84.5 percent passed their medical board exam. Ms. McDowell said this was very respectable for any medical school. Of those who graduated, 51 percent stayed in Kentucky.

Ms. Young concluded her report by informing the Board that the College of Medicine will face its accreditation review at the end of the year.

Z. Other Business

Mr. Stuckert said that he would like to take a moment and comment about President Lee Todd. He thanked President Todd for his leadership of the University of Kentucky. He reflected on a comment that President Todd made to the search committee when he was hired as president: "I do not want to be a president of a university. I want to be the president of the University of Kentucky." President Todd sold everybody on the committee with that comment.

Mr. Stuckert said as a Board member and as someone who has known President Todd for 30 years, he thinks that President Todd has done an incredible job leading the university forward. President Todd is under unrelenting pressure from so many entities, such as students, parents, alumni, faculty, staff, legislators, and the Athletics Department. Mr. Stuckert noted that he has received an e-mail from President Todd as late as 10:40 p.m.

Mr. Stuckert said that President Todd is more than willing to spend time with students. He said that he brought an individual that he would really love to have matriculate in the university to meet with President Todd, and President Todd was more than glad to spend an hour with the individual.

Mr. Stuckert referred to the Great Teacher Awards mentioned in PR 1 and said that President Todd was a great teacher when he taught at UK and was a recipient of a Great Teacher Award. Kentucky Highlands that Dean Michael Speaks spoke about in his presentation is one of the entities that backed Lee Todd when he had Databeam Corporation 27 years ago.

President Todd has never given up on what he really believes in, and that is trying to get Kentucky to do and to become a more internally oriented job creation. President Todd has done it from day one and is still doing it. It is unrelenting pressure, and he just keeps going.

Mr. Stuckert recalled some comments made by the Council on Postsecondary Education President Bob King the previous evening. President King talked about how the legislators in Frankfort respect President Todd. Mr. King says that President Todd is well respected by his peers throughout the university land and is called numeral uno relative to his peer group.

Mr. Stuckert said that President Todd has represented the University of Kentucky extraordinarily well, and he is very pleased personally with everything that President Todd has done with his guidance and leadership. He said that UK is in wonderful hands, and he wanted to take a moment and thank President Todd. The Board gave Mr. Stuckert a round of applause for his comments about President Todd.

AA. Meeting Adjourned

With no further business, Ms. Ball adjourned the meeting at 2:20 p.m.

Respectfully submitted,

Pamela T. May  
Secretary, Board of Trustees

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